

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Central Power Plant  
Expansion

Action

Requested: Approval of Schematic Design and Authorization to Proceed with Construction


Background:

At the March 2017 meeting, the Board of Regents approved the Central Power Plant Expansion project and the appointment of Black & Veatch as the firm for its design. The Central Power Plant is a highly efficient natural gas co-generation facility providing steam heat and electrical power to most central and medical campus buildings. The electricity is generated from steam that otherwise would be wasted, resulting in an overall efficiency of approximately 80 percent that is much higher than most power plants. This project will construct a 12,000-gross-square-foot building addition (see attached site map and rendering) to house a new 15-megawatt combustion turbine that will reduce the university's greenhouse gas emissions by an estimated 80,000 tons per year. This reduction will be approximately halfway toward the university goal of reducing total emissions for the Ann Arbor campus by 25 percent by the year 2025. The project will incorporate all appropriate pollution control technologies, and the required air emissions permit for the project has been approved by the State of Michigan Department of Environmental Quality. We estimate a loss of approximately eight business and service parking spaces as a result of this project.

The estimated cost of the project is \$80,000,000, with a positive return on investment. Funding will be provided from Utility resources. The construction cash flow may be provided, all or in part, by bond proceeds or increasing the commercial paper issuance under the commercial paper program, secured by a pledge of General Revenues, and authorized by the Board of Regents. The project is expected to provide an average of 130 on-site construction jobs. Construction is scheduled to be completed in the winter of 2021.

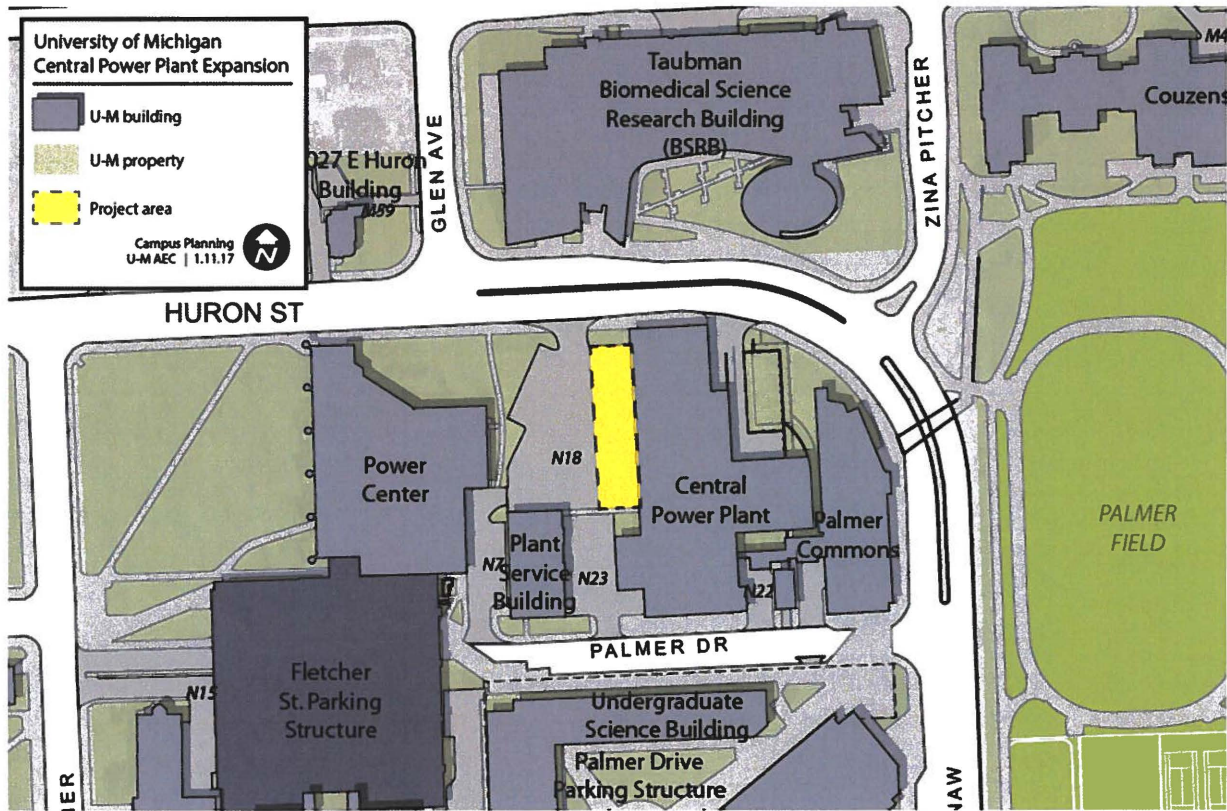
We recommend that the Board of Regents approve the schematic design for the Central Power Plant Expansion project and authorize proceeding with construction provided that bids are within the approved budget.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

October 2018  
Attachment



*Area in yellow is the small addition to the Central Power Plant.*



*View looking southeast on Huron Street. The small addition is in the foreground.*