



MESSAGE FROM GREG DRENT

My focus as General Manager has always been improving the services we provide our customers and positioning our utilities for the future. Over the last two years we have worked diligently on this focus.

This included launching a customer-centric billing system (SmartHub) in February of 2023, on the heels of a new finance system in 2022. Following the implementation of SmartHub, we initiated a meter exchange project in 2024, upgrading all water and electric meters in our service territory with enhanced technology and two-way communications. This was a large undertaking that touched all customers, and I want to thank all of you for your cooperation. We greatly appreciated your time and patience as we executed this important work to help modernize our system and improve your service.

These new meters will provide several long-term benefits, including:

- More accurate billing with real-time usage data
- Faster electric service restoration during outages
- Earlier water leak or high usage alerts
- Improved safety and convenience with fewer onsite visits



We continually improve the services we provide our customers and position our utilities for the future.

GREG DRENT, GENERAL MANAGER

This upgrade was a significant part of our ongoing commitment to provide safe, reliable and responsive utility service. In addition to the meter upgrade, our Backflow Prevention and Cross Contamination Policy continued to be highlighted and enforced for the safety of all SPU water customers. We also worked on identifying and developing plans for future land and infrastructure needs we are foreseeing.

Please take a moment to read through the valuable information provided in this publication and be sure to visit ShakopeeUtilities.com for the most up to date information and utility projects important to you. Follow us on Facebook as well.

Thank you once again for the opportunity to serve this community.

Sincerely,

Greg Drent
General Manager

SMARTHUB

IF YOU HAVEN'T ALREADY ENROLLED IN SMARTHUB DO SO TODAY! GO PAPERLESS.

In February 2023, a new billing system was launched along with an online account management tool – SmartHub.

SmartHub offers an account portal for billing, usage and payment information. Both current and historical data can be retrieved with one log-in. Once enrolled in SmartHub, utility billing statements can be viewed online.

Further enhance your experience by entering your payment information online. Credit/debit card information can be securely stored with scheduled payment dates that work best for you in conjunction with the statement due date.

Banking information can also be added for autopay payments without the risk of credit card late fees or managing expired card information. Set it up once and forget it!

Additional features of the new billing system include more modern, easy-to-read statements with a messaging area, and improved management of account deposits. Deposits can now be added to your new utility account instead of prepaying.

Credit cards can be taken online and at the SPU Service Center – with no fees. To prevent credit card fraud and ensure your data is secure, our credit card handling is PCI compliant. We will never take your card from you or enter your credit card information for you. You handle all aspects of your credit card from entering the information online or inserting the card at the service center.

With so much information online there's no reason for a paper statement.

Skip the wait and the postal system– and help reduce printing and mailing expenses. Paperless billing statements are available in SmartHub within 24 hours of being produced. Add your contact information and we'll send you an email, text or phone call to let you know when it's available.

Behind the scenes staff can more easily and efficiently process applications, requests for data and research customer inquiries.

Combine this billing system with our new advanced metering infrastructure (AMI) system and there is more utility account information available to you than ever before.





TECHNICALLY SPEAKING ...

SECURITY RISK ASSESSMENTS COMPLETED

One of the first priorities for Philip Dubbe, SPU's new IT Director, was to gain an understanding of SPU's security environment and solicit an outside view. Working with FRSecure, we were able to identify areas that needed attention and patching to reduce vulnerabilities. Employees were tested with mock phishing scenarios to create greater awareness for potentially dangerous emails. A password manager system was also implemented. These assessments will occur yearly to ensure SPU is improving its security posture.

Our physical security was also reviewed. Key card access to our internal drive-up office and a video intercom system for our will call entrance were added.

NEW RADIO PARTNERSHIP

SPU entered into an agreement with Scott County to utilize the same radio system as the County and City for emergency services. The new system provides a secure bandwidth critical to emergency situations (providing SPU better access / service to local emergency services) and is not impacted by cell towers going down. SPU employees were trained by Scott County's Director of Emergency Management and 911 Communications, Sheriff Scott Haas.

In this partnership, Scott County was granted a network-critical antenna placement (for system coverage) on Water Tower #3, rent free. In turn, SPU was given access to the Jordan Public Works Data Center as a disaster recovery site and supplied radios at no cost to SPU.

GASB 96 – while this is an accounting term, it relates to subscription-based information technology arrangements for government entities. Our IT and Finance departments worked together to review all software agreements, ending subscriptions no longer needed, managing expiration dates, eliminating redundant subscriptions and determining best practices – ensuring all subscriptions are recognized and liabilities are reported correctly in financial statements.

GIS Moves to IT – Formerly supported by Engineering, GIS (Geographic Information System) Services was moved to IT where a new enterprise system was rolled out with improved workflow designs. This move allows GIS needs to be more broadly supported across SPU departments. The state of MN requires all utility equipment to be geo-spatially located by 2026.

Fiber – To replace an aging radio system, we are building fiber connections to our pumphouses and substations. Fiber provides more stable communications, and also provides more secure access with the ability to connect from the SPU service center. The goal is to be completely fiber one day.

FORWARD THINKING.

NEW DRINKING WATER STANDARDS SET



On April 10, 2024, under the Biden-Harris Administration, the EPA announced new drinking water standards for PFAS (perfluoroalkyl and polyfluoroalkyl substances)*

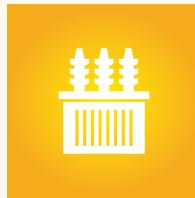
detection. This is the first-ever national, legally enforceable standard for PFAS and the first additional contaminant added since 1996. Public water system purveyors are given three years to complete the initial monitoring of these chemicals. If levels are found above standards, utilities must implement solutions within two (2) years of the findings. SPU water tests meet standards based on a three-year average.

Due to the tight two-year solution requirement, we began preparing for possible future needs under these new drinking water standards. Land searches began for the building of a water treatment plant and / or additional well sites, if needed, after our Commission approved a hybrid approach to water treatment. Two sites were identified as areas of interest due to their location and the ability to connect to water mains with the least amount of disruption to streets or cost to bring raw water to the plant and treated water back out. Both sites are located adjacent to Co Rd 83 on the east side of Shakopee, south of Hwy 169. Negotiations are underway with no site selection finalized at the time of this publication.

The 2024 Consumer Confidence Report (Drinking Water Report) is available on the home page at www.ShakopeeUtilities.com.

** PFAS are a group of man-made chemicals used for water / oil repellency and heat resistance in a variety of products with widespread use. They are difficult to breakdown in the environment and are often referred to as “forever chemicals”. They can be found in our soil, water and food, and have been linked to various health concerns.*

WEST SHAKOPEE SUBSTATION COMES ONLINE



The construction of this substation began in late 2022, the transformer was delivered in 2023 and the substation came online in 2024 after awaiting

transmission interconnectivity.

It is a great location for Shakopee's expansion on the west side. This substation is located near the intersection of Old Brickyard Road and Hwy 169, in the SW corner. With one 28,000 kVA transformer, the site can service 5,000 residential customers. The substation has room for the addition of another transformer, and its proximity to the nearby transmission lines makes the land surrounding the substation appealing for large users. Over the last two years, SPU has been in talks with several large users. We've not been selected but we have been a finalist!

EAST SHAKOPEE SUBSTATION LAND ACQUISITION



The purchase of 2.8 acres south of Hansen Ave and Maras Street was completed in December 2023.

This location will support the heavy industrial load on the east

side of Shakopee and will position SPU for exit from the Xcel Blue Lake Substation giving us more flexibility and control over our distribution system.

Work was started with the City of Shakopee on site development in 2024.



AMI METER EXCHANGE

AMI (ADVANCED METERING INFRASTRUCTURE

The AMI (advanced metering infrastructure) meter exchange program is one of the single largest projects SPU has undertaken.

The unique aspect of this project is that we could not have done it without your assistance.

We appreciate the time and consideration our customers granted us in accessing our metering equipment. While laborious and grand in scale, the benefits of this new system are impactful.

The new metering technology addresses increasing customer expectations for information and answers to questions we could not previously provide with a single monthly read.

Many installed meters were nearing the end of their life cycle, as was our manual reading equipment, making this the right time for a transition. The handhelds and software used in manual readings were no longer supported. A large investment would have been required for a new manual-read system. Furthermore, three of four staff were nearing the end of their careers with SPU and finding replacements for this demanding work is difficult. Safety is a growing concern for these positions.

With detailed AMI information, our planning department can take a deeper dive into usage patterns and peak demands. This information is insightful for determining how our system is used, and our equipment sizing can be better managed for existing infrastructure and future needs.

Additionally, this system provides for enhanced billing scenarios such as, time of use, seasonal rates or demand / load management programs, to name a few.

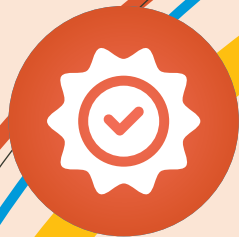
By the time SPU made the decision to move to AMI, smart meter technology was already prevalent.

In 2022, about 119 million smart meters were installed in the U.S. and by the end of 2023 that number was approximately 131 million.

73% of all residential electric meters across the nation were AMI meters at that time.

This widespread installation also made the decision fiscally responsible, as technology costs became more competitive and labor costs continued to rise.





2021

Commission approves AMI project. Katama Technologies, Inc. is selected as project consultant.

2022

Project officially kicks-off following rollout of new billing system. Project scope is defined. Bid package developed and posted. Bids reviewed and top vendors invited to present to staff. SPU Commission awarded Border States Electric the project vendor. An Itron solution was selected – Gen5 Riva electric meters with a mesh system, and a 500W Communication Module with Diehl water meters.

2023

Contract negotiations are finalized with a signed master agreement and statement of work. Itron requirements for meter coding and forms are defined. A pilot test area is determined (customers located in and surrounding Canterbury Park, east to the industrial park). Residential and C&I customers are selected based on electric meter form, as well as a variety of water meter customers based on water meter sizes. Purchase orders are submitted for network, software and metering equipment. NISC (billing system) and Itron integration requirements begin for Meter Data Management and Inventory Management uploads.



2024

With all systems go, installation of new meters begin – water meters in March and electric meters in May.

Our service territory is divided into sections by reading routes.

Routes on the outskirts of our territory are strategically selected first to eliminate the manual readings that take the longest to complete.

We continue to work our way into the central, downtown area, which is the last section to be exchanged.

By the end of 2024, nearly 70% of all water meters and 85% of all electric meters are exchanged.

Third party installers were utilized for both electric and water exchanges.



FINANCIALS

2023/2024 OPERATING REVENUES BY CLASS

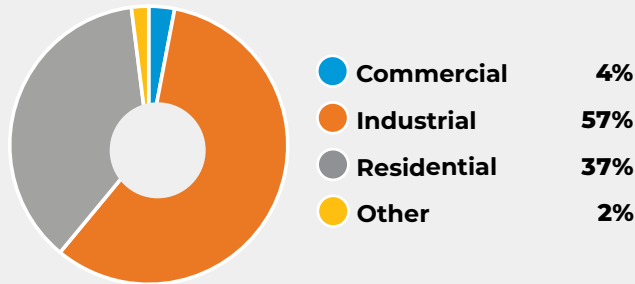
\$65.8 Million Total Utility Operating Revenue

Electric \$58.9 Million

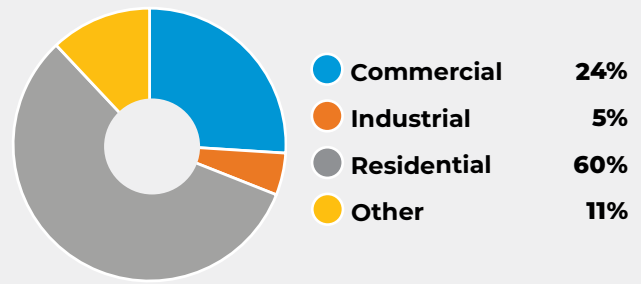
Water \$6.9 Million



ELECTRIC



WATER



ELECTRIC

2024

2023

Total Assets	\$ 122.3 Million	\$ 115.2 Million
Revenue	\$ 58.9 Million	\$ 61.2 Million
Operating Expenses	\$ 51.6 Million	\$ 54.6 Million
Operating Income	\$ 7.2 Million	\$ 6.6 Million

WATER

2024

2023

Total Assets	\$ 123.5 Million	\$ 110.3 Million
Revenue	\$ 6.9 Million	\$ 7.8 Million
Operating Expenses	\$ 7.2 Million	\$ 7.7 Million
Operating Income	\$ (243 Thousand)	\$ 88 Thousand

ELECTRIC KEY TRENDS

+\$7.1M

Electric Utility's total assets increase in 2024.

↓ \$2.39M
(-3.91%)

Decrease in electric operating revenue was driven primarily by lower than average purchase power cost adjustment revenue and a decrease in kWh sales volume. Total kWh sales volume decreased 3.69%.

\$3.5M

Contributions to City of Shakopee in 2024.

↓ \$2.98M
(-5.5%)

Electric operating expenses decrease from 2023, primarily due to a decrease in purchased power costs.

⚡ \$39.5M
(-3.2M)

Purchased power costs totaled \$39.5 Million in 2024, a decrease of \$3.2 Million from 2023. Purchased power costs are the single largest expense item in the electric system operating budget.

↑ \$7.2M

Net Position Increase

The electric utility has no bonds outstanding as of December 31, 2024 and the financial position remains strong.

WATER KEY TRENDS

+\$13.2M

Water Utility's total assets increase in 2024.

1,936,849
THOUSAND GALLONS
Water gallons pumped in 2024, 2,241,251 thousand gallons in 2023, reflecting a decrease of 13.58%.

↓ \$839K
(-10.8%)

The decrease in operating revenues is the result of a decrease in water gallons sold, slightly offset by an increase in water rates in 2024.

↓ \$508K
(-6.6%)

Water Utility's operating expenses decreased in 2023 primarily due to a decrease in distribution and maintenance expenses.

↑ \$14.3M

Net position increase, primarily due to contributed watermain.

\$370K
Contributions to City of Shakopee in 2024.

The water utility has no bonds outstanding as of December 31, 2024 and the financial position remains strong.

WHAT'S BEEN GOING ON?

It's been a very active time for the utilities and our customers. Here are just some of the projects you've seen and heard about over the last two years as Shakopee and our service territory continue to evolve.

BACKFLOW PREVENTION



SPU adopted the Backflow Prevention and Cross Connection Policy in 2022 to help keep your drinking water safe from contaminants that could backflow into the distributed water system from a faulty backflow prevention device.

Many customers have complied with the policy and have been performing annual testing (a sincere thank you to you all!). It wasn't until 2024 that penalties were applied to customers' utility accounts who remained delinquent in annual testing.

We are quickly approaching irrigation season. If you have not done your annual testing for 2025, please do so soon. If you do not plan on using your system, you can request to have your system locked out and this would eliminate the need for testing. Testing is required annually per MN State Plumbing Code and by the SPU Backflow Prevention and Cross Connection Policy.

LEAD SERVICE LINES



The Minnesota Department of Health requires all MN utilities to inventory and report the water service line materials connected to the SPU distributed water system. This is part of a nationwide effort to identify and replace lead pipes that could be a source of lead exposure in drinking water. SPU took the opportunity during our meter exchange program to identify the service line material while in customer homes. Letters were sent to those customers that we identified as having an unknown material as of October 2024. If you received a letter and have not responded, please contact our water department at 952-233-1503.

NEW DEVELOPMENTS / PROJECTS

In the Field

Stagecoach Overhead Relocation
The Emblem
Moraine Addition
Pumphouse #23 (by Tank #8)
Highview Park 1st, 2nd & 3rd Additions
Reliakor 1st Addition
SPU closes on 3650 Eagle Creek Blvd land
Valley Crest
Whispering Waters 2nd Addition
Roundabout at CR 78 & 69

Lions Park / 11th Ave Water Main Recon
Maras Street 1st Addition
Summerland 2nd Addition
Valley Crest 3rd Addition
River Valley Business Park Patch 1st Addition
KWS / Betaseed
River Valley Business Park West End Lower Bluff
Arbor Bluff 1st Addition
Countryside 3rd Addition
Riverside Booster Station

In the Office

Succession Planning Underway
Equivalent Lateral Water Main Fees Adj. with Construction Cost Index
Multi-year Health Plan Agreement Secured
IT Risk Assessment Completed
Vehicles Purchased
Revised Org Chart
Reviewed Investment Performance
County 800 MHz Added on Tower #3
Union Negotiations and Contract
Commissioners Justin Krieg and BJ Letourneau elected President and Vice President, Respectively, for 2023 and 2024
APPA RP3 Award Application Submitted

Cable Bid Awarded
Backflow Testing and Penalty Schedule Established
Implemented Billing, Credit & Collection Policy
Revised Purchasing Contracts Policy
Held Joint Meeting with the City of Shakopee
2024 Comprehensive Water Plan completed by SEH, Inc.
Rate Study Completed by Dave Berg, LLC
Electric Long Range Plan 2024 – Kevin Favero, Leidos
Revised Employee Handbook
Moved to an Insured Cash Sweep Account
Water Connection Fee Study Report
Solar Grid Access Charge was Adopted



EMPLOYEE HIGHLIGHTS

WELCOME!

We are glad to have you as part of the SPU family.

James Dulaney

Commissioner
02/01/2023

Kevin Menden

Water Operator Apprentice
02/21/2023

Ryan Halverson

Engineering Supervisor – Water
02/24/2023

Philip Dubbe

Director of IT and Technical Services
04/12/2023

Preston Coleman

Apprentice Lineworker
5/15/2023

Reid Larson

Purchasing Specialist
07/31/2023

Miko Hernandez

Locates / Meter Technician
09/05/2023

Kjerstin Kerstin

Customer Service & Billing Rep
11/30/2023

Olivia Heim

GIS Administrator
02/05/2024

Mariah Hummel

Customer Service & Billing Rep
04/03/2024

Sydney Lenzmeier

Project Accountant
04/29/2024

Dylan Richards

Apprentice Lineworker
07/29/2024

WAY TO GO!

Hard work, commitment and tenacity pay-off! We want to share the recognition and advancements earned in 2023–2024.

MMUA's Rising Star Award 2024 –
Kelley Willemssen

Promotion – Accountant
Gabe Reiter

Class B Water Operator Certification
Brandon Schwartz

Advancement – Journey Lineworker
Jordan Stocker

Class C Water Operator Certification
Tony Brezina

Advancement – Service Department Lead
Justin Rotert

Promotion – Director of Field Operations
Brad Carlson

Class C Water Operator Certification
Mike Menden

Promotion – Electric Superintendent
Jamie Vonbank

Reliability & Outage Recognition
June 2023 and 2024 (for preceding years)

RP3 – 2023 Diamond Designation
(consistently earned since 2014)

RETIREES

Thank you for your service.

Bob Berndtson

Meter Reader – 2023 – 15 Years

Lisa Valiant

Customer Service & Billing Rep – 2023
– 5 Years

Denise Berens

Customer Service & Billing Rep – 2024
– 12 Years

Greg Triplett

Meter Reader – 2024 – 17 Years

Cindy Nickolay

Meter Reader – 2024 – 14 years

COMMUNITY PROUD

SPU NAMED A 2023 COMMUNITY AWARD WINNER BY THE SHAKOPEE CHAMBER OF COMMERCE



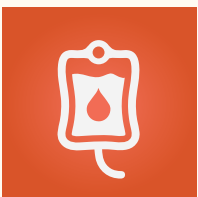
SPU participates in a number of public events organized by the Chamber. Their good works bring our community together, especially our littles, at special festivities throughout the year.

SPU WAS A HEADLINER SPONSOR FOR RHYTHM ON THE RAILS



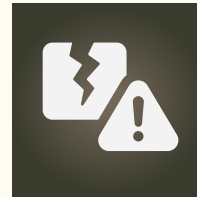
SPU headlined for the first time in 2023. We utilized this event to get our messaging out to thousands of our customers in a unique, cost effective and fun way – remember the beach balls? We had so much fun we did it again in 2024 with messaging on LED glow sticks!

AMERICAN RED CROSS BLOOD DRIVES



SPU continued to organize American Red Cross Blood Drives at our Service Center. In 2023 and 2024 we hosted five (5) drives, with 193 donors and an avg of 31 units per drive. Follow us on Facebook or ShakopeeUtilities.com to learn about upcoming drives.

MUTUAL AID



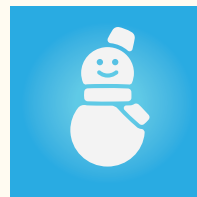
SPU received a national commendation for Mutual Aid work. In 2024, SPU electric line workers traveled to hurricane-struck Florida to assist with power restoration and were nationally recognized by the American Public Power Association.

TOYS FOR TOTS AND GIFTS FOR SENIORS



Each year in November through early December the SPU Service Center is a drop-off site for gifts for children and seniors.

HOLIDAYFEST



SPU was a proud participant of this Shakopee Chamber event. In 2023 and 2024, we had a large inflatable igloo onsite with photo opportunities for families and candy give-aways for the kids.

HOLIDAY FUN



We also participated in both **Spooky Family Fun Day** and **Shak-O-Lantern**. You could find us at the **Egg Hunt and Candy Grab** as well. We view these events as great opportunities to interact with our customers and give back to the community through our support of these local events.



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*SPU's top priority is
providing exceptional
service and customer
convenience.*

*****AUTO**5-digit 00000



JOHN DOE
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CITY, ST 00000-0000

Join More Than 7,000 Customers Who Have Gone Paperless

**Since launching SmartHub, one third of
all SPU customers have discontinued
paper mailings and are taking advantage
of the benefits of online statements.**

- Convenient
- 24/7 Access
- Faster Info
- As Needed
- Easy Setup
- Reduce Clutter
- Secure

With your help we can reduce printing,
paper and mailing costs – and help
the earth. Sign up for paperless billing
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