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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON ENERGY AND POWER
OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
UNITED STATES HOUSE OF REPRESENTATIVES



Mr. Chairman and Members of the Subcommittee:

We appreciate your invitation to appear before the Subcommittee to discuss the review you asked us to carry out on energy emergency contingency planning at the Federal and State levels. We will be discussing our findings and conclusions in the context of whether energy emergencies can be managed more effectively.

Let me begin, Mr. Chairman, by summing up briefly the major conclusions of our report, "Improved Energy Contingency Planning Is Needed To Manage Future Energy Shortages More Effectively." They are:

- The centerpiece of the Department of Energy's (DOE) energy emergency preparedness effort was the Energy Emergency Planning Guide. However, the Guide was merely a list of proposed measures that might be taken at Federal, State, or local levels. Not all of those measures were feasible alternatives.

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- DOE's most effective response to the midwinter coal strike of 1977-78 came from two hastily organized "ad hoc" task forces to manage possible shortages of coal and electricity. In concentrating on power supplies, however, DOE failed to monitor consumer costs adequately.
- Federal actions were a minor factor in the relatively successful management of the energy emergency.
The two major factors were
 - the foresight and planning of the electric utilities, and
 - the demonstrated willingness and ability of the States to respond with minimal Federal intervention.
- The Administration, for reasons which are unclear, seriously overestimated the impact of the strike on unemployment levels. Access to Council of Economic Advisor's (CEA) data that could clarify the reasons has been withheld.
- Except for minor improvements, most Federal and State agencies will face this coming winter in about the same state of preparedness as last year. These changes include somewhat better staffing, revisions in the Planning Guide, and the learning experience of last winter.

--There were deficiencies in DOE's handling and monitoring of contractual services for contingency planning. The use of contractors has been greatly expanded in current planning, and will require close monitoring to ensure satisfactory performance.

Mr. Chairman, I will discuss each of these points in a little more detail, and then conclude with our recommendations.

ENERGY EMERGENCY PREPAREDNESS - 1977-78

In the early summer of 1977, the Federal Energy Administration was giving top priority to planning for emergency conditions which might result from energy shortages during the 1977-78 winter. An Interagency Task Force was established to develop energy emergency contingency plans and to prepare initiatives for any needed legislation, but the actual planning effort was delegated to a seven member working group of FEA officials.

DOE's Planning Guide

The major product of this contingency planning effort was the Energy Emergency Planning Guide: Winter of 1977-78, issued by the newly formed DOE. This Planning Guide was not the product originally envisioned. Instead of a contingency plan with specific programs to be implemented at certain stages of an emergency, the Planning Guide simply listed proposed measures that might be taken at Federal, State, or local levels prior to, or in the event of, an energy emergency. The Guide fixed no responsibilities for monitoring these actions or for assessing

and reporting on the progress being made in their implementation. Furthermore, some of the listed emergency measures were dependent on congressional approval of a National Energy Act or other specific legislation. When these legislative measures were not approved, the emergency actions could not be taken. The Guide contained no alternative actions to cope with such potential problems.

There were other measures specified in the Planning Guide which could not be readily implemented, such as: facilitating increased imports of natural gas, securing legal authority for mandatory Federal and State measures, and implementing energy information systems. These kinds of measures take time to develop, which means they are generally not applicable as short-term solutions to immediate problems. The decision to include these measures in the Guide appears to be due to the lack of technical expertise in the work group responsible for the Guide.

DOE's Energy Emergency Center

Only a few of the proposed measures for Federal or State actions were actually undertaken or completed, including those within DOE. One of the more successful pre-emergency measures was the establishment of DOE's Energy Emergency Center. The Center--an energy information and communication "clearing house" between Federal, State, and local government agencies--opened on December 1, 1977, as scheduled. The Center's effectiveness was minimized for several weeks, however, because it was housed in

temporary quarters, had mostly untrained staff, minimal equipment, and no operating procedures. As the winter progressed, these problems were resolved and the Center was useful in serving as a central information point for energy data. Some State officials were critical of the accuracy and timeliness of the data sent to them from the Center. But, they generally viewed the Center operations favorably as a single reference point within the Federal sector during emergency situations.

State Plans

Most of the States we visited had developed, to some extent, contingency plans to meet their perceived needs. Most of these plans, however, were not complete enough to send to DOE at the beginning of the winter. DOE officials thus could not assess their adequacy and work with the States to coordinate proposed Federal and State actions. Some of the States relied on disaster relief plans. Because contingency plans for energy emergencies are sufficiently different from disaster plans, we believe they should be considered separately, and closely coordinated with Federal contingency plans.

Industry's Contingency Measures

The most impressive pre-emergency actions to minimize the effects of the impending coal strike were taken by the electric utility companies. On their own volition, and long before serious efforts were undertaken by Federal officials, the utilities began to build up their coal inventories to record heights.

ASSESSMENT OF DOE'S EMERGENCY ACTIONS

When coal shortages reached a point where they appeared to jeopardize the electric utilities' ability to continue meeting power demands, DOE reacted by forming two "ad hoc" task forces to manage possible shortages of electricity and coal. The use of such task forces was not included in the Planning Guide, yet it was probably the best method of obtaining a quick assessment of the unfolding problems. DOE's failure to assign high-level responsibility for energy emergency contingency planning probably accounts for the hurried implementation of the "ad hoc" task forces.

Although the performance of these task forces was generally adequate under the circumstances, we believe that major benefits, in terms of improved Federal credibility and reduced economic costs, could have been achieved through better planning. For example, the electric power task force was concerned only with generating and transmitting power to where it was needed and not with the costs that were incurred by the utilities and passed on to their customers. Because of this lack of cost monitoring, allegations have been made that consumers were charged excessive prices and FERC has had to conduct an extensive post-strike audit of utility costs and charges. This audit is not only costly to both the Government and the utilities but also raises questions of industry credibility during energy emergencies.

DOE did make a positive contribution to the management of the emergency by using government personnel familiar with energy industry operations on the task forces. They were able to develop the effective "ad hoc" system of monitoring energy supplies and provide this information to high level decision makers. DOE's ability to accurately assess the energy supply situation during the winter was probably the direct result of the input of the "ad hoc" task forces, and probably led to the government's decision, which we believe was correct, to maintain a "hands-off" posture during the energy emergency. Most utility and State personnel we talked to approved of the government's maintaining a low profile. It appears that DOE plans to continue this "hands-off" approach, but with a refinement of the process. Based on our brief review of the revised Planning Guide, for example, it appears that the roles to be played by responsible DOE officials will be better defined.

As effective as the task forces proved to be, we believe that they would have been more effective if they had been provided for in the Planning Guide. If so, the task forces could have been (1) already formed, (2) told what their goals were so that methods to achieve them could have been formulated, and (3) been involved earlier in an active program to cultivate industry contacts for emergency coordination with DOE during the winter.

ASSESSMENT OF INDUSTRY AND STATE ACTIONS

Two major factors contributed to the relatively successful management of last winter's energy emergency. One factor was the foresight and planning involved in the electric utilities' coal-stockpiling, coupled with the extensive interconnections of the affected area's electrical generation and transmission system. The other factor was the demonstrated willingness and ability of the States to respond to energy emergencies with minimal Federal intervention. These factors probably overshadow all the planning and energy management activities of DOE before, during, and after last winter's energy shortage. We have seen nothing that would change this view for similar energy emergencies in the future.

THE VALIDITY AND USE OF UNEMPLOYMENT DATA IS QUESTIONABLE

An increase in unemployment levels was a possible major economic consequence of a lengthy coal strike. Two basic methods were used by Federal agencies to track these levels. One method used direct contacts with affected business concerns to assess the actual unemployment levels. The other method used a computer analysis of anticipated actions to determine the consequences under various scenarios.

The direct survey method, as carried out during the past winter by the Bureau of Labor Statistics (BLS), showed a relatively small number of workers unemployed for strike-related reasons in the States comprising the East Central Area Reliability

Coordination Agreement region. BLS weekly surveys found that out of a workforce of about 14 million, weekly unemployment ranged from 9,500 to 25,500. One factor that may have contributed to this low figure was the increasing deliveries of coal during February and March 1978.

The computer model, developed jointly by DOE, BLS, and the Council of Economic Advisors (CEA), showed a "best case" projection of unemployment amounting to about 27,000--a figure comparable to the maximum unemployment level reported by BLS. The model also showed a "worst case" estimate of 3.5 million unemployed in the East Central region by mid-April 1978, under the assumptions that coal deliveries would fall to their low point of 300,000 tons per week and State curtailment plans for electric power would be imposed.

We were told by CEA officials that these estimates resulted because the computer model made a direct linkage between unemployment and coal deliveries. Other Government officials, however, told us that no reliable causal relationship can accurately be established between energy curtailments resulting from diminished coal deliveries and numbers of workers unemployed.

For reasons we could not determine, the Administration elected to use the computer-generated "worst case" scenario of 3.5 million workers unemployed, both in the public media announcements and in support of the Taft-Hartley injunction. As you are aware, Mr. Chairman, we have had a series of delays

in obtaining documentation on this matter from CEA. They did provide some of the data we requested, but it was not received until after our audit work was completed and the report was ready for issue. However, the key information we needed on CEA's analysis of the computer projections was not provided. We therefore could not determine the rationale for the Administration's use of the "worst case" scenario.

We were provided copies of data by DOE that had been given to Administration officials during the winter. These data concerned the upward trend in coal deliveries, the extent of power transfers, the results of curtailing industrial users 15-25 percent, and related documents on unemployment statistics. This information was all supportive of the BLS survey findings.

We do not believe the Administration acted as prudently as it could have, given the wide range of information it had available to it. We believe that, as a minimum, the Administration should have informed the public as to the actual unemployment and coal delivery levels, various projections of unemployment given differing assumptions, and the probability of these unemployment levels actually occurring. In contrast, however, it appears that the credibility gap regarding energy information has been widened. This could make it difficult to obtain public cooperation in future energy emergencies which may be more severe. We believe that in the Government's dealings with the public its goals will best be served if such information is presented candidly and forthrightly.

In your request for our testimony, Mr. Chairman, you specifically asked that I be accompanied by GAO's Office of General Counsel to address our reaction to the Justice Department memo of August 31, 1978. Our Office of General Counsel has prepared a statement for the record which Mr. Wray will briefly summarize at the end of my statement.

THE USE OF CONTRACTORS

DOE used contractual services amounting to nearly \$200,000 to assist the working group in preparing the Planning Guide and in implementing some of the pre-emergency measures. The results of these contracts were mixed. Some contractors achieved their objective--such as the completion of the Planning Guide itself. Other contractors produced products, however, that were either not timely or not useable. In at least one case, the delay was in DOE's contract processing procedures during the reorganization. This, for example, held up the production of the Energy Handbook to complement the Planning Guide. This was especially unfortunate, since the Handbook appeared to us to be potentially more useful than the Planning Guide. In another example--involving the development of procedural guidelines for the Emergency Center--the lack of contractor monitoring by knowledgeable DOE staff probably contributed to poor contractor performance. In this case, however, we believe DOE should have been able to develop these guidelines without contractor assistance.

DOE is continuing to use contractual services in its on-going emergency preparedness planning activities. In

addition to the \$7.5 million budgeted in FY 79 for the development of the Energy Emergency Management Information System, contracts amounting to about \$2 million have been signed for at least eight separate projects. We are concerned about:

- The contract costs.
- The complexities of work envisioned.
- The need for such extensive contracting services in view of the improved capabilities of State agencies to handle emergency situations.
- The ability of DOE to effectively monitor these contracts in view of the relatively few personnel DOE has assigned to the emergency preparedness effort.

These concerns raise questions as to how effective and how necessary, these contracting efforts will be in helping DOE to discharge its contingency planning responsibilities.

CURRENT EFFORTS TO IMPROVE EMERGENCY PREPAREDNESS

Although the Nation managed to get through the winter's energy emergency without widespread disruptions, there were several areas where deficiencies existed and where corrective actions were needed. While some of the deficiencies can be corrected by DOE actions, most of the required actions will require the close cooperation of Federal and State agencies as well as the energy industries.

The need for improving energy emergency preparedness has been recognized and efforts to bring about these improvements at the Federal and State levels have been on-going through the

months following the coal strike settlement. However, except for a revised Planning Guide at DOE and the benefit of experiences gained during the past winter, most Federal and State agencies will face this coming winter in about the same state of preparedness as existed for the 1977-78 winter. Because of last winter's learning experience, State and electric utility industry officials should have a greater degree of confidence in their ability to manage future energy shortages. They recognize, however, that they need Federal assistance in certain areas, such as improved data management and coordination of emergency operating plans and procedures.

DOE's current planning efforts are concentrated principally in (1) developing the Energy Emergency Management Information System, (2) revising the Energy Emergency Planning Guide, (3) reorganizing the Energy Emergency Center, and (4) improving the coordination between State and Federal agencies.

The Management Information System

The Management Information System project has required extensive groundwork. Staffing, which has been minimal, has recently been expanded. At the present time it consists of the Director, three staff members detailed from other DOE components, and a secretary. If the objectives of the System are attained, it could be a very useful source of information, particularly as it related to energy emergencies.

Revisions to the Planning Guide

The revisions to the Planning Guide appear to have enhanced its usefulness to potential users, but it still remains a

reference document rather than an actual plan. We believe that DOE still needs to take the lead in coordinating and monitoring Federal energy emergency actions. Specific responsibilities need to be assigned for proposed actions. The best use of task forces needs to be determined, and decisions need to be made in advance of the organization, assignment of responsibilities, and staffing of the task forces. We also believe a single responsible high level administrator needs to be designated to coordinate emergency preparedness planning and have authority to order the implementation of the various Federal actions needed regardless of the agency involved.

Improvements in the Energy Emergency Center

Improvements in the Energy Emergency Center operations are needed and have been recognized by responsible officials. Proposed changes include coordinating a number of separate activities and upgrading the facilities and equipment within the Center. An improved data management system which is currently being incorporated into Center operations should also help overcome previous complaints about the accuracy and timeliness of information sent out from the Center during the past winter.

Coordination of Emergency Plans

The coordination of Federal, State, local, and industry emergency preparedness plans remains one of DOE's major unresolved problems. We found that some States maintained a provincial attitude towards electricity produced within their

own borders, even though such electric power was a vital segment of the total electrical energy needs of a neighboring State. The interstate and regional environment in which many of the energy industries operate make it imperative that contingency planning encompass more than an individual State or locality. Responsible officials at all levels have recognized this need and DOE has devoted a share of its resources to improving this coordination.

Most of this coordination effort will take 1 to 3 years to complete. We believe that discussions with knowledgeable Federal, State, and industry officials need to be on-going to identify past problem areas and seek mutually agreed-on solutions for the immediate future. DOE should be initiating discussions with State agency officials on ways to remove barriers to regional planning within the context of meeting individual State needs and encouraging the States to work together to achieve compatible contingency and energy curtailment plans.

We believe that because DOE did not have early access to State contingency plans, it did not have a good understanding of how States were prepared to manage energy shortages. Had DOE been more aggressive in obtaining and analyzing these plans, we believe that some regional supply problems may have been avoided. DOE proposes to improve this situation through the use of contractual assistance. We believe that DOE should look to its own staff to develop strategies and plans for improvement.

We believe that such Federal-State coordination should be encouraged and expanded as necessary and if it is, many of the prior problems will be greatly reduced if future energy shortages should occur.

RECOMMENDATIONS

To ensure that DOE's efforts are properly directed and managed, we have recommended to the Secretary that at the Federal level, an interagency energy emergency agreement be developed which would designate the actions that can be taken, how they would be taken, and who has the responsibility and authority to take them.

We have also recommended that DOE's current planning process be critically reviewed to ensure that:

- Only those needs that cannot be met by State and industries be considered.
- Proposed emergency actions involving the energy industries are approved by energy technical specialists.
- The Planning Guide is revised to contain (1) sufficient details on Federal programs and assistance to make it more useful, (2) proposed actions that can be realistically implemented, and (3) wherever possible, specific plans of action.
- The development of the Energy Emergency Management Information System be given top priority.

To minimize poor contractor performance, we have concluded that DOE needs to critically evaluate its current contingency planning efforts to insure that all current programs are necessary and properly staffed. We have specifically recommended that the Secretary, DOE, more closely monitor the contractual services used in the energy contingency planning process so that the results of such services are both timely and useful.

Mr. Chairman, that concludes my prepared statement on the findings and recommendations contained in our report. You also asked that we comment on a number of issues related to DOE's emergency preparedness planning that were raised in our report and in a report prepared by DOE's Inspector General on the same topic. In response to that request, we are submitting a separate detailed statement for the record. We will be happy to answer any questions you may have.