

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, March 18, 2014

City Council Chambers

AGENDA

1. Roll call
2. Public hearing: Natural gas two-tier rate
3. Approval of previous meeting minutes
4. Old business
 - 4.1 14PUC-001 - RESOLUTION OF THE DULUTH PUBLIC UTILITIES COMMISSION ESTABLISHING SECOND RATE TIER OF \$0.11 PER ONE HUNDRED CUBIC FEET APPLICABLE TO NATURAL GAS SERVICES OUTSIDE THE NORTHERN EXPANSION AREA AND THE FOND DU LAC AREA.
 - 4.2 Sprinkling credit analysis
5. Updates from staff
6. Upcoming Council actions
7. Commissioner questions or comments
8. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
February 18, 2014

Members Present: Councilor Zack Filipovich, Councilor Sharla Gardner, Rob Prusak, Jim Ramnes, Linda Sellner, Jason Thorsell; Councilor Jennifer Julsrud arrived at 5:19 p.m.

Members Absent: none

Staff Present: Jodi Amundson, Bob Asleson, Jim Benning, Leanna Gilbert, Howard Jacobson, Eric Shaffer, Glenn Strid

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

Approval of previous meeting minutes

Old business:

Review of public notification procedure

Jim Benning provided a revised public notification procedure for review. Vice President Ramnes motioned to adopt the procedure as a policy. After some discussion, the majority voted in favor of the motion.

New business:

Sprinkling credit analysis

Jim Benning gave an overview of the sprinkling credit. Commissioners and staff reviewed the presentation provided by Jodi Amundson and discussed various options and concerns. Jodi Amundson will get more detailed numbers for the next meeting.

Updates from staff

There will be a sanitary sewer rate decrease for 2014 effective March 1st. The decrease is due to WLSSD treatment cost adjustments. Glenn Strid provided a handout detailing the change by rate class. Commissioners were in favor of putting out a press release regarding this decrease.

There were over 100 frozen water services in the last two weeks. There is a “bleeder list” of those properties with services that have frozen in the past that are instructed to run water constantly throughout the winter. These 100 services were not already on the bleeder list. They are mostly services that run underneath streets and are not insulated by snow. If everyone in the City ran water constantly, it would result in over 10 million gallons per day in volume and over \$100,000 per day in costs.

Commissioner Julsrud asked for an update on combined private lines. Eric Shaffer reported on common water and sewer lines at various locations. Commissioners and staff discussed options for resolving this issue.

Jim Benning reported that Chris Kleist secured a \$3.7 million grant for stream restoration after the flood. He also secured another grant of about \$1.8 million.

Upcoming Council actions

Jim Benning mentioned the purchase of a hydro-excavator that will be on the upcoming agenda.

Commissioner questions or comments

Commissioner Julsrud is going to Washington, D.C. to request Great Lakes funding.

Commissioner Filipovich will not be able to attend the March meeting.

Jim Benning mentioned the need to find a replacement for Commissioner Gardner in April.

Commissioner Gardner said she would try to recruit someone.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, March 18, 2014, at 5:15 p.m. in City Council Chambers. A public hearing regarding a two-tier rate for natural gas will be held. The Commission will then vote on the two-tier rate resolution. They will also continue to discuss the sprinkling credit. Glenn Strid will give an update on the current state of the utilities as soon as 2013 year end data is available. Capital improvement plans for three of the utilities should be ready in the fall.

Adjournment: The meeting was adjourned at 6:16 p.m.

RESOLUTION NO. 14PUC-001

**RESOLUTION OF THE DULUTH PUBLIC UTILITIES
COMMISSION ESTABLISHING SECOND RATE TIER OF \$0.11
PER ONE HUNDRED CUBIC FEET APPLICABLE TO NATURAL
GAS SERVICES OUTSIDE THE NORTHERN EXPANSION AREA
AND THE FOND DU LAC AREA.**

RESOLVED, that the Duluth Public Utilities Commission hereby finds that:

1. There is a general public need and demand for the extension of natural gas mains and services to provide natural gas service throughout the areas served by the City of Duluth's natural gas utility (the "Utility").
2. That a reasonable and desirable way of securing funds to pay for the capital costs of such extensions which will minimize the burdens on property owners and maximize benefits to both them and the Utility is through the imposition of a two-tier rate for persons connected to such mains and services and receiving natural gas service from them, as authorized by Section 48-214 of the Duluth City Code 1959, as amended.
3. That a second tier rate of \$0.11 per one hundred cubic feet of natural gas purchased and consumed by persons and properties connecting to such mains will allow the Utility to amortize the costs to the Utility of extending such mains outside of those service areas identified as the Northern Expansion Area and the Fond du Lac Area as identified in Duluth City Council resolutions 11-0325 and 11-0326 and will fairly recompense the Utility for its costs of funding such extensions.
4. That said second tier rate of \$0.11 per one hundred cubic feet of natural gas so purchased and consumed constitutes a fair and reasonable charge to such persons and properties for such extensions within those areas identified in Paragraph 3 above and will constitute a tangible benefit to both such persons and properties and to the Utility.
5. That for those properties eligible for the second tier rate as established by this Resolution, the owners thereof who choose to do so should have the option of paying their fair share of the cost of the main extension serving such property in the form of a single payment of the "actual costs" thereof as defined in the attached Exhibit A at the time of connection, and thereafter paying only the standard, otherwise-applicable rates for natural gas consumed on the property.

RESOLVED, that pursuant to the authority contained in Sections 2-186 (b) and 48-214 of the Duluth City Code, 1959, as amended, the Duluth Public Utilities Commission hereby establishes a second tier rate applicable to all portions of its natural gas service area outside of

the Northern Expansion Area and the Fond du Lac Area, as such areas are designated in City Council Resolution Nos. 11-0325 and 11-0326, of \$0.11 per one hundred cubic feet of natural gas purchased and consumed by persons and properties connecting to natural gas mains and services constructed within said service areas, to be charged in addition to rates otherwise charged for provision of such natural gas; and

RESOLVED FURTHER, that notwithstanding the foregoing, for those properties eligible for the second tier rate as established by this Resolution, the owners thereof who choose to do so shall have the option of paying their fair share of the cost of the main extension serving such property in the form of a single payment of the "actual costs" thereof as defined in the attached Exhibit A at the time of connection, and thereafter paying only the standard, otherwise-applicable rates for natural gas consumed on the property; and

RESOLVED FURTHER, that as of the date this Resolution goes into effect, any prior inconsistent rates are hereby superseded.

Approved by the DPUC: _____
(date)

Submitted to City Council: _____
(where appropriate) (date)

ATTEST:

Director
Public Works and Utilities
City of Duluth

RESOLUTION NO. 14PUC-001

Exhibit A

“Actual Costs” defined: the construction and installation cost to the City of new natural gas mains, new natural gas service lines, service risers including, excavation, installation and backfilling and the costs of connecting such service lines to new and existing natural gas mains.



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Western Lake Superior Sanitary District

February 10, 2014

Mr. Jim Benning
Director of Public Works
207 City Hall
Duluth, MN 55802

Subject: 2013 Wastewater Treatment Year-End Adjustments

Dear Mr. Benning:

At the close of each year, we notify our wastewater treatment users of the year-end adjustment based on the actual flow and load data, and treatment costs.

For 2013, the WLSSD Board has approved total wastewater charges of \$25,743,023 as shown in the attached comparison of billed (budget) to required charges (actual) for 2013. Each wastewater user will receive additional charges or credits based upon their actual flows and loads as compared to budget. This amount will be spread evenly over the 12-month period in 2013.

Attached is a table summarizing the 2013 billing as compared to the 2013 required actual. For Duluth the total year-end adjustment for 2013 is a credit of \$379,512 and will be included as a \$31,626/month credit on your 2014 monthly billing.

Please contact me at 740-4805 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marianne Bohren', written over a horizontal line.

Marianne Bohren
Executive Director

xc: Eric Schaffer

Attachment

2013 Budget YE Adjustment

	BILLED 2013	REQUIRED 2013	YEAR-END ADJUSTMENT
DULUTH	\$8,856,072	\$8,476,560	(\$379,512)
CLOQUET	\$891,630	\$904,914	\$13,284
PROCTOR	\$289,207	\$269,237	(\$19,970)
HERMANTOWN	\$438,408	\$402,416	(\$35,992)
ESKO	\$126,893	\$128,901	\$2,008
SCANLON	\$85,571	\$87,576	\$2,005
CARLTON	\$109,227	\$113,955	\$4,728
RICE LAKE	\$49,338	\$37,031	(\$12,307)
TWIN LAKE	\$66,653	\$70,009	\$3,356
PIKE LAKE	\$55,039	\$57,480	\$2,441
KNIFE RIVER	\$14,120	\$15,397	\$1,277
OLIVER	\$15,485	\$15,851	\$366
THOMSON	\$8,997	\$6,766	(\$2,231)
WRENSHALL	\$19,179	\$19,733	\$554
JAY COOKE	\$4,444	\$5,389	\$945
MIDWAY	\$4,457	\$4,052	(\$405)
MPCA LANDFILL	\$21,874	\$18,307	(\$3,567)
DULUTH/NORTH SHORE	\$42,635	\$38,768	(\$3,867)
MUNICIPALITIES SUBTOTAL	\$11,099,229	\$10,672,341	(\$426,888)
SAPPI	\$10,057,901	\$10,316,597	\$258,696
GEORGIA PACIFIC	\$88,968	\$88,655	(\$313)
USG	\$433,101	\$441,514	\$8,413
NEW PAGE	\$3,809,630	\$3,967,764	\$158,134
SPECIALTY MINERALS	\$254,194	\$256,151	\$1,957
INDUSTRIES SUBTOTAL	\$14,643,794	\$15,070,682	\$426,888
TOTAL DISTRICT	\$25,743,023	\$25,743,023	\$0

**2013 Budget YE Adjustment
Wastewater Unit Costs**

	BUDGET 2013	ACTUAL 2013	% CHANGE
<u>VOLUME</u>			
FLOW (MGD)	36.94	35.10	-4.99%
BOD (LBS/DAY)	79,040	76,907	-2.70%
SUSPENDED SOLIDS (LBS/DAY)	46,120	49,746	7.86%
<u>O & M UNIT COSTS</u>			
FLOW (COST/1000 GAL)	\$0.5210	\$0.5567	6.86%
PEAK FLOW	\$0.0395	\$0.0203	-48.59%
BOD (COST/LB)	\$0.1630	\$0.1777	9.03%
SUSPENDED SOLIDS (COST/LB)	\$0.2684	\$0.2664	-0.73%
<u>O & M + DEBT SERVICE UNIT COSTS</u>			
FLOW (COST/1000 GAL)	\$0.6762	\$0.7119	5.28%
PEAK FLOW	\$0.0878	\$0.0654	-25.50%
BOD (COST/LB)	\$0.2275	\$0.2422	6.45%
SUSPENDED SOLIDS (COST/LB)	\$0.3516	\$0.3497	-0.55%
DOMESTIC EQUIV (COST/1000GAL)	\$1.7291	\$1.7645	2.05%

Western Lake Superior Sanitary District
Billing Detail
013 Budget YE Adjustment

Line No.	Class of Service	Budget Basis	Operating Expenses, based on Actual Flows and Loads			Debt Svc - based on Allocated Flows and Loads			TOTAL					
			Flow	Excess FI	BOD	ISS	Flow	PEAK FLOW		TOTAL FLOW	BOD	ISS	TOTAL	
Municipalities: Duluth-														
1	Duluth	Budget	\$2,473,202	\$571,401	\$844,104	\$1,613,001	\$5,501,708	\$1,045,742	\$852,141	\$1,397,883	\$435,378	\$641,592	\$2,974,852	\$6,476,550
2	Cloquet	Budget	\$233,905	\$32,600	\$115,759	\$272,302	\$655,766	\$82,080	\$60,811	\$142,891	\$41,950	\$64,306	\$249,148	\$904,914
3	Precor	Budget	\$83,231	\$12,748	\$30,552	\$53,069	\$179,630	\$34,821	\$24,846	\$59,667	\$12,786	\$17,154	\$89,607	\$269,237
4	Helmantown	Budget	\$126,290	\$14,366	\$72,196	\$104,350	\$317,202	\$27,530	\$18,298	\$45,828	\$16,118	\$23,268	\$85,214	\$402,416
5	Esko	Budget	\$33,244	\$8,493	\$19,784	\$35,010	\$96,531	\$11,175	\$8,656	\$19,831	\$5,262	\$7,277	\$32,370	\$128,901
6	Scanlon	DE	\$24,659	\$7,891	\$13,103	\$19,693	\$65,355	\$7,650	\$6,952	\$14,602	\$3,638	\$3,981	\$22,221	\$87,576
7	Carleton	Budget	\$34,016	\$15,154	\$8,433	\$15,560	\$73,163	\$17,324	\$15,279	\$33,203	\$3,115	\$4,474	\$44,733	\$113,955
8	Rice Lake	DE	\$8,717	\$1,593	\$4,642	\$6,959	\$21,911	\$5,568	\$3,875	\$9,443	\$2,428	\$3,249	\$15,120	\$37,031
9	Twin Lake	Budget	\$14,976	\$1,343	\$14,752	\$22,117	\$53,188	\$5,029	\$3,451	\$8,490	\$4,018	\$4,323	\$16,821	\$70,009
10	Pike Lake	DE	\$18,126	\$1,737	\$9,651	\$14,470	\$43,984	\$5,338	\$3,557	\$8,895	\$2,091	\$2,511	\$13,496	\$57,480
11	Knife River	DE	\$4,674	\$822	\$2,489	\$3,696	\$11,680	\$952	\$1,426	\$2,378	\$566	\$773	\$3,718	\$15,397
12	Oliver	DE	\$4,003	\$987	\$2,131	\$3,196	\$10,317	\$1,512	\$1,203	\$2,715	\$1,200	\$1,620	\$5,534	\$15,651
13	Thomson	DE	\$1,504	\$639	\$778	\$1,200	\$4,121	\$958	\$707	\$1,686	\$454	\$525	\$2,644	\$6,766
14	Wrenshall	DE	\$5,405	\$1,767	\$2,919	\$4,376	\$14,467	\$1,753	\$1,459	\$3,212	\$976	\$1,077	\$5,266	\$19,733
15	Jay Cooke	DE	\$813	\$867	\$433	\$649	\$2,762	\$549	\$533	\$1,082	\$672	\$873	\$2,627	\$5,389
16	Midway	DE	\$488	\$620	\$390	\$389	\$1,866	\$1,053	\$528	\$1,581	\$237	\$349	\$2,166	\$4,052
17	MPCA Landfill	DE	\$4,531	\$598	\$2,413	\$3,617	\$11,160	\$2,767	\$1,683	\$4,450	\$1,898	\$800	\$7,147	\$18,307
18	Unused	DE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	North Shore	DE	\$10,688	\$2,206	\$5,691	\$8,532	\$27,118	\$3,909	\$3,363	\$7,272	\$1,872	\$2,507	\$11,650	\$38,768
21	Totals--Municipalities		\$3,082,480	\$676,031	\$1,151,220	\$2,182,217	\$7,091,948	\$1,256,309	\$1,008,769	\$2,265,078	\$534,658	\$780,658	\$3,580,393	\$10,672,941
Industrials--														
22	Georgia Pacific		\$0	\$0	\$0	\$0	\$0	\$13,845	\$6,159	\$20,004	\$54,203	\$14,448	\$88,655	\$88,655
23	Sappi		\$2,978,522	\$69,243	\$2,195,851	\$2,309,900	\$7,553,517	\$837,911	\$348,631	\$1,185,942	\$1,126,617	\$450,521	\$2,763,090	\$10,316,597
24	NewPage		\$953,217	\$29,196	\$1,572,227	\$191,098	\$2,745,738	\$276,487	\$106,874	\$385,362	\$700,310	\$136,354	\$1,222,026	\$3,967,764
25	USG		\$75,733	\$8,274	\$69,018	\$67,784	\$220,809	\$31,535	\$21,053	\$52,589	\$67,330	\$80,787	\$220,705	\$441,514
27	Specialty Minerals		\$41,656	\$2,187	\$324	\$96,845	\$131,012	\$20,225	\$6,231	\$28,457	\$317	\$86,366	\$125,139	\$256,151
28	Totals--Industrials		\$4,048,128	\$108,900	\$3,837,421	\$2,655,627	\$10,651,075	\$1,181,404	\$490,950	\$1,672,353	\$1,968,777	\$778,477	\$4,419,607	\$15,070,682
30	Totals--All Users		\$7,131,608	\$784,931	\$4,988,640	\$4,837,844	\$17,743,023	\$2,437,713	\$1,499,718	\$3,937,431	\$2,503,435	\$1,569,134	\$8,000,000	\$25,743,023