The original documents are located in Box 13, folder "Energy - Meeting with the President and Frank Zarb, January 4, 1977" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

MEETING WITH PRESIDENT AND
FRANK ZARB
Tuesday, January 4, 1977
3:00 p.m.
Oval Office

Re: Energy Reorganization

THE WHITE HOUSE
WASHINGTON

For 3:00 mtg.
w/ Zarb and
President.

THE WHITE HOUSE

WASHINGTON

January 4, 1977

MEMORANDUM FOR: JIM CANNON

FROM: GLENN SCHLEEDE

SUBJECT: ENERGY ORGANIZATION

Here are the papers on energy organization.

- TAB A is a copy of the memo you signed.
- TAB B is a copy of the Richardson/Lynn decision memo.
- TAB C is a flip chart type presentation put together by Jim Mitchell several weeks ago.

In case the question comes up, it is incorrect to say that Dick Dunham favors putting FPC in the new energy agency. You might want to talk with him about the subject before the meeting.

Attachments

P.S. The page immediately following this cover note is a copy of the statutory requirement for the President's recommendations on energy reorganization -- in case someone wants to see that requirement at the 3:00 meeting.

TAB A

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Organization of Federal Energy and Energy Related Functions

I have reviewed the memorandum from Elliot Richardson and Jim Lynn and do not support any of the options proposed.

Instead, I recommend that you propose creating a new agency consisting only of the functions now assigned to ERDA and FEA.

I would be inclined to call the new agency a Department of Energy but there are arguments against it that should be noted. Briefly, the principal argument for departmental status is the recognition that would be accorded to Federal energy functions. On the other hand, it is neither feasible nor desirable to consolidate all Federal energy functions in a single agency so it would be somewhat misleading to call the new agency a Department of Energy. Furthermore, I believe we should do all we can to keep energy functions in the private sector. Taking steps to enhance the Federal role and status would work against this objective.

I oppose the Richardson/Lynn recommendation for a Department of Energy (option B) for the following reasons:

-- The FEA petroleum regulatory functions should be phased out as soon as possible. Allowing them to become associated with other energy economic regulatory functions, such as those of the FPC, would increase the chances that the FEA regulatory functions would continue. Keeping them "isolated" in an agency consisting of the other FEA and ERDA functions would increase the chances of phasing out the FEA oil price and allocation functions.

-- The merits of combining ERDA and FEA are very strong and this should occur as soon as possible. Attempting to include elements from other departments or agencies and under other committee jurisdictions would tend to delay action on the step that is now most important.

-- I do not believe it is desirable, practicable or politically feasible to place the economic regulatory functions of the FPC in an agency that does not have independent regulatory status.

-- Including REA and the power marketing functions of Interior would not add significantly to the improved functioning of the Government. In view of the opposition that would almost certainly result from the areas served and from the Congressional Committees involved, such a proposal would detract from the recommendation.

TAB B

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

DEC 14 1976

MEMORANDUM FOR THE PRESIDENT

FROM: Elliot L. Richardson
Chairman, ERC

James T. Lynn
Director, OMB

SUBJECT: Organization for Federal Energy and Energy-Related Functions

I. Purpose

The purpose of this memorandum is to obtain your decision on the results of the ERC/OMB study on reorganizing the Federal Government to perform energy and energy-related functions.

A joint ERC/OMB study was initiated in May to determine the most effective organizational arrangement for performing Federal energy and energy-related functions. The study was proposed by the Chairman, ERC, to the Senate Government Operations Committee to counter the Committee's intention not to recommend an extension of the Federal Energy Administration beyond June 30, 1976. The Committee accepted the study proposal, and, in fact, incorporated it as a requirement in an amendment to the FEA extension which has been enacted into law (P.L. 94-385). Specifically, the law requires that the President, through the ERC, prepare a plan and study to reorganize energy and natural resource activities, and submit, no later than December 31, 1976, a report containing recommendations for reorganization and implementing legislation. The ERC/OMB study was performed to fulfill this requirement. Further background on the circumstances giving rise to this study are outlined in TAB A.

While the study report has not been put in final form, the supporting analyses, which have been prepared with the assistance of the affected agencies, are complete and have been reviewed by the principals involved. The final report will become a public document and should be available for distribution at the same time that it is transmitted to the Congress. The balance of this

memorandum contains the following sections:

II	- Assumptions
III	- Methodology
IV	- Present Organization for Energy and Energy-Related Functions
V	- Organizational Problems
VI	- Alternatives
VII	- Conclusions and Recommendations

II. Assumptions

The following major assumptions regarding broad energy policy and particularly the Federal role in energy underlie the study:

- Federal role in meeting national energy needs is somewhat expanded, and is now considerably more critical than it has been historically. However, we should have:

- Continued maximum possible reliance on private sector decisions and actions within the framework of: -

- A system of Federally created incentives and disincentives to influence and stimulate private decisions regarding both energy supply and demand toward the achievement of national energy goals of lowered demand as well as assured and adequate energy supply at a reasonable price.

- Minimum necessary direct Federal involvement in areas such as regulation, new technology development, data collection and energy resource development; and

- Assurance that energy policies and actions are properly balanced with other goals such as environment, health and safety, national security and economic stability.

For the purposes of organizational planning, it was assumed that the recommended structure should facilitate the implementation of existing programs as well as proposed legislative initiatives of the Administration.

III. Methodology

The study began by identifying all energy, energy-related and natural resource functions and collecting

descriptive data for each including mission, legal basis, resources and critical interactions. This inventory permitted the identification of areas needing coordination together with any duplication and overlaps. Extensive interviews were conducted at several levels in affected organizations to identify operating problems. Outside advice was obtained through a three-day seminar on energy organization conducted by the Congressional Research Service at the request of Senator Percy and through a survey of the literature. From this broad survey seven preliminary organizational alternatives were developed and evaluated. These were reviewed by the ERC in July and narrowed for further study to the three options presented later in this paper. Among the preliminary alternatives considered in July was an arrangement to consolidate energy and environmental programs. This alternative was rejected because the two subjects interact only partially (e.g., EPA water programs relate mostly to municipal and non-energy industrial waste) and because the mutual conflict between energy and the environment is better resolved on an inter-agency rather than intra-agency basis and including Executive Office or Presidential involvement where necessary.

Once the three final options were identified, a series of individual studies were performed to examine how selected critical functions would be performed under each option. These studies were in the areas of:

- Policy Formulation and Coordination
- Data Collection and Analysis
- Energy Resource Development
- Research Development and Demonstration
- Energy Conservation
- Energy Regulation
- Nuclear Weapons Production

In addition, several special studies were performed on the functions of the Department of the Interior, an in-depth review was made of the FPC and analyses were completed on the appropriateness of including selected agencies, (e.g., NRC, NOAA,) in certain options. The results of these efforts have been synthesized into this options paper and will be included in the final study report.

IV. Present Energy Organization

Practically all Federal agencies play some part in energy matters, due to the pervasive nature of energy. However, there are several agencies which are solely

related to energy and which may be regarded as central to Federal energy involvement:--the ERC, FEA, ERDA and, taking in regulatory commissions, the NRC and FPC.

Certain functions of the Interior Department are equally critical even though the Department is not solely concerned with energy. Specifically, the increase of domestic energy supply over the near and mid-term depends heavily on accelerated recovery of oil, gas, coal and uranium from the public lands--especially frontier areas such as Alaska and Outer Continental Shelf.

Beyond the principal energy agencies, many other organizational entities have a collateral energy role, at times quite significant, especially in formulation of energy policy--examples--Treasury, CEA, State, DOT and EPA. TAB B is an organization chart showing the considerable number of agencies involved with energy, energy-related and natural resource functions. Much of this fragmentation is rational and desirable as in the case of DOT working with the states on the 55 mph speed limit or State Department participating in energy policy formulation from the point of view of foreign relations.

V. Organizational Problems

There is evidence that organizational problems are interfering with the execution of energy programs and the accomplishment of energy objectives, or at least are not facilitating positive results to the degree possible. The following are among the more significant problems identified during the course of the study:

A. Lack of a fully effective mechanism to develop and oversee the implementation of energy policy. The ERC has been reasonably successful in developing a balanced Administration position on the major energy issues. However, it has no staff and therefore no independent analytical capability. What staff support does exist is chiefly provided by the FEA, which itself is one of the participants in the policy development process. There is no mechanism to direct action, to assure implementation of policy decisions or to evaluate results. With the development of an independent ERDA, the research and development planning process has not received the attention it should from the operational agencies and has tended to form its own goals.

B. The fragmentation of major energy responsibilities among several agencies complicates the task of putting together a coherent and consistent Federal energy program. The numerous programs which comprise the total Federal role in energy affairs directly affect each other; e.g., regulation affects investment in technology development or data collection supports both policy formulation and regulation. However, as noted earlier, these interacting parts are assigned to different agencies making it difficult to coordinate them effectively to form a unified program aimed at national energy goals.

C. Lack of an effective structure to facilitate resource trade-offs among competing energy programs. While resource allocation to energy programs is done by OMB within the ERC-developed policy framework, energy programs are highly fragmented throughout the Federal Government. Therefore, within the various Federal agencies, these programs must frequently compete for scarce resources with non-energy programs and not with each other. A more rational structure would permit resource allocation to be made among similar programs at a lower organizational level, facilitating the assignment of resources to the more effective programs.

D. Need for the regulatory function to be responsive to needed policy direction while maintaining independence. Energy regulation is carried out across a spectrum of mechanisms, from the independent regulatory commissions of FPC and NRC to the regulatory actions of FEA and Interior. The independent regulatory commissions emphasize the mandates of their enabling legislation and are often inhibited by these statutes from revising their interpretation of the national interest, regardless of the views of the Executive Branch on current needs evolving from a changing international or domestic situation. Energy regulations should reflect overall policy direction. At the same time, individual regulatory case decisions made under general regulations should be fair, objective and free from outside influence. Improvements need to be made in the regulatory structure to strengthen responsiveness to policy directions and national needs while at the same time assuring objectivity and independence

where that is important. Finally, the regulation of the various energy industries is fragmented among agencies, e.g., FPC, NRC, FEA making it difficult to optimize their use.

E. The fragmentation of energy functions also causes duplicating and overlapping agency responsibilities. Some duplication is legislatively sanctioned, e.g., FEA and EPA in converting utilities from oil to coal; FPC and Office of Pipeline Safety (DOT) in LNG safety standards. Beyond specific legislative problems, FEA has responsibility for energy planning and development, while specific energy sources are the responsibility of other agencies. The overlap has become significant in conservation programs between FEA and ERDA.

F. There is growing potential for FEA and ERDA to evolve into competing general purpose energy agencies. Both FEA and ERDA originally were founded with distinct missions, but both are collecting functions, by legislation and otherwise, and expanding into general purpose energy agencies. In this evolution, both interact with the private sector and have a growing number of incentives that can be applied to business and industry to achieve energy goals. These incentives should be directed through a single channel to maximize their effectiveness and to avoid undesirable effects on the private sector.

The present structure for energy functions is not without some assets. For example, the ERC has provided a useful forum for top-policy level dialogue across agency lines concerning major policy issues; the separate status of ERDA helps assure a stable environment and the long-term continuity needed to manage a program which is intended to emphasize long-range technology development; the independent commission status of FPC and NRC permits a separation of promotional and regulatory functions and thereby helps allay any public concern that regulatory decisions could be politicized. However, these benefits can be preserved under alternative structures so long as they are properly designed.

VI. Alternatives

While a wide range of feasible alternative structures was considered, it was narrowed to the three most promising. Basically, these options represent varying degrees to which the fragmented energy and energy-related functions might advantageously be consolidated.

Under each option it was felt that an interagency coordinating body similar to the ERC would continue to be a valuable vehicle to help formulate energy policy by relating it to the concerns of other agencies such as EPA, State, Treasury and others. Such a body would preferably be non-statutory to permit flexibility in White House organization. The chairmanship and staff support would be provided by the Secretary or Administrator of the consolidated energy agency.

Option A. Department of Energy and Natural Resources (DENR)

Description

A grouping together into a new multi-purpose department all primary energy functions together with selected natural resource programs. Composition of the DENR would include, as a minimum, functions of:

- Interior
- FEA
- ERDA

and should also include functions of:

- FPC
- REA (Agriculture)
- NOAA (Commerce)
- Naval Petroleum Reserve (Defense)

Such a Department would have resources of approximately 88,500 staff and $11.9 billion funding. It would consolidate approximately 91% of the manpower and 97% of the funding which are committed to the Federal role in energy. However, 68% of its staff and 34% of its funds would be devoted to non-energy programs such as the National Parks and Indian Affairs programs.

Advantages of Option A - DENR

- Provides maximum feasible consolidation of presently fragmented energy functions.
- Permits resolution of unclear jurisdiction between FEA and ERDA in areas such as energy forecasting, conservation and technology commercialization.
- Gives cabinet-level representation for energy--together with some, but not all, natural resource functions.

- Provides for resolution within one Cabinet Department of many competing claims in the management of public lands between energy development and resource preservation or other land uses.

- Provides a strong base for subsequent, more complete, consolidation of natural resource programs - e.g., Forest Service, Army Corps of Engineers Civil Works, etc.

- Permits a better basis for rationalizing FPC regulatory policy and actions with national needs and policies in energy.

- Permits closer integration of earth sciences of geological survey with atmospheric and oceanic sciences of NOAA.

Disadvantages of Option A - DENR

- Dilutes representation and accountability for energy by grouping it with natural resources in a large multi-purpose department.

- Results in a very large and complicated department with a wide span of concerns from energy and natural resources to Indian and Territorial Affairs. Experience indicates these conglomerate arrangements are hard to manage and hold accountable.

- Energy objectives could dominate land management decisions at the expense of environmental or other land use requirements; at least environmental and related groups would have this concern.

- Grouping of so many diverse programs could result in an internal DENR structure that "layers in" some functions excessively, e.g., the nuclear weapons work performed by ERDA could be relegated to third echelon status prompting strong pressure to transfer it to DOD despite recognized benefits of associating nuclear power with nuclear weapons work.

- Despite the broad span represented by this alternative, it would still not encompass all relevant concerns in energy policy formulation (foreign affairs, environment and others) necessitating Executive Office balancing; nor would it incorporate all major natural resource programs, (Corps of Engineers, Forest Service, and others) with the resulting prospect of still greater future consolidation in an even larger and more complicated Department.

- Some concern would exist regarding the termination of independent commission status for FPC functions and the consequent prospect of improperly influencing regulatory judgments.

Option B. Department of Energy (DoE)

Description

A consolidation of primary Federal energy functions which are not integral and inseparable aspects of the mission of other agencies to form an advocate or special purpose type of department. This consolidation would include, as a minimum, functions of:

- FEA
- ERDA

and should also include functions of:

- FPC
- REA (Agriculture)
- Power Marketing (DOI)
- Energy Functions of the Bureau of Mines (DOI)

NOTE: Other important energy functions of Interior, e.g., oil and gas leasing by BLM and energy resource assessment by USGS were found to be deeply integral to the land management and geological missions of Interior and not susceptible to excision.

Such a Department would have resources of approximately 22,860 staff and $7.2 billion funding. It would consolidate about 68% of the manpower and 86% of the funding currently committed to the Federal role in energy.

Advantages of Option B - DoE

- Provides maximum feasible consolidation of energy functions by themselves thereby facilitating a

unified and coherent Federal role in the national energy system with component parts subject to common policy direction by a single Secretary.

- Permits resolution of unclear jurisdictions between FEA and ERDA, as does the DENR option.

- Highlights energy as a difficult, major and long-term national issue area and, in keeping with this status, gives it a cabinet-level spokesman and point of contact who is "in charge" of energy in dealings with other agencies, Congress, Governors, industry and the public.

- Provides that national energy policy will be formulated by a single cabinet-level spokesman with his own policy analytical staff, and direct authority over major energy programs.

- Projects to other nations, both allied and adversary, a strong long-term commitment to resolving energy issues through a top-level mechanism.

- Permits better basis for rationalizing FPC policy and actions with national energy policy and needs.

- Narrower focus than DENR alternative would make this alternative disturbing to fewer interest groups and Congressional committees, thus enhancing prospect for enactment.

Disadvantages of Option B - DoE

- Would not take in some major Federal energy functions, notably oil and gas leasing on public lands, and as a result, continued cross-agency coordination would be necessary in important areas.

- Concentrated focus on energy and consequent advocacy orientation would mean that some check and balance mechanism would be needed especially in energy policy formulation to assure that the President gets objective advice and that conflicting interests are represented.

- Several of the projected components of the DoE are very controversial and vulnerable to being trimmed out in the legislative process - most

particularly FPC and REA. Were this to occur, the proposed DoE would be little more than a merger of FEA, ERDA, and certain Interior functions giving rise to serious question of whether department status is warranted.

° Several of the energy functions to be incorporated in DoE would require a measure of autonomy in order to avoid being overpowered and submerged or losing credibility - these include:

energy regulation, data, R&D, weapons -- special internal arrangements would be necessary to assure the integrity or visibility of these functions within the DoE/energy advocacy climate.

° Some concern would exist regarding the termination of independent commission status for FPC functions.

Variation of Option B - National Energy Agency (NEA)

A variation of the Department of Energy option is to consolidate the same functions as in the DoE case but to organize them at sub-cabinet level in an expanded energy agency.

Advantages of Sub-Cabinet Variation

° This variation retains most of the advantages of Option B, the DoE concept, and provides a fall-back means of achieving these advantages if the DoE consolidation becomes marginal because too many of the potential program consolidations such as FPC and REA fail to materialize.

Disadvantages of Sub-Cabinet Variation

° Could signal to observers both foreign and domestic, a less than full commitment to the resolution of energy issues.

° Would continue the present problem of no Cabinet rank energy policy spokesman. Consequently, the energy policy formulation machinery would continue to have some of the institutional weakness of the present ERC/FEA system, although to a lesser degree.

Option C. Retain the Present Structure - with Improvements

Some of the problems inherent in the present fragmented placement of energy functions can be mitigated by relatively modest actions such as improved coordination of policy formulation by strengthening the ERC, recognizing FEA as a permanent agency which has been expanded beyond its original emergency role, and clarifying some jurisdictional issues.

Advantages in Retaining Present Structure

- Generally avoids the disruption that comes with major organizational change.
- Some progress can be expected in controlling duplication including overlapping expansion of FEA and ERDA missions.

Disadvantages in Retaining Present Structure

- Most of the serious weaknesses inherent in the fragmented and uncoordinated system would not be addressed.
- Energy would continue to lack a single top level spokesman with comprehensive authority over both energy policy and operating programs.
- Strengthening ERC by giving it full-time direction and staff of its own can cause problems of its own, i.e., an advocate in the Executive Office which is unable to produce objective advice and which has no moderating influence in the form of operating responsibility; analog - CEQ.
- Making FEA permanent with little other change would tend to confer unintended permanence on petroleum regulation.

VII. Conclusions and Recommendations

Based upon the findings of the study, reorganization of Federal energy functions is well-warranted and, on balance, the Department of Energy alternative will provide the most effective long-term arrangement for coordinating and performing Federal functions in this area. The significance and difficulty of the energy situation will persist well into the future and

the coherence and continuity needed to accomplish the Federal role can best be provided by a Department dedicated to that purpose.

Some present energy functions should not be continued into the indefinite future -- e.g., economic regulation of petroleum and gas. Shifting this work to an established Cabinet Department could have the undesired effect of lending permanence to these programs which actually should be phased out. This potential ill-effect of either the DoE or DENR options can be avoided by continued legislative effort to terminate these or other outmoded programs.

The critical need for balanced and credible conflict resolution in the management of the public lands can best be met by an arrangement which separates energy advocacy from the responsibility for managing the nation's natural resource assets - i.e., a DoE separate from the Department of Interior (or ultimately a Department of Natural Resources). This arrangement will permit continued accelerated development of coal, oil, gas and uranium resources while other values such as environmental safeguarding, preservation and alternate land uses are fully and fairly represented as well. Retention of the CEQ/EPA system will also force critical and major trade-offs between energy and environment to the Presidential level, which is appropriate for issues of this magnitude.

We propose that the nuclear weapons program of ERDA be assigned to DoE along with the rest of ERDA's functions, and that the legislation creating DoE provide for a joint DoE/DoD study and report to the President and the Congress in one year as to the feasibility or desirability of alternatives to that assignment. This approach of providing for a study was successfully used when ERDA was created to deal with concerns expressed at that time that nuclear weapons development and production and energy technology development might pose conflicts in priority that cannot be reconciled within a single agency. Providing for a one year study following the creation of DoE is also consistent with your recent instruction during the FY'78 ERDA budget review that ERDA and DoE restudy ways to obtain appropriate funding competition between the nuclear weapons program and other defense requirements, without providing ERDA a separate budget planning ceiling for the weapons program.

Careful consideration of all alternatives indicates that:

- The present fragmented structure is seriously inadequate for the task and that any administrative improvements of it will not basically alter its ineffectiveness for the long-haul.

- Most of the disadvantages cited for the DoE plan can be offset by proper design of its internal structure and other management actions. For example, existing regulatory functions can be divided into two categories -- general rulemaking and adjudicatory responsibilities associated with individual case decisions. The rulemaking can be effectively and legitimately coordinated with related policy decisions under direction of a Presidential appointee subject to Senate confirmation. Individual adjudicative decisions could be insulated by having them made by Administrative Law Judges, with final review available by an Appeals Board. Any subsequent challenge would be in the courts, with no appeal to the Secretary.

- Conversely, the disadvantages of the DENR plan, i.e., excessive size and diversity and internal conflict, appear to be more intractable with no effective way to offset them.

Functional Composition of the Department of Energy

A second level of analyses was performed in the course of the study as to the exact composition of the DoE and the DENR alternatives. That is, what functions should be included or excluded from each concept. This question introduces some controversial issues of its own. The most sensitive and important of these decisions to include or exclude functions from the recommended Department of Energy are listed below for your information. More detail is contained in TAB C on each item together with provision for you to make the decision on each if you wish to do so. (If you decide on the DENR option, we will furnish you the comparable information relating to that option.)

The major exclude or include issues for DoE and our conclusions regarding each are:

- Nuclear Regulatory Commission (NRC) - exclude

- Federal Power Commission (FPC) - include

° Rural Electrification Administration (REA) - include

° Bureau of Mines (BOM) - include

° (Proposed) Energy Independence Agency (EIA) - exclude

Position of Agency Head and Others

All relevant Agency Heads and other Administration officials concur in the recommendation that you propose a Department of Energy to the Congress. Any concerns or reservations have been reflected in this memorandum. Secretary Kleppe concurs in the basic decision, but does not concur that the Interior Department's Bureau of Mines should be transferred to the proposed DoE. His reasons for this position are stated in TAB C, Section IV.

Further, the Agency Heads and other energy advisors all agree that they would like to have an opportunity to discuss this important decision with you after you have had a chance to read this memo, if you feel it would be useful to do so.

Presidential Decision

☐ Approve the Department of Energy (DoE)

☐ Approve the DoE concept, but create as an agency in lieu of a Cabinet Department

☐ Approve the Department of Energy and Natural Resources (DENR)

☐ Continue with the present structure -- develop specific ways to improve performance.

☐ Other

Circumstances Leading to Current Study of Energy Organization and Its Relationship to Recent (1974) Changes in Energy Organization

When the Arab oil embargo struck in November of 1973 precipitating the energy crisis, the Administration had energy organization legislation pending before Congress to split the former AEC into R&D work (ERDA) and regulatory work (NRC) and establish a Department of Energy and Natural Resources (DENR).

In view of the crisis, the Administration agreed to forego the controversial DENR in order to expedite Congressional consideration of ERDA and NRC. They were enacted in October 1974 together with the Energy Resources Council (ERC).

Meanwhile, also in response to the energy crisis, the Federal Energy Administration had been created first by Executive Order and then by law in June 1974.

These changes in energy organization soon after imposition of the embargo were generally regarded both by the Administration and Congress as only partial (ERDA and NRC) and short-term (FEA and ERC) treatment of overall energy organization.

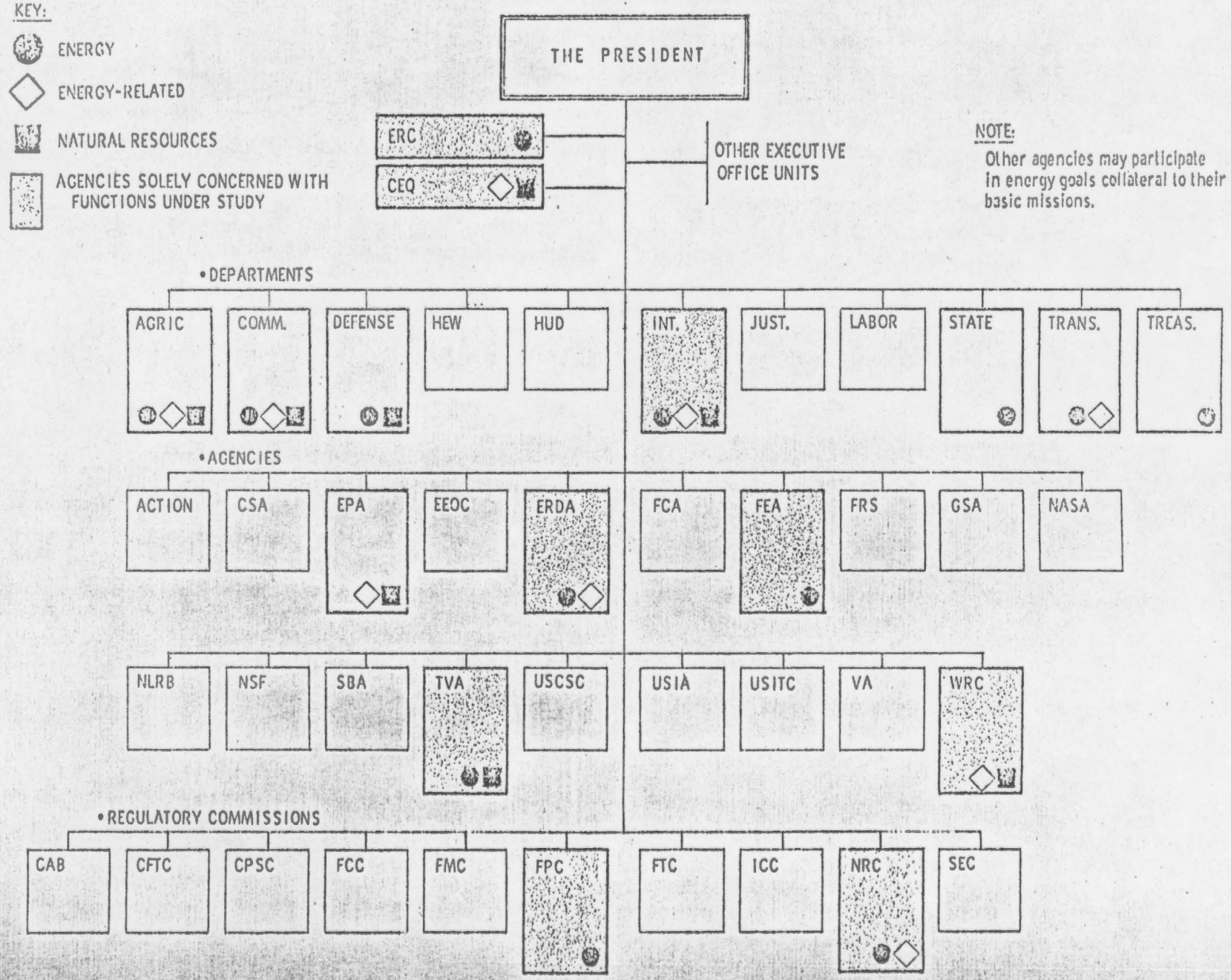
However, the early time period following the embargo was also a time of major reappraisal of national energy policy including a reassessment of the Federal role in relation to the private sector role. During this period of fundamental reappraisal, it was untimely to determine the most effective long-term organization for Federal energy activities which clearly should rest on a well-developed concept of the Federal policy and role. We now have these concepts in hand, if not necessarily universally agreed upon.

It is, therefore, now timely to make this fundamental organizational review, and we have been so engaged for several months working with the heads of affected agencies and their staffs.

After this study was initiated and well underway, a requirement was inserted, with our concurrence, in the FEA extension legislation, which you signed in August, that the President shall direct a comprehensive study of energy and natural resources and forward a report with his recommendations and proposed legislation by December 31, 1976.

TAB B

LOCATION OF ENERGY, ENERGY-RELATED, AND NATURAL RESOURCE FUNCTIONS IN THE EXECUTIVE BRANCH



Major Inclusion or Exclusion Issues in Department of Energy Option

In determining the functional composition of a possible Department of Energy (DoE), a number of sub-issues occur as to whether various existing programs should be included or excluded from the DoE concept. Some of these are fairly small issues or non-controversial -- others are more significant questions deserving your attention.

The major inclusion or exclusion issues are described and evaluated below with provision for an indication of your guidance in each case if you wish to do so.

I. The Nuclear Regulatory Commission

A. Background

The NRC was established by the Energy Reorganization Act of 1974. It is responsible for all the regulatory and licensing functions of the former Atomic Energy Commission which was abolished by the 1974 legislation, and is the Federal agency responsible for the regulation of nuclear power generation.

B. Major NRC Program Functions are as Follows

Nuclear Reactor Regulation - Assures adequate safety, environmental protection, and safeguards in the issuance of reactor licenses.

Standards Development - Produces engineering standards for siting, fuel cycle facilities, safeguards, transportation and product safety standard development.

Inspection and Enforcement - Conducts nuclear powerplant safety inspections including the issuance of construction permits and operating licenses. Also conducts safety inspections of fuel cycle facilities and nuclear materials.

Nuclear Material Safety & Safeguards - Performs a safeguard licensing program devoted to waste management and the development of generic environmental impact statements for consumer products which contain nuclear material.

Nuclear Regulatory Research - Conducts research on light water reactors; commercial advance breeder reactors; liquid metal fast breeder reactors, and research in such areas as the development of techniques to determine potential effects on nuclear facilities of earthquakes and tornadoes, as well as research into health, environment, fuel cycle and safeguards areas.

C. Advantages and Disadvantages of Inclusion

All these are advantages and disadvantages of including NRC or leaving it out. A summary follows:

Advantages of Transferring NRC Functions to a New Energy Agency

- Nuclear regulatory decisions could be made on a more comparable basis with regulatory decisions concerning the competing fossil fuel, and hydroelectric power industries. This would broaden the basis for more equitable decisions across different and competing parts of the total energy system.

- Decisions on nuclear plant siting could be expedited and related more directly to national energy policy.

- Would facilitate Presidential control of final nuclear export decisions which have strong international implications, instead of continuing to place this control in an independent commission. (Even so -- some amendments to law would likely be needed.)

- Permit resolution of existing duplication between NRC and EPA in setting nuclear safety standards.

Disadvantages

- Public concern over nuclear safety is so great that tampering with the independence of nuclear regulatory decisions would seriously undermine public acceptance of nuclear power at this time. Transfer to an executive agency advocating energy development would be perceived by many as a deliberate attempt to weaken governmental concern for nuclear health and safety in favor of energy development, thus potentially eroding public confidence in nuclear power and further exacerbating anti-nuclear sentiment.

- May be difficult to demonstrate in advance that abolishing NRC would improve the executive branch capacity to achieve coordinated management of national energy programs. Thus, in view of the opposition which such a proposal would confront, the inclusion would be hard to win and could jeopardize the whole energy reorganization package.

Agency Position

Chairman Rowden has not been consulted on this issue.

Conclusion - Retain Functions in NRC

The disadvantage relating to further accelerating public concern for nuclear safety and the consequent difficulty in winning public acceptance of nuclear power overwhelms the potential advantages. The real advantage relating to bringing nuclear export licensing under Presidential control can just as well, or better, be achieved through a change in law authorizing the President to make the final decision in these cases, in keeping with his responsibility for the conduct of foreign affairs (as with CAB ruling on overseas route awards).

Presidential Decision

/ / Agree to functions remaining in NRC

/ / Disagree. Revise planning to include NRC functions in energy agency.

II. The Federal Power Commission (FPC)

A. Background

The FPC's regulatory authority extends over portions of the natural gas and electric power industries. The FPC exercises its regulatory powers in four program areas: (1) licensing of hydroelectric projects; (2) setting rates for interstate wholesale sales of electric energy; (3) certification of pipeline facilities for the transportation of natural gas; and (4) setting rates for interstate wholesale sales of natural gas. The purposes of these programs are broader than economic or rate setting. They aim also at conservation of energy resources, promotion of hydroelectric development, safety, environmental protection, assuring an abundant supply of electric energy and emergency preparedness. Pursuit of these objectives necessitates extensive coordination between FPC and other agencies including particularly Interior and EPA.

B. Advantages and Disadvantages of Inclusion

Advantages

- Inclusion of the FPC programs would help assure their sensitivity to overall national energy policy as formulated and coordinated by the DoE.

- Regulatory actions regarding natural gas and electric power could be developed over time in relation to regulation of petroleum resulting in a more rational and even-handed treatment among these competing energy sectors for so long as they remain under regulation.

- Inclusion would facilitate improvements and simplification in Federal energy data gathering and use, as well as better emergency preparedness coordination across energy sectors.

- Affords an opportunity to give the functions of FPC a better base from which to withstand pressure or undue influence from the regulated industries.

- Permits a trial run in the conversion of an independent multi-member commission form to a more streamlined Executive Agency plan.

Disadvantages

- The independent comission form, while not very responsive to national policy or changing conditions, does have the merit of stability and avoidance of undue political pressure, at least as a common perception.

- Abolishing FPC as an independent commission and inclusion of its functions in an energy agency could alarm the regulated industries as well as conservation, environmental and consumer groups.

- Congress would probably react very negatively to dis-establishing this, or any, independent commission apart from the merits of the case because of an implied threat to this "arm of Congress" mode of governance.

C. Conclusion

A convincing case can be presented for abolishing FPC and incorporating its functions in an energy agency.

The concern for the credibility and objectivity of regulatory decisions, if placed in an executive agency, can be mitigated by having adjudicatory proceedings heard by an Administrative Law Judge, subject to review by an Appeals Board, the members of which serve fixed terms, and by having regulatory functions insulated from development functions. Therefore, on balance, we feel the FPC functions should be incorporated in the DoE planning since the objections can be partially offset and in spite of anticipated strong Congressional opposition.

D. FPC Chairman Position

Chairman Dunham expresses concern as to maintenance of appropriate regulatory independence. However, "... on the subject of including the Federal Power Commission ... our minds are open to any proposal which would place all of the Federal government's energy policy-management in one agency." (Excerpt from a letter to James L. Mitchell from Richard L. Dunham, dated September 16, 1976.)

E. Presidential Decision

/____/ Agree that functions of FPC be transferred to DoE and that FPC be abolished.

/____/ Disagree. Leave FPC as is.

III. Rural Electrification Administration (REA)

A. Background

The Rural Electrification Administration (REA) in the Department of Agriculture was created in 1935 to make low cost loans to finance electric and telephone service in rural areas and thereby expedite rural electrification and phone service.

REA makes loans to qualified borrowers, with preference to non-profit and cooperative associations and to public bodies, normally at 5 percent interest. REA borrowers can also finance their capital needs from non-REA sources with the aid of REA loan guarantees.

In 1975, approximately 25 million Americans were being provided service from electrical systems financed by REA. Also in 1975, borrowers from the telephone loan program provided service to 9 million people in 42 States. REA does not own or operate facilities in either the electric or telephone program.

While originally established to provide electricity for America's farms, this job has been essentially completed. Nearly 99% of all farms are electrified and virtually all of the new customers are non-farm. Since 1961, more than 8,000 commercial, industrial, and community facility projects have been assisted by REA borrowers.

The REA is divided nearly equally between electric and telephone programs with about 400 employees associated with each.

B. Advantages and Disadvantages of Inclusion

Advantages

REA electric programs are no longer agricultural in nature, but are directly related to energy development and marketing. Consolidation of these programs with other similar programs relating to power marketing and development would greatly improve overall coordination and administration of these efforts. Additionally, it would reduce significantly the amount of energy organizational fragmentation which now exists.

Disadvantages

The associations of REA borrowers constitute a broad base and highly organized interest group which can be expected to strongly oppose any change in status because the loan programs have fared very well under the Agriculture Committees of both Houses. The major concern of the REA constituency would be that inclusion in an Energy Agency would highlight the REA loan policies as out of date, no longer needed, and perhaps even counter-productive from an energy policy point of view. It could signal to them the beginning of the end of very favored treatment.

C. Conclusions

The REA electric programs clearly have their primary impact in the energy area with secondary rural development impacts. As such, these programs properly belong in a consolidated energy organization where they can be rationalized with other programs relating to power marketing and general energy policy. The telephone loan programs are not directly energy related and could, from a programmatic viewpoint, just as well be left in USDA. However, the total administrative costs of both programs would probably increase if they were separated.

In summary, there is no sound reason to leave REA out of the energy consolidation planning other than the strong prospect of losing the case on political grounds. It is recommended that it be included therefore. If it subsequently is ruled out and retained in USDA, it would not be a crucial loss to the viability of an energy consolidation.

D. Department of Agriculture Position

The Department of Agriculture prefers not to take an official position concerning the potential consolidation of REA into an Energy Agency.

E. Presidential Decision

/____/ Agree to inclusion of REA in a DoE

/____/ Agree to inclusion of REA electrification programs in DoE proposal, but rural telephone programs to remain in USDA.

/____/ Disagree, leave REA in USDA

IV. Bureau of Mines

A. Background. The Bureau of Mines, established in 1910 in the Department of Interior, is primarily a mining/minerals research and factfinding agency. As such, its two major functions are (1) research and development, and (2) data collection and analysis. Both functions apply largely to coal and to a lesser degree to other energy resources and non-energy minerals.

FY 1977 BOM appropriations were allocated as follows:

	Funding ($M)	Staffing
Research and Development		
Metallurgy R&D	$ 25.7	840
-Energy-Related R&D	(2.6)	(72)
-Non-Energy R&D	(23.1)	(768)
Mining R&D	117.4	956
-Energy Related R&D		
--Coal Extraction & Preparation	(59.7)	(321)
--Oil Shale Mining	(5.6)	(22)
--Coal Health & Safety	(30.2)	(363)
-Non-Energy Mining R&D		
--Health & Safety	(5.7)	(77)
--Other	(6.1)	(131)
-Engineering Demos (Public Works)	(10.1)	(42)
Data Collection and Analysis	15.6	550
-Energy	(4.8)	(171)
-Non-Energy	(10.8)	(379)
Mineral Assessments	4.2	123
Administration & Executive Direction	1.5	66
Total FY 1977 - Mines & Minerals	$ 164.5	2,535
Working funds, trust funds, helium, etc.	.6	304
TOTAL FY 1977 BUREAU OF MINES	$ 165.1	2,839

B. Issue and Options. Assuming the establishment of a DoE, what should be done with the Bureau of Mines functions?

The options are:

1. Transfer all of BOM to the DoE.

2. Retain all of BOM in Interior.

3. Transfer BOM's energy related functions to DoE - but retain its non-energy functions in Interior.

C. Analysis

Option 1 - All in DoE

Advantages

° The majority of BOM's resources are devoted to energy (about 70% of funding), and the BOM functions would therefore contribute significantly to the consolidation of energy functions represented by DoE.

° BOM's energy and non-energy functions are not easily separated. Some of the energy functions such as coal R&D are easily identified. Others are not, but are intertwined with non-energy functions in areas such as data analysis in a way that would require arbitrary decisions and serious disruption to split them apart.

° Consolidating BOM's mining R&D with that performed by ERDA in a DoE would overcome a growing area of overlap and permit more effective resource competition in R&D planning.

° Consolidation of BOM's energy data collection, analysis and forecasting functions with comparable functions of other agencies proposed for inclusion in DoE (FEA, FPC and ERDA) would facilitate development of an integrated energy data system which eliminates existing duplication, inconsistencies and inefficiencies.

Disadvantages

- Would put DoE in the non-energy metallurgy business ($23 million annually) including non-energy domestic and international supply/demand assessment and thereby dilute DoE's single-purpose dedication to energy.

- The Secretary of Interior would have to rely on DoE for domestic and international energy and non-energy mineral assessment reports and for expertise in mining technology. The Secretary maintains this would impair his ability to manage the public lands, particularly with respect to the leasing of their mineral resources.

Option 2 - All in Interior

Advantages

This option is supported by Secretary Kleppe, in his memo to Mr. Lynn, attached. Generally, he feels the Interior Secretary needs to have a capability in extractive technology and mineral assessment to support his land management and mineral leasing responsibilities. This option also involves no disruption of Bureau of Mines activities.

Disadvantages

Would continue the fragmentation of energy organization in two key areas: coal preparation and mining technology, and energy data collection, analysis and forecasting.

Option 3 - Split BOM between DoE and Interior

Advantages and Disadvantages

The evaluation of this option rests with its feasibility. In other words, if the energy versus non-energy split can be made, this option may be best all around. However, indications are that achieving the split would be very difficult because the BOM mining technology work as well as data collection, and particularly analysis is extensively integrated at headquarters and field level.

Splitting energy functions out would also create a problem at both headquarters and field level of residual units that are sub-marginal.

D. Conclusion and Recommendation

Splitting the BOM work along energy and non-energy lines is not practical because of the extent to which the work has developed over the years as an integrated operation and the dilemma posed by what to do with the skeletal functions that would remain with Interior. An R&D project relating to mine illumination, for example, could benefit either a coal mine or a silver mine. On the data side, the analysis of international data is done on a country-by-country basis for all minerals and segregating out energy from non-energy would be arbitrary and disruptive.

Consequently, the practical choice is between keeping BOM functions together either in DoE or in Interior. On balance, it appears that the better choice is to transfer all of BOM functions to the proposed DoE as the only way to effectively achieve the advantages of integrating the R&D activities with those now assigned to ERDA, and building a central energy data collection and analysis system to support national energy policy development in an efficient and effective manner including BOM data work. Conversely, the disadvantages involved in lifting BOM functions out of Interior can, with proper interagency planning, be overcome.

E. Presidential Decision

[ ] Agree; transfer all of BOM functions to DoE

[ ] Retain BOM functions in Interior as recommended by Secretary Kleppe

[ ] Transfer BOM energy activities to DoE; retain non-energy activities in Interior

TAB C

ORGANIZATION OF

FEDERAL ENERGY FUNCTIONS

FEDERAL ROLE IN ENERGY: EXPANDED - BUT STILL SECONDARY

- HISTORICALLY, THE PRIVATE SECTOR HAS BEEN THE PRIME ACTOR IN MEETING THE NATION'S ENERGY NEEDS.
- FEDERAL ROLE IS EXPANDED AND MORE PROMINENT THAN PRIOR TO EMBARGO:
  - THREATENED CURTAILMENT OF IMPORTS PUTS ENERGY ON WORLD STAGE -- CREATING A NEW ENERGY ROLE FOR NATIONAL GOVERNMENT.
  - MASSIVE INVESTMENT AND HIGH VENTURE RISK IN DEVELOPING NEW ENERGY TECHNOLOGY AND FRONTIER RESOURCES CALLS FOR FEDERAL FINANCIAL INDUCEMENTS.
  - CRITICALITY OF ENERGY FORCES NEED FOR NATIONAL ENERGY POLICY.
- NEVERTHELESS, PROPER FEDERAL ROLE IN ENERGY REMAINS SUPPLEMENTAL TO THAT OF PRIVATE SECTOR.

FEDERAL ROLE CAN BE EXERCISED IN VARYING DEGREE BUT GENERALLY INCLUDES THE GOVERNMENT AS:

- PLANNER AND FORMULATOR OF NATIONAL ENERGY POLICY
- COLLECTOR AND PUBLISHER OF DATA
- ECONOMIC REGULATOR
- HEALTH, SAFETY AND ENVIRONMENTAL REGULATOR
- FINANCIER
- OWNER OR MANAGER OF ENERGY RESOURCES
- TECHNOLOGY PROMOTER AND INNOVATOR
- ENERGY PRODUCER - UNDER SPECIAL CIRCUMSTANCES
- REPRESENTATIVE OF NATIONAL INTERESTS IN WORLD ENERGY NEGOTIATIONS

AS A MATTER OF POLICY, THE ADMINISTRATION FAVORS THE MINIMUM NECESSARY LEVEL OF FEDERAL INTERVENTION AND INVOLVEMENT IN ENERGY AFFAIRS AND A CORRESPONDING MAXIMUM RELIANCE ON PRIVATE INITIATIVE, INVESTMENT AND DECISION-MAKING IN BOTH THE SUPPLY AND DEMAND SIDES OF ENERGY.

HOWEVER, THIS POLICY IS ONLY PARTIALLY DETERMINANT. THE FEDERAL ROLE ACTUALLY IN EFFECT AT ANY GIVEN TIME, IS THAT WHICH IS PRESCRIBED BY LAW.

AGREE OR NOT, THE PRESIDENT IS OBLIGED TO SEE THAT THE LAWS ARE FAITHFULLY EXECUTED -- AND, THEREFORE, MUST PROVIDE EFFECTIVE ORGANIZATION FOR ALL ENERGY FUNCTIONS PRESCRIBED BY LAW.

THOSE FUNCTIONS WHICH ARE SUB-MARGINAL IN THE LIGHT OF A POLICY OF MINIMUM NECESSARY FEDERAL INVOLVEMENT SHOULD NOT BE ORGANIZED IN A WAY THAT EFFECTIVELY INSULATES THEM FROM EXECUTIVE REAPPRAISAL.

WHAT IS THE OBJECTIVE IN CONSIDERING ENERGY REORGANIZATION?

- To assure that the Federal energy functions are effectively organized in the light of the expanded and altered Federal role. That is: ---
  - Component functions are coordinated with each other to form a coherent Federal role in energy.
  - Confusion and waste due to duplication is avoided.
  - The Federal impact on energy is consistent with legislative intent and responsive to Presidential direction.
  - Energy goals are properly balanced with national goals in other fields.

THE IMPACT OF ENERGY IN OUR SOCIETY SAYS SOMETHING ABOUT HOW WE SHOULD ORGANIZE TO PERFORM THE FEDERAL ENERGY ROLE

ENERGY IS:

- CRITICAL TO: THE ECONOMY, NATIONAL SECURITY, OUR LIFE-STYLE -- TO OUR SURVIVAL
- PERVASIVE : HOUSING, TRANSPORTATION, FARMING, DEFENSE, INDUSTRIAL PRODUCTION, RECREATION
- COMPRISED OF COMPETING SECTORS : PETROLEUM, GAS, COAL, NUCLEAR, HYDRO, SOLAR, OTHER
- OFTEN IN CONFLICT WITH OTHER NATIONAL GOALS : ENVIRONMENT, HEALTH AND SAFETY, RESOURCE CONSERVATION, PRICE STABILITY, FOREIGN POLICY
- A BLEND OF : PRIVATE ENTERPRISE AND PUBLIC RESPONSIBILITY

#-#

IN SHORT, ENERGY IS A COMPLEX AND INTERRELATED SUBJECT AND THE FEDERAL INVOLVEMENT REQUIRES CAREFULLY COORDINATED POLICIES AND DISCIPLINED IMPLEMENTATION IN MEETING VITAL NATIONAL GOALS.

OUR PRESENT FEDERAL ENERGY ORGANIZATION INHIBITS COHERENT AND EFFECTIVE ACCOMPLISHMENT OF THE FEDERAL ROLE IN ENERGY

- No one -- under the President -- is clearly "in charge" and accountable.
  - ERC lacks staff or authority
  - FEA has policy role, but is operational, sub-cabinet, and temporary
- Primary Federal energy programs are fragmented among FEA, ERDA and others.
  - Complicates task of Presidential control
  - Difficult to achieve concerted action toward supply development, demand reduction or other broad goals
  - Separate energy agencies result in differing energy projections -- produces confusion
  - Resource trade-offs among Federal programs are less likely.
- Policy development is disconnected from program implementation and evaluation

- Agencies tend to enlarge their roles causing increasing duplication and confusion
  - Commercialization of new technology - FEA, ERDA (EIA)
  - Conservation - FEA, ERDA and DOT, Commerce, HUD
  - Mine technology research and development - Interior and ERDA
  - Data collection and analysis - FEA, FPC, Interior, ERDA and others
  - Supply/demand projections - FEA, ERDA, Interior
- Regulatory powers of FPC and NRC are substantial influences -- but not rationalized with national energy goals

TWO ISSUES, IN PARTICULAR, ARE COMPLEX AND CENTRAL TO ENERGY ORGANIZATION:

ISSUE 1 - ENERGY REGULATION: A. - BALANCE BETWEEN INDEPENDENCE AND RESPONSIVENESS
B. - POTENTIAL CONFLICT BETWEEN REGULATION AND PROMOTION

A. INDEPENDENCE VS. RESPONSIVENESS - THE SIGNIFICANT IMPACT OF REGULATION SHOULD BE CONSISTENT WITH NATIONAL ENERGY NEEDS AND POLICY -- BUT ACTIONS MUST BE IMPARTIAL AND CREDIBLE.

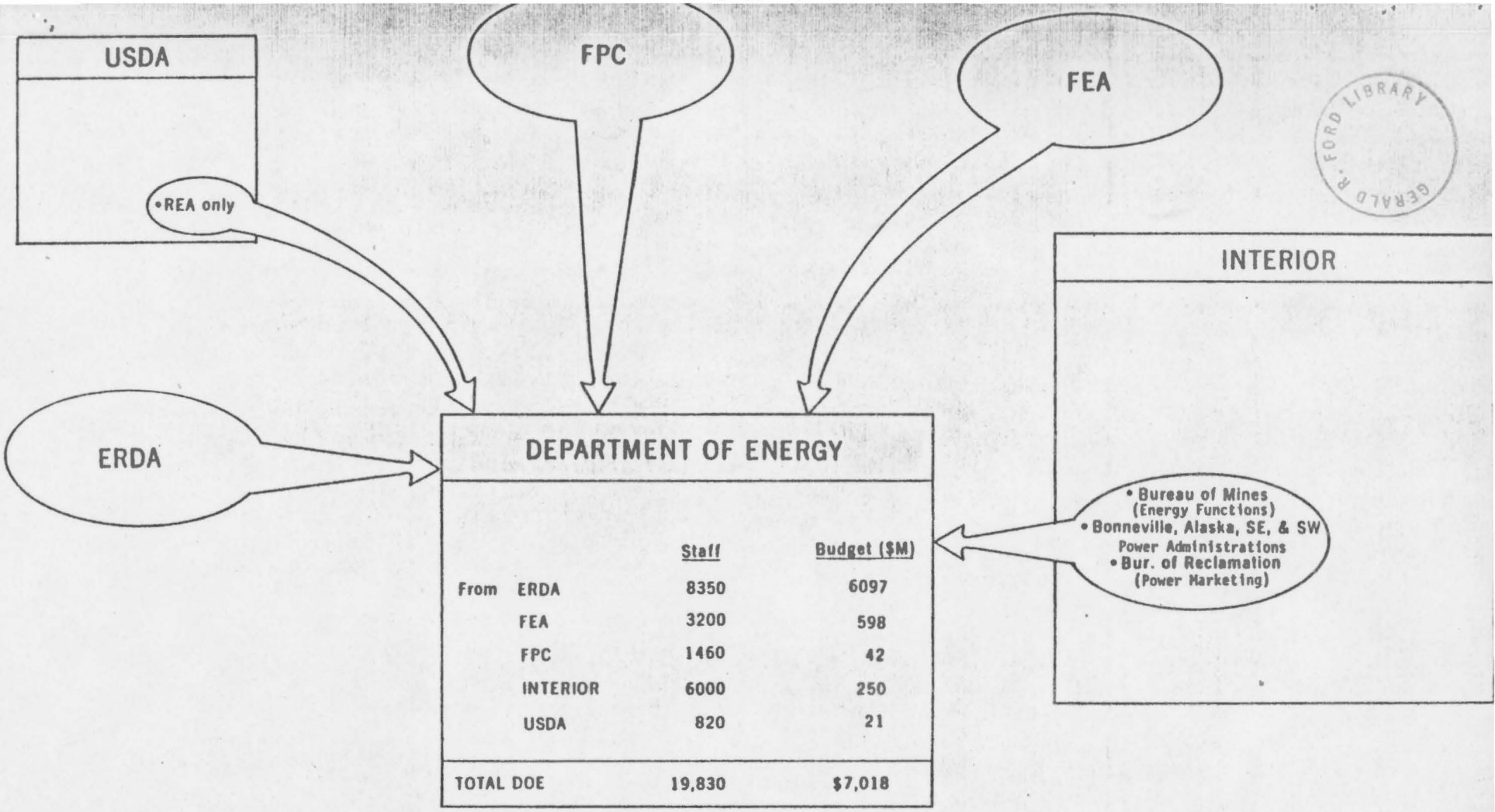
RESOLUTION - KEY IS DISCTINCTION BETWEEN RULE-MAKING AND CASE ADJUDICATIONS. ATTEMPT TO MAXIMIZE RULE-MAKING. PLACE ECONOMIC REGULATORY PROGRAMS IN ENERGY AGENCY TO ASSURE RESPONSIVENESS IN RULE-MAKING. INTERNALLY ISOLATE ADJUDICATIONS - ALJ'S AND INDEPENDENT APPEALS BOARD.

B. REGULATION VS. PROMOTION - ENERGY DEVELOPMENT CAN CONFLICT WITH HEALTH, SAFETY AND ENVIRONMENT. PROGRAMS LIKE NRC AND MESA NOT SUITABLE FOR INCLUSION IN ENERGY AGENCY. ENERGY VIEWPOINT CAN BE COMMUNICATED OPENLY TO REGULATORS AND SHOULD INFLUENCE DECISIONS. ECONOMIC REGULATION NOT IN CONFLICT TO SAME DEGREE -- CAN BE INCORPORATED AND SHOULD BE FOR RESPONSIVENESS.

ISSUE 2 - ENERGY ADVOCACY AND LAND MANAGEMENT

OUR SHORT TO MID-TERM ENERGY NEEDS REQUIRE NEW AND ACCELERATED RECOVERY FROM PUBLIC LANDS -- ESPECIALLY ALASKA AND OCS. MANAGING THESE ASSETS INVOLVES JUDGMENTS BY INTERIOR BETWEEN COMPETING CLAIMS. HOW IS THE PUBLIC INTEREST IN ENERGY DEVELOPMENT TO BE REPRESENTED IN THIS PROCESS? WHAT ORGANIZATIONAL ARRANGEMENT IS NEEDED.

RESOLUTION - BROAD POLICY RE ENERGY AND OTHER USES OF NATURAL RESOURCES INVOLVES INTERIOR AND OTHER AGENCIES AND, USUALLY, PRESIDENT AND CONGRESS. ENERGY REPRESENTED IN THESE BROAD DECISIONS BY FEA (OR PROSPECTIVE DOE) AS AN ADVOCATE. SPECIFIC SITE DECISIONS HANDLED WITHIN INTERIOR WITH ENERGY AS WELL AS ALL OTHER VIEWS CONSIDERED IN BALANCED WAY. CONCLUSION IS THAT ENERGY ADVOCACY AND LAND MANAGEMENT NEED NOT BE ORGANIZED TOGETHER, AND -- IN FACT -- CREDIBILITY IS GREATER IF KEPT SEPARATE.



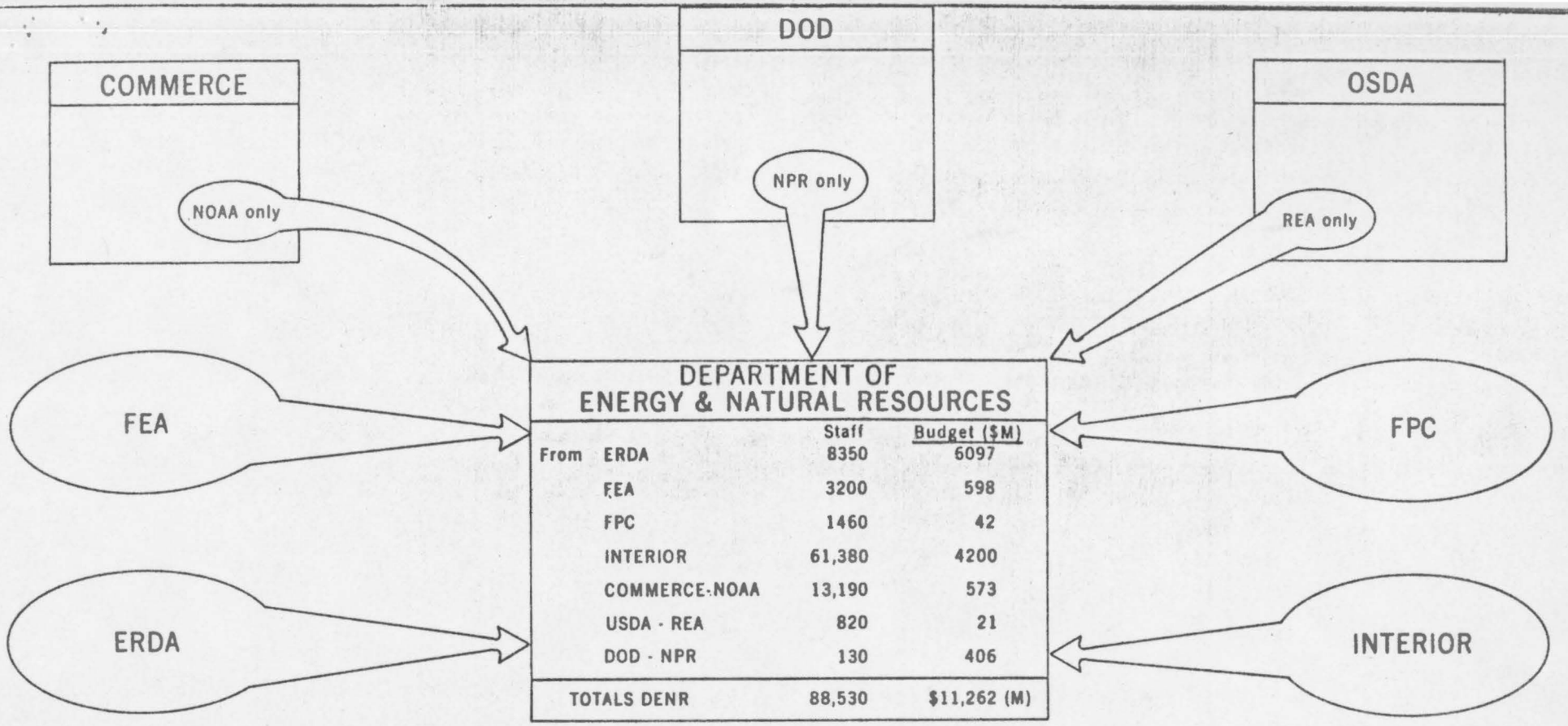
DEPARTMENT OF ENERGY - A Special Purpose Department Comprised of Primary Federal Energy Functions.

PROS

- Consolidates fragmented energy functions and fosters a more coherent Federal energy role.
- Highlights energy as a long-term national issue by assigning it department status and a cabinet level accountable spokesperson.
- Resolves FEA/ERDA jurisdiction issue.
- Appropriately raises major energy policy tradeoffs to Presidential level.

CONS

- Energy advocacy role of DOE requires extensive balance at the Presidential level.
- Oil/gas leasing activities remain separate; continue to require interagency coordination.
- Departmental status could be marginal based on small size and narrow focus.
- Special internal arrangements required to assure autonomy and integrity of regulatory, data R&D, and weapons functions.



DEPARTMENT OF ENERGY & NATIONAL RESOURCES - A Multi-Purpose Department Comprised of Primary Federal Energy Functions Together with Functions of the Department of Interior.

PROS

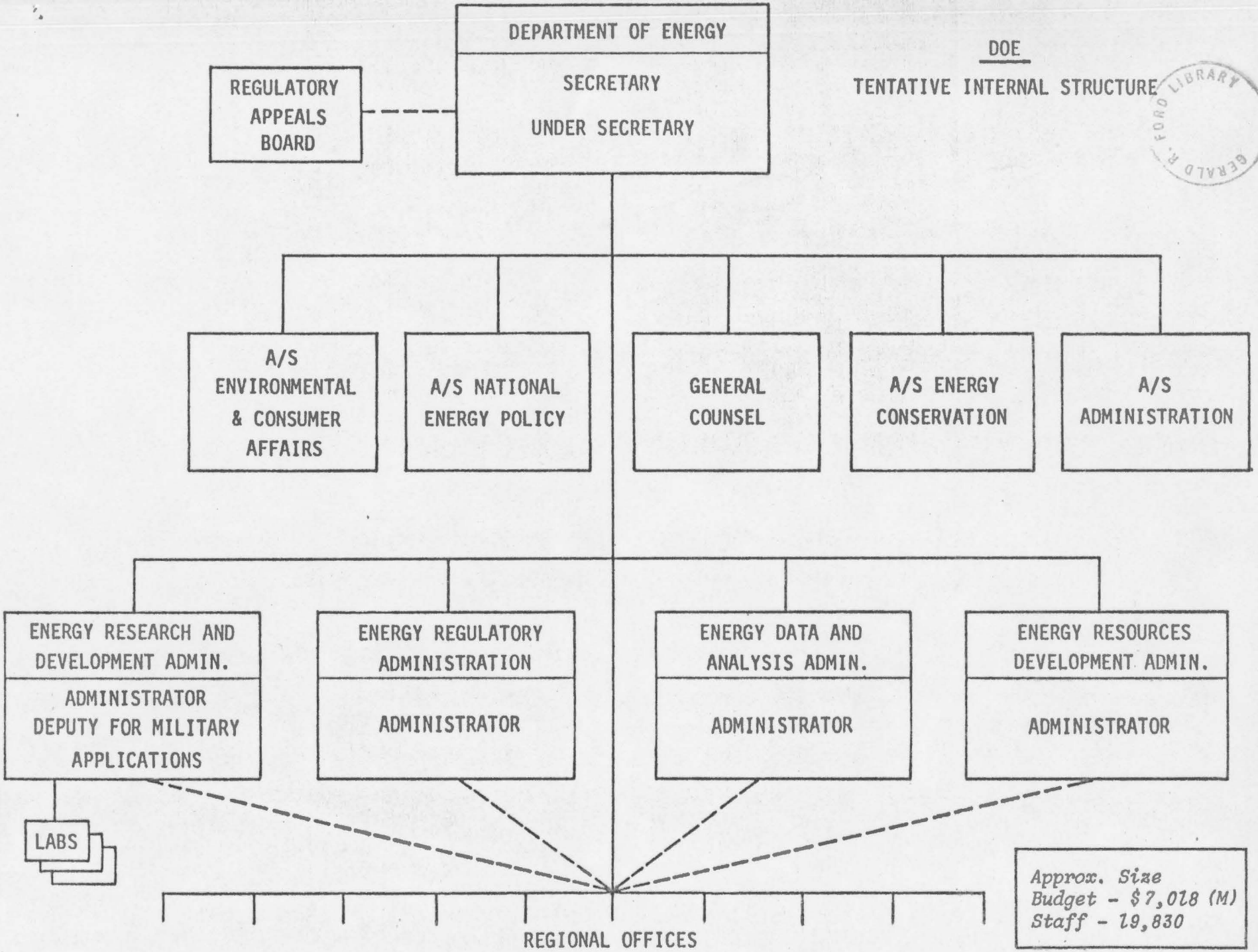
- Consolidates fragmented energy functions and fosters a more coherent Federal energy role.
- Cabinet level representation for energy (with some natural and other functions).
- Resolves FEA/ERDA jurisdiction disputes.
- Permits resolution of many competing claims for resources within a single Department.
- Permits integration of related NOAA/USGS functions.

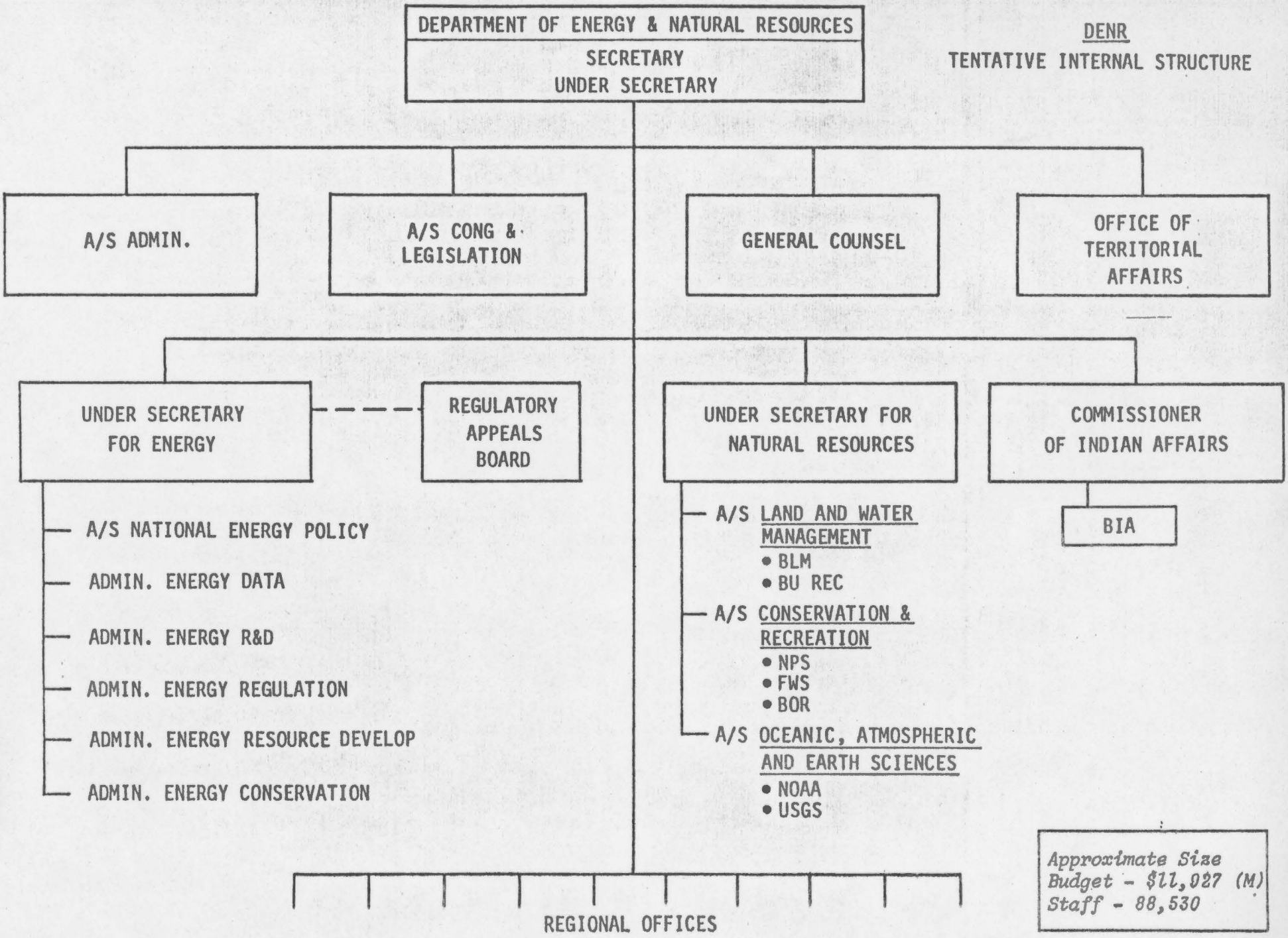
CONS

- Dilutes top level representation and accountability for energy.
- Energy objectives could dominate other natural resource and land use requirements (or vise-versa).
- Difficulty of managing large conglomate type Department.
- Buries major and critical programs (e.g. Energy R&D, Nuclear Weapons, NOAA, NPS, etc.)
- A large conglomerate - but still fails to consolidate major natural resource functions (e.g. Corps, SCS, Forest Service).

DOE

TENTATIVE INTERNAL STRUCTURE




DEPARTMENT OF ENERGY & NATURAL RESOURCES
SECRETARY
UNDER SECRETARY
DENR
TENTATIVE INTERNAL STRUCTURE
A/S ADMIN.
A/S CONG & LEGISLATION
GENERAL COUNSEL
OFFICE OF TERRITORIAL AFFAIRS
UNDER SECRETARY FOR ENERGY
REGULATORY APPEALS BOARD
UNDER SECRETARY FOR NATURAL RESOURCES
COMMISSIONER OF INDIAN AFFAIRS
A/S NATIONAL ENERGY POLICY
ADMIN. ENERGY DATA
ADMIN. ENERGY R&D
ADMIN. ENERGY REGULATION
ADMIN. ENERGY RESOURCE DEVELOP
ADMIN. ENERGY CONSERVATION
A/S LAND AND WATER MANAGEMENT
• BLM
• BU REC
A/S CONSERVATION & RECREATION
• NPS
• FWS
• BOR
A/S OCEANIC, ATMOSPHERIC AND EARTH SCIENCES
• NOAA
• USGS
BIA
REGIONAL OFFICES
Approximate Size
Budget - $11,027 (M)
Staff - 88,530

WHAT ARE THE EXISTING ENERGY FUNCTIONS IN THE FEDERAL GOVERNMENT?

DRAFT

	Staffing	Budget ($1000's)
ERC	0	0
FEA		
. Develop Energy Policy (Policy)	46	1,300
. Collect and Analyze Energy Data (Data)	356	27,300
. Regulate Petroleum Prices (Econ. Reg.)	1,395	34,000
. Promote Energy Conservation Practices (Mixed roles)	287	51,800
. Expand Domestic Energy Production (Mixed roles)	294	12,700
. Participate in International Energy Affairs (International)	46	1,700
. Manage Strategic Petroleum Reserves (Production)	42	313,600
Other FEA	734	155,700
FEA SUBTOTAL	3,200	598,100
FPC		
. License Non-Federal Hydroelectric Projects (Econ.& Environ.Reg.)	220	6,470
. Regulate Interstate Electricity Rates (Econ. Reg.)	320	9,220
. Certify Natural Gas Facilities (Econ. & Environ. Reg.)	360	11,570
. Regulate Interstate Natural Gas Rates (Econ. Reg.)	290	7,720
Other FPC	268	6,620
FPC SUBTOTAL	1,458	41,600

DRAFT

ERDA

. Develop Energy R&D Policy (Policy)	167	11,000
. Conduct Fossil, Solar, Nuclear, & Geothermal Energy R&D (Technology)	1,487	2,687.190
. Conduct Environmental, Health & Safety R&D (Technology)	271	21,500
. Disseminate Energy R&D Information (Data)	80	500
. Conduct Energy Conservation R&D (Technology)	182	91,000
. Encourage International Energy R&D (Technology)	80	7,770
. Sponsor Energy R&D Training (Technology)	9	16,540
. Perform Uranium Enrichment Fuel Reprocessing (Production)	100	574,000
. Encourage private development of geothermal resources (Financier)	36	4,400
. Conduct research, development, test, and production of nuclear weapons and materials (Production)	319	1,599,300
. Develop naval nuclear propulsion plants (Production)	82	220,500
. Develop nuclear power sources for space program (Production)	17	32,300
Other ERDA including field contract administration and procurement activities	5,520	831,300
ERDA SUBTOTAL	8,350	6,097,300

DRAFT

NRC

. Regulate construction and operation of nuclear reactors (Safety regulator)	1,012	50,025
. Regulate handling of nuclear materials (Safety regulator)	405	22,880
. Conduct research to support license and regulatory functions (Mixed roles)	135	121,550
. Develop emergency preparedness plans (Planner)	128	5,015
. Collect nuclear reactor safety data (Data)	2	20
. Regulate import and export of nuclear materials/ facilities (Mixed role)	3	205
Other NRC	844	49,735
NRC SUBTOTAL	2,529	249,430

Department of Interior

. Leasing and Management of Federal Energy Resources (Owner/Manager)	2,490	170,000
. Management of Alaskan Petroleum Reserve (Production)	105	106,700
. Collect and Analyze Energy Resources Data (Data)	1,240	56,500
. Research and Develop Energy Mining Technology (Technology promoter)	950	98,000
. Regulate Health & Safety Aspects of Coal Mining (Health & Safety regulations)	3,440	90,148
. Generation & Marketing of Electricity (Energy Producer)	6,160	269,600

DRAFT

DEPARTMENT OF AGRICULTURE		
. FINANCE RURAL ENERGY DEVELOPMENT AND MARKETING (FINANCIER)	820	21,600
DEPARTMENT OF DEFENSE		
. MANAGE OIL AND OIL SHALE RESERVES IN NPR (OWNER/MANAGER)	130	406,000
EPA		
. RESEARCH TO IMPROVE COAL COMBUSTION (MIXED ROLES)	32	21,800
DEPARTMENT OF TRANSPORTATION		
. REGULATE AUTO FUEL ECONOMY STANDARDS (ECONOMIC & ENVIRON.REG.)	40	4,500
. REGULATE OIL AND NATURAL GAS PIPELINE SAFETY (HEALTH AND SAFETY REGULATOR)	40	4,000
DEPARTMENT OF TREASURY		
. CONDUCT FINANCIAL AND POLICY ANALYSIS OF DOMESTIC AND INTERNATIONAL ISSUES (POLICY)	14	300
DEPARTMENT OF STATE		
. FORMULATE INTERNATIONAL ENERGY POLICY (POLICY)	34	800
DEPARTMENT OF COMMERCE		
. FOSTER IMPROVED ENERGY UTILIZATION (ECONOMIC REGULATOR)	60	2,244
. ADMINISTER COASTAL ZONE ENERGY IMPACT AID (FINANCIER)	20	146,500

DRAFT

CEA

. PARTICIPATE IN FORMULATING NATIONAL ENERGY POLICY (POLICY)	2	40
TOTAL DIRECT INVESTMENT IN FEDERAL ENERGY ROLE 1/ 2/	31,114	$8,385,162 ($1000)

1/ TVA'S POWER PROGRAM IS ESTIMATED AT $1.6 BILLION IN FY 77 AND WILL REQUIRE A STAFF OF SEVERAL THOUSAND. THIS PROGRAM WILL BE FINANCED FROM PROCEEDS FROM CURRENT POWER OPERATIONS AND BORROWINGS, RATHER THAN APPROPRIATION AND ARE THEREFORE EXCLUDED FROM THESE TOTALS.

2/ THERE ARE A NUMBER OF SMALL ENERGY ACTIVITIES (DATA, REGULATORY, RESEARCH, ETC.) THAT ARE INCORPORATED IN PROGRAMS WITH NON-ENERGY PURPOSES WHICH ARE NOT READILY IDENTIFIABLE AND HAVE BEEN EXCLUDED FROM THESE TOTALS.

DRAFT

SUMMARY - DOE

	Staffing	Funding (M)
. Total direct Federal investment	31,114	$ 8,385
. Proposed for consolidation in DoE Option	19,830	7,018
. Not proposed for consolidation		
- NRC	2,529	249
- Interior Energy	8,385	541
- Other	370	577
. Percent of total Federal energy functions consolidated in a DoE	64%	84%

DRAFT

SUMMARY - DENR

		Staffing	Funding (M)
. Total direct Federal investment		31,114	$ 8,385
. Energy functions not in a DENR Option			
	NRC	2,529	249
	Other	222	34
. Energy functions in a DENR Option		28,363	8,102
. Percent of total Federal energy functions consolidated in a DENR		91%	97%
. Proposed for consolidation in DENR option		88,530	11,262
. Percent non-energy functions in DENR		68%	28%

ERDA Budget Authority ($ M)	FY 1976 Actual	FY 1977 Jan Budget*	FY 1977 ERDA Req.	FY 1977 OMB Recom.	FY 1978 ERDA Req.	FY 1978 ERDA Min.	FY 1978 OMB Recom.	FY 1979 ERDA Req.	FY 1979 OMB Recom.
Direct Energy R&D									
Non-nuclear	(636)	(807)	(989)	(881)	(1726)	(1522)	(1056)	(2122)	(1268)
Fossil	414	477	483	483	911	815	585	1260	705
Solar	115	160	290	205	413	337	237	417	312
Geothermal	31	50	55	55	129	103	88	135	100
Conservation R&D	76	120	153	138	265	259	146	280	151
Energy Extension Service	---	---	8	---	8	8	---	30	---
Nuclear	(1048)	(1573)	(1609)	(1597)	(2374)	(2107)	(1967)	(2714)	(2276)
Fusion	251	392	428	416	578	525	513	687	579
Fuel cycle R&D	71	179	185	185	370	325	277	446	293
Liquid Metal Fast Breeder	519	688	686	686	965	865	815	1062	993
Nuclear fission applications	94	113	113	113	174	138	110	232	150
Uranium enrichment R&D	96	140	138	138	218	185	186	241	226
Nuclear Safeguards	17	28	31	31	38	38	38	38	35
Nuclear Safety facilities	---	33	28	28	31	31	28	8	---
Supporting Energy R&D	(334)	(364)	(389)	(381)	(515)	(476)	(419)	(468)	(430)
Environmental/Biomedical	201	215	233	225	314	291	248	272	254
Supporting energy technology	133	149	156	156	201	185	171	196	176
Production of enriched uranium	(955)	(1495)	(1489)	(1489)	(1747)	(1687)	(1181)	(1703)	(1159)
Cascade power	512	689	689	689	806	765	793	898	885
Other	430	627	623	623	424	405	388	292	274
Add-on plant	13	179	177	177	517	517	(512)**	513	(513)**
Defense-related programs	(1640)	(1943)	(1952)	(1952)	(2638)	(2499)	(2295)	(2488)	(2282)
Weapons R&D/prod	1019	1203	1182	1182	1605	1545	1392	1510	1411
Weapons materials prod	387	540	554	554	785	707	662	675	569
Naval reactor R&D	234	200	216	216	248	247	241	302	302
All Other programs	(553)	(622)	(639)	(635)	(890)	(864)	(715)	(875)	(715)
Spacecraft power R&D	25	23	23	23	37	37	28	41	26
High energy physics	180	220	224	224	281	278	269	278	240
Nuclear physics	74	74	81	81	86	86	86	87	87
Nuclear explosives applications		1	1	1	5	3	1	10	1
Program support	274	304	310	306	481	460	331	459	361
Subtotal	5166	6804	7067	6935	9890	9155	7633	10370	8130
Financial adjustments	52	78	- 9	- 9	134	121	112	142	117
FY 1979 inflation	---	---	---	---	---	---	---	---	390
Other Federal Funds									
Foreign currency	7	---	---	---	2	2	2	1	1
Geothermal resource dev. fund		50	30	30	50	30	30	50	30
Synthetic fuels commercial demon	---	---	516	---	532	532	178	32	328
Subtotal	5225	6932	7604	6956	10608	9840	7955	10595	8996
Revenues									
Uranium enrichment	- 628	- 630	- 662	- 662	- 966	- 966	- 966	-1373	-1373
Other	- 78	- 76	- 76	- 76	- 96	- 96	- 98	- 96	- 103
Total BA	4519	6226	6866	6218	9546	8778	6891	9126	7520
(Outlays)	(3743)	(5369)	(5411)	(5335)	(7234)	(6851)	(6032)	(8708)	(7069)

* As amended
** Funds are included in allowance for contingencies.