



U.S. DEPARTMENT OF
ENERGY

NORTHEAST HOME HEATING OIL RESERVE

DISTRIBUTION PLAN

Updated December 2012

**Office of Petroleum Reserves
Washington, DC**

NORTHEAST HOME HEATING OIL RESERVE DISTRIBUTION PLAN

I. INTRODUCTION

The Northeast Home Heating Oil Reserve has been established by the Department of Energy to provide an emergency supply of Ultra Low Sulfur Heating Oil (ULSHO) stocks in the event of a winter supply shortage. The Department of Energy has established contracts with two companies for the storage and distribution of its Northeast Home Heating Oil Reserve. These are:

<u>Company</u>	<u>Terminal</u>	<u>Location</u>
Global Companies LLC	Global Revere Terminal	Revere, MA
Hess Corp	Hess Groton Terminal	Groton, CT

Under the Department’s storage contracts, the two companies have agreed to:

- provide storage of the Government’s ULS heating oil {Note: heating oil is stored without Red Dye (Solvent Red 164), and will be dyed prior to delivery if sold as ULSHO}
- provide product rotation and guarantee the quality of the ULS heating oil
- provide full availability of all Government stocks in the event of a release (no portion of the government’s heating oil is in minimum operating levels)
- provide the capability to deliver all the Government’s product in 10 days on a 24 hour notice.
- provide the capability to deliver by marine and truck facilities
- provide distribution to purchasers on a F.O.B. basis (all distribution costs paid)

This Distribution Plan provides a description of the storage terminals, their distribution capabilities, and the storage contractor’s and the purchaser’s responsibilities and procedures in the sale and distribution of ULS heating oil from the Northeast Home Heating Oil Reserve.

II. GLOBAL COMPANIES LLC

The Department of Energy’s contract with Global Companies provides for the storage and distribution of 500,000 barrels of ULS heating oil from the Global Terminal in Revere, MA.

Storage Facilities:

Global Companies owns and operates one (1) terminal in Revere, MA. This facility is located at:

Global Revere Terminal 140 Lee Burbank Highway Revere, MA

Distribution Facilities:

In the event of a release of the Northeast Home Heating Oil Reserve, the Government’s ULS heating oil will be available for sale/distribution from the following location:

140 Lee Burbank Highway
Marine 1 Tanker/Barge Dock
Truck 6 Truck Loading Positions

Detailed information on the terminal’s distribution facilities, capabilities and operations are provided in the Terminal Data Appendix.

III. HESS CORPORATION

The Department of Energy’s contract with Hess Corporation provides for the storage and distribution of 500,000 barrels of ULS heating oil from the Hess Groton Terminal in Groton, CT.

Storage Facilities:

The Groton Terminal is located at 443 Eastern Point Rd, Groton, CT.

Distribution Facilities:

In the event of a release of the Northeast Home Heating Oil Reserve, the Government’s ULS heating oil will be available for sale/distribution from the following location:

Hess Groton Terminal
Marine 1 Tanker Dock and 2 Barge Docks
Truck 6 Truck Loading Positions

Detailed information on the terminal’s distribution facilities, capabilities and operations are provided in Terminal Data Appendix.

IV. DISTRIBUTION PROCEDURES

The distribution plan for the Northeast Home Heating Oil Reserve is based on maximum use of the commercial terminal infrastructure and industry procedures in place, since the greatest potential for efficient and expeditious distribution of the heating oil stocks rests with the industry performing these functions.

In order to assure the most efficient and expeditious distribution of the heating oil stocks in the event of a winter supply emergency, the following distribution responsibilities and procedures have been established and agreed to by all storage terminals.

DOE Responsibilities:

A. Advance Notifications and Preparations

1. If and when conditions develop for the potential release of the Heating Oil Reserve, the DOE will alert the terminals to a possible release.
2. The DOE will provide notification to terminals, responsible Quality Surveillance Representatives (QSR's) and the Strategic Petroleum Reserve Project Management Office (SPR PMO), of the current situation and request storage terminal to provide current information on inventories, activities and distribution capabilities.
3. The DOE, in consultation with the storage terminals, will maintain a Reserve Capability Statement identifying terminals and inventories available for a sales offering in the event of a release. (DOE will be offering each terminal location as a separate line item in its solicitation.)

B. Sale Process

1. When a Presidential Order is made to release product from the Heating Oil Reserve, the DOE will provide an immediate notification to the terminals.
2. The sales process from Notice of Sale, to evaluation of bids and notification of successful purchasers will occur within 24 to 48 hours of the order.
3. Once awarded, the DOE will provide written notification to storage terminals, responsible QSRs and the SPR PMO of the successful purchaser names, contacts, and volumes awarded (contract delivery subject to prepayment).
4. ULS Heating oil from the reserve will be delivered on a prepaid basis only. The buyer will be required to wire payment to the Government within 48 hours following notification of award, or prior to taking delivery if less than 48 hours. Once payment has been received by the U.S. Treasury, the DOE will provide written notification to storage terminals, responsible QSR's and the SPR PMO of the receipt of payment and approval for distribution to the purchaser.
5. The storage contract guarantees the quality of product to be delivered. DOE will require full spec testing of designated product prior to issue. If the product does not meet specification when presented for out load, DOE will seek redress with the storage contractor per the storage contract.

6. Maintain DOE oversight and information on contract deliveries between the storage terminals and purchasers.
 - (a) Name of purchaser
 - (b) Tender number (if assigned)
 - (c) Name and location of delivery facility offered for loading by the storage contractor
 - (d) Method and size of delivery, i.e., barge, tanker, truck company, pipeline company, inter or intra terminal delivery
 - (e) Date and time for delivery
 - (f) Any other information pertinent to the transaction

C. Completion of Sale

1. Obtain all terminal and QSR documentation of product deliveries by barge, tanker, truck rack, pipeline, etc.
2. Verify with all parties the completion of issue.
3. Arrange for payment adjustments based on the actual quantity delivered with purchaser. Delivery amounts over/under contract amounts beyond 2 percent will be reconciled between the storage contractor and purchaser.
4. Adjust official Heating Oil Reserve inventory records with documented sales and delivered volumes (SPR PMO).

QSR Responsibilities:

1. When notified of a DOE decision to release the heating oil from the Reserve, the QSRs will review the storage contractor's selection of tanks for DOE issue and assess the latest product testing and the need for additional testing.
2. Responsible QSRs will observe all sales/loadings along with the third party inspector to ensure DOE's responsibilities to storage contractors and purchaser are completed.
3. QSRs will provide copies of all third party inspections and documentation of deliveries to DOE within 48 hours
4. Upon completion of each contract, new inventory certification sheets will be completed and signed by the terminal manager with fax copies to DOE Office of Petroleum Reserves and the SPR PMO.

Storage Contractor Responsibilities:

A. Sale Preparation

1. When notified by DOE of the potential for a release, the storage contractors shall provide
 - (a) information on its terminal facilities and respective inventories available, including Red Solvent 164 for a sales offering, and
 - b) confirmation of current terminal readiness and capabilities to perform as stated in Terminal Data Appendix.
2. Keep DOE informed on a daily basis as to current terminal activities and inventories, as well as scheduled activities which could impact an offering.
3. When notified of a DOE decision to release the ULS heating oil from the Reserve, the storage contractor will immediately select and identify to DOE and QSRs, the specific tanks heating oil will be issued from.
4. A certificate of analysis providing full specification test results on the product in each tank must be provided to DOE within 24 hours following notification.
5. Two hours prior to commencing transfer, a preshipment analysis will be submitted to DOE by facsimile providing results on the API gravity, flash point, dye concentration, and color and appearance of the product to be delivered.
6. When delivery commences, the head of each batch will be tested similarly, and a one gallon batch sample shall be collected and retained for 30 days.

B. Scheduling of Deliveries

1. The storage terminal contractors are responsible for establishing mutually acceptable delivery schedules with purchasers. The terminal will respond to the purchaser's request within 12 hours, either confirming or proposing alternative delivery dates.
2. Purchaser scheduling shall be on a first-come first-served basis along with commercial business with the following exceptions:
 - (a) Access to the terminal loading facilities by the purchaser will be given within 48 hours of requested lifting for barges, tank trucks, and pipelines.
 - (b) Access for tankers must be given within 72 hours of requested lifting.
 - (c) All delivery must be completed within the 10-day delivery period.
3. When finalized, the storage contractor shall notify DOE and QSRs of the purchaser's delivery schedules and volumes.
4. Storage contractor shall be liable for all demurrage charges if their facilities are unable to deliver in a normal, timely manner.

C. Inspection and Issue of Product

1. All product issued will meet the quality requirements as specified in the storage contract, to include red dye concentration as required by 26 CFR Part 48.
2. It is DOE's intention to follow standard industry practice of using third party certification of quantity and quality. Third party inspector charges will be borne equally by the purchaser and storage contractor. However, should the purchaser or storage contractor be unable to agree on a third party inspector, both parties will supply their own inspectors with the QSR having final say in the determination.
3. Quantity Measurement Procedures
 - a. Barges and Tankers: Loaded quantity will be determined by hand gauge of storage contractors shore tanks before and after loading. If, for some reason, the inspector cannot verify the shore tank quantities, the vessel's loaded volume corrected by vessel experience factor will apply.
 - b. Truck Racks: Only pre-certified trucks will be allowed to move across the truck racks. Quantity will be determined by a currently calibrated, temperature compensating meter.
 - c. Pipeline Cargoes: Where a temperature compensating meter is available, meter tickets shall be the point of sale. If not, sale shall take place by independent hand gauge of the storage contractor's tanks, before and after shipment, by third party inspector.
 - d. Terminal to terminal transfers: Quantity shall be determined on the tank down gauge before and after transfer by a certified third party inspector.
4. All terminal loading costs are borne by the storage contractor as specified in the storage contract.
5. All risk of loss will be borne by the storage contractor until product enters the vessels loading arms/hoses, or passes the custody transfer point for pipelines, trucks, inter and intra terminal transfers.

Purchaser Responsibilities:

A. Scheduling of Deliveries

1. Within 24 hours of receiving a contract award, purchasers must notify the storage terminal, QSR, and DOE of their desired delivery modes, volumes and dates of lifting.

2. Vessel procedures: Purchasers must ship in quantities of no less than 50,000 barrels per vessel. All barge and tanker nominations are subject to the storage contractor's approval of the vessel to load at their terminal. In the event of a dispute of loading priorities, contractor will load on a first-come first-served basis. The storage contractor will not be responsible for any demurrage charges unless his deliberate, avoidable, and negligent actions caused the event.
3. Tank truck loading: Purchaser will arrange truck rack availability with the storage contractor. Storage contractor retains the right refuse any trucks not meeting their state and local certifications and requirements. The storage contractor shall not incur demurrage charges due to truck on loading. However, it is recommended that the purchaser pre-certify with the storage contractor all trucking companies prior to arrival.
4. Pipeline cargoes: The purchaser will nominate his pipeline requirements directly to the pipeline carrier (e.g. Buckeye Pipeline Company). Once confirmed, the purchaser shall notify the storage contractor, QSR and DOE immediately as to the carrier's acceptance of delivery and carrier's custody measurement location.
5. Inter or Intra Terminal transfer: Purchaser will coordinate with the storage contractor to receive product at a mutually agreed time. Both will then notify DOE and the QSR of this agreed upon time.
6. Once an agreed upon time for delivery and acceptance has been established it may only be changed with agreement of all parties. However, the new time may not exceed the 10 day delivery period.
7. All personnel attempting to enter a terminal must present a valid Transportation Worker Identification Credential (TWIC Card) prior to entry.

B. Inspection and Receipt

1. The quantity and quality of product delivered shall be determined by an independent third party inspector. Third party inspector charges will be borne equally by the purchaser and storage contractor. The purchaser and storage terminal shall agree on a third party inspector; however, should the purchaser or storage contractor be unable to agree on a third party inspector, both parties will supply their own inspectors with the QSR having final say in the determination.
2. Custody transfer will occur at the vessel loading arms/hoses, or when product passes the custody transfer point for pipelines, trucks, inter and intra terminal transfers. Purchaser will accept all risk of loss at that time.
3. Purchaser's vessels will be allowed berth time according to storage terminal's published rules and procedures. For all hours of berth time used by the vessel in excess of allowable berth time, the purchaser shall be liable for dock demurrage costs.

Definitions/Clarifications:

1. Terminals store undyed Ultra Low Sulfur Diesel, when dyed upon issue, becomes Ultra Low Sulfur Heating Oil (ULSHO).
2. Definitions:
 - (a) “Day of Award” - day of DOE announcement of Successful Purchasers
 - (b) The delivery period will commence 24 hours after “Day of Award”
3. Delivery Period:

The storage contract specifies that the storage contractor must be able to deliver the entire Government’s product from his facility within 10 days. With the possibility of successive partial sales, say 50% each, the Government expects the storage contractor to perform similarly – with delivery of each Government’s sales quantity from his facility within a 5-day period.
4. Quality Testing:

The storage contractor fully guarantees the quality of the product delivered. The quality of the product delivered shall be determined at the loading port by the third party inspector.
5. Third Party Inspectors:
 - (a) Third party inspections will be required for all quantity measurements.
 - (b) The third party inspector should not be affiliated with either the purchaser or the storage terminal.
 - (c) Third party inspectors must be ISO 9002 certified.
6. Mode of delivery will be at the purchaser’s option with regard to the storage contractor’s facilities and other commercial obligations.
7. All parties agree to make all reasonable effort to complete delivery and acceptance in accordance with commercially accepted time and physical restraints. Should a dispute, or a claim for damages arise as a result of delivery and acceptance, the DOE will provide guidance based on the respective contracts governing the storage contractor and the purchaser.
8. Delivery Imbalances:
 - (a) In accordance with New York Mercantile Rules, a loading tolerance of two percent (2%) above and below the contract volume is permitted.
 - (b) Payment adjustments based the contract amount and the actual quantity delivered will be made between the Government and purchaser (up to the 2% volume) at the contract price.
 - (c) Any delivery imbalances beyond the 2% limit will be reconciled between the storage contractor and the purchaser.

TERMINAL DATA

Name:	Global Companies LLC	Terminal Contact:	Ron Kenny
Terminal:	Global Revere Terminal	Manager:	Patrick Bohan
Location:	140 Lee Burbank Hwy	Tel. No.:	(781) 398-4150
Waterfront Loc.:	140 Lee Burbank Hwy	Fax No.:	(781) 398-4159
Owner:	Global Petroleum Corp.	E-mail:	RKenny@Globalp.com
Operator:	Global Petroleum Corp.		PBohan@Globalp.com
Hours of Operation:	24 hrs/7 days		

Delivery Modes:

Tanker Docks

Dock #	Max. Loading Rate (bbls/hr)	Max. LOA(ft)	Max. Beam (ft)	Max. Draft (ft)	Max. DWT
1	4,000	660	90	36	40,000

*** Note: Max Loading rate with two lines 8000 BPH (4000 BPH each).**

Barge Docks

Dock #	Max. Loading Rate (bbls/hr)	Max. LOA(ft)	Max. Beam (ft)	Max. Draft (ft)	Max. DWT
1	4,000	660	90	36	40,000

Pipelines

Name	Size (in)	Capacity(bbls/hr)	Inject.Rate(bbls/hr)

Truck Loading Racks

Hours of Operation:	24 hrs/7days		
Top-loading Positions:	6	Max. Loading Rate/Truck:	600 gpm
Bottom-loading Positions:	11	Max. Loading Rate/Truck:	600 gpm

Remarks/Restrictions:

- Intra terminal pipeline connection with Irving, 12” line, 4,000 bbl/hr**
- Trucks must meet Global Companies, LLC approval, including, but not limited to, safety and insurance requirements.**

TERMINAL DATA

Name:	Hess Corporation	Terminal Contact:	Mike Malley
Terminal:	Hess Groton Terminal	Manager:	Mike Malley
Location:	443 Eastern Point Rd, Groton, CT 06340	Tel. No.:	(860) 445-7491
Waterfront Loc.:	Thames River	Fax No.:	(860) 445-0610
Owner:	Hess Corporation	E-mail:	mmalley@hess.com
Operator:	Hess Corporation		
Hours of Operation:	24 hrs/7 days		

Delivery Modes:

Tanker Docks

Dock #	Max. Loading Rate (bbls/hr)	Max. LOA(ft)	Max. Beam (ft)	Max. Draft (ft)	Max. DWT

Barge Docks

Dock #	Max. Loading Rate (bbls/hr)	Max. LOA(ft)	Max. Beam (ft)	Max. Draft(ft)	Max. DWT
1	6,200	900	N/A	35'	100,000

Pipelines

Name	Size (in)	Capacity(bbls/hr)	Inject. Rate(bbls/hr)

Truck Loading Racks

Hours of Operation:	24 hrs/7 days		
Top-loading Positions:	5	Max. Loading Rate/Truck:	500 GPM
Bottom-loading Positions:	3	Max. Loading Rate/Truck:	500 GPM

Remarks/Restrictions: