

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

**October 14, 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  
Mike Tietz, Technical Services Superintendent  
Dave Ninow, Water Superintendent  
Jenny Foss, Communications & Administrative Coordinator

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**

**Moved by Commissioner Westgaard and seconded by Commissioner Larson-Vito to approve the October 14, 2025, agenda. Motion carried 5-0.**

**2.0 CONSENT AGENDA (Approved By One Motion)**

**Moved by Commissioner Zerwas and seconded by Commissioner Stewart to approve the Consent Agenda as follows:**

**2.1 Check Register – September 2025**

**2.2 Regular Meeting Minutes – September 9, 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.4e1 – Customer Accounts**

Mr. Mauren presented his memo, reviewing the policy that sets the Commission's expectations for the general manager regarding customer accounts, applications, and account management.

Staff also presented three proposed updates to the policy; correcting a typo, adding specificity to a procedure, and rewording language around the Cold Weather Rule to avoid the need for future updates. The Commission agreed with these proposed updates.

**Moved by Commissioner Stewart and seconded by Commissioner Zerwas to approve the staff recommended changes to policy G.4e1 – Customer Accounts. Motion carried 5-0.**

### **5.0 BUSINESS ACTION**

#### **5.1 Financial Report – August 2025**

Ms. Karpinski presented the August financials, showing the combined electric and water net position of 5.64% Year to Date (YTD) or approximately \$1.973 million.

Chair Dietz asked what accounted for the Water Connection Fees balance being at a higher level. Mr. Ninow responded that there have been several construction projects, including a Les Schwab Tire Shop, Vireo Health facility, the second addition of the Bradford Park development, and an addition at Spectrum High School that contributed to the total.

**Moved by Commissioner Westgaard and seconded by Commissioner Larson-Vito to receive the August 2025 Financial Report. Motion carried 5-0.**

#### **5.2 2026 Annual Business Plan: Electric and Water Expenses**

Ms. Karpinski presented a preliminary overview of the 2026 Annual Business Plan: Electric and Water Expenses for approval at the December meeting. Key items were the following:

- The 2026 budget for electric expenses is a 0.6% increase compared to the current year's budget (excluding purchased power). Most notable accounts are the transfer to City of Elk River (budgeting for a PILOT increase from 4% to 4.5%), depreciation

which is due to large capital projects being put into service, an expected 10% increase to medical insurance premiums and the addition of Minnesota's paid leave, which take effect January 1, 2026. The budgeted Payment in Lieu of Taxes (PILOT) amount for 2026 is \$2.227 million. PILOT is comprised of \$1.955 million based off 4.5% of the City of Elk River sales calculation, and \$272,000 in donated utilities and labor.

- The 2026 budget for water expenses is a 3.2% increase compared to the current year's budget. Most notable accounts are depreciation which is due to large capital projects being put into service, dues & subscriptions – fees due to a Minnesota Department of Health water connection fee increase, medical insurance due to an expected 10% increase to premiums, and the addition of Minnesota's paid leave which takes effect January 1, 2026.
- Both the Electric and Water budgets include a 4% wage adjustment effective on January 1, 2026. The budgets also account for adding an IT Technician position and filling the vacant Systems Engineer and Lineworker positions during 2026.

In response to a note that ERMU would be handling tree trimming in house during 2026 rather than contracting the work, Commissioner Stewart asked if staff felt there were resources available to complete the work that needed to be done. Mr. Gieser explained that after doing an internal tree trimming audit, staff felt the work could be managed internally.

Ms. Karpinski explained that based on forecasts from ERMU's power provider, Minnesota Municipal Power Agency, staff was budgeting for a purchased power increase of about 3%. She added that there will be a cost of service and rate study presented by Dave Berg at the November commission meeting. Staff explained that purchased power constitutes about 70% of the electric budget.

### **5.3 Payment in Lieu of Taxes to City of Elk River**

Mr. Hanson presented the report which provided background on the electric Payment in Lieu of Taxes (PILOT) program, financial breakdown of its components, and regional comparisons. The report also showed 5-year cash reserve and funding source projections for the electric and water departments. The report noted that ERMU's current payment of 4% of revenue is below regional medians. It also showed that ERMU's electricity and labor being donated to the City equated to an additional 0.62% in PILOT value. Staff proposed two approaches to the program going forward.

- Option 1 - Raise the PILOT percentage to 4.5% and continue to offer electricity and labor donations to the City.
- Option 2 - Raise the PILOT percentage to 5% and begin to invoice the City for electricity and labor.

Staff then brought forward the concept of a PILOT for water service, proposing either

- Option 1 - A payment of 2% of revenue with continued donated contributions.

- Option 2 - A payment of 3% and to begin billing the City for water and labor/materials.

Mr. Hansons explained that staff was proposing water PILOT rates of 2% to 3% as a discussion starter after hearing from other municipal utilities in the state with water PILOTs ranging from 1% to 6%.

There was discussion about how ERMU tracks donated water in order to potentially bill the City in the future. Staff explained that ERMU donates water for firefighting, public ice rink filling, and street sweeping with all but the latter posing challenges in tracking usage for billing. Staff stated that in some cases estimates may be required.

Staff noted that increases to the PILOT for both electric and water will directly impact margins that fund reserves. Staff added that there are large projects planned for 2026 including a new substation and a large transformer replacement. Staff explained that bonding will be necessary for future capital projects regardless of any PILOT adjustment.

Staff shared that during preliminary conversations with Dave Berg who is in the process of developing a cost of service and rate design Study for ERMU, he explained that generally the Utility's reserve balances for the water department are about average, whereas electric reserves are lower than average. The Financial Reserves & Investment Committee was tasked with reviewing management's reserve policy and bringing back options for adjustments.

The Commission opted to defer action to the November meeting when there will be a preliminary presentation on the cost of service and rate design study by Dave Berg Consulting, LLC. Staff explained that the study is operating off a 4.5% electric PILOT.

Commissioner Zerwas shared his opinion that there is currently a good relationship between the City, ERMU, and community stakeholders regarding the donation of labor and services. He explained that reduced cooperation over fees is not a preferable result. ERMU staff and Mr. Portner described how that working relationship has developed over the years and expressed a desire for it to continue.

Commissioner Stewart shared her opinion that the electric PILOT calculation should not include power costs adjustments passed on by ERMU's power provider during catastrophic events. The Commission asked staff to craft language that would define the circumstances in which power cost adjustments are not included in the PILOT calculation.

There was general consensus that both a 5% electric and 3% water PILOT with labor, electricity, and water usage being invoiced to the City offered the most straightforward and transparent approach. However, the Commission felt it was best to hold off on a final decision until the November commission meeting when the preliminary cost-of-service study and the Financial Reserve policy will be discussed.

#### 5.4 **Advanced Metering Infrastructure Update**

Mr. Hanson presented his update, saying he was glad to report there were only 14 remaining residential water meters to exchange and that two residents who were previously actively holding out on the replacement have either been replaced or were scheduled to be.

Mr. Hanson explained that the exchange effort has been following the timeline provided in ordinance to ensure ERMU is on good legal standing throughout the project.

Mr. Hanson explained that shut offs for those who have not had their water meters exchanged were beginning October 22. He added that staff would be staggering shutoffs to be available for reconnections but will not call out staff after hours for reconnection. There are to be no shut offs on Fridays.

Chair Dietz asked what types of responses staff had been receiving out in the field from property owners. Mr. Hanson said responses varied from being receptive and explaining they were unaware of the project to avoiding staff when they arrive. Mr. Ninow added there have been a few questioning conversations, but water department staff do a good job defusing the situation, and customer service staff do an excellent job with de-escalation.

Chair Dietz commended staffs' efforts on getting the list of remaining meter exchanges down to 14.

### 6.0 **BUSINESS DISCUSSION**

#### 6.1 **Staff Updates**

On behalf of staff, Mr. Hanson thanked the Commission for providing lunch earlier that day, prior to an energy safety presentation put on by Connexus Energy at the field services building.

Mr. Gieser explained the Feeder 65 rebuild planned for 2026 will now start in 2025 due to project schedule changes.

Mr. Mauren highlighted the fact that the November meeting was pushed out from the second Tuesday to the second Wednesday due to the Veteran's Day office closure.

#### 6.2 **City Council Update**

Chair Dietz gave a City Council Update.

#### 6.3 **Future Planning**

Chair Dietz announced the following:

- a. Regular Commission Meeting – November 12, 2025
- b. 2025 Governance Agenda

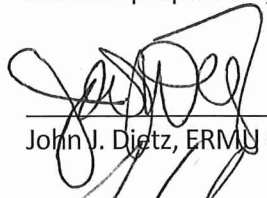
6.5 **Other Business**

There was no other business.

7.0 **ADJOURN REGULAR MEETING**

**Moved by Commissioner Westgaard and seconded by Commissioner Stewart to adjourn the regular meeting of the Elk River Municipal Utilities Commission 4:44 p.m. Motion carried 5-0.**

Minutes prepared by Tony Mauren.



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John J. Dietz, ERMU Commission Chair



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Tina Allard, City Clerk