

DOCUMENT RESUME

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[Department of Energy's Development of Contingency Plans for Dealing with Energy Supply Interruptions]. EMD-78-59; B-178205. April 27, 1978. 8 pp.

Report to Secretary, Department of Energy; by J. Dexter Peach (for Monte Canfield, Jr., Director, Energy and Minerals Div.).

Issue Area: Energy: Effect of Federal Efforts on Energy Conservation (1507).

Contact: Energy and Minerals Div.

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Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Committee on Energy and Natural Resources.

Authority: Energy Policy and Conservation Act (P.L. 94-163).

The Energy Policy and Conservation Act requires the Department of Energy (DOE) to develop plans for gasoline and diesel fuel rationing and emergency energy conservation and to furnish the proposed plans to the Congress by June 1976. As DOE has been unable to finalize the plans, no plan has been forwarded to the Congress. The time has come for DOE to furnish gasoline rationing and emergency energy conservation plans to the Congress. (SC)



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

ENERGY AND MINERALS
DIVISION

B-178205

April 27, 1978

The Honorable
The Secretary of Energy

Dear Mr. Secretary:

The General Accounting Office (GAO) has been monitoring the Department of Energy's (DOE) 1/ development of plans for gasoline and diesel fuel rationing and emergency energy conservation. Development of these plans is required by the Energy Policy and Conservation Act (EPCA) (P.L. 94-163). Upon approval by the Congress, each plan becomes standby authority available to the President for use during future energy shortages.

We have become concerned, as a result of our monitoring effort, about DOE's inability to finalize the emergency energy conservation plans and a workable gasoline rationing plan. The EPCA directed that proposed plans be furnished to the Congress by June 1976, but not a single plan has been forwarded. This situation is unsatisfactory, in our opinion, because

- DOE has had a reasonable period of time to formulate these plans;
- the absence of finalized plans could be interpreted abroad as a lack of national will;
- the absence of any plans increases the possibility of severe economic and social harm from petroleum supply interruptions; and

1/ DOE, throughout this letter, refers to either DOE or the now defunct Federal Energy Administration.

EMD-78-59
(00312)

--the Congress would not be in a position to carefully consider the various plan proposals should a severe supply interruption occur in the near future with its inevitable crisis atmosphere.

At the time of the 1973-74 oil embargo, the U.S. was dependent on foreign supplies for about 6.3 million barrels of oil per day. By 1977 foreign dependence had grown to 8.6 million barrels per day and recent studies are predicting even higher levels of imports by 1985. GAO ^{1/} has estimated that U.S. imports could rise to between 13 and 14 million barrels per day by 1985. Notwithstanding the existence today of the International Energy Agency and the Strategic Petroleum Reserve, which were not available to help the U.S. through the last embargo, the Nation's growing dependence on imported oil underscores the need for comprehensive, well-thought-out, and readily implementable plans for dealing with a future supply interruption.

Time-consuming additional work, to prepare detailed plan procedures, will have to be done on some of the plans after Congress approves them. We urge DOE to submit plans to the Congress as soon as possible and to continue examining other measures to deal with future embargoes.

GASOLINE RATIONING PLAN

Early in 1975 DOE assembled a task force to complete the rationing planning begun during the 1973-74 embargo. In response to the requirements of the FPCA, DOE reviewed and revised the 1975 plan. A set of proposed rationing regulations was published in the "Federal Register" on May 28, 1976. Hearings were held in several cities; comments were reviewed and the proposed regulations were revised. During 1975 and 1976 DOE obligated \$971,000 for contractor assistance in rationing plan development.

^{1/} "More Attention Should Be Paid to Making the U.S. Less Vulnerable to Foreign Oil Price and Supply Decisions," EMD-78-24, Jan. 3, 1978.

By January 1977 the previous administration considered the plan complete and ready to forward to Congress. We are not taking a position for or against the plan, but note that it would have fulfilled the requirements of the EPCA.

However, the new administration decided to review the plan since, if activated, it would cost \$2 billion annually, require a staff of 20,000 Federal employees, and take three months to put into operation. As a result of the review, DOE began, in August 1977, a new study of rationing options to reduce the plan's cost and complexity, and to make it more quickly implementable. In 1977 DOE obligated \$1,211,000 for contractor assistance in rationing plan development.

Currently, DOE is preparing to solicit public comments on the plan once again. We recognize the complexity of developing a rationing plan and we can understand the desire to re-evaluate it. We are disturbed, however, at the delay over the past year in accomplishing any needed changes and submitting the plan to the Congress for approval. Although DOE has repeatedly set deadlines for doing this, the deadlines have not been met. Without any firm deadline for finalizing the rationing plan, there may be a tendency to keep restudying options in search of the "perfect" plan and thus to avoid making the hard decisions and tradeoffs inherent in the development of any rationing program.

The goals of any gasoline ration plan include (1) equitable distribution, (2) reasonable cost, (3) ease of implementation, and (4) minimization of social and economic harm from a supply interruption. But all of these objectives cannot be optimized. A low cost plan, for example, must sacrifice some equity advantages and vice versa. Such tradeoffs must be made to finalize a plan. Since no satisfactory quantitative approach toward optimizing the objectives appears to be available, the decisions must be highly subjective.

Many of these subjective decisions could be debated indefinitely. The question of whether registered vehicles or licensed drivers should be the basis for determining entitlement to a ration of gasoline is an example of such a decision. This question was studied during development of the original (1974) proposed rationing plan, and again studied during the 1975 and 1976 revisions of the original plan. This question, nevertheless, has been reopened again during DOE's latest review of the plan.

The need to finalize the rationing plan's basic features is further underscored by the lengthy time period which will be required to put the plan in a ready status after congressional approval. A January 1978 version of the plan summarized the tasks required to put the plan in a ready status, as follows:

- Detailed analysis of States' department of motor vehicle files on which all allotments will be issued.
- Systems design, programming, and testing of automated systems needed to convert States' files into rationing allotment tapes.
- The design and printing of new coupons, containing serial numbers for shipment and loss control, and suitable for repeated re-use according to the new recycling procedures developed in this plan.
- The development of a ration banking system, including forms design, system specifications development, programming, and testing.
- The identification of a skilled labor pool to operate the rationing program, and the advance training of key managers.

Completion of such tasks as those shown above will require a lengthy and intensive effort. While it is DOE's position that these tasks can all be accomplished in 6 to 8 months, we believe, in light of the history of gasoline rationing plan development, that it may be 1980 before DOE has a rationing plan ready for implementation, even if it is submitted to Congress immediately.

Ration Coupon Distribution and Issuance

In an August 1, 1977, letter to the Administrator, Federal Energy Administration (FEA), a copy of which was sent to the Postmaster General, we urged that the Administrator reopen discussions with the Postmaster General to regain U.S. Postal Service participation in the rationing plan. In 1974 the Postal Service had withdrawn from rationing planning as the potential coupon issuance network.

The Deputy Administrator, FEA, replied on September 1, 1977, that the Postal Service had agreed to make its facilities available for coupon distribution, and that the Postal Service could play a valuable role in the implementation of a rationing plan. The Postmaster General subsequently stated in an October 6, 1977, letter to the Secretary, DOE, that the Postal Service stood ready to use its resources to assist in coupon issuance. Such assistance, he said, could include post office window distribution, although he viewed window distribution as potentially burdensome, costly, and confusing.

The current version of the rationing plan, however, specifies the Nation's banks as the primary network to issue coupons to the public. Previously the plan had called for the Nation's savings and loans to do that job. Unfortunately, many of the problems connected with the use of savings and loans are also present with the use of the banks.

The use of either savings and loans or banks to issue coupons, in our opinion, would involve

- uncertain participation and cooperation;
- potential high costs to the Federal Government, since generous financial incentives may have to be given to the institutions participating;
- inventory control at newly established, untried, "inventory control points;" and
- a newly established, untried, Federal organization making special arrangements with common carriers for coupon distribution.

We realize that any network developed for issuing rationing coupons will face many difficult problems. Any organization or group of organizations performing the task would be challenged by the added workload and financial responsibility inherent in coupon issuance, and would need assistance to accomplish the task. We believe, however, that the Postal Service is in a better position than banks or savings and loans to be the primary coupon issuance network because it has

- an existing unified management structure to carry out timely implementation of the rationing program;
- 25,000 post offices in suburban and rural communities;

- 320 regional facilities which now act as distribution points for stamps, and which might be able to assist in inventory control of ration coupons; and
- a large fleet of trucks, and experience in contracting with common carriers to supplement its fleet.

The American Bankers Association has said the rationing plan now proposed, which relies on banks to issue coupons, is not cost effective, may serve the consumer poorly, and would have an uncertain number of banks participating. They also pointed out that the trend in the banking industry to automated teller facilities may reduce the ability of banks in the future to be the primary coupon issuance network.

In summary, the position we took in our earlier letter remains unchanged, and we continue to believe that DOE should use the Postal Service as the primary coupon issuance network.

EMERGENCY ENERGY CONSERVATION MEASURES

DOE, after considering and analyzing many alternatives, has developed six emergency energy conservation measures. These measures were developed according to the specifications in the EPCA and published for public comment on May 28, 1976. Public hearings were held in June 1976. DOE then refined the measures based on the public reaction and the results of an interagency review. The emergency energy conservation plans would

- limit thermostat settings for space heating or cooling and water heating in most commercial, industrial and public buildings;
- limit the number of commuter vehicles which could use employer-provided commercial and municipal parking facilities;
- restrict the sale of fuel during certain weekend hours to certain types of emergency and commercial vehicles;
- establish efficiency requirements for large boilers;

--eliminate outdoor gas lighting except for public safety and security requirements; and

--eliminate illumination of window displays, advertising signs and billboards unless it is essential to direct the public to an open business or to inform the public of the products or services supplied by an open business.

These measures would reduce petroleum consumption by about 600,000 barrels per day.

In January 1977, under the previous administration, DOE had considered several of the measures complete and ready to submit to Congress, but the new administration decided to review the plans first. We understand that DOE is still reviewing these measures to determine which, if any, should be submitted to Congress. These measures have remained unchanged for over a year.

Because the Nation's dependence on imported oil is growing, and because the date specified by the law for furnishing emergency conservation measures to the Congress is long past, we believe DOE should select and forward some measures to Congress. Such action would not preclude the future development of additional measures.

DOE's concern about the cost and complexity of the rationing plan, as discussed earlier in this letter, underscores the need, in our opinion, for DOE to continue to develop aggressive contingency measures to reduce or manage petroleum consumption. Such measures, when combined with the petroleum allocation program, may serve to forestall or delay the need for rationing.

CONCLUSIONS AND RECOMMENDATIONS

The time has come for DOE to act on its mandate to furnish a gasoline rationing plan and emergency energy conservation plans to the Congress. We recognize that no perfect rationing plan is going to result from the development efforts ongoing since 1974. Also we realize that the six emergency energy conservation plans are not as effective as DOE desires.

Nevertheless, a firm deadline needs to be established for finalizing the features of the rationing plan and for submitting the plan to Congress. We understand that the current rationing plan development timetable calls for submission of the plan to Congress by the end of July. We recommend that DOE

commit its resources to assure that this latest deadline is met and that no further slippages occur. Further, we recommend that DOE decide which emergency energy conservation plans to send to the Congress, and then send them without further delays. DOE officials have advised us that a comprehensive review of these plans is underway and will be completed in about a month.

We have expressed concern in the past about the practicality of the gasoline rationing plan's provisions for issuing coupons to the public. We continue to be concerned about this feature in the most recent version of the plan. Coupon distribution and issuance are critical steps in rationing plan implementation and failure to perform these steps effectively would seriously undermine the total gasoline rationing effort. We recommend, therefore, that DOE obtain Postal Service participation as the primary coupon issuance network.

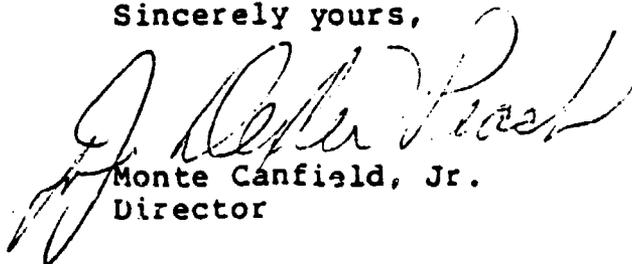
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We would appreciate being advised as soon as possible of any actions you plan to take or have taken on our recommendations. We would be glad to meet with you or your representatives to discuss in more detail the matters discussed in this letter.

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 taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to 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 mentioned above, the chairmen of energy-related congressional committees and the Postmaster General.

Sincerely yours,



Monte Canfield, Jr.
Director