

### VCSU Heating Plant – Update

During the 2015 legislative session, VCSU representatives presented the request for replacement of the heating plant. The request was fully funded, and included approximately \$500,000 for rental of a temporary boiler in order to maintain operations while the existing plant was demolished, and the new plant under construction. Since that time, several considerations have risen which make use of the temporary boiler less cost efficient than constructing the new plant on adjacent property owned by the VCSU alumni foundation:

- The overall time frame for construction may exceed the planned number of heating seasons, driving rental and other project costs up, and subsequently use additional project funds.
- Placing the new plant on the existing site would not allow for the co-location of a potential carbon-hearth fuel-gas generator which is under consideration as a low cost fuel provider. The carbon-hearth plant would use ND lignite and is being pursued as an economic development opportunity for state-owned coal plants. Note that this is a subsequent phase to the project, whereby the coal hearth can be added without effecting the operation of the steam plant.
- Based on a risk analysis of the two options (boiler rental or keep existing plant in operation longer), the lowest risk scenario is to retain operation of the existing plant, which although marginal, can be tended to in such a way that a worst case scenario would still allow VCSU to keep buildings from freezing up.

Note that a project of this type whereby the work is a complex mechanical system replacement, final means and methods to complete the project evolve as the design matures. Although having a full and complete design prior to budget requests would be ideal, doing so is beyond the fiscal capacity of the institution.

As a result, and to be the best stewards of state appropriations possible, VCSU is locating the new plant in close proximity to the existing plant on VCSU Foundation – owned land. Final terms and conditions for the use of the land are currently being negotiated, with several options being considered, all of which will provide for the long term placement of the steam plant in the most cost effective and efficient means possible. The final agreement will be reviewed for statutory compliance by the Attorney General.

Although the overall scope of work remains unchanged (demolition of old plant and construction of a new plant), the means and methods to do so have evolved since first presenting this project to the legislature. With that consideration, VCSU wishes to inform the legislature of the project status, and appreciates hearing any comments or concerns that may rise as we move forward.