

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES
*BOARD ACTION***

Saint Paul College District Energy Contract

BACKGROUND

Saint Paul College is requesting approval to enter into a 25-year contract valued at \$ 5,999,942 with District Heating Development Company, d/b/a District Energy St. Paul, Inc., for conversion of their heating plant. The master facility plan, approved by the Board of Trustees in December, 2000, detailed a plan for the conversion of the College's existing steam heating system to a more cost effective hot water heating system. This project is the incorporation of that plan. A 2005 Capital Budget Request for \$10,120,000 is pending in the legislature for the construction trades renovation project at the College. Project funding includes \$1.4 million for deferred maintenance projects for ventilation and air quality associated improvements which will further enhance this conversion project.

District Energy Saint Paul, Inc. (District Energy) is a community-based, non-profit energy services company that provides heating and cooling services to the downtown Saint Paul area. District Energy contracted with the consulting firm of Gada and Associates, Inc. to do an assessment for providing utility services to Saint Paul College. Saint Paul College hired Toltz, King, Duvall, Anderson and Associates, Inc. (TKDA) to provide an engineering and financial evaluation of this assessment. The College concluded based upon TKDA's report that it would be cost and energy effective to convert their existing physical plant to hot water.

During the 25-year term of the contract, the college will realize financial, human resource, and space savings and efficiencies through the elimination of the present steam heating system. Savings will also be recognized by not having to replace and refurbish on-site boilers and associated appurtenances. The scope of the project includes:

- Removal of non-insulated condensate pipes,
- Elimination of inefficient energy steam traps,
- Elimination of flash steam into condensate receivers,
- Elimination of combustion inefficiencies from gas/oil boilers,
- Elimination of cycling and radiation/convection losses from boilers,
- Maintenance of critical energy systems,
- Optimization of staff utilization and equipment performance,
- Optimization of fuel supply purchases in an ever changing natural gas market,
- Compliance with environmental regulations,
- Implementation of emerging energy technologies,
- Security from Saint Paul's locally controlled community energy system, and
- Utilization of "Green Energy"

District Energy will cover the costs to install service pipelines into the building's mechanical rooms. District Energy will also assume financial responsibility for:

- Replacing the existing steam-to-hot water heat exchangers serving the existing hot water heating loop; new heat exchangers for domestic hot water requirements; and a small gas fired boiler to serve the existing kitchen steam equipment.
- Piping provisions and heat exchangers / pumps in the boiler room to accommodate future renovations of the facility as outlined in the College's facility master plan.

As part of the agreement, the College must repay District Energy's unamortized costs to run hot water lines to the College should early termination of the contract be required. The current amount is \$900,000 and will decrease over the term of the contract. The Office of the Attorney General is assisting Saint Paul College in finalizing the contract.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance Committee recommends the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

The Board of Trustees approves Saint Paul College entering into a 25-year contract valued at \$5,999,942 with District Energy Saint Paul, Inc. to provide heating services to the college. The approval is contingent upon final review and approval of the contract documents by the Office of the Attorney General and the Office of the Chancellor.