

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on June 24, 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 – Absent

**Utility Staff Present**

Secretary/Finance Director  
Superintendent  
Recording Secretary  
Accounting Supervisor

Todd Wicklund  
Scott Magnuson  
Sharon Jensen  
Julie Batters

**Others in Attendance**

Brainerd City Administrator  
Brainerd City Councilmember  
Brainerd City Councilmember  
Springstad Incorporated  
Clifton Larson Allen  
Clifton Larson Allen

Patrick Wussow  
Gary Scheeler  
Dolly Matten  
Paul Steinman  
Tom Koop  
Mary Reedy

**Approval of Minutes and June 2014 Bills**

**Motion by Commissioner Wroolie and seconded by Commissioner Nesheim to approve the minutes of the May 27, 2014 regular monthly meeting and to approve payment of the June 2014 bills. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**Public Forum**

None

**President's Report**

Commission President Samuelson stated he had participated in the signing of some the closing documents related to Hydro Dam purchase last week.

**Other Commissioners' Reports**

Commissioner Wroolie reported that he attended planning meetings on June 5-6 for the 2015 MMUA conferences.

Commissioner Nesheim stated that she had attended some of the Brainerd "History Week" events.

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING June 24, 2014**

### **City Administrator Report**

City Councilmember Scheeler commented on annexing the 37 acres acquired with the Hydro Dam into the City of Brainerd.

**Motion by Commissioner Nesheim and seconded by Commissioner O'Day to request that the Brainerd City Council annex all of the Hydro property into the City. There was a unanimous vote in favor of the motion. Motion carried.**

Scheeler inquired about installing street lights at intersections in Brainerd Oaks. Superintendent Magnuson said that street light requests are preferred from the public and that the City Engineer has the request form and makes the recommendation to the Council for approval.

Scheeler said he has received complaints about the patch on Mill Avenue. Magnuson said that the patch was scheduled to be repaired soon.

City Administrator Patrick Wussow reported that the City is revitalizing the Economic Development Committee. He also informed the Commission that Charter Communications was sent a letter regarding the old power poles in North Brainerd where they are the only entity still on the pole. He also mentioned that a local business has shown interest in acquiring the former Wausau Paper mill site.

### **Special Presentations**

- **2013 Audit Presentation-Clifton Larson Allen**

Mary Reedy and Tom Koop from CliftonLarsonAllen presented the results of the 2013 audit. Ms Reedy summarized the 2013 BPU financial audit noting that an unqualified auditor's opinion was issued and there were no findings to report to the Office of the State Auditor. She noted that the Single Audit reporting results which found no findings were included in the City of Brainerd's 2013 audited financial statements.

**Motion by Commissioner Wroolie and seconded by Commissioner O'Day to accept the 2013 Audit report as presented. There was a unanimous vote in favor of the motion. Motion carried.**

- **Resolution Requesting City to Issue Electric Utility Revenue Bonds, Series 2014A, in the Approximate Aggregate Principal Amount of \$5,300,000**

Paul Steinman from Springstad Incorporated discussed the Electric Utility Revenue Bond process and the Resolution requesting the City Council to authorize the issuance in the amount of \$5,300,000. If the BPU Commissioners approve the resolution the tentative schedule will be:

- July 7, 2014 Council sets sale date and terms
- Week of July 21<sup>st</sup> Rating conference is conducted and receipt of rating
- Aug 4, 2014, 11:00 a.m. Competitive proposals are received
- Aug 4, 2014, 7:30 p.m. Council considers award of the Bonds
- Early September, 2014 Proceeds are received

**BRAINERD PUBLIC UTILITIES COMMISSION MEETING  
June 24, 2014**

The Commission discussion included current market rates, the 2007 Electric Bonds and if bids can be rejected. Secretary Wicklund presented the following resolution for adoption.

**BRAINERD PUBLIC UTILITIES COMMISSION  
RESOLUTION NO. 2014-01  
Adopted – June 24, 2014**

**REQUESTING THE ISSUANCE AND SALE OF ELECTRIC UTILITY REVENUE BONDS, SERIES 2014A, BY THE CITY OF BRAINERD, MINNESOTA IN THE APPROXIMATE AGGREGATE PRINCIPAL AMOUNT OF \$5,300,000**

**WHEREAS, the Brainerd Public Utilities Commission (the "BPU"), the municipal utility arm of the City of Brainerd, Minnesota (the "City"), is responsible for the operation of the City's electric utility ("the Utility"); and**

**WHEREAS, the BPU has acquired and is operating the hydroelectric plant (the "Plant") in the City and construct improvements thereto (the "Improvements"); and**

**WHEREAS, the City proposes to issue its Electric Utility Revenue Bonds, Series 2014A (the "Bond"), in the approximate aggregate principal amount of \$5,300,000, to provide funds for the BPU to acquire the Plant and construct the Improvements; and**

**NOW THEREFORE, BE IT RESOLVED, by the Brainerd Public Utilities Commission, as follows:**

- 1. The BPU requests that the City issue the Bonds, payable from the net revenues of the Utility.**
- 2. The BPU staff is authorized and directed to cooperate with City staff and the City's legal and financial advisors in offering the Bonds for sale.**
- 3. This resolution shall take effect immediately upon adoption.**

**Motion by Commissioner Wroolie and seconded by Commissioner O'Day to approve and forward Brainerd Public Utilities Resolution No. 2014-01 to the Brainerd City Council. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**Secretary's Report**

Secretary Wicklund reported the following significant items:

**Minnesota Power Rates effective July 1, 2014**

- Power costs will increase approximately 8.7% over prior year. This increase will represent an additional power cost of approximately \$1.1 million over the fiscal year ending June 30, 2014.
- Power Cost Adjustment proposed increase – Staff recommendation is to increase the current power cost adjustment of \$.007 per kWh to \$.010 effective June 1, 2014 to \$.012 effective August 1st and \$.014 effective October 1st.

**Motion by Commissioner O'Day and seconded by Commissioner Nesheim to approve and ratify the power cost adjustments effective 6/1/14, 8/1/14 and 10/1/14. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**Hydro Dam Update**

Wicklund discussed the following items related to the purchase of the Hydro Dam:

- Closing and purchase was completed on June 17, 2014.
- Working on Hydro generation purchase power agreement with Minnesota Power since the last agreement was between Wausau Paper and Minnesota Power.
- Record high water means less generation/production.

## **BRainerd PUBLIC UTILITIES COMMISSION MEETING**

### **June 24, 2014**

#### Insurance Coverage for the Hydro Dam

Wicklund discussed that the entity insuring the Hydro Dam the League of Minnesota Cities Insurance Trust (LMCIT) would like assurances from the Commission that it will officially review, evaluate, and make priority commitments on the various plan aspects recommended by Barr Engineering, FERC, DNR, dive inspection, and engineering consultant retained by LMCIT and that the Commission will work with the LMCIT with periodic inspections during the repair and maintenance procedures. The following items were noted as being recommended to be addressed in the next 3 to 6 months.

- Spillway Apron Modifications – Work is expected to start in July 2014
- Computerized Management System – BPU will implement a computerized management system for the Hydro Dam to more accurately manage historic records, identify and track operations and maintenance, manage regulatory requirements, and Hydro Dam safety items.
- Facility Assessment and Testing – BPU will conduct facility and equipment testing to address unknown, uncertain, and other issues and conditions of the Hydro Dam.
- Outstanding Part 12D Recommendations – The only recommendation from the 2013 Report pertains to ongoing maintenance associated with the vegetation and animal burrows in the embankment.
- Condition Assessment and Planning – BPU will develop a condition assessment and maintenance program to manage site maintenance and repairs associated with project safety and reliability.

There was general discussion regarding the items with Commission consensus that the highest priority should be directed at completing apron modifications project when current water levels allow. The other items can be assessed during the next few months to determine a priority ranking of repair and maintenance projects to be undertaken based on each projects importance and cost.

**Motion by Commissioner Wroolie and seconded by Commissioner Nesheim to address following Hydro Dam operational recommendations as soon as practical; (1) Spillway Apron Modifications (2) Computerized Management System (3) Facility Assessment and Testing (4) Outstanding Part 12D Recommendations, and (5) Condition Assessment and Planning. There was a unanimous vote in favor of the motion. Motion carried.**

Local Option Sales Tax (LOST) Update – BPU Staff is working with City Staff regarding the Brainerd referendum vote to extend the LOST collection until 2037.

MMUA 2014 Summer Conference – MMUA 2014 Summer Conference is August 18-20 at Arrowwood Resort, Alexandria, MN. Wicklund asked the Commissioners to let him know if they would be attending. Commissioner Wroolie stated he would be attending since he is MMUA Board President.

#### **Superintendent's Report**

Superintendent Magnuson reported the following significant items:

##### **Water Department**

- Leaks/Breaks/Complaints – S 10<sup>th</sup> Street leak on service to empty lot
- Filtration Plant – Catalyzer #6 work continues as staff time permits
- Projects
  - SEH is working with the Brainerd flow model-pressure checks
  - SEH studying the concept of replacing old steel ground storage and backwash tank with one new concrete tank at Central Station

##### **Wastewater Treatment Department**

- WWTF/Projects
  - Sludge Hauling- hauled as much as possible and surface apply to hay fields later this summer

## BRAINERD PUBLIC UTILITIES COMMISSION MEETING June 24, 2014

### Electrical Department

- Outages/Interruptions/Complaints –
  - West Brainerd arrestors are approximately 30 years old, change-out plan is in discussion
  - Osprey nest- Staff contacted MN DNR-Non Game Wildlife and have installed a wood frame platform on a higher pole to encourage the Osprey to relocate the Highway 25 overpass.
- Projects
  - SE Brainerd – Daryl's crew, working on rebuild/conversion
  - NE Brainerd – Dan's crew near Lum Park, working on rebuild/conversion
  - Service Truck – New Lineworker, Dallas Moorhouse assigned to Service Truck

### Administration

- Water Tower – Painting tentatively scheduled to start in early August. The tower will be painted gray with block style blue letters.
- Hydro Employees Five new employees effective June 18, 2014:
  1. Mark Levig – Mechanic/Hydro Relief (Lead)
  2. Mike Amerud – Hydro Operator
  3. David Wise – Hydro Operator
  4. Diane Mahady – Hydro Operator
  5. Robert DiLuzio – Hydro Operator
- Wausau Leased Employee Agreement –Magnuson presented the Wausau Leased Employee Agreement for Brad Holst, Wausau employee performing service work at the Hydro Dam, as needed.

**Motion by Commissioner O'Day and seconded by Commissioner Wroolie to approve the Wausau Leased Employee Agreement. There was a unanimous vote in favor of the motion. Motion carried.**

- Apron Spillway Bids – Two bids were received pertaining to Apron Spillway Modification Project and neither bidder met pre-bid qualification criteria established by Barr Engineering, therefore the bids were returned to bidders unopened and the project will be re-bid.
- Generator Presentation – BPU staff met with AMJET Turbine Systems, LLC regarding proposed Hydro Generator Development. AMJET's proposal is as follows:
  1. Near and Long Term Development Plan
    - Site visit
    - Conceptual design of ATS-63 turbine/generator installation in currently-unused Position 6 at Hydro Dam
    - Plan for FERC permitting for demo project
    - Conceptual design of long-term project to repeat demo experience in replacing existing generation units
    - Time frame to complete - approximately 6 weeks
    - Cost of development plan to be shared 50:50 between BPU and AMJET with BPU's share not to exceed \$15,000
    - BPU Go/No-Go decision to proceed to Step 2
  2. Demonstration Project
    - BPU Go/No-Go decision to proceed to Step 3
  3. Replacement of existing BPU Hydro Units
    - With timing to be determined by BPU

**Motion by Commissioner Wroolie and seconded by Commissioner O'Day to pursue an official proposal from AMJET and to share in cost of development plan not to exceed \$15,000. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**BRAINERD PUBLIC UTILITIES COMMISSION MEETING**  
**June 24, 2014**

**Old Business**

None

**New Business**

None

**Adjournment**

**Commissioner Nesheim motion at 10:57 AM to adjourn the meeting to the Brainerd City Council meeting at 7:30 PM on July 7, 2014. Motion Carried.**