

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

**December 13, 2022**

Members Present: Chair John Dietz, Vice Chair Al Nadeau, Commissioners Paul Bell, Mary Stewart, and Matt Westgaard

ERMU Staff Present: Theresa Slominski, General Manager  
Mark Hanson, Deputy General Manager  
Sara Youngs, Customer Service Manager  
Melissa Karpinski, Finance Manager  
Tom Sagstetter, Conservation & Key Accounts Manager  
Tom Geiser, Operations Director  
Chris Sumstad, Electric Superintendent  
Mike Tietz, Technical Services Superintendent  
Dave Ninow, Water Superintendent  
Chris Kerzman, Engineering Manager  
Tony Mauren, Executive Administrative Manager  
Jenny Foss, Communications & Administrative Coordinator

Others Present: Jared Shepherd, Attorney

**1.0 GOVERNANCE**

**1.1 Call Meeting to Order**

The regular meeting of the Utilities Commission was called to order at 3:30 p.m. by Chair Dietz.

**1.2 Pledge of Allegiance**

The Pledge of Allegiance was recited.

**1.3 Consider the Agenda**

There were no additions or corrections to the agenda.

**Moved by Commissioner Nadeau and seconded by Commissioner Westgaard to approve the December 13, 2022, agenda. Motion carried 5-0**

#### **1.4 Recognition of Employee Longevity – Jenny Biorn, 8 years**

Ms. Slominski introduced Jenny Biorn who, as of December 1, has been with ERMU for eight years which made her eligible for the Longevity Pay program.

Ms. Slominski shared that Ms. Biorn provides very detailed work in her accounting role.

Ms. Karpinski shared that she was grateful to have Ms. Biorn on her staff, stating that she has high standards for her work.

Chair Dietz presented Ms. Biorn with her check and thanked her for her eight years with ERMU.

There was a round of applause.

#### **2.0 CONSENT AGENDA (Approved By One Motion)**

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

**2.1 Check Register – November 2022**

**2.2 Special Meeting Minutes – November 8, 2022**

**2.3 Designate 2023 Official Depository and Delegate Authority for Electronic Funds Transfer**

**2.4 Designate 2023 Official Newspaper**

**2.5 2023 Utilities Meeting Schedule**

**Motion carried 5-0.**

#### **3.0 OPEN FORUM**

No one appeared for open forum.

#### **4.0 POLICY & COMPLIANCE**

##### **4.1 2023 Governance Agenda**

Ms. Slominski presented the 2023 Governance Agenda. She shared that in the spirit of transparency to the public this agenda makes it clear what items will be addressed and when they will be addressed throughout the year.

Ms. Slominski added that this agenda replicates what was done in 2022.

She then opened it up for questions or concerns from the Commission. There were none.

**Moved by Commissioner Westgaard and seconded by Commissioner Nadeau to adopt the 2023 Governance Agenda. Motion carried 5-0.**

**4.2 2023 Performance Metrics and Incentive Compensation Policy**

In presenting the policy, Ms. Slominski explained that the Commission reviews the scorecard before the start of the year annually to ensure the metrics are appropriate and so that staff knows what performance indicators are being assessed.

She added that changes needed to be made to the policy regarding the increase to the potential distribution, per the recommendation from the Wage & Benefit Committee. The Commission was then provided copies of the new policy for 2023 indicating an increase from 2% to 2.5% as well as the policy for 2024 going from 2.5% to 3%. She asked the Commission to approve the updated 2023 and 2024 policies after they approve the scorecard.

Chair Dietz had clarifying questions on the Financial Goals section of the scorecard. Staff responded.

**Moved by Commissioner Bell and seconded by Commissioner Westgaard to approve the Performance Metrics and Incentive Compensation Policy Score Card for 2023. Motion carried 5-0.**

**Moved by Commissioner Nadeau and seconded by Commissioner Stewart to approve the Performance Metric and Incentive Compensation policy with percentages approved for 2023 and 2024. Motion carried 5-0.**

**4.3 Customer Deposit Policy**

Ms. Youngs requested that the Commission approve the revisions to the Customer Deposit policy. The added language would require a deposit from a previous customer who had their account sent to collections. Ms. Youngs explained this is the current practice and that she was asking for this update to ensure full transparency with our customers.

Ms. Youngs provided an example for when this would be applicable, explaining there are instances where a customer leaves the service territory without paying their bill in full only to return at a later date to request service. She added that this revision helps ERMU to protect all customers from delinquencies that affect rates.

**Moved by Commissioner Stewart and seconded by Commissioner Westgaard to approve the revised G.4j3 Customer Deposits Policy. Motion carried 5-0**

#### 4.4 **Margins Policy**

Ms. Slominski presented proposed revisions to the Margins policy which call for the inclusion of depreciation in the calculation of margins and a margin percent range of 1.5 - 3.5% when there is not an amount already set by bond convenance.

There was discussion about the variables in bond requirements.

Chair Dietz expressed his agreement with including depreciation in the calculation as that money will be needed for capital projects.

**Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the revised ERMU Commission Policy G.5a Margins. Motion carried 5-0**

#### 4.5 **Competitive Rates Policy**

Ms. Slominski provided background on the creation of the Competitive Rates policy explaining that the goal is to provide the Commission with valuable information about how ERMU's rates compare to similar organizations when setting the budget.

Chair Dietz noted that ERMU's commercial retail rates are higher than most.

Ms. Slominski responded that those rates support a robust distribution system.

Chair Dietz noted ERMU's water rates are lower than most. There was discussion.

Chair Dietz shared his opinion that it is important that water rates in tier 1 are comparable to others. There was discussion.

Chair Dietz asked if the future implementation of Advanced Metering Infrastructure would have any effect on helping customers remain in tier 1 for water usage.

Mr. Tietz responded that more information will become available to the customers so they can better conserve and make informed decision.

Commissioner Stewart noted there was no data for Chaska on page 70.

Ms. Slominski explained that Chaska's commercial information was not available, and they should have been removed from the key.

**Moved by Commissioner Bell and seconded by Commissioner Westgaard to approve proposed ERMU Commission Policy G.5b – Competitive Rates Motion carried 5-0**

#### 4.6 **Third Party Attachment to Assets Policy**

Ms. Slominski provided background on the goal for this policy, explaining how it gives ERMU control over protecting its assets such as streetlights, power line poles, and water towers which can have agreed upon attachments from other entities. Ms. Slominski explained this policy helps minimize the need for costly repairs or replacements.

There was discussion about how this policy applies to the downtown decorations.

**Moved by Commissioner Nadeau and seconded by Commissioner Stewart to approve the proposed ERMU Commission Policy G.414 – Third Party Attachment to Assets. Motion carried 5-0.**

#### 5.0 **BUSINESS ACTION**

##### 5.1 **Financial Report – October 2022**

Ms. Karpinski presented the financial report for October 2022. She noted that YTD electric usage is down a little over 7% and water usage is down a little over 8%. Electric sales are a little behind budgeted monthly net profit while water is slightly above. She added that the electric department has been managing expenses well but the biggest impact to the budget is the Energy Adjustment Clause passed on by the power provider, while water's expenses are favorable to budget.

Chair Dietz had submitted questions to staff prior to meeting and Ms. Karpinski provided responses to the Commission.

Chair Dietz asked why the Other Electric Sales line item is negative for October. The response noted that it is not negative YTD but explained that the line item includes the accrual for the Power Cost Adjustment which will be billed to customers and that in October ERMU billed more to reduce the accrual.

Chair Dietz asked why there was a large increase in the Maintenance Expense line item. The response named contracted tree trimming and increased fuel costs as causes for the increase.

Chair Dietz asked why there was a large increase in the Other Operating Expense line item. The response explained there was a large credit adjustment due to a change in the types of insurance ERMU offers staff.

Chair Dietz asked why investment interest is negative. The response explained that this recognizes bear market value of those investments.

Chair Dietz asked what projects were causing large water connection fees. The response noted an apartment complex consisting of 181 units equaling about \$728,000, an agricultural facility totaling \$85,000 and the field services building which totaled about \$51,000.

Chair Dietz asked if there will be a substantial profit in electric department for November and December. The response was that there will be an improvement to the bottom line and that in October the electric department was out of the red. Ms. Karpinski noted that while it would not meet budget it should end up ok. There was discussion.

Chair Dietz shared his opinion that staff is doing an excellent job of managing expenses and the things it can control, noting that purchased power costs are out of staff's control.

**Moved by Commissioner Westgaard and seconded by Commissioner Nadeau to receive the October 2022 Financial Report. Motion carried 5-0.**

## 5.2 **Wage & Benefit Committee Update**

Ms. Slominski provided background on the development of a 2023 wage adjustment for staff and presented the memo to the Commission which updated the metro average wage adjustment for the lineworker pay group. The metro average increased to 3.21% due to finally receiving data that had been requested at the time of the study of comparable utilities. The Commission had previously agreed that the lineworker adjustment would apply to all staff.

Ms. Slominski noted that there is still one utility response that staff is waiting on and so requested that the Commission approve the wage adjustment when this number is known and factored into the average.

Mr. Hanson clarified that the Commission was comfortable with approving a wage adjustment up to 3.25% which the unofficial numbers suggested it could be when the final number is received. Mr. Hanson went on to explain that if the final adjustment is not received before the end of the year there will be retroactive pay.

Chair Dietz clarified that the Commission was approving a maximum adjustment of 3.25% with anything exceeding that requiring approval. Staff confirmed this was correct.

**Moved by Commissioner Stewart and seconded by Commissioner Nadeau to approve a wage adjustment of 3.21% for all staff, with the potential for it to increase up to 3.25% upon receipt of comparison data, effective January 1, 2023. Motion carried 5-0.**

## 5.3 **2022 Annual Business Plan – Budget and Schedule of Rates & Fees**

Ms. Karpinski presented her memo which proposed a 5% rate increase for electric services and a 2% increase in water services for all customers. She went on to note that electric

expenses for 2022 were 15% above budget but excluding purchased power it only exceeds budget by 1.7%. Water is 5.4% over 2022 budget.

Ms. Slominski added the auditor did recommend utilizing inter-funded borrowing from the water department for bonding electric capital projects.

Chair Dietz asked how much Minnesota Municipal Power Agency was increasing rates.

Staff responded that number is not final. There was discussion.

Chair Dietz asked how these rate increases will be communicated to customers.

Staff responded that there would be continued messaging about Power Cost Adjustments (PCA) and how purchased power, which is 75% of ERMU's budget, is outside of its control.

Mr. Mauren shared that communications staff had an article ready for the winter newsletter. He added that social media, bill messages, and the website alert bar are all tools that will assist in messaging.

Chair Dietz asked Ms. Youngs if customers have complaints about PCAs. She responded that they generally just have questions and tend to understand when the reasoning is provided. There was discussion.

**Moved by Commissioner Stewart and seconded by Commissioner Nadeau to adopt the 2023 Annual Business Plan. Motion carried 5-0.**

#### 5.4 **Field Services Facility Expansion Project Update**

Mr. Kerzman informed the Commission that crews are wrapping up as much of the outside work as possible until spring and the interior punch list is still progressing.

Mr. Kerzman explained there was a meeting scheduled with RJM Construction to review a report on the concrete in the vehicle storage, inventory, and workshop areas.

Mr. Hanson shared that he anticipated the concrete in the drive lane of the inventory bay would need to be replaced and that the rest will be negotiated in terms of a credit or warranty.

Chair Dietz asked if concrete replacement would occur now or wait until spring.

Mr. Hanson shared his belief that it would wait until spring because there will have to be collaboration with the concrete contractor.

Chair Dietz asked about the progress of electric punch list.

Mr. Kerzman responded that RJM is working with an additional electric contractor to supplement the work to be done. There was discussion.

Chair Dietz asked about the state of the contingency fund.

Mr. Kerzman responded that the contingency fund had been mostly spent due to the lawsuit with the initial structural steel contractor who did not ultimately work on the project. He added there was approximately \$100,000 left in allowances portion. There was discussion.

Chair Dietz asked if RJM collects from the lawsuit will that money come back to ERMU. Staff stated that it would.

There was discussion about hosting the January commission meeting along with a joint meeting with the City Council.

## **6.0 BUSINESS DISCUSSION**

### **6.1 Staff Updates**

Ms. Slominski thanked the Commission for the support over the years as this was her last commission meeting prior to retirement.

Commissioner Stewart thanked Ms. Slominski for stepping up to the general manager role over the last few years.

Mr. Hanson clarified the plan for the January meeting which is to consist of the commission meeting from 3:30 p.m. to 5 p.m. and a joint meeting with the City Council at 5 p.m., followed by a tour.

Mr. Hanson also highlighted the promotion of Sara Youngs to the Administrations Director position, effective January 3.

Mr. Hanson asked if there were any questions on the Organizational Chart changes from his staff update.

Chair Dietz asked if Ms. Youngs' position will be backfilled.

Mr. Hanson stated that he anticipates not backfilling but reallocating duties.

Mr. Hanson thanked Ms. Slominski for her mentorship and guidance over the months since his hiring.



Ms. Youngs informed the Commission that a customer service representative gave notice of their final day on the previous Friday and that there will be a posting for the opening.

Chair Dietz asked if staff had received the part to fix the electric vehicle charger at Coborn's.

Mr. Sagstetter stated that we are currently waiting for a third party to come out and install it.

## 6.2 **City Council Update**

Commissioner Westgaard provided an update from the City Council covering topics such as the budget for the Furniture & Things Community Event Center, the Master Fees Schedule, and department reorganizations following a retirement.

Chair Dietz noted that ERMU staff would be working with the city to reduce energy costs at the community event center.

## 6.3 **Future Planning**

Chair Dietz announced the following:

- a. Regular Commission Meeting – January 10, 2023
- b. Quorum – Theresa Slominski Retirement Celebration
- c. 2022 Governance Agenda

## 6.4 **Other Business**


There was no other business.

## 7.0 **ADJOURN REGULAR MEETING**

**Moved by Commissioner Westgaard and seconded by Commissioner Bell to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 4:25 p.m. Motion carried 5-0.**

Minutes prepared by Tony Mauren.

  
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John J. Dietz, ERMU Commission Chair

  
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Tina Allard, City Clerk