

DULUTH PUBLIC UTILITIES COMMISSION  
Tuesday, January 15, 2013  
City Council Chambers  
AGENDA

5:00 p.m.: Public hearing – Natural gas rates

5:15 p.m.: Regular meeting

1. Roll call
2. Approval of previous meeting minutes
3. New business
  - 3.1 WLSSD operations overview (Marianne Bohren)
4. Old business
  - 4.1 Natural gas rate resolution
  - 4.2 Election of officers
  - 4.3 2013 meeting schedule
5. Updates from staff
6. Upcoming Council actions
7. Commissioner questions or comments
8. Preview of upcoming business

**DULUTH PUBLIC UTILITIES COMMISSION**  
**Meeting Minutes**  
**December 18, 2012**

**Members Present:** Patrick Huston, Robert Prusak, Linda Sellner, Councilor Jim Stauber, Jason Thorsell, Councilor Patrick Boyle

**Staff Present:** Bob Asleson, Alisa DeRider, Leanna Gilbert, Howard Jacobson, Eric Schlacks, Eric Shaffer

**Members Absent:** Councilor Jennifer Julsrud

**Call to Order:** The meeting was called to order at 5:24 p.m. by President Huston.

**Approval of previous meeting minutes**

Commissioner Prusak noted that, under the "Updates from staff" section, the minutes should read: "Staff provided a letter from WLSSD which stated their estimated increases for 2013."

**New business:**

**Natural gas rate resolution**

12PUC-010 – RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER MARCH 31, 2013; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF APRIL 1, 2013. Vice President Sellner mentioned that, in the first item in the Finds of Fact, the last few words seemed redundant. Commissioner Thorsell thought that the term industrial should be included in the purposes. Commissioner Prusak motioned to approve Resolution 12PUC-010 and Commissioner Boyle seconded the motion. Jason Thorsell motioned to amend the first item of the Finds of Fact to read: "for both commercial/industrial and residential purposes." The amendment passed unanimously. Commissioner Stauber asked if the commission would pass the resolution without public input. Howard Jacobson stated that he was not aware of any public notice specific to this resolution, although general information regarding all utilities was presented earlier in the year. Vice President Sellner noted that Article V of the bylaws states that the commission must endeavor to educate the public of their reasons for any increases by having at least one public meeting. Eric Schlacks stated that the base rates were actually going down. Eric Shaffer said that while the base rates and volumetric charges would go down, fixed charges would be increased. Commissioner Boyle recommended that the commission table the resolution, hold a public meeting, and then vote on the resolution at the next meeting. The commissioners voted unanimously to table the resolution.

**Election of officers in January**

Commissioner Stauber asked what the bylaws say about election of officers. President Huston read Article V of the bylaws. Commissioner Boyle recommended having citizen commissioners hold offices instead of councilors. President Huston said that his term would be up in March and he would not be renewing. Commissioner Boyle nominated Vice President Sellner for President and Commissioner Prusak for Vice President. Both nominations were seconded.

**2013 meeting schedule**

Commissioners reviewed the proposed dates provided by staff. Commissioner Boyle mentioned that he would like a summer break. Commissioner Stauber would like the break to coincide with the City Council summer break, which has not been decided yet. Commissioners agreed to discuss this at the January meeting.

### **Updates from staff**

Staff did not have any updates. Commissioner Prusak asked about the purpose of the article in the meeting packet. Howard Jacobson stated that it shows the rank of the gas utility compared to other gas distribution utilities around the country. He mentioned that we rank 25<sup>th</sup> in the nation for municipal utilities.

### **Upcoming Council actions**

No actions were discussed.

### **Commissioner questions or comments**

Vice President Sellner asked whether staff would be considering the recommendations made in the cost of service study results regarding tracking of sales and revenues and recordkeeping. Howard Jacobson mentioned the transfer of data to the new financial software system and the addition of a Financial Analyst to assist with this data. Eric Shaffer explained the reasoning for some of the recommendations and stated that the City is looking into all of the recommendations made by the study. Alisa DeRider explained that there was an upgrade to the financial software system specifically for utility data and a patch that would fix the current tracking problems.

President Huston inquired about efficiencies in operations. Howard Jacobson mentioned implementation of the asset management system for all of the utilities, GPS coordinates for location of assets, replacement of copper risers, and plans to fix other deficiencies in the natural gas system. President Huston asked for examples of how asset management can help with efficiencies. Howard Jacobson explained that the asset management system allows City staff to easily create and submit reports of gas leaks to PHMSA, when previously personnel had to manually go through work orders for the entire year and then write up the report. Eric Shaffer mentioned that all of our work orders are now in the asset management system, and this has made reporting of flood repair projects to FEMA much more efficient.

Vice President Sellner asked if the PILOT percentage (7%) has been reevaluated since the recent expansions of the gas system. Eric Shaffer stated that it cannot go higher per state statute, but it could be lowered. The PILOT (payment in lieu of taxes) is a payment from the gas utility to the general fund based on gross revenues earned, which is paid over the course of the next year. Utility staff is in favor of lowering the percentage.

### **Preview of upcoming business**

The next regular meeting is scheduled for Tuesday, January 15, 2013, in City Council Chambers. There will be a public hearing regarding the natural gas rate changes prior to the regular meeting. Marianne Bohren, Executive Director of WLSSD, will be present to discuss WLSSD operations. Commissioners will also elect officers and discuss the 2013 meeting schedule.

**Adjournment:** The meeting was adjourned at 5:56 p.m.

A recording of this meeting is available upon request.

**RESOLUTION NO. 12PUC-010**

**RESOLUTION ESTABLISHING NATURAL GAS RATES  
EFFECTIVE WITH METER READINGS AFTER MARCH  
31, 2013; SUPERSEDING ALL PRIOR INCONSISTENT OR  
CONFLICTING RATES AS OF APRIL 1, 2013.**

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission hereby makes the following Finds 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 provision of natural gas is a highly regulated industry, which requires the implementation of stringent safety measures and costly system maintenance in order to insure the safe and reliable provision of product to users.
- 3.) Natural gas is a product which must be purchased on the open market making it susceptible to unpredictable market conditions.
- 4.) In order to protect all of its customers from dramatic fluctuations in market price of natural gas it is critical that the City be able to establish and maintain reserve funds which will allow it to smooth out such fluctuations for the benefit of all of its customers.
- 5.) 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 rates to meet these costs since 2006.
- 6.) Based on a rate study of the City's natural gas rate structure performed by SAIC, it is necessary and appropriate for the long-term maintenance of the City's natural gas distribution system that the rate structure be modified as hereinafter provided for.

FURTHER RESOLVED, that effective with the natural gas meter readings after March 31, 2013, 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:

<b>CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME</b>					
		<b>Fixed monthly charge</b>		<b>Per 100 cubic feet("CCF")</b>	
		<b>Effective April 1, 2013, rate</b>	<b>Effective November 1, 2006, rate</b>	<b>Effective April 1, 2013, rate</b>	<b>Effective November 1, 2006 rate</b>
Firm sales service	Residential small volume	\$7.75	\$7.50	\$0.914	\$1.241
	Residential large volume	\$208.00	\$200.00	\$0.808	\$1.140
	Commercial/industrial small volume	\$42.00	\$40.00	\$0.825	\$1.157
	Commercial/industrial large volume	\$208.00	\$200.00	\$0.794	\$1.127
Interruptible sales service	Commercial/industrial large volume	\$470.00	\$450.00	\$0.666	\$1.005
Firm transport service	Commercial/industrial small volume	N/A	\$40.00	N/A	\$0.100
	Commercial/industrial large volume	N/A	\$200.00	N/A	\$0.080
Purchased gas adjustment (PGA)	If the wholesale price of gas purchased by the city of Duluth is increased or decreased as compared to the 2013 base gas cost rate of \$0.582\$0.920 per CCF, and any such change results in an average unit cost of gas in excess, or less than the 20132006 base gas costs, 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 will include a proportional charge or credit for the payment in lieu of taxes (PILOT) transfer.				

RESOLVED FURTHER, that from April 1, 2013 the rate for interruptible commodity transportation of natural gas shall be \$470 per month plus \$0.1742\$0.1661/CCF during the first year of service and the interruptible commodity transportation rate for natural gas shall be \$470 per month plus \$0.149/CCF after the first year of such service.

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are superseded as of April 1, 2013.

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 implement a new rate structure for natural gas supplied or transported by the City through its natural gas distribution system. Current interruptible transportation rates were established in 2009. This is the first rate modification since 2006 for all other classes of users.

The changes include a small increase in the fixed monthly charges to all class of users, which reflect less than the City's actual increase in costs of operation since 2006 in providing service to its customers, to decrease the volumetric charges per 100 cubic feet ("CCF") of gas provided and to also reduce the amount of the Purchased Gas Adjustment ("PGA") based on the City's experience with the PGA so that the volumetric rates more accurately reflect the cost of the gas sold. The new structure will be effective as of April 1, 2013. The net result of these changes will be an increase in revenue to the Department of approximately 4.9% per year.

This increase is needed to cover the City's increased costs of operating the natural gas distribution system which have occurred since 2006 and also to fund a prudent reserve to protect customers against significant fluctuations in the nation-wide market for natural gas.

## 2013 DPUC Meeting Schedule

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

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January 15

February 19

March 19

April 16

May 21

June 18

July 16

August 20

September 17

October 15

November 19

December 17