



**SPECIAL MEETING NOTICE OF THE
ELK RIVER MUNICIPAL UTILITIES COMMISSION**

**Thursday, December 18, 2025
3:30 p.m.
ERMU Conference Room
13069 Orono Parkway
Elk River, Minnesota**

I, **John Dietz, Chair**, hereby request a special meeting of the Elk River Municipal Utilities Commission on Thursday, December 18, 2025, at 3:30 p.m., in the ERMU conference room at Elk River City Hall, 13069 Orono Parkway, Elk River, Minnesota.

- The purpose of the meeting is to approve the 2026 Annual Business Plan and review water tower attachment lease agreements.

In accordance with State Statute, I hereby request the city clerk to post this notice at least three days prior to the meeting date. I further request the city clerk to notify each member of the Elk River Municipal Utilities Commission of this special meeting, in writing, at least one day before the meeting.

John J. Dietz, Chair

12/15/25

Date

I HEREBY CERTIFY, that this notice has been posted and that I have served this notice upon the members of the Elk River Municipal Utilities Commission by mail at least one day prior to the above-called Elk River Municipal Utilities Commission meeting.

Mark Hanson, General Manager

12/15/2025

Date



NOTICE OF PUBLIC MEETING

MEETING OF THE ELK RIVER MUNICIPAL UTILITIES COMMISSION

**Thursday, December 18, 2025, 3:30 p.m.
Elk River City Hall
13069 Orono Parkway
Elk River, Minnesota**

Notice is Hereby Given that the Elk River Municipal Utilities Commission will hold a special meeting on December 18, 2025, at 3:30 p.m., at the Elk River Municipal Utilities Conference Room, 13069 Orono Parkway, Elk River, MN.

One commissioner may participate via interactive television at the following locations, which shall be open and accessible to the public during the meeting:

The Hotel Crosby
232 Main Street N
Stillwater, MN 55082

I HEREBY CERTIFY, that this notice has been posted and that I have served this notice upon the members of the Elk River Municipal Utilities Commission by mail at least one day prior to the above-called Elk River Municipal Utilities Commission meeting.

Mark Hanson, General Manager

12/16/25

Date

AGENDA

1.0 GOVERNANCE

- 1.1 Call Meeting to Order
- 1.2 Pledge of Allegiance
- 1.3 Consider the Agenda

2.0 CONSENT

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

3.0 BUSINESS ACTION

- 3.1 Verizon Water Tower Lease Agreements
- 3.2 2026 Annual Business Plan – Budget and Schedule of Rates & Fees

3.0 ADJOURNMENT

TO: ERMU Commission	FROM: Mark Hanson - General Manager
MEETING DATE: December 18, 2025	AGENDA ITEM NUMBER: 2.1
SUBJECT: Receive Final Electric and Water Cost of Service and Rate Design Studies	
ACTION REQUESTED: Receive Final Cost of Service and Rate Design Studies	

BACKGROUND:

ERMU staff have been working with Dave Berg Consulting, LLC to complete the Electric and Water Cost of Service and Rate Design Studies. The purpose of this work is to evaluate potential updates to ERMU's electric and water retail rates, as well as applicable utility fees. Staff evaluated changes in operating conditions, including but not limited to monthly fixed costs, additional service fees, potential changes to the financial reserve policy, and new data from the Advance Metering Infrastructure project related to electric and water usage.

At the November 2025 meeting, the Commission instructed Mr. Berg to return in December with electric and water rate projections that account for higher reserve balances, increased Payment in Lieu of Taxes payments to the City, and an expected 3% increase in purchased power costs. Mr. Berg reviewed the findings and recommendations of the final cost of service reports for electric and water at the December 9, 2025, commission meeting.

DISCUSSION:

Dave Berg has submitted a final draft of the Electric Cost of Service and Rate Study Studies. The attached December 10 draft incorporates minor typo corrections to the electric report identified by staff. The previously submitted December 9 draft of the Water Cost of Service and Rate Study remains unchanged.

Staff request the Commission receive and file the final drafts of the Cost of Service and Rate Studies.

ATTACHMENTS:

- ERMU Draft Final Electric Study, December 10
- ERMU Draft Final Water Study, December 9



ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

Final Report

December 10, 2025



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates



December 10, 2025

Elk River Municipal Utilities Commission

13069 Orono Parkway
PO Box 430
Elk River, MN 55330

Subject: Electric Rate Study

Commission Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Elk River Municipal Utilities (ERMU) charges its customers for electric service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

Average annual increases of 2% in electric rates for the period 2026-2029 are recommended. Additionally, a new approach to calculation of the retail Purchased Cost Adjustment (PCA) has been made. These adjustments are necessary to make progress in meeting ERMU's new reserve level goals. Specific rate adjustments for each year are provided for each rate class.

Thank you for the opportunity to be of service to ERMU through the conduct of this study. I wish to express my appreciation for the valuable assistance I received from ERMU staff relative to the execution of this study.

Sincerely,

Dave Berg Consulting, LLC

A handwritten signature in black ink, reading 'David A. Berg', is written over a light gray rectangular background.

David A. Berg, PE
Principal

Dedicated to providing personal service to consumer-owned utilities

Dave Berg Consulting, LLC | 15213 Danbury Ave W, Rosemount, MN 55068 | 612-850-2305

www.davebergconsulting.com

Section 1

Introduction

The City of Elk River, MN owns a municipal utility providing service to approximately 13,700 retail electric customers. The electric utility is operated by Elk River Municipal Utilities (ERMU) and is under the direction of the Elk River Municipal Utilities Commission. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for electric service in Elk River. The study includes an examination of the allocated cost of service based on actual 2024 utility operations (Test Year). It also includes projected operating results for 2025-2029 (Study Period). As a result of the analyses undertaken and reported on herein, electric rate recommendations have been developed for consideration by ERMU.

Section 2

Projected Operating Results

Existing Rates

The rates charged for electric service by ERMU, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to ERMU's retail customers. This is necessary in order to ensure the long-term financial health of ERMU. The cost of providing electric service consists of normal operating expenses such as production and purchased power, transmission and distribution functions, customer and administrative functions, system depreciation expenses, capital improvements, payments on outstanding debt and contributions to the City of Elk River and other non-operating expenses.

An analysis of the operating results for ERMU during the 2025-2029 Study Period has been performed assuming the current retail rates and charges remain in effect for the electric utility through the Study Period. This analysis has been done to determine the overall need, if any, for additional revenue through rates to meet projected revenue requirements. The analyses and assumptions utilized in these projections are explained below.

Estimated Revenues – Existing Rates

Retail Sales

ERMU sells retail power and energy to residential, commercial and industrial customers. ERMU has recently been experiencing growth in total retail sales to its electric customers, primarily associated with the acquisition of additional electric service territory. During the Study Period, ERMU does not anticipate acquiring any additional new service territory areas. Based on a conservative assumption regarding sales growth, limited growth in residential sales during the Study Period (1% per year) beyond the 2025 actual sales has been included in this analysis. No growth in non-residential sales has been assumed.

Projected Operating Results – Existing Rates

Exhibit 2-A is a summarized listing of ERMU's historical and projected electric operating results at existing rates. The existing ERMU retail rates went into effect Jan. 1, 2025. The historical and projected revenues from retail sales of power and energy to different groups of customers are included as Charges for Services at the beginning of the exhibit under Operating Revenues.

Other Operating Revenues

ERMU also receives revenue from other normal operating procedures. These revenues are shown in Exhibit 2-A below the charges for services. Utility Revenues combined with Other Operating Revenues results in ERMU's Total Operating Revenues.

Revenue Requirements

Generation and Purchased Power

ERMU currently meets its wholesale power requirements through purchases from the Minnesota Municipal Power Agency (MMPA). Projections of wholesale power expenses are based on anticipated MMPA rate increases during the Study Period.

ERMU's actual retail sales and wholesale requirements for the 2024 Test Year are shown in Table 2-1.

**Table 2-1
Retail Sales
And Wholesale Requirements**

Item	2024
Metered Retail Sales	320,012,952 kWh
Distribution Losses	2.7 %
Wholesale Energy	328,891,814 kWh
Wholesale Peak	70,907 kW

Section 2

Power Cost Adjustment (PCA)

ERMU includes a Power Cost Adjustment (PCA) on its retail bills to customers. In the current projections under existing rates, the assumed PCA is based on the Energy Adjustment Clause (EAC) that MMPA includes as part of its wholesale bill to ERMU. The wholesale PCA changes every month. The average assumed MMPA EAC and assumed ERMU PCA for each year are shown in Table 2-2 below. As currently assumed, ERMU will increase its retail PCA to match the wholesale EAC by 2027. Further discussion and recommendations regarding the retail PCA are included in Section 4 of this report.

Table 2-2
Assumed Wholesale EAC and Retail PCA
(\$/kWh)

Item	2025	2026	2027	2028	2029
Wholesale EAC	0.02365	0.02263	0.02263	0.02263	0.02263
Retail PCA	0.01640	0.01927	0.02263	0.02263	0.02263

Other Operating Expenses

ERMU incurs other operating expenses associated with local electric system operations. Transmission and distribution operating and maintenance expenses are related to the substations, overhead and underground lines and customer facilities located in ERMU. Operating expenses also include production related expenses for the local peaking power plant. ERMU also has customer account expenses related to serving retail electric customers. Administrative and general expenses are required for utility management, employee benefits, training and other administrative costs. Non-wholesale power related expenses are based on 2024 values, the 2025 and 2026 budgets and are generally estimated to increase by 3% per year after 2026.

Projected Operating Results – Existing Rates

Depreciation

ERMU has annual depreciation costs based on its system investments. Depreciation during the Study Period is based on budgeted ERMU amounts and future capital improvements. Depreciation is a funded non-cash expense that generates monies available for annual capital improvements and reserves.

Non-operating Revenue (Expenses)

ERMU's non-operating revenue is primarily associated with investment income and miscellaneous revenues. Non-operating expenses are related to interest expense for existing debt.

City Transfer

ERMU makes an annual operational transfer to the City's general fund. The transfer is assumed to be 5% of electric retail sales revenue for sales in Elk River only.

Capital Improvements

ERMU makes annual normal capital investments in its electric system. Annual electric capital improvements for the Study Period, as budgeted by ERMU, are shown in Table 2-3 below.

Table 2-3
Capital Improvements

Capital Item	2025	2026	2027	2028	2029
Electric Capital	\$7,455,754	\$8,047,103	\$4,628,954	\$4,542,896	\$4,381,166

Section 2

Debt Service

ERMU currently has outstanding electric debt pursuant to bonds issued in 2016, 2018 and 2021. No additional bond issues assumed for the electric utility through the Study Period.

Interfund Borrowing

It is assumed that the water utility will make a \$1.4 million loan to the electric department in 2026 which will be repaid in 2028.

Projected Operating Results – Existing Rates

Based on the assumptions outlined above, the resulting projected operating results assuming continued application of the existing retail rates are summarized in Table 2-4 for the electric utility. A summary presentation of the operating results is shown in Exhibit 2-A. The results below are provided as an indication of revenue needs in the future.

Table 2-4
Projected Operating Results
Existing Rates

Year	2025	2026	2027	2028	2029
Operating Revenues		\$47,893,140	\$49,217,147	\$49,432,238	\$49,649,040
Less Operating Expenses		(44,210,400)	(45,215,511)	(46,121,914)	(47,047,707)
Plus Non -Operating Revenues (Expenses)		468,457	489,744	496,394	536,394
Plus Fees and Transfers		<u>(1,756,111)</u>	<u>(1,815,029)</u>	<u>(1,824,601)</u>	<u>(1,834,249)</u>
Change in Net Position ⁽¹⁾	\$3,800,000	2,395,085	2,676,350	1,982,117	1,303,478
Net Position as Percent of Revenues		5.0%	5.4%	4.0%	2.6%

(1) 2025 EOY change in net position estimated by ERMU staff based on 2025 YTD actual results

Projected Operating Results – Existing Rates

Cash Reserves

A summary of the impact of the projected operating results on ERMU's cash reserves for the Study Period is shown at the end of Exhibit 2-A and in Table 2-5 below.

As shown below, under existing retail rates and estimated revenue requirements over the Study Period, the cash reserves for the electric utility are projected to decrease from approximately \$13.8 million at the end of 2025 to approximately \$10.5 million by the end of 2029. ERMU has a newly revised reserve policy that sets a minimum target for reserves equal to 2 months operating expenses plus \$3.5 million catastrophic reserve plus a capital reserve equal to average annual capital expenses plus the next year's principal and interest expense. Based on this revised policy, the reserves decrease from 75% of reserve goal to 56% of reserve goal by the end of the Study Period.

Table 2-5
Projected Cash Reserves
Existing Rates

Year	2025	2026	2027	2028	2029
Beginning Balance		\$13,800,000	\$11,573,843	\$12,030,728	\$10,722,575
Plus Change in Net Position		2,395,085	2,676,350	1,982,117	1,303,478
Plus Depreciation		3,533,136	3,801,373	3,955,671	4,107,101
Plus Interfund Borrowing		1,400,000	-	(1,400,000)	-
Less Capital Improvements		(8,047,103)	(4,628,954)	(4,542,896)	(4,381,166)
Less Loss of Revenue Pmts		(472,275)	(316,884)	(198,046)	(100,816)
Less Debt Principal		<u>(1,035,000)</u>	<u>(1,075,000)</u>	<u>(1,105,000)</u>	<u>(1,140,000)</u>
Ending Balance ⁽¹⁾	\$13,800,000	\$11,573,843	\$12,030,728	\$10,722,575	\$10,511,172
Reserve Goal	\$18,392,897	\$18,432,831	\$18,623,699	\$18,769,766	\$18,924,065
Reserves as % of Goal	75%	63%	65%	57%	56%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results

Elk River Municipal Utilities
Electric Operating Results at Existing Rates

	Historical					Projected				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OPERATING REVENUES										
Charges for services	\$ 36,573,483	\$ 39,473,717	\$ 42,355,712	\$ 43,986,269	\$ 42,557,925	46,622,070	\$ 47,328,340	\$ 48,652,347	\$ 48,867,438	\$ 49,084,240
LFG project	1,141,482	1,019,097	935,004	-	-	-	-	-	-	-
Generation credit	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Connection maintenance	160,186	263,330	243,088	151,296	317,234	150,000	255,000	255,000	255,000	255,000
Customer penalties	42,556	-	284,452	308,374	295,143	285,000	305,000	305,000	305,000	305,000
Total Operating Revenues	\$ 37,922,507	\$ 40,760,944	\$ 43,823,056	\$ 44,450,739	\$ 43,175,102	\$ 47,061,870	\$ 47,893,140	\$ 49,217,147	\$ 49,432,238	\$ 49,649,040
OPERATING EXPENSES										
Purchased Power	\$ 24,240,440	\$ 28,169,146	\$ 31,544,604	\$ 31,232,788	\$ 28,590,698	\$ 31,019,478	\$ 31,596,071	\$ 32,060,510	\$ 32,532,005	\$ 33,017,341
Production	963,858	1,002,631	793,299	315,057	266,783	341,000	321,993	331,653	341,602	351,850
Transmission and Distribution	1,494,841	1,583,165	2,015,665	2,224,113	2,437,569	2,742,000	2,605,000	2,683,150	2,763,645	2,846,554
Services to City	229,086	224,814	231,861	253,564	229,359	265,000	-	-	-	-
Depreciation	2,896,839	2,957,685	3,062,751	3,177,120	3,317,829	3,339,552	3,533,136	3,801,373	3,955,671	4,107,101
Customer accounts	346,090	337,760	391,238	433,553	430,396	470,000	435,000	448,050	461,492	475,336
General and administrative	3,787,850	3,350,641	4,372,187	4,421,557	4,718,264	5,906,049	5,719,200	5,890,776	6,067,499	6,249,524
Total Operating Expenses	\$ 33,959,004	\$ 37,625,842	\$ 42,411,605	\$ 42,057,752	\$ 39,990,898	\$ 44,083,079	\$ 44,210,400	\$ 45,215,511	\$ 46,121,914	\$ 47,047,707
OPERATING INCOME	\$ 3,963,503	\$ 3,135,102	\$ 1,411,451	\$ 2,392,987	\$ 3,184,204	\$ 2,978,791	\$ 3,682,739	\$ 4,001,636	\$ 3,310,324	\$ 2,601,333
NON-OPERATING REVENUE (EXPENSE)										
Interest income	\$ 134,468	\$ 52,514	\$ (159,502)	\$ 158,310	\$ 338,157	\$ 350,000	350,000	350,000	350,000	350,000
Miscellaneous revenue	547,009	635,764	906,323	928,553	925,800	712,500	793,000	793,000	793,000	793,000
Interest expense and other	(606,313)	(836,474)	(851,199)	(811,210)	(773,748)	(735,069)	(699,543)	(678,256)	(671,606)	(631,606)
Gain (Loss) on sale of capital assets	23,263	(45,214)	41,938	59,556	(16,154)	25,000	25,000	25,000	25,000	25,000
Total Non-Operating Revenues (Expenses)	\$ 98,427	\$ (193,410)	\$ (62,440)	\$ 335,209	\$ 474,055	\$ 352,431	\$ 468,457	\$ 489,744	\$ 496,394	\$ 536,394
Income before Contributions and Transfers	\$ 4,061,930	\$ 2,941,692	\$ 1,349,011	\$ 2,728,196	\$ 3,658,259	\$ 3,331,222	\$ 4,151,196	\$ 4,491,379	\$ 3,806,718	\$ 3,137,727
Contributions from Customers	\$ 174,557	\$ 385,316	\$ 298,935	\$ 489,452	\$ 690,934	\$ 225,000	\$ 350,000	350,000	350,000	350,000
Transfers to Other City Funds	(1,340,218)	(1,407,734)	(1,531,633)	(1,620,378)	(1,527,629)	(1,908,429)	(2,106,111)	(2,165,029)	(2,174,601)	(2,184,249)
Special Item	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET POSITION	\$ 2,896,269	\$ 1,919,274	\$ 116,313	\$ 1,597,270	\$ 2,821,564	\$ 1,647,793	\$ 2,395,085	\$ 2,676,350	\$ 1,982,117	\$ 1,303,478
As Percent of Revenues	7.6%	4.7%	0.3%	3.6%	6.5%	3.5%	5.0%	5.4%	4.0%	2.6%
CASH RESERVES										
Beginning of Year						\$ 13,014,941	\$ 13,800,000	\$ 11,573,843	\$ 12,030,728	\$ 10,722,575
Plus Change in Net Position						1,647,793	2,395,085	2,676,350	1,982,117	1,303,478
Plus Depreciation						3,339,552	3,533,136	3,801,373	3,955,671	4,107,101
Plus Interfund Borrowing						-	1,400,000	-	(1,400,000)	-
Less Capital Improvements						(7,455,754)	(8,047,103)	(4,628,954)	(4,542,896)	(4,381,166)
Less Loss of Revenue Payments						(935,000)	(472,275)	(316,884)	(198,046)	(100,816)
Less Debt Principal						(990,000)	(1,035,000)	(1,075,000)	(1,105,000)	(1,140,000)
End of Year ⁽¹⁾					\$ 13,014,941	\$ 13,800,000	\$ 11,573,843	\$ 12,030,728	\$ 10,722,575	\$ 10,511,172
Existing Reserve goal						\$ 18,392,897	\$ 18,432,831	\$ 18,623,699	\$ 18,769,766	\$ 18,924,065
Percent of goal						75%	63%	65%	57%	56%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results.

Section 3

Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of ERMU's customer groups within the electric utility. Customer classes exist, in part, because the cost to serve various kinds of customers varies. The cost-of-service analysis has been performed on a 2024 'Test Year' based on actual 2024 financials, operations and sales. The results of the cost-of-service study give an indication of the degree of revenue recovery warranted for each class of customers. A comparison of the allocated cost to serve a group of customers and the actual revenues received from those customers is taken into consideration during rate design.

Functionalization of Costs

ERMU's Test Year electric revenue requirements have been divided into four functional categories. These categories are described below.

Power Supply – the power supply function is related to the cost of ERMU purchases of wholesale power through MMPA and costs related to local generating units.

Distribution – the distribution expenses are related to the ERMU system for delivering power and energy to ERMU customers. They include substation and distribution system costs. It also includes the fixed costs associated with the service facilities utilized to deliver electric power and energy directly to customers.

Customer – these include items such as meter reading, billing, collections and dealing with customers by customer service representatives.

Revenue – revenue related costs include certain non-operating revenues and utility margin.

Table 3-1 below summarizes the functional electric costs for the 2024 Test Year. The detailed cost functions are shown in Exhibit 3-A.

Table 3-1
Functional Electric Costs
2024 Test Year

Component	Revenue Requirement
Power Supply	\$29,098,388
Distribution	8,879,618
Customer	1,720,514
Revenue	<u>2,449,632</u>
Total	\$42,148,152

Classification of Costs

Within each function, the revenue requirements have been divided into distinct cost classifications. These cost classifications are described below.

Demand Related – demand related costs are fixed costs that do not vary with hourly consumption. Demand related costs are required to meet the overall demand of the system as expressed in kW.

Energy Related – energy related costs vary based on hourly consumption in kWh.

Customer Related – costs related to serving, metering and billing of individual customers.

Revenue Related – revenue related costs vary by the amount of revenue received by the utility.

Exhibits 3-B through 3-D show the detailed classification of revenue requirements within the power supply, distribution and customer functions.

Section 3

Allocation of Costs

Based on an analysis of customer class service characteristics, the classified costs summarized above were allocated to the major ERMU customer classes. Allocation of costs was performed on a fully-distributed, embedded cost allocation basis. Specific allocation factors were utilized in each of the cost classification categories as described below. Exhibit 3-E contains a summary of the development of the various allocation factors.

Demand Allocations

Customer class demands on a system can be reflected in various ways. Two primary demand allocation types were utilized in this analysis. Coincident peaks ('CP') represent a class' share of the overall system peak. A 12 CP method, reflecting each class' estimated contribution to each month's system peak, was employed for allocating the power supply demand portion of the wholesale purchased power and production expenses. Non-coincident peaks reflect a class maximum demand regardless of when it occurs. The non-coincident peak is an indication of the amount of fixed local system required to serve individual groups of customers. A 1 NCP method, an estimate of each class' maximum annual demand on the system, was utilized for allocating local system demand related costs.

Energy Allocations

Each class' share of energy requirements was used to allocate energy related costs. The predominant energy related costs are the energy portions of the purchased power and local generation expenses.

Customer Allocations

Two separate customer allocators were utilized. The customer facilities allocator was used to allocate costs associated with the physical facilities required to serve individual customers such as service transformers, service drops and meters. The customer service allocator is for allocation of costs associated with customer service – meter reading, billing, collections and customer inquiries. For both the customer facilities and customer service allocators, a weighted customer allocation factor is developed. Weighting factors are developed to represent the difference in service configurations between customer classifications. For instance, a larger customer facility is required for a single large power customer than for a single residential customer, or a single large power customer requires more customer service than a single residential customer.

Revenue Allocations

Revenue related costs were allocated based on each class' share of total demand, energy, customer facility, customer service and direct costs.

Cost of Service Results

Based on the classifications and allocations described above, the estimated cost to serve each major class of customers for the 2024 Test Year was determined. Exhibit 3-F presents this analysis in detail. Table 3-2 below summarizes the total allocated electric costs for each class compared to the total electric revenues received from the class during 2024.

Section 3

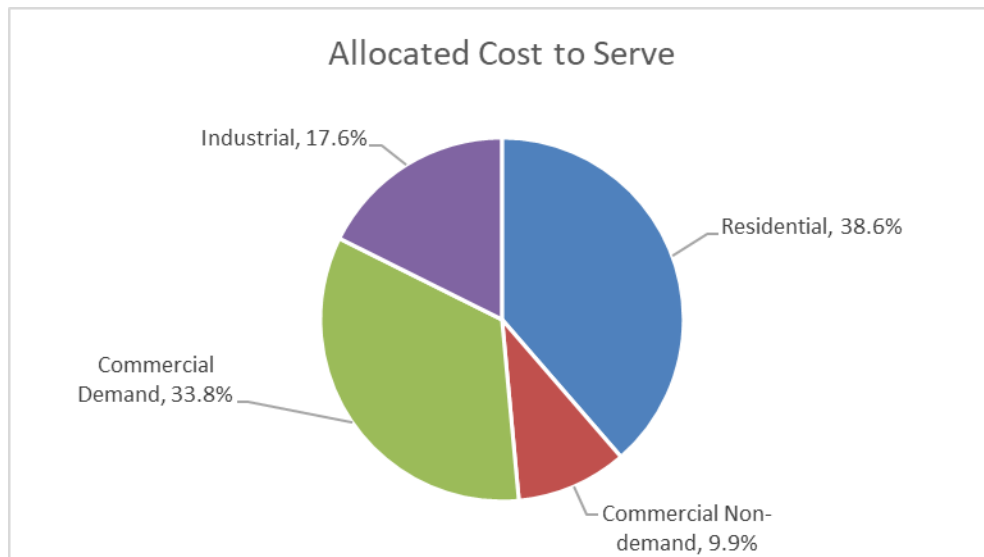
Table 3-2
Electric Cost of Service Results
Comparison of Cost and Revenues
2024 Test Year

Customer Classification	Allocated Cost to Serve	Revenues
Residential	\$16,283,647	\$16,583,227
Commercial Non-demand	4,166,924	4,401,535
Demand	14,258,918	13,875,362
Industrial	<u>7,438,663</u>	<u>7,288,029</u>
Total	\$42,148,152	\$42,148,152

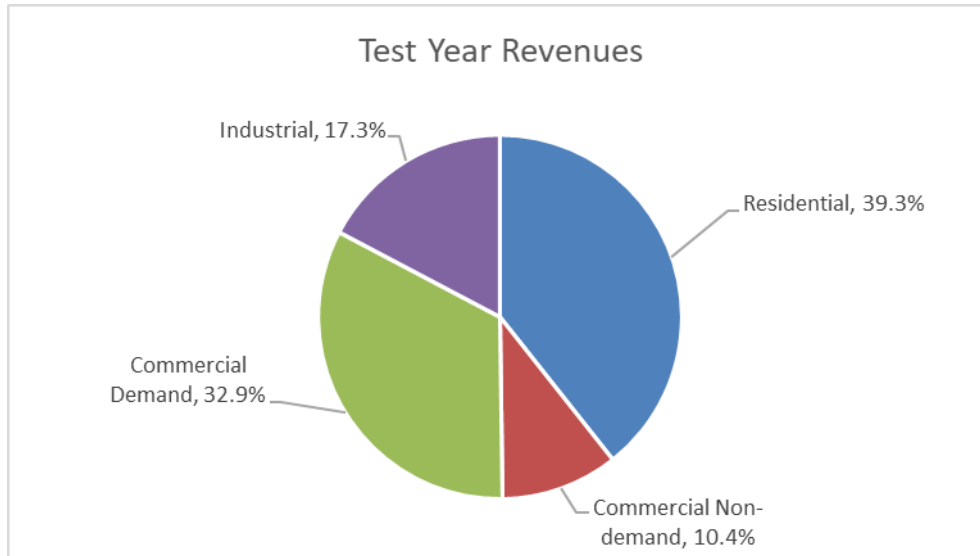
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollars basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost to serve and revenues as a percentage of the totals. The percentage increase/(decrease) in each class' revenue shown in Table 3-3 is the adjustment necessary to produce revenues from each class in accordance with the allocated cost to serve. The percentage adjustments do not represent the recommended change in each class' rates. The cost-of-service results are one item for consideration in rate design. It is important to note also that the adjustments shown in the table below would not change the total revenue received by the utility and are not indicative of overall revenue needs of the utility going forward. Recommendations regarding rate design are included in Section 4 of this report.

Table 3-3
Electric Cost of Service Results
Comparison of % Cost and Revenues
2024 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	38.6%	39.3%	-1.8%
Commercial Non-demand	9.9%	10.4%	-5.3%
Demand	33.8%	32.9%	2.8%
Industrial	<u>17.6%</u>	<u>17.3%</u>	<u>2.1%</u>
Total	100.0%	100.0%	0.0%



Section 3



As indicated above, ERMU's existing class revenues do not exactly match the allocated cost to serve each class. Cost based rates are one of several goals in establishing rates. The relationship between allocated costs and revenues for each class should be considered, in addition to other rate related goals, in developing recommended rates.

Elk River Municipal Utilities
Functionalization of 2024 Test Year Revenue Requirements

REVENUE REQUIREMENT	2024 <u>Test Year</u>	Power <u>Supply</u>	<u>Distribution</u>	<u>Customer</u>	<u>Revenue</u>	<u>Classification Basis</u>
OPERATING EXPENSES						
Purchased Power	\$ 28,590,698	\$ 28,590,698	\$ -	\$ -	\$ -	100% power supply
Production						
OPERATING SUPERVISION	137,835	137,835	-	-	-	100% power supply
DIESEL OIL FUEL	159	159	-	-	-	100% power supply
NATURAL GAS	21,926	21,926	-	-	-	100% power supply
ELECTRIC & WATER CONSUMPTION	58,033	58,033	-	-	-	100% power supply
OTHER EXP/PLANT SUPPLIES-ETC	9,756	9,756	-	-	-	100% power supply
MISC OTHER PWR GENERATION EXP	640	640	-	-	-	100% power supply
MAINTENANCE OF STRUCTURE/PLANT	13,914	13,914	-	-	-	100% power supply
MTCE OF ENGINES/GENERATORS-PL	4,177	4,177	-	-	-	100% power supply
MTCE OF PLANT/LAND IMPROVEMENT	20,339	20,339	-	-	-	100% power supply
Total Production	\$ 266,779	\$ 266,779	\$ -	\$ -	\$ -	
Transmission	\$ 48,622	\$ 48,622	\$ -	\$ -	\$ -	100% power supply
Distribution						
REMOVE EXISTING SERV & METERS	352	-	352	-	-	100% distribution
SCADA EXPENSES	51,049	-	51,049	-	-	100% distribution
TRANSFORMER EX/OVERHD & UNDERG	17,031	-	17,031	-	-	100% distribution
MTCE OF SIGNAL SYSTEMS	2,223	-	2,223	-	-	100% distribution
METER EXP - REMOVE & RESET	466	-	466	-	-	100% distribution
TEMP SERVICE-INSTALL & REMOVE	650	-	650	-	-	100% distribution
MISC DISTRIBUTION EXPENSE	353,049	-	353,049	-	-	100% distribution
INTERCONNECTION CARRYING CHARGE	2,416	-	2,416	-	-	100% distribution
MTCE OF STRUCTURES	90,596	-	90,596	-	-	100% distribution
MTCE OF SUBSTATIONS	26,504	-	26,504	-	-	100% distribution
MTCE OF SUBSTATION EQUIPMENT	88,541	-	88,541	-	-	100% distribution
MTCE OF OVERHD LINES/TREE TRIM	245,908	-	245,908	-	-	100% distribution
MTCE OF OVERHD LINES/STANDBY	43,616	-	43,616	-	-	100% distribution
MTCE OF OVERHEAD	174,965	-	174,965	-	-	100% distribution
MTCE OF UNDERGROUND/DISTRIB	284,922	-	284,922	-	-	100% distribution
LOCATE ELECTRIC LINES	100,233	-	100,233	-	-	100% distribution
LOCATE FIBER LINES	3,182	-	3,182	-	-	100% distribution
MTCE OF LINE TRANSFORMERS	65,534	-	65,534	-	-	100% distribution
MTCE OF STREET LIGHTING	83,909	-	83,909	-	-	100% distribution
MTCE OF SECURITY LIGHTING	24,067	-	24,067	-	-	100% distribution
MTCE OF METERS	57,807	-	57,807	-	-	100% distribution
VOLTAGE COMPLAINTS	6,937	-	6,937	-	-	100% distribution
SALARIES/TRANS & DISTRIBUTION	31,044	-	31,044	-	-	100% distribution
ELECTRIC MAPPING	134,998	-	134,998	-	-	100% distribution
MTCE OF OVERHEAD SERVICE/2NDRY	21,933	-	21,933	-	-	100% distribution
MTCE OF UNDERGROUND ELEC SERV	58,324	-	58,324	-	-	100% distribution
LOCATE UNDERGROUND SECONDARY	-	-	-	-	-	100% distribution
TRANSPORTATION EXPENSE	303,891	-	303,891	-	-	100% distribution
Total Distribution	\$ 2,274,147	\$ -	\$ 2,274,147	\$ -	\$ -	
Utilities & Labor Donated						
UTILITIES & LABOR DONATED TO CITY	229,359	-	-	-	229,359	100% revenue
Total Utilities & Labor Donated	229,359	-	-	-	229,359	
Depreciation & Amortization						
DEPRECIATION	2,649,693	1,385	2,648,308	-	-	plant in service
AMORTIZATION	668,135	349	667,786	-	-	plant in service
Total Depreciation & Amortization	\$ 3,317,828	\$ 1,734	\$ 3,316,094	\$ -	\$ -	
Other Operating Expenses						
EV CHARGING EXPENSE	2,661	-	-	2,661	-	100% customer
LOSS ON DISPOSITION OF PROPERTY	-	-	-	-	-	NA
OTHER DONATIONS	-	-	-	-	-	NA
MUTUAL AID	54,540	-	54,540	-	-	100% distribution
INTEREST PD ON METER DEPOSIT	57,582	-	-	57,582	-	100% customer
RENTAL PROPERTY EXPENSE	-	-	-	-	-	NA
PENSION EXPENSE	(196,662)	-	(196,662)	-	-	100% distribution
Total Other Operating Expenses	\$ (81,879)	\$ -	\$ (142,122)	\$ 60,243	\$ -	
Customer Accounts						
METER READING EXPENSE	47,697	-	-	47,697	-	100% customer
COLLECTING EXP DISC/RECONNECT	11,844	-	-	11,844	-	100% customer
MISC CUSTOMER ACCTS EXP-COMP	355,651	-	-	355,651	-	100% customer

Elk River Municipal Utilities
Functionalization of 2024 Test Year Revenue Requirements

REVENUE REQUIREMENT	2024 Test Year	Power Supply	Distribution	Customer	Revenue	Classification Basis
CUST BLS NOT PD/SENT FOR COLL	15,202	-	-	15,202	-	100% customer
Total Customer Accounts	\$ 430,394	\$ -	\$ -	\$ 430,394	\$ -	
General & Administrative						
SALARIES/OFFICE & COMMISSION	885,000	39,753	682,932	133,564	28,751	non PP operating expenses
TEMPORARY STAFFING	-	-	-	-	-	NA
OFFICE SUPPLIES & EXPENSE	95,725	4,300	73,869	14,447	3,110	non PP operating expenses
LT & WATER CONSUMPTION/OFFICE	24,245	1,089	18,709	3,659	788	non PP operating expenses
BANK CHARGES	2,845	128	2,195	429	92	non PP operating expenses
LEGAL FEES	35,361	1,588	27,287	5,337	1,149	non PP operating expenses
AUDITING FEES	18,880	848	14,569	2,849	613	non PP operating expenses
INSURANCE	183,582	8,246	141,665	27,706	5,964	non PP operating expenses
UTILITY SHARE DEF COMP	111,229	4,996	85,833	16,787	3,613	non PP operating expenses
UTIL SH OF MEDICAL/DENTAL	829,167	37,245	639,847	125,138	26,937	non PP operating expenses
UTILITY SHARE OF PERA	308,017	13,836	237,689	46,486	10,006	non PP operating expenses
UTILITY SHARE OF FICA	300,170	13,483	231,633	45,302	9,751	non PP operating expenses
EMPLOYEES SICK PAY	496,745	22,313	383,325	74,969	16,138	non PP operating expenses
EMP HOLIDAY PAY	179,076	8,044	138,188	27,026	5,818	non PP operating expenses
EMPLOYEE VACATION & PTO	331,860	14,907	256,088	50,084	10,781	non PP operating expenses
UPMIC DISTRIBUTION	112,540	5,055	86,844	16,985	3,656	non PP operating expenses
LONGEVITY PAY	6,963	313	5,373	1,051	226	non PP operating expenses
CONSULTING FEES	40,307	1,811	31,104	6,083	1,309	non PP operating expenses
TELEPHONE	30,987	1,392	23,912	4,677	1,007	non PP operating expenses
ADVERTISING	14,071	632	10,858	2,124	457	non PP operating expenses
DUES & SUBSCRIPTIONS - FEES	123,647	5,554	95,415	18,661	4,017	non PP operating expenses
TRAVEL EXPENSE	-	-	-	-	-	NA
SCHOOLS & MEETINGS	199,541	8,963	153,981	30,115	6,482	non PP operating expenses
MTCE OF GENERAL PLANT & OFFICE	10,072	452	7,772	1,520	327	non PP operating expenses
Total General & Administrative	\$ 4,340,030	\$ 194,950	\$ 3,349,089	\$ 654,998	\$ 140,992	
General Expense						
CIP REBATES - RESIDENTIAL	92,938	-	-	92,938	-	100% customer
CIP REBATES - COMMERCIAL	111,001	-	-	111,001	-	100% customer
CIP - ADMINISTRATION	180,070	-	-	180,070	-	100% customer
CIP - MARKETING	44,739	-	-	44,739	-	100% customer
CIP - LABOR	98,214	-	-	98,214	-	100% customer
CIP REBATES - LOW INCOME	3,762	-	-	3,762	-	100% customer
CIP - LOW INCOME LABOR	9,264	-	-	9,264	-	100% customer
ENVIRONMENTAL COMPLIANCE	31,460	-	-	31,460	-	100% customer
MISC GENERAL EXPENSE	3,431	-	-	3,431	-	100% customer
Total General Expense	\$ 574,879	\$ -	\$ -	\$ 574,879	\$ -	
TOTAL OPERATING EXPENSES	\$ 39,990,857	\$ 29,102,783	\$ 8,797,208	\$ 1,720,514	\$ 370,351	
OTHER OPERATING REVENUES						
LFG PROJECT	-	-	-	-	-	NA
DISPERSED GENERATION CREDIT	4,800	4,800	-	-	-	100% power supply
CONNECTION MAINTENANCE	317,234	-	-	-	317,234	100% revenue
CUSTOMER PENALTIES	295,143	-	-	-	295,143	100% revenue
SECURITY LIGHTS	260,837	-	-	-	260,837	100% revenue
CONTRIBUTIONS FROM CUSTOMERS	690,934	-	690,934	-	-	100% distribution
TOTAL OTHER OPERATING REVENUES	\$ 1,568,948	\$ 4,800	\$ 690,934	\$ -	\$ 873,214	
NON-OPERATING INCOME (EXPENSES)						
Interest income	338,157	-	-	-	338,157	100% revenue
Miscellaneous revenue	925,800	-	-	-	925,800	100% revenue
Interest expense and other	(773,748)	(404)	(773,344)	-	-	plant in service
Gain (Loss) on sale of capital assets	(16,154)	-	-	-	(16,154)	100% revenue
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ 474,055	\$ (404)	\$ (773,344)	\$ -	\$ 1,247,803	
TRANSFER TO CITY	\$ 1,527,629	\$ -	\$ -	\$ -	\$ 1,527,629	100% revenue
MARGIN	\$ 2,672,669	\$ -	\$ -	\$ -	\$ 2,672,669	100% revenue
TOTAL REVENUE REQUIREMENT	\$ 42,148,152	\$ 29,098,388	\$ 8,879,618	\$ 1,720,514	\$ 2,449,632	
	100%	69%	21%	4%	6%	

Elk River Municipal Utilities
2024 Test Year Power Supply Classification

	2024			
REVENUE REQUIREMENT	<u>Test Year</u>	<u>Demand</u>	<u>Energy</u>	<u>Classification Basis</u>
OPERATING EXPENSES				
Purchased Power	\$ 28,590,698	\$ 7,343,889	\$ 21,246,809	per power supply
Production				
OPERATING SUPERVISION	137,835	137,835	-	100% demand
DIESEL OIL FUEL	159	-	159	100% energy
NATURAL GAS	21,926	-	21,926	100% energy
ELECTRIC & WATER CONSUMPTION	58,033	-	58,033	100% energy
OTHER EXP/PLANT SUPPLIES-ETC	9,756	9,756	-	100% demand
MISC OTHER PWR GENERATION EXP	640	640	-	100% demand
MAINTENANCE OF STRUCTURE/PLANT	13,914	13,914	-	100% demand
MTCE OF ENGINES/GENERATORS-PL	4,177	4,177	-	100% demand
MTCE OF PLANT/LAND IMPROVEMENT	20,339	20,339	-	100% demand
Total Production	\$ 266,779	\$ 186,661	\$ 80,118	
Transmission	\$ 48,622	\$ 48,622	\$ -	100% demand
Distribution				
REMOVE EXISTING SERV & METERS	-	-	-	NA
SCADA EXPENSES	-	-	-	NA
TRANSFORMER EX/OVERHD & UNDERG	-	-	-	NA
MTCE OF SIGNAL SYSTEMS	-	-	-	NA
METER EXP - REMOVE & RESET	-	-	-	NA
TEMP SERVICE-INSTALL & REMOVE	-	-	-	NA
MISC DISTRIBUTION EXPENSE	-	-	-	NA
INTERCONNECTION CARRYING CHARGE	-	-	-	NA
MTCE OF STRUCTURES	-	-	-	NA
MTCE OF SUBSTATIONS	-	-	-	NA
MTCE OF SUBSTATION EQUIPMENT	-	-	-	NA
MTCE OF OVERHD LINES/TREE TRIM	-	-	-	NA
MTCE OF OVERHD LINES/STANDBY	-	-	-	NA
MTCE OF OVERHEAD	-	-	-	NA
MTCE OF UNDERGROUND/DISTRIB	-	-	-	NA
LOCATE ELECTRIC LINES	-	-	-	NA
LOCATE FIBER LINES	-	-	-	NA
MTCE OF LINE TRANSFORMERS	-	-	-	NA
MTCE OF STREET LIGHTING	-	-	-	NA
MTCE OF SECURITY LIGHTING	-	-	-	NA
MTCE OF METERS	-	-	-	NA
VOLTAGE COMPLAINTS	-	-	-	NA
SALARIES/TRANS & DISTRIBUTION	-	-	-	NA
ELECTRIC MAPPING	-	-	-	NA
MTCE OF OVERHEAD SERVICE/2NDRY	-	-	-	NA
MTCE OF UNDERGROUND ELEC SERV	-	-	-	NA
LOCATE UNDERGROUND SECONDARY	-	-	-	NA
TRANSPORTATION EXPENSE	-	-	-	NA
Total Distribution	\$ -	\$ -	\$ -	
Utilities & Labor Donated				
UTILITIES & LABOR DONATED TO CITY	-	-	-	NA
Total Utilities & Labor Donated	-	-	-	
Depreciation & Amortization				
DEPRECIATION	1,385	1,385	-	100% demand
AMORTIZATION	349	349	-	100% demand
Total Depreciation & Amortization	\$ 1,734	\$ 1,734	\$ -	
Other Operating Expenses				
EV CHARGING EXPENSE	-	-	-	NA
LOSS ON DISPOSITION OF PROPERTY	-	-	-	NA
OTHER DONATIONS	-	-	-	NA
MUTUAL AID	-	-	-	NA
INTEREST PD ON METER DEPOSIT	-	-	-	NA
RENTAL PROPERTY EXPENSE	-	-	-	NA
PENSION EXPENSE	-	-	-	NA
Total Other Operating Expenses	\$ -	\$ -	\$ -	
Customer Accounts				
METER READING EXPENSE	-	-	-	NA

Elk River Municipal Utilities
2024 Test Year Power Supply Classification

	2024			
REVENUE REQUIREMENT	<u>Test Year</u>	<u>Demand</u>	<u>Energy</u>	<u>Classification Basis</u>
COLLECTING EXP DISC/RECONNECT	-	-	-	NA
MISC CUSTOMER ACCTS EXP-COMP	-	-	-	NA
CUST BLS NOT PD/SENT FOR COLL	-	-	-	NA
Total Customer Accounts	\$ -	\$ -	\$ -	
General & Administrative				
SALARIES/OFFICE & COMMISSION	39,753	10,420	29,333	total revenue requirement
TEMPORARY STAFFING	-	-	-	NA
OFFICE SUPPLIES & EXPENSE	4,300	1,127	3,173	total revenue requirement
LT & WATER CONSUMPTION/OFFICE	1,089	285	804	total revenue requirement
BANK CHARGES	128	33	94	total revenue requirement
LEGAL FEES	1,588	416	1,172	total revenue requirement
AUDITING FEES	848	222	626	total revenue requirement
INSURANCE	8,246	2,162	6,085	total revenue requirement
UTILITY SHARE DEF COMP	4,996	1,310	3,687	total revenue requirement
UTIL SH OF MEDICAL/DENTAL	37,245	9,763	27,483	total revenue requirement
UTILITY SHARE OF PERA	13,836	3,627	10,209	total revenue requirement
UTILITY SHARE OF FICA	13,483	3,534	9,949	total revenue requirement
EMPLOYEES SICK PAY	22,313	5,849	16,465	total revenue requirement
EMP HOLIDAY PAY	8,044	2,108	5,935	total revenue requirement
EMPLOYEE VACATION & PTO	14,907	3,907	10,999	total revenue requirement
UPMIC DISTRIBUTION	5,055	1,325	3,730	total revenue requirement
LONGEVITY PAY	313	82	231	total revenue requirement
CONSULTING FEES	1,811	475	1,336	total revenue requirement
TELEPHONE	1,392	365	1,027	total revenue requirement
ADVERTISING	632	166	466	total revenue requirement
DUES & SUBSCRIPTIONS - FEES	5,554	1,456	4,098	total revenue requirement
TRAVEL EXPENSE	-	-	-	NA
SCHOOLS & MEETINGS	8,963	2,349	6,614	total revenue requirement
MTCE OF GENERAL PLANT & OFFICE	452	119	334	total revenue requirement
Total General & Administrative	\$ 194,950	\$ 51,101	\$ 143,850	
General Expense				
CIP REBATES - RESIDENTIAL	-	-	-	NA
CIP REBATES - COMMERCIAL	-	-	-	NA
CIP - ADMINISTRATION	-	-	-	NA
CIP - MARKETING	-	-	-	NA
CIP - LABOR	-	-	-	NA
CIP REBATES - LOW INCOME	-	-	-	NA
CIP - LOW INCOME LABOR	-	-	-	NA
ENVIRONMENTAL COMPLIANCE	-	-	-	NA
MISC GENERAL EXPENSE	-	-	-	NA
Total General Expense	\$ -	\$ -	\$ -	
TOTAL OPERATING EXPENSES	\$ 29,102,783	\$ 7,632,007	\$ 21,470,777	
OTHER OPERATING REVENUES				
LFG PROJECT	-	-	-	NA
DISPERSED GENERATION CREDIT	4,800	4,800	-	100% demand
CONNECTION MAINTENANCE	-	-	-	NA
CUSTOMER PENALTIES	-	-	-	NA
SECURITY LIGHTS	-	-	-	NA
CONTRIBUTIONS FROM CUSTOMERS	-	-	-	NA
TOTAL OTHER OPERATING REVENUES	\$ 4,800	\$ 4,800	\$ -	
NON-OPERATING INCOME (EXPENSES)				
Interest income	-	-	-	NA
Miscellaneous revenue	-	-	-	NA
Interest expense and other	(404)	(106)	(298)	total revenue requirement
Gain (Loss) on sale of capital assets	-	-	-	NA
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ (404)	\$ (106)	\$ (298)	
TRANSFER TO CITY	\$ -	\$ -	\$ -	NA
MARGIN	\$ -	\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT	\$ 29,098,388	\$ 7,627,313	\$ 21,471,075	

Elk River Municipal Utilities
2024 Test Year Distribution Classification

	2024 <u>Test Year</u>	<u>Demand</u>	<u>Customer Facilities</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT				
OPERATING EXPENSES				
Purchased Power	\$ -	\$ -	\$ -	NA
Production				
OPERATING SUPERVISION	-	-	-	NA
DIESEL OIL FUEL	-	-	-	NA
NATURAL GAS	-	-	-	NA
ELECTRIC & WATER CONSUMPTION	-	-	-	NA
OTHER EXP/PLANT SUPPLIES-ETC	-	-	-	NA
MISC OTHER PWR GENERATION EXP	-	-	-	NA
MAINTENANCE OF STRUCTURE/PLANT	-	-	-	NA
MTCE OF ENGINES/GENERATORS-PL	-	-	-	NA
MTCE OF PLANT/LAND IMPROVEMENT	-	-	-	NA
Total Production	\$ -	\$ -	\$ -	
Transmission	\$ -	\$ -	\$ -	NA
Distribution				
REMOVE EXISTING SERV & METERS	352	-	352	100% Cust facilities
SCADA EXPENSES	51,049	36,784	14,265	Dist/Cust split
TRANSFORMER EX/OVERHD & UNDERG	17,031	-	17,031	100% Cust facilities
MTCE OF SIGNAL SYSTEMS	2,223	-	2,223	100% Cust facilities
METER EXP - REMOVE & RESET	466	-	466	100% Cust facilities
TEMP SERVICE-INSTALL & REMOVE	650	-	650	100% Cust facilities
MISC DISTRIBUTION EXPENSE	353,049	254,392	98,657	Dist/Cust split
INTERCONNECTION CARRYING CHARGE	2,416	2,416	-	100% Dist demand
MTCE OF STRUCTURES	90,596	90,596	-	100% Dist demand
MTCE OF SUBSTATIONS	26,504	26,504	-	100% Dist demand
MTCE OF SUBSTATION EQUIPMENT	88,541	88,541	-	100% Dist demand
MTCE OF OVERHD LINES/TREE TRIM	245,908	177,191	68,717	Dist/Cust split
MTCE OF OVERHD LINES/STANDBY	43,616	31,428	12,188	Dist/Cust split
MTCE OF OVERHEAD	174,965	126,072	48,893	Dist/Cust split
MTCE OF UNDERGROUND/DISTRIB	284,922	205,303	79,619	Dist/Cust split
LOCATE ELECTRIC LINES	100,233	-	100,233	100% Cust facilities
LOCATE FIBER LINES	3,182	-	3,182	100% Cust facilities
MTCE OF LINE TRANSFORMERS	65,534	-	65,534	100% Cust facilities
MTCE OF STREET LIGHTING	83,909	-	83,909	100% Cust facilities
MTCE OF SECURITY LIGHTING	24,067	-	24,067	100% Cust facilities
MTCE OF METERS	57,807	-	57,807	100% Cust facilities
VOLTAGE COMPLAINTS	6,937	-	6,937	100% Cust facilities
SALARIES/TRANS & DISTRIBUTION	31,044	22,369	8,675	Dist/Cust split
ELECTRIC MAPPING	134,998	97,274	37,724	Dist/Cust split
MTCE OF OVERHEAD SERVICE/2NDRY	21,933	-	21,933	100% Cust facilities
MTCE OF UNDERGROUND ELEC SERV	58,324	-	58,324	100% Cust facilities
LOCATE UNDERGROUND SECONDARY	-	-	-	NA
TRANSPORTATION EXPENSE	303,891	303,891	-	100% Dist demand
Total Distribution	\$ 2,274,147	\$ 1,462,761	\$ 811,386	
Utilities & Labor Donated				
UTILITIES & LABOR DONATED TO CITY	-	-	-	NA
Total Utilities & Labor Donated	-	-	-	
Depreciation & Amortization				
DEPRECIATION	2,648,308	1,908,259	740,049	Dist/Cust split
AMORTIZATION	667,786	481,178	186,607	Dist/Cust split
Total Depreciation & Amortization	\$ 3,316,094	\$ 2,389,438	\$ 926,656	
Other Operating Expenses				
EV CHARGING EXPENSE	-	-	-	NA
LOSS ON DISPOSITION OF PROPERTY	-	-	-	NA
OTHER DONATIONS	-	-	-	NA
MUTUAL AID	54,540	54,540	-	100% Dist demand
INTEREST PD ON METER DEPOSIT	-	-	-	NA
RENTAL PROPERTY EXPENSE	-	-	-	NA
PENSION EXPENSE	(196,662)	(141,706)	(54,956)	Dist/Cust split
Total Other Operating Expenses	\$ (142,122)	\$ (87,166)	\$ (54,956)	
Customer Accounts				

Elk River Municipal Utilities
2024 Test Year Distribution Classification

	2024 <u>Test Year</u>	<u>Demand</u>	Customer <u>Facilities</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT				
METER READING EXPENSE	-	-	-	NA
COLLECTING EXP DISC/RECONNECT	-	-	-	NA
MISC CUSTOMER ACCTS EXP-COMP	-	-	-	NA
CUST BLGS NOT PD/SENT FOR COLL	-	-	-	NA
Total Customer Accounts	\$ -	\$ -	\$ -	
General & Administrative				
SALARIES/OFFICE & COMMISSION	682,932	448,412	234,520	total revenue requirement
TEMPORARY STAFFING	-	-	-	NA
OFFICE SUPPLIES & EXPENSE	73,869	48,502	25,367	total revenue requirement
LT & WATER CONSUMPTION/OFFICE	18,709	12,284	6,425	total revenue requirement
BANK CHARGES	2,195	1,442	754	total revenue requirement
LEGAL FEES	27,287	17,917	9,370	total revenue requirement
AUDITING FEES	14,569	9,566	5,003	total revenue requirement
INSURANCE	141,665	93,017	48,648	total revenue requirement
UTILITY SHARE DEF COMP	85,833	56,358	29,475	total revenue requirement
UTIL SH OF MEDICAL/DENTAL	639,847	420,122	219,724	total revenue requirement
UTILITY SHARE OF PERA	237,689	156,066	81,623	total revenue requirement
UTILITY SHARE OF FICA	231,633	152,090	79,543	total revenue requirement
EMPLOYEES SICK PAY	383,325	251,691	131,634	total revenue requirement
EMP HOLIDAY PAY	138,188	90,734	47,454	total revenue requirement
EMPLOYEE VACATION & PTO	256,088	168,147	87,941	total revenue requirement
UPMIC DISTRIBUTION	86,844	57,022	29,822	total revenue requirement
LONGEVITY PAY	5,373	3,528	1,845	total revenue requirement
CONSULTING FEES	31,104	20,423	10,681	total revenue requirement
TELEPHONE	23,912	15,700	8,211	total revenue requirement
ADVERTISING	10,858	7,129	3,729	total revenue requirement
DUES & SUBSCRIPTIONS - FEES	95,415	62,649	32,766	total revenue requirement
TRAVEL EXPENSE	-	-	-	NA
SCHOOLS & MEETINGS	153,981	101,103	52,877	total revenue requirement
MTCE OF GENERAL PLANT & OFFICE	7,772	5,103	2,669	total revenue requirement
Total General & Administrative	\$ 3,349,089	\$ 2,199,007	\$ 1,150,082	
General Expense				
CIP REBATES - RESIDENTIAL	-	-	-	NA
CIP REBATES - COMMERCIAL	-	-	-	NA
CIP - ADMINISTRATION	-	-	-	NA
CIP - MARKETING	-	-	-	NA
CIP - LABOR	-	-	-	NA
CIP REBATES - LOW INCOME	-	-	-	NA
CIP - LOW INCOME LABOR	-	-	-	NA
ENVIRONMENTAL COMPLIANCE	-	-	-	NA
MISC GENERAL EXPENSE	-	-	-	NA
Total General Expense	\$ -	\$ -	\$ -	
TOTAL OPERATING EXPENSES	\$ 8,797,208	\$ 5,964,039	\$ 2,833,169	
OTHER OPERATING REVENUES				
LFG PROJECT	-	-	-	NA
DISPERSED GENERATION CREDIT	-	-	-	NA
CONNECTION MAINTENANCE	-	-	-	NA
CUSTOMER PENALTIES	-	-	-	NA
SECURITY LIGHTS	-	-	-	NA
CONTRIBUTIONS FROM CUSTOMERS	690,934	690,934	-	100% Dist demand
TOTAL OTHER OPERATING REVENUES	\$ 690,934	\$ 690,934	\$ -	
NON-OPERATING INCOME (EXPENSES)				
Interest income	-	-	-	NA
Miscellaneous revenue	-	-	-	NA
Interest expense and other	(773,344)	(557,239)	(216,105)	Dist/Cust split
Gain (Loss) on sale of capital assets	-	-	-	NA
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ (773,344)	\$ (557,239)	\$ (216,105)	
TRANSFER TO CITY	\$ -	\$ -	\$ -	NA
MARGIN	\$ -	\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT	\$ 8,879,618	\$ 5,830,344	\$ 3,049,274	

Elk River Municipal Utilities
2024 Test Year Customer Classification

REVENUE REQUIREMENT	2024 <u>Test Year</u>	<u>Customer</u>	<u>Classification Basis</u>
OPERATING EXPENSES			
Purchased Power	\$ -	\$ -	NA
Production			
OPERATING SUPERVISION	-	-	NA
DIESEL OIL FUEL	-	-	NA
NATURAL GAS	-	-	NA
ELECTRIC & WATER CONSUMPTION	-	-	NA
OTHER EXP/PLANT SUPPLIES-ETC	-	-	NA
MISC OTHER PWR GENERATION EXP	-	-	NA
MAINTENANCE OF STRUCTURE/PLANT	-	-	NA
MTCE OF ENGINES/GENERATORS-PL	-	-	NA
MTCE OF PLANT/LAND IMPROVEMENT	-	-	NA
Total Production	\$ -	\$ -	
Transmission	\$ -	\$ -	NA
Distribution			
REMOVE EXISTING SERV & METERS	-	-	NA
SCADA EXPENSES	-	-	NA
TRANSFORMER EX/OVERHD & UNDERG	-	-	NA
MTCE OF SIGNAL SYSTEMS	-	-	NA
METER EXP - REMOVE & RESET	-	-	NA
TEMP SERVICE-INSTALL & REMOVE	-	-	NA
MISC DISTRIBUTION EXPENSE	-	-	NA
INTERCONNECTION CARRYING CHARGE	-	-	NA
MTCE OF STRUCTURES	-	-	NA
MTCE OF SUBSTATIONS	-	-	NA
MTCE OF SUBSTATION EQUIPMENT	-	-	NA
MTCE OF OVERHD LINES/TREE TRIM	-	-	NA
MTCE OF OVERHD LINES/STANDBY	-	-	NA
MTCE OF OVERHEAD	-	-	NA
MTCE OF UNDERGROUND/DISTRIB	-	-	NA
LOCATE ELECTRIC LINES	-	-	NA
LOCATE FIBER LINES	-	-	NA
MTCE OF LINE TRANSFORMERS	-	-	NA
MTCE OF STREET LIGHTING	-	-	NA
MTCE OF SECURITY LIGHTING	-	-	NA
MTCE OF METERS	-	-	NA
VOLTAGE COMPLAINTS	-	-	NA
SALARIES/TRANS & DISTRIBUTION	-	-	NA
ELECTRIC MAPPING	-	-	NA
MTCE OF OVERHEAD SERVICE/2NDRY	-	-	NA
MTCE OF UNDERGROUND ELEC SERV	-	-	NA
LOCATE UNDERGROUND SECONDARY	-	-	NA
TRANSPORTATION EXPENSE	-	-	NA
Total Distribution	\$ -	\$ -	
Utilities & Labor Donated			
UTILITIES & LABOR DONATED TO CITY	-	-	NA
Total Utilities & Labor Donated	-	-	
Depreciation & Amortization			
DEPRECIATION	-	-	NA
AMORTIZATION	-	-	NA
Total Depreciation & Amortization	\$ -	\$ -	
Other Operating Expenses			
EV CHARGING EXPENSE	2,661	2,661	100% Customer
LOSS ON DISPOSITION OF PROPERTY	-	-	NA
OTHER DONATIONS	-	-	NA
MUTUAL AID	-	-	NA
INTEREST PD ON METER DEPOSIT	57,582	57,582	100% Customer
RENTAL PROPERTY EXPENSE	-	-	NA
PENSION EXPENSE	-	-	NA
Total Other Operating Expenses	\$ 60,243	\$ 60,243	
Customer Accounts	-		

Elk River Municipal Utilities
2024 Test Year Customer Classification

	2024		
REVENUE REQUIREMENT	<u>Test Year</u>	<u>Customer</u>	<u>Classification Basis</u>
METER READING EXPENSE	47,697	47,697	100% Customer
COLLECTING EXP DISC/RECONNECT	11,844	11,844	100% Customer
MISC CUSTOMER ACCTS EXP-COMP	355,651	355,651	100% Customer
CUST BLGS NOT PD/SENT FOR COLL	15,202	15,202	100% Customer
Total Customer Accounts	\$ 430,394	\$ 430,394	
General & Administrative			
SALARIES/OFFICE & COMMISSION	133,564	133,564	100% Customer
TEMPORARY STAFFING	-	-	NA
OFFICE SUPPLIES & EXPENSE	14,447	14,447	100% Customer
LT & WATER CONSUMPTION/OFFICE	3,659	3,659	100% Customer
BANK CHARGES	429	429	100% Customer
LEGAL FEES	5,337	5,337	100% Customer
AUDITING FEES	2,849	2,849	100% Customer
INSURANCE	27,706	27,706	100% Customer
UTILITY SHARE DEF COMP	16,787	16,787	100% Customer
UTIL SH OF MEDICAL/DENTAL	125,138	125,138	100% Customer
UTILITY SHARE OF PERA	46,486	46,486	100% Customer
UTILITY SHARE OF FICA	45,302	45,302	100% Customer
EMPLOYEES SICK PAY	74,969	74,969	100% Customer
EMP HOLIDAY PAY	27,026	27,026	100% Customer
EMPLOYEE VACATION & PTO	50,084	50,084	100% Customer
UPMIC DISTRIBUTION	16,985	16,985	100% Customer
LONGEVITY PAY	1,051	1,051	100% Customer
CONSULTING FEES	6,083	6,083	100% Customer
TELEPHONE	4,677	4,677	100% Customer
ADVERTISING	2,124	2,124	100% Customer
DUES & SUBSCRIPTIONS - FEES	18,661	18,661	100% Customer
TRAVEL EXPENSE	-	-	NA
SCHOOLS & MEETINGS	30,115	30,115	100% Customer
MTCE OF GENERAL PLANT & OFFICE	1,520	1,520	100% Customer
Total General & Administrative	\$ 654,998	\$ 654,998	
General Expense			
CIP REBATES - RESIDENTIAL	92,938	92,938	100% Customer
CIP REBATES - COMMERCIAL	111,001	111,001	100% Customer
CIP - ADMINISTRATION	180,070	180,070	100% Customer
CIP - MARKETING	44,739	44,739	100% Customer
CIP - LABOR	98,214	98,214	100% Customer
CIP REBATES - LOW INCOME	3,762	3,762	100% Customer
CIP - LOW INCOME LABOR	9,264	9,264	100% Customer
ENVIRONMENTAL COMPLIANCE	31,460	31,460	100% Customer
MISC GENERAL EXPENSE	3,431	3,431	100% Customer
Total General Expense	\$ 574,879	\$ 574,879	
TOTAL OPERATING EXPENSES	\$ 1,720,514	\$ 1,720,514	
OTHER OPERATING REVENUES			
LFG PROJECT	-	-	NA
DISPERSED GENERATION CREDIT	-	-	NA
CONNECTION MAINTENANCE	-	-	NA
CUSTOMER PENALTIES	-	-	NA
SECURITY LIGHTS	-	-	NA
CONTRIBUTIONS FROM CUSTOMERS	-	-	NA
TOTAL OTHER OPERATING REVENUES	\$ -	\$ -	
NON-OPERATING INCOME (EXPENSES)			
Interest income	-	-	NA
Miscellaneous revenue	-	-	NA
Interest expense and other	-	-	NA
Gain (Loss) on sale of capital assets	-	-	NA
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ -	\$ -	
TRANSFER TO CITY	\$ -	\$ -	NA
MARGIN	\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT	\$ 1,720,514	\$ 1,720,514	

Elk River Municipal Utilities
2024 Test Year Allocation Factors

	<u>Total</u>	<u>Residential</u>	<u>Commercial Non-demand</u>	<u>Commercial Demand</u>	<u>Industrial</u>
Demand Allocation Factors					
12 Coincident Peak (kW)	620,577	227,688	62,420	227,471	102,998
12 CP	100.0%	36.7%	10.1%	36.7%	16.6%
1 Coincident Peak (kW)	70,882	32,483	6,457	22,861	9,080
1 CP	100.0%	45.8%	9.1%	32.3%	12.8%
1 Non-coincident Peak (kW)	85,306	36,913	8,940	28,878	10,575
1 NCP	100.0%	43.3%	10.5%	33.9%	12.4%
Sum of Max Demands (kW)	1,170,110	574,671	146,492	331,325	117,621
SMD	100.0%	49.1%	12.5%	28.3%	10.1%
Energy Allocation Factors					
Retail Energy Req. (kWh)	320,012,952	105,768,831	29,858,418	113,698,503	70,687,200
RE	100.0%	33.1%	9.3%	35.5%	22.1%
Customers					
Number of Customers	13,365	11,690	1,450	223	2
C	100.0%	87.5%	10.8%	1.7%	0.0%
Customer Facilities Allocation Factor					
Weighted Number of Cust	22,555	11,690	2,175	6,690	2,000
CF	100.0%	51.8%	9.6%	29.7%	8.9%
Customer Service Allocation Factor					
Weighted Number of Cust	15,020	11,690	2,175	1,115	40
CS	100.0%	77.8%	14.5%	7.4%	0.3%
Revenue Allocator					
Sum Other Rev Reqs	\$ 39,698,520	\$ 15,337,248	\$ 3,924,744	\$ 13,430,196	\$ 7,006,331
R	100.0%	38.6%	9.9%	33.8%	17.6%

Elk River Municipal Utilities
2024 Test Year Allocation of Revenue Requirements

	Total	Residential	Commercial Non-demand	Commercial Demand	Industrial	Allocation Factor
<u>Power Supply</u>						
Demand	7,627,313	2,798,434	767,187	2,795,776	1,265,917	12 CP
Energy	21,471,075	7,096,496	2,003,332	7,628,532	4,742,715	RE
Total Power Supply	\$ 29,098,388	\$ 9,894,929	\$ 2,770,519	\$ 10,424,308	\$ 6,008,632	
<u>Distribution</u>						
Demand	5,830,344	2,522,847	611,038	1,973,727	722,732	1 NCP
Customer Facilities	3,049,274	1,580,404	294,044	904,440	270,386	CF
Total Distribution	\$ 8,879,618	\$ 4,103,250	\$ 905,082	\$ 2,878,167	\$ 993,118	
<u>Customer</u>						
Customer Service	1,720,514	1,339,069	249,142	127,721	4,582	CS
Total Customer Service	\$ 1,720,514	\$ 1,339,069	\$ 249,142	\$ 127,721	\$ 4,582	
<u>Revenue Component</u>						
Operating Expenses	\$ 370,351	143,083	36,614	125,292	65,363	R
Other Operating Income	(873,214)	(337,360)	(86,329)	(295,412)	(154,112)	R
Non-Operating Income	(1,247,803)	(482,080)	(123,362)	(422,138)	(220,223)	R
Transfer to City	1,527,629	590,189	151,027	516,804	269,609	R
Margin	2,672,669	1,032,567	264,230	904,176	471,695	R
Total Revenue	\$ 2,449,632	\$ 946,399	\$ 242,180	\$ 828,722	\$ 432,332	
Total Revenue Requirements	\$ 42,148,152	\$ 16,283,647	\$ 4,166,924	\$ 14,258,918	\$ 7,438,663	
Total Revenues	\$ 42,148,152	\$ 16,583,227	\$ 4,401,535	\$ 13,875,362	\$ 7,288,029	
Percent Revenue Requirements	100.0%	38.6%	9.9%	33.8%	17.6%	
Percent Revenues	100.0%	39.3%	10.4%	32.9%	17.3%	
Percent Change	0.0%	-1.8%	-5.3%	2.8%	2.1%	
Revenue Req/kWh	0.132	0.154	0.140	0.125	0.105	
Revenue/kWh	0.132	0.157	0.147	0.122	0.103	

Section 4

Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outlines the overall revenue needs of the electric utility. Section 3 summarizes the cost-of-service results. These factors have been considered in developing the proposed rates summarized in this section of the report.

Proposed Rates

Revenue Needs

In Section 2, it shows that ERMU's projected cash reserves at current rates decline from \$13.8 million to \$10.5 million over the Study Period. The analysis shows ERMU's reserve levels staying below the new reserve policy level through the Study Period. In order to strengthen ERMU's financial position, it is recommended that a series of rate increases be implemented in the years 2026-2029. The combination of the rate levels recommended combined with the new PCA approach described below result in average overall increases of 2% per year.

Rate Design Adjustments

Specific rate recommendations for each class to become effective each year from 2026-2029 are shown in Exhibit 4-A. Also shown on Exhibit 4-A are the rates currently in effect for 2025.

Power Cost Adjustment (PCA) Formula

ERMU utilizes its Power Cost Adjustment (PCA) to adjust retail power bills to reflect certain aspects of the wholesale power costs from MMPA. Historically, the PCA has

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been tied to the wholesale Energy Adjustment Clause (EAC) included on MMPA's wholesale power bill. Linking the retail PCA and the wholesale EAC only adjusts retail bills for a portion of changes in the wholesale bill. Other wholesale changes, such as wholesale rate changes need to be addressed through published retail rate changes. It is recommended that ERMU move to a retail PCA that adjusts retail bills for all components of the wholesale bill. Shown below is a proposed formula for monthly calculation of a new PCA to include on ERMU retail bills.

Proposed formula:

$$PCA = \left(\frac{WPC}{WE \times 0.9711} - 0.07896 \right)$$

Where:

- PCA is the power cost adjustment per kWh.
- WPC is the wholesale power cost in dollars.
- WE is the wholesale energy in kWh.
- 0.9711 is a loss adjustment
- 0.07896 is the new base dollars per kWh.

An example calculation for estimated costs in 2026 is as follows:

$$PCA = \left(\frac{\$31,596,071}{340,372,265 \times 0.9711} - 0.07896 \right) = \$0.01663/\text{kWh}$$

The calculation shown above is shown on an annual basis, but the calculation would actually be done monthly to calculate the appropriate PCA based on monthly wholesale power costs. Based on billing cycles, the PCA charge would lag the monthly wholesale bill by two months.

It is important to recognize that the proposed rates in this report are designed to work with this PCA approach. If a different PCA approach is adopted, the rate recommendations would need to change to match the altered PCA. The PCA formula

Proposed Rates

base amount, the projected wholesale power costs per retail kWh and the resulting projected PCA charges for the Study Period are shown in Table 4-1.

Table 4-1
PCA Projections
(\$/kWh)

Year	Projected Wholesale \$ per Retail kWh	Less PCA Formula Base	Resulting Retail PCA
2026	0.09559	0.07896	0.01663
2027	0.09667	0.07896	0.01771
2028	0.09777	0.07896	0.01881
2029	0.09889	0.07896	0.01993

Projected Operating Results – Proposed Rates

Based on the assumptions outlined above, the resulting projected operating results with the proposed rates are summarized in Table 4-2. Exhibit 4-B contains a more detailed presentation of these results.

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Table 4-2
Projected Operating Results
Proposed Rates

Year	2025	2026	2027	2028	2029
Operating Revenues		\$48,369,482	\$49,833,918	\$50,961,806	\$51,824,827
Less Operating Expenses		(44,210,400)	(45,215,511)	(46,121,914)	(47,047,707)
Plus Non -Operating Revenues (Expenses)		468,457	489,744	496,394	536,394
Plus Fees and Transfers		<u>(1,777,308)</u>	<u>(1,842,476)</u>	<u>(1,892,667)</u>	<u>(1,931,071)</u>
Change in Net Position ⁽¹⁾	\$3,800,000	2,850,230	3,265,675	3,443,620	3,382,442
Net Position as Percent of Revenues		5.9%	6.6%	6.8%	6.5%

(1) 2025 EOY change in net position estimated by ERMU staff based on 2025 YTD actual results

Cash Reserves – Proposed Rates

A summary of the impact of the projected operating results on ERMU's cash reserves assuming the proposed rate adjustments is shown at the end of Exhibit 4-B and in Table 4-3 below. Assuming the recommended rate adjustments going forward, the projected cash balance at the end of the Study Period increases by approximately \$4.6 million as compared to the projections at existing rates as contained in Section 2 of this report. The total reserves reach a level of 80% of the ERMU reserve goal.

Table 4-3
Projected Cash Reserves
Proposed Rates

Year	2025	2026	2027	2028	2029
Beginning Balance		\$13,800,000	\$12,028,988	\$13,075,198	\$13,228,547
Plus Change in Net Position		2,850,230	3,265,675	3,443,620	3,382,442
Plus Depreciation		3,533,136	3,801,373	3,955,671	4,107,101
Plus Interfund Borrowing		1,400,000	-	(1,400,000)	-
Less Capital Improvements		(8,047,103)	(4,628,954)	(4,542,896)	(4,381,166)
Less Loss of Revenue Pmts		(472,275)	(316,884)	(198,046)	(100,816)
Less Debt Principal		<u>(1,035,000)</u>	<u>(1,075,000)</u>	<u>(1,105,000)</u>	<u>(1,140,000)</u>
Ending Balance ⁽¹⁾	\$13,800,000	\$12,028,988	\$13,075,198	\$13,228,547	\$15,096,108
Reserve Goal	\$18,392,897	\$18,432,831	\$18,623,699	\$18,769,766	\$18,924,065
Reserves as % of Goal	75%	65%	70%	70%	80%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results

Competitive Analysis

ERMU is interested in how its rates compare to neighboring utilities. Table 4-4 below shows monthly electric bills for various typical customers in the residential and commercial classes. Bills are shown based on existing ERMU rates, proposed ERMU rates in 2026 and the rates for Buffalo, Shakopee, Wright Hennepin Cooperative and Xcel Energy. Buffalo and Shakopee's rates are based on their new 2026 rates. An important consideration in this table is what may happen to Wright Hennepin and Xcel rates in the future. There is no information available regarding Wright Hennepin rate plans. The Xcel Energy charges include Xcel's 7.14% interim rate increase but the final determination on Xcel's last rate case has not been determined by the MPUC yet.

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Table 4-4
Monthly Bill Comparisons

Customer Type and Usage	ERMU Present	2026 ERMU Proposed	Wright Hennepin Coop	City of Buffalo	City of Shakopee	Xcel Energy
Residential 300 kWh	\$59.42	\$61.10	\$61.83	\$62.46	\$56.45	\$59.02
Residential 700 kWh	118.66	121.89	117.73	122.42	117.52	125.41
Residential 1200 kWh	192.70	197.89	187.60	197.36	193.84	208.41
Commercial 1000 kWh	167.18	171.89	159.65	174.78	161.39	162.32
Commercial 2000 kWh	302.35	310.79	299.40	327.06	308.56	312.42
Commercial 5000 kWh	707.88	727.47	718.65	783.91	750.09	762.72

Solar Grid Access Charge

Minnesota State Statute 216B.64 Subdivision 3 provides that relative to net metering and distributed generation: *“A cooperative electric association or municipal utility may charge an additional fee to recover the fixed costs not already paid for by the customer through the customer’s existing billing arrangement. Any additional charge by the utility must be reasonable and appropriate for that class of customer based on the most recent cost of service study”.*

This additional charge is often referred to as a Solar Grid Access Charge for the solar array customer. Based on the size of the solar generation installation, a separate distribution access fee is charged to a customer. This charge is levied on a \$/kW basis to reflect the fixed expense of the distribution system. The charge is generally assessed on the total generation size less the average demand of a typical residential customer. For ERMU, the average residential customer is estimated to have an average monthly peak demand of 4 kW. As an example, a solar customer with a 10-kW system, they would be charged for 6 kW (10 kW generator capacity less the 4 kW average customer demand). This option is self-regulating from a size of generator

Proposed Rates

perspective. Larger solar installations pay more for utilizing the benefits of the fixed distribution system. Customers still receive retail credit for energy generated. This option also does not require any additional metering requirements. Customers are billed a fixed amount every month based on the installed capacity. The calculation of this charge for BMU based on this cost-of-service study is shown below. The values in this analysis are taken from Exhibits 3-E and 3-F in this report.

Allocated Residential Distribution and Customer costs - \$5,442,319

(\$4,103,250 plus \$1,339,069) (Exhibit 3-F)

Allocated Residential Revenue cost - \$729,199 (Exhibit 3-F)

Residential Revenue adjustment - $\$729,199 / \$5,442,319 = 13.4\%$

Allocated Residential Distribution Demand cost - \$2,522,847 (Exhibit 3-F)

Adjusted Resid. Distribution Demand cost - $\$2,522,847 \times 1.134 = \$2,860,908$

Residential Sum of Maximum Demands – 574,671 kW (Exhibit 3-E)

Residential Distribution Demand Cost/kW - $\$2,860,908 / 574,671 = \$4.98/\text{kW}$

The revenue adjustment shown in the calculation above is calculated to adjust local operating costs to account for revenue-allocated cost items. This adjustment is utilized to adjust the allocated distribution system demand cost. The adjusted distribution demand cost is divided by the total estimated sum of maximum demands for the Residential class. The rate calculated above is \$4.98/kW based on 2024 costs. This rate has been rounded up to \$5.20/kW to adjust for future costs beginning in 2026. This represents a decrease from the current \$5.56/kW charge in effect for ERMU.

Elk River Municipal Utilities
Existing and Proposed Electric Rates

<u>Class</u>	<u>Current Rate</u>	<u>Proposed 2026</u>	<u>Proposed 2027</u>	<u>Proposed 2028</u>	<u>Proposed 2029</u>
Residential ER012/ERA13					
Customer (per month)	\$ 15.00	\$ 15.50	\$ 16.00	\$ 16.50	\$ 17.00
Summer Energy (per kWh)	\$ 0.13734	\$ 0.14106	\$ 0.14456	\$ 0.14467	\$ 0.14505
Non-summer Energy (per kWh)	\$ 0.12548	\$ 0.12911	\$ 0.13251	\$ 0.13262	\$ 0.13277
Off Peak Storage ERSW1					
Energy (per kWh)	\$ 0.05010	\$ 0.05343	\$ 0.05500	\$ 0.05617	\$ 0.05647
Off Peak Dual Fuel Space Heating ERDF1					
Energy (per kWh)	\$ 0.06510	\$ 0.06858	\$ 0.07055	\$ 0.07164	\$ 0.07170
Ground Heat Pump EGSB					
Energy (per kWh)	\$ 0.09830	\$ 0.10212	\$ 0.10576	\$ 0.10587	\$ 0.10605
Dual Fuel/ETS ERDSW					
Energy (per kWh)	\$ 0.05010	\$ 0.05343	\$ 0.05500	\$ 0.05617	\$ 0.05647
Cycled AC/RAC24					
Energy (per kWh)	\$ 0.04630	\$ 0.04960	\$ 0.05155	\$ 0.05190	\$ 0.05225
Electric Vehicle Charging EEVOF/EEVON					
Summer On -Peak (per kWh)	\$ 0.13733	\$ 0.14106	\$ 0.14456	\$ 0.14472	\$ 0.14505
Non-summer On-Peak (per kWh)	\$ 0.12548	\$ 0.12911	\$ 0.13251	\$ 0.13256	\$ 0.13277
Off -Peak (per kWh)	\$ 0.06510	\$ 0.06858	\$ 0.07055	\$ 0.07164	\$ 0.07170
Commercial Non-Demand ECN16/ECNAE					
Customer (per month)	\$ 32.00	\$ 33.00	\$ 34.00	\$ 36.00	\$ 38.00
Summer Energy (per kWh)	\$ 0.13304	\$ 0.13673	\$ 0.13826	\$ 0.13979	\$ 0.14002
Non-summer Energy (per kWh)	\$ 0.11141	\$ 0.11494	\$ 0.11636	\$ 0.11777	\$ 0.11801
Commercial Non-Demand Heat Pump ECGSH					
Customer (per month)	\$ 32.00	\$ 33.00	\$ 34.00	\$ 36.00	\$ 38.00
Energy (per kWh)	\$ 0.09830	\$ 0.10212	\$ 0.10576	\$ 0.10587	\$ 0.10603
Commercial Demand ECD15/EDG38					
Customer (per month)	\$ 77.00	\$ 80.00	\$ 83.00	\$ 86.00	\$ 89.00
Energy (per kWh)	\$ 0.07035	\$ 0.07353	\$ 0.07476	\$ 0.07599	\$ 0.07650
Summer Demand (per kW)	\$ 16.75	\$ 17.00	\$ 17.25	\$ 17.50	\$ 17.75
Non-summer Demand (per kW)	\$ 11.75	\$ 12.00	\$ 12.25	\$ 12.50	\$ 12.75
Commercial Demand On/Off Peak ECOP1/ECOP2					
Customer (per month)	\$ 77.00	\$ 80.00	\$ 83.00	\$ 86.00	\$ 89.00
Energy (per kWh)	\$ 0.07350	\$ 0.07643	\$ 0.07744	\$ 0.07845	\$ 0.07900
Summer Demand (per kW)	\$ 16.75	\$ 17.00	\$ 17.25	\$ 17.50	\$ 17.70
Non-summer Demand (per kW)	\$ 11.75	\$ 12.00	\$ 12.25	\$ 12.50	\$ 12.70
Off-peak Demand (per kW)	\$ 6.30	\$ 6.50	\$ 6.70	\$ 6.90	\$ 7.00
Large Industrial (Target/United Health)					
Customer (per month)	\$ 115.00	\$ 125.00	\$ 135.00	\$ 145.00	\$ 155.00
Energy (per kWh)	\$ 0.06962	\$ 0.07293	\$ 0.07429	\$ 0.07565	\$ 0.07632
Summer Demand (per kW)	\$ 16.25	\$ 16.50	\$ 16.75	\$ 17.00	\$ 17.20
Non-summer Demand (per kW)	\$ 11.25	\$ 11.50	\$ 11.75	\$ 12.00	\$ 12.20
PCA Formula Base Amount/kWh	n/a	\$ 0.07896	\$ 0.07896	\$ 0.07896	\$ 0.07896
Estimated PCA/kWh	\$ 0.01640	\$ 0.01663	\$ 0.01771	\$ 0.01881	\$ 0.01993
Security Lights (per month)					
Standard Low Output w/ Wood Pole	\$ 10.00	\$ 10.20	\$ 10.40	\$ 10.61	\$ 10.82
Standard Low Output	\$ 12.00	\$ 12.24	\$ 12.48	\$ 12.73	\$ 12.99
Standard Medium Output	\$ 17.00	\$ 17.34	\$ 17.69	\$ 18.04	\$ 18.40
Standard High Output	\$ 22.00	\$ 22.44	\$ 22.89	\$ 23.35	\$ 23.81
Standard Low Output w/ Decorative Pole	\$ 24.00	\$ 24.48	\$ 24.97	\$ 25.47	\$ 25.98
Decorative Med Output w/ Decorative Pole	\$ 33.00	\$ 33.66	\$ 34.33	\$ 35.02	\$ 35.72

Elk River Municipal Utilities
Electric Operating Results at Proposed Rates

	Historical					Projected				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OPERATING REVENUES										
Charges for services	\$ 36,573,483	\$ 39,473,717	\$ 42,355,712	\$ 43,986,269	\$ 42,557,925	46,622,070	\$ 47,804,682	\$ 49,269,118	\$ 50,397,006	\$ 51,260,027
LFG project	1,141,482	1,019,097	935,004	-	-	-	-	-	-	-
Generation credit	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Connection maintenance	160,186	263,330	243,088	151,296	317,234	150,000	255,000	255,000	255,000	255,000
Customer penalties	42,556	-	284,452	308,374	295,143	285,000	305,000	305,000	305,000	305,000
Total Operating Revenues	\$ 37,922,507	\$ 40,760,944	\$ 43,823,056	\$ 44,450,739	\$ 43,175,102	\$ 47,061,870	\$ 48,369,482	\$ 49,833,918	\$ 50,961,806	\$ 51,824,827
OPERATING EXPENSES										
Purchased Power	\$ 24,240,440	\$ 28,169,146	\$ 31,544,604	\$ 31,232,788	\$ 28,590,698	\$ 31,019,478	\$ 31,596,071	\$ 32,060,510	\$ 32,532,005	\$ 33,017,341
Production	963,858	1,002,631	793,299	315,057	266,783	341,000	321,993	331,653	341,602	351,850
Transmission and Distribution	1,494,841	1,583,165	2,015,665	2,224,113	2,437,569	2,742,000	2,605,000	2,683,150	2,763,645	2,846,554
Services to City	229,086	224,814	231,861	253,564	229,359	265,000	-	-	-	-
Depreciation	2,896,839	2,957,685	3,062,751	3,177,120	3,317,829	3,339,552	3,533,136	3,801,373	3,955,671	4,107,101
Customer accounts	346,090	337,760	391,238	433,553	430,396	470,000	435,000	448,050	461,492	475,336
General and administrative	3,787,850	3,350,641	4,372,187	4,421,557	4,718,264	5,906,049	5,719,200	5,890,776	6,067,499	6,249,524
Total Operating Expenses	\$ 33,959,004	\$ 37,625,842	\$ 42,411,605	\$ 42,057,752	\$ 39,990,898	\$ 44,083,079	\$ 44,210,400	\$ 45,215,511	\$ 46,121,914	\$ 47,047,707
OPERATING INCOME	\$ 3,963,503	\$ 3,135,102	\$ 1,411,451	\$ 2,392,987	\$ 3,184,204	\$ 2,978,791	\$ 4,159,082	\$ 4,618,407	\$ 4,839,893	\$ 4,777,120
NON-OPERATING REVENUE (EXPENSE)										
Interest income	\$ 134,468	\$ 52,514	\$ (159,502)	\$ 158,310	\$ 338,157	\$ 350,000	350,000	350,000	350,000	350,000
Miscellaneous revenue	547,009	635,764	906,323	928,553	925,800	712,500	793,000	793,000	793,000	793,000
Interest expense and other	(606,313)	(836,474)	(851,199)	(811,210)	(773,748)	(735,069)	(699,543)	(678,256)	(671,606)	(631,606)
Gain (Loss) on sale of capital assets	23,263	(45,214)	41,938	59,556	(16,154)	25,000	25,000	25,000	25,000	25,000
Total Non-Operating Revenues (Expenses)	\$ 98,427	\$ (193,410)	\$ (62,440)	\$ 335,209	\$ 474,055	\$ 352,431	\$ 468,457	\$ 489,744	\$ 496,394	\$ 536,394
Income before Contributions and Transfers	\$ 4,061,930	\$ 2,941,692	\$ 1,349,011	\$ 2,728,196	\$ 3,658,259	\$ 3,331,222	\$ 4,627,539	\$ 5,108,151	\$ 5,336,286	\$ 5,313,513
Contributions from Customers	\$ 174,557	\$ 385,316	\$ 298,935	\$ 489,452	\$ 690,934	\$ 225,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Transfers to Other City Funds	(1,340,218)	(1,407,734)	(1,531,633)	(1,620,378)	(1,527,629)	(1,908,429)	(2,127,308)	(2,192,476)	(2,242,667)	(2,281,071)
Special Item	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET POSITION	\$ 2,896,269	\$ 1,919,274	\$ 116,313	\$ 1,597,270	\$ 2,821,564	\$ 1,647,793	\$ 2,850,230	\$ 3,265,675	\$ 3,443,620	\$ 3,382,442
As Percent of Revenues	7.6%	4.7%	0.3%	3.6%	6.5%	3.5%	5.9%	6.6%	6.8%	6.5%
CASH RESERVES										
Beginning of Year						\$ 13,014,941	\$ 13,800,000	\$ 12,028,988	\$ 13,075,198	\$ 13,228,547
Plus Change in Net Position						1,647,793	2,850,230	3,265,675	3,443,620	3,382,442
Plus Depreciation						3,339,552	3,533,136	3,801,373	3,955,671	4,107,101
Plus Interfund Borrowing						-	1,400,000	-	(1,400,000)	-
Less Capital Improvements						(7,455,754)	(8,047,103)	(4,628,954)	(4,542,896)	(4,381,166)
Less Loss of Revenue Payments						(935,000)	(472,275)	(316,884)	(198,046)	(100,816)
Less Debt Principal						(990,000)	(1,035,000)	(1,075,000)	(1,105,000)	(1,140,000)
End of Year ⁽¹⁾					\$ 13,014,941	\$ 13,800,000	\$ 12,028,988	\$ 13,075,198	\$ 13,228,547	\$ 15,096,108
Existing Reserve goal						\$ 18,392,897	\$ 18,432,831	\$ 18,623,699	\$ 18,769,766	\$ 18,924,065
Percent of goal						75%	65%	70%	70%	80%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results.



WATER COST OF SERVICE AND RATE DESIGN STUDY

Final Report

December 10, 2025



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates



December 10, 2025

Elk River Municipal Utilities Commission

13069 Orono Parkway
PO Box 430
Elk River, MN 55330

Subject: Water Rate Study

Commission Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Elk River Municipal Utilities (ERMU) charges its customers for water service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

Annual overall rate increases of 4% per year for 2026-2029 are recommended. These increases are recommended to enhance the level of cash reserves for the water utility.

Thank you for the opportunity to be of service to ERMU through the conduct of this study. I wish to express my appreciation for the valuable assistance I received from ERMU staff relative to the execution of this study.

Sincerely,

Dave Berg Consulting, LLC

A handwritten signature in black ink, appearing to read 'David A. Berg', is written over a light blue rectangular background.

**David A. Berg, PE
Principal**

Dedicated to providing personal service to consumer-owned utilities

Dave Berg Consulting, LLC | 15213 Danbury Ave W, Rosemount, MN 55068 | 612-850-2305

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Section 1

Introduction

The City of Elk River, MN owns a municipal utility providing service to approximately 5,700 retail water customers. The water utility is operated by Elk River Municipal Utilities (ERMU) and is under the direction of the Elk River Municipal Utilities Commission. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for water service in Elk River. The study includes an examination of the allocated cost of service based on actual 2024 utility operations (Test Year). It also includes projected operating results for 2025-2029 (Study Period). As a result of the analyses undertaken and reported on herein, water rate recommendations have been developed for implementation by ERMU.

Section 2

Projected Operating Results Existing Rates

The rates charged for water service by ERMU, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to ERMU's retail water customers. This is necessary to ensure the long-term financial health of the ERMU water utility. The cost of providing utility service consists of normal operating expenses such as production, pumping, distribution, customer and A&G functions, system depreciation expenses, capital improvements and other non-operating expenses.

An analysis of the operating results for the ERMU water utility during the 2020-2024 Study Period has been performed assuming the current retail rates and charges remain in effect through the Study Period. This analysis has been done to determine the overall need, if any, for additional revenue through rates to meet projected revenue requirements. The analyses and assumptions utilized in these projections are explained below.

Estimated Revenues – Existing Rates

Operating Revenues

ERMU sells water to residential, commercial and industrial customers. Total sales to ERMU retail customers for the Study Period are based on ERMU's actual 2024, YTD 2025 water sales and discussions with ERMU staff. For this analysis, sales are estimated to remain flat during the Study Period.

Exhibit 2-A is a summarized listing of ERMU's historical and projected water operating results at existing rates. The historical and projected revenues from retail sales of water

Projected Operating Results – Existing Rates

are included as Charges for Services under Operating Revenues. The existing rates utilized in this analysis are those implemented January 1, 2025 by ERMU.

Other Operating Revenues

ERMU also receives other miscellaneous operating revenue from other normal operating procedures. These other operating revenues include net revenues from connection maintenance and penalties. Charges for services combined with other operating revenues results in ERMU's Total Operating Revenues.

Revenue Requirements

Operating Expenses

Operating expenses for the water utility are shown in Exhibit 2-A. A more detailed listing of operating expenses is included in Exhibit 3-A following section 3 of this report. The operating expenses are associated with production, pumping, distribution, customer-related, administrative and general expenses. Projected operating expenses have been based on ERMU projections and are assumed to increase an average of 3% per year.

Depreciation

ERMU has annual depreciation costs associated with water system investments. Depreciation during the Study Period is based on budgeted ERMU amounts and future capital improvements. Depreciation is a funded non-cash expense that generates monies available for annual capital improvements, debt principal payments and reserves.

Non-operating Income (Expenses)

ERMU's non-operating income and expenses are primarily associated with investment income, interest payments on outstanding debt and miscellaneous revenue. ERMU also has income from developer and connection fees.

Section 2

Capital Improvements

ERMU makes annual normal capital investments in its water system. Annual water capital improvements for the Study Period, as budgeted by ERMU, are shown in Table 2-1 below.

Table 2-1
Capital Improvements- Water Utility

Fiscal Year	2025	2026	2027	2028	2029
Water capital	\$1,442,789	\$3,399,500	\$1,435,330	\$9,938,650	\$1,062,650

Debt Service

ERMU currently has outstanding water debt pursuant to a 2021 water general obligation bond issue. This bond issue matures in 2041. It is assumed the water utilities will issue an additional \$8.3 million bond issue in 2028 to provide \$8 million for ongoing capital improvements.

Interfund Borrowing

It is assumed that the water utility will make a \$1.4 million loan to the electric department in 2026 which will be repaid in 2028.

Transfer to City

It is assumed that ERMU will begin making an annual transfer to the City of Elk River in 2026 based on 2% of operating revenue for the water utility.

Projected Operating Results – Existing Rates

Based on the assumptions outlined above, the resulting projected operating results assuming continued application of the existing retail rates are summarized below in Table

Projected Operating Results – Existing Rates

2-2. A summary presentation of the historical and projected operating results is also shown in Exhibit 2-A.

Table 2-2
Projected Operating Results-Water
Existing Rates

Fiscal Year	2025	2026	2027	2028	2029
Operating Revenues		\$3,153,746	\$3,153,746	\$3,153,746	\$3,153,746
Less Operating Expenses		(4,127,970)	(4,322,616)	(4,454,230)	(4,871,800)
Plus Non -Operating Revenue		574,568	567,013	412,725	239,366
Plus Fees and Transfers		<u>304,925</u>	<u>438,925</u>	<u>438,925</u>	<u>438,925</u>
Change in Net Position ⁽¹⁾	\$500,000	\$(94,732)	\$(162,932)	\$(448,833)	\$(1,039,762)
Net Position as Percent of Revenues		-3.0%	-5.2%	-14.2%	-33.0%

(1) 2025 EOY change in net position estimated by ERMU staff based on 2025 YTD actual results

Cash Reserves

A summary of the impact of the projected operating results on ERMU's cash reserves for the Study Period is shown at the end of Exhibit 2-A and in Table 2-3 below. The 2025 end of year reserve balance is as estimated by ERMU staff based on 2025 YTD results.

As shown below, under existing retail rates and estimated revenue requirements over the Study Period, the unrestricted cash reserves for the water utility are projected to decrease from \$10.5 million to \$6.8 million by the end of the Study Period. ERMU has a newly revised reserve policy that sets a minimum target for reserves equal to 2 months operating expenses plus \$8 million catastrophic reserve plus a capital reserve equal to average annual capital expenses plus the next year's principal and interest expense. Based on

Section 2

this revised policy, the reserves decrease from 86% of the goal amount to 52% of the goal by the end of the Study Period.

Table 2-3
Projected Cash Reserves-Water
Existing Rates

Fiscal Year	2025	2026	2027	2028	2029
Beginning Balance		\$10,500,000	\$6,950,768	\$6,810,823	\$7,324,501
Plus Change in Net Position		(94,732)	(162,932)	(448,833)	(1,039,762)
Plus Depreciation		1,415,000	1,528,317	1,576,161	1,907,449
Interfund Borrowing		(1,400,000)		1,400,000	
Plus Debt Proceeds		-	-	8,000,000	-
Less Debt Principal		(70,000)	(70,000)	(75,000)	(75,000)
Less New Debt Principal		-	-	-	(279,400)
Less Capital Improvements		<u>(3,399,500)</u>	<u>(1,435,330)</u>	<u>(9,938,650)</u>	<u>(1,062,650)</u>
Ending Balance ⁽¹⁾	\$10,500,000	\$6,950,768	\$6,810,823	\$7,324,501	\$6,775,137
Reserve Goal	\$12,216,671	\$12,247,579	\$12,448,620	\$12,913,356	\$12,984,951
Reserves as % of ERMU Goal	86%	57%	55%	57%	52%

(2) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results

Elk River Municipal Utilities
Water Operating Results at Existing Rates

	Historical					Projected				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OPERATING REVENUES										
Charges for services	\$ 2,613,812	\$ 3,049,140	\$ 2,887,276	\$ 3,305,148	\$ 2,803,602	\$ 3,053,746	\$ 3,053,746	\$ 3,053,746	\$ 3,053,746	\$ 3,053,746
Connection maintenance	56,931	71,520	75,365	55,733	72,409	63,500	65,000	65,000	65,000	65,000
Customer penalties	3,801	-	26,194	23,118	31,102	28,000	35,000	35,000	35,000	35,000
Total Operating Revenues	\$ 2,674,544	\$ 3,120,660	\$ 2,988,835	\$ 3,383,999	\$ 2,907,113	\$ 3,145,246	\$ 3,153,746	\$ 3,153,746	\$ 3,153,746	\$ 3,153,746
OPERATING EXPENSES										
Production	\$ 502,748	\$ 674,815	\$ 681,079	\$ 667,881	\$ 780,844	\$ 807,150	\$ 793,000	\$ 816,790	\$ 841,294	\$ 866,533
Distribution	251,259	412,534	307,192	321,566	462,083	520,410	498,125	513,069	528,461	544,315
Services to City	463	1,259	540	-	-	2,000	2,000	2,000	2,000	2,000
Depreciation	1,133,179	1,139,802	1,117,357	1,174,752	1,223,033	1,325,866	1,415,000	1,528,317	1,576,161	1,907,449
Customer accounts	66,509	72,213	81,285	88,640	96,615	105,250	104,250	107,378	110,599	113,917
General and administrative	719,527	844,475	980,528	943,138	1,006,969	1,211,950	1,315,595	1,355,063	1,395,715	1,437,587
Total Operating Expenses	\$ 2,673,685	\$ 3,145,098	\$ 3,167,981	\$ 3,195,977	\$ 3,569,544	\$ 3,972,626	\$ 4,127,970	\$ 4,322,616	\$ 4,454,230	\$ 4,871,800
OPERATING INCOME	\$ 859	\$ (24,438)	\$ (179,146)	\$ 188,022	\$ (662,431)	\$ (827,380)	\$ (974,224)	\$ (1,168,870)	\$ (1,300,483)	\$ (1,718,054)
NON-OPERATING REVENUE (EXPENSE)										
Interest income	\$ 33,454	\$ 24,677	\$ (30,592)	\$ 57,360	\$ 104,286	\$ 151,000	\$ 126,000	\$ 123,463	\$ 132,775	\$ 122,816
Miscellaneous revenue	262,311	292,330	424,994	418,451	429,016	418,100	473,350	473,350	473,350	473,350
Interest expense and other	(23,516)	(65,296)	(40,948)	(36,444)	(33,949)	(31,466)	(28,782)	(33,800)	(31,000)	(28,000)
New debt interest	-	-	-	-	-	-	-	-	(166,400)	(332,800)
Gain (Loss) on sale of capital assets	3,507	(662)	(9,150)	2,940	(5,090)	8,000	4,000	4,000	4,000	4,000
Total Non-Operating Revenues (Expenses)	\$ 275,756	\$ 251,049	\$ 344,304	\$ 442,307	\$ 494,263	\$ 545,634	\$ 574,568	\$ 567,013	\$ 412,725	\$ 239,366
Income before Contributions and Transfers	\$ 276,615	\$ 226,611	\$ 165,158	\$ 630,329	\$ (168,168)	\$ (281,746)	\$ (399,657)	\$ (601,857)	\$ (887,759)	\$ (1,478,688)
Connection Fees	\$ 595,482	\$ 548,948	\$ 1,547,930	\$ 253,341	\$ 477,998	\$ 255,000	\$ 366,000	\$ 500,000	\$ 500,000	\$ 500,000
Contributions from Developers	477,194	552,920	940,306	-	-	-	-	-	-	-
Contributions from Customers	-	-	-	-	21,910	-	-	-	-	-
Transfers from/(to) Other City Funds	-	195,245	-	1,348,943	-	-	(61,075)	(61,075)	(61,075)	(61,075)
Grants	-	3,288	-	-	-	-	-	-	-	-
CHANGE IN NET POSITION	\$ 1,349,291	\$ 1,527,012	\$ 2,653,394	\$ 2,232,613	\$ 331,740	\$ (26,746)	\$ (94,732)	\$ (162,932)	\$ (448,833)	\$ (1,039,762)
As Percent of Revenues	50.4%	48.9%	88.8%	66.0%	11.4%	-0.9%	-3.0%	-5.2%	-14.2%	-33.0%
UNRESTRICTED CASH RESERVES										
Beginning of Year						\$ 10,500,000	\$ 6,950,768	\$ 6,810,823	\$ 7,324,501	
Plus Change in Net Position						(94,732)	(162,932)	(448,833)	(1,039,762)	
Plus Depreciation						1,415,000	1,528,317	1,576,161	1,907,449	
Interfund Borrowing						(1,400,000)	-	1,400,000	-	
Plus Debt Proceeds						-	-	8,000,000	-	
Less Debt Principal						(70,000)	(70,000)	(75,000)	(75,000)	
Less New Debt Principal						-	-	-	(279,400)	
Less Capital Improvements						(3,399,500)	(1,435,330)	(9,938,650)	(1,062,650)	
End of Year ⁽¹⁾					\$ 9,961,189	\$ 10,500,000	\$ 6,950,768	\$ 6,810,823	\$ 7,324,501	\$ 6,775,137
Reserve goal						\$ 12,719,919	\$ 12,750,828	\$ 12,951,869	\$ 13,416,604	\$ 13,488,199
Percent of goal						83%	55%	53%	55%	50%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results.

Section 3

Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve ERMU's customer classes within the water utility. Customer classes exist, in part, because the cost to serve different kinds of customers varies. The cost-of-service analysis has been performed on a 2024 Test Year' based on actual 2024 financials, operations and sales. The results of the cost-of-service study give an indication of the degree of revenue recovery warranted for each class of customers. A comparison of the allocated cost to serve a class of customers and the actual revenues received from that class is taken into consideration during rate design.

Functionalization of Costs

ERMU's Test Year water revenue requirements have been divided into four functional categories. These categories are described below.

Plant – costs associated with ERMU's source of supply and pumping.

Distribution – distribution expenses are related to the ERMU system for delivering water to ERMU customers over the local pipeline system.

Customer – these costs are fixed costs associated with the service facilities utilized to deliver water directly to customers. They also include items such as meter reading, billing, collections and dealing with customers by customer service representatives.

Revenue – revenue related costs include certain non-operating revenues and utility margin.

Section 3

Table 3-1 below summarizes the functional water costs for the 2024 Test Year. The detailed cost functions are shown in Exhibit 3-A.

Table 3-1
Functional Water Costs
2024 Test Year

Component	Revenue Requirement
Plant	\$1,374,402
Distribution	1,594,954
Customer	139,845
Revenue	<u>(298,198)</u>
Total	\$2,811,004

Classification of Costs

ERMU's Test Year revenue requirements have been divided into distinct cost classifications. The water cost classifications are described below.

Demand Related – demand related costs are costs required to meet the overall maximum demand on the system. Demand related costs are predominately associated with facility fixed costs.

Commodity Related – commodity costs tend to vary with the annual quantity of water produced.

Customer Related – costs related to serving, metering and billing of individual customers.

Revenue Related – revenue related costs vary by the amount of revenue received by the utility or are associated with other operating and non-operating revenues.

Exhibits 3-B through 3-D show the detailed classification of revenue requirements within the plant, distribution and customer functions.

Allocation of Costs

Based on an analysis of customer class service characteristics, the classified costs summarized above were allocated to the major ERMU customer classes. Allocation of costs was performed on a fully-distributed, embedded cost allocation basis. Specific allocation factors were utilized in each of the cost classification categories as described below. Exhibit 3-E contains a summary of the development of the various allocation factors.

Demand Allocations

Customer class demands are based on each class' estimated contribution to the utility's system peak day usage.

Commodity Allocations

Each class' share of test year commodity requirements was used to allocate commodity related costs.

Customer Facilities Allocations

The customer facilities allocator was used to allocate costs associated with the physical facilities required to serve individual customers. For the customer facility allocators, a weighted customer allocation factor is developed. Weighting factors are developed to represent the difference in service configurations between customer classifications. For instance, a larger customer facility is required for a single industrial demand customer than for a single residential customer.

Customer Service Allocations

The customer service allocator is for allocation of costs associated with customer service – meter reading, billing, collections and customer inquiries. As with the customer facilities allocators, weighted customer service allocators are developed

Section 3

to represent the different levels of customer service required by different size customers.

Revenue Allocations

Revenue related costs were allocated based on each class' share of total demand, commodity, customer facility and customer service costs.

Cost of Service Results

Based on the classifications and allocations described above, the estimated cost to serve each major class of customers for the 2019 Test Year was determined. Exhibit 3-F presents this analysis in detail. Table 3-2 below summarizes the total allocated costs for each class compared to the total adjusted revenues received from the class during 2019.

Table 3-2
Water Cost of Service Results
Comparison of Cost and Revenues
2024 Test Year

Customer Classification	Allocated Cost to Serve	Revenues
Residential	\$1,507,470	\$1,564,571
Commercial/Industrial	<u>\$1,303,534</u>	<u>\$1,246,433</u>
Total	\$2,811,004	\$2,811,004

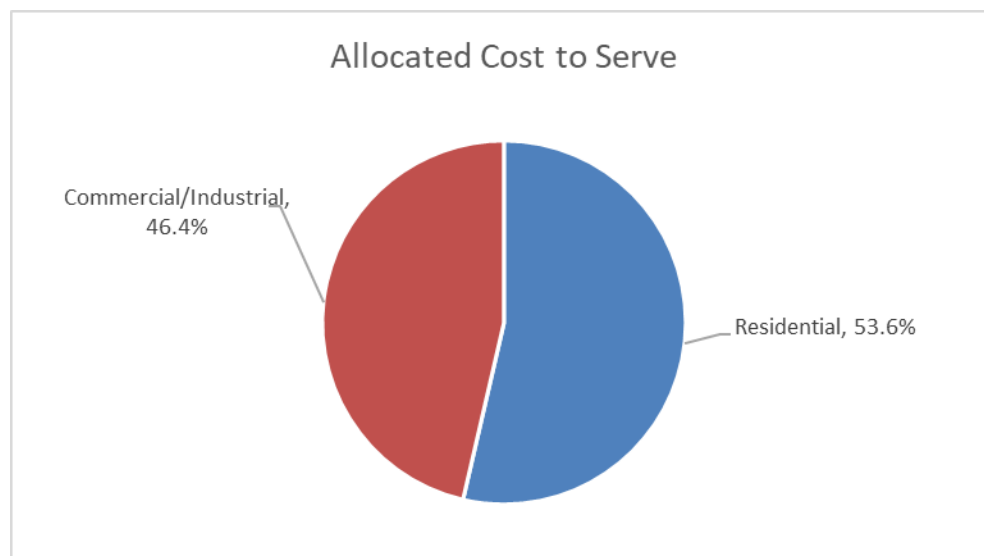
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollar basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost to serve and revenues as a percentage of the totals. The percentage increase/(decrease) in each class' revenue shown below is the adjustment

Cost-of-Service

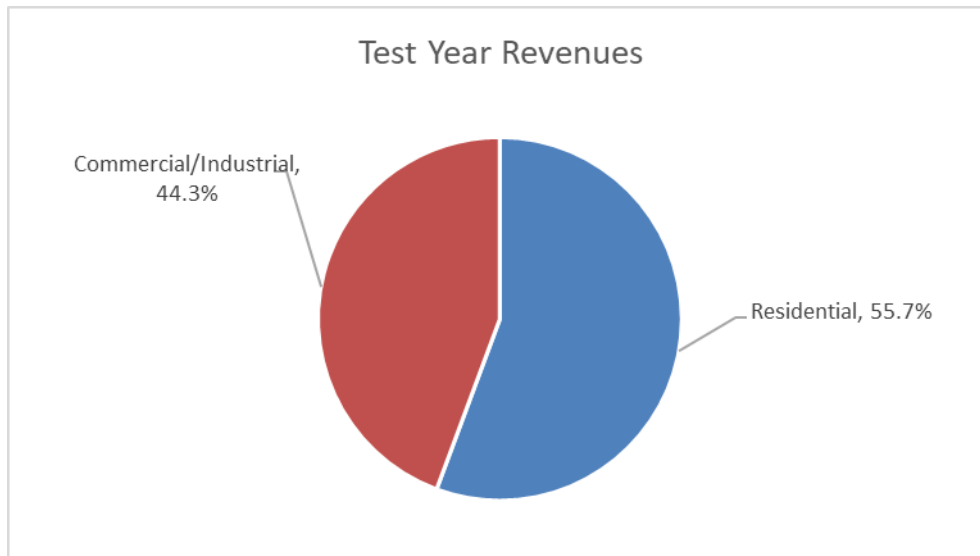
necessary to produce revenues from each class in accordance with the allocated cost to serve. The percentage adjustments do not represent the recommended change in each class' rates. The cost-of-service results are one item for consideration in rate design. It is important to note also that the adjustments shown in the table below would not change the total revenue received by the utility and are not indicative of overall revenue needs of the utility going forward. Recommendations regarding rate design are included in Section 4 of this report.

Table 3-3
Water Cost of Service Results
Comparison of % Cost and Revenues
2024 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	53.6%	55.7%	-3.6%
Commercial/Industrial	<u>46.4%</u>	<u>44.3%</u>	<u>4.6%</u>
Total	100.0%	100.0%	0.0%



Section 3



As indicated above, ERMU's existing class revenues do not exactly match the allocated cost to serve each class. Cost based rates are one of several goals in establishing rates. The relationship between allocated costs and revenues for each class should be considered, in addition to other rate related goals, in developing recommended rates.

Elk River Municipal Utilities
Functionalization of 2024 Test Year Water Revenue Requirements

	2024 <u>TEST YEAR</u>	<u>Plant</u>	<u>Distribution</u>	<u>Customer</u>	<u>Revenue</u>	<u>Functionalization Basis</u>
REVENUE REQUIREMENT						
OPERATING EXPENSES						
PRODUCTION EXPENSE						
Maintenance of Structures	118,774	118,774	-	-	-	100% plant
TOTAL PRODUCTION EXPENSE	118,774	118,774	-	-	-	
PUMPING EXPENSE						
Supervision	69,969	69,969	-	-	-	100% plant
Electric & Gas Utilities	256,685	256,685	-	-	-	100% plant
Sampling	21,964	21,964	-	-	-	100% plant
Chemical Feed	38,920	38,920	-	-	-	100% plant
Maintenance of Electric Pumping	-	-	-	-	-	NA
Maintenance of Wells	260,692	260,692	-	-	-	100% plant
SCADA - Pumping	13,837	13,837	-	-	-	100% plant
TOTAL PUMPING EXPENSE	662,067	662,067	-	-	-	
DISTRIBUTION EXPENSE						
Maintenance of Water Mains	161,765	-	161,765	-	-	100% distribution
Locate Water Lines	13,728	-	13,728	-	-	100% distribution
Locate Water Main	-	-	-	-	-	NA
Water Meter Service	100,494	-	100,494	-	-	100% distribution
Backflow Device Inspection	19,532	-	19,532	-	-	100% distribution
Maintenance of Customers Service	33,583	-	33,583	-	-	100% distribution
Water Mapping	25,858	-	25,858	-	-	100% distribution
Maintenance of Water Hydrants - PU	22,736	-	22,736	-	-	100% distribution
Maintenance of Water Hydrants - PR	4,990	-	4,990	-	-	100% distribution
Water Clothing/PPE	9,528	-	9,528	-	-	100% distribution
Wages/Water	7,617	-	7,617	-	-	100% distribution
Transportation Expense	18,310	-	18,310	-	-	100% distribution
General Expense/Water Permit	26,255	-	26,255	-	-	100% distribution
TOTAL DISTRIBUTION EXPENSE	444,396	-	444,396	-	-	
DEPRECIATION & AMORTIZATION						
Depreciation	1,223,033	208,365	1,014,668	-	-	fixed assets
TOTAL DEPRECIATION	1,223,033	208,365	1,014,668	-	-	
OTHER OPERATING EXPENSE						
Dam Maintenance Expense	444	444	-	-	-	100% plant
Pension Expense	(13,068)	(13,068)	-	-	-	100% plant
OPEB Expense	-	-	-	-	-	NA
Interest Paid on Meter Deposit	967	-	-	967	-	100% customer
Rental Property Expense	-	-	-	-	-	
TOTAL OTHER OPERATING EXPENSE	(11,657)	(12,624)	-	967	-	total operating expenses
CONSUMER ACCOUNTS EXPENSE						
Meter Reading Expense	5,549	-	-	5,549	-	100% customer
Miscellaneous Customer Accounts Expense	91,045	-	-	91,045	-	100% customer
Cust Billings Not Paid	19	-	-	19	-	100% customer
TOTAL CONSUMER ACCOUNTS EXPENSE	96,613	-	-	96,613	-	
ADMINISTRATIVE EXPENSE						
Salaries Office & Commission	258,534	99,580	148,778	10,175	-	total operating expenses
Temporary Staffing	-	-	-	-	-	total operating expenses
Office Supplies & Expense	23,419	9,020	13,477	922	-	total operating expenses
Electric & Water Consumption	6,061	2,335	3,488	239	-	total operating expenses
Bank Charges	726	280	418	29	-	total operating expenses
Legal Fees	5,708	2,199	3,285	225	-	total operating expenses
Auditing Fees	5,266	2,028	3,030	207	-	total operating expenses
Insurance	40,122	15,454	23,089	1,579	-	total operating expenses
Deferred Comp	18,628	7,175	10,720	733	-	total operating expenses

Elk River Municipal Utilities
Functionalization of 2024 Test Year Water Revenue Requirements

	2024					
REVENUE REQUIREMENT	TEST YEAR	Plant	Distribution	Customer	Revenue	Functionalization Basis
Medical/Dental	202,666	78,062	116,628	7,976	-	total operating expenses
PERA	59,326	22,851	34,140	2,335	-	total operating expenses
FICA	58,185	22,411	33,484	2,290	-	total operating expenses
Sick Pay	69,538	26,784	40,017	2,737	-	total operating expenses
Holiday Pay	34,537	13,303	19,875	1,359	-	total operating expenses
Vacation & PTO	59,901	23,072	34,471	2,358	-	total operating expenses
UPMIC Distribution	23,571	9,079	13,564	928	-	total operating expenses
Miscellaneous - Wellhead	-	-	-	-	-	NA
Longevity Pay	836	322	481	33	-	total operating expenses
Consulting Fees	16,316	6,284	9,389	642	-	total operating expenses
Telephone	7,024	2,705	4,042	276	-	total operating expenses
Advertising	3,632	1,399	2,090	143	-	total operating expenses
Dues & Subscriptions	78,200	30,121	45,002	3,078	-	total operating expenses
Travel Expense	-	-	-	-	-	NA
Schools & Meetings	42,421	16,339	24,412	1,670	-	total operating expenses
Maintenance of General Plant & Office	2,518	970	1,449	99	-	total operating expenses
TOTAL ADMINISTRATIVE EXPENSE	1,017,135	391,774	585,330	40,031	-	
GENERAL EXPENSE						
CIP Rebates - Residential	1,090	-	-	1,090	-	100% customer
CIP Rebates - Commercial	-	-	-	-	-	NA
CIP - Administration	-	-	-	-	-	NA
CIP - Marketing	1,117	-	-	1,117	-	100% customer
CIP - Labor	-	-	-	-	-	100% customer
Environmental Compliance	683	263	393	27	-	total operating expenses
Misc General Expense	-	-	-	-	-	total operating expenses
TOTAL GENERAL EXPENSE	2,890	263	393	2,234	-	
TOTAL OPERATING EXPENSE	3,553,251	1,368,619	2,044,787	139,845	-	
NON-OPERATING REVENUES (EXPENSES)						
Interest income	104,286	-	-	-	104,286	100% revenue
Miscellaneous revenue	429,016	-	-	-	429,016	100% revenue
Interest expense and other	(33,949)	(5,784)	(28,165)	-	-	fixed assets
Gain (Loss) on sale of capital assets	(5,090)	-	-	-	(5,090)	100% revenue
TOTAL NON-OPERATING REV (EXP)	494,263	(5,784)	(28,165)	-	528,212	
OTHER OPERATING REVENUE						
Connection maintenance	72,409	-	-	-	72,409	100% revenue
Customer penalties	31,102	-	-	-	31,102	100% revenue
TOTAL OTHER OPERATING REVENUE	103,511	-	-	-	103,511	
Developer and Connection Fees	477,998	-	477,998	-	-	100% distribution
MARGIN	333,525	-	-	-	333,525	100% revenue
TOTAL REVENUE REQUIREMENT	2,811,004	1,374,402	1,594,954	139,845	(298,198)	

Elk River Municipal Utilities
2024 Test Year Water Plant Classification

	FY 2024			
REVENUE REQUIREMENT	<u>TEST YEAR</u>	<u>Demand</u>	<u>Commodity</u>	<u>Classification Basis</u>
OPERATING EXPENSES				
PRODUCTION EXPENSE				
Maintenance of Structures	<u>118,774</u>	<u>118,774</u>	<u>-</u>	100% demand
TOTAL PRODUCTION EXPENSE	118,774	118,774	-	
PUMPING EXPENSE				
Supervision	69,969	44,400	25,569	operating expenses
Electric & Gas Utilities	256,685	-	256,685	100% commodity
Sampling	21,964	-	21,964	100% commodity
Chemical Feed	38,920	-	38,920	100% commodity
Maintenance of Electric Pumping	-	-	-	NA
Maintenance of Wells	260,692	260,692	-	100% demand
SCADA - Pumping	<u>13,837</u>	<u>-</u>	<u>13,837</u>	100% commodity
TOTAL PUMPING EXPENSE	662,067	305,092	356,975	
DISTRIBUTION EXPENSE				
Maintenance of Water Mains	-	-	-	NA
Locate Water Lines	-	-	-	NA
Locate Water Main	-	-	-	NA
Water Meter Service	-	-	-	NA
Backflow Device Inspection	-	-	-	NA
Maintenance of Customers Service	-	-	-	NA
Water Mapping	-	-	-	NA
Maintenance of Water Hydrants - PU	-	-	-	NA
Maintenance of Water Hydrants - PR	-	-	-	NA
Water Clothing/PPE	-	-	-	NA
Wages/Water	-	-	-	NA
Transportation Expense	-	-	-	NA
General Expense/Water Permit	<u>-</u>	<u>-</u>	<u>-</u>	NA
TOTAL DISTRIBUTION EXPENSE	-	-	-	
DEPRECIATION & AMORTIZATION				
Depreciation	<u>208,365</u>	<u>208,365</u>	<u>-</u>	100% demand
TOTAL DEPRECIATION	208,365	208,365	-	
OTHER OPERATING EXPENSE				
Dam Maintenance Expense	444	444	-	100% demand
Pension Expense	(13,068)	(13,068)	-	100% demand
OPEB Expense	-	-	-	NA
Interest Paid on Meter Deposit	-	-	-	NA
Rental Property Expense	<u>-</u>	<u>-</u>	<u>-</u>	100% demand
TOTAL OTHER OPERATING EXPENSE	(12,624)	(12,624)	-	
CONSUMER ACCOUNTS EXPENSE				
Meter Reading Expense	-	-	-	NA
Miscellaneous Customer Accounts Expense	-	-	-	NA
Cust Billings Not Paid	<u>-</u>	<u>-</u>	<u>-</u>	NA
TOTAL CONSUMER ACCOUNTS EXPENSE	-	-	-	
ADMINISTRATIVE EXPENSE				
Salaries Office & Commission	99,580	63,190	36,390	operating expenses
Temporary Staffing	-	-	-	NA
Office Supplies & Expense	9,020	5,724	3,296	operating expenses

Elk River Municipal Utilities
2024 Test Year Water Plant Classification

	FY 2024			
REVENUE REQUIREMENT	TEST YEAR	Demand	Commodity	Classification Basis
LT & Water Consumption	2,335	1,481	853	operating expenses
Bank Charges	280	177	102	operating expenses
Legal Fees	2,199	1,395	803	operating expenses
Auditing Fees	2,028	1,287	741	operating expenses
Insurance	15,454	9,806	5,647	operating expenses
Deferred Comp	7,175	4,553	2,622	operating expenses
Medical/Dental	78,062	49,535	28,527	operating expenses
PERA	22,851	14,500	8,351	operating expenses
FICA	22,411	14,221	8,190	operating expenses
Sick Pay	26,784	16,996	9,788	operating expenses
Holiday Pay	13,303	8,441	4,861	operating expenses
Vacation & PTO	23,072	14,641	8,431	operating expenses
UPMIC Distribution	9,079	5,761	3,318	operating expenses
Miscellaneous - Wellhead	-	-	-	NA
Longevity Pay	322	204	118	operating expenses
Consulting Fees	6,284	3,988	2,297	operating expenses
Telephone	2,705	1,717	989	operating expenses
Advertising	1,399	888	511	operating expenses
Dues & Subscriptions	30,121	19,113	11,007	operating expenses
Travel Expense	-	-	-	NA
Schools & Meetings	16,339	10,368	5,971	operating expenses
Maintenance of General Plant & Office	970	615	354	operating expenses
TOTAL ADMINISTRATIVE EXPENSE	391,774	248,605	143,169	
GENERAL EXPENSE				
CIP Rebates - Residential	-	-	-	NA
CIP Rebates - Commercial	-	-	-	NA
CIP - Administration	-	-	-	NA
CIP - Marketing	-	-	-	NA
CIP - Labor	-	-	-	NA
Environmental Compliance	263	263	-	100% demand
Misc General Expense	-	-	-	100% demand
TOTAL GENERAL EXPENSE	263	263	-	
TOTAL OPERATING EXPENSE	1,368,619	868,475	500,144	
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	-	-	NA
Miscellaneous revenue	-	-	-	NA
Interest expense and other	(5,784)	(5,784)	-	100% demand
Gain (Loss) on sale of capital assets	-	-	-	NA
TOTAL NON-OPERATING REV (EXP)	(5,784)	(5,784)	-	
OTHER OPERATING REVENUE				
Connection maintenance	-	-	-	NA
Customer penalties	-	-	-	NA
TOTAL OTHER OPERATING REVENUE	-	-	-	
Developer and Connection Fees	-	-	-	NA
MARGIN	-	-	-	NA
TOTAL REVENUE REQUIREMENT	1,374,402	874,259	500,144	

Elk River Municipal Utilities
2024 Test Year Water Distribution Classification

	FY 2024 <u>TEST YEAR</u>	Distribution <u>Demand</u>	Customer <u>Facilities</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT				
OPERATING EXPENSES				
PRODUCTION EXPENSE				
Maintenance of Structures	-	-	-	NA
TOTAL PRODUCTION EXPENSE	-	-	-	
PUMPING EXPENSE				
Supervision	-	-	-	NA
Electric & Gas Utilities	-	-	-	NA
Sampling	-	-	-	NA
Chemical Feed	-	-	-	NA
Maintenance of Electric Pumping	-	-	-	NA
Maintenance of Wells	-	-	-	NA
SCADA - Pumping	-	-	-	NA
TOTAL PUMPING EXPENSE	-	-	-	
DISTRIBUTION EXPENSE				
Maintenance of Water Mains	161,765	161,765	-	100% Dist demand
Locate Water Lines	13,728	13,728	-	100% Dist demand
Locate Water Main	-	-	-	NA
Water Meter Service	100,494	-	100,494	100% Cust facilities
Backflow Device Inspection	19,532	-	19,532	100% Cust facilities
Maintenance of Customers Service	33,583	-	33,583	100% Cust facilities
Water Mapping	25,858	-	25,858	100% Cust facilities
Maintenance of Water Hydrants - PU	22,736	-	22,736	100% Cust facilities
Maintenance of Water Hydrants - PR	4,990	-	4,990	100% Cust facilities
Water Clothing/PPE	9,528	5,396	4,132	Operating Expense
Wages/Water	7,617	4,314	3,303	Operating Expense
Transportation Expense	18,310	10,369	7,941	Operating Expense
General Expense/Water Permit	26,255	14,868	11,387	Operating Expense
TOTAL DISTRIBUTION EXPENSE	444,396	210,440	233,956	
DEPRECIATION & AMORTIZATION				
Depreciation	1,014,668	615,835	398,833	plant
TOTAL DEPRECIATION	1,014,668	615,835	398,833	
OTHER OPERATING EXPENSE				
Dam Maintenance Expense	-	-	-	NA
Pension Expense	-	-	-	NA
OPEB Expense	-	-	-	NA
Interest Paid on Meter Deposit	-	-	-	NA
Rental Property Expense	-	-	-	Operating Expense
TOTAL OTHER OPERATING EXPENSE	-	-	-	
CONSUMER ACCOUNTS EXPENSE				
Meter Reading Expense	-	-	-	NA
Miscellaneous Customer Accounts Expense	-	-	-	NA
Cust Billings Not Paid	-	-	-	NA
TOTAL CONSUMER ACCOUNTS EXPENSE	-	-	-	
ADMINISTRATIVE EXPENSE				
Salaries Office & Commission	148,778	84,254	64,525	Operating Expense
Temporary Staffing	-	-	-	NA
Office Supplies & Expense	13,477	7,632	5,845	Operating Expense
LT & Water Consumption	3,488	1,975	1,513	Operating Expense

Elk River Municipal Utilities
2024 Test Year Water Distribution Classification

	FY 2024	Distribution	Customer	
	<u>TEST YEAR</u>	<u>Demand</u>	<u>Facilities</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT				
Bank Charges	418	237	181	Operating Expense
Legal Fees	3,285	1,860	1,425	Operating Expense
Auditing Fees	3,030	1,716	1,314	Operating Expense
Insurance	23,089	13,075	10,014	Operating Expense
Deferred Comp	10,720	6,071	4,649	Operating Expense
Medical/Dental	116,628	66,047	50,581	Operating Expense
PERA	34,140	19,334	14,806	Operating Expense
FICA	33,484	18,962	14,522	Operating Expense
Sick Pay	40,017	22,662	17,355	Operating Expense
Holiday Pay	19,875	11,255	8,620	Operating Expense
Vacation & PTO	34,471	19,521	14,950	Operating Expense
UPMIC Distribution	13,564	7,682	5,883	Operating Expense
Miscellaneous - Wellhead	-	-	-	NA
Longevity Pay	481	272	209	Operating Expense
Consulting Fees	9,389	5,317	4,072	Operating Expense
Telephone	4,042	2,289	1,753	Operating Expense
Advertising	2,090	1,184	906	Operating Expense
Dues & Subscriptions	45,002	25,485	19,517	Operating Expense
Travel Expense	-	-	-	NA
Schools & Meetings	24,412	13,825	10,587	Operating Expense
Maintenance of General Plant & Office	<u>1,449</u>	<u>821</u>	<u>628</u>	Operating Expense
TOTAL ADMINISTRATIVE EXPENSE	585,330	331,475	253,855	
GENERAL EXPENSE				
CIP Rebates - Residential	-	-	-	NA
CIP Rebates - Commercial	-	-	-	NA
CIP - Administration	-	-	-	NA
CIP - Marketing	-	-	-	NA
CIP - Labor	-	-	-	NA
Environmental Compliance	393	223	170	Operating Expense
Misc General Expense	<u>-</u>	<u>-</u>	<u>-</u>	Operating Expense
TOTAL GENERAL EXPENSE	393	223	170	
TOTAL OPERATING EXPENSE	2,044,787	1,157,972	886,815	
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	-	-	NA
Miscellaneous revenue	-	-	-	NA
Interest expense and other	(28,165)	(17,094)	(11,071)	plant
Gain (Loss) on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	NA
TOTAL NON-OPERATING REV (EXP)	(28,165)	(17,094)	(11,071)	
OTHER OPERATING REVENUE				
Connection maintenance	-	-	-	NA
Customer penalties	<u>-</u>	<u>-</u>	<u>-</u>	NA
TOTAL OTHER OPERATING REVENUE	-	-	-	
Developer and Connection Fees	477,998	290,112	187,886	plant
MARGIN	-	-	-	NA
TOTAL REVENUE REQUIREMENT	1,594,954	884,954	710,000	

Elk River Municipal Utilities
2024 Test Year Water Customer Classification

	FY 2024 <u>TEST YEAR</u>	<u>Customer</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT			
OPERATING EXPENSES			
PRODUCTION EXPENSE			
Maintenance of Structures	-	-	NA
TOTAL PRODUCTION EXPENSE	-		
PUMPING EXPENSE			
Supervision	-	-	NA
Electric & Gas Utilities	-	-	NA
Sampling	-	-	NA
Chemical Feed	-	-	NA
Maintenance of Electric Pumping	-	-	NA
Maintenance of Wells	-	-	NA
SCADA - Pumping	-	-	NA
TOTAL PUMPING EXPENSE	-	-	
DISTRIBUTION EXPENSE			
Maintenance of Water Mains	-	-	NA
Locate Water Lines	-	-	NA
Locate Water Main	-	-	NA
Water Meter Service	-	-	NA
Backflow Device Inspection	-	-	NA
Maintenance of Customers Service	-	-	NA
Water Mapping	-	-	NA
Maintenance of Water Hydrants - PU	-	-	NA
Maintenance of Water Hydrants - PR	-	-	NA
Water Clothing/PPE	-	-	NA
Wages/Water	-	-	NA
Transportation Expense	-	-	NA
General Expense/Water Permit	-	-	NA
TOTAL DISTRIBUTION EXPENSE	-	-	
DEPRECIATION & AMORTIZATION			
Depreciation	-	-	NA
TOTAL DEPRECIATION	-	-	
OTHER OPERATING EXPENSE			
Dam Maintenance Expense	-	-	NA
Pension Expense	-	-	NA
OPEB Expense	-	-	NA
Interest Paid on Meter Deposit	967	967	100% Customer
Rental Property Expense	-	-	NA
TOTAL OTHER OPERATING EXPENSE	967	967	
CONSUMER ACCOUNTS EXPENSE			
Meter Reading Expense	5,549	5,549	100% Customer
Miscellaneous Customer Accounts Expense	91,045	91,045	100% Customer
Cust Billings Not Paid	19	19	100% Customer
TOTAL CONSUMER ACCOUNTS EXPENSE	96,613	96,613	
ADMINISTRATIVE EXPENSE			
Salaries Office & Commission	10,175	10,175	100% Customer
Temporary Staffing	-	-	NA
Office Supplies & Expense	922	922	100% Customer
LT & Water Consumption	239	239	100% Customer

Elk River Municipal Utilities
2024 Test Year Water Customer Classification

	FY 2024		
REVENUE REQUIREMENT	<u>TEST YEAR</u>	<u>Customer</u>	<u>Classification Basis</u>
Bank Charges	29	29	100% Customer
Legal Fees	225	225	100% Customer
Auditing Fees	207	207	100% Customer
Insurance	1,579	1,579	100% Customer
Deferred Comp	733	733	100% Customer
Medical/Dental	7,976	7,976	100% Customer
PERA	2,335	2,335	100% Customer
FICA	2,290	2,290	100% Customer
Sick Pay	2,737	2,737	100% Customer
Holiday Pay	1,359	1,359	100% Customer
Vacation & PTO	2,358	2,358	100% Customer
UPMIC Distribution	928	928	100% Customer
Miscellaneous - Wellhead	-	-	NA
Longevity Pay	33	33	100% Customer
Consulting Fees	642	642	100% Customer
Telephone	276	276	100% Customer
Advertising	143	143	100% Customer
Dues & Subscriptions	3,078	3,078	100% Customer
Travel Expense	-	-	NA
Schools & Meetings	1,670	1,670	100% Customer
Maintenance of General Plant & Office	99	99	100% Customer
TOTAL ADMINISTRATIVE EXPENSE	40,031	40,031	
GENERAL EXPENSE			
CIP Rebates - Residential	1,090	1,090	100% Customer
CIP Rebates - Commercial	-	-	NA
CIP - Administration	-	-	NA
CIP - Marketing	1,117	1,117	100% Customer
CIP - Labor	-	-	NA
Environmental Compliance	27	27	100% Customer
Misc General Expense	-	-	NA
TOTAL GENERAL EXPENSE	2,234	2,234	
TOTAL OPERATING EXPENSE	139,845	139,845	
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	-	NA
Miscellaneous revenue	-	-	NA
Interest expense and other	-	-	NA
Gain (Loss) on sale of capital assets	-	-	NA
TOTAL NON-OPERATING REV (EXP)	-	-	
OTHER OPERATING REVENUE			
Connection maintenance	-	-	NA
Customer penalties	-	-	NA
TOTAL OTHER OPERATING REVENUE	-	-	
Developer and Connection Fees	-	-	NA
MARGIN	-	-	NA
TOTAL REVENUE REQUIREMENT	139,845	139,845	

Elk River Municipal Utilities
2024 Test Year Allocation Factors

	<u>Total</u>	<u>Residential</u>	<u>Commercial/ Industrial</u>
Demand Allocation Factors			
Peak Day - 1000 gallons	4,107	2,121	1,986
Peak Day	100.0%	51.6%	48.4%
Commodity Allocation Factors			
Commodity Sales - 1000 gallons	766,124	376,299	389,825
Commodity	100.0%	49.1%	50.9%
Customers			
Number of Customers	5,705	5,087	618
C	100.0%	89.2%	10.8%
Customer Facilities Allocation Factor			
Customer Facilities Weight		1	6
Weighted Number of Cust	8,795	5,087	3,708
CF	100.0%	57.8%	42.2%
Customer Service Allocation Factor			
Customer Service Weight		1	3
Weighted Number of Cust	6,941	5,087	1,854
CS	100.0%	73.3%	26.7%
Revenue Allocator			
Sum Other Rev Reqs	\$ 3,109,202	\$ 1,667,386	\$ 1,441,816
R	100.0%	53.6%	46.4%

Elk River Municipal Utilities
2024 Test Year Allocation of Revenue Requirements

	<u>Total</u>	<u>Residential</u>	<u>Commercial/ Industrial</u>	<u>Allocation Factor</u>
<u>Plant</u>				
Demand	874,259	451,526	422,732	Peak Day
Commodity	500,144	245,657	254,487	Commodity
Total Plant	\$ 1,374,402	\$ 697,183	\$ 677,219	
<u>Distribution</u>				
Distribution Demand	884,954	457,050	427,904	Peak Day
Customer Facilities	710,000	410,662	299,338	CF
Total Distribution	\$ 1,594,954	\$ 867,712	\$ 727,242	
<u>Customer</u>				
Customer Service	139,845	102,491	37,354	CS
Total Customer Service	\$ 139,845	\$ 102,491	\$ 37,354	
<u>Revenue Component</u>				
Other Revenue	(631,723)	(338,777)	(292,946)	R
Margin	333,525	178,861	154,664	R
Total Revenue	\$ (298,198)	\$ (159,916)	\$ (138,282)	
Total Revenue Requirements	\$ 2,811,004	\$ 1,507,470	\$ 1,303,534	
Total Revenues	\$ 2,811,004	\$ 1,564,571	\$ 1,246,433	
Percent Revenue Requirements	100.0%	53.6%	46.4%	
Percent Revenues	100.0%	55.7%	44.3%	
Percent Change	0.0%	-3.6%	4.6%	
Revenue Req/1000 gallons	3.669	4.006	3.344	
Revenue/1000 gallons	3.669	4.158	3.197	

Section 4

Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outline the overall revenue needs of the water utility. Section 3 summarizes the cost-of-service results for the water utility. These factors have been considered in developing the proposed rates summarized in this section of the report.

Proposed Rates

Revenue Needs

In Section 2, it shows that ERMU's projected annual change in water net position, assuming continuation of the existing retail rates drops from 86% of the reserve goal to 52% of the reserve goal by 2029. ERMU's projected cash reserves decline from \$10.5 million to \$6.8 million by the end of the Study Period. This is a decrease in reserves of 35%.

Recommended Rates

Exhibit 4-A shows the existing and recommended rates for water for each year from 2026-2029.

Based on discussions with ERMU management, a goal was set to increase overall reserve levels by \$1.3 million dollars at the end of the Study Period as compared to the projections at current rates. To meet this goal, annual rate increases of 4% each year are recommended through 2029.

Section 4

Projected Operating Results – Proposed Rates

Based on the proposed rates outlined above, the resulting projected operating results are summarized below in Table 4-1. A summary presentation of the operating results is shown in Exhibit 4-B.

Table 4-1
Projected Operating Results-Water
Proposed Rates

Year	2025	2026	2027	2028	2029
Operating Revenues	\$3,145,246	\$3,276,063	\$3,399,836	\$3,532,811	\$3,668,850
Less Operating Expenses	(3,972,626)	(4,127,970)	(4,322,616)	(4,454,230)	(4,871,800)
Plus Non-Operating Income	545,634	574,568	571,433	423,804	259,977
Plus Fees and Transfers	<u>255,000</u>	<u>302,479</u>	<u>434,003</u>	<u>431,344</u>	<u>428,623</u>
Change in Net Position	\$(26,746)	\$25,139	\$82,656	\$(66,271)	\$(514,350)
Net Position as Percent of Revenues	-0.9%	0.8%	2.4%	-1.9%	-14.0%

Cash Reserves

A summary of the impact of the projected operating results at proposed rates on ERMU's cash reserves is shown at the end of Exhibit 4-B and in Tables 4-2 below.

As mentioned above, a goal of increasing overall reserve levels by \$1.3 million through rate adjustments was set in discussions with ERMU management. The 2029 end of year unrestricted reserve level shown below is \$8.0 million. This represents an increase of \$1.3 million over the \$6.8 million projection under existing rates as shown in Section 2 of this report.

Table 4-2
Projected Cash Reserves-Water
Proposed Rates

Year	2025	2026	2027	2028	2029
Beginning Balance		\$10,500,000	\$7,070,639	\$7,176,282	\$8,072,522
Plus Change in Net Position		25,139	82,656	(66,271)	(514,350)
Plus Depreciation		1,415,000	1,528,317	1,576,161	1,907,449
Interfund Borrowing		(1,400,000)		1,400,000	
Plus Debt Proceeds		-	-	8,000,000	-
Less Debt Principal		(70,000)	(70,000)	(75,000)	(75,000)
Less New Debt Principal		-	-	-	(279,400)
Less Capital Improvements		<u>(3,399,500)</u>	<u>(1,435,330)</u>	<u>(9,938,650)</u>	<u>(1,062,650)</u>
Ending Balance ⁽¹⁾	\$10,500,000	\$7,070,639	\$7,176,282	\$8,072,522	\$8,048,571
Reserve Goal	\$12,216,671	\$12,750,828	\$12,951,869	\$13,416,604	\$13,488,199
Reserves as % of ERMU Goal	86%	55%	55%	60%	60%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results

Competitive Analysis

ERMU is interested in how its rates compare to neighboring utilities. Table 4-3 below shows monthly water bills for a typical customer in the residential class with 4,000; 10,000; and 16,000 gallons of consumption. Bills are shown based on existing ERMU rates, proposed ERMU rates in 2026 and 2027 and the proposed 2026 rates for Buffalo and Shakopee.

Section 4

Table 4-3
Monthly Water Bill Comparisons
Residential Monthly Usage

Utility	4,000 Gallons	10,000 Gallons	16,000 Gallons
ERMU current	\$18.39	\$32.23	\$54.63
ERMU prop 2026	\$19.12	\$33.51	\$56.83
ERMU prop 2027	\$19.87	\$34.81	\$59.05
Buffalo 2026	\$44.25	\$92.45	\$158.45
Shakopee 2026	\$20.54	\$43.12	\$73.37

Elk River Municipal Utilities
Existing and Proposed Water Rates

<u>Class</u>					
	Current <u>Rate</u>	2026 Proposed <u>Rate</u>	2027 Proposed <u>Rate</u>	2028 Proposed <u>Rate</u>	2029 Proposed <u>Rate</u>
<u>Residential</u>					
Customer (per month)	\$ 10.23	\$ 10.64	\$ 11.07	\$ 11.51	\$ 11.97
<u>Usage</u>					
Tier 1 (\$/1000 gallons) 0-9000 gallons	\$ 2.04	\$ 2.12	\$ 2.20	\$ 2.29	\$ 2.38
Tier 2 (\$/1000 gallons) 9000-15,000 gallons	\$ 3.64	\$ 3.79	\$ 3.94	\$ 4.10	\$ 4.26
Tier 3 (\$/1000 gallons) over 15,000 gallons	\$ 4.20	\$ 4.37	\$ 4.54	\$ 4.72	\$ 4.91
<u>Commercial</u>					
<u>Customer (per month)</u>					
3/4 inch	\$ 12.27	\$ 12.76	\$ 13.27	\$ 13.80	\$ 14.35
1 inch	\$ 13.65	\$ 14.20	\$ 14.77	\$ 15.36	\$ 15.97
1 1/4 inch	\$ 15.02	\$ 15.62	\$ 16.24	\$ 16.89	\$ 17.57
1 1/2 inch	\$ 16.38	\$ 17.04	\$ 17.72	\$ 18.43	\$ 19.17
2 inch	\$ 21.83	\$ 22.70	\$ 23.61	\$ 24.55	\$ 25.53
3 inch	\$ 47.75	\$ 49.66	\$ 51.65	\$ 53.72	\$ 55.87
4 inch	\$ 65.48	\$ 68.10	\$ 70.82	\$ 73.65	\$ 76.60
6 inch	\$ 95.49	\$ 99.31	\$ 103.28	\$ 107.41	\$ 111.71
8 inch	\$ 129.60	\$ 134.78	\$ 140.17	\$ 145.78	\$ 151.61
Irrigation	\$ 21.83	\$ 22.70	\$ 23.61	\$ 24.55	\$ 25.53
<u>Usage</u>					
Tier 1 (\$/1000 gallons)	\$ 2.04	\$ 2.12	\$ 2.20	\$ 2.29	\$ 2.38
Tier 2 (\$/1000 gallons)	\$ 3.64	\$ 3.79	\$ 3.94	\$ 4.10	\$ 4.26
Tier 3 (\$/1000 gallons)	\$ 4.20	\$ 4.37	\$ 4.54	\$ 4.72	\$ 4.91
Tiers adjust based on winter usage					

Elk River Municipal Utilities
Water Operating Results at Proposed Rates

	Historical					Projected				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OPERATING REVENUES										
Charges for services	\$ 2,613,812	\$ 3,049,140	\$ 2,887,276	\$ 3,305,148	\$ 2,803,602	\$ 3,053,746	\$ 3,176,063	\$ 3,299,836	\$ 3,432,811	\$ 3,568,850
Connection maintenance	56,931	71,520	75,365	55,733	72,409	63,500	65,000	65,000	65,000	65,000
Customer penalties	3,801	-	26,194	23,118	31,102	28,000	35,000	35,000	35,000	35,000
Total Operating Revenues	\$ 2,674,544	\$ 3,120,660	\$ 2,988,835	\$ 3,383,999	\$ 2,907,113	\$ 3,145,246	\$ 3,276,063	\$ 3,399,836	\$ 3,532,811	\$ 3,668,850
OPERATING EXPENSES										
Production	\$ 502,748	\$ 674,815	\$ 681,079	\$ 667,881	\$ 780,844	\$ 807,150	\$ 793,000	\$ 816,790	\$ 841,294	\$ 866,533
Distribution	251,259	412,534	307,192	321,566	462,083	520,410	498,125	513,069	528,461	544,315
Services to City	463	1,259	540	-	-	2,000	2,000	2,000	2,000	2,000
Depreciation	1,133,179	1,139,802	1,117,357	1,174,752	1,223,033	1,325,866	1,415,000	1,528,317	1,576,161	1,907,449
Customer accounts	66,509	72,213	81,285	88,640	96,615	105,250	104,250	107,378	110,599	113,917
General and administrative	719,527	844,475	980,528	943,138	1,006,969	1,211,950	1,315,595	1,355,063	1,395,715	1,437,587
Total Operating Expenses	\$ 2,673,685	\$ 3,145,098	\$ 3,167,981	\$ 3,195,977	\$ 3,569,544	\$ 3,972,626	\$ 4,127,970	\$ 4,322,616	\$ 4,454,230	\$ 4,871,800
OPERATING INCOME	\$ 859	\$ (24,438)	\$ (179,146)	\$ 188,022	\$ (662,431)	\$ (827,380)	\$ (851,907)	\$ (922,780)	\$ (921,419)	\$ (1,202,950)
NON-OPERATING REVENUE (EXPENSE)										
Interest income	\$ 33,454	\$ 24,677	\$ (30,592)	\$ 57,360	\$ 104,286	\$ 151,000	\$ 126,000	\$ 127,883	\$ 143,854	\$ 143,427
Miscellaneous revenue	262,311	292,330	424,994	418,451	429,016	418,100	473,350	473,350	473,350	473,350
Interest expense and other	(23,516)	(65,296)	(40,948)	(36,444)	(33,949)	(31,466)	(28,782)	(33,800)	(31,000)	(28,000)
New debt interest	-	-	-	-	-	-	-	-	(166,400)	(332,800)
Gain (Loss) on sale of capital assets	3,507	(662)	(9,150)	2,940	(5,090)	8,000	4,000	4,000	4,000	4,000
Total Non-Operating Revenues (Expenses)	\$ 275,756	\$ 251,049	\$ 344,304	\$ 442,307	\$ 494,263	\$ 545,634	\$ 574,568	\$ 571,433	\$ 423,804	\$ 259,977
Income before Contributions and Transfers	\$ 276,615	\$ 226,611	\$ 165,158	\$ 630,329	\$ (168,168)	\$ (281,746)	\$ (277,340)	\$ (351,347)	\$ (497,615)	\$ (942,973)
Connection Fees	\$ 595,482	\$ 548,948	\$ 1,547,930	\$ 253,341	\$ 477,998	\$ 255,000	\$ 366,000	\$ 500,000	\$ 500,000	\$ 500,000
Contributions from Developers	477,194	552,920	940,306	-	-	-	-	-	-	-
Contributions from Customers	-	-	-	-	21,910	-	-	-	-	-
Transfers from/(to) Other City Funds	-	195,245	-	1,348,943	-	-	(63,521)	(65,997)	(68,656)	(71,377)
Grants	-	3,288	-	-	-	-	-	-	-	-
CHANGE IN NET POSITION	\$ 1,349,291	\$ 1,527,012	\$ 2,653,394	\$ 2,232,613	\$ 331,740	\$ (26,746)	\$ 25,139	\$ 82,656	\$ (66,271)	\$ (514,350)
As Percent of Revenues	50.4%	48.9%	88.8%	66.0%	11.4%	-0.9%	0.8%	2.4%	-1.9%	-14.0%
UNRESTRICTED CASH RESERVES										
Beginning of Year						\$ 10,500,000	\$ 7,070,639	\$ 7,176,282	\$ 8,072,522	
Plus Change in Net Position						25,139	82,656	(66,271)	(514,350)	
Plus Depreciation						1,415,000	1,528,317	1,576,161	1,907,449	
Interfund Borrowing						(1,400,000)	-	1,400,000	-	
Plus Debt Proceeds						-	-	8,000,000	-	
Less Debt Principal						(70,000)	(70,000)	(75,000)	(75,000)	
Less New Debt Principal						-	-	-	(279,400)	
Less Capital Improvements						(3,399,500)	(1,435,330)	(9,938,650)	(1,062,650)	
End of Year ⁽¹⁾					\$ 9,961,189	\$ 10,500,000	\$ 7,070,639	\$ 7,176,282	\$ 8,072,522	\$ 8,048,571
Reserve goal						\$ 12,719,919	\$ 12,750,828	\$ 12,951,869	\$ 13,416,604	\$ 13,488,199
Percent of goal						83%	55%	55%	60%	60%

(1) 2025 EOY reserve balance estimated by ERMU staff based on 2025 YTD actual results.

TO: ERMU Commission	FROM: Mark Hanson - General Manager
MEETING DATE: December 18, 2025	AGENDA ITEM NUMBER: 3.1
SUBJECT: Verizon Water Tower Lease Agreements	
ACTION REQUESTED: None	

BACKGROUND:

At the November 2025 commission meeting, staff reviewed Verizon's request to amend their current leases (attached). After discussion, the Commission directed staff to decline the offers.

DISCUSSION:

After the Commission's decision, Verizon submitted a revised offer for the Johnson Tower. Staff expects to receive similar offers for the other two towers. As before, the lump sum offer is contingent upon granting a perpetual easement on the property (no end date).

Tower	Current Lease Terms	Expires	Future Payments	Lump Sum Offer	New Lease Terms	Expires	Future Payments
1 st Offer	\$30,000/year 4% / year	2039	\$798,603	\$745,000	\$30,000/year 3% / year	2056	\$1,427,262
2 nd Offer	\$30,000/year 4% / year	2039	\$798,603	\$800,000	\$38,200/year 3% / year	2059	\$2,054,269

Additionally, although the longer proposed terms may seem promising, nothing in the current offers prevent Verizon from seeking future lease reductions.

Similar to last month's report, the table below lists the reduction in revenue if the proposed lease terms were used throughout the remainder of the current lease periods.

Tower	Expires	Existing Lease Future Payments	Proposed Lease Future Payments	Reduction in Revenue	Percent Reduction
1 st Offer	2039	\$798,603	\$468,534	\$330,069	41.3%
2 nd Offer	2039	\$798,603	\$587,241	\$211,362	26.5%

Each of our four water towers has antennas attached from two cellular carriers with Verizon on all four towers. Staff's goal is to negotiate consistent lease terms across all carriers for their

respective agreements. Consequently, reducing Verizon's lease agreement by the amounts shown in the above table is not recommended.

If the Commission is interested in reducing Verizon's lease payments, Staff recommend selecting a target percent reduction. Staff would then negotiate revised lease terms with Verizon to achieve that goal. For example, reducing the annual escalator from 4% to 3% would result in an approximately 5% reduction in total future lease payments through the existing expiration periods. Reducing the escalator from 4% to 2% would result in an approximate 10% reduction. Further reductions beyond 5% would require reducing the annual payments as needed to achieve the desired goal.

For reference, Verizon's total current annual lease payments on all four towers are approximately \$170K.

ATTACHMENTS:

- Staff Memo - 2025-11 - 5.11 - Verizon Water Tower Lease Agreements
- Verizon's initial offer for Johnson Street Tower, Site ID 123332 – December 4, 2025
- Verizon's revised offer for Johnson Street Tower, Site ID 123332 – December 7, 2025

TO: ERMU Commission	FROM: Mark Hanson - General Manager
MEETING DATE: November 12, 2025	AGENDA ITEM NUMBER: 5.11
SUBJECT: Verizon Water Tower Lease Agreements	
ACTION REQUESTED: None	

BACKGROUND:

ERMU currently has four water tower attachment lease agreements with Verizon Wireless, LLC, one on each of the four water towers. Two were executed in 2014 (Gary and Johnson towers), one in 2016 (Auburn tower), and one in 2020 (Freeport tower). Each lease agreement had an initial five-year term with four additional five-year renewal periods. All four lease agreements started with first-year lease amounts of \$30,000. The first three lease agreements include an annual escalator of 4%. Freeport tower has a 2% escalator with a provision that if Verizon removes their equipment from any of the other three towers the annual rent amount for the Freeport tower shall increase by 20% of the then current lease amount.

DISCUSSION:

Staff have received multiple requests from Verizon representatives to either buy out our current lease agreements for a lump sum amount or renegotiate the current lease terms to lower both the annual rent payment and the annual escalator. The lump sum offer is also contingent on granting a perpetual easement on the property (no end date).

Verizon states they are offering these options in lieu of potentially terminating the existing lease agreements. According to Verizon, their current lease agreement costs on a national level are not sustainable. The following table presents Verizon's offers to date (no offer has been made for the Freeport tower):

Tower	Current Lease Terms	Expires	Future Payments	Lump Sum Offer	New Lease Terms	Expires	Future Payments
Auburn	\$30,000/year 4% / year	2041	\$1,106,346	\$700,000	\$30,000/year 15% / 5 years	2050	\$1,011,357
Gary	\$30,000/year 4% / year	2039	\$798,603	\$900,000	\$33,600/year 15% / 5 years	2041	\$583,380
Johnson	\$30,000/year 4% / year	2039	\$798,603	\$745,000	\$30,000/year 3% / year	2056	\$1,427,262

While the lump sum offer may appear attractive, granting a perpetual easement on the property poses significant long-term risks due to the many unknowns that the future may bring. Most importantly, the water towers are distribution system assets, so granting a perpetual easement, which may limit future options, is very dangerous.

Similarly, it is unwise to renegotiate any of the current lease agreements since the proposed terms offer a lower escalator and a lower annual rent. To illustrate this point, the table below lists the reduction in revenue if the proposed lease terms were used throughout the remainder of the current lease periods. Additionally, while the longer duration of the proposed terms may seem promising, there is nothing preventing Verizon from requesting additional reductions to the lease agreements at some point in the future.

Tower	Expires	Existing Lease Future Payments	Proposed Lease Future Payments	Reduction in Revenue
Auburn	2041	\$1,106,346	\$566,501	\$539,845
Gary	2039	\$798,603	\$494,508	\$304,095
Johnson	2039	\$798,603	\$468,534	\$330,069

Staff are presenting Verizon's offers to maintain transparency with the Commission and our customers but recommend against accepting them. If the Commission is interested in pursuing any of Verizon's offers, staff will engage with Verizon in pursuit of the desired option(s). The results of any negotiated terms would be presented at a future commission meeting.

ATTACHMENTS:

- Verizon's offer for Auburn Street Tower, Site ID 162187
- Verizon's offer for Gary Street Tower, Site ID 123107
- Verizon's offer for Johnson Street Tower, Site ID 123332



October 7, 2025

Elk River Municipal Utilities

Site Name: **Min Vieths**

Site ID: **123332**

Dear Landlord,

I am following up with you regarding our recent telephone conversation setting forth Verizon Wireless's Lease Optimization Program. As discussed during our conversation, Verizon Wireless is interested in making certain modifications to the cell site lease regarding the Verizon Wireless communications facility on your property. These lease modifications will allow the cell site on your property to better meet Verizon Wireless's current operational needs and enhance its long-term value to the overall network.

Criteria for Cell Site Retention

As we discussed, Verizon Wireless would like to include this site in its long-term portfolio under the following terms:

- **New Rent Amount:** \$30,000.00 per year, commencing on (8/1/2026)
 - **New Rent Escalator:** Three Percent (3%) every year (next increase on 8/1/2027)
 - **Additional Renewal Terms:** **Five (5)** additional five (5) year renewal terms
-

- **Lump Sum Payment Option:** Provide a one-time lump sum payment of **\$745,000.00**. In return, you will grant a perpetual easement on your property.

Additionally, in order to maintain long-term operational flexibility, Verizon Wireless requires that the following language, substantially in the form of the following, be added to the Lease:

Right of First Refusal. Notwithstanding anything contained in the [Lease] to the contrary, if at any time after the Effective Date, [LESSOR] receives an offer or letter of intent, from any person or entity that is in the business of owning, managing or operating communications facilities or is in the business of acquiring landlord interests in agreements relating to communications facilities, to purchase fee title, an easement, a lease, a license, or any other interest in the [Property] or any portion thereof or to acquire any interest in the [Lease], or an option for any of the foregoing, [LESSOR] shall provide written notice to [LESSEE] of said offer ("[LESSOR]'s Notice"). [LESSOR]'s Notice shall include the prospective buyer's name, the purchase price being offered, and any other consideration being offered, the other terms and conditions of the offer, a description of the portion of and interest in the [Property] and/or the [Lease] which will be conveyed in the proposed transaction, and a copy of any letters of intent or form agreements presented to [LESSOR] by the third-party offeror. [LESSEE] shall have the right of first refusal to meet any bona fide offer of sale or transfer on the terms and conditions of such offer or by effectuating a transaction with substantially equivalent financial terms. If [LESSEE] fails to provide written notice to [LESSOR] that [LESSEE] intends to meet such bona fide offer within 60 days after receipt of [LESSOR]'s Notice, [LESSOR] may proceed with the proposed transaction in accordance with the terms and conditions of such third-party offer, in which event the [Lease] shall continue in full force and effect and the right of first refusal described in this Section shall survive any such conveyance to a third party. If [LESSEE] provides [LESSOR] with notice of [LESSEE]'s intention to meet the third party offer within 60 days after receipt of [LESSOR]'s Notice, then if [LESSOR]'s Notice describes a transaction involving greater space than the [Premises], [LESSEE] may elect to proceed with a transaction covering only the [Premises] and the purchase price shall be prorated on a square footage basis. Further, [LESSOR] acknowledges and agrees that if [LESSEE] exercises this right of first refusal, [LESSEE] may require a reasonable period of time to conduct due diligence and effectuate the closing of a transaction on substantially equivalent financial terms of the third-party offer. [LESSEE] may elect to amend the [Lease] to effectuate the proposed financial terms of the third party offer rather than acquiring fee simple title or an easement interest in the [Premises]. For purposes of this Section, any transfer, bequest or devise of [LESSOR]'s interest in the [Property] as a result of the death of [LESSOR], whether by will or intestate succession, or any conveyance to [LESSOR]'s family members by direct conveyance or by conveyance to a trust for the benefit of family members shall not be considered a sale for which [LESSEE] has any right of first refusal.



The foregoing proposal does not constitute a binding offer to amend the lease. No legal obligation is created by this letter or any other written or oral communications until a written amendment to the lease has been signed by both Landlord and Verizon Wireless. Verizon Wireless will continue to abide by the terms of the current lease until an amendment has been executed or the existing lease has been terminated or expires. Verizon Wireless values its affiliation with you and hopes that you choose to secure your site(s) to continue a long and mutually profitable relationship in the years to come. After having reviewed this proposal, please contact me prior to **October 13, 2025**.

Sincerely,

Mark Gillaspy



Mark Gillaspy

Lease Consultant

Lease Optimization - CENREV

O (469) 833-2965

180 Washington Valley Road, Bedminster, NJ 07921



December 4, 2025

Site Name: **Min Vieths**

Site ID: **123332**

Dear Landlord,

I am following up with you regarding our recent telephone conversation setting forth Verizon Wireless's Lease Optimization Program. As discussed during our conversation, Verizon Wireless is interested in making certain modifications to the cell site lease regarding the Verizon Wireless communications facility on your property. These lease modifications will allow the cell site on your property to better meet Verizon Wireless's current operational needs and enhance its long-term value to the overall network.

Criteria for Cell Site Retention

As we discussed, Verizon Wireless would like to include this site in its long-term portfolio under the following terms:

- **New Rent Amount:** \$38,200.00 per year, commencing on (8/1/2029)
 - **New Rent Escalator:** Three Percent (3%) every year (next increase on 8/1/2030)
 - **Additional Renewal Terms:** **Six (6)** additional five (5) year renewal terms
-

- **Lump Sum Payment Option:** Provide a one-time lump sum payment of **\$800,000**. In return, you will grant a perpetual easement on your property.

Additionally, in order to maintain long-term operational flexibility, Verizon Wireless requires that the following language, substantially in the form of the following, be added to the Lease:

Right of First Refusal. Notwithstanding anything contained in the [Lease] to the contrary, if at any time after the Effective Date, [LESSOR] receives an offer or letter of intent, from any person or entity that is in the business of owning, managing or operating communications facilities or is in the business of acquiring landlord interests in agreements relating to communications facilities, to purchase fee title, an easement, a lease, a license, or any other interest in the [Property] or any portion thereof or to acquire any interest in the [Lease], or an option for any of the foregoing, [LESSOR] shall provide written notice to [LESSEE] of said offer ("[LESSOR]'s Notice"). [LESSOR]'s Notice shall include the prospective buyer's name, the purchase price being offered, and any other consideration being offered, the other terms and conditions of the offer, a description of the portion of and interest in the [Property] and/or the [Lease] which will be conveyed in the proposed transaction, and a copy of any letters of intent or form agreements presented to [LESSOR] by the third-party offeror. [LESSEE] shall have the right of first refusal to meet any bona fide offer of sale or transfer on the terms and conditions of such offer or by effectuating a transaction with substantially equivalent financial terms. If [LESSEE] fails to provide written notice to [LESSOR] that [LESSEE] intends to meet such bona fide offer within 60 days after receipt of [LESSOR]'s Notice, [LESSOR] may proceed with the proposed transaction in accordance with the terms and conditions of such third-party offer, in which event the [Lease] shall continue in full force and effect and the right of first refusal described in this Section shall survive any such conveyance to a third party. If [LESSEE] provides [LESSOR] with notice of [LESSEE]'s intention to meet the third party offer within 60 days after receipt of [LESSOR]'s Notice, then if [LESSOR]'s Notice describes a transaction involving greater space than the [Premises], [LESSEE] may elect to proceed with a transaction covering only the [Premises] and the purchase price shall be prorated on a square footage basis. Further, [LESSOR] acknowledges and agrees that if [LESSEE] exercises this right of first refusal, [LESSEE] may require a reasonable period of time to conduct due diligence and effectuate the closing of a transaction on substantially equivalent financial terms of the third-party offer. [LESSEE] may elect to amend the [Lease] to effectuate the proposed financial terms of the third party offer rather than acquiring fee simple title or an easement interest in the [Premises]. For purposes of this Section, any transfer, bequest or devise of [LESSOR]'s interest in the [Property] as a result of the death of [LESSOR], whether by will or intestate succession, or any conveyance to [LESSOR]'s family members by direct conveyance or by conveyance to a trust for the benefit of family members shall not be considered a sale for which [LESSEE] has any right of first refusal.



The foregoing proposal does not constitute a binding offer to amend the lease. No legal obligation is created by this letter or any other written or oral communications until a written amendment to the lease has been signed by both Landlord and Verizon Wireless. Verizon Wireless will continue to abide by the terms of the current lease until an amendment has been executed or the existing lease has been terminated or expires. Verizon Wireless values its affiliation with you and hopes that you choose to secure your site(s) to continue a long and mutually profitable relationship in the years to come. After having reviewed this proposal, please contact me prior to **December 11, 2025**.

Sincerely,

Mark Gillaspy



Mark Gillaspy

Lease Consultant

Lease Optimization - CENREV

O (469) 833-2965

180 Washington Valley Road, Bedminster, NJ 07921

TO: ERMU Commission	FROM: Melissa Karpinski – Finance Manager
MEETING DATE: December 18, 2025	AGENDA ITEM NUMBER: 3.2
SUBJECT: 2026 Annual Business Plan (Budget, Schedule of Rates & Fees)	
ACTION REQUESTED: Adopt Resolution No. 25-10 for the 2026 Budget and Schedule of Rates and Fees	

BACKGROUND:

In previous months, the preliminary 2026 Annual Business Plan was presented to the Commission. There have been some changes due to finalizing of projects and expenses. The final highlights are discussed below.

DISCUSSION:

Electric Budget and Rates

As discussed in December, we are proposing a 2% total revenue increase to our rates for 2026 as presented in the Cost of Service/Rate Study report.

Notable items in the electric budget for 2026 are:

- 3.34% wage adjustment.
- 2% Utilities Performance Metric Incentive Compensation.
- Conservative estimate for usage and growth.
- Filling of vacant engineer position and adding an IT/OT position.
- 3% rate increase for wholesale power.
- Electric service territory acquisition loss of revenue for Areas 3&4, 5&6, and 7&8 from reserves.
- East substation construction from reserves.
- Streets/Security light service rate will have no rate increase as proposed in rate study.

Water Budget and Rates

As discussed in December, we are proposing a 4% rate increase for 2026.

Notable items in the water budget for 2026 are:

- 3.34% wage adjustment.
- 2% Utilities Performance Metric Incentive Compensation.
- Conservative estimate for usage and growth.
- Adding an IT/OT position.

- Water main construction from reserves (increased from prior estimate).
- Re-routing of Well #8 to Treatment Plant #7 project added to 2026.
- Meadowvale booster station from reserves.
- Residential monthly charge will be \$10.69 not \$10.64 as proposed in the rate study due to the Safe Drinking Water Fee increase.

Summary

Submitted for approval is the 2026 Annual Business Plan which includes the 2026 Budget and the 2026 Schedule of Rates & Fees. The 2026 fees were approved by the Commission in November and are being presented here with two changes. The adoption of the 2026 Schedule of Rates & Fees through the adoption of the Annual Business Plan shall supersede and replace all previously adopted tariffs, rates, and fees.

FINANCIAL IMPACT:

Notable items discussed above. As previously discussed, we are proposing a rate increase of 2% total revenue for electric and 4% for water.

ATTACHMENTS:

- Proposed 2026 Annual Business Plan
 - 2026 Budget
 - 2026 Schedule of Rates & Fees
- Resolution No. 25-10 Adopting ERMU 2026 Budget and Schedule of Rates and Fees



2026 Annual Business Plan

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- Administration and Technical Services Capital Budgets
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- Training and Travel Budget
- Dues and Subscriptions Budget
- Conservation Improvement Program Budget

2026 SCHEDULE OF RATES & FEES

- Residential All Electric Service Rate
- Residential Electric Service Rate
- Residential Clean Energy Choice Program Rate
- Non-Demand All Electric Service Rate
- Non-Demand Electric Service Rate
- Demand All Electric Service Rate
- Demand Electric Service Rate
- Large Industrial Demand Electric Service Rate
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- Commercial All Electric with Ground Source Heat Pump Service Rate
- Ground Source Heat Pump Program Rate
- Electric Vehicle Charging Rates
- Energy Management Program Rates
- Street/Security Light Service Rate
- Water Service Rates
- Fee Schedule



2026 Budget

**ELK RIVER MUNICIPAL UTILITIES
SUMMARY OF YEAR 2026
BUDGETS**

ELECTRIC BUDGET SUMMARY		2026	
ELECTRIC REVENUE	\$	50,684,426	
ELECTRIC EXPENDITURES		(47,108,326)	
ELECTRIC NET FOR CAPITAL		3,576,100	7.06% Margin
DEPRECIATION		3,533,136	
CAPITAL EQUIPMENT/CONSTRUCTION		(8,029,452)	
DEBT RETIREMENT		(1,035,000)	
TOTAL IMPACT TO CASH RESERVES		(1,955,217)	

WATER BUDGET SUMMARY		2026	
WATER REVENUE	\$	4,310,428	
WATER EXPENDITURES		(4,164,879)	
WATER NET FOR CAPITAL		145,550	3.38% Margin
DEPRECIATION		1,415,000	
CAPITAL EQUIPMENT/CONSTRUCTION		(3,925,550)	
DEBT RETIREMENT		(70,000)	
TOTAL IMPACT TO CASH RESERVES		(2,435,000)	

**ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
2026 ELECTRIC BUDGET**

	2026 Annual Budget	2025 Annual Budget	2024 Annual Actual
Electric			
Revenue			
Operating Revenue			
Elk River			
440.4411 ELECT SALES - ELK RIVER RESIDENTIAL	14,974,097	14,008,158	13,251,717
440.4412 ELECT SALES - ELK RIVER NON-DEMAND	3,713,891	3,561,585	3,380,961
440.4413 ELECT SALES - ELK RIVER DEMAND	19,613,601	18,661,634	18,070,331
440.4461 PCA SALES REVENUE - ELK RIVER RESIDENTIA	1,606,960	1,522,422	1,025,603
440.4462 PCA SALES REVENUE - ELK RIVER NON-DEMAND	438,601	423,422	281,655
440.4463 PCA SALES REVENUE - ELK RIVER DEMAND	2,959,444	2,908,507	1,970,023
Total for Elk River:	43,306,594	41,085,728	37,980,291
Otsego			
440.4416 ELECT SALES - OTSEGO RESIDENTIAL	1,703,416	1,546,756	1,507,482
440.4417 ELECT SALES - OTSEGO NON-DEMAND	552,105	499,327	502,612
440.4418 ELECT SALES - OTSEGO DEMAND	1,716,440	1,587,578	1,506,463
440.4464 PCA SALES REVENUE - OTSEGO RESIDENTIAL	182,804	168,103	115,206
440.4465 PCA SALES REVENUE - OTSEGO NON-DEMAND	49,894	46,753	42,531
440.4466 PCA SALES REVENUE - OTSEGO DEMAND	249,654	225,212	163,551
Total for Otsego:	4,454,313	4,073,730	3,837,844
Rural Big Lake			
440.4421 ELECT SALES - BIG LAKE RESIDENTIAL	208,507	199,360	184,523
440.4422 ELECT SALES - BIG LAKE NON-DEMAND	4,675	4,811	4,256
440.4467 PCA SALES REVENUE - BIG LAKE RESIDENTIAL	22,376	21,667	14,318
440.4468 PCA SALES REVENUE - BIG LAKE NON-DEMAND	6,107	6,026	297
Total for Rural Big Lake:	241,665	231,863	203,394
Dayton			
440.4431 ELECT SALES - DAYTON RESIDENTIAL	222,309	212,064	196,738
440.4432 ELECT SALES - DAYTON NON-DEMAND	41,376	40,466	37,667
440.4469 PCA SALES REVENUE - DAYTON RESIDENTIAL	23,857	23,047	14,964
440.447 PCA SALES REVENUE - DAYTON NON-DEMAND	6,512	6,410	2,789
Total for Dayton:	294,054	281,987	252,159
Public St & Hwy Lighting			
440.4414 ELECT SALES - SEC LTS	280,000	261,000	260,838
Total for Public St & Hwy Lighting:	280,000	261,000	260,838
Other Electric Sales			
440.455 SUB-STATION CREDIT	4,800	4,800	4,800
440.4554 RATE INCREASE	-	-	-
Total for Other Electric Sales:	4,800	4,800	4,800
Total for Operating Revenue:	48,581,426	45,939,108	42,539,326
Other Operating Revenue			
Interest/Dividend Income			
460.4691 INTEREST & DIVIDEND INCOME	350,000	350,000	338,144
Total for Interest/Dividend Income:	350,000	350,000	338,144
Customer Penalties			
470.4701 CUSTOMER DELINQUENT PENALTIES	305,000	285,000	295,143
Total for Customer Penalties:	305,000	285,000	295,143
Connection Fees			
470.4702 DISCONNECT & RECONNECT CHARGE	255,000	150,000	317,234
Total for Connection Fees:	255,000	150,000	317,234
Misc Revenue			
470.4703 MISC ELEC REVENUE - TEMP CHG	3,000	2,500	2,830
470.4704 STREET LIGHT	25,000	10,000	23,400
470.4715 TRANSMISSION INVESTMENTS	680,000	600,000	625,244
470.4722 MISC NON-UTILITY	110,000	110,000	219,986
470.4723 GAIN ON DISPOSITION OF PROPERTY	25,000	25,000	8,600
470.4739 PERA PENSION REVENUE	-	-	77,740
470.477 CONTRIBUTIONS FROM CUSTOMERS	350,000	225,000	690,934
470.478 CONTRIBUTIONS FROM GRANTS	-	-	-
Total for Misc Revenue:	1,193,000	972,500	1,648,734
Total Other Revenue			
Total for Total Other Revenue:	2,103,000	1,757,500	2,599,256
Total Revenue	50,684,426	47,696,608	45,138,582
Expenses			
Purchased Power			
540.5551 PURCHASED POWER	24,051,075	23,315,291	22,154,018
540.5553 ENERGY ADJUSTMENT CLAUSE	7,608,286	7,284,338	6,436,680
Total for Purchased Power:	31,659,362	30,599,628	28,590,698
Operating & Mtce Expense			
540.5461 OPERATING SUPERVISION	160,783	150,000	137,836
540.5471 DIESEL OIL FUEL	-	-	160
540.5472 NATURAL GAS	27,501	30,000	21,926
540.5483 ELECTRIC & WATER CONSUMPTION - PLANT	65,208	65,000	58,033
540.5484 PLANT SUPPLIES & OTHER EXPENSE	12,000	15,000	9,756
540.5491 MISC POWER GENERATION EXPENSE	1,000	1,000	641
540.5521 MAINTENANCE OF STRUCTURE - PLANT	15,000	20,000	13,914
540.5531 MTCE OF PLANT ENGINES/GENERATORS	500	5,000	4,177

3%

**ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
2026 ELECTRIC BUDGET**

Electric	2026 Annual Budget	2025 Annual Budget	2024 Annual Actual
540.5541 MTCE OF PLANT/LAND IMPROVEMENT	40,000	55,000	20,340
Total for Operating & Mtce Expense:	321,993	341,000	266,782
Transmission Expense			
560.562 TRANSMISSION MTCE AND EXPENSE	70,000	76,000	48,623
Total for Transmission Expense:	70,000	76,000	48,623
Distribution Expense			
580.5801 REMOVE EXISTING SERVICE & METERS	2,000	2,000	353
580.5821 SCADA EXPENSE	65,000	60,000	51,050
580.5831 TRANSFORMER EXPENSE OH & URD	25,000	25,000	17,031
580.5851 MTCE OF SIGNAL SYSTEMS	3,000	3,000	2,224
580.5861 METER EXPENSE - REMOVE & RESET	1,500	1,500	467
580.5871 TEMP SERVICE - INSTALL & REMOVE	8,500	10,000	650
580.5881 MISC DISTRIBUTION EXPENSE	440,000	420,000	353,049
580.589 INTERCONNECTION CARRYING CHARGE	-	-	2,416
Total for Distribution Expense:	545,000	521,500	427,240
Maintenance Expense			
590.5911 MTCE OF STRUCTURES	90,000	92,000	90,596
590.5921 MTCE OF SUBSTATIONS	40,000	45,000	26,505
590.5922 MTCE OF SUBSTATION EQUIPMENT	112,000	150,000	88,541
590.5931 MTCE OF OH LINES/TREE TRIM	175,000	300,000	245,908
590.5932 MTCE OF OH LINES/STANDBY	50,000	50,000	43,617
590.5933 MTCE OF OH PRIMARY	195,000	190,000	174,966
590.5941 MTCE OF URD PRIMARY	300,000	300,000	284,922
590.5943 LOCATE ELECTRIC LINES	125,000	125,000	100,234
590.5944 LOCATE FIBER LINES	4,000	2,500	3,182
590.5951 MTCE OF LINE TRANSFORMERS	95,000	75,000	65,535
590.5961 MTCE OF STREET LIGHTING	70,000	69,000	83,910
590.5962 MTCE OF SECURITY LIGHTING	25,000	25,000	24,067
590.5971 MTCE OF METERS	60,000	80,000	57,808
590.5972 VOLTAGE COMPLAINTS	10,000	12,000	6,937
590.5981 SALARIES TRANSMISSION & DISTRIBUTION	37,000	36,000	31,045
590.5985 ELECTRIC MAPPING	162,000	155,000	134,999
590.5986 FIBER MAPPING	10,000	15,000	-
590.5991 MTCE OF OH SECONDARY	30,000	23,000	21,933
590.5992 MTCE OF URD SECONDARY	80,000	75,000	58,325
590.5995 TRANSPORTATION EXPENSE	320,000	325,000	303,892
Total for Maintenance Expense:	1,990,000	2,144,500	1,846,921
Depreciation & Amortization			
595.8031 DEPRECIATION	2,865,000	2,671,416	2,649,694
595.8032 AMORTIZATION	668,136	668,136	668,135
Total for Depreciation & Amortization:	3,533,136	3,339,552	3,317,829
Interest Expense			
596.8071 INTEREST EXPENSE - BONDS	759,406	794,932	833,610
597.8281 AMORTIZATION OF DEBT DISCOUNT/PREMIUM	(59,863)	(59,863)	(59,862)
Total for Interest Expense:	699,543	735,069	773,748
Other Operating Expense			
597.8165 EV CHARGING EXPENSE	1,250	1,400	2,661
597.8213 LOSS ON DISPOSITION OF PROP (CAPITAL)	25,000	160,000	24,754
597.8263 OTHER DONATIONS	2,000	2,000	-
597.8265 MUTUAL AID	-	-	54,540
597.8302 PENSION EXPENSE	280,000	259,000	(196,662) GASB 68
597.8311 OTHER INTEREST EXPENSE	56,000	-	-
597.8341 INTEREST EXPENSE - METER DEPOSITS	50,000	60,000	57,583
Total for Other Operating Expense:	414,250	482,400	(57,124)
Customer Accounts Expense			
900.9021 METER READING EXPENSE	25,000	35,000	47,698
900.903 DISCONNECT/RECONNECT EXPENSE	5,000	10,000	11,844
900.9051 MISC CUSTOMER ACCOUNTS EXPENSE UTILITY	380,000	400,000	355,651
900.9061 BAD DEBT EXPENSE & RECOVERY	25,000	25,000	15,203
Total for Customer Accounts Expense:	435,000	470,000	430,396
Administrative Expense			
920.9201 SALARIES OFFICE & COMMISSION	1,085,000	1,085,000	885,001
920.9205 TEMPORARY STAFFING	4,000	4,000	-
920.9211 OFFICE SUPPLIES	125,000	135,000	95,726
920.9212 ELECTRIC & WATER CONSUMPTION - OFFICE	28,552	32,000	24,246
920.9213 BANK FEES	3,000	3,000	2,846
920.9221 LEGAL FEES	25,000	30,000	35,362
920.9231 AUDITING FEES	22,500	20,640	18,880
920.9241 INSURANCE	143,000	195,000	183,582
920.926 UTILITY SHARE - DEFERRED COMP	125,000	128,500	111,230
920.9261 UTILITY SHARE - MEDICAL/DENTAL/DISABIL	945,000	942,322	829,167
920.9262 UTILITY SHARE - PERA	348,500	321,500	308,017
920.9263 UTILITY SHARE - FICA	342,500	315,500	300,171
920.9264 EMPLOYEE SICK PAY	233,450	204,000	496,745
920.9265 EMPLOYEE HOLIDAY PAY	197,402	194,100	179,077
920.9266 EMPLOYEE VACATION & PTO PAY	344,308	325,000	331,860
920.9267 UPMC DISTRIBUTION	86,000	86,000	112,541 2%
920.929 LONGEVITY PAY	8,040	9,945	6,964

**ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
2026 ELECTRIC BUDGET**

Electric	2026 Annual	2025 Annual	2024 Annual	
	Budget	Budget	Actual	
920.9291 CONSULTING FEES	55,800	239,000	40,307	NISC (appsuite), IT
920.9301 TELEPHONE	31,000	38,000	30,987	
920.9302 ADVERTISING	20,000	20,000	14,071	
920.9303 DUES & SUBSCRIPTIONS - FEES	141,879	152,009	123,647	
920.9305 SCHOOLS & MEETINGS	291,482	292,333	199,542	
920.9321 MTCE OF GENERAL PLANT & OFFICE HEATING	11,000	11,000	10,073	
Total for Administrative Expense:	4,617,413	4,783,849	4,340,041	
General Expense				
920.9269 CIP REBATES - RESIDENTIAL	90,758	90,758	92,938	
920.927 CIP REBATES - COMMERCIAL	112,000	112,000	111,002	
920.9271 CIP - ADMINISTRATION	181,840	182,965	180,071	
920.9272 CIP - MARKETING	54,864	51,235	44,740	
920.9273 CIP - LABOR	136,078	133,822	98,215	
920.9274 CIP REBATES - LOW INCOME	29,760	18,720	3,762	
920.9275 CIP - LOW INCOME LABOR	10,000	10,000	9,264	
920.9281 ENVIRONMENTAL COMPLIANCE	37,000	35,000	31,461	
920.9306 MISC GENERAL EXPENSE	5,000	5,300	3,431	
Total for General Expense:	657,300	639,800	574,884	
Total Expenses (before Operating Transfers)	44,942,997	44,133,298	40,560,038	
Operating Transfer				
Operating Transfer/Other Funds				
597.8262 TRANSFER TO CITY ELK RIVER REVENUE	2,165,330	1,643,429	1,527,629	5% of Elk River Sales
Total for Operating Transfer/Other Funds:	2,165,330	1,643,429	1,527,629	
Utilities & Labor Donated				
597.8261 UTILITIES & LABOR DONATED TO CITY	-	265,000	229,359	
Total for Utilities & Labor Donated:	-	265,000	229,359	
Total Operating Transfer				
Total for Total Operating Transfer:	2,165,330	1,908,429	1,756,988	
Net Income Profit(Loss)	3,576,100	1,654,881	2,821,556	

**ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
2026 WATER BUDGET**

Water	2026 Annual Budget	2025 Annual Budget	2024 Annual Actual
Revenue			
Operating Revenue			
Water Sales			
610.6101 Water Sales Residential	1,821,516	1,779,997	1,556,933
610.6102 Water Sales Commercial	1,039,960	1,000,092	967,172
610.6103 Water Sales Irrigation	364,603	350,383	279,497
Total for Water Sales:	<u>3,226,078</u>	<u>3,130,471</u>	<u>2,803,602</u>
Total Operating Revenue	<u>3,226,078</u>	<u>3,130,471</u>	<u>2,803,602</u>
Total for Total Operating Revenue:	<u>3,226,078</u>	<u>3,130,471</u>	<u>2,803,602</u>
Other Operating Revenue			
Interest/Dividend Income			
460.4691 Interest & Dividend Income	125,000	150,000	104,294
460.4692 Other Interest/Misc Revenue	1,000	1,000	1,117
Total for Interest/Dividend Income:	<u>126,000</u>	<u>151,000</u>	<u>105,411</u>
Customer Penalties			
620.6301 Customer Penalties	35,000	28,000	31,102
Total for Customer Penalties:	<u>35,000</u>	<u>28,000</u>	<u>31,102</u>
Connection Fees			
620.6401 WATER/ACCESS/CONNECTION FEES	366,000	255,000	477,998
620.6402 Customer Connection Fees	50,000	32,500	44,470
620.6407 Bulk Water Sales/Hydrant Rental	30,000	31,000	27,939
Total for Connection Fees:	<u>446,000</u>	<u>318,500</u>	<u>550,407</u>
Misc Revenue			
470.4722 Misc Non-Utility	100	100	96
470.4739 Pera Pension Revenue	-	-	14,974
470.477 Contributions from Customers	-	-	21,910
620.6403 Miscellaneous Revenue	1,000	500	717
620.6323 Gain On Disposition Of Property	4,000	8,000	-
620.6404 HYDRANT MAINTENANCE PROGRAM - PRIVATE	11,000	15,000	13,375
620.6405 Contributions from Developers	-	-	-
620.6406 Water Tower Lease	386,250	327,500	327,431
620.6416 Lease Interest Revenue	75,000	75,000	71,306
Total for Misc Revenue:	<u>477,350</u>	<u>426,100</u>	<u>449,808</u>
Total Other Revenue	<u>1,084,350</u>	<u>923,600</u>	<u>1,136,729</u>
Total for Total Other Revenue:	<u>1,084,350</u>	<u>923,600</u>	<u>1,136,729</u>
Total Revenue	<u>4,310,428</u>	<u>4,054,071</u>	<u>3,940,330</u>
Expenses			
Production Expense			
700.7021 MTCE OF STRUCTURES	125,000	135,000	118,775
Total for Production Expense:	<u>125,000</u>	<u>135,000</u>	<u>118,775</u>
Pumping Expense			
710.7101 SUPERVISION	80,000	76,000	69,969
710.7181 ELECTRIC & GAS UTILITIES	300,000	310,000	256,685
710.7182 SAMPLING	24,000	24,150	21,965
710.7183 CHEMICAL FEED	50,000	50,000	38,920
710.722 MTCE OF WELLS	200,000	200,000	260,693
710.723 SCADA - PUMPING	14,000	12,000	13,837
Total for Pumping Expense:	<u>668,000</u>	<u>672,150</u>	<u>662,069</u>
Distribution Expense			
730.7301 MTCE OF WATER MAINS	175,000	175,000	161,765
730.7309 LOCATE WATER LINES	25,000	20,000	13,729
730.7311 MTCE OF WATER SERVICES	-	500	-
730.7312 WATER METER SERVICE	50,000	70,000	100,494
730.7316 BACKFLOW DEVICE INSPECTION	23,000	23,160	19,532
730.7321 MTCE OF CUSTOMERS SERVICE	36,000	35,000	33,583
730.7325 WATER MAPPING	25,000	17,000	25,858
730.7326 FIBER MAPPING	10,000	15,000	-
730.7331 MTCE OF WATER HYDRANTS - PUBLIC	22,000	22,000	22,736
730.7332 MTCE OF WATER HYDRANTS - PRIVATE	6,000	6,000	4,990
730.7341 WATER CLOTHING/PPE	15,000	15,000	9,529
730.7391 WAGES WATER	9,500	10,000	7,618
730.7395 TRANSPORTATION EXPENSE	24,000	24,000	18,311
730.7399 WATER PERMIT	27,000	27,000	26,255
Total for Distribution Expense:	<u>447,500</u>	<u>459,660</u>	<u>444,400</u>
Depreciation & Amortization			
595.8031 DEPRECIATION	1,415,000	1,325,866	1,223,033
Total for Depreciation & Amortization:	<u>1,415,000</u>	<u>1,325,866</u>	<u>1,223,033</u>
Interest Expense			
596.8071 INTEREST EXPENSE - BONDS	35,433	38,117	40,600
597.8281 AMORTIZATION OF DEBT DISCOUNT/PREMIUM	(6,651)	(6,651)	(6,651)
Total for Interest Expense:	<u>28,782</u>	<u>31,466</u>	<u>33,949</u>
Other Operating Expense			
597.8213 LOSS ON DISPOSITION OF PROP (CAPITAL)	-	16,000	5,090
597.8214 LOSS ON DISPOSITION OF PROP (NONCAPITAL)	-	-	16,272
597.8264 DAM MAINTENANCE EXPENSE	-	-	444
597.8302 PENSION EXPENSE	50,000	44,000	(13,068) GASB 68
597.8341 INTEREST EXPENSE - METER DEPOSITS	625	750	967
Total for Other Operating Expense:	<u>50,625</u>	<u>60,750</u>	<u>9,706</u>
Customer Accounts Expense			
900.9021 METER READING EXPENSE	5,000	7,000	5,550
900.9051 MISC CUSTOMER ACCOUNTS EXPENSE UTILITY	99,000	98,000	91,045
900.9061 BAD DEBT EXPENSE & RECOVERY	250	250	20
Total for Customer Accounts Expense:	<u>104,250</u>	<u>105,250</u>	<u>96,615</u>

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
2026 WATER BUDGET

Water	2026 Annual Budget	2025 Annual Budget	2024 Annual Actual	
Administrative Expense				
920.9201 SALARIES OFFICE & COMMISSION	333,000	288,000	258,534	
920.9205 TEMPORARY STAFFING	1,000	1,000	-	
920.9211 OFFICE SUPPLIES	30,000	30,000	23,419	
920.9212 ELECTRIC & WATER CONSUMPTION - OFFICE	6,500	7,000	6,061	
920.9213 BANK FEES	708	700	727	
920.9221 LEGAL FEES	6,000	5,000	5,708	
920.9231 AUDITING FEES	7,000	6,700	5,266	
920.9241 INSURANCE	43,000	44,000	40,123	
920.926 UTILITY SHARE - DEFERRED COMP	25,000	24,100	18,628	
920.9261 UTILITY SHARE - MEDICAL/DENTAL/DISABIL	251,110	269,977	202,667	
920.9262 UTILITY SHARE - PERA	71,500	68,500	59,327	
920.9263 UTILITY SHARE - FICA	70,500	66,000	58,186	
920.9264 EMPLOYEE SICK PAY	53,000	35,000	69,539	
920.9265 EMPLOYEE HOLIDAY PAY	43,000	41,525	34,538	
920.9266 EMPLOYEE VACATION & PTO PAY	72,000	66,000	59,902	
920.9267 UPMIC DISTRIBUTION	19,000	18,500	23,571	2%
920.929 LONGEVITY PAY	1,260	2,130	836	
920.9268 WELLHEAD PROTECTION	1,500	2,000	-	
920.9291 CONSULTING FEES	26,200	57,400	16,317	NISC (appsuite), IT
920.9301 TELEPHONE	8,600	7,500	7,024	
920.9302 ADVERTISING	5,000	5,000	3,633	
920.9303 DUES & SUBSCRIPTIONS - FEES	111,475	89,961	78,201	
920.9305 SCHOOLS & MEETINGS	62,897	60,957	42,421	
920.9321 MTCE OF GENERAL PLANT & OFFICE HEATING	2,700	2,750	2,518	
Total for Administrative Expense:	1,251,950	1,199,700	1,017,146	
General Expense				
920.9269 CIP REBATES - RESIDENTIAL	2,000	5,000	1,090	
920.927 CIP REBATES - COMMERCIAL	1,000	500	-	
920.9272 CIP - MARKETING	1,500	2,000	1,117	
920.9273 CIP - LABOR	500	2,500	-	
920.9281 ENVIRONMENTAL COMPLIANCE	2,000	2,000	684	
920.9306 MISC GENERAL EXPENSE	250	250	(0)	
Total for General Expense:	7,250	12,250	2,891	
Total Expenses (before Operating Transfers)	4,098,357	4,002,092	3,608,585	
Operating Transfer				
Operating Transfer/Other Funds				
TRANSFER TO CITY ELK RIVER REVENUE	64,522	-	-	2% of Elk River Sales
Total for Operating Transfer/Other Funds:	64,522	-	-	
Utilities & Labor Donated				
597.8261 WATER & LABOR DONATED TO CITY	2,000	2,000	-	
Total for Utilities & Labor Donated:	2,000	2,000	-	
Total Operating Transfer				
Total for Total Operating Transfer:	66,522	2,000	-	
Net Income Profit(Loss)	145,550	49,979	331,745	

Elk River Municipal Utilities Business Plan/Budget
2026 Electric Department Capital Budget

Capital Construction Projects

	Cost	Description
1	\$ 125,000	Cty Rd 44 Rebuild
2	\$ 300,000	Rebuild: Ogden, 196th
3	\$ 250,000	Rebuild: Zebulon and Xerxes
4	\$ 250,000	Unidentified Projects
5	\$ 50,000	Otsego Street Lights
Subtotal	\$ 975,000	<i>*in order of priority</i>

Capital Construction Substations

	Cost	Description	
	\$ 1,818,000	East Substation Construction	Reserves
	\$ 150,000	North Recloser Tank Replacement	
	\$ 1,280,120	Otsego Transformer Replacement	
	\$ 28,000	Otsego Recloser Controller Replacement	
	\$ 120,000	Otsego Recloser Tank Replacement	
	\$ 20,000	14-4 Relay Panel Replacement	
	\$ 50,000	SCADA Network Upgrades	
Subtotal	\$ 3,466,120		

Capital Construction Feeders

	Cost	Description
	\$ 175,000	Feeder 65 Rebuild OH from Landfill to North Sub
	\$ 200,000	East Sub Feeders #11, 13, 14
	\$ 250,000	Unidentified Feeders
Subtotal	\$ 625,000	

Capital Construction System

	Cost	Description
	\$ 425,000	Transformers and Meters
	\$ 70,607	AMI
	\$ 350,000	New Development Distribution Installation
	\$ 50,000	Street Lighting
	\$ 75,000	Ongoing OH Equip Replacement (Poles, Switches, Cut-Outs)
	\$ 900,000	Ongoing URD Equip Replacement (Switches, J-Boxes, Fuse Pads)
	\$ 50,000	Fault Indicators Replacements
Subtotal	\$ 1,920,607	

Capital Equipment Needs

	Cost	Description
	\$ 65,000	Replace Truck new foreperson
	\$ 50,000	Hot Arms
	\$ 152,200	Electric share of Administration
	\$ 303,250	Electric Share of Technical Services
Subtotal	\$ 570,450	

Capital Facilities & Misc Needs

	Cost	Description	
	\$ 472,275	Territory Acquisition - Loss of Revenue Pmt (2015 Contract - Area 1&2, 3&4, 5&6, 7&8)	Reserves
Subtotal	\$ 472,275		

Total Capital \$ 8,029,452

Electric Noteworthy Non-Recurring Expenses

	Cost	Description
	\$ 3,500	Computers, iPads, Software, Accessories
	\$ 10,000	Paint Transformers/Switchgear
	\$ 10,000	Paint Street Lights
	\$ 10,000	Tools
	\$ 30,000	Contractor Testing and Inspections
	\$ 12,240	Electric share of Administration
	\$ 23,275	Electric share of Technical Services
Total	\$ 99,015	

Elk River Municipal Utilities Business Plan/Budget
2026 Administration and Technical Services Departments Capital Budgets

Administration Capital Needs

	Cost	Description
	\$ 40,000	Hallway Display and Branding
	\$ 15,000	Server upgrades (city shared)
	\$ 5,000	Network Switches/Misc (ERMU)
	\$ 6,000	Domain Controller
	\$ 18,000	Microsoft server upgrade (city shared)
	\$ 5,000	Server Backup System (city shared)
	\$ 18,000	OMS
	\$ 5,000	Office Furniture
	\$ 8,000	Team's Room - FS Building
	\$ 10,000	Security Camera System Replacement - Admin
	\$ 40,000	OT Security
	\$ 10,000	Phone System (city shared)
	\$ 5,000	Misc Office Equipment
Subtotal	\$ 185,000	

Administration Noteworthy Non-Recurring Expenses

	Cost	Description
	\$ 15,300	Computers, iPads, Software, Accessories, Scanners, Printers - Upgrades
Subtotal	\$ 15,300	

Total Administration \$ 200,300

Technical Services Capital Needs

	Cost	Description
	\$ 10,000	GIS Enterprise version update
	\$ 20,000	VOLT/VAR Implementation
	\$ 125,000	Fiber Extension - Otsego Sub
	\$ 25,000	Substation Security
	\$ 20,000	Acoustic Camera
	\$ 15,000	Locator
	\$ 25,000	Communications Cap Bank VR Controllers
	\$ 65,000	Trucks (Capital) #17
Subtotal	\$ 305,000	

Technical Services Noteworthy Non-Recurring Expenses

	Cost	Description
	\$ 14,500	Computers, iPads, Software, Accessories - Upgrades
	\$ 10,000	Tools
Subtotal	\$ 24,500	

Total Technical Services \$ 319,500

Total Capital Items	\$ 490,000	
Total Non-Recurring Expenses	\$ 39,800	

Elk River Municipal Utilities Business Plan/Budget
2026 Water Department Capital Budget

Water Capital Construction Needs

	Cost	Description	
	\$ 50,000	Well #5 Rehabilitation	
	\$ 100,000	Facility Repair (Capital)	
	\$ 400,000	Freeport Booster Station	
	\$ 150,000	Meadowvale Booster Station	Reserves
	\$ 240,000	SCADA upgrades	
	\$ 15,000	Well Security	
	\$ 185,000	Hwy 169 Redefine	Reserves
	\$ 2,100,000	Water Main Construction (City Rd project)	Reserves
	\$ 434,000	Re-route well 8 to treatment plant 7	
	\$ 100,000	Cat Walks	
	\$ 10,000	Chlorine Analyzers	
	\$ 12,000	Hi-E Dry Dehumidifiers	
	\$ 15,000	Placeholder for undetermined projects	
Subtotal	\$ 3,811,000		

Capital Equipment Needs

	Cost	Description	
	\$ 65,000	Trucks #3	
	\$ 15,000	GPS locating equipment	
	\$ 32,800	Water share of Administration	
	\$ 1,750	Water Share of Technical Services	
Subtotal	\$ 114,550		

Total Capital \$ 3,925,550

Water Noteworthy Non-Recurring Expenses

	Cost	Description	
	\$ -	Computers, iPads	
	\$ 10,000	Meters/ERT	
	\$ 10,000	Tools	
	\$ 5,580	Water share of Administration	
	\$ 825	Water share of Technical Services	
Total	\$ 26,405		

**ELK RIVER MUNICIPAL UTILITIES
TRAVEL & TRAINING BUDGET FOR 2026**

	# Attending	Budget 2026	Budget 2025	Budget 2024	Comments
Electric					
Advanced Staking Workshop	1 staff	-	-	1,900	
APPA Linemen Rodeo team	4 staff	9,000	7,000	4,500	1 team - Huntsville, AL
Apprenticeship	2 staff	1,250	625	625	
Chippewa Valley Tech - Electric Training Non-Lineman	2 staff	2,800	2,800	2,800	
Commercial Driving School	1 staff	-	-	3,000	
Competent Person training	2 staff	-	1,300	1,220	
Cross Training School	2 staff	-	-	1,960	
Midwest User Group GIS	3 staff	3,000	-	-	
Member Information Conf (NISC)	1 staff	2,500	2,500	2,500	Inventory attending
MMUA Emergency Preparedness	1 staff	700	-	-	
MMUA Locator Workshop	1 staff	365	350	720	
MMUA Meter School	2 staff	1,980	1,900	1,830	
MMUA Overhead Hot Line School	2 staff	2,704	2,600	2,575	
MMUA Stepping Into Leadership		-	3,600	3,600	not offered anymore
MMUA Substation Workshop	2 staff	2,600	2,500	2,240	
MMUA T&O Conference	2 staff	520	500	460	Inventory Foreperson and Assistant attending partial
MMUA T&O Conference	1 staff	730	-	-	
MMUA Transformer School	2 staff	2,500	2,400	2,370	
MMUA Underground School	2 staff	2,700	2,600	2,575	
PCB Training	2 staff	2,500	1,250	1,250	
Regional Workshop	8 staff	1,000	1,000	920	
Tree Trimming/Chainsaw Workshop	2 staff	1,030	1,030	2,060	
Leadership Training		5,543	7,500	6,900	
Additional Training		3,000	3,000	3,000	
	11%	46,422	41,655	46,205	
Water					
APWA Underground Utilities Inspector School	1 staff	700	-	-	
AWWA National Conference	0 staff	-	-	2,000	June 21-24, 2026 in Washington, D.C.
AWWA MN	2 staff	500	500	-	
Backflow Tester Certification Class	0 staff	-	1,125	1,125	
Backflow Tester Re-Certification Class	1 staff	700	1,000	1,000	Every 3 years
Commercial Driving School	0 staff	-	3,400	6,000	
MMUA Electrical Skills	1 staff	700	-	1,000	
MMUA Competent Person Training	1 staff	1,000	-	-	
Professional Operator and Development	0 staff	-	-	750	
Public Works Certificate Program	0 staff	-	-	2,350	
Staking University	0 staff	-	-	2,000	
Unlicensed Electrician Continuing Education	1 staff	60	60	60	
Wastewater Certification Continuing Education	4 staff	2,000	2,000	2,000	
Water Certification Continuing Education	5 staff	4,000	3,000	2,668	
Leadership Training		1,630	2,500	1,725	
Additional Training		3,000	3,000	2,500	
	-14%	14,290	16,585	25,178	
Technical Services					
Advanced Staking Workshop	1 staff	1,900	1,900	-	
Commercial Driving School	1 staff	-	3,400	-	
Engineering MPSYCON	1 staff	700	500	-	
ESRI User Conference	1 staff	2,000	2,000	2,000	
Infrared Camera training	1 staff	2,200	2,200	2,200	
Midwest ESRI User Group	1 staff	1,000	1,000	800	
MMUA Generation School	2 staff	-	-	1,850	
MMUA Locator Workshop	1 staff	365	-	-	
MMUA Stepping Into Leadership		-	-	3,100	
MN Electric Meter School	1 staff	700	700	700	
Power Quality training	2 staff	1,100	1,100	1,100	
Staking University	1 staff	-	-	1,100	
Substation School	1 staff	1,250	1,250	1,000	
UMMA summer mtg	1 staff	800	800	800	
UMMA winter mtg	1 staff	750	750	750	
Xylem Reach Conference	1 staff	3,000	3,000	5,300	AMI
Leadership Training		1,304	2,500	2,150	
Additional Training		2,500	2,500	2,500	
	-17%	19,569	23,600	25,350	

**ELK RIVER MUNICIPAL UTILITIES
TRAVEL & TRAINING BUDGET FOR 2026**

	# Attending	Budget 2026	Budget 2025	Budget 2024	Comments
Management/Commission					
Advanced Training	1 staff	-	-	1,900	
APPA Customer Connections Conference	1 staff	-	3,000	3,000	
APPA E&O Conference	3 staff	6,000	6,500	6,000	Huntsville, AL
APPA Legal & Regulatory Conference	1 staff	4,000	4,000	-	
APPA Legislative Round-up	4 staff/comm	9,000	9,000	8,600	
APPA National Conference	4 comm	3,000	5,000	9,150	
APPA Rodeo	2 staff	2,500	2,500	2,500	Huntsville, AL
APPA Training (Mgmt, CS, Fin, Eng, CIP, etc)	2 staff	10,000	7,000	7,000	
AWWA	1 staff	1,500	3,000	3,000	Water Certification Continuing Education
AWWA National Conference	1 staff/ 1 comm	5,000	5,000	2,000	D.C
Clerk's Conference	1 staff	500	-	800	
CPA CPE	1 staff	1,500	1,500	1,500	
Engineering MPSYCON	1 staff	700	500	1,000	
Engineering seminar	1 staff	-	-	2,000	
JTS Spring and Fall Meeting	1 staff	500	500	500	
Kentucky Equipment Show	2 staff	-	3,000	-	odd year
Member Information Conf (NISC)	5 staff	10,000	5,000	4,850	Las Vegas, NV
MMUA Annual Summer Meeting	3 staff/ 5 comm	7,800	7,500	7,500	
MMUA DUEL	1 staff	3,725	-	-	
MMUA Emergency Preparedness	2 staff	1,400	2,000	1,365	
MMUA Legislative Round-up	1 staff/1 comm	1,040	1,500	1,400	
MMUA Stepping Into Leadership		-	-	3,600	not offered anymore
MMUA T&O Conference	5 staff	3,640	3,500	3,325	
MRWA	2 staff	1,000	1,000	1,000	Water Certification Continuing Education
PCB Workshop	1 staff	2,500	1,250	-	
Project Management Certification Training	1 staff	-	-	1,400	
SHRM Conference	1 staff	4,000			
UMMA Summer Workshop	1 staff	800	450	435	
UMMA winter mtg	1 staff	750	750	750	
Wastewater Certification Continuing Education	1 staff	500	500	500	
Xylem Reach Conference	1 staff	3,000	3,000	-	
Management Training		5,000	5,000	10,000	
Leadership/Mgmt Training		2,609	5,000	5,000	
Additional Training		3,000	3,000	3,000	
	2%	94,964	92,750	95,875	
Office					
APPA Customer Connections Conference	1 staff	-	3,000	3,000	Communications
APPA Cybersecurity Summit	1 staff	1,500	1,500	1,500	IT
Chamber Leadership Program	1 staff	600	600	475	
Clerk's Conference	1 staff	-	800	-	Communications
IT SCCP Online Education	1 staff	500	500	500	IT
Member Information Conf (NISC)	3 staff	7,500	7,500	7,250	IT, Comms, and CS
MMUA Stepping Into Leadership		-	3,600	-	not offered anymore
MRA Employment Law Update	1 staff	250	250	250	
SHRM Conference	1 staff	4,000	3,000	3,000	HR
Customer Service		6,000	3,000	3,000	DUEL, Fred Pryor, NISC, Misc
Communications Training	1 staff	3,000	1,000	1,000	Government Social Media, Misc
Financial/Accounting (APA, NISC & Misc)		3,000	3,000	3,000	APA Continuing Ed, Misc PR, Excel, Accounting Misc
IT Training (NISC/Misc)	1 staff	5,000	1,000	1,000	IT
Xylem Reach Conference	1 staff	3,000	3,000	-	AMI
Leadership Training	11 staff	3,913	5,000	5,175	
Additional Training		1,000	1,000	1,000	
	4%	39,263	37,750	30,150	
Safety Training					
Safe Driver Training	6 staff	2,070	2,350	2,100	2026 cost increased \$10/student to \$315
Additional Training		1,000	1,000	1,000	
Hearing Test		800	600	550	
Labor		133,000	134,000	106,560	
	-1%	136,870	137,950	110,210	
Education					
		3,000	3,000	3,000	
		3,000	3,000	3,000	
Total		354,379	353,290	335,968	
Total Change			0%		

**ELK RIVER MUNICIPAL UTILITIES
DUES & SUBSCRIPTIONS - FEES BUDGET FOR 2026**

Description	Budget 2026	Budget 2025	Actual 2024	
accessiBe	500	500	490	
Adobe Products	8,000	8,000	1,149	Includes creative cloud, pro and sign
AMI	-	11,000	-	
Annual Water Quality Report	-	3,500	3,359	Moved to advertising in 2025
APPA DEED Program Dues	4,000	3,820	3,593	
APPA Dues	19,000	18,630	17,964	
AWWA Annual Fee Dues	2,400	2,300	2,256	
AWWA Partnership Safe Water Treatment/Distribution	-	100	-	
Bond Administrative & Management Fees	4,900	6,500	4,260	City (Disclosure Fees), Moody's, Ehlers
Citizen Serve	4,000	4,000	-	
Drug and Alcohol Random Testing	1,500	2,000	-	Annual Random Pool Employee Participant Fee
Elk River Chamber Membership	650	650	630	
ESRI Small Govt Enterprise agreement	32,578	31,000	29,727	
Government Jobs	-	1,000	-	
Homeland Security (Hazardous Chemical Fee)	700	700	700	MN Dept of Public Safety Hazardous Material Fee Wells
HR professional membership(s)	1,500	1,500	1,398	SHRM and MRA
MMUA Membership Dues	38,000	36,500	35,403	
MMUA Monthly Safety Meetings	35,703	40,000	35,020	
MPCA Permit Fee - Engines	25	370	25	Air annual fee and wastewater fee 1705
MPCA Permit Fee - WTP	-	350	-	
MRWA Annual Fee	400	400	400	
Quarterly MN Dept of Health Water Connection Fee	88,550	57,000	55,715	2026 increase of \$5.50/ connection from \$9.72 to \$15.22
Rotary	300	300	-	
Survey Monkey	500	500	468	
SUSA Membership	125	250	-	
Miscellaneous	10,022	11,100	9,292	Detail can be provided
Bond Underwriter's Discount	-	-	-	Water Bonding 2028
Bond Service Professional Fee	-	-	-	Water Bonding 2028
Total	253,353	241,970	201,848	
			-	
Budget Change	5%			
<i>Budget Change without Bonding Expenses</i>	5%			

2026 CIP Operating Budget

Required Spending and Savings Goals per State of MN

Total Spending Level 1.5% of GOR	\$	652,000
Low Income Requirement .2% of Residential GOR	\$	29,760
Energy Savings Goal (kWh)		4,994,857
Possible Distributed Renewable Generation Funds	\$	8,000
Possible Research and Development Funds	\$	18,000

Proposed CIP Budget 2024

Direct Labor	\$	146,078
General & Administration	\$	181,840
Advertising (Marketing)	\$	54,864
Equipment		
Contract (Includes \$34,219 MN PUC Assessment)	\$	37,000
Total	\$	419,782

ERMU Rebates	\$	232,518
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Total all Expenses and Rebates	\$	652,300
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Total Estimated kWh Savings		4,994,857
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Total Operating CIP Budget No Rebates Only Direct Costs

Direct Labor	\$	146,078
General & Administration	\$	181,840
Advertising (Marketing)	\$	54,864
Contract	\$	37,000
Total ERMU Operating Expenses	\$	419,782

Total Rebate Budget

ERMU Self Funded (spend is dependant on kWh savings)	232,518
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Total Requested Budget

Direct Labor	\$	146,078
General & Administrations	\$	181,840
Advertising (Marketing)	\$	54,864
Contract (Includes MN PUC Assessment)	\$	37,000
ERMU Self Funded Rebates	\$	232,518
Total Requested 2024 Budget	\$	652,300



2026 Schedule of Rates & Fees



RESIDENTIAL ALL ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Single-family residences and individually metered apartments for all domestic purposes with electric energy as a sole source of heating, and when all service is supplied through a single meter, provided ratings of individual single-phase motors do not exceed five (5) horsepower.

Character of Service: AC, 60 cycles, 120/240 volt, three wire, single-phase.

Special Conditions: Residential service to a multiple dwelling or apartment house through a single meter is allowed for existing services only. Service under this rate schedule shall not be sub-metered and resold to the individual tenants on the basis of usage and the cost of electric service to the tenant must be furnished without specific charge or price which varies with the quantity of energy used.

Any apartment or dwelling unit which has separate permanent kitchen facilities shall be considered as one single family private residence.

Meter equipment must be accessible to our service department at any time.

Residential All Electric Service Rate:

Basic Monthly Electric Charge: \$~~15.00~~ 15.50 per month

Summer

Winter

\$~~0.13734~~ 0.14106 / kWh / month \$~~0.12548~~ 0.12911 / kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Minimum Bill: The Basic Monthly Electric Charge.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Residential All Electric Service Rate

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate or changing from summer to winter or from winter to summer rates.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



RESIDENTIAL ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Single-family residences and individually metered apartments for all domestic purposes when all service is supplied through a single meter, provided ratings of individual single-phase motors do not exceed five (5) horsepower.

Character of Service: AC, 60 cycles, 120/240 volt, three wire, single-phase.

Special Conditions: Residential service to a multiple dwelling or apartment house through a single meter is allowed for existing services only. Service under this rate schedule shall not be sub-metered and resold to the individual tenants on the basis of usage and the cost of electric service to the tenant must be furnished without specific charge or price which varies with the quantity of energy used.

Any apartment or dwelling unit which has separate permanent kitchen facilities shall be considered as one single family private residence.

Meter equipment must be accessible to our service department at any time.

Residential Electric Service Rate:

Basic Monthly Electric Charge: \$~~15.00~~ 15.50 per month

Summer

Winter

\$~~0.13734~~ 0.14106 / kWh / month \$~~0.12548~~ 0.12911 / kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Minimum Bill: Basic Monthly Electric Charge.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Residential Electric Service Rate

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate or changing from summer to winter or from winter to summer rates.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 20~~25~~26



RESIDENTIAL CLEAN ENERGY CHOICE PROGRAM RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: ERMU customers receiving service under another residential electric rate.

This Program is available to residential customers choosing to purchase renewable energy. Customers will have the option to purchase 50, 75 or 100 percent of the monthly energy consumption from renewable energy sources.

ERMU customers receiving service under the electric vehicle charging rate will be automatically enrolled in the Residential Clean Energy Choice Program Rate at the 100 percent participation level at no additional monthly charge.

The customer shall agree to:

1. Complete an application - through the online registration process, or by returning a printed copy to ERMU.
2. Clearly indicate the participation level and the additional monthly charge applicable to the 50, 75 or 100 percent subscription level desired.
3. Provide notice to ERMU to cancel participation.

ERMU shall provide:

1. Monthly billing statement with the Clean Energy Choice participation level clearly identified.
2. The applicable incremental cost per participation level will be identified and added to the billing statement.

Participation Level %	Monthly Charge
50	\$1
75	\$2
100	\$3

Federal, state and local taxes may apply.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



NON-DEMAND ALL ELECTRIC SERVICE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential customer accounts. Existing or new Customer accounts with electric energy as a sole source of heating, and with actual or projected demands of less than 50 kW for the previous 12 consecutive months if applicable. When the Customer achieves an actual maximum demand of 50 kW or greater, the Customer will be placed on the Demand Electric Service rate in the next billing cycle. The Customer accounts shall be in compliance with all policies, procedures, and safety requirements, and shall be taken through one meter. Rating of individual single-phase motors and other single-phase power and heating units served under this schedule shall not exceed ten (10) horsepower (or 7.355 kW) except by special permission. (Not applicable to resale, standby or auxiliary service.)

Character Of Service: AC, 60 cycles, 120 volts or 120/240 volts, single-phase; 120/208 volts, or 277/480 volts, three-phase. Four wire, 240 volts three phase will only be applicable to existing customers now being served by this voltage. A Customer requiring voltages other than that already established by ERMU shall be required to provide suitable space and location for ERMU's transformers, metering and associated equipment.

Special Conditions: One meter shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to obtain one meter. If additional meters and services are requested by the customer, each shall be treated as a separate customer and billed individually.

Meter equipment must be accessible to our service department at any time.

Installation of Demand Meter: At the option of ERMU, a demand meter may be installed on any customer whose monthly usage exceeds 15,000 kWh.

Non-Demand All Electric Service Rate:

Basic Monthly Electric Charge: ~~\$32.00~~ \$33.00-per month

Summer

Winter

~~\$ 0.13304~~ 0.13673 / kWh / month

~~\$ 0.11141~~ 0.11494 / kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Non-Demand All Electric Service Rate

Federal, state, and local taxes may apply.

Minimum Bill: The Basic Monthly Electric Charge plus \$1.00 per kW per month of excess transformer capacity requested by customer.

In case of equipment having abnormally low annual utilization factors or unusual operating characteristics, special minimum charges may be prescribed by ERMU.

Power Factor Adjustment: The rates set forth in this schedule are based on the maintenance by the Customer of a power factor of not less than 98% at all times. If the power factor, as measured by the electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Fluctuating Loads: Customers operating equipment having a highly fluctuating or large instantaneous demand, such as welders and X-ray machines, shall be required to pay all non-betterment costs of isolating the load from the balance of ERMU's lines. No motor larger than ten (10) HP (or 7.355 kW) will be allowed to be across-the-line started without notification and written authorization from ERMU. In addition, Customers who fail to provide adequate corrective equipment shall be required to own and maintain their own transformers.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate or changing from summer to winter or from winter to summer rates.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rate set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



NON-DEMAND ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential customer accounts, including privately-owned public electric vehicle chargers. Existing or new Customer accounts with actual or projected demands of less than 50 kW for the previous 12 consecutive months if applicable. When the Customer achieves an actual maximum demand of 50 kW or greater, the Customer will be placed on the Demand Electric Service rate in the next billing cycle. The Customer accounts shall be in compliance with all policies, procedures, and safety requirements, and shall be taken through one meter. Rating of individual single-phase motors and other single-phase power and heating units served under this schedule shall not exceed ten (10) horsepower (or 7.355 kW) except by special permission. (Not applicable to resale, standby or auxiliary service.)

Character Of Service: AC, 60 cycles, 120 volts or 120/240 volts, single-phase; 120/208 volts, or 277/480 volts, three-phase. Four wire, 240 volts three phase will only be applicable to existing customers now being served by this voltage. A Customer requiring voltages other than that already established by ERMU shall be required to provide suitable space and location for ERMU's transformers, metering and associated equipment.

Special Conditions: One meter shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to obtain one meter. If additional meters and services are requested by the customer, each shall be treated as a separate customer and billed individually.

Meter equipment must be accessible to our service department at any time.

Installation of Demand Meter: At the option of ERMU, a demand meter may be installed on any customer whose monthly usage exceeds 15,000 kWh.

Non-Demand Service Rate:

Basic Monthly Electric Charge: ~~\$32.00~~ \$33.00-per month

Summer

Winter

~~\$0.13304~~ 0.13673 / kWh / month ~~\$0.11141~~ 0.11494 / kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Non-Demand Electric Service Rate

Federal, state, and local taxes may apply.

Minimum Bill: The Basic Monthly Electric Charge plus \$1.00 per kW per month of excess transformer capacity requested by customer.

In the case of equipment having abnormally low annual utilization factors or unusual operating characteristics, special minimum charges may be prescribed by ERMU.

Power Factor Adjustment: The rates set forth in this schedule are based on the maintenance by the Customer of a power factor of not less than 98% at all times. If the power factor, as measured by the electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Fluctuating Loads: Customers operating equipment having a highly fluctuating or large instantaneous demand, such as welders and X-ray machines, shall be required to pay all non-betterment costs of isolating the load from the balance of ERMU's lines. No motor larger than ten (10) HP (or 7.355 kW) will be allowed to be across-the-line started without notification and written authorization from ERMU. In addition, Customers who fail to provide adequate corrective equipment shall be required to own and maintain their own transformers.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate or changing from summer to winter or from winter to summer rates.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rate set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



DEMAND ALL ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential customer accounts. Existing or new Customer accounts with electric energy as a sole source of heating, and with actual or projected demand greater than or equal to 50 kW. A Customer account with a billing demand of less than 50 kW for 12 consecutive months will be given the option of switching to the Non-Demand rate. The Customer accounts shall be in compliance with all policies, procedures, and safety requirements, and shall be taken through one meter. (Not applicable to resale, standby or auxiliary service.) A Customer on this rate may qualify for integrity testing.

Character Of Service: AC, 60 cycles, 120 volts or 120/240 volts, single-phase; 120/208 volts, or 277/480 volts, three-phase. Four wire, 240 volts three-phase will only be applicable to existing customers now being served by this voltage. A customer requiring voltages other than that already established shall be required to provide suitable space and location for ERMU's transformers, metering and associated equipment.

Special Conditions: One meter shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to obtain one meter, unless an exception is approved by management. If additional meters and services are requested by the customer, each shall be treated as a separate customer and billed individually.

Meter equipment must be accessible to our service department at any time.

Demand Service Rate:

Basic Monthly Electric Charge: \$ ~~77.00~~ 80.00-per month.

	<u>Summer</u>	<u>Winter</u>
Demand Charge:	\$ 16.75 <u>17.00</u>	\$ 11.75 <u>12.00</u> -in kW / month
Energy Charge:	\$ 0.07035 <u>0.07353</u>	\$ 0.07035 <u>0.07353</u> in kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state and local taxes may apply.

Minimum Bill: Maximum billing demand during previous twelve months times 3.0% of the demand

Demand All Electric Service Rate

charge, or the actual demand multiplied by the demand charge, whichever is greater plus \$1.00 per kW per month of excess transformer capacity requested by customer.

Determination of Billing Demand: The billing demand shall be the highest measured demand (corrected for power factor if required) during any fifteen (15) minute period occurring in the current billing period. ~~But in no month shall the billing demand be greater than the value in kW determined by dividing the kWh sales for the billing month by 75 hours per month. This billing adjustment applies only if the customer's peak demand DOES NOT occur between the hours of 3:00 p.m. and 10:00 p.m.~~

Fluctuating Loads: Customers operating equipment having a highly fluctuating or large instantaneous demand, such as welders and X-ray machines, shall be required to pay all non-betterment costs of isolating the load from the balance of ERMU's system so that the load will not unduly interfere with service on ERMU's lines. In addition, Customers who fail to provide adequate corrective equipment shall be required to own and maintain their own transformers. No motor larger than ten (10) HP (or 7.355 kW) will be allowed to be across-the-line started without notification and written authorization from ERMU.

Power Factor Adjustment: For loads of 50 kW or more, or at the option of ERMU for loads of less than 50 kW, power factor adjustments may be made in the billing demand, when the power factor, as determined by test, at the time of the Customer's maximum use is less than 98%. If the power factor, as measured by ERMU's electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



DEMAND ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential customer accounts, including privately-owned public electric vehicle chargers. Existing or new Customer accounts with actual or projected demand greater than or equal to 50 kW. A Customer account with a billing demand of less than 50 kW for 12 consecutive months will be given the option of switching to the Non-Demand rate. The Customer accounts shall be in compliance with all policies, procedures, and safety requirements, and shall be taken through one meter. (Not applicable to resale, standby or auxiliary service.) A Customer on this rate may qualify for integrity testing.

Character Of Service: AC, 60 cycles, 120 volts or 120/240 volts, single-phase; 120/208 volts, or 277/480 volts, three-phase. Four wire, 240 volts three-phase will only be applicable to existing customers now being served by this voltage. A customer requiring voltages other than that already established shall be required to provide suitable space and location for ERMU's transformers, metering and associated equipment.

Special Conditions: One meter shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to obtain one meter, unless an exception is approved by management. If additional meters and services are requested by the customer, each shall be treated as a separate customer and billed individually.

Meter equipment must be accessible to our service department at any time.

Demand Service Rate:

Basic Monthly Electric Charge: \$~~77.00~~ 80.00-per month.

	<u>Summer</u>	<u>Winter</u>
Demand Charge:	\$ 16.75 <u>17.00</u>	\$ 11.75 <u>12.00</u> in kW / month
Energy Charge:	\$ 0.07035 <u>0.07353</u>	\$ 0.07035 <u>0.07353</u> in kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state and local taxes may apply.

Demand Electric Service Rate

Minimum Bill: Maximum billing demand during previous twelve months times 3.0% of the demand charge, or the actual demand multiplied by the demand charge, whichever is greater plus \$1.00 per kW per month of excess transformer capacity requested by customer.

Determination of Billing Demand: The billing demand shall be the highest measured demand (corrected for power factor if required) during any fifteen (15) minute period occurring in the current billing period.

~~But in no month shall the billing demand be greater than the value in kW determined by dividing the kWh sales for the billing month by 75 hours per month. This billing adjustment applies only if the customer's peak demand DOES NOT occur between the hours of 3:00 p.m. and 10:00 p.m.~~

Fluctuating Loads: Customers operating equipment having a highly fluctuating or large instantaneous demand, such as welders and X-ray machines, shall be required to pay all non-betterment costs of isolating the load from the balance of Elk River Municipal Utilities' system so that the load will not unduly interfere with service on Elk River Municipal Utilities' lines. In addition, Customers who fail to provide adequate corrective equipment shall be required to own and maintain their own transformers. No motor larger than ten (10) HP (or 7.355 kW) will be allowed to be across-the-line started without notification and written authorization from ERMU.

Power Factor Adjustment: For loads of 50 kW or more, or at the option of ERMU for loads of less than 50 kW, power factor adjustments may be made in the billing demand, when the power factor, as determined by test, at the time of the Customer's maximum use is less than 98%. If the power factor, as measured by ERMU's electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025

Effective January 1, 2025~~26~~



LARGE INDUSTRIAL DEMAND ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential customer accounts. Existing or new Customer accounts with actual or projected demand greater than or equal to 1 MW. A Customer account with a billing demand of less than 1 MW for 12 consecutive months may be switched to the Demand Electric Service Rate. The Customer accounts shall be in compliance with all policies, procedures, safety requirements, and shall be taken through one or more meters. Not applicable to resale, standby or auxiliary service.

Character Of Service: 3-Phase Primary, 7,200/12,470 volt, AC, 60 cycles.

Special Conditions: Customer must provide a location suitable for the installation of a utility metering cabinet(s). Customer will be responsible for providing suitable wire and connection in the utility owned metering cabinet(s). The primary meter(s) and cabinet(s) shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to the existing meter(s), unless an exception is approved by management. If additional meters and services are requested by the customer, each shall be treated as a separate customer and billed individually. A customer on the rate may qualify for integrity testing.

ERMU equipment and metering must be accessible to ERMU 24 hours per day.

Demand Service Rate:

Basic Monthly Electric Charge: \$~~115.00~~ 125.00 per month.

	<u>Summer</u>	<u>Winter</u>
Demand Charge:	\$ 16.25 <u>16.50</u>	\$ 11.25 <u>11.50</u> in kW / month
Energy Charge:	\$ 0.06962 <u>0.07293</u>	\$ 0.06962 <u>0.07293</u> in kWh / month

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Minimum Bill: Maximum billing demand during previous twelve months times 3.0% of the demand charge, or the actual demand multiplied by the demand charge, whichever is greater plus \$1.00 per kW per month of excess transformer capacity requested by customer.

Large Industrial Demand Electric Service Rate

Determination of Billing Demand: The billing demand shall be the highest measured demand (corrected for power factor if required) during any fifteen (15) minute period occurring in the current billing period.

Fluctuating Loads: Customers operating equipment having a highly fluctuating or large instantaneous demand, such as welders and X-ray machines, shall be required to pay all non-betterment costs of isolating the load from the balance of ERMU's system so that the load will not unduly interfere with service on ERMU's lines. No motor larger than ten (10) HP (or 7.355 kW) will be allowed to be across-the-line started without notification and written authorization from ERMU.

Power Factor Adjustment: Power factor adjustments may be made in the billing demand, when the power factor, as determined by test, at the time of the Customer's maximum use is less than 98%. If the power factor, as measured by ERMU's electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



TRANSMISSION TRANSFORMED SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential Customer accounts with projected demand greater than or equal to 10 MW. The Customer must maintain an annual load factor greater than or equal to 75%. A Customer account with a monthly billing demand of less than 10 MW for 12 consecutive months or an annual load factor less than 75% may be switched to another electric rate schedule (additional charges may apply to recover stranded costs). The Customer owned equipment must be in compliance with all policies, procedures, safety requirements, and applicable electrical codes.

Character of Service: 3-Phase Transmission Transformed 7,200/12,470-volt, AC, 60 cycles.

Special Conditions: The Customer must execute a contract with the utility that commits to a minimum term of service, identifies the annual peak demand and load factor, agrees to the requirements for registering generation with Midcontinent Independent System Operator (MISO) if applicable, and accepts the certain risks that include fluctuating market-based rates and prices established by MISO.

The Customer must connect directly to the Utility's distribution substation(s) and provide the location suitable for the installation of the utility owned transformer(s) and metering equipment on the Customer's property. Customer will be responsible for providing suitable wire and connection in the utility owned metering equipment. The metering equipment shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to maintain one metered account, unless an exception is approved by management. If additional meters and services are requested by the customer, each shall be treated as a separate customer and billed individually.

ERMU equipment and metering must be accessible to ERMU 24 hours per day.

Transmission Demand Charge:

Transmission Demand charges are determined by monthly maximum metered 15-minute Customer demand, adjusted for applicable MISO zone transmission losses. All applicable MISO transmission charges, including but not limited to the below, shall apply to all transmission demand quantities:

- A. Schedule 1
- B. Schedule 2
- C. Schedule 9
- D. Schedule 26

Transmission Transformed Service Rate

Capacity Charge:

Capacity charges are determined by Customer selection of one of the options below:

- A. If customer has its own generation, then the capacity billing determinant shall be the maximum metered 15-minute demand in excess of Customer's registered generation in a given month. To qualify for this billing determinant, Customer's generation must be registered with MISO and comply with all MISO requirements for capacity resources.
- B. If Customer does not have its own generation, or if Customer fails to register its generation with MISO or fails to comply with all MISO requirements for capacity resources, then the capacity billing determinant shall be monthly maximum metered 15-minute Customer demand.

~~The capacity billing determinants defined above are pass-through costs. The following charges shall apply to all capacity quantities. The above-defined billing determinant multiplied by:~~

- ~~A. \$10.90 per kW-month for all capacity quantities during the months of June through September.~~
- ~~B. \$3.60 per kW-month for all capacity quantities during the months of October through May.~~

Energy Charge:

Energy billing is determined by actual hourly usage. The following charges shall apply to all energy (kWh) quantities:

- A. MISO Real-Time Locational Marginal Price at the applicable MISO Node.
- B. All applicable MISO Ancillary Services Charges.
- C. MISO Multi-Value Project Charges.
- D. A charge of \$0.002 per kWh for the cost of compliance with the State of Minnesota's Renewable Energy Standard.
- E. A charge of \$0.01 per kWh to cover all dispatch, billing, and administrative costs. This charge shall be inclusive of all regulatory charges collected by Utility on all customers.

City fees, such as franchise and storm water, will apply.

Federal, state, and local taxes may apply.

Failure to Generate: If Customer has registered generation that does not perform as registered when requested by utility, utility's wholesale supplier, or MISO, Customer shall be responsible for:

- A. Any financial or other penalties imposed by MISO related to the generation's failure to perform.
- B. All costs of utility or utility's wholesale supplier to acquire replacement capacity to replace registered generation that did not perform.

Transformation Charge: Customer shall pay a monthly transformation charge based on the cost of providing transmission transformed service to Customer, including recovery of costs for any new substation or related facilities.

Transmission Transformed Service Rate

Minimum Bill: Charges for failure to meet minimum peak demand and load factor requirements shall be outlined in the contract between Customer and Utility.

Power Factor Adjustment: Power factor adjustments may be made in the billing demand, when the power factor, as determined by test, at the time of the Customer's maximum use is less than 98%. If the power factor, as measured by ERMU's electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Service shall comply with all applicable ERMU Policies and rules.
2. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
3. Customer is responsible for any new charges or fees imposed by MISO or any new regulatory or legislative action that results in increased costs to provide power supply to Customer.
4. All rates in this electric rate schedule are subject to change with commission approval.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~December 18, 2025
Effective January 1, 2025~~26~~



COMMERCIAL CLEAN ENERGY CHOICE PROGRAM RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: ERMU customers receiving service under another commercial electric rate.

This Program is available to commercial customers choosing to purchase renewable energy. Customers' will be required to participate for one calendar year and the applicable Clean Energy Choice incremental charge will apply to all energy sold in the calendar year.

The customer shall agree to:

1. Contact ERMU staff to discuss program participation.
2. Sign a contractual agreement for one calendar year prior to December 1 for participation in the upcoming year.
3. Continue to participate in the program annually until customer provides written notice of cancelation to ERMU.
4. Provide written notice of cancelation in the program to ERMU prior to December 1 of a given year for the upcoming year.

ERMU shall provide:

1. Estimate of annual incremental charge for participating in program.
2. Clean Energy Choice incremental charge per kWh is \$0.002.
3. The incremental charge applies to all kWh purchases in excess of the Wholesale Renewable Energy Standard.
4. The incremental charge will be calculated based on actual kWh consumed in the billing period.
5. The incremental charge will be calculated as follows:
[kWh consumed X (100% - Wholesale Renewable Energy Standard) X \$0.002]
6. Monthly billing statement with the Clean Energy Choice incremental charge identified.
7. Program price changes by November 1 for the coming year.

Federal, state and local taxes may apply.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



OFF-PEAK DEMAND ELECTRIC SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Non-residential customer accounts. Existing or new Customer accounts with actual or projected demand greater than or equal to 50 kW. A Customer account with a billing demand of less than 50 kW for 12 consecutive months will be given the option of switching to the Non-Demand rate. The Customer accounts shall be in compliance with all policies, procedures, and safety requirements, and shall be taken through one meter. (Not applicable to resale, standby or auxiliary service.)

Character Of Service: AC, 60 cycles, 120 volts or 120/240 volts, single-phase; 120/208 volts, or 277/480 volts, three-phase. Four wire, 240 volts three-phase will only be applicable to existing customers now being served by this voltage. A customer requiring voltages other than that already established shall be required to provide suitable space location of ERMU's transformers, metering and associated equipment.

Special Conditions: One meter shall be installed to service one class of business. If additional buildings are required for a given business, they shall be interconnected by the customer to obtain one meter, unless an exception is approved by management. If additional meters and services are requested by the customer, each shall be treated as a separate customer.

Meter equipment must be accessible to our service department at any time.

Off Peak Demand Service Rate:

Basic Monthly Electric Charge: \$~~77.00~~ 80.00 per month.

	<u>Summer</u>	<u>Winter</u>
Demand Charge:		
On-Peak	\$ 16.75 <u>17.00</u>	\$ 11.75 <u>12.00</u> in kW / month
Off-Peak	\$ 6.30 <u>6.50</u>	\$ 6.30 <u>6.50</u> in kW / month
Energy Charge:	\$ 0.07350 <u>0.07643</u>	\$ 0.07350 <u>0.07643</u> in kWh / month
On-Peak Demand:	Actual demand during On-Peak Periods	
On-Peak Period:	3:00 PM -10:00 PM weekdays	
Off-Peak Demand:	Actual demand during Off-Peak Periods less On-Peak Demand	
Off-Peak Period:	All non On-Peak Periods	

Summer Rate: Applicable during the five monthly billing periods of June – October.

Winter Rate: Applicable during the seven monthly billing periods of November – May.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Off-Peak Demand Electric Service Rate

Minimum Bill: Maximum billing demand during previous twelve months times 3.0% of the demand charge, or the actual demand multiplied by the demand charge, whichever is greater plus \$1.00 per kW per month of excess transformer capacity requested by customer.

Determination of Billing Demand: The billing demand shall be the highest measured demand (corrected for power factor if required) during any fifteen (15) minute period occurring in the current billing period. ~~But in no month shall the billing demand be greater than the value in kW determined by dividing the kWh sales for the billing month by 75 hours per month. This billing adjustment applies only if the customer's peak demand DOES NOT occur between the hours of 3:00 p.m. and 10:00 p.m.~~

Fluctuating Loads: Customers operating equipment having a highly fluctuating or large instantaneous demand, such as welders and X-ray machines, shall be required to pay all non-betterment costs of isolating the load from the balance of ERMU's system so that the load will not unduly interfere with service on ERMU's lines. No motor larger than ten (10) HP (or 7.355 kW) will be allowed to be across-the-line started without notification and written authorization from ERMU.

In addition, Customers who fail to provide adequate corrective equipment shall be required to own and maintain their own transformers.

Power Factor Adjustment: For loads of 50 kW or more, or at the option of ERMU for loads of less than 50 kW, power factor adjustments will be made in the billing demand, when the power factor, as determined by test, at the time of the Customer's maximum use is less than 98%. If the power factor, as measured by ERMU's electric department, is lower than 98%, the monthly demand charge may be multiplied by the ratio 98% divided by the measured power factor, or at ERMU's option, the power factor may be corrected at the Customer's expense.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, ~~2025~~ 26



COMMERCIAL ALL ELECTRIC WITH GROUND SOURCE HEAT PUMP SERVICE RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Commercial customers having a single meter that includes a ground source heat pump (GSHP) in excess of 50 kW but no more than 150 kW in aggregated name plate capacity of the GSHP equipment (condensers and pumps).

Character of Service: AC, 60 cycles, 120/240 volts, three wire, and three-phase.

Special Conditions: This Program is available to commercial customers. A GSHP will be the only central heating and/or cooling system for the commercial workspaces. Commercial structures that are classified as Utility and Miscellaneous Group U by the International Code Council are not eligible for this rate. GSHPs that qualify for this program will not be interrupted. A GSHP paired with another heating source such as natural gas, fuel oil, or propane may qualify for the Dual Fuel Program.

To qualify for the special rate, the customer shall provide:

1. The GSHP is the only heat source. Only closed loop GSHPs are eligible for this rate beginning September 1, 2016.
2. ERMU and the customer will agree on a meter location prior to the meter socket installation.
3. Commercial customers may have a separate meter to determine the energy and demand of the GSHP. Electric usage for the non-heating/cooling energy use of the building may be metered and priced using the appropriate rate (demand, or non-demand) schedule.
4. Accommodations for a meter and associated wiring installed according to the applicable electrical codes and will be installed by a qualified electrician.
5. Inspection by a State certified inspector and representative of ERMU.
6. Customers on this rate will not be eligible for the Dual Fuel Program.

Meter equipment must be accessible to our service department at any time.

Ground Source Heat Pump Service Rate:

Basic Monthly Electric Charge: \$ ~~30.50~~ 33.00-per month

Energy Charge: \$~~0.0983~~ 0.10212 / kWh

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Minimum Bill: Basic Monthly Electric Charge.

Commercial All Electric with Ground Source Heat Pump Service Rate

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Terms and Conditions:

1. Usage may be fractionalized on the actual days of service for application of a change in rate, or changing from summer to winter or from winter to summer rates.
2. Service will be furnished pursuant to ERMU's rules.
3. Extensions made for service under this schedule are subject to the provisions of ERMU's rules governing Extension of Service and Facilities.
4. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
5. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



GROUND SOURCE HEAT PUMP PROGRAM RATE

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Single family residences, non-demand and demand customers receiving service under another rate, who add a second meter for any of the following controlled loads:

Ground Source Heat Pump Rate: This Program is available to residential and commercial customers. A ground source heat pump (GSHP) is a central heating and/or cooling system for residential living spaces or commercial workspaces. Residential living spaces will meet all the applicable Minnesota state building codes. Commercial structures that are classified as Utility and Miscellaneous Group U by the International Code Council are not eligible for this rate. This program is available to residential or commercial customers with a GSHP as their sole heat source.

To qualify for the special rate, the customer shall provide:

1. The GSHP is the only heat source. Only closed loop GSHPs are eligible for this rate beginning January 1, 2016.
2. ERMU and the customer will agree on a meter location prior to the meter socket installation.
3. Commercial customers may have a separate meter to determine the load of the heat pumps. Electric usage for the remainder of the building will be metered and priced using the appropriate rate (Demand or Non-Demand).
4. Accommodations for a meter and associated wiring installed according to the applicable electrical codes and will be installed by a qualified electrician.
5. Inspection by a State certified electrical inspector and a representative of ERMU.

ERMU shall provide:

1. All electric energy consumed by the primary electric heating system at \$~~0.0983~~ 0.10212 per kWh.
2. A meter socket to accommodate the meter in a mutually agreed to location.
3. A meter to measure electricity consumed by the electric heating system.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025~~26~~



ELECTRIC VEHICLE CHARGING RATES

Residential and Commercial Electric Vehicle Charging Rate

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Single family residences, non-demand and demand customers receiving service under another rate (does not include privately-owned public chargers).

Electric Vehicle Charging Rate: This Program is available to all customers of ERMU that own an electrically powered vehicle used for on road transportation. Charging of the vehicle can occur any time but will be subject to on-peak and off-peak energy charges per hour daily. On-peak hours are Monday through Friday between 10 AM and 10 PM. Off-peak hours are Monday through Friday between 10 PM and 10 AM, Saturdays, Sundays, and the following holidays (New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day).

To qualify for the special rate, the customer shall provide:

1. Electric vehicle charging station that is used for the sole purpose of charging electric vehicles. This charging station must be 240 volt.
2. Customer is responsible for installation of the additional meter socket in a mutually agreed upon location.
3. Inspection by a State Certified electrical inspector of all metering equipment and provide an affidavit to ERMU when completed.

ERMU shall provide:

1. All on-peak electric energy consumed by the electric vehicle charging equipment will be at the summer rate of ~~\$0.137334~~ 0.14106 /kWh for the five monthly billing periods of June – October, and the winter rate of ~~\$0.12548~~ 0.12911/kWh for the seven monthly billing periods of November – May.
2. All off-peak electric energy consumed by electric vehicle charging equipment will be at the rate of ~~\$0.0651~~ 0.06858/kWh.
3. This equipment will be available for charging at applicable rates 24 hours per day and is not subject to any load control strategies.
4. All electric energy provided to an account that participates in this rate will be automatically enrolled in the Clean Energy Choice Program at the 100 percent participation level at no additional monthly charge.
5. All electric energy provided for the electric vehicle charging equipment will be 100 percent renewable.
6. Electric meter.

Electric Vehicle Charging Rates

7. Final inspection prior to meter activation to ensure only qualified loads are being supplied through the electric vehicle charging equipment.

Rates are subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Public Electric Vehicle Charging Rate: This rate is available to anyone charging an electric vehicle or plugin electric vehicle at a public electric vehicle charging station owned and operated by ERMU within the ERMU service territory. All persons must have an active ChargePoint account or have the capability to create a ChargePoint account prior to utilizing the charging equipment for an electric vehicle or plug-in hybrid electric vehicle.

To charge at the public charging stations customers shall:

1. Utilize their existing ChargePoint account or create a new account using a credit or debit card prior to charging the electric vehicle or plug-in hybrid.

ERMU shall provide:

1. Access to public electric vehicle charging stations located in the ERMU service territory.
2. The chargers will be either level two (240 volt) or DC Fast Charging (480 volt) charging equipment.
3. Electric energy consumed at the level two charging stations will be at a rate of \$0.20 per kWh at all times.
4. Electric energy consumed at the DC Fast Charging station will be at a rate of \$0.25 per kWh at all times.
5. Electric energy provided at the public electric vehicle charging stations will be 100 percent renewable.

Federal, state, and local taxes may apply.

Adopted ~~December 10, 2024~~December 18, 2025
Effective January 1, 202526



MORATORIUM EFFECTIVE FEBRUARY 14, 2017 ON THE FOLLOWING LOAD CONTROL PROGRAMS

ENERGY MANAGEMENT PROGRAM RATES

Available: Within Elk River Municipal Utilities (ERMU) established service territory.

Applicable to: Single family residences, non-demand and demand customers receiving service under another rate, who add a second meter for any of the following controlled loads:

Dual Fuel Space Heating Rate: This Program is available to residential customers only. A dual fuel space heating system consists of an electric heating system and a secondary non-electric space heating system both capable of heating the living space at design conditions. Interruptions of the electric heating system will usually occur for up to 12 hours daily on peak winter days and a maximum of 400 hours per heating season.

To qualify for the special rate, the customer shall provide:

1. An electric space heating system which can be interrupted by a single 5 amp rated relay.
2. A secondary non-electric space heating system capable of automatic start-up and continuous operation upon interruption of the electric heating system.
3. Obtain a load control device furnished by ERMU.
4. Accommodations for a meter and load control device and associated wiring installed according to the applicable electrical codes, and installed by a qualified electrician.
5. Inspection by a State certified electrical inspector and a representative of ERMU.
6. Radiant heat in the slab of the building qualifies for dual fuel, not electric thermal storage.
7. Dual Fuel is not allowed in garages, pole sheds, or any structure that does not confirm to the residential building code.
8. Exceptions by management approval only.

ERMU shall provide:

1. All electric energy consumed by the primary electric heating system at \$0.06516858 per kWh.
2. During peak load conditions, ERMU will turn customer controlled electrical heat off for extended periods of time as stated above.
3. A meter to measure electricity consumed by the electric heating system.
4. A load control device and meter socket to accommodate the meter.

Rate is subject to application of Power Cost Adjustment (PCA).

Federal, state and local taxes may apply.

MORATORIUM EFFECTIVE FEBRUARY 14, 2017 ON THE FOLLOWING LOAD CONTROL PROGRAMS

Energy Management Program Rates

Electric Thermal Storage (ETS) Space Heating Rate: This Program is available to all ERMU customers. An ETS space heating system is designed to store heat produced by electricity generated during eight off-peak hours for use in heating during the remaining on-peak hours daily. Off-peak hours typically occur between 11 PM and 7 AM. Qualifying ETS configurations may be central storage furnaces, room storage heaters or slab (deep heat) systems including combinations of same.

To qualify for the special rate, the customer shall provide:

1. An ETS space heating system listed by UL or some other nationally recognized testing agency which can be interrupted by a single 5 amp rated relay.
2. Obtain a load control device from ERMU.
3. Accommodations for a meter and load control device and associated wiring installed according to the applicable electrical codes, and installed by a qualified electrician.
4. Inspection by a State certified electrical inspector and a representative of ERMU.

ERMU shall provide:

1. All electric energy consumed by this ETS system at \$0.05015343 per kWh.
2. This equipment will be energized only for 8 off peak hours daily. Additional on-time is provided on weekend days and holidays.
3. A meter to measure electricity consumed by the ETS space heating system.
4. A load control device which will automatically control ETS space heating system during on-peak hours.

Rate is subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Electric Thermal Storage (ETS) Water Heating Rate: This Program is available to all ERMU customers. An ETS water heater is designed with extra storage capacity to provide total domestic hot water needs from electricity consumed only during eight off-peak hours daily. Off-peak hours typically occur between 11 PM and 7 AM. Qualifying ETS configurations may be a large single tank, dual tanks plumbed in series, or an electric and non-electric tank plumbed in series with the electric placed on the cold water side. Electric water heater must have an energy factor of .91 or more and a minimum of 80 gallons of storage capacity.

To qualify for the special rate, the customer shall provide:

1. An ETS water heating system which can be interrupted directly by a single 30 amp rated relay.
2. Obtain a load control device from ERMU.
3. Accommodations for a meter and load control device and associated wiring installed according to the applicable electrical codes, and installed by a qualified electrician.
4. Inspection by a State certified electrical inspector and a representative of ERMU.
5. This rate is not available for hot water use in any production process for Commercial and Industrial users.

MORATORIUM EFFECTIVE FEBRUARY 14, 2017 ON THE FOLLOWING LOAD CONTROL PROGRAMS

Energy Management Program Rates

ERMU shall provide:

1. All electric energy consumed by the ETS water heater at \$0.05015343 per kWh.
2. This equipment will be energized only for 8 off-peak hours daily.
3. A meter to measure electricity consumed by the ETS water heater.
4. A load control device and meter socket to accommodate the off-peak meter.

Rate is subject to application of Power Cost Adjustment (PCA).

Federal, state, and local taxes may apply.

Adopted ~~December 10, 2024~~ December 18, 2025

Effective January 1, 2025 26



STREET/SECURITY LIGHT SERVICE RATE

Available: To any customer meeting Elk River Municipal Utilities (ERMU) criteria for service under this schedule, and whose lighting needs are not being furnished under any other schedule. Installation costs will be determined by ERMU per the Utilities Fee Schedule or on a time and materials basis.

Applicable: As determined by ERMU, but generally to non-metered roadway and area lighting.

Character Of Service: 120/240 volts, AC, as available.

Street/Security Light Service

Federal, state, and local taxes may apply.

Type	Monthly Rate Per Fixture
Standard Low Output with Wood Pole (<249 Watt HPS, <74 Watt LED)	\$10.00
Standard Low Output (<249 Watt HPS, <74 Watt LED)	\$12.00
Standard Medium Output (250-399 Watt HPS, 75-124 Watt LED)	\$17.00
Standard High Output (400 Watt or larger HPS, 125 Watt or larger LED)	\$22.00
Standard Low Output with Decorative Pole (<74 Watt LED)	\$24.00
Decorative Medium Output with Decorative Pole (75-124 Watt LED)	\$33.00

Ownership of Equipment: ERMU will install, own, and operate the lights, including fixtures and control equipment, unless otherwise agreed upon by ERMU and the Customer.

Lamp Replacements: Lamp replacements will be made by ERMU.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

General Terms and Conditions Applicable To Non-Metered Lighting Service:

1. Area lighting installed on ERMU poles shall not be of the type that interferes with climbing room, work space, or wire clearance as defined by the National Electrical Safety Code and is to be installed below the secondary line and service drops, all per ERMU's specification.
2. All area lights installed under this schedule shall be equipped with a photo-electric control which will limit the hours of illumination from dusk to dawn (approximately 4,400 hours per year).

Street/Security Light Service Rate

3. The rates set forth herein may be modified by the amount of any governmental changes imposed and levied on transmission, distribution, production, or the sale of electrical power.
4. Exceptions by management approval only.

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, 2025 26



WATER SERVICE RATES

Available to: All customers who have municipal water service available at their property, lying within the corporate limits of the City of Elk River.

Special Conditions: Each customer served by one meter. Multiple living entities, such as apartments, may be served by a combined meter upon approval of the Elk River Municipal Utilities (ERMU) and acceptance of applicable charges.

Special Charges: A basic monthly water charge shall be applied to each meter based on the meter size according to the schedule below, and is separate from any water use. Included in the basic monthly water charge is ~~\$0.81~~ \$1.27 that is collected on a monthly basis from each service connection (excluding irrigation only accounts) to recover the total annual cost of ~~\$9.72~~ \$15.22 for the State of Minnesota Safe Water Testing Program (Minnesota Statutes 144.3831).

Water Rates:

METER TYPE	BASIC MONTHLY CHARGE	1 st TIER Cost per 1000 gallons	2 nd TIER Cost per 1000 gallons	3 rd TIER Cost per 1000 gallons
Residential	\$10.23 <u>\$10.69</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial ¾	\$12.27 <u>\$12.76</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 1	\$13.65 <u>\$14.20</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 1 ¼	\$15.02 <u>\$15.62</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 1 ½	\$16.38 <u>\$17.04</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 2	\$21.83 <u>\$22.70</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 3	\$47.75 <u>\$49.66</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 4	\$65.48 <u>\$68.10</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 6	\$95.49 <u>\$99.31</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial 8	\$129.60 <u>\$134.78</u>	\$2.04 <u>\$2.12</u>	\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>
Commercial Irrigation Seasonally or Permanently Installed	\$21.83 <u>\$22.70</u>		\$3.64 <u>\$3.79</u>	\$4.20 <u>\$4.37</u>

Federal, state, and local taxes may apply.

Water Service Rates

Residential Rate Tier Definition:

First Tier Rate = 0 – 9,000 gallons per month.

Second Tier Rate = Between 9,000 and 15,000 gallons per month.

Third Tier Rate = Above 15,000 gallons per month.

Commercial Rate Tier Definition:

First Tier Rate = 0 – 1.1 X previous year's winter measurement period average monthly consumption.

Second Tier Rate = Between 1.1 X previous year's winter measurement period average monthly consumption to 1.1 X previous year's winter measurement period average monthly consumption + 40,000 gallons.

Third Tier Rate = Above 1.1 X previous year's winter measurement period average monthly consumption + 40,000 gallons.

Winter Measurement Period Definition: December – April billing cycles.

For new customers, if a minimum of 3 winter months previous year's history is not available to establish the Tier amount, the First Tier rate shall be utilized until a minimum of 3 months history is established.

Commercial irrigation is not eligible for First Tier Rate as there is no winter use.

Minimum Bill: Basic monthly water charge plus any charges applicable to multiple living entities.

Billing and Terms of Payment: See ERMU Service Policies Policy (Billing Due Dates, and Penalties and Delinquent Notices.)

Adopted ~~December 10, 2024~~ December 18, 2025
Effective January 1, ~~2025~~2026

	Elk River Municipal Utilities
	2026 Utilities Fee Schedule
	ELECTRIC
	New Residential Electric Connection - Developer - Lot with ERMU water service \$975.00
	New Residential Electric Connection - Developer - Lot without ERMU water service \$1,475.00
	New Electric Connection (standard) \$900.00
	New Electric Connection - Non Standard Loads (i.e seasonal cabin, RV panel, Billboards, electric fence, etc.) 100%
	New Wire Footages over 200' (per foot) \$5.00
	New Service Frost Trenching (per foot) \$6.00
	New Commercial & Industrial Electric Connection 50%
	Service Upgrades or Additions for Existing Customers 100%
	Minimum Temporary Electric Service - Existing Transformer \$350.00
	Minimum Temporary Electric Service - Without Existing Transformer \$1,000.00
	Non-Standard Temporary Electric Service - (Additional infrastructure needed to install service to customer) 100%
	Grid Access Fee 5.20/kW
	Street Light - 30' Decorative Pole with 6' Arm and Cobra Fixture \$3,400.00
	Street Light - 23' Decorative Pole with Cobra Fixture \$2,400.00
	Street Light - 14' Decorative Pole with Cobra Fixture \$5,500.00
	Street Light - 14' Decorative Pole with Acorn Fixture \$7,500.00
	Security Light - Wood Pole with Fixture \$975.00
	Security Light - Existing Pole \$350.00
	Pole Attachment Fee (per pole) \$15.00
	Meter Installation Fee (per individually metered apartment unit) \$25.00
	WATER
	Water Access Charge = Water Connection Charge + Water Availability Charge \$3,990.00
	Water Connection Charge (Per Plumbing Unit) - Builder \$3,600.00
	Water Availability Charge (Per Plumbing Unit) - Developer \$390.00
	Abandoned Water Service (minimum) \$6,000.00
	Backflow Preventer Device Non-Compliance (per month) \$100.00
	Deposit for 5/8" Hydrant Meter \$175.00
	Deposit for 2 1/2" Hydrant Meter \$1,500.00
	Hydrant Water Sales - Rental (per week) \$50.00
	Hydrant Water Sales - Units (per 1000 gallons) 3rd Tier Water Rate
	Hydrant Wrench \$40.00
	Private Hydrant Maintenance Program Monthly Fee \$5.00
	ADMINISTRATIVE
	Administrative Fee for Continued Submission of Checks After No-Check Notice Given \$20.00
	Administrative Fee for Continued Submission of payment on a closed account \$20.00
	Billable Cost of Materials Markup 15%
	Billable Labor Markup 58%
	Billable Vehicle / Equipment (per hour) \$50.00
	Commerical Application Fee \$20.00
	Electric Service Disconnect/Trip Fee - Meter Technician \$50.00
	Electric Service Disconnect/Trip Fee - Line Crew \$150.00
	Water Service Disconnect/Trip Fee - Water Operator \$100.00
	Manual Meter Reading Fee (per month) \$50.00
	Additional Meter Reading Fee (per month) \$10.00
	Meter Tampering Fee \$250.00
	Meter Testing Fee \$50.00
	NSF Fee \$30.00
	Penalty Amount 10%
	Photocopies (per page) \$0.25
	Red Tag Handling Fee \$20.00
	<i>Federal, state, and local taxes may apply</i>
	<i>Adopted by the Utilities Commission on November 13, 2025 under authority per Minnesota Statute 412.361</i>

RESOLUTION NO. 25-10

BOARD OF COMMISSIONERS
ELK RIVER MUNICIPAL UTILITIES

**A RESOLUTION ADOPTING THE ELK RIVER MUNICIPAL UTILITIES 2026 BUDGET AND
2026 SCHEDULE OF RATES AND FEES**

WHEREAS, Elk River Municipal Utilities staff has presented the preliminary 2026 budget, and the 2026 Schedule of Rates and Fees as contained in the 2026 Annual Business Plan, to the Commission;

WHEREAS, the Commission has reviewed the budget and made modifications that reflect the desired service level; and

WHEREAS, the budget represents a reasonable estimate of the spending required to provide the desired service level; AND

WHEREAS, the schedule of rates and fees is reasonable and necessary to support our 2026 budget.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF ELK RIVER MUNICIPAL UTILITIES, BASED UPON THE FOREGOING RECITALS INCORPORATED HEREIN, AS FOLLOWS:

1. The Elk River Municipal Utilities 2026 budget is hereby adopted as presented.
2. The Elk River Municipal Utilities 2026 Schedule of rates and fees is hereby adopted as presented.

This Resolution Passed and Adopted this 18th day of December, 2025.

John J. Dietz, Chair

Mark Hanson, General Manager