

DULUTH PUBLIC UTILITIES COMMISSION
Wednesday, March 27, 2013
City Council Chambers
SPECIAL MEETING AGENDA

1. Roll call
2. Approval of previous meeting and special meeting minutes
3. New business
 - 3.1 Gas base rate resolution
4. Updates from staff
5. Upcoming Council actions
6. Commissioner questions or comments
7. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
February 19, 2013

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

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

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

Approval of previous meeting and public hearing minutes

Old business:

12PUC-010 – 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. (as amended)

After discussion about resolution 12PUC-010 and the cost of service study, commissioners agreed to send the resolution back to staff. Staff will clean up the resolution, separate the base rate out into a different resolution, and add a sentence to better explain the reasons for the rate changes as requested by commissioners. Commissioner Stauber recommended having a plan ready before going to the public for input, and other commissioners were in agreement. Commissioner Huston suggested putting inserts in the customers' bills prior to any public meetings.

New business:

PILOT, Cost Allocation, etc. (Dave Montgomery)

Dave Montgomery was not available, so this item will be discussed at a special meeting to be held prior to the regular March meeting. Commissioner Stauber mentioned that he would like to have a resolution recommending that the Council reduce the PILOT. Other commissioners were not comfortable with a recommendation to Council on this subject.

13PUC-001 – RESOLUTION ADOPTING CAPITAL IMPROVEMENT PLAN FOR NATURAL GAS SUPPLY SYSTEM.

Commissioner Julsrud motioned to approve resolution 13PUC-001. Eric Shaffer gave a brief overview of the natural gas capital improvement plan for the years 2013-2017 and answered questions from commissioners. The resolution passed unanimously.

Review sample bills with sewer charges breakout

Commissioner Julsrud explained that the original intent of breaking out the WLSSD charges was to educate customers about the different parts of their sewer bill. Instead, it seems as if it would be confusing to customers and difficult for staff to implement.

13PUC-002 – RESOLUTION RESCINDING RESOLUTION 11PUC-SEWERBILL REQUESTING WLSSD CHARGES BE SEPARATELY STATED ON UTILITY BILLS.

Commissioner Julsrud motioned to approve resolution 13PUC-002. After further discussion, the resolution passed unanimously.

Updates from staff

Jim Benning mentioned that, due to the increase in WLSSD charges, residential rates will increase by about \$0.03 per CCF per month or by \$0.21 per month for the average household. This increase is based on resolution 11PUC-WLSSD which made WLSSD increases an automatic pass-through. Staff received the final numbers from WLSSD last week. There is a difference of about \$83,000 between 2012 and 2013 monthly payments.

Upcoming Council actions

No actions were discussed.

Commissioner questions or comments

Commissioner Gardner thanked everyone for their help, as this is her first meeting. She also noted that the meeting was two hours long, and Jim Benning had told her that it wouldn't be.

Commissioner Julsrud noted that we will need a new commissioner to replace Commissioner Huston, since his term will end in March. She also thanked Commissioner Huston for his service.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, March 19, 2013, at 5:15 p.m. in City Council Chambers. The commission will also schedule a special meeting prior to the regular March meeting to discuss the PILOT with Dave Montgomery. Staff will create a separate resolution just to adjust the natural gas base rate. Staff will also revise resolution 12PUC-010 as requested by commissioners prior to scheduling any public meetings.

Adjournment: The meeting was adjourned at 7:09 p.m.

A recording of this meeting is available upon request.

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.

RESOLUTION NO. 13PUC-004

**RESOLUTION ESTABLISHING NATURAL GAS RATES
EFFECTIVE WITH METER READINGS AFTER APRIL 30,
2013; SUPERSEDING ALL PRIOR INCONSISTENT OR
CONFLICTING RATES AS OF MAY 1, 2013.**

RESOLVED by the Duluth Public Utilities Commission (the “Commission”) that the Commission hereby makes the following Finding of Fact:

- 1.) Based upon current gas rates, it is necessary and appropriate to adjust the customer rates to more accurately reflect the current gas market.

FURTHER RESOLVED, that effective with the natural gas meter readings after April 30, 2013, all customers of the natural gas utility of the city of Duluth shall be charged for such natural gas in accordance with the schedule of rates established by this resolution as follows:

CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME					
		Fixed monthly charge		Per 100 cubic feet ("CCF")	
		Effective May 1, 2013, rate (no change)	Effective November 1, 2006, rate	Effective May 1, 2013, rate	Effective November 1, 2006 rate
Firm sales service	Residential small volume	\$7.50	\$7.50	\$0.920	\$1.241
	Residential large volume	\$200.00	\$200.00	\$0.819	\$1.140
	Commercial/industrial small volume	\$40.00	\$40.00	\$0.836	\$1.157
	Commercial/industrial large volume	\$200.00	\$200.00	\$0.803	\$1.127
Interruptible sales service	Commercial/industrial large volume	\$450.00	\$450.00	\$0.684	\$1.005
Firm transport service	Commercial/industrial small volume	N/A	\$40.00	N/A	\$0.100
	Commercial/industrial large volume	N/A	\$200.00	N/A	\$0.080

Interruptible transportation service (no change)	Effective October 1, 2009		
		Year 1	Year 2+
	Commercial/industrial small volume / CCF	\$0.1881	\$0.1341
	Fixed monthly charge	\$40.00	\$40.00
	Commercial/industrial large volume / CCF	\$0.1661	\$0.1121
	Fixed monthly charge	\$450.00	\$450.00
Purchased gas adjustment (PGA)	If the wholesale price of gas purchased by the City of Duluth is increased or decreased as compared to the residential small volume customer rate listed in the Customer Rate Schedule, the unit commodity charge (\$ per CCF) for gas sold under the applicable rate schedule shall be increased or decreased on the customer's monthly bill in the same amount as the unit cost of gas has been increased or decreased. The PGA calculation will be made by adding to or subtracting from the rate per CCF set forth in the Customer Rate Schedule above for each class of customers an amount equal to the rate and the wholesale price of such gas plus an adjustment to reflect the amount of the PILOT resulting from the difference between the applicable Customer Rate and the wholesale price.		

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are superseded as of May 1, 2013.

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 implement a new customer rate for natural gas supplied by the City through its natural gas distribution system. Current transportation rates were established in 2009. This is the first rate modification since 2006 for all other classes of users.

The customer rates were established during a period of high natural gas prices. This revision will decrease the volumetric charges per 100 cubic feet (“CCF”) of gas provided and reduce the amount of the PGA so that the volumetric rates more accurately reflect the cost of the gas sold. It should be noted that the Customer Rate Schedule continues to have built into the rates an amount sufficient to fund operational costs, maintenance costs, and capital costs attributable to the gas utility. The new rates will be effective as of May 1, 2013.