

AGENDA  
SHAKOPEE PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
June 5, 2023  
at 5:00 PM

1. **Call to Order** at 5:00pm in the SPU Service Center, 255 Sarazin Street
  - 1a) Roll Call (JK)
2. **Communications** - Copy of Letter to Hillwood Estates Property Owners
3. **Consent Agenda**
  - C=> 3a) Approval of May 1, 2023 Minutes (GD)
  - C=> 3b) Approval of May 23, 2023 Joint Meeting Minutes (GD)
  - C=> 3c) Approval of June 5, 2023 Agenda (JK)
  - C=> 3d) June 5, 2023 Warrant List (KW)
  - C=> 3e) Monthly Water Dashboard for April 2023 (LS)
  - C=> 3f) MMPA April 2023 Meeting Update (GD)
  - C=> 3g) MMPA May 2023 Meeting Update (GD)
  - C=> 3h) Year Ended December 31, 2022, Audit Financials - Final (KW)
  - C=> 3i) Updated Goals 2023 with IT Projects (GD)
  - C=> 3j) Juneteenth Holiday (GD)
  - C=> 3k) SPU Contribution into Health Savings Account (GD)
  - C=> 3l) SPU Appeal Policy (GD)
  - C=> 3m) Res #2023-11 Resolution of Appreciation to Robert Berndtson (GD)
  - C=> 3n) Res #2023-12 Resolution Setting the Amount of the Trunk Water Charge, Approving of its Collection and Authorizing Water Service to Certain Property Described As: Valley Crest 3<sup>rd</sup> Addition (JA)
  - C=> 3o) Res #2023-13 Resolution Setting the Amount of the Trunk Water Charge, Approving of its Collection and Authorizing Water Service to Certain Property Described As: Moraine Addition (JA)
  - C=> 3p) Res #2023-14 Resolution Setting a Capital Adder Charge to the Unsewered Production Water Rate (KW)
  - C=> 3q) Res #2023-15 Resolution Modifying Shakopee Public Utilities Commission's Cogeneration and Small Power Production Tariff (JA)
  - C=> 3r) Res# 2023-16 Resolution Setting the Amount of the Trunk Water Charge, Approving of its Collection and Authorizing Water Service to Certain Property Described As: River Valley Business Park (JA)
  - C=> 3s) SPU Deposit Policy, Res# 2023-17 Resolution Amending Resolution #2021-17 Adopting utility Deposits for the Shakopee Public Utilities (KW)
  - C=> 3t) PCI Security Policy (PD)
4. **Public Comment Period.** Please step up to the table and state your name and address for the record.
5. **Reports: Water Items**
  - 5a) Water System Operations Report – Verbal (LS)
  - 5b) Pumphouse #23 Rebid Suggestion (LS)
  - 5c) Equivalent Lateral Water Main (ELWM) Fees (JA)
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8. **Reports: General**
  - 8a) Marketing/Key Accounts Report – Verbal (SW)
  - 8b) General Manager Report – Verbal (GD)
9. **Items for Future Agendas**
10. **Tentative Dates for Upcoming Meetings**
  - July 3, 2023 CANCELLED
  - July 10, 2023 Commission Meeting
11. **Adjournment**



PO Box 470 • 255 Sarazin Street  
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www.shakopeeutilities.com

June 1, 2023

Dear Hillwood Estates Property Owners,

On behalf of Shakopee Public Utilities (SPU), this letter responds to correspondence received on April 3, 2023, and included in the Commission packet for the subsequent May 1, 2023 meeting. SPU responses are below in red. These responses are meant to provide further information to assist with mutual understanding and to achieve the goal, as stated in the letter, of reaching an amicable resolution.

### **INITIAL DISCUSSION**

The project was driven by three distinct parties, all of which stood to derive value and benefit from the lateral water main. Hillwood Estate property owners derived no benefit or value from the planned lateral water main project.

The County Road 79 watermain installed adjacent to Hillwood Estates is a portion of the required water main system that is necessary to provide water service to the neighborhood. The availability of the installed improvements provides benefit to the Hillwood Estates neighborhood. To clarify, there is no deadline or requirement for Hillwood Estates to connect now, and the lateral water main connection fee is not required to be paid unless and until water service is established. As explained in more detail below, other parties are also subject to the fees at the time of water service.

This is a blatant misuse of perceived authority by the SPU

The authority is set forth in statute. Minnesota Statutes, Section 444.075 authorizes communities to build, construct, maintain, enlarge, improve, and operate water and sewer systems. Minn. Stat. §444.075, subd. 1a. The statute also authorizes “just and equitable charges” to pay for the cost of construction, maintenance, operation, and use of these facilities. Minn. Stat. § 444.075, subd. 3.

Both the City of Shakopee and Shakopee Public Utilities have used the authority of the statute to construct trunk sanitary sewer and water main systems to extend utilities and establish lateral connection charges. In this instance, it allowed for the extension of water main system to bypass Hillwood Estates to serve other properties. SPU also established a connection fee so that property that was bypassed pays for the benefit of the installed utility system when the bypassed property establishes connection and service. This was all done according to the statute.

Occasionally, the City of Shakopee and Shakopee Public Utilities must extend sanitary sewer and water main past properties that do not desire immediate municipal utility service for the greater good of the utility network and the residents of the community. Minnesota Statutes 444.075 provides a tool to extend the utilities and a means to recover the construction costs with connection fees.

On August 1, 2005, the Commission approved Resolution 815, which established a construction/connection fee for water system trunk facilities equivalent to the lateral water main fee. As





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to Hillwood Estates, the Commission approved Resolution 816 on August 1, 2005, which estimated lateral water main costs for the project. On August 7, 2006, the Commission approved Resolution 851 approving a lateral water main connection charge for Hillwood Estates according to the actual construction costs.

Previous to Resolution #815, all costs pertaining to lateral water main projects were the responsibility of the initiating developer. This cost was not historically assessed or allocated to property owners, especially not to property owners who had no interest in utilizing subject lateral water main.

It may be helpful to consider two statutes addressing utilities and construction/connection charges: Minnesota Statutes Chapters 429 and 444.

Minnesota Statutes Chapter 429 permits special assessments, with an improvement public hearing and an assessment public hearing, as well as legal notification. Minnesota Statutes 444.075 does not require a public hearing and notification processes.

Projects have been completed by the City of Shakopee and Shakopee Public Utilities under both statutes. Some examples include: the Vierling Drive extension west of County Road 15, Hilldale Drive, and Valley View Road from Sarazin Street to Williams Drive, all according to Chapter 429, and Jennifer Lane extension, Maras/13<sup>th</sup> Ave/Hansen Ave extension, and the West End Sewer and Water Extension project, all according to Chapter 444.

The SPU Commission chose to employ MN Statute 444 for the County Road 79 water main extension project, and to create a lateral connection fee to be collected in the future when connection to the system occurs.

To clarify, when the Beckrich Park and CJM properties received sanitary sewer and water main through a Minnesota Statutes 429 project, those two entities paid for 100% of the water main from Hillwood Drive to the CJM parcel. The idea that these properties received water and sewer without payment is simply incorrect.

#### **ISSUE #1 – No Communication from SPU for 17 Years**

Why no formal response to our April 14<sup>th</sup>, 2006 letter on this matter?

The Commission held a meeting on June 5, 2006 to discuss the project and associated fees. Proper public notification of the meeting, the agenda, and follow-up meeting minutes were published as required. The meeting packet included a staff memo that detailed the concerns raised by residents in the April 14, 2006 letter. The Commission considered this information at the meeting. Staff ultimately recommended including the equivalent casing pipe in the lateral charge. Additionally, staff recommended that CJM Properties and Hillwood Estates split the cost of extending water main from



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Hillwood Drive to the CJM parcel. The meeting minutes state that the consensus of the Commission was to include the cost of the lateral equivalent casing pipe in the 2005 CR 79 connection fee.

In addition, SPU staff prepared a letter dated July 13, 2006 informing property owners that the water main issues were planned to be addressed at the August 7, 2006 Commission meeting, including adopting resolutions with the actual fees. We understand that some residents have stated that this letter was not received. This letter was included in the Commission packet for the August 7, 2006 meeting. It is unclear what happened as to the delivery of the letter, and SPU apologizes for any confusion or inconvenience.

In any event, all of the meetings involving Commission action were noticed and open to the public.

Since there was no decision rendered at the March 3<sup>rd</sup>, 2006, SPU Commissioners meeting attended by Hillwood Estates property owners, why was there no direct follow-up communication with Hillwood Estate property owners.

Please see above.

Why did we receive a very vague letter demanding a water main connection charge 17 years after the project completion.

During an internal audit, SPU found that an annual inflationary adjustment was not being applied to the subject lateral water connection fee. On March 6, 2023, SPU adopted Resolution #2023-02 that established the inflation index for the 2005 CR79 LWMEC.

The letter that you received on or about February 1, 2023 informed you of potential Commission action, to provide transparency and an opportunity to monitor Commission action or provide input. It also included information on the inflation index. To clarify, the letter did not require water connection or immediate payment. Instead, the letter stated the Commission's determination to not impose any inflation for the period from the project's completion in 2006 through July 1, 2023. The letter included an offer to waive any future interest after July 1, 2023 if a resident opted to complete payment. The letter did not demand immediate payment of any fees.

Why did we never receive details on the final cost of the project until recently?

Please see above.





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**ISSUE #2 – Resolution #815/#2023 – Allocated costs will be just and equitable**

SPU created resolutions #815 and #2023 granting themselves the authority to allocate water main costs in a “just and equitable manner”. This was a significant departure from historical practices where the developer or those directly benefiting from the request were the parties responsible for the entire lateral water main project costs.

Authority comes from Minnesota Statutes, Section 444.075, and Commission Resolutions 815, 816, and 851. Hillwood Estates receives benefit from the lateral water main project. The property owners will not be required to pay for the improvement unless and until they request to hook up. Resolution 815 applies this charge to property owners when there is no developer.

Glen Ellen properties owners and South Oaks Realty may also benefit in the future from this lateral water main project. That is a blatant misuse of the policy.

Glen Ellen is not in Shakopee city limits and cannot be served with municipal water at this time. They will be required to extend and pay for the water main system in their respective properties once they are annexed.

South Oaks Realty is now the owner of the CJM parcel. The water main south of Hillwood Drive was constructed and paid for without any payment from Hillwood Estates.

Per SPU policy, each property owner must extend water main north/south and east/west across their property. This is the same requirement for everyone served by SPU. Water main has been extended to the property line of Glen Ellen through the high school property, which was paid for by the school district. Previous projects and developers paid to extend water main to the Hillwood Estates boundary at no expense to Hillwood Estates.

Has or when will the total project costs of \$54,511.80 be allocated to other property owners who derive benefit and value from that section of the lateral water main?

The project only included costs to install water main and appurtenant work, from the northwest corner of the Hillwood Estates property to Hillwood Drive. SPU paid for the oversizing of the water main and oversizing of the required casing. The remaining project costs are a part of the lateral water main system that would have been required to be installed by Hillwood Estates and benefits the subject properties. The portion of watermain from Hillwood Drive to the southwest corner of Hillwood Estates was paid for by CJM Properties and the Beckrich Park Estates development as part of the extension of water main through their properties, even though it could have been required by Hillwood Estates to pay for a portion of the water main.



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Are you following accepted accounting rules for the depreciation of water utilities assets? Is the project cost depreciating over a 50-year lifespan on a straight-line basis. How is this reflected in your connection charge?

Yes, SPU is audited annually for conformance with all applicable rules and regulations. Water main does have a 50-year depreciation timeline in SPU financials. Depreciation of the pipe value is not a factor in determining the project cost and related connection fee. Additionally, water main is not necessarily replaced at 50 years just because it becomes fully depreciated.

Whenever Hillwood Estates is connected, the water main pipe will be available. Perpetual pipe maintenance and reconstruction is borne by SPU and the Hillwood Estates properties will not be directly assessed or charged to reconstruct or replace this water main pipe.

### **ISSUE #3 – Index or Interest Accrual Starting July 1, 2023**

Out of consideration for property owners, SPU has waived all interest from the time of establishing the lateral water main charge in 2006 through the present date. This is a significant amount of money.

SPU could have used the Engineering News Record Construction Cost Index or the US Treasury Long Term Interest rate from present or the time of the project. All measures are acceptable industry standards to adjust the fee for inflation. Instead, the Commission chose the US Treasury Long Term Rate in effect at the time of construction.

### **ISSUE #4 – Connection Charge Recorded Against Property**

No specific question – Hillwood Estates against recording of the fee against the properties.

The resolution is already recorded on the deed of the property and SPU understands that it cannot be rescinded. The Commission could choose to record an additional document that supplements the earlier recording to clarify the lateral water connection charge, the amount of the charge, and the timing for connection and payment. Affected property owners have voiced concern about the impact of this recording on potential sale of their properties, and the Commission may consider alternatives to recording.



Joseph D. Adams  
SPU Planning & Engineering Director

MINUTES OF THE  
SHAKOPEE PUBLIC UTILITIES COMMISSION  
May 1, 2023  
Regular Meeting

1. Call to Order. President Krieg called the May 1, 2023 meeting of the Shakopee Public Utilities Commission to order at 5:00 P.M. President Krieg, Vice President Letourneau, Commissioner DuLaney, Commissioner Fox, and Commissioner Mocol were present.
2. Communications. Greg Drent, General Manager, explained that staff received a letter from Hillwood Estates residents on April 3, which was after the Commission meeting packet was sent out. This letter, and related email between SPU staff and Hillwood Estates residents, was included in this meeting packet.
3. Consent Agenda. Mr. Drent clarified that there was no update on item 9d, which could be removed from the agenda. Commissioner Mocol moved approval of the consent agenda as amended: (3a) April 3, 2023 minutes; (3b) May 1, 2023 agenda; (3c) May 1, 2023 warrant list; (3d) Monthly Water Dashboard for March 2023; (3e) PFAS Results; (3f) MMPA March 2023 Meeting Update; (3g) Engagement Letter with LeVander Gillen & Miller. Commissioner Fox seconded the motion. Ayes: Krieg, Letourneau, DuLaney, Fox, and Mocol. Nays: None.
4. 2022 Audited Financial Presentation. Kelley Willemsen, Director of Finance and Administration, introduced Chris Knopik, Principal, and Lance Lauinger, Director, CliftonLarsonAllen LLP. Mr. Knopik presented the unmodified audit opinion, the highest level of assurance that SPU may receive. He also stated that no compliance, deficiencies, internal control, or legal compliance issues were identified. Commissioner Mocol moved to accept the 2022 draft audited financial statements. Vice President Letourneau seconded the motion. Ayes: Krieg, Letourneau, DuLaney, Fox, and Mocol. Nays: None.
5. Liaison Report. Commissioner DuLaney noted that a joint meeting with the Commission and the City Council is scheduled for May 23, 2023 at 6 P.M. at City Hall.
6. Public Comment Period. No comments were offered.
7. Water Report. Lon Schemel, Water Superintendent, reported that the flushing program began on April 26, 2023, and he will present progress maps at future meetings. He noted that SPU is testing pressure vacuum breakers with a limit of 100; he noted a significant number of failures, which means the customers were not protected. Mr. Schemel also noted that Ron Bartusek and Mike Menden attended Operator School. He explained the four levels of certification of a Water Operator; SPU currently has two employees at level D, two at level C, four at level B, and two at level A.

8. Water Tank #9. Ryan Halverson, Electric Supervisor – Water, presented the two tank design options for Water Tank #9 at the corner of Woodduck Trail and Marshall Road: composite and spheroid. He explained that both styles would function, but the spheroid option was a significantly lower cost, which staff recommended. Commissioner Mocol moved to approve the spheroid style tank. Commission Fox seconded the motion. Ayes: Krieg, Letourneau, DuLaney, Fox, and Mocol. Nays: None.

9. Discussion of Design Criteria and Lateral Watermain Connection Charges. Mr. Halverson provided an overview of the Water Policy Manual design criteria requirements as they relate to lateral and trunk watermain requirements for water extension projects throughout the City. He explained the lateral requirements of a north-south and east-west connection every 400 feet and a trunk connection every 3,000 feet. He noted that SPU pays for oversizing of trunk pipes. Mr. Halverson provided drawings of different areas of the City to present these requirements, including Hillwood Estates and Jennifer Lane. The Commission commented favorably on the design criteria. SPU staff will prepare options and recommendations as to property recordings and other aspects of the charges. The Commission also discussed establishing an appeal process for utility charges and directed staff to provide a draft for consideration at a future meeting.

10. Unsewered Production Water Rate. Mr. Drent presented the rate analysis and proposed rate for processed water that does not go into the sewer. Motion by Vice President Letourneau to approve Resolution #2023-10 Establishing Water Rates in and for the City of Shakopee, setting an Unsewered Production Water Rate. Commissioner Mocol seconded the motion. Ayes: Krieg, Letourneau, DuLaney, Fox, and Mocol. Nays: None.

11. Electric Report. Mr. Drent reported eight outages since the last Commission meeting, ranging from one customer affected to 25 customers affected for 105 minutes. He also discussed electric projects, including continued tree trimming, replacing streetlights damaged in the winter, and installing replacement collector streetlights with the installation included under the warranty. Mr. Drent noted that staff have resumed disconnects after a three-month pause due to adjustments with the new billing software.

12. The Bipartisan Infrastructure Law: Grid Innovation Program Grant Applicant and Funding. Mr. Drent explained SPU's portion of the grant application to the US Department of Energy for Infrastructure Investment Jobs Acts funding for grid innovation, including replacing critical distribution tie switches and an automated management system. The grant application encompasses approximately 293 grid projects and 93 utilities. The grant extends over five years and reimburses 50% of the approved project costs. Commissioner Fox moved to approve the grant application and, if awarded, to approve \$3,187,388.50 in SPU infrastructure and innovation improvements identified in the grant project scope. Commissioner DuLaney seconded the motion. Ayes: Krieg, Letourneau, DuLaney, Fox, and Mocol. Nays: None.



13. Marketing/Key Accounts Report. Sharon Walsh, Director of Key Accounts/Marketing/Special Project, noted that SPU typically provides CIP reports in June, but with the 3-year plan, the next one is not due until 2025. Ms. Walsh noted that SPU will serve as the headline sponsor on August 2, 2023 for the Rhythm on the Rails.

14. AMI Update. Ms. Walsh presented an overview of the AMI project since January 2022. She noted pending implementation items and next steps, including site surveys, inventory management, and testing.

15. General Manager Report. Mr. Drent provided an update on Tank #9, switches, land purchases, backflow prevention communications, and discussions with County representatives as to Tank 8, the fiber system, and the County Road 83 project closeout. He noted the Commission workshop on May 15 concerning the water system.

16. Future Agenda Items. Commissioner Fox asked about considering a monitor at other end of the meeting room for presenters to see.

17. Adjourn. Motion by Commissioner Fox, seconded by Commissioner Mocol, to adjourn. Ayes: Krieg, Letourneau, DuLaney, Fox, and Mocol. Nays: None.

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Greg Drent, Commission Secretary

MINUTES  
OF THE  
SHAKOPEE PUBLIC UTILITIES COMMISSION  
May 23, 2023  
(Joint Meeting with the City Council)

Mayor Lehman called the meeting of the City of Shakopee City Council to order at the Council Chambers meeting room at 6:00 P.M., May 23, 2023. All 5 Council were present.

President Krieg called the meeting of the Shakopee Public Utilities Commission to order at the Council Chambers meeting room at 6:00 P.M., May 23, 2023. All 5 Commissioners per present.

MEMBERS PRESENT: President Krieg, Vice President Letourneau, Commissioners Fox, Mocol, and DuLaney. Also present, Mayor Lehman, Councilors Contreras, Whiting, DuLaney, Lara, City Administrator Bill Reynolds and General Manager Greg Drent.

Mayor Lehman offered the agenda for approval. Council Lara motioned to approve the agenda, seconded by Council Contreras. Ayes: Mayor Lehman, Councilors Contreras, Whiting, DuLaney, Lara. Motion passes 5-0

General Business items. Shakopee Public Utilities General Manager will be doing a presentation on SPU's Year in Review and Backflow Prevention Overview. Ryan Halverson, Engineering Supervisor – Water, will then be doing a presentation on the Water Treatment Plant.

Mr. Drent started with talking about the Community Engagement that SPU has had over the last year. Things such as Adopt-A-Park, Shepard's Flock Preschool Night, Hanging Floral Baskets at the downtown streets, school tour, egg hunt and candy grab, Rhythm on the Rails; American Red Cross Blood Drives, ECFE Big Vehicle Fair, Shak-O-Lantern, Spooky Family Fun; Holiday Fest; Toys for Tots; and Gifts for Seniors. Also noted that SPU has received the 2022 Community Award from the Shakopee Chamber & Visitors Bureau.

Mr. Drent continued with Partnerships they have been involved in such as Solar Grant Program with Independent School District #720 for solar on two of the schools. A grant was awarded for \$102,000 per school to get solar added to each of the two schools. Service Territory Acquisition with MVEC with new customers welcomed in November of 2022.

Next is the strong partnership we have committed to with the City of Shakopee and projects we have worked on together. The Partnership continues to evolve and grow.

Mr. Drent then talked a bit about Planning for the Future and the land purchased for the East Shakopee Substation at Maras Street and Hansen Avenue. Also, will be discussion on the Future Water Treatment Plant needs.

Mr. Drent then spoke about what we have done inside SPU over the last year. We implemented a new billing and finance software platform with NISC; changes to the service center with new drive-up window, 24/7 drop box and new signage. All to be convenient for our

customers. Another project includes the Advance Metering Infrastructure (AMI) that we kicked off in January of 2022 and are engaged to continue this project until its end. With New water and electric meters at every customer's home. This will allow SPU to be able to do outage management and communicate with the customer in a better way.

Mr. Drent then went into SPU Financial Overview for 2022 and gave the Total Utility Revenues for Electric at \$58.9 M; Water at \$6.6M. He then broke it down by class (Industrial, Residential, Commercial and Other) for both electric and water. Then talked about the PILOT (Payment in lieu of taxes) program with the city. Noted the changes from 2018 to 2022.

Mr. Drent then talked about the Drinking Water and Backflow Prevention and Cross Connection Policy. Policy was adopted in 2022 with a multi-Year approach from 2022 to 2024. This policy is mandated by Minnesota Plumbing Code and require each Residence to get their Irrigation systems tested each year. The mandate is for system from 2016 to present, but SPU is making it mandatory for all SPU Residences with Irrigation Systems.

Joe Adams, Planning & Engineering Director then introduced Ryan Halverson, Engineering Supervisor – Water as Ryan would be talking about property acquisition for a future Water Treatment Plant. Mr. Halverson presented, SPU's water system meets or exceeds all applicable health and safety regulations. We are doing current treatment for Chlorine and Fluoride at all wells with Polyphosphates at wells 12 and 15. Why treatment? SPU trying to get ahead of the EPA's regulations that are still being decided. SPU has a contract for purchasing the Lusignan property off Eagle Creek Avenue . A long with a portion of the adjacent Mac Equities parcel will allow SPU space to construct and build a Water Treatment Plant. There were lots of discussion to get the City Council to understand why this property and what needs to be done. No decision was needed to be made at this time.

Motion by Council Whiting, seconded by Lara to adjourn to the June 6, 2023 City Council Meeting.

Motion by Fox, seconded by DuLaney to adjourn. Ayes: Mocol, Krieg, DuLaney, Fox, and Letourneau. Nays: None. Motion carried.

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Commission Secretary: Greg Drent

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SHAKOPEE PUBLIC UTILITIES COMMISSION  
WARRANT LISTING  
June 5, 2023

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

**WEEK OF 4/28/2023**

AAR BUILDING SERVICE CO.	\$3,886.19 MAY SPU BLDG CLEANING
ALTEC INDUSTRIES INC	\$648.74 SCREWDRIVER
AMARIL UNIFORM COMPANY	\$5,567.33 CREDIT MEMO ORIGINAL IV242407 EMMETT
APPLE FORD OF SHAKOPEE	\$186.05 WATER TRUCK #651
ARROW ACE HARDWARE	\$16.59 ADHESIVE LETTERS
B & B TRANSFORMER INC	\$90.00 SEC. POLEMOUNT W/GASKETS
MIRIAM BARCENAS VASQUEZ	\$75.00 ENERGY STAR REFRIGERATOR REBATE
BARR ENGINEERING CO.	\$11,043.40 SPU WATER TANK 9 PROF SVCS 2/25-3/24
RON BARTUSEK	\$476.22 WSCH 2023 AWWA NE DIST OPERATORS SCHOOL
ROBERT BERNDTSON	\$161.13 REIMB 246 MILES
BEST BUY BUSINESS ADVANTAGE ACCOUNT	\$24.57 7 PORT
PETER BORCHERS	\$179.10 IRRIGATION CONTROLLERS REBATE
CDW GOVERNMENT LLC	\$363.50 DESK SCANNER D.NELSON
CITY OF SHAKOPEE	\$5,657.91 MARCH FUEL BILL
CITY OF SHAKOPEE	\$470,310.23 MARCH SW \$361,363.29 & SD \$108,946.94
CITY OF SHAKOPEE	\$318,000.00 APRIL 2023 PILOT TRANSFER FEE
DEPUTY REGISTRAR # 135	\$2,826.53 #629 2023 FORD EXPL REG, PLATE TITLE FEE
DGR ENGINEERING	\$972.00 WO#2731 PROF SERVICES THRU 3/31/23
FERGUSON US HOLDINGS, INC.	\$1,923.41 CONNECTORS
GRAINGER INC	\$103.94 CUTOFF WHEEL
GRAYBAR ELECTRIC COMPANY INC	\$340.40 CVR BD 12X12X.75 HW/BLANK
HIGH POINT NETWORKS, LLC	\$36,265.85 OFF SITE GREENCLOUD STORAGE W/ZERTO
INNOVATIVE OFFICE SOLUTIONS LLC	\$894.45 OFFICE SUPPLIES
JT SERVICES	\$22,162.20 2.00"HDPE BLACK/3 RED STRIPES
KATAMA TECHNOLOGIES, INC.	\$5,718.75 WO#2472 AMI PROJECT CONSULTING
LOUISVILLE TOWNSHIP	\$2,500.00 WO#2612 ESCROW FEE
LOUISVILLE TOWNSHIP	\$150.00 WO#2612 PERMIT FEE
MCGRANN SHEA CARNIVAL	\$28,617.50 JANUARY MUNICIPAL & REGULATORY MATTERS
MARY MENDEN	\$50.00 ENERGY STAR CLOTHES WASHER REBATE
MIDWEST SAFETY COUNS, INC.	\$59.91 SHIPPING/TAX DUE FROM ORIGINAL INV PD
MINN DEPT OF COMMERCE	\$2,358.95 COLIFORM
MINN VALLEY TESTING LABS INC	\$0.00 VOID
MN DEPT OF COMMERCE	\$1,478.21 WO#2731 GRANT DIST SW & SCADA
KHADRA MOHAMED	\$480.00 ENERGY STAR DISHWASHER REBATE
MONALI INC	\$953.00 HVAC REBATE PROJ#1107 ACCT#99174001
GERRY NEVILLE	\$52.40 REIMB 80 MILES
PULTE GROUP	\$1,131.31 LUG COMP AL 2-HOLE 750AL
RESCO	\$0.00 VOID
RW BECK GROUP, INC, LEIDOS ENG. LL	\$7,393.50 SPU SUMMER PEAK OPERATING STUDY
SCOTT COUNTY LAW ENFORCEMENT CTR	\$12,615.00 ACCT#108553004 PROJ#1068 ENERGY EFF REBA
SCOTT COUNTY TREASURER	\$2,100.00 MONTHLY FIBER CHG APRIL 2023
SHAKOPEE FLATS LLC	\$24,224.00 ACCT#130662001 PROJ#1031 ENERGY EFF REBA
RYAN SNYDER	\$125.00 ENERGY STAR CLOTHES WASHER REBATE
GREG TRIPLETT	\$110.69 REIMB 169 MILES
MICHAEL VOURLOS	\$47.02 REIMBURSE POSTAGE WATER MTR REPAIRS
WESCO RECEIVABLES CORP.	\$703.33 PCB TESTS
ZIEGLER INC	\$2,391.82 REPAIR WOODCHIPER
FURTHER - ACH	\$1,168.00 MEDICAL CLAIM REIMBURSEMENTS
<b>Total Week of 4/28/2023</b>	<b>\$976,603.13</b>

SHAKOPEE PUBLIC UTILITIES COMMISSION  
WARRANT LISTING  
June 5, 2023

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

**WEEK OF 5/5/2023**

CITY OF PRIOR LAKE	\$669.00 CHECK ON DEMAND - 1ST QTR 2023 FRANCHISE FEE
AAR BUILDING SERVICE CO.	\$287.00 SALES TAX MISSED BEING PAID
ABM EQUIPMENT & SUPPLY LLC	\$38,129.94 WO#2656 INSTALL LIFTMOORE 206 WATER TRUC
ALTEC INDUSTRIES INC	\$1,035.97 FOLDING HEX KEY SET
AMARIL UNIFORM COMPANY	\$2,890.39 WATER DEPT CLOTHING
ARROW ACE HARDWARE	\$29.50 CABLE TIE - WATER DEPT
MARK BANWART	\$175.00 ENERGY EFFICIENT CLOTHES WASHER REBATE
ROBERT BERNDTSON	\$74.01 REIMBURSE 113 MILES
BIRDS LAWN CARE LLC	\$3,714.00 APRIL SPRING CLEAN UP/LAWN CARE
BORDER STATES ELECTRIC SUPPLY	\$4,812.55 15KV 1/0STR-2/0SOL
CENTURY PROMOTIONAL ADVERTISING LLC	\$1,280.00 SPU CLOTHING ORDER
JON CORNELIUS	\$500.00 ENERGY EFFICIENT HEATING/COOLING REBATE
DAVE BERG CONSULTING, LLC	\$500.00 RATE DESIGN STUDIES 4/20/23-4/27/23
CARRIE DEMAY	\$500.00 RESIDENTIAL SOLAR REBATE
DEPUTY REGISTRAR # 135	\$28.25 WO#2656 EXEMPT PLATES FEE NEW TRK635 W
DSI/LSI	\$389.52 MAY GARBAGE SERVICE
E.H. RENNER & SONS INC	\$57,885.00 MAINT @ WELL SITE 2225 17TH AVE NW
MIKE ENRIGHT	\$593.79 WO#2705 KANSAS CITY RODEO PER DIEM
FERGUSON US HOLDINGS, INC.	\$11,032.45 RPZ FIRE HYDRNT MTR
GE DIGITAL LLC	\$3,109.88 SCADA SOFTWARE 1 YR SUPPORT
GENERAL SECURITY SERVICES CORP	\$442.92 4TH QTR 2023 MAINT. VIDEO SYSTEM
DANIEL HAGAMAN	\$75.00 ENERGY EFFICIENT REFRIGERATOR REBATE
HAWKINS INC	\$410.00 CHLORINE CYLINDERS
INC. HENNEN'S AUTO SERVIC	\$80.64 OIL CHANGE ELECTRIC TRK#618
RICHARD KABLAN	\$50.00 ENERGY EFFICIENT CLOTHES WASHER REBATE
LORIE KORTGARD	\$225.00 ENERGY EFFICIENT DISHWASHER REBATE
LANO EQUIPMENT INC	\$129.31 BPA TUBELINE
MIKE MENDEN	\$195.88 PER DIEM WSCH 2023 MN AWWA WATERWORKS SC
STEVE MENDEN	\$286.48 ENERGY EFFICIENT LED REBATE
MINN VALLEY TESTING LABS INC	\$259.60 CHEMICAL TESTING
MMUA	\$1,130.00 U.G. SCHOOL MARSHALL MN SEAVER & STCOKER
MRA-THE MANAGEMENT ASSOCIATION	\$80.00 BACKGROUND CHECKS
NAPA AUTO PARTS	\$17.61 TRAILER LIGHTS FOR NEW TRK 645
GERRY NEVILLE	\$56.98 REIMBURSE 87 MILES
TYLER O'BRIEN	\$33.35 WO#2705 PER DIEM
STEVE PATTERSON	\$500.00 ENERGY EFFICIENT HEATING/COOLING REBATE
JUSTIN ROTERT	\$28.01 WO#2705 PER DIEM
SAMBATEK	\$1,738.64 WO#2525 PROF SVCS THRY 4/8/23
JACK SCHINTZ	\$33.35 WO#2705 PER DIEM
SHORT ELLIOTT HENDRICKSON INC	\$14,922.50 WO#2634 WATER QUAL PLAN TRTMNT FAC SITIN
JORDAN STOCKER	\$33.35 WO#2705 PER DIEM
GREG TRIPLETT	\$62.88 REIMBURSE 96 MILES
VERIZON	\$532.45 TRUCK TRACKING APRIL
WSB & ASSOCIATES INC.	\$2,097.50 WO#2581 PUMPHOUSE 23 PROF SVSC MARCH
ZAYO GROUP, LLC	\$646.80 S SHAKO SUB, PIKE LAKE, T1
CENTERPOINT ENERGY - ACH	\$3,725.77 GAS USAGE 255 SARAZIN 3/8-4/6 2023
FURTHER - ACH	\$281.59 MEDICAL/DAYCARE CLAIM REIMB'S
PAYROLL DIRECT DEPOSIT 5.5.23	\$123,101.65
BENEFITS & TAXES FOR 5.5.23	\$125,905.99

**Total Week of 5/5/2023**

**\$404,719.50**

## SHAKOPEE PUBLIC UTILITIES COMMISSION

## WARRANT LISTING

June 5, 2023

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

**WEEK OF 5/12/2023**

CREDIT REFUNDS	\$10,276.38
ALTEC INDUSTRIES INC	\$2,593.22 REPAIR ON TA55 EQUIPMENT
AMARIL UNIFORM COMPANY	\$515.62 KEVIN MENDEN CLOTHING
ARAMARK REFRESHMENT SERVICES INC	\$167.57 COFFEE
ARROW ACE HARDWARE	\$107.54 BOLTS BUILDERS HARDWARE WATER
B & B TRANSFORMER INC	\$9,995.00 112.5 PAD RAM 3 PHASE
BARNUM GATE SERVICES INC	\$2,097.44 REPAIR SLIDE GATE BY WILL CALL
BORDER STATES ELECTRIC SUPPLY	\$11,420.80 15KV 500STR
DAVID BURGER	\$500.00 RESIDENTIAL SOLAR REBATE
BRADLEY CARLSON	\$542.09 PERDIEM REIMB PASADENA CA 4/29/23 5/3/23
CORE & MAIN LP	\$1,380.68 AUTOGUN W/ BLUE TOOTH
CRYSTEEL TRUCK EQUIPMENT	\$208.88 DA CONTROL W/ HARNESS - ELEC
CUSTOMER CONTACT SERVICES	\$449.98 MAY ANSWERING SERVICE 5/2-5/29 2023
FASTENAL IND & CONST SUPPLIES	\$70.63 MISC PARTS-WATER
WILLIAM FEDERLINE	\$500.00 ENERGY EFFICIENT COLLING/HEATING REBATE
FLYTE HCM LLC	\$10.00 APRIL 2023 COBRA
GOPHER STATE ONE-CALL	\$1,127.25 APRIL TICKETS
GRAINGER INC	\$211.29 PROTECTIVE LEG TIP
HACH COMPANY	\$600.50 RCC 2100P FRRF
HENNEN'S AUTO SERVIC, INC.	\$102.10 OIL CHANGE ELECTRIC TRK #621
INNOVATIVE OFFICE SOLUTIONS LLC	\$477.35 CR DUE TO OVERPYMT CHK#64569
INTEGRATED PROCESS SOLUTIONS, INC	\$743.00 SERVICE PERFORMED ON 4/7/2023
JT SERVICES	\$484.28 SODIUM LAMP
MINN VALLEY TESTING LABS INC	\$1,290.30 COLIFORM
MINNESOTA RURAL WATER ASSOCIATION	\$400.00 MEMBERSHIP APR 2023-MAR 2024
MMUA	\$2,224.50 4YR APPRENT LINEWORKER CAREER PROGRAM
SYDNEY NAGEL	\$1,073.57 PER DIEM PASADENA CA 4/30-5/1 2023
VANESSA & JASON NIGG	\$200.00 ENERGY EFFICIENT COOLING/HEATING REBATE
OPUS DEVELOPMENT COMPANY LLC	\$210,876.52 REFUND WC CHARGE AGREEMENT (BLDG A)
OPUS DEVELOPMENT COMPANY LLC	\$103,008.49 REFUND WC CHARGE AGREEMENT (BLDG B)
PRINCIPAL LIFE INS. COMPANY	\$3,952.45 PRINCIPAL FINANCIAL GROUP LTD MAY PREMIU
QUALITY FORKLIFT SALES & SERVICE	\$2,812.17 REPAIR WASTE TANK/HOPPER
RESCO	\$10,343.55 WIRING HARNESS
VOID	\$0.00
SHERWIN WILLIAMS	\$126.47 PAINT FOR WELL HOUSE SIGNS
JOSEPH SIMON	\$50.00 ENERGY EFFICIENT DIHSWASHER REBATE
SOUTHWEST NEWS MEDIA	\$1,395.32 MARCH 6 MINUTES/WATER DEPT HELP AD
ERIN TITCOMB	\$500.00 ENERGY EFFICIENT COLLING/HEATING REBATE
VERIZON WIRELESS	\$3,993.21 3/24-4/23 2023 CELL PHONE BILL
JAMIE VON BANK	\$351.50 PER DIEM REIMB PASADENA CA 4/29-5/3 2023
WALLINGFORD APARTMENTS LP	\$529.00 EXTERIOR LIGHTING REBATE
WESCO RECEIVABLES CORP.	\$868.77 GLOVE TESTING
XCEL ENERGY	\$655.35 ELECTRIC SVC APRIL VALLEY PARK DR
ZIEGLER INC	\$482.74 REPAIR UNIT #648 ELECTRIC
FURTHER - ACH	\$442.20 MEDICAL CLAIM REIMB.
MINNESOTA LIFE	\$1,311.90
<b>Total Week of 5/12/2023</b>	<b>\$391,469.61</b>

SHAKOPEE PUBLIC UTILITIES COMMISSION  
WARRANT LISTING

June 5, 2023

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

**WEEK OF 5/19/2023**

ABDO LLP	\$13,792.25 FS ACCOUNTING SERVICES APRIL 2023
JOSEPH D ADAMS	\$1,345.47 PER DIEM / TRAVEL REIMB PASADENA CA
AMARIL UNIFORM COMPANY	\$2,106.16 PRESTON COLEMAN CLOTHING
AMERICAN NATIONAL BANK	\$50.00 SAFE DEPOSIT BOX RENTAL
JAMES BARHORST	\$500.00 ENERGY EFFICIENT COOLING/HEATING REBATE
JAY T BERKEN	\$308.15 PER DIEM REIMB ALEXANDIA CONF
ROBERT BERNDTSON	\$131.00 REIMB 200 MILES
CHOICE ELECTRIC INC	\$914.83 REPLACE MOTOR STARTER P.H.#9
CITY OF SHAKOPEE	\$462,152.71 APRIL SEWER & STORM DRAINAGE PAYMENT
COMCAST CABLE COMM INC.	\$2.25 BREAKROOM CABLE
DAKOTA SUPPLY GROUP	\$2,333.26 HYDRNT SEAT REMOVAL WRENCH
CARRIE DEMAY	\$500.00 ADDITIONAL RESID REBATE AMOUNT DUE
DGR ENGINEERING	\$1,358.00 WO#2731 PROF SVCS APRIL IJA GRANT DEV
LAURA FAY	\$500.00 ENERGY EFFICIENT COOLING/HEATING REBATE
RICHARD FRANTAL	\$500.00 ENERGY EFFICIENT COOLING/HEATING REBATE
GAGE & GAGE INC	\$1,993.00 PROJ#1123 ACCT#102201001 REBATE MOTOR CO
GRAINGER INC	\$50.85 CLEANSING TISSUES ELECTRC
MATTHEW GRIEBEL	\$206.50 PER DIEM MARSHALL MN SCHOOLING
TYLER HANSON	\$47.16 REIMB 72 MILES TO & FROM STEP LADERSHIP
HAWKINS INC	\$755.86 TANK 100 GALLON HDPE-PW
HENNEN'S AUTO SERVIC, INC.	\$102.10 OIL CHANGE ELECTRIC TRUCK 1 TON
INNOVATIVE OFFICE SOLUTIONS LLC	\$467.75 OFFICE SUPPLIES
INTERSTATE ALL BATTERY CTR	\$304.46 BATTERY - ELECTRIC DEPT
JEDIDIAH JONES	\$200.00 ENERGY EFFICIENT COOLING/HEATING REBATE
JT SERVICES	\$40,534.06 24' ALUM DIRECT BURY POLES
KLM ENGINEERING INC	\$8,200.00 ELEVATED SINGLE PEDESTAL TANK NO 2
LEVANDER, GILLEN & MILLER, P	\$2,168.00 WO#2634 PROF SERVICES WTR TRTMNT SITE
MINN VALLEY TESTING LABS INC	\$327.80 COLIFORM
MINNESOTA UI	\$7,289.15 MN UNEMPLOYMENT INS PROGRAM
MMUA	\$871.07 17TH EDITION APPA SAFETY MANUEL
MN DEPT. OF LABOR & INDUSTRY	\$56.00 BACKFLOW CERTIF. J.HANSON & M.MENDEN
NCPERS GROUP LIFE INS.	\$192.00 NCPERS
GERRY NEVILLE	\$57.64 REIMB 88 MILES
NISC	\$12,918.10 APRIL 2023 MISC POSTAGE PACKAGE
ELICSON OANDA	\$80.00 REFUND FOR PVB TEST FEE
PARROTT CONTRACTING, INC	\$1,763.39 TAP WATERMAIN @ TOWER
RAMY TURF PRODUCTS, LLC	\$354.34 PRO SEEDER COMMERCIAL
RIES HEATING & A/C INC	\$110.00 SVC CALL P.H. 17TH & FULLER COMPRESSOR
RW BECK GROUP, INC, LEIDOS ENG. LL	\$20,231.71 WO#2483 SPU W SHAKO SUB
ELLE SEAVER	\$206.50 PR DIEM MARSHALL MN UG SCHOOL
ANGELA SESSIONS	\$500.00 ENERGY EFFICIENT COOLING/HEATING REBATE
JOSEPH SIMON	\$50.00 ENERGY EFFICIENT CLOTHES WASHER REBATE
JORDAN STOCKER	\$206.50 PER DIEM MARSCHALL MN SCHOOLING
GREG TRIPLETT	\$98.25 REIMB 150 MILES
TYDENBROOKS	\$684.76 TOOL LESS ROTO SEAL
PAUL ULSTROM	\$80.00 REFUND FOR PVB TEST FEE
VERIZON	\$532.45 TRUCK TRACKING MAY
VERIZON WIRELESS	\$320.61 2/6-5/5 BILLS \$106.87/PER BILL DUE
WATER CONSERVATION SERVICE INC	\$458.35 4/14/23 @ 7396 WHITEHALL (NO LEAK)
JOHN WEBSTER	\$350.00 ENERGY EFFICIENT COOLING/HEATING REBATE
XCEL ENERGY	\$4,103.51 GAS USAGE AMBERGLEN 3/29-4/27 2023
ZAHL-PETROLEUM MAINT COMPANY	\$1,070.00 PUMP OUT 55GAL DRUMS OIL ELECTRIC
ZAYO GROUP, LLC	\$2,599.60 T1 LINE SPU, PIKE LAKE S SUB
CITY OF SHAKOPEE	\$318,000.00 MAY 2023 PILOT TRANSFER FEE
AMERICAN NATL BANK_MASTERCARD_ACH	\$12,348.90 APRIL CC TRANSACTIONS
MN DEPT OF REVENUE ACH PAYMENTS	\$229,783.00 APRIL SALES TAX PAYABLE



SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 5, 2023

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

FURTHER - ACH	\$418.00 MAY PREMIUMS
MMPA C/O AVANT ENERGY	\$2,706,715.23 APRIL POWER BILL
PAYROLL DIRECT DEPOSIT 5.19.23	\$121,800.47
BENEFITS & TAXES FOR 5.19.23	\$119,931.20
<b>Total Week of 5/19/2023</b>	<b><u><u>\$4,106,032.35</u></u></b>

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 5, 2023

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

**WEEK OF 5/26/2023**

VOID	\$0.00
NORTHERN STATES POWER CO	\$3,989.77 APRIL POWER BIL
AAR BUILDING SERVICE CO.	\$4,173.19 JUNE CLEANING
ADVANTAGE COLLECTION PROFESSIONALS I	\$56.58 DUE TO AGENCY APRIL STMT
APPLE FORD OF SHAKOPEE	\$1,169.60 REPAIR ELECTRIC TRUCK
BARR ENGINEERING CO.	\$6,752.50 WO#2683 WATER TANK #9
BERGERSON-CASWELL INC	\$8,990.00 2022 WELL #20 MAINT. INSPECTION
BORDER STATES ELECTRIC SUPPLY	\$581.12 VAUL500112BN AL COMP TERM
CANTERBURY PARK CATERING & EVENTS	\$400.00 11/30/23 HOLIDAY PARTY DEPOSIT
CITY OF SHAKOPEE	\$5,739.28 APRIL FUEL BILL
CITY OF SHAKOPEE	\$1,031.08 MAY 2023 STORM DRAINAGE/SPU PROPERTIES
KAY ELY	\$500.00 ENERGY STAR COOLING/HEATING REBATE
EMEDCO INC	\$495.93 REISSUED CHECK-CAUTION LOOK UP POW
FERGUSON US HOLDINGS, INC.	\$1,106.12 MISC PARTS
FRONTIER ENERGY, INC.	\$14,861.50 SEPT 2022 PROF SVCS P3 SUBSCRIPTION
JUDY FULLER	\$500.00 ENERGY STAR COOLING/HEATING REBATE
GAS TANK RENU OF MINNESOTA	\$81.00 INTERIOR LIGHTING REBATE
GRAINGER INC	\$26.95 CLEANING TISSUES
NATHAN GREEN	\$150.00 ENERGY STAR DISHWASHER REBATE
HIGH POINT NETWORKS, LLC	\$36,265.85 GREENCLOUD DRAAS W/ZETRO
INNOVATIVE OFFICE SOLUTIONS LLC	\$312.32 OFFICE SUPPLIES
IRBY - STUART C IRBY CO	\$1,013.47 GLOVE TESTING
MARTIN IVANCA DROUILLARD	\$1,073.57 PER DIEM PASADENA CA 4/30-5/3 2023
JOHNSON ANDERSON @ ASSOCIATES	\$10,362.00 INTERIOR LIGHTING REBATE
JT SERVICES	\$9,985.88 AUTOBAHN LED ROADWAY
KATAMA TECHNOLOGIES, INC.	\$5,906.25 WO#2472 AMI GENERAL CONSULTING
DAI LE	\$125.00 ENERGY STAR CLOTHES WASHER REBATE
MCGRANN SHEA CARNIVAL	\$6,597.50 WO#2634 LAND ACQ WATER TRTMNT PLANT
CINDY MENKE	\$101.20 REIMBURSE FOR CAKE B BERNDTONS RETIREMEN
MINN VALLEY TESTING LABS INC	\$115.50 NITRATES
DAN NGUYEN	\$80.00 REFUND FOR PVB TESTING
NISC	\$18,442.61 SOFTWARE PACKAGE - APRIL -RECURRING
ONETENTEN HOMES LLC	\$5,637.00 REFUND WCC CHARGE PAID TWICE IN ERROR
DEB PUDELL	\$50.00 ENERGY STAR DISHWASHER REBATE
RESCO	\$393.63 LUG COMP AL 2-HOLE
SCOTT COUNTY RECORDERS	\$138.00 EASEMENT/WCC CHARGE AGREEMENTS
SCOTT COUNTY TREASURER	\$2,100.00 MONTHLY FIBER CHARGE (MAY)
JOSEPH SIMON	\$166.49 IRRIGATION CONTROLLERS REBATE
SIMON SOLOMON	\$175.00 ENERGY STAR CLOTHES WASHER REBATE
TROSEN LAND SURVEYING, LLC	\$2,400.00 WO#2634
UNITED SYSTEMS & SOFTWARE INC	\$4,174.07 ITRON MOUNTING KIT, CABLE
MATTHEW VAN FOSSEN	\$217.39 IRRIGATION CONTROLLERS REBATE
DOUG WITHERINGTON	\$350.00 ENERGY STAR COOLING/HEATING REBATE
HEALTHPARTNERS	\$67,774.79 MAY PREMIUMS

**Total Week of 5/26/2023**

**\$224,562.14**

**Grand Total**

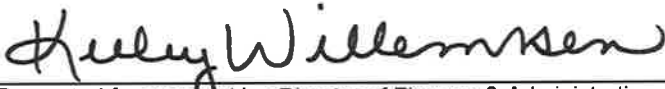
**\$6,103,386.73**

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 5, 2023

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



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Presented for approval by: Director of Finance & Administration

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Approved by General Manager

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Approved by Commission President

# Monthly Water Dashboard

As of: April 2023

Shakopee Public Utilities Commission

ALL VALUES IN MILLIONS OF GALLONS

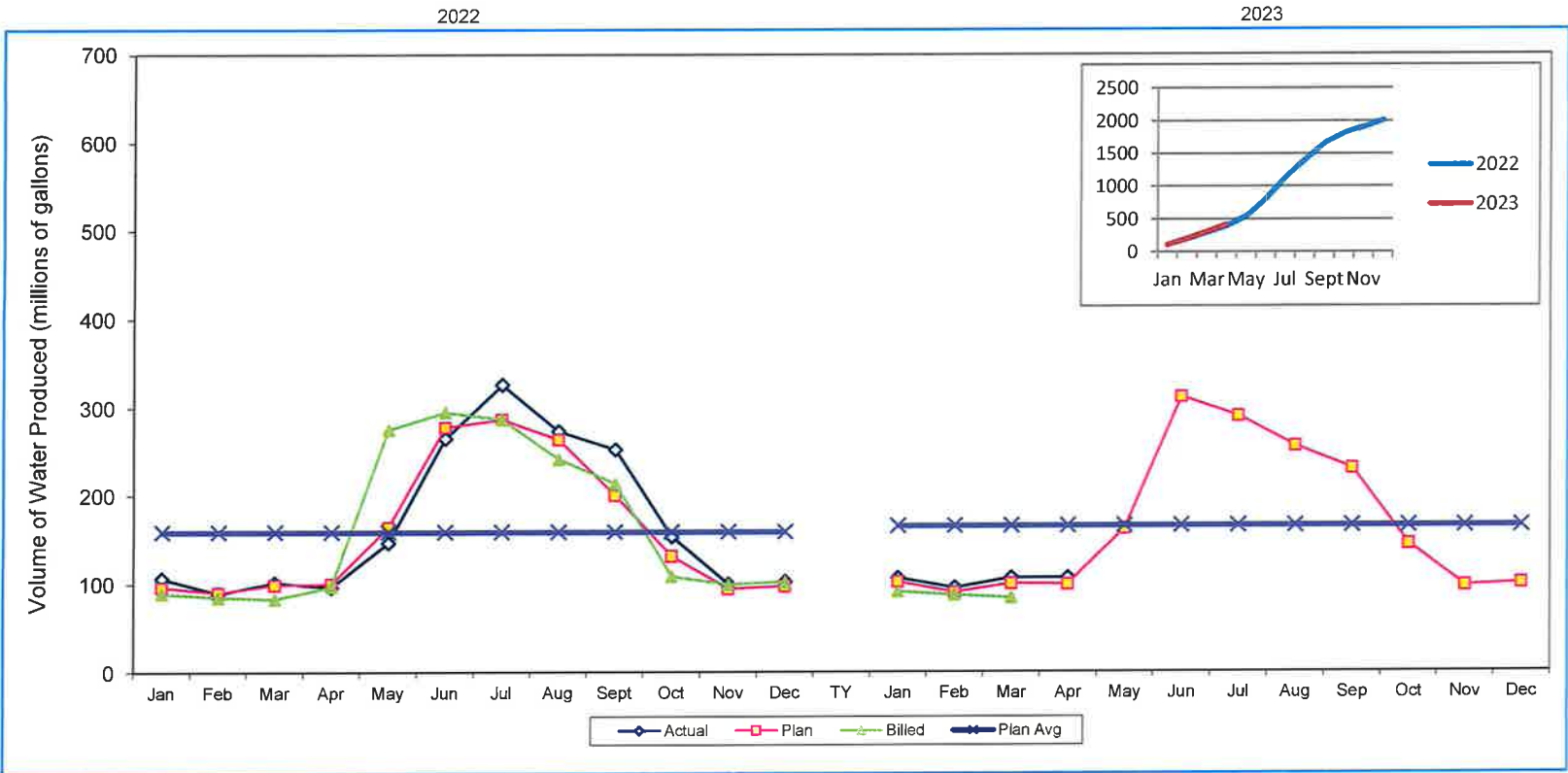
**Element/Measure**

Water Pumped/Metered

Monthly Avg

2020	150
2021	173
2022	167

Last 6 months actuals	99	102	106	95	106	106
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	LY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
Actual		106	89	101	96	146	265	326	273	252	153	99	102		106	95	106	106									
Plan		96	90	99	100	164	278	287	264	200	131	94	97		102	90	100	99	162	312	290	256	230	144	97	100	
YTD % *															104%	105%	105%	106%									
Billed		89	85	83	97	275	295	287	241	213	108	99	102		91	87	84										

\* Actual gallons pumped vs. Plan



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To: SPU Commissioners  
From: Greg Drent, General Manager  
Date: May 4, 2023  
Subject: MMPA April 2023 Member Meeting Update

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on April 25, 2023, at Faribault Energy Park in Faribault, Minnesota and via videoconference.

MMPA's auditor, FORVIS, presented MMPA's 2022 financial statement audit. The audit report can be found on MMPA's website [www.mmpa.org](http://www.mmpa.org) and is also attached.

The Board reviewed the Agency's financial and operating performance for March 2023.

Customer penetration for the residential Clean Energy Choice program increased to 4.6%. There was an increase of 44 customers participating in the residential Clean Energy Choice program from February to March.

MMPA's Energy Education program was discussed. MMPA visited nine schools in March, with another 18 planned to attend the FEP Tour Event in May. This year's program is expected to reach 2,000 fourth grade students.

The Board discussed the current business environment.

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



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To: SPU Commissioners

From: Greg Drent, General Manager *GD*

Date: June 2, 2023

Subject: MMPA May Meeting Update

The public summary of the May 2023 MMPA Board of Directors meeting is below.

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on May 23, 2023, at Chaska City Hall in Chaska, Minnesota and via videoconference.

The Board reviewed the Agency's financial and operating performance for April 2023.

Moody's upgraded MMPA's bond rating from A1 to Aa3 in May. In announcing the upgrade, Moody's cited MMPA's competitive rates, strong financial performance, and strong member credit quality. The Moody's rating reports are attached.

There was an increase of 59 customers participating in the residential Clean Energy Choice program from February to March. Customer penetration for the residential Clean Energy Choice program is at 4.6%.

The Board discussed the current business environment.

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

The Board reviewed MMPA's Load Shedding Policy, which would only be implemented during system emergencies called by the Midcontinent Independent System Operator (MISO).

Thanks



**Rating Action: Moody's upgrades Minnesota Municipal Power Agency to Aa3 from A1; outlook is stable**

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08 May 2023

New York, May 08, 2023 – Moody's Investors Service has upgraded the issuer rating and the rating assigned to Minnesota Municipal Power Agency's (MMPA or the Agency) Electric Revenue Bonds to Aa3 from A1. The rating outlook is stable.

#### RATINGS RATIONALE

Today's rating action reflects MMPA's sustained strong coverage and lower leverage metrics as evidenced by fixed obligation charge coverage (FOCC) ratio averaging 2.3x from 2020 through 2022, up from 1.6x and 1.8x levels in 2018 and 2017, respectively, and a declining debt ratio of 42% in 2022, down from 62% in 2019. The Agency has also maintained a robust liquidity position, which averaged approximately 210 days cash on hand over the last three fiscal years. Improved financial performance has been supported by MMPA's ability to recover high energy costs through an automatic energy adjustment clause (EAC) embedded in their rate structure, coupled with prudent financial management.

The rating upgrade also considers the power sales contracts extension with 11 of 12 members, which represents roughly 99.6% of MMPA's total revenues in 2022. Members have extended their agreements through December 31, 2060, which is well beyond the 2047 final maturity of its outstanding revenue bonds. Additionally, the rating action acknowledges the agency's efforts to increase renewable power generation in their energy supply portfolio which has helped MMPA to maintain their rates competitive with other regional peers and also reduced its carbon transition risk.

The Aa3 rating considers the weighted average credit quality of MMPA's membership which we estimate at being in the high-A rating category level. MMPA's members are located largely in the northern and southwestern suburbs of Minneapolis-St. Paul, a growing and economically strong service area.

#### RATING OUTLOOK

The stable outlook reflects our expectation that MMPA's fixed obligation charge coverage will remain within 2.0-2.5x and that member average credit quality will be maintained.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- The rating could be upgraded if the credit quality of the participants notably improves

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material deterioration in the weighted average credit quality of its members.
- Underperformance that materially erodes MMPA's cost competitiveness and financial metrics. Quantitatively, the rating could face downward pressure if fixed obligation charge coverage (FOCC) declines below 1.5x and liquidity position materially drops to below 150 days cash on hand on a consistent basis

#### LEGAL SECURITY

MMPA's bonds are secured by a pledge of the net revenues of the system. The indenture requires MMPA to set rates sufficient to produce at least 1.15 times coverage of annual debt service. MMPA's indenture require the Agency to maintain a debt service reserve in an amount equal to the least of the maximum annual debt service or 125% of the average annual debt service.

## PROFILE

MMPA is a municipal corporation existing under the laws of the State of Minnesota and founded for the purpose of securing an adequate, economical and reliable supply of electricity for its 12 members. The members are cities located throughout Minnesota and have a diverse economic base. Each municipal member owns and operates an electric system which distributes and sells powers to its customers.

## METHODOLOGY

The principal methodology used in these ratings was US Municipal Joint Action Agencies published in December 2022 and available at <https://ratings.moodys.com/rmc-documents/396803>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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## CREDIT OPINION

11 May 2023



Send Your Feedback

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# Minnesota Municipal Power Agency

Update following rating upgrade to Aa3

## Summary

Minnesota Municipal Power Agency's (MMPA or Agency, Aa3 stable) credit profile reflects the high-A weighted average credit quality of its twelve municipal members operating largely in the economically strong northern and southwestern suburbs of Minneapolis-St. Paul, an unregulated rate setting ability and strong financial performance that continues to improve. The Agency's credit quality also reflects MMPA's efforts to increase renewable power generation in their energy supply portfolio which has helped MMPA to maintain their rates competitive with other regional peers and also reduced its carbon transition risk. The state of Minnesota has aggressive mandated renewable energy standards, though the Agency is well positioned to meet the stricter requirements.

These credit considerations are balanced against the need to match the long-term energy requirements of its members to generation sources while maintaining competitive rates. Currently, MMPA significantly relies on power market purchases to meet its members' energy requirements, though the Agency expects a material reduction in this exposure with the new Walleye Wind Farm facility that achieved commercial operations in December 2022 and will generate approximately 20% of MMPA's annual energy needs.

## Credit strengths

- » Strong credit profiles of members
- » Long term individual power supply agreements with members
- » Improved cash flow generation and financial performance

## Credit challenges

- » Maintenance of competitive power rates while matching member energy needs with generation sources
- » Aggressive state renewable energy standards; though MMPA is well positioned to comply with these targets

## Rating outlook

The stable outlook reflects our expectation that MMPA's fixed obligation charge coverage will remain within 2.0-2.5x and that member average credit quality will be maintained.

## Factors that could lead to an upgrade

- » The rating could be upgraded if the credit quality of the participants notably improves



## Factors that could lead to a downgrade

- » Material deterioration in the weighted average credit quality of its members
- » Underperformance that materially erodes MMPA's cost competitiveness and financial metrics. Quantitatively, the rating could face downward pressure if fixed obligation charge coverage (FOCC) declines below 1.5x and liquidity position materially drops to below 150 days cash on hand on a consistent basis

## Key indicators

Exhibit

	2018	2019	2020	2021	2022
Total Sales (mWh)	1,658,274	1,878,123	1,868,800	1,942,791	1,947,594
Debt Outstanding (\$'000)	270,633	259,235	182,996	173,522	163,634
Debt Ratio (%)	66.5	61.8	50.0	46.1	41.7
Days Cash on Hand	235	305	208	208	213
Fixed Obligation Charge Coverage (if applicable)(x)	1.57	1.83	2.10	2.59	2.28

Source: Moody's Investors Service, MMPA

## Profile

MMPA is a municipal corporation existing under the laws of the State of Minnesota and founded for the purpose of securing an adequate, economical and reliable supply of electricity for its members. The members are cities located throughout Minnesota and have a diverse economic base. Each municipal member owns and operates an electric system which distributes and sells powers to its customers.

MMPA is governed by a Board of Directors on which each member has representation. MMPA's rating considers that it does not have any employees, making it somewhat unique amongst its peers. Rather, MMPA outsources all management and operational functions to various third-party vendors, a strategy that alters the entity's risk profile relative to its peers. That said, we have gained a degree of comfort with the Agency's long-term relationship with Avant Energy, Inc. (Avant), an unaffiliated energy management company that has provided management services under contractual arrangements since 1992.

## Detailed credit considerations

### Revenue Generating Base

#### Resilient Service Area with Unregulated Rate Setting Ability

Key drivers for MMPA's credit quality include the strong credit profile of its membership, who operate largely in the northern and southwestern suburbs of Minneapolis-St. Paul, an economically strong region, and the agency's unregulated rate setting ability.

The agency's twelve municipal members have a weighted average credit quality that approximates the high-A rating category. The weighted average credit assessment incorporates the Aa3 rating assigned to [Elk River Municipal Utilities](#) (Elk River), the A1 rating assigned to [Chaska Electric Enterprise](#), and Aa1 and Aa2 ratings assigned to the cities of [Shakopee](#) and [Anoka](#), respectively, offset to some extent by the weaker credit profiles of the city of [East Grand Forks](#) (Aa3 General Obligation) and the [North St. Paul Electric Enterprise](#) (A2). The four largest members (Shakopee Public Utilities Commission, city of Chaska, Elk River Municipal Utilities and the city of Anoka) jointly accounted for roughly 77% of MMPA's revenue in 2022.

Eleven of the twelve members have extended the power sales agreements (PSA) with MMPA through December 2060 from 2050, well beyond the final maturity of MMPA's electric revenue bonds (2047) which we view as positive from a credit perspective. Each member has entered into an individual PSA with the agency, under which members have agreed to purchase and receive all electric power required to meet the needs of its customers from MMPA. Two members also have Western Area Power Administration (WAPA) allocations. Under the PSA, payments by the members are made monthly and consist of three components: a flat monthly customer

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charge, a demand charge per kW and an energy charge per kWh. The energy charge is adjusted through an energy adjustment clause, which has helped MMPA to recover from recent high energy costs.

MMPA has the right to alter its rates at any time. Its bond indenture requires MMPA to set rates sufficient to cover debt service by at least 1.15x. Each member has covenanted under its PSA to maintain rates to its customers sufficient to provide revenues adequate to meet its obligations to MMPA under the PSA.

### Increase in renewable energy sources coupled with sound energy procurement strategy to support strong credit profile

MMPA has a well-managed portfolio of owned and purchased generation. In 2022, approximately 60% of the required energy demand came from a combination of owned generators and power purchase agreements, while 40% of the demand was met through market purchases. Positively, MMPA's reliance on power market purchase is expected to reduce to just under 20% in 2023 onwards with the 110 MW Walleye Wind Energy Center facility, which achieved commercial operations in December 2022. MMPA has signed a long-term contract to purchase all of the energy from the wind energy center. Walleye Wind is located in Rock County in southwestern Minnesota and is a subsidiary of [NextEra Energy Inc](#) (Baa1 stable).

Exhibit 2

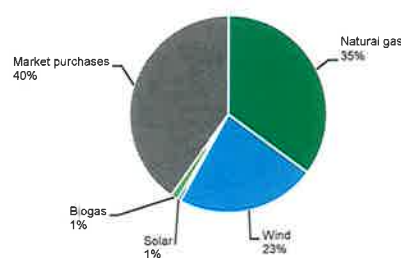
MMPA energy generating sources by power plant FY 2022

Energy source	Term	2022 generation (MWh)	%
Faribault Energy Park	Owned	650,000	33%
Black Oak Wind Farm	PPA	333,000	17%
Oak Glen Wind Farm	Owned	112,000	6%
Shakopee Energy Park	Owned	33,000	2%
Hometown BioEnergy	Owned	23,000	1%
Buffalo Solar Farm	PPA	11,000	1%
Hometown Wind	Owned	1,000	0%
Walleye Wind Farm	PPA	0	0%
Net Market Purchases	Spot market	784,000	40%
Total		1,947,000	100%

Source: MMPA

Exhibit 3

Share of renewable sources will further increase in 2023 with Walleye Wind Farm  
MMPA total generation by fuel type FY 2022



Source: MMPA

MMPA has been successful in providing adequate energy supply to its members at competitive rates, even after adding Elk River to its membership in 2018. MMPA is usually a few MW above the capacity required under MISO rules, which allows the agency to sell the excess into the Midcontinent Independent System Operator (MISO) capacity auction if needed. MMPA is required to carry capacity resources sufficient to meet its projected peak load plus transmission losses (3-4%) and MISO planning reserve margins (8.7% for Planning Year 2022/2023).

Going forward, MMPA will continue to rely on a combination of contracted power purchases, owned resources, and to a lesser extent spot market purchases to meet the power requirements of its membership. MMPA has the ability to adjust its energy charge should market derived power prices increase greater than anticipated.

### Financial Operations and Position

MMPA's financial performance has continued to improve over the last three years. From 2020 through 2022 fixed obligation charge coverage (FOCC) ratio averaged 2.3x, up from 1.6x and 1.8x levels in 2018 and 2017, respectively. At the same time, MMPA's leverage levels continue to decline with a debt ratio of 42% in 2022, down from 62% in 2019. On October 1, 2020 MMPA redeemed the remaining Series 2010A bonds in the amount of \$67.8 million, which accelerated the deleveraging process. The Agency has also maintained a robust liquidity position, which averaged approximately 210 days cash on hand over the last three fiscal years. Improved financial performance has been supported by MMPA's ability to recover high energy costs through an automatic energy adjustment clause (EAC) embedded in their rate structure, coupled with prudent financial management.

**Liquidity**

MMPA has maintained a sound liquidity position over the last three years. The days cash on hand, a measure of financial liquidity, was 213 days at the end of 2022, slightly above the 208 days reported in 2021. External liquidity is provided under a \$20 million revolver due May 2025 with US Bank NA. There were no amounts borrowed under the revolver as of December 31, 2022.

**Debt and other liabilities**

**Debt structure**

MMPA has a manageable debt profile. As of December 31, 2022, MMPA had approximately \$163.6 million of debt outstanding, which consisted of \$149.6 million of Electric Revenue Bonds and \$14 million of lease liabilities.

**Debt-related derivatives**

None.

**Pensions and OPEB**

None. Management and operations of MMPA is outsourced to Avant and as such has no employees and no pension obligation.

**Legal security**

The Electric Revenue Bonds are secured by a pledge of the net revenues of the system and the indenture requires MMPA to set rates sufficient to produce at least 1.15x coverage of annual debt service. Scheduled debt maturities approximate \$15.8 million in 2023 and \$13.2 million in 2024. MMPA's Bonds require the agency to maintain a debt service reserve in an amount equal to the least of the maximum annual debt service or 125% of the average annual debt service.

**ESG considerations**

**Minnesota Municipal Power Agency's ESG Credit Impact Score is Neutral-to-Low CIS-2**

Exhibit 8  
ESG Credit Impact Score

**CIS-2**  
Neutral-to-Low



For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

MMPA's ESG credit impact score of **CIS-2** indicates that ESG considerations have a neutral-to-low impact on the joint action agency's rating. The score reflects MMPA's moderate environmental risks and neutral-to-low social and governance considerations.

Exhibit 9  
ESG Issuer Profile Scores



Source: Moody's Investors Service

### Environmental

MMPA's exposure to environmental risk is moderately negative (**E-3**), which considers moderately negative exposure to physical climate risks since membership service territory and MMPA's generating assets are located in areas with heat and water stress risks. This is balanced by MMPA's neutral-to-low exposure to carbon transition risk, acknowledging MMPA's increased energy source diversification with non-carbon emitting sources. Renewable energy sources will account for approximately 45% of the energy mix, up from 23% in the recent years. MMPA's generation fleet also counts with natural-gas fired power plants, which sourced 35% of the total energy load in 2022, though its share is expected to reduce as new renewable energy sources come online.

### Social

Exposure to social risks is neutral-to-low (**S-2**), which considers neutral-to-low risk scores across customer relations, human capital, demographic & societal trends, health & safety, and responsible production.

### Governance

MMPA's exposure to governance considerations is neutral-to-low (**G-2** issuer profile score). Different than the majority of the joint action agencies, MMPA outsources all management and operational functions to Avant Energy, Inc, which we do not consider a particular risk given the long-term relationship with MMPA by providing management services under contractual arrangements since 1992. Financial and operational performance of the agency has been sound and improving over the recent years. This supports neutral to low scores for financial strategy and risk management, management credibility and track record, organizational structure, compliance and reporting, board structure, policies and procedures.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.



## Rating methodology and scorecard factors

The scorecard indicated outcome is Aa3, in line with the assigned ratings on the issuer and on the electric revenue bonds.

The grid is a reference tool that can be used to approximate credit profiles in the public power electric utility sector in most cases. However, the grid is a summary that does not include every rating consideration. Please see Methodology on [US Municipal Joint Action Agencies](#), published on December 2022, for more information about the limitations inherent to grids.

Exhibit 5

### Scorecard for US Municipal Joint Action Agencies Methodology FY 2020-2022

Factor	Subfactor/Description	Score	Metric
1. Participant Credit Quality and Cost Recovery Framework	a) Weighted Average participant credit quality. Unregulated rate setting including participants. Cost recovery structure and governance.	A1	
2. Resource Risk Management and Exposure to Environmental Regulation	a) Resource Diversity. Asset quality and complexity. Resource supply contract terms and counterparty credit quality. Wholesale market purchase exposure. Exposure to environmental compliance costs	A	
3. Competitiveness	a) Cost competitiveness relative to regional peers	A	
3. Liquidity	a) Adjusted Days Liquidity on Hand (3-year average) (days)	Aa	210 days
4. Leverage and Coverage	a) Adjusted Debt ratio (3-year avg) (%)	Aaa	46%
	b) Fixed obligation charge coverage ratio (3-year avg) (x)	Aaa	2.32x
5. Willingness to Recover Costs with Sound Financial Metrics	a) Rate Setting Record. Timeliness of rate recovery. Stability and strength of financial metrics	Aa	
<b>Notching Factors</b>		<b>Notch</b>	
	1 - Contractual Structure and Legal Environment	0	
	2- Participant Diversity and Concentration	0	
	3 - Construction Risk	0	
	4 - Financing Structure	0	
	5 - Unmitigated Exposure to Wholesale Power Markets	0	
<b>Scorecard Indicated Outcome:</b>		<b>Aa3</b>	

Source: Moody's Investors Service

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MJKK and MSF also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454



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

**DATE:** June 1, 2023  
**TO:** Greg Drent, General Manager *gld*  
**FROM:** Kelley Willemssen, Director of Finance & Administration *kw*  
**SUBJECT:** Year Ended December 31, 2022, Audit Financials – Final

---

**Background:**

On May 1, 2023, Clifton, Larsen Allen, LLP (CLA) presented the Year End December 31, 2022, draft audited financials.

After the Commission accepted the draft audited financial statements, staff identified four additional leases that were for 2022. After consulting with Abdo Financial Solutions and CLA, staff worked with Abdo Financial Solutions to develop the appropriate entries to be recorded in 2022. This action resulted in modifications to the 2022 audited financial statements.

Below is a summary of the changes from the additional entries:

- Current and Other Assets reduction of \$1.78M
- Deferred inflows of Resources – Lease Receivable increase of \$1.75M
- Nonoperating Revenues (Expenses) increase of \$33K
- Net position increase of \$33K
- Cash flows from Operating activities decreased by \$118K
- Cash flows from Capital and related financing activities increased by \$102k
- Interest and Dividends received decreased by \$16k

The lease adjustments made after the draft audited financial statements were accepted by the Commission do not impact the overall opinion on the audited financial statements.

**Requested Action**

The commission is requested to accept the Year-ended December 31, 2022, Final Audited Financials

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
SEPARATE ENTERPRISE FUNDS OF THE  
CITY OF SHAKOPEE, MINNESOTA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](http://CLAconnect.com)

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

**INTRODUCTORY SECTION**

<b>BOARD OF COMMISSIONERS AND ADMINISTRATION</b>	<b>1</b>
--	----------

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
-------------------------------------	----------

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>6</b>
---	----------

**FINANCIAL STATEMENTS**

<b>STATEMENT OF NET POSITION</b>	<b>19</b>
----------------------------------	-----------

<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION</b>	<b>21</b>
--	-----------

<b>STATEMENT OF CASH FLOWS</b>	<b>22</b>
--------------------------------	-----------

<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>24</b>
--	-----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>GENERAL EMPLOYEES FUND SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>	<b>42</b>
---	-----------

<b>GENERAL EMPLOYEES FUND SCHEDULE OF COMMISSION CONTRIBUTIONS</b>	<b>43</b>
--	-----------

<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>44</b>
--	-----------

**SUPPLEMENTARY INFORMATION – ELECTRIC UTILITY**

<b>STATEMENT OF NET POSITION – ELECTRIC UTILITY</b>	<b>49</b>
---	-----------

<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – ELECTRIC UTILITY</b>	<b>51</b>
--	-----------

<b>STATEMENT OF CASH FLOWS – ELECTRIC UTILITY</b>	<b>52</b>
---	-----------

<b>DETAILED STATEMENT OF OPERATING REVENUES – ELECTRIC UTILITY</b>	<b>54</b>
--	-----------

<b>SCHEDULE OF PLANT IN SERVICE – ELECTRIC UTILITY</b>	<b>55</b>
--	-----------

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

<b>SUPPLEMENTARY INFORMATION – WATER UTILITY</b>	
<b>STATEMENT OF NET POSITION – WATER UTILITY</b>	<b>57</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET     POSITION – WATER UTILITY</b>	<b>59</b>
<b>STATEMENT OF CASH FLOWS – WATER UTILITY</b>	<b>60</b>
<b>DETAILED STATEMENT OF OPERATING REVENUES – WATER UTILITY</b>	<b>62</b>
<b>SCHEDULE OF PLANT IN SERVICE – WATER UTILITY</b>	<b>63</b>

## **INTRODUCTORY SECTION**



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
BOARD OF COMMISSIONERS AND ADMINISTRATION  
DECEMBER 31, 2022**

Officials	Position	Term Expires
Kathi Mocol	President/MMPA Alternate Rep	March 31, 2025
Justin Krieg	Vice President	March 31, 2024
Kayden Fox	Commissioner	March 31, 2023
Benedict Letourneau	Commissioner	March 31, 2024
Jody Brennan	Commissioner/City Council Member	Appointment by Council

<b>Administration</b>
-----------------------

Greg Drent	General Manager/MMPA Rep
Kelley Willemssen	Director of Finance and Administration

## **FINANCIAL SECTION**



***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shakopee Public Utilities Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shakopee Public Utilities Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shakopee Public Utilities Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited Shakopee Public Utilities 2021 financial statements, and we expressed unmodified opinions on the major funds in our report dated April 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general employees fund schedule of commission's proportionate share of net pension liability, and general employees fund schedule of commission contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shakopee Public Utilities Commission's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2023, on our consideration of the Shakopee Public Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shakopee Public Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shakopee Public Utilities Commission's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 17, 2023

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

The management of the Shakopee Public Utilities Commission (electric and water utilities) offers all persons interested in the financial position of the utilities an objective, easy to read overview, and analysis of the utilities' financial performance during the years ended December 31, 2022. You are invited to read this narrative in conjunction with the Utilities' financial statements.

**FINANCIAL HIGHLIGHTS**

- The electric utility's net position increased \$3,259,234 to \$96,790,942 in 2022, an increase of 3.5%. Total assets increased by \$4,496,786 due to increases in net capital assets of \$3,594,457, increases in accounts receivable of \$934,655 and other assets of \$518,675. Deferred outflows of resources decreased \$154,224 reflecting Governmental Accounting Standards Board (GASB) 68 pension reporting. Total liabilities increased by \$2,788,836 due to an increase in net pension liability of \$1,795,615, accounts payable of \$479,847, partially offset by a decrease in Due to Other Funds of \$200,000 and customer advances of \$44,497. Deferred inflows of resources decreased \$1,705,508 (see Table 1).
- The electric utility's operating revenue increased by \$6,172,299 or 11.7%, driven by an increase in power cost adjustment revenue, driven by higher-than-average purchase power costs per kilowatt hour, an increase in monthly service charge and demand fee revenue and \$771k in conservation revenue. Total kWh sales volume decreased 0.4%. The electric utility added 183 new customers in 2022, an increase of 1.0% (see Table 3).
- The electric utility's operating expenses in 2022 increased \$6,493,602 or 13.9%, due to increases in purchased power costs of \$4,889,337 driven by higher purchased power costs per kWh, increases in employee benefit and material expenses, and an increase in depreciation expense of \$467,910.
- The water utility's net position increased \$8,685,584 to \$95,332,857 in 2022, an increase of 10.0%. Total assets increased by \$10,084,708 due to an increase in net capital assets of \$3,522,317, increase of \$2,321,251 in cash and investments, increase of \$1,107,868 in the connection account, recognition of leases receivable of \$1,770,194, and an increase in other accounts receivable of \$2,015,528, slightly offset by a decrease in Due from the Electric Fund of \$200,000, and water reconstruction account of \$152,382. Deferred outflows of resources decreased \$76,557 reflecting the GASB 68 pension reporting activity. Total liabilities increased \$347,547 due to increase in net pension liability of \$787,503, customer advances of \$67,630, and other current liabilities of \$144,080 with decreased in accounts payable of \$598,390 and Due to the City of Shakopee of \$52,309. Deferred inflows of resources increased \$975,020 due to the net impact of a reduction related to GASB 68 pension report activity and the reflection of deferred inflows related to leases receivable (see Table 2).
- The water utility's 2022 operating revenues, generated mostly by sales of water, increased \$22,278, or 0.3% due to an increase in water rates, slightly offset by a decrease in water gallons sold. The water utility added 204 new customers in 2022, an increase of 2.0% (see Table 4).
- The water utility's operating expenses in 2022 increased \$213,819 or 5.8% driven by an increase in distribution, maintenance, and administrative expenses. Total gallons pumped decreased 4.79%.
- Capital contributions for the utility increased from 2021 to 2022 by \$1,953,256 due to increases in water connection fees and developer capital contributions.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

- Municipal contributions expenses to the City of Shakopee increased from 2021 to 2022 by \$1,205,920 due to an increase in power cost adjustment revenue, which was driven by higher purchase power costs, and an increase in the transfer rate from 2021 to 2022.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The electric and water utilities are self-supporting entities and separate enterprise funds of the City of Shakopee. The utilities provide electric and water service to properties within the City of Shakopee and some areas outside the municipality. Water service is provided within the corporate limits of the City of Shakopee. The electric utility service territory is a matter of state law, which became effective in 1975 and is supported by official maps. The areas generally served are the City of Shakopee, Townships of Jackson and Louisville, and part of the City of Prior Lake lying north of Prior Lake and abutting the City of Shakopee.

The electric and water utility is managed by a utilities commission and operates under *Minnesota Statutes* 453. The Commission has, and continues to establish, rates and charges without approval, review, or veto authority of the City Council. The Commission also establishes the policies and service rules that guide the administration and management of the Shakopee Public Utilities. The City Council created the utility commission in the mid- 1950s.

The current utility commission is made up of five members having authority under the Power Agency Law, *Minnesota Statutes* 453, adopted by the State Legislature in 1976. The Power Agency Law replaces the original empowerment authority and provides the legal platform for the Commission to operate as the governing body of the "electric utility" and join other utilities to solve the issues of generation and transmission.

This annual report consists of two parts: Management's Discussion and Analysis and the financial statements as well as the Independent Auditors' Report.

An analysis of the utilities' financial position begins with a review of the statement of net position and the statement of revenues, expenses, and changes in net fund position. These two statements report the Utilities' Net Position and changes therein. The Utilities' Net Position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, are important in measuring the financial health of the Utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions, and new regulations.

**UTILITY FINANCIAL ANALYSIS**

The Statement of Net Position includes all of the Utilities' assets and deferred outflows of resources and liabilities and deferred inflows of resources and provides information about the nature and amount of investments in resources and the obligations to creditors. This Statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utilities.

A summary of the Utilities' Statement of Net Position is presented in Tables 1 and 2.



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

**TABLE 1  
CONDENSED STATEMENT OF NET POSITION – ELECTRIC UTILITY**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>ASSETS</b>			
Current and Other Assets	\$ 54,961,572	\$ 54,059,243	\$ 902,329
Net Capital Assets	<u>52,953,032</u>	<u>49,358,575</u>	<u>3,594,457</u>
Total Assets	107,914,604	103,417,818	4,496,786
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>1,205,443</u>	<u>1,359,667</u>	<u>(154,224)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 109,120,047</u>	<u>\$ 104,777,485</u>	<u>\$ 4,342,562</u>
<b>LIABILITIES</b>			
Net Pension Liability	\$ 3,662,141	\$ 1,866,526	\$ 1,795,615
Other Liabilities	<u>8,330,605</u>	<u>7,337,384</u>	<u>993,221</u>
Total Liabilities	11,992,746	9,203,910	2,788,836
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	336,359	2,041,867	(1,705,508)
<b>NET POSITION</b>			
Net Investment in Capital Assets	52,953,032	49,358,575	3,594,457
Unrestricted	<u>43,837,910</u>	<u>44,173,133</u>	<u>(335,223)</u>
Total Net Position	<u>96,790,942</u>	<u>93,531,708</u>	<u>3,259,234</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 109,120,047</u>	<u>\$ 104,777,485</u>	<u>\$ 4,342,562</u>

As can be seen from the table above, the electric utility net position increased \$3,259,234 to \$96,790,942 in 2022, an increase of 3.5%. Total assets increased by \$4,496,786 due to increases in net capital assets of \$3,594,457 reflecting investments in underground lines, capital equipment and the service center, offset by increased accumulated depreciation and construction in progress, increases in accounts receivable of \$934,655 and other assets of \$518,675, offset by a decrease in customer deposits of \$33,638. Deferred outflows of resources decreased \$154,224 reflecting an increase in GASB 68 pension reporting activity.

Total liabilities increased by \$2,788,836 due to an increase in net pension liability of \$1,795,615, accounts payable of \$479,847, due to the City of Shakopee of \$342,836, and other liabilities of \$381,397, partially offset by decreases in customer advances of \$44,497, and Due to Other Funds of \$200,000. Deferred inflows of resources decreased \$1,705,508 reflecting changes in GASB 68 pension reporting activity.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

**TABLE 2  
CONDENSED STATEMENT OF NET POSITION – WATER UTILITY**

	2022	2021	Change
<b>ASSETS</b>			
Current and Other Assets	\$ 37,064,563	\$ 30,103,489	\$ 6,961,074
Net Capital Assets	62,361,364	59,237,730	3,123,634
Total Assets	<u>99,425,927</u>	<u>89,341,219</u>	<u>10,084,708</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>536,023</u>	<u>612,580</u>	<u>(76,557)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 99,961,950</u>	<u>\$ 89,953,799</u>	<u>\$ 10,008,151</u>
<b>LIABILITIES</b>			
Net Pension Liability	\$ 1,628,441	\$ 840,938	\$ 787,503
Other Liabilities	1,187,766	1,627,722	(439,956)
Total Liabilities	<u>2,816,207</u>	<u>2,468,660</u>	<u>347,547</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,812,886	837,866	975,020
<b>NET POSITION</b>			
Net Investment in Capital Assets	62,361,364	59,237,730	3,123,634
Restricted	18,729,524	17,775,005	954,519
Unrestricted	14,241,969	9,634,538	4,607,431
Total Net Position	<u>95,332,857</u>	<u>86,647,273</u>	<u>8,685,584</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 99,961,950</u>	<u>\$ 89,953,799</u>	<u>\$ 10,008,151</u>

As can be seen from the table above, the water utility net position increased by \$8,685,584 to \$95,332,857 in 2022, an increase of 10.0%. Total assets increased by \$10,084,708 due to an increase in net capital assets of \$3,123,634, increase of \$2,322,218 in cash and investments, increase of \$1,107,868 in the connection account, the reflection of leases receivable of \$1,770,194, and an increase in other receivables of \$2,016,413, offset by a decrease the Due from the Electric Fund of \$200,000, and water reconstruction account of \$152,382. Deferred outflows of resources decreased \$76,557 reflecting the GASB 68 pension reporting activity. Total liabilities increased \$347,547 due to decrease in current liabilities of accounts payable \$598,390, increase in customer advances of \$67,630 an increase in net pension liability of \$787,503. Deferred inflows of resources increased \$975,020 due to GASB 68 pension reporting activity and deferred inflows related to leases receivable.

The restricted portion of net position includes accounts that are limited by bond covenants. Listed below are restricted assets:

*Customer Deposit Account* - Restricted resources from customers required to deposit monies before the utility will begin service. These deposits are subject to repayment when the customer leaves the utility's service area.

*Connection and Trunk Water Accts* - Restricted resources, per enabling legislation, to be used for future water production and trunk distribution facility acquisitions.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

The specific nature or source of these changes becomes more evident in the statement of revenues, expenses, and changes in fund net position as shown in Tables 3 and 4.

The statement of revenues, expenses, and changes in fund net position provide an indication of the utilities' financial health.

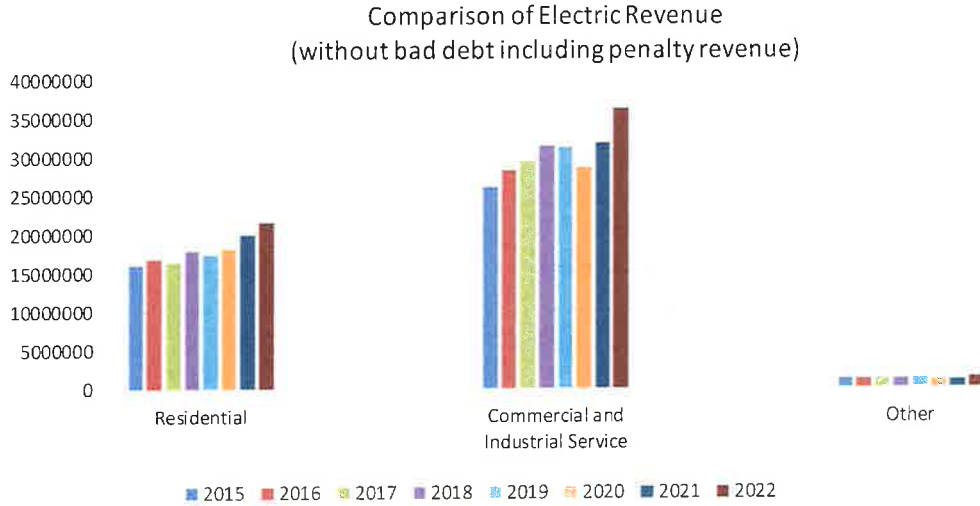
**TABLE 3  
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
POSITION - ELECTRIC UTILITY**

	2022	2021	Change
<b>OPERATING REVENUES</b>	\$ 58,908,998	\$ 52,736,699	\$ 6,172,299
<b>OPERATING EXPENSES</b>			
Operation, Customer, and Administrative	50,153,637	44,127,945	6,025,692
Depreciation Expense	2,950,002	2,482,092	467,910
Total Operating Expenses	<u>53,103,639</u>	<u>46,610,037</u>	<u>6,493,602</u>
<b>OPERATING INCOME</b>	5,805,359	6,126,662	(321,303)
Nonoperating Revenues (Expenses)	165,676	120,106	45,570
Capital Contributions	726,118	98,931	627,187
Free Electric Service to the City of Shakopee	138,104	116,313	21,791
Transfers to Municipality	<u>(3,576,023)</u>	<u>(2,370,103)</u>	<u>(1,205,920)</u>
<b>CHANGE IN NET POSITION</b>	3,259,234	4,091,909	(832,675)
Net Position - Beginning of Year	<u>93,531,708</u>	<u>89,439,799</u>	<u>4,091,909</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 96,790,942</u>	<u>\$ 93,531,708</u>	<u>\$ 3,259,234</u>

As can be seen in Table 3, the electric utility's operating revenues increased in 2022 by \$6,172,299 or 11.7% from 2021, driven by an increase in power cost adjustment revenue which was driven by higher than average purchased power costs, an increase in monthly service charge and demand fee revenue and \$771k in conservation revenue, partially offset by a decrease in total kWh's sold of 1,746,255 or 0.4%. Operating expenses increased \$6,493,602 or 13.9%, primarily due to an increase in purchased power costs of \$4,899,337. Purchased power costs totaled \$42,865,031 in 2022, an increase of 12.9% from 2021. Purchased power is the single largest expense item in the electric system operating budget. Nonoperating income increased \$45,570 due to lower investment income partially offset by an increase in rentals and miscellaneous income of \$815,637 and gains on disposition of property \$25,000. Capital contributions increased \$555,047 due to decreases in developer capital contributions year to year. Municipal contributions expenses to the City of Shakopee increased \$1,205,920 from \$2,370,103 to \$3,576,023 driven by higher electric sales revenue.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**



Year	Residential	Commercial and Industrial Service	Other
2015	\$ 16,120,599	\$ 25,957,296	\$ 1,029,814
2016	16,889,535	28,283,314	1,094,571
2017	16,496,838	29,341,945	1,100,006
2018	17,891,566	31,414,834	1,158,891
2019	17,314,820	31,261,142	1,135,968
2020	18,032,655	28,553,793	870,373
2021	19,996,991	31,752,298	1,022,634
2022	21,548,095	36,255,304	1,315,038

Residential, Commercial, Industrial, and other sales of electricity (without bad debt) increased in 2022 by \$6,346,515 or 12.0%. Higher than average purchase power costs contributed to an increase in power cost adjustment revenue and an increase in forfeited discounts of \$180,028, slightly offset by lower kWh sales. Purchase power costs increased in 2022 by \$6,772,718 or 18.8%. Purchased power is the single largest expense item in the electric system operating budget.

Total kWh purchased in 2021 was 462,160,248 as compared to 463,906,473 in 2021, reflecting a decrease of 0.3% year over year. Total kWh sold in 2022 was 441,586,600 as compared to 443,409,817 in 2021, reflecting a decrease of 0.4% for the year 2022. Electric operating revenues, including bad debt totaled \$59,047,102 in 2022 compared to \$52,853,012 in 2021, an increase of \$6,194,090 or 11.7% driven by higher power cost adjustment revenue due to increased power cost revenue.

The utility purchases power from MMPA and joined MMPA as a full member in 2004, with a long-term Purchase Power Agreement extending to 2050.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

The following is the total cost of kilowatt-hours purchased, total kilowatt-hours purchased, system peak demand, and total kilowatt-hours delivered for the past ten years.

Historical Power and Energy Requirements				
Energy (kWh)				
Year	Total kWh Purchased	Cost of kWh Purchase	System Peak Demand	Total kWh Delivered
2022	462,160,248	\$ 42,865,031	108,770	441,586,600
2021	463,906,473	37,956,344	108,103	443,409,817
2020	449,885,399	32,729,485	100,447	431,784,931
2019	459,120,703	34,198,101	104,661	446,158,441
2018	469,262,264	35,555,031	102,853	454,234,398
2017	452,309,391	33,180,393	99,725	429,261,118
2016	449,534,290	32,282,815	100,501	426,048,194
2015	425,268,243	29,939,985	92,605	406,459,331
2014	417,376,994	29,426,606	93,549	401,272,664
2013	413,119,096	28,499,899	95,148	394,596,477

Kilowatt (kWh) Hours

**METERED ELECTRIC CUSTOMERS**

The following are the number of metered connections for the past ten years.

Year	Meters
2022	19,020
2021	18,837
2020	18,562
2019	17,960
2018	17,575
2017	17,126
2016	17,084
2015	16,885
2014	16,700
2013	16,508

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

**TABLE 4  
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET  
POSITION - WATER UTILITY**

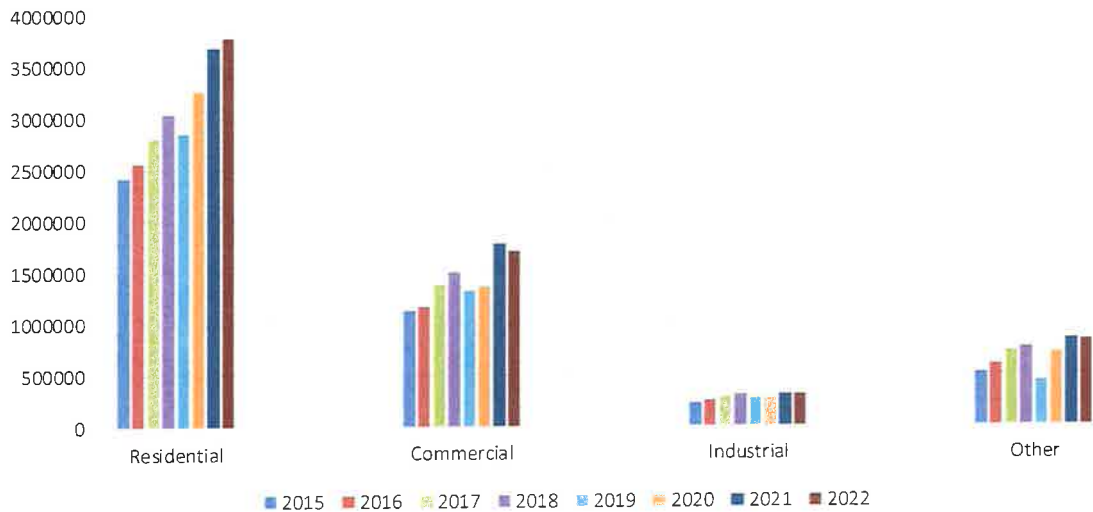
	2022	2021	Change
<b>OPERATING REVENUES</b>	\$ 6,632,813	\$ 6,610,535	\$ 22,278
<b>OPERATING EXPENSES</b>			
Operation, Customer, and Administrative	3,900,258	3,686,439	213,819
Depreciation Expense	1,860,949	1,777,894	83,055
Total Operating Expenses	<u>5,761,207</u>	<u>5,464,333</u>	<u>296,874</u>
<b>OPERATING INCOME</b>	871,606	1,146,202	(274,596)
Nonoperating Revenues (Expenses)	150,188	144,827	5,361
Capital Contributions	8,012,023	6,685,954	1,326,069
Transfers to Municipality	<u>(348,233)</u>	<u>(253,115)</u>	<u>(95,118)</u>
<b>CHANGE IN NET POSITION</b>	8,685,584	7,723,868	961,716
Net Position - Beginning of Year	<u>86,647,273</u>	<u>78,923,405</u>	<u>7,723,868</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 95,332,857</u>	<u>\$ 86,647,273</u>	<u>\$ 8,685,584</u>

In 2022 the water utility's operating revenues increased by \$22,278 or 0.3% from \$6,610,535 in 2021 to \$6,632,813. The increase in operating revenues is the result of a water rate increase in 2022, offset by a decrease in water gallons sold. Operating expenses increased \$296,874 or 5.4%. The increase in expenses is the result of an increase in operation, customer, and administrative expenses of \$213,819 and an increase in depreciation expense of \$83,055. Nonoperating income increased \$5,361 from \$144,827 to \$150,188 reflecting a decrease in investment income of \$39,735 and an increase in the municipal contribution to the City of Shakopee, offset by an increase in miscellaneous income of \$38,257. Capital contributions increased \$1,326,069, primarily due to increases in water connection fees of \$3,031,301, offset by a decrease in trunk water fees of \$247,781 and contributed capital water mains of \$1,513,914.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

Comparison of Water Revenues  
(without bad debt and including penalty revenue)



Year	Residential	Commercial	Industrial	Other
2015	\$ 2,420,817	\$ 1,124,593	\$ 227,314	\$ 516,124
2016	2,560,074	1,173,447	248,672	591,120
2017	2,804,902	1,380,349	281,240	718,998
2018	3,043,443	1,496,789	306,868	759,531
2019	2,844,970	1,322,398	268,467	433,911
2020	3,257,458	1,358,234	259,951	706,486
2021	3,684,101	1,769,298	304,968	846,419
2022	3,780,680	1,710,132	309,566	828,935

Sales of water (without bad debt) increased in 2022 by \$24,527 or 0.3%. The increase in operating revenues is the result of an increase in water rates in 2022, offset slightly by a decrease in water gallons sold. The water utility added 204 new customers in 2022.

Water gallons pumped in 2022 totaled 2,006,943 thousand gallons as compared to 2,080,182 thousand gallons in 2021, reflecting a decrease of 3.52% for the year 2022. Water gallons sold including hydrant sales in 2022 totaled 1,864,700 thousand gallons as compared to 1,961,462 thousand gallons in 2021, reflecting a decrease of 4.9% for the year 2022. Water operating revenues excluding reconstruction fees totaled \$5,850,411 in 2022 as compared to \$5,788,799 in 2021, an increase of 1.1%.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

**WATER DEMAND**

The following is the average daily demand and peak daily demand for the past ten years.

Year	Demand (MGD)	Peak Daily Demand (MGD)
2022	5.498	13.254
2021	5.699	14.655
2020	4.927	12.810
2019	4.559	11.149
2018	5.054	11.122
2017	4.873	13.234
2016	4.792	11.582
2015	4.556	9.936
2014	4.631	10.878
2013	4.987	13.379

**WATER METERS/PRODUCTION**

The following shows the number of meters and production for the water utility for the past ten years.

Year	Average Daily Water Pumped (Gallons)	Service Population*	Total Service Connections	Residential Usage	Non-Residential Usage
2022	5,498,474	40,096	12,057	61	39
2021	5,699,129	39,592	11,853	61	39
2020	4,927,033	38,506	11,741	64	34
2019	4,559,496	38,506	11,567	60	40
2018	5,053,767	38,519	11,438	59	41
2017	4,873,381	37,643	11,299	59	41
2016	4,792,447	37,254	11,277	60	40
2015	4,555,603	37,254	11,170	60	40
2014	4,631,167	35,300	11,085	62	38
2013	4,987,855	35,120	10,956	62	38

\*Total City Population per Metropolitan Council estimates less population served by private and community wells.



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

The statement of cash flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**TABLE 5  
CONDENSED STATEMENT OF CASH FLOWS – ELECTRIC UTILITY**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM:</b>		
Operating Activities	\$ 11,383,461	\$ 6,857,353
Noncapital Financing Activities	(3,751,023)	(2,138,358)
Capital and Related Financing Activities	(5,818,341.00)	(4,705,017)
Investing Activities	<u>1,582,877</u>	<u>(1,451,237)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,396,974</b>	<b>(1,437,259)</b>
Cash and Cash Equivalents - Beginning of Year	<u>246,083</u>	<u>1,683,342</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 3,643,057</u></b>	<b><u>\$ 246,083</u></b>

**TABLE 6  
CONDENSED STATEMENT OF CASH FLOWS – WATER UTILITY**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM:</b>		
Operating Activities	\$ 372,409	\$ 4,787,465
Noncapital Financing Activities	200,000	(200,000)
Capital and Related Financing Activities	2,781,099	(815,324)
Investing Activities	<u>(970,472)</u>	<u>(748,840)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,383,036</b>	<b>3,023,301</b>
Cash and Cash Equivalents - Beginning of Year	<u>4,326,792</u>	<u>1,303,491</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 6,709,828</u></b>	<b><u>\$ 4,326,792</u></b>

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**UTILITY FINANCIAL ANALYSIS (CONTINUED)**

**TABLE 7  
CAPITAL ASSETS – ELECTRIC UTILITY**

	2022	2021
<b>CAPITAL ASSETS</b>		
Distribution	\$ 62,205,179	\$ 59,836,793
General	22,042,239	18,826,212
Total Capital Assets	84,247,418	78,663,005
Less: Accumulated Depreciation	(36,017,540)	(33,113,187)
Construction in Progress	4,723,154	3,808,757
Net Capital Assets	\$ 52,953,032	\$ 49,358,575

The electric utility's net capital assets increased \$3,594,457 or 7.3% from 2021. Capital assets increased \$5,584,413 due to investments in new underground construction and transformation driven by new development, substation improvements, capital equipment, and the addition to the service center. These increases were offset by increases in accumulated depreciation of \$2,904,353 and increases in construction in progress of \$914,397.

**TABLE 8  
CAPITAL ASSETS – WATER UTILITY**

	2022	2021
<b>CAPITAL ASSETS</b>		
Distribution	\$ 83,903,927	\$ 77,079,402
General	1,941,394	1,910,454
Total Capital Assets	85,845,321	78,989,856
Less: Accumulated Depreciation	(26,564,937)	(24,703,988)
Construction in Progress	3,080,980	4,951,865
Net Capital Assets	\$ 62,361,364	\$ 59,237,733

During 2022, the water utility's net capital assets increased by \$3,123,634 or 5.3% from 2021. Distribution and other assets increased by \$6,855,465 due to investments in a water tank and pumping equipment and contributed watermains. In addition, construction in progress decreased \$1,870,885. These changes in the value of assets were offset by accumulated depreciation of \$1,860,946.

Please refer to the notes to the financial statements for further detail of the utilities' capital assets.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**LONG-TERM DEBT**

The electric and water utilities have no bonds outstanding as of December 31, 2022. The Shakopee Public Utilities Commission approved defeasance of the remaining bond issue outstanding consisting of \$7,590,000 Crossover Refunding Net Revenue Bonds, Series 2006 as of February 1, 2018.

If the commission were to issue bonds, they would be payable from and secured by a pledge of income and revenue to be derived from the operation of the electric and water utilities and are primarily issued for various infrastructure projects. Expansion of the water and electric utilities is dependent on (1) cash flow from operations (after expenses) for the electric utilities, (2) special water connection and trunk charges for the water utilities, and (3) the ability to access the capital markets to borrow funds. Bonds are issued only on an as needed basis and for projects described within the capital improvement program approved annually by the Commission.

Issued Bonds are limited obligations of the Shakopee Public Utilities Commission, payable solely from net revenues of the Commission. The Bonds are not general obligations of the Commission, and neither the full faith and credit nor the taxing powers of the City of Shakopee, the County.

**CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

The City of Shakopee is located approximately 25 miles southwest of downtown Minneapolis. Shakopee is the county seat of Scott County. The City was organized in 1870 and became a statutory city, Plan A, in April 1975. It is organized under a mayor/council form of government as outlined in Minnesota Statutes 412. A Mayor is elected for a four-year term and four City Council Members are elected to staggered four-year terms. The community is served by US No. 169 and Scott County Highway No. 101; US No. 169 connects Scott County with Hennepin County and the Metro Center of Minneapolis-Saint Paul.

The City Council has the obligation to appoint the members to the Shakopee Public Utilities Commission.

**CONTACTING UTILITY MANAGEMENT**

This financial report is designed to provide our customers, investors, and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact the Director of Finance and Administration, Post Office Box 470, 255 Sarazin Street, Shakopee, Minnesota 55379.

General information relating to the Shakopee Public Utilities can be found at the Utility web site: <https://www.spucweb.com>.

## **FINANCIAL STATEMENTS**

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

	2022			2021
	Electric	Water	Total	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 45,030,615	\$ 13,657,068	\$ 58,687,683	\$ 55,539,293
Emergency Repairs	100,000	-	100,000	100,000
Accrued Interest Receivable	89,019	32,048	121,067	49,977
Customer Accounts Receivable	5,168,856	422,231	5,591,087	4,626,649
Allowance for Uncollectible Amounts	(80,288)	(25,167)	(105,455)	(113,203)
Other Accounts Receivable	364,160	2,356,989	2,721,149	2,725,621
Due from City of Shakopee	637,579	65,578	703,157	108,769
Due from Other Fund	-	-	-	200,000
Inventory	1,844,103	37,229	1,881,332	1,471,972
Prepaid Expenses	171,420	18,869	190,289	76,179
Lease Receivable	-	118,983	118,983	-
Total Current Assets	<u>53,325,464</u>	<u>16,683,828</u>	<u>70,009,292</u>	<u>64,785,257</u>
<b>NONCURRENT ASSETS</b>				
Restricted Assets:				
Customer Deposit Accounts	1,636,108	95,282	1,731,390	1,698,719
Connection Account	-	16,882,468	16,882,468	15,774,600
Water Reconstruction Account	-	1,751,774	1,751,774	1,904,156
Lease Receivable	-	1,651,211	1,651,211	-
Capital Assets:				
Plant in Service	84,247,418	85,845,321	170,092,739	157,652,861
Accumulated Depreciation	(36,017,540)	(26,564,937)	(62,582,477)	(57,817,178)
Construction in Progress	4,723,154	3,080,980	7,804,134	8,760,622
Total Noncurrent Assets	<u>54,589,140</u>	<u>82,742,099</u>	<u>137,331,239</u>	<u>127,973,780</u>
Total Assets	<u>107,914,604</u>	<u>99,425,927</u>	<u>207,340,531</u>	<u>192,759,037</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Amounts	<u>1,205,443</u>	<u>536,023</u>	<u>1,741,466</u>	<u>1,972,247</u>
Total Assets and Deferred Outflows Resources	<u>\$ 109,120,047</u>	<u>\$ 99,961,950</u>	<u>\$ 209,081,997</u>	<u>\$ 194,731,284</u>

See accompanying Notes to Basic Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)**

	2022			2021
	Electric	Water	Total	Total
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 4,632,238	\$ 374,138	\$ 5,006,376	\$ 5,124,919
Due to City of Shakopee	563,284	-	563,284	272,757
Due to Other Fund	-	-	-	200,000
Other Current Liabilities	648,383	275,551	923,934	398,457
Total Current Liabilities	<u>5,843,905</u>	<u>649,689</u>	<u>6,493,594</u>	<u>5,996,133</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS</b>				
	<u>1,636,108</u>	<u>95,282</u>	<u>1,731,390</u>	<u>1,698,719</u>
<b>NONCURRENT LIABILITIES</b>				
Customer Advances	850,592	442,795	1,293,387	1,270,254
Net Pension Liability	3,662,141	1,628,441	5,290,582	2,707,464
Total Noncurrent Liabilities	<u>4,512,733</u>	<u>2,071,236</u>	<u>6,583,969</u>	<u>3,977,718</u>
Total Liabilities	<u>11,992,746</u>	<u>2,816,207</u>	<u>14,808,953</u>	<u>11,672,570</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Lease Receivable	-	1,747,681	1,747,681	-
Regulatory Collections to Cover Future Costs	189,722	-	189,722	182,161
Pension Related Amounts	146,637	65,205	211,842	2,697,572
Total Deferred Inflows of Resources	<u>336,359</u>	<u>1,812,886</u>	<u>2,149,245</u>	<u>2,879,733</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	52,953,032	62,361,364	115,314,396	108,596,305
Restricted	-	18,729,524	18,729,524	17,775,005
Unrestricted	43,837,910	14,241,969	58,079,879	53,807,671
Total Net Position	<u>96,790,942</u>	<u>95,332,857</u>	<u>192,123,799</u>	<u>180,178,981</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 109,120,047</u>	<u>\$ 99,961,950</u>	<u>\$ 209,081,997</u>	<u>\$ 194,731,284</u>

See accompanying Notes to Basic Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022		2021	
	Electric	Water	Total	Total
<b>OPERATING REVENUES</b>				
Sales	\$ 58,908,998	\$ 6,632,813	\$ 65,541,811	\$ 59,347,234
<b>OPERATING EXPENSES</b>				
Operation, Customer and Administrative	50,153,637	3,900,258	54,053,895	47,814,384
Depreciation of Capital Assets	2,950,002	1,860,949	4,810,951	4,259,986
Total Operating Expenses	<u>53,103,639</u>	<u>5,761,207</u>	<u>58,864,846</u>	<u>52,074,370</u>
<b>OPERATING INCOME</b>	5,805,359	871,606	6,676,965	7,272,864
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Rentals and Miscellaneous	987,452	209,713	1,197,165	336,470
Interdepartmental Rent from Water	90,000	-	90,000	90,000
Investment Income	(934,228)	(59,378)	(993,606)	(188,455)
Interest Expense	(2,548)	(147)	(2,695)	(4,139)
Gain (Loss) on Disposition of Property	25,000	-	25,000	31,057
Total Nonoperating Revenues (Expenses)	<u>165,676</u>	<u>150,188</u>	<u>315,864</u>	<u>264,933</u>
Income Before Contributions and Transfers	5,971,035	1,021,794	6,992,829	7,537,797
Capital Contributions	726,118	8,012,023	8,738,141	6,784,885
Free Electric Service to the City of Shakopee	138,104	-	138,104	116,313
Municipal Contributions	<u>(3,576,023)</u>	<u>(348,233)</u>	<u>(3,924,256)</u>	<u>(2,623,218)</u>
<b>CHANGE IN NET POSITION</b>	3,259,234	8,685,584	11,944,818	11,815,777
Net Position - Beginning of Year	<u>93,531,708</u>	<u>86,647,273</u>	<u>180,178,981</u>	<u>168,363,204</u>
<b>NET POSTION - END OF YEAR</b>	<u>\$ 96,790,942</u>	<u>\$ 95,332,857</u>	<u>\$ 192,123,799</u>	<u>\$ 180,178,981</u>

See accompanying Notes to Basic Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022			2021
	Electric	Water	Total	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 60,614,923	\$ 4,693,649	\$ 65,308,572	\$ 58,797,862
Payments to Employees	(3,200,796)	(1,462,872)	(4,663,668)	(5,491,512)
Payments to Suppliers	(46,030,666)	(2,858,368)	(48,889,034)	(41,661,532)
Net Cash Provided by Operating Activities	11,383,461	372,409	11,755,870	11,644,818
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments to City of Shakopee	(3,576,023)	-	(3,576,023)	(2,370,103)
Proceeds from Sale of Assets	25,000	-	25,000	31,745
Transfers Between Funds	(200,000)	200,000	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(3,751,023)	200,000	(3,551,023)	(2,338,358)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Leasing Activities	-	101,892	101,892	-
Acquisition of Capital Assets	(5,818,341)	2,175,544	(3,642,797)	(8,732,485)
Installation Fees	-	139,561	139,561	83,098
Connection Charges	-	-	-	2,517,163
Trunk Charges	-	364,102	364,102	611,883
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,818,341)	2,781,099	(3,037,242)	(5,520,341)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Investments	2,570,802	(893,701)	1,677,101	(2,057,317)
Interest and Dividends Received	(987,925)	(76,771)	(1,064,696)	(142,760)
Net Cash Provided (Used) by Investing Activities	1,582,877	(970,472)	612,405	(2,200,077)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,396,974	2,383,036	5,780,010	1,586,042
Cash and Cash Equivalents - Beginning of Year	246,083	4,326,792	4,572,875	2,986,833
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 3,643,057</u>	<u>\$ 6,709,828</u>	<u>\$ 10,352,885</u>	<u>\$ 4,572,875</u>

See accompanying Notes to Basic Financial Statements.



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022		2021	
	Electric	Water	Total	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS OPERATING ACTIVITIES</b>				
Operating Income	\$ 5,805,359	\$ 871,606	\$ 6,676,965	\$ 7,272,864
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:				
Free Electric Service to City of Shakopee	138,104	-	138,104	116,313
Nonoperating Revenues	1,074,904	85,161	1,160,065	422,331
Depreciation Expense	2,950,002	1,860,949	4,810,951	4,260,677
Pension Related Activity	236,770	91,399	328,169	(346,012)
Allowance for Uncollectible Accounts	-	(7,373)	(7,373)	(21,375)
Change in Assets and Liabilities				
Customer Accounts Receivable	(935,030)	(29,783)	(964,813)	(455,944)
Other Accounts Receivable	2,020,885	(2,016,413)	4,472	(1,538,766)
Due from City of Shakopee	(556,002)	(38,386)	(594,388)	3,905
Inventory	(403,884)	(5,476)	(409,360)	(436,027)
Prepaid Items	(114,791)	681	(114,110)	(11,236)
Accounts Payable	479,847	(598,390)	(118,543)	1,852,879
Customer Deposits	(33,638)	(967.00)	(34,605)	710,040
Unearned Revenue	7,561	-	7,561	(1,825)
Customer Advances	(10,859)	67,630.0	56,771	210,536
Due to City of Shakopee	342,836	(52,309.0)	290,527	(258,988)
Other Liabilities	381,397	144,080	525,477	(134,554)
Total Adjustments	5,578,102	(499,197)	5,078,905	4,371,954
Net Cash Provided by Operating Activities	<u>\$ 11,383,461</u>	<u>\$ 372,409</u>	<u>\$ 11,755,870</u>	<u>\$ 11,644,818</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Customer Deposits Account	\$ 1,636,108	\$ 95,282	\$ 1,731,390	\$ 1,698,719
Emergency Repairs Account	100,000	-	100,000	100,000
Connection Account	-	16,882,468	16,882,468	15,774,600
Water Reconstruction Account	-	1,751,774	1,751,774	1,904,156
Cash and Investments	45,030,615	13,657,068	58,687,683	55,539,293
Total	<u>46,766,723</u>	<u>32,386,592</u>	<u>79,153,315</u>	<u>75,016,768</u>
Less: Long-Term Investments	<u>(43,123,666)</u>	<u>(25,676,764)</u>	<u>(68,800,430)</u>	<u>(70,443,893)</u>
Total Cash and Cash Equivalents	<u>\$ 3,643,057</u>	<u>\$ 6,709,828</u>	<u>\$ 10,352,885</u>	<u>\$ 4,572,875</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Contributions of Capital Assets from the Municipality and Developers	\$ 726,118	\$ -	\$ 726,118	\$ 527,653
Free Electric Service to City of Shakopee	138,104	-	138,104	114,758

See accompanying Notes to Basic Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The electric and water utilities of the Shakopee Public Utilities Commission (the "Commission") are self-supporting entities and collectively comprise separate enterprise funds of the City of Shakopee (the "City"). The Commission provides electric and water operations to properties within the City as well as electric distribution to certain other areas outside of the City. The Commission accounts for the costs of electric and water operations on a continuing basis and is managed by the Commission. The Commission consists of five members who serve three-year terms.

Customer and service rates are established by the Commission.

**FUND FINANCIAL STATEMENTS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**DESCRIPTION OF FUNDS**

Proprietary Funds:

- Electric Fund - This fund accounts for the operations of the Commission's electric utility.
- Water Fund - This fund accounts for the operations of the Commission's water utility.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric and Water Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION OR EQUITY**

**1. DEPOSITS AND INVESTMENTS**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* authorizes the Commission to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the Commission are reported at fair value as disclosed in Note 2. The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

**2. RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending or borrowing arrangements outstanding at the end of the year are referred to as advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the Commission and other funds of the City are reported as receivables from or payables to the City. An allowance for uncollectible accounts is used to account for delinquent customer balances greater than 120 days overdue as of December 31, 2022. Bad debts are expensed annually when deemed uncollectible.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION OR EQUITY (CONTINUED)**

**3. INVENTORY, PREPAID ITEMS, AND OTHER ASSETS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventory is valued at average cost and using the first-in, first-out (FIFO) method.

Other assets include the Emergency Repairs Account, and the asset and related amortization relating to the Electric Plant Acquisition.

**4. RESTRICTED ASSETS**

Customer Deposit Account - Restricted resources from customers required to deposit monies before the Commission will begin electric or water service. These deposits are subject to repayment when the customer leaves the Commission's service area.

Connection Account - Restricted resources, per enabling legislation, to be used for future expansion of the water system.

Water Reconstruction Account - Restricted resources to be used for future water reconstruction projects.

**5. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the proprietary fund financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred (net of interest earned on invested proceeds during the construction phase) is reflected in the capitalized value of capital assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Commission are depreciated using a half year convention the first year with the straight-line method over the remaining estimated useful lives.

	<u>Years</u>
Electric	
Distribution	10 - 40
General	4 - 20
Water	
Distribution	20 - 75
General	4 - 40

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION OR EQUITY (CONTINUED)**

**6. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Commission has one item that qualifies for reporting in this category. The Commission presents deferred outflows of resources on the Statement(s) of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category. The Commission presents deferred inflows of resources on the Statement(s) of Net Position for deferred inflows of resources related to pensions and leases receivable.

**7. Leases**

During the year ended December 31, 2022, the Commission adopted Governmental Accounting Standards Board Statement No. 87 – Leases. For lease payables, the Commission determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the Commission's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Commission will exercise that option.

The Commission has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Commission has elected to use their incremental borrowing rate to calculate the present value of expected lease payments. The Commission did not restate the summarized comparative column for the year ended December 31, 2021, as it was determined to not be practicable.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION OR EQUITY (CONTINUED)**

**8. ELECTRIC PLANT ACQUISITION**

The Commission acquired a plant from Minnesota Valley Electric Cooperative, including legal, engineering, and plant costs, which was amortized over 25 years using the straight-line method and is shown net of the accumulated amortization and depreciation on the Statement of Net Position. The electric plant became fully amortized in 2015.

**9. CUSTOMER ADVANCES FOR CONSTRUCTION**

This account represents customer advances for construction which may be refundable in part or in whole.

**10. CUSTOMER DEPOSITS**

This account represents required deposits to be used to guaranty electric and water utility billings.

**11. COMPENSATED ABSENCES**

Commission employees earn vacation time based on years of Commission service. Employees also can earn compensatory time for hours worked above 80 hours per pay period. A liability has been recorded in the Statement of Net Position for accrued vacation and compensatory pay. Employees also earn sick leave which is paid out at separation to the employee's HCSP based on years of Commission service..

**12. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**13. LONG-TERM OBLIGATIONS**

Long-term debt and other obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

**14. CAPITAL CONTRIBUTIONS**

Cash and capital assets are contributed to the Commission from customers, the municipality, or external parties. The value of property contributed to the utility is reported as revenues on the statement of revenues, expenses, and changes in fund net position.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION OR EQUITY (CONTINUED)**

**15. MUNICIPAL CONTRIBUTIONS**

Municipal contributions include the contribution in lieu of taxes to the municipality and free service to the municipality for streetlights.

**16. NET POSITION**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net Position is reported as restricted in the financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**17. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**18. COMPARATIVE DATA**

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2021, from which the summarized information was derived. Certain comparative information has been reclassified to conform to the current year presentation.

**NOTE 2 CASH AND INVESTMENTS**

Cash balances of the Commission's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

In accordance with applicable *Minnesota Statutes*, the Commission maintains deposits at depository banks authorized by the Commission Board.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**A. Deposits**

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission has a deposit policy that requires the Commission's deposits to be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC, SAIF, BIF, FICU, or other federal deposit coverage. As of December 31, 2022, the Commission's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the Commission's name.

The Commission's deposits had a book balance as follows:

	2022
Checking	\$ 10,351,284
CDARS	5,651,499
Money Market	241,195
Total Deposits	\$ 16,243,978

**B. Investments**

As of December 31, 2022, the Commission had the following investments:

			Years to Maturity			
			Less than 1 Year	1-5 Years	Over 5 Years	No Maturity
U.S. Agencies	AAA	\$ 8,376,951	\$ 3,235,386	\$ 4,696,993	\$ 444,572	\$ -
U.S. Treasuries	N/A	36,059,472	12,211,275	23,848,197	-	-
Commercial Paper	N/A	4,327,076	4,327,076	-	-	-
4M Fund	NR	1,374,049	-	-	-	1,374,049
4M Plus Fund	NR	8,127,729	-	-	-	8,127,729
Municipal Bonds	AA	797,155	-	797,155	-	-
Money Market	NR	3,845,305	-	-	-	3,845,305
Total		\$ 62,907,737	\$ 19,773,737	\$ 29,342,345	\$ 444,572	\$ 13,347,083

The Commission has the following recurring fair value measurements as of December 31, 2022:

	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. Agencies	\$ 8,376,951	\$ -	\$ 8,376,951	\$ -
U.S. Treasuries	36,059,472	36,059,472	-	-
Commercial Paper	4,327,076	-	4,327,076	-
Municipal Bonds	797,155	-	797,155	-
Total	49,560,654	\$ 36,059,472	\$ 13,501,182	\$ -
Investments Measured at Amortized Cost	13,347,083			
Total Investments	\$ 62,907,737			



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

The Commission has a formal investment policy in place as of December 31, 2022, to address the following risks:

*Credit Risk* - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The Commission's policy states to ensure safety, it is the policy of the Shakopee Public Utilities Commission that when considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined below. Furthermore, the Shakopee Public Utilities Commission will approve all financial institutions, brokers, and advisers with which the Shakopee Public Utilities Commission will do business.

*Concentration of Credit Risk – Investments* - This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota, and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation).

As of December 31, 2022, the Commission was not exposed to concentration of credit risk. U.S. Treasuries and investments in external investment pools and money markets are excluded from this requirement.

*Interest Rate Risk* - This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The Commission's policy states it will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

*Custodial Credit Risk- Investments* - This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation).

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Deposits and Investments**

Summary of cash, deposits, and investments as of December 31, 2022:

Deposit (Note 2.A)	\$ 16,243,978
Investments (Note 2.B.)	62,907,737
Petty Cash	<u>1,600</u>
Total Deposits	<u>\$ 79,153,315</u>

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Current Assets	
Cash and Investments	\$ 58,687,683
Noncurrent Assets	
Restricted Assets	
Customer Deposit Account	1,731,390
Connection Account	16,882,468
Water Reconstruction Account	1,751,774
Other Assets	
Emergency Repairs Account	100,000
Total	<u>\$ 79,153,315</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CAPITAL ASSETS**

Electric capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land and Land Rights	\$ 4,381,196	\$ -	\$ -	\$ 4,381,196
Construction in Progress	3,808,757	3,934,952	(3,020,555)	4,723,154
Total Capital Assets Not Being Depreciated	8,189,953	3,934,952	(3,020,555)	9,104,350
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Distribution	59,006,926	2,368,385	-	61,375,311
General	15,274,883	3,261,677	(45,649)	18,490,911
Total Capital Assets Being Depreciated	74,281,809	5,630,062	(45,649)	79,866,222
Less: Accumulated Depreciation	(33,113,187)	(2,950,002)	45,649	(36,017,540)
Total Capital Assets Being Depreciated, Net	41,168,622	2,680,060	-	43,848,682
Capital Assets, Net	<u>\$ 49,358,575</u>	<u>\$ 6,615,012</u>	<u>\$ (3,020,555)</u>	<u>\$ 52,953,032</u>

Water capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land and Land Rights	\$ 1,948,506	\$ -	\$ -	\$ 1,948,506
Construction in Progress	4,951,865	2,413,464	(4,284,349)	3,080,980
Total Capital Assets Not Being Depreciated	6,900,371	2,413,464	(4,284,349)	5,029,486
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Distribution	75,130,896	6,824,525	-	81,955,421
General	1,910,454	30,940	-	1,941,394
Total Capital Assets Being Depreciated	77,041,350	6,855,465	-	83,896,815
Less: Accumulated Depreciation	(24,703,988)	(1,860,949)	-	(26,564,937)
Total Capital Assets Being Depreciated, Net	52,337,362	4,994,516	-	57,331,878
Capital Assets, Net	<u>\$ 59,237,733</u>	<u>\$ 7,407,980</u>	<u>\$ (4,284,349)</u>	<u>\$ 62,361,364</u>

Depreciation expense for 2022 for Electric and Water totaled \$2,950,002 and \$1,860,946, respectively.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS**

Amounts receivable from and payable to the City of Shakopee as of December 31, 2022, are as follows:

<u>Receivable Fund/Municipality</u>	<u>Payable Fund/Municipality</u>	<u>Amount</u>
Electric Fund	City of Shakopee	\$ 637,579
City of Shakopee	Electric Fund	563,284
Water Fund	City of Shakopee	65,578
City of Shakopee	Water Fund	-

The receivables and payables generally represent billing expenses, general operating expenses, and capital projects.

The composition of municipal contributions as of December 31, 2022, was as follows:

<u>Contributions To</u>	<u>Contributions From</u>	<u>Amount</u>
City of Shakopee	Electric Fund	\$ 3,576,023
City of Shakopee	Water Fund	348,233
Total		<u>\$ 3,924,256</u>

Contributions were made from the Water and Electric Funds to the City for contributions in lieu of taxes and for free service to the City.

**NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE**

**A. Plan Description**

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**1. General Employees Retirement Fund**

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)**

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

**1. General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2022, were \$401,135. The Commission's contributions were equal to the required contributions as set by state statute.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)**

D. Pension Costs

**1. General Employees Fund Pension Costs**

At December 31, 2022, the Commission reported a liability of \$5,290,582 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$155,198.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportion was .0668% at the end of the measurement period and .0634% for the beginning of the period.

Commission's Proportionate Share of the Net Pension Liability	\$	5,290,582
State of Minnesota's Proportionate Chare of the Net Pension Liability Associated with the Commission		155,198
Total	\$	5,445,780

For the year ended December 31, 2022, the Commission recognized pension expense of \$729,766 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2022, the Commission reported its proportionate share of the General Employees Plans' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 44,191	\$ 56,516
Changes in Actuarial Assumptions	1,197,355	21,518
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	91,770	-
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	203,900	133,808
Commission Contributions Subsequent to the Measurement Date	204,250	-
Total	\$ 1,741,466	\$ 211,842

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)**

D. Pension Costs (Continued)

\$204,250 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 504,875
2023	463,380
2024	(121,337)
2025	478,456

E. Long-Term Expected Return on Investments

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	<u>100.0 %</u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)**

F. Actuarial Assumptions (Continued)

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan through December 31, 2054 and 1.5 percent thereafter.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)**

H. Pension Liability Sensitivity

The following presents the Commission's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Fund Discount Rate	5.50 %	6.50 %	7.50 %
Commission's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 8,356,751	\$ 5,290,582	\$ 2,775,850

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 6 LEASES**

The Commission, acting as lessor, leases water tower space for cellular services under long-term, non-cancelable lease agreements. The leases expire at various dates through 2038. During the year ended December 31, 2022, the Commission recognized \$146,918 and \$26,879 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments of either 3 percent or 4 percent.

The future minimum lease payments to be received under lease agreements are as follows:

Year Ending	Principal	Interest
2023	\$ 118,983	\$ 26,078
2024	125,704	24,478
2025	132,701	22,787
2026	139,984	21,002
2027	147,564	19,118
2028-2032	545,400	68,844
2033-2037	454,519	31,043
2038-2039	105,339	2,599
Total Minimum Lease Payments	<u>\$ 1,770,194</u>	<u>\$ 215,949</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The Commission's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2022 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2021, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 8 COMMITMENTS**

The Commission has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2022, outstanding commitments for these multi-year projects total approximately \$3,365,217.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
GENERAL EMPLOYEES FUND SCHEDULE OF THE COMMISSION'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED DECEMBER 31, 2022**

	Measurement Date June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Commission's Proportion of the Net Pension Liability	0.0668 %	0.0634 %	0.0678 %	0.0639 %	0.0645 %	0.0644 %	0.0621 %	0.0608 %
Commission's Proportionate Share of the Net Pension Liability	\$ 5,290,582	\$ 2,707,464	\$ 4,064,920	\$ 3,532,888	\$ 3,578,196	\$ 4,111,253	\$ 5,042,212	\$ 3,150,972
State's Proportionate Share of the Net Pension Liability Associated with the Commission	155,198	82,761	125,364	109,829	117,344	51,656	65,842	-
Total	<u>\$ 5,445,780</u>	<u>\$ 2,790,225</u>	<u>\$ 4,190,284</u>	<u>\$ 3,642,717</u>	<u>\$ 3,695,540</u>	<u>\$ 4,162,909</u>	<u>\$ 5,108,054</u>	<u>\$ 3,150,972</u>
Commission's Covered Payroll	\$ 5,009,118	\$ 4,553,229	\$ 3,516,627	\$ 3,854,427	\$ 4,145,653	\$ 4,333,280	\$ 3,854,427	\$ 3,516,627
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	105.62 %	59.46 %	115.59 %	91.66 %	86.31 %	94.88 %	130.82 %	89.60 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67 %	87.00 %	79.06 %	80.23 %	79.53 %	75.90 %	68.91 %	78.19 %

The Amounts Presented for Each Fiscal Year were determined as of 6/30.  
Ten years of data is not yet available, but years will be added going forward until ten years are present.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
GENERAL EMPLOYEES FUND SCHEDULE OF COMMISSION CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2022**

	Fiscal Year Ended December 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 401,135	\$ 359,999	\$ 360,080	\$ 350,018	\$ 339,188	\$ 315,791	\$ 299,473	\$ 277,221
Contributions in Relation to the Statutorily Required Contribution	(401,135)	(359,999)	(360,080)	(350,018)	(339,188)	(315,791)	(299,473)	(277,221)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's Covered Payroll	\$ 5,348,467	\$ 4,799,987	\$ 4,801,067	\$ 4,666,907	\$ 4,522,507	\$ 4,210,547	\$ 3,992,973	\$ 3,696,280
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

Ten years of data is not yet available, but years will be added going forward until ten years is present.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2022**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

**General Employees Fund**

**2022 Changes**

**Changes in Actuarial Assumptions**

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021

**Changes in Plan Provisions**

- There were no changes in plan provisions since the previous valuation.

**2021 Changes:**

**Changes in Actuarial Assumptions:**

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**Changes in Plan Provisions:**

- There were no changes in plan provisions since the previous valuation.

**2020 Changes:**

**Changes in Actuarial Assumptions:**

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2022**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS  
(CONTINUED)**

**General Employees Fund (Continued)**

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2022**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS  
(CONTINUED)**

**General Employees Fund (Continued)**

2017 Changes:

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.

2017 Changes (Continued):

Changes in Actuarial Assumptions (Continued):

- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2022**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS  
(CONTINUED)**

**General Employees Fund (Continued)**

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**SUPPLEMENTARY INFORMATION  
ELECTRIC UTILITY FUND**

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
STATEMENT OF NET POSITION – ELECTRIC UTILITY  
DECEMBER 31, 2022**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 45,030,615	\$ 44,204,443
Emergency Repairs	100,000	100,000
Accrued Interest Receivable	89,019	35,322
Customer Accounts Receivable	5,168,856	4,234,201
Allowance for Uncollectible Amounts	(80,288)	(80,663)
Other Accounts Receivable	364,160	2,385,045
Due from City of Shakopee	637,579	81,577
Inventory	1,844,103	1,440,219
Prepaid Expenses	171,420	56,629
Total Current Assets	<u>53,325,464</u>	<u>52,456,773</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets:		
Customer Deposit Accounts	1,636,108	1,602,470
Capital Assets:		
Plant in Service	84,247,418	78,663,005
Accumulated Depreciation	(36,017,540)	(33,113,187)
Construction in Progress	4,723,154	3,808,757
Total Noncurrent Assets	<u>54,589,140</u>	<u>50,961,045</u>
Total Assets	<u>107,914,604</u>	<u>103,417,818</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	<u>1,205,443</u>	<u>1,359,667</u>
Total Assets and Deferred Outflows Resources	<u>\$ 109,120,047</u>	<u>\$ 104,777,485</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF NET POSITION – ELECTRIC UTILITY (CONTINUED)**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,632,238	\$ 4,152,391
Due to City of Shakopee	563,284	220,448
Due to Other Fund	-	200,000
Other Current Liabilities	648,383	266,986
Total Current Liabilities	5,843,905	4,839,825
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS</b>		
	1,636,108	1,602,470
<b>NONCURRENT LIABILITIES</b>		
Customer Advances	850,592	895,089
Net Pension Liability	3,662,141	1,866,526
Total Noncurrent Liabilities	4,512,733	2,761,615
Total Liabilities	11,992,746	9,203,910
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Regulatory Collections to Cover Future Costs	189,722	182,161
Pension Related Amounts	146,637	1,859,706
Total Deferred Inflows of Resources	336,359	2,041,867
<b>NET POSITION</b>		
Net Investment in Capital Assets	52,953,032	49,358,575
Unrestricted	43,837,910	44,173,133
Total Net Position	96,790,942	93,531,708
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 109,120,047	\$ 104,777,485

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION – ELECTRIC UTILITY  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Sales	\$ 58,908,998	\$ 52,736,699
<b>OPERATING EXPENSES</b>		
Operation, Customer and Administrative	50,153,637	44,127,945
Depreciation of Capital Assets	<u>2,950,002</u>	<u>2,482,092</u>
Total Operating Expenses	<u>53,103,639</u>	<u>46,610,037</u>
<b>OPERATING INCOME</b>	5,805,359	6,126,662
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Rentals and Miscellaneous	987,452	171,815
Interdepartmental Rent from Water	90,000	90,000
Investment Income	(934,228)	(168,812)
Interest Expense	(2,548)	(3,954)
Gain (Loss) on Disposition of Property	<u>25,000</u>	<u>31,057</u>
Total Nonoperating Revenues (Expenses)	<u>165,676</u>	<u>120,106</u>
Income Before Contributions and Transfers	5,971,035	6,246,768
Capital Contributions	726,118	98,931
Free Electric Service to the City of Shakopp	138,104	116,313
Municipal Contributions	<u>(3,576,023)</u>	<u>(2,370,103)</u>
<b>CHANGE IN NET POSITION</b>	3,259,234	4,091,909
Net Position - Beginning of Year	<u>93,531,708</u>	<u>89,439,799</u>
<b>NET POSTION - END OF YEAR</b>	<u>\$ 96,790,942</u>	<u>\$ 93,531,708</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
STATEMENT OF CASH FLOWS – ELECTRIC UTILITY  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 60,614,923	\$ 50,943,298
Payments to Suppliers	(3,200,796)	(4,039,994)
Payments to Employees	(46,030,666)	(40,045,951)
Net Cash Flows Provided by Operating Activities	<u>11,383,461</u>	<u>6,857,353</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payments to City of Shakopee	(3,576,023)	(2,370,103)
Proceeds from Sale of Assets	25,000	31,745
Transfers Between Funds	(200,000)	200,000
Net Cash Flows Provided by Noncapital Financing Activities	<u>(3,751,023)</u>	<u>(2,138,358)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(5,818,341)	(4,705,017)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(5,818,341)</u>	<u>(4,705,017)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	2,570,802	(1,323,544)
Interest and Dividends Received	(987,925)	(127,693)
Net Cash Provided by Investing Activities	<u>1,582,877</u>	<u>(1,451,237)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,396,974	(1,437,259)
Cash and Cash Equivalents - Beginning of Year	<u>246,083</u>	<u>1,683,342</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 3,643,057</u>	<u>\$ 246,083</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF CASH FLOWS – ELECTRIC UTILITY (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS</b>		
<b>OPERATING ACTIVITIES</b>		
Operating Income	\$ 5,805,359	\$ 6,126,662
Adjustments to Reconcile Operating Income to Cash		
Provided by Operating Activities:		
Free Electric Service to City of Shakopee	138,104	116,313
Nonoperating Revenues	1,074,904	257,861
Depreciation Expense	2,950,002	2,482,782
Pension Related Activity	236,770	(484,600)
Allowance for Uncollectible Accounts	-	-
Change in Assets and Liabilities:		
Customer Accounts Receivable	(935,030)	(451,453)
Other Accounts Receivable	2,020,885	(2,326,901)
Due from City of Shakopee	(556,002)	3,369
Inventory	(403,884)	(437,922)
Prepaid Items	(114,791)	(8,230)
Accounts Payable	479,847	1,356,293
Customer Deposits	(33,638)	715,453
Unearned Revenue	7,561	(1,825)
Customer Advances	(10,859)	(106,218)
Due to City of Shakopee	342,836	(283,571)
Other Liabilities	381,397	(100,660)
Total Adjustments	5,578,102	730,691
Net Cash Provided by Operating Activities	\$ 11,383,461	\$ 6,857,353
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Customer Deposits Account	\$ 1,636,108	\$ 1,602,470
Emergency Repairs Account	100,000	100,000
Cash and Investments	45,030,615	44,204,443
Total	46,766,723	45,906,913
Less: Investments	(43,123,666)	(45,660,830)
Total Cash and Cash Equivalents	\$ 3,643,057	\$ 246,083
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Contributions of Capital Assets from the Municipality and Developers	\$ 726,118	\$ 527,653
Free Electric Service to City of Shakopee	138,104	114,758

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES – ELECTRIC UTILITY**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>OPERATING REVENUES</b>		
Sales of Electricity:		
Residential	\$ 21,548,095	\$ 19,996,991
Commercial	36,255,304	31,752,298
Uncollectible Accounts	(71,335)	81,089
Total Sales of Electricity	57,732,064	51,830,378
Forfeited Discounts	314,715	134,686
Free Service to City of Shakopee	138,104	116,313
Conservation Program	862,219	771,635
Total Operating Revenues	59,047,102	52,853,012
<b>OPERATING EXPENSES</b>		
Operation and Maintenance:		
Purchased Power	42,864,366	37,965,029
Distribution Operation Expenses	537,637	437,040
Distriution System Maintenance	809,858	779,450
Maintenance of General Plant	392,233	261,657
Total Operation and Maintenance	44,604,094	39,443,176
Customer Accounts:		
Meter Reading	139,090	133,206
Customer Records and Collection	823,914	635,858
Energy Conservation	872,705	771,634
Total Customer Accounts	1,835,709	1,540,698
Administrative and General:		
Administrative and General Salaries	710,282	571,493
Office Supplies and Expense	78,240	152,169
Outside Services Employed	237,010	621,638
Insurance	141,787	141,380
Employee Benefits	2,501,204	1,351,876
Miscellaneous General	45,311	305,515
Total Administrative and General	3,713,834	3,144,071
Total Operation, Customer, and Administrative Expenses	50,153,637	44,127,945
Depreciation of Capital Assets	2,950,002	2,482,092
Total Operating Expenses	53,103,639	46,610,037
Total Operating Income	\$ 5,943,463	\$ 6,242,975



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
SCHEDULE OF PLANT IN SERVICE – ELECTRIC UTILITY  
YEAR ENDED DECEMBER 31, 2022**

	Balance 12/31/2021	Additions	Retirements/ Adjustments	Balance 12/31/2022
<b>CAPITAL ASSETS</b>				
Distribution:				
Land and Land Rights	\$ 829,867	\$ -	\$ -	\$ 829,867
Structures and Improvements	460,701	-	-	460,701
Station Equipment	23,037,208	-	-	23,037,208
Station Battery	1,857	-	-	1,857
Poles, Towers, and Fixtures	527,824	-	-	527,824
Overhead Conductors and Devices	3,060,968	-	-	3,060,968
Underground Conduit	906,281	-	-	906,281
Underground Conductors and Devices	22,873,425	1,833,708	-	24,707,133
Line Transformers	6,435,737	254,323	-	6,690,060
Services	50,643	-	-	50,643
Meters	1,652,282	280,353	-	1,932,635
Total Distribution	<u>59,836,793</u>	<u>2,368,384</u>	<u>-</u>	<u>62,205,177</u>
General:				
Land and Land Rights	3,551,329	-	-	3,551,329
Structures and Improvements	9,454,994	2,327,889	-	11,782,883
Office Furniture and Equipment	1,216,524	10,023	-	1,226,547
Computer Equipment	985,093	176,181	-	1,161,274
Transporation Equipment	2,462,910	268,059	-	2,730,969
Tools, Shop, and Garage Equipment	199,148	2,319	-	201,467
Laboratory Equipment	20,041	17,619	-	37,660
Power Operated Equipment	579,052	459,588	45,649	992,991
Communication Equipment	357,121	-	-	357,121
Total General	<u>18,826,212</u>	<u>3,261,678</u>	<u>45,649</u>	<u>22,042,241</u>
 Total Plant in Service	 <u>\$ 78,663,005</u>	 <u>\$ 5,630,062</u>	 <u>\$ 45,649</u>	 <u>\$ 84,247,418</u>

**SUPPLEMENTARY INFORMATION  
WATER UTILITY FUND**

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF NET POSITION – WATER UTILITY**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

<b>ASSETS</b>	2022	2021
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 13,657,068	\$ 11,334,850
Accrued Interest Receivable	32,048	14,655
Customer Accounts Receivable	422,231	392,448
Allowance for Uncollectible Amounts	(25,167)	(32,540)
Other Accounts Receivable	2,356,989	340,576
Due from City of Shakopee	65,578	27,192
Due From Electric Fund	-	200,000
Inventory	37,229	31,753
Prepaid Expenses	18,869	19,550
Lease Receivable	118,983	-
Total Current Assets	16,683,828	12,328,484
<b>NONCURRENT ASSETS</b>		
Restricted Assets:		
Customer Deposit Accounts	95,282	96,249
Connection Account	16,882,468	15,774,600
Water Reconstruction Account	1,751,774	1,904,156
Lease Receivable	1,651,211	-
Capital Assets:		
Plant in Service	85,845,321	78,989,856
Accumulated Depreciation	(26,564,937)	(24,703,991)
Construction in Progress	3,080,980	4,951,865
Total Noncurrent Assets	82,742,099	77,012,735
Total Assets	99,425,927	89,341,219
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	536,023	612,580
Total Assets and Deferred Outflows Resources	\$ 99,961,950	\$ 89,953,799

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF NET POSITION – WATER UTILITY (CONTINUED)**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	374,138	\$ 972,528
Due to City of Shakopee	-	52,309
Other Current Liabilities	275,551	131,471
Total Current Liabilities	<u>649,689</u>	<u>1,156,308</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS</b>	<u>95,282</u>	<u>96,249</u>
<b>NONCURRENT LIABILITIES</b>		
Customer Advances	442,795	375,165
Net Pension Liability	1,628,441	840,938
Total Noncurrent Liabilities	<u>2,071,236</u>	<u>1,216,103</u>
Total Liabilities	<u>2,816,207</u>	<u>2,468,660</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Lease Receivable	1,747,681	-
Pension Related Amounts	65,205	837,866
Total Deferred Inflows of Resources	<u>1,812,886</u>	<u>837,866</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	62,361,364	59,237,730
Restricted	18,729,524	17,775,005
Unrestricted	14,241,969	9,634,538
Total Net Position	<u>95,332,857</u>	<u>86,647,273</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 99,961,950</u>	<u>\$ 89,953,799</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION – WATER UTILITY**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>	\$ 6,632,813	\$ 6,610,535
<b>OPERATING EXPENSES</b>		
Operation, Customer and Administrative	3,900,258	3,686,439
Depreciation of Capital Assets	1,860,949	1,777,894
Total Operating Expenses	<u>5,761,207</u>	<u>5,464,333</u>
<b>OPERATING INCOME</b>	871,606	1,146,202
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Rentals and Miscellaneous	209,713	164,655
Investment Income	(59,378)	(19,643)
Interest Expense	(147)	(185)
Total Nonoperating Revenues (Expenses)	<u>150,188</u>	<u>144,827</u>
Income Before Contributions and Transfers	1,021,794	1,291,029
Capital Contributions	8,012,023	6,685,954
Municipal Contributions	<u>(348,233)</u>	<u>(253,115)</u>
<b>CHANGE IN NET POSITION</b>	8,685,584	7,723,868
Net Position - Beginning of Year	<u>86,647,273</u>	<u>78,923,405</u>
<b>NET POSTION - END OF YEAR</b>	<u>\$ 95,332,857</u>	<u>\$ 86,647,273</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION  
STATEMENT OF CASH FLOWS – WATER UTILITY  
YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 4,693,649	\$ 7,854,564
Payments to Suppliers	(1,462,872)	(1,451,518)
Payments to Employees	(2,858,368)	(1,615,581)
Net Cash Flows Provided by Operating Activities	372,409	4,787,465
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers Between Funds	200,000	(200,000)
Net Cash Flows Provided by Noncapital Financing Activities	200,000	(200,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Leasing Activities	101,892	-
Acquisition of Capital Assets	2,175,544	(4,027,468)
Installation Fees	139,561	83,098
Connection Charges	-	2,517,163
Trunk Charges	364,102	611,883
Net Cash Flows Used by Capital and Related Financing Activities	2,781,099	(815,324)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(893,701)	(733,773)
Interest and Dividends Received	(76,771)	(15,067)
Net Cash Provided by Investing Activities	(970,472)	(748,840)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,383,036	3,023,301
Cash and Cash Equivalents - Beginning of Year	4,326,792	1,303,491
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,709,828	\$ 4,326,792

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**STATEMENT OF CASH FLOWS – WATER UTILITY (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS</b>		
<b>OPERATING ACTIVITIES</b>		
Operating Income	\$ 871,606	\$ 1,146,202
Adjustments to Reconcile Operating Income to Cash Provided by Operating		
Nonoperating Revenues	85,161	164,470
Depreciation Expense	1,860,949	1,777,895
Pension Related Activity	91,399	138,588
Allowance for Uncollectible Accounts	(7,373)	(21,375)
Change in Assets and Liabilities		
Customer Accounts Receivable	(29,783)	(4,491)
Other Accounts Receivable	(2,016,413)	788,135
Due from City of Shakopee	(38,386)	536
Inventory	(5,476)	1,895
Prepaid Items	681	(3,006)
Accounts Payable	(598,390)	496,586
Customer Deposits	(967)	(5,413)
Customer Advances	67,630	316,754
Due to City of Shakopee	(52,309)	24,583
Other Liabilities	144,080	(33,894)
Total Adjustments	(499,197)	3,641,263
Net Cash Provided by Operating Activities	\$ 372,409	\$ 4,787,465
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE</b>		
<b>STATEMENT OF NET POSITION</b>		
Customer Deposits Account	\$ 95,282	\$ 96,249
Connection Account	16,882,468	15,774,600
Water Reconstruction Account	1,751,774	1,904,156
Cash and Investments	13,657,068	11,334,850
Total	32,386,592	29,109,855
Less Investments	(25,676,764)	(24,783,063)
Total Cash and Cash Equivalents	\$ 6,709,828	\$ 4,326,792

**SHAKOPEE PUBLIC UTILITIES COMMISSION**  
**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES – WATER UTILITY**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Sales of Water	\$ 6,605,809	\$ 6,592,104
Forfeited Discounts	23,504	12,682
Uncollectible Accounts	3,500	5,749
Total Operating Revenues	<u>6,632,813</u>	<u>6,610,535</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance:		
Pumping and Distribution Operation	664,876	608,725
Pumping and Distribution Maintenance	482,629	578,202
Power for Pumping	342,270	328,995
Maintenance of General Plant	80,606	47,251
Total Operating and Maintenance	<u>1,570,381</u>	<u>1,563,173</u>
Customer Accounts:		
Meter Reading	74,913	73,395
Customer Records and Collection	255,640	196,524
Energy Conservation	3,391	4,155
Total Customer Accounts	<u>333,944</u>	<u>274,074</u>
Administrative and General:		
Administrative and General Salaries	433,018	379,982
Office Supplies and Expense	75,445	45,631
Outside Services Employed	136,037	320,973
Insurance	47,262	47,127
Employee Benefits	1,059,653	874,443
Miscellaneous General	244,518	181,036
Total Administrative and General	<u>1,995,933</u>	<u>1,849,192</u>
Total Operation, Customer, and Administrative Expenses	3,900,258	3,686,439
Depreciation of Capital Assets	1,860,949	1,777,894
Total Operating Expenses	<u>5,761,207</u>	<u>5,464,333</u>
Total Operating Income	<u>\$ 871,606</u>	<u>\$ 1,146,202</u>



**SHAKOPEE PUBLIC UTILITIES COMMISSION  
SCHEDULE OF PLANT IN SERVICE – WATER UTILITY  
YEAR ENDED DECEMBER 31, 2022**

	Balance 12/31/2021	Additions	Retirements/ Adjustments	Balance 12/31/2022
<b>CAPITAL ASSETS</b>				
Distribution:				
Land and Land Rights	\$ 1,948,506	\$ -	\$ -	\$ 1,948,506
Wells	4,575,255	76,801	-	4,652,056
Electric Pumping Equipment	8,668,303	198,603	-	8,866,906
Towers and Pump Houses	7,673,242	4,380,871	-	12,054,113
Distribution system	51,090,764	1,959,896	-	53,050,660
Meters	3,123,332	208,354	-	3,331,686
Total Distribution	<u>77,079,402</u>	<u>6,824,525</u>	-	<u>83,903,927</u>
General:				
Office Furniture and Equipment	151,177	3,341	-	154,518
Computer Equipment	227,940	16,449	-	244,389
Transporation Equipment	459,278	-	-	459,278
Tools, Shop, and Garage Equipment	22,396	-	-	22,396
Laboratory Equipment	64,427	-	-	64,427
Power Operated Equipment	10,268	-	-	10,268
Communication Equipment	22,480	-	-	22,480
Scada Equipment	601,157	11,150	-	612,307
Building Improvements	351,331	-	-	351,331
Total General	<u>1,910,454</u>	<u>30,940</u>	-	<u>1,941,394</u>
 Total Plant in Service	 <u>\$ 78,989,856</u>	 <u>\$ 6,855,465</u>	 <u>\$ -</u>	 <u>\$ 85,845,321</u>



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Board of Commissioners and Management  
Shakopee Public Utilities Commission

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shakopee Public Utilities Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 17, 2023



in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 17, 2023.

**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

\* \* \*

This communication is intended solely for the information and use of the [Identify the body or individual(s) charged with governance] and management of Shakopee Public Utilities Commission and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 17, 2023



CliftonLarsonAllen LLP  
CLAconnect.com

Management  
Shakopee Public Utilities Commission  
Shakopee, Minnesota

In planning and performing our audit of the financial statements of Shakopee Public Utilities Commission as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of an opportunity to strengthen your internal control and improve the efficiency of your operations related to newly adopted governmental accounting standards. Our comment and suggestion regarding this matter is summarized below. This letter does not affect our report on the financial statements dated May 17, 2023, nor our internal control communication dated May 17, 2023.

As the Commission works towards implementing new Governmental Accounting Standards Board Statements No. 87 and 96, we recommend Management continue to utilize the resources available to them and build on existing processes. Governmental accounting standards continue to be complex and management should continue to build on existing relationships with consultants to assist in these complex matters and supplement new controls that have been implemented to assist in identifying transactions that may apply to GASB Statement Nos. 87 and 96.

We have discussed this comment and suggestion with various Commission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 17, 2023



Board of Commissioners  
Shakopee Public Utilities Commission  
Shakopee, Minnesota

We have audited the financial statements of each major fund of the Shakopee Public Utilities Commission (the Commission) as of and for the year ended December 31, 2022, and have issued our report thereon dated May 17, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement agreement dated December 28, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Shakopee Public Utilities Commission are described in Note 1 to the financial

As described in Note 1, the entity changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, Leases, in 2022. Accordingly, there is no cumulative effect of the accounting change as of the beginning of the year.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

- Management's estimate of the depreciation expense is based on the estimated of useful lives of the underlying Commission plant assets.
- The collectability of accounts receivable is based on historical experience and management's knowledge of current trends.
- Management's estimate of the liability for compensated absences is based on amounts earned by employees and past data.
- Management's estimate of the Commission's proportionate share of PERA's net pension liability and related deferred inflows and outflows is based on guidance from GASB Statement No. 68, and the plan's allocation table. The plan's allocation table allocates a portion of the plan's net



pension liability based on the Commission's contributions during the plan's fiscal year as a percentage of total contributions received for the related fiscal year by the plan.

**Financial statement disclosures**

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Significant unusual transactions***

We identified no significant unusual transactions.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes the uncorrected misstatement of the financial statements:

- In the electric fund fixed assets were understated by \$603,004 due to prior contributed capital amounts being recorded a value other than cost. As this is immaterial to the electric fund, this will be correct through current year activity for fiscal year 2022 so that ending fixed assets and net position is accurate at December 31, 2022.

***Corrected misstatements***

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Circumstances that affect the form and content of the auditors' report***

As previously communicated to you, the report was modified to include an emphasis of a matter paragraph related to the Commission's implementation of Governmental Accounting Standards Board Statement No. 87 – Leases.

As discussed in Note 1 to the financial statements, effective January 1, 2022, the Commission adopted new accounting guidance for leases. The guidance requires lessors to recognize a lease receivable and corresponding deferred inflow of resources and lessees to recognize a right-to-use

lease asset and corresponding lease liability for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated May 17, 2023.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other audit findings or issues***

During the audit we identified the following risk that has not previously been communicated to you since our engagement agreement dated December 28, 2022:

- o Risk related to the implementation of Governmental Accounting Standards Board Statement No. 87 – Leases.

***Required supplementary information***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

***Supplementary information in relation to the financial statements as a whole***

With respect to the individual fund statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and

complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 17, 2023.

**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

\* \* \*

This communication is intended solely for the information and use of the [Identify the body or individual(s) charged with governance] and management of Shakopee Public Utilities Commission and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 17, 2023



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

DATE: May 31, 2023  
 TO: SPU Commissioners  
 FROM: Greg Drent, General Manager *GD*  
 SUBJECT: UPDATED Goals 2023

### 2023 Goals

1. Develop and Implement AMI Deployment Plan – (AMI Project Kick-Off)
  - A. Executed Contract (Jan/Feb)
  - B. Establish AMI Project Team – Roles and Responsibilities – Kick-Off Meeting (Jan/Feb)
  - C. Purchase Orders –
    - Meter Specifications Defined (Q1)
    - First Article Ordering/Testing (Q1-Q2)
    - SAT Pilot Ordering/Testing (Q2)
  - D. Work Planning, Integration (NISC) and Design Work (Q1-Q3)
  - E. SAT Pilot Installation (Q3)
  - F. Conduct SAT (Q3-Q4)
  - G. Preparation for Full System Ordering (Dec 2023)
  
2. Complete RP3 Award Application – American Public Power (APPA)

The **RP3 application** covers four disciplines — reliability, safety, workforce development, and system improvement. An award to the utility demonstrates the utility's dedication to operating an efficient, safe, and reliable distribution system. Below are the sections covered in the application process.

  - I. Reliability
    - A. Reliability Indices Collection
    - B. Reliability Indices Use
    - C. Mutual Aid
    - D. Disaster Plan
    - E. Physical Security
  - II. Safety
    - A. Safety Manual
    - B. Safe Work Practices
    - C. Benchmarking
  - III. Workforce Development
    - A. Succession Planning and Recruitment
    - B. Employee Development & Recognition
    - C. Education, Participation and Service

- IV. System Improvement
- A. Research & Development
  - B. System Maintenance & Betterment
  - C. Financial Health

Application Deadline – September 30, 2023

3. Continue developing and planning infrastructure needs to support expected growth.
- A. West Shakopee Substation Energized and load transferred
    - **115 kV Breaker** – Delivery week of February 6<sup>th</sup>
    - **VTC Power Transformer** – Delivery waiting for update from VTC, Dec 2<sup>nd</sup> delivery postponed (VCT waiting on ETM to be installed)
    - **15kV Switchgear Building** Mid to end of April (1 wk. after road restrictions are lifted)
    - **NCC Steel & Bus** Install Mid May
    - **NCC Wiring Connections** One month after delivery of the switchgear building
    - **Xcel Energy** Transmission line tentative completion mid to End of October
  - B. Water Treatment Land Purchases
  - C. Water Infrastructure planning workshop for water treatment locations
    - 2<sup>nd</sup> Quarter 2023 3-5-10 yea Plans
  - D. East Substation
    - System impact study – June 2023
    - Land purchased 3-5 year plan
4. IT Projects – Security
- A. Commission Room AV upgrades
    - Additional monitor for the Commissioners
    - Upgrade Cameras/Microphones for better viewing experience for the public.
  - B. Security Initiatives
    - Firewall Replacement
    - Phishing Training
    - IT Security Assessment
    - Incident Response Plan Implementation
  - C. GIS Improvements
    - Increase functionality of SPU GIS Portal
    - Implementation of Survey123 or similar solution
  - D. SPU Intranet Site – Organize SPU documents/Shared folders for ease of use
  - E. Infrastructure upgrades to our VMware Environment
5. Expand SPU Clean Energy Program
- A. Advertising Campaign

- B. Develop sales materials/aids for CS staff
  - C. Work with MMPA to fund promotional efforts
  - D. Incorporate into community education and events (i.e., Rhythm on the Rails)
  - E. Target key accounts
6. Continue to develop and update SPU Website to enhance user interface and the flow of information – SmartHub Engagement
- A. Drive customer enrollments with service features.
    - Enhanced customer billing notifications (texting and emailing)
    - Data presentation (graphs, weather, historical comparisons)
    - Account management tools
  - B. Improve and Increase customer touch points
    - Utilize custom messaging on dashboard
    - Utilize message center on billing statements
    - Utilize Messenger for custom email communications
  - C. Customize SmartHub enrollment process to direct targeted actions
    - Autopay
    - Paperless Billing
    - Clean Energy Choice
    - Budget Billing
7. Rate evaluation options to customers
- A. Irrigation rate
  - B. Water Capacity Trunk Water rate & Development Fees
  - C. EV Rate
  - D. Evaluate all other rates for new opportunities to service our customers better.

Additional topics: 10-Year CIP to match city, succession planning to prepare for retirements, leadership development, Employee Handbook review process using technology data as opposed to Word documents, Software implementation rollout.

Action: Approve UPDATED 2023 SPU Goals with IT additions.



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 Shakopee, Minnesota 55379  
 Main 952.445-1988 • Fax 952.445-7767  
 www.shakopeeutilities.com

DATE: May 30<sup>th</sup> 2023  
 TO: Commissioners  
 FROM: Greg Drent, General Manager *GD*  
 Subject: Juneteenth Holiday

---

Juneteenth became a federal holiday on June 17, 2021. The holiday is celebrated every year on June 19. Governor Waltz signed a bill establishing Juneteenth as a state holiday earlier this year. The City of Shakopee added Juneteenth to its holiday schedule.

The League of Minnesota Cities recently had a publication regarding Juneteenth.

## New Juneteenth Holiday Will Be Effective This Year

May 23, 2023

**A provision included in the state and local government omnibus bill adjusts the previous effective date to make the holiday required this year.**

A bill to establish Juneteenth as a state-recognized holiday, [HF 48 \(Rep. Ruth Richardson, DFL-Mendota Heights/Sen. Bobby Champion, DFL-Minneapolis\)](#), was passed off the Senate floor on Jan. 26 with a vote of 57-8. On Feb. 2, it was passed by the House by a vote of 126-1. The bill was signed into law by Gov. Tim Walz.

The holiday is to recognize the date on which slavery was abolished in the United States. Public business cannot be conducted on June 19 in observance of the holiday.


The new law was set to go into effect on Aug. 1, 2023, however, a provision contained in [HF 1830 \(Rep. Ginny Klevorn, DFL-Plymouth/Sen. Samakab Hussein, DFL-St. Paul\)](#), the state and local government omnibus bill, changes the effective date to make the new holiday effective before June 19 of this year, requiring that the day be observed.

The HF 1830 conference committee report containing the updated effective date was passed by the House and Senate and will now go to Gov. Tim Walz to be signed. Cities will need to update their existing schedules to reflect the June 19 holiday and make any necessary adjustments.

**Request:** Approve Juneteenth as a recognized holiday for SPU, effective this year. Juneteenth will be added to the annual holiday schedule, and the SPU office will be closed in observance.



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DATE: May 30, 2023  
TO: Commissioners  
FROM: Greg Drent, General Manager   
Subject: SPU Contribution into Health Savings Account

---

**Background:**

Health Saving Accounts (HSA) are offered to qualifying employees who elect SPU's high-deductible health plan. Historically, SPU has contributed to employees' HSA plans as part of the benefit offerings. The commission sets the HSA contribution amount, approved annually during the budget process. SPU processes the HSA contribution with an up-front lump sum payment processed in January for the full plan year. SPU and employees may contribute to their HSA account up to the maximum amount the IRS allows each year.

SPU has had a few retirements and employee departures in the last year, where SPU contributed the up-front lump sum for the year. Up-front lump sums to an employee's HSA account at the beginning of the year can create issues when employees terminate employment before the 12-month period has ended. SPU is proposing a change to the existing policy and would like the contributions deposited monthly to employee HSA accounts versus the up-front lump sum in January. HSA contributions from SPU will stop when employment is terminated.

Since SPU contributions were already processed for 2023, we would like the proposed change to be effective in 2024. We are reviewing this process change now versus waiting until budget time so that we can inform employees and give them time to plan for the change.

Request: Change SPU contributions to employee HSA accounts to monthly effective in 2024.





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www.shakopeeutilities.com

DATE: June 1, 2023

TO: Commissioners

FROM: Greg Drent, General Manager *gd*

Subject: SPU Appeal Policy

---

**Background:**

SPU's attorney and I have been working on a formal appeal policy for the commission. Attached is the appeal policy for review.

Request Action:

Approve Shakopee Public Utilities Appeal Policy



## Shakopee Public Utilities (SPU) Appeal Policy

### Disputed Utility Charge

If a customer disputes any water or electric utility charge, the following process shall be used to handle the appeal.

1. SPU Staff Review. The customer shall first contact the Customer Service & Billing Supervisor for monthly billing disputes, and for other disputed utility charges, the Water Superintendent or Electric Superintendent, as applicable, to determine if staff may resolve the issue.

2. Appeal to General Manager. If SPU staff cannot resolve the issue, the customer shall appeal to SPU in writing as follows:

1. Direct a written appeal to Shakopee Public Utilities, Attention: General Manager.
2. Include the account number.
3. Explain the nature of the problem and the reason(s) for the dispute.
4. Explain the requested relief or result.

The General Manager or his or her designee may seek additional information from the customer and review SPU information on the account and other pertinent information. The General Manager shall prepare a written response to the appeal and send it to the customer. If the customer agrees with the result, the customer shall signify acceptance in writing.

3. Appeal to the Commission. If the customer is not satisfied with the written response of the General Manager, the customer may request that the matter be placed on the agenda and discussed by the Commission at a formal meeting. The Commission shall consider appeals in its sole discretion, and its determination shall be final, binding, and conclusive.

### All Other Disputes

For all other disputes involving a customer of SPU, the following process shall be used.

1. SPU Staff Review. The customer shall first contact the appropriate SPU Director to determine if staff may resolve the issue.

2. Appeal to General Manager. If SPU staff cannot resolve the issue, the customer shall appeal to SPU in writing as follows:

1. Direct a written appeal to Shakopee Public Utilities, Attention: General Manager.
2. Include the account number.
3. Explain the nature of the problem and the reason(s) for the dispute.
4. Explain the requested relief or result.

The General Manager or his or her designee may seek additional information from the customer and review SPU information on the account and other pertinent information. The applicable Director shall prepare a written response to the appeal for approval by the General Manager. The General Manager shall send the written response to the customer. If the customer agrees with the result, the customer shall signify acceptance in writing.

3. Appeal to the Commission. If the customer is not satisfied with the written response of the General Manager, the customer may request that the matter be placed on the agenda and discussed by the Commission at a formal meeting. The Commission shall consider appeals in its sole discretion, and its determination shall be final, binding, and conclusive.

RESOLUTION #2023-11

RESOLUTION OF APPRECIATION  
TO ROBERT BERNDTSON

WHEREAS, Mr. Robert Berndtson joined Shakopee Public Utilities on May 12, 2008, and during his extensive tenure of more than fifteen years has worked as a Meter Reader; and

WHEREAS, Mr. Berndtson 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. Berndtson retired from his position as Meter Reader with Shakopee Public Utilities on May 23, 2023; and

NOW THEREFORE, BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, that it does hereby express its sincere and deep appreciation to Mr. Berndtson for his fifteen 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. Robert Berndtson.

Passed in regular session of the Shakopee Public Utilities Commission this Fifth day of June 2023.

---

Commission President: Justin Krieg

ATTEST:

---

Commission Secretary: Greg Drent

PRESOLUTION #2023-12

RESOLUTION SETTING THE AMOUNT  
OF THE TRUNK WATER CHARGE, APPROVING OF ITS COLLECTION  
AND AUTHORIZING WATER SERVICE TO CERTAIN PROPERTY  
DESCRIBED AS:

VALLEY CREST 3<sup>RD</sup> ADDITION

Block 1, Lots 1 – 8; Block 2, Lots 1 – 13; Block 3, Lot 1 - 11,  
Block 4, Lots 1 – 18; Block 5, Lots 1 – 17

WHEREAS, a request has been received for City water service to be made available to certain property, and

WHEREAS, the collection of the Trunk Water Charge is one of the standard requirements before City water service is newly made available to an area, and

WHEREAS, the standard rate to be applied for the Trunk Water Charge has been set by separate Resolution,

NOW THEREFORE, BE IT RESOLVED, that the amount of the Trunk Water Charge is determined to be \$54,229.60 based on 10.60 net acres, and that collection of the Trunk Water Charge is one of the requirements to be completed prior to City water service being made available to that certain property described as:

Block 1, Lots 1 – 8; Block 2, Lots 1 – 13; Block 3, Lot 1 - 11,  
Block 4, Lots 1 – 18; Block 5, Lots 1 – 17

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 5th day of June, 2023.

---

Commission President: Justin Krieg

ATTEST:

---

Commission Secretary: Greg Drent

RESOLUTION #2023-13

RESOLUTION SETTING THE AMOUNT  
OF THE TRUNK WATER CHARGE, APPROVING OF ITS COLLECTION  
AND AUTHORIZING WATER SERVICE TO CERTAIN PROPERTY  
DESCRIBED AS:

Moraine Addition

Block 1, Lots 1 – 10; Portion of Outlot A

WHEREAS, a request has been received for City water service to be made available to certain property, and

WHEREAS, the collection of the Trunk Water Charge is one of the standard requirements before City water service is newly made available to an area, and

WHEREAS, the standard rate to be applied for the Trunk Water Charge has been set by separate Resolution,

NOW THEREFORE, BE IT RESOLVED, that the amount of the Trunk Water Charge is determined to be \$21,384.88 based on 4.18 net acres, and that collection of the Trunk Water Charge is one of the requirements to be completed prior to City water service being made available to that certain property described as:

Block 1, Lots 1 – 10; Portion of Outlot A

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 5th day of June, 2023.

---

Commission President: Justin Krieg

ATTEST:

---

Commission Secretary: Greg Drent



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www.shakopeeutilities.com

**DATE:** June 1, 2023  
**TO:** Greg Drent, General Manager *gld*  
**FROM:** Kelley Willemssen, Director of Finance & Administration *kw*  
**SUBJECT:** # 2023-14 –  
RESOLUTION SETTING A CAPITAL ADDER CHARGE  
TO THE UNSEWERED PRODUCTION WATER RATE

---

**Background:**

Resolution # 2023-10 establishing the Unsewered Production Water rate was adopted at the commission meeting May 1, 2023. The rate included a component that would be used for water capital contributions and put into the connection fund to support investments in water production, treatment, and storage, similar to how the WCC is structured.

The attached resolution describes how the capital adder on the Unsewered Production Water rate will be administered.

**Requested Action**

Adopt Resolution # 2023-14



RESOLUTION #2023-14

RESOLUTION SETTING A CAPITAL ADDER CHARGE  
TO THE UNSEWERED PRODUCTION WATER RATE

WHEREAS, the Shakopee Public Utilities Commission adopted an *unsewered production water* rate consisting of a *capital adder* of \$1.13 per unit (thousand gallons per month) to the current weighted average usage rate for commercial and industrial customers of \$2.46 per unit on May 1, 2023, and

WHEREAS, the Utilities Commission has determined that the funds collected from the capital adder will be set aside by the utility and used to pay for construction of water production, treatment and storage facilities. Similar to the sales collected from the water capacity charge the capital adder sales will not be included as part of gross defined sales therefore excluded from the payment in lieu of taxes (PILOT) to the city of Shakopee.

WHEREAS, the Utilities Commission has determined the funds collected from operational revenue will be included in gross defined sales of water therefore included in the payment in lieu of taxes (PILOT) to the city of Shakopee.

BE IT RESOLVED, by the Shakopee Public Utilities Commission, that the unsewered production water rate adopted by the Utilities Commission May 1, 2023, shall be administered as follows:

\$3.59 per 1000 gallons per month for unsewered water used in its entirety for business operation and not added to the sewer system. The sum of \$2.46 per 1000 gallons to be designated as operational revenue and \$1.13 per 1000 gallons to be designated as a capital adder.

BE IT FURTHER RESOLVED, that future increases to the capital adder fees shall be based on the same increases as the water capacity charge fees.

Passed in regular session of the Shakopee Public Utilities Commission, this 5th day of June 2023.

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Commission President: Justin Krieg

ATTEST:

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Commission Secretary: Greg Drent



RESOLUTION #2023-15

RESOLUTION MODIFYING SHAKOPEE PUBLIC UTILITIES COMMISSION'S  
COGENERATION AND SMALL POWER PRODUCTION TARIFF

WHEREAS, the Shakopee Public Utilities Commission previously adopted Resolution #2023-05 on March 6, 2023 approving the Cogeneration and Small Power Production Tariff and now wishes to modify Schedule 1 of the tariff to clarify the availability of the Average Retail Utility Energy Rate in said tariff.

NOW THEREFORE BE IT RESOLVED, that the Shakopee Public Utilities Commission approves the following Cogeneration and Small Power Production Tariff, Schedule 1, effective beginning July 1, 2023 or the nearest regular meter reading date following, and apply to usage/output after that date and to subsequent billing periods.

Passed in the regular session of the Shakopee Public Utilities Commission, this 5th day of June, 2023.

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Commission President: Justin Krieg

ATTEST:

---

Commission Secretary: Greg Drent

## SCHEDULE 1 – AVERAGE RETAIL ENERGY RATES

**Average Retail Utility Energy Rates:** Available to any Qualifying Facility of less than or equal to 40 kW AC aggregated nameplate capacity that does not select either Roll Over Credits, Simultaneous Purchase and Sale Billing, or Time of Day rates.

Shakopee Public Utilities shall bill Qualifying Facilities for any excess of energy supplied by Shakopee Public Utilities above energy supplied by the Qualifying Facility during each billing period according to Shakopee Public Utilities applicable rate schedule. Shakopee Public Utilities shall pay the customer for the energy generated by the Qualifying Facility that exceeds that supplied by Shakopee Public Utilities during a billing period at the “average retail utility energy rate.” The term “average retail utility energy rate” means, for any class of utility customer, the quotient of the total annual class revenue from sales of electricity minus the annual revenue resulting from fixed charges, divided by the annual class kilowatt-hour sales. Data from the most recent 12-month period available shall be used in the computation.

“Average retail utility energy rates” are as follows:

### RESIDENTIAL

		<b>2022</b>
TOTAL REVENUES	\$	21,548,095.11
LESS UNDERGROUND RELOCATION FEES	\$	129,080.29
LESS FIXED REVENUES (CUSTOMER CHARGE)	\$	1,933,621.75
NET REVENUES	\$	19,485,393.07
TOTAL KWH SALES	\$	144,191,985
<b>AVERAGE RETAIL ENERGY RATE</b>	<b>\$</b>	<b>0.1351</b>

### COMMERCIAL

TOTAL REVENUES	\$	2,042,739.84
LESS WATER DIVISION ELECTRIC FOR PUMPING	\$	315,360.00
LESS FIXED REVENUES (CUSTOMER CHARGE)	\$	209,509.00
NET REVENUES	\$	1,517,870.84
TOTAL KWH SALES	\$	11,375,393
<b>AVERAGE RETAIL ENERGY RATE</b>	<b>\$</b>	<b>0.1334</b>

### INDUSTRIAL

TOTAL REVENUES	\$	34,223,598.43
LESS FIXED REVENUES (CUSTOMER CHARGE)	\$	472,940.00
LESS DEMAND CHARGES	\$	7,345,568.93
NET REVENUES	\$	26,405,089.50
TOTAL KWH SALES	\$	286,019,222
<b>AVERAGE RETAIL ENERGY RATE</b>	<b>\$</b>	<b>0.0923</b>

RESOLUTION #2023-16

RESOLUTION SETTING THE AMOUNT  
OF THE TRUNK WATER CHARGE, APPROVING OF ITS COLLECTION  
AND AUTHORIZING WATER SERVICE TO CERTAIN PROPERTY  
DESCRIBED AS:

River Valley Business Park

Block 1, Lots 1 - 2; and Outlot A

WHEREAS, a request has been received for City water service to be made available to certain property, and

WHEREAS, the collection of the Trunk Water Charge is one of the standard requirements before City water service is newly made available to an area, and

WHEREAS, the standard rate to be applied for the Trunk Water Charge has been set by separate Resolution,

NOW THEREFORE, BE IT RESOLVED, that the amount of the Trunk Water Charge is determined to be \$173,534.72 based on 33.92 net acres, and that collection of the Trunk Water Charge is one of the requirements to be completed prior to City water service being made available to that certain property described as:

Block 1, Lots 1 - 2; and Outlot A

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 5th day of June, 2023.

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Commission President: Justin Krieg

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

TO: Greg Drent, General Manager *gld*  
Kelley Willemsen, Finance Director *kw*

FROM: Mike Vourlos, Customer Service & Billing Supervisor *MV*

SUBJECT: SPU Deposit Policy, Resolution #2023-17

DATE: May 31, 2023

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**Background:**

Historically, SPU has required residential renters, commercial and industrial customers to pay a deposit prior to the connection of service.

NISC provides SPU an option to set up a new customer account and apply the deposit fee to the account immediately. This new feature allows customers to pay the deposit fee before the connection of service or wait until their first bill has been issued. This change will streamline the application process by removing manual steps internally and allowing customers to pay deposits electronically through SmartHub.

The attached resolution amending resolution #2021-17 proposes that we change the requirement for residential renter deposits. Instead of requiring the deposit fee before connection, customers would be given the option to pay the deposit on the first bill issued at the new service address or when the service is connected.

**Request:**

Adopt resolution # 2023-17

RESOLUTION #2023- 17

RESOLUTION AMENDING RESOLUTION #2021-17  
ADOPTING UTILITY DEPOSITS FOR THE  
SHAKOPEE PUBLIC UTILITIES

WHEREAS, the Shakopee Public Utilities Commission shall require deposits to be used to guarantee all Utility billings including but not limited to electric and water;

AND WHEREAS, prior to the furnishing any service to any user, such user shall complete an application to request service and pay the required deposit fee. Residential renter deposit fees will be required prior to connection of service or on the first bill following the connection of service. Commercial and industrial customer deposit fees will be required prior to connection of service. All deposits fees must comply with the requirements under any of the following conditions:

- a. A customer is new to the Utility's service.
- b. An existing customer changes residence, address or name within the Utility's service area or requires additional service.
- c. The service of the customer has been disconnected or has been subject to disconnection for nonpayment of a bill which is not in dispute.
- d. Customer enters into bankruptcy.

AND WHEREAS, the deposit requirements shall be as follows and subject to the conditions as outlined above:

- |                                     |                        |
|-------------------------------------|------------------------|
| • Residential Owners                | No deposit is required |
| • Residential Renters               | \$100 Utility Deposit  |
| • Residential Renters Electric Heat | \$200 Utility Deposit  |
| • Commercial Customer               | One Month Deposit      |
| • Industrial Customer               | One Month Deposit      |

Commercial and Industrial customers will pay a deposit equal to one-month average billings. If customer has not established a history to determine deposit requirements, then the former occupant property billing history shall be used with an adjustment to be made once current history is established. Large non-residential customers may in lieu of cash deposit, furnish bond for service satisfactory to the Utility.

- Accounts opened by the City of Shakopee, Shakopee Public Schools, Minnesota Municipal Power Agency and Scott County will not be required to submit a deposit. However, if an account is shut-off for delinquency reasons, the Utility reserves the right to require a deposit on all accounts of said entity.

AND WHEREAS, if customer fails to pay their deposit, they are subject to withholding of service until payment is received.

NOW THEREFORE BE IT RESOLVED, that said deposits, will accrue interest annually at the rate set forth by the Minnesota Department of Commerce and Minnesota State Statute 325.E.02. Deposit and applicable interest will be returned on customer's final bill or to the customer's account balance at the end of a five-year period of good payment history as defined below:

- No more than three (3) late payments and
- No disconnection of service for non-payment

Any remaining credit balance will be refunded to the customer. Interest will be paid monthly from date of deposit to date of disconnection or deposit refund.

BE IT FURTHER RESOLVED that in the event any conflict arises due to the provisions of this Resolution the customer may appeal in writing to the Shakopee Public Utilities Commission on a case-by-case basis.

The new deposit requirements to be effective beginning June 12, 2023.

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 5th day of June, 2023.

---

Commission President: Justin Krieg

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: June 2<sup>nd</sup>, 2023  
TO: Greg Drent, General Manager *GD*  
FROM: Philip Dubbe, IT Director *Philip Dubbe*  
Subject: PCI Security Policy

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Background: On June 7<sup>th</sup>, 2023, Shakopee Public Utilities (SPU) will begin taking Credit Card payments in order to better serve its customers. As part of becoming Payment Card Industry (PCI) compliant, SPU needs to implement a Security Policy that will protect both the Utility, and our customers. The attached policy will allow us to meet the standards set forth by the PCI Council.

Request: Approve SPU PCI Security Policy

# *Information Security Policy*

**Shakopee Public Utilities**

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(Company Name)

6/1/2023

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(Date)



## Contents

Introduction .....	3
Information Security Policy .....	3
1. Network Security.....	4
2. Acceptable Use Policy .....	4
3. Protect Stored Data.....	5
4. Information Classification .....	5
5. Access to the Sensitive Cardholder Data .....	5
6. Physical Security.....	6
7. Protect Data in Transit .....	7
8. Disposal of Stored Data.....	7
9. Security Awareness and Procedures.....	7
10. Credit Card (PCI) Security Incident Response Plan.....	9
11. Transfer of Sensitive Information Policy .....	13
12. User Access Management.....	13
13. Access Control Policy.....	14
Appendix A – Agreement to Comply Form – Agreement to Comply With Information Security Policies .....	16
Appendix B – List of Devices .....	17

## Introduction

This Policy document encompasses all aspects of security surrounding confidential company information and must be distributed to all company employees. All company employees must read this document in its entirety and sign the form confirming they have read and fully understand this policy. This document will be reviewed and updated by Management on an annual basis or when relevant to include newly developed security standards into the policy and re-distributed to all employees and contractors where applicable.

## Information Security Policy

Shakopee Public Utilities (SPU) handles sensitive cardholder information daily. Sensitive Information must have adequate safeguards in place to protect the cardholder data, cardholder privacy, and to ensure compliance with various regulations, along with guarding the future of the organisation.

SPU commits to respecting the privacy of all its customers and to protecting any customer data from outside parties. To this end management are committed to maintaining a secure environment in which to process cardholder information so that we can meet these promises.

Employees handling sensitive cardholder data should ensure:

- Handle Company and cardholder information in a manner that fits with their sensitivity and classification;
- Limit personal use of SPU information and telecommunication systems and ensure it doesn't interfere with your job performance;
- SPU reserves the right to monitor, access, review, audit, copy, store, or delete any electronic communications, equipment, systems and network traffic for any purpose;
- Do not use e-mail, internet and other Company resources to engage in any action that is offensive, threatening, discriminatory, defamatory, slanderous, pornographic, obscene, harassing or illegal;
- Do not disclose personnel information unless authorised;
- Protect sensitive cardholder information;
- Keep passwords and accounts secure;
- Request approval from management prior to establishing any new software or hardware, third party connections, etc.;
- Do not install unauthorised software or hardware, including modems and wireless access unless you have explicit management approval;
- Always leave desks clear of sensitive cardholder data and lock computer screens when unattended;
- Information security incidents must be reported, without delay, to the individual responsible for incident response locally – Please find out who this is.

We each have a responsibility for ensuring our company's systems and data are protected from unauthorised access and improper use. If you are unclear about any of the policies detailed

herein you should seek advice and guidance from your line manager.

## 1. Network Security

A high-level network diagram of the network is maintained and reviewed on a yearly basis. The network diagram provides a high level overview of the cardholder data environment (CDE), which at a minimum shows the connections in and out of the CDE. Critical system components within the CDE, such as POS devices, databases, web servers, etc., and any other necessary payment components, as applicable should also be illustrated.

In addition, ASV should be performed and completed by a PCI SSC Approved Scanning Vendor, where applicable. Evidence of these scans should be maintained for a period of 18 months.

## 2. Acceptable Use Policy

Management's intentions for publishing an Acceptable Use Policy are not to impose restrictions that are contrary to SPU's established culture of openness, trust and integrity. Management is committed to protecting the employees, partners and SPU from illegal or damaging actions, either knowingly or unknowingly by individuals. SPU will maintain an approved list of technologies and devices and personnel with access to such devices as detailed in Appendix B.

- Employees are responsible for exercising good judgment regarding the reasonableness of personal use.
- Employees should take all necessary steps to prevent unauthorized access to confidential data which includes card holder data.
- Keep passwords secure and do not share accounts. Authorized users are responsible for the security of their passwords and accounts.
- All PCs, laptops and workstations should be secured with a password-protected screensaver with the automatic activation feature.
- All POS and PIN entry devices should be appropriately protected and secured so they cannot be tampered or altered.
- The List of Devices in Appendix B will be regularly updated when devices are modified, added or decommissioned. A stocktake of devices will be regularly performed and devices inspected to identify any potential tampering or substitution of devices.
- Users should be trained in the ability to identify any suspicious behaviour where any tampering or substitution may be performed. Any suspicious behaviour will be reported accordingly.
- Information contained on portable computers is especially vulnerable, special care should be exercised.
- Postings by employees from a Company email address to newsgroups should contain a disclaimer stating that the opinions expressed are strictly their own and not necessarily those of SPU, unless posting is in the course of business duties.
- Employees must use extreme caution when opening e-mail attachments received from unknown senders, which may contain viruses, e-mail bombs, or Trojan horse code.

### 3. Protect Stored Data

- All sensitive cardholder data stored and handled by SPU and its employees must be securely protected against unauthorised use at all times. Any sensitive card data that is no longer required by SPU for business reasons must be discarded in a secure and irrecoverable manner.
- If there is no specific need to see the full PAN (Permanent Account Number), it has to be masked when displayed.
- PAN'S which are not protected as stated above should not be sent to the outside network via end user messaging technologies like chats, ICQ messenger etc.,

#### **It is strictly prohibited to store:**

1. **The contents of the payment card magnetic stripe (track data) on any media whatsoever.**
2. **The CVV/CVC (the 3 or 4 digit number on the signature panel on the reverse of the payment card) on any media whatsoever.**
3. **The PIN or the encrypted PIN Block under any circumstance.**

### 4. Information Classification

Data and media containing data must always be labelled to indicate sensitivity level.

- **Confidential data** might include information assets for which there are legal requirements for preventing disclosure or financial penalties for disclosure, or data that would cause severe damage to SPU if disclosed or modified. **Confidential data includes cardholder data.**
- **Internal Use data** might include information that the data owner feels should be protected to prevent unauthorized disclosure.
- **Public data** is information that may be freely disseminated.

### 5. Access to the Sensitive Cardholder Data

All Access to sensitive cardholder should be controlled and authorised. Any job functions that require access to cardholder data should be clearly defined.

- Any display of the card holder should be restricted at a minimum to the first 6 and the last 4 digits of the cardholder data.
- Access to sensitive cardholder information such as PAN's, personal information and business data is restricted to employees that have a legitimate need to view such information.
- No other employees should have access to this confidential data unless they have a genuine business need.

- If cardholder data is shared with a Service Provider (3<sup>rd</sup> party) then a list of such Service Providers will be maintained as detailed in Appendix C.
- SPU will ensure a written agreement that includes an acknowledgement is in place that the Service Provider will be responsible for the for the cardholder data that the Service Provider possess.
- SPU will ensure that a there is an established process, including proper due diligence is in place, before engaging with a Service provider.
- SPU will have a process in place to monitor the PCI DSS compliance status of the Service provider.

## 6. Physical Security

Access to sensitive information in both hard and soft media format must be physically restricted to prevent unauthorised individuals from obtaining sensitive data.

- Media is defined as any printed or handwritten paper, received faxes, floppy disks, back-up tapes, computer hard drive, etc.
- Media containing sensitive cardholder information must be handled and distributed in a secure manner by trusted individuals.
- Visitors must always be escorted by a trusted employee when in areas that hold sensitive cardholder information.
- Procedures must be in place to help all personnel easily distinguish between employees and visitors, especially in areas where cardholder data is accessible. "Employee" refers to full-time and part-time employees, temporary employees and personnel, and consultants who are "resident" on Company sites. A "visitor" is defined as a vendor, guest of an employee, service personnel, or anyone who needs to physically enter the premises for a short duration, usually not more than one day.
- A list of devices that accept payment card data should be maintained.
- The list should include make, model and location of the device.
- The list should have the serial number or a unique identifier of the device
- The list should be updated when devices are added, removed or relocated
- POS devices surfaces are periodically inspected to detect tampering or substitution.
- Personnel using the devices should be trained and aware of handling the POS devices
- Personnel using the devices should verify the identity of any third party personnel claiming to repair or run maintenance tasks on the devices, install new devices or replace devices.
- Personnel using the devices should be trained to report suspicious behaviour and indications of tampering of the devices to the appropriate personnel. SPU sites. A "visitor" is defined as a vendor, guest of an employee, service personnel, or anyone who needs to enter the premises for a short duration, usually not more than one day.
- Strict control is maintained over the external or internal distribution of any media containing card holder data and has to be approved by management
- Strict control is maintained over the storage and accessibility of media
- All computer that store sensitive cardholder data must have a password protected screensaver enabled to prevent unauthorised use.

## 7. Protect Data in Transit

All sensitive cardholder data must be protected securely if it is to be transported physically or electronically.

- Card holder data (PAN, track data, etc.) must never be sent over the internet via email, instant chat or any other end user technologies.
- If there is a business justification to send cardholder data via email or by any other mode then it should be done after authorization and by using a strong encryption mechanism (i.e. – AES encryption, PGP encryption, IPSEC, etc.).
- The transportation of media containing sensitive cardholder data to another location must be authorised by management, logged and inventoried before leaving the premises. Only secure courier services may be used for the transportation of such media. The status of the shipment should be monitored until it has been delivered to its new location.

## 8. Disposal of Stored Data

- All data must be securely disposed of when no longer required by SPU, regardless of the media or application type on which it is stored.
- An automatic process must exist to permanently delete on-line data, when no longer required.
- All hard copies of cardholder data must be manually destroyed when no longer required for valid and justified business reasons. A quarterly process must be in place to confirm that all non-electronic cardholder data has been appropriately disposed of in a timely manner.
- SPU will have procedures for the destruction of hardcopy (paper) materials. These will require that all hardcopy materials are crosscut shredded, incinerated or pulped so they cannot be reconstructed.
- SPU will have documented procedures for the destruction of electronic media. These will require:
  - All cardholder data on electronic media must be rendered unrecoverable when deleted e.g. through degaussing or electronically wiped using military grade secure deletion processes or the physical destruction of the media;
  - If secure wipe programs are used, the process must define the industry accepted standards followed for secure deletion.
- All cardholder information awaiting destruction must be held in lockable storage containers clearly marked "To Be Shredded" - access to these containers must be restricted.

## 9. Security Awareness and Procedures

The policies and procedures outlined below must be incorporated into company practice to maintain a high level of security awareness. The protection of sensitive data demands

regular training of all employees and contractors.

- Review handling procedures for sensitive information and hold periodic security awareness meetings to incorporate these procedures into day to day company practice.
- Distribute this security policy document to all company employees to read. It is required that all employees confirm that they understand the content of this security policy document by signing an acknowledgement form (see Appendix A).
- All employees that handle sensitive information will undergo background checks (such as criminal and credit record checks, within the limits of the local law) before they commence their employment with SPU.
- All third parties with access to credit card account numbers are contractually obligated to comply with card association security standards (PCI/DSS).
- Company security policies must be reviewed annually and updated as needed.

## 10. Credit Card (PCI) Security Incident Response Plan

- SPU PCI Security Incident Response Team (PCI Response Team) is comprised of the Information Security Officer and Merchant Services. SPU PCI security incident response plan is as follows:
  1. Each department must report an incident to the Information Security Officer (preferably) or to another member of the PCI Response Team.
  2. That member of the team receiving the report will advise the PCI Response Team of the incident.
  3. The PCI Response Team will investigate the incident and assist the potentially compromised department in limiting the exposure of cardholder data and in mitigating the risks associated with the incident.
  4. The PCI Response Team will resolve the problem to the satisfaction of all parties involved, including reporting the incident and findings to the appropriate parties (credit card associations, credit card processors, etc.) as necessary.
  5. The PCI Response Team will determine if policies and processes need to be updated to avoid a similar incident in the future, and whether additional safeguards are required in the environment where the incident occurred, or for the institution.

SPU PCI Security Incident Response Team (or equivalent in your organization):

IT Director  
Marketing Director  
Counsel  
Finance Director

Information Security PCI Incident Response Procedures:

- A department that reasonably believes it may have an account breach, or a breach of cardholder information or of systems related to the PCI environment in general, must inform SPU PCI Incident Response Team. After being notified of a compromise, the PCI Response Team, along with other designated staff, will implement the PCI Incident Response Plan to assist and augment departments' response plans.

### **Incident Response Notification**

Escalation Members (or equivalent in your company):

Escalation – First Level:

IT Director  
Finance Director for Credit Collections and Merchant Services Legal  
Counsel  
Director of SPU Communications

Escalation – Second Level:

SPU General Manager  
Commissioners



Auxiliary members as needed

External Contacts (as needed)

Merchant Provider Card Brands

Internet Service Provider (if applicable)

Internet Service Provider of Intruder (if applicable)

League of MN Cities - Insurance Carrier

External Response Team as applicable (CERT Coordination Center 1,  
etc) Law Enforcement Agencies as applicable in local jurisdiction

In response to a systems compromise, the PCI Response Team and designees will:

1. Ensure compromised system/s is isolated on/from the network.
2. Gather, review and analyze the logs and related information from various central and local safeguards and security controls
3. Conduct appropriate forensic analysis of compromised system.
4. Contact internal and external departments and entities as appropriate.
5. Make forensic and log analysis available to appropriate law enforcement or card industry security personnel, as required.
6. Assist law enforcement and card industry security personnel in investigative processes, including in prosecutions.

The credit card companies have individually specific requirements that the Response Team must address in reporting suspected or confirmed breaches of cardholder data. See below for these requirements.

Incident Response notifications to various card schemes

1. In the event of a suspected security breach, alert the information security officer or your line manager immediately.
2. The security officer will carry out an initial investigation of the suspected security breach.
3. Upon confirmation that a security breach has occurred, the security officer will alert management and begin informing all relevant parties that may be affected by the compromise.

**VISA Steps**

If the data security compromise involves credit card account numbers, implement the following procedure:

- Shut down any systems or processes involved in the breach to limit the extent, and prevent further exposure.
- Alert all affected parties and authorities such as the Merchant Bank (your Bank), Visa Fraud Control, and the law enforcement.
- Provide details of all compromised or potentially compromised card numbers to Visa Fraud Control within 24 hrs.
- For more Information visit:  
[http://usa.visa.com/business/accepting\\_visa/ops\\_risk\\_management/cisp\\_if\\_](http://usa.visa.com/business/accepting_visa/ops_risk_management/cisp_if_)

compromised.html

## Visa Incident Report Template

This report must be provided to VISA within 14 days after initial report of incident to VISA. The following report content and standards must be followed when completing the incident report. Incident report must be securely distributed to VISA and Merchant Bank. Visa will classify the report as "VISA Secret".

- I. Executive Summary
  - a. Include overview of the incident
  - b. Include RISK Level(High, Medium, Low)
  - c. Determine if compromise has been contained
- II. Background
- III. Initial Analysis
- IV. Investigative Procedures
  - a. Include forensic tools used during investigation
- V. Findings
  - a. Number of accounts at risk, identify those stores and compromised
  - b. Type of account information at risk
  - c. Identify ALL systems analyzed. Include the following:
    - Domain Name System (DNS) names
    - Internet Protocol (IP) addresses
    - Operating System (OS) version
    - Function of system(s)
  - d. Identify ALL compromised systems. Include the following:
    - DNS names
    - IP addresses
    - OS version
    - Function of System(s)
  - e. Timeframe of compromise
  - f. Any data exported by intruder
  - g. Establish how and source of compromise
  - h. Check all potential database locations to ensure that no CVV2, Track 1 or Track 2 data is stored anywhere, whether encrypted or unencrypted (e.g., duplicate or backup tables or databases, databases used in development, stage or testing environments, data on software engineers' machines, etc.)
  - i. If applicable, review VisaNet endpoint security and determine risk
- VI. Compromised Entity Action
- VII. Recommendations
- VIII. Contact(s) at entity and security assessor performing investigation

\*This classification applies to the most sensitive business information, which is intended for use within VISA. Its unauthorized disclosure could seriously and adversely impact VISA, its employees, member banks, business partners, and/or the Brand.

## MasterCard Steps:

- I. Within 24 hours of an account compromise event, notify the MasterCard Compromised

- Account Team via phone at 1-636-722-4100.
- II. Provide a detailed written statement of fact about the account compromise (including the contributing circumstances) via secured e-mail to [compromised\\_account\\_team@mastercard.com](mailto:compromised_account_team@mastercard.com).
  - III. Provide the MasterCard Merchant Fraud Control Department with a complete list of all known compromised account numbers.
  - IV. Within 72 hours of knowledge of a suspected account compromise, engage the services of a data security firm acceptable to MasterCard to assess the vulnerability of the compromised data and related systems (such as a detailed forensics evaluation).
  - V. Provide weekly written status reports to MasterCard, addressing open questions and issues until the audit is complete to the satisfaction of MasterCard.
  - VI. Promptly furnish updated lists of potential or known compromised account numbers, additional documentation, and other information that MasterCard may request.
  - VII. Provide finding of all audits and investigations to the MasterCard Merchant Fraud Control department within the required time frame and continue to address any outstanding exposure or recommendation until resolved to the satisfaction of MasterCard.

Once MasterCard obtains the details of the account data compromise and the list of compromised account numbers, MasterCard will:

1. Identify the issuers of the accounts that were suspected to have been compromised and group all known accounts under the respective parent member IDs.
2. Distribute the account number data to its respective issuers.

Employees of SPU will be expected to report to the security officer for any security related issues. The role of the security officer is to effectively communicate all security policies and procedures to employees within SPU and contractors. In addition to this, the security officer will oversee the scheduling of security training sessions, monitor and enforce the security policies outlined in both this document and at the training sessions and finally, oversee the implantation of the incident response plan in the event of a sensitive data compromise.

### **Discover Card Steps**

- I. Within 24 hours of an account compromise event, notify Discover Fraud Prevention at (800) 347-3102
- II. Prepare a detailed written statement of fact about the account compromise including the contributing circumstances
- III. Prepare a list of all known compromised account numbers
- IV. Obtain additional specific requirements from Discover Card

### **American Express Steps**

- I. Within 24 hours of an account compromise event, notify American Express Merchant Services at (800) 528-5200 in the U.S.
- II. Prepare a detailed written statement of fact about the account compromise including

- the contributing circumstances
- III. Prepare a list of all known compromised account numbers Obtain additional specific requirements from American Express

#### 11. Transfer of Sensitive Information Policy

- All third-party companies providing critical services to SPU must provide an agreed Service Level Agreement.
- All third-party companies providing hosting facilities must comply with SPU's Physical Security and Access Control Policy.
- All third-party companies which have access to Card Holder information must
  1. Adhere to the PCI DSS security requirements.
  2. Acknowledge their responsibility for securing the Card Holder data.
  3. Acknowledge that the Card Holder data must only be used for assisting the completion of a transaction, supporting a loyalty program, providing a fraud control service or for uses specifically required by law.
  4. Have appropriate provisions for business continuity in the event of a major disruption, disaster or failure.
  5. Provide full cooperation and access to conduct a thorough security review after a security intrusion by a Payment Card industry representative, or a Payment Card industry approved third party.

#### 12. User Access Management

- Access to SPU is controlled through a formal user registration process beginning with a formal notification from HR or from a line manager.
- Each user is identified by a unique user ID so that users can be linked to and made responsible for their actions. The use of group IDs is only permitted where they are suitable for the work carried out.
- There is a standard level of access; other services can be accessed when specifically authorized by HR/line management.
- The job function of the user decides the level of access the employee has to cardholder data
- A request for service must be made in writing (email or hard copy) by the newcomer's line manager or by HR. The request is free format, but must state:

Name of person making request;

Job title of the newcomers and workgroup;

Start date;

Services required (default services are: MS Outlook, MS Office and Internet access).

- Each user will be given a copy of their new user form to provide a written statement of their access rights, signed by an IT representative after their induction procedure. The user signs the form indicating that they understand the conditions of access.

- Access to all SPU systems is provided by IT and can only be started after proper procedures are completed.
- As soon as an individual leaves SPU employment, all his/her system logons must be immediately revoked.
- As part of the employee termination process HR (or line managers in the case of contractors) will inform IT operations of all leavers and their date of leaving.

### 13. Access Control Policy

- Access Control systems are in place to protect the interests of all users of SPU computer systems by providing a safe, secure and readily accessible environment in which to work.
- SPU will provide all employees and other users with the information they need to carry out their responsibilities in an as effective and efficient manner as possible.
- Generic or group IDs shall not normally be permitted, but may be granted under exceptional circumstances if sufficient other controls on access are in place.
- The allocation of privilege rights (e.g. local administrator, domain administrator, super-user, root access) shall be restricted and controlled, and authorization provided jointly by the system owner and IT Services. Technical teams shall guard against issuing privilege rights to entire teams to prevent loss of confidentiality.
- Access rights will be accorded following the principles of least privilege and need to know.
- Every user should attempt to maintain the security of data at its classified level even if technical security mechanisms fail or are absent.
- Users electing to place information on digital media or storage devices or maintaining a separate database must only do so where such an action is in accord with the data's classification.
- Users are obligated to report instances of non-compliance to SPU CISO.
- Access to SPU IT resources and services will be given through the provision of a unique Active Directory account and complex password.
- No access to any SPU IT resources and services will be provided without prior authentication and authorization of a user's SPU Windows Active Directory account.
- Password issuing, strength requirements, changing and control will be managed through formal processes. Password length, complexity and expiration times will be controlled through Windows Active Directory Group Policy Objects.
- Access to Confidential, Restricted and Protected information will be limited to authorised persons whose job responsibilities require it, as determined by the data owner or their designated representative. Requests for access permission to be granted, changed or revoked must be made in writing.

- Users are expected to become familiar with and abide by SPU policies, standards and guidelines for appropriate and acceptable usage of the networks and systems.
- Access for remote users shall be subject to authorization by IT Services and be provided in accordance with the Remote Access Policy and the Information Security Policy. No uncontrolled external access shall be permitted to any network device or networked system.
- Access to data is variously and appropriately controlled according to the data classification levels described in the Information Security Management Policy.
- Access control methods include logon access rights, Windows share and NTFS permissions, user account privileges, server and workstation access rights, firewall permissions, IIS intranet/extranet authentication rights, SQL database rights, isolated networks and other methods as necessary.
- A formal process shall be conducted at regular intervals by system owners and data owners in conjunction with IT Services to review users' access rights. The review shall be logged and IT Services shall sign off the review to give authority for users' continued access rights.

Appendix A – Agreement to Comply Form – Agreement to Comply With Information Security Policies

\_\_\_\_\_  
**Employee Name (printed)**

\_\_\_\_\_  
**Department**

I agree to take all reasonable precautions to assure that company internal information, or information that has been entrusted to SPU by third parties such as customers, will not be disclosed to unauthorised persons. At the end of my employment or contract with SPU, I agree to return all information to which I have had access as a result of my position. I understand that I am not authorised to use sensitive information for my own purposes, nor am I at liberty to provide this information to third parties without the express written consent of the internal manager who is the designated information owner.

I have access to a copy of the Information Security Policies, I have read and understand these policies, and I understand how it impacts my job. As a condition of continued employment, I agree to abide by the policies and other requirements found in SPU security policy. I understand that non-compliance will be cause for disciplinary action up to and including dismissal, and perhaps criminal and/or civil penalties.

I also agree to promptly report all violations or suspected violations of information security policies to the designated security officer.

\_\_\_\_\_  
**Employee Signature**

\_\_\_\_\_  
**Date**











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TO: Greg Drent, General Manager   
FROM: Lon R. Schemel, Water Superintendent   
SUBJECT: Pumphouse 23 Rebid Suggestion  
DATE: May 30, 2023

On April 20<sup>th</sup>, 2023, electronic bids were opened for the Pumphouse 23 project located at Tank 8 on Zumbro Ave. The apparent low bidder was Municipal Builders, Inc., Nowthen, MN in the amount of \$4,478,000.00. The Engineer's Estimate was \$4,340,276.75. Rice Lake Construction Group was next at \$4,514,800.00 and Magney Construction, Inc. was the high bidder at \$4,798,000.00. The Engineer's Estimate was delayed until a couple of days before the bid opening as WSB was waiting for final electrical costs.

What was learned in the electrical costs was that the backup generator was going to cost \$900,000 and take 70+ weeks to receive. The generator was sized at budget time to operate the pumphouse plus 3 submersible wells in an emergency or during a call for load-shedding from the electric department. The well production report was delivered in December of 2022 and it indicated that the aquifer could support two wells near the tank with a third one closer to Zumbro Ave. The generator would then only have to supply power to the pumphouse and the two adjacent wells. This would reduce the size of the generator from 750 kW to no larger than 500 kW.

The approved amount in the CIP for this project is \$2,705,000. This number was derived from the bid cost of Windermere Booster Station, \$2.3 million in 2020, and increasing by 4% per year. After adjusting for inflation, and including engineering, the project would still be above budget by \$1.9 million. With the generator cost being prohibitive and it being oversized, staff reconsidered the need for a generator at this time. It was decided that the Windermere Booster Station, which is generator backed, would provide

the water needed for 2024 and into 2025. Backup power for Pumphouse 23 will be budgeted for in a future project.

Taking the low bid and removing the estimated cost for a generator and the associated electrical controls, the project is reduced by ~\$930,000.00. The raw water lines that were included in the bid would be removed from the cost and paid for from an already approved CIP fund reducing the total by ~\$310,000.00. This would bring the estimated project cost, construction and engineering, to \$3.3 million which is \$594,500.00 (22%) above the approved CIP amount. The additional costs are attributed to the post-pandemic inflation effects. The 2024 CIP can be adjusted to ensure that adequate funding will be available.

Request: Motion to reject all bids from April 20<sup>th</sup> for Pumphouse 23 and rebid the project without a generator. The project would be rebid with a target date of August 7<sup>th</sup> for Commission approval. Substantial completion would be expected in the Fall of 2024.



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**SHAKOPEE PUBLIC UTILITIES  
 MEMORANDUM**

TO: Greg Drent, General Manager *gld*

FROM: Joseph D. Adams, Planning & Engineering Director *Joseph D Adams*

SUBJECT: Equivalent Lateral Water Main (ELWM) Fees

DATE: June 1, 2023

**ISSUE**

Staff wishes to continue to discuss this topic with the Utilities Commission.

**BACKGROUND**

Since its adoption there have been multiple projects and related resolutions approved using the policy established in *Resolution #815, A Resolution Authorizing and Establishing a Fee for the Equivalent Lateral Watermain Portion of a Trunk Watermain Project.*

The Utilities Commission clarified the Equivalent Lateral Watermain fee policy with *Resolution 2023-02 A Resolution Clarifying the Provisions of Resolution #815 A Resolution Authorizing and Establishing a Fee for The Equivalent Lateral Water Main Portion of a Trunk Water Main Project.*

Property owners subject to these fees for two of the past projects, the CR 79 Watermain Extension along Hillwood Estates south of Westchester Estates to Hillwood Drive and Jennifer Lane Watermain Extension from Valley Creek Crossing 2<sup>nd</sup> Addition to Wood Duck Trail had been notified of the selection of the inflation index earlier this year. Subsequent conversations between staff and those property owners were held and those led to an agenda item on the Utilities Commission's March 6, 2023, meeting.

Several property owners attended the Utilities Commission's March 6, 2023, meeting to express their objections to ELWM fees being assigned to their parcels claiming there is no benefit to their properties because they neither desired water service when the projects were constructed nor at present nor at any time in the foreseeable future (to paraphrase their objections). They



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also objected to inflation indexing using the U.S Department of the Treasury – Daily Treasury Long-Term, Composite > 10 Yrs rate in effect at the time each project was approved. And they objected to having the Commission’s related resolutions being recorded on their property deeds when they were made aware that had been previously done.

## DISCUSSION

For the first project, the CR 79 project, there have been additional communications received from the Hillwood Estates property owners requesting responses to several questions that they assert were left unanswered at the time the project was initiated in 2005-06 and continued to remain unsatisfactorily addressed by staff and the Commission to the present day. Staff sent each Hillwood Estates property owner a written response on June 1, 2023, both by email and by US mail that was included under communications in this meeting’s agenda packet.

For the second project, the Jennifer Lane project, one property owner had stated they recalled entering into agreements with a public entity or entities (either Scott County, the City of Shakopee, SPU, or some combination of them) to donate right of way for the project in exchange for not having to pay any fees for all public infrastructure including the water main in perpetuity (again staff is paraphrasing). After requiring and receiving a written request from SPU staff for any available documentation, the property owner conceded they could not find any written documentation of their claim. Staff believes the actual “agreement” or understanding as such was outlined in a letter from the City Engineer’s office to each property owner, which limited the no cost improvements to the roadway itself and specifically stated that sanitary sewer and water main improvements and related fees were not included in the “no cost” category of the roadway for that project.

Staff identifies the following options for the Utilities Commission to consider:

1. Affirm or rescind any/all the past actions and resolutions related to the ELWM fees policy, and the core fees associated with these two projects.
2. Consider modifying any of the terms of the individual projects, including ELWM fees assigned and the use and basis of the inflation index for these individual projects.
3. Re-consider if recording the related resolutions on property deeds is the appropriate vehicle for providing notice to all interested parties, including present property owners, potential future property owners, and the public of the existence of ELWM fees.



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## RECOMMENDATIONS

1. Staff recommends the Utilities Commission affirm its past actions and resolutions related to the ELWM fees policy and the core fees associated with past projects.
2. Staff recommends the Utilities Commission (1) maintain the level of fees associated with these two projects, (2) continue to waive any interest effective from the date of the projects thru July 1, 2023, and (3) consider possibly switching the inflation index to the one the City of Shakopee employs for its sanitary sewer lateral area charges, which is the Construction Cost Index published by the Engineering News Record. This is also the index adopted by the Utilities Commission for annually adjusting the Water Capacity Charge and the Trunk Water Charge. Staff ran a comparison of the present index and the proposed index and there would have been a smaller increase over the past 17 years since the CR 79 project was constructed. Note: there is no guarantee that would continue to be true in the future though to staff it seems likely.
3. Staff recommends the Utilities Commission consider adopting a practice like the City of Shakopee wherein ELWM fees, once established for each project, would be listed and updated by the chosen inflation index on an annual list or schedule of fees without recording future related resolutions on individual properties. While the existing resolutions cannot be “un-recorded” perhaps a new resolution or document could be added directing interested parties to the most recent SPU (ELWM) fee schedule?

## REQUESTED ACTION

Staff requests the Utilities Commission provide direction on each of the above recommendations.



March 17, 2015

Michael J. Bawek  
2400 Jennifer Lane  
Shakopee, MN 55379

RE: Jennifer Lane Extension of Sanitary Sewer & Water  
PID: 27-135001-0

Dear Mr. Bawek:

This letter is to let you know the City's decision on the extension of Jennifer Lane and the extension of Sanitary Sewer and Water.

Attached is a Council memo on the concept of a lateral sewer connection charge and paying for the local street cost of Jennifer Lane. Other attachments in the memo include the following:

1. Preliminary Lateral Sewer Charge for extension of Jennifer Lane sewer.
2. Map of the lateral sewer connection charge area
3. Jennifer Lane concept drawing as prepared by the County
4. Draft Ordinance to add a lateral sanitary sewer connection charge for Jennifer Lane sewer extension

By moving forward with a lateral connection charge, the City is fronting the cost and getting reimbursed upon connection to the sewer system. In other words, there are no assessments on the property. The City also would not require any connection to the sewer system unless requested by the property owner. Usually this request would come from a future developer and development.

City staff has also been in communication with Shakopee Public Utilities (SPU) staff on a lateral water connection charge. SPU staff has indicated they will bring this item to an April 6, 2015 SPU Commission meeting. Again this charge, if approved, would not apply until a connection is made and usually associated with development.

Finally, on the local street cost of Jennifer Lane, the City voted to pay this cost with City funds as the connection provides for improved safety and emergency management access to Wood Duck Trail and Lakeview Circle residents. This cost would not be assessed but paid out of Capital Improvement Funds.

Please review this letter and attachments and let me know if you have any questions on the lateral sewer and water connection charges or the City's contribution for Jennifer Lane.

Sincerely,

Bruce Loney, P.E.  
Public Works Director/City Engineer

H:\Eng\2014Projects\CR 17-JenniferLane\_Letter\_JenniferLaneExtensionofSewer&Water

COMMUNITY PRIDE SINCE 1857

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## County Road 79 ELWM Fee - Interest Rate Calculations

The following tables show the initial principal and compounding interest for different hypothetical inflationary rate scenarios.

Hillwood Estates ELWM Fee Original Principle = \$54,511.80

Date	US Treas LT Rate (5.07%)	ELWM Fee Amount
Aug 2006		\$ 54,511.80
Jan 2007	5.07%	\$ 57,275.55
Jan 2008	5.07%	\$ 60,179.42
Jan 2009	5.07%	\$ 63,230.52
Jan 2010	5.07%	\$ 66,436.30
Jan 2011	5.07%	\$ 69,804.62
Jan 2012	5.07%	\$ 73,343.72
Jan 2013	5.07%	\$ 77,062.24
Jan 2014	5.07%	\$ 80,969.30
Jan 2015	5.07%	\$ 85,074.44
Jan 2016	5.07%	\$ 89,387.72
Jan 2017	5.07%	\$ 93,919.67
Jan 2018	5.07%	\$ 98,681.40
Jan 2019	5.07%	\$ 103,684.55
Jan 2020	5.07%	\$ 108,941.36
Jan 2021	5.07%	\$ 114,464.68
Jan 2022	5.07%	\$ 120,268.04
Jan 2023	5.07%	\$ 126,365.63

Date	US Treas LT Rate (3.92%)	ELWM Fee Amount
May 2006		\$ 54,511.80
Jan 2007	3.92%	\$ 56,648.66
Jan 2008	3.92%	\$ 58,869.29
Jan 2009	3.92%	\$ 61,176.97
Jan 2010	3.92%	\$ 63,575.10
Jan 2011	3.92%	\$ 66,067.25
Jan 2012	3.92%	\$ 68,657.08
Jan 2013	3.92%	\$ 71,348.44
Jan 2014	3.92%	\$ 74,145.30
Jan 2015	3.92%	\$ 77,051.80
Jan 2016	3.92%	\$ 80,072.23
Jan 2017	3.92%	\$ 83,211.06
Jan 2018	3.92%	\$ 86,472.93
Jan 2019	3.92%	\$ 89,862.67
Jan 2020	3.92%	\$ 93,385.29
Jan 2021	3.92%	\$ 97,045.99
Jan 2022	3.92%	\$ 100,850.19
Jan 2023	3.92%	\$ 104,803.52

Date	ENR CCI Rate	ELWM Fee Amount
May 2006		\$ 54,511.80
Jan 2007	2.55%	\$ 55,900.86
Jan 2008	5.71%	\$ 59,093.61
Jan 2009	1.05%	\$ 59,715.58
Jan 2010	3.60%	\$ 61,864.81
Jan 2011	2.46%	\$ 63,385.17
Jan 2012	2.62%	\$ 65,043.75
Jan 2013	2.72%	\$ 66,812.89
Jan 2014	2.77%	\$ 68,664.97
Jan 2015	2.00%	\$ 70,040.20
Jan 2016	3.91%	\$ 72,776.85
Jan 2017	3.25%	\$ 75,140.31
Jan 2018	2.88%	\$ 77,303.37
Jan 2019	1.74%	\$ 78,650.96
Jan 2020	2.15%	\$ 80,344.09
Jan 2021	7.35%	\$ 86,252.76
Jan 2022	5.56%	\$ 91,048.80
Jan 2023	3.00%	\$ 93,780.27





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April 10, 2023

TO: Greg Drent, General Manager *GD*  
FROM: Brad Carlson, Electric Superintendent *BJC*  
Subject: Reliability and Outage Report

---

#### Background

American Public Power Association (APPA) recently honored 209 public power utilities with a “certificate of excellence” for reliable performance, as shown by comparing their outage records against nationwide data gathered by the Energy Information Administration.

The utilities that were recognized by the Association have been keeping track of their reliability data via the Association’s web-based subscription service, called eReliability tracker, which lets utilities collect, categorize, and summarize their outage information. Subscribing utilities use the eReliability Tracker Service to store their outages and restoration data and run reports throughout the year. At the end of the year, the Association benchmarks their data against national statistics from EIA, which is a branch of the Department of Energy.

Utilities that placed in the top quartile of reliability nationwide, as measured against the EIA’s data on System Average Interruption Duration Index, or SAIDI, received the certificate of excellence, the EIA information comes from the agency’s annual surveys of electric power utilities via EIA 861.

#### SPU System Overview

I am pleased that SPU has achieved the certificate of excellence in reliability in 2017, 2018, 2019, 2020, 2021, and 2022. We work hard to make sure the downtime to our customers is minimal. We have a very aggressive tree trimming policy and this is a substantial reason storm related damage is usually minimal. We also require a 30-minute response time on all after-hours outages. Our linemen take pride in the installation and maintenance of our electric system and it shows in our reliability numbers.

We use eReliability to track outages and use the software for benchmarking to proactivity maintain the electric system. We are able to use the data on our system to identify our worst performing circuits. These circuits get additional attention to address the problems. We were able to identify the issues that squirrels were causing on our system so we are currently adding pole wrap, and additional conductor covering to address the problem areas. We were also able to put a pole inspection program in place to find all rotten poles on our system and replace them before they cause an outage.

It is an honor for the utility to get this award six years in a row. We address any problems on our system to continue our success. We will make every effort possible to achieve this award in the future.

SPU will be posing about CERTIFICATE OF EXCELLENCE IN RELIABILITY from APPA.





**SPU**

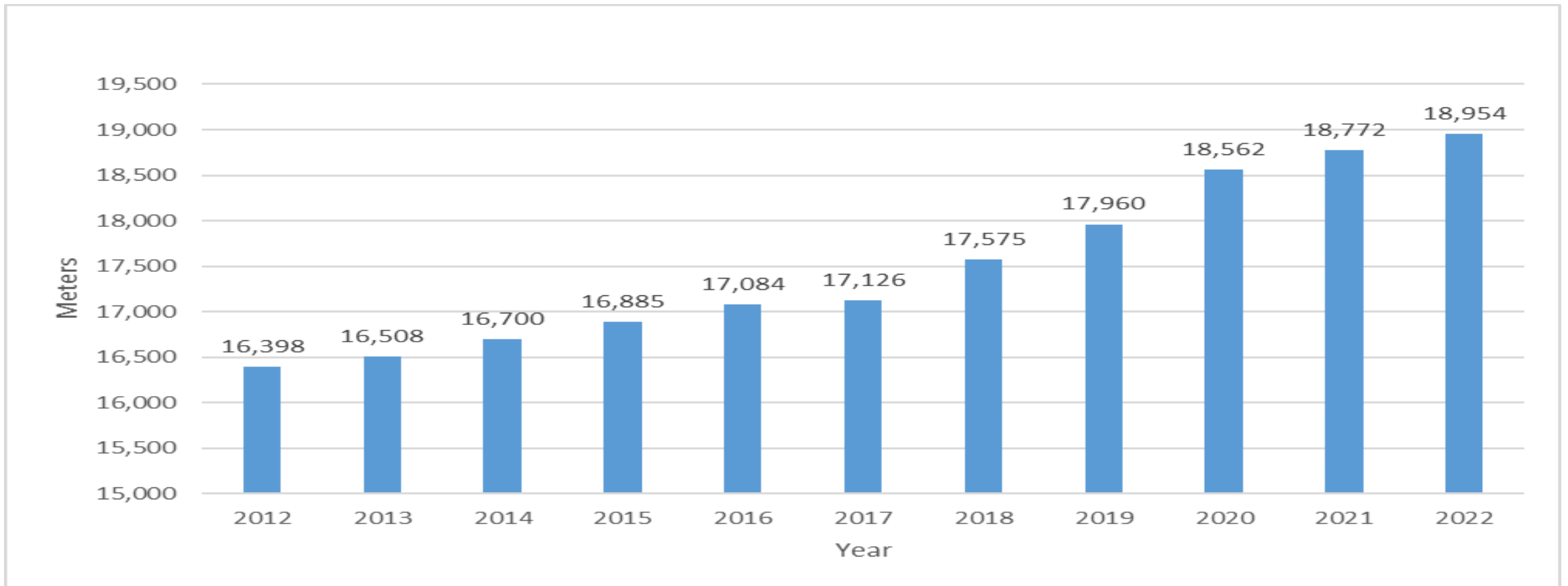
**Shakopee Public Utilities**

**2023**

**ELECTRIC RELIABILITY AND  
OUTAGE REPORT**

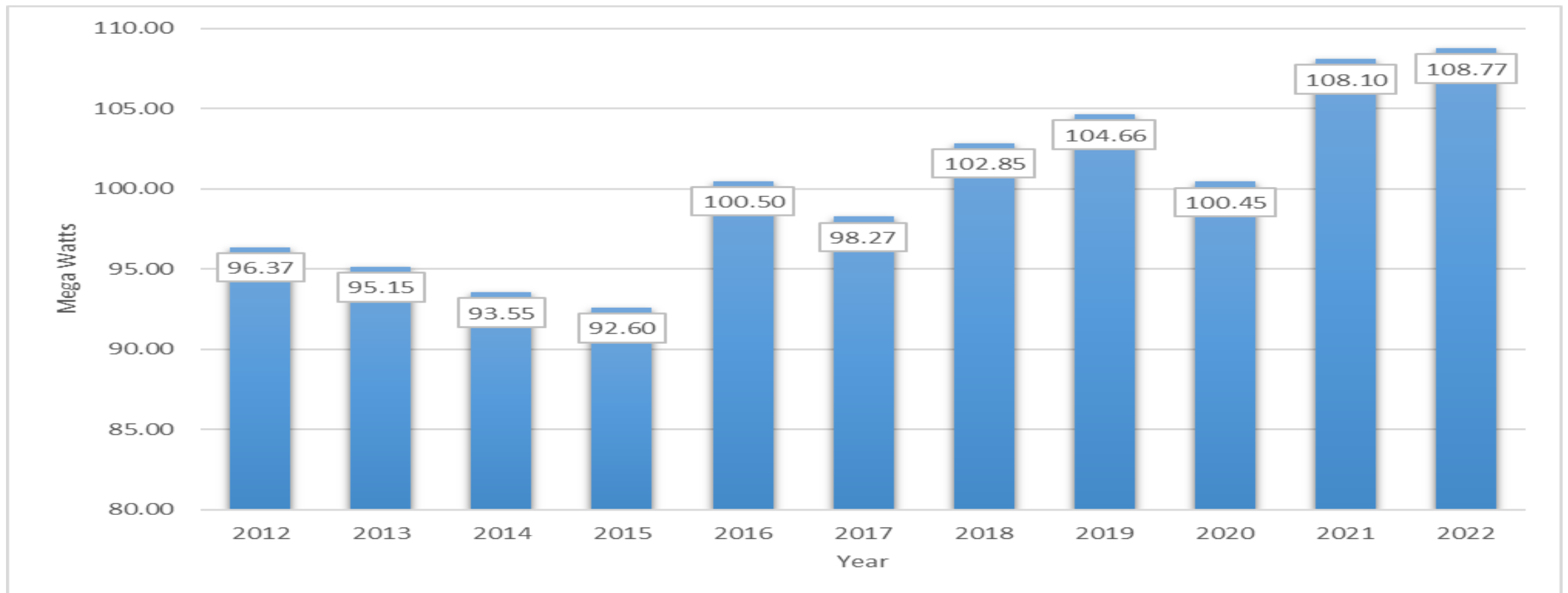
# Electric Meters

Shakopee Utilities 2022 customer's number reached 18,954 electric meters. SPU has had continued growth in electric meters as shown in the graph below.



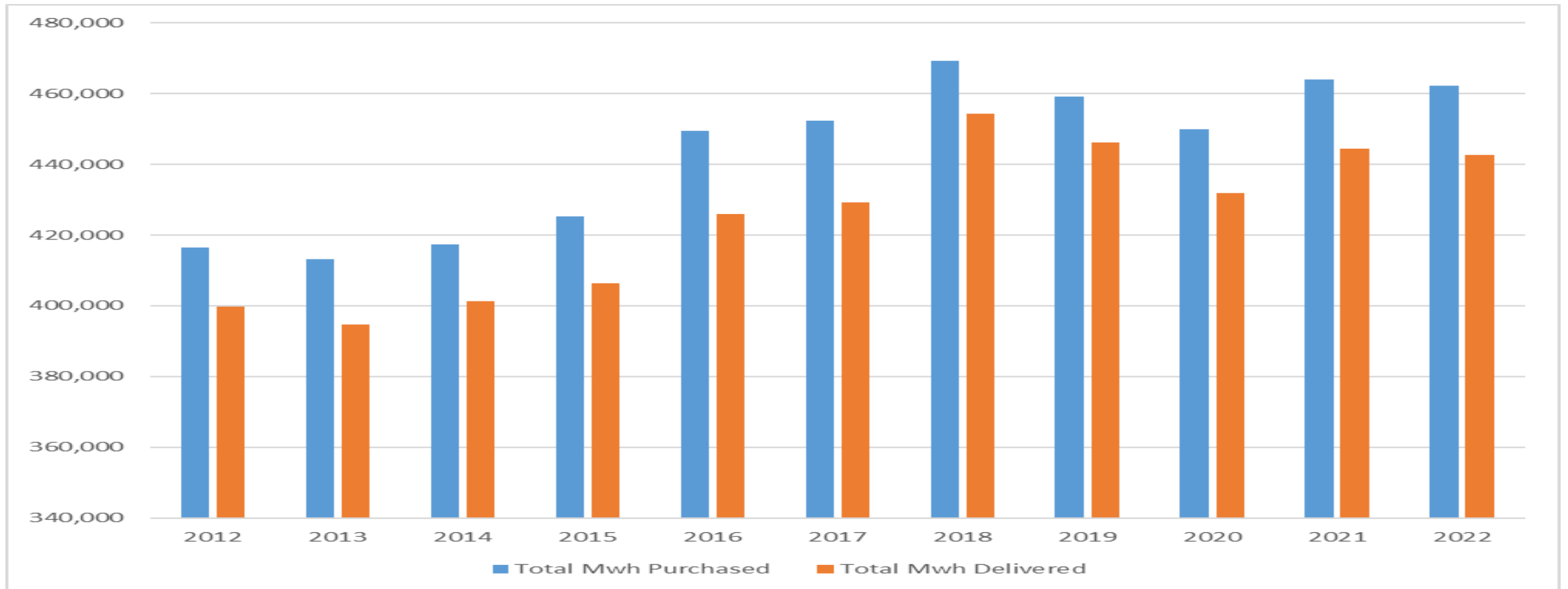
# Coincidental Peak System Demand

Shakopee Public Utilities 2022 15 – minute Coincidental Peak Electric System Demand was 108.77 Mega Watts.



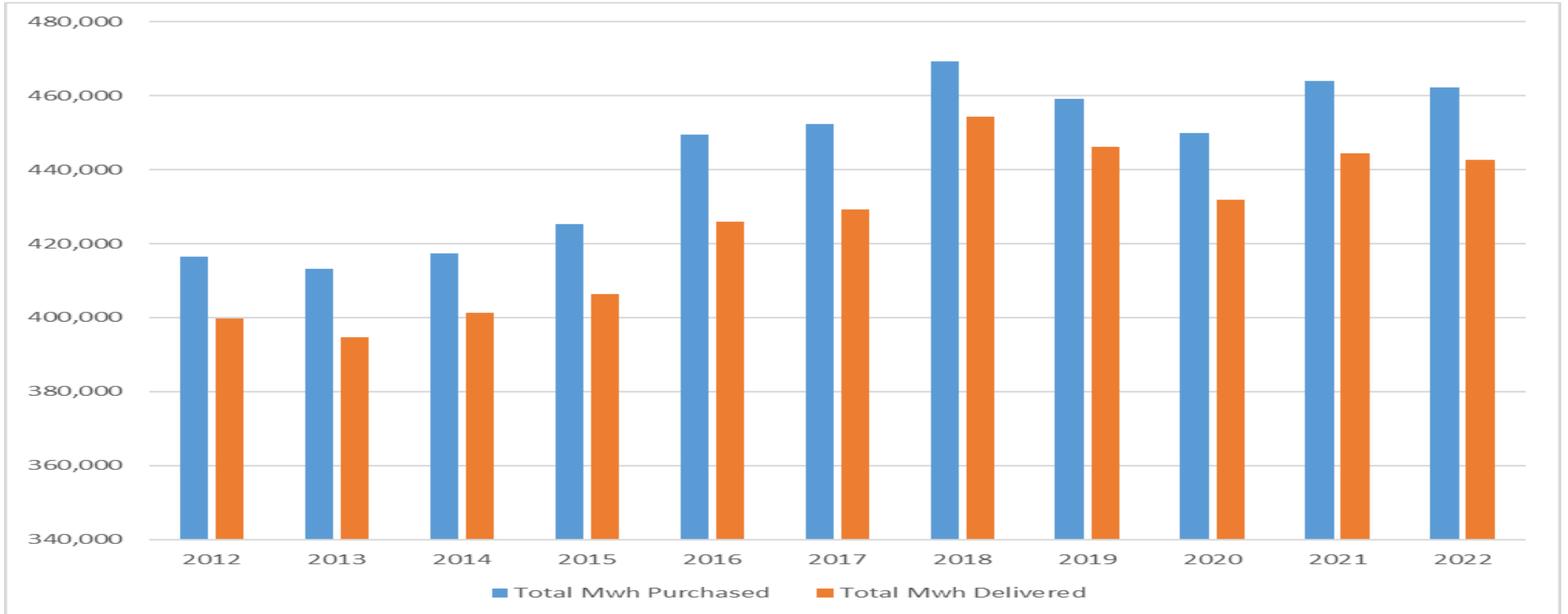
# Mega Watt Hour Purchased and Delivered

SPU purchased 462,160 MWh and sold 442,672 MWh of electricity during 2022.



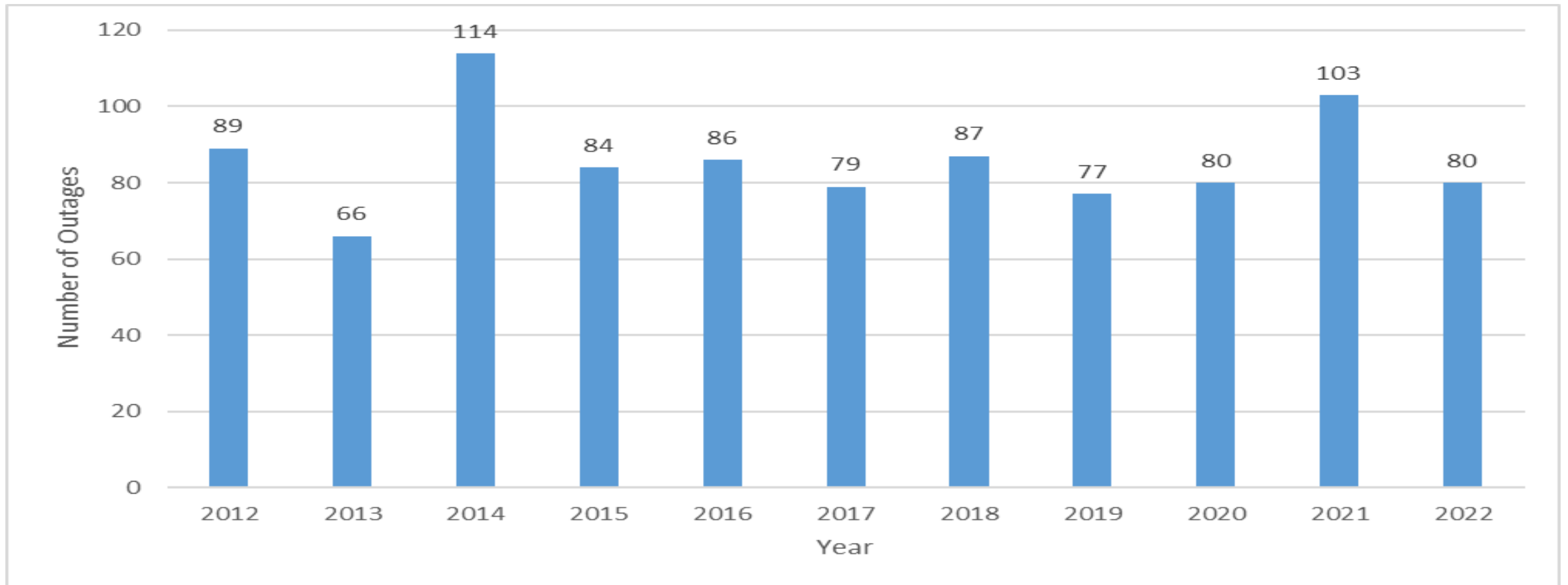
# Unaccounted for KWH (Line Loss)

SPU did not account for 15,987,516 kWh of power during 2022, which was the same as 2021.

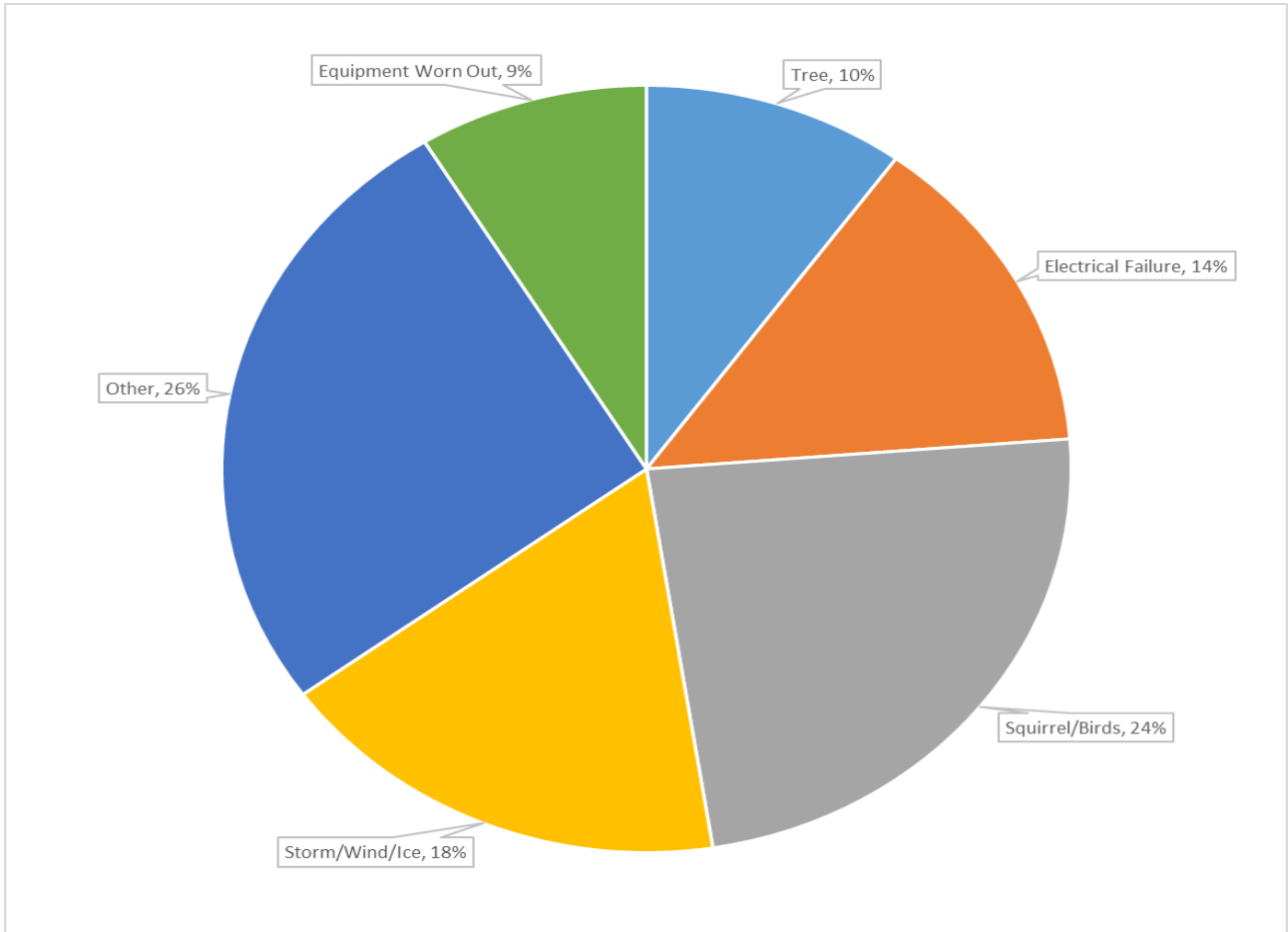


# Outages on SPU Electric System

SPU has recorded outages for over a 25 – year period. During 2022, SPU Crews responded to 80 outages on the electric distribution system.



# Outage Causes





# SAIFI

## System Average Interruption Frequency Index

---

*The average number of sustained outages that a customer would experience in a year.*

**SAIFI = Total Number of Customer Interruptions (>5 minutes)**

**Total Number of Customers Served**

**SPU 2022 SAIFI 0.47**

# SAIDI

## System Average Interruption During Index

---

*The average amount of time a customer on the utility's system spent without power during the year.*

**SAIDI = Number of Customer-Minutes Interrupted (>5 minutes)**

**Total Number of Customers Served**

**SPU 2022 SAIDI 19.57 minutes**

# CAIDI

## Customer Average Interruption During Index

---

*The average amount of time a customer can expect to be without power when they lose power.*

CAIDI = Number of Customer-Minutes Interrupted (>5 minutes)

SPU 2022 CAIDI 41.24  
minutes

# ASAI

## Average Service Availability Index

---

*Represents the fraction of time that a customer has received power during the year 2022.*

$$\text{ASAI} = \frac{\text{Customer Hours Service Availability}}{\text{Number of Customers X (No. of hours/year)}}$$

Number of Customers  
X (No. of hours/year)

SPU 2022 ASAI 99.995



# CERTIFICATE OF EXCELLENCE IN RELIABILITY

---

*This is to acknowledge that*

## **Shakopee Public Utilities**

*has significantly exceeded the 5-year average for all U.S. electric utilities\*  
for reliable electric service. The utility participates in the American Public Power  
Association's e-Reliability Tracker service to track its power outages  
and restoration against national benchmarks..*

\*As reported by the Energy Information Administration

APRIL 5, 2023

  
Paul Zummo  
Director, Research & Development



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**SHAKOPEE PUBLIC UTILITIES  
 MEMORANDUM**

TO: Greg Drent, General Manager *GD*

FROM: Joseph D. Adams, Planning & Engineering Director *J Adams*

SUBJECT: 2023 Three-phase Transformer Bid Award

DATE: June 1, 2023

**ISSUE**

SPU staff opened bids on May 15, 2023, for the purchase of multiple three-phase transformers of varying capacity for new construction projects planned and projected for 2023 and 2024. The total of all bid items is equal to \$2,107,930, with projected deliveries in 2023 totaling \$1,030,430 and \$1,077,500 in 2024.

**BACKGROUND**

There are several projects planned this year that will require installation of three-phase transformers. The projects include various apartment buildings and commercial/industrial developments. Also, some additional transformers are needed to replenish our supply of spares for potential failures or load growth at existing customers.

**DISCUSSION**

Attached are the bid results as tabulated by SPU Purchasing Specialist Gabe Reiter. Bids requests were advertised on April 29 and May 6. Further, bids were directly solicited from five known manufacturers' distributors on May 1. Only two bid packages were received as noted on the attached bid tabulation.

Uniformly across all capacities the apparent low responsive bids for all items are from Resco-Ermco. As can be seen the other bid items from Irby-Howard Industries were uniformly higher by a range of 40% to over 100% greater. The limited number of bids received, and pricing is an



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indicator that post pandemic material and labor shortages continue to exist affecting realistic equipment deliveries and costs.

The large disparity in prices between the two bids received is in part attributable to both available manufacturing slots and the use of upgraded silicon steel by Irby-Howard. Silicon steel transformer cores are proven to reduce losses; however, our evaluation uses the industry standard calculation to take purchase price, cost of energy and losses into account to determine Total Evaluated Cost (TEC) and a comparable cost difference remains in place on all bid items.

The five-year 2023-27 CIP budget for single and three-phase transformers is \$1,205,000 for 2023 and is \$900,000 for each of the four years from 2024-2027 for a combined total of \$4,805,000. We have already received, or purchase orders have been issued for delivery of single and three-phase transformers in 2023 in the combined amount of \$1,579,421. Which exceeds the budgeted amount for the current year alone by \$374,420. With purchase approval of the subject transformers the 2023 cost will exceed budget by \$1,404,850 and will exceed the 2024 budget by an additional \$177,500 plus any potential additional needs not yet identified.

Due to longer lead times and scarcity of labor and materials costs have greatly escalated above historical levels and our 2024-2028 CIP will have to adjust to the new reality of transformer pricing. It is worth noting that when transformers are installed there is a customer contribution in aid of construction aka SPU's Underground Electric Distribution Charge that recovers 75% of the installed transformer and other underground materials costs. That contribution rate is not factored in when purchasing transformers however as they are immediately put into inventory and depreciation begins per FERC accounting guidelines.

#### REQUESTED ACTION

Staff recommends and requests the Commission by motion award the 2023 three-phase transformers identified on the attached bid results tabulation to Resco-Ermco in the quantities listed for each of the items for a total bid award of \$2,107,930.

2023 REMAINING TRANSFORMERS TO PURCHASE (at 25%)	2024 REMAINING TRANSFORMERS TO PURCHASE (at 25%)
\$394,855.13	\$19,452.50

2023 BUDGETED IN CIP	2024 BUDGETED IN CIP
\$1,205,000	\$900,000

2023 REMAINING BUDGET FOR XFMRS	2024 REMAINING BUDGET FOR XFMRS
\$810,145	\$880,548

2023 3PH FORMAL BID COSTS	2024 3PH FORMAL BID COSTS
\$1,030,430.02	\$1,077,499.99

3 Phase Transformer Formal Bid Evaluations					
Transformer Specifications <i>(drop down tab)</i>	45 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
Transformer Distributer <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
Purchase Cost	\$16,953.33	\$23,900.00	NO QUOTE	NO QUOTE	NO QUOTE
TEC=	\$20,796.10	\$28,320.43			
Lead Time (weeks)	52	52			
Quantity	5	5			
Order Total Unit Price (less tax)	\$84,766.65	\$119,500.00			



<b>Transformer Specifications</b> <i>(drop down tab)</i>	75 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	\$17,355.00	\$27,100.00	NO QUOTE	NO QUOTE	NO QUOTE
<b>TEC=</b>	\$23,092.70	\$33,907.32			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	3	3			
<b>Order Total Unit Price (less tax)</b>	\$52,065.00	\$81,300.00			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	112.5 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	\$20,413.33	\$30,100.00	NO QUOTE	NO QUOTE	NO QUOTE
<b>TEC=</b>	\$27,997.15	\$40,455.86			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	2	2			
<b>Order Total Unit Price (less tax)</b>	\$40,826.66	\$60,200.00			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	150 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	\$20,805.00	\$40,300.00	NO QUOTE	NO QUOTE	NO QUOTE
<b>TEC=</b>	\$30,960.27	\$52,512.78			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	5	5			
<b>Order Total Unit Price (less tax)</b>	\$104,025.00	\$201,500.00			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	75 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	\$17,080.00	\$27,100.00	NO QUOTE	NO QUOTE	NO QUOTE
<b>TEC=</b>	\$22,655.62	\$33,822.61			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	3	3			
<b>Order Total Unit Price (less tax)</b>	\$51,240.00	\$81,300.00			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	112.5 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$20,290.00</b>	<b>\$29,550.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$27,433.65	\$39,145.87			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	2	2			
<b>Order Total Unit Price (less tax)</b>	<b>\$40,580.00</b>	<b>\$59,100.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	150 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$21,863.33</b>	<b>\$40,050.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$30,693.38	\$51,771.45			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	2	2			
<b>Order Total Unit Price (less tax)</b>	<b>\$43,726.66</b>	<b>\$80,100.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	225 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$24,761.67</b>	<b>\$52,700.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$38,599.12	\$68,621.29			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	4	4			
<b>Order Total Unit Price (less tax)</b>	<b>\$99,046.68</b>	<b>\$210,800.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	300 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$29,678.33</b>	<b>\$58,500.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$47,617.39	\$78,726.96			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	7	7			
<b>Order Total Unit Price (less tax)</b>	<b>\$207,748.31</b>	<b>\$409,500.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	500 KVA, 3-phase, PAD mount, LOW secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 240/120V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$34,776.67</b>	<b>\$69,300.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$64,263.79	\$101,320.44			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	7	7			
<b>Order Total Unit Price (less tax)</b>	<b>\$243,436.69</b>	<b>\$485,100.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	225 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$25,133.33</b>	<b>\$49,100.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$37,734.61	\$64,645.34			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	3	3			
<b>Order Total Unit Price (less tax)</b>	<b>\$75,399.99</b>	<b>\$147,300.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	300 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$28,223.33</b>	<b>\$44,950.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$43,973.72	\$64,818.52			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	1	1			
<b>Order Total Unit Price (less tax)</b>	<b>\$28,223.33</b>	<b>\$44,950.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	500 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$33,321.67</b>	<b>\$59,800.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$57,710.85	\$91,554.78			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	1	1			
<b>Order Total Unit Price (less tax)</b>	<b>\$33,321.67</b>	<b>\$59,800.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	750 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	\$47,456.67	\$82,600.00	NO QUOTE	NO QUOTE	NO QUOTE
<b>TEC=</b>	\$83,330.69	\$125,061.26			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	7	7			
<b>Order Total Unit Price (less tax)</b>	\$332,196.69	\$578,200.00			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	1000 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	\$51,926.67	\$104,600.00	NO QUOTE	NO QUOTE	NO QUOTE
<b>TEC=</b>	\$100,219.03	\$160,886.91			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	4	4			
<b>Order Total Unit Price (less tax)</b>	\$207,706.68	\$418,400.00			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	1500 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$62,166.67</b>	<b>\$144,900.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$135,151.00	\$224,265.02			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	3	3			
<b>Order Total Unit Price (less tax)</b>	<b>\$186,500.01</b>	<b>\$434,700.00</b>			

<b>Transformer Specifications</b> <i>(drop down tab)</i>	2500 KVA, 3-phase, PAD mount, HIGH secondary, 12470 GRDY/7200 x 13800 GRDY/7970, 480/277V				
<b>Transformer Distributer</b> <i>(drop down tab)</i>	Resco - Ermco (Dual Voltage)	Irby - Howard Industries (Silicon Dual Voltage)	B&B Transformer	Wesco - Hitachi	Border States - Eaton Cooper Power
<b>Purchase Cost</b>	<b>\$92,373.33</b>	<b>\$228,800.00</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>	<b>NO QUOTE</b>
<b>TEC=</b>	\$197,824.98	\$346,290.31			
<b>Lead Time (weeks)</b>	52	52			
<b>Quantity</b>	3	3			
<b>Order Total Unit Price (less tax)</b>	<b>\$277,119.99</b>	<b>\$686,400.00</b>			