

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

February 14, 2023

Members Present: Chair John Dietz, Commissioners Mary Stewart, and Matt Westgaard
Present via Zoom: Commissioners Paul Bell and Al Nadeau participated in the meeting via interactive television as they were out of the state at the time of the meeting.
ERMU Staff Present: Mark Hanson, General Manager
Sara Youngs, Administrations Director
Tom Geiser, Operations Director
Melissa Karpinski, Finance Manager
Tom Sagstetter, Conservation & Key Accounts Manager
Chris Sumstad, Electric Superintendent
Mike Tietz, Technical Services Superintendent
Dave Ninow, Water Superintendent
Chris Kerzman, Engineering Manager
Tony Mauren, Governance & Communications 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

Mr. Hanson noted that the agenda sent to the Commission the previous Friday did not include item 5.4 Voltus Distributed Energy Agreement but was provided as an update on Monday.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to approve the February 14, 2023, agenda. Motion carried 5-0

1.4 Commission Policy Review – G.1b – Organizational Core Purpose

Mr. Mauren directed the Commission to this month's policy for review G.1b – Organizational Core Purpose, which establishes the expectation that the Commission will develop and maintain a Mission, Vision, Values, and Fundamentals

The Commission had no comments on the policy.

2.0 CONSENT AGENDA (Approved By One Motion)

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

2.1 Check Register – January 2023

2.2 Special Meeting Minutes – January 10, 2023

2.3 Special Joint City Council Meeting Minutes – January 10, 2023

2.4 Data Practices Policy – Responsible Authority and Data Practices Compliance Official Appointments

2.5 Committee Charter Updates

2.6 Rate Correction – Off Peak Demand Electric Service Rate

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 2022 Annual Safety Report

Mr. Hanson presented the annual safety report noting there was only one recordable injury due to a chemical splash into the eye of a water operator, adding this resulted in no lost work time.

Commissioner Westgaard asked how this result compared to prior year.

Mr. Hanson explained that in the previous recording year there were two recordable injuries with no lost time. He explained the two incidents related to an eye injury during wood chipping and restricted work time due to a shoulder injury.

Commissioner Stewart asked if staff is wearing safety glasses during work. Mr. Ninow explained the incident with the chemical splash occurred when work was complete and

staff was in the process of cleaning up. Mr. Ninow explained that staff has been reminded to wear personal protective equipment throughout the process.

5.0 BUSINESS ACTION

5.1 Financial Report – December 2022

Ms. Karpinski presented her report showing that electric usage YTD was down 2% while water usage YTD was down 7%. She added that December was good overall for both departments.

Chair Dietz submitted questions prior to the meeting on the increases in Maintenance Expense and Other Operating Expense compared to the previous year.

Ms. Karpinski responded that the Maintenance Expense increase comes from tree trimming while Other Operating Expense increases comes from the switch to age-banded medical plan in 2021. She explained that under government accounting standards ERMU does not have to recognize the liability with the change in plans, so it became a credit in the previous year leading to a variance when comparing the line item with 2022.

Commissioner Bell asked if there was a way to account for tree trimming more consistently, adding his opinion that it is regularly over budget.

Ms. Karpinski explained that question was focused on the variance and because tree trimming was not budgeted in 2021 it shows a large increase in 2022. She added that tree trimming did come in under budget in 2022 due to the contractors inability to complete all the scheduled work. There was discussion.

Commissioner Stewart asked if the decrease in the Construction in Progress line item along with the increase in General Fixed Assets was due to the construction of the field services building. Staff confirmed this was correct.

Chair Dietz asked if there had been any change to the budgeting process to account for power cost adjustments in 2023 to try to avoid overages.

Ms. Karpinski explained that the Utilities will not be absorbing the initial \$500,000 from the Energy Adjustment Clause and will have the correct rates from Minnesota Municipal Power Agency which should improve the budgeting process.

Moved by Commissioner Bell and seconded by Commissioner Nadeau to receive the December 2022 Financial Report. Motion carried 5-0.

5.2 **2022 Fourth Quarter Delinquent Items**

Ms. Karpinski presented the 2022 Fourth Quarter Delinquent items, explaining that assessments are lower than prior year and commended the customer service staff for their work on keeping customers current. She added that the increase to write offs was mainly due to accounts reaching the six-year limit on the Revenue Recapture program.

Chair Dietz asked if the amounts shown have had the deposit deducted. Staff confirmed that they had.

Chair Dietz asked if staff would consider increasing the deposit on apartments.

Ms. Youngs responded that would be a Commission decision.

Mr. Hanson suggested waiting to look at increasing deposits as the amounts are likely tied to the unusual circumstances of a shut-off moratorium during the COVID-19 pandemic.

Commissioner Westgaard stated that he shared Mr. Hanson's perspective.

There was discussion about the Revenue Recapture program.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the 2022 fourth quarter delinquent items submitted. Motion carried 5-0.

5.3 **Strategic Plan and 2022 Annual Business Plan Results**

Mr. Hanson presented his memo on the Strategic Plan for the Utilities explaining it is structured around ERMU's guiding principles. Mr. Hanson then provided background on how the planning process leads to the creation of the dashboard of projects that staff pursues for the year.

Mr. Hanson also sought Commission feedback as to whether this presentation of highlights from the dashboard served the needs of the Commission.

Staff then presented their items from the Highlights, Challenges, and Results from the 2022 Strategic Plan Initiatives attachment.

Regarding Ms. Youngs' presentation of the live chat feature, Commissioner Stewart asked if the service would be available outside of normal businesses hours. Ms. Youngs responded that the feature would not.

Mr. Hanson then presented the business plan and asked the Commission if they felt they are receiving the information they need to govern effectively.

Commissioner Westgaard noted 2022 presented challenges with higher power cost adjustments and the field services building project. He added that the margins may not have reached the levels seen in other years but that the priority is providing reliable utilities at a reasonable rate and doing that without having a negative balance.

Commissioner Stewart recommended that financial presentations include a visual representation of the data to aid in understanding.

Chair Dietz shared his struggle with finding the appropriate level for finances which allows ERMU to provide affordable services while having the funds to cover operations expenses. He commended staff for their efforts.

Commissioner Bell added that staff comes to the meeting prepared and makes him comfortable that things are getting done properly.

5.4 **Voltus Distributed Energy Agreement**

Mr. Hanson presented his memo on the agreement with Voltus, a power aggregator who locates excess generation capacity and makes it available to the grid in emergency situations. Mr. Hanson shared that ERMU's generators are eligible for the program which involves an arrangement similar to a retainer with compensation based on the amount of megawatts the entity can produce.

Mr. Hanson explained that next steps would be determining ERMU's production capacity and signing the agreement, after which ERMU could then, at any point, receive six-hour notice to run the generators, with an average run duration of 4 hours. He explained that the program pays entities \$27,000 per megawatt of capacity and an additional \$2,200 per megawatt hour of actual run time. Mr. Hanson shared his opinion that the program could generate annual revenue anywhere from \$150,000 to \$200,000.

Mr. Hanson added that both Minnesota Municipal Utilities Association and Minnesota Municipal Power Agency had reviewed and supported ERMU's pursuit of the agreement.

Chair Dietz asked if the equipment is in good enough condition to run reliably.

Mr. Hanson explained that there are expected maintenance costs that could be covered by program revenue.

Chair Dietz asked if the program requires more staff time. Mr. Hanson responded that because ERMU already does monthly tests of the generators it would not.

Mr. Hanson explained that there are no penalties if ERMU were unable to run its generators when called to, there would just be a restructuring of compensation for the following year based on performance.

Mr. Hanson added that if ERMU were not called to run for the year there would be a required one hour test run to verify its capacity. If needed, the test run would be coordinated with the existing monthly run.

Chair Dietz asked staff to characterize maintenance costs.

Mr. Hanson responded there are some repairs staff will attempt to complete, but otherwise costs could be in the tens of thousands to over one hundred thousand dollars range.

Mr. Hanson explained that the agreement is for 60 months with the rate of \$27,000 per megawatt guaranteed for just the first two years due to potential market fluctuations.

Commissioner Stewart asked if staff had done a cost analysis on diesel and staff time needed to participate in the program.

Mr. Tietz responded that no analysis had been done at this time.

Mr. Hanson contributed that there had been a planning review done on the project which showed the program to be favorable to ERMU. Mr. Hanson continued that with the existing monthly engine runs of roughly an hour in length, diesel fuel and staffing needs would not be significantly different. He added that due to current weather forecasting technologies, he was confident staffing would not be a challenge.

Mr. Hanson explained that legal staff had a few notes for updates related to insurance liabilities and terminology, adding he would work with Voltus to clarify those options. He continued that the terms of the agreement make it possible for ERMU to decide to stop participating in the program while incurring no penalty. ERMU is only bound to not enter into an agreement with a different organization during the 60-month agreement.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to approve the Distributed Energy Resources Agreement between Elk River Municipal Utilities and Voltus, Inc., subject to commission attorney approval. Motion carried 5-0.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Mr. Hanson acknowledged Ms. Youngs for her one-year anniversary with ERMU.

Ms. Youngs announced an offer had been extended for the open customer service representative position and the candidate had accepted. The start date will be the end of February pending the successful completion of the onboarding process.

Mr. Sagstetter gave an update on the Home Improvement Resources flyer that was direct mailed to customers in Elk River's Urban Services District. The flyer promotes Tri-CAP weatherization and Elk River Housing and Rehabilitation Authority (HRA) programs. The flyer was well received and to date the HRA has received four completed applications.

Mr. Mauren reminded the Commission they will meet at 2:30 p.m. prior to the start of the March 14, 2023, regular commission meeting for respectful workplace training.

Mr. Tietz recognized Locator Devin Ruprecht for his third-place finish at the Minnesota Common Ground Alliance Virtual Locate Rodeo held in Minneapolis, MN on January 18, 2023.

Mr. Ninow highlighted the public hearing for the Wellhead Protection Plan which is scheduled for Tuesday, April 11, 2023, at 5:00 p.m. in the ERMU conference room.

6.2 **City Council Update**

Commissioner Westgaard provided an update from the City Council including topics such as interim use permits, an easement vacation, commission appointments, and receiving the Urban Services District expansion feasibility study.

6.3 **Future Planning**

Chair Dietz announced the following:

- a. Regular Commission Meeting – March 14, 2023
- b. 2023 Governance Agenda

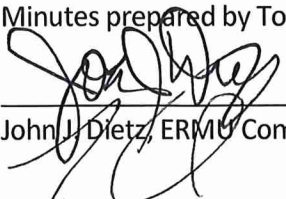
6.5 **Other Business**

As this was his last meeting as utilities commissioner, Al Nadeau was recognized by Chair Dietz for his 12 years of service to the community. There was a round of applause.

7.0 **ADJOURN REGULAR MEETING**

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 4:51 p.m. Motion carried 5-0.

Minutes prepared by Tony Mauren.



John J. Dietz, ERMU Commission Chair

Tina Allard, City Clerk