

January 10, 2011

Mayor Donald Merkes
City of Menasha
140 Main Street
Menasha, WI 54952

Dear Mayor Merkes:

Thank you for your time and that of your staff on December 9, 2010. I appreciated your input and feedback and trust that you found the One-2-Five[®] Energy diagnostic session an informative and worthwhile exercise. This process has been successfully used to help more than 2,610 facilities and plants define their critical next steps that drive their energy management program and deliver long-term savings.

The attached output and benchmarking reports from the diagnostic show a snapshot of the current overall energy management performance for your site. EnVinta's One-2-Five[®] Energy database contains 103 sites in your industry sector of "Local Government Administration" and your results are compared against these sites. The diagnostic process revealed that:

- You rated your operations at the 2 star level, which indicates that having undertaken basic waste reduction activities you are currently establishing the systems and implementing the strategies necessary for a strategic and comprehensive approach to managing energy-related issues. Of the 103 total sites in the benchmarking database for this industry sector, 46 of them rank as 1 star sites, and 49 rank in your category of 2 stars. Additionally, there are five 3 star sites and three 4 star sites.
- The site has an International Benchmark Rating of 1.39, which is well above the industry sector average of 1.19, and significantly below the industry-leading score of 3.72.
- Based on an extrapolation of usage and Star score data for your industry, indicative annual savings in the range of 12% to 15% (\$40,000 to \$50,000) could be available if you continue to incorporate additional energy management best practice processes throughout your operations.
- The City of Menasha scored 16 of the 22 elements evaluated at bronze level or above and has a star rating equivalent or better than 92% of participants in the industry. The One-2-Five[®] Energy benchmarking indicates that 55% of the elements for this site scored at or above average relative to the "Local Government Administration" sector. The City

of Menasha scored at the Platinum level for one of the elements (element 8.1 Efficiency of Existing Plant Design).

During the diagnostic we identified a number of areas where further development could still occur and these are discussed in the following report with the critical next actions highlighted below. As we discussed, One-2-Five[®] Energy helps identify the most important next steps for further developing your energy management program – extracting greatest value from resources by ensuring each project undertaken is supported by other relevant activities. As you have experienced in other parts of your business, namely quality, safety, and environment, taking a systems approach and establishing sound business processes is a critical success factor in a management program and necessary to establish the right environment for achieving sustainable benefits - energy is no different.

One-2-Five[®] Energy has recommended that you initially focus on actions in the following areas:

- 1. *Demonstrated Corporate Commitment*** - A feature of every successful management program is commitment and leadership from top management. This means that senior management, right to the CEO and Board level, demonstrate that energy management matters in the organization, communicate this effectively, and ensure that results are achieved. Most organizations with successful programs have a written energy policy that incorporates clear, quantified objectives for improvement in energy performance. This need not be an elaborate effort, rather a brief directive communicating management's commitment and support to specific energy management goals can be just as effective. A regular agenda item at executive-level manager meetings providing for regular reporting on the organization's progress towards the established policy goals, serves to reinforce the importance of the endeavor over time.
- 2. *Understanding of Performance and Opportunities*** – Clearly, The City of Menasha has made strides in understanding energy performance and responding to opportunities. Establishing the energy use per unit of output for each major area or process may give the organization insight into opportunities for cost control beyond just the already-captured “low-hanging fruit”. This level of understanding the energy use will also help in focusing resources in those areas that will return the largest benefit given their degree of energy intensity and therefore production cost impact. Furthermore, implementing a process of comparing normalized performance data of related sites or site operations could make additional advancement in the organization as a whole. This activity can serve as the basis for establishing accurate targets for further improvement based on the performance of the top sites in each category.

Financial assistance for engineering studies and engineering audits are available from Focus on Energy program.

- 3. *Accountabilities*** – Making the actual energy end-users accountable for their overall energy usage are a watershed issue in a site’s energy program and are one of the best ways to encourage operational staff to fully participate in the energy management initiatives. Transfer of accountability depends on good metering so that the energy usage can be successfully assigned, as well as a demonstration of how facilities management and engineering can support the responsible parties achieve significant reductions in usage. Being held accountable will lift the profile of energy management within operations and personnel will be more inclined to assist with the identification of opportunities for equipment retrofit, as well as potential improvements within operational procedures and areas requiring maintenance attention.

- 4. *Criteria/Budgets for Capital Expenditure (CAPEX)*** – Evaluating energy projects with the same criteria and financial hurdle rate as other projects are important to produce significant reductions in energy operating costs. It is recommended that the energy team work with the City of Menasha’s financial representatives to work towards implementing this process.

We Energies along with Focus on Energy can provide training opportunities for developing effective energy management plans through the use of Focus on Energy’s Practical Energy Management (PEM) program

- 5. *Reporting, Feedback and Control Systems*** – Typically organizations focus on engineering solutions to drive their energy efficiency initiatives; however, substantial benefits can be obtained by tightening control on energy usage during normal operation. Energy usage by unit operation should be optimized and variances discouraged. To be successful at this, organizations need to ensure quality information is provided to the operators in a format that makes it easy for them to assess where wastage is occurring. These should be backed up with defined actions to reduce any wastage identified.

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We Energies and Franklin Energy Services would like to thank The City of Menasha for their participation in the One-2-Five[®] Energy diagnostic session. We trust this Management Systems Diagnostic Session provides the basis for identifying opportunities to reduce your energy costs. There are a number of programs and services available through We Energies and Focus on Energy that you may find useful in implementing the above recommendations and generally support your energy management activities.

Best Regards,

Harvey Oates
Franklin Energy Services

Energy Diagnostic

City of Menasha

Menasha

Prepared for

Donald Merkes

Prepared by

Harvey Oates

Diagnostic Review Completed on

December 07, 2010

Next Recommended Review

March 07, 2011

Star Rating

The Star Rating is One-2-Five Energy's main ranking of your systems for energy management and follows the definitions listed below. The Star Rating also forms the basis for benchmarking at www.one-2-five.com, enabling you to compare your performance against other sites within your own operations and against other organizations.

Your Star Rating



- 1 Star - Limited focus on energy
- 2 Stars - Basic waste reduction activities
- 3 Stars - Formal systems for energy being established
- 4 Stars - Energy systems integrated into business systems
- 5 Stars - Achieving best practice & continuous improvement

Annual Energy Costs and Savings

The following savings estimates are based on your type of business and your current Star Rating. Savings opportunities are typically greater when your organization's Star Rating is low. As you implement systems, you achieve greater and sustainable savings.

Total Energy Costs	\$330,282.
Indicative Energy Savings *	\$40,000 to \$50,000.
Total Greenhouse Gas Emissions ^	2,000 tons of carbon dioxide
Indicative Greenhouse Gas Emissions Savings *	200 to 300 tons of carbon dioxide
Energy Costs as % of Variable Operating Costs	Not Specified.

* Broad indicative savings only for similar types of organizations with your star rating. It should be noted that a specific site review is required to determine your savings opportunities. This range is only provided to give an idea of preliminary scope for savings. ENVINTA and the distributors of this product do not guarantee that your organisation can achieve these indicative savings.

^ Greenhouse Gas Emissions are based on available average emissions co-efficients. Actual emissions will vary from site to site based on the specific energy sources used by the site. Emissions do not include purchased steam.

Overview

The Diagnostic Results section is a summary of your organization's performance in energy management as identified by your responses to the diagnostic session.

Levels of Development

The elements are each rated in one of five levels of development.

- Yet to qualify indicates that your organization has a limited focus on this element of energy management.
- Bronze level indicates a waste cutting approach is used for this element.
- Silver level indicates that you are starting to manage this element with formal systems.
- Gold level indicates that you manage this element with established systems, which are integrated into everyday business.
- Platinum level is achieved where you manage an element with best practice systems and have a continuous improvement program driving further improvement.

Areas for Focus

Elements that are identified as critical should take precedence at this stage of development in your systems for energy management. Selection of these Critical Elements is based on results from the diagnostic, and also your ranking of the importance of each element to your organization. The actions listed in the Recommended Actions section address these Critical Elements.

Element	Level of Development					User Priority	Critical Action Items
	Yet to Qualify	Bronze	Silver	Gold	Platinum		
1.1 Demonstrated corporate commitment						Medium	Critical
2.1 Understanding of performance and opportunities						High	Critical
3.1 Targets, performance indicators (KPI) and motivation						Medium	-
3.2 Plans						Medium	-
4.1 Accountabilities						Medium	Critical
4.2 Awareness and training						Medium	-
4.3 Resourcing						Low	-
5.1 Criteria/Budgets for capital expenditure (CAPEX)						High	Critical
5.2 Energy operating budgets						Medium	-
6.1 Purchasing procedures and alternative energy options						Low	-
6.2 Quality and reliability of supply						Low	-
6.3 Optimizing purchasing within supply agreement						Medium	-
7.1 Operating procedures						Low	-
7.2 Maintenance procedures						Low	-
8.1 Efficiency of existing plant design						Low	-
8.2 Procedures - plant design/retrofit, purchasing/replacement						Medium	-
8.3 Innovation and new technology						Medium	-
9.1 Metering and monitoring						Low	-
9.2 Reporting, feedback and control systems						Medium	Critical
9.3 Documentation and records						Medium	-
10.1 Energy cost performance in the past 12 months						High	-
10.2 Auditing progress						Medium	-

Overall Ranking : 2 Stars

% Achievement : 30%

% required to reach next Star level : +17%

Demonstrated corporate commitment

Evaluates the extent to which senior management has shown that energy management matters, and how effectively this attitude is communicated. A feature of every successful management program is commitment and leadership from top management. This means that senior management, right to CEO and Board level, demonstrate that energy management matters in the organization, communicate this effectively, and ensure that results are achieved. This section evaluates how effectively these goals have been accomplished. Most organizations with successful programs have a written energy policy that incorporates clear objectives for improvement in energy performance. The best policies reflect real action; the worst are statements of wishful thinking. This is why we focus on policies being linked to practical implementation plans and delivery.

Understanding of performance and opportunities

Evaluates the level of understanding of current energy performance, and the risks and opportunities associated with "best practice". Effective organizations need a baseline measure of current energy performance. This is essential to understanding the importance of energy costs in operations, to prioritize actions, and as a basis for comparison to identify gains made. Initial estimates of the scale of savings opportunities will come from benchmarking against other similar operations and through detailed technical evaluation of process.

Accountabilities

Assesses whether you have the right people accountable for managing energy costs and the extent to which these people have their role formalized. This is a key problem area in many energy management programs. The One-2-Five® Energy approach is to ensure major energy users become accountable for their own energy use and have the tools to do this effectively. An early step in many programs is to appoint a site engineer to the role of "energy manager". In such a role, the person typically has all the responsibility and little authority over usage. This is not only a thankless task but also relatively ineffective in achieving change, once the simple technical waste projects have been implemented. A process driven by end user operations is more effective.

Criteria/Budgets for capital expenditure (CAPEX)

Evaluates the effectiveness of management processes for allocating capital funds to energy projects. It is quite common in practice (if not principle) for organizations to require energy management projects to achieve higher returns (shorter pay-backs) than operational projects (like increasing output or introducing a new product). Effective organizations recognize that energy savings projects have the same value as other projects when assessed against the company's investment criteria, and that they often involve far less risk. This element also tests whether energy efficiency assessments are conducted for major new projects. As greenhouse gas emissions and energy-related pollution become more important, effective organizations will assess these emerging risks and may vary hurdle rates for projects with major impacts in these areas.

Reporting, feedback and control systems

Once you can effectively measure energy use, the next step is to manage the information for effective reporting and feedback systems, ensuring that variances are acted on by the appropriate people. This element tests your systems, and ties in quite closely with accountabilities. In practice, it seems that the best way to design effective reporting and feedback systems is to make sure accountabilities are correctly established and operations people are using the information to design their own reports. This is very different from the traditional engineering approach, which seeks to measure all the major variables, then tries to work out how to use the trend information.



Recommended Actions

How to use the Recommended Actions Report

The Recommended Actions are based on the Critical Elements identified in your Diagnostic Results. Progressing to the next level of development in any Critical Element may require several actions to be initiated. Actions should be targeted for completion as soon as possible (preferably within 90 days).

We suggest that these actions be used to develop an action plan, which includes clear activity statements and goals, plus resource assignment and a schedule for completion.

After completing some or all of your Recommended Actions you can reassess your progress by running another diagnostic session. One-2-Five Energy will then recalculate your Star Rating, Critical Elements and generate a new set of associated Recommended Actions. Note that addressing the Critical Elements via these actions is likely to contribute to progression in other elements.

Recommended Actions for Critical Elements from this Diagnostic

1. Criteria/Budgets for capital expenditure (CAPEX)

- a) Work with the organization's financial representatives so that energy projects are assessed with same financial hurdle rate as other projects in allocating capital expenditures.

2. Understanding of performance and opportunities

- a) Establish the energy use per unit of output for each major energy system (e.g. HVAC, elevators).
- b) Establish the potential energy savings for each major energy system (e.g. HVAC, elevators).
- c) Compare the energy performance of your plants/facilities against each other.

3. Demonstrated corporate commitment

- a) Bring energy costs to the attention of management. Emphasize that energy costs are controllable and are not a fixed overhead cost. If not already the case, list each energy stream as a separate line item in budgets.

4. Reporting, feedback and control systems

- a) Generate monthly reports depicting overall energy use per unit of activity (e.g. kWh per area) and examine results where they show large cost or usage variance from target.

5. Accountabilities

- a) Select one person to be responsible for energy management in each of your plants/facilities.



Benchmarking Report for City of Menasha

Diagnostic Review Completed: Tuesday, December 07, 2010

Compared to the One-2-Five Energy International Benchmarking Database on: Monday, January 10, 2011

Benchmarking reports can be accessed in real time at www.envinta.com.

There are currently:

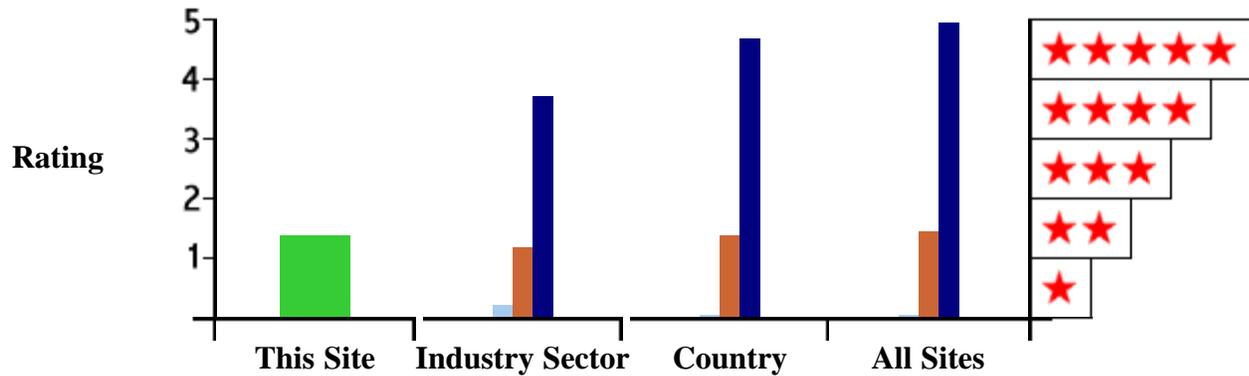
Industry Sector	Local Government Administration	103 sites
	Government Administration	147 sites
	Government Administration and Defence	158 sites
Country	USA	1620 sites
Total		2610 sites

Your site number and password are required to access benchmarking reports.

Site Number: WEE_0042

Password: ZhHMfmCd

City of Menasha
Industry Sector: Local Government Administration
This Site's International Benchmark Rating is 1.39
One-2-Five Star Rating is 2 stars



	Industry Sector	Country	All Sites
	Rating	Rating	Rating
■ Maximum Score	3.72	4.69	4.94
■ Average Score	1.19	1.38	1.45
■ Minimum Score	0.21	0.00	0.00

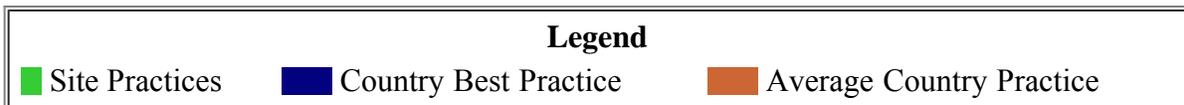
Local Government Administration

Element	Level of Development				Below Average	Critical Actions	
	YTQ	Bronze	Silver	Gold Platinum		Your Site	% of sites
1.1 Demonstrated corporate commitment					X	C	58.3
2.1 Understanding of performance and opportunities Targets, performance indicators (KPI) and						C	57.3
3.1 motivation							60.2
3.2 Plans					X		24.3
4.1 Accountabilities					X	C	39.8
4.2 Awareness and training					X		50.5
4.3 Resourcing					X		18.4
5.1 Criteria/Budgets for capital expenditure (CAPEX)					X	C	9.7
5.2 Energy operating budgets Purchasing procedures and alternative energy							2.9
6.1 options							10.7
6.2 Quality and reliability of supply							1.9
6.3 Optimizing purchasing within supply agreement					X		12.6
7.1 Operating procedures					X		12.6
7.2 Maintenance procedures							4.9
8.1 Efficiency of existing plant design Procedures - plant design/retrofit,							5.8
8.2 purchasing/replacement					X		14.6
8.3 Innovation and new technology							7.8
9.1 Metering and monitoring							34.0
9.2 Reporting, feedback and control systems					X	C	50.5
9.3 Documentation and records							5.8
10.1 Energy cost performance in the past 12 months							0.0
10.2 Auditing progress							17.5

Legend		
	Site Practices	
	Industry Best Practice	
		Average Industry Practice

USA

Element	Level of Development				Below Average	Critical Actions	
	YTQ	Bronze	Silver	Gold Platinum		Your Site	% of sites
1.1 Demonstrated corporate commitment					X	C	52.7
2.1 Understanding of performance and opportunities Targets, performance indicators (KPI) and						C	65.2
3.1 motivation							58.1
3.2 Plans					X		35.6
4.1 Accountabilities					X	C	36.8
4.2 Awareness and training					X		44.5
4.3 Resourcing					X		12.2
5.1 Criteria/Budgets for capital expenditure (CAPEX)					X	C	6.3
5.2 Energy operating budgets Purchasing procedures and alternative energy							2.8
6.1 options					X		9.4
6.2 Quality and reliability of supply							3.7
6.3 Optimizing purchasing within supply agreement					X		10.3
7.1 Operating procedures					X		18.0
7.2 Maintenance procedures							7.6
8.1 Efficiency of existing plant design Procedures - plant design/retrofit,							4.3
8.2 purchasing/replacement					X		7.8
8.3 Innovation and new technology					X		3.0
9.1 Metering and monitoring							47.2
9.2 Reporting, feedback and control systems					X	C	50.2
9.3 Documentation and records					X		3.3
10.1 Energy cost performance in the past 12 months							0.0
10.2 Auditing progress							20.3



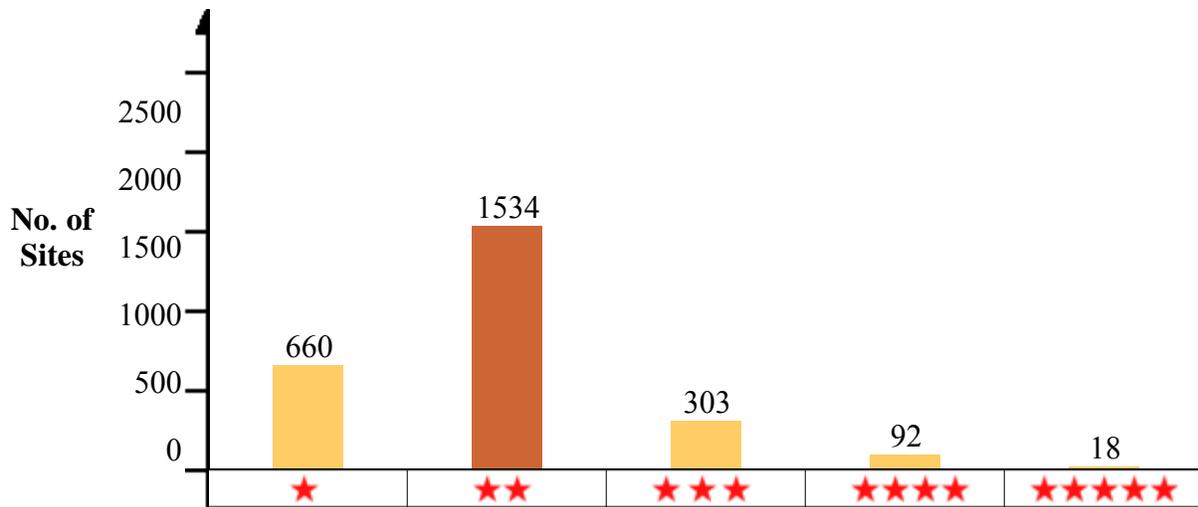
Local Government Administration
The average International Benchmark Rating is 1.20



Legend

Your site	Other sites
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All Sites
The average International Benchmark Rating is 1.50



Star Rating (All Sites)

