



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

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RESOURCES COMMUNITY  
AND ECONOMIC DEVELOPMENT  
DIVISION

June 8, 1984



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Mr. William G. McDonald  
Executive Director  
Federal Energy Regulatory  
Commission  
Washington, D.C.

Dear Mr. McDonald:

**Subject: Feasibility of Transferring Certain Federal  
Energy Regulatory Commission Regional Office  
Activities to the Corps of Engineers**

The regional offices of the Federal Energy Regulatory Commission (FERC) and the division and district offices of the U.S. Army Corps of Engineers (Corps) all perform inspections of hydroelectric projects to ensure that they are constructed, maintained, and operated so as not to pose a threat to down-stream areas. FERC is primarily responsible for non-federal projects and the Corps is primarily responsible for the projects it constructs and operates. We analyzed the nature and volume of this work in an attempt to determine the cost effectiveness of transferring all or a portion of the workload of the FERC regional offices to the Corps' division and district offices, with the remaining FERC regional office functions being transferred to FERC headquarters.

We undertook this analysis because of the obvious similarities between the functions of FERC and the Corps related to hydroelectric project inspection and licensing. Our analysis centered around the advantages and disadvantages of transferring FERC's regional functions of hydroelectric project inspection and monitoring to the Corps, which has a much larger field operation, and consolidating the remaining FERC regional functions at FERC headquarters. The remaining FERC regional functions involve assisting FERC headquarters in analyzing electric utility operations, hydroelectric project analysis, and river basin studies.

The results of our analysis were inconclusive. At the time of our analysis (August 1982 through May 1983), the data available at FERC headquarters and regional offices were inadequate to draw valid conclusions concerning the cost effectiveness of such transfers. Although we attempted to estimate how much it would cost for the Corps to perform the FERC regional office functions, we were unable to do so because, at that time, FERC did not have detailed data on how the FERC regional office personnel spent their time.

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In April 1983, FERC, as part of its Time Distribution Reporting System, began to collect data which could be used in determining the cost effectiveness of such transfers. We are providing the information we developed for your consideration in any analysis you may make of the data generated from FERC's Time Distribution Reporting System.

#### SCOPE AND METHODOLOGY

During this analysis, we examined files and interviewed officials at (1) FERC headquarters and its Atlanta, New York, and San Francisco Regional Offices and (2) Corps headquarters, its Atlanta and San Francisco division offices, and its Sacramento and Savannah district offices. To obtain representative views of the electric utility industry, we met with representatives of the Pacific Gas and Electric Company, Georgia Power Company, Alabama Power Company, Power Authority of the State of New York, and the Edison Electric Institute. Our analysis was performed in accordance with generally accepted government auditing standards.

#### INSUFFICIENT DATA FOR DETERMINING COST EFFECTIVENESS OF TRANSFERRING FERC REGIONAL OFFICE FUNCTIONS

The data available at the FERC headquarters and regional offices were inadequate to draw valid conclusions concerning the cost effectiveness of transferring FERC's regional activities to the Corps and FERC headquarters. The only overall financial data we identified relating to FERC regional office activities was the fiscal year 1984 budget estimate of \$7.2 million for hydroelectric project inspections. This amount does not include the other regional office activities such as electric rate calculations and river basin studies, but does include the allocation of costs for FERC-wide administrative activities and services. Officials in FERC's Office of Program Management told us that FERC does not maintain financial data on a regional office basis, because FERC budgets and accounts for its activities on a programmatic basis which transcends organizational lines.

In April 1983, FERC began to collect personnel cost data in both headquarters and its regional offices as part of its Time Distribution Reporting System, which was initiated to improve its staffday reporting. The data from this system should enable FERC to accurately portray the personnel costs of its various regional office activities. This type of data would also be needed in determining whether the Corps could perform FERC's hydroelectric project inspection and monitoring activities at less cost than FERC.

We attempted, with assistance from the Corps, to estimate how much it would cost for the Corps to perform FERC's regional office functions. The Corps' resultant estimate, however, was constrained by the lack of FERC personnel cost and utilization

data. Therefore, we could not use the Corps' estimate in our analysis.

If a transfer of FERC's hydroelectric project inspection and monitoring activities to the Corps were cost effective, nothing under current law would prohibit FERC from utilizing the Corps to perform these functions. The transfer could be accomplished by a memorandum of understanding between the two agencies. Because FERC would remain statutorily responsible for licensing and enforcing licenses, the memorandum of understanding would likely address such issues as the exact work to be performed by the Corps, when it would be performed, how the data resulting from the work would be transmitted to FERC, the quality of work that FERC would accept from the Corps, and the degree of FERC's supervision and review of the Corps' work.

#### VIEWS ON TRANSFER VARIED SIGNIFICANTLY

FERC and the electric utility industry were opposed to the transfer of FERC's hydroelectric project inspection and monitoring activities to the Corps while the Corps favored it. The electric utility companies were concerned that they would have to bear an increased regulatory burden and that their costs would increase if the Corps became an agent for the FERC and was given responsibility for project inspection and license monitoring. They also expressed the concern that there would be a change in the design and inspection criteria if the Corps assumed those duties.

FERC headquarters and regional officials also expressed concern about the transfer. They envisioned the possibility of (1) the Corps following its own inspection criteria and reporting requirements rather than FERC's, (2) a conflict of interest situation existing if the Corps inspects privately-owned hydroelectric facilities located at Corps facilities, and (3) communications between the FERC, the Corps, and the licensee becoming complicated.

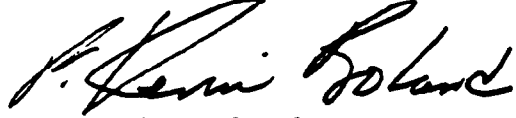
Corps officials told us, however, that they would not object to assuming the same scope of inspection and design criteria currently used by FERC. They pointed out that it is the Corps' policy to encourage and support efforts by non-federal interests to develop hydroelectric projects at Corps sites, and to coordinate closely with them to achieve a compatible operation.

We did not do a detailed analysis of the industry's and FERC's concerns to determine their validity. Also, because the necessary data was not available to calculate the potential dollar savings, we were unable to determine whether industry and FERC concerns were significant enough to outweigh the potential savings of such a transfer.

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We appreciate the courtesy and cooperation extended to our staff during this analysis. We hope that our observations will be of use to you and would appreciate being informed of any actions taken or planned as a result of the information we have provided. Members of my staff are available to discuss these matters further, should you so desire. We are sending copies of this letter to the Corps of Engineers.

Sincerely yours,

A handwritten signature in black ink, appearing to read "F. Kevin Boland". The signature is fluid and cursive, with the first name "F. Kevin" written in a smaller, more compact script and the last name "Boland" written in a larger, more prominent cursive style.

F. Kevin Boland  
Senior Associate Director