AGENDA ITEM SUMMARY

1. NAME OF ITEM: Compressed Natural Gas Conversion, UMM

2. INITIATED BY: Norman L. Fournier, Chair

3. BOARD INFORMATION: BOARD ACTION: X

4. BACKGROUND:

This is a request pursuant to Board of Trustees Policy 701 and other applicable policies to contract for the delivery of compressed natural gas to the University of Maine at Machias 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 $2.58 million over ten years, to have a simple payback of 7.6 years, and to generate a positive cash flow potentially as soon as the first full 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 to follow-up to the prior approval granted by Trustees to proceed with a non-traditional public solicitation for the conversion of UMM and other campuses which currently use heating oil, to instead use more cost-effective energy sources. A copy of that prior agenda item is attached.

As previously described, this agreement is not expected to be a traditional design, bid, build construction agreement but rather involves a fuel purchase agreement (FPA) with alternative contracting methods. The cost proposal of $1.8M distributed gas system includes a decompression station, distributed piping, boiler replacements, and building conversion work. The project will provide a dual-fuel capability. To minimize the financing cost of the project, it is recommended that UMM fund the project with an 8-year Tax-Exempt Leasing Program (TELP). The TELP would be repaid through the cost-savings of the project. Trustee approval is being sought because of the overall scale of the project.
This request follows a publicly-advertised solicitation in which UMM selected XNG to carry out the project. XNG will provide the FPA for the first five years and XNG will sub-contract with Trane to carry out the infrastructure project.

In addition to the cost savings, the use of natural gas is estimated to reduce UMM’s carbon emissions by approximately 28 percent per every unit of heating that is displaced by natural gas.

5. TEXT OF PROPOSED RESOLUTION:

That the Finance/Facilities/Technology Committee forward this item to the Consent Agenda at the July 21, 2014 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorize the University of Maine System acting through the University of Maine at Machias to enter such agreements as may be necessary but not to exceed a term of 15-years to secure delivery of compressed natural gas to the campus and 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 Machias in the best economic interest of the University, subject to review and approval by the University of Maine System Treasurer and General Counsel.