

**ELK RIVER MUNICIPAL UTILITIES
REGULAR MEETING OF THE UTILITIES COMMISSION
HELD AT UTILITIES CONFERENCE ROOM
December 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
Mike Tietz, Technical Services Superintendent
Dave Ninow, Water Superintendent
Jenny Foss, Communications & Administrative Coordinator
Megan Zachman, HR Generalist

Others Present: Richard Hansen, Attorney; Dave Berg, Dave Berg Consulting, LLC

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 December 9, 2025, agenda. Motion carried 5-0

2.0 CONSENT AGENDA (Approved By One Motion)

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

2.1 Check Register – November 2025

2.2 Regular Meeting Minutes – November 12, 2025

2.3 Designate 2026 Official Depository and Delegate Authority for Electronic Funds Transfer

2.4 Designate 2026 Official Newspaper

2.5 2026 Utilities Commission Meeting Schedule

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 Commission Policy Review – G.4e3 – Water Services

Mr. Mauren presented a review of the Water Services policy, which outlines expectations for providing water service to customers. A recommendation was made to update section 1.d of the policy, giving it more general language and directing readers to the City's engineering design standards for specific details.

Moved by Commissioner Zerwas and seconded by Commissioner Westgaard to approve the staff-recommended changes to policy G.4e3 – Water Services. Motion carried 5-0.

4.2 2026 Governance Agenda

Mr. Mauren presented the 2026 Governance Agenda. It was noted to be similar to the 2025 agenda, with one recommended change, moving the Review and Update of the Strategic Plan item from August to October. This change allows for a more comprehensive review of the year's progress later in the calendar year without overloading the November and December meetings. The Commission agreed with this change.

Moved by Commissioner Larson-Vito and seconded by Commissioner Stewart to adopt the 2026 Governance Agenda. Motion carried 5-0

4.3 2026 Performance Metrics and Incentive Compensation Policy

Mr. Hanson presented his memo on the 2026 Utilities Performance Metrics and Incentive Compensation (UPMIC) policy. No changes were proposed for the 2026 policy.

Commissioner Westgaard noted that the scorecard did not carry the correct year. Staff stated they would correct the document to read "2026" not "2025."

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the Performance Metrics and Incentive Compensation Policy and Scorecard for 2026. Motion carried 5-0

5.0 BUSINESS ACTION

5.1 Electric and Water Cost of Service and Rate Design Study

Dave Berg, ERMU's rate consultant, presented the findings of the Cost of Service and Rate Design Study for both electric and water utilities, incorporating feedback from the November meeting. He explained there had been updated numbers in capital improvements provided by staff since that meeting.

Electric Rates Key Points:

- **Financial Projections:** With existing rates, the utility's net position and cash reserves are projected to decline, largely due to \$8 million in planned capital improvements.
- **Rate Recommendation:** A 2% revenue increase is recommended for 2026–2029.
- **Power Cost Adjustment (PCA) Change:** A new formula was proposed for calculating the PCA, factoring the total wholesale power cost per retail kilowatt-hour sold. This change is designed to better protect the utility from all fluctuations in wholesale power costs, not just fluctuations in the power supplier's energy adjustment clause.
- **Solar Grid Access Charge:** The charge for customers with distributed energy projects has been recalculated and is expected to decrease based on evolving industry practices.
- **Reserve Funds:** The proposed 2% revenue increase is projected to gradually increase the electric utility's reserve fund balance from approximately 75% to 80% of its target over the next few years.

Water Rates Key Points:

- **Rate Increase:** A 4% increase in water rates was recommended.
- **Rate Structure:** The consultant recommended reviewing the tiered rate structure for lowering the consumption thresholds to better promote conservation.

Commissioner Stewart directed Mr. Berg's attention to page 4 of his presentation packet where the definition of other operating expenses discussed landfill gas generation. Mr. Berg stated that sentence should be removed as it no longer applies to ERMU, having ceased its landfill gas generation operation since the last study.

Mr. Hanson invited the Commission to provide its perspective on the potential rate increases and the timeline for meeting reserve goals, explaining that the Commission has the authority to differ from the studies' proposals should it want to achieve its desired reserve fund balances more quickly.

Commissioner Zerwas stated he was comfortable meeting the reserve goals over 4-5 years, and that he would favor larger increases for Tier 3 water usage as those are the larger users. Mr. Berg explained that not as much water is sold at that level and that a more effective approach would be to reduce ERMU's fairly high tier thresholds.

In response to a question, Mr. Berg explained that a 4% water increase will result in an increase of less than \$2 per month for an average residential customer.

There was discussion about the potential rate increases from the power provider. At that time staff estimated it could be an increase of approximately 2.9-3%.

In discussing best practices for reserve levels, Mr. Berg explained that ERMU's reserve goal is approaching 50% of operating revenue, which is appropriate for a utility its size.

The Commission directed staff to bring back a presentation of Mr. Berg's recommendation of a 2% electric revenue increase and a 4% water rates increase for approval at the special meeting. Per Commission request, staff stated they would research the water rate tier structures of comparable utilities and provide a recommendation to the Commission as well.

5.2 Financial Report – October 2025

Ms. Karpinski presented her report which showed the Utilities had a profitable month with a net profit position of \$3.9 million or 8.67%. This performance is favorable compared to both the budget and the prior year.

There was discussion about Verizon water tower attachment lease negotiations. Mr. Hanson explained there has been ongoing discussion with the vendor since the November meeting when the Commission directed staff to take no action on adapting the leases in either manor proposed by the vendor. He explained that after the recent conversations, staff still does not recommend the full buyout option while renegotiated terms on leases warrant some future discussions.

A majority of the Commission, excepting Commissioner Zerwas, directed staff to prepare a financial analysis showing the revenue impact of the different lease options. During staff updates, Commissioner Zerwas shared that he would be recusing himself from discussions and votes on the issue due to his professional relationship with the vendor.

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

5.3 Management Policy – A.10 – Financial Reserves

Mr. Hanson presented an updated draft of the Financial Reserve policy, incorporating feedback from the November meeting. The Commission expressed consensus that the updates accurately reflected their previous discussion.

No formal motion was required as this is a management policy presented for transparency and due to the policy's impact to rate setting and budgeting.

5.4 **Wage & Benefits Committee - Proposed 2026 Adjustments**

Mr. Hanson shared that he had received the final wage adjustment data from a peer municipal utility that was unavailable when his memo was published. After factoring in the final adjustment, which was at the lower end of its expected range, the overall average is on the lower end of the range presented in November; thus, staff requested a 3.34% wage adjustment for all staff in 2026.

Moved by Commissioner Stewart and seconded by Commissioner Zerwas to approve the 2026 Wage Adjustment of 3.34% for all staff, effective January 1, 2026. Motion carried 5-0.

6.0 BUSINESS DISCUSSION

6.1 **Staff Updates**

Mr. Hanson reported on an ongoing issue with a commercial property owner, with a history of non-payment, who has non-functional water curb stops. The vacant building has no heat source as gas service has also been turned off and it is unable to receive electricity due to code violations. Staff has been monitoring the temperatures of the lines but to mitigate the risk of pipes freezing, ERMU is hiring a contractor to repair the curb stops so the water can be shut off. The property owner will be assessed for the work. Mr. Hanson added that legal staff approves of this approach.

Mr. Mauren reminded the Commission of the special meeting scheduled for December 18. The meeting was scheduled largely to approve the finalized budget and rates now that staff has received guidance from the Commission on the rate study earlier in the meeting.

Mr. Ninow informed the Commission that the Utilities, with assistance from a consultant and the Minnesota Department of Health, have updated the service line material inventory list. As required, notification letters were sent to all properties with service lines listed as "unidentified" and to approximately 30 properties with galvanized service lines that require replacement.

6.2 **City Council Update**

Chair Dietz provided a city council update.

6.3 **Future Planning**

Chair Dietz announced the following:

- a. Special Commission Meeting – December 18, 2025, 3:30 p.m., Utilities Conference Room
- b. Regular Commission Meeting – January 13, 2026

c. 202 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 at 5:03 p.m. Motion carried 5-0.

Minutes prepared by Tony Mauren



John J. Dietz, ERMU Commission Chair



Jolene Richter, Deputy City Clerk