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# SPU Staff Responses to City Website Posting

## Frequently Asked Questions

### About the Ballot Question

**What are the City Council's main concerns with Shakopee Public Utilities Commission?**

In its Aug. 18 vote to add a ballot question abolishing SPUC, the City Council identified several main concerns with SPUC:

- a lack of communication and cooperation from SPUC. This problem dates back to at least the 1990s, through multiple city administrators, councils, public works directors and planning directors.

**SPU's primary goal is to be fully transparent in everything it does to its ratepayers. There are several ways we do this. The Council Liaison to SPUC has the official role to communicate Commission actions to the Council and the same in reverse for Council actions that affect the Commission. Additionally, all Commission meeting minutes and adopted Resolutions are posted in the adopted official publication the SVN and on SPU's website. The record shows many successful collaborations between the Commission and the City. Most disagreements have/had to do with City requests for more financial support from the Commission and demands to change the Commission's policies to benefit developers vs customers.**

- a lack of SPUC transparency that has led to financial concerns and state law violations.

**SPU is in a strong financial position. SPU is debt free. In 2010, we owed nearly \$21.5 million dollars. Since paying off our debt in 2018 (12 years early), we have saved carrying costs (interest charges) of nearly \$4 million. All meeting packets are posted on the SPU website.**

- water quality and safety. The city is not content with water that simply meets the minimum standards; Shakopee deserves a long-term, proactive, coordinated plan to ensure safe drinking water for years to come.

**As noted below, there are no safety concerns with the water. The City is proposing several aesthetic benefits; citizens deserve to have a say in how much those aesthetic benefits should cost. The City's proposal to build a centralized treatment plant has not had the benefit of all of the data and public input.**

Shakopee Public Utilities is a public, municipal utility, owned by the residents of Shakopee. It is accountable to all of Shakopee – the residents, ratepayers and businesses. However, the current governance structure does not give Shakopee voters direct control over those managing the utility in the same way they vote for City Council, which manages core services in public safety, streets, sewer and storm drainage.

**SPU is directly responsible to the community – Commission members are residents of the community and are appointed by the Shakopee City Council, meetings are open to the public, and the public's input is always welcome. The ballot referendum itself (to abolish or keep the Commission) provides the Voters' direct control.**

If a majority of voters answer yes to the ballot question, Shakopee residents can be assured of receiving affordable service, dependable service, safe and quality water and excellent stewardship.

**SPU's water and electric rates are lower than average. Residential annual electric costs are 10% below Xcel Energy's and 5% below MVEC's.**

**SPU has continuously been a Reliable Public Power Provider (RP3) program designee since 2013.** APPA's RP<sub>3</sub> program is based on industry-recognized leading practices in four important disciplines:

- Reliability
- Safety
- Workforce Development
- System Improvement

An RP<sub>3</sub> designation is a sign of a utility's dedication to operating an efficient, safe, and reliable distribution system. Being recognized by the RP<sub>3</sub> program demonstrates to community leaders, governing board members, suppliers, and service providers a utility's commitment to its employees, customers, and community. Currently 274 of the nation's more than 2,000 public power utilities hold an RP<sub>3</sub> designation.

**SPU achieved a perfect score of 100 for each of the last two 3-year period submittals, earning an RP3 Diamond Designation since 2015.**

**SPU earned a Governor's award for Source Water Protection in 2013.**

**SPU won Best Tasting Water in the state from the Rural Water Association in 2014.**

**SPU routinely receives Fluoridation Quality Awards from the state and received a Certification of Appreciation 50-year Award from the American Dental Association for the period 1966-2016.**

## **Affordable Service**

**How will abolishing SPUC affect my rates and service?**

The city does not plan on changing water or electric rates. If the ballot question is approved, the city will complete a full rate study to determine the competitiveness of current rates and needs of the utilities.

**As noted above, SPU's rates are lower than average now. The City's proposed water softening plant may cost upwards of \$50 million, without considering on-going operating costs. Rates will have to reflect not only the costs of construction, but also the added cost of operating and maintaining a treatment plant.**

The city's goal is to provide as affordable rates as possible while meeting our future infrastructure needs and ensuring residential, commercial and the development users are paying the appropriate portion of the cost of the system.

**The Commission has a 70-year track record of providing reliable service, safe water, and affordable rates.**

**What is the advantage of consolidating the organizations?**

By merging organizations, residents are consolidating two separate government entities into one more efficient organization.

**There is no data to support a claim of more efficiency.**

## **Dependable Service**

**Who will manage the day-to-day water and electric operations?**

Public utilities staff will continue to provide water and electric services. The Public Works Director would oversee the city's water services, as is customary in most metro communities. The city's Public Works Director and Finance Director are experienced with managing municipal water utilities. Integrating the water utility into a consolidated operation will decrease costs, eliminate duplication and coordinate and streamline processes.

## **There is no data to support the claims of decreasing costs.**

The city would likely contract an electrical manager through Minnesota Municipal Utilities Association or another utility provider to manage the electric services. The city issued a [request for qualifications to seek an experienced electrical manager](#) to provide day-to-day oversight, evaluate the current system, offer engineering expertise on projects and deliver emergency response in case of a catastrophe. After two years, the city would evaluate the operations. Among the duties of the contracted manager would be evaluating existing infrastructure and helping the city to determine the best way to deliver dependable, affordable electric service to the residents/ratepayers/businesses in the long term.

## **All of the listed tasks are being performed now by experienced and qualified SPU personnel as efficiently as possible.**

### **Water Quality & Safety**

**What are the concerns regarding Shakopee's water?**

Drinking water is arguably the most important consumer item that can affect our health, both acutely and chronically. Examples such as [Flint, Mich.](#), [Milwaukee, Wis.](#), or even the [eastern area of the Twin Cities metro](#) highlight how important safe drinking water is.

## **The situation in Shakopee is nothing like that in Flint, Michigan, Milwaukee, Wisconsin, or the Twin Cities' eastern metro. In fact, the Minnesota Department of Health described the Shakopee water as high quality.**

SPUC is aware that water treatment might be necessary in Shakopee in the future and has been collecting funds toward a treatment plant. However, the water infrastructure is not set up to accommodate water treatment for the entirety of the community. Generally, SPUC's plan is to implement a water treatment plant if needed as a reactionary plan only. If a water treatment plant becomes necessary due to an emergency, it will take years to plan and build.

Shakopee is one of the only – and the largest – metro communities without a water filter plant. While Shakopee's drinking water is considered safe and has not historically exceeded the maximum contaminant levels (MCL) established by the Environmental Protection Agency, that does not mean Shakopee's ground water is high quality. There are issues that need concerning attention.

## **See recent article in SVN re Shakopee water:**

[https://www.swnewsmedia.com/shakopee\\_valley\\_news/news/city-of-shakopee-questions-water-quality-spuc-officials-say-city-is-just-wrong/article\\_36441f46-7b48-5cd2-bea0-d8cdc654bac0.html](https://www.swnewsmedia.com/shakopee_valley_news/news/city-of-shakopee-questions-water-quality-spuc-officials-say-city-is-just-wrong/article_36441f46-7b48-5cd2-bea0-d8cdc654bac0.html)



**“When asked about this statement, Thornley said from the Department of Health’s perspective, ‘high quality, in terms of what we regulate, would mean meeting the standards.’ Therefore, Shakopee’s water is “high quality” from the MDH’s perspective, Thornley said.”**

Reports from SPUC’s own consultants, including the [2018 Comprehensive Water System Plan \[PDF\]](#), clearly state that Shakopee needs to be more aware of water quality issues, including:

"Some of the wells have a history of containing elevated concentrations of nitrate, radon, and radium 226/228. The increased concentrations are close to the NPDWR maximum contaminant levels and could have potential health risks associated with them" (page 36).

"Contaminant levels... should be continued to be monitored closely as some wells have a history of elevated levels close to the MCL" (page 38).

The following historical and continuing notable issues exist:

**Nitrates** – Elevated levels of nitrate in drinking water can have [adverse health effects](#). The Safe Drinking Water Act limit for nitrate in drinking water is 10 mg/L. The level of nitrate in Shakopee’s drinking water is close to the upper limit. The Minnesota Department of Health provides an [annual report on nitrates in community water systems](#). This report indicates that Shakopee’s highest historic nitrate level in drinking water was 12 mg/L and the highest in 2018 was 7.3 mg/L. Shakopee is the largest community public water system in the state with this issue.

**One sample result does not call for treatment. From the Minnesota Department of Health:**

**We average the results for four consecutive quarters to determine MCL compliance for chronic or non-acute contaminants, e.g. radium.**

**Since nitrate is defined as an acute contaminant, any time we have a sample above the MCL, a confirmation sample is collected as soon as possible, and averaged with the original result to determine compliance. Our SWP group has done some trend analysis based on historical results, and I know you have additional monitoring results, so that may be helpful in predicting to some degree.**

**If an entry point does fall out of compliance, systems with multiple wells would typically take the source out of service immediately to minimize exposure. If you want more information or trending information from SWP, just let us know.**

- **Sodium** – Elevated levels of sodium in drinking water can have [adverse health effects](#). According to [Shakopee Public Utility’s 2019 Consumer Confidence Report](#) on drinking water, the EPA guidance level for sodium in drinking water is 20 mg/L. The range of detected test results is 13.20 to 65.60 mg/L.

[https://www.epa.gov/sites/production/files/2014-09/documents/support\\_cc1\\_sodium\\_dwreport.pdf](https://www.epa.gov/sites/production/files/2014-09/documents/support_cc1_sodium_dwreport.pdf)

**The above link is from the Environmental Protection Agency with information about sodium in drinking water. Here is an excerpt: Conclusion and Recommendation This Advisory recommends reducing sodium concentrations in drinking water to between 30 and 60 mg/L based on esthetic effects (i.e., taste). A goal of 2.4 g/day dietary sodium has been proposed by several government and health agencies. Drinking water containing between 30 and 60 mg/L is unlikely to be perceived as salty by most individuals and would contribute only 2.5% to 5% of the dietary goal if tap water consumption is 2 L/day. At the present time the EPA guidance level for sodium in drinking water is 20 mg/L. This value was developed for those individuals restricted to a total sodium intake of 500 mg/day and should not be extrapolated to the entire population. This is from our Consumer Confidence Report.**

- **Manganese** – Elevated levels of manganese in drinking water can have [adverse health effects](#). The Minnesota Department of Health recently developed guidance values to keep household drinking water safe. The health base value for Manganese is limited to 100 parts per billion (ppb) for infants and 300 ppb for others. Levels above this can be harmful to your health. According to the [Comprehensive Water System Plan Update 2019 Supplement](#), two SPUC wells have moderate Manganese levels (Well No. 15 is 72 ppb and Well No. 12 is 80 ppb, which is just below the state's guidance limit of 100 ppb for infants (page 13). SPUC recently drilled an expansion well that was abandoned when tested because Manganese levels were too elevated.

**The well that was drilled was for irrigation and was never abandoned. It will be used for irrigation at Windermere Booster Station as well as sampling.**

**Water Hardness** – Aesthetic wise, Shakopee's water is like many other communities – it is moderately hard (Iron and Manganese). Most communities in the metro have filtration plants to address these aesthetic issues; Shakopee does not. The result can lead to issues of undesirable tastes and odors, discoloration and technical issues that result in damage to water equipment (water heater, coffee makers, etc.).

**The water in the Midwest is very hard. Eden Prairie spends approximately \$3.7 million dollars annually to operate and maintain**

**their facility. Eden Prairie's production has been averaging about 2.5 billion gallons/year.**

**It would cost SPU, if the treatment was similar to Eden Prairie, \$2.5 million dollars per year to soften 1.7 billion gallons. That is to operate the plant, not to build it and the needed infrastructure.**

- **Aquifer** – The primary aquifer in Shakopee (Prairie du Chien-Jordan sandstone aquifer) is relatively close to the surface and soft in structure. With bedrock being close to the surface in Shakopee, it is important to have a very proactive and “protective” Well-Head Protection Plan. SPUC has shown indifference to Shakopee [wellhead protection](#), as evidenced by its encouragement to a business within SPUC's service area to drill a private well within the proximity to a high groundwater-vulnerability area with rapid infiltration to bedrock.

**SPU did not encourage the drilling of a new private well. The developer refused to pay the water capacity charges for the process (non-potable) water used in their business and asked for any suggested alternatives. SPU staff noted there was an existing well on site that might suit their needs. That well and the well the developer chose to drill are not regulated in any way by SPU. The new well is OUTSIDE the Drinking Water Supply Management Area for the nearest SPU wells per SPU's state approved 2012 Wellhead Protection Plan.**

- **Public Outreach and Involvement** – The city was excluded from any involvement in the initial update of SPUC's Water Comprehensive Plan to coordinate with the City of Shakopee's 2040 Comprehensive Plan. We are not aware of any community engagement efforts on the part of SPUC to share information or gain understanding of the community's goals related to safe drinking water.
  - [Letter to SPUC Re: City of Shakopee Review Comments for SPUC Comprehensive Water System Plan - March 25, 2019 \[PDF\]](#)

**City staff is clearly (and consistently) confusing two separate documents. The first SPU document, the Water Supply Plan, is a required part of the City's 2040 Comprehensive plan and was completed on schedule based on the best information available from the City at the time. Our consultant contacted City staff and worked with the City's consultant to share information, which was mainly their population projections in developing the Water Supply Plan. The second document is SPU's own Comprehensive Water Plan which the Commission creates to guide it and its staff as development unfolds per the City's**



**approval process so the utility is prepared with the needed infrastructure to supply the necessary water capacity to support the community's needs. This document is not and never has been made a part of the City's Comprehensive Plan. City staff had never before expressed a desire to conduct a formal review of past Comprehensive Water Plans. All reports of this nature are first presented to the Commission itself before being made available to other parties including the City. City comments on the Comprehensive Water Plan are always welcome and taken into account as it is only a guiding document and ever evolving.**

### **Excellent Stewardship**

**Doesn't the City Council appoint commissioners?**

Yes, the City Council is responsible for appointing commissioners to SPUC. This structure, similar to the appointed Metropolitan Council, means SPUC does not have direct accountability to Shakopee voters. Ratepayers do not have direct control over who is managing the utilities or setting rates.

**Without a Commission, the community loses a separate independent body to set specialized rates for water and electricity. For example, the Minnesota Supreme Court noted:**

**"The duties and powers of the commission emphasizes the legislative intent to create a body free from any coercion or control by the village council. . . . free from the baneful influences which so often result from the frequent changes of the political complexion of an elective village council." *State ex rel Chisholm v Borgeran*, 194 N.W. 624 (Minn. 1923)**

**In addition, the Minnesota State Auditor has defined water and electricity as essential services and when operated by a municipal utility usage rates should not be a significant source of revenue to the City's general fund. Otherwise captive customers would be paying more than necessary for an essential service.**

**What is an example of the city's financial concerns regarding SPUC?**

One example is SPUC's investment performance over the years. Responsible fiscal management includes ensuring organizations are responsible fiscal stewards of public funds. Government entities are permitted to invest only in safe and highly liquid investments, as permitted by state statutes.

In a comparison of investment returns over the past 10 years, the City of Shakopee has significantly outperformed SPUC. Had the city managed SPUC's investments over the past decade, an additional \$4 million of investment income would be available for operations

**The Commission has a defined Investment Policy that staff must adhere to and preserving capital is of primary importance as the electric and water utilities are self-insured. Having liquid assets for quickly replacing facilities damaged by storms is essential to restoring service. Since paying off over \$21,000,000 of debt in 2018 SPU has saved its customers nearly \$4,000,000 of avoided interest payments.**