



City of Duluth

411 West First Street
Duluth, Minnesota 55802

Minutes - Draft

Duluth Public Utilities Commission.

Tuesday, March 15, 2022

5:15 PM

Council Chambers, City Hall, 411 West First Street

NOTICE: The Duluth Public Utilities Commission will hold the March 15, 2022 meeting by other electronic means pursuant to Minnesota Statutes Section 13D.021 in response to the COVID-19 pandemic. Some members of the Commission will be participating through video conference. Due to the COVID-19 pandemic, public comment will not be taken in person. However, members of the public can monitor the meeting and provide public comment on agenda items through WebEx Events. Visit <https://duluthmn.gov/live-meeting> to access the meeting. The public is also encouraged to submit written comment to gguerrero@duluthmn.gov prior to the meeting. Please include "March 2022 DPUC Agenda" in the subject line, and include your name and address and the agenda item you are speaking to. The agenda can be found online at <https://duluthmn.gov/boards-commissions/duluth-public-utilities-commission/>. Please note that all public comment is considered Public Data.

CALL TO ORDER

President Ryan called the meeting to order at 5:17 p.m.

ROLL CALL

Members Present: Chris Adatte, Andrea Crouse, Councilor Mike Mayou, Carrie Ryan, Councilor Terese Tomanek

Members Absent: Councilor Noah Hobbs, Steve Lipinski

Staff Present: Bob Asleson, Leanna Gilbert, Greg Guerrero, Chris Ostern, Eric Shaffer, Kerry Venier

PUBLIC COMMENT PERIOD

There were no comments from the public at this time.

APPROVAL OF MINUTES

[DPUC077](#) February 15, 2022 DPUC meeting minutes draft

Indexes:

Attachments: [02152022 DPUC meeting minutes draft](#)

Commissioner Crouse motioned to approve the minutes, and the motion was approved by all present.

NEW BUSINESS

[DPUC078](#) 2021 Year-end review

Indexes:Attachments: [2021 Year-end review](#)

Kerry Venier explained the 2021 year-end summary that was provided in the meeting packet. The increase in water cash is due to the 4.7% rate increase and construction still in progress at the end of the year. The water construction bond fund did not really change. All of the financing is in place, and construction of Middle Pump Station will begin in 2023. Gas fund cash decreased by about \$4.4M largely due to deferred transportation costs and increased storage costs and miscellaneous other costs. Sanitary sewer cash increased due to a decrease in spending. The cash balance will go down as projects are completed. Stormwater cash increased partly due to the rate increase going into effect, ERU reviews, and cuts in spending made by management in anticipation of the uncertainty of the ERU recalculation method and pending litigation. There was some discussion about the rate increases currently in effect.

UPDATES FROM STAFF

Eric Shaffer reported that the litigation over the stormwater ERU recalculation is moving forward. The City Attorney's Office has hired outside consultants to help with the lawsuit. They estimate that it will take a year and a half to two years to complete. Bob Asleson will provide the estimated outside attorneys fees to commissioners as requested by Commissioner Tomanek. President Ryan suggested that the Commission have a refresher on how the rates are calculated. City staff will put that on the agenda for next month.

Eric Shaffer mentioned the federal funds that may be available through the Public Facilities Authority (PFA) as grants and loans for water and wastewater projects. Typically it is mostly given out as loans. We will have a loan for the Middle Booster Station and probably another for the Woodland Booster Station. The PFA is getting three allotments of money from the federal funding: one is just for the loan program, the second will be loans and grants specifically for treatment, and the third will be \$43M per year for five years for lead services. We have a rough estimate of 5,000 lead services in the city at about \$10,000 to replace each service for a total estimated \$50M. Based on that calculation, it would be logical to pursue \$10M in grant funds for five years. This would fund replacement of 1,000 services per year. City staff would probably break the \$10M into four separate contracts of \$2.5M each for about 250 services. City staff is putting together a demonstration lead service replacement project using American Rescue Plan funds to determine if it is possible to replace that many services per year. The funding through the PFA is 49% grant and 51% loan as established by the federal government. There is active legislation trying to get a separate grant program with State funding to pay off the loan portion. If the legislation does not go through, we would end up with \$5M in loans for each of five years for a total of \$25M, which would result in a payment of \$1.5M in debt service each year for 20 years. This Commission would need to decide if they want City staff to acquire that debt and how to pay that debt service off. City staff will apply for \$10M for 2023, and the Commission will have until the end of the year or maybe early next year to decide if we want to proceed and how we want to pay for it. There was some discussion about various aspects of lead service replacement and City staff needed for the project.

COMMISSIONER QUESTIONS OR COMMENTS

There were no questions or comments at this time.

UPCOMING COUNCIL ACTIONS

No upcoming actions were mentioned.

PREVIEW OF UPCOMING BUSINESS

The next regular meeting is scheduled for Tuesday, April 19, 2022 at 5:15 p.m. City staff will give a refresher on how the stormwater rates are calculated. The Commission will begin to review the sanitary sewer rates again.

KNOWN ABSENCES FOR FUTURE MEETINGS

President Ryan will not be able to attend the April meeting.

ADJOURNMENT

The meeting was adjourned at 5:58 p.m.