

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on August 26, 2014.

Commission President Donald Samuelson called the meeting to order.

Commissioners Roll Call

Lucy Nesheim – Present
Don Samuelson - Present
William Wroolie – Present

Mark O'Day – Present
Donald Sievek – Present

Utility Staff Present

Secretary/Finance Director
Superintendent of Utilities
Recording Secretary

Todd Wicklund
Scott Magnuson
Sharon Jensen

Others in Attendance

Brainerd City Administrator
Brainerd City Councilmember
Brainerd City Councilmember
Public Power Energy Services
Brainerd Dispatch
Amjet Turbine Systems

Patrick Wussow
Gary Scheeler
Mary Koep
Mike Kumm
Jessie Perrine
Bob Schulte

Approval of Minutes and August 2014 Bills

Motion by Commissioner Wroolie and seconded by Commissioner Nesheim to approve the minutes of the July 29, 2014 regular monthly meeting and to approve payment of the August 2014 bills. There was a unanimous roll call vote in favor of the motion. Motion carried.

President's Report

None

Other Commissioners' Reports

Commissioner Wroolie noted that at the recent MMUA Summer Conference he was elected President.

City Administrator Report

City Administrator Patrick Wussow stated that Brainerd had held its first primary election and that November 4th is the general election. The Brainerd City Council authorized two questions for the ballot regarding issuing bonds for City improvements and extending the local option sales tax to 2037.

Wussow noted that the former Wausau paper mill has recently been sold to Mike Higgins. Mr. Higgins intentions are to remove all paper making equipment from the mill and repurpose the existing buildings.

Reported that core samples have been taken from Brainerd's historic water tower and the City is waiting for the engineers report to plan the renovations and determine funding.

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Public Forum

Amjet Turbine Systems

Bob Schulte, Amjet, updated the Commission on the site visit today at the Hydro dam. Amjet's Engineer is inspecting the turbine pit no. 6 which would be the test site for the new turbine. The old shaft in the turbine pit would be removed and the Amjet turbine/generator test model which is lighter and smaller would be installed in the spring of 2015. Amjet received a grant from the Department of Energy for the new technology and the Brainerd hydro dam is a great fit for the trial. The turbine/generator will be installed next spring and an independent consultant will monitor the project for 6 months. Amjet is funding the project and will either offer the turbine at a reduced cost to BPU or restore the bay if the test project does not work.

Secretary's Report

Secretary Wicklund reported the following significant items:

Summary of Utility Operations – July 31, 2014

	Seven Month Period Ended July 31,					
	Electric		Water		Wastewater	
	2014	2013	2014	2013	2014	2012
(Amounts in Thousands)						
Operating Revenue	\$ 9,964	\$ 10,065	\$ 1,201	\$ 1,226	\$ 1,363	\$ 1,317
Operating Expenses						
Purchased Power	7,323	7,587	-	-	-	-
Depreciation	762	708	291	279	805	806
Other Operating Expenses	1,548	1,423	807	812	1,054	1,049
Total Operating Expenses	9,633	9,718	1,098	1,091	1,859	1,855
Operating Income (Loss)	331	347	103	135	(496)	(538)
Nonoperating Revenue (Expense)	(135)	(121)	2	2	326	330
Transfers to City	(358)	(390)	-	-	-	-
Capital Contributions	-	-	-	-	-	-
Net Change in Net Assets	\$ (162)	\$ (164)	\$ 105	\$ 137	\$ (170)	\$ (208)
Meters in Service	7,921	7,846	4,757	4,760	4,599	4,597

Rate Design Study-Utility Financial Solutions

Wicklund reviewed the Executive Report of the Long-term Financial Projection prepared by Utility Financial Solutions (UFS). The following are key recommendations of the Report:

- A rate increase of 2.5% is needed in 2015 to meet a minimum debt service ratio required by current bond covenants.
- Some customer classes are paying above cost of service and some below cost of service, therefore, it is recommended rates be designed with a plus or minus 2.0% bandwidth for each customer class.
- To help ensure timely completion of capital improvements and enable BPU to meet requirements for large unexpected expenditures, it is recommended that BPU consider adopting a Cash Reserve Policy based on a formula which would include five different financial indicators to establish a minimum cash reserve.

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- BPU review its current Power Cost Adjustment (PCA) calculation and implement a 6 month rolling average PCA which tends to smooth out power cost fluctuations while maintaining the financial integrity of BPU.

The recommendation is to direct UFS to design the 2015 rates using an overall 2.5% rate increase with the rates being designed with a plus or minus 2.0% bandwidth for each customer class.

Motion by Commissioner O'Day and seconded by Commissioner Wroolie to direct Utility Financial Solutions to design the 2015 electric rates using an overall 2.5% rate increase with the rates being designed with a plus or minus 2.0% bandwidth for each customer class. There was a unanimous roll call vote in favor of the motion. Motion carried.

UFS will present the 2015 proposed rates by customer class to the Commission at the September meeting.

Hydro Dam Financing

Moody's has scheduled a phone conference/meeting this week. There are several interested parties in the bonds.

The MN DNR was contacted regarding a Hydro grant. Since BPU purchased the Hydro dam in June and the deadline for grant applications closed in March BPU was not eligible to receive any grant funding related to the apron repair project for the fiscal year ended June 30, 2014. 62 Hydro projects received grant funding for the year ended June 30, 2014.

Public Power Week

"Public Power Week" is October 6-10, 2014 BPU will participate on a small scale this year and build on that for the future. It will be an opportunity to "showcase" the Utility.

Minnesota Power (MP) Update

Wicklund met with the 16 other Northern municipals at the recent MMUA conference to gather ideas on contract negotiations with MP. Certain language in the current contract with MP pertaining to municipal owned generation needs further clarification and Wicklund requests Commission approval to have Kaela Brennan of the McGrann Shea Law Firm review this particular matter since she has assisted the 16 Northern municipals in power contracts with MP in the past.

Motion by Commissioner Nesheim and seconded by Commissioner Wroolie to authorize Kaela Brennan of the McGrann Shea Law Firm to review language in current MP contract dealing with municipal owned generation. There was a unanimous roll call vote in favor of the motion. Motion carried.

Superintendent's Report

Superintendent Magnuson reported on the following:

Water Department

- Leaks/Breaks/Complaints – one service leak on Graydon
- Filtration Plant – Well conversion to variable frequency pumps. Well #3 conversion went well electric upgrades are completed for Wells # 4, 5 and 6 and Well #7 electric will begin soon.
- Projects
 - SEH is looking at options to replace the backwash tank and the million gallon groundwater storage at the Water plant.
 - SEH ran the water model and identified some low pressure in parts of the South side

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Wastewater Treatment Department

- WWTF/Projects
 - Sludge Hauling-will resume after corn harvest and sludge will be injected.

Electrical Department

- Outages/Interruptions/Complaints – none to report
- Projects
 - SE Brainerd – nearing completion
 - NE Brainerd – pulling wire
 - Well Houses – #7 well house last to be converted.

Hydro Department

- Flows – are high due to the recent rain
- Apron Repair – Crew will return after Labor Day. Project delayed due to high water
- Turbine pit #6 – dewatering for Amjet inspection
- FERC inspection scheduled for September 16th.

Old Business

None

New Business

None

Adjournment

Commissioner O'Day motioned at 10:34 AM to adjourn the meeting. Meeting adjourned.