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TOWN COUNCIL SPECIAL MEETING MINUTES
TUESDAY, APRIL 12, 2011
Town Hall Council Chambers
12:00 Noon

- I. **CALL MEETING TO ORDER** – Mayor Aragon, Council Member Cotton, Council Member Holt, Council Member Pierce, Council Member Volger (arrived 12:06p, left 2:00p)
- II. **OLD BUSINESS**
 1. **Geothermal Research Project and Funding Proposal** - The Town of Pagosa Springs has provided geothermal heated water for heating a small number of downtown businesses and residences. The geothermal infrastructure, beyond the heat exchanger, is deteriorating and repairs on the system are becoming more frequent. In 2009, the Town worked through the Department of Natural Resources, Division of Water Resources to refine its geothermal well permits. The modifications clarify the Town’s authority to utilize up to 450 gallons per minute for “geothermal heating” purposes and permits discharges (outflows) that “avoid waste of the geothermal resources, and protect the environment and public health”. The Council passed Ordinance 741 to establish Geothermal Department Heating System Regulations and Resolution 2009-04 reserving land in Centennial Park and geothermal waters for the geothermal greenhouse project. In October of 2010, John Lund of the National Renewable Energy Laboratory and Gerald Hutterer of the Geothermal Management Company, Inc. presented to the Town Council: Observations and Recommendations Regarding Geothermal Use In Pagosa Springs, Colorado. This technical report assessed the potential uses for our geothermal waters. Given advent of new geothermal heating technologies, as well as the increasing number of infrastructure failures and associated cost of repairs, the Town Council determined that it is prudent to replace the Town’s geothermal heating system with an expanded system to include the entire community. An offer from GeoUtility, LLC (a subsidiary of Hardin Geothermal, LLC) to bring state-of-the-art geothermal technologies and funding to the Town’s aging geothermal heating infrastructure, with the Town Council’s approval, in December of 2010 the Town signed a letter of intent to replace the system (a contract was never executed). In preparation for deploying a Town-wide geothermal heating initiative, the Town has applied for a \$355,000 geothermal installation training grant from the Governor’s Energy Office. Total project cost is estimated at \$505,000, with \$150,000 in match coming from a variety of sources (includes \$29,625 in in-kind match from the Town).
 2. **Geothermal District Heating System Request for Proposals** - On February 17th, after discussions regarding the proposed Geothermal Heating System (GHS) upgrade, the Town opted for a request for proposal (RFP) process, rather than a sole source contract with GeoUtility, LLC. Town staff suggested contracting with geothermal experts to assist in the completion of the RFP. The Council approved hiring Elaine Wood, Gerry Hutterer and John Lund to assist the staff. The draft RFP received from Mr. Hutterer included the requirement that geothermal research be conducted to gather information required to assess the potential for tapping more thermal waters in the Dakota formation and to allow for the expansion of the heating system without adversely affecting existing thermal water users. The costs

associated with the research of the thermal waters is estimated to be \$36,000, this costs will be covered by the refund of funds from the Community Development Corporation. Mr. Michael Whiting, County Commissioner, supports the geothermal aquifer study. He believes the hot springs is a great economic benefit to the Town and the commercialization of the hot water needs to be expanded. He said businesses and stakeholders are interested in using the geothermal resources. He encourages the Council to strongly consider allocating the \$15,000 toward the geothermal research project. Mr. Ken Vickerstaff said the RFP will give the community the best options in finding the information for the geothermal heating expansion. He believes that economic growth is possible using the heating system, and believes the geothermal work plan proposed by Great Divide Investments will give the Town more information for the economic abilities of the geothermal energy. Mr. Robert Sparks, of the Hardin Group, explained the proposal presented by Great Divide Investments (Elaine Wood, John Lund, and Gerald Hutterer) he believes proposes to write a business plan for the town with regards to the geothermal resources. He said the work plan is only a reference of necessary steps and not the completion of the geothermal resource study to determine what the geothermal system is capable of. The work plan as proposed will inform the Town of the costs of drilling and testing and reporting. Mr. Ken Vickerstaff replied to Mr. Sparks comments and said there seems to be a co-mingling of the RFP and the work plan proposed by Great Divide Investments. He explained the Town hired Geothermal Management Company, owned by Mr. Gerald Hutterer, to work on RFP for the Town's utility system and these costs were not to exceed \$7,000. The original RFP referred to the vendor needing to determine the affect of a new heating system on the current geothermal resource. Ms. Kirsten Skeehan with the Pagosa Baking Company is interested in diversified economy with respect to use of the geothermal waters. She believes smart growth takes work and believes the work plan presented by Great Divide Investments is the first step. She said there will not be a completed study at the end of the work plan, but will be another step to complete the study to determine the effects of the geothermal resource. She would like to volunteer her time to be involved in reviewing the RFP. Mr. James Denney said the study needs to be done separately from the RFP to benefit all of the community. Council Member Holt said the current heating system needs to be upgraded and possibly expanded to the community through the RFP. He said the study needs to be a separate issue and not connected to the RFP. He said the installation of flow meters doesn't need to be completed at this time during the RFP, but will come later with the research study. He suggests two RFP's, one for the research study and one for the development of the heating system. Council Member Cotton supports moving ahead with the heating system RFP; he says the Great Divide Investment proposal needs to be modified. Mrs. Angel Pruitt has talked with Ms. Woods and Mr. Hutterer and both agree the work plan needs to be modified with further definition of deliverables. Mr. Ken Vickerstaff said the work plan is actually a resource analysis plan which will use the old data from historic records, owners, and Town records to create. He said a specific resource plan will be the end result of the \$36,000 study. Mr. Bill Hudson agrees with Council Member Holt about having two separate RFP's and moving forward with repairing the town's heating system. Council Member Volger agrees the town wants to utilize the geothermal resource to its best ability, he says the study has to be the first step in defining and quantifying the resource. He suggests going ahead with the study to determine the resource, while separately looking at an RFP for repairing and expanding the current heating system. He said the repairs completed today might be a waste of money if they do not line up with the best utilization of the resource. Council Member Pierce asked Mr. Starks if he would have time to work on the geothermal study. Mr. Starks said he doesn't have time to devote to assisting with the study, but feels the RFP needs to move forward. Council Member Pierce asked about the geothermal district acting as an enterprise fund and using the funds from the district to pay for the RFP and funds from economic development to pay for the research study. Council Member Cotton said the work plan suggests receiving a cost for repairing the system, however until the RFP's are received to determine if a heating system expansion can even move forward, a work plan does not need to be completed. Ms. Cathy Keyes encourages Council to move forward with the study and believes the joint commitment between Town, County and the public is important for future grant applications. Mr. Jerry Smith agrees there is a difference between the research study and RFP. He says the technology is critical to determine if there is a sustainable resource to encourage business growth. He believes

the study has to come first, but is not sure about what the study will determine and if it will require additional costly research. Mr. Ken Vickerstaff said the research study will be able to determine the possibility of extended use of the geothermal system. He said the monitoring of the discharge will quantify the resources to present to the Council. He explained he has put in hundreds of hours of volunteer time to support the research study and asks the Council to move forward with funding with the condition of receiving a new proposal from Great Divide Investments. Council Member Holt moved to address the heating system RFP and the research study as two separate RFP's, Council Member Volger seconded, unanimously approved. Council Member Holt moved to proceed with the RFP for the Town of Pagosa Springs to develop a plan to finance, design, construct, operate, maintain and manage a geothermal energy to all interested residents and businesses within the town limits, and that the broader geothermal study not be a part of the heating system RFP, Council Member Cotton seconded, unanimously approved. Council Member Cotton has concerns regarding the reference to the 540 million BTU's in paragraph BTU Potential of the RFP. Town Manager Mitchem and Mr. Starks will refine this section of the RFP to meet Council Member Cotton's concerns. Council Member Volger moved to redirect \$15,000 from CDC to fund the development of a revised work resource plan, after discussion and lack of a second, Council Member Volger withdrew his motion. Mr. Morgan Murri said the CDC Board has agreed to return the money allocated from the Town to be redirected for the development of the Great Divide Investments' research study and he encourages the Council to move forward with a motion. Council Member Cotton would like to wait to see a revised work plan, as does Council Member Pierce. She suggests direction to staff to work with Great Divide Investments to present deliverables to Council. Council Member Cotton wants a technical study of the aquifer and a business plan and an estimate of the next step including financing for the plan. Council Member Pierce would like to see a plan that explains the current resources, a plan of action, a time frame, and a cost estimate. Council Member Holt believes the plan should include a collection of the current data along with a reasonable assumption by the engineers and costs. Mr. Vickerstaff said he doesn't see the Council moving forward and does not want to put more of his volunteer time into this project if the Council doesn't move forward with funding the work plan. Mr. Mitchem asked about sole sourcing the work plan to Great Divide Investments rather than putting out an RFP. Council Member Holt said the donated time and effort the group has already put into the project and their understanding of the work necessary, he agrees with sole sourcing this work plan to Great Divide Investments. Council Member Cotton agrees with sole source to the Great Divide Investment group but wants to see the deliverables before agreeing to release the funds. Council Member Pierce agrees with Council Member Cotton. Town Manager Mitchem will work with Great Divide Investments to get a work plan with deliverables acceptable to Council's desires. Mr. Morgan Murri expressed concerns with the Council's inability to move forward with supporting the work plan project at this time.

III. **ADJOURNMENT** – Upon motion duly made, the meeting adjourned at 2:10pm

Ross Aragón
Mayor