ELK RIVER MUNICIPAL UTILITIES
SPECIAL MEETING OF THE UTILITIES COMMISSION
HELD AT UTILITIES CONFERENCE ROOM
December 10, 2024

Members Present:	Chair John Dietz, Vice Chair Mary Stewart, Commissioners Paul Bell, 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 Dave Ninow, Water Superintendent Jenny Foss, Communications & Administrative Coordinator
Others Present:	Jared Shepherd, Attorney; Matt Schwartz, Lead Lineworker; Matt Zipp, Lineworker; Melissa Wilson; Matt Wilson; Mark Gaulke

1.0 GOVERNANCE

1.1 Call Meeting to Order

The special 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 to move item 5.5 Advanced Metering Infrastructure Update ahead of 5.1 October Financial Report to allow the residents in attendance to have their item addressed earlier.

Moved by Commissioner Westgaard and seconded by Commissioner Bell to approve the December 10, 2024, amended agenda. Motion carried 5-0

1.4 2024 Mutual Aid Report - Verbal

Mr. Geiser introduced Mr. Schwartz and Mr. Zipp, two ERMU lineworkers who assisted in Florida's recovery efforts after Hurricanes Helene and Milton as part of the American Public Power Association's mutual aid effort.

Mr. Schwartz and Mr. Zipp shared their experiences as part of the Minnesota Municipal Utilities Association coalition of lineworkers. Initially dispatched to Kissimmee, FL, ahead of Hurricane Milton, they found the storm caused less damage than anticipated in that area. After being released from Kissimmee, they were reassigned to Orlando, FL, where approximately 275,000 customers were without power. Over the course of three days, lineworkers worked to restore service, reducing outages to 5,000–10,000 customers before being released.

They noted that around 700 lineworkers from across the country responded to the mutual aid call, including 48 from Minnesota.

The Commission expressed gratitude for their dedication and hard work, followed by a round of applause.

Mr. Schwartz thanked the Commission for supporting mutual aid and noted it was a valuable learning experience.

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 2024
2.2 Special Meeting Minutes – November 12, 2024
2.3 Designate 2025 Official Depository and Delegate Authority for Electronic Funds Transfer
2.4 Designate 2025 Official Newspaper
2.5 2025 Utilities Commission Meeting Schedule
2.6 November 2024 Closed Session Summary – RJM Construction Contract No. A133, Field Services Building Project Dispute Settlement

Motion carried 5-0.

3.0 OPEN FORUM

Melissa Wilson raised a concern regarding the Advanced Metering Infrastructure (AMI) water meter replacement at her business address, 19031 Triangle Road Northwest. She shared that when the technician arrived, they discovered a failing interior valve, requiring repairs by a plumber before proceeding with the meter changeout. Ms. Wilson obtained a plumbing estimate for $676 and scheduled the repair.

During the replacement process, the exterior valve at the curb stop was damaged, leaving the water stuck in the off position while the plumber and ERMU staff were on-site. Ms. Wilson stated that she was informed the curb stop valve was her responsibility, per ERMU policy. She obtained repair estimates ranging from $16,000 to $40,000 and ultimately selected the contractor quoting $16,050 for the necessary repairs.

Ms. Wilson requested the commission review ERMU's infrastructure policy and consider paying for the $16,050 expense since the repairs were only needed as a result of the AMI meter changeout.

Chair Dietz invited additional comments. Melissa's father, Mark Gaulke, spoke on her behalf, drawing on his 42 years of public works experience with New Hope and Crystal. He presented the valve and shared his perspective on the events.

Chair Dietz stated that Ms. Wilson's request would be addressed during item 5.5 on the agenda.

4.0 POLICY & COMPLIANCE

4.1 Commission Policy Review – G.3b – Delegation of Authority to the General Manager

Mr. Mauren presented his memo regarding G.3b – Delegation of Authority to the General Manager. There were no recommended changes from staff. Commissioners did not have any comments, questions, or changes.

4.2 2025 Governance Agenda

Mr. Mauren presented the 2025 Governance Agenda, noting that the adjustment made in 2024 to move the commission evaluation to June was carried over into 2025.

Chair Dietz inquired about the June commission meeting being moved to the first week of the month.

Mr. Mauren explained that the change accommodates the American Public Power Association's Summer Conference, scheduled for the second week of June, which several staff and commissioners will be attending.

Mr. Mauren also noted that meetings in 2025 will be held at the Elk River Municipal Utilities Conference Room.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to adopt the 2025 Governance Agenda. Motion carried 5-0

4.3 **<u>2025 Performance Metrics and Incentive Compensation Policy</u>**

Mr. Hanson presented his memo on the 2025 Utilities Performance Metrics and Incentive Compensation (UPMIC) policy highlighting the recommended changes to the 2025 scorecard.

Mr. Hanson noted a correction to his memo stating that the payout date of the 2025 UPMIC will be in 2026 after the 2025 audit is complete.

Moved by Commissioner Zerwas and seconded by Commissioner Bell to approve the Performance Metrics and Incentive Compensation Policy and Scorecard for 2025. Motion carried 5-0

5.0 BUSINESS ACTION

5.5 **<u>Advanced Metering Infrastructure Update</u>**

Ms. Youngs provided the AMI update on behalf of Mr. Teitz, who was unable to attend the meeting. She reported steady progress on water meter exchanges and noted that Allegiant technicians have added Saturday installation hours for electric meters. Projects requiring ERMU staff assistance will be held for the regular work week.

Ms. Youngs also updated the total AMI meter installations to 40% complete, an increase from the 38% noted in the original memo.

Ms. Youngs turned the update over to Mr. Hanson to discuss the commercial water meter changeout issue presented in open forum.

Mr. Hanson informed the Commission that he and Mr. Ninow met with Ms. Wilson and her mother to review the policy regarding her commercial property. He clarified that the policy clearly states property owners are responsible for laterals from the main to the building, consistent with city ordinance and ERMU management policy water rules.

Mr. Hanson explained that Ms. Wilson has been offered an assessment option. Under this option, the City, through ERMU, could fund the $16,050 repair cost, with the amount being assessed to the property over a likely ten-year period, as outlined in the city ordinance and ERMU policies.

Mr. Hanson requested direction from the Commission and guidance on whether they wish to explore potential policy changes.

Chair Dietz inquired whether there is a difference between residential and commercial policies regarding water service and responsibilities. Mr. Hanson clarified that, per policy, there is no distinction between the two concerning the service lateral responsibilities.

Mr. Hanson noted that, as part of the AMI project, the Commission approved covering the cost of replacing or repairing a failed or missing street-side valve on residential properties only as part of the project expenses.

Chair Dietz expressed concern that the valve issue related to Ms. Wilson’s commercial property might not have arisen if the AMI project had not initiated the meter replacement. He also voiced dissatisfaction that the Utility's insurance would not cover the cost.

Chair Dietz asked Ms. Wilson if her insurance might cover the expense. Ms. Wilson explained that while she had discussed the situation with her insurance agent, she did not pursue filing a claim. She felt it was unfair for her insurance to be impacted, as she did not initiate the work.

Chair Dietz asked Mr. Ninow for clarification about the two policies in which one is posted online, and the other is not. Mr. Ninow stated that the policy is split into two parts - governance policy is what appears online, and the management policy is not.

Chair Dietz suggested that communication be distributed to all water customers that clearly identifies who owns what with regard to utilities infrastructure.

Ms. Youngs informed the Commission that the utility has communicated infrastructure ownership information for both residential and commercial properties through bill inserts, bill messaging, newsletters, and the website. She invited suggestions from the Commission on additional methods to improve customer engagement with this information.

Commissioner Stewart recommended including the flyer with new customer information as property owners may come and go in between the deployment of messaging.

There was discussion.

Commissioner Stewart proposed reviewing policies from other cities before implementing any policy changes. Acting on this suggestion, Chair Dietz directed Mr. Hanson to review the policies of neighboring cities and present his findings in January.

There was consensus from the Commission that since the AMI project initiated the work at Ms. Wilson’s business, the utility should pay the full amount of the necessary repair that resulted from that work.

There was additional clarifying discussion.

Mr. Mauren presented the "Who Owns What" residential and commercial flyers that illustrate ownership in reference to earlier discussions in item 5.5 about customer infrastructure communication. Mr. Mauren stated these flyers were used to educate customers through various media channels including ERMU's website.

There was clarifying discussion with legal counsel on how to make the motion.
Ms. Wilson asked a clarifying question about the AMI project residential policy and if it applies to the cost of her interior valve repair costs.

Commission denied repaying the cost of Ms. Wilson's interior valve costs of $676 as the policy in question only applies to residential customers.

Moved by Commissioner Bell and seconded by Commissioner Zerwas to pay the Dave Perkins Contracting invoice in the amount of $16,050 on behalf of Royal Supply Inc. for curb stop repair services related to the AMI project. Motion carried 5-0

5.1 **Financial Report – October 2024**

Ms. Karpinski presented the October 2024 financial report, highlighting strong performance in both electric and water services. She noted that December's billing included a zero power cost adjustment and forecasted that year-end results would exceed budget expectations for both electric and water, despite lower usage compared to prior year.

Chair Dietz raised concerns about higher year-to-date water expenses compared to prior year combined with lower sales. Ms. Karpinski attributed this primarily to increased costs and depreciation related to the field services building going up significantly.

Chair Dietz asked if the increase to administrative expense in the water budget was due to the market wage adjustment. Ms. Karpinski clarified that while water salaries are higher than the previous year, they are still below budget. She also noted additional contributors to this line item, including cost-of-living adjustments, increased costs for medical and dental benefits, and expenses related to PERA, FICA, and employee leave such as sick, holiday, and vacation pay.

Chair Dietz inquired whether the 2025 water budget focuses more on projected expenses or revenues and how weather impacts revenue predictions. Ms. Karpinski explained that both expenses and revenues are key factors in the budget. She acknowledged weather variability as a challenge for usage-based revenue estimates and noted that past difficulties in collecting tier revenue data are expected to improve with updated data collection methods in 2024.

Mr. Ninow emphasized the significant impact of service connections on water revenue, while Ms. Karpinski noted that major projects, such as AMI implementation and future well developments, also impact the budget.

There was discussion about depreciation as it relates to recent large projects.

Commissioner Stewart asked what the depreciation life is for the new AMI meters. Ms. Karpinski replied that it is 15 years.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to receive the October 2024 Financial Report. Motion carried 5-0.

5.2 **2025 Annual Business Plan Budget and Schedule of Rates & Fees**

Ms. Karpinski presented the 2025 Annual Business Plan, emphasizing a second consecutive year with no increase to electric rates, a 2% rise in the monthly water base rate, and a 1-3% stratified tier rate increase as outlined in the memo.

Discussions addressed factors driving water customers into tier two or three usage levels.

Ms. Youngs highlighted the benefits of AMI, noting that “Continuous Flow Notification” letters alert customers to unusual water consumption.

Mr. Hanson mentioned that a 2025 rate study could impact water tier structures.

Ms. Karpinski shared that residential tier two contributes 12% of revenue, and tier three contributes 14%.

Chair Dietz inquired about the continuation of power cost adjustments (PCA) in 2025. Ms. Karpinski confirmed their likely continuation, explaining that PCA directly reflects the energy adjustment clause (EAC) charges passed on to ERMU by its power provider.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to adopt the 2025 Annual Business Plan. Motion carried 5-0

5.3 **Energy City Committee**

Mr. Hanson presented his memo on the proposed Energy City Committee (ECC), clarifying that this would be a pilot program subject to review after one year to assess its value. He emphasized that staff remains neutral and will implement the Commission's decisions.

Mr. Hanson informed the Commission that staff met with the current ECC members. He noted that members were aware the City of Elk River would most likely dismantle the ECC at the December 16, 2024, City Council meeting. Mr. Hanson stated that while members in general reacted favorably to the concept of an Energy City Committee with ERMU, some expressed concerns about maintaining their voice within the City.

Mr. Hanson highlighted that staff's vision for the Committee would be to serve as educators on current ERMU programs and act as ambassadors for the Utilities. The proposed charter emphasizes education and based on feedback from the Utilities Commission, would include six members representing both residential and business interests.

Chair Dietz inquired if Ms. Youngs would lead the Committee on behalf of Utilities. Mr. Hanson confirmed she would act as the liaison.

During discussion, members of the Commission stated they felt that staff was already completing most of the tasks stated in the charter and considered the amount of staff time needed to oversee the Committee. The Commission reached a consensus to deny approval for the formation of the pilot ECC based on those issues.

It was determined that Ms. Youngs would notify the ECC of the Commission's decision.

Moved by Commissioner Zerwas and seconded by Commissioner Bell to deny approval for the formation of the pilot Energy City Committee. Motion carried 5-0

5.4 Disposition of City's Utility by Referendum

Mr. Hanson reviewed his memo in detail and requested the Commission approve Resolution 24-15, which will then be submitted to the City Council for approval.

Moved by Commissioner Zerwas and seconded by Commissioner Westgaard to recommend approval of the attached Resolution 24-15. Motion carried 5-0

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Mr. Hanson informed the Commission he will be attending the Minnesota Municipal Utilities Association's Technical & Operations conference in St. Cloud December 10-12.

Ms. Youngs reported that ERMU has achieved 95% of its Conservation Improvement Program (CIP) goal for the year and is on track to meet the full target while remaining under the spending budget. She expressed satisfaction with Frontier Energy's contributions during their first year.

Commissioner Zerwas requested that Frontier attend a future commission meeting to present 2024 highlights.

Mr. Hanson noted that Frontier's collaboration helped identify internal improvements at ERMU, which positively impacted kWh saving goals.

Ms. Youngs emphasized the significant contributions of large data centers participating in CIP programs, which have bolstered overall results.

Ms. Karpinski reported that the preliminary audit went smoothly.

Mr. Geiser noted that due to equipment shipping delays, impacted projects scheduled in 2024 will get moved to 2025 and 2025 projects will move up into 2024.

6.2 **City Council Update**

Commissioner Westgaard provided a city council update.

6.3 **Future Planning**

Chair Dietz announced the following:

a. Regular Commission Meeting – January 14, 2025
b. 2024 Governance Agenda

6.5 **Other Business**

Chair Dietz announced that the City Council approved the re-appointment of Commissioner Westgaard to the Utilities Commission for a three-year term. Commissioner Westgaard's term was scheduled to end in February 2026, but the Council had renewed his term off-cycle as he did not seek re-election to the Council in 2024 but expressed an interest in continuing with Utilities Commission. ERMU Bylaws state that the Commission shall consist of no more than two members of the City Council. As of 2025, Chair Dietz will be the only commissioner who also serves on the City Council.

7.0 ADJOURN REGULAR MEETING

Moved by Commissioner Westgaard and seconded by Commissioner Bell to adjourn the special meeting of the Elk River Municipal Utilities Commission at 4:59 p.m. Motion carried 5-0.

Minutes prepared by Jenny Foss.

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John J. Dietz, ERMU Commission Chair

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Tina Allard, City Clerk