AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SEPTEMBER 3, 2019

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street.

2. **Approval of Minutes**

3. **Communications**

4. **Approve the Agenda**

5. **Approval of Consent Business**

6. **Bills: Approve Warrant List**
   - 6a) August 19, 2019
   - 6b) September 3, 2019

7. **Liaison Report**

8. **Reports: Water Items**
   - 8a) Water System Operations Report – Verbal
   - 8b) Water Production Dashboard
   - 8c) Windermere Booster Station Construction Update
   - 8d) Resn. #1251 – Approving Payment for the Pipe Oversizing Costs on the Watermain Project: Prairie Meadows Second Addition

9. **Reports: Electric Items**
   - 9a) Electric System Operations Report – Verbal
   - 9b) MMUA Pole Trailer Donation
   - 9c) MMPA Board Meeting Public Summary - July 2019
   - 9d) MMUA Mutual Aid Request for Hurricane Dorian

10. **Reports: Human Resources**

11. **Reports: General**
    - 11a) June 7, 2019 Letter From the City Administrator - Response
    - C=> 11b) Financial Results – July 2019

12. **New Business**

13. **Tentative Dates for Upcoming Meetings**
    - Mid Month Meeting -- September 16
    - Regular Meeting -- October 7
    - Mid Month Meeting -- October 21
    - Regular Meeting -- November 4

14. **Adjourn** to 9/16/19 at the SPU Service Center, 255 Sarazin Street

MINUTES

OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION
(Regular Meeting)

President Joos called the regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., August 5, 2019.

MEMBERS PRESENT: Commissioners Joos, Amundson, Meyer and Clay. Also present, Liaison Lehman, Utilities Manager Crooks, Finance Director Schmid, Planning & Engineering Director Adams, Electric Superintendent Drent, Water Superintendent Schemel and Marketing/Customer Relations Director Walsh. Commission Mocol was absent as previously advised.

Motion by Amundson, seconded by Meyer to approve the minutes of the July 15, 2019 Commission meeting. Motion carried.

There were no communication items.

President Joos offered the agenda for approval and asked that Item 11a: Mayor Mars be moved up in the agenda and follow the Liaison's Report.

Motion by Clay, seconded by Meyer to approve the amended agenda. Motion carried.

President Joos stated that there were no consent items. Commissioner Clay asked that Item 8f: Water Tower #8 – Update and Item 8g: Windermere Booster Station Construction – Update be moved to Consent Business.

Motion by Clay, seconded by Meyer to approve the Consent Business agenda as discussed. Motion carried.

The warrant listing for bills paid August 5, 2019 was presented.

Motion by Amundson, seconded by Clay to approve the warrant listing dated August 5, 2019 as presented. Motion carried.

Liaison Lehman presented his report. The Liaison stated there was no report and that he would participate in the Mayor's discussion.

Mayor Mars addressed the Commission and requested formal responses to the letter that was sent by the City Administrator dated June 7th. Prior direction from the Commission was to receive the letter and not respond. Discussion centered on the current relationship between SPU and the City of Shakopee.

Motion by Clay, seconded by Amundson to formally respond to the letter dated June 7, but not to address any issue that is more than ten years old. Motion carried.

Water Superintendent Schemel provided a report of current water operations. A review of summer production was provided. An average of 9.5 million gallons per day was trending upward.

Utilities Manager Crooks presented a chart/map for neighboring communities listing their development fees and water rates. The comparison figures were provided by Ehlers and clearly shows the development fees and water rates as set by SPU are in line with surrounding cities, as opposed to what has been presented to the City Council and the Shakopee Valley News.

Motion by Meyer, seconded by Clay to offer Resolution #1249. A Resolution Setting the Amount of the Trunk Water Charge, Approving of Its Collection and Authorizing Water Service to Certain Property Described as: A Portion of Mount Olive Church Addition. Ayes: Commissioners Clay, Meyer, Amundson and Joos. Nay: none. Motion carried. Resolution passed.

Motion by Amundson, seconded by Meyer to offer Resolution #1250. A Resolution Approving of the Estimated Cost of Pipe Oversizing on the Watermain Project: Mount Olive Church. Ayes: Commissioners Meyer, Amundson, Clay and Joos. Nay: none. Motion carried. Resolution passed.

Planning and Engineering Director Adams discussed an issue that remains with bedrock removal quantities with the Rahr Watermain Looping Project. SPU and Ryan Contracting are disagreed on the amount of rock removed as well as the cost per yard.

Item 8f: Water Tower #8 – Update was received under Consent Business.

Item 8g: Windermere Booster Station Construction Update was received under Consent Business.

Electric Superintendent Drent provided a report of current electric operations. The electric distribution system set an all-time high for demand on the SPU system. The peak was 104.5 MW on July 19th. Since the last Commission meeting, there were 9 electric outages, with no outage affecting more than 7 customers. Each outage was reviewed. Construction updates were provided. An overview of the SCADA system was presented showing the record demand on the SPU system. The system performed as designed and built.

Finance Director Schmid reviewed the proposed 2020 Budget planning schedule. Commissioners Amundson and Meyer were appointed to the SPU Compensation Sub-Committee.

Ms. Schmid provided the financial results for June 2019.

Customer Relations/Marketing Director Walsh provided the Commission with an update on the SPU Website Development Project.

Under New Business, Commissioner Amundson asked that Staff look into a possible rate structure difference for redevelopment projects in Shakopee.

President Joos thanked Staff for their professionalism and passion in dealing with many of the issues that were discussed during the Mayor's address to the Board. Commissioners were also thanked for their dedication to the Utilities.

The tentative commission meeting dates of August 19 and September 3 (Tuesday) were noted. Due to the MMUA Summer Conference, the August 19 Commission meeting will be canceled.

Motion by Meyer, seconded by Clay to adjourn to the September 3, 2019 meeting. Motion carried.

Commission Secretary: John R. Crooks

Monthly Water Dashboard

As of: July 2019

Shakopee Public Utilities Commission

8b

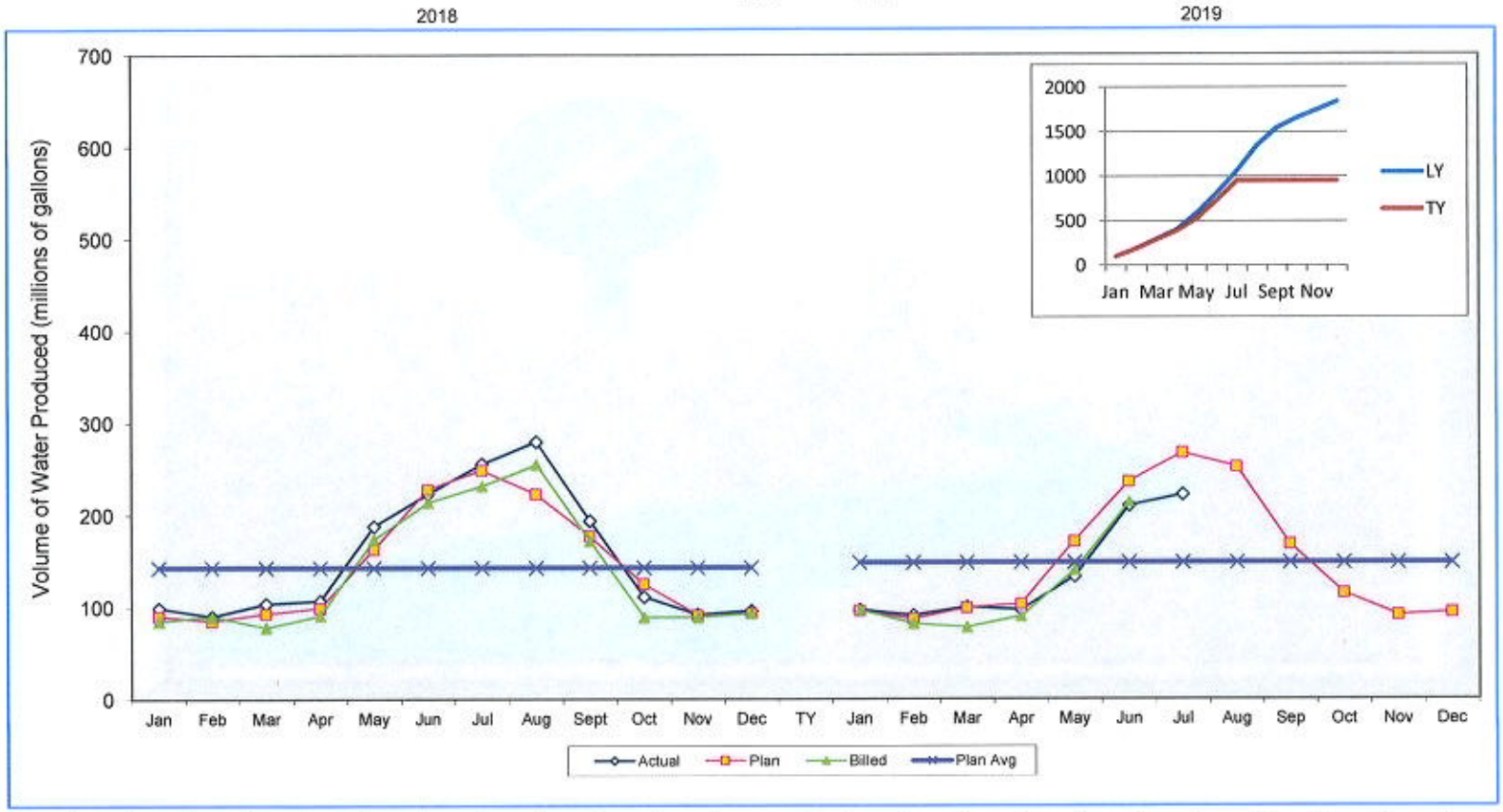
ALL VALUES IN MILLIONS OF GALLONS

Element/Measure Water Pumped/Metered

Last 6 months actuals	91	100	97	133	210	222

Averages

2016	145
2017	147
2018	153



LY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual	99	90	104	107	188	223	256	280	194	111	92	96		97	91	100	97	133	210	222					
Plan	90	85	93	99	163	228	249	223	177	125	91	93		96	87	99	103	171	236	267	252	168	115	91	94
YTD % *														101%	103%	102%	100%	93%	92%	90%					
Billed	85	90	78	91	174	214	232	255	172	89	89	93		97	82	78	90	140	214						

* Actual gallons pumped vs. Plan

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

8c

TO: John R. Crooks, Utilities Manager

FROM: Lon R. Schemel, Water Superintendent

SUBJECT: Windermere Booster Station Update 4

DATE: August 30, 2019

Exterior trim and painting are done. The corner windows will be installed the week of September 16th. The standing seam roof will be put on the week of September 3rd. The pumps and motors have been installed onto the bases. Most of the pipe gallery is in place. Low voltage electrical is done. The backup generator is in place. Utility power has been run to the building. We are still on schedule for an October 1st startup. All photos were taken August 29th.

8d

RESOLUTION #1251

A RESOLUTION APPROVING PAYMENT FOR THE PIPE OVERSIZING COSTS ON THE WATERMAIN PROJECT:

PRAIRIE MEADOWS SECOND ADDITION

WHEREAS, the Shakopee Public Utilities Commission had previously approved of an estimated amount of $34,314.85 with Resolution #1199 for oversizing on the above described watermain project, and

WHEREAS, the pipe sizes required for that project have been installed as shown on the engineering drawing by Loucks, Inc., and

WHEREAS, a part, or all, of the project contains pipe sizes larger than would be required under the current Standard Watermain Design Criteria as adopted by the Shakopee Public Utilities Commission, and

WHEREAS, the policy of the Shakopee Public Utilities Commission calls for the payment of these costs to install oversize pipe above the standard size.

NOW THEREFORE, BE IT RESOLVED, that the payment by the Shakopee Public Utilities Commission for the oversizing on this project is approved in the amount of $34,506.67, and

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 3rd day of September, 2019.

_____

Commission President: Terrance Joos

ATTEST:

_____

Commission Secretary: John R. Crooks

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

May 20, 2019

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Pole Trailer

Background

The SPU Electric department is purchasing a new pole trailer in 2019 to replace a 1992 Sauber pole trailer. The 2019 CIP budget includes a provision of $17,000 for the new pole trailer. The 1992 Sauber pole trailer is fully depreciated and has exceeded its useful life. SPU would like to donate this unique piece of equipment to MMUA to be used for training purposes.

Donation of such equipment to MMUA would be subject to disclosure by SPU that equipment may be defective and cannot be relied upon for safety purposes as required per League of Minnesota guidelines.

SPU does not customarily donate surplus equipment and therefore does not have a policy on surplus donations to nonprofit organizations. In 2016 the Minnesota Legislature passed a law allowing a local government to donate surplus equipment to a nonprofit organization.

Commission Action Requested

- Approve donation of 1992 Sauber trailer to MMUA for use in training subject to disclosure that equipment may be defective and cannot be relied upon for safety purposes.

5/23/19

Post Office Box 470 • 255 Sarazin Street • Shakopee, Minnesota 55379-0470
(952) 445-1988 • Fax (952) 445-7767 • www.spucweb.com

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

9c

TO: **SHAKOPEE PUBLIC UTILITIES COMMISSSION**

FROM: **JOHN R. CROOKS, UTILITIES MANAGER**

SUBJECT: **MMPA BOARD MEETING PUBLIC SUMMARY JULY 2019**

DATE: **AUGUST 28, 2019**

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on July 23, 2019 at Shakopee Public Utilities in Shakopee, Minnesota.

The Board discussed the status of the renewable projects the Agency is pursuing.

Preliminary rate projections for the upcoming year were reviewed, which showed a projected 1% rate increase from 2019 to 2020.

Participation in MMPA's residential Clean Energy Choice program increased over June, with market penetration that is now at 3.2%

The Agency's annual dinner meeting with city officials followed the Board meeting at the Chaska Event Center in Chaska, Minnesota.

9d

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

August 29, 2019

TO: John Crooks, Utilities Manager

FROM: Greg Drent, Electric Superintendent

Subject: Florida Mutual Aid Request

SPU got a request for mutual aid assistance in Kissimmee, Florida. On Wednesday evening, Mike Willetts from MMUA called me to discuss the possibility of mutual aid to Kissimmee, Florida. On Thursday morning, the formal request came in for mutual aid as the Hurricane was upgraded to a category 4. Before we agree to send the lineman we had a couple of internal meetings with engineering to make sure we could keep up with our current projects and meet the needs of our customers with the remaining staff.

I met with Mr. Crooks and we agreed to send two linemen and a bucket truck. Last year we sent four linemen but with current developments and a few vacations that are scheduled I felt we should only send two linemen this year. I was excited to see the response from our lineman at SPU to volunteer to go to Florida. We are blessed to have a dedicated team here at SPU to their profession and willingness to help in times of need.

We are planning on working for about 2 weeks in Florida and then make a decision on sending out another crew to replace them and continue to work or sending everyone home. We will keep you posted on the progress in Florida

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SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION

FROM: JOHN R. CROOKS, UTILITIES MANAGER

SUBJECT: JUNE 7TH LETTER - RESPONSE

DATE: AUGUST 30, 2019

As directed by the Commission, Staff has formally responded to the 31 questions listed in the City Administrator's letter dated June 7th. While most of the questions have been previously answered, the questions were still responded to. Answers to issues that were over 10 years old had previously been answered are contained in attachments or in the actual response.

The questions have been rewritten at the top of the replies. However it was best felt to group the questions that were on similar issues as stated in the letter. Staff used 12 responses to address all 31 questions.

The responses contained in this memorandum were electronically sent to the Mayor, City Council Members and the City Administrator on Friday August 30.

1. **Current Rate Formulas for the SPUC Water Connection Charge (WCC) and Water Trunk Charge (WTC). Is it correct that SPUC has four different sources to fund their capital improvement plan, and are they as outlined below?**

   Shakopee Public Utilities' Water Department is funded from four different sources. The Water Capacity Charge (WCC), the Trunk Water Charge (TWC). These two charges make up the SPU Water Access Charge (WAC). The two remaining funds are the Operating Fund and the Reconstruction Fund. The explanation of each fund is provided below.

   These four funds were detailed during the March 12 Council/Commission meeting and again in the July 29 memorandum sent to the City Council members.

1. **How is the SPU Water Capital Improvement Plan funded?**

The Capital Improvement Plan (CIP) for SPU Water is broken out into four separate funds with very specific, restricted uses and collection processes. An explanation of each of the funds is as follows:

Fund	Use	Who Pays
Operating	This is used to pay for the operation and maintenance of the water production and distribution system.	**Customers.** This is included in customer rates billed monthly based on usage.
Reconstruction Charge	This is used to replace water mains and services up to the curb stop in conjunction with the city's street reconstruction project.	**Customers.** This is a separate line item billed monthly to customers based on usage.
TWC **Trunk Water Charge**	This fee is only collected when water is made available to undeveloped property. It pays for the oversizing of pipes to provide adequate fire flow protection.	**Developers.** Developers pay this through fees based on the net acreage of their development.
WCC **Water Capacity Charge** **(Formerly called Water Connection Charge)**	This fee is collected when there is increased demand on the water system. It is used for siting and constructing new wells, pump houses, booster stations, water storage tanks, treatment plants and transmission mains to support customer needs.	**Property Owners/Developers.** This is a one-time, upfront charge to cover the additional demand on the water supply system. The anticipated volume of water to be used is measured in equivalent SAC units.*

*One SAC (Sewer Availability Charge) unit as defined by the Met Council is 274 gallons per day.

2. **What is the cash flow policy that SPUC has for the above funds? In our analysis of your budget, we only see two funds – water and electric. What are the current fund balances for these charges and where are they located in your budget? It appears that there are separate business units under each fund. Please provide the budget for these business units or if there are not separate business units, how the charges are segregated to prevent comingling of funds.**

   This information was provided to the Shakopee City Council and the Shakopee City Administrator in a memo from John R. Crooks, Utilities Manager dated 7/25/2019 attached. Within this packet, please reference the support document memo from Renee Schmid to John Crooks dated 6/25/2019 which describes the water and electric utilities and related funds, operating reserve requirements, and fund balances. Each utility and fund are segregated and accounted for separately through general ledger accounts.

11b

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

June 25, 2019

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Request from Shakopee Valley News

Overview

- On Tuesday, July 9, 2019, I received an email from Ms. Maddie Debilzan, a Shakopee Valley News reporter, requesting verification of some facts and a statement made by Bill Reynolds, the City Administrator. A copy of that email and our response is attached to keep the Commission informed of the ongoing discussions being played out in the media. I was pleased that Ms. DeBilzan did her due diligence and asked for our input to these questions.

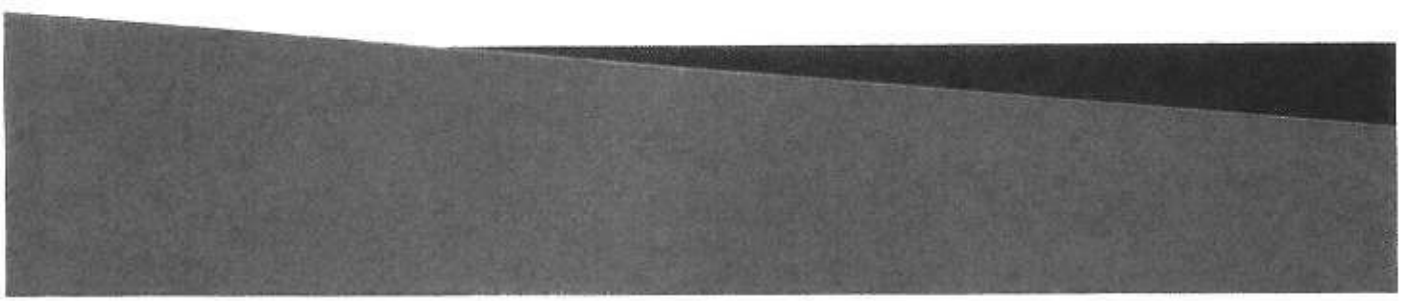
- Attached is a presentation of that response that will be discussed at the Commission meeting on Monday, July 15th, 2019.

Commission Action

- No Commission action requested.

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"



Shakopee Valley News Request

From: Maddie Debilzan [ ]
Sent: Tuesday, July 9, 2019 2:37 PM
To: Schmid, Renee < >
Subject: Facts to look over

1. "Reynolds said SPU has far too much money "just sitting in the bank" from its high water capacity charges, referring to the $45.5 million in investments SPU has in its 2018 audit report. Schmid said that investment money goes towards funds for both water and electric utility and is used for operating and maintaining both utilities. **Is this correct? I need a simple explanation of where this money goes. And if you would like to provide a statement yourself, feel free to do so.**

2. SPU plans to use $15.6 million from the water capacity fund to pay for new water facilities. Major projects include a $3.67 million booster station currently under construction, a $2.7 million storage tank that will be built in 2020 in the Windermere housing development, and a **$5.3 million water treatment plant in _ for 2023.** According to the audit reports, as of 2018, SPU holds $13 million in its water capacity fund. **Is this correct, and where will that water treatment plant be located?**

Response to Shakopee Valley News Request

From: Schmid, Renee
Sent: Tuesday, July 9, 2019 4:53 PM
To: 'mdebilzan@swpub.com' <mdebilzan@swpub.com>
Cc: Crooks, John <jcrooks@shakopeeutilities.com>; Adams, Joe <jadams@shakopeeutilities.com>
Subject: Facts to look over

Dear Ms. DeBilzan -

The SPU Commission operates both an electric utility and a water utility. Each of these utilities are separate Enterprise funds of the City Shakopee. Within each utility there are separate funds with specific designated purposes.

The $45.5 million number used by Mr. Reynolds is incorrect. The water connection fund balance as of 12/31/2018 was $13.1 million. Planned infrastructure costs for the water connection fund from 2019 - 2023 total $15.6 million dollars with estimated additional fee revenue of $10.8 million resulting in an ending fund balance of $8.3 million by 12/31/2023. These are the current estimates and are updated every year in our annual budget planning.

Listed below are the fund balances per our 2018 audited financial statements for our electric and water utilities, approved 2019 CIP including planned capital infrastructure costs from 2019 - 2023, and estimated receipts from fees and/or net operating income over the same period, and an estimated fund balance as of 12/31/2023. SPU is required to maintain a minimum of three to six months of operating expenses as reserves per guidance from our auditors and financial advisors to be considered financially sound.

Water Utility Fund Balances

		WATER UTILITY FUND BALANCES					
		Water Operating	Water Trunk	Sub-Total	Water Reconstruction	Water Connection	Total Water Utility
2018 Audited Fund Balances	12/31/2018	8,289,300.00	199,157.10	8,488,457.10	844,900.81	13,085,882.90	22,419,240.81
2018 Street Reconstruction Costs Paid in 2019					(503,698.11)		(503,698.11)
2019 - 2023 Planned CIP Infrastructure Costs		(6,336,483.00)	(2,710,826.00)		(1,380,000.00)	(15,627,791.00)	(26,055,100.00)
2019 - 2023 Estimated Revenues/Net Receipts		4,205,931.74	3,933,233.00		2,097,259.00	10,830,672.00	21,067,095.74
Estimated/Projected Fund Balance	12/31/2023	6,158,748.74	1,421,564.10	8,488,457.10	1,058,461.70	8,288,763.90	16,927,538.44

Operating Revenues	2018	5,608,127.00
Operating Expenses	2018	4,261,042.00
Contribution to City of Shakopee	2018	1,091,814.00
Total Operating Expense with City Contribution		5,352,856.00
Operating Income after City Contribution		255,271.00
% of Operating Fund Balance as a % of Expenses		154.9%
Number of months of reserves:		19
Minimum Targeted Reserves:		3 - 6 months

Electric Utility Fund Balances

		ELECTRIC UTILITY FUND BALANCES				
		Electric Operating	Electric Relocation UG	Sub-Total	Electric Emergency	Total Electric Utility
2018 Audited Fund Balances	12/31/2018	31,367,275.41	822,208.59	32,189,484.00	100,000.00	32,289,484.00
2019 - 2023 CIP Infrastructure Costs		(36,451,976.00)	(1,123,750.00)		0	(37,575,726.00)
2019 - 2023 Estimated Revenues		34,443,740.00	785,472.00		0	35,229,212.00
Estimated/Projected Fund Balance	12/31/2023	29,359,039.41	483,930.59		100,000.00	29,942,970.00

Operating Revenues	2018	50,393,489.00
Operating Expenses	2018	43,934,958.00
Contribution to City of Shakopee	2018	1,509,222.00
Total Operating Expense with City Contribution		45,444,180.00
Operating Income after City Contribution		4,949,309.00
% of Operating Fund Balance as a % of Expenses		69.0%
Number of months of reserves:		8
Minimum Targeted Reserves:		3 - 6 months

2018 Purchased power costs were $35.6 million dollars of this number.

Why do we have fund balances?

1) SPU is required to maintain a minimum of three to six months of operating expenses as reserves per guidance from our auditors and financial advisors to be considered financially sound.
2) In the past, bond covenants required specific reserves to meet debt service. SPU no longer has debt. SPU's last bond issue was defeased in 2018 and saved the rate payers $2.2 million dollars in interest expense.
3) In the event of a catastrophe such as a tornado or flood, SPU would need to rebuild damaged facilities to restore electric and water service. Water mains, electric lines, transformers, and electric circuit feeders are not insured and are expensive to replace.

Why do we have fund balances?

4) The City of Shakopee has adopted a planned orderly annexation of an adjacent township. As a municipal utility and as allowed per state statute, SPU plans to grow with the city and acquire new electric service territory at SPU expense and cannot bond for this acquisition.
5) As the distribution system ages, SPU will need to replace facilities.
6) SPU currently pays 23.77% of Water sales less cost of energy for pumping from revenues collected. User rates would be much lower without this transfer.
7) SPU currently pays 2.71% of Electric sales to the City of Shakopee and provides additional free services for electricity for street lighting and the LED upgrade project. User rates would be much lower without this transfer.

Schmid, Renee

From: Schmid, Renee
Sent: Tuesday, July 9, 2019 4:53 PM
To: 'mdebilzan@swpub.com'
Cc: Crooks, John; Adams, Joe
Subject: Facts to look over

Dear Ms. DeBilzan –

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The $45.5 million number used by Mr. Reynolds is incorrect. The water connection fund balance as of 12/31/2018 was $13.1 million. Planned infrastructure costs for the water connection fund from 2019 – 2023 total $15.6 million dollars with estimated additional fee revenue of $10.8 million resulting in an ending fund balance of $8.3 million by 12/31/2023. These are the current estimates and are updated every year in our annual budget planning.

Listed below are the fund balances per our 2018 audited financial statements for our electric and water utilities, approved 2019 CIP including planned capital infrastructure costs from 2019 – 2023, and estimated receipts from fees and/or net operating income over the same period, and an estimated fund balance as of 12/31/2023. SPU is required to maintain a minimum of three to six months of operating expenses as reserves per guidance from our auditors and financial advisors to be considered financially sound.

Water Utility

		WATER UTILITY FUND BALANCES					
		Water Operating	Water Trunk	Sub-Total	Water Reconstruction	Water Connection	Total Water Utility
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Operating Revenues	2018	5,608,127.00
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Total Operating Expense with City Contribution		5,352,856.00
Operating Income after City Contribution		255,271.00
% of Operating Fund Balance as a % of Expenses		154.9%
Number of months of reserves		19
Minimum Targeted Reserves		3 - 6 months

Why do we have Fund Balances:

1. Auditors & Financial Advisors recommend a minimum of 3-6 months of operating fund reserves.
2. Bond Covenants required adequate operating reserves to meet debt service. SPU no longer has debt. The last bond issue was defeased in 2017 and saved the rate payers $2.2 million dollars.
3. In the event of a catastrophe such as a tornado or flooding, SPU would need to rebuild damaged facilities to restore services. Water mains are not insured.
4. As the system ages, SPU will need to replace facilities.
5. SPU currently pays 23.77% of Water sales less cost of energy for pumping to City of Snohomish which leaves a minimal net margin in the water operating fund.

Electric Utility

		ELECTRIC UTILITY FUND BALANCES				
		Electric Operating	Electric Relocation UG	Sub-Total	Electric Emergency	Total Electric Utility
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Minimum Targeted Reserves:		3 - 6 months

2018 Purchased power costs were 535.6 million dollars of this number.

Why do we have Fund Balances:

1. Audit and Financial Advisors recommend a minimum of 3-6 months of reserves
2. Bond Covenants required adequate reserves to meet debt service. SPU has no debt. The last bond issue was defeased in 2017 and saved the rate payers $2.2 million dollars
3. In the event of a catastrophe such as a tornado, SPU would need to build damaged electric lines to restore power. Electric lines, transformer and feeders are not insured and are expensive to
4. The City of Shakopee has adopted a planned orderly annexation of adjacent townships. As a municipal utility and as allowed per state statute, SPU plans to grow with the city and acquire new territory at SPU expense and cannot bond for this acquisition.
5. As system ages SPU will need to replace facilities.
6. SPU currently pays 2.71% of Electric sales to City of Shakopee and provides additional free services for electricity for street lighting and LED upgrade project.

Regarding your question on the location of treatment, here is the response: One location for treatment is located at Pump house #3. This is out of service due to elevated levels of Radium 226/228. A treatment option has been approved by the MN DNR. The second treatment site is proposed to be the property that will be sited for the next well and pump house (SW Shakopee) due to the elevated levels of iron and manganese that have been seen in test wells south of bluff line.

Please let me know if you have any more questions. Thank you for the opportunity to provide factual information on this topic.

Thank you.

Renee Schmid
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Shakopee Public Utilities
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From: Maddie Debilzan [mailto:mdebilzan@swpub.com]
Sent: Tuesday, July 9, 2019 2:37 PM
To: Schmid, Renee <rschmid@shakopeeutilities.com>
Subject: Facts to look over

1. "Reynolds said SPU has far too much money "just sitting in the bank" from its high water capacity charges, referring to the $45.5 million in investments SPU has in its 2018 audit report. Schmid said that investment money goes towards funds for both water and electric utility and is used for operating and maintaining both utilities. **Is this correct? I need a simple explanation of where this money goes. And if you would like to provide a statement yourself, feel free to do so.**

2. SPU plans to use $15.6 million from the water capacity fund to pay for new water facilities. Major projects include a $3.67 million booster station currently under construction, a $2.7 million storage tank that will be built in 2020 in the Windermere housing development, and a **$5.3 million water treatment plant in _ for 2023.** According to the audit reports, as of 2018, SPU holds $13 million in its water capacity fund. **Is this correct, and where will that water treatment plant be located?**

--
Maddie DeBilzan
Reporter | Shakopee Valley News
651-226-2981
mdebilzan@swpub.com

3. **What were the reasons for not following the advice of your consultant?**

Attached is the response that was provided in the July 29th memorandum to the City Council. This issue was also discussed at the March 12 joint meeting between SPU and the Council.

2. **Where are funds collected, detailed in the SPU budget?**

The budget process begins with the planning and approval of the 5-Year CIP as described above. Once approved by the Commission, the CIP becomes part of our annual budget. This budget is presented to the Commission and the City Council Liaison in Q4, typically November. The 2019 budget presented at the November 19, 2018 Commission Meeting is attached.

In a memo from Renee Schmid, SPU Director of Finance and Administration to Mr. John Crooks, SPU Utilities Manager, pages 1-6 provide the planning assumptions for the key areas of the budget, including fund balances and projected cash flows.

Detailed cash flows for both water and electric are also provided with the budget. The details for specific funds can be found here. The projected cash flows are broken out by fund for the remainder of the current year, as well as the upcoming 5-year plan. Both projected expenses and revenues are specified for each given year.

In addition to the annual budget, monthly financial budget analyses are also provided in the commissioners' and city council liaison's packets. These documents provide a fiscal overview of SPU's performance to plan monthly and YTD. An example of this analysis from May 2019 is also attached.

Both budgets and financial analysis can be found on the SPU website as part of the commission packets. Packets are listed by meeting date. Packets are retained on the site for 12-18 months. If earlier packets are required, please contact SPU for specific dates and we will provide these.

3. **Why consultant advice was not followed repeatedly over the years?**

Consultant studies are intended to be a resource or tool in the decision making process; not a directive. When consultant studies are authorized by the SPU Commission, it is the duty of the members to understand the detail within each study, ask appropriate questions, listen to consultant recommendations and make decisions in the best interest of our ratepayers. Below are two scenarios where the Commission did not follow specific consultant advice and the reasons for these decisions.

March 2003 Water Trunk Charge and Connection Charge Analysis.

The consultant recommended SPU increase the TWC to $854/acre. This recommendation resulted from a significant decrease in Trunk Fund balances from $950,000 down to $81,000 in future plan years. The Commission determined this was not a sufficient minimum reserve balance based on nearly 4,000 acres of undeveloped land and anticipated growth. Therefore, the Commission increased the TWC to $1213/acre, thus maintaining the Trunk Fund similar reserve balances.

The WCC consultant recommendation was followed with the increases to the water connection charge.

2009 Water Rate Study

This was a cost of service study to analyze current and future water rates for existing customers. The consultant recommended, "the proposed calculated fixed rate and commodity rates should be increased 10% every year until 2015 to generate the targeted cash balance of SPU's one year of operating and maintenance costs."

SPU increased the fixed charge and commodity by 10% the first year as recommended. A financial analysis at the end of that year indicated SPU could maintain the one-year cash reserve of operations and maintenance costs as recommended without an additional, automatic increase of 10% to our ratepayers. Based on Commission direction, SPU assessed the financial position of this fund on an annual basis and as a result was able to limit the increases to our customers to only four 10% increases instead of seven over the 7-year period, while maintaining the targeted cash balance. This saved SPU customers 30% in rate increases through 2019.

Please note that 23.77% of those rate increases are contributed to the City of Shakopee.

4. **Where are the two water treatment plants in the SPU CIP?**

Funding for water treatment has been identified in SPU CIPs since 2004. The costs can be found in the WCC Fund, under Water Treatment. The current 5-year CIP has water treatment costs 2021-2023. It is during these years based on annexation and the direction of Shakopee's growth that we will need water treatment. NOTE: 'Water treatment' includes more than a water treatment plant. With a blended system we can address treatments in other manners. See the spreadsheet above.

5. **Study or other reports used to justify the multiple increase to the SPU Water Connection Charge over the years.**

The following studies and reports were sent to the City Administrator between January 3 and January 11, 2019:

Chronology of WCC/TWC Analysis

- January 1976 - City of Shakopee Municipal Water Study; City of Shakopee Comprehensive Trunk Water System Study
- December 1979 – Supplement 1 – Fire Flow Study Municipal Water Study
- April 1980 – County Road 17-13th Ave Area Trunk Watermain Study
- May 1981 – Public Utilities Commission Water Connection Charge Study
- June 1982 – Public Utilities Commission Water Connection Charge Study
- December 1982 – Public Utilities Commission WCC Study Supplement
- April 1993 – Comprehensive Water Plan Section VI
- December 1998 – Comprehensive Water Plan 1998 Supplement Section VII
- December 2001 - Comprehensive Water Plan Section 8.0
- March 2003 – TWC/WCC Charge Analysis
- September 2004 - Comprehensive Water Plan Updated Section 8.0
- June 2006 – SE Area Water Service Report
- August 2007 – TWC/WCC Fund Analysis and Report
- November 2007 – Financial Analysis of WCC Fund & TWC Fund Program 2007

4. **Where are these plants in your CIP? If not present, when will they be added? Fees have been collected since 2003 for these plants with no apparent planning. Have there been any studies or other reports that outline the plan for these plants, or a timeline for their construction? It also appears that the water system is not designed and built at this point for a centralized treatment facility. Since the treatment plants have been charged for since 2003, have the system infrastructure requirements since that time facilitated one or two treatment facilities?**

   As presented at the March 12th joint meeting and provided in the July 27th memorandum, attached is the 2019-2023 Capital Improvement Plan that clearly shows funding identified for water treatment for the SPU water system. To say these treatment plants are listed with "no apparent planning" is farthest from the truth. Detailed planning takes place with every CIP developed.

   Studies were performed indicating the need for eventual water treatment in Shakopee in the early 2000's. As discussed during the March 12th joint meeting, in 2003 the water system was rapidly expanding and the potential of elevated nitrates in certain production wells was an issue in which studies were completed. The most notable study was performed by Bonestroo and Associates in 2002. This study looked at several options to mitigate the potential of having nitrate issues in new wells or for projected increasing levels in certain existing wells. The study included the options of using surface water from the Camus Quarry, central or individual treatment plants, and secondary wells to blend with problem wells.

   A cost analysis followed and the decision was to plan for individual treatment if an existing well or new well exceeded nitrate standards. Blending wells were not considered as the State of Minnesota has strict regulations on wells drilled into the Mt. Simon aquifer. The surface water option was also not considered due the extremely high cost of treatment required. Centralized water treatment was also discounted due to the high price tag. Individual or well field treatment plants were decided to be the best most cost effective solution.

   Coupled with the potential nitrate issue, as Shakopee was continuing to expand into higher elevations, wells have higher levels of iron and manganese, which can also require treatment. This caused SPU to have our consultants begin planning for the cost of water treatment for both nitrate and iron and manganese in 2003.

   Also since these two studies were completed, there developed an issue with Radium 226/228 in Shakopee's deepest well. Due to potential concerns, this well has not been in operation for over 10 years. When capacity demands on the system warrant the use of this well, treatment will need to be provided.

   These three issues were discussed with the City Council at the March 12th joint meeting.

   Many of the treatment measures were not required and not implemented due to the economic slowdown which began in 2007, which in turn slowed development and demand on the water system. Now that development is happening at an accelerated rate, treatment again is going to be required for the three reasons earlier discussed. While nitrate levels have fallen significantly, the iron and manganese problem with futures wells will have to be addressed. Test water samples from wells in the Windermere area are indicated elevated levels of iron and

manganese, which would require treatment. Also as demand on the system increases treatment will be required at the well with the radium 226/228 issue.

Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: November 19, 2018

Water Summary

Item Description	Justification	2018 Carryover	2019	2020	2021	2022	2023
Operating Fund							
Miscellaneous	See Detail	250,000	587,500	367,500	405,000	281,000	280,000
System Upgrades	See Detail	-	147,400	68,500	64,000	20,000	20,000
ADVANCED METERING INFRASTRUCTURE (AMI)	See Detail	-	20,000	1,031,641	1,090,979	1,136,504	-
Vehicles/Equipment	See Detail	-	4,300	45,000	40,000	-	-
Total Operating Fund		**250,000**	**759,200**	**1,512,641**	**1,599,979**	**1,437,504**	**300,000**
Reconstruction Fund							
Reconstruction Projects	See Detail	-	520,000	220,000	220,000	210,000	210,000
Total Reconstruction Fund		**-**	**520,000**	**220,000**	**220,000**	**210,000**	**210,000**
Trunk Fund							
Trunk Water Mains - SPUC Projects	See Detail	-	25,000	25,000	25,000	25,000	25,000
Over Sizing - Non-SPUC Projects	See Detail	-	463,100	556,506	635,200	563,000	368,020
Total Trunk Fund		**-**	**488,100**	**581,506**	**660,200**	**588,000**	**393,020**
Connection Fund							
Wells	See Detail	-	350,000	53,040	520,000	-	-
Water Treatment	See Detail	-	-	-	51,500	583,000	5,375,800
Pump House Additions/Expansions	See Detail	-	-	-	64,400	1,272,500	-
New Tanks and Transmission Water Main	See Detail	-	250,000	2,692,800	64,900	-	-
Booster Stations	See Detail	3,671,851	-	-	-	-	-
Auxiliary Facilities	See Detail	-	-	-	-	200,000	478,000
Total Connection Fund		**3,671,851**	**600,000**	**2,745,840**	**700,800**	**2,055,500**	**5,853,800**
Total Water		**3,921,851**	**2,367,300**	**5,059,987**	**3,180,979**	**4,291,004**	**6,756,820**
CumulativeTotal Water		**3,921,851**	**6,289,151**	**11,349,138**	**14,530,117**	**18,821,121**	**25,577,941**

Shakopee Public Utilities
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Water Detail

Item Description	Justification	2018 Carryover	2019	2020	2021	2022	2023
Operating Fund							
Miscellaneous							
Water Meters	PM/Development	-	145,000	150,000	150,000	150,000	175,000
Landscaping	Line of sight screening Riverview Booster	-	13,500	13,500	-	-	-
8" Watermain Looping Boulder Pointe	Development	-	104,000	-	-	-	-
Cl2 Feed Improvements	Safety/Enhanced Accuracy	-	72,000	75,000	75,000	-	-
Chemical Feed Scales	Life Cycle Replacement	-	23,000	24,000	25,000	26,000	-
Reservoir Maintenance	Preventative Maintenance	-	50,000	50,000	50,000	50,000	50,000
Power Wash Towers	Preventative Maintenance	-	15,000	15,000	15,000	15,000	15,000
Hydrant Replacement	As Needed	-	40,000	40,000	40,000	40,000	40,000
CR16 Valve & Hydrant Adjustments	County Trail Project CP-16-XX	-	25,000	-	-	-	-
CR 83 Valve & Hydrant Adjustments	County Road Project	-	-	-	50,000	-	-
8" Watermain Looping Apgar St and 2nd Avenue		250,000	100,000	-	-	-	-
Total Miscellaneous		**250,000**	**587,500**	**367,500**	**405,000**	**281,000**	**280,000**
System Upgrades							
Reservoir Mixers	Water Quality	-	35,000	35,000	35,000	-	-
Sidewalk Repair	Safety/Maintenance	-	5,000	-	-	-	-
Cl2 Leak Detection Upgrade	Safety/Lifecycle Replacement	-	13,500	13,500	9,000	-	-
SCADA Communications Upgrade	Water System Reliability	-	57,900	-	-	-	-
Sealcoat Drives/Repair	Preventative Maintenance	-	5,000	5,000	5,000	5,000	5,000
Driveway Replacement PH 6	Preventative Maintenance	-	16,000	-	-	-	-
Miscellaneous Equipment	As Needed	-	15,000	15,000	15,000	15,000	15,000
Total System Upgrades		**-**	**147,400**	**68,500**	**64,000**	**20,000**	**20,000**
ADVANCED METERING INFRASTRUCTURE (AMI)							
Planning/Design/Project Management	Project Planning/Design	-	20,000	48,187	68,187	72,800	-
Construction/Implementation/Hardware/Software/Training	Customer Service	-	-	983,454	1,022,792	1,063,704	-
Total ADVANCED METERING INFRASTRUCTURE (AMI)		**-**	**20,000**	**1,031,641**	**1,090,979**	**1,136,504**	**-**
Vehicles/Equipment							
Portable Pressure Calibrator	Water Quality	-	4,300	-	-	-	-
Replace Truck #622	Life Cycle Replacement	-	-	-	40,000	-	-

Shakopee Public Utilities
Capital Improvement Plan
Final
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Water Detail

Item Description	Justification	2018 Carryover	2019	2020	2021	2022	2023
New Positions Trucks	Customer Service	-	-	45,000	-	-	-
Total Vehicles/Equipment		**-**	**4,300**	**45,000**	**40,000**	**-**	**-**
Total Operating Fund		**250,000**	**759,200**	**1,512,641**	**1,599,979**	**1,437,504**	**300,000**
	Reconstruction Fund						
Reconstruction							
Bituminous Overlay	City CIP	-	30,000	30,000	30,000	20,000	20,000
Reconstruction	City Street Recon	-	450,000	150,000	150,000	150,000	150,000
Correct Deficient Services	As Needed	-	40,000	40,000	40,000	40,000	40,000
Total Reconstruction		**-**	**520,000**	**220,000**	**220,000**	**210,000**	**210,000**
Total Recontruction Fund		**-**	**520,000**	**220,000**	**220,000**	**210,000**	**210,000**
	Trunk Fund						
Trunk Water Mains - SPUC Projects (Completed by SPUC)							
Projects to be determined		-	25,000	25,000	25,000	25,000	25,000
Total Trunk Water Mains - SPUC Projects		**-**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Over Sizing - Non-SPUC Projects (Completed by Others)							
16" WM East from Monarch Estates parallel to 17th Ave to CR 83 0.875 mile NES	Development	-	152,400	79,250	164,800	171,400	-
16" WM Windermere South from Booster Station to 2-HES Tank Site	Development	-	60,000	62,400	32,500	-	-
16" WM Krystal Addition to CR 79 (800 ft) NES	Development	-	70,000	-	-	-	-
12" WM South from Hwy 169 to 17th Ave 0.25 mile (Hauer) NES	Development	-	48,700	-	-	-	-
12" WM West from CR 17 North of Wood Duck Trail (1200 ft) 2-HES	Development	-	40,000	-	-	-	-
12" WM C.R. 16 from C.R. 15 west to C.R. 69 - (DR Horton) 0.25 mile/segment 2-HES	Development/City Project/Scott County Proj	-	-	52,000	55,000	57,200	-
12" WM West of Windermere 0.75 mile 1-HES	Development	-	-	208,000	-	-	-
12" WM on Stagecoach Rd from Eagle Creek Preserve to Hansen Ave 0.5 mile NES	Development	-	-	104,000	-	-	-
12" WM Vierling Drive West from CR 69 0.25 mile NES	Development	-	-	50,856	-	-	-
12" WM Parallel to CR 69 South from Vierling Drive 0.75 mile NES	Development	-	-	-	52,900	110,000	-
12" WM Thrush Street from CR 83 to 0.25 mile West 1- HES	Development	-	-	-	55,000	-	-
12" WM CR 83 from Thrush Street to 0.25 mile north 1-HES	Development	-	-	-	55,000	-	-

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Item Description	Justification	2018 Carryover	2019	2020	2021	2022	2023
12" WM West of Tank Site thru area B to CR69 0.25 mile	Development	-	-	-	110,000	-	-
12"WM West of CR 69 thru area B 0.50 mile 2-HES	Development	-	-	-	110,000	-	-
12" WM CR 69 South of HWY 169 0.50 mile 1-HES to 2-HES	Development	-	-	-	-	110,000	-
12" WM West of CR 69 thru area B 0.50 mile 1-HES	Development	-	-	-	-	114,400	-
12" WM Parallel to CR 69 South from CR 16 0.25 mile 2-HES	Development	-	-	-	-	-	59,500
12" WM Horizon Drive across CR 18 to Foothill Road 2-HES (1.0 mile) 2 HES to NES	Development	-	-	-	-	-	225,000
8" WM on Muhlenhardt Rd 0.50 mile 1-HES to 2-HES	Development	-	-	-	-	-	83,520
Projects to be determined		-	92,000	-	-	-	-
Total Over Sizing - Non-SPUC Projects		**-**	**463,100**	**556,506**	**635,200**	**563,000**	**368,020**
Total Trunk Fund		**-**	**488,100**	**581,506**	**660,200**	**588,000**	**393,020**
Connection Fund							
Wells							
2-HES Well/Tank Site @ South of Windermere	Development	-	350,000	-	-	-	-
1 or 2-HES Jordan Well @ South of Windermere or @Windermere Booster	Development	-	-	53,040	520,000	-	-
Total Wells		**-**	**350,000**	**53,040**	**520,000**	**-**	**-**
Water Treatment							
NES Jordan Well #22 Submersible (Pump House No. 3 modifications)	Radium Remediation	-	-	-	51,500	518,000	-
Water Treatment Plant	Water Quality	-	-	-	-	65,000	5,375,800
Total Water Treatment		**-**	**-**	**-**	**51,500**	**583,000**	**5,375,800**
Note: NES Well #22 and The Water Treatment Plant are not currently needed, they are put into the budget as placeholders as contingencies in the event they become necessary.							
Pump House Additions/Expansions							
2-HES Pump House @ South of Windermere	Development	-	-	-	64,400	1,272,500	-
Total Pump House Additions/Expansions		**-**	**-**	**-**	**64,400**	**1,272,500**	**-**
New Tanks and Transmission Water Main							

Shakopee Public Utilities
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Water Detail

	Item Description	Justification	2018 Carryover	2019	2020	2021	2022	2023
104	2-HES District Storage (0.5 MG, Elevated Tank) @ South of Windermere	Development	-	130,000	2,568,000	-	-	-
105	Transmission Watermain Equivalent (16"vs. 12") Windermere Booster Station to 2-HES Tank	Development	-	120,000	124,800	64,900		
106	**Total New Tanks and Transmission Water Main**		**-**	**250,000**	**2,692,800**	**64,900**	**-**	**-**
107								
108	**Booster Stations**							
109	Booster Station @ Windermere 1-HES to 2-HES	Development	3,671,851	-	-	-	-	-
110	**Total Booster Stations**		**3,671,851**	**-**	**-**	**-**	**-**	**-**
111								
112	**Auxiliary Facilities**	Development						
113	Inline Booster Station Site @ Foothill Road and Horizon Drive	Development	-	-	-	-	150,000	-
114	Inline Booster Station @ Foothill and Horizon NES to 2 HES	Development	-	-	-	-	50,000	400,000
115	Pressure Reducing Valve - 2-HES to 1-HES @ Horizon Drive and trail bend	Development	-	-	-	-	-	26,000
116	Pressure Reducing Valve - 2-HES to 1-HES @ Muhlenhardt Rd	Development	-	-	-	-	-	26,000
117	Pressure Reducing Valve - 2-HES to 1-HES @ CR 69	Development	-	-	-	-	-	26,000
118	**Total Auxiliary Facilities**		**-**	**-**	**-**	**-**	**200,000**	**478,000**
119								
120	**Total Connection Fund**		**3,671,851**	**600,000**	**2,745,840**	**700,800**	**2,055,500**	**5,853,800**
121								
122	**Total Water**		**3,921,851**	**2,367,300**	**5,059,987**	**3,180,979**	**4,291,004**	**6,756,820**

5. **What were the observations of "actual material and labor costs" based upon since the Construction Cost Index would appear to be an accepted and accurate reflection of the construction costs? How was the 12% increase above and beyond the Construction Cost Index calculated? Where there any studies or other reports to support the contention that the actual increase was 12%?**

   The observations referenced were actual Metro area costs of wells, pump houses, water storage facilities and other related infrastructure costs as provided by our consultant. Specialized construction work for these facilities were provided and bid by only several contractors in the Metro area at that time. Many metro area communities were rapidly expanding their water systems at this time. Due to Metro area growth at the time, there were many comparative projects to use in the consultant analysis.

   Due to these factors, and the demand Metro wide for water system expansions, costs accelerated much faster than the CCI Construction Index. With Shakopee growing at even a faster pace than any other community, schedules for completion of facilities to keep up with expansion were causing costs to increase at a rate 12% higher than the CCI.

6. **Why were the recommendations of your consultant not followed? There is pattern of not following S&M's advice, yet there are consistently used for the financial analysis of the WCC and WTC. Why continue to use them if their recommendations were not being used on a relatively consistent basis? The report specifically recommends the risks involved with increasing the fees. What basis was there to make such drastic increases in the fees when the report specifically noted that the short-term deficit would lead to a substantial surplus (WTC - $1.2M and WCC $21.7 M) in the long-term?**

   How was this increase above and beyond the CCI determined as correct? What justification was used to increase the fees above and beyond the CCI? What analysis or studies/reports supported this decision?

   See attachment from July 27th memorandum.

Note: It was communicated at the joint meeting between SPUC and Shakopee City Council on March 12, 2019 a new study will be completed in 2019, however SPU will require the Jackson Township AUAR to update our planning.

6. Specific information for the 23% increase in 2008 – and the addition of a 2% kicker per year.

The SPU received a report on the Connection and Trunk Fund status and projections based on prevailing assumptions of that era. At the time, growth was strong and there was pressure to build water facilities to serve a proposed elementary school and housing development called the Bluffs of Marystown on the west side of Shakopee. There was also development pressure in the area east and west of SFRMC campus, and in the Southbridge area in east Shakopee.

The elementary school was proposed to be located south of the housing in Bluffs of Marystown and would require the SPU to fund the following:

- booster station
- long trunk water main
- water tower
- water supply well
- pump house.

A plan was created to enter into an agreement with the developer to place into security the future TWC and WCC fees for the Bluffs, while SPU would finance the water improvements through a bond sale or inter-fund transfer from the electric utility. In either case, there would be a financing expense that was not included in previous financial analyses of the WCC and TWC.

A report that projected the WCC and TWC Funds cash flow and balances over an extended period was prepared. These projections determined an additional increase in the WCC and the TWC fees would be necessary, as the consultant's recommended increase fell short of SPU's goal to keep the existing fund balances intact. Consequently, taking into account the consultant recommendation, financing expenses, projected growth and the projected cash flow and balance goals, the Commission determined it was in the best interest of the community that the fees be raised to the levels they were.

And then the unforeseen happened. The recession hit and residential development dramatically slowed down for a period of time before slowly picking up over the last 5-7 years. The Bluffs developer passed on the agreement since they were no longer confident they could sell houses in the near term. The elementary school was built in another location and the water facilities were not needed at that time.

As a result of the economic crisis of 2009, it's true the Connection (Capacity) Fund had grown without immediate expenditures hitting it – until now. With the improving economy and recent developments, SPU is on the cusp of completing all the water facilities envisioned in 2008 and is positioned to pay cash rather than-financing these expenses. This is a positive situation to be in for the utility and our ratepayers.

The Trunk Fund has not fared as well as the Connection Fund over time. Despite additional increases of $500 per acre, per year, the TWC is still projected to hover around the breakeven point in the near term.

The 2% "kicker" refers to SPU's direction to add 2% to the inflation factor used to adjust the WCC and TWC each year. In 2008, this additional 2% was intended to offset the financing expense of bond sales, as well as the difference between actual construction costs vs. CIP budgetary estimates for water facility projects over previous years. As it turned out, bond sale financing did not come to fruition, but the real costs of the facilities had been (and continues to be) outstripping the ENR CCI (Engineering News Record Construction Cost Index). NOTE: It is speculated this is primarily due to the time lag between when the most current data is compiled and the index published.

Another factor on pricing is that facilities have to be built at the most inopportune times, i.e. when development pressure on labor, equipment and materials are the greatest. A recent example of this is demonstrated by the cost of the Windermere Booster Station under construction in 2019 vs. the Riverview Booster Station on Kelly Circle constructed in 2016. There was a nearly 50% total cost increase between the two in a period of approximately 36 months between bid dates.

7. **Study and other reports supporting the 2018 "one-time fee" of $500 per acre and subsequent 2019 additional "one-time fee" of $500 in 2019.**

SPU's engineering staff make recommendations to the Commission when it is found to be in the best interest of the water system that larger than standard size mains be installed for the overall benefit of the City water system, specifically fire safety. The Commission may elect to pay for the difference in cost of materials necessary to provide for the larger mains. When they do, it is the Trunk Water Fund that finances any trunk watermain oversizing agreements.

The cash flows for the Trunk Water Main fund are analyzed annually during the budget process. The Trunk Fund has had a negative fund balance dating back to 2007 or earlier of over a half a million dollars. The recession in 2008 brought development of new residential plats to a standstill for a number of years generating very little trunk fee revenue for the ensuing years. As the economy improved and residential development activity start to come back, action needed to be taken to resolve the fund balance deficit. The additional $500 per acre charged added to the trunk fee in 2018 and 2019 was added to begin to move this fund in the right direction. As of 12/31/2018, the fund had a positive balance of $199,157 for the first time in over 11 years. The trunk fund balance as of 6/30/2019 is currently at $110,812.

8. **Reasoning for failure to have a rate study since the last one expired and inquiry into when the residents of Shakopee could expect a new rate study.**

The last cost-of-service study was completed in 2009. As indicated in the response for question #3, the recommendation was to generate a targeted cash balance of SPU's one-year operating and maintenance costs. This has been maintained and reflected in budgets. Additionally, please see

7. **How was this "one-time" upwards adjustment calculated and justified? What studies/reports supported this decision? Again, we only see two funds in your budget – water and electric. It appears that there are separate business units under each fund (such as the "trunk water fund" with a deficit balance noted above). Please provide the budget for these business units or if there are not separate business units, how the charges are segregated to prevent comingling of funds.**

   How was this second "one-time" upwards adjustment calculated and justified? For two consecutive years this "one-time" adjustment was enacted. Did you recognize that this charge was going to be necessary in both 2018 and 2019 initially? What long-term analysis was conducted to justify two consecutive "one-time" charges? How can the second "one-time" charge be justified as a "one-time" charge, as it was actually the second consecutive year of the $500 charge. What studies/reports supported the enactment of two consecutive "one-time" charges and when were they conducted?

   SPU's engineering staff make recommendations to the Commission when it is found to be in the best interest of the water system that larger than standard size mains be installed for the overall benefit of the City water system, specifically fire safety. The Commission may elect to pay for the difference in cost of materials necessary to provide for the large mains. When they do, it is the Trunk Water Fund that finances any trunk watermain oversizing agreements.

   The cash flows for the Trunk Water Main fund are analyzed annually during the budget process. The Trunk Fund has had a negative fund balance dating back to 2007 or earlier of over a half a million dollars. The recession in 2008 brought development of new residential plats to a standstill for a number of years generating very little trunk fee revenue for the ensuing years. As the economy improved and residential development activity start to come back, action needed to be taken to resolve the fund balance deficit. The additional $500 per acre charged added to the trunk fee in 2018 and 2019 was added to begin to move this fund in the right direction. As of 12/31/2018m the fund had a positive balance of $199,157 for the first time in over 11 years. The trunk fund balance as of 6/30/2019 is currently at $110,812.

8. **Do you believe it is important to have competitive fees and charges with other cities in the Metro area? Are you aware of any other utilities with a comparable WCC as currently in place with SPUC?**

   Of course SPU is similar to neighboring cities, in both rates and development fees. In the recent analysis by Ehlers showed these comparative rates and fees. The difference with some communities is that they absorb some development costs into their water rates, while others do not. Chanhassesn and Carver have the same philosophy as SPU; development pays their share of the requirement on the systems, as existing customers have already paid there. SPU does not subsidize development costs with water rates. Attached is the Ehlers analysis as provided to the City Council in the July 27th memorandum. The issue was also discussed during the joint meeting held on March 12th.

8b

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION

FROM: JOHN R. CROOKS, UTILITIES MANAGER

SUBJECT: WATER RATES/WATER FEES – REGIONAL ANALYSIS

DATE: AUGUST 2, 2019

In continuing the discussion on SPU fees and charges, it is appropriate to further discuss the issue. At the July 15 SPU meeting, Jason Aarsvold, municipal advisor with Ehlers presented an analysis of cities with similarities to Shakopee.

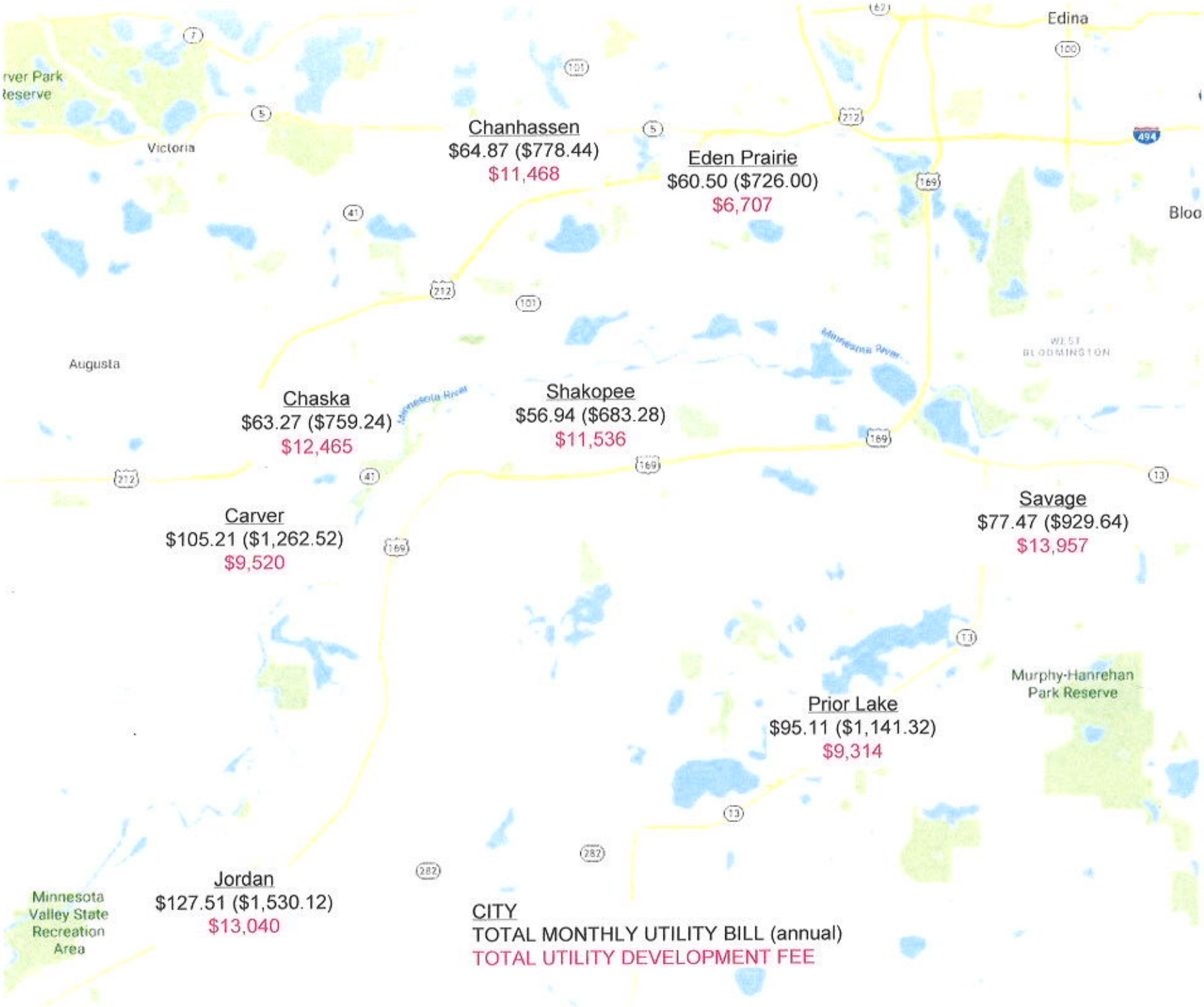
Attached is a regional map comparing the cities directly along the Minnesota River. Using the data from Ehlers, two maps were put together with different data points.

The first map shows the total water development fees for each community and also a typical monthly (and annual) water bill, as based on 7500 gallons of usage.

The second map shows the same communities, but uses total utility development fees and typical monthly (and annual) utility billing, again as based on 7500 gallons of water usage.

Also attached to this memo is the back-up data that was developed by Ehlers and used in the creation of the two maps.


Edina
Chanhassen
$21.25 ($255.00)
$7,704
Eden Prairie
$23.59 ($283.08)
$4,256
Victoria
Augusta
Chaska
$22.28 ($267.36)
$5,172
Shakopee
$25.49 ($305.88)
$7,523
Carver
$43.75 ($525.00)
$7,547
Savage
$34.75 ($417.00)
$5,372
Prior Lake
$38.58 ($462.96)
$5,392
Jordan
$54.49 ($655.08)
$5,066
Minnesota Valley State Recreation Area
Murphy-Hanrehan Park Reserve
CITY
TOTAL MONTHLY WATER BILL (annual)
TOTAL WATER UTILITY DEVELOPMENT FEE


Edina
Chanhassen
$64.87 ($778.44)
$11,468
Eden Prairie
$60.50 ($726.00)
$6,707
Victoria
Augusta
Chaska
$63.27 ($759.24)
$12,465
Shakopee
$56.94 ($683.28)
$11,536
Carver
$105.21 ($1,262.52)
$9,520
Savage
$77.47 ($929.64)
$13,957
Prior Lake
$95.11 ($1,141.32)
$9,314
Murphy-Hanrehan
Park Reserve
Jordan
$127.51 ($1,530.12)
$13,040
Minnesota
Valley State
Recreation
Area
CITY
TOTAL MONTHLY UTILITY BILL (annual)
TOTAL UTILITY DEVELOPMENT FEE

EHLERS

Sample 2019 Monthly Utility Bill for a Single Family Home

Assumes 7,500 gallons of water and sewer used per month

City	Billing Cycle	Water Base Fee Monthly	Water for 7,500 gallons	Water Total	Sewer Base Fee Monthly	Sewer for 7,500 gallons	Sewer Total	Storm Water Monthly	Water and Sewer Combined	Utilities Total
Burnsville	Monthly	$3.20	$23.70	**$26.90**	$4.00	$29.70	**$33.70**	**$6.99**	$60.60	**$67.59**
Lakeville	Quarterly	$2.42	$10.88	**$13.29**	$3.02	$33.60	**$36.62**	**$4.79**	$49.91	**$54.70**
Shakopee	Monthly	$3.71	$21.78	**$25.49**	$2.75	$26.10	**$28.85**	**$2.60**	$54.34	**$56.94**
Savage	Monthly	$8.65	$26.10	**$34.75**	$4.72	$31.58	**$36.30**	**$6.42**	$71.05	**$77.47**
Chanhassen	Quarterly	$4.55	$16.70	**$21.25**	$10.50	$28.16	**$38.66**	**$4.96**	$59.91	**$64.87**
Rogers	Monthly	$2.04	$11.78	**$13.82**	$3.00	$24.38	**$27.38**	**$4.19**	$41.19	**$45.38**
Inver Grove Heights	Quarterly	$7.70	$21.26	**$28.96**	$11.72	$24.37	**$36.09**	**$3.89**	$65.04	**$68.93**
Inver Grove Heights NWA	Quarterly	$7.70	$21.26	**$28.96**	$15.72	$35.37	**$51.09**	**$11.64**	$80.04	**$91.68**
Eagan	Quarterly	$1.26	$14.78	**$16.04**	$0.64	$27.68	**$28.32**	**$5.78**	$44.35	**$50.13**
Chaska	Monthly	$3.00	$19.28	**$22.28**	$0.00	$31.20	**$31.20**	**$9.79**	$53.48	**$63.27**
Carver	Monthly	$10.00	$33.75	**$43.75**	$0.00	$52.20	**$52.20**	**$9.26**	$95.95	**$105.21**
Prior Lake	Bimonthly	$2.50	$36.08	**$38.58**	$2.50	$46.50	**$49.00**	**$7.53**	$87.58	**$95.11**
Jordan	Monthly	$10.71	$43.88	**$54.59**	$14.28	$52.05	**$66.33**	**$6.59**	$120.92	**$127.51**
Eden Prairie	Quarterly	$6.00	$17.59	**$23.59**	$6.00	$25.88	**$31.88**	**$5.03**	$55.46	**$60.50**
Average				**$28.02**			**$39.11**	**$6.39**	**$67.13**	**$73.52**

Comparison of 2019 Sewer and Water Development Fees for a Single Family Home

July, 2019

Assumes one single family home on one-third of an acre. Assumes .5 gross acres.

Excludes lateral installation, permit fees and meter costs

	Water Trunk Fee*	Water Capacity Charge**	Water Fees Per Unit	Sanitary Sewer	Storm Water	Total Fees Per Unit	Comments
Burnsville	$ -	$ 1,731	$ 1,731	$ 559	$ 3,339	$ 5,629	
Lakeville	$ -	$ 4,100	$ 4,100	$ 1,152	$ 2,584	$ 7,836	
Inver Grove Hts	$ 2,363	$ 3,560	$ 5,923	$ 2,853	$ -	$ 8,775	Assumes a 1" water meter
Inver Grove Hts Northwest Area	$ 833	$ 5,000	$ 5,833	$ 7,243	$ 4,623	$ 17,699	Assumes a 1" water meter
Shakopee	$ 1,484	$ 6,039	$ 7,523	$ 994	$ 3,020	$ 11,536	Some areas require lateral sewer connection charges. Depending on the area this would range from $1,375 to $4,168 per single family unit. Additional stormwater cost of approx. $275 if property uses regional infiltration pond.
Savage	$ 2,301	$ 3,071	$ 5,372	$ 4,404	$ 4,181	$ 13,957	Additional stormwater charge of $2,018 per unit if no on-site ponding
Chanhassen	$ 2,311	$ 5,393	$ 7,704	$ 2,377	$ 1,387	$ 11,468	Assumes property receives the 50% credit on stormwater fees for meeting NURP standards for on-site treatment.
Rogers	$ 950	$ 3,300	$ 4,250	$ 5,200	$ 783	$ 10,233	Trunk charges only pay for unassessable costs of system as a whole, such as oversizing.
Eagan	$ 1,201	$ 3,606	$ 4,807	$ 4,373	$ 2,178	$ 11,357	Water trunk charge assumes property is unplatted.
Chaska	$ 858	$ 4,314	$ 5,172	$ 4,690	$ 2,603	$ 12,465	
Carver	$ -	$ 7,547	$ 7,547	$ 834	$ 1,139	$ 9,520	
Prior Lake	$ 2,702	$ 2,690	$ 5,392	$ 2,561	$ 1,362	$ 9,314	Assumes a 15 acre plat
Jordan		$ 5,066	$ 5,066	$ 5,923	$ 2,052	$ 13,040	
Eden Prairie	$ 1,159	$ 3,100	$ 4,259	$ 2,448	$ -	$ 6,707	
Average (excluding Inver Grove Heights NWA)	**$ 1,277**	**$ 4,460**	**$ 5,737**	**$ 3,197**	**$ 2,052**	**$ 10,987**	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.

** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

July 12, 2019

TO: John Crooks, Utilities Manager

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Development Fee and Utility Rate Comparison

Background

SPU engaged the firm of Ehlers to complete a study to compare Development Fees and Utility Rates for neighboring communities with similar topography and development patterns. Mr. Jason Aarsvold, a municipal advisor with Ehlers, will present the results of the study at the SPU Commission meeting on Monday, July 17, 2019. The presentation and detail support information is enclosed for reference.

Commission Action Recommended

- Accept the study on Development Fee and Utility Rate Comparison as presented by Ehlers.

EHLERS
LEADERS IN PUBLIC FINANCE

Development Fee Comparison

For Shakopee Public Utilities

Why do development fees differ?

Infrastructure Costs

- Terrain
- Aquifers and Water Quality
- Development Patterns

Philosophy

- Should growth pay for itself?

Degree of Analysis

- Has a study been completed?

Current Water Development Fee Structure

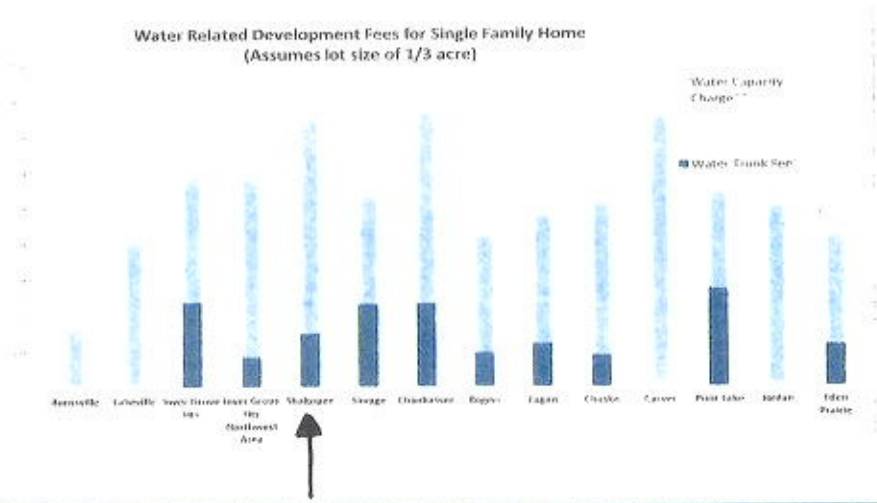
Trunk Water Fees (paid at plat)

- $4,451/acre
- Developers prefer paying fees with building permit
- Collecting fees at plat financially protects SPU

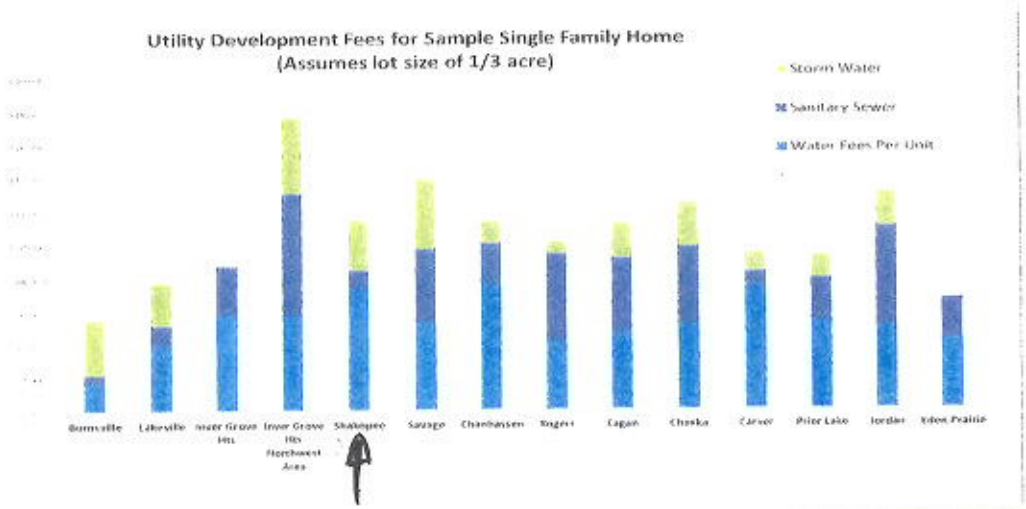
Water Capacity Charge (paid with building permit)

- $6,039 per SAC unit + 14.2 cents/sq. ft. for industrial

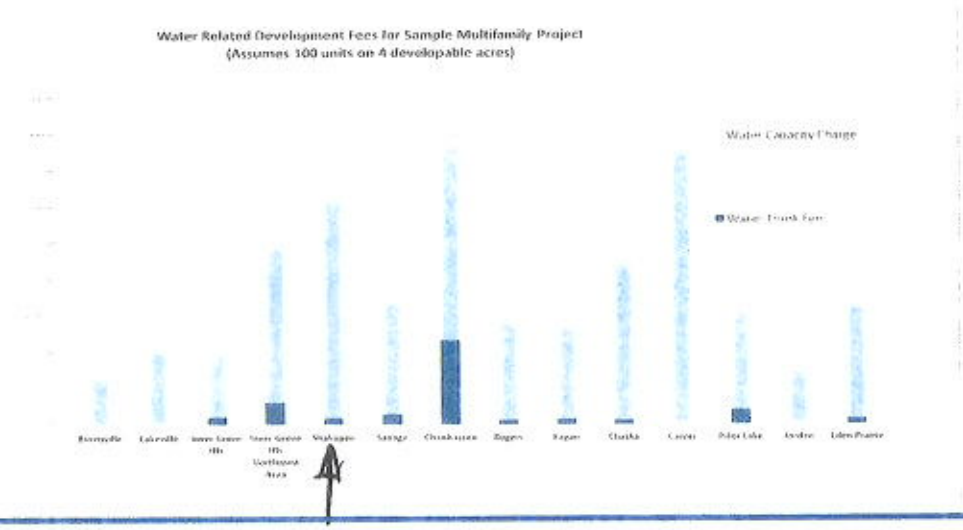
Water Dev. Fee Comparison – Single Family Home



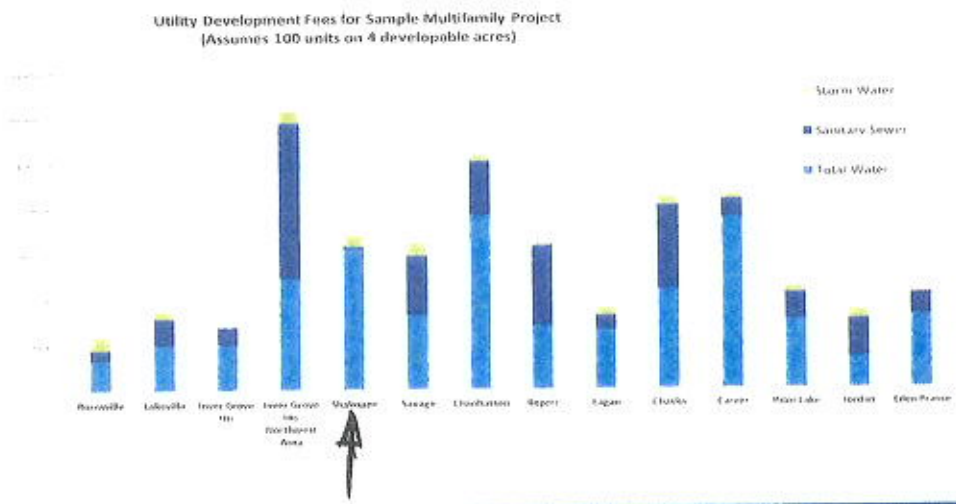
Total Utility Fee Comparison – Single Family Home



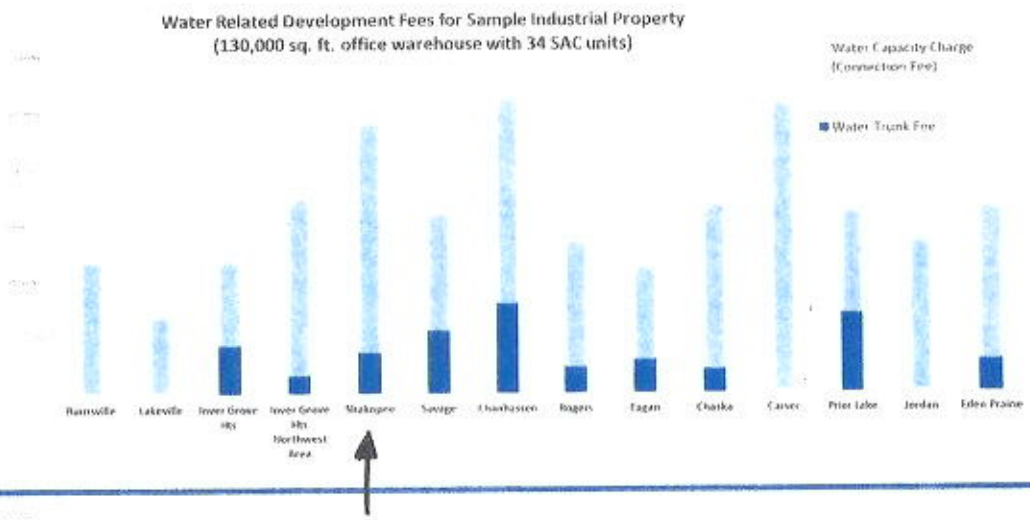
Water Dev. Fee Comparison – Multifamily Project



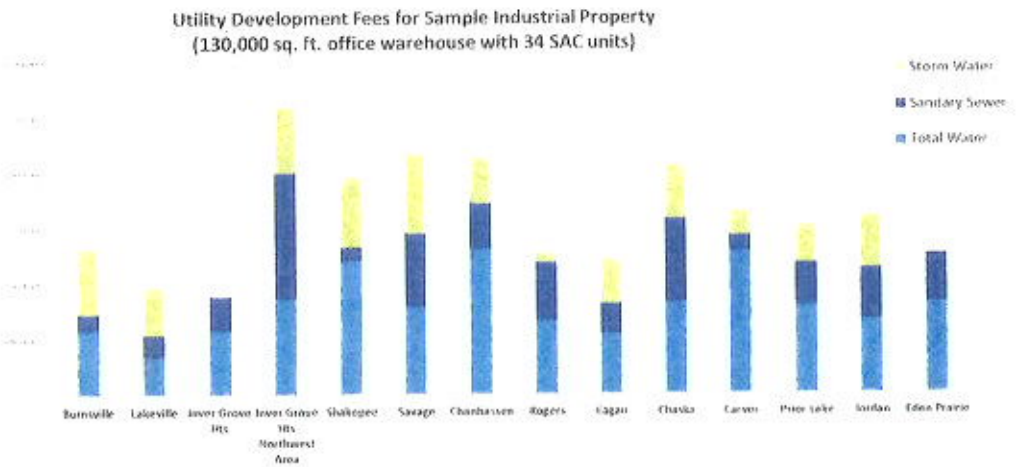
Total Utility Fee Comparison – Multifamily Project



Water Dev. Fee Comparison – Mixed Use Industrial



Total Utility Fee Comparison – Mixed Use Industrial



Trends in Development Fees

Developer Push-back

Trunk fees collected at platting becoming more common

Cities reducing costs for multi-family by:

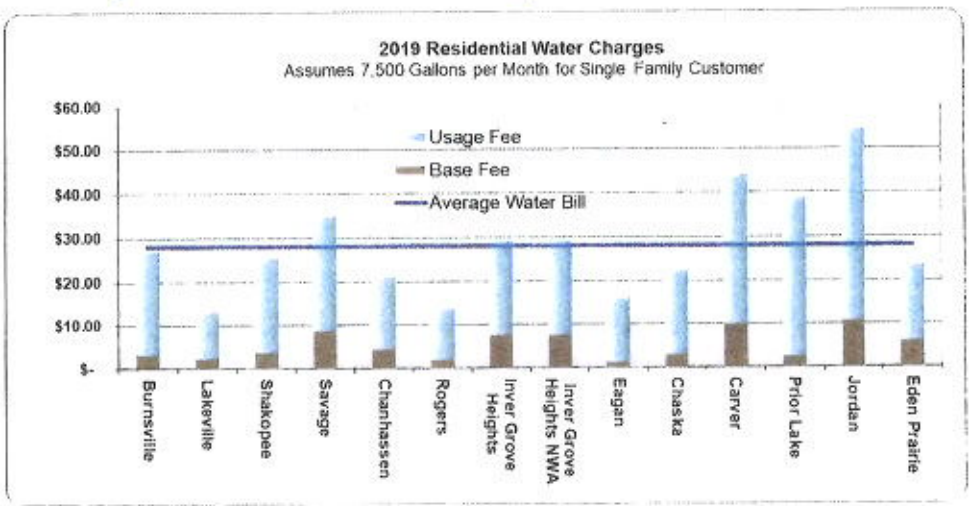
- Counting 1 multifamily unit as < 1 SAC unit
- More costs allocated by acreage, so denser developments pay less

Options to reduce fees

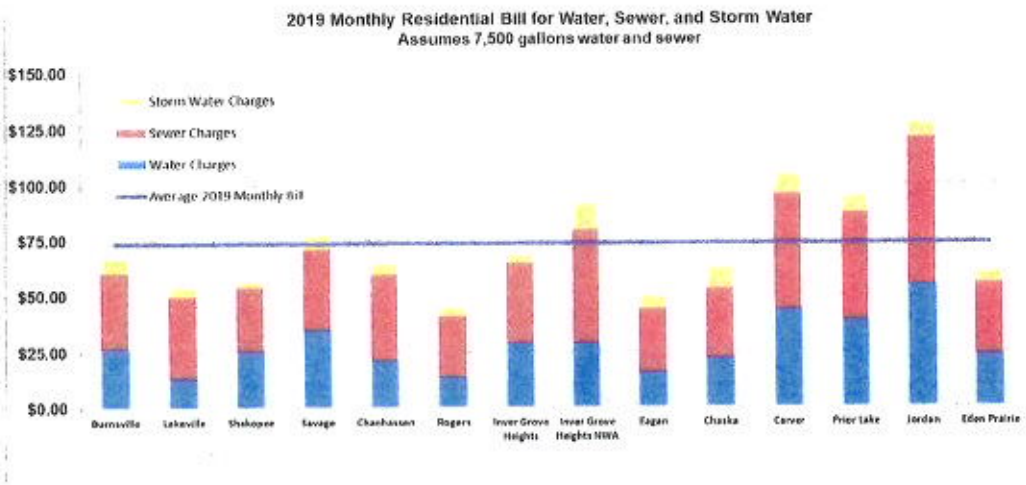
Postpone/eliminate capital projects

Shift cost burden to user charges

Fee Comparison – Monthly Water Bill



Fee Comparison – Monthly Utility Bill



Comparison of 2019 Sewer and Water Development Fees for a Single Family Home

July, 2019

Assumes one single family home on one-third of an acre. Assumes 5 gross acres

Excludes lateral installation, permit fees and meter costs

	Water Trunk Fees*	Water Capacity Charges**	Water Fees Per Unit	Sanitary Sewer	Storm Water	Total Fees Per Unit	Comments
Burnsville	$	$ 1,731	$ 1,731	$ 559	$ 1,139	$ 5,629	
Lakeville	$	$ 4,100	$ 4,100	$ 1,154	$ 2,584	$ 7,836	
Inver Grove Hts	$ 2,353	$ 1,569	$ 5,973	$ 2,853	$	$ 8,775	Assumes a 1" water meter
Inver Grove Hts Northwest Area	$ 833	$ 5,000	$ 5,833	$ 2,446	$ 1,623	$ 17,899	Assumes a 1" water meter
Shakopee	$ 1,484	$ 6,039	$ 7,523	$ 994	$ 5,020	$ 13,536	Some areas require lateral sewer connection charges. Depending on the area this would range from $1,135 to $4,368 per single family unit. Additional stormwater cost of approx $275 if property uses regional infiltration pond
Savage	$ 2,301	$ 3,071	$ 5,372	$ 4,404	$ 5,181	$ 13,957	Additional stormwater charge of $2,808 per area if no on site ponding
Chanhassen	$ 2,511	$ 5,193	$ 7,704	$ 2,573	$ 1,387	$ 11,668	Assumes property receives the 50% credit on stormwater fees for meeting NPDP standards for on site treatment
Rogers	$ 950	$ 3,300	$ 4,250	$ 5,200	$ 781	$ 10,231	Trunk charges only pay for unrecoverable costs of system as a whole, such as oversizing
Eagan	$ 1,201	$ 3,606	$ 4,807	$ 9,371	$ 2,178	$ 16,357	Water trunk charge assumes property is unplatted
Chaska	$ 958	$ 4,214	$ 5,172	$ 4,890	$ 3,604	$ 13,466	
Carver	$	$ 3,547	$ 7,547	$ 814	$ 1,159	$ 9,520	
Prior Lake	$ 2,707	$ 3,893	$ 5,393	$ 2,561	$ 1,162	$ 9,116	Assumes a 1/3 acre plat
Jordan		$ 5,000	$ 5,866	$ 5,923	$ 2,051	$ 13,840	
Eden Prairie	$ 1,159	$ 3,100	$ 4,259	$ 3,448	$	$ 6,707	
Average (excluding Inver Grove Heights NWA)	$ 1,277	$ 4,468	$ 5,737	$ 3,197	$ 2,052	$ 10,987	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.

** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

Comparison of 2019 Sewer and Water Development Fees for a 100 unit Multi-Family Housing Project

July, 2019

Assumes 25 multi-family units per net developable acre for a total site of 4.0 net developable acres. Assumes 4.75 gross acres.
Excludes lateral installation, permit fees and meter costs.

	Water Trunk Fees*	Water Capacity Charge**	Total Water	Water Fees Per Unit	Sanitary Sewer	Storm Water	Total Fees	Total Fees Per Unit	Comments
Burnsville	$	$ 138,400	$ 138,400	$ 1,384	$ 44,600	$ 55,757	$ 238,757	$ 2,388	
Lakeville	$	$ 205,000	$ 205,000	$ 2,050	$ 105,700	$ 38,500	$ 354,700	$ 3,547	
Inver Grove Hts	$ 32,444	$ 186,660	$ 219,104	$ 2,191	$ 21,444	$	$ 280,548	$ 2,805	Assumes a 5" water meter.
Inver Grove Hts Northwest Area	$ 60,000	$ 434,130	$ 494,130	$ 4,941	$ 684,160	$ 55,480	$ 1,234,570	$ 12,345	Assumes a 5" water meter.
Shakopee	$ 17,804	$ 603,900	$ 621,704	$ 6,217	$ 11,912	$ 48,264	$ 681,900	$ 6,819	Some areas require lateral sewer connection charges. Depending on the area this would range from $22,660 to $416,806 for the project. Additional stormwater cost of approx. $8,425 if property uses regional infiltration pond
Savage	$ 27,611	$ 80,104	$ 336,715	$ 3,367	$ 256,299	$ 59,064	$ 650,718	$ 6,507	Additional stormwater charge of $41,600 if on-on-site ponding
Chanhassen	$ 241,500	$ 539,500	$ 720,400	$ 7,204	$ 232,500	$ 29,900	$ 1,038,000	$ 10,380	Assumes property receives the 50% credit on stormwater fees for meeting NURP standards for on-site treatment
Rogers	$ 11,400	$ 277,500	$ 288,900	$ 2,889	$ 349,600	$ 9,450	$ 647,930	$ 6,479	Sewer charges only pay for unaccounted costs of system as a whole, such as oversizing
Eagan	$ 94,400	$ 253,259	$ 347,669	$ 3,477	$ 93,809	$ 35,448	$ 466,626	$ 3,626	
Chaska	$ 50,297	$ 431,400	$ 481,697	$ 4,417	$ 168,080	$ 42,380	$ 952,057	$ 8,521	
Carver	$	$ 754,700	$ 754,700	$ 7,547	$ 83,400	$ 21,388	$ 859,488	$ 8,595	
Prior Lake	$ 33,024	$ 269,000	$ 308,024	$ 3,080	$ 114,600	$ 26,940	$ 449,564	$ 4,496	
Jordan	$	$ 141,805	$ 141,805	$ 1,418	$ 166,095	$ 40,631	$ 348,531	$ 3,485	96 Multi-family units are treated as 0 R units for purposes of water and sewer connection fees.
Eden Prairie	$ 11,906	$ 310,000	$ 321,906	$ 3,219	$ 93,858	$	$ 415,764	$ 4,158	
Average (excluding Inver Grove Heights NWA)	$ 32,333	$ 367,352	$ 400,085	$ 4,001	$ 164,238	$ 33,639	$ 597,962	$ 5,980	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.

** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

Comparison of 2019 Sewer and Water Development Fees for a Mixed Use Industrial Development

July, 2019

Assumes 34 SAC units, 130,000 square feet on 8 net developable acres (9 gross acres) with a 3" water meter
Excludes lateral installation, permit fees and meter cost

	Water Trunk Fees*	Water Capacity Charge**	Total Water	Water Fees Per Square Foot of Building	Sanitary Sewer	Storm Water	Total Fees	Total Fees per Building Sq. Ft.	Comments
Burnsville	$	$ 117,742	$ 117,742	$ 0.91	$ 28,492	$ 118,483	$ 264,717	$ 2.04	Assumes all SAC units are categorized as industrial
Lakeville	$	$ 69,700	$ 69,700	$ 0.54	$ 99,168	$ 87,120	$ 195,988	$ 1.51	
Inver Grove Hts	$ 42,525	$ 75,120	$ 117,645	$ 0.90	$ 59,185	$	$ 176,830	$ 1.36	
Inver Grove Hts Northwest Area	$ 15,552	$ 158,450	$ 174,007	$ 1.34	$ 225,395	$ 120,360	$ 519,762	$ 4.00	
Shakopee	$ 35,608	$ 205,326	$ 240,934	$ 1.85	$ 75,856	$ 148,938	$ 393,728	$ 3.03	Some areas require lateral sewer connection charges. Depending on the area this would range from $4,094 in VPP to $150,088 to connect to the Whispering Oaks Sanitary Sewer Lateral. Additional stormwater cost of approx. $8,850 if property uses regional infiltration pond
Savage	$ 55,221	$ 104,415	$ 159,637	$ 1.23	$ 130,375	$ 144,171	$ 434,183	$ 3.34	Assume >55% of site is impervious. Additional stormwater charge of $165,827 if no on-site ponding
Chanhassen	$ 68,544	$ 193,362	$ 261,906	$ 2.01	$ 40,818	$ 86,120	$ 428,074	$ 3.30	Assumes property receives the 50% credit on stormwater fees for meeting NURP standards for on-site treatment
Rogers	$ 77,900	$ 117,200	$ 195,000	$ 1.04	$ 102,105	$ 18,880	$ 255,105	$ 1.97	Trunk charges only pay for unassessable costs of system as a whole, such as oversizing
Eagan	$ 78,870	$ 81,943	$ 160,763	$ 0.85	$ 51,964	$ 30,150	$ 242,877	$ 1.87	
Chaska	$ 70,584	$ 146,676	$ 217,260	$ 1.39	$ 142,958	$ 99,312	$ 454,530	$ 3.19	
Carver	$	$ 256,598	$ 256,598	$ 1.97	$ 28,356	$ 45,296	$ 330,250	$ 2.54	
Prior Lake	$ 60,048	$ 91,460	$ 160,508	$ 1.23	$ 74,452	$ 67,656	$ 302,616	$ 2.33	
Jordan	$	$ 134,165	$ 134,165	$ 1.03	$ 90,567	$ 95,547	$ 320,680	$ 2.47	
Eden Prairie	$ 77,811	$ 132,020	$ 164,831	$ 1.27	$ 84,897	$	$ 249,728	$ 1.92	
Average (excluding Inver Grove Heights Northwest Area)	$ 31,749	$ 142,977	$ 174,727	$ 1.34	$ 78,558	$ 83,994	$ 334,279	$ 2.57	

* For purposes of comparison, fees that other cities charge at time of plat are characterized as water trunk fees.
** For purposes of comparison, fees that other cities collect at time of building permit are characterized as water capacity charges.

9. **Although the study was not followed, it does have a shelf life of approximately 2009-2015 – as noted by the authors. When can the residents of Shakopee expect a new rate study? Water rates should cover the cost of replacing and reconstructing existing infrastructure. Is SPUC using WCC/WTC to in any way subsidize water rates? It would appear that SPUC's Reconstruction Fund Charge which was implemented in 2007 raises about $444,500 a year at the current $0.25 rate. Why implement this charge as opposed to just raising water rate?**

   First, in no way does the WCC and TWC subsidize water rates. Second, the Reconstruction Fund Charge adjusts annually to reflect the 5 years' project cost of City Authorized Street Reconstruction Projects. The reason for a separate charge for reconstruction is as follows. The charge is a line item on customer's bills. They are specifically designated to fund City decisions made via the City Council in the interests of the community. Those were to fund costs of City-mandated participation in community improvement type projects and would naturally have to be borne by customers. But to also charge for increased payment to the City on top of those specific charges was not seen by the Commission as a proper burden on customers. So a factor for the payment to the city was not included in the collection of the Reconstruction Fund Charge or in the calculation of payment to the city, which currently stands at 23.77% of water commodity revenues.

   2009 Water Rate Study

   This was a cost of service study to analyze current and future water rates for existing customers. The consultant recommended, "the proposed calculated fixed rate and commodity rates should be increased 10% every year until 2015 to generate the targeted cash balance of SPU's one year of operating and maintenance costs."

   SPU increased the fixed charge and commodity by 10% the first year as recommended. A financial analysis at the end of that year indicated SPU could maintain the one-year cash reserve of operations and maintenance costs as recommended without an additional, automatic increase of 10% to our ratepayers. Base on Commission direction, SPU assessed the financial position of this fund on an annual basis and as a result was able to limit the increase to our customers to only four 10% increases instead of seven over the 7-year period, while maintaining the targeted cash balance. This saved SPU customers 30% in rate increase through 2019.

   Please note 23.77% of those rate increases are contributed to the City of Shakopee.

   A water rate analysis is to be performed by Ehlers, commencing in September 2019.

10. **What does SPUC do for economic development beside these marketing efforts? Does SPUC have any similar personnel or programs? Does SPUC offer any real incentives for new users? Aren't SPUC residential rates actually higher than Xcel Energy rates 6 months of the year?**

Shakopee Public Utilities has a person that handles energy efficiency and water conservation rebates to all our customers. We do offer "real" incentives for new users and are described in our Rebate programs. A breakout of all our rebates programs can be provided if requested and as posted on the SPU website. SPU rebates over $600,000 annually to residential and commercial customers.

While Xcel winter electric rates are indeed lower than SPU rates, their summer rates are higher than SPU's electric rates. This is important because it is during the summer months when HVAC's and Air Conditioning units are running, causing high monthly bills. Analysis has been performed when factoring in Xcel's different rates, the SPU electric rates are lower than the combined Xcel rates for residential customers. This leads to lower annual electric bills for SPU customers, as opposed to Xcel residential customers. The analysis can be shared if so warranted.

Our low water and electric rates, high reliability indices and projected future rates are an economic incentive to develop in Shakopee. Shakopee received the 2015 Best Tasting Water in Minnesota Award by MN Rural Water Association out of over 100 cities submitting samples. The Governor awarded Shakopee The Source Water Management Award in 2013. SPU was awarded the 2015 and 2018 RP3 Diamond Award by the American Public Power Association. Both awards were based on perfect scores, which places SPU in the top 5% of all Public Power Utilities, based on reliability, safety, workforce development and system improvement.

What follows details SPU economic efforts for our community. The first and what is considered most important is the SPU contribution to the City of Shakopee. This equates to a 7%-10% of the City's operating budget and provides Shakopee the ability to keep taxes on our residents and businesses lower than if a contribution was not made. Residents of Shakopee mostly are unaware of this. This is important for new development to have a low tax rate.

Another important factor in many businesses considering Shakopee is our energy portfolio. Renewable energy is on everyone's mind and many large businesses want to know the commitment to "green power". The SPU wholesale energy provider, MMPA, in embraced renewables and is planning on being 100% renewable within 3 years. The annual report for MMPA is included, as it was in the July 27th memorandum.

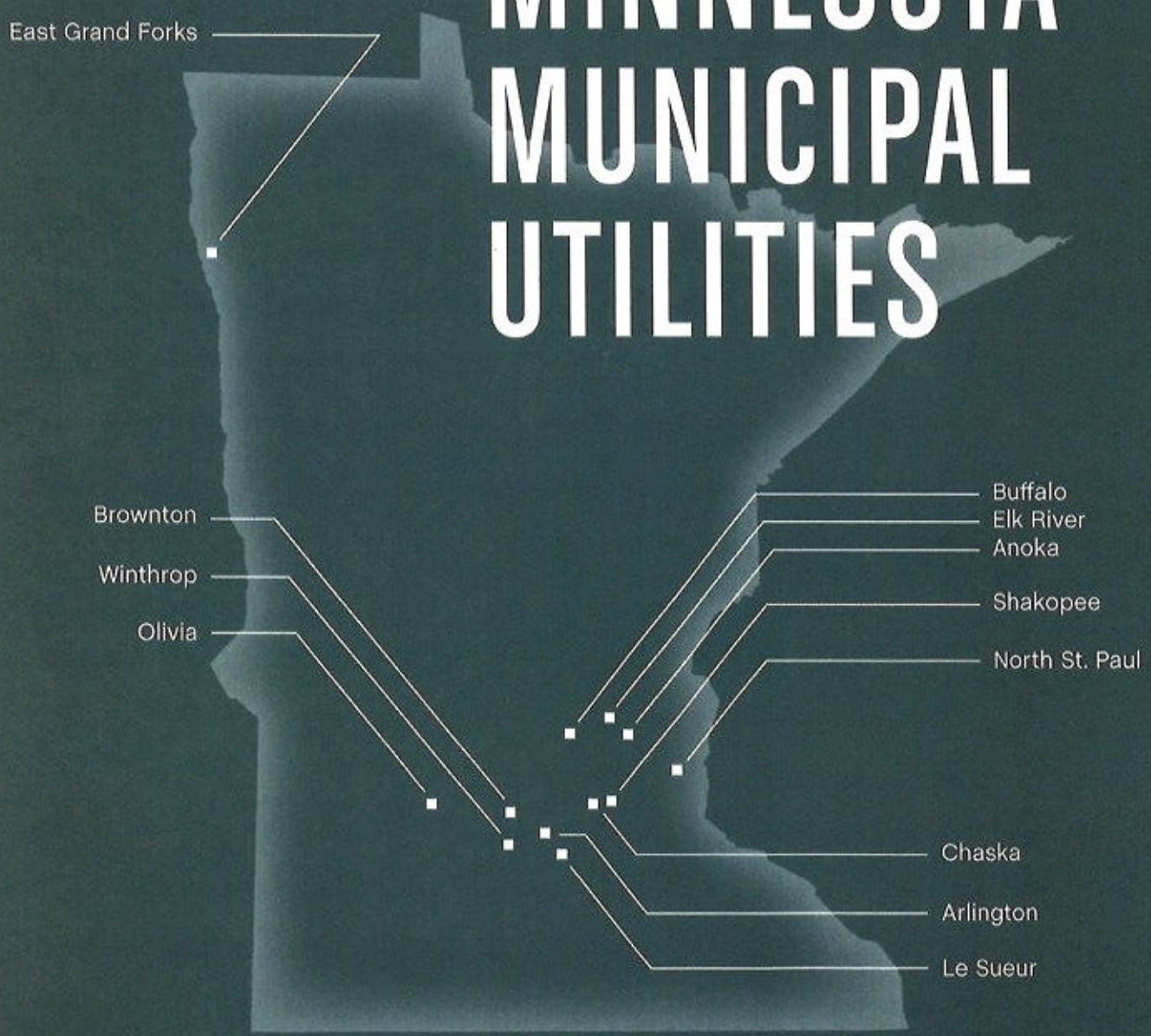
SPU has an existing program for any of our Customers to be 100% renewable now. It is our Clean Energy Choice program for both residential and business customers.

Another economic development was the construction of the $85 million dollar Shakopee Energy Park. Besides the work for local contractors and labor (the building was constructed by Shakopee's own Greystone Construction) This energy plant is able to supply power to the City even if the national electric grid goes down, it has a black start option to run without electricity.

The Shakopee Energy Park was voted project of the year in North America for Power Magazine in 2017.

A list of additional economic development efforts was provided to the City Council at the March 12th joint meeting.

TWELVE MINNESOTA MUNICIPAL UTILITIES



John Crooks
Chairman, MMPA Board of Directors
Utilities Director,
Shakopee Public Utilities

Derick O. Dahlen
Executive Manager, MMPA
President and CEO, Avant Energy, Inc.

In 2018, MMPA took a large step forward in making the "Power of Your Hometown" even more sustainable.

During the year, the Board adopted a policy of moving towards buying or generating renewable energy equal to 100% of our energy requirements as quickly as makes economic sense. This is the next step on a path that began nearly a decade ago with MMPA's Hometown Wind program placing a wind turbine in each member community as a demonstration project. Since then, our renewable portfolio has grown significantly to include solar, bioenergy, and more wind. In addition to our current resources, we have executed contracts with developers for projects that, if successfully completed, would place MMPA near our 100% goal within the next five years. We expect to achieve this while continuing to provide the competitive rates that our members have enjoyed over the Agency's 23-year history.

Our Clean Energy Choice program, which was introduced last year, allows customers to elect 50%, 75%, or 100% renewable energy for a small monthly fee. Subscriptions to this program grew by more than 20% in 2018, demonstrating that our members' customers are increasingly demanding more renewables as part of their power supply.

MMPA also supports using technology where and when it makes economic and strategic sense. We believe that the utility industry will look significantly different a decade from now as solar costs continue to decline and utility-scale storage becomes more economic. Because of this belief, we entered into a 10-year capacity contract with Manitoba Hydro, a long-term partner of MMPA, rather than building generation now. With this contract and our other owned and purchased resources, we project that the Agency will not need additional capacity until 2030. This position reduces our risk and helps us continue to offer stable rates to our members.

We continue to support our member communities. We expanded our Energy Education program this year to add a high school component including more in-depth, practical applications of power generation than our highly successful fourth grade offering. Our program was recognized in 2018 by the American Public Power Association at its National Conference.

We also support economic development in our communities. We are working with our members to develop new rates and technology offerings to help attract new businesses to sustain and improve growth.

Our continued financial strength was recognized by both Fitch and Moody's, which both upgraded MMPA's bond rating in 2018. Fitch upgraded MMPA from A to A+, while Moody's upgraded MMPA from A2 to A1. Both rating agencies cited our strong financial performance, effective management, and competitive rates in their upgrade announcements.

We are pleased with MMPA's successes in 2018 and excited for the future of the Agency as an even more sustainable organization. We hope that you enjoy our 2018 annual report.

Sincerely,

John Crooks
Chairman, MMPA Board of Directors
Utilities Director, Shakopee Public Utilities

Derick O. Dahlen
Executive Manager, MMPA
President and CEO, Avant Energy, Inc.

PROVIDING RELIABLE, COMPETITIVELY-PRICED ENERGY TO OUR MEMBERS AND CREATING VALUE FOR BOTH THE AGENCY AND OUR MEMBERS

Our Mission

MMPA's mission is to provide reliable, competitively-priced energy to its members and to create value for both the Agency and its members. We stay focused on our core task of securing and delivering an economic power supply to our members, resulting in stable and affordable rates. Our activities that support our member communities, such as the Agency's Energy Education and Economic Development programs, demonstrate our commitment to creating value for our members.

Our Members

MMPA's members are twelve municipal utilities that together provide hometown power to nearly 160,000 Minnesotans. The membership includes utilities both small and large, suburban and rural. Our members share a commitment to providing reliable and affordable power to the residents and businesses in their community.

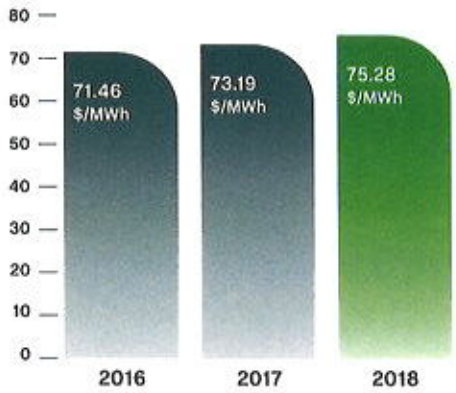
Our newest member, Elk River Municipal Utilities, began taking power on October 1, 2018. Elk River decided to join MMPA because it wanted to be part of a group of like-minded public power communities working together to secure an economic power supply for decades to come.

Member Rates

MMPA prides itself on its long history of competitive and stable rates. We understand that providing competitively-priced wholesale power helps support our members in having affordable retail rates that support economic development in our communities. Stable and predictable rates are another way MMPA creates value for its members. We take a long-term approach in our power supply planning, portfolio management, and energy risk management activities with the goal of having rates that are competitive and stable for many years.

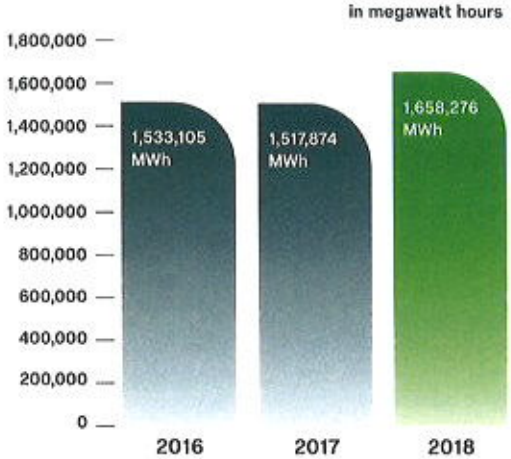
Average MMPA Rate to Members

in dollars per megawatt hour



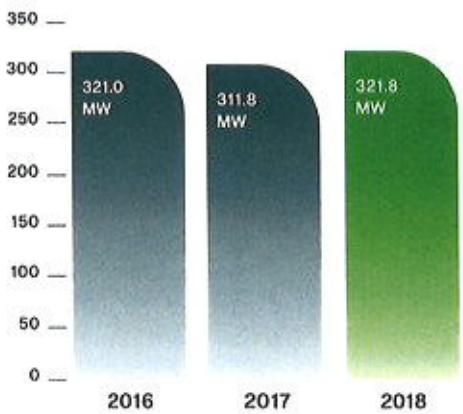
Sales to Members

in megawatt hours



Coincident Peak Load

in megawatts



OUR BOARD OF DIRECTORS

Each MMPA member community has a seat on our Board of Directors. Our Board includes city councilors, city administrators, and utility managers, resulting in a diversity of perspectives and viewpoints in the discussions at our Board meetings. The Board meets monthly and is responsible for governing the organization by setting policies and approving capital expenditures.

MMPA Board of Directors

Anoka
Erik Skogquist
Council Member

Ed Evans*
Utility Advisory Board Member

Arlington
Pat Melvin
City Administrator

Lisa Tesch*
Deputy Clerk

Brownton
Curt Carrigan
Council Member

Buffalo
Merton Auger
City Administrator

Joseph Steffel*
Utilities Director

Chaska
Matt Podhradsky
City Administrator
MMPA Vice Chairman

East Grand Forks
Keith Mykleseth
Utilities General Manager

Jeff Olson*
Distribution Superintendent

Elk River
Troy Adams
Utilities General Manager
MMPA Treasurer

Allan Nadeau*
Utilities Commissioner

Le Sueur
Newell Krogmann
Council Member

Jasper Kruggel*
City Administrator

North St. Paul
Brian Frandle
Director of Electric Utilities
MMPA Secretary

Steve Milton*
Electric Superintendent

Olivia
Dan Coughlin
City Administrator

Amber Sullivan*
Administrative Assistant

Shakopee
John Crooks
Utilities Manager
MMPA Chairman

Deb Amundson*
Utilities Commissioner

Winthrop
Peter Machaiek
Alderman

Jenny Hazelton*
City Administrator

* Alternate

OUR MANAGEMENT

MMPA is managed by Avant Energy, Inc., a Minneapolis-based energy and utility management consulting firm. For more than two decades, MMPA and Avant have worked together in a successful partnership that has resulted in competitive rates and strong financial performance. MMPA has no employees, with Avant providing all management services for the organization, including strategic planning, power supply planning, daily energy market operations, power plant development and operations, and finance and accounting. Our management has a variety of educational and professional backgrounds in the utility industry and has worked together as a team for many years to develop MMPA's diverse portfolio of owned and contracted power supply resources.

AVANT ENERGY

Avant Management

Derick O. Dahlen
President and CEO

Oncu H. Er
Chief Operating Officer

David W. Niles
Vice President

Harold G. Little
Vice President

Noah J. Hansen
Vice President

MOVING TOWARDS 100% RENEWABLE

This year, the MMPA Board approved a policy of moving towards buying or generating renewable energy equal to 100% of our energy requirements as quickly as makes economic sense. Increasing our supply of renewable energy reduces our exposure to energy commodity price volatility and future carbon regulation. It also represents the culmination of nearly a decade of renewable projects for MMPA that began with us placing a wind turbine in each member community. Since then, our renewable portfolio has grown to include owned and contracted resources including additional wind, bioenergy, and solar power.

With our existing renewable resources and power purchase agreements (PPAs) for renewable energy projects under development, we believe that we can be near this goal within the next five years. However, achieving this target depends on the successful permitting, development, financing, and construction of new renewable energy facilities by third-party developers.

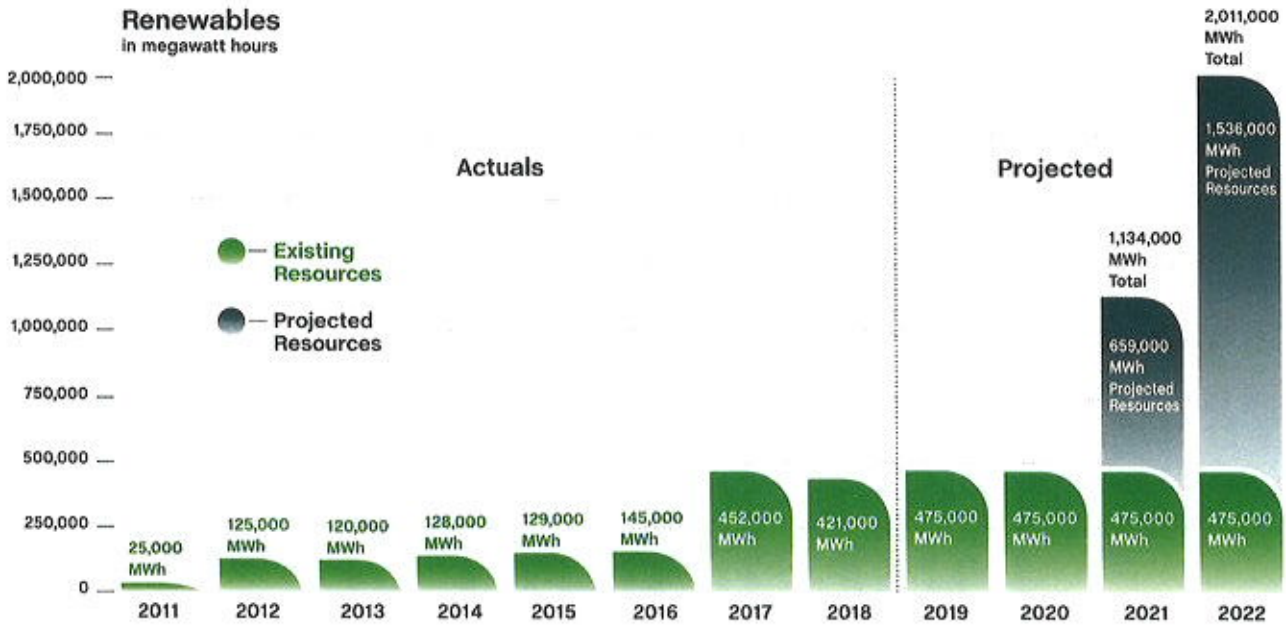
OUR RENEWABLE ENERGY HISTORY

2010 — Hometown WindPower Completed

2011 — Oak Glen Wind Farm Completed

2013 — Hometown BioEnergy Completed

2015 — Hometown Solar Launched



In addition to meeting our members' energy needs, MMPA is also required to have sufficient generating capacity to meet the peak demand of our members, which usually occurs during the hot summer months. Our owned and contracted resources such as Faribault Energy Park, Minnesota River Station, Oak Glen Wind Farm, and more provide capacity to meet this requirement. We also purchase capacity from other utilities that have excess generation when it is economic.

In 2018, we entered into a 10-year contract with Manitoba Hydro to purchase capacity. With this contract and our other resources, we expect to have enough capacity to meet our projected requirements until 2030. By buying instead of building, we were able to shape the contract to meet our projected capacity needs on an annual basis, avoiding the cost of carrying excess capacity.

2016 Black Oak Getty Wind Farm Completed

2017 Buffalo Solar Completed

2020 Dodge County Wind Farm Scheduled to be in Service

2021 Three Waters Wind Farm Scheduled to be in Service

POWER SUPPLY

Our approach to power supply is to maintain a balanced portfolio of power supply resources—both renewable and conventional. We have a mix of fuel types and generation technologies to reduce our risk exposure. Our portfolio includes both resources that we own and long-term contracts for power supply. Many of our power plants, including Minnesota River Station, Shakopee Energy Park, and Hometown BioEnergy, are located in our member communities—another way in which we provide value to our members.

FARIBAULT ENERGY PARK
FARIBAULT, MN
300 MW, NATURAL GAS

BLACK OAK GETTY WIND FARM
STEARNS COUNTY, MN
78 MW, WIND

MINNESOTA RIVER STATION
CHASKA, MN
49 MW, NATURAL GAS

SHAKOPEE ENERGY PARK
SHAKOPEE, MN
46 MW, NATURAL GAS

OAK GLEN WIND FARM
STEELE COUNTY, MN
44 MW, WIND

HOMETOWN BIOENERGY
LE SUEUR, MN
8 MW, BIOENERGY

BUFFALO SOLAR
BUFFALO TOWNSHIP, MN
7 MW, SOLAR

HOMETOWN WINDPOWER
MMPA COMMUNITIES
1.9 MW, WIND

POWER PURCHASES

Faribault Energy Park

Faribault Energy Park (FEP) is the centerpiece of our resource portfolio. The 300 MW plant is a fuel-efficient combined-cycle facility located in Faribault, Minnesota. Primarily fueled by natural gas, the plant also uses fuel oil as a backup.

We successfully completed a major maintenance outage at Faribault Energy Park in the fall of 2018. This is part of our proactive preventative maintenance approach to asset management.

FEP was built as a community resource with an observation room, walking trails, and a pond for fishing. It also hosts much of our energy education program, including an on-site wind turbine, solar array, and educational displays.

Black Oak Getty Wind Farm

MMPA purchases all of the output from the 78 MW Black Oak Getty Wind Farm under a long-term contract. The 39-turbine wind farm is located near Sauk Centre in Stearns County and produces approximately 300,000 MWh annually.

Minnesota River Station

The Minnesota River Station is a 49 MW simple cycle power plant located in Chaska, one of our member communities. The natural gas-fired facility, which entered service in 2001, provides local, reliable, peaking power. MMPA has a long-term lease with the City of Chaska for the facility through 2031.

Oak Glen Wind Farm

MMPA owns the 44 MW Oak Glen Wind Farm, which is located near Blooming Prairie, Minnesota. The 24-turbine project produces approximately 130,000 MWh of renewable energy annually.

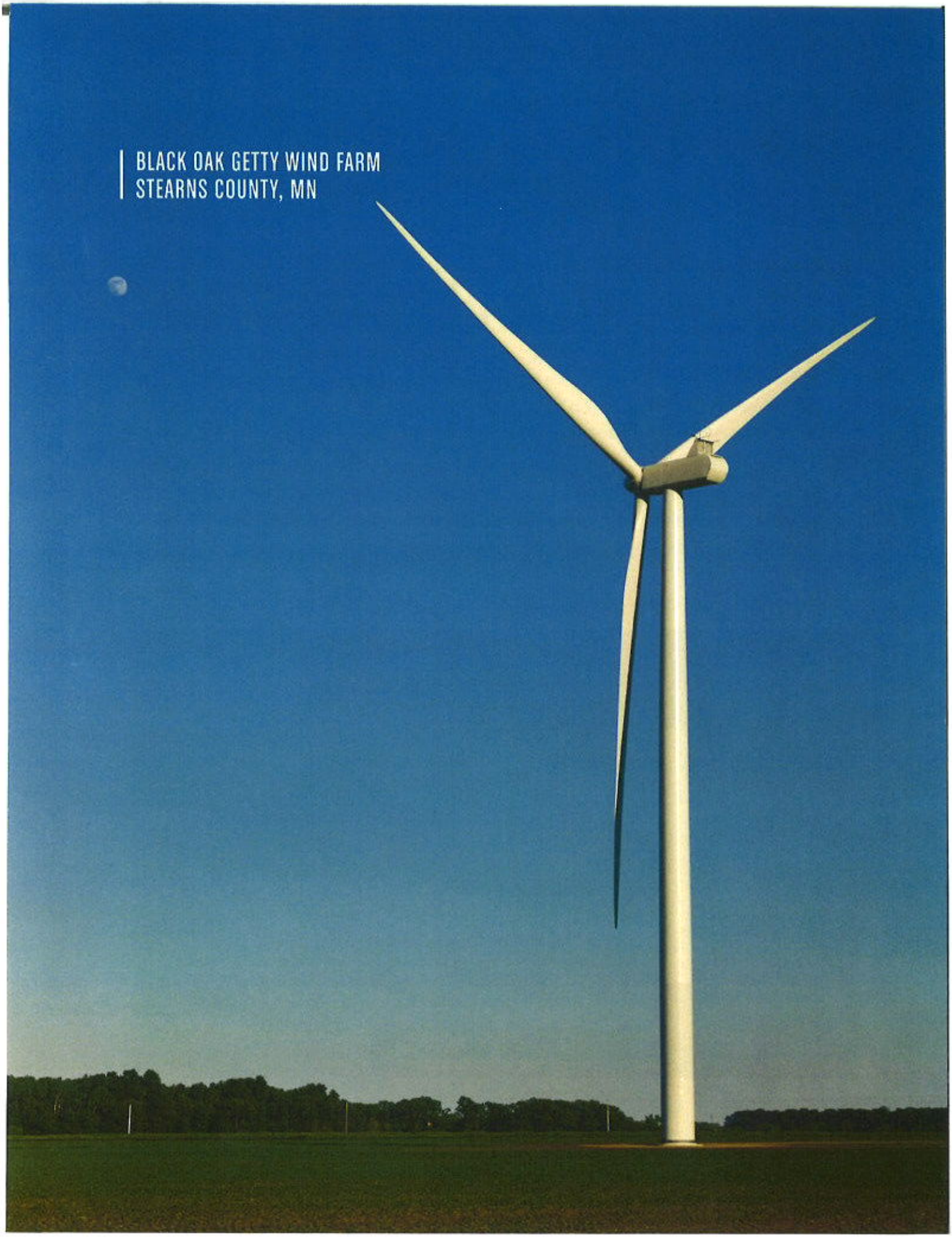
Hometown BioEnergy

Hometown BioEnergy (HTBE) is an innovative 8 MW bioenergy plant located in Le Sueur, another MMPA member community. Unlike wind and solar, HTBE's on-site gas storage allows the facility to produce dispatchable renewable energy. The plant takes locally-supplied food processing and agricultural waste products and creates biogas through anaerobic digestion. The biogas fuels the four reciprocating engines to generate electricity. The facility also produces a liquid byproduct that is sold for use as a fertilizer by local farmers.

Hometown WindPower

MMPA's Hometown WindPower program, which was launched in 2010, placed a 160 kW wind turbine in each member community, as well as at Faribault Energy Park. This initiative made us the first power agency in the nation with a wind turbine in each member community. The turbines help our community members learn how wind power works.

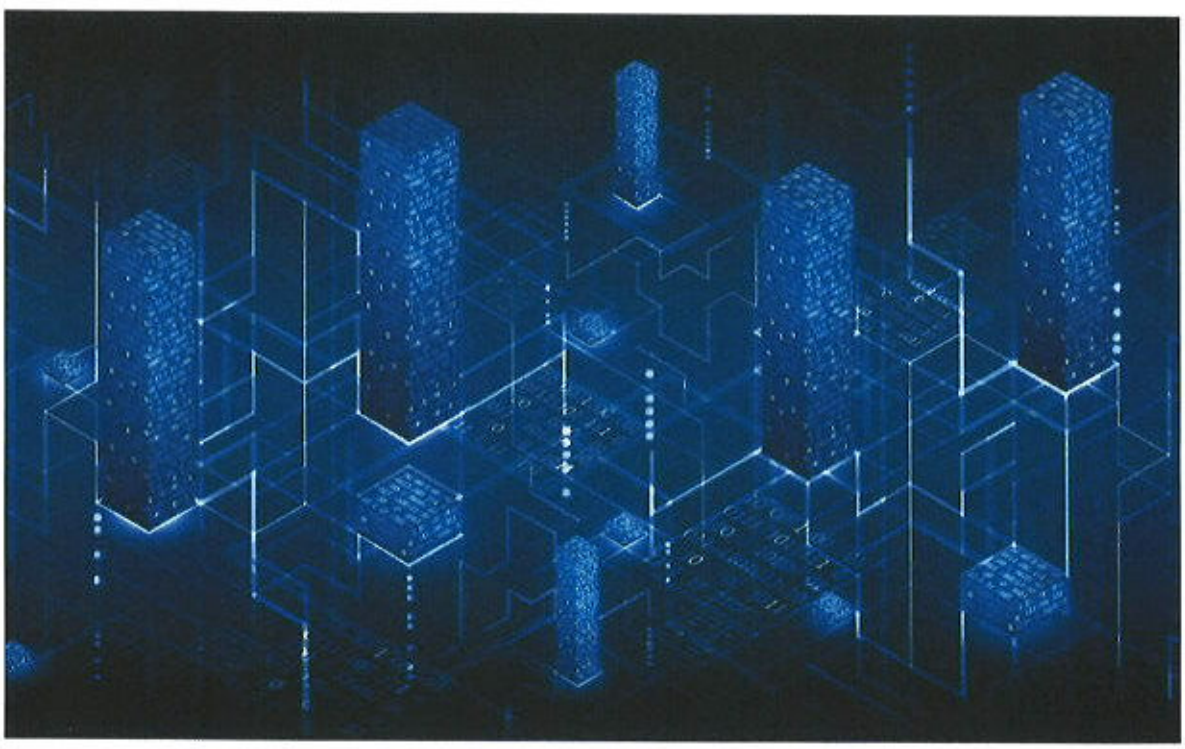
We are currently in the process of refurbishing these turbines, which are approaching thirty-years old. In addition to this life extension project, we are also installing a turbine in Elk River—MMPA's newest member community.


BLACK OAK GETTY WIND FARM
STEARNS COUNTY, MN

ECONOMIC DEVELOPMENT

Part of MMPA's mission is to create value for our members. One way we do that is through supporting economic development in our communities to stimulate growth. This program exemplifies the benefit of joint action, allowing us to assist all of our members in a unified and cost-effective manner.

Our economic development program includes site identification, marketing of both MMPA and our member communities to energy-intensive markets and industries, and development of both wholesale and retail rate structures to attract new businesses.



SUPPORTING ENERGY CONSERVATION IN OUR MEMBER COMMUNITIES

MMPA manages Conservation Improvement Program (CIP) activities for seven of our twelve member communities—another example of the benefits of joint action. We work directly with our members and their customers to develop targeted programs and address conservation issues. The CIP program encompasses a variety of rebate and other program offerings to residential and business customers.

In 2018, the MMPA CIP group exceeded both its annual kWh savings and spending goals, saving nearly 6,000,000 kWh and spending more than half a million dollars on conservation programs and activities. Our 2018 kWh savings represented the most energy ever saved by the CIP group.

Commercial and industrial (C&I) custom and lighting rebates continued to produce significant energy savings in 2018. One member paid a custom rebate for an ammonia compressor efficiency project to an industrial customer that saved over 2,000,000 kWh.

In addition to C&I projects, most members continued to offer energy conservation promotions to their residential customers in 2018. These promotions are free of cost to customers—giveaways and instant rebates—allowing customers at all income levels to experience LED lighting and encouraging them to purchase efficient LED products in the future. Products provided to customers included LED bulbs, night lights, and holiday light strings, as well as Tier 2 advanced power strips. Feedback from customers has been overwhelmingly positive.

Several members also implemented multi-family low-income programs in 2018. Projects included LED lighting and appliance upgrades in senior living multi-family housing as well as distributing LED light bulbs to food shelf clients.

PARTICIPATING SCHOOLS

Anoka
- Franklin Elementary
- Wilson Elementary
- St. Stephen's Catholic School

Arlington
- Sibley East Elementary
- St. Paul's Lutheran School

Blooming Prairie
- Blooming Prairie Elementary

Brownton
- Lakeside Elementary

Buffalo
- Discovery Elementary
- Northwinds Elementary
- Tatanka Elementary

Chaska
- Clover Ridge Elementary
- Guardian Angels Catholic School
- St. John's School

East Grand Forks
- South Point Elementary
- Sacred Heart School

Elk River
- Lincoln Elementary
- Meadowvale Elementary
- Otsego Elementary
- St. Andrew's Catholic School
- Twin Lakes Elementary

Faribault
- Jefferson Elementary
- Lincoln Elementary
- Roosevelt Elementary

Le Sueur
- Hilltop Elementary

North St. Paul
- Richardson Elementary
- Webster Elementary
- St. Peter's Catholic School

Olivia
- St. Mary's School

Shakopee
- Jackson Elementary
- Red Oak Elementary
- Sun Path Elementary
- Shakopee Area Catholic School
- Sweeney Elementary

Winthrop
- GFW Elementary

ENERGY EDUCATION

MMPA is committed to providing youth in our member communities with the opportunity to learn about energy. Since 2010, we have reached over 15,000 students through our Energy Education Program. Our program includes online resources, MMPA's Energy Education Workbook, interactive tours and in-school assemblies. Together with our member communities, we provide a unique learning experience that promotes educating students about the power of their hometown.

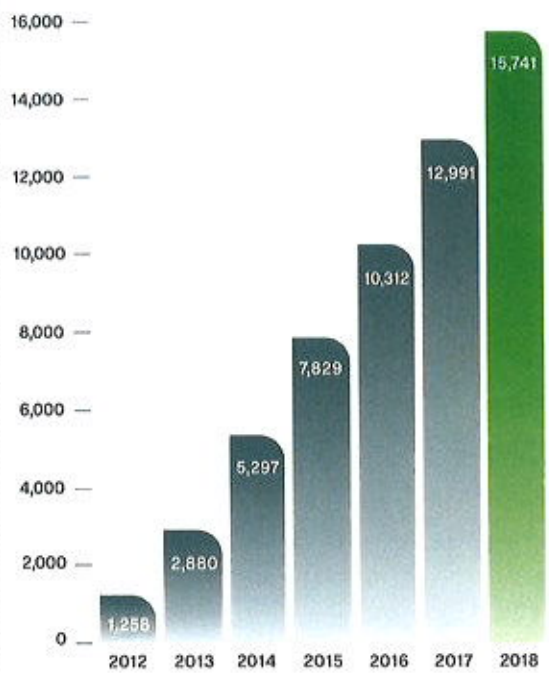
Our Elementary Program

Aligned with Minnesota's state educational standards, our elementary program serves 4th graders in our member communities and project host communities. During the month of May, MMPA's Faribault Energy Park (FEP) hosts students at the 300 MW natural gas facility. While on-site, students are able to view the control room, steam turbine, on-site wind turbine, and solar array. Our tours use interactive educational stations to teach students how electricity is generated from multiple sources, including natural gas, wind and solar, as well as how it is transmitted and used. Among the many interactive activities, student volunteers serve as "student-fueled power plants" and use a bike-generator to better understand electricity generation and the importance of energy conservation.

For schools not easily accessible to FEP, the Agency offers an in-school education assembly, developed and presented by MMPA in partnership with the Science Museum of Minnesota. These educational events help bring interactive energy learning opportunities to more students throughout our member communities.

REACHING OVER 15,000 STUDENTS

MMPA Energy Education Cumulative Student Participation Totals



New High School Program

Based on the 4th grade program's success, the Agency launched a high school pilot program in 2018. This program encourages students to deepen their understanding of complex energy topics and provides insight into various energy-focused career opportunities. Hosted at MMPA's Shakopee Energy Park, students from Shakopee High School participated in learning activities that included: interactive presentations, a tour of the facility, and a career panel. With support from Shakopee Public Utilities and Avant Energy, MMPA's management partner, students were able to meet the people behind their power and learn about a wide variety of jobs in the energy industry.

Joel Ruen, Manager of Distributed Generation Operations, provides students with a tour of Shakopee Energy Park.

MMPA'S HOMETOWN SOLAR GRANT PROGRAM

Hometown Solar provides our member communities with a local educational asset. The purpose of our grant program is to provide a unique learning opportunity to educate and familiarize students and members' customers with solar power. The solar installations serve as a tool to help teach youth and area residents first-hand how sunlight is converted into electricity, as well as the unique benefits of renewable energy.

To support integrating "real-world" learning opportunities into the classroom, MMPA developed lesson plan concepts and tools for our member community schools. Data from the solar arrays is shared with educators to support curriculum development. The information available from the installations provides learning opportunities for all grade levels and can be applied to multiple state education standards.

HOMETOWN SOLAR GRANT RECIPIENTS

Since the Program's launch in 2015, the Agency has awarded nine Hometown Solar Grants, in addition to its pilot installation at MMPA's Faribault Energy Park. The following educational facilities have been awarded Hometown Solar Grant Awards:

- Brownton City Offices (Brownton, 2016)
- BOLD High School (Olivia, 2016)
- GFW High School (Winthrop, 2016)
- Anoka High School (Anoka, 2017)
- South Point Elementary School (East Grand Forks, 2017)
- North High/District Education Center (North St. Paul, 2017)
- Sibley East Middle/High School (Arlington, 2018)
- Clover Ridge Elementary School (Chaska, 2018)
- Eagle Creek Elementary School (Shakopee, 2018)

ARLINGTON

CHASKA

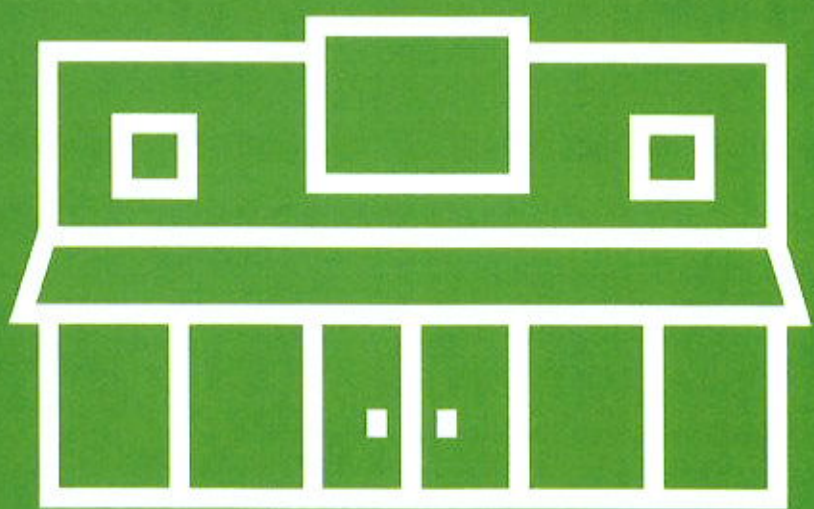
SHAKOPEE

HOME

CLEAN ENERGY
CHOICE

CLEAN ENERGY CHOICE FOR HOME AND BUSINESS

CLEAN ENERGY
CHOICE FOR
BUSINESS



BUSINESS

GIVING RENEWABLE CHOICES TO OUR MEMBERS' CUSTOMERS

Last year, we introduced our Clean Energy Choice programs for both residential and business customers in MMPA member communities. This program grew out of our understanding that customers want more choice regarding their electric supply. Customer interest in the program has been strong—participation grew by more than 20% in 2018.

Our residential program gives customers the option to elect one of three alternatives to MMPA's base power supply, which is currently 17% renewable. These three choices are:

- 50% renewable energy for a $1 per month adder
- 75% renewable energy for a $2 per month adder
- 100% renewable energy for a $3 per month adder

The Clean Energy Choice program gives residential customers a simple and affordable way to support renewable energy. For more information on the program and to sign up if you live in one of our member communities, please visit **www.cleanenergychoice.com**.

We also have a Clean Energy Choice for Business program for our members' commercial and industrial customers. Businesses in this program can elect to purchase 100% renewable energy for a low $0.001 per kilowatt-hour adder over their regular energy rate—that's one tenth of a cent per kWh! To help participating customers promote their business as being powered by renewable energy, we provide a certificate and window sticker. This allows Clean Energy Choice for Business subscribers to showcase their commitment to sustainable energy.

50%•75%•100% RENEWABLE ENERGY

BOND UPGRADES REFLECT CONTINUED STRONG FINANCIAL PERFORMANCE

Bond Upgrade

Both Fitch and Moody's upgraded MMPA's bond rating in 2018. Our rating from Fitch improved from A to A+, and our rating from Moody's improved from A2 to A1. In announcing the upgrades, both firms cited MMPA's strong financial position, effective management, and competitive rates as factors supporting the upgrade.

Debt Service Coverage

MMPA has a debt service coverage policy adopted by our Board that requires annual budgets to have a debt service coverage ratio of at least 1.20 times debt service, which is higher than the 1.15 times debt service required by our bond covenants. This policy provides financial flexibility in the event that financial results differ significantly from expectations. We once again exceeded our debt service coverage target in 2018 with an actual coverage ratio of 1.52 times debt service.

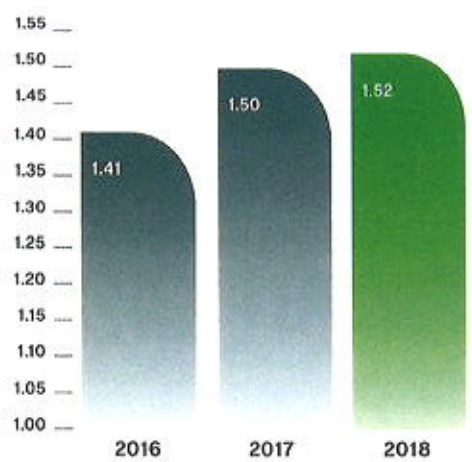
Rate Stabilization Fund

Our goal is to provide competitive and stable rates to our members, both short-term and long-term. This in turn enables our members to provide predictable rates to their customers. Therefore, our rate setting is based on long-term energy price expectations, not short-term market swings. At the end of 2018, our rate stabilization fund had a balance of $33.1 million.

Energy Adjustment Clause

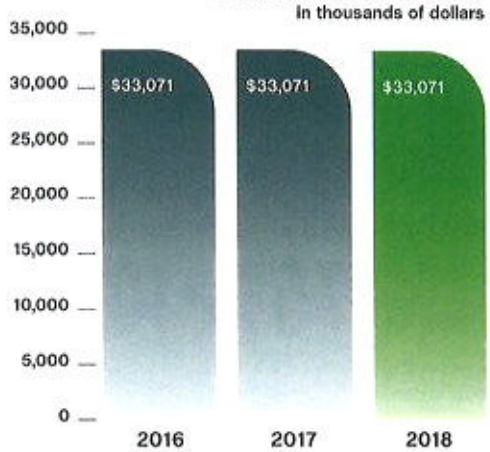
MMPA uses a forward-looking energy adjustment clause to match the timing of revenue and expenses. At the beginning of each month, we review projected costs and set rates to members based on expected costs. This helps ensure a stable cash flow and avoids a lag between when expenses are incurred and when revenue is received.

Debt Service Coverage Ratio



Year-Ending Rate Stabilization Balance

In thousands of dollars



Minnesota Municipal Power Agency

Statements of Net Position

Assets	December 31 2018	December 31 2017
Current assets:		
Cash and cash equivalents	$ 18,275,439	37,568,212
Restricted cash and cash equivalents	6,410,280	5,773,252
Accrued interest receivable	376,324	156,783
Power sales and other receivables	12,686,551	9,795,275
Fuel inventory	923,542	1,373,362
Plant inventory – spares	2,943,430	2,632,568
Prepaid expenses	1,290,493	1,243,229
Total current assets	42,906,059	58,542,681
Noncurrent assets:		
Capital assets:		
Electric generation assets	427,297,380	425,005,434
Land	7,066,719	7,066,719
Less accumulated depreciation	(127,715,278)	(113,304,830)
Property and equipment, net	306,648,821	318,767,323
Construction in progress	739,222	3,235,409
Total capital assets, net	307,388,043	322,002,732
Investments	40,150,569	–
Restricted cash, cash equivalents, and investments	18,635,242	20,325,655
Prepaid expenses	548,004	592,410
Future recoverable costs	49,112,219	45,041,037
Total noncurrent assets	415,834,077	387,961,834
Total assets	458,740,136	446,504,515
Deferred Outflows		
Deferred outflows of resources – other	1,853,889	2,521,079
Total assets and deferred outflows of resources	$460,594,025	449,025,594
Liabilities		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,069,872	9,739,392
Accrued interest payable	2,954,655	3,066,121
Long-term debt due within one year	10,368,333	9,923,333
Capital lease liability due within one year	1,030,022	971,994
Derivative instruments – futures	507,420	884,350
Total current liabilities	24,930,302	24,585,190
Long-term debt, net	263,295,833	274,796,749
Capital lease liability	16,991,245	18,021,267
Derivative instruments – futures	–	200,110
Total noncurrent liabilities	280,287,078	293,018,126
Total liabilities	305,217,380	317,603,316
Deferred Inflows		
Deferred inflows of resources:		
Rate stabilization	33,071,000	33,071,000
Other	3,984,849	15,962,649
Total liabilities and deferred inflows of resources	342,273,229	366,636,965
Net Position		
Net position:		
Net investment in capital assets	41,273,532	45,614,924
Restricted for debt service	6,410,280	5,773,252
Unrestricted	70,636,984	31,000,453
Total net position	118,320,796	82,388,629
Total liabilities and deferred inflows of resources and net position	$460,594,025	449,025,594

Minnesota Municipal Power Agency

Statements of Revenues, Expenses, and Changes in Net Position

	Year ended December 31 2018	Year ended December 31 2017
Operating revenue:		
Power sales to members	$125,589,822	111,741,811
Power sales to nonmembers	1,451,690	1,343,150
Total operating revenue	127,041,512	113,084,961
Operating expenses:		
Power acquisition expense	44,119,693	36,169,353
Transmission	18,981,200	17,793,317
Other operating expenses	27,605,846	23,967,081
Depreciation	14,410,447	13,920,722
Total operating expenses	105,117,186	91,850,473
Operating income	21,924,326	21,234,488
Nonoperating revenue (expenses):		
Amortization of premium on long-term debt, net	1,132,583	1,130,397
Interest expense	(13,321,546)	(14,133,678)
Investment income	1,698,778	1,144,659
Loss on disposition of property	(660,452)	(917,155)
Loss on extinguishment of debt	—	(129,731)
Loss on bond investment redemption	(41,745)	—
Net decrease in fair value of investments	(192,856)	(63,877)
Gain on sale of investments	—	144,273
Capital contribution from new member	21,321,897	—
Total nonoperating revenue (expenses), net	9,936,659	(12,825,112)
Change in net position before future recoverable costs	31,860,985	8,409,376
Future recoverable costs	4,071,182	4,183,724
Change in net position	35,932,167	12,593,100
Total net position, beginning of year	82,388,629	69,795,529
Total net position, end of year	$118,320,796	82,388,629

Visit **www.mmpa.org** to view complete audited financial statements and learn more about MMPA.

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East Grand Forks | Elk River | Le Sueur
North St. Paul | Olivia | Shakopee | Winthrop

11. Based upon this information, would SPUC be amenable to reviewing their contribution in regard to its electrical revenues?

Presently, SPU contributes 2.71% of gross electric sales and free street light service, along with other free services. This is very similar contribution as with the City Franchise fee for both Xcel Energy and Minnesota Valley Electric Cooperative.

With the water utility, SPU contributes 23.77% of gross water sales less the cost of energy for pumping. This is considerably higher than the present City of Shakopee franchise fee.

Please refer to the attachment for the historical overview of SPU contributions to the City of Shakopee.

Any review of the City contribution would be decided by the SPU Commission.

Shakopee Public Utilities Commission
Payment in Lieu of Taxes and Free Service to City of Shakopee Cost History

Year	PILOT Electric Transfer	PILOT Water Transfer	Free Service	Maintenance of Street Lights		TOTAL COSTS PILOT, Free Service & Maintenance of Street Lights
2000	727,102	366,736	47,597	(7,491)	$	**1,133,944**
2001	727,102	446,703	54,353	10,136	$	**1,238,294**
2002	492,262	438,281	49,871	76,734	$	**1,057,148**
2003	534,344	534,025	53,982	4,960	$	**1,127,311**
2004	593,115	532,725	40,498	140,681	$	**1,307,019**
2005	741,847	584,850	46,434	146,140	$	**1,519,272**
2006	858,898	677,999	50,082	103,290	$	**1,690,269**
2007	987,031	704,809	93,931	128,282	$	**1,914,053**
2008	1,021,293	651,924	130,135	33,450	$	**1,836,802**
2009	905,441	726,200	189,761	43,617	$	**1,865,019**
2010	975,175	816,350	197,882	59,982	$	**2,049,389**
2011	993,928	822,726	194,705	45,469	$	**2,056,828**
2012	1,057,044	1,054,271	208,910	35,185	$	**2,355,410**
2013	1,083,698	937,073	165,648	63,801	$	**2,250,220**
2014	1,120,541	862,487	168,842	28,623	$	**2,180,493**
2015	1,142,531	843,988	175,098	114,828	$	**2,276,446**
2016	1,219,749	891,017	167,898	115,833	$	**2,394,497**
2017	1,246,132	1,001,919	168,038	135,301	$	**2,551,390**
2018	1,340,049	1,091,814	170,988	830,027 *	$	**3,432,877**
2019 Budget	1,362,449	1,078,578	84,019	156,725	$	**2,681,771**
Total	19,129,732	15,064,475	2,458,671	2,265,575	$	**38,918,453**

*Includes $610,000 for LED Street Light Project funded by SPU from operations and conservation

12. Why was the city council position changed to a liaison?

State Statute 412.341 clearly states "No more than one member may be chosen from council membership." In 2002 the SPU Commission was increased from 3 to 5 members, which was accomplished by MN Session Laws Chapter 226 – H.F. No. 2624, which includes the statement "no more than one city council member may serve on the Commission at any time."

The Shakopee City Council has had representation as a Commissioner in the past. It is a council appointment to allow a City Council member to serve as a SPU Commissioner. It is <u>not</u> a SPU Commission decision.

11b

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

August 21, 2019 PROPOSE AS CONSENT

TO: John Crooks

CC: Joe Adams
Sherri Anderson
Greg Drent
Lon Schemel
Sharon Walsh
Kelley Willemssen

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Financial Results for July, 2019

The following Financial Statements are attached for your review and approval.

Month to Date & Year to Date Financial Results – July, 2019

- Combined Statement of Revenue & Expense and Net Assets – Electric, Water and Total Utility
- Electric Operating Revenue & Expense Detail
- Water Operating Revenue & Expense Detail

Key items to note:

Month to Date Results – July, 2019

- Total Utility Operating Revenues for the month of July totaled $5.8 million and were unfavorable to budget by $0.7 million or 11.0%. Electric revenues were unfavorable to budget by $726k or 12.5% driven by lower than plan energy sales in the residential and industrial revenue groups and lower than plan power cost adjustment revenues. Water revenues were favorable to budget by $13k or 2.0% due to higher than plan residential sales that were partially offset by lower than plan commercial and industrial sales.
- Total operating expenses were $5.3 million and were unfavorable to budget by $74k or 1.4%. Total purchased power in July was $4.0 million and was $40k or 1.0% higher than budget for the month. Total Operating Expense for electric including purchased power totaled $4.8 million and was unfavorable to budget by $68k or 1.4% due to higher than plan purchased power costs of $39k, higher than plan energy conservation expense of $113k, and partially offset by lower than plan administrative and general expense of $85k due to timing of expenses. Total Operating Expense for Water totaled $422k and was unfavorable to budget by $6k or 1.4%. due to higher than plan operation and maintenance expense of $13k, and was partially offset by lower than plan administrative general and depreciation expenses of $5k.
- Total Utility Operating Income was $500k and was $787k unfavorable to budget due to lower than plan operating revenues of $713k and higher than plan operating expense of $74k.

- Total Utility Non-Operating Revenue was $93k and was favorable to budget by $28k driven by higher than plan investment income of $70k, and partially offset by lower than plan rental and miscellaneous income of $42k.
- Capital Contributions for the month of July totaled $184k and were unfavorable to budget by $76k due to lower than plan collection of water connection fees of $83k and lower than plan trunk water fees of $30k which were partially offset by higher than plan capital contributions and meter installations of $17k.
- Transfers to the City of Shakopee totaled $210k and were very slightly lower than budget for the month by 0.1%.
- Change in Net Position was $567k and was unfavorable to budget by $835k primarily due to lower than plan operating income of $787k, lower than plan capital contributions of $76k, and higher than plan non-operating revenues of $28k.
- Electric usage billed to customers in July was 43,547,307 kWh, an increase of 24.0% from June usage billed at 35,126,953 kWh.
- Water usage billed to customers in July was 213.9 million gallons, an increase of 52.6% from June usage billed at 140.2 million gallons.

Year to Date Financial Results – July, 2019

- Total Utility Operating Revenue year to date July was $30.5 million and was unfavorable to budget by $793k or 2.5%. Electric operating revenues totaled $28.0 million and were unfavorable to budget by $772k or 2.7% driven by lower than plan energy sales in the residential group and lower than plan power cost adjustment revenues in all revenue groups due to lower than plan purchased power costs per kWh. Average cost of purchased power per kWh year to date is 1.8% lower than plan at 7.516 cents/kwh versus planned costs of 7.653 cents/kwh. Water operating revenues totaled $2.6 million and were unfavorable to budget by $21k or 0.8% driven by lower than plan commercial and industrial sales volumes.
- Total Utility Operating Expenses year to date July were $28.0 million and were favorable to budget by $1.7 million or 5.7% primarily due to lower than plan purchased power costs of $1.0 million, timing of expenditures in energy conservation of $88k, administrative and general expense of $475k of which $213k is in outside services for projects and employee benefits expense of $233k due to timing, operations and maintenance expense in electric and water of $122k due to timing, and depreciation expense of $5k. Total Operating Expense for electric including purchased power was $25.2 million and was favorable to budget by $1.5 million or 5.6%. Total Operating Expense for Water was $2.8 million and was also favorable to budget by $0.2 million or 6.5%.
- Total Utility Operating Income was $2.6 million and was favorable to budget by $0.9 million driven by lower than plan operating expenses of $1.7 million and partially offset by lower than planned operating revenues of $0.8 million.
- Total Utility Non-Operating Income was $1.3 million and was favorable to budget by $0.6 million due to higher than planned investment income of $0.6 million, higher than plan rental and miscellaneous income of $11k, a $62k net gain on the sale of electric vehicles and equipment, and lower than plan interest expense on customer deposits of $6k.
- YTD Capital Contributions were $2.9 million and are favorable to budget by $1.0 million due to collection of water connection fees of $1.0 million.

- Municipal contributions to the City of Shakopee totaled $1.5 million year to date and are lower than plan by $3k or 0.2%. The actual estimated payment throughout the year is based on prior year results and will be trued up at the end of the year.
- YTD Change in Net Position is $5.3 million and is favorable to budget by $2.6 million reflecting lower than operating expenses, higher than plan capital contributions, higher than plan non-operating revenues, and partially offset by lower than operating revenues.

SHAKOPEE PUBLIC UTILITIES

MONTH TO DATE FINANCIAL RESULTS

JULY 2019

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Month to Date Actual - July 2019			Month to Date Budget - July 2019			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	MTD Actual v. Budget B/(W) $	%	MTD Actual v. Budget B/(W) $	%	MTD Actual v. Budget B/(W) $	%
OPERATING REVENUES	$ 5,088,901	675,282	5,764,182	5,815,107	661,899	6,477,006	(726,206)	-12.5%	13,383	2.0%	(712,823)	-11.0%
OPERATING EXPENSES						-						
Operation, Customer and Administrative	4,636,049	285,479	4,921,528	4,571,404	275,375	4,846,780	(64,645)	-1.4%	(10,104)	-3.7%	(74,748)	-1.5%
Depreciation	206,071	136,914	342,985	202,651	141,094	343,745	(3,420)	-1.7%	4,180	3.0%	760	0.2%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	4,842,120	422,393	5,264,513	4,774,056	416,469	5,190,525	(68,064)	-1.4%	(5,924)	-1.4%	(73,988)	-1.4%
Operating Income	246,781	252,889	499,670	1,041,051	245,430	1,286,481	(794,270)	-76.3%	7,459	3.0%	(786,811)	-61.2%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	(23,182)	472	(22,710)	16,968	2,105	19,073	(40,150)	-236.6%	(1,633)	-77.6%	(41,783)	-219.1%
Interdepartment Rent from Water	7,500	-	7,500	7,500		7,500	-	0.0%	-	-	-	0.0%
Investment Income	70,458	45,124	115,582	26,983	18,126	45,109	43,475	161.1%	26,998	148.9%	70,473	156.2%
Interest Expense	(5,437)	(192)	(5,629)	(6,327)	(162)	(6,489)	891	14.1%	(31)	-18.9%	860	13.3%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	#DIV/0!	-	-	-	#DIV/0!
Gain/(Loss) on the Disposition of Property	(1,789)	-	(1,789)	-	-	-	(1,789)	-	-	-	(1,789)	0.0%
Total Non-Operating Revenue (Expense)	47,550	45,404	92,954	45,124	20,070	65,193	2,427	5.4%	25,334	126.2%	27,761	42.6%
Income Before Contributions and Transfers	294,332	298,292	592,624	1,086,175	265,499	1,351,674	(791,843)	-72.9%	32,793	12.4%	(759,050)	-56.2%
CAPITAL CONTRIBUTIONS	12,905	171,306	184,211	-	260,029	260,029	12,905	-	(88,723)	-34.1%	(75,818)	-29.2%
TRANSFER TO MUNICIPALITY	(119,125)	(91,000)	(210,125)	(120,539)	(89,882)	(210,420)	1,414	1.2%	(1,118)	-1.2%	296	0.1%
CHANGE IN NET POSITION	$ 188,112	378,598	566,710	965,636	435,647	1,401,283	(777,523)	-80.5%	(57,049)	-13.1%	(834,572)	-59.6%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	MTD Actual July 2019	MTD Budget July 2019	MTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Electricity				
Residential	$ 1,803,168	2,111,209	(308,041)	-14.6%
Commercial and Industrial	3,187,936	3,594,424	(406,488)	-11.3%
Uncollectible accounts	-	-	-	-
Total Sales of Electricity	4,991,104	5,705,633	(714,529)	-12.5%
Forfeited Discounts	16,243	21,498	(5,255)	-24.4%
Free service to the City of Shakopee	7,125	7,002	123	1.8%
Conservation program	74,429	80,974	(6,545)	-8.1%
Total Operating Revenues	5,088,901	5,815,107	(726,206)	-12.5%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	4,040,043	4,000,047	(39,996)	-1.0%
Distribution operation expenses	68,540	39,408	(29,132)	-73.9%
Distribution system maintenance	41,677	61,384	19,707	32.1%
Maintenance of general plant	17,602	27,396	9,794	35.7%
Total Operation and Maintenance	4,167,862	4,128,235	(39,627)	-1.0%
Customer Accounts				
Meter Reading	9,830	10,979	1,149	10.5%
Customer records and collection	41,129	43,775	2,646	6.0%
Energy conservation	175,714	62,382	(113,332)	-181.7%
Total Customer Accounts	226,672	117,136	(109,536)	-93.5%
Administrative and General				
Administrative and general salaries	50,702	57,362	6,660	11.6%
Office supplies and expense	7,568	18,853	11,285	59.9%
Outside services employed	8,821	36,989	28,168	76.2%
Insurance	11,838	14,963	3,125	20.9%
Employee Benefits	144,545	165,159	20,614	12.5%
Miscellaneous general	18,041	32,708	14,667	44.8%
Total Administrative and General	241,514	326,033	84,519	25.9%
Total Operation, Customer, & Admin Expenses	4,636,049	4,571,404	(64,645)	-1.4%
Depreciation	206,071	202,651	(3,420)	-1.7%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	$ 4,842,120	4,774,056	(68,064)	-1.4%
OPERATING INCOME	$ 246,781	1,041,051	(794,270)	-76.3%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	MTD Actual July 2019	MTD Budget July 2019	MTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Water	$ 673,488	659,994	13,493	2.0%
Forfeited Discounts	1,794	1,905	(110)	-5.8%
Uncollectible accounts	(0)	-	(0)	-
Total Operating Revenues	675,282	661,899	13,383	2.0%
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	64,459	43,902	(20,557)	-46.8%
Pumping and distribution maintenance	32,443	39,937	7,494	18.8%
Power for pumping	25,825	26,001	177	0.7%
Maintenance of general plant	5,118	4,683	(435)	-9.3%
Total Operation and Maintenance	127,844	114,523	(13,321)	-11.6%
Customer Accounts				
Meter Reading	5,292	5,784	492	8.5%
Customer records and collection	11,543	12,148	604	5.0%
Energy conservation	-	-	-	-
Total Customer Accounts	16,835	17,932	1,096	6.1%
Administrative and General				
Administrative and general salaries	28,457	37,906	9,449	24.9%
Office supplies and expense	2,713	5,766	3,053	52.9%
Outside services employed	36,463	16,411	(20,051)	-122.2%
Insurance	3,946	4,988	1,042	20.9%
Employee Benefits	56,673	59,681	3,008	5.0%
Miscellaneous general	12,548	18,170	5,622	30.9%
Total Administrative and General	140,800	142,921	2,121	1.5%
Total Operation, Customer, & Admin Expenses	285,479	275,375	(10,104)	-3.7%
Depreciation	136,914	141,094	4,180	3.0%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	422,393	416,469	(5,924)	-1.4%
OPERATING INCOME	$ 252,889	245,430	7,459	3.0%

SHAKOPEE PUBLIC UTILITIES

YEAR TO DATE FINANCIAL RESULTS

JULY 2019

SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Year to Date Actual - July 2019			Year to Date Budget - July 2019			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	YTD Actual v. Budget B/(W) $	%	YTD Actual v. Budget B/(W) $	%	YTD Actual v. Budget B/(W) $	%
OPERATING REVENUES	$ 27,973,878	2,580,794	30,554,672	28,745,792	2,601,387	31,347,179	(771,914)	-2.7%	(20,593)	-0.8%	(792,507)	-2.5%
OPERATING EXPENSES						-						
Operation, Customer and Administrative	23,765,623	1,803,816	25,569,439	25,289,719	1,966,103	27,255,821	1,524,096	6.0%	162,287	8.3%	1,686,383	6.2%
Depreciation	1,442,497	958,396	2,400,892	1,418,560	987,655	2,406,215	(23,937)	-1.7%	29,260	3.0%	5,323	0.2%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	25,208,119	2,762,212	27,970,331	26,708,279	2,953,758	29,662,037	1,500,159	5.6%	191,546	6.5%	1,691,705	5.7%
Operating Income	2,765,759	(181,418)	2,584,341	2,037,513	(352,371)	1,685,142	728,246	35.7%	170,953	48.5%	899,199	53.4%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	103,534	200,854	304,388	118,776	174,247	293,024	(15,242)	-12.8%	26,607	15.3%	11,364	3.9%
Interdepartment Rent from Water	52,500	-	52,500	52,500		52,500	-	0.0%	-	-	-	0.0%
Investment Income	602,098	278,132	880,230	188,879	126,885	315,764	413,220	218.8%	151,247	119.2%	564,466	178.8%
Interest Expense	(37,796)	(1,242)	(39,038)	(44,290)	(1,133)	(45,422)	6,493	14.7%	(109)	-9.7%	6,384	14.1%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	#DIV/0!	-	0.0%	-	#DIV/0!
Gain/(Loss) on the Disposition of Property	61,987	-	61,987	-	-	-	61,987	0.0%	-	-	61,987	-
Total Non-Operating Revenue (Expense)	782,323	477,744	1,260,067	315,865	300,000	615,865	466,458	147.7%	177,744	59.2%	644,202	104.6%
Income Before Contributions and Transfers	3,548,081	296,327	3,844,408	2,353,378	(52,371)	2,301,008	1,194,703	50.8%	348,697	665.8%	1,543,401	67.1%
CAPITAL CONTRIBUTIONS	12,905	2,862,950	2,875,855	-	1,820,203	1,820,203	12,905	-	1,042,747	57.3%	1,055,652	58.0%
MUNICIPAL CONTRIBUTION	(833,213)	(636,969)	(1,470,182)	(843,773)	(629,171)	(1,472,943)	10,560	1.3%	(7,798)	-1.2%	2,761	0.2%
CHANGE IN NET POSITION	$ 2,727,774	2,522,308	5,250,081	1,509,605	1,138,662	2,648,267	1,218,168	80.7%	1,383,646	121.5%	2,601,814	98.2%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	YTD Actual July 2019	YTD Budget July 2019	YTD Actual v. Budget Better/(Worse) $	YTD Actual v. Budget Better/(Worse) %
OPERATING REVENUES				
Sales of Electricity				
Residential	$ 9,613,120	10,049,052	(435,931)	-4.3%
Commercial and Industrial	17,738,459	18,074,019	(335,560)	-1.9%
Uncollectible accounts	-	-	-	#DIV/0!
Total Sales of Electricity	27,351,579	28,123,071	(771,492)	-2.7%
Forfeited Discounts	164,686	150,487	14,199	9.4%
Free service to the City of Shakopee	49,872	49,011	861	1.8%
Conservation program	407,741	423,223	(15,482)	-3.7%
Total Operating Revenues	27,973,878	28,745,792	(771,914)	-2.7%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	20,183,046	21,174,793	991,747	4.7%
Distribution operation expenses	272,829	275,858	3,030	1.1%
Distribution system maintenance	319,197	429,688	110,491	25.7%
Maintenance of general plant	189,096	191,772	2,676	1.4%
Total Operation and Maintenance	20,964,168	22,072,111	1,107,944	5.0%
Customer Accounts				
Meter Reading	71,252	76,853	5,602	7.3%
Customer records and collection	327,572	306,425	(21,147)	-6.9%
Energy conservation	349,002	436,675	87,673	20.1%
Total Customer Accounts	747,826	819,953	72,128	8.8%
Administrative and General				
Administrative and general salaries	382,147	401,531	19,383	4.8%
Office supplies and expense	121,767	131,968	10,201	7.7%
Outside services employed	105,960	258,924	152,964	59.1%
Insurance	82,867	104,742	21,875	20.9%
Employee Benefits	1,108,353	1,271,537	163,184	12.8%
Miscellaneous general	252,536	228,953	(23,583)	-10.3%
Total Administrative and General	2,053,629	2,397,654	344,025	14.3%
Total Operation, Customer, & Admin Expenses	23,765,623	25,289,719	1,524,096	6.0%
Depreciation	1,442,497	1,418,560	(23,937)	-1.7%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	$ 25,208,119	26,708,279	1,500,159	5.6%
OPERATING INCOME	$ 2,765,759	2,037,513	728,246	35.7%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	YTD Actual July 2019	YTD Budget July 2019	YTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Water	$ 2,552,654	2,588,055	(35,401)	-1.4%
Forfeited Discounts	28,139	13,332	14,807	111.1%
Uncollectible accounts	1	-	1	#DIV/0!
Total Operating Revenues	2,580,794	2,601,387	(20,593)	-0.8%
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	300,506	307,312	6,806	2.2%
Pumping and distribution maintenance	267,484	279,560	12,075	4.3%
Power for pumping	175,959	182,009	6,050	3.3%
Maintenance of general plant	51,844	32,778	(19,066)	-58.2%
Total Operation and Maintenance	795,794	801,659	5,865	0.7%
Customer Accounts				
Meter Reading	38,989	40,488	1,499	3.7%
Customer records and collection	90,886	85,035	(5,851)	-6.9%
Energy conservation	-	-	-	-
Total Customer Accounts	129,874	125,523	(4,352)	-3.5%
Administrative and General				
Administrative and general salaries	244,069	265,339	21,270	8.0%
Office supplies and expense	42,576	40,361	(2,215)	-5.5%
Outside services employed	54,035	114,878	60,843	53.0%
Insurance	27,622	34,914	7,292	20.9%
Employee Benefits	386,821	456,242	69,421	15.2%
Miscellaneous general	123,025	127,187	4,162	3.3%
Total Administrative and General	878,148	1,038,922	160,773	15.5%
Total Operation, Customer, & Admin Expenses	1,803,816	1,966,103	162,287	8.3%
Depreciation	958,396	987,655	29,260	3.0%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	$ 2,762,212	2,953,758	191,546	6.5%
OPERATING INCOME	$ (181,418)	(352,371)	170,953	48.5%