

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

December 12, 2023

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

ERMU Staff Present: Mark Hanson, General Manager
Sara Youngs, Administrations Director
Melissa Karpinski, Finance Manager
Tony Mauren, Governance & Communications Manager
Tom Geiser, Operations Director
Chris Sumstad, Electric Superintendent
Mike Tietz, Technical Services Superintendent
Dave Ninow, Water Superintendent
Chris Kerzman, Engineering Manager
Jenny Foss, Communications & Administrative Coordinator
Megan Zachman, Human Resources Generalist

Others Present: Jared Shepherd, Attorney; Cal Portner, City Administrator

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 Westgaard and seconded by Commissioner Stewart to approve the December 12, 2024, agenda. Motion carried 5-0

2.0 CONSENT AGENDA (Approved By One Motion)

Commissioner Bell asked for clarification on the payment structure of the Frontier Energy, Inc. agreement. Mr. Hanson stated the agreement includes a monthly base rate and explained the

incentive pay is set up to be billed at a per kWh savings rate. Ms. Youngs also noted the base rate includes not only Frontier working with the utility but also working with our commercial customers by providing energy audits.

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

2.1 Check Register – November 2023

2.2 Regular Meeting Minutes – November 14, 2023

2.3 Designate 2024 Official Depository and Delegate Authority for Electronic Funds Transfer

2.4 Designate 2024 Official Newspaper

2.5 2024 Utilities Meeting Schedule

2.6 Frontier Energy, Inc. Professional Services Agreement

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 Commission Policy Review – G.2a3 – Repairs to Private Water Utility Line – MOU

Mr. Mauren reviewed policy G.2a3 – Repairs to Private Water Utility Line – MOU and indicated there were recent discussions with the City about this policy.

Mr. Hanson noted the original MOU, which sunsetted on December 31, 2015, was created to incentivize those with connection lines in place that were not already connected to do so. Mr. Hanson stated he has talked with City staff to gauge interest in re-opening this program, explaining the current rule only allows assessment for those already connected and incentivizes those that need system repairs to do so in a timely manner.

Mr. Hanson asked the Commission for feedback in regard to working with the City to re-open the sunset of the original program that expired in 2015. The commission agreed it is a good idea.

4.2 2024 Governance Agenda

Mr. Hanson reviewed the 2024 Governance Agenda highlighting the changes made to the commission self-evaluation process. An update from the previous year comes from commission direction to adapt the Annual Commission Performance Self-Evaluation to now incorporate feedback from management. Staff also received instruction from the Commission to reduce the number of questions and prioritize written responses that

elaborate on the scores submitted. Staff is working to restructure the survey accordingly and will provide a final draft for commission approval prior to the survey being conducted.

Commissioner Stewart suggested moving the Annual Commission Performance Evaluation from July to June. There are currently no agenda items scheduled in June and July is already tasked with the review and update of the strategic plan.

There was consensus to move the Annual Commission Performance Evaluation to June.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to adopt the amended 2024 Governance Agenda. Motion carried 5-0

4.3 **2024 Performance Metrics and Incentive Compensation Policy**

Mr. Hanson presented the 2024 Performance Metrics and Incentive Compensation (UPMIC) Policy noting a change to the Residential Clean Energy Choice participation metric from net 15 to net 30 participants to ensure staff is challenged to meet its goals.

Mr. Hanson also identified an error in the last line under the financial impact portion of his memo. The actual distribution will be awarded in 2025 not 2024.

Chair Dietz asked if there are any other areas that need to be changed to make reaching the UPMIC goals more challenging for staff. The commission agreed no additional changes need to be made at this time.

Moved by Commissioner Bell and seconded by Commissioner Stewart to approve Performance Metrics and Incentive Compensation Policy and Scorecard for 2024. Motion carried 5-0

4.4 **Competitive Rates Analysis**

Mr. Hanson reviewed the history of the competitive rate analysis, which began in January 2023 under then General Manager Theresa Slominski. Mr. Hanson noted it will continue to be brought to the commission annually to provide an opportunity to review comparable utilities' rates prior to setting ERMU rates. The information presented includes 10-year data trends for ERMU and similar utilities.

Mr. Hanson highlighted that ERMU residential electric rates are trending downward making our rates more competitive.

Commissioner Stewart asked if the Power Cost Adjustment (PCA) is part of the calculation when reporting the residential electric rates. Mr. Hanson confirmed that the PCA is included.

Mr. Hanson noted ERMU commercial electric rates are holding steady around the 75th percentile.

Chair Dietz asked if customers have commented about ERMU commercial rates as compared to other utilities. Mr. Hanson replied he hasn't received any comments but plans to talk with City staff to discuss if they have received feedback.

Chair Dietz asked Mr. Hanson if the data is simply informational or is it prompting a change. Mr. Hanson replied he is encouraged by the data and that ERMU is currently in a good position.

Mr. Hanson reviewed industrial rates noting ERMU is around the 75th percentile. He added that in comparison with its peer group, ERMU is trending towards mid-range in this category.

Mr. Hanson presented water rate information and noted ERMU water is doing well based on the tiered rate structure which incentivizes conservation.

Chair Dietz asked if the tiered rate structure started as a state mandate. Mr. Hanson could not confirm this but offered it is highly encouraged as part of the Wellhead Protection program. Mr. Ninow also confirmed the Department of Natural Resources highly encourages a tiered rate structure.

Mr. Hanson stated ERMU is very efficient in regard to both residential and commercial water rates.

Chair Dietz asked if ERMU's comparably low water rates indicate a need to raise them. Mr. Hanson replied ERMU should be proud of our efficiency and noted the recommended two percent increase is to cover large capital expenses to come but will keep ERMU within its margin policy.

Moved by Commissioner Stewart and seconded by Commissioner Zerwas to approve the Competitive Rates Analysis. Motion carried 5-0

4.5 **Energy Management Programs**

Ms. Youngs presented ERMU's energy management programs noting that staff is requesting the extension of the sunset date from December 31, 2023, to December 31, 2025. She explained that this will allow time for the installation of all Advanced Metering Infrastructure (AMI) meters, a review of customer usage, and for a rate study to be completed, allowing for the implementation of new energy management programs. Ms. Youngs also noted that ERMU failed to communicate the sunset date with participating customers at the end of 2022.

Chair Dietz asked if participating customers will be informed of the new sunset date if approved. Ms. Youngs confirmed they would.

Chair Dietz asked if any new customers were being added to these programs. Ms. Youngs replied there are no new customers being added as the program is in a moratorium.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve extension of a sunset date from December 31, 2023, to December 31, 2025, for the Dual Fuel, Electric Thermal Storage Water, and Electric Thermal Storage Space Heating programs. Motion carried 5-0

5.0 BUSINESS ACTION

5.1 Financial Report – October 2023

Ms. Karpinski presented the October 2023 financial report in which she highlighted that there will be no Power Cost Adjustment on customers' December bill due to a lower-than-expected Energy Adjustment Clause from the Minnesota Municipal Power Agency. Ms. Karpinski also noted that there were a couple budgets over the 10% threshold.

Commissioner Westgaard asked if we will need to rework the capital budget moving forward to account for the overages. Ms. Karpinski stated that Mr. Geiser was diligent in adjusting other projects that offset the overages.

Commissioner Stewart inquired about the industrial loads and megawatt hour graphs noting the sudden peak in November. There was discussion. Commissioner Stewart requested a footnote on the December financial report and graphs related to any corrections.

Moved by Commissioner Bell and seconded by Commissioner Zerwas to receive the October 2023 Financial Report. Motion carried 5-0.

5.2 2024 Annual Business Plan – Budget and Schedule of Rates & Fees

Ms. Karpinski presented the 2024 Annual Business Plan and opened it up to the Commission for questions or comments, highlighting the proposed zero percent rate increase for electric rates and two percent increase for water rates in 2024.

Commissioner Stewart noted that the Minnesota Municipal Power Agency has proposed a zero percent rate increase however they will not officially approve their budget until the following week.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to adopt the 2024 Annual Business Plan. Motion carried 5-0.

5.3 Compensation Study Update

Mr. Hanson presented the compensation study update with staff making a recommendation to enter into an agreement for services with Baker Tilly.

There was consensus by the commission to move forward with this recommendation.

Moved by Commissioner Zerwas and seconded by Commissioner Bell to approve Compensation Study Professional Services Agreement with Baker Tilly. Motion carried 5-0.

5.4 Earned Sick and Safe Time Policy

Mr. Hanson presented the Earned Sick and Safe Time policy as it relates to Minnesota's new law that goes into effect January 1, 2024. Mr. Hanson stated that ERMU's current policy meets the state requirement, but the new law requires a broader definition of what is allowable use. Additionally, the law requires ERMU to provide Earned Sick and Safe Time to seasonal and temporary workers which is new for the organization.

Chair Dietz asked if the new rules are broader in what time off can be used for and if there are concerns there will be abuse of the new policy. Mr. Hanson confirmed the new law is broader however there is confidence staff will not abuse the policy.

Commissioner Westgaard asked how staff will manage employees being absent if under the new law employees do not have to give prior notice for time off. Mr. Hanson clarified that the new law only applies to sick time.

Commissioner Westgaard asked if new language would need to be adopted stating that Earned Sick and Safe Time must be used to cover the two-week period before short term disability would take effect. Mr. Hanson explained how the current policy addresses this.

Mr. Hanson asked the Commission to adopt the updated policy as it is today to be compliant with the new Minnesota law on January 1, 2024, with amendments possible in the future.

Commissioner Westgaard asked if the Earned Sick and Safe Time is accrued or frontloaded. Ms. Zachman stated it would be accrued.

Moved by Commissioner Zerwas and seconded by Commissioner Stewart to approve the ERMU Paid Sick and Safe Leave Policy. Motion carried 5-0.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Mr. Hanson brought forth a compliment he received from an Elk River resident via city staff about the new Dodge Street lighting. Mr. Hanson expressed his appreciation for the work done by Mr. Geiser and Mr. Sumstad on this project. The resident was originally not in favor of adding streetlights and now is very appreciative of them.

Following up on a topic from the November meeting, Chair Dietz commented that Mr. Rohlf from Cornerstone Auto was very appreciative of the contractor bids received from ERMU to correct the water main issue at the company's new quick lube location. Mr. Hanson confirmed that the water main has been completely corrected and the issue is resolved.

Mr. Tietz noted that plugs for engine #4 have arrived after eight months on backorder which will allow staff to reassemble the engine.

Chair Dietz asked if staff still runs the engines once a month. Mr. Tietz stated that they were not run this fall but that is the intention.

Chair Dietz asked what the old field services office building is intended to be used for with staff now utilizing the new facility. Mr. Kerzman explained the garage stalls are used for equipment and the office area is currently being used for additional storage.

6.2 City Council Update

Commissioner Westgaard provided an update from the City Council covering topics including development proposals, home occupation ordinance, 2024 budget and levy discussions, and the new floodplain ordinance updated from the DNR floodplain definitions.

6.3 Future Planning

Chair Dietz announced the following:

- a. Regular Commission Meeting – January 9, 2024
- b. 2024 Governance Agenda

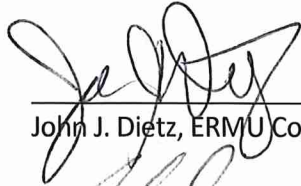
6.5 Other Business

There was no other business.

7.0 ADJOURN REGULAR MEETING

Moved by Commissioner Bell and seconded by Commissioner Westgaard to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 4:30 p.m. Motion carried 5-0.

Minutes prepared by Jenny Foss.



John J. Dietz, ERMU Commission Chair



Tina Allard, City Clerk