

RESOLUTION NO. 18PUC-002

RESOLUTION ESTABLISHING A NATURAL GAS RATE FOR MUNICIPAL ENERGY RESALE INTERRUPTIBLE LARGE VOLUME EFFECTIVE WITH METER READINGS AFTER MARCH 14, 2018.

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

- 1.) The City's natural gas system is a key part of the utility infrastructure of the city, providing an economical source of energy for residential, commercial and industrial users for both commercial/industrial and residential purposes.
- 2.) The City is the owner and operator of a District Heating System that provides steam for heating and other commercial uses to customers in a large portion of its Downtown and East Hillside neighborhoods and has historically used coal as its principal fuel source.
- 3.) The use of coal as a fuel source for the District is costly to the City and the neighborhoods, both in terms of direct cost of energy and as related to environmental costs and abatement costs.
- 4.) Because of the current cost of natural gas as a fuel source for the District and the environmental advantages of its use, it would be of great benefit to encourage the use of natural gas as the preeminent fuel source for the District.
- 5.) The City currently has not established a natural gas rate that appropriately reflects the cost to the City of providing natural gas as a fuel source for the District.

FURTHER RESOLVED, that effective with the natural gas meter readings after March 14, 2018, 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 March 15, 2018 (no change)	Effective March 15, 2018 (no change)
Firm sales service	Residential small volume	\$8.63	\$0.934
	Residential large volume	\$230.00	\$0.833
	Commercial/industrial small volume	\$46.00	\$0.850
	Commercial/industrial large volume	\$230.00	\$0.817
Interruptible sales service	Commercial/industrial large volume	\$517.50	\$0.698

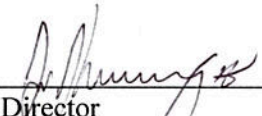
CUSTOMER RATE SCHEDULE BASED UPON MONTHLY METERED VOLUME			
NEW RATE effective March 15, 2018			
Interruptible sales service	Municipal energy resale large volume	\$517.50	\$0.650
Interruptible transportation service		Year 1*	Year 2+
	Commercial/industrial per CCF	\$0.196	\$0.179
	Fixed monthly charge	\$517.50	\$517.50
	*The Year 1 rate applies to the first 12 months of service for any customer in this rate class. After the first 12 months of service, the customer will be charged the Year 2+ rate.		
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.		

FURTHER RESOLVED, that municipal energy resale large volume customers shall meet and comply with the terms and conditions contained in the Natural Gas Municipal Energy Resale Interruptible Large Volume Rate 60 Tariff.

Approved by the DPUC: February 20, 2018
(date)

Submitted to City Council: February 21, 2018
(where appropriate) (date)

ATTEST:



Director
Public Works and Utilities
City of Duluth

STATEMENT OF PURPOSE:

The purpose of this resolution is to establish a rate for the use of natural gas as a fuel source for the City's

District Energy System, formerly known as Duluth Steam, which is now a system not only owned by the City but also operated by it. The District has historically used coal as its primary fuel source. With the current cost of natural gas and with all of the environmental concerns arising out of the use of coal, the use of natural gas as a fuel source has become much more advantageous, not only on a direct costs basis but also in terms of avoiding the environmental costs of coal use and the costs of mitigating the resultant impacts. The need for a natural gas rate for the District has not been an issue in the past but with changing conditions becomes a need. The rate proposed in this resolution represents a fair allocation of the costs to the gas utility for procuring and supplying natural gas to the District.

The new rate will be effective March 15, 2018.