

This is a preliminary transcript of a Committee hearing. It has not yet been subject to a review process to ensure that the statements within are appropriately attributed to the witness or member of Congress who made them, to determine whether there are any inconsistencies between the statement within and what was actually said at the proceeding, or to make any other corrections to ensure the accuracy of the record.

1 {York Stenographic Services, Inc.}

2 RPTS KUHNS

3 HIF109.020

4 ``BUDGET AND SPENDING CONCERNS AT DOE''

5 WEDNESDAY, APRIL 18, 2012

6 House of Representatives,

7 Subcommittee on Oversight and Investigations

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:40 a.m.,
11 in Room 2322 of the Rayburn House Office Building, Hon. Cliff
12 Stearns [Chairman of the Subcommittee] presiding.

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

16 Staff present: Carl Anderson, Counsel, Oversight; Sean
17 Bonyun, Deputy Communications Director; Andy Duberstein,
18 Deputy Press Secretary; Todd Harrison, Chief Counsel,

19 Oversight and Investigations; Krista Rosenthal, Counsel to
20 Chairman Emeritus; Alan Slobodin, Deputy Chief Counsel,
21 Oversight; Roger Stoltz, Detailee-Oversight (GAO); and Alex
22 Yergin, Legislative Clerk.

|

23 Mr. {Stearns.} Today, we will examine the adequacy of
24 the Department of Energy's implementation of the President's
25 promise to conduct a ``line by line'' review of the federal
26 budget. At this time of financial distress, the goal of this
27 pledge must be to eliminate unnecessary, duplicative, or
28 wasteful government programs to cut costs and do more with
29 less. This hearing aims to determine the results of the
30 DOE's efforts to cut spending and to help DOE find more
31 spending cuts and saving.

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

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

46 questions over commercial viability. Rather than gambling in
47 the casino of risky green energy investments, DOE should be
48 using taxpayer's dollar prudently to help get Americans back
49 to work, while assuring them reliable access to affordable
50 energy.

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

66 Some of the Recovery Act's most costly programs are DOE-
67 administered programs; however, criminal investigations, poor
68 performance, and reported waste have made the hallmarks of
69 the Loan Guarantee Program, Advanced Research Project Agency

70 - Energy, the Weatherization Assistance Program and the
71 Advanced Technology Vehicles Manufacturing loan guarantee
72 program, according to the IG and GAO. This Committee, along
73 with the IG and GAO, will continue to work at keeping these
74 programs functioning as Congress intended, while operating at
75 not one penny above what is required to fulfill their core
76 missions. This Committee must remain deeply and regularly
77 engaged with the agencies within its jurisdiction, including
78 DOE, as they define their priorities, identify their needs,
79 and set their goals for the year ahead.

80 So my colleagues, today we will look at the actual
81 results of the DOE's efforts to meet the President's pledge
82 to comb through the federal budget and cut spending. The
83 Committee has learned, for example, that DOE chose not to
84 heed the President's April 2009 order to cabinet secretaries
85 to identify a combined 100 million in budget cuts by July
86 2009. GAO has also recently identified 700 renewable energy
87 initiatives across the Federal Government, 92 of which are
88 housed at DOE. At a time when the President is requesting an
89 increase in funding for DOE's renewable energy programs, can
90 anyone at DOE certify that there is no redundancy among these
91 92 initiatives?

92 To learn more about DOE's efforts, we will take
93 testimony today from the Director of the Office of Budget at

94 DOE, Chris Johns; the Inspector General of DOE, Gregory
95 Friedman; and Director of Natural Resources and Environment
96 at GAO, Frank Rusco. These individuals, and their staffs,
97 have conducted rigorous oversights and audits of EPA for many
98 years, so I welcome our witnesses this morning.

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

104 [The prepared statement of Mr. Stearns follows:]

105 ***** COMMITTEE INSERT *****

|
106 Mr. {Stearns.} And with that, I recognize--

107 Ms. {DeGette.} I will yield to Mr. Waxman.

108 Mr. {Stearns.} Yield to Mr. Waxman for 5 minutes.

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

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

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

128 Mr. {Stearns.} Mr. Waxman, can we review it first?

129 Mr. {Waxman.} Certainly.

130 Mr. {Stearns.} Yeah, your staff will give it to us and
131 then we will let you know for sure.

132 Mr. {Waxman.} The findings of this memo reveal exactly
133 how much damage the Republican budget would do to DOE's
134 mission of developing clean and renewable energy technology.
135 It slashes discretionary spending for energy programs by over
136 50 percent next year. While the Republican budget avoids
137 many of the specifics, we need to tally up the damage. It is
138 clear that it targets key clean energy initiatives. It
139 repeals funding for the Advanced Technology Vehicles
140 Manufacturing Program, a program that helps the auto industry
141 to improve the fuel efficiency of cars and develop next
142 generation advanced batteries for electric cars. It halts
143 DOE Loan Guarantee Programs that are creating jobs and
144 funding innovative renewable energy projects like wind farms
145 and geothermal power facilities. It eliminates funding the
146 Western Area Power Administration is using to build
147 transmission lines to deliver renewable energy to the places
148 it is needed, like a 725 mile transmission line to deliver
149 energy from wind from Wyoming to the Southwest. And while
150 the Republican budget calls for massive cuts to important
151 clean energy programs, it also protects massive tax breaks
152 for oil companies. Under the Republican budget, oil

153 companies earning record profits would receive \$40 billion
154 worth of tax breaks over the next decade.

155 American families are struggling at the pump and the
156 Republican solution is to give oil companies earning billions
157 of dollars more tax breaks. Think about these priorities.
158 While the rest of the world is rushing to develop clean
159 energy sources that protect the environment and the health of
160 our children, we are continuing to squander taxpayer money on
161 the oil industry. Our climate pays the prices well. There
162 was a strong scientific consensus that climate change is real
163 and it is happening now, but my Republican colleagues
164 continue to ignore and deny this reality, and passed a budget
165 that would only make the problems worse.

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

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

177 for the record into effect.

178 [The prepared statement of Mr. Waxman follows:]

179 ***** COMMITTEE INSERT *****

|
180 Mr. {Stearns.} For sure. Gentleman yields back the
181 balance of his time, and I recognize the gentleman from
182 Texas, Chairman Emeritus, Mr. Barton.

183 Mr. {Barton.} Thank you, Mr. Chairman. Before I give
184 my prepared--

185 Mr. {Stearns.} For 4 minutes.

186 Mr. {Barton.} Okay, and then I will give a minute to
187 Ms. Blackburn, is that right?

188 Before I give my brief statement on this issue, I want
189 to comment on Chairman Waxman's statement. In spite of all
190 our faults with our energy policy, you know, gasoline prices
191 \$4 a gallon are way too high, but they are less than half
192 what they are in Europe. They are a lot less than they are
193 in Japan. Natural gas prices at the wellhead are below \$2 an
194 MCF. That is lower than they were under the 1978 Natural Gas
195 Policy Act that Mr. Waxman and Mr. Dingell helped pass that
196 regulated wellhead prices. We have the most free market-
197 based, private, incentivized energy sector in the world, and
198 because of that, our energy prices are the most competitive
199 in the world. So despite of all our faults, we must be doing
200 something right in this country and if the Obama
201 Administration would get out of the way and allow the private
202 sector to operate on federal lands in an environmentally

203 friendly way, we would do even better.

204 But today we are here, Mr. Chairman, to look at the
205 Department of Energy's budget. This is a recurring hearing
206 that needs to be done. Way back in 1981 and '82, I was a
207 White House fellow at the Department of Energy, and I can't
208 remember exactly if it was in December or January, December
209 of '81 or January of '82, but Dave Stockman was the Director
210 of the Office of Management and Budget, and Ronald Reagan was
211 President, and the Department of Energy had sent its proposed
212 budget over to OMB for review, and OMB had sent it back and
213 said that more needed to be cut. Now, this was when the
214 whole federal budget was less than \$100 billion--or less than
215 \$1 trillion, excuse me, less than a trillion. And I don't
216 remember what Department of Energy's budget was then, but I
217 am going to say \$3 or \$4 billion. In any event, the
218 Secretary of Energy, James B. Edwards, had a meeting with all
219 of his assistant secretaries. He went around the room and he
220 asked each one of them, you know, we have to cut. Can you
221 cut some money? And this is the Reagan cabinet. Not one
222 assistant secretary, Mr. Chairman, said they could cut a
223 penny. Not one, not one. And I was a White House fellow and
224 I was sitting in the back, and the secretary turned to me and
225 he said, well maybe my White House fellow can find some
226 savings, and being bright-eyed and bushy-tailed and not

227 knowing the difference, I said well, I think I can, I think I
228 can. And I will continue that story at the next hearing. I
229 am not going to tell you what I did.

230 But in any event, today we are here for the same thing.
231 Today, the Department of Energy's budget is much larger than
232 it was way back then. They have got \$35 billion in stimulus.
233 They are going to receive another \$27 billion next year in
234 stimulus funding. They have a renewable energy program that
235 is in shambles. We all know about Solyndra. They have a
236 1705 Loan Guarantee Program that almost every company they
237 have given money to is on the watch list. They have got a
238 \$10 billion 1603 program for green energy jobs. It just goes
239 on and on, and yet as you just pointed out in your opening
240 statement, Mr. Chairman, they have not been responsive to
241 efforts to cut their budget. Hopefully we can encourage them
242 today and find ways across the aisle, on both sides of the
243 aisle, to help save some money in the Department of Energy's
244 budget.

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

247 [The prepared statement of Mr. Barton follows:]

248 ***** COMMITTEE INSERT *****

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

255 Now, your budget has increased \$10 billion over the past
256 10 years, and this is a lot of money. The President's
257 addendum to the budget with cuts, consolidations, and savings
258 calls for \$467 million in cuts, and \$249 million in savings
259 from DOE, so I have introduced a bill to Consolidate Heavy-
260 Handed and Outdated Program Act--we call it the CHOP Act. We
261 are doing this because there are problems with loans. We do
262 feel like the EPA and DOE could be combined into one
263 department called the Department of Energy and Environment,
264 and we think that there is misplaced priorities and misguided
265 activity at DOE and EPA. Our goal is to help save some of
266 this money and to help get this department on the right
267 track.

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

272 [The prepared statement of Mrs. Blackburn follows:]

273 ***** COMMITTEE INSERT *****

|
274 Mr. {Stearns.} Gentlelady yields back. We recognize
275 the ranking member from Colorado, Ms. DeGette, for 5 minutes.

276 Ms. {DeGette.} Thank you very much, Mr. Chairman. This
277 is the third detailed budget hearing we have had on the DOE
278 budget spending decisions this Congress, and I hope it is
279 productive because I am just as interested in wiping out
280 waste and mismanagement at DOE or at any agency as anybody
281 else on this Committee.

282 So I just want to say one thing as this hearing starts.
283 It is important to maintain a sense of perspective, because
284 DOE does have some good news. DOE's Recovery Act clean
285 energy initiatives funded over 20,000 projects nationwide
286 through tax cuts or cash assistance for clean energy
287 manufacturing and production, and with Recovery Act funding,
288 DOE reduced the Nation's nuclear waste footprint by 69
289 percent, or 641 square miles. The Weatherization Program
290 helped more than 650,000 low income families improve their
291 home's energy efficiency and save money over energy bills,
292 and the DOE Loan Guarantee Program supported over 60,000
293 jobs, and the Recovery Act supported thousands more, helping
294 most of America get through this bad recession. And also
295 contrary to what Ms. Blackburn said, during the Bush
296 Administration the core DOE budget increased by 16 percent.

297 During the Obama Administration from fiscal year 2009 to
298 2012, the core DOE budget, not including the stimulus funds I
299 just talked about, decreased by 22.18 percent. So it is
300 important to put that into perspective.

301 But this is not to say there isn't room for improvement
302 at DOE, or that some DOE programs don't need further
303 examination. The GAO and the Inspector General, as we will
304 hear, have looked carefully at the DOE Recovery Act programs
305 and they found some areas where management and monitoring
306 needs to improve. I commend GAO and the IG for taking a hard
307 look at these programs and identifying areas for improvement,
308 and I encourage my colleagues across the aisle to use these
309 assessments to help find ways to improve DOE programs, not to
310 use these findings as a partisan sword to try to skewer the
311 Administration for political points. And it is important to
312 note, as this Committee well knows, that GAO has had
313 longstanding concerns about DOE's financial management.
314 DOE's environmental management program has been a part of
315 GAO's high risk series since 1990, and so while the Obama
316 Administration has made improvements, they have made the
317 agency more transparent and increased accountability, but
318 DOE's problems go back decades and so we can't fix it all in
319 3 years. We need to continue to try to fix it.

320 We also need to look at where DOE is going, not just

321 where they have been. The GAO and the DOE Inspector General
322 will tell us that DOE has responded to these concerns raised
323 in their investigations and audits, learned from its
324 mistakes, and made improvements as they continued to spend
325 Recovery Act funds to improve the economy and provide new
326 incentives for the development and deployment of clean and
327 renewable energy. And so I am looking forward to hearing
328 from DOE how they have responded to the concerns raised by
329 these auditors.

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

343 And so I hope we can have all of these conversations as
344 we go forward, Mr. Chairman. I know Ms. Christensen has some

345 things she wants to say, and so at this time, I will yield a
346 minute or the balance of my time to Ms. Christensen.

347 [The prepared statement of Ms. DeGette follows:]

348 ***** COMMITTEE INSERT *****

|
349 Mr. {Stearns.} I think you need your mic closer.

350 Dr. {Christensen.} Thank you. Although I must say that
351 this does feel like déjà vu all over again, this being at
352 least the third meeting, as Congresswoman DeGette said, in a
353 series relating to line-by-line budget review of this agency.
354 It is really unclear what we are trying to accomplish here.
355 The alleged tendency to identify ways for duplicative and
356 excessive spending, in addition to assisting DOE to identify
357 and prioritize for the targets for cuts. Instead, however,
358 it reflects the disappointing state of this Congress once
359 again ignoring the true concerns of the American people by
360 failing to act on the most critical bread and butter issues
361 of our times, jobs and the economy.

362 The course that we are now on will in no way create the
363 jobs necessary to help our unemployed, will not strengthen
364 our environmental protections, reduce the cost of gasoline,
365 or safeguard the health of our constituents. Further cuts
366 will not take us one step closer to clean air or clean water,
367 or a lower unemployment rate. It is still my hope, though,
368 that we can somehow turn these hearings into constructive
369 dialogues about the true cost of benefits of public
370 investment and DOE operations, and that does also, of course,
371 include critically analyzing areas where DOE can further

372 President Obama's directive to be even more vigorous in
373 efforts to find savings by performing in an even more
374 efficient and cost effective manner, as I am sure you will
375 hear from the DOE employees.

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

378 [The prepared statement of Dr. Christensen follows:]

379 ***** COMMITTEE INSERT *****

|
380 Mr. {Stearns.} As you know--I am speaking now to our
381 witnesses--the testimony that you are about to give is
382 subject to Title 18, Section 1001 of the United States Code.
383 When holding an investigative hearing, this Committee has the
384 practice of taking testimony under oath. Do you have any
385 objection to testifying under oath? No?

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

391 [Witnesses sworn.]

392 Mr. {Stearns.} Thank you, and now you may give your 5-
393 minute summary of your written statement.

394 Mr. Rusco, we will start with you.

|
395 ^TESTIMONY OF FRANK RUSCO, DIRECTOR, NATURAL RESOURCES AND
396 ENVIRONMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; GREGORY
397 H. FRIEDMAN, INSPECTOR GENERAL, U.S. DEPARTMENT OF ENERGY;
398 AND CHRISTOPHER JOHNS, DIRECTOR, OFFICE OF BUDGET, U.S.
399 DEPARTMENT OF ENERGY

|
400 ^TESTIMONY OF FRANK RUSCO

401 } Mr. {Rusco.} Thank you. Chairman Stearns, Ranking
402 Member DeGette, and members of the Subcommittee, I am pleased
403 to be here today to discuss budget trends at the Department
404 of Energy, as well as observations from GAO's recent reports
405 on selected DOE programs and activities.

406 Recent years have seen significant growth in funding for
407 DOE, particularly in programs that received funding from the
408 2009 American Recovery and Reinvestment Act. GAO has
409 reported on such DOE programs in response to congressional
410 mandates and requests from Members of Congress. My testimony
411 today provides details about the budget trends and aspects of
412 the performance of key DOE programs and activities. In the
413 remainder of my oral remarks, I will highlight three such
414 programs.

415 The first is the Advanced Research Projects Agency-

416 Energy, or ARPA-E. ARPA-E was created by Congress in the
417 America COMPETES Act of 2007, but did not receive
418 appropriations until 2009 when it received \$.4 billion of
419 Recovery Act funding. Subsequently, the program has received
420 appropriations in 2011 and 2012. GAO reported on this
421 program in February, 2012, and found that the program was
422 generally following its mandate to fund projects with high
423 risk, high reward profiles and that the private sector would
424 be unlikely to fund on its own. We also found that the
425 program could do more to identify and verify information on
426 an applicant's prior private funding, and recommended that
427 ARPA-E provide additional reporting guidance to applicants,
428 and also require applicants to provide letters from investors
429 explaining why these projects could not have been funded by
430 private investors. ARPA-E agreed with GAO's recommendations
431 and has begun to implement them.

432 Secondly, DOE's Weatherization Assistance Program is a
433 longstanding program that has generally operated on a budget
434 in the neighborhood of \$225 million per year, the vast
435 majority of which is distributed to States and other
436 recipients to help low income families reduce their energy
437 bills by making long-term energy efficiency improvements to
438 their homes. This program received a \$5 billion infusion
439 from the Recovery Act, and initially experienced difficulties

440 in scaling up its distribution of money to recipients. For
441 example, we reported in 2010 that States and other recipients
442 of weatherization funds had encountered difficulties in
443 understanding and meeting program requirements. These
444 problems delayed the distribution of money for the first
445 several quarters of 2009. GAO recommended that DOE, among
446 other things, clarify its production targets and funding
447 deadlines, and generally improve its communication with
448 recipients. DOE took some steps to improve the clarity of
449 its guidance and communications, and despite the slow start,
450 we reported in December, 2011, that the States and other
451 recipients had access to most of the Recovery Act funds for
452 weatherization, and were on target to receive weatherization
453 goals. However, some recipients were unable to meet the
454 original spending deadline set by DOE of March 31, 2012, and
455 DOE has recently announced that it will allow recipients the
456 opportunity to modify the original deadline to gain
457 additional time to spend the Recovery Act money.

458 Lastly, DOE's Loan Guarantee Program was created under
459 the Energy Policy Act of 2005 to provide loan guarantees to
460 innovative energy technologies that, among other things,
461 reduce greenhouse gas emissions. As initially established,
462 the long-term expected costs of the loan guarantees was
463 required to be paid for by loan recipients. The program

464 issued its first solicitation for loan guarantee
465 applications, and several more solicitations starting in
466 2006. However, it did not close its first loan until
467 September, 2009. By that time, the program had received \$2.5
468 billion in Recovery Act appropriations to pay for the
469 expected costs of program loans, with a deadline for breaking
470 ground of September 30, 2011. As of that deadline, DOE had
471 spent approximately \$2.1 billion of the Recovery Act
472 appropriations to pay the costs of approximately \$15 billion
473 of loans, primarily for solar, wind, geothermal, and biomass
474 projects. The remaining \$.4 billion in Recovery Act money
475 went back into the Treasury.

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

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

487 [The prepared statement of Mr. Rusco follows:]

488 ***** INSERT 1 *****

|

489 Mr. {Stearns.} I thank you.

490 Mr. Friedman.

|
491 ^TESTIMONY OF GREGORY H. FRIEDMAN

492 } Mr. {Friedman.} Mr. Chairman, Ranking Member DeGette,
493 Members of the Subcommittee, I appreciate the opportunity to
494 testify at your request on the work of the Office of
495 Inspector General, and our efforts to promote economy and
496 efficiency in the Nation's \$27 billion annual investment in
497 the Department of Energy's wide-ranging set of missions and
498 functions. During the last several years, we have issued
499 over 200 reports identifying ways to improve operational
500 efficiency and to reduce costs at the Department. Through
501 these reviews, we identified millions of dollars in
502 questionable and unsupported costs.

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

513 expenditure of taxpayer provided funds.

514 These were reported in our January, 2012, report on
515 Recovery Act lessons learned and best practices. My focus
516 today, however, is on how the Department of Energy can
517 successfully transition from its historic levels of funding,
518 including the funding provided under the Recovery Act, to the
519 more likely constrained budget levels of the future. In this
520 regard, we develop and publish annually a list of the
521 Department's most significant management challenges. These
522 are issues which, in our view, warrant the attention of the
523 Department's senior managers. The full version of my
524 testimony discusses these challenges specifically.

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

532 First, apply the strategic planning and program analysis
533 disciplines used in the recent Energy Technology Quadrennial
534 Technology Review to the Department's entire \$11 billion per
535 year research, development, and technology portfolio. The
536 purpose being to ensure the portfolio is, first, managed

537 effectively, second, funded on a priority basis, and third,
538 meeting current policy directions.

539 Secondly, eliminates separate National Nuclear Security
540 Administration overhead functions that duplicate existing
541 departmental operations.

542 Third, consolidate or realign the Department's 16
543 federally funded research and development centers. The
544 Department currently spends in excess of \$10 billion per year
545 on the FFRDCs, including about \$3.5 billion per year in
546 overhead administrative expenses. We question whether the
547 proportion of funds dedicated to overhead administration
548 makes sense, and whether such expenditures can be sustained,
549 especially in an austere budget environment.

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

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

559 These initiatives represent significant change to the
560 status quo and to existing interests. As a consequence, we

561 recognize and are realistic about the fact that
562 implementation would be extremely difficult. For example,
563 any meaningful reduction in Department of Energy operational
564 costs will require deep and painful staff downsizing of the
565 Department's more than 110,000 federal and contractor
566 personnel. Further, the Department's laboratory system has a
567 rich history of service to the Nation. Any material change
568 in the current laboratory structure will be controversial
569 with significant local economic consequences, and frankly,
570 political ramifications. To its credit, the Department has
571 undertaken a number of management efforts intended to
572 increase operational efficiency. These are briefly discussed
573 in my full testimony.

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

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

584 [The prepared statement of Mr. Friedman follows:]

585 ***** INSERT 2 *****

|
586 Mr. {Stearns.} Thank you for your statement.

587 Mr. Johns, you are recognized for 5 minutes.

|
588 ^TESTIMONY OF CHRISTOPHER JOHNS

589 } Mr. {Johns.} Thank you, Mr. Chairman. Good morning,
590 Mr. Chairman, Ranking Member DeGette, and members of the
591 Subcommittee. Thanks for the opportunity--

592 Mr. {Stearns.} Do you have your mic on?

593 Mr. {Johns.} My apologies.

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

601 Mr. {Stearns.} By unanimous consent, so ordered.

602 Mr. {Johns.} Thank you, sir.

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

609 The Department of Energy is steadfast in its commitment

610 to produce annual budgets that reflect the Nation's highest
611 priorities, apply public resources wisely, and execute those
612 resources effectively and efficiently. We review our
613 financial status carefully, conduct senior level reviews of
614 performance, and report our monthly balances to select
615 congressional committees. We assess the availability of
616 balances from prior year appropriations, using them where
617 appropriate to offset requests for new budget authority and
618 to respond to emerging programmatic needs.

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

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

634 duplication where possible.

635 Your Committee has heard Secretary Chu testify to the
636 Administration's priority of promoting economic growth and
637 strengthening national security using an ``all-of-the-above''
638 strategy that develops every source of American energy. The
639 President wants to fuel our economy with domestic energy
640 sources while increasing our ability to compete in the global
641 clean energy race. Guided by that presidential vision, the
642 Department's 2011 strategic plan and our inaugural
643 Quadrennial Technology Review, our fiscal year 2013 budget
644 request of \$27.2 billion invests in three broad priorities:
645 accelerating the transformation of America's energy system
646 and securing U.S. leadership in clean energy technologies,
647 investing in mission relevant science and innovation to
648 promote our Nation's economic prosperity, and keeping
649 Americans safe by enhancing nuclear security through defense,
650 nonproliferation, and environmental clean up.

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

654 On Recovery Act, our Recovery Act investments as passed
655 by Congress in February, 2009, are putting Americans back to
656 work, making our homes and businesses more energy efficient,
657 increasing the use of clean and renewable electricity,

658 cutting our dependence on oil, and modernizing the electric
659 grid. As these clean energy projects continue over the
660 coming months, we will continue to see jobs added in local
661 communities, further fueling our economic recovery.

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

675 As we established the Recovery Act procedures, the
676 Department, with the help of the Inspector General,
677 anticipated the need for heightened oversight. The Inspector
678 General conducted a number of preventative audits up front,
679 documenting issues they identified over the last decade in
680 any program receiving funds from the Recovery Act. The
681 review supported our development of comprehensive risk

682 management plans for each program. Before any Recovery Act
683 awards were issued, the Department required the submission of
684 detailed risk plans for every designated Recovery Act
685 project, over 150 in total. We also analyzed all relevant IG
686 and GAO reports, including those focused on similar programs
687 in other agencies, and incorporated those lessons learned.

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

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

696 [The prepared statement of Mr. Johns follows:]

697 ***** INSERT 3 *****

|
698 Mr. {Stearns.} I thank the panel and I will start with
699 my questions.

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

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

705 Mr. {Johns.} Yes, sir.

706 Mr. {Stearns.} And the budget for 2013 is roughly \$27.2
707 billion, is that correct?

708 Mr. {Johns.} Yes, sir.

709 Mr. {Stearns.} And it increased over last year by 3.2
710 percent, roughly?

711 Mr. {Johns.} Yes, sir.

712 Mr. {Stearns.} But that amount does not include the
713 \$35.7 billion in DOE has received from the 2009 Recovery Act,
714 is that correct?

715 Mr. {Johns.} Correct.

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

719 Mr. {Johns.} I don't know that particular number.

720 Mr. {Stearns.} And in the year 2011, you had roughly

721 14,600, is that approximately correct?

722 Mr. {Johns.} Yes, sir.

723 Mr. {Stearns.} And the number of contractors during
724 this period stayed the same, is that roughly an accurate--

725 Mr. {Johns.} That is my understanding.

726 Mr. {Stearns.} Okay, which is about 100,000, is that
727 correct?

728 Mr. {Johns.} Yes, sir.

729 Mr. {Stearns.} So you had a \$10 billion increase over
730 this period of time, that is roughly 5 percent every year.
731 Incidentally, during this 5 percent increase every year, from
732 2008, '09, and '10, when we had the critical recession, did
733 Department of Energy increase their budget every year? Yes
734 or no? I assume they did.

735 Mr. {Johns.} They--it was relatively flat.

736 Mr. {Stearns.} Like 3 or 4 percent.

737 Mr. {Johns.} Yes.

738 Mr. {Stearns.} Okay, 3 or 4 percent. Okay. If you
739 increase your budget this year by \$10 billion and the number
740 of employees stayed roughly the same, the number of
741 contractors stayed the same, then the question is where is
742 the money going? Despite the relatively stable workforce,
743 where is that \$10 billion going if it is not contractors and
744 it is not employees? Where is it going?

745 Mr. {Johns.} Yes, sir. Part of the increase over that
746 time--and I would need to get back to you with specifics
747 line-by-line--but in general, part of that increase is the
748 increase in the cost of and the infrastructure that--

749 Mr. {Stearns.} So you are saying everything is
750 inflation?

751 Mr. {Johns.} No, sir, not everything is inflation.

752 Mr. {Stearns.} Okay, what is the reason?

753 Mr. {Johns.} It is increases in the infrastructure that
754 we are buying and paying for, the cost of that. We are
755 building new capabilities, new technologies.

756 Mr. {Stearns.} And you did this without increasing the
757 contractors or the number of employees?

758 Mr. {Johns.} I would need to get back to you.

759 Mr. {Stearns.} Okay. I have here Executive Order 13589
760 that was issued on November 9, 2011. Are you aware with it?
761 If not, I can give you a copy.

762 Mr. {Johns.} Yes, sir.

763 Mr. {Stearns.} In this case, the President instructed
764 all federal agencies to establish a plan for reducing the
765 combined costs associated with travel, employee information,
766 technology devices, printing, motor vehicles, fleet, and
767 promotional items. And the Executive Order required an
768 answer submitted to the Office of Management and Budget

769 within 45 days of this order. Has the Department of Energy
770 done this? Yes or no?

771 Mr. {Johns.} Yes.

772 Mr. {Stearns.} We have not seen it. Can you submit it
773 to us? Do you have it with you?

774 Mr. {Johns.} I don't have it with me right now.

775 Mr. {Stearns.} Because we have not seen it.

776 Mr. Rusco, have you seen it?

777 Mr. {Rusco.} No, I have not.

778 Mr. {Stearns.} No. Mr. Friedman, have you seen it?

779 Mr. {Friedman.} I have, Mr. Chairman.

780 Mr. {Stearns.} And when did you get a copy of it? Do
781 you remember?

782 Mr. {Friedman.} I asked for it within the last week,
783 and that is when I received it.

784 Mr. {Stearns.} So actually, this whole thing was issued
785 2011 and it was supposed to be in 45 days of that order. It
786 appears, Mr. Johns, that the Department of Energy did not
787 comply with that 45-day order of this Executive Order. Is
788 that true?

789 Mr. {Johns.} I need to look back at the dates, but I
790 believe we did or nearly there.

791 Mr. {Stearns.} But he just--Mr. Friedman just got it
792 just recently, a week ago. I mean--

793 Mr. {Johns.} I understand.

794 Mr. {Stearns.} --I think the point I am trying to make
795 is I don't--we don't see the Department of Energy being
796 compliant with even the Executive Order which the White House
797 issued and then wanted a 45-day response.

798 Mr. Johns, in DOE's November 15, 2011, letter to the
799 Committee, you acknowledged that it is absent from the list
800 of 15 agencies that heed the President's April, 2009,
801 Executive Order to Cabinet secretaries to identify \$100
802 million in budget cuts by the year 2009, is that correct?

803 Mr. {Johns.} That is correct, although we have done so
804 internally, even though we were not requested to do that.

805 Mr. {Stearns.} But so we have the President's order in
806 2009, and you have admitting this morning that you did not
807 comply with that in a timely manner. Is that a fair
808 statement?

809 Mr. {Johns.} Well sir, I would say that the order
810 requires that we submit our plan to OMB, which we have done.
811 So we did comply with that.

812 Mr. {Stearns.} You identified \$100 million in budget
813 cuts for that year, 2009?

814 Mr. {Johns.} I am sorry, the Executive Order requiring
815 us--the recent one, 13589 that requires that we submit a plan
816 in 45 days, we submitted that plan to OMB in December of

817 2011.

818 Mr. {Stearns.} Is it possible we could get a copy of
819 that?

820 Mr. {Johns.} Well let me check on the request.

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

832 Mr. {Johns.} Sir, the budget that we submitted in
833 February of this year included other cuts, included cuts
834 consistent with the Executive Order, the implementation of
835 the Executive Order--

836 Mr. {Stearns.} Where? Where are these cuts?

837 Mr. {Johns.} You would see them in the program
838 direction lines--

839 Mr. {Stearns.} No, specifically, are they--can you tell
840 me what they are?

841 Mr. {Johns.} Happy to.

842 Mr. {Stearns.} Just briefly, I won't take--

843 Mr. {Johns.} As you identified, there are several
844 areas. I will highlight a few here. In travel we were
845 asked--in most of these cases asked to reduce by 20 percent.
846 We have identified--\$12.6 million is the target for reducing
847 travel. We track that progress throughout the year. We have
848 already achieved some savings there.

849 Mr. {Stearns.} Well, would it be safe to say that the
850 only place you have cut is travel?

851 Mr. {Johns.} No, sir. No, sir.

852 Mr. {Stearns.} Okay.

853 Mr. {Johns.} We have made reductions in printing, we
854 have made reductions in advisory services, significant
855 reductions in--

856 Mr. {Stearns.} And the total is--how much is that
857 total?

858 Mr. {Johns.} The total identified was \$473 million over
859 3 years.

860 Mr. {Stearns.} Okay. I thank you, and my time is
861 expired. The gentlelady from Colorado is recognized.

862 Ms. {DeGette.} Thank you very much, Mr. Chairman.

863 I am a little bit confused, frankly, about the DOE
864 budget because I keep hearing you, Mr. Chairman, and others

865 on your side of the aisle talking about the budget, and so
866 Mr. Johns, I know you haven't been at the DOE since 2001, but
867 I just want to ask you about some of these numbers.

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

871 Mr. {Johns.} Thereabouts. I don't remember the exact
872 number, but yes.

873 Ms. {DeGette.} Okay, and the final DOE enacted budget
874 of fiscal year 2009, the DOE budget was \$33.8 billion. Is
875 that correct?

876 Mr. {Johns.} Correct.

877 Ms. {DeGette.} So that would be about a 65 percent
878 total increase in the DOE budget under President Bush, is
879 that correct?

880 Mr. {Johns.} Thereabouts, yes, ma'am.

881 Ms. {DeGette.} Now, as I said in my opening statement,
882 the DOE enacted budget, not including the ERA money, which
883 was designed to be a one-time stimulus for the economy, the
884 DOE enacted budget for fiscal year 2012, the core budget was
885 \$27.2 billion. Is that correct?

886 Mr. {Johns.} For 2012?

887 Ms. {DeGette.} Yes.

888 Mr. {Johns.} 2013 request is \$27.2.

889 Ms. {DeGette.} Okay, the request for 2013 is--so that
890 is a decrease in the core budget, is that right?

891 Mr. {Johns.} From the 2009 level?

892 Ms. {DeGette.} Yes.

893 Mr. {Johns.} Yes, ma'am.

894 Ms. {DeGette.} Okay. So under the Bush Administration,
895 the DOE budget, not including the ERA money which came in
896 2009, it increased 65 percent and the DOE budget under
897 President Obama is decreasing around 20 percent. Is my math
898 correct?

899 Mr. {Johns.} Yes, ma'am.

900 Ms. {DeGette.} Okay. You wanted to add something?

901 Mr. {Johns.} I was going to say that part of the
902 increase in the 2009 budget is a one-time ATVM credit
903 subsidy, but--

904 Ms. {DeGette.} Exactly.

905 Mr. {Johns.} --in general, that is about--

906 Ms. {DeGette.} Of about \$7.5 billion, right?

907 Mr. {Johns.} Yes.

908 Ms. {DeGette.} Right, okay.

909 So now you had talked to the Chairman about some of the
910 places you are cutting, and I just wanted to ask you about
911 some of the other places that you are cutting. In the 2013
912 budget request, you are proposing eliminating \$4 billion in

913 fossil fuel subsidies, right?

914 Mr. {Johns.} Yes, ma'am.

915 Ms. {DeGette.} You are proposing cutting funding for
916 nuclear energy activities, right?

917 Mr. {Johns.} Yes, ma'am.

918 Ms. {DeGette.} And you are proposing cutting funds for
919 the DOE Office of Public Affairs and Office of Management, is
920 that right?

921 Mr. {Johns.} Yes, ma'am.

922 Ms. {DeGette.} Offhand, do you know how much you are
923 going to cut in that office?

924 Mr. {Johns.} In those offices specifically I would have
925 to get back to you, but overall in our departmental
926 administration, which is where those two offices lie, we are
927 proposing to cut \$45 million.

928 Ms. {DeGette.} And here is my question. Has the DOE
929 proposed reducing salaries for any of its employees?

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

933 Ms. {DeGette.} Okay. And the Inspector General
934 recommended cutting back on certain contractor costs. Has
935 the DOE proposed any contractor cost reductions in its budget
936 request?

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

942 Ms. {DeGette.} Okay. And--but at the same time, the
943 DOE is trying to figure out strategically where we should
944 invest so that we can become energy independent and that we
945 can support some sectors where maybe we do need some help,
946 right?

947 Mr. {Johns.} Yes, ma'am.

948 Ms. {DeGette.} So like for example, the DOE budget does
949 not make significant cuts in renewable energy and energy
950 efficiency programs, is that right?

951 Mr. {Johns.} That is correct.

952 Ms. {DeGette.} So do you think that the DOE can do more
953 to increase its efficiency and ability to further our energy
954 goals in this country?

955 Mr. {Johns.} Absolutely.

956 Ms. {DeGette.} What other things can we do, do you
957 think?

958 Mr. {Johns.} Well, we are engaged--some of these things
959 are small things that will never be highlighted in a budget
960 document, but things that we in the budget office are doing

961 every day. Other things are efforts engaged in by the
962 programs to reduce, as you suggested, contracting costs, to
963 be more efficient about the work that we do. So we are
964 engaging in those kinds of efforts every day.

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

971 Mr. {Friedman.} Well, Ms. DeGette, the last time I
972 looked at the numbers, which was in the last 10 days or so,
973 virtually all of the \$35 billion has been obligated and only
974 2/3 of it has been spent. So there is still 1/3 of ERA money
975 which has not been spent. And we view that as the most
976 important benchmark in terms of spending stimulus funding.
977 We have a disagreement with the Department on that analysis.
978 So we think--but a lot of the impediments that originally
979 existed--after all, it has been 3 years--

980 Ms. {DeGette.} Right.

981 Mr. {Friedman.} --since the passage of the Act. A lot
982 of the impediments have been worked through and we think they
983 are prepared to spend more--

984 Ms. {DeGette.} And you think they should just get that-

985 -but you don't want them just to throw the money out there,
986 you want them to spend it in an efficient way, right?

987 Mr. {Friedman.} It is a--diagram. Spend it quickly,
988 spend it well. Put them together.

989 Ms. {DeGette.} Right, perfect.

990 Thank you very much, Mr. Chairman.

991 Mr. {Stearns.} The gentleman from Texas is recognized
992 for 5 minutes.

993 Mr. {Barton.} Thank you, Mr. Chairman.

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

996 Mr. {Johns.} I am a civil servant, sir.

997 Mr. {Barton.} Civil servant. Do you have any control
998 over rejecting or approving spending, or is your role merely
999 coordinative and advisory?

1000 Mr. {Johns.} It is coordinating and advising. I am
1001 providing recommendations to the senior leadership.

1002 Mr. {Barton.} Okay, so if you see something that you
1003 don't think needs to be spent, you can't deauthorize the
1004 voucher, refuse to sign it, you could just send a note to the
1005 secretary or assistant secretary and express your concerns.
1006 Is that correct?

1007 Mr. {Johns.} In the end that is correct, sir.

1008 Mr. {Barton.} Okay. I notice it looks like you have an

1009 iPad.

1010 Mr. {Johns.} Yes, sir.

1011 Mr. {Barton.} Is it hooked up to the Internet?

1012 Mr. {Johns.} It is in general. It is not at the
1013 moment.

1014 Mr. {Barton.} Okay, then why is it there?

1015 Mr. {Johns.} Why is it there?

1016 Mr. {Barton.} Yes.

1017 Mr. {Johns.} Because I have my testimony on this.

1018 Mr. {Barton.} So it is not--I wanted to ask you some
1019 questions and have you real time look it up. Instead, I will
1020 get back to you, so I was hoping it was wired into the
1021 Internet.

1022 Ms. {DeGette.} If you want me to, I will look it up. I
1023 have got my iPad here.

1024 Mr. {Barton.} I bet he had the codes quicker--and not
1025 that you don't, Diana, but I have a feeling it would take you
1026 and I a long time just to get to the DOE website.

1027 Well, my first question is do you know how much DOE
1028 spent on travel last year?

1029 Mr. {Johns.} I could do the math for you. I don't have
1030 the number off the top of my head.

1031 Mr. {Barton.} Do either of my other two witnesses know
1032 that number?

1033 Mr. {Friedman.} I don't know the answer, Mr. Barton,
1034 but what is really interesting is that the amount of money
1035 spent by the federal employees is a paltry amount compared to
1036 the amount of money spent by the facility management
1037 contractors at the Department, and that is where the big
1038 bucks obviously are.

1039 Mr. {Barton.} Do you want to put numbers on those?
1040 When you say paltry, that is a pretty general term.

1041 Mr. {Friedman.} I have not looked at the number. My
1042 understanding is it is in the \$60 million a year range.

1043 Mr. {Barton.} Sixty million for the contractors?

1044 Mr. {Friedman.} No, no, \$60 million for the Feds.

1045 Mr. {Barton.} Oh, that is paltry.

1046 Mr. {Friedman.} Compared to the contractors. Let me be
1047 clear about that.

1048 Mr. {Barton.} Okay. If \$60 million is paltry, you are
1049 saying the contractors spend several hundred million on
1050 travel?

1051 Mr. {Friedman.} I don't have that analysis. I would
1052 suspect several hundred million is an understatement.

1053 Mr. {Barton.} Can you get it?

1054 Mr. {Friedman.} I cannot get it easily, no.

1055 Mr. {Barton.} You cannot get it?

1056 Mr. {Friedman.} Mr. Johns perhaps can. I cannot.

1057 Mr. {Barton.} Mr. Johns can get it? Will you get it
1058 and provide it to the members of the Committee on both sides
1059 of the aisle?

1060 Mr. {Johns.} Yes, sir.

1061 Mr. {Barton.} Okay. How many--our numbers show that
1062 the Department of Energy has about 15,000 employees that are
1063 direct federal employees, Mr. Johns. Do you agree with that
1064 number?

1065 Mr. {Johns.} I am sorry, could you repeat that?

1066 Mr. {Barton.} Fifteen thousand federal employees--

1067 Mr. {Johns.} Yes, sir.

1068 Mr. {Barton.} --that are direct employees of the
1069 Department of Energy. Is that a generally good number?

1070 Mr. {Johns.} That is approximately right. It is a
1071 little bit less, but yes, sir.

1072 Mr. {Barton.} I believe the Committee numbers for
1073 vehicles owned by the Department of Energy is also about
1074 15,000. Do you agree with that?

1075 Mr. {Johns.} That is part of the reason that we have
1076 been focused on--specifically on that issue, on reducing by
1077 35 percent the number of vehicles that we have--

1078 Mr. {Barton.} But you do agree that Department of
1079 Energy owns 15,000 vehicles.

1080 Mr. {Johns.} I don't know the number.

1081 Mr. {Barton.} All right, give me your best guess.

1082 Mr. {Johns.} I would prefer not to guess about the
1083 number of vehicles.

1084 Mr. {Barton.} Give me an estimate. Do they own one, do
1085 they own 100,000?

1086 Mr. {Johns.} I am not going to give you that answer off
1087 the top of my head. I can get back to you on it.

1088 Mr. {Barton.} You are not going to get back to me. You
1089 know how many vehicles--

1090 Mr. {Johns.} Sir, I honestly don't know the number of
1091 vehicles--

1092 Mr. {Barton.} You have got a pretty good idea. Don't
1093 play games.

1094 Mr. {Johns.} Sir, I assure you I am not playing games.

1095 Mr. {Barton.} You don't have a clue and you are the
1096 budget manager for the Department of Energy the approximate
1097 number of vehicles? I don't believe that.

1098 Mr. {Johns.} Well, that is the case, sir.

1099 Mr. {Barton.} You don't have any idea?

1100 Mr. {Johns.} No, sir.

1101 Mr. {Barton.} Not at all?

1102 Mr. {Johns.} No. I can tell you--

1103 Mr. {Barton.} If I said 10, you wouldn't--you can't
1104 dispute that? If I said a million, you can't dispute it?

1105 Mr. {Johns.} Well, I can tell you it is between 10 and
1106 a million, sir.

1107 Mr. {Barton.} Well, that is good. That is a start. Do
1108 you dispute that it is about 15,000?

1109 Mr. {Johns.} Sir, I can't tell you that that is wrong.
1110 I just don't know the answer.

1111 Mr. {Barton.} Do you think it is appropriate for the
1112 Department of Energy to have approximately one vehicle for
1113 every employee, which is about what it is?

1114 Mr. {Johns.} It is not appropriate which is why we have
1115 engaged in the effort to reduce the size of the fleet by 35
1116 percent.

1117 Mr. {Barton.} Have you reduced the fleet by one
1118 vehicle?

1119 Mr. {Johns.} Yes, sir.

1120 Mr. {Barton.} Have you reduced it by two?

1121 Mr. {Johns.} I believe we have, sir. We have reduced--

1122 Mr. {Barton.} So we know that there are more than two,
1123 if you reduced it by two.

1124 Mr. {Johns.} Yes, sir. We have reduced the fleet just
1125 for headquarters already by 40 percent this year.

1126 Mr. {Barton.} Okay. Does Secretary Chu own a car?

1127 Mr. {Johns.} I don't know if he does. He said that he
1128 normally gets government travel back and forth to work.

1129 Mr. {Barton.} And I want to go on the record. I think
1130 the Secretary of Energy should have a government vehicle at
1131 his or her disposal, so--

1132 Mr. {Johns.} He does ride a bike to work.

1133 Mr. {Barton.} Unless he bicycles to work.

1134 Mr. {Johns.} He does sometimes, sir.

1135 Mr. {Barton.} I know. But you will get some more
1136 questions, because I don't normally ask civil servants to
1137 resign, but if you don't really know a general answer to my
1138 question about the number of vehicles and you are the budget
1139 officer, that is inexcusable.

1140 Mr. {Stearns.} I thank the gentleman. Let me just add
1141 to his--can you find out by your staff behind you? Can they
1142 make a call over there so that Mr. Barton can get an answer
1143 today? We shouldn't have to wait. Can you do that?

1144 Mr. {Johns.} Of course.

1145 Mr. {Stearns.} Okay. With that, I recognize the
1146 ranking member.

1147 Mr. {Waxman.} Thank you very much, Mr. Chairman.

1148 Mr. {Stearns.} The ranking member of the full
1149 Committee, Mr. Waxman, is recognized for 5 minutes.

1150 Mr. {Waxman.} Thank you, Mr. Chairman.

1151 The House Republican budget which was passed last month
1152 slashes discretionary spending on energy programs by 57

1153 percent in 2013. These cuts will derail efforts to make wind
1154 and solar power competitive with fossil fuels. The budget
1155 also rescinds the unobligated balances in DOE's Loan
1156 Guarantee Programs, which fund clean energy projects and
1157 support over 60,000 jobs. Mr. Johns, if the Department's
1158 renewable energy funding were cut in half, what kind of
1159 effect would that have on the agency and its ability to
1160 fulfill its mission?

1161 Mr. {Johns.} Well, it certainly would cut the cord on
1162 some of the key initiatives that we have been engaged in as
1163 part of this all-of-the-above strategy of reducing the cost
1164 of energy to the American people. We obviously--the Congress
1165 enacts--or the Congress passes bills and we would do our best
1166 to live under those, but it would certainly have a dramatic
1167 impact on our ability to provide those services.

1168 Mr. {Waxman.} The House Republican budget recommends
1169 the repeal of borrowing authority for the Western Area Power
1170 Administration, which is bringing renewable energy sources to
1171 areas in the Western U.S. Mr. Johns, if the Western Area
1172 Power Administration's borrowing authority were repealed, how
1173 would that affect the agency's ability to modernize
1174 transmission lines in the western U.S., and what effect would
1175 this have on citizens in those western States?

1176 Mr. {Johns.} I can't give you a precise number on the

1177 effect on the cost of energy, but it would obviously have an
1178 impact there on the cost of energy.

1179 Mr. {Waxman.} Well, would it undermine the electrical
1180 grid in order to promote renewable energy and cost saving
1181 choices for western consumers?

1182 Mr. {Johns.} Well, I know that WAPA has been engaged in
1183 an effort to increase reliability, and that is part of what
1184 this effort was.

1185 Mr. {Waxman.} Well, I know right now the--this program
1186 is funding a 109 mile transmission line to increase delivery
1187 of solar power to consumers in the West.

1188 The House Republican budget wants to rescind the
1189 unobligated balances of the Advanced Technology Vehicles
1190 Manufacturing Loan Program. How would that affect the
1191 agency's ability to support breakthroughs in energy efficient
1192 vehicles?

1193 Mr. {Johns.} Well, we certainly used that program in
1194 the last several years to increase the capabilities of the
1195 auto industry to bring to the market new innovative
1196 technologies. So to the extent that we don't have that
1197 money, we wouldn't be able to continue that effort.

1198 Mr. {Waxman.} Well, it would eliminate support for this
1199 program which was passed on a bipartisan basis and helps fund
1200 the development of plug-in, hybrid, and electric vehicles,

1201 isn't that right?

1202 Mr. {Johns.} Yes, sir.

1203 Mr. {Waxman.} And people complain about high gases
1204 prices. If we don't do things like this, we are relying on
1205 oil. The more we rely on oil, the more we are stuck with the
1206 world oil prices which drive gasoline prices up.

1207 We shouldn't let these important programs be cut. The
1208 House Republican budget would slash our investments in
1209 innovative clean energy technologies. Even worse, the
1210 Republican budget doesn't just slash beneficial programs that
1211 support renewable energy, it continues to spend almost \$40
1212 billion in the next decade in tax subsidies for big oil. If
1213 we cut these programs that are funding breakthroughs in wind
1214 and solar production and electric vehicles and the electrical
1215 grid, we undermine the competitiveness of our country and
1216 harm our national security. We need to look to new
1217 technologies to power our economy, not to dig our heels in
1218 with old technologies and old ways.

1219 The U.S. is in a global race to develop new renewable
1220 energy technologies that will power the economies of the
1221 future. I am confident that American companies can win this
1222 race, but we need to make sure they have the tools they need.

1223 In 2009, the Chinese government poured \$120 billion into
1224 renewable energy, a staggering \$45 billion on the electric

1225 grid alone, while the U.S. invested just \$20 billion overall.
1226 Mr. Johns, how much has the Department requested for
1227 renewable energy initiatives in the 2013 budget?

1228 Mr. {Johns.} You would have to look across--sorry. You
1229 would have to look across not just EERE, but look at several
1230 of our programs. The overall renewable energy budget is well
1231 into the \$3 to \$4 billion range.

1232 Mr. {Waxman.} And I think that you had requested a 29.1
1233 percent increase in funding for the Office of Energy
1234 Efficiency and Renewable Energy.

1235 Mr. {Johns.} Correct.

1236 Mr. {Waxman.} Okay. What would you--

1237 Mr. {Johns.} That takes it to about--

1238 Mr. {Waxman.} What would you do with these additional
1239 funds?

1240 Mr. {Johns.} Several different programs--one I would
1241 particularly want to highlight is the Advanced Manufacturing
1242 Initiative, which is designed to increase our ability to
1243 compete in the world market to bring some of the technologies
1244 that we are developing here, both at our labs and in the
1245 private sector, and get them commercially ready. So that is
1246 one that receives particular increases in this budget.

1247 Mr. {Waxman.} My time has run out. I want to commend
1248 you on your answers to these questions. You seem to know

1249 about the job you are required to do. I came here a little
1250 late, but it sounds like you didn't know enough about
1251 Secretary Chu's driving and whether he drives his own car or
1252 rides a bicycle, which you said he does occasionally. I
1253 don't expect you to know that off the--or any of these things
1254 off the top of your head, but you can get us the information
1255 on any of the questions we asked you, and I think that is the
1256 kind of job that we should expect and commend you for.

1257 Thank you, Mr. Chairman.

1258 Mr. {Stearns.} I will just tell the Ranking Member that
1259 he was asked a total number of cars in the fleet. He didn't
1260 know, but he indicated he is going to find out before the
1261 hearing is over.

1262 And with that, the gentleman from Louisiana, Mr.
1263 Scalise, is recognized for 5 minutes.

1264 Mr. {Scalise.} Thank you, Mr. Chairman. I appreciate
1265 the opportunity to have the hearing for the panelists to talk
1266 about the budget as we are going through--

1267 Mr. {Stearns.} Is your microphone on?

1268 Mr. {Scalise.} It is--hello?

1269 Mr. {Stearns.} There you go.

1270 Mr. {Scalise.} Just, you know, as we are grappling with
1271 budget issues, we are working hard to try to reduce spending,
1272 to finally force the government to start living within its

1273 means. The task that we have been given is to actually start
1274 reigning some of that in, looking through agencies, you know.
1275 And I know the President said in the past he is going to go
1276 line by line through the budget. I question whether or not
1277 he has truly carried through on that when you actually look
1278 at some of the things and the line items.

1279 But I want to ask about some of the specific things that
1280 you all are dealing with. Mr. Friedman, I think you had
1281 talked about investigations that are ongoing. Do you--can
1282 you share with us, at least, how many investigations your
1283 office is conducting right now?

1284 Mr. {Friedman.} We have between 300 and 350 potential
1285 criminal investigations ongoing at any given time, including
1286 currently.

1287 Mr. {Scalise.} Okay, is that across all agencies or
1288 just within Department of Energy?

1289 Mr. {Friedman.} Just within the Department of Energy
1290 and grant recipients, contractors, and Feds as well.

1291 Mr. {Scalise.} So just within the Department of Energy,
1292 somewhere in the neighborhood of up to 350 criminal
1293 investigations?

1294 Mr. {Friedman.} Well they--we don't know how they will
1295 turn out, obviously.

1296 Mr. {Scalise.} But investigations?

1297 Mr. {Friedman.} But investigations which are carried
1298 out with the potential of criminality being involved.

1299 Mr. {Scalise.} Do you know, are any of these within the
1300 loan program? We have had a number of hearings on Solyndra,
1301 trying to get in deeper on some of those issues, and in fact,
1302 our Subcommittee still has not gotten all of the answers we
1303 requested from subpoenaing the White House, and hopefully
1304 they will finally comply with all of those requests. Can you
1305 tell us if any of these criminal investigations are within
1306 the loan program?

1307 Mr. {Friedman.} Well, both the Department of Justice
1308 and my office have publically acknowledged that there is a
1309 criminal investigation ongoing with regard to the Solyndra
1310 matter. Beyond that, I really can't comment. It is an
1311 active investigation.

1312 Mr. {Scalise.} Okay, and I appreciate that. I know I
1313 have asked and a number of others have asked the Attorney
1314 General to look into especially the subordination of the
1315 taxpayer which we feel violated federal law. And very
1316 clearly, it looks like most experts would say there was a
1317 violation of federal law. I would hope that the Attorney
1318 General would investigate that because again, you have got
1319 millions of dollars in taxpayer money that would be at risk
1320 if we don't see the Attorney General take that action, and

1321 hopefully you are working in conjunction with him to push him
1322 to do just that.

1323 I want to ask, Dr. Rusco, the GAO found that government-
1324 wide, 23 agencies and there are 130 sub-agencies implementing
1325 nearly 700 renewable energy initiatives in fiscal year 2010.
1326 Is that what you all reported?

1327 Mr. {Rusco.} Yes, that is correct.

1328 Mr. {Scalise.} When you looked at all of that, did you
1329 all find any duplication?

1330 Mr. {Rusco.} You know, it took pretty much all of an
1331 audit just to identify all of the initiatives across so many
1332 agencies. We have efforts underway now to drill down in
1333 solar energy, wind energy, and battery storage, and we are
1334 trying to get a handle on a little bit more detail about
1335 where those programs and initiatives may overlap and where
1336 there may be some potential duplication with the hope that
1337 that could eventually be eliminated.

1338 Mr. {Scalise.} Because it seems like what all of the
1339 money that was spent, and just in the stimulus there was
1340 about \$35 billion spent in many cases on green energy where
1341 the President was just trying to have photo opportunities to
1342 show some victories, and it seemed like a whole lot of money
1343 was rushed out the door with very little oversight. We saw
1344 billions at the very end of the loan program just pushed out

1345 on the final days without the proper due diligence. And many
1346 reports have said there was not the proper due diligence, not
1347 to mention that with all these overlapping where you could
1348 clearly save millions, possibly higher than millions, of
1349 dollars.

1350 I want to ask Mr. Friedman, you had talked in your
1351 testimony about the review that you all did on the stimulus
1352 and just with so money rapidly being deployed I think was
1353 your term. You might even have talked about teachable
1354 moments and the amount of money that was moved through
1355 without the ability to properly scrutinize. Can you expand
1356 upon that?

1357 Mr. {Friedman.} I certainly can. In January of this
1358 year we issued our ``Lessons Learned - Best Practices
1359 Report'' on the Recovery Act, and although a good portion of
1360 the Recovery Act money has yet to have been spent and we are
1361 continuing our work, there were a number of challenges going
1362 in. I have cited and was misquoted, I guess, a couple of
1363 times that it was comparable to attaching a garden hose to a
1364 fire hydrant. The rush of money was just so exceptional in
1365 such a short period of time. The institutional challenges
1366 and other barriers were really extraordinary, and neither the
1367 States nor the Federal Government were fully prepared to
1368 address it.

1369 Mr. {Scalise.} I appreciate reading that report.

1370 One final question. Mr. Johns, last year, the President
1371 raided about 30 million barrels from the Strategic Petroleum
1372 Reserve. Number one, how much money did that generate?
1373 Number two, what did you all do with that money? And number
1374 three, have you all replaced that 30 million barrels that
1375 were taken away last year just to supposedly lower gas
1376 prices, which clearly it did not. Can you answer those
1377 questions?

1378 Mr. {Johns.} The sale last year generated a little over
1379 \$3 billion in receipts to the government. That money remains
1380 in the Strategic Petroleum Reserve account, and a portion of
1381 that would be used to buy back the oil at the proper time.
1382 As you probably know, the decisions on when to make those
1383 purchases are related a lot to--

1384 Mr. {Scalise.} At today's prices, it may take more than
1385 that with oil at a little over \$100 a barrel.

1386 Mr. {Johns.} Which is why we have not chosen yet to buy
1387 that oil back.

1388 Mr. {Scalise.} Why didn't you do it earlier in the year
1389 when the price was lower?

1390 Mr. {Johns.} In part because we needed a space. We
1391 needed to do some repairs in the caverns, so there were some
1392 administrative reasons why we wanted to wait. Decisions on

1393 when we are going to buy that back, though, are decisions
1394 that are not made certainly in the budget office, but made as
1395 a part of the decisions of when the oil is available, when it
1396 won't affect the market. And as I think you also know, we
1397 have made a decision not to buy some of that back and--almost
1398 \$300 million and using that as savings, that that we don't
1399 intend to buy back in the next several years.

1400 Mr. {Scalise.} I hope--

1401 Mr. {Stearns.} The gentleman's time is expired.

1402 Mr. {Scalise.} Yield back the balance of my time.

1403 Mr. {Stearns.} Recognize Ms. Christensen for 5 minutes.

1404 Dr. {Christensen.} Thank you, Mr. Chairman.

1405 Mr. Johns, in your written testimony you stated DOE
1406 received \$35.7 billion in Recovery Act funds, and DOE has
1407 done a lot with those funds. For example, you stated that
1408 the agency is supporting over 15,000 clean energy projects
1409 across the country, and I really think we should recognize
1410 just how effective the Recovery Act has been in lifting up
1411 the American economy and creating new energy economy. Also
1412 the time when other nations are focusing heavily on
1413 aggressively building their green jobs industries, it is
1414 vital that America do the same to stay competitive on the
1415 global stage.

1416 So Mr. Johns, how many jobs have been supported by DOE's

1417 Recovery Act projects? Do you know that? An approximate
1418 number would be fine.

1419 Mr. {Johns.} It is about 50,000 over time.

1420 Dr. {Christensen.} Are they located in one region or
1421 State, or are they spread out across the country?

1422 Mr. {Johns.} No, ma'am, in fact, that was--the
1423 intention of the Recovery Act was to spread those around the
1424 country. Weatherization is a good example of that where we
1425 are hiring local contractors all over the country.

1426 Dr. {Christensen.} That weatherization program did more
1427 than create jobs, didn't it? I know we were able to take
1428 advantage of it in the Virgin Islands. Can you just say a
1429 few words beyond jobs what that--what the weatherization
1430 project was able to accomplish?

1431 Mr. {Johns.} Yes, ma'am, certainly. It has reduced the
1432 costs to individuals of their monthly energy bills and made a
1433 pretty substantial deduction in some cases, \$100 or more in
1434 some places.

1435 Dr. {Christensen.} Thank you. These Recovery Act
1436 programs had important benefits; nevertheless, we really have
1437 to acknowledge that this has not been an easy road for DOE.
1438 So Mr. Friedman and Mr. Rusco, is it fair to say that DOE
1439 struggled with implementing some of its Recovery Act
1440 programs?

1441 Mr. {Rusco.} Yes, especially initially, and we have
1442 been talking about the weatherization program. There was--
1443 there were a lot of hiccups in the early months of that
1444 program. Among other things, the law required each State and
1445 in many instances, localities, to establish market wages for
1446 weatherization workers, and those had not been established so
1447 they had to work--the States had themselves--had to work to
1448 establish what the market wages were to meet the requirements
1449 of the Davis-Beacon Act. There were also some informational
1450 and communication hiccups between DOE. DOE had a hard time
1451 communicating to a wider range of recipients and managers,
1452 and some of the information that they provided was unclear,
1453 and it took them a while to improve that.

1454 Dr. {Christensen.} Okay, thank you.

1455 Mr. Friedman, I think you have pretty much answered that
1456 question before with the hose and the fire hydrant analogy.
1457 Do you want to add?

1458 Mr. {Friedman.} I think that will do it.

1459 Dr. {Christensen.} Okay.

1460 Mr. {Johns.} Congresswoman, if I could make one quick
1461 point on this?

1462 Dr. {Christensen.} Sure.

1463 Mr. {Johns.} The kinds of things that they are
1464 identifying here were designed from the beginning. We very

1465 much solicited and want these kinds of--this kind of feedback
1466 so we can improve the execution of these projects over time
1467 and take them into account as we look at the new budgets.

1468 Dr. {Christensen.} And then so that was kind of my next
1469 comment and question, because I commend both GAO and the
1470 Inspector General for their work the agencies have done in
1471 identifying the problems and providing recommendations to
1472 improve DOE program management, but I would like to ask both
1473 Mr. Rusco and Mr. Friedman, how is--do you feel the DOE has
1474 responded well? Have they acted on the recommendations and
1475 has the program management improved? Has the DOE developed
1476 more experience in your opinion as well?

1477 Mr. {Rusco.} By and large, DOE has recommended--agreed
1478 with most of our recommendations and taken steps to implement
1479 them. They have completed implementing quite a number of--
1480 especially the ones related to the Recovery Act. We have
1481 some instances in which programs have been less willing to
1482 adopt our recommendations, and the Loan Guarantee Program is
1483 one.

1484 Mr. {Friedman.} I think that from our vantage point,
1485 there is no doubt that there have been--a number of our
1486 recommendations have been accepted. There have been dramatic
1487 improvements in a number of the programs, so while there are
1488 some problems still, we think it is largely a good news

1489 situation.

1490 Dr. {Christensen.} Thank you. So in balance, I really
1491 think that despite the management problems, that it is pretty
1492 fair to say that DOE's recovery programs provided important
1493 benefits to many American workers and families.

1494 So--but yet my Republican colleagues continue to claim
1495 that the Recovery Act had no value. They continue to talk
1496 about Solyndra as you have heard this morning and proclaim
1497 that the Loan Guarantee Program is a failed experiment, which
1498 is unwarranted, given how much this program has done for
1499 American businesses and how important it is to invest in
1500 innovation.

1501 Mr. Johns, how did the Recovery Act funding help--would
1502 you like to speak about the Loan Guarantee Program a minute
1503 and how it helped to support innovative thinkers with ideas
1504 for clean energy projects?

1505 Mr. {Johns.} Of course. As you have already said, the
1506 Loan Guarantee Program has supported--

1507 Mr. {Stearns.} Just finish your question. Finish your
1508 question.

1509 Mr. {Johns.} --has supported many companies and we have
1510 had many successes in things like batteries and hybrid power
1511 and this kind of thing that have been a significant
1512 improvement--have significantly improved our ability to

1513 compete in the future--

1514 Dr. {Christensen.} Thank you.

1515 Mr. {Johns.} --bringing these kinds of capabilities
1516 that were available to us but were not yet ready for
1517 production scale into the production.

1518 Mr. {Stearns.} I thank the gentlelady.

1519 Dr. {Christensen.} Thank you.

1520 Mr. {Stearns.} The gentleman from Virginia, Mr.

1521 Griffith, is recognized for 5 minutes.

1522 Mr. {Griffith.} Thank you, Mr. Chairman.

1523 Earlier we heard comments about China and its renewables
1524 program and how it is working on new energy sources, but I
1525 think it is interesting we always talk about China in that
1526 regard, but we don't recognize that China doesn't expect over
1527 the next couple of decades to have about more than 15 percent
1528 of its power coming from these other sources, and that they
1529 continue to build coal-fired power plants because they
1530 recognize that between now and some time in the future when
1531 renewable energy comes on board, coal is still going to be a
1532 major part of their plan, but in this country, for some
1533 reason we seem to think we can do without coal. So that is
1534 just an editorial comment on previous editorial comments.

1535 Mr. Johns, here is the question I have following up on
1536 Representative Barton's comments. How do you know you are

1537 going to be able to reduce--and I may have it wrong--the
1538 central office fleet by 40 percent and the overall fleet by
1539 35 percent if you don't know how many cars you have in the
1540 first place, because doesn't it make sense in order to know
1541 that you need to reduce 35 cars, you have to know that you
1542 have 100 to get to your 35 percent? Isn't that logical and
1543 do you understand why he is frustrated that you don't know
1544 that answer if you are going to throw out numbers about how
1545 much you are cutting the fleet, but you don't know how big it
1546 is to start with? Doesn't that make sense to you, sir?

1547 Mr. {Johns.} Thanks for the opportunity to come back to
1548 this. I will say I am sorry I didn't know the number, but my
1549 job is to review the overall budget requests, and I have
1550 excellent staff who can get me those numbers. For example, I
1551 can confirm that his number of 15,000 is about right for the
1552 number of vehicles we have in the fleet right now. I would
1553 say that that also includes, though, not just private
1554 vehicles--not just cars but it is also nuclear--trucks to
1555 carry nuclear material, things for the grid, this kind of
1556 thing.

1557 Mr. {Griffith.} I guess the frustration is that you
1558 came here today to testify on budget numbers and you are
1559 talking about reducing the fleet, but you don't know how big
1560 the fleet is so it is kind of hard to know whether or not

1561 your numbers are accurate on reducing the fleet. That was
1562 the point I was trying to make there.

1563 Let me ask this of you, Mr. Friedman, if I might. You
1564 indicated there are some active investigations going on and I
1565 know you can't tell me anything about that, but I would
1566 question in the Loan Guarantee Program, 1705, under which
1567 Solyndra was made and the other loans were made, if there
1568 were a violation, a knowing and willful violation of that
1569 section, have you all assessed whether or not there might be,
1570 depending on whether or not there was a willful and knowing
1571 violation, is there a possibility that there might be
1572 criminal sanctions there, or is it, as I have heard
1573 previously, that that section has no criminal penalty?

1574 Mr. {Friedman.} I don't know the answer to your
1575 question, Mr. Griffith. I am sorry. I just don't know the
1576 answer.

1577 Mr. {Griffith.} Are you all in a position to give me an
1578 answer at a later date, or is that not in your bailiwick?

1579 Mr. {Friedman.} Not within my--

1580 Mr. {Griffith.} Not within your jurisdiction. It is
1581 interesting that you all added the Loan Guarantee Program to
1582 your fiscal year 2012 watch list in your November, 2011,
1583 special report on DOE management challenges. This move is
1584 justified in light of the significance of the funds involved

1585 and the government's exposure to risk. I guess what I have
1586 to say is if the program says that loan monies are not to be
1587 subordinated and they then the are subordinated, am I not
1588 correct--isn't it true that that would add substantially to
1589 the risk that would have to be assessed, if subordination was
1590 possible even though the law says otherwise?

1591 Mr. {Friedman.} Well, Mr. Griffith, I assume that you
1592 would not want me to do anything or say anything, or would
1593 you want to provoke a question that would in any way
1594 undermine an ongoing investigation? Let me pass on that
1595 question.

1596 Mr. {Griffith.} Absolutely. I do not want to interfere
1597 with any ongoing investigations. If there is no potential
1598 criminal possibility, do you think it would be helpful to add
1599 into those sections a civil penalty of say \$250,000 for a
1600 knowing violation of the law?

1601 Mr. {Friedman.} Well, you know, if I start down this
1602 slippery slope--

1603 Mr. {Griffith.} I am talking about going forward. I am
1604 not talking about past.

1605 Mr. {Friedman.} Well, I will tell you going forward I
1606 think there are a lot of aspects of the Loan Guarantee
1607 Program that where clarification, more precision would be
1608 helpful to everybody, and this may be one of those areas.

1609 Mr. {Griffith.} Well I certainly think clarifying that
1610 there is a punishment for violating the law is always helpful
1611 in that regard.

1612 Dr. Rusco, in its March, 2012, report GAO concludes that
1613 DOE must fully implement a system of overseeing application
1614 review process to ensure accountability for federal
1615 resources. Among other things, GAO found that DOE does not
1616 have a consolidated system for documenting and tracking its
1617 process in reviewing applications fully implemented at this
1618 time. This is obviously a cause for concern. How did the
1619 DOE respond to your recommendation that they commit to a time
1620 table to fully implement and consolidate system?

1621 Mr. {Rusco.} The program did not want to commit to a
1622 timeframe to do so. We think that that is misguided. We
1623 believe that it is extremely important for them to have a
1624 centralized way to track all of the applications. We spent
1625 months and months of our audit just tracking down individual
1626 documents in sometimes paper form, sometimes spreadsheet
1627 form, putting it all together, going back and checking for
1628 accuracy, and in the end, we found some problems. It would
1629 be hard for the program itself to do appropriate oversight if
1630 they don't have these management data, and we found it to be
1631 problematic for our own oversight.

1632 Mr. {Griffith.} And will continue to be problematic if

1633 not fixed, am I correct?

1634 Mr. {Rusco.} That is our belief, yes.

1635 Mr. {Griffith.} Mr. Chairman, I yield back.

1636 Mr. {Stearns.} Thank the gentleman, and the gentlelady
1637 from Florida, Ms. Castor, is recognized for 5 minutes.

1638 Ms. {Castor.} Well thank you, Mr. Chairman, very much,
1639 and thank you, gentlemen, for being here today. I would also
1640 like to talk about the Department of Energy's Weatherization
1641 Program, because I believe it has been one of the most
1642 effective, energy efficient initiatives run overseen by the
1643 Federal Government, because it is a partnership with local
1644 communities. I have seen it firsthand in my district in the
1645 Tampa Bay area.

1646 It provides those cost efficient upgrades to homes, many
1647 from families that don't have a lot of money to put into
1648 repairs to their homes, and this has been going on for 34
1649 years. I understand that over the course of 34 years, we
1650 have helped weatherize over 6.3 million homes across America.
1651 And then in the recession, the Recovery Act provided another
1652 huge punch under weatherization, and this was smart because
1653 we were able to put people to work, especially in the
1654 construction industry where the jobs just--the bottom fell
1655 out of the economy, and then provide the double whammy
1656 benefit of helping put money back into the pocketbooks and

1657 the personal budgets of people all across the country.

1658 One of the most effective partnerships I have seen is in
1659 the City of St. Petersburg and Pinellas County. In my area
1660 it was run by the Urban League, a nonprofit that had their
1661 finger on the pulse of folks who needed jobs, needed a little
1662 training. They were largely in the construction industry and
1663 not working. They hired them and they did--imagine the State
1664 of Florida, what it means for your air conditioning bill when
1665 you can plug the holes around the windows and doors. It
1666 saves them--it saves those families a lot of money.

1667 So Mr. Johns, how many homes have been made more
1668 efficient through the Recovery Act investment under our
1669 Weatherization Assistance Initiative?

1670 Mr. {Johns.} Approximately 680,000.

1671 Ms. {Castor.} Six eighty. And I believe I heard you
1672 say that the average savings to each of these families was
1673 over \$430 per year? Is that right?

1674 Mr. {Johns.} I have heard that number. I have heard
1675 various ranges, but yes.

1676 Ms. {Castor.} I think everyone can appreciate those
1677 kinds of savings.

1678 Mr. Rusco, I noticed in--the Government Accountability
1679 Office did a report in December, 2011. You said that
1680 pursuant to the Recovery Act investment in weatherization,

1681 13,000 jobs were created. Is that about right?

1682 Mr. {Rusco.} That is what was reported, yes.

1683 Ms. {Castor.} Okay. By the GAO--reported by the GAO?

1684 Mr. {Rusco.} It was reported by recipients to OMB.

1685 Ms. {Castor.} Okay, and you also made recommendations
1686 to the Department of Energy on how to make the initiative
1687 more efficient?

1688 Mr. {Rusco.} Yes, we did.

1689 Ms. {Castor.} And in your testimony today, I hadn't
1690 seen this before, but you--in the Government Accountability
1691 Office testimony, you say that--you reported that some grant
1692 recipients had been able to exceed their production target
1693 because of a lower average cost of weatherizing homes and
1694 lower training and technical assistance expenses than
1695 anticipated, so that is good news. You also said--the GAO
1696 also reported that a long-term weatherization assistance goal
1697 is to increase energy efficiency through cost effective work,
1698 and that the Oak Ridge National Laboratory study of March,
1699 2010, indicated that energy savings here will likely exceed
1700 the program's cost, meaning that every \$1 spent on
1701 weatherization between 2009 and 2011 would result in almost
1702 \$2 in energy savings over the useful life of the investment.
1703 What did you think of the Oak Ridge Laboratory's assessment
1704 that every dollar spent on weatherization results in \$2 in

1705 savings over the life of the investment?

1706 Mr. {Rusco.} We did review their study methodology. We
1707 think it is sound. Those are preliminary results and I think
1708 they are about to publish a more comprehensive estimate, but
1709 we did think that their study approach was very sound.

1710 Ms. {Castor.} Well that is good news for the taxpayer
1711 and it is good news for the folks who got jobs and it is good
1712 news for the people in those homes that are saving money on
1713 their energy bills.

1714 Now we have run up on a deadline for all of those
1715 Recovery Act dollars under weatherization to be spent. The
1716 original deadline was March 31 of this year. You all
1717 mentioned this in your testimony. Can you tell me, explain
1718 to folks exactly what that deadline means and it has been
1719 extended until what date?

1720 Mr. {Johns.} Go ahead.

1721 Mr. {Rusco.} Some States were unable to spend all their
1722 money. Many States actually did before the deadline, but
1723 some States were unable to and OMB issued guidance allowing
1724 the money to be spent up through--I am going to look at Kim,
1725 but I think September 30, 2013, and DOE then has issued
1726 revised guidance to the recipients, allowing them to apply
1727 for modifications of their deadlines.

1728 Ms. {Castor.} Okay, so now the burden is on the States

1729 to go in and make that application?

1730 Mr. {Rusco.} Yes, States and other recipients.

1731 Ms. {Castor.} Can the recipients do it on their own
1732 without having to go through the State or rely on the State?

1733 Mr. {Rusco.} Each State has to apply to DOE for an
1734 extension in order to--for a modification of the deadline in
1735 order to spend whatever funds are remaining.

1736 Ms. {Castor.} And there is not that much left. How
1737 much is left, do you know?

1738 Mr. {Rusco.} I think when we last checked, \$4.2 billion
1739 had been spent, so there is something like \$.6 billion left.

1740 Ms. {Castor.} Well, I appreciate--

1741 Mr. {Stearns.} The gentlelady's time has expired.

1742 Ms. {Castor.} Thank you very much.

1743 Mr. {Stearns.} We are going to go around with a second
1744 round of questions, and I will start with mine. Before I go,
1745 I would like unanimous consent to put in this Executive Order
1746 13589 and the analysis from the Business and Financial News
1747 that Obama's green jobs have been slow to sprout.

1748 Without objection, so ordered.

1749 Ms. {DeGette.} Objection. What is the status on Mr.
1750 Waxman's unanimous consent request? Okay.

1751 Mr. {Stearns.} By unanimous consent, so ordered.

1752 My question is to the three of you. I will start with

1753 Mr. Johns. Mr. Johns, in a Committee letter of March 15,
1754 2012, the Treasury admitted that, ``Job creation is not one
1755 of the statutory requirements for eligibility, and thus, it
1756 is not a factor in a consideration process with the Section
1757 1603 Recovery Act grants to renewable energy projects.'' Do
1758 you recognize that statement? In other words, basically
1759 creating jobs is not one of the missions of the Department of
1760 Energy under the Section 1603. Treasury says that that is
1761 not a big mission. Is that--do you understand that?

1762 Mr. {Johns.} Sir, I heard that comment but I will say
1763 that because 1603 doesn't have a direct budget impact on the
1764 Department of Energy, it is not something that I have spent
1765 particular time reviewing.

1766 Mr. {Stearns.} But it is true that Department of
1767 Energy--Department of Treasury administers the 1603 Program
1768 with technical support from the Department of Energy, isn't
1769 that true?

1770 Mr. {Johns.} That is correct.

1771 Mr. {Stearns.} And so when they come and say that under
1772 statutory requirements, job creation is not a consideration
1773 process. I think that is an important fact.

1774 Nevertheless, when Secretary Chu was before us and he
1775 was asked questions about this 1603 Tax Grant Program, he
1776 says that it has created tens of thousands of jobs in

1777 industries such as wind and solar, and he was under oath. Do
1778 you remember him saying that?

1779 Mr. {Johns.} I do remember him saying that.

1780 Mr. {Stearns.} Okay. Do you think that is true?

1781 Mr. {Johns.} I don't have any other basis to judge,
1782 other than--

1783 Mr. {Stearns.} We had no way to determine if what he
1784 was saying was true; however, recently there was a released
1785 report on Friday, April 6, 2012, from the National Renewable
1786 Energy Laboratories, ``Preliminary Analysis of the Jobs and
1787 Economic Impact of the 1603 Program.'' Are you aware of
1788 that?

1789 Mr. {Johns.} I am aware there was a study.

1790 Mr. {Stearns.} Okay. So we have Secretary Chu saying
1791 tens of thousands of new jobs. This report comes out in
1792 April talking about it, and DOE--in fact, it went on to say
1793 that DOE did not provide any data. There was no data to back
1794 up Secretary Chu's claim of tens of thousands of jobs. So
1795 basically, you are familiar with this report. This report is
1796 contradicting Secretary Chu, saying that tens of thousands of
1797 jobs were not created, and yet, he goes around and we hear
1798 the Democrats over on this side of the aisle keep talking
1799 about all these jobs are created and the factual report says
1800 that they were not.

1801 Let me ask Mr. Friedman. Are you aware of this report
1802 that I just mentioned that came out April 6?

1803 Mr. {Friedman.} I am not, Mr. Chairman.

1804 Mr. {Stearns.} Okay. Are you, Mr.--Dr. Rusco?

1805 Mr. {Rusco.} No, I am sorry.

1806 Mr. {Stearns.} Well let me ask each of you, in your
1807 best estimation, do you think Secretary Chu is correct when
1808 he said tens of thousands of new jobs were created under the
1809 1603 Program? Dr. Rusco?

1810 Mr. {Rusco.} We have not looked into that program. We
1811 have not received any request to evaluate that, so I am
1812 sorry, I don't have any basis to judge.

1813 Mr. {Stearns.} Okay.

1814 Mr. {Friedman.} I am in the same situation, Mr.
1815 Chairman.

1816 Mr. {Stearns.} Well, we have in this article I just put
1817 into the record about from the Business Financial, ``The
1818 millions of green jobs that President Obama promised have
1819 been slow to sprout, disappointing many who have hoped that
1820 the \$90 billion earmarked for clean energy efforts in the
1821 recession fighting federal stimulus package would ease
1822 unemployment, still above 8 percent in March. Supporters say
1823 the Administration overpromised on the job front and worry
1824 that a backlash could undermine support for clean energy

1825 policies in general. A \$500 million job training program has
1826 thus far helped fewer than 20,000 people find work.' It
1827 sort of falls short of its goal. So I think the question I
1828 now want to direct to is Dr. Rusco, isn't it true that the
1829 report says that the results--the National Renewable Energy
1830 Laboratory, that report, cannot be attributed to the 1603
1831 Grant Program alone? Do you understand the question?

1832 Mr. {Rusco.} I am sure--if I do, I am sure that is
1833 correct.

1834 Mr. {Stearns.} The results presented in this report
1835 cannot be attributed to the 1603 Grant Program alone.

1836 Mr. {Rusco.} Yes, I am sure that is true.

1837 Mr. {Stearns.} Okay. Some projects supported by the
1838 1603 award may have progressed without the award, while
1839 others may have progressed only as a direct result of the
1840 program. Therefore, the jobs and economic impact estimates
1841 can only be attributed to the total investment in the
1842 projects. Would that be a fair thing to say?

1843 Mr. {Rusco.} I think in general for any for any program
1844 like this, that would be a fair thing to say.

1845 Mr. {Stearns.} Yes. Also, the report's jobs estimate
1846 should be interpreted in gross rather than net estimates. Do
1847 you think that is true?

1848 Mr. {Rusco.} Yes.

1849 Mr. {Stearns.} Okay. The model used by DOE to arrive
1850 at their estimate does not account for displacement of jobs
1851 or economic activity related to changes in utilization of
1852 existing power plants, electric utility revenues, and
1853 household and business energy expenditures. Neither do the
1854 jobs and economic impact estimates account for possible
1855 alternative spending of the federal funds used to support the
1856 1603 Program. Is that a fair estimate? Would you agree with
1857 that?

1858 Mr. {Friedman.} Yes.

1859 Mr. {Stearns.} Mr. Friedman? Okay. I think my time is
1860 expired. I am going to recognize the gentlelady from
1861 Colorado.

1862 Ms. {DeGette.} Thank you very much, Mr. Chairman.

1863 So I want to talk a little bit about the themes I was
1864 talking about in my last set of questions, which are we
1865 really need to find savings and we need to cut programs that
1866 are inefficient or not useful towards our overall long-term
1867 energy goal. On the other hand, I think we do need to in a
1868 fiscally responsible way invest in energy for the future. So
1869 for example, in 2009, as we have heard in this Committee, the
1870 Chinese government poured \$120 billion in their government
1871 funds into renewable energy, \$45 billion on the electric grid
1872 alone, while the United States just invested \$20 billion.

1873 And most of that wasn't in direct investment and energy
1874 development.

1875 So Mr. Johns, I want to know how much the Department has
1876 requested for energy--renewable energy initiatives in the
1877 2013 budget?

1878 Mr. {Johns.} It is approximately \$2.3 billion.

1879 Ms. {DeGette.} And that \$2.3 billion includes a 29.1
1880 percent increase in funding for the Office of Energy
1881 Efficiency and Renewable Energy, is that right?

1882 Mr. {Johns.} That is correct.

1883 Ms. {DeGette.} Now what do you intend to do with these
1884 additional funds?

1885 Mr. {Johns.} I highlighted one of the particular areas
1886 a few minutes ago, the Advanced Manufacturing Initiative.
1887 That program invests broadly in solar, offshore wind in this
1888 case, and other key investments with a focus on those areas
1889 that we--where we can provide groundbreaking research, help
1890 get things deployed where appropriate. We have reduced--to
1891 your point earlier about reducing spending, we have reduced
1892 spending in those areas where we think there is no more real
1893 government gain to be made--

1894 Ms. {DeGette.} But where you have got established
1895 industries that are going forward without the government's
1896 support.

1897 Mr. {Johns.} Onshore winds, some of the hydro programs,
1898 those kind of things where we are reducing--we are making
1899 shifts in our investment where we are reducing funding in
1900 those areas that are more mature, reducing funding in some of
1901 the grid and other investments, fuel cells, where we no
1902 longer--the government just doesn't need to play a role
1903 anymore.

1904 Ms. {DeGette.} Those industries seem to be moving
1905 forward on their own--

1906 Mr. {Johns.} Exactly.

1907 Ms. {DeGette.} --is that what you are saying?

1908 Mr. {Johns.} Yes, ma'am.

1909 Ms. {DeGette.} And for these additional investments
1910 that you are doing, what kind of accounting oversight do you
1911 have to make sure that those funds are being efficiently
1912 spent?

1913 Mr. {Johns.} We--for those funds that are already
1914 appropriated, we have a--we are increasing pretty
1915 dramatically right now our transparency into the numbers and
1916 into the actual progress on those, meeting with senior
1917 leadership, bringing them this kind of information on not
1918 just the status of the funding, though that is important, but
1919 also their progress in reaching the performance measures that
1920 they have established.

1921 Ms. {DeGette.} Okay. Now Mr. Friedman mentioned about
1922 the ERA money, how quire a bit of that still has--while it
1923 has all been appropriated, some of it has not been disbursed.
1924 What is the DOE doing to get the rest of that money out the
1925 door, and what are you doing to ensure that the--diagram that
1926 he talked about comes out just right?

1927 Mr. {Johns.} He had it exactly right in terms of the--
1928 there is a tension there between spending the money fast and
1929 spending the money right. We focused on getting money
1930 obligated, which means that work is being done. We are now
1931 being careful about the rate at which we then pay the bills.
1932 We haven't received bills in some cases from contractors and
1933 from States and from companies, so we are very careful in
1934 making sure that the work has been done. For example, on
1935 weatherization, the--each home has to be inspected before we
1936 can sign off that the work has been done and therefore it is
1937 appropriate to pay the money. So it is these kinds of
1938 measures in part through the work of GAO and IG that they
1939 have recommended that we are being careful about the rate at
1940 which we then--

1941 Ms. {DeGette.} So when is that all going to be
1942 disbursed, that is my question.

1943 Mr. {Johns.} It depends on the program, but as you
1944 heard, some of it has a deadline of 2013. The money as

1945 originally appropriated had a deadline of 2015, so we are
1946 working to get it out as quickly as appropriate, but we don't
1947 want to spend--we don't want to get the money out before we
1948 can confirm that the work was finished.

1949 Ms. {DeGette.} Okay. Thank you.

1950 Thank you very much, Mr. Chairman. I yield back.

1951 Mr. {Stearns.} Gentleman from Virginia is recognized
1952 for 5 minutes.

1953 Mr. {Griffith.} Dr. Rusco, GAO came out in February of
1954 this year with a report on federal renewable energy
1955 initiatives, and based on its review, GAO found that
1956 government-wide, 23 agencies and their 130 sub-agencies
1957 implemented nearly 700 renewable energy initiatives in fiscal
1958 year 2010. I guess my question is was it possible before
1959 February of this year to effectively identify fragmentation
1960 or duplication across the various federal renewable energy
1961 initiatives?

1962 Mr. {Rusco.} I believe that this inventory of these
1963 initiatives, this is the first time this had been done.

1964 Mr. {Griffith.} All right, and so prior to that there
1965 would not have been a comprehensive inventory of these
1966 programs?

1967 Mr. {Rusco.} That is correct.

1968 Mr. {Griffith.} And do you believe or do you have any

1969 idea how much money might be saved if we were able to
1970 eliminate duplication in these programs?

1971 Mr. {Rusco.} We were unable to get to that point. It
1972 took us all the time we had just to create the inventory. We
1973 are looking at key technologies within that now in three
1974 individual studies. We are trying to--we are looking at
1975 solar, wind, and battery storage and we are trying to get
1976 some more granularity so we can determine if there is
1977 potential duplication.

1978 Mr. {Griffith.} Okay, and when do you expect that to be
1979 done?

1980 Mr. {Rusco.} All three of those reports should be out
1981 this summer.

1982 Mr. {Griffith.} Mr. Johns, any idea whether or not the
1983 agency will be willing to work with those duplications, even
1984 it means shifting one of the programs somewhere else?

1985 Mr. {Johns.} As I have said before, we take very
1986 seriously the recommendations from GAO. We will be in the
1987 middle of our 2014 budget process if it comes out this
1988 summer, so we would certainly take a look at those.

1989 Mr. {Griffith.} All right. As the Chairman said at the
1990 beginning of the hearing, and I would agree completely, we
1991 are not looking to spend a dime more than we should spend.
1992 We are looking to spend money on the missions we need to

1993 spend money on, but if we can find or if GAO and IG find
1994 places where we can make reductions, then we are absolutely
1995 interested in those. Because it doesn't really matter how we
1996 got here or which Administration did what. The bottom line
1997 is we know that our country needs to save money and we need
1998 to do whatever we can to find it. Isn't that correct?

1999 Mr. {Johns.} My mission as a civil servant is to do
2000 exactly that, to make sure that we are spending the money
2001 that we have wisely and that we are not--

2002 Mr. {Griffith.} And to eliminate any spending that we
2003 don't need to be spending?

2004 Mr. {Johns.} Yes, sir.

2005 Mr. {Griffith.} All right.

2006 Mr. Friedman, in your prepared testimony you noted that
2007 the IG added operational efficiency and cost savings as a
2008 preeminent management challenge for 2012. Your testimony
2009 also points out that the future may well entail funding
2010 levels that simply make programmatic status quo
2011 unsustainable, and which may require rethinking the
2012 fundamental structure of the Department of Energy and its
2013 operations. Would you be willing to expand on that for me?

2014 Mr. {Friedman.} Well yes, Mr. Griffith. We felt that
2015 it was time after being in this business for a long period of
2016 time to sort of think outside our comfort zone, and given the

2017 realities of the situation and the seeming consensus and the
2018 fact that budgets going forward are going to be diminished
2019 and much more austere, we decided to take the body of
2020 knowledge that we had gained over many, many years and come
2021 up with five big ticket items that would fundamentally change
2022 the Department of Energy and potentially save significant
2023 amounts of money, and we identify the five in the testimony.

2024 Mr. {Griffith.} All right, and I am going to give you
2025 an opportunity to pick out your favorite one and tell me
2026 about it.

2027 Mr. {Friedman.} What my favorite one is?

2028 Mr. {Griffith.} Yes.

2029 Mr. {Friedman.} Actually there are several that are
2030 favorite, but I certainly think the Department's technology
2031 centers, the federally funded Research Development Centers,
2032 there are 16 of them, if this were a for-profit business we
2033 think it would be time to say hey, can we afford 16 with a 35
2034 percent to 40 percent overhead for running each of those
2035 laboratories? Is it time to rethink the number of
2036 laboratories or does consolidation make sense? If this were
2037 your business or mine, we would have done that already.

2038 Mr. {Griffith.} All right, very good. Then you have
2039 got time to tell me another, since you said there were
2040 several.

2041 Mr. {Friedman.} Well, the Department spends about \$1
2042 billion a year on physical security. It is--we have some of
2043 the most sensitive sites in the United States. We think each
2044 site uses a slightly different approach or multiple
2045 approaches to obtain the Pro Force guards. These are
2046 paramilitary, very well trained general contractors. We
2047 think there are ways of consolidating these contracts, which
2048 would result in economies of scale, common training, common
2049 arms, reduces the cost dramatically.

2050 Mr. {Griffith.} Because I do believe it is a
2051 bipartisan--as you stated, going forward I think is a
2052 bipartisan effort. We have got to try to live within our
2053 means. We can't continue to spend money that we don't have,
2054 and I appreciate your efforts in that regard, and I
2055 appreciate all of you being here today. Thank you.

2056 I yield back, Mr. Chairman.

2057 Mr. {Stearns.} All right. I think we are all done. I
2058 am just going to take a little liberty here as Chairman to
2059 ask a couple questions here.

2060 I want to talk to the ATVM loans. When I say a 30
2061 percent subsidy rate, do you understand what I mean by that?
2062 Okay. To date, DOE has closed five loans totaling \$8.4
2063 billion on the ATVM loan, which is Tesla and Fisker, those
2064 kinds of automobile subsidies, and there have been no new

2065 loans closed since 2011. And there is \$4.2 billion, I
2066 understand, remains unauthorized--remains authorized but
2067 unobligated for loan subsidies. Is this correct?

2068 Mr. {Johns.} Yes, sir.

2069 Mr. {Stearns.} Okay. Is that possible we could give
2070 that money back to the taxpayers?

2071 Mr. {Johns.} The loan program is currently reviewing
2072 multiple applications. I don't know the status of those
2073 individual applications right now. Certainly money that is
2074 not needed would be given back to--

2075 Mr. {Stearns.} Okay, but since \$3.3 billion has been
2076 obligated for ATVM loan subsidies on \$8.4 billion of loans,
2077 this is a subsidy rate of 30 percent, is that correct? Take
2078 my word for it, it is correct. How do you explain an actual
2079 subsidy rate of 39 percent, when 30 percent was established
2080 for the program in the beginning? You are the budget
2081 director. Why?

2082 Mr. {Johns.} I don't have an answer for you.

2083 Mr. {Stearns.} Okay, all right.

2084 Dr. Rusco, in your testimony you noted that at the time
2085 of GAO's review, DOE could not be assured that projects would
2086 be delivered as agreed. Can you explain what you meant by
2087 that?

2088 Mr. {Rusco.} With respect--oh yes, with respect to the

2089 ATVM, yes. We felt that--well, according to the program
2090 guidance, they were to have technical engineering expertise
2091 on the ground at the time that the loan amounts were
2092 disbursed for keeping track of key milestones, technological
2093 milestones and making sure that the companies receiving the
2094 loans were meeting those milestones before further
2095 disbursements were made. And at the time that we reported,
2096 the program did--had not acquired that expertise and we felt--
2097 -

2098 Mr. {Stearns.} But basically the DOE had not
2099 established sufficient performance measures so that you could
2100 assess the program?

2101 Mr. {Rusco.} That is true as well that they have not--
2102 had not at the time established measures that would identify
2103 the fleet energy savings associated with the program loans.

2104 Mr. {Stearns.} Mr. Friedman, anything you might want to
2105 offer on that? I mean, I think it is a little shocking to
2106 hear that the DOE did not even provide sufficient performance
2107 measures so that the GAO could even understand what is going
2108 on, but anyway, Mr. Friedman?

2109 Mr. {Friedman.} Well, one of the issues that we have
2110 raised in terms of lessons learned is the need for due
2111 diligence and metrics that allow a program evaluation in an
2112 intelligent way.

2113 Mr. {Stearns.} Mr. Rusco, we understand that several
2114 loan applications have been denied by the Department of
2115 Energy. Are you aware of that?

2116 Mr. {Rusco.} I am sorry, which--

2117 Mr. {Stearns.} Some of the loan guarantees have been
2118 denied by the Department of Energy.

2119 Mr. {Rusco.} Yes.

2120 Mr. {Stearns.} Okay. One applicant stated we had been
2121 forced--have you heard about that?

2122 Mr. {Rusco.} Not that specific case.

2123 Mr. {Stearns.} But why have no new loans been approved,
2124 in your estimation?

2125 Mr. {Rusco.} I think that there are a number of loans
2126 that have reached conditional commitment, including several
2127 nuclear loans and those, I believe, are still--well, they are
2128 still working through the licensing process and it is unclear
2129 whether, you know, at this point when those loans will be
2130 issued.

2131 I think there is some systemic problem with the way that
2132 the 1703 part of the Loan Guarantee Program works, and that
2133 is that for many of the innovative technologies, they have to
2134 pay their own credit subsidy costs. And the fact that they
2135 are innovative means that they are going to be somewhat
2136 risky, and those costs may be very high.

2137 Mr. {Stearns.} Maybe if you could just dwell on the
2138 ATVM loans and not in general, just in those.

2139 Mr. {Rusco.} Yes. Since we have looked at that, I am
2140 unaware of the status of ongoing loan applications. I know
2141 there are some that are being considered.

2142 Mr. {Stearns.} Yes. Would it be fair to say that since
2143 they are not approving any new loan applications and they
2144 have \$4.2 billion of unused budget authority for this
2145 program, is it possible some of this money could be returned
2146 to the Treasury and we could help to balance the budget with
2147 it?

2148 Mr. {Rusco.} Again, I am unaware of what the current
2149 status of the loan applications are.

2150 Mr. {Stearns.} Just return it to the Treasury.

2151 Mr. Friedman, any comments on that, just return the
2152 money to the Treasury?

2153 Mr. {Friedman.} If you are asking could it be done, I
2154 am not an appropriations law expert but I see no reason why
2155 it could not be done.

2156 Mr. {Stearns.} Mr. Johns, any reason why that \$4.2
2157 billion couldn't be returned to the Treasury?

2158 Mr. {Johns.} Well as I said, we are active--the Loan
2159 Program Office is actively reviewing existing loan
2160 applications. I can't tell you the status of those.

2161 Mr. {Stearns.} All right. I think we have completed
2162 our questions here.

2163 Ms. {DeGette.} Mr. Chairman?

2164 Mr. {Stearns.} I think Mr. Waxman's supplemental memo--
2165 we had a question for Dr. Rusco. On January 31, 2012, DOE
2166 loan guarantee request by Herb Allison, he states on page 5
2167 that DOE estimated loan subsidy for existing loan was \$2.9
2168 billion, while the estimated \$2.7 billion of savings of \$.2
2169 billion or \$200 million. Is it fair then to claim a savings
2170 of \$2 billion future loans that have not been awarded? Does
2171 that make sense to you?

2172 Mr. {Rusco.} I am sorry, I am not aware of--I am not
2173 sure what you are referring to.

2174 Mr. {Stearns.} Yes, this is related to the Waxman memo
2175 in which they make a claim about the loan guarantee request
2176 by Herb Allison. Can--I guess the question is they are
2177 claiming savings of money. Can you verify or corroborate
2178 this savings?

2179 Mr. {Rusco.} I am sorry, I would have to look at that
2180 and get back to you.

2181 Mr. {Stearns.} I think that is a fair estimate of your
2182 response. I mean, that would be my response because it is a
2183 little technical.

2184 Unanimous consent I am just going to order--I am just

2185 going to put it in the record. How do you feel about that?

2186 Ms. {DeGette.} I feel excellent about it. Thank you,

2187 Mr. Chairman.

2188 Mr. {Stearns.} I agree with that. Okay.

2189 [The information follows:]

2190 ***** COMMITTEE INSERT *****

|
2191 Mr. {Stearns.} Just in closing, Mr. Johns, can you
2192 report to us now on the number of vehicles in the DOE's
2193 inventory, following up on Chairman Barton's request in which
2194 he asked you to find precisely down to the four wheels?

2195 Mr. {Johns.} That is a different question. I can't
2196 tell you number of wheels, but I can tell you--

2197 Mr. {Stearns.} No, I am just sort of making--trying to
2198 make light on this.

2199 Mr. {Johns.} Yes, sir. The current number in the fleet
2200 is 15,108 vehicles, as you suggested, 15,000. The target for
2201 the--for 2013 is 9,484, reflecting a reduction over time of
2202 the number. I would want to point out, though, that this is
2203 not just the cars that are sitting in the parking lot. This
2204 counts all of our vehicles, to include the trucks that we use
2205 to transfer nuclear material from one place to another, the
2206 bucket trucks that we use for the grid, those kind of things.
2207 So some of these are highly technical and highly specific
2208 vehicles. It is not just a matter of everyone in DOE gets a
2209 car. I assure you, I have not been given a car by the
2210 Department.

2211 Mr. {Stearns.} Yes, because it is 15,000 employees and
2212 you have got 15,000 cars. It would appear that everybody has
2213 a car, but you are saying there is extrapolatory evidence

2214 here that they are using cars for things that are project-
2215 oriented and not used for personal use.

2216 Mr. {Johns.} And these are also cars that are available
2217 to the--at the labs, so this is also being used by the
2218 contractors as well. So this is 15,000 vehicles for that
2219 total number, 115,000 people. Again, as I said--

2220 Mr. {Stearns.} One hundred fifteen thousand people?
2221 Not the contractors, you mean just the employees?

2222 Mr. {Johns.} It is for--it includes the contractors.

2223 Mr. {Stearns.} So 100,000 and contractors would also
2224 get access to a DOE car?

2225 Mr. {Johns.} Because this is not just cars. We as the
2226 Department are paying for the contractors, the work of the
2227 contractors.

2228 Mr. {Stearns.} Couldn't they buy their own car with
2229 their own funds?

2230 Mr. {Johns.} It is not just--these are not just
2231 personal--these are not just vehicles for them to drive back
2232 and forth with, these are vehicles for them to do the work
2233 that they do every day, the bucket trucks, the larger--these
2234 trucks to move nuclear material.

2235 Mr. {Stearns.} Well when I listen to you I get a little
2236 more concerned because you said you had roughly 15,000
2237 vehicles and you are saying the contractors, which is

2238 100,000, get access to these. That is a little disturbing
2239 because DOE should control the cars under the DOE budget and
2240 you should not let private contractors have access to
2241 government property. These are private companies. Why would
2242 they get access to private companies to use their vehicles?
2243 So maybe you should provide us a more detailed breakout, if
2244 you can, and so I won't put you on the spot any longer. But
2245 I am a little confused now.

2246 Mr. {Johns.} Well, I certainly can provide more
2247 information to you, but the point is that there are vehicles
2248 that we as the Department of Energy need to do our work.
2249 There are certainly cases where the private contractor is
2250 providing their own vehicle, but in these cases where we have
2251 highly sophisticated equipment, moving nuclear material, for
2252 example, bucket trucks, this kind of thing where we are
2253 paying a contractor to do a mission for the Department of
2254 Energy. In some of those cases, we have government vehicles
2255 that we are supplying.

2256 As I said before, we are not happy with that number
2257 which is why we have engaged in this effort to reduce the
2258 size of the fleet.

2259 Mr. {Stearns.} I think if I were you, I would look to
2260 make sure that a private contractor who is getting paid by
2261 you is not using your vehicles when they should be using

2262 their own.

2263 Ms. {DeGette.} Mr. Chairman, if I may?

2264 Mr. {Stearns.} Sure. Mr. Friedman, if you want to
2265 answer that, go ahead. Go ahead, Ms. DeGette.

2266 Ms. {DeGette.} Mr. Chairman, the private contractors
2267 would include--I think what Mr. Johns is trying to say, and I
2268 am not giving an opinion on whether they have the right
2269 amount of cars or not, but I think what you are trying to
2270 say, Mr. Johns, is some of the contract employees are like
2271 employees at the labs--

2272 Mr. {Johns.} Correct.

2273 Ms. {DeGette.} And so when they are on site at the
2274 labs, they are using government vehicles there. It is not
2275 like you folks are assigning passenger cars to contractors to
2276 drive back and forth to work, is that right?

2277 Mr. {Johns.} That is correct.

2278 Ms. {DeGette.} I think what would be really helpful,
2279 since the Chairman and Mr. Barton are both very concerned
2280 about the number of vehicles, and me too, is if you guys
2281 could give us a breakdown of the types of vehicles, passenger
2282 cars versus these other types of vehicles and where they are
2283 sited, and what your plan is for reducing the number of
2284 vehicles, so instead of using this like a sound byte, you
2285 know, 15,000 employees, 15,000 cars, we can actually see what

2286 these vehicles are, who is using them, and what the reduction
2287 plan is. Thank you.

2288 Mr. {Johns.} Yes, ma'am.

2289 Mr. {Stearns.} Yes, Mr.--

2290 Mr. {Friedman.} Can I clarify one statement, Mr.
2291 Chairman?

2292 Mr. {Stearns.} Sure.

2293 Mr. {Friedman.} I suffered a senior moment when they
2294 asked about the number of criminal cases we have ongoing, and
2295 I want to make sure I clarify the record so there is no
2296 misunderstanding. It is not a static number, it goes up and
2297 down depending upon the times. I said 350. The actual
2298 number is between 250 and 300, and I misspoke, and I
2299 apologize for that.

2300 Mr. {Stearns.} That is fine.

2301 All right. I think we are ready to conclude. I would
2302 like to thank all the witnesses for their patience and
2303 staying with us, and also for the members who are
2304 participating. I remind the members they have 10 business
2305 days to submit questions for the record, and I ask the
2306 witnesses, all agree to respond properly to those questions
2307 if they are given to you.

2308 And with that, the Subcommittee is adjourned.

2309 [Whereupon, at 12:35 p.m., the Subcommittee was

2310 adjourned.]