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**Report To The Chairman, Subcommittee On
Fossil And Synthetic Fuels
Committee On Energy And Commerce
House Of Representatives**

Information On The Proposed Transfer Of The Department Of Energy's Functions

In December 1981 the administration proposed to transfer the Department of Energy's functions to several federal agencies, principally to the Department of Commerce. The administration believed that energy matters did not require the attention of a separate Cabinet-level department and energy functions could be transferred to various other agencies.

This report answers a series of questions on specific areas of the proposal.



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RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-205273

The Honorable Philip R. Sharp
Chairman, Subcommittee on Fossil
and Synthetic Fuels
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

In your July 13, 1982, letter, you asked us to obtain information on several areas of the administration's proposal to transfer the Department of Energy's (DOE's) functions to several federal agencies. The administration proposed to reorganize federal energy activities because it believed that the management of energy matters did not require a separate Cabinet-level department and DOE's energy functions could be transferred to various other agencies. This report provides answers to the specific questions you raised regarding the proposed reorganization. We did not attempt to draw overall conclusions nor make any recommendations.

In December 1981, the administration proposed to reorganize federal energy functions. Subsequently, in May 1982, the administration's proposal was introduced as a bill in the Senate (S. 2562, 97th Congress), and in August 1982 it was introduced in the House of Representatives (H.R. 6972, 97th Congress). The bill was entitled the Federal Energy Reorganization Act of 1982. It called for DOE's functions to be transferred to several federal agencies, principally to the Department of Commerce. Although the Senate Committee on Governmental Affairs held hearings on the bill in June 1982, no further action took place after the bill was introduced in the House and before the Congress recessed in December 1982. When the 98th Congress convened in January 1983, the administration, in submitting its fiscal year 1984 budget, restated its commitment to energy reorganization, and said that it would again have legislation submitted to reorganize federal energy activities.

On June 1, 1983, however, the President formally announced the administration's intention to create a Department of International Trade and Industry. The new proposal called for abolishing the Department of Commerce and combining some of its programs and activities with other federal agencies. The proposal, however,

did not make provision for any merger of DOE activities with Commerce or the newly proposed department. Until the new proposal was announced, officials of the administration's Task Force on Energy Reorganization had told us that officially a reorganization of energy activities was still being contemplated.

In August 1983, the Chairman of the administration's Energy Reorganization Steering Group told us that the administration is in support of the proposal to create a new Department of International Trade and Industry. Consequently, by the inherent nature of the new proposal, DOE's activities cannot be transferred to Commerce. Nonetheless, the Chairman said that although the administration is not now directing its attention to its earlier proposal for the reorganization, some form of energy reorganization may still be proposed.

This letter highlights the information we have obtained in response to your concerns. Appendix I provides our detailed responses to your specific questions.

TRANSFER OF DOE FUNCTIONS

The proposal called for DOE's functions to be merged with several agencies. The Department of Commerce was designated as the primary recipient of the functions. Under the proposal, Commerce would be responsible, among other things, for international energy affairs, emergency preparedness, and energy information activities. It would also be responsible for nuclear power and nuclear weapons research.

In addition, the administration's proposal would separate other major energy responsibilities now centralized in DOE: (1) the responsibility for energy policy along with the responsibility for alcohol fuels research and development would be transferred to Commerce, (2) the responsibility for approving electric rates charged by the Power Marketing Administrations would be transferred to the Department of the Interior, (3) the responsibility for providing financial assistance for the alcohol fuels loan guarantee program would be transferred to the Department of Agriculture, and (4) the Federal Energy Regulatory Commission would remain a separate independent regulatory agency.

Further, the administration's proposal indicated that savings could be achieved by merging certain complementary activities, such as field organization structures and computerized systems of the Departments of Energy and Commerce.

We were unable to draw overall conclusions on the proposed reorganization because the administration, in many cases, did not have detailed plans on how these responsibilities would be carried out once the transfers were made. For example, the administration's proposal does not address how responsibilities in the electricity area, which cross-cut along several agencies, would be coordinated. Similarly, the administration's proposal to transfer DOE's responsibilities for international energy affairs, without also transferring its personnel, did not detail how the responsibilities would be carried out in Commerce. And, the administration's proposal for combining DOE's and Commerce's field activities and automated administrative systems did not outline what costs or savings would be involved as a result of merging the activities or system.

Nonetheless, we were able to develop responses to each of the questions you raised on the proposed reorganization by analyzing the legislation submitted to transfer DOE's responsibilities, reviewing the various documents the administration prepared on reorganization issues, and interviewing administration officials having reorganization responsibilities. Following are highlights of our responses to your specific questions:

- The transfer of DOE's responsibilities for international affairs, without transfer of personnel, would eliminate one of several government entities now involved in the development, implementation, and assessment of international energy policies. Commerce would have to obtain qualified staff to provide expertise on the technical aspects of the international energy area.
- The responsibilities for energy emergency planning would be divided within Commerce but would overlap in the petrochemical area. The petrochemical industry produces basic materials needed to provide for human needs such as food, clothing, shelter, and medical supplies. The basic feedstocks or raw materials needed for the industry also serve as fuel for other industries. A standardized definition that recognizes the dual importance of petrochemicals as fuel and feedstock is needed to assist the government in preparing emergency plans, as required under the Defense Production Act of 1950, as amended.
- The transfer of energy information activities to Commerce could affect the organizational independence of the Energy Information Administration (EIA) by permitting the Secretary of Commerce to abolish, transfer, and reassign EIA's functions. The transfer would also affect EIA's ability to make independent federal energy information decisions.

- The nuclear power and weapons program, which in part addresses the interests of the Department of Defense, has been managed by a civilian agency for the past 37 years. Responsibility for this program would still be under civilian control if it is transferred to Commerce. The officials we interviewed, who represent both civilian and defense agencies, favored retaining civilian control of the program.
- The transfer of DOE's responsibilities for the electricity area is clear. Commerce would be responsible for energy policy, including the electricity area.
- The administration does not plan to conduct a comprehensive alcohol fuels program. Under the reorganization proposal, DOE's Office of Alcohol Fuels, which is responsible for alcohol fuels research and development, would be eliminated.
- About 77 percent of the 696 DOE and Commerce field activities have conflicting location or facility needs, which could restrain physical mergers or colocations. For the remaining 23 percent, additional information and studies are needed before the overall feasibility of merger or colocation can be assessed.
- The difficulties of combining computerized systems of DOE and Commerce would likely be substantial since they are not currently compatible. Studies of the potential costs and savings of combining the systems have not been done.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to answer a series of questions asked by the Chairman, Subcommittee on Fossil and Synthetic Fuels, House Committee on Energy and Commerce, on the administration's proposal to transfer DOE's functions to several federal agencies. In response to the Chairman's request, we obtained information on the proposed transfer of DOE's functions and its effect on programs and activities for (1) international energy affairs, (2) emergency preparedness, (3) energy information, (4) nuclear weapons research, (5) electricity activities and programs, and (6) alcohol fuels. We also reviewed opportunities for and obstacles to combining DOE and Commerce field locations and computerized systems.

We performed our work primarily at the Washington, D.C., headquarters offices of the Departments of Agriculture, Energy, Commerce, Defense, the Interior, and State. We also visited various DOE and Commerce component organizations located at Oak Ridge, Tennessee; New York, New York; Milford, Connecticut;

Springfield, Virginia; Rockville, Gaithersburg, Suitland, and Silver Spring, Maryland; Albuquerque, New Mexico; Golden, Colorado; and Portland, Oregon.

We reviewed the administration's reorganization proposal, budget documents, and all supporting documentation that we could obtain that was used to support the administration's reorganization decision. We also interviewed the following officials familiar with energy reorganization issues:

- Chairman, Energy Reorganization Steering Group. The Chairman is also the Deputy Director of the Office of Management and Budget.
- Assistant Secretary for Administration; Executive Director, Office of the Under Secretary for Economic Affairs; Director, Office of Information Systems; Director, Office of Information Management; and Chief, Budget Coordination Reports Division, Department of Commerce.
- Assistant Secretary, Management and Administration; Director, ADP Management; Deputy Administrator, Energy Information Administration; Principal Deputy Assistant Secretary for Defense Programs; Director, Office of Policy, Planning, and Analysis; Deputy Assistant Secretary for Security Affairs; Controller; Director, Office of Power Marketing Administration; Director, Office of Alcohol Fuels; Deputy Assistant Secretary for Energy Emergencies; an official of the Office of the Deputy Assistant Secretary for Naval Reactors; Administrator, Western Area Power Administration; and Special Assistant to the General Counsel, Bonneville Power Administration, DOE.
- Executive Director, Federal Energy Regulatory Commission.
- Director, Office of Energy, and Assistant Administrator for Community Programs of the Farmers Home Administration, Department of Agriculture.
- Executive Assistant to the Executive Assistant to the Assistant Secretary of Defense for Atomic Energy, Department of Defense.

We also interviewed officials at field offices of DOE and Commerce.

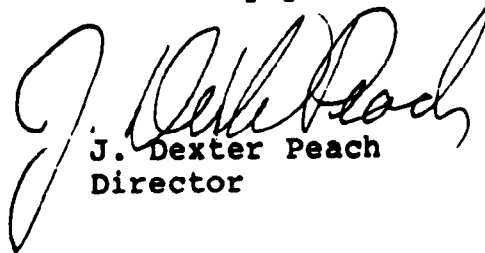
As you requested, we did not obtain agency comments on this report. However, we discussed its contents with the Chairman, Energy Reorganization Steering Group. He generally agreed with

the information included in this report. Except as noted above, we made our review in accordance with generally accepted government auditing standards.

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As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of this report until 7 days from the date it is issued. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



J. Dexter Peach
Director

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ABBREVIATIONS

AFO	Office of Alcohol Fuels
DOD	Department of Defense
DOE	Department of Energy
EIA	Energy Information Administration
ERDA	Energy Research and Development Administration
FERC	Federal Energy Regulatory Commission
FmHA	Farmers Home Administration
IA	International Affairs
R&D	research and development
USDA	Department of Agriculture

INFORMATION ON THE PROPOSED TRANSFER OFTHE DEPARTMENT OF ENERGY'S FUNCTIONSINTERNATIONAL ENERGY AFFAIRS

The proposed dismantlement legislation envisions a change in who will carry out international energy affairs.

Question a.

How will DOE's functions for international energy affairs be transferred to the Departments of Commerce and State? Are the roles sufficiently clarified to provide assurances of continued program direction?

GAO Response

The administration planned to transfer the International Affairs (IA) functions of DOE intact to Commerce. State was not to receive any of the functions but was to continue to have the primary authority to conduct foreign policy on energy and nuclear nonproliferation issues.

Although detailed plans for the transfer of IA functions were not prepared, the functions that were to be carried out at Commerce after the reorganization were clear. Under the proposal, Commerce was to perform the roles and functions of DOE's Office of the Assistant Secretary for IA, which is the key office within DOE for formulating international energy policy. However, the proposal did not provide for personnel or funds to be transferred to Commerce.

IA represents DOE in the development, formulation, implementation, and assessment of international energy policies and programs in coordination with other DOE offices and in conjunction with appropriate U.S. agencies, foreign governments, and international organizations. IA also participates in developing and implementing the energy component of U.S. foreign policy.

Transferring IA's responsibilities to Commerce without providing staffing and funds would eliminate one of several government entities now involved in international energy affairs. International energy issues are typically dealt with through interagency task forces because the issues are complex and are usually closely related to national security, foreign relations, trade and international finance. Therefore, eliminating IA would not necessarily mean that international energy policy development would not be adequately addressed within the government. It would

result, however, in the loss of one international energy perspective if staffing is eliminated.

Question b.

Will sufficient expertise be made available to carry out the activities being placed under the Departments of Commerce and State?

GAO Response

Although IA's functions were to be assigned to the Commerce's Associate Deputy Secretary for Energy Policy and Research, its personnel would not be included in the transfer. Commerce officials told us that, although it could provide coverage for some IA functions, it did not have the diversified expertise to provide full coverage and would have to obtain qualified staff. For instance, Commerce could provide some representational coverage in the energy international organizations. However, it did not have the needed expertise for some of the technical aspects of the international energy area, especially in the nuclear area.

DOE officials acknowledged that some expertise would be lost, but they believed that with the change in policy to integrate domestic and international energy policy, Commerce would be able to effectively handle the responsibilities.

Question c.

Obtain from the administration cost data on the conduct of international energy affairs and provide us with your comments on the adequacy and reasonableness of the estimated costs from administering the program in the Departments of Commerce and State.

GAO Response

As stated earlier, the Department of State would not receive any of DOE's international energy functions. Although DOE's international energy activities have not been transferred to Commerce, the administration has limited DOE's ability to perform work in this area by significantly reducing IA's budget and staffing over the past 2 years. For fiscal years 1980 and 1981, IA funds amounted to about \$9.1 million and \$8.9 million, respectively. The prior administration had requested about \$12.4 million for fiscal year 1982, but the present administration scaled this down to about \$4.9 million. For fiscal year 1983, DOE requested \$3.9 million, but only \$0.4 million was included in the

budget submission in anticipation of the transfer of DOE functions. Commerce's fiscal year 1983 budget request contained no specific provision for funding international energy activities, and DOE's fiscal year 1983 budget request of \$0.4 million for IA was made to provide severance payments to its IA personnel.

During our review, DOE was being funded on a continuing resolution, and the IA staff was being maintained at about 50 people. This is a reduction of about 90 personnel from DOE's fiscal year 1982 staffing level of approximately 140 people assigned to IA functions.

FEDERAL EMERGENCY PREPAREDNESS

The Departments of Energy and Commerce participate in the process of preparing for national emergencies.

Question

Is there any potential conflict between the responsibilities proposed for the Assistant Secretary for Energy Emergency Planning and the energy and industrial mobility responsibilities proposed for the Assistant Secretary for Strategic Planning?

GAO Response

Based on our review, the proposed reorganization would not result in a direct conflict between the proposed Assistant Secretaries with respect to energy emergency planning. The Defense Production Act of 1950, as amended, gives Commerce the responsibility for defense related emergency allocation of strategic materials. On the other hand, DOE was made responsible for allocating energy resources if an emergency occurred. Under the reorganization proposal, the Assistant Secretary for Energy Emergency Planning would have sole responsibility for making sure that contingency plans for energy emergencies are developed, a responsibility currently at DOE. And, the Assistant Secretary for Strategic Planning would be responsible for the availability and use of most non-energy critical materials in the event of a defense related emergency, a responsibility currently at Commerce. Although the proposed responsibilities of the Assistant Secretaries do not appear to conflict, in an industrial area--petrochemicals--the delegations of responsibility overlap.

The petrochemical industry is one of the basic materials industries of the U.S. economy. Its final products play a critical role in providing for such basic human needs as food, clothing, shelter, health, and transportation. The major petrochemical products are rubber, fibers, agricultural chemicals, and plastics.

For example, in 1980 almost 80 percent of the Nation's rubber was made from petrochemicals. Petrochemical-based fibers account for almost half of the fibers used in clothing. Agricultural chemicals, such as fertilizers and pesticides, have been the key to increased U.S. food production, and plastics play a vital role in our communications, transportation, and housing industries. Also, without petrochemicals, many modern drugs of medicine, such as aspirin and penicillin, would not exist.

However, the basic feedstocks or raw materials for the petrochemical industry--natural gas, natural gas liquids, and petrochemical liquids--also have energy uses. Thus, there is an overlap in DOE's emergency planning for the allocation of petroleum products for energy users and Commerce's planning for the manufacturing of defense related weapons systems using petroleum products.

In a 1980 report, we outlined the importance of improving emergency planning for the petrochemical industry.¹ In that report, we described the critical role that the petrochemical industry plays in the Nation's economy because of the many products that are derived from petrochemicals. We also said that planning for the petrochemical industry during an emergency situation would be difficult because no standardized definition exists for the petrochemical industry and the use of petroleum and natural gas as fuel and feedstock. Government allocation programs in times of emergency are based on fuel uses not feedstock. A definition of the petrochemical industry that recognizes its use as feedstock is needed to assist the government in preparing emergency plans.

In commenting on our 1980 report, both DOE and Commerce agreed with our views on the importance of emergency planning for the petrochemical industry and our recommendation to establish a standardized definition of the industry. Although Commerce has developed a draft memorandum of understanding which is presently under consideration by DOE, a standardized definition has not yet been adopted.

ENERGY INFORMATION

The Energy Information Administration (EIA) was created in 1977 to serve as an independent, comprehensive source of energy information within DOE. The Federal Energy Reorganization Act of 1982 proposes transferring EIA's functions to a new Bureau of Energy Information to be established within Commerce.

¹Emergency Allocation Rules Fail to Recognize Needs of Petrochemical Industry, EMD-80-39, May 21, 1980.

Question a.

Would the independence of energy information activities be assured if the Secretary of Commerce has authority to reorganize statistical programs as he deems appropriate?

GAO Response

The independence of federal energy information activities could be affected in two ways as a result of provisions contained in the energy reorganization proposal. First, the proposed changes could affect the organizational independence of federal energy information activities. Second, the proposed changes in EIA's energy information collection activities could affect the independence of federal energy information decisions.

To ensure that energy data collection and analyses functions were not biased by political considerations within DOE, or affected by energy policy judgments, the Congress provided that EIA be organized as an independent entity separate from DOE's role in formulating and advocating national energy policy. The Congress also limited the methods that DOE could use to abolish EIA or transfer its activities to other organizational components. The Secretary of Energy was provided with general authority to establish, alter, consolidate, or discontinue DOE organizational units and components. The Secretary could not, however, abolish or transfer the functions of organizational units, such as EIA, that were specifically established by the DOE Organization act.

The administration's proposal, however, provides the Secretary of Commerce with discretionary authority to make decisions regarding the new Bureau of Energy Information--to abolish it or change its functions. The proposal also grants the Secretary of Commerce specific authority to approve the Bureau's information collection activities, an authority that is now assigned to the EIA Administrator. Reassigning those authorities to the Secretary of Commerce departs from present law concerning the insulation of the energy information function from the energy policy functions.

In our view, the continuation of independent energy information activities is not assured by the administration's reorganization proposal and would largely depend upon (1) how the proposed legislation would be implemented and (2) the way the Secretary of Commerce exercises the authority contained in the legislation.

Question b.

Would the extensive and automated systems of the Energy Information Administration be merged with other systems of the Department of Commerce, and would this achieve cost savings?

GAO Response

Commerce's Director of the Office of Organization and Management Systems said that, as part of the reorganization, Commerce had considered merging EIA's extensive computer system with Commerce's systems to achieve cost savings. Commerce had not decided which system would be merged with the EIA system, and it had not documented the estimated costs and savings. In this regard, while one possible merger that was considered involved Commerce's Bureau of the Census sharing a computer with EIA, no detailed studies were performed to determine the feasibility, costs, and benefits of merging the systems.

The EIA Deputy Administrator and the Associate Director of Computer Services for the Bureau of the Census stated that, while EIA and Census use computer equipment and programs for extensive statistical work, the computer equipment and programs are not interchangeable and considerable costs would be incurred to convert their operations. In addition, Title 13 of the United States Code states that only Census employees can use the Census data for other than statistical purposes or have access to individual Census reports. Therefore, Commerce and Census officials said that in order for EIA to be able to use Census' data to the same degree as Census' employees, Title 13 would have to be revised.

NUCLEAR POWER AND
NUCLEAR WEAPONS RESEARCH

Responsibility for nuclear power and nuclear weapons research would be transferred to the Department of Commerce by the proposed legislation.

Question

What are the pros and cons of placing nuclear weapons research with either a civilian or defense related agency?

GAO Response

The nuclear defense programs are a national effort involving both DOE and the Department of Defense (DOD). In general, DOE

defense programs involve the production and management of weapons grade nuclear materials, the research, design, development, and production of nuclear explosives, and the security for these products. DOD specifies the desired weapon characteristics and provides the weapon delivery system, such as missiles or aircraft. This arrangement results in an unusual situation in which DOD determines requirements for weapons numbers and types, while DOE prepares and justifies the budget for them.

The unique nature of nuclear weapons has long been recognized by the Congress. After much debate, in 1946, the Congress resolved the question of whether there should be civilian or military control of the nuclear weapons program by placing the programs under the control of a civilian agency (the former Atomic Energy Commission). This arrangement has worked satisfactorily for the past 37 years.

In 1974, the Energy Reorganization Act, which transferred the nuclear defense programs to the Energy Research and Development Administration (ERDA), also required ERDA's Administrator to review the desirability and feasibility of transferring the nuclear weapons functions to DOD or another federal agency. The study entitled, Funding and Management Alternatives for ERDA Military Application and Restricted Data Functions (ERDA-97) was completed in January 1976.

The ERDA study identified major arguments for changing the status quo as well as major arguments for maintaining the existing arrangements. Two basic positions were involved: (1) the nuclear weapons program had worked satisfactorily under a civilian related agency and therefore should not be moved and (2) the nuclear weapons program is a defense program and therefore should be funded and managed by DOD.

Arguments supporting civilian control focused on the successful management of the weapons program since it was placed under civilian control in 1946. Other arguments supporting civilian control are (1) the sharing of both defense and civilian technical capabilities to support the weapons program and (2) the dual agency control under which DOD specifies the desired weapon characteristics and delivery system (such as missiles or aircraft) while DOE produces and manages the weapon grade nuclear materials, research, design, development, and production of nuclear explosives and the security for these products.

On the other hand, arguments supporting DOD control focused on (1) DOD accountability for defense-related programs, (2) the possibility that the weapons program might be neglected by a

civilian agency in favor of other civilian programs, and (3) concern about whether the congressional authorization and appropriations committees are afforded total weapons systems cost visibility as long as the nuclear weapons program is funded by a civilian agency and delivery systems are funded by DOD.

In this regard, based on our interviews, we found no new evidence to challenge the principal positions identified in the 1976 ERDA study or the subsequent studies, which did not point out any firm advantage which would accrue to the nuclear weapons program or the government if the program were transferred to DOD. The consensus of the persons interviewed during our review, including DOD personnel, was that civilian control of the program should be retained.

ELECTRICITY

Under the proposed reorganization legislation Commerce would be responsible for energy policy, the Federal Energy Regulatory Commission (FERC) would remain an independent regulatory agency, not under the control of any department, and the five federal Power Marketing Administrations would be transferred to the Department of the Interior. The power administrations are Southeastern, Southwestern, Bonneville, Alaska, and Western Area.

Question a.

Will this arrangement provide for a clear division of responsibilities for federal policy in the electricity area?

GAO Response

The transfer of DOE's responsibilities for the electricity area is clear. Commerce would be responsible for energy policy including the electricity area. Although the administration's proposal makes a change in the function FERC now has in approving the electric rates charged by the Power Marketing Administrations, FERC would remain an independent agency, not organizationally linked with any federal department, and would continue to establish rates for wholesale sales and the interstate transmission of electric power.

In January 1979, the Secretary of Energy delegated to FERC the authority to approve the electric rates. Also, in December 1980, the Pacific Northwest Electric Power Planning and Conservation Act gave FERC authority to confirm and approve the Bonneville Power Administration's rates. While the administration's proposal would not remove FERC's statutory responsibility in this area, it

would transfer authority for approving electric rates for the power administrations other than Bonneville from FERC to the Interior Department.

The responsibilities for the five power administrations would be transferred intact to the Interior Department. The administration's reorganization proposal is not specific enough to determine and assess the organizational structure that would be used to manage the power administrations in the Interior Department. The reorganization proposal did not propose any operational changes for the power administrations. In this regard, the work of the power administrations is defined in over 100 statutes.

Question b.

What issues or programs would require coordination among these agencies?

GAO Response

The administration has no specific proposal to detail how electricity responsibilities will be coordinated between Commerce, the Interior, and FERC. Furthermore, several federal agencies besides DOE now have major responsibilities for regulation, environmental, financial, and other aspects of the electricity area. These agencies are

- the Environmental Protection Agency which establishes and enforces pollution abatement regulations;
- the Nuclear Regulatory Commission which regulates the construction and operation of all nuclear powerplants;
- the Securities and Exchange Commission which has jurisdiction over investor-owned electric utilities and holding companies, and controls the issuance of securities, consolidation among utilities, and accumulation of assets within utilities;
- the Rural Electrification Administration which approves requests from rural electric systems for loans and loan guarantees to finance the construction and operation of electrical facilities; and
- the Tennessee Valley Authority, a unique governmental entity, which owns and operates generation and transmission facilities and markets power principally to distribution utilities; these utilities ultimately provide retail service to end-users.

The administration's proposal does not address how coordination will be handled among all agencies that have some responsibility in the electricity area.

ALCOHOL FUELS PROGRAM

The legislation would transfer certain alcohol fuels programs to the Departments of Commerce and Agriculture. Commerce would receive responsibility for alcohol fuels research and development projects. Agriculture would receive responsibility for the alcohol fuels loan guarantee program, and this program would be administered within Agriculture by the Farmers Home Administration (FMHA).

Question a.

How does the proposed reorganization impact on the federal government's ability to conduct a comprehensive alcohol fuels program which balances ethanol and methanol funding in accordance with their relative potential?

GAO Response

Due to substantial reductions of effort in the alcohol fuels program area and the low level of funding projected for this area, the federal government is no longer planning to conduct a comprehensive alcohol fuels program. Under the current administration's philosophy, work on near-term technologies, such as alcohol fuels, should be performed by the private sector. Therefore, the previous administration's active and expanding emphasis on alcohol fuels research and development (R&D) and commercialization program has been reduced.

Initially, the administration obtained major reductions in the DOE alcohol fuels loan guarantee authority--reducing the ceiling from over \$1.4 billion to about \$800 million. It also terminated several other commercialization activities being performed by DOE's Office of Alcohol Fuels (AFO). In addition, the administration sharply reduced the R&D portion of AFO's budget from about \$12 million appropriated in fiscal year 1981 to a request of less than \$3 million in fiscal year 1983. The stated purpose of the fiscal year 1983 funding was to phase out the program altogether.

The administration would eliminate AFO if responsibility were shifted to Commerce. With DOE's plans set for phasing out its alcohol fuels R&D program, we believe the relative balances between DOE's ethanol and methanol projects is an issue that has been superceded by the changes in the scope of DOE's program.

Question b.

Would the Department of Agriculture (USDA) treat alcohol fuels more as an economic development issue than an energy issue?

GAO Response

Under the reorganization proposal, the only alcohol fuels functions to be transferred from DOE to USDA would be financial assistance functions previously assigned to DOE by the Energy Security Act. The Director, Office of Energy at USDA said the functions would be placed within FmHA.

FmHA is primarily responsible for providing farmer assistance and encouraging economic development in rural areas. For the purpose of considering national, regional, and local agricultural policy impacts, the Secretary of Agriculture renews loan guarantee projects proposed by DOE. However, the key change in the award of any projects at USDA would be that USDA would be charged with applying both energy and economic development criteria in selecting projects.

ADMINISTRATIVE SAVINGS

The administration indicated that savings may be achieved if certain complementary activities of the Departments of Energy and Commerce are merged through reorganization.

Question a.

Are there basic similarities in the field organization structure as to locations of offices and their basic activities that would readily lend themselves to consolidation?

GAO Response

The administration stated that complementary activities provide opportunities for financial savings through a merger of field activities; however, it did not set forth specific plans for such a merger. According to the Office of Management and Budget's Associate Director for Natural Resources, Energy, and Science, the proposal was left general to let the details evolve on the basis of guidance from the Congress and policy or program changes precipitated by consolidated management of the two departments.

We analyzed the compatibility of the kinds of locations needed for each DOE and Commerce activity to carry out their mission. Also, we analyzed the compatibility of the kinds of facilities needed. These two considerations are fundamental to any merger of field activities. Based on our analysis, about 77 percent of the 696 DOE and Commerce field activities have conflicting location or facility needs which could restrain physical mergers or colocations. Most activities are not near one another, and DOE activities are generally immobile due to large capital investments in plants and equipment. Also, their locations in inland suburbs, small towns, and isolated areas would appear to conflict with the Commerce's needs to be in waterfront sites, commercial or population centers, or other types of locations. These conflicts may present fundamental restraints on colocation opportunities.

The remaining 23 percent of the activities are generally located close together and have reasonably compatible location and facility needs. However, factors other than location and facility compatibility must also be considered before any colocations. Additional information and studies are needed. Such studies should include information about the mission-related benefits of individual mergers, recurring and non-recurring costs and cost avoidances, and employment impacts.

Question b.

Are there also basic similarities in the headquarters automated administrative systems such as finance, contracts, and correspondence that would make the merger of these activities a significant reorganization consideration in terms of time and cost?

GAO Response

Both Commerce and DOE have administrative systems such as payroll and personnel that are automated; however, the administration has not studied the feasibility of merging these systems. Several factors--including the types of existing automated systems, the costs of adopting a single computer language, and the expected benefits--would need to be considered in such a study. However, since computerized administrative activities comprise less than 1 percent of the departmental budget of each agency, expected savings in this area would not seem to be a major reorganization consideration.

Computer systems development is a complex, time-consuming, costly effort. A comparison of Commerce and DOE administrative functions shows very different organizational structures and

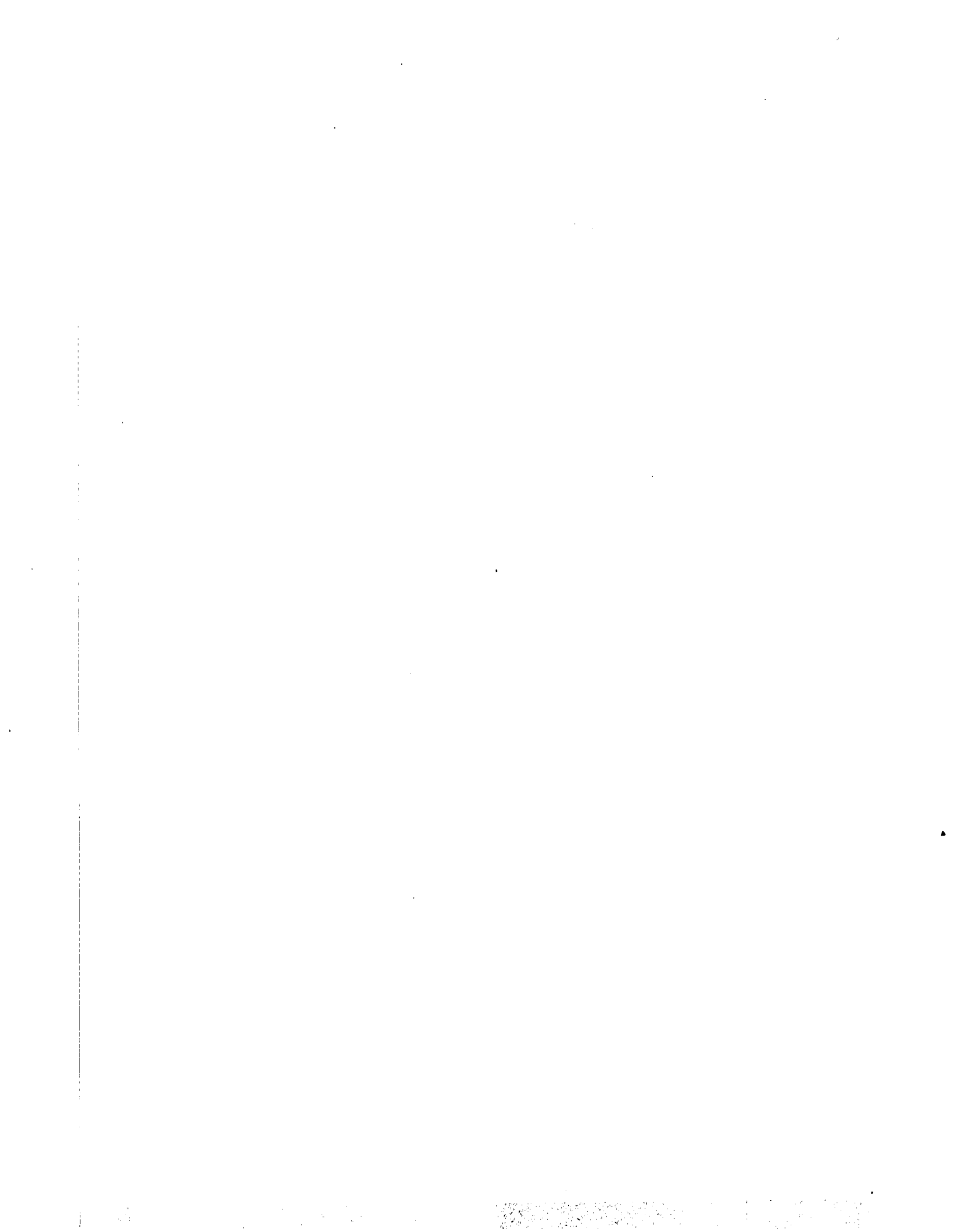
operating methods, which may make it difficult to merge operations. Both DOE and Commerce are now revising existing computer-assisted payroll and personnel systems, and these changes have taken over a year to plan and will take several years to implement. Presently, DOE is highly centralized as are its computerized administrative systems. Commerce is very decentralized, although it has started centralizing a few of its computerized administrative systems.

For example, DOE's administrative activities are largely centralized using one type of equipment at a single facility. Under the overall direction of an Assistant Secretary, a single report is prepared which details the Department's administrative expenses. In contrast, at Commerce most of the subordinate bureaus have individual operating units which accomplish the necessary administrative activities. Consequently, bureaus have, over time, developed independent, decentralized, nonstandard systems and procedures to accomplish their administrative activities.

Also, merging DOE and Commerce systems would be difficult because of the size of the data processing inventory. For example, during fiscal year 1981, DOE's Office of ADP management reported that its approved computer acquisitions would be valued in excess of \$120 million. Presently, DOE's headquarters alone has about 90 automated management information systems, consisting of approximately 2,200 computer programs.

Although the eventual consolidation of these systems with those of Commerce could result in efficiencies and economies, potential difficulties and expenses are associated with their merger. For example, a major cost which could offset any savings would be the cost necessary to convert computer instructions into a common computer language. Also, the relationship between program organizations and administrative support activities in DOE and Commerce must be taken into account to ensure that consolidation of administrative functions provides for proper support and oversight.

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