

**DULUTH PUBLIC UTILITIES COMMISSION**  
**Meeting Minutes**  
**December 14, 2011**

**Members Present:** Councilor Patrick Boyle, John Bruggeman, Councilor Jay Fosle, Councilor Daniel Hartman, Patrick Huston, Jennifer Julsrud, Linda Sellner

**Staff Present:** Jodi Amundson, Bob Asleson, Leanna Gilbert, Howard Jacobson, Nick Petrangelo, Eric Shaffer, Glenn Strid

**Members Absent:** none

**Call to Order:** The meeting was called to order at 5:15 p.m. by President Julsrud.

**Approval of previous meeting minutes**

**Old business:**

**Community meetings - update from staff**

There were eight planned community meetings. Eric Shaffer also held a meeting yesterday for the Lion's Club. There was pretty poor turnout for the community meetings, with only a few in attendance at some of the meetings and none in attendance at others. Tom Albright, one of Al Franken's staff, attended the last meeting as well as a tour of the water plant with the newly elected councilors. Liquid Assets MN recently aired on public television stations across the state of Minnesota. Their director indicated that they received enough grant money to give a copy of Liquid Assets MN to all of our legislators.

**New business:**

11PUC-Elect - RESOLUTION AMENDING BYLAWS TO PROVIDE FOR ELECTION OF OFFICERS IN JANUARY OF EACH YEAR.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that Article V of the Bylaws of the Duluth Public Utilities Commission is hereby amended as follows:

1. Amend the first line of Section 1. to read as follows:

The Commissioners shall annually choose a President and Vice President ~~from~~ as provided for in Section 2-84(d) of the Code.

2. Renumber Section 2 to Section 3.

3. Add a new Section 2 which reads as follows:

Section 2: Elections of officers shall be held at the first regularly scheduled meeting in the month of January every year or, if no regularly scheduled meeting is held in any January, at the next regularly scheduled meeting held thereafter. The term of officers shall run from the date of their election until their successors are duly elected.

Resolution 11PUC-Elect was approved unanimously.

11PUC-MEET - RESOLUTION AMENDING ARTICLE I SECTION 4 OF THE BYLAWS TO CHANGE THE REGULAR MEETING DATE TO THE THIRD TUESDAY OF EACH MONTH.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that Section 1 of Article IV of the Bylaw is hereby amended to read as follows:

Section 1: Regular meetings shall be the ~~third Tuesday~~~~second Wednesday~~ of the month at 5:15 p.m. in Council Chambers or at another location in City Hall, the location of which is posted on

the door of Council Chambers for at least one hour prior to time of such regular meeting.  
Special and emergency meetings may be called with notice according to law.

Resolution 11PUC-MEET was approved unanimously.

11PUC-WLSSD - RESOLUTION APPROVING AUTOMATIC ADJUSTMENTS OF SANITARY SEWER RATES TO REFLECT SEWER CHARGES IMPOSED BY WLSSD FOR COST OF TREATING CITY'S SANITARY SEWER DISCHARGES TO THE WLSSD SYSTEM.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that, as of the effective date of this resolution as provided for in Section 2-187 of the Duluth City Code, 1959, as amended:

1. That portion of the City's rates charged to users of the City's sanitary sewer system which reflects the Western Lake Superior Sanitary District's (the "District") charges to the City for all costs associated with accepting and processing the sewage collected by the City and sent to the District for treatment (the "District Charges") for the year 2013 and for each succeeding year shall be increased by an amount equal to the "net rates", as defined below, charged to such users for the prior year times the percentage increase in the rates to be charged to the City by the District for each such succeeding year over those charged to the City for the prior year as set forth in the District's notice of rates to be charged to the City for said succeeding year.
2. That annually, during the month of February, after having received a reconciled billing from the District setting forth the actual amount of the District Charges for the prior year and after the City receives any credit for overpayment and makes additional payment for underpayment of said District Charges for said year, the City shall increase its rates if necessary to reflect the actual cost of providing sanitary sewer services to its users for said year, which rates shall be the "net rates" referenced in Paragraph 2 above.
3. The rates determined as provided for above shall take effect as of the first water meter reading occurring after March 1 of the year to which they apply.

Resolution 11PUC-WLSSD was approved unanimously.

11PUC-H2O - RESOLUTION ESTABLISHING WATER RATES EFFECTIVE WITH METER READINGS AFTER FEBRUARY 1, 2012; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES.

Commissioner Fosle moved to amend resolution 11PUC-H2O. The resolution was amended to read: RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission hereby makes the following Finds of Fact:

- 1.) At least 70% of the City's water utility system infrastructure, taken as a whole, is badly deteriorated and much of it needs to be replaced.
- 2.) 50% of the City's water utility system infrastructure is in excess of 80 years old or more and has exceeded its expected useful life.
- 3.) At least \$4 Million needs to be invested annually in water main replacement in order to maintain the system's ability to serve the needs of the City over the long term.
- 4.) The City's water booster stations and water treatment facilities will need \$20 Million for repairs and replacement of equipment over the next 10 years to meet the needs of the City.
- 5.) The City's costs of operating its water system, including hydrants, electricity, and gasoline, have increased dramatically in recent years but the City has not increased its water rates to meet these costs since 2009.
- 6.) Because of the deteriorated state of the City's water mains, the utility spends approximately \$2.3 Million annually related to water main breaks and leaks as well as losses from loss of product and lost revenues.

FURTHER RESOLVED, that effective with the water meter readings after February 1, 2012, all customers of the water utility of the city of Duluth, whose water supply is measured by meter, shall be charged for such water in accordance with the schedule of rates established by this resolution as

follows:

A.

MONTHLY METERED VOLUME		
	effective February 1, 2012 rate \$/CCF	effective February 1, 2009, rate \$/CCF
first 4,000 cubic feet, per 100 cubic feet	No Change	\$2.56
next 96,000 cubic feet, per 100 cubic feet	No Change	\$1.67
next 900,000 cubic feet, per 100 cubic feet	No Change	\$1.39
over 1,000,000 cubic feet, per 100 cubic feet	No Change	\$1.15

For consumers requiring water at an elevation in excess of 290 feet above Lake Superior, the rate for all water in excess of 100,000 cubic feet per month shall be effective February 1, 2009, \$1.67 per 100 cubic feet.

B. MONTHLY FIXED CHARGES ARE AS FOLLOWS		
Meter size	effective February 1, 2012	<del>effective February 1, 2009</del>
1 inch & under	\$6.71	<del>\$ 3.50</del>
1-1/2 inch	\$9.34	<del>\$ 6.13</del>
2 inch	\$13.71	<del>\$ 10.50</del>
3 inch	\$41.71	<del>\$ 38.50</del>
4 inch	\$52.21	<del>\$ 49.00</del>
6 inch	\$76.71	<del>\$ 73.50</del>
8 inch	\$104.71	<del>\$101.50</del>
10 inch	\$136.21	<del>\$133.00</del>

C. Water metered at or beyond the city limits, for use by individual customers located outside the corporate limits of the city of Duluth:

All water, per 100 cubic feet - \$3.87, effective February 1, 2009.

D. Rates charged for water furnished to political subdivisions or state or federal government installments located outside the corporate limits of the city will be by individual contract, using the following schedule of rates, effective February 1, 2009:

EFFECTIVE FEBRUARY 1, 2009	HERMANTOWN		PROCTOR		RICE LAKE	
first 100,000 cubic feet, per 100 cubic feet	\$3.04	No Change	\$3.40	No Change	\$2.70	No Change
next 200,000 cubic feet, per 100 cubic feet	\$2.71	No Change	\$3.00	No Change	\$2.40	No Change
over 300,000 cubic feet, per 100 cubic feet	\$2.44	No Change	\$2.71	No Change	\$2.16	No Change

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are hereby superseded.

Commissioner Hartman voiced concerns about having to adjust the rates again in the future when we move to a conservation rate as required by the state. He also discussed the affects of fixed fees versus consumption fees on various consumers.

Commissioner Bruggeman voiced concerns about this not bringing in as much revenue as is necessary to fix the water infrastructure.

*It is the mission of the Duluth Public Utilities Commission to ensure safe, reliable, efficient utilities services at reasonable rates.*

Commissioner Fosle said that this would not cost any extra money to any users because they are already paying this fixed fee. It is just being moved from the clean water fund to the water fund.

Resolution 11PUC-H2O was approved unanimously as amended.

Commissioner Hartman encouraged the commission to move away from fixed rates and move more towards volume rates in the future.

11PUC-SewerRate - RESOLUTION ESTABLISHING THE CUSTOMER CHARGE AND USER CHARGES FOR THE CITY'S WASTEWATER FACILITIES EFFECTIVE WITH METER READINGS AFTER FEBRUARY 1, 2012; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission hereby makes the following Findings of Fact:

- 1.) The City's sanitary sewer utility system infrastructure, taken as a whole, is badly deteriorated and much of it needs to be replaced.
- 2.) A large part of the City's sanitary sewer utility system infrastructure is in excess of 80 years old or more and has exceeded its expected useful life.
- 3.) At least \$1 Million needs to be invested annually in sanitary sewer main replacement in order to maintain the system's ability to serve the needs of the City over the long term.
- 4.) The City will need to upgrade or replace at least two of its waste water lift stations every year at an annual cost estimated to be \$600,000 per year.
- 5.) The City's costs of operating its sanitary sewer system, including sanitary sewer treatment costs, electricity, and gasoline, have increased dramatically in recent years but the City has not increased its sanitary sewer rates to meet these costs since 2009.

RESOLVED FURTHER, that pursuant to section 43-11 of the Duluth City Code, 1959, as amended, for the purpose of increasing the revenue of the sewer utility, there is established and shall be collected effective with the meter readings after February 1, 2012, customer charge and user charges, based upon the volume of wastewater discharged to the city's wastewater facilities system and determined as in Section 43-7 of the Duluth City Code, as follows:

	<b>effective February 1, 2012</b>	<b>effective February 1, 2009</b>
Customer charge	\$ 5.89 per month	No Change
User charge - Class I	\$ 5.52/ccf	<del>\$ 5.02/ccf</del>
User charge - Class II	\$ 7.67/ccf	<del>\$ 6.97/ccf</del>
User charge - Class III	\$ 9.45/ccf	<del>\$ 8.59/ccf</del>
Tate and Lyle	\$15.11/ccf	<del>\$13.74/ccf</del>

RESOLVED FURTHER, that any prior rates inconsistent or conflicting with the rates set forth herein are hereby superseded.

Commissioner Fosle asked if City staff had been contacted by any businesses. They had not been contacted by anyone.

Resolution 11PUC-SewerRate was adopted with the following votes:

Yeas: Boyle, Bruggeman, Hartman, Huston, Julsrud, Sellner - 6

Nays: Fosle - 1

11PUC-SewerBill - RESOLUTION REQUESTING WLSSD CHARGES BE SEPARATELY STATED ON UTILITY BILLS.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission

hereby requests that the staff of the City's Public Works and Utilities Department modify the form by which it bills its sanitary sewer users/customers by adding a new charge code thereto entitled "SEWER WLSSD", that the amount of WLSSD's charge to the City that is attributed to each such user's/customer's bill be separately stated thereafter and that the amount of the charge code entitled "SEWER" on such bill be reduced by said amount. Resolution 11PUC-SewerBill was approved unanimously.

#### 11PUC-CHGCode - RESOLUTION REQUESTING COMBINING FIXED AND VARIABLE CHARGES ON UTILITY BILLS.

RESOLVED by the Duluth Public Utilities Commission (the "Commission") that the Commission hereby requests that the staff of the City's Public Works and Utilities Department modify the form by which it bills its utility users/customers by deleting the separate charge codes for fixed charges and by billing all charges related to the consumption of each utility under a single charge code for said utility. Commissioner Hartman moved to remove resolution 11PUC-CHGCode from the agenda. He will come back with a new resolution at a later date. The resolution was withdrawn.

#### **Update of filling vacant citizen commissioner position**

The advertisement for this position closed today. According to the City Clerk's office, there are two applicants. Commissioner Boyle stated that Council interviews will be on Monday, with a decision being made on Monday night. This person will be taking the place of President Julsrud.

#### **Updates from staff**

The paint on the Highland tower is still curing. It will not be filled until May.

There was some discussion as to who would be elected as President for next year. Elections will be held in January.

Commissioner Fosle asked if there would be notification of rate changes to customers in their bills. Nick Petrangelo said that Eric Schlacks will revise the rate cards and send them out in the bills. Commissioner Huston asked when this would go to Council. Bob Alseson said that the Council would be notified at the next regular meeting or the first meeting in January, depending on when the City Clerk is notified of the actions.

#### **Upcoming Council actions**

No actions were discussed.

#### **Agenda for next meeting**

The next meeting will be on Tuesday, January 17, 2012, at 5:15 p.m. in City Council Chambers. The commission will elect new officers and discuss the comprehensive plan for the water utility.

**Adjournment:** The meeting was adjourned at 6:01 p.m.

A recording of this meeting is available upon request.