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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548



OFFICE OF SPECIAL PROGRAMS  
• ENERGY  
• MATERIALS  
• FOOD  
• REGULATORY REPORTS REVIEW

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B-178205

April 23, 1976

The Honorable Frank G. Zarb  
Administrator  
Federal Energy Administration ACC00075  
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Dear Mr. Zarb:

We have recently completed a survey of the Federal Energy Administration's (FEA) assistance to State and local governments in developing and administering energy programs. The survey was made at FEA headquarters and FEA regional offices in Dallas, Texas; Philadelphia, Pennsylvania; and San Francisco, California. We also visited State energy offices in Arizona, Arkansas, California, New Mexico, Oklahoma, Pennsylvania and Texas.

We found several weaknesses in program planning and direction which have inhibited FEA's ability to significantly impact on State and local activities in dealing with energy problems. Although liaison between FEA headquarters, FEA regional offices and State energy offices has been established and all organizational elements have developed some form of energy conservation programs, we found little coordination and communication, and ineffective use of manpower in dealing with other significant energy problems and issues. In view of the additional responsibilities given FEA under the Energy Policy and Conservation Act and the opportunity for an increasing role for FEA regional offices in carrying out FEA programs, we are bringing these matters to your attention to assist you in implementing your future programs and activities.

BACKGROUND

The Federal Energy Administration Act of 1974 states that "the general welfare and the common defense and security require positive and effective action in developing policies and plans to meet the energy needs of the Nation". To achieve this goal, the Administrator of FEA is charged with, among other things, developing

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effective arrangements for the participation of State and local governments in the resolution of energy problems. In addition, Section 20 of the Act authorizes specific actions to be taken by the Administrator to achieve a high level of involvement by State and local governments in shaping national energy policy.

~~The Energy Policy and Conservation Act~~ significantly expanded FEA's responsibilities in the energy area. Among other things, the Act requires FEA to (1) create a strategic petroleum reserve containing up to three months supply of important petroleum products, (2) establish energy conservation and gas rationing contingency plans, (3) establish energy efficiency standards for consumer products and (4) develop State and industrial energy conservation programs.

About half of FEA's 3600 employees are located in its 10 regional offices. The majority of FEA's regional personnel are involved in petroleum pricing and allocation programs. The remainder are involved in energy conservation, energy research and development, public affairs, legal matters and administrative and staff activities.

All 50 States have established energy offices to carry out State activities in the energy area. During the Arab oil embargo, the State energy offices were primarily involved in allocating oil products; however, dissipation of the energy crisis has allowed these offices to become increasingly involved in dealing with other energy problems and issues. To facilitate communication between FEA and the 50 State energy offices, FEA has designated a Federal/State liaison officer (SLO) for each of the States.

In order to assess FEA's impact on the States in dealing with significant energy problems, we selected four issue areas and examined actions taken by FEA and States to deal with these issues. The issue areas, which FEA and State energy officials agreed were among the most important of the Nation's pressing energy problems, are:

- Establishment and evaluation of conservation programs by Federal and State agencies, as well as the private sector.
- Actions needed to effectively deal with the growing natural gas shortage.
- Desirability of greater use of coal as an energy source.
- Feasibility and practicability of developing alternate energy sources, such as solar, geothermal and solid waste.

*Subject*

In addition to these four issues, it was generally agreed that the potential for use of nuclear energy was a most significant issue. However, most FEA and State officials felt that this was a responsibility of the Energy Research and Development Administration. Consequently, little attention was given to this area by the States in connection with FEA. FEA regional and State energy office personnel also cited the need for a more complete and timely energy information data base. There was little agreement, however, on who should be responsible for such a data base and what it should contain. Although these officials were aware of the National Energy Information Center established by FEA, some felt that the Center has not been effective. Consequently, some States are developing their own energy data bases.

NEED FOR BETTER COORDINATION  
AND EFFECTIVE USE OF MANPOWER

In all States we visited, FEA liaison officers and State energy officials generally maintain an awareness of each others programs and activities. The sheer volume of energy activities in some of the States, however, allows the State liaison officer time to do little more than monitor the progress being made at the State and local level in developing energy legislation and implementing related programs. We found that there was little contact between the State energy offices and FEA regional office personnel besides the SLO.

Regional offices advised us that there is minimal coordination between headquarters divisions and the regional offices and among the 10 regional offices. We found little evidence to show that headquarters officials were soliciting input from regional offices or State and local governments. Regional officials informed us that programs often initiate at headquarters without any input from the regions. Also, many self-generated activities the regions are involved in, such as local conservation efforts, had not been coordinated with headquarters officials. In fact, one regional official informed us that in many cases people in the headquarters office responsible for the respective areas seemed uninterested in field office activities.

Regional office officials maintain very little dialogue with their counterparts from other regions. Consequently, the field offices are developing differing approaches to problems without the benefit of experiences and ideas of other regions. Effective techniques in one region were not being communicated to personnel in other regions, thereby negating the possible learning curves.

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The following describes by energy issue area, FEA and State and local government activities and the level of communication and coordination among FEA headquarters, FEA regions, and State and local governments.

### Establishment and evaluation of energy conservation programs

FEA headquarters, FEA regional offices, and all State offices we visited had established various types of energy conservation programs. However, there was little guidance from FEA headquarters and a lack of coordination between FEA regional offices and the States in the development of such conservation programs. For example, FEA headquarters had developed a voluntary industrial energy conservation program designed to encourage the largest energy using industries to conserve energy. However, this program was not coordinated through the FEA regional offices or the State energy offices.

On the other hand, State energy offices had developed fragmented and uncoordinated conservation projects without guidance from FEA. For example, various States had developed programs such as youth energy conservation efforts, utility public relations programs, appliance labeling standards programs and programs establishing standards for public buildings.

FEA headquarters also has established six major energy conservation projects which are to be administered as regional programs. These are:

1. Utilities conservation action now.
2. Thermal heating and lighting for commercial buildings.
3. Federal energy management program.
4. State/Federal energy conservation program.
5. Low-income weatherization program.
6. Conservation education program.

The lack of manpower assigned to these projects, however, may inhibit the achievement of meaningful results. For example, FEA headquarters had only two personnel assigned to their thermal heating and lighting project. One regional office had been authorized eight personnel to conduct all conservation programs for four States and has had to borrow people from other divisions within their office to handle this workload. In another regional office, three people were responsible for administering all conservation activities for another four-State area.

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Actions to deal with growing  
natural gas shortage

In the fall of 1975, FEA officials predicted that based on the available natural gas supply and expected weather conditions, the Nation could expect to experience a severe natural gas shortage during the winter of 1975-1976. FEA headquarters, FEA regional offices and State energy offices all initiated activities to study the potential problems associated with such shortages. However, these studies were largely carried out independent of one another.

FEA headquarters created a natural gas task force to assess the nationwide availability of natural gas supplies in the most potentially vulnerable States. Upon completion of its study, the task force advised governors of the States which they predicted would be most heavily hit by potential shortages and recommended that legislation be enacted to provide for emergency deregulation of interstate natural gas rates.

FEA regional offices, on their own volition, conducted studies of the potential impacts of natural gas shortages on the States within their regions, and provided the State energy offices with copies of their studies. Individual State energy offices also studied the potential problems associated with natural gas shortages and reported this information to their respective governors. Subsequently, the National Governor's Conference recommended legislation similar to that suggested by FEA's natural gas task force.

In all cases, these efforts were independent of each other and often amounted to duplication of effort.

Increased use of coal as an energy source

FEA headquarters and regional office officials told us they had devoted very little attention to promoting increased use of coal. Consequently, there has been only minor involvement by States and local governments in national coal programs. An FEA headquarters official told us that many promising coal programs had been planned and subsequently abandoned because of a lack of funds. He stated that many concepts had enormous potential as systems to combat soaring home heating costs but FEA did not have adequate funds for pilot demonstrations. FEA headquarters had established a program called "Coal Now" which was aimed at significantly increasing the Nation's use of coal by 1985. But the Director of Coal Programs at FEA headquarters told us that FEA officials were primarily involved in

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commenting on proposed coal legislation and monitoring some industry initiated coal projects. Consequently, the Coal Now program has received little attention from FEA headquarters.

Regional office personnel told us they have been able to devote limited effort to the entire spectrum of coal related problems. An official from one region stated that they were not involved in coal programs because they have limited staff resources and have received no formal headquarters direction. Officials in another region said they were concentrating their efforts on two relatively small coal projects because of manpower problems but stated they believe significantly more could be done.

In contrast to the limited activity of FEA regions, one State energy office we visited, the Pennsylvania State Energy Office, had implemented a number of projects aimed at further enhancing the use of coal as an energy source. One such project, the Coal Policy Implementation Program, was designed to study and develop a coal policy for Pennsylvania. The study has been completed and includes 63 specific recommendations for action. A related publication developed in this program entitled "Coal, A Commonwealth Development Program" provides a summary of State policies and recommendations in this area.

### Alternate energy resource development

FEA headquarters and regional office officials stated that they had only minimal involvement in efforts to develop commercialization programs for alternate energy resources such as solar, geothermal and solid waste. In fact, we found confusion among responsible officials as to what FEA's mission is in the area of alternate energy sources. The Director of FEA's Alternate Energy Source Program informed us that FEA currently has no formal program to address any of the institutional, economic, or environmental barriers blocking the introduction of non-petroleum based fuels into the Nation's energy system. Combustibles such as alcohol or hydrogen fuels have exhibited great potential as short- and long-term substitutes for oil products but little has been done to promote their greater use.

An FEA headquarters official stated that he believed there was merit to bringing some of these fuels on line, however, FEA has not formulated programs to do so nor did we find any instances where FEA had encouraged State or local governments to develop such projects. None of the FEA regional offices we visited were involved in studying use of alternate energy resources.

Nonetheless, we noted several instances in which State and local governments have developed or were seeking to develop projects to utilize waste material to generate electricity; were studying the feasibility of using wind as a power source; or were introducing alcohol-based fuels on a limited basis to supplant oil products.

#### CONCLUSIONS

One of FEA's more significant legislative responsibilities is to develop effective arrangements for the participation of State and local governments in the resolution of energy problems. However, FEA has not responded to this legislative mandate with actions designed to include State and local government input in formulation of national energy programs. Consequently, FEA has been inhibited in its ability to develop programs that could be effective in solving some of the energy problems of the individual cities, counties and States, and of the Nation as a whole.

FEA has not devoted sufficient attention to effectively utilizing their own regional personnel as well as State and local energy officials. In view of the enactment of the Energy Policy and Conservation Act, this becomes increasingly imperative. The Act significantly increases FEA's responsibilities and will undoubtedly cause increased staffing at FEA's regional offices. FEA will have to make more effective use of its headquarters and field office personnel in carrying out programs in the area of energy resource development, conservation, and other programs dealing with significant energy issues.

#### RECOMMENDATIONS

The Energy Policy and Conservation Act requires the States to submit energy plans to the Federal Government in order that they may receive certain Federal grants. This program is administered through FEA, thereby creating a specific requirement for FEA to work with the States on energy problems. But, the law pertains only to selected conservation measures with which the States must conform. We believe much more State and local participation is needed, which would include additional comprehensive programs besides those called for in the new Act. We have found that poor program direction exists from headquarters to the regions and that little, if any, communication exists among regional offices.

We recommend that FEA develop and implement a plan which identifies FEA programs in which State and local governments should be involved and specifies the manner in which FEA headquarters and regional offices will obtain their involvement. The plan should (1) define more precise

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relationships between the program divisions in FEA headquarters and the regional personnel designated to work on specific programs and (2) provide for more effective communication and coordination between regional offices to insure a single purpose and direction in carrying out such programs. The plan should consider an internal organizational alignment which will allow the maximum flow of information among all organizational elements.

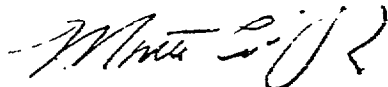
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We shall be pleased to discuss the contents of this letter in further detail should you so desire. We would appreciate receiving your comments on the matters discussed in our recommendations.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report, and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the four committees identified above and to the Director, Office of Management and Budget.

Sincerely yours,



Monte Canfield, Jr.  
Director