# District Heating & Cooling

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## *Seattle Steam*

Still Not Acting Its Age at 95

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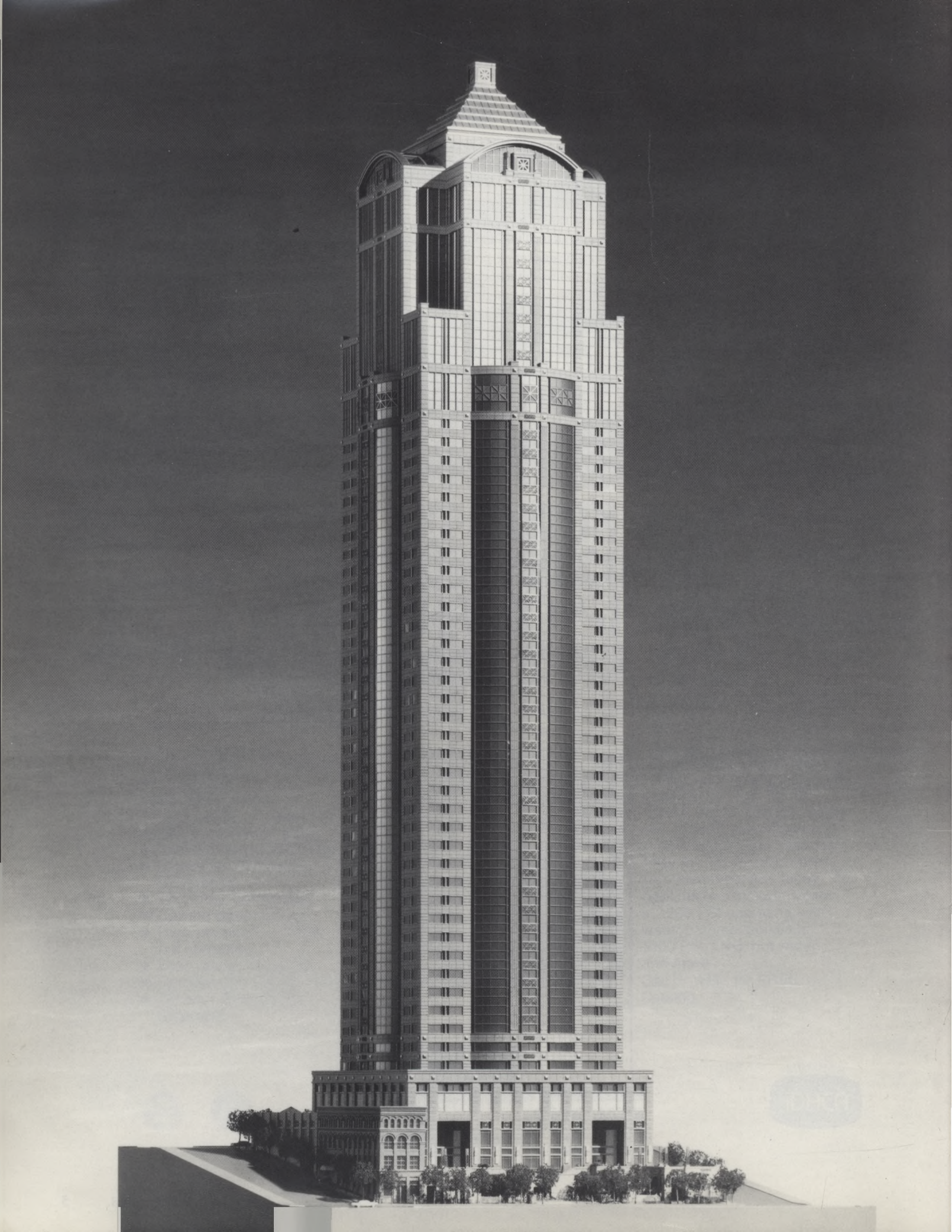


# Seattle Steam

*By Lanny Wuerch*
*Director of Marketing & Customer Relations*
*Seattle Steam Corporation*

If you met Jim Young at a Chamber of Commerce meeting, you might think he represents one of the Northwest's hot new technology companies—the type of dynamic, youthful executive you'd expect to find in the fast lane of business, a guy with both feet planted firmly in the future.

If you did, you'd be half right. Energetic, analytical and aggressive, Jim Young was named president of his company last year at 46. But the organization he heads is more than twice his age—the industry even older—and the corporate personality anything but high-profile.

All the same, Jim Young is delighted to be the man at the helm of Seattle Steam Corporation.

***Photo opposite page:*** *At 55 stories, the 1201 Third Avenue Building won't be the city's tallest—but it does promise to be one of the most striking of Seattle Steam's new customers. Developed by Wright Runstad & Company, the project was designed by The McKinley Architects with mechanical engineering by Bouillon Christofferson & Schairer, all of Seattle.*

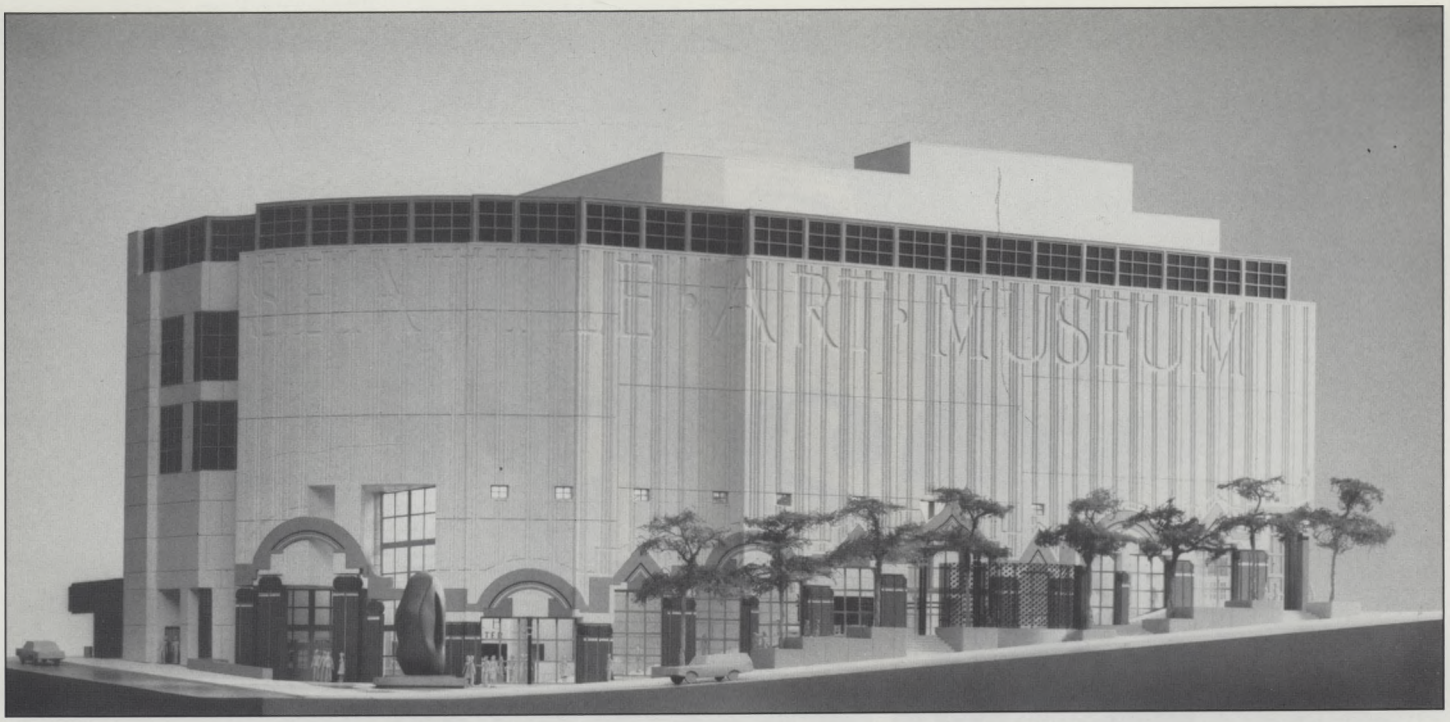
District Steam, he argues, is "An Idea Whose Time Has Come Back."

And the challenge of selling steam, deep in the heart of hydropower country, keeps him and his management team in peak competitive condition.

## Getting Steam's Share of the Metropolitan Market

Ask Jim Young what makes Seattle Steam tick, and you'll get a response that includes a little bit of history and a lot about strategic planning for the future.

The companies that eventually came together as Seattle Steam were founded in 1893 and 1897. They produced both electricity and by-product steam for district heating, but the electrical business faded away after the introduction of low-cost hydro power at the turn of the century.



*Originally designed to include a gas boiler system, the new Seattle Art Museum is now a Seattle Steam customer—thanks to an effective eleventh-hour selling effort. This $55 million facility will be the region's preeminent museum for the visual arts, housing more than 14,000 objects including a notable collection of Asian and Pacific Northwest pieces. Robert Venturi (Venturi, Rausch & Scott Brown, Philadelphia) is project architect, in association with Olson/Sundberg of Seattle. Mechanical engineering is by John L. Altieri, P.E., of Norwalk, Conn. (Photo of model by Robert Pisano)*

Over the years, customer demand for steam has been driven primarily by the cost of fossil fuel: preferred from the 1950s to the early 1970s, when fuel rates were relatively low; losing ground during the oil price hikes in 1974 and 1979; then enjoying a comeback as local electric rates have been increased to reflect the true cost of seasonal hydro power.

In the mid 1950s the company made a major investment in future growth by replacing its inefficient coal burners with modern oil and gas-fired units. Then, in the early 60s, new high pressure mains were installed to serve First Hill, an area uphill and across Interstate 5 from the central business district. Customers in this area include two college campuses plus most of the city's major health care centers. Hospitals have been some of the company's most loyal customers: because of Seattle Steam's unblemished record of reliability, and the redundancy built into the system, hospitals are not required to maintain backup systems of their own.

The system currently serves 230 customers, in an eight square-mile area, via 19 miles of underground mains.

Despite the ups and downs in demand, Seattle Steam has always been well-managed and financially sound. Conservative business practices and a commitment to maintaining the quality of both the system and customer service have paid lasting dividends.

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"We inherited a beautifully maintained district steam system," Young says, giving full credit to his predecessors.

"Unlike other systems in the Northwest that have gone out of business, we never let Seattle fall behind in terms of performance. The continuity has always been there—one hundred percent—and consequently we've never had a shutdown."

At Seattle Steam, efficiency controls costs . . . ensures reliability . . . and makes it possible to give customers the highest possible level of service. It has also given management time to concentrate on building strong relationships with existing customers, while laying the groundwork for expansion.

## Marketing + Business Development + Customer Service

In the 1980s, as Seattle became the focus for a regional building boom, Seattle Steam began working to secure its share of new business. In Jim Young's book, that meant selling the old fashioned way: one customer at a time.

"There's nothing more effective than knocking on the right doors, at the right time, delivering the right information to the right people," he maintains.

"Sales don't come quickly that way, but they come, and the relationships that are established last a long, long time."

In 1983 he unveiled a marketing and business development plan aimed at three target market segments: (1) existing customers; (2) in-house boiler systems with retrofit potential; and (3) new construction.

The program was aimed at selling district steam to a whole generation of people who barely know it exists—developers,

architects, building owners and younger engineers schooled only in gas and electric systems—as well as changing attitudes among those who've heard steam is old-fashioned, unreliable—or both.

That meant making a clear and irrefutable case for district steam as an energy resource, competing head to head with natural gas and electricity.

Young's plan identified three essential functions, each directly customer-related, and vital to the success of any customer-oriented enterprise.

**MARKETING**—Staff functions such as planning, market assessment, analysis of opportunities, strategy development and providing direction for business development activities.

**BUSINESS DEVELOPMENT**—The line function of direct customer contact to acquire new business and strengthen existing relationships.

**CUSTOMER SERVICE**—Contact that involves troubleshooting on HVAC systems, resolving metering and billing records and coordinating new hook-ups.

Eighteen months later, Jim Young stood before the IDHCA Technical Conference in Minneapolis to outline the Seattle Steam marketing program and report on progress to date.

"Marketing strategy is not some generalized statement of hopes and aspirations," he explained.

To be effective, a marketing program must address a number of issues: the unique information needs of your customers; the advantages you promote to distinguish yourself from the competition; the steps you take to secure a contract; and the methods you use to track your results.

Understanding your prospects' information needs is particularly critical. While the "locals" may know how to evaluate and design for district heating, "outsiders" may know nothing at all about your company, your resource, or how to use it. They are likely, however, to know all about gas boilers and heat pumps—and the utilities that supply them.

Planning is fundamental, Young argues, but the most elegant plan ever created is just lines on paper until someone makes a sales call. At Seattle Steam, the emphasis is on making good calls—well-executed encounters with fully qualified prospects.

"That's the secret to marketing district energy," he maintains. "You have to get out, shake hands, find out what people need to know and put together presentations that directly target their concerns.

***The program was aimed at selling district steam to a whole generation of people who barely know it exists.***

"We work on establishing rapport with a customer, getting involved in his decision-making process," he concludes. "I want to make sure that each call builds upon the previous one and takes us one step closer to a contract."

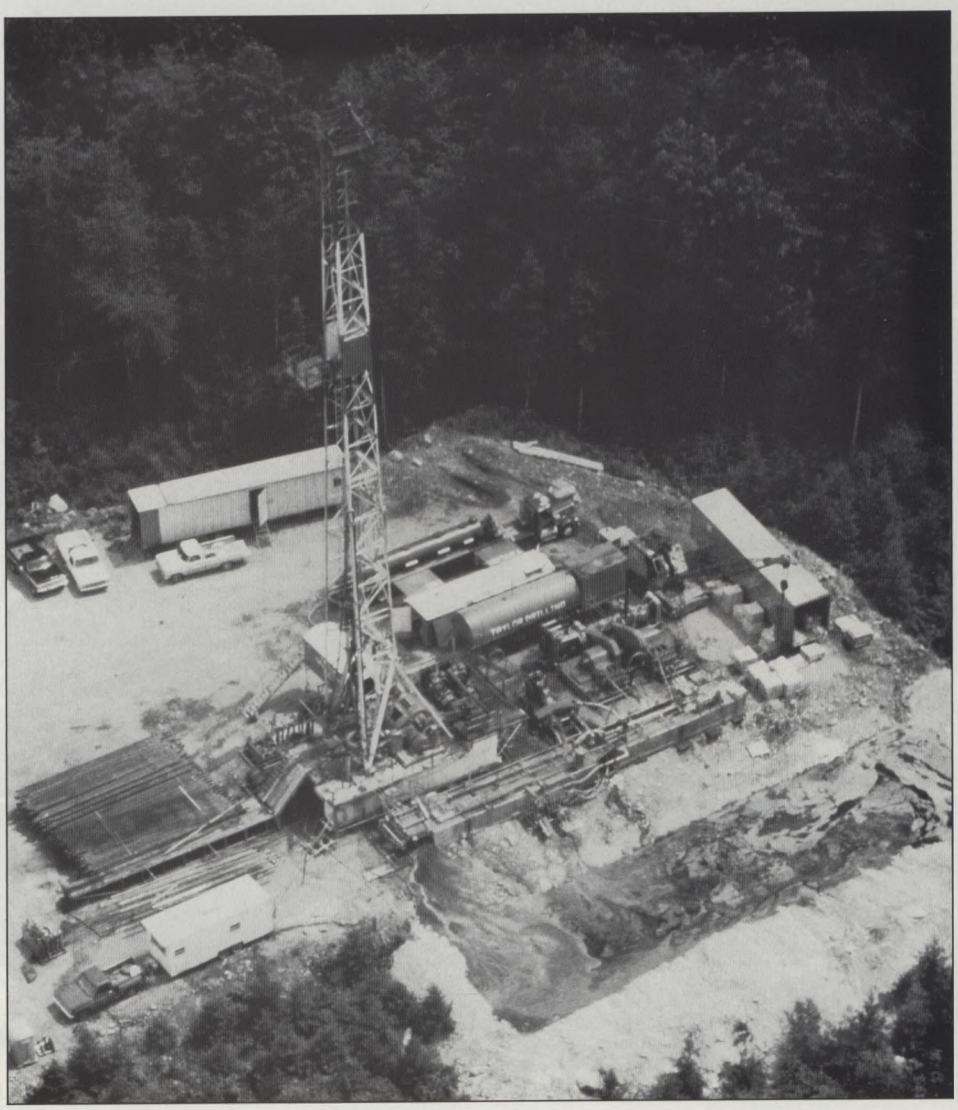
## The Sweet Smell of Success

To help fill the "information gaps" in the minds of prospects, Seattle Steam has invested in a variety of business development tools. Individually some may seem trivial. But, taken as a whole, they have helped elevate the company's image among building owners, mechanical design/build contractors, architects, engineers, developers and consultants with projects in the company's service area.

These tools include a new corporate logo with coordinated stationery and presentation materials, a brochure telling the Seattle Steam story, advertising in local trade directories and the use of customized presentation materials when making sales calls.

*continued on page 34*

*To help reach their goal of fuel self-sufficiency Seattle Steam is actively drilling natural gas test wells in the foothills near Mt. Rainier. If successful, these will be the first producing wells in Washington State. The company is already extracting pipeline-quality methane from a site in the Four Corners region of Colorado.*



*Seattle Steam, continued from page 9*

Also, as a means of reaching more people more efficiently, the company sponsors box-lunch presentations for selected groups of influentials. To date, nearly 150 engineers, developers, real estate executives, building owners and managers have heard the Seattle Steam story via these seminars, which are custom-tailored for each specific audience.

Is it working? Without question. In less than five years, this combination of disciplined, one-on-one selling and broad-based marketing activity has produced results the company's owners can take to the bank.

Seattle Steam has captured an impressive share of new construction business in the downtown core, including:

- Washington State Convention & Trade Center.
- Seattle Art Museum
- 1201 Third Avenue, a 55-story office tower
- Pacific Northwest Research Center
- Polyclinic of Seattle
- Engineering and fine arts buildings at Seattle University

Retrofit business has also been healthy, with facilities such as the St. Charles Hotel and the Atwood Apartments being added to the system.

In fact, Seattle Steam is meeting every revenue projection. Even though two years of unseasonably warm weather in the Northwest have substantially reduced normal demands, the marketing program brought in enough new business to more than offset potential losses.

## A Future of Self-Sufficiency Through Diversification

Where does such a successful district utility go from here?

What can management do—in Jim Young's phrasing—to "max out the company" and still keep it on an even keel? The answer seems to be diversification.

In 1986, Seattle Steam formed a subsidiary company for the purpose of developing fuel sources. Initially that has meant drilling for their own natural gas, as a means of stabilizing prices.

Right now, the Seattle Steam Energy Corporation is drilling test wells 50 miles southeast of the city which, if successful, will be the first producing natural gas wells in the state.

"That would make local history, since 100 percent of Washington's natural gas is imported, primarily from Canada," Young explains.

At the same time, the company has been extracting pipeline-quality methane from fields near Durango, Colorado. This natural gas that can either be sold to provide immediate revenue, or wheeled into the system to Seattle Steam's credit for fuel and for the company's proposed 20 megawatt cogeneration plant.

As far as Jim Young knows, his is the only district energy utility in the country taking an equity position in resource exploration.

"Gas is by far the preferred fuel for a metropolitan area," he asserts. "We're buying into something that will provide us with more stable and competitive fuel prices, so that we can offer customers the lowest-cost energy per BTU in all of downtown Seattle—bar none."

A bold promise, to be sure. But Young sees it as part of a scenario where every participant wins. When the Northwest Pipeline opens up, they'll earn a rate for transporting Seattle Steam's gas. Ditto for Washington Natural Gas, normally a competitor: they'll get year-round transportation revenue, and won't have to worry about Seattle Steam switching to oil whenever gas prices rise abruptly. (The company currently switches between oil, natural gas and electricity to achieve maximum fuel economy.)

"We're creating an atmosphere here where everybody benefits," Young concludes. And, as he says to anyone and everyone who'll listen:

"We may be old, but we're not old-fashioned. Seattle Steam is here to stay."

**Lanny Wuerch** was recruited as a sales engineer by Seattle Steam in 1985, and is now Director of Marketing and Customer Relations. After receiving his B.S. in Civil Engineering at the University of Washington in 1962, he spent 14 years in engineering and marketing with Washington Natural Gas Co., then moved on to manage a $15 million electrical engineering project for Seattle-First National Bank. He has also served as a sales engineer representing a number of equipment manufacturers, and is a Past President of the Puget Sound Chapter of ASHRAE. During his 25-year association with architects, engineers, contractors and owners, Lanny has had an opportunity to meet and work with over 95% of the mechanical engineering firms in Western Washington.