

PROFILE: TRITEC OF MINNESOTA

SALES TAX EXEMPTIONS AND ENERGY-SAVINGS STEEL IRON RANGE COMPANY FOR A STRONG FUTURE



(l to r) Energy Insight's Doug Eli with TRITEC President Mitchel Robertson

TRITEC of Minnesota, Inc., has been providing heavy steel fabrication services, specialty welding, and OEM replacement parts to mining companies, power plants, paper mills, and other large industrial customers since 1996. Located on the Iron Range in Virginia, Minn., TRITEC has weathered many ups and downs, feeling the pinch in recent years as some of its largest customers in the mining industry have endured temporary shutdowns and layoffs.

Founder and president Mitchel Robertson takes great pride in the steel works company he built from the ground up and continually looks for ways to cut costs and stay competitive. He recently hired Energy Insight, Inc., to complete a sales tax exemption study (also called a predominant use study) to ensure TRITEC was not being overtaxed on electricity and natural gas used in its facilities.

Many state and local governments allow sales tax exemptions on energy and water used for manufacturing processes and other specific purposes. A sales tax exemption study can help a business identify areas that qualify. Energy Insight has conducted hundreds of these studies, helping clients reduce their sales tax burdens and recover overcharges dating back years.

Robertson selected Energy Insight in part because it quoted a fixed price for the service instead of a percentage split.

"There can be substantial tax savings with an operation like ours," Robertson said. "It was good to have a company offer to do the study in return for a set fee."

Energy Insight personnel visited the TRITEC plant and catalogued every piece of energy-drawing equipment in the main production and paint buildings—from heaters and exhaust fans to lighting and appliances.

"The process was very thorough," said Doug Eli, an associate energy engineer with Energy Insight, who led the study. "Two of us spent about four hours gathering information and documenting all of the equipment in the two buildings."

Data they collected was then analyzed. The study concluded that 75.7 percent of the electricity metered for the production building was used for tax exempt purposes. This compared to a 73 percent exempt status that was previously in place from the plant's original sales tax exemption study, which was performed eight years ago by another consulting company. The percentage went up due to energy efficiency measures that the company has implemented in recent years. Energy Insight helped document and process the paperwork to update the sales

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Mitchel Robertson
President
TRITEC of Minnesota

tax exemption status, reviewed 3.5 years of monthly utility bills, and calculated the amount of overpaid taxes. The total refund for the production building was over \$500.

The paint building was not included in the first study because it was not being used for production purposes at the time. Energy Insight determined that 81.6 percent of the electricity and 87.5 percent of the natural gas used in the paint building qualified for sales tax exemptions. TRITEC received more than \$2,300 in refunds for overpaid sales taxes on gas and electricity consumed in that building.

ENERGY SAVINGS ALSO ADD UP

In addition to the sales tax exemption study, Energy Insight helped TRITEC access rebates for energy efficiency upgrades. Energy Insight delivers the commercial conservation improvement program for Virginia Public Utilities (VPU), TRITEC's electric service provider. TRITEC qualified for more than \$4,600 in VPU rebates for replacing high-intensity discharge lighting with LEDs and installing variable frequency drives on air handlers. These changes will conserve nearly 133,000 kWh and save the company almost \$15,000 per year.

"The rebates helped pay for equipment that makes us more efficient," Robertson said. "Money we save on sales taxes or through energy efficiency can be reinvested in the business. We operate in a very competitive marketplace—every dollar counts!"



A sales tax exemption study helped TRITEC recover more than \$2,800 in overpaid taxes for energy used in production.



Energy-efficient technologies, such as LED lighting in the paint building, will save TRITEC almost \$15,000 per year.

Many states require companies to conduct predominant use studies every three years to maintain their sales tax exemption status.

Types of businesses that could benefit:

Manufacturing facilities

Agricultural and horticultural operations

Mining companies

Food and beverage processors

Residential health care facilities

Schools, churches, and nonprofits

Contact Energy Insight, Inc., to learn more.