

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, February 20, 2018

City Council Chambers

AGENDA

1. Roll call
2. Public hearing:
18PUC-002 - RESOLUTION ESTABLISHING A NATURAL GAS RATE FOR MUNICIPAL ENERGY RESALE INTERRUPTIBLE LARGE VOLUME EFFECTIVE WITH METER READINGS AFTER MARCH 14, 2018.
3. Approval of previous meeting minutes
4. New business:
 - 4.1 18PUC-002 - RESOLUTION ESTABLISHING A NATURAL GAS RATE FOR MUNICIPAL ENERGY RESALE INTERRUPTIBLE LARGE VOLUME EFFECTIVE WITH METER READINGS AFTER MARCH 14, 2018.
 - 4.2 WLSSD I&I ordinance
 - 4.3 Municipal water resale discussion
5. Updates from staff
6. Upcoming Council actions
7. Commissioner questions or comments
8. Preview of upcoming business
9. Known absences for future meetings

DULUTH PUBLIC UTILITIES COMMISSION

Meeting Minutes

January 16, 2018

Members Present: Councilor Noah Hobbs, Jen Julsrud, Jim Lewis, Chris McIntosh, Rob Prusak, Councilor Joel Sipress; Councilor Em Westerlund arrived at 5:39 p.m.

Staff Present: Bob Asleson, Jim Benning, Leanna Gilbert, Howard Jacobson, Courtney Kile, Carrie Lustig, Glenn Strid, John Upton, Pete Upton, Kerry Venier

Call to Order: The meeting was called to order at 5:17 p.m. by President Prusak.

Public hearing:

18PUC-001 - RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER FEBRUARY 28, 2018; AMENDING INTERRUPTIBLE TRANSPORTATION SERVICE VOLUMETRIC CHARGES; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF MARCH 1, 2018.

The Commission held a public hearing on gas rate resolution 18PUC-001. No one from the public was present to speak. The hearing was closed and the Commission moved on to the regular meeting.

Approval of previous meeting minutes

New business:

18PUC-001 - RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER FEBRUARY 28, 2018; AMENDING INTERRUPTIBLE TRANSPORTATION SERVICE VOLUMETRIC CHARGES; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF MARCH 1, 2018.

Jim Benning stated that this rate has not been changed in a number of years. The prices reflect current costs. There are currently no customers in this rate class. Commissioner Sipress motioned to approve the resolution. Resolution 18PUC-001 was approved unanimously.

Home energy loan interest rate

Commissioners had previously requested that staff look into how the home energy loan interest rate was set and whether it could be adjusted. Courtney Kile stated that the rate was set in 1990 by City Council resolution and so could be changed by City Council. The current rate of 4.9% is still a good rate for a personal loan, but does not compete with local bank rates. Commissioner Sipress mentioned inflation and asked about the reasoning for keeping the rate the same. Courtney Kile said that we want to keep the loan fund healthy so that we can expand our loan programs.

Natural gas rate for Steam Utility

Jim Benning stated that we are gearing up toward establishing a natural gas rate for the Steam utility. Terry Nanti, General Manager for Ever-Green Energy, talked about how the trial period went. They burned natural gas from April 12 to December 6. Overall cost savings were about \$150,000. Based on that and what they learned, they would like to burn gas longer this year starting as early as March 1st, pending gas prices. The goal is to burn the cheapest fuel available. They would like to convert a third boiler to natural gas. Jim Benning said that the intent is to set a rate for them that would be revenue neutral. Pete Upton and Carrie Lustig talked about how setting a rate for them and getting them in the purchased gas adjustment (pga) would be better for everyone. Jim Benning stated that staff has already determined a proposed rate and would like permission to draft a resolution for next month. Discussion continued about various aspects of burning gas versus coal, Steam operations, gas pricing and availability, and the current

and potential capacity of the gas system. Commissioners agreed that they would like to see a rate resolution next month.

2018 meeting schedule

Commissioner Sipress stated that the Council summer break has not been set yet, but it is usually in July. President Prusak suggested removing the December meeting, and the other commissioners were in favor of this. The July meeting can be cancelled later if necessary.

Election of officers

Rob Prusak's second three-year term ends March 31, 2018. Commissioner Sipress nominated Rob Prusak for President with the understanding that City Council would look into amending the ordinance regarding term limits. Commissioner Julsrud nominated Chris McIntosh for Vice President. The nominees were approved unanimously. Commissioner Hobbs will talk to the attorneys about amending the term limits.

Updates from staff

Jim Benning mentioned that the three municipalities that we sell water to had some concerns about their rates. Their mayors contacted our mayor. A meeting was scheduled for Thursday to discuss this issue and possibly come up with some sort of resolution. Jim Benning will be sure to mention that only this Commission has the authority to set rates. Commissioners and staff discussed concerns about the rate-setting process being subverted and future practices. Jim Benning will contact commissioners with an update after the meeting.

Howard Jacobson talked about water main breaks and the frost level. He also said that crews are doing some preliminary work for summer projects, such as installing valves for the Superior Street project.

Jim Benning introduced John Upton, the new Customer Service Manager. John Upton shared a little about his background as requested by Commissioner Sipress.

Upcoming Council actions

No actions were mentioned.

Commissioner questions or comments

Commissioner Julsrud welcomed Commissioner Lewis back.

Commissioner Sipress mentioned that Liz Bieter had been taking the lead on energy conservation efforts for customers and asked what would be done to continue this work. Jim Benning stated that Eric Schlacks is heading up this effort. There is also a section about this in the new comprehensive plan that Planning is working on.

President Prusak mentioned the WLSSD I&I ordinance that was discussed in October and asked if anything had been put together yet. Jim Benning stated that Chris Kleist has reviewed this and will have something to bring to the Commission in February. There was also some discussion about funding, as well as the number of lateral lines to be done and the amount of the grant.

President Prusak wants to thank Jason Thorsell for staying on the Commission while Commissioner Lewis was away.

Commissioner Lewis asked if the warmer temperatures this week would affect the residents on Park Point due to melting and flooding. Howard Jacobson responded that the lake level has been dropping due to

seasonal changes. Our pumping hours have dropped as far as clear water going into the system, and this should help our icing problem as well since we are allowing some to divert water back into the sanitary system instead of discharging sump pumps into the roadway. Jim Benning mentioned that we will be lining 10,000 feet of sanitary sewer on Park Point next year.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, February 20, 2018, at 5:15 p.m. in City Council Chambers. The Commission will consider a natural gas rate for the Steam plant and discuss the WLSSD ordinance. Jim Benning will let commissioners know how the meeting with the municipalities went and work with Commissioner Hobbs and Bob Asleson to modify the ordinance regarding term limits.

Known absences for future meetings

President Prusak will not be able to attend the February meeting.

Adjournment: The meeting was adjourned at 6:17 p.m.

DULUTH PUBLIC UTILITIES COMMISSION

**Public Hearing
January 16, 2018**

Members Present: Jen Julsrud, Jim Lewis, Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Councilor Noah Hobbs

Members Absent: Councilor Em Westerlund

Staff Present: Bob Asleson, Jim Benning, Leanna Gilbert, Howard Jacobson, Courtney Kile, Carrie Lustig, Glenn Strid, John Upton, Pete Upton, Kerry Venier

Call to Order: The hearing was called to order at 5:17 p.m. by President Prusak.

Under consideration was a resolution to increase the gas transport rates. There are currently no customers in this rate class.

No one from the public was present to speak at the hearing.

The Duluth Public Utilities Commission voted to approve the gas transport rate resolution after the public hearing closed.

Adjournment: The hearing was closed at 5:18 p.m.

A recording of this hearing is available upon request.

RESOLUTION NO. 18PUC-002

RESOLUTION ESTABLISHING A NATURAL GAS RATE FOR MUNICIPAL ENERGY RESALE INTERRUPTIBLE LARGE VOLUME EFFECTIVE WITH METER READINGS AFTER MARCH 14, 2018.

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 City is the owner and operator of a District Heating System that provides steam for heating and other commercial uses to customers in a large portion of its Downtown and East Hillside neighborhoods and has historically used coal as its principal fuel source.
- 3.) The use of coal as a fuel source for the District is costly to the City and the neighborhoods, both in terms of direct cost of energy and as related to environmental costs and abatement costs.
- 4.) Because of the current cost of natural gas as a fuel source for the District and the environmental advantages of its use, it would be of great benefit to encourage the use of natural gas as the preeminent fuel source for the District.
- 5.) The City currently has not established a natural gas rate that appropriately reflects the cost to the City of providing natural gas as a fuel source for the District.

FURTHER RESOLVED, that effective with the natural gas meter readings after March 14, 2018, 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 (CCF)
		Effective March 15, 2018 (no change)	Effective March 15, 2018 (no change)
Firm sales service	Residential small volume	\$8.63	\$0.934
	Residential large volume	\$230.00	\$0.833
	Commercial/industrial small volume	\$46.00	\$0.850
	Commercial/industrial large volume	\$230.00	\$0.817
Interruptible sales service	Commercial/industrial large volume	\$517.50	\$0.698

CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME			
NEW RATE effective March 15, 2018			
Interruptible sales service	Municipal energy resale large volume	\$517.50	\$0.650
Interruptible transportation service		Year 1*	Year 2+
	Commercial/industrial per CCF	\$0.196	\$0.179
	Fixed monthly charge	\$517.50	\$517.50
	*The Year 1 rate applies to the first 12 months of service for any customer in this rate class. After the first 12 months of service, the customer will be charged the Year 2+ rate.		
Purchased gas adjustment (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.		

FURTHER RESOLVED, that municipal energy resale large volume customers shall meet and comply with the terms and conditions contained in the Natural Gas Municipal Energy Resale Interruptible Large Volume Rate 60 Tariff.

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 establish a rate for the use of natural gas as a fuel source for the City's

District Energy System, formerly known as Duluth Steam, which is now a system not only owned by the City but also operated by it. The District has historically used coal as its primary fuel source. With the current cost of natural gas and with all of the environmental concerns arising out of the use of coal, the use of natural gas as a fuel source has become much more advantageous, not only on a direct costs basis but also in terms of avoiding the environmental costs of coal use and the costs of mitigating the resultant impacts. The need for a natural gas rate for the District has not been an issue in the past but with changing conditions becomes a need. The rate proposed in this resolution represents a fair allocation of the costs to the gas utility for procuring and supplying natural gas to the District.

The new rate will be effective March 15, 2018.