DOCUMENT RESUME

07376 - [C2827934]

GAO Work Involving Title V of the Energy Policy and Conservation Act of 1975. EMD-78-88; B-178726. October 4, 1978. 1 pp. + appendix (15 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Energy (1600); Data Collected from Non-Federal Sources: Reliability and Accuracy of Information (3101).
Contact: Energy and Minerals Div.
Budget Function: Natural Resources, Environment, and Energy: Energy (305); Commerce and Transportation (400).
Organization Concerned: Executive Office of the President; Energy Information Administration.
Congressional Relevance: Congress.
Authority: Energy Policy and Conservation Act of 1975, title V (42 U.S.C. 6381). Department of Energy Organization Act (42 U.S.C. 7297). Natural Gas Act of 1938, as amended (15 U.S.C. 717). Emergency Natural Gas Act of 1977 (P.L. 95-2).

Title V of the Energy Policy and Conservation Act of 1975 authorized GAO to independently verify energy data and to inspect the books and records of private persons and companies. The act also directed that GAO annually report to the Congress on energy or financial information reviewed under title V and to discusss actions taken to correct any noted deficiencies. Findings/Conclusions: As of July 31, 1978, GAO had requested information from 74 different energy companies and had conducted onsite audits of certain books and records of 37 companies. Reports issued and assignments underway pertained to a variety of energy sources and addresssed a broad range of issues and types of energy data. Title V is an effective statutory tool in conducting energy reviews, but it should be recognized that GAO's role in energy verification is limited to the particular issues being studied and not to systematic collection and analysis of energy data. Although some delays have been experienced in receiving information, there have been no outright refusals to comply with requests. A discussion of reports issued and assignments in process is included. (RRS)

7934

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

GAO Work Involving Title V Of The Energy Policy And Conservation Act Of 1975

This report summarizes the results of GAO audit work under Title V of the Energy Policy and Conservation Act of 1975, authorizing GAO to examine the records of private energy organizations to assess and verify the accuracy, reliability, and adequacy of energy and financial information.

This is GAO's first separate report on Title V work and covers calendar year 1977 and the first 7 months of 1978. GAO found Title V to be an effective statutory tool in completing its energy reviews--both congressionally requested and self-initiated--and believes it holds great promise for future audit work on substantive issues of U.S. energy policy. The law is satisfactory for these purposes as it now stands.

EMD-78-88

OCTOBER 4, 1978

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-178726

To the President of the Senate and the
Speaker of the House of Representatives

The appendix summarizes the results of our audit work that involved Title V of the Energy Policy and Conservation Act of 1975 (Public Law 94-163). The report covers the 19-month period ended July 31, 1978.

Title V gave us authority to examine the records of certain private energy organizations to assess and verify the accuracy, reliability, and adequacy of energy and financial information. We refer to these studies as "verification examinations."

Title V also requires that we report to the Congress on the results of our verification examinations. Several assignments were started in 1976, and were summarized in the 1976 Comptroller General's Annual Report to the Congress. Our efforts during 1977 were also briefly summarized in the 1977 Annual Report.

This is the first separate report on our Title V work and covers calendar year 1977 and the first 7 months of 1978. During this period, we completed six assignments and had four more in process.

We have found Title V to be an effective statutory tool in completing our energy reviews--both congressionally requested and self-initiated--and believe it holds great promise for our future work on substantive issues of U.S. energy policy. We believe the law is satisfactory for these purposes as it now stands.

Our Energy and Minerals Division is responsible for energy verification examination activities authorized under Title V of the Act.

Elmer B. Staats

Comptroller General
of the United States

APPENDIX I

SUMMARY OF ENERGY DATA VERIFICATION EXAMINATIONS (January 1, 1977 - July 31, 1978)

STATUTORY MANDATE

Title V of the Energy Policy and Conservation Act of 1975 (42 U.S.C. 6381-4) gave GAO new responsibilities for energy data. Specifically, it authorized GAO to independently verify energy data and stated that this authority be used to inspect the books and records of private persons and companies under the following conditions:

1. If a company is legally required to submit energy information to the Federal Energy Administration, the Federal Power Commission 1/, or the Department of the Interior.

2. If a company is engaged in the energy business, other than at the retail level, and

   a. furnishes energy information directly or indirectly to any Federal agency, excluding the Internal Revenue Service, and

   b. GAO determines that the Federal agency uses this information in carrying out its official functions.

3. If the energy information is any financial information pertaining to a vertically integrated petroleum company.

Section 502(f) of the Act directs that we annually report to the Congress on energy or financial information reviewed under Title V, and discuss action(s) taken to correct any noted deficiencies.

1/Now the Secretary of Energy and the Federal Energy Regulatory Commission under Section 707, Department of Energy Organization Act (42 U.S.C. 7297).

GAO OPERATIONS UNDER TITLE V

Following passage of the Act, we began an intensive recruiting program both within and outside GAO to assemble the expertise necessary to meet the challenges of Title V work. Working initially with a headquarters core staff and a staff at a new Houston suboffice of our Dallas, Texas, regional office, we gradually expanded our Title V work to other GAO staffs and offices. In addition to auditors, we have staff with specialized training such as petroleum accounting, petroleum engineering, geology, economics, data systems, and the environment.

As of July 31, 1978, we had requested information under our Title V authority from 74 different energy companies and had conducted on-site audits of certain books and records of 37 companies. The reports issued and assignments underway pertained to a variety of energy sources (oil, coal, natural gas, synthetic fuels, and uranium) and addressed a broad range of issues and types of energy data.

Because credible energy data and analyses contribute to the effectiveness of our work as a whole, we have found Title V to be an effective statutory tool in conducting self-initiated as well as congressionally requested energy reviews. The ability to get behind the information reported to government and otherwise publicly available has permitted us to deal directly with the credibility problem which has plagued decisionmakers and has generated widespread public skepticism over the seriousness of the energy situation.

At the same time, it should be recognized that our role in energy verification is limited to the particular issues being studied and not to systematic collection and analysis of energy data. That role is the responsibility of other Federal agencies, primarily the Department of Energy (DOE) and, specifically, DOE's Energy Information Administration.

With the Energy Information Administration as the Federal Government's primary collector of energy information, GAO can independently check the validity of that information. This is consistent with GAO's usual role in government and with its current operations under Title V.

Although we have experienced delays in receiving information from some companies, we have not faced outright refusals to comply with our requests. In some cases, we believe the delays were justified in that data we sought were historical or not held by the company in the form we desired. Some companies were defensive about U.S. Government involvement, and

they were sensitive about complying with GAO requests for information, especially where proprietary or competitive data were called for. Still, we have been able to obtain, without subpoena, the evidence necessary to complete our reviews.

GAO values the legal authority Title V gives it to obtain energy information from companies, and wishes to leave no doubt about its willingness to use that authority if necessary.

At the same time, GAO is aware that the delays inherent in Title V enforcement by compulsory process could hinder timely completion of reviews and reporting to the Congress. Therefore, we encourage to the extent possible voluntary cooperation of energy companies in providing access to the information we need.

REPORTS ISSUED AND ASSIGNMENTS IN PROCESS

As of July 31, 1978, six Title V assignments had been completed and four were in process.

"Transportation Charges for Imported Crude Oil--An Assessment of Company Practices and Government Regulation" (EMD-76-105, Oct. 27, 1977)

This assignment was requested by the Chairman, House Committee on Interstate and Foreign Commerce. We were asked to determine whether transportation costs claimed by companies importing crude oil were allowable under Federal Energy Administration (FEA) regulations, and to assess the effectiveness of those regulations in supporting only dollar-for-dollar passthrough of crude oil cost increases.

We found that FEA's regulations governing how companies compute and report crude oil transportation costs were inadequate, thereby giving companies the opportunity to collect more than actual costs. One apparent violation of the FEA regulations existed at that time, but we found no evidence of intent to misstate transportation charges.

Individual company computations of transportation charges were generally accurate. However, because of inconsistencies in the way companies computed and reported transportation charges, the overall reliability of FEA's transportation cost statistics was questionable.

FEA had assigned low-priority audit status to imported crude oil transportation charges. Because of factors such as

a limited number of auditors and the complexity and interpretive nature of FEA's regulations, much of the reported data was not verified. The audit work that was completed varied in quality, and when problems were detected FEA did not vigorously pursue them.

Over $26 million in reported transportation charges were either 'overcharges' or 'questioned charges'. The overcharges totalled about $1 million and resulted from unintentional accounting errors by five companies. Of the questioned charges, $24 million were made by three companies and could not be supported by an industrywide measure for computing transportation charges nor by actual cost data which the companies gave GAO.

An additional $900,000 in questioned charges involved an unusually high fee by one company for moving crude oil from the Caribbean to U.S. ports. The company involved did not support to GAO's satisfaction that the fees represented actual costs.

We recommended that the Secretary of Energy verify that the companies have reported cost adjustments for the overcharges, determine if the charges we questioned represent recoveries greater than cost and, if so, require companies to make appropriate adjustments.

FEA considered the report's conclusions and recommendations to be reasonable and stated that in each case action had been initiated or would be taken to implement them.

Exxon, Getty, and Mobil took issue with certain report statements and made substantial comments. We made appropriate changes to certain data and statements in the report. However, the transportation charges which we considered to be overcharges or questionable charges remained at about $26 million.

"More Attention Should be Paid to Making the U.S. Less Vulnerable to Foreign Oil Price and Supply Decisions" (EMD-78-24, Jan. 3, 1978)

The Chairman of the Joint Economic Committee's Subcommittee on Energy requested that GAO

--review the role of oil companies in the production decisions of the Organization of Petroleum Exporting Countries' (OPEC) member nations,

--evaluate the impact on price maintenance,

--assess OPEC ambitions, and

--evaluate U.S. Government options.

As part of this major study of U.S. policy options in dealing with OPEC, it was necessary to use our Title V authority.

We examined oil company records to verify data on foreign crude oil acquisitions that the companies had reported to FEA. Our review involved the acquisition reports submitted for the second quarter of 1976 by the five major U.S. oil companies--Exxon, Gulf, Mobil, Socal, and Texaco. They reported acquisitions totalling about 10.3 million barrels of oil per day, or 87 percent of the total acquisitions reported by all U.S. companies.

In conducting the review, we examined company records and OPEC government decrees, contracts, and agreements; interviewed corporate officials and officials of the companies trading subsidiaries; and traced data back to individual company transactions.

We concluded that the five major companies were reporting generally accurate information in accordance with FEA regulations, and that the data fairly represented the price and volumes of their acquisitions of OPEC crude oil for that period.

"Emergency Natural Gas Purchases: Actions Needed to Correct Program Abuses and Consumer Inequities" (EMD-78-10, Jan. 6, 1978)

This was a self-initiated study to determine how effectively the Federal Power Commission (FPC) was regulating emergency natural gas purchases under the Natural Gas Act of 1938, as amended (15 U.S.C. 717 et seq.); and how effectively the Emergency Natural Gas Act of 1977 (ENGA), Public Law 95-2, was being implemented by its Administrator.

Under the 1938 act, FPC had authority to take certain steps to cope with emergencies caused by natural gas shortages and curtailments. To combat the natural gas shortages during the unusually severe 1976-77 winter, ENGA was enacted to provide the President additional authority to assure adequate natural gas supplies. The Chairman, FPC, was appointed by the President as the Administrator of ENGA, but the act did not come under the authority of FPC.

We reviewed the emergency purchase regulations issued under the 1938 act, the provisions of ENGA, and the orders

APPENDIX I

issued under ENGA. We examined all emergency purchases made under the 1938 act for the 2-year period ended April 30, 1977, and all emergency purchases made under ENGA. We also interviewed officials responsible for administering both acts.

Under our Title V authority, we obtained information from over 40 private companies on their involvement in and use of these emergency provisions. These companies were serving some of the States most severely affected by natural gas shortages during the 1976-77 winter.

We found that the way in which FPC regulated the emergency purchase provisions of the 1938 act allowed some intrastate pipeline companies to

--avoid price and other Commission regulations while dealing in the interstate market, and

--enjoy the highest prices set by the forces of supply and demand in the intrastate market.

As a consequence, many interstate pipeline companies were able to purchase emergency natural gas from intrastate pipelines to increase or maintain sales to low-priority customers that had alternate fuels capabilities. This was clearly counterproductive to national conservation policies.

We made a number of recommendations to the Congress, DOE, and the Federal Energy Regulatory Commission (FERC)--FPC's successor agency--aimed at (1) curbing low-priority uses of emergency natural gas, and (2) improving the administration of emergency purchase programs.

We also recommended that DOE review certain purchases under ENGA to determine which, if any, were ineligible and apply any appropriate penalties required under the act. DOE said it would take the necessary action to implement our recommendation.

FERC has not formally responded to our recommendations. However, as we recommended, the agency did initiate an action to improve administration of emergency purchase programs.

On August 14, 1978, FERC issued for public comment a notice of proposed rulemaking. The proposed rules better define what a natural gas "emergency" is. Pipelines would be required to assign the higher costs of emergency natural gas only to those customers that use it. The proposed rules also specify when emergency gas can be purchased, and what steps the purchaser must take to assure the lowest possible cost to

APPENDIX I

customers. The rules would require the pipelines to file reports with FERC whenever the "emergency" situations arise.

"The Advance Payment Program: An Uncontrolled Experiment" (EMD-78-47, July 10, 1978)

In 1970, FPC approved a program that permitted interstate pipelines to provide natural gas producers with 'advance payments'. These advances were interest-free loans to be used by producers to cover the cost of exploring, developing, and producing natural gas.

About $3.3 billion in fixed advance payment commitments were made during the program, and about $2.2 billion in indefinite advances can still be made to producers through 1980.

After the court decision which required that FPC fully evaluate the program, the agency concluded that it could not find enough evidence that natural gas exploration, development, or production had been accelerated; therefore, FPC cancelled the program.

The Chairmen of the House Committee on Interstate and Foreign Commerce and its Subcommittee on Oversight and Investigations asked GAO to review the now terminated program. We were asked to

--review the adequacy of FPC guidelines to program participants,

--review FPC's monitoring and evaluation of program accomplishments, and

--analyze the program's impact on natural gas customers, pipelines, and producers.

We studied the operation of the advance payment program at FPC headquarters, at two pipeline companies, and at two producer companies. We selected these companies because (1) the pipelines were among the largest participants in the program, (2) the producers were the ones to whom these pipelines had made the largest amount of advance payments, and (3) they provided an opportunity to compare the operation of an affiliated pipeline and producer with operations of a nonaffiliated pipeline and producer.

We discussed the origin, operation, and review of the program with FPC officials. We also obtained program directives, reports, and other related data about the program.

APPENDIX I

At the industry level, we interviewed pipeline and producer officials to obtain their views on the program's accomplishments and problems. We reviewed and selectively tested pertinent program data, reviewed geological and geophysical data on selected offshore properties, and made other tests of data as necessary to evaluate the program.

We found that FPC had not adequately evaluated the program's results nor provided adequate and timely guidance to participants. FPC had allowed the program to continue for about 5 years at the expense of customers without knowing whether the program was accomplishing any of its stated goals.

Although the program's overall accomplishments could not be measured accurately, it probably played a relatively minor role in bringing additional gas reserves to the interstate market or in bringing them sooner. Three facts support GAO's conclusion:

--Most of the gas reserves committed to the interstate market under the advances would have been committed anyway because they were on federally leased lands and are required to be dedicated to the interstate market.

--Properties developed with advances were producers' good quality properties that would have been quickly developed regardless of whether advance payments were involved.

--Producers were aided in the financing of drilling operations only to the extent that the program eliminated interest costs resulting from borrowing to finance such operations.

At best, the advances may have expedited the development of proven reserves in some cases. This cannot be determined explicitly.

Some customers had to pay increased rates for natural gas to cover the cost of this experimental program without any assurance of benefits in the form of additional natural gas supplies. Producers benefitted financially because the advances did not require interest payments.

According to an FPC study, pipeline companies were not adversely affected by the financial burden of the program.

We recommended that the Chairman, FERC:

--Establish policy guidelines requiring that any special programs and experiments provide for measuring the

results against clearly defined objectives. These guidelines should specifically provide that program participants keep adequate records to permit the Commission to audit and analyze program results.

--Consider the impact of special programs and experiments on the Commission's ability to perform its primary duty of rate regulation before implementing them.

--Provide specific guidance regarding how remaining advance repayment schedules should be structured and take measures to induce producers and pipeline companies to modify their repayment schedules to comply with such regulations.

--Establish program guidelines to prohibit including indefinite or tentative commitments of advance payments in the rate base of pipeline companies.

FERC had not formally responded to those recommendations by the time we issued this summary report. However, we did note that on August 9, 1978, FERC adopted a general policy that, absent a showing that an alternative method is less costly to ratepayers, advance payments will be removed from pipelines' rates if the producers have not spent the advances within 30 days.

"Lessons Learned From Constructing the Trans-Alaska Oil Pipeline" (EMD-78-52, June 15, 1978)

In August 1970, the eight companies permitted to construct the Trans-Alaska pipeline system (TAPS) formed the Alyeska Pipeline Service Company as their common agent for designing, constructing, and operating the pipeline system.

A 1968 feasibility cost study had estimated that TAPS would cost $1.046 billion. The estimate was based on minimal site-specific data, and contained no allowance for cost escalation. In May 1974 at the start of preconstruction, the cost estimate had grown to $4.088 billion. By April 1975, shortly after permanent pipeline construction had started, the cost estimate had risen to $6.375 billion. The final cost estimate of $7.940 billion was prepared in December 1977, after 6 months of pipeline operation.

The Chairman, Senate Committee on Energy and Natural Resources, requested that GAO examine the increases in the original cost estimates to construct TAPS. We also were asked to address the implications that this project would have for similar future large-scale energy projects (such as the Alaska natural gas pipeline).

APPENDIX I

We reviewed documentation of the Alyeska Pipeline Service Company at their offices in Anchorage, Alaska. At the time of our study, three separate Government audit groups needed Alyeska data. Alyeska hired a law firm to respond to these requests and to act as liaison. Alyeska stated that it established this procedure to protect its rights in the event of any future litigation.

In the interest of obtaining as much data as possible for hearings held by the Senate Committee on Energy and Natural Resources, we agreed to this. While we could appreciate Alyeska's need for the arrangement, it caused us procedural difficulties in getting the information necessary to carry on our review, and left us with much uncertainty about the completeness and accuracy of the information we received.

We interviewed Alyeska officials, construction management contractors, execution contractors, unions, and the Department of Interior's Alaska Pipeline Office.

With assistance from a labor relations consultant, we evaluated the labor agreement under which the project was constructed.

We also reviewed information presented in public hearings held from 1968 to 1977 relating to granting rights-of-way and protecting the environment. We discussed the environmental concerns with current officials of environmental organizations in Washington, D.C.; and Anchorage and Fairbanks, Alaska.

From the standpoint of increases in cost estimates, we concluded that the initial estimates simply were far too low. They were not based on adequate geotechnical and site-specific work before construction started. A large part of the cost increase was additional direct labor hours needed because of unexpected site conditions and construction difficulties.

Alyeska also experienced problems in project management. The contracts were reimbursable cost plus-fixed-fee and fixed overhead. Contractors would not bid on fixed-price type contracts because (1) there was no definitive project design, and (2) factors like soil conditions and labor productivity in extremely cold climates were unknown. Under the reimbursable type contracts, the contractors did not have the same incentives to minimize costs as they would have under fixed-price type contracts.

The cost reporting system Alyeska initially set up could not provide up-to-date information on actual costs. In fact,

the system did not function properly until December 1975, the end of the second construction year.

We concluded that the following lessons should be learned from the TAPS project:

--First and subsequent cost estimates should be viewed with skepticism.

--As much site-specific data as is economically practicable should be obtained.

--Technical and geological uncertainties should be thoroughly investigated.

--Government approval should be contingent on detailed planning for management control, including budgetary controls.

--The Alaska natural gas pipeline projects's expenditures should have an ongoing Government audit to protect the public interest.

"Inaccurate Estimates of Western Coal Reserves Should be Corrected" (EMD-78-32, July 11, 1978)

The Chairman, Senate Committee on Energy and Natural Resources, and the previous Chairman, Senate Subcommitte on Public Lands and Resources, asked GAO to review

--the accuracy of coal estimates under Federal lease,

--leaseholders' past production on Federal leases, and

--leaseholders' production plans through 1985.

For review, we selected the top 20 leaseholders based on recoverable Federal coal reserves. They controlled about 75 percent of all estimated recoverable reserves on Federal leases as of September 1976. We conducted the review at the 20 leaseholders' locations in 12 different States, and examined their reserve estimates, supporting documentation, and estimating methodologies.

We visited U.S. Geological Survey offices in seven States, interviewed responsible officials, and examined data files, reports, and maps supporting the agency's reserve estimates for the selected leases. We also determined what estimating criteria and methodologies the agency used in computing its estimates.

We then compared the leaseholder' reserve estimates with those of the Geological Survey. With assistance from a geologist consultant, we also independently computed reserve estimates for four leases and compared our estimates with the agency's and leaseholders'.

Based on these analyses, we concluded that neither the leaseholders nor the Geological Survey had reliable coal reserve estimates.

For the leases reviewed, the leaseholders estimated 10.5 billion tons of recoverable coal. This was 18 percent lower than the Geological Survey's estimate of 12.8 billion tons. The leaseholders' estimates were generally better supported by geological evidence, but many were not reliable because they did not consider all underground coal in computing recoverable reserves.

Our analysis of four leases showed more coal than either the agency or leaseholders, because they omitted some coal seams.

In the area of coal production, we found that 87 percent of the leases we reviewed had not produced coal before 1977. The leases had been held an average of 7 1/2 years.

Based on the results of this review, we recommended that the Secretary of the Interior:

--Publish reserve estimate methodology regulations for comment and hold public hearings so that a standard methodology can be developed and understood between industry and government.

--As an interim measure, require the Geological Survey to use the published estimating criteria contained in its Bulletin No. 1450-B for determining estimates, and review and update all reserve estimates on existing leases. First priority should be given to producing leases and leases scheduled to come into production within the next 5 years. When diligent development or continued operations requirements are not met by the lessees, as required by law, the leases should be terminated.

--Obtain reserve estimates and cost and pricing data from leaseholders, and develop procedures for analyzing this information in estimating recoverable reserves.

--Consider acquiring computer capability to provide for more effective and timely determination of reserve estimates.

APPENDIX I

Title V Studies Currently in Process

1. Review of Estimation of Natural Gas Reserves. This is the first of two reviews requested by 30 members of the U.S. House of Representatives.

   In recent years, there have been numerous attempts by the former FPC and Federal Energy Administration, the Department of the Interior, Federal Trade Commission, and congressional committees to establish an acceptable estimate of natural gas reserves. The attempts have resulted in conflicting figures and considerable controversy.

   The primary objective of this review is to evaluate the government's need for national natural gas reserve estimates and the approaches that are being pursued to obtain them. We are concentrating on the accuracy of the estimates, the uses made of them by Federal agencies, and whether there is avoidable duplication of efforts. We are accomplishing this by reviewing the specific procedures followed by 5 private companies in estimating the natural gas reserves on their leases in the Gulf of Mexico Outer Continental Shelf. We are also examining the methodologies they used to calculate reserves and whether the records they maintained support the reserves estimates they reported to the former FEA and Department of the Interior.

2. Review of Natural Gas Regulation on Federal Lands. This is the second review being conducted in response to the request of 30 members of the U.S. House of Representatives (see No. 1, above). This review addresses Federal regulation of the exploration, development, and production of natural gas in the Federal Domain of the Gulf of Mexico Outer Continental Shelf.

   Because natural gas reserves in the U.S. were sufficient to meet demand until the late 1960's, the government did not consider a diligence policy for Outer Continental Shelf lessees. However, the increase in consumer demand, combined with the continual decline in marketed production since the early 1970's, created an increasingly severe energy crunch situation, especially during short supply periods such as recently experienced during the 1976-77 winter.

The objective of this review is to evaluate how the Federal Government regulates lessees' operations on oil and natural gas leases in the Gulf of Mexico Outer Continental Shelf to combat the natural gas shortage.

We are reviewing the Department of the Interior's success in developing policies and regulations for exploration, development, and production of natural gas on public lands, and Interior's interface with DOE. Additionally, we are assessing how well DOE is carrying out its new responsibilities in this area.

We are also reviewing the exploration and development activities performed by lessees on 235 tracts leased during 1970 and 1972 in the Gulf of Mexico Outer Continental Shelf. This includes the review of company records of 5 lessees.

3. Survey of Issues Surrounding Uranium Availability for This Nation's Nuclear Power Needs. Nuclear power is being relied on to supply a significant portion of this Nation's energy requirements for the future. For nuclear power to grow, an adequate uranium supply to fuel nuclear powerplants is necessary.

The primary objective of this self-initiated study is to identify and assess major issues, problems, and constraints affecting the development of economical and reliable uranium supplies to fuel U.S. nuclear powerplants.

As part of our examination of uranium demand, we are looking at (1) the growth of electricity demand and the portion attributable to nuclear power; (2) socio-economic and environmental concerns; (3) the need for enrichment capacity; (4) decisions on commercial spent fuel reprocessing and related safeguards issues; and (5) high level radioactive waste management policy.

Our examination of uranium supply includes analyzing DOE's uranium supply estimates and its efforts to increase that supply through the National Uranium Resource Evaluation (NURE) Program.

Because domestic utilities are able to use some imported uranium, we also are examining the impact of potential foreign ore supplies on domestic supply and demand.

APPENDIX I

Under our Title V authority, we are contacting certain private companies to evaluate their estimates of uranium reserves on property they own or lease. We are reviewing their methodologies for assessing the reserves, and their supporting documentation.

4. Verification Examination of Company Submissions Pertaining to Pricing of an LNG Import Project. As part of an overall evaluation of the advantages and disadvantages of 'rolled-in' versus 'incremental' pricing for supplemental natural gas supplies, we are conducting a verification examination of company submissions to FERC pertaining to pricing of an LNG import project.

Under the 'rolled-in' method of pricing, the gas companies average in the higher costs of LNG with the lower costs of domestic natural gas, and all of a company's customers share in paying for the LNG. Under the 'incremental' pricing method, only those customers who use the LNG pay for it.

In deciding which pricing method to approve in the case under study, FPC (now FERC) relied heavily on the applicant gas company' assertions that the project could not be financed with incremental pricing.

The objective of our verification examination is to determine the accuracy, adequacy, and reliability of the data provided to FERC by the gas company. This will involve reviewing the company's supporting documentation, as well as other pertinent data substantiating the information that was submitted to FERC.

We plan to report our findings to the Chairman, FERC.

CONCLUDING OBSERVATIONS

GAO has found Title V to be a useful and productive statutory tool for accomplishing reviews in the energy area. We believe it holds great promise for our future work on substantive questions of U.S. energy issues and policy, which can only be properly resolved on the basis of accurate, reliable, and adequate data.

We consider Title V to be satisfactory for these purposes as it now stands, and we believe no further legislative authority in this area is required at this time. Moreover, our experience with Title V thus far has not uncovered defects in the law which would lead GAO to recommend amendments.