

OSBM

**DEPARTMENT OF ADMINISTRATION
STATE ENERGY OFFICE**

Staffing Analysis

As Directed by Session Law 2007-323, Section 19.3.(e)

November 2007



Prepared By:

Office of State Budget and Management

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INTRODUCTION

Scope

As a result of the shift in the mission of the State Energy Office from grant making to a focus on energy efficiency in State buildings, the General Assembly adopted Section 19.3.(e) of Session Law 2007-323 which requires that the Office of State Budget and Management (OSBM), in consultation with the Department of Administration and the Office of State Personnel (OSP), conduct a staffing analysis of the State Energy Office (SEO) to determine the appropriate staffing levels and job classifications.

Methodology

In order to conduct this analysis, staff from the OSBM, SEO, and OSP performed the following tasks:

- Identified new mission based on legislation,
- Identified current program levels,
- Examined financial information for current and previous fiscal year,
- Interviewed SEO staff,
- Analyzed job descriptions, and
- Analyzed program data.

BACKGROUND

The SEO is North Carolina's lead agency for energy programs and services and serves as the official source for energy information and assistance for consumers, businesses, government agencies, community colleges and schools, and the residential, commercial and industrial sectors. Organizationally, the SEO is a division of the Department of Administration, but also serves as staff to the State Energy Policy Council and carries out the duties directed by the Council.

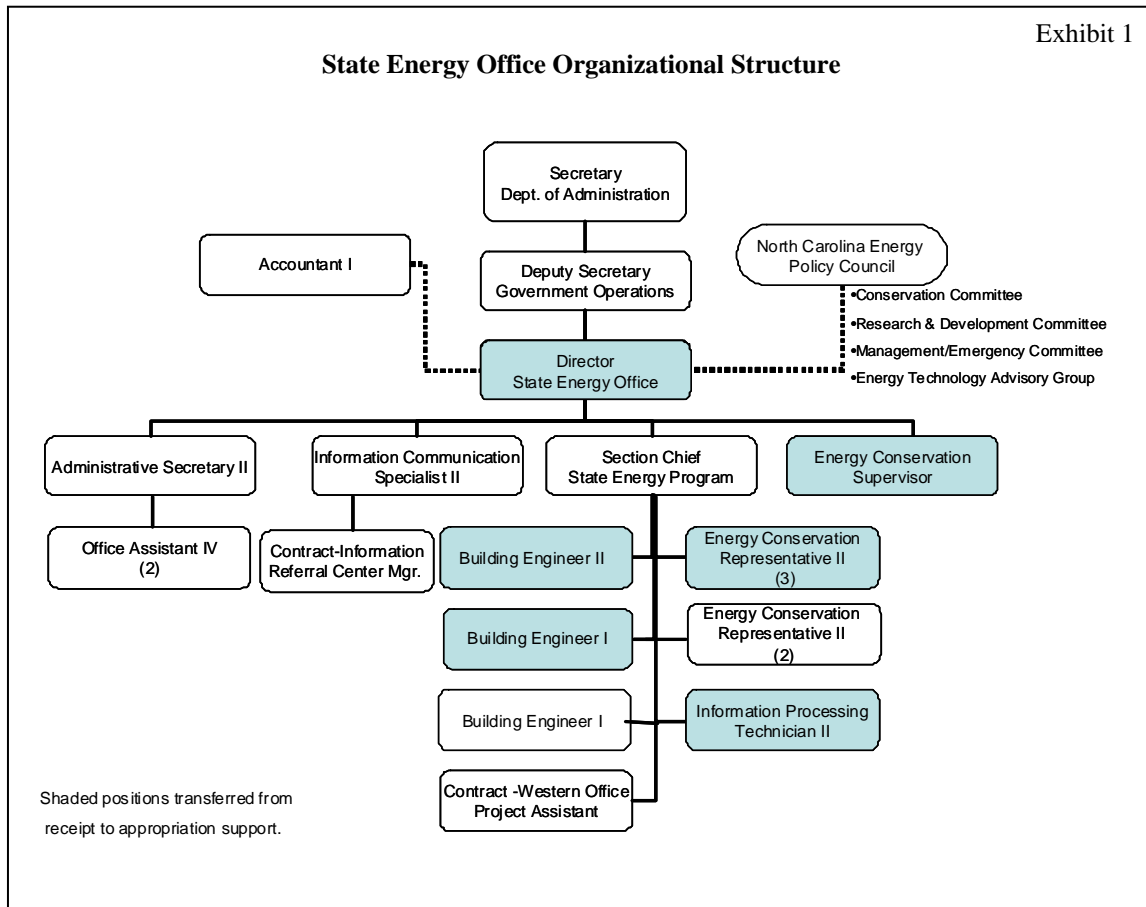
For over 20 years, the major funding source for the SEO has been the Petroleum Violation Escrow funds (PVE). However, those funds will be exhausted in FY 2008 and no additional PVE funds will be available. The SEO also receives program funding from formula grants and special competitive grants from the U.S. Department of Energy (DOE). These funds are used to staff the SEO and award funds grants to state agencies, universities, community colleges, towns, non-profit agencies, and private businesses.

The grant awards are disbursed through contracts. As of July 1, 2007, the SEO project managers were overseeing 47 active projects.

Organization and Staffing

The SEO is a division located within the Department of Administration. The Energy Policy Council approves much of the energy policy for the state and also much of the work performed by the SEO. The DOE also dictates requirements for projects it funds. The makeup and size of the SEO staff has changed little in the last five years. Permanent positions remain constant at 15. One time-limited position was added in 2005. Three of the permanent positions and the time-limited position are currently vacant. The SEO also employs two individuals through personal service contracts. The major staffing change is that eight receipt supported positions were transferred to appropriation funded effective July 1, 2007. Support is provided by the Department of Administration (fiscal services), and the Office of Information Technology Services (computer services). The overall organizational structure of the SEO is shown in Exhibit 1 on the following page. The positions transferred from receipt to appropriation support are identified in the organizational chart.

State Energy Office Organizational Structure



The current staff distribution of staff time is shown by program area in Appendix A. Upon completion of staff interviews, job description review and evaluation of the new agency mission and direction, changes in staffing are recommended. The results of the staffing analysis begin on page 10 in the *Recommended Staffing Needs* section of this report.

Financial

With the loss of the PVE funding, the SEO was left with only one other major funding source, the DOE formula grant and special funds to sustain programs. The NC General Assembly appropriated funds for FY 2008 and FY 2009 to support State Energy efforts throughout the State. Table 1 outlines the State funding.

Table 1

State Energy Office State Appropriation		
	FY 2008	FY 2009
Recurring Funds	\$2,682,500	\$3,990,000
Non-recurring Funds	\$5,000,000	-
Total State Appropriation	\$7,682,500	\$3,990,000

The recurring funds were designated for funding eight positions, supporting the Utility Savings Initiative, and supporting operations of three university energy programs. The non-recurring

funds were designated to establish an energy efficiency reserve which is be used to provide funding for projects designed to make State, university, or community college facilities more energy efficient. The reserve funds may be carried over and spent in subsequent years.

The DOE Formula Grant amount awarded for FY 2008 is \$1,053,000 which is a 34 percent increase from the prior year's funding. The current fiscal year budgeted revenues¹ are listed in Table 2 with the percentage of each revenue source. The DOE Formula Grants includes carryover funds.

Table 2

State Energy Office Budgeted Revenues FY 2007/08		
Revenue Source	Amount	% of Budget
PVE Funds	\$304,943	3%
DOE Formula Grants*	\$1,275,507	13%
DOE Special Grants	\$370,000	4%
State Appropriations	\$7,682,500	80%
Total Budgeted Revenue	\$9,632,950	100%
*Includes carryover		

Table 3 provides the historical data on actual revenues from FY 2003 through FY 2007. For each of the fiscal years, the PVE funds are the majority of revenues.

Table 3

State Energy Office Actual Revenues by Type FY 2003 - FY 2007					
Revenues	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
PVE	\$ 2,697,701	\$ 1,935,998	\$ 2,661,174	\$ 3,880,743	\$ 5,253,194
DOE Formula Grant*	1,143,219	1,831,466	1,409,555	1,518,254	576,228
DOE Special Funds	253,959	298,083	818,186	841,807	202,855
Private Grant	-	-	-	-	254,789
Other **	7,988	48,046	24,285	36,066	659,570
Total	\$ 4,102,867	\$ 4,113,593	\$ 4,913,200	\$ 6,276,870	\$ 6,946,636
* Includes Carryover funds					
** Other consists of fees, interest, surplus sales					

In the previous table the DOE Formula Grant revenues include carryover funds. Table 4 is an eight year historical review of the DOE Formula Grant funds awarded to the SEO and shows the actual annual allocations (not including any carryover amounts).

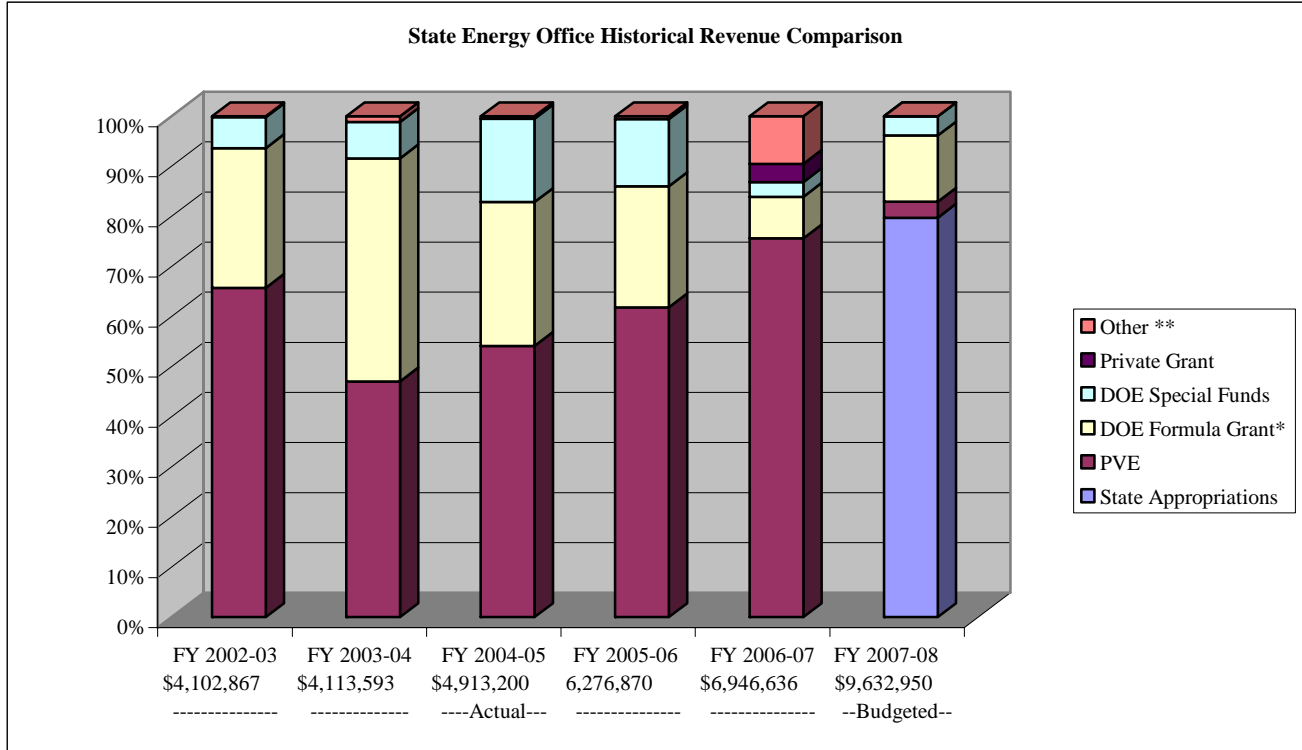
Table 4

Annual DOE Formula Grant Allocations	
FY	Funding Amount
2001	\$748,000
2002	854,000
2003	1,016,000
2004	1,020,000
2005	1,004,000
2006	1,016,000
2007	787,000
2008	\$1,053,000

¹ The SEO budget reflects In-Kind Match; since this match is inconsistently reported and does not increase revenues available to the SEO, it is not being included in the reported financial information.

Chart 1 gives a good picture of the significant change in revenues sources for SEO for the current fiscal year. The overall budget for FY 2008 is larger than previous years, but it should be noted that \$5,000,000 of the State Appropriations is nonrecurring. These funds will not revert and will remain available until the funds are expended.

Chart 1



* Includes Carryover Funds

** Other consists of fees, interest, surplus sales

The PVE trust fund balance as of October 31, 2007 is shown in Table 5. The unobligated balance is \$1,140,557. The Stripper Well-Revolving Loan account is a perpetual account and fund levels will be maintained through loan repayments and interest charges and accounts for \$124,066 of the unobligated balance. The remaining \$1,016,491 unobligated balance will be expended this fiscal year.

Table 5

State Energy Office PVE Trust Funds Balances as of 10/31/07			
Program Name	Ending Cash Balance 10/31/07	Obligated Amount	Unobligated Balance
Federal Petroleum Overcharge	\$ 320,286	\$ 269,225	\$ 51,061
Exxon Overcharge	933,494	876,287	57,207
Stripper Well Settlement	4,874,122	4,016,009	858,113
Stripper Well-Revolving Loan	2,407,874	2,283,808	124,066
Amoco	78,037	52,737	25,300
Occidental	331,023	306,213	24,810
Total Trust Fund Balances	\$ 8,944,836	\$ 7,804,279	\$ 1,140,557

Current Programs and Contracts

The SEO has 48 current individual contracts covering the major areas of Alternative Fuels, Awareness & Education, Energy Improvement Loan Program, Industrial, Renewable Energy, Residential, and State Energy Savings Programs. An additional 11 contracts are currently being negotiated. The details of each contract are shown in Table 6. The SEO operates one of these project internally; all others are outsourced to the contractors listed.

Table 6

State Energy Office – Program/Contracts

Program Type	Program Title	Contractor	Fund Type	Additional Obligated contract Amount	Current Contract Amount	Contract Begin Date	Contract End Date
State Energy Current Contracts							
Alternative Fuels	Centralina Clean Fuels Coalition Program Plan Implementation	Centralina Council of Governments	PVE - Stripper Well		100,000	2/25/07	6/30/08
Alternative Fuels	Clean Cities Coalition Support	Centralina Council of Governments	DOE-Special		20,000	7/12/07	6/30/08
Alternative Fuels	Cherokee Biodiesel Dispensing System	Environment & Natural Resources Department, Eastern Band of Cherokee	PVE-Exxon		60,000	6/19/07	7/31/08
Alternative Fuels	Filter Specialty Biodiesel Production Facility	Filter Specialty, Inc.	PVE-Stripper Well		165,300	06/06/06	12/31/07
Alternative Fuels	Alternative Fuels Clean Cities Program for Asheville, NC	Land of Sky Regional Council	PVE-Stripper Well		100,000	09/21/06	12/31/07
Alternative Fuels	Market Based Biotechnologies Development	NCSU	DOE-Special		73,236	10/17/05	9/30/07
Alternative Fuels	Clean Transportation Program	North Carolina Solar Center	PVE - Stripper Well		65,000	2/12/07	2/28/08
Alternative Fuels	Congestive Mitigation Air Quality for NC	North Carolina Solar Center, NCSU	PVE-Stripper Well		200,000	09/21/06	4/30/09
Alternative Fuels	PEM Fuel Cell Demonstration Model	North Carolina Solar Center, NCSU	DOE-Special		119,975	02/02/05	9/30/07
Alternative Fuels	Alternative Fuels Clean Cities Program for the Triangle	Triangle J Council of Governments	PVE-Stripper Well		100,000	09/21/06	12/31/07
Education & Awareness	Alt. Fuels Education for NC Middle & High School Students	Carolina Electric Vehicle Coalition	PVE-Stripper Well		152,700	11/2/06	9/30/07
Education & Awareness	Personal Services Contract	Donald E. Milsten	PVE-Stripper Well		32,000	10/30/06	9/30/07
Education & Awareness	SEO Awareness & Marketing Program	Internal	PVE-Amoco	241,195	83,000	10/16/06	9/30/08
Energy Improvement Loan Program	Biologix of the Triangle	Biologix of the Triangle	PVE-Stripper Well		150,000	05/10/06	6/1/17
Energy Improvement Loan Program	Franklin Health & Fitness Center, Inc.	Franklin Health & Fitness Center, Inc.	PVE-Stripper Well		67,320	12/22/05	1/31/11
Energy Improvement Loan Program	Guilford Child Development	Guilford Child Development	PVE-Stripper Well		154,446	06/14/06	8/1/17
Energy Improvement Loan Program	Larry's Beans	Larry's Beans	PVE-Stripper Well		167,000	01/05/07	2/7/17
Energy Improvement Loan Program	WNC Dry Kiln, Inc.	WNC Dry Kiln, Inc.	PVE-Stripper Well		375,000	02/07/06	7/1/08
Industrial	Steam Trap Survey Program	Enercheck, Hickory, Spirax	PVE-Stripper Well		150,000	07/21/05	7/31/08
Industrial	Boiler Technical Assistance Program	NCSU	PVE-Stripper Well		90,000	02/13/06	12/31/07
Industrial	Energy Management Program	NCSU	PVE-Occidental		636,750	03/06/06	12/31/07
Industrial	NC Industries of the Future - Partnership to Accelerate Industry Energy Efficiency	NCSU	DOE-Special		100,000	11/6/06	6/30/08
Industrial	NC Combined Heat & Power Center	North Carolina Solar Center, NCSU	PVE - Exxon		98,000	10/30/06	6/30/08
Renewable Energy	NC GreenPower Marketing	Advanced Energy/NC Emerging Green Builders	PVE-Stripper Well		250,000	05/25/06	9/30/07
Renewable Energy	Brownfields to Brightfields Solar Demonstration	Carolina Green Energy	DOE-Special		125,000	10/05/05	3/31/08
Renewable Energy	Coastal NC Wind Powering America 2006	NC State University	DOE-Special		20,000	3/26/2007	12/31/07
Renewable Energy	Coastal Wind and Water Collaborative	NCSU	DOE-Special		50,000	05/17/06	9/30/07

Table 6 (continued)

State Energy Office Programs/Contracts

Program Type	Program Title	Contractor	Fund Type	Additional Obligated contract Amount	Current Contract Amount	Contract Begin Date	Contract End Date
Renewable Energy	NC Biomass Council	NCSU	DOE-Special		41,994	03/01/06	12/31/07
Renewable Energy	NC Solar Center	NCSU	PVE-Exxon	300,000	905,000	01/01/06	12/31/07
Residential	Heat Pumps Manufactured Homes - Western NC	ASU	PVE-Stripper Well		184,768	09/18/06	6/30/08
Residential	High Performance Affordable Housing for the Southeast	ASU	DOE-Special		99,536	10/04/06	12/31/07
Residential	Heat Pumps in Manufactured Homes- Expansion - Eastern NC	ECU	PVE-Stripper Well		268,004	3/26/07	12/31/07
Residential	Circuit Riding Energy Auditor	ElectricCities of NC, Inc.	PVE-Stripper Well		167,000	6/29/06	6/30/08
Residential	Center for Energy Research & Technology	NC A&T University	PVE-Warner		159,000	09/18/06	9/30/07
Residential	Heat Pumps Manufactured Homes - Piedmont NC	NC A&T University	PVE-Stripper Well		199,400	10/03/06	6/30/08
Residential	Consumer Energy Education Program	NCSU Cooperative Extension Dept. of Family & Consumer Services	PVE-Stripper Well		299,495	04/24/06	6/30/08
Residential	Green Building Model Communities	Western North Carolina Green Building Council	Exxon		15,000	10/30/06	9/30/07
State Energy Savings Programs	Personal Services Contract	Abigail Ann Gage	PVE-Stripper Well		11,920	7/26/07	10/31/07
State Energy Savings Programs	Building Operator Certification to Promote Energy Conservation	Asheville-Buncombe Technical Community College	PVE-Exxon		50,000	07/28/06	5/31/08
State Energy Savings Programs	Appalachian State University Energy Center	ASU	PVE-Stripper Well and PVE-Occidental	24,125	483,205	01/01/06	12/31/07
State Energy Savings Programs	Carrboro Sustainable Community Design	Carrboro Collaborative Development Association	PVE-Stripper Well		98,630	10/30/06	9/30/07
State Energy Savings Programs	Energy Efficiency for Nonprofits	Southface	Piedmont Natural Gas Funds and Exxon	125,000	325,000	11/15/06	9/30/07
State Energy Savings Programs	Waste Reduction Partners Energy Efficiency Field Assistance	Land of Sky Regional Council	Exxon		130,000	09/14/06	08/31/08
State Energy Savings Programs	HVAC Controls Tune-Up for Energy Conservation	Multiple Facilities	PVE-Stripper Well		300,000	11/21/05	6/30/08
State Energy Savings Programs	Waste Reduction Partners Central & Eastern NC Expansion	NC DENR Div. Pollution Prevention & Environmental Assistance	PVE-Stripper Well and PVE-Exxon		322,000	2/12/07	6/30/09
State Energy Savings Programs	Sustainable Community Development - Chapel Hill Fire Station Energy Efficiency Upgrade	Town of Chapel Hill	PVE-Stripper Well		30,000	09/21/06	12/31/07
State Energy Savings Programs	UNC-Asheville Physical Plant Building	UNC-Asheville	PVE-Stripper Well		175,000	3/26/07	12/31/07
State Energy Savings Programs	Morrison Dorm Energy Efficiency Retrofit	UNC-Chapel Hill	PVE-Stripper Well		137,455.00	9/21/07	8/31/08
State Energy Contracts in Negotiation							
Energy Improvement Loan Program	7 Trees Holdings BioWheels	7 Trees Holdings BioWheels	PVE-Stripper Well	44,160	-	-	-
Energy Improvement Loan Program	Allegheny Wood Products	Allegheny Wood Products	PVE-Stripper Well	500,000	-	-	-
Energy Improvement Loan Program	Larry's Beans	Larry's Beans	PVE-Stripper Well	201,000	-	-	-
Energy Improvement Loan Program	Lees-McRae	Lees-McRae	PVE-Stripper Well	500,000	-	-	-
Energy Improvement Loan Program	Quaintance-Weaver Restaurants & Hotels	Quaintance-Weaver Restaurants & Hotels	PVE-Stripper Well	500,000	-	-	12/1/17
Energy Improvement Loan Program	Windhorse Zen Community	Windhorse Zen Community	PVE-Stripper Well	54,476	-	-	12/1/17

Table 6 (continued)

State Energy Office Programs/Contracts

Program Type	Program Title	Contractor	Fund Type	Additional Obligated contract Amount	Current Contract Amount	Contract Begin Date	Contract End Date
Industrial	NC Industries of Future	North Carolina Solar Center, NSCU	PVE-Exxon	100,000		-	6/30/08
Renewable Energy	Landfill Gas Development	-	-	50,000	-	-	-
Renewable Energy	Priority State Wind Energy Outreach Strategy & Implementation	Midwest Research Institute National Renewable Energy Laboratory	DOE-Special	225,000		9/1/07	9/30/10
State Energy Savings Programs	USI K-12 Coordinator	TBD	PVE-Exxon	100,000	-	-	9/30/08
State Energy Savings Programs	UNC-Asheville Craft Campus	UNC-Asheville	PVE-Stripper Well	100,000	-	-	9/30/08
Total				3,064,956	8,107,134		

The number of current contracts has declined from the December 2006 from 59 to 47 active contracts in July 2007. The number of contracts in negotiation has gone from 16 to 11 during the same period. This trend is likely to continue unless alternate funding is found to replace the PVE funds. If it does continue, staffing levels will need to be adjusted accordingly. Table 7 identifies other required projects and programs not identified in the contracts above.

State Energy Office Required Projects and Programs		Table 7
State Energy Office Annual Report – A comprehensive report providing general overview of energy conditions in state.		
Emergency Response Team – All SEO employees serve on SERT in emergency situations such as hurricanes, ice storms, fuel disruptions, etc.		
Emergency Energy Program – This program, established as part of the NC Energy Policy Act of 1975, is required to develop and maintain a contingency and emergency plan to deal with possible shortages of energy to protect public health, safety and welfare.		
State and Alternative Provider Program – Provides an annual report to DOE on state owned alternative fuel vehicles and compliance with Federal Energy Policy Act.		
NC Petroleum Displacement Plans – Collects and reviews plans annually as legislatively mandated to achieve 20% reduction in petroleum use by state vehicles by the end of 2009.		
E-85 Refueling Infrastructure Report – This report develops a plan for the targeted conversion of fuel-dispensing facilities to provide greater availability of biodiesel, ethanol, and other alternative fuels in order to promote attainment of the 20% reduction or displacement of petroleum products consumed in State-owned fleets by January 1, 2010, as required by Section 19.5 of S.L. 2005-276.		
Energy Outlook Report – Update the current outlook report forecasting energy trends in the future for North Carolina.		
Performance Contracting – SEO provides oversight, technical assistance and review for state agencies entering into guaranteed energy savings contract.		
Energy Credit Banking and Selling Program – SEO administers and provides oversight for the banking and selling of EPAct credits (Energy Policy Act) accumulated from the purchase of Alternative Fuel Vehicles.		
Energy Policy Council – The SEO serves as the staff to the Council and carries out duties mandated by legislation which includes the State Energy Plan every two years (G.S. 113B-7), the Energy Outlook Forecast (G.S. 113B-8); and the Energy Emergency Plan (G.S. 113B-9). The Council meets bi-monthly and approves all SEO funding of projects over \$25,000.		
Utility Savings Initiative Strategic Energy Plans – Collects and reviews plans annually from all State agencies and universities as legislatively mandated in G.S. 143-64.12(b).		
High Performance Building Guidelines Report – Report to be completed eighteen months after the completion of last pilot in the program. The SEO will monitor the 15 pilot building projects and evaluate.		
Energy Conservation in State Buildings – SEO is required to develop a comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning and to update this program annually as mandated in G.S. 143.64.12(a).		

Revised Program Focus

Session Law 2007-323 directs the SEO to revise the overall focus of the energy program. A strategic plan for distribution of energy grant funds for FY 2008 must be presented to the Energy Policy Council, the Chairs of the House Appropriations Committee, and the Chairs of the Senate Appropriations Committee by November 1, 2007. The Energy Policy Council is instructed to approve the plan by March 1, 2008. This approval is a prerequisite to awarding grant funds. Grant funds can be awarded for projects in the areas of energy efficiency, renewable energy, alternative fuels, and energy conservation.

State appropriations may fund the three major areas shown in Table 8. First is the establishment of an Energy Efficiency Reserve. The SEO, in consultation with the State Construction Office, will use the Reserve to provide funding for projects designed to make State, university, or community college facilities more energy efficient. Agencies will use a standard form for submitting proposals for project funding. The SEO and State Construction Office will select projects based on criteria such as project feasibility and economic return and payback. Second, the appropriations also provide funds for the Utility Savings Initiative. These funds will be used to focus efforts on energy reduction in State agencies, public universities and community colleges. Funding for three university projects is the third area. The university funding is designated for the North Carolina A&T State

Table 8

State Energy Office State Appropriation Funding Areas		
	FY 2008	FY 2009
Recurring Funds		
Utility Savings Initiative	\$1,300,000	\$1,300,000
University Projects	\$1,382,500	\$2,690,000
Non-recurring Funds		
Energy Efficiency Reserve	\$5,000,000	
Total State Appropriation	\$7,682,500	\$3,990,000

University Center for Energy Research and Technology, the North Carolina State University Solar Center and the Appalachian State University Energy Center to maintain prior year funding levels from grants awarded by the SEO.

The law also directs that energy efficiency audits of State buildings be performed by internal staff when possible rather than depending on contract employees for these services. In order to accomplish this, additional training of current staff will be necessary.

Although the main focus of the SEO will be on Utility Savings Initiative related projects, the SEO will continue to be the lead agency for the State in all energy related matters. Funding from the DOE will be used to fund other areas as designated by grant requirements. The new SEO mission states:

The State Energy Office is dedicated to ensuring a sustainable energy future for the citizens of North Carolina. This is accomplished by “leading by example” with programs, services and technical expertise that are focused on advancing energy efficiency in the public sector. The Office also works to increase the use of renewable energy, alternative fuels and energy efficiency throughout the state, serving as the principal source of information for these energy areas. When energy emergencies arise, the Office works closely with other state agencies to assist with response efforts.

Job Classification

OSP discussed the forecasted duties of all the technical positions in the SEO with SEO management. Due to the transition of the SEO's mission and the new roles for the employees, OSP is recommending that all positions remain at their current classifications until a more thorough division study is completed. The one exception is the vacant Office Assistant IV position (#4173-0000-0000-159) that will now serve as the

primary grant writer and fundraiser for the State Energy Office. OSP has determined that the most appropriate class for this position is Development Officer at salary grade 68.

Due to the new role of the SEO, a more comprehensive study of these jobs is needed once the employees are fully performing their new duties. OSP, in conjunction with the Department of Administration Personnel Office, will conduct a classification review of all of the technical positions in the SEO. This will require updated descriptions for all positions. Employees will need to be interviewed to substantiate the new duties. OSP, in conjunction with the Department of Administration Personnel Office, will make final classifications determinations as a result of this study. This may result in some reclassifications for the State Energy Office.

RECOMMENDED STAFFING NEEDS

The objective of this study was to determine appropriate staffing levels and job classifications in light of the shift in the mission of the SEO from grant making to a focus on energy efficiency in State buildings. With that new focus in mind, the following recommendations are offered.

ISSUE AREA:

RECOMMENDATIONS:

Management

The Director of the SEO should redirect a large percentage of time to overseeing the operations of the SEO and on the Utility Savings Initiative.

The Director position, which is now funded by State appropriations, spends a considerable amount of time as the principal spokesperson for the SEO. In this capacity, the Director attended approximately 100 workshops, conferences, and seminars delivering energy related presentations last fiscal year. Spending so much time in this one area creates a large void in SEO operations. Speaking engagements should be drastically reduced with more time directed to office operations and the development of the new focus on the Utility Savings Initiative.

Program

Provide training for staff funded by State appropriations who are designated to work in the Utility Savings Initiative program enabling them to conduct energy efficiency audits of State buildings.

Section 19.3.(e) of Session Law 2007-323 specifies that the SEO will, to the extent possible, use internal staff instead of contractual services to conduct energy efficiency audits of State buildings. Currently there is a Building Systems Engineer II and Building Systems Engineer I qualified to conduct these audits. Training for the Energy Conservation Supervisor and the Energy Conservation Representative II and new employees hired for the two vacant Energy Conservation Representative II positions should be a priority.

Contracting with a local university to provide training to qualify the Utility Savings Initiative staff to conduct energy efficiency audits should be pursued. All SEO program staff should undertake this training if a set fee can be negotiated with the university. By training all program staff to conduct these audits, staff time can shift to the Utility Savings Initiative as funding in other areas decline.

Fill the vacant Energy Conservation Representative II positions as quickly as possible.

Until the Utility Savings Initiative program is fully staffed and trained, the SEO will need to rely more heavily on contracted services for energy efficiency audit services. Once all the positions are filled and trained, and the other SEO employees are trained to conduct energy audits, contracted services will be used to a lesser degree.

Program

Do not extend contract period of Western Office Project Assistant.

The part time Project Assistant position should not be retained past the present contract end date of October 31, 2007. Based on the contracted amount, \$12,000 can be redirected to other Utility Savings Initiative projects.

ISSUE AREA:**RECOMMENDATIONS:****Coordinate with the State Construction Office to conduct Energy Efficiency Audits in conjunction with the Facilities Condition Assessment program (FCAP).**

The SEO has been working with the State Construction Office to coordinate the energy efficiency audits with the FCAP review. In the course of conducting the FCAP review, State Construction teams will identify those buildings that require closer scrutiny in the area of energy efficiency. The SEO audit staff then would conduct an energy efficiency audit for that building. This coordinated effort will cover 120 million square feet of State buildings without duplication of efforts of State Construction and the SEO. In order to educate both the SEO staff and State Construction Office in the energy efficiency audit in relationship to the FCAP review, sharing of expertise and cross-training of staff between the two offices should be utilized.

In addition to the collaboration with the State Construction Office in energy efficiency audits of State buildings, the SEO should focus on facilities that are not covered by FCAP, such as community colleges. The 20 million square feet of community college space should be covered on a cyclical basis. Energy efficiency audits of universities, schools and local government buildings will be conducted upon agency request.

Direct more staff time to the Utility Savings Initiative program.

The current staff distribution of time, shown in Appendix A, does not reflect an increase in staff time to the Utility Savings Initiative program from the staff time distribution prepared in January 2007. The SEO should begin the shift of staff resources to the Utility Savings Initiative program at once. A one to two FTE shift is appropriate at present with additional FTE shift once the Utility Savings Initiative is fully implemented (see the following recommendation).

Monitor contract levels managed by the SEO and adjust staffing assignments accordingly.

As cited earlier in the report, the number of current contracts being managed has declined with the loss of PVE funds. If the number and funding level of grants continues to decline, the current level of grants management staffing will not be required. As the time needed for grants management declines, management should reassign staff to the Utility Savings Initiative Program. If employees are trained to conduct the energy efficiency audits, as previously mentioned, staff will be ready to contribute to the program, and the SEO will comply with the mandate to use internal staff to conduct energy efficiency audits of State buildings. Once the new phase of the Utility Savings Initiative is fully implemented, staffing levels should be reevaluated.

ISSUE AREA:

Program (Pass-Through Funds)

RECOMMENDATIONS:

Monitor and evaluate the utilization of the pass-through energy program funds to the three universities designated to receive \$1.4 Million in FY 2008 and \$2.7 Million in FY 2009.

The budget authorization stipulates that the amounts listed above pass through to the designated universities. However, a specification as to the utilization of these funds is not included. An agreement between the SEO and each of the universities should be reached spelling out the purpose for which the funds are intended, the services to be provided, the objectives to be achieved, and the results expected. Measures should be established that indicate progress to the results expected and timelines indicating when the results are expected.

Public Relations

Eliminate the contracted services for the Information and Referral Center Manager and combine those duties with the Information & Communication Specialist II position.

An office the size of the SEO does not need two positions dedicated to Public Relations related functions. One position, with the support from the newly developed Grants Specialist position (see following recommendation) can handle the current workload for the SEO. Additional support, if needed, can be obtained from the Department of Administration PIO office.

Administrative and Support

Reclassify the vacant Office Assistant IV position to a Grants Specialist (Development Officer) position to seek funding through federal and private grant opportunities.

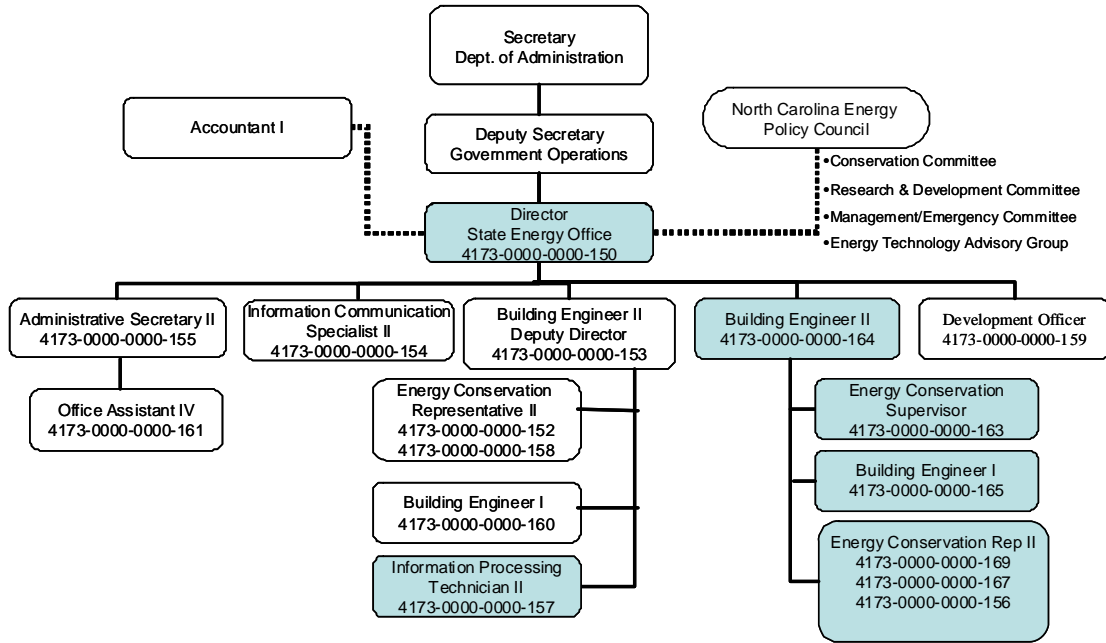
The 2007 Needs Assessment conducted by OSBM addressed the professional staff to clerical staff ratio. It remains the opinion of OSBM that the SEO has a high ratio of clerical positions for the number of professionals. Reclassifying the Office Assistant IV position to the Grants Specialist position will rectify this situation.

Also recommended in the 2007 report was the need for the SEO to more aggressively pursue the acquisition of additional external grant awards. Having a Grants Specialist position would help make this possible. The continued need for this position should be measured on the amount of grant awards received. Based on information obtained through the Federal Funds Information System, this employee should generate grant funds of 5 to 20 times the cost of this position. The SEO should expect the Grants Specialist to generate from \$250,000 to more than \$1,000,000 in grant funds annually. Annual grant amounts acquired by this position should be evaluated and the continued need for position determined on funding amount generated.

The duties of this position would also complement the Public Relations staff and could participate in that function as time permits.

Summary

The recommendations offered above streamlines the staffing of SEO without eliminating any current State employees. Instead two contract positions are not renewed, current employee time is redirected to the mandated programs, and one vacant position is reclassified. Exhibit 2, on page 13, shows a new organizational chart based on the above recommendations and recommendations by the SEO Director.



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APPENDIX A
CURRENT STAFFING DISTRIBUTION

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Appendix A

State Energy Office Employee Staff Distribution by Program Area August 2007																			
Administration Area - Required Projects and Programs												Grants Management							
Title	State Energy Office Annual Report	Emergency Response Team	Emergency Energy Program	State & Alternative Provider Program	NC Petroleum Displacement Plans	E-85 Refueling Infrastructure Report	Energy Outlook Report	Utility Savings Initiative - Performance Contracting	Energy Credit Banking & Selling Program	Energy Policy Council / Legislation and Legislative Reporting	Fiscal	Alternative Fuels	Awareness & Education	Energy Improvement Loan Program	Industrial	Renewable Energy	Residential	Utility Savings Initiative - State Energy Savings Programs	Total FTE
Energy Division Director	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.05	0.02	0.42		0.04	0.07	0.04	0.04	0.04	0.04	0.08	1.00
Energy Conser. Rep II		0.05										0.01	0.01			0.02	0.91		1.00
Building Systems Eng. II		0.02								0.36		0.02	0.02	0.20	0.17	0.02	0.17	0.02	1.00
Information & Communication Spec II	0.22	0.02					0.06						0.70						1.00
Admin. Secretary II	0.02	0.03	0.01				0.01	0.04	0.01	0.10		0.09	0.08	0.10	0.04	0.07	0.11	0.29	1.00
Infor. Processing Tech	0.02	0.02										0.06	0.06	0.33	0.06	0.06	0.06	0.33	1.00
Energy Conservation Rep. II		0.03		0.03	0.03	0.03			0.07			0.67	0.07				0.07		1.00
Building Systems Eng. I		0.03												0.25		0.59	0.13		1.00
Office Assistant IV	0.02	0.03	0.01				0.01	0.04	0.01	0.10		0.09	0.08	0.10	0.04	0.07	0.11	0.29	1.00
Energy Conser. Rep. Supv.		0.10	0.07							0.55		0.28							1.00
Building Systems Eng. II		0.01						0.16						0.01	0.02			0.80	1.00
Energy Conser. Rep. II		0.03												0.03	0.03	0.03		0.88	1.00
Energy Conser. Rep. II		0.02										0.10	0.07					0.81	1.00
Energy Conser. Rep. II		0.03												0.10				0.87	1.00
Office Assistant IV	0.02	0.03	0.01				0.01	0.05	0.01	0.10		0.09	0.08	0.10	0.04	0.07	0.11	0.28	1.00
Building Systems Eng. I		0.03												0.10				0.87	1.00
Accountant										1.00									1.00
Total FTE by Program	0.33	0.51	0.12	0.05	0.05	0.05	0.11	0.34	0.12	1.63	1.00	1.45	1.24	1.16	0.64	0.97	1.71	5.52	17.00