

PUBLIC WORKS AND UTILITIES COMMITTEE

14-006-0

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING PAYING FOR GAS SERVICE EXTENSIONS WITH TWO-TIER RATE, AMENDING SECTION 48-214 OF THE DULUTH CITY CODE, 1959, AS AMENDED.

CITY PROPOSAL:

The city of Duluth does ordain:

Section 1. That section 48-214 of the Duluth city code is hereby amended to read as follows:

Sec. 48-214. Generally; gas mains.

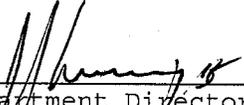
(a) The city council hereby finds that the deregulation of the natural gas industry and competition from other energy suppliers has subjected the Duluth public works and utilities department to competitive pressures in the gas sales area that it has never before faced. The city council further finds that the existing methods for extending gas mains in Duluth are cumbersome and capital intensive to prospective gas customers. The city council finds that having a more flexible and cost competitive gas main extension policy would enhance the public works and utilities department's ability to market natural gas and remain competitive with other suppliers. It is the purpose of this Section to provide a method of developing gas main extensions that will enable the public works and utilities department to remain competitive in the future;

(b) The director of the public works and utilities department, with the approval of the Duluth public utilities commission, may develop programs and procedures for the extension of gas mains and services, funding of gas main extensions and services connect thereto and procedures for connecting previously unassessed properties to existing mains and for assessing previous unassessed property to such mains in addition to procedures set forth in the City Charter. Without limitation, these programs may involve the

creation of a two tiered gas rate in lieu of assessments for gas main extensions and services and may involve the development of a sinking fund to finance future gas main extensions. These programs may also provide that the department may enter into long term gas usage agreements with customers in conjunction with such gas main and service extensions. No such gas main extension program shall take effect until it is approved by resolution of the Duluth public utilities commission, subject to review and veto by the city council in the same manner as is provided for in Section 2-187 of the City Code.

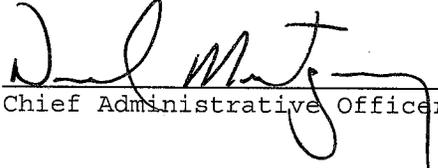
Section 2. That this ordinance shall take effect 30 days after its passage and publication.

Approved:



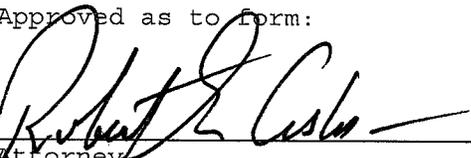
Department Director

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

PWU/ATTY REA:de 01/16/2014

STATEMENT OF PURPOSE: The purpose of this ordinance is to clarify the applicability of the two-tier natural gas rate as a funding mechanism for gas service extensions as well as for main extensions.

For a number of years the City has been interpreting the Code to allow the two-tier rate to be used to allow property owners to pay for their service connections from the main to their homes along with their share of the cost of constructing the mains themselves. However, a close reading of the Code provisions might call this interpretation into question.

The purpose of this amendment is to make it clear that this process is available to finance the cost of the services as well as the property owner's share of the cost of the main extensions.