

Professional Audit Review Team

Report to the President
and the Congress

Performance Evaluation of the Energy Information Administration

Department of Energy

December 1994

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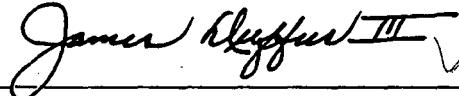
**PROFESSIONAL AUDIT
REVIEW TEAM
441 G Street, N.W.
Washington, D.C. 20548**

James Duffus III, Chairman
Richard A. Hart, Staff Director
Robert D. Tortora, Census
Susan E. Woodward, SEC
Marilyn E. Manser, BLS
David F. Lean, FTC

To the President of the United States, the President of the Senate, and the Speaker of the House of Representatives

This report discusses the results of the Professional Audit Review Team's (PART) evaluation of the performance of the Department of Energy's Energy Information Administration (EIA), as required by the Department of Energy Organization Act (P.L. 95-91, Aug. 4, 1977). The report covers EIA's activities during the period October 1992 through June 1994.

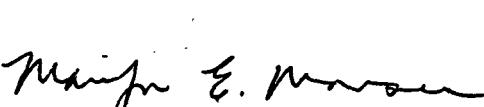
Copies of the report are being sent to the Secretary of Energy; the Director, Office of Management and Budget; the chairmen of energy-related congressional committees; and the heads of the PART member agencies.



James Duffus III, Chairman
General Accounting Office



David F. Lean
Federal Trade Commission



Marilyn E. Manser
Bureau of Labor Statistics



Robert D. Tortora
Bureau of the Census



Susan E. Woodward
Securities and Exchange Commission

Executive Summary

Purpose	Background	Principal Findings
<p>The energy crisis of the 1970s increased awareness of the need for comprehensive energy information programs. To meet this need, the Energy Information Administration (EIA) was established as a separate entity within the Department of Energy to develop and maintain information for national energy policy decisions.</p> <p>The Congress created the Professional Audit Review Team (PART)—composed of members from leading statistical and analytical agencies—to evaluate periodically whether EIA has performed its activities independently, objectively, and professionally. PART is reporting on its evaluation for the period October 1992 through June 1994. The principal objective of this review was to evaluate the usefulness, reliability, and timeliness of energy information reports. To accomplish this, PART chose to review the Petroleum Marketing Monthly (PMM) and Short-Term Energy Outlook (STEO) reports. Additionally, PART examined the collection of underground gas storage data to determine if any improvements could be made in the quality of data submitted by the reporting companies. PART also determined what actions EIA has taken on prior PART report recommendations dealing with the quality of EIA's energy data.</p>	<p>The Department of Energy Organization Act established EIA as the federal focal point to collect, process, and publish data and information relevant to energy resource reserves, production, demand, and technology. The act recognized the need to ensure that energy data collection and analysis functions are not biased by political considerations or energy policy formulation and advocacy activities.</p>	<p>PART's query of recipients of two major EIA reports' usefulness, reliability, and timeliness showed the following. Regarding the reports' usefulness, at least 89 percent of the respondents were confident in using the factual data in the reports and were fairly satisfied with the reports' content. Also, at least 83 percent of the respondents used the reports at least several times a year for trend information and as sources of basic facts. However, only between 13 and 20 percent of the respondents who used the reports at least several times a year said that the reports were useful for energy investment analysis purposes.</p> <p>Regarding the reports' timeliness, at least 65 percent of the</p>

respondents thought the reports were timely as sources of basic facts and trend information. However, only 15 to 23 percent believed the reports to be timely for energy investment analysis purposes. In general, respondents viewed these reports as meeting their energy data needs. Several respondents commented that the reports could be made more useful. The majority of these respondents said that the usefulness of the data would be enhanced if it were available sooner. It appeared that some respondents were unaware that they could access some of the data sooner from EIA via electronic means.

To assess the feasibility of improving the quality of underground gas storage data, PART surveyed all the companies required to report the data. PART found that EIA had an opportunity to improve the quality of the data contained in its Underground Gas Storage Report. PART also found that more companies could provide EIA with actual rather than estimated data if the date for submitting the data to EIA was extended by only 10 days. After bringing this matter to EIA's attention, the agency extended the reporting date from the 10th to the 20th of the month following the month for which data are being reported. After the extension went into effect, PART found an increase in

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the number of companies reporting actual—better quality—data. Additionally, PART was influential in causing EIA to stop an action that might have resulted in the reporting of poorer quality data. EIA had planned to request companies to provide underground gas storage data on a weekly basis. However, EIA decided not to implement this plan, partly because PART found that (1) many companies could not accurately estimate data on a weekly basis and (2) companies said that reporting weekly would create an excessive workload given their limited resources.

Furthermore, to ensure EIA's reporting of quality data, PART examined the status of the National Energy Modeling System (NEMS). This computer-based system is a policy analysis tool developed by EIA that projects the production, conversion, consumption, and prices of energy products in future time periods. In late 1993, EIA completed the first results using the NEMS modules—projections up to 2010—and published those forecasts in its Annual Energy Outlook 1994. The system enhances EIA's ability to represent and analyze alternative energy policies.

PART 93-1 included several recommendations to increase the effectiveness of technical monitors—EIA staff who besides performing their major duties provide technical oversight of contract requirements. PART had recom-

mended that the EIA Administrator (1) require that the technical monitors receive more training and (2) direct that the current manual for technical monitors be updated and include specific guidance for new monitors and monitors who assume tasks from other monitors. In addressing these recommendations, EIA provided training sessions twice in October 1992, twice in June 1993, once in August 1993, and once in September 1993. Also, pertinent technical monitor training information was provided on diskettes, and portfolios were distributed that included relevant forms for technical monitors.

According to the EIA Director of the Planning and Financial Management Division, the EIA Technical Monitor Guide should be issued in December 1994. EIA now maintains contract continuity expertise with a task transfer process that allows for new technical monitors' orientation prior to the transfer.

As part of its follow-up on action taken by EIA on a prior PART recommendation regarding whether support services should be performed in-house or contracted, PART found that EIA has 14 active support services contracts. For these contracts, cost comparisons were feasible for only four, and one of those was negated on the basis of data confidentiality, and one was awarded prior to the cost comparison requirement. For the remaining two, cost comparisons were done. One study showed that

it would cost \$5.8 million more to have the work done by a contractor instead of being performed in-house. PART found, however, that EIA contracted the work out in this case because it did not believe it had the resources to do the work in-house.

Recommendation

To provide an opportunity for EIA to cut operating costs by performing more of its support services with federal instead of contractor employees, PART recommends that the EIA Administrator instruct its managers to examine carefully whether contracting of work is more efficient than doing the work with federal employees. As part of this effort, managers might determine, for example, whether full-time equivalent staff capable of performing the upcoming tasks are currently performing work that is of a sufficiently high priority to justify contracting out.

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FIGURE I.1

EIA's Organizational Chart

ABBREVIATIONS

DOE	Department of Energy
EIA	Energy Information Administration
GAO	General Accounting Office
NEMS	National Energy Modeling System
PART	Professional Audit Review Team
PMM	Petroleum Marketing Monthly
STEO	Short-Term Energy Outlook

Chapter 1

Introduction

In 1977, legislation made the Energy Information Administration (EIA) the federal focal point for developing and maintaining comprehensive energy information programs.¹ EIA was given the responsibility for information systems previously managed by the Federal Power Administration, the Bureau of Mines, and the Federal Energy Administration. EIA was also given the responsibilities of its predecessor, the Federal Energy Administration's Office of Energy Information and Analysis, which included carrying out a unified program to collect, process, and publish data and information relevant to energy resource reserves, production, demand, and technology.

The legislation specified that EIA be organized as a separate entity within the Department of Energy (DOE), separate from DOE's role in formulating and advocating national energy policy. EIA was to be headed by a professionally qualified administrator appointed by the President with the advice and consent of the Senate. In specifying the character of EIA and in describing some of the statistical and forecasting capabilities and reports it desired, the Congress attempted to create an organization capable of providing credible energy data and the analysis necessary for sound decisions on national energy policy.

EIA'S MISSION ACTIVITIES

EIA published 80 periodicals and one-time reports on energy issues in 1992 and 74 in 1993. Information, often by special request, is provided to Members of Congress and to congressional committees. EIA also provides support to state and local governments, industry and trade associations, the media, academia, foreign governments and international organizations, and the general public. EIA carried out its mission with a budget ranging from \$82.3 million in fiscal year 1993 to \$86.5 million in fiscal year 1994 and from 475 to 497 full-time equivalent staff members each of those years. (See app. I for EIA's organizational structure.)

ROLE OF THE PROFESSIONAL AUDIT REVIEW TEAM

The DOE Organization Act mandates that the Professional Audit Review Team (PART) review and evaluate EIA's work and determine whether data collection and analytical activities are being performed in an objective and professional manner.

In accordance with the authorizing legislation, PART consists of a chairman, designated by the Comptroller General of the United States, and members drawn from the following federal agencies:

- Bureau of the Census.
- Bureau of Labor Statistics.
- Council of Economic Advisers.
- Federal Trade Commission.
- Securities and Exchange Commission.

PART staff members during the period covered by this report and their agency affiliations include:

- Richard A. Hart, General Accounting Office.
- Alfred T. Brown, General Accounting Office.
- Paul K. Elmore, General Accounting Office.
- Martha L. Mister, General Accounting Office.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Congress has shown its concern for the quality and credibility of energy information not only by establishing EIA as a separate agency within DOE but also by creating PART to conduct an annual evaluation of EIA's operations. In past evaluations, PART has concentrated on areas such as:

- The effectiveness of EIA's programs to ensure the quality of its data collection and analysis systems.
- The effectiveness of planning and management processes.

¹The Department of Energy Organization Act (42 U.S.C. 7101).

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- The independence from policy formulation and advocacy functions.
- The usefulness of energy information reports and adequacy of EIA's contract management.

As mandated, this review continues the cyclical evaluations that PART performs on the quality of EIA data. PART's current review concentrated on the usefulness, reliability, and timeliness of two energy information reports—Petroleum Marketing Monthly and Short-Term Energy Outlook. Additionally, PART set out to evaluate how improvements could be made in the quality of data submitted by companies reporting underground gas storage data. PART also followed up on agency actions to address recommendations in prior PART reports dealing with the quality of EIA's energy data. Unlike prior evaluations, PART examined the status of EIA's system that projects the future values of certain energy variables.

To survey opinions about the overall utility of the reports,² PART

mailed questionnaires to a random sample of recipients of the Short-Term Energy Outlook report and to all recipients of the Petroleum Marketing Monthly. These reports show quarterly short-term energy supply, demand, and price projections and monthly information and statistical data on a variety of crude oils and refined petroleum products, respectively. Recipients of these reports include DOE employees and contractors, other federal agency officials, state and local government officials, foreign government officials, and the media. In order not to prejudice responses and/or to ensure that individuals receiving the reports were the users, PART did not send questionnaires to EIA staff or its contractors, or libraries (multiple users) on the respective report mailing lists. See appendix II for a list of the categories of respondents and the number of respondents in each category for these reports.

PART used a probability sample for the Short-Term Energy Outlook (STEO) report recipients and surveyed all recipients of the Petroleum Marketing Monthly (PMM) to develop its usefulness,

reliability, and timeliness estimates. Each estimate has a measurable precision, or sampling error, and can be expressed as a plus/minus figure. A sampling error indicates how closely a sample can reproduce the results if a complete count of the universe was taken using the same measurement methods. The confidence interval or the upper and lower bounds for each estimate can be developed by adding the sampling error to or subtracting it from the estimate. Sampling errors and confidence intervals are stated at a certain confidence level. The sample is at the 95-percent confidence level. In other words, in 95 out of 100 instances, the sampling procedure would produce a confidence interval containing the universe value that PART is estimating. Because PART surveyed all of the PMM recipients, there are no sampling errors associated with any data reported from that questionnaire. See appendix III for the estimates and associated sampling errors.

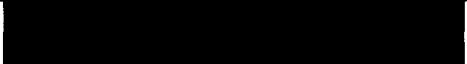
Statistics on the number of recipients in the sample and their response rate are shown in table 1.1.

Table 1.1: Number of Recipients in the Sample and Their Response Rate

EIA reports	Universe	Sample	Returned	Percent of sample returned ^a
STEO	704	200	149	74.5
PMM	432	432	329	76.2

^aThe estimates, generated by the survey, are based on the percentage of the sample who responded to the survey. Since the characteristics (opinions) of those responding may be different from the nonrespondents, caution should be used in making inferences to the universe. If a difference exists, the overall results could change had PART obtained responses for all those originally in the sample (or in the universe for the PMM report since all recipients were sampled).

²PART's survey does not reflect the opinions of people who do not directly receive EIA's reports but who may use the reports.



Introduction

In performing its work, PART examined laws establishing EIA, EIA's policies and procedures, budget documents, reports, records, and other documents related to the areas being evaluated. PART also interviewed EIA officials responsible for program planning and day-to-day operations of the offices issuing the reports surveyed.

This report covers EIA's activities during the period October 1992 through June 1994. PART's work was carried out at EIA headquarters in Washington, D.C., and was performed in accordance with generally accepted government auditing standards.

Chapter 2

EIA Reports Help Meet Recipients' Energy Data Needs

Recipients generally viewed the two EIA reports PART surveyed as meeting their energy data needs. At least 89 percent of the respondents to PART's questionnaire were extremely or moderately confident in using the factual data in both the PMM and STEO. Also, the majority of respondents said that the reports were useful as sources of basic facts, for maintaining trend information, forecasting, and market research. However, only a few of the respondents said that the reports were useful and timely for energy investment analysis purposes. The respondents were fairly satisfied with the reports' content. The results of the survey are summarized in the following sections and shown in more detail in appendix III.

HOW USEFUL ARE THE REPORTS AND HOW ARE THEY USED?

At least 83 percent of the respondents used the reports at least several times a year for maintaining trend information and as sources of basic facts. At least 72 percent said that the reports were extremely or moderately useful for these purposes. Also, at least 62 percent found the reports extremely or moderately useful for forecasting and market research. However, only between 13 and 20 percent used the reports for energy investment analysis, and between 51 and 54 percent of them said that the reports were extremely or moderately useful for this purpose.

The percent of respondents who used the reports for different purposes and who said that the reports were extremely or moderately useful for such purposes are summarized in tables 2.1 and 2.2.

Table 2.1: Percent of Respondents Who Used the Reports at Least Several Times a Year for Different Purposes

Purpose	Percent	
	PMM	STEO
Basic facts	87.7	86.0 (±4.9)
Trend information	82.8	88.4 (±4.4)
Forecasting	57.2	80.6 (±5.5)
Market research	55.0	55.0 (±7.0)
Other topics	50.9	49.6 (±7.0)
Policy changes	43.6	48.8 (±7.0)
Energy investment analysis	13.0	20.1 (±5.6)

Table 2.2: Percent of Respondents Who Said That the Reports Were Extremely or Moderately Useful for Different Purposes

Purpose	Percent	
	PMM	STEO
Basic facts	78.8	72.1 (±6.8)
Trend information	80.5	76.3 (±6.3)
Forecasting	69.9	80.8 (±6.1)
Market research	68.2	62.0 (±9.2)
Other topics	53.1	59.3 (±15.5)
Policy changes	59.7	68.3 (±9.3)
Energy investment analysis	51.3	53.8 (±15.5)

HOW TIMELY ARE THE REPORTS?

At least 65 percent of the respondents said that the reports were definitely or probably timely for maintaining trend information and as sources of basic facts. However, only between 15 and 23 percent said that the reports were definitely or probably timely for energy investment analysis purposes. Table 2.3 shows the percent of respondents who said that the reports were definitely or probably timely for different purposes.

from data gathering to publication. In some cases, it appeared that some respondents were unaware that they could access some of the data sooner from EIA via electronic means. Some respondents said that it would be better if the information were more timely, but they were still able to use the report for all desired uses and had not experienced any adverse effects because of untimely data.

both the PMM and STEO questionnaires on ways to improve usefulness. These comments could be grouped into four distinct categories, and the frequency of the comments are shown in table 2.4.

Table 2.4: Category and Frequency of Comments on Reports' Usefulness

Comment category	Frequency of comments
Clarification/interpretation	4
Data relevancy	6
Organization	32
Timeliness	29
Total	71

Table 2.3: Percent of Respondents Who Said That the Reports Were Definitely or Probably Timely for Different Purposes

Purpose	Percent	
	PMM	STEO
Basic facts	72.6	79.8 (±5.6)
Trend information	65.0	85.3 (±5.0)
Forecasting	48.4	79.8 (±5.6)
Market research	47.0	48.8 (±7.0)
Other topics	43.8	42.6 (±6.9)
Policy changes	35.4	45.0 (±7.0)
Energy investment analysis	15.4	22.5 (±5.8)

Because report timeliness varied widely for different roles addressed in the questionnaires and because respondents commented frequently about wanting the data sooner, PART reviewed the respondents' written comments on timeliness. The majority of the timeliness comments pertained to data usefulness because of the time taken

HOW COULD THE REPORTS BE MADE MORE USEFUL?

The majority of the respondents said that both PMM and STEO are useful energy data publications. However, PART received 71 written comments from respondents of

The organization category includes comments that referred to information that should either be included or excluded and/or referred to changes in the way data were reported.

IN WHAT TYPES OF DATA DO RESPONDENTS LACK CONFIDENCE?

The majority of the respondents said that the data from both EIA publications were accurate. However, PART received 23 written comments on a question regarding the types of data that respondents lacked confidence in for both PMM and STEO. The categories of comments and their frequencies are shown in table 2.5.

Table 2.5: Category and Frequency of Respondents' Comments on Confidence in Data

Comment category	Frequency
All categories	2
Definitions	1
Price	8
Prior data	1
Projections/models	5
Quantity	6
Total	23

WHY DO RESPONDENTS LACK CONFIDENCE IN THESE DATA?

The majority of the respondents for both PMM and STEO expressed confidence in these publications' data. However, PART received 18 written comments explaining why respondents lacked confidence in these data for both the PMM and STEO questionnaires. Their com-

ments expressed concern about the completeness of data reported. For example, concerns mentioned included:

- Absence of pertinent information,
- "Filers may not be providing the data which was requested and the data is not audited."
- "Unsure if prices given by respondents represent real market prices."
- Accuracy of reporting by surveyed firms is doubtful.

ELECTRONIC ACCESS TO ENERGY DATA

Although some respondents said that they would like to receive the data sooner, it appeared as though some were not aware of EIA's

Electronic Publishing System, which allows the general public to electronically access selected energy data from various EIA publications such as PMM. PMM data are updated on the 20th of each month whereas the STEO data are updated 60 days after the end of each quarter.

CONCLUSION

On the basis of the responses and comments to its questionnaire, PART believes that the two EIA reports are of high quality, useful, and timely for multiple purposes. While improving the timeliness of the reports highlighted the respondents' comments, it appeared that the majority of these comments expressed concerns about the timeliness of the reports for energy investment analysis purposes.

Chapter 3

Quality of Underground Gas Storage Data

To assess the feasibility of improving the quality of underground gas storage data, PART surveyed all 96 companies required to report these data. PART learned that more companies could provide EIA with actual data, rather than estimated data, if the date for sending the data to EIA was extended by only 10 days. After bringing this matter to EIA's attention, the agency extended the reporting date from the 10th to the 20th of the month following the month being reported. Following this action, PART observed an increase in the number of companies reporting actual—better quality—data. Additionally, PART was influential in causing EIA to stop an action that might have resulted in the reporting of poorer-quality data. EIA had planned to request companies to provide underground gas storage data on a weekly basis. However, EIA decided not to implement this plan, partly because PART found that (1) many companies could not accurately estimate data on a weekly basis and (2) companies said that reporting weekly would create an excessive workload situation given their limited resources.

EXTENDED REPORTING DATE SHOULD IMPROVE DATA QUALITY

In response to PART's finding that most companies could provide actual underground gas storage data in 20 days following the end of the month, EIA will give companies 10 more days to report their data.

At the time of PART's review, EIA required companies to report gas storage data within 10 days after the end of the month being reported. Due to this tight time frame, EIA allowed companies to estimate part or all of the data being reported and required them to submit revised reports if actual or corrected data varied more than plus or minus 4 percent from the data previously reported.

Our review of individual company reports, submitted in November 1993 for the month of October, showed that about 60 percent of the companies provided estimated data to EIA. The policy of allowing companies to estimate their data could adversely impact data quality if the data provided varies significantly from actual or corrected data and if companies fail to prepare revised reports.

To assess the feasibility of improving the quality of underground gas storage data, PART sent a questionnaire to all 96 companies that were required to report these data. The companies must report the amount of various stages of gas related to the volume of natural gas available in underground storage facilities, including pipelines. Of the 96 companies, 90 responded to the questionnaire. Asked when actual underground storage data could be made available, 76 of the 90 companies, or about 85 percent, said that they could provide actual data to EIA within 20 days after the end of the month being reported. Of the remaining 14 companies, 10 said that they could provide actual

data within 29 days, and 4 said 30 or more days would be needed for reporting actual data.

Additionally, all 90 companies said that they have facsimile machines or other automated equipment to transmit underground gas storage information to EIA. The use of this equipment would allow EIA to receive the data the same day that they were prepared. Currently, 46 of the 90 companies, or 51 percent, said that they used the regular mail to transmit the data to EIA. The remaining 44 companies said that they used a facsimile machine.

PART discussed its findings with EIA officials in the Reserves and Natural Gas Division, Office of Oil and Gas, on December 13, 1993. PART concluded that more companies could provide EIA actual underground gas storage data each month if the reporting date were extended to the 20th of the month or later. While the action should improve data quality, PART does not know the maximum number of days the reporting date could be extended without adversely impacting the timing of the monthly report. However, encouraging companies to use their facsimile machines or other automated equipment should allow EIA to give companies as many days as possible to report.

EIA officials agreed that the quality of underground gas storage data should be improved if companies were given additional time to report. EIA extended the reporting

Quality of Underground Gas Storage Data

date from the 10th to the 20th of the month. This action will allow about 85 percent of the companies the time needed to provide actual data.

PART's review of individual company reports, submitted by May 20, 1994, for the month of April, showed that about 80 percent—double the October 1993 survey percent—of the companies reported actual data. In addition, the new EIA Underground Gas Storage form provides a block whereby a company can change its estimated figure for the prior month to actual. According to EIA officials, fewer revised reports are received now than before the reporting date was extended.

UNDERGROUND GAS STORAGE DATA WILL NOT BE COLLECTED WEEKLY

EIA decided not to require companies to report underground gas storage data on a weekly basis, in part, because of responses to the PART questionnaire. In planning for the reauthorization of the Underground Gas Storage Report—EIA Form 191, EIA was considering whether to request companies to report underground gas storage data on a weekly basis. The questionnaire that was sent to the 96 companies included two questions directly related to reporting data weekly. First, PART asked, "If required by EIA, could your company accurately estimate AND report EIA-191 data weekly?" Of the 90 companies responding, only 4 said

that they definitely could provide accurate estimates on a weekly basis, and 35 said that they probably could. On the other hand, 19 companies said that they could not provide accurate estimates weekly, 16 said that they probably could not, and 16 were unsure.

Second, PART asked, "What problems do you think your company might encounter if required to report EIA-191 data weekly?" In response, companies identified several practical problems that would inhibit weekly data submissions including: 1) excessive workload, 2) resource limitations, 3) inability to obtain data soon enough, and 4) dependence on other companies for the data. Examples of comments provided by the companies follow.

- The personnel and calculation time factor involved in reporting on a weekly basis would be cost prohibitive.
- Substantial headaches in getting the report out. We estimate the cost of producing the report at about \$250. This expense provides zero benefits to our customers but benefits a handful of marketers and speculators in the futures market. Weekly storage data reporting will only burden storage operators. The reports are not detailed enough to provide any significant benefit to market players, so this may only contribute to further confusion in the market instead of helping them operate more efficiently.

- Strictly estimates. We don't get actual numbers until 15 days after the month ends. This seems to be a useless increase in paperwork for any value derived.
- With finite manpower resources, increasing the annual reporting frequency from 12 per year to 52 per year would be an excessive burden.
- We rely on a third-party company to provide us with information that is required on the monthly EIA-191 report. We will not be able to report this information weekly.

PART summarized its questionnaire results in a September 9, 1993, letter to the Acting EIA Administrator. PART concluded that a weekly reporting requirement would require more estimating and could decrease the quality of the data. This factor, in conjunction with the other problems raised by the reporting companies, raised serious questions about whether requiring weekly reporting would be cost beneficial to either the reporting companies or the federal government.

On December 13, 1993, EIA officials in the Reserves and Natural Gas Division, Office of Oil and Gas, told PART that EIA had decided not to require companies to report underground storage data on a weekly basis. The officials said that the September 1993 letter to the Acting Administrator summarizing our questionnaire results and our conclusions had an impact on



Quality of Underground Gas Storage Data

their decision and should improve the quality of data provided by the reporting companies.

Chapter 4

Status of EIA's National Energy Modeling System

To ensure EIA's reporting of quality data, PART examined the status of the National Energy Modeling System (NEMS). This system is computer-based and a policy analysis tool developed by EIA that projects the production, conversion, consumption, and prices of energy products in future time periods. In late 1993, EIA completed the first results using NEMS modules—projections up to 2010—and published those forecasts in its Annual Energy Outlook 1994. This system enhances EIA's ability to represent and analyze alternative energy policies.

EIA's Office of Integrated Analysis and Forecasting has responsibility for the NEMS modules. The NEMS module development is based on changes in the energy markets over the past decade that have dramatically altered many of the assumptions about energy supply, demand, and pricing included in EIA's past forecasting system. NEMS also takes into consideration environmental issues created with the Clean Air Act Amendments of 1990, concerns over global warming, and issues created by the Energy Policy Act of 1992.

PURPOSE AND DEVELOPMENT

The primary purpose of NEMS is to illustrate, by modeling, the energy, economic, environmental, and energy security consequences on the United States of various energy policies and assumptions. NEMS modules forecast alternative

energy futures in the mid-term period. These modules will be used for annual reports of energy projections and analytical studies by the Congress, federal and state governments, and the private sector.

NEMS development has been accomplished with extensive communication between EIA, the community of energy modelers, analysts, and users of the EIA projections. This effort began in 1990 with a committee of the National Research Council of the National Academy of Sciences reviewing existing energy models and providing guidance on development. Background work for the design of NEMS was accomplished in 1991, and later that year, after the EIA reorganization, the Office of Integrated Analysis and Forecasting was assigned the mission of developing and maintaining NEMS. Design and development plans were communicated in component design reports. These reports received wide distribution to the internal and external energy analysis groups and academic community, including an Energy Modeling Forum, and were in part, the subject of formal review through EIA's Independent Expert Review Program. Additional guidance is received through a NEMS User Group, including representatives of government agencies, industry trade associations, congressional organizations, and environmental groups.

NEMS is organized and implemented as a modular system. The

modules represent each of the fuel supply markets, conversion sectors, and end-use consumption of the energy system. The primary information that flows between each of these modules are the delivered prices of energy to the end user and the quantities consumed by product, region, and sector. The modules all have published documentation and are shown in the next section. The information flows also include other data, such as economic activity, domestic production activity, and international petroleum supply availability.

In accordance with EIA requirements, NEMS is fully documented and archived. The current modules include the following:

- Coal Market.
- Commercial Sector Demand.
- Electricity Market.
- Industrial Sector Demand.
- International Energy.
- Macroeconomic Activity.
- Natural Gas Transmission and Distribution.
- Oil and Gas Supply.
- Petroleum Market.
- Renewable Fuels.
- Residential Sector Demand.
- System Integrating.
- Transportation Sector Demand.

The integrating module of NEMS controls the execution of each of the component modules.

USER GROUPS AND OUTREACH

User and public participation have been an important part of the NEMS development. User group meetings included industry, federal, and environmental representatives who have met several times since an initial meeting in July 1992 to help improve NEMS. Furthermore, NEMS outreach includes 10 DOE working groups generally meeting monthly; an annual NEMS Conference; outside expert review of the module design, testing, and documentation; and focus groups.

In February 1992, the EIA Office of Statistical Standards initiated contracts for outside experts to provide independent, technical counsel to the modeling groups. These experts review and report on module component design and test results from experts in energy and energy-related fields. The experts have no vested interest in the outcome of the review beyond technical excellence. The reviewers examine and report on issues such as

- conformity of the economic theories and concepts embodied in the module to standard theory,

- adequacy of the structural specification of the module,
- accuracy of the computational characteristics including the solution algorithms,
- adequacy of the makeup and use of data,
- reasonableness of estimates, and
- adequacy of the empirical support for the module.

These reviews typically have two parts (1) discussion of the materials and findings and (2) report of the findings. The report generally includes an identification of specific suggestions that enhance the state-of-the-art in energy modeling. Reviews for four NEMS model developers' reports are scheduled to be completed and returned to EIA in December 1994.

An EIA publication, Annual Energy Outlook 1994, presents energy projections and analyses on supply, demand, and prices through the year 2010, based for the first time on NEMS. According to EIA's Director of the Office of Integrated Analysis and Forecasting responsible for NEMS, each suc-

sive Annual Energy Outlook will be based on a new version of NEMS. This official noted that if major changes are made to the system or module, the module documentation is revised to reflect it. The module structure stays the same with the changes occurring in the details of the module components. If minor changes occur in the module, a technical memorandum may be published rather than revising the module documentation.

According to this Director, as of June 1994, future NEMS efforts include a reduced form version of the Electricity Market and Petroleum Market modules. This version provides simple representations of the mid-term model components that can be used to provide projections to the year 2010. Also, at this time, EIA has no plans to undertake any long-term module work due to budgetary constraints and customer interest. Therefore, emphasis will be on module enhancements for the mid-term. After examining the current status of NEMS, PART plans to continue to monitor its progress until completion because PART believes NEMS provides a means to collecting quality data.

Chapter 5

EIA Action on Past PART Recommendations

Our previous report, PART-93-1, included recommendations to the EIA Administrator to increase the effectiveness of technical monitors—EIA staff who besides their major duties provide technical oversight of contract requirements. PART believed that this could be accomplished by (1) requiring that the technical monitors receive more training and (2) directing that the current manual for technical monitors be updated and include specific guidance for new monitors and monitors that assume tasks from other monitors. According to the Director of the Planning and Financial Management Division, EIA has taken several steps to improve technical monitor training. The Director told PART that EIA's Contract Management Team provided training sessions on the following dates:

- October 14 and 21, 1992.
- June 24 and 29, 1993.
- August 10, 1993.
- September 15, 1993.

The training sessions included information about revisions to the Technical Monitor's Guide. Then, on September 15, 1993, EIA followed up by providing information in the Technical Monitor Newsletter to respond to questions asked at the August session. Also, pertinent technical monitor training information was provided on diskettes, and portfolios were distributed that included relevant technical monitor forms.

In addition to these measures, external training funds are now currently allocated to each EIA office, and funds are available for external technical monitor training. This funding provided the opportunity to enroll in the Department of Agriculture's Technical Evaluation of Proposals Training Courses that were held in March, June, and September 1994.

A previous PART report noted that EIA technical monitors spend anywhere from 0 to 100 percent of their time on technical monitoring duties and recommended that EIA provide assistance to new technical monitors when tasks are transferred. According to the Director of the Planning and Financial Management Division, there are about 160 active technical monitors with current tasks. EIA now maintains contract continuity expertise with the implementation of a task transfer process that allows for new technical monitor orientation prior to the transfer.

The Director informed PART that its Technical Monitor's Guide should be issued in December 1994. The Director emphasized that the agency wanted to ensure that all necessary issues would be adequately covered and include guidance on how-to-handle contract situations rather than general information.

PART-93-1 also noted that based on the results of GAO and DOE/OIG's audits, some support services could be provided in-house cheaper than under contract. As stated

in that report, EIA officials said that it would be the fall of 1993 before any of EIA's support services contracts would be subject to cost comparison analysis, and PART pledged to continue to monitor EIA's actions for providing support services and to include contracting activities (as they affect data quality) as part of its current review. As of June 1994, there were 14 active EIA support services contracts. Of the 14, 10 are contracts awarded under Small Business Administration programs that do not require a cost comparison analysis, 1 was exempted based on data confidentiality, and 1 was awarded prior to the cost comparison requirement. Thus, cost comparison analyses were performed on only two of the support services contracts. One of these comparisons showed that it would cost an additional \$5.8 million to have the work done by a contractor than in-house—\$32.2 million compared with \$26.4 million. According to an EIA official, however, the agency does not have the resources to do the work in-house. However, the cost comparison analysis for the other contract showed the cost to have the work done by a contractor to be about \$400,000 less than if it were done in-house—about \$9.8 million compared with \$10.2 million.

Executive Branch emphasis is on privatization of government with increased contract work. Privatization stresses that work can be performed cheaper and better by private industry than in-house.

EIA Action on Past PART Recommendations

EIA is no longer required to perform a cost comparison prior to contract award. A constraint arises as far as doing the work in-house and hiring staff because EIA's full-time equivalent allocation is committed to existing programs. However, if the cost comparison analysis shows that it costs less to do the support services work in-house rather than contract out, PART believes the decision becomes a matter of work priorities for EIA officials—Are full-time equivalents capable of performing the upcoming tasks currently performing work of a sufficiently high priority to justify contracting out?

Prior PART reports recommended that the EIA Administrator ensure that EIA has an adequate basis on which to judge the quality of energy information and effectively plan and carry out quality control activities. In response to that recommendation, EIA's Office of Statistical Standards completed its First Annual Review of Quality Maintenance Investments in March

1994. The study performed by a review team which included both contractor and in-house staffs attempted to verify the adequacy of the Quality Maintenance Investments, which are projects using annual funds designated to improve the quality of EIA programs. The review teams evaluated the extent to which the 19 investments satisfied their stated objectives. Evaluation categories were (1) objective fulfilled, (2) objective partially fulfilled, and (3) objective not fulfilled. Of the 19 investments, 18 were found to have fully met their objectives and 1 partially met its objectives.

CONCLUSIONS

PART believes that EIA has taken significant steps to address most prior PART recommendations. All these actions help to improve the quality of data that are available for national energy policy decisions. On the other hand, some support services contracts can be provided in-house cheaper than

under contract. In these situations, EIA may have an opportunity to reduce operating costs. Currently, EIA contracts the work out because the agency believes that it does not have the resources to do the work in-house.

RECOMMENDATION

To provide an opportunity for EIA to cut operating costs by performing more of its support services with federal instead of contractor employees, PART recommends that the EIA Administrator instruct its managers to examine carefully whether contracting of support services work is more efficient than doing the work with federal employees. As part of this effort, managers might determine, for example, whether full-time equivalent staff capable of performing the upcoming tasks are currently performing work that is of sufficiently high priority to justify contracting out.

Appendix I

EIA's Organizational Structure

When EIA was created in 1977, it was organized into functionally related offices (data development, data dissemination, special program development, and analytical activities). In July 1981, the organizational structure was realigned to comprehensive program offices based on fuel types—oil and gas; coal, nuclear, electric, and alternate fuels; and energy markets and end use.

The Office of Oil and Gas collects, processes, and interprets data about crude oil, petroleum products, natural gas, and natural gas liquids. The office also analyzes and projects the level and distribution of petroleum and natural gas reserves and production.

The Office of Coal, Nuclear, Electric, and Alternate Fuels gathers and integrates data on coal, nuclear energy, electric power, and alternate fuels. The office also develops projections of supply and demand for the fuels.

The Office of Energy Markets and End Use develops and operates EIA's statistical and forecasting information systems on energy consumption and supply. The office collects and processes data on energy consumption, supply and

demand balances, prices, and economic and financial matters. The office also prepares and publishes reviews of foreign energy developments that could affect the nation's economy.

Although the exact names have varied over the years, three offices now provide support services for EIA. The Office of Statistical Standards provides EIA with strategies for survey and statistical design and assesses the quality and meaningfulness of energy information and the process used to collect, analyze, and forecast information. This office develops standards and coordinates standard definitions that govern collection, processing, and documentation of energy information. The office also manages the clearance process of energy data forms for public use.

The Office of Planning, Management and Information Services provides overall management support to EIA and information dissemination to the public. Among its responsibilities are program planning, financial management, budgeting, procurement, program evaluation, personnel management, and legislative support services. This office also

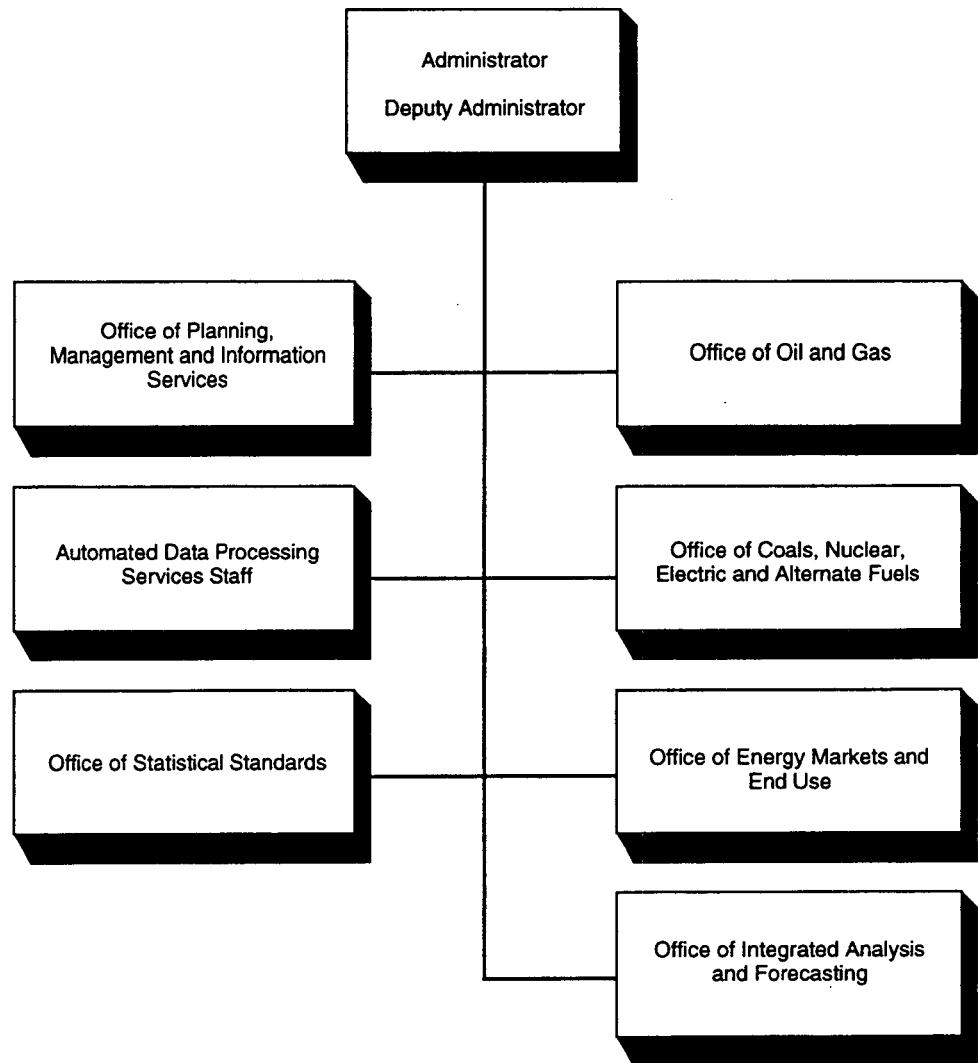
includes branches that edit, publish, and disseminate EIA information and respond to public inquiries for energy information.

The ADP Services Staff provides information technology support for DOE's energy information programs, including those of EIA and the Federal Energy Regulatory Commission.

The Office of Integrated Analysis and Forecasting was created by the EIA Administrator through a reorganization in October 1991. This office was created to develop and maintain NEMS and other modeling systems necessary to analyze energy information and data used for mid-term and long-term energy forecasting. Previously, most of these functions had been dispersed among the program offices based on fuel types. With the reorganization, the analytical activities and the mid-term and long-term forecasting for all fuels were consolidated into the new office. This office prepares analytical studies, plus mid-term and long-term forecasts of integrated energy markets, international markets, environmental and macroeconomic issues, and the effects of various energy policies.

EIA's Organizational Structure

Figure I.1: EIA's Organizational Chart



Source: EIA.

Appendix II

Summary of EIA Mailing List Respondents for Selected Reports

Respondent	PMM^a	STEO^b	Total
Congress	4	2	6
DOE/DOE Contractor	12	5	17
Energy Industry	73	37	110
Federal Agencies	52	28	80
Foreign Embassies	8	3	11
Foreign Governments	8	7	15
Print/Broadcast Media	34	16	50
State/Local Governments	72	28	100
U.S. Embassies	3	0	3
Other ^c	63	23	86
Total	329	149	478

^aPetroleum Marketing Monthly.

^bShort-Term Energy Outlook.

^cOther includes miscellaneous organizations such as construction, research, and real estate companies.

Appendix III

Summary of Recipient Responses to Selected Energy Information Administration Reports

	STEO	PMM
Question concerning recipient confidence in reports		
How confident, if at all, are you in using the factual data in this report?		
Response:		
Extremely confident	27.1 (±6.2)	33.3
Moderately confident	65.1 (±6.7)	55.4
Somewhat confident	6.2 (±3.4)	5.6
A little confident		.4
Not at all confident		.7
 Question concerning recipient satisfaction with reports		
Overall, how satisfied or dissatisfied are you with this report?		
Response:		
Very satisfied	31.8 (±6.5)	34.7
Generally satisfied	58.1 (±6.9)	49.8
Neither satisfied nor dissatisfied	8.5 (±3.9)	9.5
Generally dissatisfied		a .7
Very dissatisfied		.7
 Questions concerning frequency of reports' use		
How often do you use this report for maintaining trend information?		
Response:		
At least weekly	4.7 (±2.9)	4.2
Several times a month	22.5 (±5.8)	25.6
Several times a year	61.2 (±6.8)	53.0

(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
Never or almost never	7.0 (±3.6)	7.7

How often do you use this report for sources of basic facts?

Response:

At least weekly	6.2 (±3.4)	10.5
Several times a month	19.4 (±5.5)	27.4
Several times a year	60.5 (±6.8)	49.8
Never or almost never	9.3 (±4.1)	3.9

How often do you use this report for market research?

Response:

At least weekly	2.1	
Several times a month	10.9 (±4.4)	16.1
Several times a year	44.2 (±7.0)	35.8
Never or almost never	25.6 (±6.1)	25.3

How often do you use this report for forecasting?

Response:

At least weekly	2.3 (±2.1)	2.8
Several times a month	19.4 (±5.5)	11.6
Several times a year	58.9 (±6.9)	42.8
Never or almost never	13.2 (±4.7)	24.9

How often do you use this report for finding out about other topics in the field?

Response:

At least weekly	a	1.1
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(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
Several times a month	8.5 (±3.9)	11.9
Several times a year	39.5 (±6.8)	37.9
Never or almost never	34.9 (±6.7)	29.1
<hr/>		
How often do you use this report for policy changes?		
Response:		
At least weekly	3.9 (±2.7)	2.5
Several times a month	9.3 (±4.1)	9.5
Several times a year	35.7 (±6.7)	31.6
Never or almost never	38.8 (±6.8)	35.8
<hr/>		
How often do you use this report for energy investment analysis?		
Response:		
At least weekly	a .4	.4
Several times a month	5.4 (±3.2)	4.2
Several times a year	14.0 (±4.9)	8.4
Never or almost never	60.5 (±6.8)	62.1
<hr/>		
Questions concerning reports' usefulness		
How useful is this report for maintaining trend information?		
Response:		
Extremely useful	42.1 (±7.4)	46.2
Moderately useful	34.2 (±7.1)	34.3
Somewhat useful	17.5 (±5.7)	14.4
A little useful	5.3 (±3.3)	3.4

(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

STEO PMM

Not at all useful

a

How useful is this report for sources of basic facts?

Response:

Extremely useful	37.8 (±7.3)	48.0
Moderately useful	34.2 (±7.1)	30.8
Somewhat useful	15.3 (±5.4)	14.0
A little useful	9.9 (±4.5)	5.2

Not at all useful

a

How useful is this report for market research?

Response:

Extremely useful	25.4 (±8.2)	33.1
Moderately useful	36.6 (±9.1)	35.1
Somewhat useful	31.0 (±8.7)	24.0
A little useful	7.0 (±4.8)	4.5

Not at all useful

.6

Not applicable

How useful is this report for forecasting?

Response:

Extremely useful	39.4 (±7.6)	33.1
Moderately useful	41.3 (±7.7)	36.8
Somewhat useful	13.5 (±5.3)	22.1

(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
A little useful	4.8 (±3.3)	4.3
Not at all useful		.6
Not applicable		.6
<hr/>		
How useful is this report for finding out about other topics in the field?		
Response:		
Extremely useful	12.5 (±6.6)	13.8
Moderately useful	46.9 (±9.9)	39.3
Somewhat useful	28.1 (±8.9)	33.8
A little useful	10.9 (±6.2)	8.3
Not at all useful		1.4
Not applicable		.7
<hr/>		
How useful is this report for policy changes?		
Response:		
Extremely useful	30.2 (±9.2)	21.8
Moderately useful	38.1 (±9.7)	37.9
Somewhat useful	22.2 (±8.3)	29.0
A little useful	6.3 (±4.9)	9.7
Not at all useful		a
Not applicable		
<hr/>		
How useful is this report for energy investment analysis?		
Response:		
Extremely useful	23.1 (±13.1)	32.4

(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
Moderately useful	30.8 (±14.4)	18.9
Somewhat useful	26.9 (±13.8)	43.2
A little useful	15.4 (±11.2)	2.7
Not at all useful		
Not applicable	a	

Questions concerning reports' timeliness

Is this report timely for maintaining trend information?

Response:

Definitely yes	31.8 (±6.5)	24.6
Probably yes	53.5 (±7.0)	40.4
Uncertain	3.9 (±2.7)	10.5
Probably no	a	8.1
Definitely no		2.1

Is this report timely for sources of basic facts?

Response:

Definitely yes	31.0 (±6.5)	29.8
Probably yes	48.8 (±7.0)	42.8
Uncertain	9.3 (±4.1)	7.0
Probably no	a	5.3
Definitely no	a	1.4

Is this report timely for market research?

Response:

Definitely yes	14.0 (±4.9)	16.5
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(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
Probably yes	34.9 (±6.7)	30.5
Uncertain	19.4 (±5.5)	15.1
Probably no	3.9 (±2.7)	5.3
Definitely no	a	2.1
Is this report timely for forecasting?		
Response:		
Definitely yes	31.0 (±6.5)	20.0
Probably yes	48.8 (±7.0)	28.4
Uncertain	5.4 (±3.2)	15.1
Probably no	2.3 (±2.1)	5.6
Definitely no	a	3.2
Is this report timely for finding out about other topics in the field?		
Response:		
Definitely yes	8.5 (±3.9)	11.2
Probably yes	34.1 (±6.6)	32.6
Uncertain	20.2 (±5.6)	15.4
Probably no	5.4 (±3.2)	2.8
Definitely no	3.9 (±2.7)	4.2
Is this report timely for policy changes?		
Response:		
Definitely yes	15.5 (±5.1)	11.9
Probably yes	29.5 (±6.4)	23.5
Uncertain	23.3 (±5.9)	20.7

(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
Probably no	7.0 (±3.6)	4.2
Definitely no	a	4.2

Is this report timely for energy investment analysis?

Response:

Definitely yes	6.2 (±3.3)	5.6
Probably yes	16.3 (±5.2)	9.8
Uncertain	26.4 (±6.2)	23.9
Probably no	7.0 (±3.6)	5.6
Definitely no	4.7 (±2.9)	7.7

Question concerning recipient dependency on reports

How much, if at all, do you depend solely on this EIA report for the information you need regarding reports' contents?

Response:

Depend solely on this EIA report	6.2 (±3.4)	12.3
Depend mostly on this EIA report	28.7 (±6.3)	32.3
Depend equally on this EIA report and other material	33.3 (±6.6)	28.4
Depend mostly on other material	27.1 (±6.2)	20.7
Depend solely on other material		1.8

Question concerning recipient ability to get comparable data

If EIA no longer published this report, how much more difficult would it be for you to get comparable data?

Response:

Very great deal more difficult	21.7 (±5.8)	31.9
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(continued)

**Summary of Recipient
Responses to Selected
Energy Information
Administration Reports**

	STEO	PMM
Great deal more difficult	35.7 (±6.7)	33.0
Moderately more difficult	21.7 (±5.8)	18.2
Somewhat more difficult	13.2 (±4.7)	8.1
Little or no more difficult	5.4 (±3.2)	3.9

Notes: The percentages are based on the number of respondents answering each question.

The table contains sampling errors in parenthesis for the values presented by STEO. PART surveyed all of the PMM recipients, and there are no sampling errors associated with the values presented for that report.

^aUnreliable estimate because the sampling error is greater than the estimate.

Appendix IV

Comments From the Energy Information Administration



Department of Energy
Washington, DC 20585

NOV 17 1994

James A. Duffus, III
Chairman, Professional Audit Review Team
Room 1482
441 G Street, NW
Washington D.C. 20548

Thank you for the opportunity to comment on the draft copy of the Professional Audit Review Team (PART) Report, *Performance Evaluation of the Energy Information Administration, PART 95-1.*

We agree with PART's recommendation that the Energy Information Administration (EIA) should look first to its in-house staff before contracting out any upcoming tasks. We believe that many managers currently ask themselves this question as they prepare their budgets and contract task proposals. However, EIA does not have an explicit requirement to do so. The Office of Planning, Management, and Information Services will provide such guidance in the Technical Monitor Guide and an upcoming issue of the Technical Monitor Newsletter.

I would like to take this opportunity to thank you and your staff for your efforts and assistance in surveying the EIA's customers. Your staff's assistance in reviewing customer survey forms and the results of your own surveys of our customers and respondents have proven useful in EIA's continuing operations. PART's assistance will be a significant asset in our continuing work as a pilot project under the Government Performance and Results Act of 1993.

Thank you again for the opportunity to comment on the draft report. If you have any questions or desire further information please contact me on 586-4361 or Mr. William A. Dorsey on 586-6585.

Sincerely,

Jay E. Hakes
Administrator
Energy Information Administration