

**Environment and Natural Resources Trust Fund
2014 Request for Proposals (RFP)**

Project Title:

ENRTF ID: 145-E

City of Ely Joint Biomass District Heating Project

Category: E. Air Quality, Climate Change, and Renewable Energy

Total Project Budget: \$ 150,000

Proposed Project Time Period for the Funding Requested: 1 Year, July 2014-June 2015

Summary:

City of Ely, Ely-Bloomenson hospital, ISD696 with assistance of AETF, USFS, WERC have a viable biomass district heating project. The \$3,780,000 project needs final legal, governance, partnership structure to proceed.

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Sponsoring Organization: City of Ely

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Location

Region: Northeast

County Name: St. Louis

City / Township: Ely

_____ Funding Priorities	_____ Multiple Benefits	_____ Outcomes	_____ Knowledge Base
_____ Extent of Impact	_____ Innovation	_____ Scientific/Tech Basis	_____ Urgency
_____ Capacity Readiness	_____ Leverage	_____ Employment	_____ TOTAL _____%



Environment and Natural Resources Trust Fund (ENRTF)
2014 Main Proposal
Project Title: Ely Joint Biomass District Heating Project

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I. PROJECT STATEMENT

The City of Ely and its community partners have spent a considerable amount of time and resources over the past several years in an effort to establish an engineering, logistical and financial basis for an environmentally sound alternative energy district heating system in the City of Ely.

With the assistance of the Ely Alternative Energy Task Force (AETF), the U.S. Forest Service, the Wood Education and Resource Center (WERC) and a grant from LCCMR to engage Dovetail Partners, there is a clear path of choices to a project that the community can embrace.

The approach after both the Dovetail and WERC studies were completed was a modest but effective choice in what is labeled as Option #3, in the July 6, 2012 Preliminary Feasibility Report Ely Minnesota Biomass District Energy System, prepared by Wilson Engineering. At an estimated budget of \$3,765,866 (see B.3 in WERC analysis), the service is to be initially provided between Ely-Bloomenson Community Hospital (EBCH), Sibley Manor (Ely HRA) and ISD #696. There is the potential to add additional rate paying users as it proves to be financially feasible.

The unknown at this point is how might the legal ownership and financing structure of this district heating system move forward?

The City of Ely and its public partners are requesting a grant of \$150,000 from LCCMR to complete the legal analysis to create an ownership, financing structure and final site design engineering.

The Ely Bloomenson Hospital Foundation has indicated that if the ownership structure can be created it would contribute up to 25% of the capital construction costs (\$1,000,000). The other partners would also participate at varying levels from becoming guaranteed service users to assisting and or facilitating project financing.

The US Forest Service (see WERC analysis and USFS Letter) sees an opportunity to use elements of its forest management program in maintaining adequate biomass fuel availability. "With the development of a biomass facility in Ely, methods of hazardous fuels reduction and ecosystem management could employ mechanical removal by which the material could be used as fuel to power the district heating system. In addition, the introduction of a new market could create additional opportunities to utilize stewardship contracting to meet Forest Goals. The Superior National Forest and the public would benefit from having this type of market to not only provide a source of renewable energy for the city of Ely, but also to help meet ecosystem management and hazardous fuels reduction goals." Brenda Halter, Forest Supervisor, USFS. There have been indications that there are USFS capital construction funds available as the project moves forward.

There are private contractors (letter attached, from John Gephardt, North Shore Forest Products) that see the same potential for additional economic and job creation "upside" in this project, whether it would be in the forests or managing a biomass wood yard.

There are letters of support from Ely-Bloomenson Hospital and ISD #696 for this application. Legal structure and creation of an operating and ownership group, is the key element missing in the effort to create this worthwhile venture.

This grant, if given, has the potential to leverage over \$3,700,000 in economic activity in construction of an operating, renewable biomass district heating plant plus a forest management opportunity that will benefit the Superior National Forest for many years to come.

II. DESCRIPTION OF PROJECT ACTIVITIES

Activity 1: Hire legal advisors: Create Legal Ownership entity and operational management systems that allow for the ability of the public /non-profit partners to both receive grants, finance construction, own and manage district heating biomass plant.

Budget: \$ 100,000

Outcome	Completion Date
1. Create ownership and financing mechanism to advance and finance construction of Ely district heating project. Meetings with ownership partners, financial staff, project managers and Legal Counsel by Maki and Overom Ltd. -development experience with Duluth Seaway Port Authority and various MN Cities, and Kelly Klun- Current attorney for City of Ely, Ely Bloomenson Hospital and ISD # 696. Examples of ownership for review by the partners could include, but not be limited to: an LLC.,	Dec. 31, 2014



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joint venture, special services district, funding/financing scenarios, special legislation. Single party ownership with contracts for services from other partners.	
2. Financing options including equity contributions of up to 25% from Ely-Bloomenson hospital, grant potential, Revenue (other) bond financing.	Dec. 31, 2014

Activity 2: Final Design and engineering for plant site location. This will be based on the partners existing property ownership and design functionality within preliminary feasibility analysis done by Dovetail partners, Wood Education and Research Center (WERC) and Wilson Engineering Services. Budget: \$25,000

Outcome	Completion Date
1. Site evaluation and final engineering design of Hospital site for construction. Wilson Engineering Services. There are two options "at each end of the pipe" ISD #696 and Hospital property that need to be explored and refined for budget and function.	Dec. 31, 2014
2. Construction budget has to be detailed and refined.	Dec. 31, 2014

Activity 3: Project Management by JPJ Engineering

Budget: \$20,000

Outcome	Completion Date
1. Manage Community Project interest on behalf of the partners, including performance of sub-contractors all reporting and legal requirements, time constraints.	June 30, 2015

III. PROJECT STRATEGY

A. Project Team/Partners:

The City of Ely, Ely-Bloomenson Hospital, ISD #696 are the community partners. The potential project (paid) team is made up of Maki and Overom LTD, Duluth, MN -development legal and finance experience with the Duluth Seaway Port Authority and various MN Cities and Kelly Klun- Current attorney for City of Ely,

Ely-Bloomenson Hospital and ISD # 696. This part of the team will work to structure examples of ownership, financing and legal interaction for review by the partners.

Wilson Engineering (paid) will continue with the work they began in the feasibility analysis on behalf of Wood Energy Resource Center to site and final design.

JPJ Engineering as Ely City Engineer (paid) has a working knowledge of the City infrastructure and financing capacity and will oversee timelines and performance of sub grantees.

B. Timeline Requirements

There is a short window, one year or less, to expedite these tasks and take advantage of financing participation by the parties. This project is viewed as "shovel ready" and needs to be expedited. Potential funds from USFS and other grantors will go elsewhere as the feasibility analysis ages and other priorities emerge.

With the working plant (see analysis) fairly well established the annual energy savings is lost for every year that the project does not go forward.

C. Long-Term Strategy and Future Funding Needs:

The letters of endorsement from the US Forest Service (included) speak to a long term benefit to the Superior National Forest being derived from this project through a better implementation of their forest management program. The private letter from the owner of North Shore Forest products again speaking to better forest management and employment in the forest will come as benefits of this project going forward.

2014 Detailed Project Budget

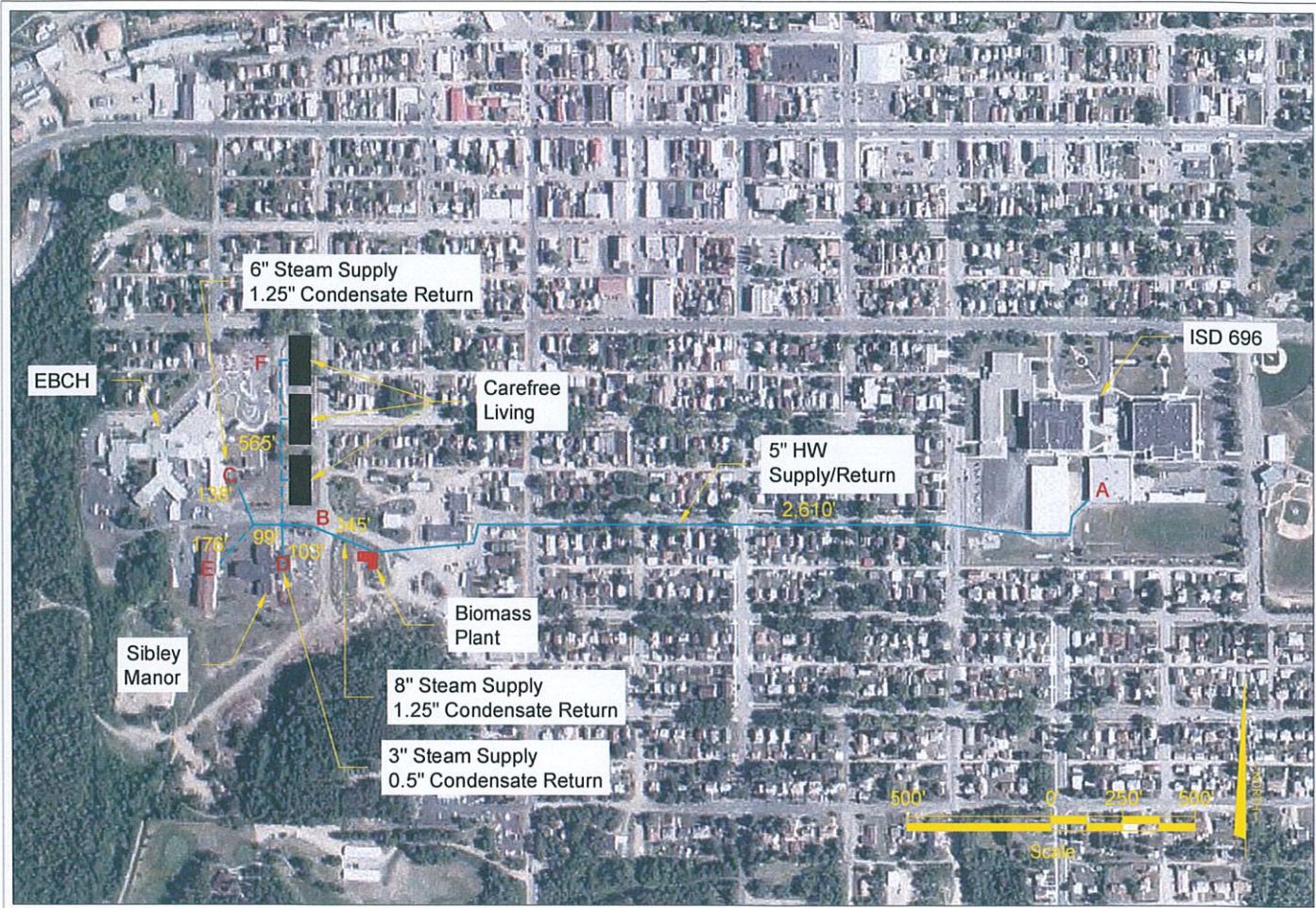
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IV. TOTAL ENRTF REQUEST BUDGET 1 year

BUDGET ITEM	AMOUNT
Legal, Financial advisors to structure ownership operations for plant Personnel: Steve Overom, Bob Maki, Overom & Maki, Ltd. Duluth and Kelly Klune, Klune Law firm, Ely to meet with community partners and structure ownership, management and financial aspects of biomass project.	\$100,000
Contracts: Overom & Maki, Ltd. and Klune Law. Equal Billable amounts TBD.	\$ -
BUDGET ITEM Final engineering and site design	\$ -
Personnel: Wilson Engineering Services	\$25,000
BUDGET ITEM Project mangement and grant mangement JPJ Engineering	\$20,000
Additional Budget Items: Contingency	\$5,000
TOTAL ENVIRONMENT AND NATURAL RESOURCES TRUST FUND \$ REQUEST =	\$150,000

V. OTHER FUNDS

SOURCE OF FUNDS	AMOUNT	Status
Other Non-State \$ Being Applied to Project During Project Period:	\$0	
Other State \$ Being Applied to Project During Project Period:	\$0	
In-kind Services During Project Period:	\$0	
Remaining \$ from Current ENRTF Appropriation (if applicable):	\$0	
Funding History: Feasibility analysis for Biomass in NE MN (Dovetail Partners)	\$150,000	Completed



WERC		Ely District Energy System		Designed	Cuf	4-3-12
Wood Education and Resource Center		Ely, Minnesota		Drawn	Cuf	4-3-12
United States Forest Service		Site 2 : Site Plan		Checked	DWR	4-4-12
United States Department of Agriculture		Option 2 and 4 Pipe Sizes		Approved	Title	Date
Appendix A.3				Job		Class

John P. Jamnick, P.E.

Overview of Professional Qualifications

John Jamnick is a professional engineer with over 27 years of experience in municipal engineering. He has extensive experience in wastewater engineering, potable water systems, and street and storm water design. Mr. Jamnick has developed particular expertise in working with city staff and public officials to effectively resolve sensitive community issues. In addition to civil engineering, John offers extensive experience in assisting municipalities with securing grants and low-interest loans from federal, state, and local governmental agencies.

Has been Project Manager on many community development projects including Virginia-Eveleth Progress Park, Central Range Public Works Facility, IRA Civic Center in Grand Rapids, Fortune Bay Casino at Bois Forte Reservation, Virginia Northern Heights and Fairview Addition, OHV Recreation Park in Gilbert and Superior Elementary and Middle School construction.

John D. Mattonen, P.E.

Overview of Professional Qualifications

John Mattonen is a professional engineer with 18 years of experience in municipal engineering, public and private developments. His responsibilities include the preparation of reports, studies, plans and specifications and construction management of transportation, infrastructure and municipal construction projects. Mr. Mattonen provides project engineering and design leadership of projects from their conceptual stages through construction and the end of the warranty period. He has extensive experience with federal, state and local regulatory and funding agencies, including MnDOT, USDA – Rural Development, DEED, MPCA – PFA, MDNR, and WIDOT.

John is the City Engineer Representative for various Northeastern Minnesota Cities. As a City Engineer Representative, Mr. Mattonen assists communities in planning projects, funding projects, design and construction management. Other City Engineering responsibilities include system operation and maintenance assistance, review of City Engineering issues, attendance at regular meetings and advisement on related items.

John Fedo, Economic Development Coordinator

Overview of Professional Qualifications

John Fedo has been involved in a wide variety of successful public and private economic development projects over the course of the last 25 years. In a capacity of project coordinator, consultant or initiator Mr. Fedo has been able to select the right resources for a project to bring about successful results. John has extensive experience in securing grants, low interest loans as well as working with local, regional, state and federal funding resources in assembling funding partnerships on behalf of public / private clients.