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Title: RESOLUTION AUTHORIZING A SUPPLY AGREEMENT WITH ENSYN RENEWABLE FUELS CANADA, INC., TO SUPPLY RECYCLED FUEL OIL TO THE DULUTH ENERGY SYSTEMS FACILITIES.

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RESOLUTION AUTHORIZING A SUPPLY AGREEMENT WITH ENSYN RENEWABLE FUELS CANADA, INC., TO SUPPLY RECYCLED FUEL OIL TO THE DULUTH ENERGY SYSTEMS FACILITIES.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into an agreement, substantially in the form of that attached hereto as exhibit A, with Ensyn Renewable Fuels Canada, Inc., a Canadian corporation, to supply renewal fuel oil to the Duluth Energy Systems facilities as an energy source for those facilities, with payments to be made from Fund 540-920-1490-5385 (Steam Fund, Steam Department, Steam Production, Oil).

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an agreement with Ensyn Renewable Fuels Canada to supply the Duluth Energy System (“DES”) facilities with renewable fuel oil to serve as an energy source for the plant.

Ensyn is producing a renewable fuel oil product (“RFO”) which is defined as having its source in planted crop materials and residue, planted trees and tree residue and other biological materials which is used to replace or reduce fossil fuels and is making it available for use in facilities such as the DES facilities. The federal government, by way of the Renewable Fuel Standard, has established a program to encourage its production and use which makes it possible for Ensyn to offer the product at a very competitive price as compared to other fuel sources. In the case of this contract, Ensyn is committing to provide the product at a cost at least 10 percent less than comparable energy supplied from natural gas or coal.

Thus RFO provides both a cost benefit to DES’s customers and an overall benefit to the environment by reducing the consumption of fossil fuels.

In order to use RFO in the DES facilities, it will be necessary to make some modifications to them. The cost of the modifications is expected to be about \$2 Million but Ensyn (see resolution no. 18-0244R) will install the needed equipment at its cost. In addition, Ensyn will also be installing modifications to the two boilers that currently cannot burn natural gas. In the event that the need or desirability should arise because of an

interruption to the supply of RFO, DES will have greater fuel flexibility to meet its customers' needs. Those costs will be recovered by Ensyn over the five-year term of the Supply Agreement