



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 January 28, 2025.

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

Commission Roll Call

Mike Angland – Present
Patrick Wussow – Present (Phone Conference)
Dolly Matten – Present

Mark O’Day – Present
Mike Higgins - Present

Utility Staff Present

Public Utilities Director
Finance Manager
Operation Manager
Water/Wastewater Manager
Electric Distribution Supervisor
Business Office Supervisor
Recording Secretary
Recording Secretary

Christopher Evans
Danny Loch
Trent Hawkinson
Charlie Gammon
Mitch Lachelt
Jana Pernula
Mandy Selisker
Becky Ridlon

Others in Attendance

City Administrator
HR Director
Public Works Director
Community Development Director
Technology Director
City Council Liaison
Bolton & Menk
Widseth
Brainerd Fire Chief
ClimaVision
City of Baxter
Citizen
Citizen
Citizen

Nick Broyles
Kris Schubert
Mike Habighorst
James Kramvik
Shawn Strong
Jeff Czczok
Morgan Salo, PE
Bill Westerberg, PE
Tim Holmes
Emily Pawsat
Trevor Walters
Brian Timmers
Tony Wolff
Carter Kuehn

Commissioner Matten opened the meeting with the Pledge of Allegiance.

Election of Officers – 2025

Commissioner Matten called for nominations for President.

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Motion by Commissioner O'Day and seconded by Commissioner Higgins to nominate Commissioner Angland as the 2025 Commission President. There was a unanimous roll call vote in favor of the motion. Motion carried.

Commissioner Angland called for nominations for Vice President.

Motion by Commissioner Matten and seconded by Commissioner Higgins to nominate Commissioner O'Day as the 2025 Commission Vice President. There was a unanimous roll call vote in favor of the motion. Motion carried.

Approval of Agenda Items

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

Commission Committee Appointments

Personnel Committee

Commissioner Matten volunteered and Commissioner Wussow was appointed by President Angland.

Finance Committee

Commissioners O'Day and Higgins were appointed by President Angland.

Operations Policy Committee

Commissioners O'Day and Higgins volunteered and were appointed by President Angland.

Approval of Consent Items

Motion by Commissioner O'Day and seconded by Commissioner Matten to approve the minutes from December 31st, 2024, regular monthly meeting and current month's bills. There was a unanimous roll call vote in favor of the motion. Motion carried.

Public Forum

None

Commission Committee Reports

Personnel

None

Finance

None

Operations Policy Committee

None

Unfinished Business - See board packet for staff memo.

South Brainerd Alley Project

City Council Liaison Czczok inquired about who is taking the lead on this project that includes a proposed water line replacement. Discussion included:

- Operations Manager Hawkinson commented that the City Engineering Department is taking the lead role on the project at this time.

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- Public Works Director Habighorst noted that the property owner will have the ability to apply for grants. There are also bi-weekly coordination meetings occurring between BPU staff and City staff regarding ongoing street projects.
- Commissioner Angland stressed the importance of clear communication in 2025 for projects and related financial impacts.
- Commissioner Higgins asked about roles and responsibilities related to street projects.
 - Habighorst noted that it is ½ city and ½ BPU responsibility. BPU's responsibility is the water lines up to the property lines. City Council touches each street project five times throughout the course of the project.
- City Administrator Broyles reviewed the importance of three pillars of project management are cost, schedule, and performance. When projects fall partially on both sides (BPU/City), lines can get blurred. Broyles noted he would have an action item of working towards increased communication and coordination while being smart and cost effective.
- Habighorst noted his goal of increased public engagement and addressing public concerns at the upcoming city council retreat. Habighorst said he would provide the scope of the project to Czczok.

Authorize staff to negotiate updated AEP Contract Amendment

Public Utilities Director Chris Evans presented. Discussion included:

- Commission had authorized staff at the December meeting to proceed with the contract extension at \$48.05 per MWh. Due to real-time market rates, price per MWh had already increased above that at the time staff followed up with AEP. As of January 28th, the current market rate is \$49.50 per MWh. Staff recommended approving an extension with AEP for market pricing not to exceed \$49.70 per MWh.
- Commissioner Higgins questioned the reason for extending. Evans explained using this as a mechanism for price hedging which provides cost stabilization and consistency of rates.
- Commissioner O'Day reviewed history with AEP and consistent contract with extensions with the goal of maintaining the lowest rates possible.
- Commissioner Higgins stated that he was not in favor of a contract extension for several reasons including there is no incentive being offered other than a rate guarantee, not addressing the growing power need and eliminating the opportunity for negotiation for potential providers.

Motion by Commissioner O'Day and seconded by Commissioner Matten to authorize Director Evans to negotiate with AEP for market pricing not to exceed \$49.70 per MWh. There was a roll call vote with Matten, O'Day, Angland, and Wussow voting in favor and Higgins opposed. Motion carried.

Commissioner O'Day requested the purchase of the Roberts property be added to completed on the unfinished business memo. City Administrator Broyles confirmed the property closed approximately a month ago.

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New Business

Discuss ClimaVision site findings and potential lease- See board packet for site evaluation and sample lease agreement.

Emily Pawsat, ClimaVision, presented. Discussion included:

- Site identified was the water tower at State Avenue/ Highway 18.
- No cost project to community or BPU. All data collected would be available to BPU officials and other authorized users identified.
- Structure analysis and Blockage analysis passed.
- Next steps would include a lease agreement and then engineering.
- Commissioner O'Day asked about the installation timeline. Pawsat noted typically between July and October, depending on seasonality and other leases received.
- Commissioner Matten verified that terms can be modified and negotiated from the lease template. Matten asked about ownership of property and road access. Hawkinson confirmed there is an easement in place.
- Commissioner Wussow wants to see a payment to BPU on a monthly or annual rate as well as reimbursement of any attorney fees.
- City Council Liaison Czezok inquired about how ClimaVision makes revenue to operate. Pawsat noted that the data generated is monetized and then provided to operations such as the National Weather Service, Department of Transportation and TV stations.
- Commissioner Higgins would also like to see additional data on ClimaVision's revenue streams and funding.
- Commissioner Matten would like to know the dollar value of the service provided back to BPU (at no cost). Matten also verified the language could be modified on relocating the radar should damage due to a "act of God."

Motion by Commissioner O'Day and seconded by Commissioner Matten to authorize staff to move forward with negotiating the contract and bringing back a draft to the Commission for final approval. There was a unanimous roll call vote in favor of the motion. Motion carried.

Consider City of Baxter Request for wholesale water rate – See board packet for formal request.

Public Utilities Director Evans and Trevor Walters, City of Baxter, presented the request. Highlights included:

- Walters explained request is to obtain a wholesale water rate for the summer of 2025 similar to what was done in 2021 when their filter system failed, and they relied 100% on the Brainerd water system. The city of Baxter's goal is to drill two new wells and increase capacity to 4 million gallons per day. As a supplement to their system, they are looking to obtain additional water through the metered interconnect.
- Commissioner O'Day asked if the 2021 study could be updated for this request. Evans Explained that he used 2023 data to reflect Baxter as 1 customer with an estimated need of 89 million gallons (17% increase) and adjusting for a wholesale rate vs. a retail rate. This equated to the purposed wholesale rate of \$3.32/1,000 gallons vs. the current retail rate of \$4.92 per/1,000 gallons.
- Commissioner Higgins inquired about if Brainerd had the additional water capacity to fulfill the request. Water/Wastewater Manager Gammon explained he doesn't foresee any issues,

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however, if something were to arise it would be communicated. Walters noted that the additional water needed would be consistent from May to October at the rate of approximately 300-400 gallons per minute for that timeframe.

- Commissioner Matten noted that in 2021 there was no chlorine added and that has since changed as well as increased water rates for the utility. Walters explained that with the water now chlorinated, orthophosphate being added and the increase in costs, the proposed rate didn't surprise him.
- Czczok questioned the potential of Brainerd residents being affected. Evans explained that there would be coordination between the two systems. Walters noted the need is for approximately a 15% supplementation and if Brainerd would have an emergency, they would be ok in the short term to kick in a fourth well.
- Commissioner Wussow explained the recent water rate increase of 20% and was not in favor of the proposed rate. Wussow would like to see it closer to the retail rate. Higgins agreed.
- Commissioner Matten asked if there was any additional room for negotiation on Baxter's side. Matten recognized the value of maintaining a good working relationship with the city of Baxter but also wanted to be fair to current rate payers.
- Evans explained the details behind his calculation, using past data, current rates, and miles of distribution from the plant to the interconnect, all being factors of the proposed rate.
- Higgins asked about the cost to produce water. Evans responded with \$2.87/1,000.

Motion by Commissioner Wussow and seconded by Commissioner Matten a 10% reduction from the \$4.92 retail rate to a flat \$4.50 wholesale rate for the City of Baxter. No vote called.

- Commissioner Matten asked about other options for rates. Walters explained the City of Baxter's retail rate for 2025 is \$3.86/1,000 with a cost of approximately \$2.25/1,000 before depreciation. Walters discussed that if rate is not realistic other alternatives may need to be looked at including restricting lawn irrigation. Higgins noted he needed more time to decide. Walters explained he has time but would need to have a plan in place by May 1st. Wussow noted that BPU has had a loss in the water department for the last 3 years and is expecting another water rate increase within the next year. Czczok echoed Wussow.
- Commissioner Angland also expressed appreciation for the City of Baxter's relationship during previous boil orders.

Motion by Commissioner Wussow and seconded by Commissioner Matten to bring back this discussion at February meeting following the finance committee meeting with the City of Baxter. There was a roll call vote in favor of the motion. Motion carried.

Consider changing sprinkling credit months -See board packet for request.

Commissioner O'Day spoke about numerous calls received and is in favor of extending through the month of October. Commissioner Matten clarified this would be from May through end of October.

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Motion by Commissioner O'Day and seconded by Commissioner Higgins to extend the sprinkling credit through October as well as using all months outside of the credit period to determine a customer's average usage. There was a unanimous roll call vote in favor of the motion. Motion carried.

Approve scope of work for the PPL Application services for water improvements -See board packet for proposal.

Discussion included: Commissioners Wussow and Matten appreciated the statement that the fee would not be increased without prior authorization, however, would like to clarify that it would be approval by the department head versus the city.

Motion by Commissioner Matten and seconded by Commissioner Wussow to approve the Bolton & Menk scope of work for PPL application services. There was a unanimous roll call vote in favor of the motion. Motion carried.

Review Central Business District Incentive Policy -See board packet for policy.

Community Development Director Kramvik presented. Discussion included:

- Ordinance 1578 was approved by city council as well as the Central Business District Incentive Policy, which waves SAC/WAC in certain areas of Brainerd. City Council wanted to get comments and recommendations from the Public Utilities Commission.
- Commissioner Angland reviewed the 2019 rivers to rail district incentive, noting the \$150,000 threshold for waving SAC/WAC and the flexibility for negotiations above that amount. Angland stressed the importance of having a review from the commission and being a part of project conversations. Angland pointed out that the other option of generating revenue would be raising rates to offset costs. Kramvik agreed that having a review from the commission as part of the process would be a realistic recommendation.
- Commissioner Higgins emphasized the importance of the commission being informed especially when it comes from forgiveness of fees and effects BPU's budget.
- Commissioner O'Day also emphasized that rate payers will absorb cost for aging infrastructure. O'Day discussed potential special housing taxes done in other cities. Kramvik noted that the city could look into special taxes as well as a recommendation from the Commission for projects that exceed a certain dollar amount.
- City Council Liaison Czczok recommended the Commission put together a memo on SAC/WAC fees that outlines how they are collected and how they can be applied.
- Commissioner Matten pointed out that BPU didn't have a voice in the original city code even though it directly affects our infrastructure. Matten noted that she would be in favor of a reduced fee versus complete waiving.
- Kramvik reviewed that SAC/WAC fees are listed in the city's fee schedule but then transferred for use at BPU.

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Sending to operations policy and finance committee to review and discuss and bring back to the Commission in February with recommendations. Czczok reiterated a memo would be ideal. Angland suggested a meeting with City Council to discuss further.

Discuss Brainerd Industrial Centers Request for a Purchase Power Agreement (PPA)

Commissioner Higgins abstained due to conflict of interest.

Commissioner Angland presented. Discussion included:

- Brainerd Industrial Center (BIC) requested from staff consideration a 30 MW PPA.
- Hawkinson discussed the previous load study and current crypto loads versus new loads that would not be subject to load shedding; current transmission lines, goal of creating redundancy and limiting exposure to mother nature. BPU's current transmission line could be curtailed by Minnesota Power (MP) depending on circumstances. Future goals for reinvesting in infrastructure, 20-year plan for electric projects, and handling large industrial requests are all needed. Currently a request for 30 MW that is not curtailable is not feasible.
- Angland discussed the importance of public education on capacity.
- Evans discussed BPU's relationship with MP and summarized the process of a transmission study. Key factors to consider are philosophy, procedure, policy, and direction. Additional considerations would be the percentage of cost for both BPU and the applicant, as well as if these would be refundable.
- Angland encouraged communication to both EDA and City Council on this significant capacity concern. Angland requested the finance committee to discuss a potential MISO study as well as provide a formal response to the applicant. Hawkinson noted that in 2022, a MISO study was estimated at \$20,000. Matten inquired if future permitting costs could be used to recoup the cost of a study.

Staff Reports

City Administrator Report

City Administrator Broyles reported on the following:

- The City Council introduced Shawn Strong as the new Technology Director, as part of the IT integration.
- The Finance department provided a briefing on potential Integration. A future meeting will occur with the integration work group.

City Council Liaison Report

Czczok thanked the Commission for the in-depth discussions.

HR Director's Report – see board packet for report.

Schubert provided an update on IT integration.

- Technology Director Strong met with BPU staff several times to assess department needs.
- A revised department organizational chart and job descriptions will be recommended to the City Council next week. Wages will be negotiated with the IBEW Admin Support union.
- Emphasized BPU staff now have access to an additional two staff members for IT needs.

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Public Utilities Director's Report – see board packet for report

- Energy from Hydro projects are able to be considered renewable.
- Conversation with MP to build report and continue discussions on redundancy and improvements to our system.

Managers Reports

Finance Manager's Report – see board packet for report.

Operations Manager Report

Hawkinson reported ongoing maintenance for electric crews. Water crews have been addressing frozen water lines on the resident's side. Currently there has been no freezing in the distribution system.

- Higgins complimented BPU staff on minimal outages.

Water/Wastewater Report – see board packet for report.

A joint meeting with City of Baxter to occur soon once the 20-year study is completed.

Commission Members – Reports

Commissioner Higgins reported on the following:

- Expressed concern with the City of Brainerd not having enough power to foster growth with current capacity and crypto loads. The current power limitation would eliminate the possibility of a large manufacturing company to be able to open. Higgins noted that he will continue to have this conversation.

Commissioner Matten reported on the following:

- March 7th meeting with high school students about being in local government work.
- Encouraged future community outreach opportunity with the City of Baxter to provide public education.

Commissioner Wussow reported on the following:

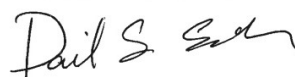
- Hydro generation report.
- Explained AEP contract rates for our two solar sites.

Adjournment

Motion by Commissioner O'Day and seconded by Commissioner Matten to adjourn the meeting and note that the meeting location going forward is City Hall Chambers. There was a unanimous roll call vote in favor of the motion. Motion carried at 11:31 AM.



Mike Angland, Commission President



Danny Loch, Finance Manager/Secretary