

PUBLIC WORKS AND UTILITIES COMMITTEE

13-070-O

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

AN ORDINANCE AUTHORIZING DULUTH PUBLIC UTILITIES COMMISSION TO APPROVE PROGRAMS TO FUND GAS MAIN EXTENSIONS, 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.

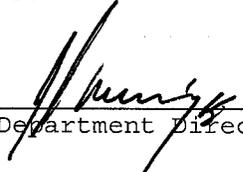
(a) The city council hereby finds that the deregulation of the natural gas industry and competition from other energy suppliers has subjected the Duluth public works and utilities ~~water and gas~~ department to competitive pressures in the gas sales area that it has never before faced. The city council 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 ~~water and gas~~ 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 ~~water and gas~~ department to remain competitive in the future;

(b) The director of the public works and utilities ~~water and gas~~ department, with the approval of the Duluth public utilities commission ~~city council~~, may develop programs and procedures for the extension of gas mains, funding of gas main extensions and procedures for connecting previously unassessed properties to existing 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 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 gas main extensions. No 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.

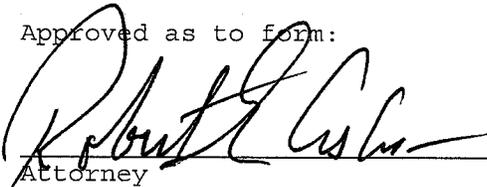
Approved:

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

Approved for presentation to council:

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

Approved as to form:

  
\_\_\_\_\_  
Attorney

Approved:

  
\_\_\_\_\_  
Auditor

PWU/ATTY REA:de 11/13/2013

STATEMENT OF PURPOSE: This purpose of this ordinance is to allow the Duluth Public Utilities Commission ("DPUC") to serve as the originating body for the creation of programs and procedures for the extension and funding of natural gas mains in the city.

In 1998, in recognition of the increasing competitiveness and complexity of the energy industry, the City passed Section 48-214 to allow the Public Works and Utilities Department to develop new and innovative ways of extending and paying for the extension of natural gas service to potential customers who did not have service available to them. In particular, it authorized the creation of two-tiered systems of gas rates which would allow extensions of gas service to such customers to be paid for by charging an incremental fee in excess of the standard volume charges with the increment being used to defray the City's cost of extending the service to those customers. The existing two-tiered authorization is about to expire and needs to be renewed. To do so, the Council would have to act to approve a new two-tier rate or to extend the existing one.

Since this system was established, the City created the DPUC with the view of having the City's utility policies and procedures overseen by a body which would develop expertise in the area and be able to view utility issues from a greater level of focus.

With this goal in mind, it would be appropriate to delegate the approval of such programs and procedures to the DPUC. This ordinance would accomplish that goal. The amendment does, however, subject the approval of such programs and procedures to the ultimate review of the City Council in the same manner as Council presently reviews rate determinations of the Commission.

**RESOLUTION NO. 13PUC-011**

**RESOLUTION REQUESTING THAT CITY COUNCIL  
AMEND SECTION 48-214 TO AUTHORIZE THE DPUC TO  
ESTABLISH PROGRAMS AND PROCEDURES FOR GAS  
EXTENSIONS.**

WHEREAS, pursuant to Article XXXV of Chapter 2 of the Duluth City Code, 1959, as amended, the Duluth Public Utilities Commission is charged with establishing policies and rates for the City's natural gas utility; and

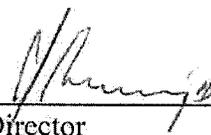
WHEREAS, based on its charge, it is appropriate for said commission to have authority to develop and extend programs and procedures to fund future natural gas system extensions.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission hereby requests that the City Council amend Section 48-214 of the Duluth City Code, 1959, as amended as set forth on attached Exhibit A giving the DPUC authority to approve development and extension of programs and procedures to fund future natural gas system extensions.

Approved by the DPUC: Oct. 15, 2013  
(date)

Submitted to City Council: Nov. 13, 2013  
(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 Council amend Section 48-214 to substitute the DPUC for the City Council as the entity that approves development and extensions of programs and procedures to fund future natural gas system extensions. The current provision pursuant to which this function is carried out by the City Council predates the creation of the Commission. The attached ordinance would give the responsibility to the Commission, subject to the Council's prerogative to review and overturn the Commission's action.