

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on May 31, 2016.

Commission President Mark O'Day called the meeting to order.

Commissioners Roll Call

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

Mark O'Day – Present
Dolly Matten – Present

Utility Staff Present

Secretary/Finance Director
Superintendent of Utilities
Recording Secretary
Accounting Supervisor

Todd Wicklund
Scott Magnuson
Sharon Jensen
Julie Batters

Others in Attendance

Brainerd City Administrator
Brainerd City Councilmember
Brainerd Dispatch
Public Power Energy Services, LLC
CliftonLarsonAllen
Fab Four, Inc.

Jim Thoreen
Gary Scheeler
Spenser Bickett
Mike Kumm
Mary Reedy
Jerry Koering

Approval of Minutes and May 2016 Bills

Motion by Commissioner Wroolie and seconded by Commissioner Nesheim to approve the minutes of the April 26, 2016 regular monthly meeting and to approve payment of the May 2016 bills. There was a unanimous roll call vote in favor of the motion. Motion carried.

Public Forum

Jerry Koering, Fab Four, Inc. asked the Commissioners to consider including their business in the new economic development rate recently approved by the Commission. He stated that they fabricate aluminum molds for hollow parts. Currently have 12 employees working two shifts and are working to expand to a 3rd shift to even out the peak demand.

Commissioners discussed the fact that they knew other demand customers might come forward when the rate was established with the start date effective December 1, 2015.

Motion by Commissioner Wroolie and seconded by Commissioner Samuelson to approve changing Fab Four, Inc. to the Economic Development Rate effective May 31, 2016. There was a unanimous vote in favor of the motion. Motion carried.

BRAINERD PUBLIC UTILITIES COMMISSION MEETING

May 31, 2016

President's Report

Commission President O'Day provided a summary of the performance reviews of Superintendent Magnuson and Finance Director Wicklund which were completed at the April meeting. O'Day stated that "In our opinion they've done an excellent job and accomplished a lot in the past year." Commissioners Wroolie and Nesheim also commented on the strong leadership and guidance in all aspects of managing the utility.

Other Commissioners' Reports

Commissioner Matten expressed concerns regarding the access road to the Hydro dam, and the open house on June 18th during Brainerd History Week. Magnuson stated that the road would be ready.

City Administrator Report

Brainerd City Administrator Jim Thoreen updated the Commissioners on Brainerd Lakes Regional Airport water and sewer extension project. No bonding bill was passed at the Legislature so the bond sale is scheduled for June 20th will proceed.

The Mayors of Brainerd and Baxter are meeting later this week regarding the detachment of the BPU property. Thoreen noted that a proposal from Crow Wing County HRA for the sale of tax forfeited properties located in Brainerd Oaks, Serene Pines and Dal-Mar Drive will be discussed at the June 6th Council meeting.

The Citizen Facilities Commission appointed by the City Council completed a tour of City Hall and are meeting at the Police Department and Fire Hall tonight. They will also be looking at the Parks & Rec properties. Filing for office of council member and mayor ends tonight at 5:00 PM.

Special Presentation

CliftonLarsonAllen 2015 Audit

Mary Reedy, CliftonLarsonAllen, presented the results of the 2015 audit. Reedy summarized the 2015 BPU financial audit noting that an unqualified auditor's opinion was issued and there no findings to report to the Office of the State Auditor. The following items were noted:

- All three departments had positive change in Net Position.
- Revenue and expenses for all three departments stayed fairly consistent from year to year.
- BPU had positive cash flow from operations and overall cash increased approximately \$587,000.
- 2014 internal control condition related to recording inventory activity has been addressed and there were no compliance or internal control conditions noted for 2015.
- Communication between the city and utility is an issue in some cities but not Brainerd as City Finance Director Connie Hillman and Wicklund communicate regularly.

Motion by Commissioner Wroolie and seconded by Commissioner Matten to accept the 2015 Audit as presented by CliftonLarsonAllen LLP. There was a unanimous vote in favor of the motion. Motion carried.

Secretary's Report

Public Power Energy Services,LLC (PPES).

Mike Kumm, PPES updated the Commission on the energy agreement with AEP and the remaining capacity requirements that will be filled in the next few months. Kumm presented the 2nd amendment to the market based full requirements agreement for approval.

Motion by Commissioner Wroolie and seconded by Commissioner Matten to approve Amendment No. 2 to AEP Energy Partners, Inc. market based rate full requirements agreement. There was a unanimous roll call vote in favor of the motion. Motion carried.

**BRainerd PUBLIC UTILITIES COMMISSION MEETING
May 31, 2016**

Minnesota Power Contract Termination

Wicklund presented the draft letter of the three year termination notice to Minnesota Power for Commission review. The notice needs to be delivered on June 30th as per the contract. The Commissioners discussed the termination letter and approved it pending attorney review and to hand deliver or send by certified mail.

Motion by Commissioner Wroolie and seconded by Commissioner Nesheim to approve and send by certified mail the Letter of Termination to Minnesota Power after attorney review. There was a unanimous roll call vote in favor of the motion. Motion carried.

Brainerd Lakes Area Economic Development Corporation - (BLAEDC)

Wicklund presented a funding request from Brainerd Lakes Area Economic Development Corporation for some area projects. From 2007 to 2010 BPU contributed \$2,500 annually to BLAEDC but hasn't made a contribution since then.

Motion by Commissioner Nesheim and seconded by Commissioner Samuelson to approve \$2,500 contribution to BLAEDC. Upon roll call, Commissioners, O'Day, Nesheim and Samuelson voted "aye" and Commissioners Matten and Wroolie voted "nay". Motion carried.

April 30, 2016 Summary of Utility Operations

| | Four Month Period Ended April 30, | | | | | |
|--------------------------------|-----------------------------------|----------|--------|--------|------------|----------|
| | Electric | | Water | | Wastewater | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| (Amounts in Thousands) | | | | | | |
| Operating Revenue | \$ 6,098 | \$ 6,213 | \$ 700 | \$ 688 | \$ 818 | \$ 776 |
| Operating Expenses | | | | | | |
| Purchased Power | 3,750 | 3,527 | - | - | - | - |
| Depreciation | 525 | 481 | 225 | 213 | 463 | 459 |
| Other Operating Expenses | 1,095 | 1,157 | 462 | 472 | 601 | 629 |
| Total Operating Expenses | 5,370 | 5,165 | 687 | 685 | 1,064 | 1,088 |
| Operating Income (Loss) | 728 | 1,048 | 13 | 3 | (246) | (312) |
| Nonoperating Revenue (Expense) | (108) | (128) | (12) | (9) | 218 | 194 |
| Transfers to City | (227) | (202) | - | - | - | - |
| Capital Contributions | - | - | - | - | - | - |
| Net Change in Net Assets | \$ 393 | \$ 718 | \$ 1 | \$ (6) | \$ (28) | \$ (118) |
| Meters in Service | 7,971 | 7,947 | 4,659 | 4,646 | 4,611 | 4,597 |

Superintendent's Report

Superintendent Magnuson reported on the following:

Water Department

- Leaks/Breaks/Complaints – Airport construction project, two houses had sand point wells go dry and they have been hooked to City water temporarily
- Filtration Plant – operating good
- Projects
 - Airport project and 13th Street – Crews are keeping track of contractors

BRAINERD PUBLIC UTILITIES COMMISSION MEETING
May 31, 2016

- Flushing continues delayed due to City projects
- Magnuson and Sam Arnzen, Chief Operator did a presentation at The Center

Wastewater Treatment Department

- WWTF/Projects
 - Sludge application waiting for hay fields to become available
 - Lift stations at Lum Park and O Street have been affected by the Airport project

Electrical Department

- Outages/Interruptions/Complaints – Sewer pipe delivery truck driver wrapped the boom in power lines and broke 2 poles causing a small outage lasting between 5 and 6 hours.
- Projects
 - NE Brainerd – East side of Mill is complete waiting for Charter and telephone
 - NE Brainerd – West side of Mill Avenue starting
 - Well No. 8 – Convert area and new generator at the Water Plant

Hydro Department

- Noted that the River level is back up
- Projects
 - Paint – a lot of the painting is done
 - Road – Anderson Brothers will pave the road as the BIC pipe removal project is on hold
 - Amjet – Getting close

Administration Department

- Verizon Agreement – Pending Attorney approval
- Maintenance Mechanic – Jason Eastman probation completed 6/14/16
- Journey Lineworker – Tyler Malloy will begin June 13, 2016
- Railroad Leases – MN Legislature passed the bill for one-time fee of \$1,250 for railroad utility crossing leases.
- Building improvement analysis for old health club building on hold due to annexation discussions.

Old Business

None

New Business

None

Adjournment

Motion by Commissioner Wroolie and seconded by Commissioner Neshiem to adjourn the meeting at 10:15 AM. Meeting adjourned.