



# Shakopee Public Utilities 2022 YEAR IN REVIEW



## 2022 REVIEW



## MESSAGE FROM GREG DRENT



**With another year behind us, it is gratifying to take a moment to reflect on the utility's accomplishments, acknowledging both the successes and the challenges.**

The greatest tests facing all utilities in 2022 were supply chain issues and increased wholesale power costs. Long lead times and material shortages, as well as increasing logistics costs, impacted our business model. Annual operational purchases became multi-year plans with lead times on items, such as transformers and meters, exceeding 50-60 weeks. Increased costs for materials and labor affected budgets with inflation reaching 6.5%, and our purchased power costs increased with natural gas prices hitting a 14-year high nationwide. While we saw some of the highest PCA's (power cost adjustments) in 2022 we are happy to see that trend leveling for 2023.

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We started in January and never took our foot off the accelerator.

**GREG DRENT, GENERAL MANAGER**

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Putting challenges aside, 2022 was a year of execution. We started in January and never took our foot off the accelerator. Nearly all projects had our customers at the core, focusing on service benefits.

In the pages to follow you'll learn more about our migration to a new billing and financial software platform, the expansion of our service territory and further development of our future water and electric infrastructure needs.

As always, I'm proud to lead this team and serve this community. Read on to learn more about what your local utility has been doing behind the scenes, in addition to those you were able to see and experience firsthand.

Sincerely,

Greg Drent  
General Manager

# ANNEXATION: TERRITORY REALIGNMENT



**As part of the ongoing annexation of Jackson Township by the City of Shakopee, SPU and MVEC entered into a service territory acquisition agreement. Both utilities reached a mutually agreed upon territory transition that involved the east and west ends of SPU's service territory.**

SPU acquired approximately 500 residential and commercial accounts in Jackson Township, as well as accounts within Shakopee city limits that were existing SPU water-only customers. In turn, MVEC acquired approximately 770 customers in Prior Lake where MVEC is already the electric service provider. The transition creates an improved service territory alignment as the borders of Shakopee expand west and south, and Prior Lake customers are now predominantly served by MVEC.

The necessary infrastructure adjustments and transition of accounts occurred over a period of six months and were completed in November 2022. A great working relationship between MVEC and SPU made this possible. This was close to a revenue-neutral transition that provides SPU with the opportunity for future growth in the acquired area.

Service territory realignments do not happen frequently. This was only the second acquisition in SPU history. The last annexation was a portion of Eagle Creek Township in 1992.

A warm welcome to our new Jackson Township customers!

## SMART METERS. SMART DATA.



**SPU's Advanced Metering Infrastructure (AMI) project officially kicked off in 2022.**

Approved in 2021, but strategically delayed to follow the implementation of a new finance and customer billing system, this project will be the single most customer-impactful effort SPU has undertaken. AMI will allow two-way communications with our meters and will provide customer usage data down to 15-minute increments.

With the assistance of commission-approved consultant, Katama Technologies, Inc., staff defined the project scope and an RFP was posted in May 2022. Following an assessment of seven vendor responses and presentations by the top two candidates, a decision was made to partner with Border States (a MN-based company) for the implementation and installation of these smart meters.

Follow us on Facebook and our website: [ShakopeeUtilities.com](https://www.ShakopeeUtilities.com) to learn more about this project in the months to follow. Deployment of meters and infrastructure to begin in early 2024.



## SPU AND ISD #720 – A D.E.R. PARTNERSHIP



**In addition to being an electric and water utilities provider, SPU can be a great resource for ‘out of the box’ utility solutions. Dr. Redmond, Superintendent of Shakopee Public Schools, can attest to this as we partnered with him and his staff on a Distributed Energy Resource (DER) project that resulted in thousands of dollars in savings.**

Greg Drent, GM, contacted Dr. Redmond to discuss the district’s plans for solar installations on two of their schools – Sweeney Elementary and Middle School East. Having experience with both DER systems and state grants, SPU offered to assist the district with their electric usage data analysis for payback purposes and the grant application process. By reaching out to Dr. Redmond early in the school’s planning phase and participating in the analysis, SPU was able to present an alternative solution that provided the district with a reduced out of pocket expense and a shortened return on investment period.

That alternative solution included the two schools purchasing their own solar systems versus leasing them, and by working with a local electrician, the school district saved approximately \$160,000 between the two projects. SPU provided guidance navigating the grant process with the government, serving as a point of contact to streamline the process and help the schools secure the grants that were critical to the project. To further support our community’s future, SPU provided a \$2,000 solar rebate to each school. We believe this partnership benefits all in our community for years to come.



*Sweeney Elementary at 1001 Adams St S, Shakopee, MN, United States, Minnesota*

# GOING WITH THE FLOW

## DROUGHT

**In 2022, which was the second consecutive year of significant drought conditions, keeping the flow going was an important task facing SPU's water department.**

According to the MN Department of Natural Resources, "the period from June through October ended 11.52 inches short for the Twin Cities, marking the area's largest five-month deficit on record, when comparing historical precipitation to what would have been 'normal' for the time." Beyond regular seasonal watering restrictions, SPU did not need to take any further conservation measures. During the peak summer months, the average monthly pumping was 8.4 million gallons per day, which is 42% of capacity. With our looping system, we were able to effectively ensure fire safety levels, never dropping below this threshold. We are fortunate to have rich aquifers supplying our water system.

## TANK #8 AND WELL #23

**To aid in fire safety protection, Tank #8 was constructed and filled in 2022. Our newest well, Well #23 was also drilled last year.**

Both are located in the second high pressure zone south of Shakopee between Marystown Road and Old Brick Yard Road. Tank #8 relieves the need to pump all water from the booster station; however, the booster station remains as an optional backup if or when needed. Having Well #23 located on the same site was part of the master plan when the land was secured, purchasing enough acreage for future well needs.

## KEEPING YOUR DRINKING WATER SAFE FROM CONTAMINANTS

**In 2022, SPU introduced a Backflow Prevention and Cross-Connection policy.**

This policy supports the MN State Plumbers code but is expanded to cover all irrigation systems regardless of age\* and is just one measure in the fight to keep contaminants out of our drinking water. The goal last year was to communicate the policy and the importance of backflow assembly testing among our residential customers. This annual testing identifies any faulty assemblies and reduces the possibility of contaminants being syphoned (backflowing) into the water supply system. Commercial testing has been performed for years.

## POISED FOR POTENTIAL WATER TREATMENT NEEDS

**The most recent report of SPU's drinking water is the 2022 Consumer Confidence Report, which can be found at [ShakopeeUtilities.com](https://www.shakopeeutilities.com).**

This report is produced by the MN Department of Health, in conjunction with data from the U.S. Environmental Protection Agency (EPA). SPU's water was tested for more than 100 contaminants with no reported violations. We currently treat with fluoride and chlorine. While our drinking water is safe today SPU is taking pro-active measures to be ready should that change. For this reason, SPU began land searches in 2022 for future water treatment facilities (see page 8).

*\*Minnesota plumbing code indicates 2016 or newer.*

## GREAT EXPECTATIONS: MEETING CUSTOMER NEEDS



**To further accommodate our customers' schedules and provide an alternative for quick interactions, SPU added a drive-up service window and 24/7 drop box to the SPU Service Center in 2022.**

This drive-up window supports the extended service hours implemented in 2021. Providing longer service hours Mon-Thurs was influenced by customer activity and patterns. Having access to staff earlier in the day and later in the afternoon – including hours until 6:00 p.m. on Wednesdays at the drive-up window – make it easier for customers to reach us.

Also added was a 24/7 drop box that ensures payments or documents are deposited directly into a secured area within the service center, replacing a stand-alone drop box with limited capacity. Making deposits directly into the building is a security improvement and addresses any space concerns.

## ONLINE COMMUNICATIONS

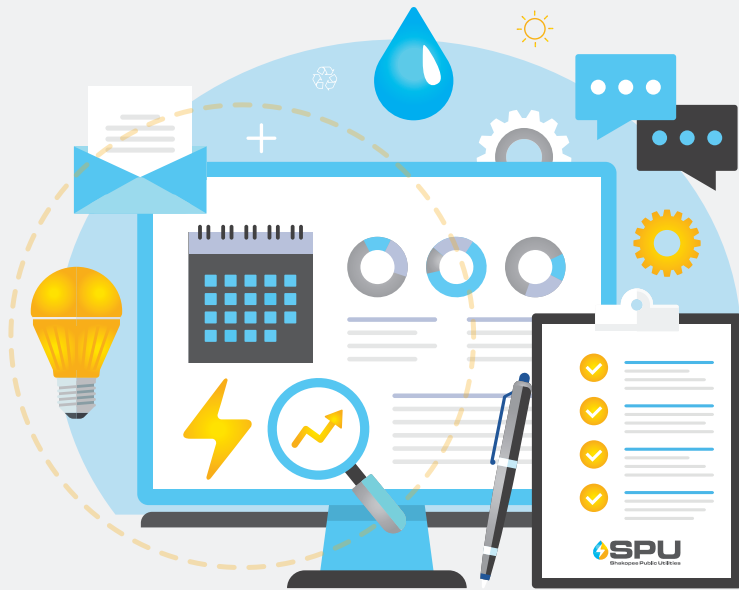
**In keeping with the preferred method of communications by our customers, we have migrated to the use of social media and an updated website to share time sensitive and relevant information. While these sites are not new for SPU we are using them with much more regularity and in place of written communications where possible.**

Please follow SPU on our Facebook page to get updates in a quick manner or to learn about current topics. We often post on Facebook and link to more detail on our website, ShakopeeUtilities.com. In the event of a power outage or water emergency, a Facebook post will be made and a banner will be displayed at the top of our website home page. This tells customers we are aware of the issue and are working on it – much more effective than taking phone calls where our incoming lines can be overloaded, blocking calls from getting through to us.

There are still certain scenarios in which state statute requires us to utilize U.S. Mail for customer communications. An example of this would be written notification of disconnection. Until the statute is modified to allow electronic communications, first class letters will remain the mode of communication to our customers. If you receive a letter from SPU please do not disregard it without opening and reading the contents – it will most likely contain information you'll want to know about.



# TECHNOLOGY ENHANCEMENTS



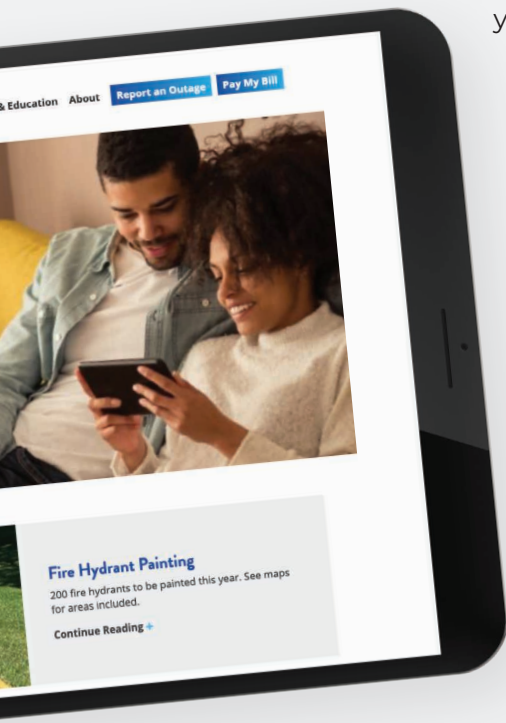
**In 2022, our Commission approved the implementation of a new Billing and Finance software system. After a comprehensive search that involved getting input directly from other utility users the decision was made to move forward with NISC.**

The transition involved an extensive amount of research, documentation and training to ensure all aspects and requirements of our existing customer billing, employee data, accounting, and financials were completely understood and accounted for.

Staff successfully implemented the financial portion of this new system in Q4 2022, automating many tasks and reducing the excessive amount of paper audit trails previously required. Accuracy was also improved, and processes were streamlined. On the heels of the finance system implementation, Kelley Willemsen, Director of Finance and Administration, and her staff continued to make progress on the CIS (Customer Information System) side of things, preparing for an early 2023 implementation.

On the heels of NISC, we kicked-off our AMI (Advanced Metering Infrastructure) project (see page 2). The combination of the two new systems will offer our customers far greater information about usage patterns and peak-usage periods. We may know you have a leaky toilet before you do! Or, that someone left the space heater on in the garage overnight.

It is changes like these that allow SPU to continue to keep up with our fast-growing territory – utilizing the benefits of technology to accomplish more while maintaining staff levels. This in turn helps keep SPU rates incredibly competitive amidst rising costs across the board.





# COMMUNITY FORWARD



**Having a presence – and being active – in the community we serve is important to SPU employees.**

While most of us live in this community, all of us are proud to support it and enjoy contributing beyond our daily jobs of providing electricity and water. It's what SPU everyday represents. Being here every day, doing everyday things. It's the focus behind what we do – making it easier for our customers to live their lives – you guessed it – everyday!

From participating in the Adopt-A-Park to hosting tours to attending and sponsoring local events, we love interacting with our customers and getting the chance to know you better. We had an active year in the community last year and we appreciate the honor given to us by the Chamber of Shakopee as a **2022 Community Award** recipient. Onward and upward as we plan for 2023!





## GRID STABILITY – A HOT TOPIC



**What is grid stability and why should you care?  
Grid stability is supply and demand.**

The goal is to keep the same voltage and frequency values on the entire network, responding to demand spikes and valleys. When voltage, frequency and demand get out of sync the grid can become unstable. The impact can lead to equipment damage or worse – prolonged outages.

There are many factors that affect grid stability. Extreme weather conditions, increased individual electricity use (i.e., electronic devices), electric vehicle charging, distributed energy resources (i.e., solar systems), transmission constraints, and renewable energy requirements all contribute to the challenges facing utilities. SPU has taken steps to prepare for these challenges and be one step ahead of them. In 2022, SPU was positioned to respond to MISO if there was a need to load shed\* to avoid larger and longer outages. In the best interest of our customers, we met with legislators regarding changes affecting the utilities. And, we researched opportunities for grant funding through the IIJA (Infrastructure Investment and Jobs Act, now referred as the Bipartisan Infrastructure Deal) for system upgrades and enhancements to improve grid stability.

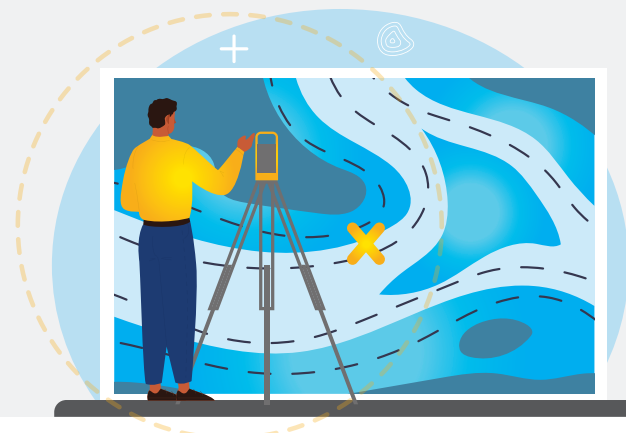
**Go to [ShakopeeUtilities.com](https://www.shakopeeutilities.com) to learn more about MISO and load shedding – under News & Education.**

## SITE SEARCHES AND LAND ACQUISITIONS

**The continued growth of Shakopee means increased demand on the power supply and infrastructure. Thus, Joe Adams, Planning and Engineering Director, was busy performing site searches and making land acquisitions in 2022. Finding barren land in strategic locations, where land is at a premium, can be a challenge – one that will only become more difficult and costly as time goes on.**

A 2.5 acre parcel was located for the future site of our East Shakopee Substation. This substation will relieve our dependency on Xcel's Blue Lake Substation and will support future growth on the east side. Like our West Shakopee Substation site, this land parcel is an ideal solution in an industrial-zoned area adjacent to transmission lines, south of Hansen Avenue and Maras Street. A purchase agreement was signed in 2022.

A search for a water treatment site began in 2022 (see pg 4). Two strategically desirable parcels of land were identified due to their close proximity to existing wells. The first parcel is at 3650 Eagle Creek Blvd and the second adjacent parcel is between 3690 Eagle Creek Blvd and 17th Ave. The combination of these two sites will provide the area needed for a treatment center and required drainage ponding. SPU worked with the City of Shakopee in our search considering surrounding areas and land use possibilities. Directly across from our Dean Lake Substation, this location will keep utility infrastructures close together without infringing on premium retail or residential developments. Negotiations began in 2022 and continued into 2023.



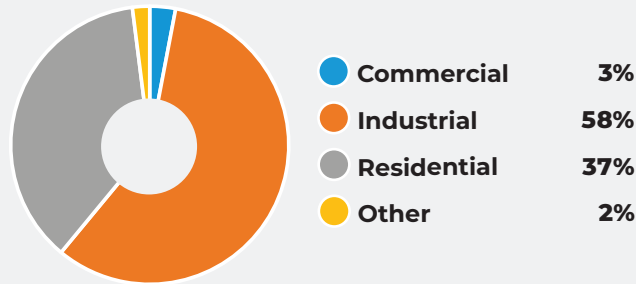
*\*Intermittently and temporarily interrupt the delivery of electricity to customers.*

# 2022 OPERATING REVENUES BY CLASS

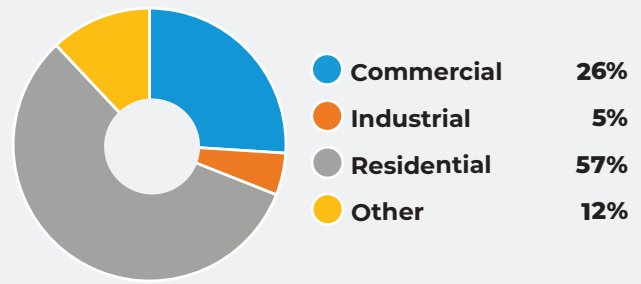
**\$65.5 Million Total Utility Operating Revenue**



## ELECTRIC



## WATER



### ELECTRIC

	2022	2021
<b>Total Assets</b>	\$ 107.9 Million	\$ 103.4 Million
<b>Revenue</b>	\$ 58.9 Million	\$ 52.8 Million
<b>Operating Expenses</b>	\$ 53.1 Million	\$ 46.6 Million
<b>Operating Income</b>	\$ 5.8 Million	\$ 6.2 Million

### WATER

	2022	2021
<b>Total Assets</b>	\$ 99.4 Million	\$ 89.3 Million
<b>Revenue</b>	\$ 6.6 Million	\$ 6.6 Million
<b>Operating Expenses</b>	\$ 5.8 Million	\$ 5.5 Million
<b>Operating Income</b>	\$ 872 Thousand	\$ 1.1 Million

## ELECTRIC KEY TRENDS

**+**  
**\$4.5M**  
Electric Utility's total assets increase in 2022

**⚡**  
**\$6.1M**  
(+11.7%)  
Electric operating revenues increase due to higher than average PCA revenue (due to increased purchased power costs per kWh), and an increase in monthly service and demand fee revenue

**+**  
**\$6.5M**  
(+13.9%)  
Electric Utility's operating expense increase due to increases in purchased power costs

**⚡**  
**\$42.9M**  
(+12.9%)  
Purchased power is the single largest expense item in the electric system operating budget and it increased 18.8% in 2022

**↑**  
**\$3.3M**  
Net position increase  
**The electric utility has no bonds outstanding as of December 31, 2022 and the financial position remains strong**

## WATER KEY TRENDS

**+**  
**\$10.1M**  
Water Utility's total assets increase in 2022

**2,006,943**  
THOUSAND GALLONS  
Water gallons pumped in 2022, compared to 2,080,182 thousand gallons in 2021, reflecting a decrease of 3.52%

**💧**  
**\$22.2K**  
(+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

**+**  
**\$297K**  
(+5.4%)  
Water Utility's operating expense increase primarily due to an increase in operation, customer and administrative expenses

**↑**  
**\$8.7M**  
Net position increase

**\$348K**  
Municipal contribution expenses to the City of Shakopee; an increase of \$95K from 2021

**The water utility has no bonds outstanding as of December 31, 2022 and the financial position remains strong**

# THE CURRENT SPU LEADERSHIP TEAM



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# GUIDED BY OUR CURRENT COMMISSION



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# WE ❤️ OUR LINEWORKERS



2022 MMUA Rodeo – Group Winners are L to R: Mike Enright, Tyler O'Brien, Jordan Stocker, Jack Schintz and Tyler Hansen

**Brad Carlson, Electric Superintendent, and his staff of lineworkers made SPU proud this past year. The MMUA Lineworkers Rodeo Team brought home a slew of trophies. The rodeo is a competition based on skill, speed and safety. Congrats to our 2022 team!**

The department's talents were put into action locally as a summer storm hit Shakopee in August. Strong winds downed trees and left a portion of our customers without power in the early morning hours. It was all hands on deck as crews dispersed and tackled the outage, getting all customers service by end of business day.

Taking it on the road, SPU lineworkers assisted hard-hit and overwhelmed communities in Bartow, FL (due to hurricanes) and then Moose Lake, MN (due to heavy snowfall). Assisting other communities through MMUA's Mutual Aid is an example of the commitment of a municipal, power public family.





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*SPU's top priority every day  
is providing exceptional  
services – making your  
everyday a little brighter.*

# Get ahead of seasonal high bills today with budget billing.

**Avoid the spikes in your electric billings due to increased usage and higher purchased power costs during the summer months. And don't forget about increased water usage during this same time. The combination of both may impact your monthly budget.**

Avoid these surprises and enjoy consistent monthly billings. With budget billing, your annual usage will be averaged and evenly distributed over the next twelve months. (To be eligible you must have a minimum of 12 months usage.)

Enroll for budget billing in SmartHub – SPU's online account management tool. Pair Budget Billing with Auto Pay (also found in SmartHub) and focus on your summer fun!



**Sign up for budget  
billing and auto pay here!**



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952.445.1988



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



**Visit:**  
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