

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on February 22, 2022.

Commission President O'Day called the meeting to order.

**Commission Roll Call**

Mike Angland – Present

Tad Johnson – Present

Patrick Wussow – Present

Mark O'Day – Present

Dolly Matten – Present

**Utility Staff Present**

Finance Director

Superintendent

Recording Secretary

Accounting Supervisor

Accounting Supervisor

Operations Supervisor

Wastewater Supervisor

Todd Wicklund

Scott Magnuson

Mandy Selisker

Julie Batters

Jana Pernula

Trent Hawkinson

Charlie Gammon

**Others in Attendance**

Brainerd City Administrator

Jennifer Bergman

Commission President O'Day opened the meeting with the Pledge of Allegiance.

**Approval of Consent Items**

**Motion by Commissioner Wussow and seconded by Commissioner Matten to approve the minutes for the regular monthly meetings of January 25, 2022, and payment of the current months' bills. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**Public Forum**

- None

**President's Report**

- Commission President O'Day appointed Commissioners Angland and Johnson to the Finance Committee as well as Commissioners Matten and Wussow to the Human Resource Committee.

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

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### **Other Commissioners' Reports**

- None

### **City Administrator Report**

City Administrator Bergman reported on the following:

- City Council will be having a workshop on February 28th to start discussing ARP (American Rescue Plan) funds. The City will be receiving \$1.5 million of which one-half has been received already and other half in June or July. Ideas will be discussed at the department head meeting later this morning to present to the Council. Some ideas have been water storage tanks and biosolids projects.
- Country Manor has purchased land on Beaver Dam Road for their development of an assisted living/memory care facility. They have made a formal request to the City Council for tax abatement. They are not interested in TIF as it would not be an affordable project. City Council did agree to 10 years at 45% of the City's taxes. They were also encouraged to approach the County and School District to see if they would abate their portion as well. Country Manor is attending the County meeting on March 15<sup>th</sup>. City Council did leave the door open to come back to the Council if the other agencies are not able to abate their portion.
- Street Light Policy is being presented at the City Council meeting tonight.
- Changes were made to the Charter regarding contributions for Community Action, Arboretum (Green Space) and Programs for Senior Citizens. They also removed the term 'Mill' due to outdated terminology. All three of the 10-year agreements for the contribution groups expire in 2022 so the City Council did a request for proposals for any organization in those three categories. Those requests are due March 10<sup>th</sup> and will then be reviewed by the Personnel and Finance Committee where they will review and make recommendations. The sub committee recommended a 5-year agreement this time.

### **Special Presentation – BPU Main Pump Station Bypass and River Crossing Improvements**

Presented by Scott Magnuson (Lawrence Van Hout, P.E., of Widseth was unable to attend)

Key points included:

- The West Vault is deteriorating fast – engineer's estimate to rehab both vaults which would leave the existing pipes. Total estimated cost is \$656,350.
- Drill a new line and bypass two existing vaults and pipes at an estimated cost of \$1.2 million.
- Part 2 of the project would be the Bypass Lift Station project and installation. This would be looked at a potential 2023 project.
- The East Vault could be sealed and donated to the Rotary Club for a potential bird watching lookout.
- President O'Day asked if ARP funds would be an option for assisting with costs. Superintendent Magnuson confirmed that this would be discussed at department head meeting this afternoon.
- Commissioner Johnson also inquired about other options for funding. Finance Director Wicklund noted that the options would be ARP funds with reserves as a potential back up option.

**Motion by Commissioner Matten and seconded by Commissioner Wussow to approve going out for bids for the Main Pump Station Bypass and River Crossing Improvements. There was a unanimous vote in favor of the motion. Motion carried.**

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### Finance Director's Report

#### December 2021 Financial Report Highlights:

1. Total operating revenue increased \$2.2 million (8.5%) from 2020.
2. Power costs increased \$1,461,800 (13.8%) from 2020. The changes are related to the following:
  - o kWh Purchased – Increase of 11.8 million (7.4%) from 2020
  - o Energy - \$516,600 – Increase of 7.4% from 2020
  - o Demand - \$147,800 – Increase of 8.7% from 2020
  - o Transmission (MISO) - \$782,400 – Increase of 41.3% from 2020
3. Total operating expenses increased \$2.6 million (10.4%) from 2020.
4. Change in net assets increased \$153,700 from 2020. This change includes \$976,000 capital contribution received from City to BPU related to WAC charges.
5. Total cash and investments increased \$7.4 million from 2020 which includes \$5.5 million in water project bonding proceeds. Total receivables decreased \$671,000 while inventory increased \$131,400 from 2020.
6. Change in net position for Electric Department decreased \$1.1 million from 2020.
7. kWh sold for 2021 increased 3.7% while utility revenue increased 3.9%.
8. Change in net position before capital contribution from City for Water Dept. is \$770,900 for 2021 compared to negative \$101,600 for 2020.
9. Gallons of water sold increased 375.2 million from 2020. 2021 sales include sales to Baxter of 338.4 million gallons.
10. Change in net position for Wastewater Department is a negative \$302,300 for 2021 compared to a positive \$295,800 for 2020.
11. Wastewater gallons processed increased 0.8% while utility revenue is up 3.5%.

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

1. Combined – 240, 169 and 157
2. Electric – 120, 110 and 81
3. Water – 664, 13 and 108 – includes some bond proceeds
4. Wastewater – 494, 562 and 569

#### Discussion of the following AEP Agreement Amendments:

11<sup>th</sup> Amendment (PPA) – Purchase of energy from AEP related to crypto mining customers.

Target date to complete is March 3<sup>rd</sup> due to MISO system. Future discussion may evolve around a third-party notification entity to assist crypto customers with rates.

Commissioner Johnson inquired about at what point are these companies not interested in moving forward based on pricing. Finance Director Wicklund, Commission President O'Day and Operations Manager Hawkinson discussed that based on capacity, price does not seem to be a concern. Excess capacity is more difficult to find currently, and they are betting on future prices rather than current and less competition is most appealing at this point.

**Motion by Commissioner Johnson and seconded by Commissioner Matten authorizing finalization of 11<sup>th</sup> Amendment and authorizing the bitcoin subcommittee to join in finalizing the final agreement and subject to ratification at next month meeting. There was a unanimous roll call vote in favor of the motion. Motion carried.**

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4<sup>th</sup> Amendment to Solar PPA – Finalization of agreement terms so construction can be started at the airport.

Finance Director Wicklund discussed that since getting approval in August of 2021 the price per megawatt hour has increased from \$61.50 to \$68.75. Costs of materials and timing have all played a factor. Potential benefit at this current price point is \$3.8 million. Contractor is ready to go once approval is received. BPU would also like to incorporate the WWTP Solar project at the same time.

Potential savings could exist down the road to purchase the entire facility in future years 8, 9, or 10.

Commissioner Johnson inquired about potential battery storage for this resource. Finance Director said that will be a future goal but at this time, not being proposed.

**Motion by Commissioner Johnson and seconded by Commissioner Matten approving the 4<sup>th</sup> amendment to Solar PPA and authorizing to move forward. There was a unanimous roll call vote in favor of the motion. Motion carried.**

Discussion of the following agreements with crypto mining customers:

1. Purchase Power Agreement for 50 MW load with VCV Digital Infrastructure Minnesota, LLC.
2. Purchase Power Agreement for 20 MW load with Just for Krypto, LLC.

BPU's attorney assisted in drafting agreements. Future discussions are needed with both AEP and the bitcoin subcommittee.

A few items discussed:

- Both entities will be billed semi-monthly with the first bill being an estimate and the second bill being a true-up statement.
- Due to being identified as data centers they are potentially going to be claiming sales tax exemption status. No ST3 has been received at this time.
- Deposits would need to be cash or letters of credit.
- Land purchase is still in negotiations with VCV Digital Infrastructure Minnesota, LLC and the City.

Commissioner Johnson and Commission President O'Day expressed thanks for the extra work and time towards all management on this project and appreciate the future benefit to the City of Brainerd.

**Motion by Commissioner Johnson and seconded by Commissioner Wussow for approval of the Purchase Power Agreements for VCV Digital Infrastructure Minnesota, LLC, and Just for Krypto, LLC. There was a unanimous roll call vote in favor of the motion. Motion carried.**

Water Storage Tank Project

BPU received pay request No. 3 in the amount of \$104,822.18 from Magney Construction, Inc. for Water Storage Tank Project.

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**Motion by Commissioner Johnson and seconded by Commissioner Matten for approval and payment of the third pay request from Magney Construction, Inc. in the amount of \$104,822.18. There was a unanimous roll call vote in favor of the motion. Motion carried.**

### HR Director's Report

- Noted

Next Board meeting is scheduled for March 29, 2022.

Finance Director Wicklund recognized Accounting Supervisor Julie Batters for her 41+ years of service and her last commission meeting today. Julie also extended her thanks and appreciation for all the support.

### **Superintendent's Report**

#### **Water Department**

- Projects
  - Baxter water: 20.6 million gallons sold in January. April 1<sup>st</sup> is still the expected completion date for their plant.
  - Water storage tank project: BPU received the third pay request from Magney Construction. Project progress includes demo on concrete tank and retaining wall, rebar mats tied together and starting earthwork on first part of tank.
  - AMI's are complete except for a few additional to order.
  - Water main break on Washington Street and NW 6<sup>th</sup>.
  - Water main break on Wright Street and South 8<sup>th</sup> St.
  - Crews working on clearing snow around hydrants

#### **Wastewater Treatment Department**

- Projects
  - Ongoing plant and lift station maintenance
  - Solar Project at WWTP – still working on feasibility
  - River crossing/main line down East River Road - discussed earlier
  - Looking at updating tractor used for Biosolids program. Current tractor purchased in 2011 has been having ongoing issue and would like to trade in on a new purchase (different brand) on a government contract. Lead time is 18 months so it would be included in the 2023 budget. Cost is approximately \$200,000 after trade in.

**Motion by Commissioner Angland and seconded by Commissioner Wussow for approval to move forward with the order and purchase of a new tractor for the WWTP. There was a unanimous roll call vote in favor of the motion. Motion carried.**

- Supervisor Gammon is hosting a conference on April 19, 2022, at the WWTP with MWWA. There was a request for a Commissioner to volunteer to make an introduction.

#### **Electric Department**

- Outage report
  - January 21, 2022 – jumper broke on a slack span on South 11<sup>th</sup> Street – 2 meters out 34 minutes.

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- January 24, 2022 – underground splice failed on CR 142 – 1 meter out 1 hr. 45 minutes.
- January 31, 2022 – squirrel faulted transformer on 13<sup>th</sup> Ave – 8 meters out 27 minutes.
- Electric crew projects:
  - Building new feeder to Industrial Park for 50 MW project – setting poles this week.
  - AMI's are complete with just a few loose ends to tie up.
  - Streetlight policy: being presented today at the City Council meeting.
  - St. Joes Substation – received the following pricing from Diversified Power Services, the engineering firm engaged to oversee this project for the control house for MV switchgear and the 7500 kVA transformer. The total budget amount for this project is \$1.4 million.

### Control House for MV Switchgear

States Manufacturing Corp.	\$723,712.00
AZZ Switchgear Systems	\$672,457.00
Global Power Components (GPC)	\$628,102.00

### 7500kVA Transformer

Virginia Transformer Corp. (VTC)	\$450,625.00
Maddox, Inc.	\$728,700.00
Hitachi Energy USA (ABB)	\$539,468.00

Staff recommendation is to award project components to GPC and VTC in the amounts of \$628,102.00 and \$450,625.00, respectively. Total project cost would be \$1,078,727.00 which is below estimated budget amount. This project is updating 1961 equipment recycled from a former city to current technology.

**Motion by Commissioner Johnson and seconded by Commissioner Matten for approval to move forward with awarding contracts to low bidders, GPC and VTC in the amounts of \$628,108.00 and \$450,625.00, respectively. There was a unanimous roll call vote in favor of the motion. Motion carried.**

### Hydro Department

- Generators #1, 2, 4 and 5 at 100% with river at 2230cfs. Updated figures at meeting included: generator #1 at 100%, #2 at 80%, and #3, 4 and 5 at 60%.
- Relicensing – update: Relicensing going well with the area of potential affect including an additional 5 properties for additional research to be done on. Commissioner Matten inquired on the cost of relicensing. Superintendent Magnuson estimated cost at around \$600,000-\$700,000 which they were made aware of prior to the purchase of the dam.

### Other

MISO Interruptible Load Allowance:

- BPU needs to allow the crypto mining companies to get on the interruptible load program from MISO. This would include both Just for Krpto, LLC. and VCV Digital Infrastructure Minnesota, LLC.

**Motion by Commissioner Johnson and seconded by Commissioner Wussow to allow Just for Krypto, LLC and VCV Digital Infrastructure Minnesota, LLC to get on the interruptible MISO load program which can be revocable at any time. There was a unanimous vote in favor of the motion. Motion carried.**

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**Old Business**

- None

**New Business**

Amending or Implementation of the following Industrial Electric Rates:

**Amend Large Power Rate**

Currently the Large Power Rate is for customers with a load greater than 2.5 MW (2,500 kW). Recommendation is to change this to a demand greater than 2.5 MW (2,500 kW) and including up to 4 MW (4,000 kW).

**Create Small Industrial Rate**

Applicable to demand metered customers who have a demand greater than 4 MW (4,000 kW) and including up to 10 MW (10,000 kW). Billing demand is the kW measured during the 15-minute period of customer's greatest use during the month, as adjusted for the power factor. The billing demand is the greatest 15-minute demand during the billing period. Customers taking service under this rate shall at all times use power in such a manner that their average power factor while using the BPU system, is near to 100% as possible. If the average power factor, is less than 95%, the customer will be billed a power factor charge which is determined by subtracting the metered Demand divided by 95% from the corrected Demand and multiplying the result by the actual kW Demand rate being charge to customer.

Monthly Service Charge:	\$120.00 per month
Energy Charge:	All kWh per month @ \$0.050 per kWh
Demand Charge:	All kW per month @ \$11.75 per kW
Power Cost Adjustment:	All kWh per month @ \$0.009 per kWh
Conservation Incentive Program:	1.50% of total monthly electric charges

**Create Interruptible Medium Industrial Rate**

Applicable to demand metered customers who have a demand from 20 MW (20,000 kW) to 50 MW (50,000 kW). This interruptible demand service is subject to a 10 minute disconnect notice from MISO. Customers eligible for this rate will provide BPU with a Large Industrial Power Agreement with terms and conditions acceptable to BPU and to any other regulatory body requiring approval.

Monthly Service Charge:	\$500.00 per month
Distribution Demand Charge:	All kW per month @2.095 per kW
BPU Substation Recovery Charge:	All kWh per month @ \$0.001 per kWh
Power Supply and Transmission Service:	Actual incurred monthly pass-through costs

Power Supply and Transmission Service Costs are actual monthly costs incurred by BPU power provider American Electric Power Energy Partners (AEPEP) to supply necessary energy to BPU each month to meet electric needs of customers subject to this rate. These costs will be passed through from BPU to subject customer monthly.

**Create Interruptible Large Industrial Rate**

Applicable to demand metered customers who have a demand 50 MW (50,000 kW) or greater). This interruptible demand service is subject to a 10 minute disconnect notice from MISO. Customers eligible

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for this rate will provide BPU with a Large Industrial Power Agreement with terms and conditions acceptable to BPU and to any other regulatory body requiring approval.

Monthly Service Charge:	\$1,000.00 per month
Monthly Capacity Charge:	\$26,250.00 per month
Distribution Demand Charge:	All kW per month @0.525 per kW
BPU Substation Recovery Charge:	All kWh per month @ \$0.001 per kWh
Power Supply and Transmission Service:	Actual incurred monthly pass-through costs

Power Supply and Transmission Service Costs are actual monthly costs incurred by BPU power provider American Electric Power Energy Partners (AEPEP) to supply necessary energy to BPU each month to meet electric needs of customers subject to this rate. These costs will be passed through from BPU to subject customer monthly.

**Motion by Commissioner Wussow and seconded by Commissioner Matten to approve the implementation of the new electrical rates. There was a unanimous vote in favor of the motion. Motion carried.**

**Motion by Commissioner O’Day to adjourn to closed session for the purpose to consider or develop offers or counteroffers for the purchase of Roberts property located next to the water plant pursuant to M.S. Section 13D.05, subd. 3(c)3. There was a unanimous vote in favor of the motion. Motion carried at 10:43 AM.**

Those in attendance at the closed session included the Commissioners Matten, O’Day, Wussow, Johnson, and Angland, and BPU and City staff – Wicklund, Magnuson, and Bergman.

The Chair reconvened the meeting into open session at 11:05 AM.

**Motion by Commissioner Johnson and seconded by Commissioner Matten to recommend to Brainerd City Council to approve the purchase of the 34 acres of real property located at 1702 Pennsylvania Avenue for \$300,000 from Roberts Sand and Gravel, the seller. There was a unanimous roll call vote in favor of the motion. Motion carried.**

**Adjournment**

**Motion by Commissioner Matten and seconded by Commissioner Angland to adjourn to Brainerd City Council Meeting to be held on March 7, 2022, at 7:30 PM in Brainerd Council Chamber. Motion carried at 11:07 AM.**

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Mark O’Day, Commission President

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Todd Wicklund, Commission Secretary