

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

April 8, 2025

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
Chris Sumstad, Electric Superintendent
Mike Tietz, Technical Services Superintendent
Dave Ninow, Water Superintendent
Jenny Foss, Communications & Administrative Coordinator

Others Present: Amy Schmidt, Attorney; Cal Portner, City Administrator; Justin Nilson, Partner with Abdo Solutions

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 Stewart to approve the April 8, 2025, agenda. Motion carried 5-0.

1.4 Resolution Recognizing 2025 Drinking Water Week

Mr. Ninow presented his memo on 2025 Drinking Water Week, occurring May 4-10. Explaining that this year's focus is exploring the science of safe water, advocating for infrastructure improvement, and promoting responsive stewardship.

Moved by Commissioner Zerwas and seconded by Commissioner Bell to adopt Resolution 25-2 Recognizing Drinking Water Week, May 4-10, 2025. Motion carried 5-0.

1.5 Resolution Recognizing 2025 Lineworker Appreciation Day

Mr. Sumstad presented his memo on 2025 Lineworker Appreciation Day. He explained that ERMU currently has 10 lineworkers, consisting of 8 journeymen and two apprentices, as well as a foreperson. Mr. Sumstad commended staff and the work they do.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to adopt Resolution 25-3 Recognizing Lineworkers and Designating April 18, 2025, as Lineworker Appreciation Day. Motion carried 5-0.

1.6 Recognition of Employee Longevity – Mike Tietz, 8 years; Chris Sumstad, 24 years

Mr. Geiser recognized Mr. Tietz and Mr. Sumstad for their respective longevity terms. Mr. Geiser explained that Mr. Tietz is a crucial member of the Advanced Metering Infrastructure project, as well as managing substations, infrastructure locates, technical services, and more. Mr. Geiser shared that Mr. Sumstad plays an important role in managing line crews, inventory, and daily responsibilities. Chair Dietz presented each staff member with the corresponding longevity payments. Both expressed their appreciation and there was a round of applause.

1.7 Recognition APPA Certificate of Excellence in Reliability

Mr. Tietz presented his memo which explained that the American Public Power Association (APPA) had recently honored 255 public power utilities with a certificate of excellence in reliability, of which ERMU was one. Mr. Tietz noted that ERMU's System Average Interruption Duration Index, which measures the average outage time per customer, was 42.083 minutes in comparison to an industry average of 148 minutes.

2.0 CONSENT AGENDA (Approved By One Motion)

Moved by Commissioner Bell and seconded by Commissioner Westgaard to approve the Consent Agenda as follows:

2.1 Check Register – March 2025

2.2 Regular Meeting Minutes – March 11, 2025

2.3 Resolution Electing Not to Waive Statutory Tort Limits for Liability Insurance

2.4 Updated Travel Expense Guidelines

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 2024 Financial Audit

Mr. Nilson from ABDO Solutions presented ERMU's 2024 audit results, which issued a clean, unmodified audit opinion and compliance with Minnesota state statutes. He also showcased charts comparing expenditures, receipts, cash balances, and debt obligations over the past four years. He detailed a key expenditure in the Electric fund which is purchased power. Within the water fund depreciation and operating costs were discussed as well as a modest drop in usage. There was discussion.

Commissioner Zerwas provided context from his experience with the state legislature, explaining how commonly small rural utilities rely on state funding for major projects. He stated his perspective that ERMU is in good position relative to others by having some funds available for projects. Mr. Hanson added that resilience and reliability are major contributor to a utility's financial stability, referring to the previously discussed reliability award.

Moved by Commissioner Stewart and seconded by Commissioner Bell to receive and file the 2024 Annual Financial Report. Motion carried 5-0.

4.2 2024 Year End Reserve Balance

Ms. Karpinski presented her memo which recommends that unrestricted reserve balances above target levels for the Electric Utility fund, calculated at \$3,026,233, be designated for electric service territory transfer costs, and capital infrastructure costs; and that unrestricted reserve balances for the Water Utility fund, calculated at \$8,538,018 be designated for current and future capital infrastructure costs.

Moved by Commissioner Westgaard and seconded by Commissioner Zerwas to designate unrestricted reserve balances above target levels for Electric and Water funds. Motion carried 5-0

4.3 Utilities Performance Incentive Compensation Distribution

Ms. Karpinski presented the memo which called for a 3% distribution to qualifying employees per the terms of the policy and based upon staff achieving all stated goals.

Staff explained that this was a \$140,000 budget item and that next year the maximum distribution will be reduced to 2% as part of the approved Wage & Benefit Committee recommendations in 2024.

Moved by Commissioner Zerwas and seconded by Commissioner Bell to award the Performance Metrics and Compensation Distribution of 3% to qualifying employees per the terms of the policy. Motion carried 5-0.

4.4 Commission Policy Review – G.4a – Succession of Leadership

Mr. Mauren presented his memo which proposed changes to the commission policy establishing that the interim acting general manager job description would effectively be the current general manager's job description until a special meeting is convened to establish the role description.

The memo also established the operations director as the primary successor and the administration director as the secondary successor.

Moved by Commissioner Zerwas and seconded by Commissioner Westgaard to approve recommended language updates. Motion carried 5-0.

4.5 Electric Vehicle Charger Discussion

In response to staff's question, the Commission expressed no interest in offering free energy through ERMU's currently owned EV chargers. They directed staff to hold discussions with local stakeholders (the Downtown Elk River Business Association and Rockwoods restaurant) to gauge their interest in taking over the chargers in the downtown Elk River parking lot and near the restaurant, respectively. If there is no interest the Commission directed staff to proceed with removing the chargers. ERMU will continue to operate a public charger at City Hall as a means to service its own EV.

5.0 BUSINESS ACTION

5.1 Financial Report – February 2025

Ms. Karpinski presented the financial report for February 2025. The report shows a profit of approximately \$412,000 with a profit margin of 5.6%. Both electric and water departments performed favorably compared to budget. Increased usage and sales helped contribute to favorable results in the electric and water budgets. There was discussion.

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

5.2 Annual Reliability Report

Mr. Tietz presented his memo which highlighted report data on ERMU's result from the 2024 eReliability Tracker. Mr. Tietz highlighted report data showing that tree contact caused 37% of outages in 2024, squirrels caused 26%, and vehicle accidents caused 9%. Mr. Tietz

explained that ERMU will continue its dedicated tree trimming program and commended staff and the utility's robust system for contributing to strong results.

Chair Dietz asked if ERMU is allowed to trim trees on private property. Staff explained that they will always communicate the need to trim trees with residents, but ERMU has the right to maintain plant growth in the right of way.

5.3 Water Service Line Ownership

Mr. Hanson presented his memo and invited the Commission to discuss what if any changes they'd like staff to pursue in water service line ownership. The topic had previously been covered in a discussion of the curb stop valve break during open forum at the December 2024 meeting and during business action at the February 2025 meeting. Mr. Hanson explained the potential iterations of ownership based on his research of 50 Minnesota municipal water utilities.

The four options discussed were to maintain status quo with customers owning service lines through the curb stop, maintain status quo but with a protection program, and ERMU owning the service line up to the curb stop with or without commercial exemption.

A review of insurance options and cost implications (annual costs approximately \$47,000–\$61,000 with additional deductible considerations) was provided. Mr. Hanson explained that ERMU would need to incur insurance costs over \$100,000 to break even and shared his opinion that this having costs over that amount were unlikely.

There was discussion around the relative infrequency of water service line breaks, generally occurring one to two times a year. Given this infrequency, Commissioner Stewart suggested that pursuing a change in policy could be an example of a "solution in search of a problem." The group also discussed the availability of the Dispute Resolution Committee to address individual cases.

The Commission reached consensus to continue with the current water service line ownership policy and revisit potential changes based on feedback from a future customer survey and the 2025 rate study. Accordingly, communications and finance staff will investigate pursuing the survey and the study.

5.4 Advanced Metering Infrastructure Update

Mr. Tietz explained that Allegiant has completed its portion of the residential work on the project due to intermittent water appointments and low inventory on electric meters, adding that ERMU staff will complete the rest of the installation work.

Residential water meter exchange work is approximately 92% complete with roughly 500 replacements remaining.

There have been 86 residential water repairs performed by Archer Plumbing totaling \$30,610.36, which is within the budgeted amount.

Commercial water meter work is approximately 45% complete.

Residential electric meter replacement is about 78% complete. Commercial electric meter replacements are pending delivery.

An estimated 85% of all AMI meters (11,689 electric, 5,224 water) are currently installed.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

The Commission discussed plans and travel arrangements for the APPA Summer Conference in New Orleans and the Minnesota Municipal Utilities Association Summer Conference in Rochester, MN.

ERMU is entering into an agreement with Summit Collection Agency beginning June 1, 2025, which is a change in service providers.

6.2 City Council Update

Chair Dietz provided a City Council Update.

6.3 Future Planning

Chair Dietz announced the following:

- a. Regular Commission Meeting – May 13, 2025
- b. 2025 Governance Agenda

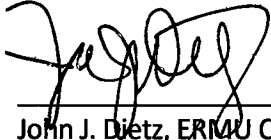
6.4 Other Business

Commissioner Bell shared that he would be moving to Florida in April 2025 which will require him to resign from the Commission. The Commission thanked him for his dedication over the years and wished him well.

7.0 ADJOURN REGULAR MEETING

Moved by Commissioner Zerwas and seconded by Commissioner Westgaard to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 5:36 p.m. Motion carried 5-0.

Minutes prepared by Tony Mauren.

A handwritten signature in black ink, appearing to read "John J. Dietz", written over a horizontal line.

John J. Dietz, ERMU Commission Chair

A handwritten signature in black ink, appearing to read "Tina Allard", written over a horizontal line.

Tina Allard, City Clerk