

DULUTH PUBLIC UTILITIES COMMISSION
Special Meeting Minutes
February 26, 2013

Members Present: Councilor Sharla Gardner, 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, Dave Montgomery, Wayne Parson, Peg Spehar, Glenn Strid, Pete Upton

Call to Order: The meeting was called to order at 5:20 p.m. by President Sellner.

PILOT, Cost Allocation, etc. (Dave Montgomery)

Peg Spehar, Chief Financial Officer, explained the history and methodology of cost allocation for the City and listed some of the services included. She stated that total City overhead costs for 2013 are about \$10 million. Of that, \$1.4 million is charged to the utilities. Commissioner Stauber inquired about costs for vehicle maintenance and expressed concern over the shop rates. Peg Spehar stated that those costs are not included in the cost allocation but are instead charged directly. Dave Montgomery, Chief Administrative Officer, said that most of the shop rates charged by Fleet are comparable to outside companies except for some things such as oil changes. He stated the intent to assess the fleet function in the future. Commissioner Julsrud expressed interest in the outcome of the assessment. She also thinks the commission should have a discussion with City administration about efficiencies prior to any rate increase.

Dave Montgomery gave a brief overview of the payment in lieu of taxes (PILOT) for the natural gas utility, explained how it compared to taxes and fees of other entities, and answered various questions from commissioners. Commissioner Stauber said that the PILOT should be considered before any rate increases. Commissioner Julsrud thought that this should be a Council discussion and cautioned against overstepping the boundaries of the commission.

Natural gas base rate adjustment resolution

13PUC-003 – RESOLUTION ESTABLISHING NATURAL GAS RATES EFFECTIVE WITH METER READINGS AFTER MARCH 31, 2013; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF APRIL 1, 2013. Commissioner Stauber motioned to approve resolution 13PUC-003. Jim Benning explained the purpose of the base rate adjustment. After some discussion, the resolution passed unanimously.

Commissioner Julsrud expressed a desire to have an analysis of what the fixed rates would look like if an increase was applied only to them. Commissioner Julsrud would also like staff to determine how much revenue is generated from the sales tax during the non-heating season.

Adjournment: The meeting was adjourned at 6:26 p.m.

A recording of this meeting is available upon request.