

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

February 13, 2024

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

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.

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
Meghan Zachman, Human Resources Generalist

Others Present: Cal Portner, City Administrator; 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 Westgaard and seconded by Commissioner Stewart to approve the February 13, 2024, agenda. Motion carried 5-0

2.0 CONSENT AGENDA (Approved By One Motion)

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

2.1 Check Register – January 2024

2.2 Regular Meeting Minutes – January 9, 2024

2.3 Special Meeting Minutes – January 29, 2024

2.4 Committee Charter Updates

2.5 Distributed Energy Resources and Net Metering Rules

2.6 Cogeneration and Small Power Production Tariff – Schedule 1 and 2

2.7 Transmission Transformed Service Rate

2.8 Rate Correction – Off-Peak Demand Service Rate

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 Commission Policy Review – G.2b – Governing Style

Mr. Mauren reviewed commission policy G.2b – Governing Style which consists of 13 principles of governance that commissioners will adhere to, including periodic evaluation and discussion of its policies. Mr. Mauren explained the monthly commission policy review started in January 2023 and will continue throughout 2024. Mr. Mauren asked the Commission if they had any questions or comments regarding the specific policy being reviewed today or the monthly check in process. There were none.

4.2 Annual Safety Report

Mr. Hanson presented the 2023 Annual Safety Report noting each year ERMU files OSHA Form 300A listing reportable safety incidents which includes days away from work and days on restrictions. There was an increase from one reportable incident in 2022 to six in 2023. Of the six there was a total of five missed days of work and 49 days with some form of restriction, all of which were tied to one of the six incidents. Mr. Hanson identified the reported incidents as two slips and trips, one lifting, and three struck by an object.

Chair Dietz asked if the increase in incidents will affect ERMU's worker compensation rate with the League of Minnesota Cities insurance. Commissioner Westgaard noted the rate is based on a three-year average.

Chair Dietz asked if the City and the Utility share an insurance policy with the League of Minnesota Cities. Ms. Karpinski did not think so as they are billed separately.

Commissioner Stewart asked if Mr. Hanson could discuss what the one injury was that resulted in prolonged time off and restrictions.

Mr. Hanson asked Human Resources Generalist Megan Zachman if he could.

Ms. Zachman replied affirmatively.

Mr. Hanson explained it was a slip on ice resulting in a broken rib. He reassured the Commission that staff receive annual safety training which covers winter hazards.

Chair Dietz noted he recently saw cars at the field services building until 6:00 p.m. and asked if this was an ERMU staff training. Mr. Ninow explained that John Thom, Water Operations Specialist with Short Elliot Hendrickson, is conducting a water treatment system operations course with the Minnesota Department of Health at the new field services building. This course will consist of classes each Monday evening for 11 weeks, starting on February 5. Mr. Ninow highlighted that students include ERMU's entire water department in addition to people outside of the organization, totaling approximately 18-19 students. He explained that participants will receive continuing education credits. Mr. Ninow noted this information is part of his staff update.

4.3 **Commissioner Evaluation Questions Update**

Mr. Mauren reviewed the new commissioner evaluation questions noting the changes were a result of the Commission's request to reduce the number of questions while allowing for more opportunity to make comments and include the managers in the evaluation process. Mr. Mauren stated that the new questions combined with manager feedback will provide clarity and more of a 360-degree review process. He also noted historical data will not be provided with this year's evaluation since this is a new evaluation process.

Commissioner Stewart commented that it was a good transition from the old questions which still covers important topics in a condensed format.

Commissioner Zerwas agreed with Commissioner Stewart's remarks.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to adopt updated commissioner evaluation questions. Motion carried 5-0.

5.0 BUSINESS ACTION

5.1 Financial Report – December 2023

Ms. Karpinski presented the December unaudited financial report. Electric usage was down by 1% and water was up 18% over prior year. The Energy Adjustment Clause (EAC) was less than budget, ERMU did not absorb the \$500K in 2023, and it appears both electric and water will end the year in a favorable position based on the unaudited results.

Chair Dietz asked for clarification of the large pension entry under the Other Operating Expense category. Ms. Karpinski explained the current entry is an estimate based on historical data as the amount fluctuates from year to year and is not final until the results of the audit are complete.

Chair Dietz asked if the landfill gas line item will be removed after 2023 due to ERMU no longer managing the site. Ms. Karpinski confirmed it would be.

Chair Dietz requested clarification on footnote number four regarding the large difference in miscellaneous water revenue from prior year. Ms. Karpinski explained there was a change in how water tower lease revenue was recognized, and the amount won't be finalized until the audit is complete. She further explained this line item also includes water main installation assets as part of city street improvements that are considered contributed capital that will be added as an end of year entry as well.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to receive the December 2023 Financial Report. Motion carried 5-0.

Upon the arrival of City Administrator Cal Portner, Chair Dietz referred back to his question about the work compensation and liability insurance policies with the League of Minnesota Cities and asked Mr. Portner for clarification if the City and ERMU were together on one joint policy or two separate policies. Mr. Portner confirmed that the City and the Utilities have separate policies and what happens with one policy does not impact the other.

5.2 2023 Fourth Quarter Delinquent Items

Ms. Karpinski presented the 2023 Fourth Quarter Delinquent items noting write offs were \$14K as compared to \$31K the prior year, assessments were \$11K in 2023 versus \$9K in 2022, and there was a slight decrease sent to collections from \$37K in 2022 to \$32K in 2023. Ms. Karpinski acknowledged the excellent work of the customer service team. She also noted that the Revenue Recapture option and assessments play a role in keeping write off amounts lower.

Chair Dietz asked if there were any large delinquent items tied to one property in particular. Ms. Youngs and Ms. Karpinski confirmed there was one identified in quarter two.

Commissioner Stewart asked if the auditors provide guidance on potential bad debt as ERMU moves through the six-year statute of limitation on collections post pandemic. Ms. Karpinski confirmed there is an annual review of potential bad debt with the auditors.

Chair Dietz asked Ms. Youngs if there were customers still paying debts incurred during the pandemic. Ms. Youngs stated there were not.

Moved by Commissioner Bell and seconded by Commissioner Zerwas to approve the 2023 fourth quarter delinquent items submitted. Motion carried 5-0.

5.3 **Strategic Plan and 2023 Annual Business Plan Results**

Mr. Hanson presented the Strategic Plan noting there was a conscious effort by management to prioritize the dashboard with fewer but more complex initiatives highlighting the Advanced Metering Infrastructure (AMI) project as one example.

Staff then presented their items from the Highlights, Challenges, and Results from the 2023 Strategic Plan Initiatives attachment.

Regarding Mr. Geiser's presentation of the underground feeder tie between substation 14-4 and Otsego, Commissioner Stewart asked if the new underground lines were placed under the river or under the bridge. Mr. Geiser stated that a line encased in a pipe already located under the bridge was utilized.

Mr. Tietz expanded on his update of the AMI project to note the contract with an installation vendor is almost finalized. He also thanked the team of management and staff involved in the AMI planning for their expertise and participation in making this transition a smooth process.

Regarding Mr. Tietz's review of the AMI initiative, Commissioner Westgaard asked if supply chain issues were affecting delivery of the new meters. Mr. Tietz explained that with supply chain issues being a concern, staff have been building up inventory and to date there are approximately 1,350 electric meters and approximately one third of the residential water meters on hand. Supply chain issues still exist with the commercial and industrial polyphase meters.

Mr. Hanson expressed his appreciation to Mr. Tietz and Ms. Youngs for their extensive work and coordination related to the AMI project and to the entire team involved in making AMI operational.

Commissioner Stewart asked if the smart meter itself uses electricity and if so, is it in front of or behind the meter, asking who pays for that usage. Mr. Tietz stated there is usage from the

line to the meter which the Utility pays for noting the amount of electricity being used is miniscule and is factored into the Utilities' line loss.

Mr. Hanson reviewed the 2023 Annual Business Plan stating that overall electric utility performance for 2023 was positive. He explained the electric unaudited financials indicate revenues were unfavorable to budget by 3% but expenses were favorable to budget by 4% which resulted in a 4% margin overall. Mr. Hanson continued his review noting that overall water utility performance for 2023 was very positive. He explained the water unaudited financials indicate that revenues were favorable to budget by 10% and expenses were favorable to budget by 6% for a 16% margin overall.

There were no questions from the Commission regarding the Review of the 2023 Annual Business Plan.

Mr. Hanson asked the Commission if they find the Strategic Plan update a valuable use of their time, specifically, hearing from each staff person as they review their department's initiatives.

Commissioner Stewart commented she enjoys hearing from each staff member as it showcases their pride in the work being done and their appreciation for the staff they work with.

Commissioner Westgaard agreed with Commissioner Stewart stating he appreciates having the time for discussions and interactions with other staff.

Mr. Hanson informed the commission that the 2024-25 Strategic Plan will focus more on major initiatives. He explained that previously there has been at least one initiative for every planning theme but, unless directed otherwise by the Commission, he was planning to focus on the necessary projects which may or may not cover every theme.

The Commission was agreeable to this approach.

5.4 **Compensation Study Update**

Mr. Hanson presented the Compensation Study Update noting that Baker Tilly has recommended a list of 10 comparable and competitive peer organizations plus two backup options to include in the study. Mr. Hanson then reviewed the methodology behind Baker Tilly's process for gathering reliable comparison data.

Commissioner Stewart asked if someone would reach out to the comparable utilities prior to the survey going out to them. Mr. Hanson replied that with the Commission's approval of the list that would be the next step.

Chair Dietz questioned why larger utilities like Connexus Energy, Great River Energy, and Wright Hennepin Electric were on the list of comparable utilities since their customer base is larger than ERMU.

Mr. Hanson explained that this is where the analysis of job description will be important. There has to be a 75% or greater match in job duties and responsibilities to be considered for the study. Baker Tilly will also factor in geographic location to adjust the cost of living.

Chair Dietz asked if Baker Tilly would present a single number or give pay range options for each job description. Mr. Hanson explained that Baker Tilly will present a range with three data points that represent the low, mid, and high pay range.

Commissioner Zerwas commented on the earlier point of including the larger utilities in the area, noting it was important to include them in the study as they are direct competitors when it comes to hiring and employee retention.

Commissioner Stewart asked how many comparable utilities provide water services s. Mr. Hanson replied that seven of the ten comparable utilities include water and noted Baker Tilly is aware of this and is comfortable with that number.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to approve comparable peer utilities for the 2024 Compensation Study. Motion carried 5-0.

5.5 Meter Installation Services Master Services Agreement – Allegiant Utility Services, LLC

Mr. Tietz presented the Meter Installation Services Master Services Agreement noting six proposals were received in which one of the six did not meet the requirements. After a thorough review, Allegiant Utility Services, LLC was selected in December 2023 and legal staff is currently working through the final stages of the master services agreement.

Commissioner Westgaard asked if there is a window or schedule of a sunset date or deadline for work completion. Mr. Tietz stated there is a timeframe established in the attached documents.

Commissioner Westgaard asked Mr. Shepherd for guidance. Mr. Shepherd agreed there should be definitive dates included in the agreement that will supersede the current proposal language stating, "time is of the essence."

Commissioner Stewart noted the Excel spreadsheet did not come through in the packet. There was discussion.

Mr. Hanson noted the timeline is established in the proposal and the proposal is part of the contract. He also clarified that Allegiant Utility Services is located in Baxter, MN and that they have the ability to send crews as needed when ERMU receives inventory.

Commissioner Stewart noted the signature page from Allegiant Utility Services, LLC is from Texas and asked if their headquarters, being out of state, will affect the project. Mr. Hanson explained that Allegiant had recently been acquired by a larger firm, but the original business contracted to do the work is out of Baxter, MN.

Mr. Shepherd stated that he was unaware Allegiant had been acquired but noted this happens often and should not be an issue.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the Meter Installation Services Master Services Agreement between Elk River Municipal Utilities and Allegiant Utility Services, LLC, subject to attorney approval as per Commission Policy G.4i4 - Procurement. Motion carried 5-0.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Mr. Hanson reported there was an incident with some new AMI meters in which five homes were unintentionally disconnected. He confirmed the issue has been resolved and pointed out the good news was this situation allowed staff to test the reconnection side of the system and Mr. Tietz was able to reconnect the customers quickly and easily.

Mr. Mauren reminded the Commission there will be an orientation with Frontier Energy on March 12 prior to the commission meeting. He also reminded commissioners with a physical copy of the policy manual to turn it in to him and he will update them with any changes from the previous 12 months. Mr. Mauren shared that the communications department took part in an interview about community engagement which was published on the website for Utility Dive. Mr. Mauren handed out copies of the interview to commissioners and it was added to the packet. He also highlighted that staff are working with National Energy Foundation in bringing an educational program to fourth grade students in ISD 728. The program is being offered to schools in ERMU's service territory with Parker, Lincoln, and Meadowvale Elementary Schools already confirming their interest. Finally, Mr. Mauren stated that Ms. Foss had taken the drone on its first flight, and all went well.

Mr. Portner noted the City and the Utility are hosting a blood drive on February 14 with openings still available. He also stated the annual Boards and Commission's dinner is coming up which will include a short presentation on Open Meeting Law.

6.2 City Council Update

Commissioner Westgaard noted topics discussed at recent council meetings include conditional use permits for business signage, commission interviews and appointments, and a discussion of drafting a new ordinance for small parcels.

6.3 Future Planning

Chair Dietz announced the following:

- a. Commission Orientation – March 12, 2024, 2:30 p.m.
- b. Regular Commission Meeting – March 12, 2024
- c. 2024 Governance Agenda

6.5 Other Business

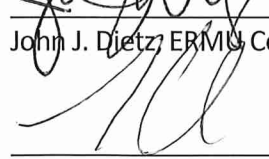
There was no other business.

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 4:49 p.m. Motion carried 5-0.

Minutes prepared by Jenny Foss.



John J. Dietz, ERMU Commission Chair

Tina Allard, City Clerk