AGENDA ITEM SUMMARY

1. NAME OF ITEM: Natural Gas Conversion, UMF

2. INITIATED BY: James H. Page, Chancellor

3. BOARD INFORMATION: BOARD ACTION: X

4. BACKGROUND:

This is a request pursuant to Board of Trustee Policy 701 and other applicable policies to contract for the delivery of natural gas to the University of Maine at Farmington and to enter other such agreements as may be necessary to make the infrastructure improvements on campus to consume that energy in lieu of heating oil.

This project is estimated by outside energy specialists to save the University $4 million over ten years, to have a simple payback of less than five years, and to generate a positive operating cash flow potentially as soon as its first year of operation, with the final fiscal impact to be determined by the final plans and agreements for this project. The option being pursued by the University also was determined by third-party energy advisors to have the highest estimated net present value.

This request is a follow-up to the prior approval granted by Trustees to proceed with a non-traditional public solicitation for the conversion of UMF and other campuses which currently use heating oil to instead use more cost-effective energy sources. A copy of that prior agenda sheet is attached.

As previously described, this agreement is not expected to be a traditional design, bid, build construction agreement but rather is expected potentially to involve an energy services agreement or other alternative contracting methods. In part, this is because the natural gas pipeline is yet to be built and the agreement will involve the University benefiting in facility improvements on campus while paying for those improvements from its energy savings rather than as an up-front capital investment of University funds.

The total facility investments to be made by a third-party on campus are expected to be in the $2 million to $4 million range. While the University does not currently expect to expend those funds directly or up-front, Trustee approval is being sought as described in the prior agenda sheet because of the overall scale of the initiative.
This request follows a publicly-advertised solicitation in which the University selected Summit Natural and Trane U.S. Inc. to carry out this project at UMF. Summit’s role will be focused on providing natural gas service to the campus. Trane’s role will be focused on the work needed to convert University facilities to use natural gas instead of heating oil.

In addition to the cost savings, the use of natural gas is estimated to reduce UMF’s carbon emissions by approximately 28 percent per every unit of heating oil that is displaced by natural gas. This is the equivalent of removing approximately 60 passenger cars from the road for every 100,000 gallons of heating oil that is displaced by natural gas, according to published EPA carbon equivalency calculators.

The Finance, Facilities and Technology Committee approved this recommendation to be forwarded to the Consent Agenda for Board of Trustees approval.

5. TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees approve the recommendation to authorize the University of Maine System acting through the University of Maine at Farmington to enter such agreements as may be necessary but not to exceed a term of 15-years to secure the delivery of natural gas to the campus and the facility improvements on campus necessary to consume that energy. The final terms, including rate, associated costs and other terms, shall be negotiated by the University of Maine at Farmington in the best economic interest of the University, subject to review and approval by the University of Maine System Vice Chancellor of Finance and Administration and University Counsel.