



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

ENERGY AND MINERALS  
DIVISION

B-208038

SEPTEMBER 29, 1982

The Honorable Charles M. Butler  
Chairman, Federal Energy  
Regulatory Commission  
825 North Capitol Street  
Washington, D.C. 20426



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Dear Mr. Chairman:

Subject: FERC Expenditures for the Trans Alaska Pipeline  
System (TAPS) Case (GAO/EMD-82-132)

The General Accounting Office is reviewing FERC's contracting and small purchases procedures as they relate to the Trans Alaska Pipeline System rate case. We have not yet completed our audit work but want to bring to your attention the need to initiate actions to recover about \$71,800 from Alyeska for records reproduction services paid for by FERC under a December 1979 cost-sharing agreement among FERC, Alyeska, and the State of Alaska. Most of the expenditures occurred during the period November 1979 through June 1980, although a few occurred in 1981.

FERC staff made at least one attempt to begin collecting the amount due from Alyeska in late 1980. In a letter dated October 6, 1980, FERC's lead counsel for the TAPS case informed Alyeska's attorneys that Alyeska owed FERC \$57,511.84. The letter included a suggestion that Alyeska start liquidating the amount owed by paying for some forthcoming discovery costs.

An Alyeska representative told us he had called the FERC staff and agreed with the proposal but requested documentation for the expenditures prior to making a commitment. He said no documentation was provided, so no off-setting discovery expenditures were made.

On July 1, 1981, the State of Alaska representatives prepared a reconciliation of all reported expenditures made under the three-party agreement and calculated the amount owing from each party. The analysis showed that FERC and the State had provided comparable amounts of service to each other so there

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was no monetary assessment due either party. FERC had undertaken extensive duplicating services for Alyeska, however, and was owed \$71,801.83. Copies of the State's analyses were sent to each of the parties for their confirmation and no negative responses were received.

Attempts to collect the amount owed by Alyeska after the July 1, 1981, reconciliation have been fruitless. On March 17, 1982, FERC's new lead counsel for TAPS wrote to Alyeska's attorneys and suggested that Alyeska reduce the amount owed to FERC by paying two invoices amounting to \$5,730.88 which had been submitted by the contractors to FERC but which FERC had not paid. Since these bills were for discovery copying costs incurred under the 3-party agreement, FERC felt justified in requesting Alyeska to pay them. However, these bills are still outstanding and Alyeska made no further offer to settle their account with FERC.

Nothing more was apparently done about the receivable account until GAO staff contacted one of Alyeska's attorneys in mid-July 1982. Prompted by that meeting, Alyeska's attorney, in a July 28, 1982, letter to FERC's lead counsel said that Alyeska has no reason to doubt the reasonableness of the \$71,801.83 owed but requires appropriate supporting documentation prior to payment. The attorney stated that he had requested such documentation from FERC staff before but had never received it. In response, FERC's lead counsel informed Alyeska by letter dated August 11, 1982, that GAO was auditing the TAPS procurements and that he would contact Alyeska at the completion of the audit.

Based on our extensive work with the FERC and DOE staffs in assembling TAPS procurement records, staff agrees with us that FERC should be able to support the amount due from Alyeska. Because of the interest cost on Treasury borrowings, further delay in recovering the amount due the Government will add to the interest costs incurred to date of approximately \$18,600. Therefore, we recommend that the appropriate supporting documentation be assembled and presented to Alyeska for immediate payment.

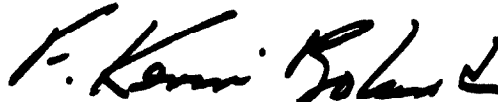
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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made

more than 60 days after the date of the report. We would appreciate receiving a copy of your statement when it is provided to the congressional committees and being informed of any action taken on our recommendations.

We are sending copies of this report to the Director, Office of Management and Budget; and the House and Senate committees having oversight and appropriation responsibilities over FERC.

Sincerely yours,



J. Dexter Peach  
Director