Transition Team Question #10

Q: Are there independent agencies that review FE programs?

- **Deliverable: Provide copies of the reports of these independent reviews as well as the audits from the GAO in the FE program areas of Coal, Oil and Gas, and SPR.**

A: Independent Agency Reviews

Fossil Energy has been responsible for responding and preparing corrective actions for four (4) audits performed by the Office of Inspector General and Government Accountability Office over the past five (5) years. With an exception to audit 1080, that was issued in September of 2008, FE management has prepared and implemented timely corrective actions to address all findings and recommendations included in those reports. FE has certified closure of the recommendations to CFO, and the IG has agreed that our actions were sufficient to meet the intent of their recommendations. In regards to GAO-08-1080, this report was issued in the last quarter of 2008, and contains one recommendation that the Coal program is currently developing a corrective action plan, that we will report on at the end of first quarter in 2009.

FE Audits

Status of IG and GAO Audits of Fossil Energy (FE) Programs - Table Lists Audits Where Fossil Energy Responsible as the Primary or Secondary Action Activity (PAA or SAA), as of September 30, 2008 – Attachment 1

Status of IG and GAO Audits Relating to the Strategic Petroleum Reserve and Northeast Home Heating Oil Reserve, as of September 30, 2008 – Attachment 2

Management of Fossil Energy Cooperative Agreements, 2005, Audit Report #IG-0692 – Attachment 3

Oil & Gas

Both the Government Accountability Office and the National Research Council make assessments of the Oil and Natural Gas programs, including:

The National Research Council (NRC) is charged by the Energy Policy Act of 2005 to conduct a study of the progress made by the methane hydrate research program and to make recommendations for future methane hydrate research and development needs. The report is expected by September 2009. A similar assessment was made by the NRC in 2004: *Charting the Future of Methane Hydrate Research in the United States* (2004) – Attachment 4

Prospective Evaluation of Applied Energy Research and Development at DOE (Phase Two), 2007, includes the "Report of the Panel on DOE's Natural Gas Exploration and Production R&D Program" – Attachment 5

The Government Accountability Office (GAO) produced a Letter report to Senator Byron Dorgan, November 2007 on "Department of Energy: Oil and Natural Gas Research and Development Activities" – Attachment 6

Phase II of this assessment is underway. The report should be delivered to Congress in December 2008.

Coal

FE's Coal Program is routinely audited and reviewed by our own Inspector General and by the GAO. Two recent GAO audits, one completed and one ongoing, are worthy of mention here. Under the first completed audit GAO's purpose was to examine (1) key economic, legal, regulatory, and technological barriers impeding commercial-scale deployment of Carbon Capture and Sequestration (CCS) technology and (2) actions the DOE, EPA, and other agencies are taking to overcome barriers to commercial-scale deployment of CCS technology. This audit began in the November 2007 timeframe and culminated with a published GAO Report in September of 2008. The GAO Report is titled *"CLIMATE CHANGE: Federal Actions Will Greatly Affect the Viability of Carbon Capture and Storage as a Key Mitigation Option."* – Attachment 7

The second, in progress audit, is being conducted at the request of the House Science & Technology Committee. Here the GAO is reviewing DOE's decision to restructure the FutureGen program (GAO FutureGen assigned audit #360971). GAO conducted its entrance meeting for this audit with DOE in July of 2008 and has tentatively scheduled an exit conference in the December 2008 timeframe. Lines of inquiry have included: cost estimates and related analyses for the original and restructured FutureGen programs; analyses of cost increases on the original FutureGen project; strategic planning documents for original and restructured (including DOE's cooperative agreement with the FutureGen Industrial Alliance), documentation relating to the restructuring decision; and relationships among FutureGen and other Fossil Energy programs. It is important to note that as this is an ongoing audit, specific details associated with its findings and recommendations will not be available until such time as GAO publishes its final report.

SPR

The GAO released a report in August of 2006 titled *"Strategic Petroleum Reserve - Available Oil Can Provide Significant Benefits, but Many Factors Should Influence Future Decisions about Fill, Use, and Expansion"* – Attachment 8

The DOE Office of the Inspector General completed an Inspection Report titled, *"Review of Security at the Strategic Petroleum Reserve*" in June of 2005. – Attachment 9