

GAO

Briefing Report to the
Honorable Philip R. Sharp, Chairman,
Subcommittee on Fossil and Synthetic
Fuels, Committee on Energy and
Commerce, House of Representatives

December 1985

ENERGY EMERGENCY INFORMATION NEEDS

Adequacy of Data Dissemination: State, Industry, and Government Views



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RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

December 20, 1985

B-221125

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

Dear Mr. Chairman:

In response to your letter and subsequent discussions with subcommittee staff, the attached briefing report discusses the extent to which the Energy Information Agency (EIA) and the Department of Energy (DOE) are meeting the energy emergency statistical data and information needs of states and industry. As agreed, our objectives were to obtain information on (1) what data and information are needed by states and industry to allow them to properly meet an oil shortage, (2) whether EIA and DOE are meeting those needs, and (3) what, if any, effective steps might be taken to better serve those needs.

To meet these objectives, we discussed with responsible officials of these various entities their views on whether EIA and DOE are providing the statistical data and information that states and industries need to allow them to properly plan for an oil shortage. We also obtained written responses from state officials on the quality and usefulness of EIA data and on the information aspects of DOE's energy emergency preparedness program and plan. Additional details on the scope of our work are shown on pages 8 and 9.

State and industry officials stated that EIA is providing reliable and high quality data. Some state officials, however, expressed a general lack of understanding of the mutual roles and responsibilities of the federal and state governments during an oil shortage. They also mentioned a need for more information on DOE's emergency plans and policies, suggesting that DOE publish an energy emergency preparedness planning document describing DOE's program, policies, procedures, responsibilities, and the roles of states. In addition, they suggested that DOE provide an annual forum with state energy

officials to discuss current energy emergency issues and concerns. Most company officials we visited also said they believe they have an adequate understanding of DOE's emergency plan for responding to an oil shortage.

DOE officials told us they have provided adequate information to the states and that the states should have an understanding of their roles and responsibilities. To the extent that states sense a need for additional information on energy emergency issues, DOE officials expressed a willingness to work toward meeting this goal, possibly through separate periodic forums, as suggested, or through state organizations such as the National Governors' Association. DOE officials stated, however, that they believe an energy emergency preparedness planning document is not viable, given the uncertainty as to what an emergency would consist of and when and where it might occur.

At the request of your office, we did not obtain formal agency comments on a draft of this document. We did, however, obtain responsible officials' views during the course of our work; they have been incorporated into the report where appropriate. Also, as arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 14 days from the date of its issuance. If you have any further questions, please do not hesitate to contact me at 275-8545.

Sincerely yours,

A handwritten signature in cursive script, reading "James Duffus III". The signature is written in dark ink and is positioned above the typed name and title.

James Duffus III
Associate Director

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ABBREVIATIONS

| | |
|------|-----------------------------------|
| API | American Petroleum Institute |
| DOE | Department of Energy |
| EIA | Energy Information Administration |
| GAO | General Accounting Office |
| SEDS | State Energy Data System |
| SPR | Strategic Petroleum Reserve |



BRIEFING REPORT ON THE EXTENT
TO WHICH EIA AND DOE ARE MEETING
THE STATISTICAL DATA AND ENERGY
EMERGENCY INFORMATION NEEDS OF
STATES AND INDUSTRY

PREPARED AT THE REQUEST OF THE
SUBCOMMITTEE ON FOSSIL AND SYNTHETIC FUELS
COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ISSUES ADDRESSED

- IS EIA PROVIDING THE STATISTICAL DATA STATES AND INDUSTRY NEED TO ALLOW THEM TO PROPERLY MEET AN OIL SHORTAGE?
- IF STATISTICAL DATA NEEDS ARE NOT BEING MET, HOW COULD EIA BETTER MEET THE DATA NEEDS OF STATES AND INDUSTRY?
- IS DOE MEETING THE INFORMATION NEEDS OF STATES AND INDUSTRY REGARDING ITS ENERGY EMERGENCY PREPAREDNESS PROGRAM?
- IF THE INFORMATION NEEDS ARE NOT BEING MET, HOW COULD DOE BETTER MEET STATE OR INDUSTRY NEEDS FOR INFORMATION ON ITS ENERGY EMERGENCY INFORMATION PROGRAM?

ISSUES GAO WAS ASKED
TO ADDRESS

In a December 19, 1984, letter from the Chairman of the Subcommittee on Fossil and Synthetic Fuels, House Committee on Energy and Commerce, and in subsequent discussions with his office, we were asked to obtain information from selected states and industrial companies on whether they are receiving adequate data and information to permit them to properly meet an oil shortage.

State and industry statistical data needs include quantitative information, often in time series, such as regular reports reflecting trends, comparisons, and projections. The information they need is generally non-quantitative and answers questions such as who, what, and how. These definitions are important for this report because EIA has the responsibility for providing statistical data and DOE has the responsibility for providing information needs relative to its energy emergency information program.

REVIEW SCOPE

o SCOPE

° WE VISITED AND OBTAINED COMMENTS FROM THE FOLLOWING:

- 14 STATES

| | | |
|-------------|---------------|------------|
| California | Massachusetts | Vermont |
| Connecticut | Michigan | Washington |
| Florida | Mississippi | Wisconsin |
| Kansas | New York | Wyoming |
| Maine | Texas | |

- 5 INDUSTRIAL COMPANIES

Burlington Industries (Textile)
Borden (Dairy/Foods)
Deere & Company (Farm Implement)
E.I. Du Pont de Nemours (Chemical)
General Motors (Automotive)

- 3 FEDERAL AGENCIES

Department of Energy
Energy Information Administration
Federal Emergency Management Agency

- 5 GROUPS AND ASSOCIATIONS

| | |
|--------------------------------------|--------------------------------|
| American Petroleum Institute | Northeast-Midwest Institute |
| National Governors' Association | Petrochemical Energy Group |
| New England Governors' Conference | |

SCOPE OF REVIEW

In discussions with the subcommittee staff we agreed on the states, industrial companies, federal agencies, and groups and associations selected for this review. The 14 states we visited, while not a statistically valid sample, represent a broad cross-section of various aspects of the problems arising from an oil interruption. They include states that are oil-producing and non-producing, small and large, rural and urbanized, industrial and agricultural. The states also give broad geographic coverage.

Because industry is expected to play an important role in helping the United States respond to an oil shortage, we obtained the views of large companies from several major industrial groups. Each of the five companies selected represents a different major industry, and all conduct their businesses either regionally, nationally, or internationally. Each of the companies uses petroleum products in either its manufacturing process or in getting its products to market. In other cases, company customers require petroleum products to use effectively manufactured products, i.e., farm machinery and automobiles.

We contacted officials of the Federal Emergency Management Agency to determine whether it had a major role in developing and/or implementing a federal energy emergency plan in the event of an oil shortage. It does not.

The Northeast-Midwest Institute is a private, nonprofit organization devoted to research and public education on issues of concern to the northeast/midwest states. The National Governors' Association represents the governors of all 50 states. One of its missions is to influence the shaping and implementation of national policy and to provide leadership to the solution of state problems. The New England Governors' Conference represents all the New England states, which are concerned on a regional basis with the same issues as the National Governors' Association on the national level.

The American Petroleum Institute (API) represents about 230 members, which include all aspects of the petroleum industry. The Petrochemical Energy Group is an ad hoc group of petrochemical producers. All of its members are "independent" in the sense that they are not owned or controlled by companies primarily engaged in production, refining, distribution, or marketing of energy resources.

**WHAT ARE THE DATA NEEDS
OF STATES AND INDUSTRY?**

- STATES AND INDUSTRY NEED A VARIETY OF DATA CONCERNING PETROLEUM
 - PRICES
 - SUPPLIES
 - CONSUMPTION
 - IMPORTS
 - PRODUCTION
- STATES AND INDUSTRY NEED THE SAME TYPES OF DATA DURING NON-EMERGENCY AND EMERGENCY PERIODS

DATA NEEDS OF
STATES AND INDUSTRY

State and industry officials stated that the same types of data are needed during nonemergency and emergency periods. However, to be most useful during an emergency, the data should be collected more often and made available sooner than during nonemergency periods.

Petroleum data give states and industry an understanding of energy production, flow, use, and markets. Because a wide variety of energy production and consumption patterns exists among states and industries, their need for and use of petroleum data vary. They primarily analyze five types of petroleum data:

- °Prices data on petroleum prices, including crude oil, motor gasoline, residual fuel oil, distillate fuel oil, and aviation fuel.
- °Supplies data on the availability of petroleum supplies, including crude oil and finished products.
- °Consumption data on petroleum consumption by end-use sectors, including residential and commercial, industrial, transportation, and utilities.
- °Imports data on petroleum imports, including crude oil and refined products.
- and
- °Production data on field production of crude oil, stock withdrawals of crude oil and petroleum products, and ending stocks.

Data collected during nonemergency periods are called **core data**. Obtained on an ongoing basis, core data are used to establish a baseline showing the amounts and patterns of energy supply, distribution, and use over a period of time.

**EIA IS PROVIDING STATES
WITH THE DATA THEY NEED**

- 13 OF 14 STATES RELY ON EIA DATA FOR PLANNING AND ANALYSIS. SPECIFIC USE OF PETROLEUM DATA INCLUDES
 - MONITORING ITS AVAILABILITY
 - DEVELOPING FORECASTS AND IDENTIFYING TRENDS
 - DEVELOPING ENERGY EMERGENCY CONTINGENCY PLANS
 - INFORMING STATE POLICYMAKERS
 - PRODUCING ENERGY PUBLICATIONS
 - INFORMING THE GENERAL PUBLIC

- STATES RELYING ON EIA DATA IDENTIFIED 40 OF 42 RECURRING EIA PUBLICATIONS THAT THEY REGULARLY USE

- STATES DESIRE DATA ON A REAL-TIME BASIS--OR AS CLOSE AS POSSIBLE--DURING AN EMERGENCY

USEFULNESS OF EIA DATA TO STATES

States believe EIA data are reliable and of high quality. They use them in developing baseline data (on petroleum supply and consumption patterns), to analyze policy alternatives, and to develop energy emergency contingency plans. According to state officials, the data base provides a historical reference and, when and if an oil shortage occurs, will be used to assess significant changes occurring in the supply and consumption of crude oil and petroleum products. Although states believe that EIA data meet their nonemergency planning and analysis needs, if an oil shortage occurs, they would like the lag time in making the data available reduced.

Two examples of comments obtained on the use of EIA data follow:

Kansas - Energy officials use the data to develop the state energy emergency plan and energy-related publications. The Kansas Energy Resources Emergency Plan is intended to promote efficient evaluation of an energy emergency situation and outlines programs and actions to help improve it. The Kansas Energy Resource Publication is used to document energy supply and demand and to identify trends in state energy resource production and consumption by sectors. Fuels Outlook provides information and forecasts on the state petroleum situation and is used by farmers and industry to help plan fuel purchases.

Wisconsin - Energy officials use the data to monitor the supply and consumption of energy, perform forecasts, and identify emerging trends. Such analyses provide state energy planners and policy-makers with an understanding of the state energy resource mix.

The following comments of state energy officials exemplify the usefulness of EIA data to states.

A Michigan energy official commented, "Michigan relies solely on the EIA data and publications for its analysis of petroleum products and the overall petroleum supply situation. Over the years, there have been significant efforts [between EIA and the National Governors' Association] to identify what data are essential for evaluating and managing petroleum shortages. These efforts have resulted in the collection of basic data and the publication of information covering the essential core data needs for analyzing petroleum product distribution."

A New York energy official commented, ". . . federal data collection and publication activities should be continued. Accurate knowledge of how and where petroleum resources are produced and consumed is vital to an effective state emergency energy response. The ongoing reporting of supply/demand and price/consumption data is important to prevent states from underreacting or overreacting to an energy shortage situation."

**STATES USE EIA
STATISTICAL DATA**

○ PUBLICATIONS USED MOST OFTEN BY STATES

| PUBLICATION NAME | <u>NO. OF STATES</u> |
|---------------------------------------|----------------------|
| <u>MONTHLY ENERGY REVIEW</u> | 13 |
| <u>PETROLEUM SUPPLY MONTHLY</u> | 13 |
| <u>PETROLEUM SUPPLY ANNUAL</u> | 12 |
| <u>SHORT-TERM ENERGY OUTLOOK</u> | 12 |
| <u>PETROLEUM MARKETING MONTHLY</u> | 12 |
| <u>ANNUAL ENERGY OUTLOOK</u> | 11 |
| <u>ANNUAL ENERGY REVIEW</u> | 11 |
| <u>WEEKLY PETROLEUM STATUS REPORT</u> | 10 |
| <u>NATURAL GAS MONTHLY</u> | 9 |
| <u>NATURAL GAS ANNUAL</u> | 9 |
| <u>ELECTRIC POWER MONTHLY</u> | 8 |
| <u>ELECTRIC POWER ANNUAL</u> | 8 |
| <u>COAL PRODUCTION ANNUAL</u> | 7 |

○ OTHER EIA DATA USED BY STATES

| | |
|---|----|
| STATE ENERGY DATA SYSTEM (SEDS) | 11 |
| EIA-782C FORM (monthly report of petroleum products sold in states for consumption) | 13 |

EIA DATA
USED BY STATES

The extent to which EIA data are used by states varies, depending on the types of energy produced and used in the state, geographic and population differences, and available funding for data collection and analysis. Thirteen of the 14 states we visited regularly used recurring EIA publications containing data on a regional and national basis. We listed 13 publications used by 7 or more of the 14 states.

Other EIA data used were the State Energy Data Report generated from a State Energy Data System (SEDS) and the EIA-782C form, which is submitted monthly to EIA and states by petroleum suppliers within each state.

The SEDS data are one of two EIA data systems containing state level data and were considered by most states as an important source of data. SEDS provides a common data base that is comparable from state-to-state and has been used to determine allocation of funds for the Low Income Home Energy Assistance Program and the distribution of money collected for actual or alleged oil overcharge violations.

The EIA-782C form is used by 13 of the 14 states and contains state-specific data. It provides monthly information on the sales of certain petroleum products into a state for consumption in that state.

State comments on the usefulness of EIA data follow:

Kansas - According to energy officials, EIA's Weekly Petroleum Status Report and the EIA-782 series are very useful. The data provided by these sources are used to track and forecast petroleum supply and demand and can be used as an indicator of possible supply shortages. According to state officials, the loss of this data would be catastrophic as they could not maintain an adequate picture of the petroleum situation or an energy emergency plan without this data.

Texas - State officials commented that EIA data, such as the 782-C form from state petroleum suppliers and the Petroleum Marketing Monthly, are very useful in monitoring the petroleum situation. These provide a basis for comparable data for each state.

Wyoming - In the view of state energy officials, EIA data are useful to Wyoming for updating the state's energy emergency plan. However, they are not used on an ongoing basis. Other states with different circumstances, such as states in the east or heavy industrialized states, have a greater data need than does Wyoming.

IMPORTANCE OF EIA DATA TO STATES

- EIA DATA CONSIDERED IMPORTANT BY STATES
 - ° 13 OF 14 STATES CONSIDER EIA DATA IMPORTANT TO THEIR PLANNING EFFORTS AND A CRITICAL DATA BASE IN TIMES OF EMERGENCY
 - ° QUALITY AND USEFULNESS OF EIA DATA
 - DATA ARE OF HIGH QUALITY
 - DATA PROVIDE HISTORIC AND UNIFORM BASELINE DATA
 - DATA ARE IMPORTANT TO STATE PLANNING EFFORTS

IMPORTANCE OF EIA DATA
TO STATES

State officials generally consider EIA data important to their energy emergency planning and analysis. According to these officials, an important aspect of EIA data is their uniformity and comparability from state to state. In their view, this allows comparison of similar data from one state to another and provides a common base from which to assess the effects of an oil disruption; without the historical baseline data that EIA provides, it would be difficult to make rational decisions during an energy emergency.

The following comments from three states reflect the importance of continuing EIA data availability:

A Maine energy official stated, "It is essential for EIA to continue to collect and refine data on petroleum consumption if the states are to have any reliable information available to them in the event of a petroleum emergency. Without a common basis for comparisons, which the EIA data provides, states will be forced to enact varying reporting requirements asking for information which is now available through one source. . . . Of more concern is the likelihood that states will request information in a manner which is not compatible, leading to varying perceptions of the degree of crisis."

A Florida energy official stated, "The EIA is the only central credible source of certain data and information currently provided to the states. Were the collection and publication of that data to be discontinued, a serious credibility gap might develop among and between the states and the federal government. Without accurate and reliable information, it would be impossible to assure state officials and the general public that all states were receiving equitable treatment during the shortage."

A Kansas energy official stated, "The state role is to provide timely and accurate information to state end-users and to curtail its own consumption while ensuring a supply is available for the needs of vital services. If the products now supplied by the EIA are eliminated or curtailed, the function of the states in meeting energy emergency needs will be drastically reduced."

California state energy officials also strongly support continued EIA collecting of data because they provide a consistent and uniform set of data for the entire country that is not available elsewhere.

**STATES ALSO USE NON-EIA
STATISTICAL DATA**

o STATES SUPPLEMENT EIA DATA WITH OTHER SOURCES

- ° AMERICAN PETROLEUM INSTITUTE
PUBLICATIONS
- ° STATE GASOLINE TAX REVENUE DATA
- ° AMERICAN AUTOMOBILE ASSOCIATION
GASOLINE PRICE SURVEYS
- ° OIL AND GAS JOURNAL
- ° INTRASTATE DATA-COLLECTION SYSTEMS

STATE USE OF NON-EIA
STATISTICAL DATA

The use of non-EIA data sources such as the API's Weekly Statistical Bulletin provides states with petroleum data estimates. These estimates are more current than the actual data provided by EIA in its Weekly Petroleum Status Report. States also use a variety of non-EIA data sources to build their data bases. For example, state gasoline tax revenue data provide statistics on gasoline usage within a state. In addition, specific data are obtained in some states through intrastate data-collection systems.

The types and complexity of intrastate data-collection systems differ among the states. Some states have laws that require mandatory reporting of petroleum data by suppliers, distributors, and refiners; other states operate under voluntary compliance measures. These data on petroleum supplies, movement, and prices are added to state data bases for analysis.

**EIA IS MEETING THE NEEDS OF COMPANIES---
ALTHOUGH NOT TO THE SAME EXTENT**

- 4 OF 5 COMPANIES USE EIA DATA FOR
PLANNING AND ANALYSIS, INCLUDING
 - DETERMINING CHANGES IN HISTORIC
PATTERNS
 - IDENTIFYING TRENDS

- EIA PUBLICATIONS USED BY 2 OR MORE COMPANIES

| <u>PUBLICATION NAME</u> | <u>NO. OF COMPANIES</u> |
|---|-------------------------|
| <u>MONTHLY ENERGY REVIEW</u> | 4 |
| <u>WEEKLY PETROLEUM STATUS REPORT</u> | 2 |
| <u>SHORT-TERM ENERGY OUTLOOK</u> | 2 |
| <u>PETROLEUM SUPPLY MONTHLY</u> | 2 |
| <u>ANNUAL ENERGY OUTLOOK</u> | 2 |
| <u>ANNUAL ENERGY REVIEW</u> | 2 |
| <u>NATURAL GAS MONTHLY</u> | 2 |

INDUSTRY USE OF
EIA DATA

The extent to which EIA data are used by industry varies among companies. EIA data are used to develop a data base from which companies can monitor petroleum supply, consumption, and price patterns; identify trends; and perform analysis for planning purposes. Company energy officials who use EIA data believe the data are useful and would like to see them continued; they indicated, however, that there is no need for additional data beyond that already provided by EIA. The following company comments were received.

Company A - Certain data currently provided by EIA--such as production, import, and some demand data--are useful to the company and provide a base of information that is incorporated into its internal analysis. Company A believes it would not be useful to have additional data collected by the EIA, particularly the type of data that would be included in the proposed Manufacturers' Energy Consumption Survey (MECS). Company officials believe that such additional data collection would place a significant burden on industry while yielding data of little apparent value.

Company B - The company uses EIA data often for planning purposes and considers these data to be essential and of good quality. It considers EIA surveys more inclusive and sound than data from other sources. The company strongly opposes the initiation of the MECS survey as it is considered sensitive competitive data for which EIA has not determined a need.

Company C - EIA data are considered useful but not essential. EIA data are used to identify trends in oil supply and consumption as well as for making price projections for company budgeting purposes.

Company D - EIA data on oil are not used very much. However, the company does use EIA data on the supply and prices of coal, coke, and gas. The EIA publications most frequently used are the Monthly Energy Review and the Annual Energy Outlook.

Company E - EIA data are not used.

**COMPANIES ALSO USE NON-EIA
STATISTICAL DATA**

- COMPANIES USE DATA FROM SOURCES OTHER THAN EIA,
SUCH AS
 - ° AMERICAN PETROLEUM INSTITUTE
PUBLICATIONS
 - ° OIL AND GAS JOURNAL
 - ° COMPANY-SPONSORED SURVEYS
 - ° TRADE ASSOCIATION REPORTS

INDUSTRY USE OF NON-EIA
STATISTICAL DATA

In addition to the EIA data used by companies, energy data from other sources are also used as input into company data bases. The non-EIA data sources used include American Petroleum Institute data, company-sponsored surveys, trade association reports, and publications such as the Oil and Gas Journal. Company comments on the use of non-EIA data sources follow:

Company A - In addition to EIA's data, the company also performs its own data surveys to collect data in specific areas that it considers necessary.

Company B - The company uses EIA's Weekly Petroleum Status Report. However, similar data are available from the American Petroleum Institute, and these data are used more often because they are about one week more current than those of EIA.

Company C - In the event of an oil disruption, the company would rely on trade associations for its data needs.

Company D - Non-EIA data are not used.

Company E - The company uses trade publications such as the Oil and Gas Journal.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- 10 OF 14 STATES LACK A CLEAR UNDERSTANDING OF THE ROLE AND RESPONSIBILITY OF FEDERAL AND STATE AGENCIES DURING AN OIL SHORTAGE
- 7 OF 14 STATES DESIRE CLARIFICATION OF STRATEGIC PETROLEUM RESERVE DRAWDOWN PROCEDURES
- 7 OF 14 STATES DESIRE ASSURANCE THAT EMERGENCY INFORMATION CAN BE EFFECTIVELY COMMUNICATED TO ALL STATES OVER THE DIALCOM SYSTEM
- 6 OF 14 STATES DESIRE A CLEAR UNDERSTANDING OF FEDERAL POLICY AND PROCEDURES FOR DEALING WITH ECONOMIC IMPACT ON LOW- AND FIXED-INCOME PERSONS
- 6 OF 14 STATES DESIRE CLARIFICATION AND GUIDANCE FROM DOE ON THE USE OF STATE SET-ASIDES FOR PETROLEUM AND PETROLEUM PRODUCTS WITHIN THEIR STATES
- 4 OF 14 STATES DESIRE A PERIODIC FORUM WITH DOE TO DISCUSS ENERGY EMERGENCY ISSUES AND CONCERNS

STATE INFORMATION NEEDS

Since its inception on October 1, 1977, DOE has been given the federal responsibility for developing energy emergency preparedness programs and plans and coordinating them with states and industry. Specific responsibilities were detailed in legislation such as the 1975 Energy Policy and Conservation Act, the Emergency Energy Conservation Act of 1979 and the Energy Emergency Preparedness Act of 1982. Although some specific legislative responsibilities have expired, DOE continues to have the general responsibility for energy emergency planning and coordination among federal, state, and industrial entities.

We specifically asked state energy officials to comment on their understanding of the role and responsibilities of federal and state agencies during an oil shortage. Energy officials from 10 of the 14 states told us they did not have sufficient information on DOE's energy emergency preparedness program. The remaining four states did not comment on this.

Collectively, officials from 14 states identified five specific areas of DOE's preparedness plan where they desired a clearer understanding of DOE policies or procedures and greater assurance of how certain aspects of the program will be carried out. Because we did not prescribe these categories for states to respond to, not all states commented on all five areas. Each information need identified is discussed separately on the following pages. Where numerous detailed comments on specific points were received, we included representative samples. Where only a few responses were received, we included them all.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- o 10 OF 14 STATES LACK A CLEAR UNDERSTANDING
OF THE ROLE AND RESPONSIBILITY OF FEDERAL AND
STATE AGENCIES DURING AN OIL SHORTAGE

ROLES AND RESPONSIBILITIES UNCLEAR

In our discussions with state energy officials, they most frequently brought to our attention their confusion over the roles and responsibilities of federal and state agencies during an oil shortage emergency. In addition, some state officials believe DOE should develop an energy emergency preparedness document that details the policies, procedures, and responsibilities of the federal government during an oil disruption. Examples of comments received follow.

A Mississippi energy official stated, "Mississippi does not have an adequate understanding of the Government Oil Emergency Contingency Plan. We do not know what the state's role is expected to be nor what likely actions the federal government or major suppliers would take. Consequently, the impacts of their actions cannot be determined or plans made to ensure the adequacy of supplies for Mississippi users."

A Washington state energy official stated, "Because DOE has not been active in this area [energy emergency planning] and has not communicated their perception of states' roles, it has been difficult for individual states to maintain an ongoing effort. It is therefore impossible to detail informational needs and the effects of not having that information."

A New York energy official stated, "Aside from a series of 'trust us it will work' assurances, the administration's proposed response to an oil crisis, at best, is vague."

According to a Texas energy official, "It does not appear that the U.S. DOE has a petroleum shortage contingency operations plan which is documented as such. . . . DOE has failed to provide federal policy directions, likely actions and procedures, or any guidelines which the states could use in an effort to plan for a petroleum product or crude oil shortage. . . . To correct this problem, DOE should develop a policy document outlining the various problems associated with a petroleum shortage. This document should provide the states with direction as to federal policy, likely actions, operation procedures and general guidelines the states may use in planning their action."

DOE's Deputy Assistant Secretary for Energy Emergencies told us that the roles and responsibilities of states have not been defined in writing. He said that states may implement their energy emergency plans as long as the plans do not interfere with interstate commerce or set the price of petroleum products. DOE officials believe that state officials are in the best position to define their own needs, priorities, and policies.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- 7 OF 14 STATES DESIRE CLARIFICATION OF STRATEGIC
PETROLEUM RESERVE DRAWDOWN PROCEDURES

STRATEGIC PETROLEUM RESERVE USE

The Strategic Petroleum Reserve (SPR) is a key element in the federal energy emergency preparedness plan. In 1975 the Congress authorized the SPR to upgrade the nation's ability to counter the effects of an oil disruption and to carry out U.S. international energy commitments. The primary purpose of the SPR is to substitute reserve oil for supplies interrupted by a major oil disruption and to make the reserve oil available to energy markets on a timely basis.

State energy officials expressed concern over how and when SPR oil would be released and whether it would reach users in their states in a timely manner during an oil emergency. These concerns are evident in the following comments:

A Maine energy official told us, "Maine remains skeptical of the ability of the current SPR drawdown procedures to effectively distribute petroleum in the event of an oil emergency. Regular tests and drawdowns of SPR oil should be instituted to ensure effective and timely action during a real crisis."

A New York energy official told us, "Looking at the SPR, several improvements are needed including conducting a full test of the drawdown capacity and procedures. . . ."

A California energy official told us, "California's Energy Shortage Contingency Plan was adopted in 1983. The purpose of this plan is to prepare the state to manage future oil supply disruptions and resultant higher energy prices. The state plan is predicated on assumptions about likely federal actions under a shortage. However, some of the details of these federal actions, particularly those relating to . . . use of the SPR, procedures to ensure use of SPR and the effects of International Energy Agency agreements on California have remained unclear. In order for California's plan to be effective in dealing with future energy shortages, clarification of federal intention . . . is necessary."

DOE has scheduled an SPR drawdown and test sale of 1.1 million barrels of oil for late November and December 1985.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- 7 OF 14 STATES DESIRE ASSURANCE THAT EMERGENCY INFORMATION CAN BE EFFECTIVELY COMMUNICATED TO ALL STATES OVER THE DIALCOM SYSTEM

EMERGENCY INFORMATION
DIALCOM SYSTEM

As part of its energy emergency preparedness program, DOE relies on an electronic message system called DIALCOM to provide rapid, two-way communication of timely and accurate data and information among states and the federal government during emergencies. DIALCOM can be used as an early warning system for reporting potential state or regional supply shortages and verifying local supply situation reports received by the federal government.

DIALCOM was tested in 1983 with ten states and experienced some problems. Following the test, states commented on the lessons learned. For example, a New York energy official indicated that problems may arise during an actual shortage if all 50 states are included on DIALCOM. He said the DIALCOM system needs to be expanded to assure reliable, accurate, and timely information.

State energy officials are still concerned about the DIALCOM system and whether it would work effectively with all 50 states during an emergency situation. For example, a Wisconsin energy official told us that DIALCOM is a good communication tool, but the question remains as to whether it could handle the message traffic generated by all the states during an emergency. A test should be initiated with all the states to assure that the system will perform as expected. Further, a Washington state energy official said that he would like to see the DIALCOM system tested with all 50 states to assure that emergency information can be effectively communicated.

DOE, however, is confident that DIALCOM will perform effectively. In a 1984 letter to the International Energy Agency, DOE commented: "At the present time all 50 states are linked into our [DIALCOM] network which can be expanded to include other users in both the public and private sectors. This system was recently used in AST-4 and proved to be an effective means of communication. DOE feels that improvements have been made in DIALCOM and that structural analysis can provide assurance that it will work in an emergency without additional testing. The Department, however, is willing to consider a 50-state test in light of the fact that since 1983 there has been a significant turnover in state energy office personnel.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- 6 OF 14 STATES DESIRE A CLEARER UNDERSTANDING OF FEDERAL POLICY AND PROCEDURES FOR DEALING WITH ECONOMIC IMPACT ON LOW- AND FIXED-INCOME PERSONS

HANDLING ECONOMIC EFFECTS
OF OIL SHORTAGES

Oil supply disruptions in the 1970s caused the price of oil to increase rapidly. Such price increases create an added hardship for low- and fixed-income individuals, who spend proportionally more for energy than do others.

To assist low- and fixed-income persons in handling the economic hardships caused by an oil disruption, state energy officials believe that a federal economic response program and the procedures to implement it should be developed before the next energy emergency. This concern is reflected by the following state comments. Washington state energy officials expressed concern with how an economic response program would be handled. They believe that if the states are going to be involved in administering economic assistance, they need to know this so that they can make appropriate plans for who, what, and how such a program would be carried out. California officials expressed the belief that in order for the state to properly prepare for the economic impact of a shortage, the state must know (1) the shortage-related economic assistance California can expect from the federal government and (2) the method by which this assistance would be provided to California.

DOE, however, does not wish to develop procedures for an economic response program prior to an actual energy emergency. According to DOE, specific procedures tend to be too inflexible and may not meet the actual needs if the emergency differs from the one presupposed.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- 6 OF 14 STATES DESIRE CLARIFICATION AND GUIDANCE FROM DOE ON THE USE OF STATE SET-ASIDES FOR PETROLEUM AND PETROLEUM PRODUCTS WITHIN THEIR STATES

STATE SET-ASIDES

Eleven of the 14 states have set-aside provisions in their energy emergency plans. Set-aside provisions are intended to allow states to freeze a portion (ranging from 2 to 5 percent for states visited) of the petroleum supply available in the state to assure the availability of petroleum products for essential services such as hospitals and fire and police protection in an oil shortage emergency.

State energy officials from six of the states were concerned with the fact that states may initiate individual set-aside programs that work against one another. Examples of comments reflecting this concern follow.

A Connecticut state energy official told us, "We believe a set-aside program will be a necessary element to deal with any product shortfall; the lack of a uniform federal set-aside program dealing with volumes and reporting requirements will only serve to exacerbate a chaotic event."

A Florida energy official said, "We do not believe states should be permitted to act independently on major energy issues such as state set-asides since this would only compound the problem of states implementing measures that may not be complementary of their neighbors or U.S."

In its comments on proposed legislation regarding state set-aside programs (S. 1678, 98th Congress), DOE favored individual state set-asides for petroleum products but opposed giving states the authority to fix or limit the price of such products.

**STATES DESIRE MORE INFORMATION ON
DOE'S ENERGY EMERGENCY PLAN**

- 4 OF 14 STATES DESIRE A PERIODIC FORUM WITH DOE
TO DISCUSS ENERGY EMERGENCY ISSUES
AND CONCERNS

A FORUM TO DISCUSS ENERGY
ISSUES AND CONCERNS

To assure a better understanding of federal energy emergency policies and procedures, some states expressed a desire for DOE to host periodic meetings with state energy officials to discuss state energy concerns and to provide information on recent changes in federal policies or procedures. Comments from these states follow:

A Massachusetts state energy official told us, "Massachusetts suggests that DOE plan a yearly conference which the states could attend in order for DOE to describe updates to DOE's energy emergency plans."

A Maine energy official told us he would like DOE to invite representatives from all states to a meeting to discuss energy emergency policies and planning efforts.

A Texas energy official told us that if it were known what actions DOE was considering, states could conform their plans to possible federal actions. He pointed out that DOE needs to get together with the states once a year to discuss emergency plans and to coordinate possible actions.

A Wisconsin energy official said that a seminar with DOE and state energy officials would be a good approach for informing states of DOE policies for dealing with an emergency.

Under the 1982 Comprehensive Energy Emergency Response Procedures Report, DOE recognized the need to work closely with states to coordinate federal activities and state emergency preparedness proposals. A DOE official said this effort never worked successfully because it attempted to deal with a liaison group made up of five states. Presently, DOE officials attempt to meet with states individually when requested as well as respond to all questions they receive by mail or otherwise from individual states. DOE is considering taking more active steps to increase contacts with state energy officials. These could include an annual forum or including an energy agenda in other state/federal government meetings.

**COMPANIES HAVE AN ADEQUATE UNDERSTANDING
OF DOE'S ENERGY EMERGENCY PLAN**

- 3 OF 5 COMPANIES SAID THEY UNDERSTAND AND SUPPORT THE FREE MARKET APPROACH AND USE OF THE STRATEGIC PETROLEUM RESERVE IN THE EVENT OF AN OIL DISRUPTION
- 3 OF 5 COMPANIES SAID A PLAN FOR MITIGATING THE ADVERSE ECONOMIC IMPACT OF AN OIL DISRUPTION ON LOW- AND FIXED-INCOME PERSONS SHOULD BE PREPARED IN TIMES OF CALM RATHER THAN WAITING UNTIL A CRISIS DEVELOPS

COMPANIES UNDERSTAND DOE'S
ENERGY EMERGENCY PLAN

Unlike the lack of understanding on the part of states, most company spokesmen said they were satisfied with their understanding of DOE's energy emergency plan and supportive of it.

Three companies commented on the need for DOE to address the adverse economic impact of an oil shortage on low- and fixed-income persons. They believe a plan for dealing with this matter should be prepared before an emergency. Company comments follow:

Company A - Policies regarding the manner in which low- and fixed-income persons will be assisted during an energy crisis should be defined.

Company B - A tax and transfer mechanism is the best way to deal with the economic dislocations that will occur when the free market approach is used to handle an oil disruption. Such a mechanism is already in place, but the government needs to resolve its policy and methods for redistributing the windfall oil tax revenues in order to complete the plan. Unless such a plan were in place prior to an oil crisis, there is a strong likelihood that Congress would be moved to enact some emergency legislation when such a time comes.

Company D - Unless the administration has anticipated various effects of an oil disruption such as income redistribution and the adverse impact it will have on low- and fixed-income persons, and developed alternative responses, then the legislative branch will be forced to enact emergency legislation. This will in all probability be bad legislation as most emergency legislation is.

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