AGENDA ITEM SUMMARY

1. **NAME OF ITEM:** Authorization of Financing for Energy Savings Projects, UMS

2. **INITIATED BY:** James H. Page, Chancellor

3. **BOARD INFORMATION:**
   - **BOARD ACTION:** X

4. **BACKGROUND:**
   The University of Maine System requests the authority pursuant to Board Policy 701 and 712 to engage in energy improvement projects across the system to be funded with up to $6.1 million in financing provided by the Efficiency Maine Trust. Board Policy 701 requires approval by Trustees for any project of more than $500,000. Board Policy 712 requires Trustee approval of debt and related agreements.

   The Efficiency Maine Trust is an independent trust created by law and dedicated to promoting the efficient and cost-effective use of energy in order to save money for Maine residents and businesses, grow the economy, and create jobs. The Efficiency Maine Trust has reviewed the UMS projects and is prepared to move forward with a financing agreement, subject to final review.

   At least one project has been identified at each University. The simple payback across all projects is estimated at 9-to-14 years. The total cost of the projects is estimated at $8.9 million and $6.1 of that amount would come from the proposed financing.

   In its most recent annual reports, Sightlines documented that UMS, since 2006, has cut energy consumption by 17 percent and has reduced gross greenhouse emissions systemwide by 25 percent. This proposal is in keeping with that continued effort.

   These new projects are being planned in two basic categories: electricity and thermal energy.

   1. $1.4 million in electricity reduction projects would generate an estimated savings of 1.8 million kWh and $155,888 annually for an estimated simple payback of 6.5 years after additional Trust incentive funds are considered beyond the financing.

   2. $4.8 million in thermal energy reduction projects generating an estimated $436,548 in annual savings for an estimated simple payback of approximately 11 years on Efficiency Maine’s investment.

   A list of the currently anticipated projects is attached.
The electricity projects are expected to include approximately $841,000 for the replacement of outdoor lighting with more energy efficient devices at UM, UMA, UMFK, UMM, UMPI and USM. An additional $527,000 is targeted for electricity reduction projects such as lighting controls and mechanical pump improvements at UMM and USM. The thermal projects are expected to include approximately $4.71 million for: energy-saving air stratification improvements at USM; a portion of the district biomass project at UMFK; and a boiler replacement and geothermal enhancements at UMF.

In some instances the Trust is funding the entire project. In other projects, additional resources from other sources also being invested in the improvements. The major instance of additional funding being involved in a project in addition to the proposed Trust financing is the district biomass project at UMFK. That project already has obtained a USDA grant of approximately $2.6 million. As part of this financing authorization, UMFK also is seeking approval for an increase in the overall cost of that project and intends to use Trust funding to supplement the existing grant and other funds. The new requested maximum cost is $5.5 million, up from the $3 million originally authorized in May 2012. The original agenda sheet is attached.

The cost increase is related nearly entirely to improved engineering studies and cost estimates completed by UMFK since the original grant and approval for this project were awarded. The initial estimates did not adequately account for the size of the equipment required to accomplish the project and the amount and the cost of underground piping.

A biomass project could be completed for only the cost of the existing grant funding. Such a project would not bring all of the benefits or savings anticipated by UMFK.

UMFK, which has recently been recognized again by the Princeton Review, U.S. News and World Reports and others as a college of distinction, also is pursuing other funding options for the increased cost of this project and may yet be able to reduce the amount of Trust financing required for the project.

The terms of the financing agreement with the Efficiency Maine Trust remain to be finalized pending the authorization of the UMS Trustees to proceed with this initiative. The interest for the financing currently is proposed at a rate of 1.5 percent per annum.

The Finance/Facilities and Technology Committee shall forward this item to the consent agenda at the Board of Trustees meeting.

5. **TEXT OF PROPOSED RESOLUTION:**

That the Board of Trustees authorize the University of Maine System to engage with the Efficiency Maine Trust and to execute such agreements as may be necessary, subject to final review and approval by the Treasurer and University Counsel, to obtain up to $6.1 million in Trust financing for investment in energy projects across the System. This authorization does not obligate the University to enter any agreement. The Board further approves a new maximum cost for the UMFK district biomass project of $5.5 million, including up to $2.6 million of that amount to be provided from Trust financing.

09/12/2013