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City Council approves district energy contracts

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MONTPELIER — The City Council voted 4 to 2 on Wednesday to approve crucial district energy contracts between the city and the state to move the biomass project forward.

City Councilors Alan Weiss and Tom Golonka voted no, with Sarah Jarvis, Nancy Sherman, Angela Timpone and Mayor Mary Hooper voting yes. City Councilor Andy Hooper was absent.

Nailing down the contracts, which City Manager William Fraser expects to have signed by both parties this week, is a huge hurdle for the district biomass energy project to clear.

"This is a big deal," Fraser said. "We're setting up what is hopefully a lifetime arrangement" between the city and the state.

The city's attorney, Richard Saudek, has been haggling with state Building and General Services representatives for months over the terms of the agreements.

In fact, at one point the two parties were so far apart in negotiations that the project was said to be in jeopardy of dying before it even began.

"There were times," Fraser said, "we didn't agree."

But he said the two parties eventually did work out their differences and that the project, while behind schedule, is back on track.

"It took longer than we hoped," Fraser said Thursday.

According to the schedule published on the city's website, the entire project, including the thermal energy distribution system and the new biomass power plant, was to be completed by spring 2013; now it's looking more likely to be done by fall 2013.

According to the original timeline, all of the major components should have been put out to bid last fall.

The final design of the underground distribution system, as well as all permits and approvals, were expected to be completed at the end of January.

Requests for proposals for construction and installation work were supposed to happen in February, with construction beginning in the spring.

Now Fraser says that construction on the distribution system won't begin until next year, but that perhaps the state will begin work on the power plant this summer.

But even with the delays, he said the project is still on target to be completed before the 2013 heating season, which has been the goal all along.

Now, with the contracts in hand, Fraser said the city can start hashing out the business model around selling thermal energy. Voters approved a charter change last year to allow the city of Montpelier to become a thermal energy municipal utility. The state Legislature has authorized the charter change.

While they flesh out the business model, the city can begin the process of seriously talking to downtown building owners to see if they're interested in tapping into the system for heat and hot water.

Whether a building can plug in will depend on where the thermal energy pipes will go.

The distribution system is currently designed to run down State Street towards Main Street from the power plant located behind the Department of Motor Vehicles.

The pipes will turn left onto Elm Street and then right onto Langdon Street before splitting off in separate directions at Main Street to head to City Hall and over to Union Elementary School.

The reason for jogging over to Langdon Street, Fraser said, is that the State Street bridge that goes over the North Branch river is old and needs to be replaced. The Langdon Street bridge is fairly new and so it made more sense to run the pipes across it instead.

In the other direction, the distribution system pipes will head over to Montpelier High School.

The plan has been to provide heat and hot water to five city buildings: City Hall, the police and fire departments, the high school, and the elementary school.

However, the elementary school is now a question mark.

Engineers are currently evaluating what it will take to plug the old school building into the district energy system.

What they've learned is that it's likely going to cost hundreds of thousands of dollars to upgrade the building from steam heat to hot water, and there's asbestos that may need to be dealt with too.

In the next couple of weeks, Fraser said they should know more about the scale of work needed at the elementary school. At that point, a decision will be made whether to plug it into the system or not.

If Union Elementary School is left on the chopping block, Fraser said, the city will simply bond for less money because they won't have to run pipes over to it. That building is also one of the most inefficient of the five city buildings considered for district energy.

Funding for the nearly \$20 million project is coming from several sources.

From the city's side, there's a Department of Energy federal stimulus grant worth \$8

million, a \$1 million Clean Energy Development Fund grant and a \$2.75 million bond package voters approved in June 2011.

The state is coughing up \$7 million from the capital bill, as well as \$1.2 million worth of in-kind contributions.
