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RESOURCES COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

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by
RELEASED

MARCH 7, 1984

The Honorable Richard L. Ottinger
Chairman, Subcommittee on Energy
Conservation and Power
Committee on Energy and Commerce
House of Representatives



Dear Mr. Chairman:

Subject: Status of the Federal Energy Management Program
(GAO/RCED-84-86)

In response to your August 24, 1983, request, we are providing the results of our review of Department of Energy (DOE) and Office of Management and Budget (OMB) management and coordination of Federal Energy Management Program (FEMP) functions. As agreed with your office, this report discusses (1) the progress DOE has made in meeting legislative and executive order mandates since we testified¹ on FEMP in October 1981 and (2) OMB's role in FEMP and how that role interfaces with DOE responsibilities.

Our previous reviews of FEMP concluded that federal inhouse efforts to conserve energy lacked both effectiveness and support. Specifically, FEMP lacked DOE and administration commitment, and the legislative and executive order mandates were not being carried out. Our current review indicates that although progress has been made in meeting legislative and executive order mandates since the October 1981 hearing, some mandates have still not been fully met. The FEMP program still has not been given a high organizational position within DOE, and until recently, staff was not available on a full-time basis. In addition, agencies are not

¹Statement of J. Dexter Peach, Director, Energy and Minerals Division, GAO, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, Oct. 23, 1981.

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providing budget line item identification of energy conservation retrofit² projects and budget estimates to implement agency buildings and operations³ plans are not being prepared, as required by executive order. Consequently, coordination between OMB and DOE on DOE's review of these estimates, also required by executive order, is not taking place.

BACKGROUND

The federal government is the nation's largest consumer of energy, accounting for approximately 2.5 percent of the country's total energy use. Federal energy use has increased since 1980. For example, fiscal year 1982 energy use was 1.8 percent greater than fiscal year 1981 and 5.3 percent greater than fiscal year 1980. In fiscal year 1982, federal agencies and departments spent \$13.6 billion on energy.

Since 1973 legislation and executive guidance have promoted energy conservation within the federal government. A June 1973 presidential memorandum established FEMP to manage the government's energy use. Some of the legislation and guidance issued to promote energy conservation included requirements to (1) develop and implement a 10-year plan to conserve energy, (2) meet mandated energy conservation goals, (3) establish solar heating and cooling demonstration programs for federal buildings, and (4) appoint high level departmental or agency personnel as principal conservation officers.

The Energy Policy and Conservation Act (Pub. L. No. 94-163), enacted in December 1975, requires the President to develop and implement an overall 10-year plan to conserve energy in federal buildings. Executive Order 11912, as amended, directs DOE to develop this plan. Executive Order 12003 amends Executive Order 11912 by directing agencies to develop and submit two plans to DOE for reducing their energy use--a 10-year plan for buildings and a

²Retrofitting involves improving energy use efficiency by modifying existing buildings' equipment or structures or by making changes in operating or maintenance procedures.

³Management of energy use within the federal government is divided into two broad areas, buildings and general operations. The buildings area concerns reducing the energy used for heating, cooling, ventilating, and lighting federal buildings and providing other building services. The operations area involves reducing the energy used for other purposes, such as transportation, tactical operations, research, and production and process operations within buildings.

plan for agency operations. In addition, the President established certain energy conservation goals such as reducing annual energy use in existing federal buildings by 20 percent per gross square foot by 1985 from the 1975 level.

The National Energy Conservation Policy Act (Pub. L. No. 95-619), enacted in November 1978, requires federal agencies to, among other things, perform energy surveys of government-occupied buildings and facilities and retrofit them for energy efficiency to the maximum cost-effective extent by 1990. Additionally, the Congress has mandated other federal energy conservation measures, including

- establishing solar heating and cooling demonstration programs for federal residential and commercial buildings and facilities (Pub. L. Nos. 93-409 and 94-619),
- designating an assistant secretary or assistant administrator from each major energy-using department and agency as principal conservation officers to plan and implement energy conservation programs (Pub. L. No. 95-91), and
- developing a life-cycle costing methodology for basing cost evaluations on all relevant costs over a given period (Pub. L. No. 94-163, as amended).

OMB is also responsible for promoting the implementation of sound energy management practices governmentwide. Its primary responsibilities focus on identifying funding for agency conservation projects and reviewing budget requests for carrying out agency conservation plans. Among these responsibilities is implementation of Section 549 of the National Energy Conservation Policy Act which requires that each agency identify in its budget funds for energy conservation retrofit projects as a separate line item. OMB has oversight responsibility for this process. In addition, Executive Order 11912, as amended by Executive Order 12003, requires OMB to establish procedures and requirements governing the development of budget estimates for implementing agency 10-year plans for buildings and operations and to consult with DOE concerning agency budget estimates.

OBJECTIVE, SCOPE, AND METHODOLOGY

As requested by the Chairman, Subcommittee on Energy Conservation and Power, House Committee on Energy and Commerce, and as modified in discussions with his office, our objective in this review was to determine the progress DOE and OMB have made in reducing the federal government's use of energy since

October 1981. Specifically, we reviewed DOE's efforts to meet legislative and executive order mandates and information on the status of DOE and OMB efforts to coordinate federal energy management activities.

To meet our objective we (1) interviewed DOE and OMB officials responsible for developing, managing, and monitoring federal energy conservation efforts, (2) reviewed legislation and executive orders directed toward managing federal energy use, (3) analyzed existing reports and testimony, including reports prepared by FEMP and congressional committees, and (4) examined FEMP-related documents from DOE and OMB.

Our general objective was to determine the status of FEMP since we testified in October 1981. As you requested, the activities of individual agencies will be covered in a separate report to you. In that review we intend to consider ways in which FEMP can be made more effective.

Because of time constraints, we relied heavily on information from DOE files and discussions with DOE and OMB officials. We did not independently verify the information.

At your request, we did not obtain agency comments on the information contained in this report. We did, however, discuss the report's contents with DOE and OMB officials and incorporated their comments where appropriate. Except as noted above, we made our review in accordance with generally accepted government auditing standards. Our audit work was performed during September and October 1983.

STATUS OF LEGISLATIVE AND EXECUTIVE ORDER MANDATES

In October 1981 we testified that many of the legislative and executive order mandates which direct and support an aggressive inhouse energy conservation effort had not been met. However, as of October 1983 progress has been made. Enclosure I shows the status of the major mandates as of October 1983. The progress and problems concerning three important mandates--development of an overall 10-year buildings plan, development of individual agency plans, and energy coordination among federal agencies--is discussed below.

Ten-year buildings plan

The overall 10-year plan to conserve energy in federal buildings was required by the Energy Policy and Conservation Act. Responsibility for developing the plan was delegated to DOE in April 1976, and for over 7 years DOE drafted and rewrote various versions in response to OMB and internal DOE reviews.

Contributing to the delay in developing the plan was turnover in key DOE positions. Finally, on September 12, 1983, the Secretary of Energy forwarded the plan for the President's consideration. The plan was approved by the President on October 8, 1983.

The Under Secretary of Energy, in transmitting the plan for the Secretary's approval on August 23, 1983, noted that the 7-year delay was an embarrassment to DOE. The Under Secretary supported issuing the plan rather than taking additional time to correct defects identified in his transmittal memorandum. Among these were

- sparse documentation justifying the use of industry lighting efficiency standards versus the more stringent federally developed standards,
- not providing the Interagency Federal Energy Policy Committee (656 Committee) a significant role in promoting federal energy efficiency, and
- use of out-of-date fuel cost projections in life-cycle cost analyses.

According to the memorandum transmitting the report for the Secretary's signature, DOE planned to address these defects separately from the plan. The FEMP Director told us that although agency energy coordinators have discussed the defects, only one defect has been addressed--updating fuel cost projections for life-cycle cost analyses. The update is expected to be completed about March 1, 1984.

Agency plans

As of October 1981 only 2 of the 18 individual agency 10-year plans for buildings had been completed in accordance with DOE instructions. Since then, with one exception, individual agency 10-year buildings plans have been reviewed and approved by DOE.

When we discussed the agency plans with the FEMP Director, he said that the plans do not necessarily reflect what could be reasonably accomplished with available resources. For example, the Department of the Treasury, after submitting a plan which was approved by DOE, abolished its conservation office which was responsible for implementing the plan. Also, although he did not cite examples, the FEMP Director indicated that while some plans were impressive, they were not realistic in terms of resources available to carry them out.

Although DOE must approve agency 10-year building plans, it has no authority to require updates. To encourage plan updates,

the letter transmitting the presidentially-approved overall 10-year plan to agencies suggests that the overall plan will help agencies in updating their individual 10-year plans. Because sole responsibility for updating agency plans rests with the individual agencies, DOE program officials do not expect universal compliance with the suggestion that plans be updated.

Interagency Federal Energy
Policy Committee

To encourage coordination among principal conservation officers designated pursuant to Public Law No. 95-91, DOE established the Interagency Federal Energy Policy Committee (656 Committee). However, from the beginning there has been a lack of agency commitment supporting Committee activities. Specifically, attendance by the principal conservation officers has been low, and between November 1980 and February 1982, the Committee did not meet at all. The Committee resumed meeting in February 1982 and has held five meetings since then, two each in fiscal years 1982 and 1983 and one in 1984.

Instead of high-level agency officials--assistant secretaries or assistant administrators as specified by the legislative mandate--Committee meetings have typically been attended by lower level staff such as agency energy coordinators. Thus, the high-level officials, with direct responsibility for planning and implementing agencies' conservation programs, have not been active participants, on a regular basis, in coordinating federal activities. Of the 11 designated principal conservation officers, only 1 has regularly attended the meetings since they resumed in 1982. Moreover, DOE records indicate that 8 of the 11 officers, including DOE's own designee, did not attend any of the fiscal 1982 or 1983 meetings. In contrast, for three meetings in 1979 and 1980, 7 of the 11 officers attended at least one meeting.

On December 20, 1983, after completion of our audit work, another 656 Committee meeting was held. Although the Secretary, the Deputy Secretary, and the Under Secretary of Energy attended this meeting, only one of the designated principal conservation officers from the other agencies was present.

MANAGEMENT AND COORDINATION
OF FEMP

DOE has shown only limited support for, and commitment to, FEMP. And, OMB has not taken an active role, as required by executive order mandates. Further, coordination between OMB and DOE on budget estimates to implement agency energy conservation plans is not taking place. Also, agencies are not providing budget line item identification of energy conservation retrofit projects.

DOE management

In October 1981 we testified that the federal government's efforts to conserve energy have not progressed satisfactorily because of DOE's lack of commitment in the areas of organizational visibility, staffing, and management support for FEMP. As shown below, FEMP's organizational position in DOE has not changed, and, until recently, staff was not available on a full-time basis.

<u>Area</u>	<u>October 1981 status</u>	<u>October 1983 status</u>
Organizational position	Placed at the branch level.	No change.
Staffing	Authorized eight full-time staff, including two clerical workers; seven on board.	No change in authorized level; however, only six on board.
Budget	Administration proposed no money for fiscal year 1983; however, \$500,000 was ultimately appropriated.	Administration proposed, and Congress appropriated, \$1 million for FY 1984.
Awards program	Federal energy efficiency awards program to be ended.	Awards program to continue; presentations made in 1982 and 1983.

To enhance the visibility of federal conservation efforts, we recommended in a 1979 report⁴ that FEMP be established as a high-level office reporting directly to DOE's Under Secretary who, by law, has primary responsibility for energy conservation. DOE rejected the concept of adding an additional office solely for FEMP because it did not believe that the upgrading would significantly enhance the program. Further, as we pointed out in our October 1981 testimony, FEMP had instead been downgraded from an office to a branch in June 1981. As of October 1983, FEMP's organizational level had not changed.

⁴The Federal Government Needs a Comprehensive Program to Curb Its Energy Use, (EMD-80-11, Dec. 12, 1979).

Staffing authorizations for FEMP have also remained the same since 1981. In response to our 1979 report, DOE told us that it intended to increase staff authorizations to 17; however, this increase never occurred. At the time of the October 1981 hearings, FEMP had eight positions authorized, seven of which were filled. As of October 1983 eight positions remained authorized; however, only six were filled.

According to the FEMP Director, the problem in the past was not so much the number of authorized positions, but rather with the amount of time staff had available for FEMP matters. Of the six staff on board, five are professionals, but until recently, only two worked full-time on FEMP matters. According to Director, as a whole, the other three professionals had averaged less than one-half of their time on FEMP related work. However, at the completion of our work, the Director informed us that nearly all of the professionals' time was available for FEMP work.

FEMP's ability to function efficiently has also been hampered by a lack of staff continuity and expertise. As part of the 1981 DOE reduction-in-force and reorganization, FEMP lost all but 2 of its experienced staff. We reported⁵ in July 1982 that one result of the reduction-in-force was the loss of administrative continuity and staff expertise. According to the FEMP Director, although other staff were transferred to FEMP, their experience was, with one exception, not within the FEMP area. Since then, the two experienced staff members have left the office. As a result, for the remaining staff to learn from past efforts, they rely on DOE files for institutional memory. However, according to program staff, these files are incomplete because some were destroyed during two office moves since 1981. They indicated further that a lack of support staff has also hampered FEMP activities.

Consistent with the administration's proposal to dismantle DOE, no funds were requested for FEMP for fiscal year 1983. While FEMP was not singled out from among other DOE programs for termination, the effect was the same--funding would have been terminated for the only governmentwide energy conservation program. However, the Congress ultimately provided \$500,000 for FEMP. The administration withdrew its proposal to dismantle DOE, and its fiscal year 1984 budget request included \$1 million for FEMP, which the Congress subsequently appropriated.

At the 1981 hearing, we focused on the lack of support for an awards program intended to recognize individual and organizational

⁵Loss of Experienced Staff Affects Conservation and Renewable Energy Programs, (GAO/EMD-82-100, July 19, 1982).

conservation efforts. The Federal Efficiency Awards Program was established to motivate additional federal conservation efforts. However, according to DOE, the awards program was to be ended after the then current awards were issued. The first awards were issued in mid-1982, after some delay. However, the program was not ended. As part of what the FEMP Director said was to be an annual event, the second group of awards were presented at a ceremony in Washington, D.C., on October 26, 1983.

OMB and DOE coordination

Regarding federal energy conservation, OMB, through legislative and executive order requirements, is responsible for identifying retrofit funding in agency budget requests and reviewing, in consultation with DOE, budget estimates for agency buildings and operations plans. OMB has not taken action which implements these requirements.

Section 549 of the National Energy Conservation Policy Act requires each federal agency, when preparing and submitting its budget requests, to specifically identify the funds for energy conservation-related retrofit measures as separate line items. In 1979, OMB issued general instructions indicating that agencies were to consult with their respective congressional authorization and appropriations committees to determine what information is needed concerning agency conservation efforts. However, these instructions do not require specific line-item identification in the President's budget, as called for by the legislation.

We discussed this situation with OMB officials. The Deputy Chief of the Energy and Science Division told us that for the past 15 years OMB has moved away from line-item budgeting to program budgeting. Accordingly, the President's budget submissions to the Congress do not contain line-item breakdowns for individual programs. Instead, each agency is to follow OMB's 1979 general instructions for determining the needed congressional information. According to OMB, this would supplement the President's budget and provide the type of information desired by the Congress.

OMB officials told us that a problem could exist in identifying energy conservation retrofit funds as specific line items. They noted that energy conservation may only be part of the retrofit project and that only one cost estimate is prepared. Thus, it is difficult to determine how much of the project's total cost applies to energy conservation. While we recognize that this difficulty could exist, we noted that OMB did not identify energy conservation retrofit funds.

OMB also has several responsibilities concerning agency energy conservation plans. Executive Order 11912, as amended by Executive Order 12003, requires each agency submitting buildings and operations plans to, along with its annual budget submission, submit budget estimates for implementing its plans. The executive order directs OMB to establish procedures and requirements to govern the development of such budget estimates and to consult with DOE about the agency submissions. OMB officials said that they did not develop new procedures because they believed their existing budget preparation procedures met the executive order requirements. We noted, however, that under OMB's current procedures, no specific estimates are prepared for either the agencies' buildings or operations plans.

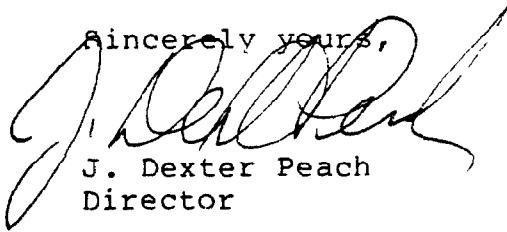
Concerning coordination, OMB officials said that their coordination with DOE on agency budget submissions for buildings and operations plans has been on an informal basis. However, OMB officials were unable to provide documentation of any meetings. And, according to the FEMP Director, the only contact with OMB on agency budgets for energy conservation occurred as a result of a congressional inquiry to OMB in January 1982. In that case, OMB was requesting information from FEMP in order to respond to a specific congressional question regarding the amount of funds appropriated for energy conservation measures rather than consulting with DOE on budget estimates for buildings or operating plans. In any case, since specific budget estimates are not prepared for buildings and operations plans, there is nothing to review and on which to consult.

Concerning development and review of agency budget estimates for buildings and operations plans, OMB officials pointed out that although they do not centrally review requests for energy funds on the basis of specific projects, they do prepare, for internal OMB use, a cross-cutting summary of proposed expenditures related to energy use. According to the OMB officials we met with, this summary serves primarily as a briefing document for the OMB Director. The officials said that this summary encompasses the largest energy-using agencies, accounting for about 98 percent of government energy use. The Deputy Chief of the Energy and Science Division said that the division has not reviewed funds requested for specific agency conservation programs in the recent past but rather tended to rely on DOE's FEMP office for this function. The intent of Executive Order 12003 was to have OMB consult with DOE on DOE's evaluations of agency budget estimates to implement buildings and operations plans. Since no estimates are prepared, DOE has nothing to review and consultation by OMB with DOE cannot take place.

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As arranged with your office, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to the Secretary of Energy; the Director, Office of Management and Budget; and the Chairmen of selected committees. We will also make copies available to others upon request.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Dexter Peach". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

J. Dexter Peach
Director

Enclosure

COMPARISON OF MAJOR LEGISLATIVE AND EXECUTIVE ORDER
MANDATES SUPPORTING FEDERAL GOVERNMENT INHOUSE ENERGY
CONSERVATION EFFORTS AT OCTOBER 1981 AND OCTOBER 1983

<u>Mandate</u>	<u>Source</u>	<u>October 1981 status</u>	<u>October 1983 status</u>
Develop and implement an overall 10-year plan for buildings	Section 381, Pub. L. No. 94-163	Not completed.	Plan approved by the President on Oct. 8, 1983.
Review and approve agency 10-year plans for buildings	Executive Order 12003	2 accepted by DOE; 16 rejected by DOE.	17 agency plans approved; 1 not yet approved.
Reduce annual energy use in existing buildings 20 percent per gross sq.ft. by 1985 from 1975 levels	Executive Order 12003	Energy use down 14.2 percent through FY 1981.	Energy use down 13.2 percent through FY 1982.
Retrofit all buildings with cost-effective energy projects by 1990	Section 547, Pub. L. No. 95-619	Agencies are retrofitting buildings; available information insufficient to measure compliance.	No change in status.
Appoint energy conservation officers (656 Committee)	Section 656, Pub. L. No. 95-91	Agency personnel had been designated and began meeting as a committee in 1978. The Committee had not met since Nov. 1980 and had no plans to meet again.	Resumed meeting in Feb. 1982; met five times since then.
Demonstrate solar energy in federal buildings	Sections 522 and 523, Pub. L. No. 95-619	Funds had been authorized by Congress but there was a question as to whether the plans might have been restricted by deferrals or recissions.	94 percent of appropriated funds either expended or obligated.
Develop and implement life-cycle costing methodology	Section 381, Pub. L. No. 94-163	Methodology issued in Jan. 1980.	Effort underway to update energy cost projections.