

DULUTH PUBLIC UTILITIES COMMISSION
Public Hearing
September 19, 2017

Members Present: Jen Julsrud, Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Jason Thorsell, Councilor Em Westerlund; Councilor Noah Hobbs arrived at 5:19 p.m.

Members Absent: none

Staff Present: Bob Asleson, Liz Bieter, Leanna Gilbert, Howard Jacobson, Eric Shaffer, Glenn Strid, Kerry Venier

Others Present: Doris Queen Lavender, resident of 231 E Superior St, Apt. 807
John Werner, Mayor of Rice Lake
Bill Sweeney, Chair of Proctor Public Utilities Commission
Craig Lincoln, resident of 4901 Peabody St
Wayne Boucher, Mayor of Hermantown
Robert Quade, Rice Lake City Council
Kathryn Wegner, Minnesota Citizens Federation Northeast

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

Under consideration was a resolution to increase the water variable rates for all rate classes.

Eric Shaffer, Chief Engineer of Utilities for the City of Duluth, gave a presentation on the state of the water system and the reasons for the proposed rate increases.

Doris Queen Lavender requested that the City appeal the denial of federal funding for the 2012 flood damage. She said that the water rates are appropriate and similar to other cities. She is concerned about the water being poisoned and requests no poisoning or contaminants.

John Werner would like an answer as to why Rice Lake is not charged the commercial class 4 rate based on water usage instead of a higher rate because they are outside city limits. Rice Lake is a good neighbor and is open to passing water to the Woodland neighborhood if needed.

Bill Sweeney talked about the history and current population of Proctor, which includes approximately 30% retirees and 20 small businesses. They also supply water to Midway. They currently pay \$3.52 per CCF for water. They use about 9,600 CCF per month, which would equate to commercial/industrial class 5 at \$1.82 per CCF. He also mentioned results from rate studies done in 2007 and 2012, one of which showed that Proctor rates are about 62% above cost. He requested another rate study or charging Proctor the \$1.82 rate or some other reasonable amount. They want to be treated fairly.

Craig Lincoln said that he works for WLSSD, but he is not speaking on their behalf. He is also on some national committees that communicate and educate people about water infrastructure. He mentioned that he grew up on a desert farm in southern Idaho, and so finds it comforting to live on the shores of ten percent of the world's fresh water. Having an infinite supply of fresh water is one of Duluth's competitive advantages. Every water system has a challenge, and ours is getting the water to the residents and businesses. This is a pretty substantial increase, but we also need to consider the cost of service

disruption to businesses. He appreciates the City looking into this and making this proposal. He also mentioned a study done in the 1990's that estimated \$130M in backlog repairs at that time.

Wayne Boucher is thankful for the opportunity to speak and for the high quality product delivered to customers. He mentioned that revenues exceeded expenditures by 32% in 2016 and by 39% in 2015. Those numbers do not justify any increase in water rates. He thinks this increase will exacerbate the problem of disparity in rates for different customers. This rate increase will result in Hermantown's annual cost of water going from about \$600,000 to about \$800,000. These rates insure that Hermantown will never have any industry. He urges the Commission to vote for no increase and to make one across the board rate without meter fees for all customers.

Robert Quade said that Rice Lake has about 300 people using city water. Most of those are small homes on small lots and middle to low-income people. This increase doesn't sound like a lot of money, but over six years is quite a bit. If all costs increased by 30%, we would all have problems since wages do not increase that much.

Kathryn Wegner is advocating a tiered rate increase that would encourage water conservation. She also mentioned concern about a lack of education and incentive for renters to conserve water. She understands the rate increase and the need for good water, but would like the Commission to take the extra step to educate people about conservation.

The Duluth Public Utilities Commission voted to approve the water rate resolution after the public hearing closed.

Adjournment: The hearing was closed at 5:56 p.m.

A recording of this hearing is available upon request.