



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail

City Council Work Session

Monday, July 9, 2012

4:00 PM

Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Monday, July 9, 2012 at 4:00 p.m. in Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a call of roll, the following members were present:

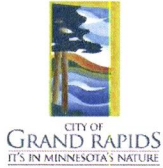
Discussion Items

1. [12-0412](#) Discuss West Range Racing Association request for extended racing hours on July 19, 2012.
2. [12-0413](#) Mt. Itasca Update - Jon Denney
3. [12-0424](#) Discuss the potential expansion of natural gas service in the Isleview Road neighborhoods with Northwest Gas.
Attachments: [7-9-12 Northwest Gas GRAND RAPIDS CITY COUNCIL PROPOSAL.pdf](#)
[7-9-12 NW Gas SYSTEM MAP.pdf](#)

ADJOURN

Attest:

Shawn Gillen, City Administrator



CITY OF GRAND RAPIDS

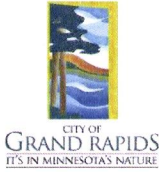
Legislation Details (With Text)

File #: 12-0412 **Version:** 1 **Name:** Racing request
Type: Agenda Item **Status:** CC Worksession
File created: 6/25/2012 **In control:** City Council Work Session
On agenda: 7/9/2012 **Final action:**
Title: Discuss West Range Racing Association request for extended racing hours on July 19, 2012.
Sponsors:
Indexes:
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
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Title

Discuss West Range Racing Association request for extended racing hours on July 19, 2012.



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0413 **Version:** 1 **Name:** Mt. Itasca
Type: Agenda Item **Status:** CC Worksession
File created: 6/25/2012 **In control:** City Council Work Session
On agenda: 7/9/2012 **Final action:**
Title: Mt. Itasca Update - Jon Denney

Sponsors:

Indexes:

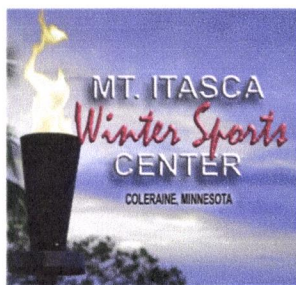
Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
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Title

Mt. Itasca Update - Jon Denney



200 MT ITASCA ROAD
P.O. BOX 553
COLERAINE, MN 55722

www.MtItasca.com

Spreading the thrill of skiing sports through opportunity and support

Date: June 23, 2012

To: City of Grand Rapids

From: Jon Denney, President
Itasca Ski & Outing

Re: Mt. Itasca Update & Request

First of all, I would like to thank the City of Grand Rapids for your continued support.

This past year was again, ***was our best year ever***. We continued to improve Mt. Itasca's "Terrain Park" (snowboard and free-skiing area), added a very popular tubing area, made upgrades to our chairlift system including a new electric motor and several safety features, which all contributed to significant overall improvements and tremendous success.

Next year we plan to continue to build on those results. Primary projects include Piston Bully repairs, beginners (learn-to-ski) slope and lift, re-grade Terrain Park slope to allow for dedicated "high-speed rope tow" and improve features, and snowmaking pond improvement to extend season. Other small projects that will be completed by our many volunteers include painting and re-roofing two buildings, clearing trails, and cleaning of plastic surface of 70 meter ski jump.

Lastly, I would like to request \$15,000 support (same as last year) to be used as matching funds to maintain the ongoing operations at Mt. Itasca.

Thank you again for your continued support. I look forward to talking with you soon.

Jon Denney

Jon Denney, President
Itasca Ski & Outing
Mt. Itasca



Outline

- What is our **vision** for Mt. Itasca?
- What **progress** have we made since 2010?
- What are our **strategic initiatives**?
- What is our **financial standing**?

Vision for Mt. Itasca

- **Investments** to achieve winter sports excellence.
 - Coordinated grooming
 - Better **snowmaking** equipment
 - Expanded **cross-country skiing** venue
 - Advanced **snowboard** terrain with high-speed tow rope
 - Build trail linkages
 - Heated maintenance building
- Improve year-round visibility.
- Enhance board and staff resources.

Accomplishments Since 2010

Initiative	Projected	Actual
Tubing park	Build park in 2011-12; Year 1 revenue = \$10,000	ICC Engineering class assisted in build; Year 1 revenue = \$18,000
Terrain park	Expand park; add new features	Expanded park; 25% increase usage
Chair lift	Maintain lift	New motor; new brake and safety systems
Alpine/snowboard runs	\$29,800 fee income	\$36,300 fee income
Concession revenue	\$4,500	\$10,300
Partnerships	Targets: Coleraine, GJRA, Grand Rapids, Itasca Co., Blandin Foundation, IRRRB	Support from all targeted entities
Programs		Grand Rapids Recreation Dept now manages ticket sales

Strategic Initiatives

1. Design and implement a system to clearly **define relationships between all clubs** and groups utilizing the Mt. Itasca Winter Sports Center.
2. Develop a **two-year capital spending plan** that focuses on upgrading inefficient and worn equipment.
3. Develop a **long-term fundraising plan** that includes key community organizations.

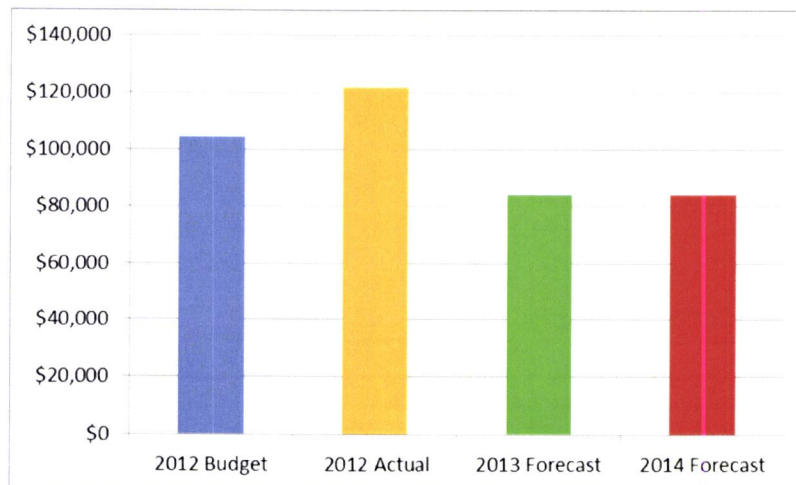
More Strategic Initiatives

4. Create a **marketing plan and budget** that focuses on **school groups, large employer groups, social networking**, public at large, and winter sports enthusiasts.
5. Develop a comprehensive program of **lessons and events**.
6. Identify ongoing, sustainable **communications plans** to keep key stakeholders informed and maintain interest in the facility.

What Are Our Challenges?

- Warmer winters.
- More competition for public funds.
- Changing demographics.
- Burning out volunteers.
- Nearby mining development.

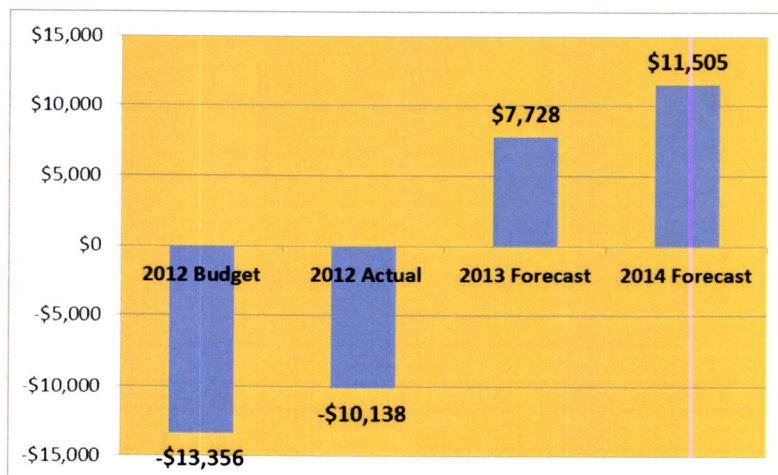
Public Sector Support



Public Sector Support is Critical

	<u>2012 Actual</u>	<u>2013 Forecast</u>	<u>2014 Forecast</u>
Public Sector Support	\$121,724	\$84,000	\$84,000
City of Coleraine	\$9,000	\$9,000	\$9,000
GJRA	\$5,000	\$5,000	\$5,000
City of Grand Rapids	\$15,000	\$15,000	\$15,000
Itasca County	\$15,000	\$15,000	\$15,000
Iron Range Resources	\$57,724	\$40,000	\$40,000
Blandin Foundation	\$20,000		

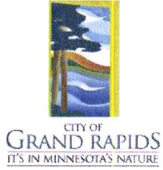
Net Income





Approximately **75%** of all Mt. Itasca usage comes from families living in **Itasca County**; the majority from **Grand Rapids** and **Greenway** School Districts.





CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0424 **Version:** 1 **Name:** Northwest Natural Gas Expansion
Type: Agenda Item **Status:** CC Worksession
File created: 7/2/2012 **In control:** City Council Work Session
On agenda: 7/9/2012 **Final action:**
Title: Discuss the potential expansion of natural gas service in the Islevew Road neighborhoods with Northwest Gas.
Sponsors:
Indexes:
Code sections:
Attachments: [7-9-12 Northwest Gas GRAND RAPIDS CITY COUNCIL PROPOSAL.pdf](#)
[7-9-12 NW Gas SYSTEM MAP.pdf](#)

Date	Ver.	Action By	Action	Result
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Title

Discuss the potential expansion of natural gas service in the Islevew Road neighborhoods with Northwest Gas.

Body

Background Information:

City staff has been working to get natural gas providers to expand service in neighborhoods around Horseshoe Lake. This has been one of the most requested services from recently annexed property owners. Attempts to motivate the current natural gas provider have been fruitless. As a result city staff inquired with the City of Cohasset to see if they would be interested. The City of Cohasset is not interested. However, Northwest Gas, who operates the Cohasset natural gas system does have an interest in building/owning/operating a natural gas system in the City of Grand Rapids.

Attached is a proposal from Mike Gorham of Northwest Gas along with a map of his proposed initial service area. Mike and City staff would like to discuss this concept with the City Council further with the hopes of developing a franchise agreement and potential construction this fall.

Staff Recommendation:

City staff is recommending discussing natural gas expansion with Mike Gorham of Northwest Gas.

Requested City Council Action

Consider having a discussion with Mike Gorham of Northwest Gas.



NORTHWEST GAS

June 25, 2012

To: Grand Rapids city council

Re: Natural gas to Isle View Road area

Dear Council members,

NORTHWEST GAS – THE COMPANIES

The companies which now operate as Northwest Gas had their origin in the operations of Kanabec Hardware, located in Mora, MN. Kanabec Hardware was established following WW I by Frank Gorham and Kleo McIlhargey and one of their lines was the sale of propane-fired home space heaters and the delivery of propane cylinders to fuel them. These cylinders were filled at a facility in Little Falls cooperatively owned by a group of Our Own Hardware store owners. Following WW II Bob and Jack Gorham returned from the armed services and pursued the continued growth of the propane operation, which now became known as Gorhams' Gas ("the Company"). Gorhams', Inc., a Minnesota corporation, was formed to hold the gas operations. Gorhams', Inc. built its first propane bulk plant in Mora in 1952 and commenced installing bulk propane tanks and making bulk propane deliveries to customers.

While continuing to grow organically, the propane operation also was expanded by the acquisition of neighboring propane delivery operations. Following the purchase of Northwest Natural Gas in Milaca, MN (despite the name, a propane delivery operation) the entire company was re-branded as Northwest LP Gas. During the early 1960s natural gas came to East Central Minnesota, causing the loss of propane customers to natural gas in the towns served by natural gas utilities. Although unable to garner natural gas franchises in Mora, Milaca and Pine City, Company management successfully pursued a franchise and built their first pipeline distribution system in Ogilvie, MN. Unfortunately, the town's largest gas consumer, a creamery, ceased operations just as the gas distribution system was being built. The loss of this customer resulted in project economics which did not allow the serving natural gas transmission company, Northern Natural Gas, to extend its transmission line to Ogilvie. Company management then built a new propane bulk plant to serve the Ogilvie town system with propane gas. This operation was branded Northwest Natural Gas and its assets were placed into Northwest Natural Gas, Inc.

Over the next decade the Company built two more town propane distribution pipelines, added numerous resort or development propane distribution pipelines and continued to add customers to its trucked propane delivery operations both by organic growth and by acquisition. Mike Gorham joined the Company in 1981 and continued both the acquisition of trucked propane operations (Grand Rapids in 1985) and pipeline propane distribution systems.

Beginning in 1990, Company management involved in strategic planning began to explore the practicability of installing natural gas pipeline distribution systems in towns not yet served with natural gas. Minnesota law provides for cities to regulate small natural gas utilities if the cities so desire, thus removing an economic barrier to entry (rate regulation by the Minnesota Public Utilities Commission) which very small utilities would otherwise experience. Management recognized that the larger established natural gas utilities were constrained by their rates from investing the high level of dollars per customer required to bring natural gas to as-yet-unserved cities. This opened a niche for Northwest Natural Gas to invest in distribution assets at levels above that at which the established utilities' rates could support recovery but still less than that at which Northwest Natural Gas' rates would become non-competitive with delivered fuels (propane and fuel oil). Rate regulation by the cities served allowed for unique rates for each system, matching the Company's needs precisely. The Company decided to initiate natural gas service in Ogilvie, where the Company already owned and operated a gas distribution system. The construction of a natural gas main from Mora to Ogilvie (now feasible because suitable plastic pipe had made its appearance) and the conversion of all Ogilvie customers from propane to natural gas was made in 1991.

New natural gas systems were built in Henderson in 1992 and in Mapleton, Minnesota Lake, Vernon Center and Good Thunder in 1993. Following this expansion, and for depreciation treatment for tax purposes, Northwest Natural Gas, Inc. was dissolved and all of the natural gas assets were moved to Northwest Natural Gas, LLC, a new Minnesota Limited Liability Company.

Late in 1993 the Company was approached by an investor group which proposed building a natural gas distribution system to serve Slayton, Fulda, Dovray, Avoca and Currie. The Company's owners and the outside investment group formed a new Minnesota corporation, Northwest Natural Gas of Murray County, Inc. to build and operate this system, which came on line in 1994. The owners of Northwest Natural Gas of Murray County, Inc. purchased the last of the outside investors' position in 2005 and proceeded to dissolve the corporation, to be replaced by Northwest Natural Gas of Murray County, LLC, once again for depreciation treatment for tax purposes.

Also during the early 1990s, the Company sold two of its propane pipeline town systems and one of its large development systems to Minnegasco (now Centerpoint Energy). These sales were necessitated by Minnegasco's expansion plans enveloping formerly propane territories and were made at a profit to the Company.

During the summer of 1995 Minnesota Corn Processors designed and built a natural gas pipeline to connect their Marshall, MN ethanol and corn syrup production facility directly to the Northern Border natural gas transmission pipeline. Upon near-completion of this pipeline, the Company was asked to complete the regulator station work on the pipeline and to operate and maintain the new gas system on a contract basis into the future. The Company successfully negotiated a contract for Northwest Natural Gas LLC with MCP (subsequently sold to Archer-

Daniels-Midland). Northwest Natural Gas LLC continues to operate and maintain this system. Its management has added seven additional similar direct-connect operation and maintenance contracts.

In 1997, most of Gorhams', Inc.'s owners elected to sell their interest in that company. Mike Gorham decided to maintain his ownership, so a sale of the southern Gorhams', Inc. assets (all of the propane assets except for Grand Rapids) was made to an outside buyer, the departing owners were cashed out and Mike Gorham became the sole owner of Gorhams', Inc.

During the summer of 1998 Gorhams', Inc. built a natural gas distribution system in Cass Lake which it has owned and operated since. In addition, and similar to the LLCs' operations in southern Minnesota, Gorhams', Inc. operates and maintains five northern Minnesota natural gas or propane pipeline systems for other owners.

Northwest Natural Gas of Murray County LLC designed and built a natural gas distribution system in Bingham Lake during the Fall of 2008. To enable the financial feasibility of this project, an agreement with POET (for whom Northwest Natural Gas LLC operates a direct-connect pipeline) allows use of POET's Northern Border tap and regulator station, with Bingham Lake town gas being metered from POET's system for a fee.

Currently there are three companies doing business in Minnesota as Northwest Gas (Gorhams', Inc., Northwest Natural Gas, LLC and Northwest Natural Gas of Murray County, LLC) which have company-owned natural gas operations in thirteen Minnesota towns, which operate and maintain two municipally-owned natural gas systems (Clarissa/Eagle Bend and Cohasset), which operate two State of Minnesota-owned gas systems (Fort Ripley and Thistledeew Camp), which operate and maintain eight direct-connect natural gas pipelines for ADM, POET, CHS Inc., Valero, Biofuels Energy, Grand Casino Hinckley, AL-CORN, Minnesota Soybean Processors and Minnesota Power/Allete and which own and operate a propane gas distribution company (both trucked and pipeline) in Grand Rapids.

During the late spring of 2012 Northwest Gas was made aware of a potential opportunity in the Isle View Road area which the City of Grand Rapids had previously annexed, namely that there is a desire by the citizens of that area to be served with pipeline natural gas instead of with the current delivered fuels. Due to the Gorhams', Inc.'s role as operator of the Cohasset municipally-owned system it discovered that the City of Cohasset was less than enthusiastic about investing City funds outside of its city limits. The Company proposed to the City of Cohasset that an agreement be entered into which will allow Northwest Gas to purchase gas from the Cohasset system for distribution to the Isle View Road customers and beyond. This agreement anticipates that Northwest Gas will accomplish improvements to the Cohasset system enabling this project at Northwest Gas' cost and that the City of Cohasset will then provide natural gas at the corner of Golf Course Road and Isle View Road for Northwest's use in Northwest's proposed system. Northwest Gas believes that City of Cohasset Council approval of this agreement is imminent.

Since all of Northwest Gas' natural gas pipeline distribution operations have been locally-regulated for rates, that is the plan for this system as well. The approving body will be the Grand Rapids city council. This is similar to arrangements currently in effect with Henderson, Ogilvie and Cass Lake. This rate regulation systems functions as follows: First, the City of

Grand Rapids agrees to give Northwest Gas permission to install natural gas mains and services within the desired service area, either through a franchise agreement or via easements. Northwest Gas provides Grand Rapids with a sworn affidavit that Gorhams', Inc. d/b/a Northwest Gas meets the size limitations of Minnesota Statute 216B allowing for local rate regulation. Northwest Gas shares the project financials and proposed rates with Grand Rapids and the City of Grand Rapids approves the proposed rates. The City of Grand Rapids sends the Minnesota Public Utilities Commission a letter stating its (the City of Grand Rapids') intent to locally regulate Northwest Gas' rates along with a copy of those rates. Northwest Gas builds out the system and hooks up customers.

This rate-setting system allows Northwest Gas to invest the required capital in any project regardless of the per-customer investment and be assured of getting that capital back over time through the rates charged. Northwest Gas has always agreed to track all projects separately and to not allow any cross-subsidies to occur. Each project is to stand on its own, with any use of current Northwest Gas services, personnel or equipment (desirable since this small system cannot afford duplication of personnel or equipment) done at arm's length market rates. In the end, the upper limit of capital investment is determined by the need to remain competitive with the competing delivered fuels while fairness regarding return on investment is provided by the City's rate regulation.

Northwest Gas requests that the discussion of this means of rate regulation and the City of Grand Rapids' participation commence soon. We believe that this project can bring value to all parties – to the connected customers, to the City of Grand Rapids and to Northwest Gas. We look forward to working with you.

Sincerely,

Mike Gorham, Owner
Northwest Gas

