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BUDGET AND SPENDING CONCERNS AT DOE

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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[1] The information is available at http://www.whitehouse.gov/sites/default/files/docs/report__on__doe__loan__and__guarantee__portfolio.pdf.

BUDGET AND SPENDING CONCERNS AT DOE

WEDNESDAY, APRIL 18, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:40 a.m., in room 2322 of the Rayburn House Office Building, Hon. Cliff Stearns (chairman of the subcommittee) presiding.

Members present: Representatives Stearns, Blackburn, Bilbray, Scalise, Griffith, Barton, DeGette, Castor, Christensen, and Waxman (ex officio).

Staff present: Carl Anderson, Counsel, Oversight; Sean Bonyun, Deputy Communications Director; Andy Duberstein, Deputy Press Secretary; Todd Harrison, Chief Counsel, Oversight and Investigations; Krista Rosenthall, Counsel to Chairman Emeritus; Alan Slobodin, Deputy Chief Counsel, Oversight; Samuel Spector, Counsel, Oversight; Roger Stoltz, Government Accountability Office Detailee, Oversight; and Alex Yergin, Legislative Clerk; Kiren Gopal, Democratic Counsel.

OPENING STATEMENT OF HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. STEARNS. Today, we will examine the adequacy of the Department of Energy's implementation of the President's promise to conduct a "line-by-line" review of the Federal budget. At this time of financial distress, the goal of this pledge must be to eliminate unnecessary, duplicative, or wasteful government programs to cut costs and do more with less. This hearing aims to determine the results of the DOE's efforts to cut spending and to help DOE find more spending cuts and savings.

Over the past year and a half, this Subcommittee has conducted rigorous oversight of the programs administered by DOE, including those that received a boost in funding under the Recovery Act. From the Solyndra debacle and the Loan Guarantee Program to DOE's role in the Section 1603 program, this Subcommittee has been seeking transparency and accountability in DOE's Recovery Act spending.

The American people feel the pain at the pump, as I am sure many members are hearing directly from their constituents every day. The average national price of gasoline—regular gasoline—is nearly $4. Compounding this pain, DOE, the custodian of literally billions of dollars in Recovery Act funding, has all too often taken its eye off job creation, drawn instead to high risk ventures with

known questions over commercial viability. Rather than gambling in the casino of risky green energy investments, DOE should be using taxpayers' dollars prudently to help get Americans back to work, while assuring them reliable access to affordable energy.

The President's fiscal year 2013 budget requests $27.2 billion for DOE, roughly $856 million, or 3.2 percent increase, over the past fiscal year 2012 enacted level. To put this in context, this is up from a departmental budget of about $17 billion in the year 2000, just over a decade ago, and reflects an increase of about 60 percent. This, of course, does not include the $35 billion that DOE has received under the Recovery Act in recent years. DOE at present is an agency of nearly 15,000 Federal employees, and 100,000 contractors. An Inspector General's report on management challenges from last year discusses options to achieve operational efficiency and cost savings at the DOE. While DOE has undertaken a number of new management initiatives intended to increase operational efficiency, much more obviously needs to be done.

Some of the Recovery Act's most costly programs are DOE-administered programs; however, criminal investigations, poor performance, and reported waste have been the hallmarks of the Loan Guarantee Program, Advanced Research Project Agency—Energy, the Weatherization Assistance Program and the Advanced Technology Vehicles Manufacturing loan program, according to the IG and GAO. This committee, along with the IG and GAO, will continue to work at keeping these programs functioning as Congress intended, while operating at not one penny above what is required to fulfill their core missions. This committee must remain deeply and regularly engaged with the agencies within its jurisdiction, including DOE, as they define their priorities, identify their needs, and set their goals for the year ahead.

So my colleagues, today we will look at the actual results of the DOE's efforts to meet the President's pledge to comb through the Federal budget and cut spending. The committee has learned, for example, that DOE chose not to heed the President's April 2009 order to cabinet secretaries to identify a combined $100 million in budget cuts by July 2009. GAO has also recently identified 700 renewable energy initiatives across the Federal Government, 92 of which are housed at DOE. At a time when the President is requesting an increase in funding for DOE's renewable energy programs, can anyone at DOE certify that there is no redundancy among these 92 initiatives?

To learn more about DOE's efforts, we will take testimony today from the Director of the Office of Budget at DOE, Chris Johns; the Inspector General of DOE, Gregory Friedman; and Director of Natural Resources and Environment at GAO, Frank Rusco. These individuals, and their staffs, have conducted rigorous oversight and audits of EPA for many years, so I welcome our witnesses this morning.

This Subcommittee, and the committee as a whole, have no more crucial task, my colleagues, than to work with agencies such as the Department of Energy to ensure that they have the tools they need to realize the aims for which they have been authorized to expend a finite set of Federal resources.

[The prepared statement of Mr. Stearns follows:]

Opening Statement of the Honorable Cliff Stearns

Chairman, Subcommittee on Oversight and Investigations

"Budget and Spending Concerns at DOE"

April 18, 2012

722 words

We convene this hearing, the third in our series of oversight hearings on the federal budget. Today we will examine the adequacy of the Department of Energy's implementation of the President's promise to conduct a "line by line" review of the federal budget. At this time of financial distress, the goal of this pledge must be to eliminate unnecessary, duplicative, or wasteful government programs, to cut costs, and do more with less. This hearing aims to determine the results of DOE's efforts to cut spending and to help DOE find more spending cuts and savings.

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The American people feel the pain at the pump, as I'm sure many members are hearing directly from their constituents. The average national price of a gallon of regular gasoline is nearly $4. Compounding this pain, DOE, the custodian of literally billions of dollars in Recovery Act funding, has all too often taken its eye off job creation, drawn instead to high-risk ventures with known questions over commercial viability. Rather than gambling in the casino of risky green energy investments, DOE should be using taxpayer dollars prudently to help get Americans back to work while assuring them reliable access to affordable energy.

The President's Fiscal Year 2013 Budget requests $27.2 billion for DOE – an $856 million, or 3.2% increase, over the Fiscal Year 2012 enacted level. To put this in context, this is up from a departmental budget of about $17 billion in Fiscal Year 2000, just over a decade ago, and reflects an increase of around 60%. This, of course, does not include the $35 billion that DOE has received under the Recovery Act in recent years.

DOE, at present, is an agency of nearly 15,000 federal employees and 100,000 contractors. An Inspector General's report on Management Challenges from late last year discusses options to achieve operational efficiency and cost

savings at DOE. While DOE has undertaken a number of new management initiatives intended to increase operational efficiencies, much more needs to be done.

Some of the Recovery Act's most costly programs are DOE-administered programs. However, criminal investigations, poor performance, and reported waste have been the hallmarks of the Loan Guarantee Program, Advanced Research Projects Agency – Energy, the Weatherization Assistance Program and the Advanced Technology Vehicles Manufacturing loan program, according to the IG and GAO. This Committee, alongside the IG and GAO, will continue to work at keeping these programs functioning as Congress intended, while operating at not one penny above what is required to fulfill their core missions.

This Committee must remain deeply and regularly engaged with the agencies within its jurisdiction, including DOE, as they define their priorities, identify their needs, and set their goals for the year ahead.

Today, we will look at the actual results of the DOE's efforts to meet the President's pledge to comb through the federal budget and cut spending. The Committee has learned, for example, that DOE chose not to heed the President's

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This Subcommittee, and the Committee as a whole, have no more crucial task than to work with agencies such as DOE to ensure that they have the tools they need to realize the aims for which they have been authorized to expend *finite* federal resources.

Mr. STEARNS. And with that, I recognize——

Ms. DEGETTE. I will yield to Mr. Waxman.

Mr. STEARNS. Yield to Mr. Waxman for 5 minutes.

OPENING STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. WAXMAN. Thank you, Mr. Chairman, and thank you, Ms. DeGette, for allowing me to go ahead with my opening statement out of order. I welcome this hearing today. No one, Republican or Democrat, should be in favor of wasteful Federal spending. If we can identify ways to save money without jeopardizing its mission, we all should support those changes.

At the same time, we also need to recognize the Department of Energy has a vital mission in developing new clean energy technologies. Congress should be doing more to support these initiatives. Our economic future depends on building the clean energy industries of tomorrow.

Unfortunately, the Republican budget that the House passed last month is stuck in a fossil fuel past. It would all but wipe out DOE's clean energy initiatives. The Democratic committee staff this morning released a supplemental memo that analyzes the impact of the Republican budget on clean energy programs, and I would like to ask that this be made part of the record.

Mr. STEARNS. Mr. Waxman, can we review it first?

Mr. WAXMAN. Certainly.

Mr. STEARNS. Yes, your staff will give it to us and then we will let you know for sure.

Mr. WAXMAN. The findings of this memo reveal exactly how much damage the Republican budget would do to DOE's mission of developing clean and renewable energy technology. It slashes discretionary spending for energy programs by over 50 percent next year. While the Republican budget avoids many of the specifics, we need to tally up the damage. It is clear that it targets key clean energy initiatives. It repeals funding for the Advanced Technology Vehicles Manufacturing Program, a program that helps the auto industry to improve the fuel efficiency of cars and develop next generation advanced batteries for electric cars. It halts DOE Loan Guarantee Programs that are creating jobs and funding innovative renewable energy projects like wind farms and geothermal power facilities. It eliminates funding the Western Area Power Administration is using to build transmission lines to deliver renewable energy to the places it is needed, like a 725-mile transmission line to deliver energy from wind from Wyoming to the Southwest. And while the Republican budget calls for massive cuts to important clean energy programs, it also protects massive tax breaks for oil companies. Under the Republican budget, oil companies earning record profits would receive $40 billion worth of tax breaks over the next decade.

American families are struggling at the pump and the Republican solution is to give oil companies earning billions of dollars more tax breaks. Think about these priorities. While the rest of the world is rushing to develop clean energy sources that protect the environment and the health of our children, we are continuing to

squander taxpayer money on the oil industry. Our climate pays the prices well. There was a strong scientific consensus that climate change is real and it is happening now, but my Republican colleagues continue to ignore and deny this reality, and passed a budget that would only make the problems worse.

Mr. Chairman, at hearings last month Secretary Chu made the compelling economic case for investment in renewable energy, but the Republican budget sets our country back decades in the effort to develop clean renewable energy technologies that will create millions of jobs and power the economy of the future. The Republican vision represents a huge mistake. Our energy future can't depend on outmoded thinking or technologies.

I want to yield back the balance of my time. I hope at the appropriate time, after the Republican staff has had a chance to review our request, that you will make our request for the record into effect.

Mr. STEARNS. For sure. Gentleman yields back the balance of his time, and I recognize the gentleman from Texas, Chairman Emeritus Mr. Barton.

OPENING STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BARTON. Thank you, Mr. Chairman. Before I give my prepared——

Mr. STEARNS. For 4 minutes.

Mr. BARTON. OK, and then I will give a minute to Ms. Blackburn, is that right?

Before I give my brief statement on this issue, I want to comment on Chairman Waxman's statement. In spite of all our faults with our energy policy, you know, gasoline prices $4 a gallon are way too high, but they are less than half what they are in Europe. They are a lot less than they are in Japan. Natural gas prices at the wellhead are below $2 an MCF. That is lower than they were under the 1978 Natural Gas Policy Act that Mr. Waxman and Mr. Dingell helped pass that regulated wellhead prices. We have the most free market-based, private, incentivized energy sector in the world, and because of that, our energy prices are the most competitive in the world. So despite of all our faults, we must be doing something right in this country and if the Obama administration would get out of the way and allow the private sector to operate on Federal lands in an environmentally friendly way, we would do even better.

But today we are here, Mr. Chairman, to look at the Department of Energy's budget. This is a recurring hearing that needs to be done. Way back in 1981 and '82, I was a White House fellow at the Department of Energy, and I can't remember exactly if it was in December or January, December of '81 or January of '82, but Dave Stockman was the Director of the Office of Management and Budget, and Ronald Reagan was President, and the Department of Energy had sent its proposed budget over to OMB for review, and OMB had sent it back and said that more needed to be cut. Now, this was when the whole Federal budget was less than $100 billion—or less than $1 trillion, excuse me, less than a trillion. And I don't remember what Department of Energy's budget was then,

but I am going to say $3 or $4 billion. In any event, the Secretary of Energy, James B. Edwards, had a meeting with all of his assistant secretaries. He went around the room and he asked each one of them, you know, we have to cut. Can you cut some money? And this is the Reagan cabinet. Not one assistant secretary, Mr. Chairman, said they could cut a penny. Not one, not one. And I was a White House fellow and I was sitting in the back, and the secretary turned to me and he said, well maybe my White House fellow can find some savings, and being bright-eyed and bushy-tailed and not knowing the difference, I said well, I think I can, I think I can. And I will continue that story at the next hearing. I am not going to tell you what I did.

But in any event, today we are here for the same thing. Today, the Department of Energy's budget is much larger than it was way back then. They have got $35 billion in stimulus. They are going to receive another $27 billion next year in stimulus funding. They have a renewable energy program that is in shambles. We all know about Solyndra. They have a 1705 Loan Guarantee Program that almost every company they have given money to is on the watch list. They have got a $10 billion 1603 program for green energy jobs. It just goes on and on, and yet as you just pointed out in your opening statement, Mr. Chairman, they have not been responsive to efforts to cut their budget. Hopefully we can encourage them today and find ways across the aisle, on both sides of the aisle, to help save some money in the Department of Energy's budget.

With that, I want to yield the balance of my time to Mrs. Blackburn of Tennessee.

[The prepared statement of Mr. Barton follows:]

Opening Statement of the Honorable Joe Barton
Chairman Emeritus, Committee on Energy and Commerce
Subcommittee on Oversight & Investigations Hearing
"Budget and Spending Concerns at DOE"
April 18, 2012

Thank you Mr. Chairman. We are here to examine how much money the Department of Energy (DOE) has requested and spent since the passage of the American Recovery and Reinvestment Act in January 2009 and determine if American taxpayer dollars are being spent in a responsible and productive way. The DOE received more than 35 Billion dollars as part of the stimulus and the President is requesting the Department receive 27.2 Billion dollars for 2013.

At a time when the federal government is borrowing over 40 cents of every dollar it spends, it is imperative that we maintain oversight of these dollars and ensure the public that this money works for them to help our economy, create jobs, reduce our dependence on foreign oil, and increase our energy independence.

Under the current Administration's leadership at DOE: we have two bankrupt green energy companies that received nearly 600 million dollars under the 1705 loan guarantee program and several more companies are now in trouble and on a "watch list", we have the President asking Congress to double down on his 10 Billion dollar 1603 program that he claims created thousands of green jobs, but which exact numbers cannot be validated, we have billions of dollars being invested in electric batteries for cars, a technology that has failed in the

marketplace for over a 100 years, we have Billions sitting in unobligated funds…I think it is fair to say we are not being responsible and efficient with this money, money that I would like to remind the Administration and the DOE comes from hard working American taxpayers.

The DOE Budgets for 2009 to 2012 range from $25 to $29 Billion, the DOE received over $35 Billion in stimulus funds, and is requesting over $27 Billion for 2013. This adds up to approximately 170 Billion dollars to the DOE in just 5 years. It is our job to ask the witnesses testifying today if the core mission of the DOE warrants such an expense, if the programs being funded are performing adequately, where and how the DOE can manage their funds better and if sufficient oversight of DOE spending is being performed.

OPENING STATEMENT OF HON. MARSHA BLACKBURN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mrs. BLACKBURN. I thank the gentleman from Texas for yielding. We welcome all of you here, and I think many of us are looking for ways to make certain that the taxpayer dollar is well-tended, and that they feel like they are getting some value from the Federal Government. All too many people do not think that way.

Now, your budget has increased $10 billion over the past 10 years, and this is a lot of money. The President's addendum to the budget with cuts, consolidations, and savings calls for $467 million in cuts, and $249 million in savings from DOE, so I have introduced a bill to Consolidate Heavy-Handed and Outdated Program Act—we call it the CHOP Act. We are doing this because there are problems with loans. We do feel like the EPA and DOE could be combined into one department called the Department of Energy and Environment, and we think that there is misplaced priorities and misguided activity at DOE and EPA. Our goal is to help save some of this money and to help get this department on the right track.

Priorities are reflected in your budget. They are reflected in your time management. It is no secret that we all have concerns and we have those concerns based on what we see and wanting what is best for our Nation. I yield back.

Mr. STEARNS. Gentlelady yields back. We recognize the ranking member from Colorado, Ms. DeGette, for 5 minutes.

OPENING STATEMENT OF HON. DIANA DEGETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Ms. DEGETTE. Thank you very much, Mr. Chairman. This is the third detailed budget hearing we have had on the DOE budget spending decisions this Congress, and I hope it is productive because I am just as interested in wiping out waste and mismanagement at DOE or at any agency as anybody else on this committee.

So I just want to say one thing as this hearing starts. It is important to maintain a sense of perspective, because DOE does have some good news. DOE's Recovery Act clean energy initiatives funded over 20,000 projects nationwide through tax cuts or cash assistance for clean energy manufacturing and production, and with Recovery Act funding, DOE reduced the Nation's nuclear waste footprint by 69 percent, or 641 square miles. The Weatherization Program helped more than 650,000 low income families improve their home's energy efficiency and save money over energy bills, and the DOE Loan Guarantee Program supported over 60,000 jobs, and the Recovery Act supported thousands more, helping most of America get through this bad recession. And also contrary to what Ms. Blackburn said, during the Bush administration the core DOE budget increased by 16 percent. During the Obama administration from fiscal year 2009 to 2012, the core DOE budget, not including the stimulus funds I just talked about, decreased by 22.18 percent. So it is important to put that into perspective.

But this is not to say there isn't room for improvement at DOE, or that some DOE programs don't need further examination. The

GAO and the Inspector General, as we will hear, have looked carefully at the DOE Recovery Act programs and they found some areas where management and monitoring needs to improve. I commend GAO and the IG for taking a hard look at these programs and identifying areas for improvement, and I encourage my colleagues across the aisle to use these assessments to help find ways to improve DOE programs, not to use these findings as a partisan sword to try to skewer the administration for political points. And it is important to note, as this committee well knows, that GAO has had longstanding concerns about DOE's financial management. DOE's environmental management program has been a part of GAO's high risk series since 1990, and so while the Obama administration has made improvements, they have made the agency more transparent and increased accountability, but DOE's problems go back decades and so we can't fix it all in 3 years. We need to continue to try to fix it.

We also need to look at where DOE is going, not just where they have been. The GAO and the DOE Inspector General will tell us that DOE has responded to these concerns raised in their investigations and audits, learned from its mistakes, and made improvements as they continued to spend Recovery Act funds to improve the economy and provide new incentives for the development and deployment of clean and renewable energy. And so I am looking forward to hearing from DOE how they have responded to the concerns raised by these auditors.

Now, instead of somehow trying to tie higher gas prices to the DOE budget, I think what we should do on both sides of the aisle is to discuss long-term solutions to gas prices and the threat of climate change. As gas prices continue to rise, we need to think of ways to creatively reduce our dependence on foreign oil. So to do that, we can't just say OK, let us have market-based solutions. We have to come up with a comprehensive, multi-prong long-term approach, using all energy sources to ensure that we are energy efficient and energy independent. Other nations are already doing this, and we can't be left behind. We should be at the front of a renewable energy revolution that uses traditional fuels to transition.

And so I hope we can have all of these conversations as we go forward, Mr. Chairman. I know Ms. Christensen has some things she wants to say, and so at this time, I will yield a minute or the balance of my time to Ms. Christensen.

Mr. STEARNS. I think you need your mic closer.

OPENING STATEMENT OF HON. DONNA M. CHRISTENSEN, A REPRESENTATIVE IN CONGRESS FROM THE VIRGIN ISLANDS

Mrs. CHRISTENSEN. Thank you. Although I must say that this does feel like déjà vu all over again, this being at least the third meeting, as Congresswoman DeGette said, in a series relating to line-by-line budget review of this agency. It is really unclear what we are trying to accomplish here. The alleged tendency is to identify ways for duplicative and excessive spending, in addition to assisting DOE to identify and prioritize for the targets for cuts. Instead, however, it reflects the disappointing state of this Congress once again ignoring the true concerns of the American people by

failing to act on the most critical bread-and-butter issues of our times: jobs and the economy.

The course that we are now on will in no way create the jobs necessary to help our unemployed, will not strengthen our environmental protections, reduce the cost of gasoline, or safeguard the health of our constituents. Further cuts will not take us one step closer to clean air or clean water, or a lower unemployment rate. It is still my hope, though, that we can somehow turn these hearings into constructive dialogues about the true cost of benefits of public investment and DOE operations, and that does also, of course, include critically analyzing areas where DOE can further President Obama's directive to be even more vigorous in efforts to find savings by performing in an even more efficient and cost-effective manner, as I am sure you will hear from the DOE employees.

I thank you, and thank you for the opportunity to have a brief opening statement.

Mr. STEARNS. As you know—I am speaking now to our witnesses—the testimony that you are about to give is subject to Title 18, Section 1001 of the United States Code. When holding an investigative hearing, this committee has the practice of taking testimony under oath. Do you have any objection to testifying under oath? No?

The Chair then advises you that under the rules of the House and the rules of the committee, you are entitled to be advised by counsel. Do you desire to be advised by counsel during your testimony today? If not, if you would please rise and raise your right hand, I will swear you in.

[Witnesses sworn.]

Mr. STEARNS. Thank you, and now you may give your 5-minute summary of your written statement.

Mr. Rusco, we will start with you.

TESTIMONY OF FRANK RUSCO, DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT, GOVERNMENT ACCOUNTABILITY OFFICE; GREGORY H. FRIEDMAN, INSPECTOR GENERAL, DEPARTMENT OF ENERGY; AND CHRISTOPHER JOHNS, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF ENERGY

TESTIMONY OF FRANK RUSCO

Mr. RUSCO. Thank you. Chairman Stearns, Ranking Member DeGette, and members of the subcommittee, I am pleased to be here today to discuss budget trends at the Department of Energy, as well as observations from GAO's recent reports on selected DOE programs and activities.

Recent years have seen significant growth in funding for DOE, particularly in programs that received funding from the 2009 American Recovery and Reinvestment Act. GAO has reported on such DOE programs in response to congressional mandates and requests from Members of Congress. My testimony today provides details about the budget trends and aspects of the performance of key DOE programs and activities. In the remainder of my oral remarks, I will highlight three such programs.

The first is the Advanced Research Projects Agency-Energy, or ARPA–E. ARPA–E was created by Congress in the America COMPETES Act of 2007, but did not receive appropriations until 2009 when it received $.4 billion of Recovery Act funding. Subsequently, the program has received appropriations in 2011 and 2012. GAO reported on this program in February 2012 and found that the program was generally following its mandate to fund projects with high risk, high reward profiles and that the private sector would be unlikely to fund on its own. We also found that the program could do more to identify and verify information on an applicant's prior private funding, and recommended that ARPA–E provide additional reporting guidance to applicants, and also require applicants to provide letters from investors explaining why these projects could not have been funded by private investors. ARPA–E agreed with GAO's recommendations and has begun to implement them.

Secondly, DOE's Weatherization Assistance Program is a longstanding program that has generally operated on a budget in the neighborhood of $225 million per year, the vast majority of which is distributed to States and other recipients to help low-income families reduce their energy bills by making long-term energy efficiency improvements to their homes. This program received a $5 billion infusion from the Recovery Act, and initially experienced difficulties in scaling up its distribution of money to recipients. For example, we reported in 2010 that States and other recipients of weatherization funds had encountered difficulties in understanding and meeting program requirements. These problems delayed the distribution of money for the first several quarters of 2009. GAO recommended that DOE, among other things, clarify its production targets and funding deadlines, and generally improve its communication with recipients. DOE took some steps to improve the clarity of its guidance and communications, and despite the slow start, we reported in December 2011 that the States and other recipients had access to most of the Recovery Act funds for weatherization, and were on target to exceed weatherization goals. However, some recipients were unable to meet the original spending deadline set by DOE of March 31, 2012, and DOE has recently announced that it will allow recipients the opportunity to modify the original deadline to gain additional time to spend the Recovery Act money.

Lastly, DOE's Loan Guarantee Program was created under the Energy Policy Act of 2005 to provide loan guarantees to innovative energy technologies that, among other things, reduce greenhouse gas emissions. As initially established, the long-term expected costs of the loan guarantees were required to be paid for by loan recipients. The program issued its first solicitation for loan guarantee applications, and several more solicitations starting in 2006. However, it did not close its first loan until September 2009. By that time, the program had received $2.5 billion in Recovery Act appropriations to pay for the expected costs of program loans, with a deadline for breaking ground of September 30, 2011. As of that deadline, DOE had spent approximately $2.1 billion of the Recovery Act appropriations to pay the costs of approximately $15 billion of loans, primarily for solar, wind, geothermal, and biomass

projects. The remaining $.4 billion in Recovery Act money went back into the Treasury.

In several reports on the Loan Guarantee Program, GAO found numerous problems, including failure to establish performance metrics that matched the goals established by the program, as well as poorly documented processes and procedures that, in some cases, have led to applicants being treated inconsistently, and that have opened the program up to criticism about its loan-making decisions.

I will end my oral remarks here, but I will be happy to answer any questions the subcommittee may have about these and other DOE programs discussed in my written testimony. Thank you.

[The prepared statement of Mr. Rusco follows:]

United States Government Accountability Office

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Testimony

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DEPARTMENT OF ENERGY

Budget Trends and Oversight

Statement of Frank Rusco, Director
Natural Resources and Environment

GAO-12-659T

April 18, 2012

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Highlights

Highlights of GAO-12-659T, a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

DEPARTMENT OF ENERGY

Budget Trends and Oversight

Why GAO Did This Study

Understanding the impact of budget-related considerations has become particularly important as Congress and the administration seek to decrease the cost of government while improving its performance. In recent years, Congress has authorized large increases in funding for DOE. For example, the Recovery Act, which Congress enacted to, among other things, preserve and create jobs and promote economic recovery, provided DOE with more than $41.7 billion in areas such as energy efficiency, renewable energy, and environmental cleanup.

This testimony focuses on several key programs and related budget issues at DOE, including (1) the management of selected programs expanded or created by recent funding increases and (2) potential opportunities to achieve savings or enhance revenue. This testimony is based on prior GAO reports from February 2011 to March 2012, and updated with readily available data from DOE.

What GAO Recommends

GAO is making no new recommendations in this testimony but continues to believe that implementing the recent recommendations made in the reports discussed should improve DOE program management, achieve savings, and enhance revenue. DOE has generally agreed with most of our recommendations, but disagreed on certain points related to the timing of implementing our recommendations.

View GAO-12-659T. For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

What GAO Found

Recent GAO work found that funding increases have expanded or created Department of Energy (DOE) programs with varying results. For example:

- *Advanced Research Projects Agency-Energy (ARPA-E)* awards grants to projects that help develop high-risk energy technologies. Since fiscal year 2009 the program has received $855 million to fund energy projects that industry by itself was not likely to undertake. GAO found that ARPA-E uses several selection criteria in awarding funds, but its requirements for information on private funding could be improved.
- The *Loan Guarantee Program* provides loan guarantees for innovative energy technologies. DOE has made about $15 billion in loan guarantees and is authorized to make up to $34 billion in additional loan guarantees. GAO found that the program does not have sufficient data to facilitate oversight, and its actual process for reviewing applications has differed from the established process.
- The *Weatherization Assistance Program* helps low-income families reduce their energy bills by making long-term energy efficiency improvements to their homes. The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided $5 billion to enhance the program's ability to make energy efficiency improvements to low-income family homes. GAO made recommendations to DOE to clarify the program's production targets (e.g., the number of homes weatherized) and guidance.
- The *Advanced Technology Vehicles Manufacturing Loan Program* provides loans for projects to produce more fuel-efficient passenger vehicles and their components. DOE can make up to $25 billion in loans for fuel-efficient vehicles; at the time of GAO's review, DOE could not be assured that projects would be delivered as agreed.

GAO also reported that improvements at DOE may provide opportunities for increasing savings and enhancing revenue. For example:

- *Contractor support costs.* DOE's management of contractors, who operate DOE sites and represent 90 percent of DOE's budget, has historically been decentralized, or fragmented. This adds to inefficiencies in support functions. Since 2007, DOE and contractors at some DOE sites have had efforts to streamline these functions. GAO recommended that DOE assess whether further opportunities could be taken to streamline such functions.
- *Diesel emissions.* DOE, the Department of Transportation, and the Environmental Protection Agency receive federal funding to reduce diesel emissions from mobile sources—14 programs in all, which also overlap on certain activities. DOE received $572 million for its 3 programs. GAO recommended that the three agencies establish a strategy for collaboration to reduce diesel emissions from mobile sources.
- *Excess uranium inventories.* Uranium is used in fuel for nuclear power plants. GAO reported DOE's excess uranium inventories could be worth billions of dollars in additional revenue as fuel for commercial nuclear power plants.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee:

I am pleased to be here today to discuss budget considerations at the Department of Energy (DOE). These issues are particularly important as Congress and the administration seek to decrease the cost of government while improving its performance and accountability.

In recent years, Congress has authorized large increases in funding for DOE. For example, the American Recovery and Reinvestment Act of 2009 (Recovery Act), which Congress enacted in response to the recent economic crisis to, among other things, preserve and create jobs and promote economic recovery, provided DOE with more than $41.7 billion—$35.2 billion for projects and activities and $6.5 billion in borrowing authority—in areas such as energy efficiency, renewable energy, and environmental cleanup. Congress also passed the America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act of 2007 (America COMPETES Act), with the overall goal of increasing federal investment in scientific research.[1] In this context, the President's fiscal year 2007 budget proposed doubling funding for DOE's Office of Science by fiscal year 2016, in part under the goals of the America COMPETES Act. However, policy decisions made in response to the current budget environment have since shifted the Office of Science's funding trajectory away from this target.

My testimony today draws on our recent work in which we made recommendations intended to improve the management of DOE's programs. DOE has generally agreed with most of our recommendations, but disagreed on certain points related to the timing of implementing our recommendations. I will focus my remarks today on several key programs and related budget issues at DOE concerning (1) the management of selected programs that were expanded or created by recent funding increases and (2) potential opportunities to achieve savings or enhance revenue.

This statement is based largely on our prior work issued from February 2011 to March 2012, including our work on overlap and duplication of

[1]Pub. L. No. 110-69, 121 Stat. 572 (2007); reauthorized by Pub. L. No. 111-358, 124 Stat. 3982 (2011).

federal programs that may result in inefficient use of taxpayer funds,[2] and updated with readily available data from DOE. Detailed information on our scope and methodology for our prior work can be found in these reports. (See our list of related GAO products at the end of this testimony.) We do not provide budget summary data for all programs and initiatives associated with the activities included in this testimony because many of them (e.g., renewable energy initiatives, DOE contractor support costs, diesel emissions, and excess uranium inventories) span a number of DOE programs. We conducted the underlying performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our statement today.

Funding Increases Have Expanded or Created Programs with Varying Results

From fiscal years 2007 through 2012, DOE's budget requests rose in nominal terms from about $23.6 billion to $29.5 billion, and its appropriations rose over that time from about $23.8 billion to $26.3 billion, increasing to almost $33.9 billion in fiscal year 2009. DOE requested approximately $27.2 billion for fiscal year 2013, as shown in table 1.

[2]GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012). This statement does not discuss DOE's National Nuclear Security Administration (NNSA) or Office of Environmental Management.

Table 1: DOE Budget Requests and Appropriations, Fiscal Years 2007-2013

Dollars in thousands

Fiscal year	Budget request	Appropriations[a]
2007	$23,556,755	$23,754,228
2008	24,259,251	24,032,338
2009	25,014,956	33,856,453
2010	26,393,982	26,425,673
2011	28,404,359	25,692,833
2012	29,546,730	26,299,547
2013	27,155,072	[b]

Source: DOE.

Note: In fiscal year 2009, DOE received about $36.7 billion in Recovery Act appropriations, with varying obligation deadlines. During the yearly appropriations process, DOE generally receives no-year funding. No-year funding refers to appropriations that do not restrict the time by which funds must be obligated. For more information on DOE's no-year funding, see GAO, *DOE's No-Year Funding*, GAO/RCED-95-91R (Washington, D.C.: Mar. 8, 1995).

[a]This column does not include Recovery Act appropriations.

[b]Appropriations have not yet been determined for fiscal year 2013.

According to agency documents, in addition to aligning its fiscal year 2013 budget request with its strategic plan, DOE released a technology review in September 2011 that provided a framework for preparing budgets for some of its energy and science programs. Since then, according to these documents, DOE has worked closely with the Office of Management and Budget to develop, under its strategic plan, new priority goals—including maximizing the benefits of investments in scientific facilities—for fiscal year 2013.

DOE Programs Funded by the Recovery Act

Through the Recovery Act, Congress provided approximately $8 billion for three existing DOE programs: (1) $0.4 billion in initial funding for the Advanced Research Projects Agency-Energy to support advanced energy research, (2) $2.5 billion for the Loan Guarantee Program to guarantee loans for innovative energy projects, and (3) $5 billion for the Weatherization Assistance Program to make energy efficiency improvements to the homes of low-income families. Since these funding increases were implemented, we reviewed the programs receiving the funds and made several recommendations intended to improve their management. In addition, under the Advanced Technology Vehicles Manufacturing loan program, which received some Recovery Act funds, DOE can provide up to $25 billion in loans for fuel-efficient vehicle

projects, but at the time of our review, it could not be assured that projects would be delivered as agreed. We also recently reported that, among the 92 renewable energy-related initiatives DOE implemented in fiscal year 2010, the Recovery Act established 7 and increased funding for 36.[3]

Advanced Research Projects Agency-Energy

The America COMPETES Act of 2007 established the Advanced Research Projects Agency-Energy (ARPA-E) within DOE to overcome the long-term and high-risk technological barriers to the development of energy technologies. However, ARPA-E did not receive an appropriation until 2 years later, in 2009, in the Recovery Act. Including the Recovery Act funds and subsequent appropriations, ARPA-E has received about $855 million in appropriations. According to ARPA-E's budget director, as of March 1, 2012, the program has awarded no more than the $521.7 million that, as we reported in January 2012, was provided to universities, public and private companies, and national laboratories to fund 181 projects that attempt to make transformational advances to a variety of energy technologies, including high-energy batteries and renewable fuels. This official told us that ARPA-E has not yet selected award recipients for fiscal year 2012. Award winners must meet cost-share requirements, through either in-kind contributions or outside nonfederal funding sources. ARPA-E is required by statute to achieve its goals through energy technology projects that, among other things, accelerate transformational technological advances in areas that industry by itself is not likely to undertake because of technical and financial uncertainty. At the same time, the agency's director is required to ensure, to the maximum extent practicable, that its activities are coordinated with, and do not duplicate the efforts of, programs and laboratories within DOE and other relevant research agencies. Table 2 shows the program's budget requests and appropriations since receiving an appropriation through the Recovery Act in fiscal year 2009.

[3]GAO, *Renewable Energy: Federal Agencies Implement Hundreds of Initiatives*, GAO-12-260 (Washington, D.C.: Feb. 27, 2012).

Table 2: Advanced Research Projects Agency-Energy Budget Requests and Appropriations, Fiscal Years 2010-2013

Dollars in thousands

Fiscal year	Budget request	Appropriations[a]
2010	$10,000	0
2011	273,400	179,640
2012	521,943	275,000
2013	350,000	[b]

Source: DOE.

Note: In fiscal year 2009, Advanced Research Projects Agency-Energy received about $400 million in Recovery Act appropriations.

[a]This column does not include Recovery Act appropriations.

[b]Appropriations have not yet been determined for fiscal year 2013.

In January 2012, we reported that ARPA-E uses several selection criteria in making awards, although its requirements for information on private sector funding could be improved.[4] For example, we reported that ARPA-E's program directors spent time and resources to determine the extent of prior funding for proposed ARPA-E projects. Also, our review suggested that most ARPA-E projects could not have been funded solely by the private sector. Furthermore, according to ARPA-E officials and documents, agency officials have taken steps to coordinate with other DOE offices in advance of awarding ARPA-E funds to help avoid duplication of efforts. We recommended that ARPA-E consider providing applicants guidance with a sample response explaining prior sources of funding, requiring applicants to provide letters from investors explaining why they are not willing to fund proposed projects, and using third-party venture capital data to identify applicants' prior funding. DOE agreed with our recommendations.

Loan Guarantee Program

Under the Energy Policy Act of 2005, the Loan Guarantee Program (LGP) was created to provide loan guarantees for innovative energy technologies. Until February 2009, the LGP was working exclusively under section 1703 of the act, which authorized loan guarantees for new

[4]GAO, *Department of Energy: Advanced Research Projects Agency-Energy Could Benefit from Information on Applicants' Prior Funding*, GAO-12-112 (Washington, D.C.: Jan. 13, 2012).

or innovative energy technologies that had not yet been widely commercialized in the United States. At that time, Congress had authorized DOE to guarantee approximately $42.5 billion in section 1703 loans.[5] Although Congress had provided funds to DOE to cover the program's administrative costs, it had not appropriated funds to pay the "credit subsidy costs" of these guarantees. Credit subsidy costs are the government's estimated net long-term cost, in present value terms, of direct or guaranteed loans over the entire period the loans are outstanding (not including administrative costs). In February 2009, the Recovery Act amended the Energy Policy Act of 2005, adding section 1705, which made certain commercial technologies eligible for loan guarantees if they could start construction by September 30, 2011.[6] The Recovery Act also provided $6 billion in appropriations—later reduced by transfer and rescission to about $2.5 billion[7]—to cover DOE's credit subsidy costs for an estimated $18 billion in additional loan guarantees. In fiscal year 2011, Congress appropriated about $170 million to cover subsidy costs of section 1703 loan guarantees for the first time. Table 3 shows the program's budget requests and appropriations since fiscal year 2008.

[5]The LGP's total authority for section 1703 loans was $34 billion, as of March 12, 2012.

[6]To be eligible for Recovery Act funding, projects were required to meet other requirements as well, including that workers employed on the project were to be paid wages not less than prevailing on similar work in the locality, in accordance with the Davis-Bacon Act.

[7]In fiscal year 2009, the LGP received nearly $6 billion in Recovery Act appropriations to pay the credit subsidy costs of projects supported under section 1705 with the limitation that funding to pay the credit subsidy costs of leading-edge biofuel projects eligible under this section would not exceed $500 million. Congress later authorized the President to transfer up to $2 billion of the nearly $6 billion to expand the "Cash for Clunkers" program. Pub. L. No. 111-47 (Aug. 7, 2009). The $2 billion was transferred to the Department of Transportation, leaving nearly $4 billion to cover credit subsidy costs of projects supported under section 1705. On August 10, 2010, Pub. L. No. 111-226 rescinded an additional $1.5 billion from the loan guarantee appropriation to pay for education-related jobs, Medicaid and other initiatives, further reducing available funding to $2.5 billion.

Table 3: Loan Guarantee Program Budget Requests and Appropriations, Fiscal Years 2008-2013

Dollars in thousands

Fiscal year	Budget request	Appropriations[a]
2008	$8,390	$4,459
2009	0	0
2010	0	0
2011	500,000	169,660
2012	200,000	0
2013	0	[b]

Source: DOE.

Notes: The table includes funding for section 1703 and section 1705 of the Energy Policy Act of 2005. In fiscal year 2009, the Loan Guarantee Program received $6 billion in Recovery Act appropriations, which were later reduced by transfer and rescission to about $2.5 billion.

[a]This column does not include Recovery Act appropriations.

[b]Appropriations have not yet been determined for fiscal year 2013.

In March 2012, we reported that DOE had made $15 billion in loan guarantees and conditionally committed to an additional $15 billion as of September 30, 2011.[8] However, we also reported that the program does not have the consolidated data on application status needed to facilitate efficient management and program oversight. In addition, the program adhered to most of its established process for reviewing applications, but we reported that its actual process differed from its established process at least once on 11 of the 13 applications we reviewed. DOE agreed with our recommendations to (1) ensure that its records management system contains documents supporting past decisions, as well as those in the future, and (2) regularly update program policies and procedures. DOE disagreed with our recommendation to commit to a timetable to fully implement a consolidated system to provide information on program applications and measure overall program performance, stating that it did not agree to a hard timetable for implementing the recommendation. We continue to believe that DOE should commit to developing such a system in a timely fashion.

[8]GAO, *DOE Loan Guarantees: Further Actions Are Needed to Improve Tracking and Review of Applications*, GAO-12-157 (Washington, D.C.: Mar. 12, 2012).

Weatherization Assistance Program

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program to help low-income families reduce their energy bills by making long-term energy efficiency improvements to their homes.[9] This appropriation represented a significant funding increase for a program that had received about $225 million per year in recent years. As of February 28, 2012, we found that DOE had awarded 58 state-level grant recipients approximately $4.84 billion to implement the Weatherization Assistance Program under the Recovery Act, and these recipients reported spending about $4.22 billion and weatherizing 709,138 homes, exceeding the program's production target of 607,000 homes.[10] Table 4 shows the program's budget requests and appropriations since fiscal year 2007.

Table 4: Weatherization Assistance Program Budget Requests and Appropriations, Fiscal Years 2007-2013

Dollars in thousands

Fiscal years	Budget request	Appropriations[a]
2007	$164,198	$204,550
2008	144,000	227,222
2009	0	450,000
2010	220,000	210,000
2011	300,000	174,300
2012	320,000	68,000
2013[b]	139,000	[c]

Source: DOE.

Notes: The table includes $250 million in emergency funding for the Weatherization Assistance Grants program provided by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, Pub. L. No. 110-329, § 130(a) (Sept. 30, 2008). In fiscal year 2009, the Weatherization Assistance Program received almost $5 billion in Recovery Act appropriations.

[a]This column does not include Recovery Act appropriations.

[b] The budget request for fiscal year 2013 also includes Weatherization Training and Technical Assistance.

[c]Appropriations have not yet been determined for fiscal year 2013.

[9]These improvements include installing insulation, sealing leaks, and modernizing heating equipment and air conditioning equipment.

[10]This information is based on updates provided by DOE officials to our data in GAO, *Recovery Act: Progress and Challenges in Spending Weatherization Funds*, GAO-12-195 (Washington, D.C.: Dec. 16, 2011).

In December 2011, we reported that some grant recipients had been able to exceed their production targets because of a lower average cost of weatherizing homes and lower training and technical assistance expenses than anticipated.[11] In addition, most recipients reported experiencing more implementation challenges in the first year of the Recovery Act than in the third year. We also reported that a long-term Weatherization Assistance Program goal is to increase energy efficiency through cost-effective weatherization work and that March 2010 cost-benefit estimates from an Oak Ridge National Laboratory study indicate that energy savings will likely exceed the program's costs. That is, every $1 spent on the weatherization program for 2009 through 2011 would result in almost $2 in energy savings over the useful life of the investment; the laboratory plans to issue more definitive estimates in 2013.[12] Also in our December 2011 report, we discussed actions DOE took in response to a recommendation we made in a May 2010 report,[13] that DOE clarify production targets and funding deadlines, among other things; DOE officials provided documentation concerning targets but did not provide clarification of the consequences for not meeting the targets. In response to concerns about whether or not program requirements were being met, our May 2010 report included recommendations to DOE to clarify its guidance, production targets, funding deadlines, and associated consequences. DOE's program guidance stated that recipients could spend Recovery Act funds until March 31, 2012. According to DOE, several grant recipients had requested additional time to spend these funds. Between the issuance of our two reports, in September 2011, the Office of Management and Budget released a memorandum stating that Recovery Act funds should be spent by September 2013. In our December 2011 report, we found that, as of November 2011, DOE had not determined if an extension would be available for grant recipients. In January 2012, DOE issued guidance stating that it was offering grant

[11]GAO-12-195.

[12]For its estimates, Oak Ridge National Laboratory considered the 50 states and the District of Columbia and not the Native American tribes and the U.S. territories that are also recipients of the weatherization program under the Recovery Act. Oak Ridge National Laboratory assumed that the weatherization investment would yield energy savings over a 20-year period.

[13]GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C.: May 26, 2010).

recipients an opportunity to modify the original March 31, 2012 funding deadline.

Advanced Technology Vehicles Manufacturing Loan Program

In December 2007, Congress enacted the Energy Independence and Security Act of 2007, which mandates more stringent average fuel economy standards for newly manufactured passenger vehicles sold in the United States by model year 2020 and established in DOE the Advanced Technology Vehicles Manufacturing (ATVM) loan program, to provide loans for projects to produce more fuel-efficient passenger vehicles and their components. The ATVM loan program is to provide up to $25 billion in loans for more fuel-efficient vehicles and components. Congress also provided $7.5 billion to pay the required credit subsidy costs of the loans, as shown in table 5.

Table 5: Advanced Technology Vehicles Manufacturing Loan Program's Budget Requests and Appropriations, Fiscal Years 2009-2013

Dollars in thousands

Fiscal year	Budget request	Appropriations[a]
2009	$0	$7,510,000
2010	20,000	20,000
2011	9,998	9,978
2012	6,000	6,000
2013	9,000	[b]

Source: DOE.

Note: In fiscal year 2009, the Advanced Technology Vehicles Manufacturing Loan Program received $10 million in Recovery Act appropriations.

[a]This column does not include Recovery Act appropriations.

[b]Appropriations have not yet been determined for fiscal year 2013.

In February 2011, we reported that the ATVM loan program had made $8.4 billion in loans that DOE expects to yield fuel economy improvements in the near term, along with greater advances through newer technologies, in years to come.[14] These loans represent about a third of the $25 billion authorized by law, but we reported that the program

[14]GAO, *Department of Energy: Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed*, GAO-11-145 (Washington, D.C.: Feb. 28, 2011).

had used 44 percent of the $7.5 billion allocated to pay credit subsidy costs, which is more than was initially anticipated. These higher credit subsidy costs were, in part, a reflection of the risky financial situation of the automotive industry at the time the loans were made. As a result of the higher credit subsidy costs, we reported that the program may be unable to loan the full $25 billion allowed by statute. We also reported that the ATVM loan program had set procedures for overseeing the financial and technical performance of borrowers and had begun using the procedures to oversee the loans; at the time of our report, however, it had not yet engaged the engineering expertise needed for technical oversight, as called for by its procedures. As a result, we reported that without qualified oversight to analyze the information submitted by the borrowers and to provide technical monitoring, DOE could not be adequately assured that the borrowers are delivering the vehicle and component projects as required by the loan agreements. In addition, we reported that DOE had not developed sufficient performance measures that would enable it to fully assess progress toward achieving its program goals. DOE disagreed with our recommendations that the agency accelerate its efforts to engage the expertise needed for effective oversight and develop sufficient performance measures, although we continue to believe that the agency should take these actions.

Renewable Energy Initiatives

In February 2012, we reported that DOE had implemented 92 renewable energy-related initiatives in fiscal year 2010.[15] These initiatives supported every renewable energy source in our review, including bioenergy, solar, and wind, and most initiatives supported more than a single energy source. In addition, more than 70 percent of these initiatives supported both the public and private sectors. These initiatives were distributed across multiple federal responsibilities, with the largest percentage of DOE's initiatives supporting research and development. Approximately one-third (36) of the 106 existing federal renewable energy-related initiatives that received additional funding under the Recovery Act were implemented by DOE, primarily involving research and development of new renewable energy technologies. Overall, the Recovery Act affected 49 DOE initiatives: 7 were established, 36 received more funding, and 11

[15]GAO-12-260.

expanded or had their scope changed.[16] Several of the renewable energy-related initiatives we reviewed have expired or will expire, in full or in part, because of the expiration of legislative authority, depletion of available appropriations, or some other expiration under the law as written as of fall of 2011.[17] Our report contained no recommendations to DOE.

Opportunities May Exist to Achieve Savings and Enhance Revenue

We have previously reported on several areas at DOE that may provide opportunities for achieving increased savings and enhancing government revenue. Areas that may provide opportunities for increased savings include (1) contractor support costs and (2) potential overlap of effort across certain activities for programs to reduce diesel emissions from mobile sources. An area that may provide an opportunity for enhanced government revenue concerns DOE's uranium inventories, which are worth potentially billions of dollars to commercial nuclear power plants that can use the material as fuel in their reactors.

Contractor Support Costs

DOE spends 90 percent of its annual budget—which totaled $27 billion for fiscal year 2011—on the contractors that carry out its diverse missions and operate its sites nationwide. In January 2012, we reported that DOE and contractors at some DOE sites, including the Office of Science, have been carrying out a variety of efforts since 2007 to streamline and reduce the costs of sites' support functions.[18] Such functions include procuring needed goods and services; recruiting and hiring workers; managing health and retirement benefits; maintaining facilities and infrastructure;

[16]The numbers total more than 49 because some initiatives were affected by the Recovery Act in multiple ways. The Recovery Act also had an indirect or other impact on three DOE initiatives.

[17]We did not report budget requests or appropriations for these initiatives because our data do not always match agencies' reported information on these activities, such as information contained in budget documents. In particular, we developed data on agencies' initiatives that were related to renewable energy through a specific emphasis or focus, even if renewable energy was part of a broader effort. Renewable energy activities may be part of broader initiatives which are not primarily focused on renewable energy. In these instances, renewable energy projects can be one of many eligible types of activities that receive support under an initiative.

[18]GAO, *Department of Energy: Additional Opportunities Exist to Streamline Support Functions at NNSA and Office of Science Sites*, GAO-12-255 (Washington, D.C.: Jan. 31, 2012).

and providing day-to-day accounting, information technology, and security. In addition, we found that contractors at sites have undertaken their own streamlining and cost-reduction efforts, ranging from automating hiring, training, or other human resources activities to reducing employee health care and pension costs. Also in February 2012, in our annual report on overlap and duplication of federal programs that may result in inefficient use of taxpayer funds, we recommended that DOE assess whether further opportunities could be taken to streamline support functions, estimated to cost over $5 billion, at its contractor-managed laboratories and other sites, including Office of Science sites, in light of contractors' historically fragmented approach to providing these functions.[19] DOE agreed with the recommendation.

Diesel Emissions

Diesel engines play a vital role in public transportation, construction, agriculture, and shipping, largely because they are more durable and reliable than gasoline-powered engines, as well as 25 to 35 percent more energy efficient. However, exhaust from diesel engines is a pervasive and harmful form of air pollution that affects public health and the environment. Table 6 shows funding, by program, for DOE activities to reduce diesel emissions from mobile sources.

[19]GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012). In GAO-12-255, we examined sites overseen by both DOE's Office of Science and the National Nuclear Security Administration. As discussed in this report, these DOE sites' support costs for recent years are not fully known, because DOE changed its data collection approach in 2010 to improve the quality of its cost data. Also, DOE has not yet fully implemented a quality control process for these more recent data but intends to do so in 2012.

Table 6: Estimated Federal Grants Obligated for DOE Activities to Reduce Diesel Emissions from Mobile Sources, by Program, Fiscal Years 2007-2011

Dollars in thousands

Program	Purpose	Grants
Clean Cities program	To advance the nation's economic, environmental, and energy security by funding projects that reduce petroleum use in transportation	$305,000
Energy Efficiency and Conservation Block Grant program	To support energy efficiency and conservation projects that reduce fossil fuel emissions and energy use and improve energy efficiency in the transportation and building sectors	256,000
State Energy Program	To support state development and implementation of strategies and goals that promote energy efficiency and conservation	11,000

Source: GAO analysis of relevant laws and DOE data and documents.

Note: The Recovery Act provided funding for DOE's Clean Cities, Energy Efficiency and Conservation Block Grant, and State Energy programs.

In February 2012, we reported that federal grant and loan funding for activities that reduce mobile source diesel emissions is fragmented across 14 programs at DOE, the Department of Transportation (DOT), and the Environmental Protection Agency (EPA).[20] Moreover, we reported that each of these programs overlaps with at least one other program in the specific activities they fund, the program goals, or the eligible recipients of funding.[21] In addition, we found that these programs generally do not collaborate. We previously reported that uncoordinated program efforts can waste scarce funds, confuse and frustrate program customers, and limit the overall effectiveness of the federal effort.[22] To help ensure the effectiveness and accountability of federal funding that reduces diesel emissions, we recommended that DOE, DOT, and EPA establish a strategy for collaboration in reducing mobile source diesel emissions. DOE agreed with our recommendation.

[20]GAO-12-342SP.

[21]We did not report budget requests or appropriations for these programs because only one has a specific purpose of reducing mobile source diesel emissions. The remaining programs focus on other goals or purposes, such as supporting energy efficiency projects or reducing petroleum use.

[22]GAO, *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven*, GAO/GGD-97-109 (Washington, D.C.: June 1997).

Excess Uranium Inventories

Uranium is used in fuel for nuclear power plants. Twenty percent of our nation's electricity comes from nuclear power, and growing anxiety over climate change generated by ever-growing demand for fossil fuels has sparked interest in increasing the use of nuclear power, despite ongoing concerns about the safety of such power in light of the March 2011 nuclear accident in Japan. In September 2011, we reported that a healthy domestic uranium industry is considered essential to ensuring that commercial nuclear power remains a reliable option for supporting the nation's energy needs.[23] DOE maintains large inventories of uranium that it no longer requires for nuclear weapons or as fuel for naval nuclear propulsion reactors. A large portion of these inventories consists of depleted uranium hexafluoride, otherwise known as "tails"—a byproduct of the uranium enrichment process. Recent increases in uranium prices could transform these tails into a lucrative source of revenue for the government. In addition, DOE maintains thousands of tons of natural uranium, which likewise could be sold to utilities or others for additional revenue.

We reported in March 2008 that marketing DOE's excess uranium tails could provide billions in revenue for the government.[24] In June 2011, we reported our estimates of the value of the tails at $4.2 billion; this estimate was based on May 2011 uranium prices and enrichment costs and assuming sufficient re-enrichment capacity was available.[25] Executed in accordance with federal law, sales of natural uranium by DOE could also generate additional revenue for the government. In September 2011, we reported that in seven transactions executed since 2009, DOE has, in effect, "sold" nearly 1,900 metric tons of natural uranium into the market, using its contractor as a sales agent, and receiving from $109 to $183 per kilogram.[26] The total proceeds from these transactions funded over $250 million in environmental cleanup services by that contractor at the Portsmouth uranium enrichment plant. DOE characterized these sales as

[23]GAO, *Excess Uranium Inventories: Clarifying DOE's Disposition Options Could Help Avoid Further Legal Violations*, GAO-11-846 (Washington, D.C.: Sept. 26, 2011).

[24]GAO, *Nuclear Material: DOE Has Several Potential Options for Dealing with Depleted Uranium Tails, Each of Which Could Benefit the Government*, GAO-08-606R (Washington, D.C.: Mar. 31, 2008).

[25]GAO, *Nuclear Material: DOE's Depleted Uranium Tails Could be a Source of Revenue for the Government*, GAO-11-752T (Washington, D.C.: June 13, 2011).

[26]GAO -11-846.

barter transactions. We reported that while DOE received no cash from the transactions, our review found that the agency allowed a sales agent to keep cash from the sales, which DOE would otherwise have owed to the United States Treasury, thus violating the miscellaneous receipts statute.[27] We therefore reported that Congress should consider providing DOE with explicit authority to barter excess uranium and to retain the proceeds from barters, transfers, and sales. Likewise, Congress could direct DOE to sell uranium for cash and make those proceeds available by appropriation for decontamination and decommissioning expenses at DOE's uranium enrichment plants. Congress has taken some actions in response to our work.[28]

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to respond to any questions you may have at this time.

Contact and Acknowledgments

For further information regarding this testimony, please contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Kim Gianopoulos, Chad M. Gorman, Carol Herrnstadt Shulman, Kiki Theodoropoulos, Jeremy Williams, Michelle R. Wong, and Arvin Wu made key contributions to this testimony.

[27]The miscellaneous receipts statute requires an official or agent of the government receiving money for the government from any source to deposit the money in the U.S. Treasury.

[28]GAO-12-342SP.

Related GAO Products

Department of Energy: Advanced Research Projects Agency-Energy Could Improve Its Collection of Information from Applications, GAO-12-407T (Washington, D.C.: Jan. 24, 2012)

2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012).

Diesel Pollution: Fragmented Federal Programs that Reduce Mobile Source Emissions Could be Improved, GAO-12-261 (Washington, D.C.: Feb. 7, 2012).

Renewable Energy: Federal Agencies Implement Hundreds of Initiatives, GAO-12-260 (Washington, D.C.: Feb. 27, 2012).

Department of Energy: Additional Opportunities Exist to Streamline Support Functions at NNSA and Office of Science Sites, GAO-12-255 (Washington, D.C.: Jan. 31, 2012).

Department of Energy: Advanced Research Projects Agency-Energy Could Benefit from Information on Applicants' Prior Funding, GAO-12-112 (Washington, D.C.: Jan. 13, 2012).

Recovery Act: Progress and Challenges in Spending Weatherization Funds, GAO-12-195 (Washington, D.C.: Dec. 16, 2011).

DOE Loan Guarantees: Further Actions Are Needed to Improve Tracking and Review of Applications, GAO-12-157 (Washington, D.C.: Mar. 12, 2012).

Excess Uranium Inventories: Clarifying DOE's Disposition Options Could Help Avoid Further Legal Violations, GAO-11-846 (Washington, D.C.: Sept. 26, 2011).

Nuclear Material: DOE's Depleted Uranium Tails Could be a Source of Revenue for the Government, GAO-11-752T (Washington, D.C.: June 13, 2011).

Department of Energy: Advanced Technology Vehicle Loan Program Needs Enhanced Oversight and Performance Measures, GAO-11-745T (Washington, D.C.: June 9, 2011).

Recovery Act: Status of Department of Energy's Obligations and Spending, GAO-11-483T (Washington, D.C.: Mar. 17, 2011).

Department of Energy: Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed, GAO-11-145 (Washington, D.C.: Feb. 28, 2011).

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Mr. STEARNS. I thank you.
Mr. FRIEDMAN.

TESTIMONY OF GREGORY H. FRIEDMAN

Mr. FRIEDMAN. Mr. Chairman, Ranking Member DeGette, members of the subcommittee, I appreciate the opportunity to testify at your request on the work of the Office of Inspector General, and our efforts to promote economy and efficiency in the Nation's $27 billion annual investment in the Department of Energy's wide-ranging set of missions and functions. During the last several years, we have issued over 200 reports identifying ways to improve operational efficiency and to reduce costs at the Department. Through these reviews, we identified millions of dollars in questionable and unsupported costs.

Since 2009, the major focus of our work has been the Department's expenditure of over $35 billion in additional funding from the American Recovery and Reinvestment Act. The Recovery Act also increased the Department's loan guarantee authority to over $50 billion. This massive new funding stream strained resources, stretched the existing infrastructure, and required the establishment of new programs on an expedited basis. Our work in this area, which identified both successes and failures, raised what we consider to be important issues regarding the prudent expenditure of taxpayer provided funds.

These were reported in our January 2012 report on "Recovery Act Lessons Learned and Best Practices." My focus today, however, is on how the Department of Energy can successfully transition from its historic levels of funding, including the funding provided under the Recovery Act, to the more likely constrained budget levels of the future. In this regard, we develop and publish annually a list of the Department's most significant management challenges. These are issues which, in our view, warrant the attention of the Department's senior managers. The full version of my testimony discusses these challenges specifically.

Our management challenges report for 2012 highlighted operational efficiency and cost savings as the Department's preeminent management challenge. As part of this process, we presented for consideration five high-dollar-value initiatives, all with potential for large payoffs in terms of reducing costs and enhancing corporate economy and efficiency. These included the following.

First, apply the strategic planning and program analysis disciplines used in the recent Energy Technology Quadrennial Technology Review to the Department's entire $11 billion per year research, development, and technology portfolio. The purpose being to ensure the portfolio is, first, managed effectively, second, funded on a priority basis, and third, meeting current policy directions.

Secondly, eliminate separate National Nuclear Security Administration overhead functions that duplicate existing departmental operations.

Third, consolidate or realign the Department's 16 federally funded research and development centers. The Department currently spends in excess of $10 billion per year on the FFRDCs, including about $3.5 billion per year in overhead administrative expenses. We question whether the proportion of funds dedicated to overhead

administration makes sense, and whether such expenditures can be sustained, especially in an austere budget environment.

Fourth, reprioritize the Department's $250 billion environmental remediation effort by adopting a triage approach in which taxpayers are asked to fund essentially only those projects with a near-term impact on health, safety, and environment.

And finally, consolidate the more than 25 separate protective force contract instruments, which are at the core of the Department's $1 billion per year expenditure for physical security at its sites and facilities.

These initiatives represent significant change to the status quo and to existing interests. As a consequence, we recognize and are realistic about the fact that implementation would be extremely difficult. For example, any meaningful reduction in Department of Energy operational costs will require deep and painful staff downsizing of the Department's more than 110,000 Federal and contractor personnel. Further, the Department's laboratory system has a rich history of service to the Nation. Any material change in the current laboratory structure will be controversial with significant local economic consequences, and frankly, political ramifications. To its credit, the Department has undertaken a number of management efforts intended to increase operational efficiency. These are briefly discussed in my full testimony.

The realities of the budget situation, it seems to us, provide the Department with a unique opportunity to reassess its mission, reevaluate operating policies and organizational structures, and to examine new contractual approaches. We are hopeful that the steps outlined in our management challenges report will aid in this regard. We look forward to working with the Department and with Congress in addressing these issues.

This concludes my statement. I will be pleased to answer any questions that the subcommittee may have.

[The prepared statement of Mr. Friedman follows:]

Statement of

Gregory H. Friedman
Inspector General

Before the Subcommittee on Oversight and Investigations
Committee on Energy and Commerce

Summary

The Office of Inspector General promotes the economy and efficiency of the Nation's $27 billion annual investment in the Department of Energy's wide-ranging energy, science and national security missions. Annually, we indentify the Department's most significant management challenges. Given the concern with Federal government expenditures and the mounting U.S. debt, we have concluded that "Operational Efficiency and Cost Savings" is the preeminent challenge for 2012. To help achieve this goal, we suggested five initiatives to the Department:

- Extending the reach of the Quadrennial Technology Review to guide research, development and technology efforts and ensure they are consistent with current policy direction, managed effectively, and funded on a priority basis.
- Considering the elimination of separate National Nuclear Security Administration overhead operations that duplicate existing Departmental functions.
- Establishing a commission to consolidate support functions and identify opportunities for realignment of the 16 Federally Funded Research and Development Centers.
- Reprioritizing the environmental remediation efforts to adopt a triage approach and fund only those projects with a near-term impact on health, safety, and environment.
- Reevaluating the current structure of physical security to identify opportunities for consolidating the 25 separate protective force contract instruments.

We believe the Department has a unique opportunity to reassess its operating policies, re-evaluate its organizational structure and examine new contractual approaches.

Statement of Gregory H. Friedman

Inspector General

U.S. Department of Energy

Before the

Subcommittee on Investigations and Oversight

Committee on Energy and Commerce

U.S. House of Representatives

FOR RELEASE ON DELIVERY
10:30 AM
April 18, 2012

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify at your request about the work of the Department of Energy's Office of Inspector General. My testimony addresses our efforts to promote the economy and efficiency of the Nation's $27 billion annual investment in the Department's wide-ranging set of missions and functions.

During the last several years, we have issued over 200 reports identifying ways to improve operational efficiency and to reduce cost in many of the Department's programs, including science; stockpile stewardship; environmental remediation; worker and community safety; various aspects of contract and program management; and, cyber security. Through these reviews, we have identified millions of dollars in questionable, unsupported and unresolved costs. For example, we recently:

1. Identified over $10 million in questioned and unresolved costs related to the operation of one of the Department's large national defense laboratories;
2. Recommended project and financial management improvements for the $3.25 billion borrowing authority of one of the Department's power marketing administrations;
3. Completed a criminal investigation that resulted in a guilty plea by a university research professor and the Department's cancellation of a previously-approved $2 million grant; and,
4. Questioned over $13 million in costs reimbursed by the Department in grants and cooperative agreements funded under the American Recovery and Reinvestment Act (Recovery Act) of 2009.

Recovery Act

A major focus of our work has been the Department's implementation and execution of its responsibilities under the Recovery Act. The Department received more than $35 billion in Recovery Act funding to augment a number of science, energy and environmental initiatives. In addition, its authority to make or guarantee energy-related loans increased to as much as $52 billion. When viewed collectively, this made the Department one of the largest Federal agency recipients of Recovery Act funding. As I have noted in past testimony before this and other congressional committees, the influx of funding of this magnitude strained resources, stretched the existing infrastructure, forced efforts to overcome a number of institutional barriers, and required the establishment of new programs on an expedited basis. The Department undertook an "all hands on deck" approach to addressing these challenges.

As of this date, the Office of Inspector General has completed nearly 80 reviews and a number of investigations related to the Department's Recovery Act activities (see the attachment). These reports identified a number of successes and failures, and raised what we consider to be important issues regarding the prudent expenditure of taxpayer-provided funds, the economic and efficient management of Federal programs, and the effectiveness of program execution related to new technology in the science and energy arenas. Although our work continues, in January 2012 we published an interim overview report entitled, "Lessons Learned/Best Practices during the Department of Energy's Implementation of the American Recovery and Reinvestment Act of 2009" (Special Report OAS-RA-12-03), in which we provided a summary of our work in key areas of Departmental operations, including: Risk Management Practices; Financial Management, Accounting and Reporting; Human Capital Management; Regulatory Compliance; and, Delivery of

Public Services. It is our hope that this report can be applied broadly by management to improve Department operations in the future.

Significant Management Challenges

One aspect of our recurring work has been the development of an annual list of the Department's most significant management challenges. These represent the issues which, from an Inspector General perspective, warrant the immediate and sustained attention of the Department's senior managers. Our report entitled, "Management Challenges at the Department of Energy – Fiscal Year 2012" (Special Report DOE/IG-0858), includes the following issues:

- Contract and Financial Assistance Award Management
- Cyber Security
- Energy Supply
- Environmental Cleanup
- Human Capital Management
- Nuclear Waste Disposal
- Stockpile Stewardship

Incorporated in the report are four additional areas of concern which are part of our "Watch List" – that is, activities which we believe require intense management attention in 2012 and beyond. The "Watch List" includes:

- Infrastructure Modernization
- Loan Guarantee Program
- Safeguards and Security
- Worker and Community Safety

In addition to the challenges already noted, we have added "Operational Efficiency and Cost Savings" as the preeminent management challenge for 2012. Given the current concern with Federal government expenditures and the mounting U.S. debt, it is clear that the Department must address operational efficiencies and cost savings so that it can function and meet its core energy, science and national security mission requirements in an environment of limited budgets. In fact, the future may well entail funding levels that simply make the programmatic status quo unsustainable and which may require rethinking the fundamental structure of the Department and its operations.

In this context, and based on the body of work completed by the Office of Inspector General over many years, we presented five initiatives to the Department, which we believe provide opportunities to significantly enhance corporate economy and efficiency. These include the following:

Extend the Reach of Quadrennial Technology Review

The Department spends over $11 billion each year on its science and technology mission. In September 2011, the Department released its Quadrennial Technology Review (QTR). We found the QTR, the first review of its kind to our knowledge, to be an insightful document that raised fundamental issues concerning the strategic focus of the Department's energy technology effort. The QTR also established a framework for investment in energy technology development paths. For example, the QTR concluded that the Department was underinvested in the transportation sector and in activities supporting the modernization of the electric power grid. As beneficial as it was, the QTR was limited to the Department's energy-related technology sector. We concluded that the discipline and analytical rigor associated with the QTR process should be applied to the Department's entire multi-billion dollar science and technology portfolio. In our view, this would

help guide the Department's research, development and technology efforts, particularly those executed through its laboratory system, and would help to ensure that these efforts are consistent with current policy direction, managed effectively, and funded on a priority basis.

Eliminate Duplication of National Nuclear Security Administration (NNSA) Functions

NNSA, the semi-autonomous Departmental nuclear weapons agency, was created over a decade ago in response to national security concerns relating to the management of the Department's three weapons laboratories – each funded at between $1 billion and $2 billion per year. NNSA, by statute, maintains a set of distinctly separate overhead cost operations that often duplicate existing Departmental functions – for example, in the areas of human resources, congressional affairs, procurement and acquisition, information technology, and public affairs. The additional expenses associated with these functions are significant, impacting both Headquarters and field operations. In addition to cost considerations, these redundancies can complicate communications and program execution. We question whether: (i) the benefits of a semi-autonomous NNSA outweigh the additional costs; and, (ii) this costly arrangement can be sustained given the likelihood of future budget reductions.

Consolidate Laboratory Functions through the Establishment of a "BRAC-Style" Commission

The Department operates 16 Federally Funded Research and Development Centers (FFRDC) with a combined annual cost to the taxpayers of more than $10.4 billion. This is in addition to a number of other research, development and technology centers which are not categorized as FFRDCs. In FY 2009, the Department spent about $3.5 billion, or about 35 percent of total FFRDC laboratory operating expenses, on support functions such as executive direction, human resources, procurement, legal, safeguards and security, utilities, logistics support, and information services.

This cost structure, specifically the significant proportion of scarce science resources designated for administrative and overhead costs for each laboratory, may be unsustainable in the current budget environment. In our view, using a blue ribbon commission patterned after the Department of Defense's Base Realignment and Closure Commission, the Department should: (i) determine whether the Nation can afford to maintain 16 individual FFRDCs and other related research centers and their sizeable overhead cost burden, and, (ii) identify opportunities for laboratory consolidation and realignment while minimizing disruption to the Department's overall science mission.

Reprioritize Environmental Remediation Efforts

Largely as a result of the U.S. weapons program, which dates back to the Manhattan Project, the Department is responsible for a huge inventory of nuclear, hazardous and mixed waste, currently found at sites and facilities throughout the United States. The Department has an active environmental remediation effort in place to address this problem. It currently estimates that it will cost about $250 billion to complete the effort. Funded at about $6 billion per year, environmental program costs are largely driven by 37 individually negotiated Federal Facility Agreements that are augmented by numerous other local agreements with their own set of actions and requirements at Department sites across the Nation. If available resources for the Department's environmental management program are drastically reduced, it is unlikely that the current cleanup strategy can be sustained. To address such shortfalls, we believe that the Department should revise its current environmental remediation strategy by adopting an approach which emphasizes addressing environmental concerns on a national complex-wide, risk-driven basis. In short, using a form of triage, primarily fund only those projects with a demonstrated near-term impact on health, safety and environment.

Re-evaluate Current Structure of Physical Security

Finally, physical security consumes a large portion of the Department's budget and therefore has a potential for significant cost savings. The Department is responsible for some of the Nation's most sensitive sites and spends more than $1 billion per year providing physical security. Of this amount, nearly $700 million per year is spent on a complex-wide protective force staff of nearly 4,000 highly trained paramilitary professional guards. The protective force is made up almost exclusively of contractor personnel whose services are procured using three or more distinct contract approaches, resulting in at least 25 separate contract instruments that often lack uniformity and consistency. It is our view that there may be significant economies of scale and related cost benefits associated with consolidation of protective force contracting. For example, actions could be taken to encourage a more consistent approach to protective force organization, management compensation, training and equipment purchases. Accordingly, we believe that the Department should consider available options, including a "master contract" (i.e., a single contractor nationwide); consolidating protective force contracts using regions of the country, nature of the entity, or some other basis; and/or Federalizing the protective force.

Practical Implications

We recognize that these proposals will be extremely difficult to implement. For example, any meaningful reduction in operational cost will require deep and painful reductions in staff, both Federal and contractor. Secondly, the Department's laboratory system, which has essentially been unchanged organizationally for about a half-century, has an extraordinarily rich history of service to the Nation. Thus, change will be controversial and challenging. And, finally, the Department's facilities are among the most potent economic generators in at least five states, accounting for employment of more than 110,000 personnel. Any material change in this structure will potentially

be disruptive, have significant local economic consequences and, frankly, have political ramifications. While we cannot predict the future of the budget process, it appears reasonable to conclude that declining budgets are likely. Our proposals are intended to provide a basis for discussion by the decision-makers as they prepare for this possibility.

Department of Energy Actions

To its credit, the Department has undertaken a number of management initiatives intended to increase operational efficiency. This includes a new framework for "management and operational excellence." The Department has committed to such actions as realigning roles and responsibilities, improving contract and project management, improving transparency, cutting waste, and reapportioning savings. Additional Department efforts include programs to reduce the vehicle fleet, achieve cost savings associated with building energy efficiency measures, and improve efforts to reduce the number of websites. Similarly, NNSA has introduced plans to consolidate the contracts for the Pantex Plant outside of Amarillo, Texas, and the Y-12 National Security Complex in Oak Ridge, Tennessee. This is intended to consolidate business and information technology operations at these sites. These actions have not yet been reviewed by my office.

* * * * *

While the circumstances may be quite challenging, it is our view that the current environment provides a unique opportunity to reassess operating policies, re-evaluate organizational structure and examine new contractual approaches with a view toward ensuring that important mission objectives and core functions can be met. We are hopeful that the steps outlined in our Management Challenges report will aid in this effort.

We look forward to working with the Department and Congress in addressing these issues.

Mr. Chairman, this concludes my statement and I would be pleased to answer any questions that the Subcommittee may have.

Attachment

Department of Energy Office of Inspector General
Recovery Act Reports

	Title	Report Number	Date Issued
	Department-wide Reports		
1.	Lessons Learned/Best Practices during the Department of Energy's Implementation of the American Recovery and Reinvestment Act of 2009"	OAS-RA-12-03	January 2012
2.	Review of the Department of Energy's Plan for Obligating Remaining Recovery Act Contract and Grant Funding	OAS-RA-10-15	August 2010
3.	Accounting and Reporting for the American Recovery and Reinvestment Act by the Department of Energy's Funding Recipients	OAS-RA-10-06	April 2010
4.	Management Challenges at the Department of Energy	DOE/IG-0832	December 2009
5.	Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act	OAS-RA-10-03	December 2009
6.	The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act of 2009	OAS-RA-10-01	October 2009
7.	Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act	OAS-RA-09-04	September 2009
8.	Department of Energy Efforts to Manage Information Technology Resources in an Energy-Efficient and Environmentally Responsible Manner	OAS-RA-09-03	May 2009
9.	Special Report - The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009	IG-RA-09-02	March 2009
10.	The American Recovery and Reinvestment Act at the Department of Energy	OAS-RA-09-01	March 2009

Attachment (continued)

Department of Energy Office of Inspector General
Recovery Act Reports

Office of Energy Efficiency and Renewable Energy (EERE)			
11.	The Department's Management of the Smart Grid Investment Grant Program	OAS-RA-12-04	January 2012
12.	The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act	OAS-RA-11-05	March 2011
13.	Investigative Report - Management Alert on the State Energy Efficient Appliance Rebate Program	INV-RA-11-01	December 2010
14.	Review of Allegations Regarding Hiring and Contracting in the Office of Energy Efficiency and Renewable Energy	OAS-SR-10-04	September 2010
15.	Management Controls over the Development and Implementation of the Office of Energy Efficiency and Renewable Energy's Performance and Accountability for Grants in Energy System	OAS-RA-10-14	July 2010
16.	Progress in Implementing the Advanced Batteries and Hybrid Components Program under the American Recovery and Reinvestment Act	OAS-RA-L-10-04	April 2010
17.	The Department of Energy's Program to Assist Federal Buyers in the Purchasing of Energy Efficient Products	OAS-RA-10-08	April 2010
EERE - Weatherization Assistance Program			
18.	The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of New York	OAS-RA-12-07	April 2012
19.	Alleged Misuse of American Recovery and Reinvestment Act Grant Funds by the Western Arizona Council of Governments	INS-RA-12-01	February 2012
20.	The Department of Energy's American Recovery and Reinvestment Act – Arizona State Energy Program	OAS-RA-L-12-03	January 2012
21.	Examination Report on Action for a Better Community, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	OAS-RA-11-21	September 2011
22.	Examination Report on People's Equal Action and Community Effort, Inc. –	OAS-RA-11-20	September 2011

Attachment (continued)

Department of Energy Office of Inspector General
Recovery Act Reports

	Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009		
23.	Examination Report on Cuyahoga County of Ohio Department of Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	OAS-RA-11-19	September 2011
24.	Examination Report on Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	OAS-RA-11-18	September 2011
25.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee	OAS-RA-11-17	September 2011
26.	The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia	OAS-RA-11-14	August 2011
27.	The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana	OAS-RA-11-13	August 2011
28.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri	OAS-RA-11-12	August 2011
29.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia	OAS-RA-11-09	June 2011
30.	The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin	OAS-RA-11-07	May 2011
31.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency - Agreed Upon Procedures	OAS-RA-11-04	February 2011

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32.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix - Agreed Upon Procedures	OAS-RA-11-03	November 2010
33.	Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program	OAS-RA-11-02	November 2010
34.	The State of Illinois Weatherization Assistance Program	OAS-RA-11-01	October 2010
35.	The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds under the American Recovery and Reinvestment Act	OAS-RA-10-13	June 2010
36.	Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program	OAS-RA-10-11	May 2010
37.	Management Controls over the Department's WinSAGA System for Energy Grants Management Under the Recovery Act	OAS-RA-10-05	March 2010
38.	Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act	OAS-RA-10-04	February 2010
39.	Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois	OAS-RA-10-02	December 2009
	EERE - Energy Efficiency and Conservation Block Grant Program		
40.	The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program	OAS-RA-12-02	November 2011
41.	Management Alert on The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations	OAS-RA-11-16	September 2011
42.	The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the State of Pennsylvania	OAS-RA-L-11-11	September 2011

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43.	The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the American Recovery and Reinvestment Act: A Status Report	OAS-RA-10-16	August 2010
	EERE – State Energy Program		
44.	The Department of Energy's American Recovery and Reinvestment Act - California State Energy Program	OAS-RA-11-10	July 2011
45.	The Department of Energy's American Recovery and Reinvestment Act - New Jersey State Energy Program	OAS-RA-L-11-07	April 2011
46.	The Department of Energy's American Recovery and Reinvestment Act - Massachusetts State Energy Program	OAS-RA-11-06	March 2011
47.	Management Controls over the Department of Energy's American Recovery and Reinvestment Act - Michigan State Energy Program	OAS-RA-10-18	September 2010
48.	Status Report: The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act	OAS-RA-10-17	September 2010
49.	The Department of Energy's American Recovery Act - Georgia State Energy Program	OAS-RA-L-10-06	September 2010
50.	The Department of Energy's American Recovery and Reinvestment Act - Florida State Energy Program	OAS-RA-10-12	June 2010
51.	Management Controls over the Department of Energy's American Recovery and Reinvestment Act - Louisiana State Energy Program	OAS-RA-10-09	May 2010
	Office of Environmental Management		
52.	The Management of Post-Recovery Act Workforce Transition at Office of Environmental Management Sites	OAS-RA-12-06	February 2012
53.	Waste Disposal and Recovery Act Efforts at the Oak Ridge Reservation	INS-RA-L-12-01	December 2011
54.	Implementation of the Recovery Act at the Savannah River Site	OAS-RA-L-11-12	September 2011
55.	Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act	OAS-RA-11-15	August 2011

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56.	Department of Energy's Controls over Recovery Act Spending at the Idaho National Laboratory	OAS-RA-L-11-10	July 2011
57.	Performance of Recovery Act Funds at the Waste Isolation Pilot Plant	OAS-RA-L-11-09	July 2011
58.	Use of American Recovery and Reinvestment Act of 2009 Funds on Solid Waste Project Activities at the Department of Energy's Hanford Site	OAS-RA-L-11-08	May 2011
59.	Management of the Tank Farm Recovery Act Infrastructure Upgrades Project	OAS-RA-L-11-03	February 2011
60.	Audit of Environmental Cleanup Projects Funded by the Recovery Act at the Y-12 National Security Complex	OAS-RA-L-11-02	December 2010
61.	Management of the Plutonium Finishing Plant Closure Project	OAS-RA-L-11-01	November 2010
62.	Decommissioning and Demolition Activities at Office of Science Sites	OAS-RA-L-10-05	August 2010
63.	Waste Processing and Recovery Act Acceleration Efforts for Contact-Handled Transuranic Waste at the Hanford Site	OAS-RA-10-10	May 2010
64.	Moab Mill Tailings Cleanup Project	OAS-RA-L-10-03	April 2010
65.	Management Alert on Environmental Management's Select Strategy for Disposition of Savannah River Site Depleted Uranium Oxides	OAS-RA-10-07	April 2010
66.	Special Inquiry Report - Review of Allegations Involving Potential Misconduct by a Senior Office of Environmental Management Official	S09IS024	December 2009
	Office of Science		
67.	Recovery Act Funded Projects at the Lawrence Berkeley National Laboratory	OAS-RA-L-12-02	January 2012
68.	The 12 GeV CEBAF Upgrade Project at Thomas Jefferson National Accelerator Facility	OAS-RA-L-11-13	September 2011
69.	Department's Management of Cloud Computing Services	OAS-RA-L-11-06	April 2011
70.	Recovery Act Funded Projects at the SLAC National Accelerator Laboratory	OAS-RA-L-11-05	March 2011
71.	The Department's Infrastructure Modernization Projects under the Recovery and Reinvestment Act of 2009	OAS-RA-L-11-04	March 2011
72.	Office of Science's Energy Frontier Research Centers	OAS-RA-L-10-09	August 2010

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73.	Audit of Fermi National Accelerator Laboratory's NOvA Project	OAS-RA-L-10-02	April 2010
74.	The Department of Energy's Management of the NSLS-II Project	OAS-RA-L-10-01	April 2010
	Advanced Research Projects Agency - Energy		
75.	The Advanced Research Projects Agency - Energy	OAS-RA-11-11	August 2011
	Loan Guarantee Program		
76.	The Department of Energy's Loan Guarantee Program for Clean Energy Technologies	DOE/IG-0849	March 2011
	Office of the Chief Financial Officer		
77.	Special Inquiry on the Office of the Chief Financial Officer's Information Technology Expenditures	OAS-RA-L-12-01	November 2011
	Office of Fossil Energy		
78.	Management Alert on Planned Actions Related to the National Energy Technology Laboratory's Simulation-Based Engineering User Center	OAS-RA-11-08	April 2011
	Western Area Power Administration		
79.	Management Alert on The Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority	OAS-RA-12-01	November 2011

Mr. STEARNS. Thank you for your statement.

Mr. Johns, you are recognized for 5 minutes.

TESTIMONY OF CHRISTOPHER JOHNS

Mr. JOHNS. Thank you, Mr. Chairman. Good morning, Mr. Chairman, Ranking Member DeGette, and members of the subcommittee. Thanks for the opportunity——

Mr. STEARNS. Do you have your mic on?

Mr. JOHNS. My apologies.

Thank you for the opportunity to speak to you today about the monitoring oversight efforts related to developing the Department of Energy's fiscal year 2013 budget request, and the effective implementation of the American Recovery and Reinvestment Act. I would like to provide you a summary of my written testimony and respectfully request that the full testimony be entered into the record.

Mr. STEARNS. By unanimous consent, so ordered.

Mr. JOHNS. Thank you, sir.

As budget director for the Department of Energy, my role is to oversee the development and implementation of the Department's budget for the purposes authorized and appropriated by Congress. Through the application of sound budget and financial management, the Department is committed to making the most productive use of taxpayer's dollars.

The Department of Energy is steadfast in its commitment to produce annual budgets that reflect the Nation's highest priorities, apply public resources wisely, and execute those resources effectively and efficiently. We review our financial status carefully, conduct senior level reviews of performance, and report our monthly balances to select congressional committees. We assess the availability of balances from prior-year appropriations, using them where appropriate to offset requests for new budget authority and to respond to emerging programmatic needs.

Our annual budget formulation efforts reflect our commitment to the wise use of public resources, and our program offices start preparing budget requests more than a year before they are submitted to Congress. The Office of Budget then coordinates a comprehensive corporate review chaired by senior Department officials during the summer months, which results in a budget for submittal to the Office of Management and Budget in the fall, and then to you in February.

Annually, each program's budget is built and reviewed, including an in-depth analysis of program priorities on a line-by-line basis, proposed tradeoffs, including use of any available balances, and an analysis of cross cutting subjects. During this process, the formulation material is analyzed to ensure proper coordination and to eliminate duplication where possible.

Your committee has heard Secretary Chu testify to the administration's priority of promoting economic growth and strengthening national security using an "all-of-the-above" strategy that develops every source of American energy. The President wants to fuel our economy with domestic energy sources while increasing our ability to compete in the global clean energy race. Guided by that presidential vision, the Department's 2011 strategic plan and our inau-

gural Quadrennial Technology Review, our fiscal year 2013 budget request of $27.2 billion invests in three broad priorities: accelerating the transformation of America's energy system and securing U.S. leadership in clean energy technologies, investing in mission relevant science and innovation to promote our Nation's economic prosperity, and keeping Americans safe by enhancing nuclear security through defense, nonproliferation, and environmental clean up.

We can achieve these priorities through a continuing commitment to fiscal responsibility and management excellence.

On Recovery Act, our Recovery Act investments as passed by Congress in February, 2009, are putting Americans back to work, making our homes and businesses more energy efficient, increasing the use of clean and renewable electricity, cutting our dependence on oil, and modernizing the electric grid. As these clean energy projects continue over the coming months, we will continue to see jobs added in local communities, further fueling our economic recovery.

The Department of Energy received $35.7 billion in Recovery Act funding. Included in this amount were $33.2 billion in contracts, grants, reimbursable work, and borrowing authority, and $2.5 billion in 1705 credit subsidy. Oversight of the Recovery Act has been a top priority for the Department. Even before the Recovery Act was passed, the Department took steps to anticipate agency demands for the management and oversight of proposed funding. We created a tiered implementation plan from the Department to individual programs, and defining projected results and specific timelines. DOE uses these plans to measure our own performance and to trigger corrective actions if a project is found to be—from this plan.

As we established the Recovery Act procedures, the Department, with the help of the Inspector General, anticipated the need for heightened oversight. The Inspector General conducted a number of preventative audits up front, documenting issues they identified over the last decade in any program receiving funds from the Recovery Act. The review supported our development of comprehensive risk management plans for each program. Before any Recovery Act awards were issued, the Department required the submission of detailed risk plans for every designated Recovery Act project, over 150 in total. We also analyzed all relevant IG and GAO reports, including those focused on similar programs in other agencies, and incorporated those lessons learned.

The Recovery Act has improved the Department's capacity to make sound decisions efficiently, and to resolve issues in real time. Most importantly, the increased emphasis on transparency and accountability will improve the oversight of programmatic funding into the future.

Mr. Chairman, I would again like to thank you for inviting me to testify today on behalf of the Department of Energy, and I look forward to answering your questions.

[The prepared statement of Mr. Johns follows:]

Statement of Christopher Johns
Director, Office of Budget
U.S. Department of Energy
Before the
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives

April 18, 2012

Good morning. Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, thank you for the opportunity to speak about monitoring and oversight efforts related to Department of Energy's FY13 budget process and the effective implementation of the American Recovery and Reinvestment Act (Recovery Act). As Budget Director, my role is to oversee the development and execution of the Department's budget for the purposes authorized and appropriated by Congress. Through the application of sound budget and financial management, the Department is committed to making the most productive use of taxpayer dollars.

DOE Budget Process Overview

DOE is steadfast in its commitment to produce annual budgets that reflect the Nation's highest priorities, apply public resources wisely and execute those resources effectively and efficiently. The Department reviews its financial status carefully, conducts senior-level reviews of performance, and reports monthly its balances to select Congressional Committees. We review our balances from prior year appropriations, using them where appropriate to offset requests for new budget authority and to respond to emerging programmatic needs.

Our annual budget formulation efforts reflect our commitment to the wise use of public resources. Our Program Offices start preparing budget requests more than a year before they are submitted to Congress. The Office of Budget coordinates a comprehensive "corporate review" during the summer months, which results in a budget for submittal to the Office of Management and Budget (OMB) in the fall. The annual process involves a structured build and review of each program's submission that includes an in-depth analysis of program priorities on a line-by-

line basis, proposed trade-offs, including a review of the plans for use of unobligated and uncosted financial balances, and an analysis of crosscutting subjects. During this process, the formulation material is analyzed to ensure proper coordination and to eliminate duplication of effort. The Department's senior leadership and OMB are engaged throughout the budget process to determine DOE's funding request levels including the management and oversight of prior year appropriations that were not expended.

Senior leadership remains involved during the execution phase of the budget. Leadership convenes to conduct the Business Quarterly Reviews (BQRs), which are used to evaluate the Department's progress against the set of key goals identified in the Strategic Plan; assess our progress in implementing critical management reforms; highlight the status of executing projects; identify roadblocks to project execution; and examine other core business and operational activities in the Department. Program offices also review their progress individually on goals and projects and provide periodic status reports to senior leadership.

The BQRs evolved from 'best practices' developed and applied in the planning and execution of our American Recovery and Reinvestment Act of 2009 appropriations, and are also a central part of DOE's response to the Government Performance and Results Modernization Act of 2010.

Due to the ongoing, multi-year nature of most of the Department's programs, DOE has generally received appropriations from Congress that enable the Department to carry forward unobligated balances into subsequent fiscal years. These balances are used only for the activities for which they were appropriated unless the Department requests a reprogramming; the funds are rescinded; the funds are used to satisfy a Use of Prior Year Balances reduction included in an annual appropriations bill; or the funds are used in our request to reduce the Department's new budget authority requirements.

The FY 2013 Budget Request

When Secretary Chu testified before the Committee on Energy and Commerce last month, he outlined the Administration's priority of promoting economic growth and strengthening national

security using an all-of-the-above strategy that develops every source of American energy. The President wants to fuel our economy with domestic energy resources while increasing our ability to compete in the global clean energy race.

Guided by the President's vision, the Department's 2011 Strategic Plan and our inaugural Quadrennial Technology Review (QTR), our FY13 budget request of $27.2 billion invests in the following priorities:

- Accelerating the transformation of America's energy system, and securing U.S. leadership in clean energy technologies;
- Investing in mission-relevant science and innovation to promote our nation's economic prosperity; and
- Keeping Americans safe by enhancing nuclear security through defense, nonproliferation and environmental cleanup.

These priorities will be enabled through a continuing commitment to fiscal responsibility and management excellence.

Meeting existing commitments and planning for future needs cannot be done without careful analysis and evaluation of program priorities. Analyzing our work at the program/project and sub-program/project level of detail has enabled us to make the tough choices required in these challenging fiscal times while staying true to our commitment to fiscal responsibility. In making these reductions we have carefully considered guidance from the Administration and Congress by looking to less effective, potentially duplicative or overlapping, or unneeded programs or activities first for reductions or eliminations.

Recovery Act Oversight

Passed by Congress in February 2009, Recovery Act investments are putting Americans back to work making our homes and businesses more energy efficient, increasing the use of clean and renewable electricity, cutting our dependence on oil, and modernizing the electric grid. As these

clean energy projects continue over the coming months, we'll continue to see jobs added in local communities, further fueling our economic recovery.

DOE received $35.7 billion—including $33.2 billion in contracts, grants, reimbursable work, and borrowing authority; $2.5 billion in 1705 credit subsidy—in Recovery Act funding to support clean energy projects that are developing infrastructure and technology to address the nation's energy issues and position the U.S. for leadership in long-term, clean energy industries.

DOE has consistently been supporting between 35,000-50,000 direct jobs each quarter since Summer 2010. In the first quarter of 2012 alone, DOE supported nearly 38,000 direct jobs.

As of March 31, 2012, Department of Energy has outlaid $24.7 billion—69 percent of total funds)—supporting over 15,000 clean energy projects across the country. Over the last 12 months, DOE has averaged 92 percent of its payment plan for the past 12 months.

Oversight of the Recovery Act has been a top priority for the Department. Aggressive monitoring systems that have been put in place are ensuring that taxpayers' dollars are used efficiently and effectively for the purposes intended. The Recovery Act has improved Departmental capacity to make sound decisions efficiently, keeping program and functional leaders aligned towards meeting common priorities and resolving issues in real time. Most importantly, the increased emphasis on processes to increase transparency and accountability will improve the oversight of programmatic funding into the future.

Improving Oversight and Monitoring of DOE Program and Recovery Act Funds

Audits and inspections conducted by the DOE Office of Inspector General (IG) and the Government Accountability Office (GAO) are an integral part of the Department's monitoring and oversight efforts for both Program and Recovery Act funds. At DOE, we take the work of the Inspector General and GAO seriously and welcome input on how to promote the effective, efficient, and economical operation of all programs. We are committed to facilitating their work and addressing the substantive issues they identify. IG and GAO recommendations help the

Department to improve our programs, identify opportunities for cost savings and operational efficiencies, and ensure that DOE is a strong steward of taxpayer dollars.

Recovery Act

Even before the Recovery Act was passed, the Department had taken steps to anticipate agency demands for the management and oversight of this funding. We created an Agency-wide plan specifying the anticipated goals of Recovery Act funding. From there, we developed Program level plans, which specified in greater detail the projected results and when those results would be achieved. Internally, DOE uses these plans to measure our own performance, and if a project was off-plan, the Department took actions to get the project back on track.

Additionally, iPortal, an online financial interface and database that provides users with a standard set of financials for departmental and public review, serves as a centralized repository of ARRA financial reports, impact metrics, and reporting guidance and consolidates data from multiple sources, including the Department's accounting system, its procurement system, and FederalReporting.gov. iPortal provides the Department with continuous real time access to key information on obligations, payments, jobs, impact metrics, and milestones, enabling the Department's management to identify and address problem areas early. Most of this information is also made available to the public through DOE's website and Recovery.gov.

In establishing the Recovery Act procedures, the Department, with the help of the Inspector General, anticipated the need for heightened oversight. The Inspector General conducted a number of preventative audits up front, documenting issues they identified over the last decade in any program receiving funds under the Recovery Act. This review supported our development of comprehensive risk management plans for each program. Before any Recovery Act awards were issued, the Department required the submission of detailed risk plans for every designated Recovery Project—over 150 in total. We also analyzed all relevant IG and GAO reports, including those focusing on similar programs at other agencies and incorporated the lessons learned from the IGs of other agencies (including the Departments of Housing and Urban Development and Health and Human Services) into these risk plans. The risk plans are

living documents, and Departmental officials update the plans as necessary for key projects to ensure that execution risks are identified and mitigated.

As part of our comprehensive risk management efforts for Recovery Act programs, we worked with the Recovery Accountability and Transparency Board—which is made up of Agency IGs—to develop ways of identifying recipients that may require closer monitoring and oversight. As part of this effort, we are also receiving real-time alerts on potentially problematic developments related to our recipients, which we share with the Inspector General, as appropriate.

The Department has undertaken major initiatives to ensure complete post-award audit coverage of all major recipients of DOE grants and cooperative agreements. We've put new processes in place to better leverage the government-wide audit requirement for non-profit recipients and state and local governments, as defined by the Office of Management and Budget Circular A-133. For the for-profit recipients, we provided detailed guidance for the recipients' audit firms outlining the issues they should review when conducting required annual audits; this guidance implements a pre-existing DOE audit requirement. The Department has also established centralized processes to track and ensure the resolution of these audit findings.

Conclusion

Mr. Chairman, I would like to thank you again for inviting me to testify on behalf of the Department of Energy about its budget process and effective implementation of the American Recovery and Reinvestment Act. I look forward to answering your questions.

Mr. STEARNS. I thank the panel and I will start with my questions.

Mr. Johns, you are the main man. You are the director at the Office of Budget at the Department of Energy, so my questions will start with you.

As I understand it, in the year 2000, the budget of the DOE was roughly $17 billion. Is that true?

Mr. JOHNS. Yes, sir.

Mr. STEARNS. And the budget for 2013 is roughly $27.2 billion, is that correct?

Mr. JOHNS. Yes, sir.

Mr. STEARNS. And it increased over last year by 3.2 percent, roughly?

Mr. JOHNS. Yes, sir.

Mr. STEARNS. But that amount does not include the $35.7 billion DOE has received from the 2009 Recovery Act, is that correct?

Mr. JOHNS. Correct.

Mr. STEARNS. Now as I go back and look at the number of employees you had in 2000, you had roughly 15,700 at the Department of Energy, is that correct, in the year 2000?

Mr. JOHNS. I don't know that particular number.

Mr. STEARNS. And in the year 2011, you had roughly 14,600, is that approximately correct?

Mr. JOHNS. Yes, sir.

Mr. STEARNS. And the number of contractors during this period stayed the same, is that roughly an accurate——

Mr. JOHNS. That is my understanding.

Mr. STEARNS. OK, which is about 100,000, is that correct?

Mr. JOHNS. Yes, sir.

Mr. STEARNS. So you had a $10 billion increase over this period of time, that is roughly 5 percent every year. Incidentally, during this 5 percent increase every year, from 2008, '09, and '10, when we had the critical recession, did Department of Energy increase their budget every year? Yes or no? I assume they did.

Mr. JOHNS. They—it was relatively flat.

Mr. STEARNS. Like 3 or 4 percent.

Mr. JOHNS. Yes.

Mr. STEARNS. OK, 3 or 4 percent. OK. If you increase your budget this year by $10 billion and the number of employees stayed roughly the same, the number of contractors stayed the same, then the question is where is the money going? Despite the relatively stable workforce, where is that $10 billion going if it is not contractors and it is not employees? Where is it going?

Mr. JOHNS. Yes, sir. Part of the increase over that time—and I would need to get back to you with specifics line-by-line—but in general, part of that increase is the increase in the cost of and the infrastructure that——

Mr. STEARNS. So you are saying everything is inflation?

Mr. JOHNS. No, sir, not everything is inflation.

Mr. STEARNS. OK, what is the reason?

Mr. JOHNS. It is increases in the infrastructure that we are buying and paying for, the cost of that. We are building new capabilities, new technologies.

Mr. STEARNS. And you did this without increasing the contractors or the number of employees?

Mr. JOHNS. I would need to get back to you.

Mr. STEARNS. OK. I have here Executive Order 13589 that was issued on November 9, 2011. Are you aware of it? If not, I can give you a copy.

Mr. JOHNS. Yes, sir.

Mr. STEARNS. In this case, the President instructed all Federal agencies to establish a plan for reducing the combined costs associated with travel, employee information technology devices, printing, motor vehicles, fleet, and promotional items. And the Executive Order required an answer submitted to the Office of Management and Budget within 45 days of this order. Has the Department of Energy done this? Yes or no?

Mr. JOHNS. Yes.

Mr. STEARNS. We have not seen it. Can you submit it to us? Do you have it with you?

Mr. JOHNS. I don't have it with me right now.

Mr. STEARNS. Because we have not seen it.

Mr. Rusco, have you seen it?

Mr. RUSCO. No, I have not.

Mr. STEARNS. No. Mr. Friedman, have you seen it?

Mr. FRIEDMAN. I have, Mr. Chairman.

Mr. STEARNS. And when did you get a copy of it? Do you remember?

Mr. FRIEDMAN. I asked for it within the last week, and that is when I received it.

Mr. STEARNS. So actually, this whole thing was issued 2011 and it was supposed to be in 45 days of that order. It appears, Mr. Johns, that the Department of Energy did not comply with that 45-day order of this Executive Order. Is that true?

Mr. JOHNS. I need to look back at the dates, but I believe we did or nearly there.

Mr. STEARNS. But he just—Mr. Friedman just got it just recently, a week ago. I mean——

Mr. JOHNS. I understand.

Mr. STEARNS [continued]. I think the point I am trying to make is we don't see the Department of Energy being compliant with even the Executive Order which the White House issued and then wanted a 45-day response.

Mr. Johns, in DOE's November 15, 2011, letter to the committee, you acknowledged that it is absent from the list of 15 agencies that heeded the President's April 2009 Executive Order to Cabinet Secretaries to identify $100 million in budget cuts by July 2009, is that correct?

Mr. JOHNS. That is correct, although we have done so internally, even though we were not requested to do that.

Mr. STEARNS. So we have the President's order in 2009, and you have admitted this morning that you did not comply with that in a timely manner. Is that a fair statement?

Mr. JOHNS. Well sir, I would say that the order requires that we submit our plan to OMB, which we have done. So we did comply with that.

Mr. STEARNS. You identified $100 million in budget cuts for that year, 2009?

Mr. JOHNS. I am sorry, the Executive Order requiring us—the recent one, 13589 that requires that we submit a plan in 45 days, we submitted that plan to OMB in December of 2011.

Mr. STEARNS. Is it possible we could get a copy of that?

Mr. JOHNS. Well let me check on the request.

Mr. STEARNS. OK. Let me ask you now, knowing what you know, what I just asked you in questions, are there additional proposed terminations or cuts that have not been made that you are proposing in the year 2013, accompanying the President's budget? I mean, here he gave you something in 2009. It appears you didn't comply. You are not even sure you can give us a copy of what you complied with. The people at the witness stand really didn't get a copy. One of them, Mr. Friedman, just got it a week ago. So the question is, are there any additional proposed cuts, termination fees that you are going to apply for the next 2013 budget?

Mr. JOHNS. Sir, the budget that we submitted in February of this year included other cuts, included cuts consistent with the Executive Order, the implementation of the Executive Order——

Mr. STEARNS. Where? Where are these cuts?

Mr. JOHNS. You would see them in the program direction lines——

Mr. STEARNS. No, specifically, are they—can you tell me what they are?

Mr. JOHNS. Happy to.

Mr. STEARNS. Just briefly, I won't take——

Mr. JOHNS. As you identified, there are several areas. I will highlight a few here. In travel we were asked—in most of these cases asked to reduce by 20 percent. We have identified—$12.6 million is the target for reducing travel. We track that progress throughout the year. We have already achieved some savings there.

Mr. STEARNS. Well, would it be safe to say that the only place you have cut is travel?

Mr. JOHNS. No, sir. No, sir.

Mr. STEARNS. OK.

Mr. JOHNS. We have made reductions in printing, we have made reductions in advisory services, significant reductions in——

Mr. STEARNS. And the total is—how much is that total?

Mr. JOHNS. The total identified was $473 million over 3 years.

Mr. STEARNS. OK. I thank you, and my time is expired. The gentlelady from Colorado is recognized.

Ms. DEGETTE. Thank you very much, Mr. Chairman.

I am a little bit confused, frankly, about the DOE budget because I keep hearing you, Mr. Chairman, and others on your side of the aisle talking about the budget, and so Mr. Johns, I know you haven't been at the DOE since 2001, but I just want to ask you about some of these numbers.

Now what I am told is in fiscal year 2001, which was the first year of the Bush administration, the DOE enacted budget was $20.1 billion. Is that correct?

Mr. JOHNS. Thereabouts. I don't remember the exact number, but yes.

Ms. DEGETTE. OK, and the final DOE enacted budget of fiscal year 2009, the DOE budget was $33.8 billion. Is that correct?

Mr. JOHNS. Correct.

Ms. DEGETTE. So that would be about a 65 percent total increase in the DOE budget under President Bush, is that correct?

Mr. JOHNS. Thereabouts, yes, ma'am.

Ms. DEGETTE. Now, as I said in my opening statement, the DOE enacted budget, not including the ARRA money, which was designed to be a one-time stimulus for the economy, the DOE enacted budget for fiscal year 2012, the core budget was $27.2 billion. Is that correct?

Mr. JOHNS. For 2012?

Ms. DEGETTE. Yes.

Mr. JOHNS. 2013 request is $27.2.

Ms. DEGETTE. OK, the request for 2013 is—so that is a decrease in the core budget, is that right?

Mr. JOHNS. From the 2009 level?

Ms. DEGETTE. Yes.

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. OK. So under the Bush administration, the DOE budget, not including the ARRA money which came in 2009, it increased 65 percent and the DOE budget under President Obama is decreasing around 20 percent. Is my math correct?

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. OK. You wanted to add something?

Mr. JOHNS. I was going to say that part of the increase in the 2009 budget is a one-time ATVM credit subsidy, but——

Ms. DEGETTE. Exactly.

Mr. JOHNS [continued]. In general, that is about——

Ms. DEGETTE. Of about $7.5 billion, right?

Mr. JOHNS. Yes.

Ms. DEGETTE. Right, OK.

So now you had talked to the Chairman about some of the places you are cutting, and I just wanted to ask you about some of the other places that you are cutting. In the 2013 budget request, you are proposing eliminating $4 billion in fossil fuel subsidies, right?

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. You are proposing cutting funding for nuclear energy activities, right?

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. And you are proposing cutting funds for the DOE Office of Public Affairs and Office of Management, is that right?

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. Offhand, do you know how much you are going to cut in that office?

Mr. JOHNS. In those offices specifically I would have to get back to you, but overall in our departmental administration, which is where those two offices lie, we are proposing to cut $45 million.

Ms. DEGETTE. And here is my question. Has the DOE proposed reducing salaries for any of its employees?

Mr. JOHNS. I am not aware of reducing salaries, but as with the rest of the Federal Government, we are under a pay freeze and then had a small increase in 2013.

Ms. DEGETTE. OK. And the Inspector General recommended cutting back on certain contractor costs. Has the DOE proposed any contractor cost reductions in its budget request?

Mr. JOHNS. I would need to get back to you on specifics, but in general, we have engaged in an effort over the last several years to reduce contracting costs. That is part of the Executive Order and part of the work that we have been doing.

Ms. DEGETTE. OK. And—but at the same time, the DOE is trying to figure out strategically where we should invest so that we can become energy independent and that we can support some sectors where maybe we do need some help, right?

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. So like for example, the DOE budget does not make significant cuts in renewable energy and energy efficiency programs, is that right?

Mr. JOHNS. That is correct.

Ms. DEGETTE. So do you think that the DOE can do more to increase its efficiency and ability to further our energy goals in this country?

Mr. JOHNS. Absolutely.

Ms. DEGETTE. What other things can we do, do you think?

Mr. JOHNS. Well, we are engaged—some of these things are small things that will never be highlighted in a budget document, but things that we in the budget office are doing every day. Other things are efforts engaged in by the programs to reduce, as you suggested, contracting costs, to be more efficient about the work that we do. So we are engaging in those kinds of efforts every day.

Ms. DEGETTE. Mr. Friedman, one thing you talked about was on some of the ARRA money, the DOE really struggled to ramp up so they could spend that money efficiently. Do you think that they have now been able to disburse those monies efficiently and are they going to be able to scale down, and if not, what can they do to improve that?

Mr. FRIEDMAN. Well, Ms. DeGette, the last time I looked at the numbers, which was in the last 10 days or so, virtually all of the $35 billion has been obligated and only 2/3 of it has been spent. So there is still 1/3 of ARRA money which has not been spent. And we view that as the most important benchmark in terms of spending stimulus funding. We have a disagreement with the Department on that analysis. So we think—but a lot of the impediments that originally existed—after all, it has been 3 years——

Ms. DEGETTE. Right.

Mr. FRIEDMAN [continued]. Since the passage of the Act. A lot of the impediments have been worked through and we think they are prepared to spend more——

Ms. DEGETTE. And you think they should just get that—but you don't want them just to throw the money out there, you want them to spend it in an efficient way, right?

Mr. FRIEDMAN. It is a Venn diagram. Spend it quickly, spend it well. Put them together.

Ms. DEGETTE. Right, perfect.

Thank you very much, Mr. Chairman.

Mr. STEARNS. The gentleman from Texas is recognized for 5 minutes.

Mr. BARTON. Thank you, Mr. Chairman.

Mr. Johns, are you a political appointee or civil service?

Mr. JOHNS. I am a civil servant, sir.

Mr. BARTON. Civil servant. Do you have any control over rejecting or approving spending, or is your role merely coordinative and advisory?

Mr. JOHNS. It is coordinating and advising. I am providing recommendations to the senior leadership.

Mr. BARTON. OK, so if you see something that you don't think needs to be spent, you can't deauthorize the voucher, refuse to sign it, you could just send a note to the Secretary or Assistant Secretary and express your concerns. Is that correct?

Mr. JOHNS. In the end that is correct, sir.

Mr. BARTON. OK. I notice it looks like you have an iPad.

Mr. JOHNS. Yes, sir.

Mr. BARTON. Is it hooked up to the Internet?

Mr. JOHNS. It is in general. It is not at the moment.

Mr. BARTON. OK, then why is it there?

Mr. JOHNS. Why is it there?

Mr. BARTON. Yes.

Mr. JOHNS. Because I have my testimony on this.

Mr. BARTON. So it is not—I wanted to ask you some questions and have you real time look it up instead of, "I will get back to you," so I was hoping it was wired into the Internet.

Ms. DEGETTE. If you want me to, I will look it up. I have got my iPad here.

Mr. BARTON. I bet he had the codes quicker—and not that you don't, Diana, but I have a feeling it would take you and I a long time just to get to the DOE Web site.

Well, my first question is do you know how much DOE spent on travel last year?

Mr. JOHNS. I could do the math for you. I don't have the number off the top of my head.

Mr. BARTON. Do either of my other two witnesses know that number?

Mr. FRIEDMAN. I don't know the answer, Mr. Barton, but what is really interesting is that the amount of money spent by the Federal employees is a paltry amount compared to the amount of money spent by the facility management contractors at the Department, and that is where the big bucks obviously are.

Mr. BARTON. Do you want to put numbers on those? When you say paltry, that is a pretty general term.

Mr. FRIEDMAN. I have not looked at the number. My understanding is it is in the $60 million-a-year range.

Mr. BARTON. Sixty million for the contractors?

Mr. FRIEDMAN. No, no, $60 million for the Feds.

Mr. BARTON. Oh, that is paltry.

Mr. FRIEDMAN. Compared to the contractors. Let me be clear about that.

Mr. BARTON. OK. If $60 million is paltry, you are saying the contractors spend several hundred million on travel?

Mr. FRIEDMAN. I don't have that analysis. I would suspect several hundred million is an understatement.

Mr. BARTON. Can you get it?

Mr. FRIEDMAN. I cannot get it easily, no.

Mr. BARTON. You cannot get it?

Mr. FRIEDMAN. Mr. Johns perhaps can. I cannot.

Mr. BARTON. Mr. Johns can get it? Will you get it and provide it to the members of the committee on both sides of the aisle?

Mr. JOHNS. Yes, sir.

Mr. BARTON. OK. How many—our numbers show that the Department of Energy has about 15,000 employees that are direct Federal employees, Mr. Johns. Do you agree with that number?

Mr. JOHNS. I am sorry, could you repeat that?

Mr. BARTON. Fifteen thousand Federal employees——

Mr. JOHNS. Yes, sir.

Mr. BARTON [continued]. That are direct employees of the Department of Energy. Is that a generally good number?

Mr. JOHNS. That is approximately right. It is a little bit less, but yes, sir.

Mr. BARTON. I believe the committee numbers for vehicles owned by the Department of Energy is also about 15,000. Do you agree with that?

Mr. JOHNS. That is part of the reason that we have been focused on—specifically on that issue, on reducing by 35 percent the number of vehicles that we have——

Mr. BARTON. But you do agree that Department of Energy owns 15,000 vehicles.

Mr. JOHNS. I don't know the number.

Mr. BARTON. All right, give me your best guess.

Mr. JOHNS. I would prefer not to guess about the number of vehicles.

Mr. BARTON. Give me an estimate. Do they own one, do they own 100,000?

Mr. JOHNS. I am not going to give you that answer off the top of my head. I can get back to you on it.

Mr. BARTON. You are not going to get back to me. You know how many vehicles——

Mr. JOHNS. Sir, I honestly don't know the number of vehicles——

Mr. BARTON. You have got a pretty good idea. Don't play games.

Mr. JOHNS. Sir, I assure you I am not playing games.

Mr. BARTON. You don't have a clue and you are the budget manager for the Department of Energy the approximate number of vehicles? I don't believe that.

Mr. JOHNS. Well, that is the case, sir.

Mr. BARTON. You don't have any idea?

Mr. JOHNS. No, sir.

Mr. BARTON. Not at all?

Mr. JOHNS. No. I can tell you——

Mr. BARTON. If I said 10, you wouldn't—you can't dispute that? If I said a million, you can't dispute it?

Mr. JOHNS. Well, I can tell you it is between 10 and a million, sir.

Mr. BARTON. Well, that is good. That is a start. Do you dispute that it is about 15,000?

Mr. JOHNS. Sir, I can't tell you that that is wrong. I just don't know the answer.

Mr. BARTON. Do you think it is appropriate for the Department of Energy to have approximately one vehicle for every employee, which is about what it is?

Mr. JOHNS. It is not appropriate, which is why we have engaged in the effort to reduce the size of the fleet by 35 percent.

Mr. BARTON. Have you reduced the fleet by one vehicle?

Mr. JOHNS. Yes, sir.

Mr. BARTON. Have you reduced it by two?

Mr. JOHNS. I believe we have, sir. We have reduced——

Mr. BARTON. So we know that there are more than two, if you reduced it by two.

Mr. JOHNS. Yes, sir. We have reduced the fleet just for headquarters already by 40 percent this year.

Mr. BARTON. OK. Does Secretary Chu own a car?

Mr. JOHNS. I don't know if he does. He said that he normally gets government travel back and forth to work.

Mr. BARTON. And I want to go on the record. I think the Secretary of Energy should have a government vehicle at his or her disposal, so——

Mr. JOHNS. He does ride a bike to work.

Mr. BARTON. Unless he bicycles to work.

Mr. JOHNS. He does sometimes, sir.

Mr. BARTON. I know. But you will get some more questions, because I don't normally ask civil servants to resign, but if you don't really know a general answer to my question about the number of vehicles and you are the budget officer, that is inexcusable.

Mr. STEARNS. I thank the gentleman. Let me just add to his—can you find out by your staff behind you? Can they make a call over there so that Mr. Barton can get an answer today? We shouldn't have to wait. Can you do that?

Mr. JOHNS. Of course.

[The information follows:]

Department of Energy
Washington, DC 20585

June 1, 2012

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On May 30, 2012, we sent you the transcript of the April 18, 2012, testimony given by Christopher Johns, Director, Office of Budget, regarding "Budget and Spending Concerns at DOE."

Enclosed is one insert that was requested by Representative Barton for the hearing record.

If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Lillian Owen, at (202) 586-2031.

Sincerely,

Christopher Davis
Deputy Assistant Secretary for
Congressional Affairs

Enclosure

Printed with soy ink on recycled paper

COMMITTEE: HOUSE ENERGY AND COMMERCE, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

HEARING DATE: APRIL 18, 2012

WITNESS: CHRISTOPHER JOHNS
PAGE: 21; LINES: 3-12

INSERT OF THE RECORD

Upon joining DOE, Secretary Chu sought management efficiencies that could be gained to make the best use of taxpayer money. One area that he identified for improvement is the DOE vehicle fleet size. While recognizing that specialized vehicles are required for critical DOE missions, Secretary Chu made an aggressive challenge to DOE programs to reduce the size of the vehicle fleet by 35 percent by the end of 2013. As described below, DOE is currently making progress in reducing its fleet size in response to Secretary Chu's direction.

The Department's mission is to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions. Every day, DOE's programs are working to promote energy innovation, transform America's energy infrastructure, and enhance our nation's nuclear security by maintaining a safe, secure, and effective nuclear stockpile. This mission is executed by the 127,376 DOE employees and contractors (14,945 Federal employees and 112,431 contractors) at over 80 major laboratories and field site locations across the country.

Accomplishing this important mission requires access to the right equipment, including a ready fleet of vehicles. Much of DOE's mission work is done at National Laboratories and field sites located in remote parts of the country. Vehicles are needed at these sites to support operations

and maintenance, which includes maintaining utilities and facilities, providing site security, and protecting and transporting nuclear materials. Vehicles are also needed to move hazardous or contaminated materials, respond to emergencies, and service tens of thousands of miles of transmission lines to support the federal power system. Of the 17 National Laboratories, all but one are Government-Owned, Contractor-Operated facilities. This means that the labs and their equipment—including the vehicle fleet—is the property of the federal government, while mission is executed largely by contractors. This is appropriate given that the mission continues despite changes in contractor staff.

The overwhelming majority of the vehicles used at DOE sites are trucks, specialty, and emergency vehicles that are necessary for mission activities. In fact, traditional passenger vehicles, such as sedans and station wagons, account for only 5 percent of DOE's vehicle fleet.

Examples of the types of vehicles used by the Department include:

- Over 1,900 vehicles are owned by the Power Marketing Administrations (PMAs), which own and maintain 33,730 circuit-miles of high-voltage transmission line and 609 substations spread out across much of the central and western United States. The PMAs require specialized utility vehicles to perform maintenance on these power facilities, which are critical to the reliability of the nation's electric grid. The PMAs recover the costs of these vehicles in their power and transmission rates; consequently, these are not taxpayer funded.

- 445 emergency/emergency response vehicles and 748 law enforcement vehicles.

- Hundreds of vehicles devoted to DOE's nuclear weapons and nuclear waste responsibilities, including radiological surveillance vehicles and specially-designed trucks for transporting nuclear materials.

- And in the Washington, DC area, the Department's 7,000 contractor and federal employees are served by a total of 26 vehicles, 75 percent of which are fuel-efficient or alternative fuel vehicles.

DOE's policy has been to keep the number of vehicles at the right levels to satisfy programmatic requirements. In this challenging budget environment, the Department is committed to being a strong steward of taxpayer resources by reducing administrative costs and saving energy, including by reducing the size of the DOE fleet. Secretary Chu has been leading this effort since he came into office. For example, in a January 27, 2011 memo, Secretary Chu challenged the Under Secretaries, Office of Management, and PMAs to reduce fleet inventory by 35 percent fleet reduction target without sacrificing either critical mission elements or our commitment to operating in a safe, secure and environmentally sound manner.

The Department has already made significant progress in reducing the size of its fleet. In just the last year, DOE has reduced the size of its Headquarters fleet by 35 percent, and over the past decade, DOE has reduced its fleet by over 1,000 vehicles, during a time when DOE's programmatic work has increased. As of December 31, 2011, the Department reported a vehicle count of 14,644 (3,850 DOE-owned; 9,956 GSA lease; 245 commercial lease).

Mr. STEARNS. OK. With that, I recognize the ranking member.

Mr. WAXMAN. Thank you very much, Mr. Chairman.

Mr. STEARNS. The ranking member of the full committee, Mr. Waxman, is recognized for 5 minutes.

Mr. WAXMAN. Thank you, Mr. Chairman.

The House Republican budget which was passed last month slashes discretionary spending on energy programs by 57 percent in 2013. These cuts will derail efforts to make wind and solar power competitive with fossil fuels. The budget also rescinds the unobligated balances in DOE's Loan Guarantee Programs, which fund clean energy projects and support over 60,000 jobs. Mr. Johns, if the Department's renewable energy funding were cut in half, what kind of effect would that have on the agency and its ability to fulfill its mission?

Mr. JOHNS. Well, it certainly would cut the cord on some of the key initiatives that we have been engaged in as part of this all-of-the-above strategy of reducing the cost of energy to the American people. We obviously—the Congress enacts—or the Congress passes bills and we would do our best to live under those, but it would certainly have a dramatic impact on our ability to provide those services.

Mr. WAXMAN. The House Republican budget recommends the repeal of borrowing authority for the Western Area Power Administration, which is bringing renewable energy sources to areas in the Western U.S. Mr. Johns, if the Western Area Power Administration's borrowing authority were repealed, how would that affect the agency's ability to modernize transmission lines in the western U.S., and what effect would this have on citizens in those western States?

Mr. JOHNS. I can't give you a precise number on the effect on the cost of energy, but it would obviously have an impact there on the cost of energy.

Mr. WAXMAN. Well, would it undermine the electrical grid in order to promote renewable energy and cost saving choices for western consumers?

Mr. JOHNS. Well, I know that WAPA has been engaged in an effort to increase reliability, and that is part of what this effort was.

Mr. WAXMAN. Well, I know right now the—this program is funding a 109 mile transmission line to increase delivery of solar power to consumers in the West.

The House Republican budget wants to rescind the unobligated balances of the Advanced Technology Vehicles Manufacturing Loan Program. How would that affect the agency's ability to support breakthroughs in energy efficient vehicles?

Mr. JOHNS. Well, we certainly used that program in the last several years to increase the capabilities of the auto industry to bring to the market new innovative technologies. So to the extent that we don't have that money, we wouldn't be able to continue that effort.

Mr. WAXMAN. Well, it would eliminate support for this program which was passed on a bipartisan basis and helps fund the development of plug-in, hybrid, and electric vehicles, isn't that right?

Mr. JOHNS. Yes, sir.

Mr. WAXMAN. And people complain about high gases prices. If we don't do things like this, we are relying on oil. The more we rely on oil, the more we are stuck with the world oil prices which drive gasoline prices up.

We shouldn't let these important programs be cut. The House Republican budget would slash our investments in innovative clean energy technologies. Even worse, the Republican budget doesn't just slash beneficial programs that support renewable energy, it continues to spend almost $40 billion in the next decade in tax subsidies for big oil. If we cut these programs that are funding breakthroughs in wind and solar production and electric vehicles and the electrical grid, we undermine the competitiveness of our country and harm our national security. We need to look to new technologies to power our economy, not to dig our heels in with old technologies and old ways.

The U.S. is in a global race to develop new renewable energy technologies that will power the economies of the future. I am confident that American companies can win this race, but we need to make sure they have the tools they need.

In 2009, the Chinese government poured $120 billion into renewable energy, a staggering $45 billion on the electric grid alone, while the U.S. invested just $20 billion overall. Mr. Johns, how much has the Department requested for renewable energy initiatives in the 2013 budget?

Mr. JOHNS. You would have to look across—sorry. You would have to look across not just EERE, but look at several of our programs. The overall renewable energy budget is well into the $3 to $4 billion range.

Mr. WAXMAN. And I think that you had requested a 29.1 percent increase in funding for the Office of Energy Efficiency and Renewable Energy.

Mr. JOHNS. Correct.

Mr. WAXMAN. OK. What would you——

Mr. JOHNS. That takes it to about——

Mr. WAXMAN. What would you do with these additional funds?

Mr. JOHNS. Several different programs—one I would particularly want to highlight is the Advanced Manufacturing Initiative, which is designed to increase our ability to compete in the world market to bring some of the technologies that we are developing here, both at our labs and in the private sector, and get them commercially ready. So that is one that receives particular increases in this budget.

Mr. WAXMAN. My time has run out. I want to commend you on your answers to these questions. You seem to know about the job you are required to do. I came here a little late, but it sounds like you didn't know enough about Secretary Chu's driving and whether he drives his own car or rides a bicycle, which you said he does occasionally. I don't expect you to know that off the—or any of these things off the top of your head, but you can get us the information on any of the questions we asked you, and I think that is the kind of job that we should expect and commend you for.

Thank you, Mr. Chairman.

Mr. STEARNS. I will just tell the Ranking Member that he was asked a total number of cars in the fleet. He didn't know, but he indicated he is going to find out before the hearing is over.

And with that, the gentleman from Louisiana, Mr. Scalise, is recognized for 5 minutes.

Mr. SCALISE. Thank you, Mr. Chairman. I appreciate the opportunity to have the hearing for the panelists to talk about the budget as we are going through——

Mr. STEARNS. Is your microphone on?

Mr. SCALISE. It is—hello?

Mr. STEARNS. There you go.

Mr. SCALISE. Just, you know, as we are grappling with budget issues, we are working hard to try to reduce spending, to finally force the government to start living within its means. The task that we have been given is to actually start reigning some of that in, looking through agencies, you know. And I know the President said in the past he is going to go line by line through the budget. I question whether or not he has truly carried through on that when you actually look at some of the things and the line items.

But I want to ask about some of the specific things that you all are dealing with. Mr. Friedman, I think you had talked about investigations that are ongoing. Do you—can you share with us, at least, how many investigations your office is conducting right now?

Mr. FRIEDMAN. We have between 300 and 350 potential criminal investigations ongoing at any given time, including currently.

Mr. SCALISE. OK, is that across all agencies or just within Department of Energy?

Mr. FRIEDMAN. Just within the Department of Energy and grant recipients, contractors, and Feds as well.

Mr. SCALISE. So just within the Department of Energy, somewhere in the neighborhood of up to 350 criminal investigations?

Mr. FRIEDMAN. Well they—we don't know how they will turn out, obviously.

Mr. SCALISE. But investigations?

Mr. FRIEDMAN. But investigations which are carried out with the potential of criminality being involved.

Mr. SCALISE. Do you know, are any of these within the loan program? We have had a number of hearings on Solyndra, trying to get in deeper on some of those issues, and in fact, our subcommittee still has not gotten all of the answers we requested from subpoenaing the White House, and hopefully they will finally comply with all of those requests. Can you tell us if any of these criminal investigations are within the loan program?

Mr. FRIEDMAN. Well, both the Department of Justice and my office have publically acknowledged that there is a criminal investigation ongoing with regard to the Solyndra matter. Beyond that, I really can't comment. It is an active investigation.

Mr. SCALISE. OK, and I appreciate that. I know I have asked and a number of others have asked the Attorney General to look into especially the subordination of the taxpayer which we feel violated Federal law. And very clearly, it looks like most experts would say there was a violation of Federal law. I would hope that the Attorney General would investigate that because again, you have got millions of dollars in taxpayer money that would be at risk if we

don't see the Attorney General take that action, and hopefully you are working in conjunction with him to push him to do just that.

I want to ask, Dr. Rusco, the GAO found that government-wide, 23 agencies and there are 130 sub-agencies implementing nearly 700 renewable energy initiatives in fiscal year 2010. Is that what you all reported?

Mr. RUSCO. Yes, that is correct.

Mr. SCALISE. When you looked at all of that, did you all find any duplication?

Mr. RUSCO. You know, it took pretty much all of an audit just to identify all of the initiatives across so many agencies. We have efforts underway now to drill down in solar energy, wind energy, and battery storage, and we are trying to get a handle on a little bit more detail about where those programs and initiatives may overlap and where there may be some potential duplication with the hope that that could eventually be eliminated.

Mr. SCALISE. Because it seems like what all of the money that was spent, and just in the stimulus there was about $35 billion spent in many cases on green energy where the President was just trying to have photo opportunities to show some victories, and it seemed like a whole lot of money was rushed out the door with very little oversight. We saw billions at the very end of the loan program just pushed out on the final days without the proper due diligence. And many reports have said there was not the proper due diligence, not to mention that with all these overlapping where you could clearly save millions, possibly higher than millions, of dollars.

I want to ask Mr. Friedman, you had talked in your testimony about the review that you all did on the stimulus and just with so money rapidly being deployed I think was your term. You might even have talked about teachable moments and the amount of money that was moved through without the ability to properly scrutinize. Can you expand upon that?

Mr. FRIEDMAN. I certainly can. In January of this year we issued our "Lessons Learned—Best Practices Report" on the Recovery Act, and although a good portion of the Recovery Act money has yet to have been spent and we are continuing our work, there were a number of challenges going in. I have cited and was misquoted, I guess, a couple of times that it was comparable to attaching a garden hose to a fire hydrant. The rush of money was just so exceptional in such a short period of time. The institutional challenges and other barriers were really extraordinary, and neither the States nor the Federal Government were fully prepared to address it.

Mr. SCALISE. I appreciate reading that report.

One final question. Mr. Johns, last year, the President raided about 30 million barrels from the Strategic Petroleum Reserve. Number one, how much money did that generate? Number two, what did you all do with that money? And number three, have you all replaced that 30 million barrels that were taken away last year just to supposedly lower gas prices, which clearly it did not. Can you answer those questions?

Mr. JOHNS. The sale last year generated a little over $3 billion in receipts to the government. That money remains in the Strategic

Petroleum Reserve account, and a portion of that would be used to buy back the oil at the proper time. As you probably know, the decisions on when to make those purchases are related a lot to——

Mr. SCALISE. At today's prices, it may take more than that with oil at a little over $100 a barrel.

Mr. JOHNS. Which is why we have not chosen yet to buy that oil back.

Mr. SCALISE. Why didn't you do it earlier in the year when the price was lower?

Mr. JOHNS. In part because we needed a space. We needed to do some repairs in the caverns, so there were some administrative reasons why we wanted to wait. Decisions on when we are going to buy that back, though, are decisions that are not made certainly in the budget office, but made as a part of the decisions of when the oil is available, when it won't affect the market. And as I think you also know, we have made a decision not to buy some of that back and—almost $300 million and using that as savings, that that we don't intend to buy back in the next several years.

Mr. SCALISE. I hope——

Mr. STEARNS. The gentleman's time is expired.

Mr. SCALISE. Yield back the balance of my time.

Mr. STEARNS. Recognize Ms. Christensen for 5 minutes.

Mrs. CHRISTENSEN. Thank you, Mr. Chairman.

Mr. Johns, in your written testimony you stated DOE received $35.7 billion in Recovery Act funds, and DOE has done a lot with those funds. For example, you stated that the agency is supporting over 15,000 clean energy projects across the country, and I really think we should recognize just how effective the Recovery Act has been in lifting up the American economy and creating new energy economy. Also the time when other nations are focusing heavily on aggressively building their green jobs industries, it is vital that America do the same to stay competitive on the global stage.

So Mr. Johns, how many jobs have been supported by DOE's Recovery Act projects? Do you know that? An approximate number would be fine.

Mr. JOHNS. It is about 50,000 over time.

Mrs. CHRISTENSEN. Are they located in one region or State, or are they spread out across the country?

Mr. JOHNS. No, ma'am, in fact, that was—the intention of the Recovery Act was to spread those around the country. Weatherization is a good example of that where we are hiring local contractors all over the country.

Mrs. CHRISTENSEN. That weatherization program did more than create jobs, didn't it? I know we were able to take advantage of it in the Virgin Islands. Can you just say a few words beyond jobs what that—what the weatherization project was able to accomplish?

Mr. JOHNS. Yes, ma'am, certainly. It has reduced the costs to individuals of their monthly energy bills and made a pretty substantial deduction in some cases, $100 or more in some places.

Mrs. CHRISTENSEN. Thank you. These Recovery Act programs had important benefits; nevertheless, we really have to acknowledge that this has not been an easy road for DOE. So Mr. Fried-

man and Mr. Rusco, is it fair to say that DOE struggled with implementing some of its Recovery Act programs?

Mr. RUSCO. Yes, especially initially, and we have been talking about the weatherization program. There was—there were a lot of hiccups in the early months of that program. Among other things, the law required each State and in many instances, localities, to establish market wages for weatherization workers, and those had not been established so they had to work—the States had themselves—had to work to establish what the market wages were to meet the requirements of the Davis-Bacon Act. There were also some informational and communication hiccups within DOE. DOE had a hard time communicating to a wider range of recipients and managers, and some of the information that they provided was unclear, and it took them a while to improve that.

Mrs. CHRISTENSEN. OK, thank you.

Mr. Friedman, I think you have pretty much answered that question before with the hose and the fire hydrant analogy. Do you want to add?

Mr. FRIEDMAN. I think that will do it.

Mrs. CHRISTENSEN. OK.

Mr. JOHNS. Congresswoman, if I could make one quick point on this?

Mrs. CHRISTENSEN. Sure.

Mr. JOHNS. The kinds of things that they are identifying here were designed from the beginning. We very much solicited and want these kinds of—this kind of feedback so we can improve the execution of these projects over time and take them into account as we look at the new budgets.

Mrs. CHRISTENSEN. And then so that was kind of my next comment and question, because I commend both GAO and the Inspector General for their work the agencies have done in identifying the problems and providing recommendations to improve DOE program management, but I would like to ask both Mr. Rusco and Mr. Friedman, how is—do you feel the DOE has responded well? Have they acted on the recommendations and has the program management improved? Has the DOE developed more experience in your opinion as well?

Mr. RUSCO. By and large, DOE has recommended—agreed with most of our recommendations and taken steps to implement them. They have completed implementing quite a number of them—especially the ones related to the Recovery Act. We have some instances in which programs have been less willing to adopt our recommendations, and the Loan Guarantee Program is one.

Mr. FRIEDMAN. I think that from our vantage point, there is no doubt that there have been—a number of our recommendations have been accepted. There have been dramatic improvements in a number of the programs, so while there are some problems still, we think it is largely a good news situation.

Mrs. CHRISTENSEN. Thank you. So in balance, I really think that despite the management problems, that it is pretty fair to say that DOE's recovery programs provided important benefits to many American workers and families.

So—but yet my Republican colleagues continue to claim that the Recovery Act had no value. They continue to talk about Solyndra

as you have heard this morning and proclaim that the Loan Guarantee Program is a failed experiment, which is unwarranted, given how much this program has done for American businesses and how important it is to invest in innovation.

Mr. Johns, how did the Recovery Act funding help—would you like to speak about the Loan Guarantee Program a minute and how it helped to support innovative thinkers with ideas for clean energy projects?

Mr. JOHNS. Of course. As you have already said, the Loan Guarantee Program has supported——

Mr. STEARNS. Just finish your question. Finish your question.

Mr. JOHNS [continued]. Has supported many companies and we have had many successes in things like batteries and hybrid power and this kind of thing that have been a significant improvement—have significantly improved our ability to compete in the future——

Mrs. CHRISTENSEN. Thank you.

Mr. JOHNS [continued]. Bringing these kinds of capabilities that were available to us but were not yet ready for production scale into the production.

Mr. STEARNS. I thank the gentlelady.

Mrs. CHRISTENSEN. Thank you.

Mr. STEARNS. The gentleman from Virginia, Mr. Griffith, is recognized for 5 minutes.

Mr. GRIFFITH. Thank you, Mr. Chairman.

Earlier we heard comments about China and its renewables program and how it is working on new energy sources, but I think it is interesting we always talk about China in that regard, but we don't recognize that China doesn't expect over the next couple of decades to have about more than 15 percent of its power coming from these other sources, and that they continue to build coal-fired power plants because they recognize that between now and some time in the future when renewable energy comes on board, coal is still going to be a major part of their plan, but in this country, for some reason we seem to think we can do without coal. So that is just an editorial comment on previous editorial comments.

Mr. Johns, here is the question I have following up on Representative Barton's comments. How do you know you are going to be able to reduce—and I may have it wrong—the central office fleet by 40 percent and the overall fleet by 35 percent if you don't know how many cars you have in the first place, because doesn't it make sense in order to know that you need to reduce 35 cars, you have to know that you have 100 to get to your 35 percent? Isn't that logical and do you understand why he is frustrated that you don't know that answer if you are going to throw out numbers about how much you are cutting the fleet, but you don't know how big it is to start with? Doesn't that make sense to you, sir?

Mr. JOHNS. Thanks for the opportunity to come back to this. I will say I am sorry I didn't know the number, but my job is to review the overall budget requests, and I have excellent staff who can get me those numbers. For example, I can confirm that his number of 15,000 is about right for the number of vehicles we have in the fleet right now. I would say that that also includes, though, not just private vehicles—not just cars but it is also nuclear—

trucks to carry nuclear material, things for the grid, this kind of thing.

Mr. GRIFFITH. I guess the frustration is that you came here today to testify on budget numbers and you are talking about reducing the fleet, but you don't know how big the fleet is so it is kind of hard to know whether or not your numbers are accurate on reducing the fleet. That was the point I was trying to make there.

Let me ask this of you, Mr. Friedman, if I might. You indicated there are some active investigations going on and I know you can't tell me anything about that, but I would question in the Loan Guarantee Program, 1705, under which Solyndra was made and the other loans were made, if there were a violation, a knowing and willful violation of that section, have you all assessed whether or not there might be, depending on whether or not there was a willful and knowing violation, is there a possibility that there might be criminal sanctions there, or is it, as I have heard previously, that that section has no criminal penalty?

Mr. FRIEDMAN. I don't know the answer to your question, Mr. Griffith. I am sorry. I just don't know the answer.

Mr. GRIFFITH. Are you all in a position to give me an answer at a later date, or is that not in your bailiwick?

Mr. FRIEDMAN. Not within my——

Mr. GRIFFITH. Not within your jurisdiction. It is interesting that you all added the Loan Guarantee Program to your fiscal year 2012 watch list in your November, 2011, special report on DOE management challenges. This move is justified in light of the significance of the funds involved and the government's exposure to risk. I guess what I have to say is if the program says that loan monies are not to be subordinated and they then the are subordinated, am I not correct—isn't it true that that would add substantially to the risk that would have to be assessed, if subordination was possible even though the law says otherwise?

Mr. FRIEDMAN. Well, Mr. Griffith, I assume that you would not want me to do anything or say anything, nor would you want to provoke a question, that would in any way undermine an ongoing investigation? Let me pass on that question.

Mr. GRIFFITH. Absolutely. I do not want to interfere with any ongoing investigations. If there is no potential criminal possibility, do you think it would be helpful to add into those sections a civil penalty of say $250,000 for a knowing violation of the law?

Mr. FRIEDMAN. Well, you know, if I start down this slippery slope——

Mr. GRIFFITH. I am talking about going forward. I am not talking about past.

Mr. FRIEDMAN. Well, I will tell you going forward I think there are a lot of aspects of the Loan Guarantee Program where clarification, more precision would be helpful to everybody, and this may be one of those areas.

Mr. GRIFFITH. Well I certainly think clarifying that there is a punishment for violating the law is always helpful in that regard.

Dr. Rusco, in its March 2012 report, GAO concludes that DOE must fully implement a system of overseeing application review process to ensure accountability for Federal resources. Among other things, GAO found that DOE does not have a consolidated system

for documenting and tracking its process in reviewing applications fully implemented at this time. This is obviously a cause for concern. How did the DOE respond to your recommendation that they commit to a time table to fully implement and consolidate system?

Mr. RUSCO. The program did not want to commit to a timeframe to do so. We think that that is misguided. We believe that it is extremely important for them to have a centralized way to track all of the applications. We spent months and months of our audit just tracking down individual documents in sometimes paper form, sometimes spreadsheet form, putting it all together, going back and checking for accuracy, and in the end, we found some problems. It would be hard for the program itself to do appropriate oversight if they don't have these management data, and we found it to be problematic for our own oversight.

Mr. GRIFFITH. And will continue to be problematic if not fixed, am I correct?

Mr. RUSCO. That is our belief, yes.

Mr. GRIFFITH. Mr. Chairman, I yield back.

Mr. STEARNS. Thank the gentleman, and the gentlelady from Florida, Ms. Castor, is recognized for 5 minutes.

Ms. CASTOR. Well thank you, Mr. Chairman, very much, and thank you, gentlemen, for being here today. I would also like to talk about the Department of Energy's Weatherization Program, because I believe it has been one of the most effective, energy efficient initiatives run overseen by the Federal Government, because it is a partnership with local communities. I have seen it firsthand in my district in the Tampa Bay area.

It provides those cost efficient upgrades to homes, many from families that don't have a lot of money to put into repairs to their homes, and this has been going on for 34 years. I understand that over the course of 34 years, we have helped weatherize over 6.3 million homes across America. And then in the recession, the Recovery Act provided another huge punch under weatherization, and this was smart because we were able to put people to work, especially in the construction industry where the jobs just—the bottom fell out of the economy, and then provide the double whammy benefit of helping put money back into the pocketbooks and the personal budgets of people all across the country.

One of the most effective partnerships I have seen is in the City of St. Petersburg and Pinellas County. In my area it was run by the Urban League, a nonprofit that had their finger on the pulse of folks who needed jobs, needed a little training. They were largely in the construction industry and not working. They hired them and they did—imagine the State of Florida, what it means for your air conditioning bill when you can plug the holes around the windows and doors. It saves them—it saves those families a lot of money.

So Mr. Johns, how many homes have been made more efficient through the Recovery Act investment under our Weatherization Assistance Initiative?

Mr. JOHNS. Approximately 680,000.

Ms. CASTOR. Six eighty. And I believe I heard you say that the average savings to each of these families was over $430 per year? Is that right?

Mr. JOHNS. I have heard that number. I have heard various ranges, but yes.

Ms. CASTOR. I think everyone can appreciate those kinds of savings.

Mr. Rusco, I noticed in—the Government Accountability Office did a report in December, 2011. You said that pursuant to the Recovery Act investment in weatherization, 13,000 jobs were created. Is that about right?

Mr. RUSCO. That is what was reported, yes.

Ms. CASTOR. OK. By the GAO—reported by the GAO?

Mr. RUSCO. It was reported by recipients to OMB.

Ms. CASTOR. OK, and you also made recommendations to the Department of Energy on how to make the initiative more efficient?

Mr. RUSCO. Yes, we did.

Ms. CASTOR. And in your testimony today, I hadn't seen this before, but you—in the Government Accountability Office testimony, you say that—you reported that some grant recipients had been able to exceed their production target because of a lower average cost of weatherizing homes and lower training and technical assistance expenses than anticipated, so that is good news. You also said—the GAO also reported that a long-term weatherization assistance goal is to increase energy efficiency through cost effective work, and that the Oak Ridge National Laboratory study of March, 2010, indicated that energy savings here will likely exceed the program's cost, meaning that every $1 spent on weatherization between 2009 and 2011 would result in almost $2 in energy savings over the useful life of the investment. What did you think of the Oak Ridge Laboratory's assessment that every dollar spent on weatherization results in $2 in savings over the life of the investment?

Mr. RUSCO. We did review their study methodology. We think it is sound. Those are preliminary results and I think they are about to publish a more comprehensive estimate, but we did think that their study approach was very sound.

Ms. CASTOR. Well that is good news for the taxpayer and it is good news for the folks who got jobs and it is good news for the people in those homes that are saving money on their energy bills.

Now we have run up on a deadline for all of those Recovery Act dollars under weatherization to be spent. The original deadline was March 31 of this year. You all mentioned this in your testimony. Can you tell me, explain to folks exactly what that deadline means and it has been extended until what date?

Mr. JOHNS. Go ahead.

Mr. RUSCO. Some States were unable to spend all their money. Many States actually did before the deadline, but some States were unable to and OMB issued guidance allowing the money to be spent up through—I am going to look at Kim, but I think September 30, 2013, and DOE then has issued revised guidance to the recipients, allowing them to apply for modifications of their deadlines.

Ms. CASTOR. OK, so now the burden is on the States to go in and make that application?

Mr. RUSCO. Yes, States and other recipients.

Ms. CASTOR. Can the recipients do it on their own without having to go through the State or rely on the State?

Mr. RUSCO. Each State has to apply to DOE for an extension in order to—for a modification of the deadline in order to spend whatever funds are remaining.

Ms. CASTOR. And there is not that much left. How much is left, do you know?

Mr. RUSCO. I think when we last checked, $4.2 billion had been spent, so there is something like $.6 billion left.

Ms. CASTOR. Well, I appreciate——

Mr. STEARNS. The gentlelady's time has expired.

Ms. CASTOR. Thank you very much.

Mr. STEARNS. We are going to go around with a second round of questions, and I will start with mine. Before I go, I would like unanimous consent to put in this Executive Order 13589 and the analysis from the Business & Financial News that "Obama's 'green jobs' have been slow to sprout."

Without objection, so ordered.

[The information follows:]

70863

Federal Register
Vol. 76, No. 220
Tuesday, November 15, 2011

Presidential Documents

Title 3—

The President

Executive Order 13589 of November 9, 2011

Promoting Efficient Spending

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in order to further promote efficient spending in the Federal Government, it is hereby ordered as follows:

Section 1. *Policy.* My Administration is committed to cutting waste in Federal Government spending and identifying opportunities to promote efficient and effective spending. The Federal Government performs critical functions that support the basic protections that Americans have counted on for decades. As they serve taxpayers, executive departments and agencies (agencies) also must act in a fiscally responsible manner, including by minimizing their costs, in order to perform these mission-critical functions in the most efficient, cost-effective way. As such, I have pursued an aggressive agenda for reducing administrative costs since taking office and, most recently, within my Fiscal Year 2012 Budget. Building on this effort, I direct agency heads to take even more aggressive steps to ensure the Government is a good steward of taxpayer money.

Sec. 2. *Agency Reduction Targets.* Each agency shall establish a plan for reducing the combined costs associated with the activities covered by sections 3 through 7 of this order, as well as activities included in the Administrative Efficiency Initiative in the Fiscal Year 2012 Budget, by not less than 20 percent below Fiscal Year 2010 levels, in Fiscal Year 2013. Agency plans for meeting this target shall be submitted to the Office of Management and Budget (OMB) within 45 days of the date of this order. The OMB shall monitor implementation of these plans consistent with Executive Order 13576 of June 13, 2011 (Delivering an Efficient, Effective, and Accountable Government).

Sec. 3. *Travel.* (a) Agency travel is important to the effective functioning of Government and certain activities can be performed only by traveling to a different location. However, to ensure efficient travel spending, agencies are encouraged to devise strategic alternatives to Government travel, including local or technological alternatives, such as teleconferencing and videoconferencing. Agencies should make all appropriate efforts to conduct business and host or sponsor conferences in space controlled by the Federal Government, wherever practicable and cost-effective. Lastly, each agency should review its policies associated with domestic civilian permanent change of duty station travel (relocations), including eligibility rules, to identify ways to reduce costs and ensure appropriate controls are in place.

(b) Each agency, agency component, and office of inspector general should designate a senior-level official to be responsible for developing and implementing policies and controls to ensure efficient spending on travel and conference-related activities, consistent with subsection (a) of this section.

Sec. 4. *Employee Information Technology Devices.* Agencies should assess current device inventories and usage, and establish controls, to ensure that they are not paying for unused or underutilized information technology (IT) equipment, installed software, or services. Each agency should take steps to limit the number of IT devices (e.g., mobile phones, smartphones, desktop and laptop computers, and tablet personal computers) issued to employees, consistent with the Telework Enhancement Act of 2010 (Public Law 111–292), operational requirements (including continuity of operations), and initiatives designed to create efficiency through the effective implementation of technology. To promote further efficiencies in IT, agencies should

consider the implementation of appropriate agency-wide IT solutions that consolidate activities such as desktop services, email, and collaboration tools.

Sec. 5. *Printing.* Agencies are encouraged to limit the publication and printing of hard copy documents and to presume that information should be provided in an electronic form, whenever practicable, permitted by law, and consistent with applicable records retention requirements. Agencies should consider using acquisition vehicles developed by the OMB's Federal Strategic Sourcing Initiative to acquire printing and copying devices and services.

Sec. 6. *Executive Fleet Efficiencies.* The President's Memorandum of May 24, 2011 (Federal Fleet Performance) directed agencies to improve the performance of the Federal fleet of motor vehicles by increasing the use of vehicle technologies, optimizing fleet size, and improving agency fleet management. Building upon this effort, agencies should limit executive transportation.

Sec. 7. *Extraneous Promotional Items.* Agencies should limit the purchase of promotional items (e.g., plaques, clothing, and commemorative items), in particular where they are not cost-effective.

Sec. 8. *General Provisions.* (a) Nothing in this order shall be construed to impair or otherwise affect:

(i) authority granted by law to a department or agency, or the head thereof;

(ii) functions of the Director of OMB related to budgetary, administrative, or legislative proposals; or

(iii) the authority of inspectors general under the Inspector General Act of 1978, as amended.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) Independent agencies are requested to adhere to this order.

(d) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

THE WHITE HOUSE,
November 9, 2011.

[FR Doc. 2011–29683
Filed 11–14–11; 11:15 am]
Billing code 3295–F2–P

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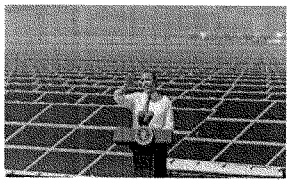
Analysis: Obama's "green jobs" have been slow to sprout

Fri, Apr 13 2012

By Andy Sullivan



(Reuters) - Three weeks ago, President Barack Obama stood in front of a sea of gleaming solar panels in Boulder City, Nevada, to celebrate his administration's efforts to promote "green energy."

Stretching row upon row into the desert, the Copper Mountain Solar Project not far from Las Vegas provided an impressive backdrop for the president.

Built on public land, the facility is the largest of its kind in the United States. Its 1 million solar panels provide enough energy to power 17,000 homes.

And it employs just 10 people.

Three years after Obama launched a push to build a job-creating "green" economy, the White House can say that more than 1 million drafty homes have been retrofitted to lower heating and cooling costs, while energy generation from renewable sources such as wind and solar has nearly doubled since 2008.

But the millions of "green jobs" Obama promised have been slow to sprout, disappointing many who had hoped that the $90 billion earmarked for clean-energy efforts in the recession-fighting federal stimulus package would ease unemployment - still above 8 percent in March.

Supporters say the administration over-promised on the jobs front and worry that a backlash could undermine support for clean-energy policies in general.

"All of this stuff is extraordinarily worthy for driving long-term economic transformation but extremely inappropriate to sell as a short-term job program," said Mark Muro, a clean-energy specialist at the Brookings Institution.

Others say the green-jobs push has crowded out less fashionable efforts that would have put people back to work quickly.

"From my perspective it makes more sense for us to arm our clients with the basic skills, rather than saying, 'By golly, you will do something in the green economy or you won't work,'" said Janet Blumen, the head of the Foundation for an Independent Tomorrow, a Las Vegas job-training organization that has seen positions in trucking and accounting go unfilled because training money had been earmarked for green efforts.

A $500 million job-training program has so far helped fewer than 20,000 people find work, far short of its goal.

Republicans, meanwhile, have seized on the failure of solar panel maker Solyndra, which received a $535 million loan guarantee, to argue that White House allies have been the only ones who have benefited from the green jobs push.

"He handed out tens of billions of dollars to green energy companies, including his friends and campaign contributors at companies like Solyndra that are now bankrupt," Republican presidential candidate Mitt Romney said on April 4.

VARYING ESTIMATES

Backers of the notion of a "green collar" work force argue that earth-friendly energy is a promising growth sector that could create a bounty of stable, middle-class jobs and fill the gap left by manufacturing work that has moved overseas.

On the campaign trail in 2008, Obama promised that a $150 billion investment would generate 5 million jobs over 10 years.

Obama included $90 billion in the American Recovery and Reinvestment Act to weatherize drafty buildings, fund electric-car makers and encourage other clean-energy efforts.

"We'll put nearly half a million people to work building wind turbines and solar panels, constructing fuel-efficient cars and buildings, and developing the new energy technologies that will lead to new jobs," he said at a wind-turbine plant in Ohio the day before he took office.

In December 2009, Vice President Joe Biden said the effort would create 722,000 green jobs.

The White House said in November 2010 that its clean-energy efforts had generated work for 225,000 people and would ultimately create a total of 827,000 "job years" - implying average annual employment of around 200,000 over the four years of Obama's presidential term.

White House officials stand by that estimate and say job creation is only one aspect of the clean-energy push.

"We have a record of success that has created tens of thousands of jobs and is ensuring that America is not ceding these industries to countries like China," White House spokesman Clark Stevens said. "Thanks to the investments we've made, these industries will continue to grow, along with the jobs they create."

One problem is that, unlike other elements of the Recovery Act that injected money into the economy quickly, efforts to develop high-speed rail or electric-car batteries Obama also promoted could take a decade or longer to yield dividends.

Gains in the sector don't necessarily lead to wider employment.

The wind industry, for example, has shed 10,000 jobs since 2009 even as the energy capacity of wind farms has nearly doubled, according to the American Wind Energy Association. Meanwhile, the oil and gas industry has added 75,000 jobs since Obama took office, according to Labor Department statistics.

Federal agencies also have struggled to get stimulus money out the door in a timely manner, even for prosaic efforts that help local governments reduce energy costs.

The rush of funding encouraged private-sector participants to inflate their job-creation projections as they angled for a piece of the action, insiders say.

"They were obviously just guessing," said Robert Pollin, a University of Massachusetts professor and green-energy supporter who helped the Energy Department sort through loan applications. "If an undergraduate gave me a paper of that quality I would have probably given them a C or a C-plus."

SLOW PROGRESS

The high-profile failures of companies that have benefited from federal backing, such as Solyndra and Beacon Power Corp., have given ammunition to Republicans who paint the effort as a costly boondoggle.

They also have targeted the $500 job-training program that aims to train workers for skills they would need in a new "green economy."

The program's initial results were so poor that the Labor Department's inspector general recommended last fall that the agency should return the $327 million that remained unspent.

The numbers have improved somewhat since then, but the department remains far short of its goal of placing 80,000 workers into green jobs by 2013.

By the end of 2011, some 16,092 participants had found new work in a "green" field, according to the Labor Department - roughly one-fifth of its target. The program also helped employed workers upgrade their skills.

Republican Senator Charles Grassley said the program had reached too few workers to be deemed a success.

"The green jobs-training program just didn't work. It was a poor investment of tax dollars," Grassley said in a prepared statement.

SHADES OF GREEN

The effort has been complicated by confusion over what exactly constitutes a green job.

In March, the Labor Department estimated there were 3.1 million green jobs in the United States as of 2010, using a broad definition that included everything from nuclear power-plant workers to regulators, lobbyists and park rangers.

The Recovery Act used a narrower definition, focusing on wind, solar and other renewable-energy industries and energy-efficiency efforts aimed at reducing consumption.

Using a definition similar to the Labor Department's, the Brookings Institution estimated that the Las Vegas region that includes the vast solar fields sprouting around Boulder City supported 9,797 "clean jobs" in 2010, accounting for 1.2 percent of the region's employment.

Local officials don't expect that figure to grow much.

"Will it add a significant number of jobs, enough to make a real dent in our unemployment? No, I don't see that happening," said Darren Divine, vice president for academics at the College of Southern Nevada.

The fields of healthcare, education and technology are likely to provide the best employment prospects in the years to come, he said.

PLUGGING THE GAPS

The much-touted home weatherization program has upgraded more than 1 million houses and provided work for about 20,000 people, as well as generating business for suppliers, according to the White House.

But here as well, supply has outpaced demand. While government spending has kept contractors busy upgrading low-income houses and public buildings, homeowners have been less eager to spend their own money in a tumbling real

estate market.

Contractors have fared better than the construction industry as a whole but have not found as much work as hoped, said Greg Thomas, the chairman of the trade group Efficiency First.

Les Lazareck, the head of Home Energy Connection in Las Vegas, estimated that fewer than one in four people he has trained through a Recovery Act program now earn most of their income through weatherization work.

"There's definitely not enough demand," he said. "The private market has been very slow."

(Editing by David Lindsey and Philip Barbara)

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Ms. DEGETTE. Objection. What is the status on Mr. Waxman's unanimous consent request? OK.

Mr. STEARNS. By unanimous consent, so ordered.

[The information follows:]

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED TWELFTH CONGRESS

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SUPPLEMENTAL MEMORANDUM

April 18, 2012

To: **Members of the Subcommittee on Oversight and Investigations**

Fr: **Henry A. Waxman, Ranking Member, and Diana DeGette, Subcommittee Ranking Member**

Re: **Supplemental Information on the House Republican Budget's Cuts to DOE Clean Energy Programs**

On Wednesday, April 18, 2011, at 10:30 a.m. in room 2322 of the Rayburn House Office Building, the Subcommittee on Oversight and Investigations will hold a hearing titled "Budget and Spending Concerns at DOE." This memorandum provides supplemental information on the House Republican Budget and its impact on Department of Energy (DOE) programs. The Republican budget passed the House on March 29, 2012, with no Democratic members voting in favor.[1]

This proposed budget would have significant impacts on DOE programs. It would cut billions of dollars to promote the development of clean and renewable energy, eliminate DOE loan programs that have helped support over 60,000 jobs, and maintain nearly $40 billion in tax subsidies for oil and gas companies. The Republican budget would:

- Cut overall energy discretionary spending by 57% in 2013, forcing major cuts in DOE's Office of Energy Efficiency and Renewable Energy and derailing efforts to increase energy efficiency and develop wind, solar, geothermal, and other clean energy sources.

- Halt DOE's Advanced Technology Vehicle Manufacturing (ATVM) program and loan guarantee programs authorized under sections 1703 and 1705 of the Energy Policy Act of 2005. These programs – which have supported the development of

[1] *House Passes G.O.P. Budget Plan, Mostly Along Party Lines,* New York Times (Mar. 29, 2012).

plug-in hybrid vehicles and electric vehicles and helped U.S. renewable energy companies compete globally – have supported an estimated 60,000 jobs over the last three years.[2]

- Repeal borrowing authority for DOE's Western Area Power Administration Transmission Infrastructure Program, which is working to modernize the electrical grid in order to promote energy and cost-saving choices for consumers, reduce emissions, and foster the growth of renewable energy sources.

- Retain billions of dollars in oil industry tax subsidies, including oil and gas company tax preferences worth $38.6 billion over 10 years.

The remainder of this memorandum provides additional detail on the Republican budget and its impact on DOE programs.

I. THE REPUBLICAN BUDGET REDUCES SUPPORT FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY INITIATIVES.

While the House Republican budget does not detail funding levels for specific programs, it proposes slashing discretionary spending on energy programs by 57% in 2013.[3] Even if the cuts were distributed evenly across the full range of energy programs, the impacts on energy efficiency and renewable energy initiatives would be severe. The rhetoric and illustrative examples used in the Republican budget suggest that clean energy programs would likely be targeted for even more draconian cuts.

Cutting the budget of the Office of Energy Efficiency and Renewable Energy by more than half would derail efforts to make wind and solar power cost competitive with fossil fuels, to generate 20 % of U.S. electricity from wind by 2030, to expand geothermal generation capacity, and to help entrepreneurs break ground on several next-generation biorefineries. Cuts of this size would also cripple efforts to retrofit tens of thousands of residential homes to save consumers money and conserve energy, to make the commercial building sector 20 % more efficient by 2022, and to develop transformational manufacturing processes and materials technologies that advance the clean energy economy by increasing industrial and manufacturing energy efficiency. Initiatives to improve the fuel economy of vehicle combustion engines and reduce the cost of electric vehicle batteries would also face significant cuts.[4]

II. THE REPUBLICAN BUDGET CUTS THE ADVANCED TECHNOLOGY VEHICLE MANUFACTURING LOAN PROGRAM.

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[2] U.S. Department of Energy, *The Financing Force Behind America's Clean Energy Economy* (Apr. 2012) (online at lpo.energy.gov/?page_id=45) (accessed Apr. 14, 2012).

[3] House Committee on the Budget, *Concurrent Resolution on the Budget-Fiscal Year 2013*, 112th Cong. (2012) (H. Rept. 112-421).

[4] U.S. Department of Energy, *FY 2013 Congressional Budget Request: Budget Highlights* (Feb. 2012).

The House Republican Budget targets the Advanced Technology Vehicles Manufacturing (ATVM) Loan Program as an illustrative policy option for cuts under the heading, "Rescind Unobligated Balances in DOE's Green Subsidies and Loan Portfolio."[5] The bipartisan program was signed into law by President Bush in order to help auto companies finance the production of energy-efficient vehicles and spur private investment.[6] The FY 2009 Continuing Resolution appropriated $7.5 billion in credit subsidy funding to support $25 billion in ATVM loans.[7]

By supporting permanent manufacturing jobs, the program revitalizes communities experiencing stagnant economic growth.[8] As of April 2012, the ATVM program has supported 38,700 jobs through loans to five companies operating 20 projects.[9]

The ATVM program has helped fund the development of plug-in hybrid vehicles and electric vehicles where private financing was unavailable.[10] Projects are reviewed by DOE on a competitive basis and must go through a "rigorous financial, legal and technical review process."[11] DOE ensures that each project meets the statutory requirement of a "reasonable prospect of payment."[12]

Examples of ATVM loans include:

- **Tesla** - DOE has provided $465 million to Tesla Motors, supporting 1,500 permanent jobs in California.[13] The loan will avoid 26,000 tons of carbon pollution annually, the equivalent of taking 5,000 cars off the road.[14] The loan will support the development of

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[5] House Committee on the Budget, *Concurrent Resolution on the Budget-Fiscal Year 2013*, 112th Cong. (2012) (H. Rept. 112-421).

[6] U.S. Department of Energy, *Fact Sheet: Advanced Technology Vehicles Manufacturing Loan Program* (online at lpo.energy.gov/?p=900).

[7] Senate Committee on Energy and Natural Resources, *Alternative Fueled Vehicles Competitiveness And Energy Security Act*, 112th Cong. (S. Rept. 112-72).

[8] *Id.*

[9] U.S. Department of Energy, *The Financing Force Behind America's Clean Energy Economy* (online at lpo.energy.gov/?page_id=45) (accessed Apr. 14, 2012).

[10] *Id.*

[11] *Id.*

[12] *Id.*

[13] U.S. Department of Energy, *ATVM* (online at lpo.energy.gov/?page_id=43) (accessed Apr. 14, 2012).

[14] *Id.*

two plants to develop the Tesla Model S, as well as battery packs and electric drivetrains.[15]

- **The Vehicle Production Group LLC** - DOE has provided $50 million to the Florida-based company, supporting 900 jobs. The loan will avoid 9,000 tons of carbon pollution annually, the equivalent of taking 2,000 cars off the road.[16] DOE funding will support the modernization of facilities in Michigan in order to produce advanced high-strength steel.[17]

In February 2011, the Government Accountability Office issued a report assessing the program's performance. GAO concluded: "In making its first loans, the ATVM program has injected significant funds into the U.S. automotive industry for promoting improved fuel efficiency of conventional vehicles and encouraging the development of vehicles with newer technologies that rely less, or not at all, on petroleum."[18]

The ATVM program has broad support. The Chamber of Commerce has opposed elimination of the program[19] and Chairman Upton supported and voted for the ATVM program in 2007.[20] Chairman Upton also wrote to Secretary Chu in July 2010, along with a group of bipartisan lawmakers, urging "prompt completion and consideration of loan applications" from his home state[21] and noted "[f]or America's auto industry to continue its global leadership into the 21st Century, we must foster the American manufacture of fuel-efficient vehicles for the mass market."[22]

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[15] Daniel J. Weiss, *Bush-Era Job Program is GOP Leaders' No.1Target*, Center for American Progress (Sept. 15, 2011).

[16] U.S. Department of Energy, *ATVM* (online at lpo.energy.gov/?page_id=43) (accessed Apr. 14, 2012).

[17] Daniel J. Weiss, *Bush-Era Job Program is GOP Leaders' No.1Target*, Center for American Progress (Sept. 15, 2011).

[18] U.S. Government Accountability Office, *Department of Energy: Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed* (Feb. 28, 2011) (GAO-11-145).

[19] Letter from R. Bruce Josten, Executive Vice President, Government Affairs, Chamber of Commerce, to Members of the United States Senate (online at peters.house.gov/uploads/Chamber%20ATVM%20letter.pdf) (accessed Apr. 14, 2012).

[20] See, e.g, Critic of clean energy loans lobbied Energy Department, USA Today (Sep. 27, 2011).

[21] *Club for Growth criticizes Solyndra critic Upton*, USA Today (Feb. 16, 2012).

[22] *Id.*

III. THE REPUBLICAN BUDGET RESCINDS FUNDING FOR LOAN GUARANTEES FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY PROJECTS.

DOE's Loan Guarantee Program Office (LGPO) provides and manages loan guarantees for clean energy projects awarded under section 1703 and section 1705 of the Energy Policy Act of 2005.[23] As of April 2012, the 28 loans that have been finalized under the two programs will support 18,603 construction jobs and 3,498 permanent jobs.[24] The House Republican Budget proposes to de-fund this program by rescinding unobligated balances in 2013.[25]

Innovative renewable energy projects are eligible to receive loan guarantees under section 1705 of the Energy Policy Act. For example, LGPO administered a $117 million loan guarantee to build a wind farm in Hawaii that will supply clean electricity to more than 7,500 households. Not only did the project employ hundreds of workers during construction, it relied on wind turbines that were built in Cedar Rapids, Iowa, and featured an energy storage system supplied by a company in Texas. In total, this loan guarantee fed a supply chain that reached 104 U.S. businesses in 21 states.[26]

The loan guarantee program helps U.S. manufacturers compete with China and other countries that are heavily subsidizing their renewable energy industries. Between 1995 and 2010, the share of photovoltaic cells and panels manufactured in the United States dropped from over 40% to just 6%.[27] Since 2005, China's market share has increased from 6% to 54%.[28] In 2010, the China Development Bank provided more than $30 billion in loans to Chinese solar manufacturers.[29] Chinese manufacturers also benefit from "free or subsidized land from local governments, extensive tax breaks and other government assistance."[30]

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[23] U.S. Department of Energy, *About the Loan Programs Office (LPO)* (online at lpo.energy.gov/?page_id=2) (accessed Apr. 14, 2012).

[24] U.S. Department of Energy, Loan Programs Office, *Our Projects* (online at lpo.energy.gov/) (accessed Apr. 14, 2012).

[25] House Committee on the Budget, *Concurrent Resolution on the Budget-Fiscal Year 2013*, 112th Cong. (2012) (H. Rept. 112-421).

[26] House Committee on Oversight and Government Reform, Testimony of Deputy Secretary Daniel Poneman, U.S. Department of Energy, *How Obama's Green Energy Agenda is Killing Jobs* (112th Cong.) (Sept. 22, 2011).

[27] House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, Testimony of Jonathan Silver, *Hearing on Solyndra and the DOE Loan Guarantee Program* (Sept. 14, 2011).

[28] *Id.*

[29] *Solyndra's Failure Is No Reason to Abandon Federal Energy Innovation Policy*, Forbes (Sept. 2, 2011).

[30] *U.S. Solar Company Bankruptcies a Boon for China*, New York Times (Sept. 1, 2011).

On January 31, 2012, the White House released a detailed analysis of the DOE loan guarantee portfolio, conducted by financial executive Herbert Alison. This analysis of all DOE loan guarantees found that the portfolio had effectively managed risks and was expected to cost taxpayers approximately $2 billion less than initially anticipated.[31]

IV. THE REPUBLICAN BUDGET ELIMINATES SUPPORT FOR GREEN TRANSMISSION PROJECTS

The House Republican Budget calls for the repeal of borrowing authority for the Western Area Power Administration's (WAPA) Transmission Infrastructure Program.[32] WAPA, a power marketing administration within DOE, was provided $3.25 billion in borrowing authority under the Recovery Act to modernize the electrical grid in order to promote energy and cost-saving choices for consumers, reduce carbon pollution emissions, and foster the growth of renewable energy sources like wind and solar.[33] With the Recovery Act borrowing authority, WAPA can borrow funds from the Treasury Department to "finance, facilitate, plan, construct, operate, maintain, and study the construction of new or upgraded transmission lines and related facilities for the delivery of power generated by renewable energy resources."[34]

Three WAPA projects are currently underway: (1) the Montana-Alberta Tie Ltd.; (2) the TransWest Express, which spans from Wyoming to Nevada; and (3) Electrical District No. 5 to Palo Verde Hub in Arizona. WAPA is currently reviewing additional projects, which would use the full $3.25 in borrowing authority if approved.[35]

The Montana-Alberta Tie transmission line will enhance the development of wind power in Montana, powering up to 300,000 homes with wind energy.[36] The TransWest Express transmission line will deliver 3,000 megawatts of renewable energy from Wyoming to the Desert Southwest, supporting roughly 2,000 jobs.[37] And the Palo Verde project, a 109-mile

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[31] The White House, *Report of the Independent Consultant's Review with Respect to the Department of Energy Loan and Loan Guarantee Portfolio* (Jan. 31, 2012).

[32] House Committee on the Budget, *Concurrent Resolution on the Budget-Fiscal Year 2013*, 112th Cong. (2012) (H. Rept. 112-421).

[33] Western Area Power Administration, *About the Transmission Infrastructure Program* (online at ww2.wapa.gov/sites/Western/recovery/Pages/About.aspx) (accessed Apr. 14, 2012).

[34] House Natural Resources Committee, *American Taxpayer and Western Area Power Administration Customer Protection Act of 2011, Dissenting Views,* 112th Cong. (2011) (H. Rept.).

[35] Western Area Power Administration, *Transmission Infrastructure Program* (online at http://ww2.wapa.gov/sites/western/recovery/Pages/default.aspx) (accessed Apr. 16, 2012).

[36] Western Area Power Administration, *Montana-Alberta Tie Limited Project* (online at ww2.wapa.gov/sites/Western/recovery/project/Pages/MATL.aspx) (accessed Apr. 17, 2012).

[37] House Natural Resources Committee, *American Taxpayer and Western Area Power Administration Customer Protection Act of 2011, Dissenting Views,* 112th Cong. (2011) (H. Rept.).

transmission line, will increase the delivery of solar power to consumers in Arizona, southern Nevada, and southern California.[38]

In response to a committee vote by Republicans to repeal WAPA, Democrats on the House Natural Resources Committee wrote that repeal would "destroy jobs, and in the long-term … undermine the American companies and workers competing with China in the high-tech economic sectors of the 21st Century."[39]

IV. THE REPUBLICAN BUDGET MAINTAINS NEARLY $40 BILLION IN TAX BREAKS FOR BIG OIL

While the Republican budget imposes massive cuts on DOE's programs to encourage the development of renewable energy and other innovative technologies, the budget does nothing to reduce billions of dollars of tax subsidies currently going to oil and gas companies that are earning record profits.

As part of his FY 2013 budget request, President Obama has proposed eliminating $38.6 billion worth of oil and gas company tax preferences over ten years, including the enhanced oil recovery credit and percentage depletion for oil and natural gas wells.[40] Percentage depletion allows oil companies to deduct the costs of an oil or gas well on a favorable basis.[41]

In 2011, the largest five oil companies made a combined total of $137 billion in profits, a 75% increase from 2010.[42] As of December 2011, these five companies were maintaining $58 billion in cash reserves.[43]

According to an analysis by the Center for American Progress, eliminating oil and gas tax preferences could pay for: (1) the salaries of 36,000 high school teachers; (2) Pell Grants for

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[38] Western Area Power Administration, *Electrical District No. 5 – Palo Verde Hub Project* (online at ww2.wapa.gov/sites/Western/recovery/project/Pages/ED5PVH.aspx) (accessed Apr. 17, 2012).

[39] House Natural Resources Committee, *American Taxpayer and Western Area Power Administration Customer Protection Act of 2011, Dissenting Views,* 112th Cong. (2011) (H. Rept.); *Bills to Strip $3.3B for Transmission, Shooting Sea Lions Pass House Panel*, New York Times (Oct. 6, 2011).

[40] Office of Management and Budget, *Cuts, Consolidations, and Savings: Budget of the U.S. Government* (2012).

[41] Seth Hanlon, *Big Oil's Misbegotten Tax Gusher*, Center for American Progress (May 5, 2011).

[42] Daniel J. Weiss, Jackie Weidman, and Rebecca Leber, *Big Oil's Banner Year,* Center for American Progress (Feb. 7, 2012).

[43] *Id.*

more than 500,000 college students; or (3) 67,000 home solar energy systems, which would reduce carbon dioxide pollution by 175,000 metric tons annually.[44]

Instead of making important investments in clean and renewable energy, the Republican's budget retains these multi-billion tax breaks for oil companies that are earning record profits.

[44] *Id.*

Mr. STEARNS. My question is to the three of you. I will start with Mr. Johns. Mr. Johns, in a committee letter of March 15, 2012, the Treasury admitted that, "Job creation is not one of the statutory requirements for eligibility, and thus, it is not a factor in a consideration process with the Section 1603 Recovery Act grants to renewable energy projects." Do you recognize that statement? In other words, basically, creating jobs is not one of the missions of the Department of Energy under the Section 1603. Treasury says that that is not a big mission. Is that—do you understand that?

Mr. JOHNS. Sir, I heard that comment but I will say that because 1603 doesn't have a direct budget impact on the Department of Energy, it is not something that I have spent particular time reviewing.

Mr. STEARNS. But it is true that Department of Treasury administers the 1603 Program with technical support from the Department of Energy, isn't that true?

Mr. JOHNS. That is correct.

Mr. STEARNS. And so when they come and say that under statutory requirements, job creation is not a consideration in the process. I think that is an important fact.

Nevertheless, when Secretary Chu was before us and he was asked questions about this 1603 tax grant program, he says that it has created tens of thousands of jobs in industries such as wind and solar, and he was under oath. Do you remember him saying that?

Mr. JOHNS. I do remember him saying that.

Mr. STEARNS. OK. Do you think that is true?

Mr. JOHNS. I don't have any other basis to judge, other than——

Mr. STEARNS. We had no way to determine if what he was saying was true; however, recently there was a released report on Friday, April 6, 2012, from the National Renewable Energy Laboratories, "Preliminary Analysis of the Jobs and Economic Impact of the 1603 Program." Are you aware of that?

Mr. JOHNS. I am aware there was a study.

Mr. STEARNS. OK. So we have Secretary Chu saying tens of thousands of new jobs. This report comes out in April talking about it, and DOE—in fact, it went on to say that DOE did not provide any data. There was no data to back up Secretary Chu's claim of tens of thousands of jobs. So basically, you are familiar with this report. This report is contradicting Secretary Chu, saying that tens of thousands of jobs were not created, and yet, he goes around and we hear the Democrats over on this side of the aisle keep talking about all these jobs are created and the factual report says that they were not.

Let me ask Mr. Friedman. Are you aware of this report that I just mentioned that came out April 6?

Mr. FRIEDMAN. I am not, Mr. Chairman.

Mr. STEARNS. OK. Are you, Mr.—Dr. Rusco?

Mr. RUSCO. No, I am sorry.

Mr. STEARNS. Well let me ask each of you, in your best estimation, do you think Secretary Chu is correct when he said tens of thousands of new jobs were created under the 1603 Program? Dr. Rusco?

Mr. RUSCO. We have not looked into that program. We have not received any request to evaluate that, so I am sorry, I don't have any basis to judge.

Mr. STEARNS. OK.

Mr. FRIEDMAN. I am in the same situation, Mr. Chairman.

Mr. STEARNS. Well, we have in this article I just put into the record from the Business & Financial, "The millions of green jobs that President Obama promised have been slow to sprout, disappointing many who have hoped that the $90 billion earmarked for clean energy efforts in the recession-fighting Federal stimulus package would ease unemployment, still above 8 percent in March. Supporters say the administration overpromised on the job front and worry that a backlash could undermine support for clean energy policies in general. A $500 million job training program has thus far helped fewer than 20,000 people find work." It sort of falls short of its goal. So I think the question I now want to direct to is Dr. Rusco, isn't it true that the report says that the results—the National Renewable Energy Laboratory, that report, cannot be attributed to the 1603 Grant Program alone? Do you understand the question?

Mr. RUSCO. I am sure—if I do, I am sure that is correct.

Mr. STEARNS. The results presented in this report cannot be attributed to the 1603 Grant Program alone.

Mr. RUSCO. Yes, I am sure that is true.

Mr. STEARNS. OK. Some projects supported by the 1603 award may have progressed without the award, while others may have progressed only as a direct result of the program. Therefore, the jobs and economic impact estimates can only be attributed to the total investment in the projects. Would that be a fair thing to say?

Mr. RUSCO. I think in general for any program like this, that would be a fair thing to say.

Mr. STEARNS. Yes. Also, the report's jobs estimate should be interpreted as gross rather than net estimates. Do you think that is true?

Mr. RUSCO. Yes.

Mr. STEARNS. OK. The model used by DOE to arrive at their estimate does not account for displacement of jobs or economic activity related to changes in utilization of existing power plants, electric utility revenues, and household and business energy expenditures. Neither do the jobs and economic impact estimates account for possible alternative spending of the Federal funds used to support the 1603 Program. Is that a fair estimate? Would you agree with that?

Mr. FRIEDMAN. Yes.

Mr. STEARNS. Mr. Friedman? OK. I think my time is expired. I am going to recognize the gentlelady from Colorado.

Ms. DEGETTE. Thank you very much, Mr. Chairman.

So I want to talk a little bit about the themes I was talking about in my last set of questions, which are we really need to find savings and we need to cut programs that are inefficient or not useful towards our overall long-term energy goal. On the other hand, I think we do need to in a fiscally responsible way invest in energy for the future. So for example, in 2009, as we have heard in this committee, the Chinese government poured $120 billion in their government funds into renewable energy, $45 billion on the

electric grid alone, while the United States just invested $20 billion. And most of that wasn't in direct investment and energy development.

So Mr. Johns, I want to know how much the Department has requested for energy—renewable energy initiatives in the 2013 budget?

Mr. JOHNS. It is approximately $2.3 billion.

Ms. DEGETTE. And that $2.3 billion includes a 29.1 percent increase in funding for the Office of Energy Efficiency and Renewable Energy, is that right?

Mr. JOHNS. That is correct.

Ms. DEGETTE. Now what do you intend to do with these additional funds?

Mr. JOHNS. I highlighted one of the particular areas a few minutes ago, the Advanced Manufacturing Initiative. That program invests broadly in solar, offshore wind in this case, and other key investments with a focus on those areas that we—where we can provide groundbreaking research, help get things deployed where appropriate. We have reduced—to your point earlier about reducing spending, we have reduced spending in those areas where we think there is no more real government gain to be made——

Ms. DEGETTE. But where you have got established industries that are going forward without the government's support.

Mr. JOHNS. Onshore winds, some of the hydro programs, those kind of things where we are reducing—we are making shifts in our investment where we are reducing funding in those areas that are more mature, reducing funding in some of the grid and other investments, fuel cells, where we no longer—the government just doesn't need to play a role anymore.

Ms. DEGETTE. Those industries seem to be moving forward on their own——

Mr. JOHNS. Exactly.

Ms. DEGETTE [continued]. Is that what you are saying?

Mr. JOHNS. Yes, ma'am.

Ms. DEGETTE. And for these additional investments that you are doing, what kind of accounting oversight do you have to make sure that those funds are being efficiently spent?

Mr. JOHNS. We—for those funds that are already appropriated, we have a—we are increasing pretty dramatically right now our transparency into the numbers and into the actual progress on those, meeting with senior leadership, bringing them this kind of information on not just the status of the funding, though that is important, but also their progress in reaching the performance measures that they have established.

Ms. DEGETTE. OK. Now Mr. Friedman mentioned about the ARRA money, how quite a bit of that still has—while it has all been appropriated, some of it has not been disbursed. What is the DOE doing to get the rest of that money out the door, and what are you doing to ensure that the Venn diagram that he talked about comes out just right?

Mr. JOHNS. He had it exactly right in terms of the—there is a tension there between spending the money fast and spending the money right. We focused on getting money obligated, which means that work is being done. We are now being careful about the rate

at which we then pay the bills. We haven't received bills in some cases from contractors and from States and from companies, so we are very careful in making sure that the work has been done. For example, on weatherization, the—each home has to be inspected before we can sign off that the work has been done and therefore it is appropriate to pay the money. So it is these kinds of measures in part through the work of GAO and IG that they have recommended that we are being careful about the rate at which we then——

Ms. DEGETTE. So when is that all going to be disbursed, that is my question.

Mr. JOHNS. It depends on the program, but as you heard, some of it has a deadline of 2013. The money as originally appropriated had a deadline of 2015, so we are working to get it out as quickly as appropriate, but we don't want to spend—we don't want to get the money out before we can confirm that the work was finished.

Ms. DEGETTE. OK. Thank you.

Thank you very much, Mr. Chairman. I yield back.

Mr. STEARNS. Gentleman from Virginia is recognized for 5 minutes.

Mr. GRIFFITH. Dr. Rusco, GAO came out in February of this year with a report on Federal renewable energy initiatives, and based on its review, GAO found that government-wide, 23 agencies and their 130 sub-agencies implemented nearly 700 renewable energy initiatives in fiscal year 2010. I guess my question is was it possible before February of this year to effectively identify fragmentation or duplication across the various Federal renewable energy initiatives?

Mr. RUSCO. I believe that this inventory of these initiatives, this is the first time this had been done.

Mr. GRIFFITH. All right, and so prior to that there would not have been a comprehensive inventory of these programs?

Mr. RUSCO. That is correct.

Mr. GRIFFITH. And do you believe or do you have any idea how much money might be saved if we were able to eliminate duplication in these programs?

Mr. RUSCO. We were unable to get to that point. It took us all the time we had just to create the inventory. We are looking at key technologies within that now in three individual studies. We are trying to—we are looking at solar, wind, and battery storage, and we are trying to get some more granularity so we can determine if there is potential duplication.

Mr. GRIFFITH. OK, and when do you expect that to be done?

Mr. RUSCO. All three of those reports should be out this summer.

Mr. GRIFFITH. Mr. Johns, any idea whether or not the agency will be willing to work with those duplications, even it means shifting one of the programs somewhere else?

Mr. JOHNS. As I have said before, we take very seriously the recommendations from GAO. We will be in the middle of our 2014 budget process if it comes out this summer, so we would certainly take a look at those.

Mr. GRIFFITH. All right. As the Chairman said at the beginning of the hearing, and I would agree completely, we are not looking to spend a dime more than we should spend. We are looking to

spend money on the missions we need to spend money on, but if we can find or if GAO and IG find places where we can make reductions, then we are absolutely interested in those. Because it doesn't really matter how we got here or which administration did what. The bottom line is we know that our country needs to save money and we need to do whatever we can to find it. Isn't that correct?

Mr. JOHNS. My mission as a civil servant is to do exactly that, to make sure that we are spending the money that we have wisely and that we are not——

Mr. GRIFFITH. And to eliminate any spending that we don't need to be spending?

Mr. JOHNS. Yes, sir.

Mr. GRIFFITH. All right.

Mr. Friedman, in your prepared testimony you noted that the IG added operational efficiency and cost savings as a preeminent management challenge for 2012. Your testimony also points out that the future may well entail funding levels that simply make programmatic status quo unsustainable, and which may require rethinking the fundamental structure of the Department of Energy and its operations. Would you be willing to expand on that for me?

Mr. FRIEDMAN. Well yes, Mr. Griffith. We felt that it was time after being in this business for a long period of time to sort of think outside our comfort zone, and given the realities of the situation and the seeming consensus and the fact that budgets going forward are going to be diminished and much more austere, we decided to take the body of knowledge that we had gained over many, many years and come up with five big-ticket items that would fundamentally change the Department of Energy and potentially save significant amounts of money, and we identify the five in the testimony.

Mr. GRIFFITH. All right, and I am going to give you an opportunity to pick out your favorite one and tell me about it.

Mr. FRIEDMAN. What my favorite one is?

Mr. GRIFFITH. Yes.

Mr. FRIEDMAN. Actually there are several that are favorite, but I certainly think the Department's technology centers, the Federally Funded Research Development Centers, there are 16 of them, if this were a for-profit business we think it would be time to say hey, can we afford 16 with a 35 percent to 40 percent overhead for running each of those laboratories? Is it time to rethink the number of laboratories or does consolidation make sense? If this were your business or mine, we would have done that already.

Mr. GRIFFITH. All right, very good. Then you have got time to tell me another, since you said there were several.

Mr. FRIEDMAN. Well, the Department spends about $1 billion a year on physical security. We have some of the most sensitive sites in the United States. We think each site uses a slightly different approach or multiple approaches to obtain the Pro Force guards. These are paramilitary, very well-trained general contractors. We think there are ways of consolidating these contracts, which would result in economies of scale, common training, common arms, reduces the cost dramatically.

Mr. GRIFFITH. Because I do believe it is a bipartisan—as you stated, going forward I think is a bipartisan effort. We have got to

try to live within our means. We can't continue to spend money that we don't have, and I appreciate your efforts in that regard, and I appreciate all of you being here today. Thank you.

I yield back, Mr. Chairman.

Mr. STEARNS. All right. I think we are all done. I am just going to take a little liberty here as Chairman to ask a couple questions here.

I want to talk to the ATVM loans. When I say a 30 percent subsidy rate, do you understand what I mean by that? OK. To date, DOE has closed five loans totaling $8.4 billion on the ATVM loan, which is Tesla and Fisker, those kinds of automobile subsidies, and there have been no new loans closed since 2011. And there is $4.2 billion, I understand, remains authorized but unobligated for loan subsidies. Is this correct?

Mr. JOHNS. Yes, sir.

Mr. STEARNS. OK. Is it possible we could give that money back to the taxpayers?

Mr. JOHNS. The loan program is currently reviewing multiple applications. I don't know the status of those individual applications right now. Certainly money that is not needed would be given back to——

Mr. STEARNS. OK, but since $3.3 billion has been obligated for ATVM loan subsidies on $8.4 billion of loans, this is a subsidy rate of 30 percent, is that correct? Take my word for it, it is correct. How do you explain an actual subsidy rate of 39 percent, when 30 percent was established for the program in the beginning? You are the budget director. Why?

Mr. JOHNS. I don't have an answer for you.

Mr. STEARNS. OK, all right.

Dr. Rusco, in your testimony you noted that at the time of GAO's review, DOE could not be assured that projects would be delivered as agreed. Can you explain what you meant by that?

Mr. RUSCO. With respect—oh yes, with respect to the ATVM, yes. We felt that—well, according to the program guidance, they were to have technical engineering expertise on the ground at the time that the loan amounts were disbursed for keeping track of key milestones, technological milestones, and making sure that the companies receiving the loans were meeting those milestones before further disbursements were made. And at the time that we reported, the program did—had not acquired that expertise and we felt——

Mr. STEARNS. But basically the DOE had not established sufficient performance measures so that you could assess the program?

Mr. RUSCO. That is true as well that they have not—had not at the time established measures that would identify the fleet energy savings associated with the program loans.

Mr. STEARNS. Mr. Friedman, anything you might want to offer on that? I mean, I think it is a little shocking to hear that the DOE did not even provide sufficient performance measures so that the GAO could even understand what is going on, but anyway, Mr. Friedman?

Mr. FRIEDMAN. Well, one of the issues that we have raised in terms of lessons learned is the need for due diligence and metrics that allow a program evaluation in an intelligent way.

Mr. STEARNS. Mr. Rusco, we understand that several loan applications have been denied by the Department of Energy. Are you aware of that?

Mr. RUSCO. I am sorry, which——

Mr. STEARNS. Some of the loan guarantees have been denied by the Department of Energy.

Mr. RUSCO. Yes.

Mr. STEARNS. OK. One applicant stated, "We had been forced to say uncle"—have you heard about that?

Mr. RUSCO. Not that specific case.

Mr. STEARNS. But why have no new loans been approved, in your estimation?

Mr. RUSCO. I think that there are a number of loans that have reached conditional commitment, including several nuclear loans and those, I believe, are still—well, they are still working through the licensing process and it is unclear whether, you know, at this point when those loans will be issued.

I think there is some systemic problem with the way that the 1703 part of the Loan Guarantee Program works, and that is that for many of the innovative technologies, they have to pay their own credit subsidy costs. And the fact that they are innovative means that they are going to be somewhat risky, and those costs may be very high.

Mr. STEARNS. Maybe if you could just dwell on the ATVM loans and not in general, just in those.

Mr. RUSCO. Yes. Since we have looked at that, I am unaware of the status of ongoing loan applications. I know there are some that are being considered.

Mr. STEARNS. Yes. Would it be fair to say that since they are not approving any new loan applications and they have $4.2 billion of unused budget authority for this program, is it possible some of this money could be returned to the Treasury and we could help to balance the budget with it?

Mr. RUSCO. Again, I am unaware of what the current status of the loan applications are.

Mr. STEARNS. Just return it to the Treasury.

Mr. Friedman, any comments on that, just return the money to the Treasury?

Mr. FRIEDMAN. If you are asking could it be done, I am not an appropriations law expert but I see no reason why it could not be done.

Mr. STEARNS. Mr. Johns, any reason why that $4.2 billion couldn't be returned to the Treasury?

Mr. JOHNS. Well as I said, we are active—the Loan Program Office is actively reviewing existing loan applications. I can't tell you the status of those.

Mr. STEARNS. All right. I think we have completed our questions here.

Ms. DEGETTE. Mr. Chairman?

Mr. STEARNS. I think Mr. Waxman's supplemental memo—we had a question for Dr. Rusco. On January 31, 2012, DOE loan guarantee report by Herb Allison, he states on page 5 that DOE estimated the loan subsidy for the existing loan was $2.9 billion, while the estimated $2.7 billion of savings of $.2 billion or $200

million. Is it fair then to claim a savings of $2 billion future loans that have not been awarded? Does that make sense to you?

Mr. RUSCO. I am sorry, I am not aware of—I am not sure what you are referring to.

Mr. STEARNS. Yes, this is related to the Waxman memo in which they make a claim about the loan guarantee report by Herb Allison. Can—I guess the question is they are claiming savings of money. Can you verify or corroborate this savings?

Mr. RUSCO. I am sorry, I would have to look at that and get back to you.

Mr. STEARNS. I think that is a fair estimate of your response. I mean, that would be my response because it is a little technical.

Unanimous consent I am just going to order—I am just going to put it in the record. How do you feel about that?

Ms. DEGETTE. I feel excellent about it. Thank you, Mr. Chairman.

Mr. STEARNS. I agree with that. OK.

[The information is available at http://www.whitehouse.gov/sites/default/files/docs/report_on_doe_loan_and_guarantee_portfolio.pdf.]

Mr. STEARNS. Just in closing, Mr. Johns, can you report to us now on the number of vehicles in the DOE's inventory, following up on Chairman Barton's request in which he asked you to find precisely down to the four wheels?

Mr. JOHNS. That is a different question. I can't tell you number of wheels, but I can tell you——

Mr. STEARNS. No, I am just sort of making—trying to make light on this.

Mr. JOHNS. Yes, sir. The current number in the fleet is 15,108 vehicles, as you suggested, 15,000. The target for the—for 2013 is 9,484, reflecting a reduction over time of the number. I would want to point out, though, that this is not just the cars that are sitting in the parking lot. This counts all of our vehicles, to include the trucks that we use to transfer nuclear material from one place to another, the bucket trucks that we use for the grid, those kind of things. So some of these are highly technical and highly specific vehicles. It is not just a matter of everyone in DOE gets a car. I assure you, I have not been given a car by the Department.

Mr. STEARNS. Yes, because it is 15,000 employees and you have got 15,000 cars. It would appear that everybody has a car, but you are saying there is extrapolatory evidence here that they are using cars for things that are project-oriented and not for personal use.

Mr. JOHNS. And these are also cars that are available to the—at the labs, so this is also being used by the contractors as well. So this is 15,000 vehicles for that total number, 115,000 people. Again, as I said——

Mr. STEARNS. One hundred fifteen thousand people? Not the contractors, you mean just the employees?

Mr. JOHNS. It is for—it includes the contractors.

Mr. STEARNS. So 100,000 and contractors would also get access to a DOE car?

Mr. JOHNS. Because this is not just cars. We as the Department are paying for the contractors, the work of the contractors.

Mr. STEARNS. Couldn't they buy their own car with their own funds?

Mr. JOHNS. It is not just—these are not just personal—these are not just vehicles for them to drive back and forth with, these are vehicles for them to do the work that they do every day, the bucket trucks, the larger—these trucks to move nuclear material.

Mr. STEARNS. Well when I listen to you I get a little more concerned because you said you had roughly 15,000 vehicles and you are saying the contractors, which is 100,000, get access to these. That is a little disturbing because DOE should control the cars under the DOE budget and you should not let private contractors have access to government property. These are private companies. Why would they give access to private companies to use their vehicles? So maybe you should provide us a more detailed breakout, if you can, and so I won't put you on the spot any longer. But I am a little confused now.

Mr. JOHNS. Well, I certainly can provide more information to you, but the point is that there are vehicles that we as the Department of Energy need to do our work. There are certainly cases where the private contractor is providing their own vehicle, but in these cases where we have highly sophisticated equipment, moving nuclear material, for example, bucket trucks, this kind of thing where we are paying a contractor to do a mission for the Department of Energy. In some of those cases, we have government vehicles that we are supplying.

As I said before, we are not happy with that number which is why we have engaged in this effort to reduce the size of the fleet.

Mr. STEARNS. I think if I were you, I would look to make sure that a private contractor who is getting paid by you is not using your vehicles when they should be using their own.

Ms. DEGETTE. Mr. Chairman, if I may?

Mr. STEARNS. Sure. Mr. Friedman, if you want to answer that, go ahead. Go ahead, Ms. DeGette.

Ms. DEGETTE. Mr. Chairman, the private contractors would include—I think what Mr. Johns is trying to say, and I am not giving an opinion on whether they have the right amount of cars or not, but I think what you are trying to say, Mr. Johns, is some of the contract employees are like employees at the labs——

Mr. JOHNS. Correct.

Ms. DEGETTE. And so when they are on site at the labs, they are using government vehicles there. It is not like you folks are assigning passenger cars to contractors to drive back and forth to work, is that right?

Mr. JOHNS. That is correct.

Ms. DEGETTE. I think what would be really helpful, since the Chairman and Mr. Barton are both very concerned about the number of vehicles, and me too, is if you guys could give us a breakdown of the types of vehicles, passenger cars versus these other types of vehicles and where they are sited, and what your plan is for reducing the number of vehicles, so instead of using this like a sound bite—you know, 15,000 employees, 15,000 cars—we can actually see what these vehicles are, who is using them, and what the reduction plan is. Thank you.

Mr. JOHNS. Yes, ma'am.

[The information follows:]

Department of Energy
Washington, DC 20585

April 27, 2012

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Stearns:

Thank you for allowing me to testify before the Subcommittee on Oversight and Investigations at the hearing entitled "Budget and Spending Concerns at DOE" on April 18, 2012. During the course of the hearing, Committee members raised questions regarding the number of vehicles the Department of Energy (DOE) maintains to carry out its mission. I wanted to take this opportunity to provide additional details of the Department's efforts to reduce our vehicle fleet size to the minimum necessary to safely and effectively satisfy our programmatic requirements.

Upon joining DOE, Secretary Chu sought management efficiencies that could be gained to make the best use of taxpayer money. One area that he identified for improvement is the DOE vehicle fleet size. While recognizing that specialized vehicles are required for critical DOE missions, Secretary Chu made an aggressive challenge to DOE programs to reduce the size of the vehicle fleet by 35 percent by the end of 2013. As described below, DOE is currently making progress in reducing its fleet size in response to Secretary Chu's direction.

The Department's mission is to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions. Every day, DOE's programs are working to promote energy innovation, transform America's energy infrastructure, and enhance our nation's nuclear security by maintaining a safe, secure, and effective nuclear stockpile. This mission is executed by the 127,376 DOE employees and contractors (14,945 Federal employees and 112,431 contractors) at more than 80 major laboratories and field site locations across the country.

Accomplishing this important mission requires access to the right equipment, including a ready fleet of vehicles. Much of DOE's mission work is done at National Laboratories and field sites located in remote parts of the country. Vehicles are needed at these sites to support operations and maintenance, which includes maintaining utilities and facilities, providing site security, and protecting and transporting nuclear materials. Vehicles are also needed to move hazardous or contaminated materials, respond to

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emergencies, and service tens of thousands of miles of transmission lines to support the federal power system. Of the 17 National Laboratories, all but one are Government-Owned, Contractor-Operated facilities. This means that the labs and their equipment—including the vehicle fleet—is the property of the federal government, while mission is executed largely by contractors. This is appropriate given that the mission continues despite changes in contractor staff.

The overwhelming majority of the vehicles used at DOE sites are trucks, specialty, and emergency vehicles that are necessary for mission activities. In fact, traditional passenger vehicles, such as sedans and station wagons, account for only five percent of DOE's vehicle fleet.

Examples of the types of vehicles used by the Department include:

- More than 1,900 vehicles owned by the Power Marketing Administrations (PMAs), to maintain the PMAs' 33,730 circuit-miles of high-voltage transmission line and 609 substations spread out across much of the central and western United States. The PMAs require specialized utility vehicles to perform maintenance on these power facilities, which are critical to the reliability of the nation's electric grid. The PMAs recover the costs of these vehicles in their power and transmission rates; consequently, these are not taxpayer funded.

- 445 emergency/emergency response vehicles and 748 law enforcement vehicles.

- Hundreds of vehicles devoted to DOE's nuclear weapons and nuclear waste responsibilities, including radiological surveillance vehicles and specially-designed trucks for transporting nuclear materials.

- And in the Washington, DC area, the Department's 7,000 contractor and federal employees are served by a total of 26 vehicles, 75 percent of which are fuel-efficient or alternative fuel vehicles.

DOE's policy has been to keep the number of vehicles at the right levels to satisfy programmatic requirements. In this challenging budget environment, the Department is committed to being a strong steward of taxpayer resources by reducing administrative costs and saving energy which includes reducing the size of the DOE fleet. Secretary Chu has led this effort since he came into office. For example, in a January 27, 2011 memo, Secretary Chu challenged the Under Secretaries, Office of Management, and PMAs to reduce fleet inventory by 35 percent without sacrificing either critical mission elements or our commitment to operating in a safe, secure and environmentally sound manner.

The Department has already made significant progress in reducing the size of its fleet. In just the last year, DOE has reduced the size of its Headquarters fleet by 35

percent, and over the past decade, DOE has reduced its fleet by more than 1,000 vehicles, during a time when DOE's programmatic work has increased. As of December 31, 2011, the Department reported a vehicle count of 14,644 (3,850 DOE-owned; 9,956 GSA lease; 245 commercial lease).

Thank you for your consideration of this important subject. I have attached our vehicle count by type for your information. If you have any further questions or require additional details, please contact me or have your staff contact Mr. Christopher Davis, Deputy Assistant Secretary for Congressional Affairs, at (202) 586-5450.

Sincerely

Christopher Johns
Budget Director

cc: The Honorable Diana DeGette
Ranking Member, Subcommittee on Oversight and Investigations

The Honorable Joe Barton
Chairman Emeritus

Enclosures

Department of Energy Vehicle Count as of December 31, 2011

	Year											
Vehicle Type	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedans/St Wgns[1]	1,657	1,582	1,552	1,432	1,144	1,117	1,080	983	846	840	843	768
Low Speed Electric Vehicles	0	0	0	0	0	0	0	0	0	0	82	86
Ambulances	54	48	65	53	44	56	58	57	55	62	60	61
Buses	175	173	188	183	163	181	182	187	198	192	182	168
Light Duty Trucks 4x2[2]	6,477	5,804	5,522	4,994	4,717	4,801	4,455	4,271	4,322	4,290	4,244	3,942
Light Duty Trucks 4x4[3]	2,559	2,535	2,601	2,524	2,452	2,740	2,509	2,576	2,420	2,737	3,122	2,970
Medium Duty Vehicles[4]	3,496	3,621	4,089	4,245	4,294	3,804	4,449	4,485	4,368	4,114	4,465	4,566
Heavy Duty Vehicles[5]	1,933	1,896	2,069	2,078	1,994	1,892	1,961	1,985	2,026	2,044	2,110	2,083
Total:	16,351	15,659	16,086	15,509	14,808	14,591	14,694	14,544	14,235	14,279	15,108	14,644

Notes:
[1] *Includes Ford Fusion, Chevy Malibu, Chrysler Avenger, etc.*
[2] *Includes Chevy Silverado, Ford F150, Dodge Ram, etc., in the 1500 series.*
[3] *Includes Chevy Silverado, Ford F150, Dodge Ram, etc., in the 4x4 1500 series configuration.*
[4] *Includes Chevy Silverado, Ford F150, Dodge Ram, etc., in the 2500 series.*
[5] *Includes GM, Ford, and Chrysler 3500 series to the 5-Ton stake trucks, and the 5-10 ton Tractors.*

Mr. STEARNS. Yes, Mr.——

Mr. FRIEDMAN. Can I clarify one statement, Mr. Chairman?

Mr. STEARNS. Sure.

Mr. FRIEDMAN. I suffered a senior moment when they asked about the number of criminal cases we have ongoing, and I want to make sure I clarify the record so there is no misunderstanding. It is not a static number, it goes up and down depending upon the times. I said 350. The actual number is between 250 and 300, and I misspoke, and I apologize for that.

Mr. STEARNS. That is fine.

All right. I think we are ready to conclude. I would like to thank all the witnesses for their patience and staying with us, and also for the members who are participating. I remind the members they have 10 business days to submit questions for the record, and I ask the witnesses all agree to respond promptly to those questions if they are given to you.

And with that, the subcommittee is adjourned.

[Whereupon, at 12:35 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115

Majority (202) 225–2927
Minority (202) 225–3641

May 10, 2012

Dr. Franklin Rusco
Director, Natural Resources and Environment
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Dr. Rusco:

Thank you for appearing before the Subcommittee on Oversight and Investigations on April 18, 2012, to testify at the hearing entitled "Budget and Spending Concerns at DOE."

At the hearing, you agreed to follow-up with Committee Members on several items addressed in your testimony, and which are attached. In addition, pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for 10 business days to permit Members to submit additional questions to witnesses, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and then (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please e-mail your responses, in Word or PDF format, to Alex.Yergin@mail.house.gov by the close of business on Thursday, May 24, 2012.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations

cc: The Honorable Diana DeGette, Ranking Member,
Subcommittee on Oversight and Investigations

Attachment

The Honorable Cliff Stearns

1. Was DOE's lowering of the estimate of the loan subsidy amount in the DOE Loan Guarantee Program from $5 billion to $2.9 billion due to effective management at DOE or other factors?

2. How does GAO intend to build upon its February 27, 2012 report "Renewable Energy: Federal Agencies Implement Hundreds of Initiatives?" (GAO-12-260)? Will GAO be working with individual agencies, including DOE, to identify and remove duplication in renewable energy initiatives wherever it is found? If so, what is GAO's time line for carrying this out?

The Honorable Cliff Stearns

1. Was DOE's lowering of the estimate of the loan subsidy amount in the DOE Loan Guarantee Program from $5 billion to $2.9 billion due to effective management at DOE or other factors?

We have not conducted the work necessary to answer whether DOE's lowering of the estimate is due to effective management at DOE or other factors. When GAO audited the Advanced Technology Vehicles Manufacturing loan program in 2011 (GAO-11-145), we had concerns that, at the time, DOE had not yet hired the technical staff they needed to monitor the progress made by loan awardees. The Ford loan was made—and the credit subsidy amount calculated—during a severe economic downturn in which U.S. auto manufacturers were experiencing reduced demands, so it is reasonable that the improvement of the economy would change the expectation of the cost of the loan.

2. How does GAO intend to build upon its February 27, 2012 report "Renewable Energy: Federal Agencies Implement Hundreds of Initiatives" (GAO-12-260)? Will GAO be working with individual agencies, including DOE, to identify and remove duplication in renewable energy initiatives wherever it is found? If so, what is GAO's time line for carrying this out?

GAO has initiated a series of follow-up engagements looking at solar, wind, and battery/energy storage across key federal agencies. These follow up engagements will specifically look at ongoing programs for instances where there may be duplication, overlap, or fragmentation, as well as the extent to which these efforts are coordinated to minimize duplication, overlap, or fragmentation. One reason for the specific engagements is to look in more detail at the initiatives in each of these energy sources. As part of this body of work, GAO will meet with key agencies to identify and describe duplication, overlap, or fragmentation to the extent we find it. This work will be completed during 2012 and will likely contribute to our report in 2013 on opportunities to reduce duplication, overlap, and fragmentation.

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115

Majority (202) 225-2927
Minority (202) 225-3641

May 10, 2012

Mr. Christopher S. Johns
Director, Office of Budget
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Johns:

Thank you for appearing before the Subcommittee on Oversight and Investigations on April 18, 2012, to testify at the hearing entitled "Budget and Spending Concerns at DOE."

At the hearing, you agreed to follow-up with Committee Members on several items addressed in your testimony, and which are attached. In addition, pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for 10 business days to permit Members to submit additional questions to witnesses, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and then (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please e-mail your responses, in Word or PDF format, to Alex.Yergin@mail.house.gov by the close of business on Thursday, May 24, 2012.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations

cc: The Honorable Diana DeGette, Ranking Member,
Subcommittee on Oversight and Investigations

Attachment

The Honorable Cliff Stearns

1. Please explain in detail why DOE's budget rose substantially between 2000 and today even though the number of employees and contractors stayed roughly the same.

2. Please provide DOE's plan for compliance with Executive Order 13589, as submitted to the Office of Management and Budget.

3. I thank you for providing information on the DOE's vehicle fleet on April 27, 2012, as you had promised. However, as additional follow-up, please provide an inventory of these vehicles organized by DOE office or laboratory.

4. During the hearing, when asked what actions, if any, DOE is taking to identify potential duplication or overlap across the nearly 100 renewable energy initiatives hosted at DOE in Fiscal Year 2010 – as noted by GAO in its February 27, 2012 report "Renewable Energy: Federal Agencies Implement Hundreds of Initiatives" (GAO-12-260) – you responded "we take very seriously the recommendations from GAO."

    a. Is DOE already taking steps to address this concern, or is DOE waiting for GAO to come out with further reports this Summer on duplication?

    b. If DOE is taking actions, what is the envisioned timeframe for their completion?

    c. Are preliminary estimates available on the amount of savings to be obtained from reducing duplication across these initiatives?

5. According to the OIG's November 2011 report, "Management Challenges at the Department of Energy," the National Nuclear Security Administration (NNSA) maintains a costly set of distinctly separate overhead and indirect cost operations that often duplicate existing DOE functions. These redundancies can complicate communications and program execution. What is DOE doing to eliminate these duplicative and redundant NNSA functions?

6. According to the report, the DOE operates laboratories, mostly managed and operated by contractors, at an annual cost of over $10 billion. Support costs represent 35-40% of total laboratory operating costs, which may be unsustainable in the current budget environment. What efforts is DOE taking to reduce administrative, overhead, and indirect costs at its laboratories?

    a. During the hearing, Mr. Friedman suggested that it might be "time to rethink the number of laboratories" or look into "consolidation" of the 16 research centers. Is DOE examining this question, and if so can you share details of DOE's thoughts so far?

7. According to the report, the DOE spends $700 million for a protective force staffed by contractors to secure its nuclear and defense-related facilities. The procurement of these services use three arrangements which lack uniformity and consistency and results in 25 separate contract instruments. What savings can DOE obtain by restructuring the way it procures its protective force support?

8. Concerning the Weatherization Assistance Program, OIG issued a Management Alert in 2009. In 2010, the DOE IG issued a further report noting that their "testing revealed substandard performance in weatherization workmanship, initial home assessments, and contractor billing. These problems were of such significance that they put the integrity of the entire Program at risk."

    a. Why did DOE take no actions earlier considering that the IG kept warning DOE about the program?

9. In its 2012 report, "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," (GAO-12-342SP), GAO notes that there are fourteen grant and loan programs at DOE, Department of Transportation (DOT), and the Environmental Protection Agency (EPA) that have the effect of reducing mobile source diesel emissions, and that "enhanced collaboration and performance measurement could improve these fragmented and overlapping programs."

    a. What actions, if any, has DOE taken to identify and then reduce fragmentation and overlap across its programs aimed at reducing mobile source diesel emissions, including Clean Cities, Energy Efficiency and Conservation Block Grants, and the State Energy Program?

    b. How has DOE coordinated its efforts with DOT and EPA?

    c. Are preliminary estimates available on the amount of savings to be obtained through such efforts?

The Honorable Joe Barton

1. Please provide the Committee with the total amount DOE spent on travel in Fiscal Year 2011.

Department of Energy
Washington, DC 20585

December 20, 2012

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On April 18, 2012, Christopher Johns, Director, Office of Budget, testified regarding the "Budget and Spending Concerns at DOE."

Enclosed are the answers to 10 questions that were submitted by Representative Joe Barton and you to complete the hearing record.

If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Lillian Owen, at (202) 586-2031.

Sincerely,

Christopher E. Davis
Deputy Assistant Secretary
for Congressional Affairs
Congressional and Intergovernmental Affairs

Enclosures

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QUESTION FROM REPRESENTATIVE STEARNS

Q1. Please explain in detail why DOE's budget rose substantially between 2000 and today even though the number of employees and contractors stayed roughly the same.

A1. Budget increases over the time period from FY 2000 to the FY 2013 request level and associated Federal personnel increases can be attributed largely to increases in

- NNSA (+$5,542m, +24% Full Time Equivalents (FTEs)),
- Energy Efficiency and Renewable Energy (+$1,285m, +38% FTEs),
- Science (+$2,193m, -1% FTEs),

Offset in part by decreases in

- Environmental Management (-$298m, -40% FTEs), and
- Civilian Radioactive Waste Management (-$340m, -100% FTEs).

However, large apparent increases in appropriated dollars are reduced by the effects of inflation. Figure 1 depicts the DOE budget grouped in four categories in nominal or 'then-year' dollars. Peak funding levels of about $70 billion off-scale on the chart in FY 2009 depict the one-time Recovery Act funding, which did cause an increase in staffing in temporary positions for the purpose of management of these accounts.

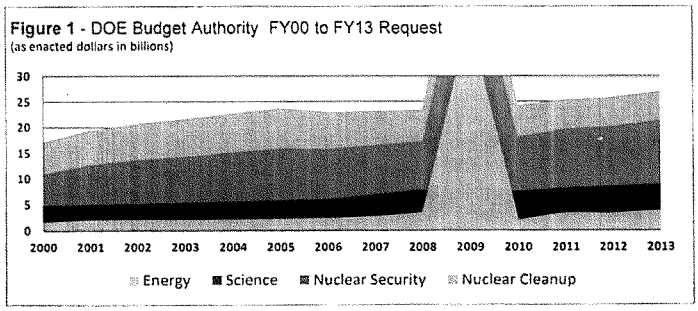


Figure 2 represents the same interval in FY 2012 constant dollars. While the overall increase in DOE Budget Authority in 'as enacted' dollars is about 53%, when the increase is calculated in terms of FY 2012 constant dollars it is only about 15.6%, or about 1.1% per year over inflation over the course of the 13 year interval with most of that growth occurring in FY 2001 and sustained thereafter. The largest percentage-wise increase is in Energy, while the largest overall increase is in Nuclear Security.

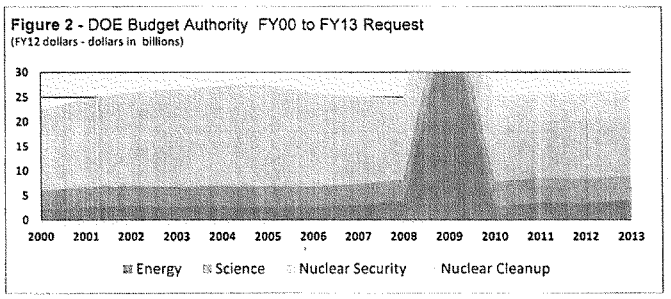


Table 1 shows these changes by functional grouping from FY 2000 to the President's FY 2013 Budget. Increases in Energy, Science, and Nuclear Security are partially offset by decreases in real terms in Nuclear Cleanup, Provision and Regulation (petroleum reserves and power marketing administration), and Mission Support.

Table 1 - DOE Changes from FY 2000 to FY 2013 President's Request (Constant FY12 $s in thousands)*

DOE Group/Changes	$ Changes	% Changes
Energy	1,783,476	80.1%
Science	1,253,875	34.3%
Nuclear Security	3,694,879	44.1%
Nuclear Cleanup	-2,608,246	-31.9%
Provision & Regulation	-486,550	-100.2%
Mission Support	-25,466	-13.5%
DOE, Total change	**3,611,968**	**15.6%**

*Estimates subject to uncertainties due to budget comparability issues.

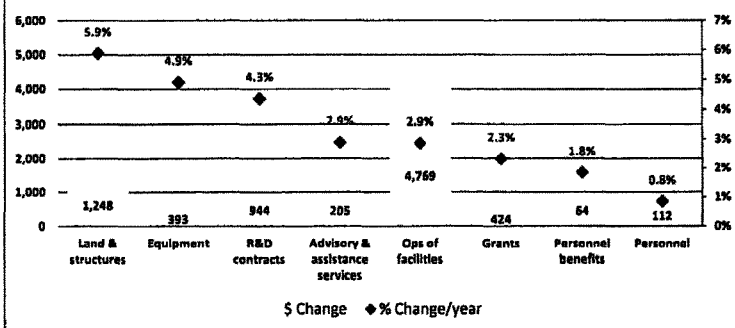
DOE has worked to achieve a more efficient staffing level consistent with program workload, but reductions in some areas have been offset by increases in personnel needed in national and homeland security in the post-9/11 decade, as well as in the pursuit of national priorities in the development of science and technology, and in achieving our goals in the development of energy technologies. DOE science and technology, in particular energy technology are recognized as the engines of future economic growth. DOE Federal FTE usage, excluding FERC, over the time period from FY 2000 to FY 2011 (for which there are full year actual values) increased overall from 14,361 to 14,663 or by about 2.1%; while over the same interval DOE M&O contractor employees fell an estimated 3.4% from 100,333 to 96,873.

Personnel numbers are not strictly proportional to the overall budget numbers as there are parts of the budget that fund outside participation, in the form of: contracts with industry; grants; cooperative efforts; construction of facilities; and equipment purchases. These expenditures do not tend to add significantly to either the Federal workforce or the M&O contractor staffing levels. A construction project may employ many industry contractors but have relatively few Federal employees, or M&O contractors in management or support of that contract. While grant money in pursuit of Department research goals may employ many academic participants, these researchers would not be counted on the Department's roles as either Federal employees nor would they be counted as M&O contractors.

Workers who perform under support service contracts, a range of advisory service contracts, or R&D service contracts would also not add to the count of Federal employees or M&O contractors, but certainly have an effect on the budget and the overall amount of work that can be performed.

Figure 3 depicts the changes in object class obligations from FY 2000 to FY 2013 in those classes with the greatest average yearly percentage changes. 'Personnel' reflects Federal employees only; not all object classes are shown for clarity and readability. With underlying GDP inflation averaging a bit over two percent over this time period, the chart shows which categories contributed most to the growth in the DOE topline.

Figure 3 Changes in Object Class Obligations FY2000 to FY 2013 (dollars in millions)*



*FY 2013 obligations estimated at FY 2013 President's Budget levels.

QUESTION FROM REPRESENTATIVE STEARNS

Q2. Please provide DOE's plan for compliance with Executive Order 13589, as submitted to the Office of Management and Budget.

A2. On November 9, 2011, the President issued Executive Order 13589 requiring executive agencies to submit a plan to the Office of Management and Budget (OMB) for reducing the combined costs in Fiscal Year (FY) 2013 for expenses, such as travel, employee IT devices, executive fleet costs, printing and miscellaneous promotional items by not less than 20 percent below FY 2010 levels. On December 12, 2011, the Department of Energy submitted its plan with specific targets to OMB. On March 12, 2012, the Department communicated to OMB its progress in savings during the first quarter of FY 2012. OMB has not yet released any data to the public, but the Department looks forward to sharing this information with the Committee as soon as it becomes available.

QUESTION FROM REPRESENTATIVE STEARNS

Q3. I thank you for providing information on the DOE's vehicle fleet on April 27, 2012, as you had promised. However, as additional follow-up, please provide an inventory of these vehicles organized by DOE office or laboratory.

A3. DOE's vehicle fleet inventory is listed below. DOE vehicle fleet totals and breakout is per the Federal Automotive Statistical Tool (FAST) FY 2011 year-end report (as of December 15, 2011). FAST is the *system of record* for motor vehicle inventories. It is aggregate data reported as year-end inventory balances. As such, it *does not and will not* discretely identify a vehicle turn-in executed in response to the Secretary's challenge to reduce 35%. FAST provides a one-time look at vehicle inventory data, as it is a statistical tool, not a fleet management information system. Updates, i.e., acquisitions, dispositions, rotations, will occur during the year, and periodic updates are made in the system.

Department of Energy Vehicle Feet Inventory
Primary: DOE Office - Site Office/Laboratory
Secondary: Vehicle Type

(a) Passenger: includes sedans; SUVs; light, medium and heavy duty vans; buses; light, medium, and heavy duty trucks; some may be dual-use (passenger and cargo).
(b) Cargo: includes cargo vans and trucks.
(c) Emergency Response: includes law enforcement, emergency response and ambulances.

Federal Energy Regulatory Commission

Federal Energy Regulatory Commission	5 – Vehicles
(a) Passenger - 3	
(b) Cargo - 2	
(c) Emergency Response - 0	

Headquarters Site Office

DOE Headquarters Fleet	26 – Vehicles
(a) Passenger - 17	
(b) Cargo - 5	
(c) Emergency Response - 4	
Health, Safety & Security - National Training Center	25 – Vehicles
(a) Passenger - 10	
(b) Cargo - 13	
(c) Emergency Response - 2	

Office of Legacy Management — 43 – Vehicles
(a) Passenger - 28
(b) Cargo - 15
(c) Emergency Response - 0

National Nuclear Security Administration

Nevada Operations

Livermore Operations-Livermore, CA — 4 – Vehicles
(a) Passenger - 4
(b) Cargo - 0
(c) Emergency Response - 0

Nevada Site Office — 29 – Vehicles
(a) Passenger - 29
(b) Cargo - 0
(c) Emergency Response - 0

Nevada Test Site — 957 – Vehicles
(a) Passenger - 468
(b) Cargo - 379
(c) Emergency Response - 110

Remote Sensing Laboratory-Andrews AFB - MD — 12 – Vehicles
(a) Passenger - 7
(b) Cargo - 5
(c) Emergency Response - 0

Special Technologies Laboratory-Santa Barbara, CA — 3 – Vehicles
(a) Passenger - 2
(b) Cargo - 1
(c) Emergency Response - 0

NNSA Service Center – Albuquerque

Albuquerque Site Office NM — 34 – Vehicles
(a) Passenger - 25
(b) Cargo - 9
(c) Emergency Response - 0

Honeywell Kansas City Plant, MO — 12 – Vehicles
(a) Passenger - 8
(b) Cargo - 4
(c) Emergency Response - 0

Honeywell, NM — 16 – Vehicles
(a) Passenger - 16
(b) Cargo - 0
(c) Emergency Response - 0

Lawrence Livermore National Laboratory — 819 – Vehicles
(a) Passenger - 418
(b) Cargo - 367
(c) Emergency Response - 34

Livermore Site Office — 10 – Vehicles
(a) Passenger - 10
(b) Cargo - 0
(c) Emergency Response - 0

Los Alamos National Laboratory — 1,582 – Vehicles
(a) Passenger - 805
(b) Cargo - 682
(c) Emergency Response - 95

Los Alamos Site Office — 26 – Vehicles
(a) Passenger - 26
(b) Cargo - 0
(c) Emergency Response - 0

Pantex Plant, TX — 450 – Vehicles
(a) Passenger - 167
(b) Cargo - 108
(c) Emergency Response - 175

Savannah River/Mixed Oxide (MOX) — 39 – Vehicles
(a) Passenger - 28
(b) Cargo - 11
(c) Emergency Response - 0

Sandia National Laboratory (SNL) CA, Livermore — 37 – Vehicles
(a) Passenger - 13
(b) Cargo - 15
(c) Emergency Response - 9

SNL Hawaii and Alaska — 7 – Vehicles
(a) Passenger - 3
(b) Cargo - 4

(c) Emergency Response - 0

SNL Nevada, Tonopah Test Range — 79 – Vehicles
(a) Passenger - 41
(b) Cargo - 34
(c) Emergency Response - 4

SNL New Mexico — 656 – Vehicles
(a) Passenger - 363
(b) Cargo - 266
(c) Emergency Response - 27

Oak Ridge Office (NNSA)

BWXT - Y-12 — 564 – Vehicles
(a) Passenger - 414
(b) Cargo - 128
(c) Emergency Response - 22

Wackenhut Services, Inc. (NNSA) — 115 – Vehicles
(a) Passenger - 34
(b) Cargo - 6
(c) Emergency Response - 75

Office of Secure Transportation Roll-up

Office of Secure Transportation MSA/CMSA — 223 – Vehicles
(a) Passenger - 80
(b) Cargo - 12
(c) Emergency Response - 131

Office of Secure Transportation Non-MSA — 204 – Vehicles
(a) Passenger - 75
(b) Cargo - 27
(c) Emergency Response - 102

Naval Reactors Laboratory Field Office

Bettis Atomic Power Laboratory — 69 – Vehicles
(a) Passenger - 34
(b) Cargo - 22
(c) Emergency Response - 13

Knolls Atomic Power Laboratory — 59 – Vehicles
(a) Passenger - 16
(b) Cargo - 30
(c) Emergency Response - 13

Office of Energy Efficiency and Renewable Energy

Golden Field Office

National Renewable Energy Laboratory — 50 – Vehicles
(a) Passenger - 34
(b) Cargo - 16
(c) Emergency Response - 0

Office of Environmental Management

Carlsbad Field Office

Carlsbad Field Office — 37 – Vehicles
(a) Passenger - 19
(b) Cargo - 17
(c) Emergency Response - 1

EM Consolidated Business Center-Cincinnati

Cincinnati — 3 – Vehicles
(a) Passenger - 3
(b) Cargo - 0
(c) Emergency Response - 0

Rocky Flats Building 55 — 1 – Vehicle
(a) Passenger - 1
(b) Cargo - 0
(c) Emergency Response - 0

EM Small Projects Office

Energy Technology Engineering Center — 1 – Vehicle
(a) Passenger - 1
(b) Cargo - 0
(c) Emergency Response - 0

West Valley — 22 – Vehicles
(a) Passenger - 15
(b) Cargo - 7
(c) Emergency Response - 0

Grand Junction

Grand Junction Office (a) Passenger - 4 (b) Cargo - 0 (c) Emergency Response - 0	4 – Vehicles
MOAB Uranium Mill Trailings Remedial Action (UMTRA) Project (RAC) (a) Passenger - 20 (b) Cargo - 10 (c) Emergency Response - 0	30 – Vehicles
MOAB UMTRA Project (TAC) (a) Passenger - 4 (b) Cargo - 3 (c) Emergency Response - 0	7 – Vehicles

Portsmouth/Paducah Project Office (PPPO)

Depleted Uranium Hexafluoride (DUF-6) (a) Passenger - 16 (b) Cargo - 0 (c) Emergency Response - 0	16 – Vehicles
Paducah Deactivation and Decommissioning (a) Passenger - 100 (b) Cargo - 19 (c) Emergency Response - 0	119 – Vehicles
Paducah Infrastructure (a) Passenger - 25 (b) Cargo - 7 (c) Emergency Response - 0	32 – Vehicles
Portsmouth Gaseous Diffusion Plant (a) Passenger - 125 (b) Cargo - 20 (c) Emergency Response - 0	145 – Vehicles
PPPO Offices (a) Passenger - 16 (b) Cargo - 0 (c) Emergency Response - 0	16 – Vehicles

Richland Operations Office

Richland - Office of River Protection

Bechtel National, Inc. — 79 – Vehicles
(a) Passenger - 37
(b) Cargo - 42
(c) Emergency Response - 0

Richland/Hanford

Mission Support Alliance — 1,462 – Vehicles
(a) Passenger - 616
(b) Cargo - 44
(c) Emergency Response - 85

Washington Closure Hanford — 208 – Vehicles
(a) Passenger - 53
(b) Cargo - 155
(c) Emergency Response - 0

Savannah River Operations Office

Savannah River Nuclear Solutions — 1,002 – Vehicles
(a) Passenger - 558
(b) Cargo - 431
(c) Emergency Response - 13

Wackenhut Services, Inc.-Savannah River — 123 – Vehicles
(a) Passenger - 22
(b) Cargo - 10
(c) Emergency Response - 91

Office of Fossil Energy

National Energy Technology Laboratory

Albany Research Center — 4 – Vehicles
(a) Passenger - 3
(b) Cargo - 1
(c) Emergency Response - 0

National Energy Technology Laboratory-PA — 48 – Vehicles
(a) Passenger - 29
(b) Cargo - 16
(c) Emergency Response - 3

National Energy Technology Laboratory-WV 22 – Vehicles
(a) Passenger - 18
(b) Cargo - 3
(c) Emergency Response - 1

Naval Petroleum Reserves

Naval Petroleum and Oil Shale Reserves CO, UT, WY 30 – Vehicles
(a) Passenger - 29
(b) Cargo - 1
(c) Emergency Response - 0

Strategic Petroleum Reserve (SPR) Project Management Office

SPR Bayou Choctaw 20 – Vehicles
(a) Passenger - 7
(b) Cargo - 7
(c) Emergency Response - 6

SPR Big Hill 31 – Vehicles
(a) Passenger - 10
(b) Cargo - 12
(c) Emergency Response - 9

SPR Bryan Mound 25 – Vehicles
(a) Passenger - 5
(b) Cargo - 11
(c) Emergency Response - 9

SPR Project Office LA 28 – Vehicles
(a) Passenger - 17
(b) Cargo - 4
(c) Emergency Response - 7

SPR West Hackberry 33 – Vehicles
(a) Passenger - 9
(b) Cargo - 13
(c) Emergency Response - 11

Office of Nuclear Energy, Science and Technology

Idaho Operations Office

BBWI — 108 – Vehicles
(a) Passenger - 91
(b) Cargo - 17
(c) Emergency Response - 0

CWI — 223 – Vehicles
(a) Passenger - 119
(b) Cargo - 104
(c) Emergency Response - 0

Idaho National Laboratory-BEA — 593 – Vehicles
(a) Passenger - 425
(b) Cargo - 154
(c) Emergency Response - 14

Office of Science

Chicago Office

Ames Laboratory — 4 – Vehicles
(a) Passenger - 3
(b) Cargo - 1
(c) Emergency Response - 0

Argonne East — 136 – Vehicles
(a) Passenger - 81
(b) Cargo - 42
(c) Emergency Response - 13

Brookhaven National Laboratory — 316 – Vehicles
(a) Passenger - 113
(b) Cargo - 188
(c) Emergency Response - 15

Fermi National Accelerator Laboratory — 219 – Vehicles
(a) Passenger - 124
(b) Cargo - 90
(c) Emergency Response - 5

Lawrence Berkeley National Laboratory — 225 – Vehicles
(a) Passenger - 163
(b) Cargo - 59
(c) Emergency Response - 3

Princeton Plasma Physics Laboratory — 28 – Vehicles
(a) Passenger - 10
(b) Cargo - 12
(c) Emergency Response - 6

Oak Ridge Office

ISOTEK — 1 – Vehicle
(a) Passenger - 1
(b) Cargo - 0
(c) Emergency Response - 0

Oak Ridge Institute for Science and Education — 27 – Vehicles
(a) Passenger - 11
(b) Cargo - 14
(c) Emergency Response - 2

Oak Ridge Operations (Fed) — 87 – Vehicles
(a) Passenger - 50
(b) Cargo - 30
(c) Emergency Response - 5

Office of Scientific and Technical Information — 4 – Vehicles
(a) Passenger - 3
(b) Cargo - 1
(c) Emergency Response - 0

Pacific Northwest National Laboratory — 112 – Vehicles
(a) Passenger - 45
(b) Cargo - 64
(c) Emergency Response - 3

Stanford Linear Accelerator — 142 – Vehicles
(a) Passenger - 74
(b) Cargo - 68
(c) Emergency Response - 0

Stanford Site Office — 1 – Vehicle
(a) Passenger - 1
(b) Cargo - 0
(c) Emergency Response - 0

Thomas Jefferson National Laboratory — 26 – Vehicles
(a) Passenger - 12
(b) Cargo - 14
(c) Emergency Response - 0

URS/CH2M of Oak Ridge — 218 – Vehicles
(a) Passenger - 166
(b) Cargo - 52
(c) Emergency Response - 0

UT-Battelle — 498 – Vehicles
(a) Passenger - 319
(b) Cargo - 173
(c) Emergency Response - 6

Wackenhut Services, Inc. (DOE) — 56 – Vehicles
(a) Passenger - 14
(b) Cargo - 1
(c) Emergency Response - 41

Power Marketing Administrations

Bonneville Power Administration

Bonneville Power Administration — 1,120 – Vehicles
(a) Passenger - 427
(b) Cargo - 693
(c) Emergency Response - 0

Southeastern Power Administration

Southeastern Power Administration — 3 – Vehicles
(a) Passenger - 3
(b) Cargo - 0
(c) Emergency Response - 0

Southwestern Power Administration

Gore Maintenance — 25 – Vehicles
(a) Passenger - 4
(b) Cargo - 21
(c) Emergency Response - 0

Jonesboro Maintenance — 19 – Vehicles
(a) Passenger - 3
(b) Cargo - 16
(c) Emergency Response - 0

Springfield O&M Office — 22 – Vehicles
(a) Passenger - 4
(b) Cargo - 18
(c) Emergency Response – 0

Springfield Operations — 11 – Vehicles
(a) Passenger - 10
(b) Cargo - 1
(c) Emergency Response - 0

Tulsa — 10 – Vehicles
(a) Passenger - 7
(b) Cargo - 3
(c) Emergency Response - 0

Western Area Power Administration (WAPA)

WAPA CSO — 8 – Vehicles
(a) Passenger - 6
(b) Cargo - 2
(c) Emergency Response - 0

WAPA Desert Southwest — 129 – Vehicles
(a) Passenger - 61
(b) Cargo - 67
(c) Emergency Response - 1

WAPA Rocky Mountain Office — 255 – Vehicles
(a) Passenger - 89
(b) Cargo - 166
(c) Emergency Response - 0

WAPA Upper Great Plains (a) Passenger - 60 (b) Cargo - 187 (c) Emergency Response - 0	247 – Vehicles
WAPA Sierra Nevada Region (a) Passenger - 24 (b) Cargo - 28 (c) Emergency Response - 0	52 – Vehicles
WAPA Sierra Nevada - non-MSA (a) Passenger - 3 (b) Cargo - 7 (c) Emergency Response	10 – Vehicles

QUESTION FROM CONGRESSMAN STEARNS

Q4. During the hearing, when asked what actions, if any, DOE is taking to identify potential duplication or overlap across the nearly 100 renewable energy initiatives hosted at DOE in Fiscal Year 2010 – as noted by GAO – in its February 27, 2012 report "Renewable Energy: Federal Agencies Implement Hundreds of Initiatives" (GAO-12-260) – you responded "we take very seriously the recommendations from GAO."

a. Is DOE already taking steps to address this concern, or is DOE waiting for GAO to come out with further reports this Summer on duplication?

A4.

The Department of Energy continually plans, reviews and assesses its renewable energy initiatives to ensure that they are complementary and not duplicative. DOE managers regularly meet with colleagues from other Program Offices within the Department, as well as other Federal agencies, to maintain open lines of communication and ensure that related initiatives are closely aligned and coordinated.

DOE's renewable energy initiatives noted in the GAO report are distributed across four offices within DOE – Energy Efficiency and Renewable Energy (EERE) , the Advanced Research Projects Agency – Energy (ARPA-E) , the Office of Electricity (OE), and the Office of Science (SC), using an integrated technology readiness level (TRL) approach. The TRL approach describes and directs the flow of our technology development portfolio from directed research and innovation through the stages of product and process development necessary to bring technology to market.

Coordinating and prioritizing these initiatives has enabled the Department to cost-effectively undertake multiple initiatives that together support DOE's mission of ensuring America's security and prosperity by addressing its energy, environmental, and nuclear challenges through transformative science and technology solutions. For example, DOE launched a new model of

cross-office R&D coordination with the SunShot Initiative, which harmonized the efforts of EERE, ARPA-E, and Office of Science around a single DOE-wide techno-economic goal: making electricity from solar energy cost-competitive with other conventional sources. In 2011, the Department created four "integrated technology teams" modeled after the success of SunShot: Batteries for Transportation; Biofuels; Grid Technologies; and Carbon Capture, Utilization, and Storage. These "tech teams" bring together program managers from different offices working in related technical areas, to develop cross-DOE techno-economic goals and coordinate R&D portfolios.

QUESTION FROM CONGRESSMAN STEARNS

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b. If DOE is taking actions, what is the envisioned timeframe for their completion?

A4b. The Department of Energy engages in a continual process of review to assess its renewable energy initiatives to ensure that they are complementary and not duplicative. To this end, DOE managers regularly meet with colleagues from other Program Offices within the Department, as well as other Federal agencies, to maintain open lines of communications and ensure that related initiatives are closely aligned and coordinated. For example, DOE utilizes "integrated technology teams" to harmonize efforts across multiple offices. Created in 2011, these "tech teams" bring together program managers from different offices working in related technical areas, to develop cross-DOE techno-economic goals and coordinate R&D portfolios.

QUESTION FROM CONGRESSMAN STEARNS

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c. Are preliminary estimates available on the amount of savings to be obtained from reducing duplication across these initiatives?

A4c. Though no preliminary estimates are available, DOE is committed to using tax-payer dollars in the most effective and efficient way possible. In order to best support innovation and prosperity in the United States, the Department will continually work to address duplicative efforts and protect taxpayer investments.

QUESTION FROM REPRESENTATIVE STEARNS

Q5. According to the OIG's November 2011 report, "Management Challenges at the Department of Energy," the National Nuclear Security Administration (NNSA) maintains a costly set of distinctly separate overhead and indirect cost operations that often duplicate existing DOE functions. These redundancies can complicate communications and program execution. What is DOE doing to eliminate these duplicative and redundant NNSA functions?

A5. As the IG pointed out in their report, the National Nuclear Security Administration (NNSA), as established under the National Defense Authorization Act of 2000 (as amended), is a semi-autonomous agency within the Department of Energy (DOE).We are working hard to find additional ways to reduce redundant costs and duplication of activities within the context of the formal alignment required by statute between the Department and NNSA. Examples of such efforts include:

- DOE/HR and NNSA/HR collaboration on all HR policies and initiatives covering competitive service and excepted service pay, leave, drug testing, workers compensation and staffing functions. NNSA participates in the development of Department HC directives and operating procedures. In addition, the two participate in Departmental workgroups and any new government-wide initiatives in the human capital arena.

- NNSA/GC and DOE/GC are not redundant in view of the separate and distinct interests, missions, and concerns of the respective organizations supported by the General Counsels. NNSA General Counsel's Office is driven by the specific unique matters facing the National Security Complex.. The two offices of general

counsel work together collaboratively on issues of mutual interest and share resources where that is cost effective.

QUESTION FROM REPRESENTATIVE STEARNS

Q6. According to the report, the DOE operates laboratories, mostly managed and operated by contractors, at an annual cost of over $10 billion. Support costs represent 35-40% of total laboratory operating costs, which may be unsustainable in the current budget environment. What effort is DOE taking to reduce administrative, overhead, and indirect costs at is laboratories?

During the hearing Mr. Friedman suggested that it might be "time to rethink the number of laboratories" or look into "consolidation" of the 16 research centers. Is DOE examining this question, and if so can you share details of DOE's thoughts so far?

A6. DOE, through the leadership of its Office of Science (SC) and National Nuclear Security Administration (NNSA), has actively worked to reshape the relationship between national laboratories, sites and headquarters, including enacting a series of management reforms to improve operations and reduce costs; and maintain a safe, secure, and responsible security posture for our sites. Together, SC and NNSA participate in the National Laboratory Director's Council, which examines ways to eliminate obsolete requirements. SC, NNSA, and contractors are working together to have a better understanding of what is driving up costs at the laboratories and sites and what the contractors are doing to mitigate these costs to ensure that every possible dollar is available for mission work.

For example, SC annually runs a strategic planning process for its laboratories to review the status and health of each of their assigned capabilities, to identify capabilities that DOE no longer needs, and to ensure that the laboratories' plans for the future put them on the path for continued stewardship of the capabilities DOE does need in the future. The planning process includes input from and participation by all major customers at the laboratories, including the DOE applied energy programs, SC, NNSA, and other federal agencies. In FY12, DOE is expanding the SC process and including the three

laboratories under the purview of the DOE applied energy programs. In addition to the reviews of the laboratories' capabilities, DOE also uses the planning process to anticipate laboratories' infrastructure and other resource needs, what is required to keep them "mission-ready," and their costs of doing business. In several cases, DOE has found that the laboratories' efforts to streamline support costs and to use strategic sourcing, where appropriate, to leverage the buying power across multiple laboratories has led to reductions in their indirect costs. DOE is actively encouraging these and similar cost saving activities across the national laboratories to the benefit of the complex.

In addition to corporate planning activities, at least once every five years, DOE and NNSA review and validate the continuing need and adherence to mission for each Federally Funded Research and Development Centers (FFRDC). These reviews are conducted in accordance with the requirements and criteria set in the Federal Acquisition Regulations (FAR) 35.017 and they encompass an assessment of the Department's needs and mission requirements performed by the FFRDC, whether or not an FFRDC is still the appropriate vehicle for the Department to use to meet those needs, and the efficiency and cost-effectiveness of the FFRDC's operation.

For NNSA, the Administrator has also created a policy entitled "Transformational Governance and Oversight" which defines principles, responsibilities, processes and requirements to help in transforming and improving governance and oversight, and reducing contractor costs.

First, NNSA is in the final stages of a contract competition which consolidates the Y-12 National Security Complex and the Pantex Plant M&O, with an option for the Savannah River Site Tritium Operations, to achieve more efficient and effective operations while improving mission performance. As part of this consolidation process, NNSA benchmarked private industry and developed models for reduction based on industry standards. Overall consolidation analysis estimates potential savings to be approximately $895M over a 10-year period, including reductions in administrative, overhead, and indirect costs.

Second, due to the growing importance of achieving efficiency across NNSA's nuclear weapons complex, NNSA created a new Associate Administrator position for Infrastructure and Operations with a primary focus on execution of M&O management and oversight. This office will integrate and align common business processes, increasing consistency in the implementation of M&O oversight activities, and will review whether certain current functions performed at individual site offices can be consolidated. These actions are expected to streamline key oversight activities and reduce the overhead burden on the M&O.

NNSA continues to examine additional ways to consolidate functions, reduce costs, while executing mission effectively. For example, NNSA is working with its laboratories, such as Sandia National Laboratory, to implement a new healthcare plan that reduces long-term liability while producing a projected $3M in savings the first year.

QUESTION FROM REPRESENTATIVE STEARNS

Q7. According to the report, the Department of Energy (DOE) spends $700 million for protective force staffed by contractors to secure its nuclear and defense-related facilities. The procurement of these services uses three arrangements which lack uniformity and consistency and result in 25 separate contract instruments. What savings can DOE obtain by restructuring the way it procures its protective force support?

A7. The savings DOE can obtain by restructuring the way it procures its protective force support will be largely determined by the manner in which the procurements are restructured. All three security contracting models currently in place throughout DOE and NNSA (included within the management and operating [M&O] contract; separate prime contracts; and subcontracts) have, at times worked to provide acceptable security performance. However, as the Y-12 incursion on 28 July 2012 clearly demonstrated, some models may introduce more weaknesses than others.

Although NNSA has not yet conducted detailed analysis or produced estimates of the savings possible by restructuring its other protective force contracts, and cannot therefore quantify them at this time, work in this area is ongoing and NNSA believes further efficiencies will be possible. While the ultimate goal is and remains the security of these important facilities, achieving uniformity and consistency, to the extent practical, in contract model and type is being pursued. NNSA will also continue to encourage consolidation where operationally feasible, consistent with larger mission priorities.

QUESTION FROM CONGRESSMAN STEARNS

Q8. Concerning the Weatherization Assistance Program, OIG issued a Management Alert in 2009. In 2010, the DOE IG issued a further report noting that their "testing revealed substandard performance in weatherization workmanship, initial home assessments, and contractor billing. These problems were of such significance they put the integrity of the entire Program at risk."

a. Why did DOE take no actions earlier considering that the IG kept warning DOE about the Program?

A8a. The Department of Energy's (DOE) Weatherization Assistance Program (WAP) has helped more than one million low-income families nationwide using funds from the American Recovery and Reinvestment Act (ARRA) of 2009 as well as regularly appropriated DOE funds.. This figure far exceeds the original target of 600,000 homes under ARRA. These retrofits improve the energy efficiency of their homes and help them save money on their energy bills. Families save between $250 and $450 per year depending on housing type, fuel source, and location as a result of the program.

DOE takes a reported case of poor performance in WAP very seriously, but the cases of poor performance have been the exception rather than the rule. As part of DOE's ongoing quality-control process, the Department has pro-actively sought to find and fix problems. That is why the Department has built in multiple levels of oversight into WAP—including local inspectors, the states, DOE project officers, technical assistance contractors, and the Inspector General.

WAP administered funding from ARRA to weatherize low income homes. This funding has been the subject of 28 audits covering grantees representing 78% of the Recovery Act portfolio. These audits were conducted by the DOE Office of Inspector General (OIG) and the Government

Accountability Office (GAO). Of the 28 audits, 17 are complete and 11 are ongoing. The majority of the completed audit reports (14 of 17) contained no significant findings. Of the remaining three reports, findings included evidence of substandard performance in workmanship, initial home assessments, contractor billing, financial management, and compliance with laws and regulations, including Davis-Bacon and Historic Preservation issues.

It is also important to note that as part of the DOE's guidelines, there are three types of issues that are classified as impacting the quality of the services (1) Missed opportunities where additional services could have been installed but were not; (2) Instances where services were installed but should not have been; and (3) Poor quality installation of materials. Nationwide, only three percent of homes have had any of the three issues identified, including homes where more could have been done.

Upon notification from the Inspector General (IG) of issues discovered during audits and reviews, DOE has always taken immediate action within the WAP. While not specifically mentioned in the question, it appears that Congressman Stearns is referencing the DOE IG's **"Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois"** issued in December 2009 and the IG Audit Report entitled **"State of Illinois Weatherization Assistance Program"** issued in October 2010.

The Management Alert issued in 2009 referred to the monitoring of local WAP operations by the state and the inspection process used by local agencies and state officials to determine if quality deficiencies exist after the work is complete. The Report also stated that the State must perform

its required oversight on each local agency under contract and that DOE must complete its required monitoring of grantee activities as well.

The Management Alert contained several findings and recommendations related to these issues. In all cases, the state WAP office and DOE concurred with the IG findings as noted in the DOE Management Response to the Report. In addressing the oversight of the Community and Economic Development Association (CEDA) of Cook County, Illinois, DOE staff:

- Stipulated that quarterly onsite monitoring including oversight activities to address these findings must occur. The first visit to Illinois occurred in November 2009 when the draft Management Alert was issued. This visit addressed the quality issues and inspection requirements referred to in the Report and the actions to be taken by the State to remedy the lapse in quality assurance.
- Communicated monitoring and inspection requirements within six weeks of issuance of the Alert (on 1/15/10) providing WAP Program Notices to all grantees specifically stating the oversight by the grantee of every subgrantee each year, and the inspection of at least five percent of each grantees' completions. Grantees were required to acknowledge this requirement after receipt of the Notice via an email to their Project Officer.
- Conducted a second site visit with the State of Illinois in April 2010 and reviewed the progress made by the State in implementing their monitoring procedures and tracking system. This visit also confirmed that special conditions were placed on CEDA for production and quality improvement. The State assigned two inspectors to CEDA to

review 100% of production until all remedial actions were taken regarding quality and accountability.

- Conducted a third monitoring visit in August 2010 as a follow-up to activity reports provided by the State to ensure progress was being made in WAP operations. CEDA failure rate was reduced from 55% to 25% and accountability had improved; however, special conditions remained in place and the State continued its inspection procedures.

At the same time that DOE was monitoring the WAP activities for the State of Illinois and CEDA, the Department was making significant improvements in its operating procedures. For example, DOE:

- Directed additional resources (22 DOE staff) to manage ARRA grants and implement the Department's Monitoring Plan. In addition DOE had the Institute for Building Technology and Safety (IBTS) conduct nearly 30,000 random quality assurance visits throughout the WAP network.
- Ensured that all DOE Project Officers utilize DOE's existing tracking system to record monitoring findings including monitoring the report checklists that Project Officers use in the field to track follow-up actions taken by grantees to resolve findings.
- Provided regular review of grantees' training plans and performed on-going tracking of their plans during routine monitoring or desk auditing as an on-going procedure of grants management.
- Released 12 Weatherization Program Notices in 2009 covering various aspects of WAP operations including updated grant guidance; fund distribution; clarifying monitoring requirements; Davis-Bacon Prevailing Wage use and recordkeeping; the National WAP

Evaluation requirements; and many other topics. This was followed-up in 2010 with 19 separate guidance documents to further clarify rules, regulations and policies governing the WAP (see attachment entitled "Weatherization Program Notices and Guidance").

The second IG report, concerning the Weatherization Program in the State of Illinois was issued October 2010 and provided a detailed audit of the Community Economic and Development Corporation of Cook County, Illinois (CEDA), the subgrantee for Chicago. The October 2010 report revealed that serious material deficiencies with the work quality and accountability of resources still existed in this subgrantee. In addition, CEDA failed to use proper management controls in conducting its oversight of contractor use and billing. The State inspectors continued to find work quality and accountability errors after the homes were weatherized and reported as completions.

In the October report, the IG indicated that several actions were adopted by DOE and the State to resolve the issues contained in the Management Alert and that "these efforts are positive first steps." During the ten months between the Management Alert and the Audit Report, both the State and CEDA did make progress and continue to improve operations. Unfortunately, the steps taken by the State and CEDA remained insufficient to address all of the issues referenced in the October 2010 IG audit.

In September 2012 the DOE IG began a criminal investigation involving CEDA that is ongoing. It is WAP's normal operating procedure to not intervene or conduct monitoring while such an

investigation is underway unless requested by the IG. The DOE WAP has not been requested to take any actions at this time.

The State continues to monitor the situation and has monitors assigned specifically to CEDA. Approximately 15% of their production is reviewed by these staff – nearly three times the minimum requirement of DOE. The State also conducts random follow-up inspections of work that failed to be accepted during the initial review.

The WAP Project Officer receives copies of these reports and reviews them for continuity and any follow-up activities required. Throughout 2011, State staff conducted monitoring of field operations twice a month – reviewing production quality and file documentation. In 2012, the frequency was changed to monthly due to improvements noted in monitoring findings. These reports are retained at the grantee's office and are reviewed when Project Officers conduct on-site visits.

When the investigation is cleared, DOE WAP staff will resume its review of CEDA. DOE performed monitoring of all WAP grantees at least twice a year throughout 2010 and 2011. These monitoring visits include a review of the grantees' programmatic and grants management activities related to their approved State Plan. Project Officers also visit select subgrantees to ensure that grantee monitoring is being performed and quality control inspections are conducted at a sufficient rate.

QUESTION FROM CONGRESSMAN STEARNS

Q9. In its 2012 report, "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Engance Revenue," (GAO-12-342SP), GAO notes that there are fourteen grant and loan programs at DOE, Department of Transportation (DOT), and the Environmental Protection Agency (EPA) that have the effect of reducing mobile source diesel emissions, and that "enhanced collaboration and performance measurement could improve these fragmented and overlapping programs."

a. What actions, if any, has DOE taken to identify and then reduce fragmentation and overlap across its programs aimed at reducing mobile source diesel emissions, including Clean Cities, Energy Efficiency and Conservation Block Grants, and the State Energy Program?

A9a. DOE has implemented several mechanisms to improve coordination across programs. For example, Clean Cities provides technical staff to the Energy Efficiency and Conservation Block Grant (EECBG) Solution Center, enhancing collaboration as well as leveraging resources and expertise. The programs are also planning joint webinars to inform EECBG stakeholders of information resources already available through Clean Cities and encourage coordination of efforts at the local level. This is particularly important as many Clean Cities coalition coordinators are located in or have strong ties to State Energy Offices and other programs involved in the State Energy Program or EECBG projects.

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b. How has DOE coordinated its efforts with DOT and EPA?

A9b. DOE has implemented a number of mechanisms to enhance coordination, leverage resources and expertise to the greatest extent possible, and eliminate the potential for overlapping or duplicative efforts. Examples of regular and ongoing coordination activity include the following:

- DOE and DOT hold monthly coordination meetings focused on specific topics within areas of mutual interest, including diesel emission reduction efforts and projects such as Super Truck, as well as vehicle electrification, codes and standards, lightweighting, and fuel economy regulations.
- Both EPA and DOT participate in the 21st Century Truck Partnership, DOE's cooperative research partnership with industry focused on advancing the development of fuel-efficient technologies for heavy-duty vehicles. EPA and DOT also participate on various technical teams in the U.S. DRIVE Partnership, DOE's cooperative research partnership with industry focused on advanced technologies for light-duty vehicles.
- Both EPA and DOT staff serve as technical expert reviewers at DOE's Vehicle Technologies Program Annual Merit Review – their participation not only leverages their technical expertise as independent merit reviewers but also ensures DOT and EPA staff understand DOE strategy as well as individual project efforts. Similarly, EPA and DOT

staff participates in DOE's annual Directions in Energy-efficiency and Emissions Research (DEER) meeting, during which DOE-funded project leads share their progress on developing high-efficiency, low-emissions diesel and gasoline engines.

- DOE participates in EPA's Mobile Source Technical Review Committee, which meets twice annually.
- Through its Clean Cities initiative, DOE staff communicates with local community leaders on a monthly basis – they use this opportunity to emphasize the importance of working closely with EPA-supported Regional Diesel Collaboratives.

In addition to regular coordination, DOE is collaborating with the agencies on specific projects. As an example, DOE and EPA have joined the Engine Manufacturers Association, California Air Resources Board, American Petroleum Institute, Coordinating Research Council, and a variety of after-treatment manufacturers to perform a multi-year study to characterize emissions and possible health impacts of new, advanced fuels and heavy-duty engine and control systems.

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c. Are preliminary estimates available on the amount of savings to be obtained through such efforts?

A9c. Though no preliminary estimates are available, DOE is committed to using tax-payer dollars in the most effective and efficient way possible. In order to best support innovation and prosperity in the United States, the Department will continually work to address duplicative efforts and protect taxpayer investments.

QUESTION FROM REPRESENTATIVE BARTON

Q1. Please provide the Committee with the total amount DOE spent on travel in Fiscal Year 201

A1. The Department reported $59,752,994.79 on foreign and domestic travel for federal nployees in Fiscal Year 2011. This does not include domestic or foreign travel costs for contractor travel imbursed by DOE. The Department does not have systems to track its total federal and contactor nployees' travel cost and is working on a data call so that it can submit complete information to the ommittee as soon as possible.

A recent DOE IG Management Alert (http://energy.gov/ig/downloads/department-energys-anagement-foreign-travel) identified $59,430,495 in contractor foreign travel costs in FY 2011.