

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

January 9, 2024

Members Present: Chair John Dietz, Vice Chair Mary Stewart, Commissioners Matt Westgaard,
Present via Zoom: Commissioner Paul Bell participated in the meeting via interactive television
as he was out of the state at the time of the meeting.

Members Absent: 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
Dave Ninow, Water Superintendent
Chris Kerzman, Engineering Manager
Jenny Foss, Communications & Administrative Coordinator

Others Present: Jared Shepherd, Attorney

1.0 GOVERNANCE

1.1 Call Meeting to Order

Chair Dietz noted the absence of Commissioner Zerwas.

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

Chair Dietz highlighted that item 5.3 Transmission Investment Opportunity had been added to the packet on Monday.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the January 9, 2024, agenda. Motion carried 4-0

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 – December 2023

2.2 Regular Meeting Minutes – December 12, 2023

Motion carried 4-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 Annual Review of Committee Charters

Mr. Mauren presented the annual review of committee charters noting changes made in 2023. He went on to explain that legal staff had provided additional language to clarify the open status of committee meetings. To the last sentence in the Role of the Committee Chair section in the Wage & Benefit, Financial Reserves & Investment, and Information Security charters, the clause "...and in accordance with the Open Meeting Law" was to be added. Mr. Mauren added legal staff's guidance that closing a meeting does not come at the chair's discretion but from an affirmative vote.

Mr. Shepherd confirmed that he would provide direction to the Commission when it was allowable to close a committee meeting.

Mr. Hanson provided simplified language that the last sentence could read "Committee meetings may be open or closed in accordance with Open Meeting Law."

Mr. Shepherd approved of that change.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve updates to the Wage & Benefit, Financial Reserves & Investment, and Information Security Committees' charters per legal staff's recommendation. Motion carried 4-0.

5.0 BUSINESS ACTION

5.1 Financial Report – November 2023

Ms. Karpinski presented the financial report for November 2023. She noted that the electric department overall is ahead of prior year and favorable to budget year-to-date mainly due to rate increases, no longer absorbing the initial \$500,000 in Energy Clause Adjustments (EAC), and the EAC being less than prior year and budget. Ms. Karpinski continued that the water department is behind prior year-to-date but favorable to budget, which is caused by a reduced amount in the connection fees line but a 20 percent increase in usage.

There was discussion about projections for the December budget numbers, noting favorable profit levels.

Ms. Karpinski explained that she and Mr. Hanson had opted not to charge a Power Cost Adjustment (PCA) to customers in December to stay in line with ERMU's Margins policy. She continued that ERMU was charged \$531,000 in adjustments for December by its power provider, Minnesota Municipal Power Agency (MMPA). It was explained that approximately half of the PCA is built into ERMU's rates.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to receive the November 2023 Financial Report. Motion carried 4-0.

5.2 ERMU Clothing Allowance Update

Mr. Hanson presented the ERMU clothing allowance update following the Commission recommendation at the November meeting that staff review potentially increasing the annual \$75 clothing allowance for non-field staff and the Commission. He added that \$75 has been the allowed amount since August of 2014. Mr. Hanson explained that upon reviewing multiple years of orders, the average expense paid by staff beyond the allowance was about \$22.50. Mr. Hanson went on to clarify that the average was brought down by the fact that some staff do not spend more than the allowance or barely exceed it, while people buying an additional item typically spend \$35-\$40, which is how staff selected the proposed total of \$120.

Chair Dietz asked if the office staff have uniforms.

Staff responded that they do not.

Moved by Commissioner Bell and seconded by Commissioner Westgaard to approve the new clothing allowance amount of \$120. Motion carried 4-0.

5.3 Transmission Investment Opportunity

Mr. Hanson presented an investment opportunity with the transmission project that ERMU participates in through a partnership with Central Minnesota Power Agency/Services (CMPAS). In August 2023, the CapX2020 Brookings Owners submitted applications to the Minnesota Public Utilities Commission to install separate 345 kV circuits on double-circuit-capable structures. In anticipation of cash requirements related to projects, CMPAS would like to have commitments from current participants totaling \$2 million in additional funds. As ERMU is an 18.89 percent owner of the project, its portion would be about \$378,000. Mr. Hanson explained that CMPAS does not require funds to be deposited in the CMPAS account immediately, but to be readily available and transferred to CMPAS within 3 to 5 days upon request. Mr. Hanson also explained that he is looking for the Commission to provide a cap on the amount of money they are willing to make available for the investment as some of participants may not wish to pursue this opportunity which would increase the shares for the remaining participants. Mr. Hanson recommended the Commission consider a cap of \$500,000.

Ms. Stewart shared her opinion that this project is an excellent opportunity for smaller agencies like ERMU to participate in transmission investment.

Chair Dietz asked what ERMU's original investment into the project was.

Mr. Hanson explained that ERMU was not required to invest actual dollars into this specific transmission project, rather it committed to contributing dollars if needed, likening the arrangement to cosigning on a loan, while ERMU does earn revenue.

Chair Dietz asked how many communities are involved in the project.

Mr. Hanson shared there are 15 communities involved and added CMPAS's projection that all participating communities will commit to the project.

In responding to a question from Chair Dietz, Mr. Hanson explained that any money that needs to be paid will come from electric reserves.

Commissioner Westgaard clarified that it was indeed electric unrestricted reserves, and asked if staff felt having to pay could impact capital projects.

Ms. Karpinski shared that she didn't think it would create any issues.

Mr. Hanson added that with final budget numbers for 2023 coming, staff expects to need a smaller interfund loan for the Advanced Metering Infrastructure (AMI) project.

Chair Dietz asked staff the amount of interest ERMU has earned to date.

Mr. Hanson responded slightly over 10%.

Commissioner Stewart added that state mandates will likely increase the need for transmission going forward.

There was discussion.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to approve the transmission investment opportunity and to authorize up to and not to exceed \$500,000. Motion carried 4-0.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Chair Dietz congratulated Mr. Hanson on being appointed as secretary for MMPA's board of directors.

6.2 **City Council Update**

Commissioner Westgaard provided an update from the City Council on topics including a cannabis manufacturing ordinance, zone changes, and park dedication fees. Chair Dietz noted changes to home occupation ordinances.

6.3 **Future Planning**

Chair Dietz announced the following:

- a. Regular Commission Meeting – February 13, 2024
- b. 2024 Governance Agenda

6.5 **Other Business**

Mr. Mauren notified the Commission that its annual orientation will be held prior to the March meeting and consist of a presentation from Frontier Energy on the updates to ERMU's Conservation Improvement Program.

Chair Dietz requested an update on the AMI project.

Mr. Hanson shared that staff selected an endpoint meter installation company and is working with them on establishing agreements. He added that staff is monitoring meter delivery for potential supply chain issues due to backlog. Currently ERMU has a commitment for the first 1,000 meters.


There was discussion about AMI capabilities and alternative metering options.

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 4:06 p.m. Motion carried 4-0.

Minutes prepared by Tony Mauren.



John J. Dietz, ERMU Commission Chair

Tina Allard, City Clerk