

**Harris Town Board**  
**ROUND TABLE DISCUSSION**  
**with the Staff of Grand Rapids**  
**Wednesday, December 5, 2012, 7:15pm**

The Harris Town Board met on Wednesday, December 5, 2012 at 7:00 p.m., at the Blandin Foundation, with the following officers present: Supervisors Gary Rosato, Dennis Kortekaas, and Larry Key, and Clerk Michele Smith.  
*Absent:* Treasurer Becky Adams

Present from Grand Rapids: Rob Mattei - Community Development Director (Tom Pagel was unable to attend)

Special invited guest: Mike Gorham from Northwest Gas

**The purpose of tonight's round table was to continue dialog between the township and the city staff (not the city council) on upcoming improvement projects of shared roadways and anything else of common interest. In particular, tonight's discussion was regarding the expansion of a natural gas franchise between the City of Grand Rapids and Northwest Gas, which could possibly expand into Harris Township along Isleview Road/Chippewa Drive/etc. in the near future.**

Rob Mattei explained to the board that the City of Grand Rapids is currently entering into a natural gas franchise with Northwest Gas. The agreement allows for the expansion of natural gas within the City of Grand Rapids – and in areas where Minnesota Energy Resources are not located, such as the areas annexed by the city, formerly Grand Rapids Township. This agreement came as a result of Tom Pagel's search for a way to get natural gas out to area citizens new to the city limits.

The first expansion of the gas line is at the intersection of Isleview Road and Golf Course Road, and continues down Isleview to the south end of Par Lane. It's likely that Northwest Gas will expand further south into Harris Township along Isleview / Chippewa / etc. and as such, Northwest Gas was wondering if the township was interested in their services.

**Mike Gorham, from Northwest Gas, explained more about how they operate, and the opportunity at hand.**

- In Tom's search to bring natural gas to the recently annexed areas of Grand Rapids, they found that Cohasset Gas comes to the NW corner of Harris Township, but they did not have interest in building outside the city. However, Northwest Gas operates Cohasset's system, and so Mike talked to Tom Pagel to see if they were interested in their services.
- MERC - which is Minnesota Energy Resources Corporation - serves natural gas to residential and commercial customers all across Minnesota. Their mission is to provide customers with the best value in energy and related services. They have one rate across the state. However, the former Grand Rapids Township area that was annexed by the city would not qualify for their services, as it would not be cost effective for them.
- Northwest Gas rates are regulated by the town(s), city(s), or joint powers of both in the area. Northwest Gas would offer one rate/one plan across the board, for city and township residents served by Northwest Gas under this particular franchise agreement. Rates are determined such that Northwest Gas can make an adequate rate of return, but needs to be approved by those serving on the joint powers board.
- Rate approval process: Northwest Gas sets the rates, but the board approves them. Their books are open for the rate setting process to the involved parties, though not to the general public.
- Northwest Gas built the first phase of their expansion this summer with good reception from the area's residents. They are currently built out to where Reserve Drive meets Par Lane. Next year, they will be in the area of Chippewa/Winnebago/Apache Drive. They also eventually plan to go down Airport Road and Harris Town Road, and possibly over the causeway – to the south side of Pokegama Lake.
- In their current phase, they have 87 customers signed up, which is much more than they expected. Their next phase would start this coming spring/summer.

- Northwest Gas would not be able serve *every* residence in Harris Township – notably the southern end – where there is less density, and homes are farther apart.
- Northwest Gas can hook up “incidental residents” outside the city limits for a while – without Harris being a part of the joint powers agreement. However, as they get deeper into the township, Mike Gorham would strongly recommend that the board get involved.
- The biggest reason to consider having natural gas available is that it would allow the townships residents to have an option to delivered fuels (propane and fuel oil) – and natural gas is usually more cost effective. Overall, Northwest Gas would be a good competitive energy source option, as current natural gas rates are significantly less than the cost of propane per ‘therm’...by quite a bit (from one third to one half).
- Mike asked if bringing natural gas into the township was something Harris Township might be interested in. There’s no deadline to decide, per Mike, but he just wanted to start the conversation to see if there’s interest to walk down this path a bit farther.

**The board then asked some questions:**

- Q: How do you put pipes in?
- A: Northwest Gas uses the public ROWs, as per the Franchise agreement. The size of pipe is about 4”...maybe 6”. There is charge per household for normal hook up. (Installation costs are figured into the rate base – and spread across everyone). For long driveways, there would be a fee.
- What is if there is no road ROW?
- If no ROW along roadway, Northwest Gas would deal with the landowners – rather than the township having to do so.
- Q: How hard is it to convert from propane to natural gas?
- A: It’s low impact – and usually just involves an orifice change with a cost of apx \$100 or so. There is a low fixed monthly charge for a new gas meter, plus a “per Therm” charge.
- Q: Who does the billing?
- A: Northwest Gas does billing.
- Q: What would be the responsibility of the town board?
- The main responsibility of township (as a part of the joint powers board) would be to:
  - Guard the rate base; bless Northwest Gas’s asset base
  - Negotiate a fair rate of return
- Q: How does the joint powers work?
- A: For joint powers, Harris Twp could join city of Grand Rapids agreement, and would have representation on the joint powers board (as would the city). Together, they would set the rate. The Northwest Gas rate that the city gets for areas covered by the franchise agreement, would be extended to Harris Township. However, the part of the city served by MERC, would have a different rate. The township could shop around for other interested carriers – but MERC probably wouldn’t come in, sd it’s not cost effective for them.
- Q: Will NW Gas be required to stay in the township, per the Franchise Agreement?
- A: Technically, no.
- Q: Anytime the township puts something in along a road ROW, it can be an issue – especially if the township has to rebuild or do major repair of a road. If pipe needs to be moved, who pays for that?
- A: NW gas pays to move it – but the Township needs to supply a place for it to go.

- Q: What's in it for the township?
- A: A competitive energy source for residents – a cheaper alternative to delivered fuels such as propane.
- Q: What about Franchise fees?
- A: The Township can charge residents a franchise fee as the grantor, if desired, but it's not done very often.
- Q: If the Harris town board is interested, what's the next step?
- A: Rob suggested that Mike would probably do a survey of township constituents to determine interest in a Northwest Gas option; this is something both the township and Northwest Gas would want to know. However, before doing a survey, Mike said he would need to know that the board is interested. No formal commitment would be needed – just a gentleman's agreement – but because people will ask about rates and such, he needs to know it's a real possibility for them.
- Q: Would entering into a joint powers agreement for natural gas need to be authorized by residents at the township's annual meeting? Or does Urban Powers allow the board to enter into something like that without constituents approval?
- A: Not sure – the board would need to look into that.

**Summary:**

The Harris Town Board opted to give the matter of bringing Northwest Gas into Harris Township by way of a joint powers agreement with Grand Rapids some more thought; there was no commitment made by the board tonight.

The board commented that they liked the opportunity to collaborate with city – but were also a little nervous about the appearance of annexation in the eyes of the residents.

A copy of the joint powers agreement was given to the board for review; a copy will be attached to these minutes.

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**With no further projects to discuss, the round table between the Harris Township Board and the Grand Rapids city staff adjourned at 8:30pm. Another meeting will be set up in May, 2013, or sooner if needed.**

Respectfully submitted,

Michele Smith - Clerk