

**ELK RIVER MUNICIPAL UTILITIES
REGULAR MEETING OF THE UTILITIES COMMISSION
HELD AT THE UTILITIES CONFERENCE ROOM**

September 9, 2025

Members Present: Chair John Dietz, Vice Chair Mary Stewart, Commissioners Jill Larson-Vito, Matt Westgaard, and Nick Zerwas

ERMU Staff Present: Mark Hanson, General Manager
Sara Youngs, Administrations Director
Melissa Karpinski, Finance Manager
Tony Mauren, Governance & Communications Manager
Tom Geiser, Operations Director
Chris Sumstad, Electric Superintendent
Dave Ninow, Water Superintendent
Jenny Foss, Communications & Administrative Coordinator
Michelle M., Credit & Collections Specialist

Others Present: Jared Shepherd, Attorney; Cal Portner, City Administrator

1.0 GOVERNANCE

1.1 Call Meeting to Order

The regular meeting of the Utilities Commission was called to order at 3:30 p.m. by Chair Dietz.

1.2 Pledge of Allegiance

The Pledge of Allegiance was recited.

1.3 Consider the Agenda

Chair Dietz requested the addition of item 5.5 Payment in Lieu of Taxes (PILOT) to the September agenda.

Moved by Commissioner Westgaard and seconded by Commissioner Zerwas to approve the amended September 9, 2025, agenda. Motion carried 5-0

1.4 Recognition of Employee Longevity – Michelle M., 20 years

Ms. Youngs introduced Michelle M. to be recognized for her 20 years of service as ERMU's Credit & Collections Specialist. Ms. Youngs commended Michelle's ability to keep ERMU uncollectible accounts per revenue dollar well below the national average. Her success in building strong relationships with external partners such as the State of Minnesota, Tri-Cap, and Sherburne County was also highlighted.

Michelle M. thanked the commission and her fellow staff, expressing gratitude for her 20 years as part of ERMU and this community.

There was a round of applause.

1.5 Resolution Recognizing 2025 Public Power Week

Mr. Sumstad presented Resolution 25-6 formally recognizing Public Power Week. He emphasized the importance of the event as a way to honor municipal utilities and their employees nationwide. Mr. Sumstad highlighted the value of public power, especially ERMU's community outreach at local events, noting these efforts create meaningful opportunities to engage with and educate customers.

Moved by Commissioner Stewart and seconded by Commissioner Larson-Vito to adopt Resolution 25-6, recognizing Public Power Week, October 5-11, 2025. Motion carried 5-0.

1.6 Resolution Recognizing 2025 Customer Service Week

Ms. Youngs presented Resolution 25-7 formally recognizing Customer Service Week. She emphasized that the customer service team's dedication to providing respectful, knowledgeable assistance and building trust directly supports ERMU's mission. She also expressed gratitude for their professionalism and commitment to serving our customers.

Moved by Commissioner Zerwas and seconded by Commissioner Westgaard to adopt Resolution 25-7, recognizing Customer Service Week, October 6-10, 2025. Motion carried 5-0.

2.0 CONSENT AGENDA (Approved By One Motion)

Moved by Commissioner Westgaard and seconded by Commissioner Larson-Vito to approve the Consent Agenda as follows:

2.1 Check Register – August 2025

2.2 Regular Meeting Minutes – August 12, 2025

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 Commission Policy Review – G.4e – Core Customer Services

Mr. Mauren reviewed policy G.4e – Core Customer Services noting, a staff-recommended change to replace gender specific language of “his or her” with the gender-neutral term “themselves.”

Moved by Commissioner Zerwas and seconded by Commissioner Stewart to approve the staff recommended change to policy G.4e. Motion carried 5-0.

4.2 Commission Policy Review – G.4j – Cost Allocation and Recovery

Mr. Mauren reviewed policy G.4j – Cost Allocation and Recovery, noting that to align with industry best practice per the American Public Power Association, ERMU will now conduct a cost-of-service study every five years instead of every ten. Staff recommended an update to the policy language to reflect this change.

Moved by Commissioner Stewart and seconded by Commissioner Zerwas to approve the staff recommended change to policy G.4j. Motion carried 5-0.

5.0 BUSINESS ACTION

5.1 Financial Report – July 2025

Ms. Karpinski presented the July 2025 financials, noting that ERMU’s electric sales, including August’s numbers, set a new record by surpassing \$5 million for the first time. She also reported that water usage remained strong despite significant rainfall.

Commissioner Westgaard asked why electric sales were unusually high compared to previous years. Staff hypothesized that the increase could be due to high heat and humidity, as well as extensive Canadian wildfire smoke, which led many customers to keep their windows closed and air conditioning units running for extended periods.

There was discussion as to why demand in August was lower than the previous month and lower than August 2024 while sales were higher or close to the same. Staff said they would have Technical Services Superintendent Mike Tietz provide an explanation in his October staff update as he was not at the meeting.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to receive the July 2025 Financial Report. Motion carried 5-0.

5.2 **2026 Annual Business Plan: Capital Projects & Equipment Purchases, and 20-Year Capital Projections**

Ms. Karpinski presented a preliminary overview of the 2026 Annual Business Plan: Capital Projects & Equipment Purchases, and 20-Year Capital Projections. Key projects for 2026 include:

- **Electric:** East substation and Otsego transformer upgrades, underground equipment replacement, and the completion of the Advanced Metering Infrastructure project.
- **Water:** A new water treatment plant (estimated at \$8 million, to be funded by bond), a new well, watermain construction, and a Freeport booster station.

Chair Dietz asked about the location of the new treatment plant. Mr. Hanson stated that a feasibility study is currently underway to determine the most cost-effective location.

Commissioner Westgaard asked when payments for the territory acquisition will end. Ms. Karpinski stated that they will end in 2033.

5.3 **Advanced Meter Infrastructure Project Discussion**

Mr. Hanson opened the discussion on the Advanced Metering Infrastructure (AMI) project, focusing on the remaining customers who have not yet completed the mandatory AMI meter exchange. At the time of the meeting, he reported that 86 residential water meters still need replacement, as outlined below:

- Remaining residential water customers: 86
- Non-responsive residential water customers: 76
- “To be scheduled” residential water customers: 8.
- Holdouts: 2

Mr. Hanson outlined details of how ERMU plans to proceed with meter changeouts in accordance with city ordinance.

Chair Dietz asked for clarification on the “to be scheduled” group. Mr. Hanson explained that these customers are actively engaging with ERMU, and all have scheduled appointments.

Chair Dietz asked whether certified letters would come from ERMU’s attorney or the utility. Mr. Hanson reported that they will be sent directly by the Utility.

Commissioner Stewart asked if staff safety concerns have been addressed. Mr. Hanson confirmed they have.

The Commission approved the staff recommended multi-step plan in accordance with the City’s ordinance to achieve compliance before winter.

Mr. Hanson also presented information, based on follow-up conversations with legal staff, regarding the potential use of an administrative search warrant for holdouts.

Following discussion on all the available options for both non-responsive customers and holdouts, the Commission reached consensus and directed staff to follow the same certified letter, posting, and shutoff process for the two active holdouts as for the 76 non-responsive customers.

5.4 **Wage & Benefits Committee Update**

Mr. Hanson provided an update on the Wage & Benefits Committee meeting that took place on September 2. Staff representatives requested applying an additional 0.5% to the 2026 Cost of Living Adjustment (COLA) based on data that was not available when the 2025 Metro Seven Lineworker Average, which is used to in considering all staff's COLA, was calculated. Staff also asked the Committee to consider future reviews of policies related to sick leave payout, on-call standby pay, and the compensation time accrual cap.

Mr. Hanson reminded the Commission that at this first meeting only clarifying questions are asked and nothing is decided. Once the Committee receives answers to clarifying questions from human resources staff, they will have another discussion and present a recommendation to the full Commission.

Chair Dietz explained that the additional 0.54% was not included in consideration because it came from a peer utility's wage step increase. He recalled that commissioners had previously reached consensus not to factor in step increase for the metro seven average.

Mr. Hanson also brought forth a recommendation on the mandatory Minnesota Paid Family and Medical Leave program, which takes effect on January 1, 2026.

Staff's recommendations included:

1. Use a private, third-party insurance carrier, as its quoted premium of 0.81% is more favorable than the state's program rate of 0.88%.
2. Implement an equal 50/50 split of the premium costs between the Utility and its employees.
3. Discontinue the Utility's current short-term disability plan due to significant overlap in benefits with the new leave program.

Commissioner Westgaard discussed policy details that require clarification for future decisions, such as preventing the "stacking" of leave benefits and managing employee health insurance premiums during leave.

The Commission reached consensus for staff to proceed with applying to the State for a waiver in order to use a third-party insurance provider. Staff will continue researching

outstanding policy questions and will present a comprehensive recommendation at a future meeting.

5.5 Payment in Lieu of Taxes

Chair Dietz introduced the Utility's Payment in Lieu of Taxes (PILOT) to the City of Elk River for discussion. Citing the Utility's strong financial performance, he proposed increasing the cash PILOT from 4% to 5%, providing a 2024 American Public Power Association report showing the regional average at 5.1%.

Mr. Hanson clarified that the Utility's current PILOT includes a 4% cash payment based on gross revenues, supplemented by in-kind services, bringing the total contribution to approximately 4.6%. He also noted that utility profits are held in reserves to fund capital improvement projects.

Commissioner Stewart asked whether the PILOT grows automatically with new customers and rate adjustments. Ms. Karpinski confirmed, citing examples such as additional revenue from the 2019 territory acquisition and the recent energy adjustment clause.

Mr. Hanson added that every 1% of the PILOT equates to roughly \$400,000.

Ms. Karpinski noted that the 2025 budget includes a \$1.9 million contribution to the city.

Chair Dietz requested that the proposed PILOT increase be added to the agenda for the October commission meeting.

Staff was directed to prepare a report for the next meeting that includes a comparative analysis of healthy reserve fund levels and a detailed breakdown of the utility's financial contributions to the city year-to-date.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Ms. Youngs reported that a new customer service employee has accepted the position and will begin on September 30.

Mr. Mauren reminded the Commission of the employee appreciation lunch scheduled for October 14 at 11:00 a.m. at the Field Services Building.

Mr. Geiser stated he will be out of the office September 22-26.

Mr. Sumstad reported that while August was a month of high energy sales, it did not set a new system speak. The peak for the month reached 65 megawatts.

6.2 City Council Update

Chair Dietz provided a City Council update.

6.3 Minnesota Municipal Utilities Association Summer Conference Discussion

Commissioners acknowledged Ms. Youngs for receiving the Rising Star award at this year's conference.

6.4 Future Planning

Chair Dietz announced the following:

- a. Regular Commission Meeting – October 14, 2025
- b. 2025 Governance Agenda

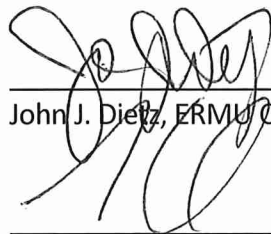
6.5 Other Business

There was no other business.

7.0 ADJOURN REGULAR MEETING

Moved by Commissioner Westgaard and seconded by Commissioner Zerwas to adjourn the regular meeting of the Elk River Municipal Utilities Commission 5:01 p.m. Motion carried 5-0.

Minutes prepared by Jenny Foss.



John J. Dietz, ERMU Commission Chair

Tina Allard, City Clerk