

RESOLUTION NO. 17PUC-003

**RESOLUTION OF THE DULUTH PUBLIC UTILITIES
COMMISSION APPROVING THE INTENT TO ESTABLISH A 6-
YEAR PLAN FOR WATER RATES TO FUND NECESSARY
CAPITAL IMPROVEMENTS TO THE CITY WATER SYSTEM.**

BY COMMISSIONER JULSRUD:

WHEREAS, the Duluth Public Utilities Commission (the "DPUC") has been informed and believes that, because of age, weather, and stress-related factors, the City of Duluth (the "City") water supply system is in need of substantial capital reconstruction and replacement in order to continue to adequately serve the needs of the citizens of the City and that cost of such reconstruction and replacement needs to be spread over a term of years; and

WHEREAS, the past practice of postponing rate increases for a number of years and then attempting to "catch up" with the need for funding by approving substantial one-time water rate increases has not only failed to produce sufficient revenue to finance the needed reconstruction and replacement but has also caused hardship among the system's users through requiring them to absorb large one-time rate increases and by rendering it difficult for families and businesses to plan for their financial futures; and

WHEREAS, the DPUC finds and determines that the best way to raise needed revenues on a long-term basis and to ameliorate the effects of the needed increases on the users is to adopt a long-term plan of rate increases which will assist users in planning their long-term finances.

RESOLVED, that the Duluth Public Utilities Commission hereby states its intent to adopt the following plan of water rate increases for the following years, subject to the terms, conditions, and limitations hereinafter set forth:

January 1, 2018	4.7%
January 1, 2019	4.7%
January 1, 2020	4.7%
January 1, 2021	4.7%
January 1, 2022	4.7%
January 1, 2023	4.7%

RESOLVED FURTHER, that prior to the adoption of the aforesaid plan, and as the plan may be modified by the DPUC, the DPUC shall implement the following process to educate the public with regard to the need for the plan and the goals for the plan and to seek and encourage public input with regard thereto:

Month of June 2017	Undertake broad public education effort (public meetings, forums, appearances with citizen groups)
Month of July 2017	Analyze public input and additional data
Month of September 2017	Public Hearing and approval of the Plan
January 1, 2018	Rate Plan effective

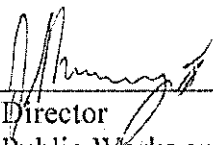
RESOLVED FURTHER, that any rate increase shall be subject to meeting the requirements of Article IV, Section 5 of the Bylaws of the DPUC and the provisions of section 2-187 of the Duluth City Code, 1959, as amended.

RESOLVED, that nothing herein or in any resolution adopted by the DPUC in accordance with this Resolution shall be deemed to prevent the DPUC from modifying, upward or downward, the rates hereinbefore set forth in response to unanticipated needs, changing financial conditions, or information provided to the DPUC by the public or by other sources.

Approved by the DPUC: May 16, 2017
(date)

Submitted to City Council: May 18, 2017
(where appropriate) (date)

ATTEST:



Director
Public Works and Utilities
City of Duluth

STATEMENT OF PURPOSE

The purpose of this resolution is to set forth the Commission's intent to adopt a 6-year rate increase plan for the City water system in order to fund the long-term capital needs of the system and to set forth a procedural framework for considering and adopting it.

Since its inception, the DPUC has been acutely aware of the advanced age of Duluth's water infrastructure and its deteriorated condition which resulted not only from age, chemical action,

and weather but also a history of inferior materials that were once endemic to the system. However, in the past, any thought of rate increases sufficient to address the system's needs proved to be politically impractical because of the size of increases necessary to fund the needed improvements. One-time increases which were implemented to attempt to at least partially address the need were still met with substantial resistance.

After long analysis and deliberation, Commissioners and staff determined to undertake a systematic and long-term approach to raising the revenue that is necessary to protect and preserve the water infrastructure. The Commission also determined that it would be necessary to take the time needed to educate the public on the needs of the system and to allow time for the public to have input into the rate plan and to voice their ideas with regard to what the Commission is proposing.

Therefore, this resolution sets out a proposed 6-year plan for increases to the rates charged by the system at the rate of 4.7% per year. It also sets forth a plan for allowing public input and allows a significant period after adoption of the final plan so that customers can work the cost implications of it into their financial planning.

It should be noted that the proposed plan is not cast in concrete. Should unanticipated needs arise, financial parameters materially change, the opportunity arise to respond cooperatively with projects undertaken by others which can result in more efficient use of everyone's resources, or conditions change, the plan can be modified to meet those conditions. The plan proposed, and as it may be modified by final action of the Commission, provides a roadmap to a physically stable and capable water system for the City.