

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, January 16, 2018

City Council Chambers

AGENDA

1. Roll call
2. Public hearing:
18PUC-001 - RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER FEBRUARY 28, 2018; AMENDING INTERRUPTIBLE TRANSPORTATION SERVICE VOLUMETRIC CHARGES; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF MARCH 1, 2018.
3. Approval of previous meeting minutes
4. New business:
 - 4.1 18PUC-001 - RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER FEBRUARY 28, 2018; AMENDING INTERRUPTIBLE TRANSPORTATION SERVICE VOLUMETRIC CHARGES; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF MARCH 1, 2018.
 - 4.2 Home energy loan interest rate
 - 4.3 Natural gas rate for Steam Utility
 - 4.4 2018 meeting schedule
 - 4.5 Election of officers
5. Updates from staff
6. Upcoming Council actions
7. Commissioner questions or comments
8. Preview of upcoming business
9. Known absences for future meetings

DULUTH PUBLIC UTILITIES COMMISSION

Meeting Minutes

October 17, 2017

Members Present: Councilor Noah Hobbs, Jen Julsrud, Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Councilor Em Westerlund

Members Absent: Jason Thorsell

Staff Present: Bob Asleson, Jim Benning, Liz Bieter, Leanna Gilbert, Courtney Kile, Carrie Lustig, Zoe Respondek, Eric Shaffer, Glenn Strid, Erica Vatsaas, Kerry Venier

Call to Order: The meeting was called to order at 5:20 p.m. by President Prusak.

Approval of previous meeting minutes

New business:

Water rates

A list of considerations regarding water rates for resale to municipalities was provided to commissioners. Jim Benning said that the agreements with the municipalities state that they will receive the same rate adjustments as Duluth residents do unless preceded by a cost of service study. The last study was done in 2011. President Prusak said that he did not see a reason to do another study and does not want to pay for one either. The last study cost about \$35,000. There was further discussion about the laws governing resale to other municipalities and also about previous rate increases.

Resources for low-income customers

Courtney Kile talked about the home energy loan program and the proposed expansion to include loans for private water service and sewer lateral replacement. Erica Vatsaas mentioned lead service lines and replacing over-sized water meters. Zoe Respondek talked about targeting multi-family homes with a combination of grant money and low-interest loans for energy conservation improvements. There was further discussion about incentives for property owners and tenants to conserve resources, whether the interest rate for home energy loans should be adjusted, and various other topics. Staff will look into lowering the interest rate and other options for recouping administrative costs as requested by commissioners.

WLSSD I&I ordinance

Jim Benning reported that we already have the pieces ready to comply with the approved WLSSD I&I ordinance, we just need to put them back into play. The sump pump program is ongoing. The Commission will need to approve the dollar amount for grants for lateral line replacements and also the number of laterals to be replaced per year. We previously offered \$4,000 for mandatory lateral replacements and \$3,000 for voluntary replacements. Staff would like to focus on Lakeside and Park Point, since these are problem areas for inflow and infiltration. There was some discussion about funding and the sunset of the clean water surcharge. Staff will come up with a proposal to present to the Commission for their review and approval.

Updates from staff

Jim Benning stated that the 2018 budget letter from WLSSD showed an increase of about 3%. This will result in an automatic sewer rate adjustment. We would like to discuss gas transport rates in the near

future. There are currently no customers on this rate class. Carrie Lustig explained the reasoning for the rate. The current rate is \$0.149 per CCF after the first year, and the first year is \$0.1661. The proposed new rate is \$0.179 after the first year, and \$0.196 the first year. Staff will put together a rate resolution and arrange for a public hearing during the November meeting.

Eric Shaffer talked about the I&I issues on Park Point and lateral lining projects. He also mentioned the overflows in August and the resulting smoke testing project in Lakeside.

Upcoming Council actions

Jim Benning mentioned a resolution for a new asset management agreement with United Energy Trading. The contract provides for an 80%/20% split with a guaranteed \$150,000 minimum for proceeds from the sale of our excess capacity in the gas pipeline. It is a 1-year contract with the option for 4 renewals.

Commissioner questions or comments

Commissioner Sipress relayed a question from a resident about Comfort Systems policies regarding the return of customer security deposits. Current policy requires on-time payments for 12 consecutive months before a deposit can be returned. Some low-income customers have a hard time making on-time payments in the winter months. Would it be possible to have a policy that as long as a customer is up to date on their payments at the end of 12 months they could get their deposit back? Liz Bieter explained that the 12 consecutive on-time payments establish credit and assure final payment. Customers who provide a reference from another utility company can have the deposit waived. Another option available is budget billing, which evens out payments throughout the year. Deposits are also not required if payments are made by a third-party vendor. Deposit amounts are determined by consumption, not income or location.

Commissioner Westerlund thanked Vice President Julsrud for all of the work she did on public education during the water rate increase process. She thanked President Prusak for showing up at the Council meeting to address the water rate increase veto resolution. She also thanked Eric Shaffer for his attention to the sewage concerns on Park Point.

Vice President Julsrud suggested a PowerPoint or video this winter to show commissioners what is currently going on with the storm sewer system. She also suggested another stormwater system tour this spring and possibly bringing the media along on a tour. Eric Shaffer stated that a lot of people are interested in stormwater treatment, but nobody can see the buried tanks that have already been installed.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, November 21, 2017, at 5:15 p.m. in City Council Chambers. The Commission will hold a public hearing and consider a resolution for the gas transport rate. They will continue to discuss the home energy loan interest rate. Staff will work on the WLSSD changes for January. A stormwater discussion and tour will be held next year.

Known absences for future meetings

No absences were mentioned. Jim Benning will find out when Jim Lewis will return to the Commission.

Adjournment: The meeting was adjourned at 6:56 p.m.

RESOLUTION NO. 18PUC-001

**RESOLUTION ESTABLISHING NATURAL GAS RATES
EFFECTIVE WITH METER READINGS AFTER FEBRUARY 28,
2018; AMENDING INTERRUPTIBLE TRANSPORTATION
SERVICE VOLUMETRIC CHARGES; SUPERSEDING ALL
PRIOR INCONSISTENT OR CONFLICTING RATES AS OF
MARCH 1, 2018.**

RESOLVED by the Duluth Public Utilities Commission (the “Commission”) that the Commission hereby makes the following Findings of Fact:

- 1.) The City’s natural gas system is a key part of the utility infrastructure of the city, providing an economical source of energy for residential, commercial and industrial users for both commercial/industrial and residential purposes.
- 2.) The City’s costs of operating its natural gas system have increased dramatically in recent years but the City has not increased its natural gas transportation volumetric rates to meet these costs since 2009.
- 3.) There are currently no customers on the City of Duluth’s transportation rate.

FURTHER RESOLVED, that effective with the natural gas meter readings after February 28, 2018, all customers of the natural gas utility of the city of Duluth shall be charged for such natural gas in accordance with the schedule of rates established by this resolution as follows:

CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME			
		Fixed monthly charge	Per 100 cubic feet (CCF)
		Effective March 1, 2018 (no change)	Effective March 1, 2018 (no change)
Firm sales service	Residential small volume	\$8.63	\$0.934
	Residential large volume	\$230.00	\$0.833
	Commercial/industrial small volume	\$46.00	\$0.850
	Commercial/industrial large volume	\$230.00	\$0.817
Interruptible sales service	Commercial/industrial large volume	\$517.50	\$0.698
Interruptible transportation service		Year 1*	Year 2+
	Commercial/industrial per CCF	\$0.196 \$0.1661	\$0.179 \$0.1490
	Fixed monthly charge	\$517.50	\$517.50
	*The Year 1 rate applies to the first 12 months of service for any customer in this rate class. After the first 12 months of service, the customer will be charged the Year 2+ rate.		

CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME	
Purchased gas adjustment (PGA)	If the wholesale price of gas purchased by the City of Duluth is increased or decreased as compared to the residential small volume customer rate listed in the Customer Rate Schedule, the unit commodity charge (\$ per CCF) for gas sold under the applicable rate schedule shall be increased or decreased on the customer's monthly bill in the same amount as the unit cost of gas has been increased or decreased. The PGA calculation will be made by adding to or subtracting from the rate per CCF set forth in the Customer Rate Schedule above for each class of customers an amount equal to the rate and the wholesale price of such gas plus an adjustment to reflect the amount of the PILOT resulting from the difference between the applicable Customer Rate and the wholesale price.

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are superseded as of March 1, 2018.

Approved by the DPUC: _____
(date)

Submitted to City Council: _____
(where appropriate) (date)

ATTEST:

Director
Public Works and Utilities
City of Duluth

STATEMENT OF PURPOSE:

The purpose of this resolution is to adjust the rate for natural gas transported by the City through its natural gas distribution system. Interruptible transportation fixed rates were last increased in 2013, but volumetric charges were established in 2009. There are no current customers in this rate category.

The new rates will be effective as of March 1, 2018. This increase is needed to cover the City's increased costs due to the nature of the billing of transportation customers and the operation and maintenance costs of the distribution system.

2018 DPUC Meeting Schedule

All meetings will be held on the 3rd Tuesday of the month at 5:15 PM in City Council Chambers unless otherwise noted

January 16

February 20

March 20

April 17

May 15

June 19

July 17

August 21

September 18

October 16

November 20

December 18 (or Break)