A HISTORY OF

Elk River Municipal Utilities

a century of service **100** a future of growth

YEARS

1915 - 2015

Rachel Peterson, Penny Petersen, Charlene Roise,
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Foreword by John Dietz – Elk River Mayor, ERMU Commission Chair
Afterword by Troy Adams, P.E. – ERMU General Manager

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Foreword – A Century of Service

By John Dietz – Elk River Mayor, Elk River Municipal Utilities Commission Chair

It's hard to believe that Elk River Municipal Utilities is 100 years old. From very humble beginnings to the sophisticated system we have today, we have indeed come a long way.

The goal was always the same—to provide reliable power at a reasonable price. ERMU also provides city water to many customers. The dual role makes the company a valuable part of Elk River's way of life.

If you take the time to read this story, I think you will enjoy it. It's more a history of how Elk River has made it through some difficult times to become a very vibrant city. I think it's extremely interesting to see how those who came before us got Elk River on the right path.

I have been a member of the Elk River Municipal Utilities Commission for more than twenty years. I can't say that it has always been a bed of roses. There were many very tough decisions to be made and I think the Board has always done what had to be done to keep the company running smoothly.

We are now in the most exciting time in the company's history. We are about to complete a very large territory expansion agreement that will mean nearly every Elk River resident and business will get their power from ERMU.

We recently joined MMPA (Minnesota Municipal Power Agency) and will begin purchasing our power from them in 2018.

The most important part of ERMU is the local control that it provides to its customers. Public power is very important to many cities in this country. Profit is not the main factor for public power entities; providing safe, reliable power is.

Elk River Municipal Utilities is and will continue to be a very vital cog in the future growth of Elk River. Working as partners, the sky is the limit for the City and for ERMU.

A History of Elk River Municipal Utilities: Part I

This section was completed for the Elk River Municipal Utilities Commission in 1994 by Charlene K. Roise and Deanne Ziebel Weber, Hess, Roise and Company

After many years of waiting and speculation as to when Elk River would wake up to the fact that an up-to-date town must have electricity, the fact that the current is now on seems almost too good to be true. . . . People are satisfied now that the long looked for electric lights and power have really come to stay.

Sherburne County Star News, January 27, 1916

Elk River today is much different than the small village that welcomed the first glow of electric lights in the early twentieth century. Population has skyrocketed from 859 in 1910 to 11,143 in 1990. Manufacturing has replaced milling as the primary industry. Four-lane roads link the once quiet, agrarian community with the sprawling metropolis to the southeast.

The Elk River power plant was the first in an area that has since become a virtual power corridor of generating facilities. In 1916, the Elk River Power and Light Company, as it was then known, generated hydroelectricity with a single 200-horsepower turbine. Today, Elk River Municipal Utilities purchases nearly all of the 67 million kilowatt hours of electricity it distributes annually. Beginning with a handful of customers, it now serves nearly 5,000 households and businesses in Elk River, Dayton, Big Lake, and Otsego.

The following pages describe the Utility's evolution over the past eight decades. Background information for this study has been obtained from a variety of sources. Primary references include minutes of the Elk River Municipal Utilities Commission and the Elk River Village and City Council. The *Sherburne County Star News* (SCSN) provided reliable and detailed coverage of events from the first plans for power to the present. A collection of clippings and photographs maintained by Evelyn Halter opened new avenues for exploration; unfortunately, few of the articles were dated. Secondary sources, such as *The Growth of Sherburne County 1875-1975*, edited by Cynthia Seelhammer and Mary Jo Mosher, broadened the historic context in which utility service developed. Last, but not least, were the invaluable insights provided by interviews with people who had been involved with the utility's growth.

The authors wish to thank General Manager William Birrenkott and Commissioners James Simpson, James Tralle, and George Zabee for their help and patience during the preparation of this report. Much-appreciated assistance was also provided by Patricia Hemza.

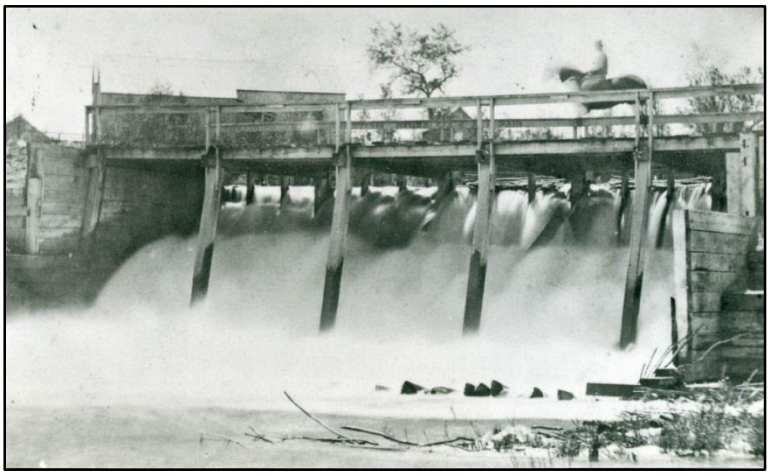
Elk River before Electricity

Between 1848, when the first trading post was erected, and 1881, when the Village of Elk River was incorporated, two separate communities were established along the Elk River near its confluence with the Mississippi: Elk River ("Lower Town") and, about a half mile upstream, "Upper Town," also known as Orono. From the beginning, settlers were attracted by the area's waterpower. The first dam and sawmill were built in 1851 at Orono by Ard Godfrey, who three years before had completed the first private sawmill at Saint Anthony Falls, birthplace of Minneapolis.[1]

An early Elk River settler reminisced about the area's activities in the 1870s:

> Here we find a well-developed water power with wheels turning one of the most valuable industries in the community—a flour mill. . . . On this same water power Galley & Baltzell carried on a chair factory of no mean dimensions. . . . In the same building H.E. Thomas made broom handles and for a time Joseph Featherston made staves for tight barrel work.[2]

The timber crib dam at Orono additionally served as a bridge over the Elk River where the new Main Street bridge now stands. Lumber, planing, flour, and gristmills were also built at Lower Town, near the present location of the central business district.[3] This initial development was typical of many Minnesota communities, where milling was essential to local subsistence in the years before railroads were built.



The timber crib dam at Orono, ca. 1870. (Minnesota Historical Society Collection)

In comparing the overall prosperity of the two communities, Orono appeared to have the edge until it was snubbed by the Saint Paul and Pacific Railroad, which extended a branch line to Lower Town in 1864. Elk River also became a stop on the Saint Paul, Minneapolis, and Manitoba (later Great Northern) Railroad in 1867. These rail connections stimulated rapid growth: population more than doubled between 1860 and 1870. The Upper Town and Lower Town officially merged in 1881, when the Village of Elk River was

[1] Gene H. Hollenstein, *Power Development in Minnesota*, Bulletin 20, Division of Waters, Minnesota Conservation Department (Saint Paul: n.p., July 1962), 3.
[2] J. W. Featherston, "Interesting Account of Early Elk River by Old Time Resident," *Sherburne County Star News*, June 16, 1938.
[3] Newton H. Winchell and others, *History of the Upper Mississippi Valley* (Minneapolis: Minnesota Historical Society, 1881), 296.

incorporated. Soon the village, the hub of the region's "potato belt," became a prosperous trading center for dairy and other farm products.[4]

Most buildings in the burgeoning community were made of wood, which was relatively inexpensive and readily available. It also burned easily, to the dismay of area residents plagued by a series of fires in the late nineteenth century. The upper milling district burned in 1887. Downstream, W. H. Houlton lost three sawmills to flames. The town's most devastating fire occurred in 1898, when thirteen frame buildings along State Street (now Railroad Drive Northwest) burned to the ground. These buildings housed nearly the entire business district of Elk River. Instead of rebuilding at the same location, business owners moved the center of commerce across the railroad tracks to the area near the intersection of Main and Jackson Streets.[5]

The wanton destruction caused by these wood-fueled fires was due, in part, to the lack of a municipal water system. The problem was exacerbated by inadequate fire-fighting equipment. According to Sanborn insurance maps, which provide details about building construction and community fire protection, Elk River had neither a fire truck nor an organized fire department in the nineteenth century. For emergencies, the village used a 600-foot hose to carry water from the Great Northern Railroad water tank. It is easy to imagine how fires could quickly burn out of control by the time the hose reached the scene—if it could even extend that far. After another large fire in 1903, the village finally organized a volunteer fire department with a chief and six firefighters and acquired a fire engine. Water could be supplied to the engine's pumps by three artesian wells in the village. These wells were apparently the community's first public water supply. A municipal water system was not created until 1920.[6]

The establishment of public services is a sign of a community's coming of age. In founding the fire department, the village took a significant step in that direction. Sometimes, though, the private sector leads the way. It took the capital and the tenacity of a local businessman to electrify Elk River.[7]

"Waterman's Folly"

When Thomas Edison brought electricity to Manhattan in 1882, it lit the imagination of the nation. Electric lights could illuminate dark streets, and eliminate sooty oil and gas too expensive for many, promised fresh meat and dairy products even on hot summer days, without the bother of ice blocks.

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[4] Ibid.; Theodore Christianson, *Minnesota: A History of the State and Its People* (Chicago: American Historical Society, 1935), 398; J. W. Clark, "Bits of Early Elk River History," *Sherburne County Star News*, February 1, 1934; Cynthia Seelhammer and Mary Jo Mosher, eds., *The Growth of Sherburne County 1875-1975* (Becker, Minn.: Sherburne County Historical Society, [1975]), ad passim. Population statistics are from the ninth federal census.

[5] Seelhammer and Mosher, *Growth of Sherburne County*, 101, 135. According to the 1894 Sanborn map, businesses included a bank, grocery, printer, drugstore, tailor, and post office. See Sanborn Map Company, *Elk River, Minn. July 1894*, Sheet 2, and Sanborn Map Company, *Elk River, Minn. January 1905*, Sheet 2.

[6] Sanborn Map Company, *Elk River, Minn. December 1899*, Sheet 1, and Sanborn Map Company, *Elk River, Minn. January 1905*, Sheet 1.

[7] Hollenstein, *Power Development in Minnesota*, 5.

Public and private interests throughout Minnesota eagerly followed Edison's lead, many taking advantage of the state's bountiful waterpower to produce hydroelectricity. By 1882, Minneapolis investors had established the state's first hydroelectric power plant, which was located on the west bank of the Mississippi River. This single turbine operation shared a power canal with massive flour mills, whose equipment was directly driven by the water's flow. Subsequently, hydromechanical and hydroelectric generation were commonly paired: more than half of the hydroelectric power plants built before 1914 utilized dams originally built for manufacturing purposes. Like many grist mills and sawmills, early hydroelectric facilities were typically "small, locally owned manufactories providing a staple product for a local market."[8]

While most early power plants were developed privately, precedent was set for municipal ownership of electric utilities in the late nineteenth century. Brainerd opened a plant in 1887, followed by Litchfield in 1890. Charter cities with populations over 10,000 had authority to create independent utilities. This privilege was extended to smaller communities by state legislation passed in 1907.[9]

Elk River did not rush into the electric age. On the eve of the First World War, the town's streets, homes, and most businesses were illuminated by acetylene gas or oil lamps. Only the Blanchett Hotel and the opera house had electricity, provided by privately-owned, gasoline-powered electric generators. The lack of electricity did not seem to hinder the community's prosperity. Businesses along Main Street in 1915 included a confectionery, two barbers, a millinery shop, a billiard hall, the fire department, an auto repair shop, a bank, a furniture store, the opera house, a grocery store, an agricultural implements dealer, a hardware store, a creamery, a printer, and a hotel. Grain elevators were located near the rail lines.[10]

Despite this economic activity, however, the local newspaper concluded that "the lack of electric light and power is one thing that has held Elk River back for many years."[11] It painted a picture of life that seemed increasingly primitive in that era:

> As yet, Elk River has not entered the ranks of progress, but continues to drub along without electricity in any form. Its street lighting costs a good sum of money every year, but is little better than a joke. The town has no power to offer and cannot hope to induce manufacturing concerns to come here under the circumstances. In the homes of the village, the citizens must lug primitive oil lamps around, with all the discomfort that includes.[12]

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[8] Jeffrey A. Hess, "Hydroelectric Generating Facilities in Minnesota, 1881-1928," Multiple Property Documentation Form prepared for the State Historic Preservation Office, Minnesota Historical Society, Saint Paul, October 1989, E2, E5, E6.

[9] Hollenstein, *Power Development in Minnesota*, 5; Nicholas Kroska, *Serving the Community: The History of Rochester Public Utilities* (Rochester, Minn.: The Company, 1988), 5; James G. Coke, "Public Utilities Commissions in Minnesota Villages," M.A. thesis, University of Minnesota, August 1952, 3.

[10] Sanborn Map Company, *Elk River, Minn. September 1915*, Sheets 1 and 2; "Private Electric Plant," *Sherburne County Star News*, March 12, 1914.

[11] "Ready to Install an Electric Plant," *Sherburne County Star News*, February 12, 1914.

[12] "Electricity," *Sherburne County Star News*, July 2, 1914.

Salvation appeared imminent early in 1914 when two investors, Messrs. Waterman and Hildreth, announced plans to generate electricity for the town. Hildreth's name soon disappeared from references to the project; Fred Waterman apparently proceeded with the development on his own. Born in Vermont in 1848, Waterman moved first to Wisconsin and then, in 1898, to Elk River, where he became active in business and real estate development.[13]

The *Sherburne Country Star News* reported that Waterman's "proposition is along the line of municipal ownership of the lighting and power equipment." Apparently, the village was to install and maintain the power lines, and serve as a middleman between individual customers and Waterman, who would operate the power plant as a private enterprise.[14]

He intended to develop a 200-horsepower hydroelectric plant, using waterpower rights which he had purchased in 1910 at the former Upper Town milling area. Copies of his plans did not survive, but they apparently called for replacing the timber mill dam, which had been destroyed by high water in 1912. He proposed to furnish the town's electricity at a rate of six cents per kilowatt hour, with a fifteen-year exclusive franchise.[15]

Some residents were skeptical. The newspaper noted that "many local people look with pessimistic eyes upon any plan or attempt to secure the development of the [water] power." This did not, however, slow the newspaper's enthusiastic editorial crusade:

> Nature has been especially good to Elk River in providing water power close at hand, ready to be developed to provide all the electricity for lighting and power that will be needed for some time. At present this power is going to waste. . . . It is time for this condition to end. The people must get together and decide upon some plan to secure electricity. If not Elk River will soon find itself in the unique position of being the only town of any size in the northwest without electric lights and power.[16]

The local business community recognized the importance of bringing electricity to Elk River. At the annual meeting of the Citizens Business League, shortly after plans for the power plant were announced, a committee was appointed to investigate the expense of wiring the town for electricity. After studying the matter, they concluded that the wiring would cost between $3,000 and $5,000. Waterman went before the committee in early July, proposing to furnish electricity to the village on an exclusive fifteen-year contract for six cents per kilowatt hour, with a daily minimum charge of ten dollars.[17]

He made a formal proposal to the Village Council on August 14, 1914. Consideration of the power plant, however, became tangled in a debate over the nearby Main Street Bridge, which

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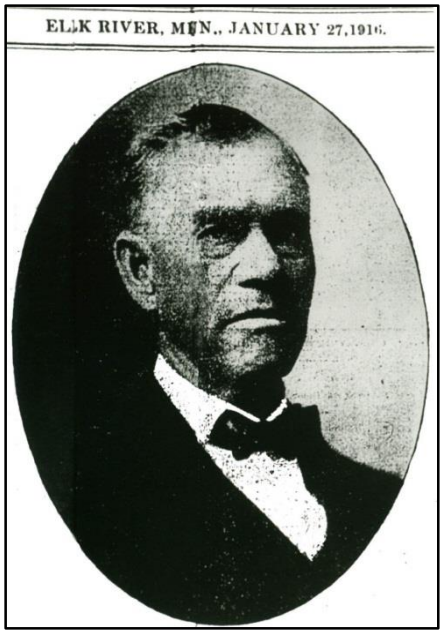
[13] "Ready to Install an Electric Plant"; "Masonic Rites for Waterman," *Sherburne County Star News*, January 20, 1921.
[14] "Ready to Install an Electric Plant."
[15] "The Waterman Electric Offer," *Sherburne County Star News*, July 9, 1914; Elk River Municipal Utilities Commission Minutes, August 14, 1914; L. A. Dare, "Hydro Plant in 48th Year is Still Producing KW at Elk River," *Sherburne County Star News*, c. 1964.
[16] "Electricity."
[17] "To Investigate Electric Light Proposition," *Sherburne County Star News*, March 15, 1914; "The Waterman Electric Offer."

was inadequate for carrying an increasing traffic load. The issues were eventually separated, but four months passed before Waterman appeared before the Council again. This time, he presented a draft ordinance granting him a twenty-five-year franchise "for the purpose of transmitting and distributing electricity for lighting, heating power and other purposes, in and through the Village of Elk River." The village's role was reduced to a regulatory one, with Waterman taking on full responsibility for electric distribution as well as production. The Council voted unanimously in favor of the contract, and also agreed to pay Waterman $100 per month for installing and maintaining fifty- to sixty-candlepower streetlights.[18]


ELK RIVER, MINN., JANUARY 27, 1916.

*F. D. Waterman (*Sherburne County Star News, *January 27, 1916)*

Waterman was eager to fulfill the contract, and quickly finalized plans for a power plant and dam. The economic demands of World War I, however, slowed his search for financial backing. Finally, by June 1915, Waterman had secured the necessary money and incorporated the Elk River Power and Light Company. He became president of the closely-held company, with his wife as vice president, and M. E. Waterman (presumably Maude or Myra, one of his daughters) as secretary.[19]

By this time, however, he was nearly in default on the terms of his franchise agreement with the village, which apparently required him to provide power by September 1, 1915. Since construction could not possibly be completed so quickly, Waterman went before a special meeting of the Village Council in June to amend the start-up date. This was extended to January 1, 1916, with the new ordinance granting Waterman a twenty-five-year franchise to furnish power to the Village of Elk River for a maximum rate of twelve cents per kilowatt hour. Each customer would be charged a minimum of one dollar per month. The earlier street light ordinance was revised as well, granting a fifteen-year term and outlining more specific arrangements. The system would include at least forty 60-candlepower and ten 100-candlepower lights, plus four additional lights for a park bandstand. They were "to be lighted one hour after sunset and extinguished one hour before sunrise, except on moonlight nights." The village was to reimburse Waterman for the actual cost of buying and installing the fixtures. He was also authorized to erect power lines as needed.[20]

The delay provided ammunition for those who questioned the likelihood of the project's success. Some dubbed it "Waterman's Folly." Their suspicions appeared to have some merit when ice slowed construction, pushing the project's completion date back nearly three weeks. Temporary

[18] The Main Street Bridge, a metal truss dating from 1884, was finally replaced by a concrete structure in 1920; see Jeffrey A. Hess, "Elk River Bridge," Historic American Engineering Record (HAER) No. MN-54," prepared by Hess, Roise and Company for the City of Elk River, April 1992. The council's deliberations are summarized in Elk River Municipal Utilities Commission Minutes, December 4, 1914, and June 22, 1915.
[19] "Here's Man who Furnishes Elk River Electricity," *Sherburne County Star News*, January 27, 1916.
[20] Elk River Village Council Minutes, June 22, 1915.

gates on the dam were closed in mid-January 1916, and the reservoir began to fill. The doubters were finally silenced on January 20, when the glow of electric streetlights illuminated six miles of the community's roadways.[21]

Newspaper headlines proclaimed that the "Long Hoped For Electric Lights and Power Now [are] a Reality and Elk River People Are Jubilant." The paper observed that "Elk River has truly been slow about getting electricity, but perhaps it has been best after all because we now have a power plant so much superior to those of other small towns that it is indeed the envy of all." It reported that Elk River's plant could supply "97,500 sixteen candlepower incandescent lamps" and all of the wondrous electric appliances being introduced in that era, including "flat irons, electric fans, vacuum cleaners, and the various household utensils, such as toasters, coffee percolators and even electric heating apparatus."[22]

Elk River's electricity was produced by a 200-horsepower turbine manufactured by the James Leffel Company of Springfield, Ohio. The 156 KVA alternator-generator unit, provided by the Minneapolis Electric Machinery Company, was described as a "new high efficiency frictionless vertical type, . . . which is coupled direct to the vertical shaft of the waterwheel." In this arrangement, the generator rested on steel bearings immersed in an oil bath. Earlier generators were driven by belts, which provided unsteady, flickering light. With direct coupling, the current was even. The system was controlled and monitored by a three-panel marble switchboard. Charles Walters, an Elk River native, returned from Minneapolis to supervise the plant. By 1920, he had been replaced by Mr. White from Princeton. In the following year, L. G. Nelson moved from Chicago to take the helm, and he remained as superintendent until the mid-1940s.[23]

The equipment was housed in a 30-foot by 30-foot plant. With an eye to future expansion, the building was large enough to accommodate an additional turbine-generator unit. The facility's superstructure was dressed in textured brick supplied by the Hydraulic Pressed Brick Company of Minneapolis and manufactured in Menomonie, Wisconsin. The building rested on a poured concrete foundation from which a 256-foot-Iong, straight-crested, reinforced-concrete gravity dam extended to the southwest. The southwestern end held three twelve-by-twelve-foot taintor gates, which maintained the reservoir's twelve-foot head. Earth fill at either end extended the structure to a total of 450 feet. Steel piling was driven into the riverbed to secure the dam, which was located just upstream from the Main Street Bridge and about one hundred feet from the site of the old mill dam.[24]

The dam, power plant, and an outdoor substation near the plant were designed by J. C. Jacobson, a Minneapolis engineer who produced a number of hydroelectric facilities in Minnesota and Wisconsin. He began his practice in Wisconsin Rapids, Wisconsin, as a millwright and "practical

[21] "Hydro Plant in 48th Year Is Still Producing KW at Elk River"; "Elk River's Fine New Power Plant," *Sherburne County Star* News, January 27, 1916.
[22] "Electric Current Now Turned On," *Sherburne County Star News*, January 27, 1916; "Here's Man who Furnishes Elk River Electricity"; "Elk River's Fine New Power Plant."
[23] "Elk River's Fine New Power Plant"; "Utilities Continues Tradition of Service it Started Here in 1916," *Sherburne County Star News*, c. 1958; "Negotiations Completed by REA for Purchase [of] Electric Company," *Sherburne County Star News*, July 12, 1943; Elk River Power and Light annual reports to the Minnesota Tax Commission, 1920-1935, State Archives, Minnesota Historical Society, Saint Paul.
[24] "Elk River's Fine New Power Plant."

building engineer."[25] One of his first major commissions was the Blandin Paper Mill and Dam (as it was later known) in Grand Rapids, Minnesota. Constructed in 1901 at a cost of $200,000, the new mill was built as a result of a concerted effort by Grand Rapids citizens to attract a major industry.[26]

The next year, Jacobson prepared plans for the Consolidated Water Power and Paper Company Mill and Dam on the Wisconsin River at Wisconsin Rapids. Along with future partner Leonard DeGuere, he designed a 2,000-foot timber crib dam, the largest in the state at the time.[27]

Postcard view of dam and power plant, ca. 1920
(Lyle Collins Collection)

Jacobson and DeGuere formalized their partnership in 1905, which was responsible for at least three other important dams: the Watab Pulp and Paper Company Mill and Dam (1907) in Sartell, Minnesota; the Thornapple Dam on the Flambeau River (1908) in Wisconsin; and the Otter Rapids Hydroelectric Dam on the Wisconsin River, also in Wisconsin. The partnership apparently dissolved in 1911, when Jacobson moved to Minneapolis. A Minneapolis phone book lists the firm "Jacobson and Ackerman" in 1914, but Jacobson was on his own again by the time he received the commission from Elk River.[28]

The construction foreman for the Elk River project was Charles Shearier from Wisconsin Rapids, perhaps an acquaintance of Jacobson's from his Wisconsin work. Shearier oversaw a crew of twenty-four to thirty men during the peak of construction. J. E. Sumpter of the Sterling Electric Company, Minneapolis, supervised the line crew.[29]

Workers had little time to rest after celebrating the plant's opening. On the first day of operation, only a few private businesses were connected to the system. Within a week, however, additional commercial buildings plus the courthouse and fifty houses were hooked up. The Village Council hurriedly passed regulations to establish wiring standards. Soon, the Elk River Garage installed the town's first electric sign, and an electric motor powered the projector in the newly redecorated Royal Theatre.[30]

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[25] Dave Engel, (Wisconsin Rapids, Wisc.: River City Memoirs, 1986), 69.
[26] Donald L. Boese, *Papermakers: The Blandin Paper Company and Grand Rapids, Minnesota* (Grand Rapids, Minn.: Charles K. Blandin Foundation, 1984), 48-49.
[27] Engel, *Age of Paper*, 73, 74, 80.
[28] Timothy F. Heggland, "Thornapple Dam Historic District," National Register of Historic Places Nomination, March 5, 1990, 8-23, prepared for the Wisconsin State Historic Preservation Office, Madison.
[29] "Waterman Builds First Power-Light Plant Here in '15," *Sherburne County Star News*, July 23, 1931.
[30] Seelhammer and Mosher, *Growth of Sherburne County*, 300.

J. E. Sumpter and J. C. Jacobson
*(*Sherburne County Star News, *January 27, 1916)*

Less than a month after service began, Waterman boasted that the company's income was already covering operating expenses. The system's initial part-time service was increased to 24 hours a day, except on Sundays from 8 a.m. to 4 p.m. A peak load of 70 kilowatts was soon dwarfed as the system rapidly expanded. By 1917, the company extended lines to Zimmerman after negotiating a twenty-five-year contract at a rate of 13 cents per kilowatt. A year or two later, a 150 KVA substation was constructed at Zimmerman, and a 13,200-volt line connected to Princeton. Princeton had installed a direct-current steam plant in 1899, but the facility was obsolete when alternating current became standard. Elk River Power and Light bought the old plant and retained it for auxiliary power, and converted Princeton's distribution lines from direct to alternating current. By 1922, the utility had 386 customers in Elk River, 60 in Zimmerman, and 390 in Princeton. Only some customers had meters; others were charged a flat monthly rate of one dollar. Plant operators worked twelve-hour days to earn $35 a month.[31]

Just as more and more people were growing dependent on the power system, an accident highlighted the fragility of the source. In August 1920, one of the dam's floodgates collapsed. The reservoir level dropped by about a foot before workers improvised a temporary gate with heavy wood planks. The system's voltage was maintained, perhaps with the aid of an auxiliary steam plant.[32] The scare, however, might have convinced the 72-year-old Waterman, who was

[31] "Power Plant Doing Well," *Sherburne County Star News*, February 10, 1916; Seelhammer and Mosher, *Growth of Sherburne County*, 327. For a discussion of Princeton's equipment, see Reuben B. Sleight, "Appraisal of the Property of Elk River Power and Light Company, Elk River, Minnesota," prepared for the Minnesota Tax Commission, November 1922, in Minnesota Tax Commission records, State Archives, Minnesota Historical Society, Saint Paul. Elk River served Princeton until 1939, when Princeton installed its own municipal electric plant. Rate information is given in "Utilities Continues Tradition of Service It Started Here in 1916."
[32] A court case in the early 1920s mentions "an auxiliary steam plant provided for use in cases of emergency"; see "Welsch et al. v. Elk River Power and Light Co.," syllabus by the Minnesota Supreme Court, January 4, 1924 , in *Northwestern Reporter* 196 (1924): 650.

rumored to be in poor health, to quit the business. Two months later, he sold the dam and power plant to his son-in-law, Dr. F. E. Griswold of Minneapolis. Griswold had two partners: C. A. Willd, a lumberman from Hoffman, Minnesota, and John Colbrath, a Minneapolis real estate investor. The new owners pledged that they would follow the "progressive lines" mapped out for the company by Waterman.[33]

On January 13, 1921, F. D. Waterman died. Many stores and businesses closed during his funeral two days later to allow all to pay tribute to the man who had brought power to Elk River. In addition, according to a contemporary newspaper account, "as the words of eulogy were being spoken over [Waterman's] body at the church, the power wheel at the power plant was shut down and for fifteen minutes the wires and motors which he had first furnished with electric energy were cold and dead."[34]

Litigation of Large-Scale Ownership

Within a year of Waterman's death, the new operators expanded operations by installing a new Leffel turbine with a 188 KVA generator. They also added flashboards to the dam to increase the available head by about three feet. The rising reservoir flooded land upstream, and five irate homeowners brought suit claiming damage to their property. Elk River Power argued that the fifteen-foot head was necessary to maintain sufficient voltage on the system. In 1923, an acting district court judge not only awarded each plaintiff $425 for loss of property value but also ordered the company to remove the flashboards as soon as an arrangement could be made to acquire extra power. The Minnesota Supreme Court agreed to hear an appeal from the company, which maintained that the money adequately compensated property owners for loss of land caused by the flashboards. Ultimately, the flashboards were allowed to remain.[35]

The resolution of the case might have been hastened by the desire of Dr. Griswold and the other investors to sell the business to the Chicago-based William A. Baehr Organization, which had begun to manage the plant late in 1923 with an option to purchase. The deal was finalized in January 1924.

Born in Oshkosh, Wisconsin, in 1873, William Baehr had worked for power companies in Milwaukee, Denver, and Saint Louis. He founded a consulting engineering practice in 1909, specializing in designing, building, and managing gas and electric plants. By the 1920s, Baehr was president of North American Light and Power Company and North Continent Utilities Corporation, both large utility holding companies. When he acquired the Elk River plant, his operations were reportedly valued at about $165 million, ranking as one of the largest power conglomerates in the country.[36]

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[33] "Flood Gate Goes Out," *Sherburne County Star News*, August 12, 1920; Seelhammer and Mosher, *Growth of Sherburne County*, 335; "Waterman Sells Power Interest," *Sherburne County Star News*, October 28, 1924.
[34] "Masonic Rites for Waterman."
[35] "Welsch et al. v. Elk River Power and Light Co.," 649-51; "Supreme Court Grants New Trial in Power Cases Here," *Sherburne County Star News*, January 10, 1924.
[36] John William Leonard, ed., *Who's Who in Engineering* (New York: Who's Who Publications, 1925), 94; "Deal Completed for Purchase of Elk River Power Property," *Sherburne County Star News*, January 17, 1924*;* "Waterman Builds First Power-Light Plant Here in '15." A company history written by former Superintendent William Patenaude in 1972 asserts that the company changed hands twice in 1923 before being acquired by Baehr. One

The explosive expansion of Baehr's holdings typifies the trend towards consolidation in the electric utilities industry in the late 1910s and early 1920s. In the first decades of the twentieth century, hundreds of small, independent power companies, like Elk River Power and Light, were created. World War I prompted some utilities to join together in networks to use precious power more efficiently. This movement continued after the war, resulting in massive utility holding companies. These companies, such as the Baehr Organization, often purchased and merged smaller companies to form interconnected regional power grids. These power-sharing networks created efficiencies of scale, which ideally resulted in a cheaper and more reliable supply of electricity.[37]

Baehr was apparently planning to develop such a grid in Minnesota. Almost immediately after its purchase of the Elk River utility, the company connected the village with a 30,000-volt line that ran from Monticello to Saint Cloud. This line was fed by a power plant in Saint Cloud that Baehr had managed for several years. To further expand the network, a distribution line was run from Elk River to Dayton.[38]

Despite improvements to Elk River's 300-kilowatt hydroelectric plant, customers had suffered from frequent interruptions in service, so the union with a larger network came as welcome news. The *Sherburne County Star News* observed that the arrangement "assures this community of plenty of electricity for power and light purposes." The new service proved its worth in 1926 when, for the first time since the hydroelectric plant opened, it became inoperable for a short time due to low water levels.[39]

Baehr apparently failed to exercise the option on the Saint Cloud plant, which was taken over in 1925 by another private company, Northern States Power (NSP).[40] Rates paid by Elk River for auxiliary power fluctuated almost yearly during the Depression-riddled 1930s. In 1930, the company charged $5.75 for 50 kilowatt hours; they lowered rates by 10 percent in 1932 and offered to reduce rates even further if paid by the tenth of the month. By 1935, the same amount of power cost $3.75. The Elk River Village Council occasionally put pressure on rate negotiations, once threatening to issue bonds to fund construction of a municipal plant. While this foreshadowed activities a decade later, the Council dropped the idea when NSP lowered rates.[41]

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owner was said to be the Herb Croft Company of Monticello; the second, Mid-Central Public Service. There is, however, no evidence of these owners in tax records or newspapers.

[37] Hollenstein, *Power Development in Minnesota*, 9; Thomas P. Hughes, *Networks of Power: Electrification in Western Society, 1880-1930* (Baltimore and London: Johns Hopkins University Press, 1983), 291-292.

[38] "Deal Completed for Purchase of Elk River Property."

[39] Elk River Power and Light, "Annual Report to the Minnesota Tax Commission" for fiscal year ending 6/30/1926, Minnesota Historical Society, Saint Paul; Seelhammer and Mosher, *Growth of Sherburne County 1875-1975*, 374.

[40] "In 1925 N.S.P. Co. acquired a group of properties serving St. Cloud and a considerable territory to the west. . . . In the expansion of the N.S.P. Co. system there appears to have been a general policy of building up a consolidated territory so that interconnection of plants would be economically feasible." Quoted from Russell E. Johnson, "A Comparison of the Development of the Electric Utility Industry in Wisconsin and Minnesota," M.A. thesis, University of Minnesota, June 1936, 84.

[41] *Municipal Year Book 1930*, vol. 1 (Minneapolis: League of Minnesota Municipalities, 1930), 237; *Municipal Year Book 1935*, vol. 6 (Minneapolis: League of Minnesota Municipalities, 1935), 234; Seelhammer and Mosher, *Growth*

Demand eventually pushed prices higher, as drought during the late 1930s decreased hydroelectricity production in Elk River and throughout the state. By this time, however, some new players had been introduced. The Anoka County Cooperative Power and Light Association had been created with assistance from the Rural Electrification Administration (REA), a federal New Deal program that provided loans to farmers to form electric cooperatives. The Anoka group, in turn, joined with other cooperatives to form the Rural Cooperative Power Association (RCPA), which opened a 3,750-kilowatt generating facility in Maple Lake in 1940. The new plant allowed Elk River to sever its unhappy tie with NSP and buy lower-priced auxiliary power from the RCPA through the Anoka County Cooperative.[42]

Still, the Elk River utility's absentee owners were the target of vociferous complaints by local consumers who found the quality of service low despite comparatively high rates. The Twin City Milk Producers' Association, for example, contemplated building its own generating facility in Elk River because rates were so much higher than at its other processing plants. The Elk River Commercial Club grew increasingly concerned about the economic repercussions of poor electric service. As the Citizens' Business League had done in 1914, the Commercial Club unanimously approved a resolution urging the Village Council to investigate the feasibility of constructing a municipal electric plant.[43]

Charged up for Change

Despite dissatisfaction with Baehr's operation, the Elk River Village Council was initially unwilling to pursue municipal ownership. Instead, it encouraged the Anoka County Cooperative to acquire the utility. In June 1942, the Cooperative negotiated terms and a price of $155,000 with the Baehr Organization. Upon acquisition, it planned to serve Elk River Power's customers in the village, as well as Zimmerman and Dayton. The Anoka group intended to upgrade the Elk River hydroelectric plant and maintain it for auxiliary service. In addition, the Cooperative hoped to devote $300,000 to construct 300 miles of lines in rural areas around Elk River.[44]

Before arrangements could be finalized, however, Elk River's support turned to opposition. The village initiated a lawsuit against the Elk River Power and Light Company to block the sale. The suit, filed in February 1943, maintained that the Anoka County Cooperative's bylaws authorized it to buy and distribute, but not to generate, power. Also, the Cooperative could provide service only to its shareholders, while "plaintiff village and many of its inhabitants cannot lawfully

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of Sherburne County 411, 481; "Commercial Club Asks Council Investigate Electric Situation," *Sherburne County Star News*, April 23, 1942.

[42] Minnesota Department of Taxation, Transcript of hearing for abatement of 1947 personal property assessment, in Public Utilities Records, State Archives, Minnesota Historical Society, Saint Paul, 4; "Village to Investigate Cost of Diesel Electric Power Unit," *Sherburne County Star News*, November 8, 1945; *United Power Association: Story of a Rural Electric Cooperative* (Elk River, Minn.: The Company, 1987), 8-11.

[43] "Commercial Club Asks Council Investigate Electric Situation"; *Elk River Village Council Minutes*, April 16, 1942.

[44] Leon Barnier, *Our Silver Anniversary, 1937-1962: History of "25 Years of Progress"* (Anoka, Minn.: Anoka County Electric Cooperative, [1962]), 21; "Negotiations Completed by REA for Purchase Electric Company," *Sherburne County Star News*, July 2, 1942.

become members of said Association."[45] By September, an amendment to the group's articles of incorporation removed this objection, but by this time the Village Council was entrenched in its stand against the sale to the Cooperative. In a special meeting on December 10, the Council voted to terminate its franchise with the Baehr Organization. Three days later it learned, however, that the franchise could not be terminated as easily as the Council had assumed. By the end of the month, a compromise appeared to be reached: the Anoka County Cooperative would buy the generating facility, while the Village of Elk River would acquire the distribution system. Special meetings and discussions continued with Anoka regarding the purchase of the generating system through the beginning of 1944. Village officials were also exploring an arrangement with NSP.[46]

A turning point for municipal ownership came in June 1944, when Elk River held a special referendum to authorize issuance of $70,000 of bonds to either purchase the existing generating system or construct a new facility. Apparently the controversy didn't inspire much interest by the general public: voter turnout was less than 50 percent. The measure passed 195 to 74.[47]

The issue, however, was far from resolved. William Baehr had died suddenly in 1943. His successors at the Baehr Organization wanted $120,000 for the plant, machinery, and lines, a $35,000 discount from the deal negotiated with the Anoka Cooperative. The Village, however, offered $25,000, based on the depreciated value of the company's equipment. This was summarily rejected by Baehr's group in October 1944. Negotiations remained at a standstill for the rest of 1944 and the first half of 1945.

In frustration, the Village hired the Saint Paul engineering firm of Toltz, King and Day (now Toltz, King, Duvall, and Anderson) to draft plans for a new electrical distribution system independent of Baehr's equipment. Although the Council had not established a source of power for the system, it apparently anticipated no problem in making arrangements with Baehr or another company once the lines were in place. The plans, which were approved by the Council in April 1945, called for a brilliantly lit "White Way" in the business district around Main and Princeton Streets. New lights would also be added along the new "superhighway," Trunk Highway 10, in cooperation with the Minnesota Highway Department. Heavier wiring would be installed throughout the system to take care of increased postwar demand for electricity.[48]

Elk River Mayor Glenn Davidson travelled to Chicago in July 1945 to discuss a sale with the Baehr group, to no avail. A deal was finally negotiated on August 2 at a meeting in Minneapolis with representatives from Elk River, Baehr, and Toltz, King and Day. Baehr vice president A. C. Winters cut the asking price in half, to $60,000. The Village countered at $50,000, and refused to

[45] Village of Elk River v. Elk River Power and Light Company, Sherburne County District Court, Civil Case No. 19080, filed February 4, 1943, State Archives, Minnesota Historical Society, Saint Paul.
[46] Barnier, *Our Silver Anniversary, 1937*-1962, 21; *Elk River Village Council Minutes*, September 14, 1943, October 7, 1943, December 10, 1943, and December 13, 1943.
[47] "Commercial Club Asks Council Investigate Electric Situation"; Seelhammer and Mosher, *Growth of Sherburne County*, 481; "Elk River Makes Purchase of Local Hydro-Electric System," *Sherburne County Star News*, August 9, 1945.
[48] "Village Council Orders Plans for Electric Distribution Plant," *Sherburne County Star News*, January 18, 1945; "Plans Complete for Municipal Electric Distribution System," *Sherburne County Star News*, April 19, 1945.

go higher. Winters claimed that he was "over a barrel," since federal regulators were forcing liquidation of the Baehr holding company. He finally agreed to accept $50,000 for the "total physical inventory of the Elk River Power and Light Company including transmission lines [a high line to Monticello and lower-voltage lines to Zimmerman and Dayton], power dam, flowage rights, car, truck, and all material and supply on hand." On August 22, the Council passed a $70,000 bond resolution to finance the purchase and make necessary improvements.[49] Six weeks later, on October 4, the *Sherburne County Star News* reported: "This is an important day in the history of Elk River, as it is today that the final transfer of the power plant and complete electric system of the Elk River Power & Light Company to the village will be made."[50]

Changeover of Power

To highlight the change of ownership, the Council christened its new business the Elk River Public Utilities. The name was changed to Elk River Municipal Utilities in about 1949, probably in response to amendments to the state law regarding municipal ownership of utilities.[51]

Although originally intending to appoint a three-person commission to manage the Utility's affairs, the Council apparently decided to directly oversee initial operations. L. G. Nelson, who had supervised the utility for Baehr for nearly twenty-five years, was replaced by Warden C. Holsbo of Elkhorn, Wisconsin. Holsbo was appointed "superintendent of public utilities," the first time that management of electric, water and sewer services was combined. Mabel Nord became the village's clerk and bookkeeper, responsible for the municipal liquor store as well as the utilities.[52]

Minor repairs were undertaken immediately, while alternatives were considered for Elk River's outdated, under-capacity system. The Council contacted a number of municipal utilities that relied primarily on their own generating facilities, as well as others that purchased most or all of their power from outside sources. Based on their findings, the Council concluded that economics favored self-sufficiency. This was especially the case in Elk River, where the hydroelectric plant's production was of some value, and existing staff could manage additional operations. Within a month after purchasing the utility, the Council directed Toltz, King and Day to draft plans and prepare cost estimates for a diesel engine to serve as an auxiliary to the hydroelectric generators. In March 1946, the Council expanded its original concept, requesting bids for two 750-horsepower, 550-kilowatt diesel engines. At some point in the planning, the diesel engines became the system's main power source, with the hydroelectric operation maintained as a back-up for peak loads and emergencies.[53]

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[49] *Elk River Village Council Minutes*, August 22, 1945; "Elk River Makes Purchase of Local Hydro-Electric System"; "Holding Company to Be Liquidated," *New York Times*, November 18, 1943.
[50] "Final Signing of Papers Today Transfers System to Village," *Sherburne County Star News*, October 4, 1945.
[51] *Elk River Village Council Minutes*, November 5, 1945. For a discussion of the 1907 ordinance creating utilities commissions and the subsequent 1949 amendments, see Coke, "Public Utilities Commissions in Minnesota Villages," 17-27.
[52] "Village of Elk River Takes Over Complete Power and Light Plant and System Next Week," *Sherburne County Star News*, September 27, 1945.
[53] "Village Will Proceed with Plan to Purchase Diesel Plant," *Sherburne County Star News*, March 7, 1946.

The Council saw little alternative to upgrading the system. The village had become dependent upon power from the Anoka County Cooperative, but the service, according to a newspaper account, "has been getting steadily worse and in spite of the many protests made to them about the service no attempt has been made to correct it." The village had considered switching to NSP, but that utility had no power to spare.[54]

When the Council opened the engine bids in May, however, all were deemed too high, and a decision was postponed. Post-war equipment price increases prompted the Council to reconsider the issue in October and vote to purchase the engines from the Worthington Pump and Machinery Company, which agreed to honor the May bid. Because of a backlog of orders, though, Worthington could not promise delivery until the following summer. In the meantime, crews upgraded the system's lines, although work was impeded by shortages of wire and transformers. Work also began on the "White Way" through downtown and along the highway.[55]

Activity slowed during the winter, but in February 1947, in anticipation of the spring construction season, the Council opened bids for a new sewage treatment plant and a building to house the Worthington engine. Bids for the former were over budget and all were rejected, but the Council awarded a contract for $64,276 to Saint Paul contractor Howard Purtell for the power plant, and for $40,140 to Kehne Electric of Minneapolis for the electric equipment and switchboard. New remote controls would permit operation of the hydroelectric facility from the new diesel plant, to be located just across the road. Bonds totaling $225,000 were issued to finance these and other improvements. The Council assured the public that the bonds would be paid by the utility's income, not tax dollars.[56]

Also in February, the Council accepted the resignation of Superintendent Ward Holsbo. By April, George W. Wombill, manager of the public utility in Madison, Minnesota, was hired to replace him. Wombill had been with the Madison utility for ten years, and with the utility in Marshall, Minnesota, for seven years before that. At the same time, poor health forced Vernon Skellinger to resign as a member of the Village Council. Skellinger had been the Council's authority on municipal utilities and had been a strong proponent of the new diesel plant. The *Sherburne County Star News* noted that "the council feels the loss of Mr. Skellinger keenly."[57]

His departure might have catalyzed a reevaluation of the Council's responsibilities with the utility business, which was demanding an increasing amount of time and energy. In addition to issues related to the electric service, the community's waterworks were also requiring more of the Council's attention. The municipal water system, supplied by a 310-foot well, had been established in 1920 at a cost of $50,000.[58] On July 11, 1947, the Council decided to combine all

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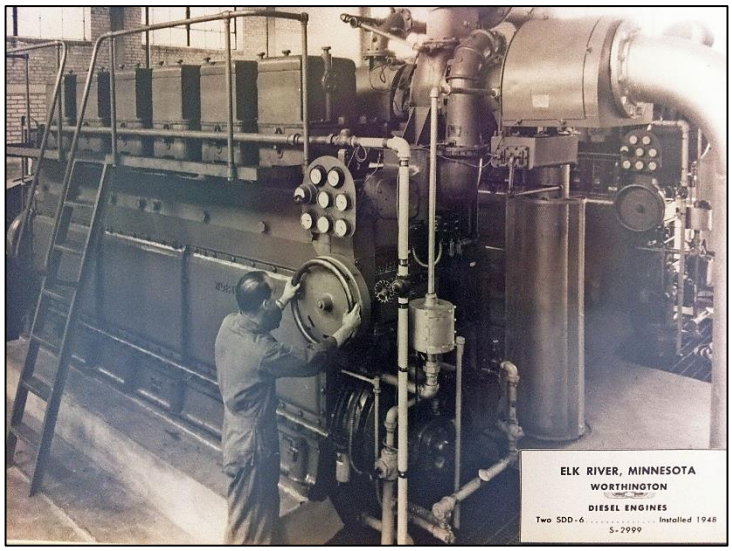
[54] "Village Signs Contract for New Diesel Generating Units," *Sherburne County Star News*, October 17, 1946.
[55] *Elk River Village Council Minutes*, May 6, 1946; "Village Signs Contract for New Diesel Generating Units."
[56] "Village Signs Contract for New Diesel Generating Units"; *Elk River Village Council Minutes*, November 7, 1946, February 20, 1947.
[57] "St. Paul Man Is Low Bidder for Local Power Plant Building," *Sherburne County Star News*, February 27, 1947; "Village Council Names Wombill Superintendent Public Utilities," *Sherburne County Star News*, April 10, 1947.
[58] Seelhammer and Mosher, *Growth of Sherburne County*, 337. By 1928, the system included a 100,000 gallon tank: on a 100 foot tower; average daily consumption was 40,000 gallons. See Sanborn Map Company, *Elk River. Minn. April 1928*, Sheet 1. Information on peak loads is in "Utilities Continues Tradition of Service It Started Here in 1916."

utilities, creating a Water, Light, Power, and Building Commission to "be in entire charge of the public utilities in the village from now on, including the water department, the municipal light and power and the public buildings." The resolution empowered the three-member commission to fix rates, adopt rules and regulations, employ workers, enter into contracts to extend and modify existing utilities, and purchase fuel and supplies. In accordance with state law, commission members were appointed for staggered three-year terms. They served without compensation. While Skellinger might have found the Council's schedule too demanding, he felt sufficiently fit to become the Utility Commissions first president. Otis Nickerson was appointed for a two-year term, and Cleeland Meyers for three years.[59]

The Commission's first challenge was to complete the new plant. Six bricklayers were at work on the new building by July. The summer's low water level was further reduced in August, bringing Lake Orono's surface to about four feet below normal. This facilitated renovation of the dam, including replacement of the flashboards and installation of discharge and suction lines through the dam for the new diesel engines. A dry spell slowed the reservoir's replenishment when work on the dam was complete, greatly reducing the hydroelectric plant's output for nearly three months. The diesel engines were anticipated to arrive in August and be in operation by October. Because of a number of delays, however, including two nearly fatal accidents at the construction site, the new plant was not ready to go until the end of February 1948.[60]

A Sunday morning was chosen for the transition from hydroelectricity to diesel power, which required the system to be shut down for a few hours. A severe sleet storm forced postponement for yet another week. Finally, at 8:10 on the morning of March 7, the line with the Rural Cooperative Power Association was severed. Kehne Electric brought in twenty outside electricians to help the local crew with the changeover. By 9:30 a.m., the diesel engines were providing power to Elk River. Three hours later, electric service was also returned in Zimmerman, Dayton, and surrounding rural areas. "For the first time in nearly thirty years," the



Diesel engines in 1948
(Elk River Municipal Utilities)

[59] See Appendix A for the resolution creating the commission. The quote is from "Water, Light and Building Commission Formed Locally," *Sherburne County Star News*, July 10, 1947.
[60] "Financial Statement, Municipal Water, Light & Power Commission," in *Sherburne County Star News*, March 4, 1948; William Patenaude, "Record of Elk River Power Plant including the Fifth Expansion to Original Plant," typed memorandum dated 8/14/72, in the files of the Elk River Municipal Utilities; Transcript of hearing for tax abatement, 4; Seelhammer and Mosher, *Growth of Sherburne County*, 493-94.

Sherburne County Star News reported, "Elk River is entirely on its own in the matter of electric power." An open house in April gave the community a chance to view the new facilities.[61]

The Utility's independence from outside power sources was short-lived, however: by 1951, increased demand forced the Commission to consider alternatives for additional supply. After debating the purchase of another generator, the Commission elected instead to again obtain electricity from the RCPA through the Anoka County Cooperative, signing a three-year contract with a two-year renewal option. Ironically, the power was produced in Elk River by a new RCPA coal-burning plant, outfitted with two 1l, 500-kilowatt steam-generating units. Elk River anticipated purchasing 2.5 million kilowatts per year.[62]

Because of the perpetual shortage of capacity, the Utility was committed to maintaining the hydroelectric plant, even though it provided a relatively small amount of power. In the early 1950s, 36-inch-wide sheets of 3/8-inch steel replaced timber flashboards washed away by a spring flood. The top edge of the new flashing was reinforced by angle irons; pipes served as bracing on the downstream side.[63]

This period also witnessed a change in oversight of the Utility's operations. Superintendent George Wombill died unexpectedly in 1952, and was succeeded by his assistant, Richard Halter. Halter had begun working for the Utility as a lineman and meterman in 1928, moving to the power plant in 1933. As a result, he was extremely familiar with the strengths and weaknesses of the existing system.[64]

This proved useful for the Commission's financial, strategy in the early 1950s. By maximizing the electric power plant's existing potential and buying additional power rather than increasing capacity, the Commission focused on reducing debt from the utility's purchase and expansion. In 1954, the Commission prepaid a bond issue of $70,000, on which payments were scheduled to start in 1956 and continue through 1963. This decreased the Utility's overall debt to $170,000. This relatively low balance meant that it could reasonably incur more debt for improvements. In addition to adding another engine to the power plant, the Utility wanted to put unsightly distribution lines underground in the business district.[65]

It also had to deal with under-capacity in the water supply, which forced the village to enact lawn-sprinkling regulations in 1951. A new rotary centrifugal pump, installed later in that year by the Bergerson-Caswell Company of Minneapolis, could handle 500 gallons per minute, replacing a 300-gallon-per-minute pump. The new pump was only used when demand was high. Otherwise, water was supplied by an older pump rated at 175 gallons a minute. Together, these

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[61] "Heavy Snow Follows Rain and Sleet Here," *Sherburne County Star News*, March 4, 1981; "Changeover to New Electric Plant Done in Record Time," *Sherburne County Star News*, March 11, 1948.
[62] Seelhammer and Mosher, *Growth of Sherburne County*, 503, 529; Elk River Municipal Utilities Commission Minutes, September 10, 1951; *United Power Association: Story of a Rural Electric Cooperative*, 13.
[63] "Work on Dam Completed, Lake Raised," *Sherburne County Star News*, n.d.; interview with Russell Anderson, conducted by Weber, August 19, 1993.
[64] "Utilities Continues Tradition of Service It Started Here in 1916," *Sherburne County Star News*, c. 1958; Seelhammer and Mosher, *Growth of Sherburne County*, 493.
[65] "Utilities Group to Pay Off $70,000 Bonds," *Sherburne County Star News*, c. 1954; "Utilities Liquidates $70,000 Bond Series, Saves $6,000 in Interest," c. 1954.

pumps were "expected to be able to meet any and all emergencies in supplying water to Elk River village for many years to come," according to a newspaper report.[66]

The pumps were overwhelmed, however, by the boom of the 1950s, when population within village boundaries increased by 26 percent, and the township grew by 44 percent. This surge necessitated an overhaul of the water supply system by 1960. The $190,000 improvement project included a new 100,000-gallon water tank, hundreds of feet of water mains, an iron and manganese removal facility, and a new 40-horsepower water pump with a capacity of 650 gallons per minute.[67]

The community's growth also challenged the electric system. The problem was compounded by increased per capita use of electricity. Postwar prosperity filled new homes with lights, television sets, toasters, refrigerators, and other appliances. Offices gained air conditioning, copying machines, electric typewriters, and other equipment powered by electricity. In response, the Utility upgraded lines to handle heavier loads. In 1957, for example, the Utility tripled the capacity of lines in Elk River's business district by replacing heavy copper wire with aluminum cable. Although the lines were not buried, as initially hoped, the $19,400 project rerouted most lines behind buildings where they were less visible. New lines also stretched across the Mississippi River. The lines were supported by modern insulators designed to reduce static electricity, which interfered with radio transmission. Planning for the project was mostly done in-house by Utility's staff. The installation was completed by the Donavan Construction Company.[68]

The new lines, in turn, demanded more power than Elk River's system could produce. In the early 1960s, a reporter noted that "the existing equipment at the municipal plant has not been of sufficient capacity for some time to meet maximum loads." One solution might have been to merge with a larger operation, but the Commission was determined to keep the Utilities independent. It rebuffed a purchase offer from Northern States Power Company in 1958. Instead, the Commission began investigating the cost of a new engine and generator. It also considered purchasing more power from the RCPA.[69]

In the final analysis, the greatest long-term benefits appeared to be gained by expanding generating capacity. On March 6, 1961, the Commission voted to buy a dual-fuel 2,500-kilowatt engine from Cooper-Bessemer for $400,785. The recent installation of a natural gas system in Elk River made this fuel available in large quantities for the first time. Compared dollar for dollar, natural gas could produce twice as much power as diesel. The new engine could be switched to diesel, however, if the gas supply was restricted or grew too expensive. The Utility anticipated saving about $500,000 over ten years, which would completely pay back the investment in equipment and plant expansion. The engine's useful life was estimated to be twenty-five years. Since the engine was most efficient under a high load, the Utility planned to

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[66] "New Rotary Pump to End Water Lack," *Sherburne County Star News*, [1951?].
[67] Population statistics are from published reports of the eighteenth federal census. See also Elk River Municipal Utilities Commission Minutes, March 3, 1951; "New Rotary Pump to End Water Lack"; "Utilities Reports $190,000 in Water Works Improvements in '60," *Sherburne County Star News*, c. 1960.
[68] "New Distribution System Increases Electric Capacity," [1957].
[69] Elk River Municipal Utilities Commission Minutes, March 4, 1958, May 6, 1958, and March 6, 1961; "Utilities Plans Purchase of 2500 KW Generating Unit," *Sherburne County Star News*, c. 1961.

continue purchasing power from the RCPA for off-peak periods, as well as for emergency needs. The newspaper observed that by having the added production capacity, "the Municipal Utilities will remain in a favorable bargaining position for wholesale power." Associated Consultants was retained to plan the building expansion. The Paul A. Laurence Company, a Minneapolis contractor, worked on the necessary modifications to the utility building. H. R. Nichols of Saint Paul installed piping for the new engine. The Electric Motor Service Company of Minneapolis supplied the generator and completed the wiring. The project was financed by the sale of $490,000 of revenue bonds.[70]

In addition to the pressures of keeping up with demand, the Utility faced challenges from Mother Nature. In the winter, snow and sleet dragged down lines. Ice on the dam's flashboards had to be removed to deter structural damage. Spring floods tormented both the dam and power lines. One of the worst floods came in 1965. Ice flows broke off sections of the dam's flashboards, and an uprooted tree snapped gate winches. Some power lines, including the feeder line to Dayton, were down for over a week when erosion caused poles to lean and lines to break. The RCPA installed an emergency feeder line from Anoka to serve the Dayton customers while the Elk River line was being repaired.[71]

The 1965 flood again highlighted the vulnerability of Elk River's power service. In the following May, the Utilities Commission entered into a ten-year interchange service agreement with the RCPA, which was just beginning operation of a nuclear power plant in Elk River. The $22 million plant had been under construction by the Atomic Energy Commission since 1959. Heralded as the way of the future, the plant was shut down in 1968 when the cooling system developed a leak. The problem proved impossible to repair, and the reactor was demolished in 1974.[72]

While the RCPA's coal-burning plant in Elk River continued in operation, the failure of the reactor strained the area's electric generating capabilities. This was particularly problematic for Elk River, because of conditions in its 1966 contract with the RCPA. Because it gave priority to member cooperatives, the Association required that any interconnecting system must have enough generating capability to fully cover their load in case the Association was unable to provide a sufficient amount of power. The RCPA's range of operations had significantly expanded in 1963, when it entered into a joint venture with the Northern Minnesota Power Association. The coops formally merged as the United Power Association in 1972.[73]

In the meantime, the Municipal Utilities continued to upgrade services. New lights brightened Elk River's streets. Better maintenance trucks made crew work more efficient. Always lurking in

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[70] Elk River Municipal Utilities Commission Minutes, March 6, 1961, July 6, 1961, and July 25, 1961; "Utilities Plans Purchase of 2500 KW Generating Unit"; Financial statements for Elk River Municipal Utilities, 1949-1969, in files of the Elk River Municipal Utilities; and "Gas Main Construction Goes Fast," [1961].

[71] Interviews with Evelyn Halter, Rodney Anderson, and Russell Bradway, conducted by Weber August 5, 1993; interview with Russell Anderson, conducted by Weber on August 19, 1993; "Water, Water Everywhere," *The Rural Power Condenser*, March-April 1965, 9.

[72] Elk River Municipal Utilities Commission Minutes, May 3, 1966; Hollenstein, *Power Development in Minnesota*, 19-20; "RCP A Gets Operating Authorization," *The Rural Power Condenser*, March-April 1965, 4-5; "Shell Cracking at Elk River," May 17, 1974.

[73] *United Power Association*, 16-17; interview with John Lundemoe, conducted by Weber, August 5, 1993.

the background, however, was the question of the company's role in the ever-changing utilities industry.

Superintendent Richard Halter with a new Westinghouse fluorescent streetlight, ca. 1965. These replaced mercury-vapor lights installed in the mid-1950s.
(Evelyn Halter Photograph)

New Challenges, More Growth

By the late 1960s, demand for power was escalating at a rate of over ten percent per year. Because of the economics of scale, it was cheaper for Elk River to purchase electricity than to produce it. Contract interconnection requirements, however, forced Elk River to maintain sufficient generating capacity to operate independently no surplus electricity was available. The Commission had little choice but to examine the feasibility of enlarging the power plant.[74]

In May 1969, Associated Consultants of Minneapolis reported that additional capacity could be accommodated at the site of Elk River's existing plant. Superintendent Halter apparently decided that a new administration should oversee the changes: he retired in 1970, and was replaced by William Patenaude. Patenaude was well acquainted with the Commission, having served as a Commissioner for twenty-one years.[75]

Bids were opened for a new engine-generating unit on May 6, 1971. The Commission spent almost two months deliberating the decision. They ultimately awarded a contract for $708,113 for a 16-cylinder dual-fuel unit to the Worthington Corporation, but only after sending Rodney Anderson to New York to inspect one of the company's 5,000-kilowatt machines in operation. Anderson, who had worked as an operator in the power plant since 1951, was promoted to plant manager at about that time.[76]

Installation of the engine and related equipment was anticipated within 360 days. Associated Consultants was authorized to develop plans for nearly doubling the size of the power plant. By the end of 1971, the Commission had accepted bids of $98,250 from Magney Construction Company for the building expansion; $10,000 from Lemke Welding to install piping to provide cooling water from the river; and $153,295 from Premier Electric Construction Corporation to

[74] Ibid.
[75] "Utilities Continues Tradition of Service It Started Here in 1916."
[76] Associated Consultants, "History of Installation of Worthington SWCGO-16 Dual Fuel Electrical Generating Unit for the Municipal Electric Utility, Elk River, Minnesota, May 29, 1969-June 9, 1976," 1-3, in files of the Elk River Municipal Utilities; Patenaude, August 14, 1972; Elk River Municipal Utilities Commission Minutes, July 1, 1971; interview with Rodney Anderson, conducted by Weber, August 5, 1993.

provide General Electric switchgear. With the new equipment, the hydroelectric plant was effectively retired: the switchgear did not include controls for the old turbines.[77]

The engine arrived by train in the summer of 1972. Two side-by-side flatbed trucks transported the engine to the plant. Unfortunately, problems plagued the new operation from the start. In addition to time and cost overruns by Worthington and the other contractors, the engine had a cracked and leaking turbocharger, a faulty exhaust system, and damaged wrist pins, bearings, and pistons. All in all, three years passed before the defects were fully remedied.[78]

By the mid-1970s, new power plants had come on line in the region, greatly increasing the supply of relatively inexpensive power. Because power could be bought from larger networks more cheaply than it could be produced on a small scale, Elk River's plant was maintained only for auxiliary purposes. In 1978, Elk River joined eight other municipal utilities to for the United Minnesota Municipal Power Agency, with members spanning the state from Grand Marais to Willmar. Their union was intended to strengthen their position in negotiations with the UPA, from which they all purchased power. To improve local distribution, the Utilities built new substations in 1978 and 1984.[79]

The Utilities had been headquartered in a former city library for a number of years, sharing the space with other city departments. In 1975, it expanded to occupy the entire building. A decade later, it received a new garage/warehouse facility, erected by Elk River contractor John C. Weicht and Associates for $101,372.[80]

Improvements were made to the water system as well. Contracts for a new well and related facilities were awarded in 1974. Few additional changes were required by the water system until 1985, when the Commission hired Hydro Storage, Inc., to erect a new water tank for over half a million dollars.[81]

In addition to electric and water services, Elk River Municipal Utilities has engaged in a variety of activities for the benefit of the community: erecting civil defense sirens, contributing to the purchase of a new fire engine, putting up Christmas decorations, maintaining street and park lighting, and wiring schools and businesses. The company also began marketing and installing security systems in about 1990.

Supervision of the Utilities changed several times during the decade of the 1980s. William Patenaude retired in 1980, and was replaced by Edson Stansfield. Stansfield remained only six years. He was succeeded by William Birrenkott, who was trained in both electrical engineering and business administration. This combination reflects changes in the utilities industry, which has grown increasingly professionalized as technical and business operations become more complex. In the eight decades since electric lights first glowed in Elk River and the nearly fifty years since the Municipal Utilities was created, both the industry and the community have

[77] Associated Consultants, "History"; Patenaude, August 14, 1972.
[78] Associated Consultants, "History."
[79] Elk River Municipal Utilities Commission Minutes, January 4, 1978, and June 7, 1978.
[80] Ibid., March 1975, and May, 28, 1985.
[81] Ibid., August 8, 1974, and July 1, 1985.

experienced phenomenal growth and change. The only sure prediction for the future is that these trends will remain, and that the Elk River Municipal Utilities, which now furnishes power and water to nearly 5,000 customers, will continue to evolve.

A History of Elk River Municipal Utilities: Part II

This section was completed for the Elk River Municipal Utilities Commission in 2015 by Rachel Peterson, Penny Petersen, and Charlene K. Roise, Hess, Roise and Company

New Territory, New Leadership

The previous history of Elk River Municipal Utilities (ERMU) concluded that only one prediction for the future was certain: both the utilities industry and the community served by ERMU would grow and evolve. Over the past two decades, that projection has proven accurate. As Elk River has changed, the services of ERMU have expanded and diversified along with it.[82]

The City of Elk River merged with Elk River Township in 1977 partly to strengthen its position among other communities in central Minnesota. This merger also strengthened ERMU's purchasing power with the United Power Association (UPA), which supplied it with electricity. That same year, ERMU joined the United Minnesota Municipal Power Agency, further increasing its ability to negotiate low rates with power providers.[83]

ERMU has long purchased at least a portion of its power from outside sources. Post-World War II increases in the use of large appliances contributed to a rising demand for power that was too high for ERMU to meet on its own. Beginning in 1951, the Elk River Utilities Commission decided to purchase electricity through Anoka County Cooperative and the Rural Cooperative Power Association. To improve local distribution, two new substations were constructed in 1978 and 1984.[84]

Power Plant Substation
(Elk River Municipal Utilities)

ERMU is a municipal utility and is therefore connected to the City of Elk River. The relationship between the two entities has been a complex one. ERMU is owned by the city and governed by a commission, with the commissioners appointed by the city. As a municipal entity, ERMU does not pay property taxes. In lieu of taxes, ERMU and the city agreed that ERMU would pay a flat sum to the city every year.

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[82] Hess, Roise and Company (hereafter HRC), "A History of the Elk River Municipal Utilities," 24.
[83] Ibid., 23.
[84] "Elk River Municipal Utilities Celebrates Fifty Years of Service to Elk River and Surrounding Areas," Elk River Municipal Utilities (hereafter ERMU) files; HRC, "A History of the Elk River Municipal Utilities," 23.

This financial structure has led to tensions between ERMU and the city. For example, in 1987, a property tax levy limit left the city anticipating a budget deficit. ERMU had earned a profit from increased demand for services as the city grew. The city approached ERMU and asked that ERMU's $12,000 annual payment be increased to 5 percent of its retail sales, a sum of $163,000 that year. Since ERMU had begun purchasing electricity, it was concerned with maintaining competitive rates and General Manager Bill Birrenkott feared that such a large payment to the city would force a significant rate increase. The city responded that, much like a municipal liquor store, ERMU was an enterprise to fund the city government and its responsibilities were to the city as well as its customers. The two sides reached a compromise, with ERMU increasing its payment to $72,000. The city coffers were still short, but by much less than they would have been otherwise. Tensions like this have arisen from time to time, but in general, ERMU and the City of Elk River maintain a productive working relationship.[85]

During 1991, ERMU continued to expand its service area. General Manager Birrenkott spearheaded an initiative to extend its reach through a contract with Anoka Electric Cooperative for "the orderly transfer of service territory between the utilities," meaning that ERMU would be able to expand its service area to include more customers in and around Elk River.[86] Negotiated just before a large housing boom, ERMU was able to purchase rural service areas that have since been developed, adding greatly to ERMU's customer base. ERMU installed an additional substation in November 1991 to provide electricity more effectively. To further increase demand, ERMU loaned the city $55,000 to purchase lots in Industrial Park to attract new businesses.[87]

In April 1991, the Elk River City Council denied a permit application by ERMU to expand its industrial building on the banks of the Elk River after the Planning and Zoning Commission had approved the addition in a 4-1 vote. The application proposed to double the size of the existing 4,000-square-foot, metal-clad building. Council members Roger Holmgren, Duane Kropuenske, and John Dietz opposed the addition because they felt it was too

Storage Building by the Old Creamery
(Elk River Municipal Utilities)

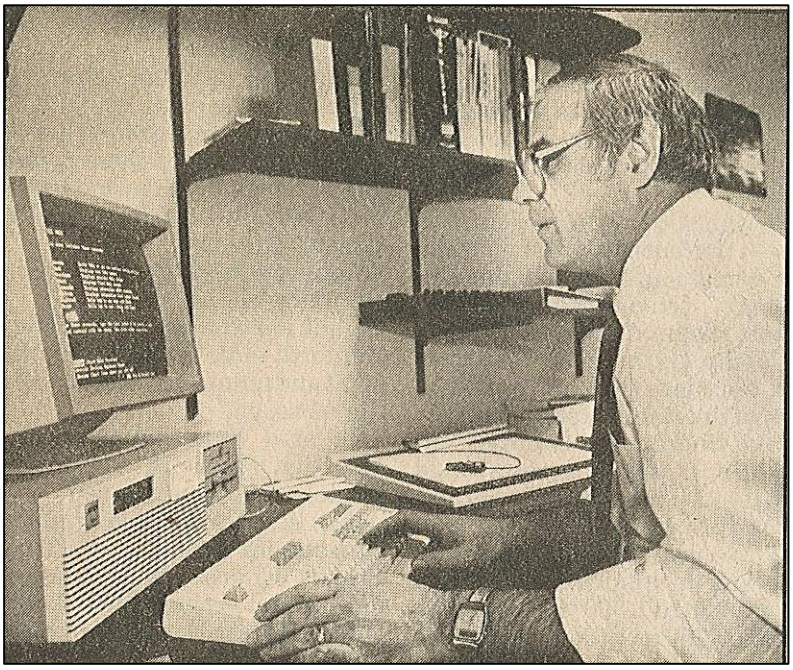
[85] Stephanie Klinzing, "City Seeks $163,000 from a Reluctant Utility Commission," *Elk River Star News*, no month or day, 1987; Stephanie Klinzing, "Hopes for Requested Revenues Dashed by Commission Vote," *Elk River Star News*, October 20, 1987.
[86] Elk River Municipal Utilities Commission Minutes, January 7, 1991.
[87] Ibid., November 12, 1991; Troy Adams, interview by Rachel Peterson, June 2, 2014.

close to residences and "would intensify the use" to the point of nuisance. Jim Simpson, the chairman of the Utilities Commission, was infuriated by the denial, calling it "two-bit politics." The addition was approved after the commission revised its plans to be more compatible with the adjacent neighborhood. The addition was clad in stucco, with a line of trees planted to minimize the visual impact of the industrial building.[88]

In 1992, ERMU invested time and money updating infrastructure, soliciting bids for a new building at the former city hall site, a new well, and a treatment facility. An eighteen-megawatt substation was planned for the Industrial Park site to back up current operations and also serve the future demands of a growing Elk River.[89]

ERMU completed a study in September 1992 to assess how its rates compared to neighboring towns. The study concluded that in relation to other utilities, ERMU was charging much less for water and water connection fees. In fact, the current water connection fee was not enough to offset installation costs and ERMU was losing money when water service was extended to new customers.[90]

In response, in 1993, ERMU increased water connection fees, as well as other fees it charged developers for new extending services to new plats. Revenue was earmarked for future water towers and wells to serve new developments like Hillside Estates. For example, ERMU purchased a site for a tower, well, and service station from the city for $10,000 to service Hillside Estates.[91]



Bill Birrenkott
*(*Sherburne County News*, undated clipping at Elk River Municipal Utilities)*

ERMU consolidated its management structure in 1993 and replaced individual department superintendents with a general manager, who was responsible for governing the organization as a whole. Bill Birrenkott was the first

[88] "City Stuns Utilities," *Elk River Star News*, April 17, 1991; Don Heinzman, "Furor over Utilities Dispute Is Defused," *Elk River Star News*, April 24, 1991.
[89] Elk River Municipal Utilities Commission Minutes, May 5, 1992; Bill Birrenkott, "Elk River Municipal Utilities," *The Current: The City of Elk River Newsletter* 3 (August 1992).
[90] Elk River Municipal Utilities Commission Minutes, September 8, 1992.
[91] Ibid., April 6, and September 7, 1993.

person to serve as ERMU's general manager, and he is credited by the current general manager, Troy Adams, with laying important groundwork to secure ERMU's long-term growth, particularly negotiating the transfer of service territory. Trained both as an electrical engineer and a business administrator, Birrenkott was uniquely equipped to oversee a municipal utility in an industry that was becoming increasingly complex.[92]

By 1994, as ERMU and Elk River continued to expand, new storm sewer lines were needed. The cost was funded, in part, through rate increases. Residential customers paid an additional two dollars each month and commercial, industrial, and multi-family properties paid an additional fifteen dollars per acre. Owners of undeveloped land saw an increase of fifty cents per acre per month. In addition, the City of Elk River issued $1 million in bonds for the project in August, with another $1 million following later in the year.[93]

Gary Street Water Tower
(Elk River Municipal Utilities)

With the rapid growth of Elk River, ERMU strove to stay ahead of real estate developers, especially in areas where new infrastructure would be needed. City engineer Terry Maurer recommended the construction of a one-million gallon water tower at Gary Street that would be sufficient to serve that neighborhood for another twenty years. Also anticipating growth in the northwest part of the city, Maurer recommended a 500,000 gallon tank be built there by the end of the decade.[94]

In 1995, a new housing development was planned for the Meadowvale area that required a new well and water tower. In 1996, ERMU reached an agreement to purchase the land north of Meadowvale School for the well, filter plant, and water tower.[95]

Tension over the amount that ERMU contributed to the city in lieu of taxes emerged again in 1994. In response, the Utilities Commission voted to increase

[92] Elk River Municipal Utilities Commission Minutes, July 30, 1993; HRC, "A History of the Elk River Municipal Utilities," 24; Troy Adams in conversation with Rachel Peterson, June 2, 2014.
[93] Joni Astrup, "Elk River Utility Bills Expected to Rise," *Elk River Star News*, July 20, 1994; ERMU, "Utilities Commission Meeting," August 9, 1994.
[94] Elk River Municipal Utilities Commission Minutes, August 9, 1994.
[95] Ibid., January 10, 1995, and July 9, 1997; Adams interview.

ERMU's contribution to 3 percent of the revenue generated by Elk River customers. In addition, ERMU provided free electricity for all city buildings that did not generate revenue.[96]

Rapid Growth − Establishing and Implementing Priorities

The first half of the 1990s was characterized by infrastructure projects and changes in personnel. As ERMU moved into the second half of the decade, it began to focus on long-term planning, and in 1996, the Utilities Commission set priorities for improvements. At the top of the list was the need to address the water and electric departments as more territories were scheduled to be transferred from the AEC to ERMU. ERMU decided to work with the city administrator to develop marketing strategies to encourage future growth.[97]

Writing out priorities helped ERMU plan for this growth and also identify operational weaknesses. Its human resource management practices, for example, did not follow industry standards. To address this problem, ERMU prepared a job description for each position that clarified responsibilities and the management structure. A performance evaluation system, a policy and procedures manual, and a safety program were also established.[98]

Several items in the priority plan related to upgrading electric and water utilities. This led to a project to map the electric utility's underground and overhead facilities, as well as update the water utility maps and plan a regular maintenance program for the system.[99]

Some smaller items were also priorities. These included acquiring a new phone system that allowed calls to be transferred between the office and the power plant; purchasing a new truck; and computerizing inventory and purchasing systems.[100]

High priorities for the water department were a series of valve and hydrant installation projects, particularly those associated with state highways or roads scheduled for major reconstruction. Updating older hydrants and valves, and those located on city roads that were not slated for repair, ranked second. Upgrades in residential areas were third.[101]

In March 1996, as ERMU was in the process of identifying its goals for the future, Bill Birrenkott retired as general manager. The Utilities Commission explored an alternative to hiring a new general manager, retaining Emmer and Associates to evaluate the pros and cons of contracting with AEC for on-site management services as needed, with most staff still employed by the Utilities Commission. Emmer's study concluded that ERMU should retain the existing general manager structure. The commission then hired the Brimeyer Group to conduct a search for a new general manager. The consultant interviewed staff members to develop a position profile and helped place job announcements, screen applicants, and interview candidates. At the

[96] Elk River Municipal Utilities Commission Minutes, December 6, 1994.
[97] Ibid., September 11, 1996.
[98] Ibid.
[99] ERMU, "Utilities Commission Meeting: Priority for Valve and Hydrant Replacement," February 1996.
[100] Elk River Municipal Utilities Commission Minutes, September 11, 1996.
[101] ERMU, "Utilities Commission Meeting: Priority for Valve and Hydrant Replacement."

conclusion of this process, Bryan Adams was selected for the position. He assumed the post on August 19, 1996.[102]

Rate studies were conducted regularly as ERMU sought to be competitive with other local providers. After a 1996 study found that ERMU rates were higher than those of AEC, ERMU promoted lower commercial rates to attract businesses to Elk River, which would broaden the city's tax base and expand employment. ERMU also worked to renegotiate its contract with AEC and UPA to be able to offer more competitive rates.[103]

Increasing demand to the northwest led ERMU to conduct an engineering study in 1996 that identified potential sites and estimated costs for a well, filter plant, and water tower to serve that area. The study also evaluated a proposed water main extension that could delay the need for a sixth water tower. Other infrastructure projects in that year were necessitated by obsolete equipment. The eastern substation was critically failing and removed from the operating system. ERMU's computer network file server reached its capacity, so the system was upgraded. Roof repair was required at the King Street building, which was also beginning to show signs of wear and age.[104]

ERMU also began an apprenticeship program for electric line workers in 1996. The program developed skills, knowledge, and abilities so that these workers could advance to the journeyman position. Journeymen who wanted to improve their skills were also encouraged to participate. Education opportunities were extended to other workers through a program that offered up to $2,000 toward tuition.[105]

In comparison to the preceding year, 1997 was relatively calm. A hot, dry summer led to sprinkling restrictions, which ERMU had been authorized to implement by a 1995 city ordinance. Water shortages were eased when the Minnesota Department of Natural Resources (DNR) authorized an appropriation of 200 million gallons of water from four wells for Elk River's public water supply. The DNR, however, noted that significant amounts of water were being used for sprinkling lawns and urged Elk River to start a public education program about water conservation, leading ERMU to develop brochures on that subject.[106]

In 1997, ERMU celebrated its fiftieth anniversary of serving Elk River, Otsego, Dayton, and surrounding rural areas as a public power provider. In those fifty years, service had grown to include 6,000 electric and 2,000 water customers.[107]

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[102] ERMU, "Special Meeting of the Elk River Municipal Utilities Commission," March 27, 1996; Anoka Electric Cooperative, "Utilities Management Services Agreement," April 9, 1996; ERMU, "Special Meeting of the Elk River Municipal Utilities Commission," August 5-6, 1996.
[103] Elk River Municipal Utilities Commission Minutes, March 8, 1996.
[104] Ibid. June 11, July 9, September 11, and October 8, 1996.
[105] Ibid., November 12, 1996.
[106] Ibid., July 11, 1995, January 12 and July 9, 1997; letter from John Stine, Administrator, Minnesota Department of Natural Resources, to Robert J. McCartney, ERMU, August 13, 1997; ERMU archival files.
[107] "Elk River Municipal Utilities Celebrates Fifty Years of Service to Elk River and Surrounding Areas," ERMU files.

To plan for the expansion of the water department, ERMU undertook the Springsted Study, which included a ten-year projection of the utility's financial capacity. After considering anticipated revenues, expenses, bonding capabilities, and fees, the commission decided that rates needed to increase in order to ensure funds for future growth.[108]

In 1998, ERMU approved an LED light installation project as an initiative for energy conservation. Previous proposals for LED lights were denied because commissioners had been concerned about the significant upfront costs. This time, the case was made that the LED fixtures would be more economical to operate than incandescent bulbs, and it was estimated that the installation costs would be recouped in two years. This gave the commission the confidence to approve the project.[109]

Also in that year, more infrastructure construction projects were given the green light. A joint project between ERMU and UPA for a new gas turbine was approved by the commission. The turbine was owned by the city, with UPA taking care of the planning, permitting, acquisition, and operation staff for the project. The turbine served as a peak load generator, operating only when demand was high.

In 1999, UPA merged with the Cooperative Power Association (CP) and became Great River Energy (GRE). Since ERMU had been purchasing electricity though UPA, its contract was transferred to GRE. An "all requirements" purchase power agreement was in place between GRE member cooperative AEC and ERMU that provided a pass-through arrangement between GRE and ERMU. This new contract was immediately beneficial to ERMU, with its wholesale power rates decreasing by 7 percent.[110]

Great River Energy Elk River Campus
(Great River Energy)

[108] Elk River Municipal Utilities Commission Minutes, January 13 and February 10, 1998.
[109] "Resolution 98-125, A Resolution of the City of Elk River, Resolution Approving the Exercise of Powers Under Minnesota Statutes, Chapter 453, Respecting a Certain Electric Power Generation Project," ERMU files; Bryan Adams to the ERMU Commission, letter, December 2, 1998.
[110] Elk River Municipal Utilities Commission Minutes, January 12, 1999.

Though ERMU benefited from the UPA/CP merger, restructuring within the industry led to restrictions on how public utilities could use bond money. This threatened to dramatically increase taxes on ERMU. A federal bill, HR 721, was up for vote in 1999 to exclude public utilities from the restrictions. The bill amended the definition of "private business use" bonding to exclude "permitted open access transactions."[111] This would allow for projects like the construction of electric facilities to be funded by bond money without increased taxes. If the bill was not passed, these restrictions would severely restrict how ERMU could use its bond money, which would limit expansion and restrict the quality of service. General Manager Bryan Adams wrote to Representative James Oberstar advocating for ERMU and other public utilities, noting that increased taxes would force ERMU to raise rates, leading to a loss of customers. He also argued that the bill protected ERMU's decision-making power in a changing industry. Adams lobbied for HR 721 because the legislation would give community-owned utilities power to improve services, and prevent private power companies from taking over their service area. While the bill was referred to the House Ways and Means Committee in February 1999, it did not return to the floor for a vote.[112]

A New Millennium

In January 2000, the ERMU Commissioners heard updates on the gas turbine project as well as a landfill gas generation project with Sherburne County. Other projects in development included the closing of Well No. 6. This project was more expensive than anticipated because of engineering and sump pump fees, which added $10,000 to the project cost. [113]

ERMU developed new long-term programs as its service area grew. One major initiative, authorized by the commission in March 2000, was the Wellhead Protection Plan (WHPP), which sought to seal unused wells and ensure that active wells met safety standards. The WHPP outlined a "protection area" in which contaminants from tainted wells would reach Elk River's aquifer within twenty years. Within this area, ERMU educated the public on maintaining safe wells and identifying abandoned wells on their property to prevent contamination of the aquifer. The commission also held public meetings about the WHPP program and brought in professionals from the Minnesota Rural Water Association to answer questions. Implementation of the WHPP was initially scheduled to last ten years, but was extended to twenty years in 2012.[114]

[111] "H.R. 721–Bond Fairness and Protection Act of 1999," http://beta.congress.gov/bill/106th-congress/house-bill/721 (accessed April 21, 2014).
[112] Bryan Adams to Representative James Oberstar, letter, n.d., ERMU files; "H.R. 721–Bond Fairness and Protection Act of 1999."
[113] Elk River Municipal Utilities Commission Minutes, January 11, 2000; John Linc Stine, Administrator, Minnesota Department of Natural Resources, to Robert J. McCartney, ERMU, letter, August 13, 1997; ERMU archival files.
[114] ERMU, *Wellhead Protection and Conservation* (Elk River: published by the company, [2000]); Elk River Municipal Utilities Commission Minutes, March 14 and April 11, 2000; ERMU, "Annual Report," 2012, n.p.

In July 2000, the commission authorized the acquisition of land for a new substation and Well No. 7 to keep step with expansion in east Elk River. It turned out, however, that the land purchased for the well was in a flood plain and was therefore too unstable to support the weight of a water tower. The commission needed to find a new site. The city park was the least expensive option, but Jim Tralle, vice chair of the Commission, felt that it was not a politically acceptable location. In the end, the project exceeded the original budget by $224,000. At this same time, Elk River was expanding to the north, and in August 2000, ERMU purchased a site for another substation.[115]

Filter at Well No. 7 Building
(Elk River Municipal Utilities)

In 2004, ERMU's cost for wholesale power rose by 8 percent. To cover this increase, ERMU levied a $7 per month electric service charge. It also increased water rates. This has the added benefit of discouraging excessive lawn watering.[116]

ERMU continued to expand its service area in 2004 and added 104 new customers through territory transfers. Electric service also grew to include several more developments, including Woodland Hills, Twin Lake Estates, Elk Ridge Center, Prairie Oaks, Woods of Hillside Fourth, Trott Brook Crossings, and Trott Brook Farms Nine and Ten. To serve these new customers, 570 electric meters were added to the system and the amount of purchased electricity increased by 4 percent. In a 2004 rate survey, ERMU was determined to be "very comparable" to similar utilities.[117]

In its 2004 annual report, ERMU set goals for the coming year. These included continuing to plan for and predict future physical and financial needs, exploring different strategies to offset rate increases through GRE and Connexus Energy (formerly AEC), improving marketing efforts for conservation programs and security systems, and supporting new sustainability initiatives.[118]

[115] Elk River Municipal Utilities Commission Minutes, July 11 and August 8, 2000,and January 16, 2001.
[116] Minnesota Municipal Utilities Association, *The Resource*, February 2004.
[117] ERMU, "Annual Report," 2004.
[118] ERMU, "Annual Report," 2004.

Former ERMU Office at 322 King Avenue
(Elk River Municipal Utilities)

As ERMU expanded, it frequently evaluated its office space to ensure that it was still adequate. ERMU offices were long housed in the city municipal building at 322 King Avenue, which had also served as a fire station, jail, and library over the years. Until 1975, ERMU only occupied a portion of the building, but that year, its offices expanded into the entire building. A 1996 assessment found that the building continued to meet ERMU's needs. That conclusion was reexamined two years later when Midwest Construction invited ERMU to move to its new office building at the corner of King and Main streets. The commission decided that ERMU's current space was still adequate, so the cost of moving could not be justified.[119]

Discussion of relocating the ERMU offices began again in September 2000. Bryan Adams, who was general manager at that time, reported to the commission that ERMU would outgrow its current location within five years and suggested it begin looking for a new location. Council Member John Dietz noted that he "would like to see the Utilities stay in the central business district as their business generates a great deal of traffic in the downtown business district."[120]

In 2001, discussion on a new office space intensified. Several different sites were considered and ERMU decided in June to bring an architect on board to draw possible layouts for a building on a downtown site that had been occupied by First National Insurance. At the same time, a new city hall complex was being planned. Since the project was in its early phases, Dietz recommended that ERMU think about moving into that building. The city council supported the idea and told ERMU that it could move into the new city hall at no cost, with the space custom-designed for its needs. A central office would allow the city and ERMU to share employees, which would save money and increase efficiency. In addition, having ERMU's offices close to other city services would offer contractors and residents one-stop shopping. The one drawback to this arrangement, however, was that it would take ERMU's offices out of downtown, and the commission feared that it would appreciably diminish traffic to downtown businesses. With the issue undecided, the city went forward with construction, leaving space for ERMU if it decided to move into city hall. After continued concerns about moving ERMU's office out of downtown

[119] Jessica Quanrud, compiler, "Back When—75 Years Ago," *Elk River Star News*, July 9, 2003; John Dietz, interview by Rachel Peterson, June 5, 2014; ERMU, "Regular Meeting of the Commission," September 11, 1996, and July 14, 1998. Dietz spoke to a long-time Elk River resident who recalled that ERMU had occupied the Municipal Building "as long as she could remember" (Dietz interview).
[120] Elk River Municipal Utilities Commission Minutes, September 13 and 25, 2000.

and the potential economic impact of that decision, the commission called a special meeting. Jim Tralle argued that the economic benefits to ERMU from moving to city hall far outweighed any objections, and his motion to relocate to this space passed 2-1.[121]

In May 2004, ERMU offices moved from 322 King Avenue to the new city hall on Orono Parkway. In the next year, ERMU's former building was razed to make room for more parking as a part of a downtown redevelopment effort.[122]

ERMU Office at 13069 Orono Parkway
(Elk River Municipal Utilities)

Two years later, ERMU was rocked by a scandal. Office manager Patricia Hemza pled guilty to four counts of felony theft by swindle that occurred between 1997 and 2005. ERMU was alerted to the theft when it was fined by the IRS for misfiling W-2 forms. Hemza served a prison sentence of one year and one day at the Sherburne County Jail and had to repay 107 percent of the money she had stolen and reimburse the city for attorney fees and audits. As a result of this experience, ERMU tightened its accounting procedures.[123]

[121] Elk River Municipal Utilities Commission Minutes, September 12 and December 11, 2001.
[122] ERMU, "Fast Facts on the History of Elk River Municipal Utilities," ERMU website, http://elkriverutilities.com/pages/history (accessed March 26, 2014); Joni Astrup, "Downtown Project Poised to Begin," *Elk River Star News*, March 23, 2005; "Council Approves Quote to Demolish Utilities Building," n.p., n.d., at ERMU files; Joni Astrup, "Elk River Municipal Utilities Building Demolished for Lot," *Elk River Star News*, May 4, 2005.
[123] Jake Muonio, "City Utility Refunded Stolen Money," *Elk River Star News*, April 12, 2006.

Energy City, Sustainability, and Conservation

In the fall of 2005, Elk River decided to brand itself as the state's "Energy City." Back in 1997, Elk River had been designated as an energy city by the Minnesota Environmental Institute. In 2007, Elk River's newly formed Energy City Commission trademarked Elk River as "Energy City" with the Minnesota Secretary of State's Office. It also received a federal trademark in 2008. With this initiative, ERMU made a commitment to responsible resource management. This was accomplished through innovative initiatives, including a landfill gas-to-electricity facility, geothermal heat pumps, and garbage-derived fuel. An existing Action Committee for Energy was replaced by the Energy City Commission, which was responsible for developing the Energy City program and commenting on energy-related issues facing the city. Thirteen different demonstration sites were opened for tours as an Energy City program. The sites were intended to educate the public and help shape the way young people grow up thinking about energy.[124]

Energy City was funded by the city and ERMU and cost $57,000. ERMU found it more difficult to secure money for conservation programs than for infrastructure investments, and some were skeptical of the benefits. Elk River mayor John Dietz, for example, was not sure that it was worth the cost. He called it a "hard sell" because he could not see how it benefitted taxpayers.[125]

Regardless, ERMU remained committed to sustainable energy and conservation programs in the new millennium. In 2005, it developed three "Energy Houses" to educate the public on the latest renewable energy technologies. These houses featured new technologies like poured-in-place insulated basement walls, structurally insulated wall and roof panels, geothermic heat pumps, and electric off-peak heated basement floors. Many of the building materials used to construct the energy houses were made from recycled sources.[126]

ERMU supported new sustainable energy sources, hosting a wind turbine along Highway 169 in 2005. The turbine did not produce much energy because it was sheltered by the hilly, surrounding geography. It was, however, in a highly visible location and raised awareness of wind energy.[127]

Expanding on the 1998 LED project, all traffic signals in Elk River were equipped with LED bulbs in 2005. The new bulbs were brighter, lasted five to ten times longer, and were more energy efficient, using only 10 percent of the power required by incandescent bulbs. The project was met with hesitation because of the high up-front costs—ten times that of incandescent lights—but the commission approved the project based on long-term benefits.[128] In 2008, ERMU expanded its LED light installation project. An LED streetlight was purchased by Connexus and installed by ERMU as a test. Benefits of LED streetlights included lower lighting costs and reduced energy usage, which resulted in lower carbon-dioxide emissions. As with the LED

[124] "From Wind Turbine to Traffic Lights, Focus Is on Energy," *Elk River Star News*, October 12, 2005; "Energy City," http://www.elkrivermn.gov/index.aspx?NID=739 (accessed April 15, 2014); T. W. Budig, "Legislation is on the Way to Make Elk River 'the State Energy City,' " *Elk River Star News*, February 20, 2007.
[125] Joni Astrup, "Energy City Comes under Budget Scrutiny," *Elk River Star News*, July 20, 2011.
[126] "From Wind Turbine to Traffic Lights, Focus Is on Energy."
[127] Ibid.
[128] Ibid.

stoplight program, LED streetlights had a high initial cost that was difficult for some commissioners to rationalize.[129]

In 2008, ERMU and the City of Elk River launched Project Conserve, a new program to promote energy conservation. The program helped the test group of forty participants to reduce their energy consumption. Low-flow showerheads reduced water usage while compact fluorescent lights did the same for electricity. Soil moisture probes helped participants prevent over-watering their lawns and "Kill-a-watt" meters identified how much electricity their appliances used. Participants' homes were also tested to determine areas of heat loss. After one year, participants had reduced their electricity usage by 14 percent and water usage by 18 percent. The program was extended through 2010 because of the positive results. The project goals were to reduce city-wide electric and water usage by 25 percent, gas by 10 percent, garbage by 25 percent, and transportation fuel by 25 percent over five years. For Project Conserve, the City of Elk River and ERMU won the Green Project Award from the Recycling Association of Minnesota. ERMU also gave rebates through the Conservation Improvement Program to customers who tuned-up their air conditioners, purchased Energy Star appliances, planted trees, and made other improvements.[130]

Project Conserve's budget came under review in 2011. ERMU gave $25,000 to the program and the city gave another $10,000, but Council Member Nick Zerwas voted against approving the funds feeling that the initiative should be wholly funded by ERMU. Other council members disagreed and the program continued as a joint venture.[131]

In conjunction with efforts by ERMU, the City of Elk River was an active steward in promoting conservation. In June 2012, Elk River was one of only seven municipalities in Minnesota to be recognized as a Step 2 GreenStep City, a program of the Minnesota Pollution Control Agency in collaboration with the League of Minnesota Cities, the Minnesota Department of Commerce, and four Minnesota nonprofits. It identified twenty-eight best practices to help cities achieve sustainability goals focusing on cost savings, energy use reduction, and innovation.[132]

Landfill Gas-To-Electric Generation Facility

The Elk River landfill had long been burning off the methane gas that was naturally produced by decomposing garbage. The landfill management team, along with ERMU and Sherburne County, decided to turn that resource into useable energy. Following in the footsteps of other landfills around the country, ERMU constructed an electric generation facility at the Elk River landfill.[133]

[129] "Bright Idea? Maybe," *Elk River Star News*, April 15, 2008.
[130] Joni Astrup, "Project Conserve: Savings Seen in Utilities," *Elk River Star News*, November 25, 2009; "Elk River Municipal Utilities: 2009 Year in Review," at ERMU archives.
[131] Joni Astrup, "Elk River Expands Project Conserve Program," *Elk River Star News*, June 15, 2011.
[132] Joni Astrup, "Elk River Recognized as a GreenStep City," *Elk River Star News*, June 29, 2011.
[133] Joni Astrup, "Landfill Gas to Electricity," *Elk River Star News*, October 4, 2000.

Electric Generation Facility at the Elk River Landfill (Elk River Municipal Utilities)

ERMU reached an agreement with Waste Management for the land, and for undertaking the engineering, operation, and maintenance of the site. Sherburne County funded the project with the condition that an educational center be added to the facility. The *Saint Cloud Times* reported that the Elk River landfill, which served Sherburne, Stearns, and Benton counties, "could soon be producing enough energy to power 1,500 houses." The plant's three generators were anticipated to convert the naturally produced methane into nearly 19.7 million kilowatt hours of energy each year. According to ERMU general manager Bryan Adams, who was instrumental in this project's development, it "makes sense for Elk River Municipal Utilities . . . because it involves using a resource that would otherwise go to waste."[134]

By 2002, after four years of planning, the generation plant was up and running, exemplifying a successful collaboration between the private and public sectors. The 5,100 square-foot plant housed three 800-kilowatt generators with room to add a fourth. The generators ran on landfill gas, mainly methane and carbon dioxide from decomposing garbage. The gas was collected in twenty-nine wells, compressed to remove moisture, filtered, and delivered to the sixteen-cylinder engines. A composite liner of clay, polyethylene lining, and sand contained the gas and liquids produced as the waste decomposed. To trap the gas, the landfill was capped by a geomembrane of compacted clay, soil, and vegetation.[135]

Landfill gas-to-electric engine room (Elk River Municipal Utilities)

The facility ran ahead of expectations by 2004, producing 102.174 percent of its projected output. This led to the decision to install a fourth generator in 2005. When the new engine was added, the plant was projected to generate enough electricity to cover

[134] Elk River Municipal Utilities Commission Minutes, November 14, 2000; Kirsti Marohn, "Landfill to Harvest Methane for Energy," *Saint Cloud Times*, November 30, 2000.
[135] "The Facts: ERMU's Landfill Gas Electric Generating Plant," at ERMU archive.

20 percent of Elk River's energy needs at that time. In 2009, the facility operated at over 98 percent of capacity. [136]

In October 2012, a party was held at the facility to celebrate its tenth anniversary. The plant was accustomed to playing host: in the ten years since it opened, it had accommodated more than 100 tours, and roughly 30 percent were international visitors. At the celebration, Betsey Wergin, a member of the Minnesota Public Utility Commission who a decade earlier, as a Sherburne County commissioner, had been involved in the effort to build the facility, explained that a "diverse portfolio for energy is needed" because gas was becoming more expensive and solar and wind power did not always generate significant amounts of energy. By 2012, the Elk River facility was generating enough electricity to supply 2,500 residences. [137]

ERMU also obtained electricity from GRE that was produced from waste. Great River's "Refuse Derived Fuel" involved a different process than ERMU's landfill gas-to-electricity plant: combustible materials in garbage were dehydrated and shredded, then used to power boilers. GRE's RDF facility annually converted 250,000 tons of garbage from Sherburne, Anoka, and Hennepin counties into power.[138]

The Jackson Street Water Tower

The first municipally owned well in Elk River (Well No.1) was drilled by the McCarthy Well Company in 1919 on Princeton Street at a depth of 309 feet. A year later, the first water tower was built at the same location by the Minneapolis Steel and Machinery Company. This 100,000-gallon storage tank was a key to the growth of Elk River. In earlier years, Elk River had been challenged by fires burning down parts of the town. By providing a reliable source of water, the tower greatly reduced the risk of catastrophic fires.

After Princeton Street's name was changed to Jackson Street, the water tower became known as the Jackson Street Water Tower. It remained in service until 1986 when the new one- million-gallon Freeport Street Water Tower was built. The higher elevation and significantly larger capacity of the new tower made the much smaller and shorter Jackson Street Water Tower obsolete. Well No.1 was capped in 1996 due to excessive sand in the water and low production. In 2008, Elk River Municipal Utilities evaluated the ongoing maintenance costs for the non-functioning Jackson Street Water Tower and considered tearing it down.

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[136] ERMU, "Annual Report," 2004; "From Wind Turbine to Traffic Lights, Focus Is on Energy"; "Elk River Municipal Utilities: 2009 Year in Review," at ERMU.

[137] Joni Astrup, "Energy Project Celebrates Ten Years," *Elk River Star News*, October 13, 2012.

[138] Environmental Protection Agency, "What Is Refuse-Derived Fuel?," http://waste.supportportal.com/link/portal/23002/23023/Article/22529/What-is-Refuse-Derived-Fuel-RDF (accessed April 16, 2014); Joni Astrup, "Great River Energy Plant Hits a Milestone: No Landfilling," *Elk River Star News*, April 11, 2012.

The Elk River Heritage Preservation Commission (HPC), however, fought to save the 88-year-old water tower. In 2012, the now 92-year-old water tower was listed in the National Register of Historic Places, which opened up options for funding maintenance and long-term preservation. The *Elk River Star News* quoted Elk River mayor (and ERMU Chair) John Dietz: "It's a great thing for the city. . . . To me that tower is history. It's been a landmark in this town since I was a kid. I think it is worth preserving and getting [it] on the National Register helps us accomplish that preservation effort." The commission and the HPC continue to collaborate on finding funding to preserve the tower.[139]

Historic Jackson Street Water Tower (Elk River Municipal Utilities)

Challenges Lead to Great Opportunities

In December 2008, Bryan Adams resigned as general manager. Instead of simply filling that position, the commission decided to evaluate ERMU's organizational structure. During the process, the commission retained its conservation consultant, Vance Zehringer, as interim general manager. The commission ultimately chose to fill the vacant leadership position from within, promoting Troy Adams (no relation to Bryan Adams), who had been hired in 2006 to manage the newly created engineering department. Since Troy had only been with ERMU for two years, Commissioner John Dietz felt that it was important to allow him time to grow into this new position and recommended restructuring ERMU's management.

The position of general manager was eliminated and the management of the electric and water utilities was separated between two directors. As director of operations, Troy Adams was responsible for managing the electric utility, technical services, and administration. Management of the water, sewer, and storm services was united under the city's public works director Terry Maurer, an arrangement made possible through a shared personnel agreement between the city and ERMU. The agreement was called a "perfect fit" and passed the city council by a unanimous vote.[140]

[139] Joni Astrup, "Elk River Water Tower Named to National Register of Historic Places," *Elk River Star News*, June 7, 2012.
[140] Troy Adams in conversation with Rachel Peterson, June 2, 2014; "New Organizational Structure at Utilities," *Elk River Star News*, March 5, 2009.

Vance Zehringer (L) and Bryan Adams (R)
(Elk River Municipal Utilities)

Separating the management of the water and electric departments gave Troy Adams the opportunity to focus on pressing personnel, morale, and policy issues. When Bryan Adams resigned, tensions between ERMU and the city had escalated to an all-time high due to diminishing coordination and cooperation. This strife lead to speculation that the city wanted to sell the utilities. Representatives from Connexus and the mayor had held a meeting that fueled this speculation. Troy Adams was determined to rebuild the relationship between the utilities and the city to eliminate any desire to sell ERMU.[141]

In addition to conflicts with the city, ERMU experienced internal tensions during this transitional period. Employees were concerned with the city's apparent loss of interest in having a municipal utility, as well as the economic downturn. Wanting to ensure that they maintained fair wages and benefits regardless of what happened, employees filed a petition to unionize. Thanks to an effective response to their concerns by the commission and management, the employees dropped their efforts to unionize.

Troy Adams continued to focus on improving internal management, resolving personnel issues, and rebuilding the relationship between the utility departments, the employees, and the commission. He began promoting from within, emphasizing professionalism and communication, to strengthen ERMU as an organization. In time, he was able to rebuild trust and relationships through these initiatives and others, such as joint staff meetings where everyone received the same information at the same time. He also focused on increasing communication with customers. As a municipal utility, it was essential that operations were transparent, so ERMU began a newsletter and held public meetings to inform and engage the community.[142] Difficult times had created the opportunity to realign organizational goals, focus on core values, and redirect the organization to better serve the community. The decisions made by the commission during this time and the development of a new leadership team were good preparation for facing challenges that were just over the horizon.

The Big Stone II Decision

In 2008, shortly before Bryan Adams resigned, Connexus had informed ERMU that it would be terminating its contract in 2018. ERMU believed that if it tried to renegotiate a new contract,

[141] Troy Adams in conversation with Rachel Peterson, June 2, 2014.
[142] Ibid.

Connexus would significantly raise rates. Vance Zehinger, a consultant to ERMU, told the council that Connexus has "given us a glimpse of what could be coming down the pike, and it's not pleasant."[143]

Theresa Slominski (L), Vance Zehringer (C), and Troy Adams, P.E. (R) reporting to the city council on not selling ERMU.
*(*Elk River Star News, *July 6, 2009)*

John Dietz (standing) speaking to the Elk River Citizens League on why he voted against the Big Stone II power plant
*(*Elk River Star News, *September 11, 2009)*

Even though ERMU had been purchasing power through GRE for many years and GRE's headquarters, power plant, and decommissioned nuclear power plant were in Elk River, ERMU was not a member of the generation and transmission cooperative. After UPA and CP had merged and formed GRE, ERMU purchased power through a member cooperative of GRE, Connexus Energy. This arrangement distanced ERMU from generation and transmission decisions that directly affected ERMU's wholesale power costs. The termination notice by Connexus Energy provided an opportunity for ERMU to evaluate what was best for their customers. As a result, ERMU began the long process of evaluating their options.

In June 2009, ERMU had the opportunity to become a partner in the proposed development of the Big Stone II (BSII) power plant in South Dakota. BSII would be built next to the existing Big Stone I plant, and both would be fueled by coal from the Powder River Basin in Montana and Wyoming. The project was estimated to cost between $1.6 and $1.7 billion, with ERMU anticipated to contribute $90 million.[144]

Buying into BSII would allow ERMU to secure very low energy rates. Convincing the public to support the project was difficult, however, because the coal-burning plants were stigmatized by negative environmental impacts. In addition, many were concerned about the plant's price tag.[145]

Following extensive analysis and public comment, a special joint meeting of the city council and utilities commission was called in June 2009 to consider the BSII investment. Due to the high

[143] "New Organizational Structure at Utilities," *Elk River Star News*, March 5, 2009; Joni Astrup, "Elk River Has Chance to Buy into Plant," *Elk River Star News*, June 19, 2009.
[144] Astrup, "Elk River Has Chance to Buy into Plant."
[145] Jim Boyle, "Time Running Out on Big Stone," *Elk River Star News*, July 6, 2009.

costs, risk, and potential environmental impacts, the council was less than supportive. Councilmember Paul Motin questioned whether rates would be comparable with Connexus and suggested that the city would be better off selling ERMU. While not advocating for a sale, Mayor Klinzing felt that all alternatives must be considered. Councilmember and ERMU Commissioner Jerry Gumphrey noted the city still had nine years to figure out other alternatives. The special joint meeting was continued to July. At that time, with a very close vote, ERMU decided to abandon its interests in BSII. Commissioner John Dietz, who provided the swing vote, said in a *Star News* article: "I would rather take my chances negotiating [power] contracts." Since construction on the Big Stone facility had not begun, many felt the investment was based on "a hope and a prayer," and given the amount of money involved and the risk to the city's bond rating, it was too great a risk. [146]

Not long after ERMU decided not to invest in BSII, other major investors pulled out of the project and the plant was not built. This confirmed ERMU's hesitations and reassured all that it had made the right decision.[147]

Midwest Municipal Transmission Group and Transmission Investment

In May 2006, ERMU joined the Midwest Municipal Transmission Group (MMTG) to explore the potential of obtaining ownership of the regional transmission system, which essentially works as a hedge to mitigate volatility in transmission costs. This non-partisan/not-for-profit organization was created to provide service and assistance to the membership for matters relating to the planning, construction, ownership/investment, operation and maintenance, and administration and management of electric transmission and/or power generation facilities. The action to join MMTG represented ERMU's decision to investigate a change in direction toward ownership instead of renting. This turned out to be a good long-term decision. ERMU remains a member of MMTG at the time of this writing, and through proactive participation, represents their investment and their customers. In 2013, Troy Adams served as the president of the MMTG's board of directors.

In February 2007, ERMU entered into an agreement with the Central Minnesota Municipal Power Agency (CMMPA) to participate in the CAPX2020 Brookings-Twin Cities Transmission Project. In March 2011, the commission and the city council approved resolutions authorizing ERMU's participation in the project for an amount not to exceed $7,140,953. ERMU stood to gain more from this project than stabilized transmission rates. It would also receive a portion of the tariffs paid for the transmission line. From these tariffs, more than $5 million in revenues could be expected annually after the bonds were repaid.[148]

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[146] Ibid.

[147] Joni Astrup, "Council Concurs with Utilities' Big Stone Vote," *Elk River Star News*, July 17, 2009.

[148] "Elk River Looking to Increase Ownership in Transmission Line," *Elk River Star News*, March 9, 2011; ERMU Commission Resolutions, March 14, 2011, Elk River website, http://web1-elkr.ci.elk-river.mn.us/WebLink8/DocView.aspx?id=100057&dbid=1 (accessed March 18, 2014); "Elk River Votes to Increase Investment," *Elk River Star News*, March 16, 2011.

Public Power, Local Control, and Ownership of Our Future

The improvements at ERMU under the leadership of commission chair John Dietz, Troy Adams, and the new management team were acknowledged in 2010 when ERMU received the System Innovation Award from the Minnesota Municipal Utilities Association. This award recognizes municipalities that succeed in energy leadership, innovation, and efficiency. ERMU was selected because of its diverse renewable energy resources, reliability record, and conservation programs. The award also reflected ERMU's long-term system design planning and ongoing system maintenance.[149]

During the same period, ERMU worked to protect local resources for their customers. In October 2010, the Elk River City Council passed an ordinance to stop the city's largest water users from drilling their own wells. Had these high-volume customers stopped buying water through ERMU, it would have been a major blow to the water department's already tight budget. A cool and rainy year had decreased revenues, but the water department was able to avoid raising rates by reducing expenses.[150] In addition to the financial issue, there was concern that commercial customers would increase the risk of contamination to the city's aquifer by drilling wells. The conflict went beyond the city's boundary. Commissioner Dietz and Troy Adams testified to a Minnesota Ways and Means Senate Committee in support of the city's right to protect its water source.

Another aspect of the high quality of the city's water was acknowledged in 2011 when the Centers for Disease Control and Prevention (CDC) and the United States Department of Health and Human Services presented ERMU with the Water Fluoridation Quality Award. This award signified consistent and professional adjustment of the water fluoride content to the optimum level for oral health for twelve months.

Wade Lovelette (C), ERMU Technical Services Superintendent, receiving the RP3 Award from Brian McKinney (L), Manager at City Utilities of Springfield, Missouri, and Mike Hyland (R), APPA's Senior Vice President of Engineering and Operations (American Public Power Association)

In 2012, ERMU received more national recognition when honored for providing reliable and safe electric service. Of the more than 2,000 public power utilities in the country, ERMU was one of only 176 that received the American Public Power Association (APPA) Reliable Public Power Provider (RP3®) designation. There were four evaluation metrics for this designation: reliability, safety, workforce development, and system improvement. ERMU's reliability

[149] "ERMU Receives Award," *Elk River Star News*, September 3, 2010; "Elk River Municipal Utilities 2010 Year in Review," at ERMU archives.
[150] Joni Astrup, "Elk River Targets Large Water Users," *Elk River Star News*, October 23, 2010; "Elk River Municipal Utilities 2010 Year in Review," at ERMU archives.

score for 2011 was 99.994 percent, which was particularly remarkable because there had been two major storm-related outages that summer. ERMU's electric distribution system was more than 70 percent underground so it was better able to withstand damaging weather.[151]

Growth and Electric Service Territory

In July 2012, the commission voted to extend ERMU's electrical service territory within the city of Elk River. Prior to the 1977 merger, ERMU provided electrical service to the Village of Elk River, while the township was served by Connexus. In 1991, ERMU negotiated a contract with Connexus for "a 20-year orderly electric service territory acquisition plan." By 2012, however, the agreement had expired, and there were 7,723 acres and 1,774 properties within the city limits of Elk River that did not receive electrical service from ERMU. The commission reasoned that by reaching this area, the economies of scale would reduce costs, and uniform service would allow for better planning of future facilities and quicker response when outages occurred. In addition, a larger customer base would improve ERMU's bargaining position as it looked for a new wholesale supplier.[152]

The majority of ERMU's budget, 74 percent, went to purchasing power. The remainder was allocated to administrative costs, depreciation, and distribution. Distribution was a key element of ERMU's business, with customers in Otsego, Dayton, and Big Lake Township as well as Elk River. ERMU earned the distinction of being one of the few municipalities in Minnesota with customers beyond its corporate boundaries.[153]

Minnesota Municipal Power Agency

Since being notified in 2008 that Connexus would terminate its power contract in 2018, ERMU had diligently explored options for a future power supply, including an extension of the Connexus contract. ERMU established criteria for analyzing wholesale power suppliers that included the following:

- Rates – Improve competitive position through lower wholesale power costs
- Local Control – Obtain the ability to vote and have a voice in decisions affecting future costs
- Reduce Risk – Develop stability by minimizing carbon regulation exposure
- Communication – Gain industry knowledge by sharing information
- Advocacy – Achieve safety in numbers by partnering with utilities with like interests

After five years of analysis, ERMU chose a new supplier of wholesale energy, the Minnesota Municipal Power Agency (MMPA). The contract would begin in October 2018. Troy Adams explained the decision to the *Le Sueur News Herald*: "We spent five years looking at our future supplier partner. As a public power municipal utility, we sought competitive rates, and we

[151] ERMU, "Annual Report," 2012, n.p.
[152] ERMU Commission Resolutions, July 17, 2012, Elk River website, http://web1-elkr.ci.elk-river.mn.us/WebLink8/DocView.aspx?id=100057&dbid=1 (accessed March 18, 2014).
[153] ERMU, "Annual Report," 2012, n.p.

wanted to be aligned with other like-minded utilities," including Anoka, Arlington, Browntown, Buffalo, Chaska, East Grand Forks, North Saint Paul, Olivia, Shakopee, and Winthrop.[154]

On May 13, 2013, the ERMU Commission unanimously adopted a resolution requesting membership in MMPA Left to right: Oncu Er, MMPA; David Niles, MMPA; Al Nadeau, ERMU Commission; Daryl Thompson, ERMU Commission; John Dietz, ERMU Commission; Derick Dahlen, MMPA; Troy Adams, P.E., ERMU (Elk River Municipal Utilities)

Joining the MMPA gave ERMU a voice in the organization's decision-making process. Each member of MMPA had a seat on the board of directors and could vote on all decisions. This was a welcome change from ERMU's lack of input on decisions in its previous contract. The MMPA also used very little coal in its operations, which reduced related regulations and costs.[155]

Rising rates were one of the primary reasons that the ERMU commission decided to find a new supplier and not renew with Connexus and GRE, the state's second-largest electric supplier, which had raised its rates 58 percent since 2006. "The number one driving reason" for the change, Adams confirmed, "is we want to remain competitive, and wholesale power rates are 75 percent of our costs." He also indicated that ERMU had environmental concerns about GRE's dependency on coal-fired facilities, which could face new regulation in the future. "We were worried about potential rate increases because of all of this coal infrastructure. . . . MMPA is in a much better position."[156]

MMPA had several green energy initiatives that made it a favorable partner for ERMU. MMPA board chairman Steve Schmidt, a city council member in Anoka, said that "our member municipal utilities will benefit from our mix of cost-effective and local renewable energy generation sources." MMPA's eight-megawatt bioenergy facility in LeSueur, Minnesota, for

[154] Minnesota Municipal Power Agency to Troy Adams, letter, June 5, 2013; "Elk River Municipal Utilities to Join Minnesota Municipal Power Agency," *Le Sueur News-Herald*, June 21, 2013; Minnesota Municipal Power Agency website, http://www.mmpa.org/Our-Communities/Elk-River.aspx (accessed March 7, 2014).
[155] Troy Adams in conversation with Rachel Peterson, June 2, 2014.
[156] David Shaffer, "Rates Cost Great River Big Customer: Elk River," *Minneapolis Star Tribune*, June 21, 2013.

Hometown BioEnergy Facility in Le Sueur, Minnesota (Avant Energy)

example, generated power from agricultural and food processing waste products. The LeSueur facility, one of the largest in the country to employ an anaerobic digestion process, had been developed by Minneapolis-based Avant Energy. According to Kelsey Dillon, Avant's vice president of bio-power, "we're generating valuable, renewable and dispatchable on-peak electricity with this process." She explained that "at optimal times when the power is needed and its value is highest, we draw off the biogas from storage to fuel the generators."[157] This was a distinct advantage over solar and wind, where storage was problematic.

ERMU made the difficult decision to not renegotiate the contract terminated by Connexus Energy because the MMPA was a better fit with ERMU's philosophy and needs. This did not, however, mark a complete break of the old relationship. ERMU, GRE, and Connexus have continued to collaborate on mutually beneficial projects.

In early 2014, ERMU went through a Moody's rating call as part of an Electric Revenue Bond Refunding. Moody's affirmed ERMU's Aa3 rating. Moody's noted ERMU's decision to join the MMPA in 2018 and not renegotiate a wholesale power contract with its current provider as a contributor to this solid rating.

Reflection on a Century of Service

Fred Waterman created Elk River Power and Light in 1915 and started generating power from the new hydroelectric plant in 1916. The community could not have imagined ERMU's incredible growth and diversification in the following century. An increasing service area and higher electric demand made it impractical for ERMU to continue generating all of its electricity, and it began to obtain power from wholesale providers. Now, ERMU purchases all of its electricity. It also owns generation facilities that include a landfill-gas-to-electricity facility and a dual-fuel diesel/natural-gas power plant from which the energy is sold back to GRE.

ERMU has also increased its conservation efforts in recent years, providing innovative stewardship of the earth's limited resources. Initiatives like the Wellhead Protection Program protect the quality of Elk River's natural resources. Other programs, like Project Conserve, foster responsible energy use through education and technology.

[157] "MMPA Producing Power from Food Processing, Agricultural Waste," *Public Power Daily*, February 7, 2014.

Community growth comes on the back of investments in infrastructure, and the growth of electricity, water, wastewater, and other systems are inevitably interrelated. The risk and burden of investment by the taxpayers into the city services creates a prime environment for economic development. Establishing a strong relationship between ERMU and the City of Elk River becomes critical to the future growth of the community. Under current leadership, ERMU and the city have developed a great working relationship, perhaps the best it has been over the past century.

From the vision of Fred Waterman to the initiative of William Birrenkott, the strategic planning of Troy Adams, and the commitment of John Dietz, the success of ERMU can be attributed to its local leadership. Local control and accessibility to the community provide the flexibility to adapt to changes in policy, the regulatory environment, technology, and the utility industry.

Over its history, ERMU has remained committed to providing high-quality service at competitive rates, and it has successfully adapted to constant changes in its industry and the surrounding community. ERMU has built a relationship of trust with its community and looks forward to the challenges and opportunities of its next century of service.

2015 Company-wide employee photo taken at ERMU's historic power plant
(Elk River Municipal Utilities)

Afterword – A Future of Growth

By Troy Adams, P.E. – Elk River Municipal Utilities General Manager

I am struck by how past decisions have significantly shaped our community, and the tremendous opportunity that ERMU and our community now enjoy. In 1977, our past leaders took on the challenge to merge the Village and Township of Elk River. Later, our leaders entered into a long-term agreement to provide electric to areas of what is now the City of Elk River. Without this vision, ERMU would have served only a tiny portion of the City of Elk River, and may not even exist. The governance, leadership, and employees of Elk River Municipal Utilities are committed to taking advantage of these opportunities and continue to move forward.

Today, ERMU enjoys another opportunity to grow with its city. Significant areas within the City of Elk River are not served by ERMU, but rather by our neighboring electric cooperative, Connexus Energy. By statute (agreed to many years ago by municipal utilities and rural electric cooperatives to help cooperatives finance plants and transmission facilities), a municipal utility such as ERMU has the right to grow with its city. There are sound reasons why: The growth within a city is often driven by infrastructure improvements in roads, water, and wastewater facilities. These investments in our community are paid for by our community. Since the merger, our community has invested millions of dollars into infrastructure. The owners of a municipal electric utility, the customers, should see a return on their investment in the city infrastructure. Growth of our municipal utility also provides improved economies of scale for services, in turn lowering costs to our customers.

On March 20, 2015, Connexus Energy and Elk River Municipal Utilities completed a three year electric service territory acquisition negotiation and executed an agreement with the provisions to transfer the remaining approximately twelve square miles (7,680 acres) of Connexus electric service territory within Elk River city limits to ERMU over five years. There are approximately 2,000 existing customers within this area, including commercial and industrial customers along U.S. Highway 10. This is Minnesota's largest electric service territory transfer agreement to date. It is not typical for service territory transfers to come to agreement without litigation or the involvement of the Minnesota Public Utilities Commission. And yet we were able to negotiate mutually beneficial terms, which speaks volumes about both utilities. We are excited for what this electric service territory expansion will bring for our community, and believe that this transition will prove to be a milestone for ERMU—both now and many years from now.

As we celebrate our 100th year anniversary, Elk River Municipal Utilities is pleased to serve our community and to celebrate our mutual success. We are public power and water; we are owned by those we serve; we are governed by members of our community. We are thankful for those who have paved the way for us during this past century of service. And we look forward to providing excellent service and a future of growth.

Appendix A: Resolution and Creating a Utilities Commission

Trustee Ellingson presented the following resolution and moved its adoption:

Resolution creating a Water, Light, Power and Building Commission in and for the Village of Elk River, Minnesota.

Whereas, Chapter 412, Laws of Minnesota, 1907, and acts amendatory thereof, said chapter now being contained in Sections 1852 to 1860 both inclusive, of Mason's Minnesota Statutes, 1927, authorize the creation of a water, light, power and building commission, and

Whereas, that law is applicable in the Village of Elk River and the Village of Elk River desires to adopt the provisions of that law,

Now Therefore Be It Resolved, that a water, light, power and building commission is hereby created and established in and for the Village of Elk River, Minnesota, with all the powers and duties provided for in the aforesaid law; that said commission shall consist of three persons who are hereby appointed to be members of that commission for the terms set opposite their respective names, to wit:

V. B. Skellinger	For the term of one year
Otis Nickerson	For the term of two years
C.F. Meyers	For the term of three years

This resolution shall become effective and the said commission shall be created as of the 11th day of July, 1947, and the terms of office of the said persons herein appointed shall begin as of that date and shall end on the last day of the calendar year in which their respective terms shall end, provided that these appointees and successive appointees shall hold their offices until their successors are appointed and qualified, and provided that appointments made of successors to the appointees at the expiration of their terms shall be for three years. Every commissioner hereby or hereinafter appointed under this resolution or by authority hereof, shall before entering upon the discharge of his duties take and subscribe to an oath that he will faithfully discharge the duties of the office to which he is appointed.

This motion was seconded by Trustee Johnson and put to a vote. All members voted for it and it was thereby adopted.

Adopted by the Council this 11th day of July 1947.
Approved, G.B. Davidson, mayor
Attest, H.A. Briggs, Village Clerk

Appendix B: By-Laws of the Water and Light Commission, Village of Elk River, Minnesota

ARTICLE I
Office of Commission

Section 1. The office of the Water and Light Commission, Village of Elk River, shall be in the Utility Office, Village of Elk River, Minnesota.

ARTICLE II
Meetings

Section 2. Regular meetings of the Water and Light Commission shall be held without notice at 8:00 p.m. o'clock of the first Tuesday of each month at the office of the Commission.

Section 3. Special meetings of the Water and Light Commission may be called at any time by the President or by any two Commissioners, to be held at the Commission's office or at such other place or places as the Commissioners may from time to time designate.

Section 4. Notice of all special meetings of the Water and Light Commission shall be given to each Commissioner by two (2) days' service of the same by telegram, by letter or personally.

Section 5. The order of business of all Commission meetings shall be as follows:
1. Roll call
2. Reading of minutes of the last meeting
3. Report of officers
4. Unfinished business
5. New business
6. Adjournment

Quorum

Section 6. A majority of the Commissioners Elect shall constitute a quorum for the transaction of business, and the votes of a majority of the Commissioners present, shall be sufficient to adopt any motion or resolution. The votes of members on any action shall be taken by ayes and no's and recorded in the minutes.

ARTICLE III
Water and Light Commission

Section 7. Under authority granted by the Laws of the State of Minnesota and subject to the limitations thereof, the Water and Light Commission shall have control, management and operation of all water and light plants and properties of the Village of Elk River, Minnesota, and shall do or cause to be done or authorize all things necessary for the proper execution of any power conferred upon the Water and Light Commission.

Section 8. The Commission shall act by resolution or vote of its members, or by its other duly constituted officers or agents acting within the scope of such authority as may be conferred upon them by resolution or vote of the Water and Light Commission or by these by-laws.

Section 9. As the first regular meeting off the Commission following the annual meeting of the Village Council for appointment of appointive officers, the Water and Light Commission shall choose a president and a secretary from its own number, and at a regular meeting as soon as practicable following the time at which a vacancy exits in its own number to such office as is vacant. Such officers shall hold office until their successors are chosen and qualify in their stead.

Section 10. The Water and Light Commission by resolution, shall appoint a superintendent, an accountant, who shall be the collector, and such other officers and agents as it shall deem necessary, who shall hold their offices for such term and shall exercise such powers and perform such duties as shall be determined from time to time by the Commission.

Section 11. The Water and Light Commission, upon recommendation of the Superintendent and the filing of applications, shall anoint all employees of the Water and Light Commission.

Section 12. In the case of absence of inability to act of any officer of the Commission and of any person herein authorized to act in his place, the Commission may from time to time delegate the powers or duties of such officer to any other officer, or any Commissioner or other person whom it may elect.

Section 13. No compensation shall be paid any member for services as president, secretary, or other services which may be rendered. Each member shall be entitled to be reimbursed for his actual and necessary traveling and hotel expenses incurred whenever it shall be necessary for him to travel outside the Village of Elk River in carrying his duties pertaining to the water and light properties, which travel may be required of him by law or by vote or resolution of the Water and Light Commission.

The Compensation of members and amounts due them as reimbursement for expenses shall be paid at the end of each month upon itemized statements duly verified. Such payment and reimbursement shall conform as to manner of payment as required by laws of the State.

Section 14. Any officer, agent or employee elected or appointed by the Commission may be removed at any time by the Commission.

Section 14. [*sic*] The salaries of all officers, agents and employees of the Commission shall be fixed by the Commission.

Section 16. The president shall preside at all meetings at which he is present. He shall make such reports to the Council as are required of the Commission and shall perform such other duties as are incident to his office or are property required of him.

Section 17. The Secretary shall be the Superintendent of the Water and Light Department and shall do or cause to have done by other officers and agents the following:

(a) to act as Secretary of all Commission meetings and to record and sign all minutes of meetings of the commission.
(b) to cause to have kept safely and systematically all books, records, files, and papers of the Commission.
(c) to sign, execute or acknowledge with the President of the Commission all instruments authorized by the Commission.
(d) to cause to be presented at the beginning of each month to the Council upon carefully prepared vouchers, all bills for labor and material previously obtained or purchased by the board, which have been examined and approved by the Commission, for allowance and payment.
(e) to cause to be prepared all annual and monthly statements as may be required or as directed by resolution of the Commission.
(f) to see that all notices are duly given in accordance with the provisions of these By-laws or as required by law.
(g) to perform such other duties as may be prescribed from time to time by the Commission or as are incident to his office.

ARTICLE IV
Appointive Officers of Water and Light Commission

Section 18. Superintendent.

(A) The Superintendent shall be the chief executive officer of the Water and Light Commission. He shall be chosen by the Commission solely on the basis of his executive, and administrative qualifications for the supervision and direction of all operations and business of the Water and Light properties. He need not, when appointed, be a resident of the Village. All other things being equal, the Commission shall appoint as Superintendent a person with experience in the construction, operation and management of public utilities. Not member of the Commission shall, during the time for which appointed or within one year thereafter, be chosen as Superintendent. No person shall continue to hold the position of Superintendent for a period longer than six months is related as a father, brother, uncle, cousin or nephew by blood or marriage, to any member, officer or employee of the Water and Light Commission. In case of absence or disability of the Superintendent, the Commission shall designate some qualified person to perform the duties of the office during such absence or disability.

(B) The Superintendent shall be Secretary of the Water and Light Commission and shall perform all the duties of the Secretary as so instructed.

(C) The Superintendent shall have full charge and control of the construction of all work under the jurisdiction of the Commission, the maintenance and operation thereof, and the administration of the business affairs of the Commission. All officers, employees, and agents when appointed by the control and management of the Superintendent.
The powers of the Superintendent shall be:
(1) to see that these by-laws and all rules and regulations of the Commission are enforced.

(2) to see that the operation, construction and maintenance of the Water and Light properties conform to all provisions of the laws of the State.
(3) to see that all supplies and materials are purchased according to procedure as prescribed by the State laws.
(4) to attend all meetings of the Water and Light Commission, to submit reports of the affairs of the Water and Light Commission, and to participate in the discussion of all matters coming before the Commission.
(5) to keep the Commissioners advised as to the financial condition and future needs of the water and light utilities, and to prepare and submit an annual budget.
(6) to prepare or cause to be prepared, all plans and specifications for the construction of the works of the Commission.
(7) to devote his entire time to the business of the Commission.
(8) to perform such other and additional duties as the Commission may require.
(9) to prepare or have prepared for presentation to the Commission for its consideration and approval, rules and regulations as follows:

(a) Information and requirements for electrical service.
(b) Information and requirements for water service.
(c) Management policy in relation to employees.
(d) Manual of accounting instructions.

Section 19. Accountant.

(A) An accountant, with such title and who shall perform the duties of the Collector and Bookkeeper, shall be chosen by the Commission on the basis of his qualification to perform the duties of such office. This accountant shall also be the Deputy Treasurer of the Village of Elk River.

(B) The accountant, as Collector, under the direction of the Superintendent, shall collect and pay forthwith into the Treasury, all moneys due on account of the operations of the water and light properties, and all money which may come into his hands belonging to the Village. The accountant shall give all notices as required by these by-laws, and as required of the Collector by the State laws or as may be set forth in all rules and regulations as approved, from time to time, by the Commission.

(C) It shall be the duty of the Accountant to keep a regular set of books for the water plant, and also for the electric plant, showing in detail the business transactions of each of said plants. Such records shall conform to the provisions of these by-laws.

(D) The Accountant shall have charge of, under the supervision of the Superintendent, all office employees.

Section 20.

All other appointees and employees of the Commission shall be required to pass such tests as may be prescribed from time to time by the commission. No person shall be employed by the Commission in doing any work unless he holds a certificate of registration or license that would

be required from the State to do such work when done on private property or for private business. The duties of such appointees and employees shall be prescribed from time to time by the Superintendent with approval of the Commission.

ARTICLE IV

Certain Rules, Regulation and Procedure of Water and Light Commission

Section 21. Accounting.

(A) The books and accounts of the Water and Light Commission shall be kept in so far as practicable in conformity with the uniform systems of accounts as prescribed by the Federal Power Commission and as set up by Messrs. Ernst and Ernst, Accountants and Auditors.

(B) In keeping such books and accounts, the electric system accounts shall be administered as separate accounting units.

(C) In keeping such books and accounts, the water system accounts shall be administered as separate accounting units.

Section 22. Rates.

(A) General.

The Commission shall fix rates for electrical energy and water service to the ultimate consumer without discrimination between consumers of the same class, and no rate shall be charged or practice adopted which will grant a discriminatory rate, rebate or other special concession to any consumer served by the Water and Light Commission. It is specifically understood that the water department is a consumer of the electric department within the meaning of this section.

(B) Electric Rates.

The Commission shall fix such rates for electricity furnished to consumers as will secure revenues sufficient to pay all salaries and wages of all officers and employees in the electric department; to cover the cost of all materials and supplies used in the operation of the plant; to cover the cost of all repairs; to cover all miscellaneous expenses; to pay all interest charges upon all indebtedness of the Village created for the purpose of purchasing, improving or extending the electric lighting plant, and to provide a sinking fund sufficient for the purpose of paying off such indebtedness at maturity; and to cover the following annual appropriations:

(C) Water Rates.
The Commission shall fix such rates for water furnished to consumers as will secure revenue sufficient to pay all salaries and wages of all officers and employees in the water department; to cover the cost of all materials and supplies used in the operation of the plant; to cover the cost of all repairs; to cover all miscellaneous expenses; to pay all interest charges upon all indebtedness of the Village created for the purpose of purchasing , improving or extending the

electric lighting plant, and to provide a sinking fund sufficient for the purpose of paying off such indebtedness as maturity; and to cover the following annual appropriations;

Section 23. Electric Rules and Regulation.

The Commission shall adopt and amend, from time to time, rules and regulations pertaining to electric service to consumers and customer relations. Such rules and regulations shall prohibit the Commission and is employees from servicing customer equipment on customers' premises except for the installation and maintenance of its property; however, the commission may make an allowance to a customer installing an electric range or water heater to defray the cost wholly or in part for wiring for such installation.

Section 24. Water Rules and Regulations.

The Commission shall adopt and amend, from time to time, rules and regulations pertaining to water service to consumers and customer relations. Such rules and regulations shall specifically provide that no person except the tappers employed by the Commission, or persons in their service duly approved, will be permitted to tap any distributing pipe, or insert stop-cocks or ferrules therein in and that the Commission shall not install or maintain the service to any customer.

Section 25. Policy as to Employees.

The Commission shall adopt and amend from time to time rules and regulations in respect to labor and employment policy and thereupon publish. In the selection of employees of the department, the fullest preliminary information, including a birth certificate, shall be submitted to the Commission prior to consideration for employment by the Commission. The Commission shall require that all present employees submit comparable information, including a birth certificate, to the Commission. Selection of or appointment to the service of the Commission will not be made when such appointments involve nepotism as defined by the Commission. All appointments and promotions shall be made on merit. In positions or employments, comparable to private registration under the statutes, State of Minnesota, all appointees and present employees shall be required to hold a certificate of registration.

Section 26. Application of By-Laws.

In the event that any provision of these by-laws is or may be in conflict with any law of the United States, of the State of Minnesota, of the Village of Elk River, Minnesota, or of any other governmental body or power having jurisdiction over this Commission or over the subject matter to which such provision of the by-laws applies or may apply, such provision of these by-laws shall be inoperative to the extent only that the operation thereof unavoidably conflicts with such law and shall in all other respects be in full force and effect.

Appendix C: Elk River Municipal Utilities Commissioners and Employees

EMPLOYEE	POSITION	YEARS
Abraham, Wade		c. 1970
Adams, Bryan	General Manager	1996-2008
Adams, Harold	Utilities Commission	1977-1979
Adams, Troy	Engineering Manager, General Manager	2006-present
Anderson, Lex	Lineworker	2007-2011
Anderson, Michelle	Customer Service Representative, Billing Specialist	2008-present
Anderson, Rodney	Operator, Plant Manager	1951-1981
Anderson, Russell	Meter Reader and "utility man"	1951-1965
Andreasen, Dolores	Accounts Payable & Payroll Clerk, Customer Service Representative	2003-2014
Bailey, Joseph	Utilities Commission	1955-1962
Banke, Werner	Utilities Commission	1962-1985
Barnier, Joe	Operator	-1950
Beaudry, La Vonne	Office	c. 1974-1976
Belanger, Betty	Clerk/Cashier	1984-2007
Belanger, Richard	Part time	1959, 1960
Berg, David	Water Superintendent	1999-2014
Biorn, Jenny	Accountant	2014-present
Birrenkott, William	General Manager	1986-1996
Bradway, Russell (Rusty)	Operator, Plant Manager	1963-1990
Brovik, Jennifer	Clerk/Cashier	2000-2002
Burgoyne, Richard	Utilities Commission	1970-1975
Canterbury, Michelle	Customer Service Representative, Executive Administrative Assistant	2013-present
Clifford, Dennis Jr.	Lineman	1993-2000
Cline, Richard	Water Operator	2003-2009
Collins, Lyle	Lineman, Line Foreman	1952-1985
Defeyter, Shane	Lineworker	2005-2012
Degnan, Margaret	Bookkeeper	1949-1950
Dietz, John	Utilities Commission	1995-present
Dill, Douglas	Utilities Commission	1986-1988
Doebler, Raymond	Operator, Power Plant Superintendent, Home Security	1971-2003
Domeier, Peter	Water Operator	2011-2012
Donahue, Pat	Lineman's Assistant	c. 1950
Duitsman, Hank	Utilities Commission	1979-1986
Durland, Kelly	Purchasing Specialist	2015

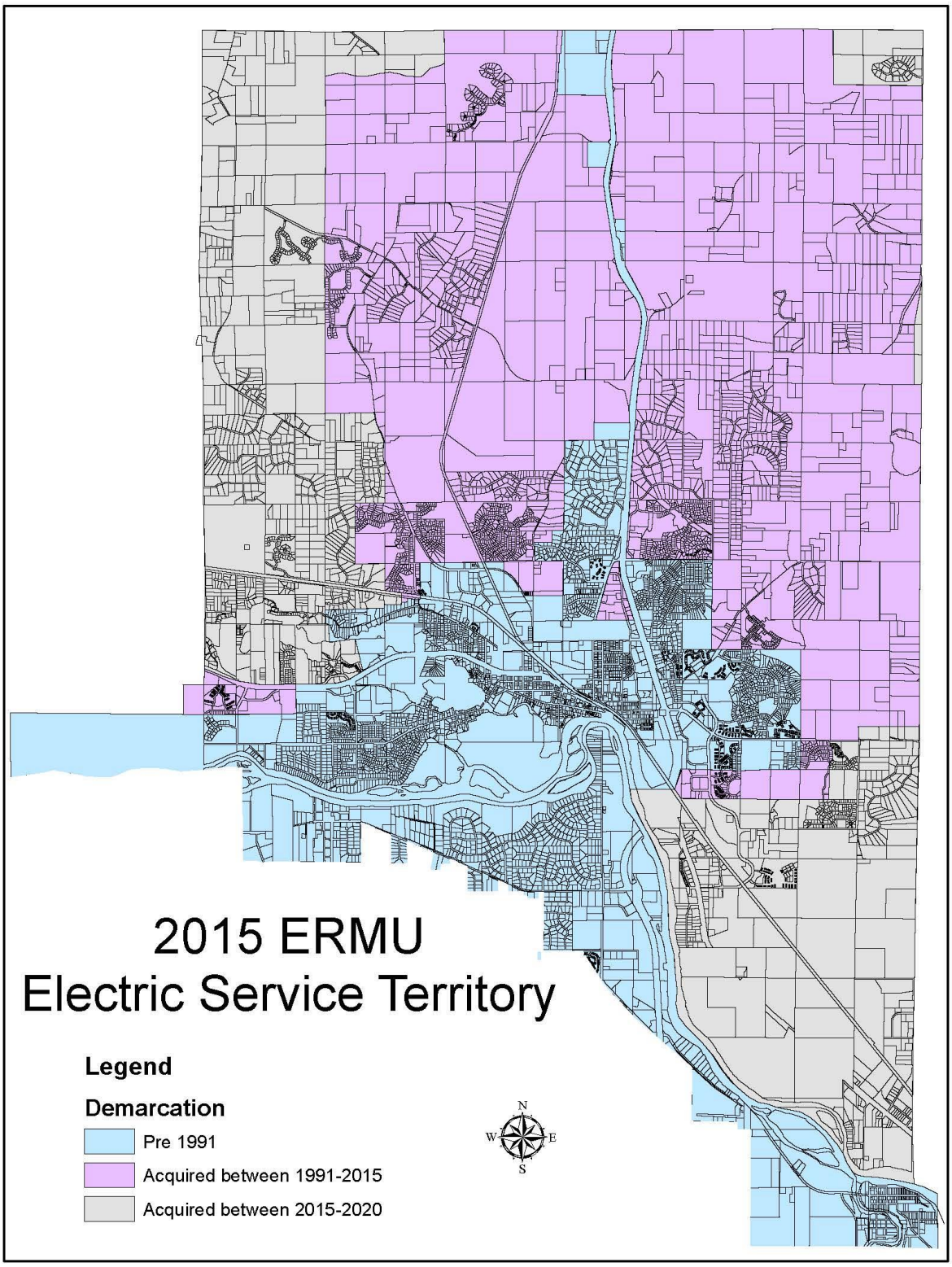
Elliott, Lawrence (Butch)	Utilities Commission	1976-1978
Elsenpeter, Benjamin	Inventory Person	2013-present
Embretson, Al	Hydro Operator	c. 1950
Erickson, Arthur	Utilities Commission	1970-1976
Ethier-Satterlee, Jane	Clerk/Cashier	2003
Fenn-Jansen, Jolene	Customer Service Representative, Key Accounts Specialist	2014-present
Ferguson, Peggy	Customer Service Representative	2007-2010
Fournier, Geralyn	Purchasing Specialist	2015-present
Franz, Lorrie	Accountant (Part-time)	2008-present
Freiberg, Adam	Security Technician, Electric Technician	2001-2013
Fuchs, Mark	Lineman, Lead Lineman, Electric Superintendent	1986-present
Gatchell, Arthur	Lineman, Lead Lineworker	1991-2012
Geiser, Thomas	Lineman, Lead Lineworker, Assistant Electric Superintendent	1999-present
Girtz, Mitchell	Lineworker	2012-present
Grande, Chad	Lineworker	2004-2012
Grejtak, Bradley	Meter Technician	2004
Gudim, Darlene	Office	1972-1976
Gumphrey, Jerry	Utilities Commission	2007-2010
Gwiazdon, Trevor	Lineman, Lead Lineman	1996-2006
Hagel, Jerry	Diesel Operator	c. 1950
Hartkopf, Jill	Clerk/Cashier	1999-2002
Hauge, Angela	Water Operator	2007-present
Henning, Jeffrey	Lineworker	2001-2011
Holsbo, Ward	Superintendent	1945-1947
Halter, Richard A.	Plant Operator, Superintendent, Advisor	1928-1971
Hanson, Robert	Diesel Plant Operator	c. 1948-1951
Hemza, Patricia	Office Manager	1987-2005
Hipsag , Clara	Bookkeeper	1950-1974
Hubbard, Anthony	Maintenance & Inventory Person, Electric Technician	2011-present
Jacobson, Sam	Diesel Operator	c. 1950
Jarmoluk, Anthony F.	Utilities Commission	1979-1980
Jelle, Mrs. Leonard	Office (Part-time)	c. 1957
Jensen, Bradley	Laborer	2001
Johnson, Zachary	Lineworker, Lead Lineworker	2011-present
Jones, Joy	Office	1982-1987
Jones, Richard	Lineman	1985
Kettner, Donald	Utilities Commission	1981-1986
King, Christine	Inventory Clerk	2003-2010
Knowlton, Irene	Bookkeeper	1948-1949
Koehn, Ronald	Operator	c. 1969-1986
Kral, Amy	Office Clerk	2005-2006

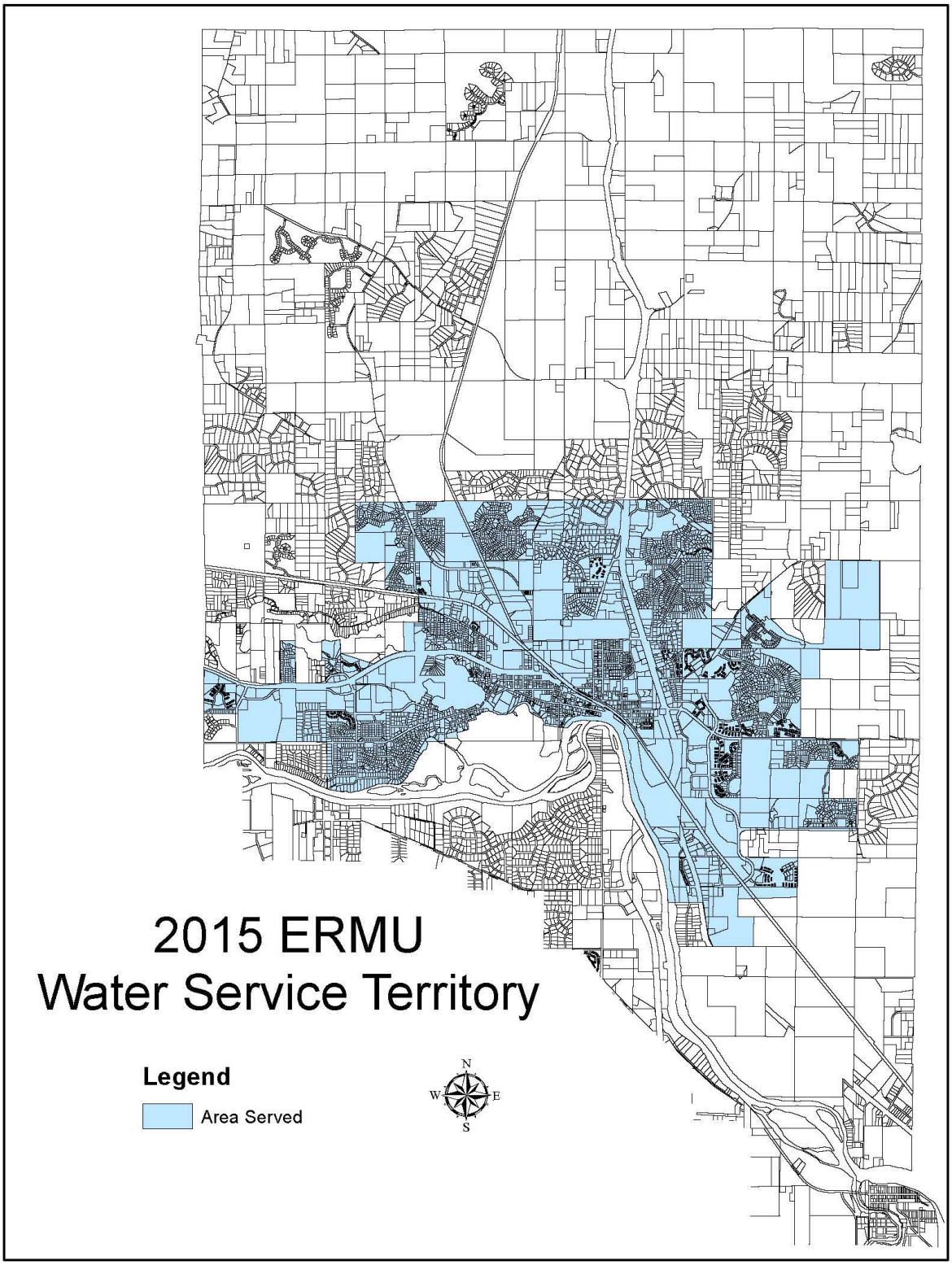
Langer, Michael	Lead Water Operator	2014-present
Larson, Harry	Lineman, Operator	c.1947-1960s
Leech, Roger	Meter Reader, Groundman	c. 1979
LeFebvre, Daniel	Lineman	1985-1986
LeFebvre, Joan	Office	1949
Lehmkuhl, Daniel	Mechanic	2001-2003
Lewis, Nancy	Office	1982-1986
Lindberg, Jeremy	Bore Rig Operator	2015-present
Lorenzen, Lloyd	Lineman, Lead Lineworker, Foreperson	1986-present
Lovelette, Wade	Lineman, Lead Lineman, Foreman, Technical Services Superintendent	1981-2015
Lundemo, John	Operator	1947-1951
Mahon, Samuel	Meter Reader	2010-2011
Malecha, Donna	Customer Service Representative	2010-2011
Mansur, Charlie	Hydro Operator	c. 1950
Martindale, Michelle	Office Clerk, Credit & Collections Specialist	2005-present
Mason, Janelle	Clerk/Cashier	2002-2003
McCartney, Robert	Meter Superintendent, Water Superintendent	1967-1999
McSpadden, Judy	Clerk/Cashier, Accounts Payable & Inventory Clerk, Purchasing Specialist	1986-2014
Meyers, Cleeland F.	Utilities Commission	1947-1955
Morgan, Jesse Mae	Office	1950
Munsrud, Michael	Lineman	1985-1991
Murray, Jeffrey	Locator, Bore Rig Operator, Electric Technician	2004-present
Nadeau, Al	Utilities Commission	2011-present
Nelson, Jennifer	Customer Service Representative, Executive Administrative Assistant, Customer Service Manager	2011-present
Nelson, Reid	Lineworker	2015-present
Nickerson, Otis	Utilities Commission	1947-1968
Nielsen, Peter	Water Operator	2005-2015
Nielsen, Scott	Water Operator	1996-2005
Ninow, David	Water Operator	2015-present
Nord, Mable	Bookkeeper	1947-1948
Nordahl, Steven	Home Security Specialist	1990-2001
Oeffling, Matthew	Lineworker	2012-2014
Olek, Theresa	Customer Service Representative	2015-present
Olson, Kermit	Groundman	1966-1967
O'Neill, Michael	Technical Services Superintendent	2015-present
Orrock, Grant	Lineworker	2009-2013
Patenaude, William	Utilities Commission, Superintendent, Advisor	1949-1981
Peterson, Susan	Office	c. 1977-1979
Peterson, Tess	Office	c. 1965-1972
Pope, Patricia	Office Clerk, Billing Specialist	2006-2014
Price, Michael	Electric Technician, Lead Electric Technician	1998-present
Rahn, Jessica	Customer Service Representative	2015-present

Reichwein, Andy	Lineman	2000-2001
Robinson, Sharon	Head Bookkeeper	1976-c.1987
Romanoski, Ruth	Clerk/Cashier	1993-2000
Romie, Meridee	Customer Service Representative	2014-present
Rootes, Jennifer	Office	c. 1979-1984
Rosch, Steven	Lineman	1976-1982
Ross, Anthony	Lineworker	2013-2015
Sagstetter, Thomas	Conservation & Key Accounts Manager	2011-present
Sandstrom, Kimberly	Accounts Payable & Payroll Specialist	2007-present
Schallock, Christy	Customer Service Representative	2014-present
Schantzen, June	Clerk/Cashier	1998-1999
Schaust, Richard	Security Technician	2004-present
Scherber, Greg	Office Clerk, Billing Clerk, Assistant Office Manager	2003-2014
Schwartz, Matthew	Lineworker	2011-present
Schmidt, Vivian Stenglein	Customer Services Specialist, Assistant Office Manager	1978-2008
Simpson, James	Utilities Commission	1989-1995
Seter, Troy	Lineman	2000-2009
Skellinger, Vernon B.	Utilities Commission	1947-1949
Skowronek, Staci	Accounts Payable & Payroll Clerk	2004-2005
Slominski, Theresa	Accounts Payable & Payroll Clerk, Finance & Office Manager	2004-present
Stansfield, Edson C.	Superintendent	1980-1986
Strassburg, Floyd	Operator	1950-1980
Stoeckel, Eugene	Meter Reader (Part-time)	2010-present
Stuhr, Russell	Bore Rig Operator, Lead Bore Rig Operator	2014-present
Sumstad, Chris	Lineman, Lead Lineworker	2001-present
Sundeen, Glenn	Lineman, Line Superintendent	1972-2008
Sykes, Harold	Utilities Commission, Office Manager	1969-1982
Takle, Jerry	Utilities Commission	2003-2009
Thiry, Michael	Lineman, Lead Lineman, Foreperson	1984-present
Thompson, Daryl	Utilities Commission	2009-present
Thoreson, Scott	Lineman, Lead Lineworker	1993-present
Tralle, James	Utilities Commission	1987-2008
Turner, Violet	Office	c. 1966
Vassar, Leon	Line Crew	1964-c. 1975
Volk, Eric	Lead Water Operator, Water Superintendent	2012-present
Wagner, Richard	Water Services/Locator/Groundsman, Locator/Mapping Technician	1979-present
Wanner, Karen	Accounts Payable & Payroll Clerk	1996-2004
Ward, Derek	Lineman	1990-1999
Wark, Curtis	Lineworker	2015-present
Weber, Darren	Lineworker, Lead Lineworker	2013-present
Westre, Ryan	Credit & Collections Clerk	2002-2006
White, Aaron	Lineworker	2014-present

Wilkes, Donald	Water Department Foreman	1951-1982
Wolf, Corey	Lineman	2002-2005
Wombill, George W.	Superintendent	1947-1952
Zabee, George	Utilities Commission	1987-2003
Zehringer, Vance	Conservation Improvement Program Consultant, Interim General Manager	2008-2009
Ziemer, Steve	Plant Mechanic & Operator	2003-2015
Zurn, Edward	Lineworker, Lead Lineworker	2013-2014

Appendix D: Service Territory Maps


2015 ERMU
Electric Service Territory
Legend
Demarcation
Pre 1991
Acquired between 1991-2015
Acquired between 2015-2020
N
W
E
S


2015 ERMU
Water Service Territory
Legend
Area Served
N
W
E
S

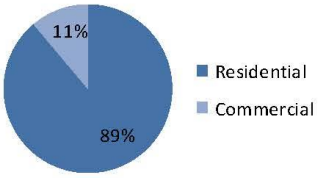
Appendix E: Statistics

2014 Water Department Statistic

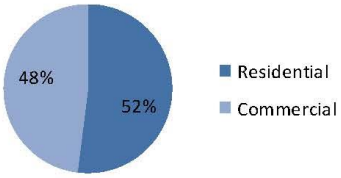
5 Million Gallons Per Day
Peak Water System Usage

800 Million Gallons
Annual Water System Usage

4,700 Customers



$2.1 Million Annual Revenue

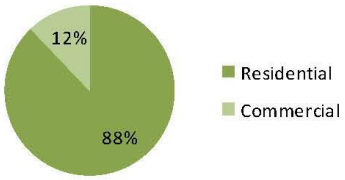


2014 Electric Department Statistic

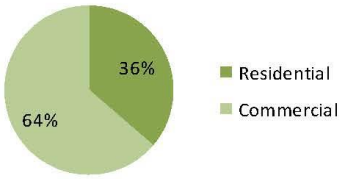
55 MW
Peak Electric System Demand

280 Million kWh
Annual Electric System Energy Usage

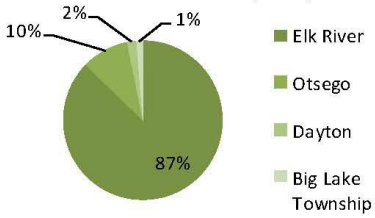
9,500 Customers



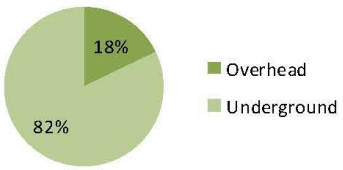
$30 Million Annual Revenue



Customers by City



425 Miles of Distribution Line



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