



**DISTRICT ENERGY**  
ST. PAUL™

Hans O. Nyman Energy Center  
76 Kellogg Boulevard West  
St. Paul, MN 55102-1611



**2011 District Energy  
Board of Directors.**  
From left:

**George C. Fremder**  
Chairperson  
Retired Second Vice President  
Corporate Services -  
Securian Financial Group

**Mark E. Rancone**  
Vice Chairperson  
Vice President  
Roseville Properties  
Management Co.

**Patricia A. Wolf, CPM, RPA**  
Vice Chairperson  
Commercial Real Estate  
Services, Inc.

**Donovan Schwichtenberg**  
Secretary/Treasurer  
Retired President  
Saint Paul College

**William Buth**  
Board Member  
Retired President  
Saint Paul Building Owners &  
Managers Association

**Harry Melander**  
Board Member  
President  
St. Paul Building and  
Construction Trades Council

**James Pederson**  
Board Member  
Retired Deputy Commissioner  
Minnesota Department of  
Administration

**Ken Peterson**  
Board Member  
Commissioner  
Minnesota Department of Labor  
and Industry

**Ken Smith**  
President/CEO

**William M. Mahlum**  
General Counsel

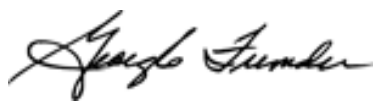
## TO OUR CUSTOMERS, BUSINESS ASSOCIATES AND THE COMMUNITY:

One attribute of the most successful cities is the ability to reinvent and adapt to the changing needs of residents, employers, children and society. While Saint Paul has a history of reinventing itself, it goes one step further. Saint Paul takes pride in finding strength in its history while developing new opportunities for its future. When I came to District Energy St. Paul in March 2006, I was enriched with the stories of Saint Paul's roots, pioneers, entrepreneurs, strong communities, and perseverance. These tales were spun from Eagle Street to Olive Street as I learned concurrently about the evolution of our company and dynamic customer base and the remarkable City we call home. While I reveled in these stories and the richness of the City's history, I focused my attention on the future and participating in the City's next great renaissance, the evidence of which is emerging all around us. In this annual report we reflect on the change and excitement of the past year and how strong partnerships spells success for the City, our customers, and our system.

As a utility, District Energy is proud to be a service provider and partner with our customers and the organizations that are leading the business, artistic

and environmental revival in downtown and beyond. The music and arts have always been strong in Saint Paul, but the resurgence of venues and events is creating a destination fervor in the city. From the Art Crawl to the Jazz Festival, the buzz has been good for both the spirit and business. More restaurants are finding new homes in downtown and are serving the growing residential base and strong business clientele. The skyline of the city remains strong with the presence of Travelers, Securian, Wells Fargo, EcoLab, Lawson and many others with strong roots in Saint Paul. The landscape is also offering exciting change with incredible renovations in Lowertown and more construction on the way. We are pleased to see the growing economic opportunities this presents for our company and our strong customer base. With more businesses discovering the benefits of stable rates and progressive energy sources now is the beginning of the next era in energy provision to Saint Paul customers.

The founders of District Energy St Paul instilled the principles of customer service, stable and affordable rates, reliability, energy efficiency, fuel flexibility, environmental stewardship, and the power of partnership and collaboration deep into the company's roots. In 2011, we took stock of our own evolution as we have delivered on those principles. Saint Paul is the only city in North America with a district heating system fueled by biomass, waste heat from a combined heat and power plant and large-scale solar thermal energy. We have delivered this transformation while maintaining stable rates for 28 years. The integrated nature of our system and its success draws visitors from around the world each year. District Energy is thrilled to be one of the City's many partners in energy initiatives, edging Saint Paul ever closer to hosting the most advanced energy system in the U.S. The City is also finding its success through smart planning, which is leading to more diverse and integrated systems that focus on energy, environment, livability, and economic competition. Through strong partnerships and hard work we will continue to build from the great lessons of our organization's history to support the revitalization of our home city. District Energy is committed to this integrated success for our customers, our community, and our environment.



**George Fremder**  
Board Chairperson



**Ken Smith**  
President/CEO



## In memoriam

**District Energy St. Paul is mourning the loss of two of our family members.**

**Brenda Nelson**, our Vice President of Human Resources, passed away in October. Brenda was more than a co-worker to us, she was a dedicated mother, wife, sister, cousin, friend, confidante, mentor, and amazing spirit. She left us with great memories of her family, her bright smile, her immense positivity and so many moments of laughter and insight. She gave us so much while part of our team and she will be deeply missed.

**Bernie St. Peter**, one of our long-time board members, also passed away in October. In recognition of his outstanding service, Bernie was declared Director Emeritus of District Energy St. Paul in September 2005. The declaration recognized his 19 years as a board member, to which he gave us leadership, guidance and dedication to the advancement of district energy services in and outside of Saint Paul. During his 35 years with Gillette, Bernie was active in the business community, including serving as Chair of the St. Paul Building Owners and Managers Association (BOMA). Bernie will also be remembered as a tireless advocate for education. Bernie served 16 years as a South St. Paul school board member and was instrumental in the development of the South St. Paul Educational Foundation. Bernie truly represented the great spirit and humanity of Saint Paul and he will be sorely missed.



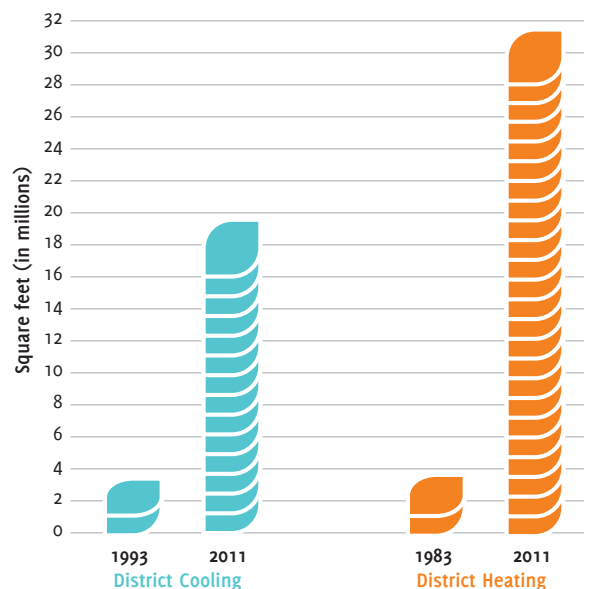
## GROUND BREAKING

**WHEN ONE REFLECTS ON THE RENAISSANCE OF ANY MAJOR CITY**, it is easy to forget the cranes, the jackhammers and the challenges overcome to reach new heights. Saint Paul joins these major metropolitan success stories with the Xcel Energy Center, the Science Museum of Minnesota, and the other impressive buildings and projects that weave together the many districts of downtown. Each successful project required planning and partnership. During the past three years, we have all been living through and working around construction zones related to this renaissance. It has challenged the businesses, vehicle and pedestrian traffic, and District Energy as we have diligently worked to execute relocation efforts in a manner that minimized impacts on our customers.

Although it has been a major challenge to accommodate the Central Corridor Light Rail Transit Project, we remain determined to make the most of the situation. We took this as an opportunity to upgrade our distribution system, fiber optics, and service lines to our customer buildings. We learned that joint planning of energy systems with transit systems creates new opportunities for all of the partners involved, and this approach is now being emulated by other communities across the country. Most importantly, we made it our priority to all but eliminate the impacts to our customers during construction.



### Service Growth in Square Feet (millions)



District Cooling serves nearly 5 1/2 times more square footage today than in 1993.

District Heating serves more than 8 times more square footage today than in 1983.

## GROUNDBREAKING, CONTINUED

It is exactly these large infrastructure investments that are leading to additional construction downtown. New restaurants are emerging in renovated structures throughout the city. The Union Depot has drawn national attention as a transit hub and cultural landmark. The Renaissance Box reopened as a shining example of how to blend true livability with sustainable architecture. And we have seen our health care partners - Gillette Children's Specialty Healthcare, Regions Hospital, United Hospital and St. Joseph's Hospital - transforming their campuses to improve their services. Along with renovation, the cranes boast the coming of new buildings in our landscape. Ramsey County is extending new services through the East Metro Behavioral Health Crisis Center. And the Farmers Market Flats signal the growing residential community in downtown. From health care to culture to environment, we are thrilled to be the preferred service provider and partner to these amazing customers. Their efforts are building a stronger city for all of

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### Groundbreaking Photo Gallery



*Clockwise from left:*

Mayor Chris Coleman at Renaissance Box Grand Opening, Gillette Children's Specialty Healthcare, Union Depot Rendering - UrbanWorks

For more images visit [District Energy on Facebook](#).







## ENTERPRISING

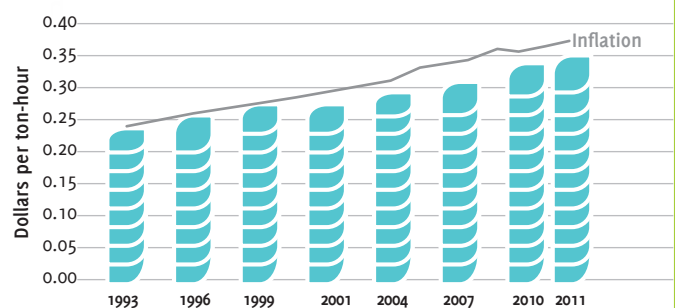
**AMONGST ALL THE GREAT STORIES OF ART AND ENERGY AND CULTURE IN SAINT PAUL,** there are great tales of profound business successes. This is the home to Fortune 500 companies, start-ups, entrepreneurs, and landmark small businesses that thrive even in challenging times. Recently Saint Paul has drawn even more interest in new business because of strong partnerships and infrastructure advantages. According to the Building Owners and Managers Association's Experience Reports, Saint Paul consistently experiences competitive energy rates compared to other major cities. And we know that the financial stability of affordable rates can play a major role in long-term planning for these businesses and marketing to new businesses.

District Energy St. Paul has a unique approach to business. As a mission driven 501(c)(3) non-profit company we focus our efforts on providing our services to the maximum benefit for our customers and the community. One of our most important customer benefits is providing exceptional reliability together with stable and competitive rates. Our customers have seen their rates stay below the rate of inflation for almost thirty years. We don't stop with reliability and stable, competitive rates, we continue to seek innovative service offerings to help customers save energy and plan for their future needs.

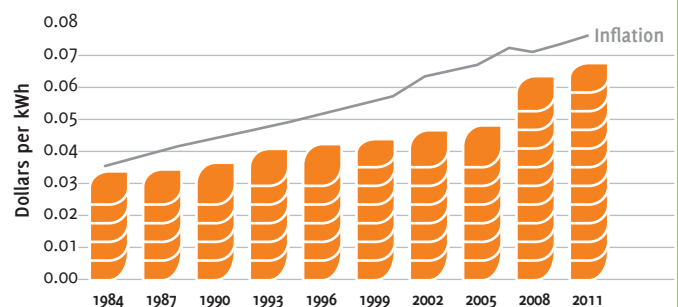


### Rate Stability

#### District Cooling Combined Rate Summary 1993-2011



#### District Energy Combined Rate Summary 1984-2011



## ENTERPRISING, CONTINUED

Businesses, large and small, are seeking more solutions to data management. District Energy has responded with unique solutions to cool data centers and manage fiber networks. Last summer, Saint Paul experienced record dew points and the fortitude of cooling systems around the state were tested. District Cooling customers were protected from these weather events by our chilled water storage and reliable district cooling network.

Customers are looking for ways to save energy and keep their bills low. District Energy has responded with world-class engineering support for energy efficiency projects. And in a new wave of technological revolution, we have more customers than ever looking for ways to serve their buildings with alternative sources. Since 2003, District Energy has used energy from wood waste and combined heat and power to meet the majority of its customers' heating needs. In 2011, we added the Midwest's largest solar installation and initiated projects to complete installations in customer buildings. We know our customers are looking for services that provide sound business investments and also do a world of good in Saint Paul. District Energy is the proven partner to meet those needs.

In Saint Paul, customers in our service area have access to alternative energy services and are able to choose the solutions that best fit their heating and cooling needs. It is wonderful that our long time customers are making the choice to extend their relationship with us for heating and cooling services. This choice for energy services is unique in Saint Paul, and this choice is the envy of other communities across the country. Since 1983, we have been committed to our core value of helping our customers succeed by providing exceptional service, meeting service requirements and exceeding expectations in recognition for selecting us as their preferred service provider. These partnerships are crucial for our business and for theirs. And we believe more great opportunities lie ahead.





## SHOWCASING

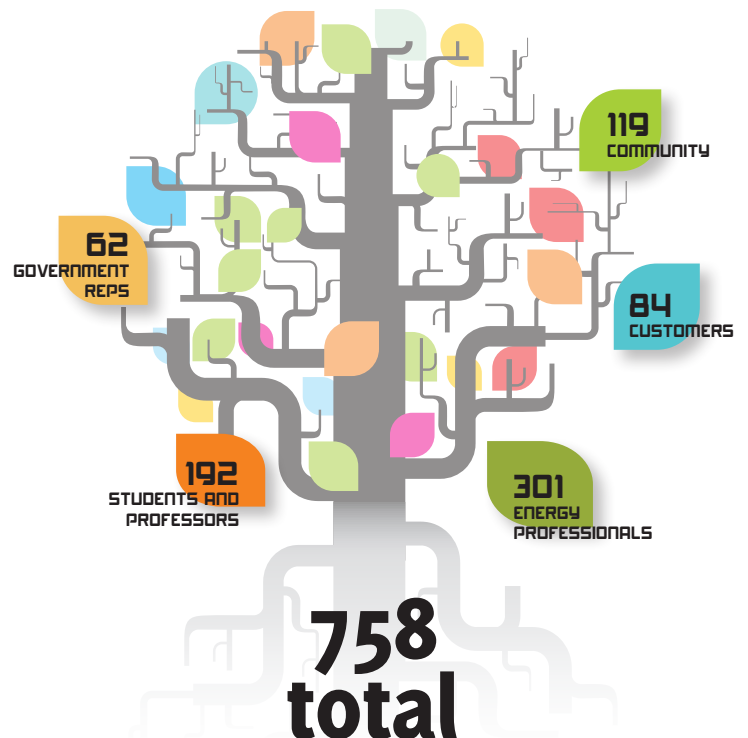
### **DISTRICT ENERGY HAS LED THE INTEGRATION OF ALTERNATIVE TECHNOLOGIES**

to create clean, energy efficient solutions for our customers. The integration of urban wood waste, thermal storage, combined heat and power, and hot and chilled water distribution systems have contributed to the success of our system. To build upon our successes, we completed the Midwest's largest solar hot water installation in 2011, which is the first in the Nation to be integrated with a district energy system. Integration of technologies requires innovation and engineering as well as strong partnerships. The solar project was made possible with leadership from our partners that also happen to be customers - the City of Saint Paul, Saint Paul RiverCentre, and the Minnesota Division of Energy Resources.

Our customer base has consistently supported these advancements. In 2011, nearly 97 percent of customers surveyed responded that it was important for us to continue exploring renewable solutions. We have more customers than ever interested in hosting solar installations and pursuing energy efficiency projects. We want to partner with our customers on these and other projects as they seek green certifications for their buildings and businesses.



Tours in 2011





## SHOWCASING, CONTINUED

We remain committed to showcasing our success story and teaching others about the importance of clean energy. Last year's bustling tour schedule included 15 plant tours and 20 tours of our solar installation at the Saint Paul RiverCentre with over 750 participants. This corner of the city is evolving into a "Science and Sustainability District." The Saint Paul RiverCentre is a key destination for national and international visitors and its sustainability efforts reflect the strong environment and energy initiatives being led by the City of Saint Paul. The Science Museum of Minnesota offers unique opportunities to both experience and learn about sustainability. This showcase area is poised technically and geographically to become a sister destination to the thriving artist's district of Lowertown. We are thrilled to have our plant and solar installation as anchors for a science and sustainability district.



Solar Thermal Tour Atop the Saint Paul RiverCentre:  
Board Members, Customers, Vendors & Staff



### **Trendsetter Award**

The U.S. Department of Energy, presented District Energy St. Paul and the Saint Paul Solar American City team this prestigious award for the completion of the Solar Thermal District Energy Project.

### **IREC Renewable Energy Innovation Award**

District Energy St. Paul's Solar Thermal District Energy Project was presented one of five innovation awards from the Interstate Renewable Energy Council (IREC) under the category of community renewables.

### **2011 Space Awards**

District Energy St. Paul was the recipient of the "Silver" Space Award by the International District Energy Association (IDEA). This annual publication features a compilation of buildings that have committed or recommitted to district service in North America and beyond.

# FINANCIALS 2011

## DISTRICT ENERGY

Rates and Unit Sales	FY 2011	FY 2010	FY 2009
Demand rate (\$/kW/mo)	\$ 5.17	\$ 4.90	\$ 4.71
Energy rate (\$/MWh)	\$ 26.59	\$ 26.86	\$ 30.51
Fuel adjustment charge (\$/MWh)	(\$ 0.12)	\$ 0.00	(\$ 1.20)
Overall rate (\$/MMBtu, 1700 Util hrs)	\$ 18.45	\$ 18.00	\$ 18.31
Demand (kW) - average	176,902	183,061	190,481
Energy sales (MWh) - actual	336,443	301,671	343,871
Heating season degree days	7,684	7,053	7,658
Energy sales (MWh) - normalized	339,000	331,000	350,000

Operating Revenues			
Net demand revenues	\$ 11,013,846	\$ 10,814,046	\$ 10,805,873
Energy revenues	8,850,172	7,995,714	10,209,594
Other revenues	939,043	1,121,544	929,365
Total operating revenues	\$ 20,803,061	\$ 19,931,304	\$ 21,944,832

Operating Expenses			
Fuel and energy	\$ 8,850,172	\$ 7,995,714	\$ 10,209,594
Non-fuel operating expenses	6,538,379	7,174,811	6,557,808
Total operating expenses	15,388,551	15,170,525	16,767,402
Net From Operations	\$ 5,414,510	\$ 4,760,779	\$ 5,177,430

District heating and cooling charges are made up of two parts: an energy rate and a demand rate. The energy rate is based on the actual cost of the fuel and electricity each company used during the year, while the demand rate is based on all other annual non-fuel costs.

# FINANCIALS 2011

## DISTRICT COOLING

Rates and Unit Sales	FY 2011	FY 2010	FY 2009
Demand rate (\$/ton/mo)	\$ 26.30	\$ 25.66	\$ 25.66
Energy rate (\$/ton-hour)	0.085	0.079	0.079
Fuel adjustment charge (\$/ton-hour)	0.000	0.004	0.004
Overall rate (\$/ton-hour, 1200 Util hrs)	\$ 0.348	\$ 0.340	\$ 0.339
Demand (tons) - average	26,313	25,586	25,186
Energy sales (ton-hours) - actual	37,622,272	39,183,636	34,605,266
Cooling season degree days	1,125	982	652

Operating Revenues			
Net demand revenues	\$ 8,314,344	\$ 7,903,460	\$ 7,789,208
Energy revenues	3,455,239	3,264,393	2,923,577
Other revenues	0	51	3,632
Total operating revenues	\$ 11,769,583	\$ 11,167,904	\$ 10,716,417

Operating Expenses			
Fuel and energy	\$ 3,455,239	\$ 3,264,393	\$ 2,923,579
Non-fuel operating expenses	3,694,858	3,347,320	2,836,816
Total operating expenses	7,150,097	6,611,713	5,760,395
Net From Operations	\$ 4,619,486	\$ 4,556,191	\$ 4,956,022



## Thank You

"Growing Strong Roots" is the theme of District Energy St. Paul's 2011 Annual Report and outlines the role District Energy plays by partnering with other organizations to propel the Saint Paul's art, energy and business revival downtown and beyond.

**Thanks to our board and our employees** for their continued diligence to make 2011 a successful year. Thank you to our customers for giving us the opportunity to be their preferred energy provider. This support drives us to fulfill our mission to best serve our customers, our community, and the environment.

**Our heartfelt gratitude goes to Joy, Pat and Scott** from The Design Company who so patiently and graciously guided us through the creative process of putting all of the pieces together to complete this year's annual report.

**Visit these links to learn more about district energy and what we do:**

Solar District Energy Project  
[www.solarsaintpaul.com](http://www.solarsaintpaul.com)

District Energy St. Paul  
[www.districtenergy.com](http://www.districtenergy.com)

Ever-Green Energy  
[www.ever-greenenergy.com](http://www.ever-greenenergy.com)



## Year in Review Photo Gallery



*Clockwise from left:*

Interstate Renewable Energy Council (IREC)  
Innovation Award, District Energy Employees,  
Ken Smith with Senator Al Franken.

For more images visit District Energy on  
Facebook.



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