

**SPECIAL COMMITTEE ON ENERGY CONTRACTS AND RELATED  
ACTIVITIES**

**May 18, 2010**

**5:30 PM**

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Osborne, Corriveau, Greazzo  
Alderman Shaw arrived late.

Messrs: K. O'Maley

Chairman Shea addressed item 3 of the agenda:

3. Presentation by the Facilities Division on potential energy projects and funding sources.

On motion of Alderman Osborne, duly seconded by Alderman Greazzo, it was voted to discuss this item.

Mr. Kevin O'Maley, Chief Facilities Manager, stated Tim Clougherty asked me to put some information together on funding opportunities that we have here in the City. Just recently I handed out a little overview. Included in that package is some generic information on as many of those opportunities that I could put my hands on. I don't know where you are at with this. I can go into as much detail as you want on each one of these things or answer any questions.

Chairman Shea stated Alderman Corriveau had requested this information, I am not sure if you have any questions to ask.

Alderman Corriveau stated Kevin, maybe you can just start with the ARRA funding. You mentioned a little over a million dollars, \$1, 049,000. Is there any delineation in that funding of what goes to the City and what goes to the School District? I know you mentioned the West High School boilers in your synopsis. I don't know if there is any sort of process whereby money is directed specifically

to the School District and they pay for the boiler or is that something that all money is given to the Facilities Division and we go from there.

Mr. O'Maley replied to give you a little bit of history, this all started with the ARRA funding, back in February or March of last year. Through the stimulus package I think the state was given \$16 million or \$17 million. Of that, the top ten municipalities in the state got a direct grant based on a formula. All we basically had to do was apply for it and that was the \$1,049,000. In order to get that grant we had to put an energy conservation strategy together and there were five components to that. With energy savings projects in particular, we took the position, whether they were schools or municipal facilities that they were all City owned facilities. We are in the process right now of looking at the energy profile for each particular building to see where our best opportunities are, but as far as that funding is concerned, we can use it on City buildings or the School District buildings.

Alderman Corriveau stated okay. The West High School boilers will consume roughly half the funds so the decision was made that something has to be done. Did you decide that we need to go forward with that through this particular source of funding?

Mr. O'Maley stated when we put our list of CIP projects together we ranked those by level of urgency and we were having a number of problems with the boilers at West High. Over the course of every summer, every time we did an inspection we would were either replacing tubes in the boiler or blocking them off and it was something that we were uncomfortable leaving for another year. When we were looking at funding sources through the CIP process this fit the stipulations in the ARRA funding because we are taking the boilers, there are two 600 packaged Cleaver-Brooks units at West High and we are going to replace them with a new technology called condensing boilers and there should be a significant savings by replacing the boilers there so it fit the criteria that we had originally outlined in our strategy for the ARRA funding.

Alderman Corriveau stated you mentioned that the boilers will consume roughly half, so we will be left with a little over half a million dollars through the rest of the stimulus funding?

Mr. O'Maley replied correct.

Alderman Corriveau asked when do we have to make decisions on what we will be spending that on? What is the deadline?

Mr. O'Maley replied for the ARRA funding, I think we have to have it all obligated within 18 months. There is no real super urgency to get that done. Just to back up on the process a little bit..

Alderman Corriveau interjected if you could just give me a timeline.

Mr. O'Maley replied I would have to go back and take a look but I think that we were talking about sometime in 2012 that we had to actually get that spent but we had to get it obligated six to twelve months before that.

Alderman Corriveau stated okay, so some time next year?

Mr. O'Maley replied well, this is 2010, so we are looking at 2012. Again, I don't know how much detail you want but the process we have gone through up to this point is that we have engaged an organization to look at the energy profile of each building so we took a twelve month period and we were taking care of roughly 2.8 million square feet and we looked at roughly 800,000 square feet that we thought were the biggest energy users. From that list we just got last week, there are probably 159 projects and we ranked them according to the size of the project, amount of savings and the return on investment on each one of those things.

Alderman Corriveau asked you said you just got that last week?

Mr. O'Maley replied right, we just got it. I think there were 155 or 159 projects on it and that is only of the 800,000 square feet. From an engineering perspective we can extrapolate that and determine how much more savings we can get out of the other two million square feet. Right now we are going through that list. We are looking at these other funding opportunities and to see how we can put a package together that makes the best sense for the City.

Alderman Corriveau stated maybe I missed this but did you say the list is prioritized yet in terms of cost or efficiencies?

Mr. O'Maley replied we have ranked the list a variety of different ways. We are slicing and dicing that a lot of different ways so we can see how we can best package those things. For example, for the remaining half a million dollars, do we want to take that half a million and invest it strategically in things that have a quick payback or should we look at other things that we are having problems with like the West High boilers and that type of information? Like I said, we are kind of taking our first looks at the information. We have to get the team together and make some recommendations about what we think the best thing to do is and the Board of Mayor and Aldermen will decide accordingly.

Alderman Corriveau asked so you plan has always been to come back before the Committee with the list once it had a little more meat to its bones?

Mr. O'Maley replied absolutely.

Alderman Corriveau stated if I understand the stimulus money, the bottom line is, we have a little over a million dollars. At this time we are about to spend about half a million on the West High School boilers, leaving us with a little over a half a million dollars that we are obligated to spend by sometime next year and actually have the projects done by 2012. Is that right?

Mr. O'Maley replied yes.

Alderman Osborne stated I guess the main purpose here is to save on energy. Is that the main thrust?

Mr. O'Maley replied as part of the stimulus package you end up running into the same things but it is reducing your carbon footprint, reducing your carbon emissions, reducing energy. They all kind of fit together depending on the type of project. Some are greener than others but those are a lot of the overall concepts when they put this together initially.

Alderman Osborne asked do these boilers also maintain the hot water as well?

Mr. O'Maley replied at West High there is a separate hot water tank that takes care of the hot water there.

Alderman Osborne asked do they use a lot of hot water? I'm just curious. Not much in high schools, do they?

Mr. O'Maley replied no, I would say from looking at the energy information, it is probably less than 3% of the total utility cost in the buildings. It is not very significant.

Alderman Osborne asked how come they can't have it run off the boiler? Why have it separate?

Mr. O'Maley replied that is one of the things we are looking at. We looked at it from an engineering perspective. We have a budget we are trying to meet and we had the bid opening earlier this week and we are meeting with the contractor tomorrow morning. What we did was we broke the project into a number of alternates so that is one of the things we are going to consider is if it makes sense for us to do that now or some time in the future. There were some breeching and

chimney issues that we had bid alternates as well. So we are going to make all of those decisions before the end of the week.

Alderman Osborne asked what about the other two high schools, Memorial and Central? How are their boilers there? Are they as old? Are they in better shape?

Mr. O'Maley replied that is a whole other topic of conversation when you talk about differed maintenance. Those are some of the things that we are trying to take into consideration. I don't have the specific dates or installation dates at Central but I think those are either approaching rapidly or beyond their useful life at Central. I think Memorial is in a little better shape. I think those boilers are a little newer over there. Those are some of the questions that we are asking through the energy audit process.

Alderman Osborne stated I would certainly look into the hot water aspect. If you are going to be doing a new boiler you might as well hook up the hot water to it rather than adding a second way of heating the water. It gets quite expensive. Some of these water heaters are running 24/7 whether you are using it or not. They can run up a bill quite a bit.

Alderman Greazzo stated out of that million dollars, Alderman Osborne has mentioned in the past, compact florescent light bulbs. Can you change out the lighting in the schools? That would save a good amount of money.

Mr. O'Maley stated when we got the audit information and that 159 projects list, there was probably close to a million dollars worth of lighting retro fits that were included in that energy analysis and audit.

Alderman Greazzo stated well we certainly don't have to do it all at once. We can start piecemeal, start phasing it out. What about renewable energy sources? I know that our schools have pretty expansive roof lines. Can we start incorporating some solar panels or some small wind turbines? Things like that.

Mr. O'Maley stated that has been part of our discussions. We would like to have some sustainable alternatives to put into some of the facilities whether municipal or School District buildings. There are a lot of rules of thumbs you can look at when you do the analysis on those. If you are looking at a photovoltaic system or something like that you are probably in the 17 year plus timeframe. Turbines are probably up at about 15 years for payback. There is a pretty substantial investment, a capital, without a lot of return. That doesn't mean that we shouldn't be looking at it and shouldn't be doing those things but those are some of the things we are trying to flush through right now. Should we look at some greener

alternatives that are maybe more expensive, or should we really just look at trying to reduce operational savings from the budget?

Alderman Greazzo asked when you say a 17 year payback, is that a large project or is that an incremental approach? I would think you would get a lot quicker return if you start little by little.

Mr. O'Maley replied the bigger the project is, the shorter the payback. If you are talking about a one megawatts system like they have over at Exeter High School, they were above a 20 year payback in their calculations just for that component alone. I would find it hard to believe we would be able to put anything bigger than a megawatt anywhere here on the City facilities. If you had a four or five megawatt plant that might reduce it to maybe 15 or 16 years but those rules of thumb kind of always play themselves out.

Alderman Greazzo asked is that information that you can get back to the Committee so that we can be up to speed on the things that you have on your radar as far as renewable energy sources?

Mr. O'Maley replied we would be happy to provide a list of the things we have been looking at.

Alderman Corriveau asked Kevin, when was the last city-wide energy audit?

Mr. O'Maley replied I can't say for certain. I think the City roughly ten years ago entered into a performance contract with a company called Nelesco where they started analyzing buildings so it has been a while.

Alderman Corriveau asked in your opinion is the City in need of a new energy audit?

Mr. O'Maley replied I will answer this two ways. First of all, when we are doing these energy profiles, we benchmark all the buildings against other buildings nationally. The EPA has a lot of information and portfolio management and that type of thing. I would tell you, I am relatively new here so I am not taking credit for this. The City has done an incredibly good job on energy management. When you boil it down to energy per square foot, like btu's per square foot or something like that, I will give you an example. Parker Varney portfolio manager scores buildings on a scale of one to one hundred, Parker Varney was a 95 with 100 being the best. What we did was from an analysis prospective we did a scatter diagram with all the buildings in the City and the School District and they all came out into this lower left hand quadrant which shows that they don't consume a lot of energy and they are very energy efficient but there were two or three in the

quadrant that you want to focus your attention on. Again, I think the City has done a great job but I think there is more opportunity where we can save money or do green projects or whatever else the Board wants to accomplish.

Alderman Corriveau asked would you mind getting copies of the most recent, even if it is a decade old, energy audit to members of the Committee?

Mr. O'Maley replied yes.

Alderman Shea stated there are some bullet points here. One I would like to read for the general public and then I would like you to comment on the other bullet points. One is the utility rebates. The Facilities Division has done a very good job in getting rebates from PSNH and from National Grid. In 2009, we got close to \$250,000 and this year we expect to get at least another \$200,000. These rebates are usually returned to the City or School District general fund. We recommend giving the Facilities Division the ability to use these funds to invest in other energy projects. That is commendable. There were other bullet points that you have and if you can just comment briefly because maybe some of the other members of the Board have questions also.

Mr. O'Maley stated the first bullet point we talked about was the stimulus funding or the American Resource and Recovery Act. The second bullet point is also stimulus funding that came down through the state called the Qualified Energy Conservation Bond. The City has available to it, if they want to take advantage of it, \$1,129,000 that would be basically a bond that we would not pay any interest on. When you look at the savings associated with that, when you can accomplish...for example if you had a 20 year bond on \$1 million, the debt service on that would be \$50,000 a year and there is no doubt in my mind that we could far exceed savings of that \$50,000 probably by a factor of four or five. The next point is the greenhouse gas emissions reduction fund, which is managed by the Public Utilities Commission. For some reason we still haven't got an answer to the question. The PUC specifically excluded school districts and municipalities from projects in this class. They expect the funding from this public utilities entity to probably be \$15 million or \$16 million as well for this year. What we have done is we are in the process of pulling together a group of organizations, the DRED, Velcro, some local businesses and what we are going to do is see if we can put a program administrator in place to request three or four million dollars from this project and see if we can get the funding through the program administrator directly to the City of Manchester. PSNH Smart Start is a program through Public Service of New Hampshire where it is just available to municipalities. It is a pretty simple program but for example if your electric bill is \$1,000 a month and if you invest \$3,000 in a program like that and save \$500, PSNH will take that \$500 of savings and keep it tacked on to your bill until that \$2,000 project is paid off.

There is really no saving initially to the City until the project is paid off but that is one of the things in the utility rebates that we have really taken advantage of. The last bullet point is performance contracting. I mentioned the City entered into a contract with Nelesco a while ago but basically the simple concept is that they will come up with a number through all of these audits and guarantee some savings. There is basically a mortgage payment to get a lot of this work done. If we invested \$5 million and it generated \$500,000 worth of savings that \$500,000 would go to pay off the project, however the term worked out, whether 10, 15 or 20 years, whatever it might be.

Alderman Osborne asked what condition are the windows in?

Mr. O'Maley replied off the top of my head we have probably four or five school buildings that we are going to need to do some work on the windows and that is something that was captured in the audits as well. It's like a boiler replacement or photovoltaic panels. Unfortunately they are long-term payback items but it is also deferred maintenance that we need to get our arms around at some point in time.

Alderman Osborne asked which high school, do you know, has the worst windows?

Mr. O'Maley replied I think the high schools are in pretty good shape. Bakersville Elementary would be one that we need to do something pretty quickly on. We need to address the issue there.

Alderman Osborne asked so all the high schools and especially West High School where you are going to be replacing the boilers, the windows are all great in that particular high school?

Mr. O'Maley replied I wouldn't say they are great but...

Alderman Osborne interjected well energy is energy. Without good windows you are throwing your money right down the sewer I guess.

Mr. O'Maley replied I agree with you.

Alderman Osborne asked you say that they are satisfactory?

Mr. O'Maley replied the high schools are in pretty good shape, yes.

Alderman Lopez stated I want to thank the Committee for meeting because I think it is a great subject and there is a lot of money out there. I have two questions. Have you discussed the Qualified Energy Conservation Bond with the Finance Officer in reference to \$1.1 million?

Mr. O'Maley responded we had an initial conversation. We are meeting on that again later on this week.

Alderman Lopez stated the second is contracting out Aramark. Is there a cost to that?

Mr. O'Maley replied the way the performance contracts are set up and we have initially taken the approach that we are going to enter into a performance agreement with them but all the up front costs, all the costs of the audits, cost of the financing and all of those types of things are rolled into the mortgage payment so there is no up front cost for them to do anything like that.

Alderman Lopez stated I guess my last comment is, make sure that the Committee and the Aldermen are well versed in what is going on because I think we found out about that \$1 million just like that. I think it is the appropriate Committee to handle energy so as the projects go forward I would wish that you bring them through Kevin or the Committee to work with the Chairman on.

Chairman Shea stated rest assured Alderman Lopez that we will be closely monitoring that by meeting every month or every other month. Thank you for that.

Alderman Arnold asked Kevin, about the REGI funds or at least the funds that were created by the REGI legislation; you said that the Facilities Division is working with a group of non-profits or state agencies to become the beneficiary of some of that money? Is that right?

Mr. O'Maley replied correct, but there are for-profits in there too. We figured we would stand a better chance if there was a good cross section and we didn't just deal with municipalities or not for profits.

Alderman Arnold asked the deadline is coming up pretty soon, isn't it?

Mr. O'Maley replied yes, it is June 1<sup>st</sup>. They actually came out with the RFP late but they didn't extend the deadline at all so we are scrambling to get that in place.

Alderman Arnold stated out of curiosity, because of how close the deadline is, is the one million dollars estimate, in your opinion, something that is realistic at this point? Or is that something that maybe we would hope for in future years?

Mr. O'Maley stated we are anticipating getting it in this round. In the current RFP that is due June 1<sup>st</sup>, I think the TUC make their recommendations sometime in the month of June but once they go through the executive council process and those type of things, they plan on awarding everything early in the fourth quarter. We have talked with some consultants right here in Manchester that have done a lot of work on REGI submissions in the past. I think it is going to be incredibly competitive. I think there are a lot of people out there even though there is a three week horizon to get this thing done. The people that have some experience with this feel pretty good about our response.

Alderman Osborne stated I am going to finish up this energy audit. How about insulation in these buildings? How are they?

Mr. O'Maley replied again, it depends on the building but...

Alderman Osborne interjected the high schools; let's go with West High seeing how we are putting new boilers in there.

Mr. O'Maley replied West is in pretty decent shape. Instead of just insulation, what we have had another consultant take a look at is building envelope and that would include the windows, insulation, and roof, all of those types of things. We have done some thermo graphic analysis and taken pictures of that to see where the heat is escaping. My recollection is that the high schools are probably in better shape than a lot of the elementary schools.

Alderman Corriveau stated Kevin, getting back to the Qualified Energy Conservation Bonds, sort of following up on Alderman Lopez's questioning, it says in your synopsis that if we use these bonds with building aid a decision is needed in early June, so very soon. Could you explain why a decision will be needed at that point?

Mr. O'Maley stated I don't know if the Governor has signed it or not but the building aid component has a moratorium on it for next year. One of the things we did when we heard there might potentially be a moratorium on these things, there had to be applications submitted before the end of last year so we probably submitted six or seven different projects that we thought the City or the School Board might want to undertake. Those are preliminary applications. They have been approved by the Department of Energy. If we don't have authorization for

those bonds by June then it would roll into the next time there is a cycle opportunity for building aid, which would be fiscal year 2012.

Alderman Corriveau stated so even though we don't actually need to notify the state until December, we need to go forward, should we decide to go forward, I assume you will be having conversations with Mr. Sanders and the Finance office. We would need to move on that sometime probably within the next month or two to three weeks.

Mr. O'Maley replied correct. They are two separate things. For the bond, we have until the end of the year to make the decision, just for the bond itself to get that zero interest bond, but if you want to integrate the building aid opportunity on top of that we need to make a decision within the next six weeks or so.

Alderman Corriveau asked could you explain the benefits as well as the detriments of combining this with state building aid? Why that might be a good thing for the City? Why it might not be? I know one of the reasons why it might be is it buys us a little extra time.

Mr. O'Maley replied again, I would have to defer to the Finance Department but roughly depending on the type of school it is...

Alderman Corriveau interjected that is fine, just on your end.

Mr. O'Maley stated depending on the type of school it is, such as an elementary or middle school, I believe we get a 40% component on the principal of the bond. Being that there is no interest on it, that would apply to that total bond payment. The Manchester School of Technology I think gets \$.75 on a dollar for building aid and high school is roughly \$.50 on a dollar. In my mind there are probably a couple of ways to look at it. We can apply the building aid just to that bond or we could potentially bond more than that and have the building aid pay for the component that we bonded in addition to that.

On motion of Alderman Greazzo, duly seconded by Alderman Shaw, it was voted to forward this information to the full Board.

There being no further business, on motion of Alderman Corriveau, duly seconded by Alderman Osborne, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee