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## **Minneapolis “Midtown burner” plan could go up in smoke**

by *Burl Gilyard* Staff Writer

### **FINANCE and COMMERCE**

**A Minneapolis garbage transfer station that developers want to turn into a \$92 million wood-burning power plant. (Photo by Bill Klotz)  
\$92 million proposal may be dead as the developer and the city fight over why it hasn't happened**

Michael Krause has long been promoting a wood-burning power plant in south Minneapolis, and his development idea is known as the Midtown Eco Energy facility.

But today, Krause is feeling burned up. So, too, are officials for city of Minneapolis, which owns the 1.6-acre site where the plant would be built, home to a still-in-use garbage transfer station. And the councilmember for the Midtown area, Gary Schiff, doesn't want to spend any more time on the project.

In fact, Krause, a principal with Minneapolis-based Kandiyohi Development Partners, said that his firm is weighing legal action against the city. Kandiyohi has a contract to purchase the city-owned garbage transfer station at 2850 20th Avenue S. for the \$92 million project. But the contract requires Kandiyohi to meet a list of option requirements before a looming March 30 deadline.

City staffers don't believe that Kandiyohi has met all of the conditions.

Greg Goeke, director of property services for the city's Department of Public Works, sent a certified letter to the developers on Wednesday, outlining the city's concern that Kandiyohi has no deal in hand from a utility to buy the power generated at the proposed plant. A separate, internal city memo noted that the city does not believe that Kandiyohi has secured financing for the project.

“[The letter] came as a surprise. We clearly think we've met all the requirements for the option,” Krause said.

In response, Krause said that his firm is considering suing the city.

“Yes. If we need to,” Krause said of potential legal action. “And I think that's clear to everybody.”

City representatives met with the Kandiyohi team on Thursday to discuss the project's status.

“We are continuing to work and communicate with the developer, but the power purchase agreement requirement hasn’t yet been met,” said Matt Laible, a spokesman for the city.

Krause said that Kandiyohi believes it has demonstrated that Xcel Energy is interested in the project.

A March 17 letter from Xcel Energy to Kandiyohi acknowledges that the utility is “negotiating the terms of a power purchase agreement” at the site, but makes it clear that there is no definitive agreement yet.

Xcel spokeswoman Mary Sandok declined to comment beyond the letter.

Councilmember Schiff, who has supported the project in the past, has become frustrated with the protracted project. The Midtown Eco Energy site is in Schiff’s Ninth Ward.

“They have not made progress on numerous points — we basically have had no communication or progress from them since August,” Schiff said. “They’re stuck in the water, and I don’t think we should be spending more time on it.”

Schiff noted that the developers were already granted a one-year extension on the deal to buy the site, an extension that expires on Sunday.

In a March 2007 letter to the city requesting the extension, Kandiyohi principal Kim Havey wrote, “The primary necessity of the extension is that power purchase negotiations entail a great deal of time and their conclusion is not on any predetermined schedule.”

A year later, Kandiyohi still does not have a deal.

Plans for the long-gestating project date back to 2001, when the nonprofit Green Institute first floated the idea. Krause was then executive director of the Green Institute.

He later left the Green Institute and formed the private Kandiyohi, which took over the burner project and bought the Green Institute’s research.

The city of Minneapolis issued an RFP (request for proposals) in the spring of 2006 to sell the transfer station property and develop a biomass plant. The city drew a single response: from Kandiyohi.

Kandiyohi’s plan calls for a 24.5-megawatt facility that would generate both electricity and heat. The primary fuel source would be wood, but a past Kandiyohi submission to the city also mentioned agricultural byproducts such as cornstalks and corn cobs.

Although the biomass project is touted as eco-friendly, an ad hoc coalition of neighbors, Minneapolis Residents for Clean Air, is organizing against the project.

Jullonne Glad, a member of the group, said that neighbors are concerned about the potential environmental impact of the power plant.

“That area is saturated already, and my concern is the cumulative toxicity. The reason people live there is they don’t have the means to live elsewhere,” Glad said. “We do not feel that our interests and our concerns have been taken into account.”

Krause said that Kandiyohi has been judicious in its environmental review of the project.

“The neighborhood does not have a veto over this project,” Krause said. “We’ve looked at absolutely every detail.”

Two other as-yet unresolved issues for the project are state environmental review and the status of federal production tax credits.

The Minnesota Pollution Control Agency (MPCA) is currently reviewing Kandiyohi’s submitted environmental assessment worksheet (EAW) on the project, which developers submitted in January.

Kevin Kain, an MPCA project manager, said that the MPCA is waiting for some additional information on air emissions from Kandiyohi. He estimates the proposals will be ready for a public comment period in May.

Kain said the comment period should last 45 days, after which the MPCA would review the comments and make its findings.

Federal production tax credits, a financing tool widely used by renewable energy developers, are currently set to expire at the end of the year.

“It’s become a political football,” Krause said of prospects for extending the tax credits.

But those issues are moot if Kandiyohi doesn’t have a site to develop.

Nevertheless, the project still has political support. Jeremy Hanson, spokesman for Minneapolis Mayor R.T. Rybak, said Thursday that Rybak remains a supporter of the plan.

“Mayor Rybak continues to support the Midtown energy project and thinks it’s going to create a good source of alternative energy to help us address global climate change and will provide great jobs in an area of the city that’s very important,” Hanson said.