

January 19, 2012

**ITEM 154-2005-R0112**

**Authorization to Execute an Energy Performance Contract for Auxiliaries Facilities – MSU (Bozeman Campus)**

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**THAT**

Consistent with provisions of MCA § 20-25-302, the Board of Regents authorizes Montana State University to proceed with an Energy Performance Contract to execute projects in various Auxiliaries Facilities for a project total of \$9.1 million and to secure a loan from the Montana Board of Investments.

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**EXPLANATION**

1. Regents Item 147-2004-R0510 authorized MSU to contract for an energy audit of Auxiliary Facilities for \$550,000, the result of which would lead to a defined set of energy conservation projects for which MSU intended to subsequently enter into an energy performance contract as authorized by MCA § 90-4, Part 11. The energy audit encompassed over 2 million square feet of facilities including the SUB, Student Health Center, Student Fitness Center, Fieldhouse, 10 major residence halls, and over 80 Family housing units. In that Board Item, MSU advised the Regents that after completion of the energy audit, the scope of overall energy conservation projects would be established, and MSU would return to the Regents to seek approval to enter into an energy performance contract.
  2. Subsequently, MSU followed statutory and Dept of Environmental Quality processes and selected McKinstry Company, Inc., as the Energy Services Contractor to perform the energy audit and the eventual energy conservation work under an Energy Performance Contract.
  3. At the January 13, 2011 Regents meeting, MSU presented additional information (Information Item titled Energy Conservation Projects – MSU) which provided an update regarding the energy audit of Auxiliary Facilities and an outline Plan of Action & Timeline for proceeding with proposed energy conservation projects.
  4. At the March 3, 2011 Regents meeting MSU presented additional information (Information Item titled Energy Conservation Projects - Auxiliaries Facilities - MSU) which updated the status of the energy performance contracting process and provided an overview of the proposed energy performance contract process; specific provisions of the energy performance contract including guaranteed energy savings, guaranteed maximum project costs; performance by McKinstry on previous and current contracts and client list; and McKinstry's financial information.
  5. This project includes energy conservation projects that will be funded from two sources:
    - a. A series of window and lighting system replacements (which will have energy conservation and safety components) will be funded with current R&R funds (~\$4.4-\$4.6 million) - i.e., funds will not be borrowed to accomplish this portion of the project. These windows and lighting systems are >60 years old, have served beyond their project useful life spans and are no longer serviceable – more importantly we can no longer get replacement parts to keep the lights or the windows operating reliably and safely into the future. In addition to the avoided energy costs, this work will increase student safety and comfort in the residence halls.
    - b. MSU will borrow ~\$4.5-\$4.8 million (Board of Investments Loan) to accomplish the remainder of the overall project. The overall project will produce an estimated \$372,000 per year in energy savings, for a simple payback of the borrowed funds of ~11.7 years.
  6. This Regents Item authorizes MSU to finalize an Energy Performance Contract for up to \$9.1 million on projects with energy conservation and safety components and authorizes MSU to negotiate the financial agreements, with a term of no more than 15 years, as necessary to finance up to \$4.8 million of the work.
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**ATTACHMENTS**

- A. Project Cost Breakdown