



FOR IMMEDIATE RELEASE
City of Duluth Communications Office

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SUBJECT: City of Duluth and Johnson Controls agree on terms for settlement of dispute over Duluth Steam Plant operating savings
BY: Pakou Ly, Public Information Coordinator

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City of Duluth and Johnson Controls agree on terms for settlement of dispute over Duluth Steam Plant operating savings

The City of Duluth and Johnson Controls have agreed to the terms for settlement of current and future operating savings shortfalls at the Duluth Steam Plant under the company's Performance Contract and Energy Conservation Agreement. An arbitration hearing scheduled for April 2011 regarding the methodology to calculate savings generated by efficiency improvements at the Duluth Steam Plant will now be avoided.

The primary terms of agreement for settlement signed by both parties in a letter dated November 15, 2010 include a cash payment of \$2.3 million by Johnson Controls in full settlement of past and future operating savings shortfalls, additional modifications to the plant agreed upon by both parties to be implemented by Johnson Controls and agreement that all future carbon dioxide offset credits generated by the Duluth Steam Plant after these modifications are made will flow to the Duluth Steam Plant.

The Performance Contract and Energy Conservation Agreement between the parties will terminate upon execution of the final settlement agreement and completion of the additional modifications. The parties have agreed to complete the full settlement agreement no later than December 31, 2010 other than the completion of certain modifications which will be installed in early 2011.

"While the improvements made at the steam plant generated some energy savings, those savings fell short of what was guaranteed in June 2006" said Mayor Don Ness. "Johnson Controls acknowledged the guaranteed savings were not achieved and has now agreed on the terms to settle the dispute. I want to thank the Steam Co-op board, Jerry Pelofske at the steam plant and Johnson Controls for all their efforts and Dave Montgomery in particular for his leadership on this issue."

“City administration and Steam Plant management worked diligently with Johnson Controls to reach a satisfactory settlement that resolves this dispute and allows the Steam Cooperative to focus on the future,” said Tony Mancuso, President of the Duluth Steam Cooperative, Association.

To date, Johnson Controls has insulated more than one mile of underground steam piping, constructed a water softener system to increase boiler efficiency, and upgraded the steam plant’s boiler controls and pulverizers to improve boiler combustion efficiency.

“We’ve entered into hundreds of performance contracts throughout the United States, always with the expectation that we will achieve the level of savings we’ve guaranteed,” said Chris Schulken, Johnson Controls’ Regional Vice President and GM Northwest Region – Solutions. “Unfortunately in the case of the Duluth steam plant, that did not happen. However, that’s the benefit of undertaking these kind of projects with a company like Johnson Controls because of the guarantee we provide that ensures the targeted financial outcome is able to be achieved, an outcome that we stand behind and have the financial strength to support. This is the first time Johnson Controls has ever needed to issue a shortfall payment for any of the 20-some guaranteed savings projects it has completed in the Duluth area.”

Schulken said Johnson Controls and the City of Duluth have enjoyed an effective relationship over the years that have resulted in significant savings, including the successful citywide implementation of an Automated Meter Reading program in 2008, which included the conversion of more than 53,000 water and gas meters. Johnson Controls also successfully completed a 10-year performance contract with the Duluth Airport Authority and has just completed installation of climate control and environmental monitoring systems in the DECC’s new Amsoil Arena.

A copy of the agreement is available by clicking on the following weblink:

[Duluth-JCI settlement agreement](#)

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