Elk River Municipal Utilities

a century of service 100 YEARS a future of growth

SPECIAL MEETING OF THE UTILITIES COMMISSION
November 15, 2016, 3:30 P.M.
Utilities Conference Room

AGENDA

1.0 CALL MEETING TO ORDER
1.1 Pledge of Allegiance
1.2 Consider the Agenda
1.3 Introduction of New Employee
  a. Jake Koehler - Lineworker
1.4 Recognition of Employee Achievement
  a. Kathy Greenberg – Certified Payroll Professional
  b. Tom Geiser – First Line Supervision
  c. Mike Langer – First Line Supervision

2.0 CONSENT AGENDA (Routine or noncontroversial items. Approved by one motion)
2.1 Check Register
2.2 October 11, 2016 Regular Meeting Minutes
2.3 October 17, 2016 Special Meeting Minutes
2.4 Financial Statements
2.5 2016 Third Quarter Performance Metrics and Incentive Compensation Update

3.0 OPEN FORUM (Non agenda items for discussion. No action taken during this meeting.)

4.0 OLD BUSINESS
4.1 Cost of Service and Rate Design Study
4.2 RFP Auditing Firm

5.0 NEW BUSINESS
5.1 2017 Budget: Rates and Review
5.2 2016 Assessments
5.3 2016 Third Quarter Delinquent Items
5.4 Itron MV90 Master Sales Agreement

6.0 OTHER BUSINESS
6.1 Staff Updates
6.2 Set Date for Next Meeting
6.3 Adjourn Regular Meeting

11/07/2016 8:44:25 am

Payroll/Labor
Check Register Totals

Pay Date: 10/07/2016 To 10/07/2016

Pays		Job	Amount	Hours
2	Reg Hrly		115,044.18	3,221.50
3	Overtime		2,048.33	36.00
4	Double Time		0.00	0.00
5	On-Call/Stand-by		1,657.70	48.08
24	FLSA		75.27	0.00
25	Rest Time		173.74	4.00
10	Bonus Pay		0.00	0.00
18	Commissioner Reimb. - Electric		360.00	0.00
104	Commission Stipend		0.00	0.00
105	Perf. Metr. Distr.		0.00	0.00
VAC	Vacation Pay		3,425.93	86.25
SICK	Sick Pay		3,138.78	91.25
HOL	Holiday Pay		0.00	0.00
78	Retro Earnings		0.00	0.00
HALF	Half Vacation Pay		0.00	0.00
1/2S	Half Sick Pay		44.12	2.00
5-2	On-Call/Stand-by/OT		871.45	15.00
PTO	Personal Day		290.48	8.00
1/2P	Half Personal Day		0.00	0.00
18A	Commissioner Reimb. - Water		90.00	0.00
10-3	Bonus Pay Overtime		0.00	0.00
10-4	Bonus Pay Double Time		0.00	0.00
104A	Commission Stipend - Water		0.00	0.00
	Pay Total:		127,219.98	3,512.08

11/07/2016 8:45:16 am

Payroll/Labor
Check Register Totals

Pay Date: 10/21/2016 To 10/21/2016

Pays		Job	Amount	Hours
2	Reg Hrly		113,705.53	3,175.25
3	Overtime		750.95	14.75
4	Double Time		0.00	0.00
5	On-Call/Stand-by		1,771.58	48.08
24	FLSA		79.22	0.00
25	Rest Time		377.43	10.00
10	Bonus Pay		0.00	0.00
105	Perf. Metr. Distr.		0.00	0.00
VAC	Vacation Pay		4,178.08	120.75
SICK	Sick Pay		3,513.92	102.00
HOL	Holiday Pay		0.00	0.00
78	Retro Earnings		0.00	0.00
HALF	Half Vacation Pay		0.00	0.00
1/2S	Half Sick Pay		352.96	16.00
5-2	On-Call/Stand-by/OT		908.09	14.50
PTO	Personal Day		323.52	8.00
1/2P	Half Personal Day		0.00	0.00
10-3	Bonus Pay Overtime		0.00	0.00
10-4	Bonus Pay Double Time		0.00	0.00
	Pay Total:		125,961.28	3,509.33

CHECK REGISTER

October, 2016

APPROVED BY:

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JOHN J. DIETZ

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DARYL THOMPSON

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ALLAN E. NADEAU

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
1490	10/03/2016	WIRE	8181	AMERICAN EXPRESS	General Manager American Express		1,373.02
1491	10/06/2016	WIRE	7463	SELECTACCOUNT	FSA CLAIM REIMBURSEMENTS		99.63
1492	10/07/2016	WIRE	153	PERA (ELECTRONIC)	PERA EMPLOYEE CONTRIBUTION		7,435.49
					PERA EMPLOYEE CONTRIBUTION		804.58
					PERA CONTRIBUTIONS		7,435.49
					PERA CONTRIBUTIONS		804.58
					PERA CONTRIBUTIONS		1,143.89
					PERA CONTRIBUTIONS		123.79
						Total for Check/Tran - 1492:	17,747.82
1493	10/07/2016	WIRE	7463	SELECTACCOUNT	HSA EMPLOYEE CONTRIBUTION		1,628.96
					HSA EMPLOYEE CONTRIBUTION		85.00
						Total for Check/Tran - 1493:	1,713.96
1494	10/11/2016	WIRE	285	JOHN HANCOCK	WENZEL EMPLOYEE CONTRIBUTIONS		969.56
1495	10/11/2016	WIRE	160	HCSP (ELECTRONIC)	HCSP EMPLOYEE CONTRIBUTIONS		776.58
					HCSP EMPLOYEE CONTRIBUTIONS		123.79
					HCSP EMPLOYEE CONTRIBUTIONS		527.44
					HCSP EMPLOYEE CONTRIBUTIONS		382.99
						Total for Check/Tran - 1495:	1,810.80
1496	10/11/2016	WIRE	161	MNDCP (ELECTRONIC)	MNDCP EMPLOYEE CONTRIBUTIONS		3,701.22
					MNDCP EMPLOYEE CONTRIBUTIONS		256.00
					MNDCP ROTH EE CONTRIBUTIONS		50.00
						Total for Check/Tran - 1496:	4,007.22
1497	10/11/2016	WIRE	166	ONLINE UTILITY EXCHANGE (ELECTR	UTILITY EXCHANGE REPORT		371.76
					UTILITY EXCHANGE REPORT		92.94
						Total for Check/Tran - 1497:	464.70
1498	10/11/2016	WIRE	152	IRS - USA TAX PMT (ELECTRONIC)	PAYROLL TAXES - FEDERAL & FICA		6,411.90
					PAYROLL TAXES - FEDERAL & FICA		726.11
					PAYROLL TAXES - FEDERAL & FICA		5,397.31
					PAYROLL TAXES - FEDERAL & FICA		299.57
					PAYROLL TAXES - FEDERAL & FICA		1,499.56
					PAYROLL TAXES - FEDERAL & FICA		169.82
					PAYROLL TAXES - FEDERAL & FICA		6,238.55
					PAYROLL TAXES - FEDERAL & FICA		1,235.22
					PAYROLL TAXES - FEDERAL & FICA		1,499.56

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
					PAYROLL TAXES - FEDERAL & FICA		169.82
					PAYROLL TAXES - FEDERAL & FICA		6,411.90
					PAYROLL TAXES - FEDERAL & FICA		726.11
						Total for Check/Tran - 1498:	30,785.43
1499	10/12/2016	WIRE	7463	SELECTACCOUNT	FSA CLAIM REIMBURSEMENTS		429.31
1500	10/13/2016	WIRE	154	MINNESOTA REVENUE (ELECTRONIC)	PAYROLL TAXES - STATE		2,363.07
					PAYROLL TAXES - STATE		133.49
					PAYROLL TAXES - STATE		2,213.12
					PAYROLL TAXES - STATE		436.54
						Total for Check/Tran - 1500:	5,146.22
1501	10/20/2016	WIRE	3936	WORLD VISION	EMPLOYEE CONTRIBUTIONS		38.00
					EMPLOYEE CONTRIBUTIONS		2.00
						Total for Check/Tran - 1501:	40.00
1502	10/19/2016	WIRE	7463	SELECTACCOUNT	FSA CLAIM REIMBURSEMENTS		446.84
1503	10/21/2016	WIRE	174	MINNESOTA REVENUE SALES TX (ELE	SALES AND USE TAX - SEPT 2016		165,234.26
					SALES AND USE TAX - SEPT 2016		7,966.74
						Total for Check/Tran - 1503:	173,201.00
1504	10/21/2016	WIRE	7463	SELECTACCOUNT	PARTICIPANT FEE FOR HSA & FLEX BENE		52.33
					PARTICIPANT FEE FOR HSA & FLEX BENE		13.08
						Total for Check/Tran - 1504:	65.41
1505	10/21/2016	WIRE	7463	SELECTACCOUNT	HSA EMPLOYEE CONTRIBUTION		1,628.96
					HSA EMPLOYEE CONTRIBUTION		85.00
						Total for Check/Tran - 1505:	1,713.96
1506	10/24/2016	WIRE	161	MNDCP (ELECTRONIC)	MNDCP EMPLOYEE CONTRIBUTIONS		3,701.22
					MNDCP EMPLOYEE CONTRIBUTIONS		256.00
					MNDCP ROTH EE CONTRIBUTIONS		50.00
						Total for Check/Tran - 1506:	4,007.22
1507	10/24/2016	WIRE	160	HCSP (ELECTRONIC)	HCSP EMPLOYEE CONTRIBUTIONS		761.75
					HCSP EMPLOYEE CONTRIBUTIONS		119.71
					HCSP EMPLOYEE CONTRIBUTIONS		561.46
					HCSP EMPLOYEE CONTRIBUTIONS		381.97
						Total for Check/Tran - 1507:	1,824.89

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
1508	10/24/2016	WIRE	285	JOHN HANCOCK	WENZEL EMPLOYEE CONTRIBUTIONS		969.56
1509	10/20/2016	WIRE	231	US DEPT HHSCMS	2016 ACA REINSURANCE CONTRIBUTION		950.40
					2016 ACA REINSURANCE CONTRIBUTION		237.60
						Total for Check/Tran - 1509:	1,188.00
1510	10/21/2016	WIRE	153	PERA (ELECTRONIC)	PERA EMPLOYEE CONTRIBUTION		7,409.38
					PERA EMPLOYEE CONTRIBUTION		778.12
					PERA CONTRIBUTIONS		7,409.38
					PERA CONTRIBUTIONS		778.12
					PERA CONTRIBUTIONS		1,139.89
					PERA CONTRIBUTIONS		119.71
						Total for Check/Tran - 1510:	17,634.60
1511	10/25/2016	WIRE	152	IRS - USA TAX PMT (ELECTRONIC)	PAYROLL TAXES - FEDERAL & FICA		6,351.76
					PAYROLL TAXES - FEDERAL & FICA		701.11
					PAYROLL TAXES - FEDERAL & FICA		5,587.67
					PAYROLL TAXES - FEDERAL & FICA		341.91
					PAYROLL TAXES - FEDERAL & FICA		1,485.52
					PAYROLL TAXES - FEDERAL & FICA		163.96
					PAYROLL TAXES - FEDERAL & FICA		5,766.64
					PAYROLL TAXES - FEDERAL & FICA		1,075.27
					PAYROLL TAXES - FEDERAL & FICA		1,485.52
					PAYROLL TAXES - FEDERAL & FICA		163.96
					PAYROLL TAXES - FEDERAL & FICA		6,351.76
					PAYROLL TAXES - FEDERAL & FICA		701.11
						Total for Check/Tran - 1511:	30,176.19
1512	10/26/2016	WIRE	7463	SELECTACCOUNT	FSA CLAIM REIMBURSEMENTS		230.40
1513	10/27/2016	WIRE	154	MINNESOTA REVENUE (ELECTRONIC)	PAYROLL TAXES - STATE		2,429.49
					PAYROLL TAXES - STATE		153.39
					PAYROLL TAXES - STATE		2,090.64
					PAYROLL TAXES - STATE		390.09
						Total for Check/Tran - 1513:	5,063.61
71650	10/13/2016	CHK	7308	ADVANTAGE BILLING CONCEPTS	CODING FOR MED ALERT BILLING		80.00
					CODING FOR MED ALERT BILLING		20.00
						Total for Check/Tran - 71650:	100.00
71651	10/13/2016	CHK	8372	ALARM.COM INCORPORATED	WIRELESS SIGNAL FORWARDING		30.50

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
71652	10/13/2016	CHK	6138	BLUE EGG BAKERY	COOKIES FOR MEETINGS		30.00
					COOKIES FOR MEETINGS		6.00
					COOKIES FOR MEETINGS		1.50
						Total for Check/Tran - 71652:	37.50
71653	10/13/2016	CHK	9	BORDER STATES ELECTRIC SUPPLY	UG Fault Trackers Lg. Core		3,060.00
					Splice Jacket Kits		952.50
					Cold Shrink Quick Insulators		1,150.00
					Wrap around splice covers		340.50
					#4/0 ACSR Auto Tension Sleeves		487.38
					Return-Cold shrink foldback jacket kits		-339.00
						Total for Check/Tran - 71653:	5,651.38
71654	10/13/2016	CHK	11	CITY OF ELK RIVER	FUEL USAGE - AUG 2016		1,661.55
					FUEL USAGE - AUG 2016		208.04
					FUEL USAGE - AUG 2016		644.14
						Total for Check/Tran - 71654:	2,513.73
71655	10/13/2016	CHK	36	CROW RIVER FARM EQUIP CO	MISC PARTS & SUPPLIES - BALL JOINTS		20.73
71656	10/13/2016	CHK	9192	CUB FOODS ELK RIVER	OFFICE SUPPLIES		8.40
71657	10/13/2016	CHK	3173	DELL MARKETING LP	23" Dell 23 Monitors		346.77
					23" Dell 23 Monitors		86.70
					Sound Bar		22.43
					Sound Bar		5.61
						Total for Check/Tran - 71657:	461.51
71658	10/13/2016	CHK	9354	DIRECT PORTABLE TOILET SERVICES L	PORTABLE TOILET RENTAL SERVICE		51.42
					PORTABLE TOILET RENTAL SERVICE		12.85
						Total for Check/Tran - 71658:	64.27
71659	10/13/2016	CHK	300	DRIVER & VEHICLE SERVICES	TITLE TRAILER		4,078.74
71660	10/13/2016	CHK	2789	E.H. RENNER & SONS, INC	VIDEO WELL - HOULTON FARM		450.00
71661	10/13/2016	CHK	296	ENPOINTE TECHNOLOGIES	APC Smart UPS		426.62
					APC Smart UPS		106.65
						Total for Check/Tran - 71661:	533.27
71662	10/13/2016	CHK	671	FASTENAL COMPANY	SAFETY GLASSES		143.38
					SAFETY GLASSES		153.64
						Total for Check/Tran - 71662:	297.02

Accounts Payable
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10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
71663	10/13/2016	CHK	28	G & K SERVICES SERVICES	MATS & TOWELS		110.76
					MATS & TOWELS		27.69
						Total for Check/Tran - 71663:	138.45
71664	10/13/2016	CHK	64	GRANITE ELECTRONICS INC	RADIO REPAIR - UNIT #23		473.43
71665	10/13/2016	CHK	8469	KATHY GREENBERG	APA FALL CONF MILEAGE - GREENBERG		63.42
					APA FALL CONF MILEAGE - GREENBERG		15.86
						Total for Check/Tran - 71665:	79.28
71666	10/13/2016	CHK	809	HAWKINS, INC.	WATER CHEMICALS		1,398.25
71667	10/13/2016	CHK	54	HD SUPPLY WATERWORKS, LTD.	MISC PARTS & SUPPLIES		-8.40
					MISC PARTS & SUPPLIES		130.62
					MISC PARTS & SUPPLIES		-11.98
					MISC PARTS & SUPPLIES		186.19
						Total for Check/Tran - 71667:	296.43
71668	10/13/2016	CHK	6836	INNOVATIVE OFFICE SOLUTIONS, LLC	OFFICE SUPPLIES		11.51
					OFFICE SUPPLIES		2.88
						Total for Check/Tran - 71668:	14.39
71669	10/13/2016	CHK	9997	CHAD LEMM	Cred Bal Refund		20.50
71670	10/13/2016	CHK	3321	NORTHSTAR CHAPTER - APA	YEAR END CLASS		36.00
					YEAR END CLASS		9.00
						Total for Check/Tran - 71670:	45.00
71671	10/13/2016	CHK	311	ONLINE COLLECTIONS	COMMISSIONS DUE COLLECTION AGENC		345.41
					COMMISSIONS DUE COLLECTION AGENC		86.35
						Total for Check/Tran - 71671:	431.76
71672	10/13/2016	CHK	106	PERFECTION PLUS, INC.	MONTHLY CLEANING FOR THE PLANT-OC		472.01
					MONTHLY CLEANING FOR THE PLANT-OC		118.00
						Total for Check/Tran - 71672:	590.01
71673	10/13/2016	CHK	2377	PIERCE SALES & SERVICE	SERVICE ICE MACHINE		140.00
					SERVICE & REPAIR ICE MACHINE		-0.96
					SERVICE & REPAIR ICE MACHINE		300.80
						Total for Check/Tran - 71673:	439.84
71674	10/13/2016	CHK	8897	RALPHIE'S VICTORY LANE	FUEL		14.98
					FUEL		3.00

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
						Total for Check/Tran - 71674:	17.98
71675	10/13/2016	CHK	572	RAMADA MARSHALL	OVERHEAD SCHOOL HOTEL - ROLSTAD		323.64
					OVERHEAD SCHOOL HOTEL - NELSON		215.76
					OVERHEAD SCHOOL HOTEL - WEBER		431.52
						Total for Check/Tran - 71675:	970.92
71676	10/13/2016	CHK	3218	RDO EQUIPMENT	Grease for bore rig		199.66
					Borzan for Bore Rig		213.62
					PARTS & LABOR FOR UNIT #54		1,680.58
					Sub Saver for Bore rig		-172.00
						Total for Check/Tran - 71676:	1,921.86
71677	10/13/2016	CHK	6107	STUART C. IRBY CO.	1 Phase Fuse Pads		10,480.00
71678	10/13/2016	CHK	7237	SUSA	UTILITY OPERATION SCHOOL		50.00
71679	10/13/2016	CHK	9191	UPS	SHIPPING		74.60
71680	10/13/2016	CHK	135	WATER LABORATORIES INC	WATER TESTING - SEPT 2016		400.00
71681	10/13/2016	CHK	55	WESCO RECEIVABLES CORP.	Hot Line Clamps		473.00
					150W HPS Bulbs		393.60
						Total for Check/Tran - 71681:	866.60
71682	10/13/2016	CHK	610	WRIGHT HENNEPIN INT'L RESPONSE C	SECURITY MONITORING		529.03
71683	10/13/2016	CHK	8213	ZIMMERMAN TODAY	SECURITY ADVERTISING		148.00
71684	10/20/2016	CHK	1	AMERICAN PUBLIC POWER ASSOC	eRELIABILITY TRACKER SUBSCRIPTION		252.00
71685	10/20/2016	CHK	9997	JASON ASLESON	INACTIVE REFUND		149.28
71686	10/20/2016	CHK	3767	B & B HOFFMAN SOD FARMS, INC	MISC PARTS & SUPPLIES - SOD		17.31
71687	10/20/2016	CHK	8079	BAYCOM, INC.	MISC PARTS & SUPPLIES		1,166.04
71688	10/20/2016	CHK	9997	SONJA BOGART	INACTIVE REFUND		8.73
71689	10/20/2016	CHK	9	BORDER STATES ELECTRIC SUPPLY	TFR Cards		1,652.48
					Semicon tool		237.24
					OH Fault Trackers		1,754.04
						Total for Check/Tran - 71689:	3,643.76
71690	10/20/2016	CHK	9997	BOULEY BUILT	INACTIVE REFUND		135.85
71691	10/20/2016	CHK	11	CITY OF ELK RIVER	CIP - LIGHTING RETROFIT		240.00

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
71692	10/20/2016	CHK	5900	COMMERCIAL ASPHALT CO.	CIP - VFD		9,000.00
71693	10/20/2016	CHK	151	CONNEXUS ENERGY	PURCHASED POWER & SUBSTATION CRE		-400.00
					PURCHASED POWER & SUBSTATION CRE		1,733,820.15
						Total for Check/Tran - 71693:	1,733,420.15
71694	10/20/2016	CHK	2404	CORNERSTONE FORD	CIP - ROOFTOP UNIT REBATE		450.00
71695	10/20/2016	CHK	9192	CUB FOODS ELK RIVER	SNACKS FOR MEETINGS		11.84
					SNACKS FOR MEETINGS		2.96
						Total for Check/Tran - 71695:	14.80
71696	10/20/2016	CHK	112	DACOTAH PAPER CO.	MISC PARTS & SUPPLIES		60.30
					MISC PARTS & SUPPLIES		15.08
						Total for Check/Tran - 71696:	75.38
71697	10/20/2016	CHK	9997	JENNA DEFEYTER	INACTIVE REFUND		7.70
71698	10/20/2016	CHK	9997	DEL INVESTMENT COMPANY, LLC	INACTIVE REFUND		214.81
71699	10/20/2016	CHK	3173	DELL MARKETING LP	Dell E-Port + Adv Port Replicator w/UBS		161.76
					Dell Latitude E5470 Laptop		1,076.34
					Dell E-Port + Adv Port Replicator w/UBS		40.44
					Dell Latitude E5470 Laptop		269.08
						Total for Check/Tran - 71699:	1,547.62
71700	10/20/2016	CHK	274	E.H.WACHS WATER UTILITY PRODUCT	Single Turner valve maintenance trailer		62,107.50
71701	10/20/2016	CHK	305	ELK RIVER MACHINE	CIP - LIGHTING RETROFIT		1,102.50
71702	10/20/2016	CHK	122	ELK RIVER WINLECTRIC CO			378.75
71703	10/20/2016	CHK	9997	EMILY FOUGNER	INACTIVE REFUND		110.92
71704	10/20/2016	CHK	8949	FS3 INC.	Comfit Couplers		38.47
71706	10/20/2016	CHK	4984	ANGELA HAUGE	RTS WELLNESS SEMINAR - HAUGE MARTI		62.17
					RTS WELLNESS SEMINAR - HAUGE MARTI		15.54
						Total for Check/Tran - 71706:	77.71
71707	10/20/2016	CHK	54	HD SUPPLY WATERWORKS, LTD.	Inframap Manager		1,000.00
					Software Installation		5,343.75
					Inframap installation & manager		-343.75
						Total for Check/Tran - 71707:	6,000.00
71708	10/20/2016	CHK	9997	RYDER HEISE	INACTIVE REFUND		39.04

Accounts Payable
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10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
71709	10/20/2016	CHK	9997	REILLY HOCKERT	INACTIVE REFUND		70.68
71710	10/20/2016	CHK	824	HOME DEPOT CREDIT SERVICES	HOME DEPOT		104.53
71711	10/20/2016	CHK	9997	KERRY KOCH	INACTIVE REFUND		35.28
71712	10/20/2016	CHK	9997	HEATHER LIEN-TANNER	INACTIVE REFUND		85.55
71713	10/20/2016	CHK	9997	EDMOND MARTIN	DEP To AP		300.28
71714	10/20/2016	CHK	9997	JORDAN MATHISON	INACTIVE REFUND		37.44
71715	10/20/2016	CHK	9997	MCKINZIE MATTSON-WALDRON	INACTIVE REFUND		38.00
71716	10/20/2016	CHK	119	MINNESOTA COMPUTER SYSTEMS INC	LEASE FOR COPIER AT OFFICE		121.41
					LEASE FOR COPIER AT OFFICE		30.35
						Total for Check/Tran - 71716:	151.76
71717	10/20/2016	CHK	9997	MELISSA MOORE	INACTIVE REFUND		70.50
71718	10/20/2016	CHK	9997	CYRUS NAGBE	INACTIVE REFUND		39.11
71719	10/20/2016	CHK	9997	NELSON MARKETING	DEP To AP		100.29
71720	10/20/2016	CHK	9997	CONNIE NEUBECK	INACTIVE REFUND		101.56
71721	10/20/2016	CHK	9997	JAYNE NOLETTE	INACTIVE REFUND		14.91
71722	10/20/2016	CHK	9997	SUSAN NOTHNAGEL	INACTIVE REFUND		47.64
71723	10/20/2016	CHK	9997	ANTHONY PRAUGHT	INACTIVE REFUND		149.65
71724	10/20/2016	CHK	3218	RDO EQUIPMENT	Collar for bore rig		155.00
					Sub Saver for bore rig		172.00
					Sub Saver for Bore rig		357.40
						Total for Check/Tran - 71724:	684.40
71725	10/20/2016	CHK	130	RESCO	CT'S		223.30
					10KV Arresters		451.50
						Total for Check/Tran - 71725:	674.80
71726	10/20/2016	CHK	3219	RESOURCE TRAINING & SOLUTIONS/B	HEALTH CARE PREMIUMS - NOV 2016		42,390.38
					HEALTH CARE PREMIUMS - NOV 2016		17,520.25
					HEALTH CARE PREMIUMS - NOV 2016		8,764.49
					HEALTH CARE PREMIUMS - NOV 2016		1,437.38
						Total for Check/Tran - 71726:	70,112.50

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
71727	10/20/2016	CHK	229	SHERBURNE COUNTY ZONING	PROM NOTE & SEC AGRMNT - NOV 2016		16,191.00
71728	10/20/2016	CHK	227	SHOE MENDERS & SADDLERY	EMPLOYEE CLOTHING BOOTS - NELSON		-13.67
					EMPLOYEE CLOTHING BOOTS - NELSON		212.57
						Total for Check/Tran - 71728:	198.90
71729	10/20/2016	CHK	6107	STUART C. IRBY CO.	1 Phase Fuse Pad		2,096.00
71730	10/20/2016	CHK	8523	TRI CAP	CIP - LOW INCOME PROGRAM		543.76
71731	10/20/2016	CHK	3739	US BANK	ACCEPTANCE FEE - 7/16 TO 6/30/17		800.00
71732	10/20/2016	CHK	9997	WELLS FARGO HOME MORTGAGE	DEP To AP		150.08
71733	10/20/2016	CHK	55	WESCO RECEIVABLES CORP.	#500 15KV Elbow T-Body		4,700.00
71734	10/27/2016	CHK	9997	2015-3 IH2 BORROWER L.P.	Cred Bal Refund		165.14
71735	10/27/2016	CHK	4614	ASSURANT EMPLOYEE BENEFITS	DENTAL, LIFE & LTD INSURANCE - NOV 2		4,488.48
					DENTAL, LIFE & LTD INSURANCE - NOV 2		969.19
					DENTAL, LIFE & LTD INSURANCE - NOV 2		991.71
					DENTAL, LIFE & LTD INSURANCE - NOV 2		99.08
						Total for Check/Tran - 71735:	6,548.46
71736	10/27/2016	CHK	8552	BECK LAW OFFICE	LEGAL SERVICES		830.24
					LEGAL SERVICES		207.56
						Total for Check/Tran - 71736:	1,037.80
71737	10/27/2016	CHK	9	BORDER STATES ELECTRIC SUPPLY	Quick Splice Kits		441.00
71738	10/27/2016	CHK	14	BROWN- NOW MOBOTREX TRAFFIC PR	LED 12" Green		256.50
					LED 12" Green		-16.50
						Total for Check/Tran - 71738:	240.00
71739	10/27/2016	CHK	8843	CAMPBELL KNUTSON	LEGAL FEES		46.37
					LEGAL FEES		11.59
						Total for Check/Tran - 71739:	57.96
71740	10/27/2016	CHK	11	CITY OF ELK RIVER	SEWER BILLED - SEPT 2016		165,525.85
					A/R ADJ FOR WRITE-OFF		-11.72
					COMP BAGS BILLED - SEPT 2016		17.50
					ORGANICS BILLED - SEPT 2016		1,218.81
					STICKERS BILLED - SEPT 2016		224.00
					TRASH BILLED - SEPT 2016		111,012.24
					STORMWATER BILLED - SEPT 2016		37,771.03

Accounts Payable
Check Register

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
					REVENUE TRANSFER - SEPT 2016		111,385.43
					FRANCHISE FEE CREDIT - SEPT 2016		-975.00
						Total for Check/Tran - 71740:	426,168.14
71741	10/27/2016	CHK	7448	CRC	CUSTOMER SERVICE FOR AFTER HOURS		1,974.13
					CUSTOMER SERVICE FOR AFTER HOURS		493.53
						Total for Check/Tran - 71741:	2,467.66
71742	10/27/2016	CHK	223	DAVE BERG CONSULTING, LLC	Rate Consulting		15,000.00
					RATE STUDY MILEAGE		129.60
						Total for Check/Tran - 71742:	15,129.60
71743	10/27/2016	CHK	25	ECM PUBLISHERS INC	CLASSIFIED AD		147.13
71744	10/27/2016	CHK	28	G & K SERVICES SERVICES	MATS & TOWELS		110.76
					MATS & TOWELS		27.69
						Total for Check/Tran - 71744:	138.45
71745	10/27/2016	CHK	91	GOPHER STATE ONE-CALL	LOCATES FOR-SEPT 2016		422.28
					LOCATES FOR-SEPT 2016		52.79
					LOCATES FOR-SEPT 2016		52.78
						Total for Check/Tran - 71745:	527.85
71746	10/27/2016	CHK	80	GRAINGER	ELECTROMECHANICAL TIMER		50.32
71747	10/27/2016	CHK	308	HASSAN SAND & GRAVEL	MISC PARTS & SUPPLIES - TOPSOIL		54.72
71748	10/27/2016	CHK	809	HAWKINS, INC.	WATER CHEMICALS		1,010.74
71749	10/27/2016	CHK	54	HD SUPPLY WATERWORKS, LTD.	ROLLING FUSION PARTS		187.03
					ROLLING FUSION PARTS		-12.03
						Total for Check/Tran - 71749:	175.00
71750	10/27/2016	CHK	6836	INNOVATIVE OFFICE SOLUTIONS, LLC	OFFICE SUPPLIES		21.23
					OFFICE SUPPLIES		5.31
					OFFICE SUPPLIES		295.30
					OFFICE SUPPLIES		73.83
						Total for Check/Tran - 71750:	395.67
71751	10/27/2016	CHK	297	JACK HENRY & ASSOCIATES, INC	MONTHLY ACH TRANSACATIONS		142.56
					MONTHLY ACH TRANSACATIONS		35.64
						Total for Check/Tran - 71751:	178.20
71752	10/27/2016	CHK	444	LANO EQUIPMENT	EXCAVATOR RENTAL		-25.78

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
					EXCAVATOR RENTAL		400.78
						Total for Check/Tran - 71752:	375.00
71753	10/27/2016	CHK	188	MARTIES FARM SERVICE INC	MISC PARTS & SUPPLIES		57.71
					MISC PARTS & SUPPLIES		57.71
						Total for Check/Tran - 71753:	115.42
71754	10/27/2016	CHK	8290	MCGRANN SHEA CARNIVAL STRAUGH	LEGAL SERVICES		753.75
71755	10/27/2016	CHK	145	MENARDS	MENARDS-0296		118.89
71756	10/27/2016	CHK	7293	MINNESOTA DEPT OF COMMERCE	2016 UNCLAIMED PROPERTY		363.99
71757	10/27/2016	CHK	852	MINNESOTA PIPE & EQUIPMENT	MACON ST WATER MAIN PARTS		1,874.16
71758	10/27/2016	CHK	39	MMUA	SAFETY PROGRAM - 10/16 to 9/17		24,000.00
					SAFETY PROGRAM - 10/16 to 9/17		4,500.00
					FIRSTLINE SUPV SCHOOL - LANGER GEIS		1,170.00
						Total for Check/Tran - 71758:	29,670.00
71759	10/27/2016	CHK	573	NCPERS MINNESOTA	EXTRA LIFE INS FOR ERMU EE-NOV 2016		208.00
71760	10/27/2016	CHK	9300	NISC	MONTHLY AGREEMENTS - SEPT 2016		160.66
					MONTHLY AGREEMENTS - SEPT 2016		8,743.11
					MONTHLY AGREEMENTS - SEPT 2016		1,440.24
					MONTHLY AMS INVOICE - SEPT 2016		5,904.08
					MONTHLY AMS INVOICE - SEPT 2016		1,476.02
					MISC MONTHLY CHARGES - SEPT 2016		1,500.00
					MISC MONTHLY CHARGES - SEPT 2016		177.11
					MISC MONTHLY CHARGES - SEPT 2016		47.38
					MISC MONTHLY CHARGES - SEPT 2016		44.28
					MISC MONTHLY CHARGES - SEPT 2016		11.85
						Total for Check/Tran - 71760:	19,504.73
71761	10/27/2016	CHK	6579	RUM RIVER CONTRACTING	PATCH MISSISSIPPI & MACON		1,800.00
71762	10/27/2016	CHK	3178	RICHARD SCHAUST	COBRA OVERPAY		45.90
71763	10/27/2016	CHK	8141	SPEEDCUTTERS OUTDOOR MAINTENA	LAWN MOWING SERVICES - SEPT 2016		94.05
					LAWN MOWING SERVICES - SEPT 2016		207.34
						Total for Check/Tran - 71763:	301.39
71764	10/27/2016	CHK	8986	TELIT WIRELESS SOLUTIONS	VIDEOFIED MONITORING SYSTEM		53.97
					VIDEOFIED MONITORING SYSTEM		53.87

10/01/2016 To 10/31/2016

Bank Account: 1 - ELECTRIC/GENERAL FUND

Check / Tran	Date	Pmt Type	Vendor	Vendor Name	Reference		Amount
					VIDEOFIED MONITORING SYSTEM		53.87
					VIDEOFIED MONITORING SYSTEM		53.87
					VIDEOFIED MONITORING SYSTEM		53.97
					Total for Check/Tran - 71764:		269.55
71765	10/27/2016	CHK	331	TRANSUNION	SKIP TRACING		20.00
					SKIP TRACING		5.00
					Total for Check/Tran - 71765:		25.00
					Total for Bank Account - 1 :	(139)	2,762,799.29
					Grand Total :	(139)	2,762,799.29

Accounts Payable
Check Register

PARAMETERS ENTERED:

Check Date:	10/01/2016 To 10/31/2016
Bank:	All
Vendor:	All
Check:	All
Journal:	All
Format:	All GL References/Amounts
Extended Reference:	No
Sort By:	Check/Transaction
Voids:	None
Payment Type:	All
Group By Payment Type:	No
Minimum Amount:	0.00
Authorization Listing:	No
Authorization Comments:	No
Credit Card Charges:	No

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

October 11, 2016

Members Present:	John Dietz, Chair; Al Nadeau, Vice Chair; and Daryl Thompson, Trustee
ERMU Staff Present:	Troy Adams, General Manager; Theresa Slominski, Finance and Office Manager; Mark Fuchs, Electric Superintendent; Eric Volk, Water Superintendent; Mike O'Neill, Technical Services Superintendent; Tom Sagstetter, Conservation & Key Accounts Manager; Michelle Canterbury, Executive Administrative Assistant; Tom Geiser, Assistant Electric Superintendent; Jennie Nelson, Customer Service Manager; Dick Wagner, Locator/Mapping Technician
Others Present:	Tony Belden, AWWA Section Chair; Jim Sadler, AWWA Past Section Chair; Bert Tracy, AWWA Awards Committee Co-Chair; Carol Blommel-Johnson, AWWA Awards Committee Co-Chair

1.0 CALL MEETING TO ORDER

John Dietz called the October 11, 2016 meeting to order at 3:30 p.m.

1.1 Pledge of Allegiance

The Pledge of Allegiance was recited.

1.2 Consider Utilities Agenda

John Dietz requested to add agenda item 6.1a, ERMU Commission Appointment to immediately follow 6.1, Staff Updates.

Daryl Thompson moved to approve the amended October 11, 2016 Utilities agenda. Al Nadeau seconded the motion. Motion carried 3-0.

1.3 Recognition of Employee Achievement

Eric Volk announced that Dave Ninow recently received the MN American Water Works Association (AWWA) Operator's Meritorious Service Award. Dave was recognized for his achievement at the AWWA Annual Conference held in Duluth, MN. Representatives from the

AWWA were in attendance to formally present Dave with his plaque. After learning more about the award and why Dave was chosen as the recipient, the Commission congratulated him on his achievement.

2.0 CONSENT AGENDA (Approved By One Motion)

On the financials, John Dietz commented on the 14% increase in administrative and general expenses over the previous year, and directed staff to do an analysis on what the contributing factors may be. Theresa Slominski shared that we received our purchase power bill for the month of September and that our usage was 10kW less than we projected; so our purchase power came in at 1.7 million while we budgeted for 2.7 million. This will reflect a significant change in the budget and is the flip side of what we saw with the June financials; this was a more positive swing than we had hoped for.

Al Nadeau moved to approve the Consent Agenda as follows:

2.1 **September Check Register**
2.2 **September 9, 2016 Regular Meeting Minutes**
2.3 **Financial Statements**
2.4 **Resolution Awarding the Issuance and Sale of $9,755,000 Electric Revenue Bonds**
2.5 **Resolution Awarding the Sale of $1,370,000 Electric Revenue Refunding Bonds**

Daryl Thompson seconded the motion. Motion carried 3-0.

3.0 OPEN FORUM

Dick Wagner said the several years ago the Wage and Benefit Committee (WBC) was comprised of a representative from each department and now that it has transitioned to management only, both he and some of his fellow employees are concerned that they no longer have a voice with one of Commissioners regarding their benefits. Dick voiced that they would like to see getting something like that back; whether it's having the opportunity to meet with a Commissioner a couple times a year, or going back to having department representatives on the W&BC.

Troy Adams provided further background on why we had gone from a selection of office, field, and management reviewing insurance and other benefits to the W&BC. The W&BC was created to still be a sounding board but without being in violation of any labor laws. When we initially set up the W&BC meetings they were open and we had employees that attended. Troy suggested that we could open up a W&BC once a year to allow employees the opportunity to voice their opinions directly without having to go through management.

After discussion the Commission was in favor keeping the Committee how it is currently set up; employees would have the opportunity to attend an open W&BC to voice their opinion on wages and benefits, and the W&BC would review and would report to the Commission with

findings or recommendations. There was discussion on the scheduling of the upcoming W&BC meetings. Staff will provide a staff update on what was discussed and will inform employees of the next open W&BC meeting once a firm time and date has been set.

4.0 OLD BUSINESS

4.1 Performance Metrics Evaluation Update

At last month's meeting, Theresa Slominski presented a list of suggested changes and the proposed means in which they could be measured. After discussing them one by one, the changes identified having the most potential where: changing the water metric from Water Quality Standards having 15 points, to breaking it out into three separate metrics worth 5 points each, and adding a Line Loss below 5% and a Water Loss below 10%.

Theresa presented a revised score card with the suggested options for consideration, and suggested points distribution. Theresa stated that since the last meeting there has been discussion among staff regarding the water loss percentage of 10%. Theresa explained that although 10% is an industry standard, it's a measurement that takes into consideration estimates of unmetered water use to arrive at the 10% mark. She noted that the measurement tracked in our audited financials does not take into account the estimated unmetered usage, only the metered use which is averaging 11.60%. In an effort to remove any estimations, Theresa suggested setting the bar at a higher percentage and benchmarking it against the appropriate industry standard. Theresa and Eric Volk presented the average percentages based on the Key Performance Indicator (KPI) library and suggested the Commission set the Water Loss criteria at 12%. With the introduction of the new Water Loss and Line Loss items worth 10 points, a redistribution of points was suggested to bring the total percentage back down to 100%.

For the Customer Satisfaction sub-category goal; staff suggested it be increased from 85% to 90%. There was discussion on how we measure customer satisfaction. In order to increase the Margins/Net Profit sub-percentage from 15 to 20, John Dietz recommended lowering the Customer Satisfaction sub-percentage from 10 to 5. The Commission was in consensus. John Dietz asked for further clarification on why our attorney recommended not using a physical fitness criterion in our metrics. Staff responded.

Al Nadeau made a motion to approve the revised Performance Metrics Incentive Compensation Score Card with the breakdown of Water Quality Standards, the 5% Line Loss, the 12% Water Loss, and with an increased Margins/Net Profits sub-percentage from 15 to 20, and a decreased Customer Satisfaction sub-percentage from 10 to 5 to take effect January 1, 2017. Daryl Thompson seconded the motion. Motion carried 3-0.

4.2 **Wage & Benefits Committee Update – Health Insurance**

The Wage & Benefits Committee (W&BC) had met just prior to the Commission meeting. John Dietz distributed a recap of the 2017 Health Insurance Options that he had compiled and went over the information. The W&BC recommendation was the last option; the Aware Gold plan with a decrease in coverage to 80% after deductible, and the HSA plan with no change in coverage from 2016. The W&BC also recommended approval of a health insurance opt-out program of $300 per month; contingent upon legal counsel approval. John explained that this would be on a trial basis for 2017 to be reevaluated during next year's insurance renewal to determine if it's something we want to continue to offer.

John went over some of the benefits of the HSA plan including the dollar amounts the company contributes towards the deductibles on the first of the year. He also made note that a relatively small amount would need to come out of an employee's pocket before meeting the deductible at which time everything would be covered at 100%. There was discussion.

During discussion of the recommended renewal option, Troy Adams noted that the 13.3% was the overall increase to the company, and that the employees on the HSA would see a 19% increase in premiums, while the employees on the Aware Gold would see a 6.9% increase in premiums. John Dietz said that is not the way he understood it, and asked if there was a way to blend it so that all employees would see a 13.3% increase. There was discussion. Dick Wagner, who is currently on the Aware Gold plan, questioned why he should have to help cover part of the other plans increased premiums when he would also be experiencing additional expense due to a reduction of benefits. After further discussion, Commission consensus was to approve the renewal option with the 19% premium increase to the HSA plan, and the 6.9% premium increase to the Aware Gold plan.

Al Nadeau made a motion to approve the insurance option that offers our current Aware Gold Plan with a decrease in coverage to 80% after deductible, the HSA Plan with no changes in coverage from 2016, and to approve a health insurance opt-out program of $300 per month for a one year trial period. Daryl Thompson seconded the motion. Motion carried 3-0.

4.3 **Sale of Security Accounts and Security Alarm Inventory**

Mike O'Neill stated that on September 30, 2016 Elk River Municipal Utilities (ERMU) closed on the sale of the security accounts and security alarm inventory with Wright Hennepin (WH) Security for a purchase price of $347,251.96. Mike wanted the Commission to know that a lot of hard work went into making this come to fruition, and gave kudos to all who were involved. In the end it's a win-win for both companies. With the sale, ERMU has been able to establish a relationship with WH that otherwise may not have taken place. There was discussion on the timing of the sale of the business line and

the benefit of doing it when we did. The Commission complimented staff of a job well done.

Troy Adams shared that in order to address the safeguarding and maintenance of the customer and service data that was part of the sale, our attorney has recommended a Data Safekeeping and Access Agreement between ERMU and WH. Staff distributed a draft of the Agreement and requested Commission approval of the draft and authorization to finalize and execute the Agreement to the satisfaction of the Chair, General Manager and Commission Attorney.

Daryl Thompson made a motion to approve the draft of the Data Safekeeping and Access Agreement between Elk River Municipal Utilities and Wright-Hennepin Cooperative Electric Association, and authorize the General Manager to finalize and execute the Agreement to the satisfaction of the Chair, General Manager and Commission Attorney. Al Nadeau seconded the motion. Motion carried 3-0.

4.4 **Electric Service Territory Update – Connexus Energy**

In March of 2015, ERMU and Connexus Energy executed an electric service territory transfer agreement which included provisions to transfer approximately 12 square miles of service territory and 2,000 customers over a five year period. Tom Sagstetter shared that on September 20, 2016 we began the transfer of the second area identified in the agreement. The physical transfer, which took approximately 10 minutes, included 199 residential and commercial accounts. Tom noted that over 60% of the customers in Area 2 were commercial and that many of those had unique metering and account settings that presented some challenges when converting them to ERMU customer information software and rate programs.

Troy Adams presented a map that identified the Electric Service Territory Transfer Areas and made note of how large the area was that we acquired in just one calendar year. Troy pointed out that no one has ever negotiated a deal this big in the State of Minnesota, and to have it go as successfully as it has is unheard of. He gave praise to all of the employees for the significant amount of hard work they have put in to help ensure the successful transfer of the first two areas. Troy went over the maps and the timeline in acquiring the other seven areas. There was discussion. Troy stated that with consensus from the Commission, staff will move forward with formally noticing Connexus for Areas 3 and 4 and will file for the Area 2 boundary change with the Minnesota Public Utilities Commission. The Commission was in consensus.

The Commission recessed at 4:47 p.m. in order to meet the Climate Smart Municipals German Delegation, and then reconvened at 5:00 p.m.

4.5 **Electric Service Territory Update – Wright Hennepin Electric Cooperative**

Tom Sagstetter shared that approximately ten years ago Wright-Hennepin Electric Cooperative Association (WH) installed distribution facilities to serve a development that

was in ERMU service territory. At that time the issue was acknowledged by WH and both parties verbally agreed to identify a territory swap rather than remove the installed facilities. Tom explained that the economic recession delayed any swap because nothing was being platted along our service territory boundary until just recently when the plat was approved for the Villas of Otsego. ERMU and WH have been is discussions and have verbally agreed to allow WH to serve the existing seven residential lots in Mississippi Cove, that are currently in ERMU defined territory, in exchange for ERMU providing electric service to eleven patio home sites that are currently platted to be built in the Wild Flowers Meadows development called the Villas in Otsego. Maps with the proposed territory lines were presented. Staff requested approval to move forward with the filing to the Minnesota Public Utilities Commission (MPUC) to change the defined service territory boundary for each development to reflect the outlined changes.

Daryl Thompson made a motion to move forward with the MPUC filing to change the defined service territory boundary change. Al Nadeau seconded the motion. Motion carried 3-0.

5.0 NEW BUSINESS

5.1 RFP Auditing Firm

The City of Elk River, the Elk River Fire Relief, and Elk River Municipal Utilities recently solicited proposals for auditing services for 2016 through 2020. Through the combined RFP process there were three firms that responded: Redpath & Company (R), CliftonLarsonAllen (CLA), and Abdo, Eick and Meyers (AEM). All three were competent firms that submitted qualifying proposals and interviewed well. Theresa stated that due to the fact that Redpath & Company had no utility experience, they would not be a viable option. Theresa presented a summary of the pricing from the three firms. Although the City and Fire Relief has chosen to contract with CLA for the next five years, Theresa recommended that ERMU continue to contract with AEM. Theresa explained the rationale for keeping the current auditors which was largely dependent on the current transactions we're invested in, which our current auditors have been very involved in helping us plan for the implementation of these transactions and the financial reporting of them.

John Dietz stated that he had asked the City Administrator if it would make any difference if the city and ERMU have two different auditing firms; to which he responded that he didn't anticipate any issues. John said that his main concern is that we're leaving approximately $18,000 on the table, and before he would feel comfortable voting for it he would like to see where we're going to reduce other line items to come up with the amount to offset the additional expense. John reached out to the other Commissioners to see if they were in agreement. After discussion, Commission consensus was to table this item until next month's Commission meeting. The Commission directed staff to determine where the line item reduction would come from to cover the $18,000, and to bring that back for consideration. It was noted that $18,000 was the total increase for the five year term;

therefore an annual reduction of approximately $3,500 is what would be needed.

5.2 **2017 Budget: Water and Electric Expenses**

Theresa Slominski presented the first cut of the 2017 Water and Electric Expense Budget and noted that the expense budget will change as the complete 2017 budget is assembled and the finalized wholesale power costs are reflected. Wholesale power costs, as well as revenue and rate increases for 2017 will be presented in November.

Water Department Expense Budget - The 2017 forecast for water expenses reflected a 7.83% increase over the current year budget. Eric Volk shared that he had decided to include a few notable expenses here instead of the Capital Budget. Theresa provided further explanation on the rationale behind including the notable expenses here versus the Capital Budget. Most notable were an increase in Maintenance of Wells where $100,000 was included for additional expenses, Maintenance of Water Mains for leak detection and repairs, and software licensing.

Electric Department Expense Budget – The 2017 forecast for electric expenses reflected a 2.18% increase over the current year budget. The wholesale power costs which make up between 70-75% of the operating budget were not included as staff is still waiting for final numbers. Although early estimates have come in at a 1.88% increase in power cost, staff is anticipating closer to 2.5%. John Dietz had a few questions on the line items that had been noted. Staff responded.

5.3 **2017 Utilities Fee Schedule**

Troy Adams presented the 2017 Fee Schedule to the Commission. There were just four adjustments to the schedule from 2016 to 2017. A fee for photocopies was also added to accommodate for data requests. Staff recommended the Commission approve the 2017 Utilities Fee Schedule for adoption into ordinance by the City Council. John Dietz had a few questions. Staff responded.

Daryl Thompson made a motion to approve the 2016 Fee Schedule. Al Nadeau seconded the motion. Motion carried 3-0.

5.4 **Commercial All Electric with Ground Source Heat Pump Tariff**

Tom Sagstetter shared that during the Area 2 service territory transfer, staff identified a commercial customer class that was not represented in ERMU's existing commercial tariffs and load management rates. In an effort to help accommodate the special circumstances for existing customers on this Connexus rate, staff has developed a new Commercial All Electric with Ground Source Heat Pump Tariff. The tariff was designed for customers that have made a commitment to operate their facility as efficiently as possible using only electric energy for all of their requirements. Tom went over the benefits to ERMU of

having customers on this program which included: increasing system load factor, increased energy use in the colder months, and more predictable energy consumption throughout the year. Tom presented the tariff and went over the rates and explained that although the margin is a little tight it can be corrected over time. The Commission had a few questions. Staff responded.

Al Nadeau made a motion to approve the proposed Elk River Municipal Utilities Commercial All Electric with Ground Source Heat Pump Tariff for all existing and future customers effective September 20, 2016. Daryl Thompson seconded the motion. Motion carried 3-0.

6.0 OTHER BUSINESS

6.1 Staff Updates

Troy Adams stated that staff recently had the opportunity to speak with a consultant regarding how we file our Attachment O relating to our transmission investment. Troy shared that the opportunities have changed since we originally set that up and that by doing some additional paperwork we should have the opportunity to receive a substantial amount of money back on an annual basis. Troy provided further details on the timeline and how we could maximize the financial returns.

Theresa Slominski noted in her staff report that we would be conducting our last round of shutoffs October 11 before the Cold Weather Rule comes into play for the time period October 15 through April 15. The Commission inquired as to how that went and had a question on the police squad car that was located outside of our entrance the day of shutoffs. Staff responded. John Dietz reiterated the Commission's appreciation for all the hard work her staff put in to facilitate the seamless transfer of the security department.

Tom Sagstetter stated that he had nothing official, but things were looking good for the electric vehicle charging grant; more to come next month. John Dietz had a few questions on the holiday lighting contest. Staff shared that they would be pre-judging all of the participants to narrow it down to a more reasonable amount that the Commission would be doing the final judging of. In addition, some type of signage will be used to help identify the homes that are participating.

6.1a **ERMU Commissioner Appointment –** Now that the legislation has been approved to expand the Utilities Commission from three to five members a decision will need to be made on the makeup of the forthcoming appointments. As the legislation provides a provision for up to two City Council Members to be appointed to the Commission, John Dietz requested direction from the Council on what their desired makeup would be. John shared that Councilmember Matt Westgaard expressed an interest in serving on the Commission and that the City Council concurred to allow two Councilmembers to serve on the Utilities Commission. John stated that

the city will be advertising for the other open position which will be filled by someone from the general public.

6.2 **Set Date for Next Meeting**

The next regularly scheduled Commission meeting will be cancelled due to a scheduling conflict, and a special meeting will be held on November 15, 2016.

6.3 **Adjourn Regular Meeting**

Daryl Thompson moved to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 5:43 p.m. Al Nadeau seconded the motion. Motion carried 3-0.

Minutes prepared by Michelle Canterbury.

_____
John J. Dietz
Chair, ERMU Commission

_____
Tina Allard
City Clerk

ELK RIVER MUNICIPAL UTILITIES
SPECIAL MEETING OF THE
UTILITIES COMMISSION
HELD AT UTILITIES CONFERENCE ROOM

October 17, 2016

Members Present: John Dietz, Chair; Al Nadeau, Vice Chair; and Daryl Thompson, Trustee
ERMU Staff Present: Troy Adams, General Manager;
Theresa Slominski, Finance and Office Manager;
Mark Fuchs, Electric Superintendent;
Eric Volk, Water Superintendent;
Mike O'Neill, Technical Services Superintendent;
Tom Sagstetter, Conservation & Key Accounts Manager;
Michelle Canterbury, Executive Administrative Assistant;
Jennie Nelson, Customer Service Manager

1.0 CALL MEETING TO ORDER

John Dietz called the October 17, 2016 meeting to order at 9:00 a.m.

1.1 Pledge of Allegiance

2.0 DISCUSS AND TAKE ACTION ON HEALTH INSURANCE RENEWAL OPTIONS

John Dietz shared that the reason he requested the special meeting was because it became apparent at the last Commission meeting that there was some confusion between what the overall percentage of increase was for the company versus the percentage of increase for employees on the two different insurance plans. He stated that his understanding was that the company and all of the employees were going to see an increase of 13.28% across the board, and that the way it was voted on at the last Commission meeting, the employees on the Aware Gold would realize a 6.9% increase in premiums while the employees on the HSA would be realizing a 19% increase in premiums. John Dietz stated that the purpose of this meeting was to have the opportunity for further discussion on which Aware Gold deductible they wanted to go with and if there should be a separate or across the board increase to employees.

Theresa Slominski shared that typically when we receive our health care renewal, we receive and present it as an across the board increase for the company and employees. She explained that this year, in an effort to lower the cost to the company, we were picking and choosing from a combination of different plans therefore the increase had not been blended. Theresa presented a spreadsheet with the Health Insurance Comparisons. The spreadsheet reflected a fairer representation with the increase blended across the board and the impact those would have on

the dollar amount taken out of the employee's paycheck each pay period. For the spreadsheet, Troy Adams pointed out that Option 3 offered the same benefits that were passed last Tuesday, with the addition of the 13.28% blended increase, and that Option 2 with the 90% deductible and 16.41% blended increase was presented at the request of Daryl Thompson. John Dietz provided a handout that contained a summary comparison between the 80% and 90% deductible plans, and went over the differences between the two plans.

After discussion, Commission consensus was to go with the same renewals that were approved at the October 11, 2016 Commission meeting, with the exception of changing it to a blended increase of 13.28% across the board.

Daryl Thompson made a motion to approve the insurance renewals with a 13.28% increase to employees across the board for both the Aware Gold Plan with the 80% deductible, and the HSA plan with no changes in coverage from 2016 including the employer contribution to the HSA. Al Nadeau seconded the motion. Motion carried 3-0.

3.0 ADJOURNMENT

Daryl Thompson made a motion to adjourn the special meeting of the Elk River Municipal Utilities Commission at 9:20 a.m. Al Nadeau seconded the motion. Motion carried 3-0.

Minutes prepared by Michelle Canterbury.

_____
John J. Dietz
Chair, ERMU Commission

_____
Tina Allard
City Clerk

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PROFIT AND LOSS NARRATIVE
September 2016

Electric P&L

September's electric kwh sales (from August consumption) are up from the prior year, 13%. For further breakdown:

- Residential usage is up 20%
- Small Commercial usage is up 8%
- Large Commercial usage is up 10.6%

September Operating Revenue of $3,427,749 again includes a pro-forma adjustment to show the demand adjustment credit being funded through reserves, this month it is $81,674. (Year-to-date the amount of the demand adjustment credit is $660,967.15.) Without the pro-forma adjustment, the September Operating Revenue is $3,346,075 which is increased 11% over the prior year, and is 6% ahead of prior YTD. September's revenues were strong and only 1% short of budget. Revenues are ahead of the previous year, however, they still lag the YTD budget by 2.7%, slightly better than the 3% lag last month.

Other Revenue of $529,945 includes $338,614 for the sale of the Security business line. Excluding the business line sale, Other Revenues increased 8% from the prior year. Other Revenue Total is increased over the prior YTD by 32%, and increased 36% over budget YTD, due to increased Connection Fees and the Security sale.

Overall, Total Revenues of $3,957,694 are above the prior year by 24%, and YTD ahead by 10%, however under YTD budget by less than 1%.

Purchased Power of $1,733,820 is less than the prior year by 27%, and under the budget by 37%. If you will remember in June when our power costs were so high compared to budget, I noted that we would see a reverse impact of this in September. The budgeted number for September was $2,739,591, and our actual number is $1 million below that, far exceeding any projection. September's purchased power was significantly below budget due to the system peak of our power provider occurring on the holiday - when our system usage was down due to customers being out of town, thereby reducing our power costs for the month. This swing in September effectively resets our purchased power budget for the year and we are back on track. Our YTD costs are under YTD budget now by 4%.

Administrative and General Expenses are $205,964, 2% more than the prior year, and YTD 12% higher than the prior year. Last month I was asked to address the increase in A&G Expenses from 2015 to 2016. The increase is most notably in the medical and

dental insurances at $66,541 more than the prior YTD or 18%, and bond issuance costs (including consulting costs at $44,000 more than the prior YTD or 77%, and fees of $101,040 more than the prior YTD or 110%.) The bond issuance costs were significant, however, they are not recurring annual items.

For other expenses, in total they are under the prior year by 19% and under YTD budget by 6%.

For September 2016, the Electric Department has a Net Profit of $1,468,519 and YTD Net Profit of $1,999,643. This is ahead of the budget of $661,803, as well as over the prior year monthly Net Profit of $157,850, and over prior YTD Net Profit of $1,512,991. As mentioned above with the power costs, this month effectively resets our budget and actual numbers for the year and we are on track with projections, actually exceeding them now.

Water P&L

September gallons of water sold (from August's usage) is down 13% from the prior year, reflecting the wet rainy weather we had. For further breakdown:

- Residential use down 25%
- Commercial use down 1%

Water Operating Revenues for September of $260,979 are down from last year by 15% and lower than YTD budget by 4%.

Other Revenues of $54,418 are up from the prior year 28%, again with the Connection Fees being the driving force.

Overall, Total Revenues of $315,397 are behind the prior year by 10% and yet ahead of YTD budget by 8%.

Expenses are under the prior year by 1% and over YTD budget by 2%. The various expense items are relatively consistent with the prior year.

For September 2016, the Water Department has a Net Profit of $121,980, which is behind last year's profit of $154,349. YTD Net Profit is $309,331, which is ahead of the prior YTD Net Profit of $125,053, and significantly ahead of the budgeted YTD Net Profit of $53,610.

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
COMBINED BALANCE SHEET
FOR PERIOD ENDING SEPTEMBER 2016

	ELECTRIC	WATER
ASSETS		
CURRENT ASSETS		
CASH	9,119,620	2,946,312
ACCOUNTS RECEIVABLE	3,919,281	490,676
INVENTORIES	1,149,160	14,329
PREPAID ITEMS	172,246	23,042
CONSTRUCTION IN PROGRESS	690,225	786,671
TOTAL CURRENT ASSETS	15,050,532	4,261,031
RESTRICTED ASSETS		
BOND RESERVE FUND	997,660	0
EMERGENCY RESERVE FUND	2,545,871	1,160,806
UNRESTRICTED RESERVE FUND	38,884	113,824
TOTAL RESTRICTED ASSETS	3,582,415	1,274,629
FIXED ASSETS		
PRODUCTION	457,733	11,642,716
LFG PROJECT	3,801,373	0
TRANSMISSION	762,850	0
DISTRIBUTION	35,923,823	22,536,693
GENERAL	8,915,312	990,456
FIXED ASSETS (COST)	49,861,091	35,169,864
LESS ACCUMULATED DEPRECIATION	(23,226,580)	(15,022,539)
TOTAL FIXED ASSETS, NET	26,634,510	20,147,326
INTANGIBLE ASSETS		
POWER AGENCY MEMBERSHIP BUY-IN	9,393,794	0
LESS ACCUMULATED AMORTIZATION	0	0
TOTAL INTANGIBLE ASSETS, NET	9,393,794	0
OTHER ASSETS AND DEFERRED OUTFLOWS	315,450	39,063
TOTAL ASSETS	54,976,700	25,722,049
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	2,862,730	232,400
SALARIES AND BENEFITS PAYABLE	426,246	52,596
DUE TO CITY	695,297	1,390
DUE TO OTHER FUNDS	0	0
BONDS PAYABLE-CURRENT PORTION	0	0
UNEARNED REVENUE	2,532	133,859
TOTAL CURRENT LIABILITIES	3,986,805	420,244
LONG TERM LIABILITIES		
LFG PROJECT	1,214,061	0
DUE TO COUNTY	0	0
BONDS PAYABLE, LESS CURRENT PORTION	13,098,620	1,635,247
PENSION LIABILITIES	2,243,115	234,129
TOTAL LONG TERM LIABILITIES	16,555,796	1,869,376
DEFERRED INFLOWS OF RESOURCES	459,746	47,987
TOTAL LIABILITIES	21,002,347	2,337,607
FUND EQUITY		
CAPITAL ACCOUNT CONST COST	997,660	0
CONTRIBUTED CAPITAL	0	0
RETAINED EARNINGS	30,977,049	23,075,111
NET INCOME (LOSS) (THROUGH PREVIOUS MONTH)	1,999,644	309,332
TOTAL FUND EQUITY	33,974,353	23,384,442
TOTAL LIABILITIES & FUND EQUITY	54,976,700	25,722,049

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

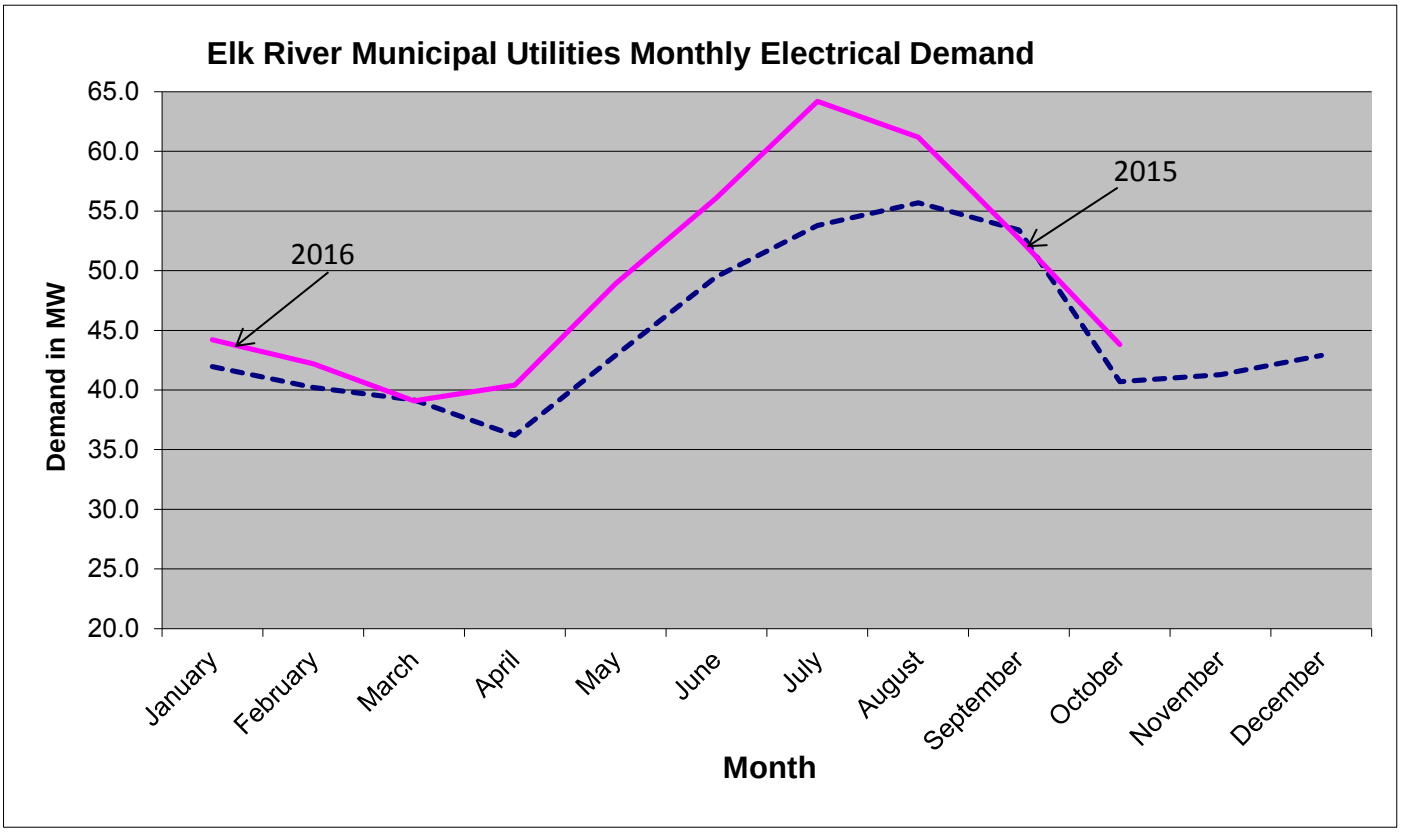
	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Electric									
Revenue									
Operating Revenue									
Elk River	3,147,164	23,150,726	24,598,281	32,308,290	(6)	2,794,289	21,539,490	1,611,235	7
Elk River-City Donated	0	0	0	0	0	16,907	137,085	(137,085)	(100)
Otsego	260,359	1,867,085	1,870,524	2,401,049	0	249,726	1,852,004	15,080	1
Rural Big Lake	20,342	146,122	149,362	192,635	(2)	18,319	147,883	(1,761)	(1)
Dayton	24,773	179,586	180,325	229,633	0	22,842	178,540	1,046	1
Public St & Hwy Lighting	15,890	141,400	52,393	69,858	170	29,889	266,992	(125,592)	(47)
Generation and Sub Station Credit	400	14,280	26,650	34,726	(46)	2,947	26,650	(12,370)	(46)
Dispersed Generation Credit	(110,418)	(631,492)	(643,669)	(771,734)	(2)	(107,842)	(653,428)	21,935	(3)
Other Revenue/CIP/Rate Increase/AC Credit	69,236	610,890	(45,489)	(57,000)	(1,443)	(11,295)	(45,705)	656,595	(1,437)
Total Operating Revenue	3,427,749	25,478,597	26,188,379	34,407,457	(3)	3,015,784	23,449,514	2,029,083	9
Other Operating Revenue									
Interest/Dividend Income	7,546	79,757	73,000	100,000	9	8,097	78,275	1,481	2
Customer Penalties	27,168	187,500	187,499	250,000	0	32,549	172,482	15,017	9
LFG Project	97,594	808,959	840,971	1,120,000	(4)	91,053	807,293	1,666	0
Connection Fees	18,225	212,001	36,891	55,000	475	6,800	109,462	102,539	94
Security	7,566	177,571	193,383	265,000	(8)	18,906	183,523	(5,951)	(3)
Misc Revenue	371,843	475,448	92,713	125,000	413	19,110	121,354	354,093	292
Total Other Revenue	529,945	1,941,239	1,424,458	1,915,000	36	176,517	1,472,392	468,847	32
Total Revenue	3,957,694	27,419,837	27,612,837	36,322,457	(1)	3,192,302	24,921,907	2,497,930	10
Expenses									
Purchased Power	1,733,820	18,624,712	19,467,037	25,130,844	(4)	2,377,937	16,897,197	1,727,515	10
Operating & Mtce Expense	17,960	175,047	301,419	395,500	(42)	21,571	169,314	5,733	3
Landfill Gas	43,709	442,435	539,061	717,500	(18)	12,095	498,454	(56,018)	(11)
Transmission Expense	930	8,216	11,250	15,000	(27)	884	1,356	6,859	505
Distribution Expense	18,323	199,114	258,734	326,700	(23)	12,122	183,136	15,977	9
Maintenance Expense	73,076	734,319	779,978	1,006,000	(6)	62,779	740,522	(6,203)	(1)
Depreciation & Amortization	166,900	1,493,140	1,743,743	2,325,000	(14)	159,876	1,432,619	60,521	4
Interest Expense	32,620	115,729	72,631	96,842	59	9,085	89,418	26,311	29
Security	2,306	106,925	161,249	215,000	(34)	17,818	159,070	(52,145)	(33)
Other Operating Expense	39,947	72,528	18,150	27,000	300	9,104	22,060	50,467	229
Customer Accounts Expense	22,748	226,076	254,024	338,700	(11)	23,290	219,402	6,673	3
Administrative & General Expense	205,964	2,214,335	2,344,897	3,132,099	(6)	202,406	1,972,748	241,586	12

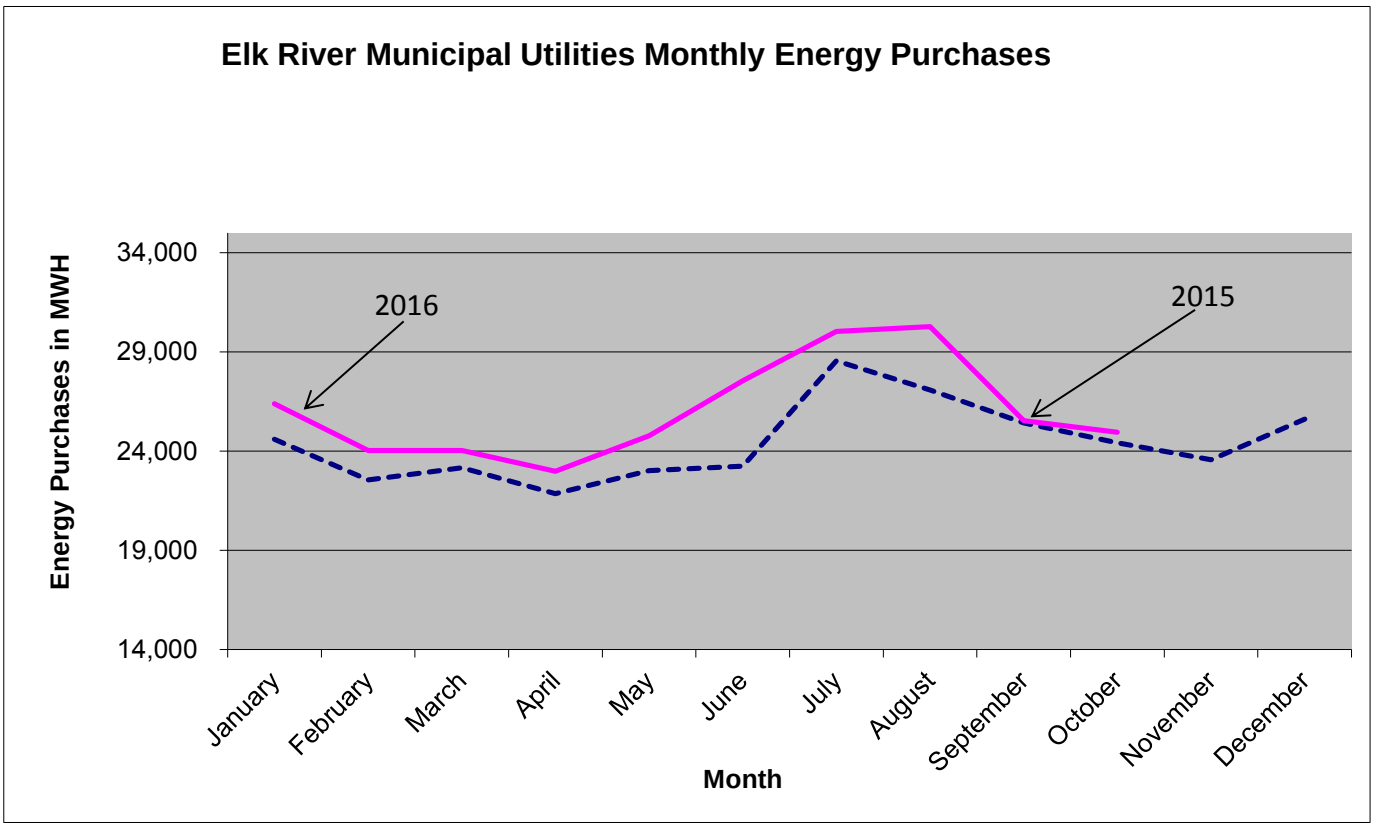
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

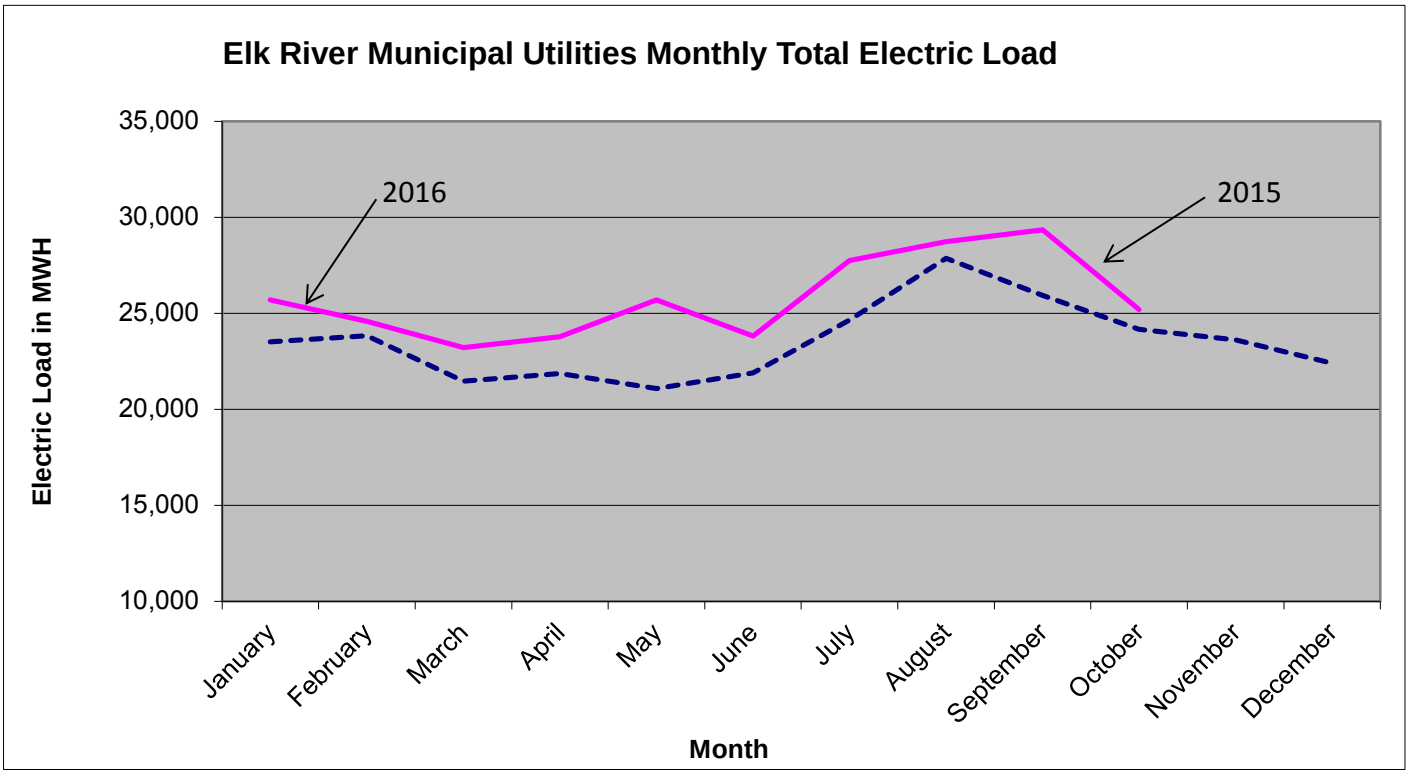
	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Total Expenses(before Operating Transfers)	2,358,307	24,412,581	25,952,177	33,726,185	(6)	2,908,973	22,385,303	2,027,277	9
Operating Transfer									
Operating Transfer/Other Funds	111,385	830,042	819,277	1,080,000	1	80,350	625,642	204,399	33
Utilities & Labor Donated	19,482	177,570	179,578	232,000	(1)	45,127	397,969	(220,399)	(55)
Total Operating Transfer	130,867	1,007,612	998,856	1,312,000	1	125,478	1,023,612	(15,999)	(2)
Net Income Profit(Loss)	1,468,519	1,999,643	661,803	1,284,272	202	157,850	1,512,991	486,651	32

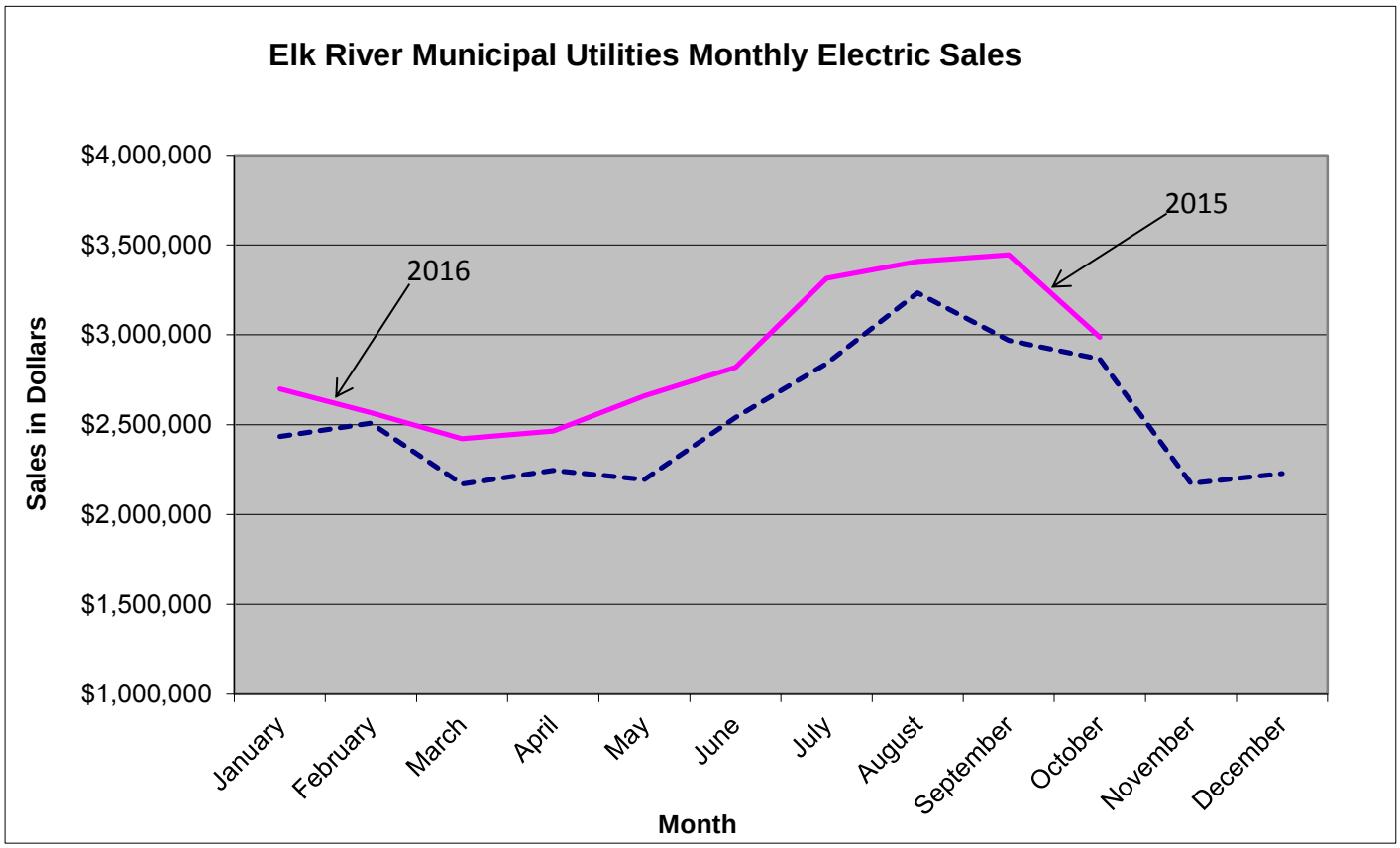
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

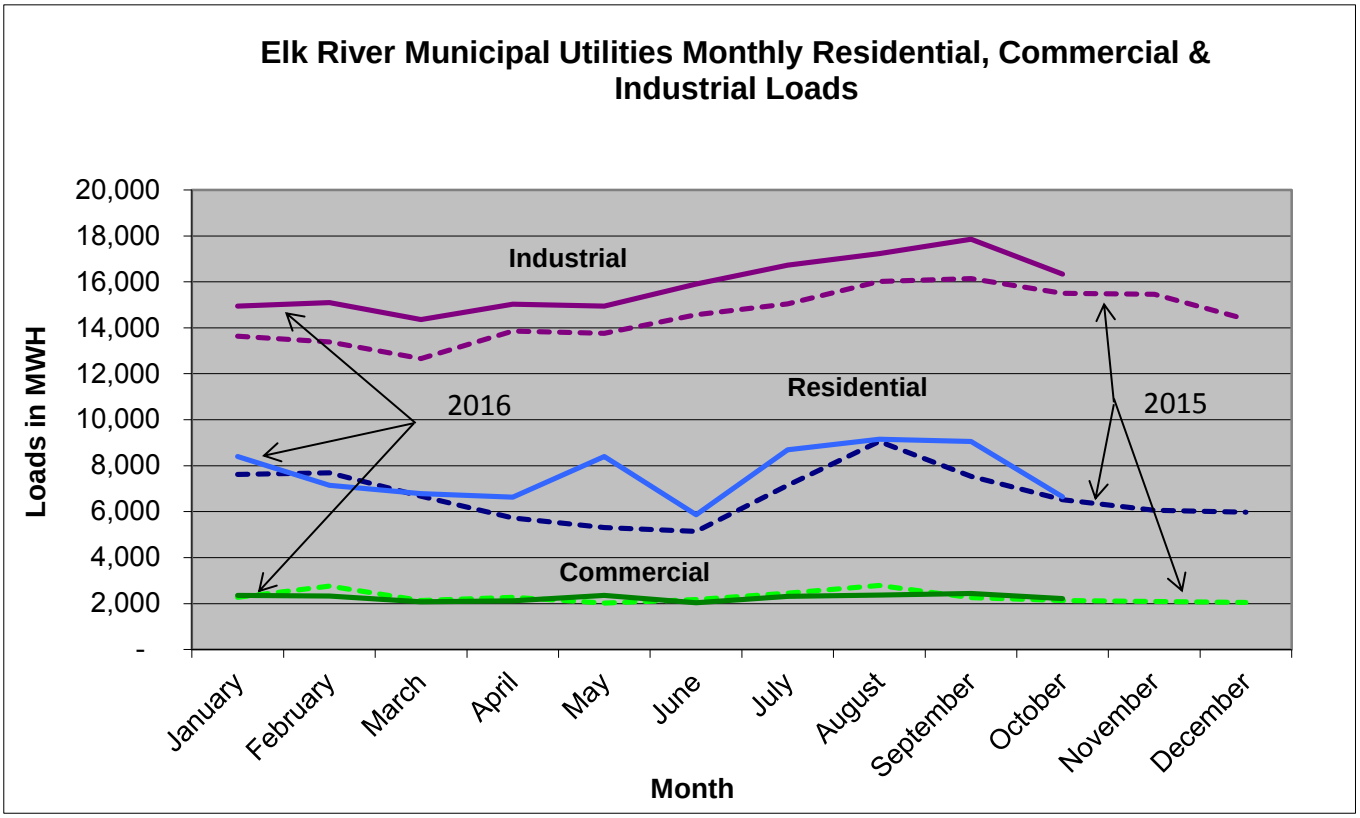
	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Water									
Revenue									
Operating Revenue									
Water Sales	260,979	1,673,677	1,742,582	2,276,975	(4)	308,262	1,642,630	31,047	2
Total Operating Revenue	260,979	1,673,677	1,742,582	2,276,975	(4)	308,262	1,642,630	31,047	2
Other Operating Revenue									
Interest/Dividend Income	1,859	28,026	21,000	27,000	33	2,024	19,540	8,485	43
Customer Penalties	2,004	12,657	8,820	15,000	44	3,106	13,692	(1,035)	(8)
Connection Fees	34,523	323,444	120,449	164,125	169	21,648	192,608	130,835	68
Misc Revenue	16,031	142,087	114,702	153,000	24	15,556	127,341	14,745	12
Total Other Revenue	54,418	506,215	264,971	359,125	91	42,335	353,184	153,031	43
Total Revenue	315,397	2,179,893	2,007,554	2,636,100	9	350,598	1,995,814	184,078	9
Expenses									
Production Expense	3,734	28,285	20,980	28,000	35	3,571	22,723	5,562	24
Pumping Expense	34,921	353,623	357,114	464,500	(1)	44,428	305,495	48,127	16
Distribution Expense	8,718	111,328	146,642	189,709	(24)	11,609	138,113	(26,784)	(19)
Depreciation & Amortization	96,216	856,687	855,003	1,140,000	0	95,192	842,377	14,310	2
Interest Expense	4,788	43,691	44,736	59,350	(2)	5,381	48,990	(5,298)	(11)
Other Operating Expense	39	2,997	7,400	9,820	(59)	37	1,443	1,553	108
Customer Accounts Expense	5,271	60,031	33,987	46,100	77	3,977	46,098	13,933	30
Administrative & General Expense	39,725	413,914	487,702	636,797	(15)	32,049	429,799	(15,885)	(4)
Total Expenses(before Operating Transfers)	193,417	1,870,561	1,953,565	2,574,276	(4)	196,248	1,835,042	35,518	2
Operating Transfer									
Transfer To City For 99 Bond	0	0	0	0	0	0	30,000	(30,000)	(100)
Utilities & Labor Donated	0	0	378	500	(100)	0	5,719	(5,719)	(100)
Total Operating Transfer	0	0	378	500	(100)	0	35,719	(35,719)	(100)
Net Income Profit(Loss)	121,980	309,331	53,610	61,324	477	154,349	125,053	184,278	147

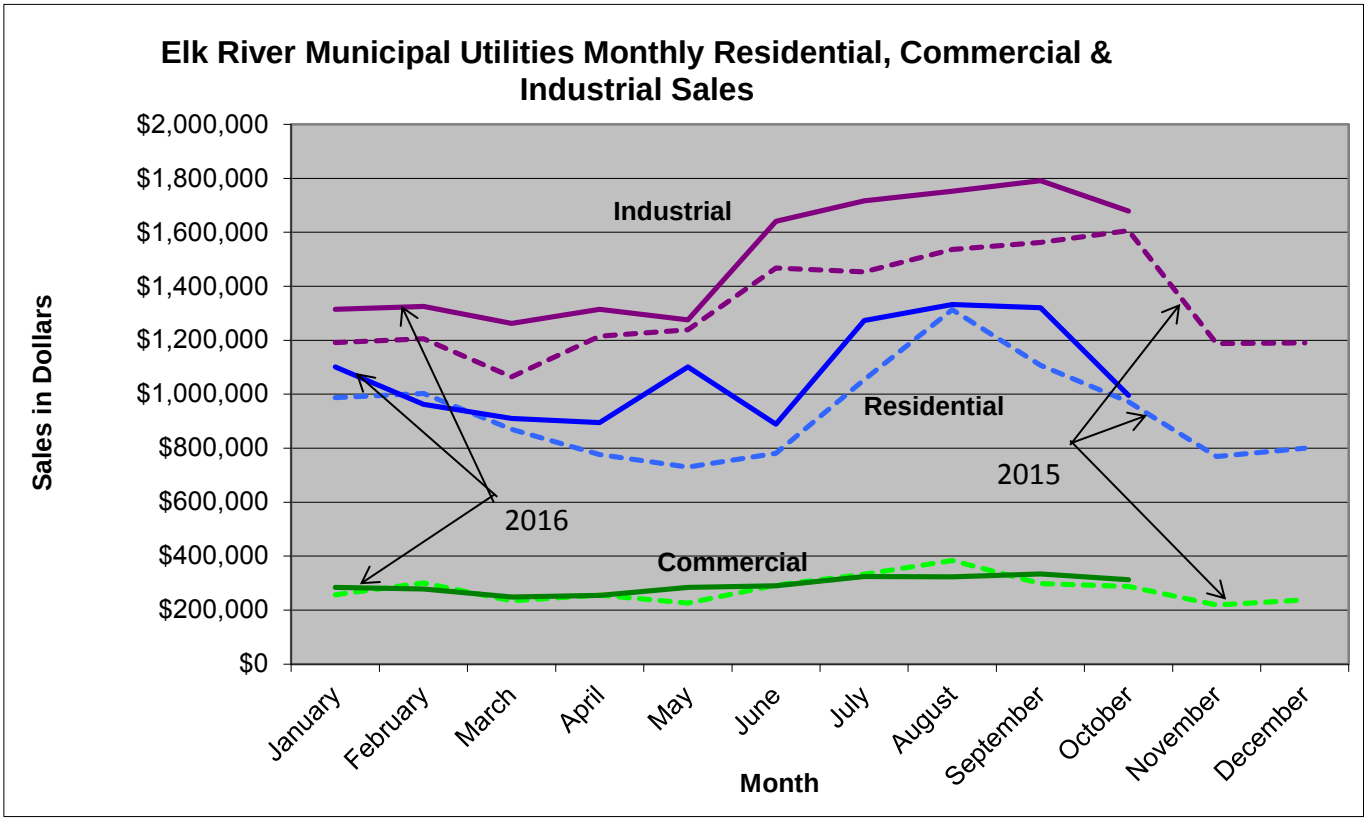

Elk River Municipal Utilities Monthly Electrical Demand
Demand in MW
65.0
60.0
55.0
50.0
45.0
40.0
35.0
30.0
25.0
20.0
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month

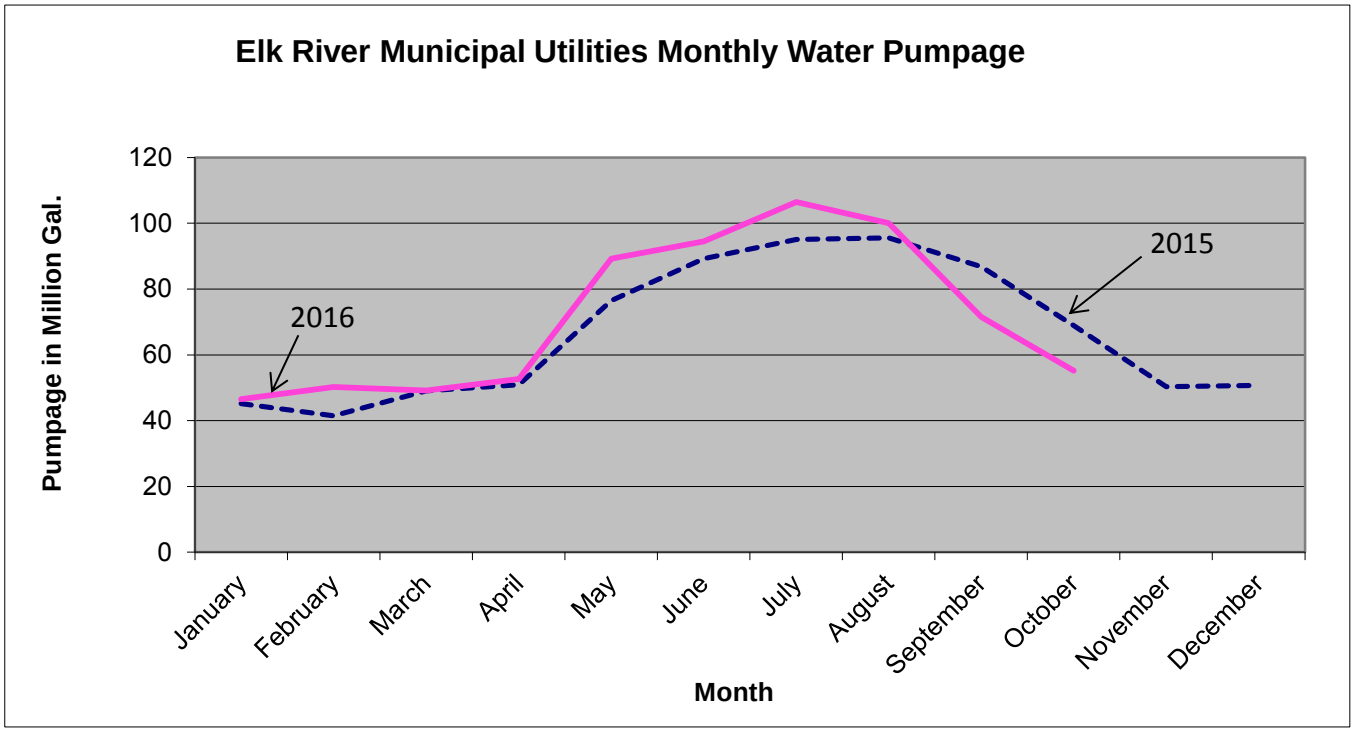

Elk River Municipal Utilities Monthly Energy Purchases
Energy Purchases in MWH
34,000
29,000
24,000
19,000
14,000
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month

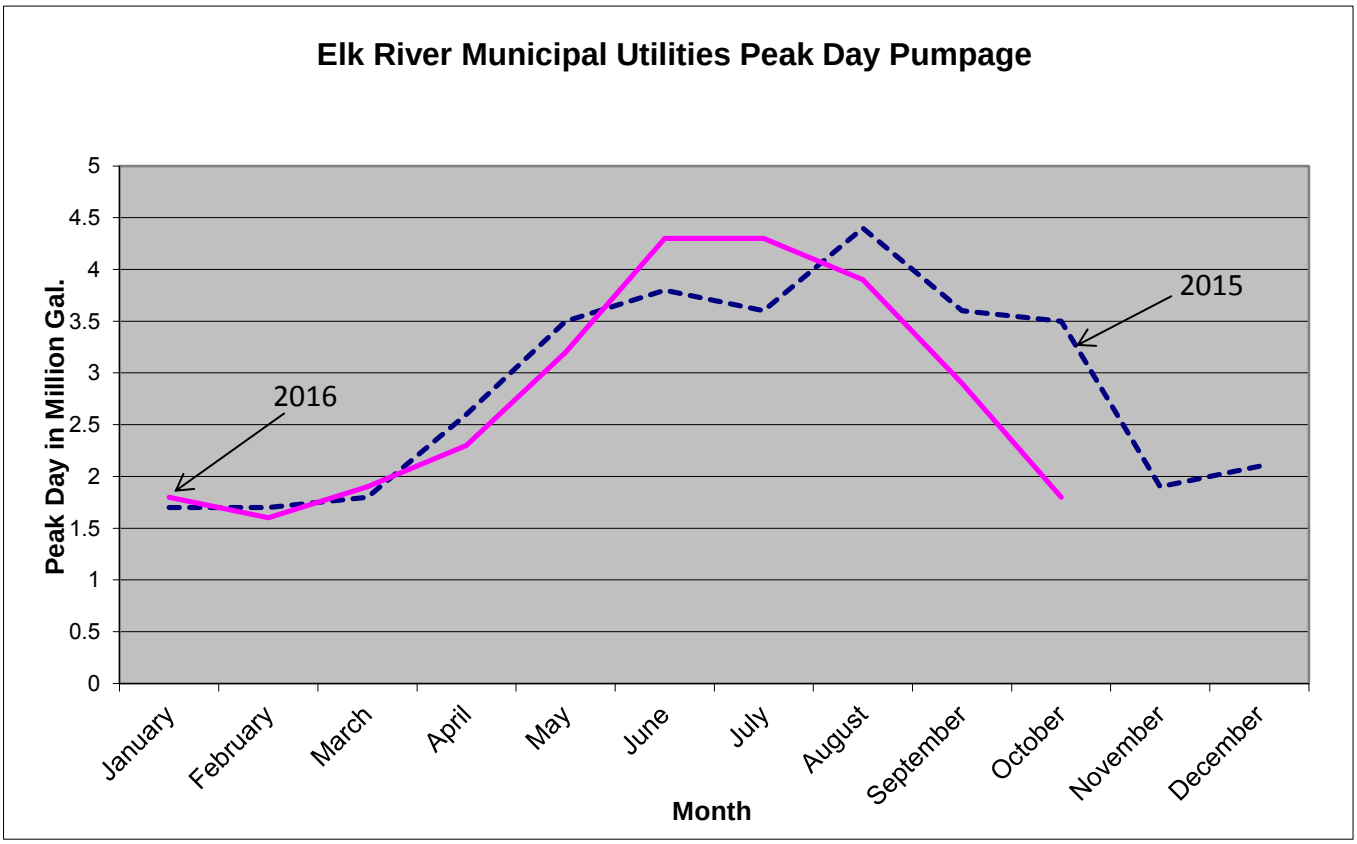

Elk River Municipal Utilities Monthly Total Electric Load
Electric Load in MWH
35,000
30,000
25,000
20,000
15,000
10,000
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month

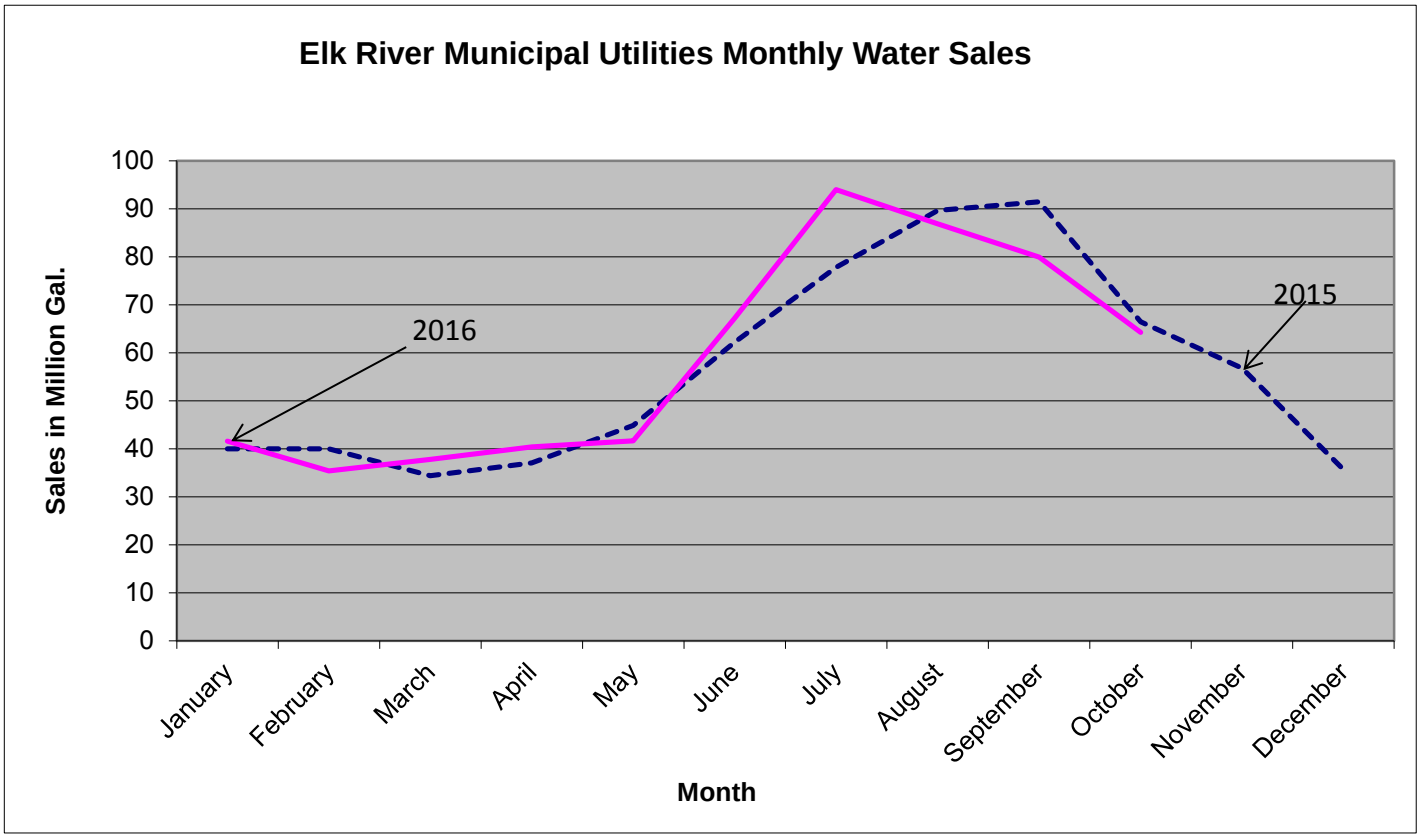

Elk River Municipal Utilities Monthly Electric Sales
Sales in Dollars
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month

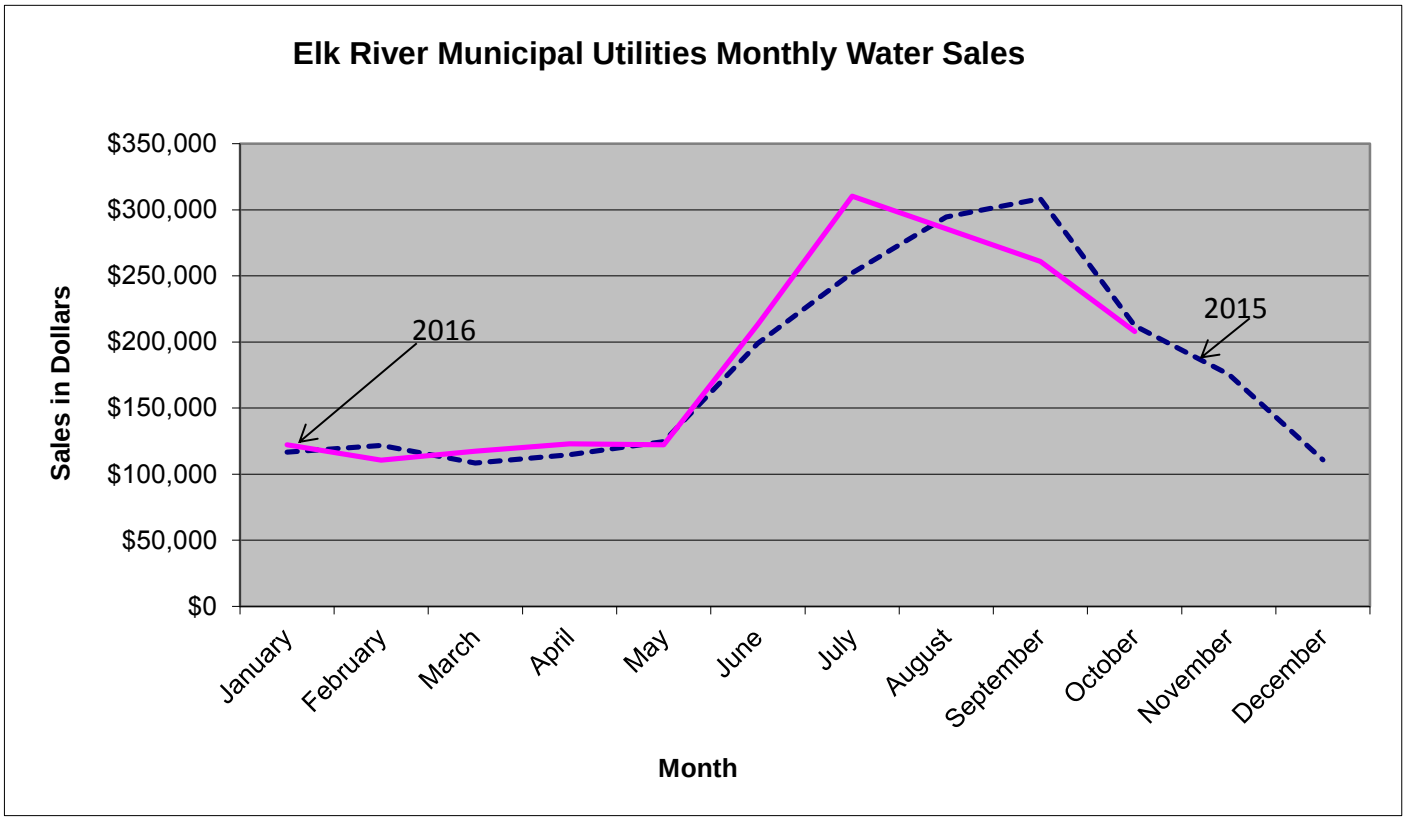

Elk River Municipal Utilities Monthly Residential, Commercial & Industrial Loads
Loads in MWH
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
Industrial
Residential
Commercial
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month


Elk River Municipal Utilities Monthly Residential, Commercial & Industrial Sales
Sales in Dollars
$2,000,000
$1,800,000
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Industrial
Residential
Commercial
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month


Elk River Municipal Utilities Monthly Water Pumpage
Pumpage in Million Gal.
120
100
80
60
40
20
0
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month


Elk River Municipal Utilities Peak Day Pumpage
Peak Day in Million Gal.
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month


Elk River Municipal Utilities Monthly Water Sales
Sales in Million Gal.
100
90
80
70
60
50
40
30
20
10
0
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month


Elk River Municipal Utilities Monthly Water Sales
Sales in Dollars
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
2016
2015
January
February
March
April
May
June
July
August
September
October
November
December
Month

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Electric									
Revenue									
Operating Revenue									
Elk River									
440.4411 ELECT SALES/ELK RIVER RES	1,165,519	8,297,460	8,626,552	11,188,404	(4)	965,621	7,510,778	786,682	10
440.4412 ELECT SALES/ER NON-DEMAND	280,609	2,118,759	2,868,776	3,675,513	(26)	246,152	2,178,772	(60,012)	(3)
440.4413 ELECT SALES/ER DEMAND	1,701,035	12,734,505	13,102,952	17,444,373	(3)	1,582,514	11,849,939	884,565	7
Total For Elk River:	3,147,164	23,150,726	24,598,281	32,308,290	(6)	2,794,289	21,539,490	1,611,235	7
Elk River-City Donated									
440.4415 ELECT SALES/ER CITY DONATED	0	0	0	0	0	16,907	137,085	(137,085)	(100)
Total For Elk River-City Donated:	0	0	0	0	0	16,907	137,085	(137,085)	(100)
Otsego									
440.4416 ELECT SALES/OTSEGO RES	125,951	888,158	872,720	1,108,214	2	114,447	864,080	24,078	3
440.4417 ELECT SALES/OTSEGO NON-DEM	48,783	344,424	369,683	473,476	(7)	47,656	366,023	(21,599)	(6)
440.4418 ELECT SALES/OTSEGO DEMAND	85,623	634,501	628,119	819,359	1	87,622	621,900	12,601	2
Total For Otsego:	260,359	1,867,085	1,870,524	2,401,049	0	249,726	1,852,004	15,080	1
Rural Big Lake									
440.4421 ELECT SALES/BIG LAKE RES	19,745	143,273	146,387	188,803	(2)	17,776	144,938	(1,664)	(1)
440.4422 ELECT SALES/BL NON-DEMAND	596	2,848	2,974	3,832	(4)	542	2,945	(96)	(3)
Total For Rural Big Lake:	20,342	146,122	149,362	192,635	(2)	18,319	147,883	(1,761)	(1)
Dayton									
440.4431 ELECT SALES/DAYTON RES	21,271	153,302	153,213	194,532	0	19,285	151,696	1,606	1
440.4432 ELECT SALES/DAYTON NON-DEM	3,501	26,284	27,112	35,101	(3)	3,557	26,844	(559)	(2)
Total For Dayton:	24,773	179,586	180,325	229,633	0	22,842	178,540	1,046	1
Public St & Hwy Lighting									
440.4414 ELECT SALES/ELK RIVER SEC LTS	15,890	141,400	52,393	69,858	170	4,135	35,351	106,048	300
440.4441 PUBLIC ST & HWY LIGHTING/CIT	0	0	0	0	0	25,754	231,640	(231,640)	(100)
Total For Public St & Hwy Lighting:	15,890	141,400	52,393	69,858	170	29,889	266,992	(125,592)	(47)
Generation and Sub Station Credit									
440.4550 SUB-STATION CREDIT	400	3,600	10,510	13,246	(66)	1,167	10,510	(6,910)	(66)
440.4551 GENERATION CREDIT	0	10,680	16,140	21,480	(34)	1,780	16,140	(5,460)	(34)
470.4720 GRE GENERATION - PEAKING PLA	0	0	0	0	0	0	0	0	0

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
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FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Total For Generation and Sub Station Credit:	400	14,280	26,650	34,726	(46)	2,947	26,650	(12,370)	(46)
Dispersed Generation Credit									
440.4552 DISPERSED GENERATION CREDIT	(110,418)	(631,492)	(643,669)	(771,734)	(2)	(107,842)	(653,428)	21,935	(3)
Total For Dispersed Generation Credit:	(110,418)	(631,492)	(643,669)	(771,734)	(2)	(107,842)	(653,428)	21,935	(3)
Other Revenue/CIP/Rate Increase/AC Credit									
440.4554 RATE INCREASE	81,674	660,967	0	0	0	0	0	660,967	0
440.4555 A/C CREDIT	(12,438)	(50,077)	(45,489)	(57,000)	10	(11,295)	(45,705)	(4,372)	10
Total For Other Revenue/CIP/Rate Increase/AC Credit:	69,236	610,890	(45,489)	(57,000)	(1,443)	(11,295)	(45,705)	656,595	(1,437)
Total Operating Revenue	3,427,749	25,478,597	26,188,379	34,407,457	(3)	3,015,784	23,449,514	2,029,083	9
Other Operating Revenue									
Interest/Dividend Income									
460.4691 INTEREST & DIVIDEND INCOME	7,546	79,757	73,000	100,000	9	8,097	78,275	1,481	2
Total For Interest/Dividend Income:	7,546	79,757	73,000	100,000	9	8,097	78,275	1,481	2
Customer Penalties									
470.4701 CUSTOMER DELINQUENT PENALT	27,168	187,500	187,499	250,000	0	32,549	172,482	15,017	9
Total For Customer Penalties:	27,168	187,500	187,499	250,000	0	32,549	172,482	15,017	9
LFG Project									
470.4721 LFG PROJECT	97,594	808,959	840,971	1,120,000	(4)	91,053	807,293	1,666	0
Total For LFG Project:	97,594	808,959	840,971	1,120,000	(4)	91,053	807,293	1,666	0
Connection Fees									
470.4702 DISCONNECT & RECONNECT CHA	18,225	212,001	36,891	55,000	475	6,800	109,462	102,539	94
Total For Connection Fees:	18,225	212,001	36,891	55,000	475	6,800	109,462	102,539	94
Security									
470.4700 SECURITY REVENUE	7,566	177,571	193,383	265,000	(8)	18,906	183,523	(5,951)	(3)
Total For Security:	7,566	177,571	193,383	265,000	(8)	18,906	183,523	(5,951)	(3)
Misc Revenue									
470.4703 MISC ELEC REVENUE - TEMP CHG	150	150	0	0	0	150	750	(600)	(80)
470.4704 STREET LIGHT	0	9,000	0	0	0	0	4,500	4,500	100
470.4715 NON-UTILITY OPERATIONS	27,453	83,692	47,713	65,000	75	14,993	66,094	17,597	27
470.4722 MISC NON-UTILITY	3,865	24,393	26,249	35,000	(7)	1,906	27,084	(2,690)	(10)
470.4723 GAIN ON DISPOSITION OF PROP	0	478	0	0	0	0	3,698	(3,220)	(87)

ELK RIVER MUNICIPAL UTILITIES
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		2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
470.4724	SALES OF MERCHANDISE	0	0	0	0	0	0	644	(644)	(100)
470.4725	SALE OF BUSINESS LINE	338,614	338,614	0	0	0	0	0	338,614	0
470.4750	RENTAL PROPERTY INCOME	1,760	19,120	18,749	25,000	2	2,060	18,582	537	3
	Total For Misc Revenue:	371,843	475,448	92,713	125,000	413	19,110	121,354	354,093	292
Total Other Revenue										
		529,945	1,941,239	1,424,458	1,915,000	36	176,517	1,472,392	468,847	32
	Total For Total Other Revenue:	529,945	1,941,239	1,424,458	1,915,000	36	176,517	1,472,392	468,847	32
	Total Revenue	3,957,694	27,419,837	27,612,837	36,322,457	(1)	3,192,302	24,921,907	2,497,930	10
Expenses										
Purchased Power										
540.5551	PURCHASED POWER	1,733,820	18,624,712	19,467,037	25,130,844	(4)	2,377,937	16,897,197	1,727,515	10
	Total For Purchased Power:	1,733,820	18,624,712	19,467,037	25,130,844	(4)	2,377,937	16,897,197	1,727,515	10
Operating & Mtce Expense										
540.5461	OPERATING SUPERVISION	8,642	76,359	113,249	151,000	(33)	8,208	33,692	42,666	127
540.5471	DIESEL OIL FUEL	377	12,934	18,749	25,000	(31)	2,020	18,682	(5,748)	(31)
540.5472	NATURAL GAS	2,330	17,652	32,461	40,000	(46)	1,116	18,826	(1,173)	(6)
540.5483	STATION PWR & WTR CONSP/PLA	1,923	22,454	37,499	50,000	(40)	3,685	27,261	(4,807)	(18)
540.5484	OTHER EXP/PLANT SUPPLIES-ETC	482	1,914	4,874	6,500	(61)	1,937	6,388	(4,473)	(70)
540.5491	MISC OTHER PWR GENERATION E	398	8,761	10,499	14,000	(17)	897	8,891	(130)	(1)
540.5521	MAINTENANCE OF STRUCTURE/P	1,381	17,854	32,999	44,000	(46)	3,301	31,803	(13,948)	(44)
540.5531	MTCE OF ENGINES/GENERATORS-	2,423	12,007	26,249	35,000	(54)	232	11,760	247	2
540.5541	MTCE OF PLANT/LAND IMPROVE	0	5,108	24,834	30,000	(79)	171	12,007	(6,899)	(57)
	Total For Operating & Mtce Expense:	17,960	175,047	301,419	395,500	(42)	21,571	169,314	5,733	3
Landfill Gas										
550.5050	LFG PURCHASED GAS	0	48,063	127,499	170,000	(62)	0	102,751	(54,688)	(53)
550.5051	LANDFILL GAS O&M	42,182	380,300	374,998	500,000	1	10,000	381,443	(1,143)	0
550.5052	LFG ADMIN	138	1,596	8,439	10,000	(81)	709	1,473	122	8
550.5053	LFG INSURANCE	1,387	12,475	13,124	17,500	(5)	1,385	12,420	55	0
550.5054	LFG MTCE	0	0	14,999	20,000	(100)	0	364	(364)	(100)
	Total For Landfill Gas:	43,709	442,435	539,061	717,500	(18)	12,095	498,454	(56,018)	(11)
Transmission Expense										

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
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FOR PERIOD ENDING SEPTEMBER 2016

		2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
560.5620	TRANSMISSION MTCE AND EXPE	930	8,216	11,250	15,000	(27)	884	1,356	6,859	505
	Total For Transmission Expense:	930	8,216	11,250	15,000	(27)	884	1,356	6,859	505
Distribution Expense										
580.5801	REMOVE EXISTING SERV & METE	372	1,373	1,500	2,000	(8)	0	164	1,209	738
580.5821	SCADA EXPENSES	0	0	4,124	5,500	(100)	0	0	0	0
580.5831	TRANSFORMER EX/OVERHD & UN	1,015	16,803	24,149	32,200	(30)	917	4,480	12,322	275
580.5851	MTCE OF SIGNAL SYSTEMS	0	1,231	1,125	1,500	9	0	436	795	182
580.5861	METER EXP - REMOVE & RESET	374	1,687	4,000	4,000	(58)	0	433	1,254	289
580.5871	TEMP SERVICE-INSTALL & REMO	0	86	1,206	1,500	(93)	0	888	(801)	(90)
580.5881	MISC DISTRIBUTION EXPENSE	16,560	177,930	222,627	280,000	(20)	11,204	176,732	1,198	1
	Total For Distribution Expense:	18,323	199,114	258,734	326,700	(23)	12,122	183,136	15,977	9
Maintenance Expense										
590.5911	MTCE OF STRUCTURES	1,568	1,781	7,499	10,000	(76)	592	20,291	(18,509)	(91)
590.5921	MTCE OF SUBSTATIONS	1,654	15,026	18,749	25,000	(20)	1,273	15,877	(850)	(5)
590.5922	MTCE OF SUBSTATION EQUIPME	54	21,397	18,749	25,000	14	64	10,162	11,234	111
590.5931	MTCE OF OVERHD LINES/TREE TR	115	32,129	99,263	100,000	(68)	0	48,486	(16,357)	(34)
590.5932	MTCE OF OVERHD LINES/STANDB	1,887	20,657	22,499	30,000	(8)	1,967	19,337	1,319	7
590.5933	MTCE OF OVERHEAD	16,923	101,627	89,999	120,000	13	14,034	167,862	(66,235)	(39)
590.5941	MTCE OF UNDERGROUND/DISTRI	7,780	74,483	59,999	80,000	24	5,077	65,018	9,464	15
590.5943	LOCATE UNDERGROUND PRIMAR	2,970	24,688	18,749	25,000	32	3,038	21,008	3,680	18
590.5951	MTCE OF LINE TRANSFORMERS	1,462	33,998	33,749	45,000	1	7,932	37,005	(3,007)	(8)
590.5961	MTCE OF STREET LIGHTING	2,396	27,137	31,217	40,000	(13)	2,698	41,182	(14,045)	(34)
590.5962	MTCE OF SECURITY LIGHTING	156	3,259	9,000	12,000	(64)	293	7,053	(3,794)	(54)
590.5971	MTCE OF METERS	6,253	81,596	71,249	95,000	15	4,419	57,987	23,608	41
590.5972	VOLTAGE COMPLAINTS	399	2,604	5,999	8,000	(57)	238	5,132	(2,528)	(49)
590.5981	SALARIES/TRANS & DISTRIBUTIO	3,286	29,058	33,749	45,000	(14)	3,125	15,632	13,426	86
590.5985	ELECTRIC MAPPING	9,502	87,397	78,749	105,000	11	3,770	55,531	31,865	57
590.5991	MTCE OF OVERHEAD SERVICE/2N	792	12,341	8,249	11,000	50	1,347	8,742	3,599	41
590.5992	MTCE OF UNDERGROUND ELEC S	3,376	32,129	27,749	37,000	16	2,494	24,322	7,807	32
590.5993	LOCATE UNDERGROUND SECOND	1,527	13,449	13,499	18,000	0	2,282	16,160	(2,710)	(17)
590.5995	TRANSPORTATION EXPENSE	10,968	119,554	131,249	175,000	(9)	8,128	103,725	15,828	15
	Total For Maintenance Expense:	73,076	734,319	779,978	1,006,000	(6)	62,779	740,522	(6,203)	(1)

ELK RIVER MUNICIPAL UTILITIES
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FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Depreciation & Amortization									
595.8031 DEPRECIATION	166,900	1,493,140	1,743,743	2,325,000	(14)	159,876	1,432,619	60,521	4
Total For Depreciation & Amortization:	166,900	1,493,140	1,743,743	2,325,000	(14)	159,876	1,432,619	60,521	4
Interest Expense									
596.8071 INTEREST ON BONDS/LONG TERM	36,849	137,006	85,904	114,540	59	10,517	102,304	34,702	34
596.8075 INTEREST ON DEFEASED BONDS	(272)	(2,453)	(2,527)	(3,370)	(3)	(272)	(2,453)	0	0
597.8281 AMORTIZATION OF DEBT DISCOU	(3,956)	(18,824)	(10,746)	(14,328)	75	(1,159)	(10,432)	(8,391)	80
Total For Interest Expense:	32,620	115,729	72,631	96,842	59	9,085	89,418	26,311	29
Security									
597.8172 SECURITY EXPENSE	2,306	106,925	161,249	215,000	(34)	17,818	159,070	(52,145)	(33)
Total For Security:	2,306	106,925	161,249	215,000	(34)	17,818	159,070	(52,145)	(33)
Other Operating Expense									
597.8161 COST & EXP MERCH JOBBING/ELE	0	346	0	0	0	28	393	(47)	(12)
597.8213 LOSS ON DISPOSITION OF PROP (C	39,344	48,057	9,151	15,000	425	8,740	12,363	35,693	289
597.8214 LOSS ON DISPOSITION (NON-CAPI	0	8,838	0	0	0	0	0	8,838	0
597.8263 OTHER DONATIONS	385	2,796	3,749	5,000	(25)	13	1,402	1,393	99
597.8264 DAM MAINTENANCE EXPENSE	15	155	0	0	0	143	1,855	(1,699)	(92)
597.8341 INTEREST PD ON METER DEPOSIT	49	411	748	1,000	(45)	35	334	76	23
597.8400 RENTAL PROPERTY EXPENSE	153	11,923	4,500	6,000	165	144	5,712	6,211	109
Total For Other Operating Expense:	39,947	72,528	18,150	27,000	300	9,104	22,060	50,467	229
Customer Accounts Expense									
900.9021 METER READING EXPENSE	2,279	24,652	31,274	41,700	(21)	2,773	27,787	(3,134)	(11)
900.9030 COLLECTING EXP DISC/RECONNE	968	9,976	9,000	12,000	11	1,245	8,925	1,051	12
900.9041 CUSTOMER CHECKS RETURNED -	0	0	0	0	0	0	0	0	0
900.9051 MISC CUSTOMER ACCTS EXP-CO	19,297	203,183	179,999	240,000	13	19,996	182,492	20,690	11
900.9061 CUST BLGS NOT PD/SENT FOR CO	203	(11,736)	33,749	45,000	(135)	(724)	197	(11,933)	(6,057)
Total For Customer Accounts Expense:	22,748	226,076	254,024	338,700	(11)	23,290	219,402	6,673	3
Administrative & General Expense									
920.9201 SALARIES/OFFICE & COMMISSION	54,481	457,410	518,247	691,000	(12)	50,479	442,875	14,535	3
920.9205 TEMPORARY STAFFING	0	0	2,999	4,000	(100)	0	0	0	0
920.9211 OFFICE SUPPLIES & EXPENSE	5,998	54,935	86,759	115,680	(37)	11,912	111,677	(56,741)	(51)
920.9212 LT & WATER CONSUMPTION/OFFI	1,687	14,522	17,831	24,000	(19)	2,179	13,678	843	6

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920.9213	BANK CHARGES	254	2,208	2,999	4,000	(26)	268	2,173	34	2
920.9221	LEGAL FEES	1,672	20,346	18,749	25,000	9	1,713	19,827	518	3
920.9231	AUDITING FEES	0	12,064	10,800	14,400	12	0	13,420	(1,356)	(10)
920.9241	INSURANCE	11,906	113,568	132,749	177,000	(14)	13,213	125,947	(12,379)	(10)
920.9260	UTILITY SHARE DEF COMP	0	55,032	47,000	47,000	17	0	44,766	10,266	23
920.9261	UTIL SH OF MEDICAL/DENTAL/DI	46,705	428,537	416,248	555,000	3	37,620	361,996	66,540	18
920.9262	UTILITY SHARE OF PERA	17,018	160,549	206,249	275,000	(22)	16,352	150,057	10,491	7
920.9263	UTILITY SHARE OF FICA	15,697	154,456	146,249	195,000	6	15,191	144,846	9,609	7
920.9264	EMPLOYEES SICK PAY	5,848	69,904	71,249	95,000	(2)	8,260	67,343	2,560	4
920.9266	EMP VACATION/HOLIDAY PAY	18,163	192,301	187,499	250,000	3	35,582	173,182	19,118	11
920.9269	CONSERVATION IMP PROGRAM	5,657	90,475	127,082	169,444	(29)	(16,882)	56,925	33,550	59
920.9281	ENVIRONMENTAL COMPLIANCE	1,371	15,640	20,249	27,000	(23)	2,054	18,229	(2,589)	(14)
920.9291	CONSULTING FEES	0	71,743	97,499	130,000	(26)	1,869	32,011	39,731	124
920.9301	TELEPHONE	1,118	15,913	19,499	26,000	(18)	1,919	19,232	(3,318)	(17)
920.9302	ADVERTISING	0	1,776	5,249	7,000	(66)	0	6,025	(4,248)	(71)
920.9303	DUES & SUBSCRIPTIONS - FEES	7,907	177,727	65,249	87,000	172	7,781	69,304	108,422	156
920.9304	TRAVEL EXPENSE	2,802	7,250	11,519	15,360	(37)	912	8,373	(1,123)	(13)
920.9305	SCHOOLS & MEETINGS	7,673	97,156	132,160	176,215	(26)	12,102	92,694	4,461	5
920.9306	MISC GENERAL EXPENSE	0	(65)	749	1,000	(109)	(124)	(1,844)	1,779	(96)
920.9321	MTCE OF GEN PLANT/OFF HEATIN	0	880	0	21,000	0	0	0	880	0
Total For Administrative & General Expense:		205,964	2,214,335	2,344,897	3,132,099	(6)	202,406	1,972,748	241,586	12
Total Expenses(before Operating Transfers)		2,358,307	24,412,581	25,952,177	33,726,185	(6)	2,908,973	22,385,303	2,027,277	9
Operating Transfer										
Operating Transfer/Other Funds										
597.8262	TRANSFER TO CITY 4% ER REVEN	111,385	830,042	819,277	1,080,000	1	80,350	625,642	204,399	33
Total For Operating Transfer/Other Funds:		111,385	830,042	819,277	1,080,000	1	80,350	625,642	204,399	33
Utilities & Labor Donated										
597.8261	UTILITIES & LABOR DONATED	19,482	177,570	179,578	232,000	(1)	45,127	397,969	(220,399)	(55)
Total For Utilities & Labor Donated:		19,482	177,570	179,578	232,000	(1)	45,127	397,969	(220,399)	(55)
Total Operating Transfer										
Total For Total Operating Transfer:		130,867	1,007,612	998,856	1,312,000	1	125,478	1,023,612	(15,999)	(2)

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Net Income Profit(Loss)	1,468,519	1,999,643	661,803	1,284,272	202	157,850	1,512,991	486,651	32

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

		2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Water										
Revenue										
Operating Revenue										
Water Sales										
610.6101	WATER SALES COMM & RES/COM	260,979	1,673,677	1,742,582	2,276,975	(4)	308,262	1,636,911	36,766	2
610.6115	WATER SALES CITY DONATED	0	0	0	0	0	0	5,719	(5,719)	(100)
	Total For Water Sales:	260,979	1,673,677	1,742,582	2,276,975	(4)	308,262	1,642,630	31,047	2
Total Operating Revenue		260,979	1,673,677	1,742,582	2,276,975	(4)	308,262	1,642,630	31,047	2
	Total For Total Operating Revenue:	260,979	1,673,677	1,742,582	2,276,975	(4)	308,262	1,642,630	31,047	2
Other Operating Revenue										
Interest/Dividend Income										
460.4691	INTEREST & DIVIDEND INCOME	1,859	19,912	21,000	27,000	(5)	2,024	19,151	760	4
460.4692	OTHER INT/MISC REVENUE	0	8,114	0	0	0	0	389	7,724	1,986
	Total For Interest/Dividend Income:	1,859	28,026	21,000	27,000	33	2,024	19,540	8,485	43
Customer Penalties										
620.6301	CUSTOMER PENALTIES	2,004	12,657	8,820	15,000	44	3,106	13,692	(1,035)	(8)
	Total For Customer Penalties:	2,004	12,657	8,820	15,000	44	3,106	13,692	(1,035)	(8)
Connection Fees										
620.6401	WATER/ACCESS/CONNECTION FE	31,347	300,869	114,125	154,125	164	15,000	165,339	135,529	82
620.6402	MISC CONNECTION FEES	3,175	22,574	6,324	10,000	257	6,648	27,269	(4,694)	(17)
	Total For Connection Fees:	34,523	323,444	120,449	164,125	169	21,648	192,608	130,835	68
Misc Revenue										
470.4722	MISC NON-UTILITY	247	347	0	0	0	20	20	327	1,640
470.4750	RENTAL PROPERTY INCOME	440	4,780	4,455	6,000	7	515	4,645	134	3
620.6403	MISCELLANEOUS REVENUE	0	2,324	0	0	0	0	286	2,037	713
620.6404	HYDRANT MAINTENANCE PROGR	639	5,751	5,247	7,000	10	883	6,812	(1,061)	(16)
620.6406	WATER TOWER LEASE	14,704	128,884	105,000	140,000	23	14,138	115,577	13,307	12
	Total For Misc Revenue:	16,031	142,087	114,702	153,000	24	15,556	127,341	14,745	12
Total Other Revenue		54,418	506,215	264,971	359,125	91	42,335	353,184	153,031	43

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Total For Total Other Revenue:	54,418	506,215	264,971	359,125	91	42,335	353,184	153,031	43
Total Revenue	315,397	2,179,893	2,007,554	2,636,100	9	350,598	1,995,814	184,078	9
Expenses									
Production Expense									
700.7021 MTCE OF STRUCTURES	3,734	28,145	20,980	28,000	34	3,571	21,478	6,667	31
700.7022 TOWER & GROUNDS INSPECTION	0	140	0	0	0	0	1,245	(1,105)	(89)
Total For Production Expense:	3,734	28,285	20,980	28,000	35	3,571	22,723	5,562	24
Pumping Expense									
710.7101 SUPERVISION	4,626	40,874	35,302	47,000	16	4,527	8,216	32,658	397
710.7181 SUPPLIES & EXPENSE	16,392	164,986	173,924	230,000	(5)	20,013	174,598	(9,612)	(6)
710.7182 SAMPLING	937	10,765	10,036	15,000	7	835	10,588	176	2
710.7183 CHEMICAL FEED	3,785	20,130	25,267	30,000	(20)	3,450	24,081	(3,951)	(16)
710.7201 MTCE OF ELECTRIC PUMPING EQ	0	0	0	0	0	0	60	(60)	(100)
710.7220 MTCE OF WELLS	8,618	111,948	103,369	130,000	8	13,301	79,811	32,136	40
710.7230 SCADA - PUMPING	562	4,918	9,214	12,500	(47)	2,299	8,138	(3,219)	(40)
Total For Pumping Expense:	34,921	353,623	357,114	464,500	(1)	44,428	305,495	48,127	16
Distribution Expense									
730.7301 MTCE OF WATER MAINS	(33)	22,399	38,000	50,000	(41)	4,503	20,120	2,279	11
730.7309 LOCATE WATER SVC	600	8,892	5,948	7,500	50	482	3,292	5,600	170
730.7310 LOCATE WATER MAIN	52	100	0	0	0	57	646	(546)	(85)
730.7311 MTCE OF WATER SERVICES	0	0	0	0	0	0	34,427	(34,427)	(100)
730.7312 WATER METER SERVICE	549	7,569	4,588	6,000	65	911	5,045	2,523	50
730.7315 INSTALL & MTC IRRIG METERS	0	0	3,800	5,000	(100)	0	714	(714)	(100)
730.7321 MTCE OF CUSTOMERS SERVICE	1,696	15,093	17,000	25,000	(11)	1,582	16,853	(1,759)	(10)
730.7325 WATER MAPPING	990	2,762	13,500	18,000	(80)	243	6,703	(3,941)	(59)
730.7330 SCADA - DISTRIBUTION	0	0	0	0	0	0	1,403	(1,403)	(100)
730.7331 MTCE OF WATER HYDRANTS	3,711	27,960	24,000	30,000	16	2,397	20,443	7,517	37
730.7341 MISC WATER EXPENSE/INVENTO	0	3,438	9,399	12,000	(63)	232	4,979	(1,541)	(31)
730.7391 WAGES/WATER	490	4,386	5,406	7,209	(19)	471	1,888	2,498	132
730.7395 TRANSPORTATION EXPENSE	659	7,997	11,000	15,000	(27)	726	10,002	(2,004)	(20)
730.7399 GENERAL EXP/WATER PERMIT	0	10,728	14,000	14,000	(23)	0	11,592	(864)	(7)

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
Total For Distribution Expense:	8,718	111,328	146,642	189,709	(24)	11,609	138,113	(26,784)	(19)
Depreciation & Amortization									
595.8031 DEPRECIATION	96,216	856,687	855,003	1,140,000	0	95,192	842,377	14,310	2
Total For Depreciation & Amortization:	96,216	856,687	855,003	1,140,000	0	95,192	842,377	14,310	2
Interest Expense									
596.8071 INTEREST ON BONDS/LONG TERM	4,856	44,305	45,366	60,192	(2)	5,449	49,603	(5,298)	(11)
596.8075 INTEREST ON DEFEASED BONDS	(68)	(613)	(629)	(842)	(3)	(68)	(613)	0	0
Total For Interest Expense:	4,788	43,691	44,736	59,350	(2)	5,381	48,990	(5,298)	(11)
Other Operating Expense									
597.8213 LOSS ON DISPOSITION OF PROP (C	0	0	800	1,000	(100)	0	0	0	0
597.8264 DAM MAINTENANCE EXPENSE	0	0	5,850	7,800	(100)	0	0	0	0
597.8341 INTEREST PD ON METER DEPOSIT	1	17	0	20	0	1	15	1	6
597.8400 RENTAL PROPERTY EXPENSE	38	2,980	750	1,000	297	36	1,428	1,552	109
750.7581 2010 GO BONDS AMORT DISCOUN	0	0	0	0	0	0	0	0	0
Total For Other Operating Expense:	39	2,997	7,400	9,820	(59)	37	1,443	1,553	108
Customer Accounts Expense									
900.9021 METER READING EXPENSE	665	5,137	1,661	2,100	209	44	1,142	3,995	350
900.9030 COLLECTING EXP DISC/RECONNE	0	0	750	1,000	(100)	0	0	0	0
900.9051 MISC CUSTOMER ACCTS EXP-CO	4,606	54,893	30,574	42,000	80	3,933	44,944	9,949	22
900.9061 CUST BLGS NOT PD/SENT FOR CO	0	0	1,001	1,000	(100)	0	11	(11)	(100)
Total For Customer Accounts Expense:	5,271	60,031	33,987	46,100	77	3,977	46,098	13,933	30
Administrative & General Expense									
920.9201 SALARIES/OFFICE & COMMISSION	12,989	105,885	122,999	164,000	(14)	12,235	104,298	1,586	2
920.9205 TEMPORARY STAFFING	0	0	1,503	2,000	(100)	0	0	0	0
920.9211 OFFICE SUPPLIES & EXPENSE	1,509	18,963	21,272	28,092	(11)	2,068	23,017	(4,054)	(18)
920.9212 LT & WATER CONSUMPTION/OFFI	421	3,630	3,048	5,000	19	0	2,318	1,311	57
920.9213 BANK CHARGES	63	552	704	1,000	(22)	72	573	(21)	(4)
920.9221 LEGAL FEES	229	4,249	3,880	5,000	9	208	2,329	1,920	82
920.9231 AUDITING FEES	0	3,016	3,599	3,600	(16)	0	3,355	(339)	(10)
920.9241 INSURANCE	1,691	16,620	27,655	35,000	(40)	1,861	19,339	(2,718)	(14)
920.9260 UTILITY SHARE DEF COMP	0	4,436	12,000	12,000	(63)	0	10,495	(6,059)	(58)
920.9261 UTIL SH OF MEDICAL/DENTAL/DI	9,424	106,302	112,499	150,000	(6)	12,178	110,335	(4,033)	(4)

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR PERIOD ENDING SEPTEMBER 2016

	2016 SEPTEMBER	2016 YTD	2016 YTD BUDGET	2016 ANNUAL BUDGET	2016 YTD Bud Var%	2015 SEPTEMBER	2015 YTD	YTD VARIANCE	2015 v. 2016 Actual Var%
920.9262 UTILITY SHARE OF PERA	1,794	15,865	19,403	23,000	(18)	1,823	16,243	(378)	(2)
920.9263 UTILITY SHARE OF FICA	1,728	16,019	18,891	24,500	(15)	1,766	16,941	(922)	(5)
920.9264 EMPLOYEES SICK PAY	1,218	15,838	18,749	25,000	(16)	1,793	15,175	662	4
920.9266 EMP VACATION/HOLIDAY PAY	3,973	43,834	42,749	57,000	3	(10,540)	39,123	4,711	12
920.9268 MISCELLANEOUS - WELLHEAD P	716	1,038	1,000	1,000	4	0	515	522	101
920.9269 CONSERVATION IMP PROGRAM	489	4,462	8,483	10,000	(47)	4,614	8,076	(3,614)	(45)
920.9281 ENVIRONMENTAL COMPLIANCE	45	401	436	575	(8)	44	163	237	145
920.9291 CONSULTING FEES	0	0	10,000	10,000	(100)	0	0	0	0
920.9301 TELEPHONE	379	3,894	5,142	7,500	(24)	442	4,725	(830)	(18)
920.9302 ADVERTISING	0	3,086	4,000	4,000	(23)	0	3,164	(77)	(2)
920.9303 DUES & SUBSCRIPTIONS - FEES	559	30,267	28,499	38,000	6	811	33,245	(2,977)	(9)
920.9304 TRAVEL EXPENSE	539	1,431	2,840	2,840	(50)	285	1,693	(262)	(15)
920.9305 SCHOOLS & MEETINGS	1,949	13,853	18,343	25,130	(24)	2,384	14,663	(809)	(6)
920.9306 MISC GENERAL EXPENSE	0	46	0	500	0	0	3	42	1,433
920.9321 MTCE OF GEN PLANT/OFF HEATIN	0	220	0	2,060	0	0	0	220	0
Total For Administrative & General Expense:	39,725	413,914	487,702	636,797	(15)	32,049	429,799	(15,885)	(4)
Total Expenses(before Operating Transfers)	193,417	1,870,561	1,953,565	2,574,276	(4)	196,248	1,835,042	35,518	2
Operating Transfer									
Transfer To City For 99 Bond									
597.8260 TRANSFER TO CITY FOR 99 BOND	0	0	0	0	0	0	30,000	(30,000)	(100)
Utilities & Labor Donated									
597.8261 WATER AND LABOR DONATED	0	0	378	500	(100)	0	5,719	(5,719)	(100)
Total Operating Transfer									
Total For Total Operating Transfer:	0	0	378	500	(100)	0	35,719	(35,719)	(100)
Net Income Profit(Loss)	121,980	309,331	53,610	61,324	477	154,349	125,053	184,278	147

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Theresa Slominski – Finance & Office Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 2.5
SUBJECT: 2016 Third Quarter Performance Metrics and Incentive Compensation Update	

BACKGROUND:
Following adoption of the Commission adopted Performance Metrics program in December 2012, we will be tracking the progress for 2016, to be awarded in 2017. This is a company performance based program designed to incentivize employee commitment towards the company's success. Divided into categories representing core values of the company and again into sub-categories that are quantifiable, this program is designed to track goals that require companywide support of the employees to continually achieve. When the employees work together as a team to achieve these goals, the company recognizes a corresponding increase in value to our customers.

DISCUSSION:
At close of the fiscal 2016 year, and completion of the audit, the final score card will be evaluated and presented to the Commission for awarding the related bonus in 2017. We will be tracking the progress of the company and the related score card quarterly throughout 2016. The third quarter scorecard is attached, with some notes for the third quarter results.

ACTION REQUESTED:
None, this is for information only.

ATTACHMENTS:
- Performance Metrics and Incentive Compensation Policy Score Card - 2016

Elk River Municipal Utilities
Performance Metrics and Incentive Compensation Policy Score Card - 2016

Category	Percent	Sub-Category	Sub-Percent	Goal	Score	Awarded Multiplier Percentage
Safety, Reliability and Quality of Utility Services	30	Water Quality Standards	15	Meet Requirements		
		CAIDI	5	<120 Min		
		SAIDI	5	<90 Min		
		SAIFI	5	< 0.5		
Customer Service and Employee Development	30	Customer Satisfaction	10	≥ 85%		
		Employee Turnover	10	≤ 7.5%		
		Participation in Recommended and Mandatory Trainings	10	≥ 95%		
Financial Goals	40	Margins/Net Profit	20	≥ Budget		
		Reserves	10	≥ Target		
		Inventory Accuracy	10	≥ 95%		
				Total Multiplier:		

Approved December 12, 2012

Notes as of 9/2016

complete - met requirements

off target 150.843

on target 40.638

on target 0.269

92.30%

on target 4.5%

on target 97%

on target Electric 202% ahead of budget, Water 477% ahead of budget

on target Reserves at required levels, per policy

on target 3rd qtr water 100%, electric 94%

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Tom Sagstetter – Conservation and Key Accounts Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 4.1
SUBJECT: Cost of Service and Rate Design Study	

BACKGROUND:
ERMU staff is has been working with Dave Berg Consulting, LLC on a cost-of-service and rate design study. The work was done to evaluate possible changes to rates and services that are a result of changing conditions, including but not limited to; additional customers and energy sales from the transfer of territory from Connexus Energy to ERMU, and the transition from our current wholesale power supplier to Minnesota Municipal Power Agency in October of 2018.

DISCUSSION:
Mr. Berg will present the findings of the final report and answer any questions the Commission may have.

ACTIONS REQUESTED:
Receive the Final Electric Cost of Service and Rate Design Study prepared by Dave Berg Consulting, LLC.

ATTACHMENT:
- Final Report – Electric Cost of Service and Rate Design Study

Elk River Municipal Utilities

ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

Final Report

November 15, 2016

DBC
DAVE BERG CONSULTING, LLC

REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates

November 15, 2016

Elk River Municipal Utilities Commission
13069 Orono Parkway
PO Box 430
Elk River, MN 55330

Subject: Electric Rate Study

Commission Members:

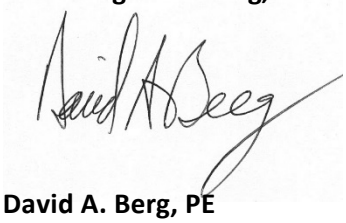
Dave Berg Consulting, LLC has undertaken a study of the retail rates Elk River Municipal Utilities (ERMU) charges its customers for electric service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

The recommended rate adjustments have been made based on overall revenue and cash reserve needs of the utility and the results of a cost-of-service analysis. As a result of the study undertaken an overall rate increase of 2.8% has been recommended. This adjustment has been designed to help ensure the continued financial strength of ERMU. The increases will not affect all customers equally and specific rate design recommendations are included for each retail rate class.

Thank you for the opportunity to be of service to ERMU through the conduct of this study. I wish to express my appreciation for the valuable assistance I received from ERMU staff relative to the execution of this study.

Sincerely,

Dave Berg Consulting, LLC



David A. Berg, PE
Principal

Section 1

Introduction

The City of Elk River, MN owns a municipal utility providing service to approximately 10,826 retail electric customers. The electric utility is operated by Elk River Municipal Utilities (ERMU) and is under the direction of the Elk River Municipal Utilities Commission. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for electric service in Elk River. The study includes an examination of the allocated cost of service based on actual 2015 utility operations with adjustments (Test Year). It also includes projected operating results for 2016-2020 (Study Period). As a result of the analyses undertaken and reported on herein, electric rate recommendations have been developed for consideration by ERMU.

Section 2
Projected Operating Results
Existing Rates

The rates charged for electric service by ERMU, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to ERMU's retail customers. This is necessary in order to ensure the long-term financial health of ERMU. The cost of providing electric service consists of normal operating expenses such as production and purchased power, transmission and distribution functions, customer and administrative functions, system depreciation expenses, capital improvements, payments on outstanding debt and contributions to the City of Elk River and other non-operating expenses.

An analysis of the operating results for ERMU during the 2016-2020 Study Period has been performed assuming the current retail rates and charges remain in effect for the electric utility through the Study Period. This analysis has been done to determine the overall need, if any, for additional revenue through rates to meet projected revenue requirements. The analyses and assumptions utilized in these projections are explained below.

Estimated Revenues – Existing Rates

Retail Sales

ERMU sells retail power and energy to residential, commercial and industrial customers. ERMU has recently been experiencing steady growth in total retail sales to its electric customers; since 2007 annual growth in sales has averaged 3.7% per year. ERMU is expecting an increase in sales growth for the Study Period, primarily associated with the acquisition of additional electric service territory. During the Study Period, ERMU anticipates acquiring 8 new service territory areas. The Study Period sales analysis

includes the estimated impact of the first two areas. The remaining areas are not included at this time due to uncertainty about the customer makeup in those areas. It is estimated that sales will increase 8% in 2016, 3 % in 2017 and 2% per year thereafter.

Exhibit 2-A is a summarized listing of ERMU's historical and projected electric operating results at existing rates. The historical and projected revenues from retail sales of power and energy to different groups of customers are included at the beginning of the exhibit under Operating Revenues.

Other Operating Revenues

ERMU also receives revenue from other normal operating procedures. These revenues are shown in Exhibit 2-A below the charges for services. These include security system sales, landfill gas generation sales, reduced revenues due to retail customer generation credits, connection charges and customer penalties. ERMU has recently sold its security system business, revenues from this endeavor are removed after 2016. The generation credits are related to a program from Great River Energy. ERMU, as will be discussed below, is changing power supply providers in the fall of 2018. It is assumed that the generation credit program will be discontinued following this change.

Utility Revenues combined with Other Operating Revenues results in ERMU's Total Operating Revenues.

Revenue Requirements

Generation and Purchased Power

ERMU currently meets its wholesale power requirements through purchases from Connexus Energy/Great River Energy (Connexus/GRE). ERMU will be switching power supply providers in October 2018 when it will begin a new contract with the Minnesota Municipal Power Agency (MMPA). Projections of wholesale power expenses are based on anticipated Connexus/GRE rates through September 2018 and MMPA rates thereafter.

ERMU's actual retail sales and wholesale requirements for the 2015 Test Year are shown in Table 2-1.

Table 2-1
Retail Sales
And Wholesale Requirements

Item	2015
Metered Retail Sales	282,265,268 kWh
Distribution Losses	4.1 %
Wholesale Energy	294,441,957 kWh
Wholesale Peak	54,188 kW

Other Operating Expenses

ERMU incurs other operating expenses associated with local electric system operations. Transmission and distribution operating and maintenance expenses are related to the substations, overhead and underground lines and customer facilities located in ERMU. Operating expenses also include production related expenses for the landfill gas generation project and the local peaking power plant. ERMU also has customer account expenses related to serving retail electric customers. Administrative and general expenses are required for utility management, employee benefits, training and other administrative costs. Projected operating costs have been adjusted to reflect the sale of the security business and the reduction in free utility services to the City. This is represented by the reduction in distribution operating expenses from 2016 to 2017. Non-wholesale power related expenses are based on 2015 values, the 2016 and 2017 budgets and are generally estimated to increase by 3% per year after 2017.

Depreciation

ERMU has annual depreciation costs based on its system investments. Depreciation during the Study Period is based on budgeted ERMU amounts and future capital improvements. Depreciation is a funded non-cash expense that generates monies available for annual capital improvements and reserves.

Non-operating Revenue (Expenses)

ERMU's non-operating revenue is primarily associated with investment income and miscellaneous revenues. Non-operating expenses are related to interest expense for existing debt and the planned 2018 bonding. There is also a one-time non-operating revenue in 2016 related to the sale of the security system.

City Transfer

ERMU makes an annual operational transfer to the City's general fund. The transfer is assumed to be 4% of electric retail sales revenue, not including revenue from sales in other cities and the acquisition areas that are part of the 2015 Territory Transfer Agreement with Connexus Energy.

Capital Improvements

ERMU makes annual normal capital investments in its electric system. Annual electric capital improvements for the Study Period, as budgeted by ERMU, are shown in Table 2-2 below.

Table 2-2
Capital Improvements (1)

Capital Item	2016	2017	2018	2019	2020
Capital Fee Projects	$13,756,468	$2,531,100	$11,901,122	$3,961,144	$3,731,167

(1) Includes territory transfer costs associated with Areas 1 and 2.

Debt Service

ERMU has current debt service on outstanding debt including the recent 2016 bond issue. ERMU is also planning a new $10,000,000 bond issue in 2018 to support budgeted capital improvements. ERMU also makes annual payments on a note associated with the landfill gas project.

Projected Operating Results – Existing Rates

Based on the assumptions outlined above, the resulting projected operating results assuming continued application of the existing retail rates are summarized in Table 2-3 for the electric utility. A summary presentation of the operating results is shown in Exhibit 2-A. The results below are provided as an indication of revenue needs in the future, they do not represent ERMU policy or historical practice regarding allowable negative results.

Table 2-3
Projected Operating Results
Existing Rates

Year	2016	2017	2018	2019	2020
Operating Revenues	$34,709,120	$36,368,407	$37,805,232	$39,196,921	$40,012,175
Less Operating Expenses	(33,898,794)	(35,363,866)	(37,481,037)	(39,992,043)	(41,865,483)
Plus Non -Operating Revenues (Expenses)	427,832	(185,885)	(156,113)	(532,743)	(501,787)
Less City Transfers	(1,168,366)	(1,213,507)	(1,259,039)	(1,288,239)	(1,317,507)
Change in Net Position	$69,791	$(394,850)	$(1,090,957)	$(2,616,103)	$(3,672,601)
Net Position as Percent of Revenues	0.2%	-1.1%	-2.9%	-6.7%	-9.2%

Cash Reserves

A summary of the impact of the projected operating results on ERMU's cash reserves for the Study Period is shown at the end of Exhibit 2-A and in Table 2-4 below.

As shown below, under existing retail rates and estimated revenue requirements over the Study Period, the cash reserves for the electric utility are projected to decrease from approximately $12.7 million at the end of 2015 to approximately negative $5.1 million by the end of 2020. Also shown in Table 2-4 is the reserve balance goal based on ERMU policy. The end of year reserve balance is projected to decrease from 167% of reserve goal to negative 64% of reserve goal.

Table 2-4
Projected Cash Reserves
Existing Rates

Year	2016	2017	2018	2019	2020
Beginning Balance	$12,685,126	$10,810,388	$8,985,031	$7,033,784	$1,383,933
Plus Change in Net Position	69,791	(394,850)	(1,090,957)	(2,616,103)	(3,672,601)
Plus Depreciation	2,325,000	2,375,000	2,425,000	2,497,750	2,572,683
Plus Bond Proceeds	10,000,000		10,000,000		
Less Capital Improvements	(13,756,468)	(2,531,100)	(11,901,122)	(3,961,144)	(3,731,167)
Less Loss of Revenue Pmts	(31,754)	(373,191)	(465,916)	(476,136)	(486,356)
Less Debt Principal	(481,307)	(901,216)	(918,252)	(1,094,217)	(1,138,385)
Ending Balance	$10,810,388	$8,985,031	$7,033,784	$1,383,933	$(5,071,894)
Reserve Goal	$6,460,731	$6,568,436	$7,410,265	$7,673,218	$7,927,883
Reserves as % of Goal	167%	137%	95%	18%	-64%

Elk River Municipal Utilities
Electric Operating Results at Existing Rates

	Historical					Projected				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES										
Charges for services	$ 26,885,940	$ 29,016,238	$ 29,949,116	$ 30,411,069	$ 31,629,131	$ 33,896,702	$ 35,600,419	$ 36,825,779	$ 37,620,073	$ 38,416,058
Security systems	256,432	295,600	282,502	241,919	251,488	198,750	-	-	-	-
LFG project	1,008,401	1,053,807	1,029,674	1,103,177	1,075,148	1,080,402	1,110,347	1,128,878	1,147,473	1,166,742
Generation credit	140,609	(501,473)	(859,066)	(784,248)	(805,579)	(771,734)	(771,734)	(578,801)	-	-
Connection maintenance	35,564	156,204	189,611	149,911	163,195	55,000	179,375	179,375	179,375	179,375
Customer penalties	257,040	238,314	254,542	244,857	238,339	250,000	250,000	250,000	250,000	250,000
Total Operating Revenues	$ 28,583,986	$ 30,258,690	$ 30,846,379	$ 31,366,685	$ 32,551,722	$ 34,709,120	$ 36,368,407	$ 37,805,232	$ 39,196,921	$ 40,012,175
OPERATING EXPENSES										
Purchased Power	$ 19,604,951	$ 20,499,773	$ 21,254,950	$ 21,994,652	$ 22,034,307	$ 25,401,455	$ 26,810,482	$ 28,594,813	$ 30,919,168	$ 32,466,182
Production	885,580	885,996	886,464	878,578	928,923	956,091	1,100,784	1,209,798	1,142,083	1,204,819
Transmission	-	-	-	-	5,189	15,000	15,000	15,000	15,450	15,914
Distribution	1,075,162	1,023,849	1,083,877	1,282,774	1,396,857	1,505,950	1,350,950	1,351,358	1,391,898	1,433,655
Depreciation	2,041,717	2,099,594	2,029,496	1,914,062	1,922,359	2,325,000	2,375,000	2,425,000	2,497,750	2,572,683
Customer accounts	642,619	707,539	711,055	824,886	856,076	570,700	570,700	570,700	587,821	605,456
General and administrative	2,183,021	2,133,561	2,162,050	2,497,171	2,752,443	3,124,599	3,140,949	3,314,369	3,437,873	3,566,775
Total Operating Expenses	$ 26,433,050	$ 27,350,312	$ 28,127,892	$ 29,392,123	$ 29,896,154	$ 33,898,794	$ 35,363,866	$ 37,481,037	$ 39,992,043	$ 41,865,483
OPERATING INCOME	$ 2,150,936	$ 2,908,378	$ 2,718,487	$ 1,974,562	$ 2,655,568	$ 810,325	$ 1,004,541	$ 324,195	$ (795,122)	$ (1,853,308)
NON-OPERATING REVENUE (EXPENSE)										
Interest income	$ 113,983	$ 117,753	$ 81,289	$ 98,442	$ 95,533	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Miscellaneous revenue	73,712	144,779	182,920	229,532	279,487	100,000	100,000	100,000	100,000	100,000
Interest expense and other	(256,141)	(236,261)	(211,429)	(160,274)	(116,676)	(89,840)	(356,557)	(326,785)	(702,535)	(670,673)
Bond issuance costs	-	-	-	(44,850)	-	(14,328)	(14,328)	(14,328)	(14,758)	(15,201)
Sale of Security System	-	-	-	-	-	347,000	-	-	-	-
Gain (Loss) on sale of capital assets	(37,158)	2,260	(83,438)	29,525	8,899	(15,000)	(15,000)	(15,000)	(15,450)	(15,914)
Total Non-Operating Revenues (Expenses)	$ (105,604)	$ 28,531	$ (30,658)	$ 152,375	$ 267,243	$ 427,832	$ (185,885)	$ (156,113)	$ (532,743)	$ (501,787)
Income before Contributions and Transfers	$ 2,045,332	$ 2,936,909	$ 2,687,829	$ 2,126,937	$ 2,922,811	$ 1,238,157	$ 818,656	$ 168,082	$ (1,327,864)	$ (2,355,095)
Transfers to Other City Funds	$ (711,415)	$ (816,864)	$ (781,162)	$ (797,835)	$ (824,743)	$ (1,168,366)	$ (1,213,507)	$ (1,259,039)	$ (1,288,239)	$ (1,317,507)
CHANGE IN NET POSITION	$ 1,333,917	$ 2,120,045	$ 1,906,667	$ 1,329,102	$ 2,098,068	$ 69,791	$ (394,850)	$ (1,090,957)	$ (2,616,103)	$ (3,672,601)
As Percent of Revenues	4.7%	7.0%	6.2%	4.2%	6.4%	0.2%	-1.1%	-2.9%	-6.7%	-9.2%
CASH RESERVES										
Beginning of Year						$ 12,685,126	$ 10,810,388	$ 8,985,031	$ 7,033,784	$ 1,383,933
Plus Change in Net Position						69,791	(394,850)	(1,090,957)	(2,616,103)	(3,672,601)
Plus Depreciation						2,325,000	2,375,000	2,425,000	2,497,750	2,572,683
Plus New Debt						10,000,000		10,000,000		
Less Capital Improvements						(13,756,468)	(2,531,100)	(11,901,122)	(3,961,144)	(3,731,167)
Less Loss of Revenue Payments						(31,754)	(373,191)	(465,916)	(476,136)	(486,356)
Less Debt Principal						(481,307)	(901,216)	(918,252)	(1,094,217)	(1,138,385)
End of Year					$ 12,685,126	$ 10,810,388	$ 8,985,031	$ 7,033,784	$ 1,383,933	$ (5,071,894)
Reserve goal						$ 6,460,731	$ 6,568,436	$ 7,410,265	$ 7,673,218	$ 7,927,883
Percent of goal						167%	137%	95%	18%	-64%

Section 3

Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of ERMU's customer classes within the electric utility. Customer classes exist, in part, because the cost to serve various kinds of customers varies. The cost-of-service analysis has been performed on a 2015 'Test Year' based on actual 2015 financials (with certain adjustments), operations and sales. The results of the cost-of-service study give an indication of the degree of revenue recovery warranted for each class of customers. A comparison of the allocated cost to serve a class of customers and the actual revenues received from that class is taken into consideration during rate design.

Test Year Adjustments

The following adjustments were made to the 2015 Test Year financials to modify the test year and make the Test Year more indicative of ERMU's future operating profile. These adjustments are shown in Exhibit 3-A.

- Power supply expenses have been adjusted to represent the transition from Connexus/GRE wholesale power to MMPA.
- Revenues and expenses associated with the security business have been eliminated to reflect the sale of that entity by ERMU.
- Utilities and labor donated have been reduced to reflect the full retail sale of electricity to City accounts.
- The dispersed generation credit program tied to GRE has been eliminated.
- The transfer to the City has been increased to reflect the revised policy.
- The margin has been adjusted to reflect the combined adjustments listed above.

Classification of Costs

ERMU's Test Year electric revenue requirements have been divided into six distinct cost classifications. These cost classifications are described below.

Demand Related – demand related costs are fixed costs that do not vary with hourly consumption. Demand related costs are required to meet the overall demand of the system as expressed in kW. For ERMU, demand related costs include the demand portion of wholesale power and production expenses, certain transmission and distribution system expenses and a portion of administrative and general expenses.

Energy Related – energy related costs vary based on hourly consumption in kWh. ERMU's primary energy related costs are the energy portion of wholesale power and production expenses, and a share of administrative and general expenses.

Customer Facilities – these costs are fixed costs associated with the service facilities utilized to deliver electric power and energy directly to customers.

Customer Service – these costs vary by the number and type of customers and include items such as meter reading, billing, collections and dealing with customers by customer service representatives.

Direct – these costs are certain system related costs directly attributable to ERMU's street light services provided to the City of Elk River.

Revenue Related – revenue related costs vary by the amount of revenue received by the utility or are associated with other and non-operating revenues. For ERMU, this includes transfers to the City and other operating and non-operating income.

Table 3-1 below summarizes the classified electric costs for the 2015 Test Year. The detailed cost classifications are shown in Exhibit 3-A and Exhibit 3-B shows the classification of the plant-in-service.

Table 3-1
Classified Electric Costs
2015 Test Year

Component	Revenue Requirement
Demand	$9,022,019
Energy	18,874,892
Customer Facility	1,833,527
Customer Service	1,173,513
Direct	213,437
Revenue	511,743
Total	$31,629,131

Allocation of Costs

Based on an analysis of customer class service characteristics, the classified costs summarized above were allocated to the major ERMU customer classes. Allocation of costs was performed on a fully-distributed, embedded cost allocation basis. Specific allocation factors were utilized in each of the cost classification categories as described below. Exhibit 3-C contains a summary of the development of the various allocation factors.

Demand Allocations

Customer class demands on a system can be reflected in various ways. Three primary demand allocation types were utilized in this analysis. Coincident peaks ('CP') represent a class' share of the overall system peak. A 12 CP method, reflecting each class' estimated contribution to each month's system peak, was

employed for allocating the power supply demand portion of the wholesale purchased power and production expenses. A 1 CP method was utilized for transmission expenses. Non-coincident peaks reflect a class maximum demand regardless of when it occurs. The non-coincident peak is an indication of the amount of fixed local system required to serve individual groups of customers. A 1 NCP method, an estimate of each class' maximum annual demand on the system, was utilized for allocating local system demand related costs.

Energy Allocations

Each class' share of energy requirements was used to allocate energy related costs. The predominant energy related costs are the energy portions of the purchased power expenses. These costs were allocated based on each classes' estimated share of wholesale energy purchases. Other local energy related costs were allocated based on retail energy sales.

Customer Allocations

Two separate customer allocators were utilized. The customer facilities allocator was used to allocate costs associated with the physical facilities required to serve individual customers such as service transformers, service drops and meters. The customer service allocator is for allocation of costs associated with customer service – meter reading, billing, collections and customer inquiries. For both the customer facilities and customer service allocators, a weighted customer allocation factor is developed. Weighting factors are developed to represent the difference in service configurations between customer classifications. For instance, a larger customer facility is required for a single large power customer than for a single residential customer, or a single large power customer requires more customer service than a single residential customer.

Direct Allocations

Direct costs for ERMU are associated with certain expenses directly attributable to street lights. These direct costs were then allocated across customer classes based on a customer allocator.

Revenue Allocations

Revenue related costs were allocated based on each class' share of total demand, energy, customer facility, customer service and direct costs.

Cost of Service Results

Based on the classifications and allocations described above, the estimated cost to serve each major class of customers for the 2015 Adjusted Test Year was determined. Exhibit 3-D presents this analysis in detail. Table 3-2 below summarizes the total allocated electric costs for each class compared to the total electric revenues received from the class during 2015.

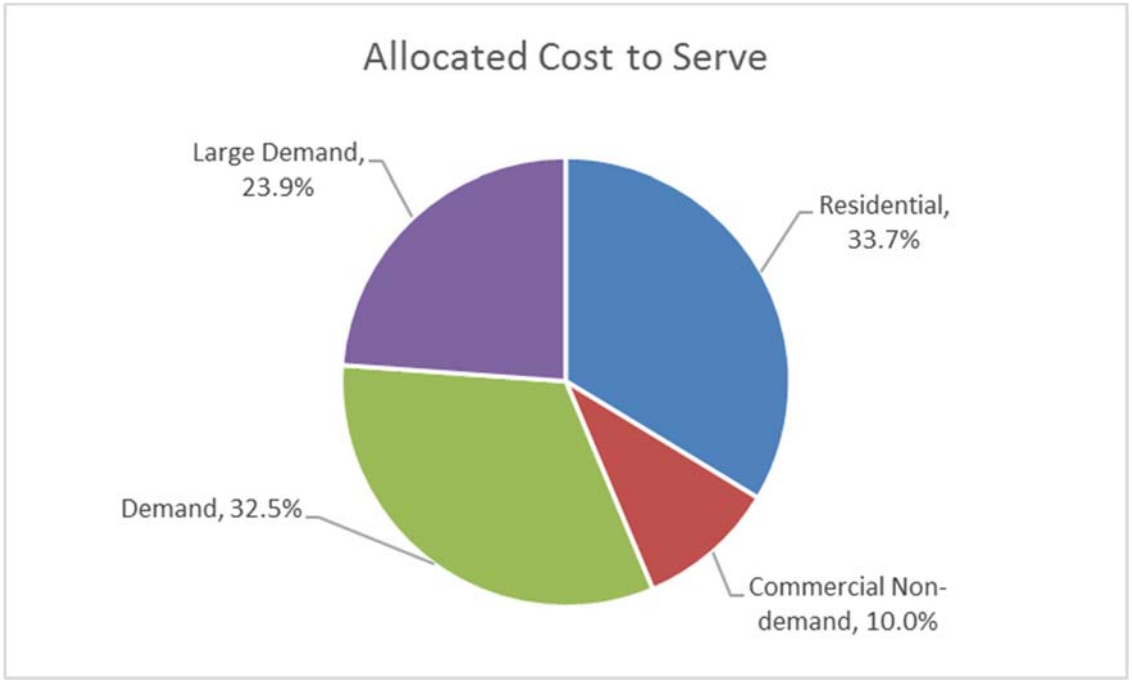
Table 3-2
Electric Cost of Service Results
Comparison of Cost and Revenues
2015 Test Year

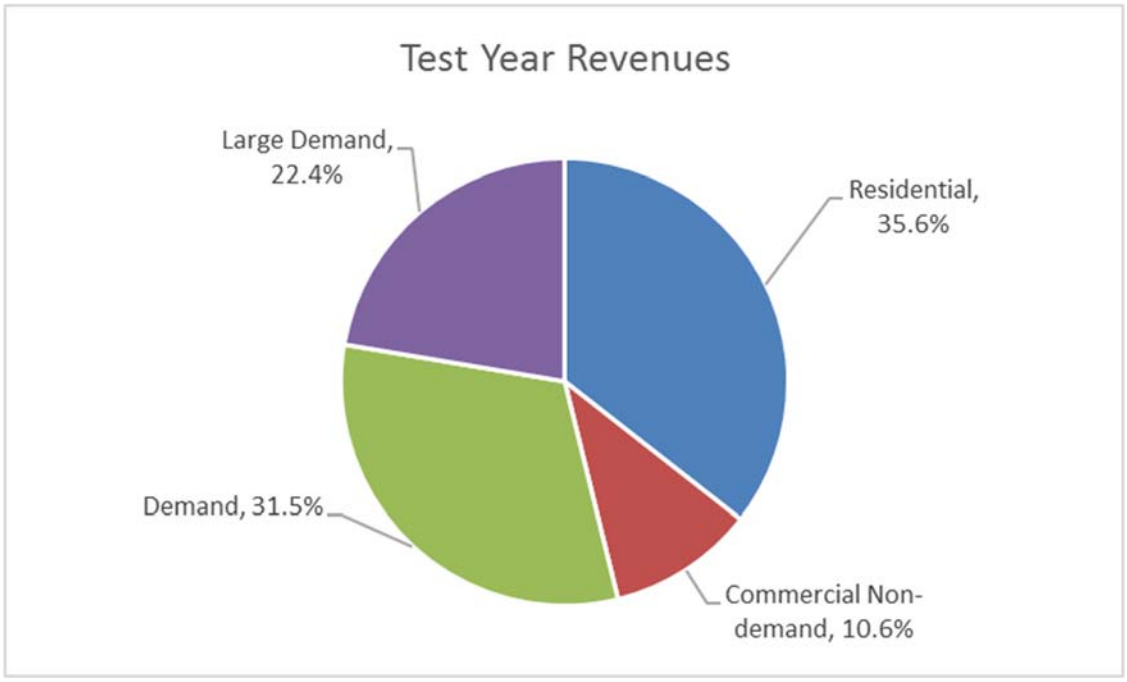
Customer Classification	Allocated Cost to Serve	Revenues
Residential	$10,644,237	$11,249,153
Commercial Non-demand	3,166,586	3,350,843
Demand	10,271,205	9,957,797
Large Demand	7,547,103	7,071,338
Total	$31,629,131	$31,629,131

The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollars basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost to serve and revenues as a percentage of the totals. The percentage increase/(decrease) in each class' revenue shown in Table 3-3 is the adjustment necessary to produce revenues from each class in accordance with the allocated cost to serve. The percentage adjustments do not represent the recommended change in each class' rates. The cost-of-service results are one item for consideration in rate design. It is important to note also that the adjustments shown in the table below would not change the total revenue received by the utility and are not indicative of overall revenue needs of the utility going forward. Recommendations regarding rate design are included in Section 4 of this report.

Table 3-3
Electric Cost of Service Results
Comparison of % Cost and Revenues
2015 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	33.7%	35.6%	-5.4%
Commercial Non-demand	10.0%	10.6%	-5.5%
Demand	32.5%	31.5%	3.1%
Large Demand	23.9%	22.4%	6.7%
Total	100.0%	100.0%	0.0%


Allocated Cost to Serve
Large Demand, 23.9%
Residential, 33.7%
Demand, 32.5%
Commercial Non-demand, 10.0%


Test Year Revenues
Large Demand, 22.4%
Residential, 35.6%
Demand, 31.5%
Commercial Non-demand, 10.6%

As indicated above, ERMU's existing class revenues do not exactly match the allocated cost to serve each class. Cost based rates are one of several goals in establishing rates. The relationship between allocated costs and revenues for each class should be considered, in addition to other rate related goals, in developing recommended rates.

Per Unit Costs

Based on the cost-of-service results shown above, the costs have been summarized on a per unit basis by customer class and class billing data. These per unit costs resemble rates and represent another piece of information for use in rate design. The resulting per unit costs by rate class are shown in Table 3-4.

Table 3-4
Per Unit Electric Costs
2015 Test Year

Customer Classification	Total		
	Dmd ($/kW)	Energy ($/kWh)	Cust ($/mo)
Residential	7.83	0.0700	17.07
Commercial Non-demand	8.13	0.0698	28.12
Demand	11.95	0.0683	372.90
Large Demand	13.47	0.0678	13,512.20

Elk River Municipal Utilities
Classification of 2015 Test Year Revenue Requirements

REVENUE REQUIREMENT	2015 Test Year	Adjustment	Adjusted Test Year	Demand	Energy	Customer Facilities	Customer Service	Direct	Revenue	Classification Basis
OPERATING EXPENSES										
Purchased Power	$ 22,034,307	$ (1,547,262)	$ 20,487,045	$ 4,466,929	$ 16,020,115	$ -	$ -	$ -	$ -	per power supply
Production										
OPERATING SUPERVISION	57,646		57,646	57,646	-	-	-	-	-	100% demand
DIESEL OIL FUEL	23,987		23,987	-	23,987	-	-	-	-	100% energy
NATURAL GAS	23,198		23,198	-	23,198	-	-	-	-	100% energy
STATION PWR & WTR CONSP/PLANT	33,624		33,624	33,624	-	-	-	-	-	100% demand
OTHER EXP/PLANT SUPPLIES-ETC	7,193		7,193	7,193	-	-	-	-	-	100% demand
MISC OTHER PWR GENERATION EXP	11,963		11,963	11,963	-	-	-	-	-	100% demand
MAINTENANCE OF STRUCTURE/PLANT	37,945		37,945	37,945	-	-	-	-	-	100% demand
MTCE OF ENGINES/GENERATORS-PL	11,902		11,902	11,902	-	-	-	-	-	100% demand
MTCE OF PLANT/LAND IMPROVEMENT	16,888		16,888	16,888	-	-	-	-	-	100% demand
LFG PURCHASED GAS	154,944		154,944	-	154,944	-	-	-	-	100% energy
LANDFILL GAS O&M	510,434		510,434	510,434	-	-	-	-	-	100% demand
LFG ADMIN	21,746		21,746	21,746	-	-	-	-	-	100% demand
LFG INSURANCE	16,577		16,577	16,577	-	-	-	-	-	100% demand
LFG MTCE	876		876	876	-	-	-	-	-	100% demand
Total Production	928,923		928,923	$ 726,794	$ 202,129	$ -	$ -	$ -	$ -	
Transmission	5,189		5,189	5,189	-	-	-	-	-	100% demand
Distribution										
REMOVE EXISTING SERV & METERS	164		164	-	-	164	-	-	-	100% customer facilities
SCADA EXPENSES	4,874		4,874	4,874	-	-	-	-	-	100% demand
TRANSFORMER EX/OVERHD & UNDERG	8,642		8,642	-	-	8,642	-	-	-	100% customer facilities
MTCE OF SIGNAL SYSTEMS	472		472	-	-	-	-	472	-	100% direct
METER EXP - REMOVE & RESET	434		434	-	-	434	-	-	-	100% customer facilities
TEMP SERVICE-INSTALL & REMOVE	1,105		1,105	-	-	1,105	-	-	-	100% customer facilities
MISC DISTRIBUTION EXPENSE	235,145		235,145	152,844	-	82,301	-	-	-	65/35 demand/customer facilities
INTERCONNECTION CARRYING CHARGE	403		403	403	-	-	-	-	-	100% demand
MTCE OF STRUCTURES	21,030		21,030	21,030	-	-	-	-	-	100% demand
MTCE OF SUBSTATIONS	20,720		20,720	20,720	-	-	-	-	-	100% demand
MTCE OF SUBSTATION EQUIPMENT	20,314		20,314	20,314	-	-	-	-	-	100% demand
MTCE OF OVERHD LINES/TREE TRIM	49,097		49,097	31,913	-	17,184	-	-	-	65/35 demand/customer facilities
MTCE OF OVERHD LINES/STANDBY	25,935		25,935	16,858	-	9,077	-	-	-	65/35 demand/customer facilities
MTCE OF OVERHEAD	185,936		185,936	120,858	-	65,078	-	-	-	65/35 demand/customer facilities
MTCE OF UNDERGROUND/DISTRIB	83,409		83,409	54,216	-	29,193	-	-	-	65/35 demand/customer facilities
LOCATE UNDERGROUND PRIMARY	28,638		28,638	18,615	-	10,023	-	-	-	65/35 demand/customer facilities
MTCE OF LINE TRANSFORMERS	44,978		44,978	-	-	44,978	-	-	-	100% customer facilities
MTCE OF STREET LIGHTING	55,772		55,772	-	-	-	-	55,772	-	100% direct
MTCE OF SECURITY LIGHTING	8,967		8,967	-	-	-	-	8,967	-	100% direct
MTCE OF METERS	77,890		77,890	-	-	77,890	-	-	-	100% customer facilities
VOLTAGE COMPLAINTS	6,064		6,064	-	-	-	6,064	-	-	100% customer service
SALARIES/TRANS & DISTRIBUTION	24,772		24,772	24,772	-	-	-	-	-	100% demand
ELECTRIC MAPPING	73,459		73,459	73,459	-	-	-	-	-	100% demand
MTCE OF OVERHEAD SERVICE/2NDRY	12,608		12,608	-	-	12,608	-	-	-	100% customer facilities
MTCE OF UNDERGROUND ELEC SERV	35,099		35,099	-	-	35,099	-	-	-	100% customer facilities
LOCATE UNDERGROUND SECONDARY	20,491		20,491	-	-	20,491	-	-	-	100% customer facilities
TRANSPORTATION EXPENSE	135,339		135,339	87,970	-	47,369	-	-	-	65/35 demand/customer facilities

Elk River Municipal Utilities
Classification of 2015 Test Year Revenue Requirements

REVENUE REQUIREMENT	2015 Test Year	Adjustment	Adjusted Test Year	Demand	Energy	Customer Facilities	Customer Service	Direct	Revenue	Classification Basis
COST & EXP MERCH JOBBING/ELEC	394		394	256	-	138	-	-	-	65/35 demand/customer facilities
SECURITY EXPENSE	204,319	(204,319)	-	-	-	-	-	-	-	100% direct
OTHER DONATIONS	1,393		1,393	1,393	-	-	-	-	-	100% demand
DAM MAINTENANCE EXPENSE	2,360		2,360	2,360	-	-	-	-	-	100% demand
INTEREST PD ON METER DEPOSITS	446		446	-	-	446	-	-	-	100% customer facilities
RENTAL PROPERTY EXPENSE	6,188		6,188	6,188	-	-	-	-	-	100% demand
Total Distribution	1,396,857		$ 1,192,538	$ 659,043	$ -	$ 462,220	$ 6,064	$ 65,211	$ -	
Customer Accounts										
METER READING EXPENSE	36,808		36,808	-	-	-	36,808	-	-	100% customer service
COLLECTING EXP DISC/RECONNECT	11,679		11,679	-	-	-	11,679	-	-	100% customer service
MISC CUSTOMER ACCTS EXP-COMP	244,016		244,016	-	-	-	244,016	-	-	100% customer service
CUST BLGS NOT PD/SENT FOR COLL	42,846		42,846	-	-	-	42,846	-	-	100% customer service
UTILITIES & LABOR DONATED	520,727	(289,000)	231,727	-	-	-	231,727	-	-	100% customer service
Total Customer Accounts	856,076		$ 567,076	$ -	$ -	$ -	$ 567,076	$ -	$ -	
General & Administrative										
SALARIES/OFFICE & COMMISSION	659,318		659,318	340,468	49,473	113,133	140,282	15,961	-	administrative factor
TEMPORARY STAFFING	-		-	-	-	-	-	-	-	administrative factor
OFFICE SUPPLIES & EXPENSE	144,234		144,234	74,482	10,823	24,749	30,688	3,492	-	administrative factor
LT & WATER CONSUMPTION/OFFICE	21,102		21,102	10,897	1,583	3,621	4,490	511	-	administrative factor
BANK CHARGES	3,001		3,001	1,550	225	515	639	73	-	administrative factor
LEGAL FEES	27,065		27,065	13,976	2,031	4,644	5,759	655	-	administrative factor
AUDITING FEES	16,381		16,381	8,459	1,229	2,811	3,485	397	-	administrative factor
INSURANCE	174,161		174,161	123,771	1,439	42,198	4,082	2,671	-	net plant
UTILITY SHARE DEF COMP	41,983		41,983	22,455	869	13,295	3,488	1,876	-	labor
UTIL SH OF MEDICAL/DENTAL/DISA	472,243	(30,000)	442,243	236,534	9,159	140,052	36,739	19,759	-	labor
UTILITY SHARE OF PERA	204,356		204,356	109,300	4,232	64,717	16,977	9,130	-	labor
UTILITY SHARE OF FICA	196,861		196,861	105,291	4,077	62,343	16,354	8,795	-	labor
EMPLOYEES SICK PAY	93,240		93,240	49,870	1,931	29,528	7,746	4,166	-	labor
EMP VACATION/HOLIDAY PAY	260,029		260,029	139,077	5,385	82,347	21,602	11,618	-	labor
CONSERVATION IMP PROGRAM	67,697		67,697	-	67,697	-	-	-	-	100% energy
ENVIRONMENTAL COMPLIANCE	24,208		24,208	-	24,208	-	-	-	-	100% energy
CONSULTING FEES	36,842		36,842	19,025	2,765	6,322	7,839	892	-	administrative factor
TELEPHONE	26,997		26,997	13,941	2,026	4,632	5,744	654	-	administrative factor
ADVERTISING	7,155		7,155	3,695	537	1,228	1,522	173	-	administrative factor
DUES & SUBSCRIPTIONS - FEES	91,613		91,613	47,308	6,874	15,720	19,492	2,218	-	administrative factor
TRAVEL EXPENSE	13,783		13,783	7,117	1,034	2,365	2,933	334	-	administrative factor
SCHOOLS & MEETINGS	127,400		127,400	65,789	9,560	21,861	27,107	3,084	-	administrative factor
MISC GENERAL EXPENSE	29,619		29,619	15,295	2,223	5,082	6,302	717	-	administrative factor
MTCE GEN PLANT/OFF HEAT	14,688		14,688	7,585	1,102	2,520	3,125	356	-	administrative factor
PENSION EXPENSE	(1,533)		(1,533)	(820)	(32)	(485)	(127)	(68)	-	labor
Total General & Administrative	2,752,443		2,722,443	1,415,066	210,452	643,198	366,266	87,461	-	
Depreciation	1,922,359		1,922,359	1,325,317	24,437	472,427	69,291	30,887	-	2015 depreciation
TOTAL OPERATING EXPENSES	29,896,154		27,825,573	8,598,339	16,457,133	1,577,844	1,008,697	183,559	-	

Elk River Municipal Utilities
Classification of 2015 Test Year Revenue Requirements

REVENUE REQUIREMENT	2015 Test Year	Adjustment	Adjusted Test Year	Demand	Energy	Customer Facilities	Customer Service	Direct	Revenue	Classification Basis
OTHER OPERATING REVENUES										
SECURITY REVENUE	251,488	(251,488)	-	-	-	-	-	-	-	100% direct
LFG PROJECT	1,075,148		1,075,148	838,711	236,437	-	-	-	-	LFG expense
DISPERSED GENERATION CREDIT	(805,579)	805,579	-	-	-	-	-	-	-	100% demand
CONNECTION MAINTENANCE	163,195		163,195	-	-	-	-	-	163,195	100% revenue
CUSTOMER PENALTIES	238,339		238,339	-	-	-	-	-	238,339	100% revenue
TOTAL OTHER OPERATING REVENUES	922,591		$ 1,476,682	$ 838,711	$ 236,437	$ -	$ -	$ -	$ 401,534	
NON-OPERATING INCOME (EXPENSES)										
Interest income	95,533		95,533	-	-	-	-	-	95,533	100% revenue
Miscellaneous revenue	279,487		279,487	-	-	-	-	-	279,487	100% revenue
Interest expense and other	(116,676)		(116,676)	-	-	-	-	-	(116,676)	100% revenue
Gain (Loss) on sale of capital assets	8,899		8,899	6,324	74	2,156	209	136	-	net plant
TOTAL NON-OPERATING INCOME (EXPENSES)	267,243		$ 267,243	$ 6,324	$ 74	$ 2,156	$ 209	$ 136	$ 258,344	
TRANSFER TO CITY	824,743	274,914	1,099,657	-	-	-	-	-	1,099,657	100% revenue
MARGIN	2,098,068	2,349,758	4,447,826	1,268,716	2,654,269	257,839	165,024	30,014	71,964	total revenue requirement
TOTAL REVENUE REQUIREMENT	31,629,131		31,629,131	9,022,019	18,874,892	1,833,527	1,173,513	213,437	511,743	

Elk River Municipal Utilities
Classification of Electric Plant in Service

	2015 Test Year	Adjustment	Adjusted Test Year	Demand	Energy	Customer Facilities	Customer Service	Direct	Revenue	Classification Basis
Gross Plant										
Land & Land Rights	$ 265,071		$ 265,071	265,071	-	-	-	-	-	100% demand
Land Improvements Plant	23,389		23,389	23,389	-	-	-	-	-	100% demand
Construction & Improvements/Additions	98,049		98,049	98,049	-	-	-	-	-	100% demand
Prime Movers/Diesel Oper Equipment	28,146		28,146	28,146	-	-	-	-	-	100% demand
Landfill Gas Generation	3,782,526		3,782,526	3,782,526	-	-	-	-	-	100% demand
Transmission/Poles-Towers-Fixtures	747,961		747,961	747,961	-	-	-	-	-	100% demand
Production/Station Equipment	5,194,870		5,194,870	5,194,870	-	-	-	-	-	100% demand
Distribution/Poles-Towers-Fixtures	28,188,381		28,188,381	18,322,448	-	9,865,934	-	-	-	65/35 demand/customer facilities
Electric Services to Customers	1,469,955		1,469,955	-	-	1,469,955	-	-	-	100% customer facilities
Street Lights & Signal Systems	589,569		589,569	-	-	-	-	589,569	-	100% direct
Plant Acquisition	2,657,134		2,657,134	2,657,134	-	-	-	-	-	100% demand
Structures & Improvements/Garages etc	1,046,799		1,046,799	540,562	78,549	179,621	222,726	25,341	-	administrative factor
Office Furniture & Equipment	196,650		196,650	101,549	14,756	33,743	41,841	4,761	-	administrative factor
General Plant Improvements	1,836,413		1,836,413	948,314	137,799	315,112	390,731	44,457	-	administrative factor
Transportation Equipment	2,509,638		2,509,638	1,295,964	188,316	430,632	533,972	60,755	-	administrative factor
Tools/Shop & Stores Equipment	37,107		37,107	37,107	-	-	-	-	-	100% demand
Miscellaneous Equipment	300,406		300,406	155,128	22,542	51,547	63,917	7,272	-	administrative factor
Construction In Progress	125,997		125,997	125,997	-	-	-	-	-	100% demand
Total Gross Plant	$ 49,098,061		$ 49,098,061	$ 34,324,215	$ 441,961	$ 12,346,544	$ 1,253,186	$ 732,155	$ -	
Accumulated Depreciation										
Land & Land Rights	$ -		$ -	-	-	-	-	-	-	100% demand
Land Improvements Plant	15,389		15,389	15,389	-	-	-	-	-	100% demand
Construction & Improvements/Additions	33,906		33,906	33,906	-	-	-	-	-	100% demand
Prime Movers/Diesel Oper Equipment	18,671		18,671	18,671	-	-	-	-	-	100% demand
Landfill Gas Generation	2,360,717		2,360,717	2,360,717	-	-	-	-	-	100% demand
Transmission/Poles-Towers-Fixtures	265,353		265,353	265,353	-	-	-	-	-	100% demand
Production/Station Equipment	2,101,050		2,101,050	2,101,050	-	-	-	-	-	100% demand
Distribution/Poles-Towers-Fixtures	12,365,561		12,365,561	8,037,615	-	4,327,946	-	-	-	65/35 demand/customer facilities
Electric Services to Customers	920,151		920,151	-	-	920,151	-	-	-	100% customer facilities
Street Lights & Signal Systems	244,347		244,347	-	-	-	-	244,347	-	100% direct
Plant Acquisition	603,473		603,473	603,473	-	-	-	-	-	100% demand
Structures & Improvements/Garages etc	525,151		525,151	271,185	39,406	90,111	111,736	12,713	-	administrative factor
Office Furniture & Equipment	74,811		74,811	38,632	5,614	12,837	15,918	1,811	-	administrative factor
General Plant Improvements	812,844		812,844	419,749	60,993	139,477	172,948	19,678	-	administrative factor
Transportation Equipment	1,335,591		1,335,591	689,692	100,219	229,176	284,172	32,333	-	administrative factor
Tools/Shop & Stores Equipment	29,626		29,626	29,626	-	-	-	-	-	100% demand
Miscellaneous Equipment	139,808		139,808	72,196	10,491	23,990	29,747	3,385	-	administrative factor
Construction In Progress	-		-	-	-	-	-	-	-	100% demand
Total Accumulated Depreciation	$ 21,846,450		$ 21,846,450	$ 14,957,255	$ 216,722	$ 5,743,688	$ 614,519	$ 314,266	$ -	

Elk River Municipal Utilities
Classification of Electric Plant in Service

	2015 Test Year	Adjustment	Adjusted Test Year	Demand	Energy	Customer Facilities	Customer Service	Direct	Revenue	Classification Basis
Net Plant										
Land & Land Rights	$ 265,071		$ 265,071	$ 265,071	$ -	$ -	$ -	$ -	$ -	gross plant less accum deprec
Land Improvements Plant	8,000		8,000	8,000	-	-	-	-	-	gross plant less accum deprec
Construction & Improvements/Additions	64,143		64,143	64,143	-	-	-	-	-	gross plant less accum deprec
Prime Movers/Diesel Oper Equipment	9,475		9,475	9,475	-	-	-	-	-	gross plant less accum deprec
Landfill Gas Generation	1,421,809		1,421,809	1,421,809	-	-	-	-	-	gross plant less accum deprec
Transmission/Poles-Towers-Fixtures	482,608		482,608	482,608	-	-	-	-	-	gross plant less accum deprec
Production/Station Equipment	3,093,820		3,093,820	3,093,820	-	-	-	-	-	gross plant less accum deprec
Distribution/Poles-Towers-Fixtures	15,822,821		15,822,821	10,284,833	-	5,537,987	-	-	-	gross plant less accum deprec
Electric Services to Customers	549,804		549,804	-	-	549,804	-	-	-	gross plant less accum deprec
Street Lights & Signal Systems	345,222		345,222	-	-	-	-	345,222	-	gross plant less accum deprec
Plant Acquisition	2,053,661		2,053,661	2,053,661	-	-	-	-	-	gross plant less accum deprec
Structures & Improvements/Garages etc	521,648		521,648	269,376	39,143	89,510	110,990	12,628	-	gross plant less accum deprec
Office Furniture & Equipment	121,838		121,838	62,917	9,142	20,906	25,923	2,950	-	gross plant less accum deprec
General Plant Improvements	1,023,569		1,023,569	528,566	76,805	175,635	217,783	24,779	-	gross plant less accum deprec
Transportation Equipment	1,174,047		1,174,047	606,272	88,097	201,456	249,800	28,422	-	gross plant less accum deprec
Tools/Shop & Stores Equipment	7,481		7,481	7,481	-	-	-	-	-	gross plant less accum deprec
Miscellaneous Equipment	160,597		160,597	82,932	12,051	27,557	34,170	3,888	-	gross plant less accum deprec
Construction In Progress	125,997		125,997	125,997	-	-	-	-	-	gross plant less accum deprec
Total Net Plant	$ 27,251,611		$ 27,251,611	$ 19,366,960	$ 225,238	$ 6,602,856	$ 638,667	$ 417,889	$ -	
2015 Depreciation										
Land & Land Rights	-		$ -	-	-	-	-	-	-	100% demand
Land Improvements Plant	935		935	935	-	-	-	-	-	100% demand
Construction & Improvements/Additions	5,574		5,574	5,574	-	-	-	-	-	100% demand
Prime Movers/Diesel Oper Equipment	1,126		1,126	1,126	-	-	-	-	-	100% demand
Landfill Gas Generation	298,868		298,868	298,868	-	-	-	-	-	100% demand
Transmission/Poles-Towers-Fixtures	23,126		23,126	23,126	-	-	-	-	-	100% demand
Production/Station Equipment	185,196		185,196	185,196	-	-	-	-	-	100% demand
Distribution/Poles-Towers-Fixtures	908,031		908,031	590,220	-	317,811	-	-	-	65/35 demand/customer facilities
Electric Services to Customers	98,735		98,735	-	-	98,735	-	-	-	100% customer facilities
Street Lights & Signal Systems	23,003		23,003	-	-	-	-	23,003	-	100% direct
Plant Acquisition	49,448		49,448	49,448	-	-	-	-	-	100% demand
Structures & Improvements/Garages etc	26,901		26,901	13,892	2,019	4,616	5,724	651	-	administrative factor
Office Furniture & Equipment	25,995		25,995	13,424	1,951	4,461	5,531	629	-	administrative factor
General Plant Improvements	63,637		63,637	32,862	4,775	10,920	13,540	1,541	-	administrative factor
Transportation Equipment	188,319		188,319	97,247	14,131	32,314	40,068	4,559	-	administrative factor
Tools/Shop & Stores Equipment	2,654		2,654	2,654	-	-	-	-	-	100% demand
Miscellaneous Equipment	20,810		20,810	10,746	1,562	3,571	4,428	504	-	administrative factor
Construction In Progress	-		-	-	-	-	-	-	-	100% demand
Total 2015 Depreciation	$ 1,922,359		$ 1,922,359	$ 1,325,317	$ 24,437	$ 472,427	$ 69,291	$ 30,887	$ -	

Exhibit 3-C

Elk River Municipal Utilities
2015 Test Year Allocation Factors

	Total	Residential	Commercial Non-demand	Demand	Large Demand
Demand Allocation Factors					
12 Coincident Peak (kW)	517,841	161,710	55,223	187,316	113,592
12 CP	100.0%	31.2%	10.7%	36.2%	21.9%
1 Coincident Peak (kW)	54,209	21,692	6,309	16,377	9,830
1 CP	100.0%	40.0%	11.6%	30.2%	18.1%
1 Non-coincident Peak (kW)	64,586	24,103	7,192	22,846	10,446
1 NCP	100.0%	37.3%	11.1%	35.4%	16.2%
Energy Allocation Factors					
Retail Energy Req. (kWh)	281,858,667	80,773,471	26,329,449	93,412,847	81,342,900
RE	100.0%	28.7%	9.3%	33.1%	28.9%
Wholesale Energy Req. (kWh)	294,441,957	85,745,296	27,950,582	96,800,878	83,945,201
WE	100.0%	29.1%	9.5%	32.9%	28.5%
Customers					
Number of Customers	10,374	9,205	1,018	149	2
C	100.0%	88.7%	9.8%	1.4%	0.0%
Customer Facilities Allocation Factor					
Weighted Number of Cust	22,691	9,205	2,036	7,450	4,000
CF	100.0%	40.6%	9.0%	32.8%	17.6%
Customer Service Allocation Factor					
Weighted Number of Cust	11,338	9,205	1,527	596	10
CS	100.0%	81.2%	13.5%	5.3%	0.1%
Revenue Allocator					
Sum Other Rev Reqs	$ 31,117,388	$ 10,472,018	$ 3,115,352	$ 10,105,022	$ 7,424,995
R	100.0%	33.7%	10.0%	32.5%	23.9%

Exhibit 3-D

Elk River Municipal Utilities
2015 Test Year Allocation of Revenue Requirements

	Total	Residential	Commercial Non-demand	Demand	Large Demand	Allocation Factor
Demand Component						
Purchased Power	4,466,929	1,394,922	476,358	1,615,799	979,850	12 CP
Production	726,794	226,961	77,506	262,899	159,427	12 CP
Transmission	5,189	2,076	604	1,568	941	1 CP
Distribution	659,043	245,947	73,384	233,124	106,589	1 NCP
General & Administrative	1,415,066	528,085	157,566	500,552	228,863	1 NCP
Depreciation	1,325,317	494,592	147,572	468,806	214,348	1 NCP
Other Operating Income	(838,711)	(261,911)	(89,441)	(303,383)	(183,977)	12 CP
Non-Operating Income	(6,324)	(2,360)	(704)	(2,237)	(1,023)	1 NCP
Margin	1,268,716	473,469	141,270	448,784	205,193	1 NCP
Total Demand	$ 9,022,019	$ 3,101,781	$ 984,114	$ 3,225,912	$ 1,710,212	
Energy Component						
Purchased Power	16,020,115	4,665,264	1,520,746	5,266,781	4,567,324	WE
Production	202,129	58,863	19,188	66,452	57,627	WE
General & Administrative	210,452	60,310	19,659	69,747	60,735	RE
Depreciation	24,437	7,003	2,283	8,099	7,052	RE
Other Operating Income	(236,437)	(67,757)	(22,086)	(78,359)	(68,234)	RE
Non-Operating Income	(74)	(21)	(7)	(24)	(21)	RE
Margin	2,654,269	760,646	247,945	879,671	766,008	RE
Total Energy	$ 18,874,892	$ 5,484,308	$ 1,787,728	$ 6,212,366	$ 5,390,491	
Customer Facility Component						
Distribution	462,220	187,507	41,474	151,758	81,481	CF
General & Administrative	643,198	260,924	57,712	211,177	113,384	CF
Depreciation	472,427	191,648	42,390	155,109	83,280	CF
Non-Operating Income	(2,156)	(875)	(193)	(708)	(380)	CF
Margin	257,839	104,597	23,135	84,655	45,452	CF
Total Customer Facility	$ 1,833,527	$ 743,802	$ 164,517	$ 601,991	$ 323,217	
Customer Service Component						
Distribution	6,064	4,923	817	319	5	CS
Customer Accounts	567,076	460,393	76,374	29,809	500	CS
General & Administrative	366,266	297,361	49,329	19,253	323	CS
Depreciation	69,291	56,255	9,332	3,642	61	CS
Non-Operating Income	(209)	(169)	(28)	(11)	(0)	CS
Margin	165,024	133,979	22,225	8,675	146	CS
Total Customer Service	$ 1,173,513	$ 952,742	$ 158,049	$ 61,688	$ 1,035	
Direct Lighting Component						
Distribution	$ 65,211	57,863	6,399	937	13	C
General & Administrative	87,461	77,606	8,583	1,256	17	C
Depreciation	30,887	27,407	3,031	444	6	C
Non-Operating Income	(136)	(121)	(13)	(2)	(0)	C
Margin	30,014	26,632	2,945	431	6	C
Total Direct	$ 213,437	$ 189,386	$ 20,945	$ 3,066	$ 41	
Revenue Component						
Other Operating Income	(401,534)	(135,129)	(40,200)	(130,394)	(95,811)	R
Non-Operating Income	(258,344)	(86,941)	(25,864)	(83,894)	(61,644)	R
Transfer to City	1,099,657	370,071	110,093	357,101	262,392	R
Margin	71,964	24,218	7,205	23,369	17,171	R
Total Revenue	$ 511,743	$ 172,218	$ 51,234	$ 166,183	$ 122,108	
Total Revenue Requirements	$ 31,629,131	$ 10,644,237	$ 3,166,586	$ 10,271,205	$ 7,547,103	
Total Revenues	$ 31,629,131	$ 11,249,153	$ 3,350,843	$ 9,957,797	$ 7,071,338	
Percent Revenue Requirements	100.0%	33.7%	10.0%	32.5%	23.9%	
Percent Revenues	100.0%	35.6%	10.6%	31.5%	22.4%	
Percent Change	0.0%	-5.4%	-5.5%	3.1%	6.7%	
Revenue Req/kWh	0.112	0.132	0.120	0.110	0.093	
Revenue/kWh	0.112	0.139	0.127	0.107	0.087	

Section 4
Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outlines the overall revenue needs of the electric utility. Section 3 summarizes the cost-of-service results. These factors have been considered in developing the proposed rates summarized in this section of the report.

Proposed Rates

Revenue Needs

In Section 2, it shows that ERMU's projected annual change in net position declines from 0.2% of revenues in 2016 to negative 9.2% of revenues in 2020 assuming existing rates are maintained through the Study Period (during 2011-2015 this averaged 5.7%). It also shows that ERMU's projected cash reserves at current rates decline from $12.7 million to negative $5.1 million over the Study Period. The analysis shows ERMU's reserve levels dropping below the current policy defined level by the end of 2018. In order to strengthen ERMU's financial position, an overall rate increase of approximately 2.8% is recommended. It is recommended that this rate adjustment be effective January 1, 2017.

Rate Design Adjustments

The unbundled analysis summarized in Section 3 shows the per unit cost of service for each class of customers. The results of this analysis have impacted the recommendation for specific implementation of the rate adjustment. The cost-of-service analysis summarized in Section 3 was also taken into account in the development of recommended rate adjustments. The proposed rates would increase estimated revenues for the residential and commercial non-demand customers by approximately

1.8% and increase the demand and large demand by approximately 3.7%. Specific rate recommendations for each class to become effective in 2017 are shown in Exhibit 4-A.

ERMU's current residential monthly customer charge is $12.00, no change has been proposed for this rate component. As a point of reference, the current Connexus Energy residential customer charge is $13.50 per month. The residential increases have been applied to the seasonal energy rates as shown in Exhibit 4-A. Increases to the energy rates for off-peak storage and off-peak dual fuel have been increase, however the rate for ground source heat pumps has not been increased. For commercial non-demand customers, the current customer charge is $20.00 per month is also unchanged and the increases have been applied to the energy charges.

For the commercial and industrial demand billed customers, the increases have been focused on the energy charges. As ERMU prepares for a transition from Connexus/GRE wholesale power to MMPA wholesale power, the wholesale cost basis will be weighted more to energy and less to demand than the current structure. For this cost based reason, the increases for these customers has been implemented through the energy charges and the seasonal demand charges are unchanged. It is assumed that the demand credit policy currently in place for these customers will continue through 2017 at a level of $1.00/kW-month credit. It is assumed to be discontinued after 2017.

The rate options explained above are shown as Rate Option 1 in Exhibit 4-A. In Rate Option 2 in Exhibit 4-A, monthly customer charges are increased in each class and the other rate component increases are decreased slightly so overall revenues match in both options.

Exhibit 4-B shows the projected operating results for the electric utility with the proposed rates. In Exhibit 4-B, it is assumed that the new rates will be effective January 1, 2017.

Projected Operating Results – Proposed Rates

Based on the assumptions outlined above, the resulting projected operating results with the proposed rates are summarized in Table 4-1.

Table 4-1
Projected Operating Results
Proposed Rates

Year	2016	2017 (1)	2018	2019	2020
Operating Revenues	$34,709,120	$37,357,426	$38,811,536	$40,220,571	$41,053,233
Less Operating Expenses	(33,898,794)	(35,363,866)	(37,481,037)	(39,992,043)	(41,865,483)
Plus Non -Operating Revenues (Expenses)	427,832	(185,885)	(156,113)	(532,743)	(501,787)
Less City Transfers	(1,168,366)	(1,248,831)	(1,295,008)	(1,324,856)	(1,354,773)
Change in Net Position	$69,791	$558,845	$(120,623)	$(1,629,070)	$(2,668,811)
Net Position as Percent of Revenues	0.2%	1.5%	-0.3%	-4.1%	-6.5%

(1) Rate increase assumed effective 1/1/2017.

Cash Reserves – Proposed Rates

A summary of the impact of the projected operating results on ERMU's cash reserves assuming the proposed rate adjustments is shown at the end of Exhibit 4-B and in Table 4-2 below. Assuming the recommended rate adjustments going forward, the projected cash balance at the end of the Study Period increases by approximately $3.9 million as compared to the projections at existing rates as contained in Section 2 of this report. It also extends the time by one year before the reserves fall below the policy goal.

Table 4-2
Projected Cash Reserves
Proposed Rates

Year	2016	2017 (1)	2018	2019	2020
Beginning Balance	$12,685,126	$10,810,388	$9,663,103	$8,910,410	$4,479,671
Plus Change in Net Position	69,791	558,845	(120,623)	(1,629,070)	(2,668,811)
Plus Depreciation	2,325,000	2,375,000	2,425,000	2,497,750	2,572,683
Plus Bond Proceeds	10,000,000		10,000,000		
Less Capital Improvements	(13,756,468)	(2,531,100)	(11,901,122)	(3,961,144)	(3,731,167)
Less Loss of Revenue Pmts	(31,754)	(373,191)	(465,916)	(476,136)	(486,356)
Less Debt Principal	(481,307)	(901,216)	(918,252)	(1,094,217)	(1,138,385)
Ending Balance	$10,810,388	$9,938,726	$8,957,813	$4,294,996	$(1,157,041)
Reserve Goal	$6,460,731	$6,568,436	$7,410,265	$7,673,218	$7,927,883
Reserves as % of Goal	167%	151%	121%	56%	-15%

(1) Rate increase assumed effective 1/1/2017.

Other Rate Considerations

Demand Billing Threshold

ERMU's current threshold for demand billing commercial customers is 50 kW. Many utilities demand bill customers with lower demands. Billing for both demand and energy sends a pricing signal to customer encouraging them to increase their ratio of energy used per kW of demand. Customers with a high ratio of energy to demand are said to have a high low factor. The cost to serve these customers on a per kWh basis is lower because they spread fixed wholesale power and system costs over more energy units. ERMU has been considering a reduction in the demand billing threshold from 50 kW to 25 kW. The proposed level would extend demand and energy billing to more

commercial customers. From a rate design and cost-of-service basis it is a defendable position. It is important that as this change is made, the utility needs to be aware of the customers that will be impacted. Some of their bills will naturally increase and some will decrease. The customers with increasing bills (those with low load factors) should be apprised of steps they can take to lower their effective demands to minimize the impact on their bills.

Large Industrial Rate

ERMU currently bills demand and large demand customers utilizing the same rate. Some utilities have a separate large industrial rate for very large demand customers. A separate rate for customers larger than a high level (ie. 1000 kW) is generally lower than a regular demand customer rate. This is done under the theory that large customers are less expensive to serve on a per unit basis due to larger economies of scale. This may or may not be the case. Often times, large customers desire a different level of service for reliability reasons. This scenario could actually result in more per unit costs to serve large customers. A well designed demand and energy rate can be fair and equitable for customers of various sizes. If ERMU wishes to consider a large industrial rate, it may be prudent to establish a new rate class for those customers even if the rates remain the same for demand and large demand customers. That would allow ERMU to change the rates for large industrial customers as compared to demand customers without needing to also establish a separate class at that time.

Net Metering

Net metering is a billing mechanism where customers with distributed generation (like rooftop solar) are credited for electricity they deliver back to the distribution system. For example, if a residential customer has a solar system on the home's rooftop, it may generate more electricity than the home uses during daylight hours. If the home is net-metered, the utility pays the customer for the excess generation. The rate paid for the excess generation varies by state and utility.

The State of Minnesota has a statute governing net metering. Prior to the 2015 legislative session, municipal utilities like ERMU, were required to pay the customer the 'average retail utility energy rate'. In the statute, *"Average retail utility energy rate" means, for any class of utility customer, the quotient of the total annual class revenue from sales of electricity minus the annual revenue resulting from fixed charges, divided by the annual class kilowatt-hour sales.* For ERMU's residential customers, this would mean reimbursing customers at the current average annual residential rate of 12.6958 cents/kWh. The customer charge is not part of the calculation and is still paid by the customer regardless of their net metering situation.

During the 2015 legislative session, the statute was revised to include the following language: *'A cooperative electric association or municipal utility may charge an additional fee to recover the fixed costs not already paid for by the customer through the customer's existing billing arrangement. Any additional charge by the utility must be reasonable and appropriate for that class of customer based on the most recent cost of service study. The cost of service study must be made available for review by a customer of the utility upon request.'* It is not clear how this may ultimately be interpreted, it could mean:

- A higher customer charge to reflect more distribution fixed costs
- A different rate such as a retail demand charge structure
- A separate charge based on solar generating capacity
- Other potential interpretations

The table summarizes calculations performed based on the unbundled cost-of-service results for the residential class to calculate a cost-based solar access charge for application to customers installing solar generating capacity at their customer location. Based on data for the residential class, the average ERMU residential customer has an average monthly peak demand of 3.6 kW. The solar access charge calculation is based on allocated fixed local costs divided by the total residential class estimated annual billing demands. Based on the calculation, it is estimated that the cost of the local

system for residential customers is $6.38/kW-month. It is proposed that the access fee be applied to the kW capacity of a customer's solar generation. This fee would apply to all capacity in excess of the average residential monthly demand of 3.6 kW. For instance, if a customer installs a 6 kW solar facility under a net metering arrangement, they would be charged $6.38/kW for 2.4 kW (the amount in excess of 3.6 kW) of the solar capacity equal to $15.31 per month. This charge would be in addition to the regular bills calculated under ERMU's regular rate in a net metering arrangement.

Solar Access Charge
2015 Residential Data

Item	Rate
Allocated Distribution Costs	$2,525,903
Estimated Demand Billing Units	395,962 kW-mo
Access Fee	$6.38/kW-mo

Economic Development Rates

Historically, some utilities have implemented economic development rates as an incentive to help attract new commercial or industrial customers to locate in their service territory. Economic development rates are special rates offered to customers that meet certain criteria (jobs, electrical size, economic classification, etc). These special rates are lower than a utility's published rates and are generally offered for a limited time (3-5 yrs), after which time the customers rate will revert to the published tariff. These rates were particularly popular in the 1980s when many utilities had substantial excess generating capacity and marginal costs to serve were well below average embedded costs to serve. In today's cost environment, most utilities' offering an economic development rate are offering a subsidized rate that is supported by the utility's existing customers. New customers are happy to get an economic development rate, but the impact on the ability to attract new customers is often debated. If existing customers have to pay more to subsidize a new customer, many will think that is not a fair practice

from their perspective as loyal existing customers. ERMU has new infrastructure (substations) in its capital plans, this would tend to indicate that there is not significant excess local distribution capacity. As a wholesale purchaser under a tariff, the wholesale costs to serve new load are the same as the cost to serve existing customers. If the costs to serve new customers is similar to the costs to serve existing customers, there is not a cost-of-service justification for an economic development rate. However, some utilities opt to offer a subsidized rate in order to try stimulate customer growth in their service territories.

Exhibit 4-A

Elk River Municipal Utilities
Existing and Proposed Rates

Class	Current Rate	Rate Option 1	Rate Option 2
Residential			
Customer (per month)	$ 12.00	$ 12.00	$ 13.50
Summer Energy (per kWh)	$ 0.1360	$ 0.1383	$ 0.1364
Non-summer Energy (per kWh)	$ 0.1205	$ 0.1233	$ 0.1214
Off Peak Storage			
Energy (per kWH)	$ 0.0450	$ 0.0458	$ 0.0458
Off Peak Dual Fuel			
Energy (per kWh)	$ 0.0585	$ 0.0596	$ 0.0596
Ground Heat Pump			
Energy (per kWh)	$ 0.0900	$ 0.0900	$ 0.0900
Commercial Non-Demand			
Customer (per month)	$ 20.00	$ 20.00	$ 25.00
Summer Energy (per kWh)	$ 0.1304	$ 0.1317	$ 0.1295
Non-summer Energy (per kWh)	$ 0.1087	$ 0.1117	$ 0.1095
Commercial/Industrial Demand			
Customer (per month)	$ 60.00	$ 60.00	$ 150.00
Energy (per kWh)	$ 0.0649	$ 0.0681	$ 0.0672
Summer Demand (per kW)	$ 16.94	$ 16.94	$ 16.94
Non-summer Demand (per kW)	$ 11.99	$ 11.99	$ 11.99
Off-peak Demand (per kW)	$ 6.46	$ 6.46	$ 6.46

Elk River Municipal Utilities
Electric Operating Results at Proposed Rates

	Historical					Projected				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES										
Charges for services	$ 26,885,940	$ 29,016,238	$ 29,949,116	$ 30,411,069	$ 31,629,131	$ 33,896,702	$ 36,589,438	$ 37,832,083	$ 38,643,723	$ 39,457,116
Security systems	256,432	295,600	282,502	241,919	251,488	198,750	-	-	-	-
LFG project	1,008,401	1,053,807	1,029,674	1,103,177	1,075,148	1,080,402	1,110,347	1,128,878	1,147,473	1,166,742
Generation credit	140,609	(501,473)	(859,066)	(784,248)	(805,579)	(771,734)	(771,734)	(578,801)	-	-
Connection maintenance	35,564	156,204	189,611	149,911	163,195	55,000	179,375	179,375	179,375	179,375
Customer penalties	257,040	238,314	254,542	244,857	238,339	250,000	250,000	250,000	250,000	250,000
Total Operating Revenues	$ 28,583,986	$ 30,258,690	$ 30,846,379	$ 31,366,685	$ 32,551,722	$ 34,709,120	$ 37,357,426	$ 38,811,536	$ 40,220,571	$ 41,053,233
OPERATING EXPENSES										
Purchased Power	$ 19,604,951	$ 20,499,773	$ 21,254,950	$ 21,994,652	$ 22,034,307	$ 25,401,455	$ 26,810,482	$ 28,594,813	$ 30,919,168	$ 32,466,182
Production	885,580	885,996	886,464	878,578	928,923	956,091	1,100,784	1,209,798	1,142,083	1,204,819
Transmission	-	-	-	-	5,189	15,000	15,000	15,000	15,450	15,914
Distribution	1,075,162	1,023,849	1,083,877	1,282,774	1,396,857	1,505,950	1,350,950	1,351,358	1,391,898	1,433,655
Depreciation	2,041,717	2,099,594	2,029,496	1,914,062	1,922,359	2,325,000	2,375,000	2,425,000	2,497,750	2,572,683
Customer accounts	642,619	707,539	711,055	824,886	856,076	570,700	570,700	570,700	587,821	605,456
General and administrative	2,183,021	2,133,561	2,162,050	2,497,171	2,752,443	3,124,599	3,140,949	3,314,369	3,437,873	3,566,775
Total Operating Expenses	$ 26,433,050	$ 27,350,312	$ 28,127,892	$ 29,392,123	$ 29,896,154	$ 33,898,794	$ 35,363,866	$ 37,481,037	$ 39,992,043	$ 41,865,483
OPERATING INCOME	$ 2,150,936	$ 2,908,378	$ 2,718,487	$ 1,974,562	$ 2,655,568	$ 810,325	$ 1,993,561	$ 1,330,498	$ 228,528	$ (812,250)
NON-OPERATING REVENUE (EXPENSE)										
Interest income	$ 113,983	$ 117,753	$ 81,289	$ 98,442	$ 95,533	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Miscellaneous revenue	73,712	144,779	182,920	229,532	279,487	100,000	100,000	100,000	100,000	100,000
Interest expense and other	(256,141)	(236,261)	(211,429)	(160,274)	(116,676)	(89,840)	(356,557)	(326,785)	(702,535)	(670,673)
Bond issuance costs	-	-	-	(44,850)	-	(14,328)	(14,328)	(14,328)	(14,758)	(15,201)
Sale of Security System	-	-	-	-	-	347,000	-	-	-	-
Gain (Loss) on sale of capital assets	(37,158)	2,260	(83,438)	29,525	8,899	(15,000)	(15,000)	(15,000)	(15,450)	(15,914)
Total Non-Operating Revenues (Expenses)	$ (105,604)	$ 28,531	$ (30,658)	$ 152,375	$ 267,243	$ 427,832	$ (185,885)	$ (156,113)	$ (532,743)	$ (501,787)
Income before Contributions and Transfers	$ 2,045,332	$ 2,936,909	$ 2,687,829	$ 2,126,937	$ 2,922,811	$ 1,238,157	$ 1,807,676	$ 1,174,385	$ (304,215)	$ (1,314,037)
Transfers to Other City Funds	$ (711,415)	$ (816,864)	$ (781,162)	$ (797,835)	$ (824,743)	$ (1,168,366)	$ (1,248,831)	$ (1,295,008)	$ (1,324,856)	$ (1,354,773)
CHANGE IN NET POSITION	$ 1,333,917	$ 2,120,045	$ 1,906,667	$ 1,329,102	$ 2,098,068	$ 69,791	$ 558,845	$ (120,623)	$ (1,629,070)	$ (2,668,811)
As Percent of Revenues	4.7%	7.0%	6.2%	4.2%	6.4%	0.2%	1.5%	-0.3%	-4.1%	-6.5%
CASH RESERVES										
Beginning of Year						$ 12,685,126	$ 10,810,388	$ 9,938,726	$ 8,957,813	$ 4,294,996
Plus Change in Net Position						69,791	558,845	(120,623)	(1,629,070)	(2,668,811)
Plus Depreciation						2,325,000	2,375,000	2,425,000	2,497,750	2,572,683
Plus New Debt						10,000,000		10,000,000		
Less Capital Improvements						(13,756,468)	(2,531,100)	(11,901,122)	(3,961,144)	(3,731,167)
Less Loss of Revenue Payments						(31,754)	(373,191)	(465,916)	(476,136)	(486,356)
Less Debt Principal						(481,307)	(901,216)	(918,252)	(1,094,217)	(1,138,385)
End of Year					$ 12,685,126	$ 10,810,388	$ 9,938,726	$ 8,957,813	$ 4,294,996	$ (1,157,041)
Reserve goal						$ 6,460,731	$ 6,568,436	$ 7,410,265	$ 7,673,218	$ 7,927,883
Percent of goal						167%	151%	121%	56%	-15%

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Theresa Slominski – Finance & Office Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 4.2
SUBJECT: RFP Auditing Firm	

BACKGROUND:
Last month we presented the results of the Auditing Firm RFP and our recommendation for moving forward with the current firm of Abdo, Eick, and Meyers LLP (AEM). Keeping the current auditors would be a cost neutral move for 2016, and an approximate $3,500 increase for each of the remaining four years. Staff was tasked to bring back recommendations for cost reductions of approximately $3,500 to offset the cost of retaining the current auditors in accepting the AEM proposal from the RFP.

DISCUSSION:
For reference, the Utility rationale for keeping the current auditors is largely dependent on the current transactions that we are invested in (the MMPA buy-in, the territory acquisition, and the sale of the security division), which our current auditors have been very involved in helping us plan for the implementation of these transactions and the financial reporting of them.

In reviewing forecasted expenses for potential savings there is a notable decrease in expenses for our MMTG fees. Current and prior years have been approximately $12,000 and that is being reduced to $5,900, a savings of $6,100 annually. In addition, as alluded to last month, we will be receiving an increase in the revenue received through the MISO reporting with the recognition of 50% of our transformers as qualifying assets. This is projected to be approximately $154,095 per year starting in 2018. Both of these items would be sufficient to offset the $3,500 RFP increase.

ACTION REQUESTED:
Approve the staff recommendation of retaining the existing auditors for the next five years.

ATTACHMENTS:
- 2016 Audit Proposals Pricing
- October 11, 2016 RFP Auditing Firm Memo

2016 AUDIT PROPOSALS

	Hours	2016	2017	2018	2019	2020	Total
Abdo Eick & Meyers							
City	230	31,800	33,400	34,100	34,800	35,500	169,600
CAFR Preparation		3,600	3,700	3,800	3,900	4,000	19,000
Total City		**35,400**	**37,100**	**37,900**	**38,700**	**39,500**	**188,600**
Utilities	120	16,016	16,500	17,000	17,500	18,000	85,016
Report Preparation		2,300	2,400	2,500	2,600	2,700	12,500
Total Utilities		**18,316**	**18,900**	**19,500**	**20,100**	**20,700**	**97,516**
Fire Relief w/Report	34	4,404	4,500	4,630	4,775	4,900	23,209
State Reporting Forms		1,000	1,030	1,060	1,090	1,125	5,305
Total Fire Relief		**5,404**	**5,530**	**5,690**	**5,865**	**6,025**	**28,514**
IRS Form 990		1,150	1,185	1,220	1,260	1,290	6,105
CliftonLarsonAllen							
City	290	30,550	30,900	31,250	31,600	31,950	156,250
CAFR Preparation		4,000	3,500	3,600	3,700	3,800	18,600
Total City		**34,550**	**34,400**	**34,850**	**35,300**	**35,750**	**174,850**
Utilities	125	13,275	13,525	13,775	14,025	14,275	68,875
Report Preparation		1,900	1,950	2,000	2,050	2,100	10,000
Total Utilities		**15,175**	**15,475**	**15,775**	**16,075**	**16,375**	**78,875**
Fire Relief w/Report	35	4,545	4,700	4,850	4,950	5,100	24,145
State Reporting Forms		350	350	350	350	350	1,750
Total Fire Relief		**4,895**	**5,050**	**5,200**	**5,300**	**5,450**	**25,895**
Redpath & Company							
City	295	33,025	33,600	34,300	34,900	35,600	171,425
CAFR Preparation		3,500	3,500	3,500	3,500	3,500	17,500
Total City		**36,525**	**37,100**	**37,800**	**38,400**	**39,100**	**188,925**
Utilities	115	14,000	14,200	14,500	14,800	15,000	72,500
Report Preparation		2,000	2,000	2,000	2,000	2,000	10,000
Total Utilities		**16,000**	**16,200**	**16,500**	**16,800**	**17,000**	**82,500**
Fire Relief w/Report	50	6,000	6,250	6,500	6,750	7,000	32,500
State Reporting Forms		500	500	500	500	500	2,500
Total Fire Relief		**6,500**	**6,750**	**7,000**	**7,250**	**7,500**	**35,000**

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Theresa Slominski – Finance & Office Manager
MEETING DATE: October 11, 2016	**AGENDA ITEM NUMBER:** 5.4
SUBJECT: RFP Auditing Firm	

BACKGROUND:
In 2011 the City of Elk River, the Elk River Fire Relief Association, and Elk River Municipal Utilities issued a Request for Proposal (RFP) of auditing services for a five year term. At that time the current auditors of Abdo, Eick and Meyers LLP had performed the Utility audit for approximately 20 years, and the City had been using them long before that. It was agreed that every five years we would conduct an RFP and perform an evaluation to exercise our fiduciary responsibility to contract with a professional and responsible auditing firm. This process ensures that we are working with qualified, competent firms that will provide an independent and accurate assessment of our financial position. The three entities above issued a combined RFP for 2016 through 2020 on August 1st, 2016.

DISCUSSION:
There were three RFPs received: Redpath & Co.(R), CliftonLarsonAllen LLP (CLA), and Abdo, Eick, and Meyers LLP (AEM). All three were competent firms that submitted qualifying proposals and interviewed well. In price, they were pretty comparable, and the summary of their prices is attached. For the Utility, all submissions were a decrease to the current rate of $18,780. After much discussion, it was decided that the City and Fire Relief wished to contract with CliftonLarsonAllen LLP for the next five years, and the Utilities wishes to continue to contract with Abdo, Eick, and Meyers LLP.

The Utility rationale for keeping the current auditors is largely dependent on the current transactions that we are invested in, which our current auditors have been very involved in helping us plan for the implementation of these transactions and the financial reporting of them. The transactions I am referring to are the recent bonding for the MMPA buy-in, the territory acquisition, and the sale of the security division. For these items, the auditor familiarity with our processes and the specific details of these transactions provides a huge advantage.

The transition in wholesale power provider, electric service territory acquisition, and the sale of a department are significant transactions, all of which occur very infrequently in the municipal world. In fact, most municipal utilities will never undergo all of these transactions within their existence much less have all three occurring at the same time. This situation creates a significant value add for AEM because of their involvement in the financial planning for these major transactions.

While it is appropriate to evaluate a long standing relationship of an auditor and client, we have had other auditors in the history of our organization and don't feel the need to make a change this year, given our circumstances. We do recognize that it is very convenient to utilize the same auditors at the City and ERMU, and feel that AEM would work diligently with a new auditor at the City to ensure there is an appropriate transfer of information for the CAFR, especially knowing firsthand the work that it takes to prepare the documents.

On October 3rd the City Council approved the five year contract with CLA. The City Administrator informed the Council that if ERMU selects a different auditor that it would not be a reporting issue for the City. Also, it should be noted that this would not have a negative financial impact to the City. Taking all these things into consideration, staff recommends retaining the auditing services of Abdo, Eick, and Meyers for the next five years.

ACTION REQUESTED:
Approve the staff recommendation of retaining the existing auditors for the next five years.

ATTACHMENTS:

- 2016 Audit Proposals Pricing

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Troy Adams, P.E. – General Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 5.1
SUBJECT: 2017 Budget: Rates and Review	

BACKGROUND:
In preparation for budget approval in December, staff continues to work through the 2017 budget process. Based on the preliminary rate increase notifications and projected expense increases and capital expenditures, a preliminary balanced budget has been drafted.

DISCUSSION:
Electric Department Budget

Wholesale power costs makes up a considerable portion of the required operating revenue, approximately 72% for 2016, and the wholesale rates set by Great River Energy (GRE) have an enormous impact on ERMU's rates. The 2017 wholesale power rates are expected to have between a 2.0% and 2.5% impact to ERMU. This increase in wholesale power costs are passed through in ERMU's retail rates.

The preliminary projected need for ERMU electric revenue increase is between 2.5% and 2.8% which is based on a 2.5% increase in wholesale power costs. We anticipate receiving the approved GRE wholesale rates for 2017 prior to the December Commission meeting and will adjust the budget accordingly for consideration by the Utilities Commission.

The retail rate classes will be designed incorporating the results of the cost of service study, feedback and direction from the Commission, and finalized wholesale rates. The ERMU rate classes will then be included with the budget in December for Commission adoption.

Water Department Budget

In order to maintain the financial health and to plan for the short and long term water capital project projections the 2017 water budget reflects an overall 2% increase in revenue. The allocation of the increase will be collected through an increase in customer charge and 1st tier water use rates. The rate design will be presented with the budget in December for Commission adoption.

ACTION REQUESTED:

- No action requested.

ATTACHMENTS:

- Proposed Summary of 2017 Budgets
- Proposed 2017 Electric and Water Revenue and Expense Budget
- Proposed 2017 Electric Capital Budget
- Proposed 2017 Water Capital Budget
- Proposed 2017 Administration and Technical Services Capital Budgets
- Proposed 2017 Training and Travel Budget
- Proposed 2017 Conservation Improvement Program Budget

ELK RIVER MUNICIPAL UTILITIES
SUMMARY OF YEAR 2017
BUDGETS

ELECTRIC BUDGET SUMMARY		**2017**		
ELECTRIC REVENUE	$	37,595,526		
ELECTRIC EXPENDITURES		(35,974,045)		
ELECTRIC NET FOR CAPITAL		1,621,481		4.31%
DEBT RETIREMENT		(706,000)		
PROMISSORY NOTE TO COUNTY		(195,216)		
LESS DEBT PRINCIPAL PMTS		720,265		
CAPITAL EQUIPMENT/CONSTRUCTION		(4,336,800)		
FUND FROM RESERVES		-	*	demand adjustment
		1,100,000	*	Waco 2 Substation
		450,000	*	Territory Acquisition
BOND REFUNDING				
NET		(2,066,535)		
DEPRECIATION		2,100,000		
NET TO RESERVES		33,465	*	

WATER BUDGET SUMMARY		**2017**	
WATER REVENUE	$	2,322,515	
WATER EXPENDITURES		(2,805,417)	
WATER NET FOR CAPITAL		(482,903)	
DEBT RETIREMENT		(244,000)	
GROSS		(726,903)	
CAPITAL PROJECTS		(394,700)	
FUND FROM RESERVES			
FUND FROM WATER TRUNK FUND			
BONDING		-	
NET		(1,121,603)	
DEPRECIATION		1,188,000	
NET TO RESERVES		66,397	*

** Currently, target reserves are met.*

			Electric							
	GL	GL Acct	Description	2015 Actual	2016 Budget	2017 Budget		Notes and Explanations		
Revenue	61	460.4691	INTEREST & DIVIDEND INCOME	95,533.00	100,000.00	100,000.00				
	61	440.4552	DISPERSED GENERATION CREDIT	-783,434.00	-771,734.00	-766,123.73				
	61	440.4555	A/C CREDIT	-57,270.00		-60,000.00				
	61	470.4700	SECURITY REVENUE	251,488.00	265,000.00	0.00				
	61	470.4701	CUSTOMER DELINQUENT PENALTIES	238,339.00	250,000.00	250,000.00				
	61	470.4702	DISCONNECT & RECONNECT CHARGE	163,195.00	55,000.00	55,000.00				
	61	470.4703	MISC ELEC REVENUE - TEMP CHG	900.00						
	61	470.4704	STREET LIGHT	4,500.00						
	61	470.4715	NON-UTILITY OPERATIONS	124,352.00	65,000.00	65,000.00				
	61	470.4720	GRE GENERATION - PEAKING PLANT		5,757.00	5,000.00				
	61	470.4721	LFG PROJECT	1,075,148.00	1,120,000.00	1,120,000.00				
	61	470.4722	MISC NON-UTILITY	128,828.00	35,000.00	35,000.00				
	61	470.4723	GAIN ON DISPOSITION OF PROP	8,898.00						
	61	470.4724	SALES OF MERCHANDISE	644.00						
	61	470.4750	RENTAL PROPERTY INCOME	24,762.00		8,240.00				
			DEMAND ADJUSTMENT		-1,000,000.00					
			PROJECTED SALES ALL CLASSES	31,659,757.00	36,179,191.00	36,783,410.00				
			Total Revenue	32,935,640.00	36,303,214.00	37,595,526.28				
Operations	61	540.5461	OPERATING SUPERVISION	57,645.00	151,000.00	155,152.50				
	61	540.5471	DIESEL OIL FUEL	23,987.00	25,000.00	25,000.00				
	61	540.5472	NATURAL GAS	23,198.00	40,000.00	25,000.00				
	61	540.5483	STATION PWR & WTR CONSP/PLANT	33,624.00	50,000.00	35,000.00				
	61	540.5484	OTHER EXP/PLANT SUPPLIES-ETC	7,192.00	6,500.00	6,500.00				
	61	540.5491	MISC OTHER PWR GENERATION EXP	11,962.00	14,000.00	15,000.00				
	61	540.5521	MAINTENANCE OF STRUCTURE/PLANT	37,944.00	44,000.00	50,000.00				
	61	540.5531	MTCE OF ENGINES/GENERATORS-PL	11,902.00	35,000.00	35,000.00				
	61	540.5541	MTCE OF PLANT/LAND IMPROVEMENT	16,887.00	30,000.00	20,000.00				
			Total Operations	224,341.00	395,500.00	366,652.50				
Purchased Power	61	540.5551	PURCHASED POWER	22,034,306.00	25,130,844.00	26,116,466.33				
			Total Purchased Power	22,034,306.00	25,130,844.00	26,116,466.33				
Landfill Gas Plant	61	550.5050	LFG PURCHASED GAS	154,943.00	170,000.00	170,000.00				
	61	550.5051	LANDFILL GAS O&M	510,433.00	500,000.00	550,000.00		Anticipated increased maintenance costs		
	61	550.5052	LFG ADMIN	21,746.00	10,000.00	10,000.00				
	61	550.5053	LFG INSURANCE	16,577.00	17,500.00	17,500.00				
	61	550.5054	LFG MTCE	876.00	20,000.00	1,000.00				
			Total Landfill Gas Plant	704,575.00	717,500.00	748,500.00				
Transmission	61	560.5620	TRANSMISSION MTCE AND EXPENSE new	5,189.00	15,000.00	15,000.00				
			Total Transmission	5,189.00	15,000.00	15,000.00				
Distribution	61	580.5801	REMOVE EXISTING SERV & METERS	164.00	2,000.00	2,500.00				
	61	580.5821	SCADA EXPENSES	4,873.00	5,500.00	5,500.00				
	61	580.5831	TRANSFORMER EX/OVERHD & UNDERG	8,642.00	32,200.00	32,000.00				
	61	580.5851	MTCE OF SIGNAL SYSTEMS	472.00	1,500.00	1,600.00				
	61	580.5861	METER EXP - REMOVE & RESET	433.00	4,000.00	5,000.00				
	61	580.5871	TEMP SERVICE-INSTALL & REMOVE	1,104.00	1,500.00	1,500.00				
	61	580.5881	MISC DISTRIBUTION EXPENSE	235,144.00	280,000.00	280,000.00				
	61	580.5890	INTERCONNECTION CARRYING CHARGE	402.00						
			Total Distribution	251,234.00	326,700.00	328,100.00				

	GL	GL Acct	Description	2015 Actual	2016 Budget	2017 Budget		Notes and Explanations		
Maintenance	61	590.5911	MTCE OF STRUCTURES	21,029.00	10,000.00	10,000.00				
	61	590.5921	MTCE OF SUBSTATIONS	20,719.00	25,000.00	25,000.00				
	61	590.5922	MTCE OF SUBSTATION EQUIPMENT	20,314.00	25,000.00	35,000.00				
	61	590.5931	MTCE OF OVERHD LINES/TREE TRIM	49,096.00	100,000.00	100,000.00				
	61	590.5932	MTCE OF OVERHD LINES/STANDBY	25,934.00	30,000.00	30,000.00				
	61	590.5933	MTCE OF OVERHEAD	185,935.00	120,000.00	130,000.00				
	61	590.5941	MTCE OF UNDERGROUND/DISTRIB	83,408.00	80,000.00	90,000.00				
	61	590.5943	LOCATE UNDERGROUND PRIMARY	28,638.00	25,000.00	35,000.00				
	61	590.5951	MTCE OF LINE TRANSFORMERS	44,977.00	45,000.00	48,000.00				
	61	590.5961	MTCE OF STREET LIGHTING	55,771.00	40,000.00	40,000.00				
	61	590.5962	MTCE OF SECURITY LIGHTING	8,966.00	12,000.00	10,000.00				
	61	590.5971	MTCE OF METERS	77,890.00	95,000.00	110,000.00				
	61	590.5972	VOLTAGE COMPLAINTS	6,064.00	8,000.00	8,000.00				
	61	590.5981	SALARIES/TRANS & DISTRIBUTION	24,771.00	45,000.00	40,000.00				
	61	590.5985	ELECTRIC MAPPING	73,458.00	105,000.00	100,000.00				
	61	590.5991	MTCE OF OVERHEAD SERVICE/2NDRY	12,608.00	11,000.00	15,000.00				
	61	590.5992	MTCE OF UNDERGROUND ELEC SERV	35,098.00	37,000.00	40,000.00				
	61	590.5993	LOCATE UNDERGROUND SECONDARY	20,491.00	18,000.00	20,000.00				
	61	590.5995	TRANSPORTATION EXPENSE	135,338.00	175,000.00	180,000.00				
			Total Maintenance	930,505.00	1,006,000.00	1,066,000.00		Budgeted higher for new territory maintenance		
Depreciation	61	595.8031	DEPRECIATION	1,922,358.00	2,325,000.00	2,100,000.00				
			Total Depreciation	1,922,358.00	2,325,000.00	2,100,000.00				
Other Exp	61	596.8071	INTEREST ON BONDS/LONG TERM	133,857.00	114,540.00	356,557.00		New bond issue 10 million		
	61	596.8075	INTEREST ON DEFEASED BONDS	-3,271.00	-3,370.00	-3,370.00				
	61	597.8161	COST & EXP MERCH JOBBING/ELEC	393.00	0.00	0.00				
	61	597.8172	SECURITY EXPENSE	204,318.00	215,000.00	0.00				
	61	597.8213	LOSS ON DISPOSITION OF PROP (CAPITAL)	20,263.00	15,000.00	7,500.00				
	61	597.8214	LOSS ON DISPOSITION OF PROP (NON-CAP)			7,500.00				
	61	597.8261	UTILITIES & LABOR DONATED	520,726.00	232,000.00	232,000.00				
	61	597.8262	TRANSFER TO CITY 4% ER REVENUE	824,743.00	1,080,000.00	1,165,000.00				
	61	597.8263	OTHER DONATIONS	1,402.00	5,000.00	5,000.00				
	61	597.8264	DAM MAINTENANCE EXPENSE	2,359.00	0.00	0.00				
	61	597.8281	AMORTIZATION OF DEBT DISCOUNT	-13,910.00	-14,328.00	-47,478.00				
	61	597.8302	PENSION EXPENSE	-1,533.00		1,500.00				
	61	597.8341	INTEREST PD ON METER DEPOSITS	446.00	1,000.00	1,000.00				
	61	597.84	RENTAL PROPERTY EXPENSE	6,188.00	6,000.00	3,000.00				
			Total Other Exp	1,695,981.00	1,650,842.00	1,728,209.00				

	GL	GL Acct	Description	2015 Actual	2016 Budget	2017 Budget		Notes and Explanations		
Customer Exp	61	900.9021	METER READING EXPENSE	36,808.00	41,700.00	40,000.00				
	61	900.903	COLLECTING EXP DISC/RECONNECT	11,679.00	12,000.00	12,000.00				
	61	900.9051	MISC CUSTOMER ACCTS EXP-COMP	244,016.00	240,000.00	250,000.00				
	61	900.9061	CUST BLGS NOT PD/SENT FOR COLL	42,845.00	45,000.00	45,000.00				
			Total Customer Exp	335,348.00	338,700.00	347,000.00				
Admin & General	61	920.9201	SALARIES/OFFICE & COMMISSION	659,317.00	691,000.00	708,000.00				
	61	920.9201	TEMPORARY STAFFING	0.00	4,000.00	4,000.00				
	61	920.9211	OFFICE SUPPLIES & EXPENSE	144,233.00	115,680.00	117,500.00				
	61	920.9212	LT & WATER CONSUMPTION/OFFICE	21,102.00	24,000.00	25,000.00				
	61	920.9213	BANK CHARGES	3,001.00	4,000.00	3,500.00				
	61	920.9221	LEGAL FEES	27,065.00	25,000.00	50,000.00		Aniticipated increased territory agreement legal counsel		
	61	920.9231	AUDITING FEES	16,380.00	14,400.00	14,652.80				
	61	920.9241	INSURANCE	174,161.00	177,000.00	145,000.00				
	61	920.926	UTILITY SHARE DEF COMP	41,982.00	47,000.00	57,000.00				
	61	920.9261	UTIL SH OF MEDICAL/DENTAL/DISA	472,242.00	555,000.00	609,464.57				
	61	920.9262	UTILITY SHARE OF PERA	204,355.00	275,000.00	245,000.00				
	61	920.9263	UTILITY SHARE OF FICA	196,860.00	195,000.00	215,000.00				
	61	920.9264	EMPLOYEES SICK PAY	93,239.00	95,000.00	100,000.00				
	61	920.9266	EMP VACATION/HOLIDAY PAY	260,029.00	250,000.00	275,000.00				
	61	920.9269	CONSERVATION IMP PROGRAM	67,696.00	169,444.00	185,000.00				
	61	920.9281	ENVIRONMENTAL COMPLIANCE	24,207.00	27,000.00	27,000.00				
	61	920.9291	CONSULTING FEES	36,841.00	130,000.00	50,000.00		2016 budgeted high for field services facility		
	61	920.9301	TELEPHONE	26,997.00	26,000.00	27,000.00				
	61	920.9302	ADVERTISING	7,154.00	7,000.00	3,000.00				
	61	920.9303	DUES & SUBSCRIPTIONS - FEES	91,612.00	87,000.00	78,000.00		MMTG Dues decreased		
	61	920.9304	TRAVEL EXPENSE	13,783.00	15,360.00	15,000.00				
	61	920.9305	SCHOOLS & MEETINGS	127,400.00	176,215.00	180,000.00				
	61	920.9306	MISC GENERAL EXPENSE	9,354.00	1,000.00	1,000.00				
	61	920.9321	MTCE GEN PLANT/OFF HEAT	14,687.00	21,000.00	23,000.00				
			Total Admin & General	2,733,697.00	3,132,099.00	3,158,117.37				
			Total Expense Budget	30,837,534.00	35,038,185.00	35,974,045.20	-0.50%	Increase over current year, excluding purchased power		
			Total Profit/Loss Budget			1,621,481.08				

	GL	GL Acct	Description	2015 Actual	2016 Budget	2017 Budget		Notes and Explanations		
			Water							
				2015 Actual	**2016 Budget**	**2017 Budget**				
Revenue	62	460.4691	INTEREST & DIVIDEND INCOME	24,665.00	27,000.00	25,000.00				
	62	460.4692	OTHER INT/MISC REVENUE	778.00						
	62	470.4722	MISC NON-UTILITY	2,634.00						
	62	470.475	RENTAL PROPERTY INCOME	6,190.00	6,000.00	2,060.00				
	62	610.6101	WATER SALES COMM & RES/COMPUT	2,135,376.00	2,276,975.00	2,322,514.50	2.0%			
	62	610.6115	WATER SALES CITY DONATED	5,719.00						
	62	620.626	TRANSFER IN FROM CITY	94,702.00						
	62	620.6301	CUSTOMER PENALTIES	18,898.00	15,000.00	15,000.00				
	62	620.6401	WATER/ACCESS/CONNECTION FEES	253,933.00	154,125.00	150,000.00				
	62	620.6402	MISC CONNECTION FEES	42,543.00	10,000.00	10,000.00				
	62	620.6403	MISCELLANEOUS REVENUE	308.00						
	62	620.6404	HYDRANT MAINTENANCE PROGRAM	9,386.00	7,000.00	7,000.00				
	62	620.6405	CONTRIBUTIONS FROM DEVELOPERS	189,669.00						
	62	620.6406	WATER TOWER LEASE	158,003.00	140,000.00	140,000.00				
			Total Revenue	2,942,804.00	2,636,100.00	2,644,514.50				
Other Exp	62	595.8031	DEPRECIATION	1,131,109.00	1,140,000.00	1,188,000.00				
	62	596.8071	INTEREST ON BONDS/LONG TERM	65,952.00	60,192.00	52,750.00				
	62	596.8075	INTEREST ON DEFEASED BONDS	-817.00	-842.00	-842.00				
	62	596.8213	LOSS ON DISPOSITION OF PROP	2,585.00	1,000.00	1,000.00				
	62	597.8261	WATER AND LABOR DONATED	5,719.00	500.00	500.00				
	62	597.8264	DAM MAINTENANCE EXPENSE		7,800.00	7,800.00				
	62	597.8302	PENSION EXPENSE	-16,085.00		1,500.00				
	62	597.8341	INTEREST PD ON METER DEPOSITS	21.00	20.00	20.00				
	62	597.84	RENTAL PROPERTY EXPENSE	1,547.00	1,000.00	1,000.00				
			Total Other Exp	1,220,031.00	1,236,398.00	1,251,728.00				
Production	62	700.7021	MTCE OF STRUCTURES	34,521.00	28,000.00	30,000.00				
	62	700.7022	TOWER & GROUNDS INSPECTION	1,245.00	0.00	0.00				
			Total Production	35,766.00	28,000.00	30,000.00				
Pumping	62	710.7101	SUPERVISION	20,944.00	47,000.00	56,000.00				
	62	710.7181	SUPPLIES & EXPENSE	221,257.00	230,000.00	230,000.00				
	62	710.7182	SAMPLING	13,997.00	15,000.00	16,000.00				
	62	710.7183	CHEMICAL FEED	31,219.00	30,000.00	30,000.00				
	62	710.7201	MTCE OF ELECT PUMPING EQUIP	60.00	0.00	0.00				
	62	710.722	MTCE OF WELLS	132,315.00	130,000.00	250,000.00		Increase $100k for noteworthy expenses from capital budget considerations		
	62	710.723	SCADA - PUMPING	9,619.00	12,500.00	12,500.00				
			Total Pumping	429,411.00	464,500.00	594,500.00				
Distribution	62	730.7301	MTCE OF WATER MAINS	23,705.00	50,000.00	107,500.00		Increased for leak detection and repairs, asset mgmt software license costs		
	62	730.7309	LOCATE WATER SVC	4,523.00	7,500.00	9,000.00				
	62	730.731	LOCATE WATER MAIN	675.00		0.00				
	62	730.7311	MTCE OF WATER SERVICES	34,427.00	0.00	0.00				
	62	730.7312	WATER METER SERVICE	7,135.00	6,000.00	8,000.00				
	62	730.7315	INSTALL & MTC IRRIG METERS	1,409.00	5,000.00	0.00				
	62	730.7321	MTCE OF CUSTOMERS SERVICE	21,840.00	25,000.00	25,000.00				
	62	730.7325	WATER MAPPING	7,141.00	18,000.00	20,000.00				
	62	730.733	SCADA - DISTRIBUTION	1,403.00	0.00	0.00				
	62	730.7331	MTCE OF WATER HYDRANTS	27,435.00	30,000.00	31,000.00				
	62	730.7341	MISC WATER EXPENSE/INVENTORY	6,893.00	12,000.00	12,000.00				
	62	730.7391	WAGES/WATER	3,248.00	7,209.00	0.00				
	62	730.7395	TRANSPORTATION EXPENSE	16,675.00	15,000.00	15,000.00				
	62	730.7399	GENERAL EXP/WATER PERMIT	11,592.00	14,000.00	15,000.00				
			Total Distribution	168,101.00	189,709.00	242,500.00				

	GL	GL Acct	Description	2015 Actual	2016 Budget	2017 Budget		Notes and Explanations
Customer Exp	62	900.9021	METER READING EXPENSE	1,650.00	2,100.00	7,000.00		
	62	900.903	COLLECTING EXP DISC/RECONNECT		1,000.00			
	62	900.9051	MISC CUSTOMER ACCTS EXP-COMP	60,165.00	42,000.00	65,000.00		
	62	900.9061	CUST BLGS NOT PD/SENT FOR COLL	-47.00	1,000.00	1,000.00		
			Total Customer Exp	61,768.00	46,100.00	73,000.00		
Admin & General	62	920.9201	SALARIES/OFFICE & COMMISSION	147,926.00	164,000.00	176,000.00		
	62	920.9205	TEMPORARY STAFFING	0.00	2,000.00	1,000.00		
	62	920.9211	OFFICE SUPPLIES & EXPENSE	32,269.00	28,092.00	27,000.00		
	62	920.9212	LT & WATER CONSUMPTION/OFFICE	5,275.00	5,000.00	5,000.00		
	62	920.9213	BANK CHARGES	780.00	1,000.00	1,000.00		
	62	920.9221	LEGAL FEES	4,196.00	5,000.00	5,000.00		
	62	920.9231	AUDITING FEES	4,095.00	3,600.00	3,663.20		
	62	920.9241	INSURANCE	28,115.00	35,000.00	30,000.00		
	62	920.926	UTILITY SHARE DEF COMP	10,495.00	12,000.00	4,600.00		
	62	920.9261	UTIL SH OF MEDICAL/DENTAL/DISA	146,681.00	150,000.00	153,576.14		
	62	920.9262	UTILITY SHARE OF PERA	21,329.00	23,000.00	23,750.00		
	62	920.9263	UTILITY SHARE OF FICA	22,300.00	24,500.00	25,250.00		
	62	920.9264	EMPLOYEES SICK PAY	22,285.00	25,000.00	25,750.00		
	62	920.9266	EMP VACATION/HOLIDAY PAY	58,596.00	57,000.00	60,000.00		
	62	920.9268	MISCELLANEOUS - WELLHEAD PROT	703.00	1,000.00	1,000.00		
	62	920.9269	CONSERVATION IMP PROGRAM	8,763.00	10,000.00	10,000.00		
	62	920.9281	ENVIRONMENTAL COMPLIANCE	288.00	575.00	600.00		
	62	920.9291	CONSULTING	0.00	10,000.00	10,000.00		
	62	920.9301	TELEPHONE	6,797.00	7,500.00	7,500.00		
	62	920.9302	ADVERTISING	3,406.00	4,000.00	4,000.00		
	62	920.9303	DUES & SUBSCRIPTIONS - FEES	42,984.00	38,000.00	38,000.00		
	62	920.9304	TRAVEL EXPENSE	2,949.00	2,840.00	3,000.00		
	62	920.9305	SCHOOLS & MEETINGS	20,611.00	25,130.00	28,000.00		AWWA National Conference
	62	920.9306	MISC GENERAL EXPENSE	-185.00	500.00	500.00		
	62	920.9321	MTCE GEN PLANT/OFF HTG	3,671.00	2,060.00	2,500.00		
			Total Admin & General	594,329.00	636,797.00	646,689.34		
			Total Expense Budget	2,509,406.00	2,601,504.00	2,838,417.34	9.11%	Increase over current year, total
			Total Profit/Loss Budget			-193,902.84		

Elk River Municipal Utilities
2017 Electric Department Capital Budget

Capital Construction Projects - Non-Recurring Normal Distribution, Feeders, and Substations

Labor Priority		Cost	Description			
7	$	100,000	Rebuild Sandpiper Estates			
5	$	150,000	OH and URD 197th to GRE Transmission			
6	$	75,000	Feeder 81 sub to Salk School			
4	$	75,000	Presidential Estates			
1	$	150,000	Area 2 rebuild			
2	$	75,000	Area 3&4 prep			
3	$	750,000	Area 5&6 prep	(2 year project)		
	$	1,100,000	Waco II Substation			
	$	270,000	Power Plant Sub Relocation & Sitework			
Subtotal	$	2,745,000				

Capital Construction Projects - Recurring

		Cost	Description	
	$	200,000	Transformers and Meters	
	$	250,000	New Development Distribution Installation	
	$	50,000	Ongoing OH Equip Replacement (Poles, Switches, Cut-Outs)	
	$	100,000	Ongoing URD Equip Replacement (Switches, J-Boxes, Fuse Pads)	
	$	20,000	Street Lighting Replacement	
	$	500	Territory Acquisition - Loss of Revenue payment (1991 contract)	
	$	345,000	Territory Acquisition - Loss of Revenue payment (2015 contract - Area 1 first - pmt 2017)	Reserves
	$	450,000	Future Territory Acquisition (Area 3&4 Plant)	Reserves
	$	-	Additional Feeders	
Subtotal	$	1,415,500		

Administration Noteworthy Non-Recurring Expenses

		Cost	Description
	$	7,500	AEDs in bucket trucks
Subtotal	$	7,500	

Capital Equipment Needs

		Cost	Description			
	$	8,000	Laptop Computers, Software, Accessories			
	$	17,000	Barcoding software & equipment			
	$	2,000	SCADA equipment			
			Replace Digger Truck #10 with new	2018	$	250,000
			Replace Bucket Truck #21 with new	2018	$	250,000
	$	12,800	Jackhammer and Tamper attachment for Mini-excavator	share with water dept		
	$	45,000	Pickup replace Unit #31 and add liftgate			
			Field Services Building addition ?years	80/20%	Bond $5,000,000	
	$	84,000	80% share of Administration and Technical Services			
Subtotal	$	168,800				
Total	**$**	**4,336,800**				

Elk River Municipal Utilities
2017 Water Department Capital Budget

Water Capital Construction Needs

	Cost	Description
	$ -	Water Main Construction
	$ 90,000	Filter/Sandblast Well 4
	$ 40,000	Well 9 Rehabilitation
	$ 80,000	Facility Repair
Subtotal	$ 210,000	

Water Noteworthy Non-Recurring Expenses

	Cost	Description	
		Repairs & Maintenance	
	$ 3,000	Computers	
	$ 10,000	Meters/ERT	
	$ 15,000	Miscellaneous Tower Repairs/Maintenance	
	$ -	Jackson Water Tower	$90,000 Reserves
Subtotal	$ 28,000		

Capital Equipment Needs

	Cost	Description	
	$ 80,000	Trucks	Pickup replacement of #26, #25
	$ 3,200	Jackhammer and Tamper Attachment for Mini-Excavator	
	$ 20,000	Mower and Trailer (Landscaping Contract Ends 2016)	
	$ 23,600	20% share of Administration and Technical Services	
	$ 30,000	Field Services Facility site work	
Subtotal	$ 156,800		
Total	**$ 394,800**		

Elk River Municipal Utilities
2017 Administration and Technical Services Departments Capital Budgets

Administration Capital Equipment Needs

		Cost	Description
	$	7,000	Computer, Software, Accessories - Upgrades
	$	500	ipad New Commissioner
Subtotal	$	7,500	

Administration Noteworthy Non-Recurring Expenses

		Cost	Description
	$	5,000	Office Furniture
	$	500	printers/scanners
Subtotal	$	5,500	
Total	**$**	**13,000**	

Technical Services Capital Equipment Needs

		Cost	Description
	$	7,000	Computers, Software, Accessories - Upgrades
	$	32,000	Itron MV-90 Software to replace outdated metering data software
			Diesel Engines Emission Retrofit $ 350,000 Currently designated as emergency standby,
	$	20,000	Diesel Plant to run on Natural gas.
	$	5,000	5 USER Arch GIS Online Account
	$	36,000	Plant Security Fob System
Subtotal	$	100,000	

Technical Services Noteworthy Non-Recurring Expenses

		Cost	Description
	$	5,000	desk for office
Subtotal	$	5,000	
Total	**$**	**105,000**	

ELK RIVER MUNCIPAL UTILITIES
TRAINING AND TRAVEL BUDGET FOR 2017

		Budget 2015	Budget 2016	Budget 2017	
ELECTRIC					
MMUA Overhead Hot Line School	3 people	3,111.00	3,165.00	3,165.00	
MMUA Underground School	3 people	3,111.00	3,165.00	3,165.00	
MMUA Transformer School	3 people	3,111.00	3,165.00	3,165.00	
MMUA Substation Workshop	2 people	2,074.00	2,110.00	2,110.00	
1st Line Supervision	1 person	300.00	1,470.00	1,470.00	
Apprenticeship	3 people	3,750.00	1,602.00	1,602.00	
MMUA Meter School	2 people	1,940.00	1,940.00	1,940.00	
MMUA Locator Workshop	2 people	650.00	720.00	720.00	
Regional Workshop	10 people	450.00	650.00	650.00	
Infrared Camera training	1 person	529.00			
GPS	1 person	1,500.00	750.00	750.00	
APPA Linemen Rodeo team	3 people	5,500.00	4,340.00	4,284.00	
Cross Training School			955.00		
PCB Training	1 person			1,428.00	
Member Information Conf (NISC)	1 person			1,800.00	
Additional Training		1,000.00	1,000.00	2,000.00	
		27,026.00	25,032.00	28,249.00	12.9%
WATER					
Water Certification Continuing Educa	3 people	4,000.00	2,000.00	2,000.00	
Wastewater Certification Continuing	3 people	1,000.00	1,500.00	1,500.00	
1st Line Supervision		1,200.00	1,470.00		
Meter School/Training	1 person	-			
Cross Training School	1 person				
Apprenticeship	1 person				
Chamber Leadership Program	1 person				
Additional Training		500.00	1,000.00	2,500.00	
		6,700.00	5,970.00	6,000.00	0.5%
TECHNICAL SERVICES					
MMUA Locator Workshop	1 person	1,366.00	695.00		
MMUA Staking Workshop		-	750.00		
MMUA Diesel Workshop	1 person	750.00	755.00	750.00	
UMMA Meter Workshop	2 people	1,660.00	842.50	1,806.00	
CAD Workshops/GPS	1 person	-	750.00	750.00	
Substation School					
Power Limited classes		990.00	292.15		
Power Quality training		400.00			
Infrared Camera training	1 person	-	535.00	700.00	
Security classes		400.00	400.00		
UMMA winter mtg	1 person		850.00	653.00	
UMMA summer mtg	1 person			653.00	
1st Line Supervision		250.00			
Electrical Licensing	1 person		360.00	360.00	
Cross Training School	1 person		810.00		
Apprentice Meter Program (2)	2 people	2,400.00	2,450.00	4,800.00	
Additional Training		1,000.00	1,000.00	1,000.00	
		9,216.00	10,489.65	11,472.00	9.4%
ADMINISTRATION					
AWWA Water Certification Continuing Education			1,572.50	1,600.00	
MRWA Water Certification Continuing Education			500.00	500.00	
Wastewater Certification Continuing Education			500.00	500.00	
MV-RS Meter/Software training	1 staff	-	650.00	-	
AWWA National Conference				3,000.00	
Financial					
Publishing and Design Software trng	1 staff		1,000.00	1,000.00	
Engineering					
MMUA Annual Summer Meeting	3 staff/ 2 comm	3,750.00	4,525.00	4,525.00	
MMUA Legislative Round-up	3 staff/ 1 comm	3,200.00	2,650.00	1,370.00	
APPA Legislative Round-up	1 staff/1 comm	2,793.88	4,650.00	4,650.00	
or Engineering/Operator Workshop					
MMUA T&O Conference	4 staff	1,800.00	2,400.00	2,400.00	
MMUA Legal Seminar		250.00			
Clerk's Conference		519.00	600.00	950.00	
MMUA Leadership Academy			1,470.00	3,000.00	
APPA E&O Conference	2 staff		6,020.00	4,140.00	
APPA National Conference	1 staff/1 comm			4,940.00	
APPA Training (Mgmt, CS, Fin, Eng, CIP, etc)		7,900.00	5,670.00	2,140.00	
Management Training		2,250.00	2,500.00	3,000.00	
Additional Training		1,000.00	1,000.00	1,000.00	
		31,656.88	35,707.50	38,715.00	8.4%
OFFICE					
Member Information Conf (NISC)	5 staff	6,200.00	7,800.00	9,000.00	
Customer Service			3,500.00	3,500.00	
Chamber Leadership Program	1 person	350.00	350.00	350.00	
Additional Training				1,000.00	
		6,550.00	11,650.00	13,850.00	18.9%
SAFETY TRAINING					
Safe Driver Training		2,100.00	2,100.00	2,100.00	
Hearing Test		500.00	500.00	700.00	
MMUA Monthly Safety Meetings		25,250.00	26,600.00	26,600.00	
		27,850.00	29,200.00	29,400.00	0.7%
EDUCATION		3,000.00	3,000.00	3,000.00	
		111,998.88	121,049.15	130,686.00	8.0%
Increase		7.6%	8.1%	8.0%	

2017 CIP Budget (Rebate and Operating)

Residential Programs	2016 Budget	2017 Budget	Historical Participation 15	14	13	12	11*	10	2017 Direct Labor	2017 G & A	2017 Advrt.	2017 Equip.	2017 Contract	2017 ERMU Operating Only	2017 ERMU Rebate	2017 Total ERMU Spending	2017 GRE Rebate	2017 Total ERMU and GRE Rebate	2017 ERMU Total Spending Operating and Rebates	kW Saved	kWh Saved	Negative is Decrease Postive is increase 2017-2016
Off-Peak (ETS) Space Heating (Systems)	7	0	0	0	0		0	0	$0	$0	$500	$0	$1,000	$1,500	$0	$1,500	$0	$0	$1,500	-		-$7,400
Dual Fuel Heating (Systems)	15	30	26	12			0	7	$7,500	$0	$1,000	$11,250	$3,500	$23,250	$0	$23,250	$0	$0	$23,250	-		$9,875
Electric Vehicle Charging in Home	0	10							$2,500	$2,000	$7,000	$46,000	$12,000	$69,500	$0	$69,500	$5,000	$5,000	$74,500	-		$74,500
Cycled AC/ASHP	55	60	89	29	47	47	54	64	$9,000	$0	$1,600	$6,300	$18,000	$34,900	$0	$34,900	$6,000	$6,000	$40,900	-	4,800	$1,025
Peak Shave Water Heat (8Hr)																						-$175
Off-Peak (ETS) Storage Water Heat	20	21	39	2	6	1	0	3	$4,200	$0	$750	$7,875	$2,000	$14,825	$0	$14,825	$5,250	$5,250	$20,075	-	8,400	$0
Load Control Audits	25	25	3	5					$3,750	$3,000	$0	$0	$0	$6,750	$0	$6,750	$0	$0	$6,750	-		-$16,500
																				-		
CAC Installation	60	50	47	32	34	41	18	80	$1,875	$0	$1,200	$0	$2,000	$5,075	$0	$5,075	$8,750	$8,750	$13,825	-	39,550	-$2,125
ASHP Installation	20	5	1	5	2	1	1	12	$188	$0	$1,200	$0	$2,000	$3,388	$0	$3,388	$2,900	$2,900	$6,288	-	39,000	-$9,263
ECM Furnace Motor	75	85	80	62	44	40	36	35	$3,188	$2,000	$900	$0	$0	$6,088	$0	$6,088	$8,500	$8,500	$14,588	-	64,855	$1,375
CAC Tune-Up	140	200	196	98	143	182	144	143	$7,500	$3,000	$900	$0	$0	$11,400	$7,000	$18,400	$5,000	$12,000	$23,400	-	20,000	$5,850
Wall Mounted AC Tune-Up (New 2012)	20	0	0	0	0				$0	$1,000	$500	$0	$0	$1,500	$0	$1,500	$0	$0	$1,500	-	-	-$1,950
Ground Source Heat Pump (System)	5	7	7	15	13	5	1	5	$1,400	$1,000	$1,000	$0	$0	$3,400	$0	$3,400	$2,800	$2,800	$6,200	-	30,800	$1,200
Ductless ASHP	25	5	2	3	10	2	0		$188	$1,000	$800	$0	$0	$1,988	$0	$1,988	$1,500	$1,500	$3,488	-	58,710	-$6,750
																				-		
Clothes Washer	110	80	77	86	61	71	45	98	$1,500	$1,000	$700	$0	$0	$3,200	$5,200	$8,400	$0	$5,200	$8,400	-	12,640	-$2,513
Dishwasher	0	0	0		0			90	$0	$0	$700	$0	$0	$700	$0	$700	$0	$0	$700	-		$700
Refrigerator New ONLY	0	0			0		21	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-		$0
Refrigerator New w/Recycle	90	60	48	48	59	37	31	94	$1,125	$1,000	$700	$0	$0	$2,825	$0	$2,825	$4,500	$4,500	$7,325	-	55,620	-$2,813
Refrigerator Harvest	0	0			7				$0	$0	$700	$0	$0	$700	$0	$700	$0	$0	$700	-	-	$0
Pool Pump		5							$188	$500	$700			$1,388	$0	$1,388	$1,000	$1,000	$2,388	-		
Heat Pump Water Heaters		5							$188	$500	$700			$1,388	$0	$1,388	$2,500	$2,500	$3,888	-		
Freezer	0	0					0	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-		$0
Dehumidifier	25	15	9	8			0	0	$281	$1,000	$700	$0	$0	$1,981	$0	$1,981	$375	$375	$2,356	-		-$438
																				-		
CFL/LED Rebates	2700	3000	###	2227	453	789		1391	$1,500	$1,000	$1,800	**$0**	$0	$4,300	$6,000	$10,300	$12,000	$18,000	$22,300	-	135,000	$4,500
LED Holiday Lights (New 2012)	800	900	850	500	611				$1,500	$1,000	$900	$0	$0	$3,400	$1,800	$5,200	$1,800	$3,600	$7,000	-	40,500	$400
Fluorescent Lamp Recycling	150	0							$1,500	$500	$1,000	$0	$0	$3,000	$0	$3,000	$0	$0	$3,000	-		-$75
																				-		
Income Eligible (CAP Agency)	5	5		3		1			$2,500	$3,000	$1,200	$0		$6,700	$0	$6,700	$21,157	$21,157	$27,857	-	25,000	$3,000
Custom (Wall Mounted AC Tune -Up				0	1									$0		$0		$0	$0	-	-	$0
Weatherization														$0		$0		$0	$0	-		$0
Appliances				1	2									$0		$0		$0	$0	-		$0
Kits														$0		$0		$0	$0	-		$0
																				-		
AC Tree Placement								100	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-		$0
Residential Audits								12	$1,500	$500	$0	$500	$500	$3,000	$0	$3,000	$0	$0	$3,000	-		-$2,500
Energy City	0	0						35	$5,850	$500	$0	$0	$0	$6,350	$0	$6,350	$0	$0	$6,350	-		$0
																				-		
																				-		
MN Division of Energy Resources Assessment													$25,000	$25,000		$25,000			$25,000	-		$0
Field Services Labor for Program Delivery																$0			$0	-		$0
									$58,919	$23,500	$27,150	$71,925	$66,000	$247,494	$20,000	$267,494	$89,032	$109,032	$356,526		534,875	$56,200
Commercial Programs																						
Custom	5	5	42	4	5	7	1	2	$4,000	$1,500	$600	$0	$0	$6,100	$0	$6,100	$24,000	$24,000	$30,100		200,000	$6,100
Vending Machine Control/ Door Miser			0						$500	$500	$100	$0	$0	$1,100	$0	$1,100	$0	$0	$1,100		-	$0
Consultations - Commissioning	20	20	2			1	5	7	$3,000	$1,500	$0	$0	$0	$4,500	$0	$4,500	$0	$0	$4,500		-	$0
Chiller, Cooling Towers, VAV,	2	2	0		2	1	0	1	$4,000	$1,000	$100	$0	$1,500	$6,600	$15,000	$21,600	$10,000	$25,000	$31,600		125,000	$2,000
Design Assistance/Audits	4	4	4					7	$1,500	$1,000	$100	$0	$0	$2,600	$0	$2,600	$0	$0	$2,600			-$3,000
Energy Star Certification			0						$500	$0	$0	$0	$0	$500	$0	$500	$0	$0	$500			-$1,000
Ground Source Heat Pump	1	0	0						$2,000	$2,500	$100	$0	$0	$4,600	$0	$4,600	$0	$0	$4,600		-	-$9,500
LED Lighting	6	6	69	13	22	15			$7,000	$2,000	$1,000	$0	$0	$10,000	$20,000	$30,000	$30,000	$50,000	$60,000		714,286	$400
New Construction Lighting	5	5	1		3	1			$3,000	$1,500	$1,000	$0	$0	$5,500	$0	$5,500	$12,000	$12,000	$17,500		100,000	$10,400
Retrofit Lighting	25	25	8	7	11	7	14	12	$5,000	$2,000	$1,000	$0	$0	$8,000	$10,500	$18,500	$25,000	$35,500	$43,500		507,143	$2,900
Premium Efficient Motors/VSD	3	3		2				3	$3,000	$1,500	$400	$0	$0	$4,900	$0	$4,900	$5,000	$5,000	$9,900		50,000	$200
Variable Frequency Drives	2	2	8	1	2	2			$3,000	$1,500	$400	$0	$0	$4,900	$10,000	$14,900	$6,000	$16,000	$20,900		228,571	-$8,800
Roof Top Units, Split Condenser, Economizer	10	10	3	2	4	2	2		$4,000	$1,500	$400	$0	$1,000	$6,900	$0	$6,900	$10,000	$10,000	$16,900		100,000	-$1,900
MMUA CIP Director Contribution and Education									$1,200	$575	$0	$0	$5,000	$6,775	$0	$6,775	$0	$0	$6,775		-	-$1,000
Small Commercial AC Tune-Up	20	20			1				$500	$500	$200	$0	$0	$1,200	$0	$1,200	$0	$0	$1,200		2,000	-$2,000
		137			Commercial Sub-Total				$42,200	$19,075	$5,400	$0	$7,500	$74,175	$55,500	$129,675	$122,000	$177,500	$251,675 $0.00	-	2,027,000	-$5,200
					Total 2017 Budget				$101,119	$42,575	$32,550	$71,925	$73,500	$321,669	$75,500	$397,169	$211,032	$286,532	$608,201	-	2,561,875	$51,000

$211,158 GRE Rebate Allocation

General and Admin $42,575
Direct Labor Budget $101,119
Total Direct Labor and G&A $143,694

$321,669 ERMU Operating Budget
$75,500 ERMU Rebates
$397,169 ERMU Budget

$211,032 GRE Rebates
$608,201 Total CIP Spending

2,472,280 kWh Energy Savings Goal 2017 Behind Meter
1,236,140 kWh Energy Savings Goal 2017 Distribution Infrustructure

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Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Theresa Slominski - Finance and Office Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 5.2
SUBJECT: Assessments 2016	

BACKGROUND:
Per State Statute, delinquent services can be assessed to the property taxes for Water, Sewer, Stormwater, Trash, and qualifying Electric and Franchise Fee services.

DISCUSSION:
Attached is a listing of proposed assessments for customers with outstanding balances that still remain unpaid for the above noted services. We sent letters out giving notice that payment would need to be made or amounts will be assessed to individual property taxes in accordance with Minnesota Statute. The remaining unpaid balances total $14,762.86. The City Council would need to approve the assessments and take them to the county for the actual assessment on the property taxes. The City Council will receive this listing to approve at their November 21st meeting, pending our commission's approval. (In addition, there are some special assessments totaling $26,387.54 that the City has worked out with customers to pay for water and/or sewer connection fees that the City will be taking to City Council separately through their processes.)

ACTION REQUESTED:
Staff recommends approving the attached list(s) totaling $14,762.86 to take to the City Council for assessment on property taxes.

ATTCHMENT:
- 2016 Assessments Listing

2016 Assessments

Account #	Service Address	Electric	Water	Sewer	Trash	Franchise	Storm	Totals
474	10078 154TH AVE				132.84		13.2	146.04
1437	557 6TH ST		7.49				3	10.49
1835	12510 195TH CIR		92.6					92.6
1857	20937 OGDEN ST				154.75		13.2	167.95
1866	19761 IRONTON ST				177.12		17.6	194.72
1956	20369 MEADOWVALE RD				265.68		26.4	292.08
2058	18058 LINCOLN CIR						9.76	9.76
2278	19101 ZEBULON ST				265.68		26.4	292.08
3471	13461 191ST AVE				243.54		24.2	267.74
4262	20049 IRONTON ST				88.56		8.8	97.36
5216	19498 ELGIN ST	15.07	11.4	19.05		5.87	3.3	54.69
5406	13310 180 1/2 CIR			5.37	22.15	5.87	3.3	36.69
7409	16832 YALE ST				110.7		11	121.7
7496	14285 191ST AVE				22.14		2.2	24.34
7506	18279 CONCORD ST		0.84	54.6			3	58.44
7535	14074 192ND AVE				265.68		26.4	292.08
7583	19176 KENT ST				265.68		26.4	292.08
7594	13296 192ND AVE				221.4		22	243.4
7909	22790 MEADOWVALE RD				265.68		26.4	292.08
8357	19400 CARSON CIR			12.28	16	5.87	3.3	37.45
8470	13640 ISLANDVIEW DR				265.68		26.4	292.08
9130	20370 MEADOWVALE RD				265.68		26.4	292.08
9828	13875 RIVERVIEW DR	173.03			22.15	5.87	2.2	203.25
12609	21469 CONCORD ST	118.7			22.15	5.87	2.2	148.92
12651	13740 214TH AVE				22.14		2.2	24.34
12909	22446 MEADOWVALE RD				22.14		2.2	24.34
15160	13865 214TH AVE				43.56		4.2	47.76
15407	18601 LANDER ST		135.17	30.01	24.41		6.3	195.89
16131	22112 ELK LAKE RD	443.07			32	11.74	4.4	491.21
16392	19049 ZEBULON ST				22.14		2.2	24.34
16619	10807 184TH CT					5.87	3.3	9.17
16712	19445 DODGE ST		40.07	36.37	25.22		6.3	107.96
17312	419 3RD ST	28.67	17.07	23.81	22.15	5.87	3.3	100.87
18263	11040 183RD CIR STE C		11.9				2.1	14
18271	18286 BOSTON ST		7.06	33.34	22.15	5.87	3.3	71.72
19234	18784 YANKTON ST				22.14		2.2	24.34
19511	14124 192ND AVE				265.68		26.4	292.08
19955	9804 226TH LN				22.14		1.08	23.22
21181	507 6TH ST		40.3	40.32	24.84		9.6	115.06
21220	11783 191ST AVE	18.06	34.23	23.82	16	5.87	3.3	101.28
21494	19157 TROY ST				175.89		24.2	200.09
21912	13974 194TH LN NW				15.99		2.2	18.19
21968	20943 FRESNO ST				22.15		4.2	26.35
22204	12572 224TH CT				58.39		8.6	66.99
22538	374 BALDWIN AVE	156.41	15.18	11.05	22.15	5.87	3.3	213.96
23011	11137 167TH AVE				19.85		8.8	28.65
23181	19365 LANDER ST				63.96		8.8	72.76
23205	17183 MONROE DR	54.88			11.91	5.88	2.2	74.87

Account #	Service Address	Electric	Water	Sewer	Trash	Franchise	Storm	Totals
23262	17126 MONROE DR	114.2			16	5.87	2.2	138.27
23770	12968 196TH LN		52.71	204.12	71.15		16.2	344.18
23908	14014 201ST AVE				33.67		4.4	38.07
24055	19227 XERXES ST				78.71		21.8	100.51
24125	19074 IVANHOE DR NW			15.64				15.64
24804	9975 HWY 10 NW				830.28		26.4	856.68
24826	18643 YANKTON ST				453.84		26.4	480.24
25601	19265 DODGE ST		398.46	29.16		6.85	3.3	437.77
26115	22010 MEADOWVALE RD				22.14		2.2	24.34
26442	11574 211TH AVE				24.84		6.4	31.24
26797	9919 226TH CT				10.28		2.2	12.48
26893	17981 SUNRISE CIR				10.1		6.2	16.3
27098	20007 IRONTON ST				63.78		6.6	70.38
27443	17195 POLK CT				66.43		10.4	76.83
27570	19390 HOLT ST		52.01	70.19	24.82		9.6	156.62
27662	18237 YANKTON ST	171.27			16	5.87	2.2	195.34
27740	10301 175TH CT	157.52	17.07	19.05	22.15	5.87	3.3	224.96
27749	18679 QUEEN CIR			37.8			3	40.8
28028	17967 CONCORD ST		29.3	29.4				58.7
28327	19193 WACO ST				38.93		4.4	43.33
28414	13779 214TH AVE NW				132.84		13.2	146.04
29232	22722 ELK LAKE RD				15.99		2.2	18.19
29234	13850 200TH AVE				334.68		26.4	361.08
29543	12379 195TH AVE		38.67	12.6			3	54.27
29658	18086 MACON ST		20.86	23.81	6.31		3.3	54.28
29721	10581 172ND LN				8.24		2.2	10.44
30139	204 LOWELL AVE		34.92	30.76	10.46		9.6	85.74
30190	12285 RUSH CIR				21.26		6.4	27.66
30299	13747 214TH AVE				174.75		13.2	187.95
30400	19657 CARSON CIR		12.34	29.4			3	44.74
30460	13224 181ST LN						6.6	6.6
30525	17159 NIXON CIR				12.63		6.4	19.03
30533	19069 ZEBULON ST				71.46		13.2	84.66
30812	14061 185TH AVE				1.34		4.2	5.54
30891	563 AUBURN PL		30.55	45.76			9.6	85.91
30985	920 LOOKOUT PL		22.75	33.34	16		3.3	75.39
31211	373 GATES AVE		41.72	66.68	26.86		6.6	141.86
31219	87 6 1/2 ST		59.63	73.48	46.32		12.9	192.33
31289	10713 193RD AVE				32		6.4	38.4
31520	536 AUBURN PL APT A		64.69	48.54			29.6	142.83
31592	12221 191ST AVE		4.49	47.63			3.3	55.42
31604	227 MORTON AVE		172.45	54.56	9.7		6.3	243.01
31663	13792 212TH CT				453.84		26.4	480.24
31901	11966 192ND AVE				18.89		6.4	25.29
32187	75-013-4305						40.95	40.95
32211	75-732-0010						55.44	55.44
32217	75-562-0130						25.2	25.2
32228	75-013-4103						8.82	8.82
32232	75-501-0280						219	219

Account #	Service Address	Electric	Water	Sewer	Trash	Franchise	Storm	Totals
32257	75-013-4310						1033.92	1033.92
32283	75-806-0002						35.28	35.28
32338	13707 185TH AVE				15.99		2.2	18.19
32349	12233 191ST AVE		34.89	11			6.3	52.19
32412	17908 TYLER ST		0.82	19.05	22.15		3.3	45.32
32467	220 1/2 XENIA AVE UP				46.3		8.6	54.9
32585	18776 CLEVELAND ST				66.92		11	77.92
32647	1414 5TH ST		19.55	12.99			3	35.54
32727	13428 182ND AVE		15.18	14.29	2.02		3.3	34.79
32897	515 SCHOOL ST		22.75	47.63	14.76		3.3	88.44
33220	14374 202ND AVE				47.97		6.6	54.57
33360	561 AUBURN PL		49.96	51.55	20.37		9.6	131.48
33535	14061 185TH AVE				87.24		8.8	96.04
34010	22130 QUINN ST				16		2.2	18.2
34085	10472 172ND LANE				80.48		10.8	91.28
34372	75-024-1107						14.7	14.7
34521	701 AUBURN PL		31.12	24.99	7.76		6.3	70.17
34653	232 2ND ST		24.64	24.99	22.15		3.3	75.08
34713	17154 OLSON DR				16		2.2	18.2
34728	17101 NIXON DR				16		2.2	18.2
34759	550 LINCOLN CIR		0	0	10.87		3.3	14.17
34934	17860 TYLER ST			14.38	14.54		3	31.92
35315	234 2ND ST				23.83			23.83
								14,762.86

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz, Chair Allan Nadeau, Vice-Chair Daryl Thompson, Trustee	Theresa Slominski – Finance and Office Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 5.3
SUBJECT: 2016 Third Quarter Delinquent Items	

BACKGROUND:
Third quarter delinquent items are presented for your review. We have previously reported on four different categories of delinquents as follows:

- Assessments are delays in collecting the money owed and is assessed to the property taxes in the fall. *Please note this number will only be presented in the 4th quarter.*
- Collections amounts are those we send to the collection agency to try and collect after we have exhausted all our internal collection efforts. We receive 70% of amounts collected after the agency receives their split.
- Revenue Recapture (RR) is the program through the state where funds are collected from individuals' tax refunds and remitted to us, with the balance (if any) remitted to the individual. It presents an opportunity to collect funds rather than splitting with a collection agency or having to write them off completely.
- Write Offs are amounts removed from the books with no further collection efforts being extended.

DISCUSSION:
The attached report shows those dollars submitted to the collection agency (A), those submitted to revenue recapture (R), and those submitted to both the collection agency and revenue recapture (B).

I also have for review the color-coded recap comparisons with last year, identifying the categories and the running totals, and graphs. Since we are assessing items at this time, there are only the services of Electric and Franchise fees included in this third quarter listing. All other services are assessable and are being submitted accordingly. Items presented in previous quarters that are assessable and have not been collected are removed from RR and the collections agencies and assessed instead.

Amounts submitted for the quarter just to Collection Agencies (A) total $3,819.34. The amount submitted to Revenue Recapture and also submitted to the Collection Agencies (B) total $10,896.75. (When looking at the first quarter of 2015, we were not able to extract a report from our software conversion in February and there are no collection agency dollars presented.)

We have collected $32,356.81 from RR in 2016. This is over 100% of those dollars submitted but we are also collecting for prior year submissions. (Of note, included in the $32,356.81 collected is $10,500 for a commercial account in Otsego that we wrote off in 2015 for $42,219.73. This is probably the only amount we will ever collect on this account.)

The third quarter totals for (A) and (B) are $14,716.09. To break these totals down by provider, it is $13,669.51 for Electric, $1,035.24 for Franchise Fees, and $11.34 for Storm Water.

The amount for third quarter Write-Offs is $659.16.

Our budgeted amount for collections and write-offs are $105,000, or **.**27% uncollectible accounts per revenue dollar. According to APPA's most recent published standard ratios (2013), the industry standard is between **.**18% and **.**37%. Our totals, excluding RR, for the year are below the national average, at **.**067% (and **.**086% including RR).

ACTION REQUESTED:
Staff recommends that the Elk River Municipal Utilities Commission accept this delinquent amounts listing for the third quarter of 2016.

ATTACHMENTS:

- Delinquent items submitted to Collection Agencies and Revenue Recapture
- Color-coded recap Delinquent Items Comparisons

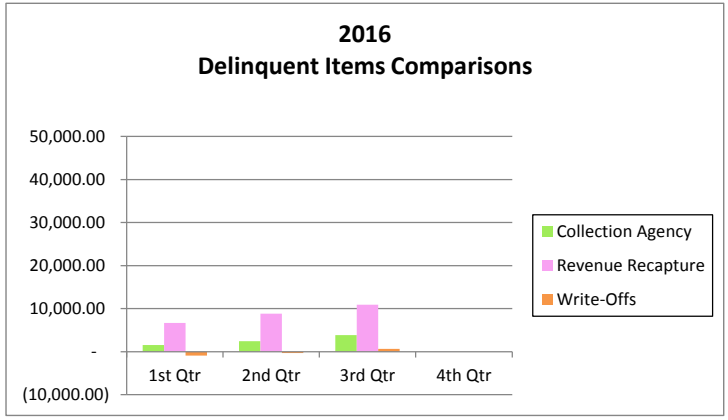
Elk River Municipal Utilities
Q2 Accounts placed at Rev Recap, Collection Agency, or Both
By Agency

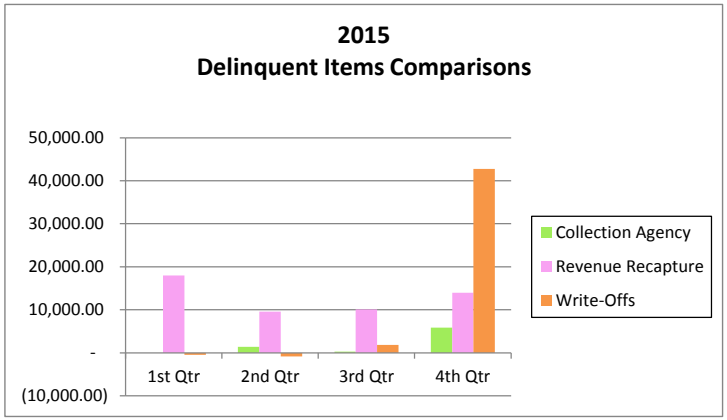
Agency	Account	Serv Addr	Provider	Total AR
A	3312	18489 TWIN LAKES RD	1ERUE	$ 3,164.64
A	3312	18489 TWIN LAKES RD	6CTYF	$ 152.06
A	30139	204 LOWELL AVE	1ERUE	$ 169.87
A	30139	204 LOWELL AVE	6CTYF	$ 15.85
A	32467	220 1/2 XENIA AVE UP	1ERUE	$ 294.52
A	32467	220 1/2 XENIA AVE UP	6CTYF	$ 22.40
			AGENCY	$ 3,819.34
B	16712	19445 DODGE ST	1ERUE	$ 374.47
B	16712	19445 DODGE ST	6CTYF	$ 14.78
B	18813	313 JACKSON AVE APT 2	1ERUE	$ 159.05
B	18813	313 JACKSON AVE APT 2	6CTYF	$ 28.82
B	18813	313 JACKSON AVE APT 2	7CTYS	$ 11.34
B	22086	1001 SCHOOL ST APT 303	1ERUE	$ 420.64
B	22086	1001 SCHOOL ST APT 303	6CTYF	$ 17.97
B	25129	300 EVANS AVE APT 403	1ERUE	$ 45.89
B	25129	300 EVANS AVE APT 403	6CTYF	$ 11.93
B	26442	11574 211TH AVE	1ERUE	$ 278.29
B	26442	11574 211TH AVE	6CTYF	$ 17.27
B	26500	1227 SCHOOL ST APT 211	1ERUE	$ 115.13
B	26500	1227 SCHOOL ST APT 211	6CTYF	$ 11.57
B	27570	19390 HOLT ST	1ERUE	$ 165.37
B	27570	19390 HOLT ST	6CTYF	$ 16.53
B	28085	1227 SCHOOL ST APT 105	1ERUE	$ 175.33
B	28085	1227 SCHOOL ST APT 105	6CTYF	$ 34.88
B	28969	631 AUBURN PL APT 301	1ERUE	$ 76.53
B	28969	631 AUBURN PL APT 301	6CTYF	$ 18.15
B	30190	12285 RUSH CIR	1ERUE	$ 650.42
B	30190	12285 RUSH CIR	6CTYF	$ 16.37
B	30202	1001 SCHOOL ST APT 205	1ERUE	$ 76.74
B	30202	1001 SCHOOL ST APT 205	6CTYF	$ 16.73
B	30525	17159 NIXON CIR	1ERUE	$ 293.47
B	30525	17159 NIXON CIR	6CTYF	$ 11.76
B	30706	1001 SCHOOL ST APT 100	1ERUE	$ 143.15
B	30706	1001 SCHOOL ST APT 100	6CTYF	$ 16.90
B	30731	631 AUBURN PL APT 104	1ERUE	$ 145.99
B	30731	631 AUBURN PL APT 104	6CTYF	$ 22.77
B	31070	380 3RD ST APT 103	1ERUE	$ 167.23
B	31070	380 3RD ST APT 103	6CTYF	$ 29.36
B	31219	87 6 1/2 ST	1ERUE	$ 107.91
B	31219	87 6 1/2 ST	6CTYF	$ 23.14
B	31377	631 AUBURN PL APT 102	1ERUE	$ 259.95
B	31377	631 AUBURN PL APT 102	6CTYF	$ 29.36

B	31474	13154 192 1/2 LN	1ERUE	$	230.85
B	31474	13154 192 1/2 LN	6CTYF	$	23.48
B	31604	227 MORTON AVE	1ERUE	$	108.21
B	31604	227 MORTON AVE	6CTYF	$	14.24
B	31791	18450 ROBINSON ST	1ERUE	$	168.26
B	31881	11981 191 1/2 AVE APT 201	1ERUE	$	166.23
B	31881	11981 191 1/2 AVE APT 201	6CTYF	$	11.40
B	32019	12671 MEADOWVALE RD STE D	1ERUE	$	82.42
B	32056	12671 MEADOWVALE RD STE E	1ERUE	$	1,083.17
B	32056	12671 MEADOWVALE RD STE E	6CTYF	$	146.95
B	32344	10079 179TH LN	1ERUE	$	414.38
B	32344	10079 179TH LN	6CTYF	$	11.74
B	32496	1227 SCHOOL ST APT 101	1ERUE	$	144.26
B	32496	1227 SCHOOL ST APT 101	6CTYF	$	26.81
B	32562	814 PROCTOR AVE APT 1B	1ERUE	$	97.03
B	32562	814 PROCTOR AVE APT 1B	6CTYF	$	29.54
B	32585	18776 CLEVELAND ST	1ERUE	$	794.44
B	32585	18776 CLEVELAND ST	6CTYF	$	35.56
B	32610	18569 ULYSSES ST	1ERUE	$	517.10
B	32610	18569 ULYSSES ST	6CTYF	$	22.78
B	32647	1414 5TH ST	1ERUE	$	108.46
B	32647	1414 5TH ST	6CTYF	$	7.83
B	32796	14514 CO RD 30 HOUSE	1ERUE	$	352.87
B	33160	18594 GARY ST APT 11	1ERUE	$	124.97
B	33160	18594 GARY ST APT 11	6CTYF	$	23.66
B	33298	1105 LIONS PARK DR APT 325	1ERUE	$	38.93
B	33298	1105 LIONS PARK DR APT 325	6CTYF	$	5.16
B	33303	18594 GARY ST APT 16	1ERUE	$	16.38
B	33303	18594 GARY ST APT 16	6CTYF	$	11.74
B	33360	561 AUBURN PL	1ERUE	$	50.53
B	33360	561 AUBURN PL	6CTYF	$	18.33
B	33869	10653 172ND AVE 214	1ERUE	$	141.27
B	33869	10653 172ND AVE 214	6CTYF	$	11.03
B	34001	10835 181ST LN	1ERUE	$	381.63
B	34001	10835 181ST LN	6CTYF	$	28.82
B	34085	10472 172ND LANE	1ERUE	$	503.66
B	34085	10472 172ND LANE	6CTYF	$	23.48
B	34478	11755 191 1/2 AVE APT 106	1ERUE	$	303.05
B	34478	11755 191 1/2 AVE APT 106	6CTYF	$	23.83
B	34491	18520 ROBINSON ST #7	1ERUE	$	65.28
B	34521	701 AUBURN PL	1ERUE	$	92.70
B	34521	701 AUBURN PL	6CTYF	$	13.70
B	34610	10180 PARRISH AVE NE TRAILER H	1ERUE	$	364.41
B	34848	631 AUBURN PL APT 102	1ERUE	$	34.43
B	34848	631 AUBURN PL APT 102	6CTYF	$	16.56
			BOTH	$	10,896.75
				$	**14,716.09** **TOTAL**

Delinquent Items Comparisons

Quarter	2016 Collection Agency	2015 Collection Agency	2016 Revenue Recapture	2015 Revenue Recapture	2016 Write-Offs	2015 Write-Offs	2016 Totals	2015 Totals	
First	1,560.08	-	6,646.36	17,949.58	(927.42)	(471.80)	7,279.02	17,477.78	
YTD Total	1,560.08	-	6,646.36	17,949.58	(927.42)	(471.80)			
Second	2,411.07	1,382.43	8,785.97	9,537.46	(338.07)	(839.43)	10,858.97	10,080.46	
YTD Total	3,971.15	1,382.43	15,432.33	27,487.04	(1,265.49)	(1,311.23)			
Third	3,819.34	259.55	10,896.75	10,068.76	659.16	1,852.17	15,375.25	12,180.48	
YTD Total	7,790.49	1,641.98	26,329.08	37,555.80	(606.33)	540.94			
Fourth	-	5,861.75	-	13,963.55	-	42,771.55	-	62,596.85	
YTD Total	7,790.49	7,503.73	26,329.08	51,519.35	(606.33)	43,312.49	33,513.24	102,335.57	GRAND TOTALS
						Less RR	26,329.08	51,519.35	
						Less Assessments	14,762.86	28,687.95	
					Totals excluding RR & Assessments		(7,578.70)	22,128.27	





Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Mike O'Neill – Technical Services Superintendent
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 5.4
SUBJECT: Itron MV90 Master Sales Agreement	

BACKGROUND:
ERMU needs to upgrade the Itron software that the metering department uses to upload and analyze metering data. The current software Itron Energy Audit is no longer supported. This change has been known and planned for as the replacement costs for the software were budgeted and approved with the 2016 ERMU budget. The 2016 budgeted cost for the software is $32,000.

DISCUSSION:
ERMU has approximately 11,000 Itron electric meters installed in our distribution system. There is not a third party software that will perform the same work as the Itron software for the meters already installed. From a financial and operational perspective, it is not practical at this time to replace all of the Itron meters on the system with meters from a different manufacturer to create an opportunity to select different software.

Itron, the software provider for the new software program MV90, has a Master Sales agreement that they require all who chose to purchase their software sign. This brings with it limitations in liability and restrictions in information protection.

With ERMU's legal counsel, Itron and ERMU have made modifications to the Master Sales agreement. However, there are still issues with the agreement from ERMU's legal counsel's perspective. Staff and legal counsel agree that these legal risks still existing in the agreement should be clearly communicated to the Commission prior to the execution of the contract. The contract is attached. Peter Beck, ERMU's legal counsel, will be available via conference call to walk through the agreement with the Commission and answer questions.

ACTION:
Staff requests Commission approval to execute the Itron MV90 Master Sales Agreement, Indirect Sales Agreement, and Maintenance Agreement.

ATTACHMENTS:

- Itron MV90 Master Sales Agreement
- Itron Indirect Sales Agreement
- Itron Maintenance Agreement

MASTER SALES AGREEMENT
TERMS AND CONDITIONS

This Master Sales Agreement (the "***Agreement***") is made and entered into as of August 5, 2016 (the "***Effective Date***") by and between Itron, Inc., a Washington corporation with a principal place of business at 2111 N. Molter Road, Liberty Lake, Washington 99019 ("***Itron***"), and Elk River Municipal Utilities, a Minnesota municipal corporation with a principal place of business at 1705 Main Street, Elk River, MN 55330-1137 ("***Customer***"). Itron and Customer may each be referred to as a "***Party***" and together as the "***Parties***."

1. Scope. This Agreement sets forth the terms governing all Technology & Services Addenda under this Agreement. The attached Transaction Summary identifies which Addenda are made a part of this Agreement.

2. Technology & Services Addenda. Technology & Services Addenda may set forth additional terms and conditions applicable to specific products and services purchased by Customer. In the event of a conflict between this Agreement and an Addendum, the Addendum will control to the extent necessary to resolve the conflict.

3. Purchase Orders. All purchase orders will be governed by the terms of this Agreement. Pre-printed terms on a purchase order will be null and void, and no contingency, addition, or conflicting term contained on any purchase order will be binding upon Itron.

4. Fees, Taxes, and Payment.

4.1. Fees. Fees will be specified in a pricing summary made a part of this Agreement. Itron reserves the right to modify the pricing summary from time-to-time during the term of this Agreement upon thirty (30) days' prior written notice to Customer for any new purchase orders.

4.2. Taxes. Prices and charges for products and services are exclusive of taxes, levies, duties and similar governmental assessments ("***Taxes***"), all of which are the responsibility of Customer to pay. Customer is responsible for paying all Taxes applicable to transactions. If Itron has the legal obligation to pay or collect Taxes for which Customer is responsible, the appropriate amount shall be invoiced to and paid by Customer, unless Customer provides a valid tax exemption certificate or direct pay permit authorized by the appropriate taxing authority. Itron is solely responsible for taxes assessable against Itron based on its income, property and employees.

4.3. Payment. All purchase orders are subject to credit approval. Payment terms are net thirty (30) days from the date of invoice. All payments shall be made in US currency. Late payments shall accrue interest from the due date at the rate of 1.0% of the outstanding balance per month, or the maximum rate permitted by law until the date paid, and Itron may condition future renewals and purchase orders on payment terms shorter than thirty (30) days.

5. Term and Termination.

5.1. Term. The term of this Agreement begins on the Effective Date and continues for a period of five (5) years and shall automatically renew for one (1) year periods – up to three (3) years' renewal of annual renewal terms in total – unless either Party provides ninety (90) days' prior written notice by either Party of intent not to renew prior to the applicable expiration date.

5.2. Termination for Convenience. Either Party may terminate this Agreement for convenience upon ninety (90) days' prior written notice to the other.

5.3. Termination for Cause. Other than Customer's nonpayment which shall constitute a breach of this Agreement if full payment is not received within five (5) days of written notice, either Party may terminate this Agreement by providing the other Party with written notice if the other Party (i) becomes insolvent, executes a general assignment for the benefit of creditors or becomes subject to bankruptcy or receivership proceedings; (ii) breaches its obligations related to the other Party's confidential information; or (iii) commits a material breach of this Agreement that remains uncured for thirty (30) days following delivery of written notice of such breach (including, but not necessarily limited to, a statement of the facts relating to the breach or default, the provisions of this Agreement that are in breach or default and the action required to cure the breach or default).

5.4. Surviving Provisions. Any provision of this Agreement that contemplates performance or observance subsequent to termination or expiration of this Agreement shall survive termination or expiration and continue in full force and effect for the period so contemplated.

6. Confidentiality.

6.1. Definitions. (A) "***Confidential Information***" means (1) this Agreement and the discussions, negotiations and proposals related to this Agreement and (2) information, whether provided directly or indirectly from the other Party in writing, orally, by electronic or other data transmission or in any other form or media or obtained through on-site visits at Itron or Customer facilities and whether furnished or made available before or after the date of this Agreement, that is confidential, proprietary or otherwise not generally available to the public. Confidential Information does not include information that is: (a) rightfully known to the receiving Party before negotiations leading up to this Agreement; (b) independently developed by the receiving Party without relying on the disclosing Party's Confidential Information; (c) part of the public domain or is lawfully obtained by the receiving Party from a third party not under an obligation of confidentiality; or (d) free of confidentiality restrictions by agreement of the disclosing party. (B) "***Receiving Party***" means the Party receiving Confidential Information of the other. (C) "***Disclosing Party***" means the Party disclosing Confidential Information to the other Party.

6.2. Obligations. The Receiving Party will keep Confidential Information of the Disclosing Party strictly confidential and will not disclose it to any third party during the term of this Agreement and for a period of three (3) years after termination or expiration of this Agreement.

6.3. Permitted Disclosure. The Receiving Party may disclose Confidential Information to its affiliates, agents, contractors, and legal representatives, but only if they have a need to know and an obligation to protect the Disclosing Party's Confidential Information that is at least as restrictive as the confidentiality provisions of this Agreement.

Itron recognizes that Customer is subject to Minnesota public records laws under which Customer is required to disclose all records characterized as public under state law, unless an exemption applies. For that reason, Customer agrees that if a record regarding Itron Confidential Information is requested under public records laws, Customer will provide Itron with prompt written notice of such request prior to producing any records so that Itron has an opportunity to seek court protection of the requested records. Customer also agrees to reasonably cooperate with Itron to mitigate the disclosure of such Confidential Information to the extent requested by Itron and allowed by applicable public records laws.

6.4. Return of Confidential Information. The Receiving Party will destroy or return the Disclosing Party's Confidential Information within fourteen (14) days after receipt of the Disclosing Party's written request. With the exception of Customer Data (as defined in Section 7), the Receiving Party may retain a copy of Confidential Information as part of archival records (including backup systems) the Receiving Party keeps in the ordinary course of business, or if required by law or regulation; provided however, that any Confidential Information so retained will continue to be Confidential Information pursuant to the

terms of this Agreement and the Receiving Party will continue to be bound by the terms of this Agreement with respect to such Confidential Information.

7. Privacy.

7.1. General. If, in the course of providing any services, Itron has or obtains, to any extent and for any reason, any access to Customer Data, then the terms and conditions of this Section 7 will apply.

7.2. Definition of Customer Data. "***Customer Data***" means any information about Customer's existing or prospective customers that Itron acquires, develops, or derives under this Agreement. Customer Data may include, without limitation, any personally identifying information relating to an existing or prospective customer, or any other information that, either individually or when combined with other information could be used to derive information specific to a particular customer or prospective customer, which information is not generally available to the public and which Itron acquires or derives in carrying out its obligations under this Agreement. Customer Data includes, but is not limited to, information regarding a User's identity social security number, telephone number, credit card number, e-mail address, account information, service purchase and usage information.

7.3. Use of Customer Data. Itron may only collect, access, use, maintain, or disclose Customer Data to fulfill its obligations under this Agreement. Customer exclusively owns all Customer Data and Itron agrees to return, or at the election of Customer, destroy (and confirm in writing the destruction) all Customer Data upon the termination or expiration of this Agreement, or earlier if requested to do so in writing by Customer.

7.4. Reservation of Rights to Customer. Subject to the limited rights granted by Customer hereunder, Itron acquires no right, title or interest from Customer or its licensors under this Agreement in or to Customer Data, including any Intellectual Property (defined below) rights in that Customer Data.

7.5. Safeguards. Itron will employ administrative, physical, and technical safeguards that are reasonably designed to prevent unauthorized collection, access, disclosure, and use of Customer Data while in its custody ("***Safeguards***"). The Safeguards Itron employs must: (1) meet, at a minimum, industry practice; and (2) be reasonably designed to ensure that only Itron personnel with a need to know the Customer Data have access to it. Itron will promptly notify Customer of any known breach of any Safeguards, and Itron and Customer will cooperate to investigate and remedy any such breach and any related dispute, inquiry, or claim.

7.6. Miscellaneous. This Section 7 supplements Section 6 ("Confidentiality"), and the provisions of this Section 7 control if they conflict with Section 6 ("Confidentiality"). A breach of any Customer Data provision may result in irreparable harm to Customer, for which monetary damages may not provide a sufficient remedy, Customer may seek both monetary damages and equitable relief.

8. Publicity. Neither Party shall disclose, advertise, or publish the detailed terms and conditions of this Agreement without the prior written consent of the other Party. Any press release or publication regarding this Agreement or deliverables under it are presumed by the Parties to contain Confidential Information and is subject to prior review and written approval of the Parties.

9. Warranties.

9.1. Services & Deliverables Warranties. Express warranties for products and services (the Express Warranties") will be stated in the applicable Addenda for the period stated therein (the "***Express Warranty Period***").

9.2. CERTAIN WARRANTY EXCLUSIONS. THE WARRANTIES UNDER THIS AGREEMENT AND THE ADDENDA DO NOT COVER PROBLEMS CAUSED BY EXTERNAL CAUSES,

INCLUDING ACCIDENTS, ACTS OF VANDALISM, ABUSE, MISUSE, INADEQUATE MAINTENANCE, UNKNOWN OR UNFORESEEN ELECTROMAGNETIC DISTURBANCES ON THE NETWORK, PROBLEMS WITH ELECTRICAL POWER, OR WITH THE QUALITY OF THE WATER, THE ENERGY OR THE NETWORK, ACTS OF GOD, SERVICE (INCLUDING INSTALLATION OR DE-INSTALLATION) NOT PERFORMED OR AUTHORIZED BY ITRON.

9.3. DISCLAIMER OF WARRANTIES. WARRANTIES UNDER THIS AGREEMENT, TOGETHER WITH ALL EXPRESS WARRANTIES CONTAINED IN ANY ADDENDUM, STATEMENT OF WORK, OR OTHERWISE INCORPORATED IN THIS AGREEMENT, CONSTITUTE AND EXPRESS THE ENTIRE STATEMENT OF THE PARTIES WITH RESPECT TO WARRANTIES. THE PARTIES DISCLAIM ALL EXPRESS OR IMPLIED WARRANTIES, CONDITIONS OR REPRESENTATIONS INCLUDING, WITHOUT LIMITATION, (I) IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, (II) WARRANTIES OF TITLE AND AGAINST INFRINGEMENT AND (III) WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. TO THE EXTENT ANY IMPLIED WARRANTY CANNOT BE EXCLUDED, SUCH WARRANTY IS LIMITED IN DURATION TO THE EXPRESS WARRANTY PERIOD.

10. Insurance. During the term of this Agreement, Itron will maintain the following minimum levels of insurance (i) workers' compensation insurance for Itron employees equal to applicable statutory limits and an employer's liability policy in an amount not less than $1,000,000.00; (ii) an occurrence form commercial general liability policy or policies in an amount not less than $1,000,000 per occurrence and $2,000,000.00 aggregate; (iii) an automobile liability policy or policies in an amount not less than $1,000,000.00 combined single limit; and (iv) a professional liability policy or policies insuring against liability for errors and omissions covering professional activities contemplated under this Agreement in an amount not less than $1,000,000.00. Upon written request, Itron will provide Certificates of Insurance evidencing the coverage described in this Section.

11. Limitation of Liability.

11.1. NO CONSEQUENTIAL DAMAGES. NEITHER PARTY WILL BE LIABLE HEREUNDER FOR CONSEQUENTIAL, INDIRECT OR PUNITIVE DAMAGES (INCLUDING LOST PROFITS OR SAVINGS) FOR ANY CAUSE OF ACTION, WHETHER IN CONTRACT, TORT OR OTHERWISE, EVEN IF THE PARTY WAS OR SHOULD HAVE BEEN AWARE OF THE POSSIBILITY OF THESE DAMAGES, EXCEPT THAT THE FOREGOING WILL NOT RESTRICT A PARTY'S ABILITY TO RECOVER ACTUAL DAMAGES FOR BREACH OF THIS AGREEMENT, INCLUDING THE COSTS OF OBTAINING REPLACEMENT SERVICES AND DELIVERABLES COMPLYING WITH THE TERMS OF THIS AGREEMENT.

11.2. TWELVE-MONTH FEE LIMITATION. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR DAMAGES IN EXCESS OF THE FEES PAID BY CUSTOMER TO SUPPLIER FOR THE SERVICES OR DELIVERABLES IN THE TWELVE (12) MONTH PERIOD PRIOR TO THE DATE OF ANY CLAIM.

11.3. Exceptions. The limitations in the preceding subsection do not apply to: (i) damages for which a Party has an obligation of indemnity under this Agreement; (ii) any grossly negligent, willful or fraudulent act or omission; or (iii) any breach of provisions related to Confidential Information, privacy or indemnity; or (iv) breach of the license terms with respect to any software product deliverable.

12. Indemnification against Third Party Claims.

12.1. General Claims. Itron agrees to defend Customer and Customer's successors and assigns, officers, directors, employees, representatives, and agents ("***Customer Indemnitees***") from and against any and all

third-party claims, demands, suits, actions, causes of action, of any kind whatsoever (together a "***Claim***"), and Itron will indemnify and hold harmless Customer Indemnitees from and against all damages, losses, costs and/or expenses (including legal fees and disbursements) awarded against Customer in any such Claim, or those costs and damages agreed to by Itron in a monetary settlement of such Claim, to the extent resulting from damages to persons or real or tangible property, bodily injury or death caused by Itron's negligence or intentional misconduct (including that of its employees, agents, and contractors) arising in connection with this Agreement.

12.2. Infringement Claims. Itron shall defend the Customer Indemnitees from and against any and all claims, demands, suits, actions, causes of action, of any kind whatsoever, for damages, losses, costs and/or expenses (including legal fees and disbursements) by an unaffiliated third party to the extent resulting from any allegation that any Itron Deliverables and/or Services constitute a direct infringement, violation or misappropriation of any such third party's Intellectual Property rights. The foregoing does not apply to products that are not manufactured by Itron or to software licensed by third parties.

12.3. Conditions to Infringement Claim Defense. Itron's infringement defense obligations under Section 12.2 are conditioned on Customer's agreement that if the applicable product or service becomes, or in Itron's opinion is likely to become, the subject of such a claim, Itron will have the right, at Itron's sole option and expense, either to procure the right for Customer to continue using the affected product or service or to replace or modify the same so that it becomes non-infringing. Such replacements or modifications will be functionally equivalent to the replaced product or service. If the foregoing alternatives are not available on terms that are commercially reasonable in Itron's sole judgment, Itron shall have the right to require Customer to cease using the affected product or service in which case Itron will refund to Customer the depreciated value of the affected product or the unused portion of the service, as the case may be.

12.4. Exclusions to Infringement Claim Defense. Itron shall have no obligation under this Agreement to the extent any claim of infringement or misappropriation results from: (i) use of a product or service, other than as permitted under this Agreement or as intended by Itron, if the infringement would not have occurred but for such use; (ii) use of any product or service in combination with any other product, equipment, software or data, if the infringement would not have occurred but for such combination; (iii) any use of any release of a software or any firmware other than the most current release made available to Customer, (iv) any claim based on Customer's use of a product after Itron has informed Customer of modifications or changes to the product required to avoid such claims and offered to implement those modification or changes, if such claim would have been avoided or mitigated by the implementation of Itron's suggestions, (v) any modification to a product made by a person other than Itron or an authorized representative of Itron, or (vi) compliance by Itron with specifications or instructions supplied by Customer. Itron shall not be liable hereunder for enhanced or punitive damages that could have been avoided or reduced by actions within the control of Customer.

12.5. Conditions to Defense. As a condition to Itron's defense obligations under this Agreement, Customer will provide Itron with prompt written notice of the claim, permit Itron to control the defense, settlement, adjustment or compromise of the claim and provide Itron with reasonable assistance in connection with such defense; however, Itron shall not consent to any judgment or settlement of the foregoing, that creates an obligation on any Customer Indemnitee without first obtaining such indemnitee's prior written consent. Customer may employ counsel at its own expense to assist it with respect to any such claim.

12.6. THIRD PARTY CLAIM DISCLAIMER. THIS SECTION CONSTITUTES ITRON'S SOLE AND EXCLUSIVE OBLIGATION WITH RESPECT TO THIRD PARTY CLAIMS BROUGHT AGAINST CUSTOMER.

13. Intellectual Property.

13.1. Definition. "***Intellectual Property***" means intellectual and industrial property rights, and moral rights or similar or analogous proprietary rights, pertaining to a particular invention, work of authorship, symbol or other mark or designation indicative of source or quality, or other particular item of tangible or intangible property, arising under statutory or common law or by contract, in the United States or another country that recognizes such rights, whether or not perfected, now existing or hereafter filed, issued, or acquired, including: (i) patent rights associated with an invention and processes (including business processes), methods and apparatuses entailed by such invention (including, as applicable, the rights to make, use, sell, offer to sell, import , or have made, and the rights to file and prosecute patent applications and provisional patent applications); (ii) rights associated with works of authorship, including copyrights and mask work rights (including the rights to copy, adapt, distribute, display, perform, and create derivative works); (iii) rights relating to the protection of trade secrets and confidential information (including the rights to use and disclose); (iv) trademarks, service marks, trade dress, trade names, and design patent rights (including the right to goodwill appertaining thereto); (v) moral rights; and (vi) other rights analogous, similar, or comparable to those described by the foregoing clauses (i) through (v), and other proprietary rights relating to intangible property (including licensing rights and shop rights).

13.2. Reservation of Intellectual Property Rights. Itron reserves all rights, title and interest in and to all of its Intellectual Property. Customer reserves all rights, title and interest in and to all of its Intellectual Property.

13.3. Suggestions. Itron shall have a royalty-free, worldwide, irrevocable, perpetual license to use and incorporate into its products and services any suggestions, enhancement requests, recommendations or other feedback provided by Customer.

14. Change Requests & Change Orders.

14.1. Request. Customer may at any time, and from time to time, propose changes to services or services deliverables or request that Itron perform additional services for Customer (each a "***Change Request***"). Within a reasonable period after receiving a written Change Request from Customer, Itron will prepare and submit a written proposal in the form of a statement of work to Customer that: (i) if applicable, assesses the expected impact of the Change Request on any services or services deliverables being provided at the time of the request; (ii) defines and describes how Itron would fulfill or satisfy the Change Request, and describes any additional services or services deliverables to be provided by Itron in reasonable detail; (iii) sets forth pricing, specifications, implementation plans and time schedules, with appropriate milestone and completion dates, anticipated by Itron in connection with fulfilling the Change Request; (iv) contains proposed completion and acceptance criteria; and (v) sets forth any other information required by this Agreement and any Technology & Services Addendum.

14.2. Response. If Itron timely submits a response to the Change Request, the Parties will attempt in good faith to negotiate a mutually acceptable resolution. Mutually agreed upon Change Requests will take the form of a written order (each a "***Change Order***"). Following the issuance of any Change Request and during any negotiation, Itron will continue to provide the services and services deliverables, unless otherwise agreed to by Itron and Customer in writing.

14.3. Failure to Respond to Change Request. If Itron fails to respond to Customer's Change Request within five (5) business days, the Change Request will be deemed to be rejected.

14.4. Authorized Approvals. No Change Order will be binding upon Customer or Itron unless executed and delivered by an authorized signatory of both parties. All Change Orders and all statements of work under a Change Order will be governed by the terms and conditions of this Agreement and the applicable Technology & Services Addendum.

15. DISPUTE RESOLUTION

15.1. Dispute Resolution Procedure. The Parties will resolve any dispute between the Parties regarding the interpretation of this Agreement or Itron's performance using the procedures in this Section.

15.1.1. Either Party may give the other Party written notice of any dispute not resolved in the normal course of business. Upon delivery of the notice, each of the Parties will appoint a designated representative who does not devote substantially all of his or her time to performance under this Master Solution Agreement and who, in the case of Customer, will be a director (or more senior corporate officer), and in the case of Itron, a director (or more senior corporate officer), to meet for the purpose of resolving the dispute.

15.1.2. The representatives will discuss the problem and negotiate in good faith to resolve the dispute promptly and without the necessity of any formal proceeding. If either Party intends to have an attorney attend a meeting, it will notify the other Party at least two (2) business days before the meeting to enable the other Party to also be accompanied by an attorney. All negotiations pursuant to this Section are confidential and will be treated as compromise and settlement negotiations for purposes of evidentiary rules.

15.1.3. If the disputed matter has not been resolved by the designated representatives within ten (10) business days after delivery of the written notice by one Party to the other, or such longer period as agreed to in writing by the Parties, each Party will have the right to commence any legal proceeding as permitted by law.

15.2. Agreements in writing. No agreement achieved under this dispute resolution process will be binding on either Party unless set forth in a writing executed by both Parties by duly authorized signatories.

15.3. No Termination or Suspension of Services. During the pendency of any dispute, Itron will not interrupt or delay the provision of Services, disable any Deliverable in whole or in part, or perform any other action that prevents, slows down, or reduces in any way the provision of Services or Customer's ability to conduct its business, unless Customer agrees in writing or terminates this Master Solution Agreement.

15.4. Injunctive relief. Neither Party will be obligated to follow the procedures set forth in this Section when seeking injunctive relief.

16. Miscellaneous.

16.1. Entire Agreement. This Agreement and any attachments hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements pertaining to such subject matter. All prior agreements, representations, warranties, statements, negotiations, understandings, and undertakings are superseded hereby and Customer represents and acknowledges that it has not relied on any representation or warranty other than those explicitly set forth in this Agreement in connection with its execution of this Agreement. Neither Party shall be bound by terms and conditions imprinted on or embedded in purchase orders, order acknowledgments, statements of work not expressly made a part hereof or other communications between the Parties.

16.2. Waivers. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision. No waiver granted under this Agreement as to any one provision herein shall constitute a subsequent waiver of such provision or of any other provision herein, nor shall it constitute the waiver of any performance other than the actual performance specifically waived.

16.3. No Assignment. This Agreement is personal to each Party, and none of the rights of a Party hereunder shall be sold, transferred, assigned or sublicensed by a Party; provided, however, that upon

written notice to Customer, Itron shall have the right to assign, by contract or by operation of law, any or all of its rights and obligations under this Agreement to a Itron Affiliate without any requirement that Itron seek or obtain the approval of Customer. "***Itron Affiliate***" means an entity controlled by or under common control with Itron.

16.4. Captions; Section Numbers. Article, section and paragraph numbers and captions are provided for convenience of reference and do not constitute a part of this Agreement. Any references to a particular Section of this Agreement will be deemed to include reference to any and all subsections thereof.

16.5. Neither Party Deemed Drafter. Despite the possibility that one Party or its representatives may have prepared the initial draft of this Agreement or any provision or played a greater role in the preparation of subsequent drafts, the parties agree that neither of them will be deemed the drafter of this Agreement and that, in construing this Agreement, no provision hereof will be construed in favor of one Party on the ground that such provision was drafted by the other.

16.6. Expenses. Each Party will be responsible for, and will pay, all expenses paid or incurred by it in connection with the planning, negotiation, and consummation of this Agreement.

16.7. Anti-Corruption. Customer has not received or been offered any illegal or improper bribe, kickback, payment, gift, or thing of value from an Itron employee or agent in connection with this Agreement. Reasonable gifts and entertainment provided in the ordinary course of business do not violate the above restriction. If Customer learns of any violation of the above restriction, it will use reasonable efforts to promptly notify Itron's Law Department via the contact information in the notices section.

16.8. Relationship of the Parties. The Parties are independent contractors for all purposes and at all times. This Agreement does not create a partnership, franchise, joint venture, agency, fiduciary, or employment relationship between the Parties. Itron has the responsibility for, and control over, the methods and details of performing services and providing products under this Agreement. Itron will provide all tools, materials, training, hiring, supervision, work policies and procedures, and be responsible for the compensation, discipline and termination of Itron personnel. Neither Party has any authority to act on behalf of, or to bind the other to any obligation.

16.9. Compliance with Law. Itron and Customer will at all times perform their respective obligations under this Agreement in compliance in all material respects with all applicable foreign, domestic, state, and local laws and regulations of all applicable foreign and domestic jurisdictions, and in such a manner as not to cause the other to be in material violation of any applicable laws or regulations including any applicable requirements of any foreign, domestic, state, or local authority regulating health, safety, employment, the environment, consumer protection, security, exportation, information services, or telecommunications.

16.10. Governing Law. This Agreement and performance hereunder will be governed by and construed in accordance with the laws of the State of Minnesota without reference to their conflicts of law principles or the United Nations Convention on Contracts for the Sale of Goods.

16.11. Jury Trial Waiver.

16.11.1. EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL IN ANY COURT ACTION ARISING AMONG THE PARTIES UNDER THIS AGREEMENT OR OTHERWISE RELATED TO THIS AGREEMENT, WHETHER MADE BY CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR OTHERWISE.

16.11.2. If the jury waiver is held to be unenforceable, the Parties agree to binding arbitration for any dispute arising out of this Agreement or any claim arising under any federal, state or local

statutes, laws, or regulations. The arbitration will be conducted in accordance with the arbitration rules promulgated under the CPR Institute for Dispute Resolution's ("CPR") Rules for Non-Administered Arbitration of Business Disputes then prevailing. To the extent that the provisions of this Agreement and the prevailing rules of CPR conflict, the provisions of this Agreement will govern. The arbitrator(s) will be required to furnish, promptly upon conclusion of the arbitration, a written decision, setting out the reasons for the decision. The arbitration decision will be final and binding on the parties, and the decision may be enforced by either Party in any court of competent jurisdiction. Each Party will bear its own expenses and an equal share of the expenses of the third arbitrator and the fees, if any, of the CPR.

16.11.3. The Parties agreement to waive their right to a jury trial will be binding on their respective successors and assignees.

16.12. Notices. Except as otherwise specified in this Agreement, all notices, permissions and approvals hereunder shall be in writing and shall be deemed to have been given upon: (i) personal delivery, (ii) the second business day after mailing, (iii) the second business day after sending by overnight delivery, (iv) the second business day after sending by confirmed facsimile, or (iv), except for legal notices, the first business day after sending by email. All legal notices shall be clearly identified as such.

16.13. Severability. If any provision of this Agreement or its applications to particular circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, that provision (or its application to those circumstances) will be deemed stricken and the remainder of this Agreement (and the application of that provision to other circumstances) will continue in full force and effect insofar as it remains a workable instrument to accomplish the intent and purposes of the parties; the parties will replace the severed provision with the provision that will come closest to reflecting the intention of the parties underlying the severed provision but that will be valid, legal, and enforceable.

16.14. Force Majeure. Except for the obligation to pay monies due and owing, neither Party shall be liable for any delay or failure in performance due to events outside the defaulting Party's reasonable control, including without limitation acts of God, earthquake, labor disputes, industry wide shortages of supplies, actions of governmental entities, riots, war, terrorism, fire, epidemics, or delays of common carriers or other circumstances beyond its reasonable control. The obligations and rights of the defaulting Party shall be extended for a period equal to the period during which such event prevented such Party's performance.

16.15. No Third Party Rights. This Agreement is entered into only for the benefit of Customer and Itron and no other person or entity shall have the right to enforce any of its terms.

16.16. Authorization. Each Party represents and warrants that the signing, delivery and performance of this Agreement has been properly authorized.

16.17. Counterparts. This Agreement may be executed by facsimile or scan and in counterparts, which taken together shall form one legal instrument.

[Signature Page Follows]

SIGNATURE PAGE
TO
MASTER SALES AGREEMENT
TERMS AND CONDITIONS

AGREED:

Itron, Inc.	**Customer**
_____	_____
Signature	Signature
_____	_____
Printed Name	Printed Name
_____	_____
Title	Title
_____	_____
Date	Date

TRANSACTION SUMMARY
TO
MASTER SALES AGREEMENT

Technology & Services Addendum to Master Sales Agreement	
1. Software License Addendum	☒
2. Maintenance & Support Services Addendum	☒
3. Installation/Implementation Services Addendum	☒

Pricing Summary *(Attached)*
BMR# 10320-16 Ver 3 Apr dated April 26, 2016

Identification of Licensed Software
Application(s) Name
See *BMR# 10320-16 Ver 3 Apr dated April 26, 2016*
License Term
☒ Perpetual ☐ Fixed Term (Click here to enter text. Years) (☐ *Check if fixed term license requires purchase of software maintenance and support services*)
Usage
☒ Tier Limitation, if applicable (See *BMR# 10320-16 Ver 3 Apr* dated April 26, 2016**)**

Billing Information *(if applicable)*	
Ship Software to	Contact Name: _____ Address: _____ City / State / Zip: _____ Phone Number: _____ email Address: _____
Billing Contact Information	Contact Name: _____ Address: _____ City / State / Zip: _____ Phone Number: _____ Fax Number: _____
Renewal Notice Contact Information	Contact Name: _____ Address: _____ City / State / Zip: _____ Phone Number: _____ Fax Number: _____
Purchase Order Number: _____	

TECHNOLOGY & SERVICES ADDENDUM
– Software License –

1. The Licensed Software. The Itron software licensed under this Addendum (the "***Licensed Software***" is identified in the Transaction Summary and in the pricing summary.

2. Software Maintenance & Support. Note: Customers licensing Licensed Software in connection with Cloud Infrastructure service are required to purchase software Maintenance & Support Services for term of the Cloud Infrastructure service.

3. License Grant. Itron hereby grants to Customer a non-exclusive, non-transferable, non-assignable, non-sublicensable, revocable right and license – within the Territory and for the Software License Term, subject to payment of license fees and compliance with the terms and conditions of this Addendum and the Agreement – to: (i) use, make, execute, display, and perform the Licensed Software in object code form for Customer's own internal business purposes and only in connection with the number of specified endpoints. The "***Territory***" shall be the United States of America – or Canada, if Customer is a Canadian company that will be operating the Licensed Software in Canada. The Software License Term is identified in the Transaction Summary.

4. Third-Party Software. All software developed by a third-party and sublicensed by Itron is subject to the licensing terms of the third-party developer, a copy of which terms shall be given to Customer. Such third-party software does not include software incorporated or embedded into hardware and software manufactured or developed by Itron.

5. Restrictions. In addition to those restrictions, terms, and conditions set forth in the Agreement – and as a condition to the license grant under Section 3, above – Customer shall not (a) modify or create any derivative works from the Licensed Software or the documentation provided with the Licensed Software ("***Documentation***"), (b) include or combine the Licensed Software with any software or with any equipment or hardware other than as authorized by Itron, (c) use the Licensed Software to provide processing services to third-parties or on a service bureau basis, (d) reverse assemble, decompile, reverse engineer the Licensed Software or otherwise attempt to derive its source code, (e) transfer any copy of the Licensed Software from the authorized system to any other computer hardware or system, except in case of malfunctioning or defective computer hardware or system – and then only temporarily and with the consent of Itron; or (viii) export the Licensed Software or any copy or direct product thereof out of the United States except in compliance with applicable export laws and regulations. Customer may only make copies of Documentation as reasonably necessary for the use contemplated under the Agreement; provided, however, that Customer may not copy the Licensed Software other than to make one machine readable copy for disaster recovery or archival purposes. Installation of the Licensed Software shall be limited to one production environment and one test environment. The Licensed Software and Documentation is the Confidential Information of Itron. Customer recognizes and agrees that any breach of the preceding restrictions by Customer shall constitute a material breach of this Addendum by Customer, and, at the option of Itron, shall result in revocation and immediate termination of all rights and licenses granted hereunder. Customer further recognizes and agrees that nothing in this Section shall be construed as prohibiting Itron from pursuing any and all remedies in the event of such breach or violation, and Itron hereby expressly reserves such rights and remedies.

6. Reservation of Intellectual Property Rights by Itron. Itron (and third party developer in the case of sublicensed software) retains all right, title and interest, and all ownership, in and to the Licensed Software and Documentation, including but not limited to all patent, copyright, trade secret, proprietary and other intellectual property rights in the Licensed Software and Documentation and in any modify-cations and derivative works. Itron (and third party developer in the case of sublicensed software) reserves the sole right to modify and update the Licensed Software. Customer will not take any action that

might impair or challenge in any way any right, title or interest of Itron (or the applicable third party developers in the case of sublicensed software) in any such intellectual property rights. Customer must not alter or remove trade names, trademarks, services marks, or copyright notices and any other proprietary notices or trademarks on any Licensed Software or Documentation.

7. Software Delivery. Licensed Software will be delivered on the date and in the manner agreed to by the Parties.

8. Limited Warranties. The following warranties are the sole and exclusive warranties offered by Itron in connection with the Licensed Software.

8.1. Itron Software. Itron represents and warrants that for a period of ninety (90) days from the date of delivery to Customer, the Itron Software will operate substantially in conformance with the applicable Specifications. Customer's sole remedy for a breach of this warranty – if Itron has failed to cure the breach of warranty within in a reasonable period – will be the refund of license fees for the Licensed Software. Itron Software that is repaired or replaced pursuant to this Section will be warranted for the remainder of the original warranty period or thirty (30) days, whichever is longer. Customer's license to Itron Software for which it has received a refund hereunder shall terminate upon its receipt of a refund. The foregoing warranty does not cover third party software.

8.2. Third Party Software. ITRON IS NOT THE OWNER OF THE THIRD PARTY SOFTWARE AND MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, DIRECTLY OR INDIRECTLY, EXPRESS OR IMPLIED, AS TO THE SUITABILITY, DURABILITY, AND FITNESS FOR USE, MERCHANTABILITY, CONDITION, QUALITY, PERFORMANCE OR NON-INFRINGEMENT OF THE THIRD PARTY SOFTWARE. WITH RESPECT TO ITRON, CUSTOMER IS PROVIDED THIRD PARTY EQUIPMENT "AS IS." THIRD PARTY SOFTWARE SHALL BE SUBJECT TO ANY WARRANTIES PROVIDED BY THE THIRD PARTY SOFTWARE LICENSOR. MODIFICATIONS MAY VOID OR OTHERWISE LIMIT ANY WARRANTY APPLICABLE TO THIRD PARTY SOFTWARE.

Itron agrees to act as a liaison with the third party software licensors in regard to the third party software warranties, if any, and will use its commercially reasonable efforts to assist Customer in enforcing those warranties.

9. **Exclusions from Liability.** Itron shall have no obligation to Customer to the extent any Licensed Software is adversely affected by: (i) use of the Licensed Software in combination with any equipment, computer hardware and peripheral devices, operating system software, device drivers, third party software programs, computer graphic elements, and the like that are not authorized by Itron; (ii) any modification, fix, update or upgrade to the Licensed Software that is made other than by Itron; (iii) the use of a version of Licensed Software that is not supported by Itron; (iv) Customer's failure to implement a fix, update, or upgrade to Licensed Software provided by Itron; (v) the maintenance or support of Licensed Software other than by Itron; (vi) viruses introduced through no fault of Itron; or (vii) Customer's failure to follow installation, set up, and configuration instructions as described in the Documentation.

10. Effect of Termination for Cause. Upon termination of this Addendum for cause, Customer shall immediately discontinue use of the Licensed Software and Documentation and will destroy or return to Itron any and all copies of the Licensed Software and Documentation and certify to Itron in writing within fourteen (14) days after such termination that Customer has destroyed or has returned to Itron the Licensed Software and Documentation. This requirement applies to copies in all forms, partial and complete, in all types of media and computer memory, and whether or not modified or merged into other materials. Termination of this Addendum for cause will not restrict either Party from pursuing any other remedies available to it, including injunctive relief, nor will such termination relieve Customer of its

obligation to pay all fees that accrued prior to such termination. Upon termination of this Addendum for cause, Itron will have no further obligations to Customer in any respect whatsoever with respect to the Licensed Software. For avoidance of doubt – notwithstanding the foregoing, upon termination of this Addendum for cause no license, express or implied, is granted to Customer to any Itron intellectual property rights in the Licensed Software and Documentation.

11. Open Source. In the event that Itron identifies open source components within the Itron Software and provides Customer with the applicable license(s), Customer is required to accept and will comply with all such licenses.

12. License Compliance Verification.

12.1. Records. Customer agrees to create, retain, and provide to Itron and its auditors accurate written records, system tool outputs, and other system information sufficient to provide auditable verification that Customer's use of all Licensed Software is in compliance with the license terms and conditions of this Addendum and the Agreement, including, without limitation, all of Itron's applicable licensing and pricing terms. Customer is responsible for 1) ensuring that it does not exceed its authorized use, and 2) remaining in compliance with the license terms and conditions of this Addendum. Customer, at Itron's request, will provide records and other information to demonstrate compliance with license terms and conditions of this Addendum and the Agreement.

12.2. Verification Process. Upon reasonable notice, Itron may verify Customer's compliance with the license terms and conditions of this Addendum at all sites and for all environments in which Customer uses (for any purpose) Licensed Software. Such verification will be conducted in a manner that minimizes disruption to Customer's business and may be conducted on Customer's premises, during normal business hours. Itron may use an independent auditor to assist with such verification, provided Itron has a written confidentiality agreement in place with such auditor.

12.3. Resolution. Itron will notify Customer in writing if any such verification indicates that Customer has used any Licensed Deliverable in excess of its authorized use or is otherwise not in compliance with the licensing terms and conditions of this Addendum or the Solution Document. Customer agrees to promptly pay directly to Itron the charges that Itron specifies in an invoice for 1) any such excess use, 2) support for such excess use for the lesser of the duration of such excess use or two years, and 3) any additional charges and other liabilities determined as a result of such verification.

12.4. No Restriction on Seeking Injunctive Relief. Nothing in this Section 12 in any way limits or restricts Itron's right to seek injunctive relief for Customer's non-compliance with licensing terms and conditions of this Software Licensed Agreement Document.

13. Invoices. Itron will invoice Customer one hundred percent (100%) of the license fees for the Licensed Software upon delivery to Customer in the manner agreed upon.

14. Surviving Provisions. In addition to the Sections identified in the survival provisions of the Agreement, the following sections of this Addendum will survive expiration and termination of this Addendum and the Agreement: 6 ("Reservation of Intellectual Property Rights by Itron"), 9 ("Exclusions from Liability"), 10 ("Effect of Termination"), 12 ("License Compliance Verification").

[End of Addendum]

TECHNOLOGY & SERVICES ADDENDUM

– Maintenance & Support Services (Hardware & Software) –

1. Additional Definitions. The following defined terms are in addition to those defined in the Agreement:

"**Annual Adjustment**" means Itron's standard annual price increase.

"**Annual Fee**" means the annual fee identified in the pricing summary for each category of Covered Product plus the Annual Adjustment, if any. The Annual Fee for any partial Maintenance Year (i.e., for Covered Products with a Maintenance Commencement Date that falls after the beginning of the Maintenance Year) shall be prorated based on the applicable number of months Customer is to receive Services under this Addendum during such Maintenance Year.

"**Contact Documents**" means the "Itron Support Services Contacts" document, which can be obtained by calling (877) 487-6602, including for example, the Itron Equipment Repair Table and Working Effectively with Itron Client Services documents.

"**Covered Product**" means Covered Software and Covered Equipment.

"**Covered Software**" means the software identified in the pricing summary to this Addendum.

"**Covered Equipment**" means the equipment identified in the pricing summary to this Addendum which is Itron Equipment. (Itron Equipment is distinguished from equipment manufactured by a third-party that Customer may purchase through Itron under an Equipment Purchase Agreement Document or other commercial sales agreement.

"**End of Support**" means a commercial decision by Itron to discontinue maintenance and support services for specific Covered Products or to discontinue offering a particular Covered Product to Itron customers in general, along with that Covered Product's associated maintenance and support.

"**Error**" means a failure of the Covered Software or Covered Software platform to substantially comply with the applicable Specifications.

"**Fix**" means a correction of an Error, including a work-around, in order for Covered Software to function in accordance with the applicable Specifications.

"**Improvement**" means an update, modification, enhancement, extension, new version (regardless of name or number), new module, or other change to Covered Software that is developed or otherwise provided by Itron.

"**M&S Commencement Date**" means the date upon and after which a Covered Product is entitled to receive Services under this Addendum in accordance with the terms of this Addendum, which – unless otherwise stated in the pricing summary – is (a) for Covered Software that is an Itron product, the first day of the month following delivery by agreed-upon method of the Covered Software (e.g., electronic or physical medium), except that the Maintenance Commencement Date for MV-RS Software is the warranty expiration date; and (2) for Covered Equipment that is Itron Equipment, the warranty expiration date.

"M&S Services Option" means the maintenance and support services option for Covered Equipment or Covered Software, including Service Levels, as set forth in Attachment B-1.

"**Maintenance Year**" means, for each Covered Product, a period of one (1) year beginning on the

Effective Date, any anniversary thereof, or agreed-upon coverage start date.

"**Mandatory Revision**" means a software revision that Customer is required to accept in order to correct or address any one of the following issues: a material Error or a material security breach; or third party infringement claim.

"**Operating Condition**" means that the Covered Equipment performs in accordance with the applicable Specifications.

"Principal Services Contacts" means the Customer personnel that Customer is required to designate to serve as Customer's principal relationship contacts for all Services under this Addendum.

"Loaned Mobile/Handheld Equipment" means Mobile Collector and/or Handheld units loaned by Itron to Customer, under the terms of this Addendum while Services are being performed on Customer's Mobile Collector and/or Handheld.

"Service Levels" means, with respect to this Addendum, the response time, effort level, and escalation path procedures and guidelines described in Attachment 1 to this Addendum.

"**Software Release**" means a collection of Fixes or Improvements made available to Itron customers (either via physical media or electronic download access).

"Service Request" means a request initiated by Customer for a technical support service within the scope of the applicable maintenance and support Services option purchased by Customer.

"Technical Support Services" means Itron technical support services provided by technical representatives by telephone, email or other remote means to assist Customer's Principal Service Contacts with questions related to the operation of the Covered Products.

2. Effect of Termination.

2.1. Effect of Termination of Agreement. Except as otherwise provided in Section 2.1.2 below, Itron shall not be obligated to provide any Services under this Addendum upon termination of this Addendum.

2.1.1. If either Party terminates the Agreement Customer shall not be entitled to a prorated refund of the applicable Fee.

2.1.2. Unless Itron terminates the Agreement for breach or default by Customer, Itron will continue to provide Services under this Addendum that were purchased by Customer prior to the termination date – and the terms and conditions of this Addendum will continue to govern such Services.

2.2. End of Support. Itron may discontinue Services for any Covered Product, effective as of the end of the current Maintenance Year, by giving Customer written notice of such discontinuance no less than ninety (90) days prior to the end of such Maintenance Year. If the End of Support date is scheduled within a subsequent Maintenance Year, Fees for that subsequent term will be pro-rated through the appropriate End of Support date. At Customer's request, Itron may elect to provide custom support for products for which Maintenance Services have been discontinued at Itron's then-current rates. Unless otherwise agreed by the Parties in accordance with the foregoing sentence, Itron shall have no obligation to provide Services under this Addendum with respect to Covered Products for which Itron has discontinued Services pursuant to this Section.

3. Principal Services Contacts.

3.1. Designation by Customer. Customer shall designate no more than two (2) Principal Services Contacts for each Covered Product, as identified in the Contract Documents, to serve as administrative liaisons for all matters pertaining to the Services provided under this Addendum for such Covered Product line, and shall provide their contact information to Itron's customer account representative. Principal Services Contacts shall report problems with Covered Products (each such report, a "***Service Request***") as soon as practicable for entry into Itron's support tracking system. Although it is Customer's sole right to choose its Principal Services Contacts, Customer and Itron acknowledge that each Principal Services Contact should have the appropriate technical skills and training for the position. If Customer replaces a Principal Services Contact, Customer will provide updated contact information to Itron, and the new Principal Services Contact will undergo the same initial training as described in Section 3.2.

3.2. Training of Principal Services Contacts. Before a Principal Services Contact interfaces with Itron, the Principal Services Contact must attend training sessions offered by Itron, an Itron approved trainer, or Customer's training program approved by Itron to ensure that the Principal Services Contact is (a) knowledgeable about the operation of the Covered Products, and (b) qualified to perform problem determination and remedial functions with respect to the Covered Products. Such training sessions will be at Itron's then-current rates. Customer will be solely responsible for all travel and other expenses incurred in connection with each Principal Services Contact's attending the training sessions. The Principal Services Contact should have the skills and capabilities to train other Customer personnel on Covered Products ("train-the-trainer").

3.3. Additional Training. If Itron notifies Customer that additional training of a Principal Services Contact is necessary, Customer will promptly ensure that the Principal Services Contact receive such training.

4. Technical Support Services & Service Requests.

4.1. Support Services. Itron will provide Technical Support Services during its then-current normal business hours. Technical Support Services include troubleshooting, problem diagnosis, release or system management, and recommendations for fully utilizing the Covered Products. Customer acknowledges and agrees that Technical Support Services are not intended as a substitute for training of Customer personnel, field support, or Itron professional services – all of which can be purchased separately. Nor will Customer use Technical Support Services in lieu of having qualified and trained support personnel of its own. Itron's current Technical Support Services contact and support hours are described in the Contacts Document.

4.2. Service Request Process. Customer shall submit Service Requests in the manner required by the Contact Documents and Service Levels.

4.3. Field Support. Upon mutual agreement of the Parties, Itron will dispatch support personnel to Customer's location to provide technical support. Such support will be billed at Itron's then-current hourly rates (with reasonable travel and living expenses invoiced at Itron's cost without markup), unless the cause of the reported problem is found to be the fault of Itron.

5. Software Maintenance.

5.1. Fixes. Itron shall make commercially reasonable efforts to provide a Fix in accordance with the Service Levels. Itron's obligations with respect to Service Levels are contingent upon Customer (i) devoting the same level of effort to resolving the Error as is required of Itron, (ii) responding to requests made by Itron within the applicable Response Time, and (iii) assigning its most qualified personnel to help Itron address the Error.

5.2. Documentation. Itron will make an electronic copy of the Documentation available to Customer at no additional charge via physical media or download access. Itron will maintain a copy of its most recent supported version of the executable Covered Software to be made available to Customer as necessary in the event of corrupted or inoperative Covered Software.

5.3. Improvements. Itron shall provide Improvements, if any, at its then-current price for such Improvements (or at no charge if such Improvements are made available to Itron customers generally at no charge).

5.4. Software Releases.

5.4.1 Release Numbering Convention. Fixes and/or Improvements are made available to customers through periodic Software Releases. For informational purposes, Itron's current typical practice (which may be changed at any time in Itron's discretion) is to provide Software Releases using the numbering convention "XX.YY.ZZ."

- The "XX" in Itron's numbering convention refers to a "***System Release***," which is a new version of the item of Covered Software. A System Release may include Fixes, Improvements or interfaces to new functional modules or platforms not previously supported by Itron.

- The "YY" in Itron's numbering convention refers to a "***Service Pack Release***," which is an update to a System Release. Service Pack Releases may include Fixes or Improvements and are provided to Itron customers generally on a periodic basis.

- The "ZZ" in Itron's numbering convention refers to a "***Hot Fix Release***," which is an un-scheduled release provided to one or more customers as a short-term, temporary fix to a Severity Level 1 Error. While not utilized by all Itron software product lines, Hot Fix Releases are not made available to Itron customers generally but may be included in the next scheduled Service Pack for general release.

5.4.2 Support for Releases of Itron Enterprise Edition and Openway Software. This Section 5.4.2 applies only to Covered Software that are Itron Enterprise Edition or OpenWay software products. Services for Itron Enterprise Edition and OpenWay software products under this Addendum shall be limited to the most recent System Release and the prior System Release (and the most current Service Pack Release associated with such System Release). Customer will test and install Service Pack Releases associated with the System Release in use by Customer within twelve (12) months of such Service Pack Releases being made available to Customer. Customer will fully test and upgrade to the latest System Release at least every twenty-four (24) to thirty-six (36) months.

5.4.2.1 Itron may elect to provide Services under this Addendum for an unsupported Software Release of Covered Software at its then-current rates for customer support.

5.4.3 Support for Releases of all Other Covered Software. This Section 5.4.3 applies to all Covered Software *other than* Itron Enterprise Edition and OpenWay Software products. Services under this Addendum for all Covered Software other than Itron Enterprise Edition and OpenWay software products shall be limited to the most recent System Release and the two prior Service Pack Releases. Customer will test and install System Releases and Service Pack Releases within twelve (12) months of such Releases being made available to Customer. Itron may elect to provide Services under this Addendum for an unsupported Software Release of Covered Software at its then-current rates for customer support.

5.4.4 Installation Services for Software Releases. This Section 5.4.4 applies to all Covered Software. Installation services under this Addendum will include limited, remote phone support, for all Covered Software, on Itron certified server configurations, are applicable for one production server and one non-production server owned (test, training, or back-up – for example) / operated by the Customer. At Customer's request, Itron may provide Software Release installation services for install of System Releases or Service Packs on additional production or non-production servers at Itron's then-current hourly rates.

5.4.4.1 Itron may elect to provide Services under this Addendum for installation of System Release of Covered Software on uncertified server configurations at its then-current rates for customer support.

5.5. Mandatory Revision. In the event that Itron, in its sole reasonable discretion, determines that any Covered Software is, or may (as applicable) be: (i) subject to a material Error; (ii) the subject of a material security breach; or, (iii) be subject to a third party infringement claim or suit of any kind, Itron may issue a Mandatory Revision.

5.6. DISCLAIMER OF LIABILITY. ITRON DISCLAIMS ALL LIABILITY AND OBLIGATIONS THAT ARISE DUE TO, OR ARE RESULT OF, CUSTOMER'S FAILURE TO TEST AND INSTALL A MANDATORY REVISION IN A TIMELY FASHION.

5.7. Interoperability. Itron makes no representation or warranty regarding the ability of the Covered Software to interoperate with third party hardware or software other than software or hardware identified as compatible with the Covered Software in Itron's Documentation for the applicable Covered Software.

5.8. Restoring Software to Maintenance Services. If Customer declines Services under this Addendum after the end of warranty or discontinues Services under this Addendum for any Covered Software, and thereafter wishes to resume such Services for the most recent Software Release of that Covered Software, Customer shall, prior to receiving Services, notify Itron in writing of its request for Services and pay Itron's then-current re-initiation fee.

5.9. Exclusions. Itron shall have no obligation to Customer for any Services under this Addendum to the extent any Covered Software is adversely affected by: (i) use of the Covered Software in combination with other software, equipment or communications networks that are not referenced in the Documentation; (ii) any modification to the software, operating environment, system installation, operating instructions, scripts, or database configuration that is made other than by Itron,; (iii) the use of a version of the Covered Software that is not supported by Itron; (iv) Customer's failure to implement a Fix provided by Itron; (v) the maintenance and/or support of the Covered Software other than by Itron; (vi) viruses introduced through no fault of Itron; (vii) use of the Covered Software other than as authorized by Itron and the applicable license, including Covered Software operated on Covered Equipment that has been serviced or repaired by a third party that is not Itron certified; or (viii) Customer's failure to perform Customer responsibilities in accordance with this Addendum.

5.10. Customer Software Responsibilities.

5.10.1 Support Tools. Customer will support remote access to the Covered Software by Itron Personnel assigned to provide Services under this Addendum for purposes of remote diagnosis and

troubleshooting of the Covered Software.

5.10.2 System Configuration and Administration. Customer will ensure that its equipment, system peripherals, operating system, and data communications environment associated with the Covered Software is configured, operated, and maintained in accordance with the Documentation and any applicable third party documentation. These administrative activities shall include but not be limited to: checking audit logs, clearing discovered exceptions, and performing daily, weekly, and monthly operational tasks and system responsibilities. Customer is responsible for any change they make to the software system, operating system, database or network configuration or change to installation procedures, scripts, and provisions that may affect the usability or operation of the Software or Data. Customer will consult with Itron prior to making changes that may affect the operation of the Covered Software.

5.10.3 Network Administration. Customer will monitor and maintain, repair, replace and upgrade its local, and wide area network components (if any)—including network servers, network clients, network hubs, routers, modems, and other software components necessary for efficient and reliable network operations associated with the Covered Software—to ensure continued conformance with the Documentation and any applicable third party documentation. In addition, Customer will administer related host names, Internet Protocol addresses, network interfaces, access, security, communications, and equipment and software version control.

5.10.4 Database Administration. Customer will administer the agreed upon database(s) associated with the Covered Software, including hardware and software components, in accordance with the Documentation or any applicable third party documentation, which administration shall include, monitoring the database server, backing up electrical power sources, and configuring and administering of database schema, application interfaces, networking operating system, communications, and file transfer software. Customer will maintain database files (e.g., truncate, cleanup, and delete files consistent with industry standard practices) and perform regular data backup and data archiving.

5.10.5 Data Review. If Itron determines that it is necessary to evaluate Customer data in order to reproduce error conditions not reproducible with Itron's standard test data sets, Customer will provide Itron with access to such data. Itron will manage such data in a secure manner while in use and delete the data from Itron systems upon completion of the investigation. Itron shall not be liable for any delay or failure to resolve the problem if access to such production data is denied to Itron.

6. Equipment Maintenance.

6.1. Preventive and Corrective Maintenance. Upon receipt of an item of Covered Equipment, Itron shall (i) perform the preventive Services under this Addendum that Itron determines are reasonably necessary to maintain the Covered Equipment in Operating Condition**,** and (ii) diagnose and correct any failure in such Covered Equipment as necessary to meet Operating Condition (excluding minor cosmetic deficiencies such as blemishes, dents or scratches).

6.2. Maintenance Procedures. Customer shall initiate a request under this Addendum for Services for Covered Equipment by delivering the item in question to the applicable Itron address identified on the Itron Equipment Repair Table (the "***Repair Table***"), which can be obtained by calling (877) 487-6602. Return of the Covered Equipment shall be at Customer's expense and in accordance with the applicable Return Material Authorization ("***RMA***") procedures. Upon receipt of Covered Equipment (with the required information) under Itron's RMA procedures, Itron shall assess the item to determine (a) whether it is in fact Covered Equipment and (b) whether the maintenance requested is included within the Services ordered by Customer and not otherwise excluded from coverage as provided herein. If the returned equipment is determined to be Covered Equipment and the maintenance requested is in fact included in

the Services ordered by Customer, Itron shall then provide the applicable Services and shall make commercially reasonable efforts to return the item of Covered Itron Equipment to Customer at Itron's expense within the applicable turnaround time identified on the Repair Table. Returned equipment that is found not to be Covered Equipment, or if maintenance or support that is requested is determined not to be included in the Service ordered by Customer, then Itron will provide a quote to Customer under Section 6.4, below.

6.3. Exclusions. The Services described herein do not include repairs related to: (i) damage due to external causes, including accident, abuse, misuse, inadequate maintenance, problems with electrical power, acts of God; usage not in accordance with product instructions or in a configuration not approved by Itron; (ii) service or repair processes (including installation or de-installation of equipment, parts, or firmware/software) not performed or authorized by Itron; (iii) use of parts, configurations or repair depots not certified by Itron; or (iv) Customer's failure to perform Customer responsibilities in accordance with this Addendum, including caring for Products in accordance with System Documentation.

6.4. Estimation Fees. Itron will provide Customer with a price quote for the estimated cost, including labor, materials and shipping, for any repairs that are requested, but not included under this Addendum (whether because the item is not covered or because the nature of the repair is not included). If Customer elects to have Itron proceed with the requested maintenance on any such item, Itron shall provide such services at Itron's then-current rates. If Customer elects not to proceed with the requested repair, Itron will return the item of equipment at Customer's expense. Itron may charge Customer its then-current handling, inspection and shipping fees for any such returned equipment.

6.5. Adding/Restoring Equipment to Maintenance Services. Following the effective date of this M&S Addendum, additional Covered Equipment purchased by Customer, of a similar type and model already covered by Services under this Addendum, shall automatically be deemed to be Covered Equipment following expiration of the warranty for such equipment. If Customer declines coverage after the end of warranty, discontinues Services for any Covered Equipment or has Covered Equipment serviced or repaired by a third party that is not Itron certified, and thereafter wishes to add such equipment as Covered Equipment, Itron may, prior to such equipment being included as Covered Equipment,(i) inspect such equipment at its then-current rates to determine whether it is in Operating Condition and/or (ii) charge its then-current re-certification fee, in addition to the Covered Equipment's first term maintenance fee.

6.6. Customer Equipment Responsibilities. Itron shall make available, and Customer shall obtain, a copy of Itron's user documentation for Covered Equipment and Customer shall perform regular preventive maintenance for each such item in accordance with such documentation. Customer shall also keep accurate records of Covered Equipment serial numbers and locations to assist Itron with the Services.

6.7. Loaner Equipment Program. Subject to the requirements below, Itron shall make commercially reasonable efforts to provide Customer Loaned Mobile/Handheld Equipment for the Customer to use (each an item of while a Mobile Collector or Handheld unit that is Covered Equipment is receiving Services under this Loaned Mobile/Handheld Equipment. Itron shall provide Loaned Mobile/Handheld Equipment if all the following criteria are satisfied:

6.7.1. Customer has maintained an inventory of spare Mobile Collectors or Handheld units equal to at least ten (6) percent of the number of Mobile Collectors or Handheld units deployed in Customer's service territory (having at least one spare Mobile Collector) and such inventory has been depleted;

6.7.2. Itron has provided preventive Maintenance Services for each of Customer's Mobile Collectors or Handheld Devices (as applicable) that are Covered Equipment in the 12-month period prior to Customer's request for Loaned Mobile/Handheld Equipment; and

6.7.3. Itron is unable to return the Mobile Collector or Handheld Devices, as applicable, receiving Services within the applicable turnaround time set forth in the Repair Table.

6.7.4. Loaned Mobile/Handheld Equipment will remain the property of Itron and shall be returned to Itron promptly upon receipt of the corresponding item of Covered Equipment. For Loaned Mobile/Handheld Equipment that is not returned within fourteen (14) days from shipment of the corresponding item of Covered Equipment, Itron may charge a late fee equal to ten (10) percent of the then-current list price for the item of Loaned Mobile/Handheld Equipment for each thirty (30) day period during which the item of Loaned Mobile/Handheld Equipment remains unreturned. Itron shall pay the cost of delivering Loaned Mobile/Handheld Equipment to Customer and Customer shall pay the cost of returning Loaned Mobile/Handheld Equipment to Itron.

7. Fees and Invoicing. As compensation for the Services under this Addendum, Customer shall, in advance, pay to Itron the Annual Fee for each Maintenance Year in which it receives Services under this Addendum. Itron shall invoice Customer for Services to be provided during the first Maintenance Year as soon as practicable following the Effective Date. For Services provided during any subsequent Maintenance Year, including Services for newly purchased or licensed Covered Products, Itron shall provide Customer with a renewal notice at least one-hundred twenty (120) days prior to the commencement of each Maintenance Year. Customer may discontinue Maintenance Services for a Product by providing Itron with written notice of non-renewal for such Product no less than ninety (90) days prior to the commencement of any subsequent Maintenance Year. Approximately twenty (20) days prior to the commencement of any subsequent Maintenance Year, Itron shall provide Customer with an invoice for the Annual Fee payable by Customer for the forthcoming Maintenance Year (including the Annual Adjustment). Itron may, in its discretion, invoice Customer for Services for a Covered Product that is added during the course of any Maintenance Year as soon as such Covered Product has been added or at the beginning of the next Maintenance Year.

8. Support For Third Party Products. For any Covered Product that is a "Third-Party Product" (each, a "***Third Party Covered Product***") Itron shall provide first-tier Customer support by handling all initial Customer inquiries, identifying the component involved in the problem and obtaining appropriate documentation of such inquiry or problem. In addition, Itron shall make commercially reasonable efforts to facilitate Customer's receipt of maintenance and support for such Third Party Products consistent with the maintenance terms identified on the Order Document for such Third Party Products. Notwithstanding anything else to the contrary, Itron's sole obligation with respect to maintenance and support for Third Party Products shall be as set forth in this Section.

[Attachment 1 Follows]

Attachment 1 to Maintenance & Support Services Addendum

– Software Maintenance & Support Service Levels –

Severity Level	Response Times	Effort Level and Escalation Path
Severity Level 1. **Critical Business Impact / System Down:** An Error for which there is no work-around, which causes the Product / Software or a critical business function / process of the Itron system to be unavailable. System use and operation cannot continue. *Severity 1 errors must be reported by phone to initiate the Severity 1 response process. SRs initiated by email or web interface are logged as a Severity 3 until reviewed by Itron Technical Support Services and validated as a higher priority.	During after-hour periods, Itron will respond to a critical support voice messages within 15 minutes by a return call to Customer, which will validate receipt of the critical support call and begin the SR process. During regular business-hours Itron will begin the SR process during Customer's initial call. Following the start of the SR process Itron will respond to Customer's SR within 2 business hours with an investigation response. Following the investigation response, Itron will update Customer at three hour intervals during each day the SR remains unresolved, or as otherwise agreed by the Parties. Customer will respond to an Itron inquiry or request within three hours.	Itron will make diligent efforts on a 24x7 basis*, or as otherwise agreed by the Parties. A SR shall be escalated to Itron's TSS Management Team if a Fix is not provided within 1 business day of Itron's receipt of the Customers call and creation of the SR. *24X7 support for Severity Level 1 Errors is not currently available for Itron Meter Products, Energy Forecasting and Load Research Products, and Distribution Products.

Severity Level	Response Times	Effort Level and Escalation Path
Severity Level 2. **Moderate Business Impact / Degraded Operation:** An Error other than a Severity Level 1 Error, for which there is no work-around, which limits access or use of the software or a business function, causing the system to miss required business interface or deadlines. The system remains available for operation but in a restricted fashion. *Severity 2 errors must be reported by phone to initiate the Severity 2 response process. SRs initiated by email or web interface are logged as a Severity 3 until reviewed by Itron Technical Support Services and validated as a higher priority.	Itron will respond to Customer SR within 1 business day and will update the SR at least every other day. Customer will respond to an Itron inquiry or request within 1 business day.	Itron will make diligent efforts during normal business hours. SRs shall be escalated to Itron's TSS Management Team if a Fix is not provided within 3 business days of Itron's receipt of Customer's call and creation of the SR.
Severity Level 3. **Minor Business Impact / Compromised Operation:** An Error other than a Severity Level 1 or Severity Level 2 Error that has an inconvenient use of or aces to a software function. (e.g., a feature is not working as documented but a work-around is available and significant business functions are not materially impaired).	Itron will respond to Customer SR within 2 business days.	Itron technical representatives will make diligent efforts during normal business hours.
Severity Level 4. **No Business Impact / Standard Operation:** An Error other than a Severity Level 1, Severity Level 2 or Severity Level 3 Error. Generally a cosmetic Error or an Error which does not degradate Customer's use of the system.	Itron will respond to Customer SR within 3 business days, or as otherwise agreed by the Parties.	Itron support representatives will devote commercially reasonable efforts during normal business hours.
Severity Level 5. Customer SR for an enhancement or new functionality.	N/A	The SR will be evaluated as a potential, future product enhancement. If the enhancement or new functionality requires more immediate attention for Customer, Itron will engage Itron's Professional Services Group to create a customized proposal for Customer, at Itron's then-current services rates.

TECHNOLOGY & SERVICES ADDENDUM

– Installation/Implementation Services –

1. Scope. This Addendum applies where: (a) Customer is purchasing installation services for Equipment, or (b) Customer is purchasing implementation services for the set-up, configuration, and validation of Licensed Software, Software-as-a-Service, Managed Services, or Cloud Infrastructure Service.

2. Invoicing. Itron will invoice Customer for Services as set forth in the applicable SOW or pricing summary. Services performed on a time and materials basis will be invoiced at the end of the calendar month in which they are performed. Services performed on a fixed fee basis will be invoiced as set forth on the applicable SOW or, if not set forth on a SOW, upon completion.

3. Authorized Services. Customer will not pay for, and Itron is not required to provide any services, for which both a statement of work and purchase order have not been issued by Customer and accepted by Itron. All changes to scope of work must be approved pursuant to the change request procedures of the Agreement or applicable statement of work.

4. Customer Responsibilities. Customer shall timely perform all of its assigned, implied or assumed responsibilities under each statement of work using qualified personnel. Customer shall also provide Itron with reasonable cooperation in connection with the services, including for example, by providing Itron with reasonable access to Customer's facilities, service territory, personnel, systems, and information.

5. Reference Information. If Customer provides Itron any reference information, designs, technical information, or other information required to be provided by Customer in connection with the services (collectively, the "***Reference Information***"), Itron shall be entitled to rely on the accuracy of such Reference Information.

6. Delays. To the extent Customer's failure to adhere to Section 3 or Section 4 results in any delay or increases Itron's cost of performing the services, the delay shall be excused, and Itron reserves the right to increase its fees as necessary to offset its increased costs of performing the services. Itron will provide Customer with reasonable evidence of its increases costs of performing the services and will make commercially reasonable efforts to minimize such costs to the extent practicable under the circumstances

7. Express Warranties for Professional Services. The warranty period for services provided is ninety (90) days beginning from the completion date of the services. Unless otherwise expressly provided in a statement of work or other document expressly incorporated into the Agreement, as the sole and exclusive warranties offered by Itron in connection with this Addendum and each statement of work under it, Itron warrants to Customer that:

7.1. Services. Services will be provided in a timely, professional, and workmanlike manner.

7.2. Itron Personnel. Itron personnel will have the requisite experience, skills, knowledge, training and education to perform Services in a professional manner and in accordance with this Addendum and applicable statement of work.

7.3. Remedies. As Itron's sole and exclusive liability and Customer's sole and exclusive remedy for any material noncompliance by Itron with the warranties provided under this Section, Itron shall correct the noncompliance within a reasonable period of time under the circumstances, if Customer gives Itron written notice (which notice must describe the noncompliance in sufficient detail to enable Itron to provide the required corrective action) within the applicable notice period. If Itron, in its sole discretion, is unable to correct the noncompliance, its sole obligation will be to refund to Customer the amount paid for the services.

[End of Addendum]

INDIRECT SALES AGREEMENT

This Indirect Sales Agreement (the "***Agreement***") is entered into as of [month/day/year] (the "Effective Date") by and between Itron, Inc. ("***Itron***") and [_____] ("***Customer***"). Itron and Customer may each be referred to as a "***Party***" and together as the "***Parties***."

Customer shall execute this Agreement prior to its receipt of any Itron software, services or equipment by an authorized Itron distributor (each a "***Distributor***"). The terms of Customer's agreement with a Distributor shall govern Customer's purchase of Itron equipment or services from a Distributor (it being understood that Distributor will pass certain Itron warranties through to Customer). The terms of this Agreement shall govern (i) any software provided by Itron, regardless of whether the order for such software is placed with a Distributor or directly with Itron, and (ii) any order of equipment or services placed directly with Itron.

The Parties agree as follows:

1. Software Terms

a. Definitions.

*"**Delivery,**"* with respect to Software, means that Itron has either made the Software available to Distributor via electronic means or has provided the Software to a carrier on physical media for delivery to Distributor.

"***Documentation***" means all printed or electronic materials published or otherwise that are provided to Customer and that describe or relate to the functional, operational or performance capabilities of the Software.

"***Endpoint***" means (i) a physical device (e.g., a meter, encoder-transmitter-receiver or other measuring or monitoring device) that is the source of data used in the Software application or (ii) a virtual device created in the Software application to simulate the existence of a physical device. An example of a virtual device that is an Endpoint would include a single electricity meter that serves 10 apartment units. If the consumption data from that electricity meter was divided between the 10 units (e.g., on the basis of square footage) and used in the Software application as if that single electricity meter was actually 10 electricity meters, it would count as 10 Endpoints. Further, each account, whether active or inactive, in the application that is associated with a single physical device counts as a separate Endpoint.

"***Object Code***" means the binary, machine-readable version of the Software.

"***Software***" means software identified on Attachment A that is owned by Itron and any modifications, corrections, improvements or enhancements thereto provided by Itron.

"***Source Code***" means human-readable computer programming code, associated procedural code and related documentation.

"***Specifications***" means the applicable published Itron functional specifications for an item of Software.

"***Third Party Software***" means software that is not owned by Itron but is identified on Attachment A as being provided by Itron.

"***Use***" means the ability to run, execute, display and, subject to the restrictions described below, duplicate and distribute internally.

"***Warranty Period***," with respect to a particular item of Software, means the warranty term beginning on the warranty start date, as set forth on Attachment A.

b. License Grant.

Subject to the terms of this Agreement, Itron grants to Customer a nonexclusive, nontransferable, perpetual Object Code license to Use the Software and Documentation for its internal business purposes only in connection with the number of Endpoints set forth in Attachment A.

c. Restrictions.

As a condition to the foregoing license grant, Customer shall not (i) violate any restriction set forth on Attachment A, (ii) modify or create any derivative work from the Software, (iii) include the Software in any other software, (iv) use the Software to provide processing services to third parties or on a service bureau basis, (v) reverse assemble, decompile, reverse engineer or otherwise attempt to derive Source Code (of the underlying ideas, algorithms, structure or organization) from Software, or (vi) use the Software to process business information concerning customers derived through merger, asset acquisition or other entity combination. Except as expressly permitted in this Agreement, Customer may not copy the Software other than to make one machine readable copy for disaster recovery or archival purposes. Customer may only make copies of Documentation as reasonably necessary for the use contemplated herein. The Software and Documentation shall be considered the confidential information of Itron and, as such, shall be subject to the confidentiality provisions of this Agreement.

d. Invoicing.

Distributor will invoice Customer for the Software and Itron will invoice Distributor.

e. Limited Software Warranty

i. Warranty and Remedy.

For the Warranty Period, Itron warrants to Customer that the Software will perform substantially in accordance with the Specifications. Itron does not warrant that the Software will operate uninterrupted or error-free. Itron's sole obligation and Customer's exclusive remedy in connection with the breach of a warranty provided under this Section shall be for Itron to repair or replace the non-conforming Software. If Itron, in its sole discretion, is unable to repair or replace non-conforming Software, Itron will refund to Customer the amount paid for such Software. Software that is repaired or replaced pursuant to this Section will be warranted for the remainder of the original warranty period or 30 days, whichever is longer. Customer's license to Software for which it has received a refund hereunder shall terminate upon its receipt of a refund.

ii. Exclusions.

The warranty provided in this Section shall not apply to the extent that non-compliance relates to or is the result of (i) use of the Software in combination with software, equipment or communications networks not provided by Itron, (ii) a change to the Software's operating environment not made or authorized by Itron, (iii) Customer's failure to install any correction or enhancement provided by Itron, (iv) viruses introduced through no fault of Itron, (v) any use of the Software not authorized by this Agreement. The warranty provided in this Section is valid only if Customer has complied with the terms of this Agreement (including paying the applicable Software license fees) and shall be void to the extent of any modification to the Software not authorized by Itron.

f. Third Party Software and Documentation.

Itron shall provide the Third Party Software, if any, identified on Attachment A and any related documentation. Any Third Party Software, and related documentation provided by Itron in connection with this Agreement shall be subject to a separate license agreement between the Customer and the third party software provider and will be subject to separate third party warranties, if any. Customer agrees that it will be bound by and will abide by all such third party software licensing arrangements. Customer is solely responsible for acquiring any software that is required to use the Software or Third Party Software.

g. Audit.

Customer will maintain accurate and detailed records as necessary to verify compliance with this Agreement. Itron may audit these records to verify compliance at any time during Customer's regular business hours after giving notice 5 business days in advance of the audit. Except as described below, Itron will bear all costs and expenses associated with the exercise of its audit rights. Any errors in payments identified will be corrected by Customer by appropriate adjustment. In the event of an underpayment of more than 5 percent, Customer will reimburse Itron the amount of the underpayment, reasonable costs associated with the audit, and interest on the overdue amount at the maximum allowable interest rate from the date the obligation accrued.

h. Obligations Upon Termination for Cause.

Upon a termination by Itron for cause, Customer's license to any Software and right to receive maintenance and support for such Software shall immediately terminate and Customer shall (i) delete any Software from all of its computers, (ii) immediately deliver to Itron or destroy all copies of such Software and any related Documentation and (iii) certify in writing to Itron within 10 days of any such termination that, to the best of Customer's knowledge, Customer has complied with this Section.

i. Other Provisions.

Customer shall not, directly or indirectly, export or transmit the Software to any country to which such export or transmission is prohibited by any applicable regulation or statute. The Parties agree that Software provided under this Agreement shall be deemed to be "goods" within the meaning of Article 2 of the Uniform Commercial Code, except when such a practice would cause an unreasonable result. The Parties agree that the Uniform Computer Information Transaction Act (or a version thereof or substantially similar law) shall not govern this Agreement.

2. Equipment Terms

SUB-ITEMS *a*., *b*. AND c*.* BELOW APPLY ONLY TO EQUIPMENT PURCHASED BY CUSTOMER DIRECTLY FROM ITRON:

a. Equipment Purchase.

Customer agrees to purchase the equipment, if any, identified on Attachment A (the "***Equipment***") from Itron at the price(s) and in the quantities set forth thereon pursuant to the terms of this Agreement. Prices set forth on Attachment A are valid for one year from the date of this Agreement.

b. Ordering

During the term of this Agreement, Customer shall order quantities of Equipment by issuing a purchase order, change order or release (each an "***Order***") to Itron, in each case specifying the type and quantity of Equipment, the shipment destination and the requested delivery date. Unless otherwise agreed in a separate writing signed by an authorized representative of each Party, the requested delivery date in an Order must be no earlier than ninety days following Itron's receipt of such Order.

c. Firmware

The purchase of Equipment manufactured by Itron will include a perpetual, irrevocable license to use and execute any software embedded in the Equipment. The license to any software embedded in third party Equipment provided by Itron shall be between Customer and the manufacturer of such third party Equipment.

d. Invoicing.

Itron will invoice Customer for the Equipment upon shipment.

e. Delivery, Title and Risk of Loss.

Unless otherwise agreed by the Parties, Itron will make arrangements with its carrier to deliver Equipment to Customer's location at Customer's expense. For Equipment delivered to Canada, title to the Equipment and risk of loss shall pass to Customer upon delivery to the Customer. For Equipment delivered to all other locations, title to the Equipment and risk of loss shall pass to Customer upon Itron's delivery to a carrier for shipment to Customer.

f. Limited Equipment Warranty

i. Warranty and Remedy.

Except as otherwise set forth on Attachment A, Itron warrants to Customer that the Equipment that is manufactured by Itron will be free from defects in materials and workmanship and will conform to the applicable published Itron specifications for a period of one year from the date of shipment if purchased directly from Itron and 14 months if purchased through a Distributor. Except to the extent

otherwise provided in Attachment A, Itron's sole obligation and Customer's exclusive remedy in connection with the breach of a warranty provided under this Section or under Attachment A shall be for Itron to repair non-conforming Equipment or provide Customer with replacement Equipment after Customer has returned non-conforming Equipment properly packaged and prepaid to a repair facility designated by Itron in accordance with Itron's then-current RMA procedures. If Itron, in its sole discretion, determines that it is unable to repair or replace such non-conforming Equipment, Itron will refund to Customer the amount paid for such Equipment. Equipment that is repaired or replaced pursuant to this Section will be warranted for the remainder of the original warranty period or 30 days, whichever is longer. Customer will pay the cost of returning non-conforming Equipment to the place of repair designated by Itron and Itron will pay the cost of delivering repaired or replacement Equipment to Customer.

ii. Exclusions.

The warranty provided herein does not cover damage due to external causes, including accident, abuse, misuse, inadequate maintenance, problems with electrical power, acts of God; service (including installation or de-installation) not performed or authorized by Itron; usage not in accordance with product instructions or in a configuration not approved by Itron; normal wear and tear; and problems caused by use of parts and components not supplied by Itron. The warranty provided herein shall be void if the Equipment is modified in a way not authorized in writing by Itron. The above warranty does not cover any third party equipment provided by Itron. Any warranty for such equipment will be between Customer and the third party manufacturer.

3. Cloud Service Terms

a. Access to Cloud Service.

Subject to the terms of this Agreement, Itron grants to Customer, for its internal business purposes only, the non-transferrable, non-exclusive right to access and use the service identified on Attachment A (the "***Cloud Service***") in accordance with the terms of service attached hereto as Attachment B (the "***Terms of Service***").

b. Use Restrictions.

Customer is responsible for maintaining the confidentiality of all information required to access the Cloud Service and for the activities of its employees or representatives that access the Cloud Service. Customer will not (i) access or use the Cloud Service other than in accordance with the Cloud Service documentation; (ii) reverse engineer the software underlying the Cloud Service; (iii) engage in any activity that interferes with or disrupts the Cloud Service or any servers or networks connected to the Cloud Service; (iv) allow a third party to access the Cloud Service or operate the Cloud Service for the benefit of a third party, including as a service bureau; (v) modify or create derivative works based on the Cloud Service; or (vi) use the Cloud Service in a manner that violates any law or regulation or the rights of any third party.

c. Cloud Service Term.

Itron will make the Cloud Service available to Customer for an initial one-year period beginning on the Effective Date. Thereafter, Itron shall provide the Cloud Service for successive one-year periods unless the Cloud Service is terminated in writing by either Party at least 90 days prior to the end of the then-current one-year period.

d. Invoicing.

Itron shall invoice Customer for the initial annual Cloud Service fee identified on Attachment A immediately following the Effective Date. Thereafter, Itron shall invoice Customer for each successive one-year period prior to the commencement of such period. Itron may elect to increase the annual fee for any successive annual period by providing Customer with written notice of such increase at least 90 days prior to the commencement of such period.

e. Customer Data.

Customer retains all right, title and interest in and to any electronic data or information contained in any database, table or similar file or document provided by Customer for use in connection with any Cloud Service (the "***Customer Data***"). Customer grants to Itron a license to use the Customer Data to the extent necessary for Itron to provide the Cloud Service, or as required by law. Customer is solely responsible for the Customer Data, including providing the Customer Data required for proper operation of the Cloud Service, and will not provide, post or transmit any Customer Data or any other information or material that: (i) infringes or violates the rights of any third party or any law or regulation or (ii) contains any virus or programming routine that has the effect of damaging, surreptitiously intercepting or expropriating any system, data or personal information. Itron may take any remedial action it deems advisable to address any violation of this Section but Itron is under no obligation to review Customer Data for accuracy or potential liability. Customer agrees to indemnify Itron for any loss or damage suffered by Itron in connection with Customer's breach of its obligations under this Section.

f. Service Levels.

Itron agrees to make commercially reasonable efforts to: (i) maintain Appropriate Security Measures (defined below); (ii) provide regular backups for the Customer Data as further described in the Terms of Service; and (iii) make the Cloud Service generally available 24 hours a day and 7 days a week except for (y) planned downtime in accordance with the Terms of Service and (z) downtime caused by circumstances beyond Itron's reasonable control, including telecommunications or network failures or delays, computer failures that could not reasonably have been prevented by Itron or acts of vandalism (e.g., network intrusions and denial of service attacks). Itron's sole obligation, and Customer's exclusive remedy, in connection with a breach of any obligation of Itron with respect to the performance or availability of the Cloud Service shall be for Itron, at its option, to correct the failure or to refund to Customer the amount paid for the Cloud Service for the period in which it was affected. Customer's subscription to the Cloud Service shall terminate upon its receipt of any such refund. "***Appropriate Security Measures***" means customary technical, physical and procedural controls to protect Customer Data against destruction, loss, alteration, or unauthorized disclosure to third parties. Customer acknowledges that, notwithstanding Appropriate Security Measures, use of or connection to the Cloud Service presents the opportunity for unauthorized third parties to

circumvent such precautions and illegally gain access to the Cloud Service and Customer Data. Accordingly, Itron does not guarantee the privacy, security or authenticity of any information stored in connection with or transmitted to or from any Cloud Service.

g. Federal Communications Commission ("FCC") Licensed Facilities.

Customer acknowledges and agrees that Itron maintains the exclusive right to operate and control any Federal Communications Commission ("FCC") licensed facilities involved in the provision of services, including the transmitter and other components that produce RF energy (e.g. Itron Cell Control Units, Endpoints, etc.). Itron will make all decisions regarding any FCC licenses used to implement the Cloud Services provided for by this Agreement, including the preparation and filing of applications with the FCC.

4. Payment Terms and Taxes.

The following terms shall apply to any equipment, services or software purchased by Customer directly from Itron. For invoices not paid within 30 days of the invoice date, in addition to other remedies to which Itron may be entitled, Itron may charge Customer a late fee of one percent per month applied against overdue amounts. Customer shall also be responsible for collection costs associated with late payment, if any, including reasonable attorneys' fees. No endorsement or statement on any check or payment or in any letter accompanying a check or payment or elsewhere shall be construed as an accord or satisfaction. Unless otherwise indicated on Attachment A, Customer shall pay all amounts owing under this Agreement in U.S. Dollars. The prices set forth on Attachment A do not include taxes. Customer will be responsible for and pay all applicable sales, use, excise, value-added and other taxes associated with the provision of products or services by Itron, excluding taxes on Itron's income generally. If Customer is a tax exempt entity, or pays taxes directly to the state, Customer will provide Itron with a copy of its Tax Exemption Certificate or Direct Pay Permit, as applicable, upon execution of this Agreement.

5. Changes.

Changes to the products or services ordered by Customer pursuant to this Agreement, including the purchase of additional quantities or entirely new products or services, may be made at Itron's then-current pricing by purchase order or Change Order (in a form acceptable to Itron), provided that any such purchase order must first be accepted by Itron.

6. Confidentiality.

With respect to any information supplied in connection with this Agreement and designated by either Party as confidential, or which the recipient should reasonably believe to be confidential based on its subject matter or the circumstances, the recipient agrees to protect the confidential information in a reasonable and appropriate manner, and to use and reproduce the confidential information only as necessary to realize the benefits of or perform its obligations under this Agreement and for no other purpose. The obligations in this Section will not apply to information that is: (i) publicly known; (ii) already known to the recipient; (iii) lawfully disclosed by a third party; (iv) independently developed; or (v) disclosed pursuant to a legal requirement or order. The recipient may disclose the confidential information on a need-to-know basis to its contractor's, agents and affiliates who agree to confidentiality and non-use terms that are substantially similar to these terms. The parties acknowledge and agree that any software provided by Itron in connection with this Agreement shall be considered the confidential information of Itron.

7. IP Ownership

Between Itron and Customer, all patents, copyrights, mask works, trade secrets, trademarks and other proprietary rights in or related to any product, software or deliverable provided by Itron pursuant to this Agreement are and will remain the exclusive property of Itron. Any modification or improvement to an Itron product or deliverable that is based on Customer’s feedback shall be the exclusive property of Itron. Customer will not take any action that jeopardizes Itron's proprietary rights nor will it acquire any right in any such product, software or deliverable or Itron's confidential information other than rights granted in this Agreement.

8. Indemnification

a. General Indemnity.

Itron will defend Customer from any third party claim for (i) wrongful death of or bodily injury, to the extent caused by Itron's gross negligence or intentional torts, or (ii) physical damage to tangible personal property, to the extent caused by Itron's gross negligence or intentional torts, and will pay costs and damages awarded against Customer in any such claim that are specifically attributable to Itron's gross negligence or intentional torts or those costs and damages agreed to by Itron in a monetary settlement of such claim.

b. Infringement Indemnity.

Itron will defend at its own expense any action brought against Customer by an unaffiliated third party to the extent that the action is based upon a claim that any product manufactured, software licensed or service provided by Itron hereunder directly infringes any U.S. patent (issued as of the Effective Date) or any copyright or trademark, and Itron will pay those costs and damages awarded against Customer in any such action that are specifically attributable to such claim or those costs and damages agreed to by Itron in a monetary settlement of such action. The foregoing indemnity does not apply to products not manufactured by Itron or software licensed by third parties.

c. Conditions to Infringement Indemnity.

Itron's infringement indemnity obligations under this Section are conditioned on Customer's agreement that if the applicable product or service, becomes, or in Itron's opinion is likely to become, the subject of such a claim, Customer will permit Itron, at Itron's option and expense, either to procure the right for Customer to continue using the affected product or service or to replace or modify the same so that it becomes non-infringing. Such replacements or modifications will be functionally equivalent to the replaced product or service. If the foregoing alternatives are not available on terms that are reasonable in Itron's judgment, Itron shall have the right to require Customer to cease using the affected product or service in which case Itron will refund to Customer the depreciated value of the affected product or service.

d. Exclusions.

Itron shall have no obligation under this Agreement to the extent any claim of infringement or misappropriation results from: (i) use of a product or service, other than as permitted under this Agreement or as intended by Itron, if the infringement would not have occurred but for such use; (ii) use of any product or service in combination with any other product, equipment, software or data, if the infringement would not have occurred but for such combination; (iii) any use of any release of a software or any firmware other than the most current release made available to Customer, (iv) any claim based on Customer's use of a product after Itron has informed Customer of modifications or changes to the product required to avoid such claims and offered to implement those modification or changes, if such claim would have been avoided or mitigated by the implementation of Itron's suggestions, (v) any modification to a product made by a person other than Itron or an authorized representative of Itron, or (vi) compliance by Itron with specifications or instructions supplied by Customer. Itron shall not be liable hereunder for enhanced or punitive damages that could have been avoided or reduced by actions within the control of Customer.

e. Right to Defend.

As a condition to Itron's indemnity obligations under this Agreement, Customer will provide Itron with prompt written notice of the claim, permit Itron to control the defense or settlement of the claim and provide Itron with reasonable assistance in connection with such defense or settlement. Customer may employ counsel at its own expense to assist it with respect to any such claim.

f. Indemnity Disclaimer

THIS SECTION CONSTITUTES ITRON'S SOLE AND EXCLUSIVE OBLIGATION WITH RESPECT TO THIRD PARTY CLAIMS BROUGHT AGAINST CUSTOMER.

9. Warranty Disclaimer.

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, ITRON DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES, CONDITIONS OR REPRESENTATIONS INCLUDING, WITHOUT LIMITATION, (I) IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, (II) WARRANTIES OF TITLE AND AGAINST INFRINGEMENT AND (III) WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. TO THE EXTENT ANY IMPLIED WARRANTY CANNOT BE EXCLUDED, SUCH WARRANTY IS LIMITED IN DURATION TO THE EXPRESS WARRANTY PERIOD.

10. WAIVER OF CONSEQUENTIAL DAMAGES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR COVER OR FOR INCIDENTAL, SPECIAL, CONSEQUENTIAL (INCLUDING LOSS OR CORRUPTION OF DATA OR LOSS OF REVENUE, SAVINGS OR PROFITS) OR EXEMPLARY DAMAGES, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. ITRON'S PRICING REFLECTS THIS ALLOCATION OF RISKS AND LIMITATION OF LIABILITY.

11. CAP ON LIABILITY.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, EXCEPT FOR A BREACH BY CUSTOMER OF (I) ANY INTELLECTUAL PROPERTY RIGHT OF ITRON OR (II) ANY LICENSE GRANTED BY ITRON HEREUNDER, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR DAMAGES IN EXCESS OF FIFTY PERCENT (50%) OF THE FEES PAID BY CUSTOMER TO ITRON UNDER THIS AGREEMENT IN THE TWELVE (12) MONTH PERIOD PRIOR TO THE DATE OF ANY CLAIM. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION IN THE AGGREGATE. ITRON'S PRICING REFLECTS THIS ALLOCATION OF RISKS AND LIMITATION OF LIABILITY.

12. Term and Termination

a. Term of Agreement.

Unless terminated earlier as provided herein, the term of this Agreement shall be from the Effective Date through December 31st of the year in which any products or services to be provided hereunder have been provided. The term of this Agreement shall thereafter automatically renew for successive one year periods unless either Party provides the other with written notice of its intent not to renew at least 90 days prior to such termination; provided, however, that Customer shall be obligated to purchase and Itron shall be obligated to provide any product or service that is the subject of an unfulfilled order accepted by Itron prior to the time of any such termination. Notwithstanding the foregoing, the term of any license provided by Itron hereunder shall be as set forth in the provision granting such license.

b. Termination for Cause.

Either Party may terminate this Agreement by providing the other Party with written notice if the other Party (i) becomes insolvent, executes a general assignment for the benefit of creditors or becomes subject to bankruptcy or receivership proceedings; (ii) breaches its obligations related to the other Party's confidential information; or (iii) commits a material breach of this Agreement, the Distributor/Customer agreement or the Distributor/Itron agreement that remains uncured for 30 days following delivery of written notice of such breach (including, but not necessarily limited to, a statement of the facts relating to the breach or default, the provisions of this Agreement that are in breach or default and the action required to cure the breach or default).

c. Survival.

Any provision of this Agreement that contemplates performance or observance subsequent to termination or expiration of this Agreement shall survive termination or expiration and continue in full force and effect for the period so contemplated including, but not limited to, provisions relating to warranties and warranty disclaimers, intellectual property ownership, payment terms, confidentiality, waiver of consequential damages, and cap on liability.

13. Miscellaneous

a. Entire Agreement.

This Agreement and any attachments hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements pertaining to such subject matter. All prior agreements, representations, warranties, statements, negotiations, understandings, and undertakings are superseded hereby and Customer represents and acknowledges that it has not relied on any representation or warranty other than those explicitly set forth in this Agreement in connection with its execution of this Agreement. Neither Party shall be bound by terms and conditions imprinted on or embedded in purchase orders, order acknowledgments, statements of work not attached hereto or other communications between the Parties subsequent to the execution of this Agreement.

b. Amendments and Waivers.

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a writing signed by an authorized representative of each Party and declared to be an amendment hereto. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision. No waiver granted under this Agreement as to any one provision herein shall constitute a subsequent waiver of such provision or of any other provision herein, nor shall it constitute the waiver of any performance other than the actual performance specifically waived.

c. Governing Law; Jury Trial.

This Agreement and performance hereunder will be governed by and construed in accordance with the laws of the State of Washington without reference to Washington conflicts of law principles or the United Nations Convention on Contracts for the Sale of Goods. THE PARTIES HEREBY UNCONDITIONALLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM ARISING IN ANY WAY IN CONNECTION WITH THIS AGREEMENT.

d. Assignment.

Customer may not assign or transfer its interests, rights or obligations under this Agreement by written agreement, merger, consolidation, operation of law or otherwise without the prior written consent of an authorized executive officer of Itron. Any attempt to assign this Agreement by Customer shall be null and void. For purposes of this Agreement, the acquisition of an equity interest in Customer of greater than 25 percent by any third party shall be considered an assignment.

e. Publicity.

Unless otherwise provided in a separate confidentiality agreement between the Parties, each Party may issue a press release following the execution of this Agreement, subject to the other Party's written approval, which shall not be unreasonably withheld. Each Party hereby consents to the other Party's use of its name, URL and logo on its website and in its customer and partner lists for corporate and financial presentations.

f. Force Majeure.

Neither Party will be responsible for any failure or delay in performing any obligation hereunder if such failure or delay is due to a cause beyond the Party's reasonable control, including, but not limited to acts of God, flood, fire, volcano, war, third-party suppliers, labor disputes or governmental acts (a "***Force Majeure Event***"). Notwithstanding the foregoing, no obligation to make any payment required under this Agreement is excused as a result of a Force Majeure Event.

g. Notices.

Any notice required or permitted under this Agreement or required by law must be in writing and must be delivered in person, by facsimile, by certified mail (return receipt requested), or by a nationally recognized overnight service with all freight charges prepaid, to the address set forth below. Notices will be deemed to have been given at the time of actual delivery, if in person, or upon receipt (as evidenced by facsimile confirmation, return receipt or overnight delivery verification). Either Party may change its address for notices by written notice to the other Party in accordance with this Section.

Itron:	Attn: General Counsel Itron, Inc. 2111 North Molter Road Liberty Lake, WA 99019	Customer:

h. Miscellaneous.

Headings used in this Agreement are intended for convenience or reference only and will not control or affect the meaning or construction of any provision of this Agreement. If any provision in this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will in no way be affected or impaired thereby and such provision shall be interpreted so as to best accomplish the intent of the Parties within the limits of applicable law. Any principle of construction or rule of law that provides that an agreement shall be construed against the drafter of the agreement shall not apply to the terms and conditions of this Agreement. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement. If available, maintenance and support for products will be provided pursuant to a separate maintenance agreement. Itron shall perform all work to be performed in connection with this Agreement as an independent contractor and not as the agent or employee of Customer. All persons furnished by Itron shall be for all purposes solely Itron's employees or agents and shall not be deemed to be employees of Customer for any purpose whatsoever. This Agreement is entered into only for the benefit of Customer and Itron. No other person or entity shall have the right to make any claim or assert any right hereunder, and no other person or entity shall be deemed a beneficiary of this Agreement.

[Signature Page Follows]

Agreed to and accepted:

Itron, Inc.	**Customer**
Signature:_____	Signature:_____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date:_____	Date:_____

Tax Exempt:_____Yes/No (if Yes, attach copy of Tax Exemption Certificate)

ATTACHMENT A-1

Please check the type of Software being licensed or hosted (Itron Cloud Service) and enter the number of meters.

Software	Units	Warranty Start Date	Warranty Term	Itron Cloud Service
*MV-RS	Up to _____ Endpoints	Delivery	14 months	N/A
Field Collection System Software	Up to _____ Endpoints	Delivery	5 months	☐
Network Software	Up to _____ Endpoints	Delivery	5 months	☐
Network Software – Outage Notification	Up to _____ Endpoints	Delivery	5 months	N/A
Itron Analytics	Up to _____ Endpoints	Delivery	5 months	☐
Itron Analytics Customer Portal	Up to _____ Endpoints	Delivery	5 months	☐
Itron Security Manager (ISM)	Up to _____ Endpoints	Delivery	5 months	☐
Field Deployment Manager (FDM)	Up to _____ Endpoints	Delivery	5 months	☐
FDM – Endpoint Tools Enhanced	Up to _____ Endpoints	Delivery	5 months	☐
Mlogonline	Up to _____ Endpoints	Delivery	5 months	☐
Mobile Collector Software	[Up to _____ Endpoints]	Delivery	5 months	[N/A]

*Customer receives 5 months of Phone Support at no charge for the MV-RS Product.

PRICING SUMMARY FOR PRODUCTS AND SERVICES PURCHASED DIRECTLY FROM ITRON

ATTACHMENT A-2

Warranty Terms

Product	Warranty Terms
Centron and Sentinel electricity meters	3 years from shipment
Repairs for out-of-warranty electricity meters	Itron shall perform the repairs with reasonable care and in a diligent and competent manner. Itron's sole obligation in connection with repair warranty failures shall be, at its option, to correct or re-perform repairs or refund to Customer the amount paid for the repairs. Customer must report any deficiencies in repair work to Itron in writing within 90 days of shipment to receive the remedies described herein.
200W series water endpoints (including battery)	**Standard Warranty**: Full warranty consistent with the warranty terms in the Agreement for the first 5 years from shipment. **Optional Extended Warranty (if purchased by Customer):** For warranty claims in years 6 through 10, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 100 percent of its then-current list price for the replacement product. For warranty claims in years 11 through 15, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 50 percent of its then-current list price for the replacement product. For warranty claims in years 16 through 20, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 25 percent of its then-current list price for the replacement product. The warranty on Itron water endpoints shall be void if the endpoint is used in connection with a third party reading system that is not approved by Itron.
100W and 60W series water endpoints (including battery)	Full warranty consistent with the warranty terms in the Agreement for the first 10 years from shipment. For warranty claims in years 11 through 15, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 50 percent of its then-current list price for the replacement product. For warranty claims in years 16 through 20, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 25 percent of its then-current list price for the replacement product. The warranty on Itron water endpoints shall be void if the endpoint is used in connection with a third party reading system that is not approved by Itron.
Leak Sensor	Full warranty consistent with the warranty terms in the Agreement for the first 10 years from shipment. For warranty claims in years 11 through 15, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 50 percent of its then-current list price for the replacement product. For warranty claims in years 16 through 20, Itron's sole obligation will be to provide Customer with a discount on replacement product equal to 25 percent of its then-current list price for the replacement product.
Upgraded handhelds or mobile collectors	90 days from shipment
METRIS Meters and I-250 Meters	Itron warrants that eighty five percent (85%) or more of the METRIS Meters and I-250 Meters shipped to Customer during any calendar year will be free from defects in materials and workmanship such that they maintain set point calibration that is within two percent of their original factory set point calibration (open and check) (“Calibration Warranty”). The foregoing Calibration Warranty is valid until the earlier of (i) 15 years from shipment to Customer of the METRIS Meter and I-250 Meter for which warranty coverage is sought, (ii) the measurement of more than one million cubic feet of gas measured by such meter, or (iii) until such meter is replaced by Customer in connection with a periodic meter change-out. Itron's sole obligation and Customer's exclusive remedy in connection with the breach of a warranty provided under this Section shall be for Itron, at its option, to repair any non-conforming METRIS Meters and I-250 Meters, provided that if Itron determines that it is unable to repair a non-conforming METRIS Meter and I-250 Meter, Itron will refund to Customer the depreciated value of such non-conforming METRIS Meter and I-250 Meter. At the request of Itron, Customer will provide evidence of a meter’s service history to verify warranty coverage.

ATTACHMENT B
Terms of Service

(TO BE ATTACHED IF CLOUD SERVICE IS PURCHASED)

MAINTENANCE AGREEMENT

This Maintenance Agreement (this "***Maintenance Agreement***") is entered into as of [month/day/year] (the "***Effective Date***") by and between Itron, Inc. ("***Itron***") and [_____] ("***Customer***"). Itron and Customer may each be referred to as a "***Party***" and together as the "***Parties***." The Parties agree as follows:

1. Technical Support

a. Support Services.

Itron will make available qualified technical representatives by telephone, email or other remote means during its then-current normal business hours to assist Customer Coordinators (defined below) with the operation of and answer questions related to the software (the "***Software***") and equipment (the "***Equipment***") identified on Attachment A (together, the "***Products***"), which are covered by the services described herein (the "***Maintenance Services***"). Such technical support shall include, but is not limited to, troubleshooting, problem diagnosis, release or system management, and recommendations for fully utilizing the Products. Itron's current Support Services contact and support hours are described in the "Itron Supports Services Contacts" document (the "***Contacts Document***"), which can be obtained by calling (877) 487-6602. Consistent with Section 1.c hereof, Customer will not use Support Services technical representatives in lieu of having qualified and trained support personnel of its own.

b. Field Support.

Upon mutual agreement of the Parties, Itron will dispatch support personnel to Customer's location to provide technical support. Such support will be billed at Itron's then-current hourly rates (with reasonable travel and living expenses invoiced at Itron's cost) unless the cause of the reported problem is found to be the fault of Itron.

c. Customer Coordinators and Service Requests.

Customer will identify no more than 2 supervisory level employees (each a "***Customer Coordinator***") for each Itron product line, as identified in the Contacts Document, to serve as administrative liaisons to Itron for all matters pertaining to the Maintenance Services for such product line. Customer Coordinators shall report problems with Software or Equipment (each such report, a "***Service Request***") as soon as practicable for entry into Itron's support tracking system. Before a Customer Coordinator interfaces with Itron, he or she will attend training sessions offered by Itron to ensure that he or she is (a) knowledgeable about the operation of the Products, and (b) qualified to perform problem determination and remedial functions with respect to the Products. Such training sessions will be at Itron's then-current rates. Customer will be solely responsible for all travel and other expenses incurred in connection with such training sessions. If Itron notifies Customer that additional training is necessary, Customer will promptly ensure that all applicable employees and/or Customer Coordinators receive such training.

2. Software Maintenance

a. Definitions.

"***Error***" means a failure of the Itron Software to substantially comply with the applicable published Itron specifications.

"***Fix***" means a correction of an Error, including a work-around, in order for the Itron Software to function in accordance with the applicable published Itron specifications.

"***Improvement***" means an update, modification, enhancement, extension, new version (regardless of name or number), new module, or other change to the Itron Software that is developed or otherwise provided by Itron.

"***Itron Software***" means Software identified on Attachment A as "Itron Software."

"***Software Release***" means a collection of Fixes or Improvements made available to Itron customers(either via physical media or download access).

b. Fixes.

Itron shall make commercially reasonable efforts to provide Fixes for Errors identified in a Service Request in accordance with the Response Time, Effort Level, and Escalation Path guidelines (together, the "***Service Levels***") outlined below for the applicable Severity Levels identified therein. Itron's obligations with respect to Service Levels are contingent upon Customer (i) devoting the same level of effort to resolving the Error as is required of Itron, (ii) responding to requests made by Itron within the applicable Response Time, and (iii) assigning its most qualified personnel to help Itron address the Error.

Severity Level	Response Times	Effort Level and Escalation Path
Severity Level 1. An Error, reported by *phone contact, for which there is no work-around, which causes the Product/Software or a critical business function / process of the Itron system to be unavailable. *Severity 1 errors must be reported by phone to initiate the Severity 1 response process. SRs initiated by email or web interface are logged as a Severity 3 until reviewed by Itron Technical Support Services and validated as a higher priority.	During after-hour periods, Itron will respond to a critical support voice messages within 15 minutes by a return call to Customer, which will validate receipt of the critical support call and begin the SR process. During regular business-hours Itron will begin the SR process during the initial call. Following the start of the SR process Itron will respond to Customer within 4 business hours with an initial response. Following the initial response to the SR, Itron will update Customer at three hour intervals each day for unresolved SRs, or as otherwise agreed by the Parties. Customer will respond to an Itron inquiry or request within three hours.	Itron will make diligent efforts on a 24x7 basis*, or as otherwise agreed by the Parties. A SR shall be escalated to Itron's TSS Management Team if a Fix is not provided within 1 business day of Itron's receipt of the Customers call and creation of the SR. *24X7 support for Severity Level 1 Errors is not currently available for Itron Meter Products, Energy Forecasting and Load Research Products, and Distribution Products.
Severity Level 2. An Error other than a Severity Level 1 Error for which there is no work-around that results in a loss of access to the Software or that causes features of the Software to not work. *Severity 2 errors must be reported by phone to initiate the Severity 2 response process. SRs initiated by email or web interface are logged as a Severity 3 until reviewed by Itron Technical Support Services and validated as a higher priority.	Itron will respond to the Customer within 1 business day and will update the SR at least every other day. Customer will respond to an Itron inquiry or request within 1 business day.	Itron will make diligent efforts during normal business hours. SRs shall be escalated to Itron's TSS Management Team if a Fix is not provided within 3 business days of Itron's receipt of the Customers call and creation of the SR.
Severity Level 3. An Error other than a Severity Level 1 or Severity Level 2 Error that has a material impact on the functionality of the Software (e.g., a feature is not working as documented but a work-around is available and significant business functions are not materially impaired).	Itron will respond to the SR within 2 business days.	Itron will have technical representatives make diligent efforts during normal business hours.
Severity Level 4. An Error other than a Severity Level 1, Severity Level 2 or Severity Level 3 Error.	Itron will respond to the SR within 3 business days, or as otherwise agreed by the Parties.	Itron will have its support representatives devote commercially reasonable efforts during normal business hours.
Severity Level 5. A SR for an enhancement or new functionality.	N/A	The SR will be evaluated for future product enhancement. If the enhancement or new functionality requires more immediate attention, Itron will engage the Professional Services Group to create a customized proposal at Itron's then-current services rates.

c. Improvements.

Itron shall provide Improvements, if any, at its then-current price for such Improvements (or at no charge if such Improvements are made available to Itron customers generally at no charge).

d. Software Releases.

i. **Release Numbering Convention**. Fixes and/or Improvements are made available to customers through periodic Software Releases. For informational purposes, Itron's current practice (which may be changed at any time in Itron's discretion) is to provide Releases using the numbering convention "XX.YY.ZZ."

- The "XX" in Itron's numbering convention refers to a "***System Release***," which is a new version of the item of Itron Software. A System Release may include Fixes, Improvements or interfaces to new functional modules or platforms not previously supported by Itron.
- The "YY" in Itron's numbering convention refers to a "***Service Pack Release***," which is an update to a System Release. Service Pack Releases may include Fixes or Improvements and are provided to Itron customers generally on a periodic basis.

- The "ZZ" in Itron's numbering convention refers to a "***Hot Fix Release***," which is an unscheduled release provided to one or more customers as a short-term, temporary fix to a Severity Level 1 Error. While not utilized by all Itron Software product lines, Hot Fix Releases are not made available to Itron customers generally but may be included in the next scheduled Service Pack for general release.

ii. **Support for Releases of Itron Enterprise Edition and Openway Software**. This subsection applies only to Itron Enterprise Edition and OpenWay software products. Maintenance Services for Itron Enterprise Edition and OpenWay software products shall be limited to the most recent System Release and the prior System Release (and the most current Service Pack Release associated with such System Release). Customer will test and install Service Pack Releases associated with the System Release in use by Customer within 12 months of such Service Pack Releases being made available to Customer. Customer will upgrade to the latest System Release at least every twenty-four (24) to thirty-six (36) months. At Customer's request, Itron may provide Release installation services at its then-current hourly rates. Itron may elect to provide Maintenance Services for an unsupported Release of Itron Software at its then-current rates for customer support.

iii. **Support for Releases of all Other Itron Software**. This subsection applies to all Itron Software other than Itron Enterprise Edition and OpenWay Software products. Maintenance Services for all Itron Software other than Itron Enterprise Edition and OpenWay software products shall be limited to the most recent System Release and the two prior Service Pack Releases. Customer will test and install System Releases and Service Pack Releases within 12 months of such Releases being made available to Customer. At Customer's request, Itron may provide Release installation services at its then-current hourly rates. Itron may elect to provide Maintenance Services for an unsupported Release of Itron Software at its then-current rates for customer support.

e. Mandatory Revision.

In the event that Itron, in its sole reasonable discretion, determines that any Itron Software is, or may (as applicable) be: (i) subject to a material Error; (ii) the subject of a material security breach; or, (iii) be subject to a third party infringement claim or suit of any kind, Itron may issue a mandatory revision in correction of one or more of these issues (a "***Mandatory Revision***"). Itron disclaims all liability and obligations that arise due to, or are result of, Customer's failure to test and install a Mandatory Revision in a timely fashion.

f. Interoperability.

Itron makes no representation or warranty regarding the ability of the Itron Software to interoperate with third party hardware or software other than software or hardware identified as compatible with the Itron Software in Itron's published documentation for such Itron Software (the "***Documentation***").

g. Documentation and Software Library.

Itron will make an electronic copy of the Documentation available to Customer at no additional charge via physical media or download access. Itron will maintain a copy of its most recent supported version of the executable Itron Software to be made available to Customer as necessary in the event of corrupted or inoperative Itron Software.

h. Restoring Software to Maintenance Services.

If Customer declines Maintenance Services after the end of warranty or discontinues Maintenance Services for any Itron Software, and thereafter wishes to resume Maintenance Services for the most recent Release of such Itron Software, Customer shall, prior to receiving such Maintenance Services, notify Itron in writing of its request for Maintenance Services and pay Itron's then-current re-initiation fee.

i. Exclusions.

Itron shall have no obligation to Customer to the extent any Itron Software is adversely affected by: (i) use of the Itron Software in combination with other software, equipment or communications networks that are not referenced in the Documentation; (ii) any modification to the software or operating environment that is made other than through the fault of Itron, after the Effective Date; (iii) the use of a version of the Itron Software that is not supported by Itron; (iv) Customer's failure to implement a Fix provided by Itron; (v) the operation or maintenance of the Itron Software other than through the fault of Itron; (vi) viruses introduced through no fault of Itron; (vii) use of the Itron Software other than as permitted by Itron, including Software operated on Equipment that has been serviced or repaired by a third party that is not Itron certified; or (viii) Customer's failure to perform Customer responsibilities in accordance with this Agreement.

j. Customer Responsibilities.

i. Remote Communications.

Customer will obtain, install, operate, and maintain remote communications software and equipment in a manner that will allow for remote access to the Software. Customer will make such remote access available to Itron representatives, as necessary, for remote diagnosis and troubleshooting of the Software.

ii. System Configuration and Administration.

Customer will ensure that its equipment, system peripherals, operating system, and data communications environment associated with the Software is configured, operated, and maintained in accordance with the Documentation and any applicable third party documentation. These administrative activities shall include but not be limited to: checking audit logs, clearing discovered exceptions, and performing daily, weekly, and monthly operational tasks and system responsibilities. Customer will consult with Itron prior to making changes that may affect the operation of the Software.

iii. Network Administration.

Customer will monitor and maintain, repair, replace and upgrade its local, and wide area network components (if any)—including network servers, network clients, network hubs, routers, modems, and other software components necessary for efficient and reliable network operations associated with the Software—to ensure continued conformance with the Documentation. In addition, Customer will administer related host names, Internet Protocol addresses, network interfaces, access, security, communications, and equipment and software version control.

iv. Database Administration.

Customer will administer the agreed upon database(s) associated with the Software, including hardware and software components, in accordance with the Documentation or any applicable third party documentation, which administration shall include, monitoring the database server, backing up electrical power sources, and configuring and administering of database schema, application interfaces, networking operating system, communications, and file transfer software. Customer will maintain database files (e.g., truncate, cleanup, and delete files consistent with industry standard practices) and perform regular data backup and data archiving.

v. Data Review.

If Itron determines that it is necessary to evaluate Customer data in order to reproduce error conditions not reproducible with Itron's standard test data sets, Customer will provide Itron with access to such data. Itron will manage such data in a secure manner while in use and delete the data from Itron systems upon completion of the investigation. Itron shall not be liable for any delay or failure to resolve the problem if access to such production data is denied to Itron.

3. Equipment Maintenance

a. Preventive and Corrective Maintenance.

Upon receipt of an item of Itron Equipment (defined below) for which Customer has subscribed to receive Maintenance Services ("***Covered Equipment***"), Itron shall (i) perform the preventive Maintenance Services that it determines is reasonably necessary to maintain such Equipment in Operational Condition (defined below)**,** and (ii) diagnose and correct any failure in such Equipment as necessary to meet Operational Condition (excluding minor cosmetic deficiencies such as blemishes, dents or scratches). The term "***Itron Equipment***" refers to Equipment identified on Attachment A as "Itron Equipment." The term "***Operating Condition***" means capable of performance in accordance with Itron's published specifications.

b. Maintenance Procedures.

Customer shall initiate a request for Maintenance Services for an item of Itron Equipment by delivering the item to the applicable Itron address identified on the Itron Equipment Repair Table (the "***Repair Table***"), which can be obtained by calling (877) 487-6602*,* at Customer's expense and in accordance with the applicable return material authorization procedure. Upon receipt of an item of Itron Equipment with the required information, Itron shall assess the item to determine whether it is Covered Equipment and whether the maintenance requested is included within the Maintenance Services and not otherwise excluded from coverage as provided herein. If the item of Itron Equipment is Covered Equipment and the maintenance requested is included in the Maintenance Services, Itron shall provide the applicable Maintenance Services and shall make commercially reasonable efforts to return the item of Itron Equipment to Customer at Itron's expense within the applicable turnaround identified on the Repair Table. Itron Equipment that is not Covered Equipment or maintenance or support that is requested but not included in the Maintenance Services shall be addressed as described in Section 3.d hereof.

c. Exclusions.

The Equipment Maintenance Services described herein do not include repairs related to:

i. damage due to external causes, including accident, abuse, misuse, inadequate maintenance, problems with electrical power, acts of God; usage not in accordance with product instructions or in a configuration not approved by Itron;

ii. service (including installation or de-installation) not performed or authorized by Itron;

iii. use of parts, configurations or repair depots not certified by Itron;

iv. Customer's failure to perform Customer responsibilities in accordance with this Agreement, including caring for Products in accordance with user documentation; or

v. Products for which Itron has discontinued Maintenance Services pursuant to Section 5 hereof.

d. Estimation Fees

Itron will provide Customer with a price quote for the estimated cost, including labor, materials and shipping, for any repairs that are requested but not included in the Maintenance Services (whether because the item of equipment is not covered by Maintenance Services or because the nature of the repair is not included in Maintenance Services). If Customer elects to have Itron proceed with the requested maintenance on any such item, Itron shall provide such services at its then-current rates. If Customer elects not to proceed with the requested repair, Itron will return the item of equipment at Customer's expense. Itron may charge Customer its then-current handling, inspection and shipping fees for any such returned equipment.

e. Adding/Restoring Equipment to Maintenance Services.

Following the Effective Date, additional Itron Equipment purchased by Customer, of a similar type and model already covered by Maintenance Services, shall automatically be deemed to be Covered Equipment following expiration of the warranty for such Equipment. If Customer declines Equipment coverage after the end of warranty, discontinues Maintenance Services for any Covered Equipment or has Equipment serviced or repaired by a third party that is not Itron certified, and thereafter wishes to add such equipment as Covered Equipment, Itron may, prior to such equipment being included as Covered Equipment,(i) inspect such equipment at its then-current rates to determine whether it is in Operating Condition and/or (ii) charge its then-current re-certification fee, in addition to the Equipment's first term maintenance fee.

f. Customer Responsibilities.

Itron shall make available, and Customer shall obtain, a copy of Itron's user documentation for items of Covered Equipment and Customer shall perform regular preventive maintenance for each such item in accordance with such documentation. Customer shall also keep accurate records of Equipment serial numbers and locations to assist Itron with the Maintenance Services.

g. Loaner Equipment Program.

Subject to the requirements below, Itron shall make commercially reasonable efforts to provide Customer with a Mobile Collector or Handheld unit, as applicable, for the Customer to use (each an item of "***Loaned Equipment***") while a Mobile Collector or Handheld

unit, as applicable, that is Covered Equipment is receiving Maintenance Services. Itron shall provide Loaned Equipment if all the following criteria are satisfied:

i. Customer has maintained an inventory of spare Mobile Collectors or Handheld units equal to at least 10 percent of the number of Mobile Collectors or Handheld units deployed in Customer's service territory (with at least one Mobile Collector) and such inventory has been depleted;

ii. Itron has provided preventive Maintenance Services for each of Customer's Mobile Collectors or Handheld Devices (as applicable) that are Covered Equipment in the 12-month period prior to Customer's request for Loaned Equipment; and

iii. Itron is unable to return the Mobile Collector or Handheld Devices, as applicable, receiving Maintenance Services within the applicable turnaround time set forth on Attachment A.

iv. Loaned Equipment will remain the property of Itron and shall be returned to Itron promptly upon receipt of the corresponding item of Itron Equipment. For Loaned Equipment that is not returned within 14 days from shipment of the corresponding item of Itron equipment, Itron may charge a late fee equal to 10 percent of the then-current list price for the item of Loaned Equipment for each 30 day period during which the item of Loaned Equipment remains unreturned. Itron shall pay the cost of delivering Loaned Equipment to Customer and Customer shall pay the cost of returning Loaned Equipment to Itron.

4. Compensation and Payment

a. Definitions

"***Annual Adjustment***" means Itron's standard price increase.

"***Annual Fee***" means the annual fee set forth on Attachment A hereto for each category of Products identified thereon plus the Annual Adjustment, if any. The Annual Fee for Maintenance Services to be provided for any partial Maintenance Year (i.e., for Products with a Maintenance Commencement Date that falls after the beginning of the Maintenance Year) shall be prorated based on the applicable number of months Customer is to receive Maintenance Services during such Maintenance Year.

"***Maintenance Commencement Date***" means the date for commencement of the Maintenance Services for a Product identified on Attachment A hereto.

"***Maintenance Year***" means any period of 1 year during the Term beginning on the Effective Date or any anniversary thereof.

b. Compensation and Invoicing.

As compensation for the Maintenance Services, Customer shall, in advance, pay to Itron the Annual Fee for each Maintenance Year in which it receives Maintenance Services. Itron shall invoice Customer for Maintenance Services to be provided during the first Maintenance Year as soon as practicable following the Effective Date. For Maintenance Services provided during any subsequent Maintenance Year, including Maintenance Services for newly purchased Products, Itron shall provide Customer with a renewal notice at least 100 days prior to the commencement of each Maintenance Year. Customer may discontinue Maintenance Services for a Product by providing Itron with written notice of non-renewal for such Product no less than 90 days prior to the commencement of any subsequent Maintenance Year. Approximately 20 days prior to the commencement of any subsequent Maintenance Year, Itron shall provide Customer with an invoice for the Annual Fee payable by Customer for the forthcoming Maintenance Year. Itron may, in its discretion, invoice Customer for Maintenance Services for a Product that is added during the course of any Maintenance Year as soon as such Product has been added or at the beginning of the next Maintenance Year.

c. Payment.

Invoices will be due and payable 30 days following the date of invoice. For invoices not paid within 30 days of the invoice date, in addition to other remedies to which Itron may be entitled, Itron may charge Customer a late fee of 1 percent per month applied against undisputed overdue amounts. Customer shall also be responsible for collection costs associated with late payment, if any, including reasonable attorneys' fees. Fees paid pursuant to this Maintenance Agreement, including the Annual Fee, do not include taxes. Customer will be responsible for and pay all applicable sales, use, excise, value-added and other taxes associated with the provision of the Maintenance Services, excluding taxes on Itron's income generally. If Customer is a tax exempt entity, or pays taxes directly to the state, Customer will provide Itron with a copy of its Tax Exemption Certificate or Direct Pay Permit, as applicable, upon execution of this Agreement. No endorsement or statement on any check or payment or in any letter accompanying a check or payment or elsewhere shall be construed as an accord or satisfaction. Customer shall pay all amounts due under this Agreement in lawful money of the United States, unless otherwise provided in Attachment A.

5. Term and Termination

a. Term.

The term of this Maintenance Agreement ("***Term***") shall commence upon the Effective Date and shall continue unless and until terminated in accordance with this Section.

b. Termination.

Either party may terminate this Maintenance Agreement effective as of the end of any Maintenance Year by giving the other Party written notice of termination at least 90 days prior to the end of such Maintenance Year. If either Party commits a material breach of or default under this Maintenance Agreement or any agreement between the Parties related to this Maintenance Agreement, then the other Party may give such Party written notice of the breach or default (including, but not necessarily limited to, a statement of the facts relating to the breach or default, the provisions of this Maintenance Agreement that are in breach or default and the action required to cure the breach or default) and, at the notifying Party's election, this Maintenance Agreement shall terminate pursuant to this Section if the breach or default is not cured within 30 days after receipt of notice (or such later date as may be specified in the notice).

c. Effect of Termination.

Itron shall not be obligated to provide any Maintenance Services after the end of the Term. If either Party terminates the Maintenance Agreement for a reason other than a termination for breach or default or if Itron terminates Maintenance Services for one or more Products, Customer shall be entitled to a prorated refund of the Annual Fee.

d. End of Support.

Itron may discontinue Maintenance Services for any Equipment or Software, effective as of the end of the current Maintenance Year, by giving Customer written notice of such discontinuance no less than 90 days prior to the end of such Maintenance Year. At Customer's request, Itron may elect to provide custom support for products for which Maintenance Services have been discontinued at Itron's then-current rates.

e. Survival

Any Section of this Maintenance Agreement, which by its nature is intended to survive termination or expiration, shall survive the termination or expiration of this Maintenance Agreement.

6. Miscellaneous

a. Disclaimer of Warranties.

EXCEPT AS EXPRESSLY SET FORTH IN THIS MAINTENANCE AGREEMENT, ITRON DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES, CONDITIONS, OR REPRESENTATIONS INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY IMPLIED WARRANTY ARISING OUT OF ANY COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE PRACTICE.

b. No Consequential Damages.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT WILL ITRON BE LIABLE UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR COVER OR FOR ANY INCIDENTAL, SPECIAL, CONSEQUENTIAL (INCLUDING LOSS OR CORRUPTION OF DATA OR LOSS OF REVENUE, SAVINGS OR PROFITS) OR EXEMPLARY DAMAGES, EVEN IF ITRON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

c. Limitation of Liability.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR DAMAGES IN EXCESS OF FIFTY PERCENT (50%) OF THE FEES PAID BY CUSTOMER TO ITRON UNDER THIS MAINTENANCE AGREEMENT DURING THE MAINTENANCE YEAR IN WHICH THE CAUSE OF ACTION GIVING RISE TO THE LIABILITY AROSE. ITRON SHALL NOT BE LIABLE FOR ANY CLAIM MADE THE SUBJECT OF A LEGAL PROCEEDING MORE THAN 2 YEARS AFTER THE CAUSE OF ACTION ASSERTED IN SUCH CLAIM AROSE.

d. Force Majeure.

Except for monetary obligations hereunder, neither Party will be responsible for any failure or delay in performing any obligation hereunder if such failure or delay is due to a cause beyond the Party's reasonable control, including, but not limited to acts of God, flood, fire, volcano, war, terrorist threats or actions, third-party suppliers, labor disputes or governmental acts.

e. Notices.

Any notice required or permitted under this Maintenance Agreement or required by law must be in writing and must be delivered in person, by facsimile, by certified mail (return receipt requested), or by a nationally recognized overnight service with all freight charges prepaid, to the address set forth on the signature page hereto. Notices will be deemed to have been given at the time of actual delivery, if in person, or upon receipt (as evidenced by facsimile confirmation, return receipt or overnight delivery verification). Either Party may change its address for notices by written notice to the other Party in accordance with this Section. Notwithstanding the foregoing, notice of renewal or non-renewal of Maintenance Services shall be sent to the email or other address set forth on the signature page hereto.

f. Assignment.

Customer may not assign or transfer its interests, rights or obligations under this Maintenance Agreement by written agreement, merger, consolidation, operation of law or otherwise without the prior written consent of an authorized executive officer of Itron. Any attempt to assign this Maintenance Agreement by Customer shall be null and void.

g. Nonwaiver.

Any failure by either Party to insist upon or enforce performance by the other Party of any of the provisions of this Maintenance Agreement or to exercise any rights or remedies under this Maintenance Agreement or otherwise by law shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision, right or remedy in that or any other instance; rather the provision, right or remedy shall be and remain in full force and effect.

h. Governing Law.

This Maintenance Agreement and performance hereunder will be governed by and construed in accordance with the laws of the State of Washington without reference to Washington conflicts of law principles or the United Nations Convention on Contracts for the Sale of Goods. **THE PARTIES HEREBY UNCONDITIONALLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM ARISING IN ANY WAY IN CONNECTION WITH THIS AGREEMENT.**

i. Confidentiality.

With respect to any information supplied in connection with this Maintenance Agreement and designated by either Party as confidential, or which the recipient should reasonably believe to be confidential based on its subject matter or the circumstances, the recipient agrees to protect the confidential information in a reasonable and appropriate manner, and to use and reproduce the confidential information only as necessary to perform its obligations under this Maintenance Agreement and for no other purpose. The obligations in this Section will not apply to information that is: (i) publicly known; (ii) already known to the recipient; (iii) lawfully disclosed by a third party; (iv) independently developed; or (v) disclosed pursuant to a legal requirement or order. The recipient may disclose the confidential information on a need-to-know basis to its contractor's, agents and affiliates who agree to confidentiality and non-use terms that are substantially similar to these terms.

j. Intellectual Property.

Between Itron and Customer, all patents, copyrights, mask works, trade secrets, trademarks and other proprietary rights in or related to any product, software or deliverable provided in connection with the Maintenance Services are and will remain the exclusive property of Itron. Any modification or improvement to an Itron product or deliverable that is based on Customer's feedback shall be the exclusive property of Itron. Customer will not take any action that jeopardizes Itron's proprietary rights nor will it acquire any right in any such product, software or deliverable or Itron's confidential information other than rights granted in this Maintenance Agreement.

k. Entire Agreement.

This Maintenance Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes any and all prior agreements between Itron and Customer related to the Maintenance Services and other items furnished under this Maintenance Agreement. No amendment, modification or waiver of any of the provisions of this Maintenance Agreement shall be valid unless set forth in a written instrument signed by the Party to be bound thereby.

[Signature Page Follows]

Agreed to and accepted by:

Customer

Signature: _____

Print name: _____

Title: _____

Date: _____

Billing Contact Information

Name: _____

Address: _____

_____

_____

Phone: _____

Email: _____

Renewal Notice Contact Information

Name: _____

Address: _____

_____

_____

Phone: _____

Email: _____

Purchase Order Number: _____

Itron, Inc.

Signature: _____

Print name: _____

Title: _____

Date: _____

Address:

Itron, Inc.
Attention: General Counsel
2111 North Molter Road
Liberty Lake, WA 99019

Attachment A

Please refer to the current Renewal Quote for pricing

*** [The Maintenance Commencement Date for Itron Software is the first day of the month following shipment or electronic delivery by Itron. The Maintenance Commencement Date for Itron Equipment is the warranty expiration date.]**

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Troy Adams, P.E. – General Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 6.1a
SUBJECT: Staff Updates – General Manager	

DISCUSSION:

- The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on October 25, 2016 in Shakopee, Minnesota.

  Construction continues to move ahead on MMPA's 46 MW Shakopee Energy Park project. The project remains on schedule and on budget.

  The Board received an update on the development of a 46 MW generating facility to be located in Chaska. MMPA representatives met with the Chaska City Council for a work session and a tour of the Shakopee Energy Park construction site. The facility in Chaska is expected to be very similar to Shakopee Energy Park.

  The Board also discussed the status of MMPA's contract for the output of the 78 MW Black Oak Wind Farm and its contract for the output of the 7 MW Buffalo Solar project.

- The Midwest Municipal Transmission Group (MMTG) held their annual meeting at the Minnesota Municipal Utilities Association (MMUA) offices in Plymouth, MN, on November 2. The annual meeting of the membership was followed by a meeting of the board of directors. The primary functions of the annual meeting of the membership are the election of board directors, receiving of the audited annual financial report, adoption of the proposed budget and dues, transmission regulatory update and analysis, and discussion of current and future projects. The primary function of the board meeting is the election of officers and adoption of the proposed budget and dues. I am currently a director on this board.

  One significant outcome of this meeting related to the 2017 dues and the current general and zonal reserve balances. The membership determined that sufficient balances had been met in the general and zonal reserve buckets. Because of this, no zonal dues need be collected for 2017. Also, because of the level of general reserves, the general membership dues income could be decreased by approximately 35% for 2017. This dues structure is based on multiple criterial including members' peak system demand so the actual individual dues reductions vary from one member to another. For ERMU, our 2017 dues are estimated to be $5,942 which is over a 50% reduction from our 2016 dues at $12,807.

Another significant outcome of this meeting was the Jack Kegel, Executive Director of the Minnesota Municipal Utilities Association (MMUA), was elected as the 2016-2017 chair of the board of directors.

- The Minnesota Public Utilities Commission filing documentation to update the electric service territory boundaries to reflect the transfer of Area 2 has been completed, reviewed by Connexus Energy, and sent to ERMU's legal counsel to file on our behalf. Because it is filed jointly with Connexus Energy this filing should be non-controversial.

- On November 7 I met with representatives of Power Systems Engineering (PSE), a national full service electric utility consulting firm with an offices here in Minnesota. As a follow up, ERMU and City staff will be meeting with representatives from the PSE cyber security and IT division later this month. We will be discussion security assessment options to demine budgetary numbers for cyber vulnerability assessment and penetration testing. We also intend to discuss assessment options for the physical security of facilities and assets.

- The CEO of Connexus Energy and I have scheduled quarterly meetings to discuss issues and opportunities. The latest meeting was October 31. At that time we discussed electric service territory transfer loss of revenue calculations, renewable and energy storage developments, and other timely and relevant industry issues.

- The MMUA Solar / Distributed Generation (DG) Task Force has a meeting scheduled for November 14 at the MMUA offices. I am currently the chair of this task force. The task force meeting agenda includes discussion on cogeneration and small power production tariff design, DG interconnection standards and agreements, community solar, and annual reporting requirements. American Public Power Association (APPA) staff will be attending and presenting at this meeting.

- The 2017 APPA Legislative Rally in Washington D.C. is scheduled for February 26 – March 1. This conference will likely be highly critical for us because of the anticipated changes coming from the 2016 election. The preliminary travel and training budget reflects one manager and one Commissioner attending this conference. We will need to know how many and who are attending as soon as possible.

- Similarly, the 2017 MMUA Legislative Rally in St. Paul will be highly critical due to the changes from the 2016 election. This conference will be held January 31 – February 1. It is less urgent to identify who will be attending this event prior to 2017.

- John Miner has developed drafts of the first four Governance Manual policies based on the results from the Commissioner survey. These policies are: Commission Purpose; Commission – City Council Relationship and Roles; Commission Authorities and Responsibilities; Governing Style (how the Commission intends to govern). I will have a conference call with John later in November to begin work on the next three policies: Agenda Planning (annual agenda & meeting agendas); Commission Officer Roles, Responsibilities, & Succession; and Commission Committees (principles, structure, roles, and responsibilities).

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Theresa Slominski – Finance and Office Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 6.1b
SUBJECT: Staff Update	

DISCUSSION:

We had a visit from our Regional Business Manager, Lisa Fennell, from NISC on Monday, October 18th. Included in the discussions were Jennie Nelson, Troy Adams, Jenny Biorn, and Melissa Karpinski. We talked about previous issues and some of the resolutions that we have recognized working with our multiple services, some of the items still in progress (fund accounting is the big one), and general assessment of NISC on several levels. We also asked for quotes on their Mosaic and iVUE Connect products we saw demonstrated at the Member Information Conference in September. Overall, we appreciate their recognition of the differences of municipals versus cooperatives and look forward to further enhancements of the software addressing municipal and multi-service specific needs.

John Weber, Product Line Manager for the accounting side at NISC, will be here the last week of November for 2-3 days to review the requirements of implementing the Fund Accounting enhancements we have been requesting. He has offered to come and seek our input on what we see as necessary in this enhancement and how it would affect all the pieces of the financial data. We welcome this opportunity and are really looking forward to his visit!

We received our workers' compensation insurance renewal for 2016–2017. For the renewal, we have an increase of $2,000 in wages for staffing, and our experience modification factor increased from .69 to .74. Both items contributed to a premium increase of approximately $4,000.

We have 4 individuals who have waived health insurance coverage for next year, one who enrolled in the CMM plan, and the rest are all enrolled in the HSA plan.

As mentioned in the Audit RFP memo, we should see an increase in our transmission revenue with our transformers qualifying as MISO assets. Troy Adams and Mike O'Neill worked with MCR Consulting to properly evaluate the transformer assets against MISO criteria to determine

that 50% of our transformers can be recognized as qualifying assets. There is some work to be done in order for this to become final. We will need to reclassify our assets with MISO for our 2016 filing in 2018, along with substantiation for the reclassification. MCR will work with us to ensure a proper reclassification filing and approval. The annual revenue payments subsequent to that filing will reflect the increase that is currently projected to be approximately $150,000 (the preliminary calculation was $154,095.)

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Mark Fuchs – Electric Superintendent
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 6.1c
SUBJECT: Staff Update	

DISCUSSION:

- Had eleven new services.
- Continue working on collecting data with the GPS for our ArcView maps as time permits.
- Continue the tear down of old infrastructure in the River Ranch development.
- Continue installing a new feeder from the east side of HWY 169 by GRE to the east side of HWY 10 across Nature's Edge Business Center. This feeder will give us a feeder loop under HWY 10 that will be used for the Area 2 acquired from Connexus.
- Finished making up River Park Third Addition.
- Continue to replace stickers, locks, and add signage to the underground equipment in the newly acquired Connexus Area 2. While doing this, we'll make any necessary changes to the maps and repair any small issues we may encounter.
- Replaced a street light pole that was hit at 212th Avenue and Lander Street.
- Put in a new service for the sign at Big Tex Trailers.
- Finished putting in the underground infrastructure and street lights on Quaday Avenue near P&F Machining in Otsego.
- Replaced a secondary pedestal that was hit on Albany Street.
- We interviewed four applicants for the Lineworker position on October 26. We extended an offer, which was accepted by Jake Koehler. His tentative start date is November 14.

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	**FROM:**
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice-Chair Daryl Thompson - Trustee	Mike O'Neill –Technical Services Superintendent
MEETING DATE: November 15th, 2016	**AGENDA ITEM NUMBER:** 6.1d
SUBJECT: Staff Update	

DISCUSSION:

- In October, The Locating department had a total of 408 locate tickets; consisting of four emergency tickets, six cancellations, 14 meetings, 332 normal tickets and 46 updated tickets. .
- Electric Technicians continue with the meter reading, power bill, substation checks, hanging red-tags, meter read-outs, dealing with meter and off-peak issues, as well as delivering and installing new meters to commercial customers. They continue to change out the three phase meters with meters that will be read by radio ERT. Meter changes for Area 2 are being installed as well as auditing last year's meters acquired from Areas 1a and 1b.
- Metering department is working with Itron to acquire and install replacement software for MVRS; the new software will give us greater capabilities in meter reading and data sharing.
- The power plant staff did the monthly engine run in October. All engines with the exception of engine 4 ran well. We are currently working on engine 4 to determine why we could not get that one online.
- Mapping department is very close to being finished with getting entire service territory map updated to reflect entire system in Esri mapping software. They continue to enter GPS points and attribute points for our systems assets.
- The sale of the Security Business line final sales number is in; we received another $31,709.15 for monitoring fees for a final total of $378,961.11.

Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Eric Volk - Water Superintendent
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 6.1e
SUBJECT: Staff Update	

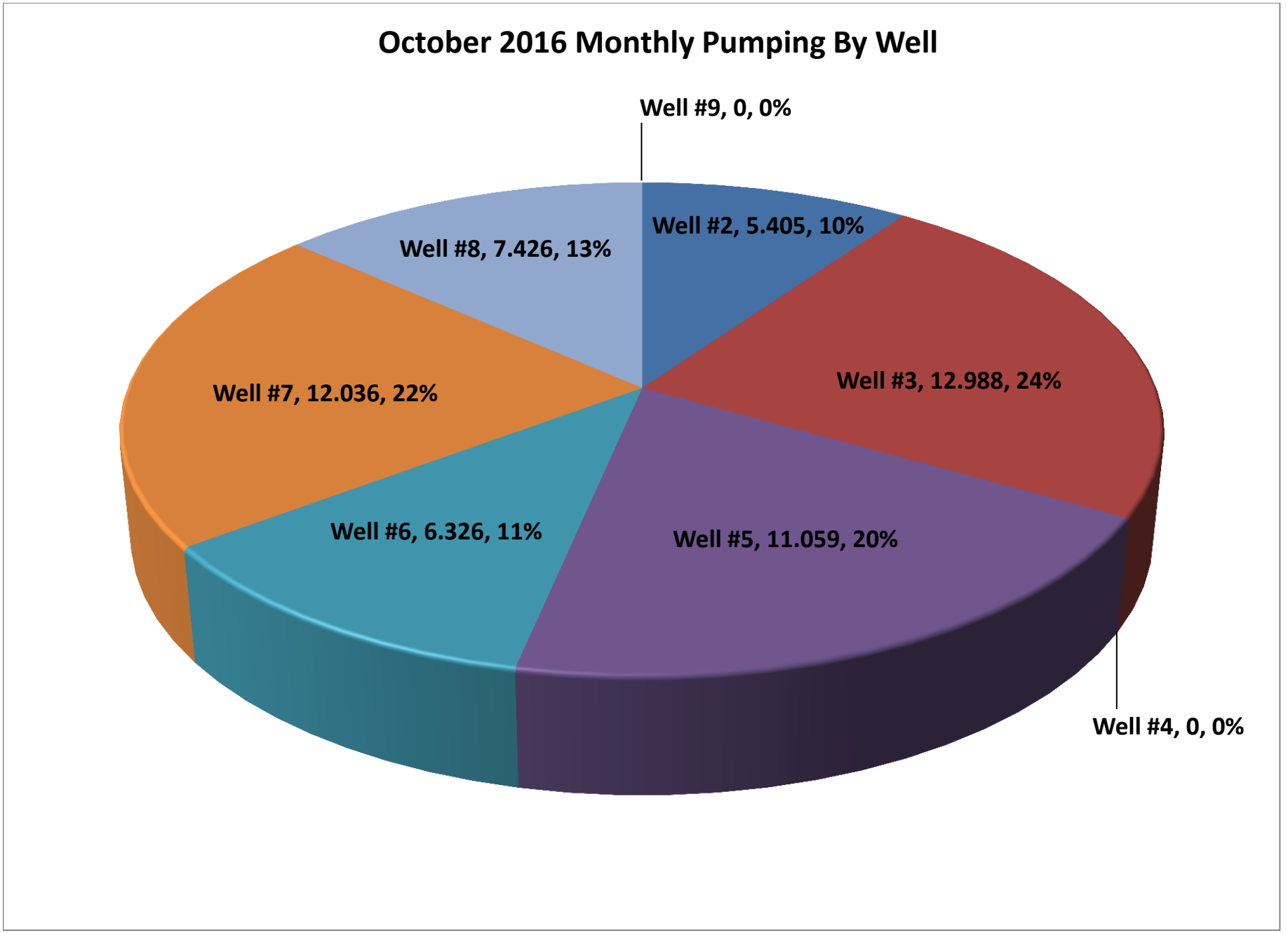
DISCUSSION:

- Delivered six new water meters.
- Sealed the water meter, and took curb stop ties from six water services.
- Went on eight service calls.
- Completed 25 BACTI/Total Chlorine Residual Samples
    - All confirmed negative for Coliform Bacteria.
- Completed 20 routine fluoride samples
    - All samples met MDH standards.
- There has been a lull in the construction at Well #7 this past month as we wait for the floor drains to be manufactured. During that time period, the exterior grading was completed and the stormwater pond was constructed. Over the next month, we expect that the floor will be poured in the expansion and that the pipe work should commence. The contractor is still on schedule to meet the substantial completion date of February 15, 2017. Attached is a picture of the new stormwater pond.
- The infiltration basin at Well #3 has been completed. The basin will facilitate infiltration into the ground of over one million gallons of water that had previously been backwashed into the sanitary sewer each year; the sanitary sewer in the area was not built to be able to accept such a surcharge of water. The total cost of the project was $12,000. As we had been paying the wastewater department roughly $700 per month to discharge into the sanitary sewer, we should recover the cost for the project within18 months. Attached is a picture of the infiltration basin.
- We completed the annual dam inspection on October 5. We invited Jason Boyle, the State Dam Safety Officer, to assist us with the inspection. Jason commented on the progressiveness of our dam maintenance program and commended both the utility and city on what a great job we were doing. Everything on the dam checked out fine. There is a small list of things that will need to get accomplished in the next few months. Attached is a picture of the dam after the drawdown was completed.

- Hosted an intern from the St. Cloud Technical & Community College WETT (Water Environmental Technology) Program. We annually support this program by allowing an intern to shadow our water operators during their daily activities for one week.
- The water operators have begun to prep the filter at Well #4 for sandblasting and painting which is scheduled to begin around February 1, 2017.
- We received our EH Wachs Valve Exercising Machine; this machine is the replacement for the old Spin Doctor Valve Exercising Machine. In 2017 we will begin a valve exercising program similar to the hydrant program. Our goal will be to exercise 200 valves per year, but that will be dependent on how many valves require excavation for repairs. Attached are two pictures of the new valve exercising equipment.

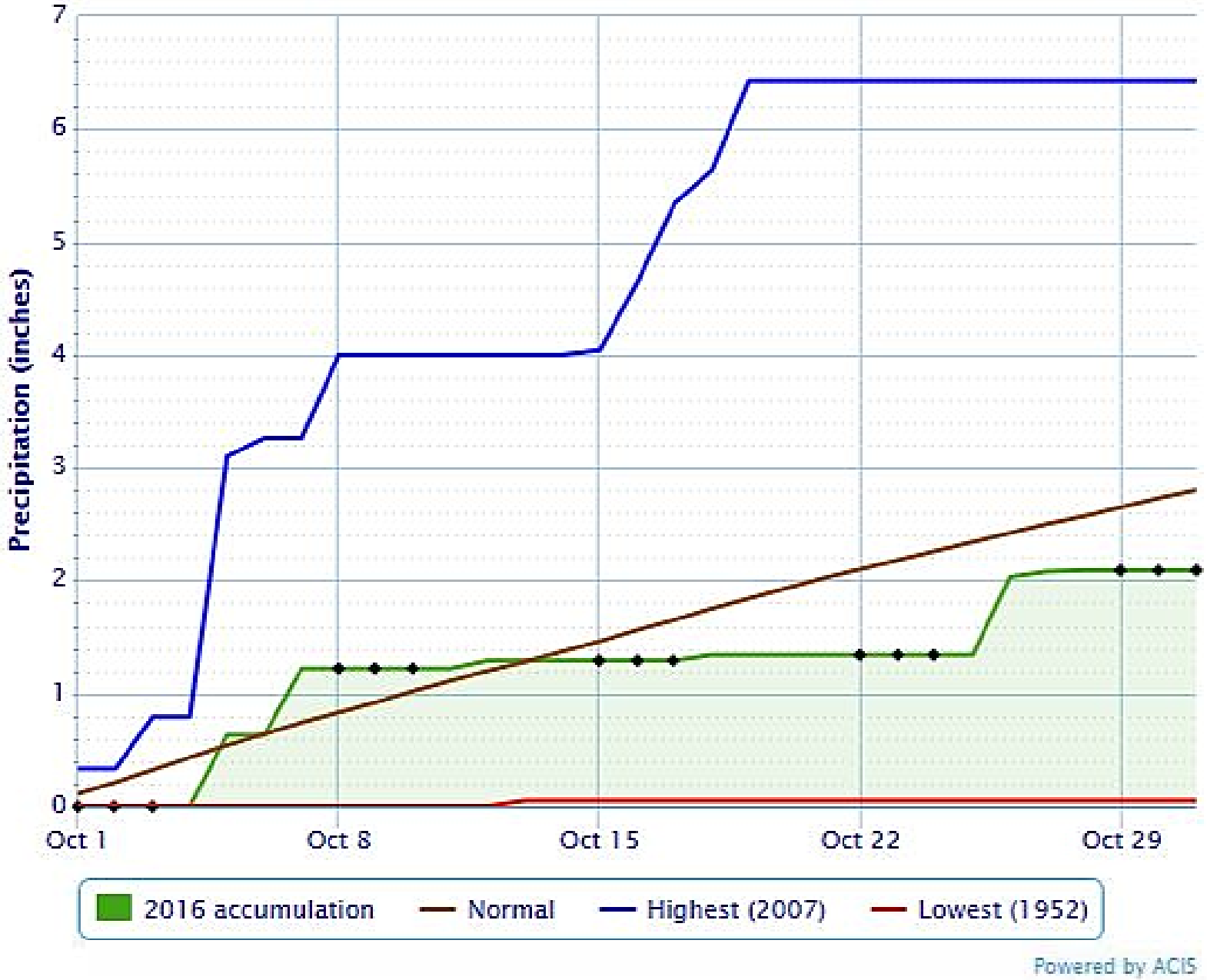
ATTACHMENTS:

- October 2016 Pumping by Well
- October 2016 Accumulated Precipitation Graph
- October 2016 Daily Temperature Graph
- Picture - New Stormwater Pond at Well #7
- Picture - Well #7 Site Grading
- Picture - Well #3 Infiltration Basin
- Picture - Annual Inspection of Orono Dam
- Picture - EH Wachs Valve Exercising Machine

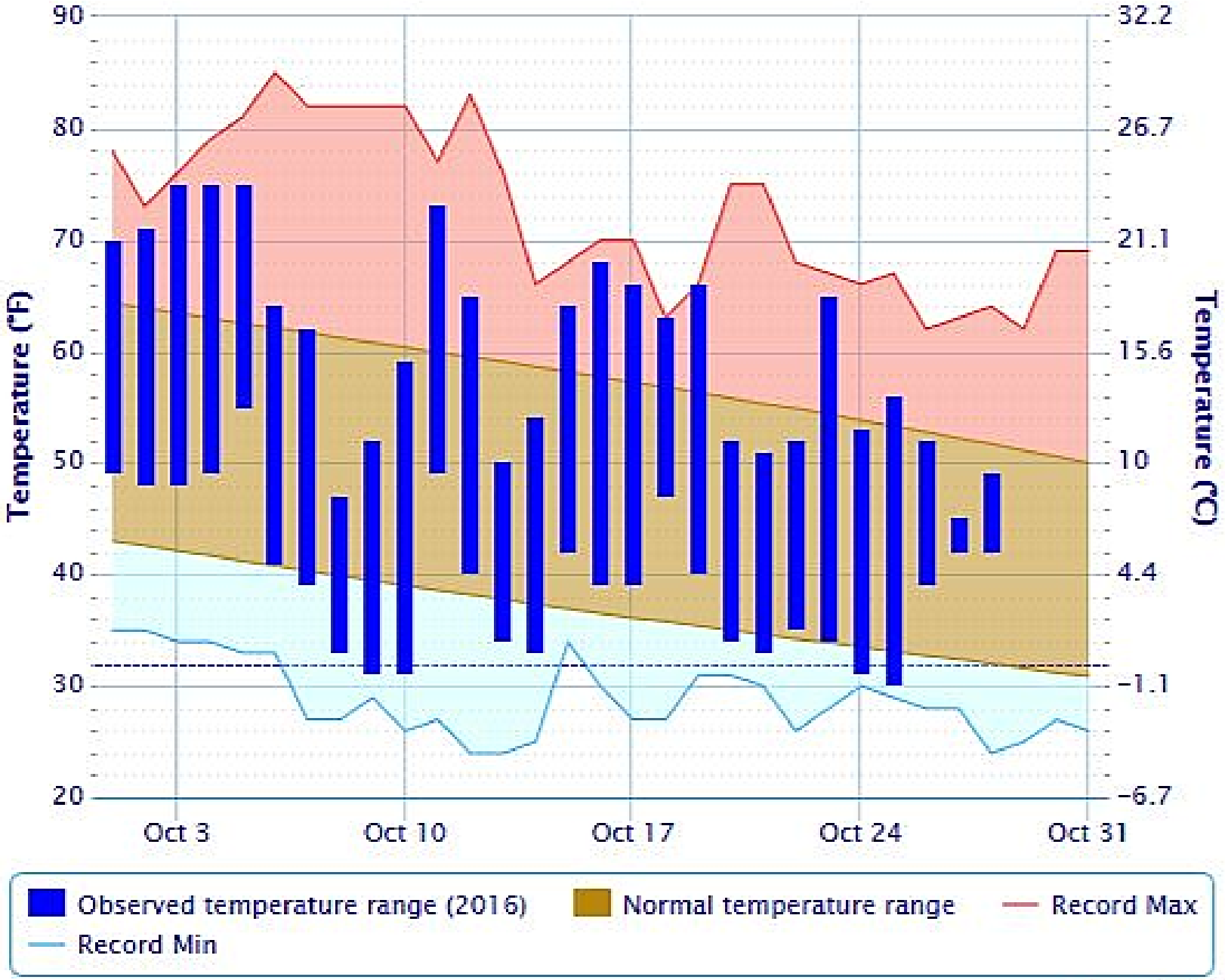


Values Are Displayed in Millions of Gallons (Well #, Gallons Pumped, Percentage of Pumping)

Accumulated Precipitation – ELK RVR, MN



Daily Temperature Data - ELK RVR, MN



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Elk River Municipal Utilities

UTILITIES COMMISSION MEETING

TO:	FROM:
Elk River Municipal Utilities Commission John Dietz – Chair Al Nadeau – Vice Chair Daryl Thompson – Trustee	Tom Sagstetter - Conservation and Key Accounts Manager
MEETING DATE: November 15, 2016	**AGENDA ITEM NUMBER:** 6.1f
SUBJECT: Staff Update	

DISCUSSION:

- The Cost of Service and Rate Design Study has been finalized. Dave Berg will present the report verbally to the Commission at the November 15 meeting.
- Energy City continues to collaborate with University of St. Thomas Sustainable Communities Partnership on local project initiatives in Elk River. Some of the initiatives include: Climate Adaptation; Decreasing Use of Polystyrene; Evaluating Current Solid Waste Rate Structure; Examining the Effects of Climate Change on Tree Species; Fostering Sustainable Behaviors for City Employees; and Modeling Pollutant Levels in Lake Orono after Rainfall Events. The Youth committee is active and had two meetings. The committee has undergone a name change to SustainER and is working on a project called iMatter. This is a report card that grades the city on how it has done in sustainability measures thus far. The iMatter group started in St. Louis Park and is now branching out nationally. As the Energy City Commissioner I will be traveling to Germany June 17th through June 25th as part of the Climate Smart Municipals Program. Energy City budgeted $4,000 for travel expenses for two representatives. Kristin Mroz is the other Energy City representative scheduled to travel.
- Participated in the Data Center Energy Summit Educational Conference at Golden Valley County Club with the Elk River EDA. There were approximately 50 people in attendance and there were a couple of good contacts made. I spoke about energy efficiency in data centers and everything Elk River has to offer to these types of customers. The trend in the market currently is large data centers that have multiple organizations in the single building compared to the two enterprises ERMU currently serves.
- ERMU received formal verbal confirmation that we were awarded a $40,000 grant from American Public Power Association Demonstration of Energy & Efficiency Developments Program (APPA DEED Grant). The bulk of the grant will be used to pay for a fleet vehicle assessment and marketing of the electric vehicle charging program and the installation of a DC Fast Charger at the corner of Joplin and Hwy 10. The grant can

be used for studies, marketing, promotions, and staff time. We are not allowed to use grant dollars to purchase equipment (DC Fast Charger or Level Two).

- Holiday lighting contest applications and coupons were mailed out. We have received 6 applications for the contest so far. Signs will be printed and placed in the front yards to easily identify the contestants.