



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

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MAY 7, 1980

The Honorable Henry M. Jackson
Chairman, Committee on Energy
and Natural Resources
United States Senate



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Dear Senator Jackson:

Subject: Long-Range Planning in the Department of Energy (EMD-80-61)

This is in response to a request from your office for further information regarding our report of December 1979, on "National Energy Planning" (EMD-80-43, Dec. 28, 1979). The particular questions were whether we agreed with the conclusions in a March 1979, Coopers and Lybrand report concerning planning in the Department of Energy (DOE) and whether the Department has taken steps to improve its planning since the Coopers and Lybrand report was issued.

Coopers and Lybrand said that, "The most urgent and serious process problem within DOE is the absence of an adequate planning and policy development process." They felt that it was "crucial" that the Department quickly remedy this situation and establish a cohesive planning and budgeting process.

We agree with the Coopers and Lybrand conclusion. We have found the same lack of comprehensive program planning at DOE in our work and have noted this in several instances. Simply stated, the Department does not have an effective planning process. The footnote below lists four recent reports in which we have noted that the lack of planning has hampered the effectiveness of DOE's programs. 1/

1/"Fossil Energy Research, Development, and Demonstration: Opportunities for Changes" (EMD-78-57, September 18, 1978); "Improvements in DOE's Solar Photovoltaic Program Should Help Meet Program Objectives" (EMD-79-40, April 19, 1979); "Strategic Petroleum Reserve Withdrawal Capabilities, Security Measures and Reserve Accounting" (EMD-79-42, March 27, 1979); "Commercializing Solar Heating: A National Strategy is Needed" (EMD-79-19, July 20, 1979). 010322

Our recent work on the National Energy Plan (NEP) II confirmed this again. We found little evidence that the NEP II was an effective planning document or that it influenced the development of DOE budgets.

Although NEP II was meant to be a long-range planning document, it was probably made obsolete by the Administration's energy initiatives announced in July 1979--only three months after its publication. The July announcement contained proposals for oil import quotas, an "Energy Security Corporation," and an "Energy Mobilization Board," none of which were included in the NEP II. Additionally, there seemed to be a fundamental shift in strategy from the NEP II, which tended to rely primarily on market forces to deal with the energy problem, to one which involves more Government stimulus through means such as import quotas and large Federal subsidies to stimulate a "crash" synfuels program. The NEP II was also devoid of quantifiable goals and objectives--elements which are necessary in any effective plan.

There is little evidence to suggest that the budget process in DOE has been influenced by NEP II. Timing alone would have made it difficult to influence the fiscal year 1980 budget which was submitted to the Congress in January 1979--3 months before publication of NEP II in April. In addition, DOE's Policy and Fiscal Guidance for fiscal year 1981 issued in March 1979, giving instructions for fiscal year 1981 budget preparation, did not specifically mention NEP II nor instruct integration of NEP II with the budget process although NEP II was nearing completion at that time.

Since publication of the NEP II, however, and the appointment of a new Secretary, DOE has taken steps to improve the planning process covering fiscal year 1982 through 1986 and to integrate it with the budget. The results of these intended improvements will not be known for sometime--perhaps until release of the fiscal year 1982 budget in January 1981. However, it is clear that DOE is taking steps which, if implemented properly, are in the right direction.

DOE has initiated a two-step, multi-year planning process modeled closely after the Defense Department's "Planning, Programming and Budgeting System." This system is being implemented now and is intended to be the cornerstone for development of the fiscal year 1982 budget. The Secretary issued, on January 30, 1980, program and fiscal guidance for the fiscal year 1982-86 period, and

subsequently received program plans covering the period from each assistant secretary and comparable official. The Federal Energy Regulatory Commission is not included in this process.

Briefly, the new system is working as follows. The assistant secretaries submitted their program plans in March to the Secretary in the form of program memoranda accompanied by detailed back-up schedules. These memoranda are being reviewed and analyzed by the Secretary with the assistance of the Assistant Secretary for Policy and Evaluation and the Chief Financial Officer. There will be an iterative process of issue papers written by the Policy and Evaluation staff, initial Secretarial decisions, possible appeals, and final Secretarial decisions in late May. Final budget decisions will be made in the summer, and the budget will be sent to the Office of Management and Budget (OMB) in September.

The difference between this system and the one which previously existed at DOE appears to be primarily the feature of a two-step decisionmaking process, as well as added top-level management attention. With the two-step process, multi-year program decisions are made first, in the Spring, and budget decisions are made subsequently and based upon the program decisions. The fiscal year 1981 budget, which the Congress received in January 1980, preceded this process, of course, and was not affected by it. The fiscal year 1982 budget should be the first opportunity the Congress will have to review a budget developed from this process.

While we heartily endorse this attempt to improve program planning and are hopeful that it will result in a better managed Department, we must add a word of caution which we hope will be kept in mind by DOE as it implements its system. There is a danger in implementing such comprehensive systems that they deteriorate into little more than paper blizzards which do not really result in a synergistic strategy. It is the old "forest and the trees" syndrome. When there are a lot of detailed documents that must be produced with tight deadlines, it is easy to fall into the trap of concentrating on the paperwork itself and to lose sight of the purpose of the whole process which, in this case, should be a comprehensive and well integrated National Energy Strategy.

In this regard, we are concerned with the relatively short time frame being considered in the new planning system,

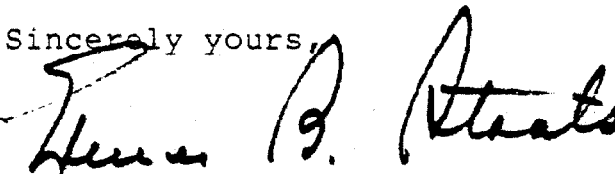
given the long lead time for energy development. The planning process will cover five years, but this is a very short time when considered in terms of developing new energy production capabilities or even with achieving energy efficiency improvements. It is not clear what the connection will be between the five year plan and the type of comprehensive national energy strategy mandated by the Congress in the DOE Organization Act of 1977.

As noted earlier, the first plan submitted to the Congress as a result of the 1977 Act was deficient in our view because it had no specific goals. We believe that the effectiveness of national energy policy requires a long-range strategy with an enunciated set of goals clearly defined, and programs designed to meet them. This should be accompanied by a series of milestones to chart progress, and stronger back-up measures, publicly announced, which would be implemented if satisfactory progress is not being made towards achieving the goals. The DOE five year plan should, in our view, translate the strategy and broad programs into more specific programs designed to achieve the milestones.

Whether this will be the outcome of the new DOE planning process is not clear at this time. Only time will tell. We, of course, will continue to concentrate our attention on this issue as we evaluate specific programs and the planning process in general.

As arranged with your office, we are sending copies of this letter to the Secretary of Energy and the Chairmen of other energy-related committees.

Sincerely yours,



Comptroller General
of the United States