

DEPARTMENT OF ENERGY
FY 2001 CONGRESSIONAL BUDGET REQUEST
STRATEGIC PETROLEUM RESERVE

PROPOSED APPROPRIATION LANGUAGE

For necessary expenses for Strategic Petroleum Reserve facility development and operations and program management activities pursuant to the Energy Policy and Conservation Act of 1975, as amended (42 U.S.C. 6201 seq.), [\$159,000,000] \$158,000,000 to remain available until expended [:Provided, That the Secretary of Energy hereafter may transfer to the SPR Petroleum Account such funds as may be necessary to carry out drawdown and sale operations of the Energy Policy and conservation Act (42 U.S.C. 6241) from any funds available to the Department of Energy under this or any other authority must be replenished as promptly as possible from oil sale receipts pursuant to the drawdown and sale].

DEPARTMENT OF ENERGY
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STRATEGIC PETROLEUM ACCOUNT

PROPOSED APPROPRIATION LANGUAGE

From funds appropriated in prior years under this head, \$7,000,000 is hereby rescinded.

DEPARTMENT OF ENERGY
FY 2001 CONGRESSIONAL BUDGET REQUEST
STRATEGIC PETROLEUM RESERVE
(Tabular dollars in thousands. Narrative in whole dollars)

STRATEGIC PETROLEUM RESERVE

PROGRAM MISSION

The Strategic Petroleum Reserve (SPR) was created by the Energy Policy and Conservation Act of 1975 (EPCA) to provide the United States with adequate strategic and economic protection against disruptions in oil supplies. The SPR Program was established as a 750 million-barrel (MMB) capacity crude oil reserve with storage in large underground salt caverns at five sites in the Gulf Coast area, connected to major private sector distribution systems, and maintained to achieve full drawdown rate capability within fifteen days of notice to proceed. Storage capacity development was completed in September 1991 providing the capability to store 750 million barrels of crude oil in underground caverns ready to deploy at the President's direction in the event of an emergency. As a result of the decommissioning of the Weeks Island site in 1999, the Reserve lost 70 million barrels of capacity. However, the Department has reassessed the capacities of the remaining storage sites and estimates they are currently capable of storing 700 million barrels. This increase in capacity is a result of fresh water leaching of the caverns during the drawdown of oil in previous years, such as the Desert Storm drawdown activities, oil sales in fiscal years 1996 and 1997, oil degassing movements and various site drawdown tests. During FY 1998, an inventory of 561 million barrels provided 60 days of net import protection. By FY 2001, this is projected to decline to 53 days. The decline rate is the result of the projected growth of U.S. requirements for imported crude oil and the reduction in U.S. domestic oil production.

The GOAL of the SPR is to:

Ensure readiness and maintain the capability to drawdown and distribute crude oil from the SPR to protect the domestic U.S. economy from the impact of energy supply disruptions and to act cooperatively with member nations of the International Energy Agency (IEA) to deter or respond to supply disruptions which would adversely affect member nations.

PERFORMANCE GOAL ACCOUNTABILITY is linked to a comprehensive structure of organizational performance expectations and reviews. SPR's Level 1 Technical and Performance Criteria defines SPR's physical facility performance requirements at every level of facility design and operation and are based on the specific performance requirements in the SPR Plan and its Amendments as approved by Congress. The SPR Strategic Plan forms the basis for the SPR Annual Performance Plan. This plan specifies the strategic objectives which contribute directly to the Department's goals and objectives for which we will be accountable. Whereas there are many detailed performance measures and indicators at the SPR, the Annual Performance Plan only includes the vital

few that are essential to assessing the accomplishment of program goals. The following performance measures have been developed to determine the extent to which goals and desired outcomes and results are being achieved.

SPR PERFORMANCE MEASURES	FY 2001 OUTPUT TARGETS
Total crude oil capacity at Bayou Choctaw, Big Hill, Bryan Mound and West Hackberry sites.	700 MMB
Oil inventory available.	587.3 MMB
Drawdown rate.	4.1 MMB/Day
Distribution capability as a percentage of drawdown rate.	120% minimum
Calculated, predicted site availability.	≥ 95%
Weighted annual average of the performance elements in the Maintenance Performance Appraisal Report (MPAR).	≥ 95% of possible points
Weighted annual average of the performance elements of the Material Performance Appraisal Compilation (MPAC).	≥ 95% of possible points
Recovery equipment testing.	95% of test objectives
Percent of: <ul style="list-style-type: none"> - Trained Emergency Response Team members at each site - Operational spill response equipment available - Primary or secondary fire response equipment available. 	95% 95% 95%
Percent of site security survey ratings that are satisfactory.	100%
Variance between oil sent and oil received during oil movements.	≤ .4%
Percentage of crude oil samples meeting specifications.	≥ 95%
Percent of Major Maintenance projects supported by cost benefit analyses, risk assessments, and/or criteria requirements.	100%

SPR PERFORMANCE MEASURES	FY 2001 OUTPUT TARGETS
Days with no reportable/recordable ES&H events.	≥ 310 days
Number of environmental permit noncompliances received (including Notice of Violations (NOVs)).	≤ 10
Total waste generated.	≤ 3,265,000 lbs
Hazardous waste volume.	≤ 3,240 lbs
Lost workday case rate for the SPR.	≤ 1.1 cases per 200,000 worker hours
Lost workdays per case for the SPR.	≤ 35 days per case
Operating cost per barrel of storage capacity.	\$0.19 per barrel
Percent of Level 1 and 2 milestones completed on schedule.	≥ 90%
Percent of performance measure output targets achieved.	≥ 90%

SIGNIFICANT ACCOMPLISHMENTS

WEEKS ISLAND DECOMMISSIONING: The Department determined that the risks associated with the continued use of the Weeks Island, Louisiana, site were not acceptable due to continued deterioration of cap rock and salt that has compromised the integrity of the mine and decided to relocate the crude oil inventory and decommission the site. During FY 1998, relocated the site's crude oil inventory to the Bayou Choctaw, Louisiana and Big Hill, Texas sites. Decommissioning was completed in December 1999 after the site was backfilled with brine to ensure long-term mine stability.

LIFE EXTENSION: By the end of fiscal year 2000, the Strategic Petroleum Reserve will have completed a comprehensive systems refurbishment to assure physical system capability through the year 2025. The Life Extension Program had achieved cumulative obligations of the total estimated cost (TEC) of 96% by the end of FY 1999; with the 100% target set for the end of FY 2000.

FOREIGN STORAGE: On September 22, 1998, the SPR's Big Hill site was activated as a foreign trade zone subzone. The Department has offered to store foreign-owned oil in underutilized caverns. The foreign trade zone designation, which permits foreign countries to store oil without paying customs fees and

certain taxes, is expected to enhance the Department's offer to store oil for foreign governments or their representatives.

COMMERCIALIZATION: Continued initiatives to lease or sell SPR facilities that are not required for standby operational readiness and have no adverse impact on the SPR mission or program. The Government has already received revenues from the lease of the St. James Terminal, the Big Hill Pipeline, and the Bayou Choctaw and Bryan Mound pipelines.

ROYALTY OIL: The Department, in a joint initiative with the Department of Interior, is implementing a royalty oil transfer plan to replace approximately 28 million barrels of oil which were sold from the Reserve in fiscal years 1996 and 1997 largely for deficit reduction purposes. Royalty oil is owed to the U.S. government by operators who acquire leases on the federally-owned Outer Continental Shelf. The Department and Interior's Minerals Management Service is conducting a competitive exchange in which royalty oil produced at the offshore platform will be offered for crude oil that meets the Reserve's specifications and may be delivered to any of four Reserve sites. The Department expects to complete the delivery of exchanged oil early in FY 2001.

BUDGET HIGHLIGHTS

The request for FY 1999 included storage site maintenance, operations, security, drawdown testing, and drawdown readiness; the long term replacement of critical physical systems to assure the capability of the SPR to effectively perform its mission through the year 2025, and decommissioning of the Weeks Island storage facility. Decommissioning of the Weeks Island facility was completed in December 1999. FY 1999 was financed with \$159.9 million in new Budget Authority. There was no oil acquisition by direct purchase.

The FY 2000 appropriation continues storage site maintenance, operations, security, drawdown testing, and drawdown readiness. For FY 2000 financing, the SPR received \$158.4 million in new Budget Authority.

The FY 2001 request continues storage site maintenance, operations, security, drawdown testing, and drawdown readiness. For FY 2001 operations, maintenance, and management financing, the SPR requests \$158.0 million in new Budget Authority. In addition, the budget identifies a rescission of \$12 million in prior year balances in FY 2000 and \$7.0 million from the SPR Petroleum Account. No funds are requested for direct purchase of additional crude oil.

DEPARTMENT OF ENERGY
 FY 2001 CONGRESSIONAL BUDGET REQUEST
 FOSSIL ENERGY
 (Tabular dollars in thousands, narrative in whole dollars)
 PROGRAM FUNDING PROFILE
 STRATEGIC PETROLEUM RESERVE

<u>Activity</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Base</u>	FY 2001 <u>Request</u>	Program Change <u>Request vs. Base</u>	
					<u>Dollar</u>	<u>Percent</u>
Storage Facilities Development And Operations						
Non-Phase Specific	\$ 145,120	\$ 144,000	\$ 144,000	\$ 141,000	\$ -3,000	-2%
Management	<u>\$ 14,805</u>	<u>\$ 14,396</u>	<u>\$ 14,396</u>	<u>\$ 17,000</u>	<u>\$ +2,604</u>	<u>+18%</u>
Total, Strategic Petroleum Reserve Account BA	\$ 159,925	\$ 158,396 ¹	\$ 158,396	\$ 158,000 ²	\$ -396	0%
SPR Petroleum Account rescissions	\$ 0	\$ -12,000	\$ -12,000	\$ -7,000	+5,000	
Staffing (FTEs)						
Headquarters	25	27	27	27		
Field	<u>110</u>	<u>101</u>	<u>101</u>	<u>101</u>		
Total Staffing	<u>135</u>	<u>128</u>	<u>128</u>	<u>128</u>		

¹Includes FY2000 Omnibus General Reduction of 0.38% (-\$604,000).

DEPARTMENT OF ENERGY
 FY 2001 CONGRESSIONAL BUDGET REQUEST
 STRATEGIC PETROLEUM RESERVE
 (Tabular dollars in thousands, narrative in whole dollars)
 SUMMARY OF CHANGES

FY 2000 Enacted	\$ 158,396
- Non-Discretionary	\$ 0
FY 2001 Base	\$ 158,396

Storage Facilities Development and Operations

o Non-Phase Specific

- Decrease reflects FY 2000 completion of the Life Extension Program (LEP)	-9,131
- Decrease in power requirements as a result of completion of Royalty-in-Kind fill operations and PEMEX oil exchange	-596
- Decrease in terminal services as a result of completion of Royalty-in-Kind fill operations	-1,794
- Increase in level of activity for Major Maintenance construction activities	+7,567
- Decrease reflects completion of Weeks Island site decommissioning	-784
- Increase reflects resumption of full standby operations and maintenance activities following LEP systems testing	+1,738

o Management

- Increase reflects exhaustion of carryover balances used in prior years to offset new Budget Authority requirements	+2,604
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FY 2001 Congressional Budget Request	\$ 158,000
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STRATEGIC PETROLEUM RESERVE

STORAGE FACILITIES DEVELOPMENT/OPERATIONS AND MANAGEMENT

I. Mission Supporting Goals and Objectives:

Storage Facilities Development and Operations funds all requirements associated with developing and maintaining facilities for the storage of petroleum, all operations associated with placing petroleum into storage, all operational readiness activities associated with drawing down and distributing the inventory on a 15-day notice in the event of an emergency, and the anticipated cost of removing oil from and decommissioning the Weeks Island storage site. Requirements not directly associated with facilities development are funded in the Non-phase Specific category of the Storage Facilities Development and Operations budget. Management funds all costs of Strategic Petroleum Reserve personnel; administrative expenses related to maintaining the Project Management Office in New Orleans, Louisiana; contract services required to support management; and the technical analysis of program issues.

Performance Measures

For Storage Facilities Development, Operations, and Management, the key measure of program performance is expressed as capability to comply with Level 1 Performance Criteria. All program activities are developed to support this performance objective and are consistent with the SPR Performance Plan.

II. A. Funding Schedule:

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>\$Change</u>	<u>%Change</u>
Non-phase Specific	\$145,120	\$144,000	\$141,000	\$-3,000	-2%
Management	<u>\$14,805</u>	<u>\$14,396</u>	<u>\$17,000</u>	<u>\$+2,604</u>	<u>18%</u>
Total, Storage Facilities Development & Operations and Management	<u>\$159,925</u>	<u>\$158,396</u>	<u>\$158,000</u>	<u>\$-396</u>	<u>0%</u>

I. B. Laboratory and Facility Funding Schedule:

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>\$Change</u>	<u>%Change</u>
Sandia National Laboratories	\$2,400	\$1,884	\$2,454	+\$570	30%
National Petroleum Technology Office	\$850	\$750	\$750	\$0	0%
Oak Ridge National Lab	\$200	\$150	\$150	\$0	0%
All Other	<u>\$156,475</u>	<u>\$155,612</u>	<u>\$154,646</u>	<u>\$-966</u>	<u>-1%</u>
Total, Storage Facilities Development & Operations and Management	<u>\$159,925</u>	<u>\$158,396</u>	<u>\$158,000</u>	<u>\$-396</u>	<u>0%</u>

III. Performance Summary: STORAGE FACILITIES DEVELOPMENT & OPERATIONS AND MANAGEMENT

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Non-Phase Specific	Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria.	Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria.	Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria.
	Continue the Drawdown Readiness Program and perform annual exercises.	Continue the Drawdown Readiness Program and perform annual exercises.	Continue the Drawdown Readiness Program and perform annual exercises.

Activity	FY 1999	FY 2000	FY 2001
Non-Phase Specific (con't)	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p> <p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p> <p>Continue implementation of the Life Extension Program to replace or upgrade major SPR systems which are reaching their design life as follows: BIG HILL: Demolition of unneeded slabs, supports & structures; upgrade metering at Sun Terminal. BAYOU CHOCTAW: Demolition of unneeded slabs, supports & structures.</p> <p>Continue activities to recover drawdown capability lost as a result of the decommissioning of the Weeks Island site.</p>	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p> <p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p> <p>Conduct testing of major SPR systems at all sites.</p> <p>Continue activities to recover drawdown capability lost as a result of the decommissioning of the Weeks Island site.</p>	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p> <p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p> <p>No activity.</p> <p>Continue activities to recover drawdown capability lost as a result of the decommissioning of the Weeks Island site.</p>

Activity	FY 1999	FY 2000	FY 2001
Non-Phase Specific (con't)	<p>Complete decommissioning of the Weeks Island facility. Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions. Perform brine sampling.</p>	<p>Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions.</p>	<p>Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions.</p>
	<p>Partially re-fill the reserve with federal royalty oil from production in the central Gulf of Mexico.</p>	<p>Partially re-fill the reserve with federal royalty oil from production in the central Gulf of Mexico.</p>	<p>No activity.</p>
			<p>FY2001 Non-Phase Specific totals \$141,000</p>
	\$145,120	\$144,000	\$141,000

Activity	FY 1999	FY 2000	FY 2001
Management	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.
	Provide analytic support for SPR development, fill and distribution policy decisions.	Provide analytic support for SPR development, fill and distribution policy decisions.	Provide analytic support for SPR development, fill and distribution policy decisions.
	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.
	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.
	Continue management of Weeks Island oil transfer and site decommissioning.	Complete management of Weeks Island site decommissioning.	Maintain oversight of geotechnical stability & mine integrity.
	Continue management of the ES&H corrective action program.	Continue management of the ES&H corrective action program.	Continue management of the ES&H corrective action program.

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Management (con't)	Maintain capability to resume oil acquisition.	Maintain capability to resume oil acquisition.	Maintain capability to resume oil acquisition.
	Continue oil quality assurance management activities.	Continue oil quality assurance management activities.	Continue oil quality assurance management activities.
	Finance administrative support provided through the Working Capital Fund.	Finance administrative support provided through the Working Capital Fund.	Finance administrative support provided through the Working Capital Fund.
	A level of 135 FTE's.	A level of 128 FTE's.	A level of 128 FTE's.
	\$14,805	\$14,396	\$17,000
Storage Facilities Development & Operations and Management	\$159,925	\$158,396	\$158,000

SPR PETROLEUM ACCOUNT

OIL ACQUISITION AND TRANSPORTATION

I. Mission Supporting Goals and Objectives:

The SPR Petroleum Account was established in the Treasury pursuant to the provisions of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). This account funds all Strategic Petroleum Reserve petroleum inventory acquisitions, associated transportation costs, U.S. Customs duties, terminal throughput charges, incremental drawdown costs and other related miscellaneous costs.

Performance Measures Not Applicable.

II. A. Funding Schedule:

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>\$Change</u>	<u>%Change</u>
Oil Acquisition and Transportation	\$0	\$-12,000	\$-7,000	+\$5,000	
Total, Oil Acquisition and Transportation	\$0	\$-12,000	\$-7,000	+\$5,000	

III. **Performance Summary:** OIL ACQUISITION AND TRANSPORTATION

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Oil Acquisition and Transportation	<p>FY 1999 Oil acquisition and Transportation program outlays from prior year balances total less than \$1 million for continued drawdown readiness to conduct oil sales. Additional outlay requirements associated with the Royalty-in-Kind transfer of crude oil are: pipeline tariffs to Bayou Choctaw and lease of tanks at Sun Terminal. Remaining unexpended balances held to finance the first several months of a full drawdown, pending receipt of sales proceeds.</p>	<p>FY 2000 Oil acquisition and Transportation program outlays from prior year balances total less than \$1 million for continued drawdown readiness to conduct oil sales. Additional outlay requirements associated with the Royalty-in-Kind transfer of crude oil are: lease of tanks at Sun Terminal, termination of Big Hill pipeline lease to Texaco, and deferred Customs fee liability due to Foreign Trade Zone status. Incremental funding will augment unexpended balance to finance the first several months of a full drawdown, pending receipt of sales proceeds.</p> <p>Rescission of \$12 million from prior balances; planned to be proposed in FY 2000 supplemental appropriation.</p>	<p>FY 2001 Oil acquisition and Transportation program outlays from prior year balances total less than \$1 million for continued drawdown readiness to conduct oil sales. Unexpended balance held to finance the first several months of a full drawdown, pending receipt of sales proceeds.</p> <p>Rescission of \$7 million from prior balances</p>
	\$0	\$-12,000	\$-7,000
Oil Acquisition and Transportation Total	\$0	\$-12,000	\$-7,000