

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
DECEMBER 6, 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
 - 1a) Roll Call
2. **Communications**
3. **Consent Agenda**
 - C=> 3a) Approval of November 15, 2021 Minutes (GD)
 - C=> 3b) Approval of December 6, 2021 Agenda (KM)
 - C=> 3c) December 6, 2021 Warrant List (JM)
 - C=> 3d) MMPA November Meeting Update (GD)
 - C=> 3e) Res#2021-25 - A Resolution of Appreciation to Roger Hennen (GD)
 - C=> 3f) Res#2021-26 - A Resolution of Appreciation to Chuck Vest (GD)
 - C=> 3g) Res#2021-27 - Adjusting Fees Applied Under The Water Capacity Charges (JA)
 - C=> 3h) Res#2021-28 - Adjusting Fees under the Trunk Water Charges (JA)
 - C=> 3i) Res#2021-33 – A Resolution Adopting Fees and Charges For 2022 (JM)
 - C=> 3j) Purchasing Policy Changes (JM)
 - C=> 3k) SPU Credit Card Policy (JM)
 - C=> 3l) Res#2021-32 Resolution Regulating Wage Ranges (JM)
 - C=> 3m) Bids Notice for West Shakopee Substation Transformer (JA)
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)
 - 7b) Cty Rd. 83 Bids and Agreement Amendment (JA)

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) Final Rate Study presentation by Dave Berg Consulting (DBC) (GD)
 - 10c) 2022-2026 Capital Improvement Plan – Final (JA)
 - 10d) 2022 Capital Projects and Equipment – Final (JA)
 1. Administrative Projects and Equipment
 2. Electric Projects and Equipment
 3. Water Projects and Equipment
 - 10e) 2022 Final Budget Approval (JM)
 - 10f) Res#2021-29 A Resolution Establishing Electric Rates for Customers Served by Shakopee Public Utilities (JM)
 - 10g) Res#2021-30 A Resolution Establishing Water Rates in and for the City of Shakopee (JM)
 - 10h) Res#2021-31 A Resolution Establishing The Power Cost Adjustment Charge, Setting the power Cost Adjustment Base, and Other Terms (JM)
 - 10i) PILOT Agreement with the City of Shakopee (GD)
 - 10j) Electric Service Territory Negotiations with MVEC (GD) *
11. **Items for Future Agendas**
12. **Tentative Dates for Upcoming Meetings****
 - December 20, 2021 (No Meeting)
 - January 3, 2022
 - January 17, 2022
13. **Adjournment**

* A portion of this meeting may be closed under Minnesota Statutes, Section 13D.05, subd. 3(c)(3) to develop or consider offers or counteroffers for the purchase or sale of real or personal property.

** There will be a year-end meeting of all SPU employees on December 10, 2021 at 1100 Canterbury Road South, Shakopee, starting at 5:00 PM. A quorum of Commissioners may be present.

MINUTES OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
NOVEMBER 15, 2021
Regular Meeting

1. Call to Order. President Mocol called the November 15, 2021 meeting of the Shakopee Public Utilities Commission to order at 5:00 PM. President Mocol, Vice President Fox, Commissioner Brennan, Commissioner Krieg, and Commissioner Letourneau were present. President Mocol and Commissioner Brennan participated via interactive technology due to medical issues.
2. Approval of Consent Agenda. Vice President Fox moved approval of the Consent Agenda: (3a) November 1, 2021 Minutes; (3b) November 15, 2021 Agenda; (3c) November 4, 2021 Warrant List, Account Credit Request/Deposit Refunds; (3d) November 15, 2021 Warrant List; (3e) Water Dashboard; (3f) MMPA October Meeting Update; (3g) Resn #2021-22 - Designating an Official Means of Publication; (3h) Resn #2021-23 - Designation of Official Depositories of the Shakopee Public Utilities Commission Funds (3i) Resn #2021-24 - Allowing the Use of Facsimile Signature For Check Signing; (3j) September 30, 2021 Financial Report; (3k) 2022 Commission Dates; (3l) 2022 SPU Holidays. Commissioner Letourneau seconded the motion. Ayes: Mocol, Fox, Brennan, Krieg, and Letourneau. Nays: None. Motion carried.
3. Liaison Report. Commissioner Brennan noted that the City Council will be discussing the American Rescue Plan.
4. Public Comment Period. No public comments were offered.
5. General Manager Report. Greg Drent, General Manager, provided an update on current projects, including electric service territory discussions with MVEC, discussions with the School District regarding potential locations for water treatment facilities, County Road 83 agreement amendment, billing software presentations, and meetings with City staff. Mr. Drent also noted that SPU has received its electric vehicle.
6. Water Report. Lon Schemel, Water Superintendent, reported that there is a slight delay at Tank #8 due to concrete issues. He noted that on Saturday, November 10, 2021 there was a break in a water main on Jefferson near Quincy. Mr. Schemel noted that SPU personnel arrived within the hour and the matter was resolved by 4 PM that afternoon.
7. Electric Report. Brad Carlson, Electric Superintendent, reported zero outages since the last Commission meeting. Mr. Carlson also provided an update on projects, including Summerland Addition underground work and Tank #8 underground electrical work.

8. Customer Service/Marketing Update. Sharon Walsh, Marketing/Customer Relations Director, reported that disconnects will be done this week. She noted that there are currently 602 people on the disconnect list, but she expects the number to decrease as payments are made. Ms. Walsh met with Frontier Energy to finalize this year's energy conservation numbers. On the marketing side, Ms. Walsh noted training with Vivid to improve SPU's website. She reminded Commissioners that the Holiday Fest is Saturday December 4, 2021 and SPU will have a standing float from 2:00-5:00 to provide customers information and answer questions.

9. West End – Lower Bluff Trunk Watermain Extension. Joseph Adams, Director of Planning and Engineering, provided an update on the feasibility determination by Bolton and Menk for this project. Commissioner Letourneau moved approval of 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 on the schedule described in the report. Vice President Fox seconded the motion. Ayes: Mocol, Fox, Brennan, Krieg, and Letourneau. Nays: None. Motion carried.

10. Preliminary Rate Study. Dave Berg, Dave Berg Consulting, LLC, presented the interim report for the Water and Electric Cost of Service and Rate Design Study. For electric rates, Mr. Berg discussed a potential 1% increase per year. After discussion by the Commission, the consensus was to further consider seasonal rates, electric vehicle rates (nighttime and daytime), a large residential rate, and refinements to the power cost adjustment. For water rates, Mr. Berg discussed a potential 5% increase in per year. Mr. Berg plans to present rate proposals at the next Commission meeting.

11. 2022 Preliminary Budget and Cash Flow. Jean McGann, AEM, presented an overview of the 2022 SPU budget. She noted that the final budget will be brought back to the next Commission meeting for approval.

12. Pilot Update and Proposed Framework. Mr. Drent provided an update of the Transfer/Payment in Lieu of Taxes (PILOT) discussions by the informal working group of SPU and City representatives. He described the proposed framework of a transfer of 5.5% of "gross defined sales" for water and electric less bad debt (excluding relocation underground, water reconstruction, conversation, water division pumping, penalties, and hydrant sales) to the City's general fund and .5% transfer for economic development in SPU's assigned service territory. Commissioner Krieg suggested a formal process to resolve any issues between the City and the Commission under this agreement. It was discussed how to encourage communication and resolution efforts between the parties and to avoid a City Council-initiated referendum. The Commission also discussed a potential transfer to the general fund of 5.25% and .75% for economic development. Mr. Drent noted that he will continue to work with the informal working group on a draft agreement for Commission review and approval.

13. Adjourn. Motion by Vice President Fox, seconded by Commissioner Letourneau, to adjourn to the December 6, 2021 meeting. Ayes: Mocol, Fox, Brennan, Krieg, and Letourneau. Nays: None. Motion carried.

Greg Drent, Commission Secretary

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SHAKOPEE PUBLIC UTILITIES COMMISSION
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9. Reports: Human Resources

10. Reports: General

10a) Marketing/Customer Service Report – Verbal (SW)

10b) Final Rate Study presentation by Dave Berg Consulting (DBC) (GD)

10c) 2022-2026 Capital Improvement Plan – Final (JA)

10d) 2022 Capital Projects and Equipment – Final (JA)

1. Administrative Projects and Equipment

2. Electric Projects and Equipment

3. Water Projects and Equipment

10e) 2022 Final Budget Approval (JM)

10f) Res#2021-29 A Resolution Establishing Electric Rates for Customers Served by Shakopee Public Utilities (JM)

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** There will be a year-end meeting of all SPU employees on December 10, 2021 at 1100 Canterbury Road South, Shakopee, starting at 5:00 PM. A quorum of Commissioners may be present.

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

December 6, 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 | 37,533.43 |
| ALLSTREAM BUSINESS US, INC | 2,445.41 |
| ALTERNATIVE TECHNOLOGIES INC | 1,390.00 |
| AMARIL UNIFORM CO. | 287.84 |
| AMELCHENKO, ANDREY | 150.00 |
| ANDREA AMANDA RAMNAUTH | 3,718.41 |
| ARROWWOOD LODGE AT BRAINERD LAKES | 225.48 |
| B & B TRANSFORMER INC | 117,497.00 |
| BADGER STATE INSPECTION, LLC | 23,000.00 |
| BERENS, RANDI | 150.00 |
| BERNDTSON, ROBERT | 275.52 |
| BORDER STATES ELECTRIC SUPPLY INC | 3,613.95 |
| BREMER, DAVE | 50.00 |
| CDW LLC | 647.81 |
| CENTERPOINT ENERGY | 934.85 |
| CHOICE ELECTRIC INC | 2,850.85 |
| CITY OF SHAKOPEE | 6,282.84 |
| CITY OF SHAKOPEE | 187,000.00 |
| CITY OF SHAKOPEE | 2,541.25 |
| COMCAST CABLE COMMUNICATIONS, INC. | 2.25 |
| CONCRETE CUTTING & CORING INC | 64.07 |
| CUSTOMER CONTACT SERVICES | 739.69 |
| DAILY PRINTING, INC. | 1,005.53 |
| DAS, PRANAB KANTI | 150.00 |
| DELTA DENTAL PLAN OF MN | 5,277.14 |
| DEPUTY REGISTRAR # 135 | 3,283.48 |
| DIBB, BRITTANY | 200.00 |
| DINH, TRANG | 500.00 |
| DRENT, GREG | 56.31 |
| EIDE, PETER | 175.00 |
| ENTRUST DATACARD | 10,808.00 |
| FERGUSON US HOLDINGS, INC. | 6,835.58 |
| FRONTIER ENERGY, INC. | 9,656.39 |
| FURTHER | 2,512.14 |
| FYTEN, MATT & MOLLY KJER | 500.00 |
| GRESSER CO. | 74.88 |
| HAWKINS INC | 3,724.50 |
| HD SUPPLY FACILITIES MAINTENANCE LTD | 535.17 |
| HEALTHPARTNERS | 76,919.33 |
| HENNEN'S AUTO SERVICE, INC. | 1,154.88 |
| INNOVATIVE OFFICE SOLUTIONS LLC | 630.16 |
| INTERSTATE ALL BATTERY CTR | 169.12 |
| IRBY TOOL & SAFETY | 457.58 |
| JAMES, TIM & TRACI | 200.00 |
| JERIES, MICHAEL | 100.00 |
| JT SERVICES | 2,400.01 |
| Kaeser & Blair | 327.06 |
| KAHLE, MATTHEW | 18.45 |
| KENYON, FREDERICK | 150.00 |
| KIMLEY-HORN AND ASSOCIATES, INC. | 16,200.00 |
| KLEINFELN, JERON 9002 WHISPERING | 50.00 |
| KLM ENGINEERING INC | 10,187.00 |
| KRUEGER EXCAVATING INC. | 12,495.00 |
| KULAK, MICHAEL & EMILY | 180.00 |
| L S Engineers, Inc. | 3,510.00 |
| LARKSTUR ENGINEERING AND SUPPLY, INC | 466.35 |
| LE, DAI | 100.00 |
| LOCATORS & SUPPLIES INC | 480.49 |
| LOVDAHL, BRITTNEY | 350.00 |
| M E SIMPSON CO., INC | 18,370.00 |
| MASTER MECHANICAL INC | 2,141.58 |
| MCGRANN SHEA CARNIVAL | 11,507.50 |
| MENKE, CINDY | 770.55 |
| MIDWEST SAFETY COUNSELORS, INC. | 387.70 |
| MINN VALLEY TESTING LABS INC | 484.00 |
| MINNESOTA LIFE | 4,147.18 |
| MMUA | 4,042.75 |
| NEVILLE, GERRY | 156.24 |
| NICKOLAY, CINDY | 245.84 |
| NORTHWOODS FORD | 49,735.00 |

SHAKOPEE PUBLIC UTILITIES COMMISSION

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December 6, 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:

| | |
|--------------------------------------|--------------|
| NPL CONSTRUCTION COMPANY | 1,701.00 |
| Principal Financial Group | 3,631.73 |
| PEIFER SAFE & LOCK LLC | 1,758.20 |
| PHAM, JOHN | 175.00 |
| PLUNKETT'S PEST CONTROL, INC. | 190.05 |
| RESCO | 1,829.23 |
| RIES HEATING & A/C INC | 574.00 |
| RIESGRAF, DAVID & GAIL | 500.00 |
| ROCK, LYLE | 165.00 |
| RODAHL, LEYTON | 200.00 |
| RUBENE, ANNA | 150.00 |
| SALZER, PAUL | 550.00 |
| SAMBATEK | 11,736.50 |
| SAMES, TARA | 500.00 |
| SCHERER BROTHERS | 529.03 |
| SCHINTZ, JACK | 150.00 |
| SCOTT COUNTY PROPERTY AND TAXATION S | 64.80 |
| SEWER SEPTIC GREASE SERVICES | 217.29 |
| SHAKOPEE CHAMBER OF COMMERCE | 750.00 |
| SHORT ELLIOTT HENDRICKSON INC | 297.34 |
| THATCHER, MARK | 50.00 |
| TRAN, THOMAS & GOLIA | 100.00 |
| TRIPLETT, GREG | 198.24 |
| ULINE, INC. | 281.11 |
| UPS STORE # 4009 | 43.96 |
| UTILITY LOGIC, LLC | 610.04 |
| VALLEY LIMO & COACH INC. | 484.16 |
| VALLEY-RICH CO., INC | 14,646.57 |
| VERIZON CONNECT FLEET USA LLC | 532.45 |
| VERIZON CONNECT NWF INC. | 498.70 |
| VERIZON WIRELESS | 1,637.53 |
| VON BANK, JAMIE | 509.45 |
| WALKER, JOSEPH | 100.00 |
| WALSH, SHARON | 1,672.39 |
| WATER CONSERVATION SERVICE INC | 476.88 |
| WESCO DISTRIBUTION INC | 704.84 |
| WYSAN PRECAST SERVICES, LLC | 59,217.30 |
| XCEL ENERGY | 2,279.17 |
| ZIEGLER INC | 28.82 |
| | \$764,969.32 |


Presented for approval by: Interim Director of Finance & Administration

Approved by General Manager

Approved by Commission President

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

December 6, 2021

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| | | |
|--------------------------------------|------------|---|
| Abdo, Eick & Meyers, LLP | 37,533.43 | Service thru 11/30/21 |
| ALLSTREAM BUSINESS US, INC | 2,445.41 | Shak Sub, Pike Lake, S.Sub, and SPU |
| ALTERNATIVE TECHNOLOGIES INC | 1,390.00 | Oil test, gas analysis, sampling charge |
| AMARIL UNIFORM CO. | 287.84 | Clothing for T.M. Water dept. |
| AMELCHENKO, ANDREY | 150.00 | 2021 Res. Energy Star Appliance |
| ANDREA AMANDA RAMNAUTH | 3,718.41 | Dec. cleaning service |
| ARROWWOOD LODGE AT BRAINERD LAKES | 225.48 | 2 rooms, 1 night lodging JS, GR |
| B & B TRANSFORMER INC | 117,497.00 | 15KVA single phase transformers-capital equipmen |
| BADGER STATE INSPECTION, LLC | 23,000.00 | WO#2455 - GS12 Mixer & SCADA |
| BERENS, RANDI | 150.00 | 2021 Res. Energy Star Appliance |
| BERNDTSON, ROBERT | 275.52 | Miles reimbursed |
| BORDER STATES ELECTRIC SUPPLY INC | 3,613.95 | CUTOUT LOAD BREAK 100A 15KV 14ASYM |
| BREMER, DAVE | 50.00 | 2021 Res. Energy Star Appliance |
| CDW LLC | 647.81 | Scanner Roller exchange Kit, thermal receipt printer |
| CENTERPOINT ENERGY | 934.85 | SPU bldg gas usage & 10th Ave. |
| CHOICE ELECTRIC INC | 2,850.85 | Water dept. master radio panel & WO#2519=disconnect old UPS and feed New. |
| CITY OF SHAKOPEE | 6,282.84 | Oct. fuel usage |
| CITY OF SHAKOPEE | 187,000.00 | Dec. Transfer Fee |
| CITY OF SHAKOPEE | 2,541.25 | Oct. R.O.W. permits-WO#2487 - \$721.25, WO#2422-\$185.00, WO#2447-\$155.00, WO#2560-\$180.00, |
| COMCAST CABLE COMMUNICATIONS, INC. | 2.25 | Nov. cable service |
| CONCRETE CUTTING & CORING INC | 64.07 | Spring, washer, pawl |
| CUSTOMER CONTACT SERVICES | 739.69 | Nov.16- Dec. 13 answering service |
| DAILY PRINTING, INC. | 1,005.53 | Business cards |
| DAS, PRANAB KANTI | 150.00 | 2021 Res. Energy Star Appliance |
| DELTA DENTAL PLAN OF MN | 5,277.14 | Nov. Dental Premiums |
| DEPUTY REGISTRAR # 135 | 3,283.48 | Reg. tabs, plates & title application-WO#2485 |
| DIBB, BRITTANY | 200.00 | 2021 Res. Energy Star Appliance |
| DINH, TRANG | 500.00 | 2021 Res. Cooling & Heating Rebate |
| DRENT, GREG | 56.31 | Reimbursement - Mtg with Chelsea & Amanda City |
| EIDE, PETER | 175.00 | 2021 Res. Energy Star Appliance |
| ENTRUST DATACARD | 10,808.00 | Custom HVAC/VFD Rebate |
| FERGUSON US HOLDINGS, INC. | 6,835.58 | 3 foot Hydrants,CB Repair, bolts and builders |
| FRONTIER ENERGY, INC. | 9,656.39 | July & Nov. Prof. service P3 Subscription & Shak C&I implementation |
| FURTHER | 2,512.14 | Flex. medical reimb. & Nov. Adm. Fees |
| FYTEN, MATT & MOLLY KJER | 500.00 | 2021 Res. Energy Cooling & Heating |
| GRESSER CO. | 74.88 | Meter refund |
| HAWKINS INC | 3,724.50 | 11 cylinders chlorine |
| HD SUPPLY FACILITIES MAINTENANCE LTD | 535.17 | Shockwave harness small, round point shovel |
| HEALTHPARTNERS | 76,919.33 | Nov. Health Ins. Premiums |
| HENNEN'S AUTO SERVICE, INC. | 1,154.88 | Tires for Elec. Dept. |
| INNOVATIVE OFFICE SOLUTIONS LLC | 630.16 | Office Supplies |
| INTERSTATE ALL BATTERY CTR | 169.12 | Batteries |
| IRBY TOOL & SAFETY | 457.58 | LINEMAN MITTENS |
| JAMES, TIM & TRACI | 200.00 | 2021 Res. Energy Star Appliance |
| JERIES, MICHAEL | 100.00 | 2021 Res. Solar Rebate |
| JT SERVICES | 2,400.01 | Blue locating flags, Hotstick cleaner |
| Kaeser & Blair | 327.06 | Plastic handle bags |
| KAHLE, MATTHEW | 18.45 | reimb. for meal |
| KENYON, FREDERICK | 150.00 | 2021 Res. Energy Star Appliance |
| KIMLEY-HORN AND ASSOCIATES, INC. | 16,200.00 | WO#2360-Services thru 8/31/21 |
| KLEINFELN, JERON 9002 WHISPERING | 50.00 | 2021 Res. Energy Star Appliance |
| KLM ENGINEERING INC | 10,187.00 | WO#2259-Single Pedestal New Construction |
| KRUEGER EXCAVATING INC. | 12,495.00 | WO#2470-Building Addition |
| KULAK, MICHAEL & EMILY | 180.00 | 2021 Res. Energy Star Appliance |
| L S Engineers, Inc. | 3,510.00 | WO#2470-SPU addition remodeling |
| LARKSTUR ENGINEERING AND SUPPLY, INC | 466.35 | WO#2463 - New excavator |
| LE, DAI | 100.00 | 2021 WATER SENSE TOILET |
| LOCATORS & SUPPLIES INC | 480.49 | Blue marking paint |
| LOVDAHL, BRITTNEY | 350.00 | 2021 Res. Cooling & Heating Rebate |
| M E SIMPSON CO., INC | 18,370.00 | meters tested |
| MASTER MECHANICAL INC | 2,141.58 | Boiler not firing |
| MCGRANN SHEA CARNIVAL | 11,507.50 | Municipal & Regulatory Matters thru11/30 & WO#2545-Land Exchange |
| MENKE, CINDY | 770.55 | Chamber event reimb. & Posting on Indeed for IT Supv. |

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| MIDWEST SAFETY COUNSELORS, INC. | 387.70 | Winter gloves |
| MINN VALLEY TESTING LABS INC | 484.00 | Coliform |
| MINNESOTA LIFE | 4,147.18 | Sept. Oct. Nov. Life Ins. Premiums |
| MMUA | 4,042.75 | 4th Qtr. Apprentice Lineman career progr |
| NEVILLE, GERRY | 156.24 | Miles reimb. |
| NICKOLAY, CINDY | 245.84 | Miles reimb. |
| NORTHWOODS FORD | 49,735.00 | WO#2485-Ford Mustang Mach-E 2021 |
| NPL CONSTRUCTION COMPANY | 1,701.00 | Vactruck work |
| Principal Financial Group | 3,631.73 | Nov. L.T.D. premiums |
| PEIFER SAFE & LOCK LLC | 1,758.20 | CK-1R7 CYBERKEYS, brush for key ring |
| PHAM, JOHN | 175.00 | 2021 Res. Energy Star Appliance |
| PLUNKETT'S PEST CONTROL, INC. | 190.05 | Aug. treatment for stinging insects |
| RESCO | 1,829.23 | SWITCH DISCONNECT 1 PHASE |
| RIES HEATING & A/C INC | 574.00 | Water dept. onsite service call/phs #2, Phs #20 check heater & replaced thermostat, R&R Heater pump hse #6 |
| RIESGRAF, DAVID & GAIL | 500.00 | 2021 Res. Cooling & Heating Rebate |
| ROCK, LYLE | 165.00 | 2021 Res. Energy Star Appliance |
| RODAHL, LEYTON | 200.00 | 2021 Res. Energy Star Appliance |
| RUBENE, ANNA | 150.00 | 2021 Res. Energy Star Appliance |
| SALZER, PAUL | 550.00 | 2021 Res. Energy Star Appliance |
| SAMBATEK | 11,736.50 | WO#2041-\$3887.00-Service thru 11/13/21 windermere booster, WO#2259 - \$7849.50 - Elevated Water tank #8 |
| SAMES, TARA | 500.00 | 2021 Res. Energy Cooling & Heating |
| SCHERER BROTHERS | 529.03 | Handi man form, concrete mix , lumber |
| SCHINTZ, JACK | 150.00 | Safety boots reimbursement |
| SCOTT COUNTY PROPERTY AND TAXATION S | 64.80 | tax statement on West Sub. |
| SEWER SEPTIC GREASE SERVICES | 217.29 | Hydrant meter final bill |
| SHAKOPEE CHAMBER OF COMMERCE | 750.00 | Holiday Fest Contributor Sponsorship |
| SHORT ELLIOTT HENDRICKSON INC | 297.34 | WO#2356-Hanson Blvd. WM SIIP |
| THATCHER, MARK | 50.00 | 2021 Res. Energy Star Appliance |
| TRAN, THOMAS & GOLIA | 100.00 | 2021 WATER SENSE TOILET |
| TRIPLETT, GREG | 198.24 | miles reimbursed |
| ULINE, INC. | 281.11 | sheets of flat carboard |
| UPS STORE # 4009 | 43.96 | Tony B sweatshirt - water dept. & Itron Service |
| UTILITY LOGIC, LLC | 610.04 | Steel Rod with black PVC coated T-handle |
| VALLEY LIMO & COACH INC. | 484.16 | Bus reservations |
| VALLEY-RICH CO., INC | 14,646.57 | Apgar ST./Shakopee excavator, generator |
| VERIZON CONNECT FLEET USA LLC | 532.45 | Vehicle tracking for Nov. |
| VERIZON CONNECT NWF INC. | 498.70 | Oct. vehicle service for Water dept. |
| VERIZON WIRELESS | 1,637.53 | Cell phone usage 10/24-11/23 |
| VON BANK, JAMIE | 509.45 | tools for Elec. Dept. |
| WALKER, JOSEPH | 100.00 | 2021 WATER SENSE TOILET |
| WALSH, SHARON | 1,672.39 | APPA Key accts/public comm. conf. |
| WATER CONSERVATION SERVICE INC | 476.88 | leak locate 1052 jefferson |
| WESCO DISTRIBUTION INC | 704.84 | SLEEVE ALUM LOOP SPLICE, Bolts, Utilishelf, infrared temp-gun |
| WYSAN PRECAST SERVICES, LLC | 59,217.30 | WO#2470-SPU bldg Construction |
| XCEL ENERGY | 2,279.17 | 10/20-11/18 gas usage Amberglen Dr. |
| ZIEGLER INC | 28.82 | Gasket for Quick |
| | \$764,969.32 | |


 Presented for approval by: Interim Director of Finance & Administration

 Approved by General Manager

 Approved by Commission President



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To: SPU Commissioners
From: Greg Drent, General Manager 
Date: November 24, 2021
Subject: MMPA November Meeting Update

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on November 23, 2021, at Chaska City Hall in Chaska, Minnesota and via videoconference.

The Board reviewed the Agency's financial and operating performance for October 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 on solar power.

The Board discussed inflation and its effects on MMPA's costs and rates.

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. The Board also discussed Minnesota Power's request for a 17.58% electric rate increase for 2022.

The Board discussed the Walleye Wind project, which is scheduled to begin construction next spring. MMPA has a long-term contract for all of the output of the 110-Megawatt project, located in southwestern Minnesota.

The Board discussed the results of a survey of MMPA members' retail energy adjustment clause (EAC) practices.

Management gave a presentation about the Level 2 dual-port electric vehicle chargers MMPA placed in seven member communities this fall. EV chargers were placed in seven MMPA communities. The Agency will be offering the program again in 2022 for cities that did not participate in 2021.

MMPA had a net decrease of 6 customers in the Agency's residential Clean Energy Choice program from September to October. Customer penetration remains at 3.8%.

RESOLUTION #2021-25

**A RESOLUTION OF APPRECIATION
TO ROGER HENNEN**

WHEREAS, Mr. Roger Hennen joined Shakopee Public Utilities on May 1, 1986 and during his extensive tenure of more than thirty five years has worked in various positions and left as the Lead Line Worker in the Electric Department; and

WHEREAS, Mr. Hennen always strived for excellence in contributing to the efficient operation of Shakopee Public Utilities and has been extremely dependable and responsible in performing her duties; and

WHEREAS, Mr. Hennen retired from his position as Lead Line Worker with Shakopee Public Utilities on November 12, 2021; and

NOW THEREFORE, BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, that it does hereby express its sincere and deep appreciation to Mr. Hennen for his thirty five years of dedicated service to Shakopee Public Utilities.

BE IT FURTHER RESOLVED that the Shakopee Public Utilities Commission extends its best wishes and congratulations to Mr. Roger Hennen.

Passed in regular session of the Shakopee Public Utilities Commission this Sixth day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

RESOLUTION #2021-26

**A RESOLUTION OF APPRECIATION
TO CHUCK VEST**

WHEREAS, Mr. Chuck Vest joined Shakopee Public Utilities on July 23, 2001 and during his extensive tenure of more than twenty years has worked in various positions and left as the Water Operator Journeymen in the Water Department; and

WHEREAS, Mr. Vest always strived for excellence in contributing to the efficient operation of Shakopee Public Utilities and has been extremely dependable and responsible in performing his duties; and

WHEREAS, Mr. Vest retired from his position as Water Operator Journeymen with Shakopee Public Utilities on July 30, 2021; and

NOW THEREFORE, BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, that it does hereby express its sincere and deep appreciation to Mr. Vest for his twenty years of dedicated service to Shakopee Public Utilities.

BE IT FURTHER RESOLVED that the Shakopee Public Utilities Commission extends its best wishes and congratulations to Mr. Chuck Vest.

Passed in regular session of the Shakopee Public Utilities Commission this Sixth day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

Proposed As Consent Item

3g

RESOLUTION #2021-27

A RESOLUTION ADJUSTING FEES APPLIED UNDER THE WATER CAPACITY CHARGE FKA WATER CONNECTION CHARGE POLICY RESOLUTION

WHEREAS, the Shakopee Public Utilities Commission operates and maintains the municipal water system of the City of Shakopee, such system consisting of a (“blended”) complex of water production, treatment, storage, and delivery facilities interconnected across multiple service districts or pressure zones via a network of trunk and lateral watermains, and

WHEREAS, the water capacity charge fees are a component of water availability charges, and

WHEREAS, the fees established in Resolution #261, which Resolution established the Water Connection Charge Policy, and Resolution #902, which Resolution adjusted said fees, are intended to be adjusted on the first day of January each year, and

WHEREAS, the water capacity charge fees last were adjusted in 2020 by Resolution #1286 to \$5,526.00 per equivalent SAC unit for all service, plus 13.0 cents per square foot for industrial use only, and

WHEREAS, the Shakopee Public Utilities Commission has received a report by Ehlers Public Finance Advisors dated December 3, 2020, and

WHEREAS, the Shakopee Public Utilities Commission determines an increase of 1% in the water capacity charge is warranted at this time to provide adequate funding for the planned water production, treatment and storage facilities necessary to serve developing properties with the Commission’s standard of level “A” service (i.e. a robust, redundant, looped water supply and distribution system capable of supplying water safe for human consumption at adequate pressure for domestic and fire protection uses), and

WHEREAS, the Shakopee Public Utilities Commission determines water usage in multi-family residences is lower than single-family residences.

NOW THEREFORE, BE IT RESOLVED that the water capacity charge fees be increased effective immediately as follows:

\$5,581.00 per equivalent SAC unit for all service, plus 13.0 cents per square foot for industrial use only (equivalent SAC units to be computed according to the Metropolitan Council Availability Charge Criteria, but applied to all municipal water usage whether discharged to sewer or not).

BE IT FURTHER RESOLVED, that multi-family residential units be assigned a prorated equivalent unit of 0.80 for apartment units and 0.90 for townhome and condo units.

BE IT FURTHER RESOLVED, that future increases in the water capacity charge fees shall be based on the Ehlers Report until a further updated study is performed.

BE IT FURTHER RESOLVED, that the water capacity charges shall be applied to all water connections made to, or newly drawing water from, the City of Shakopee water system;

and that the capacity charges shall also be applied to all instances where increased water usage is indicated by an increase in SAC units or by other means, ie metering.

BE IT FURTHER RESOLVED, that the funds collected from the water capacity charges will be set aside by the Utility and used to pay for construction of water production, treatment and storage facilities.

BE IT FURTHER RESOLVED, that water availability shall not be granted until the acceptance by the Utility of payment of all standard water fees requisite by this resolution and by compliance with all other Shakopee Public Utilities Commission resolutions applicable to new services.

BE IT FURTHER RESOLVED, that in the case of large water users, specific authorization by Shakopee Public Utilities Commission is also a prerequisite to water availability.

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

Passed in regular session of the Shakopee Public Utilities Commission, this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

Proposed As Consent Item

3h

RESOLUTION #2021-28

A RESOLUTION ADJUSTING FEES APPLIED UNDER THE TRUNK WATER POLICY RESOLUTION

WHEREAS, the Shakopee Public Utilities Commission operates and maintains the municipal water system of the City of Shakopee, such system consisting of a (“blended”) complex of water production, treatment, storage, and delivery facilities interconnected across multiple service districts or pressure zones via a network of trunk and lateral watermains, and

WHEREAS, the trunk water charge fees are a component of water availability charges, and

WHEREAS, the fees established in Resolution #222, which Resolution established the Trunk Water Charge Policy, are intended to be adjusted on the first day of January each year, and

WHEREAS, the fees were last adjusted in 2020 by Resolution #1286 to \$4,662.00 per acre, and

WHEREAS, the Shakopee Public Utilities Commission has received a report by Ehlers Public Finance Advisors dated December 3, 2020, and

WHEREAS, the Shakopee Public Utilities Commission determines an upward adjustment in the trunk water charge equal to 4.75% is warranted at this time to provide adequate funding for the planned trunk water main facilities necessary to serve developing properties with the Commission’s standard of level “A” service (i.e. a robust, redundant, looped water supply and distribution system capable of supplying water safe for human consumption at adequate pressure for domestic and fire protection uses), and

WHEREAS, the Shakopee Public Utilities Commission determines an adjustment in the calculation of net area that is subject to the trunk water charge in each development is now warranted.

NOW THEREFORE, BE IT RESOLVED, that the trunk water charge fees be increased to \$4,884.00 per net acre effective January 1, 2022.

BE IT FURTHER RESOLVED, that the high water level area of storm water ponding shall now be exempt from the Trunk Water Charge.

BE IT FURTHER RESOLVED, that future increases in the trunk water charge fees shall be based on the Ehlers Report until a further updated study is performed.

BE IT FURTHER RESOLVED, that the funds collected from the trunk water charges will be set aside by the Utility and used to pay for construction of trunk water main facilities.

BE IT FURTHER RESOLVED, that water availability shall not be granted until the acceptance by the Utility of payment of all standard water fees requisite by this resolution and by compliance with all other Shakopee Public Utilities Commission resolutions applicable to new services.

BE IT FURTHER RESOLVED, that in the case of large water users, specific authorization by Shakopee Public Utilities Commission is also a prerequisite to water availability.

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

Passed in regular session of the Shakopee Public Utilities Commission, this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

RESOLUTION #2021-33

A RESOLUTION ADOPTING FEES AND CHARGES FOR 2022

WHEREAS, it is desirable to have a general listing of various fees and charges applied by the Shakopee Utilities, and

WHEREAS, the Utilities Commission has adopted various electric and water rates and charges by resolutions separate from this one and wish to keep those rates and charges intact,

NOW THEREFORE, BE IT RESOLVED THAT THE SHAKOPEE PUBLIC UTILITIES COMMISSION, hereby adopts the attached listing of fees, charges, and rates, for the purpose of having a common reference, effective January 1, 2022.

BE IT FURTHER RESOLVED, that this resolution does not invalidate any fees or charges adopted by other resolutions, nor does it preclude the subsequent adoption or application of any fees or charges that may arise for circumstances not covered by the attached list.

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

Adopted in regular session of the Shakopee Public Utilities Commission, this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

SUMMARY OF FEES, CHARGES AND RATES - 2022

Attachment to Resolution #2021-33

Effective January 1, 2022

| | WATER | ELECTRIC | ENGINEERING | CUSTOMER ACCOUNTS & COLLECTIONS |
|--|---|----------------------------------|---|------------------------------------|
| Water Rates | by Resn. | | | |
| Water Connection Charge | by Resn. | | | |
| Trunk Water Charge | by Resn. | | | |
| Hydrant Use | | | | |
| Annual Permit Fee | \$100 (permit is valid until November 15th of the year it was approved) | | | |
| Equipment Deposit for (3/4") | \$250 | | | |
| Equipment Deposit for (2.5") | \$1,000 | | | |
| Minimum Monthly Water Charges | \$75 (includes 10,000 gallons of water) | | | |
| Water Charge | Current Residential Rate (per 1000 gallons for water used after 10,000 gallons) | | | |
| Connection Permit Fee | \$50 | | | |
| Connection Inspection Fee | \$75 | | | |
| Shutoff Fee / Cold Weather | \$75 or \$125 after hrs. | | | |
| Reinstatement Fee | \$75 or \$125 after hrs. | | | |
| Water Meter Fee | by Resn. | | | |
| Special Service Charge | | | | |
| Flushing | \$70/man hr + truck rate | | | |
| WM Inspection | \$70/man hr + truck rate | | | |
| Operate Valves | \$70/man hr + truck rate | | | |
| After Hours | overtime rates will apply | | | |
| Irrigation Valve Fee | \$45/valve | | | |
| Private Hydrant Inspection | \$65 each | | | |
| Standby Fire Protection Charge | \$20/yr | | | |
| Electric Rates | | by Resn. | | |
| Disconnect | | \$25 (730a-600p) \$55 after hrs. | | |
| Reconnect - Electric | | | | \$100 |
| Lake Aerators | | \$6.49/month | | |
| Renters Deposit | | | | |
| electric heat | | | | \$200 |
| gas heat | | | | \$100 |
| Commercial Account Deposit | | | | 1 months typical bill |
| Plan Review and Inspection Fee | | | 100% actual costs. Deposit amt=8.5% of constr. Costs | |
| Underground Charge | | | by Resn. | |
| Seasonal Demand Customer Charge | | | by Resn. | |
| Special Service Charge | | | | |
| Line Switching | | \$70/manhr + equipment charge | | |
| Misc. Work | | \$70/manhr + equipment charge | | |
| After Hours | | overtime rates will apply | | |
| Streetlight Charge | | refer to attachment | | |
| Security Light Charge | | refer to attachment | | |
| Account Setup | | | | \$15 |
| Account Setup - Temp Service | | | | \$50 + tax |
| NSF Charge | | | | \$30 |
| Stop Payment Charge | | | | \$35 |
| Late Payment Charge | | | | 5% of new charges |
| Net Meter Fee - Residential | | | \$85 | |
| Net Meter Fee - Commercial 1 Phase | | | \$85 | |
| Net Meter Fee - Commercial 3 Phase | | | \$85 | |
| Meter Tampering/Theft | | | | \$100 (plus actual costs) |
| Distributed Generation Interconnection Fee | | | | |
| Simplified | | | \$100 | |
| Fast Track - Certified System | | | \$100 + \$1/KW | |
| Fast Track - Non-Certified System | | | \$100 + \$2/KW | |
| Study | | | \$1,000 + \$2/KW Down Payment - Additional Fees May Apply | |

SHAKOPEE PUBLIC UTILITIES STREET LIGHTING DEVELOPER INSTALLATION COSTS*

Effective January 1, 2022

| LIGHT TYPE | POLE TYPE | EXISTING CHARGE | 2022 CHARGES |
|---|---|-----------------|--------------|
| RESIDENTAIL LED STANDARD 160W LED RECTILINEAR | 24' ALUMINUM POLE | \$1,455.00 | \$1,530.00 |
| COLLECTOR SINGLE INSTALLATION 160W LED RECTILINEAR | 34' ALUMINUM POLE | \$3,050.00 | \$3,200.00 |
| COLLECTOR LED STANDARD GROUP CONTROL | 34' ALUMINUM POLE | \$3,665.00 | \$3,850.00 |
| RESIDENTAIL LED - PRIOR LAKE** | 18' ALUMINUM POLE | \$1,455.00 | \$1,530.00 |
| COLLECTOR LED - BREAKAWAY | 30' ALUMINUM POLE WITH BREAKAWAY BASE | \$4,745.00 | \$4,980.00 |

* FOR TYPICAL MULTIPLE UNITS INSTALLED AS A PART OF A NEW UNDERGROUND ELECTRIC DISTRIBUTION SYSTEM EXTENSION INCLUDES 3 YEARS OF OPERATION AND MAINTENANCE COST

** DOES NOT INCLUDE 3YR ENERGY OR MAINTENANCE SINCE PRIOR LAKE IS BILLED MONTHLY

SHAKOPEE PUBLIC UTILITIES SECURITY LIGHTING RATE SCHEDULE

Effective January 1, 2022

| SIZE | TYPE | 2021 Charge | 2022 Charge |
|-------------------------|--------------|-------------|-------------|
| 100W | HPS | \$9.75 | \$9.80 |
| 100W | HPS CM | \$5.50 | \$5.55 |
| 250W | HPS | \$18.00 | \$18.20 |
| 250W | HPS CM | \$7.75 | \$7.85 |
| 400W | HPS | \$27.00 | \$27.30 |
| 400W | HPS CM | \$10.50 | \$10.60 |
| 1000W | METAL HALIDE | \$60.85 | \$61.45 |
| SMALL (100W HPS EQUIV) | LED | \$5.00 | \$5.05 |
| SMALL (100W HPS EQUIV) | LED CM | \$3.50 | \$3.55 |
| MEDIUM (250W HPS EQUIV) | LED | \$10.25 | \$10.35 |
| MEDIUM (250W HPS EQUIV) | LED CM | \$5.50 | \$5.55 |
| LARGE (1000W MH EQUIV) | LED | \$23.75 | \$24.00 |
| LARGE (1000W MH EQUIV) | LED CM | \$9.50 | \$9.60 |
| PL/SMSC RESIDENTIAL | LED | \$3.50 | \$3.55 |
| PL/SMSC COLLECTOR | LED | \$7.75 | \$7.83 |
| PL/SMSC RESIDENTIAL | HPS | \$9.25 | \$9.35 |
| PL/SMSC COLLECTOR | HPS | \$17.50 | \$17.90 |

CM IS LIGHT INSTALLED ON THE CUSTOMER SIDE OF THE METER . SPU HAS NO MERCURY VAPOR SECURITY LIGHTS

SUMMARY OF FEES, CHARGES AND RATES**EQUIPMENT RATES****Effective January 1, 2022**

| EQUIPMENT & NUMBER | \$/HR |
|---|-----------------|
| Digger Derrick #612 | \$100.00 |
| Bucket Truck #610, 611, 614, 616 | \$65.00 |
| 1 Ton Truck #613, 630, 631, 632, 633, 635, 636, 650 | \$30.00 |
| Pick Up Truck #615, 617, 618, 619, 621, 622, 626, 627, 634, 642, 645, 646, 649 | \$30.00 |
| Tractor / Back Hoe #638 | \$60.00 |
| Trencher #623 | \$50.00 |
| Skid Street #624, #648 | \$50.00 |
| Hydra Vacuum #639, #656 | \$30.00 |
| Air Compressor #628 | \$15.00 |
| Brush Chipper #625, #657 | \$20.00 |
| Hydrant Truck | \$40.00 |
| Valve Maintenance Trailer | \$50.00 |

Rate does not include \$70/HR man hour to operate equipment



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DATE: November 29, 2021

TO: Greg Drent, General Manager *GD*
Jean McGann, Consulting Finance Director *JM*

FROM: Kelley Willemssen, Accounting Supervisor *KW*

SUBJECT: Revisions to Purchasing Policy

Background

At the June 7th, 2021 commission meeting a decision was made to adopt a purchasing policy. The policy has been a great resource to staff, however, we have determined a few areas within the policy that we would like to make recommendation for changes. These changes will continue to follow best practices but will provide an even deeper level of clarity of the purchasing and accounts payable processes.

The purchasing policy attached reflects the recommended changes in the following areas:

- Recurring purchases – purchases that recur each month in the normal course of business that may exceed dollar thresholds require two approvals from within the finance department. These are contractual accounts for services that are approved as part of the budget process. Some vendors, not limited to the ones listed, that fall under this situation include MMPA, Xcel Energy, PERA, League of MN Cities, health care providers and the State of Minnesota.
- Contracts for professional services will require review and approval by department directors and the general manager, within the dollar thresholds established.
- A purchase order shall be required by SPU for any expenditures over \$500.00, except when expenditures are for recurring charges, professional services and contracts, authorized purchases made by credit card or p-card and authorized expense reimbursements.
- Purchasing and bidding requirements - When a quote is preferred or required, two or more quotes will be requested when a good or service is available from more than one source or supplier or when standardization and compatibility is not an overriding consideration.

Recommendation

The Commission is requested to consider adoption of the revised purchasing policy with the recommended revisions.





Purchasing/Contracts Policy

Contract Policy & Procedure

Adopted by Shakopee Public Utilities Commission on: June 7, 2021

The budget allocates funds for the purchase or payment of personnel, supplies, other services and capital. Requests cannot be made for items outside the budget except under special circumstances, which must be approved by the General Manager. The Purchasing Agent is the General Manager. Purchases will be made following the procedures under 2, and applying the following dollar thresholds:

- Purchases less than \$500 may be purchased by authorized staff members
- Purchases of \$2,500 or less may be purchased by Supervisors;
- Purchases of \$2,500 to \$50,000 may be purchased by Department Director or Superintendent;
- Purchases up to \$175,000 may be approved by the General Manager provided purchase amount does not exceed amount authorized by CIP.
- Purchases exceeding \$175,000 must be approved by the Commission.

Recurring purchases – purchases that recur each month in the normal course of business that may exceed dollar thresholds require two approvals from within the finance department. These are contractual accounts for services that are approved as part of the budget process. Some vendors, not limited to the ones listed, that fall under this situation include MMPA, Xcel Energy, PERA, League of MN Cities, health care providers and the State of Minnesota.

Professional services - Shakopee Public Utilities (SPU) is not required to use the competitive bidding process when contracting for professional services, such as those of engineers, lawyers, architects, and accountants, as well as other services requiring technical or professional training like refuse hauling and janitorial services. Contracts for professional services will require review and approval by department directors and the general manager, within the dollar thresholds established.

Insurance contracts - SPU is not required to use the competitive bidding process for insurance contracts; however, SPU must seek requests for proposals for group insurance.

1. Organizations affected: All departments.

Contract Policy & Procedure (Continued)

2. Procedure:

A. Purchase & Bidding Requirements:

| Amount of Purchase: | Type of quote required: | Approval required by: | Written bid specifications: | Sealed bids required | Contract required: | Purchase order required: |
|--|--|----------------------------------|---------------------------------------|----------------------|--------------------|--------------------------|
| Purchases under \$500 | None | None | not required | no | no | No |
| Purchases under \$2,500 | two telephone quotes are preferred when a good or service is available from more than 1 source or supply, or when standardization or compatibility is not an overriding consideration, or in the open market | Supervisor | not required | no | no | Yes |
| Purchases between \$2,500-\$25,000 | two written quotes are preferred when a good or service is available from more than 1 source or supply, or when standardization or compatibility is not an overriding consideration, or in the open market | Dept. Director or Superintendent | as required based on type of purchase | no | no | Yes |
| Purchases over \$25,000 up to \$50,000 | three written quotes required when a good or service is available from more than 1 source or supply, or when standardization or compatibility is not an overriding consideration or purchases through cooperative purchasing agreement | Dept. Director or Superintendent | as required based on type of purchase | no | no | Yes |

| | | | | | | |
|--|--|---|---------------------------------------|-----|---|-----|
| Purchases over \$50,000 up to \$175,000 | three written quotes required when a good or service is available from more than 1 source or supply, or when standardization or compatibility is not an overriding consideration or purchases through cooperative purchasing agreement | General Manager provided purchase amount does not exceed amount authorized by CIP | as required based on type of purchase | no | construction projects yes; commodities at discretion of General Manager | Yes |
| Purchases greater than \$175,000 | General Manager or designee must advertise in SPU's legal newspaper | Commission | required | yes | yes | Yes |
| Capital Improvement Program (CIP) Purchases – see Section E. | | | | | | |

B. Guaranteed Energy Savings Agreements:

- State Statutes authorize SPU to enter into a guaranteed energy savings agreement with a qualified provider for the purpose of implementing comprehensive utility cost-saving measures to improve the energy efficiency of various municipal facilities within SPU so long as the implementation costs will not exceed the amount to be saved in utility and maintenance costs over a twenty year period with said utility and maintenance cost savings guaranteed in writing by the qualified provider. SPU shall follow all requirements as prescribed in Statute related to this authority to enter into Guaranteed Energy Savings Agreements.

Contract Policy & Procedure (Continued)

C. Responsible Contractor Compliance:

- A contractor responding to a solicitation document of a contracting authority shall submit to the contracting authority a signed statement under oath by an owner or officer verifying compliance with each of the minimum criteria in subdivision 3 of Minnesota Statutes, Section 16C.285 at the time that it responds to the solicitation document, and from subcontractors as provided in Section 16C.285, subdivision 4. A contracting authority may accept a signed statement under oath as sufficient to demonstrate that a contractor is a responsible contractor and shall not be held liable for awarding a contract in reasonable reliance on that statement. A prime contractor, subcontractor, or motor carrier that fails to verify compliance with any one of the required minimum criteria or makes a false statement under oath in a verification of compliance shall be ineligible to be awarded a construction contract on the project for which the verification was submitted. A false statement under oath verifying compliance with any of the minimum criteria may result in termination of a construction contract that has already been awarded to a prime contractor or subcontractor or motor carrier that submits a false statement. A contracting authority shall not be liable for declining to award a contract or terminating a contract based on a reasonable determination that contractor failed to verify compliance with the minimum criteria or falsely stated that it meets the minimum criteria. A verification of compliance need not be notarized. An electronic verification of compliance made and submitted as part of an electronic bid shall be an acceptable verification of compliance under this section, provided that it contains an electronic signature as defined in Minnesota Statutes, Section 325L.02, paragraph (h).

D. Cooperative Purchasing Contracts:

- For contracts estimated to exceed \$25,000, SPU must consider the availability, price, and quality of supplies, materials, or equipment available through the state cooperative purchasing venture before buying through another source.
- If SPU is not utilizing the state's cooperative purchasing venture, SPU may consider another national municipal association's purchasing alliance or cooperative created by a joint powers agreement that purchases items from more than one source on the basis of competitive bids or competitive quotations

E. Bidding Requirements:

- When supplies or equipment are competitive in nature, specifications cannot exclude all but one type of equipment or supplies. Proposals and specifications must allow free and full competition. Bidding requirements cannot be avoided by splitting a contract into several contracts, each of which is below the minimum amount requiring sealed bids. For example, SPU cannot purchase \$200,000 of lumber in several transactions, each involving an expenditure of less than \$100,000. However, if materials or work logically fall into two separate contracts because they involve separate transactions, as for the service of contractors specializing in different kinds of work, there is no reason why SPU cannot negotiate the contracts individually without sealed bids if the bids do not exceed the \$175,000 minimum.
- Capital Improvement Program (CIP) purchases – the CIP approved by the Commission is an adopted budget document; therefore, the expenditure has been formally authorized. A resolution should be adopted listing the funding source to give the formal authorization to expend the funds for the purchase.
- Sales tax – Beginning January 1, 2015 purchases made by Shakopee Public Utilities are generally exempt from sales tax. The general exemption, however, does not apply to purchases made by SPU to provide the following goods and services: golf courses, solid waste, and cafes. Certain other exclusions are listed in Statute and should be reviewed on a regular basis. Bidders should specify whether their bid includes sales tax or not. After the work is completed and a purchase order is processed, if the invoice does not itemize sales tax you must obtain a corrected invoice from the vendor if sales tax is applicable on the item purchased. SPU is not subject to the Scott County Sales and Use Tax of 0.5% that went into effect October 1, 2015.

Contract Policy & Procedure (Continued)

E. Bidding Requirements (Continued):

- Consultant services - state law does not require SPU to competitively bid contracts for professional services (i.e. attorney, architect, engineer, accountant, cleaning company, or other person with technical, scientific, or professional training such as refuse hauling).
- Sealed bids are required for purchases exceeding \$175,000, and bids must be advertised by the General Manager or designee in SPU's legal newspaper (Notice to Bidders) and publicly opened and approved by the Commission. In addition to the legal notice, SPU must prepare instructions to bidders and general specifications for sealed bids. Attaching a copy of the proposed contract to the instructions to bidders is required. Sealed bids, including the number of bids received prior to bid opening, are nonpublic. Once opened, the name of the bidder and the dollar amount of the bid are public (all other data is private until completion of the selection process).
- Bids vs. Quotes terminology – always use term quotation unless referring to a sealed bid.
- Bid security (for sealed bids for purchases over \$175,000) in the amount of five percent (5%) of the bid shall be submitted to the General Manager. The bid security guarantees that in the event the bidder's offer is accepted, the bidder will enter into a contract in accordance with the proposal. Bid security of the successful bidder will be returned upon execution of the contract documents. Bid securities of unsuccessful bidders will be returned within a reasonable time period (Minnesota Statutes § 574.27). Failure of the successful bidder to execute the contract and furnish applicable bonds within ten (10) days after receiving written notice of the award shall cause the bid security to be forfeited as liquidated damages to SPU. The Commission at this time may award the contract to the next lower responsible bidder unless the Commission determines that public interest will be better served by accepting a higher bid, or the contract may be re-advertised.
- Rejecting Bids (and related Data Practices laws) - SPU has the right to reject any and all bids (requests for proposals, requests for bids, sealed bids). All data submitted in response to bid requests are private until bids are opened. If bids are rejected prior to the completion of the evaluation or selection process, all data, other than that made public at the bid opening, remain private until a re-solicitation of bids results in completion of the selection process. If the rejection occurs after the completion of the selection process, the data remain public. If a re-solicitation of bids does not occur within one year of the bid opening date, the remaining data become public.

F. Use of Purchase Order Forms:

- A purchase order shall be required by SPU for any expenditures over \$500.00, except when expenditures are for recurring charges, professional services and contracts, authorized purchases made by credit card or p-card and authorized expense reimbursements.

G. Amendments

The contract cost, once established by the Commission, shall represent the maximum obligation to SPU. Any change orders that affect the cost of the contract shall be reviewed by the General Manager and SPU representative managing the contract. The General Manager has the authority to authorize a change order without Commission approval up to a maximum of 15% or \$150,000 of the contract price provided the original contract plus the change order does not exceed the authorized budget. If the change order exceeds this amount, then the General Manager and SPU representative managing the contract will forward the justification for the change order to the Commission for approval. In no event will payment in excess of the authorized budget be made until such approval has been obtained.

Contract Policy & Procedure (Continued)

H. Bond Requirements

The vendor must execute to SPU a performance bond and a payment bond for public work over \$175,000 to protect SPU and all people furnishing work, equipment, materials, or supplies. An irrevocable letter of credit may be accepted in lieu of a performance bond.

No SPU contract is valid, nor may work commence on a bid contract, until the contractor provides a Performance Bond and a Labor and Materials Bond to SPU in accordance with state statute.

I. Certificate of Insurance

Before beginning work on a contract, the Contractor must submit to SPU, and obtain SPU's approval, on a certificate of insurance. This certificate shall be composed of a Standard Form C.I.C.C.-701 or an ACORD 25 form. The certificate of insurance shall list SPU as an additional insured, and shall be maintained at all times and survive termination or expiration of the contract, and provide for the following minimum coverage, unless mutually agreed otherwise:

- *Comprehensive General Liability:* *\$2,000,000.00 per occurrence;
\$4,000,000 aggregate*
- *Automobile Liability for All Automobiles:* *\$2,000,000.00 combined single limit*
- *Workman's Compensation:* *Statutory Amounts*

The insurance cancellation language should state that the company will provide SPU 30 days' written notice of cancellation (include this requirement in bid specifications if applicable).

3. Exceptions:

Any deviation from this Purchasing and Contracts Policy must be approved by the Commission.



Proposed As Consent Item

3k

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DATE: November 29, 2021

TO: Greg Drent, General Manager *GD*
Jean McGann, Consulting Finance Director *JM*

FROM: Kelley Willemssen, Accounting Supervisor *KW*

SUBJECT: Credit card program and policy

Background:

A purchasing card program is established to streamline payment procedures and reduce the administrative burden associated with small dollar, high volume purchases of supplies and services and employee reimbursements. Also, on occasion some vendors are now only accepting credit cards as an acceptable form of payment.

Before implementing the use of credit cards, it is important to first adopt a credit card policy for the use of credit cards by authorized persons.

The proposed credit card policy that we have developed lays out the process for issuance and use of credit cards for authorized persons. Individuals authorized to use credit cards for SPU business purchases will be required to sign a cardholder agreement form prior to issuance and use of a card.

Recommendation

The Commission is requested to consider adoption of the credit card policy.





Credit Card Policy

Credit Card Policy

Purpose:

Shakopee Public Utilities has the authority to make purchases using credit cards under Minnesota Statute §471.382. This policy is implemented to follow the statutory requirements and good management practices with internal controls.

Policy Statement:

Shakopee Public Utilities establishes the following policies for issuance and use of credit cards:

1. The general manager shall issue credit cards only to employees authorized to make purchases. Cardholders must sign an agreement form to use utility credit cards prior to their use. The general manager shall approve the credit card limits for authorized employees within the established purchasing policy.
2. Credit card use by Shakopee Public Utilities employees is restricted to purchases for the utility.
 - a. No personal use of the credit card is permitted. Cardholders who make credit card purchases not approved by Shakopee Public Utilities will become personally responsible for the amount of the purchase.
 - b. Purchases made with the credit card must be consistent with all other state law, including a requirement that claims presented for payment must be in writing and itemized. Cardholders must provide copies of receipts, including vendor name providing the goods and services, to support items charged in credit card bills. Credit card charge receipts are not sufficient receipts for payment because the charge slip lacks the details of what was purchased.
 - c. Purchases that can be made with the credit card include permit fees, office supplies, operating supplies and services, repair and maintenance, motor fuel, training and instruction, airfare, hotel and meals, small equipment and tools, or other necessary purchases for the utility.
3. The utility shall not use credit cards to create a new form of debt. State statutes governing the issuance of debt by a public entity have a number of restrictions attached to the issuance of any obligation.
4. The utility shall pay off credit card charges on a monthly basis.
5. It is the employee's responsibility to report any lost or misplaced credit cards to the Finance Director or General Manager. The Finance Department is required to call and deactivate the credit card as soon as the loss is realized.

RESOLUTION #2021-32

RESOLUTION REGULATING WAGE RANGES

BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION in meeting duly assembled on December 6, 2021, that the Shakopee Public Utilities Commission does hereby amend Resolution #2021-01 and affirm wage ranges in accordance with the rates in "Appendix A" to this Resolution.

BE IT FURTHER RESOLVED that said wage ranges are to become effective from and after January 1st, 2021 as applicable.

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

Passed in regular session of the Shakopee Public Utilities Commission, this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

Appendix "A" To Resolution # 2021-32
Shakopee Public Utilities 2022 Wage Ranges

| Position | Hourly Personnel | | | Salaried Personnel | | |
|--|---------------------|---------|-------|-----------------------|----------|----------|
| | Range (\$ Per Hour) | | | Range (\$ Bi-Weekly) | | |
| General Manager | | | | 6,199.20 | 7,748.80 | 9,298.40 |
| Director of Finance and Administration | | | | 5,168.00 | 6,460.00 | 7,752.00 |
| Planning & Engineering Director | | | | 5,168.00 | 6,460.00 | 7,752.00 |
| Director of Field Operations | | | | 5,168.00 | 6,460.00 | 7,752.00 |
| Electric Superintendent | | | | 4,483.20 | 5,604.00 | 6,724.80 |
| Director of Key Accounts, Marketing & Special Projects | | | | 4,483.20 | 5,604.00 | 6,724.80 |
| IT Supervisor | | | | 4,140.80 | 5,175.20 | 6,210.40 |
| Engineering Supervisor | | | | 4,140.80 | 5,175.20 | 6,210.40 |
| Water Superintendent | | | | 3,797.60 | 4,748.00 | 5,696.80 |
| Accounting Supervisor | | | | 3,456.00 | 4,319.20 | 5,184.00 |
| CS & Billing Supervisor | | | | 3,112.80 | 3,892.00 | 4,669.60 |
| | | | | | | |
| Accounting Specialist | | 26.07 | 32.59 | 39.11 | | |
| Accounting Technician, AP & Human Resources) | | 34.63 | 43.29 | 51.95 | | |
| Administrative Assistant | | 30.35 | 37.95 | 45.84 | | |
| Apprentice Lineman | | 34.63 | 43.29 | 51.95 | | |
| Billing & Customer Service Clerk | | 26.07 | 32.59 | 39.11 | | |
| Billing Specialist (Lead) | | 30.35 | 37.95 | 45.53 | | |
| Dispatcher | | 21.79 | 27.23 | 32.68 | | |
| Electric Supervisor | | 47.47 | 59.35 | 71.21 | | |
| Engineering Technician | | 30.35 | 37.95 | 45.53 | | |
| GIS/Drone Specialist | | 30.35 | 37.95 | 45.53 | | |
| Inventory/Purchasing Specialist | | 26.07 | 32.59 | 39.11 | | |
| Journeyman Lineman | | 38.91 | 48.65 | 58.37 | | |
| Lead Lineman | | 43.20 | 53.99 | 64.80 | | |
| Locator/Meter Specialist | | 21.79 | 27.23 | 32.68 | | |
| Meter Reader | | 21.79 | 27.23 | 32.68 | | |
| Meter/Electronics Technician | PT | 34.63 | 43.29 | 51.95 | | |
| Network Administrator | | 30.35 | 37.95 | 45.53 | | |
| SCADA Specialist/AMI Data Analyst | | 30.35 | 37.95 | 45.53 | | |
| Service Department Lead | | 43.20 | 53.99 | 64.80 | | |
| Storekeeper | | 26.07 | 32.59 | 39.11 | | |
| Temp/Summer Help | PT | 14.83 | 17.18 | 19.53 | | |
| Water Meter Tech | | 21.79 | 27.23 | 32.68 | | |
| Water Operator-Apprentice | | 26.07 | 32.59 | 39.11 | | |
| Water Operator-Journeyman | | 30.35 | 37.95 | 45.53 | | |
| Water Supervisor | | 43.20 | 53.99 | 64.80 | | |
| | | | | | | |
| Duty Pay | 486.50 | Weekly | | | | |
| Duty Pay Holiday | 583.80 | Weekly | | | | |
| | | | | | | |
| Commissioner | 400.00 | Monthly | | | | |
| Commissioner, President | 500.00 | Monthly | | | | |
| MMPA Representative | 75.00 | Monthly | | | | |

Note: Effective January 1, 2022, the compensation limit will be \$192,144.



INFORMATION MEMO

Governor's Salary Cap Law

Local governments cannot pay employees more than 110 percent of the governor's salary without a waiver from the state. State statute and attorney general opinions have discussed the inclusion of overtime, vacation/sick time, deferred compensation, insurance contributions, pensions, and car allowances in the calculation of an employee's salary.

RELEVANT LINKS:

[Minn. Stat. § 43A.17 subd. 9.](#)

A.G. Op., Informal (Jan. 3, 2003).

[Minn. Stat. § 43A.17 subd. 9.](#)

MN Mgmt & Budget: [Local Government Salary Cap and Salary Waiver Process](#).

[Minn. Stat. § 43A.17, subd. 9.](#)

[Minn. Stat. § 43A.17, subd. 1.](#)

[Minn. Stat. § 43A.17, subd. 9\(c\).](#)

[Minn. Stat. § 43A.17, subd. 9\(c\) \(1-3\).](#)

MN Office of the State Auditors: 5/1/2020 [Interpretation of Minn. Stat 43A.17.](#)

I. Limits on compensation

State law limits the amount of compensation political subdivisions may pay employees. The salary cap law does not expressly include elected officials within its scope, and thus, appears to indicate elected officials are not subject to the salary cap limit.

Under the current law, statutory and home rule charter city employees may be paid 110 percent of the governor's salary. Adjustments are made annually based on the Consumer Price Index. Effective Jan. 1, 2022, the State has reported the compensation limit will be \$192,144. In May 2021, MMB advised the salary cap is measured based on the calendar year. For reference, the 2021 compensation limit was \$180,927, and the 2020 limit was \$178,782.

The statutory limitation applies to "salary and the value of all other forms of compensation." Salary is defined as "hourly, monthly, or annual rate of pay including any lump-sum payments and cost-of-living adjustment increases." Employer-provided deferred compensation payments and payroll allocations to purchase an individual annuity contract for an employee are also included as salary. All other direct and indirect forms of compensation that are not specifically excluded must be included in determining an employees' total compensation.

Payments excluded from compensation include the following:

- Employee benefits that are also provided for the majority of all other full-time employees of the political subdivision.
- Vacation and sick leave allowances. Refer to the Mn Office of the State Auditor Opinion linked to the left stating, "*The salary an employee receives while using vacation leave should not be viewed as anything other than a component of the employee's salary. Using vacation leave does not increase or reduce the employee's annual rate of pay. Since using vacation leave does not change one's annual salary, the approach of subtracting a portion of the actual annual salary just because it was received when an employee was on vacation*

This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.

RELEVANT LINKS:

[Minn. Stat. § 43A.17, subd. 9\(e\).](#)

[MN Mgmt. and Budget: Local Government Compensation Limits by Year.](#)

[Minnesota Legislature: Subcommittee on Employee Relations.](#)

[Minn. Stat. § 43A.17, subd. 1.](#)

[Minn. Stat. § 43A.17 subd. 9.](#)

would result in using a figure that does not fit the definition of ‘salary’ under Section 43A.17.”

- Health and dental insurance.
- Disability insurance.
- Term life insurance.
- Pension benefits or like benefits, the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986.
- Dues paid to organizations that are of a civic, professional, educational, or governmental nature.
- Reimbursement for actual expenses incurred by the employee, which the governing body determines to be directly related to the performance of job responsibilities.
- Relocation expenses paid during the initial year of employment.

II. Waiver process

Cities may request a waiver from the commissioner of Minnesota Management & Budget to pay an employee in excess of 110 percent of the governor’s salary. The city must show the position requires special expertise necessitating a higher salary to attract or retain a qualified person. The commissioner reviews each waiver request against the salary rates of other positions with similar responsibilities in the state and nation and must notify the Legislative Coordinating Commission to receive the commission’s advisory recommendation on the waiver. The waiver is tied to a position, versus a specific employee. Thus, once a person leaves a position any previously awarded waiver remains in effect for that position when hiring a new employee. Once a city has received a waiver for a position, additional annual increases can be given based on the Consumer Price Index without the request of a new waiver. As of January 1, 2022, existing waivers will increase by 6.2%. For reference, existing waivers increased by 1.2% in 2021.

The Legislative Coordinating Commission’s Subcommittee on Employee Relations maintains a listing of salary cap waivers.

III. Common concerns

A. Overtime and the salary limit

The statutory subdivision defining salary excludes payments due to overtime worked. However, the subdivision that creates the salary compensation limit does not include overtime in the list of specific exceptions. The common practice is to not consider overtime as compensation in determining the salary limit, but each city should get specific advice from its city attorney.

RELEVANT LINKS:

29 C.F.R. 541.604 (Fair Labor Standards Act).

A.G. Op. 161b-12 (Aug. 4, 1997).

OSA Statement of Position
“Car Allowance and Mileage Reimbursement.”

Minn. Stat. § 43A.17, subd. 9(c) (3).

A.G. Op. (Nov. 21, 2005).

Most city employees reaching the salary cap are exempt employees who are generally not paid overtime. However, a city can pay overtime to an exempt employee pursuant to an employment contract or personnel policy that permits an exempt employee to receive overtime compensation for hours worked beyond the normal job requirements.

B. Allowances

Officials sometimes receive a “cash allowance” for the personal use of a car, an “expense allowance,” or a “housing allowance” regardless of actual expenses. Generally, these forms of compensation are considered part of the position’s salary.

However, reimbursement for “actual expenses incurred” by the employee, such as mileage reimbursements for travel on official business, should not be included as salary. If an employee receiving a cash allowance for use of a car tracks his or her mileage, that cash allowance may arguably be excluded from the salary cap.

C. Calculating benefit cost

For purposes of calculating the cost of a benefit that must be included as salary to the employee, the value of other forms of compensation is the annual cost to the political subdivision.

D. Insurance differentials

Some cities may allow their management team a higher insurance contribution for health insurance than other employees receive. There are likely a couple of different ways to look at whether cities must count the difference as salary for calculating the cap. Some cities believe any contribution by the city toward benefits exceeding what other employees receive is included in salary. Other cities interpret the employer’s contribution as excluded, regardless of the amount, since there is no language “provided to a majority of other employees” included with the health and dental insurance exclusion language in the statute.

The attorney general has stated that the benefit does not have to be equal to be excluded because it is a common practice for employers to award benefits at different levels based on factors such as longevity or position held. Since this is a matter of interpretation, cities are strongly encouraged to work with their city attorney and city auditor regarding what additional compensation, if any, in the way of benefits is appropriate for employees.

Federal health care reform is likely to make unequal payments to highly compensated employees problematic in the future. Therefore, cities should review this practice with the city attorney.

RELEVANT LINKS:

A.G. Op. 161b-12 (Aug. 4, 1997).

A.G. Op. 161b-12 (Aug. 4, 1997).

Minn. Stat. § 43A.17, subd. 9(c) (1-3).

Minn. Stat. § 43A.17, subd. 9(c).

Minn. Stat. § 353.028, subd. 3.

E. Accrued leave payouts

Upon termination of the employment relationship, unused vacation and sick time may be paid to the employee without being included in the salary limit. An employment contract that allows the employee to cash in accrued vacation or sick time during the employment relationship is compensation that must be included in the salary determination as a “lump sum payment.”

F. Life insurance exclusions from the salary cap

The value of term life insurance is specifically excluded from the employee’s salary by statute. Split-dollar life insurance policies and other types of life insurance would be considered compensation and must be included in the employee’s salary. In a split-dollar life insurance policy, the city and the employee share the cost and the benefit of the policy.

G. Contributions to employee post-employment health savings accounts

City contributions to the employee’s post-employment health savings account are not likely counted toward the salary cap limit. Such contributions would probably be covered by the exemption for “pension benefits or like benefits, the cost of which is borne by the employee or which is not subject to tax as income under the Internal Revenue Code of 1986.”

H. Which pension benefits should be included in the employee’s salary?

Employer contributions to any deferred compensation plans should be included as salary. Common types of deferred compensation plans for city employees include 403(b), 457(b), or 457(f) plans. Employee contributions are not considered salary because they have already been counted as salary received from the employer and therefore should not be counted twice.

I. PERA and city managers

A city may contribute to a deferred compensation plan or the PERA-administered defined contribution plan for a city manager who elects to be excluded from membership in the PERA general employees retirement plan. The city may contribute up to the amount the city manager would receive as an employer contribution if the city manager were a member of the general employees retirement plan.

RELEVANT LINKS:

Minn. Stat. § 356.24.



The city's contribution would not be included for salary cap calculation purposes, but any agreement must be in writing. If contributing to a deferred compensation plan, the program must be administered by the Minnesota State Retirement System or meet the requirements of section 457 of the Internal Revenue Code of 1986, as amended. While the law allows a city to contribute up to one-half the amount allowed by the Internal Revenue Code on a dollar-for-dollar matching basis, only the amount that is in lieu of a PERA contribution can be excluded from the salary cap.

IV. Conclusion

The salary cap law continues to change. For many years, the state Legislature has enacted and amended the law that limits the maximum amount of money a public employee may earn. Numerous amendments and revisions make for a complicated statute. Best practice suggests careful consultation with the city attorney for current law and guidance on specific salary limits.



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TO: Greg Drent, General Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: West Shakopee Substation Power Transformer Bid Notice Issued
DATE: December 2, 2021

ISSUE

Staff is informing the Commission that bid notices went out recently for the West Shakopee Substation Power Transformer.

BACKGROUND

The power transformer is the heart of the electrical substation and transforms the 115,000 volts high voltage delivered by the transmission system to the distribution voltage level of 12,470 volts. It is the longest lead item in constructing a new substation. Lead times being quoted range from 52 to over 104 weeks at present.

The capacity of the power transformer will be a base 15 MVA unit with multiple levels of cooling that brings the top capacity rating up to 28 MVA. This is identical to the power transformers in SPU's Shakopee and South Shakopee substations.

DISCUSSION

The current estimated cost range for a power transformer of this capacity is between \$900,000 and \$1,000,000, depending on delivery time. Delivery times are highly dependent on the individual manufacturer's queue of existing and planned orders. Multiple options for the delivery times will be bid so they can be evaluated as to what is in the best interest of the utility.



Bids are due December 27, 2021 at 3 pm. Once received and evaluated, a bid award recommendation will be brought to the Commission for action.

REQUESTED ACTION

This is an information item; no action is necessary at this time.



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TO: Greg Drent, General Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: Amendment to CR 83 Agreement with Scott County
DATE: December 2, 2021

ISSUE

Scott County recently opened new bids for the CR 83 reconstruction project, including water main improvements, and the bid prices were within the engineer's estimate this time both overall and for the water main.

BACKGROUND

The project originally included replacing the existing CR 83 18-inch water main along the entire length of the project, approximately 5,000 feet. The bids last year came in not only higher than expected for the overall project due the economic conditions and timing of the bidding period, but there was a significant cost aberration on multiple water main items. After much discussion, including direct conversations between Commissioners and County Board members, the bids were rejected and the project was re-bid with a scaled back amount of water main work.

DISCUSSION

The current plans will include some water main replacement to up size pipe diameter in select spots, add valves and relocate hydrants with the goal to enable the eventual water main replacement with a minimum disruption of the roadway surface improvements. But the existing water main pipe, being less than 50 years of age, it was determined given the high cost of total replacement to limit the work now to stay within budget and save the water rate payers significant cost.

The Commission previously entered into a Construction Cooperative Agreement with Scott County to be a part of their project and the terms need to be amended to reflect the revised scope of the water main work. A draft amendment is attached for review that illustrates the proposed changes.



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The Scott County board has authorized their staff and attorney to negotiate the terms of the amendment and their attorney is still reviewing the draft as are we and the Commission's attorney.

The apparent new low bid results in SPU's water main construction costs being \$854,055.50 plus engineering and inspecting. The total project costs are now estimated to be under the 2022 CIP budget of \$1,080,000 and considerably less than the original low bid of over \$2,000,000 for water main replacement.

RECOMMENDATION

Staff recommends the Commission authorize execution of the final amendment subject to attorney review and consistent with the terms contemplated in the attached draft First Amendment to (Construction Cooperative) Agreement.

[Type here]

[Type here]

County Project No. CP 83-24
Shakopee Public Utilities Commission
County of Scott

FIRST AMENDMENT TO AGREEMENT

This First Amendment to the Construction Cooperative Agreement by and between the County of Scott, and Shakopee Public Utilities Commission, 255 Sarazin Street, Shakopee, MN 55379 approved and effective on December 1, 2020, is made and entered into by and between the County of Scott, hereinafter referred to as the "County," and Shakopee Public Utilities Commission, hereinafter referred to as "SPUC."

WITNESSETH THAT:

WHEREAS, SPUC has entered into an agreement with the County, effective December 1, 2020, for the provision of preliminary and final design professional services and cost sharing of construction as a part of County Project (CP) 83-24 (hereinafter referred to as the "Project"); and

WHEREAS, in the original Project design, SPUC was to replace the 18" watermain along CH 83 but has since decided instead to make modifications to the watermain infrastructure that is already in place. To make this change, the County's Project construction plans need to be revised; and

WHEREAS, SPUC has agreed to pay for this design change to the County's Project plans but will make payment directly to Kimley Horn (the County's design consultant for the project) for the actual design costs incurred for their portion of the Project design costs under a separate agreement; and

WHEREAS, SPUC and the County find it to be to their mutual benefit to revise the terms of the aforementioned Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree that the aforementioned Agreement is amended as follows:

1. Recital C, SHALL BE AMENDED AS FOLLOWS (deletions struck through, additions underlined):

~~Separate and apart from the Project, SPUC plans to install an eighteen (18) inch water main in the Project area along CH 83 that will connect into the existing SPUC trunk water main system. The total length of the eighteen (18) inch trunk water main extension is approximately forty eight hundred (4800) lineal feet. Associated additional water main, pipe casings, gate valves, and hydrants will also be installed. All work together hereinafter referred to as "SPUC's Work."~~

SPUC plans to retain an eighteen (18) inch water main in the Project area of approximately forty-eight hundred (4800) lineal feet. SPUC plans to modify or relocate valves, hydrants, and install water main extensions/crossings and pipe casings as appropriate. All work determined by SPUC shall be referred to as "SPUC's Work."

2. Recital E, SHALL BE AMENDED AS FOLLOWS (deletions struck through, additions underlined):

~~The County Engineer has prepared an estimate of quantities and unit prices of material and labor for the above described Project and an estimate of the total cost for SPUC's Work in the sum of one million twenty nine thousand eight hundred ninety nine dollars and no cents~~

[Type here]

[Type here]

County Project No. CP 83-24
Shakopee Public Utilities Commission
County of Scott

~~(\$1,029,899.00). A copy of said estimate, hereinafter incorporated into this agreement and referred to as Exhibit B.~~

The County Engineer has prepared an estimate of quantities and unit prices of material and labor for the above-described Project and an estimate of the total cost for SPUC's Work in the sum of eight hundred twenty two thousand nine hundred ten dollars and zero cents (\$822,910.00). A copy of this estimate is attached as Exhibit B and is hereby incorporated by reference into the Agreement.

3. Clause 2, SHALL BE AMENDED AS FOLLOWS (deletions struck through, additions underlined):

~~The County agrees to provide preliminary and final design work and services to include SPUC's Work within its Project. The plan set for the Project will be designed and prepared by the County's design consultant, Kimley-Horn and Associates, Inc., in accordance with SPUC requirements for its portion of the work as requested by SPUC, including:~~

- ~~a. All watermain, hydrant, valve, and related work being added with the Project per the construction plans. This includes final plan drawings, watermain and associated system detail sheets, and tables as directed by SPUC staff.~~
- ~~b. Special provisions for the watermain, hydrant, and valve work being included in the construction plans and specifications as directed by SPUC staff. These provisions shall include, but not be limited to, providing for per unit bidding and changes in design quantities.~~

In addition to payment of SPUC's share of the contract construction cost, SPUC further agrees to pay for the design services relating to SPUC's Work as directed by SPUC staff, including preliminary and final plan drawings, water main and associated system detail sheets, and tables, and all actual costs of planning, design, and preparation of plans and specifications for SPUC's Work. The County has retained Kimley-Horn and Associates, Inc. as its design consultant for the Project

Clause 9, SHALL BE AMENDED AS FOLLOWS (deletions struck through, additions underlined):

~~In addition to payment of SPUC's share of the contract construction cost, SPUC further agrees to pay for its design services as described here which includes all actual costs of planning, design and preparation of plans and specifications, at an agreed upon sum of thirty-nine thousand dollars and no cents (\$39,000.00).~~

———In addition to payment of SPUC's share of the contract construction cost, SPUC further agrees to pay for its design services as described here which includes all actual costs of planning, design and preparation of plans and specifications, at an agreed upon sum of thirty-nine thousand dollars and no cents (\$39,000.00). Additionally, SPUC shall remit payment for the redesign of SPUC's work directly to the design consultant under a separate agreement.

5. Clause 10, SHALL BE AMENDED AS FOLLOWS (deletions struck through, additions underlined):

[Type here]

[Type here]

County Project No. CP 83-24
Shakopee Public Utilities Commission
County of Scott

SPUC further agrees to contribute to costs designated as a percentage of Contract work for SPUC's Work:

- a. ~~mobilization and traffic control by paying four percent (4%);~~
- b. a. construction engineering and inspection at two percent (2%); and
- e. b. contract administration at three percent (3%).

6. OTHER CONTRACT PROVISIONS

All other terms and conditions of the Agreement not specifically amended here shall continue with full force and effect.

(SEAL)

By _____
Kathleen Mocol, President

Date _____

By _____
Greg Drent, General Manager

Date _____

COUNTY OF SCOTT

ATTEST:

By _____
Jon Ulrich, Chair of Its County Board

Date _____

By _____
Lezlie Vermillion, County Administrator

Date _____

**Upon proper execution, this agreement
will be legally valid and binding.**

By _____
Jeanne Andersen, Assistant County Attorney

Date _____

RECOMMEND FOR APPROVAL:

By _____
Anthony J. Winiecki, County Engineer

Date _____

~~Exhibit B~~

CSAH 83 IMPROVEMENTS FUNDING SPLIT
NOVEMBER 2019[illegible]

~~Exhibit B~~

CSAH 83 IMPROVEMENTS FUNDING SPLIT
NOVEMBER 2019[illegible]

Exhibit B

CSAH 83 IMPROVEMENTS FUNDING SPLIT
NOVEMBER 2019

| Total Contract | | | | | | | | | | County Cost Participation Policy | | | | | | | | | | | | TIF | | CITY (12TH AVENUE) EAST OF CSAH 83 | | SPUC | | | | | | | |
|-------------------------------------|--------------|------------------------------------|-------|----------|------------|---------------|----------|--------------|----------|----------------------------------|----------|------------|----------|------------|----------|---|----------|--------------|----------|------------|----------|------------|----------|---------------------------------------|--|------|--|------------------------------|-----|-----|--------|-----|-----|
| | | | | | | | | | | Highway Improvements | | | | | | Build, Repair & Rehabilitation Improvements | | | | | | | | | | | | Bike Lane Trails & Sidewalks | | | | | |
| | | | | | | | | | | City | | | County | | | City | | | County | | | | | | | | | City | | | County | | |
| | | | | | | | | | | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | | | | | | | 50% | 50% | 50% | 50% | 50% | 50% |
| Item No. | Material No. | Item Description | Unit | Quantity | Unit Price | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount | | | | | | | | | |
| 101 | 2504 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 2100 | 5.75 | 12,075.00 | 5177 | 29,852.75 | 20762 | 119,537.50 | | | | | | | | | | | | | | | | | | | | | | | |
| 106 | 2505 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 195 | 5.50 | 1,072.50 | 152 | 835.00 | 720 | 3,990.00 | | | | | | | | | | | | | | | | | | | | | | | |
| 107 | 2506 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 2430 | 5.50 | 13,365.00 | 480 | 2,640.00 | 1628 | 8,994.00 | | | | | | | | | | | | | | | | | | | | | | | |
| 108 | 2507 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 150 | 5.50 | 825.00 | 20 | 110.00 | 95 | 522.50 | | | | | | | | | | | | | | | | | | | | | | | |
| 109 | 2508 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 450 | 5.50 | 2,475.00 | 100 | 550.00 | 868 | 4,774.00 | | | | | | | | | | | | | | | | | | | | | | | |
| 110 | 2509 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 100 | 5.50 | 550.00 | 30 | 165.00 | 132 | 726.00 | | | | | | | | | | | | | | | | | | | | | | | |
| 111 | 2510 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 100 | 5.50 | 550.00 | 100 | 550.00 | 700 | 3,850.00 | | | | | | | | | | | | | | | | | | | | | | | |
| 112 | 2511 200 | 1" SOLID LINEAL FT CONCRETE IN PAV | LS FT | 500 | 5.50 | 2,750.00 | 100 | 550.00 | 450 | 2,475.00 | | | | | | | | | | | | | | | | | | | | | | | |
| Subtotal | | | | | | 11,107,500.00 | | 1,011,118.85 | | 1,026,837.40 | | 153,700.00 | | 213,730.00 | | 187,230.00 | | 1,424,230.00 | | 181,110.00 | | 185,230.00 | | | | | | | | | | | |
| 5% Contingency | | | | | | 555,375.00 | | 50,555.94 | | 51,341.87 | | 7,685.00 | | 10,686.50 | | 9,361.50 | | 71,115.00 | | 9,055.50 | | 9,361.50 | | | | | | | | | | | |
| TOTAL | | | | | | 11,662,875.00 | | 1,061,674.79 | | 1,078,179.27 | | 161,385.00 | | 224,416.50 | | 196,591.50 | | 1,495,345.00 | | 190,165.50 | | 194,591.50 | | | | | | | | | | | |
| 5% Escalation (2019-2020) | | | | | | 583,143.75 | | 53,047.29 | | 54,047.29 | | 8,006.25 | | 11,206.25 | | 9,806.25 | | 76,665.75 | | 9,706.25 | | 10,006.25 | | | | | | | | | | | |
| TOTAL PRELIMINARY CONSTRUCTION COST | | | | | | 12,246,018.75 | | 1,114,722.08 | | 1,132,226.56 | | 169,391.25 | | 235,622.75 | | 206,397.75 | | 1,571,950.75 | | 199,871.75 | | 204,597.75 | | | | | | | | | | | |

| | | |
|--------------|----|--------------|
| Total County | \$ | 1,520,731.95 |
| Total City | \$ | 4,060,146.00 |
| Total SPUC | \$ | 1,870,988.90 |

1. INCLUDES 5% CONTINGENCY AND 5% ESCALATION FROM 2019 TO 2020 CONSTRUCTION PRICING.
2. ASSUMES A CONCRETE PAVEMENT SECTION OF 7" OF CONCRETE, 4" OF AGGREGATE BASE, AND 12" SELECT GRANULAR MATERIAL FOR CSAH 83.
3. ASSUMES A BITUMINOUS PAVEMENT SECTION OF 2" OF AGGREGATE BASE, AND 24" SELECT GRANULAR MATERIAL FOR SIDE STREETS AND PARKING LOTS.
4. ASSUMES A NEW TRAFFIC SIGNAL AT THE 12TH AVENUE AND BARRICKSBERG BLVD INTERSECTION, AS WELL AS SIGNAL MODIFICATIONS TO BOTH THE SIGNALS.
5. DOES NOT INCLUDE BARRICKSBERG TRAFFIC SIGNALS.
6. INCLUDES AN ALLOWANCE FOR ESCALATION FOR LIFETIME TRAFFIC SIGNALS.
7. DOES NOT INCLUDE ANY RIGHT-OF-WAY COSTS.
8. DOES NOT INCLUDE ANY COSTS FOR WETLAND MITIGATION CONSTRUCTION.
9. DOES NOT INCLUDE NORTH-HAVEN CONSTRUCTION.

Exhibit B

Preliminary Cost Estimate
Based on 100% Plans
All estimates subject to change

| Scott County Local Cost Participation Policy | | Minor Arterial CP 83-24 | | | | |
|--|---|---------------------------------|-----------------|--------------|-----------------|-----------------|
| | | County | Shakopee | SPUC | MnDOT | Total |
| Federal Funding Eligible Construction Costs | Highway Improvements - Reconstruction/Expansion | | | | | |
| | Clearing Grubbing Contract | \$ 21,000.00 | \$ 21,000.00 | | | |
| | Total Hwy Imp Estimate* | \$10,150,239.00 | \$10,150,239.00 | | | |
| | Cost Participation Percentage | 80% | 20.00% | | | |
| | Total Hwy Imp Cost | \$8,136,991.20 | \$2,034,247.80 | | | \$10,171,239.00 |
| | Traffic Signals & Intersection Improvements | | | | | |
| | EVP System B Estimate* | \$7,500.00 | \$7,500.00 | | | |
| | Cost Participation Percentage | 50% | 50% | | | |
| | EVP System B Cost | \$3,750.00 | \$3,750.00 | | | \$7,500.00 |
| | Traffic Control Interconnect Estimate* | \$10,000.00 | \$10,000.00 | | | |
| | Cost Participation Percentage | 90% | 10% | | | |
| | Traffic Control Interconnect Cost | \$9,000.00 | \$1,000.00 | | | \$10,000.00 |
| | Traffic Control Signal System B Estimate* | \$300,000.00 | \$300,000.00 | | | |
| | Cost Participation Percentage | 50% | 50% | | | |
| | Traffic Control Signal System B Cost | \$150,000.00 | \$150,000.00 | | | \$300,000.00 |
| | Traffic Control Signal System C Estimate**** | \$0.00 | \$0.00 | | \$23,357.00 | |
| | Cost Participation Percentage | 0% | 0% | | 100% | |
| | Traffic Control Signal System C Cost | \$0.00 | \$0.00 | | \$23,357.00 | \$23,357.00 |
| | Total Traffic Signals & Intersection Improvements Cost | \$162,750.00 | \$154,750.00 | \$0.00 | \$23,357.00 | \$340,857.00 |
| | Multi-Use Trails & Sidewalks | | | | | |
| | Total Trail, Sidewalk, ADA Estimates** | \$457,750.00 | \$457,750.00 | | | |
| | Cost Participation Percentage | 48.00% | 52.00% | | | |
| | Total Trail, Sidewalk, ADA Cost | \$220,662.50 | \$237,087.50 | | | \$457,750.00 |
| Total Federal Funding Eligible Construction Cost | \$8,520,403.70 | \$2,426,085.30 | \$0.00 | \$23,357.00 | \$10,969,846.00 | |
| Federal Funding Allocation Percentage** | 77.84% | 22.16% | | | | |
| Federal Funding Allocation (Using Allocation %) | \$4,779,650.44 | \$1,360,949.56 | | | \$6,140,600.00 | |
| ESTIMATED TOTAL FEDERAL ELIGIBLE CONSTRUCTION COST | \$3,740,753.26 | \$1,065,135.74 | \$0.00 | \$23,357.00 | \$4,829,246.00 | |
| Non-Eligible Costs Construction Costs | Landscaping | | | | | |
| | Landscaping Estimate* | \$ 177,578.00 | \$ 177,578.00 | | | |
| | Cost Participation Percentage | 50% | 50% | | | |
| | Total Landscaping Cost | \$88,789.00 | \$88,789.00 | | | \$177,578.00 |
| | Utilities | | | | | |
| | Utilities Estimate* | | \$71,280.00 | \$822,910.00 | | |
| | Cost Participation Percentage | | 100% | 100% | | |
| | Total Utilities Cost | | \$71,280.00 | \$822,910.00 | | \$894,190.00 |
| | TIF Costs | | | | | |
| | TIF Estimate* | | \$1,417,348.00 | | | |
| | Cost Participation Percentage | | 100% | | | |
| | City TIF Cost | | \$1,417,348.00 | | | \$1,417,348.00 |
| | City (12th Avenue) East of CH 83 | | | | | |
| | City 12th Ave Estimate* | | \$428,527.50 | | | |
| | Cost Participation Percentage | | 100% | | | |
| | City 12th Ave Cost | | \$428,527.50 | | | \$428,527.50 |
| | Estimated Total Non-Eligible Construction Cost | \$88,789.00 | \$2,005,944.50 | \$822,910.00 | \$0.00 | \$2,917,643.50 |
| Total Est Fed Eligible + Est Non-Eligible Construction Cost | \$3,829,542.26 | \$3,071,080.24 | \$822,910.00 | \$23,357.00 | \$7,746,889.50 | |
| | | County | Shakopee | SPUC | MnDOT | Total |
| Non-Eligible Other Costs | Right of Way | | | | | |
| | Total ROW Estimate | \$2,117,500.00 | \$2,117,500.00 | | | |
| | Cost Participation Percentage | 55.00% | 45.00% | | | |
| | Total ROW & Wetland Cost | \$1,164,625.00 | \$952,875.00 | \$0.00 | \$0.00 | \$2,117,500.00 |
| | Engineering and Construction Engineering/Admin | | | | | |
| | Estimated Total Construction Costs Prior to Fed Funding** | | \$4,432,029.80 | \$822,910.00 | | |
| | Cost Participation Percentage | | 21.0% | 5.0% | | |
| | Total Engineering Cost | \$0.00 | \$930,726.26 | \$41,145.50 | | \$971,871.76 |
| | Fiber | | | | | |
| | Cost Participation Percentage | 100% | | | | |
| | Total Fiber Cost | \$45,000.00 | | | | \$45,000.00 |
| | Total Non-Eligible Other Costs | \$1,209,625.00 | \$1,883,601.26 | \$114,145.50 | \$0.00 | \$3,207,371.76 |
| | Snapshot Summary | | County | Shakopee | SPUC | MnDOT |
| Total Federal Funding Eligible Construction Cost | | \$8,520,403.70 | \$2,426,085.30 | | \$23,357.00 | \$10,969,846.00 |
| Federal Funding Allocation | | \$4,779,650.44 | \$1,360,949.56 | | | \$6,140,600.00 |
| ESTIMATED TOTAL FEDERAL ELIGIBLE CONSTRUCTION COST | | \$3,740,753.26 | \$1,065,135.74 | \$0.00 | \$23,357.00 | \$4,829,246.00 |
| Total Landscaping Cost | | \$88,789.00 | \$88,789.00 | | | \$0.00 |
| Total Utilities Cost | | | \$71,280.00 | \$822,910.00 | | \$894,190.00 |
| City TIF Cost | | | \$1,417,348.00 | | | |
| City 12th Ave Cost | | | \$428,527.50 | | | |
| Estimated Total Non-Eligible Construction Cost | | \$88,789.00 | \$2,005,944.50 | \$822,910.00 | \$0.00 | \$2,917,643.50 |
| Total Est Fed Eligible + Est Non-Eligible Construction Cost | | \$3,829,542.26 | \$3,071,080.24 | \$822,910.00 | \$23,357.00 | \$7,746,889.50 |
| Total ROW & Wetland Cost | | \$1,164,625.00 | \$952,875.00 | | | \$2,117,500.00 |
| Total Engineering Cost | | \$0.00 | \$930,726.26 | \$41,145.50 | | \$971,871.76 |
| Total Fiber Cost | | \$45,000.00 | | | | \$45,000.00 |
| PROJECT TOTAL COSTS | | \$5,039,167.26 | \$4,954,681.50 | \$894,055.50 | \$23,357.00 | \$10,891,261.26 |
| *No inflation or risk included | | | | | | |
| **Trail estimate based on 10' and 8' costs split | | | | | | |
| ***Actual construction costs will change Federal allocation percentage | | | | | | |
| ****MnDOT providing state furnished materials for Signal Systems C & D | | | | | | |
| | | Project Total with Fed Funding | | | | |
| | | \$17,021,861.25 | | | | |
| | | City of Shakopee less TIF Costs | | | | |
| | | \$3,537,333.50 | | | | |



ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

Final Report

December 6, 2021



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates



December 6, 2021

Shakopee Public Utilities Commission

255 Sarazin Street
PO Box 470
Shakopee, MN 55379

Subject: Electric Rate Study

Commission Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Shakopee Public Utilities (SPU) charges its customers for electric service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

The recommended rate adjustments have been made based on overall revenue and cash reserve needs of the utility and the results of a cost-of-service analysis. As a result of the study undertaken, a series of 1% annual increases for the years 2022 through 2025 have been recommended for the electric utility. These adjustments have been designed to help ensure the continued financial strength of SPU. The increases will not affect all customers equally and specific rate design recommendations are included for each retail rate class.

Thank you for the opportunity to be of service to SPU through the conduct of this study. I wish to express my appreciation for the valuable assistance I received from SPU staff relative to the execution of this study.

Sincerely,

Dave Berg Consulting, LLC

A handwritten signature in dark ink, appearing to read 'David A. Berg', is written over a light gray circular background.

David A. Berg, PE
Principal

Dedicated to providing personal service to consumer-owned utilities

Dave Berg Consulting, LLC | 15213 Danbury Ave W, Rosemount, MN 55068 | 612-850-2305

www.davebergconsulting.com

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 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 | \$51,230,298 | \$52,203,118 | \$53,193,358 | \$54,201,348 |
| Less Operating Expenses | (46,009,951) | (47,049,981) | (48,455,643) | (49,678,552) | (51,013,101) |
| 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>(3,149,206)</u> | <u>(3,210,364)</u> | <u>(3,272,661)</u> | <u>(3,336,119)</u> |
| Change in Net Position | \$3,787,159 | \$2,782,972 | \$2,299,786 | \$2,015,960 | \$1,637,416 |
| Net Position as Percent of Revenues | 7.5% | 5.4% | 4.4% | 3.8% | 3.0% |

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 \$26.3 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 | \$30,885,609 | \$28,845,380 | \$24,100,480 |
| Plus Change in Net Position | 3,787,159 | 2,782,972 | 2,299,786 | 2,015,960 | 1,637,416 |
| 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 | \$30,885,609 | \$28,845,380 | \$24,100,480 | \$26,319,368 |
| % of Operating Revenues | 80% | 60% | 55% | 45% | 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 | 29,975,394 | 30,248,401 | 30,524,477 | 30,803,659 |
| Uncollectible Accounts | (65,319) | (51,746) | (71,802) | (61,116) | (258,532) | (180,514) | (183,940) | (187,428) | (190,978) | (194,591) |
| Total Sales of Electricity | \$ 45,107,530 | \$ 45,787,035 | \$ 49,234,598 | \$ 48,514,846 | \$ 46,327,915 | \$ 49,137,622 | \$ 50,070,314 | \$ 51,019,648 | \$ 51,985,938 | \$ 52,969,502 |
| Other Operating Revenues | | | | | | | | | | |
| Forfeited Discounts | \$ 250,448 | \$ 248,556 | \$ 252,538 | \$ 304,445 | \$ 60,835 | \$ 272,625 | 288,535 | 294,006 | 299,574 | 305,242 |
| 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 | 746,683 | 760,955 | 775,482 | 790,269 |
| Total Other Operating Revenues | \$ 1,094,571 | \$ 1,100,007 | \$ 1,158,891 | \$ 1,135,968 | \$ 870,373 | \$ 1,126,419 | \$ 1,159,984 | \$ 1,183,470 | \$ 1,207,420 | \$ 1,231,846 |
| Total Operating Revenues | \$ 46,202,101 | \$ 46,887,042 | \$ 50,393,489 | \$ 49,650,814 | \$ 47,198,288 | \$ 50,264,041 | \$ 51,230,298 | \$ 52,203,118 | \$ 53,193,358 | \$ 54,201,348 |
| 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 | 746,683 | 760,955 | 775,482 | 790,269 |
| Total Customer Accounts | \$ 1,210,673 | \$ 1,252,284 | \$ 1,319,120 | \$ 1,376,131 | \$ 1,396,083 | \$ 1,811,619 | \$ 1,491,748 | \$ 1,528,372 | \$ 1,565,922 | \$ 1,604,422 |
| 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 | \$ 41,597,431 | \$ 40,405,850 | \$ 39,010,560 | \$ 43,681,825 | \$ 44,389,298 | \$ 45,352,968 | \$ 46,338,162 | \$ 47,345,379 |
| 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 | \$ 47,049,981 | \$ 48,455,643 | \$ 49,678,552 | \$ 51,013,101 |
| OPERATING INCOME | \$ 6,436,646 | \$ 5,758,054 | \$ 6,458,531 | \$ 6,918,894 | \$ 5,767,618 | \$ 4,254,090 | \$ 4,180,317 | \$ 3,747,475 | \$ 3,514,807 | \$ 3,188,247 |

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) | (218,694) | - | - | - | - | - | - | - |
| 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 | \$ 5,239,255 | \$ 4,817,228 | \$ 4,595,699 | \$ 4,280,613 |
| 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) | \$ (3,024,440) | \$ (3,081,855) | \$ (3,140,297) | \$ (3,199,784) |
| CHANGE IN NET POSITION | \$ 5,680,037 | \$ 5,886,068 | \$ 6,427,086 | \$ 7,657,935 | \$ 4,864,006 | \$ 3,787,159 | \$ 2,782,972 | \$ 2,299,786 | \$ 2,015,960 | \$ 1,637,416 |
| As Percent of Revenues | 12.3% | 12.6% | 12.8% | 15.4% | 10.3% | 7.5% | 5.4% | 4.4% | 3.8% | 3.0% |
| CASH RESERVES | | | | | | | | | | |
| Beginning of Year | | | | | | \$ 44,418,158 | \$ 40,245,077 | \$ 30,885,609 | \$ 28,845,380 | \$ 24,100,480 |
| Plus Change in Net Position | | | | | | 3,787,159 | 2,782,972 | 2,299,786 | 2,015,960 | 1,637,416 |
| 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 | \$ 30,885,609 | \$ 28,845,380 | \$ 24,100,480 | \$ 26,319,368 |
| As Percent of Revenues | | | | | 94% | 80% | 60% | 55% | 45% | 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

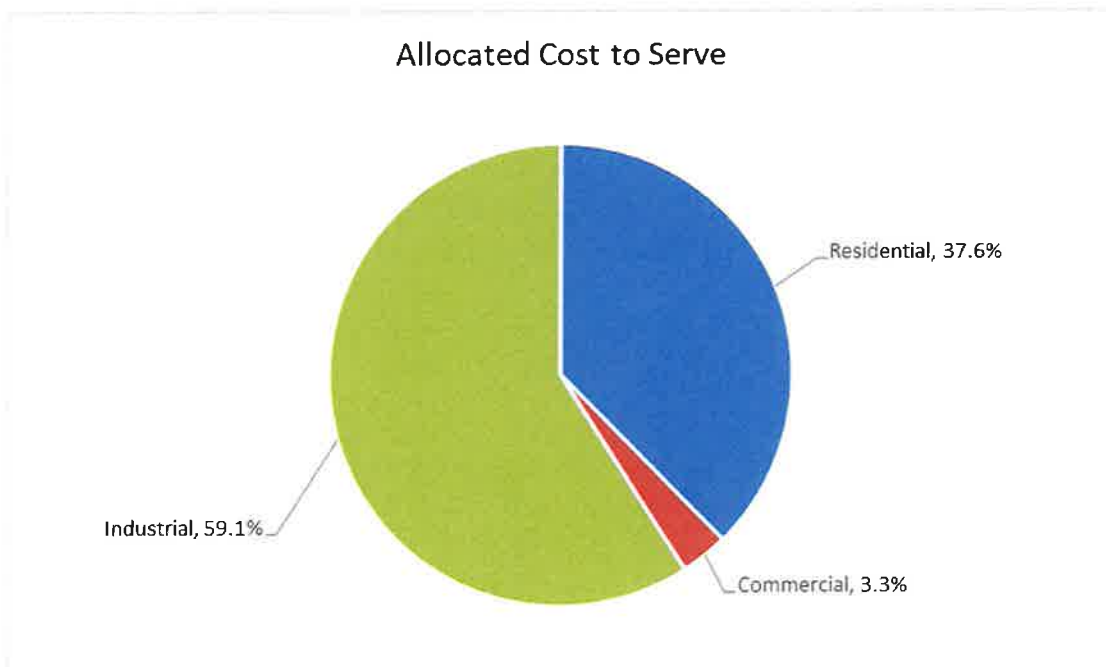
| Customer Classification | Allocated Cost to Serve | Revenues |
|--------------------------------|--------------------------------|-------------------|
| Residential | \$17,427,344 | \$18,010,024 |
| Commercial | 1,535,406 | 1,682,345 |
| Industrial | <u>27,387,621</u> | <u>26,658,002</u> |
| Total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

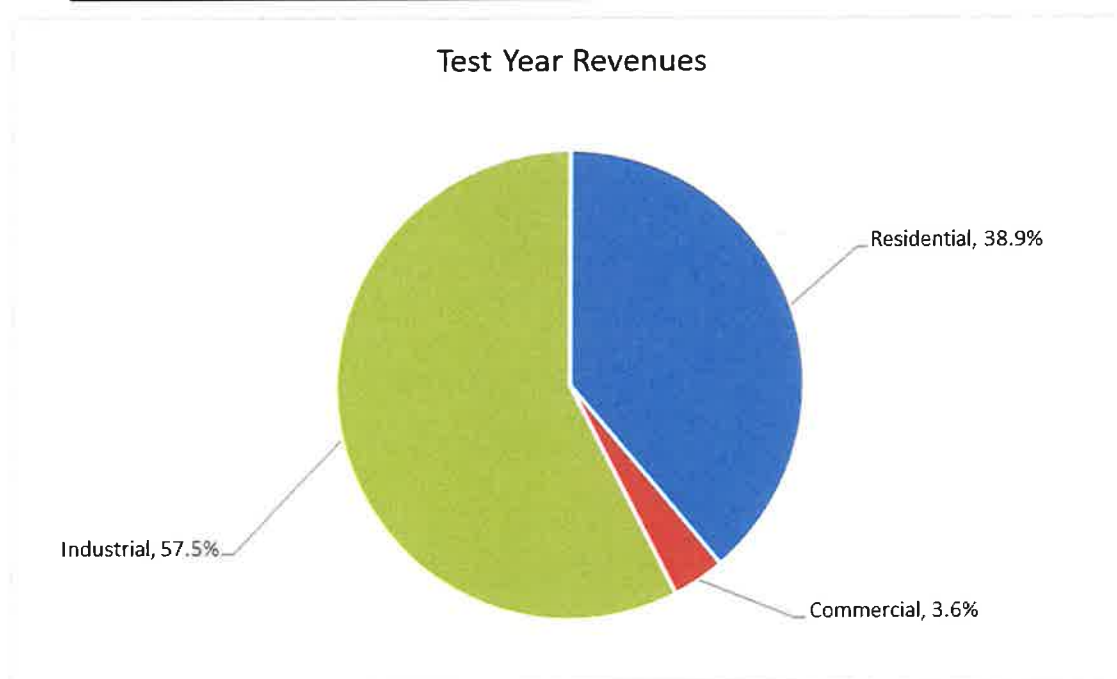
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollars basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost 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% |





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

| | 2020 Test Year | Power Supply | Distribution | Customer | Revenue | Classification Basis |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------------|
| REVENUE REQUIREMENT | | | | | | |
| 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

| | 2020 | | | |
|--|---------------|---------------|---------------|----------------------|
| REVENUE REQUIREMENT | Test Year | Demand | Energy | Classification Basis |
| OPERATING EXPENSES | | | | |
| 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 <u>Test Year</u> | Distribution <u>Demand</u> | Customer <u>Facilities</u> | Street <u>Lighting</u> | <u>Classification Basis</u> |
|--|--------------------------|-------------------------------|-------------------------------|---------------------------|-----------------------------|
| 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

| | 2020 | | |
|--|--------------|--------------|----------------------|
| | Test Year | Customer | Classification Basis |
| REVENUE REQUIREMENT | | | |
| 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 | <u>22,708,517</u> | <u>7,494,592</u> | <u>692,253</u> | <u>14,521,672</u> | 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 | <u>103,107</u> | <u>93,234</u> | <u>6,612</u> | <u>3,261</u> | C |
| Total Energy | \$ 6,463,833 | \$ 3,123,775 | \$ 208,393 | \$ 3,131,665 | |
| <u>Customer</u> | | | | | |
| Customer Service | <u>1,543,896</u> | <u>1,221,904</u> | <u>108,317</u> | <u>213,675</u> | 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 | <u>4,626,606</u> | <u>1,739,564</u> | <u>153,261</u> | <u>2,733,780</u> | 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% | |

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Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outlines the overall revenue needs of the electric utility. Section 3 summarizes the cost-of-service results. These factors have been considered in developing the proposed rates summarized in this section of the report.

Proposed Rates

Revenue Needs

In Section 2, it shows that SPU's projected annual change in net position declines from 7.5% of revenues in 2021 to 3.0% of revenues in 2024 assuming existing rates are maintained through the Study Period (during 2016-2020 this averaged 12.7%). It also shows that SPU's projected cash reserves at current rates decline from \$44.4 million to \$26.3 million over the Study Period.

Recommended Rates

Exhibit 4-A shows the existing and recommended rates for electric for each year from 2022-2025.

Based on discussions with SPU management, a goal was set to increase overall reserve levels by \$5 million dollars at the end of the Study Period as compared to the projections at current rates. This would increase projected reserves to above 55% of operating revenues at the end of the Study Period. Recommended overall electric rate increases are approximately 1% each year.

For the Residential class, an increase of \$0.50 per year in the monthly service charge is recommended for regular Residential customers with small increases in the energy

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rates. SPU also has a special senior citizen rate with a lower monthly service charge. It is recommended that over time this rate be eliminated and these customers be moved to the regular Residential rate. This is accomplished through an annual increase in the service charge for the senior citizen rate of \$1 per year until it equals the regular rate service charge. SPU also has a group of very large Residential customers with service panels that exceed the common residential size of 200 amps. It is recommended that a new class of Residential customers be created for Large Residential installations, for these customers the monthly service charge is higher than for regular Residential customers. This higher fixed charge reflects the higher fixed investment for these larger customers. The recommended service fee for Large Residential customers is set equal to the Commercial monthly service charge.

For the Commercial class, the increases are accomplished through an annual increase in the monthly service charge of \$0.50 per year with a small increase in energy charges.

For larger customers, SPU has rates for Large General Service, Large Industrial Service, Large Industrial Time-of-Use and a special rate for the Shakopee Energy Park. For these classes, demand rates have generally been increased by \$0.20/kW-month each year with small increases in energy charges.

SPU charges a special rate to the SPU water division for pumping. This rate currently has the same demand and energy charge as the Large General Service rate, however the pumping rate was not charged the Power Cost Adjustment (PCA). In 2020 this reduced the pumping average rate by 11.5%. SPU's projected operating margin is approximately 5%. The recommended rate for the water division includes a new application of the PCA to this rate with a demand rate equal to the Large General Service demand rate and an energy rate set at 10% less than the Large General Service energy rate. This results in the pumping rate having an overall reduction of approximately 5% below the Large General Service rate. Under this assumption, SPU is selling electric energy to its water division at cost with no effective operating margin.

Proposed Rates

SPU electric rates also include a separate Relocation Underground Charge of \$0.0003 per kWh and a Conservation Program Charge of 1.5% of energy purchases for all customers. Based on a review of the projected revenues and project expenses associated with the Relocation Underground Charge, no change in this fee is recommended. The Conservation Program Charge is set to pay for conservation programs budgeted at 1.5% of energy revenues, no change in this fee is recommended.

Rates for security lights have been adjusted annually by approximately 1% per year.

Power Cost Adjustment

SPU, like many municipally owned utilities, purchases 100% of its wholesale power and energy needs. The rates that SPU pays for wholesale power vary based on fuel costs, market prices and other factors. SPU has no control over these factors and must pay for wholesale power at the market influenced rates it is charged. Like many utilities, SPU has adopted a PCA to adjust retail rates and bills as wholesale prices fluctuate. In 2021 the average PCA charge on SPU retail bills has exceeded 1.5 cents/kWh. In 2022 the average rate is forecast to be 1.75 cents/kWh. It is recommended that SPU alter its current PCA formula. The current formula compares average wholesale power costs to a base cost of 6.35 cents per kWh. As average wholesale power costs exceed this base cost, retail bills are adjusted by the difference. It is recommended that the PCA base amount be increased by 1.5 cents per kWh to 7.85 cents per kWh. Table 4-1 illustrates the difference in existing PCA and the proposed PCA charged to SPU customers on their retail bills. Based on projections through the Study Period, the proposed PCA formula will collect 1.5 cents/kWh less than the current PCA formula. It is critical that the base rate schedules be changed in conjunction with the PCA formula change. To maintain revenues at the proper level, base rate schedule energy rates must be increased by 1.5 cents/kWh when the formula is changed. This change in rate schedules does not represent a rate increase or bill increase, it merely represents a mathematical change in how the bill is calculated with no net change for customers. If the PCA formula were changed and retail rates were not also adjusted, total electric

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revenues would decrease by approximately 13%. The proposed rates presented in Exhibit 4-A are designed to work in conjunction with the revised PCA formula.

Table 4-1
PCA Comparison
(\$/kWh)

| Year | Present PCA Formula | Proposed PCA Formula | Difference |
|------|---------------------------|----------------------------|------------|
| 2022 | 0.017490 | 0.002490 | (0.0150) |
| 2023 | 0.018298 | 0.003298 | (0.0150) |
| 2024 | 0.019114 | 0.004114 | (0.0150) |
| 2025 | 0.019938 | 0.004938 | (0.0150) |

Projected Operating Results – Proposed Rates

Based on the assumptions outlined above, the resulting projected operating results with the proposed rates are shown in Exhibit 4-B and summarized in Table 4-2.

Proposed Rates

Table 4-2
Projected Operating Results
Proposed Rates

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Operating Revenues | \$50,264,041 | \$51,765,738 | \$53,282,623 | \$54,831,139 | \$56,410,480 |
| Less Operating Expenses | (46,009,951) | (47,057,496) | (48,471,088) | (49,702,137) | (51,045,019) |
| 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>(3,180,997)</u> | <u>(3,274,442)</u> | <u>(3,369,867)</u> | <u>(3,467,230)</u> |
| Change in Net Position | \$3,787,159 | \$3,279,105 | \$3,299,769 | \$3,532,950 | \$3,683,520 |
| Net Position as Percent of Revenues | 7.5% | 6.3% | 6.2% | 6.4% | 6.5% |

Cash Reserves – Proposed Rates

A summary of the impact of the projected operating results on SPU's cash reserves assuming the proposed rate adjustments is shown at the end of Exhibit 4-B and in Table 4-3 below. Assuming the recommended rate adjustments going forward, the projected cash balance at the end of the Study Period increases to approximately \$31.4 million. This is an increase in projected 2025 EOY reserves of approximately \$5.1 million as compared to the projections at existing rates as contained in Section 2 of this report.

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Table 4-3
Projected Cash Reserves
Proposed Rates

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|------------------|--------------------|------------------|------------------|------------------|
| Beginning Balance | \$44,418,158 | \$40,245,077 | \$31,381,742 | \$30,341,496 | \$27,113,585 |
| Plus Change in Net Position | 3,787,159 | 3,279,105 | 3,299,769 | 3,532,950 | 3,683,520 |
| 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 | \$31,381,742 | \$30,341,496 | \$27,113,585 | \$31,378,578 |
| % of Operating Revenues | 80% | 61% | 57% | 49% | 56% |

Other Rate Considerations

Competitive Analysis

SPU is interested in how its rates compare to neighboring utilities. Table 4-4 below shows monthly electric bills for a typical customer in the residential class with 700 kWh of consumption. Bills are shown based on existing SPU rates, proposed SPU rates in 2022 and existing rates for neighboring cities. It is important to consider that many other neighboring communities may also be increasing electric rates over the next few years.

Table 4-4
Monthly Electric Bill Comparisons
Residential 700 kWh Monthly Usage

| Utility | Bill | Difference |
|----------------|----------|------------|
| SPU current | \$88.92 | n/a |
| SPU prop 2022 | \$89.87 | 1.1% |
| MVEC summer | \$99.38 | 11.8% |
| MVEC nonsummer | \$93.61 | 5.3% |
| Xcel summer | \$113.66 | 27.8% |
| Xcel nonsummer | \$100.69 | 13.2% |

TOU Residential Rates

SPU is planning for implementation of a new Advanced Metering Infrastructure (AMI) system. Once deployed, the AMI system will give SPU the capability to charge customers for electric use based on a time-of-use (TOU) pricing strategy. The current residential rate structure is a basic structure with a monthly charge and a per kWh energy charge. In a TOU setting, customers pay more or less based on when they use energy. Exhibit 4-C illustrates two proposed TOU rates for residential customers. The first is a TOU rate for use by standard residential customers. On and off-peak periods are defined as shown in the exhibit. On peak periods are 2:00 pm to 8:00 pm M-F. The on-peak energy rate is approximately 75% higher than the off-peak rate. Customers would be financially encouraged to move consumption from on-peak periods to off-peak periods.

The second TOU rate shown in Exhibit 4-C is a special rate for residential customers that have an electric vehicle (EV) that is charged at home. The rate shown is applicable to only the energy for charging the EV through a separate meter. This rate has an on-peak and off-peak rate. The off-peak period is set equal to the off-peak period SPU has as part of its wholesale rates. This rate encourages EV users to charge their vehicles

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during off-peak times (10:00 pm to 7:00 am all days). The rate also has a separate monthly service charge applicable to the separate meter required to measure EV vehicle charging usage.

Shakopee Public Utilities
Existing and Proposed Electric Rates

| | Existing Rate | 2022 Proposed Rate | 2023 Proposed Rate | 2024 Proposed Rate | 2025 Proposed Rate |
|---|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Residential | | | | | |
| Service Charge (\$/mo) | \$ 9.00 | \$ 9.50 | \$ 10.00 | \$ 10.50 | \$ 11.00 |
| Service Charge - Senior Citizen (\$/mo) | \$ 6.00 | \$ 7.00 | \$ 8.00 | \$ 9.00 | \$ 10.00 |
| Service Charge - Large Residence (\$/mo) | n/a | \$ 14.50 | \$ 15.00 | \$ 15.50 | \$ 16.00 |
| Energy Charge (\$/kWh) | \$ 0.0988 | \$ 0.1144 | \$ 0.1151 | \$ 0.1158 | \$ 0.1165 |
| Commercial | | | | | |
| Service Charge (\$/mo) | \$ 14.00 | \$ 14.50 | \$ 15.00 | \$ 15.50 | \$ 16.00 |
| Energy Charge (\$/kWh) | \$ 0.0944 | \$ 0.1098 | \$ 0.1102 | \$ 0.1107 | \$ 0.1112 |
| Large General Service | | | | | |
| Service Charge (\$/mo) | \$ 60.00 | \$ 60.00 | \$ 60.00 | \$ 60.00 | \$ 60.00 |
| Energy Charge (\$/kWh) | \$ 0.0585 | \$ 0.0740 | \$ 0.0745 | \$ 0.0750 | \$ 0.0755 |
| Demand Charge (\$/kW) | \$ 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Large Industrial Service | | | | | |
| Service Charge (\$/mo) | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Energy Charge - up to 400 kWh/kW (\$/kWh) | \$ 0.0585 | \$ 0.0740 | \$ 0.0745 | \$ 0.0750 | \$ 0.0755 |
| Energy Charge - over 400 kWh/kW (\$/kWh) | \$ 0.0523 | \$ 0.0678 | \$ 0.0683 | \$ 0.0688 | \$ 0.0693 |
| Demand Charge (\$/kW) | \$ 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Large Industrial Time-of-Use | | | | | |
| Service Charge (\$/mo) | \$ 120.00 | \$ 120.00 | \$ 120.00 | \$ 120.00 | \$ 120.00 |
| Energy Charge - on-peak (\$/kWh) | \$ 0.0636 | \$ 0.0791 | \$ 0.0796 | \$ 0.0801 | \$ 0.0806 |
| Energy Charge - off-peak (\$/kWh) | \$ 0.0512 | \$ 0.0667 | \$ 0.0672 | \$ 0.0677 | \$ 0.0682 |
| Excess Energy Credit - (\$/kWh) | \$ 0.0062 | \$ 0.0062 | \$ 0.0062 | \$ 0.0062 | \$ 0.0062 |
| Demand Charge - on-peak (\$/kW) | \$ 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Demand Charge - off-peak (\$/kW) | \$ 3.00 | \$ 3.00 | \$ 3.00 | \$ 3.00 | \$ 3.00 |
| Shakopee Energy Park | | | | | |
| Service Charge (\$/mo) | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Energy Charge - weekday on-peak (\$/kWh) | \$ 0.05101 | \$ 0.06631 | \$ 0.06661 | \$ 0.06691 | \$ 0.06721 |
| Energy Charge - weekend on-peak (\$/kWh) | \$ 0.04351 | \$ 0.05881 | \$ 0.05911 | \$ 0.05941 | \$ 0.05971 |
| Energy Charge - off peak (\$/kWh) | \$ 0.03101 | \$ 0.04631 | \$ 0.04661 | \$ 0.04691 | \$ 0.04721 |
| Demand Charge - summer (\$/kW) | \$ 15.04 | \$ 15.24 | \$ 15.44 | \$ 15.64 | \$ 15.84 |
| Demand Charge - nonsummer (\$/kW) | \$ 8.90 | \$ 9.10 | \$ 9.30 | \$ 9.50 | \$ 9.70 |
| Water Division Pumping | | | | | |
| Energy Charge (\$/kWh) | \$ 0.0585 | \$ 0.0666 | \$ 0.0671 | \$ 0.0675 | \$ 0.0680 |
| Demand Charge (\$/kW) | \$ 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Relocation Underground Charge (\$/kWh) | \$ 0.0003 | \$ 0.0003 | \$ 0.0003 | \$ 0.0003 | \$ 0.0003 |
| Conservation Program Charge (% of energy purchases) | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| PCA Calculation Base Amount | 0.0635 | 0.0785 | 0.0785 | 0.0785 | 0.0785 |
| Security Lights (\$/mo) | | | | | |
| 100W HPS | \$ 9.75 | \$ 9.85 | \$ 9.95 | \$ 10.05 | \$ 10.15 |
| 100W HPS Metered | \$ 5.50 | \$ 5.55 | \$ 5.60 | \$ 5.65 | \$ 5.70 |
| 250W HPS | \$ 18.00 | \$ 18.20 | \$ 18.40 | \$ 18.60 | \$ 18.80 |
| 250W HPS Metered | \$ 7.75 | \$ 7.85 | \$ 7.95 | \$ 8.05 | \$ 8.15 |
| 400W HPS | \$ 27.00 | \$ 27.30 | \$ 27.60 | \$ 27.90 | \$ 28.20 |
| 400W HPS Metered | \$ 10.50 | \$ 10.60 | \$ 10.70 | \$ 10.80 | \$ 10.90 |
| 1000W Metal Halide | \$ 60.85 | \$ 61.45 | \$ 62.05 | \$ 62.65 | \$ 63.25 |
| Small LED | \$ 5.00 | \$ 5.05 | \$ 5.10 | \$ 5.15 | \$ 5.20 |
| Small LED Metered | \$ 3.50 | \$ 3.55 | \$ 3.60 | \$ 3.65 | \$ 3.70 |
| Medium LED | \$ 10.25 | \$ 10.35 | \$ 10.45 | \$ 10.55 | \$ 10.65 |
| Medium LED Metered | \$ 5.50 | \$ 5.55 | \$ 5.60 | \$ 5.65 | \$ 5.70 |
| Large LED | \$ 23.75 | \$ 24.00 | \$ 24.25 | \$ 24.50 | \$ 24.75 |
| Large LED Metered | \$ 9.50 | \$ 9.60 | \$ 9.70 | \$ 9.80 | \$ 9.90 |
| PL/SMSC Residential LED | \$ 3.50 | \$ 3.55 | \$ 3.60 | \$ 3.65 | \$ 3.70 |
| PL/SMSC Collector LED | \$ 7.75 | \$ 7.85 | \$ 7.95 | \$ 8.05 | \$ 8.15 |
| PL/SMSC Residential HPS | \$ 9.25 | \$ 9.35 | \$ 9.45 | \$ 9.55 | \$ 9.65 |
| PL/SMSC Collector HPS | \$ 17.50 | \$ 17.70 | \$ 17.90 | \$ 18.10 | \$ 18.30 |

Shakopee Public Utilities
Electric Operating Results at Proposed 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 | \$ 20,486,615 | \$ 21,401,274 | \$ 22,341,858 | \$ 23,308,834 |
| Commercial | 28,283,314 | 29,341,943 | 31,414,834 | 31,261,142 | 28,553,792 | 29,705,419 | 30,297,504 | 30,870,777 | 31,449,116 | 32,031,260 |
| Uncollectible Accounts | (65,319) | (51,746) | (71,802) | (61,116) | (258,532) | (180,514) | (185,880) | (191,326) | (196,885) | (202,556) |
| Total Sales of Electricity | \$ 45,107,530 | \$ 45,787,035 | \$ 49,234,598 | \$ 48,514,846 | \$ 46,327,915 | \$ 49,137,622 | \$ 50,598,239 | \$ 52,080,725 | \$ 53,594,089 | \$ 55,137,539 |
| Other Operating Revenues | | | | | | | | | | |
| Forfeited Discounts | \$ 250,448 | \$ 248,556 | \$ 252,538 | \$ 304,445 | \$ 60,835 | \$ 272,625 | 288,535 | 296,989 | 305,619 | 314,420 |
| 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 | 754,198 | 776,400 | 799,067 | 822,186 |
| Total Other Operating Revenues | \$ 1,094,571 | \$ 1,100,007 | \$ 1,158,891 | \$ 1,135,968 | \$ 870,373 | \$ 1,126,419 | \$ 1,167,499 | \$ 1,201,898 | \$ 1,237,050 | \$ 1,272,942 |
| Total Operating Revenues | \$ 46,202,101 | \$ 46,887,042 | \$ 50,393,489 | \$ 49,650,814 | \$ 47,198,288 | \$ 50,264,041 | \$ 51,765,738 | \$ 53,282,623 | \$ 54,831,139 | \$ 56,410,480 |
| 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 | 754,198 | 776,400 | 799,067 | 822,186 |
| Total Customer Accounts | \$ 1,210,673 | \$ 1,252,284 | \$ 1,319,120 | \$ 1,376,131 | \$ 1,396,083 | \$ 1,811,619 | \$ 1,499,263 | \$ 1,543,817 | \$ 1,589,507 | \$ 1,636,339 |
| 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 | \$ 44,396,813 | \$ 45,368,413 | \$ 46,361,747 | \$ 47,377,296 |
| 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 | \$ 47,057,496 | \$ 48,471,088 | \$ 49,702,137 | \$ 51,045,019 |
| OPERATING INCOME | \$ 6,436,646 | \$ 5,758,054 | \$ 6,458,531 | \$ 6,918,894 | \$ 5,767,618 | \$ 4,254,090 | \$ 4,708,242 | \$ 4,811,535 | \$ 5,129,002 | \$ 5,365,462 |

Shakopee Public Utilities
Electric Operating Results at Proposed 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 | 448,019 | 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 | \$ 5,767,180 | \$ 5,881,288 | \$ 6,209,895 | \$ 6,457,828 |
| 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) | \$ (3,056,231) | \$ (3,145,933) | \$ (3,237,503) | \$ (3,330,895) |
| CHANGE IN NET POSITION | \$ 5,680,037 | \$ 5,886,068 | \$ 6,427,086 | \$ 7,657,935 | \$ 4,864,006 | \$ 3,787,159 | \$ 3,279,105 | \$ 3,299,769 | \$ 3,532,950 | \$ 3,683,520 |
| As Percent of Revenues | 12.3% | 12.6% | 12.8% | 15.4% | 10.3% | 7.5% | 6.3% | 6.2% | 6.4% | 6.5% |
| CASH RESERVES | | | | | | | | | | |
| Beginning of Year | | | | | | \$ 44,418,158 | \$ 40,245,077 | \$ 31,381,742 | \$ 30,341,496 | \$ 27,113,585 |
| Plus Change in Net Position | | | | | | 3,787,159 | 3,279,105 | 3,299,769 | 3,532,950 | 3,683,520 |
| 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 | \$ 44,418,158 | \$ 40,245,077 | \$ 31,381,742 | \$ 30,341,496 | \$ 27,113,585 | \$ 31,378,578 |
| As Percent of Revenues | | | | 94% | 94% | 80% | 61% | 57% | 49% | 56% |

Shakopee Public Utilities
Proposed Residential TOU Rates

Residential TOU Rate

| | |
|-------------------------|-----------|
| Service Charge (\$/mo) | \$ 9.50 |
| Energy Charge (\$/kWh) | |
| On Peak ⁽¹⁾ | \$ 0.1700 |
| Off Peak ⁽²⁾ | \$ 0.0964 |

(1) On peak period is 2 pm to 8 pm M-F

(2) Off peak period is 8 pm to 2 pm M-F and all day Sat and Sun

Residential EV Rate⁽¹⁾⁽²⁾

| | |
|-------------------------|-----------|
| Service Charge (\$/mo) | \$ 4.75 |
| Energy Charge (\$/kWh) | |
| Off Peak ⁽³⁾ | \$ 0.0570 |
| On Peak ⁽⁴⁾ | \$ 0.2500 |

(1) Applicable to separately metered EV usage only

(2) PCA applies

(3) Off peak period is 10 pm to 7 am

(4) On peak period is all other hours

REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates



December 6, 2021

Shakopee Public Utilities Commission

255 Sarazin Street
PO Box 470
Shakopee, MN 55379

Subject: Electric Rate Study

Commission Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Shakopee Public Utilities (SPU) charges its customers for electric service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

The recommended rate adjustments have been made based on overall revenue and cash reserve needs of the utility and the results of a cost-of-service analysis. As a result of the study undertaken, a series of 1% annual increases for the years 2022 through 2025 have been recommended for the electric utility. These adjustments have been designed to help ensure the continued financial strength of SPU. The increases will not affect all customers equally and specific rate design recommendations are included for each retail rate class.

Thank you for the opportunity to be of service to SPU through the conduct of this study. I wish to express my appreciation for the valuable assistance I received from SPU staff relative to the execution of this study.

Sincerely,

Dave Berg Consulting, LLC

A handwritten signature in dark ink, appearing to read 'David A. Berg', is written over a light gray circular background.

David A. Berg, PE
Principal

Dedicated to providing personal service to consumer-owned utilities

Dave Berg Consulting, LLC | 15213 Danbury Ave W, Rosemount, MN 55068 | 612-850-2305

www.davebergconsulting.com

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 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 | \$51,230,298 | \$52,203,118 | \$53,193,358 | \$54,201,348 |
| Less Operating Expenses | (46,009,951) | (47,049,981) | (48,455,643) | (49,678,552) | (51,013,101) |
| 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>(3,149,206)</u> | <u>(3,210,364)</u> | <u>(3,272,661)</u> | <u>(3,336,119)</u> |
| Change in Net Position | \$3,787,159 | \$2,782,972 | \$2,299,786 | \$2,015,960 | \$1,637,416 |
| Net Position as Percent of Revenues | 7.5% | 5.4% | 4.4% | 3.8% | 3.0% |

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 \$26.3 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 | \$30,885,609 | \$28,845,380 | \$24,100,480 |
| Plus Change in Net Position | 3,787,159 | 2,782,972 | 2,299,786 | 2,015,960 | 1,637,416 |
| 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 | \$30,885,609 | \$28,845,380 | \$24,100,480 | \$26,319,368 |
| % of Operating Revenues | 80% | 60% | 55% | 45% | 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 | 29,975,394 | 30,248,401 | 30,524,477 | 30,803,659 |
| Uncollectible Accounts | (65,319) | (51,746) | (71,802) | (61,116) | (258,532) | (180,514) | (183,940) | (187,428) | (190,978) | (194,591) |
| Total Sales of Electricity | \$ 45,107,530 | \$ 45,787,035 | \$ 49,234,598 | \$ 48,514,846 | \$ 46,327,915 | \$ 49,137,622 | \$ 50,070,314 | \$ 51,019,648 | \$ 51,985,938 | \$ 52,969,502 |
| Other Operating Revenues | | | | | | | | | | |
| Forfeited Discounts | \$ 250,448 | \$ 248,556 | \$ 252,538 | \$ 304,445 | \$ 60,835 | \$ 272,625 | 288,535 | 294,006 | 299,574 | 305,242 |
| 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 | 746,683 | 760,955 | 775,482 | 790,269 |
| Total Other Operating Revenues | \$ 1,094,571 | \$ 1,100,007 | \$ 1,158,891 | \$ 1,135,968 | \$ 870,373 | \$ 1,126,419 | \$ 1,159,984 | \$ 1,183,470 | \$ 1,207,420 | \$ 1,231,846 |
| Total Operating Revenues | \$ 46,202,101 | \$ 46,887,042 | \$ 50,393,489 | \$ 49,650,814 | \$ 47,198,288 | \$ 50,264,041 | \$ 51,230,298 | \$ 52,203,118 | \$ 53,193,358 | \$ 54,201,348 |
| 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 | 746,683 | 760,955 | 775,482 | 790,269 |
| Total Customer Accounts | \$ 1,210,673 | \$ 1,252,284 | \$ 1,319,120 | \$ 1,376,131 | \$ 1,396,083 | \$ 1,811,619 | \$ 1,491,748 | \$ 1,528,372 | \$ 1,565,922 | \$ 1,604,422 |
| 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 | \$ 44,389,298 | \$ 45,352,968 | \$ 46,338,162 | \$ 47,345,379 |
| 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 | \$ 47,049,981 | \$ 48,455,643 | \$ 49,678,552 | \$ 51,013,101 |
| OPERATING INCOME | \$ 6,436,646 | \$ 5,758,054 | \$ 6,458,531 | \$ 6,918,894 | \$ 5,767,618 | \$ 4,254,090 | \$ 4,180,317 | \$ 3,747,475 | \$ 3,514,807 | \$ 3,188,247 |

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 | \$ 5,239,255 | \$ 4,817,228 | \$ 4,595,699 | \$ 4,280,613 |
| 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) | \$ (3,024,440) | \$ (3,081,855) | \$ (3,140,297) | \$ (3,199,784) |
| CHANGE IN NET POSITION | \$ 5,680,037 | \$ 5,886,068 | \$ 6,427,086 | \$ 7,657,935 | \$ 4,864,006 | \$ 3,787,159 | \$ 2,782,972 | \$ 2,299,786 | \$ 2,015,960 | \$ 1,637,416 |
| As Percent of Revenues | 12.3% | 12.6% | 12.8% | 15.4% | 10.3% | 7.5% | 5.4% | 4.4% | 3.8% | 3.0% |
| CASH RESERVES | | | | | | | | | | |
| Beginning of Year | | | | | | \$ 44,418,158 | \$ 40,245,077 | \$ 30,885,609 | \$ 28,845,380 | \$ 24,100,480 |
| Plus Change in Net Position | | | | | | 3,787,159 | 2,782,972 | 2,299,786 | 2,015,960 | 1,637,416 |
| 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 | \$ 30,885,609 | \$ 28,845,380 | \$ 24,100,480 | \$ 26,319,368 |
| As Percent of Revenues | | | | | 94% | 80% | 60% | 55% | 45% | 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

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 |

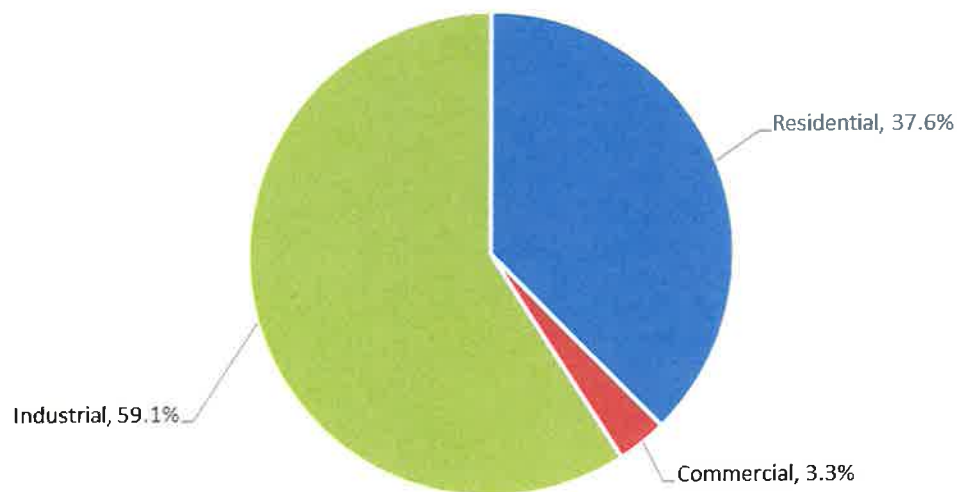
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollars basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost 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.

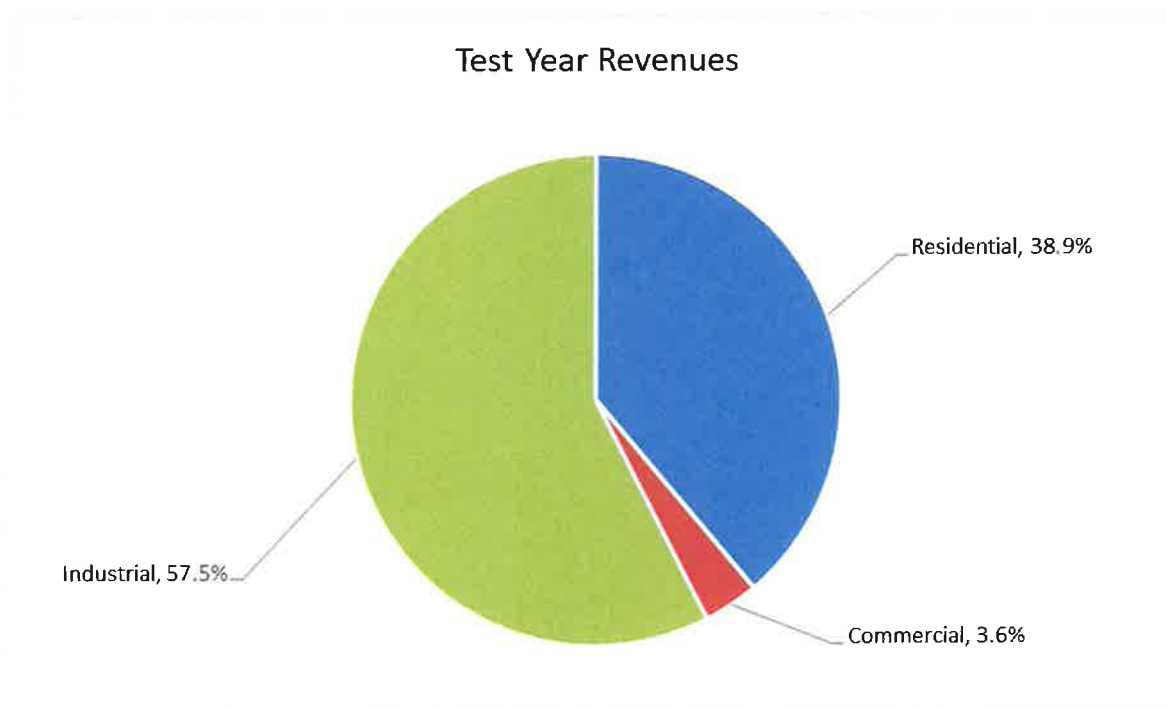
Section 3

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





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

| | 2020 | | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|---------------------------|--|
| REVENUE REQUIREMENT | 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

| | 2020 | | | |
|--|---------------|---------------|---------------|----------------------|
| REVENUE REQUIREMENT | Test Year | Demand | Energy | Classification Basis |
| OPERATING EXPENSES | | | | |
| 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 <u>Test Year</u> | Distribution <u>Demand</u> | Customer <u>Facilities</u> | Street <u>Lighting</u> | <u>Classification Basis</u> |
|--|--------------------------|-------------------------------|-------------------------------|---------------------------|-----------------------------|
| 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

| | 2020 Test Year | Customer | Classification Basis |
|--|-------------------|--------------|----------------------|
| REVENUE REQUIREMENT | | | |
| 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% | |

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Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outlines the overall revenue needs of the electric utility. Section 3 summarizes the cost-of-service results. These factors have been considered in developing the proposed rates summarized in this section of the report.

Proposed Rates

Revenue Needs

In Section 2, it shows that SPU's projected annual change in net position declines from 7.5% of revenues in 2021 to 3.0% of revenues in 2024 assuming existing rates are maintained through the Study Period (during 2016-2020 this averaged 12.7%). It also shows that SPU's projected cash reserves at current rates decline from \$44.4 million to \$26.3 million over the Study Period.

Recommended Rates

Exhibit 4-A shows the existing and recommended rates for electric for each year from 2022-2025.

Based on discussions with SPU management, a goal was set to increase overall reserve levels by \$5 million dollars at the end of the Study Period as compared to the projections at current rates. This would increase projected reserves to above 55% of operating revenues at the end of the Study Period. Recommended overall electric rate increases are approximately 1% each year.

For the Residential class, an increase of \$0.50 per year in the monthly service charge is recommended for regular Residential customers with small increases in the energy

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rates. SPU also has a special senior citizen rate with a lower monthly service charge. It is recommended that over time this rate be eliminated and these customers be moved to the regular Residential rate. This is accomplished through an annual increase in the service charge for the senior citizen rate of \$1 per year until it equals the regular rate service charge. SPU also has a group of very large Residential customers with service panels that exceed the common residential size of 200 amps. It is recommended that a new class of Residential customers be created for Large Residential installations, for these customers the monthly service charge is higher than for regular Residential customers. This higher fixed charge reflects the higher fixed investment for these larger customers. The recommended service fee for Large Residential customers is set equal to the Commercial monthly service charge.

For the Commercial class, the increases are accomplished through an annual increase in the monthly service charge of \$0.50 per year with a small increase in energy charges.

For larger customers, SPU has rates for Large General Service, Large Industrial Service, Large Industrial Time-of-Use and a special rate for the Shakopee Energy Park. For these classes, demand rates have generally been increased by \$0.20/kW-month each year with small increases in energy charges.

SPU charges a special rate to the SPU water division for pumping. This rate currently has the same demand and energy charge as the Large General Service rate, however the pumping rate was not charged the Power Cost Adjustment (PCA). In 2020 this reduced the pumping average rate by 11.5%. SPU's projected operating margin is approximately 5%. The recommended rate for the water division includes a new application of the PCA to this rate with a demand rate equal to the Large General Service demand rate and an energy rate set at 10% less than the Large General Service energy rate. This results in the pumping rate having an overall reduction of approximately 5% below the Large General Service rate. Under this assumption, SPU is selling electric energy to its water division at cost with no effective operating margin.

Proposed Rates

SPU electric rates also include a separate Relocation Underground Charge of \$0.0003 per kWh and a Conservation Program Charge of 1.5% of energy purchases for all customers. Based on a review of the projected revenues and project expenses associated with the Relocation Underground Charge, no change in this fee is recommended. The Conservation Program Charge is set to pay for conservation programs budgeted at 1.5% of energy revenues, no change in this fee is recommended.

Rates for security lights have been adjusted annually by approximately 1% per year.

Power Cost Adjustment

SPU, like many municipally owned utilities, purchases 100% of its wholesale power and energy needs. The rates that SPU pays for wholesale power vary based on fuel costs, market prices and other factors. SPU has no control over these factors and must pay for wholesale power at the market influenced rates it is charged. Like many utilities, SPU has adopted a PCA to adjust retail rates and bills as wholesale prices fluctuate. In 2021 the average PCA charge on SPU retail bills has exceeded 1.5 cents/kWh. In 2022 the average rate is forecast to be 1.75 cents/kWh. It is recommended that SPU alter its current PCA formula. The current formula compares average wholesale power costs to a base cost of 6.35 cents per kWh. As average wholesale power costs exceed this base cost, retail bills are adjusted by the difference. It is recommended that the PCA base amount be increased by 1.5 cents per kWh to 7.85 cents per kWh. Table 4-1 illustrates the difference in existing PCA and the proposed PCA charged to SPU customers on their retail bills. Based on projections through the Study Period, the proposed PCA formula will collect 1.5 cents/kWh less than the current PCA formula. It is critical that the base rate schedules be changed in conjunction with the PCA formula change. To maintain revenues at the proper level, base rate schedule energy rates must be increased by 1.5 cents/kWh when the formula is changed. This change in rate schedules does not represent a rate increase or bill increase, it merely represents a mathematical change in how the bill is calculated with no net change for customers. If the PCA formula were changed and retail rates were not also adjusted, total electric

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revenues would decrease by approximately 13%. The proposed rates presented in Exhibit 4-A are designed to work in conjunction with the revised PCA formula.

Table 4-1
PCA Comparison
(\$/kWh)

| Year | Present PCA Formula | Proposed PCA Formula | Difference |
|------|---------------------------|----------------------------|------------|
| 2022 | 0.017490 | 0.002490 | (0.0150) |
| 2023 | 0.018298 | 0.003298 | (0.0150) |
| 2024 | 0.019114 | 0.004114 | (0.0150) |
| 2025 | 0.019938 | 0.004938 | (0.0150) |

Projected Operating Results – Proposed Rates

Based on the assumptions outlined above, the resulting projected operating results with the proposed rates are shown in Exhibit 4-B and summarized in Table 4-2.

Table 4-2
Projected Operating Results
Proposed Rates

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Operating Revenues | \$50,264,041 | \$51,765,738 | \$53,282,623 | \$54,831,139 | \$56,410,480 |
| Less Operating Expenses | (46,009,951) | (47,057,496) | (48,471,088) | (49,702,137) | (51,045,019) |
| 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>(3,180,997)</u> | <u>(3,274,442)</u> | <u>(3,369,867)</u> | <u>(3,467,230)</u> |
| Change in Net Position | \$3,787,159 | \$3,279,105 | \$3,299,769 | \$3,532,950 | \$3,683,520 |
| Net Position as Percent of Revenues | 7.5% | 6.3% | 6.2% | 6.4% | 6.5% |

Cash Reserves – Proposed Rates

A summary of the impact of the projected operating results on SPU's cash reserves assuming the proposed rate adjustments is shown at the end of Exhibit 4-B and in Table 4-3 below. Assuming the recommended rate adjustments going forward, the projected cash balance at the end of the Study Period increases to approximately \$31.4 million. This is an increase in projected 2025 EOY reserves of approximately \$5.1 million as compared to the projections at existing rates as contained in Section 2 of this report.

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Table 4-3
Projected Cash Reserves
Proposed Rates

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|------------------|--------------------|------------------|------------------|------------------|
| Beginning Balance | \$44,418,158 | \$40,245,077 | \$31,381,742 | \$30,341,496 | \$27,113,585 |
| Plus Change in Net Position | 3,787,159 | 3,279,105 | 3,299,769 | 3,532,950 | 3,683,520 |
| 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 | \$31,381,742 | \$30,341,496 | \$27,113,585 | \$31,378,578 |
| % of Operating Revenues | 80% | 61% | 57% | 49% | 56% |

Other Rate Considerations

Competitive Analysis

SPU is interested in how its rates compare to neighboring utilities. Table 4-4 below shows monthly electric bills for a typical customer in the residential class with 700 kWh of consumption. Bills are shown based on existing SPU rates, proposed SPU rates in 2022 and existing rates for neighboring cities. It is important to consider that many other neighboring communities may also be increasing electric rates over the next few years.

Table 4-4
Monthly Electric Bill Comparisons
Residential 700 kWh Monthly Usage

| Utility | Bill | Difference |
|----------------|----------|------------|
| SPU current | \$88.92 | n/a |
| SPU prop 2022 | \$89.87 | 1.1% |
| MVEC summer | \$99.38 | 11.8% |
| MVEC nonsummer | \$93.61 | 5.3% |
| Xcel summer | \$113.66 | 27.8% |
| Xcel nonsummer | \$100.69 | 13.2% |

TOU Residential Rates

SPU is planning for implementation of a new Advanced Metering Infrastructure (AMI) system. Once deployed, the AMI system will give SPU the capability to charge customers for electric use based on a time-of-use (TOU) pricing strategy. The current residential rate structure is a basic structure with a monthly charge and a per kWh energy charge. In a TOU setting, customers pay more or less based on when they use energy. Exhibit 4-C illustrates two proposed TOU rates for residential customers. The first is a TOU rate for use by standard residential customers. On and off-peak periods are defined as shown in the exhibit. On peak periods are 2:00 pm to 8:00 pm M-F. The on-peak energy rate is approximately 75% higher than the off-peak rate. Customers would be financially encouraged to move consumption from on-peak periods to off-peak periods.

The second TOU rate shown in Exhibit 4-C is a special rate for residential customers that have an electric vehicle (EV) that is charged at home. The rate shown is applicable to only the energy for charging the EV through a separate meter. This rate has an on-peak and off-peak rate. The off-peak period is set equal to the off-peak period SPU has as part of its wholesale rates. This rate encourages EV users to charge their vehicles

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during off-peak times (10:00 pm to 7:00 am all days). The rate also has a separate monthly service charge applicable to the separate meter required to measure EV vehicle charging usage.

Shakopee Public Utilities
Existing and Proposed Electric Rates

| | | Existing Rate | 2022 Proposed Rate | 2023 Proposed Rate | 2024 Proposed Rate | 2025 Proposed Rate |
|---|----|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Residential | | | | | | |
| Service Charge (\$/mo) | \$ | 9.00 | \$ 9.50 | \$ 10.00 | \$ 10.50 | \$ 11.00 |
| Service Charge - Senior Citizen (\$/mo) | \$ | 6.00 | \$ 7.00 | \$ 8.00 | \$ 9.00 | \$ 10.00 |
| Service Charge - Large Residence (\$/mo) | | n/a | \$ 14.50 | \$ 15.00 | \$ 15.50 | \$ 16.00 |
| Energy Charge (\$/kWh) | \$ | 0.0988 | \$ 0.1144 | \$ 0.1151 | \$ 0.1158 | \$ 0.1165 |
| Commercial | | | | | | |
| Service Charge (\$/mo) | \$ | 14.00 | \$ 14.50 | \$ 15.00 | \$ 15.50 | \$ 16.00 |
| Energy Charge (\$/kWh) | \$ | 0.0944 | \$ 0.1098 | \$ 0.1102 | \$ 0.1107 | \$ 0.1112 |
| Large General Service | | | | | | |
| Service Charge (\$/mo) | \$ | 60.00 | \$ 60.00 | \$ 60.00 | \$ 60.00 | \$ 60.00 |
| Energy Charge (\$/kWh) | \$ | 0.0585 | \$ 0.0740 | \$ 0.0745 | \$ 0.0750 | \$ 0.0755 |
| Demand Charge (\$/kW) | \$ | 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Large Industrial Service | | | | | | |
| Service Charge (\$/mo) | \$ | 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Energy Charge - up to 400 kWh/kW (\$/kWh) | \$ | 0.0585 | \$ 0.0740 | \$ 0.0745 | \$ 0.0750 | \$ 0.0755 |
| Energy Charge - over 400 kWh/kW (\$/kWh) | \$ | 0.0523 | \$ 0.0678 | \$ 0.0683 | \$ 0.0688 | \$ 0.0693 |
| Demand Charge (\$/kW) | \$ | 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Large Industrial Time-of-Use | | | | | | |
| Service Charge (\$/mo) | \$ | 120.00 | \$ 120.00 | \$ 120.00 | \$ 120.00 | \$ 120.00 |
| Energy Charge - on-peak (\$/kWh) | \$ | 0.0636 | \$ 0.0791 | \$ 0.0796 | \$ 0.0801 | \$ 0.0806 |
| Energy Charge - off-peak (\$/kWh) | \$ | 0.0512 | \$ 0.0667 | \$ 0.0672 | \$ 0.0677 | \$ 0.0682 |
| Excess Energy Credit - (\$/kWh) | \$ | 0.0062 | \$ 0.0062 | \$ 0.0062 | \$ 0.0062 | \$ 0.0062 |
| Demand Charge - on-peak (\$/kW) | \$ | 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Demand Charge - off-peak (\$/kW) | \$ | 3.00 | \$ 3.00 | \$ 3.00 | \$ 3.00 | \$ 3.00 |
| Shakopee Energy Park | | | | | | |
| Service Charge (\$/mo) | \$ | 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| Energy Charge - weekday on-peak (\$/kWh) | \$ | 0.05101 | \$ 0.06631 | \$ 0.06661 | \$ 0.06691 | \$ 0.06721 |
| Energy Charge - weekend on-peak (\$/kWh) | \$ | 0.04351 | \$ 0.05881 | \$ 0.05911 | \$ 0.05941 | \$ 0.05971 |
| Energy Charge - off peak (\$/kWh) | \$ | 0.03101 | \$ 0.04631 | \$ 0.04661 | \$ 0.04691 | \$ 0.04721 |
| Demand Charge - summer (\$/kW) | \$ | 11.62 | \$ 11.82 | \$ 12.02 | \$ 12.22 | \$ 12.42 |
| Demand Charge - nonsummer (\$/kW) | \$ | 8.72 | \$ 8.92 | \$ 9.12 | \$ 9.32 | \$ 9.52 |
| Water Division Pumping | | | | | | |
| Energy Charge (\$/kWh) | \$ | 0.0585 | \$ 0.0666 | \$ 0.0671 | \$ 0.0675 | \$ 0.0680 |
| Demand Charge (\$/kW) | \$ | 9.50 | \$ 9.70 | \$ 9.90 | \$ 10.10 | \$ 10.30 |
| Relocation Underground Charge (\$/kWh) | \$ | 0.0003 | 0.0003 | 0.0003 | 0.0003 | 0.0003 |
| Conservation Program Charge (% of energy purchases) | | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| PCA Calculation Base Amount | | 0.0635 | 0.0785 | 0.0785 | 0.0785 | 0.0785 |
| Security Lights (\$/mo) | | | | | | |
| 100W HPS | \$ | 9.75 | \$ 9.85 | \$ 9.95 | \$ 10.05 | \$ 10.15 |
| 100W HPS Metered | \$ | 5.50 | \$ 5.55 | \$ 5.60 | \$ 5.65 | \$ 5.70 |
| 250W HPS | \$ | 18.00 | \$ 18.20 | \$ 18.40 | \$ 18.60 | \$ 18.80 |
| 250W HPS Metered | \$ | 7.75 | \$ 7.85 | \$ 7.95 | \$ 8.05 | \$ 8.15 |
| 400W HPS | \$ | 27.00 | \$ 27.30 | \$ 27.60 | \$ 27.90 | \$ 28.20 |
| 400W HPS Metered | \$ | 10.50 | \$ 10.60 | \$ 10.70 | \$ 10.80 | \$ 10.90 |
| 1000W Metal Halide | \$ | 60.85 | \$ 61.45 | \$ 62.05 | \$ 62.65 | \$ 63.25 |
| Small LED | \$ | 5.00 | \$ 5.05 | \$ 5.10 | \$ 5.15 | \$ 5.20 |
| Small LED Metered | \$ | 3.50 | \$ 3.55 | \$ 3.60 | \$ 3.65 | \$ 3.70 |
| Medium LED | \$ | 10.25 | \$ 10.35 | \$ 10.45 | \$ 10.55 | \$ 10.65 |
| Medium LED Metered | \$ | 5.50 | \$ 5.55 | \$ 5.60 | \$ 5.65 | \$ 5.70 |
| Large LED | \$ | 23.75 | \$ 24.00 | \$ 24.25 | \$ 24.50 | \$ 24.75 |
| Large LED Metered | \$ | 9.50 | \$ 9.60 | \$ 9.70 | \$ 9.80 | \$ 9.90 |
| PL/SMSC Residential LED | \$ | 3.50 | \$ 3.55 | \$ 3.60 | \$ 3.65 | \$ 3.70 |
| PL/SMSC Collector LED | \$ | 7.75 | \$ 7.85 | \$ 7.95 | \$ 8.05 | \$ 8.15 |
| PL/SMSC Residential HPS | \$ | 9.25 | \$ 9.35 | \$ 9.45 | \$ 9.55 | \$ 9.65 |
| PL/SMSC Collector HPS | \$ | 17.50 | \$ 17.70 | \$ 17.90 | \$ 18.10 | \$ 18.30 |

Shakopee Public Utilities
Electric Operating Results at Proposed 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 | \$ 20,486,615 | \$ 21,401,274 | \$ 22,341,858 | \$ 23,308,834 |
| Commercial | 28,283,314 | 29,341,943 | 31,414,834 | 31,261,142 | 28,553,792 | 29,705,419 | 30,297,504 | 30,870,777 | 31,449,116 | 32,031,260 |
| Uncollectible Accounts | (65,319) | (51,746) | (71,802) | (61,116) | (258,532) | (180,514) | (185,880) | (191,326) | (196,885) | (202,556) |
| Total Sales of Electricity | \$ 45,107,530 | \$ 45,787,035 | \$ 49,234,598 | \$ 48,514,846 | \$ 46,327,915 | \$ 49,137,622 | \$ 50,598,239 | \$ 52,080,725 | \$ 53,594,089 | \$ 55,137,539 |
| Other Operating Revenues | | | | | | | | | | |
| Forfeited Discounts | \$ 250,448 | \$ 248,556 | \$ 252,538 | \$ 304,445 | \$ 60,835 | \$ 272,625 | 288,535 | 296,989 | 305,619 | 314,420 |
| 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 | 754,198 | 776,400 | 799,067 | 822,186 |
| Total Other Operating Revenues | \$ 1,094,571 | \$ 1,100,007 | \$ 1,158,891 | \$ 1,135,968 | \$ 870,373 | \$ 1,126,419 | \$ 1,167,499 | \$ 1,201,898 | \$ 1,237,050 | \$ 1,272,942 |
| Total Operating Revenues | \$ 46,202,101 | \$ 46,887,042 | \$ 50,393,489 | \$ 49,650,814 | \$ 47,198,288 | \$ 50,264,041 | \$ 51,765,738 | \$ 53,282,623 | \$ 54,831,139 | \$ 56,410,480 |
| 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 | 754,198 | 776,400 | 799,067 | 822,186 |
| Total Customer Accounts | \$ 1,210,673 | \$ 1,252,284 | \$ 1,319,120 | \$ 1,376,131 | \$ 1,396,083 | \$ 1,811,619 | \$ 1,499,263 | \$ 1,543,817 | \$ 1,589,507 | \$ 1,636,339 |
| 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 | \$ 44,396,813 | \$ 45,368,413 | \$ 46,361,747 | \$ 47,377,296 |
| 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 | \$ 47,057,496 | \$ 48,471,088 | \$ 49,702,137 | \$ 51,045,019 |
| OPERATING INCOME | \$ 6,436,646 | \$ 5,758,054 | \$ 6,458,531 | \$ 6,918,894 | \$ 5,767,618 | \$ 4,254,090 | \$ 4,708,242 | \$ 4,811,535 | \$ 5,129,002 | \$ 5,365,462 |

Shakopee Public Utilities
Electric Operating Results at Proposed 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 | \$ 5,767,180 | \$ 5,881,288 | \$ 6,209,895 | \$ 6,457,828 |
| 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) | \$ (3,056,231) | \$ (3,145,933) | \$ (3,237,503) | \$ (3,330,895) |
| CHANGE IN NET POSITION | \$ 5,680,037 | \$ 5,886,068 | \$ 6,427,086 | \$ 7,657,935 | \$ 4,864,006 | \$ 3,787,159 | \$ 3,279,105 | \$ 3,299,769 | \$ 3,532,950 | \$ 3,683,520 |
| As Percent of Revenues | 12.3% | 12.6% | 12.8% | 15.4% | 10.3% | 7.5% | 6.3% | 6.2% | 6.4% | 6.5% |
| CASH RESERVES | | | | | | | | | | |
| Beginning of Year | | | | | | \$ 44,418,158 | \$ 40,245,077 | \$ 31,381,742 | \$ 30,341,496 | \$ 27,113,585 |
| Plus Change in Net Position | | | | | | 3,787,159 | 3,279,105 | 3,299,769 | 3,532,950 | 3,683,520 |
| 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 | \$ 31,381,742 | \$ 30,341,496 | \$ 27,113,585 | \$ 31,378,578 |
| As Percent of Revenues | | | | | 94% | 80% | 61% | 57% | 49% | 56% |

Shakopee Public Utilities Proposed Residential TOU Rates

Residential TOU Rate

| | |
|-------------------------|-----------|
| Service Charge (\$/mo) | \$ 9.50 |
| Energy Charge (\$/kWh) | |
| On Peak ⁽¹⁾ | \$ 0.1700 |
| Off Peak ⁽²⁾ | \$ 0.0964 |

(1) On peak period is 2 pm to 8 pm M-F

(2) Off peak period is 8 pm to 2 pm M-F and all day Sat and Sun

Residential EV Rate⁽¹⁾⁽²⁾

| | |
|-------------------------|-----------|
| Service Charge (\$/mo) | \$ 4.75 |
| Energy Charge (\$/kWh) | |
| Off Peak ⁽³⁾ | \$ 0.0450 |
| On Peak ⁽⁴⁾ | \$ 0.2500 |

(1) Applicable to separately metered EV usage only

(2) PCA applies

(3) Off peak period is 10 pm to 7 am

(4) On peak period is all other hours



WATER COST OF SERVICE AND RATE DESIGN STUDY

Final Report

December 6, 2021



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates



December 6, 2021

Shakopee Public Utilities Commission

255 Sarazin Street

PO Box 470

Shakopee, MN 55379

Subject: Water Rate Study

Commission Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Shakopee Public Utilities (SPU) charges its customers for water service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

The recommended rate adjustments have been made based on overall revenue and cash reserve needs of the utility and the results of a cost-of-service analysis. As a result of the study undertaken, a series of 5% annual increases for the years 2022 through 2025 have been recommended for the water utility. This adjustment has been designed to help ensure the continued financial strength of the SPU water utility. Specific rate design recommendations are included for each retail rate class.

Thank you for the opportunity to be of service to SPU through the conduct of this study. I wish to express my appreciation for the valuable assistance I received from SPU staff relative to the execution of this study.

Sincerely,

Dave Berg Consulting, LLC

A handwritten signature in black ink, appearing to read 'David A. Berg', is written over a light gray horizontal line.

David A. Berg, PE
Principal

Dedicated to providing personal service to consumer-owned utilities

Dave Berg Consulting, LLC | 15213 Danbury Ave W, Rosemount, MN 55068 | 612-850-2305

www.davebergconsulting.com

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 those 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 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 | \$195,037 |
| 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>(300,351)</u> | <u>(303,180)</u> | <u>(306,036)</u> | <u>(308,921)</u> |
| Change in Net Position | \$6,134,635 | \$2,003,915 | \$1,614,842 | \$1,091,406 | \$577,532 |
| Net Position as Percent of Revenues | 92.6% | 35.1% | 28.0% | 18.8% | 9.8% |

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 | \$9,310,411 | \$6,972,352 | \$4,370,108 |
| Plus Income before Transfers less Municipal Contributions less Reconstruction Funds | 171,232 | (1,134,067) | (1,575,793) | (2,153,475) | (2,723,248) |
| 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 | <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 | \$9,310,411 | \$6,972,352 | \$4,370,108 | \$2,335,112 |
| Reserves as % of Operating Revenue | 158.1% | 163.1% | 121.0% | 75.1% | 39.8% |

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 | \$19,466,453 | \$14,101,720 | \$5,025,005 | \$901,720 |

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 | 18,034 |
| 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 | \$ 195,037 |
| 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) | \$ (1,691,509) |
| 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) | \$ (300,351) | \$ (303,180) | \$ (306,036) | \$ (308,921) |
| CHANGE IN NET POSITION | \$ 2,576,248 | \$ 4,747,259 | \$ 6,532,756 | \$ 2,204,157 | \$ 1,256,730 | \$ 6,134,635 | \$ 2,003,915 | \$ 1,614,842 | \$ 1,091,406 | \$ 577,532 |
| As Percent of Revenues | 56.4% | 91.6% | 116.5% | 45.3% | 22.7% | 92.6% | 35.1% | 28.0% | 18.8% | 9.8% |

Shakopee Public Utilities
Water Operating Results at Existing Rates

Exhibit 2A

| | Historical | | | | | Projected | | | | |
|---|------------|------|------|------|---------------|---------------|----------------|----------------|----------------|----------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| UNRESTRICTED CASH RESERVES | | | | | | | | | | |
| Beginning of Year | | | | | | \$ 9,397,098 | \$ 10,471,745 | \$ 9,310,411 | \$ 6,972,352 | \$ 4,370,108 |
| Plus Income before Transfers less Municipal Contributions less Reconstruction Funds | | | | | | 171,232 | (1,134,067) | (1,575,793) | (2,153,475) | (2,723,248) |
| 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 | \$ 9,310,411 | \$ 6,972,352 | \$ 4,370,108 | \$ 2,335,112 |
| As a percent of Operating Revenue | | | | | 170% | 158.1% | 163.1% | 121.0% | 75.1% | 39.8% |
| 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 | \$ 19,466,453 | \$ 14,101,720 | \$ 5,025,005 | \$ 901,720 |

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 | \$5,571,345 |

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

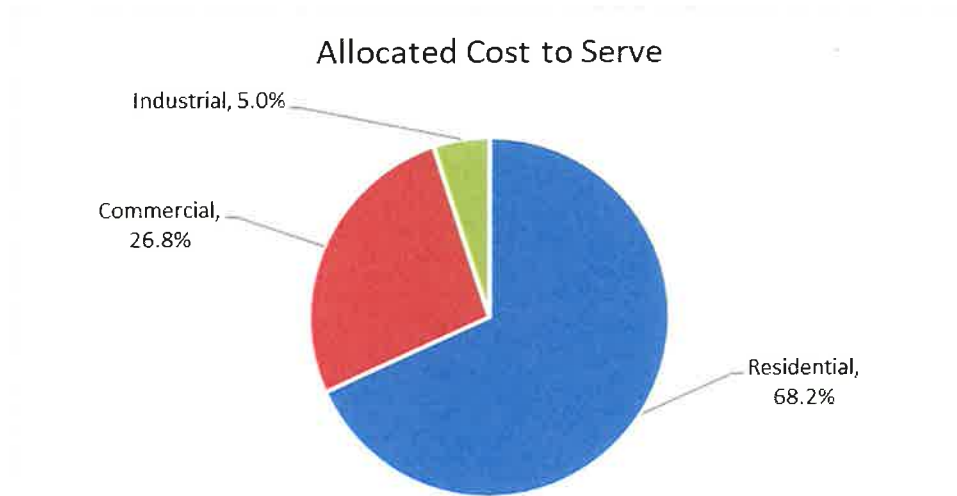
| Customer Classification | Allocated Cost to Serve | Revenues |
|--------------------------------|--------------------------------|-----------------|
| Residential | \$3,798,810 | \$3,692,602 |
| Commercial | 1,491,460 | 1,571,945 |
| Industrial | <u>281,074</u> | <u>306,797</u> |
| Total | \$5,571,345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

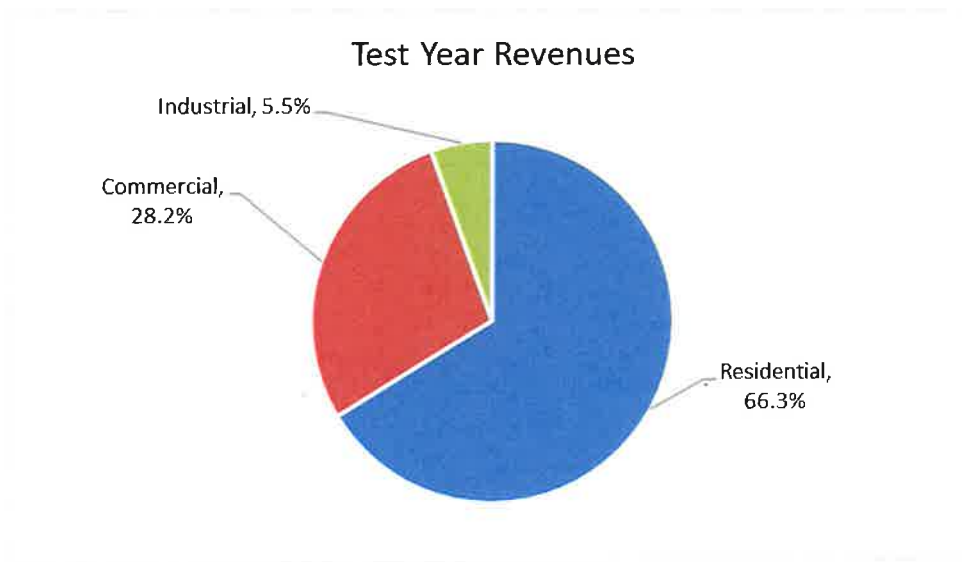
The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollar basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The charts following Table 3-3 show a graphical comparison between allocated cost 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

| | | 2020 | | | | | | |
|---|-----------------|---------------------|---------------------|---------------------|-------------------|-------------|-------------------------|--|
| REVENUE REQUIREMENT | Account | TEST YEAR | Plant | Distribution | Customer | Revenue | Functionalization Basis | |
| 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 | 929.00 | 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

| | 2020 | | | | | | |
|--|----------------|------------------|--------------|---------------------|-----------------|----------------|--------------------------------|
| REVENUE REQUIREMENT | <u>Account</u> | <u>TEST YEAR</u> | <u>Plant</u> | <u>Distribution</u> | <u>Customer</u> | <u>Revenue</u> | <u>Functionalization Basis</u> |
| 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 | \$ | (33,326) | \$ - | \$ - | \$ - | \$ (33,326) | |
| 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 | 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 | |
|--------------------------------------|---------------------|---------------------|-------------------|----------------------|
| Account | TEST YEAR | Demand | Commodity | Classification Basis |
| 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 <u>TEST YEAR</u> | Distribution <u>Demand</u> | Customer <u>Facilities</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 | 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

| | 2020 <u>TEST YEAR</u> | <u>Distribution</u> <u>Demand</u> | <u>Customer</u> <u>Facilities</u> | <u>Classification Basis</u> |
|--------------------------------------|--------------------------|--------------------------------------|--------------------------------------|-----------------------------|
| REVENUE REQUIREMENT | | | | |
| 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

| | Account | 2020 TEST YEAR | Customer | 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 | - | - | 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 | 929.00 | 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% | |

Section 4

Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outline the overall revenue needs of the water utility. Section 3 summarizes the cost-of-service results for the water utility. These factors have been considered in developing the proposed rates summarized in this section of the report.

Proposed Rates

Revenue Needs

In Section 2, it shows that SPU's projected annual change in water net position, assuming continuation of the existing retail rates drops to 9.8% of revenue by 2025. It's important to recognize that the primary reason it is positive is due to the level of capital contributions projected. In Exhibit 2A it illustrates that the Income before Contributions and Transfers is projected to be negative each year during the 2022-2025 period. SPU's projected total cash reserves decline from \$25.3 million to \$900,000 by the end of the Study Period. This is a decrease in reserves of 96%.

Cost of Service Considerations

The results of the water cost-of-service analysis in Section 3 indicates that there is a small subsidy from Industrial customers to Residential customers.

Section 4

Recommended Rates

Exhibit 4-A shows the existing and recommended rates for water for each year from 2022-2025.

Based on discussions with SPU management, a goal was set to increase overall reserve levels by \$3 million dollars at the end of the Study Period as compared to the projections at current rates. Recommended overall water rate increases are approximately 5% each year. The overall increase in water rates during the Study Period is 22.2% (an average of 5.1% per year). In all rate classes the increases are higher for the monthly service charge than through the consumption charges. Current monthly service charges are relatively low. As an example, in 2022 the customer charge for 5/8 x 3/4 inch customer (typical Residential meter size) increases from \$3.37 to \$3.74 per month. This is an increase of 37 cents (11%). Based on the cost-of-service results, the overall increases are slightly higher for Residential customers as compared to Commercial customers and slightly higher for Commercial customers as compared to Industrial customers.

SPU water rates also include a separate Reconstruction charge of \$0.42 per 1000 gallons for all customers. The Reconstruction charge revenues are deposited in the restricted Reconstruction fund to pay for specific projects in that category. Based on a review of the projected revenues and project expenses in the Reconstruction fund, no change in this fee is recommended.

Other Rate Design Considerations

Historical Rate Adjustments

Table 4-1 below shows the historical bill comparisons for SPU water rates and usage by a typical Residential customer with 10,000 gallons of use. As shown, since 2007 average annual increases for SPU water rates has been 4.2%.

Table 4-1
Historical SPU Water Rate Changes
Residential 10,000 Gallon Monthly Usage

| Year | Monthly Bill | Change/ Difference |
|----------------|--------------|-----------------------|
| 2007 | \$19.72 | n/a |
| 2009 | \$21.76 | 10.3% |
| 2010 | \$27.21 | 25.0% |
| 2012 | \$28.67 | 5.4% |
| 2017 | \$32.27 | 12.6% |
| 2018 | \$35.02 | 8.5% |
| 2021 | \$34.92 | <u>-0.3%</u> |
| Annual Average | | 4.2% |

Competitive Analysis

SPU is interested in how its rates compare to neighboring utilities. Table 4-2 below shows monthly water bills for a typical customer in the residential class with 10,000 gallons of consumption. Bills are shown based on existing SPU rates, proposed SPU rates in 2022 and existing rates for neighboring cities. It is important to consider that many other neighboring communities may also be increasing water rates over the next few years.

Section 4

Table 4-2
Monthly Water Bill Comparisons
Residential 10,000 Gallon Monthly Usage

| Utility | Bill | Difference |
|---------------|---------|------------|
| SPU current | \$34.92 | n/a |
| SPU prop 2022 | \$36.66 | 5.0% |
| Chaska | \$32.71 | -6.3% |
| Prior Lake | \$47.40 | 35.7% |
| Burnsville | \$34.12 | -2.3% |
| Savage | \$44.71 | 28.0% |
| Eden Prairie | \$34.17 | -2.1% |

Projected Operating Results – Proposed Rates

Based on the proposed rates outlined above, the resulting projected operating results are summarized below in Table 4-3. A summary presentation of the operating results is shown in Exhibit 4-B.

Table 4-3
Projected Operating Results-Water
Proposed Rates

| Year | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues | \$6,623,242 | \$5,995,175 | \$6,359,147 | \$6,749,496 | \$7,168,375 |
| 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 | 254,751 |
| 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>(317,535)</u> | <u>(338,980)</u> | <u>(362,003)</u> | <u>(386,733)</u> |
| Change in Net Position | \$6,134,635 | \$2,273,130 | \$2,175,710 | \$1,968,215 | \$1,856,304 |
| Net Position as Percent of Revenues | 92.6% | 37.9% | 34.2% | 29.2% | 25.9% |

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 assuming the recommended rates are shown at the end of Exhibit 4-B and in Tables 4-4 through 4-7 below. Only the unrestricted reserves in Table 4-4 are different from those shown in Section 2 of this report. Table 4-8 shows the combined end of year balances for all funds.

Section 4

As mentioned above, a goal of increasing overall reserve levels by \$3 million through rate adjustments was set in discussions with SPU management. The 2025 end of year reserve level shown below is \$3.9 million. This represents an increase of \$3 million over the \$900,000 projection under existing rates as shown in Section 2 of this report.

Table 4-4
Projected Unrestricted Cash Reserves-Water
Proposed Rates

| Year | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|------------------|------------------|------------------|-----------------|-----------------|
| Beginning Balance | \$9,397,098 | \$10,471,745 | \$9,579,626 | \$7,802,434 | \$6,076,999 |
| Plus Income before Transfers less Municipal Contributions less Reconstruction Funds | 171,232 | (864,852) | (1,014,925) | (1,276,666) | (1,444,475) |
| 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 | <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 | \$9,579,626 | \$7,802,434 | \$6,076,999 | \$5,320,776 |
| Reserves as % of Operating Revenue | 158.1% | 159.8% | 122.7% | 90.0% | 74.2% |

Table 4-5
Projected Reconstruction Fund-Water
Proposed 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 |

Proposed Rates

Table 4-6
Projected Connection Fund-Water
Proposed 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 4-7
Projected Trunk Fund-Water
Proposed 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) |

Table 4-8
Projected Total Reserve Funds-Water
Proposed Rates

| Year | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------------|--------------|--------------|--------------|-------------|-------------|
| Ending Balance | \$25,341,428 | \$19,735,668 | \$14,931,802 | \$6,731,896 | \$3,887,384 |

Shakopee Public Utilities
Existing and Proposed Water Rates

| | | Existing | 2022 Proposed | 2023 Proposed | 2024 Proposed | 2025 Proposed |
|--|----|-------------|------------------|------------------|------------------|------------------|
| <u>Water</u> | | <u>Rate</u> | <u>Rate</u> | <u>Rate</u> | <u>Rate</u> | <u>Rate</u> |
| Monthly Service Charge (meter size) | | | | | | |
| 5/8 x 3/4 in | \$ | 3.37 | \$ 3.74 | \$ 4.15 | \$ 4.61 | \$ 5.12 |
| 3/4 in | \$ | 3.71 | \$ 4.12 | \$ 4.57 | \$ 5.07 | \$ 5.63 |
| 1 in | \$ | 4.71 | \$ 5.23 | \$ 5.80 | \$ 6.44 | \$ 7.15 |
| 1 1/2 in | \$ | 6.06 | \$ 6.73 | \$ 7.47 | \$ 8.29 | \$ 9.20 |
| 2 in | \$ | 9.76 | \$ 10.83 | \$ 12.03 | \$ 13.35 | \$ 14.82 |
| 3 in | \$ | 37.03 | \$ 41.10 | \$ 45.62 | \$ 50.64 | \$ 56.21 |
| 4 in | \$ | 47.12 | \$ 52.30 | \$ 58.06 | \$ 64.44 | \$ 71.53 |
| 6 in | \$ | 70.69 | \$ 78.47 | \$ 87.10 | \$ 96.68 | \$ 107.31 |
| 10 in | \$ | 168.30 | \$ 186.81 | \$ 207.36 | \$ 230.17 | \$ 255.49 |
| Residential - Commodity (\$/1000 gallons) | | | | | | |
| usage 1-5000 gallons | \$ | 2.49 | \$ 2.61 | \$ 2.75 | \$ 2.88 | \$ 3.03 |
| usage > 5000 gallons | \$ | 2.98 | \$ 3.13 | \$ 3.29 | \$ 3.45 | \$ 3.62 |
| Reconstruction charge | \$ | 0.42 | \$ 0.42 | \$ 0.42 | \$ 0.42 | \$ 0.42 |
| Commercial - Commodity (\$/1000 gallons) | | | | | | |
| all gallons | \$ | 2.28 | \$ 2.41 | \$ 2.54 | \$ 2.68 | \$ 2.82 |
| Irrigation | \$ | 2.98 | \$ 3.13 | \$ 3.29 | \$ 3.45 | \$ 3.62 |
| Reconstruction charge | \$ | 0.42 | \$ 0.42 | \$ 0.42 | \$ 0.42 | \$ 0.42 |
| Industrial - Commodity (\$/1000 gallons) | | | | | | |
| all gallons | \$ | 1.98 | \$ 2.09 | \$ 2.20 | \$ 2.32 | \$ 2.45 |
| Irrigation | \$ | 2.98 | \$ 3.13 | \$ 3.29 | \$ 3.45 | \$ 3.62 |
| Reconstruction charge | \$ | 0.42 | \$ 0.42 | \$ 0.42 | \$ 0.42 | \$ 0.42 |

Shakopee Public Utilities
Water Operating Results at Proposed 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 | \$ 5,976,486 | \$ 6,340,458 | \$ 6,730,807 | \$ 7,149,686 |
| 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 | \$ 5,995,175 | \$ 6,359,147 | \$ 6,749,496 | \$ 7,168,375 |
| 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 | \$ (299,830) | \$ (393,461) | \$ (445,547) | \$ (589,675) |
| 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 | 77,748 |
| 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 | \$ 254,751 |
| Income before Contributions and Transfers | \$ 1,020,872 | \$ 1,280,473 | \$ 1,756,353 | \$ 1,016,301 | \$ 1,230,257 | \$ 1,244,382 | \$ 155,604 | \$ 33,542 | \$ (198,544) | \$ (334,924) |
| 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) | \$ (317,535) | \$ (338,980) | \$ (362,003) | \$ (386,733) |
| CHANGE IN NET POSITION | \$ 2,576,248 | \$ 4,747,259 | \$ 6,532,756 | \$ 2,204,157 | \$ 1,256,730 | \$ 6,134,635 | \$ 2,273,130 | \$ 2,175,710 | \$ 1,968,215 | \$ 1,856,304 |
| As Percent of Revenues | 56.4% | 91.6% | 116.5% | 45.3% | 22.7% | 92.6% | 37.9% | 34.2% | 29.2% | 25.9% |

Shakopee Public Utilities
Water Operating Results at Proposed 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 | \$ 9,579,626 | \$ 7,802,434 | \$ 6,076,999 |
| Plus Income before Transfers less Municipal Contributions less Reconstruction Funds | | | | | | 171,232 | (864,852) | (1,014,925) | (1,276,666) | (1,444,475) |
| 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 | \$ 9,579,626 | \$ 7,802,434 | \$ 6,076,999 | \$ 5,320,776 |
| As a percent of Operating Revenue | | | | | 170% | 158.1% | 159.8% | 122.7% | 90.0% | 74.2% |
| 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 | \$ 19,735,668 | \$ 14,931,802 | \$ 6,731,896 | \$ 3,887,384 |



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TO: Greg Drent, General Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: 2022 – 2026 FINAL CAPITAL IMPROVEMENT PLAN
DATE: November 24, 2021

Attached is the 2022- 2026 Final Capital Improvement Plan for the Commission's consideration. The Plan covers Administrative, Electric and Water system improvements for the five-year period of 2022 – 2026.

DISCUSSION:

This is the same information presented to the Commission as the 2022 – 2006 Semi-Final CIP on November 1, 2021.

REQUESTED ACTION:

Staff requests that the Commission **ACCEPT** the Final 2022 – 2026 CIP.

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated:12-6-2021
Administrative Summary**

| Item Description | | | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|--|--|---------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | | | | | | | | |
| General Office Equipment | | | See detail | 30,400 | 148,900 | 100,000 | 100,000 | 130,000 | 100,000 |
| Hardware | | | See detail | 234,322 | 846,322 | 165,000 | 225,000 | 163,000 | 148,000 |
| Software | | | See detail | 50,000.00 | 1,062,590 | 150,000 | 50,000 | 50,000 | 50,000 |
| | | | | | | | | | |
| Total Administrative | | | | 314,722 | \$2,057,812 | \$415,000 | \$375,000 | \$343,000 | \$298,000 |
| | | | | | | | | | |
| Cumulative Total Administrative | | | | | \$2,372,534 | \$2,787,534 | \$3,162,534 | \$3,505,534 | \$3,803,534 |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | Electric | | \$1,543,359 | \$311,250 | \$281,250 | \$257,250 | \$223,500 |
| | | | Water | | \$514,453 | \$103,750 | \$93,750 | \$85,750 | \$74,500 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Administrative Detail**

| Type | Item | Source of Request | Justification | Qty | Unit Cost | 2021 Carryover | 2022 |
|---------------------------------------|--|---------------------------|---|-----|-----------|-------------------|----------------|
| Gen Office Equip | General office equipment | F&A - IT | General equipment replacements | | | 15,000 | 100,000 |
| Furn & Equipment | Standing workstation | F&A-IT/Cust Svc/Eng/Admin | Employee Health and Wellness | 14 | 1,100 | 15,400 | 15,400 |
| Gen Office Equip | Conference Room D Sharp Aquos Interactive Board | Plan/Eng, Water, Electric | Map Display for Meetings/Presentations/Training/Conferences | | | | 15,000 |
| Gen Office Equip | Commission Room addition of 2 new Vaddio touch screen monitors | Plan/Eng, Water, Electric | Upgrading Vaddio multi-function touch screen monitors | | 15,000 | | 15,000 |
| Gen Office Equip | Commission Room add mic tracking for video | Plan/Eng, Water, Electric | Upgrade for video recording to track active microphone | | 3,500 | | 3,500 |
| Gen Office Equip | Copier & Fax Upgrades | F&A - IT | Replace Aging Equipment | 3 | 10,000 | | - |
| Total General Office Equipment | | | | | | 30,400 | 148,900 |
| Hardware | Replacement computers | F&A - IT | Replace aging Equipment (staff addition in Plan/Eng covered) | 10 | 1,000 | 10,000 | 40,000 |
| Hardware | Server room UPS maintenance/battery replacement | F&A - IT | Uninterrupted power supply & battery back up replacement | 1 | 2,000 | 54,254 | 54,254 |
| Hardware | Fiber Ring /INET Connectivity | F&A - IT | Connectivity/Redundancy for systems/remote sites | | | 100,000 | 500,000 |
| Hardware | Network Switches | F&A - IT | Future Standard Replacement Cycle | | | 60,000 | 60,000 |
| Hardware | ShoreTel Phones | F&A - IT | Replace aging phones - compatible with Mitel | 10 | 600 | 6,000 | 6,000 |
| Hardware | Security Cameras for front lobby/desk | F&A - IT | Extra security for CSR's at desk in front lobby | 3 | 1,355.89 | 4,068 | 4,068 |
| Hardware | Miscellaneous Hardware | F&A - IT | Future planning/Unplanned replacements | | | - | 75,000 |
| Hardware | 65" Display for computer data | Water | Need for large perational monitor for pump houses | 1 | 1,000 | - | 1,000 |
| Hardware | HPE Nimble SAN Expansion | F&A - IT | With all the digitizing of paper without a plan need to add storage | | 47,000 | - | 47,000 |
| Hardware | Plan/Eng Monitor Upgrades | Plan/Eng | Plan/Eng need to upgrade to larger monitors | 14 | 1,000 | - | 14,000 |
| Hardware | Firewall | F&A - IT | Replace product reaching end of life support | | | - | 45,000 |
| Hardware | HPE Aruba AP Replacements | F&A - IT | Aruba Aps end of life need replacement | | 30,000 | - | - |
| Hardware | HPE Storeonce Veeam Storage Expansion | F&A - IT | Local Veeam backup storage expansion | | 22,000 | - | - |
| Hardware | Plan/Eng Plotter Replacement | Plan/Eng | Plan/Eng HP plotter is 5 years old future replacement | | 10,000 | - | - |
| Hardware | Remit Plus Scanners - Payment Processing | Cust. Service | Scanner Replacements | 3 | 4,000 | - | - |
| Hardware | VMware HP DL380p Server - Add Host machine | F&A - IT | Replacement of existing equipment | | | - | - |
| Hardware | Water Scada System Replacements | Water | Server/Workstation 6 years old/needs upgrade to Windows 10 | 2 | 5,000 | - | - |
| Total Hardware | | | | | | 234,322 | 846,322 |
| Software | Microsoft Visio 2019 | F&A - IT | Standalone copy Visio 2019 | 10 | 517 | - | 5,170 |
| Software | Microsoft Office 2019 Professional Plus | F&A - IT | Standalone copy Office Professional Pkus 2019 | 15 | 548 | - | 8,220 |
| Software | Microsoft Office 365 | F&A - IT | Microsoft Office 365 Cloud Solution | 80 | 240 | - | 19,200 |
| Software | Software Conversion - CIS & Finance | F&A - IT | Daffron replacement software | | | - | 900,000 |
| Software | Document management | F&A - IT | Document management digitilizing project | | | - | 80,000 |
| Software | Software | F&A - IT | Misc/Future budgeting | | | 50,000 | 50,000 |

Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Administrative Detail

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| Type | Item | Source of Request | Justification | Qty | Unit Cost | 2021 Carryover | 2022 |
|------|---|-------------------|---------------|-----|-----------|-------------------|-----------|
| | Total Software | | | | | 50,000 | 1,062,590 |
| | Total CIP Expenditures - Administration | | | | | 314,722 | 2,057,812 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Summary**

| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Operating Fund</u> | | | | | | | |
| <u>System Projects</u> | | | | | | | |
| Miscellaneous | See Detail | - | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| System Material & Facilities | See Detail | - | 662,000 | 495,000 | 495,000 | 470,000 | 430,000 |
| Vehicles/Equipment | See Detail | 156,000 | 670,500 | 340,000 | 345,000 | 385,000 | 195,000 |
| <u>Local Area Projects</u> | | | | | | | |
| New UG Cables & Related Cost (Net of Contribution) | See Detail | - | 400,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| Replace UG Cable Projects | See Detail | - | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Rebuild OH Lines | See Detail | - | 123,000 | 70,000 | 20,000 | 20,000 | 20,000 |
| <u>Major System Projects</u> | | | | | | | |
| Feeder Extension Projects | See Detail | - | 1,109,500 | 1,289,340 | 795,000 | 286,000 | 297,440 |
| Convert OH to UG | See Detail | - | 478,000 | 263,100 | 275,000 | 343,000 | 354,440 |
| Territory Acquisition | See Detail | - | 550,000 | 350,000 | 350,000 | 350,000 | 225,000 |
| Shakopee Substation | See Detail | - | 275,000 | - | - | - | - |
| South Shakopee Substation | See Detail | - | 85,000 | - | - | - | - |
| Pike Lake Substation | See Detail | - | 25,000 | - | 30,000 | - | - |
| Dean Lake Substation | See Detail | - | 81,000 | - | - | - | - |
| East Shakopee Substation | See Detail | - | 1,700,000 | - | - | - | - |
| West Shakopee Substation | See Detail | 414,000 | 5,632,000 | 150,000 | 300,000 | - | - |
| Upgrade Projects | See Detail | - | 278,264 | 220,000 | 220,000 | 230,000 | 25,000 |
| ADVANCED METERING INFRASTRUCTURE (AMI) | See Detail | 90,000 | 720,000 | 2,250,000 | 2,250,000 | - | - |
| Service Center | See Detail | - | 83,500 | 882,400 | 4,045,000 | 50,000 | 50,000 |
| Total Operating Fund | | 660,000 | 13,057,764 | 6,944,840 | 9,760,000 | 2,769,000 | 2,231,880 |
| <u>Relocation Fund</u> | | | | | | | |
| Relocation Projects | See Detail | - | 202,000 | 186,600 | 60,000 | 60,000 | 65,000 |
| Total Relocation Fund | | - | 202,000 | 186,600 | 60,000 | 60,000 | 65,000 |
| Total Electric | | 660,000 | 13,259,764 | 7,131,440 | 9,820,000 | 2,829,000 | 2,296,880 |
| Cumulative Total Electric | | 660,000 | 13,919,764 | 21,051,204 | 30,871,204 | 33,700,204 | 35,997,084 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------------------------------------|-------------------|---------|---------|---------|---------|---------|
| Operating Fund | | | | | | | |
| System Projects | | | | | | | |
| 1 Miscellaneous | As Necessary | - | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| 2 Total Miscellaneous | | - | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| 3 System Material & Facilities | | | | | | | |
| 4 DC Fast Charger (West Substation) | New Equipment | - | 60,000 | - | - | - | - |
| 5 Lateral Circuit Reconfiguration | System Reliability | - | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 6 Meters | New Construction | - | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 7 Padmount Switches & Related | Load/Development | - | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| 8 Distribution Transformers | Restock to min. | - | 205,000 | 205,000 | 205,000 | 205,000 | 205,000 |
| 9 System Capacitors-Additional | PF Improvements | - | 25,000 | 25,000 | 25,000 | - | - |
| 10 SCADA-Capacitor Control | Op. Efficiencies & Voltage Control | - | 40,000 | 40,000 | 40,000 | 40,000 | - |
| 11 SCADA Switches for Tie Switches | System Reliability | - | 80,000 | - | - | - | - |
| 12 Meter Tester | Replace Old Equipment | - | 25,000 | - | - | - | - |
| 13 Pikelake Substation Driveway Sealing | Maintenance | - | 2,000 | - | - | - | - |
| 14 Total System Material & Facilities | | - | 662,000 | 495,000 | 495,000 | 470,000 | 430,000 |
| 15 Vehicles/Equipment | | | | | | | |
| 16 Construction-Related Equipment-New/Additional/Replacement | Tool Replacement | - | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| 17 #616 Double Bucket | Life Cycle Replacement | 156,000 | 100,000 | - | - | - | - |
| 18 Backyard Digger/Bucket Truck | New Equipment | - | 190,000 | - | - | - | - |
| 19 Service Saver | New Equipment | - | 4,500 | - | - | - | - |
| 20 Phase Identifier | Additional Service Saver | - | 6,000 | - | - | - | - |
| 21 Skidsteer Trailer | Life Cycle Replacement | - | 20,000 | - | - | - | - |
| 22 #617 Duty Truck | Life Cycle Replacement | - | 40,000 | - | - | - | - |
| 23 Vac-Tron | Life Cycle Replacement | - | 95,000 | - | - | - | - |
| 24 #637 Engineering Pick Up 4X4 | Life Cycle Replacement | - | 50,000 | - | - | - | - |
| 25 Dump Truck | New Equipment | - | 120,000 | - | - | - | - |
| 26 Mini Skid Loader/Backhoe | Life Cycle Replacement | - | - | 50,000 | - | - | - |
| 27 #610 F550 4x4 Service Truck | Life Cycle Replacement | - | - | 175,000 | - | - | - |
| 28 Forklift | Life Cycle Replacement | - | - | 30,000 | - | - | - |
| 29 #618 Duty Truck | Life Cycle Replacement | - | - | 40,000 | - | - | - |
| 30 Digger Truck #612 Bucket | Life Cycle Replacement | - | - | - | 300,000 | - | - |
| 31 Air Compressor #628 | Life Cycle Replacement | - | - | - | - | 70,000 | - |
| 32 Directional Bore Equipment | New Equip for UG Construction | - | - | - | - | 250,000 | - |
| 33 Equipment Trailer 30,000 lbs | Life Cycle Replacement | - | - | - | - | 20,000 | - |
| 34 Woodchipper | Life Cycle Replacement | - | - | - | - | - | 55,000 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| | Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|----|---|----------------------------------|-------------------|------------------|------------------|----------------|----------------|----------------|
| 35 | Vac-Tron | Life Cycle Replacement | - | - | - | - | - | 95,000 |
| 36 | Total Vehicles/Equipment | | 156,000 | 670,500 | 340,000 | 345,000 | 385,000 | 195,000 |
| 37 | | | | | | | | |
| 38 | | | | | | | | |
| 39 | Local Area Projects | | | | | | | |
| 40 | New UG Cables & Related Cost (Net of Contribution) | Load/Development | - | 400,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| 41 | Total New UG Cables & Related Cost (Net of Contribution) | | - | 400,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| 42 | | | | | | | | |
| 43 | Replace UG Cable Projects | | | | | | | |
| 44 | Replace UG Cable - Projects Yet To Be Determined | As Needed | - | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 45 | Total Replace UG Cable Projects | | - | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| 46 | | | | | | | | |
| 47 | Rebuild OH Lines | | | | | | | |
| 48 | Rebuild OH lines - as needed RP3 | Change Out | - | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 49 | BL-22 Stagecoach Road and Maras Avenue | Street Project | - | 78,000 | - | - | - | - |
| 50 | DL-52 Eagle Creek Blvd@Vierling Drive 0.25 mile | Roundabout Impacts | - | 25,000 | - | - | - | - |
| 51 | SS-32 CR 15 @Hwy 169 Ramps 0.50 mile | Roundabout Impacts | - | - | 50,000 | - | - | - |
| 52 | Total Rebuild OH Lines | | - | 123,000 | 70,000 | 20,000 | 20,000 | 20,000 |
| 53 | Major System Projects | | | | | | | |
| 54 | | | | | | | | |
| 55 | Feeder Extension Projects | | | | | | | |
| 56 | PL-75 SBX to Stagecoach Rd 0.25 mile | Development | - | 30,400 | - | - | - | - |
| 57 | Dean Lake Sub DL-9X Exit Circuits 1.0 mile | Load Growth | - | 220,000 | - | - | - | - |
| 58 | SS-32 CR 16 Ext. from CR15 to CR69 1.25 mile | Street Project & Development | - | 126,600 | 197,340 | - | - | - |
| 59 | West Shakopee Substation Exit Circuits | Load Growth | - | 100,000 | 500,000 | 520,000 | - | - |
| 60 | DL-97 New Feeder DL Sub to Barendscheer Blvd 1.0 mile | Development (Canterbury Commons) | - | 126,500 | 131,560 | - | - | - |
| 61 | SS-84 New Feeder SS Sub to CR 17 via Stonebrooke 0.75 mile | Load Growth | - | - | 197,340 | - | - | - |
| 62 | DL-42 Feeder Extension to Data Center 0.5 mile | Load Growth (Data Center) | - | 253,000 | - | - | - | - |
| 63 | Projects Yet to be Determined 1.0 mile | As Necessary | - | 253,000 | 263,100 | 275,000 | 286,000 | 297,440 |
| 64 | Total Feeder Extension Projects | | - | 1,109,500 | 1,289,340 | 795,000 | 286,000 | 297,440 |
| 65 | | | | | | | | |
| 66 | Assumed Cost per mile unless noted otherwise | | - | 253,000 | 263,100 | 275,000 | 286,000 | 297,440 |
| 67 | | | | | | | | |
| 68 | | | | | | | | |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| | Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----|---|--|-------------------|------------------|----------------|----------------|----------------|----------------|
| 69 | Convert OH to UG | | | | | | | |
| 70 | Eagle Creek Blvd UG 0.50 miles | Reliability | - | 175,000 | - | - | - | - |
| 71 | Muhlenhardt Undergrounding 0.75 mile | Reliability | - | 50,000 | - | - | - | - |
| 72 | Presidential OH to UG Conversion, 2 blocks per year, 40 customer/year | | - | - | - | - | 57,000 | 57,000 |
| 73 | Total Convert OH to UG | | - | 478,000 | 263,100 | 275,000 | 343,000 | 354,440 |
| 74 | | | | | | | | |
| 75 | Territory Acquisition | | | | | | | |
| 76 | Territory Acquisition | Purchase | - | 400,000 | 250,000 | 250,000 | 250,000 | 125,000 |
| 77 | Territory Acquisition | Consolidation | - | 150,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 78 | Total Territory Acquisition | | - | 550,000 | 350,000 | 350,000 | 350,000 | 225,000 |
| 79 | | | | | | | | |
| 80 | Shakopee Substation | | | | | | | |
| 81 | Land Rights | Load Growth/Downtown Re-development | - | 250,000 | - | - | - | - |
| 82 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 | - | - | - | - |
| 83 | Total Shakopee Substation | | - | 275,000 | - | - | - | - |
| 84 | | | | | | | | |
| 85 | South Shakopee Substation | | | | | | | |
| 86 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 | - | - | - | - |
| 87 | Oil Change Out on Tap Changer (Transformer 1 & 2) | Maintenance/Extend Life of Tap Changer | - | 60,000 | - | - | - | - |
| 88 | Total South Shakopee Substation | | - | 85,000 | - | - | - | - |
| 89 | | | | | | | | |
| 90 | Pike Lake Substation | | | | | | | |
| 91 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 | - | - | - | - |
| 92 | Oil Change Out on Tap Changer (Transformer 1) | Maintenance/Extend Life of Tap Changer | - | - | - | 30,000 | - | - |
| 93 | Total Pike Lake Substation | | - | 25,000 | - | 30,000 | - | - |
| 94 | | | | | | | | |
| 95 | Dean Lake Substation | | | | | | | |
| 96 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 | - | - | - | - |
| 97 | Oil Change Out on Tap Changer | Maintenance/Extend Life of Tap Changer | - | 30,000 | - | - | - | - |
| 98 | Replace Substation Batteries | Maintenance | - | 26,000 | - | - | - | - |
| 99 | Total Dean Lake Substation | | - | 81,000 | - | - | - | - |
| 100 | | | | | | | | |
| 101 | East Shakopee Substation | | | | | | | |
| 102 | Land Rights | Load Growth | - | 1,700,000 | - | - | - | - |
| 103 | Total East Shakopee Substation | | - | 1,700,000 | - | - | - | - |
| 104 | | | | | | | | |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|----------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| 105 West Shakopee Substation | | | | | | | |
| 106 Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 | - | - | - | - |
| 107 Planning/Design/Project Management | Load Growth | 414,000 | 207,000 | - | - | - | - |
| 108 Construction | Load Growth | - | 5,400,000 | - | - | - | - |
| 109 UG Feeder/Exit Line going East | Load Growth | - | - | 150,000 | - | - | - |
| 110 UG Feeder/Exit line going West to 169 & South to 41 | Load Growth | - | - | - | 300,000 | - | - |
| 111 Total West Shakopee Substation | | 414,000 | 5,632,000 | 150,000 | 300,000 | - | - |
| 112 | | | | | | | |
| 113 Upgrade Projects | | | | | | | |
| 114 SH-08 Reconductoring 4th, Spencer, Fillmore, Somerville | Load Growth | - | 43,264 | - | - | - | - |
| 115 Heritage Lateral Reconfiguration | Safety | - | 25,000 | - | - | - | - |
| 116 Milwaukee Court Lateral Reconfiguration | Safety | - | - | - | - | - | 25,000 |
| 117 Projects yet to be determined | As Necessary | - | 210,000 | 220,000 | 220,000 | 230,000 | - |
| 118 Total Upgrade Projects | | - | 278,264 | 220,000 | 220,000 | 230,000 | 25,000 |
| 119 | | | | | | | |
| 120 ADVANCED METERING INFRASTRUCTURE (AMI) | | | | | | | |
| 121 Planning/Design/Project Management | Project Planning/Design | 90,000 | 120,000 | - | - | - | - |
| 122 Construction/Implementation/Hardware/Software/Training | Customer Service | - | 600,000 | 2,250,000 | 2,250,000 | - | - |
| 123 Total ADVANCED METERING INFRASTRUCTURE (AMI) | | 90,000 | 720,000 | 2,250,000 | 2,250,000 | - | - |
| 124 | | | | | | | |
| 125 Service Center | | | | | | | |
| 126 Service Center to County Fiber | Safety | - | 25,000 | - | - | - | - |
| 127 Miscellaneous Building Improvements/Replacements | Maint. & Requested Changes | - | 45,000 | 45,000 | 45,000 | 50,000 | 50,000 |
| 128 Display Case Office | Marketing | - | 10,000 | - | - | - | - |
| 129 Door Seal Loading Dock | Maintenance | - | 3,500 | - | - | - | - |
| 130 Facility Roof Replacement | Maintenance | - | - | 800,400 | - | - | - |
| 131 Garage Heaters | Maintenance | - | - | 30,000 | - | - | - |
| 132 Ice Machine | Replacement | - | - | 7,000 | - | - | - |
| 133 Building Expansion Office | Staff Additions | - | - | - | 4,000,000 | - | - |
| 134 Total Service Center | | - | 83,500 | 882,400 | 4,045,000 | 50,000 | 50,000 |
| 135 | | | | | | | |
| 136 Total Operating Fund | | 660,000 | 13,057,764 | 6,944,840 | 9,760,000 | 2,769,000 | 2,231,880 |
| 137 | | | | | | | |
| 138 | | | | | | | |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|--------------------|-------------------|------------|-----------|-----------|-----------|-----------|
| Relocation Fund | | | | | | | |
| Relocation Projects | | | | | | | |
| BL-22 Maras Street & Stagecoach Road | Street Project | - | 100,000 | - | - | - | - |
| DL-52 Eagle Creek Blvd@Vierling Drive 0.25 mile | Street Project | - | 50,000 | - | - | - | - |
| SS-32 CR 15 & Hwy 169 Ramps 0.50 mile | Roundabout Impacts | - | - | 131,600 | - | - | - |
| Projects Yet to Be Determined 0.50 ckt. mile | As Necessary | - | 52,000 | 55,000 | 60,000 | 60,000 | 65,000 |
| Total Relocation Projects | | - | 202,000 | 186,600 | 60,000 | 60,000 | 65,000 |
| Total Relocation Fund | | - | 202,000 | 186,600 | 60,000 | 60,000 | 65,000 |
| Total Electric | | 660,000 | 13,259,764 | 7,131,440 | 9,820,000 | 2,829,000 | 2,296,880 |

[illegible]

SPUC Final CIP
Electric System
2022 – 2026

Jackson Township

City of Shakopee

Jackson Township

Louisville Township

EXTENSION/REPLACEMENT PROJECT SCHEDULE

| Color | Denotes |
|--------|---------|
| Yellow | 2022 |
| Orange | 2023 |
| Blue | 2024 |
| Purple | 2025 |
| Cyan | 2026 |

RELOCATION PROJECT SCHEDULE

| Color | Denotes |
|--------|---------|
| Yellow | 2022 |
| Orange | 2023 |
| Blue | 2024 |
| Purple | 2025 |
| Cyan | 2026 |

November 10, 2021

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Summary**

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| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Operating Fund</u> | | | | | | | |
| Miscellaneous | See Detail | - | 368,000 | 286,000 | 285,000 | 285,000 | 285,000 |
| System Upgrades | See Detail | - | 207,000 | 120,000 | 125,000 | 2,020,000 | 2,105,000 |
| Advanced Metering Infrastructure (AMI) | See Detail | - | 796,701 | 2,640,000 | 2,640,000 | - | - |
| Vehicles/Equipment | See Detail | - | 202,000 | - | - | 40,000 | 80,000 |
| Total Operating Fund | | - | 1,573,701 | 3,046,000 | 3,050,000 | 2,345,000 | 2,470,000 |
| <u>Reconstruction Fund</u> | | | | | | | |
| Reconstruction Projects | See Detail | 1,000,000 | 710,000 | 225,000 | 215,000 | 220,000 | 210,000 |
| Total Reconstruction Fund | | 1,000,000 | 710,000 | 225,000 | 215,000 | 220,000 | 210,000 |
| <u>Trunk Fund</u> | | | | | | | |
| Trunk Water Mains - SPUC Projects | See Detail | - | 3,025,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Over Sizing - Non-SPUC Projects | See Detail | - | 616,853 | 370,310 | 497,400 | 474,822 | 100,500 |
| Total Trunk Fund | | - | 3,641,853 | 395,310 | 522,400 | 499,822 | 125,500 |
| <u>Connection Fund</u> | | | | | | | |
| Wells | See Detail | 601,000 | 256,000 | 90,000 | 860,600 | 125,000 | 948,800 |
| Water Treatment | See Detail | - | 2,500,000 | 2,500,000 | 500,000 | 500,000 | 500,000 |
| Pump House Additions/Expansions | See Detail | - | 200,000 | 2,280,500 | 3,865,000 | 3,785,000 | 3,200,000 |
| New Tanks and Transmission Water Main | See Detail | 197,375 | 50,000 | 500,000 | 3,500,000 | - | 100,000 |
| Booster Stations | See Detail | - | 100,000 | - | - | - | 1,000,000 |
| Auxiliary Facilities | See Detail | - | 170,000 | - | 27,040 | 27,040 | - |
| Total Connection Fund | | 798,375 | 3,276,000 | 5,370,500 | 8,752,640 | 4,437,040 | 5,748,800 |
| Total Water | | 1,798,375 | 9,201,554 | 9,036,810 | 12,540,040 | 7,501,862 | 8,554,300 |
| Cumulative Total Water | | 1,798,375 | 10,999,929 | 20,036,739 | 32,576,779 | 40,078,641 | 48,632,941 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|-------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Fund | | | | | | | |
| Miscellaneous | | | | | | | |
| Water Meters | PM/Development | - | 150,000 | 150,000 | 175,000 | 175,000 | 175,000 |
| Reservoir Maintenance | Preventative Maintenance | - | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Power Wash Towers | Preventative Maintenance | - | 15,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Hydrant Replacement | As Needed | - | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Chemical Feed Scales | Life Cycle Replacement | - | 26,000 | 26,000 | - | - | - |
| Interconnection w/Savage Metering & Value in Manhole put in Trunk | Development | - | 25,000 | - | - | - | - |
| CI2 Feed Improvements | Safety/Enhanced Accuracy | - | 37,000 | - | - | - | - |
| CR16 Valve & Hydrant Adjustments | County Trail Project CP-16-XX | - | 25,000 | - | - | - | - |
| Total Miscellaneous | | - | 368,000 | 286,000 | 285,000 | 285,000 | 285,000 |
| System Upgrades | | | | | | | |
| Reservoir Mixers | Water Quality | - | 42,000 | - | - | - | - |
| SCADA Firmware Upgrades | Water System Reliability | - | 40,000 | - | - | - | - |
| Sealcoat Drives/Repair | Preventative Maintenance | - | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Miscellaneous Equipment | As Needed | - | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Sidewalk Repair | Safety/Maintenance | - | 5,000 | - | 5,000 | - | 5,000 |
| Fiber Hardware | AMI and SCADA for 4 tanks | - | 100,000 | 100,000 | 100,000 | - | - |
| Recoat Reservoir #3 Canterbury Road | Preventative Maintenance | - | - | - | - | 2,000,000 | - |
| Recoat Reservoir #4 Dominion Ave | Preventative Maintenance | - | - | - | - | - | 2,080,000 |
| Total System Upgrades | | - | 207,000 | 120,000 | 125,000 | 2,020,000 | 2,105,000 |
| Advanced Metering Infrastructure (AMI) | | | | | | | |
| Planning/Design/Project Management | Project Planning/Design | - | 76,701 | - | - | - | - |
| Construction/Implementation/Hardware/Software/Training | Customer Service | - | 720,000 | 2,640,000 | 2,640,000 | - | - |
| Total Advanced Metering Infrastructure (AMI) | | - | 796,701 | 2,640,000 | 2,640,000 | - | - |
| Vehicles/Equipment | | | | | | | |
| New Water Operator Truck | Customer Service | - | 45,000 | - | - | - | - |
| Replace Truck #622 (2011) | Life Cycle Replacement | - | 40,000 | - | - | - | - |
| Replace Truck #635 (2006) | Life Cycle Replacement | - | 117,000 | - | - | - | - |
| Replace Truck #630 (2014) | Life Cycle Replacement | - | - | - | - | 40,000 | - |
| Replace Truck #626 (2015) | Life Cycle Replacement | - | - | - | - | - | 40,000 |
| Replace Truck #634 (2015) | Life Cycle Replacement | - | - | - | - | - | 40,000 |
| Total Vehicles/Equipment | | - | 202,000 | - | - | 40,000 | 80,000 |
| Total Operating Fund | | - | 1,573,701 | 3,046,000 | 3,050,000 | 2,345,000 | 2,470,000 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

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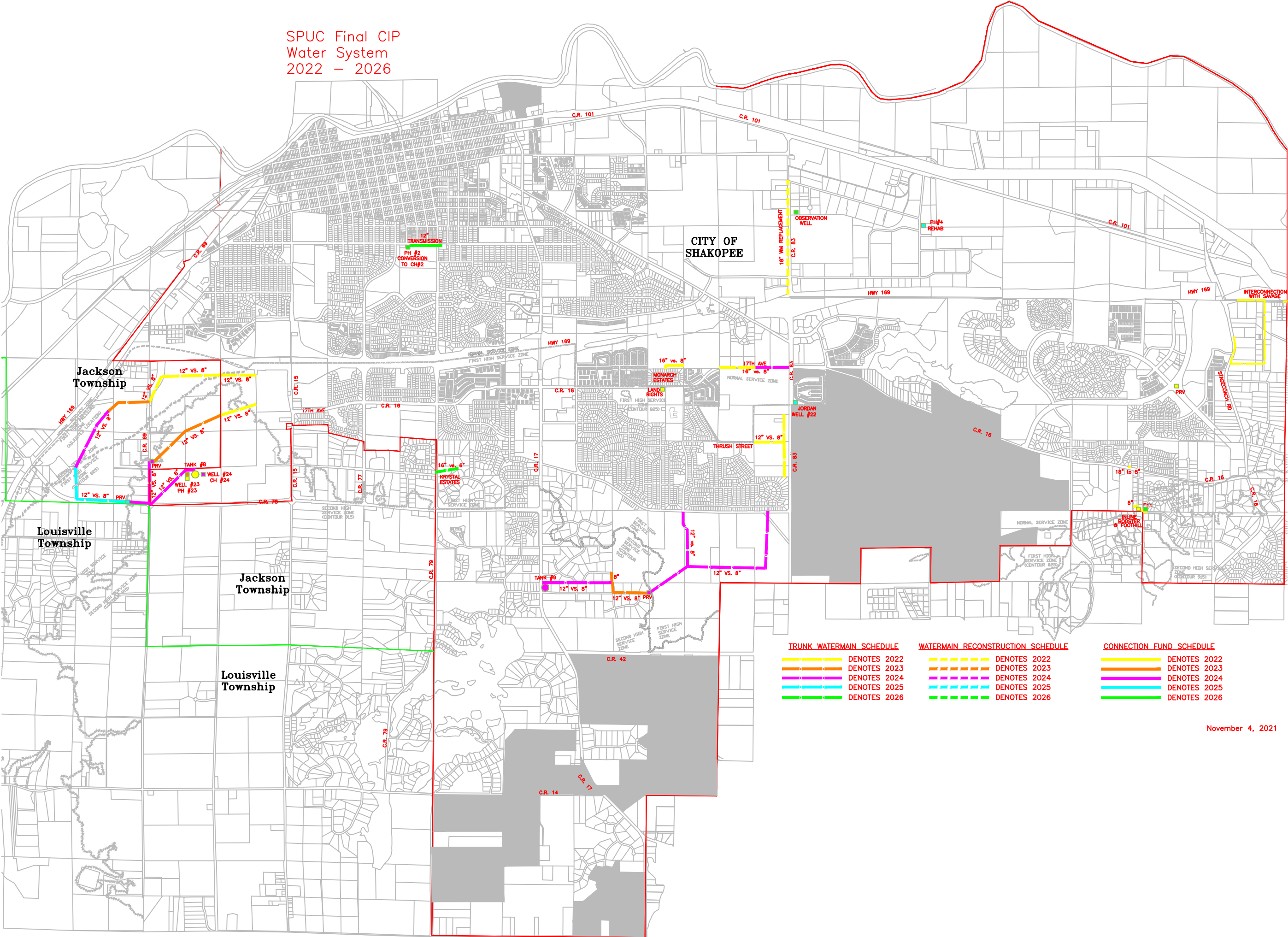
| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|--------------------------------|-------------------|------------------|----------------|----------------|----------------|----------------|
| Reconstruction Fund | | | | | | | |
| Reconstruction | | | | | | | |
| 18" Recon CR 83 from VIBS to HWY 169 0.75 mile | County Project | 1,000,000 | 500,000 | - | - | - | - |
| Reconstruction | City Street Recon | - | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| Bituminous Overlay | City CIP | - | 10,000 | 25,000 | 15,000 | 20,000 | 10,000 |
| Correct Deficient Services | As Needed | - | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Full-Depth Pavement Reconstruction | City CIP | - | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Reconstruction | | 1,000,000 | 710,000 | 225,000 | 215,000 | 220,000 | 210,000 |
| Total Reconstruction Fund | | 1,000,000 | 710,000 | 225,000 | 215,000 | 220,000 | 210,000 |
| Trunk Fund | | | | | | | |
| Trunk Water Mains - SPU Projects (Completed by SPU) | | | | | | | |
| 12" WM West of Windermere Parallel to Hwy 169 0.75 mile 1-HES | Development | - | 1,300,000 | - | - | - | - |
| 12" WM 13th Ave, Maras St, Hansen Ave, Stagecoach Road 1-HES | Development | - | 1,700,000 | - | - | - | - |
| Projects to be determined | Development | - | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Total Trunk Water Mains - SPU Projects | | - | 3,025,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Over Sizing - Non-SPU Projects (Completed by Others) | | | | | | | |
| 16" WM East from Monarch Estates parallel to 17th Ave to CR 83 0.875 mile NES | Development | - | 171,395 | 178,250 | - | - | - |
| 12" WM CR 16 from CR 15 west to CR 69 - 0.25 mile/segment 2-HES | Development/City Project/Scott | - | 57,750 | 120,000 | - | - | - |
| 12" WM Parallel to CR 69 South from Vierling Drive 0.75 mile NES | Development | - | 57,750 | 60,060 | - | - | - |
| 12" WM Thrush Street from CR 83 to 0.25 mile West 1- HES | Development | - | 57,750 | - | - | - | - |
| 12" WM Parallel to CR 83 from Thrush Street to 0.25 miles north and 0.25 miles south 1-HES | Development | - | 114,458 | - | - | - | - |
| 12" WM Vierling Drive West from CR 69 0.25 mile NES | Development | - | 57,750 | - | - | - | - |
| 12" WM West of CR 69 thru area B 1.0 miles 1-HES | Development | - | - | 12,000 | 123,600 | 128,750 | - |
| 12" WM West of Tank #8 Site thru area B to CR 69 0.25 mile 2-HES | Development | - | - | - | 61,900 | - | - |
| 12" WM CR 69 0.25 miles north of CR 78 2-HES | Development | - | - | - | 61,900 | - | - |
| 12" WM South of Valley View Road 1.0 mile (AUAR) 1-HES | Development | - | - | - | 250,000 | - | - |
| 16" WM Krystal Addition to CR 79 (800 ft.) NES 1-HES | Development | - | - | - | - | 88,572 | 100,500 |
| 12" WM West of CR 69 thru area B 0.75 miles 2-HES | Development | - | - | - | - | 257,500 | - |
| Projects to be determined | Development | - | 100,000 | - | - | - | - |
| Total Over Sizing - Non-SPU Projects | | - | 616,853 | 370,310 | 497,400 | 474,822 | 100,500 |
| Total Trunk Fund | | - | 3,641,853 | 395,310 | 522,400 | 499,822 | 125,500 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

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| Item Description | Justification | 2021 Carryover | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---------------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| Connection Fund | | | | | | | |
| Wells | | | | | | | |
| 2-HES Jordan Well #23 @ Tank #8 Site | Development | 601,000 | 126,000 | - | - | - | - |
| Observation Well Location TBD | Department of Natural Resources | - | 130,000 | - | - | - | - |
| 2-HES Jordan Well #24 Submersible | Development | - | - | 90,000 | 860,600 | - | - |
| NES Jordan Well #22 @ Church Addition | Development/Water Quality Plan | - | - | - | - | 125,000 | 948,800 |
| Total Wells | | 601,000 | 256,000 | 90,000 | 860,600 | 125,000 | 948,800 |
| Water Treatment | | | | | | | |
| Land Rights | Water Quality Plan | - | 2,000,000 | 2,000,000 | - | - | - |
| RAW Watermain | Water Quality Plan | - | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Total Water Treatment | | - | 2,500,000 | 2,500,000 | 500,000 | 500,000 | 500,000 |
| Pump House Additions/Expansions | | | | | | | |
| 2-HES Pump House @ Tank #8 Site | Development | - | 200,000 | 2,280,500 | 225,000 | - | - |
| 2-HES Control House for Well #24 | Development | - | - | - | 3,640,000 | - | - |
| NES Pumphouse #4 Rehabilitation | Safety | - | - | - | - | 3,785,000 | - |
| NES Pumphouse for Well #22 | Development | - | - | - | - | - | 200,000 |
| NES #2 Conversion to Control House #2 | Safety Water Quality Plan | - | - | - | - | - | 3,000,000 |
| Total Pump House Additions/Expansions | | - | 200,000 | 2,280,500 | 3,865,000 | 3,785,000 | 3,200,000 |
| New Tanks and Transmission Water Main | | | | | | | |
| 2-HES District Storage (0.75 MG, Elevated Tank) @ South of Windermere | Development | 197,375 | 50,000 | - | - | - | - |
| 2-HES District Storage (0.25 MG, Elevated Tank) @ WoodDuck Trail | Development | - | - | - | 3,000,000 | - | - |
| 12 inch transmission watermain 1.0 miles | Development | - | - | 500,000 | 500,000 | - | - |
| NES 12" transmission from Pump House #2 to Pumphouse #3 | Safety/Water/Quality Plan | - | - | - | - | - | 100,000 |
| Total New Tanks and Transmission Water Main | | 197,375 | 50,000 | 500,000 | 3,500,000 | - | 100,000 |
| Booster Stations | | | | | | | |
| Inline Booster Station Site @ Foothill Road and Horizon Drive | Development | - | 100,000 | - | - | - | - |
| 1-HES to 2-HES Booster Station @ Foothill/Horizon | Development | - | - | - | - | - | 1,000,000 |
| Total Booster Stations | | - | 100,000 | - | - | - | 1,000,000 |
| Auxiliary Facilities | | | | | | | |
| Southbridge Pressure Reducing Values | Pressure Reduction | - | 110,000 | - | - | - | - |
| NES Elevated Tank Altitude Valves | Pressure Control | - | 60,000 | - | - | - | - |
| Pressure Reducing Valve - 2-HES to 1-HES @ CR 69 and CR 16 | Development | - | - | - | 27,040 | - | - |
| Pressure Reducing Valve - 2-HES to 1-HES @ CR 78 west of CR 69 | Development | - | - | - | - | 27,040 | - |
| Total Auxiliary Facilities | | - | 170,000 | - | 27,040 | 27,040 | - |
| Total Connection Fund | | 798,375 | 3,276,000 | 5,370,500 | 8,752,640 | 4,437,040 | 5,748,800 |
| Total Water | | 1,798,375 | 9,201,554 | 9,036,810 | 12,540,040 | 7,501,862 | 8,554,300 |

SPUC Final CIP
Water System
2022 – 2026



TRUNK WATERMAIN SCHEDULE

- 12\"/>

WATERMAIN RECONSTRUCTION SCHEDULE

- 12\"/>



CONNECTION FUND SCHEDULE

- 12\"/>



10d

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

TO: Greg Drent, General Manger 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: 2022 Administration, Electric and Water Capital Projects
DATE: November 24, 2021

Attached are the list of the 2022 Administrative, Electric and Water Capital Projects submitted for Commission APPROVAL.

Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Administrative Summary

| Item Description | | | Justification | 2021 Carryover | 2022 |
|---------------------------------|--|--|---------------|-------------------|-------------|
| | | | | | |
| General Office Equipment | | | See detail | 30,400 | 148,900 |
| Hardware | | | See detail | 234,322 | 846,322 |
| Software | | | See detail | 50,000 | 1,062,590 |
| | | | | | |
| Total Administrative | | | | \$314,722 | \$2,057,812 |
| | | | | | |
| Cumulative Total Administrative | | | | | \$2,372,534 |
| | | | | | |
| | | | | | |
| | | | Electric | | \$1,543,359 |
| | | | Water | | \$514,453 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Administrative Detail**

| | Type | Item | Source of Request | Justification | Qty | Unit Cost | 2021 Carryover | 2022 |
|----|--|--|---------------------------|---|-----|-----------|-------------------|------------------|
| 1 | Gen Office Equipt | General office equipment | F&A - IT | General equipment replacements | | | 15,000 | 100,000 |
| 2 | Furn & Equipment | Standing workstation | F&A-IT/Cust Svc/Eng/Admin | Employee Health and Wellness | 14 | 1,100 | 15,400 | 15,400 |
| 3 | Gen Office Equipt | Conference Room D Sharp Aquos Interactive Board | Plan/Eng, Water, Electric | Map Display for Meetings/Presentations/Training/Conferences | | | | 15,000 |
| 4 | Gen Office Equipt | Commission Room addition of 2 new Vaddio touch screen monitors | Plan/Eng, Water, Electric | Upgrading Vaddio multi-function touch screen monitors | | 15,000 | | 15,000 |
| 5 | Gen Office Equipt | Commission Room add mic tracking for video | Plan/Eng, Water, Electric | Upgrade for video recording to track active microphone | | 3,500 | | 3,500 |
| 6 | Gen Office Equipt | Copier & Fax Upgrades | F&A - IT | Replace Aging Equipment | 3 | 10,000 | | - |
| 7 | Total General Office Equipment | | | | | | 30,400 | 148,900 |
| 8 | Hardware | Replacement computers | F&A - IT | Replace aging Equipment (staff addition in Plan/Eng covered) | 10 | 1,000 | 10,000 | 40,000 |
| 9 | Hardware | Server room UPS maintenance/battery replacement | F&A - IT | Uninterrupted power supply & battery back up replacement | 1 | 2,000 | 54,254 | 54,254 |
| 10 | Hardware | Fiber Ring /INET Connectivity | F&A - IT | Connectivity/Redundancy for systems/remote sites | | | 100,000 | 500,000 |
| 11 | Hardware | Network Switches | F&A - IT | Future Standard Replacement Cycle | | | 60,000 | 60,000 |
| 12 | Hardware | ShoreTel Phones | F&A - IT | Replace aging phones - compatible with Mitel | 10 | 600 | 6,000 | 6,000 |
| 13 | Hardware | Security Cameras for front lobby/desk | F&A - IT | Extra security for CSR's at desk in front lobby | 3 | 1,356 | 4,068 | 4,068 |
| 14 | Hardware | Miscellaneous Hardware | F&A - IT | Future planning/Unplanned replacements | | | - | 75,000 |
| 15 | Hardware | 65" Display for computer data | Water | Need for large perational monitor for pump houses | 1 | 1,000 | - | 1,000 |
| 16 | Hardware | HPE Nimble SAN Expansion | F&A - IT | With all the digitizing of paper without a plan need to add storage | | 47,000 | - | 47,000 |
| 17 | Hardware | Plan/Eng Monitor Upgrades | Plan/Eng | Plan/Eng need to upgrade to larger monitors | 14 | 1,000 | - | 14,000 |
| 18 | Hardware | Firewall | F&A - IT | Replace product reaching end of life support | | | - | 45,000 |
| 19 | Hardware | HPE Aruba AP Replacements | F&A - IT | Aruba Aps end of life need replacement | | 30,000 | - | - |
| 20 | Hardware | HPE Storeonce Veeam Storage Expansion | F&A - IT | Local Veeam backup storage expansion | | 22,000 | - | - |
| 21 | Hardware | Plan/Eng Plotter Replacement | Plan/Eng | Plan/Eng HP plotter is 5 years old future replacement | | 10,000 | - | - |
| 22 | Hardware | Remit Plus Scanners - Payment Processing | Cust. Service | Scanner Replacements | 3 | 4,000 | - | - |
| 23 | Hardware | VMware HP DL380p Server - Add Host machine | F&A - IT | Replacement of existing equipment | | | - | - |
| 24 | Hardware | Water Scada System Replacements | Water | Server/Workstation 6 years old/needs upgrade to Windows 10 | 2 | 5,000 | - | - |
| 25 | Total Hardware | | | | | | 234,322 | 846,322 |
| 26 | Software | Microsoft Visio 2019 | F&A - IT | Standalone copy Visio 2019 | 10 | 517 | - | 5,170 |
| 27 | Software | Microsoft Office 2019 Professional Plus | F&A - IT | Standalone copy Office Professional Pkus 2019 | 15 | 548 | - | 8,220 |
| 28 | Software | Microsoft Office 365 | F&A - IT | Microsoft Office 365 Cloud Solution | 80 | 240 | - | 19,200 |
| 29 | Software | Software Conversion - CIS & Finance | F&A - IT | Daffron replacement software | | | - | 900,000 |
| 30 | Software | Document management | F&A - IT | Document management digitilizing project | | | - | 80,000 |
| 31 | Software | Software | F&A - IT | Misc/Future budgeting | | | 50,000 | 50,000 |
| 32 | Total Software | | | | | | 50,000 | 1,062,590 |
| 33 | Total CIP Expenditures - Administration | | | | | | 314,722 | 2,057,812 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Summary**

| Item Description | Justification | 2021 Carryover | 2022 |
|--|---------------|-------------------|-------------------|
| <u>Operating Fund</u> | | | |
| <u>System Projects</u> | | | |
| Miscellaneous | See Detail | - | 175,000 |
| System Material & Facilities | See Detail | - | 662,000 |
| Vehicles/Equipment | See Detail | 156,000 | 670,500 |
| <u>Local Area Projects</u> | | | |
| New UG Cables & Related Cost (Net of Contribution) | See Detail | - | 400,000 |
| Replace UG Cable Projects | See Detail | - | 10,000 |
| Rebuild OH Lines | See Detail | - | 123,000 |
| <u>Major System Projects</u> | | | |
| Feeder Extension Projects | See Detail | - | 1,109,500 |
| Convert OH to UG | See Detail | - | 478,000 |
| Territory Acquisition | See Detail | - | 550,000 |
| Shakopee Substation | See Detail | - | 275,000 |
| South Shakopee Substation | See Detail | - | 85,000 |
| Pike Lake Substation | See Detail | - | 25,000 |
| Dean Lake Substation | See Detail | - | 81,000 |
| East Shakopee Substation | See Detail | - | 1,700,000 |
| West Shakopee Substation | See Detail | 414,000 | 5,632,000 |
| Upgrade Projects | See Detail | - | 278,264 |
| ADVANCED METERING INFRASTRUCTURE (AMI) | See Detail | 90,000 | 720,000 |
| Service Center | See Detail | - | 83,500 |
| Total Operating Fund | | 660,000 | 13,057,764 |
| <u>Relocation Fund</u> | | | |
| Relocation Projects | See Detail | - | 202,000 |
| Total Relocation Fund | | - | 202,000 |
| Total Electric | | 660,000 | 13,259,764 |
| Cumulative Total Electric | | 660,000 | 13,919,764 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| Item Description | Justification | 2021 Carryover | 2022 |
|--|------------------------------------|-------------------|----------------|
| <u>Operating Fund</u> | | | |
| System Projects | | | |
| 1 Miscellaneous | As Necessary | - | 175,000 |
| 2 Total Miscellaneous | | - | 175,000 |
| 3 System Material & Facilities | | | |
| 4 DC Fast Charger (West Substation) | New Equipment | - | 60,000 |
| 5 Lateral Circuit Reconfiguration | System Reliability | - | 25,000 |
| 6 Meters | New Construction | - | 50,000 |
| 7 Padmount Switches & Related | Load/Development | - | 150,000 |
| 8 Distribution Transformers | Restock to min. | - | 205,000 |
| 9 System Capacitors-Additional | PF Improvements | - | 25,000 |
| 10 SCADA-Capacitor Control | Op. Efficiencies & Voltage Control | - | 40,000 |
| 11 SCADA Switches for Tie Switches | System Reliability | - | 80,000 |
| 12 Meter Tester | Replace Old Equipment | - | 25,000 |
| 13 Pikelake Substation Driveway Sealing | Maintenance | - | 2,000 |
| 14 Total System Material & Facilities | | - | 662,000 |
| 15 Vehicles/Equipment | | | |
| 16 Construction-Related Equipment-New/Additional/Replacement | Tool Replacement | - | 45,000 |
| 17 #616 Double Bucket | Life Cycle Replacement | 156,000 | 100,000 |
| 18 Backyard Digger/Bucket Truck | New Equipment | - | 190,000 |
| 19 Service Saver | New Equipment | - | 4,500 |
| 20 Phase Identifier | Additional Service Saver | - | 6,000 |
| 21 Skidsteer Trailer | Life Cycle Replacement | - | 20,000 |
| 22 #617 Duty Truck | Life Cycle Replacement | - | 40,000 |
| 23 Vac-Tron | Life Cycle Replacement | - | 95,000 |
| 24 #637 Engineering Pick Up 4X4 | Life Cycle Replacement | - | 50,000 |
| 25 Dump Truck | New Equipment | - | 120,000 |
| 26 Mini Skid Loader/Backhoe | Life Cycle Replacement | - | - |
| 27 #610 F550 4x4 Service Truck | Life Cycle Replacement | - | - |
| 28 Forklift | Life Cycle Replacement | - | - |
| 29 #618 Duty Truck | Life Cycle Replacement | - | - |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| | Item Description | Justification | 2021 Carryover | 2022 |
|----|---|----------------------------------|-------------------|----------------|
| 30 | Digger Truck #612 Bucket | Life Cycle Replacement | - | - |
| 31 | Air Compressor #628 | Life Cycle Replacement | - | - |
| 32 | Directional Bore Equipment | New Equip for UG Construction | - | - |
| 33 | Equipment Trailer 30,000 lbs | Life Cycle Replacement | - | - |
| 34 | Woodchipper | Life Cycle Replacement | - | - |
| 35 | Vac-Tron | Life Cycle Replacement | - | - |
| 36 | Total Vehicles/Equipment | | 156,000 | 670,500 |
| 37 | | | | |
| 38 | | | | |
| 39 | Local Area Projects | | | |
| 40 | New UG Cables & Related Cost (Net of Contribution) | Load/Development | - | 400,000 |
| 41 | Total New UG Cables & Related Cost (Net of Contribution) | | - | 400,000 |
| 42 | | | | |
| 43 | Replace UG Cable Projects | | | |
| 44 | Replace UG Cable - Projects Yet To Be Determined | As Needed | - | 10,000 |
| 45 | Total Replace UG Cable Projects | | - | 10,000 |
| 46 | | | | |
| 47 | Rebuild OH Lines | | | |
| 48 | Rebuild OH lines - as needed RP3 | Change Out | - | 20,000 |
| 49 | BL-22 Stagecoach Road and Maras Avenue | Street Project | - | 78,000 |
| 50 | DL-52 Eagle Creek Blvd@Vierling Drive 0.25 mile | Roundabout Impacts | - | 25,000 |
| 51 | SS-32 CR 15 @Hwy 169 Ramps 0.50 mile | Roundabout Impacts | - | - |
| 52 | Total Rebuild OH Lines | | - | 123,000 |
| 53 | Major System Projects | | | |
| 54 | | | | |
| 55 | Feeder Extension Projects | | | |
| 56 | PL-75 SBX to Stagecoach Rd 0.25 mile | Development | - | 30,400 |
| 57 | Dean Lake Sub DL-9X Exit Circuits 1.0 mile | Load Growth | - | 220,000 |
| 58 | SS-32 CR 16 Ext. from CR15 to CR69 1.25 mile | Street Project & Development | - | 126,600 |
| 59 | West Shakopee Substation Exit Circuits | Load Growth | - | 100,000 |
| 60 | DL-97 New Feeder DL Sub to Barendscheer Blvd 1.0 mile | Development (Canterbury Commons) | - | 126,500 |
| 61 | SS-84 New Feeder SS Sub to CR 17 via Stonebrooke 0.75 mile | Load Growth | - | - |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| | Item Description | Justification | 2021 Carryover | 2022 |
|----|---|--|-------------------|------------------|
| 62 | DL-42 Feeder Extension to Data Center 0.5 mile | Load Growth (Data Center) | - | 253,000 |
| 63 | Projects Yet to be Determined 1.0 mile | As Necessary | - | 253,000 |
| 64 | Total Feeder Extension Projects | | - | 1,109,500 |
| | | | | |
| 65 | | | | |
| 66 | Assumed Cost per mile unless noted otherwise | | - | 253,000 |
| 67 | | | | |
| 68 | | | | |
| 69 | Convert OH to UG | | | |
| 70 | Eagle Creek Blvd UG 0.50 miles | Reliability | - | 175,000 |
| 71 | Muhlenhardt Undergrounding 0.75 mile | Reliability | - | 50,000 |
| 72 | Presidential OH to UG Conversion, 2 blocks per year, 40 customer/year | | - | - |
| 73 | Total Convert OH to UG | | - | 478,000 |
| 74 | | | | |
| 75 | Territory Acquisition | | | |
| 76 | Territory Acquisition | Purchase | - | 400,000 |
| 77 | Territory Acquisition | Consolidation | - | 150,000 |
| 78 | Total Territory Acquisition | | - | 550,000 |
| 79 | | | | |
| 80 | Shakopee Substation | | | |
| 81 | Land Rights | Load Growth/Downtown Re-development | - | 250,000 |
| 82 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 |
| 83 | Total Shakopee Substation | | - | 275,000 |
| 84 | | | | |
| 85 | South Shakopee Substation | | | |
| 86 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 |
| 87 | Oil Change Out on Tap Changer (Transformer 1 & 2) | Maintenance/Extend Life of Tap Changer | - | 60,000 |
| 88 | Total South Shakopee Substation | | - | 85,000 |
| 89 | | | | |
| 90 | Pike Lake Substation | | | |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| | Item Description | Justification | 2021 Carryover | 2022 |
|-----|---|--|-------------------|------------------|
| 91 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 |
| 92 | Oil Change Out on Tap Changer (Transformer 1) | Maintenance/Extend Life of Tap Changer | - | - |
| 93 | Total Pike Lake Substation | | - | 25,000 |
| 94 | | | | |
| 95 | Dean Lake Substation | | | |
| 96 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 |
| 97 | Oil Change Out on Tap Changer | Maintenance/Extend Life of Tap Changer | - | 30,000 |
| 98 | Replace Substation Batteries | Maintenance | - | 26,000 |
| 99 | Total Dean Lake Substation | | - | 81,000 |
| 100 | | | | |
| 101 | East Shakopee Substation | | | |
| 102 | Land Rights | Load Growth | - | 1,700,000 |
| 103 | Total East Shakopee Substation | | - | 1,700,000 |
| 104 | | | | |
| 105 | West Shakopee Substation | | | |
| 106 | Substation to County Fiber & Fiber Equipment | Safety | - | 25,000 |
| 107 | Planning/Design/Project Management | Load Growth | 414,000 | 207,000 |
| 108 | Construction | Load Growth | - | 5,400,000 |
| 109 | UG Feeder/Exit Line going East | Load Growth | - | - |
| 110 | UG Feeder/Exit line going West to 169 & South to 41 | Load Growth | - | - |
| 111 | Total West Shakopee Substation | | 414,000 | 5,632,000 |
| 112 | | | | |
| 113 | Upgrade Projects | | | |
| 114 | SH-08 Reconductoring 4th, Spencer, Fillmore, Somerville | Load Growth | - | 43,264 |
| 115 | Heritage Lateral Reconfiguration | Safety | - | 25,000 |
| 116 | Milwaukee Court Lateral Reconfiguration | Safety | - | - |
| 117 | Projects yet to be determined | As Necessary | - | 210,000 |
| 118 | Total Upgrade Projects | | - | 278,264 |
| 119 | | | | |
| 120 | ADVANCED METERING INFRASTRUCTURE (AMI) | | | |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Electric Detail**

| | Item Description | Justification | 2021 Carryover | 2022 |
|-----|--|----------------------------|-------------------|-------------------|
| 121 | Planning/Design/Project Management | Project Planning/Design | 90,000 | 120,000 |
| 122 | Construction/Implementation/Hardware/Software/Training | Customer Service | - | 600,000 |
| 123 | Total ADVANCED METERING INFRASTRUCTURE (AMI) | | 90,000 | 720,000 |
| 124 | | | | |
| 125 | Service Center | | | |
| 126 | Service Center to County Fiber | Safety | - | 25,000 |
| 127 | Miscellaneous Building Improvements/Replacements | Maint. & Requested Changes | - | 45,000 |
| 128 | Display Case Office | Marketing | - | 10,000 |
| 129 | Door Seal Loading Dock | Maintenance | - | 3,500 |
| 130 | Facility Roof Replacement | Maintenance | - | - |
| 131 | Garage Heaters | Maintenance | - | - |
| 132 | Ice Machine | Replacement | - | - |
| 133 | Building Expansion Office | Staff Additions | - | - |
| 134 | Total Service Center | | - | 83,500 |
| 135 | | | | |
| 136 | Total Operating Fund | | 660,000 | 13,057,764 |
| 137 | | | | |
| 138 | | | | |
| 139 | Relocation Fund | | | |
| 140 | | | | |
| 141 | Relocation Projects | | | |
| 142 | BL-22 Maras Street & Stagecoach Road | Street Project | - | 100,000 |
| 143 | DL-52 Eagle Creek Blvd@Vierling Drive 0.25 mile | Street Project | - | 50,000 |
| 144 | SS-32 CR 15 & Hwy 169 Ramps 0.50 mile | Roundabout Impacts | - | - |
| 145 | Projects Yet to Be Determined 0.50 ckt. mile | As Necessary | - | 52,000 |
| 146 | Total Relocation Projects | | - | 202,000 |
| 147 | | | | |
| 148 | Total Relocation Fund | | - | 202,000 |
| 149 | | | | |
| 150 | Total Electric | | 660,000 | 13,259,764 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Summary**

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| Item Description | Justification | 2021 Carryover | 2022 |
|--|---------------|-------------------|-------------------|
| <u>Operating Fund</u> | | | |
| Miscellaneous | See Detail | - | 368,000 |
| System Upgrades | See Detail | - | 207,000 |
| Advanced Metering Infrastructure (AMI) | See Detail | - | 796,701 |
| Vehicles/Equipment | See Detail | - | 202,000 |
| Total Operating Fund | | - | 1,573,701 |
| <u>Reconstruction Fund</u> | | | |
| Reconstruction Projects | See Detail | 1,000,000 | 710,000 |
| Total Reconstruction Fund | | 1,000,000 | 710,000 |
| <u>Trunk Fund</u> | | | |
| Trunk Water Mains - SPUC Projects | See Detail | - | 3,025,000 |
| Over Sizing - Non-SPUC Projects | See Detail | - | 616,853 |
| Total Trunk Fund | | - | 3,641,853 |
| <u>Connection Fund</u> | | | |
| Wells | See Detail | 601,000 | 256,000 |
| Water Treatment | See Detail | - | 2,500,000 |
| Pump House Additions/Expansions | See Detail | - | 200,000 |
| New Tanks and Transmission Water Main | See Detail | 197,375 | 50,000 |
| Booster Stations | See Detail | - | 100,000 |
| Auxiliary Facilities | See Detail | - | 170,000 |
| Total Connection Fund | | 798,375 | 3,276,000 |
| Total Water | | 1,798,375 | 9,201,554 |
| Cumulative Total Water | | 1,798,375 | 10,999,929 |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

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| Item Description | Justification | 2021 Carryover | 2022 |
|---|-------------------------------|-------------------|----------------|
| Operating Fund | | | |
| Miscellaneous | | | |
| Water Meters | PM/Development | - | 150,000 |
| Reservoir Maintenance | Preventative Maintenance | - | 50,000 |
| Power Wash Towers | Preventative Maintenance | - | 15,000 |
| Hydrant Replacement | As Needed | - | 40,000 |
| Chemical Feed Scales | Life Cycle Replacement | - | 26,000 |
| Interconnection w/Savage Metering & Value in Manhole put in Trunk | Development | - | 25,000 |
| CI2 Feed Improvements | Safety/Enhanced Accuracy | - | 37,000 |
| CR16 Valve & Hydrant Adjustments | County Trail Project CP-16-XX | - | 25,000 |
| Total Miscellaneous | | - | 368,000 |
| System Upgrades | | | |
| Reservoir Mixers | Water Quality | - | 42,000 |
| SCADA Firmware Upgrades | Water System Reliability | - | 40,000 |
| Sealcoat Drives/Repair | Preventative Maintenance | - | 5,000 |
| Miscellaneous Equipment | As Needed | - | 15,000 |
| Sidewalk Repair | Safety/Maintenance | - | 5,000 |
| Fiber Hardware | AMI and SCADA for 4 tanks | - | 100,000 |
| Recoat Reservoir #3 Canterbury Road | Preventative Maintenance | - | - |
| Recoat Reservoir #4 Dominion Ave | Preventative Maintenance | - | - |
| Total System Upgrades | | - | 207,000 |
| Advanced Metering Infrastructure (AMI) | | | |
| Planning/Design/Project Management | Project Planning/Design | - | 76,701 |
| Construction/Implementation/Hardware/Software/Training | Customer Service | - | 720,000 |
| Total Advanced Metering Infrastructure (AMI) | | - | 796,701 |
| Vehicles/Equipment | | | |
| New Water Operator Truck | Customer Service | - | 45,000 |
| Replace Truck #622 (2011) | Life Cycle Replacement | - | 40,000 |
| Replace Truck #635 (2006) | Life Cycle Replacement | - | 117,000 |
| Replace Truck #630 (2014) | Life Cycle Replacement | - | - |
| Replace Truck #626 (2015) | Life Cycle Replacement | - | - |
| Replace Truck #634 (2015) | Life Cycle Replacement | - | - |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

| Item Description | Justification | 2021 Carryover | 2022 |
|--|---------------------------------------|-------------------|------------------|
| Total Vehicles/Equipment | | - | 202,000 |
| Total Operating Fund | | - | 1,573,701 |
| | | | |
| | | | |
| Reconstruction Fund | | | |
| Reconstruction | | | |
| 18" Recon CR 83 from VIBS to HWY 169 0.75 mile | County Project | 1,000,000 | 500,000 |
| Reconstruction | City Street Recon | - | 150,000 |
| Bituminous Overlay | City CIP | - | 10,000 |
| Correct Deficient Services | As Needed | - | 40,000 |
| Full-Depth Pavement Reconstruction | City CIP | - | 10,000 |
| Total Reconstruction | | 1,000,000 | 710,000 |
| Total Reconstruction Fund | | 1,000,000 | 710,000 |
| | | | |
| | | | |
| Trunk Fund | | | |
| Trunk Water Mains - SPU Projects (Completed by SPU) | | | |
| 12" WM West of Windermere Parallel to Hwy 169 0.75 mile 1-HES | Development | - | 1,300,000 |
| 12" WM 13th Ave, Maras St, Hansen Ave, Stagecoach Road 1-HES | Development | - | 1,700,000 |
| Projects to be determined | Development | - | 25,000 |
| Total Trunk Water Mains - SPU Projects | | - | 3,025,000 |
| Over Sizing - Non-SPU Projects (Completed by Others) | | | |
| 16" WM East from Monarch Estates parallel to 17th Ave to CR 83 0.875 mile NES | Development | - | 171,395 |
| 12" WM CR 16 from CR 15 west to CR 69 - 0.25 mile/segment 2-HES | Development/City Project/Scott County | - | 57,750 |
| 12" WM Parallel to CR 69 South from Vierling Drive 0.75 mile NES | Development | - | 57,750 |
| 12" WM Thrush Street from CR 83 to 0.25 mile West 1- HES | Development | - | 57,750 |
| 12" WM Parallel to CR 83 from Thrush Street to 0.25 miles north and 0.25 miles south 1-HES | Development | - | 114,458 |
| 12" WM Vierling Drive West from CR 69 0.25 mile NES | Development | - | 57,750 |
| 12" WM West of CR 69 thru area B 1.0 miles 1-HES | Development | - | - |
| 12" WM West of Tank #8 Site thru area B to CR 69 0.25 mile 2-HES | Development | - | - |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

| Item Description | Justification | 2021 Carryover | 2022 |
|---|---------------------------------|-------------------|------------------|
| 12" WM CR 69 0.25 miles north of CR 78 2-HES | Development | - | - |
| 12" WM South of Valley View Road 1.0 mile (AUAR) 1-HES | Development | - | - |
| 16" WM Krystal Addition to CR 79 (800 ft.) NES 1-HES | Development | - | - |
| 12" WM West of CR 69 thru area B 0.75 miles 2-HES | Development | - | - |
| Projects to be determined | Development | - | 100,000 |
| Total Over Sizing - Non-SPU Projects | | - | 616,853 |
| Total Trunk Fund | | - | 3,641,853 |
| | | | |
| Connection Fund | | | |
| Wells | | | |
| 2-HES Jordan Well #23 @ Tank #8 Site | Development | 601,000 | 126,000 |
| Observation Well Location TBD | Department of Natural Resources | - | 130,000 |
| 2-HES Jordan Well #24 Submersible | Development | - | - |
| NES Jordan Well #22 @ Church Addition | Development/Water Quality Plan | - | - |
| Total Wells | | 601,000 | 256,000 |
| Water Treatment | | | |
| Land Rights | Water Quality Plan | - | 2,000,000 |
| RAW Watermain | Water Quality Plan | - | 500,000 |
| Total Water Treatment | | - | 2,500,000 |
| Pump House Additions/Expansions | | | |
| 2-HES Pump House @ Tank #8 Site | Development | - | 200,000 |
| 2-HES Control House for Well #24 | Development | - | - |
| NES Pumphouse #4 Rehabilitation | Safety | - | - |
| NES Pumphouse for Well #22 | Development | - | - |
| NES #2 Conversion to Control House #2 | Safety Water Quality Plan | - | - |
| Total Pump House Additions/Expansions | | - | 200,000 |
| New Tanks and Transmission Water Main | | | |
| 2-HES District Storage (0.75 MG, Elevated Tank) @ South of Windermere | Development | 197,375 | 50,000 |
| 2-HES District Storage (0.25 MG, Elevated Tank) @ WoodDuck Trail | Development | - | - |
| 12 inch transmission watermain 1.0 miles | Development | - | - |

**Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: 12-6-2021
Water Detail**

| Item Description | Justification | 2021 Carryover | 2022 |
|--|---------------------------|-------------------|------------------|
| NES 12" transmission from Pump House #2 to Pumphouse #3 | Safety/Water/Quality Plan | - | - |
| Total New Tanks and Transmission Water Main | | 197,375 | 50,000 |
| Booster Stations | | | |
| Inline Booster Station Site @ Foothill Road and Horizon Drive | Development | - | 100,000 |
| 1-HES to 2-HES Booster Station @ Foothill/Horizon | Development | - | - |
| Total Booster Stations | | - | 100,000 |
| Auxiliary Facilities | | | |
| Southbridge Pressure Reducing Valves | Pressure Reduction | - | 110,000 |
| NES Elevated Tank Altitude Valves | Pressure Control | - | 60,000 |
| Pressure Reducing Valve - 2-HES to 1-HES @ CR 69 and CR 16 | Development | - | - |
| Pressure Reducing Valve - 2-HES to 1-HES @ CR 78 west of CR 69 | Development | - | - |
| Total Auxiliary Facilities | | - | 170,000 |
| Total Connection Fund | | 798,375 | 3,276,000 |
| Total Water | | 1,798,375 | 9,201,554 |



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www.shakopeeutilities.com

DATE: December 2, 2021
TO: Greg Drent, General Manager
FROM: Jean McGann, Consulting Finance Director *JM*
SUBJECT: 2022 Budget and Cash Flows

Background

On November 15, 2021, the Preliminary Budget was reviewed by the Commission. At that time, the only unknown factor was the result of the Rate Study. The final Rate Study with rate recommendations is being presented this evening.

The 2022 budget has been updated with the Rate Study recommendations which impact revenue forecasts. The impact to Electric revenue is outlined below. There are no changes to the water revenue.

| | 2022 PRELIMINARY | 2022 ADOPTED | INCREASE (DECREASE) |
|--------------------------------|---------------------|-------------------|------------------------|
| ELECTRIC | | | |
| OPERATING REVENUE | | | |
| RESIDENTIAL SALES | \$ 20,186,972 | \$ 20,552,456 | \$ 365,484 |
| COMMERCIAL SALES | 1,864,065 | 2,315,944 | 451,879 |
| INDUSTRIAL SALES | 26,869,038 | 28,046,178 | 1,177,140 |
| CUSTOMER PENALTIES | 288,535 | 103,535 | (185,000) |
| FREE SERVICE TO CITY | 114,268 | 124,766 | 10,498 |
| CONSERVATION PROGRAM | 728,639 | 754,198 | 25,559 |
| TOTAL OPERATING REVENUE | 50,051,516 | 51,897,077 | \$ 1,845,561 |

Water expenses remain the same as the 2022 preliminary budget. Electric expenses increased by \$123,026 due to the reforecasting of depreciation expense – a non-cash expense. Other increases/decreases are due to reallocations of expenses.

| | 2022 PRELIMINARY | 2022 ADOPTED | INCREASE (DECREASE) |
|-------------------------------|----------------------|----------------------|------------------------|
| ELECTRIC | | | |
| OPERATING EXPENSES | | | |
| ELECTRIC | \$ 3,257,771 | \$ 3,257,771 | \$ 0 |
| WATER | - | - | - |
| PLANNING AND ENGINEERING | 890,191 | 805,121 | (85,069) |
| CUSTOMER SERVICE | 1,067,866 | 1,045,437 | (22,429) |
| MARKETING & KEY ACCOUNTS | 962,532 | 919,117 | (43,415) |
| FINANCE AND ADMINISTRATION | 37,354,387 | 37,505,301 | 150,913 |
| UTILITIES | 613,620 | 613,620 | 0 |
| DEPRECIATION AND AMORTIZATION | 2,537,657 | \$ 2,660,683 | 123,026 |
| | \$ 46,684,024 | \$ 46,807,051 | \$ 123,026 |



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Request

The Commission is requested to adopt the 2022 budget.

**SHAKOPEE PUBLIC UTILITIES
2021 BUDGET PLAN**

| 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 | \$ 20,552,456 | \$ 2,725,031 | 15.29% |
| COMMERCIAL SALES | 1,688,878 | 1,654,963 | 1,196,050 | 1,615,829 | 2,315,944 | 700,115 | 43% |
| INDUSTRIAL SALES | 29,572,263 | 26,898,830 | 18,280,117 | 25,390,488 | 28,046,178 | 2,655,690 | 10% |
| CUSTOMER PENALTIES | 243,329 | (197,697) | (239,957) | 92,011 | 103,535 | 11,524 | 13% |
| FREE SERVICE TO CITY | 106,913 | 114,758 | 74,825 | 121,132 | 124,766 | 3,634 | 3% |
| CONSERVATION PROGRAM | 724,610 | 694,780 | 483,275 | 724,888 | 754,198 | 29,310 | 4% |
| TOTAL OPERATING REVENUE | 49,650,813 | 47,198,288 | 32,726,630 | 45,771,773 | 51,897,077 | 6,125,304 | 13.38% |
| OPERATING EXPENSES | | | | | | | |
| ELECTRIC | 1,656,772 | 1,651,092 | 1,556,681 | 2,847,226 | 3,257,771 | 410,545 | 12.6% |
| PLANNING AND ENGINEERING | 342,006 | 322,644 | 220,489 | 748,063 | 805,121 | 57,058 | 7.1% |
| CUSTOMER SERVICE | 703,162 | 780,527 | 677,417 | 1,444,805 | 1,045,437 | (399,368) | -38.2% |
| MARKETING & KEY ACCOUNTS | 693,347 | 639,678 | 468,172 | 922,613 | 919,117 | (3,496) | -0.4% |
| FINANCE AND ADMINISTRATION | 36,823,104 | 35,416,213 | 26,628,538 | 34,196,215 | 37,505,301 | 3,309,086 | 8.8% |
| 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 | 2,660,683 | 332,557 | 12.50% |
| TOTAL OPERATING EXPENSES | 42,731,920 | 41,430,223 | 31,223,095 | 42,915,008 | 46,807,051 | 3,892,042 | 8.32% |
| OPERATING INCOME | 6,918,893 | 5,768,065 | 1,503,535 | 2,856,765 | 5,090,027 | 2,233,262 | 43.88% |
| TOTAL NON-OPERATING INCOME (EXPENSES) | 1,404,626 | 736,614 | 631,500 | 1,063,607 | 1,058,938 | (4,669) | -0.44% |
| 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 | \$ 593,367 | \$ 2,636,295 | \$ 4,054,213 | \$ 1,417,918 | 34.97% |

**SHAKOPEE PUBLIC UTILITIES
2021 BUDGET PLAN**

| 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 | 465,602 | 10,154 | 2.18% |
| 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 | \$ 7,208,127 | \$ 66,028 | 1% |

A RESOLUTION ESTABLISHING ELECTRIC RATES FOR
CUSTOMERS SERVED BY SHAKOPEE PUBLIC UTILITIES

BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION at meeting duly assembled on the 6th day of December, 2021, that Resolution #1264 is repealed upon this resolution taking effect, and that the following electric rates shall be and hereby are established for applicable customers of the Shakopee Public Utilities Commission, City of Shakopee.

Section I: RESIDENTIAL SERVICE:
 Availability: Residential dwellings

The sum of:

| | |
|------------------------------|----------------------------|
| Service Charge: | \$9.50 per month |
| Energy Charge: | \$0.1144 per KWH |
| Power Cost Adjustment: | set by separate resolution |
| Conservation Program Charge: | set by separate resolution |

Minimum bill: the Service Charge

Section II: NOT USED

Section III: RESIDENTIAL SERVICE EV RATE (1) (2)

Availability: Residential Dwellings

Service is through separate meter for electric vehicle charging

The sum of:

| | |
|------------------------------|----------------------------|
| Service Charge: | \$4.75 per month |
| Energy Charge: | |
| Off Peak (3) | \$0.0570 per KWH |
| On Peak (4) | \$0.2500 per KWH |
| Power Cost Adjustment | set by separate resolution |
| Conservation Program Charge: | set by separate resolution |

- (1) Applicable to separately metered EV usage only
- (2) PCA applies
- (3) Off peak period is 10 pm to 8 am
- (4) On peak period is all other hours

Section IV: NOT USED

Section V: RESIDENTIAL SERVICE FOR SENIOR CITIZENS: (CLOSED)

Availability: Residential dwellings occupied by senior citizen(s)

The sum of:

| | |
|------------------------------|----------------------------|
| Service Charge: | \$7.00 per month |
| Energy Charge: | \$0.1144 per KWH |
| Power Cost Adjustment: | set by separate resolution |
| Conservation Program Charge: | set by separate resolution |

Minimum bill: the Service Charge

Section VI: COMMERCIAL SERVICE:

Availability: Non-residential customers with less than 15 KW Demand

The sum of:

| | |
|------------------------------|----------------------------|
| Service Charge: | \$14.50 per month |
| Energy Charge: | \$0.1098 per KWH |
| Power Cost Adjustment: | set by separate resolution |
| Conservation Program Charge: | set by separate resolution |

Minimum bill: the Service Charge

Section VII: GENERAL SERVICE:

Availability: Non-residential customers with demand of 15 KW but less than 150 KW. Service above 75 KW is 3 phase only, except by written exception.

The sum of:

| | |
|---|-------------------|
| <u>SERVICE CHARGE:</u> | \$60.00 per month |
| <u>DEMAND CHARGE:</u> All KW of billing demand | \$9.70 per KW |

ENERGY CHARGE:

All KWH per month

\$0.0740 per KWH

POWER COST ADJUSTMENT

set by separate resolution

CONSERVATION PROGRAM CHARGE:

set by separate resolution

Minimum monthly bill: the Service Charge plus the Demand Charge

Billing Demand:

The billing demand shall be the customer's greatest 15 minute demand in kilowatts, incurred during the month for which the bill is rendered, but not less than 60% of the highest demand during the preceding 11 months or 15 KW, whichever is greater.

Section VIII: INDUSTRIAL SERVICE:

Availability: Non-Residential customer with demand of 150 KW and over.

The billing demand shall be as described in this section.

The sum of:

SERVICE CHARGE:

\$100.00 per month

DEMAND CHARGE:

All KW of billing demand

\$9.70 per KW

ENERGY CHARGE:

First KWH's up to 400 hours times
the billing Demand

\$0.0740 per KWH

All KWH's in excess of 400 hours times
the billing Demand

\$0.0678 per KWH

POWER COST ADJUSTMENT

set by separate resolution

CONSERVATION PROGRAM CHARGE:

set by separate resolution

Minimum monthly bill: the Service Charge plus the Demand Charge

Determination of billing Demand:

The billing demand shall be the customer's greatest 15 minute demand in kilowatts, incurred during the month for which the bill is rendered, but not less than 60% of the highest billing demand during the preceding 11 months or 15 KW, whichever is greater.

The customer agrees to maintain an average power factor at or above 90%. If the average power factor is less than 90% lagging, the billing demand shall be adjusted by multiplying the actual 15 minute demand measured during the month by the ratio of 90% to the average power factor expressed in percent.

Average Power Factor:

The average power factor is defined to be the quotient obtained by dividing the KWH used during the month by the square root of the sum of the squares of the KWH used and the lagging reactive kilovolt-ampere-hours supplied during the same period. Any leading kilovolt-ampere-hours supplied during the period will not be considered in determining the average power factor.

Section IX: INDUSTRIAL SERVICE - with Time Of Use Option:

Availability: Non-Residential customer with demand of 1,000 KW and over, who would otherwise be subject to the requirements of Section VIII of Resolution #1264.

Limitations to Availability: Due to the exploratory basis on which Time Of Use Service is being offered, the availability of such service terms under Resolution #1264 is limited to one customer, and further subject to such practical limitations as may exist involving the availability of technology and the administrative practices to provide billing under such TOU rates.

The billing demand shall be as described in this section.

The sum of:

| | |
|------------------------|--------------------|
| <u>SERVICE CHARGE:</u> | \$120.00 per month |
|------------------------|--------------------|

DEMAND CHARGE:

| | |
|------------------------------|---------------|
| On-peak KW of billing demand | \$9.50 per KW |
|------------------------------|---------------|

| | |
|---|---------------|
| Off-peak KW of billing demand in excess of On-peak KW of billing demand | \$3.00 per KW |
|---|---------------|

ENERGY CHARGE:

| | |
|---------------|------------------|
| On-peak KWH's | \$0.1700 per KWH |
|---------------|------------------|

| | |
|----------------|------------------|
| Off-peak KWH's | \$0.0964 per KWH |
|----------------|------------------|

| | |
|--|------------------|
| with a credit applied to KWH's in excess of 400 hours times the billing demand | \$0.0062 per KWH |
|--|------------------|

TIME PERIODS:

| | |
|----------------|---|
| On-peak period | 7 a.m. - 10 p.m., M - F CST or CDT as applicable |
|----------------|---|

| | |
|-----------------|-----------------|
| Off-peak period | all other hours |
|-----------------|-----------------|

OTHER TERMS APPLICABLE

Shakopee Utilities will make reasonable efforts to provide reliable and prompt billings within the provisions of this section, however, in the event of a failure to provide reliable billing as a result of deficiency in technology or in the administrative processing of billings under TOU rates, the customer will be responsible for payment of charges determined under the standard, non-TOU rates and terms provided under Resolution #2021-29.

Section X: LOW LOAD FACTOR CLAUSE:

A customer, whose usage characteristic is routinely below a 5 percent monthly load factor, may apply to the Utilities Commission for assignment to another non-demand rate schedule. Consideration will be given to the contribution in aid of construction made by the customer to offset capital investment by the Shakopee Utilities, and may include other factors.

Any assignment granted will continue only for the period of time specified, and billing will revert to the standard rate schedule at the end of that period, except when the assignment is cancelled before the end of that period by the Utilities Commission. The Utilities Commission reserves the right to cancel an assignment granted under this section, and such cancellation may occur without prior notice.

Section XI: LIMITED OFF PEAK CLAUSE:

A customer normally billed under a demand rate schedule, who anticipates a single instance usage of energy which is not typical for their service, may apply to the Utilities Commission in advance of the occurrence for an advanced waiver of the demand charges for that single instance of usage. Consideration will be given to the estimated cost of purchased power for the period of time covered by the single instance usage, the ability of the facilities in place to accommodate the unusual load, and may include other factors.

Any advance waiver granted will apply only for the period of time specified, and billing will revert to the standard rate schedule at the end of that period, except when the waiver is cancelled before the end of that period by the Utilities Commission. The Utilities Commission reserves the right to cancel the waiver granted under this section, and such cancellation may occur without prior notice.

Section XII: THE FOLLOWING CLAUSES APPLY TO ALL RATES:

MONTHLY BILLS:

The monthly bill is the sum of the Service Charge, Energy Charge, Power Cost Adjustment, and Conservation Charge.

In addition to the forgoing, monthly bills also include the sum of the Demand Charge, and any adjustments for Power Factor and/or other adjustments referenced in this or other rate resolution of the Shakopee Public Utilities Commission.

Minimum bill provisions, late charges, penalties, and special charges, also apply.

POWER COST ADJUSTMENT:

There may be added to or deducted from the monthly bill a Power Adjustment charge, as set by Shakopee Public Utilities Commission Resolution.

CONSERVATION PROGRAM CHARGE:

A charge will be added to the monthly bill to fund a Conservation Program as mandated by the State of Minnesota and voluntary programs of similar nature by the Shakopee Public Utilities. The amount of the charge will be set by Shakopee Public Utilities Commission Resolution.

PRIMARY METERING:

At the option of the electric department, secondary voltage service hereunder may be metered at the primary voltage, in which case a 2% cash discount will be allowed on the amount of the monthly bill, with the discount applied to all charges except the power adjustment charge.

PRIMARY VOLTAGE SERVICE:

If the customer agrees to take service at the primary voltage available at his location and to pay all costs incurred in the ownership, operation and maintenance of transformers and substation equipment (except meters) with service to be metered at the primary voltage, a cash discount of 5% will be allowed on the amount of the monthly bill, with the discount applied to all charges except the power adjustment charge.

AVERAGE POWER FACTOR:

The average power factor is defined to be the quotient obtained by dividing the KWH used during the month by the square root of the sum of the squares of the KWH used and the lagging reactive kilovolt-ampere-hours supplied during the same period. Any leading kilovolt-ampere-hours supplied during the period will not be considered in determining the average power factor.

LOAD FACTOR:

Load factor is defined to be the quotient obtained by dividing the KWH used during the month, by the KW demand during the same period, and dividing the result by the number of hours in that billing period.

MINIMUM POWER FACTOR REQUIREMENT:

The customer must maintain an average power factor not less than 80% lagging, and avoid leading power factor at any time.

DEPOSIT REQUIRED:

Deposit requirements shall be consistent with terms outlined in a separate resolution of the Shakopee Public Utilities Commission.

PROMPT PAYMENT PROVISION:

A penalty of 5% shall be added to the current bill if not paid on or before the due date specified on the monthly Statement of Account following the date of billing.

Section XIII: SHAKOPEE ENERGY PARK:

Limitations to Availability: Due to the unique basis on which Wholesale Service is being offered, the availability of such service terms is limited to one customer (MMPA), and further subject to such practical limitations as may exist involving the availability of technology and the administrative practices to provide billing under such Wholesale Rates.

The billing electric service shall be as described in this section.

The sum of:

| | |
|------------------------|--------------------|
| <u>SERVICE CHARGE:</u> | \$100.00 per month |
|------------------------|--------------------|

DEMAND CHARGE:

| | |
|--|---------|
| Summer Demand (June-Sept, \$ per Kw month) | \$11.82 |
| Non-Summer Demand (\$ per Kw month) | \$8.92 |

ENERGY CHARGE:

| | |
|---|----------------|
| On-Peak (5x16) Energy (\$ per kWh) 7am-10pm | \$0.06631 |
| Sat/Sun/Holiday (2x16) Energy (\$ per kWh) 7am-10pm | \$0.05881 |
| Off-Peak (7x8) Energy (\$ per kWh) 10pm-7am | \$0.04631 |
| Energy Adjustment Charge | varies monthly |

OTHER TERMS APPLICABLE:

Service provided and billed under Section XIII are subject to all terms, factors, and adjustments applicable under this Resolution , excluding the Power Cost

Adjustment; other terms, conditions of service and policies of the Shakopee Public Utilities Commission as generally applicable.

Shakopee Utilities will make reasonable efforts to provide reliable and prompt billings within the provisions of this resolution, however, in the event of a failure to provide reliable billing as a result of deficiency in technology or in the administrative processing of billings under Wholesale rates, the customer will be responsible for payment of charges determined under the standard rates and terms provided under this Resolution.

BE IT FURTHER RESOLVED that at all times Commission staff shall comply with good utility business practices and all applicable Federal laws and Minnesota Statutes when processing account activity, i.e. applications, establishing accounts, deposits, billings, payment receipts, reminders of non-payment, disconnect notices, etc.

BE IT FURTHER RESOLVED that said terms and adjustments are to become effective immediately, and applied to the January 2022 billings (which are due February 15), and all subsequent billings.

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

Passed in regular session of the Shakopee Public Utilities Commission, this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

RESOLUTION #2021-30

A RESOLUTION ESTABLISHING WATER RATES
IN AND FOR THE CITY OF SHAKOPEE

BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION at meeting duly assembled on the 6th day of December, 2021, that Resolution #1176 is repealed upon this Resolution taking effect, that the following water rates shall be, and hereby are established for all users of water furnished by the City of Shakopee through the Shakopee Public Utilities Commission:

Section I: RESIDENTIAL SERVICE: (RW)

AVAILABILITY: The primary use is or will be single and multiple family dwellings.

| | |
|----------------------|------------------------------------|
| First 5,000 gallons: | \$2.61 per 1,000 gallons per month |
| Above 5,000 gallons: | \$3.13 per 1,000 gallons per month |

Plus a fixed charge per month of:

| | |
|----------------|--------------------|
| 5/8 x 3/4 inch | \$3.74 per month |
| 3/4 inch | \$4.12 per month |
| 1 inch | \$5.23 per month |
| 1 1/2 inch | \$6.73 per month |
| 2 inch | \$10.83 per month |
| 3 inch | \$41.10 per month |
| 4 inch | \$52.30 per month |
| 6 inch | \$78.47 per month |
| 10 inch | \$186.81 per month |

Section II: COMMERCIAL / INSTITUTIONAL SERVICE: (CW)

AVAILABILITY: The principle use is or will be the sale, lease, rental, or trade of products, goods, and services. This shall include office buildings and all institutional users including schools, churches, governmental buildings and nursing homes.

\$2.41 per 1,000 gallons per month

Plus a fixed charge per month of:

| | |
|----------------|-------------------|
| 5/8 x 3/4 inch | \$3.74 per month |
| 3/4 inch | \$4.12 per month |
| 1 inch | \$5.23 per month |
| 1 1/2 inch | \$6.73 per month |
| 2 inch | \$10.83 per month |

| | |
|---------|--------------------|
| 3 inch | \$41.10 per month |
| 4 inch | \$52.30 per month |
| 6 inch | \$78.47 per month |
| 10 inch | \$186.81 per month |

Section III: INDUSTRIAL SERVICE: (IW)

AVAILABILITY: The principle use is or will be for the production, manufacture, warehousing, storage, or transfer of goods, products, commodities, or other wholesale items.

\$2.09 per 1,000 gallons per month

Plus a fixed charge per month of:

| | |
|----------------|--------------------|
| 5/8 x 3/4 inch | \$3.74 per month |
| 3/4 inch | \$4.12 per month |
| 1 inch | \$5.23 per month |
| 1 1/2 inch | \$6.73 per month |
| 2 inch | \$10.83 per month |
| 3 inch | \$41.10 per month |
| 4 inch | \$52.30 per month |
| 6 inch | \$78.47 per month |
| 10 inch | \$186.81 per month |

Section IV: IRRIGATION SERVICE:

AVAILABILITY: The primary use is or will be for lawn and landscape irrigation.

\$3.13 per 1,000 gallons per month

Plus a fixed charge per month of:

| | |
|----------------|--------------------|
| 5/8 x 3/4 inch | \$3.74 per month |
| 3/4 inch | \$4.12 per month |
| 1 inch | \$5.23 per month |
| 1 1/2 inch | \$6.73 per month |
| 2 inch | \$10.83 per month |
| 3 inch | \$41.10 per month |
| 4 inch | \$52.30 per month |
| 6 inch | \$78.47 per month |
| 10 inch | \$186.81 per month |

Section V: THE FOLLOWING CLAUSES APPLY TO ALL RATES:

MONTHLY BILLS:

The monthly bill is the sum of the commodity charge, reconstruction fund charge, the fixed charge, state water connection fee and any applicable sales tax.

In addition to the foregoing, monthly bills also include other adjustments referenced in this or other rate resolutions of the Shakopee Public Utilities Commission.

Minimum bill provisions, late charges, penalties, and special charges, also apply.

Section VI: THE FOLLOWING CLAUSES APPLY TO CERTAIN RATES:

Multiple-family Residential Dwellings:

Multiple-family residential dwellings are buildings or housing groupings which consist of several units each of which is intended and designed for one family or individual occupant.

The designation is not dependent upon the actual occupancy of the units for their intended use. Shakopee Utilites will endeavor to adjust billing tier structures to accommodate residential units located in multiple-family dwelling installations and billed through a common water meter. The owner or the customer of record in such instances is responsible for furnishing all necessary information and documentation to provide the Shakopee Utilites the basis for making such adjustments. Adjustment will apply forward from the date documentation is provided and the determination made.

Metered Fire Services, Detector/Check Installations, and similar:

Fire Services having water meters, Detector/Check Installations, and similar services will be billed the regular standard monthly fixed charge applicable to all water meters. Water usage for actual fire suppression is not billed. No other water usage is permitted through such services, and such usage may be subject to charges and penalties specified under other resolutions, ordinances, or law.

BE IT FURTHER RESOLVED that all terms and adjustments described in this resolution are to become effective immediately, and applied to the January 2022 billings (which are due February 15), and all subsequent billings.

Passed in regular session of the Shakopee Public Utilities Commission this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

RESOLUTION #2021-31

A RESOLUTION ESTABLISHING
THE POWER COST ADJUSTMENT CHARGE,
SETTING THE POWER COST ADJUSTMENT BASE, AND OTHER TERMS

BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, at meeting duly assembled on the 6th day of December 2021, that Resolution #870 is repealed upon this resolution taking effect.

BE IT RESOLVED THAT, the Power Cost Adjustment Formula shall be administered as follows:

Monthly Power Cost Adjustment Formula

$$PCA = A/B - \text{Base Rate}$$

PCA = The cost adjustment expressed as dollars per kWh to be multiplied by the energy (kWh) sold during each billing period to customers on rates subject to the PCA. The PCA is designed to be calculated on a monthly basis based on the most recent month's purchases of energy and applied to retail customers' bills for the current month. If the PCA is negative, there will be a credit on the customer's bill. If the PCA is positive, there will be an additional charge on the customer's bill.

A = Actual wholesale power costs for the most recent month with complete data. Includes power costs to serve MMPA area and acquisition area, as well as Xcel substation costs.

B = Purchased energy (kwh's) for the most recent month less a 5% factor to include items such as line loss, interest and accounting lag.

Base Rate The Base Rate is the base energy rate, expressed as dollars per kWh, included in the base rates for all retail customers. The Base Rate included in the proposed rates earlier in this Section is \$0.0785

BE IT FURTHER RESOLVED, that this Power Cost Adjustment is designed to be a pass through of additional or fewer costs incurred in purchasing power and energy supplied to the SPUC distribution system that differs from the Base Rate. This includes certain distribution costs incurred in supplying power and energy to our ultimate customers. The PCA will be reviewed each month and Commission staff are authorized to make adjustments for reasonableness and foreseeable events;

BE IT FURTHER RESOLVED, that the Adjustments will be based on purchases during each year and true-up adjustments will be made the following year;

BE IT FURTHER RESOLVED, that this Power Cost Adjustment will be based on costs beginning December 1, 2021 and be applied to customer meters read beginning January 22, 2022 or the nearest regular meter reading date following, and apply to the January-February 2022 usage and all subsequent billings;

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

Passed in regular session of the Shakopee Public Utilities Commission, this 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent



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

DATE: December 1, 2021

TO: SPU Commissioners

FROM: Greg Drent, General Manager

A handwritten signature in blue ink, appearing to be "GD", is written over the name "Greg Drent".

Subject: PILOT Resolution

I met with City Administrator to finalize the Payment in Lieu of taxes agreement (PILOT). Attached is a copy of the agreement and the resolution for your review.

Below is a review of the PILOT discussion as written in the minutes.

Pilot Update and Proposed Framework. Mr. Drent provided an update of the Transfer/Payment in Lieu of Taxes (PILOT) discussions by the informal working group of SPU and City representatives. He described the proposed framework of a transfer of 5.5% of "gross defined sales" for water and electric less bad debt (excluding relocation underground, water reconstruction, conversation, water division pumping, penalties, and hydrant sales) to the City's general fund and .5% transfer for economic development in SPU's assigned service territory. Commissioner Krieg suggested a formal process to resolve any issues between the City and the Commission under this agreement. It was discussed how to encourage communication and resolution efforts between the parties and to avoid a City Council-initiated referendum. The Commission also discussed a potential transfer to the general fund of 5.25% and .75% for economic development. Mr. Drent noted that he will continue to work with the informal working group on a draft agreement for Commission review and approval.

Action: Approve Pilot agreement with the city and Resolution 2021-35 authorizing certain payments from the Shakopee Public Utilities Commission to the City of Shakopee.

AGREEMENT REGARDING PAYMENT IN LIEU OF TAXES

This Agreement (the "Agreement") is made this ____ day of _____, 2021 by and between the CITY OF SHAKOPEE, a Minnesota municipal corporation ("City") and the SHAKOPEE PUBLIC UTILITIES COMMISSION, a municipal utility commission organized under Minnesota law ("SPU"), each a "Party" and collectively, the "Parties."

RECITALS

- A. Minnesota Statutes, Section 412.361, subdivision 5 and Shakopee City Code Section 32.22, Paragraph H grant authority to the City and SPU to enter into agreements with each other for, among other things, payments by SPU to the City in lieu of taxes ("PILOT").
- B. The City and SPU desire to enter into this agreement establishing the method by which PILOT will be calculated.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. SPU will pay PILOT to the City in an amount equal to 5.5% of SPU's annual gross defined sales for electric and water utilities, as defined herein. Gross defined sales shall mean SPU's gross water and electric sales of residential, commercial, industrial usage, Power Cost Adjustment (PCA), fixed charges, and security light revenue less bad debt expenses. Gross Defined sales excludes revenues due to underground electric relocation, conservation, electric power used by the water division for pumping, water reconstruction, hydrant sales, and penalties ("Gross Defined Sales").
2. SPU will pay PILOT to the City to support economic development in SPU's assigned electric service territory in an amount equal to .5% of SPU's Gross Defined Sales for water and electric utilities.
3. SPU shall make payments to the City on a monthly basis as budgeted. The Parties will annually true-up any differences between the amounts projected for Gross Defined Sales and the actual Gross Defined Sales amounts, making any adjustments by March 31 for overpayment or underpayment during the preceding year.
4. Although this Agreement does not address any in-kind services that one Party may perform for the other Party, the Parties recognize and commend their staff for working cooperatively on a variety of issues for the benefit of the community, and they encourage this on-going cooperation. The Parties also recognize that SPU provides energy for the City's street light system at no cost to the City.
5. The term of this Agreement begins January 1, 2022 and ends on December 31, 2042. The Parties agree to begin good faith discussions of PILOT at least twelve months before the end of

the term.

6. In the event that a dispute arises between the Parties as to the interpretation or performance of this Agreement, then upon written request of either Party, representatives with settlement authority for each Party shall meet in person and confer in good faith to resolve the dispute. If the Parties are unable to resolve the dispute, they shall make every effort to settle the dispute through mediation or other alternative dispute resolution methods facilitated by a neutral.

7. The Parties do hereby each unconditionally release and waive any and all claims, known or unknown, which they may now have or have in the future arising from any action or omission of the Parties or any fact or circumstance first occurring prior to the date hereof, whether or not continuing in nature, which relate to or arise from PILOT or SPU's transfer of funds to the City.

8. Any and all previous agreements between the City and SPU pertaining to PILOT by SPU to either the City or the EDA and any and all resolutions adopted by SPU or the City pertaining to PILOT by SPU to either the City or the EDA are rescinded and superseded by this agreement.

9. This Agreement may be amended, modified, or waived only in writing, approved by each governing body, and signed by both of the Parties.

10. The laws of the state of Minnesota shall govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Parties hereto.

11. This Agreement may be executed in counterpart copies by the Parties and each counterpart, when taken together with the other, shall be deemed one and the same executed Agreement.

CITY OF SHAKOPEE

By _____
Its Mayor

By _____
Its City Administrator

SHAKOPEE PUBLIC UTILITIES
COMMISSION

By _____
Its President

By _____
Its General Manager

RESOLUTION 2021-35

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 1261 approved December 16, 2019, and

WHEREAS, the Commission has continued to transfer funds to the City’s general fund according to Resolution 1261. The Commission has determined that it is beneficial to enter into an agreement for a term that begins January 1, 2022 and ends on December 31, 2042, establishing the method by which payments by SPU to the City in lieu of taxes (PILOT) will be calculated.

WHEREAS, the Commission wishes to achieve an equitable balance between support of the City’s general fund and for economic development in SPU assigned electric service territory while 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 ITRESOLVED, that the following transfers to the City’s general fund and for economic development in SPU electric service territory from the electric and water utilities operations shall be made by the Commission for the year 2022 through December 2042 until such further action may be taken by the Commission.

Electric Transfer for general fund

| | <u>Year</u> | <u>Defined as:</u> |
|---|-------------|---|
| 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) |
| Gross Defined Electric Sales * | \$ | |
| Less Bad Debt Expense | \$ | GL 904 |
| Gross Defined Electric Sales Net of Bad Debt | \$ | |
| Multiplied by Transfer Rate | <u>5.5%</u> | |
| Electric Transfer for general fund | <u>\$</u> | |

Water Transfer for general fund

| | <u>Year</u> | <u>Defined as:</u> |
|--|-------------|--|
| 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) |
| Gross Defined Water Sales * | \$ | |
| Less Bad Debt Expense | \$ | GL 904 |
| Gross Defined Water Sales Net of Bad Debt | \$ | |
| Multiplied by Transfer Rate | <u>5.5%</u> | |
| Water Transfer for general fund | <u>\$</u> | |

* Gross defined sales shall mean gross water and electric sales of residential, commercial, industrial usage, power cost adjustment (PCA), fixed charges, and security light revenue less bad debt expense. Gross defined sales exclude revenues due to underground electric relocation, conservation, electric power used by the water division for pumping, water reconstruction, hydrant sales, and penalties (“Gross Defined sales for water and electric utilities”).

Electric Transfer for economic development in SPU electric service territory

| | <u>Year</u> | <u>Defined as:</u> |
|---|------------------|--|
| 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) |
| Gross Defined Water Sales * | \$ | |
| Less Bad Debt Expense | \$ | GL 904 |
| Gross Defined Water Sales Net of Bad Debt | \$ | |
| Multiplied by Transfer Rate | <u>.5%</u> | |
| Electric transfer for economic Development | <u>\$</u> | |

Water Transfer for economic development in SPU electric service territory

| | <u>Year</u> | <u>Defined as:</u> |
|--|------------------|--|
| 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) |
| Gross Defined Water Sales * | \$ | |
| Less Bad Debt Expense | \$ | GL 904 |
| Gross Defined Water Sales Net of Bad Debt | \$ | |
| Multiplied by Transfer Rate | <u>.5%</u> | |
| Water transfer for economic Development | <u>\$</u> | |

* Gross defined sales shall mean gross water and electric sales of residential, commercial, industrial usage, power cost adjustment (PCA), fixed charges, and security light revenue less bad debt expense. Gross defined sales exclude revenues due to underground electric relocation, conservation, electric power used by the water division for pumping, water reconstruction, hydrant sales, and penalties (“Gross Defined sales for water and electric utilities).

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 shall be made on a monthly basis as budgeted. An annual true-up will be determined using final sales contained in the audited financial statements of the commission at fiscal yearend. Overpayment or underpayment adjustments from the preceding year will be trued-up by March 31st.

BE IT FURTHER RESOLVED, that the Resolution 1261 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 2021.

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 6th day of December, 2021.

Commission President: Kathi Mocol

ATTEST:

Commission Secretary: Greg Drent

Water - Project Bid Awards

SPU Water Tank #8

State Date: 3/1/2019

Estimated Completion Date: 2/28/2022

Percent Completed: 90%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|--------------|--------------|---------------------|--|
| Contract Amount | | | | \$ 3,753,000 | To fund this project, \$923,000 from the 2021 CIP will be utilized. The following projects scheduled for 2021 were not completed and the CIP allocations are being used for SPU Water Tank #8. Observation Well \$ 80,000 Well #23 600,000 Jordan Well Design 25,000 Spithbridge PRV 110,000 Inline Booster Site 48,000 Normal Zone Tank Altitude 60,000 Total \$ 923,000 |
| Change Orders | | | | 28,000 | |
| Total Contract (after change orders) | | | | \$ 3,781,000 | |
| Total Expended to date | \$ 63,110 | \$ 1,800,526 | \$ 1,669,234 | \$ 3,532,870 | |
| CIP Budget Amount | | | | \$ 2,728,676 | |
| Over (under) Budget | | | | \$ 804,194 | |
| Estimated Cost to Completion | | | | \$ 37,325 | |
| | | | | | |
| | | | | | |
| | | | | | |

Scott County Road 83 Project with SPU water main improvements

State Date: 10/31/2020

Estimated Completion Date: 11/30/2022

Percent Completed: 50%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|------|-----------|---------------------|--|
| Contract Amount | | | | \$ 800,000 | Only design work has begun on this project this year |
| Change Orders | | | | - | |
| Total Contract (after change orders) | | | | \$ 800,000 | |
| Total Expended to date | \$ - | | \$ 52,825 | \$ 52,825 | |
| CIP Budget Amount | | | | \$ 1,080,000 | |
| Over (under) Budget | | | | \$ (1,027,175) | |
| Estimated Cost to Completion | | | | \$ 1,061,688 | |
| | | | | | |
| | | | | | |
| | | | | | |

City Street Reconstruction Project

State Date: 12/31/2020

Estimated Completion Date: 12/31/2021

Percent Completed: 100%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|-----------|-----------|-------------|---------------------------------------|
| Contract Amount | | | | \$ - | Project will be completed by year end |
| Change Orders | | | | - | |
| Total Contract (after change orders) | | | | \$ - | |
| Total Expended to date | \$ - | \$ 41,523 | \$ 54,872 | \$ 96,404 | |
| CIP Budget Amount | | | | \$ 100,000 | |
| Over (under) Budget | | | | \$ (3,596) | |
| Estimated Cost to Completion | | | | \$ - | |
| | | | | | |
| | | | | | |
| | | | | | |

Hansen Avenue WM Replacement Project

State Date: 1/23/2020

Estimated Completion Date: 12/31/2021

Percent Completed: 100%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|-----------|------------|-------------------|---------------------------------------|
| Contract Amount | | | | \$ 294,312 | Project will be completed by year end |
| Change Orders | | | | 42,940 | |
| Total Contract (after change orders) | | | | \$ 337,252 | |
| Total Expended to date | \$ - | \$ 35,620 | \$ 381,538 | \$ 417,158 | |
| CIP Budget Amount | | | | \$ 60,000 | |
| Over (under) Budget | | | | \$ (182,842) | |
| Estimated Cost to Completion | | | | \$ - | |
| | | | | | |
| | | | | | |
| | | | | | |

City and SPU Project to relocate water main on Stagecoach Road for Hentges Industrial Park

State Date: 4/5/2021

Estimated Completion Date: 12/31/2021

Percent Completed: 90%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|------|-----------|--------------------|---|
| Contract Amount | | | | \$ 212,000 | This project was not budgeted as the Developer will absorb all costs. |
| Change Orders | | | | - | |
| Total Contract (after change orders) | | | | \$ 212,000 | |
| Total Expended to date | \$ - | \$ - | \$ 16,554 | \$ 16,554 | |
| CIP Budget Amount | | | | \$ - | |
| Over (under) Budget (<i>Developer to reimburse all costs</i>) | | | | \$ (16,554) | |
| Estimated Cost to Completion | | | | \$ 1,500 | |

Windermere Booster Station - Design/Construction

State Date: 6/30/2018

Estimated Completion Date: 12/31/2021

Percent Completed: 100%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|--------------|-----------|------------|---------------------|---------------------------------------|
| Contract Amount | | | | \$ 2,342,375 | Project will be completed by year end |
| Change Orders | | | | (812) | |
| Total Contract (after change orders) | | | | \$ 2,341,563 | |
| Total Expended to date | \$ 2,724,839 | \$ 38,376 | \$ 126,968 | \$ 2,890,183 | |
| CIP Budget Amount | | | | \$ 3,671,851 | |
| Over (under) Budget | | | | \$ (781,668) | |
| Estimated Cost to Completion | | | | \$ - | |

2021/2022 City Street Reconstruction project - Watermain Replacement

State Date: 4/5/2021

Estimated Completion Date: 12/31/2021

Percent Completed: 90%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|------|-----------|---------------------|---------------------------------------|
| Contract Amount | | | | \$ 375,424 | Project will be completed by year end |
| Change Orders | | | | - | |
| Total Contract (after change orders) | | | | \$ 375,424 | |
| Total Expended to date | \$ - | \$ - | \$ 16,554 | \$ 16,554 | |
| CIP Budget Amount | | | | \$ 557,500 | |
| Over (under) Budget | | | | \$ (540,946) | |
| Estimated Cost to Completion | | | | \$ 540,946 | |

Electric - Project Bid Awards

SPU West Shakopee Substation located along CR 69 south of Highway 169

State Date: 3/11/2020

Estimated Completion Date: 12/31/2021

Percent Completed: 100%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|-----------|------------|---------------------|-------------------------------------|
| Contract Amount | | | | \$ - | Project to be completed by year end |
| Change Orders | | | | \$ - | |
| Total Contract (after change orders) | | | | <u>\$ -</u> | |
| Total Expended to date | \$ - | \$ 68,114 | \$ 364,221 | <u>\$ 432,335</u> | |
| CIP Budget Amount | | | | \$ 600,000 | |
| Over (under) Budget | | | | <u>\$ (167,665)</u> | |
| Estimated Cost to Completion | | | | <u>\$ -</u> | |

SPU West Shakopee Substation located along CR 69 south of Highway 169

State Date: 3/25/2021

Estimated Completion Date: 6/1/2023

Percent Completed: 50%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|------|-----------|---------------------|--|
| Contract Amount | | | | \$ - | Design, planning and project management has been started. Bids for construction have not been let. Based on design details thus far there has been \$207k added to 2022 budget as additional expense |
| Change Orders | | | | \$ - | |
| Total Contract (after change orders) | | | | <u>\$ -</u> | |
| Total Expended to date | \$ - | \$ - | \$ 22,878 | <u>\$ 22,878</u> | |
| CIP Budget Amount | | | | \$ 621,000 | |
| Over (under) Budget | | | | <u>\$ (598,122)</u> | |
| Estimated Cost to Completion | | | | <u>\$ 598,122</u> | |

SPU East Shakopee Substation site search

State Date: 3/11/2020

Estimated Completion Date: 12/31/2022

Percent Completed: 70%

| | 2018/2019 | 2020 | 2021 | Total | Comments |
|---|-----------|-----------|-----------|-----------------------|-------------------------------------|
| Contract Amount | | | | \$ - | Potential sites are being evaluated |
| Change Orders | | | | \$ - | |
| Total Contract (after change orders) | | | | <u>\$ -</u> | |
| Total Expended to date | \$ - | \$ 64,944 | \$ 16,602 | <u>\$ 81,547</u> | |
| CIP Budget Amount | | | | \$ 1,500,000 | |
| Over (under) Budget | | | | <u>\$ (1,418,453)</u> | |
| Estimated Cost to Completion | | | | <u>\$ 1,418,453</u> | |

Shakopee Flats Mixed Use Development with relocation of three existing overhead feeders into a new underground duct bank and

State Date: 1/2/2019

Estimated Completion Date: 6/1/2022

Percent Completed: 50%

| | 2018/2019 | 2020 | 2021 | Total |
|---|-----------|-----------|------------|-------------------|
| Contract Amount | | | | \$ 284,680 |
| Change Orders | | | | 17,754 |
| Total Contract (after change orders) | | | | <u>\$ 302,434</u> |
| Total Expended to date | \$ 683 | \$ 12,582 | \$ 389,291 | \$ 402,556 |
| CIP Budget Amount | | | | \$ 420,000 |
| Over (under) Budget | | | | <u>\$ 17,444</u> |
| Estimated Cost to Completion | | | | <u>\$ 184,792</u> |

Comments

Developer, Gaughn is contributing \$110,000 to project. The budget amount includes this contribution. This project is projected to be about \$170k overbudget.

City and SPU Project to relocate electrical facilities on Stagecoach Road for Hentges Industrial Park

State Date: 5/5/2021

Estimated Completion Date: 12/31/2021

Percent Completed: 100%

| | 2018/2019 | 2020 | 2021 | Total |
|---|-----------|------|------------|------------------|
| Contract Amount | | | | \$ - |
| Change Orders | | | | - |
| Total Contract (after change orders) | | | | <u>\$ -</u> |
| Total Expended to date | \$ - | \$ - | \$ 119,235 | \$ 119,235 |
| CIP Budget Amount | | | | \$ 50,000 |
| Over (under) Budget | | | | <u>\$ 69,235</u> |
| Estimated Cost to Completion | | | | <u>\$ -</u> |

Comments

No contract. Budgeted amount from projects to be determined included in the CIP each year. Work order will be closed by year end.