



National Association of
State Energy Officials

November 30, 2022

The Honorable Joe Manchin III
Chairman, Committee on Energy and
Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Patrick Leahy
Chairman, Senate Appropriations
Committee
S-128, The Capitol
Washington, DC 20510

The Honorable Frank Pallone
Chairman, House Committee on
Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Rosa DeLauro
Chair, House Committee on
Appropriations
H-307 The Capitol
Washington, DC 20515

The Honorable John Barrasso
Ranking Member, Committee on Energy
Natural Resources
304 Dirksen Senate Office Building
Washington, DC 2501

The Honorable Richard Shelby
Vice Chairman, Senate
Appropriations Committee
S-128, The Capitol
Washington, DC 20510

The Honorable Cathy McMorris Rogers
Ranking Member, House Committee on
Energy and Commerce
2322 Rayburn House Office Building
Washington, DC 20515

The Honorable Kay Granger
Ranking Member, House
Committee on Appropriations
1036 Longworth House Office Building
Washington, DC 20515

Dear Chairman Manchin, Ranking Member Barrasso, Chairman Leahy, Vice Chairman Shelby, Chairman Pallone, Ranking Member McMorris Rogers, Chair DeLauro, and Ranking Member Granger:

Over the past several months, Northeast State Energy Offices intensified their monitoring of historically-low inventories of distillate (heating oil and diesel) and kerosene, as well as accompanying price spikes. With winter temperatures already upon consumers and businesses in the Northeast, the states' early concerns about this issue have grown in urgency, and we request that Congress immediately take steps to: 1) ensure the Biden Administration and the petroleum industry are prepared to rapidly release fuel held in the Northeast Home Heating Oil Reserve should it be necessary; and 2) take steps to provide the U.S. Department of Energy (DOE) with the authority and resources necessary to expand and modernize the regional reserve.

To illustrate the seriousness of this issue, six weeks ago several Northeastern states reported to the petroleum industry that kerosene used for home heating by thousands

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of families was not available. It took nearly a month for the kerosene supply situation to improve even as prices spiked from about \$2 a gallon to \$7. More importantly, because of the number of consumers impacted, we point to the latest U.S. Energy Information Administration data showing heating oil inventories in the Northeast remain well below the five-year average and prices are now more than double January 2022 levels – leaving many consumers and businesses with a devastating financial situation. The table below depicts the percentage of households in Northeast states impacted by the heating oil supply and price situation.

| State | Percentage of Households Using Heating Oil |
|---------------|---|
| Connecticut | 39% |
| Maine | 48% |
| Massachusetts | 24% |
| New Hampshire | 40% |
| New Jersey | 7% |
| New York | 16% |
| Pennsylvania | 13% |
| Rhode Island | 31% |
| Vermont | 46% |

Source: U.S. Energy Information Administration 2020 data released in 2022

Over the past several weeks, the efforts of DOE's Office of Cybersecurity, Energy Security and Emergency Response (CESER) in monitoring supply concerns and in assisting with state, industry, and federal coordination have been helpful. We believe that elevated resources for CESER to assist states with energy security planning and response is also essential to strengthening our regional and national energy security preparedness.

Congressional Actions Requested

Since the Northeast Home Heating Oil Reserve (NEHHOR) was authorized, the Northeast's regional fuel mix has altered considerably, and the region's long-term climate requirements will include a significant shift to electric heat pumps. However, we are in the early stages of this fuel transition and heating oil remains critical to meeting residents' and businesses' home and hot water heating needs. The urgency of the current fuel situation and longer heating fuel transition have resulted in several near- and mid-term requests of Congress by NASEO.

- Near-term, Congressional Actions Requested (Prior to 12/31/22)
 - Amend the NEHHOR statute to allow for an expedited release process.
 - Reverse the 2011 appropriations language limiting the size of the NEHHOR and provision of resources to DOE to allow for extra capacity to be developed.
 - Support the exchange of a limited amount of Strategic Petroleum Reserve oil for heating oil to more rapidly and cost-effectively expand the NEHHOR.
 - If NEHHOR is tapped, ensure that there is funding for a timely re-fueling process.
 - Provide DOE-CESER with additional resources to aid in supporting the states' energy risk assessments and energy emergency activities.

- Medium-term, Congressional Actions Requested by the States
 - Consider modernizing the NEHHOR reserves to reflect the changing dynamics of energy consumption and markets in New England, including support for the beneficial electrification transition underway.
 - Direct DOE to perform NEHHOR economic benefit analysis and sizing optimization studies.

The historically low distillate (heating oil and diesel) and kerosene inventories in the Northeast and accompanying near tripling of prices will leave consumers and businesses in an untenable situation this winter. We appreciate your consideration of the above requests.

Best regards,



David Terry,
Executive Director, NASEO

Attachment: Background

While the State Energy Offices' Energy Security Plans and actions can aid in managing this historic heating oil and kerosene supply situation, the NEHHOR is the only meaningful heating public oil supply mechanism available during a crisis. The NEHHOR is authorized at 2 million barrels under the *Energy Policy and Conservation Act*. However, in 2011 an appropriations bill included a limitation of providing *no more* than 1 million barrels. A recent Government Accountability Office (GAO) report found that there are statutory limitations that would hinder the Administration's release of petroleum product quickly (e.g., the requirement to sell the fuel through a competitive process).

Following are a number of key background datapoints related to the NEHHOR:

- Following a near doubling of retail heating oil prices between February 1999 and February 2000, the Administration and Congress established and authorized a heating oil reserve containing no more than 2 million barrels, or 84 million gallons.
- Congress formally authorized the NEHHOR through passage of amendments to the Energy Policy and Conservation Act. In 2011, DOE sold all heating oil barrels in the NEHHOR—approximately 2 million barrels at that time—and allowed storage contracts to expire. Sale proceeds were used to acquire approximately 1 million barrels of Ultra Low Sulfur Diesel (ULSD), and new commercial storage contracts were established.
- In 2011, Congress enacted legislation (Consolidated Appropriations Act, 2012, P.L. 112-74)¹ that limits NEHHOR inventories to no more than 1 million barrels of petroleum distillate
 - *Northeast Home Heating Oil Reserve (including rescission of funds) For necessary expenses for Northeast Home Heating Oil Reserve storage, operation, and management activities pursuant to the Energy Policy and Conservation Act, \$10,119,000, to remain available until expended: Provided, That amounts net of the purchase of 1 million barrels of petroleum distillates in fiscal year 2012; costs related to transportation, delivery, and storage; and sales of petroleum distillate from the Reserve under section 182 of the Energy Policy and Conservation Act (42 U.S.C. 6250a) are hereby permanently rescinded: Provided further, <<NOTE: 42 USC 6250f.>> That notwithstanding section 181 of the Energy Policy and Conservation Act (42 U.S.C. 6250), for fiscal year 2012 and hereafter, the Reserve shall contain no more than 1 million barrels of petroleum distillate.*
- DOE's FY 2021 budget justification proposed to eliminate the NEHHOR, stating that the reserve "has never been used for its intended purpose, is costly to maintain, and generally does not provide value to taxpayers."
- The U.S. House Appropriations Committee rejected DOE's proposal and Congress appropriated funding to maintain the reserve.
- In 2022, GAO assessed DOE's 2020 analysis of the NEHHOR and Northeast Gasoline Supply Reserve (NGSR) and concurred that, among other things, the reserves have only been used once to date and are small relative to regional consumption.²
- DOE's FY2022 budget justification did not request budget authority to maintain the reserve. However, Congress appropriated \$6.5 million for NEHHOR storage, operation, and management activities.
- DOE's FY2023 budget justification requests \$7 million for NEHHOR operations.

¹ Available at

<https://www.congress.gov/search?q=%7B%22source%22%3A%22legislation%22,%22search%22%3A%22cite%3A%22PL12-74%22%7D>

² Energy Resilience: DOE's Northeast Petroleum Product Reserves, GAO-22-105404, Published: May 25, 2022. Publicly Released: May 25, 2022, available at <https://www.gao.gov/products/gao-22-105404>