

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, March 15, 2016

City Council Chambers

AGENDA

1. Roll call
2. Public hearing: 16PUC-004 - RESOLUTION ESTABLISHING WATER RATES EFFECTIVE WITH METER READINGS AFTER APRIL 30, 2016; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF MAY 1, 2016.
3. Approval of previous meeting minutes
4. New business:
 - 4.1 16PUC-004 - RESOLUTION ESTABLISHING WATER RATES EFFECTIVE WITH METER READINGS AFTER APRIL 30, 2016; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF MAY 1, 2016.
5. Updates from staff
6. Upcoming Council actions
 - Discuss process for appointing new DPUC commissioners
7. Commissioner questions or comments
8. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
February 16, 2016

Members Present: Councilor Zack Filipovich, Rob Prusak, Jim Ramnes, Linda Sellner, Councilor Joel Sipress, Jason Thorsell, Councilor Em Westerlund

Members Absent: none

Staff Present: Bob Asleson, Jim Benning, Leanna Gilbert, Howard Jacobson, Eric Shaffer, Glenn Strid

Call to Order: The meeting was called to order at 5:16 p.m. by President Prusak.

Approval of previous meeting minutes

Old business:

16PUC-002 - RESOLUTION OF THE DULUTH PUBLIC UTILITIES COMMISSION RECOMMENDING THAT THE CITY OF DULUTH AMEND SECTION 48-27 OF THE CITY CODE AUTHORIZNG AUGMENTED CHARGES FOR UNAUTHORIZED TURNING ON OF WATER OR GAS SERVICE. (revised)

16-0Valve O - AN ORDINANCE AUTHORIZING A PENALTY FOR UNAUTHORIZED TURNING ON OF WATER OR GAS SERVICE AMENDING SECTION 48-27 OF THE DULUTH CITY CODE, 1959, AS AMENDED. (revised)

After Bob Asleson gave a brief explanation of the reasoning for the proposed penalty, Commissioner Sipress motioned to approve the revised version of resolution 16PUC-002 and the resolution was approved unanimously.

Water utility discussion

Eric Shaffer provided a list and gave a brief summary of capital projects that could be done in the next 5 years if there was a 6% rate increase. After staff and commissioners discussed the cost of water main breaks, debt service, and various other utility expenses, commissioners directed staff to bring a 6% rate increase resolution to the March meeting. A public hearing will be held at the beginning of that meeting.

New business:

16PUC-003 - RESOLUTION SEEKING TO PROVIDE A SUSTAINABLE ALTERNATIVE TO STORMWATER MANAGEMENT AND THEREBY REDUCE IMPERVIOUS SURFACE DEVELOPMENT IN SENSITIVE AREAS ALONG DULUTH'S TROUT STREAMS SO AS TO IMPROVE WATER QUALITY AND REDUCE NEGATIVE IMPACTS OF FLOODING. (Sellner)

Commissioner Sellner explained the intent of this resolution and, after some discussion, most commissioners agreed with that intent. Commissioner Sipress suggested that councilors and staff should consider the issue and work out the details before this is officially brought to City Council. Commissioner Sipress motioned to approve 16PUC-003 and the resolution was approved unanimously.

Updates from staff

Jim Benning mentioned that the year-end adjustment from WLSSD resulted in a very small decrease. Residential sanitary sewer rates will remain the same. Commercial rates will decrease by \$0.01.

Upcoming Council actions

Jim Benning mentioned a resolution contracting with LHB to finalize the plans for the next phase of the lift bridge project, a resolution awarding the Campus Connector project for \$770K, a resolution to purchase water pipe for the 4th Street project, an agreement with the railroad to put a water main underneath the tracks, and the second reading of the ordinance adopting the State's cold weather rule.

Commissioner questions or comments

Commissioner Sellner mentioned the second reading of an ordinance modifying DPUC commissioner terms. Jim Benning stated that this change was approved by the DPUC in 2012, but it never went to Council. Resolution 12PUC-001 was made available to commissioners. Commissioner Sellner suggested extending the limit to three terms instead of two.

Commissioner Sipress would like to meet with Jim Benning, Eric Shaffer, and Keith Hamre to discuss the tax-forfeit parcels issue and the resolution that was just passed.

Vice President Thorsell inquired about the Superior Street project. Commissioner Sipress answered that the project is from 6th Avenue W to 4th Avenue E.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, March 15, 2016, at 5:15 p.m. in City Council Chambers. Staff will prepare a water rate resolution as directed by the Commission. A public hearing will be held at the March meeting for this proposed water rate resolution. President Prusak mentioned the possibility of holding the May meeting at the Lakewood Treatment Plant.

Adjournment: The meeting was adjourned at 6:58 p.m.

RESOLUTION NO. 16PUC-004

**RESOLUTION ESTABLISHING WATER RATES EFFECTIVE
WITH METER READINGS AFTER APRIL 30, 2016;
SUPERSEDING ALL PRIOR INCONSISTENT OR
CONFLICTING RATES AS OF MAY 1, 2016.**

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission hereby makes the following Finds of Fact:

- 1.) The City's water utility system infrastructure, taken as a whole, is badly deteriorated and much of it needs to be replaced.
- 2.) A large part of the City's water utility system infrastructure is in excess of 80 years old or more and has exceeded its expected useful life.
- 3.) At least \$4 Million needs to be invested annually in water-related capital projects in order to maintain the system's ability to serve the needs of the City over the long term.
- 4.) The City's water booster stations and water treatment facilities will need \$8 Million for repairs and replacement of equipment over the next 10 years to meet the needs of the City.
- 5.) The City has not increased its water rates since January 2013.
- 6.) Because of the deteriorated state of the City's water mains, the utility has suffered increased costs for repair related to water main breaks as well as losses of product and revenues.
- 7.) It is necessary to increase water rates charged by the City to provide funds for the needed upgrading and improving of the City's water distribution system.

FURTHER RESOLVED, that effective with the water meter readings after April 30, 2016, the rates to be charged to all customers of the water utility of the city of Duluth shall be amended as follows:

1. Variable charges:
The rates to be charged to all customers* in the city of Duluth per 100 cubic feet (CCF) shall be as follows:

User Class	Flow Rate / CCF	
	Effective May 1, 2016	Effective January 1, 2013
Residential 1 (R 1)	\$3.51	\$3.31
Residential 2 (R 2)	\$3.29	\$3.10
Residential 3 (R 3)	\$2.89	\$2.73
Residential 4 (R 4)	\$2.54	\$2.40
Commercial & Industrial 1 (C&I 1)	\$3.51	\$3.31
Commercial & Industrial 2 (C&I 2)	\$2.94	\$2.77

Commercial & Industrial 3 (C&I 3)	\$2.36	\$2.23
Commercial & Industrial 4 (C&I 4)	\$2.05	\$1.93
Commercial & Industrial 5 (C&I 5)	\$1.82	\$1.72
Commercial & Industrial 6 (C&I 6)	\$1.54	\$1.45

* User Classes established and defined by 12PUC-005.

2. Fixed charges:

In addition, all customers shall pay the following fixed charges for service based on the size of the water meter measuring service to the premises.

Meter size	Effective May 1, 2016 (no change)
1 inch & under	\$6.27
1-1/2 inch	\$10.97
2 inch	\$18.80
3 inch	\$68.92
4 inch	\$87.71
6 inch	\$131.57
8 inch	\$181.69
10 inch	\$238.07

3. Political Subdivisions outside City:

Rates charged for water furnished to political subdivisions outside the corporate limits of the city will be by individual contract, and such customers shall be charged the following effective May 1, 2016:

Political Subdivision	Effective May 1, 2016	Effective January 1, 2013
Hermantown	\$3.12/CCF	\$2.94/CCF
Proctor	\$3.52/CCF	\$3.32/CCF
City of Rice Lake	\$3.01/CCF	\$2.84/CCF

4. Other Customers outside of City:

Water metered at or beyond the city limits, for use by customers located outside the corporate limits of the city of Duluth not including political subdivisions:

All water - \$4.63/CCF, effective May 1, 2016.

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are superseded as of May 1, 2016.

Approved by the DPUC: _____
(date)

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

ATTEST:

Director
Public Works and Utilities
City of Duluth

STATEMENT OF PURPOSE:

This resolution sets water rates effective with meter readings after April 30, 2016.

This resolution represents a rate increase of approximately 6% over those applicable after January 1, 2013. This increase will provide an estimated \$715,000 annually in additional revenue for capital improvements, raising the total funds available for capital projects to an estimated \$3,500,000.

Water Utility Rate History

	1/2/1997 8%	1/1/2001 5%	1/1/2002 16%	* 8/1/2003 5%	* 8/1/2004 5%	* 8/1/2005 5%	11/1/2006 20%	2/1/2009 6.1%	2/1/2012
First 4,000 cubic feet, per ccf	\$ 1.42	\$ 1.49	\$ 1.73	\$ 1.82	\$ 1.91	\$ 2.01	\$ 2.41	\$ 2.56	\$ 2.56
Next 96,000 cubic feet, per ccf	\$ 0.92	\$ 0.97	\$ 1.13	\$ 1.19	\$ 1.25	\$ 1.31	\$ 1.57	\$ 1.67	\$ 1.67
Next 900,000 cubic feet, per ccf	\$ 0.77	\$ 0.81	\$ 0.94	\$ 0.99	\$ 1.04	\$ 1.09	\$ 1.31	\$ 1.39	\$ 1.39
Over 1,000,000 cubic feet, per ccf	\$ 0.64	\$ 0.67	\$ 0.78	\$ 0.82	\$ 0.86	\$ 0.90	\$ 1.08	\$ 1.15	\$ 1.15
Fixed monthly charge, 1" or smaller meter	\$ 2.00	\$ 2.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 6.71

*Note: Rate increases on August 1 of years 2003, 2004 and 2005 used only for infrastructure replacement and rehabilitation.

Rate Structure Revised 7/1/2012

Proposed

	7/1/2012	1/1/2013 6%	5/1/2016 6%
<i>Residential Rates only</i>			
Residential 1 (R 1), per ccf	\$ 3.12	\$ 3.31	\$ 3.51
Residential 2 (R 2), per ccf	\$ 2.93	\$ 3.10	\$ 3.29
Residential 3 (R 3), per ccf	\$ 2.58	\$ 2.73	\$ 2.89
Fixed monthly charge, 1" or smaller meter	\$ 6.27	\$ 6.27	\$ 6.27
Residential 4 (R 4), per ccf	\$ 2.27	\$ 2.40	\$ 2.54
Fixed monthly charge, 1 1/2" meter	\$ 10.97	\$ 10.97	\$ 10.97



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Western Lake Superior Sanitary District

February 8, 2016

Mr. Jim Benning
Director of Public Works
207 City Hall
Duluth, MN 55802

Subject: 2015 Wastewater Treatment Year-End Adjustments

Dear Mr. Benning:

At the close of each year, we notify our wastewater treatment users of the year-end adjustment based on the actual flow and load data, and treatment costs.

For 2015, the WLSSD Board has approved total wastewater charges of \$26,810,145 as shown in the attached comparison of billed (budget) to required charges (actual) for 2015. Each wastewater user will receive additional charges or credits based upon their actual flows and loads as compared to budget. This amount will be spread evenly over the 12-month period in 2016.

Attached is a table summarizing the 2015 billing as compared to the 2015 required actual. For Duluth the total year-end adjustment for 2015 is a charge of \$96,638 due to higher daily BOD and peak flow as compared to budget. This will be included as a \$7,803/month charge on your 2016 monthly billing.

Please contact me at 740-4805 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Bohren', is written over a horizontal line.

Marianne Bohren
Executive Director

xc: Eric Schaffer

Attachment

2015 Budget YE Adjustment

	BILLED 2015	REQUIRED 2015	YEAR-END ADJUSTMENT
DULUTH	8,609,536	8,703,174	\$93,638
CLOQUET	904,518	804,499	(\$100,019)
PROCTOR	294,061	285,693	(\$8,368)
HERMANTOWN	426,276	413,498	(\$12,778)
ESKO	119,884	119,472	(\$412)
SCANLON	86,280	98,257	\$11,977
CARLTON	107,345	103,128	(\$4,217)
RICE LAKE	45,714	43,254	(\$2,460)
TWIN LAKE	68,926	72,653	\$3,727
PIKE LAKE	62,359	54,418	(\$7,941)
KNIFE RIVER	\$15,953	16,110	\$157
OLIVER	15,973	15,504	(\$469)
THOMSON	7,884	8,158	\$274
WRENSHALL	19,494	18,123	(\$1,371)
JAY COOKE	4,176	4,031	(\$145)
MIDWAY	4,836	5,047	\$211
MPCA LANDFILL	22,763	19,027	(\$3,736)
DULUTH/NORTH SHORE	44,151	37,768	(\$6,383)
MUNICIPALITIES SUBTOTAL	10,860,129	10,821,812	(\$38,317)
SAPPI	11,261,540	11,320,770	\$59,230
GEORGIA PACIFIC	88,501	88,501	(\$0)
USG	435,480	434,128	(\$1,352)
VERSO DULUTH MILL	3,863,087	3,838,806	(\$24,281)
SPECIALTY MINERALS	301,408	306,127	\$4,719
INDUSTRIES SUBTOTAL	15,950,016	\$15,988,333	\$38,317
TOTAL DISTRICT	\$26,810,145	\$26,810,145	\$0

**2015 Budget YE Adjustment
Wastewater Unit Costs**

	BUDGET 2015	YEAR END 2015	%
			CHANGE
<u>VOLUME</u>			
FLOW (MGD)	37.30	36.51	-2.14%
BOD (LBS/DAY)	81,760	93,153	13.93%
SUSPENDED SOLIDS (LBS/DAY)	47,425	49,070	3.47%
<u>O & M UNIT COSTS</u>			
FLOW (COST/1000 GAL)	\$0.5252	\$0.5717	8.85%
PEAK FLOW	\$0.0410	\$0.0243	-40.81%
BOD (COST/LB)	\$0.1619	\$0.1509	-6.83%
SUSPENDED SOLIDS (COST/LB)	\$0.2711	\$0.2777	2.40%
<u>O & M + DEBT SERVICE UNIT COSTS</u>			
FLOW (COST/1000 GAL)	\$0.6888	\$0.7352	6.74%
PEAK FLOW	\$0.0903	\$0.0730	-19.07%
BOD (COST/LB)	\$0.2267	\$0.2157	-4.88%
SUSPENDED SOLIDS (COST/LB)	\$0.3546	\$0.3611	1.84%
DOMESTIC EQUIV (COST/1000GAL)	\$1.7487	\$1.7704	1.24%

Western Lake Superior Sanitary District
Billing Detail
2015 Budget YE Adjustment

Line No.	Class of Service	Budget Basis	Operating Expenses, based on Actual Flows and Loads			Debt Svc - based on Allocated Flows and Loads			TOTAL	FLOW	PEAK FLOW	TOTAL FLOW	BOD	TSS	TOTAL
			Flow	Excess FI	BOD	TSS	PEAK FLOW	TOTAL FLOW							
Municipalities: Duluth-															
1	Duluth	Budget	\$2,562,183	\$623,194	\$755,921	\$1,711,155	\$5,652,454	\$1,093,990	\$865,101	\$1,959,091	\$441,001	\$650,629	\$3,050,720	\$8,703,174	
2	Cloquet	Budget	\$207,090	\$30,102	\$74,733	\$236,546	\$548,471	\$85,653	\$62,596	\$148,249	\$42,207	\$65,572	\$256,028	\$804,499	
3	Proctor	Budget	\$95,073	\$14,909	\$25,939	\$66,856	\$192,777	\$36,569	\$25,794	\$62,363	\$13,000	\$17,553	\$92,916	\$285,693	
4	Hermantown	Budget	\$129,358	\$15,558	\$64,159	\$113,509	\$322,585	\$30,128	\$18,636	\$48,764	\$17,210	\$24,940	\$90,913	\$413,498	
5	Esko	Budget	\$36,936	\$5,419	\$13,768	\$30,404	\$86,527	\$11,884	\$8,027	\$19,911	\$5,452	\$7,582	\$32,945	\$119,472	
6	Scanlon	DE	\$31,802	\$6,225	\$14,000	\$25,763	\$76,790	\$7,917	\$5,830	\$13,746	\$3,676	\$4,045	\$21,467	\$98,257	
7	Carlton	Budget	\$31,260	\$8,631	\$7,159	\$16,216	\$63,266	\$18,584	\$13,595	\$32,179	\$3,150	\$4,532	\$39,862	\$103,128	
8	Rice Lake	DE	\$11,394	\$1,843	\$5,016	\$9,230	\$27,483	\$5,839	\$4,161	\$10,001	\$2,484	\$3,287	\$15,771	\$43,254	
9	Twin Lake	Budget	\$16,214	\$1,375	\$13,204	\$24,300	\$55,093	\$5,255	\$3,706	\$8,961	\$4,100	\$4,499	\$17,560	\$72,653	
10	Pike Lake	DE	\$16,715	\$1,988	\$7,358	\$13,541	\$39,601	\$5,829	\$3,959	\$9,787	\$2,288	\$2,741	\$14,817	\$54,418	
11	Knife River	DE	\$4,841	\$981	\$2,131	\$3,922	\$11,875	\$1,075	\$1,696	\$2,770	\$622	\$843	\$4,235	\$16,110	
12	Oliver	DE	\$4,048	\$961	\$1,782	\$3,280	\$10,071	\$1,565	\$1,148	\$2,713	\$1,165	\$1,555	\$5,433	\$15,504	
13	Thomson	DE	\$2,233	\$364	\$983	\$1,809	\$5,388	\$1,027	\$715	\$1,742	\$478	\$550	\$2,770	\$8,158	
14	Wrenshall	DE	\$5,259	\$1,039	\$2,315	\$4,260	\$12,873	\$1,868	\$1,275	\$3,144	\$998	\$1,108	\$5,250	\$18,123	
15	Jay Cooke	DE	\$459	\$478	\$202	\$372	\$1,511	\$571	\$423	\$994	\$664	\$862	\$2,520	\$4,031	
16	Midway	DE	\$730	\$730	\$441	\$592	\$2,493	\$1,207	\$678	\$1,884	\$273	\$397	\$2,554	\$5,047	
17	MPCA Landfill	DE	\$4,487	\$931	\$1,975	\$3,635	\$11,027	\$3,084	\$1,933	\$5,017	\$2,068	\$913	\$7,999	\$19,027	
18	Unused	DE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
19	North Shore	DE	\$9,432	\$3,461	\$4,152	\$7,641	\$24,686	\$4,336	\$3,973	\$8,309	\$2,047	\$2,725	\$13,082	\$37,768	
21	Totals-Municipalities		\$3,169,513	\$717,190	\$995,239	\$2,263,028	\$7,144,971	\$1,316,380	\$1,023,245	\$2,339,626	\$542,882	\$794,334	\$3,676,841	\$10,821,812	
Industrials-															
22	Georgia Pacific		\$0	\$0	\$0	\$0	\$0	\$13,962	\$6,474	\$20,436	\$53,633	\$14,432	\$88,501	\$88,501	
23	Sappi		\$3,355,673	\$70,112	\$2,727,122	\$2,285,898	\$8,438,804	\$886,696	\$382,733	\$1,269,429	\$1,149,868	\$462,670	\$2,881,966	\$11,320,770	
24	NewPage		\$967,598	\$40,796	\$1,336,603	\$242,626	\$2,587,614	\$293,763	\$118,148	\$411,911	\$703,683	\$135,599	\$1,251,193	\$3,838,806	
25	USG		\$84,138	\$8,119	\$70,878	\$43,884	\$207,018	\$33,925	\$22,009	\$55,934	\$86,584	\$84,592	\$227,110	\$434,128	
27	Specialty Minerals		\$41,047	\$2,685	\$275	\$137,732	\$181,739	\$21,102	\$8,904	\$30,006	\$314	\$94,069	\$124,389	\$306,127	
28	Totals-Industrials		\$4,448,445	\$121,712	\$4,134,878	\$2,710,139	\$11,415,174	\$1,249,447	\$538,268	\$1,787,715	\$1,994,081	\$791,362	\$4,573,159	\$15,988,333	
30	Totals-All Users		\$7,617,959	\$838,902	\$5,130,117	\$4,973,168	\$18,560,145	\$2,565,828	\$1,561,513	\$4,127,341	\$2,536,963	\$1,585,696	\$8,250,000	\$26,810,145	