

## RESOLUTION NO. 17PUC-004

### **RESOLUTION ESTABLISHING WATER RATES EFFECTIVE WITH METER READINGS AFTER DECEMBER 31, 2017; SUPERSEDING ALL PRIOR INCONSISTENT OR CONFLICTING RATES AS OF JANUARY 1, 2018.**

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

- 1.) The City’s water utility system infrastructure, taken as a whole, is badly deteriorated and much of it needs to be replaced.
- 2.) A large part of the City’s water utility system infrastructure is in excess of 80 years old or more and has exceeded its expected useful life.
- 3.) At least \$5 Million needs to be invested annually in water-related capital projects in order to maintain the system’s ability to serve the needs of the City over the long term.
- 4.) The City’s water booster stations and water treatment facilities will need \$7 Million for repairs and replacement of equipment over the next 10 years to meet the needs of the City.
- 5.) The City has not increased its water rates since May 2016.
- 6.) Because of the deteriorated state of the City’s water mains, the utility has suffered increased costs for repair related to water main breaks as well as losses of product and revenues.
- 7.) It is necessary to increase water rates charged by the City to provide funds for the needed upgrading and improving of the City’s water distribution system.

FURTHER RESOLVED, that effective with the water meter readings after December 31, 2017, the rates to be charged to all customers of the water utility of the city of Duluth shall be amended as follows:

1. Variable charges:

The rates to be charged to all customers\* in the city of Duluth per 100 cubic feet (CCF) shall be as follows:

User Class	Effective May 1, 2016	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020	Effective January 1, 2021	Effective January 1, 2022	Effective January 1, 2023
Residential 1 (R 1)	<del>\$3.54</del>	\$3.67	\$3.85	\$4.03	\$4.22	\$4.42	\$4.62
Residential 2 (R 2)	<del>\$3.29</del>	\$3.44	\$3.61	\$3.78	\$3.95	\$4.14	\$4.33

Residential 3 (R 3)	<del>\$2.89</del>	\$3.03	\$3.17	\$3.32	\$3.47	\$3.64	\$3.81
Residential 4 (R 4)	<del>\$2.54</del>	\$2.66	\$2.78	\$2.92	\$3.05	\$3.20	\$3.35
Commercial & Industrial 1 (C&I 1)	<del>\$3.51</del>	\$3.67	\$3.85	\$4.03	\$4.22	\$4.42	\$4.62
Commercial & Industrial 2 (C&I 2)	<del>\$2.94</del>	\$3.08	\$3.22	\$3.37	\$3.53	\$3.70	\$3.87
Commercial & Industrial 3 (C&I 3)	<del>\$2.36</del>	\$2.47	\$2.59	\$2.71	\$2.84	\$2.97	\$3.11
Commercial & Industrial 4 (C&I 4)	<del>\$2.05</del>	\$2.15	\$2.25	\$2.35	\$2.46	\$2.58	\$2.70
Commercial & Industrial 5 (C&I 5)	<del>\$1.82</del>	\$1.91	\$2.00	\$2.09	\$2.19	\$2.29	\$2.40
Commercial & Industrial 6 (C&I 6)	<del>\$1.54</del>	\$1.61	\$1.69	\$1.77	\$1.85	\$1.94	\$2.03

\* User Classes established and defined by 12PUC-005.

2. Fixed charges:

In addition, all customers shall pay the following fixed charges for service based on the size of the water meter measuring service to the premises.

Meter size	Effective January 1, 2018 (no change)
1 inch & under	\$6.27
1-1/2 inch	\$10.97
2 inch	\$18.80
3 inch	\$68.92
4 inch	\$87.71
6 inch	\$131.57
8 inch	\$181.69
10 inch	\$238.07

3. Political Subdivisions outside City:

Rates charged for water furnished to political subdivisions outside the corporate limits of the city will be by individual contract, and such customers shall be charged the following per 100 cubic feet (CCF):

Political Subdivision	Effective May 1, 2016	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020	Effective January 1, 2021	Effective January 1, 2022	Effective January 1, 2023
Hermantown	<del>\$3.12</del>	\$3.27	\$3.42	\$3.58	\$3.75	\$3.93	\$4.11
Proctor	<del>\$3.52</del>	\$3.69	\$3.86	\$4.04	\$4.23	\$4.43	\$4.64
City of Rice Lake	<del>\$3.04</del>	\$3.15	\$3.30	\$3.45	\$3.62	\$3.79	\$3.97

4. Other Customers outside of City:

All water metered at or beyond the city limits, for use by customers located outside the corporate limits of the city of Duluth not including political subdivisions:

\$4.85/CCF, effective January 1, 2018


\$5.08/CCF, effective January 1, 2019  
\$5.31/CCF, effective January 1, 2020  
\$5.56/CCF, effective January 1, 2021  
\$5.83/CCF, effective January 1, 2022  
\$6.10/CCF, effective January 1, 2023

RESOLVED FURTHER, any prior rates inconsistent or conflicting with this resolution are superseded as of January 1, 2018.

Approved by the DPUC: Sept. 19, 2017  
(date)

Submitted to City Council: Sept. 20, 2017  
(where appropriate) (date)

ATTEST:

  
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Director  
Public Works and Utilities  
City of Duluth

**STATEMENT OF PURPOSE:**

This resolution adopts a variable rate increase of approximately 4.7% per year for each of the next six years. This increase will raise the total funds available for capital projects to an estimated \$5,000,000 in year 2023. As found by the Commission, this represents the minimum investment necessary in the City's water infrastructure to prevent further deterioration of the system and to maintain its viability to serve the needs of the system's users.

The Commission first evidenced its intent to consider this plan when it passed Resolution No. 17PUC-003 on May 16, 2017, and called for public input. Subsequently, the Commission held two public meetings on June 27, 2017, at which the public was invited to provide comments on the proposed new rate structure. In addition, the Director of Public Works and Utilities and staff, along with Commission members, met with the Chamber of Commerce to seek further input on the needs of the system and the proposal to address those needs.

After receiving all of the input provided and weighing what has to be done to preserve the system, staff brought forth this resolution adopting the plan for the Commission's approval after a formal hearing before the Commission as required by its Bylaws.

This resolution sets water rates effective with meter readings after December 31, 2017.