

PUBLIC WORKS AND UTILITIES COMMITTEE

10-0015R

RESOLUTION AUTHORIZING AMENDMENT TO CONTRACT #20273 WITH
ADVANCED ENGINEERING AND ENVIRONMENTAL SERVICES, INC.,
TO UPDATE THE WATER UTILITY COST OF SERVICE AND RATE
DESIGN STUDY IN THE AMOUNT OF \$28,346.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into the third amendment to Contract #20273, a copy of which is on file in the office of the city clerk as Public Document No. _____, with Advanced Engineering and Environmental Services, Inc., to update the city's water utility cost of service and rate design study and to increase the amount thereof by \$28,346, payable from the Water Fund 510, Agency 500, Organization 1915, Object 5310.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the third amendment to the city's 2006 contract with Advanced Engineering and Environmental Services, Inc., (AE2S) to update the cost of service and rate design study of the city's water utility originally done in 2007 at a cost of not to exceed \$28,346. This will bring to total amount of the contract to \$69,300.

The water utility cost of service and rate design study was prepared by AE2S in association with city staff. The results of the study and rate adjustment recommendations were presented to the Duluth City Council in June 2007. No rate adjustments have been implemented since the 2007 presentation. Those recommendations were based on year 2005 data.

The city needs to re-evaluate the anticipated costs and revenues attributable to its water utility for the next five years and review and potentially revise its rate structure to most appropriately realize the revenues necessary to meet the system's needs. AE2S will work with city staff to update the 2007 study to include the most current utility information and revise rate adjustment recommendations through 2015.

In addition, the state of Minnesota has mandated that water utilities implement water rates that promote water conservation by 2013. Duluth must begin to revise its water rates to comply with this state mandate and avoid rate shock to consumers.

The city had originally requested proposals for the original study in August of 2006 which resulted in the selection of AE2S. Because they were originally chosen on a competitive bases and because their original work on the study positions them to update the study in the most efficient and economical manner, this resolution proposes to amend their contract to accomplish the update.