

**INFORMATIONAL ITEM:**

**Energy Conservation Projects, University Center; The University of Montana-Missoula**

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The University of Montana-Missoula is interested in entering into an Energy Performance Contract (EPC) to implement modifications to the University Center. Performance contracting is a contractual and financing method by which facility owners can undertake comprehensive energy efficiency retrofits and infrastructure improvements with minimal risk and financial exposure. Performance contracts are then used to bundle multiple Energy Conservation Measures (ECMs) into a single project, using the energy savings of measures with short paybacks to subsidize those with longer paybacks. Minimum savings, which pay for the implementation of the project, are guaranteed by Energy Services Companies (ESCOs) over the contract period. Performance contracting allows operating budget funds that would be spent on energy bills to be invested into facility improvements. The University Center will benefit from energy and cost reductions, lower long-term operating costs and contribute to UM's sustainable energy future.

An ESCO, or Energy Service Company, is a business that develops, installs, and arranges financing for projects designed to improve the energy efficiency and maintenance costs for facilities over an established time period. ESCOs generally act as project developers for a wide range of tasks and assume the technical and performance risk associated with the project.

Another distinguishing feature of an EPC is that ESCOs provide a turnkey service. The ESCO will be the party responsible for designing, implementing, and measuring the results of an EPC project. The ESCO can make a wide variety of recommendations of possible retrofit measures specific to each client's needs.

The University of Montana has followed statutory and Department of Environmental Quality processes and selected McKinstry Company, Inc., as the Energy Services Contractor to perform the energy audits on selected University of Montana Auxiliary facilities. This work is the same as the work that McKinstry recently performed for the Montana State University auxiliary facilities per approval of BOR Item 154-2005-R0112 in January 2012.

**Technical Energy Audit**

This phase involves investigation of potential energy, water, and operating savings associated with energy consuming systems in buildings. An initial list of identified projects, or Facility Improvement Measures (FIMs), is then reviewed and reduced to those that meet the Owners' goals for the project, including financial performance and retirement of deferred maintenance. The analysis of this optimized list is then taken to an investment grade quality which involves detailed energy modeling to confirm potential savings and complete schematic design to arrive at a guaranteed maximum price of construction. The Investment Grade Audit is the basis for the final selection of FIMs that are then bundled into a project to be implemented through the EPC. A monitoring and verification plan to measure the success of the implemented project is developed and included in the EPC.

McKinstry is now putting the final touches on the Investment Grade Audit Report, which will become

the basis for the initial construction contract. This focuses on the specific modifications that the campus has selected for inclusion in its project. While final selection of the modifications is dependent upon the completion of the Investment Grade Audit, the University Center Project is expected to involve approximately 7 specific modifications. The overall construction cost for these projects is expected to be in the range of \$1.6-\$1.7 Million, and it is expected that the modifications will produce energy savings that would fulfill an overall approximate payback schedule of less than 15 years.

The request for final approval of this project and the associated funding plan will be submitted at the September 2012 Board of Regents meeting.