

**ELK RIVER MUNICIPAL UTILITIES
SPECIAL MEETING OF THE UTILITIES COMMISSION
HELD AT THE UTILITIES CONFERENCE ROOM
December 18, 2025**

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

Present via Zoom: Commissioner Nick Zerwas participated in the meeting via interactive television as he was out of town at the time of the meeting

ERMU Staff Present: Mark Hanson, General Manager
Sara Youngs, Administrations Director
Melissa Karpinski, Finance Manager
Tony Mauren, Governance & Communications Manager
Tom Geiser, Operations Director
Jenny Foss, Communications & Administrative Coordinator

Others Present: Jared Shepherd, Attorney

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

There were no recommended changes to the agenda.

Moved by Commissioner Westgaard and seconded by Commissioner Larson-Vito to approve the December 18, 2025, agenda. Motion carried 5-0.

2.0 CONSENT AGENDA (Approved By One Motion)

Due to questions about the one item on the agenda, a recommendation was made by Commissioner Larson-Vito to remove this item from Consent for further discussion.

Moved by Commissioner Stewart and seconded by Commissioner Larson-Vito to remove Receive Final Electric and Water Cost of Service and Rate Design Studies from the Consent Agenda for further discussion. Motion carried 5-0.

3.0 BUSINESS ACTION

2.1 Receive Final Electric and Water Cost of Service and Rate Design Studies

Commissioner Stewart had questions regarding the classification of specific line items within the final Cost of Service and Rate Design Studies prepared by the ERMU's consultant, Dave Berg.

Commissioner Stewart stated that the amortization of the Minnesota Municipal Power Agency (MMPA) membership buy-in cost, valued at approximately \$668,000 annually, was classified under Plant and Service but suggested it would be more appropriately categorized under Power Supply. It was noted that this reclassification, while not affecting the overall 2% revenue goal, could impact how costs are allocated across different customer classes.

A second point concerned the description of Other Operating Expense, which referenced the local power peaking plant. Since the plant is no longer operational for power generation, its associated costs, including labor for caretaking, may need to be re-categorized from Power Generation to a more appropriate account, such as Distribution or General Campus Maintenance.

Staff stated they will work with the consultant to review the classification of the MMPA amortization and the former peaking plant expenses. An updated report will be brought back to the Commission in January for final review and filing. No formal action was taken to receive the report at the time.

3.1 Verizon Water Tower Lease Agreements

Commissioner Zerwas formally recused himself from discussion and voting, due to a professional relationship with Verizon.

Having received guidance from the Commission in November 2025 to not proceed with any changes, staff provided an update on the latest unsolicited offers from Verizon to amend its water tower lease agreements. Verizon is requesting reductions ranging from 26.5% to 32.8% across different towers, citing financial challenges and its analysis of redundant tower coverage, the potential consequence of which being removal of the equipment and a loss of revenue for ERMU.

Staff noted that Verizon's actions, such as proposed longer lease durations and recently upgrading equipment on a tower, seem to contradict their claim that the towers are less valuable.

Mr. Hanson corrected his memo which was published as stating, "Further reductions beyond 5% would require reducing the annual payments as needed to achieve the desired goal," as it should actually state 10% as that threshold.

Mr. Hanson invited the Commission's feedback on whether they were interested in approving a reduction and what percentage reduction they were comfortable with accepting.

Commissioners emphasized the importance of maintaining consistency across all lease agreements with all three carriers (Verizon, AT&T, T-Mobile). It was noted that staff has worked diligently to standardize terms, such as the 4% annual escalator, and that altering terms for one carrier could set a difficult precedent.

The Commission felt that the company's claimed financial burden should not be shifted to the Utilities' consumer-owners, noting the company has publicly reported its intention to distribute dividends to shareholders.

Mr. Hanson explained that Verizon is able to terminate its contracts at the end of every five-year renewal cycle without penalty. He added that the next periods start in 2028 and 2029 for the respective tower agreements.

The consensus of the Commission was to maintain the agreement terms and not renegotiate the existing lease agreements with Verizon. No formal action was requested or taken. Staff will proceed based on this direction.

3.2 2026 Annual Business Plan – Budget and Schedule of Rates & Fees

Ms. Karpinski presented the final 2026 Annual Business Plan for adoption. The plan incorporates recommendations from the cost of service studies, proposing a 2% total revenue increase for electric (a 7.06% margin), and a 4% rate increase for water (3.38% margin).

Based on discussion at the December regular meeting, Commissioner Stewart asked if staff had considered adjusting the water rate tiers. Staff responded that after reviewing neighboring utilities, ERMU's tiers are on the lower end, particularly the threshold between Tier 2 and Tier 3. Mr. Hanson proposed to hold off on tier adjustments for 2026 to avoid compounding the rate increase.

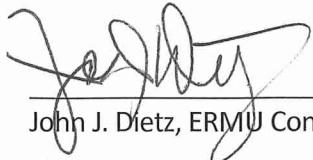
In response to a question, Ms. Youngs explained that most high-water-bill inquiries come from new homeowners unfamiliar with their irrigation systems. She added that the ERMU's new Advanced Metering Infrastructure helps proactively notify customers of continuous water flow issues to help reduce unnecessary usage.

Moved by Commissioner Larson-Vito and seconded by Commissioner Stewart to adopt Resolution 25-10 adopting the 2026 Annual Business Plan. Motion carried 5-0

4.0 ADJOURN REGULAR MEETING

Moved by Commissioner Westgaard and seconded by Commissioner Larson-Vito to adjourn the special meeting of the Elk River Municipal Utilities Commission at 4:00 p.m. Motion carried 5-0.

Minutes prepared by Tony Mauren.



John J. Dietz, ERMU Commission Chair



Jolene Richter, Deputy City Clerk