



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 October 28, 2025.

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

Commission Roll Call

Mike Angland – Present
Dolly Matten – Present

Mark O'Day – Present
Mike Higgins – Present

Utility Staff Present

Finance Manager
Operation Manager
Water/Wastewater Manager
Business Office Supervisor
Recording Secretary

Danny Loch
Trent Hawkinson
Charlie Gammon
Jana Pernula
Becky Ridlon

Others in Attendance

City Council Liaison
HR Director
Public Works Director
Bolton & Menk
Widseth
Tanner Motors
Winkelman Solar
Rotary
Citizen
Citizen

Jeff Czeczok
Kris Schubert
Mike Habighorst
Morgan Salo, PE
Bill Westerberg, PE
Tony Banse
David Winkelman
Peter Nelson
Brian Timmers
Ken Heintzman

Commissioner Angland opened the meeting with the Pledge of Allegiance.

Approval of Agenda Items

Commissioner Angland requested to move Finance Managers Report ahead of Item B. in unfinished business.

Motion by Commissioner Higgins and seconded by Commissioner Matten to approve the amended agenda. There was a unanimous vote in favor of the motion. Motion carried.

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Approval of Consent Items

Motion by Commissioner O'Day and seconded by Commissioner Higgins to approve the minutes from September 30th, 2025, 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

Matten said the committee met as a work group with members of City Council and staff to interview the Public Utilities Director.

Finance/Operations Committee

O'Day stated there was nothing to report.

Unfinished Business

Memo -See board packet for updates.

Discussion included: Loch updated the commission on a few items: BlockMetrix did respond and stated they would not be able to move forward with the terms and conditions as presented. Staff are working with City Attorney updating the language on getting the ClimaVision Weather Radar installed on the tower. Hydro-generation; BARR has provided estimates to staff related to increasing costs for new generation options and are awaiting additional information.

Angland noted that the strategic planning document accurately reflects Brainerd Public Utilities' current position and encouraged everyone to keep it in mind as they enter the new year and have a new director and to bring this to the forefront as we move into the next year.

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

Finance Manager Danny Loch presented.

Loch pointed out to Commission the impacts the utility is seeing with the Low-Income Home Energy Assistance Program (LIHEAP) and the delayed payment with the federal shut-down, which is also delaying funding being received by the utility. Loch noted that the utility is here for the customer and that customers cannot be shut off if they call, make a payment arrangement, and keep their arrangement.

Loch reminded the Commission that the capital and operating budget must be approved at the November 25, 2025, meeting and then presented to the City Council at their first meeting in December. Loch noted that the capital budget plan is on-going, however, staff have been encountering problems with getting accurate estimates from vendors and the capital plan has been slowed but still will be presented as required at the next meeting. Loch noted a correction in the data provided to Commission where the purchased power line was overstated and affected the bottom line for electric and combined bringing the estimates for 2025 from deficit net position to positive. Councilman Czeczk asked clarification on what

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is included in the purchased power line item and Loch informed that the purchased power line item includes all power: purchased power from AEP, the solar fields and hydro generation as hydro generation is an internal sale from hydro to electric. Commissioner Angland asked about major budget-to-actual trends for 2026. Loch noted required conservation spending of 1.5% of revenues, decreasing consumption in residential and commercial loads because of conservation efforts and new construction, and a stabilizing industrial load as we have not budgeted for any additional increases in those consumptions and revenues.

Angland also asked for a rate study update, and Loch reported that the study is underway with staff gathering necessary information and the consultant awaiting information from himself. Once the budget is complete and the new utility director begins, rate studies will be priority one.

Direction request on Payment in Lieu of Tax/City Contribution – Tabled from Sept. Meeting

Finance Manager Danny Loch presented the request from Council for a change to methodology from the mill rate per KwH to a percentage of revenues basis: 3% in 2026, 4% in 2027 and 5% in 2028.

Motion by Commissioner O'Day and seconded by Commissioner Higgins to approve 3% contribution based on electric revenues for the year 2026 and wait for any other changes until BPU has the Rate Study completed. Motion Carried.

Discussion included:

Higgins is seeking clarification on whether the PILOT is outlined in the charter, and Loch confirming that the contribution to the city is included in the charter referencing the Utility policy. Higgins indicated that with charter discussions that the City must consider that any increases to the contribution from the PILOT would be indicative of a rate increase on the City as a whole as the third largest user of power is the City, therefore increasing revenue in year one to have an increase expense in year two by charging ourselves does not make sense and that this needs to be dealt with in a charter change as a whole. City council agenda stated there is a charter commission meeting beginning of November to review changes for the charter and is in support of a 3% for one year.

Matten clarified that the 3% increase is included in the 2026 budget, which Loch confirmed. Matten added that higher PILOT rates would place additional pressure on electric rates for both businesses and residents. Matten noted concerns for budgeting as revenues can fluctuate with weather and other factors, that additional pilot contributions would strain infrastructure spending which could make budgeting more difficult. Matten noted additionally that within the packet and from the results presented from other communities there was caution noted and multiple options to consider with all options desiring to conserve energy.

O'Day is looking forward to seeing the outcome of the rate study to be able to make an informed decision and expects the cautions Matten noted to be answered in a rate of service study. Angland asked Loch what the timeframe is to get the rate study back, Loch did not have definitive dates but is thinking mid-2026.

Council Liaison Czeczk noted that the Charter Commission can add items to its agenda at the request of any of its three members, and that commission members may be contacted individually or through City Hall to request discussion of the PILOT-related issue. He expressed concern that the City Council is directing changes to the PILOT rate despite the charter and existing policy indicating that the Public

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Utilities Commission sets the rates. He stated that the City Attorney's interpretation—allowing the Council to effectively set the rate—appears inconsistent with the policy language. Czeczk also characterized the proposed PILOT increases (3% in 2026, 4% in 2027, and 5% in 2028) as effectively shifting costs from the City's levy to utility customers, describing it as "robbing Peter to pay Paul." He emphasized that increased PILOT payments would ultimately raise electric rates and burden customers. He suggested the Public Utilities Commission formally request that the Charter Commission discuss and clarify the Commission's authority to set the PILOT rate.

Motion by Commissioner O'Day and seconded by Commissioner Matten to ask the charter commission to look at removing language about PILOT program and consider the PILOT be made an administration agreement. Discussion occurred.

Members discussed whether to forward issues related to the PILOT language and broader structural questions to the Charter Commission. Council Liaison Czeczk recommended that any request be made formally by motion so it could be placed on the Charter Commission's November 5th agenda.

During discussion, several members noted that the topic is larger than the PILOT issue alone. Some commissioners expressed interest in discussing whether water, wastewater, and related public works functions should be consolidated under a single entity rather than split between the City and the Utilities Commission. Concerns were raised about operational inefficiencies, lack of coordination on major capital projects, and longstanding conflicts between the City and the Commission.

It was noted that the Charter Commission may already be planning to discuss utility structure at the November 5th meeting. Members agreed to amend the motion to allow the Commission to request inclusion on the agenda for discussion of PILOT language and any other proposed charter changes affecting utility operations or governance.

Revised Motion by Commissioner O'Day and seconded by Commissioner Matten to ask the charter commission to look at removing language about PILOT program and consider the PILOT be made an administration agreement; also, to be able to speak to other proposed charter changes and to adjourn to the Charter Commission meeting on November 5, 2025. Motion carried.

Direction Requested on Donation of Paint of Main Lift Buildings

Finance Manager Loch, Water/Wastewater Manager Gammon presented the request. Staff explained that a Rotarian has offered to donate materials to repaint the Main Lift buildings near Rotary Park. Although long-term plans include potential replacement or removal of several structures, funding and construction are not expected until 2028–2030, and one central structure will remain in use. One contractor quote has been received and a second is still pending.

Commissioners discussed whether repainting is appropriate given future building changes. Clarifications were made that the project involves basic painting, not a mural. Some members supported maintaining the buildings in the interim, noting timelines may stretch beyond two to three years. Others raised concerns about approving the project without knowing total labor costs or the donor's timing preferences.

Given seasonal limitations and the lack of complete bid information, a motion was made and seconded to delay the decision until spring, with direction to follow up with the donor for more details.

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Motion by Commissioner O'Day and seconded by Commissioner Higgins to delay donation request until spring of 2026, if available, and direct staff to clarify the donation information from the generous Rotarian. There was a unanimous vote in favor of the motion. Motion carried.

Approve Rotary Park Solar Contract

Finance Manager Loch reported that Attorney Langel requested the Commission's formal approval of the Rotary Park Solar Project agreement included in the packet. No Commission signatures are required, and the Park Board is scheduled to approve the agreement at its meeting later this evening. The final project cost to the utility is approximately \$33,100, lower than the earlier July 2024 estimate of about \$39,100.

A motion was made and seconded to approve the Rotary Park Solar contract. During discussion, Matten noted the project's community benefit and expressed appreciation for Attorney Langel's revisions to the agreement, while also noting a date correction needed in the contract.

Motion by Commissioner O'Day and seconded by Commissioner Higgins to approve Rotary Park Solar Contract with the date changes. There was a unanimous vote in favor of the motion. Motion carried.

New Business

Discuss Preliminary 2026 Budget-See board packet for agenda request.

Finance Manager Danny Loch presented the operating budget for 2026. Staff presented additional details on the 2026 Preliminary Operating Budget, noting that a corrected version of the document was distributed due to a \$2.6 million adjustment in purchased power expenses for 2025. This correction changed the Electric Department's projected deficit into a combined utility surplus of approximately \$1.96 million for 2025. The 2026 operating budget remains balanced across all divisions, with revenues of \$39.7 million and expenses of \$39.6 million.

The budget incorporates the January 1 rate adjustments approved earlier in the year and assumes stable consumption overall, with gradual long-term declines expected due to conservation efforts. Industrial load assumptions remain unchanged as usage has stabilized. Electric revenues are projected at \$29.5 million with expenses of \$29.8 million, leaving a preliminary deficit of roughly \$246,000 when incorporating the hydro generation. Water is projected to show a surplus of \$218,000, and Wastewater a surplus of \$151,000, reflecting steady consumption and improved revenue recovery from recent rate increases.

Commissioners discussed long-term conservation impacts, system capacity, and future planning. Staff noted that declining consumption creates challenges for capital planning but also opportunities to evaluate desired capacity levels. Members also reviewed increases in consulting services tied to the upcoming electric cost-of-service study, and staff confirmed that credit card transaction fee passthroughs are expected to be in place before year-end.

Additional discussion highlighted the positive impact of the prior 20% water rate increase, which contributed significantly to the Water Department's improved financial position. Staff noted that payroll and benefits reflect increases from MN paid family and medical leave requirements, health insurance costs, administrative allocations, and budgeted vacancies.

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Staff will continue refining the budget and will schedule a Finance & Operations Committee meeting in early November to prepare the final version for Commission approval at the November meeting.

Discuss EV Charging – Rate/Future Plan -See board packet for agenda request.

Operations Manager Hawkinson introduced a discussion on developing an EV charging rate and future plan. Hawkinson explained that staff have received a request to review whether the current commercial rate structure appropriately accounts for the unique load profile of EV fast chargers. EV charging is currently billed under standard commercial demand rates, which can make Level 3 (fast) charging stations difficult to operate economically because a single high-demand event sets the demand charge for the entire month. Staff noted that local EV saturation is increasing, though system impacts remain limited so far, and asked the Commission for directions on key considerations for designing a future EV policy or rate.

At the Commission's request, Tony Banse of Tanner Motors described his experience installing a manufacturer-required Level 3 charger. He reported strong seasonal demand from visitors but said demand charges made the first bill unexpectedly high, leading him to shut the charger off. He also noted delays in getting the charger operational, uncertainty about how to charge customers, and a desire for guidance to make the station financially viable.

Staff and commissioners discussed how demand charges work and why Level 3 chargers create sharp peak loads requiring larger transformer capacity. The conversation distinguished Level 1 and Level 2 residential chargers—seen as manageable through time-of-use/off-peak rates—from Level 3 commercial chargers, which are harder to align with off-peak usage. Staff estimated roughly six known residential chargers in the city, noting customers are not required to notify the utility, and affirmed the system could accommodate significant residential growth if charging is steered to off-peak hours.

Commissioners raised broader policy questions about metering, identifying EV charging load separately, infrastructure costs, and ensuring fair cost recovery. Staff stated that time-of-use rates appear to be the only practical near-term option for relief and suggested exploring a public-private partnership using Tanner Motors' existing charger as a potential community charging station. Staff will continue researching both residential and commercial EV rate options, collect data from existing residential installations, and bring recommendations back to the Commission through a future committee discussion.

Discuss Leaking Services Policy-See board packet for agenda request.

Operation Manager Trent Hawkinson presented.

Hawkinson stated that these leaking service lines are happening more frequently due to age of waterlines. BPU can determine where in the service line it is leaking by checking with the leak detect system. We are hoping through the Lead service change outs that this will help alleviate most of these issues on the customer service side. Commission asked staff to draw up a policy draft with timeframes notification timing and submit for review for November Commission meeting.

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Staff Reports

City Council Liaison Report

Thanked staff for everything they do.

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

Operations Manager Report - see packet board for report.

Hawkinson noted and highlighted some renewable energy numbers, finalization to the construction projects as well as the water tower clean out and disinfection and the installation of the mixer.

Water/Wastewater Manager Report- see board packet for report.

Gammon provided an operational update, noting recent completion of several wastewater projects including procurement and installation of new lift station pumps at Evergreen and completion of check valves and gates earlier in the month. He emphasized that many pumps and motors being replaced are vintage 1980s-era equipment, so upgrades improve efficiency and reduce costs, and that the department is monitoring peak demand impacts through metering like other commercial customers.

Commissioners asked about flow figures and Gammon clarified that total flows fluctuate seasonally with weather, like electric usage, and that leak reduction lowers required production. Gammon confirmed the Evergreen lift station work was planned and budgeted, and that some check valves and gates originally slated for next year were advanced this year, totaling about \$87,000. He noted additional lift station and valve replacements are anticipated in the future but not in the current year's budget. He also reported biosolids storage is down to about 157,000 gallons and hauling will continue until winter conditions stop operations.

On emergency generator maintenance, Gammon said generators are tested monthly and standard procedures now include running generators during high-load pumping to avoid setting a costly monthly demand peak. Regarding a recent water tower communication failure caused by a cut copper line, he stated there is no redundant backup yet, but staff are working on a fiber/networking solution.

Commission Members – Report

Commissioner Matten wanted to congratulate HR Kris Schubert on her upcoming retirement and thanked staff for their detailed reports.

Adjournment

Motion by Commissioner Matten and seconded by Commissioner Higgins to adjourn to the Charter Commission meeting on 11/05/2025 there was a unanimous vote in favor of the motion. Motion carried at 10:49 AM.



Mike Angland, Commission President



Danny Loch, Finance Manager/Secretary