

The Detroit Thermal VOICE

FALL 2003



DETROIT THERMAL, LLC IS A THERMAL VENTURES II, LP COMPANY

LOFTY CONCEPTS ARE ALSO SOLID RULES THAT GUIDE BUSINESS

Professionalism, innovation and excellence are the hallmarks of Detroit Thermal. More than lofty concepts, they are the basic principles, identified and implemented by employees, upon which the business is being built.

"As a new company, we must have a clear vision of what we

stand for and where we are heading," said Chuck French, Detroit Thermal general manager. "The Vision Statement put together by our entire management team serves as a guide as we carry out our day-to-day responsibilities."

It also provides employees with a common understanding of the foundations of the business.

"The energy business is dynamic," French said. "Advances in technology, changes in our customer base and a variety of other factors affect the company, but the concepts described in the Vision Statement will guide us as we grow and develop."

Each element mentioned in the statement translates directly into business operations.

Professionalism applies to the manner in which Detroit Thermal and its employees interact with the other stakeholders in its business. "Professionalism means maintaining a high level of integrity in our dealings with others and a high level of quality in meeting industry standards," French said.

Innovation refers to the advances in technology and services that contribute to Detroit Thermal's competitive edge. "We know that our customers have other energy options," French explained, "so we

DETROIT THERMAL LLC VISION STATEMENT

*Detroit Thermal, LLC provides thermal energy and associated products and services to its customers in the Detroit Metropolitan Area. **Professionalism** in our relations with customers, government agencies, shareholders, employees and suppliers is our guide to the viability and longevity of our business. **Innovation** in planning and producing products and services is our competitive edge. **Excellence** in delivering safe, environmentally friendly, reliable and efficient products and services is our constant focus.*

A PICTURE WORTH A THOUSAND WORDS

The logo of Detroit Thermal is an attractive visual emblem for the company. "It also gives a clear picture of our business," said Mark Butta, vice president of business development for Detroit Thermal and its parent company Thermal Ventures II.



The red in the logo represents heating, the blue represents cooling

and the white flame in the middle stands for the environmentally friendly fuel Detroit Thermal uses to produce steam. The circle evokes the steam distribution system that links customers to steam-generating facilities.

The Detroit Thermal logo is similar to those of other Thermal Ventures II companies.

"The new graphic is helping build brand awareness of Thermal Ventures among owners and managers of metropolitan business district properties throughout the country," Butta said. ■

must be creative in developing services and products that meet the needs of customers and potential customers."

Excellence extends to every aspect of the business.

"We are always looking for ways to improve and reinvent ourselves," French said. "We are dedicated to continually striving to be the best we can be." ■

COMPANY MAKES FIRST FILING WITH MPSC

Detroit Thermal recently made its first rate filing before the Michigan Public Service Commission. The MPSC will review the rates and service standards outlined in the filing and allow opportunities for discussion before ruling on it. The process takes a number of months to complete.



Photo of Michigan Capital Building courtesy of Greater Lansing CVB.

“We are very pleased to have completed this first phase in the filing process,” said Mark Butta, vice president of business development for Detroit Thermal and its parent company, Thermal Ventures II. “It is a significant step toward establishing Detroit Thermal’s identity as a public utility in Michigan.”

Energy companies such as Detroit Thermal are part of a regulated industry and therefore are required to obtain state approval on rates and standards. In the filing, Detroit Thermal proposed a variety of quality-of-service standards, e.g., delivery pressures and temperatures, and a number of business practices, such as the length of the standard billing cycle. When approved by the commission, these standards will be part of the company’s day-to-day business operations.

DEFAULT RATE FOR STEAM

The filing also includes a default rate for steam service. This cost-based rate takes into account the fixed and variable costs of producing and distributing steam such as labor, maintenance of buildings and equipment and upkeep of the distribution system. It also factors in variables such as the cost of water and of the chemicals needed to treat it and the cost of the natural gas and oil used to fuel the boilers. Sales projections and return on investment also are part of the calculation.

“The default rate provides customers with some measure of price protection,” Butta said. “Still, we recognize that different customers have different needs, and to accommodate those variations we have designed a number of special contract categories.”

These special contracts allow for variations from the default rate based on customer-related criteria. “Special contracts involve commitments from customers and

from Detroit Thermal,” explained Chuck French, Detroit Thermal general manager.

Factors that go into developing special contract rates include:

- Duration of the contract. Long-term contracts help customers budget more accurately for energy costs, and they help Detroit Thermal project and prepare for future use.
- Amount of load. How much steam a particular customer uses is considered in determining whether the customer is eligible for a special contract category.
- Ability and willingness to increase load. “Customers may be in a position to add a building to the steam system, either a new building or one that was formerly on the system,” Butta explained. “Or they may want to increase the load for a building heated by thermal energy by adding capabilities that use steam to produce chilled water for cooling.”

WIN-WIN SITUATION

Special contracts may help customers save money on energy expenses, and they help Detroit Thermal plan for the future. “They provide stability as we project both customer base and load,” French explained, “and that will help us plan more effectively as we grow the business.”

Detroit Thermal account executives and other members of the management team will hold a series of meetings with customers to discuss the rate-filing proceedings and the special contract categories.

“We are consulting with all our customers to see how a special contract might best serve their needs,” French said. “It is part of our commitment to serving the district energy community.”

For more information about the rate filing or about special contracts, contact your account executive. ■

MARKETING TEAM COUPLES ITS BROAD EXPERIENCE WITH CONCERN FOR CUSTOMERS

Members of the Detroit Thermal marketing team bring a wealth of experience to their new jobs and – just as important – possess a true concern for customers' needs.



Marketing team, from left: Ron Burt, Cheryl Giles, John Kozar and Phil Marsalese.

“Our marketing group is bringing the expertise they gained by working in many areas of our industry to the needs of Detroit Thermal customers,” said Chuck French, Detroit Thermal general manager. “Team members know that taking care of customers is our number-one priority and that they are the interface between the company and its customers.”

CUSTOMER FOCUS IS KEY

Marketing Director Phil Marsalese has spent 21 years in the energy business. He was regional sales director at CMS Marketing, Services and Trading, a gas and electric utility in Jackson, Michigan, for three years and spent 18 years with ANR Pipeline Company, a division of Coastal Corporation, where he was Midwest regional sales director for wholesale natural gas.

“My whole career has been customer-focused,” Marsalese said.

“I have worked with customers as small as local laundries and dry cleaners and as large as huge steel, paper and automotive manufacturers.”

Marsalese believes that the strength of Detroit Thermal’s customer focus will enable the company to thrive in the Detroit market. “I know that if we take good care of our customers, our business will flourish,” he said.

Marsalese is pleased to be part of Detroit Thermal and to be involved in the growth of Detroit. “The city is positioned for growth and so are we. We are excited to be involved in Detroit’s future,” he said.

HE KNOWS THE TERRITORY

Account Executive Ron Burt knows the Detroit business community. As manager of membership development for the Detroit Regional Chamber, Burt worked closely with businesses and community groups, especially those in the Detroit Thermal service area.

He also knows about the energy needs of various types of buildings. Early in his career he was an associate with Hoyem-Basso, where he did energy studies and energy audits. He also served as an applications engineer with Honeywell and Johnson Controls and later owned his own consulting firm, which specialized in energy-management systems and services.

“I have worked with hospitals, schools and commercial buildings, evaluating their energy needs and exploring the feasibility of various options,” Burt said. “That experience is very valuable as I work with Detroit Thermal customers and potential customers.”

SALES AND MUCH MORE

Account Executive John Kozar started in the steam business as a distribution employee and then as an auxiliary operator at Youngstown Thermal in 1984. He

has been working in the steam business ever since.

Kozar comes to Detroit Thermal from Trigen St. Louis Energy Corporation, where he most recently served as sales manager. Kozar also held a number of positions in Trigen’s distribution system.

“I have worked in distribution, so I know how the system operates,” Kozar said. “I also have been involved with metering, so I know that aspect of the business, and I have been in customer service and sales.”

Kozar says he is integrating the many things he has learned in these positions into his role at Detroit Thermal. “I understand how building engineers look at the steam system, and I understand the concerns of building and property owners,” he said.

IN ON THE GROUND FLOOR

Before joining Detroit Thermal, Cheryl Giles, contracts administrator/marketing coordinator, was an engineering secretary with Brinker Team Construction, a commercial company that helped build facilities for many Detroit Thermal customers, including Comerica Park, the Charles H. Wright Museum of African American History, the MGM Grand Casino and the Greektown Casino.

“I am familiar with the way these and other facilities are constructed, so I have an understanding of their energy needs,” Giles said. But, she added, her current position is giving her a new appreciation for the way energy systems work.

Giles maintains customer records and is often the first contact Detroit Thermal customers have with the company.

“I listen to customers’ questions and concerns and contact the appropriate people at Detroit Thermal to get their issues resolved,” she said. ■

NEW BREW PUB USES STEAM TO BRING ‘FOOD, FUN, BEER’ TO DOWNTOWN DETROIT

Brewmaster Pat Scanlon says it takes only four ingredients to make good beer: water, malted barley, hops and yeast. But that is where the science of beer making ends and the art begins. And Scanlon, who has been a brewmaster for nine years has mastered both the art and the science.

Scanlon oversees the brewing of many popular beers at the Rochester Mills Beer Company in Rochester, the Royal Oak Brewery and at the newly opened Detroit Beer Company in the Hartz Building at 1529 Broadway, in downtown Detroit.

The six-story building has been renovated to house three floors of office space as well as the Detroit Beer Company. “The outside of the building has been renovated to preserve its 100-year-old history,” Scanlon said. “Inside we gutted the whole building to create an attractive space where people can come to eat good food, drink good beer and have a good time.”

The brewery takes up the basement and part of the first floor of the renovated building. A section of the floor has been removed so

visitors to the first floor bar can see the beer being brewed. The second floor is devoted to the restaurant, which serves lunch and dinner seven days a week.

The restaurant features the eight or so different kinds of beers brewed on site – light beers, English ales, porters and stouts. Scanlon says they will also serve bottled Belgian beer.

The Detroit Beer Company recently joined the Detroit Thermal steam system. The company uses steam to heat the water, heat the grain and heat the wort, the mixture that turns into beer after the yeast converts the sugars to alcohol. The large stainless steel brew kettles in which the heating and processing take place are covered with jackets that also are made out of stainless steel. The steam goes between the jacket and the kettle and keeps the ingredients inside at the right temperature, without hot or cold spots that might ruin the brew.

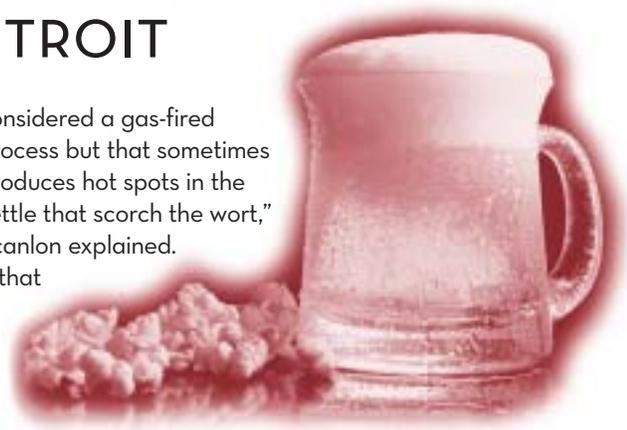
Scanlon says the company looked at alternative systems before signing on with Detroit Thermal but determined that Detroit Thermal’s steam would work best. “We

considered a gas-fired process but that sometimes produces hot spots in the kettle that scorch the wort,” Scanlon explained. If that

happened the beer would not be up to his exacting standards.

He also considered putting a boiler in the building but realized that a boiler takes a lot of maintenance, and a lot of space. “We like the steadiness and the reliability of Detroit Thermal steam,” Scanlon said. “We don’t have to devote space or manpower to producing steam.”

Scanlon said he and the other members of the staff at Detroit Beer Company are pleased to be in downtown Detroit. “We are excited to be in the heart of so much activity,” he said. “We are close to the Opera House, the stadiums, theaters and office buildings. Our motto is ‘food, friends and beer’ and we’re glad to be bring that to this neighborhood.” ■



QUICK RESPONSE TO A CRISIS

The August 14 blackout that shut down electric power to more than 50 million people in the country’s north coast and New York, and in Ontario, also shut down the Detroit Thermal steam system. As electricity from DTE Energy failed throughout the region, Detroit Thermal lost the power it needs to run the boiler and steam system controls, plant and control room lighting, sump pumps and telephones. The electricity outage also interfered with the city’s ability to pump water and Beacon, like many other facilities in the region, lost its water supply.

“Our staff did a remarkable job in the face of an unprecedented outage,” said Chuck French, Detroit Thermal general manager. “We worked closely with customers to make sure that all systems were closed down safely and, when the power returned, brought back up safely.”

During the crisis French and his staff told customers to close the isolation valves that connect customer systems to the Detroit Thermal distribution system and to reopen the valves slowly when the

steam came back on. “Reopening the isolation valves slowly protected customer systems against potential damage from hot steam rushing in to cool pipes,” French said.

Detroit Thermal made the best of a bad situation by quickly making a number of repairs while the system was down. Two steam leaks were repaired, a section of pipe was replaced and a malfunctioning drain was fixed.

Steam service was fully restored by the evening of Sunday, August 17. ■

BOILER AT BEACON PLANT GETS A SUMMERTIME OVERHAUL

Reliability and efficiency are top priorities at Detroit Thermal, LLC – which is why the company undertook a complete re-tube of Beacon Heating’s boiler #1 this summer.



The inside of a steam drum is refurbished.



New tubes are inserted in a steam drum.

“Boiler #1 is designed to produce 450,000 pounds of steam an hour,” said Roosevelt King, Detroit Thermal plant manager, “but the tubes inside it had been patched and repaired so many times, and some had corroded so badly, that the boiler wasn’t operating efficiently. It could not produce at full capacity.”

Some tubes leaked and others had been plugged because they were no longer strong enough to hold water at the boiler’s normal operating pressure. Not only was the boiler not operating at full capacity, it was also losing a lot of water.

“Water leaks are wasteful,” King explained. “They drive up our water bill and force the boiler to use more fuel to generate steam.”

INVESTING FOR LONG-TERM RELIABILITY

Under King’s direction, Detroit Thermal made a large investment to fix boiler #1 for the long term. The repairs included putting new tubes and insulation inside the boiler and installing a combustion control system. The entire project was timed so as to be completed well before the peak of the coming heating season.

The eight-story boiler holds 2,400 seamless metal tubes that range in length from 25 to 40 feet. They are bent in intricate patterns and tightly fitted into five thick drums. The tubes are so long that a hole had to be cut in the side of the boiler to get the old tubes out and the new tubes in.

The project also included redoing the insulation on the inside of the boiler. The old insulation was removed and new insulation installed.

ENSURING GOOD SERVICE

King and other Detroit Thermal employees worked closely with contractors to make sure that the entire project was completed during the summer, when steam loads were down and the plant’s other boilers could easily meet customer needs.

“Detroit Thermal is committed to providing steam service our customers can count on, and we’re committed to doing it in the most efficient way possible,” King said. “The work on boiler #1 ensures its reliability and its efficiency for many years to come.” ■

RESTART TIME IS NOW

Customers who handle their own seasonal shutdown and restart should take the following steps.

BEFORE TURNING THE STEAM SYSTEM ON

- Check control valves.
- Clean coils.
- Change air filters.
- Check thermostats.
- Make sure the clock that controls day-night operations is set to the correct time. (Reset the clock after the change from daylight savings to standard time.)

AFTER THE SYSTEM HAS STARTED

- Make sure all appropriate valves are open.
- Check radiators.
- Recheck thermostats.
- Check steam pressure – in most buildings it should be 5-10 psi (pounds per square inch).
- Listen – the system should operate quietly. ■

YOU’VE GOT OUR NUMBER

Report problems, get answers to questions about steam, set up a service call or discuss your bill by calling **313.963.3844**. ■

NATURAL GAS STORAGE LAGS

Natural gas prices continued their volatile rise and fall over the summer. In June prices were close to \$6 per MMBtu. In late July and early August they had dipped into the \$5 range, but by mid-August they were headed back up.

“Prices in August didn’t hit the highs of early June, but they were still higher than consumers

are used to for this time of year,” said Mark Butta, vice president of business development for Thermal Ventures II. Butta tracks fluctuations in the price of natural gas for all Thermal Ventures II systems, including Detroit Thermal.

One of the factors contributing both to the volatility in the natural gas market and to the historically high prices for this time of year is the slow rate of storage.

“Summer is storage injection season, when a large share of the gas being produced is injected into storage fields,” Butta explained. “This year’s storage rate is slower than anticipated and lags behind the same period last year by about 400 billion cubic feet.”

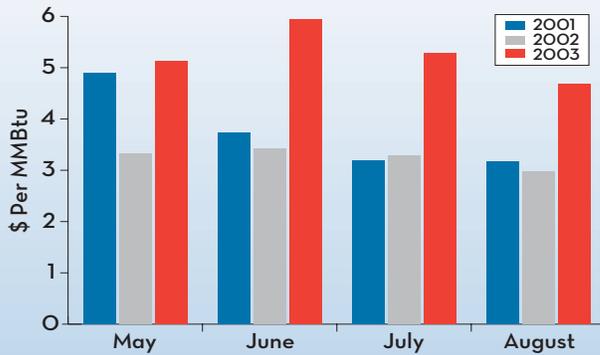
High prices also reflect the industry’s anticipation of the tropical

storm season. Many natural gas wells are located off-shore in the Gulf of Mexico, an area that is often hit hard by hurricanes and other serious storms in early fall. When storms occur, the rigs are shut down and evacuated to protect the workers, and production is disrupted. But even if no serious storms develop, the market anticipates their potential, which helps keep prices high.

On the other hand, this summer’s relatively mild weather, especially in the East and Midwest helped moderate price rises. Without prolonged spells of very hot days, electric-generating facilities used less natural gas.

“You certainly can’t count on the weather to hold prices down,” Butta said. “Detroit Thermal will be prepared for whatever Mother Nature sends our way.” ■

NATURAL GAS FUTURES – EXPIRATION PRICES ON THE NEW YORK MERCANTILE EXCHANGE



- Thermal Ventures II, LP
- District Energy Systems
- Akron Thermal Cooling, LLC
- Detroit Thermal, LLC
- Hohenwold Thermal, LLC
- Martinsville Thermal, LLC
- Richmond Thermal, LLC
- Santa Ana Thermal, LLC
- Thermal Ventures of Orange County, LLC
- Youngstown Thermal, LLC

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