

[Back](#)

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Capital's biomass plant hits roadblock

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MONTPELIER — The state capital has scrapped plans to put a bond vote on the March ballot to fund construction of an innovative biomass heat and energy plant, raising concerns that plans were too fluid and uncertain for a vote.

City officials have also learned that the plant may not need to be as large as proposed, which raises questions about its financial feasibility and will require redesign of the project, causing problems and added cost for the bidders.

The Montpelier City Council learned these developments last week on the fast-moving and fluctuating district heat and energy project, and it quickly emerged that councilors were uneasy with the pace of the project and some of the uncertainties.

"It sounds to me like we're just winging this, moving on the fly on this project," city councilor Tom Golonka.

Amid these worries, city councilors decided unanimously to hold off on bonding for the pricey proposal — bids came in at more than \$30 million — to build a biomass heating plant in the Capital City leaving open the option to hold a special vote at a later date.

Montpelier's director of planning and community development Gwen Hallsmith had hoped for a bond vote on Town Meeting Day in March. Hallsmith maintained a shred of hope at the beginning of Wednesday's meeting that the vote could happen early next year. As the meeting wore on, however, it became clear the council had no interest in putting a bond before voters with so many parts of the project still in flux.

The council was briefed Wednesday in City Hall chambers by Harold Garabedian, the district heat and energy project manager; Justin McCabe, a member of the Montpelier Energy Advisory Committee; and Hallsmith.

The biggest news Hallsmith and others delivered to councilors Wednesday was that the biomass plant would not need to produce as much heat for state buildings as original estimates indicated. This means the designs proposed by the three bidders on the project are too large and a smaller plant is needed.

"Basically the plants are just too big, and financially that means it just doesn't work," McCabe said Thursday.

That revelation complicates things, because according to the energy committee, the new scope of the project would require new bids with new technical and financial data that assumes a smaller plant, McCabe said.

But how to get revised data from bidders is unclear and was the subject of much back-and-forth among Hallsmith and city councilors.

The basic outline of the project is to redevelop the state-owned heating plant on State Street and make it a biomass facility that connects to city, school, state and private buildings. Hot water or steam from the plant would travel in buried pipes into heat exchangers in the buildings and heat the buildings. A major reason the project has progressed rapidly in the last year is an \$8 million grant the U.S. Department of Energy awarded the city in January.

Advocates argue that biomass energy would be a cleaner, locally produced form of energy that could pay off financially if oil prices reach their heights of a few years ago.

But the project, which has received bids topping \$30 million, also comes with financial risks for the city.

The \$8 million grant is stimulus money from the American Recovery and Reinvestment Act, and there are tight timelines and pressure from federal officials to spend the money soon because the grant is designed to create jobs.

Starting the bid process over again from scratch could delay the project, officials fear.

In addition, asking for new bids wouldn't be fair to the companies that invested time and money creating proposals based on assumptions provided by the city that turned out to be wrong, said Hallsmith and McCabe. One bid team spent \$250,000 putting a bid together, said Hallsmith.

"I just don't feel good about that ... because I know the effort that's gone into it," said Hallsmith.

Hallsmith suggested holding a design competition between the three companies that submitted bids, which could cost about \$50,000.

Golonka was extremely skeptical of this idea, saying he questions the validity of information that is paid for.

"If we're paying, I don't think we're getting as good information," Golonka said.

City councilors Sarah Jarvis and Nancy Sherman indicated they might be willing to pay to solicit new data from bidders, but ultimately the question was not resolved.

The council may have to make another financial decision related to the district heat and energy plant in the near future.

That's because there might not be enough money to finance the design-permitting phase of the project until June, when the city has talked about holding a special bond vote.
