

**Prepared Statement
The Honorable Daniel B. Poneman
Deputy Secretary of Energy
Before the Subcommittee of Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives**

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Chairman Murphy, Ranking Member DeGette and Members of the Subcommittee:

Thank you for the opportunity to discuss with you today the Department of Energy's ongoing efforts to improve its management and performance. These efforts are more important than ever, in light of the increasing responsibilities the President has entrusted to the Department.

Let me explain. In the past month, the President has given two major policy speeches, and the work that we do at the Department of Energy lies at the heart of both of these issues.

On June 19, in Berlin, the President echoed the nuclear security vision he first laid out in his 2009 Prague speech — calling on the global community to secure vulnerable materials, decrease the number of nuclear weapons, and build a sustainable and secure nuclear energy industry. The Department of Energy plays a vital role in achieving President Obama's nuclear security objectives, including the prevention of nuclear terrorism and the grave and urgent threat it presents to our nation and the world. As long as nuclear weapons exist, it is also the Department's responsibility to ensure that the U.S. nuclear stockpile remains safe, secure, and effective.

Less than a week later at Georgetown University, the President laid out a common sense plan to reduce the effects of climate change by cutting dangerous carbon pollution, increasing the production of clean energy, and doubling down on energy efficiency. For our part, the Department of Energy supports the groundbreaking science and innovation that is essential to the President's vision. As the President said, "A low-carbon, clean energy economy can be an engine of growth for decades to come." By taking action to reduce carbon pollution, the United States can spark new jobs and industries building cleaner and more efficient energy technologies.

These presidential priorities demand the best from us in terms of our performance, and so last week the Energy Secretary and I announced a reorganization that will better focus our efforts on all four mission areas of the Department: nuclear security, solving the Nation's energy challenges, advancing fundamental science, and environmental stewardship. For the Department to carry out our critical work in these areas, the Secretary has made clear that we must renew our focus on improving our management and performance in addressing the challenges that the Department has faced for its entire

history. For that reason, the reorganization will also focus heavily on increasing the focus on management and establishing a system of Departmental Councils to improve coordination of issues that cut across organizational lines.

On July 12, the Secretary approved a top-level reorganization of the Department that reallocates the responsibilities of the Department's three Offices of Under Secretary. This reorganization has three primary objectives:

- To improve integration of the science and applied energy R&D programs of the Department by establishing an Under Secretary for Science and Energy;
- To improve project management and increase the effectiveness and efficiency of our mission support functions across the Department by establishing an Under Secretary for Management and Performance; and
- To establish an enterprise-wide vision and coordination of major cross-cutting programs.

The balance of my testimony will describe these changes, and how they will address the Department's mission and management challenges.

Integrate the Science and Energy Portfolios

The first major component of the reorganization expands the portfolio of the statutory Under Secretary for Science to include the energy technology portfolio, establishing the Office of the Under Secretary for Science and Energy. Successful innovation for implementing the President's "all of the above" energy strategy requires the ability to closely integrate basic science, applied research, and technology demonstration. It also should enable clear feedback loops, so barriers to technology development can inform scientific direction and inquiry.

We also need to accelerate the innovation process — to rapidly translate scientific discovery into transformative technologies. This is especially important in light of the urgency of addressing climate change and the need rapidly to develop technologies to materially alter the trajectory of greenhouse gas pollution.

Establishing the Office of the Under Secretary for Science and Energy is key to enabling this critical transformation, and to implement the recommendation of the President's Council of Advisors on Science and Technology (PCAST) and other studies that have pointed to the need to improve integration of the science and applied energy R&D programs of the Department. This office will have direct oversight responsibility for the following offices:

- Office of Science (SC)
- Office of Energy Efficiency and Renewable Energy (EERE)
- Office of Nuclear Energy (NE)
- Office of Fossil Energy (FE)

- Office of Electricity Delivery and Energy Reliability (OE)
- Office of Indian Energy (IE)
- Office of Technology Transfer Coordinator

Elevate the Status of Management and Performance

The reorganization consolidates the primary mission and operational support functions of the Department within the office of the Under Secretary for Management and Performance, and also includes the Office of Environmental Management and Office of Legacy Management as part of its structure and functions. The purpose of this consolidation is to elevate the Department's focus on and attention to these important functions. This office will have full-time oversight of the operational functions of the following offices:

- Office of Management and Administration (MA)
- Office of the Chief Human Capital Officer (HC)
- Office of the Chief Information Officer (CIO)¹
- Office of Economic Impact and Diversity (ED)
- Office of Hearings and Appeals (OHA)
- Office of Environmental Management (EM)
- Office of Legacy Management (LM)

Moving the Office of Environmental Management under the purview of the Under Secretary for Management and Performance brings the Department's strongest project management capabilities, resident within the Office of Acquisition and Project Management, directly to bear on one of the Department's most vexing yet vital challenges: cleaning up nuclear waste that is a legacy byproduct of the Cold War. These DOE sites include Hanford, WA, Savannah River, SC, and Paducah, KY.

This reorganization will enable the new Under Secretary for Management and Performance to utilize a more concentrated level of resources and to apply better managerial discipline to address project management issues in this critical area. Reforms initiated over the past several years have begun to bear fruit. The GAO has narrowed the scope of its high-risk designation for DOE's contract administration and project management to major capital asset projects — those costing more than \$750 million. Efforts are now under way to address the serious challenges confronting several major construction projects. In addition, the Secretary has approved the formation of a new working group, representing offices across the Department, including NNSA, to continue on efforts to improve performance in this area.

In addition, transferring the Offices of Environmental Management and Legacy Management from the Undersecretary for Nuclear Security will allow this undersecretary to focus exclusively on NNSA's forward-looking missions — including stewardship of our nation's nuclear stockpile and advancing the

¹ The CHCO and CIO would continue to have direct access to the Secretary so that they can provide broad policy advice and other functions, as specified by statute or regulation.

President's nuclear security agenda — while entrusting the Environmental Management mission to an organization devoted to solving management challenges.

Improving the effectiveness and efficiency of Departmental operations has been a continuing effort over the past four years, and it remains a top priority for the senior leadership of the Department. Although significant progress has been made, we understand clearly that we need to do much more. Aside from increasing the management resources available to oversee large projects, consolidating mission support functions in the Office of the Under Secretary for Management and Performance will place a senior policy official dedicated to the task of management improvement on a full-time basis.

The consolidation of these mission support functions — such as the Office of Management and Administration and Office of the Chief Human Capital Officer — will clarify and strengthen the lines of authority and accountability of these functions. The goal will be to institute enterprise-wide solutions to common challenges faced by program offices across the complex, such as information management, acquisition, and human resources. The Chief Human Capital Officer and Director of the Office of Civil Rights will continue to have direct access to the Office of the Secretary to provide broad policy advice and other functions — but day-to-day operations will be under the oversight of the Under Secretary.

Within the Office of Management and Performance, we will also establish a new organizational unit: the National Laboratory Operations Board. It will have responsibility for oversight of administrative, mission support, and infrastructure management of the National Laboratory System. This office will enable us to establish an enterprise-wide effort to tackle the parallel administrative issues affecting the labs, regardless of which program office administers each of them.

Improve Enterprise-Wide Management Coordination

We are also planning ways to increase coordination across the Department.

For a number of important cross-cutting policy issues, which all affect a number of programs across the Department, the Secretary has established the following Secretarial Councils:

- An Energy Council;
- A National Laboratory Policy Council;
- A revised Credit Review Board, including establishment of a new Risk Committee; and
- A Cyber Security Council.

We are also reactivating and restructuring the Secretary of Energy Advisory Board (SEAB), with the restructured SEAB having four standing subcommittees to address each of the major Departmental mission areas.

I would like to bring to your attention two final areas in which we are seeking to improve the coordination between programs offices: policy formation and physical security management.

First, we are examining opportunities for consolidating and upgrading the policy analysis functions of the Department. A PCAST report recommended a broader systems approach to energy policy planning. This capability will be needed to support the government-wide Quadrennial Energy Review the President called for in his June 25 climate policy speech at Georgetown University. The core of our new energy systems analysis capability will be formed from the existing Office of Policy and International Affairs. We will also examine opportunities to draw from the policy expertise of the program offices.

A second area under careful study is security management. I have previously testified before this Subcommittee on the Department's management of security, and improvements we have made in the wake of last year's Y-12 incident, but this is a matter of such seriousness that we are committed to continue our efforts to improve our performance, including through examination of broad issues of governance as they relate to the security of our Category I nuclear materials. In recent months, we have been engaged in a thorough review of our security management —not just within NNSA or at the labs, but enterprise-wide — including delegation of authority and responsibility, contracting, performance measurement and ultimate accountability.

We are undertaking this assessment deliberately, and I want to assure the Committee that we are working on this issue, and plan to adopt organizational and management changes when we conclude our internal review. We will of course keep the Subcommittee informed of these efforts.

Conclusion

These organizational changes will enhance the Department's ability to carry out its responsibilities to the President and to the Congress, while improving our financial stewardship at a time of tight fiscal constraints. Reducing the cost of doing business within the Department will enable us to allocate more resources toward our mission objectives in national security, science, clean energy, and environmental stewardship.

The Department, under the leadership of the Secretary, has made management improvement a top priority, and we are aggressively pursuing a broad agenda of initiatives. He has brought new ideas to the Department, drawing from the work of the President's Council of Advisors on Science and Technology and other inputs, as well as from his prior service to DOE. The Secretary has challenged us to further elevate our performance, and I appreciate the opportunity to appear before the subcommittee to discuss our efforts to do so. I would be pleased to answer any questions from Subcommittee members.