

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
November 15, 2021
at 5:00 PM

To watch this meeting live click or copy the link: <https://tinyurl.com/SPU-YouTube-Live>

1. **Call to Order** at 5:00pm in the SPU Service Center, 255 Sarazin Street
 - a. Roll Call

2. **Communications**

3. **Consent Agenda**
 - C=> 3a) Approval of the November 1, 2021 Minutes (GD)
 - C=> 3b) Approval of November 15, 2021 Agenda (KM)
 - C=> 3c) November 4, 2021 Warrant List
Account Credit Request/Deposit Refunds (JM)
 - C=> 3d) November 15, 2021 Warrant List (JM)
 - C=> 3e) Water Dashboard (LS)
 - C=> 3f) MMPA October Meeting Update (GD)
 - C=> 3g) Resn #2021-22 - Designating an Official Means of Publication (JM)
 - C=> 3h) Resn #2021-23 - Designation of Official Depositories of the Shakopee
Public Utilities Commission Funds (JM)
 - C=> 3i) Resn #2021-24 - Allowing the Use of Facsimile Signature For Check
Signing (JM)
 - C=> 3j) September 30, 2021 Financial Report (JM)
 - C=> 3k) 2022 Commission Dates (GD)
 - C=> 3l) 2022 SPU Holidays (GD)

4. **Liaison Report** (JB)

5. **Public Comment Period.** The public comment period provides an opportunity for the public to address the Commission on items that are not on the agenda. Comments should **not** exceed five minutes. The SPU President may adjust that time limit based upon the number of persons seeking to comment. This comment period may not be used to make personal attacks, to air personality grievances, or for political endorsements or campaigns. The public comments are intended for informational purposes only; Commissioners will not enter into a dialogue with commenters, and questions from Commissioners will be for clarification only.

6. **General Manager Report**
 - 6a) General Manager Report – Verbal (GD)

7. **Reports: Water Items**
 - 7a) Water System Operations Report – Verbal (LS)

8. **Reports: Electric Items**
 - 8a) Electric System Operations Report – Verbal (BC)

9. **Reports: Human Resources**

10. **Reports: General**
 - 10a) Marketing/Customer Service Report – Verbal (SW)
 - 10b) West End – Lower Bluff Trunk Waterman Extension (JA)
 - 10c) Preliminary Rate Study presented by Dave Berg Consulting (DBC) (GD)
 - 10d) 2022 Preliminary Budget and Cash Flow (JM)
 - 10e) Pilot Update and Proposed Framework (GD)

11. **Items for Future Agendas**

12. **Tentative Dates for Upcoming Meetings**
 - December 6, 2021
 - December 20, 2021
 - January 3, 2022
 - January 18, 2022 (Tuesday)

13. **Adjournment**

MINUTES OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
NOVEMBER 1, 2021
Regular Meeting

1. Call to Order. President Mocol called the November 1, 2021 meeting of the Shakopee Public Utilities Commission to order at 5:04 pm. President Mocol, Vice President Fox, Commissioner Brennan, Commissioner Krieg, and Commissioner Letourneau were present.
2. Approval of Consent Agenda. Vice President Fox moved approval of the Consent Agenda: (3a) October 18, 2021 Minutes; (3b) November 1, 2021 Agenda; (3c) November 1, 2021 Warrant List; (3d) Xcel Energy Proposed Rate Increase; (3e) Truck Purchases; (3f) SPU Food and Beverage Policy; (3g) SPU Office & Restroom Remodel. Commissioner Letourneau seconded the motion. Ayes: Mocol, Fox, Brennan, Krieg, and Letourneau. Nays: None. Motion carried.
3. Liaison Report. Commissioner Brennan noted that City Council approved the purchase of snowflake lights for downtown. She thanked SPU for assisting and storing the lights.
4. Public Comment Period. No public comments were offered.
5. General Manager Report. Greg Drent, General Manager, provided an update on current projects, including discussions on the PILOT/transfer of funds to the City and a potential joint meeting with the City Council, service territory discussions with MVEC, upcoming discussions with the School District regarding the hybrid water treatment model and potential locations, and potential software vendors. It was discussed that SPU will consider additional insurance options, including identity theft coverage, in its next insurance renewal process.
6. Water Report. Lon Schemel, Water Superintendent, reported that there was a break in a water main at 10th and Apgar on October 30, 2021, involving the cast iron pipe. He noted that the water was shut off for approximately one hour on Sunday morning and repaired quickly. Mr. Schemel noted that for Water Tank #8, the floor will be poured and SPU plans to start filling it next week.
7. Electric Report. Brad Carlson, Electric Superintendent, reported two animal-related outages and two other outages since the last Commission meeting. He noted that Xcel Energy dropped Circuit 22 out of the Blue Lake substation for approximately 20 minutes. Mr. Carlson also described an outage on November 1, 2021 because a contractor hit an overhead line. He noted that there were no injuries, but nearly 1,200 customers lost power. He noted that all but seven customers had power restored within 31 minutes.
8. Customer Service/Marketing Update. Sharon Walsh, Marketing/Customer Relations Director, reported that she attended an APPA Conference for Key Accounts and Public

Communications. She is working with MMPA on a press release concerning the EV chargers. Ms. Walsh also noted that Holiday Fest will be the first weekend in December and SPU will participate and provide information to customers and answer questions. She noted that SPU is a Toys for Tots and Gifts for Seniors collection drop location; drop boxes are right inside the doors of the SPU Service Center. Ms. Walsh also noted that she is working on signage and staffing for the new drive-up, as well as negotiations with the credit card processing company on transaction fees.

9. Utility Extension – Maras Street, 13th Avenue, and Hanson Avenue. Joseph Adams, Director of Planning and Engineering, provided an update on this sanitary sewer and water utilities project, in which SPU plans to fund the up-front water main costs and recover them as customers connect to the system. He noted that SPU staff and City staff agree with the approach of providing customers the choice to (1) connect to municipal services within the first three years and pay the special lateral connection fee (without inflation adjustments); or (2) wait until one of their two private systems (septic or water supply well) fails, and then choose to connect both concurrently or only the failed system, with up to 15 years to connect the non-failed system. Mr. Adams noted that customers connecting after the first three years would pay an additional amount for inflation.

10. Semi-Final Capital Improvement Plan for 2022 – 2026. Mr. Adams presented the three sections of the 2022-2026 Capital Improvement Plan: Administrative, Water, and Electric. He explained a revision in the water section; on line 76, the 2-HES Jordan Well #23 @ Tank #8 Site of \$601,000 for 2021 carryover and \$126,00 for 2022 because the Minnesota Department of Health has not yet issued a permit, delaying the project schedule. Mr. Adams answered questions.

11. Adjourn. Motion by Vice President Fox, seconded by Commissioner Brennan, to adjourn to the November 15, 2021 meeting. Ayes: Mocol, Fox, Brennan, Krieg, and Letourneau. Nays: None. Motion carried.

Greg Drent, Commission Secretary

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
November 15, 2021
at 5:00 PM

To watch this meeting live click or copy the link: <https://tinyurl.com/SPU-YouTube-Live>

1. **Call to Order** at 5:00pm in the SPU Service Center, 255 Sarazin Street
 - a. Roll Call
2. **Communications**
3. **Consent Agenda**
 - C=> 3a) Approval of the November 1, 2021 Minutes (GD)
 - C=> 3b) Approval of November 15, 2021 Agenda (KM)
 - C=> 3c) November 4, 2021 Warrant List
Account Credit Request/Deposit Refunds (JM)
 - C=> 3d) November 15, 2021 Warrant List (JM)
 - C=> 3e) Water Dashboard (LS)
 - C=> 3f) MMPA October Meeting Update (GD)
 - C=> 3g) Resn #2021-22 - Designating an Official Means of Publication (JM)
 - C=> 3h) Resn #2021-23 - Designation of Official Depositories of the Shakopee
Public Utilities Commission Funds (JM)
 - C=> 3i) Resn #2021-24 - Allowing the Use of Facsimile Signature For Check
Signing (JM)
 - C=> 3j) September 30, 2021 Financial Report (JM)
 - C=> 3k) 2022 Commission Dates (GD)
 - C=> 3l) 2022 SPU Holidays (GD)
4. **Liaison Report** (JB)
5. **Public Comment Period.** The public comment period provides an opportunity for the public to address the Commission on items that are not on the agenda. Comments should **not** exceed five minutes. The SPU President may adjust that time limit based upon the number of persons seeking to comment. This comment period may not be used to make personal attacks, to air personality grievances, or for political endorsements or campaigns. The public comments are intended for informational purposes only; Commissioners will not enter into a dialogue with commenters, and questions from Commissioners will be for clarification only.
6. **General Manager Report**
 - 6a) General Manager Report – Verbal (GD)
7. **Reports: Water Items**
 - 7a) Water System Operations Report – Verbal (LS)

8. **Reports: Electric Items**
 - 8a) Electric System Operations Report – Verbal (BC)

9. **Reports: Human Resources**

10. **Reports: General**
 - 10a) Marketing/Customer Service Report – Verbal (SW)
 - 10b) West End – Lower Bluff Trunk Waterman Extension (JA)
 - 10c) Preliminary Rate Study presented by Dave Berg Consulting (DBC) (GD)
 - 10d) 2022 Preliminary Budget and Cash Flow (JM)
 - 10e) Pilot Update and Proposed Framework (GD)

11. **Items for Future Agendas**

12. **Tentative Dates for Upcoming Meetings**
 - December 6, 2021
 - December 20, 2021
 - January 3, 2022
 - January 18, 2022 (Tuesday)

13. **Adjournment**

SHAKOPEE PUBLIC UTILITIES COMMISSION

Warrant List
 Account Credit Request/Deposit Refunds
 November 4, 2021

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities

AAMODT, WAYNE H	\$37.99
ALVAREZ, WILLIAM	\$76.25
ANDERSON, LARRY & PAT	\$36.25
ANKER, DANIELLE	\$35.32
ARMSTRONG, JOE	\$483.57
ARTE, KHATRA	\$57.54
AVANA ADDISON	\$35.48
AVANA ADDISON	\$12.82
AVANA ADDISON	\$34.31
AVANA ADDISON	\$6.95
BALL, SALLY	\$118.70
BAUER, JOSEPH W	\$38.29
BELTRAN, JULIE	\$68.74
BIHI, NASRA	\$89.79
BOURASSA, AMBER	\$18.00
BRIMMER, KELLY G	\$42.09
BROICH INVESTING LLC	\$7.95
BRONSON, ASHLEY	\$1.18
BULLIS, BRYCE	\$52.60
BURKE, ANDREW	\$34.70
CARR, JULIE K	\$81.11
CASTILLO ANDRADE, ELIZABETH	\$20.73
CHANDRADAT, SCOTT R	\$613.52
CHUKHVANTSEV, ISAAK	\$35.00
CIESCO, PAULINA & GRAHAM	\$44.35
CITIES EDGE MOTORSPORTS	\$1,158.65
CONTRERAS DE TOBAR, EVELIN	\$90.20
CREAMIER, NICHOLAS	\$64.70
CRUZ GARCIA, GERARDO	\$37.22
DOSCH, TANNER	\$46.52
DRANE, JEREMY	\$56.18
EVERGREEN HEIGHTS TOWNHOMES	\$11.21
FARAH, BEDER	\$68.74
FIELDSTONE FAMILY HOMES	\$53.85
FORTWENGLER, NATASHA AN	\$60.15
FUCHS, ROSS & MEGAN	\$77.65
GENERAL EQUIPMENT & SUPPLIES	\$17,196.41
GENERAL EQUIPMENT & SUPPLIES	\$485.04
GISH, JAMES & CHRISTINA	\$100.00
HAJIMUMIN, AMAL	\$7.66
HALLETT, LINDSEY	\$87.15
HAPPY ZAPPY INC	\$306.83
HARTLEY, ALICIA	\$10.61
HAWLEY, GARY & PAT	\$77.92
HOGLUND, KURT	\$127.75
HUSSIEN, ABDALLAH	\$23.39
HUTH, JOHN & KRIS	\$27.50
IBRAHIM, YUSUF	\$149.50

ISD #720-HIGH SCHOOL	\$32.82
LAIS, CHARLES	\$62.75
LALIM, TAMMY K	\$74.91
LEBENS, DAN	\$11.21
LEMESHEV, VASILYI	\$116.24
LENNAR	\$13.30
LEON RAMIREZ, IRVING EDUARDO	\$79.74
LSC CONSTRUCTION SERVICE INC.	\$495.04
LUKKARI, LORI ANN	\$3.04
MAC, HUNG VAN	\$35.96
MAGNUSON, LAURA & DEAN	\$55.00
MAI, ETHAN	\$14.20
MATTHEWS, JESSE	\$23.53
MICHAEL VOGT LIMITED	\$51.93
MOERS, STEFANIE	\$76.24
MONUMENT WHITE PINES LLC	\$15.56
NELSON, ELSIE M	\$7.95
NGUYEN, KHOA ANH	\$18.57
NGUYEN, THANH TRUNG	\$36.06
NIVER, MARIAH	\$37.35
NORTH RIDGE PROPERTIES LLC	\$2.65
PANKAKE, KELLEY & GARY	\$59.40
PETERSEN, WHITNEY & PETER	\$66.30
PROGRESS VALLEY PARK	\$115.34
PROGRESS VALLEY PARK	\$79.25
PULTE HOMES OF MN	\$43.68
RAMIREZ VARELA, SAHIT	\$36.43
REICH, DEANNA	\$30.55
REISDORFF, GEORGE	\$47.82
ROCHE, BRIAN	\$11.20
SALAH, AMINAZAHRA	\$61.73
SHAKOPEE SUPPORTIVE HOUSING	\$14.98
SWIFT, PEARL	\$3.99
TWIFORD, ALYSIA	\$59.60
VANRAVENHORST, DEBRA	\$81.78
WAVERLY PLACE APARTMENTS LLC	\$28.26
WENINGER, ELIZABETH & JAMES	\$19.95
ZIEGLER, MARION	\$28.10
ZILLOW HOMES INC	\$28.35

TOTAL

\$24,488.82

Jean D. Madann

Presented for approval by: Interim Director of Finance & Administration

Approved by General Manager

Approved by Commission President

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

November 15, 2021

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities Commission:

Abdo, Eick & Meyers, LLP	\$38,333.92
American Messaging Services, LLC	\$1,547.39
ALLEY, KAY	\$500.00
AMARIL UNIFORM CO.	\$198.38
APPLE FORD OF SHAKOPEE	\$66.73
ARAMARK REFRESHMENT SERVICES INC	\$139.08
BADGER STATE INSPECTION, LLC	\$5,379.00
BERGERSON-CASWELL INC	\$19,980.00
BERNDTSON, ROBERT	\$140.00
BEYER, JOHN	\$150.00
BGMN, INC.	\$135.03
BIRDS LAWN CARE LLC	\$3,385.00
BORDER STATES ELECTRIC SUPPLY INC	\$28,341.58
BRAD-PAK ENTERPRISES, INC.	\$29.19
BRAUN INTERTEC CORP.	\$1,327.50
CDW LLC	\$4,176.21
CHOICE ELECTRIC INC	\$23,939.45
CHOICE UNDERGROUND, LLC	\$17,927.00
CINTAS CORP. #754	\$872.04
CITY OF SHAKOPEE	\$474,369.02
CM CONSTRUCTION COMPANY	\$37,050.00
CORE & MAIN LP	\$9,100.00
DAVE A BERG	\$15,000.00
DAVIES, BONNIE	\$1,000.00
DAVIS, PARICK	\$500.00
DEL'S CONSTRUCTION COMPANY INC.	\$83,642.11
DICK'S/LAKEVILLE SANITATION INC	\$290.77
DITCH WITCH OF MINNESOTA INC	\$344.12
DRENT, GREG	\$123.56
FURTHER	\$327.40
GLOBAL EQUIPMENT COMPANY INC.	\$163.09
GOPHER STATE ONE-CALL	\$826.20
HARRIS ST PAUL., INC	\$44,230.88
HAWKINS INC	\$8,372.00
HD SUPPLY FACILITIES MAINTENANCE LTD	\$176.72
HENNEN'S AUTO SERVICE, INC.	\$737.51
IMPACT MAILING OF MINNESOTA, INC.	\$13,818.23
INNOVATIVE OFFICE SOLUTIONS LLC	\$2,549.30
INTERSTATE ALL BATTERY CTR	\$283.27
IRBY TOOL & SAFETY	\$664.89
J&W ASPHALT, ING	\$19,674.50
JAIN, GOMTESH KUMAR	\$325.00
KEENER, PATRICIA	\$150.00
KENDELL DOORS & HARDWARE, INC.	\$1,180.00
KIMLEY-HORN AND ASSOCIATES, INC.	\$14,325.00
LARKSTUR ENGINEERING AND SUPPLY, INC	\$34.83
LLOYD'S CONST SERVICES	\$609.25
LUERS-STUTZMAN, DISA	\$500.00
LYTLE, CHARLES	\$1,000.00
MAX STEININGER INC.	\$46.00
MCGRANN SHEA CARNIVAL	\$34,582.50
MCKINNEY, CHRIS	\$50.00
MID AMERICA METER INC	\$7,459.62
MINN VALLEY TESTING LABS INC	\$404.00
MMPA c/o Avant Energy	\$3,200,789.35
MMUA	\$465.00
MN DEPT OF REVENUE ACH PAYMENTS	\$235,665.00
MN ROADWAYS	\$2,850.00
M10, INC	\$5,343.92
NAPA AUTO PARTS	\$438.51
NCPERS GROUP LIFE INSURANCE	\$176.00
NELSON, ZACHARY	\$325.00
NEVILLE, GERRY	\$263.68
NICKOLAY, CINDY	\$96.32
NORTH COUNTRY CONCRETE, INC.	\$11,995.65
NORTHERN STATES POWER CO.	\$4,460.24
OKTA INC.	\$4,500.72
PALMER WEST CONSTRUCTION COMPANY, IN	\$89,311.87
PEARSON, MACHELLE	\$185.00
PRIORITY 1 OUTDOORS INC.	\$6,972.72

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

November 15, 2021

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities Commission:

QUADIENT, INC.- FORMERLY NEOPOST	\$542.36
RAMY TURF PRODUCTS, LLC	\$175.03
RDO EQUIPMENT CO.	\$1,182.76
RESCO	\$108,791.97
RICE LAKE CONSTRUCTION	\$58,539.08
RICE, KARLA	\$1,000.00
Scott County VSQG Collection Program	\$621.35
SAMBATEK	\$9,965.89
SOUTHWEST NEWS MEDIA DBA DIV. OF RED	\$1,474.00
THAI, TAM	\$175.00
TRIPLETT, GREG	\$165.76
UPS STORE # 4009	\$13.25
VANNESTE, MICHAEL & SARA	\$50.00
VERIZON WIRELESS	\$1,561.53
WACHTER, ELLIOT & CANDICE	\$500.00
WATER CONSERVATION SERVICE INC	\$879.70
WESCO DISTRIBUTION INC	\$25,371.21
	\$4,695,325.14

Jean D. Madann

Presented for approval by: Interim Director of Finance & Administration

Approved by General Manager

Approved by Commission President

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

November 15, 2021

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities Commission:

Abdo, Eick & Meyers, LLP	\$38,333.92	Accounting services thru 10/31/21
American Messaging Services, LLC	\$1,547.39	Nov. smartswitch
ALLEY, KAY	\$500.00	2021 Res. Cooling & Heating Rebate
AMARIL UNIFORM CO.	\$198.38	FR Jeans for B.R. - Water dept.
APPLE FORD OF SHAKOPEE	\$66.73	Elec. Dept. Trk #610
ARAMARK REFRESHMENT SERVICES INC	\$139.08	Coffee for lunchrooms
BADGER STATE INSPECTION, LLC	\$5,379.00	Verizon LTE Add & L-sub6 install, tower WO#2491
BERGERSON-CASWELL INC	\$19,980.00	Well pump hse #8 - WO#2466
BERNDTSON, ROBERT	\$140.00	62 Miles reimb.
BEYER, JOHN	\$150.00	2021 Res. Energy Star Appliance
BGMN, INC.	\$135.03	BG In-force spray lubricant
BIRDS LAWN CARE LLC	\$3,385.00	Oct. Lawn Care
BORDER STATES ELECTRIC SUPPLY INC	\$28,341.58	LED LUMINAIRE POST MOUNT - Inventory items
BRAD-PAK ENTERPRISES, INC.	\$29.19	BLACK POLYSEAL CAP
BRAUN INTERTEC CORP.	\$1,327.50	Service thru 10/15/21 soil & testing - WO#2470
CDW LLC	\$4,176.21	HP ELITEBOOK 850G8-15.6 - Capital Equipment
CHOICE ELECTRIC INC	\$23,939.45	Second draw request AIA documents \$11400.00 - WO#2470, \$11800.00 - WO#2554
CHOICE UNDERGROUND, LLC	\$17,927.00	Install new fiber conduit - Capital Equipment
CINTAS CORP. #754	\$872.04	Replenish first aid boxes in lunchroom
CITY OF SHAKOPEE	\$474,369.02	Sewer \$370,004.73 & Storm \$104,364.29
CM CONSTRUCTION COMPANY	\$37,050.00	SPUC Bldg - WO#2470
CORE & MAIN LP	\$9,100.00	1-1/2 Sensus T2 Meters - WO#2451
DAVE A BERG	\$15,000.00	8/1-11/4/21 SERVICE E & W RATE DESIGN STUDY
DAVIES, BONNIE	\$1,000.00	2021 Res. Solar Rebate
DAVIS, PARICK	\$500.00	2021 Res. Cooling & Heating Rebate
DEL'S CONSTRUCTION COMPANY INC.	\$83,642.11	SPU bldg Construction thru 10/31/2021 - WO#2470
DICK'S/LAKEVILLE SANITATION INC	\$290.77	Nov. Garbage Service
DITCH WITCH OF MINNESOTA INC	\$344.12	Turbo Tip, supplies for Unit 629-Elec. Dept.
DRENT, GREG	\$123.56	Reimb for mtg. service territory/school
FURTHER	\$327.40	Flex dental reimb. & Adm. Fee for Nov.
GLOBAL EQUIPMENT COMPANY INC.	\$163.09	Steer wheels for pallet jack
GOPHER STATE ONE-CALL	\$826.20	Oct. locates
HARRIS ST PAUL., INC	\$44,230.88	Plumbing for Oct. - WO#2470
HAWKINS INC	\$8,372.00	chlorine
HD SUPPLY FACILITIES MAINTENANCE LTD	\$176.72	3' Insulated Probe
HENNEN'S AUTO SERVICE, INC.	\$737.51	Trk #618 tire repair
IMPACT MAILING OF MINNESOTA, INC.	\$13,818.23	Statements 10/22/21
INNOVATIVE OFFICE SOLUTIONS LLC	\$2,549.30	Office supplies
INTERSTATE ALL BATTERY CTR	\$283.27	Forklift Battery MT-24F
IRBY TOOL & SAFETY	\$664.89	MITTENS & TESTING CHARGE
J&W ASPHALT, ING	\$19,674.50	Grade & Pave @ SPU - wo#2470
JAIN, GOMTESH KUMAR	\$325.00	2021 Res. Energy Star Appliance
KEENER, PATRICIA	\$150.00	2021 Res. Energy Star Appliance
KENDELL DOORS & HARDWARE, INC.	\$1,180.00	Doors for bldg wo#2470
KIMLEY-HORN AND ASSOCIATES, INC.	\$14,325.00	CSAH 83 WATER MAIN DESIGN - WO#2360
LARKSTUR ENGINEERING AND SUPPLY, INC	\$34.83	Parts for mini excavator
LLOYD'S CONST SERVICES	\$609.25	Demo & Construction
LUERS-STUTZMAN, DISA	\$500.00	2021 Res. Cooling & Heating Rebate
LYTLE, CHARLES	\$1,000.00	2021 Res. Solar Rebate
MAX STEININGER INC.	\$46.00	Hydrant refund cambridge grading tri.
MCGRANN SHEA CARNIVAL	\$34,582.50	\$3420.00 - WO#2545 - Land Exchange thru 10/31/21, \$15172.50 - Municipal & Reg. Matters thru Sept. 30, - WO#2545 -\$1710.00- Land Exchange thru 9/30/21, \$14280.00-Municipal & Reg. Matters thru 10/31/21
MCKINNEY, CHRIS	\$50.00	2021 Res. Energy Star Appliance
MID AMERICA METER INC	\$7,459.62	Meters and O-rings
MINN VALLEY TESTING LABS INC	\$404.00	Nitrate & Nitrite
MMPA c/o Avant Energy	\$3,200,789.35	Oct. Power bill
MMUA	\$465.00	Conference Registration for GD - 12/7-12/9/21
MN DEPT OF REVENUE ACH PAYMENTS	\$235,665.00	Oct. Sales & Use Tax
MN ROADWAYS	\$2,850.00	Infrared thermal patch asphalt
M10, INC	\$5,343.92	WO#2487 Trenching - Michels Utility Services
NAPA AUTO PARTS	\$438.51	Elec. Dept. Shop
NCPERS GROUP LIFE INSURANCE	\$176.00	Nov. life ins.
NELSON, ZACHARY	\$325.00	2021 Star Clothes Washer
NEVILLE, GERRY	\$263.68	82 Miles reimb. & Safety Boot reimb.

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

November 15, 2021

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities

Commission:

NICKOLAY, CINDY	\$96.32	172 Miles reimb.
NORTH COUNTRY CONCRETE, INC.	\$11,995.65	SPU bldg Construction- WO#2470
NORTHERN STATES POWER CO.	\$4,460.24	Oct. power bill
OKTA INC.	\$4,500.72	ARCGIS SOFTWARE PORTAL- WO#2558
PALMER WEST CONSTRUCTION COMPANY, IN	\$89,311.87	WO#2470 -work done thru 10/31/21
PEARSON, MACHELLE	\$185.00	Drug testing for 4th Qtr.
PRIORITY 1 OUTDOORS INC.	\$6,972.72	Parts & sprinkler repair - WO#2470
QUADIENT, INC. - FORMERLY NEOPOST	\$542.36	Letter Opener - Base
RAMY TURF PRODUCTS, LLC	\$175.03	50lb bag of Pro-Seeder grass seed
RDO EQUIPMENT CO.	\$1,182.76	Parts for backhoe loader - WO#2463-\$147.49 coupler, WO#2463 - \$625.77
RESCO	\$108,791.97	45KVA 3 Phase Transformers Padmount Inventory & Capital Equipment
RICE LAKE CONSTRUCTION	\$58,539.08	Payment #11 Windermere Booster Station- WO#2041
RICE, KARLA	\$1,000.00	2021 Res. Solar Rebate
Scott County VSQG Collection Program	\$621.35	Appliance disposal
SAMBATEK	\$9,965.89	Water Tank #8 - WO#2525-\$2921.89, WO#2041- \$1158.00WO#2259 - \$5886.00
SOUTHWEST NEWS MEDIA DBA DIV. OF RED	\$1,474.00	Oct. legals
THAI, TAM	\$175.00	2021 Star Clothes Washer
TRIPLETT, GREG	\$165.76	159 Miles reimb.
UPS STORE # 4009	\$13.25	Itron Meter repair
VANNESTE, MICHAEL & SARA	\$50.00	2021 Res. Energy Star Appliance
VERIZON WIRELESS	\$1,561.53	9/24 - 10/23 invoice
WACHTER, ELLIOT & CANDICE	\$500.00	2021 Res. Cooling & Heating Rebate
WATER CONSERVATION SERVICE INC	\$879.70	Leak locate Marshall Rd.(McDonalds)/Appa
WESCO DISTRIBUTION INC	\$25,371.21	PEDESTAL SECONDARY ENCLOSURE- Inventory items.
	\$4,695,325.14	

Presented for approval by: Interim Director of Finance & Administration

Approved by General Manager

Approved by Commission President

Monthly Water Dashboard

As of: October 2021

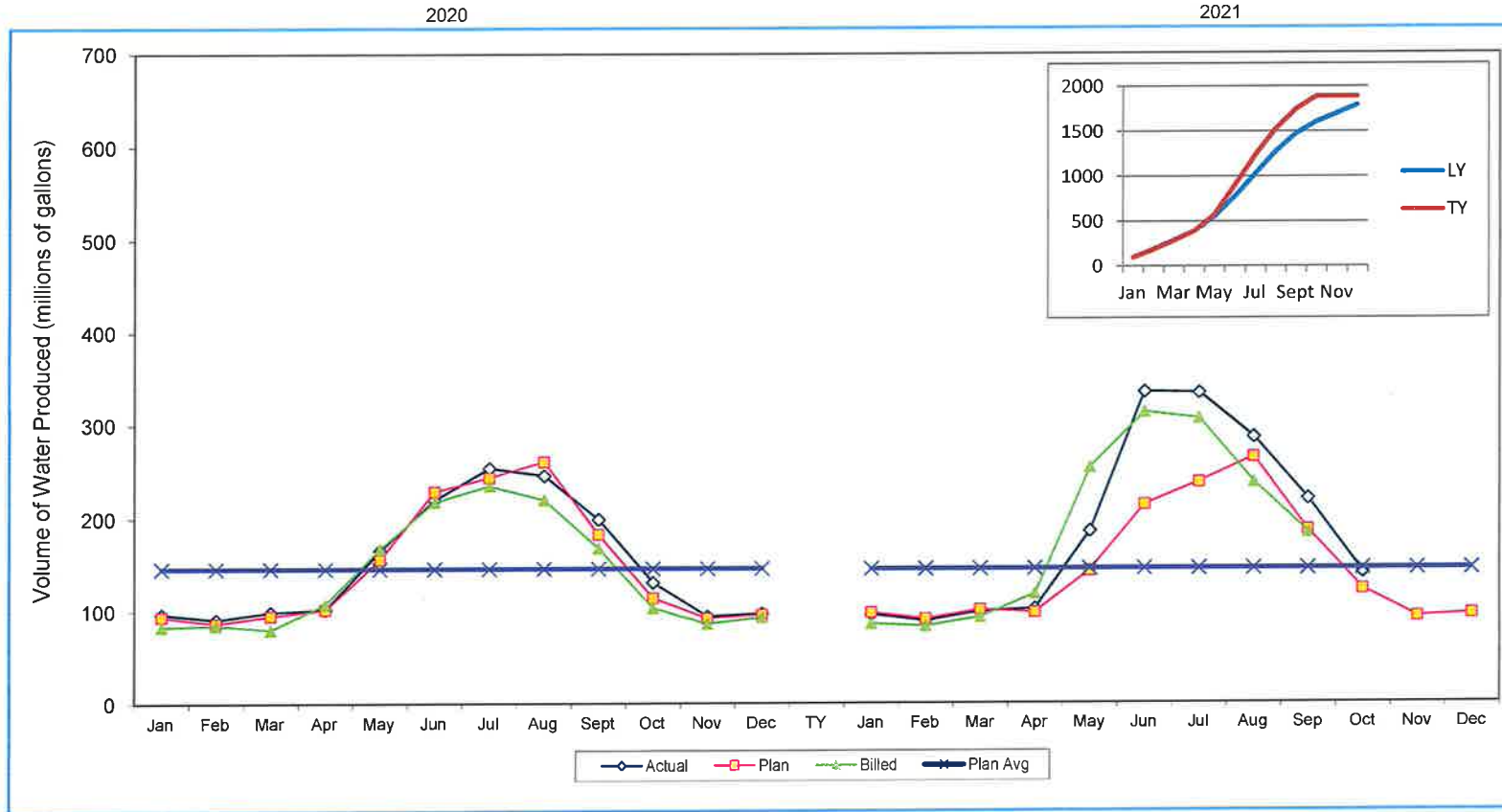
Shakopee Public Utilities Commission

ALL VALUES IN MILLIONS OF GALLONS

Element/Measure Water Pumped/Metered

Averages	
2018	153
2019	139
2020	150

Last 6 months actuals	186	335	334	286	220	141
-----------------------	-----	-----	-----	-----	-----	-----




	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	97	91	99	102	166	220	254	246	199	131	94	97		96	89	99	102	186	335	334	286	220	141			
Plan	94	87	95	102	156	229	244	261	183	114	92	96		98	91	101	98	143	214	238	265	187	123	93	96	
YTD % *														98%	98%	98%	99%	108%	122%	126%	122%	122%	121%			
Billed	83	85	80	108	168	218	235	220	168	103	86	93		86	83	93	118	254	313	306	238	184				

* Actual gallons pumped vs. Plan



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

To: SPU Commissioners
From: Greg Drent, General Manager 
Date: November 4, 2021
Subject: MMPA October Meeting Update

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on October 26, 2021, at Chaska City Hall in Chaska, Minnesota and via videoconference.

The Board reviewed the Agency's financial and operating performance for September 2021.

The Board discussed COVID-19 and its effects on supply chains, labor markets, and inflation.

The Board engaged in a long-term planning session.

The Board reviewed recent commodity market data, including substantial increases in both electricity and natural gas prices.

The Board discussed Xcel's request for a more than 21% electric rate increase over the next three years. More than half of this rate increase is requested for 2022.

MMPA had an increase of 57 customers in the Agency's residential Clean Energy Choice program from August to September. Customer penetration increased to 3.8%.

RESOLUTION #2021-22

A RESOLUTION DESIGNATING AN OFFICIAL
MEANS OF PUBLICATION

BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, in meeting duly assembled that the Shakopee Valley News of Savage, Minnesota 55378 be and the same hereby is designated as the official means of publications for the Shakopee Public Utilities Commission, 255 Sarazin Street, Shakopee, MN 55379-0470 for 2022.

Passed in regular session of the Shakopee Public Utilities Commission, this 15th day of November, 2021.

Commission President: Kathi Mocol

ATTEST:

Secretary: Greg Drent

RESOLUTION #2021-23

A RESOLUTION DESIGNATING OFFICIAL DEPOSITORY
OF THE SHAKOPEE PUBLIC UTILITIES COMMISSION

WHEREAS, the State of Minnesota Statutes 118.A02 and 118A.06 provide that the governing body of each government entity shall designate, as a depository of its funds, one or more financial institutions.

NOW THEREFORE BE IT RESOLVED, by the Shakopee Public Utilities Commission of the City of Shakopee, Minnesota that the following institutions are designated as depositories.

Western Bank, A Division of American National Bank

Old National Bank

PFM Asset Management, LLC

US Bank as Custodian for Minnesota Municipal Money Market Fund

US Bank Trust and Custody

Adopted in regular session of the Shakopee Public Utilities Commission of the City of Shakopee, Minnesota held this 15th day of November 2021

Commission President: Kathi Mocol

ATTEST:

Secretary: Greg Drent

RESOLUTION #2021-24

A RESOLUTION ALLOWING THE USE OF
FACSIMILE SIGNATURE FOR CHECK SIGNING

WHEREAS, the Shakopee Utilities Commission will utilize a check signing software and facsimile signatures for the Shakopee Utilities Commission President and Utilities Manager for the purposes of check signing.

NOW THEREFORE BE IT RESOLVED, by the Shakopee Public Utilities Commission of the City of Shakopee, Minnesota that use of a check signing software and facsimile signatures for the Shakopee Public Utilities Commission President and Utilities Manager for the purposes of check signing is hereby approved.

Adopted in regular session of the Shakopee Public Utilities Commission of the City of Shakopee, Minnesota held this 15th day of November 2021.

Commission President: Kathi Mocol

ATTEST:

Secretary: Greg Drent



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

DATE: November 11, 2021
TO: Greg Drent, General Manager *GD*
FROM: Jean McGann, Consulting Finance Director *JM*
SUBJECT: September 30, 2021 Financial Report

Background

We have compiled the accompanying combined statement of revenue and expenses and net assets for the electric and water funds for Shakopee Public Utilities as of September 30, 2021. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

Current Status

As part of the September 30, 2021 financial report, we have continued the practice of providing a component of analytical review. For the Water and Electric Operating Revenue and Expense budget to actual and the Water and Electric Revenue and Expense report ending September 30, 2021 you will see comments at the bottom of each page. In addition to the analytical review, there are a several important points to note.

- The budget is projected on an annual basis rather than a monthly basis so the information in the financial report equates to 75 % of the annual budget.
- Interest rates continue be extraordinarily low. Now that additional liquid funds are invested, we anticipate these earnings to increase over time.

Included in this report are the following statements:

- Combined Statement of Revenues, Expenses and Changes in Fund Net Position
- Electric Operating Revenue and Expense – Budget to Actual (with analytics)
- Water Operating Revenue and Expense– Budget to Actual (with analytics)
- Combined Statement of Revenue and expense and Net Assets
- Electric Operating Revenue and Expense Comparing September 30, 2021 to 2020 Actual numbers (with analytics)
- Water Operating Revenue and Expense Comparing September 30, 2021 to 2020 Actual numbers (with analytics)

Request

The Commission is requested to accept the September 30, 2021 Financial Report.



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

	Year to Date Actual - September 2021			Year to Date Budget - September 2021			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	\$ 38,299,234	5,329,087	43,628,321	34,328,799	4,051,733	38,380,532	3,970,435	11.6%	1,277,355	31.5%	5,247,789	13.7%
OPERATING EXPENSES												
Operation, Customer and Administrative	33,645,257	2,466,078	36,111,335	30,660,554	3,188,942	33,849,496	(2,984,703)	-9.7%	722,863	22.7%	(2,261,840)	-6.7%
Depreciation	1,746,095	1,187,158	2,933,252	1,746,095	1,187,158	2,933,252	-	0.0%	(0)	0.0%	(0)	0.0%
Total Operating Expenses	35,391,351	3,653,236	39,044,588	32,406,649	4,376,099	36,782,748	(2,984,703)	-9.2%	722,863	16.5%	(2,261,840)	-6.1%
Operating Income	2,907,882	1,675,851	4,583,733	1,922,150	(324,367)	1,597,784	985,732	51.3%	2,000,218	616.7%	2,985,950	186.9%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	145,154	156,235	301,389	273,883	134,775	408,658	(128,729)	-47.0%	21,460	15.9%	(107,269)	-26.2%
Interdepartment Rent from Water	67,500	-	67,500	67,500	-	67,500	-	0.0%	-	-	-	0.0%
Investment Income	6,366	12,941	19,307	505,040	208,823	713,864	(498,674)	-98.7%	(195,882)	-93.8%	(694,556)	-97.3%
Interest Expense	(3,532)	(161)	(3,693)	(48,718)	(1,644)	(50,362)	45,186	92.8%	1,483	90.2%	46,669	92.7%
Gain/(Loss) on the Disposition of Property	33,550	-	33,550	-	-	-	33,550	0.0%	-	-	33,550	-
Total Non-Operating Revenue (Expense)	249,038	169,015	418,053	797,705	341,954	1,139,660	(548,667)	-68.8%	(172,939)	-50.6%	(721,606)	-63.3%
Income Before Contributions and Transfers	3,156,921	1,844,866	5,001,786	2,719,856	17,588	2,737,443	437,065	16.1%	1,827,278	10389.6%	2,264,343	82.7%
CAPITAL CONTRIBUTIONS	20,587	2,238,640	2,259,227	-	2,965,904	2,965,904	20,587	-	(727,264)	-24.5%	(706,677)	-23.8%
MUNICIPAL CONTRIBUTION	(1,608,803)	(149,806)	(1,758,609)	(1,556,706)	(153,274)	(1,709,980)	(52,097)	-3.3%	3,468	2.3%	(48,629)	-2.8%
CHANGE IN NET POSITION	\$ 1,568,704	3,933,700	5,502,404	1,163,150	2,830,217	3,993,367	405,555	34.9%	1,103,482	39.0%	1,509,037	37.8%

SHAKOPEE PUBLIC UTILITIES ELECTRIC OPERATING REVENUE AND EXPENSE

	YTD Actual 9/30/2021	YTD Budget 9/30/2021	YTD Actual v. Budget Increase (decrease)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 15,033,247	13,370,569	1,662,678	112.4
Commercial and Industrial	22,593,355	20,254,707	2,338,648	111.5
Uncollectible accounts	-	-	-	
Total Sales of Electricity	<u>37,626,602</u>	<u>33,625,276</u>	<u>4,001,327</u>	<u>111.9</u>
Forfeited Discounts	27,272	69,008	(41,736)	39.5
Free service to the City of Shakopee	84,178	90,849	(6,671)	92.7
Conservation program	561,181	543,666	17,515	103.2
Total Operating Revenues	<u>38,299,234</u>	<u>34,328,799</u>	<u>3,970,435</u>	<u>111.6</u>
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	28,841,222	24,557,329	4,283,893	117.4
Distribution operation expenses	306,873	437,420	(130,546)	70.2
Distribution system maintenance	635,315	672,998	(37,682)	94.4
Maintenance of general plant	190,136	281,175	(91,039)	67.6
Total Operation and Maintenance	<u>29,973,546</u>	<u>25,948,921</u>	<u>(4,024,625)</u>	<u>115.5</u>
Customer Accounts				
Meter Reading	102,916	147,792	(44,876)	69.6
Customer records and collection	490,568	661,426	(170,858)	74.2
Energy conservation	299,935	558,607	(258,672)	53.7
Total Customer Accounts	<u>893,418</u>	<u>1,367,825</u>	<u>474,407</u>	<u>65.3</u>
Administrative and General				
Administrative and general salaries	409,530	737,260	(327,729)	55.5
Office supplies and expense	137,274	178,560	(41,286)	76.9
Outside services employed	468,531	371,909	96,623	126.0
Insurance	131,712	131,621	92	100.1
Employee Benefits	1,395,791	1,545,551	(149,760)	90.3
Miscellaneous general	235,454	378,909	(143,455)	62.1
Total Administrative and General	<u>2,778,293</u>	<u>3,343,809</u>	<u>565,516</u>	<u>83.1</u>
Total Operation, Customer, & Admin Expenses	<u>33,645,257</u>	<u>30,660,554</u>	<u>(2,984,703)</u>	<u>109.7</u>
Depreciation	1,746,095	1,746,095	-	-
Total Operating Expenses	<u>\$ 35,391,351</u>	<u>32,406,649</u>	<u>(2,984,703)</u>	<u>109.2</u>
Operating Income	<u>\$ 2,907,882</u>	<u>1,922,150</u>	<u>985,732</u>	<u>151.3</u>

**SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE**

	YTD Actual 9/30/2021	YTD Budget 9/30/2021	YTD Actual v. Budget Increase (decrease)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 5,325,551	4,041,001	1,284,551	131.79 (1)
Forfeited Discounts	3,536	10,732	(7,196)	32.94
Total Operating Revenues	<u>5,329,087</u>	<u>4,051,733</u>	<u>1,277,355</u>	<u>131.53</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	456,627	399,908	56,719	114.18
Pumping and distribution maintenance	313,980	464,826	(150,846)	67.55 (2)
Power for pumping	226,548	229,830	(3,282)	98.57
Maintenance of general plant	33,811	50,991	(17,181)	66.31 (3)
Total Operation and Maintenance	<u>1,030,965</u>	<u>1,145,555</u>	<u>114,590</u>	<u>90.00</u>
Customer Accounts				
Meter Reading	53,611	91,614	(38,003)	58.52 (4)
Customer records and collection	153,899	198,382	(44,483)	77.58 (5)
Energy conservation	3,485	7,500	(4,015)	46.47
Total Customer Accounts	<u>210,995</u>	<u>297,496</u>	<u>86,501</u>	<u>70.92</u>
Administrative and General				
Administrative and general salaries	290,744	500,147	(209,402)	58.13 (6)
Office supplies and expense	42,119	72,581	(30,463)	58.03 (7)
Outside services employed	167,464	199,900	(32,436)	83.77
Insurance	41,815	41,784	31	100.07
Employee Benefits	537,695	709,428	(171,733)	75.79 (8)
Miscellaneous general	144,281	222,051	(77,770)	64.98 (9)
Total Administrative and General	<u>1,224,118</u>	<u>1,745,891</u>	<u>521,772</u>	<u>70.11</u>
Total Operation, Customer, & Admin Expenses	<u>2,466,078</u>	<u>3,188,942</u>	<u>722,863</u>	<u>77.33</u>
Depreciation	<u>1,187,158</u>	<u>1,187,158</u>	-	100.00
Total Operating Expenses	<u>\$ 3,653,236</u>	<u>4,376,100</u>	<u>722,864</u>	<u>83.48</u>
Operating Income	<u>\$ 1,675,851</u>	<u>(324,368)</u>	<u>2,000,219</u>	<u>(516.65)</u>

Item Explanation of Items Percentage Received/Expended Less than 80% or Greater than 120% and \$ Variance Greater than \$15,000.

- (1) Variance due to more revenues from residential, commercial, and industrial water sales than projected through third quarter.
- (2) Variance due to less maintenance expenses for pumping equipment, valves, meters, and hydrants than projected for through third quarter.
- (3) Variance due to less expenses in the maintenance of the general plant than projected through third quarter.
- (4) Variance due to less meter reading expenses than projected for through third quarter.
- (5) Variance due to less expenses for customer records and collection costs than projected through third quarter.
- (6) Variance due to less employee compensation paid out than projected for through third quarter.
- (7) Variance due to less office supplies purchased than projected for through third quarter.
- (8) Variance due to less employee benefits than projected for through third quarter.
- (9) Variance due to less regulatory commmission expenses, marketing costs, and other miscellaneous expenses than projected for through third quarter.

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUE & EXPENSE AND NET ASSETS
COMPARATIVE FINANCIAL RESULTS FOR 2020 - 2021

	Third Quarter 2021			Third Quarter 2020			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	2020 - 2021 I/(D) \$ %		2020 - 2021 I/(D) \$ %		2020 - 2021 I/(D) \$ %	
OPERATING REVENUES	\$ 38,299,234	5,329,087	43,628,321	36,504,277	4,361,094	40,865,371	1,794,957	4.9%	967,993	22.2%	2,762,950	6.8%
OPERATING EXPENSES												
Operation and Maintenance	33,645,257	2,466,078	36,111,335	30,256,289	2,379,211	32,635,500	(3,388,968)	-11.2%	(86,867)	-3.7%	(3,475,835)	-10.7%
Depreciation	1,746,095	1,187,158	2,933,252	1,913,001	1,379,429	3,292,430	166,906	8.7%	192,271	13.9%	359,177	10.9%
Total Operating Expenses	35,391,351	3,653,236	39,044,588	32,169,290	3,758,640	35,927,930	(3,222,062)	-10.0%	105,404	2.8%	(3,116,658)	-8.7%
Operating Income	2,907,882	1,675,851	4,583,733	4,334,987	602,454	4,937,441	(1,427,105)	-32.9%	1,073,397	178.2%	(353,708)	-7.2%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	145,154	156,235	301,389	99,437	148,619	248,056	45,717	46.0%	7,616	5.1%	53,333	21.5%
Interdepartment Rent from Water	67,500	-	67,500	67,500	-	67,500	-	0.0%	-	-	-	0.0%
Investment Income	6,366	12,941	19,307	560,055	200,841	760,898	(553,690)	-98.9%	(187,900)	-93.6%	(741,590)	-97.5%
Interest Expense	(3,532)	(161)	(3,693)	(25,707)	(1,110)	(26,816)	22,175	86.3%	949	85.5%	23,124	86.2%
Gain on the Disposition of Property	33,550	-	33,550	12,114	-	12,114	21,436	-	-	-	21,436	-
Total Non-Operating Revenue (Expense)	249,038	169,015	418,053	713,401	348,351	1,061,752	(464,363)	-65.1%	(179,336)	-51.5%	(643,698)	-60.6%
Income Before Contributions and Transfers	3,156,921	1,844,866	5,001,786	5,048,388	950,805	5,999,193	(1,891,467)	-37.5%	894,061	94.0%	(997,406)	-16.6%
CAPITAL CONTRIBUTIONS	20,587	2,238,640	2,259,227	13,589	2,048,525	2,062,113	6,998	51.5%	190,115	9.3%	197,113	9.6%
TRANSFER TO MUNICIPALITY	(1,608,803)	(149,806)	(1,758,609)	(1,535,022)	(278,468)	(1,813,490)	(73,781)	-4.8%	128,662	46.2%	54,881	3.0%
CHANGE IN NET POSITION	1,568,704	3,933,700	5,502,404	3,526,955	2,720,861	6,247,816	(1,958,250)	-55.5%	1,212,838	44.6%	(745,412)	-11.9%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE
For quarter ending September 30, 2021

	2021	2020	2020 - 2021	
			Increase (decrease)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 15,033,247	14,114,186	919,061	106.5 %
Commercial	22,593,355	21,710,682	882,673	104.1
Total Sales of Electricity	<u>37,626,602</u>	<u>35,824,868</u>	<u>1,801,734</u>	<u>105.0</u>
Forfeited Discounts	27,272	64,961	(37,688)	42.0 (1)
Free service to the City of Shakopee	84,178	80,185	3,993	105.0
Conservation program	561,181	534,263	26,918	105.0
Total Operating Revenues	<u>38,299,234</u>	<u>36,504,277</u>	<u>1,794,957</u>	<u>104.9</u>
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	28,841,222	25,688,399	3,152,823	112.3
Distribution operation expenses	306,873	423,564	(116,691)	72.5 (2)
Distribution system maintenance	635,315	492,828	142,488	128.9 (3)
Maintenance of general plant	190,136	199,471	(9,335)	95.3
Total Operation and Maintenance	<u>29,973,546</u>	<u>26,804,261</u>	<u>(3,169,284)</u>	<u>111.8</u>
Customer Accounts				
Meter Reading	102,916	96,452	6,463	106.7
Customer records and collection	490,568	496,826	(6,259)	98.7
Energy conservation	299,935	231,000	68,935	129.8 (4)
Total Customer Accounts	<u>893,418</u>	<u>824,278</u>	<u>(69,140)</u>	<u>108.4</u>
Administrative and General				
Administrative and general salaries	409,530	534,003	(124,472)	76.7 (5)
Office supplies and expense	137,274	118,695	18,579	115.7
Outside services employed	468,531	256,018	212,513	183.0 (6)
Insurance	131,712	97,228	34,485	135.5 (7)
Employee Benefits	1,395,791	1,407,806	(12,014)	99.1
Miscellaneous general	235,454	214,000	21,454	110.0
Total Administrative and General	<u>2,778,293</u>	<u>2,627,749</u>	<u>(150,544)</u>	<u>105.7</u>
Total Operating Expenses	<u>33,645,257</u>	<u>30,256,289</u>	<u>(3,388,968)</u>	<u>111.2</u>
Depreciation	1,746,095	1,913,001	166,906	91.3
Total Operating Expenses	<u>\$ 35,391,351</u>	<u>32,169,290</u>	<u>(3,222,062)</u>	<u>110.0</u>
Operating Income	<u>\$ 2,907,882</u>	<u>4,334,987</u>	<u>(1,427,105)</u>	<u>67.1</u>

Item Explanation of Items Percentage Received/Expended Less than 80% or Greater than 120% and \$ Variance Greater than \$15,000.

- (1) Variance due to less revenue from customer penalties than in prior year.
- (2) Variance due to less overhead line, underground line, and metering expenses than in prior year.
- (3) Variance due to more expenses in the maintenance of overhead lines/tree trimming, street lighting, and maintenance of meters than in prior year.
- (4) Variance due to timing of conservation payments in current year.
- (5) Variance due to less payroll expenses than in prior year.
- (6) Variance due to consulting expenses in current year.
- (7) Variance due to property and casualty insurance premiums higher than in prior year.

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE
For quarter ending September 30, 2021

	2021	2020	2020 - 2021	
			Increase (decrease)	%
	\$		\$	%
OPERATING REVENUES				
Sales of Water	5,325,551	4,357,365	968,187	122.2 (1)
Forfeited Discounts	3,536	3,729	(193)	94.8
Total Operating Revenues	5,329,087	4,361,094	967,993	122.2
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	456,627	467,945	(11,318)	97.6
Pumping and distribution maintenance	313,980	334,873	(20,893)	93.8
Power for pumping	226,548	214,181	12,367	105.8
Maintenance of general plant	33,811	35,417	(1,607)	95.5
Total Operation and Maintenance	1,030,965	1,052,416	21,451	98.0
Customer Accounts				
Meter Reading	53,611	53,152	459	100.9
Customer records and collection	153,899	140,934	12,965	109.2
Energy conservation	3,485	1,157	(2,328)	301.2
Total Customer Accounts	210,995	195,242	(15,753)	108.1
Administrative and General				
Administrative and general salaries	290,744	338,044	(47,300)	86.0
Office supplies and expense	42,119	39,039	3,079	107.9
Outside services employed	167,464	97,670	69,794	171.5 (2)
Insurance	41,815	32,409	9,405	129.0
Employee Benefits	537,695	495,098	42,597	108.6
Miscellaneous general	144,281	129,292	14,990	111.6
Total Administrative and General	1,224,118	1,131,553	(92,565)	108.2
Total Operating Expenses	2,466,078	2,379,211	(86,867)	103.7
Depreciation	1,187,158	1,379,429	(192,271)	86.1
Total Operating Expenses	3,653,236	3,758,640	105,404	97.2
Operating Income	\$ 1,675,851	602,454	1,073,397	278.2

Item Explanation of Items Percentage Received/Expended Less than 80% or Greater than 120% and \$ Variance Greater than \$15,000.

- (1) Variance due to 2021 being a very dry year resulting in additional consumption by customers.
- (2) Variance due to consulting expenses in current year.

2022

Holidays & Observances

January

Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February

Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

March

Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

April

Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

May

Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

June

Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

July

Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

August

Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

September

Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October

Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November

Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

December

Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

- Jan 01** New Year's Day
- Jan 17** Martin Luther King Day
- Feb 01** Chinese New Year
- Feb 12** Lincoln's Birthday
- Feb 14** Valentine's Day
- Feb 21** President's Day
- Mar 02** Ash Wednesday
- Mar 13** Daylight Saving (begin)
- Mar 17** St. Patrick's Day
- Mar 20** Vernal equinox (GMT)
- Apr 01** April Fool's Day
- Apr 03** Ramadan begins
- Apr 16** Passover
- Apr 17** Easter
- Apr 27** Admin Assistants Day
- May 08** Mother's Day
- May 30** Memorial Day
- Jun 05** Pentecost
- Jun 14** Flag Day
- Jun 19** Father's Day
- Jun 21** June Solstice (GMT)
- Jul 04** Independence Day
- Sep 05** Labor Day
- Sep 23** Autumnal equinox (GMT)
- Sep 26** Rosh Hashanah
- Oct 10** Columbus Day
- Oct 31** Halloween
- Nov 06** Daylight Saving (end)
- Nov 11** Veterans Day
- Nov 24** Thanksgiving
- Dec 18** Hanukkah begins
- Dec 21** December Solstice (GMT)
- Dec 25** Christmas Day
- Dec 26** Kwanzaa begins
- Dec 31** New Year's Eve

O = Commission Dates

2022



Shakopee Public Utilities Official Holidays

December 31, Friday	2022 New Year's Day (observed)
January 17, Monday	Martin Luther King Day
February 21, Monday	Presidents' Day
May 30, Monday	Memorial Day
July 4, Monday	Independence Day (observed)
September 5, Monday	Labor Day
November 11, Friday	Veterans Day
November 24, Thursday	Thanksgiving Day
November 25, Friday	Holiday
December 26, Monday	Christmas Day (observed)
January 2, Monday	2023 New Year's Day (observed)

The Utility is closed on the above Holidays. Two additional personal holidays are available at the employee's request subject to Department Head approval.



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

TO: Greg Drent, General Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: West End – Lower Bluff Service Area Trunk Water Main
DATE: November 10, 2021

ISSUE

The City of Shakopee intends to extend a sanitary sewer force main west from the Windermere Addition and construct a lift station near the intersection of Colburn Drive and CR 69 to serve the newly annexed areas of Jackson Township. City staff has requested the Utilities Commission consider extending a trunk water main to serve the same area with municipal water service.

BACKGROUND

The area to be crossed with the trunk water main is either not anticipated to need water service (the NorCor parcel) or not yet ready for development (the Breeggeemann parcel), however there is development interest for properties further west that have been recently annexed into the city. Previously, the Commission authorized a feasibility report for the proposed trunk water main extension to be performed by Bolton and Menk and that report is attached for review.

DISCUSSION

As noted in the report, the total estimated construction cost of the proposed 12-inch water main is \$1,195,000. The approximate split in construction cost responsibility is estimated to be \$490,080.36 of trunk water main over sizing from 8-inch to 12-inch water main and \$705,555.84 for 8-inch lateral water main costs. Staff is budgeting \$1,300,000 in the 2022 CIP Trunk Fund for this expense to cover the estimated construction costs plus engineering services.

Per Commission policy established by Resolution #815 A Resolution Authorizing and Establishing a Fee for the Equivalent Lateral Water Main Portion of a Trunk Water Main Project, a Lateral Water Main Connection Charge for an 8-inch equivalent lateral water main would have to be established and then collected as the benefitting property being crossed is developed and connected to the 12-inch water main.

Staff believes the best way to determine that cost would be to bid the project with both an 8-inch and 12-inch size pipe for definitely determining the cost difference at time of construction. Then per policy, the Commission would establish a per acre charge for the defined benefiting property, which is primarily the Breeggeemann parcel located along the south side of TH 169. The adjacent NorCor parcel would also have a Lateral Water Main Equivalent Charge determined for it, but realistically it is unlikely to ever be collected due to the topography of the parcel and the existing high voltage transmission lines crossing it make it unlikely to ever be developed. In fact, the city is pursuing a purchase of it for park purposes I believe. Determination of the Lateral Water Man Equivalent Charges would be established by a separate resolution and then be recorded on the property deeds.

Amounts collected in the future from the applicable Lateral Water Main Equivalent Connection Charge per policy would be deposited into the Trunk Fund to offset the project costs that are paid out of the Trunk Fund at time of construction. In the end, the cost equivalent of an 8-inch water main would be paid by the benefiting property being crossed at time of connection and the cost to oversize the pipe to 12-inch vs 8-inch plus any amounts not collected via the Lateral Water Main Equivalent Charge would be paid for using Trunk Water Funds that are collected from all properties when development occurs.

REQUESTED ACTION

Staff requests Utilities Commission approve the preparation of plans and specifications by Bolton and Menk under the Engineering Services agreement for the water main project and to proceed with advertising for bids in coordination with the city project on the schedule described in the report.



Real People. Real Solutions.

12224 Nicollet Avenue
Burnsville, MN 55337-1649

Ph: (952) 890-0509
Fax: (952) 890-8065
Bolton-Menk.com

MEMORANDUM

Date: November 9, 2021
To: Joe Adams, Planning & Engineering Director, Shakopee Public Utilities
From: Josh Eckstein, P.E.
Subject: West End – Lower Bluff Trunk Watermain Extension
BMI Project No.: 0C1.1125796

Background

The impetus for this memo is a request by the Shakopee Public Utilities to evaluate the feasibility of a trunk watermain extension from the Windermere development to the west side of Old Brick Yard Road (County Road 69). This facility is known as the West End – Lower Bluff Trunk Watermain.

The West End – Lower Bluff Trunk Watermain will serve future development within the Lower Bluff service area. Parcels south of Johnson Memorial Drive (Highway 169) between Chestnut Boulevard and the Windermere Development are anticipated to be developed in the near term. The City of Shakopee is currently developing plans and specifications for a municipal lift station and associated forcemain, in anticipation of development within this area. The planned municipal lift station and associated forcemain is scheduled to be constructed during the summer of 2022. A 12-inch trunk watermain was installed as part of the Windermere development in 2018 to the northwest corner of the development for future extension. It is anticipated that the property west of Old Brick Yard Road (County Road 69) will develop before the property between the Windermere development and Old Brick Yard Road. Municipal water and sewer utilities are not currently available in the West End – Lower Bluff area.

Proposed Improvements

A 12-inch trunk ductile iron pipe is proposed to be extended approximately 5,000 feet from the Windermere development to the west side of Old Brick Yard Road (County Road 69) near the intersection of Colburn Drive. This facility is intended to serve developing properties in that area. The proposed trunk watermain is designed to serve the ultimate buildout of the Lower Bluff area which is expected to occur over the next 10 to 20 years. The proposed alignment parallels the southern Highway 169 right-of-way and along the east Old Brick Yard Road right-of-way. See attached figure for alignment details. The selected alignment is parallel to the proposed City forcemain route in an effort to consolidate public utilities into a common corridor. A common corridor will also allow the use of common construction documents, inspection efforts and increase construction efficiency, all of which is anticipated to minimize cost. Common project tasks include topographic survey, gopher state one call and coordination, right-of-way and easement establishment, permits, plan and specification preparation, bidding administration, construction administration and many construction tasks.

Name: West End – Lower Bluff Trunk Watermain Design Considerations Memo
Date: November 9, 2021
Page: 2

The watermain is proposed to be installed along the property line to facilitate future lateral main connection as development occurs. The proposed profile will follow existing ground at an approximate bury depth of 7.5 feet, meeting standards for this type of facility.

An alternative alignment along the base of the bluff was discussed. However, all alternative alignments, of similar length, would cross private property (Norcor Properties and R&J Breeggemann Partnership) which will require easement acquisition. At this time easement acquisition, specifically through the Breeggemann property, is considered cost and logistically prohibitive.

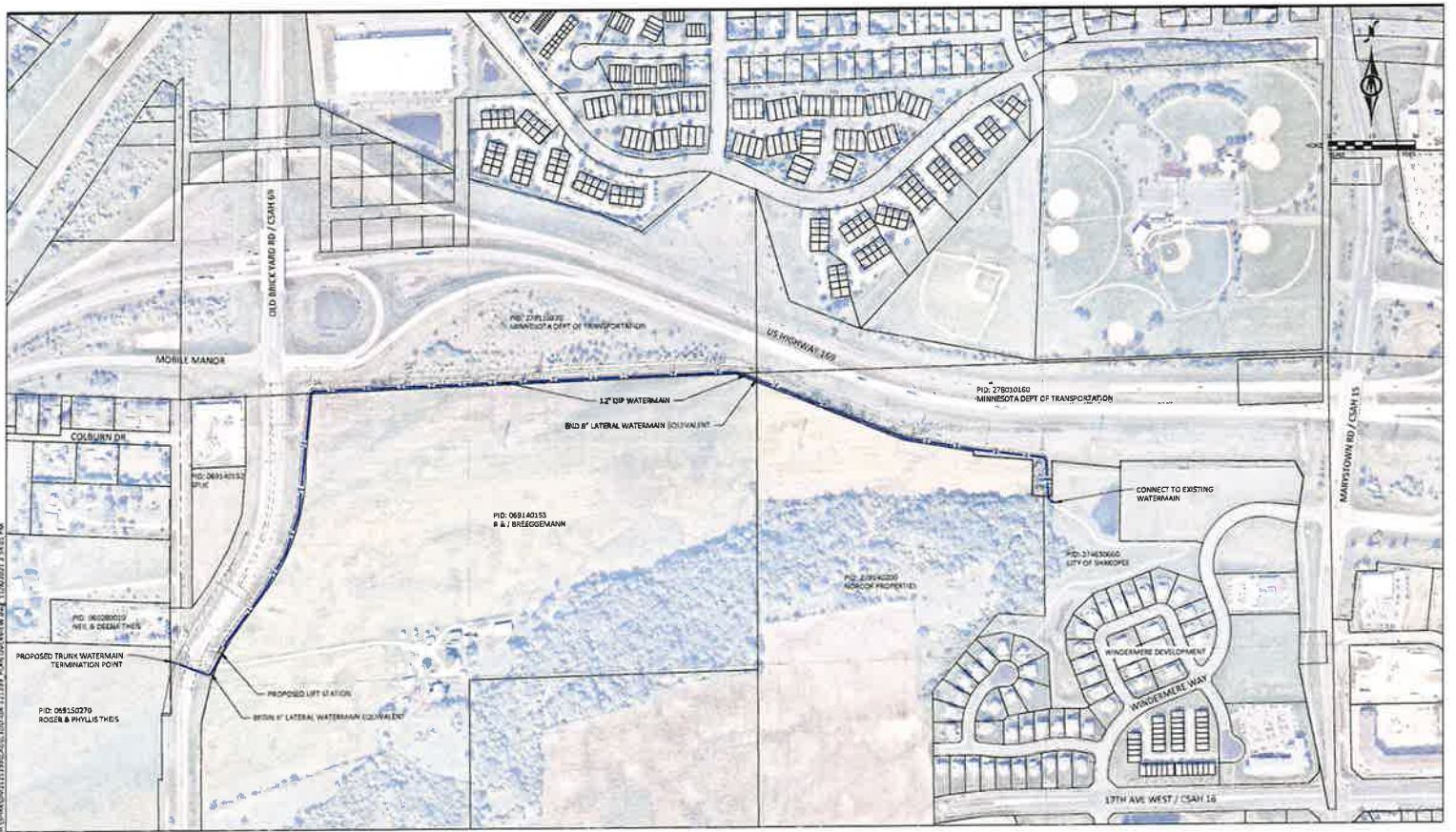
Proposed trunk watermain improvements include 12-inch diameter ductile iron pipe with isolation valves and flushing hydrants. Pipe, isolation valve and hydrant installation will follow Shakopee Public Utilities standards for spacing and location. Lateral service lines are not proposed at this time because exact connection locations are unknown. Lateral mains can be installed in the future, by the developer, without taking the trunk main out of service.

Cost Analysis

A cost estimate has been prepared for the proposed infrastructure improvements as outlined above. A detailed cost estimate is included at the end of this memo. It is anticipated that the entire project will be financed by the Shakopee Public Utilities Commission. The project is proposed to be funded with Lateral Watermain Equivalent and Trunk Funds. Costs attributed to the Lateral Watermain Equivalent funding group include costs to install an 8-inch watermain adjacent to the Breeggemann property. All other project costs have been attributed to the Trunk Fund. Various items are required by both watermain and forcemain facilities and these items have been split with the City of Shakopee. Funding splits are shown within the attached detailed cost estimate.

Recommendation

All improvements addressed within this memo are feasible from a technical standpoint. We recommend approval of a trunk watermain following the Highway 169 and Old Brick Yard Road (County Road 69) right-of-way from the Windermere Development to the west side of Old Brick Yard Road (County Road 69).



WEST END LOWER BLUFF TRUNK WATERMAIN EXTENSION

SHAKOPEE PUBLIC UTILITIES COMMISSION

BMI # 0C1.125796

DATE: 11/10/2021

ITEM NO.	MN/DOT SPEC NO.	ITEM DESCRIPTION	UNIT	TOTAL QUANTITY	UNIT COST	TOTAL COST	SHAKOPEE PUBLIC UTILITIES			
							TRUNK WATERMAIN FUND		LATERAL WATERMAIN EQUIVALENT	
							QUANTITY	AMOUNT	QUANTITY	AMOUNT
1	2021.501	MOBILIZATION	LUMP SUM	1	\$45,000.00	\$45,000.00			1	\$45,000.00
2	2101.501	CLEARING	ACRE	0.55	\$10,000.00	\$5,500.00			0.55	\$5,500.00
3	2101.501	GRUBBING	ACRE	0.55	\$10,000.00	\$5,500.00			0.55	\$5,500.00
4	2101.524	CLEARING	TREE	12	\$250.00	\$3,000.00			12	\$3,000.00
5	2101.524	GRUBBING	TREE	12	\$250.00	\$3,000.00			12	\$3,000.00
6	2104.502	SALVAGE HYDRANT	EACH	1	\$1,000.00	\$1,000.00	1	\$1,000.00		
7	2104.504	REMOVE BITUMINOUS WALK	SQ YD	15	\$5.00	\$75.00			15	\$75.00
8	2211.509	AGGREGATE BASE CLASS 5	TON	222	\$28.00	\$6,216.00			222	\$6,216.00
9	2453.602	BORING PIT	EACH	2	\$15,000.00	\$30,000.00	2	\$30,000.00		
10	2504.602	CONNECT TO EXISTING WATERMAIN	EACH	1	\$4,500.00	\$4,500.00			1	\$4,500.00
11	2504.602	INSTALL HYDRANT	EACH	5	\$5,500.00	\$27,500.00	5	\$27,500.00		
12	2504.602	6" GATE VALVE AND BOX	EACH	5	\$4,000.00	\$20,000.00	5	\$20,000.00		
13	2504.602	8" GATE VALVE AND BOX	EACH	8	\$4,750.00	\$38,000.00			8	\$38,000.00
14	2504.602	12" GATE VALVE AND BOX (OVERSIZED)	EACH	8	\$750.00	\$6,000.00	8	\$6,000.00		
15	2504.603	6" WATERMAIN DUCTILE IRON CL 52	LIN FT	45	\$60.00	\$2,700.00	45	\$2,700.00		
16	2504.603	8" WATERMAIN DUCTILE IRON CL 52	LIN FT	5,060	\$80.00	\$404,800.00			5060	\$404,800.00
17	2504.603	12" WATERMAIN DUCTILE IRON CL 52	LIN FT	61	\$125.00	\$7,625.00	61	\$7,625.00		
18	2504.603	12" WATERMAIN DUCTILE IRON CL 52 JACK & BORE (W/ STEEL CASING)	LIN FT	115	\$340.00	\$39,100.00	115	\$39,100.00		
19	2504.603	12" WATERMAIN DUCTILE IRON CL 52 (OVERSIZED)	LIN FT	5,060	\$45.00	\$227,700.00	5060	\$227,700.00		
20	2504.608	PIPE FITTINGS	POUND	983	\$12.00	\$11,796.00			983	\$11,796.00
21	2504.608	PIPE FITTINGS (OVERSIZED)	POUND	804	\$12.00	\$9,648.00	804	\$9,648.00		
22	2521.518	3" BITUMINOUS WALK	SQ YD	15	\$25.00	\$375.00			15	\$375.00
23	2563.601	TRAFFIC CONTROL	LUMP SUM	1	\$3,000.00	\$1,500.00			0.5	\$1,500.00
24	2573.502	STORM DRAIN INLET PROTECTION	EACH	7	\$180.00	\$1,260.00			7	\$1,260.00
25	2573.503	SILT FENCE, TYPE MS	LIN FT	5,376	\$3.50	\$18,816.00			5376	\$18,816.00
26	2573.503	SEDIMENT CONTROL LOG TYPE WOOD FIBER	LIN FT	1,000	\$6.00	\$6,000.00			1000	\$6,000.00
27	2573.602	STABILIZED CONSTRUCTION EXIT	EACH	1	\$1,500.00	\$1,500.00			1	\$1,500.00
28	2574.507	COMMON TOPSOIL BORROW (LV)	CU YD	200	\$37.00	\$7,400.00			200	\$7,400.00
29	2575.604	EROSION CONTROL BLANKET CAT 3N/W SEED MIX 25-131	SQ YD	2,132	\$2.50	\$5,330.00			2132	\$5,330.00
30	2575.604	HYDROMULCH TYPE BONDED FIBER MATRIX, W/ SEED MIX 25-131	SQ YD	4,972	\$2.00	\$9,944.00			4972	\$9,944.00
SUBTOTAL CONSTRUCTION						\$905,785.00		\$371,273.00		\$534,512.00
10% CONSTRUCTION CONTINGENCY						\$90,578.50		\$37,127.30		\$53,451.20
TOTAL ESTIMATED CONSTRUCTION COST:						\$996,363.50		\$408,400.30		\$587,963.20
20% SOFT COSTS:						\$199,272.70		\$81,680.06		\$117,592.64
TOTAL ESTIMATED PROJECT COST:						\$1,195,636.20		\$490,080.36		\$705,555.84

NOTE:

ASSUMED QUANTITY AT 50% SPLIT WITH CITY OF SHAKOPEE



**WATER COST OF SERVICE AND RATE
DESIGN STUDY**

Interim Report

November 15, 2021



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates

Section 1

Introduction

The City of Shakopee, MN owns a municipal utility providing service to approximately 11,700 retail water customers. The water utility is operated by Shakopee Public Utilities (SPU) and is under the direction of the Shakopee Public Utilities Commission. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for water services in Shakopee. The study includes an examination of the allocated cost of service based on 2020 utility operations (Test Year). It also includes projected operating results for 2021-2025 (Study Period). As a result of the analyses undertaken and reported on herein, water rate recommendations have been developed for implementation by SPU.

Section 2

Projected Operating Results Existing Rates

The rates charged for water service by SPU, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to SPU's retail customers. This is necessary to ensure the long-term financial health of the SPU water utility. The cost of providing utility service consists of normal operating expenses for water systems, customer and A&G functions, system depreciation expenses, capital improvements and other non-operating expenses.

An analysis of the operating results for the SPU water utility during the 2021-2025 Study Period has been performed assuming the current retail rates and charges remain in effect through the Study Period. This analysis has been done to determine the overall need, if any, for additional revenue through rates to meet projected revenue requirements. The analyses and assumptions utilized in these projections are explained below.

Estimated Revenues – Existing Rates

Operating Revenues

SPU provides water services to residential, commercial and industrial customers. Total sales to SPU retail customers for the Study Period are assumed to increase 1% per year from 2020 sales levels. However, 2021 actual sales have trended well above normal levels (particularly for irrigation sales) and 2021 estimated sales reflect that higher than normal sales.

Section 2

Exhibit 2-A is a summarized listing of SPU's historical and projected water operating results at existing rates. The historical and projected revenues from retail sales of water to different groups of customers are included as part of Sales of Water.

Other Operating Revenues

SPU also receives other miscellaneous operating revenue from other normal operating procedures. These other operating revenues include forfeited discounts and a negative adjustment for uncollectible accounts. These revenues are also included in the Operating Revenues in Exhibit 2-A.

Revenue Requirements

Operating Expenses

Operating expenses for the water utility are shown in Exhibit 2-A. Projections of operating expenses are based on budgeted amounts provided by SPU.

Depreciation

SPU has annual depreciation costs associated with water system investments. Depreciation during the Study Period is based on budgeted SPU amounts and planned capital investments. Depreciation is a funded non-cash expense that generates monies available for annual capital improvements and reserves.

Projected Operating Results – Existing Rates

Non-operating Income (Expenses)

SPU's non-operating income and expenses are primarily associated with rentals and miscellaneous revenues, investment income and interest expenses.

Payment in Lieu of Taxes (PILOT)

SPU makes an annual PILOT payment to the City's general fund. Beginning in 2022, it is assumed this payment will be in the range of 5.5%-6.0% of total defined water sales, less bad debt expense.

Capital Improvements

SPU makes annual normal capital investments in its water systems. Annual capital improvements for the Study Period, as budgeted by SPU, are shown in Table 2-1 below. The capital improvements are separated between several funds as shown.

Table 2-1
Capital Improvements- Water

Year	2021	2022	2023	2024	2025
Operating Fund	\$792,858	\$1,573,701	\$3,046,000	\$3,050,000	\$2,345,000
Admin Projects	103,889	514,453	103,750	93,750	85,750
Reconstruction Projects	2,275,000	710,000	225,000	215,000	220,000
Connection Projects	3,742,676	3,276,000	5,370,500	8,752,640	4,437,040
Trunk Projects	<u>712,780</u>	<u>3,641,853</u>	<u>395,310</u>	<u>522,400</u>	<u>499,822</u>
Total water capital	\$7,627,203	\$9,716,007	\$9,140,560	\$12,633,790	\$7,587,612

Section 2

Debt Service

SPU has no outstanding water system debt.

Projected Operating Results – Existing Rates

Based on the assumptions outlined above, the resulting projected operating results assuming continued application of the existing retail rates are summarized below in Table 2-2. A more detailed presentation of the historical and projected operating results is also shown in Exhibit 2-A.

Table 2-2
Projected Operating Results-Water
Existing Rates

Year	2021	2022	2023	2024	2025
Operating Revenues	\$6,623,242	\$5,708,776	\$5,762,479	\$5,816,720	\$5,871,503
Less Operating Expenses	(5,834,799)	(6,295,005)	(6,752,608)	(7,195,042)	(7,758,050)
Plus Non -Operating Income	455,939	455,434	\$427,003	\$247,003	\$196,073
Plus Capital Contributions	5,147,005	2,435,061	2,481,148	2,528,761	2,577,962
Less City Transfer	<u>(256,753)</u>	<u>(287,837)</u>	<u>(290,547)</u>	<u>(293,285)</u>	<u>(296,049)</u>
Change in Net Position	\$6,134,635	\$2,016,430	\$1,627,475	\$1,104,158	\$591,440
Net Position as Percent of Revenues	92.6%	35.3%	28.2%	19.0%	10.1%

Projected Operating Results – Existing Rates

Cash Reserves

SPU has 4 separate funds that track unrestricted and restricted reserves and capital expenditures. The annual activity and resulting balances for each fund are shown at the end of Exhibit 2-A and in Tables 2-3 through 2-6 below. Table 2-3 summarizes the unrestricted reserves. Tables 2-4 through 2-6 summarize the restricted funds for the Reconstruction Fund, Connection Fund and Trunk Fund. Table 2-7 shows the combined end of year balances for all funds.

As shown below, under existing retail rates and estimated revenue requirements over the Study Period, the cash reserves in certain funds (Reconstruction and Trunk) for the water utility are negative in certain years. Additionally, overall SPU reserve funds decrease from \$25.3 million in 2021 to \$900,000 in 2025. This is a reduction in reserve levels of 96%.

Table 2-3
Projected Unrestricted Cash Reserves-Water
Existing Rates

Year	2021	2022	2023	2024	2025
Beginning Balance	\$9,397,098	\$10,471,745	\$9,322,925	\$6,997,499	\$4,408,006
Plus Income before Transfers less Municipal Contributions less Reconstruction Funds	171,232	(1,121,553)	(1,553,160)	(2,130,723)	(2,709,340)
Plus Capital Contributions	132,785	132,785	132,785	132,785	132,785
Plus Meter Fees	84,500	90,985	93,715	96,526	99,422
Plus Depreciation	1,582,877	1,837,117	2,150,984	2,455,669	2,886,796
Less Capital Improvements	(792,858)	(1,573,701)	(3,046,000)	(3,050,000)	(2,345,000)
Less Admin Projects	<u>(103,889)</u>	<u>(514,453)</u>	<u>(103,750)</u>	<u>(93,750)</u>	<u>(85,750)</u>
Ending Balance	\$10,471,745	\$9,322,925	\$6,997,499	\$4,408,006	\$2,386,919
Reserves as % of Operating Revenue	158.1%	163.3%	121.4%	75.8%	40.7%

Section 2

Table 2-4
Projected Reconstruction Fund-Water
Existing Rates

Year	2021	2022	2023	2024	2025
Beginning Balance	\$1,082,420	\$(376,182)	\$(383,261)	\$101,227	\$602,346
Plus Reconstruction Fees	816,398	702,921	709,487	716,119	722,818
Less Reconstruction Projects	<u>(2,275,000)</u>	<u>(710,000)</u>	<u>(225,000)</u>	<u>(215,000)</u>	<u>(220,000)</u>
Ending Balance	\$(376,182)	\$(383,261)	\$101,227	\$602,346	\$1,105,164

Table 2-5
Projected Connection Fund-Water
Existing Rates

Year	2021	2022	2023	2024	2025
Beginning Balance	\$14,709,814	\$15,380,542	\$13,749,302	\$10,040,009	\$2,965,189
Plus Connection Fees	4,413,404	1,644,760	1,661,207	1,677,820	1,694,598
Less Connection Projects	<u>(3,742,676)</u>	<u>(3,276,000)</u>	<u>(5,370,500)</u>	<u>(8,752,640)</u>	<u>(4,437,040)</u>
Ending Balance	\$15,380,542	\$13,749,302	\$10,040,009	\$2,965,189	\$222,747

Table 2-6
Projected Trunk Fund-Water
Existing Rates

Year	2021	2022	2023	2024	2025
Beginning Balance	\$61,787	\$(134,677)	\$(3,209,999)	\$(3,011,868)	\$(2,912,638)
Plus Trunk Fees	516,316	566,531	593,441	621,630	651,157
Less Trunk Projects	<u>(712,780)</u>	<u>(3,641,853)</u>	<u>(395,310)</u>	<u>(522,400)</u>	<u>(499,822)</u>
Ending Balance	\$(134,677)	\$(3,209,999)	\$(3,011,868)	\$(2,912,638)	\$(2,761,303)

Projected Operating Results – Existing Rates

Table 2-7
Projected Total Reserve Funds-Water
Existing Rates

Year	2021	2022	2023	2024	2025
Ending Balance	\$25,341,428	\$19,478,968	\$14,126,867	\$5,062,904	\$953,527

Shakopee Public Utilities
Water Operating Results at Existing Rates

	Historical					Projected				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING REVENUES										
Sales of Water	\$ 4,553,039	\$ 5,161,591	\$ 5,568,251	\$ 4,827,271	\$ 5,578,527	\$ 6,608,932	\$ 5,690,087	\$ 5,743,791	\$ 5,798,031	\$ 5,852,814
Forfeited Discounts	20,274	23,898	38,380	42,475	3,602	42,717	47,096	47,096	47,096	47,096
Uncollectible Accounts	(5,217)	(1,288)	1,496	(8,377)	(49,853)	(28,407)	(28,407)	(28,407)	(28,407)	(28,407)
Total Operating Revenues	\$ 4,568,096	\$ 5,184,201	\$ 5,608,127	\$ 4,861,369	\$ 5,532,276	\$ 6,623,242	\$ 5,708,776	\$ 5,762,479	\$ 5,816,720	\$ 5,871,503
OPERATING EXPENSES										
Operation and Maintenance										
Pumping and Distribution Operation	\$ 429,993	\$ 446,321	\$ 474,523	\$ 522,705	\$ 612,055	\$ 533,211	\$ 580,983	\$ 598,412	\$ 616,365	\$ 634,856
Pumping and Distribution Maintenance	263,632	336,402	427,410	420,451	396,702	619,768	707,017	728,227	750,074	772,576
Power for Pumping	277,511	289,227	300,400	289,410	284,744	306,440	306,440	315,634	325,103	334,856
Maintenance of General Plant	23,596	35,362	37,283	67,721	53,307	67,988	211,029	217,359	223,880	230,597
Total O&M Expenses	994,732	1,107,312	1,239,616	1,300,287	1,346,808	1,527,407	1,805,468	1,859,632	1,915,421	1,972,884
Customer Accounts										
Meter Reading	\$ 80,201	\$ 56,367	\$ 61,848	\$ 66,830	\$ 69,539	\$ 122,152	\$ 63,981	\$ 65,901	\$ 67,878	\$ 69,914
Customer Records and Collection	114,172	125,980	129,395	130,908	166,593	264,509	190,288	195,996	201,876	207,933
Energy Conservation	2,467	1,834	-	-	1,481	10,000	10,000	10,300	10,609	10,927
Total Customer Accounts	\$ 196,840	\$ 184,181	\$ 191,243	\$ 197,738	\$ 237,613	\$ 396,661	\$ 264,269	\$ 272,197	\$ 280,363	\$ 288,774
Administrative and General										
Administrative and General Salaries	\$ 336,316	\$ 358,588	\$ 397,716	\$ 407,966	\$ 421,797	\$ 666,862	\$ 600,234	\$ 618,241	\$ 636,788	\$ 655,892
Office Supplies and Expense	55,436	61,221	47,746	61,984	45,321	96,775	116,911	120,418	124,031	127,752
Outside Services Employed	67,403	153,596	72,615	76,964	183,196	266,533	282,361	290,831	299,556	308,543
Insurance	48,586	51,236	43,097	42,335	43,182	55,712	55,712	57,383	59,105	60,878
Employee Benefits	664,200	646,967	666,999	712,944	615,013	945,904	1,034,806	1,065,851	1,097,826	1,130,761
Miscellaneous General	223,754	244,162	186,973	191,779	169,384	296,068	298,126	307,070	316,282	325,770
Total Administrative and General	\$ 1,395,695	\$ 1,515,770	\$ 1,415,146	\$ 1,493,972	\$ 1,477,893	\$ 2,327,854	\$ 2,388,150	\$ 2,459,794	\$ 2,533,588	\$ 2,609,596
Depreciation										
Depreciation	\$ 1,199,571	\$ 1,318,706	\$ 1,415,037	\$ 1,584,293	\$ 1,733,331	\$ 1,582,877	\$ 1,837,117	\$ 2,160,984	\$ 2,465,669	\$ 2,886,796
Total Depreciation	\$ 1,199,571	\$ 1,318,706	\$ 1,415,037	\$ 1,584,293	\$ 1,733,331	\$ 1,582,877	\$ 1,837,117	\$ 2,160,984	\$ 2,465,669	\$ 2,886,796
Total Operating Expenses	\$ 3,786,838	\$ 4,125,969	\$ 4,261,042	\$ 4,576,290	\$ 4,795,645	\$ 5,834,799	\$ 6,295,005	\$ 6,752,608	\$ 7,195,042	\$ 7,758,050
OPERATING INCOME	\$ 781,258	\$ 1,058,232	\$ 1,347,085	\$ 285,079	\$ 736,631	\$ 788,443	\$ (586,229)	\$ (990,129)	\$ (1,378,322)	\$ (1,886,546)
NON-OPERATING REVENUE (EXPENSE)										
Rentals and Miscellaneous	\$ 212,328	\$ 215,809	\$ 184,857	\$ 268,265	\$ 203,265	\$ 179,700	179,194	179,194	179,194	179,194
Investment Income	41,653	81,118	219,864	527,643	291,858	278,431	278,431	250,000	70,000	19,071
Interest Expense	(145)	(313)	(989)	(2,295)	(1,497)	(2,192)	(2,192)	(2,192)	(2,192)	(2,192)
Gain (Loss) on Disp of Property	(14,222)	(74,373)	5,536	(62,391)	-	-	-	-	-	-
Total Other Income (Expense)	\$ 239,614	\$ 222,241	\$ 409,268	\$ 731,222	\$ 493,626	\$ 455,939	\$ 455,434	\$ 427,003	\$ 247,003	\$ 196,073
Income before Contributions and Transfers	\$ 1,020,872	\$ 1,280,473	\$ 1,756,353	\$ 1,016,301	\$ 1,230,257	\$ 1,244,382	\$ (130,795)	\$ (563,126)	\$ (1,131,319)	\$ (1,690,473)
Capital Contributions	\$ 2,446,393	\$ 4,468,735	\$ 5,868,217	\$ 2,187,176	\$ 243,195	\$ 132,785	\$ 132,785	\$ 132,785	\$ 132,785	\$ 132,785
Trunk Water Charges				\$ 198,737	\$ 167,135	\$ 516,316	\$ 566,531	\$ 593,441	\$ 621,630	\$ 651,157
Water Connection Fees				\$ 4,446,012	\$ 2,356,978	\$ 4,413,404	\$ 1,644,760	\$ 1,661,207	\$ 1,677,820	\$ 1,694,598
Installation of Meters				\$ 90,821	\$ 81,753	\$ 84,500	\$ 90,985	\$ 93,715	\$ 96,526	\$ 99,422
Municipal Contributions	\$ (891,017)	\$ (1,001,949)	\$ (1,091,814)	\$ (999,320)	\$ (216,722)	\$ (256,753)	\$ (287,837)	\$ (290,547)	\$ (293,285)	\$ (296,049)
CHANGE IN NET POSITION	\$ 2,576,248	\$ 4,747,259	\$ 6,532,756	\$ 2,204,157	\$ 1,256,730	\$ 6,134,635	\$ 2,016,430	\$ 1,627,475	\$ 1,104,158	\$ 591,440
As Percent of Revenues	56.4%	91.6%	116.5%	45.3%	22.7%	92.6%	35.3%	28.2%	19.0%	10.1%

Shakopee Public Utilities
Water Operating Results at Existing Rates

	Historical					Projected				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
UNRESTRICTED CASH RESERVES										
Beginning of Year						\$ 9,397,098	\$ 10,471,745	\$ 9,322,925	\$ 6,997,499	\$ 4,408,006
Plus Income before Transfers less Municipal Contributions less Reconstruction Funds						171,232	(1,121,553)	(1,563,160)	(2,140,723)	(2,709,340)
Plus Capital Contributions						132,785	132,785	132,785	132,785	132,785
Plus Meter Fees						84,500	90,985	93,715	96,526	99,422
Plus Depreciation						1,582,877	1,837,117	2,160,984	2,465,669	2,886,796
Less Capital Improvements						(792,858)	(1,573,701)	(3,046,000)	(3,050,000)	(2,345,000)
Less Admin Projects						(103,889)	(514,453)	(103,750)	(93,750)	(85,750)
End of Year				\$ 9,397,098	\$ 10,471,745	\$ 9,322,925	\$ 6,997,499	\$ 4,408,006	\$ 2,386,919	
As a percent of Operating Revenue				170%	158.1%	163.3%	121.4%	75.8%	40.7%	
RECONSTRUCTION FUND RESERVES										
Beginning of Year						\$ 1,082,420	\$ (376,182)	\$ (383,261)	\$ 101,227	\$ 602,346
Plus Reconstruction Fees						816,398	702,921	709,487	716,119	722,818
Less Reconstruction Projects						(2,275,000)	(710,000)	(225,000)	(215,000)	(220,000)
End of Year				\$ 1,082,420	\$ (376,182)	\$ (383,261)	\$ 101,227	\$ 602,346	\$ 1,105,164	
CONNECTION FUND RESERVES										
Beginning of Year						\$ 14,709,814	\$ 15,380,542	\$ 13,749,302	\$ 10,040,009	\$ 2,965,189
Plus Connection Fees						4,413,404	1,644,760	1,661,207	1,677,820	1,694,598
Less Connection Projects						(3,742,676)	(3,276,000)	(5,370,500)	(8,752,640)	(4,437,040)
End of Year				\$ 14,709,814	\$ 15,380,542	\$ 13,749,302	\$ 10,040,009	\$ 2,965,189	\$ 222,747	
TRUNK FUND RESERVES										
Beginning of Year						\$ 61,787	\$ (134,677)	\$ (3,209,999)	\$ (3,011,868)	\$ (2,912,638)
Plus Trunk Charges						516,316	566,531	593,441	621,630	651,157
Less Trunk Projects						(712,780)	(3,641,853)	(395,310)	(522,400)	(499,822)
End of Year				\$ 61,787	\$ (134,677)	\$ (3,209,999)	\$ (3,011,868)	\$ (2,912,638)	\$ (2,761,303)	
TOTAL EOY RESERVES				\$ 25,251,119	\$ 25,341,428	\$ 19,478,968	\$ 14,126,867	\$ 5,062,904	\$ 953,527	

Section 3

Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of SPU's customer classes within the water utility.

Customer classes exist, in part, because the cost to serve different kinds of customers varies. The cost-of-service analysis for water has been performed on a 2020 'Test Year' based on actual 2020 financials, operations and sales. The results of the cost-of-service study give an indication of the degree of revenue recovery warranted for each class of customers. A comparison of the allocated cost to serve a class of customers and the actual revenues received from that class is taken into consideration during rate design.

Functionalization of Costs

SPU's Test Year water revenue requirements have been divided into four functional categories. These categories are described below.

Plant – costs associated with SPU's source of supply, pumping and water treatment.

Distribution – distribution expenses are related to the SPU system for delivering water to SPU customers over the local pipeline system.

Customer – these costs are fixed costs associated with the service facilities utilized to deliver water directly to customers. They also include items such as meter reading, billing, collections and dealing with customers by customer service representatives.

Section 3

Revenue – revenue related costs include certain non-operating revenues and utility margin.

Table 3-1 below summarizes the functional water costs for the 2020 Test Year. The detailed cost functions are shown in Exhibit 3-A.

Table 3-1
Functional Water Costs
2020 Test Year

Component	Revenue Requirement
Plant	\$1,696,388
Distribution	2,610,075
Customer	789,118
Revenue	<u>775,764</u>
Total	<u>\$5,571,345</u>

Classification of Costs

SPU's Test Year revenue requirements have been divided into distinct cost classifications. The water cost classifications are described below.

Demand Related – demand related costs are costs required to meet the overall maximum demand on the system. Demand related costs are predominately associated with facility fixed costs.

Commodity Related – commodity costs tend to vary with the annual quantity of water produced.

Customer Related – costs related to serving, metering and billing of individual customers.

Revenue Related – revenue related costs vary by the amount of revenue received by the utility or are associated with other operating and non-operating revenues.

Exhibits 3-B through 3-D show the detailed classification of revenue requirements within the plant, distribution and customer functions.

Allocation of Costs

Based on an analysis of customer class service characteristics, the classified costs summarized above were allocated to the major SPU customer classes. Allocation of costs was performed on a fully-distributed, embedded cost allocation basis. Specific allocation factors were utilized in each of the cost classification categories as described below. Exhibit 3-E contains a summary of the development of the various allocation factors.

Demand Allocations

Customer class demands are based on each class' estimated contribution to the utility's system peak day usage.

Commodity Allocations

Each class' share of test year commodity requirements was used to allocate commodity related costs.

Customer Facilities Allocations

The customer facilities allocator was used to allocate costs associated with the physical facilities required to serve individual customers. For the customer facility allocators, a weighted customer allocation factor is developed. Weighting factors are developed to represent the difference in service configurations between customer classifications. For instance, a larger customer facility is required for a single industrial demand customer than for a single residential customer.

Section 3

Customer Service Allocations

The customer service allocator is for allocation of costs associated with customer service – meter reading, billing, collections and customer inquiries. As with the customer facilities allocators, weighted customer service allocators are developed to represent the different levels of customer service required by different size customers.

Revenue Allocations

Revenue related costs were allocated based on each class' share of total demand, commodity, customer facility and customer service costs.

Cost of Service Results

Based on the classifications and allocations described above, the estimated cost to serve each major class of customers for the 2020 Test Year was determined. Exhibit 3-F presents this analysis in detail. Table 3-2 below summarizes the total allocated costs for each class compared to the total revenues received from the class during 2020.

**Table 3-2
Water Cost of Service Results
Comparison of Cost and Revenues
2020 Test Year**

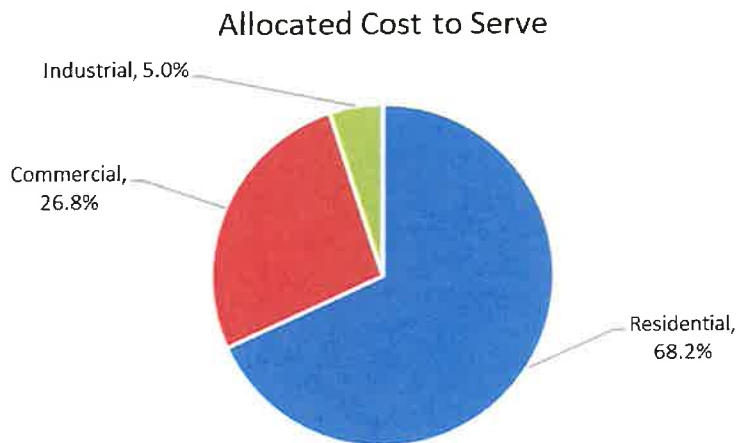
Customer Classification	Allocated Cost to Serve	Revenues
Residential	\$3,798,810	\$3,692,602
Commercial	1,491,460	1,571,945
Industrial	<u>281,074</u>	<u>306,797</u>
Total	\$5,571,345	\$5,571,345

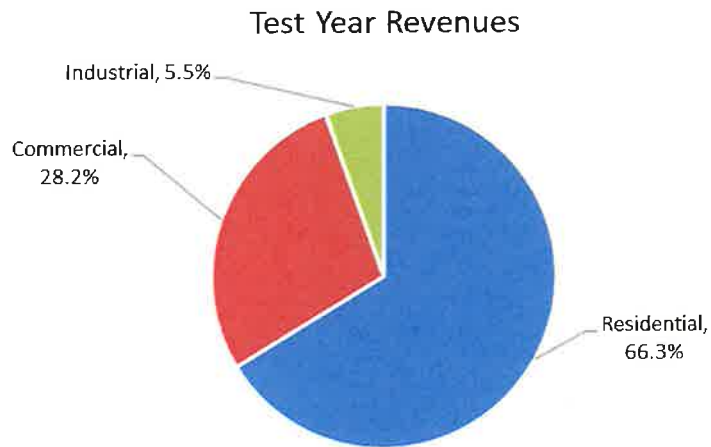
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollar basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost to serve and revenues as a percentage of the totals. The percentage increase/(decrease) in each class' revenue shown below is the adjustment necessary to produce revenues from each class in accordance with the allocated cost to serve. The percentage adjustments do not represent the recommended change in each class' rates. The cost-of-service results are one item for consideration in rate design. It is important to note also that the adjustments shown in the table below would not change the total revenue received by the utility and are not indicative of overall revenue needs of the utility going forward. Recommendations regarding rate design are included in Section 4 of this report.

Section 3

Table 3-3
Water Cost of Service Results
Comparison of % Cost and Revenues
2020 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	68.2%	66.3%	2.9%
Commercial	26.8%	28.2%	-5.1%
Industrial	<u>5.0%</u>	<u>5.5%</u>	<u>-8.4%</u>
Total	100.0%	100.0%	0.0%





As indicated above, SPU's existing class revenues do not exactly match the allocated cost to serve each class. Cost based rates are one of several goals in establishing rates. The relationship between allocated costs and revenues for each class should be considered, in addition to other rate related goals, in developing recommended rates.

**Shakopee Public Utilities
Functionalization of 2020 Test Year Water Revenue Requirements**

REVENUE REQUIREMENT	2020		Plant	Distribution	Customer	Revenue	Functionalization Basis
	Account	TEST YEAR					
OPERATING EXPENSES							
Pumping and Distribution Operation							
Pumping Labor and Expenses	624.00	\$ 106,334	\$ 106,334	\$ -	\$ -	\$ -	100% plant
Miscellaneous Pumping Expenses	626.00	17,987	17,987	-	-	-	100% plant
Chemicals	641.00	70,812	70,812	-	-	-	100% plant
Operation Labor and Expenses	642.00	27,559	13,780	13,780	-	-	plant/distribution
Transmission Distribution and Lines Expenses	662.00	135,792	-	135,792	-	-	100% distribution
Meter Expenses	663.00	1,285	-	1,285	-	-	100% distribution
Miscellaneous Expenses	664.00 & 665.00	252,285	-	252,285	-	-	100% distribution
TOTAL PUMPING AND DISTRIBUTION OPERATION		\$ 612,054	\$ 208,912	\$ 403,142	\$ -	\$ -	
Pumping and Distribution Maintenance							
Maintenance of Wells	614.00	\$ -	-	-	-	-	NA
Maintenance of Structures	631.00 & 671.00	55,053	55,053	-	-	-	100% plant
Maintenance of Pumping Equipment	633.00	105,569	105,569	-	-	-	100% plant
Maintenance of Reservoirs	672.00	886	886	-	-	-	100% plant
Maintenance of Mains	673.00	113,067	-	113,067	-	-	100% distribution
Maintenance of Valves	674.00	32,679	-	32,679	-	-	100% distribution
Maintenance of Meters	676.00	49,543	-	49,543	-	-	100% distribution
Maintenance of Hydrants	677.00	39,839	-	39,839	-	-	100% distribution
TOTAL PUMPING AND DISTRIBUTION MAINTENANCE		\$ 396,636	\$ 161,508	\$ 235,128	\$ -	\$ -	
POWER FOR PUMPING							
	623.00	\$ 284,744	\$ 284,744	\$ -	\$ -	\$ -	100% plant
General Plant Maintenance							
Maintenance of Miscellaneous Distribution Equipment	678.00	\$ 48,373	\$ 24,186	\$ 24,186	\$ -	\$ -	plant/distribution
Maintenance of General Plant	932.00	4,933	2,467	2,467	-	-	plant/distribution
TOTAL MAINTENANCE OF GENERAL PLANT		\$ 53,306	\$ 26,653	\$ 26,653	\$ -	\$ -	
METER READING EXPENSES							
	902.00	\$ 69,539	\$ -	\$ -	\$ 69,539	\$ -	100% customer
CUSTOMER RECORDS & COLLECTION							
	903.00	\$ 166,593	\$ -	\$ -	\$ 166,593	\$ -	100% customer
ENERGY CONSERVATION							
	912.00	\$ 1,481	\$ -	\$ -	\$ 1,481	\$ -	100% customer
ADMINISTRATIVE & GEN'L							
	920.00	\$ 421,797	\$ 147,629	\$ 189,808	\$ 84,359	\$ -	A&G Factor
OFFICE SUPPLIES AND EXPENSE							
	913.00 & 921.00	\$ 45,321	\$ 15,862	\$ 20,394	\$ 9,064	\$ -	A&G Factor
OUTSIDE SERVICES EMPLOYED							
	923.00	\$ 183,196	\$ 53,945	\$ 129,251	\$ -	\$ -	gross plant
PROPERTY INSURANCE							
	924.00	\$ 43,182	\$ 12,715	\$ 30,466	\$ -	\$ -	gross plant
EMPLOYEE BENEFITS							
	926.00	\$ 615,012	\$ 215,254	\$ 276,755	\$ 123,002	\$ -	A&G Factor
Miscellaneous General							
Injuries and Damages	925.00	\$ 52	\$ 18	\$ 23	\$ 10	\$ -	A&G Factor
Marketing	928.00	1,501	-	-	1,501	-	100% customer
Regulatory Commission Expense	928.00	24,608	8,613	11,073	4,922	-	A&G Factor
Miscellaneous General Expense	930.00	53,233	18,631	23,955	10,647	-	A&G Factor
Rents	931.00	90,000	31,500	40,500	18,000	-	A&G Factor
TOTAL MISCELLANEOUS GENERAL		\$ 169,393	\$ 58,762	\$ 75,552	\$ 35,079	\$ -	
DEPRECIATION							
	403.00	\$ 1,733,328	\$ 510,403	\$ 1,222,925	\$ -	\$ -	gross plant
Total Operating Expenses		\$ 4,795,581	\$ 1,696,388	\$ 2,610,075	\$ 489,118	\$ -	

Shakopee Public Utilities
Functionalization of 2020 Test Year Water Revenue Requirements

REVENUE REQUIREMENT	2020					Revenue	Functionalization Basis
	Account	TEST YEAR	Plant	Distribution	Customer		
NON-OPERATING REVENUES (EXPENSES)							
Rentals and Miscellaneous	\$	203,265	\$ -	\$ -	\$ -	\$ 203,265	100% revenue
Investment Income		291,858	-	-	-	291,858	100% revenue
Interest Expense		(1,497)	-	-	-	(1,497)	100% revenue
Gain (Loss) on Disp of Property		-	-	-	-	-	NA
TOTAL NON-OPERATING REVENUE	\$	493,626	\$ -	\$ -	\$ -	\$ 493,626	
OTHER OPERATING REVENUE							
Forfeited Discounts	\$	3,602	\$ -	\$ -	\$ -	\$ 3,602	100% revenue
Uncollectible Accounts		(49,853)	-	-	-	(49,853)	100% revenue
Hydrant Sales		12,925	-	-	-	12,925	100% revenue
TOTAL OTHER OPERATING REVENUE	\$	(93,326)	\$ -	\$ -	\$ -	\$ (93,326)	
CAPITAL CONTRIBUTIONS	\$	243,195	\$ -	\$ -	\$ -	\$ 243,195	100% revenue
TRANSFER TO CITY	\$	216,722	\$ -	\$ -	\$ -	\$ 216,722	100% revenue
Margin	\$	1,262,537	\$ -	\$ -	\$ -	\$ 1,262,537	100% revenue
TOTAL REVENUE REQUIREMENT	\$	5,571,345	\$ 1,696,388	\$ 2,610,075	\$ 489,118	\$ 775,764	

Shakopee Public Utilities
2020 Test Year Water Plant Classification

	2020		All		
	Account	TEST YEAR	Demand	Commodity	Classification Basis
REVENUE REQUIREMENT					
OPERATING EXPENSES					
Pumping and Distribution Operation					
Pumping Labor and Expenses	624.00	\$ 106,334	\$ 106,334	\$ -	100% demand
Miscellaneous Pumping Expenses	626.00	17,987	-	17,987	100% commodity
Chemicals	641.00	70,812	-	70,812	100% commodity
Operation Labor and Expenses	642.00	13,780	13,780	-	100% demand
Transmission Distribution and Lines Expenses	662.00	-	-	-	NA
Meter Expenses	663.00	-	-	-	NA
Miscellaneous Expenses	664.00 & 665.00	-	-	-	NA
TOTAL PUMPING AND DISTRIBUTION OPERATION		\$ 208,912	\$ 120,113	\$ 88,799	
Pumping and Distribution Maintenance					
Maintenance of Wells	614.00	-	-	-	NA
Maintenance of Structures	631.00 & 671.00	55,053	55,053	-	100% demand
Maintenance of Pumping Equipment	633.00	105,569	-	105,569	100% commodity
Maintenance of Reservoirs	672.00	886	886	-	100% demand
Maintenance of Mains	673.00	-	-	-	NA
Maintenance of Valves	674.00	-	-	-	NA
Maintenance of Meters	676.00	-	-	-	NA
Maintenance of Hydrants	677.00	-	-	-	NA
TOTAL PUMPING AND DISTRIBUTION MAINTENANCE		\$ 161,508	\$ 55,939	\$ 105,569	
POWER FOR PUMPING	623.00	\$ 284,744	\$ -	\$ 284,744	100% commodity
General Plant Maintenance					
Maintenance of Miscellaneous Distribution Equipment	678.00	\$ 24,186	\$ 24,186	\$ -	100% demand
Maintenance of General Plant	932.00	2,467	-	-	100% demand
TOTAL MAINTENANCE OF GENERAL PLANT		\$ 26,653	\$ 26,653	\$ -	
METER READING EXPENSES	902.00	\$ -	\$ -	\$ -	NA
CUSTOMER RECORDS & COLLECTION	903.00	\$ -	\$ -	\$ -	NA
ENERGY CONSERVATION	912.00	\$ -	\$ -	\$ -	NA
ADMINISTRATIVE & GEN'L	920.00	\$ 147,629	\$ 74,236	\$ 73,393	operating expenses (non-A&G)
OFFICE SUPPLIES AND EXPENSE	913.00 & 921.00	\$ 15,862	\$ 7,976	\$ 7,886	operating expenses (non-A&G)
OUTSIDE SERVICES EMPLOYED	923.00	\$ 53,945	\$ 53,945	\$ -	100% demand
PROPERTY INSURANCE	924.00	\$ 12,715	\$ 12,715	\$ -	100% demand
EMPLOYEE BENEFITS	926.00	\$ 215,254	\$ 215,254	\$ -	100% demand
Miscellaneous General					
Injuries and Damages	925.00	\$ 18	\$ 18	\$ -	100% demand
Marketing	929.00	-	-	-	NA
Regulatory Commission Expense	928.00	8,613	4,331	4,282	operating expenses (non-A&G)
Miscellaneous General Expense	930.00	18,631	9,369	9,262	operating expenses (non-A&G)
Rents	931.00	31,500	31,500	-	100% demand
TOTAL MISCELLANEOUS GENERAL		58,762	45,218	13,544	
DEPRECIATION	403.00	\$ 510,403	\$ 510,403	\$ -	100% demand
Total Operating Expenses		\$ 1,696,388	\$ 1,122,454	\$ 573,935	
NON-OPERATING REVENUES (EXPENSES)					

Shakopee Public Utilities
2020 Test Year Water Plant Classification

	2020		All		<u>Classification Basis</u>
	<u>Account</u>	<u>TEST YEAR</u>	<u>Demand</u>	<u>Commodity</u>	
REVENUE REQUIREMENT					
Rentals and Miscellaneous	\$	-	\$	-	NA
Investment Income		-		-	NA
Interest Expense		-		-	NA
Gain (Loss) on Disp of Property		-		-	NA
TOTAL NON-OPERATING REVENUE	\$	-	\$	-	
OTHER OPERATING REVENUE					
Forfeited Discounts	\$	-	\$	-	NA
Uncollectible Accounts		-		-	NA
Hydrant Sales		-		-	NA
TOTAL OTHER OPERATING REVENUE	\$	-	\$	-	
CAPITAL CONTRIBUTIONS	\$	-	\$	-	NA
TRANSFER TO CITY	\$	-	\$	-	NA
Margin	\$	-	\$	-	NA
TOTAL REVENUE REQUIREMENT	\$	1,696,388	\$	1,122,454	\$ 573,935

Shakopee Public Utilities
2020 Test Year Water Distribution Classification

	2020 TEST YEAR	Distribution Demand	Customer Facilities	Classification Basis
REVENUE REQUIREMENT				
OPERATING EXPENSES				
Pumping and Distribution Operation				
Pumping Labor and Expenses	624.00 \$ -	\$ -	\$ -	NA
Miscellaneous Pumping Expenses	626.00 -	-	-	NA
Chemicals	641.00 -	-	-	NA
Operation Labor and Expenses	642.00 13,780	13,780	-	100% Dist demand
Transmission Distribution and Lines Expenses	662.00 135,792	101,844	33,948	Dist/Cust split
Meter Expenses	663.00 1,285	-	1,285	100% Cust facilities
Miscellaneous Expenses	664.00 & 665.00 252,285	189,214	63,071	Dist/Cust split
TOTAL PUMPING AND DISTRIBUTION OPERATION	\$ 403,142	\$ 304,837	\$ 98,304	
Pumping and Distribution Maintenance				
Maintenance of Wells	614.00 \$ -	\$ -	\$ -	NA
Maintenance of Structures	631.00 & 671.00 -	-	-	NA
Maintenance of Pumping Equipment	633.00 -	-	-	NA
Maintenance of Reservoirs	672.00 -	-	-	NA
Maintenance of Mains	673.00 113,067	113,067	-	100% Dist demand
Maintenance of Valves	674.00 32,679	32,679	-	100% Dist demand
Maintenance of Meters	676.00 49,543	-	49,543	100% Cust facilities
Maintenance of Hydrants	677.00 39,839	-	39,839	100% Cust facilities
TOTAL PUMPING AND DISTRIBUTION MAINTENANCE	\$ 235,128	\$ 145,746	\$ 89,382	
POWER FOR PUMPING	623.00 \$ -	\$ -	\$ -	NA
General Plant Maintenance				
Maintenance of Miscellaneous Distribution Equipment	678.00 \$ 24,186	\$ 18,140	\$ 6,047	Dist/Cust split
Maintenance of General Plant	932.00 2,467	1,850	617	Dist/Cust split
TOTAL MAINTENANCE OF GENERAL PLANT	\$ 26,653	\$ 19,990	\$ 6,663	
METER READING EXPENSES	902.00 \$ -	\$ -	\$ -	NA
CUSTOMER RECORDS & COLLECTION	903.00 \$ -	\$ -	\$ -	NA
ENERGY CONSERVATION	912.00 \$ -	\$ -	\$ -	NA
ADMINISTRATIVE & GEN'L	920.00 \$ 189,808	\$ 142,356	\$ 47,452	Dist/Cust split
OFFICE SUPPLIES AND EXPENSE	913.00 & 921.00 \$ 20,394	\$ 15,296	\$ 5,099	Dist/Cust split
OUTSIDE SERVICES EMPLOYED	923.00 \$ 129,251	\$ 96,938	\$ 32,313	Dist/Cust split
PROPERTY INSURANCE	924.00 \$ 30,466	\$ 22,850	\$ 7,617	Dist/Cust split
EMPLOYEE BENEFITS	926.00 \$ 276,755	\$ 207,567	\$ 69,189	Dist/Cust split
Miscellaneous General				
Injuries and Damages	925.00 \$ 23	\$ 18	\$ 6	Dist/Cust split
Marketing	929.00 -	-	-	NA
Regulatory Commission Expense	928.00 11,073	8,305	2,768	Dist/Cust split
Miscellaneous General Expense	930.00 23,955	17,966	5,989	Dist/Cust split
Rents	931.00 40,500	30,375	10,125	Dist/Cust split
TOTAL MISCELLANEOUS GENERAL	75,552	56,664	18,888	
DEPRECIATION	403.00 \$ 1,222,925	\$ 917,194	\$ 305,731	Dist/Cust split
Total Operating Expenses	\$ 2,610,075	\$ 1,929,437	\$ 680,638	
NON-OPERATING REVENUES (EXPENSES)				
Rentals and Miscellaneous	\$ -	\$ -	\$ -	NA
Investment Income	-	-	-	NA
Interest Expense	-	-	-	NA
Gain (Loss) on Disp of Property	-	-	-	NA
TOTAL NON-OPERATING REVENUE	\$ -	\$ -	\$ -	

Shakopee Public Utilities
2020 Test Year Water Distribution Classification

REVENUE REQUIREMENT	2020 <u>TEST YEAR</u>	Distribution <u>Demand</u>	Customer <u>Facilities</u>	<u>Classification Basis</u>
OTHER OPERATING REVENUE				
Forfeited Discounts	\$ -	\$ -	\$ -	NA
Uncollectible Accounts	-	-	-	NA
Hydrant Sales	-	-	-	NA
TOTAL OTHER OPERATING REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
CAPITAL CONTRIBUTIONS	\$ -	\$ -	\$ -	NA
TRANSFER TO CITY	\$ -	\$ -	\$ -	NA
Margin	\$ -	\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT	\$ 2,610,075	\$ 1,929,437	\$ 680,638	

**Shakopee Public Utilities
2020 Test Year Water Customer Classification**

	2020			
	<u>Account</u>	<u>TEST YEAR</u>	<u>Customer</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT				
OPERATING EXPENSES				
Pumping and Distribution Operation				
Pumping Labor and Expenses	624.00	\$ -	\$ -	NA
Miscellaneous Pumping Expenses	626.00	-	-	NA
Chemicals	641.00	-	-	NA
Operation Labor and Expenses	642.00	-	-	NA
Transmission Distribution and Lines Expenses	662.00	-	-	NA
Meter Expenses	663.00	-	-	NA
Miscellaneous Expenses	664.00 & 665.00	-	-	NA
TOTAL PUMPING AND DISTRIBUTION OPERATION		-	-	
Pumping and Distribution Maintenance				
Maintenance of Wells	614.00	\$ -	\$ -	NA
Maintenance of Structures	631.00 & 671.00	-	-	NA
Maintenance of Pumping Equipment	633.00	-	-	NA
Maintenance of Reservoirs	672.00	-	-	NA
Maintenance of Mains	673.00	-	-	NA
Maintenance of Valves	674.00	-	-	NA
Maintenance of Meters	676.00	-	-	NA
Maintenance of Hydrants	677.00	-	-	NA
TOTAL PUMPING AND DISTRIBUTION MAINTENANCE		-	-	
POWER FOR PUMPING				
	623.00	\$ -	\$ -	NA
General Plant Maintenance				
Maintenance of Miscellaneous Distribution Equipment	678.00	\$ -	\$ -	NA
Maintenance of General Plant	932.00	-	-	NA
TOTAL MAINTENANCE OF GENERAL PLANT		-	-	NA
METER READING EXPENSES				
	902.00	\$ 69,539	\$ 69,539	100% Customer
CUSTOMER RECORDS & COLLECTION				
	903.00	\$ 166,593	\$ 166,593	100% Customer
ENERGY CONSERVATION				
	912.00	\$ 1,481	\$ 1,481	100% Customer
ADMINISTRATIVE & GEN'L				
	920.00	\$ 84,359	\$ 84,359	100% Customer
OFFICE SUPPLIES AND EXPENSE				
	913.00 & 921.00	\$ 9,064	\$ 9,064	100% Customer
OUTSIDE SERVICES EMPLOYED				
	923.00	\$ -	\$ -	100% Customer
PROPERTY INSURANCE				
	924.00	\$ -	\$ -	100% Customer
EMPLOYEE BENEFITS				
	926.00	\$ 123,002	\$ 123,002	100% Customer
Miscellaneous General				
Injuries and Damages	925.00	\$ 10	\$ 10	100% Customer
Marketing	928.00	1,501	1,501	100% Customer
Regulatory Commission Expense	928.00	4,922	4,922	100% Customer
Miscellaneous General Expense	930.00	10,647	10,647	100% Customer
Rents	931.00	18,000	18,000	100% Customer
TOTAL MISCELLANEOUS GENERAL		35,079	35,079	
DEPRECIATION				
	403.00	\$ -	\$ -	NA
Total Operating Expenses		\$ 489,118	\$ 489,118	
NON-OPERATING REVENUES (EXPENSES)				
Rentals and Miscellaneous		\$ -	\$ -	NA
Investment Income		-	-	NA
Interest Expense		-	-	NA
Gain (Loss) on Disp of Property		-	-	NA
TOTAL NON-OPERATING REVENUE		-	-	
OTHER OPERATING REVENUE				
Forfeited Discounts		\$ -	\$ -	NA
Uncollectible Accounts		-	-	NA
Hydrant Sales		-	-	NA
TOTAL OTHER OPERATING REVENUE		-	-	
CAPITAL CONTRIBUTIONS				
		\$ -	\$ -	NA
TRANSFER TO CITY				
		\$ -	\$ -	NA
Margin				
		\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT		\$ 489,118	\$ 489,118	

**Shakopee Public Utilities
2020 Test Year Water Allocation Factors**

	<u>Total</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
Demand Allocation Factors				
Total Peak Day - kgallons	10,103	6,711	2,854	538
Total Peak Day	100.0%	66.4%	28.3%	5.3%
Commodity Allocation Factors				
Total Commodity Sales - kgallons	1,642,817	1,045,061	487,527	110,229
Total Commodity	100.0%	63.6%	29.7%	6.7%
Customer Data				
Number of Customers	11,701	10,821	867	13
Customer Facilities Weight		1	5	65
Customer Service Weight		1	2	10
Weighted Customer Facilities	16,001	10,821	4,335	845
CF	100.0%	67.6%	27.1%	5.3%
Weighted Customer Service	12,685	10,821	1,734	130
CS	100.0%	85.3%	13.7%	1.0%
Revenue Allocator				
Sum Other Rev Reqs	4,795,581	3,269,857	1,283,787	241,937
R	100.0%	68.2%	26.8%	5.0%

Shakopee Public Utilities
2020 Test Year Allocation of Water Revenue Requirements

	<u>Total</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Allocation Factor</u>
<u>Plant</u>					
Demand	1,122,454	745,588	317,110	59,755	Total Peak Day
Commodity	573,935	365,103	170,322	38,510	Total Commodity
Total Plant	1,696,388	1,110,691	487,432	98,265	
<u>Distribution</u>					
Distribution Demand	1,929,437	1,281,626	545,095	102,716	Total Peak Day
Customer Facilities	680,638	460,295	184,399	35,944	CF
Total Distribution	2,610,075	1,741,921	729,494	138,660	
<u>Customer</u>					
Customer Service	489,118	417,245	66,861	5,013	CS
Total Customer Service	489,118	417,245	66,861	5,013	
<u>Revenue</u>					
Non-operating Revenue	(493,626)	(336,578)	(132,145)	(24,903)	R
Other Operating Revenue	33,326	22,723	8,921	1,681	R
Capital Contributions	(243,195)	(165,822)	(65,104)	(12,269)	R
Transfer to City	216,722	147,771	58,017	10,934	R
Margin	1,262,537	860,858	337,984	63,695	R
Total Revenue	775,764	528,953	207,674	39,137	
Total Revenue Requirements	5,571,345	3,798,810	1,491,460	281,074	
Total Revenues	5,571,345	3,692,602	1,571,945	306,797	
Percent Revenue Requirements	100.0%	68.2%	26.8%	5.0%	
Percent Revenues	100.0%	66.3%	28.2%	5.5%	
Percent Change	0.0%	2.9%	-5.1%	-8.4%	



ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

Interim Report

November 15, 2021



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates

Section 1

Introduction

The City of Shakopee, MN owns a municipal utility providing service to approximately 17,700 retail electric customers. The electric utility is operated by Shakopee Public Utilities (SPU) and is under the direction of the Shakopee Public Utilities Commission. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for electric service in Shakopee. The study includes an examination of the allocated cost of service based on actual 2020 utility operations (Test Year). It also includes projected operating results for 2021-2025 (Study Period). As a result of the analyses undertaken and reported on herein, electric rate recommendations have been developed for implementation by SPU.

Section 2

Projected Operating Results

Existing Rates

The rates charged for electric service by SPU, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to SPU's retail customers. This is necessary to ensure the long-term financial health of SPU. The cost of providing electric service consists of normal operating expenses such as wholesale power purchases, distribution functions, customer and administrative functions, system depreciation expenses, capital improvements, and contributions to the City of Shakopee and other non-operating expenses.

An analysis of the operating results for SPU during the 2021-2025 Study Period has been performed assuming the current retail rates and charges remain in effect for the electric utility through the Study Period. This analysis has been done to determine the overall need, if any, for additional revenue through rates to meet projected revenue requirements. The analyses and assumptions utilized in these projections are explained below.

Estimated Revenues – Existing Rates

Retail Sales

SPU sells retail power and energy to residential, commercial and industrial customers. SPU has recently been experiencing limited growth in total retail sales to its electric customers; total sales growth after 2021 has been assumed to be 1% per year through the Study Period.

Exhibit 2-A is a detailed listing of SPU's historical and projected electric operating results at existing rates. The historical and projected revenues from retail sales of

Section 2

power and energy are included at the beginning of the exhibit under Sales of Electricity within Operating Revenues.

Other Operating Revenues

SPU also receives revenue from other normal operating procedures. These revenues are shown in Exhibit 2-A as Other Operating Revenues. These include forfeited discounts, free service to the City of Shakopee (primarily related to street lights) and the conservation program revenues. The revenue associated with the free service to the City of Shakopee is tracked separately and is also included as an expense later in Exhibit 2-A. The conservation program revenues are collected through SPU's 1.5% surcharge on retail bills, these revenues directly match the energy conservation expense shown in the Customer Accounts category in Exhibit 2-A.

Utility Revenues combined with Other Operating Revenues results in SPU's Total Operating Revenues.

Revenue Requirements

Purchased Power

SPU purchases its wholesale capacity and energy requirements from the Minnesota Municipal Power Agency (MMPA). Projected wholesale power expenses are based on assumed future wholesale rate adjustments by MMPA.

SPU's wholesale power expenses also include payments made to Xcel Energy for distribution and facilities services. Payments to Xcel represent less than 0.2% of SPU's total wholesale power expense.

SPU's actual retail sales and wholesale requirements for the 2020 Test Year are shown in Table 2-1. The estimated street light energy usage shown in Table 2-1 is related to street lighting services provided to the City of Shakopee at no cost. The SPUC Service Center energy is for SPU's own use at its headquarters.

Projected Operating Results – Existing Rates

**Table 2-1
Retail Sales
And Wholesale Requirements**

Item	2020
Metered Retail Sales	433,153,521 kWh
Street Lighting	1,082,117 kWh
SPU Service Center	<u>438,720 kWh</u>
Total Sales	434,674,358 kWh
Losses	3.4 %
Wholesale Energy	449,885,399 kWh
Wholesale Peak	100,447 kW

After 2021 annual wholesale requirements are projected to increase 1% per year and annual losses are assumed to be 3.4%.

Other Operating Expenses

SPU incurs other operating expenses associated with local electric system operations. Distribution operating and maintenance expenses are related to the substations, overhead and underground lines and customer facilities located in Shakopee. SPU also has customer account and energy conservation expenses related to serving retail electric customers. Administrative and general expenses are required for utility management, employee benefits, training and other administrative costs. Non-wholesale power related expenses are based on 2020 values, the 2021 and 2022 budgets and are generally estimated to increase by 3% per year after 2022.

Section 2

Depreciation

SPU has annual depreciation costs based on its system investments. Depreciation during the Study Period is based on budgeted SPU amounts and future capital improvements. Depreciation is a funded non-cash expense that generate monies available for annual capital improvements and reserves.

Non-operating Revenue (Expenses)

SPU's non-operating revenue is primarily associated with rents and miscellaneous revenues, interdepartmental rents received from the water department and investment income.

Payment in Lieu of Taxes (PILOT)

SPU makes an annual PILOT payment to the City's general fund. Beginning in 2022, it is assumed this payment will be in the range of 5.5%-6.0% of total defined electric sales, less bad debt expense. SPU also provides free services to the City of Shakopee for street lights as described above.

Capital Improvements

SPU makes annual normal capital investments in its electric system. Annual electric capital improvements for the Study Period, as budgeted by SPU, are shown in Table 2-2 below.

Projected Operating Results – Existing Rates

Table 2-2
Capital Improvements

Capital Item	2021	2022	2023	2024	2025
Electric Capital	\$9,851,700	\$13,057,764	\$6,944,840	\$9,760,000	\$2,769,000
Relocation Projects	125,000	202,000	186,600	60,000	60,000
Admin Projects	<u>311,666</u>	<u>1,543,359</u>	<u>311,250</u>	<u>281,250</u>	<u>257,250</u>
Total Budget	\$10,288,366	\$14,803,123	\$7,442,690	\$10,101,250	\$3,086,250

Debt Service

The SPU electric utility does not currently have any outstanding debt.

Projected Operating Results – Existing Rates

Based on the assumptions outlined above, the resulting projected operating results assuming continued application of the existing retail rates are summarized in Table 2-3 for the electric utility. A detailed presentation of the operating results is shown in Exhibit 2-A.

Section 2

Table 2-3
Projected Operating Results
Existing Rates

	2021	2022	2023	2024	2025
Operating Revenues	\$50,264,041	\$51,231,340	\$52,203,112	\$53,168,566	\$54,175,487
Less Operating Expenses	(46,009,951)	(47,049,996)	(48,455,643)	(49,678,186)	(51,012,720)
Plus Non -Operating Revenue	1,063,607	1,058,938	1,069,753	1,080,893	1,092,367
Plus Capital Contributions	760,592	692,922	692,922	692,922	692,922
Less City Transfer/Free Service	<u>(2,291,130)</u>	<u>(3,023,246)</u>	<u>(3,081,953)</u>	<u>(3,140,406)</u>	<u>(3,201,325)</u>
Change in Net Position	\$3,787,159	\$2,909,957	\$2,428,191	\$2,123,789	\$1,746,731
Net Position as Percent of Revenues	7.5%	5.7%	4.7%	4.0%	3.2%

Cash Reserves

A summary of the impact of the projected operating results on SPU's cash reserves for the Study Period is shown at the end of Exhibit 2-A and in Table 2-4 below.

As shown below, under existing retail rates and estimated revenue requirements over the Study Period, the cash reserves for the electric utility are projected to decline from approximately \$44.4 million at the end of 2020 to approximately \$26.8 million by the end of 2025.

Projected Operating Results – Existing Rates

Table 2-4
Projected Cash Reserves
Existing Rates

	2021	2022	2023	2024	2025
Beginning Balance	\$44,418,158	\$40,245,077	\$31,012,594	\$29,100,770	\$24,463,699
Plus Change in Net Position	3,787,159	2,909,957	2,428,191	2,123,789	1,746,731
Plus Depreciation	2,328,126	2,660,683	3,102,675	3,340,389	3,667,723
Less Capital Improvements	(9,851,700)	(13,057,764)	(6,944,840)	(9,760,000)	(2,769,000)
Less Relocation Projects	(125,000)	(202,000)	(186,600)	(60,000)	(60,000)
Less Admin Capital Projects	<u>(311,666)</u>	<u>(1,543,359)</u>	<u>(311,250)</u>	<u>(281,250)</u>	<u>(257,250)</u>
Ending Balance	\$40,245,077	\$31,012,594	\$29,100,770	\$24,463,699	\$26,791,903
% of Operating Revenues	80%	61%	56%	46%	49%

Shakopee Public Utilities
Electric Operating Results at Existing Rates

	Historical					Projected				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING REVENUES										
Sales of Electricity										
Residential	\$ 16,889,535	\$ 16,496,838	\$ 17,891,566	\$ 17,314,820	\$ 18,032,655	\$ 19,612,717	\$ 20,278,861	\$ 20,958,675	\$ 21,652,439	\$ 22,360,434
Commercial	28,283,314	29,341,943	31,414,834	31,261,142	28,553,792	29,705,419	29,976,424	30,248,401	30,500,107	30,778,238
Uncollectible Accounts	(65,319)	(51,746)	(71,802)	(61,116)	(258,532)	(180,514)	(183,944)	(187,428)	(190,888)	(194,498)
Total Sales of Electricity	\$ 45,107,530	\$ 45,787,035	\$ 49,234,598	\$ 48,514,846	\$ 46,327,915	\$ 49,137,622	\$ 50,071,341	\$ 51,019,648	\$ 51,961,658	\$ 52,944,174
Other Operating Revenues										
Forfeited Discounts	\$ 250,448	\$ 248,556	\$ 252,538	\$ 304,445	\$ 60,835	\$ 272,625	288,535	294,000	299,428	305,090
Free Service to City of Shakopee	170,673	168,038	170,988	106,913	114,758	121,132	124,766	128,509	132,364	136,335
Conservation Program	673,450	683,413	735,365	724,610	694,780	732,662	746,699	760,955	775,117	789,888
Total Other Operating Revenues	\$ 1,094,571	\$ 1,100,007	\$ 1,158,891	\$ 1,135,968	\$ 870,373	\$ 1,126,419	\$ 1,160,000	\$ 1,183,464	\$ 1,206,909	\$ 1,231,312
Total Operating Revenues	\$ 46,202,101	\$ 46,887,042	\$ 50,393,489	\$ 49,650,814	\$ 47,198,288	\$ 50,264,041	\$ 51,231,340	\$ 52,203,112	\$ 53,168,566	\$ 54,175,487
OPERATING EXPENSES										
Operation and Maintenance										
Purchased Power	\$ 32,282,815	\$ 33,180,393	\$ 35,555,031	\$ 34,198,101	\$ 32,729,485	\$ 35,556,338	\$ 36,270,218	\$ 36,998,444	\$ 37,741,304	\$ 38,499,093
Distribution Operation	422,905	390,396	417,658	450,753	553,702	583,226	620,804	639,428	658,611	678,369
Distribution Maintenance	562,336	627,840	942,149	650,200	653,225	897,330	922,870	950,556	979,073	1,008,445
Maintenance of General Plant	358,419	283,974	258,740	308,832	274,843	374,900	304,132	313,255	322,653	332,333
Total O&M Expenses	\$ 33,626,475	\$ 34,482,603	\$ 37,173,578	\$ 35,607,886	\$ 34,211,255	\$ 37,411,794	\$ 38,118,024	\$ 38,901,684	\$ 39,701,641	\$ 40,518,240
Customer Accounts										
Meter Reading	\$ 105,518	\$ 101,514	\$ 115,910	\$ 127,806	\$ 127,450	\$ 197,056	\$ 123,353	\$ 127,054	\$ 130,866	\$ 134,792
Customer Records and Collection	431,706	467,356	467,845	523,715	575,336	881,901	621,712	640,363	659,574	679,361
Energy Conservation	673,449	683,414	735,365	724,610	693,297	732,662	746,699	760,955	775,117	789,888
Total Customer Accounts	\$ 1,210,673	\$ 1,252,284	\$ 1,319,120	\$ 1,376,131	\$ 1,396,083	\$ 1,811,619	\$ 1,491,764	\$ 1,528,372	\$ 1,565,556	\$ 1,604,040
Administrative and General										
Administrative and General Salaries	\$ 525,695	\$ 564,340	\$ 610,512	\$ 666,835	\$ 644,190	\$ 983,013	\$ 1,064,144	\$ 1,096,068	\$ 1,128,951	\$ 1,162,819
Office Supplies and Expense	121,308	132,103	139,740	173,835	136,544	238,080	355,970	366,650	377,649	388,979
Outside Services Employed	104,798	281,500	186,004	133,237	428,140	495,878	493,009	507,800	523,034	538,725
Property Insurance	145,757	153,709	129,290	127,006	129,545	175,494	184,269	189,797	195,491	201,355
Employee Benefits	1,801,118	1,833,540	1,830,931	1,953,383	1,773,389	2,060,735	2,162,754	2,227,636	2,294,465	2,363,299
Miscellaneous General	387,887	373,069	308,256	367,537	291,414	505,212	519,380	534,961	551,010	567,540
Total Administrative and General	\$ 3,086,563	\$ 3,338,261	\$ 3,204,733	\$ 3,421,833	\$ 3,403,222	\$ 4,458,412	\$ 4,779,526	\$ 4,922,912	\$ 5,070,599	\$ 5,222,717
Total Operation, Customer and Administrative	\$ 37,923,711	\$ 39,073,148	\$ 41,697,431	\$ 40,405,850	\$ 39,010,560	\$ 43,681,825	\$ 44,389,314	\$ 45,352,968	\$ 46,337,797	\$ 47,344,997
Depreciation										
Depreciation of Capital Assets	\$ 1,841,744	\$ 2,055,840	\$ 2,237,527	\$ 2,326,070	\$ 2,420,110	\$ 2,328,126	\$ 2,660,683	\$ 3,102,675	\$ 3,340,389	\$ 3,667,723
Total Depreciation	\$ 1,841,744	\$ 2,055,840	\$ 2,237,527	\$ 2,326,070	\$ 2,420,110	\$ 2,328,126	\$ 2,660,683	\$ 3,102,675	\$ 3,340,389	\$ 3,667,723
Total Operating Expenses	\$ 39,765,455	\$ 41,128,988	\$ 43,934,958	\$ 42,731,920	\$ 41,430,670	\$ 46,009,951	\$ 47,049,996	\$ 48,455,643	\$ 49,678,186	\$ 51,012,720
OPERATING INCOME	\$ 6,436,646	\$ 5,758,054	\$ 6,458,531	\$ 6,918,894	\$ 5,767,618	\$ 4,254,090	\$ 4,181,344	\$ 3,747,469	\$ 3,490,380	\$ 3,162,767

**Shakopee Public Utilities
Electric Operating Results at Existing Rates**

	Historical					Projected				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
NON-OPERATING REVENUE (EXPENSE)										
Rentals and Miscellaneous	\$ 317,749	\$ 435,087	\$ 430,798	\$ 259,598	\$ 77,161	\$ 365,177	\$ 360,508	\$ 371,323	\$ 382,463	\$ 393,937
Interdepartmental Rent from Water	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Investment Income	164,029	215,222	449,019	980,761	595,308	673,387	673,387	673,387	673,387	673,387
Interest Expense	(358,055)	(348,580)	(65,609)	(64,280)	(34,926)	(64,957)	(64,957)	(64,957)	(64,957)	(64,957)
Amort of Bonds/Loss on Refunding	(17,802)	(17,802)	(216,694)	-	-	-	-	-	-	-
Gain (Loss) on Disp of Property	4,886	6,694	59,601	138,545	9,074	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	\$ 200,807	\$ 380,621	\$ 747,115	\$ 1,404,624	\$ 736,617	\$ 1,063,607	\$ 1,058,938	\$ 1,069,753	\$ 1,080,893	\$ 1,092,367
Income before Contributions and Transfers	\$ 6,637,453	\$ 6,138,675	\$ 7,205,646	\$ 8,323,518	\$ 6,504,235	\$ 5,317,697	\$ 5,240,282	\$ 4,817,222	\$ 4,571,273	\$ 4,255,133
Capital Contributions	\$ 430,031	\$ 1,158,713	\$ 730,662	\$ 759,222	\$ 527,653	\$ 760,592	\$ 692,922	\$ 692,922	\$ 692,922	\$ 692,922
Free Service to City of Shakopee	\$ (170,673)	\$ (168,038)	\$ (170,988)	\$ (106,913)	\$ (114,758)	\$ (121,132)	\$ (124,766)	\$ (128,509)	\$ (132,364)	\$ (136,335)
Transfers to Municipality (PILOT)	\$ (1,216,774)	\$ (1,243,282)	\$ (1,338,234)	\$ (1,317,892)	\$ (2,053,124)	\$ (2,169,998)	\$ (2,898,480)	\$ (2,953,444)	\$ (3,008,042)	\$ (3,064,989)
CHANGE IN NET POSITION	\$ 5,680,037	\$ 5,886,068	\$ 6,427,086	\$ 7,657,935	\$ 4,864,006	\$ 3,787,159	\$ 2,909,957	\$ 2,428,191	\$ 2,123,789	\$ 1,746,731
As Percent of Revenues	12.3%	12.6%	12.8%	15.4%	10.3%	7.5%	5.7%	4.7%	4.0%	3.2%
CASH RESERVES										
Beginning of Year						\$ 44,418,158	\$ 40,245,077	\$ 31,012,594	\$ 29,100,770	\$ 24,463,699
Plus Change in Net Position						3,787,159	2,909,957	2,428,191	2,123,789	1,746,731
Plus Depreciation						2,328,126	2,660,683	3,102,675	3,340,389	3,667,723
Less Capital Improvements						(9,851,700)	(13,057,764)	(6,944,840)	(9,760,000)	(2,769,000)
Less Relocation Projects						(125,000)	(202,000)	(186,600)	(60,000)	(60,000)
Less Admin Capital Projects						(311,666)	(1,543,359)	(311,250)	(281,250)	(257,250)
End of Year					\$ 44,418,158	\$ 40,245,077	\$ 31,012,594	\$ 29,100,770	\$ 24,463,699	\$ 26,791,903
As Percent of Revenues					94%	80%	61%	56%	46%	49%

Section 3

Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of SPU's customer classes within the electric utility. Customer classes exist, in part, because the cost to serve various kinds of customers varies. The cost-of-service analysis has been performed on a 2020 'Test Year' based on actual 2020 financials, operations and sales. The results of the cost-of-service study give an indication of the degree of revenue recovery warranted for each class of customers. A comparison of the allocated cost to serve a class of customers and the actual revenues received from that class is taken into consideration during rate design.

Functionalization of Costs

SPU's Test Year electric revenue requirements have been divided into four functional categories. These categories are described below.

Power Supply – the power supply function is related to the cost of SPU purchases of wholesale power through MMPA and substation costs paid to Xcel Energy.

Distribution – the distribution expenses are related to the SPU system for delivering power and energy to SPU customers. They include substation and distribution system costs. It also includes the fixed costs associated with the service facilities utilized to deliver electric power and energy directly to customers.

Customer – these include items such as meter reading, billing, collections and dealing with customers by customer service representatives.

Section 3

Revenue – revenue related costs include certain non-operating revenues and utility margin.

Table 3-1 below summarizes the functional electric costs for the 2020 Test Year. The detailed cost functions are shown in Exhibit 3-A.

Table 3-1
Functional Electric Costs
2020 Test Year

Component	Revenue Requirement
Power Supply	\$32,729,485
Distribution	6,463,833
Customer	1,543,896
Revenue	<u>5,613,157</u>
Total	<u>\$46,350,371</u>

Classification of Costs

Within each function, the revenue requirements have been divided into distinct cost classifications. These cost classifications are described below.

Demand Related – demand related costs are fixed costs that do not vary with hourly consumption. Demand related costs are required to meet the overall demand of the system as expressed in kW.

Energy Related – energy related costs vary based on hourly consumption in kWh.

Customer Related – costs related to serving, metering and billing of individual customers.

Revenue Related – revenue related costs vary by the amount of revenue received by the utility.

Exhibits 3-B through 3-D show the detailed classification of revenue requirements within the power supply, distribution and customer functions.

Allocation of Costs

Based on an analysis of customer class service characteristics, the classified costs summarized above were allocated to the major SPU customer classes. Allocation of costs was performed on a fully-distributed, embedded cost allocation basis. Specific allocation factors were utilized in each of the cost classification categories as described below. Exhibit 3-E contains a summary of the development of the various allocation factors.

Demand Allocations

Customer class demands on a system can be reflected in various ways. Two primary demand allocation types were utilized in this analysis. Coincident peaks ('CP') represent a class' share of the overall system peak. A 12 CP method, reflecting each class' estimated contribution to each month's system peak, was employed for allocating the power supply demand portion of the wholesale purchased power expense. Non-coincident peaks reflect a class maximum demand regardless of when it occurs. The non-coincident peak is an indication of the amount of fixed local system required to serve individual groups of customers. A 1 NCP method, an estimate of each class' maximum annual demand on the system, was utilized for allocating local system demand related costs.

Section 3

Energy Allocations

Each class' share of energy requirements was used to allocate energy related costs. The predominant energy related costs are the energy portions of the purchased power expenses. These costs were allocated based on each classes' estimated share of wholesale energy purchases.

Customer Allocations

Three separate customer allocators were utilized. The customer facilities allocator was used to allocate costs associated with the physical facilities required to serve individual customers such as service transformers, service drops and meters. The customer service allocator is for allocation of costs associated with customer service – meter reading, billing, collections and customer inquiries. For both the customer facilities and customer service allocators, a weighted customer allocation factor is developed. Weighting factors are developed to represent the difference in service configurations between customer classifications. For instance, a larger customer facility is required for a single large power customer than for a single residential customer, or a single large power customer requires more customer service than a single residential customer. Street lighting costs were allocated based on unweighted number of customers.

Revenue Allocations

Revenue related costs were allocated based on each class' share of total demand, energy, customer facility and customer service costs.

Cost of Service Results

Based on the classifications and allocations described above, the estimated cost to serve each major class of customers for the 2020 Test Year was determined. Exhibit 3-F presents this analysis in detail. Table 3-2 below summarizes the total

Cost-of-Service

allocated electric costs for each class compared to the total electric revenues received from the class during 2020.

Table 3-2
Electric Cost of Service Results
Comparison of Cost and Revenues
2020 Test Year

Customer Classification	Allocated Cost to Serve	Revenues
Residential	\$17,427,344	\$18,010,024
Commercial	1,535,406	1,682,345
Industrial	<u>27,387,621</u>	<u>26,658,002</u>
Total	\$46,350,371	\$46,350,371

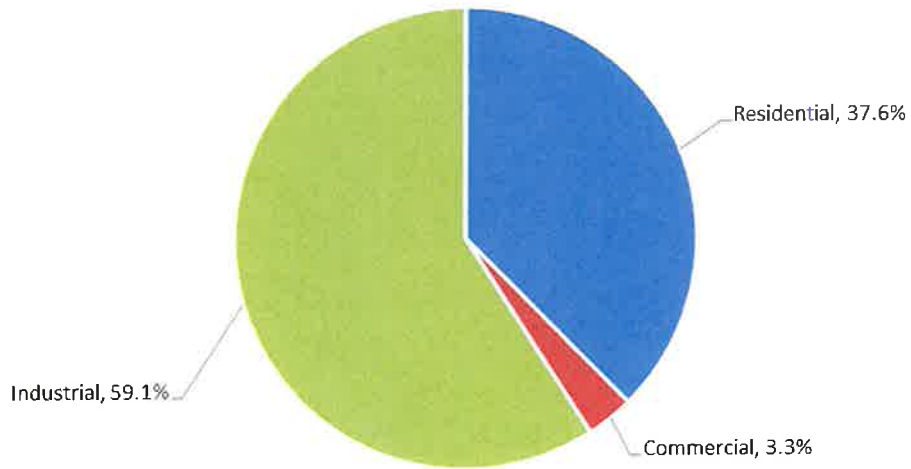
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollars basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost to serve and revenues as a percentage of the totals. The percentage increase/(decrease) in each class' revenue shown below is the adjustment necessary to produce revenues from each class in accordance with the allocated cost to serve. The percentage adjustments do not represent the recommended change in each class' rates. The cost-of-service results are one item for consideration in rate design. It is important to note also that the adjustments shown in the table below would not change the total revenue received by the utility and are not indicative of overall revenue needs of the utility going forward. Recommendations regarding rate design are included in Section 4 of this report.

Section 3

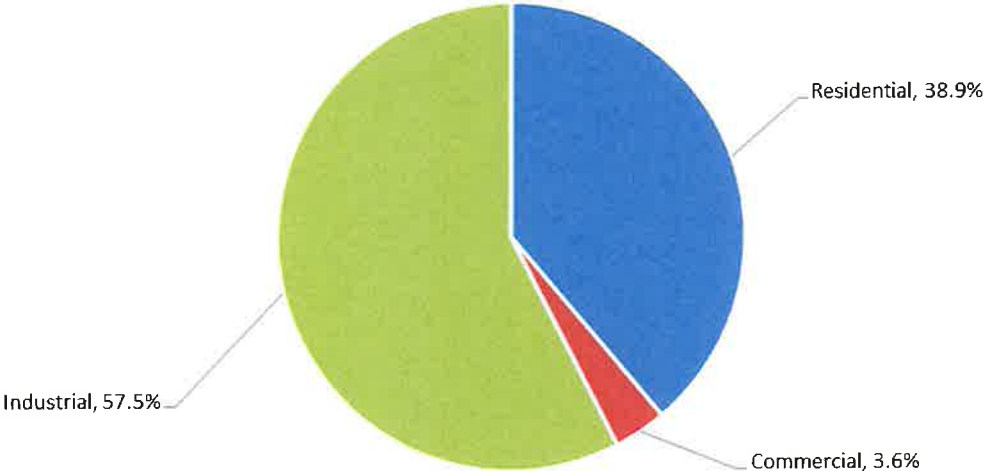
Table 3-3
Electric Cost of Service Results
Comparison of % Cost and Revenues
2020 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	37.6%	38.9%	-3.2%
Commercial	3.3%	3.6%	-8.7%
Industrial	<u>59.1%</u>	<u>57.5%</u>	<u>2.7%</u>
Total	100.0%	100.0%	0.0%

Allocated Cost to Serve



Test Year Revenues



As indicated above, SPU’s existing class revenues do not exactly match the allocated cost to serve each class. Cost based rates are one of several goals in establishing rates. The relationship between allocated costs and revenues for each class should be considered, in addition to other rate related goals, in developing recommended rates.

Shakopee Public Utilities
Functionalization of 2020 Test Year Revenue Requirements

REVENUE REQUIREMENT	2020 Test Year	Power Supply	Distribution	Customer	Revenue	Classification Basis
OPERATING EXPENSES						
Purchased Power	\$ 32,729,485	\$ 32,729,485	\$ -	\$ -	\$ -	100% power supply
Distribution Operation						
Overhead Line Expense	3,393	\$ -	\$ 3,393	\$ -	\$ -	100% Dist
Underground Line Expense	67,352	\$ -	\$ 67,352	\$ -	\$ -	100% Dist
Meter Expenses	10,358	\$ -	\$ 10,358	\$ -	\$ -	100% Dist
Miscellaneous Distribution Expense	472,151	\$ -	\$ 472,151	\$ -	\$ -	100% Dist
Total Distribution Operation	\$ 553,254	\$ -	\$ 553,254	\$ -	\$ -	
Distribution Maintenance						
Maintenance- Supervision & Engineering	62,669	\$ -	\$ 62,669	\$ -	\$ -	100% Dist
Maintenance of Station Equipment	59,793	\$ -	\$ 59,793	\$ -	\$ -	100% Dist
Maintenance of Overhead Lines	218,697	\$ -	\$ 218,697	\$ -	\$ -	100% Dist
Maintenance of Underground Lines	188,915	\$ -	\$ 188,915	\$ -	\$ -	100% Dist
Maintenance of Street Lighting	98,723	\$ -	\$ 98,723	\$ -	\$ -	100% Dist
Maintenance of Meters	24,427	\$ -	\$ 24,427	\$ -	\$ -	100% Dist
Total Distribution Maintenance	\$ 653,224	\$ -	\$ 653,224	\$ -	\$ -	
Maintenance of General Plant						
Maintenance of Misc Distribution Equipment	131,499	\$ -	\$ 131,499	\$ -	\$ -	100% Dist
Maintenance of General Plant	143,344	\$ -	\$ 143,344	\$ -	\$ -	100% Dist
Total Maintenance of General Plant	\$ 274,843	\$ -	\$ 274,843	\$ -	\$ -	
Customer Accounts						
Meter Reading Expense	127,450	\$ -	\$ -	\$ 127,450	\$ -	100% customer
Customer Records and Collection	575,336	\$ -	\$ -	\$ 575,336	\$ -	100% customer
Conservation Expenses	693,297	\$ -	\$ -	\$ 693,297	\$ -	100% customer
Total Customer Accounts	\$ 1,396,084	\$ -	\$ -	\$ 1,396,084	\$ -	
Administrative & General Salaries	\$ 644,190	\$ -	\$ 478,476	\$ 165,715	\$ -	Non PS operating expenses
Office Supplies & Expense	\$ 136,544	\$ -	\$ 101,419	\$ 35,125	\$ -	Non PS operating expenses
Outside Services Employed	\$ 428,140	\$ -	\$ 318,003	\$ 110,137	\$ -	Non PS operating expenses
Property Insurance	\$ 129,545	\$ -	\$ 129,545	\$ -	\$ -	100% Dist
Employee Benefits	\$ 1,773,388	\$ -	\$ 1,317,193	\$ 456,195	\$ -	Non PS operating expenses
Miscellaneous General						
Injuries and Damages	4,355	\$ -	\$ 3,235	\$ 1,120	\$ -	Non PS operating expenses
Marketing	6,270	\$ -	\$ 4,657	\$ 1,613	\$ -	Non PS operating expenses
Regulatory Commission Expenses	42,386	\$ -	\$ 31,483	\$ 10,904	\$ -	Non PS operating expenses
Miscellaneous General Expense	240,175	\$ -	\$ 178,391	\$ 61,784	\$ -	Non PS operating expenses
Rents	-	\$ -	\$ -	\$ -	\$ -	NA
Total Miscellaneous General	\$ 293,186	\$ -	\$ 217,765	\$ 75,421	\$ -	
Depreciation/Amortization	\$ 2,420,110	\$ -	\$ 2,420,110	\$ -	\$ -	100% Dist
TOTAL OPERATING EXPENSES	\$ 41,431,994	\$ 32,729,485	\$ 6,463,833	\$ 2,238,676	\$ -	
OTHER OPERATING REVENUES						
Uncollectible Accounts	(258,532)	\$ -	\$ -	\$ -	\$ (258,532)	100% revenue
Forfeited Discounts	60,835	\$ -	\$ -	\$ -	\$ 60,835	100% revenue
Free Service to City of Shakopee	114,758	\$ -	\$ -	\$ -	\$ 114,758	100% revenue
Conservation Program	694,780	\$ -	\$ -	\$ 694,780	\$ -	100% customer
TOTAL OTHER OPERATING REVENUES	\$ 611,841	\$ -	\$ -	\$ 694,780	\$ (82,939)	
NON-OPERATING INCOME (EXPENSES)						
Rentals and Miscellaneous	77,161	\$ -	\$ -	\$ -	\$ 77,161	100% revenue
Interdepartmental Rent from Water	90,000	\$ -	\$ -	\$ -	\$ 90,000	100% revenue
Investment Income	595,308	\$ -	\$ -	\$ -	\$ 595,308	100% revenue
Interest Expense	(34,926)	\$ -	\$ -	\$ -	\$ (34,926)	100% revenue
Amort of Bonds/Loss on Refunding	-	\$ -	\$ -	\$ -	\$ -	NA
Gain (Loss) on Disp of Property	9,074	\$ -	\$ -	\$ -	\$ 9,074	100% revenue
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ 736,617	\$ -	\$ -	\$ -	\$ 736,617	
CAPITAL CONTRIBUTIONS	\$ (527,653)	\$ -	\$ -	\$ -	\$ (527,653)	100% revenue
FREE SERVICE TO THE CITY OF SHAKOPEE	\$ 114,758	\$ -	\$ -	\$ -	\$ 114,758	100% revenue
TRANSFERS TO MUNICIPALITY	\$ 2,053,124	\$ -	\$ -	\$ -	\$ 2,053,124	100% revenue
MARGIN	\$ 4,626,606	\$ -	\$ -	\$ -	\$ 4,626,606	100% revenue
TOTAL REVENUE REQUIREMENT	\$ 46,350,371	\$ 32,729,485	\$ 6,463,833	\$ 1,543,896	\$ 5,613,157	

Shakopee Public Utilities
2020 Test Year Power Supply Classification

REVENUE REQUIREMENT OPERATING EXPENSES	2020			Classification Basis
	Test Year	Demand	Energy	
Purchased Power	\$ 32,729,485	10,020,968	22,708,517	per power supply
Distribution Operation				
Overhead Line Expense	-	-	-	NA
Underground Line Expense	-	-	-	NA
Meter Expenses	-	-	-	NA
Miscellaneous Distribution Expense	-	-	-	NA
Total Distribution Operation	\$ -	\$ -	\$ -	
Distribution Maintenance				
Maintenance- Supervision & Engineering	-	-	-	NA
Maintenance of Station Equipment	-	-	-	NA
Maintenance of Overhead Lines	-	-	-	NA
Maintenance of Underground Lines	-	-	-	NA
Maintenance of Street Lighting	-	-	-	NA
Maintenance of Meters	-	-	-	NA
Total Distribution Maintenance	\$ -	\$ -	\$ -	
Maintenance of General Plant				
Maintenance of Misc. Distribution Equipment	-	-	-	NA
Maintenance of General Plant	-	-	-	NA
Total Maintenance of General Plant	\$ -	\$ -	\$ -	
Customer Accounts				
Meter Reading Expense	-	-	-	NA
Customer Records and Collection	-	-	-	NA
Conservation Expenses	-	-	-	NA
Total Customer Accounts	\$ -	\$ -	\$ -	
Administrative & General Salaries	\$ -	\$ -	\$ -	NA
Office Supplies & Expense	\$ -	\$ -	\$ -	NA
Outside Services Employed	\$ -	\$ -	\$ -	NA
Property Insurance	\$ -	\$ -	\$ -	NA
Employee Benefits	\$ -	\$ -	\$ -	NA
Miscellaneous General				
Injuries and Damages	-	-	-	NA
Marketing	-	-	-	NA
Regulatory Commission Expenses	-	-	-	NA
Miscellaneous General Expense	-	-	-	NA
Rents	-	-	-	NA
Total Miscellaneous General	\$ -	\$ -	\$ -	
Depreciation/Amortization	\$ -	\$ -	\$ -	NA
TOTAL OPERATING EXPENSES	\$ 32,729,485	\$ 10,020,968	\$ 22,708,517	
OTHER OPERATING REVENUES				
Uncollectible Accounts	-	-	-	NA
Forfeited Discounts	-	-	-	NA
Free Service to City of Shakopee	-	-	-	NA
Conservation Program	-	-	-	NA
TOTAL OTHER OPERATING REVENUES	\$ -	\$ -	\$ -	
NON-OPERATING INCOME (EXPENSES)				
Rentals and Miscellaneous	-	-	-	NA
Interdepartmental Rent from Water	-	-	-	NA
Investment Income	-	-	-	NA
Interest Expense	-	-	-	NA
Amort of Bonds/Loss on Refunding	-	-	-	NA
Gain (Loss) on Disp of Property	-	-	-	NA
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ -	\$ -	\$ -	
CAPITAL CONTRIBUTIONS	\$ -	\$ -	\$ -	NA
FREE SERVICE TO THE CITY OF SHAKOPEE	\$ -	\$ -	\$ -	NA
TRANSFERS TO MUNICIPALITY	\$ -	\$ -	\$ -	NA
MARGIN	\$ -	\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT	\$ 32,729,485	\$ 10,020,968	\$ 22,708,517	

Shakopee Public Utilities
2020 Test Year Distribution Classification

	2020 Test Year	Distribution Demand	Customer Facilities	Street Lighting	Classification Basis
REVENUE REQUIREMENT					
OPERATING EXPENSES					
Purchased Power	\$ -	\$ -	\$ -	\$ -	NA
Distribution Operation					
Overhead Line Expense	3,393	1,697	1,697	-	Dist/Cust split
Underground Line Expense	67,352	33,676	33,676	-	Dist/Cust split
Meter Expenses	10,358	-	10,358	-	100% Cust facilities
Miscellaneous Distribution Expense	472,151	472,151	-	-	100% Dist demand
Total Distribution Operation	\$ 553,254	\$ 507,523	\$ 45,731	\$ -	
Distribution Maintenance					
Maintenance- Supervision & Engineering	62,669	62,669	-	-	100% Dist demand
Maintenance of Station Equipment	59,793	59,793	-	-	100% Dist demand
Maintenance of Overhead Lines	218,697	109,349	109,349	-	Dist/Cust split
Maintenance of Underground Lines	188,915	94,457	94,457	-	Dist/Cust split
Maintenance of Street Lighting	98,723	-	-	98,723	100% Lighting
Maintenance of Meters	24,427	-	24,427	-	100% Cust facilities
Total Distribution Maintenance	\$ 653,224	\$ 326,268	\$ 228,233	\$ 98,723	
Maintenance of General Plant					
Maintenance of Misc Distribution Equipment	131,499	107,772	21,630	2,098	total revenue requirement
Maintenance of General Plant	143,344	117,480	23,578	2,287	total revenue requirement
Total Maintenance of General Plant	\$ 274,843	\$ 225,252	\$ 45,208	\$ 4,384	
Customer Accounts					
Meter Reading Expense	-	-	-	-	NA
Customer Records and Collection	-	-	-	-	NA
Conservation Expenses	-	-	-	-	NA
Total Customer Accounts	\$ -	\$ -	\$ -	\$ -	
Administrative & General Salaries	\$ 478,476	\$ 478,476	\$ -	\$ -	100% Dist demand
Office Supplies & Expense	\$ 101,419	\$ 101,419	\$ -	\$ -	100% Dist demand
Outside Services Employed	\$ 318,003	\$ 318,003	\$ -	\$ -	100% Dist demand
Property Insurance	\$ 129,545	\$ 129,545	\$ -	\$ -	100% Dist demand
Employee Benefits	\$ 1,317,193	\$ 1,317,193	\$ -	\$ -	100% Dist demand
Miscellaneous General					
Injuries and Damages	3,235	1,617	1,617	-	Dist/Cust split
Marketing	4,657	2,328	2,328	-	Dist/Cust split
Regulatory Commission Expenses	31,483	15,741	15,741	-	Dist/Cust split
Miscellaneous General Expense	178,391	89,195	89,195	-	Dist/Cust split
Rents	-	-	-	-	NA
Total Miscellaneous General	\$ 217,765	\$ 108,883	\$ 108,883	\$ -	
Depreciation/Amortization	\$ 2,420,110	\$ 1,784,959	\$ 635,151	\$ -	Dist Elec Facilities
TOTAL OPERATING EXPENSES	\$ 6,463,833	\$ 5,297,521	\$ 1,063,204	\$ 103,107	
OTHER OPERATING REVENUES					
Uncollectible Accounts	-	-	-	-	Dist/Cust split
Forfeited Discounts	-	-	-	-	Dist/Cust split
Free Service to City of Shakopee	-	-	-	-	Dist/Cust split
Conservation Program	-	-	-	-	Dist/Cust split
TOTAL OTHER OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	
NON-OPERATING INCOME (EXPENSES)					
Rentals and Miscellaneous	-	-	-	-	Dist/Cust split
Interdepartmental Rent from Water	-	-	-	-	Dist/Cust split
Investment Income	-	-	-	-	Dist/Cust split
Interest Expense	-	-	-	-	Dist/Cust split
Amort of Bonds/Loss on Refunding	-	-	-	-	Dist/Cust split
Gain (Loss) on Disp of Property	-	-	-	-	Dist/Cust split
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ -	\$ -	\$ -	\$ -	
CAPITAL CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	100% Dist demand
FREE SERVICE TO THE CITY OF SHAKOPEE	\$ -	\$ -	\$ -	\$ -	100% Dist demand
TRANSFERS TO MUNICIPALITY	\$ -	\$ -	\$ -	\$ -	100% Dist demand
MARGIN	\$ -	\$ -	\$ -	\$ -	100% Dist demand
TOTAL REVENUE REQUIREMENT	\$ 6,463,833	\$ 5,297,521	\$ 1,063,204	\$ 103,107	

Shakopee Public Utilities
2020 Test Year Customer Classification

REVENUE REQUIREMENT	2020 Test Year	Customer	Classification Basis
OPERATING EXPENSES			
Purchased Power	\$ -	\$ -	NA
Distribution Operation			
Overhead Line Expense	-	-	NA
Underground Line Expense	-	-	NA
Meter Expenses	-	-	NA
Miscellaneous Distribution Expense	-	-	NA
Total Distribution Operation	\$ -	\$ -	
Distribution Maintenance			
Maintenance- Supervision & Engineering	-	-	NA
Maintenance of Station Equipment	-	-	NA
Maintenance of Overhead Lines	-	-	NA
Maintenance of Underground Lines	-	-	NA
Maintenance of Street Lighting	-	-	NA
Maintenance of Meters	-	-	NA
Total Distribution Maintenance	\$ -	\$ -	
Maintenance of General Plant			
Maintenance of Misc Distribution Equipment	-	-	NA
Maintenance of General Plant	-	-	NA
Total Maintenance of General Plant	\$ -	\$ -	
Customer Accounts			
Meter Reading Expense	127,450	127,450	100% Customer
Customer Records and Collection	575,336	575,336	100% Customer
Conservation Expenses	693,297	693,297	100% Customer
Total Customer Accounts	\$ 1,396,084	\$ 1,396,084	
Administrative & General Salaries	\$ 165,715	\$ 165,715	100% Customer
Office Supplies & Expense	\$ 35,125	\$ 35,125	100% Customer
Outside Services Employed	\$ 110,137	\$ 110,137	100% Customer
Property Insurance	\$ -	\$ -	NA
Employee Benefits	\$ 456,195	\$ 456,195	100% Customer
Miscellaneous General			
Injuries and Damages	1,120	1,120	100% Customer
Marketing	1,613	1,613	100% Customer
Regulatory Commission Expenses	10,904	10,904	100% Customer
Miscellaneous General Expense	61,784	61,784	100% Customer
Rents	-	-	NA
Total Miscellaneous General	\$ 75,421	\$ 75,421	
Depreciation/Amortization	\$ -	\$ -	100% Customer
TOTAL OPERATING EXPENSES	\$ 2,238,676	\$ 2,238,676	
OTHER OPERATING REVENUES			
Uncollectible Accounts	-	-	NA
Forfeited Discounts	-	-	NA
Free Service to City of Shakopee	-	-	NA
Conservation Program	694,780	694,780	100% Customer
TOTAL OTHER OPERATING REVENUES	\$ 694,780	\$ 694,780	
NON-OPERATING INCOME (EXPENSES)			
Rentals and Miscellaneous	-	-	NA
Interdepartmental Rent from Water	-	-	NA
Investment Income	-	-	NA
Interest Expense	-	-	NA
Amort of Bonds/Loss on Refunding	-	-	NA
Gain (Loss) on Disp of Property	-	-	NA
TOTAL NON-OPERATING INCOME (EXPENSES)	\$ -	\$ -	
CAPITAL CONTRIBUTIONS	\$ -	\$ -	NA
FREE SERVICE TO THE CITY OF SHAKOPEE	\$ -	\$ -	NA
TRANSFERS TO MUNICIPALITY	\$ -	\$ -	NA
MARGIN	\$ -	\$ -	NA
TOTAL REVENUE REQUIREMENT	\$ 1,543,896	\$ 1,543,896	

**Shakopee Public Utilities
2020 Test Year Allocation Factors**

	<u>Total</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
Demand Allocation Factors				
12 Coincident Peak (kW)	829,794	287,880	28,195	513,718
12 CP	100.0%	34.7%	3.4%	61.9%
1 Coincident Peak (kW)	84,711	33,353	3,178	48,180
1 CP	100.0%	39.4%	3.8%	56.9%
1 Non-coincident Peak (kW)	112,831	50,354	3,291	59,185
1 NCP	100.0%	44.6%	2.9%	52.5%
Energy Allocation Factors				
Retail Energy Req. (kWh)	433,153,521	142,955,574	13,204,372	276,993,575
RE	100.0%	33.0%	3.0%	63.9%
Wholesale Energy Req. (kWh)	466,741,238	167,059,588	13,826,568	285,855,083
WE	100.0%	35.8%	3.0%	61.2%
Customers				
Number of Customers	18,263	16,515	1,171	578
C	100.0%	90.4%	6.4%	3.2%
Customer Facilities Allocation Factor				
Weighted Number of Cust	26,349	16,515	1,171	8,664
CF	100.0%	62.7%	4.4%	32.9%
Customer Service Allocation Factor				
Weighted Number of Cust	20,866	16,515	1,464	2,888
CS	100.0%	79.1%	7.0%	13.8%
Revenue Allocator				
Sum Other Rev Reqs	\$ 40,737,214	\$ 15,316,844	\$ 1,349,464	\$ 24,070,905
R	100.0%	37.6%	3.3%	59.1%

**Shakopee Public Utilities
2020 Test Year Allocation of Revenue Requirements**

	<u>Total</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Allocation Factor</u>
<u>Power Supply</u>					
Demand	10,020,968	3,476,574	340,501	6,203,893	12 CP
Energy	22,708,517	7,494,592	692,253	14,521,672	RE
Total Power Supply	\$ 32,729,485	\$ 10,971,166	\$ 1,032,754	\$ 20,725,565	
<u>Distribution</u>					
Distribution Demand	5,297,521	2,364,176	154,525	2,778,821	1 NCP
Customer Facilities	1,063,204	666,365	47,257	349,583	CF
Street Lighting	103,107	93,234	6,612	3,261	C
Total Energy	\$ 6,463,833	\$ 3,123,775	\$ 208,393	\$ 3,131,665	
<u>Customer</u>					
Customer Service	1,543,896	1,221,904	108,317	213,675	CS
Total Customer Service	\$ 1,543,896	\$ 1,221,904	\$ 108,317	\$ 213,675	
<u>Revenue</u>					
Other Operating Revenues	\$ 82,939	31,184	2,747	49,007	R
Non-Operating Income	(736,617)	(276,962)	(24,401)	(435,254)	R
Capital Contributions	(527,653)	(198,393)	(17,479)	(311,781)	R
Free Service to City	114,758	43,148	3,801	67,808	R
Transfers to Municipality	2,053,124	771,957	68,012	1,213,155	R
Margin	4,626,606	1,739,564	153,261	2,733,780	R
Total Revenue	\$ 5,613,157	\$ 2,110,499	\$ 185,942	\$ 3,316,716	
Total Revenue Requirements	\$ 46,350,371	\$ 17,427,344	\$ 1,535,406	\$ 27,387,621	
Total Revenues	\$ 46,350,371	\$ 18,010,024	\$ 1,682,345	\$ 26,658,002	
Percent Revenue Requirements	100.0%	37.6%	3.3%	59.1%	
Percent Revenues	100.0%	38.9%	3.6%	57.5%	
Percent Change	0.0%	-3.2%	-8.7%	2.7%	



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

DATE: November 11, 2021
TO: Greg Drent, General Manager *GD*
FROM: Jean McGann, Consulting Finance Director *JM*
SUBJECT: 2022 Preliminary Budget and Cash Flows

Background

Over the past several months the Small Working Group has reviewed the preliminary budget, cash flows and capital improvement program. The Commission has also reviewed the capital improvement program. The Commission will be reviewing the draft Rate Study at this meeting. At this time, revenue projections are preliminary due to the on-going rate study.

The emphasis for the 2022 budget has been to focus on strategic planning for capital needs and to maintain the existing level of service for users.

The attached presentation provides detail of the various assumptions made for the 2022 budget, cash flows, capital improvement program as well as the wage and benefit impacts.

Request

The Commission is requested to review the Preliminary 2022 budget, cash flows and capital improvement program and provide input as to and changes.



Shakopee Public Utilities

2022 Budget and Cash Flows



November 15, 2021

Today's Agenda

- Budget Process and Timeline
- Assumptions
- 2022 Electric budget and cash flow
- 2022 Water budget and cash flow
- Comparison to prior year
- Wages and benefits



Today's Agenda

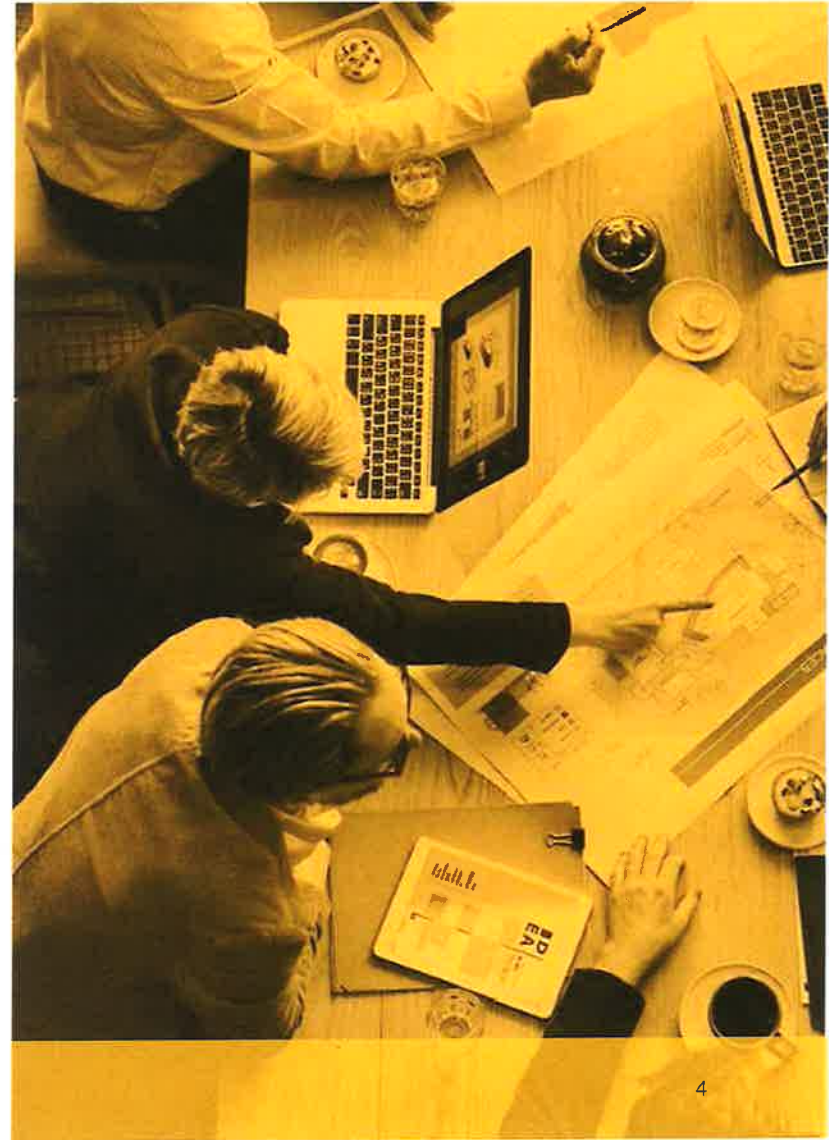
Budget process and timeline

Budget Step	Dates
Commission Review of Cash Flow and Budget	November 15, 2021
Final Budget Approved by Commission	December 6, 2021
Budget books created	December 6, 2021
Commission Adoption of Various Fee/Rate Resolutions	December 6, 2021



Budget Assumptions

- ❑ Electric and Water rate study underway – revenue is preliminary
- ❑ Water Reconstruction - \$0.42/1,000 gallon
- ❑ Trunk Water 116 Acres at \$4,884/acre
- ❑ Connection fees at 293 SAC Units/year
\$5.581/SAC Unit plus \$0.130/sq. ft.
- ❑ Industrial zero % growth
- ❑ Residential 4.5% growth assumption
- ❑ Commercial 2.5% growth assumption
- ❑ 2022 budget based on prior year actuals and 2021 forecasted as to 8/31/2021 YTD actuals



Electric Fund Highlights

Revenues

- ❑ 9.35% increase in operating revenue due to growth assumptions
- ❑ Increase in Customer penalties due to reinstatement of late fees and penalties

Expenses

- ❑ Customer Service department decrease due to 2021 incorrect assumption in budget
- ❑ Marketing and Key Accounts increased by 1.4% due to reallocation of wages/benefits
- ❑ Finance and Administration increased 2% due to increased purchased power anticipated
- ❑ Transfer to Municipality is based on 5.75% gross revenue

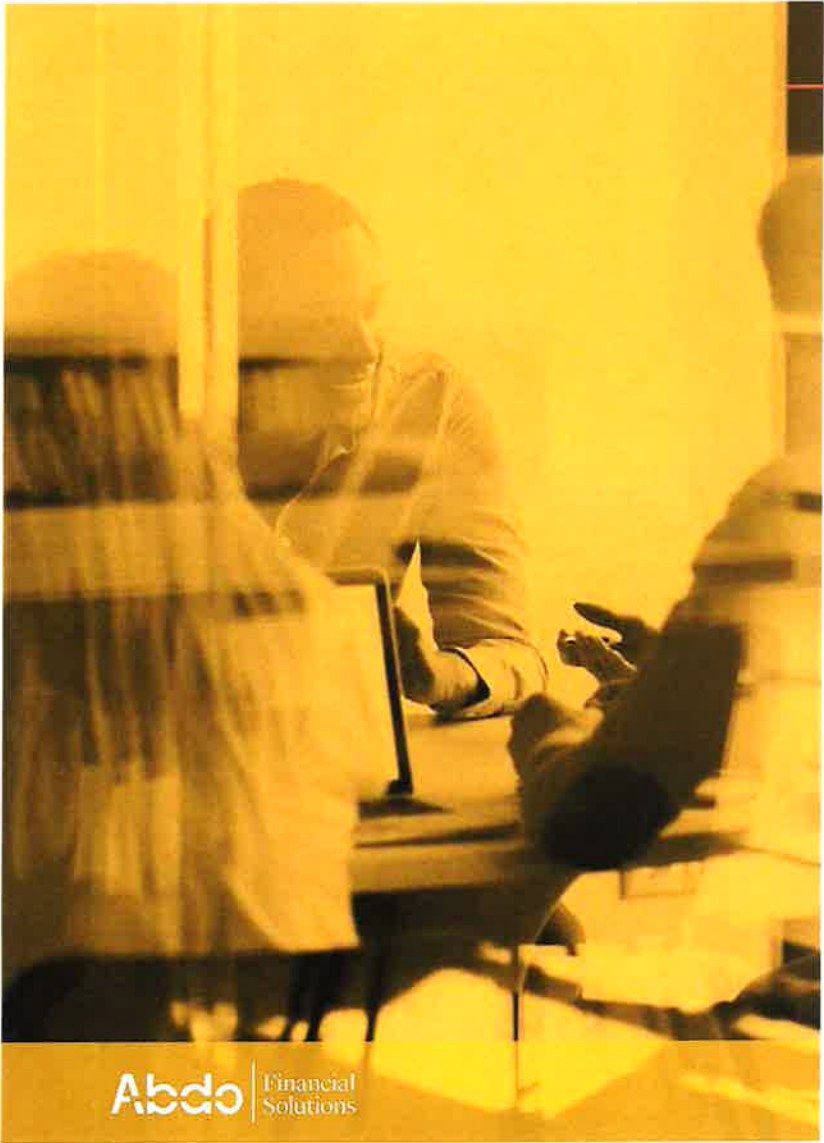


2022 Electric Fund Budget Summary

ELECTRIC	2019 ACTUALS	2020 ACTUALS	2021 AUG YTD	2021 BUDGETED	2022 PLAN	INCREASE/ (DECREASE)	PERCENT CHANGE
OPERATING REVENUE							
RESIDENTIAL SALES	\$ 17,314,821	\$ 18,032,655	\$ 12,932,321	\$ 17,827,425	\$ 20,186,972	\$ 2,359,547	13.2%
COMMERCIAL SALES	1,688,878	1,654,963	1,196,050	1,615,829	1,864,065	248,236	15.4%
INDUSTRIAL SALES	29,572,263	26,898,830	18,280,117	25,390,488	26,869,038	1,478,550	5.8%
CUSTOMER PENALTIES	243,329	(197,697)	-	92,011	288,535	196,524	213.6%
FREE SERVICE TO CITY	106,913	114,758	74,825	121,132	114,268	(6,864)	-5.7%
CONSERVATION PROGRAM	724,610	694,780	483,275	724,888	728,639	3,751	0.5%
TOTAL OPERATING REVENUE	49,650,813	47,198,288	32,966,587	45,771,773	50,051,516	4,279,743	9.35%
OPERATING EXPENSES							
ELECTRIC	1,656,772	1,651,092	1,556,681	3,141,083	3,257,771	116,688	3.6%
PLANNING AND ENGINEERING	342,006	322,644	220,489	748,063	890,191	142,128	16.0%
CUSTOMER SERVICE	703,162	780,527	677,417	1,444,805	1,067,866	(376,939)	-35.3%
MARKETING & KEY ACCOUNTS	693,347	639,678	468,172	922,613	962,532	39,919	4.1%
FINANCE AND ADMINISTRATION	36,823,104	35,416,213	26,720,793	34,196,215	37,354,387	3,158,172	8.5%
UTILITIES	187,460	199,810	119,714	427,957	613,620	185,663	30.3%
DEPRECIATION AND AMORTIZATION	2,326,070	2,420,110	1,552,084	2,328,126	2,537,657	209,531	8.26%
TOTAL OPERATING EXPENSES	42,731,920	41,430,223	31,315,350	43,208,865	46,684,024	3,475,159	7.44%
OPERATING INCOME	6,918,893	5,768,065	1,651,238	2,562,908	3,367,492	804,584	23.89%
TOTAL NON-OPERATING INCOME (EXPENSES)	1,404,626	736,614	631,500	1,063,607	808,550	(255,057)	-31.54%
TOTAL CAPITAL CONTRIBUTIONS	759,222	527,653	20,587	760,592	692,922	(67,670)	-9.77%
TOTAL TRANSFER TO MUNICIPALITY	(1,424,805)	(2,167,882)	(1,562,256)	(2,044,669)	(2,787,674)	743,005	-26.65%
NET INCOME OR CHANGE IN NET ASSETS	\$ 7,657,936	\$ 4,864,450	\$ 741,069	\$ 2,342,438	\$ 2,081,290	\$ (261,148)	-12.55%

2022 Electric Fund Cash Flow

	2020 Actual	2021 Budget	2022 Proposed	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated
Operating Activities							
Receipts from customers and users	\$ 46,946,832	\$ 45,650,599	\$ 49,937,247	\$ 51,435,364	\$ 52,978,425	\$ 54,567,778	\$ 56,204,811
Payments to suppliers	(33,338,462)	(35,307,633)	(38,828,360)	(39,993,211)	(41,193,007)	(42,428,797)	(43,701,661)
Payments to employees	(5,274,011)	(5,573,105)	(5,276,300)	(5,434,589)	(5,597,627)	(5,765,555)	(5,938,522)
Net cash flows - operating activities	\$ 8,334,359	\$ 4,769,861	\$ 5,832,587	\$ 6,007,565	\$ 6,187,792	\$ 6,373,425	\$ 6,564,628
Noncapital Financing Activities							
Payments to City of Shakopee	\$ (2,053,124)	\$ (1,959,175)	\$ (2,690,604)	\$ (2,771,322)	\$ (2,854,462)	\$ (2,940,096)	\$ (3,028,299)
Proceeds from sale of assets	837,987	-	-	-	-	-	-
Net cash flows - noncapital financing activities	\$ (1,215,137)	\$ (1,959,175)	\$ (2,690,604)	\$ (2,771,322)	\$ (2,854,462)	\$ (2,940,096)	\$ (3,028,299)
Capital and Related Financing Activities							
Interest paid on debt	\$ (34,926)	\$ (64,957)	\$ (64,957)	\$ (64,957)	\$ (64,957)	\$ (64,957)	\$ (64,957)
Acquisition of capital assets	(3,053,391)	(8,431,700)	(13,259,764)	(7,131,440)	(9,820,000)	(2,829,000)	(2,296,880)
Net cash flows - capital and related financing activities	\$ (3,088,317)	\$ (8,496,657)	\$ (13,324,721)	\$ (7,196,397)	\$ (9,884,957)	\$ (2,893,957)	\$ (2,361,837)
Investing Activities							
Proceeds (purchases) of investments	\$ (48,396)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends received	584,494	673,387	673,387	240,000	110,000	125,000	150,000
Net cash flows - investing activities	\$ 536,098	\$ 673,387	\$ 673,387	\$ 240,000	\$ 110,000	\$ 125,000	\$ 150,000
Net change in cash and cash equivalents	\$ 4,567,003	\$ (5,012,584)	\$ (9,509,351)	\$ (3,720,155)	\$ (6,441,627)	\$ 664,373	\$ 1,324,493
Beginning of year	\$ 25,763,000	\$ 30,330,003	\$ 25,317,419	\$ 15,808,068	\$ 12,087,913	\$ 5,646,286	\$ 6,310,659
End of year	\$ 30,330,003	\$ 25,317,419	\$ 15,808,068	\$ 12,087,913	\$ 5,646,286	\$ 6,310,659	\$ 7,635,151



Electric Fund CIP and Cashflows (includes 2021 carryover)

System Projects	\$1,663,500
Local Area Projects	533,000
Major System Projects	<u>11,521,264</u>
Total Operating Fund Cost	\$13,717,764
Relocation Projects	<u>202,000</u>
Total Electric Fund CIP 2022	<u>\$13,919,764</u>



Prior Year Comparison

Electric Fund

Operating revenues: 9.35% higher than 2021 budget

Operating expenses: 7.44% higher than 2021 budget

Operating income for 2022 is 3,367,492 or 23.89% higher than 2021 budget of 2,562,908

Transfer to Municipality is 26.65% higher than 2021 budget of \$2,044,669

Net income or Change in Net Assets is projected at \$2,081,290 which is 12.55% less than 2021 budget



Water Fund Highlights

Revenues

- ❑ Increase in sales due to growth projections

Expenses

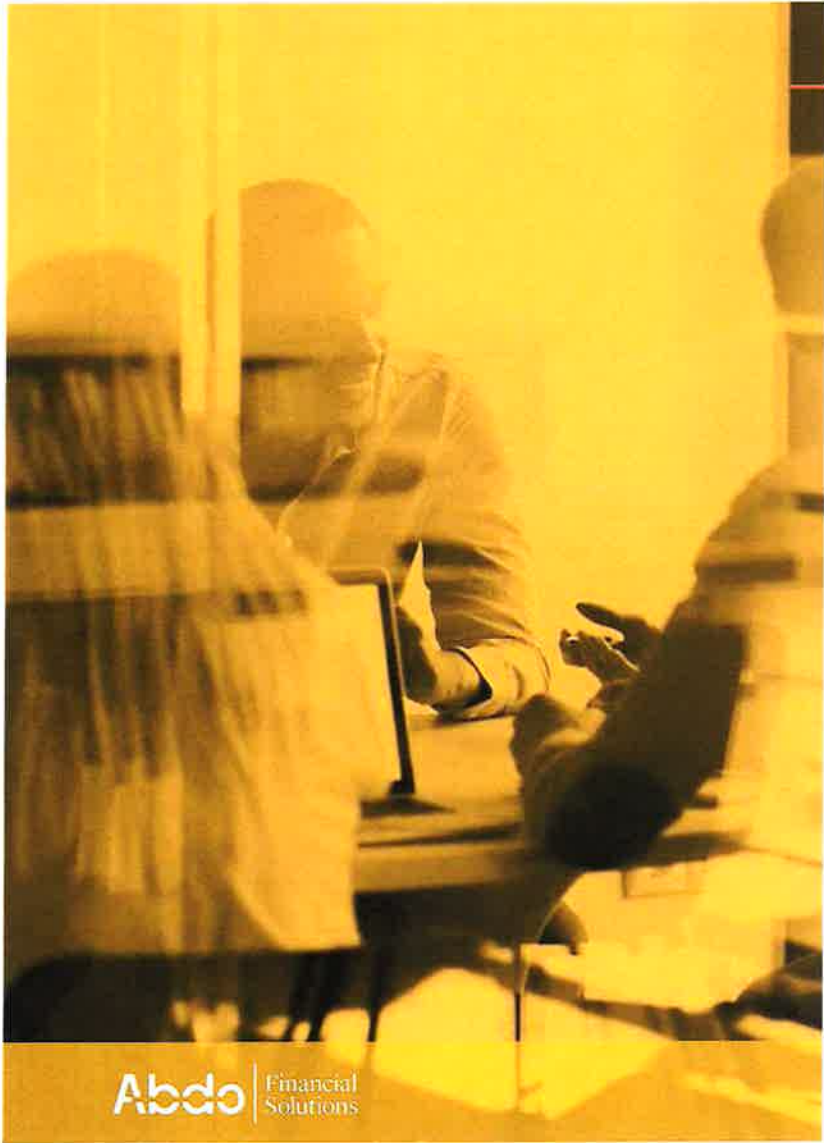
- ❑ Increase in Planning and Engineering due to staff additions
- ❑ Decrease in Customer service and increase in Marketing and Key Accounts due to wage and benefits reallocation
- ❑ Transfer to Municipality is based on 5.75% of operating revenue

2022 Water Fund Budget Summary

WATER	2019 ACTUALS	2020 ACTUALS	2021 AUG YTD	2021 BUDGETED	2022 PLAN	INCREASE/ (DECREASE)	PERCENT CHANGE
OPERATING REVENUE							
RESIDENTIAL SALES	\$ 2,844,970	\$ 3,257,458	\$ 1,746,369	\$ 2,987,828	\$ 3,163,819	\$ 175,991	5.56%
COMMERCIAL SALES	1,322,398	1,358,234	610,743	1,420,289	1,398,686	(21,603)	-1.54%
INDUSTRIAL SALES	268,467	259,951	124,029	269,657	277,862	8,205	2.95%
OTHER WATER SALES	391,437	702,884	351,479	710,227	667,650	(42,577)	-6.38%
CUSTOMER PENALTIES	34,098	(46,252)	3,730	14,310	18,689	4,379	23.43%
TOTAL OPERATING REVENUE	4,861,370	5,532,276	2,836,350	5,402,311	5,526,706	124,395	2.30%
OPERATING EXPENSES							
ELECTRIC	37,188	37,843	27,343	42,017	42,698	681	1.59%
WATER	1,256,804	1,283,174	1,068,417	1,905,451	2,198,801	293,350	13.34%
PLANNING AND ENGINEERING	125,253	114,423	78,178	234,602	318,824	84,222	26.42%
CUSTOMER SERVICE	241,602	271,391	248,825	584,304	450,103	(134,201)	-29.82%
MARKETING & KEY ACCOUNTS	10,175	25,064	26,133	26,632	25,196	(1,436)	-5.70%
FINANCE AND ADMINISTRATION	1,206,304	1,207,746	581,249	1,057,116	972,209	(84,907)	-8.73%
UTILITIES	114,674	122,666	97,441	401,802	365,305	(36,497)	-9.99%
DEPRECIATION AND AMORTIZATION	1,584,293	1,733,331	1,072,889	1,582,877	1,754,174	171,297	9.77%
TOTAL OPERATING EXPENSES	4,576,293	4,795,640	3,200,475	5,834,801	6,127,310	292,509	4.77%
OPERATING INCOME	285,077	736,636	(364,126)	(432,490)	(600,604)	(168,114)	27.99%
TOTAL NON-OPERATING INCOME (EXPENSES)	731,225	493,615	366,699	455,449	352,171	(103,277)	-29.33%
TOTAL CAPITAL CONTRIBUTIONS	6,922,746	2,849,061	1,786,369	7,323,713	7,632,547	308,834	4.05%
TOTAL TRANSFER TO MUNICIPALITY	(999,320)	(216,722)	(246,467)	(204,572)	(289,418)	(84,846)	29.32%
NET INCOME OR CHANGE IN NET ASSETS	\$ 6,939,728	\$ 3,862,590	\$ 1,542,475	\$ 7,142,099	\$ 7,094,696	\$ (47,403)	-0.67%

2022 Water Fund Cashflows

	2020 Actuals	2021 Budgeted	2022 Proposed	2023 Estimated	2024 Estimated	2025 Estimated	2026 Estimated
Operating Activities							
Receipts from customers and users	\$ 4,764,237	\$ 5,402,310	\$ 5,526,706	\$ 5,692,507	\$ 5,863,282	\$ 6,039,181	\$ 6,220,356
Payments to suppliers	(1,817,131)	(1,631,809)	(1,929,053)	(1,986,925)	(2,046,532)	(2,107,928)	(2,171,166)
Payments to employees	(2,151,555)	(2,620,114)	(2,261,261)	(2,329,099)	(2,398,972)	(2,470,941)	(2,545,069)
Net cash flows - operating activities	\$ 795,551	\$ 1,150,387	\$ 1,336,392	\$ 1,376,484	\$ 1,417,778	\$ 1,460,312	\$ 1,504,121
Noncapital Financing Activities							
Payments to City of Shakopee	\$ (188,996)	\$ (204,572)	\$ (289,418)	\$ (298,101)	\$ (307,044)	\$ (316,255)	\$ (325,743)
Proceeds from sale of assets	44,474	-	-	-	-	-	-
Net cash flows - noncapital financing activities	\$ (144,522)	\$ (204,572)	\$ (289,418)	\$ (298,101)	\$ (307,044)	\$ (316,255)	\$ (325,743)
Capital and Related Financing Activities							
Interest paid on debt	\$ (1,497)	\$ (2,192)	\$ (2,192)	\$ (2,192)	\$ (2,192)	\$ (2,192)	\$ (2,192)
Acquisition of capital assets	(2,888,576)	(6,328,389)	(9,201,554)	(9,036,810)	(12,540,040)	(7,501,862)	(8,554,300)
Contributions received for construction	65,084	132,785	132,785	132,785	132,785	132,785	132,785
Installation fees	81,753	84,500	90,985	93,715	96,526	99,422	102,404
Connection charges	2,356,978	4,413,404	1,644,760	1,661,207	1,677,820	1,694,598	1,711,544
Trunk charges	167,135	516,316	566,531	593,441	621,630	651,157	682,087
Net cash flows - capital and related financing activities	\$ (219,123)	\$ (1,183,576)	\$ (6,768,684)	\$ (6,557,854)	\$ (10,013,470)	\$ (4,926,091)	\$ (5,927,671)
Investing Activities							
Proceeds (purchases) of investments	\$ (5,066)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends received	408,586	278,431	278,431	250,000	70,000	-	-
Net cash flows - investing activities	\$ 403,520	\$ 278,431	\$ 278,431	\$ 250,000	\$ 70,000	\$ -	\$ -
Net change in cash and cash equivalents	\$ 835,426	\$ 40,670	\$ (5,443,279)	\$ (5,229,470)	\$ (8,832,736)	\$ (3,782,035)	\$ (4,749,292)
Beginning of year	\$ 22,513,476	\$ 23,348,902	\$ 23,389,572	\$ 17,946,293	\$ 12,716,823	\$ 3,884,087	\$ 102,052
End of year	\$ 23,348,902	\$ 23,389,572	\$ 17,946,293	\$ 12,716,823	\$ 3,884,087	\$ 102,052	\$ (4,647,240)



Water Fund CIP and Cashflows (includes 2021 carryover)

Operating Fund Projects	\$1,573,701
Reconstruction Fund Projects	1,710,000
Trunk Fund Projects	3,641,853
Connection fund Projects	<u>4,074,375</u>
Total Water Fund CIP 2022	<u>\$10,999,929</u>



Prior Year Comparison

Water Fund

Operating revenues: 2.30% higher than 2021 budget

Operating expenses: 4.77% higher than 2021 budget

Operating income for 2022 is \$(600,604) or 27.99% higher than 2021 budget of \$(432,490)

Transfer to Municipality is 29.32% higher than 2021 budget of \$204,572

Net income or Change in Net Assets is projected at \$7,094,696 which is -.67% less than 2021 budget

Wages and Benefits

- ❑ Health insurance rate increase capped at 7% over 2-year contract
- ❑ HSA annual SPU contribution: Single \$1,050/Family \$2,100
- ❑ Long term disability renewal increase 0% (coverage at \$25,000)
- ❑ Life insurance: 100% covered
- ❑ Deferred Comp 4% of employee salary, max of \$2,000 annual, 100% SPU (estimated SPU annual cost \$119,700)
- ❑ COLA projected at 3%
- ❑ Health ER 100% Single, 75% all others
- ❑ Dental ER 100% Single 50/50 all others
- ❑ Vacation: 10 days annually, increasing based on tenure
- ❑ Sick leave: 12 days annually



SPU Health Premium

Employee Contributions		Employer Contributions	
Rate	2022	Rate	2022
Employee	\$ -	Employee	\$ 795.73
Employee + Spouse	348.13	Employee + Spouse	1,840.13
Employee + Child(ren)	179.04	Employee + Child(ren)	13,322.86
Family	407.81	Family	2,019.17

2022 Employer Contribution: Single = 100%, Family = 75%






Questions?



PO Box 470 • 255 Sarazin Street
 Shakopee, Minnesota 55379
 Main 952.445-1988 • Fax 952.445-7767
 www.shakopeeutilities.com

DATE: November 10, 2021
 TO: SPU Commissioners
 FROM: Greg Drent, General Manager 
 Subject: PILOT Update and Proposed Framework

At the joint meeting with the City of Shakopee in May, an informal working group was formed to discuss a new PILOT (payment in lieu of taxes) or transfer agreement between the City of Shakopee and SPU. The group met several times and is close to completing a preliminary agreement. This memo provides background on the framework for agreement and seeks conceptual approval to move forward.

The current rate that SPU pays to the City is 4.4% of "gross defined sales" in both electric and water less bad debt expenses. Defined sales exclude revenues for specific purposes such as relocation underground, water reconstruction, conservation, water division pumping, penalties, and hydrant sales. Attached is a copy of Resolution #1261 that describes SPU's current payment structure to the City. The plan is to keep the same concept of percentage of gross defined sales less bad debt.

The second attachment is a copy of the American Public Power Association (APPA) report that details a survey conducted on payments and contributions made by public power utilities. The report discusses net payments and contributions by public power utilities as a percent of electric operating revenue in seven revenue classes. One hundred thirty-six public power utilities replied to the survey. The report describes a 20M to 50M revenue rate class where the median contribution to cities is 4.7 %. For 50M to 100M revenues, the median contribution to cities is 5.7 %. Half of the utility payments and contributions fall between 3.5% and 6.9% of gross electric operating revenue. SPU projected revenue for 2022 is close to 48M. Based on the study, public power utilities contributed 5.4% of electric operating revenues back to the communities they serve.

During the working group meetings, SPU stated a desire to contribute to Shakopee's economic development; development positively impacts SPU and the City. There have been discussions on adjusting rates or fees for developers on specific projects, and we don't think SPU should make those decisions. The better way is to contribute to an economic development fund and let the City make those decisions.

The City and SPU would like the Commission to consider a two-party approach. The first part would include a PILOT/transfer of 5.5 % to the City's general fund. The second part would include an additional .5 % transfer for economic development in SPU's assigned service territory. SPU would not manage the economic development dollars.

If the Commission agrees to this framework, there will be an increase in SPU expenses of 1.6 % (from the current transfer rate of 4.4%).

Action: Approve framework of PILOT/transfer and bring back agreement for approval.



RESOLUTION #1261

RESOLUTION AUTHORIZING CERTAIN PAYMENTS FROM THE SHAKOPEE PUBLIC UTILITIES COMMISSION TO THE CITY OF SHAKOPEE

WHEREAS, the Shakopee Public Utilities Commission (the "Commission") has historically contributed from its resources to the City of Shakopee (the "City") general fund, most recently through a methodology adopted in Commission Resolution 672, approved December 3, 2001, and

WHEREAS, the Commission has continued to transfer funds to the City's general fund according to Resolution 672. The Commission has determined that it is beneficial for its customers and the City to modify the method of calculating the transfer to the City's general fund to preserve adequate utility reserves and to minimize or avoid a rate increase, and

WHEREAS, the Commission wishes to achieve an equitable balance between support of the City's general fund and maintaining rates that are fair to the Commission's customers as well as adequate utility reserves and which will sustain the Commission's ability to provide reliable electric and water service at a competitive price.

NOW THEREFORE BE IT RESOLVED, that the following transfers to the City's general fund from the electric and water utilities operations shall be made by the Commission for the year 2020 and subsequent years, until such further action as may be taken by the Commission:

Electric Transfer		Year	Defined as:
Residential Sales Total	\$		Fixed/Service, Energy, PCA, Security Lights (GL 440 excluding conservation)
Commercial Sales Total	\$		Fixed/Service, Energy, PCA, Security Lights (GL 442)
Industrial Sales Total	\$		Fixed/Service, Energy, PCA, Security Lights (GL 443)
Total Defined Electric Sales *	\$		
Less Bad Debt Expense	\$		GL 904
Total Defined Electric Sales Net of Bad Debt	\$		
Multiplied by Transfer Rate		4.40%	
Electric Transfer	\$		

Water Transfer		Year	Defined as:
Residential Sales Total	\$		Fixed/Service, Usage (GL 461 excluding conservation)
Commercial Sales Total	\$		Fixed/Service, Usage (GL 462)
Industrial Sales Total	\$		Fixed/Service, Usage (GL 463)
Total Defined Water Sales *	\$		
Less Bad Debt Expense	\$		GL 904
Total Defined Water Sales Net of Bad Debt	\$		
Multiplied by Transfer Rate		4.40%	
Water Transfer	\$		

*Defined Sales excludes revenues for specific purposes such as electric relocation underground, water reconstruction, conservation, water division pumping penalties, hydrant sales, etc.

BE IT FURTHER RESOLVED, that energy for street lighting and the cost of maintenance and operation of street lights will continue to be donated to the City consistent with the past practices of the Commission.

BE IT FURTHER RESOLVED, that water usage and related costs to support firefighting and water system flushing to support fire protection will continue to be donated to the City consistent with past practices of the Commission.

BE IT FURTHER RESOLVED, that the payments due to the City pursuant to the foregoing schedule and the determination of sales shall be based on the corresponding figures contained in the audited financial statements of the Commission for the year 2020 and thereafter. Until those figures are available, monthly payments shall be made to the City commencing in January 2020 and each month thereafter equal to one-twelfth (1/12) of the annual payment due, estimated on the basis of the sales figures reflected in the audited financial statements of the

Commission for the year 2019, rounded to the nearest \$1,000. Upon the availability of the audited financial statements for the year 2020, a determination will be made if an over or under payment has been made for the year and that difference will be remitted to the City or refunded to the Commission. This procedure shall be followed in subsequent years, substituting the appropriate year under consideration.

BE IT FURTHER RESOLVED, that the Resolution #672 of the Commission shall be repealed, effective on the date of the adoption of this Resolution, and effective upon completion of the last payment due in respect to year 2019.

BE IT FURTHER RESOLVED, that the payments and services authorized to be provided hereunder are subordinate to the obligation of the Commission to timely pay principal and interest upon its outstanding bonds and is further subject to reconsideration in the event of unforeseen events which may adversely affect the utilities operations or the best interests of the utilities' customers of the Commission.

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

Passed in regular session of the Shakopee Public Utilities Commission, this 16th day of December, 2019.



Commission President, Terrance Joos

ATTEST:


Commission Secretary: John R. Crooks

Public Power Pays Back

Payments and Contributions by Public Power Utilities to State and Local Governments in 2018



AMERICAN
**PUBLIC
POWER**
ASSOCIATION

80 Years of Powering Strong Communities

Public Power Pays Back

Payments and Contributions by Public Power Utilities to State and Local Governments in 2018

Prepared by
Paul Zummo, Director, Policy Research and Analysis
American Public Power Association

PUBLISHED MAY 2020



80 Years of Powering Strong Communities

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 93,000 people they employ.

© 2020 American Public Power Association
www.PublicPower.org
Contact MediaRelations@PublicPower.org or 202-467-2900

Executive Summary

Public power utilities provide affordable, reliable, and environmentally responsible electricity to the customers they serve. These community-owned utilities are not beholden to any shareholders and are driven only by the mission to serve their customers and their community.

In addition to providing affordable electricity, public power utilities provide a direct benefit to their communities in the form of payments and contributions to state and local government. These contributions come in many forms — property-like taxes, payments in lieu of taxes, transfers to the general fund, and free or reduced cost services provided to states and cities. The total value of these contributions is not always recognized.

In 2018, public power utilities contributed **5.4% of electric operating revenues** back to the communities they serve, according to an American Public Power Association study of 136 public power utilities.

In comparison, investor-owned utilities paid a median of 4.8% of electric operating revenues in taxes and fees to state and local governments in 2018.

When all 2018 taxes, tax equivalents, and other contributions to state and local government are considered, the contribution of public power utilities — as a percentage of electric operating revenues — is 13% higher than that of investor-owned utilities.

Many communities are not fully aware of the total value of contributions made by their public power utilities. Some utilities do not quantify all their payments and contributions. To get a more accurate estimate, APPA conducted a detailed survey of public power utilities. This report presents the results of this survey, and includes:

- Summaries by revenue size, class, and region of the country for public power and investor-owned utilities
- Common types of payments and contributions
- Typical methods utilities used to calculate the amount of payments in lieu of taxes or transfers to the city general fund

Use caution in making direct comparisons with our previous reports (published every two years), as the utilities included in each report can change from year to year.

Payment and Contribution Rates by Revenue Class

Net payments and contributions as a percent of electric operating revenue are summarized for public power utilities in seven revenue classes. Medians by revenue class range from 4.5% to 6.2%, as compared to the national median of 5.4%.

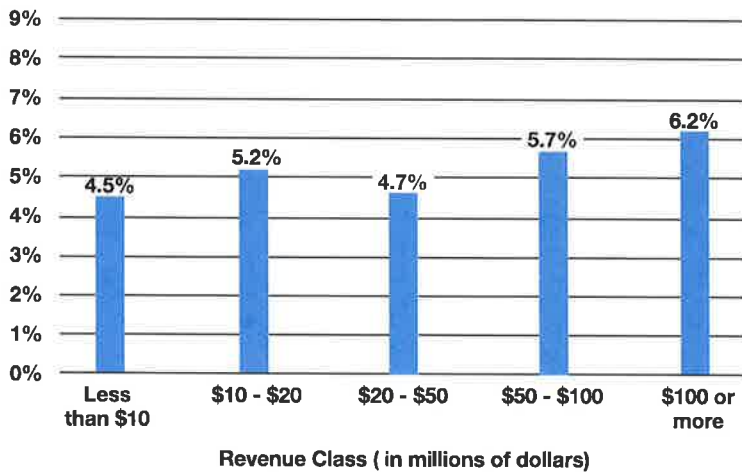
The median is defined as the value where half of the utilities had greater payment and contribution rates, and half contributed less.

Quartiles are another common tool used in analysis. By definition, half of utilities fall between the first and third quartiles. For example, 50% of the 136 utilities in this report made payments and contributions between 3.5% and 6.9% of electric operating revenue.

Table 1. Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2018

Revenue (in millions)	Number of Utilities	Median	First Quartile	Third Quartile
Less than \$10	28	4.5	3.4	5.9
\$10 - \$20	17	5.2	2.7	8.4
\$20 - \$50	47	4.7	3.5	6.4
\$50 - \$100	17	5.7	2.9	6.3
\$100 or more	32	6.2	5.1	9.3
TOTAL	136	5.4	3.5	6.9

Figure 1. Median Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2018



Payment and Contribution Rates by Region

Regional variations in median net payments and contributions range from 1.8% in the Northeast to 6.4% in the Atlantic and East South Central. Regions are defined in Appendix 2.

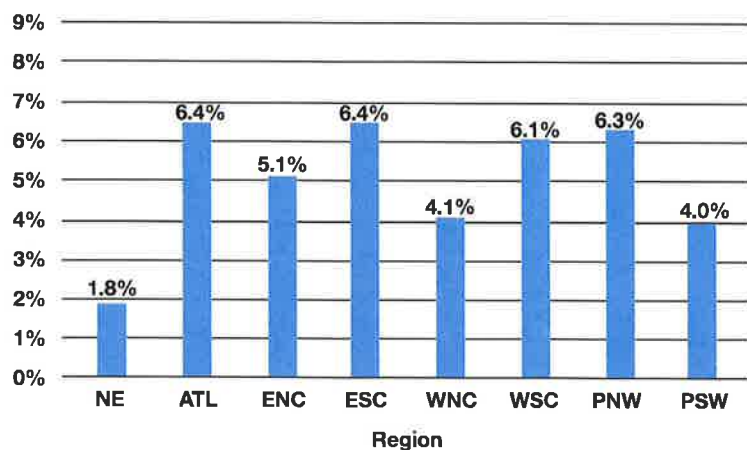
Table 2. Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2018

Region	Number of Utilities	Median	First Quartile	Third Quartile
Northeast	8	1.8	*	*
Atlantic	9	6.4	2.9	13.1
East North Central	26	5.1	3.8	6.4
East South Central	17	6.4	5.7	8.3
West North Central	44	4.1	3.5	6.2
West South Central	13	6.1	3.4	11.4
Mountain	4	**	*	*
Pacific Northwest	7	6.3	*	*
Pacific Southwest	8	4.0	*	*
TOTAL	136	5.4	3.5	6.9

* Quartiles not provided for fewer than 9 responses

** Medians not provided for fewer than 5 responses

Figure 2. Median Net Payments and Contributions by Public Power Utilities, as percent of Electric Operating Revenue, 2018



In 2018, investor-owned distribution utilities paid a median of 4.8% of electric operating revenues in taxes and fees to state and local governments. Utilities in the middle 50% of contributions made payments ranging from 3.3% to 7.1%. In comparison, public power utilities paid a median of 5.4% in net payments and contributions as a percent of electric operating revenue, with a middle range of 3.5% to 6.9%.

In this study, most IOUs (93%) had more than \$100 million in operating revenues, while most public power systems had less than \$100 million (83%).

The median percent of taxes paid by IOUs and tax payments and contributions by public power systems as a percentage of electric operating revenue varies by utility size.

	Investor-Owned	Public Power
Large Utilities (over \$100 million)	4.8%	6.2%
Small Utilities (under \$100 million)	4.8%	4.8%

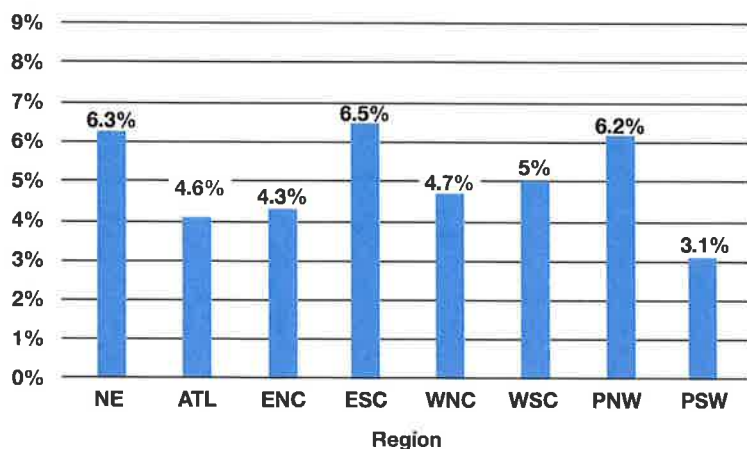
The median rate for investor-owned systems was the largest in the Northeast and Pacific Northwest, and smallest in the East South Central and Pacific Southwest. Table 3 presents data grouped by geographic region for investor-owned utilities.

Table 3. Net Taxes as Percent of Electric Operating Revenue, Investor-Owned Utilities, 2018

Region	Number of Utilities	Median	First Quartile	Third Quartile
Northeast	27	6.3%	4.8%	7.9%
Atlantic	18	4.6%	3.5%	8.1%
East North Central	26	4.3%	2.9%	6.0%
East South Central	7	6.5%	*	*
West North Central	14	4.7%	4.1%	5.6%
West South Central	10	5.0%	3.5%	5.5%
Mountain	4	NA	NA	NA
Pacific Northwest	6	6.2%	*	*
Pacific Southwest	8	3.1%	*	*
TOTAL	120	4.8%	3.3%	7.1%

* Quartiles not provided for fewer than 9 responses

Figure 3. Median Tax Payments by Investor-Owned Utilities, as Percent of Electric Operating Revenue, 2018



Summary of Payments and Contributions

The data in this report come from a survey APPA sent to all public power utilities. The next two sections summarize results for 125 public power utilities that completed the survey.

The data excludes 11 utilities that completed the survey, but which must limit payments and contributions under the terms of their wholesale power contract with the Tennessee Valley Authority.

The 125 utilities combined made over \$776 million in total payments and contributions to state and local government in 2018. Payments in lieu of taxes were the largest share of payments and contributions, followed by other taxes and fees.

Table 4. Net Payments and Contributions to State and Local Government

	Amount (in millions)	Percent of Total
Payments in Lieu of Taxes	\$594.5	76.6%
Other Taxes and Fees	\$68.3	8.8%
Gross Receipts Tax	\$64.1	8.3%
Free or Reduced Cost Electric Services	\$40.7	5.2%
Use of Employees	\$6.0	0.8%
Other, including Equipment and Materials	\$3.0	0.4%
TOTAL	\$776.6	100.0%
Less: Services and Contributions RECEIVED by the Utility FROM the Municipality	<u>\$2.5¹</u>	
Net Payments & Contributions	\$774.1	

The number of utilities making each type of payment or contribution is detailed in Table 5.

Table 5. Types of Payments & Contributions, 2018

	Percentage of Utilities Surveyed	Number of Utilities
I. Payments & Contributions PROVIDED		
Payments in Lieu of Taxes	84.0%	105
Taxes and Fees	42.4%	53
Gross Receipts Tax	21.6%	27
State Public Utility Assessments	17.6%	22
Franchise Fees	9.6%	12
Property Taxes	16.8%	21
Other	10.4%	13
Free or Reduced Cost Electric Service	38.4%	48
Streetlighting	32.0%	40
Lighting for Municipal Buildings	18.4%	23
Traffic Signals	16.0%	20
Recreational Facilities	16.0%	20
Water or Sewer Treatment Facilities	9.6%	12
Water Pumping	9.6%	12
Other	14.4%	18
Use of Employees	47.2%	59
Installation of Temporary Lighting	20.8%	26
Putting Up City Signs & Banners	26.4%	33
Electrical Repair for Other Departments	19.2%	24
Traffic Signal Maintenance	15.2%	19
Tree Trimming for Other Departments	18.4%	23
Other Services	17.6%	22
Non-Utility Locates	7.2%	9
Technical Expertise	5.6%	7
Rewiring Municipal Buildings	5.6%	7
Reading Water Meters	6.4%	8
Other Resources	31.2%	39
Use of Vehicles & Equipment	24.0%	30
Use of Materials & Supplies	11.2%	14
Other	10.4%	13
II. Services & Contributions RECEIVED		
Free or Reduced Cost Service	17.6%	22
Free or Reduced Cost Service	5.6%	7
Use of Vehicles & Equipment	8.0%	10
Use of Materials & Supplies	3.2%	4
Use of Employees	10.4%	13

¹ The 125 utilities received \$2.5 million in contributions and services from the municipality. This amount does not include any contributions or services for which the city has been reimbursed, either through direct billing or a transfer of funds. Free or reduced cost office space and water are the major services provided, while operations and maintenance, legal services, information technology services, engineering services and financial service employees are the predominant type of employee contributions received by the utility. The \$2.5 million in free or reduced cost contributions and services provided by the municipality to the utility is subtracted from the \$776.6 million in payments and contributions from the utility to state and local government. **The result is \$774.1 million in net payments and contributions by the 125 utilities in 2018.**

Methods Used to Determine Payments in Lieu of Taxes

Payments in lieu of taxes are generally thought of as payments to local government. However, some utilities make payments in lieu of taxes to the state government.

Of the 125 utilities included in the survey analysis, more than 84% (105 utilities) made payments in lieu of taxes, also called transfers to the general fund.

The most common method used to determine the amount of payments in lieu of taxes was percent of gross electric operating revenue, as shown in Table 6. The median transfer as a percent of electric operating revenue was 4.0%.

Table 6. Methods Used to Calculate Payments in Lieu of Taxes

	Percentage of Utilities	Number of Utilities
Percent of Gross Electric Operating Revenue	33%	35
Property Tax Equivalent	17%	18
Flat Amount Paid Annually	14%	15
Charge per Kilowatt-hour Sold	10%	11
Assessment of Electric Utility and City Budgets	7%	7
Percent of Net Utility Plant in Service	3%	3
Percent of Income (Net, Operating or Total)	1%	1
Other/Did Not Indicate	14%	15

The category “assessment of electric utility and city budgets” includes utilities with payments that are set by the city council, the mayor, or a utility commission, and utilities that make payments on an as-needed basis. The most common responses in the “other” category are utilities which make payments are based on more than one criterion.

Tennessee Valley Authority distribution utilities are not included in the data above. State law determines the payments in lieu of taxes for utilities in the state of Tennessee. The calculation is composed of two parts — percentage of three-year average operating revenue less power cost, and property tax rate applied to net utility plant.

Methodology and Data Sources

Results for publicly owned utilities were calculated from two sources: data collected on the American Public Power Association's "2018 Survey of Local Publicly Owned Electric Utilities Tax Payments and Contributions to State and Local Government," and data submitted by public power utilities to the Department of Energy's Energy Information Administration on Form EIA-861, "Annual Electric Utility Report."

A total of 136 utilities completed the 2018 survey. Form EIA-861 provided information on electric operating revenue. Payments and contributions for TVA distributors include an amount equal to 5 % of the estimated cost of power purchased from TVA (TVA makes this payment) plus any payments in lieu of taxes or contributions made by the distribution utility. TVA's wholesale power contracts with municipalities limit payments in lieu of taxes to an amount not exceeding the state and local taxes that the system would pay if privately owned.

Study results for investor-owned systems were calculated from data submitted on the 2018 Federal Energy Regulatory Commission Form 1, "Annual Report of Major Electric Utilities, Licensees and Others."

This report includes only distribution utilities that are defined as those with approximately 50% or more of their total kilowatt-hour sales going to retail customers. The investor-owned systems included in this report comprise 95% of all full-service kilowatt-hour sales to customers of investor-owned utilities, and the public power utilities included provide 21% of all kilowatt-hour sales to customers of public power utilities.

Public power's payments and contributions to state and local governments include taxes and fees such as gross receipts taxes, property taxes (generally on property outside the city limits), franchise fees, payments to state public utility commissions, environmental fees, and licenses. Also included are payments in lieu of taxes or transfers to the general fund and the value of services such as free or reduced cost electricity, the use of electric department employees, and the use of electric department materials and equipment. Federal taxes, social security taxes, similar contributions to state unemployment insurance, and other payroll taxes are excluded.

The value of free or reduced cost services contributed by the local government to the utility is deducted from total payments and contributions to arrive at net contributions. The net amount is then divided by electric utility revenue.

Net taxes for investor-owned utilities include state and local taxes and fees as reported on pages 262-263 of FERC Form 1. Federal taxes, social security taxes, similar contributions to state unemployment insurance, and other payroll taxes are excluded.

APPENDIX 2

Regions

The regions specified in Table 2 and Table 3 comprise the following states. Hawaii is not included in any of the nine regions, but is included in national totals and in summaries by revenue class. Utilities serving the U.S. territories did not complete the survey and are not included in this report.

Northeast	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont
Atlantic	The District of Columbia, Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia
East North Central	Illinois, Indiana, Michigan, Ohio, and Wisconsin
East South Central	Alabama, Kentucky, Mississippi, and Tennessee
West North Central	Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota
West South Central	Arkansas, Louisiana, Oklahoma, and Texas
Mountain	Colorado, Montana, New Mexico, Utah, and Wyoming
Pacific Northwest	Alaska, Idaho, Oregon, and Washington
Pacific Southwest	Arizona, California, and Nevada



80 Years of Powering Strong Communities

2451 Crystal Drive
Suite 1000
Arlington, Virginia
22202-4803