



BRAINERD PUBLIC UTILITIES

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The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on November 28, 2023.

Commission Vice President Matten called the meeting to order at 9:00 AM.

Commission Roll Call

Mike Angland – Present
Tad Johnson – Present

Mark O’Day – Present
Dolly Matten – Present

Utility Staff Present

Public Utilities Director
Operations Manager
Water/Wastewater Manager
Finance Manager
Business Office Supervisor
Recording Secretary

Todd Wicklund
Trent Hawkinson
Charlie Gammon
Danny Loch
Jana Pernula
Mandy Selisker

Others in Attendance

Interim City Administrator
HR Director
City Council Liaison
Bolton & Menk
Widseth
Sue Sterling

Patrick Wussow
Kris Schubert
Jeff Czczok
Mac Graupman
Bill Westerberg, PE
BPU Residential Customer

Commissioner Matten opened the meeting with the Pledge of Allegiance.

Approval of Agenda Items

Motion by Commissioner O’Day and seconded by Commissioner Johnson to approve the agenda. There was a unanimous vote in favor of the motion. Motion carried.

Approval of Consent Items

Motion by Commissioner O’Day and seconded by Commissioner Angland to approve the minutes of the regular monthly meeting of October 31, 2023, approval of current month’s bills and approval of Pay Request No. 1 received from Minger Construction for \$538,587.35 for Directional Drilling Forcemain River Crossing Project. There was a unanimous roll call vote in favor of the motion. Motion carried.

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Public Forum

Resident, Sue Sterling from 217 SW 4th Street, inquired on the status of the unfluorinated tap as discussed at the October 31st meeting and requested an update. Public Utilities Director Wicklund stated that BPU has reached out to the City Attorney with questions on liability and was awaiting a response. There is currently no further update. Resident Sterling asked if this means waiting another month before there is an update. Wicklund noted that no action can be taken by BPU staff and the Commission until the attorney's response is received. Sterling inquired if a stronger public opinion or presence would be beneficial. Commissioner Matten noted not, and that BPU needs a legal opinion and apologized for the delay. It was also noted that by Interim City Administrator Wussow that only City Staff can contact the City Attorney.

Commission Committee Reports

Personnel

None

Finance

Commissioner Angland reported that November 29th, the Finance Committee will be meeting to discuss the pursuing of grant opportunities.

Unfinished Business - See board packet for staff memo.

The following significant unfinished business items were noted:

Roberts Gravel Pit Purchase

BPU is currently waiting on response by City Attorney.

Unfluorinated Tap

BPU is waiting on the City Attorney's response before discussing further.

Schedule of Authority Roles of Commission and Council in Operation of BPU

No action has been taken on this yet. Wicklund noted he will work to try and begin in the next few weeks.

Development of Plan to be Carbon Free by 2040

Wicklund noted that one standard that is approaching soon is the Renewable Energy Standard (RES) requiring BPU to either generate or procure sufficient electricity generated by an eligible energy technology that is equivalent to at least 25% of total retail electric sales to retail customers by 2025. One way to meet the standard is by buying Renewable Energy Credits (REC's). BPU did sell some of the Airport Solar project prior to the law change. BPU is currently working with AEP on this and reviewing pricing to buy 15MW of capacity on an annual basis to put a cost value to this for future conversations with the Public Utilities Commission (PUC).

Commissioner O'Day inquired if AEP is subject to the 25% standard, and if so should not BPU be covered? Wicklund stated BPU has a market based energy agreement with AEP, which means the energy purchased by BPU could arrive from several sources within MISO, not just MN Power.

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Commissioner Matten inquired what our current percentage is for renewables. Wicklund summarized that if Hydro was operating at full capacity and both the airport and current project behind the Wastewater Treatment plant were operating, BPU would be at approximately 16%. Commissioner Johnson inquired with BPU being at approximately 16%, where BPU is benchmarked with other municipal utilities.

City Liaison Czczok inquired on consequences of not meeting this requirement, Wicklund noted that this has not be asked. Rules surrounding the law have not been set yet and are still being discussed.

Brainerd City Code Section 700 – Sewer Code

There was a language change related to delegation and MPCA stated that the revised Sewer Code is now in the 90-day public review. This allows BPU and the City of Brainerd to have authority if something happens in the City of Baxter or Brainerd that will be put into our system to allow Brainerd to deal with and address the Baxter issue and gives Water/Wastewater Manager Gammon authority to deal with the Baxter issues.

Water/Wastewater Manager Gammon noted that this is related to the significant users and materials that are hazardous to our facilities. Typically, a wastewater plant engineered over 5 million gallons a day is required to have a delegated pre-treatment program. Requirements apply to both Brainerd and Baxter cities. This helps to better maintain the discharge permit, communications and assess fines, if needed. Commissioner Matten inquired when the 90-day period is up and where the public would see this? Water/Wastewater Manager Gammon noted that the initial release came from the MPCA a couple weeks ago, but once the 90-day period is up, there is an additional 30 days to re-look at this before moving forward. The general public would see this on the MPCA's website. Several other parties also received copies such as the Mayor, Baxter Officials, and several Commissioners and City Staff.

City Liaison Czczok inquired on the Joint Management Board that met in affiliation with this stating that current Interim City Administrator Wussow was the member from the Public Utilities Commission that served on this board and questioned who is going to take this place going forward. Wussow stated that he attended as the President of the Commission so it would be whomever the current chair is to be the representative on that board. It was also confirmed that no additional meetings were set until action is necessary. Water/Wastewater Manager Gammon will communicate when action is necessary.

Insurance Claims Related to August Boil Advisory

Adjusters' determination was that there was no liability of the City on Brainerd/BPU's part.

Lead Service Line (LSL) Inventory Assessment

BPU Staff are currently developing a plan to assess and inventory materials used on all water services within the City. Commissioner Matten inquired who will be collecting the data. Wicklund referenced that the information will likely be a joint effort of staff and BPU customers.

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Operations Manager Hawkinson discussed that BPU's plan is to use the mapping software to house the information. Hawkinson stated that there are two separate material inventories that will need to happen. These inventories include from the water shutoff to the water main, to identify BPU's materials, and from the service line into the house on the customer side.

Commissioner Matten inquired if City Hall would have records of this from installation. Hawkinson, noted that technologies have drastically changed within the timeframe being reviewed and that older documents were handwritten and are hard to read due to their age.

Wellhead Protection Plan (WHP)

A meeting is scheduled for December 11th with MRWA to work on the next phase. Commissioner O'Day will be representing the Commission and Patrick Wussow as City Administrator.

Directional Drilling Forcemain River Crossing Project

Bill Westerberg, PE, Widseth, was present and provided an update.

Corrosion Control Plan to Minnesota Department of Health

There was a plan submitted in early November to the Minnesota Department of Health. Following this, letters in the form of a brochure were sent out to water service customers in Brainerd. An interview with the Brainerd Dispatch was held to help with communications and updates regarding this program. There is an upcoming interview scheduled with Lakeland Public Television. The addition of orthophosphate to the distribution water supply once the proper chlorine level is achieved throughout the system will aid the copper corrosion control issue. Work will continue over the next several months.

Other discussion included:

Commissioner Matten summarized that BPU currently has several topics that involve public education:

- Lead Service Lines
- Potential Continued Chlorination of our service
- Corrosion Control Plan

Matten expressed thanks to Water/Wastewater Manager Gammon for participating in the public interviews and to Theresa with the Brainerd Dispatch for being cognizant of the information being summarized in a way that it is meaningful to the everyday homeowner. Matten also reiterated that public education in any form needs to be all on current public facing topics rather than just one and encouraged BPU to continue to use those media resources of local new stations, newspapers, social media, and radio.

Commissioner O'Day inquired on the update of the Chlorination of the drinking water system. Gammon replied that BPU's distribution system has a different style system and can be difficult to get the water in certain places and paths. Additionally, the seasonal fluctuation of low water use can lead to difficulties as well. Gammon also noted that his goal is March of 2024 to attain a good residual in the dead-end areas.

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New Business

Approval of 2024 Operating Budget and 2024 through 2028 Capital Budget

Finance Manager Danny Loch presented the 2024 Operating Budget. Highlights of the presented budget included:

Combined All Departments

- Projected actual total revenue for 2023 is \$33.4 million. Budgeted revenue for 2023 is \$36.4 million and the 2024 budget total revenue is projected to be \$34.1 million which includes \$3.6 million from industrial crypto mining customers.
- Projected actual total expenses for 2023 are \$32.9 million of which the two largest items are purchased power of \$15.3 million and depreciation of \$5.0 million. Budgeted expenses for 2023 are \$34.7 million of which the two largest items are purchased power of \$17.7 million and depreciation of \$5.0 million. Budgeted expenses for 2024 are projected to be \$32.9 million with purchased power being \$15.3 million and depreciation being \$5.0 million.
- Projected actual change in net position for 2023 is \$451,000 while budgeted amount was projected to be \$1.7 million. The budgeted amount for 2024 is projected to be \$1.2 million.

Interim City Administrator Wussow pointed out the cost of credit card transaction fees. Commissioner Matten mentioned that the City of Baxter requires ACH with no associated fee. Wicklund mentioned there was a meeting with Bremer Bank last week to start exploring options related to credit card fees. There will be an update at the next meeting.

Public Utilities Director Wicklund presented the 2024 – 2028 Capital Budgets. Highlights of the presented budget included:

Electric Distribution and Hydro Generation

- The total 2024 amount is \$5,665,000, of which \$2,220,000 is anticipated to be funded by Electric Revenue Bonds, \$2,171,800 by operations, and \$1,274,000 by cash reserves.
- The three largest projects for 2024 are installation of new turbine at hydro of \$1.5 million, upgrade of three substations of \$700,000, and system distribution transformers of \$600,000.
- It should be noted there are significant lead times in getting delivery for many projects shown on the capital projects summary ranging from one to three years.

Water Department

- The total 2024 amount is \$4,750,000 of which \$2.7 million is anticipated to be funded by a direct grant received from the State, \$1.3 million to be funded by G.O. Water Revenue Bonds, \$694,000 by operations, and \$56,000 by cash reserves.
- The three largest projects for 2024 are the start of construction of reclamation/backwash system improvements of \$2.7 million, South Brainerd Street reconstruction projects of \$1.3 million, and purchase of actuators of \$165,000.
- For the years 2025-2028 there is approximately \$4.9 million in additional Street Reclamation projects scheduled to be completed. It is anticipated the reclamation project will be completed in 2025 for \$2.7 million.

Wastewater Treatment Department

- The total 2024 amount is \$2,689,000 of which \$500,000 is anticipated to be funded by G.O. Sewer Revenue Bonds, \$1,714,000 by operations, \$475,000 by cash reserves.

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- The three largest projects for 2024 are the preliminary design for biosolids upgrade of \$500,000, Main Lift and Pumping Station improvements of \$691,000, and Wastewater Treatment Facilities improvements of \$995,000.

Commissioner Johnson inquired on the Hydro turbine project costs, and Wicklund noted amounts included in the capital budget are preliminary amounts received from Barr Engineering.

Commissioner O'Day inquired that if current rates are only funding 1/3 of depreciation in the Water Department, do we need to look at a rate increase? Wicklund mentioned new water rates will go into effect in December, and a rate study will be done by UFS in the upcoming months.

Commissioner Johnson mentioned the following items:

- In past years there was an overview of the capital budget in addition to the memo which was helpful.
- Suggested graphs be added of capital expenditures year over year to see trends.
- Split the bonds and grants from the funding section at the bottom of the budget.
- Inquired on current state bonding priorities and if that was now the Biosolids upgrade. Wicklund noted that current requests are related to the drinking water and the wastewater was added about 2 years ago but has been on hold with current water department projects. Johnson noted that that both department projects should continue to be submitted to keep legislature aware.
- When adding back interest charges and subtracting debt service, it would be nice to see a cash flow statement; to compare capital improvements with operating budget.
- Expressed gratitude of reviewing street projects and planning accordingly.

Motion by Commissioner Johnson and seconded by Commissioner O'Day to recommend to City Council the approval of the 2024 Operating Budget and 2024-2028 Capital Budget. There was a unanimous vote in favor of the motion. Motion carried.

Ratify Letter of Support to Region Five Development Commission for Local Energy Action Plan Technical Assistance Grant for BPU - see board packet for drafted letter.

Public Utilities Director Wicklund reviewed that BPU is working with Region 5 to help obtain a \$50,000 grant to help use electric business more efficiently. Additional letters of support are in the process of being obtained. Future grants opportunities may be identified through this process. This letter would accompany the grant application.

Motion by Commissioner O'Day and seconded by Commissioner Johnson to ratify the letter of support to Region Five Development Commission for Local Energy Action Plan Technical Assistance Grant for BPU. There was a unanimous vote in favor of the motion. Motion carried.

Approval of Audit Services with CLA for 2023 - see board packet for Statement of Work – Audit Services.

Motion by Commissioner Johnson and seconded by Commissioner Angland to approve the Audit Services Agreement with CLA for 2023. There was a unanimous vote in favor of the motion. Motion carried.

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City Administrator Report

Interim City Administrator Wussow reported on the following:

- As of Wednesday, the search for a City Administrator is back on.
- The Mayor is currently advertising for the open seat on the BPU Commission.
- New Christmas lights are up with BPU assisting.
- Friday, December 1st is the Christmas tree lighting at City Hall.

City Liaison Report

City Council Liaison Czczok reported on the following:

- Capital Improvement Projects
 - There is a joint meeting on January 22nd, 2023, to discuss street projects with City Council and BPU Commission and staff. Czczok encouraged staff to discuss the potential impact if aging infrastructure is not replaced to help encourage City Council to act on these projects.

Public Utility Director's Report

Wicklund noted that all his updates were in the previously presented documents.

Managers Reports

Operations Manager Hawkinson reported:

- Slowing down generation to deal with water levels. The flows at the Hydro facility are starting to slow with ice being created.
- November 14, 2023: there was a BPU water service line break.
- November 18, 2023: Vehicle accident involving a hydrant and a light pole – working on insurance claims for the infrastructure damage.
- November 24th and 26th, there were calls with leaks on the customer side to have water turned off for repairs.
- Electric Outages:
 - November 4, 2023: VFI failed causing an outage for about 380 meters for 3 hours
 - November 8, 2023: A Missed locate caused an outage for about 1 hour to the YMCA daycare project on Oak Street.
 - November 20, 2023: Buffalo Hills Substation, 162 meters out for 1 hour and 17 minutes. Troubleshooting narrowed it down to a potential tree service.
- Electric loads are starting to grow a little bit with some electric heat starting to be used and raising costs of natural gas.
- Training: Hawkinson and five other employees will be attending the MMUA Technical and Operations Conference next week in St. Cloud.

Water/Wastewater Manager Gammon reported:

- Water Production:
 - Communication Flyers went out as a new requirement from the Minnesota Department of Health.
 - Currently seeing lower water production of – under 1 million gallons per day.
- Lift Stations: replacement of rails and guides and in-house on-going maintenance.
- Wastewater Treatment Plant: Keeping up on maintenance.

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HR Director's Report – *See board packet for report.*

Interim City Administrator Wussow added that with the hiring of Public Utilities Director Wicklund's replacement, that the BPU Commission will be a part of that interview process, the personnel committee will be involved in that process and part of the work group.

Commission Members – Future Agenda Items

None

Next Board meeting is scheduled for December 19, 2023.

Adjournment

Motion by Commissioner O'Day and seconded by Commissioner Johnson to adjourn the meeting. Motion carried at 10:23 AM.

Dolly Matten, Commission Vice-President

Danny Loch, Finance Manager