

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on September 28, 2021.

Commission President Johnson called the meeting to order.

Commission Roll Call

Mike Angland – Present

Tad Johnson – Present

William Wroolie – Absent

Mark O’Day – Present

Dolly Matten – Present

Utility Staff Present

Finance Director

Superintendent

Recording Secretary

Accounting Supervisor

Operations Supervisor

Todd Wicklund

Scott Magnuson

Mandy Selisker

Julie Batters

Trent Hawkinson

Others in Attendance

Brainerd City Administrator

City of Brainerd HR Director

Jennifer Bergman

Kris Schubert

Commission President Johnson opened the meeting with the Pledge of Allegiance.

Approval of Minutes and Consent Items

Motion by Commissioner Angland and seconded by Commissioner Matten to approve the minutes of the regular monthly meeting of August 31, 2021, and approval of payment for the current month bills. There was a unanimous roll call vote in favor of the motion. Motion carried.

Public Forum

None

President’s Report

- President Johnson stated he and Commissioner Angland attended the Annual Employee Appreciation lunch on September 15 and it went well.

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Other Commissioners' Reports

- Commissioner Angland recognized Commissioner Wroolie for being highlighted in the MMUA Resource and noted BPU was also mentioned regarding the City of Grand Rapids recovery and mutual aid.

City Administrator Report

City Administrator Bergman reported on the following:

- City Engineer Paul Sandy sent out a draft of the Street Light policy for review. The goal for proposed policy is to assist Council by giving clarity and consistency to the process.
- Charter Commission met on September 8, 2021, at 5:00 pm. Superintendent Magnuson and Finance Director Wicklund presented how BPU operates compared to current language in Charter. The Charter Commission has asked for BPU and City staff to meet and develop a redline draft of possible changes to Public Utilities chapter of the Charter. The City Attorney is also working on a redline draft. Next meeting is the second Wednesday in October. Commissioner Matten wanted to clarify the purpose of this update. City Administrator confirmed that there was money put into the 2021 budget for this project. The goal being to condense, update, change and make Charter more consistent. Target dates for completion is for the Public Utilities chapter to be wrapped up at the next meeting and the entire Charter at the end of the year.
- September 23, 2021 was the Minnesota Senate Capital Investment Committee bonding tour at CLC. Superintendent Magnuson presented on the water storage tank project. City Administrator Bergman and Magnuson thought it went well.
- \$6,905,000 in General Obligation Bonds were issued at a 1.22% interest rate. The proceeds will finance water storage tank project as well as City improvement projects.
- Sesquicentennial celebration was successful and had better than expected attendance. Commissioner Johnson gave kudos to the success of the event. City Administrator Bergman stated a large amount of credit goes to Communications Intern, Jessie Ernster, who did a phenomenal job with this event. Commissioner Matten agreed.

Finance Director's Report

August 2021 financial report highlights:

1. Total operating revenue increased \$1.4 million (8.1%) from 2020.
2. Power costs increased \$1,024,000 (14.2%) from 2020. The changes are related to the following:
 - Energy - \$279,000
 - Demand - \$154,000
 - Transmission (MISO) - \$591,000
3. Total operating expenses increased \$1.8 million (11.2%) from 2020.
4. Change in net assets increased \$589,000 from 2020. This change includes \$976,000 capital contribution received from City to BPU related to WAC charges.
5. Total cash and investments increased \$578,000 (3.4%) from 2020. Total receivables decreased \$541,000 while inventory increased \$219,000 from 2020.
6. Change in net position for Electric Dept. decreased \$914,000 from 2020.
7. kWh sold for 2021 increased 5.9% while utility revenue increased 3.5%.
8. Change in net position before capital contribution from City for Water Dept. is \$752,000 for 2021 compared to negative \$53,000 for 2020.
9. Gallons of water sold increased 271.5 million from 2020. 2021 sales include sales to Baxter of 228.1 million gallons.

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10. Change in net position for Wastewater Dept. is a negative \$44,769 for 2021 compared to \$227,700 for 2020.
11. Wastewater gallons processed increased 4.2% while utility revenue is up 3.3%.

Finance Director Wicklund noted BPU continues to look for an opportunity to invest in a MISO transmission project to hedge against the increasing MISO transmission charges included on the monthly power bill received from AEP. There was discussion around hurdles for smaller municipalities and potential for partnership with other municipalities for future transmission projects. Hydro has been working on deferred maintenance. Wastewater Supervisor Gammon and Wicklund have been reassessing estimated useful lives of wastewater treatment capital assets.

Days cash on hand as of August 31, 2021, 2020, and 2019:

1. Combined – 156, 175 and 153
2. Electric – 105, 114 and 72
3. Water – 40, 73 and 186
4. Wastewater – 484, 543 and 561

2021A General Obligation Bonds

The Bonds were awarded on September 20th by City Council. The BPU portion of the bonds were originally scheduled to be issued at \$5,915,000, however there was a significant premium of \$675,000 associated with the issuance of the bonds which was applied to the bonds reducing the principal to \$5,250,000. The anticipated true interest rate was calculated at 1.69% however the actual interest rate is 1.22%. There were 6 bidders on the bonds which made them more competitive. Overall, a good outcome. Proceeds will be expected at the end of October.

USDA Rural Energy Savings Program (RESP)

Wicklund recommended BPU apply to the USDA Rural Energy Savings Program (RESP) for a \$2 million zero percent loan which in turn can be lent to BPU customers to make cost-effective energy improvements. BPU will work with its energy conservation consultants at Frontier Energy to develop programs that will best fit our customer base. The goal of this program will be to focus more on residential customers but would be eligible to commercial as well. Loans to customers would be at a low interest rate and attached to their utility bill. In a scenario of non-payment, it would go through a similar disconnection process as their utility bill. Commissioner Matten asked if \$2 million is enough or we should consider applying for more. Finance Director Wicklund stated BPU could request additional funding if deemed necessary. Commissioner Johnson asked about loan application process for BPU customers and Wicklund noted that will occur once the application process has been completed.

Motion by Commissioner O'Day and seconded by Commissioner Matten to move forward with the application to the USDA RESP program in the amount of \$2 million. There was a unanimous roll call vote in favor of the motion. Motion carried.

AEP Airport Solar Project

Wicklund stated AEP has requested that the Airport solar project be put on hold until December. There are international supply and cost issues outside of BPU and AEP control. Factors include cost of panels, tariffs, and availability of materials. Commissioner Johnson asked if we have a contract with AEP why are we concerned with the price of materials. Finance Director Wicklund noted that the contract price is

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tentative at this time. AEP is requesting the Solar Power Purchase Agreement be amended by extending the Conditional Period to commence construction from September 30, 2021, to May 2, 2022.

Motion by Commissioner Matten and seconded by Commissioner Angland to approve the third amendment to the AEP Solar Power Purchase Agreement by extending the Conditional Period to commence construction to May 2, 2022. There was a unanimous vote in favor of the motion. Motion carried.

HR Director's Report

Noted

Superintendent's Report

Water Department

- Projects

- Southeast road project all done; streetlights are getting wrapped up.
- Baxter water: 38 million gallons sold in September down from 46 million in August.
- Water storage tank project: started exploratory digging and working on bypass plan. Plan is to work on the tank while waiting for the pipe. Met with the Minnesota House Bonding Committee to discuss project and bonding money and it went well.
- Airport extension project: Airport is extending watermain and sewer out to existing DNR tanker base where a new ARFF/SRE (airport rescue & firefighting/snow removal equipment) building will be constructed. They will be moving fire equipment closer to the runway. Ryan Contracting will be working on this and Trent and the BPU electric crew will do some electric re-routing. Estimated start date is currently October 11th.

Wastewater Treatment Department

- Projects

- Ongoing plant and lift stations maintenance.
- Fall biosolids applying going on now.
- River crossing/main lift upgrade: Currently getting quotes to drill one new line under the River and bypass the vaults on either side of the River. The valve on east side of the River has been vandalized over the years so this would get rid of both of those existing valve pits. Commissioner O'Day asked about the cost. Superintendent Magnuson noted WSN engineer talking to a couple different drillers for estimates.
- Bolton & Menk still working on the future biosolids project.

Electric Department

- Outage report

- August 29, 2021: broken cutout on McKay Road – 3 meters out, 1 hour
- September 5, 2021: fuse failure on 400 block of Washington Street – 1 meter out, 1 hour 15 minutes
- September 8, 2021: feeder fuse failure on north side of Washington Street – 56 meters out, 30 minutes
- September 9, 2021: tree on service wire at 1600 block of 10th Avenue – 4 meters out, 40 minutes
- September 20, 2021: tap fuse open on Thiesse Road – 1 meter out, 1 hour and 20 minutes

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- Electric crew projects:
 - Ongoing north Brainerd rebuild.
 - Still working on AMI's.
 - Streetlight policy: City is working on a policy for streetlights for spacing, style, cost, etc. Plan is to replace only as street projects come along.

Hydro Department

- All generators off-line – River at 388 cfs and starting to trend upward. Will try to get one generator running Thursday.
- FERC re-licensing ongoing; there is a call on Thursday to discuss. Adele has left Barr Engineering and Tyler will be working with us now.
- City Attorney had a voicemail from an attorney out of Stillwater representing AMJET. New attorney asked about AMJET removing equipment. Superintendent Magnuson is questioning if they will be looking into removing the gate. Commissioner Matten noted that this is a fixed item. City attorney was still waiting on a call back to get details. Gate cost alone was approximately \$110,000.

Other

- Watering restrictions: DNR has downgraded us out of severe drought and BPU recommends removing watering restrictions.
- Cold weather rule goes into effect Friday, October 1st. Commissioner Matten inquired about delinquent bills carrying over from COVID impact. Accounting Supervisor Batters noted most have been taken care of. Batters also noted the new program this year with Energy Assistance to assist with water and sewer charges.
- Commissioner O'Day inquired if road project by South 6th street/Joseph Street is still on the radar. Superintendent Magnuson confirmed it is on schedule for 2022.

Motion by Commissioner Matten and seconded by Commissioner Angland to remove watering restrictions. There was a unanimous vote in favor of the motion. Motion carried.

Old Business

None

New Business

None

Motion by Commissioner O'Day and seconded by Commissioner Angland to meet in closed session for the purpose to discuss union negotiation strategy pursuant to M.S. Section 13D.03, Subd. 1(b). There was a unanimous vote in favor of the motion. Motion carried at 10:00 AM.

Those in attendance at the closed session included the Commissioners Johnson, Matten, O'Day, Wroolie, and Angland, and BPU and City staff - Wicklund, Magnuson, Bergman, and Schubert.

The Chair reconvened the meeting into open session at 10:09 AM.

Motion by Commissioner O'Day and seconded by Commissioner Matten to recommend City Council approve tentative labor agreement with USW Local 9230 Unit 09 for Hydro employees for the years 2022 through 2024. There was a unanimous roll call vote in favor of the motion. Motion carried.

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Motion by Commissioner Matten and seconded by Commissioner Angland to meet in closed session for the purpose to evaluate the performance of Superintendent Magnuson and Finance Director Wicklund pursuant to M.S. Section 13D.05, Subd. 3(a). There was a unanimous vote in favor of the motion. Motion carried at 10:10 AM.

The Chair reconvened the meeting into open session at 11:0 AM.

Adjournment

Motion by Commissioner O'Day and seconded by Commissioner Angland to adjourn at 11:00 AM. Meeting Adjourned.

Tad Johnson, Commission President

Todd Wicklund, Commission Secretary