

# STATE OF NORTH CAROLINA

## PERFORMANCE AUDIT

**STATE ENERGY POLICY COUNCIL**

and

**STATE ENERGY OFFICE**

(Staff to the Energy Policy Council)

Located within the Department of Administration

**JULY 2004**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**State Auditor**

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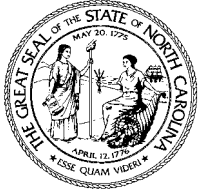
OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

July 2004





Ralph Campbell, Jr.  
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July 30, 2004

The Honorable Michael F. Easley, Governor  
Members of the North Carolina General Assembly  
Secretary Gwynn T. Swinson  
Department of Administration and  
Chair, State Energy Policy Council  
Members, State Energy Policy Council

Ladies and Gentlemen:

We are pleased to submit this performance audit of the *State Energy Policy Council and the State Energy Office*, located within the Department of Administration.

This report consists of an executive summary and findings and recommendations that contain program overview information. The objectives of the audit were to:

- 1) determine if the State Energy Office is meeting the intent of the legislation, and
- 2) identify sources and uses of funding for the State Energy Office and energy programs.

Secretary Swinson, as head of the Department of Administration and as Chair of the State Energy Policy Council, has reviewed a draft copy of this report. Her written comments are included as Appendix H, page 59.

We wish to express our appreciation to Secretary Swinson and her staff for the courtesy, cooperation, and assistance provided us during this effort.

Respectfully submitted,

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor



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## EXECUTIVE SUMMARY

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### *Program Description*

The State Energy Policy Council has been designated as the central energy policy planning body for the State. Located within the Department of Administration, the State Energy Office provides staff to the Council, functions on the behalf of the Council as the lead agency for energy programs, and serves as the official source for energy information and assistance for consumers, businesses, government agencies, and policy-makers. The mission of the Council and the State Energy Office is to promote energy efficiency and renewable energy, striving toward a sustainable energy future. Programs are administered in four primary areas:

- **Energy efficiency and renewable energy** for residential, commercial, industrial, agricultural, transportation, and utility sectors;
- **Alternative Fuels** and alternative fuel vehicles;
- **Energy Policy** recommendations to the North Carolina General Assembly, the Governor's Office, and other state agencies; and
- **Energy emergencies** during natural disasters and supply disruptions.

Energy funding for the State comes from three federal sources: (1) formulated funds received by each state from the United States Department of Energy (USDOE), (2) Special Project funds based upon a competitive awards process from USDOE, and (3) Petroleum Violation Escrow (PVE) funds. PVE funds are the result of court settlements or judgments at the federal level against oil companies that overcharged customers during the 1970's and 1980's. Since neither the Council nor the Energy Office receive any state funds, the Energy Office relies heavily on PVE funds for state energy projects. The State had approximately \$10 million of PVE funds in a trust account at the beginning of May 2004. However, PVE funds in that account will be exhausted by 2005 if the General Assembly continues allocation at the present level. The final distribution of PVE funds from the federal escrow account is scheduled for 2005. Administrative salaries and associated costs come from the federal formulated funds.

### *Audit Scope and Methodology*

The State Auditor undertook this performance audit of the State Energy Policy Council and the State Energy Office at the request of legislators. The audit focused on the procedures and operations of the Council and the Energy Office located within the Department of Administration.



## EXECUTIVE SUMMARY

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### *Conclusions in Brief*

#### **Objective 1: Goals & Objectives**

The Energy Policy Council's responsibilities are contained in *North Carolina General Statutes 113B*. The Council is responsible for providing policy oversight and direction to the State Energy Office, while administrative oversight is provided by the Secretary of the Department of Administration. The Council and the Energy Office generally are meeting the intent of the legislation. Since moving to the Department of Administration in 2000, the Council has updated both the *State Energy Plan* and the *State Emergency Energy Plan*. However, the Council has failed to submit a mandated annual comprehensive report to the Governor and the General Assembly. The Energy Policy Council does not have adequate policies and procedures to carry out its functions as outlined by legislation. Further, a number of state agencies have failed to submit required energy plans and information to the Energy Office. The Energy Office has failed to keep Council and State leaders apprised of the status of these submissions. Lastly, the State Energy Policy Act has not had major revisions since its enactment in 1975 and may no longer be reflective of the current energy landscape and the State's energy needs.

#### **Objective 2: Funding Sources and Uses**

All of the energy funds administered by the State Energy Office for the State Energy Policy Council come from federal sources through the United States Department of Energy. During the last four years, approximately 86% of those funds were from the Petroleum Violation Escrow (PVE) funds. At May 1, 2004, North Carolina had \$10 million in an energy trust account mandated for those funds. North Carolina expects to receive additional distributions from the federal PVE trust fund, with the final distribution of funds scheduled for 2005. However, the State's PVE trust fund will be exhausted by 2005 if the General Assembly continues allocations at the present levels. The majority of energy funds are spent on either direct services or contracts and grants to direct energy service providers. Funds are awarded using procedures based on state purchasing and contract regulations. However, Energy Office staff make awards with little input from the Council beyond the prioritized recommendations in the *State Energy Plan*. The 80 current energy projects funded through the Energy Office total \$9.8 million through 2005. All projects fall within the four broad programmatic areas outlined in legislation. Lastly, examination of the Energy Office's monitoring and oversight processes revealed a lack of centralized files and little documentation of direct oversight, site visits, or technical assistance provided to grantees.

# EXECUTIVE SUMMARY

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## *Specific Findings*

Page

### **Objective 1: Goals & Objectives**

- ❑ The State Energy Policy Council and the State Energy Office are organized to meet goals and objectives. ....12
- ❑ The Energy Policy Council does not have adequate policies and procedures to carry out its functions. ....13
- ❑ The Energy Policy Council has not submitted the comprehensive annual report required by legislation.....14
- ❑ Some State agencies have not submitted required energy plans to the State Energy Office. ....15
- ❑ The *State Energy Plan* reflects the wide-ranging interests of all stakeholders.....17
- ❑ The North Carolina Energy Policy Act has not had been revised since 1992. ....17

### **Objective 2: Funding Sources & Uses**

- ❑ The State Energy Office has an established process for identifying and approving projects. ....22
- ❑ The State Energy Office does not maintain comprehensive centralized files for each grant project.....24
- ❑ State Energy Office staff are not documenting monitoring and assistance to grantees. ....25

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## AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

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*North Carolina General Statute 147-64.6* empowers the State Auditor with authority to conduct performance audits of any State agency or program. Performance audits are reviews of activities and operations to determine whether resources are being used economically, efficiently, and effectively.

This performance audit of the **State Energy Policy Council (Council)** and the **State Energy Office (SEO)**, located within the Department of Administration, was undertaken at the request of legislators to answer specific questions relating to the mission and operation of the State Energy Office. Questions included:

- *Is the SEO organized in a manner to meet goals and objectives?* (page 12)
- *How involved are the industry people in pushing state energy policies proposed by the Office?* (page 17)
- *What are the administrative costs?* (page 20)
- *How are the funds actually spent?* (page 22)
- *What controls are in place to monitor the use of energy grants?* (page 24)

These questions led to the development of the following objectives:

***Objective 1:** Determine if the State Energy Office is meeting the intent of the legislation.*

***Objective 2:** Identify sources and uses of funding for the State Energy Office and energy programs.*

During the period February 2004 to May 2004, we conducted the fieldwork for the audit. The scope of the audit encompassed all operations of the State Energy Policy Council and the State Energy Office. To achieve the audit objectives, we employed various auditing techniques that adhere to the generally accepted auditing standards as promulgated in *Government Auditing Standards* issued by the Comptroller General of the United States. These techniques included:

- Review of existing *North Carolina General Statutes*, *North Carolina Administrative Code*, and federal regulations as they relate to the State Energy Policy Council and State Energy Office functions.
- Review of policies and procedures established by the Council and SEO.
- Examination of organizational charts and job descriptions at SEO.
- Review and analysis of Council meeting minutes.
- Interviews with agency staff, key members of the Energy Policy Council, and US Department of Energy representatives.
- Analysis of funding and expenditure data for the Council and SEO.
- Review of internal and external reports on Council and SEO operations.
- Survey of the members of the Council's Energy Technology Advisory Group.
- Review of a statistical sample of energy contracts awarded to run between July 2000 and December 2005.
- Site visits to selected state energy projects and interviews with SEO clients.
- Survey of other states' energy programs.

## **AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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This report contains the results of the audit as well as specific recommendations aimed at improving Energy Policy Council and State Energy Office operations in terms of economy, efficiency, and effectiveness. Because of the test nature and other inherent limitations of an audit, together with the limitations of any system of internal and management controls, this audit would not necessarily disclose all weaknesses in the systems or lack of compliance. Also, projection of any of the results contained in this report to future periods is subject to the risk that procedures may become inadequate due to changes in conditions and/or personnel, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

## PROGRAM OVERVIEW

# Program Overview

The State Energy Division was created during fiscal year 1974 in response to the oil embargo and resulting energy crisis. The Division was placed within the North Carolina

Exhibit 1 Composition of the State Energy Policy Council
2 members of the House of Representatives appointed by the Speaker of the House
2 members of the Senate appointed by the President Pro Tem of the Senate
9 public members* appointed by the Governor
Secretary, Department of Commerce
Chair, North Carolina Utilities Commission
Secretary, Department of Environmental and Natural Resources
Commissioner of Agriculture
Secretary, Department of Administration
Source: <i>North Carolina General Statute 113B-3</i>
*Public Members are to have experience in or to be from: 1 electric power industry; 1 natural gas industry; 1 petroleum marketing industry; 1 economic analysis of energy requirements; 1 environmental protection; 1 industrial energy consumption; 1 alternative sources of energy; 1 county commissioner; 1 elected municipal official

Department of Military and Veterans Affairs. The Division's initial purpose was to allocate a percentage of fuels entering the State to critical populations. The North Carolina Energy Policy Act (*North Carolina General Statute Chapter 113B*) was passed in 1975. The purpose of the Act was "... to provide for development of ... a unified energy policy for the State of North Carolina."<sup>1</sup> The Act established the **Energy Policy Council (Council)** as the central energy policy planning body for the State. Staffing for the Council was to be provided by the State Energy Division. The Council is comprised of 18 members, as

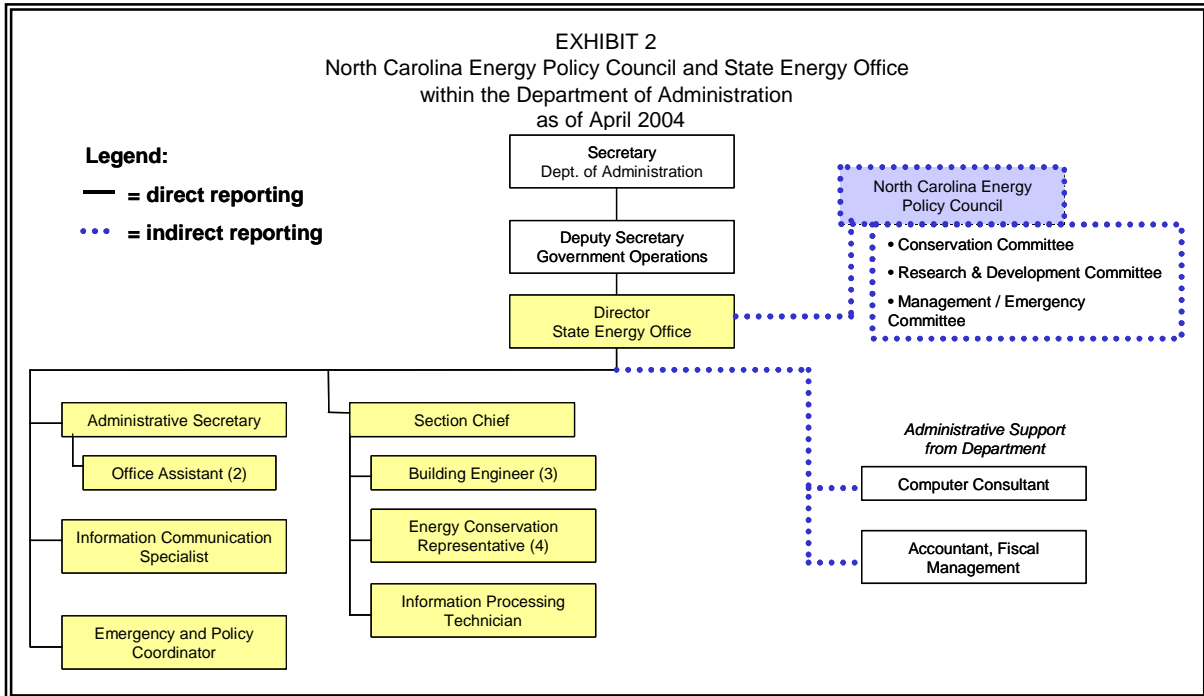
shown in Exhibit 1. The General Assembly members serve two-year terms, while the public members serve four-year terms. Currently, the Governor has designated the Secretary of the Department of Administration as the Council chair (*North Carolina General Statute 113B-4*).

In 1976, as a result of a major natural gas shortage, the Energy Division was transferred to the Governor's Office to better coordinate efforts. In 1977, the Energy Division was transferred to the Department of Commerce to assist in the recruitment of industry and management of the State's programs for energy efficiency and renewable energy. The Council and Division were charged, at the time of a 1979 energy crisis, with monitoring North Carolina's energy supplies. The Energy Division remained in the Department of Commerce until October 1, 2000, at which time the General Assembly moved it to the Department of Administration.<sup>2</sup> The Energy Division has since been renamed the **State Energy Office (SEO)**. Exhibit 2, page 8, depicts the organizational placement of the Council and State Energy Office and staffing as of April 2004.

<sup>1</sup> *North Carolina General Statute 113B-1(5)*.

<sup>2</sup> The Office of State Budget and Management was directed to study the functions and organizational placement of the Energy Division in 2000. The resulting report recommended re-constituting the Energy Division and transferring the majority of its responsibilities to the Department of Administration. *Management Study, Energy Division*, Office of State Budget and Management, June 2000.

# PROGRAM OVERVIEW



**MISSION AND GOALS:** The mission of the Energy Policy Council and its staff, the State Energy Office, is “. . . to promote energy efficiency and renewable energy, striving toward a sustainable energy future . . .”<sup>3</sup> The enabling legislation directs the Energy Policy Council to develop:

- An **Energy Efficiency Plan** addressing building code changes, recommending appliance operating efficiencies, and recommending state government energy-efficient purchases of supplies, vehicles, and equipment (*North Carolina General Statute 113B-7*)
- An **Energy Management Plan** documenting patterns of consumption, looking at long- and short-term forecasts of production and consumption, as well as future energy sources, and proposing policies (*North Carolina General Statute 113B-8*)
- An **Emergency Energy Plan** focusing on utility curtailment plans, emergency allocation plans, and contingency plans to deal with possible shortages of energy (*North Carolina General Statute 113B-9*)
- A program to review and coordinate state government energy research, education, and management programs (*North Carolina General Statute 113B-10*).

As staff to the Council, SEO is North Carolina’s point agency for energy programs and serves as the official source for energy information and assistance for consumers, businesses, government agencies, and policy-makers. SEO accomplishes this by implementing specific recommendations approved by the Council in the *State Energy Plan*.<sup>4</sup> SEO administers and oversees projects in four programmatic areas:

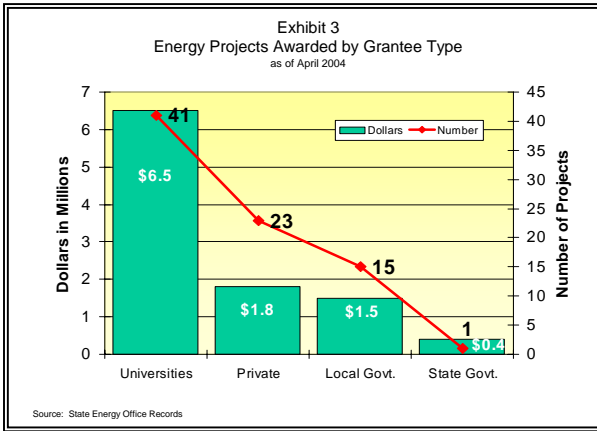
- Energy efficiency and renewable energy for residential, commercial, industrial, agricultural, transportation, and utility sectors;

<sup>3</sup> State Energy Office web page: [www.energync.net](http://www.energync.net)

<sup>4</sup> *North Carolina State Energy Plan, 2003*, prepared for the North Carolina Energy Policy Council by the State Energy Office within the North Carolina Department of Administration and Appalachian State University Energy Center, June 2003.

# PROGRAM OVERVIEW

- Alternative fuels and alternative fuel vehicles;
- Energy emergencies during natural disasters and supply disruptions; and
- Energy policy recommendations to the Energy Policy Council, the General Assembly, the Governor, and other state agencies.



The North Carolina State Energy Office provides funding for 80 energy-related projects across the State. Exhibit 3 depicts the number of projects awarded by grantee type as of April 2004.

Appendix A, page 29, contains a summary of current energy projects.

**FUNDING:** Table 1 shows total funding received by SEO for the past four fiscal years from three primary sources, all federal funds.

- 1) Formulated funds received by each state from the US Department of Energy (USDOE),
- 2) Special Projects funds based upon a competitive awards process overseen by USDOE, and
- 3) Petroleum Violation Escrow (PVE) Funds.

Appendix B, page 41, contains a more detailed statement of revenues and expenditures for fiscal years 2001 through 2004. Total revenues and expenditures increased significantly beginning with fiscal year 2002 due to increased grant activity.

While North Carolina receives both energy formulated and special project funds, PVE funds have accounted for over \$105 million for the State's energy programs since 1983. (See Appendix G, page 55 for history of PVE funds.) PVE funds are the result of six court settlements or judgments at the federal level against oil companies that overcharged customers for gasoline during the mid-1980's. Guidelines for the expenditure of funds vary by each settlement, but all require the funds to be spent on energy efficiency and/or renewable programs. SEO has relied heavily on these funds to support energy projects throughout the State. SEO has not received any direct State appropriations since fiscal year 2000. Exhibit 4, page 10 shows the budget history for North Carolina's energy program since 1988.

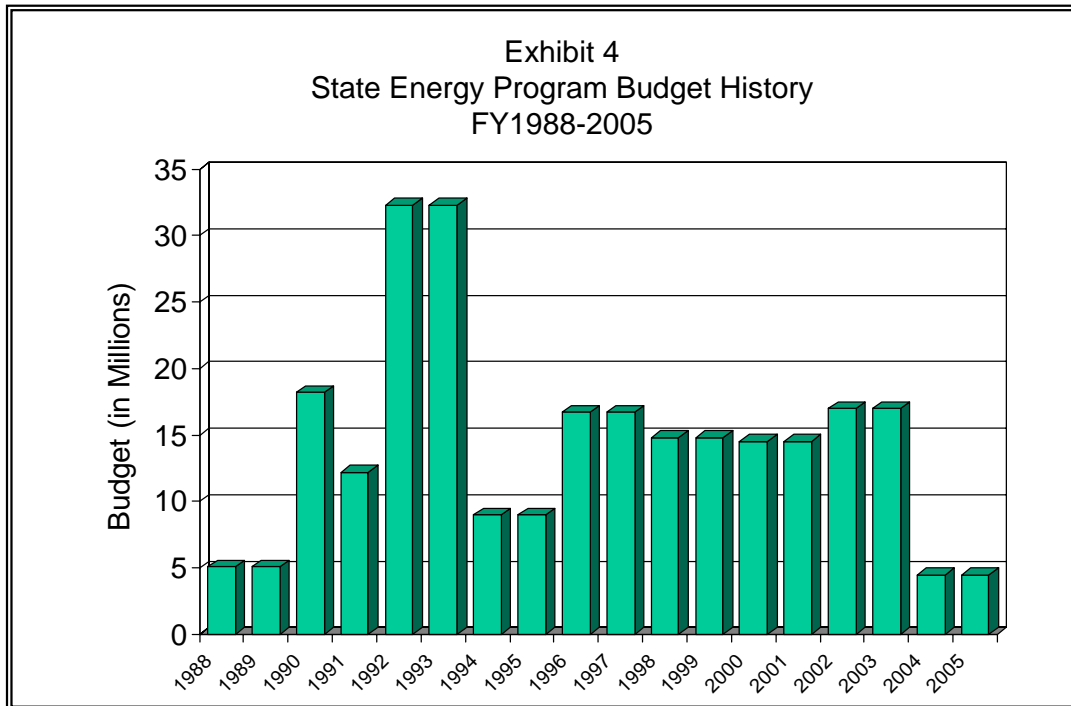
Fiscal Year	Revenues*	Expenditures
2001	\$1,644,638	\$1,894,287
2002	\$5,021,306	\$4,753,006
2003	\$4,512,728	\$4,482,539
2004**	\$4,481,229	\$3,323,824

Source: North Carolina Accounting System

\*All federal Funds  
 \*\*Based on certified budget. Expenditures were derived by adding YTD actual dollars and 2 month's salary and benefits and funds encumbered for FY2004



## PROGRAM OVERVIEW



### Accomplishments

The State Energy Policy Council and its staff, the State Energy Office, have achieved a number of milestones since being placed in the Department of Administration. See Appendix C, page 43 for more details. Recent major accomplishments include:

- In 2003, updating and issuing a *State Energy Plan*<sup>5</sup> for the first time since 1992;
- In 2003, preparing and issuing the first *Energy Emergency Plan* since 1992;
- Compiling and analyzing data to forecast the State's energy needs through 2020;
- Conducting statewide energy conferences and workshops;
- Receiving the Outstanding Program Award from the National Association of State Chief Administrators in 2003 for the utility savings initiative;
- Receiving the Energy Smart America 2004 National Recognition Award for Leadership; and
- Establishing on-going communication and access avenues such as [www.energync.net](http://www.energync.net) and *NC Energy Notes*, an online newsletter.

In addition to these efforts, SEO launched, in response to legislation passed in 2003, the State's first guaranteed energy savings contracts for state agencies. SEO will oversee the issuance of \$50 million in contracts, extending up to 12 years, to update state facilities' energy components. The realized energy savings from these projects will be used to pay for the facility updates.

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<sup>5</sup> The State Energy Plan encompasses both the required energy efficiency and energy management plan, as well as outlines the programs for energy research, education, and management.

## FINDINGS AND RECOMMENDATIONS

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This section of the report details the individual findings and recommendations for each of the major objectives of the audit. To assist the reader, we have highlighted the relevant questions we sought to answer during the audit in the right hand margin next to the text answering the question.

Highlighted  
questions

Performance audits, by nature, focus on areas where improvements can be made to increase the effectiveness and efficiency of the operation under audit. The identification of areas for improvement should not be taken to mean that the Council and its staff have not performed their duties or provided the State with needed services within the existing resource constraints. The findings and recommendations contained in this report should be viewed in this light.

**Objective 1—Goals & Objectives:** *To determine if the State Energy Office is meeting the intent of the legislation.*

**Overview:** The Energy Policy Council, established under authority of the North Carolina Energy Policy Act of 1975<sup>6</sup>, was created to advise and recommend to the Governor and the General Assembly state energy policy for the effective management and use of present and future energy sources. The Council acts as the central energy policy planning body for the State and, through its staff, communicates and cooperates with federal, State, regional, and local governments. The Act provides for the development of an energy management plan and programs for energy efficiency, energy emergency, energy research and development, and business energy improvement.

The legislation directs the Department of Administration to provide staffing for the Energy Policy Council. Thus, the State Energy Office (SEO) within the Department of Administration acts as the staff for the Council and is the main state government entity to promote energy efficiency, prepare energy plans at the direction of the Council and implement those plans, prepare energy forecasts, provide energy information, and provide energy policy support to the Governor by serving as staff to the Council.

**Methodology:** To determine whether the State Energy Policy Council and the State Energy Office are meeting the intent of the legislation, we employed a number of different methodologies to examine their efforts. We reviewed relevant *North Carolina General Statutes*, *North Carolina Administrative Code*, and operational policies and procedures. We examined membership, minutes, and member attendance for the Energy Policy Council for fiscal years 2001 through 2004. In addition, we reviewed the *State Energy Plan*<sup>7</sup>, *North Carolina Energy Outlook-Final Report*<sup>8</sup>, and the *North Carolina*

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<sup>6</sup> *General Statute* 113B.

<sup>7</sup> *Ibid*, *North Carolina State Energy Plan, 2003 and 1992*.

<sup>8</sup> *North Carolina Energy Outlook-Final Report*, prepared for the State Energy Office within the North Carolina Department of Administration by Global Insight Incorporated, May 2003.

## FINDINGS AND RECOMMENDATIONS

*Energy Emergency Plan*<sup>9</sup>. We interviewed Council members, various industry representatives, legislators, and others with specific knowledge about energy issues and the Council / SEO responsibilities. We reviewed organizational charts, job descriptions, and personnel records for SEO, as well as workload data. We also surveyed all 50 states' energy offices, receiving information from 46 states for comparative purposes. Appendix D, page 49, contains a summary of that data.

**Conclusions:** The Energy Policy Council and its staff, the State Energy Office (SEO), are organizationally located within the Department of Administration. The Council is responsible for providing policy oversight and direction to SEO, while administrative oversight is provided by the Secretary of the Department of Administration. The Council and its staff, as the central energy planning body for the State (*North Carolina General Statute* 113B), are generally meeting the intent of the legislation. While the Energy Policy Council and SEO have realized considerable accomplishments since 2000, the Council does not have adequate written policies and procedures to carry out its functions as outlined by legislation. Additionally, on average, 41% of the Council members have been absent from Council meetings during the last four years. Since moving to the Department of Administration in 2000, the Council has updated both the *State Energy Plan* and the *State Emergency Energy Plan*, the first updates since 1992. However, it has failed to submit a mandated annual comprehensive report to the Governor and the General Assembly. Further, 33% of state agencies and universities have failed to submit required energy plans and information to SEO. SEO has failed to keep State leaders and the Council apprised of the status of these submissions. Lastly, the State Energy Policy Act has not had major revisions since its enactment in 1975 and may no longer be reflective of the current energy landscape and the State's energy needs.

### FINDINGS-Goals & Objectives:

#### THE STATE ENERGY POLICY COUNCIL AND THE STATE ENERGY OFFICE ARE ORGANIZED TO MEET GOALS AND OBJECTIVES.

As shown in Exhibit 2, page 8, the State Energy Policy Council is organized into three sub-committees to address the major programmatic areas identified in legislation. SEO, as staff to the Council, has an organizational structure similar to other states in terms of size and function (See Appendix D, page 49). Further, SEO's purpose and functions are compatible with those of the US Department of Energy.

Is the  
SEO  
organized  
in a  
manner  
to meet  
goals  
and  
objectives?

<sup>9</sup> *North Carolina Energy Emergency Plan*, prepared for the North Carolina Energy Policy Council by the State Energy Office, August 2003 and the 1992 Plan.

## FINDINGS AND RECOMMENDATIONS

However, SEO's staff was reduced by 50% in 2000 when it was moved from the Department of Commerce to the Department of Administration. As a result of this reduction and employees new to their positions, we noted inequities in the workload distribution among program managers. Workloads ranged from 16 contracts handled by the section chief to four contracts managed by one of the building system engineers. Inequitable contract allocation could lead to backlogs in processing grant applications and contract payment requests, as well as reduced monitoring of contracts. (See finding on page 25 regarding contract monitoring.)

### RECOMMENDATION

**State Energy Office management should continue to monitor the contract responsibilities among the program managers and further adjust them to achieve a more equitable workload distribution.**

### **THE ENERGY POLICY COUNCIL DOES NOT HAVE ADEQUATE POLICIES AND PROCEDURES TO CARRY OUT ITS FUNCTIONS.**

The Energy Policy Council was established in 1975 (*North Carolina General Statute 113B-2*) to serve as the central energy policy planning body for the State. The Council is composed of 18 members who are appointed by the Governor, the Speaker of the House, or the President Pro Tempore of the Senate. *North Carolina General Statute 113B-5 (b)*

Meeting	Number of Members		
	Present	Absent	% Absent
1/28/2000	10	8	44%
6/25/2001	15	3	17%
9/7/2001	12	6	33%
1/9/2003	11	7	39%
3/27/2003	9	9	50%
5/29/2003	10	8	44%
8/28/2003	8	10	56%
11/20/2003	10	8	44%
4/15/04	10	8	44%
<b>Average % Absent</b>			<b>41%</b>

Source: Compiled by OSA from Council Minutes

states, "The Energy Policy Council shall adopt its own rules of procedure and shall meet regularly at such times and in such places as it may deem necessary to carry out its functions." After reviewing all available policies and procedures and interviewing staff and Council members, we found that the Council has not formally adopted policies relating to how often to meet, how many members it takes to create a quorum, or outlining attendance requirements.

As shown in Table 2, during the last four years, an average of 41% of members did not attend Council meetings. As of May 1, 2004, there were two vacancies on the Council that had not been filled since the fall of 2003. Further, the Energy Policy Council only met twice in fiscal year 2001,

once in fiscal year 2002, three times in fiscal year 2003, and three times in fiscal year 2004. We did note, however, that Council subcommittees were meeting regularly during fiscal years 2002 and 2003 on revising the *State Energy Plan*. While the Council did have minutes of its meetings, those minutes did not include details on the issues discussed and voted upon by the Council. Establishing policies regarding attendance would enhance the chances that decisions reflect the diversity of the full Council.

## FINDINGS AND RECOMMENDATIONS

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Procedures for discussing and voting on issues, as well as the recording of minutes, would further enhance the Council's effectiveness.

### RECOMMENDATION

**The Council should immediately adopt policies and procedures needed to more effectively govern Council sessions. These policies and procedures should specifically address issues of how frequently the Council is to meet, how many members it takes to create a quorum, as well as how many meetings members may miss and remain in good standing. Furthermore, the procedures should address the steps to take to replace a member who has not actively participated in meetings. The Council should also take formal votes on all issues it addresses and document the results in the minutes.**

### **THE ENERGY POLICY COUNCIL HAS NOT SUBMITTED THE COMPREHENSIVE ANNUAL REPORT REQUIRED BY LEGISLATION.**

*North Carolina General Statute 113B-6* outlines the general duties and responsibilities of the Council. Specifically:

- Develop and recommend a comprehensive long-range State energy policy to include an energy efficiency program, an energy management plan, and emergency energy program, and an energy research and development program;
- Conduct ongoing assessment of forms of energy and encourage efficient use of energy;
- Review and coordinate energy related state government research, education and management programs, including on-going education and information to the public;
- Recommend needed energy legislation, as well as modifications to the existing energy policy, plans, and programs; and
- Develop and administer the Low-Income Residential Energy program.

*North Carolina General Statute 113B-12* specifically requires the annual submission to the General Assembly of “. . . a comprehensive report providing a general overview of energy conditions in the State.” As outlined in the legislation, this report should contain information on statewide growth and development, energy demand, growth in energy consumption, methods for reducing energy demand, status of ongoing research, recommendations to the Governor and General Assembly for administrative and legislative action, and summarize the Council's activities. SEO staff noted that the *State Energy Plan* has been assumed to fulfill this requirement since 1992, but the *State Energy Plan* is not updated annually.

Examination of minutes for November 28, 2000 through April 15, 2004 revealed the main actions taken by the Council for this period have been to vote on the 2003 versions of the *State Energy Plan*<sup>10</sup> and the *Energy Emergency Plan*<sup>11</sup>. The Council has also voted

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

## FINDINGS AND RECOMMENDATIONS

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to request from the General Assembly release of Petroleum Violation Escrow funds.<sup>12</sup> Neither the Council minutes nor discussions with Council members documented any action taken on the Council's other duties mandated in the legislation.

Inquiry of SEO staff revealed that the Energy Policy Council has not been preparing the annual report mandated by *North Carolina General Statute 113B-12*, with the most recent report dated December 1992. SEO does prepare an annual report listing the progress of current SEO projects, which is submitted to the General Assembly, state agency heads, and the general public. In addition, SEO files an annual grant plan with the US Department of Energy and prepares other reports that may fulfill some parts of this requirement. However, these reports do not meet the requirements mandated in the *North Carolina General Statutes* in that the Council does not produce a single, comprehensive report providing an overview of the energy condition of the State.

### RECOMMENDATION

**The Council should take steps to comply with *North Carolina General Statutes* requiring the submission of a comprehensive annual report and institute procedures to ensure compliance with all mandated functions. The Council's policies and procedures should outline the processes to be used to ensure compliance.**

### **SOME STATE AGENCIES HAVE NOT SUBMITTED REQUIRED ENERGY PLANS TO THE STATE ENERGY OFFICE.**

*North Carolina General Statute 143-64.12(b)* mandates that each state agency is to develop and implement an energy management plan that is consistent with the State's comprehensive energy management program. The North Carolina Energy Policy Act gives the Council the authority to require any needed information from state agencies. The agency-approved energy plans serve as Memoranda of Agreements between SEO and state entities to reduce energy and water consumption costs and usage for state facilities. SEO asks state entities to designate a "utility manager" to manage and help implement state energy initiatives. Hands-on workshops conducted by SEO provide state entities the training needed to complete strategic energy management plans. In fiscal year 2003, the State Energy Office conducted five workshops. However, SEO had not made any efforts to ensure receipt of the plans from all state entities until June 2003.

Review of strategic energy plans for state agencies and universities showed that, overall, 33% of the required plans had not been submitted and/or finalized. Twelve (41%) of 29 state agencies and three (18%) of the 17 universities had not submitted to the State Energy Office the required *Strategic Energy Plans*, energy mandates, and annual utility expenditure and usage data. We noted that state agencies located in the downtown

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<sup>12</sup> PVE funds awarded to North Carolina are received by the State Treasurer and held in a trust account until the General Assembly authorizes release of those funds to the Council / SEO for specific energy related purposes.

## FINDINGS AND RECOMMENDATIONS

Raleigh state government complex do not receive utility bills or pay their own utility costs; rather, the Division of Facility Management within the Department of Administration covers these expenses. Therefore, these agencies may not know how to obtain this data.<sup>13</sup> Table 3 lists the entities that had not submitted the required plans as of May 1, 2004. Despite the legislative mandate for these items, SEO staff did not communicate to the Energy Policy Council or other state officials the failure of these state agencies to submit required energy plans and utility data.

<b>Table 3 Entities Not Submitting Required Strategic Energy Plan As of May 1, 2004</b>	
<b>STATE AGENCIES</b>	<b>UNIVERSITIES</b>
Office of Administrative Hearings	NC School of the Arts
Office of State Budget and Management	UNC-Greensboro
North Carolina Community College System	UNC-Pembroke
Office of the State Controller	
Department of Environment & Natural Resources *	
Information Technology Services	
Department of Labor	
Office of the Lieutenant Governor	
Office of State Personnel	
Department of Public Instruction	
Department of the Secretary of State	
Department of State Treasurer	
* Draft plan submitted to SEO 6/8/04	
Source: SEO Records	

### RECOMMENDATION

**All state agencies should comply with *North Carolina General Statute 143-64.12(b)* and the Energy Policy Act by submitting required energy plans. The State Energy Office should implement procedures to assure the receipt of the required energy plans for all state entities. Since many state agencies located in the Raleigh government complex do not receive utility bills, the Division of Facility Management within the Department of Administration should provide utility expenditure and usage data to the State Energy Office for those agencies. The Council and the Secretary of Administration should be notified of any entities not submitting the plan or other required information. If an entity fails to comply in a timely manner, that information should be forwarded to the Governor and the General Assembly for further action.**

<sup>13</sup> Usage data for electricity is available for downtown complex buildings at [Hhttp://energy.wilowtec.com](http://energy.wilowtec.com)H and for water and gas bill by calling the Department of Administration, Fiscal Division.

## FINDINGS AND RECOMMENDATIONS

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### THE STATE ENERGY PLAN REFLECTS THE WIDE-RANGING INTERESTS OF ALL STAKEHOLDERS.

Realizing that energy issues affect all sectors of society, the General Assembly mandated that the composition of the Energy Policy Council should represent industry, government, and the public. (See Exhibit 1, page 7) A major duty assigned to the Council is the development of the *State Energy Plan*. The Council, through its subcommittees, revised the existing (1992) *State Energy Plan*<sup>14</sup>, adopting a new plan in 2003. Thus, different sectors of society were properly represented in the development of the Plan through the Council membership. Further, the Council held four public meetings to solicit input from the general public. The resulting plan is a compilation of recommendations from all sectors. Once the plan was completed, the Council prioritized 15 of the 92 recommendations to be acted upon in the current fiscal year. The plan, showing the priority of the recommendations, was forwarded to the Governor and General Assembly for any necessary policy consideration. This process balances the interests of the different stakeholders in providing an energy plan to benefit the entire State and assures that no one sector has undue influence in developing energy policy.

How involved are industry people in pushing state energy policies?

### RECOMMENDATION

**The Energy Policy Council should continue its efforts to encourage participation from various sectors in the development of the *State Energy Plan*. To ensure compliance with the prioritized recommendations, the State Energy Office should report progress on those recommendations to the Council, the Governor, and the General Assembly on an annual basis. (See prior discussion of the annual comprehensive report on page 14.) Additionally, Council procedures should ensure periodic review of the relevance of the *State Energy Plan*, updating any recommendations and policy issues as needed. (See next recommendation.)**

### THE NORTH CAROLINA ENERGY POLICY ACT HAS NOT BEEN REVISED SINCE 1992.

The Energy Policy Act became law in 1975. Since that time it has had a few modifications, with the latest being in 1992. As previously discussed, the Act assigns a wide range of duties and functions to the State Energy Policy Council and its staff, the State Energy Office. However, there may be confusion over the role of the Council /

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<sup>14</sup> Ibid.



## FINDINGS AND RECOMMENDATIONS

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SEO and other state entities such as the Utilities Commission. In reviewing the potential overlap of duties, we noted that the Utilities Commission's primary role<sup>15</sup> is to regulate the rates and services of all public utilities for the people of North Carolina (*North Carolina General Statute* 62-30). The State Energy Policy Council's major function is to promote energy efficiency and renewable energy sources by recommending state energy policy. As staff to the Council, SEO serves as the official source of energy information and assistance for consumers, businesses, government agencies, and policy makers. The Energy Act specifically directs the State Utilities Commission to coordinate efforts with the Council and SEO in regard to energy forecasting. Based on this analysis, we see no overlap of duties.

However, it has been almost 30 years since the Energy Policy Act was ratified, and there have been numerous changes in energy needs and capabilities since that time. As previously noted, the *State Energy Plan* was not updated for 11 years (1992 to 2003) despite changes in energy needs and capabilities. The Act does not specify a set period between updates. Thus, the General Assembly may need to review the Act in its entirety to assure its relevance to today's energy landscape. In fact, some individuals interviewed about the Council and SEO functions indicated that the scope of the Council's functions may be too broad. As a result of changes in the energy landscape, the apparent confusion regarding roles, and questions about the Council's duties, a review of the Energy Policy Act may now be warranted.

### RECOMMENDATION

**The General Assembly should review the Energy Policy Act to determine whether any modifications are needed. Consideration should be given to the scope of the duties and functions assigned to the State Energy Policy Council and its staff. Additionally, the General Assembly should consider including a specific timeframe for updating the *State Energy Plan* and resulting policy recommendations. Based on the propensity for changes in the energy field, we suggest consideration of a mandated update every four years, or more frequently if the need arises.**

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<sup>15</sup> Advanced Energy Corporation (formerly called Alternative Energy Corporation) was founded in 1980 by the North Carolina Utilities Commission. Advanced Energy investigates and implements new technologies for distributed generation, load management, conservation, and energy efficiency. It also creates means for sustainable energy efficient economic development for the rate-payers of North Carolina. Advanced Energy operates as a fee-for-service consultant to clients both nationally and internationally. None of these functions overlap those assigned to the Energy Policy Council / SEO. In fact, Advanced Energy is the recipient of a number of state energy grants through SEO. The Utilities Commission's role in the formation and governance of Advanced Energy may be the source of confusion over the roles.

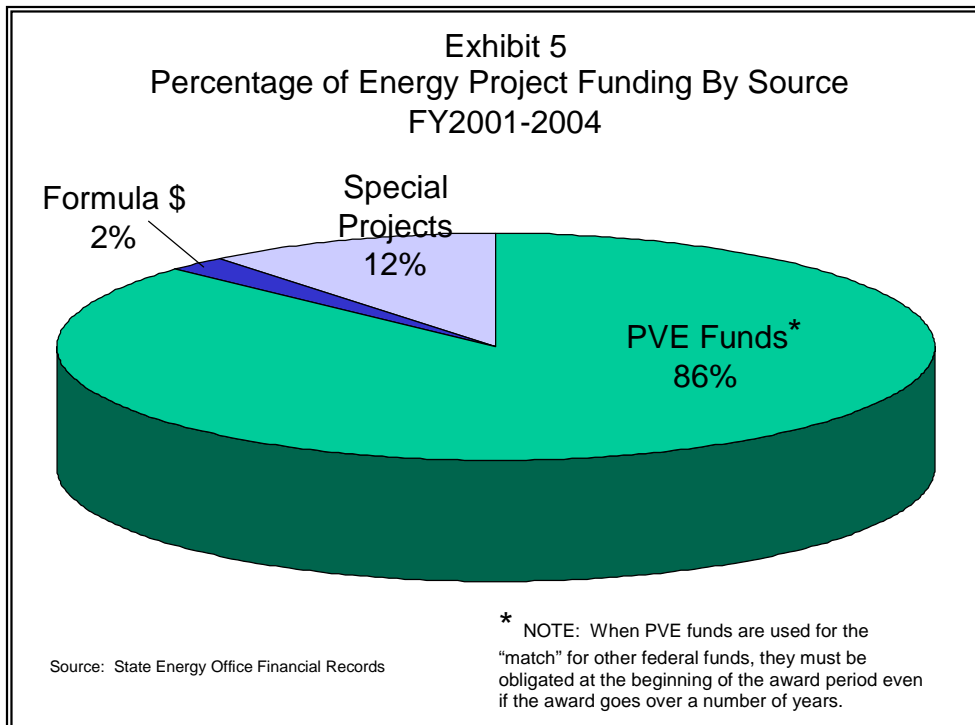
## FINDINGS AND RECOMMENDATIONS

**Objective 2—Funding Sources/Uses:** *To identify sources and uses of funding for the State Energy Office and energy programs.*

**Overview:** North Carolina receives federal energy funding for state energy grants from three primary sources as shown in Table 4. For fiscal years 2001 - 2004, 86% of North Carolina’s energy projects were funded with PVE funds (Exhibit 5). These funds are used to supply the required “match” for funding from the other federal sources. Therefore, SEO relies heavily on PVE funds to support energy projects throughout the State.

Funding Source	FISCAL YEAR			
	2001	2002	2003	2004
Federal PVE Funds	\$ 739,080	\$3,759,954	\$2,783,642	\$2,499,767
Department of Energy - Formulated Funds	-0-	64,184	189,392	-0-
Department of Energy - Special Project Funds	119,682	165,851	456,478	459,839
<b>TOTAL FUNDS</b>	<b>\$858,762</b>	<b>\$3,989,989</b>	<b>\$3,429,512</b>	<b>\$2,959,606</b>

Source: SEO Financial Records



PVE funds are the result of court settlements or judgments at the federal level against oil companies that overcharged customers during the 1970’s and 1980’s. They are shared by all states. Guidelines for the expenditure of funds vary by

each settlement, but all require the funds to be spent on energy efficiency and renewable programs. PVE funds that come to North Carolina are held in trust (Special Reserve for Oil Overcharge Funds) until allocated by the General Assembly. As of May 1, 2004, the trust fund for the PVE funds totaled \$10 million. The State expects to receive additional distributions from the federal trust fund during 2005. The final distribution of PVE funds

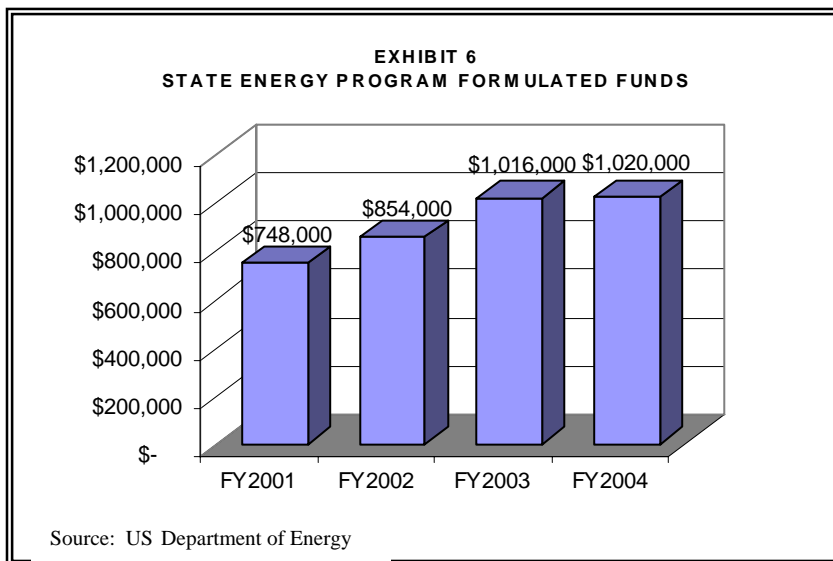
## FINDINGS AND RECOMMENDATIONS

from the federal escrow account is scheduled for 2005. However, the State's PVE trust fund will be exhausted by 2005 if the General Assembly continues allocations at the present level.<sup>16</sup>

Currently, SEO receives no State funding, with administrative salaries and associated costs of \$1,213,664 coming from federal formulated funds. Session Law 2003-284 says that any funds that remained in the special reserve trust fund for the PVE funds after the fiscal year 2003 allocation can only be spent as authorized by the General Assembly and upon recommendations of the State Energy Policy Council. At its April 15, 2004 meeting, the Energy Policy Council requested a \$5 million<sup>17</sup> allocation from the trust fund to finance energy projects. Additionally, the Department of Health and Human Services' Weatherization Program<sup>18</sup> for existing homes has received \$2.6 million for fiscal year 2002, \$1.3 million for fiscal year 2003, and \$1 million for fiscal year 2004 of the PVE funds. (See Appendix E, page 51 for a program summary.) SEO continues to administer a low-income residential housing program that focuses on new construction. (See Appendix F, page 53 for program summary.)

What  
are the  
administrative  
costs?

As shown in Exhibit 5, page 19, only two percent of the funding for energy projects for



fiscal years 2001 - 2004 came from formulated funds distributed by the US Department of Energy. The formula to allocate federal funds to all states is based on population and energy consumption. Exhibit 6 depicts the amount of formulated funds North Carolina was awarded by the US Department of Energy over the past four years. States draw down the allocation as

allowable expenditures are approved by the federal department. Any amounts not drawn down during the fiscal year may be carried forward to the next year.

<sup>16</sup> The Council has commissioned Appalachian State University to conduct a study on the feasibility of a public benefits fund to use for future state energy funding.

<sup>17</sup> \$1,000,000 for energy efficiency measures and programs in state-owned buildings, \$1,000,000 for alternative fuel rebates and infrastructure, \$1,500,000 for energy efficiency programs sponsored by SEO, \$1,000,000 for renewable energy programs, \$300,000 for matching funds for federal grants, and \$200,000 for matching funds to secure US Department of Energy State Energy Program grants for fiscal year 2005.

<sup>18</sup> Prior to 2000, the Weatherization Program was administered by the Department of Commerce.

## FINDINGS AND RECOMMENDATIONS

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For the same period, 12% of funding came from the special projects category (Exhibit 5, page 19). When funding is available, states may apply for financial assistance to undertake a variety of state-oriented, energy-related special project activities. Examples of special projects undertaken by North Carolina include *A Million Solar Roofs Initiatives* or the *Blue Ridge Landfill Methane Project*. (See Appendix A, page 29)

**Methodology:** To identify the source of funds and examine how the funds were spent, we obtained budget reports for fiscal years 2001 through 2004. We analyzed these reports to determine sources of funding and expenditure patterns. We also reviewed the applicable federal rules, regulations, and guidelines that outline revenue and expenditure requirements for the federal energy funds. We examined the annual reports submitted by SEO to the US Department of Energy. From the 80 energy contracts that were approved by the US Department of Energy for federal fiscal years 2001 through 2005, we statistically sampled<sup>19</sup> 60 contracts. As part of the test work, we reviewed contracts, payment requests, narratives, correspondence, and any other supporting documentation. We interviewed SEO clients and a program manager with the US Department of Energy Atlanta Regional Office. We also visited eight sites where tangible energy projects were underway. Finally, we reviewed the travel logs on state vehicles assigned to SEO to confirm site visits to energy project locations.

**Conclusions:** All of the energy funds administered by the State Energy Office for the State Energy Policy Council come from federal sources through the United States Department of Energy. The majority of the funds (~86% for the last four years) are from petroleum violation escrow (PVE) funds, which are placed in a state trust account until the General Assembly gives permission for their use. At May 1, 2004, North Carolina had \$10 million in that account and expects to receive additional distributions during 2005. The final distribution of the federal PVE funds is scheduled for 2005. If the General Assembly continues allocations at the present levels, the State PVE trust fund will be exhausted by 2005. While the administrative costs of SEO (\$1.2 million) are taken from the federal formulated funds, the majority of the funds are spent on either direct services or contracts and grants to direct energy service providers. Funds are awarded using an established procedure based on state purchasing and contract regulations. However, SEO staff make awards with little input or specific approval from the Council. The 80 current energy projects funded through SEO total \$9.8 million through 2005. All projects fall within the four broad programmatic areas outlined in legislation. Lastly, examination of SEO's monitoring and oversight processes revealed an incomplete centralized filing system and limited documentation of direct oversight, site visits, or technical assistance provided to grantees.

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<sup>19</sup> A statistical sample was tested to achieve a 95% confidence level and a +/-5% upper error limit with an expected error rate of zero. Sample size was based on the total number of energy contracts approved as of April 2004.

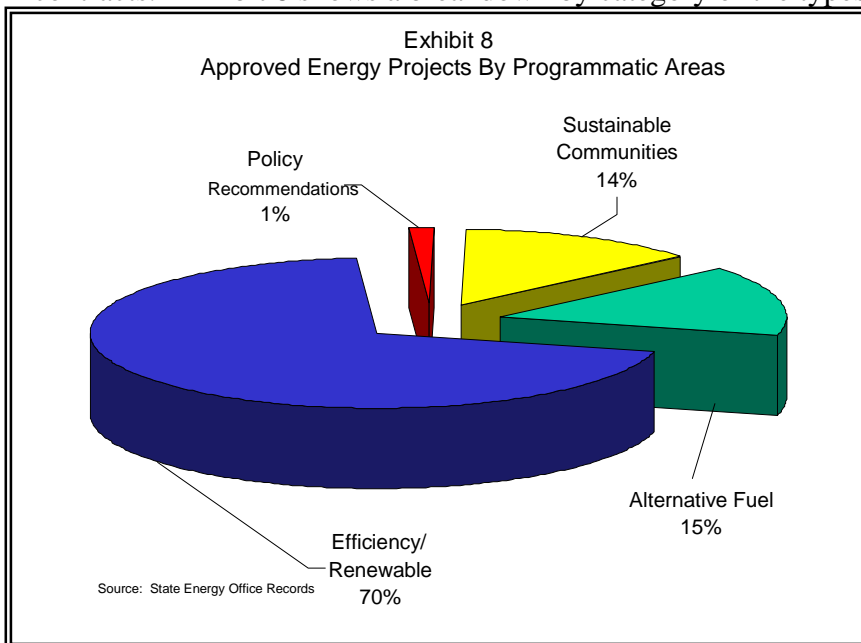
## FINDINGS AND RECOMMENDATIONS

### FINDINGS-Funding Sources / Uses:

#### THE STATE ENERGY OFFICE HAS AN ESTABLISHED PROCESS FOR IDENTIFYING AND APPROVING PROJECTS.

Once US Department of Energy formulated funds are awarded, the State Energy Office identifies potential project areas based on contacts with industry and knowledge of energy needs in North Carolina. After identifying the project area, SEO prepares a request for proposals. Interested parties submit proposals and cost estimates that are evaluated and awarded based on state contracting rules. Exhibit 7, page 23 shows the process by which projects are approved and funded. For special projects funds, the US Department of Energy identifies a project area for which all states may apply. If North Carolina's project is approved and special project funds awarded, SEO follows the purchasing and contract regulations for awarding contracts. Exhibit 8 shows a breakdown by category of the types of projects currently approved.

How  
are  
energy  
funds  
actually  
spent?



Appendix A, page 29 lists the current awarded contracts.

SEO staff is charged with assuring that projects are linked to the prioritized recommendations in the *State Energy Plan*. To assist in reviewing and evaluating the proposals, SEO brings together a "technical committee." This

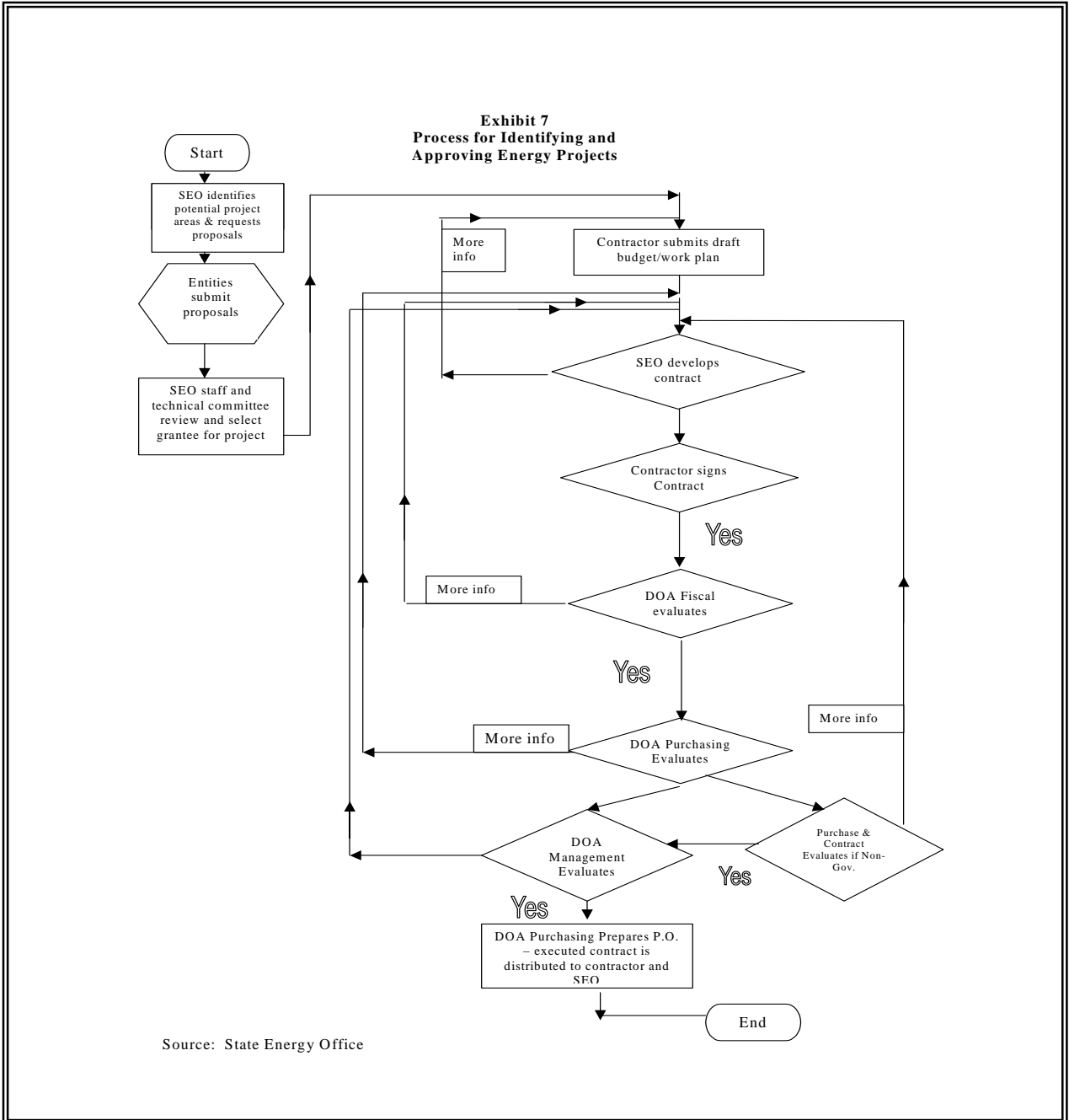
committee may include USDOE representatives, prior contractors, prior partnered state agency representatives, representatives of the various segments of the energy industry, as well as SEO staff. However, the Energy Policy Council does not specifically approve each project. The Department of Administration's Fiscal Management Division is responsible for reviewing and approving the contracts for compliance with state purchasing and contracting regulations. Further, the US Department of Energy approves all projects and monitors expenditures through monthly financial reports.

### RECOMMENDATION

**The State Energy Office should continue to follow its established process for identifying and evaluating projects. However, the Council should review and approve recommendations from SEO prior to awarding contracts. The Council should consider whether to**

# FINDINGS AND RECOMMENDATIONS

establish percentage goals for each type of energy project. These changes to the process would assure all projects meet the intent and direction of the *State Energy Plan*.



## FINDINGS AND RECOMMENDATIONS

### THE STATE ENERGY OFFICE DOES NOT MAINTAIN COMPREHENSIVE CENTRALIZED FILES FOR EACH GRANT PROJECT.

While the State Energy Office (SEO) does maintain a file for each grant project, the documentation maintained is disorganized and may be incomplete. SEO does not have a single file containing contracts, amendments, monthly financial reports, monthly narrative reports, project monitoring documentation, site visit reports, and all correspondence related to the project. Rather, SEO has a patchwork of documentation consisting of a file containing the contract, monthly payment requests, and limited correspondence. E-mail and other project documentation and correspondence are kept for a limited time by the individual SEO project manager. Table 5 shows the results of tests of the sample of 60<sup>20</sup> contract files conducted during April 2004. For items marked “N/A”, the contract had not been in place long enough for the criteria to be applicable or had not been formally approved by the Department’s Fiscal Management Division.

What controls are in place to monitor use of energy grants?

Criteria	Yes	% of Total	No	% of Total	N/A	% of Total	Total	%
Does Project fit into <i>State Energy Plan</i> ?	60	100.0%	--	--			60	100.0%
Are there restrictions related to spending of the funds?	59	100.0%	1	1.6%			60	100.0%
If restrictions exist, were they followed?	46	76.7%	--	--	14	23.3%	60	100.0%
Does contract clearly identify tasks to be performed?	54	90.0%	6	10.0%			60	100.0%
Is there documentation to support completion of project?	25	41.7%	20	33.3%	15	25.0%	60	100.0%
Are payments consistent with terms in contract?	33	55.0%	14	23.3%	13	21.7%	60	100.0%
Are contracts properly approved?	54	90.0%	6	10.0%			60	100.0%
Are payment requests properly approved?	34	56.6%	13	21.7%	13	21.7%	60	100.0%

Source: Compiled by OSA from Test Results

Overall, the lack of documentation prevents the determination of compliance with contract terms and limits the ability to properly monitor the performance of grant activities.

### RECOMMENDATION

**SEO should develop and maintain a comprehensive centralized filing system, with files for each grant project that clearly document the activities associated with each project. All project files should include written contracts outlining the responsibilities of both SEO and the contractor, as well as all documentation required by the terms of the contract.**

<sup>20</sup> A statistical sample was tested to achieve a 95% confidence level and a +/-5% upper error limit with an expected error rate of zero. Sample size was based on the total number of energy contracts approved as of April 2004.

## FINDINGS AND RECOMMENDATIONS

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### STATE ENERGY OFFICE STAFF ARE NOT DOCUMENTING MONITORING AND ASSISTANCE TO GRANTEES.

Project managers within SEO provide technical assistance and oversight to contractors. In addition, these project managers are responsible for reviewing and approving payment requests and ensuring that projects are completed in accordance with contract terms. As a further test of project manager performance, we examined the contract activity sheets for contracts in the sample previously referred to. Information on the activity sheets showed that 14 projects that should have been completed but were not had outstanding balances totaling \$277,830. While project files generally contained the required payment documentation, of 39 files that indicated financial activity, 8 (21%) did not contain the required financial activity reports that should be filed every 30 days after activity begins. This is one indication that the project managers are not monitoring project activity.

Project files also lacked evidence regarding project monitoring, notes from site visits, or any technical or administrative assistance provided by SEO. SEO staff confirmed that they do not maintain documentation regarding technical assistance provided to contractors or results from site visits. Some contractors interviewed noted that SEO staff had never observed their project operations. Review of mileage logs for the state vehicles assigned to SEO confirmed that the staff did not travel to energy project sites. While the contracts used by SEO do not require on-site monitoring, the US Department of Energy *Policies and Procedures Manual* recommends that state energy offices perform at least one site visit during the life of each project. As noted in the previous finding, the review of the 60 contract files revealed no evidence of site visits other than SEO staff attendance at contracted workshops or seminars. Technical assistance and on-site monitoring increase the State's ability to ensure contract requirements are fulfilled and projects accomplish intended objectives.

### RECOMMENDATION

**The Energy Policy Council and SEO should modify all future contracts for energy projects to specifically require on-site monitoring of projects. SEO project managers should schedule and document periodic on-site monitoring and technical assistance visits for each project. Staff should follow-up on issues noted during site visits and technical assistance to assure necessary corrective actions are taken.**



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B	North Carolina State Energy Office Statement of Revenues and Expenses—FY2001 - 2004	41
C	State Energy Office--List of Major Accomplishments	43
D	Summary of Other States' Data on State Energy Office Operations	49
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## APPENDICES

### Appendix A On-Going Energy Projects as of April 2004

**\*NOTE: PVE funds are used to supply the “match” requirements for both formula funds and special fund projects.**

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Triangle J Clean Cities	Triangle J Council of Govts	Local	\$22,424	5/1/2002	3/31/2004	Coordinate with State agencies to create a statewide alternative fuel corridor. Develop more public-private partnerships and promote legislation.	Formula Funds	Alternative Fuels	Transportation
Land-of-Sky - Survey Partner	Land of Sky	Local	\$50,000	10/14/2002	6/30/2005	Perform on-site building or boiler inspections - No funds guaranteed unless chosen to perform by outside entity.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Local Government Energy Efficiency and Renewable Energy Waste Reduction Partners	Land of Sky (county)	Local	\$56,100	9/24/2001	12/31/2003	Develop Energy savings assessment tool for local governments.	Formula Funds	Energy Efficiency and Renewable Energy	Energy Efficiency
Triangle J Clean Cities	Triangle J Council of Govts	Local	\$60,000	9/2/2002	6/30/2003	Administer a Biofuels Rebate Program to supplement the added cost of biofuel.	Formula Funds	Alternative Fuels	Transportation
Triangle Clean Cities	Triangle Clean Cities	Local	\$60,000	1/25/2002	6/30/2005	Produce a research report on the possibility of biodiesel processing plant. Assist in 2002 Odyssey Day.	Formula Funds	Alternative Fuels	Transportation
Advancing Energy Efficient Energy and Renewable Energy in Western NC	Land of Sky-Council of Gov't	Local	\$64,800	3/23/2004	7/30/2005	Provide workshops in Western N.C. related to Energy Efficiency.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Blue Ridge Landfill Methane Initiative - Avery County	Blue Ridge Resource & Development Corp	Local	\$70,000	9/1/2003	11/30/2004	Developing a landfill gas collection and utilization project at the Avery County Landfill.	Special Project	Energy Efficiency and Renewable Energy	Biomass
Land of Sky Regional Council - Alternative Fuels Transportation (RFP #13-3270)	Land of Sky	Local	\$72,135	10/1/2003	6/30/2005	Assist local gov't in taking steps to meet Clean Cities standards as related to AFV.	Formula Funds	Alternative Fuels	Transportation

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Wilkes County Landfill Gas Utilization Project	Blue Ridge Resource & Development Corp	Local	\$75,000	5/29/2002	9/30/2003	Developing a landfill gas collection and utilization project at Wilkes County Landfill.	Special Project	Energy Efficiency and Renewable Energy	Biomass
Centralina Council of Governments - Alternative Fuels Transportation (RFP #13-3270)	Triangle J COG	Local	\$77,617	10/1/2003	6/30/2005	Increase AFV by 17%, provide rebates for AFV purchases, fuel and AFV equipment.	Formula Funds	Alternative Fuels	Transportation
Sustainable Community Development	Town of Chapel Hill	Local	\$91,200	3/10/2004	6/30/2005	Offers grants to initiate community-based projects that promote energy efficiency, preserve environmental quality, conserve natural resources and support economically sustainable development.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities
Clean Cities Charlotte	Clean Cities	Local	\$102,500	3/1/2001	6/30/2004	Establish and implement a clean cities program plan.	Formula Funds	Alternative Fuels	Transportation
Low Income Residential Program - Manufactured Homes	Greenville Utilities Commission	Local	\$153,150	6/13/2003	6/30/2004	Supplement the cost of changing an electrical heating system to a heat pack in new manufactured homes sold in Pitt County.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities
Triangle J Council of Governments - Alternative Fuels Transportation (RFP #13-3270)	Triangle J COG	Local	\$175,000	10/1/2003	6/30/2005	Carry out Alternative Fuel Programs including the 2004 Odyssey Day.	Formula Funds	Alternative Fuels	Transportation
Local Government Units High Performance Building Guidelines	Triangle J Council of Govts	Local	\$373,321	6/8/2001	6/30/2004	Develop new high performance building guidelines to be used in construction of new Energy Efficiency and Renewable Energy and provide technical assistance.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
		<b>Local Total</b>	<b>\$1,503,247</b>						

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
ARO Industrial Program Support/Motor Test Future Energy Challenge Motor Design Competition	Advanced Energy Corporation	Private	\$5,000	6/1/2004	6/30/2004	Conduct a design competition of the best motor operating characteristics.	Special Project	Alternative Fuels	Transportation
Advanced Energy - Rebuild America Workshop Series	Advanced Energy	Private	\$8,943	7/31/2002	6/30/2004	20 days of on-site training and technical assistance.	Formula Funds	Sustainable Communities and Emergency Response	Awareness and Education
Performance Contracting	Donahue Associates	Private	\$22,100	11/4/2003	3/1/2004	Provide workshops related to developing RFP's for performance contracting and providing technical assistance.	Formula Funds	Energy Efficiency and Renewable Energy	Energy Efficiency
Strategic Energy Planning Workshops	David Mahoney	Private	\$25,000	4/13/2004	12/31/2005	Provide workshops on strategic energy planning.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Sustainable Community Development	Innovative Designs	Private	\$27,250	3/10/2004	6/30/2005	Offers grants to initiate community-based projects that promote energy efficiency, preserve environmental quality, conserve natural resources and support economically sustainable development.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities
Carolina Steam Specialty - Steam Trap Survey	Carolina Steam Specialty	Private	\$50,000	2/11/2003	2/11/2005	Steam Trap Surveys(Audits/Inspections) Funds will only be expended if the company is chosen to perform the service by the interested State agency requesting the inspection.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Ener Check Systems, Inc. - Steam Trap Survey	Ener Check Systems	Private	\$50,000	2/11/2003	2/11/2005	Steam Trap Surveys(Audits/Inspections) Funds will only be expended if the company is chosen to perform the service by the interested State agency requesting the inspection.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Env Services International - Steam Trap Survey	Env Svc International	Private	\$50,000	2/11/2003	2/11/2005	Steam Trap Surveys(Audits/Inspections) Funds will only be expended if the company is chosen to perform the service by the interested State agency requesting the inspection.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Hickory Industrial Sales, Inc. - Steam Trap Survey	Hickory Industrial	Private	\$50,000	2/11/2003	2/11/2005	Steam Trap Surveys(Audits/Inspections) Funds will only be expended if the company is chosen to perform the service by the interested State agency requesting the inspection.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Spirax Sarco, Inc. - Steam Trap Survey	Spirax Sarco	Private	\$50,000	2/11/2003	2/11/2005	Steam Trap Surveys(Audits/Inspections) Funds will only be expended if the company is chosen to perform the service by the interested State agency requesting the inspection.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Housing Energy Efficiency	Residential Energy Service Network	Private	\$50,000	11/27/2002	6/30/2004	Workshops to train loan officers, builders, real estate agents on the value of energy efficiency and promote energy efficiency through public awareness.	Formula Funds	Energy Efficiency and Renewable Energy	Business & Industry
Utility Bill Payment and Accounting Service (RFP#13-43326) - Cadence Network - DOC will pay 1/2 of fees	Cadence Network	Private	\$75,000	12/1/2003	12/1/2004	Provide web-based utility accounting information services for DOC utility accounts. The service hopes to reduce the average utility bill by 1/2 to 1 percent of total utility spending. If successful, the service may be expanded.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Rebuild America Workshop Series	Advanced Energy	Private	\$78,961	10/1/2002	<b>6/30/2003</b>	Provide a series of workshops/training to improve the energy efficiency, comfort and living environments of subsidized low-rise multi-family Energy Efficiency and Renewable Energy.	Formula Funds	Sustainable Communities and Emergency Response	Awareness and Education
Update Building Energy Codes	Southface Energy Institute	Private	\$85,180	7/1/2004	<b>12/31/2004</b>	Provide technical training throughout N.C. to residential and commercial builders, code officials, designers, engineers and architects on the most recently adopted Energy Codes.	Special Project	Energy Efficiency and Renewable Energy	Buildings
Carolina Electric Vehicle Coalition - Statewide Alternative Fuels Incentive (RFP#13-3270)	Carolina Electric Vehicle Coal.	Private	\$97,382	4/1/2004	<b>12/31/2004</b>	Develop curriculum related to electric vehicles and assist in carrying out the Alternative Vehicle Challenge.	Formula Funds	Alternative Fuels	Transportation
Rebuild America - NAESCO	Nat'l Assoc of Energy Svc Comp.	Private	\$99,996	5/26/2004	<b>6/30/2005</b>	Conduct workshops to encourage communities to take energy related steps such as retrofitting Energy Efficiency and Renewable Energy, low income housing complexes, etc. with new energy efficient technologies.	Special Project	Sustainable Communities and Emergency Response	Sustainable Communities
Low Income Residential Program - Public Housing Authority	Advanced Energy	Private	\$100,000	7/28/2003	<b>6/30/2005</b>	Public Housing Authority demonstrations. Review plans, provide training & on-site QC, and do Performance Testing.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities



## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Sustainable Community Development	Blue Ridge Resource Conservation & Development Council	Private	\$104,741	3/10/2004	6/30/2005	Offers grants to initiate community-based projects that promote energy efficiency, preserve environmental quality, conserve natural resources and support economically sustainable development.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities
Sustainable Community Development	Carrboro Collaborative	Private	\$126,643	3/10/2004	6/30/2006	Offers grants to initiate community-based projects that promote energy efficiency, preserve environmental quality, conserve natural resources and support economically sustainable development.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities
Advanced Energy - Alternative Fuels Transportation (RFP #13-3270)	Advanced Energy	Private	\$130,867	10/1/2003	9/30/2004	Infrastructure meetings and modeling of a usable Hybrid School Bus.	Formula Funds	Alternative Fuels	Transportation
Sustainable Community Development	Altima Environmental	Private	\$150,000	3/10/2004	6/30/2005	Offers grants to initiate community-based projects that promote energy efficiency, preserve environmental quality, conserve natural resources and support economically sustainable development.	Formula Funds	Sustainable Communities and Emergency Response	Sustainable Communities
NC Energy Code Assessment	Southface Energy Institute	Private	\$152,288	10/11/2002	6/30/2004	Provide workshops related to energy code assessments throughout N.C.	Special Project	Energy Efficiency and Renewable Energy	Buildings
National Energy Educational Dev Program (NEED)	National Energy Educational Dev Program (NEED)	Private	\$250,000	5/30/2003	12/31/2004	National Energy Conference, Workshops and In-service Training, Memberships and Materials, Summer Camps and Youth Award Programs.	Formula Funds	Energy Efficiency and Renewable Energy	Awareness and Education
		<b>Private Total</b>	<b>\$1,839,351</b>						

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
North Carolina Waste Exchange	DENR	State	\$41,000	3/1/2002	6/30/2004	Develop and operate a web-based waste exchange program where businesses can exchange their waste that may be used by another business.	Formula Funds	Energy Efficiency and Renewable Energy	Business & Industry
		<b>State Total</b>	<b>\$41,000</b>						
Cape Lookout PV Hybrid Power System	NCSU-NC Solar Center	University	\$12,469	11/14/2002	9/30/2003	Installed a solar electric power system at Cape Lookout National Seashore to demonstrate how photovoltaic solar electric systems can be used in remote locations.	Special Project	Energy Efficiency and Renewable Energy	Solar
Western NC Anemometer Loan Program	Appalachian State University	University	\$13,779	11/19/2002	6/30/2004	Established a wind monitoring program to collect current wind data from promising small wind power sites in the NC mountains.	Special Project	Energy Efficiency and Renewable Energy	Wind
Landfill Gas-Fueled Microturbine Analysis	Appalachian State University	University	\$20,000	5/30/2003	6/30/2004	Gathering information on the extraction of methane from a landfill and its energy uses and assessing interconnection issues.	Formula Funds	Energy Efficiency and Renewable Energy	Biomass
Use of AGR & Forestry Waste as Distributed	NCSU	University	\$23,000	7/28/2003	5/31/2004	To develop web-based presentation, and to write letter to SEO requesting inclusion in the N. C. GreenPower marketing - as it relates to Biomass Power.	Special Project	Energy Efficiency and Renewable Energy	Biomass
Industry Profiling for State Agriculture	NCSU, ASU, NCA&T	University	\$24,127	6/10/2003	6/30/2005	Prepare Profiles for the agriculture industry as it relates to potential energy uses.	Formula Funds	Energy Efficiency and Renewable Energy	Industry

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
NC Industries of the Future Profiling & Outreach	NCSU, ASU,NCA&T	University	\$25,000	10/30/2002	7/7/2004	Create Profiles and establish contacts for the Chemical and Wood Products Industry.	Formula Funds	Energy Efficiency and Renewable Energy	Industry
NC Wind Working Group	Appalachian State University	University	\$25,000	9/6/2002	7/14/2003	Workshops on wind and establishing a wind coalition.	Special Project	Energy Efficiency and Renewable Energy	Wind
NC Coastal Wind Assessment	NCSU-NC Solar Center	University	\$27,775	1/6/2004	12/31/2004	Facilitate meetings of stakeholders to discuss infrastructure needs related to Coastal wind energy development.	Special Project	Energy Efficiency and Renewable Energy	Wind
Public Schools Energy Improvement Lee County Schools	NCSU	University	\$30,000	8/19/2002	9/30/2004	Demonstrates the efficient application of renewable energy in the school setting for power and instructional purposes.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Energy Management Diploma	NCSU	University	\$34,300	12/8/2003	6/30/2004	14 day course for state & local gov't, non-profits, university and Comm. College officials in development of an energy management plan.	Formula Funds	Energy Efficiency and Renewable Energy	Awareness and Education
Solar Charging Center	NCSU-NC Solar Center	University	\$37,400	2/19/2001	6/5/2003	Demonstration center highlighting the solar charging of electric vehicles.	Formula Funds	Energy Efficiency and Renewable Energy	Solar
Million Solar Roofs Initiative	NCSU-NC Solar Center	University	\$50,000	11/9/2001	8/31/2003	Develop a Million Solar Roofs initiative Plan and set up a grant program to provide 4 - \$5,000 grants.	Special Project	Energy Efficiency and Renewable Energy	Solar
Wind Data & Micro-Site Analysis	NCSU-NC Solar Center	University	\$52,750	2/5/2003	4/30/2004	Providing a 50 meter tower to gather wind information in the NC mountains.	Formula Funds	Energy Efficiency and Renewable Energy	Wind

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Stirling Engine	NCA&T University	University	\$56,610	3/7/2003	11/30/2004	Demonstration project which will install a 25 KW induction type of electrical generator driven by a Stirling Engine. The waste heat will be used to heat the water for a swimming pool in the NCA&T gym.	Special Project	Energy Efficiency and Renewable Energy	Buildings
Boiler Workshops & Technical Assistance Surveys	NCSU	University	\$57,000	11/1/2003	9/30/2004	SEO and NCSU provide technical assistance, audits, and workshops on Boilers to the NC Industrial Sector.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Water Source Heat Pumps for Mobile Buildings	NCSU	University	\$58,671	11/12/2002	9/30/2004	Demonstration project to test a new water source heat pump system that can be used in modular classroom Energy Efficiency and Renewable Energy.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Awareness & Marketing-Energy Management Diploma	NCSU Industrial Extension Svc	University	\$59,700	3/8/2002	6/30/2003	14 day course for state & local gov't, non-profits, university and Comm. College officials in development of an energy management plan.	Formula Funds	Energy Efficiency and Renewable Energy	Awareness and Education
NC Combined Heat & Power (CHP)	NCSU	University	\$60,000	6/13/2003	5/31/2004	SEO and NCSU are to lay the groundwork needed to establish a N.C. CHP applications center and identify 3 demonstration projects in the area of biomass utilization.	Formula Funds	Energy Efficiency and Renewable Energy	Biomass
NC Industries of The Future Marketing	NCSU, ASU,NCA&T	University	\$62,640	6/1/2002	4/30/2004	Develop Logo and Website for "Industries of the Future" - Provide workshops.	Formula Funds	Energy Efficiency and Renewable Energy	Industry

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Feasibility of Wind Energy In NC Mountains	Appalachian State University	University	\$77,947	5/10/2002	10/31/2004	Investigate the potential for wind farm siting in the N.C. mountain regions.	Formula Funds	Energy Efficiency and Renewable Energy	Wind
NC Coastal Wind Working Group	NCSU-NC Solar Center	University	\$80,000	5/31/2004	9/30/2005	Stakeholder development and facilitate meetings to consider wind power on the Coast of N. C.	Special Project	Energy Efficiency and Renewable Energy	Wind
Industries of the Future Program for the Agriculture Industry	NCSU, ASU,NCA&T	University	\$92,554	6/10/2003	6/30/2005	Develop "Industries of the Future" for the agriculture industry by establishing contacts, developing materials and holding workshops.	Special Project	Energy Efficiency and Renewable Energy	Industry
NC A&T University - Survey Partner	NCA&T University	University	\$100,000	10/14/2002	6/30/2004	Perform on-site building or boiler inspections - No funds guaranteed unless chosen to perform by outside entity.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
NC State University - Survey Partner	NCSU	University	\$100,000	10/14/2002	6/30/2004	Perform on-site building or boiler inspections - No funds guaranteed unless chosen to perform by outside entity.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
UNC Charlotte - Survey Partner	UNC-Charlotte	University	\$100,000	10/14/2002	6/30/2004	Perform on-site building or boiler inspections - No funds guaranteed unless chosen to perform by outside entity.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Appalachian State University - Survey Partner	Appalachian State University	University	\$100,000	10/14/2002	6/30/2004	Perform on-site building or boiler inspections - No funds guaranteed unless chosen to perform by outside entity.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Model Solar Fuel Cell Cars Program - NC Solar Center	NCSU-NC Solar Center	University	\$108,000	4/6/2004	6/30/2005	Develop curriculum related to solar fuel cell cars.	Formula Funds	Alternative Fuels	Transportation

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
Boiler Efficiency Technical Assistance	NCSU	University	\$110,350	7/1/2002	<b>10/31/2003</b>	7-1day workshops on boiler efficiency, 1 advanced workshop and perform 11 boiler inspections.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Assessment of Agricultural Crop Residues & Wood	NCA&T University	University	\$110,976	11/19/2002	<b>4/30/2004</b>	Assessment of crop residues for production of energy and/or fuels.	Formula Funds	Energy Efficiency and Renewable Energy	Biomass
Advancement of Million Solar Roofs in NC	NCSU-NC Solar Center	University	\$130,809	7/11/2003	<b>11/30/2004</b>	Continuation of the original Million Solar Roofs Initiative to address barriers to solar technology use in the community.	Formula Funds	Energy Efficiency and Renewable Energy	Solar
NC Solar Center - Statewide Alternative Fuels Incentive (RFP #13-3270)	NCSU-NC Solar Center	University	\$174,900	4/6/2004	<b>6/30/2005</b>	Facilitate Meetings of industry and gov't reps. to develop plans to build and put into use Hybrid School buses.	Formula Funds	Alternative Fuels	Transportation
Ethanol From Swine Waste	NCState University-Animal Sciences	University	\$300,000	7/1/2000	<b>3/31/2004</b>	Demonstration Project to convert hog waste into fuel.	Formula Funds	Energy Efficiency and Renewable Energy	Biomass
CERT	NC A&T University	University	\$300,000	7/18/2003	<b>12/31/2004</b>	Annual funding for the Center for Research and Technology (CERT) @NC A&T University.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Awareness & Marketing-Energy Policy Update	Appalachian State University	University	\$304,665	1/22/2002	<b>12/31/2004</b>	Research and development of the latest State Energy Plan.	Formula Funds	Energy Policy Recommendations	Policy Recommendation
NC Industries of the Future Implementation Program	NCSU, ASU,NCA&T	University	\$322,500	6/1/2002	<b>4/30/2004</b>	Start Up "Industries of the Future" for Chemical and Wood companies.	Special Project	Energy Efficiency and Renewable Energy	Industry
Awareness and Marketing	Appalachian State University	University	\$500,000	ongoing	ongoing	Ongoing marketing of the State Energy Office and any projects or conferences that may need additional funding.	Formula Funds	Energy Efficiency and Renewable Energy	Awareness and Education

## APPENDICES

### Appendix A (continued)

Contract Name	Contractor	Contractor Type	Funding	Begin Date	End Date	Project Description	Fund Type	Mission Program Area	Specific Category
CERT	NCA&T University	University	\$500,000	7/1/2000	6/30/2003	Annual funding for the Center for Research and Technology (CERT) @NC A&T University.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Energy Management Program	NCSU Industrial Extension Svc	University	\$514,020	7/1/2002	6/30/2003	Perform energy inspections. Provide 16 workshop days on fundamentals of energy management and 15 days of advanced training. Prepare promotional items to distribute.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
Energy Management Program - NCSU Industrial Extension Service	NCSU	University	\$551,520	10/27/2003	9/30/2004	Promotes energy conservation in all working sectors by providing education and technical assistance related to the application of energy conservation technologies through workshops and on-site surveys.	Formula Funds	Energy Efficiency and Renewable Energy	Buildings
North Carolina Solar Program	NCSU-NC Solar Center	University	\$593,442	7/1/2002	6/30/2003	Annual contribution to the NCSU Solar Center to fund its ongoing functions to promote energy efficient ideas and concepts.	Formula Funds	Energy Efficiency and Renewable Energy	Solar
NC Solar Center 2003-2004	NCSU-NC Solar Center	University	\$600,000	7/2/2003	6/30/2004	Annual contribution to the NCSU Solar Center to fund its ongoing functions to promote energy efficient ideas and concepts.	Formula Funds	Energy Efficiency and Renewable Energy	Solar
		<b>University Total</b>	<b>\$6,501,904</b>						
		<b>Grand Total</b>	<b>\$9,885,502</b>						

Source: State Energy Office Records

# APPENDICES

## Appendix B North Carolina State Energy Office--Statement of Revenues and Expenses

<b>EXPENSES</b>	<b>6/29/2001</b>	<b>6/29/2002</b>	<b>6/29/2003</b>	<b>6/29/2004 *</b>
Personal Services	\$419,553	\$597,092	\$711,437	\$804,764
Purchased Services	113,314	230,839	406,083	424,494
Supplies And Materials	5,153	8,904	10,859	10,614
Property, Plant, & Equipment	0	27,980	37,728	19,994
Other Expenses	54,838	143,178	160,428	175,847
Aid & Public Assistance	779,735	2,399,106	2,935,893	1,834,699
Intragovernmental Transfers	521,694	1,345,907	220,110	53,412
<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,894,287</b>	<b>\$4,753,006</b>	<b>\$4,482,539</b>	<b>\$3,323,824</b>
<b>REVENUES</b>				
Provider Match	\$0	\$0	\$409,778	\$409,778
Sale Of Publications	7	0	0	0
Surplus - Equipment	5	215	83	0
Surplus - Materials	0	21	0	0
Registration Fees	0	1,200	1,680	0
No Description Found	38,357	0	0	0
Transfer 14100 General Fund	0	17,841	0	0
Transfer From B/C 64107	0	28,000	0	0
Transfer From B/C 64108	473,926	3,409,070	2,394,508	2,529,900
Transfer From B/C 64110	132,493	282,104	135,391	0
Transfer From B/C 64114	29,105	0	0	0
Intra Code Transfer	0	0	3,226	3,065
Transfer Governors Office	296,098	370,536	127,590	94,688
U.S. Department Of Energy	529,765	706,653	0	1,143,219
Transfer Funds From Ehn	0	0	2,515	5,875
U.S. Department Of Energy	41,325	0	-17,813	0
Refund Of Prior Year Expenses	0	0	17,848	0
Transfer 2471 Doe-SEO Fy 00	0	0	24,767	0
Transfer 3466-2471 Program 03	0	0	0	0
Transfer 2466 Doe - State Energy Program	0	0	244,543	0
Transfer 2466 Doe - State Energy Office	0	0	193,664	0
Transfer 3466 Doe - State Energy Program 03	0	0	0	0
Loan Collection - Principal	99,449	39,467	40,212	40,213
Loan Collection - Interest	4,107	1,312	567	567
Transfer 3466-2469 SEO Program 02	0	0	185,574	0
Transfer 3466-2469 SEO Program 03	0	0	43,583	0
Transfer 3466-2466 SEO Program 03			705,012	0
Federal Funds - Epa Grant	0	51,846	0	0
Doe - St Energy Special Program	0	113,041	0	0
Transfer 3466-2469 SEO Program 04				229,156
Transfer 3466-2471 SEO Program 04				24,768
<b>TOTAL NET REVENUES</b>	<b>\$1,644,638</b>	<b>\$5,021,306</b>	<b>\$4,512,728</b>	<b>\$4,481,229</b>
* Based on certified budget; other years based on actual budget.				
Source: State Energy Office Financial Statements				



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# APPENDICES

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## Appendix C State Energy Office List of Major Accomplishments

### Awards Won

- **May, 2004 Energy Smart America 2004 National Recognition Award for Leadership**, U.S. Department of Energy. This award recognized the State Energy Office for its “80 comprehensive, creative projects established in North Carolina to promote sustainable energy despite severe fiscal and staff constraints. From the Utility Savings Initiative that addresses energy efficiency at State facilities and public universities to the GreenPower Program which offers subscriptions for green power to over 4,500 consumers, business and state government, North Carolina’s Department of Administration truly leads by example.”
- **May, 2004 National Clean Cities Program**, Triangle Clean Cities Coalition recognized in the top ten of national coalitions; recognized first within the SE region.
- **Oct., 2003 Honorable Mention, Sustainability Awards, Save Our State** for the Utility Savings Initiative program which has helped 25 state agencies and 17 universities reduce utility expenditures and conserve energy and water.
- **Fall, 2003 Third Place, Innovation Awards in South**, from Council of State Governments for the Utility Savings Initiative.
- **Aug., 2003 Outstanding Program Award from the National Association of State Chief Administrators**, for the State Energy Office’s Utility Savings Initiative.

### Program Accomplishments

Alternative Fuels--The State Energy Office supports a number of alternative transportation programs designed to reduce dependence upon fossil fuels and improve air quality. Alternative fuels encompass several different technologies including electric and hybrid vehicles, to those using compressed natural gas, biodiesel, ethanol and propane as fuel. The following list describes our Alternative Fuel program accomplishments.

- **Clean Cities Programs**
  - Charlotte Clean Cities Program was designated in April, 2004. The State Energy Office is working with Centralina Council of Governments (<http://www.centralina.org/>) to facilitate this process.
  - Triangle J Clean Cities Programs, guided by Triangle J Council of Governments (<http://www.tjcoj.dst.nc.us/>) provided nearly \$300,000 in incentive grants to local governments and large private fleets to use biodiesel in buses, trucks and other vehicles, with area-wide participation and success. Triangle J Clean Cities is involved in several activities including working to develop a biofuels rebate program, researching the feasibility of locating a biofuels processing plant in North Carolina, promoting a statewide alternative fuel corridor and participating in AFV Odyssey Day.
  - Land of Sky Regional Council (<http://www.landofsky.org/>) laid the groundwork to receive the Clean Cities designation for the Asheville area for 2004-05.
- **Carolina Electric Vehicle Coalition**. The EV Challenge is a nonprofit electric vehicle education program that provides unique opportunities for students to learn and test their knowledge and skills. Over the school year, high school students convert a gasoline vehicle to electric power and use it as the centerpiece of a school and community-based educational program. Students complete activities such as building web pages, performing oral presentations for community groups, conducting environmental research, writing articles for their local newspapers, and reinforcing math and science concepts. The State Energy Office helped fund and staff the 2003 competition.

## APPENDICES

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### Appendix C (continued)

□ **Alternative Fuel Incentives**

- This program is designed to promote the use of alternative fuel vehicles (AFVs) in North Carolina through outreach & education, training & technical support, policy analysis and research & demonstration. Working through the NC Solar Center, the Alternative Fuels Education Center was completed and opened to the public. Through Triangle Clean Cities, a public biofuels station was opened in Garner, Durham and Cary.

Awareness and Education--To bring about public awareness of the SEO's services and programs, a public awareness campaign was initiated and included significant efforts to reach consumers, educators, business and industries, the public sector and non profit organizations. The following list describes our Awareness and Education program accomplishments.

- **State Energy Plan.** In 2003, the NC Energy Policy Council, staffed by the State Energy Office and charged with advising the legislature and Governor on energy policy, issued the first state energy plan since 1992. The plan details 92 recommendations and will be the cornerstone for future activities of the State Energy Office and State of North Carolina. Fifteen of the recommendations were selected by the Council for emphasis during 2003-05. The full plan and updates on the implementation are available through the State Energy Website.
- **Emergency Plan.** In 2003, the State Energy Office revised the state's 1992-version emergency energy plan with assistance provided by the National Association of State Energy Officials (NASEO). The director of the State Energy Office has subsequently been asked to serve on the U.S. Department of Energy's Office of Energy Assurance Task Force that works with state agencies. The N.C. Energy Emergency Plan provides an overview of North Carolina's energy resources and utility service providers, an analysis tool for evaluating energy supply and potential impact, a plan for responding to supply shortages, and a list of contact persons with agencies and energy providers. The plan is available online.
- **State Energy Conference.** The inaugural conference held in March 2004, brought together energy professionals and related specialists to showcase North Carolina's successes in efficient operations in the areas of energy and environmental sustainability. Over 400 participants and 25 vendors attended. Awards were given to individuals and groups who have excelled in the areas of energy efficiency and energy management. Keynote speakers included Senator Wib Gulley, Dennis Creech of Southface Energy Institute, Department of Administration Secretary Gwynn Swinson and Department of the Environment and Natural Resources, Secretary William Ross.
- **NC Energy Notes.** This online newsletter of the State Energy Office reports national, regional and state energy news, highlights the office's programs and provides a calendar of energy related activities. Approximately five to six issues yearly are published.
- **North Carolina OpenNet.** This monthly cable television series is broadcast nationwide and allows direct access to the State Energy Office and its contractors. The viewing audience participates in discussions and question/answer sessions via the telephone including a TDY service and email. Each month, a panel of energy experts presents information about one of the State Energy Office's programs in the areas of alternative fuel vehicles, renewable energy, energy management and efficiency in the residential, transportation, industrial and commercial sectors, and energy emergencies. OpenNet reaches all 50 states and has logged calls from each state. During the past year, more than 20 programs (including reruns) have aired and topics have ranged from household efficiency to alternative fuels.
- **State Energy Office Website:** [www.energync.net](http://www.energync.net). The site is being redesigned and expanded to include searchable databases, energy tips, program updates, a calendar of events and workshops and energy news from around the state and around the globe.

## APPENDICES

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### Appendix C (continued)

- **Workshops and Conferences.** During 2003, the State Energy Office sponsored approximately 10 energy related conferences and workshops including the SEE Expo, the Renewable Energy Update, the SEO Biomass Conference, and the Green Power Summit. The SEO also supports a number of green builder and USI-related workshops throughout the year.
- **National Energy Education Development (NEED).** More than 700 educators participated in NEED programs in North Carolina. NEED workshops were held in Dare, Pasquotank, Hyde, Johnston, New Hanover, Ashe County, Harnett County, Johnston County, Buncombe County, Union, Charlotte-Mecklenburg and Wake Counties with schools across North Carolina participating. North Carolina also hosts EnergySmart Schools programs to provide technical assistance and networking resources to schools hoping to reduce energy usage in their facilities. A special partnership with the Land of Sky Regional Council provided additional support to schools in Western North Carolina. Energy Management and energy education workshops were hosted in Asheville in partnership with the Western North Carolina Green Building Council, the State Energy Office, and the North Carolina Department of Public Instruction. NEED's development of a third grade unit to help teachers meet the third grade objectives for heat, light, and composting has brought several new schools districts into the program. All NEED materials are correlated to the North Carolina Department of Public Instruction's science curriculum standards.
- **SHOPP: State Heating Oil and Propane Program.** Each fall, from October through March, the State Energy Office, along with other participating state energy offices, surveys 51 propane and heating oil dealers servicing North Carolina residential areas. Propane and Number 2 heating oil prices are reported weekly to the Energy Information Administration via their website, [www.eia.doe.gov](http://www.eia.doe.gov). For the 2003-2004 winter season, propane prices rose from a statewide average of \$1.30 in October 2003 to \$1.52 in mid-March 2004. Heating oil rose from \$1.23 to \$1.40 during the same period.
- **Legislation.** The State Energy Office worked toward passage of several bills related to energy efficiency in state government including required use of least cost analysis for new buildings, a pilot project for high performance building guidelines, and guaranteed energy savings contracting.

Renewable Energy--Renewable energy programs are a major focus for the State Energy Office and include energy projects in biomass, wind, and solar power. The following list describes our Renewable Energy program accomplishments.

- **NC GreenPower Education.** The SEO is helping to bring awareness of and educate the public about providing renewable, or "green," power to consumers, businesses and governments in the state. Launched in the fall of 2003, the program already has to date, more than 4,500 subscribers that are paying a monthly premium for green power. The State Energy Office works with Advanced Energy to raise awareness statewide about the benefits to consumers and producers of renewable energy. Educational workshops are presented monthly.
- **Solar Energy.** The State Energy Office has supplied major funding for the NC Solar Center, a research demonstration, and educational center operated by the Industrial Extension Service at NC State University. During 2003-04, the NC HealthyBuilt Homes, a green builder program, was launched in North Carolina and the GreenBuilder database, was completed and put on the NCSC Web site <http://www.ncsc.ncsu.edu/programs/NCGBPChecklist.pdf>. More than 30 design review services were completed. Policy staff held statewide workshops, developed presentations, produced reports and brochures, led discussions with utilities, and published policy guidelines and summaries.

## APPENDICES

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### Appendix C (continued)

- Outreach efforts of Solar Center have communicated renewable energy information statewide. The NC Solar Center web site <http://www.ncsc.ncsu.edu/default.cfm> has been revised to provide access to a comprehensive array of online fact sheets, tools, reports, and program information to assist the general public as well as professionals. A range of workshops including solar hot water, solar electric, passive solar design, wind systems, green building, and renewable technology field techniques have been successfully presented. Staff responded to general as well as technical information requests.
- The NC Solar Center also facilitated seven Million Solar Roof Initiative (MSRI) partnerships in Asheville and surrounding counties, the Town of Chapel Hill, the city and county of Durham, Guilford County, Watauga County, Wilmington, and Mecklenburg County.
- **Wind Energy.** TrueWind Solutions, an internationally recognized wind map consultant, developed and updated a North Carolina Wind Energy Potential Map with data on wind frequencies for various heights above ground level are available for points across the state to a resolution of 200 meters by 200 meters. This geographical interface systems type map has imbedded wind data for the whole state including sound and offshore areas. The wind maps are available publicly at [http://www.wind.appstate.edu/wnc\\_windmaps.php](http://www.wind.appstate.edu/wnc_windmaps.php). Additionally, two wind surveys, (coastal and mountain) were completed. The Coastal Wind Anemometer Loan Program was launched with anemometer instruments currently being deployed to potential sites.
- **Biomass.** The first annual Biomass Conference was held in October, 2003 with approximately 100 attendees. A demonstration program was completed at NC State University using swine waste as a feedstock for gasifiers. The interim report was completed and the final report is in process.

Sustainable Communities--The following list describes our Sustainable Communities program accomplishments.

- **Upgrade & Save.** In partnership with Greenville Utilities, the State Energy Office launched a new pilot program to make manufactured housing more energy efficient at the time of sale of the home. Incentive grants were provided to change out 13 highly inefficient and costly electric furnaces to more energy efficient heat pumps.
- **Emergency Management.** Eight SEO staff participated in Hurricane Isabel emergency helpline. Four staff members completed emergency training.
- **NC Waste Exchange.** With State Energy Office support, the Division of Pollution Prevention and Educational Assistance at the North Carolina Department of Natural Resources provides an electronic listing and matching of products considered "waste" by one producer but "raw materials" by another. The service helps companies avoid landfill disposal fees, hauling costs, and sometimes even to realize an income for "waste" products. Over 277 listings for "materials wanted," and "materials available" were entered on this active Website. (<http://www.ncwastetrader.org>)

Business & Industry --Business & Industry programs assist North Carolina companies with energy and cost savings through education and training, surveys and technical assistance and loan programs. The following list describes our Business & Industry program accomplishments.

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### Appendix C (continued)

- **Energy Management Program.** In partnership with the Industrial Extension Service, North Carolina State University, this comprehensive survey and training program saves an estimated \$8, 494,000 per year in energy savings costs. This program provides workshops and industrial energy surveys, which identify opportunities and demonstrate techniques for optimizing energy use in various building systems, promoting energy conservation in industrial, institutional, commercial, and governmental buildings. Industrial surveys perform comprehensive audits of common system inefficiencies and provide recommendations for energy improvements.
- **Energy Management Diploma Series.** Fifty students were registered for the 2004 Energy Management Diploma classes. Upon completion and exam, students are designated as "Energy Managers."
- **Waste Reduction Partners.** An energy self-assessment tool for public buildings, schools, or commercial buildings has been developed and made available electronically. Over 40 building audits were completed and ten fact sheets to help institutions and commercial clients to determine energy savings potential are in production.
- **Steam Trap Surveys.** Over 4700 steam traps surveys were conducted since January 2003.
- **Energy Code Update.** Southface Energy Institute provided energy code trainings for individual organizations, including ASHRAE and AIA, in Winston Salem, Raleigh, Asheville, Hickory, and Atlantic Beach. Southface also organized, publicized, and prepared for three, three-day energy code workshops. These workshops were held in January of 2004 in Chapel Hill, Charlotte, and Nags Head.
- **CERT.** The Center for Energy Research and Technology (CERT), is an energy institute at North Carolina A&T State University that provides education, training, demonstration, and technical assistance on energy and environmental technologies.
  - An energy use analysis was conducted for a Base HUD Code manufactured housing home using nine different heating and cooling systems for the Greensboro, Wilmington and Ashville NC climates. The yearly energy use and preliminary energy costs have been determined for all configurations, and energy savings of up to 50% can be obtained.
  - The solar electric generation system built through this contract has produced 2927.25 kWh during the past year. A life cycle cost (LCC) analysis yields \$0.2965 per kWh which is not a competitive price at this time. However, the recent adoption of the Green Power Program in NC allows projects like this to receive a premium of \$0.18 per kWh for solar electric generation. This in combination with 35% state tax incentive will make solar electric generation a viable option for NC.
- **High Performance Guidelines for State Buildings.** The State Energy Office is administering a green building pilot program for 15 community colleges, public universities and state agencies. Ten energy-modeling workshops and daylighting seminars were completed.

Utility Savings Initiative (USI)--Established the most comprehensive program in the U.S. to address energy efficiency at state facilities and public universities, through the Utility Savings Initiative. Set goal of 4% reduction in substantial consumption per year for the next five years, or 20% total reduction by 2008. The following list describes our USI program accomplishments.

- **Rate Review.** Achieved over \$1 million in electric rate and billing savings in 2003, in addition to conservation savings. An RFP for a statewide accounting system was awarded for a pilot program with the N.C. Department of Correction.
- **Performance Contracting.** During 2003, sixteen (16) Energy Service Companies (ESCOs) were qualified to provide services in the state, agencies and university received training and contracting rules have been put into place. Applications are now being accepted for contracts up to twelve years.
- **Training.** The SEO provided training to over 2000 state government employees in team building geared toward no cost-low cost energy improvements.

## APPENDICES

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### Appendix C (continued)

- **Operations & Maintenance.** Energy Conservation Opportunity (ECO) surveys were conducted for over 700 state buildings. Addressing only the dozen commonly-occurring ECOs (out of 37 ECOs on the Survey Checklist) would yield annual savings of roughly \$200K from the no-cost opportunities, \$3M from three fast-payback HVAC ECOs, and \$3M from envelope and lighting ECOs that yield a combined payback period of about 4-years. Extrapolating the savings estimates for the no-cost and fast-payback ECOs to all State-owned buildings yields over \$15M annual savings potential from ECOs that would payback well within 1-year.
- **The SEO and Rebuild America** developed a Web-based calculator assist government agencies in calculating energy savings. The tool is available at <http://www.rebuild.org/usi>.
- **Boiler Systems** Over 120 State-owned boiler systems and over 20 State-owned chiller systems were surveyed for O&M ECOs. Potential savings of roughly \$500K were identified from addressing only ECOs that would payback within 1-year.
- **Strategic Energy Plans.** The SEO has received strategic energy plans from 31 agencies and universities.

**Source:** North Carolina State Energy Office

# APPENDICES

## Appendix D Summary of Other States' Data on State Energy Office Operations

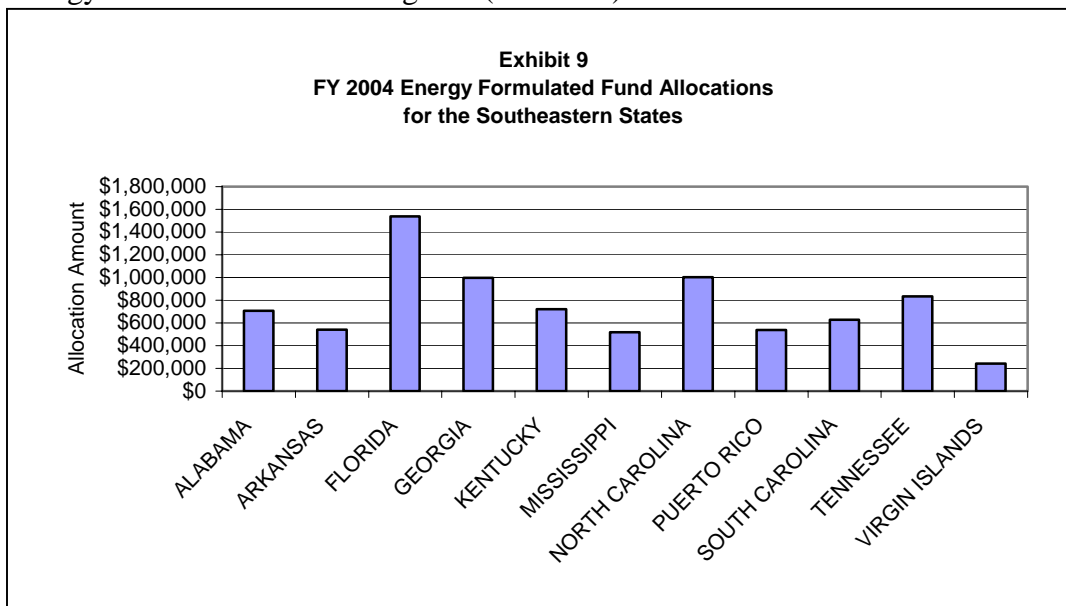
We surveyed other states' energy offices for comparative purposes, receiving information from 46 of the 50 states. Below we summarize the information received.

- Average staff size-16 positions
- 15 of 46 (33%) have a Board or a Commission; average size=14
- 25 of 42 (59%) states have a State Energy Plan
- 19 of 46 (41%) states reported receiving federal Funds only
- 5 of 46 (11%) indicated some type of surcharge received
- 18 of 46 (39%) states reported receiving federal and State funds
- State Energy Offices are located in a number of different departments as shown below.

<b>Location of Other State Energy Offices 50 states surveyed</b>					
Location	Number	%	Location	Number	%
Environment & Natural Resources / Mines, Minerals, and Energy /Environmental Protection / Water Resources	13	26%	Comptroller / State Budget and Control Board	2	4%
Economic Development / Economic and Community Affairs	9	18%	Governmental Affairs	1	2%
Governor's Office	6	12%	Public Service	1	2%
Commerce	5	10%	Policy & Management	1	2%
Administration	4	8%	State Engineer	1	2%
Energy Resources Board / Energy Administration /Department of Energy;	3	6%	Corporate Commission	1	2%
Public Utilities	2	4%	Housing Finance Corporation	1	2%

Source: Compiled by OSA from survey information

For fiscal year 2004, SEO received the second highest allocation of US Department of Energy funds in the Atlantic region. (Exhibit 9)





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## APPENDICES

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### Appendix E Department of Health and Human Services' Weatherization Program

The Weatherization Assistance Program is designed to help low-income citizens save energy and reduce expenses through the installation of energy conservation materials and the implementation of energy efficiency measures in their *existing* homes. Families with incomes below 150% of the poverty level or those receiving cash assistance payments under Title IV or XVI of the Social Security Assistance Act are eligible for residential energy conservation assistance. The goal of the program is to create a safe, energy efficient and comfortable home environment for the families served. Priority is placed on providing assistance to the elderly, individuals with disabilities and families with children. The 3,352 families that benefited from the program last year saved an average of \$173 per household, with over eighty percent of the families served having annual incomes below \$15,000.

The program, implemented in all 100 counties, currently has 3,000 people on a waiting list for services. Local agencies determine client eligibility based on federal Poverty Income Guidelines. DHHS staff conduct an energy audit and perform diagnostic testing to determine air infiltration, heat loss, levels of carbon monoxide, and identify recommended energy conservation, safety and health measures. Local agency staff and private contractors complete the work, which must be approved by the resident prior to payment.

Source: Department of Health and Human Services

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# APPENDICES

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## Appendix F State Energy Office Low-Income Residential Housing Program

SEO recognized that Public Housing Authorities have a tremendous need for energy efficiency in low-income housing projects and “Section 8” housing. To this end, SEO requested bids for an energy project to work with builders, developers, product manufacturers, utilities, government officials and others who seek to make *new* buildings healthy, safe, comfortable, durable, and affordable. Advanced Energy Corporation (AEC) won this grant. Through a combined process of training, technical assistance, quality assurance and performance certification, Advanced Energy assists developers and builders to achieve the project objectives. This project provides public housing authorities an opportunity to work with AEC to develop energy efficient measures in this particular housing sector and achieve substantial savings for a population in need.

### Low-Income Residential Energy Program Status

**Summary: Two projects underway; one project contract nearly complete; two project contracts in development**

- **Funds spent: \$47,108**
- **Additional Funds Encumbered: \$206,042**
- **Contracts in development: \$513,400**
- **Summary project funding to date: \$766,550**

#### **1) Advanced Energy Corp --Public Housing Authority Demonstration Project: Improving Energy Efficiency in Affordable Housing**

- **Project Description:** The State Energy Office contracts with Advanced Energy Corporation to incorporate the SystemVision standards into Public Housing Authorities in Gastonia, North Carolina and Sanford North Carolina.

The Gastonia Housing Authority project consists of constructing 16 of the 44 multifamily units at Woodland Apartments to SystemVision standards. The Woodlands Apartments are primarily available for low income families. Once completed, this property will be placed on the Gastonia Housing Authority’s Section 8 Program for rental subsidy assistance.

Sanford Housing Authority is working in conjunction with United Equities VI and Mills Construction in the construction of a 60 unit apartment complex. The project, utilizing Low Income Housing Tax Credit funds, is scheduled for completion by the end of 2004.

Amount awarded:       \$100,000  
Amount spent:           \$ 7,500

#### **2) Greenville Utilities Commission: Manufactured Homes Upgrade & Save Program**

- **Project Description:** GUC will develop and implement a program that will seek to reduce or eliminate the number of manufactured homes sold/delivered in the Greenville area that rely on electric-resistance furnaces as their primary heating source. This effort will include a strong educational component to inform both manufactured home buyers and retailers about the advantages of incorporating a heat pump or some other heating source.

Amount awarded:       \$153,150  
Amount spent:           \$ 39,608

## APPENDICES

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### Appendix F (continued)

#### **3) Mountain Housing Opportunities**, Asheville

- Project Description: This seventeen (17) unit in-fill project will utilize energy-efficient construction, appliances, lighting and HVAC equipment. At least half of these units will be sold to qualifying low income individuals or families. Design and construction also includes emphasis on renewable energy/materials, indoor air quality and adherence to the NC Solar Center's HealthyBuilt standard.

Contract amount: \$163,400

Status: Contract prepared; waiting for signature approval

#### **4) Southeastern Center for Contemporary Art (SECCA) and the Housing Partnership of Winston-Salem/Forsyth County**, Winston-Salem

- Project Description: Construction of at least two energy efficient, sustainable, single-family homes that will benefit low to moderate income residents of Forsyth County. Initial design considerations include: energy-efficient construction and HVAC systems; rain water collection; recycled construction materials and passive solar energy.

Contract amount: (proposed): \$175,000

Status: Contract is being developed with the clients.

#### **5) Metropolitan Housing & Community Development Corporation**, Washington, NC

- Project Description: These two projects, Keysville and Washington, will include 25 and 11 energy-efficient single family homes, respectively. The homes will utilize energy-efficient HVAC systems, solar water heating, renewable energy components and energy bill/comfort guarantees. All of the 36 homes are intended for low to moderate income families.

Contract amount (proposed): \$175,000

Status: Contract is being developed with the clients.

Source: State Energy Office

## APPENDICES

### Appendix G PVE Funding History Overview

<b>Table 9. PVE Funding History At-A-Glance</b>					
	<b>Chevron</b>	<b>Warner Amendment</b>	<b>Exxon</b>	<b>Stripper Well</b>	<b>Diamond Shamrock</b>
Funding Distribution	\$25 million, 1981	\$200 million, 1983	\$2.1 billion, 1986	\$1.5 billion, 1986	\$48.6 million, 1986
Allowable Uses	Ride-sharing, public transportation, building energy audits, grants or loans for weatherization and energy conservation equipment installation, energy assistance programs, highway and bridge maintenance and repair, airport maintenance and improvement, reduction in airport user fees, energy conservation research.	SECP, EES, Weatherization Assistance Program, Institutional Conservation Program, Low-Income Home Energy Assistance Program Block Grant.  No administrative expenses.	Same programs as Warner Amendment.  No administrative expenses.	Same programs as Warner Amendment and Chevron settlement or any program approved by DOE's Office of Hearing and Appeals.  Up to 5% for administrative expenses.  Can be used as nonfederal match for federal grant funds.	Same as Stripper Well.  Any amount, up to entire refund, for administrative expenses not to exceed 5% of states total PVE receipts.  Can be used as nonfederal match for federal grant funds.
Regulations/ Reporting Requirements*		All regulations and reporting requirements for the applicable federal programs apply.	Same as Warner Amendment.  State required to submit annual report to DOE and the Court 30 days after close of State's fiscal year.	If State puts funds into federal program, all regulations and reporting requirements apply.  State required to submit annual report to DOE and the Court 30 days after close of State's fiscal year.	Same as Stripper Well.
Regulations/ Reporting Requirements*		Funds cannot be spent outside the grant programs.	Funds cannot be spent outside the grant programs.	For funds spent outside the grant programs: States send proposals to DOE Headquarters and the Court.  Headquarters committee reviews State proposals for consistency with settlement agreement.  DOE notifies State whether proposal is consistent.  DOE Headquarters sends copies of all correspondence with States (with copies of proposals) to appropriate RSO.	For funds spent outside the grant programs, States are not required to notify DOE before spending funds.
Approval Process RSOs must approve all PVE funds put into the State Plans, regardless of source, as part of the State Plan for the applicable program.					
* States may file one annual report to DOE and the court covering Exxon, Stripper Well, and Diamond Shamrock funds.					
Source: State Energy Program (SEP) Review, US Department of Energy					

## APPENDICES

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### Appendix G (continued)

Beginning in 1983, additional funds became available to the States as a result of alleged oil company violations of the federal oil pricing controls in place from 1973 to 1981. These funds are known as Petroleum Violation Escrow (PVE) funds or oil-overcharge funds. PVE funds must be used to provide indirect restitution to energy consumers through a variety of energy-related programs. Each State determines how it wishes to allocate the funds across eligible programs. The States may use these funds and the interest earned on them to finance state energy plan (SEP) activities. PVE funds allocated to the SEP are treated as appropriated funds and are subject to program requirements. They are not, however, subject to the cost-sharing requirement or the 20% limitation on equipment purchases under SEP. PVE funds became available to the States through several mechanisms:

- Settlements (for example, Chevron, Diamond Shamrock, and Stripper Well).
- Legislation (the Warner Amendment).
- Other court actions (Exxon).

The last distribution of PVE funds was in the late 1980s, and a final distribution from these escrow accounts is scheduled for 2005.

**Chevron Settlement** -- The first major case, involving the Standard Oil Company of California (Chevron), was settled in the fall of 1981. This case is important for two reasons. The *Chevron Consent Order* was the first major settlement to use the method of indirect restitution that would be used in the other major cases to follow. Also, the *Chevron Consent Order* specified nine general categories of allowed expenditures that were related to energy use. These categories were:

- Ride-sharing.
- Public transportation.
- Building energy audits.
- Grants or loans for weatherization and energy conservation equipment installation.
- Energy assistance programs.
- Highway and bridge maintenance and repair.
- Airport maintenance and improvement.
- Reduction in airport user fees.
- Energy conservation research.

Under the *Chevron Consent Order*, the States received approximately \$25 million, according to a formula based on the estimated volume of the product sold by Chevron within each State during the period of the price controls.

## APPENDICES

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### Appendix G (continued)

**Warner Amendment** -- In 1983, the *Warner Amendment to the Further Continuing Appropriations Act* (P.L. 95-105) affected a one-time appropriation of \$200 million. The federal government distributed these PVE funds to the States using a formula based on the estimated volume of covered oil product sold within the State during the period of price controls. The *Warner Amendment* required these funds be used by the States “as if received” under one or more of the following five federal energy programs:

- State Energy Conservation Program (SECP).
- Energy Extension Service (EES).
- The Institutional Conservation Program (ICP).
- The Weatherization Assistance Program (WAP).
- The Low-Income Energy Assistance Block Grant (administered by the Department of Health and Human Services).

The *Warner Amendment* directed that States cannot use funds for administrative purposes. DOE issued *Ruling 1983-1* in February 1984 to outline the procedures for implementing the *Warner Amendment*. Among other things, *Ruling 1983-1* established that, once a State allocated *Warner Amendment* funds to a program, all the rules, regulations, and reporting procedures governing that program would apply. The one exception, however, is that State matching requirements for SECP and EES were waived for the PVE funds.

**The Exxon Case** -- A U.S. District Court decision in 1983 found Exxon Corporation liable for overcharges on domestic crude oil. In March 1986, after several years of litigation, the decision of the District Court was upheld, and the Exxon case was settled. The court directed the Exxon Corporation to pay DOE \$2.1 billion, which was disbursed to the states under a formula similar to the one used in the *Warner Amendment* case. The Exxon court order adopted the terms specified in the *Warner Amendment* and directed States to use these funds in any or all of the five programs previously listed. No funds were to be used for administrative expenses. The court stated DOE *Ruling 1983-1* also applied to the use of Exxon funds and States should file an annual report with DOE and the court describing how the funds had been used during the course of the year.

**Stripper Well Agreement** -- In July 1986, the U.S. District Court in Kansas issued its *Opinion and Order Approving Multidistrict Litigation (MDL) 378, the Stripper Well Agreement*. DOE, the States, petroleum refiners and resellers, and others involved with the issue agreed to the settlement, which covered 42 separate oil-overcharge cases. With a few specific exceptions, the agreement provided terms and conditions for all future crude oil overcharge cases. The *Stripper Well Agreement* broadened the scope of activities eligible for funding beyond the *Warner Amendment*. (Particular restrictions based on the circumstances of each case may apply.) The agreement allows the States a much greater degree of flexibility in how the funds can be used. Stripper Well funds can be used in:

- Any program that falls into the nine major categories listed in the *Chevron Consent Order*.
- Any of the five federal programs listed in the *Warner Amendment*.
- Any program approved by DOE’s Office of Hearings and Appeals.



## APPENDICES

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### Appendix G (continued)

The agreement does require the States to notify DOE and the court 30 days before any money is spent and to file an annual report with DOE and the court describing how the funds were used during the year. The agreement also allows States to use up to 5% of the funds for administrative costs. On March 6, 1987, DOE's Economic Regulatory Administration issued a memorandum outlining DOE's opinion that PVE funds received under the terms of the *Stripper Well Agreement* are not considered federal funds. States can use PVE funds as "nonfederal" match for federal grant funds.

**Diamond Shamrock** -- In 1986, the Diamond Shamrock case was also settled, sending \$48.6 million to the States. The provisions of the *Diamond Shamrock* settlement regarding allowable use of the funds are nearly identical to the *Stripper Well Agreement*. One significant difference is that states can use any amount, up to their entire Diamond Shamrock refund, for administrative expenses, as long as that amount does not exceed 5% of the state's total PVE receipts. Diamond Shamrock funds can also be used by the states as a "nonfederal" match for federal grant funds.

**Occidental** -- In 1995, the Department of Energy (DOE) announced a proposed Consent Order between DOE and Occidental Petroleum Corporation (Occidental), including its wholly owned subsidiary OXY USA Inc. (OXY) which was formerly Citise Service Oil and Gas Corporation, successor in interest to Cites Service Company (Cities). The agreement proposed to resolve matters relating to Occidental's compliance with the federal petroleum price and allocation regulations for the period October 1, 1979 through January 27, 1981. The Consent Order required Occidental to pay \$100 million to the DOE within thirty (30) days of the effective date of the Consent Order, and five annual payments of \$35 million plus interest on the installment balances of 7.6 per annum."

## APPENDICES

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### APPENDIX H AGENCY RESPONSE

July 9, 2004

The Honorable Ralph Campbell, Jr.  
State Auditor  
Office of the State Auditor  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Dear Mr. Campbell:

We have reviewed the findings, conclusions, and recommendations that resulted from your audit of the North Carolina State Energy Office (SEO). You will find our response attached.

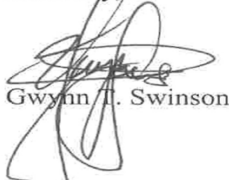
The Department of Administration places great value in the opinions of our customers and stakeholders. Therefore, our management team reviewed the audit report with open minds and in a spirit of collaboration between two State agencies. Notwithstanding any differences of opinion, we have declined to take exception to any specific findings or conclusions in the report. We have focused instead on how each of your recommendations can help us improve SEO's overall operation.

We believe our reply demonstrates a high level of action and accountability. In the attached State Energy Office Response to Performance Audit Recommendations, you will find over 75 individual action items that we believe will address each recommendation in a positive and business oriented manner.

We believe that the ultimate value of an audit is reflected in the audit team's objective review of SEO's operations and in the future improvement of business practices pursuant to the final report. You and your staff have done a very thorough job of reviewing the State Energy Office with objectivity, professionalism, and expertise. The Department of Administration's management team will now do our part by transforming the audit recommendations into results.

Thank you for the opportunity to work with your agency on improving our customer services and business practices. We look forward to future collaborative efforts between our agencies.

Sincerely,



Gwynn L. Swinson

## APPENDICES

### Appendix H (continued)

# State Energy Office Response to Performance Audit Recommendations

#### Purpose

- To provide a written response to the recommendations contained in the final draft of the Performance Audit Report.

#### General Comments

- The State Energy Office (SEO) welcomes the opportunity to improve by using the audit results to increase efficiency and effectiveness of the program.
- Many of the responses are contingent upon the actions of the State Energy Policy Council, an entity independent from the State Energy Office.
- Some responses are contingent upon the actions of the General Assembly, the State Budget Office, OSP, or the DOA Human Resources Management Division.
- The SEO will submit a monthly report on accomplishments toward these goals to the Department of Administration's senior management team.

#### Recommendations and Responses

**Objective 1:** To determine if the State Energy Office is meeting the intent of the legislation.

### THE STATE ENERGY POLICY COUNCIL AND THE STATE ENERGY OFFICE ARE ORGANIZED TO MEET GOALS AND OBJECTIVES.

**1. Recommendation: State Energy Office management should continue to monitor the contract responsibilities among the program managers and further adjust them to achieve a more equitable workload distribution.**

#### **Response:**

##### 1.1 Monitor contract responsibilities and adjust workload distribution.

- ✓ 1.1.1 - 4/16/04 Examined existing contract workload, met with all contract managers, and reallocated workload - DF1 before chart, DF2 after chart.
- ✓ 1.1.2 - 7/1/04 - Assigned responsibility for contract workload review and reallocation to the Section Chief State Energy Program.
- 1.1.3 - 7/31/04 - Modify the workplan of the Section Chief State Energy Program to reflect the specific responsibility of reviewing and reallocation of contract workloads.

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### Appendix H (continued)

- 1.1.4 - 9/30/04 - Review, during the program manager staff meeting, contract workload, and reallocate if needed, documentation will be current listing and reallocation listing.
- 1.1.5 - 12/31/04 - review, during the program manager staff meeting, contract workload, and reallocate if needed, documentation will be current listing and reallocation listing.
- 1.1.6 - Quarterly, by the last day of each state fiscal quarter, review contract workload, and reallocate if needed, documentation will be current listing and reallocation listing.

### **THE ENERGY POLICY COUNCIL DOES NOT HAVE ADEQUATE POLICIES AND PROCEDURES TO CARRY OUT ITS FUNCTIONS.**

**2. Recommendation: The Council should immediately adopt policies and procedures needed to more effectively govern Council sessions. These policies and procedures should specifically address issues of how frequently the council is to meet, how many members it takes to create a quorum, as well as how many meetings members may miss and remain in good standing. Furthermore, the procedures should address the steps to take to replace a member who has not actively participated in meetings. The council should also take formal votes on all issues it addresses and document the results in the minutes.**

#### **Response:**

2.1 Council should adopt policies and procedures addressing meeting frequency, quorum, membership attendance, member replacement, and other items of importance.

- ✓ 2.1.1 - 6/18/04 - Responsibility for policies and procedures for the Council assigned to the Emergency and Policy Coordinator.
- ✓ 2.1.2 - 6/18/04 - Draft of policy and procedures for the State Energy Policy Council Developed.
- ✓ 2.1.3 - 6/28/04 - SEO requested members of the SEPC to volunteer to serve on a policy and procedures subcommittee.
- 2.1.4 - 7/31/04 - Modify the workplan of the Emergency and Policy Coordinator to reflect the specific responsibility of policies and procedures for the Council.
- 2.1.5 - 7/31/04 - SEPC Policy and Procedures subcommittee established.
- 2.1.6 - 8/31/04 - SEPC Policy and Procedures subcommittee first meeting held.
- 2.1.7 - 9/16/04 - SEPC Policy and Procedures subcommittee submits draft policy and procedures to SEPC.
- 2.1.8 - 12/31/04 - SEPC adopts policies and procedures dealing with council organization and functionality.

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### Appendix H (continued)

2.2 Council should take formal votes on all issues it addresses and document the results in the minutes.

- 2.2.1 - Ongoing - retain SEPC meeting documentation in accordance with the State record retention schedule.
- ✓ 2.2.2 - 6/28/04 - Started taping SEPC meetings, recording all votes clearly on minutes, retaining copies of all handouts, and included approval of minutes in agenda.
- ✓ 2.2.3 - 7/1/04 - Assigned responsibility for SEPC documentation to the Emergency and Policy Coordinator.
- 2.2.4 - 7/31/04 - Modify the workplan of the Emergency and Policy Coordinator to reflect the specific responsibility of SEPC documentation.
- 2.2.5 - 9/16/04 - Agendas will include all known “action items.”

**THE ENERGY POLICY COUNCIL HAS NOT SUBMITTED THE COMPREHENSIVE ANNUAL REPORT REQUIRED BY LEGISLATION.**

**3. Recommendation: The Council should take steps to comply with *General Statutes* requiring the submission of a comprehensive annual report and institute procedures to ensure compliance with all mandated functions. The Council’s policies and procedures should outline the processes to be used to ensure compliance.**

**Response:**

3.1 The Council should submit the comprehensive annual report.

- ✓ 3.1.1 - 7/1/04 - Assigned responsibility for annual report compilation and dissemination to the Public Information Coordinator.
- 3.1.2 - 7/31/04 - Modify the workplan of the Public Information Coordinator to reflect the specific responsibility of annual report compilation and dissemination.
- 3.1.3 - 8/2/04 - Review NCGS reflecting required content of annual report.
- 3.1.4 - 8/2/04 - Review other items needed or desired in the annual report.
- 3.1.5 - 9/16/04 - Develop draft template of annual report.
- 3.1.6 - 9/16/04 - SEPC adopts annual report template.
- 3.1.7 - 9/16/04 - Develop flowchart/timeline for annual report data collection and report compilation and dissemination including assigning responsibility of various aspects of data needed.
- 3.1.8 - 1/1/05 - Compile and disseminate annual report.

3.2 The Council should institute procedures to ensure compliance with all mandated functions. The Council’s policies and procedures should outline the processes to be used to ensure compliance.

- ✓ 3.2.1 - 7/1/04 - Assigned responsibility for Council compliance documentation to the Emergency and Policy Coordinator.

## APPENDICES

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### Appendix H (continued)

- 3.2.2 - 7/31/04 - Modify the workplan of the Emergency and Policy Coordinator to reflect the specific responsibility of policies and procedures for the Council.
- 3.2.3 - 7/31/04 - Review NCGS to determine mandated items for Council and SEO
- 3.2.4 - 8/20/04 - Verify list of items mandated for Council and SEO with General Council and Liaison for Productivity.
- 3.2.5 - 9/2/04 - Develop potential procedures for ensuring mandated items for Council and SEO are fulfilled.
- 3.2.6 - 9/16/04 - SEPC review potential procedures for ensuring mandated items for Council and SEO are fulfilled.
- 3.2.7 - 10/22/04 - SEO revises potential procedures for ensuring mandated items for the Council and SEO are fulfilled.
- 3.2.8 - 12/31/04 - SEPC adopts procedures for ensuring mandated items for the Council and SEO are fulfilled and shall place those items in their policies and procedures. These procedures shall include the items referenced in 5.1.

#### **SOME STATE AGENCIES HAVE NOT SUBMITTED REQUIRED ENERGY PLANS TO THE STATE ENERGY OFFICE.**

**4. Recommendation: All state agencies should comply with the *General Statute 143-64.12(b)* and the Energy Policy Act by submitting required energy plans. The State Energy Office should implement procedures to assure the receipt of the required energy plans for all state entities. Since many state agencies located in the Raleigh government complex do not receive utility bills, the Division of Facility Management within the Department of Administration should provide utility expenditure and usage data to the State Energy Office for those agencies. The Council and the Secretary of Administration should be notified of any entities not submitting the plan or other required information. If an entity fails to comply in a timely manner, that information should be forwarded to the Governor and the General Assembly for further action.**

#### **Response:**

4.1 All agencies should submit required energy plans and the SEO should implement procedures to ensure receipt.

- ✓ 4.1.1 - 6/18/04 - Assigned responsibility for agency energy plan submission to the Coordinator, Utility Savings Initiative.
- 4.1.2 - 7/19/04 - Workshop held for tenant agencies concerning energy plans.
- 4.1.3 - 7/31/04 - Modify the workplan of the Utility Savings Initiative Coordinator to reflect the specific responsibility of agency energy plan submissions.
- 4.1.4 - 7/31/04 - Document prior efforts to get agencies to comply with submitting energy plans (training, e-mails, letters).

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### Appendix H (continued)

- 4.1.5 - 7/31/04 - Develop potential criteria for small agencies to be included in the DOA plan as a sub-plan.
- 4.1.6 - 8/31/04 Develop draft timeline template for agencies to use in developing and submitting energy plans.
- 4.1.7 - 8/31/04 - Develop criteria on when agency level energy plans need review and or update.

#### 4.2 Facilities Management should provide utility usage and expense data to the State Energy Office for agencies.

- ✓ 4.2.1 - 1/1/04 - Agencies able to access electric and gas data online. The site has data dating back to 1998 and includes all buildings owned or operated by the DOA.
- ✓ 4.2.2 - 6/18/04 - Assigned responsibility for utility usage and expense data dissemination to the Program Manager, Energy Accounting , Utility Savings Initiative.
- 4.2.3 - 7/31/04 - Modify the workplan of the Program Manager, Energy Accounting, Utility Savings Initiative Coordinator to specifically include the responsibility for utility usage and expense data dissemination.
- 4.2.4 - 7/31/04 SEO will send an e-mail to building coordinators ([doa.fmd.building.coordinator@ncmail.net](mailto:doa.fmd.building.coordinator@ncmail.net)) reminding them of the system and stating that it could be helpful in preparing energy plans. The e-mail will state that water bills are available through DOA Fiscal Management.
- 4.2.5 - 8/31/04 - DOA Legislative Liaison will contact DOA Fiscal Management concerning getting the water bills placed on-line.
- 4.2.6 - 10/ 31/04 - Target date for water bills to be on-line.

#### 4.3 The Council, Secretary of Administration, Governor, and General Assembly should be notified of agencies not submitting energy plans or other required information.

- 4.3.1 - 10/15 of each year the Secretary of Administration will be notified of agencies not submitting energy plans.
- 4.3.2 - 12/1 of each year the Governor will be notified of agencies not submitting energy plans.
- 4.3.3 - 1/1 of each year the Joint Subcommittee on General Government Chairs will be notified of agencies not submitting energy plans.

#### **THE STATE ENERGY PLAN REFLECTS THE WIDE-RANGING INTERESTS OF ALL STAKEHOLDERS.**

**5. Recommendation: The Energy Policy Council should continue its efforts to encourage participation from various sectors in the development of the *State Energy Plan*. To ensure compliance with the prioritized recommendations, the State Energy Office should report progress on those recommendations to the Council, the**

## APPENDICES

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### Appendix H (continued)

**Governor, and the General Assembly on an annual basis. (See prior discussion of the annual comprehensive report on page 14.) Additionally, Council procedures should ensure periodic review of the relevance of the State Energy Plan, updating any recommendations and policy issues as needed. (See next recommendation.)**

#### **Response:**

#### 5.1 Continue efforts to encourage participation from various sectors in the development of the State Energy Plan.

- ✓ 5.1.1 - 7/1/04 - Assigned responsibility for developing a timeline for input processes into the State Energy Plan to the Emergency and Policy Coordinator.
- 5.1.2 - 7/31/04 - Modify the workplan of the Emergency and Policy Coordinator to reflect the specific responsibility of developing and managing a timeline for input processes into the State Energy Plan.
- 5.1.3 - 9/30/04 - Develop timeline for the following inputs and processes.
  - Annually identify and review major traditional and alternative energy sectors.
  - Modify distribution lists for entities getting queries for State Energy Plan input.
  - Request information on concerns and issues for consideration in developing the State Energy Plan.

#### 5.2 Report progress on recommendations in the State Energy Plan to the Council, Governor, and General Assembly on an annual basis. Council procedures should ensure periodic review of the relevance of the State Energy Plan, updating any recommendations and policy issues as needed.

- ✓ 5.2.1 - 7/2/04 - Director of State Energy Office assigned responsibility of reporting State Energy Plan progress to Council, Governor, and General Assembly.
- 5.2.2 - 7/31/04 - Workplan for the Director of the State Energy Office modified to include responsibility of reporting State Energy Plan progress to Council, Governor, and General Assembly.
- 5.2.3 - Annually in September - SEPC will review State Energy Plan progress - will include major progress items and issues.
- 5.2.4 - Annually in November - SEPC will meet with Senior Gubernatorial staff and brief them on State Energy Plan progress - will include major program items, issues, and recommendations for modifications.
- 5.2.5 - Annually in January - SEPC or representative will present State Energy Plan major progress items, issues, and recommendations for modifications to the Joint Legislative Committee on General Government.



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### Appendix H (continued)

#### THE NORTH CAROLINA ENERGY POLICY ACT HAS NOT BEEN REVISED SINCE 1992.

**6. Recommendation:** The General Assembly should review the Energy Policy Act to determine whether any modifications are needed. Consideration should be given to the scope of the duties and functions assigned to the State Energy Policy Council and its staff. Additionally, the General Assembly should consider including a specific timeframe for updating the State Energy Plan and resulting policy recommendations. Based on the propensity for changes in the energy field, we suggest consideration of a mandated update ever four years, or more frequently if the need arises.

#### Response:

6.1 The General Assembly should review the Energy Policy Act, determine whether modifications are needed, consider the scope of the duties and functions assigned to the SEPC and staff, consider a specific timeframe for updating the State Energy Policy.

- ✓ 6.1.1 - 7/1/04 - Assigned responsibility for Energy Policy Act review to the Emergency and Policy Coordinator.
- 6.1.2 - 7/31/04 - Modify the workplan of the Emergency and Policy Coordinator to reflect the specific responsibility of Energy Policy Act review.
- 6.1.3 - 7/31/04 - SEO will research and develop possible changes to Energy Policy Act.
- 6.1.4 - 8/15/04 - Draft changes to the Energy Policy Act sent to SEPC for feedback
- 6.1.5 - 9/15/04 - SEO will review input from SEPC on draft changes to the Energy Policy Act and make appropriate changes
- 6.1.6 - 9/30/04 - SEPC will adopt potential modifications to the Energy Policy Act.
- 6.1.7 - 10/10/04 - Potential modifications to the Energy Policy Act forwarded to the Governor through the Secretary of Administration.
- 6.1.8 - 12/16/04 - Recommended modifications to the potential changes of the Energy Policy Act adopted by the SEPC.
- 6.1.9 - 12/31/04 - Final recommended modifications to the State Energy Policy Act forwarded to the General Assembly for action.

<b>Objective 2:</b> To identify sources and uses of funding for the State Energy Office and energy programs.
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#### THE STATE ENERGY OFFICE HAS AN ESTABLISHED PROCESS FOR IDENTIFYING AND APPROVING PROJECTS.

**7. Recommendation:** The State Energy Office should continue to follow its established process for identifying and evaluating projects. However, the Council should review and approve recommendations from SEO prior to awarding

## APPENDICES

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### Appendix H (continued)

**contracts. The Council should consider whether to establish percentage goals for each type of energy project. These changes to the process would assure all projects meet the intent and direction of the *State Energy Plan*.**

#### **Response:**

7.1 The SEPC should review and approve recommendations from the SEO prior to awarding contracts.

- 7.1.1 - 8/31/04 - Input obtained from DOA General Counsel on constraints on what SEPC can and can't do regarding review and approval of contracts.
- 7.1.2 - 9/30/04 - Develop draft process for review and approval of contracts.
- 7.1.3 - 12/31/04 - Implement process of review and approval of contracts by the SEPC.

7.2 The SEPC should consider whether to establish percentage goals for each type of energy project.

- 7.2.1 - Annually in September (in conjunction with 5.2.3) - Incorporate consideration of % goals for each type of energy project in normal State Energy Plan review process.
- 7.2.2 - Annually in September (in conjunction with 5.2.3) - place review of potential % goals in timeline for review of State Energy Plan.
- 7.2.3 - Annually in September (in conjunction with 5.2.3) - SEO provides information to SEPC on current % of energy projects by type whenever major \$ revision, when the SEPC requests the information, or when in State Energy Plan review.

**THE STATE ENERGY OFFICE DOES NOT MAINTAIN COMPREHENSIVE CENTRALIZED FILES FOR EACH GRANT PROJECT.**

**8. Recommendation: SEO should develop and maintain a comprehensive centralized filing system, with files for each grant project that clearly document the activities associated with each project. All project files should include written contracts outlining the responsibilities of both SEO and the contractor, as well as all documentation required by the terms of the contract.**

#### **Response:**

8.1 Develop and maintain comprehensive filing system with files for each grant project, clearly document the activities associated with each project, include written contracts outlining the responsibilities of both SEO and contractor, as well as all documents required by the terms of the contract.

- ✓ 8.1.1 - 7/1/04 - Assigned responsibility for development and maintenance of a comprehensive filing system to the Information Processing Technician.

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### Appendix H (continued)

- 8.1.2 - 7/31/04 - Modify the workplan of the Information Processing Technician to reflect the specific responsibility of developing and maintaining a comprehensive filing system.
- 8.1.3 - 8/31/04 - Request help from sister agencies, (OSBM, OSP, DOT) for expertise in development of a comprehensive filing system.
- 8.1.4 - 9/31/04 - In conjunction with sister agency, start study of filing system.
- 8.1.5 - 12/31/04 - Complete study of filing system.
- 8.1.6 - 1/31/05 - Implement recommendations of comprehensive filing system study.

### **STATE ENERGY OFFICE STAFF ARE NOT DOCUMENTING MONITORING AND ASSISTANCE TO GRANTEEES.**

**9. Recommendation: The Energy Policy Council and SEO should modify all future contracts for energy projects to specifically require on-site monitoring of projects. SEO project managers should schedule and document periodic on-site monitoring and technical assistance visits for each project. Staff should follow-up on issues noted during site visits and technical assistance to assure necessary corrective actions are taken.**

#### **Response:**

#### 9.1 SEPC and SEO should modify all future contracts to specifically require on-site monitoring of projects.

- 9.1.1 - 10/31/04 - SEO with DOA General Counsel input, will develop boilerplate language for inclusion in contracts regarding on-site monitoring of projects, including applicability.
- 9.1.2 - 11/31/04 - Gain DOA Secretary approval for boilerplate language for inclusion in contracts regarding on-site monitoring of projects.
- 9.1.3 - 1/1/05 - Implement boilerplate language for inclusion in contracts regarding on-site monitoring of projects.

#### 9.2 SEO Project managers should schedule and document periodic on-site monitoring and technical assistance visits for each project.

- ✓ 9.2.1 - 6/30/04 - All project managers' workplans were revised and include on-site monitoring and technical assistance - on a quarterly basis.
- 9.2.2 - 11/31/04 - Review need for additional project manager workplan modifications regarding on-site monitoring.
- 9.2.3 - Quarterly (last day of last month of quarter) submit listing of all projects and visitation dates to supervisor.

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### 9.3 Staff should follow-up on issues noted during site visits and technical assistance to assure necessary corrective actions are taken

- 9.3.1 - 8/31/04 - Program Managers create issue tracking system.
- 9.3.2 - 9/31/04 - Implement issue tracking system.
- 9.3.3 - 1/31/05 - Issue items included in project program file.

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In accordance with *North Carolina General Statutes* 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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Mr. James D. Johnson	Director, Fiscal Research Division
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July 30, 2004

## ORDERING INFORMATION

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