

DULUTH PUBLIC UTILITIES COMMISSION  
Tuesday, June 18, 2013  
City Council Chambers  
AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. New business
  - 3.1 MS4 permit update (Chris Kleist)
  - 3.2 Stormwater utility resolution (President Sellner)
  - 3.3 Draft DPUC appeals process (Nick Petrangelo) - ordinance attached as reference
  - 3.4 Natural gas fixed rate increase resolution (Staff & DPUC)
  - 3.5 Natural gas fixed and variable rate increase resolution (Staff & DPUC)
  - 3.6 Public meeting schedule (DPUC)
4. Updates from staff
5. Upcoming Council actions
6. Commissioner questions or comments
7. Preview of upcoming business

**DULUTH PUBLIC UTILITIES COMMISSION**  
**Meeting Minutes**  
**May 21, 2013**

**Members Present:** Councilor Sharla Gardner, Councilor Jennifer Julsrud, Robert Prusak, Jim Ramnes, Linda Sellner, Councilor Jim Stauber, Jason Thorsell

**Staff Present:** Jodi Amundson, Bob Asleson, Jim Benning, Alisa DeRider, Leanna Gilbert, Howard Jacobson, Nick Petrangelo, Eric Shaffer, Glenn Strid

**Call to Order:** The meeting was called to order at 5:15 p.m. by President Sellner.

**Tyler Rohlf appeal**

After hearing the dispute as explained by the appellant, Tyler Rohlf, and reviewing the information provided by City staff, the commission found that the appellant is not responsible for the charges of \$263.01. Commissioners voted to grant the appeal and reimburse the \$263.01 that had been taken out of the appellant's tax refund.

**Approval of previous meeting minutes**

**Old business:**

**Fixed rate increase only scenario**

Staff provided a spreadsheet showing the revenues that could be realized with various changes to the fixed rates for natural gas. Projections were based on current trends and capital projects. Staff recommended at least \$500,000 in additional revenues, which would be an increase of about \$1.15 for small residential customers or approximately 1.5% increase to the average customer's overall bill. They also recommended reevaluating the rates in January or February. Most commissioners were in favor of increasing the fixed rates, although some did not think it would be enough. Commissioner Ramnes stated that he would like to see how an increase would affect the average customer's bill. Commissioner Julsrud motioned that staff bring forward a resolution for an approximate \$1.15 fixed rate increase to the next meeting. The motion was approved unanimously.

**Updates from staff**

There have been no sewer overflows from the current rain event. There was water in the tanks at 60<sup>th</sup> Ave E and 52<sup>nd</sup> Ave E. There are two tanks on Water Street, one was mostly full and then water started going into the second one. The tank at Canal Park was about 25% full. A lot of the water seemed to be in the center of the city. There was not any water in the WLSSD tanks at Polk Street and Gary.

West Duluth Reservoir is on track to bid this fall. We are erecting the temporary tank. The preconstruction conference was today.

The 1<sup>st</sup> Street gas project came in substantially under budget. It is under construction and should be done in August.

We had pursued Wastewater Infrastructure Fund (WIF) grants from the state. There may not be any funds available for these grants, so the sanitary sewer pipe lining project upstream of the west interceptor will be cancelled. We will wait for grant money or start doing it in small chunks.

RIS was awarded the water main project. This job is moving ahead. It is for a section about one mile long and will cost \$1.3M without engineering costs. The restoration costs are quite high when utility projects are not combined with street projects. These mains were chosen because they are some of the worst in the city.

### **Upcoming Council actions**

Resolutions related to the utilities for the upcoming Council meeting are: an extension to the terms of a PFA loan by 6 months, a street and utility easement for a property in West Duluth, sanitary sewer improvements on Lawn Street, an easement on Lakeside Court for putting in a new sewer system, a survey of downtown in preparation for the reconstruction of Superior Street (road and utility), Greene Street bridge contract increase that will be reimbursable, and pavement management software population.

### **Commissioner questions or comments**

Vice President Prusak said the City did a great job on the storm event and asked if anyone knew what size the event was. Howard Jacobson reported that we have recorded over 2 inches throughout the city so far.

Commissioner Gardner suggested everyone look at their calendars in terms of public meetings this summer. We need to start working on how the rate increase information will be presented to the public. Commissioner Gardner mentioned that the public meetings would probably be held in August. She would like to schedule these and discuss a press release at the next meeting. Commissioner Julsrud suggested having at least two public meetings: one at noon at City Hall and one in the evening at a community center.

Commissioner Julsrud welcomed Jim Ramnes to the commission. Commissioner Ramnes gave a brief summary of his background and explained his reasons for joining this commission.

Commissioner Gardner congratulated Commissioners Julsrud and Sellner on their reappointments.

President Sellner stated her desire to discuss the stormwater utility and her intention to introduce a resolution regarding usage of road salt.

### **Preview of upcoming business**

The next regular meeting is scheduled for Tuesday, June 18, 2013, at 5:15 p.m. in City Council Chambers. Staff will prepare a resolution for a \$1.15 increase as requested by commissioners. Staff will also work on an official appeals process. Chris Kleist will attend the June meeting to give an update on the MS4 permit. President Sellner will draft a road salt usage resolution. Commissioners should be prepared to discuss dates for public meetings.

**Adjournment:** The meeting was adjourned at 7:39 p.m.

A recording of this meeting is available upon request.

## RESOLUTION NO. 13PUC-007

### **RESOLUTION REQUESTING DULUTH STREET MAINTENANCE OPERATIONS MINIMIZE THROUGH BEST MANAGEMENT PRACTICES, THE APPLICATION OF ROAD SALT FOR DE-ICING PURPOSES TO MINIMIZE IMPACTS ON THE STORMWATER UTILITY.**

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

- 1.) The stormwater utility infrastructure utilizes existing Duluth rivers and streams to convey stormwater flow originating in the City to the St. Louis River and Lake Superior.
- 2.) Lake Superior is the source of water for the City’s water utility and also is the source of drinking water to a number of communities in the region.
- 3.) The quality of this resource must be maintained with management that respects source-water pollution prevention.
- 4.) The MS4 permit, issued by the Minnesota Pollution Control Agency which otherwise places restrictions and controls on the character and quantity of discharge of stormwater into waters of the State, does not address the toxicity of road salt which ionizes in solution to produce electrical conductivity spikes in excess of biological tolerance of receiving rivers and streams.
- 5.) The DNR has designated 16 of 44 Duluth streams to be managed as suitable habitat for brown and brook trout. Trout require water quality containing less than 230mg/l sodium chloride and electrical conductivity of less than 470 mS/cm for survival. The permitting process requires remediation plans for municipalities to meet compliance for pollution abatement.

FURTHER RESOLVED, that the Commission hereby requests that the City modify its street maintenance practices as set forth below in order to reduce the impact of road salt on the City’s stormwater utility and water utility:

- 1.) Plowing of roads after significant snowfall should precede all road salt application.
- 2.) To reduce salt displacement and scatter, pre-wetting of road salt as it leaves the truck or application of liquid salt brine as anti-icing agents should precede any dry salt application.
- 3.) Salt should not be used when temperatures are below 15 degrees F.

- 4.) Reduce the quantity of road salt application to achieve as close to 1-3 c. of salt per 1,000 sq. feet (per U of M study).
- 5.) Road salt application should be restricted to “Snow Emergency Routes”, roads with inclines greater than 2% and street intersections. Level streets between intersections should NOT be treated with any anti-icing or de-icing agents.
- 6.) A reasonable percentage of full fleet vehicles for emergency police, firefighter and ambulance service should be allowed to use studded tires to allow travel at faster speeds than the general public in winter.

RESOLVED FURTHER, that the Commission requests that the City, with assistance of the Commission, educate the public to assume responsibility for safe driving practices consonant with the reduction of the use of road salt for street maintenance purposes.

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 request that the City modify its policies with regard to the use of road salt as part of the City’s winter road maintenance programs. The Duluth Public Utilities Commission has the mission of providing safe, reliable and efficient utilities at reasonable rates. Stormwater utility fees are charged to all public entities to partly support BMPs for pollution prevention. Road salt, used to provide normal driving conditions in winter weather, has been scrutinized for the environmental degradation that accompanies its use. Public entities such as the University of Minnesota and St. Louis County have successfully reduced their dependence on high quantities of road salt with no compromise in safety.



# DRAFT

## DULUTH PUBLIC UTILITIES COMMISSION HEARING OF DISPUTES

### UTILITY BILL APPEAL PROCESS

- An applicant who desires to dispute a department finding that is adverse to the applicant and is an appealable finding must do so within six (6) months of the occurrence that gives rise to the appeal.
- The applicant shall give written notice of the appeal on a form provided by the department. The appeal shall state the nature of the dispute and the basis for the appeal.
- The applicant shall also state the expected outcome of the appeal.
- The written notice should be mailed to the department director and the City Clerk's Office.
- The applicant will be notified by regular mail of the date, time, and location of the commission's meeting.
- Any appeal involving a termination of services must be filed prior to the proposed date of termination to avoid action by the department.
- City staff will prepare a facts and findings report and present this report to the commission prior to the meeting.
- Appeals shall be heard at the first meeting of the commission following the filing of an appeal, if there are at least five (5) business days, exclusive, between the written filing and the meeting. Otherwise, the appeal will be heard at the subsequent meeting.
- The commission has no power to cancel a debt to the department.
- All decisions of the commission shall be binding on the department and the applicant, unless contrary to law.
- Decisions shall be in written form and sent to both the department and the applicant.

Form Created  
May 2013



**City of Duluth Public Works and Utilities  
Utility Bill Appeal Form**

Please provide all the information listed below and return form to Director, Duluth Public Works and Utilities Department, 211B City Hall, 411 West First Street, Duluth, MN 55802 with a copy to the Duluth City Clerk's Office, 330 City Hall.

Name of person filing this appeal must match the name on the utility account.

|                   |       |                 |       |
|-------------------|-------|-----------------|-------|
| Name              | _____ | Account #       | _____ |
| Service Address   | _____ | Mailing Address | _____ |
|                   | _____ |                 | _____ |
| Daytime Phone     | _____ | Alternate Phone | _____ |
| E-mail (optional) | _____ |                 |       |

Description of dispute or issue (attach additional sheets and any documentation, if needed):

Description of any action you are requesting or expected outcome of appeal:

I certify that the information I have given is true and accurate to the best of my knowledge.

---

(Signature) \_\_\_\_\_ (Print Name) \_\_\_\_\_ (Date) \_\_\_\_\_

**Office Use Only- Date form received by Director's Office** \_\_\_\_\_  
**Hearing date and time** \_\_\_\_\_  
**Received by** \_\_\_\_\_  
**Appeal results: Accepted** \_\_\_ **Denied** \_\_\_

PUBLIC WORKS AND UTILITIES COMMITTEE

10-064-0

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE DESIGNATING THE DPUC TO HEAR APPEALS UNDER CHAPTERS 43 AND 48 OF THE CODE, AMENDING SECTIONS 43-33.2, 48-1 AND 48-15.3 AND ARTICLE XV OF CHAPTER 48 OF THE DULUTH CITY CODE, 1959, AS AMENDED.

CITY PROPOSAL:

The city of Duluth does ordain:

Section 1. That Section 43-33.2 of the Duluth City Code, 1959, as amended, is hereby amended to read as follows:

Sec. 43-33.2. Certificate of noncontribution.

(a) Upon inspection of any building by the director for compliance with the requirements of Section 43-31 above and based on that inspection, the director is authorized to issue a certificate of noncontribution in a form suitable for recording among the property records of St. Louis County recorder if he or she determines either that:

(1) The sump pump, footing drain disconnect, and building trap removal are in compliance with Section 43-31 above;

(2) The plumbing materials and equipment as installed and operating in that building are in compliance with the requirements of Section 43-31 above;

(3) The plumbing and equipment in said building is not in compliance with the requirements of Section 43-31 above but the director determines that the building is not contributing any material or observable amounts of unpolluted water to the public wastewater collection system and is not likely to do so in the future;

(b) Certificates of noncontribution shall only be issued by the director and persons designated by him or her to issue such certificates. The director shall establish standards and procedures for certifying persons authorized to issue certificates of



noncontribution on his or her behalf;

(c) In the event that the director determines after reasonable investigation that any building for which a certificate of noncontribution has been issued is now contributing a material or observable amount of unpolluted water to the public wastewater collection system, the director may give notice in the manner provided for in Section 43-33 above of his or her intention to revoke such certificate of noncontribution and that such revocation shall become final 15 days of the date of giving such notice unless the affected owner or person in control of the affected building files a written appeal of that decision with the city clerk prior to the revocation of the certificate. Any such appeal shall be heard by the Duluth public utilities commission building appeals board in accordance with the procedures established by the commission under Section 10-5 of this Code. When the revocation of any certificate of noncontribution has become final, the director shall cause notice there to be filed in the office of the St. Louis County recorder.

Section 2. That Section 48-1 of the Duluth City Code, 1959, as amended, is hereby amended to read as follows:

Sec. 48-1. Definitions.

For the purposes of this Chapter, the following words and phrases shall have the meanings respectively ascribed to them by this Section:

Applicant. Any person or persons applying for water or gas service from the department and any guarantor of payment for such service as provided for in this Chapter.

Commission. The Duluth public utilities commission established pursuant to Article XXXV of Chapter 2 of this Code.

Department. The department of public works and utilities.

Domestic applicant. A noncommercial or nonindustrial

applicant who uses gas solely for purposes other than heat; i.e., cooking, hot water, clothes dryer, etc., and an applicant for water or sewage or both.

Fire service. An unmetered, large capacity water service which is used only for the suppression of fire and which is protected by appropriate backflow preventers to insure that potable water supplies are not contaminated.

High pressure gas line. Any gas line transmitting gas at a pressure in excess of 0.50 pounds per square inch (14 inches water column).

High volume gas service. Service used to provide gas at a rate in excess of 1,000,000 BTU's per hour.

High volume water service. Any service which is capable of providing in excess of 35 gallons of water per minute at water pressure levels which are normal at the location of such service.

House piping. The pipe or system of pipes conveying water or gas from the meter on a house service to the points of use of water or gas.

House service. That portion of a water service which extends from the curb stop controlling the flow through the house service, to and including the meter through which the flow in the house service is measured.

Master box. The primary curb stop on a water service or private line which controls one or more curb stops downstream.

Meter. Meter is a registration device connected directly to a water or gas service line directly registering the amount of water or gas passing through it.

Privately owned service. A water or gas service supplying one or more parcels of private property that has not been accepted by the department as a part of its distribution facilities.

Remote register. A registration device attached to a meter replicating the reading on that meter.

Residential heating applicant. An applicant whose primary use of gas is as fuel for heating of a residence or residential building.

Service. A pipe for conveying an individual supply of water or gas of a premises from the common supply in the main to and including the meter registering the flow of water or gas to the service.

Standard volume gas service. Any gas service capable of using not more than 400,000 BTU's per hour.

Standard volume water service. Any water service which is capable of providing up to 35 gallons of water per minute at water pressure levels which are normal at the location of such service.

Street. A street, avenue, alley or other regularly established and existing public highway or public right-of-way.

Street service. That portion of a water service which extends from its connection with the main to and including the curb stop, which controls the flow through the street service.

Section 3. That Section 48-15.3 of the Duluth City Code, 1959, as amended, is hereby amended to read as follows:

Sec. 48-15.3. Same--Disputes.

Whenever an applicant advises the department that any part of a billing for water or gas service is in dispute, the department shall investigate the dispute promptly, advise the applicant of the result of its investigation and attempt to resolve the dispute. The department shall not take any action relating to the disputed matter until the investigation is completed, the applicant is informed of the findings of the department, the applicant has been informed of his right to appeal any adverse finding to the commission ~~water and~~

~~gas service hearing board~~, and the applicant has either waived his or her right to appeal or failed to appeal within the required time period, or the appeal has been resolved in favor of the department.

Section 4. That Article XV of Chapter 48 of this Code is hereby amended to read as follows:

Article XV. Hearing of Disputes

~~Water and Gas Service Hearing Board.~~

~~Sec. 48-236. Water and gas service hearing board established members quorum.~~

~~There is hereby established a water and gas service hearing board composed of five members who shall be appointed by the mayor and confirmed by the city council. The present members of such board shall continue to serve until their terms expire. One of the new members shall be appointed for a term of three years, and the other new member shall be appointed for a term of two years. All subsequent members shall serve for terms of three years. In case of any vacancy, a person shall be appointed in the same manner to fill the unexpired term. Of the appointees to such board, one shall be a person who represents low and moderate income individuals. A majority of the members serving on the board at any time shall constitute a quorum for purposes of conducting the business of the board.~~

Sec. 48-237. Duluth public utilities commission--hearings  
~~same--Powers and duties.~~

The commission ~~water and gas service hearing board~~ shall hear and decide appeals by water and gas applicants from department determinations concerning disputes over charges for water or gas service department decisions to terminate service to an applicant, department determinations on the ability of an applicant to pay service charges immediately made pursuant to Section 48-208(b)(3) of

this Code, and the department's denial of a prospective applicant's application for service; provided that no applicant is entitled to obtain service pending the hearing and decision by the commission board. The commission board has no power to cancel a debt to the department. All decisions of the commission board shall be binding on the department unless contrary to law, and decisions of the commission board relating to the ability of the applicant to pay service charges shall be binding upon the applicant.

Sec. 48-238. Same--Procedure for appeal--payment plans.

If a determination of the department is adverse to the applicant and such matter is appealable to the commission water and gas service hearing board under Section 48-237 of this Code, the department shall communicate its findings to the applicant and shall inform the applicant of the applicant's right to appeal the determination. If an applicant desires to appeal the department's determination, applicant shall give notice of the appeal in writing to the director of the department and shall briefly state the nature of the dispute and the basis for the appeal. If the appeal involves a termination of service, the appeal must be filed prior to the proposed date of termination to avoid action by the department. All appealable actions of the department may be appealed at any time within six months of the occurrence that gives rise to the appeal. The department shall advise the applicant of the above requirements. Any payment plan approved by the commission water and gas service hearing board shall ensure that the applicant will be current in paying the water and gas bills in the shortest affordable period of time not to exceed 18 months. The commission board shall serve written notice of its approval of any payment plan upon the department director and upon the applicant. If after 30 days from the date of such order, the applicant experiences a change in

circumstances which makes compliance with such payment plan impossible, the applicant, upon five days notice to the department, may petition the commission board for a revised order to take into account these changed circumstances. If the applicant fails to comply with the payment plan as determined by the commission board, the department may terminate service to such applicant by giving five days notice of termination by first class mail to the applicant and by first class mail to all commission board members.

Sec. 48-239. Same--Procedure for hearings.

(a) ~~The water and gas service hearing board shall meet a minimum of once every month on a particular day of the month, to be determined by the board. Meetings shall be open to the public.~~ Appeals shall be heard at the first meeting of the commission following the filing of an appeal. Appeals shall be heard in an order determined by the commission board. The commission board may limit the number of people allowed to speak on any appeal, and the time allowed for presentation of any appeal, as long as the applicant and one employee of the department are allowed reasonable time to present information relevant to the appeal. Failure of an applicant to attend the commission board meeting shall be grounds to dismiss that applicant's appeal, unless circumstances beyond the control of the applicant (as determined by the commission board) cause the failure to appeal. Continuances shall be granted at the discretion of the commission board only upon a showing of circumstances beyond the control of the applicant;

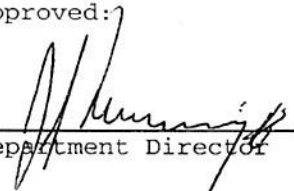
(b) ~~A board member selected by the board shall preside at the meetings.~~ Whenever possible, names of the parties to each appeal shall be furnished to all members of the commission board at least one week prior to the meeting. A commissioner member who has a conflict of interest on a particular case shall disqualify himself or herself from discussion or voting on the appeal;

(c) The commission board may use the department for

reasonable staff services. The city attorney shall advise the board. The ~~commission~~board may promulgate reasonable rules to govern their deliberations which are not inconsistent with this Chapter.

Section 5. This ordinance shall take effect 30 days after its passage and publication.

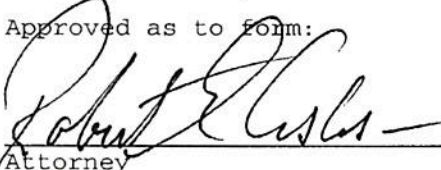
Approved:

  
\_\_\_\_\_  
Department Director

Approved for presentation to council:

  
\_\_\_\_\_  
Chief Administrative Officer

Approved as to form:

  
\_\_\_\_\_  
Attorney

Approved:

  
\_\_\_\_\_  
Auditor

PW&U/ATTY REA:dma 11/23/2010

STATEMENT OF PURPOSE: The purpose of this ordinance is to approve amendments to Chapters 43 and 48 of the City Code to allow the Duluth Public Utilities Commission to hear appeals from staff determinations pertaining to the certificates of noncontribution of water from footings and foundations into the sanitary sewer system ("I & I") and disputes pertaining to water and gas service. When the I & I Program was developed, an appellate tribunal to hear appeals from the Directors' determination that a property was not entitled to a "certificate of noncontribution" was needed. The best choice at the time appeared to be the Building Appeals Board, even though this matter was not within the ordinary scope of the duties.

Similarly when the City decided to create an appellate body to resolve disputes pertaining to the furnishing of water or gas services (usually payment disputes), there was no appropriate body available and so the Water and Gas Service Hearing Board was created. However, in practice the services of this Board are hardly ever called upon because there are very few appeals that come within their jurisdiction.

With the creation of the DPUC whose primary responsibilities are related to utility issues, it seems more appropriate to devolve these responsibilities to that body. The DPUC is willing to assume that responsibility. This resolution approves ordinance amendments which accomplish these results.

## RESOLUTION NO. 13PUC-005

### **RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER SEPTEMBER 30, 2013; AMENDING FIXED MONTHLY CHARGES; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF OCTOBER 1, 2013.**

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 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.) The Commission finds it to be necessary, reasonable and fair to increase revenues necessary for the proper operation of the natural gas utility by increasing the monthly fixed charges paid by all utility customers as hereinafter set forth.

FURTHER RESOLVED, that effective with the natural gas meter readings after September 30, 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:



**CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME**

|  |  | Fixed monthly charge                  |                                   | Per 100 cubic feet<br>("CCF")         |                                   |
|--|--|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
|  |  | Effective<br>October 1,<br>2013, rate | Effective<br>May 1,<br>2013, rate | Effective<br>October 1,<br>2013, rate | Effective<br>May 1,<br>2013, rate |
| Firm sales<br>service                      | Residential small<br>volume  | \$8.63                                | \$7.50                            | No Change                             | \$0.920                           |
|  | Residential large<br>volume  | \$230.00                              | \$200.00                          | No Change                             | \$0.819                           |
|  | Commercial/industrial<br>small volume  | \$46.00                               | \$40.00                           | No Change                             | \$0.836                           |
|  | Commercial/industrial<br>large volume  | \$230.00                              | \$200.00                          | No Change                             | \$0.803                           |
| Interruptible<br>sales service             | Commercial/industrial<br>large volume  | \$517.50                              | \$450.00                          | No Change                             | \$0.684                           |
| Interruptible<br>transportation<br>service | Effective October 1, 2013  |                                       |                                   |                                       |                                   |
|  |  |                                       | Year 1                            | Year 2+                               |                                   |
|  | Commercial/industrial per CCF  |                                       | \$0.1661                          | \$0.1121                              |                                   |
|  | Fixed Monthly Charge   |                                       | \$517.50                          | \$517.50                              |                                   |
|  |  | Fixed Monthly Charge                  | \$450.00                          | \$450.00                              |                                   |
| Purchased gas<br>adjustment<br>(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 October 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 that provides for an increase in revenues.

The new structure will be effective as of October 1, 2013. The net result of these changes will be an increase in revenue to the Department of approximately \$493,000 per year. This increase is needed to cover the City’s increased operating costs which have occurred since 2006 and also to assure that critical infrastructure improvements related to the safety and reliability of the natural gas distribution system can be completed.

This resolution also eliminates the rate category of Interruptible Transportation for Commercial/Industrial Small Volume customers. There are no current or expected future customers in this rate category. This action is considered a housekeeping function to clarify the actual rate categories offered to customers.

**RESOLUTION NO. 13PUC-006**

**RESOLUTION ESTABLISHING NATURAL GAS RATES  
EFFECTIVE WITH METER READINGS AFTER  
SEPTEMBER 30, 2013; AMENDING FIXED MONTHLY  
CHARGES AND VOLUMETRIC CHARGES;  
SUPERSEDING ALL PRIOR INCONSISTENT OR  
CONFLICTING RATES AS OF OCTOBER 1, 2013.**

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 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.) The Commission finds it to be necessary, reasonable and fair to increase revenues necessary for the proper operation of the natural gas utility by increasing the monthly fixed charges and volumetric charges paid by all utility customers as hereinafter set forth.

FURTHER RESOLVED, that effective with the natural gas meter readings after September 30, 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<br/>("CCF")</b>          |  |
|   |   | <b>Effective<br/>October 1,<br/>2013, rate</b> | <b>Effective<br/>May 1,<br/>2013, rate</b> | <b>Effective<br/>October 1,<br/>2013, rate</b> | <b>Effective<br/>May 1,<br/>2013, rate</b> |
| Firm sales service  | Residential small volume  | \$8.63   | <del>\$7.50</del>                          | \$0.934  | <del>\$0.920</del>                         |
|   | Residential large volume  | \$230.00                                       | <del>\$200.00</del>                        | \$0.833  | <del>\$0.819</del>                         |
|   | Commercial/industrial small volume  | \$46.00  | <del>\$40.00</del>                         | \$0.850  | <del>\$0.836</del>                         |
|   | Commercial/industrial large volume  | \$230.00                                       | <del>\$200.00</del>                        | \$0.817  | <del>\$0.803</del>                         |
| Interruptible sales service                                     | Commercial/industrial large volume  | \$517.50                                       | <del>\$450.00</del>                        | \$0.698  | <del>\$0.684</del>                         |
| Interruptible transportation service                            | Effective October 1, 2013   |  |  |  |  |
|   |   |  |  | Year 1   | Year 2+                                    |
|   | Commercial/industrial per CCF   |  |  | \$0.1661                                       | \$0.1490                                   |
|   | Fixed Monthly Charge  |  |  | \$517.50                                       | \$517.50                                   |
|   |   |  | <del>Fixed Monthly Charge</del>            | <del>\$450.00</del>                            | <del>\$450.00</del>                        |
| Purchased gas adjustment (PGA)                                  | <p>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.</p> |  |  |  |  |

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are superseded as of October 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 that provides for an increase in revenues.

The new structure will be effective as of October 1, 2013. The net result of these changes will be an increase in revenue to the Department of approximately \$1,083,000 per year. This increase is needed to cover the City's increased operating costs which have occurred since 2006 and also to assure that critical infrastructure improvements related to the safety and reliability of the natural gas distribution system can be completed.

This resolution also eliminates the rate category of Interruptible Transportation for Commercial/Industrial Small Volume customers. There are no current or expected future customers in this rate category. This action is considered a housekeeping function to clarify the actual rate categories offered to customers.

**EXISTING RATE EXAMPLE**

**2012 Average Monthly Fixed Plus Variable Rate Charges for Residential Customers**

|                   | <b>Avg. Volume<br/>(CCF)</b> | <b>2012 Avg.<br/>Rate</b> | <b>Avg. Variable<br/>Rate Charges</b> | <b>Current Fixed<br/>Rate Charge</b> | <b>Total Monthly<br/>Charges</b> |
|-------------------|------------------------------|---------------------------|---------------------------------------|--------------------------------------|----------------------------------|
| Residential Small | 80                           | \$0.732                   | \$58.56                               | \$7.50                               | \$66.06                          |

## Proposed Fixed Rate Increases

|                   | Avg. Volume (CCF) | 2012 Avg. Rate | Avg. Variable Rate Charges | Fixed Rate Charge | Total Monthly Charges | Monthly Increase |
|-------------------|-------------------|----------------|----------------------------|-------------------|-----------------------|------------------|
| Residential Small | 80                | \$0.732        | \$58.56                    | \$8.63            | \$67.09               | \$1.13           |

### Monthly % Increase on Total Charges by Rate Class

|                         |       |
|-------------------------|-------|
| Residential Small       | 1.70% |
| Residential Large       | 1.53% |
| C&I Small               | 1.74% |
| C&I Large               | 0.88% |
| C&I Large Interruptible | 0.44% |

**Total Estimated Additional Annual Revenue      \$493,000**

## Proposed Fixed and Variable Rate Increases

|                   | Avg. Volume (CCF) | Avg. Rate | Avg. Variable Rate Charges | Fixed Rate Charge | Total Monthly Charges | Monthly Increase |
|-------------------|-------------------|-----------|----------------------------|-------------------|-----------------------|------------------|
| Residential Small | 80                | \$0.746   | \$59.68                    | \$8.63            | \$68.31               | \$2.25           |

### Monthly % Increase on Total Charges by Rate Class

|                         |       |
|-------------------------|-------|
| Residential Small       | 3.40% |
| Residential Large       | 3.52% |
| C&I Small               | 3.65% |
| C&I Large               | 3.01% |
| C&I Large Interruptible | 3.18% |

**Total Estimated Additional Annual Revenue      \$1,083,000**



## Potential Capital Project Cuts

| To be eliminated if fixed & variable rate resolution approved: |                  |
|--|------------------|
| Copper Riser project   | \$750,000        |
| <b>Total projects eliminated</b>                               | <b>\$750,000</b> |