

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
May 16, 2017

Members Present: Jen Julsrud, Chris McIntosh, Rob Prusak, Councilor Joel Sipress, Councilor Em Westerlund; Councilor Noah Hobbs arrived at 5:24 p.m.

Members Absent: Jason Thorsell

Staff Present: Bob Asleson, Leanna Gilbert, Howard Jacobson, Eric Shaffer, Glenn Strid

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

Approval of previous meeting minutes

President Prusak moved the City of Rice Lake water rates topic to the beginning of the agenda for the convenience of those who were present to speak.

City of Rice Lake water rates

John Werner, Mayor of Rice Lake, spoke about the rate for Rice Lake being higher than the rate for citizens. He said that he understands the problem of aging infrastructure, but they have infrastructure to maintain as well. They have no means of supporting their community other than residents' taxes. They have major infrastructure problems with both water and sewer that they need to address. He mentioned a lack of prior communication with the municipalities regarding the proposed resolution and wants to go on the record opposing it. He stated that a previous rate study found that the rates for outside municipalities should be dropped, but instead they were increased. Rice Lake had their own rate study a couple years ago that indicated that their rates should be increased, but they cannot give that to the residents. Duluth's rate increases leave them no dollars to fix their infrastructure. This is an ongoing issue. He reminded the Commission of the wind storm that occurred last year. Rice Lake had a dump site at Martin Road and Rice Lake Road for wind storm materials where over 40% of the people using the site were not Rice Lake residents. They absorbed that hit of \$550,000, which they had to bond for. The State helped out with some funding, but the rest will have to be absorbed into their budget for this next year. When Woodland did not have water, Rice Lake was approached about supplying water for them. They agreed, and are now requesting some consideration.

Phil Larson, Mayor of Proctor, was also present to speak. Proctor also has its own infrastructure to maintain. In 2012, there was a motion on the floor of this committee to reduce the rates for municipalities, including Proctor. The committee chose to increase the rates. Proctor is being charged more than any of the other municipal customers. At that time, it was justified because it cost more to get water to Proctor. Mr. Larson contests that, because Bayview Heights is just across Boundary Avenue. He is requesting that more consideration be given to the municipal customers. They just raised their water rates 6% last year, but then Duluth raised their rates 6%. They had a rate study done and raised their water rates another 3.75%, and their electric rates increased by 5%. This proposed increase would negate their latest increase and necessitate another increase. If the feeder lines were being repaired, they would understand that, but they feel that Duluth is using the increase to cure all of the infrastructure problems.

Old business:

Water utility discussion

Commissioners had requested water rate comparisons at the last meeting, so Eric Shaffer provided two handouts: one showing a variety of cities and systems with fixed, volume, and total charges at various usage levels and another from AE2S showing rates for cities with surface water systems. Commissioners and staff discussed various aspects of the rates and treatment processes for the cities listed on the handouts. Eric Shaffer mentioned previous discussions which resulted in a scenario that would increase the rates by 4.7% for 6 years with a target of \$5,000,000 in 2023. That target amount would get us in the range of 4 miles of 6-8" diameter pipe per year plus enough to do the rest of our pump stations and facilities. A resolution of intent is proposed that would reflect these increases. Hopefully after 2023 we would still have inflationary raises. Eric Shaffer attended a Greater Downtown Council meeting and told them that we would try to make any proposed rate increases known by mid-summer. Vice President Julsrud explained that the proposed resolution of intent reflects what was discussed in previous meetings. The suggested schedule is for public outreach in June, analysis of feedback in July and August, make any changes as needed and vote on it in the fall, ideally in September.

New business:

Meeting schedule

Eric Shaffer stated that the Commission usually takes August off. Commissioner Sipress said that the City Council will meet on July 17th, which is the day before a scheduled DPUC meeting, and then again the day before the August DPUC meeting. Vice President Julsrud suggested keeping the August meeting on the schedule for now. President Prusak agreed to leave it on the schedule, since it can be cancelled later if necessary.

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. (Julsrud)

Vice President Julsrud motioned to approve resolution 17PUC-003, and the motion was seconded. Commissioner Sipress stated that he is comfortable moving forward with this, but he would like to look at the rate structure to see if we could minimize the impact on those with limited means. Vice President Julsrud suggested discussing this with Eric Shaffer outside of the meeting. She also mentioned the low income customer assistance handout that was included in the meeting packets. Resolution 17PUC-003 was approved unanimously.

Updates from staff

Eric Shaffer reported that the 20" water main project on Michigan Street is under construction. Phase 1 should be done by July 1st. The big gas project this year for 12 blocks on 48th Ave E is under construction. The other gas projects are uprating Hidden Valley and Lakeside. The Hidden Valley project has started and will be finished this week or next. The Lakewood Water Treatment Plant roof is leaking again and needs to be replaced, so this \$400,000 project will be part of the budget for next year. Commissioner Westerlund asked if there were any cost savings resulting from gas system uprating. Eric Shaffer responded that there would be long-term savings due to pipe life and maintenance. President Prusak inquired about water capital projects for next year. Eric Shaffer responded that the roof replacement would be in the capital plan, as well as Phase 1 of Superior Street if that project moves ahead and a potential MNDOT project. Hidden Valley would be pushed back again if no rate increase is approved. He also mentioned a major water main break on 24th Ave. W that will require quite a bit of concrete replacement. This is now the

worst 3 blocks of pipe in the city. Vice President Julsrud asked if we were able to stop the roof leak for now. Eric Shaffer said that 4 temporary patches were done.

Upcoming Council actions

No upcoming actions were mentioned.

Commissioner questions or comments

Commissioner McIntosh put together a preliminary Frequently Asked Questions document and would like to get feedback on it. Commissioners will review it.

Commissioner Westerlund received a letter from a resident with a concern about utility shut off notification. She will follow up with the resident and Liz Bieter about the complaint. She hopes to have more information to bring to the next meeting.

Commissioner Sipress mentioned the proposed MN Power electricity rate increases and the potential impact on the City. Glenn Strid said that we are working on the 2018 budget. The interim increase is 5.6%. The electricity bill for the water utility is about \$1.1 million per year. The proposed increase would result in about \$100,000 in additional expenses. Commissioner Sipress suggested drafting a resolution of impact for the State PUC. This resolution would need to be approved at the June meeting. Commissioner Sipress would appreciate hearing any thoughts on this topic.

Preview of upcoming business

The next meeting is scheduled for Tuesday, June 20, 2017, at 5:15 p.m. in City Council Chambers. The commission will continue to discuss the water utility.

Adjournment: The meeting was adjourned at 6:13 p.m.