

January 31, 2018

Mr. James Benning, PE  
City of Duluth  
411 West First Street  
Room 211B  
Duluth, MN 55802  
[delivered via email to: [jbenning@duluthmn.gov](mailto:jbenning@duluthmn.gov)]

Re: City of Duluth, MN  
Superior Street Reconstruction Hot Water System Project  
Design Contract Change Order Request (REVISED)

Mr. Benning,

Ever-Green Energy (Ever-Green) is submitting this revised Change Order Request for our anticipated services in 2018 to support the specialized energy pipeline and in-building infrastructure, business development consulting, and associated analyses, contracts, and communication. This revised Change Order reflects our correspondence on the following topics:

- A reduction in scope in the Coordination of Phase 2 and 3 Customer Conversion Engineering as more of this work is expected to be handled by the DES engineering staff.
- A reduction in scope Construction Management and Reporting of Customer Conversions as more of this work is expected to be handled by the DES engineering staff.
- Adjustments to the travel and per diem estimates based on (1) reduced engineering being provided by Ever-Green staff from St. Paul and (2) reducing the average estimated per diem, understanding these expenses will be charged at cost.
- Reduction in Distribution Design Updates estimated work scope for unforeseen conditions and emergent priorities and, instead handling any significant effort in this area under the estimated contingency line.

Ever-Green has been working in cooperation with Duluth Energy Systems, the City of Duluth (City), and its consultant, LHB, in preparation for the Superior Street Reconstruction Hot Water System project. To date, Ever-Green has performed the following work under this contract:

- Prepared the hot water system design for integration into LHB's construction plans that are currently in the final stages of review.
- Established a basis of design for the customer buildings to enable them to receive hot water instead of steam.
- Prepared RFP documents and reviewed proposals for the mechanical engineering of steam to hot water conversions at customer buildings.
- Facilitated customer contract discussions and prepared energy services proposals for the Phase 1 buildings.
- Provided project management and construction oversight for the construction of the first portion of hot water pipe on Michigan Street.

- Developed a preliminary plan for plant retrofits required to deliver hot water to customers.
- Developed preliminary plans for serving customers that will require heating service during summer construction activities.
- Prepared procurement documentation for the customer building energy transfer stations and temporary steam to hot water energy transfer stations.
- General customer and community communications and outreach.
- Project management and administration

With Phase 1 of the Superior Street project slated to commence in the Spring of 2018, there a number of work activities that will be required to support the construction efforts, as well as prepare for the Phase 2 and Phase 3 work that will begin in 2019 and 2020, respectively. These 2018 work efforts include:

- Hot water distribution system material procurement oversight.
- Construction field supervision and reporting for the hot water distribution piping during Phase 1 of the Superior Street project.
- Distribution system design updates resulting from construction changes.
- Quality assurance review and assistance for the Phase 1 and 2 customer conversion engineering design.
- Customer conversion construction field supervision and reporting during Phase 1 of the Superior Street project.
- Design of the temporary steam to hot water energy transfer stations that will provide heating to customers during construction.
- Design for the connection of the hot water piping from the termination of the current Michigan Street work to the Duluth Energy Systems plant.
- General customer and community communication and outreach.
- Project management and administration.

Ever-Green respectfully submits this Change Order Request for work to be performed in 2018.

**PROJECTED HOURS:**

Ever-Green proposes to perform the work associated with the work efforts identified above within the following projected hours.

| <b>Distribution Design Updates</b>    | <b>Hours</b> |
|---------------------------------------|--------------|
| Sean McFarling                        | 32           |
| Ryan Johnson                          | 48           |
| Rich Gacek                            | 64           |
| <b>Distribution Field Supervision</b> | <b>Hours</b> |
| Gerry Gubash                          | 14           |
| Sean McFarling                        | 56           |
| Tom Anderson                          | 16           |
| Jason Johnson/Nels Olander            | 60           |
| Ryan Johnson                          | 1184         |

| <b>Distribution Construction Management &amp; Reporting</b>            | <b>Hours</b> |
|--|--------------|
| Gerry Gubash   | 16           |
| Sean McFarling   | 384          |
| <b>Alarm Wire Testing &amp; Troubleshooting</b>                        | <b>Hours</b> |
| Gerry Gubash   | 16           |
| Jason Johnson  | 288          |
| <b>Distribution System Pipe Procurement</b>                            | <b>Hours</b> |
| Sean McFarling   | 41           |
| <b>Coordination of Phase 2 &amp; 3 Customer Conversion Engineering</b> | <b>Hours</b> |
| Andrew Kasid   | 12           |
| Mike Auger   | 10           |
| Sean McFarling   | 4            |
| Ryan Johnson   | 150          |
| <b>Construction Management &amp; Reporting of Customer Conversions</b> | <b>Hours</b> |
| Sean McFarling   | 134          |
| <b>Steam Plant/Conversion Station Engineering</b>                      | <b>Hours</b> |
| Ingvar Larsson   | 32           |
| Ray Watts  | 8            |
| Thomas Thomalla  | 16           |
| Ryan Johnson   | 40           |
| <b>Plant Connection Design (From MI Street)</b>                        | <b>Hours</b> |
| Sean McFarling   | 8            |
| Phil Bourne  | 40           |
| Ryan Johnson   | 80           |
| Rich Gacek   | 80           |
| <b>Customer Hot Water Rate Design</b>                                  | <b>Hours</b> |
| Andrew Kasid   | 30           |
| Mike Auger   | 40           |
| <b>General Customer &amp; Community Communications &amp; Outreach</b>  | <b>Hours</b> |
| Nina Axelson   | 120          |
| Jenae Batt   | 200          |

| <b>Project Management and Administration</b> | <b>Hours</b> |
|--|--------------|
| Michael Ahern                                | 104          |
| Mike Burns                                   | 104          |
| Pam Sarne                                    | 45           |
| Nina Axelson                                 | 8            |
| Brent Rader                                  | 32           |

**PROPOSED COST:**

Ever-Green respectfully submits this change order request in the amount of \$741,063 for the scope of work identified above, based upon the following breakdown and hourly rate sheet:

| <b>Superior Street Construction Support</b>                                 |                  |
|---|------------------|
| Distribution Design Updates   | \$20,800         |
| Distribution Field Supervision  | \$201,250        |
| Distribution Construction Management & Reporting                            | \$70,000         |
| Alarm Wire Testing & Troubleshooting  | \$46,000         |
| Distribution System Pipe Procurement  | \$7,175          |
| Construction Services Travel & Per Diem Expenses                            | \$35,264         |
| Tool & Equipment Rental (rental fees will not exceed total equipment value) | \$20,000         |
| <b>Customer Conversion &amp; Steam Plant Engineering</b>                    |                  |
| Coordination of Phase 2 & 3 Customer Conversion Engineering                 | \$29,725         |
| Construction Management & Reporting of Customer Conversions                 | \$23,520         |
| Steam Plant/Conversion Station Engineering                                  | \$15,400         |
| Customer & Steam Plant Engineering Travel & Per Diem Expenses               | \$4,104          |
| Plant Connection Design (From MI Street)                                    | \$30,400         |
| Plant Connection Design Subconsultants                                      | \$20,000         |
| <b>Customer Outreach, Rate Design, and Project Management</b>               |                  |
| Customer Hot Water Rate Design  | \$19,250         |
| General Customer & Community Communications & Outreach                      | \$43,000         |
| Project Management and Administration                                       | \$72,200         |
| Communications & PM Travel & Per Diem Expenses                              | \$2,052          |
| Subtotal  | \$660,140        |
| Contingency   | \$80,923         |
| <b>Total Budget Cost</b>  | <b>\$741,063</b> |

Thank you for the discussion on this budget. Please let me know if you have any further questions.

Sincerely,

**Ever-Green Energy, Inc.**

A handwritten signature in black ink, appearing to read 'M. Ahern', with a long horizontal flourish extending to the right.

Michael Ahern  
SVP, Systems Development

## HOURLY RATE SHEET

| Personnel                    | Title                                    | Hourly Rate     |
|------------------------------|--|-----------------|
| Andrew Kasid                 | EVP, Finance & Accounting                | \$275           |
| Michael Ahern                | SVP, Systems Development                 | \$275           |
| Mike Burns                   | SVP, Operations Management               | \$275           |
| Mike Auger                   | VP, General Counsel                      | \$275           |
| Pam Sarne                    | VP, Accounting                           | \$200           |
| Gerry Gubash                 | Distribution Services Manager            | \$175           |
| Sean McFarling               | Senior Engineer                          | \$175           |
| Ingvar Larsson               | Senior Engineer                          | \$175           |
| Ray Watts                    | Senior Engineer                          | \$175           |
| Nina Axelson                 | VP, Public Relations                     | \$150           |
| Thomas Thomalla              | Senior IT Manager                        | \$150           |
| Ryan Johnson                 | Lead Project Engineer                    | \$150           |
| Nels Olander                 | Distribution Field Superintendent        | \$150           |
| Jason Johnson                | Distribution Field Superintendent        | \$150           |
| Tom Anderson                 | Technical Communications Project Manager | \$150           |
| Jenae Batt                   | Senior Communications Specialist         | \$125           |
| Rich Gacek                   | Engineering CAD Technician               | \$125           |
| Truck & Tools                |  | \$10            |
| Stateview Alarm Wiring Tools |  | \$280 (per day) |