

DULUTH PUBLIC UTILITIES COMMISSION

Tuesday, February 21, 2017

City Council Chambers

AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. Old business:
 - 3.1 Gas transport rate
 - 3.2 Water utility discussion
4. New business:
 - 4.1 2016 WLSSD year-end adjustments
 - 4.2 17PUC-001 - RESOLUTION OF THE DULUTH PUBLIC UTILITIES COMMISSION RECOMMENDING THAT THE CITY OF DULUTH APPROVE THE 2016 WATER SUPPLY PLAN.
5. Updates from staff
6. Upcoming Council actions
7. Commissioner questions or comments
8. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION

Meeting Minutes

January 17, 2017

Members Present: Jen Julsrud, Jim Lewis, Rob Prusak, Councilor Joel Sipress, Jason Thorsell, Councilor Em Westerlund

Members Absent: Councilor Zack Filipovich

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

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

Approval of previous meeting minutes

Old business:

Gas transport rate

Eric Shaffer stated that we would probably recommend a small increase to the transport rate, but he is still reviewing this with gas control personnel. There are no customers currently affected by this rate. ME Global has a separate contract.

New business:

Water utility discussion

The Commission previously discussed studying the water utility for a few months and forming a plan of action for rate modifications. Commissioner Julsrud would like to follow the WLSSD model of small annual rate increases. President Prusak would like to discuss some different scenarios next month. Commissioner Julsrud suggested meeting at the water plant again after the new commissioners begin their terms so that they can get an overview of the system.

Water Supply Plan

No action is required at this time. The Water Supply Plan has been submitted to the State for review and acceptance. Once accepted by the State, the plan will be sent back to us for adoption. There was some discussion about the content of the document.

Upcoming vacancy – at large member

Jason Thorsell has opted not to be reappointed when his term expires on March 31st. There are currently two applications on file, but it appears that only one applicant lives within City limits. Commissioners should encourage others to apply as well.

Election of officers

Commissioner Julsrud nominated Rob Prusak for President, and he was elected unanimously. Commissioner Sipress nominated Jen Julsrud for Vice President, and she was elected unanimously.

Updates from staff

Eric Shaffer stated that the Engineering staff is working on plans for the upcoming construction season. They are also working on the water model, but there is an issue with calibration. Up until a few years ago, the most natural gas used was about 36,000 MCF in one day. During the really cold winter, we used about

46,000 MCF. We only have contracts to buy 42,000 or 43,000 MCF, so we exceeded our limit. We had a day recently that was up around 40,000 MCF. We installed a new 12" pipe down 4th Street that has made operation of the system substantially better. If we get more big customers, we will be at our limit and may need to either buy more capacity or shut interruptible customers off during cold weather. Cirrus uses a lot of gas, and they are not up to capacity yet. We won't know how much they will really use until next year. A discussion of interruptible and transport rates followed. Staff will provide a list of current interruptible customers to commissioners as requested.

Upcoming Council actions

The new committee chair for Public Works & Utilities is Councilor Hobbs.

Commissioner questions or comments

Commissioner Sipress reported that the annual resolution to purchase caustic soda went through Council. Because of what he has learned on the Commission, he was able to educate other councilors and the public about caustic soda.

Commissioner Julsrud asked if a mathematician would be of value to the Commission. Jim Benning replied that an economist might be a better fit.

President Prusak stated that he has an interruptible power rate through MN Power and was shut off when it was bitterly cold. The house got really cold, so he called them the next day to opt out of it. When he saw how much money he was saving with the interruptible rate, he decided not to opt out.

Preview of upcoming business

The next meeting is scheduled for Tuesday, February 21, 2017, at 5:15 p.m. in City Council Chambers. Jim Benning will work on the water utility timeline. Staff will also work on the gas transport rate and the list of interruptible customers.

Adjournment: The meeting was adjourned at 6:10 p.m.

PROPOSED RATE ADJUSTMENT ANNUAL CYCLE

Month	Topic	Action
January	Next Fiscal Year Needs	Detailed discussion on FY+1 capital projects and O&M requirements for each utility. Set work priorities and determine budget shortfalls
February	Funding Options	Discuss options to fund capital projects and O&M costs for FY+1
March	Proposed Rate Adjustments	Determine potential rate adjustments to meet needs
April	Public Education	Public outreach and education for proposed rate adjustments
May	Finalize Rate Adjustments	Review comments from public outreach and education, draft context for rate adjustment PUC resolution
June	Public Hearing and PUC Vote	Hold Public Hearing and vote on PUC Resolutions for any rate adjustments. Rate changes would typically be effective January 1 st of the next year.
July	Typically no meeting	Staff prepares draft budget presentation
August	Budget Discussion	Review draft budget presentation based on approved rates and propose any necessary changes
September	Budget Discussion	Vote on PUC Resolution recommending the budget to the City Council
October	5-year plans	Review 5-year plans for each utility, compare needs to financially feasible revenues
November	5-year plans	PUC adopt 5 year plans for each utility
December	Typically no meeting	NA

This calendar represents an example of how to thoughtfully determine if a utility rate adjustment is necessary and the steps that should be followed on a continuous cycle.



2626 Courtland Street
Duluth, MN 55806-1894
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www.wlssd.com

Western Lake Superior Sanitary District

January 31, 2017

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

Subject: 2016 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 2016, the WLSSD Board has approved total wastewater charges of \$26,484,228 as shown in the attached comparison of billed (budget) to required charges (actual) for 2016. 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 2017.

Attached is a table summarizing the 2016 billing as compared to the 2016 required actual. For Duluth the total year-end adjustment for 2016 is a charge of \$181,726 due to higher daily BOD and peak flow from Duluth as compared to that budgeted and billed. This will be included as a \$15,144/month charge on your 2017 monthly billing.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Bohren', with a large, stylized 'B' at the end.

Marianne Bohren
Executive Director

xc: Eric Schaffer

Attachment

2016 Year End Adjustment

	BILLED 2016	REQUIRED 2016	YEAR-END ADJUSTMENT	% CHANGE
DULUTH	8,656,757	8,838,483	\$181,726	2.10%
CLOQUET	910,561	852,182	(\$58,379)	-6.41%
PROCTOR	290,861	288,120	(\$2,741)	-0.94%
HERMANTOWN	421,924	433,728	\$11,805	2.80%
ESKO	122,694	124,094	\$1,400	1.14%
SCANLON	91,545	103,063	\$11,519	12.58%
CARLTON	108,768	95,484	(\$13,283)	-12.21%
RICE LAKE	44,221	46,355	\$2,134	4.83%
TWIN LAKE	71,921	76,381	\$4,460	6.20%
PIKE LAKE	63,314	56,509	(\$6,805)	-10.75%
KNIFE RIVER	\$16,404	15,161	(\$1,243)	-7.58%
OLIVER	16,041	16,512	\$471	2.94%
THOMSON	8,067	7,960	(\$107)	-1.33%
WRENSHALL	19,871	19,155	(\$716)	-3.60%
JAY COOKE	3,920	4,412	\$491	12.53%
MIDWAY	4,030	6,690	\$2,661	66.03%
MPCA LANDFILL	21,121	20,050	(\$1,071)	-5.07%
DULUTH/NORTH SHORE	45,194	39,970	(\$5,223)	-11.56%
MUNICIPALITIES SUBTOTAL	10,917,213	11,044,310	\$127,097	1.16%
SAPPI	10,852,760	10,797,398	(\$55,362)	-0.51%
GEORGIA PACIFIC	75,254	75,254	\$0	0.00%
USG	452,854	447,148	(\$5,706)	-1.26%
VERSO DULUTH MILL	3,881,627	3,805,838	(\$75,789)	-1.95%
SPECIALTY MINERALS	304,520	314,280	\$9,761	3.21%
INDUSTRIES SUBTOTAL	15,567,015	\$15,439,918	(\$127,097)	-0.82%
TOTAL DISTRICT	\$26,484,228	\$26,484,228	\$0	0.00%

Table 5
 USER'S WASTEWATER FLOW AND STRENGTH CHARACTERISTICS
 Flow and Strength Characteristics
 Western Lake Superior Sanitary District
 2016 Year End Adjustment

Line No.	Class of Service	Billing Basis	Notes	Base Flow			Peak Flow			BOD			TSS		
				Actual (Mgd)	Allocated (Mgd)	Actual (Mgd)	Allocated (Mgd)	Actual (Mgd)	Allocated (Mgd)	Actual (Lbs./Day)	Allocated (Lbs./Day)	Actual (Lbs./Day)	Allocated (Lbs./Day)		
Municipalities:															
1	Duluth	Budget		12.870	17.325	104.339	104.339	13,064	18,500	16,286	23,000				
2	Cloquet	Budget		1.069	1.470	4.075	4.075	1,463	2,010	2,515	3,450				
3	Proctor	Budget		0.464	0.604	2.464	2.464	470	592	548	700				
4	Hermantown	Budget		0.635	0.760	2.587	2.587	1,180	1,600	1,180	1,600				
5	Esko	Budget		0.178	0.240	1.178	1.178	250	320	300	420				
6	Scanlon	DE		0.161	0.161	0.922	0.922	268	268	268	268				
7	Carlton	Budget		0.120	0.270	1.035	1.035	130	157	160	205				
8	Rice Lake	DE		0.059	0.080	0.361	0.361	99	125	99	125				
9	Twin Lake	Budget		0.080	0.090	0.357	0.357	246	280	246	280				
10	Pike Lake	DE		0.083	0.110	0.333	0.333	139	185	139	185				
11	Knife River	DE		0.021	0.027	0.140	0.140	34	46	34	46				
12	Oliver	DE		0.020	0.024	0.233	0.233	34	41	34	41				
13	Thomson	DE		0.010	0.015	0.052	0.052	17	24	17	24				
14	Wrenshall	DE		0.026	0.042	0.222	0.222	43	69	43	69				
15	Jay Cooke	DE		0.003	0.005	0.101	0.101	4	8	4	8				
16	Midway	DE		0.005	0.005	0.179	0.179	11	11	8	8				
17	MPCA Landfill	DE		0.024	0.042	0.063	0.103	40	70	40	70				
18	Unused	DE		0.000	0.000	0.000	0.000	0	0	0	0				
19	North Shore	DE		0.048	0.075	0.513	0.513	81	125	81	125				
20	Totals-Municipalities			15.876	21.345	119.154	119.194	17,573	24,431	22,002	30,624				
Industrials:															
21	Unused	Budget		0.000	0.000	0.000	0.000	0	0	0	0				
22	SAPPI	Budget		15.882	16.250	23.368	24.000	50,361	56,000	17,522	25,000				
23	Verso Duluth Mill	Budget		4.508	5.500	9.511	9.511	25,011	28,758	2,627	2,700				
24	USG	Budget		0.460	0.580	1.358	1.358	1,345	2,000	426	2,800				
25	Specialty	Budget		0.230	0.240	0.452	0.500	6	8	1,338	1,400				
26	Totals-Industrials			21.080	22.570	34.689	35.369	76,723	86,766	21,913	31,900				
27	Totals-All Users			36.956	43.915	153.843	154.562	94,296	111,197	43,915	62,524				

BOD₅ and TSS strengths are computed using the District's standard domestic equivalent strengths. Formula: Flow x Strength(Mg/l) x 8.34.
 Standard domestic equivalent strengths for the District are: BOD-200 Mg/l, TSS-200 Mg/l.

**2016 Year End Adjustment
Wastewater Unit Costs**

<u>VOLUME</u>	BUDGET 2016	REQUIRED 2016	% CHANGE
FLOW (MGD)	37.32	36.96	-0.97%
BOD (LBS/DAY)	84,059	94,296	12.18%
SUSPENDED SOLIDS (LBS/DAY)	46,585	43,915	-5.73%
 <u>O & M UNIT COSTS</u>			
FLOW (COST/1000 GAL)	\$0.5304	\$0.5472	3.17%
PEAK FLOW	\$0.0422	\$0.0193	-54.25%
BOD (COST/LB)	\$0.1543	\$0.1432	-7.21%
SUSPENDED SOLIDS (COST/LB)	\$0.2781	\$0.3026	8.80%
 <u>O & M + DEBT SERVICE UNIT COSTS</u>			
FLOW (COST/1000 GAL)	\$0.7043	\$0.7211	2.39%
PEAK FLOW	\$0.0934	\$0.0698	-25.29%
BOD (COST/LB)	\$0.2193	\$0.2082	-5.07%
SUSPENDED SOLIDS (COST/LB)	\$0.3611	\$0.3855	6.78%
DOMESTIC EQUIV (COST/1000GAL)	\$1.7658	\$1.7812	0.87%

Western Lake Superior Sanitary District
Billing Detail
2016 Year End 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	TSS	Flow	PEAK FLOW		TOTAL FLOW	BOD	TSS	TOTAL	
Municipalities: Duluth-														
1	Duluth	Budget	\$2,570,311	\$645,009	\$682,886	\$1,798,756	\$5,696,962	\$1,152,245	\$900,465	\$2,052,710	\$443,226	\$645,586	\$3,141,522	\$8,838,483
2	Cloquet	Budget	\$213,494	\$21,199	\$76,474	\$277,777	\$588,943	\$89,244	\$64,554	\$153,798	\$42,638	\$66,802	\$263,238	\$852,182
3	Proctor	Budget	\$92,667	\$14,103	\$24,568	\$60,526	\$191,864	\$38,771	\$26,661	\$65,432	\$13,131	\$17,693	\$96,256	\$288,120
4	Hermantown	Budget	\$126,818	\$13,762	\$61,681	\$130,329	\$332,590	\$34,596	\$19,946	\$54,542	\$19,252	\$27,344	\$101,138	\$433,728
5	Esko	Budget	\$35,549	\$7,049	\$13,068	\$33,134	\$88,800	\$12,955	\$8,421	\$21,376	\$5,841	\$8,076	\$35,294	\$124,094
6	Scanlon	DE	\$32,154	\$5,368	\$14,009	\$29,600	\$81,131	\$8,202	\$5,857	\$14,058	\$3,760	\$4,114	\$21,933	\$103,063
7	Carlton	DE	\$32,966	\$6,455	\$6,795	\$17,672	\$54,888	\$19,257	\$13,569	\$32,826	\$3,213	\$4,558	\$40,597	\$95,484
8	Rice Lake	DE	\$11,783	\$2,127	\$5,175	\$10,934	\$30,019	\$6,104	\$4,336	\$10,439	\$2,579	\$3,318	\$16,336	\$46,355
9	Twin Lake	Budget	\$15,977	\$1,954	\$12,859	\$27,170	\$40,956	\$5,566	\$3,939	\$9,505	\$4,238	\$4,677	\$18,420	\$76,381
10	Pike Lake	DE	\$16,576	\$1,761	\$7,266	\$15,352	\$40,956	\$6,137	\$4,130	\$10,267	\$2,425	\$2,860	\$15,553	\$56,509
11	Knife River	DE	\$4,194	\$840	\$1,777	\$3,755	\$10,566	\$1,217	\$1,853	\$3,070	\$659	\$865	\$4,595	\$15,161
12	Oliver	DE	\$3,994	\$1,502	\$1,777	\$3,755	\$11,029	\$1,633	\$1,209	\$2,842	\$1,146	\$1,495	\$5,483	\$16,512
13	Thomson	DE	\$1,997	\$295	\$872	\$1,878	\$5,042	\$1,093	\$757	\$1,849	\$500	\$569	\$2,918	\$7,960
14	Wrenshall	DE	\$5,193	\$1,381	\$2,248	\$4,749	\$13,570	\$2,046	\$1,344	\$3,390	\$1,044	\$1,152	\$5,585	\$19,155
15	Jay Cooke	DE	\$599	\$690	\$209	\$442	\$1,940	\$584	\$452	\$1,036	\$631	\$805	\$2,472	\$4,412
16	Midway	DE	\$999	\$1,224	\$575	\$884	\$3,681	\$1,381	\$856	\$2,237	\$323	\$449	\$3,009	\$6,690
17	MPCA Landfill	DE	\$4,793	\$278	\$2,091	\$4,418	\$11,580	\$3,336	\$1,975	\$5,311	\$2,093	\$1,067	\$8,471	\$20,050
18	Unused	DE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
19	North Shore	DE	\$9,586	\$3,282	\$4,234	\$8,946	\$26,048	\$4,669	\$4,356	\$9,025	\$2,134	\$2,763	\$13,922	\$39,970
21	Totals-Municipalities		\$3,170,649	\$728,278	\$918,565	\$2,430,077	\$7,247,569	\$1,389,034	\$1,064,680	\$2,453,713	\$548,833	\$794,194	\$3,796,741	\$11,044,310
Industrials-														
22	Georgia Pacific		\$0	\$0	\$0	\$0	\$0	\$11,949	\$5,531	\$17,480	\$45,550	\$12,224	\$75,254	\$75,254
23	Sappi		\$3,171,847	\$52,789	\$2,632,486	\$1,935,270	\$7,792,393	\$952,828	\$402,032	\$1,354,860	\$1,171,576	\$478,569	\$3,005,006	\$10,797,398
24	VERSO		\$900,308	\$35,277	\$1,307,383	\$290,147	\$2,533,114	\$314,060	\$125,708	\$439,768	\$703,433	\$129,522	\$1,272,723	\$3,805,838
25	USG		\$91,868	\$6,332	\$70,305	\$47,051	\$215,557	\$36,149	\$22,679	\$58,827	\$84,094	\$88,670	\$231,591	\$447,148
27	Specialty Minerals		\$45,934	\$1,568	\$314	\$147,779	\$195,595	\$21,701	\$9,205	\$30,906	\$303	\$87,476	\$118,685	\$314,280
28	Totals-Industrials		\$4,209,957	\$95,964	\$4,010,489	\$2,420,248	\$10,736,659	\$1,336,687	\$565,156	\$1,901,842	\$2,004,956	\$796,461	\$4,703,259	\$15,439,918
30	Totals-All Users		\$7,380,607	\$824,242	\$4,929,054	\$4,850,325	\$17,984,228	\$2,725,720	\$1,629,836	\$4,355,556	\$2,553,789	\$1,590,655	\$8,500,000	\$26,484,228

RESOLUTION NO. 17PUC-001

**RESOLUTION OF THE DULUTH PUBLIC UTILITIES
COMMISSION RECOMMENDING THAT THE CITY OF
DULUTH APPROVE THE 2016 WATER SUPPLY PLAN.**

RESOLVED, that the Duluth Public Utilities Commission hereby recommends that the City of Duluth approve the City of Duluth Water Supply Plan Third Generation 2016, attached hereto as Exhibit A, pursuant to DNR Permit No. 1981-2066 as required by Minnesota Statutes Section 103G.291 Subd. 3 and execute the Certification of Adoption attached hereto as Exhibit B.

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 recommend to the City that it adopt the 2016 version of its Water Supply Plan and so certify to MnDNR, all as required by State statute.

Minnesota Statutes Section 103G.291 Subd. 3 requires that the City develop and adopt a water supply plan which addresses projected demands, adequacy of the water supply system and planned improvements, existing and future water sources, natural resource impacts or limitations, emergency preparedness, water conservation, supply and demand reduction measures, and allocation priorities that are consistent with State law.

It further requires that the plan be updated every 10 years. Staff has updated the City's existing plan, and it has been reviewed and approved by the appropriate DNR officials. It must now be approved by the City Council.

As the advisor to the Council on matters related to the City's utilities, it is appropriate for the PUC to make a recommendation to the Council as to its adoption. This resolution would fulfill that duty.



**DEPARTMENT OF
NATURAL RESOURCES**

MINNESOTA DEPARTMENT OF NATURAL RESOURCES
NORTHEASTERN REGION
525 Lake Ave South Suite 415
Duluth, MN 55802
218-302-3249

January 30, 2017

City of Duluth
Howard Jacobson
520 Garfield Avenue
Duluth, MN 55802

Dear Mr. Jacobson:

RE: WATER SUPPLY PLAN APPROVAL, CITY OF DULUTH, ST. LOUIS COUNTY

Our office has completed the review of your 2016 Water Supply Plan for public water supply authorized under DNR Permit 1981-2066.

I am pleased to advise you that in accordance with Minnesota Statutes, Section 103G.291, Subdivision 3, and on behalf of the Commissioner of Natural Resources, I hereby approve your plan. The Department requires receipt of a completed copy of the attached "Certification of Adoption" form once the plan has been adopted. Please return the form to my office as soon as the City Council officially adopts the plan.

An optional administrative amendment for additional water supply and wells authorized under Permit 1981-2066 was not requested during the Water Supply Plan approval process. As such, all terms and conditions of your existing permit shall remain in effect.

Thank you for efforts in planning for the future of the City of Duluth water supply and for conserving the water resources of the State of Minnesota. If you have any questions or need additional assistance with your water appropriation permit, please contact me, at 218-302-3249 or greg.root@state.mn.us, in our Duluth area office.

Sincerely,

Greg Root
Regional Water Appropriations Hydrologist

Cc: Mike Peloquin, Regional Hydrologist
St. Louis County SWCD
Steve Colvin, Deputy Director
Carmelita Nelson, Water Conservation Consultant



**CERTIFICATION OF ADOPTION
WATER EMERGENCY AND CONSERVATION PLAN**

City or Water System Name:

Name of Person Authorized to Sign
Certification on Behalf of the System:

Title:

Address:

Telephone:

Fax:

E-mail:

I certify that the Water Emergency and Conservation Plan approved by the Department of Natural Resources has been adopted by the city council or utility board that has authority over water supply services.

Signed:

Date:

Fax (218/327-4263) or mail this certification to:

**DNR Ecological & Water Resources
525 Lake Ave South Suite 415
Duluth, MN 55802**

Or email to:

**greg.root@state.mn.us or
patricia.fowler@state.mn.us**