

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, January 21, 2014

City Council Chambers

AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. Old business
 - 3.1 Clarification of public notification process
4. New business
 - 4.1 Election of officers
 - 4.2 14PUC-001 - RESOLUTION OF THE DULUTH PUBLIC UTILITIES COMMISSION ESTABLISHING SECOND RATE TIER OF \$0.11 PER ONE HUNDRED CUBIC FEET APPLICABLE TO NATURAL GAS SERVICES OUTSIDE THE NORTHERN EXPANSION AREA AND THE FOND DU LAC AREA. (discussion only)
 - 4.3 Sprinkling credit
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 17, 2013

Members Present: Councilor Jennifer Julsrud, Jim Ramnes, Robert Prusak, Linda Sellner, Councilor Jim Stauber; Councilor Sharla Gardner arrived at 6:09 p.m.

Members Absent: Jason Thorsell

Staff Present: Bob Asleson, Jim Benning, Leanna Gilbert, Nick Petrangelo, Eric Shaffer, Glenn Strid

Call to Order: The meeting was called to order at 5:27 p.m. by President Sellner.

Approval of previous meeting minutes

Old business:

13PUC-012 - RESOLUTION REQUESTING THAT CITY COUNCIL AMEND SECTION 43-09 OF THE CITY CODE TO MAKE THE SPRINKLER CREDIT APPLICABLE FROM MAY 1 THROUGH SEPTEMBER 30TH. (Stauber)

13PUC-013 - RESOLUTION REQUESTING THAT CITY COUNCIL AMEND SECTION 43-09 OF THE CITY CODE TO MAKE THE SPRINKLER CREDIT APPLICABLE FROM JUNE 1 THROUGH SEPTEMBER 30TH. (Julsrud)

Commissioner Stauber motioned to remove resolutions 13PUC-012 and 13PUC-013 from the table. The motion passed. After some discussion, Commissioner Stauber motioned to bring forward 13PUC-012. The majority voted in favor of the resolution. 13PUC-013 was withdrawn.

New business:

Clarification of public notification process

Jim Benning provided a draft notification process to commissioners. There was some discussion of whether the guidelines should be added to the bylaws. Vice President Prusak expressed a desire to look at this further and discuss it again next month. This will remain on the agenda for January.

2014 meeting schedule

Commissioners discussed whether to have a summer recess. Commissioner Julsrud suggested taking August and December off. President Sellner suggested waiting to make a decision. Vice President Prusak mentioned that a meeting could be canceled if there was nothing on the agenda.

Updates from staff

Election of officers for this commission will be next month. Commissioner Julsrud asked Vice President Prusak if he would be willing to be President next year, and he said that we would. Nominations can be made next month as well.

Commissioner Stauber will be leaving this commission and City Council, so we will need a new Councilor for this commission. Jim Benning will talk to Jeff Cox about drafting a resolution for this. Commissioner Julsrud mentioned that Sharla Gardner will be resigning from the commission, so another Councilor will be needed.

Eric Shaffer reported that the West Duluth Reservoir project has been advertised for bid. He estimates that there will be four bids submitted.

Eric Shaffer mentioned that the two-tier rate for areas within the city that are not included in the Fond du Lac or Northern Expansion areas expired in October. City Council recently passed an ordinance granting this commission the authority over natural gas expansion programs. Staff recommends that the commission review a rate resolution in January and then vote on it in February. There are about 160 customers already signed up for next year. Staff recommends setting the rate at \$0.14/CCF to recoup the cost of up to 200 feet of main and service provided to the customer. Jim Benning mentioned that public meetings may not be necessary since only a small number of people will be affected and they will all be notified by mail. There will be a public hearing. The buyout amount would be the actual cost of service installation. Jim Benning mentioned a joint powers agreement between the City of Duluth and Rice Lake Township regarding extension of natural gas service from 2000. Commissioner Gardner said that this agreement was not brought up during the annexation discussions. Jim Benning will send it out to commissioners tomorrow. Eric Shaffer stated that Rice Lake Township is aware of this agreement and they have asked for natural gas every year for many years. We were not able to provide it before. We only have a limited budget to put services in. Maintenance always needs to take precedence over expansion.

Upcoming Council actions

No actions were discussed.

Commissioner questions or comments

Commissioner Gardner apologized for being late.

President Sellner reported that Chester Creek and Tischer Creek have been added to the impaired waters list due to e-coli. She requested a list of stormwater activities for 2013 and asked the commission to consider a future resolution that she may draft about directing best management practice projects more towards trout streams. She noted that the MPCA will be doing a study on urban streams in the City of Duluth. President Sellner looked at the Duluth Streams website and noticed that some of the monitors on the creeks are out. Commissioner Julsrud mentioned that the Soil and Water Conservation District works with streams. They are planning to install eight culverts near Amity Creek next summer. When asked what the City's relationship is with the Conservation District, Eric Shaffer stated that they provide erosion control enforcement for the City. He also stated that no best management practices (BMPs) such as storm ponds are planned for construction in the near future. Most of the stormwater funds go to maintain existing structures, mainly failing culverts. There is a lack of time, staff, and money to improve areas that are already developed, but all new developments are required to have something to treat the stormwater. President Sellner suggested looking at stormwater charges and credits. She also suggested educating and engaging the public regarding best management projects. Eric Shaffer noted that many customers receive credits and there are many stormwater treatment structures in the city. Staff is working on a program for inspection of these structures. President Sellner would like to look at the stormwater budget and capital projects in the near future.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, January 21, 2014, at 5:15 p.m. in City Council Chambers. Topics will be the public notification process and the election of officers.

Adjournment: The meeting was adjourned at 6:29 p.m.

RESOLUTION NO. 14PUC-001

**RESOLUTION OF THE DULUTH PUBLIC UTILITIES
COMMISSION ESTABLISHING SECOND RATE TIER OF \$0.11
PER ONE HUNDRED CUBIC FEET APPLICABLE TO NATURAL
GAS SERVICES OUTSIDE THE NORTHERN EXPANSION AREA
AND THE FOND DU LAC AREA.**

RESOLVED, that the Duluth Public Utilities Commission hereby finds that:

1. There is a general public need and demand for the extension of natural gas mains and services to provide natural gas service throughout the areas served by the City of Duluth's natural gas utility (the "Utility").
2. That a reasonable and desirable way of securing funds to pay for the capital costs of such extensions which will minimize the burdens on property owners and maximize benefits to both them and the Utility is through the imposition of a two-tier rate for persons connected to such mains and services and receiving natural gas service from them, as authorized by Section 48-214 of the Duluth City Code 1959, as amended.
3. That a second tier rate of \$0.11 per one hundred cubic feet of natural gas purchased and consumed by persons and properties connecting to such mains will allow the Utility to amortize the costs to the Utility of extending such mains outside of those service areas identified as the Northern Expansion Area and the Fond du Lac Area as identified in Duluth City Council resolutions 11-0325 and 11-0326 and will fairly recompense the Utility for its costs of funding such extensions.
4. That said second tier rate of \$0.11 per one hundred cubic feet of natural gas so purchased and consumed constitutes a fair and reasonable charge to such persons and properties for such extensions within those areas identified in Paragraph 3 above and will constitute a tangible benefit to both such persons and properties and to the Utility.
5. That for those properties eligible for the second tier rate as established by this Resolution, the owners thereof who choose to do so should have the option of paying their fair share of the cost of the main extension serving such property in the form of a single payment of the "actual costs" thereof as defined in the attached Exhibit A at the time of connection, and thereafter paying only the standard, otherwise-applicable rates for natural gas consumed on the property.

RESOLVED, that pursuant to the authority contained in Sections 2-186 (b) and 48-214 of the Duluth City Code, 1959, as amended, the Duluth Public Utilities Commission hereby establishes a second tier rate applicable to all portions of its natural gas service area outside of

the Northern Expansion Area and the Fond du Lac Area, as such areas are designated in City Council Resolution Nos. 11-0325 and 11-0326, of \$0.11 per one hundred cubic feet of natural gas purchased and consumed by persons and properties connecting to natural gas mains and services constructed within said service areas, to be charged in addition to rates otherwise charged for provision of such natural gas; and

RESOLVED FURTHER, that not withstanding the foregoing, for those properties eligible for the second tier rate as established by this Resolution, the owners thereof who choose to do so shall have the option of paying their fair share of the cost of the main extension serving such property in the form of a single payment of the “actual costs” thereof as defined in the attached Exhibit A at the time of connection, and thereafter paying only the standard, otherwise-applicable rates for natural gas consumed on the property; and

RESOLVED FURTHER, that as of the date this Resolution goes into effect, any prior inconsistent rates are hereby superseded.

Approved by the DPUC: _____
(date)

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

ATTEST:

Director
Public Works and Utilities
City of Duluth

RESOLUTION NO. 14PUC-001

Exhibit A

“Actual Costs” defined: the construction and installation cost to the City of new natural gas mains, new natural gas service lines, service risers including, excavation, installation and backfilling and the costs of connecting such service lines to new and existing natural gas mains.