



# BRAINERD PUBLIC UTILITIES

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www.bpu.org

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on September 27, 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

Operations Supervisor

Todd Wicklund

Scott Magnuson

Mandy Selisker

Charlie Gammon

Jana Pernula

Trent Hawkinson

### 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 Johnson and seconded by Commissioner Matten to approve the minutes from the August 30, 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

### Commission Committee Reports

#### Human Resource

- Commissioner Wussow reported that they met with Finance Director Wicklund and Superintendent Magnuson regarding the new personnel policy.

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Finance

- Commissioner Johnson reported a meeting with Finance Director Wicklund regarding the loan to the general fund. This will be discussed in more detail later in the meeting under New Business.

**Unfinished Business**

Solar to Rotary Park

- Commissioner Johnson inquired if there was further information on this since the last meeting. Commission President O'Day stated that he has spoken with John Forrest on several occasions, and they are moving forward with their architect and requesting blueprints. City Administrator Bergman confirmed it is on the Park Board meeting agenda tonight. Commissioner Angland stated that he also forwarded grant information to the City Engineer regarding the additional lighting by the Lum Park boat ramp.

**New Business**

Pay request No. 10 received from Magney Construction

Pay request in the amount of \$349,039.55 was received for the water tank storage project.

**Motion by Commissioner Wussow and seconded by Commissioner Angland to approve pay request No. 10 to Magney Construction in the amount of \$349,039.55. There was a unanimous roll call vote in favor of the motion. Motion carried.**

Recommendation to City Council for Water Relief Operator position

Recommend to City Council the hiring of Tanner Josephson as the Water Plant Relief Operator effective November 1, 2022, at Step 2 (\$30.60 per hour).

**Motion by Commissioner Matten and seconded by Commissioner Angland to recommend to City Council the hiring of Tanner Josephson for the Water Plant Relief Operator effective November 1, 2022, at Step 2 (\$30.60 per hour). There was a unanimous roll call vote in favor of the motion. Motion carried.**

\$1 million loan to City and Related Terms

Finance Director Wicklund discussed the following options that were discussed with the Finance Committee.

- BPU's lower yielding CD's are all market based so by redeeming them, there would be a loss if redeemed prior to maturity. The decision was made to leave those alone but direct investment broker to not reinvest but rather BPU will put proceeds from near term future maturities of CDs in the investment cash account. The loan will come directly from BPU's cash investment account and checking account.
- City Finance Director, Connie Hillman, put together a schedule with various options ranging from 5 to 15-year terms. Wicklund noted that current interest rates on CD's are between 4-4.5%. Wicklund's recommendation is loan option #5 for a 5-year term at 4% interest with his second option being option #2 for a 10-year term at 4% interest with the time of the payout potentially in November. While discussing options with Hillman, it was mentioned that this is built into their levy request with 10-year loan and there would also be an option for them to secure a bond at a potentially lower interest rate of 3.5% for a 10-year loan. This loan amounts to about 13 days of cash reserves for BPU.

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- Commissioner Johnson discussed that waiting until the structure of the settlement is known may be best before acting but liked the thorough options. Johnson also inquired that if the City were to issue a bond for this, would it hurt their bond rating. City Administrator Bergman stated that it would reduce the bonding capacity for future bonding requests from their cap. Commission President O'Day discussed that for the City's purpose, BPU will issue the loan but can re-look at details of that loan at next months' meeting. O'Day also noted that he as a citizen of Brainerd would prefer a 10-year term to be conscious of future tax levies.

Finance Director Wicklund noted a few additional details to consider including closing costs incurred with bond issuance or additional disclosures required for interfund loans for audit purposes. Commissioner Wussow commented that the consensus of the board is to loan the funds to the City with further details to be discussed once additional costs are known. Commissioner Angland asked about preliminary levy. His concern was potentially receiving calls from the public as a BPU Commissioner and being aware of the details discussed regarding the levy.

City Administrator Bergman noted the following in response to this; the City Council approved a 9.54% increase over last year's levy due to increase in fuels, supplies, wages, and the firefighter's lawsuit. Without the lawsuit, the City was looking at about a 5.5% increase. That payout includes a few actions including reducing fund balance from 39% down to 37%, a loan through the League of MN Cities Insurance Trust (LMCIT) for \$250,000, and anticipation of a \$1 million interfund loan from BPU. Bergman stated the terms of the interfund loan they were looking at was a 10-year term or option 2. Bergman will confirm the terms of the loan with LMCIT.

### **City Administrator Report**

City Administrator Bergman reported on the following:

- Budget & Levy
  - The City Council did adopt the preliminary levy at the last meeting as previously discussed.
- Benefits
  - Staff recommended switching from Delta Dental to Cigna Dental after Delta Dental showed a 53% increase in renewal rates. This switch will also increase the annual maximum from \$1,000 to \$1,250.
- Main Street Revitalization Program
  - The City of Brainerd was allocated \$765,600 grant from DEED, with the EDA and the HRA pitching in to increase that by \$100,000. The Initiative Foundation hired BLADEC to administer this program on behalf of the EDA. There were 44 applications totaling \$3.1 million. The EDA appointed a subcommittee to review and score applications and will be making a recommendation on October 6<sup>th</sup> to the EDA. Commissioner Johnson asked if all applicants would receive reduced rates, or if some will be declined. City Administrator Bergman stated that the recommendation is to award some applicants reduced rates in addition to some being declined. This recommendation will be given to the EDA to review.
- VCV Digital
  - VCV Digital did go to the Planning Commission last week to request two interim use permits and a variance. The Planning Commission did not recommend either interim use permit or the variance. City staff recommended both and this will be on the Council meeting agenda on October 3<sup>rd</sup>. The City Attorney confirmed that closing is ready except

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for a survey that VCV Digital did. City Administrator Bergman is anticipating that VCV Digital will want to wait until after the October 3<sup>rd</sup> meeting to make sure they are granted the interim use permits. Commissioner Wussow asked about the plan of action for the split decision. Bergman said that it is up to the City Council President if he will allow testimony on this topic and stated that VCV Digital will be present. Commission Angland inquired if BPU Commission presence would be helpful and volunteered to attend. Bergman agreed it would be helpful. Bergman discussed that the interim use permit is for outdoor storage containers which are allowed in the industrial park zoning with an interim use permit; staff stressed this to the Planning Commission. Commissioner Angland stated that some concern brought up at the last meeting was a potential drain on the electrical capacity and taking away from household residents. Bergman reiterated that this is a land use discussion. Commissioner Wussow stated that if there were going to be restrictions, those should've been stated; he will also be in attendance. Bergman also noted that the variance requested was a 36 foot set back instead of 40 feet.

- Union Negotiations
  - Negotiations are underway for the 49ers, IBEW, and Administration Support with the City.
- Thrifty White Building
  - Superintendent Magnuson asked for an update on the purchase of this property. City Administrator Bergman reported that D.W. Jones closed on August 22<sup>nd</sup> and is now the owner of the property. D.W. Jones did apply for the Main Street Revitalization Program and are currently putting their financing together. Bergman is anticipating movement in 2023. Magnuson inquired if they have their own architect. Bergman confirmed that they did and would put them in contact with BPU as soon as possible. Commissioner Angland inquired on the scope of their project. Bergman reported commercial space on the 1st floor, which is required, and then potentially 5 floors with up to 75 units with a mix of studios, 1- and 2-bedroom apartments. The plan for the existing building is to demolish and start fresh.

### City Liaison Report

- None

### Finance Director's Report

#### August 2022 Financial Report Highlights:

- Total operating revenue increased \$182,225 (1.0%) from 2021.
- Power costs increased \$341,434 (4.1%) from 2021. The \$341,434 represents pass-through costs related to crypto load.
- Operating and Maintenance expenses increased \$484,860 (32.5%) from 2021.
- Total operating expenses increased \$1,061,341 (6.0%) from 2021.
- Total change in net assets before operating transfer to City and capital contributions decreased \$1,149,929 from 2021.
- Total investment in utility plant increased \$5.9 million from 2021.
- Total unrestricted cash and investments decreased \$1.5 million from 2021. Total receivables increased \$362,477 while inventory increased \$148,499 from 2021.
- Change in net position for electric department decreased \$290,626 from 2021.
- kWh sold for 2022 increased 2.5% while utility revenue increased 2.75%.

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- Change in net position before capital contribution from City for Water Department is \$275,011 for 2022 compared to \$751,843 for 2021.
- Gallons of water sold (excluding sales to Baxter) decreased 35.8 million (11.8%) from 2021.
- Change in net position for Wastewater Department is a negative \$420,156 for 2022 compared to a negative \$44,769 for 2021.
- Wastewater gallons processed decreased 5.3% while utility revenue changed 0.0%.

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

Combined – 127, 156, and 175  
Electric – 87, 105, and 114  
Water – 23, 40, and 73  
Wastewater – 399, 484, and 543

Commission Johnson commented that in the future it may be beneficial to highlight the power cost directly related to the Industrial (Crypto) customers.

Outstanding Capital Project Purchase Orders

- Finance Director Wicklund reviewed highlights regarding outstanding projects with and without Purchase Orders (PO's).
  - In the Electric Department outstanding PO's total \$1,751,951.83.
  - In the Wastewater Department outstanding PO's total \$741,786.13.
  - In the Water Department outstanding PO's total \$203,438.64
  - Total of outstanding PO's (including Hydro) total \$2,910,937.60
  - Total outstanding capital projects without PO's total \$3,867,252.23

Commissioner Matten commented how she appreciated this report and likes how it provides both focus on outstanding projects and historical benchmarking.

Energy Contract Pricing for Crypto Mining Customers

Finance Director Wicklund reviewed the following:

When preparing power agreements with both potential crypto mining customers, there was lengthy review and discussion around terms, potential utility risk, and customer deposits. The deposit was decided to be relative to the risk factor and be billed at 25% of that risk factor. Just for Krypto (JFK) believes the deposit should be only two months of utility bills and was willing to offer a deposit of \$200,000, of which \$150,000 would be in the form of a letter of credit and \$50,000 in cash. Discussions with AEP have confirmed BPU's risk in such agreements. AEP has also mentioned the increased administrative work involved in getting MISO energy pricing information for only one megawatt as requested by JFK.

Commission President O'Day verified that BPU does need something in the form of cash for a deposit; being vigilant is important for BPU. A message was received from Just for Krypto (JFK) requesting a meeting with a selected member of the City Council and the BPU Commission President to discuss buying and selling wholesale power, utility risk and exposure, and deposit. Commissioner O'Day confirmed that agreement terms need to be consistent between both crypto agreements as well as for future. O'Day reiterated that each company needs to designate one single point person to work through BPU and not go to AEP directly.

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Commissioner Wussow stated that JFK needs to be reminded that sending correspondence to any staff is public information and stating that BPU staff doesn't understand sales of electricity is insulting.

**Motion by Commissioner O'Day and seconded by Commissioner Johnson to require the Crypto accounts to designate a representative for purchasing power and all questions come through BPU not to AEP. There was a unanimous vote in favor of the motion. Motion carried.**

Operations Supervisor Hawkinson addressed the concern with how long BPU 'holds' the requested capacity for JFK. There was discussion around building a sunset date into the agreement. Hawkinson also verified that all material and infrastructure costs that are incurred in relation to a project like this are non-refundable should that question ever arise; that is how BPU protects the rate payers. Hawkinson stated that as capacity demands change as often as daily, future changes may need to be looked more closely to see what is still available as BPU adapts with current growth.

Commissioner Matten expressed her concern that someone feels like could pressure BPU staff, ask for concessions, and expect BPU to assume risk just because they are local. She was firm that she does not want to stray from the pricing policies that the commission has already set forth.

Commission President O'Day noted that the status of the draft power agreement with JFK should be reviewed at next month's meeting.

**BPU Department Head Review Forms**

Finance Director Wicklund confirmed that the Department Heads annual review forms have been provided to City Administrator Bergman. Bergman has provided them to all BPU Commission members to complete, provide comments, and return them. City Administrator Bergman will meet with Commission President O'Day to discuss and then meet with each Department Head to conduct the review. Commissioner O'Day would like a brief meeting with the Commission and Department Heads, as they have done in the past, to review performance and discuss goals. This will be done in a closed session at the end of October's meeting.

**HR Director's Report**

- Noted

Next Board meeting is scheduled for October 25, 2022.

**Superintendent's Report**

**Water Department**

• **Projects**

- **Water storage tank project:** All of the walls are poured for the first water tank. Thursday they will be pouring the last of three pours for the roof. Tank will be filled, and testing conducted before it can go online. This is expected at the end of October or early November. Currently working on changing 16" and 18" valves on lines going out to the system.
- **Maintenance:** Crews flushing hydrants and working on gate valve and standpipe maintenance. Crews are also following the trail head project.
- **CR 117 and B371 leak repair:** Contractor working for MNDOT located and repaired loose bolts and gasket that was pushed out that was causing the leak. This has been repaired and fixed.

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- Leak Detection: Citywide leak detection was done last week, typically done every two to three years. Two service lines leaks on the customer's side and one on our side was found. Seven hydrant leaks found, all but one fixed with minor maintenance.

### **Wastewater Treatment Department**

- Projects
  - NPDES permit issued and approved for the plant by the MPCA.
  - Ongoing plant and lift station maintenance.
  - SCADA upgrade work continues for lift stations.
  - WWTP board with Baxter and BPU representatives would like to meet to start discussions about not only the WWTP but also the collection system delegation. BPU Commission needs to have two members in attendance in addition to the City of Baxter and potentially a City Council member as well.
    - Wastewater Supervisor Gammon touched on the policy's expectation is that there are liaisons between Baxter and Brainerd other than working staff to be a tool in working with industrial users. Commissioner Wussow and Commissioner Angland volunteered to be on the committee. Supervisor Gammon will reach out to the City of Baxter next to get two members of their utilities board to participate.
    - Wastewater Supervisor Gammon also confirmed that costs for parts have seen a significant increase as well.

### **Electric Department**

- Outage report
  - Operations Supervisor Hawkinson reported a few outages occurred in the last month due to wind, trees down and a couple squirrels.
- Mutual Aid
  - There are two lineworkers waiting to potentially go to Florida to assist with Hurricane Ian for Mutual Aid. Supervisor Hawkinson discussed the progression of how quickly a mutual aid request happens and is proud that BPU has staff that are willing to pack up and assist. Minnesota is highly sought after for work ethic and experience working in all seasons.
- Crews busy working on rebuild projects throughout City.

### **Hydro Department**

- Generators 1, 2, 3, and 4 at 100%. Generator #5 is down for repairs. River at 2200 cfs.
- Work continues for governor upgrades for units 1,2 and 3.
- Annual FERC inspection scheduled for today at noon. This will be the first in person meeting with the new inspector.
- Amjet update will be discussed later.

### **Other**

#### **Roberts Gravel Pit land purchase**

- KLD lined up for survey.
- Keith Roberts is looking at moving his sewer line to Hatte Street instead of an easement through purchased property.
- The City is working on lot splits and lot creations.

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- Currently on hold due to an unrelated personal issue being addressed by the Robert's brothers.

### Airport Solar Project

The contractor has finished pounding in posts for the approximate 3,500 solar panels. Now working on electrical with the next phase being panel installation.

### WWTP Solar Project

BPU is working with land surveyors on wetland delineation and KLD to do a topographical study to look at panel types.

- Commissioner Johnson inquired if BPU reached out to the City on the Wright Street land. Superintendent Magnuson stated that AEP is looking at that property through photos. Commissioner Johnson stated that there may even be a willingness to give the land and is worth looking at.

### Commission Members – Future Agenda Items

Commission President O'Day requested that the Robert's property land purchase be kept on the meeting agenda under unfinished business until resolved. Superintendent Magnuson confirmed that the purchase agreement is still outstanding.

Commissioner Wussow discussed the following:

- Wussow was recently contacted by a resident with a concern and worked with staff to reach out to the resident.
- Wussow also wanted to discuss with City Liaison Johnson the topic discussed last month of automating Hydro and the intention to not rehire as retirements occur. With the recent happenings at the Fire Department, Wussow wanted to make sure this action is acceptable for the City Council.
- Wussow expressed interest in receiving the board meeting packets electronically in addition to a paper copy or to at least have access to a digital copy when out in the public as well as former months as well for reference.

**Motion by Commissioner Matten and seconded by Commissioner Johnson to adjourn to closed session pursuant to M.S. Section 13D.05, Subd 3(c)3 to consider or develop offers or counteroffers for the purchase of Amjet property located at the hydroelectric plant. Motion carried at 10:40 AM.**

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

The Chair reconvened the meeting into open session at 10:50 AM.



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**Adjournment**

**Motion by Commissioner Wussow and seconded by Commissioner Angland to adjourn meeting. Motion carried at 10:50 AM.**

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Mark O'Day, Commission President

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Todd Wicklund, Commission Secretary