

F

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

WASHINGTON, D.C. 20500

September 9, 1981

MEMORANDUM FOR JAY KEYWORTH

FROM: Tom Johnson ~~AK~~

SUBJECT: The Department of Energy

The Department of Energy has been a national embarrassment since its creation. There are at least six reasons for its failure, reasons why one would wish to have some new organization in the place of DOE:

1. DOE was created around the notion of central, global energy planning and management. Besides being anathema to the present Administration, this task is probably impossible in a free society: too many variables would have to be constrained for such management to be effective. It was not entirely clear that this is true before DOE was created.
2. From a purely managerial standpoint, DOE's broad charter leads to an impossibly schizophrenic organization, one fundamentally concerned with energy production, planning, regulation and research. There is no way to set priorities across these tasks, and no way to integrate them.
3. Collecting all these loosely related functions and projects has led, in the absence of a strong prioritizing mechanism, first to Balkanization of the Department, then in many cases to capture by clientele. Thus, pork-barrel projects like MHD and the Solar Power Satellite became captives of their contract communities; synthetic fuels and coal research became playthings of powerful Congressional interests.
4. Because of the Administration in which it was created, and the historical moment in which it was conceived, the DOE possesses the most complex, cumbersome procurement regulations and the most intricately bizarre personnel policies in the history of the Republic. These would effect stasis even if the problems above could be solved: good companies would rather not contract with DOE, and good people would rather not join.

5. Because of 4, and because good AEC/ERDA holdovers have left in frustration, and mostly because, at the moment of its creation, DOE became the dumping ground for losers from other federal agencies, DOE has fostered a bureaucracy of monumental incompetence. Further, the bureaucracy itself has been easily co-opted by various classes of energy "experts," technology groupies and social engineers, expanding the fragmentation of the Department's efforts and putting many of them in the service of millennial ideologies ("inexhaustibles," of course, are particularly prone here, but nuclear and even coal are not without Prophets).

6. Bloating of the bureaucracy, captivation of programs and diversity of intent have led inevitably to cost ineffectiveness, even of much of what DOE does get done. Management overhead is staggering.

We can, in theory, solve these problems by assigning DOE's essential functions to different or new organizations. Thus, 1 is solved simply by assigning that mission to no one; 2 is solved by removing regulation and production from the research organization and assigning them to appropriate existing agencies; 3 is solved by strongly unifying the mission of the new organization, prioritizing its work, and fencing off those projects which are hopelessly captive but politically unkillable; 4, 5, and 6 are solved by the design of the new, smaller, carefully streamlined organization.

There are three logical possibilities for the new outfit, depending, essentially, on how much one wishes to remove from present functions. We might take out regulation and production leaving general energy R&D with some associated planning: in short, ERDA. We might further remove non-nuclear energy research, the programs that were gathered together with the AEC when ERDA was created, leaving a sort of AEC. Or we might dismantle DOE entirely, killing or reassigning to existing agencies all its functions and programs.

In summary form, these are major arguments for and against each of these options:

"ERDA"

- PRO: 1. Politically and managerially the easiest transition.
2. Provides a logical home for good long-term R&D in many areas of energy-related technology.

3. Protects such R&D from pillage or neglect in government agencies not accustomed to honoring the priority of research.

- CON:
1. Organization remains diverse in intent, projects difficult to prioritize.
 2. Danger that the agency will create a mission for central energy planning, even though none is assigned.
 3. Danger of captivation of programs remains high.
 4. Evidence from the real ERDA indicates that all of the above happened.

"AEC"

- PRO:
1. Emphasizes the significance of nuclear energy (and military excellence) to this Administration.
 2. Provides a logical home for nuclear defense work, which is really out of place in ERDA.
 3. Unified in intent and function; prioritization of projects possible.
 4. Avoids global planning and Balkanization.
 5. Clean line management can be implemented.
 6. Historical precedent is generally favorable.

- CON:
1. Danger of losing good long-term energy R&D in other agencies.
 2. Difficult transition, particularly politically.

PRO/CON: What made the AEC hum was the existence of the Joint Committee on Atomic Energy. If this could be re-created, the new agency could be extremely effective; the re-creation of a Joint Committee with authorizing power might prove to be politically horrible.

DISMEMBERMENT

PRO: The most straightforward solution to the six problems of DOE.

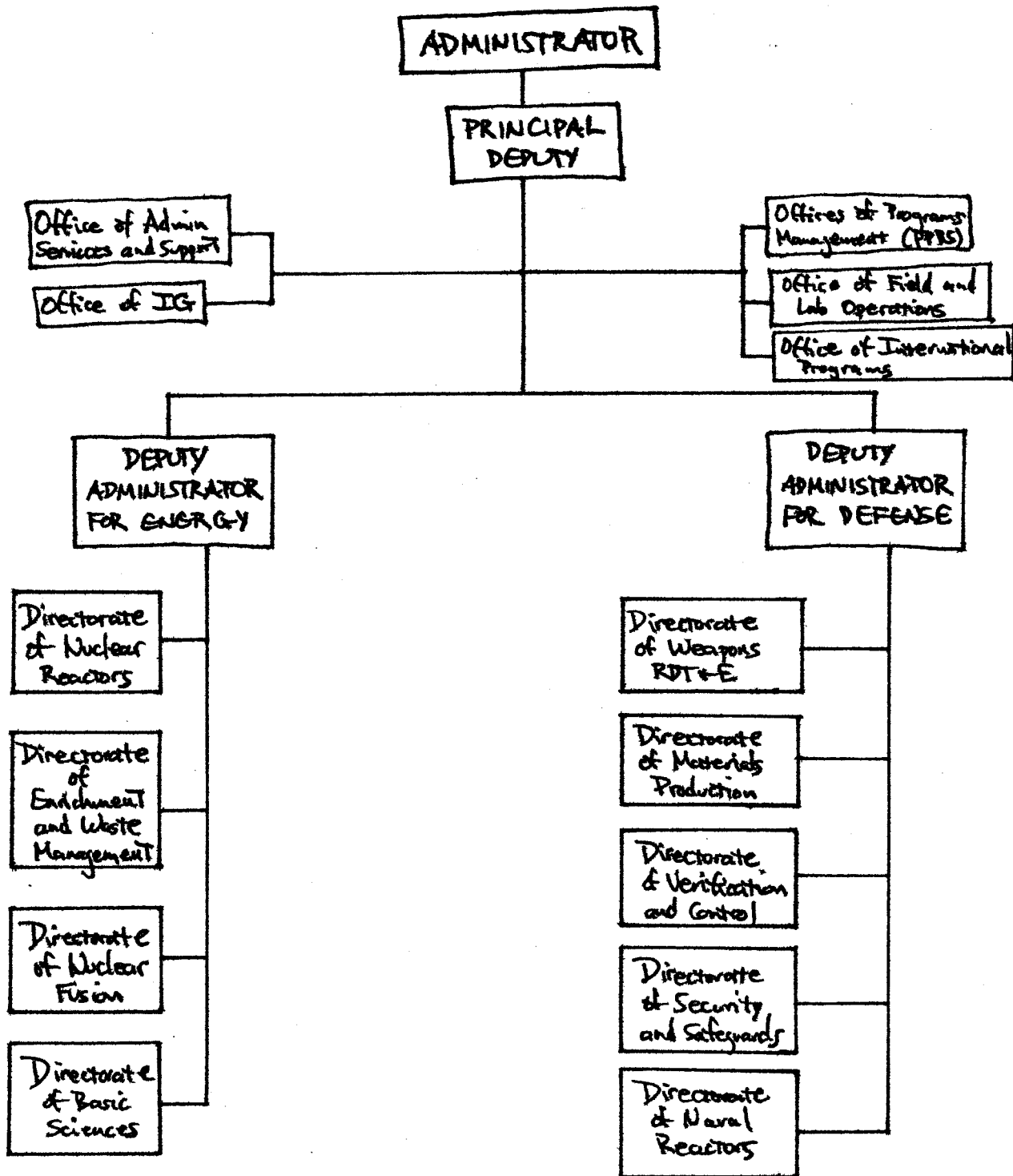
- CON:
1. Impossible in practical terms: the defense programs themselves must remain in an independent entity, since there is nowhere else in the government to put them (DOD being patently unacceptable to Congress).
 2. Good R&D endangered, including the high-energy and nuclear physics research.
 3. No assistance, in fact a detriment, to nuclear energy.
 4. Political nightmare.

These last suggest strongly that the choice is actually between ERDA and AEC. I argue that neither of these need or ought to be a cabinet-level agency: when we removed the requirement for global energy planning and management, we eliminated the cabinet concern. Cabinet positions are assigned to functions of the government, not to particular problems it happens to be facing. Energy planning and production are not natural functions of the Federal government.

Now I wish to argue that the balance of the contention between ERDA and AEC falls in favor of the latter. The two cons for an AEC relate to the potential difficulty of setting it up and to the fate of some research placed elsewhere. On the other hand, the arguments against ERDA are inherent to the organization itself. Thus, if it is possible to arrive at an AEC-like solution at all, the only major objection is the fate of other energy R&D; in the extreme case, this objection can be answered by the creation of a separate, smaller energy R&D agency for fossil and renewables. This seems to me only desirable if it is a political necessity for the creation of the AEC, but in any case it is answerable. Objections to ERDA cannot be disposed of in this fashion.

Therefore, I wish to propose a plan for a new AEC-like organization, called here the Nuclear Energy Administration. A simple organization chart looks like this:

NUCLEAR ENERGY ADMINISTRATION



Note first that I propose a single Administrator, rather than a Commission. This is mostly for personnel reasons. In the early days of the AEC, with the bloom still on the rose, it was easy to get distinguished men as commissioners. Later, it became more difficult, and the effectiveness of the AEC declined. We will be fortunate to get a single man of the qualifications we desire; a whole commission is asking too much. Additionally, the Administration organization will help preserve strong line management.

The Principal Deputy will be in a sense the equivalent of the AEC's General Manager. He must balance the concerns of the two halves of the agency and assure synergy of the associated technologies. He is the Chief Executive Officer.

Functions and approximate FY 82 budgets of the various Directorates are summarized below (dollars in millions).

Nuclear Reactors

Advanced Nuclear Systems	38
Conventional Reactor Systems	70
Breeder Reactor Systems	737
	<u>845</u>
Plus: Reactor Safety	
Research from NRC	230
	<u>1075</u>

Enrichment and Waste Management

Commercial Nuclear Waste	299
Defense Nuclear Wastes	390
Uranium Resource Assessment	10
Interim Fuel Management	7
Uranium Enrichment	1873
(Enrichment revenue:	<u>-1805)</u>
	NET 874

Basic Sciences

High Energy Physics	393
Nuclear Physics	123
Life Sciences	51
Univ Support & Tech Assess	14
Basic Energy Sciences	200
Radiation Environment	25
	<u>806</u>

Nuclear Fusion

Magnetic Fusion	460
Inertial Fusion	200
	<u>660</u>

<u>TOTAL ENERGY:</u>	3185
	<u>230</u>
	3415

<u>Weapons RDT&E</u>	-	3196
<u>Materials Production</u>	-	931
<u>Verification and Control</u>	-	50
<u>Security and Safeguards</u>	-	72
<u>Naval Reactors</u>	-	<u>361</u>

<u>TOTAL DEFENSE:</u>	5610
-----------------------	------

Assuming roughly 10% total overhead for support functions, the total Administration budget should be on the order of \$8.5 billion. The Basic Sciences budget includes roughly 200 million of the FY82 277 million in "Basic Energy Sciences;" I urge retention of some sizeable fraction of the good, really basic research done under this rubric, including materials work, Synchrotran Light Source, some mathematical and engineering work. The 25 million environmental item is a guess at what fraction of the 170 million environmental research is related to nuclear energy; a corrected figure should be determined. The Nuclear Reactor budget is augmented by the addition of 230 million in research on nuclear reactors safety; this work is currently performed through the NRC.

The Office of Administrative Services and Support comprises the following functions: General Counsel, Personnel, Controller, Procurement, Congressional Liaison, Press, Admin. Services, Advisory mechanisms and a much-trimmed version of the Energy Information Administration (EIA), performing the Congressionally mandated functions. The Office of Programs Management controls the PPBS system for the entire Administration; it must be a separate office to keep Admin. Services from setting its own ceilings and budgets.

The following major organization or functions in DOE do not appear in NEA:

- *Strategic Petroleum Reserve (3883 million)
 - > Transfer to FEMA
- *Emergency Planning (2)
 - > Transfer to FEMA
- Economic Regulatory Administration (ERA) (24)
 - > Remaining functions to DOC
- Federal Energy Regulatory Commission (FERC) (82)
 - > Transfer to DOC
- Office of Hearings and Appeals (4.5)
 - > absorbed in regulating bodies or abolished
- Power Marketing Administrations (380)
 - > Transferred to DOI
 - (or combine with FERC to recreate FPC?)
- Geothermal R&D (48)
 - > Transfer to DOI
- Conservation (Grants) (107)
 - > Transfer to DHHS (or HUD)
- Conservation (Research) (88)
 - > Transfer to DOC
- **Solar (183)
 - > Transfer to DOC

Fossil Energy R&D (441)
--> Transfer to DOI
Office of Alcohol Fuels (10)
--> Transfer to DOA
Office of Naval Petroleum and Oil Shale (226, 1481 revenues)
--> Transfer to DOI
Environmental Research (~150)
--> Transfer to EPA
International Affairs (5)
--> Transfer to DOS (retain some nuclear program
cognizance)

Notes

*Since Congress requires the existence of FEMA, give it a real job to do.

**SERI is much like NOAA or NBS, existing DOC operations; contention that DOC will kill research is thus a canard.

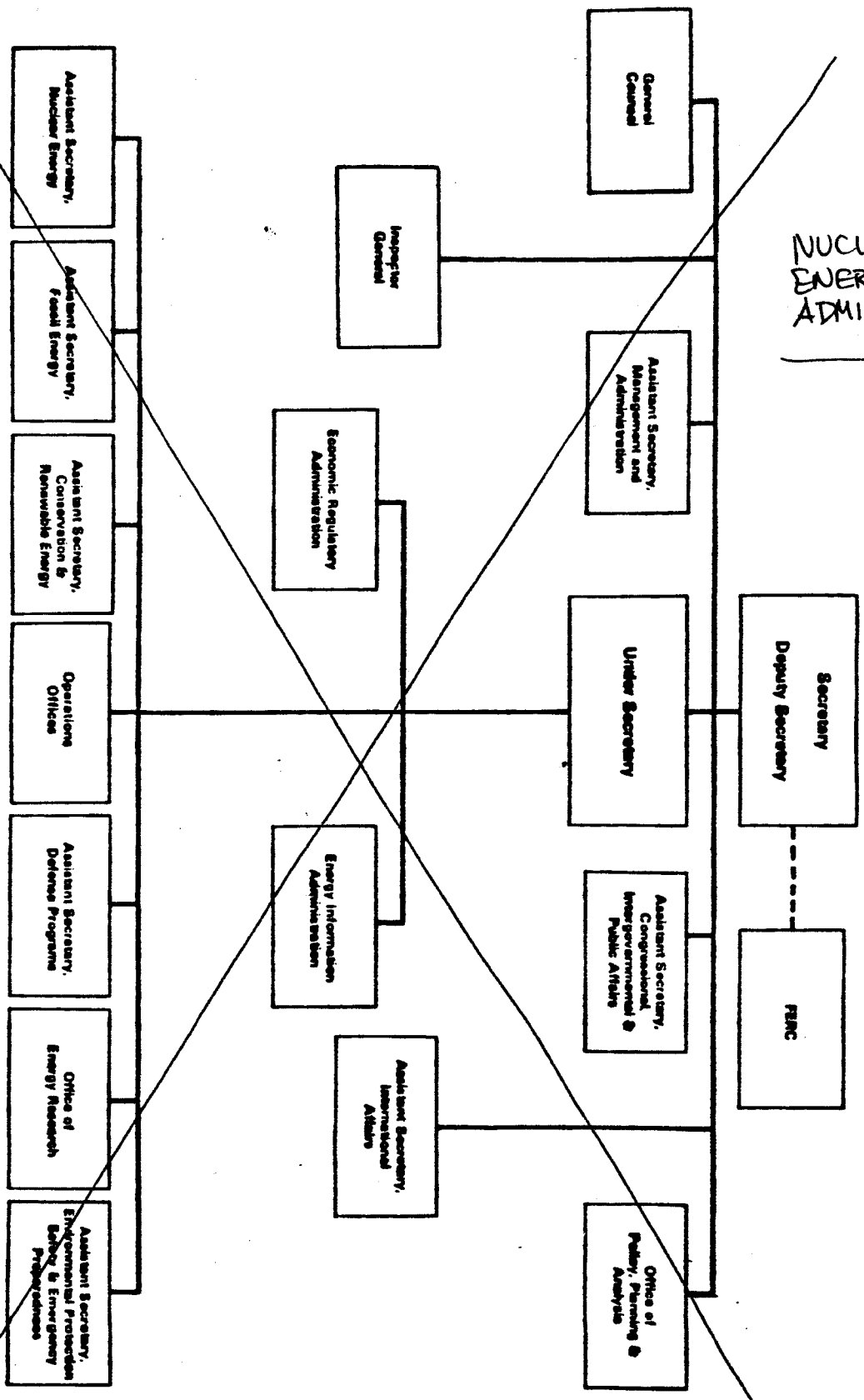
Finally, I propose that some oversight mechanism for energy planning be established, partly to calm public fears and critical objections that the Administration is not worried about the global energy problem. This body should be located in the Executive Office of the President, else it will not have sufficient stature to accomplish its public relations function.

This body could be called the Interagency Coordinating Council on Energy, and should comprise as members, Assistant Secretaries from the appropriate agencies. The logical chairman for the Council is the President's Science Advisor. The Council should be assigned four functions:

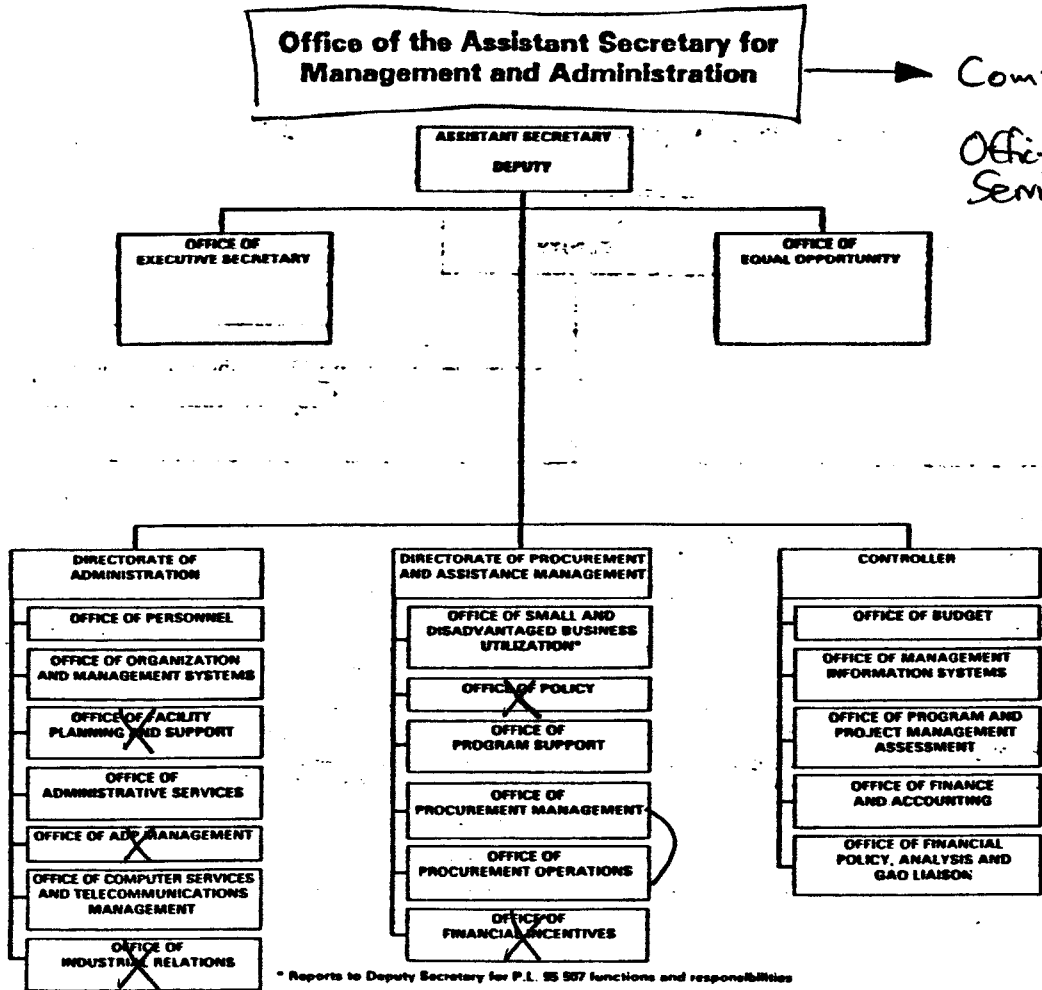
1. Ensure that the crisis management apparatus developed by FEMA is adequate to deal with energy emergencies in the near term.
2. Ensure that long-range development of energy sources is carried out by the agencies.
3. Assist the State Department with international energy problems and agreements.
4. Advise the President on policy matters relating to energy.

Department of Energy

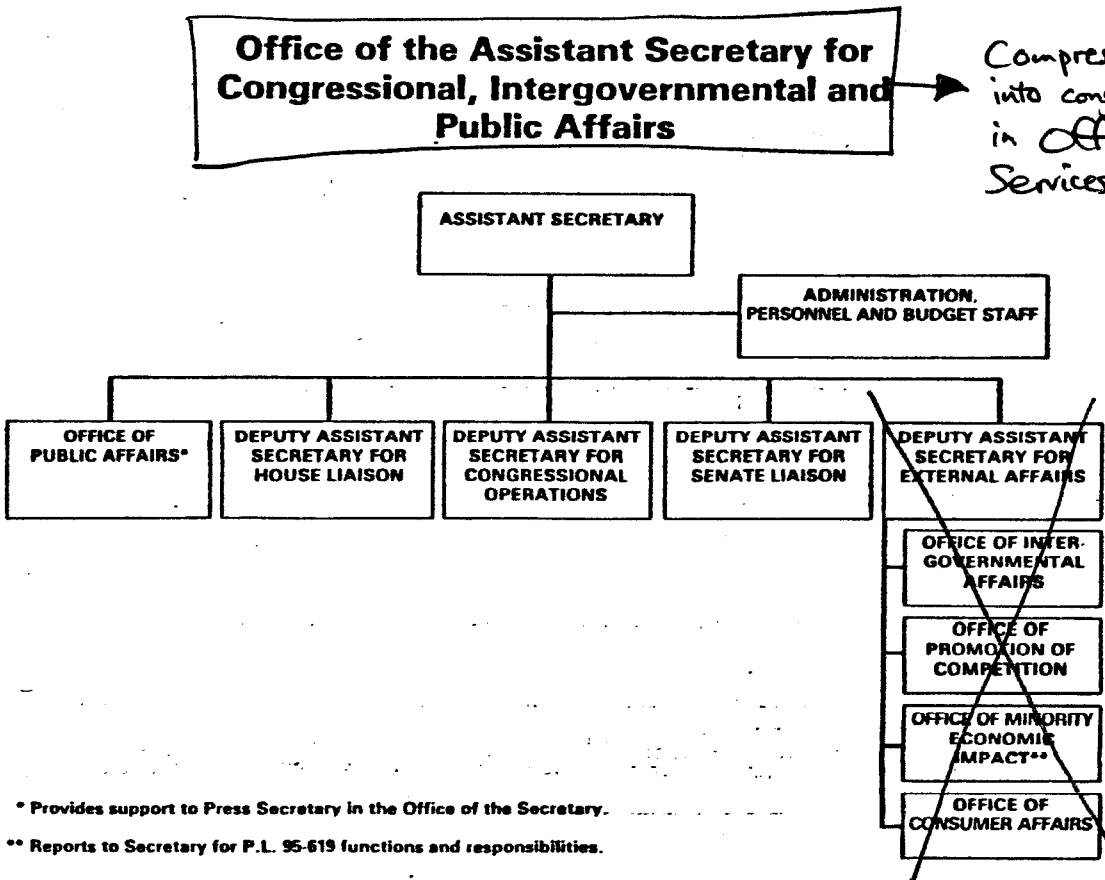
NUCLEAR ENERGY ADMINISTRATION



WHERE THEY GO ...

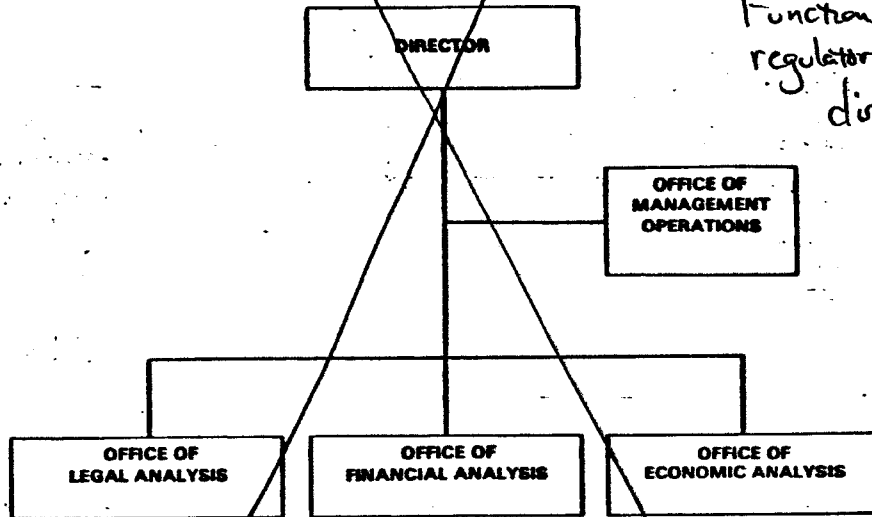


Compress entire office into
Office of Administrative Services and Support



Compress entire office into congressional liaison in Office of Admin Services and Support

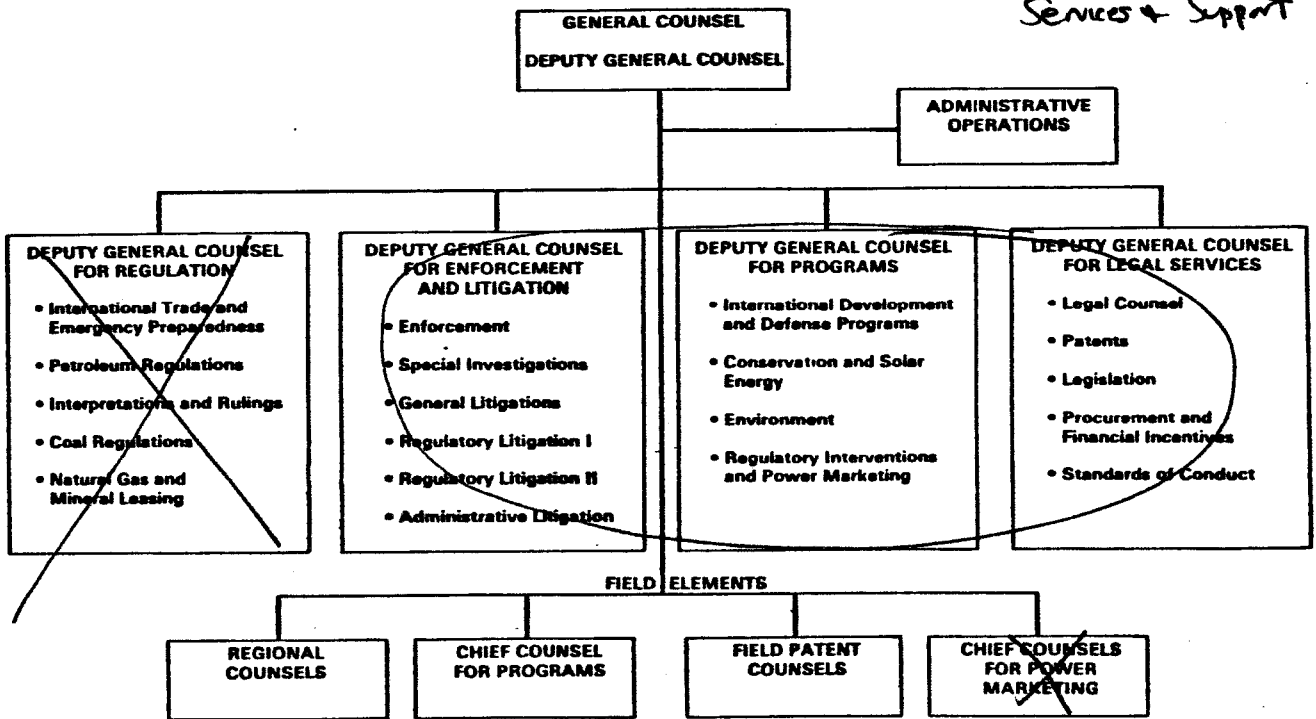
Office of Hearings and Appeals



Functions to appropriate regulatory agencies or divested

Office of the General Counsel

Compress within Office of Admin Services + Support



- DEPUTY GENERAL COUNSEL FOR REGULATION**
- International Trade and Emergency Preparedness
 - Petroleum Regulations
 - Interpretations and Rulings
 - Coal Regulations
 - Natural Gas and Mineral Leasing

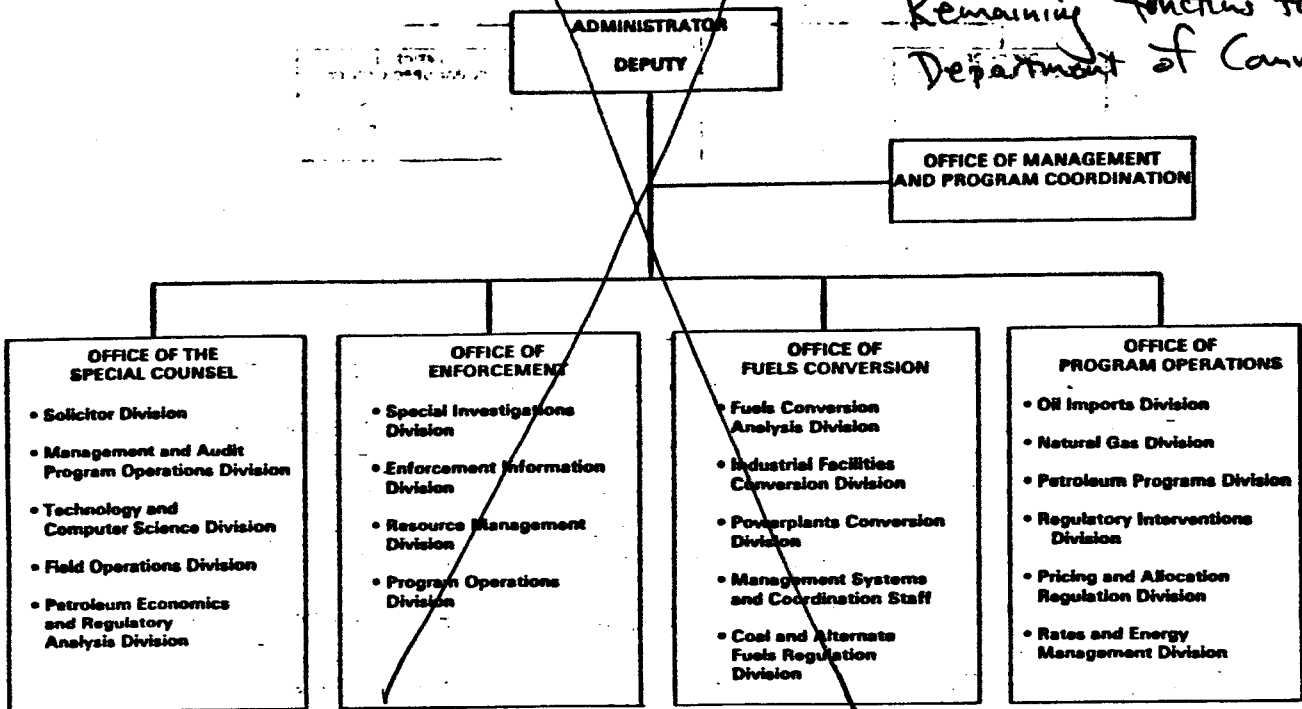
- DEPUTY GENERAL COUNSEL FOR ENFORCEMENT AND LITIGATION**
- Enforcement
 - Special Investigations
 - General Litigations
 - Regulatory Litigation I
 - Regulatory Litigation II
 - Administrative Litigation

- DEPUTY GENERAL COUNSEL FOR PROGRAMS**
- International Development and Defense Programs
 - Conservation and Solar Energy
 - Environment
 - Regulatory Interventions and Power Marketing

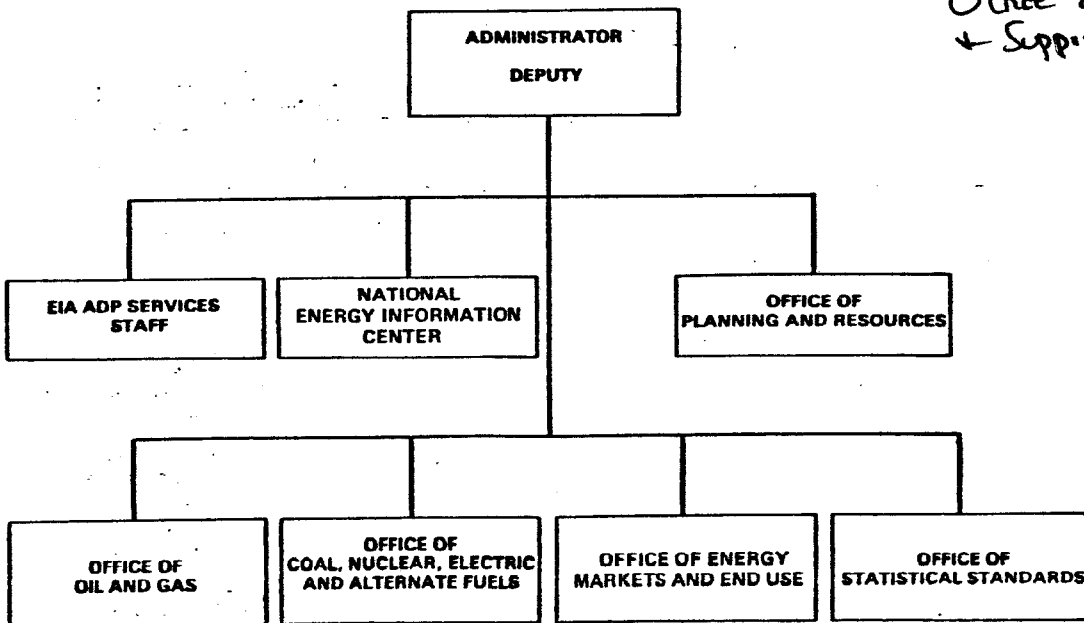
- DEPUTY GENERAL COUNSEL FOR LEGAL SERVICES**
- Legal Counsel
 - Patents
 - Legislation
 - Procurement and Financial Incentives
 - Standards of Conduct

<p>TELEPHONES Subscription information: Call (212) 997-6410 or Toll-free 800-223-6180</p> <p>News office: 474 National Press Bldg. Washington, D.C. 20045 (202) 624-7380</p>	<p>Inside D.O.E. is published weekly by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York NY 10020. Corporate officers: Harold W. McGraw, Jr., president, chief executive officer and chairman of the board; Robert N. Landes, senior vice president and secretary; Ralph J. Webb, treasurer.</p> <p>Managing Editor: Rob Doherty Associate Editors: Lynn Stevens, Rue Dann, Mark Crawford, Sam Rovit</p> <p>Subscription rates: \$390/yr in U.S. and Canada; \$415 elsewhere (air mail delivered). Copyright 1981 by McGraw-Hill, Inc. All rights reserved. Reproduction in any form whatsoever forbidden without express permission of the copyright owner.</p> <p>ISSN 0 149 5898</p>
---	---

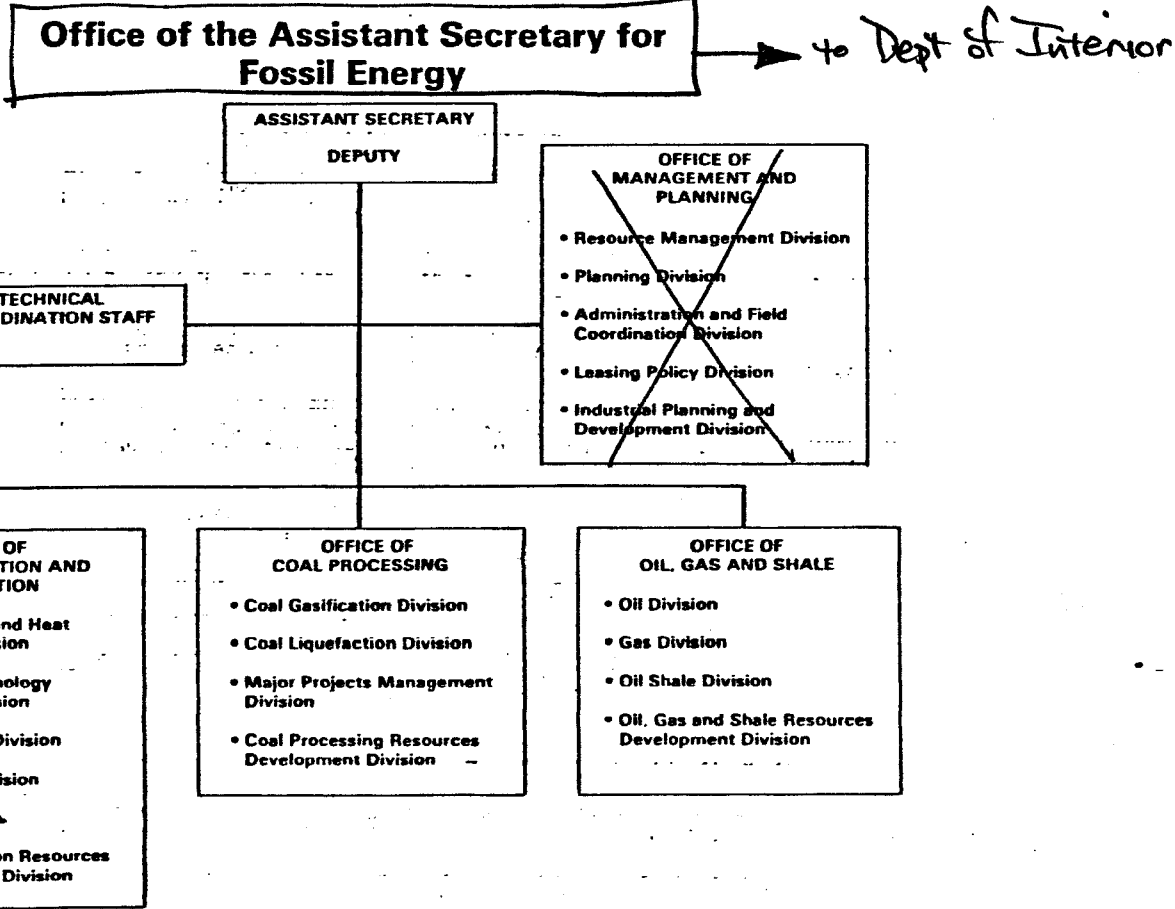
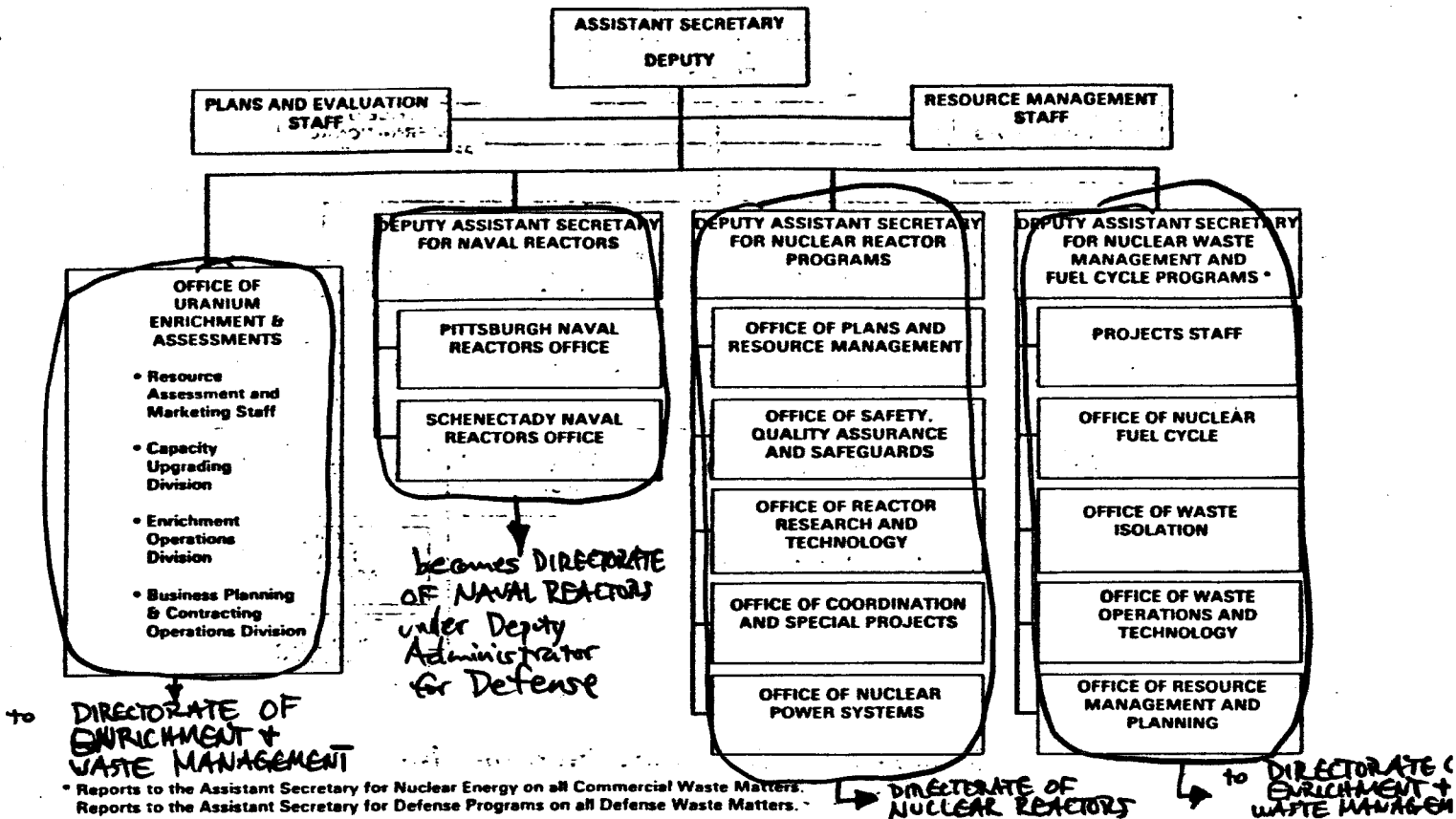
Economic Regulatory Administration



Energy Information Administration

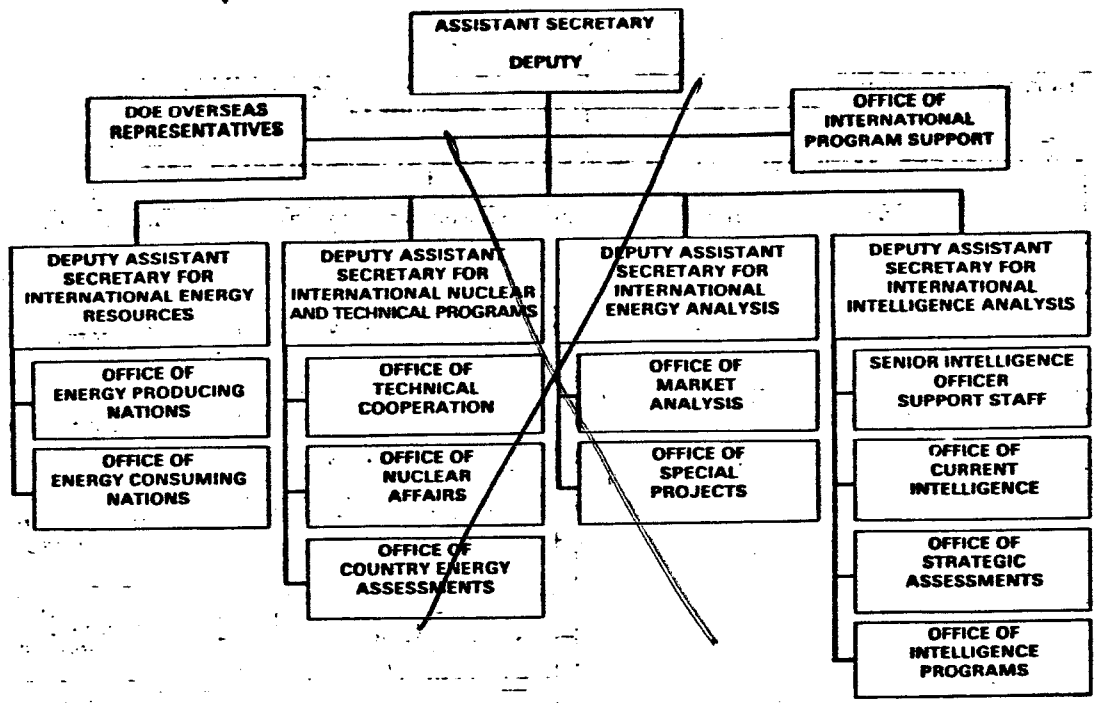


Office of the Assistant Secretary for Nuclear Energy

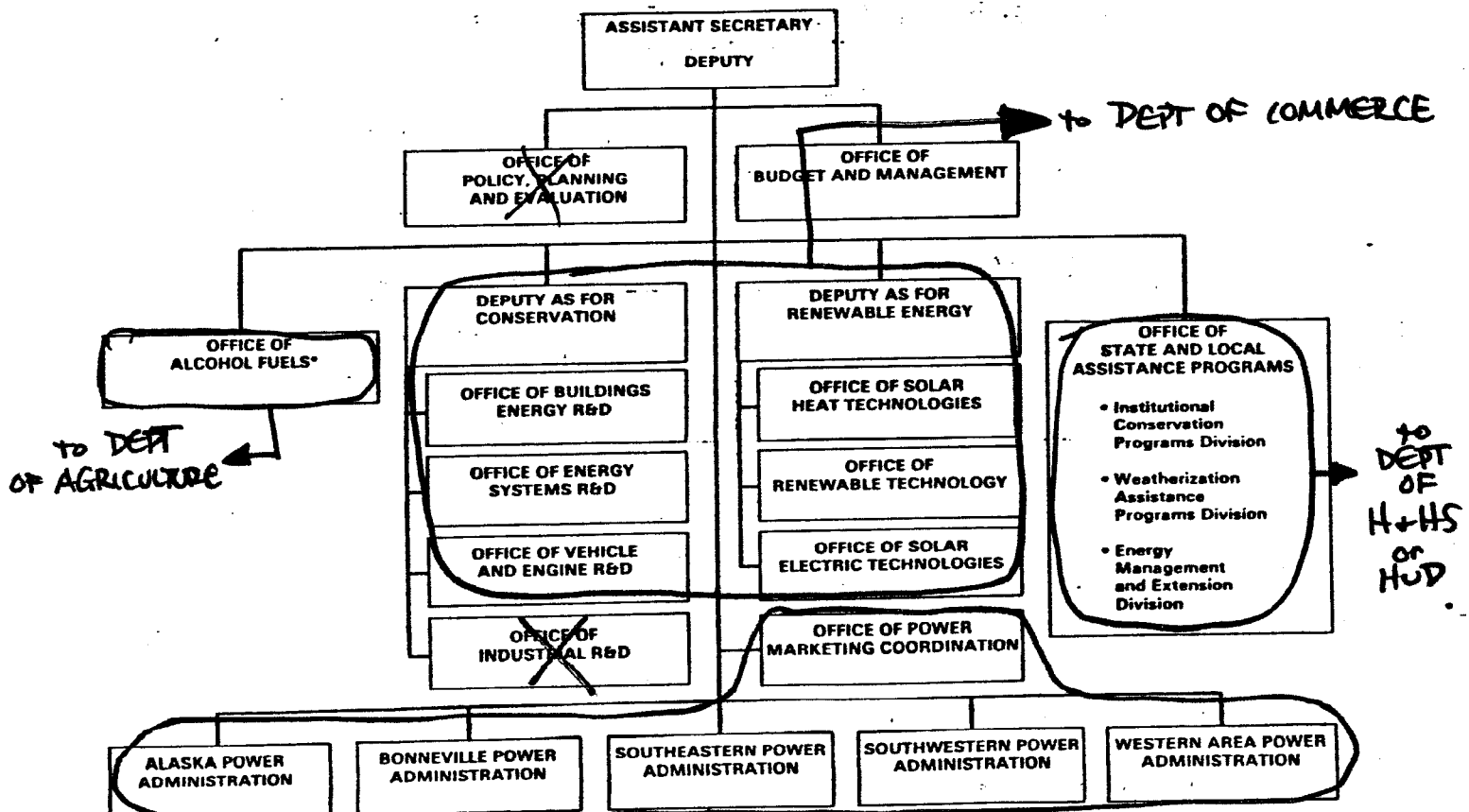


Office of the Assistant Secretary for International Affairs

residual functions to Dept of State

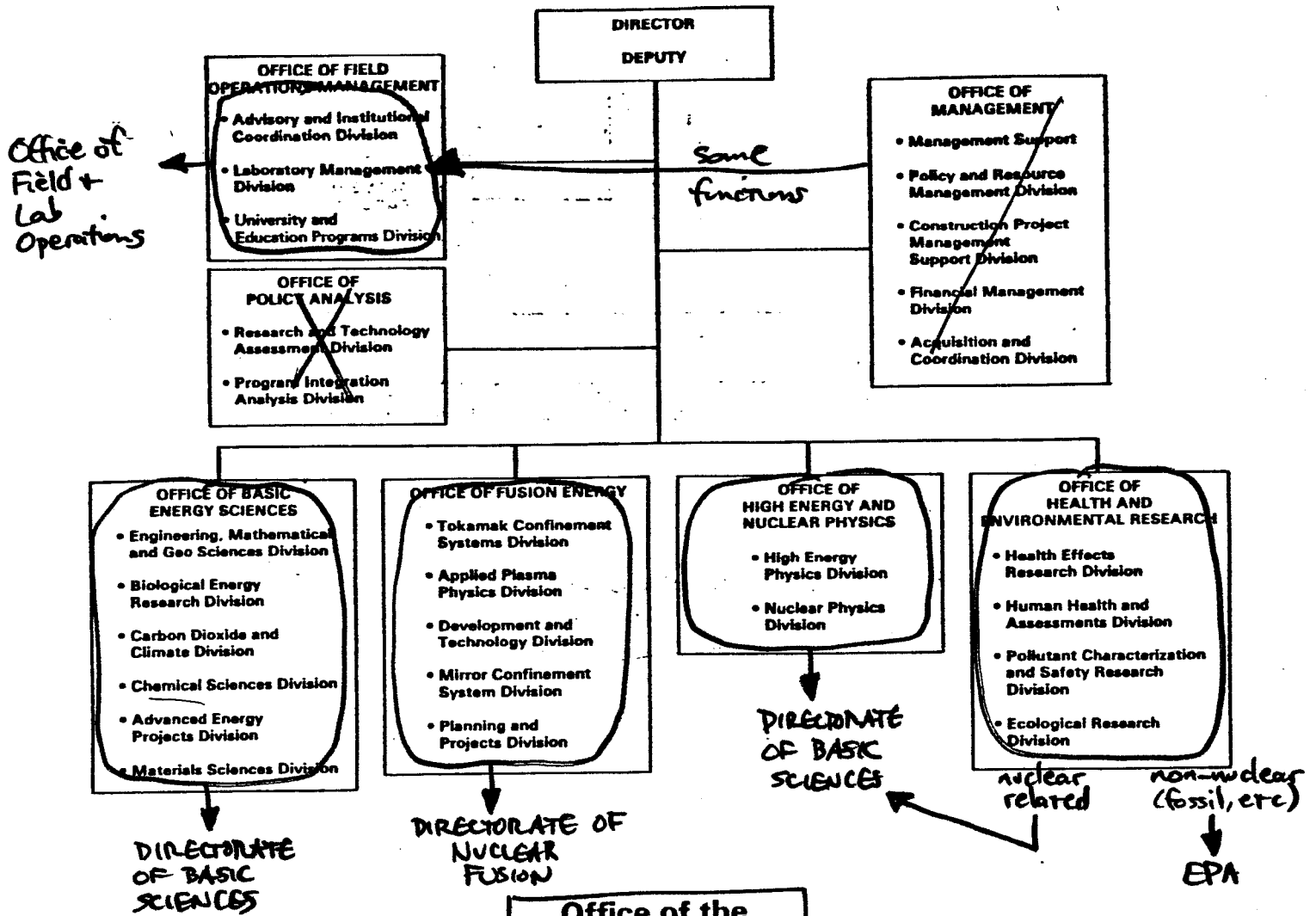


Office of the Assistant Secretary for Conservation and Renewable Energy



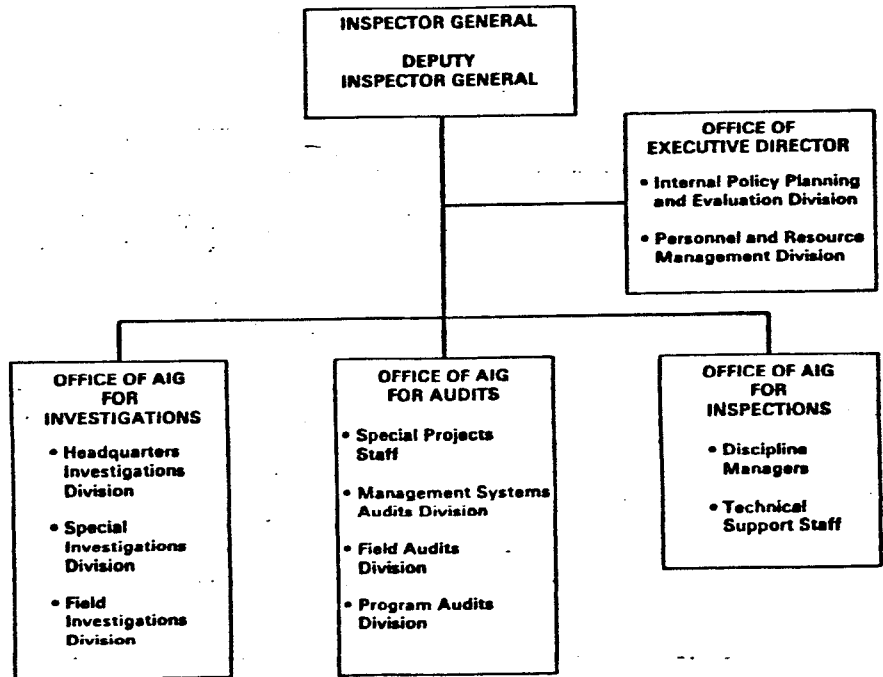
* Reports directly to the Secretary on matters relating to P.L. 96-294.

Office of Energy Research

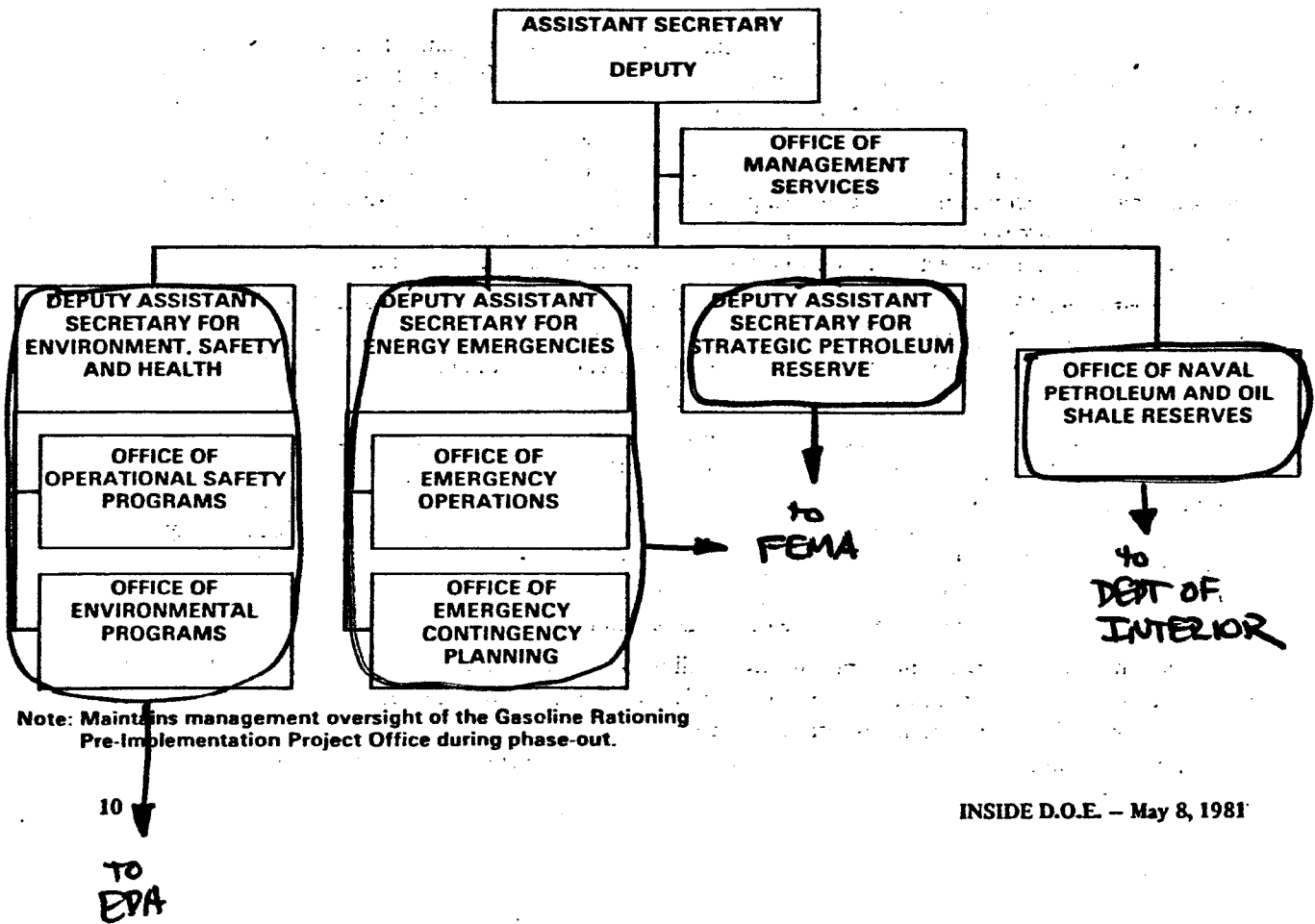


Office of the Inspector General

Compress



Office of the Assistant Secretary for Environmental Protection, Safety and Emergency Preparedness



INSIDE D.O.E. - May 8, 1981