

DOCUMENT RESUME

04140 - [BJ114372]

[Award of Grant by the San Francisco Operations Office of the U.S. Energy Research and Development Administration for the Energy Awareness Project]. EMD-78-14; B-178726. October 28, 1977. 3 pp. + 4 enclosures (16 pp.).

Report to Rep. James M. Jeffords; Sen. Henry M. Jackson; Sen. John A. Durkin;

Contact: Energy and Minerals Div.

Budget Function: Natural Resources, Environment, and Energy (300).

Organization Concerned: California Council for Environmental and Economic Balance; Department of Energy; Energy Research and Development Administration; Federal Energy Administration.

Rep. James M. Jeffords; Sen. Henry M. Jackson; Sen. John A. Durkin.

The Energy Research and Development Administration (ERDA) awarded a grant to the California Council for Environmental and Economic Balance for the purpose of increasing awareness of the national and local energy situation, including needs, issues, problems, and opportunities, among various groups throughout California. The grant was referred to as the Energy Awareness Project. Ten seminars held under the grant were intended to provide an overview of the energy situation nationally and in California and to provide resource materials to seminar attendees so that they could continue energy education in their own communities. Findings/Conclusions: There was no evidence that Federal funds were used improperly or to perform lobbying activities. Interviews with seminar attendees and review of the seminar handout materials did not indicate that the seminars were presented in a biased manner or that the attendees were encouraged to contact their elected representatives in order to support the administration's energy proposals. The selection of the council for the project could be questioned from a public relations aspect since the council's stance in previous energy matters clearly established them as pronuclear. While project funding sources within ERDA were identifiable, the justifications used for transferring project funds did not adequately or fairly reveal the real purpose for which these funds were to be used. (SC)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20543

ENERGY AND MINERALS
DIVISION

B-178726

OCT 28 1977

The Honorable Henry M. Jackson
The Honorable John A. Durkin
United States Senate
The Honorable James M. Jeffords
House of Representatives

In letters dated October 4, 1977, and September 21, 1977, you requested that we examine the circumstances surrounding a grant awarded by the San Francisco Operations Office of the U.S. Energy Research and Development Administration ^{1/} (ERDA). The stated purpose of the grant was to increase awareness of the national and local energy situation --needs, issues, problems, and opportunities--among various groups throughout California. The grant is referred to as the Energy Awareness Project.

The grant was funded by ERDA and the Federal Energy Administration in the amount of \$103,250 and was awarded to the California Council for Environmental and Economic Balance (CCEEB) in February 1977. CCEEB subcontracted the main aspects of the project to Solem and Associates, which was responsible for setting up the seminars and obtaining the necessary speakers. CCEEB also subcontracted with Binnere Associates Ltd., to coordinate project activities in southern California.

Between May 19 and September 20, 1977, 10 seminars were held with various groups in northern and southern California. These sessions were intended to provide (1) an overview of the energy situation nationally and in California, and (2) resource materials to seminar attendees so that they could continue energy education in their own communities.

^{1/}The Energy Research and Development Administration is now part of the new Department of Energy (DOE). Since most of the activities discussed in this report occurred when ERDA was a separate agency, we will continue to refer to ERDA, rather than DOE.

These seminars were attended by public officials, community leaders; and education, agriculture, media, and public interest groups. While all seminars planned under the project have been held, evaluation and analysis of the project as initially planned by the Energy Awareness Project Steering Committee is still continuing with no specified date for completion.

In your letter you were concerned that the grant may have been awarded for improper purposes, including possible use of appropriated funds to lobby the Congress on legislative matters.

We found no evidence that Federal funds were used improperly or to perform lobbying activities. We arrived at this conclusion after

- evaluating and reviewing the proposal, final grant documents, and other related correspondence;
- interviewing attendees from 9 of the 10 seminars and reviewing seminar agenda and evaluations; and
- interviewing responsible officials from ERDA, CCEEB, Solem and Associates, and members of the Energy Awareness Project Steering Committee.

We consider our interviews with seminar attendees as "the bottom line"--the most critical and important factor in determining whether lobbying was attempted. From these and other interviews and review of seminar handout materials, we found no evidence that the seminars were presented in a biased manner or that attendees were encouraged to contact their elected representatives in order to support the Administration's energy proposals.

However, we did note certain areas that we did not follow up on during our review because of time constraints which you may want to pursue with ERDA officials. These include ERDA's (1) logic for approving the grant to CCEEB in light of CCEEB's prior pronuclear stance and (2) internal procedures and justification used for funding the grant. While CCEEB originated the idea for the grant and submitted an unsolicited proposal for the project to ERDA, CCEEB's stance in previous energy matters has clearly established it as pronuclear.

Since the purpose of this project was to present an unbiased, balanced presentation on the energy situation, the selection of CCEEB for the project can be questioned from a public relations aspect. Also, while we were able to identify the project funding sources within ERDA, we were not totally satisfied that the justifications used for transferring project funds adequately or fairly revealed the real purpose for which these funds were to be used. Specifically, \$28,250 was transferred for the project from the Assistant Administrator for Nuclear Energy (ANE) in June 1977, but ERDA did not cite the project as the reason for the transfer. Rather, ERDA reported that the funds were to be used for securing consultant work in the program support area. Because of ERDA's limited documentation and inability to adequately explain its actions, we were unable to resolve this issue in the time available. Also, the Management Coordinator, ANE, who located and transferred the funds did not know that they were to be used for the Energy Awareness Project.

In the enclosures to this letter, we present more detailed information on certain aspects of our review in which you expressed interest. They include (1) a detailed chronology of data leading up to the award and implementation of the grant in enclosure I, (2) funding sources for the project in enclosure II, (3) a listing of sessions held, in enclosure III, and (4) a listing of Board of Directors, CCEEB, in enclosure IV.

At your requests, we did not take the additional time needed to obtain written agency comments on the matters discussed in this report.



Monte Canfield, Jr.
Director

Enclosures - 4

CHRONOLOGY LEADING TO AWARD OFTHE ENERGY AWARENESS PROJECT

- September 1976 - ERDA held a public meeting in San Francisco to obtain public comment on their National RD&D Plan at which time they emphasized the need for keeping the public aware of the energy situation. This was one of a series of public meetings held by ERDA across the country for this purpose.
- November 3, 1976 - As a result of the public meeting in San Francisco, Mike Peevey, Executive Director, CCEEB, (who was a member of the steering committee established by ERDA for holding that public meeting) wrote a letter to Robert D. Thorne, Manager, ERDA San Francisco Operations Office, outlining a program to increase awareness of energy problems and prospects among selected California groups and to explain the responsibility and role of ERDA (and others) in dealing with these problems and prospects. The program was to be carried out by a series of meetings to be held with leaders of various opinion-making and opinion-influencing groups throughout California during the spring and summer of 1977.
- The letter contained language which could lead the reader to believe that the meeting would encourage participants to write their congressmen in support of specific legislation, pass resolutions, write letters to the editor, phone in to radio talk shows, etc.
- November 19, 1976 - CCEEB submitted an unsolicited proposal to the ERDA San Francisco Operations Office requesting a grant to fund a series of energy awareness seminars. The same language used in the letter to Robert Thorne was incorporated in the proposal document.
- January 14, 1977 - A memorandum to the Assistant Administrator for Environment and Safety, ERDA,

from his Special Assistant, pointed out several of the author's misgivings about the proposed grant to CCEEB. The Special Assistant stated that he believed such an effort to be ill conceived and mis-directed. He further stated that on the basis of the CCEEB outline, the project appeared to be an excellent plan for one of the greatest political "boondoggles" of modern times.

- January 27, 1977 - In a letter to Robert Thorne, Manager, San Francisco Operations Office, the Sierra Club, pointed out its concerns about awarding the grant to CCEEB based on CCEEB's history of strong opposition to environmental legislation and firm support for nuclear power. The letter also pointed out that CCEEB led the industry attack on the California Nuclear Safeguard Initiative (Proposition 15).
- February 7, 1977 - Robert Thorne became Acting Assistant Administrator for Nuclear Energy, ERDA, Washington, D.C.
- Don Reardon, Deputy Manager, San Francisco Operations Office, ERDA, became Acting Manager, San Francisco Operations Office.
- Joe LaGrone, Program Officer, San Francisco Operations Office, ERDA, became Acting Deputy Manager, San Francisco Operations Office, ERDA.
- February 9, 1977 - The grant was executed by Don Reardon, Acting Manager, San Francisco Operations Office. The stated purpose of this grant was to increase awareness of the energy situation--needs, issues, problems, and opportunities--among various groups throughout California and to increase feedback from these groups and others for use as input to local and national ERDA energy and energy-related initiatives. ERDA was responsible for managing this grant.

The program for this grant was to consist of a series of meetings with the leaders

of specified California groups. The grantee was to seek sponsorship and support from a broad range of California labor, business, and special interest groups and officials. CCEEB, in consultation with ERDA, FEA, and other sponsoring groups, would plan all necessary arrangements for the meetings. The program was to be carried out with the assistance of a steering committee which would help to formulate meeting objectives and develop follow up activities. The steering committee was to be comprised of a representative cross section of the groups for which the seminar was to be conducted. Each meeting was to be broad in scope, tailored to the groups being addressed, and organized to maximize attendance. The goals and agenda for each meeting were to be formulated by the grantee in conjunction with the steering committee and submitted in sufficient time for review and comment by ERDA.

The grant called for a phase I and an optional phase II. Phase II would be used to conduct additional meetings with groups such as business leaders, college students, homeowners associations, and senior citizens. ERDA has not decided whether there will be a phase II. Phase I was to cover the period from February 9, 1977, through August 9, 1977. During this period the grantee was to prepare and conduct 10 to 12 separate meetings. The estimated funding for phase I was \$88,250. The grant was modified to increase the period covered by phase I to September 30, 1977, and funds obligated to the grant were increased to \$103,250. A breakdown of the sources of funds applied for phase I of the grant is as follows:

ERDA

Assistant Administrator for Nuclear Energy (ANE)	\$ 58,250
---	-----------

ERDA (con.)

Office of Public Affairs (OPA)	\$ 20,000
Assistant Administrator for Planning, Analysis, and Evaluation (APA)	10,000

FEA

Region 9 office in San Francisco	<u>15,000</u>
----------------------------------	---------------

Total	<u>\$103,250</u>
-------	------------------

(See enc. II for a more detailed analysis and explanation of the funding sources for the grant.)

The language in the proposal submitted to ERDA by CCEEB, on November 19, 1976, which may have been misunderstood and construed to imply that the seminars would be used to encourage participants to lobby the Congress on legislative matters, was not used in the final grant document. ERDA officials told us that the language was deleted specifically so that there would be no misunderstanding of the grant's intent.

April 25, 1977

- The Council issued a press release publicly announcing the start of the Energy Awareness Project. According to the announcement, the project was to consist of a series of energy seminars to be held throughout California to " * * * present an overview of energy problems and alternatives and provide in-depth resource materials and tools for seminar participants to continue the energy education program within their own communities." The announcement stated that seminars were to be held with education, agricultural, and public interest groups; media leadership; low income group leaders; labor union officials; and public officials.

CCEEB entered into a subcontract with Solem and Associates, public relations consultants, to carry out statewide

direction of the project including providing experienced personnel and staff operation facilities; researching and preparing seminar program content; researching and preparing resource books for seminar participants; seminar scheduling, logistics and arrangements; identifying, inviting, and working with seminar participants; recruiting and working with steering committee members and individual seminar task forces on overall program and individual seminar content; developing and implementing publicity regarding overall project and individual seminars; and designing seminar follow up and measurements of program success.

June 3, 1977

- Letter amending original letter of agreement between Binngere Associates, Ltd., and CCEEB whereby Binngere Associates, Ltd., would provide professional services for coordinating project activities in southern California. (We did not obtain the original letter.)

October 6, 1977

- Don Reardon, Acting Manager, San Francisco Operations Office, left ERDA for a 2-year assignment with the Department of State.

Joe LaGrone became Acting Manager, DOE San Francisco Operations Office.

SOURCES OF FUNDS FOR ENERGY AWARENESS PROJECT

We were told by the Acting Manager, San Francisco Operations Office, that the following groups within ERDA were requested to provide funds for the project:

- Assistant Administrator for Nuclear Energy.
- Assistant Administrator for Environment and Safety.
- Assistant Administrator for Conservation.
- Assistant Administrator for Planning, Analysis, and Evaluation.
- Office of Public Affairs.

Of these groups, only the following provided funds.

<u>Group</u>	<u>Amount of funds provided</u>
Assistant Administrator for Nuclear Energy (ANE)	\$58,250
Office of Public Affairs (OPA)	20,000
Assistant Administrator for Planning, Analysis, and Evaluation (APAE)	10,000

The Acting Manager, San Francisco Operations Office, told us that the Conservation Group did not provide funds because it already had its own program for getting public comments, and the Environment and Safety Group did not provide funds because of its concerns with the initial project proposal.

The Federal Energy Administration (FEA) provided \$15,000 for the project. These funds came from FEA's Region 9 Office in San Francisco.

The total current funding for the project is \$103,250.

Following is a breakdown of funding for the project by source of funds, reason for transfer (as stated in agency transfer documents), principal agency officials contacted, and explanation of transaction as provided by these officials.

I.	<u>Source of funds</u>	<u>Amount</u>
	Assistant Administrator for Nuclear Energy:	
	April 1977 transfer	\$30,000
	June 1977 transfer	<u>28,250</u>
		<u>\$58,250</u>

Reason for transfer (as provided in transfer documents):

April 1977 - Assessment of the economic and environmental implications of energy development.

June 1977 - To be used for securing consultant work in the program support area.

Principal ERDA officials contacted:

1. Management Coordinator, Assistant Administrator for Nuclear Energy (ANE)
2. Deputy Assistant Administrator for Field Operations
3. Acting Deputy Manager, San Francisco Operations Office (currently Acting Manager)

Explanation for transfer as provided by ERDA officials:

April 1977.- ANE received a request from the San Francisco Operations Office for \$30,000 for partial support of the CCEEB grant. The request was reviewed by an ANE board that reviews requests for monetary assistance. The board felt that the proposal was worthy of support and provided \$30,000.

June 1977 - By letter dated June 27, 1977, addressed to Robert Thorne, Acting Assistant Administrator for Nuclear Energy, from the Deputy Assistant Administrator for Field Operations, \$30,000 was requested for use in securing some consultant work in the program support area. According to the Management Coordinator, ANE, who is also on the review board, he was instructed to locate and transfer available funds to Field Operations. In addition, he stated that this request did not receive

board review and he was not aware that the money was being provided for CCEEB. He could not remember specifically who instructed him to provide the money to Field Operations. Of the \$30,000 requested, only \$28,250 was obligated.

We were told by officials in San Francisco that they do not know why Field Operations requested funds for consultant work in the program support area whereas the funds were actually going to be used in support of the CCEEB grant.

II.	<u>Source of funds</u>	<u>Amount</u>
	Office of Public Affairs (OPA):	
	March 1977 transfer	\$10,000
	September 1977 transfer	<u>10,000</u>
		<u>\$20,000</u>

Reason for transfer (as provided in transfer documents):

March 1977 - To cofund a grant to the California Council for Environmental and Economic Balance for a series of symposia on energy awareness.

September 1977 - To increase an existing grant to the California Council for Environmental and Economic Balance.

Principal ERDA officials contacted:

1. Assistant Director for Public Services, OPA

Explanation for transfer as provided by ERDA official:

March 1977 - OPA provided \$10,000 to help cofund the CCEEB grant.

September 1977 - San Francisco Operations Office requested an additional \$15,000 to close out phase I of the CCEEB project. OPA was able to provide the funds because two public meetings had been postponed. \$5,000 of these funds were not applied to the project and were

eventually transferred to a solar heating, public information project.

III. Source of funds Amount

Assistant Administrator
for Planning, Analysis,
and Evaluation (APAE):

March 1977 transfer \$10,000

Reason for transfer (as provided in transfer document):

March 1977 - To cover the cost of a California Council
on Energy and Environmental Balance Study.

Principal ERDA official contacted:

1. Assistant Administrator for Planning, Analysis,
and Evaluation

Explanation for transfer as provided by ERDA official:

March 1977 - The Assistant Administrator, APAE, does
not remember any of the details sur-
rounding the request for funds for the
project. He stated that his Office was
involved in similar activities at the
time and that the CCEEB grant was an out-
come of the California public meetings.
He instructed the Budget and Admin'stra-
tive Officer, APAE, to locate and transfer
available funds.

IV. Source of funds Amount

Federal Energy Administration
Region 9 San Francisco \$15,000

Reason for transfer:

To fund seminars to be conducted by California Council
on Environmental and Economic Balance.

Principal FEA official contacted:

1. Acting Deputy Regional Representative, Department
of Energy, San Francisco Region 9

Explanation for transfer as provided by FEA official:

The Acting Deputy Regional Representative stated that FEA provided funds for the Energy Awareness Project because they felt that there was a need for a public information program dealing with the current energy situation, and that the project appeared to be a good vehicle for that purpose.

LIST OF ENERGY AWARENESS PROJECT SEMINARS HELD

1. Northern California Education Seminar - San Francisco, California (May 19, 1977)
2. Los Angeles Education Seminar - Los Angeles, California (May 23, 1977)
3. Northern California Public Interest Groups Seminar - San Francisco, California (July 23, 1977)
4. Statewide Public Officials Seminar - Los Angeles, California (July 27, 1977)
5. Northern California Community Leaders Seminar - San Francisco, California (August 6, 1977)
6. Los Angeles Community Leaders Seminar - Los Angeles, California (August 20, 1977)
7. Agricultural Energy Conference - Fresno, California (September 1, 1977)
8. San Francisco Media Seminar - San Francisco, California (September 9, 1977)
9. Los Angeles Public Interest Group Seminar - Los Angeles, California (September 10, 1977)
10. Los Angeles Media Seminar - Los Angeles, California (September 20, 1977)

LISTING OF BOARD OF DIRECTORS OF CALIFORNIA COUNCIL
FOR ENVIRONMENTAL AND ECONOMIC BALANCE 1/

BUSINESS

Joseph E. Baird, President, Occidental Petroleum Corporation,
Los Angeles

George T. Ballou, Vice President, Standard Oil of California,
San Francisco

Thornton F. Bradshaw, President, Atlantic Richfield Company,
Los Angeles

W. Dean Cannon, Jr., Executive Vice President, California
Savings & Loan League, Los Angeles

J. Howard Edgerton, Chairman, California Federal Savings,
Los Angeles

W. W. Finley, Jr., President, General Atomic Companies, San
Diego

J. E. Goetz, Vice President, Westinghouse Corporation, San
Francisco

Jack K. Horton, Chairman, Southern California Edison Company,
Rosemead

Preston B. Hotchkis, President, Bixby Ranch Company, Los
Angeles

L. E. Hoyt, Vice President, Southern Pacific Company, San
Francisco

Jack Jones, Manager, Dow Chemical USA, Pittsburgh

J. W. Komes, Vice Chairman, The Bechtel Group, San Francisco

H. M. Lawson, Regional Vice President, General Electric
Company, San Francisco

1/Source: California Council for Environmental and Economic
Balance

Edwin Meese, III, Executive Vice President, Rohr Industries,
Chula Vista

Paul A. Miller, Chairman, Pacific Lighting Corporation, Los
Angeles

Robert E. Morris, President, San Diego Gas & Electric Company,
San Diego

Barry E. Scherman, Vice President, Hofmann Company, Concord

Shermer L. Sibley, Chairman, PG&E Company, San Francisco

Raymond L. Watson, President, Irvine Company, Newport Beach

Leopold S. Wyler, President, TRE Corporation, Los Angeles

LABOR

M. E. Anderson, International Director, Western Conference
of Teamsters, Burlingame

James B. Booe, District 9 Vice President, Communication
Workers of America, San Francisco

M. B. Bryant, Member, General Executive Board, United
Brotherhood of Carpenters, Sacramento

Al Caples, Business Manager, Sacramento Building and Construc-
tion Trades Council

John A. Cinquemani, Executive Secretary-Treasurer, Los
Angeles Building and Construction Trades Council

Jack T. Cox, General Vice President, International Brother-
hood of Painters and Allied Trades, Irvine

John F. Crowley, Secretary-Treasurer, San Francisco Labor
Council

Robert Geisick, Business Manager, Hotel, Restaurant Employees
Joint Executive Board, Los Angeles

Kenneth G. Hahn, Executive Secretary-Treasurer, Ventura
Building and Construction Trades Council, Ventura

Pete Kurbatoff, President, Teamsters, Joint Council No. 42,
Los Angeles

James S. Lee, President, State Building and Construction
Trade Council of California, Sacramento

Leo L. Mitchell, Business Manager, Local 1245, International
Brotherhood of Electrical Workers, Walnut Creek

Leslie C. Parker, Executive Secretary, San Diego County
Council of Carpenters

Anthony L. Ramos, Executive Secretary-Treasurer, California
State Council of Carpenters, San Francisco

R. R. Richardson, Executive Secretary-Treasurer, San Diego-
Imperial Counties Central Labor Council

William R. Robertson, Executive Secretary-Treasurer, Los
Angeles County Federation of Labor

Robert Simpson, Vice President, International Association of
Machinists, Long Beach

James J. Twombly, Regional Director, Western Conference of
Operating Engineers, San Mateo

Mason M. Warren, Regional Manager, Laborers' International
Union, Los Angeles

Jerry Whipple, Director, Region 6, United Automobile Workers,
Los Angeles

PUBLIC

Edmund G. Brown, Attorney, Los Angeles

Emory C. Curtis, Consultant, San Francisco

Katherine Dunlap, Civic Leader, Los Angeles

Ralph D. Fertig, Executive Director Community Action Agency,
Los Angeles

Albert W. Gatov, Consultant, San Francisco

Paul R. Haerle, Attorney, San Francisco

Werner Z. Hirsch, Professor of Economics, UCLA, Los Angeles

Patricia Hitt, Civic Leader, Orange County

Harold R. Hochmuth, Vice President, California Natural Resources Federation, Santa Rosa

Eugene Jacobs, Attorney, Los Angeles

Robert C. Kirkwood, Attorney, San Francisco

Daniel M. Luevano, Director, Western Center on Law & Poverty, Los Angeles

Charles T. Manatt, Attorney, Los Angeles

Jack Edward McKee, Environmental Engineer, Pasadena

Robert F. Miller, Attorney, San Francisco

James L. Mulloy, Assistant General Manager, Los Angeles Department of Water and Power

Rosemary Park, Professor Emeritus, UCLA, Los Angeles

Robert Pauley, Civic Leader, Los Angeles

Robert V. Phillips, Civic Leader, Los Angeles

Glenn T. Seaborg, University Professor of Chemistry, University of California and Associate Director, Lawrence Berkeley Laboratory

OFFICERS

Edmund G. Brown, Chairman

James S. Lee, Vice Chairman

Robert V. Vallera, Secretary

Thomas C. Ellick, Treasurer

BACKGROUND ON CCEEB

CCEEB is a not-for-profit corporation under California law. According to the Internal Revenue Code, they are a 501 (c)(4) organization. This means that they are a non-profit organization chartered to perform lobbying activities. They do not pay taxes but organizations or individuals contributing to them cannot deduct their contribution for income tax purposes.

CCEEB is considered by many people as a pro-nuclear organization. They were actively involved in trying to get proposition 15 defeated. Also, Solem and Associates, who CCEEB subcontracted to for most of the work under the grant, was also actively involved in trying to defeat proposition 15.

Bob Vallera, who is on the Board of Directors of CCEEB as Secretary, is also employed by the ERDA San Francisco Operations Office as a full-time temporary employee with the position of Associate for Consumer Representation. He was appointed to that position in September 1976 and his appointment expires in January 1978. He is not a salaried employee of CCEEB.