

DULUTH PUBLIC UTILITIES COMMISSION
Tuesday, November 20, 2012, 5:15 p.m.
City Council Chambers
AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. Old business
 - 3.1 Review gas cost of service study
4. Updates from staff
5. Upcoming Council actions
6. Commissioner questions or comments
7. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
October 16, 2012

Members Present: Councilor Patrick Boyle, Patrick Huston, Councilor Jennifer Julsrud, Robert Prusak, Linda Sellner, Councilor Jim Stauber, Jason Thorsell

Staff Present: Bob Asleson, Jim Benning, Alisa DeRider, Leanna Gilbert, Howard Jacobson, Carrie Lustig, Nick Petrangelo, Eric Schlacks, Eric Shaffer, Glenn Strid, Pete Upton

Call to Order: The meeting was called to order at 5:18 p.m. by President Huston.

Approval of previous meeting minutes

New business:

Gas cost of service presentation by SAIC

David Berg (SAIC) gave an overview of the natural gas cost of service study results and recommendations. The study assumed normal weather and adjusted for the loss of Georgia Pacific, current 2012 information, 2013 budget, updated capital budget requirements, the NYMEX gas cost forecast, and general inflation for non-gas expenses. The study was based on a goal of \$5 million in cash reserves. The department's goal is to have cash reserves so there is enough to pay for the wholesale gas in January and February, to cover the cost of bond payments, and to have reserves in case of unexpected expenses. With the existing natural gas rates, the study projected a \$1.8 million deficit for cash reserves by the year 2016. The resulting recommendation was a 4.9% increase implemented in April 2013 and an adjustment of the purchased gas adjustment (PGA) from \$0.920/CCF to \$0.582/CCF. They also recommended combining the large and small transportation rates at a price of \$0.1661/CCF the first year and \$0.149/CCF thereafter. With these recommended changes, the cash reserves are projected to be up to \$4.8 million by the year 2016. The effect on the average residential customer would be minimal. Mr. Berg and City staff addressed various questions from commissioners. Eric Shaffer provided a list of capital projects as requested by Commissioner Prusak. President Huston asked when City staff would like the commission to take action on this. Jim Benning said that the plan is for the commissioners to look over the study in further detail and discuss it again next month. Staff would possibly have resolutions prepared to vote on in December or January.

2013 PWU budget

The department's budget presentation to Council is at 6:00 p.m. on Tuesday, November 13th, 2012. Commissioners are welcome to attend. Jim Benning gave a brief overview of the draft 2013 budget and answered questions from commissioners. Commissioner Stauber suggested providing a narrative on the West Duluth Reservoir project, since it is such a large project. He also mentioned that he had asked administration for information about cost allocation. He would like to know why they are charging the utilities \$1.4 million when there is sales tax for domestic gas in addition to the PILOT. He is concerned that the utilities are paying for things that have nothing to do with utilities. Commissioner Julsrud agreed that the commission should look into this.

Updates from staff

No further updates.

Upcoming Council actions

Councilors will discuss streets strategies at the agenda session on Thursday. Jim Benning reminded the councilors that any street work that is done will affect the utilities as well. The Public Works & Utilities budget presentation to Council is on November 13th.

Commissioner questions or comments

No further questions or comments.

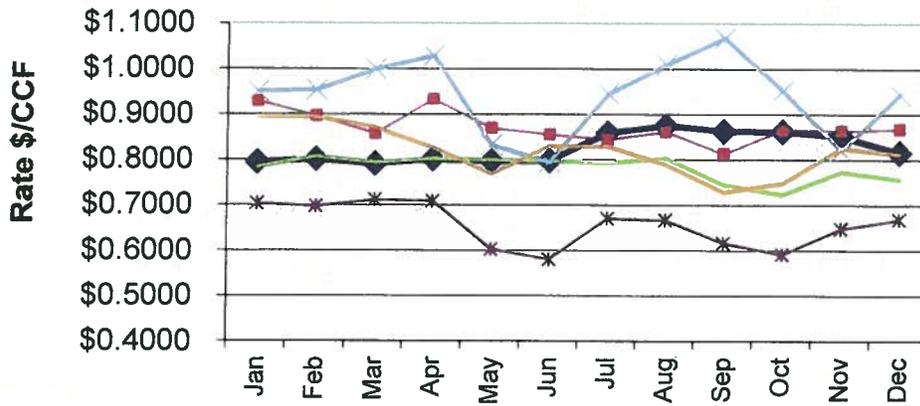
Preview of upcoming business

The next regular meeting is scheduled for Tuesday, November 20, 2012 in City Council Chambers. Commissioners should continue to review the cost of service report and plan to discuss it again next month.

Adjournment: The meeting was adjourned at 6:51 p.m.

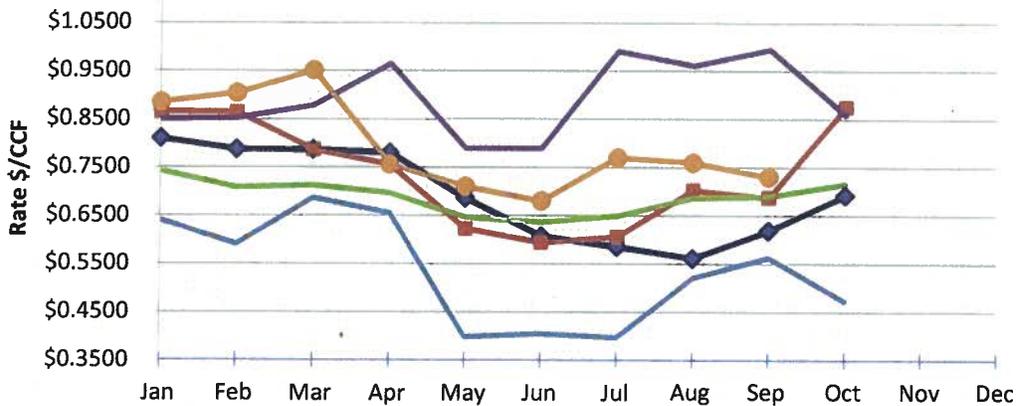
A recording of this meeting is available upon request.

2011 Natural Gas Monthly Residential Rates



◆ ComfortSystems ■ SWLP ▲ MERC-NMU
 ◆ Virginia * Two Harbors ● Hibbing

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