

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on November 30, 2021.

Commission President Johnson called the meeting to order.

**Commission Roll Call**

Mike Angland – Present

Tad Johnson – Present

William Wroolie – Present

Mark O’Day – Present

Dolly Matten – Present

**Utility Staff Present**

Finance Director

Superintendent

Recording Secretary

Accounting Supervisor

Operations Supervisor

Wastewater Supervisor

Todd Wicklund

Scott Magnuson

Mandy Selisker

Julie Batters

Trent Hawkinson

Charlie Gammon

**Others in Attendance**

Brainerd City Administrator

Jennifer Bergman

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

**Approval of Consent Items**

**Motion by Commissioner Wroolie and seconded by Commissioner O’Day to approve the minutes for the regular monthly meetings of September 28, 2021, and October 26, 2021, as well as payment of the current month bills. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**Public Forum**

None

**President’s Report**

- Charter Commission update: President Johnson reported the Charter Commission’s proposal is to take hiring power and place it squarely on the shoulders of the City Council. BPU Commission and leadership may still make recommendations. City Administrator Bergman added that staff has the ability to hire at Steps 1 through 4 and then have it ratified by the City Council. Anyone hired above Step 4 must be approved by the City Council. Superintendent Magnuson stated the

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Commission gave BPU approval to hire at Step 5 previously. Bergman added that there was discussion with Superintendent Magnuson and Finance Director Wicklund with regards to Step 5 being market and requesting the policy be updated to have the authority to hire up to a Step 5. This would be the recommendation that would need council approval and could be presented in January's council meeting. Commissioner O'Day asked if prior approval is needed before posting a job. Bergman confirmed yes, prior to posting the job the council is made aware of the posting and wage range as more of a formality. Commissioner Matten noted that these changes should go hand in hand with the Charter change.

### **Other Commissioners' Reports**

- None

### **City Administrator Report**

City Administrator Bergman reported on the following:

- Crypto Currency Mining: The City of Brainerd currently has two letters of intent for the purchase of four lots in the Industrial Park. B & D Power Solutions, LLC intent is for two lots furthest east and Clough Properties, LLC is for two lots to the east of the Fed Ex facility. These will be on the December 2 EDA meeting agenda. City Staff is recommending the lots be conveyed to the EDA so that there is a right of reverter if the developer's agreement is not kept. The first meeting to discuss this will be on Thursday morning. President Johnson inquired about the requirements for a structure. City code requires them to put a structure up but would be a specific question for David Chanski and the City. City Administrator Bergman noted that the City can move more quickly with special meetings depending on how negotiations go.
- City Council did approve their 2022 budget tax levy. Council suggested staying at a 2% increase to the levy. Included with the budget is a HR Assistant for 2022.
- Charter Commission: November 15<sup>th</sup> City Council meeting included the first reading of the Charter and passed 7-0. The second reading and public hearing will be at December 6 Council Meeting.

### **Finance Director's Report**

October 2021 financial report highlights:

1. Total operating revenue increased \$1.8 million (8.4%) from 2020.
2. Power costs increased \$1,123,000 (12.7%) from 2020. The changes are related to the following:
  - Energy - \$454,300 (kWh purchased increased 7.8%)
  - Demand - \$151,100
  - Transmission (MISO) - \$502,700 (actual kW demand increased 13.7%)
3. Total operating expenses increased \$2.1 million (10.6%) from 2020.
4. Change in net assets increased \$480,700 from 2020. This change includes \$976,000 capital contribution received from City to BPU related to WAC charges.
5. Total cash and investments increased \$7.3 million from 2020 of which includes water bond proceeds and premium received of \$5.8 million. Total receivables decreased \$863,800 while inventory increased \$86,000 from 2020.
6. Change in net position for Electric Dept. decreased \$863,700 from 2020.
7. kWh sold for 2021 increased 5.9% while utility revenue increased 3.8%.
8. Change in net position before capital contribution from City for Water Dept. is \$842,000 for 2021 compared to \$63,500 for 2020.

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9. Gallons of water sold increased 341.2 million from 2020. 2021 sales include sales to Baxter of 298.4 million gallons. BPU additional operating costs related to sales to Baxter approximate \$134,300.
10. Change in net position for Wastewater Dept. is a negative \$176,700 for 2021 compared to a positive \$234,300 for 2020.
11. Wastewater gallons processed increased 3.7% while utility revenue is up 3.1%.

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

1. Combined – 245, 178 and 164
2. Electric – 121, 117 and 89
3. Water – 677, 57 and 117
4. Wastewater – 471, 553 and 588

### Crypto Mining and Data Center Opportunities

B & D Power Solutions, LLC: Referred to BPU through AEP BPU's power provider and were the first to initiate intent to purchase 50 MW of power and willing to pay all related capital costs to get power to their location.

Clough Properties, LLC: Clough's intent is to start smaller in hopes of becoming larger. Looking to initially purchase 10 MW and to purchase an additional 10 MW later in 2022. Also considering an expansion of Just for Kix operations.

Finance Director Wicklund reported AEP is currently reviewing energy rates for this scenario. Substation charges will be added above and beyond energy use and additional deposits to cover the agreement that BPU would need to sign with AEP if the business would happen to leave earlier than projected. Wicklund also noted that this would be an interruptible load for these businesses, and they are aware. Potential bill between these two companies could be \$3 million per month. BPU would need to decide what the substation charge would be. Substation cost has not yet been determined. B & D Power Solutions has stated they would participate in the costs of building an Industrial Park substation. Commissioner O'Day expressed concern over what protection BPU would have with getting paid. O'Day mentioned collecting collateral or putting the cost of the substation in the terms of their contract.

Finance Director Wicklund noted that there was a third group that had expressed interest but hasn't moved forward with anything yet.

Crypto mining would be the interruptible load and the Data Centers would be uninterruptable which would require two different power sources from two separate transmission lines. Commissioner O'Day asked if this could possibly be a way for BPU to get into owning their own transmission lines. Superintendent Magnuson and Finance Director Wicklund noted that potentially being an owner of a transmission line could be a future project.

City Administrator Bergman noted that one of the contingencies of B & D Power Solutions, LLC will be to be able to have access to the amount of power that they are requesting so that agreement may take longer than the land transfer. President Johnson discussed potential risk but still being able to sell to a secondary market while Commissioner O'Day expressed concern with non-payment. Finance Director Wicklund stated that this would likely become an account that would be billed bi-weekly with repercussion for non-payment being on its own schedule. Commissioner Angland questioned

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governments intent with bitcoin mining. Finance Director Wicklund noted that this is becoming more accepted but increasingly harder to mine. Another update will be provided at the December 21<sup>st</sup> commission meeting. Commissioner Matten suggested tiering the fee structure higher in the first few years then tapering off once they build a credit history with us. Commissioner O'Day stated that he was skeptical of the project.

### Rural Energy Savings Program (RESP)

The formal loan application is due in 90 days. There are several items that are being requested including signed cover letter, resolution from the City Council, legal documentation of BPU's existence (Charter), multi-tiered agreement for loan review process, collateral, BPU customers required to have the payment on their utility bill, and a ten-year forecast.

Some of the broad categories that are eligible for this program would be lighting, HVAC, building envelope improvements, compressed air, water heaters, improvements to Hydro and EV charging station. The program also noted that it is not limited to only electricity. President Johnson asked if BPU would be subject to the Federal Fair Lending Act. Commissioner Matten inquired if BPU would be liable if loan is not repaid. Wicklund noted that the delinquency rate of this program is low according to RESP officials but BPU would establish a loan delinquency reserve.

### Potential Solar Project

BPU meet with a developer regarding a potential solar array at the Wastewater Treatment Plant location. A proposal will be put together to review.

Next Board meeting is scheduled for December 21<sup>st</sup>, 2021.

### HR Director's Report

- Noted

## **Superintendent's Report**

### Water Department

- Projects
  - Baxter water: 19.6 million gallons sold in October. Scheduled completion date for their project is February 2022.
  - Water storage tank project: currently working on bypass plan and tree removal is done. Pipe was expected to arrive yesterday.
  - Two-year warranty inspection on South tower is due now, but due to leak right after completion, BPU will do a complete drain down and inspection in the spring, and the contractor can check the fix and paint it in warmer weather. No other issues are expected.
  - Crews still working on AMI's with both electric and water being out about two months for completion.

### Wastewater Treatment Department

- Projects
  - Ongoing plant and lift station maintenance.
  - Fall biosolids application complete with 3MG applied this cropping year in comparison to 2.8 MG last year.

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### **Electric Department**

- Outage report
  - 1 outage caused by a bird with 1 meter out for 1 hour 30 minutes.
- Electric crew projects:
  - North Brainerd rebuild: poles set so crews can work on lines through winter months.
  - Installing AMI's.
  - Streetlight policy: BPU staff still gathering info on different pole costs and estimates send to City Engineer Paul Sandy.
  - 150 year banners: all banners are down and holiday banners are back up downtown. Staff working on policy for future banner installs.

### **Hydro Department**

- Five generators running, river at 2220 cfs as of November 22, 2021. On November 30, 2021, generator's one and two are at 100% with four and five at 70%.
- Buoy's removed for the season and researching a small dock system to facilitate a safer install and removal process.
- FERC re-licensing ongoing. Cultural study is the last item, with all four properties looked at and nothing stood out. Information sent to SHPO for their blessing and then awaiting the final approval from FERC for May 2023 renewal.

### **Old Business**

- Commissioner O'Day reported that Minnesota Power submitted a proposed rate increase of 16-17% and would like to see a recommendation for a BPU electric rate increase at next month's meeting.

### **New Business**

- Received Clifton Larson Allen 2021 audit proposal for \$24,150.

**Motion by Commissioner Wroolie and seconded by Commissioner O'Day to approve and authorize signing the engagement letter. There was a unanimous vote in favor of the motion. Motion carried.**

- Policy to charge City of Brainerd for projects performed by BPU (Policy 2021-02). There was clarification from Commissioner Matten that BPU covering 50% of the cost was a one-time decision for the Downtown Business Coalition. Superintendent Magnuson noted this was a draft. Commissioner O'Day stated that if BPU is not falling behind on projects a 50% reimbursement of wages seems acceptable. Operations Manager Hawkinson noted that in high traffic areas there is an overtime cost due to safety. In addition, BPU staff getting questions about labor costs being used for one area of the City and how staff should field questions going forward. Commissioner O'Day noted that he would like to see a right to refuse clause added to the policy so depending on current workload they are not obligated. Clarification on maintenance calls to be fielded by the City and consulting with Hawkinson as needed. Commissioner Matten also wanted clarification on City sponsored project versus a third-party request. President Johnson would like to see more flexibility in the ability to charge.

**Motion by Commissioner Wroolie and seconded by Commissioner O'Day to table the City of Brainerd Charges policy. There was a unanimous vote in favor of the motion. Motion carried.**

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**Presentation of 2022 to 2026 Capital Improvement Budget**

Superintendent Magnuson reviewed the 2022 through 2026 capital improvement budget. The significant projects for each department for 2022 are as noted.

**Electric Department – Total of \$1,801,000 for 2022**

- 34.5 kV Distribution Expansion Improvements - \$500,000
- St. Joseph Substation upgrade - \$700,000
- System Distribution Transformers - \$200,000
- Energy Efficient Street Lighting - \$60,000

**Water Department – Total of \$7,350,000 for 2022**

- Filter Bed Improvements - \$100,000
- 2 million Ground Reservoir - \$6,000,000
- City Watermain Projects - \$850,000

**Wastewater Treatment Department – Total of \$3,100,000 for 2022**

- WWTP PLC Upgrades - \$60,000
- SBR Motive Pumps - \$100,000
- Storage Tank/Biosolids Upgrades - \$500,000
- Gravity Belt Thickener (GBT) Poly Replacement Skids - \$130,000
- Control Panels at Lift Stations - \$215,000
- Evergreen Lift Station improvements - \$200,000
- Main Lift Station Improvements - \$1,490,000

**Hydro Department – Total of \$491,000 for 2022**

- Roof Repair - \$50,000
- Generator Maintenance - \$50,000
- Governor Automation - \$200,000
- FERC relicensing - \$30,000

**Administration Department – Total of \$414,100 for 2022**

- Exterior Security Fence/Gate/Parking lot - \$45,000
- Computer System Improvements - \$150,000
- SCADA Upgrades - \$130,000
- Utility Software Upgrade - \$50,000

**Motion by Commissioner O'Day and seconded by Commissioner Wroolie to approve 2022 to 2026 Capital Budget. There was a unanimous roll call vote in favor of the motion. Motion carried.**

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### Presentation of 2022 Operating Budget

Finance Director Wicklund presented the following 2022 Operating Budget.

#### Combined All Departments

- Projected actual total revenue for 2021 excluding the transfer of WAC funds from City is \$29.7 million. Commercial water sales for 2021 include approximately \$995,000 of sales to Baxter. Budgeted revenue for 2021 is \$27.9 million and the 2022 budget total revenue is projected to be \$29.3 million.
- Projected actual total expenses for 2021 is \$28.6 million of which the two largest items are purchased power of \$12.3 million and depreciation of \$5.4 million. Budgeted expenses for 2021 are \$26.4 million of which the two largest items are purchased power of \$11.0 million and depreciation of \$4.8 million. Budgeted expenses for 2022 are projected to be \$28.6 million with purchased power being \$12.4 million and depreciation being \$5.1 million.
- Projected actual change in net position for 2021 is \$2.1 million while budgeted amount was projected to be \$1.5 million. Budgeted amount for 2022 is projected to be \$622,600.

#### Graph of Total Revenue and Expenses for All Departments

- The change in net position as a percentage of total revenue for the years 2018 – 2021 is 8.8%, 8.7%, 8.2%, and 6.7%, respectively. The percentage for the 2021 and 2022 operating budget is 5.4% and 2.2%, respectively. A Cost of Service (COS) will be performed in 2022 for all three utilities. A COS study is generally done every five years.

#### Analysis of 2022 Operating and Capital Budget

- Total 2022 capital projects (net of those projects financed with bond proceeds) of \$7.2 million are projected to be financed through operations in the amount of \$4.8 million and \$2.4 million by use of cash reserves.

**Motion by Commissioner O'Day and seconded by Commissioner Matten to approve 2022 Operating Budget. There was a unanimous roll call vote in favor of the motion. Motion carried.**

- President Johnson requested to have BPU staff look into adding some additional lighting at Hitch Wayne Park.

#### **Adjournment**

**Motion by Commissioner Wroolie and seconded by Commissioner O'Day to adjourn to the City Council meeting on December 6, 2021, at 7:30 PM at the Council Chambers. Motion carried at 11:00 AM.**

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Tad Johnson, Commission President

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Todd Wicklund, Commission Secretary