

In the Loop

October 2016



DULUTH ENERGY
SYSTEMS

2016 CUSTOMER SURVEY IS
ON OUR WEBSITE UNDER
BENEFITS TO CUSTOMERS

A Note from the General Manager

Late one evening in September, before the cooler fall temperatures had set in, I happened to be the last person in the office. The phone rang. I picked it up and found myself in a conversation with one of our newer Duluth Energy System customers. She was calling the office to ask us why she was receiving a bill when she had not yet turned on the heat in her building. I tried to explain the steam service billing details to her, but I could tell my explanation was not coming through in a way that was connecting with her. As I was driving home that evening, the conversation was stuck in my head. I was disappointed in myself for not having done a better job of explaining the billing structure and for not taking the opportunity to ease her concerns. As I thought it over more, I realized she is probably not the only Duluth Energy Services customer opening a steam service bill in the summer and wondering why they are being billed for “heat.” Let me see if I can do a better job explaining things here than I did on the phone the other day.

All of our steam and chilled water customers see the same two charges on their monthly statements: a Steam Consumption Charge and a Steam Capacity Charge.

The Consumption Charge is the amount of steam used in your building during the month multiplied by the current steam Consumption Rate. The Consumption Rate varies from month to month. This rate includes the total cost of the materials and utilities used to produce steam (water, fuel, chemicals, electricity). This total is then divided by the total amount of steam used by all system customers each month. For example, in January 2016 our customers used just over 48 million pounds of steam; the materials and utilities required to produce that steam totaled just under \$390,000. The Consumption Rate that month was just over eight dollars per thousand pounds of steam (\$390,000 divided by 48 million pounds).

The Capacity Charge represents each customer’s fair share of the other costs associated with operating the district energy system. These costs include maintenance, labor, insurance, office supplies, etc. These costs are presented to the City Council for approval each year. Once the budget is approved, each customer’s share of these fixed costs is determined for the coming year. Each customer’s annual Capacity Charge is spread out over 12 equal monthly payments, which results in steam bills in August, even if heat is the last thing you want to think about at that time of year. Customers who historically use more steam pay more in Capacity Charges than our smaller customers who use less steam. You can think of the Capacity Charge as the money you would otherwise be spending to pay to install, maintain, repair, and replace boilers inside your building, and don’t forget to include the value of avoiding the headaches of frozen pipes, lost business, or unhappy tenants when that on-site boiler breaks down at midnight on the coldest night of the year.

We’re not perfect, but the reliability of a professionally maintained and operated district heating system cannot be matched by a typical commercial boiler. We recognize that we still have work to do keep improving our services and earning your business, but we know we can deliver the best energy options to your building.

So, there you have it. A simple explanation of the monthly charges on your Duluth Energy Systems statement. Hopefully I did a better job explaining this here than I did on the phone the other day. If not, feel free to call or send me an email at jim.green@ever-greenenergy.com and I will be happy to try again.



“The reliability of a professionally maintained and operated district heating system cannot be matched by a typical commercial boiler.”

Jim Green, General Manager

jim.green@ever-greenenergy.com

Here to Serve You – Getting to Know Scott Ecklund

Scott Ecklund joined Duluth Energy Systems team while still in college in 1984. Scott started as a laborer and now serves as our plant foreman. He has been with the company for 32 years. As plant foreman, Scott oversees the operations and maintenance of the plant. His team works hard to provide Duluth with a reliable source of steam and hot water. Although he doesn't often work directly with our customers, providing customers with reliable services is clearly a priority in his work. It is this commitment to customers, as well as the employees, that Scott appreciates about being a part of this team.

During his tenure, Scott has worked on many upgrade projects at the plant. Last year was the first time in history that the plant was taken completely off-line for maintenance. This month of down-time gave us an opportunity to replace valves and pipes to help us operate more efficiently and generally

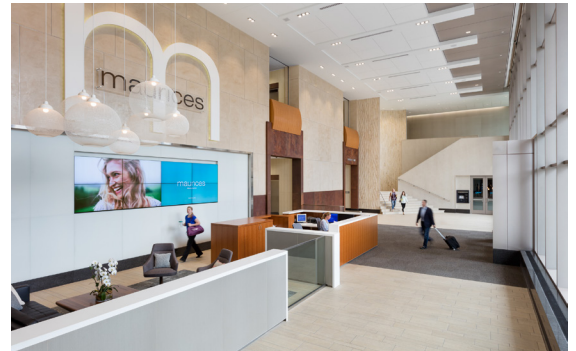
improve reliability. Considering the task and the number of unknowns, the project went remarkably smoothly. Looking forward, Scott knows his team will have some big endeavors with the pending steam-to-hot water transition and integration of new fuels for the plant.



Scott Ecklund
Plant Foreman

When Scott is not working, he spends time with his family and enjoys hunting and sports. He is a big sports fan, with a special interest in hockey. He has been a hockey coach most of his life. Scott grew up just north of town and appreciates being able to stay in the community for his work. It's great to have Scott as a long-standing member of this team, adding incredible value to our company and providing great service to our customers.

maurice's Headquarters



For more than 85 years maurices has called Duluth, Minnesota home. What started a small retail store in downtown Duluth, is now a leading women's fashion store with 1,000 stores across North America.

In April 2016, maurices opened its new headquarter building just a few blocks down from where maurices was founded in 1931. It's the largest commercial development in downtown Duluth. The building spans an entire city block, sits 11 stories tall and is nearly 200,000 square feet. The building design promotes wellbeing, collaboration, and flexibility and features lots of natural light and stunning views of Lake Superior.

Duluth Energy Systems is proud to be the preferred service provider to this impressive new facility and to the maurice's team. We take pride in finding the best ways to serve old and new buildings on our system. The maurice's new headquarters is designed to be versatile to our existing steam system and is ready to transition to a future hot water service. We are thrilled to be their partner in energy and to see their continued growth and success.



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