

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

Wastewater Supervisor

Accounting Supervisor

Todd Wicklund

Scott Magnuson

Mandy Selisker

Charlie Gammon

Jana Pernula

Others in Attendance

Brainerd City Administrator

City Council Liaison

Jennifer Bergman

Gabe Johnson

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

Approval of Consent Items

Motion by Commissioner Wussow and seconded by Commissioner Johnson to approve the minutes from the July 26, 2022, regular monthly meeting, approval of current month's bills and meeting agenda. There was a unanimous roll call vote in favor of the motion. Motion carried.

Public Forum

- None
- Comments from the Commission
 - MMUA Summer Conference: This was held August 22-24 at Madden's Resort. Commissioners Wussow and Angland noted the MMUA Conference was beneficial, and they felt well educated and thanked BPU staff for all they do to keep them informed with emerging projects. Commissioner Matten noted that the summer conference and national conference had a lot of similar topics discussed which she appreciated knowing that discussion at a national level was being brought down to the local conference.

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Commission Committee Reports

Human Resource

- None

Finance

- Commissioner Johnson provided the following updates
 - Committee met to discuss ongoing project at Hydro that is still in the works with Barr Engineering.
 - Committee met to discuss numbers with AEP in relation to proposed solar project in Baxter. More details will be discussed on that agenda item later in the meeting.

Unfinished Business

- Solar to Rotary Park
 - Superintendent Magnuson discussed the previous motion made for this project was to work with the City not to necessarily put the line in. Clarification is needed to determine if there will be a financial concession from BPU to put the line in. Commissioner O'Day asked what the cost of the line would be. BPU Operations Manager would need to relay this estimate, however, Magnuson noted he recalled at least \$2,000 possibly even \$5,000. Commissioner O'Day would like to help in some way. Commissioner Wussow discussed that the difficulty is that the initial idea was proposed but no further details or updates have been provided from the Rotary Club. The initial request was made by the Rotary Club almost two years ago. The hesitation for BPU and the Commission would be what if nothing further happens with the proposed project and BPU incurs the cost of this line.

Commissioner Matten discussed concern with the elapsed timeline of this project in correlation with rising material costs. If BPU does assist, there needs to be a cap on the cost for BPU. Superintendent Magnuson suggested the option of donating labor but not materials. At this time, Councilman Gabe Johnson and City Administrator Bergman have not heard anything further from the Rotary Club on this specific project. Commissioner Johnson noted that he would like to see a formal request from the Rotary Club before taking action. Commissioner Angland also feels the Park Board needs to be involved too to be aware of ongoing maintenance. Commissioner O'Day requested that we get these questions answered and provide an update at next month's meeting.

New Business

Pay request No. 9 received from Magney Construction

Pay request in the amount of \$207,097.15 was received for the water tank storage project.

Motion by Commissioner Johnson and seconded by Commissioner Angland to approve pay request No. 9 to Magney Construction in the amount of \$207,097.15. There was a unanimous roll call vote in favor of the motion. Motion carried.

Utility Rate Adjustments

Finance Director Wicklund discussed the proposed rate adjustments for consideration. These recommendations come from increased costs for certain operations and maintenance expenses, supply chain issues, and escalation increases due to precious metal prices that have directly affected the utilities costs. The results of the electric cost of service study will be completed later this fall with water and

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wastewaters rate studies to follow in the spring of 2023, so an interim adjustment is needed until those studies have been completed and rates are reassessed.

- Electric Department: Recommendation to increase the Power Cost Adjustment (PCA) charge from \$0.009 to \$0.017 per kWh effective September 1, 2022. The current PCA charge is not keeping up with the power supply costs being incurred. This increase would result in approximately \$353,000 of additional revenue for the last three months of 2022.
- Water Department: Recommendation to increase the commodity charge from \$3.65 to \$3.95 per 1,000 gallons sold effective September 1, 2022. This increase would result in approximately \$26,000 of additional revenue for the last three months of 2022.
- Wastewater Treatment Department: Recommendation to increase the commodity charge from \$3.05 to \$3.35 per 1,000 gallons processed effective September 1, 2022. This increase would result in approximately \$23,000 of additional revenue for the last three months of 2022.

Commissioner Wussow thanked Finance Director Wicklund for taking the time to discuss the rates in detail with him.

Commissioner Matten commented that the PCA cost will essentially be doubled and encouraged this cost to be reviewed and adjusted on an annual basis to keep up with changing costs timely and allow it to be the pass-through cost as it is intended. Finance Director Wicklund noted that an adjustment did not happen last year due to the pandemic. The utility made the decision to not charge penalties and to not look at a rate adjustment at that time as well. Commissioner Johnson reaffirmed he is in favor of this adjustment and that PCA cost is the tool the utility uses to capture an increase in costs. The discussion concluded with increased costs being related to the MISO charges as well as industry increases of materials which are out of the utilities control.

Motion by Commissioner Wussow and seconded by Commissioner Matten to approve the three recommended utility rate adjustments. There was a unanimous roll call vote in favor of the motion. Motion carried.

Wholesale energy cost extension for planning year 31/32

An energy pricing proposal has been received from AEP for Planning Year (PY) 31/32 at a rate of \$64.96/MWh. BPU is currently under contract with AEP for wholesale energy through PY 30/31. The energy market has changed dramatically since BPU entered into energy agreements with AEP and the rates locked in through PY 30/31 will probably never be seen again.

Finance Director Wicklund presented the following two options:

- Do nothing and wait to see what the price is at some future point in the future prior to PY 31/32. If BPU waits and the actual price is \$64.96/MWh or higher, the rate increase would be at a minimum 56%. BPU would need to put aside cash reserves each year in anticipation of this situation.
- Spread the difference between the \$64.96/MWh and the current price of \$41.75/MWh for PYs prior to 31/32 to come up with a blended rate of \$44.98 for PYs 25/26 through 31/32. This method would represent a 3% rate increase per year.

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Wicklund recommends accepting the current pricing proposal and spreading the increased cost over several years which would result in reasonable annual rate adjustments. There are many factors affecting the price of energy and none of them are positive in the short-term or long term.

Discussion included:

- Commissioner O'Day is in favor of dollar cost averaging (recommended option) and looking at rates for that future time frame at 10 years out. This gives you the tool to adjust rates in advance of an increase in contracted prices at a reasonable increase.
- Commissioner Wussow inquired if this would also entail entering an additional 1-year contract with AEP. Finance Director Wicklund clarified this would be an amendment to our current contract with AEP. Wussow discussed that this revenue due to the potential blended rate would be then kept in a rate stabilization fund.
- Commissioner Johnson discussed his concern with locking in a rate at an energy peak that hasn't happened since the 1970's. Johnson stated that he is not in favor of waiting ten years before re-evaluating, however, in a period of unusually high prices, he is not in favor of locking in a guaranteed price. Finance Director Wicklund discussed that future power cost increases will also include the increase in the MISO charges and improvements that are being planned for the MISO transmission system which will be passed through with future MISO charges.
- Commissioner Angland agreed with the future increasing MISO charges and mentioned a presentation on MISO's website that went into more detail on these emerging costs.

Motion by Commissioner Wussow and seconded by Commissioner Angland to lock in rate now for Planning Year 31/32 and blend the increase over Planning Years 25/26 through 30/31. There was a roll call vote with Commissioners Angland, Matten, Wussow, and O'Day voting in favor of the motion with Commissioner Johnson opposed. Motion carried.

Sale of used vehicles

Superintendent Magnuson stated that BPU is looking to sell the three vehicles that got replaced in the last year. Commissioner Matten asked if there is a reserve set with Superintendent Magnuson confirming that they will be auctioned off via public bid and minimum bids will be set for each.

Motion by Commissioner Wussow and seconded by Commissioner Johnson to approve the sale of the three used vehicles. There was a unanimous vote in favor of the motion. Motion carried.

American Electric Power as developer for WWTP solar project

Finance Director Wicklund discussed that AEP has been the developer for the airport solar project which will be wrapping up and they have been assisting BPU in looking at the land behind the wastewater treatment plant (WWTP) as a potential next project. AEP has visited the site several times and even though it is a challenging one, has been working closely with BPU to make it a reality. AEP is starting to incur costs related to this and looking for Commission approval to be the exclusive project developer over the next two years. A few major items related to this project include:

- Fixed Tilt vs. Single Axis Tracker – Currently assumption is a fixed tilt system however once AEP completes topographical survey and wetland delineation there will be a determination as to whether Single Axis Tracker could be installed instead. This work is scheduled for the week of September 5th.

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- Project Size – Currently the plan is for a project between 3-5 MW DC (assuming fixed tilt). The size could vary as the site is further vetted and after the results of the topo survey and delineation are known.
- Production - Current design assumes roughly 1,300 MWhs per year per MW-DC of solar installed. The production expectation will be finalized once the design is completed.
- Pricing – The pricing range is assumed at this point to be \$90-\$98/MWh, with \$94/MWh assumed to be the most likely scenario. The term would be for 30 years with no escalation in the price.

Additional details:

- Assumes the Power Purchase Agreement (PPA) can be executed in 2022 and begin construction, with a 2023 placed in service date.
- 30% Investment Tax Credit assumed based on the recently passed Inflation Reduction Act.
- AEP will cover the volumetric tax in lieu of property tax (MN Statute 272.0295).
- Bi-facial solar modules will be used, no import tariff based on current law.
- Land provided by BPU at no cost.

A meeting was held on August 24th with representatives from Baxter, DNR, AEP, and BPU to discuss the potential WWTP Solar project. The original scope of the project was approximately 2.4 MW. To maximize the economics of the project BPU and Baxter staff met to discuss the possibility of expanding the project by 1.5 MW for a total project size of 3.9 MW.

BPU will work with the City of Baxter to amend the current Conditional Use Permit (CUP) and rezone all the different parcels owned by the City of Brainerd at the BPU location. The intent is to have the documentation ready by September 20th.

Discussion around this project included:

- Commissioner Wussow asked about a formal agreement if BPU decides to move forward. Finance Director Wicklund noted that if a motion is made to move forward then a formal agreement would be drafted like the airport agreement with AEP to then be approved by the Commission at a future meeting.
- Commissioner Johnson expressed praise for the airport project and positive future net impact while showing concern with the potential negative net impact that this project has projected. Johnson showed concern with the suboptimal location and suggested exploring other sites or locations with greater potential cost savings. Johnson was supportive of future projects but encouraged to be mindful of the speed at which we grow.
- Finance Director Wicklund noted a few factors that have impacted the projections for the WWTP project versus the cost of the Airport project. These factors included selling renewable energy credits (RECs) related to Hydro, the size difference of the projects, and rising cost of materials. Wicklund also discussed the value of gaining generation behind the meter to directly reduce the future transmission costs when in production. Wicklund also noted that ideally projects like this should be located within our service territory.
- Commissioner Angland commented that he likes BPU's forward thinking especially with the future instability of the grid and appreciates all the discussion and finance committee has had around this potential project. Angland also mentioned that he only sees the costs increasing in the future.

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- Commissioner O'Day in conjunction with City Council Liaison Gabe Johnson mentioned a few other potential land options including acreage on Wright Street that is not going to be developed as well as reaching out to the EDA to explore options for land available.

Motion by Commissioner Johnson and seconded by Commissioner Matten to approve American Electric Power the as the exclusive developer for the WWTP solar project if the project takes off. There was a unanimous vote in favor of the motion. Motion carried.

City Administrator Report

City Administrator Bergman reported on the following:

- Sale of Industrial Park Lot
 - Economic Development Authority (EDA) will be making the decision to convey the property on Thursday, September 1st to VCV Digital. A closing date is anticipated within the next couple of weeks after the property is conveyed.
- Telework Policy
 - The City Council did adopt a work from home telework policy. For right now, it will be a living document as it is new to the City. So far there have been no staff requests to utilize this.
- Main Street Revitalization Program
 - The grant received by the Initiative Foundation now has the agreement executed and the EDA has approved the application. This program is now live, and applications are due by September 5, 2022. Applications are highly encouraged. The EDA subcommittee will meet on September 14, 2022, to review applications which will then be on the October EDA meeting for recommendation to the Initiative Foundation. Currently there is at least \$600,000 in applications.
- Settlement with International Association of Fire Fighters (IAFF)
 - The City did settle the lawsuit with IAFF for a total of \$3.9 million. The League of MN Cities (LMC) Insurance Trust will cover \$2 million with the responsibility of the City to be \$1.9 million. The City Council held a budget workshop to look for ways to pay that \$1.9 million. At this time, the terms of the agreement have been approved by both the fire fighters and the City Council. Attorneys are working on the settlement agreement which will then go before the judge for consideration. There will not be reinstatement of the firefighters. Bergman noted that the paid-on call model that is currently in place has been working well.

City Liaison Report

- Land for WWTP Solar Project
 - Councilman Johnson encouraged working with the EDA on exploring land for potential sites. The EDA may have land options that would not be ideal for economic development but would work for the solar project.
- Light at the public access at Lum Park
 - Councilman Johnson requested costs for installing a light at the dock/public access at Lum Park. This could then be added to the City's future budget. Commissioner Angland mentioned to Councilman Johnson to explore the grant recently secured for the roadway to the waterway as a potential resource of funding the lighting as well.

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- Settlement with International Association of Fire Fighters (IAFF)
 - Councilman Johnson discussed with the current settlement and recent budget workshop, the City has about \$600,000 to put towards the settlement which leaves approximately \$1.3 million. Johnson requested an interfund loan if there are funds available that the City would then pay back instead of a potential 25% tax levy. Commissioner O'Day inquired if the City would be willing to pay lost earnings for those dollars. Councilman Johnson confirmed yes. The City will be meeting on September 19, 2022, to set the preliminary levy. A special meeting could be held prior to September 30th if BPU needed more time. BPU's finance committee will meet to look at and act as time and funds allow.

Finance Director's Report

July 2022 Financial Report Highlights:

- Total operating revenue increased \$197,218 (1.2%) from 2021.
- Power costs increased \$432,650 (6.2%) from 2021. The \$432,650 includes \$228,633 of pass-through costs related to crypto load.
- Operating and Maintenance expenses increased \$433,525 (33.8%) from 2021.
- Total operating expenses increased \$1,091,312 (7.2%) from 2021.
- Total change in net assets before operating transfer to City and capital contributions decreased \$1,185,925 from 2021.
- Total investment in utility plant increased \$5.7 million from 2021.
- Total unrestricted cash and investments decreased \$366,143 from 2021.
- Change in net position for electric department decreased \$366,143 from 2021.
- kWh sold for 2022 increased 3.0% while utility revenue increased 2.7%.
- Change in net position before capital contribution from City for water department is \$107,962 for 2022 compared to \$482,252 for 2021.
- Gallons of water sold (excluding sales to Baxter) decreased 29.0 million from 2021.
- Change in net position for wastewater department is a negative \$461,467 for 2022 compared to a negative \$15,730 for 2021.
- Wastewater gallons processed decreased 4.9% while utility revenue changed 0.0%.

Days unrestricted cash on hand as of July 31, 2022, 2021, and 2020:

Combined – 134, 162, and 185
Electric – 87, 104, and 110
Water – (9), 1, and 63
Wastewater – 466, 576, and 622

HR Director's Report

- Noted

Finance Director Wicklund highlighted that the new laborer, Nicholas Moser, who started on August 29th, 2022.

Motion by Commissioner Wussow and seconded by Commissioner Matten to recommend to the Council the hiring of Nicholas Moser as the BPU laborer. There was a unanimous vote in favor of the motion. Motion carried.

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Next Board meeting is scheduled for September 27, 2022.

Superintendent's Report

Water Department

- **Projects**

- **Water storage tank project:** All of the walls are poured for the first water tank. Currently working on putting up scaffolding to pour the roof, however, there is now a Portland cement shortage which may limit Cemstone to 180 yards per day from their plant. Magney needs 250 yards to do each pour for the roof (three pours in total). Cemstone and Magney can work together on communicating pours to ensure enough cement is available with one-week notice. Piping is continuing to move forward with a projected date to have the first tank online at the end of September or beginning of October.
- **Maintenance:** Crews flushing hydrants and working on gate valve and standpipe maintenance. Crews are also following the trail head projects.

Wastewater Treatment Department

- **Projects**

- Ongoing plant and lift station maintenance.
- SCADA upgrade work continues.

Electric Department

- **Outage report**

- July 23rd, 2022: 900 block of Maple St., tree on the line resulting in 5 meters out for 30 minutes.
 - July 25th, 2022: 1700 block of Thiesse Dr., Brid contact resulting in 1 meter out for 2 hours 22 minutes.
 - July 26, 2022: 300 block of 6th St Sw., failed connection on house stack resulting in 1 meter out for 1 hour 13 minutes.
 - July 30th, 2022: 1400 Block of N St NE., squirrel causing 16 meters out for 1 hour 2 minutes.
 - August 3rd, 2022: 1200 Block of 10th Ave NE., failed connection on house stack resulting in 1 meter out for 26 minutes.
 - August 12th, 2022: Industrial Park Rd-Cypress Dr., Bird contact resulting in 15 meters out for 59 minutes.
 - August 19th, 2022: 500 block of F St., failed connection on house stack resulting in 1 meter out for 20 minutes.
 - August 23rd, 2022: 8000 block of Greenwood St., transformer failure resulting in 2 meters out for 1 hour 4 minutes.
 - August 26th, 2022: 400 block of 8th St So., transformer failure resulting in 5 meters out for 2 hours 23 minutes.
 - St. Joseph's Hospital's generator did not come on with the storm that occurred the morning of Saturday, August 27th. Operations Manager Hawkinson was going to reach out to them to assist in troubleshooting.
- Crews busy working on rebuild projects throughout City.

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Hydro Department

- Generator # 4 is back on now with generators #1, 2, 3, 4 and 5 at 100%. River at 3360 cfs and dropping.
- Work continues for governor upgrades for units 1,2 and 3.
- Annual FERC inspection scheduled for September 27th with an in-person meeting and inspection.
- Working on RFP's for the 10th Part 12D inspection. This is an inspection done every five years by a different consulting engineer each time. This allows for a new set of eyes on the project each time. Inspection is set for summer of 2023. Also happening next year will be tabletop and functional EAP exercise which is also done every five years.

Commissioner O'Day inquired about any upcoming retirements at the Hydro and when this occurs if position needs to be replaced or not. Superintendent Magnuson discussed that the nearest would be upcoming in 2024 with the intention to not replace the position. Operations Manager Hawkinson has been working with rotating current staff including the lineman and mechanic in maintenance and rounds as needed throughout working hours in conjunction with automation to assist in not re-hiring as retirements occur.

Other

- Roberts Gravel Pit land purchase
 - Staff working with City Attorney and Roberts brothers with next meeting on August 31, 2022.
 - City Attorney has a page of items including re-zoning and non-conforming lots.

Commissioner O'Day expressed extreme discontent with the issues within this process and how complicated this process has become. City Administrator Bergman summarized that the City Attorney, Joe Langel, approved the initial purchase agreement. However, once it was revised by the sellers the new revised language is causing the delay, specifically related to the variances needed with the piece of land (t-shape) that the Roberts brothers are wanting to keep and add to their existing property.

- Airport Solar Project
 - Contractor is finishing with pounding in posts for the solar panels.

Commission Members – Future Agenda Items

- Commission President O'Day extended a big thank you to Accounting Supervisor Pernula and her department for all the extra hours with the software upgrade and inquired if all the formatting details had been worked out. Accounting Supervisor Pernula stated that they are hoping to be back on track with billing in September.

Adjournment

Motion by Commissioner Johnson and seconded by Commissioner Angland to adjourn meeting. Motion carried at 10:27 AM.

Mark O'Day, Commission President

Todd Wicklund, Commission Secretary