AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SEPTEMBER 21, 2020

Following the March 13, 2020 Declaration of Peacetime Emergency by Governor Walz (as amended), the Commission is holding its regular meeting on September 21, 2020 at 5:00pm by telephone or other electronic means (WebEx) according to MN Statutes, Section 13D.021. The Commission President has concluded that an in-person meeting is not practical or prudent because of the health pandemic declared under the Emergency Order and according to current guidance from the MN Department of Health and the CDC. The Commission President will be at the regular meeting location for the Commission. The public may monitor the meeting:

Call-In Phone Number 1-408-418-9388
Enter Access Code 126 252 9883
When Prompted for Password, enter #

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street. (DA)

2. **Approval of Minutes**
   2a) September 3, 2020 Special Meeting (JA)
   2b) September 8, 2020 Regular Meeting (JA)

3. **Communications**

4. **Approve the Agenda**

5. **Approval of Consent Business**

6. **Bills: Approve Warrant List**
   6a) September 21, 2020 (KW)

7. **Liaison Report** (JB)

8. **Reports: Water Items**
   8a) Water System Operations Report – Verbal (LS)
C=> 8b) Monthly Dash Board (LS)
   8c) Water Treatment Plan Feasibility Study Revised Proposal (LS)

9. **Reports: Electric Items**
   9a) Electric System Operations Report – Verbal (GD)
   9b) West Shakopee Substation Site Purchase Agreement (JA)
   9c) Apprentice Lineman to Journeyman Lineman (GD)

10. **Reports: Human Resources**
    10a) Interim Utilities Manager Contract (DA)

11. **Reports: General**

11a) Policies / Purchasing Policy / Truck Purchases (JA)

11b) Cold Weather Rule and COVID 19 Discussion (SW)

C=> 11c) SPU Financials Posted on Website (SW)

C=> 11d) Monthly Financial Results – August 2020 (KW)

C=> 11e) Dash Board – Metrics (KW)

12. Potential Future Agenda Items (fka New Business)

13. **Tentative Dates for Upcoming Meetings**

- Regular Meeting -- October 5
- Mid Month Meeting -- October 19
- Regular Meeting -- November 2
- Mid Month Meeting -- November 16

14. **Adjourn** to 10/5/20 at the SPUC Service Center, 255 Sarazin Street

MINUTES

OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION
(September 3, 2020 Special Meeting)

1. Call to Order. President Amundson called the Special Meeting of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M. on September 3, 2020.

2. Roll Call. President Amundson, Vice President Mocol, Commissioner Brennan, Commissioner Fox, and Commissioner Meyer were present.

3. Approval of Agenda. Motion by Mocol, seconded by Meyer, to approve the agenda as presented. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

4. Update on Audit, Training. Attorney K. Brennan provided an update as to the engagement of AEM to perform the audit concerning excess compensation to the Utilities Manager. She also noted the scheduling of training by the League of Minnesota Cities.

5. Term Sheet for Repayment Plan and Separation Agreement. Attorney K. Brennan reviewed the proposed term sheet for the Repayment Plan and Separation Agreement with Utilities Manager John Crooks. She and Mr. Firth, legal counsel for Mr. Crooks, answered questions from Commissioners about the term sheet. Discussion to arrange signature by all Commissioners by noon on September 4, 2020. Motion by Meyer, seconded by Mocol to approve the Term Sheet for the Repayment Plan and Separation Agreement. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

6. Interim Leadership. Discussion ensued as to interim leadership of Shakopee Public Utilities. President Amundson reported on her discussions with MMUA as to potential interim assistance, including Larry Koshire, retired General Manager for Rochester Public Utilities. Motion by Meyer, seconded by Amundson to contact Mr. Koshire as to potential interim leadership. Ayes: Amundson, Mocol, Fox, Meyer. Nays: Brennan.

7. Adjourn. Motion by Meyer, seconded by Amundson to adjourn to the September 8, 2020 meeting. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

Interim Commission Secretary: Joseph Adams

MINUTES

OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION
September 8, 2020

1. Call to Order. President Amundson called the September 8, 2020 Meeting of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M.

2. Roll Call. President Amundson, Vice President Mocol, Commissioner Brennan, Commissioner Fox, and Commissioner Meyer were present.

3. Approval of Minutes. Motion by Mocol, seconded by Meyer, to approve the minutes from August 13, 2020 and August 17, 2020. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

4. Approval of Agenda. Motion by Mocol, seconded by Fox, to approve the agenda. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

5. Approval of Consent Business. The consent business consisted of items (11c) WCC/TWC Analysis Study – Ehlers; (11e) Quarterly Nitrate Results; (11f) Quarterly Water Projects – Updated Information; (12c) Quarterly Electric Projects – Updated Information; (14c) Wage and Compensation Study – AEM. Motion by Brennan, seconded by Fox, to approve the consent business. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

6. Approval of Warrant List. Commissioner Brennan requested a copy of SPU purchase policies and further information as to the disposal of trucks. Motion by Meyer, seconded by Mocol to approve the warrant list as presented. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

7. Liaison Report. Commissioner Brennan presented the liaison report. She provided an update as to the annexation process involving Jackson Township in 2020 and 2021.

8. Review of Repayment, Release, and Separation Agreement with Utilities Manager John Crooks. Attorney K. Brennan provided an overview of the Repayment, Release, and Separation Agreement that was based on the Term Sheet approved by the Commission at its September 3, 2020 meeting. Mr. Firth, counsel for Mr. Crooks, was present for the discussion. Motion by

Meyer, seconded by Fox to approve the Agreement. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

9. Update on Interim Leadership. President Amundson provided an update as to her discussions with Mr. Koshire. Mr. Koshire has worked with Minnesota Municipal Utilities Association (MMUA) in assisting other communities, and he is interested in assisting SPU. A call is being scheduled with Mr. Koshire and MMUA to discuss the scope of work and compensation, with the goal of presenting an agreement for Commission consideration at the next Commission meeting. President Amundson invited another Commissioner to participate in these discussions. Commissioner Brennan volunteered.

President Amundson requested discussion on appointing an interim Utilities Manager pending an agreement involving Mr. Koshire. Motion by Meyer, seconded by Mocol to appoint Joseph Adams, Planning and Engineering Director, as interim Utilities Manager until an agreement is approved as to Mr. Koshire. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

10. Appointment of SPU Secretary. Discussion ensued as to the appointment of Secretary. In light of the pending discussions as to the scope of services as to Mr. Koshire, the Commission determined to address the temporary appointment of Secretary. Motion by Brennan, seconded by Mocol to appoint Joseph Adams as Secretary, without separate compensation, on a temporary basis pending an arrangement with Mr. Koshire. Ayes: Brennan, Mocol. Nays: Amundson, Fox, Meyer. Motion failed.

The Commission determined to revisit the issue of compensation for the role of Secretary with the benefit of a new Utilities Manager. Motion by Meyer, seconded by Amundson to appoint Joseph Adams as Secretary on a temporary basis pending an agreement relating to the Utilities Manager position. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

11. Water Report. Mr. Adams presented the water report. For the water treatment plant feasibility study proposed by SEH, Commission Brennan requested that additional subjects be addressed, including Jackson Township, safety levels for children and older adults, and community outreach. Staff will seek an updated proposal from SEH and bring it back for Commission review and consideration. Mr. Adams provided an update as to the Water Tower #8 Project.

Mr. Adams presented Resolution #1281 concerning a Water Main Sharing Agreement with Gaughan Companies for River Bluff Addition, Shakopee. Motion by Meyer, seconded by Brennan to approve Resolution #1281. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

12. Electric Report. Mr. Drent, Electric Superintendent, presented the electric report. He described the seven outages since the last Commission meeting.

Mr. Adams provided an informational update as to the land acquisition for the East Shakopee substation. He noted that the property developer rejected the appraisal prepared by Patchin Messner Valuation Counselors on behalf of SPU. The developer is waiting for approval of development plan by the City. It is contemplated that it will then make an offer. Mr. Adams clarified that the appraisal value is consistent on a square foot basis with other valuations of larger parcels.

Mr. Adams presented the Electric Distribution Relocation Construction Agreement with Gaughan Companies. The agreement addresses the removal of electric distribution facilities and the installation of new facilities near Levee Drive and River Bluff Addition to support the project, including the responsibilities and cost sharing provisions. Mr. Adams described the past precedent of this approach by SPU. Motion by Meyer, seconded by Mocol to approve the Agreement. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

13. Communications and Rebranding. Commissioner Brennan requested that policies and financial reports be posted on the website. Ms. Walsh answered questions concerning information currently available on the new SPU website, and items that may be added. Commissioner Meyer suggested adding the audited financial reports to the website.

14. 2021 Budget. Ms. Willemssen presented the proposed schedule for the 2021 budget, including the initial review and the final budget presentation.

15. Adjourn. Motion by Fox, seconded by Mocol, to adjourn to the September 21, 2020 regular meeting. Ayes: Amundson, Mocol, Brennan, Fox, Meyer. Nays: None.

Interim Commission Secretary: Joseph Adams

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

September 21, 2020

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:

56566	Tyler Hanson	1,694.22
56574	Void	-
56575	AEM Financial Solutions, LLC	4,310.00
56576	American Engineering Testing Inc.	2,898.00
56577	Apple Ford of Shakopee	546.82
56578	Arrow Ace Hardware	138.76
56579	Astleford International & Isuzu	1,066.15
56580	Bergerson-Caswell Inc.	45,326.00
56581	Robert Berndtson	221.96
56582	Birds Lawn Care LLC	3,205.00
56583	Border States Electric Supply	48,435.39
56584	Centerpoint Energy	178.51
56585	Choice Electric Inc.	188.72
56586	Choice Underground, LLC	5,120.00
56587	City of Shakopee	237.32
56588	City of Shakopee	1,740.00
56589	Comcast	2.25
56590	Core & Main LP	33,205.68
56591	Deputy Registrar #135	1,332.00
56592	DSI/LSI	238.87
56593	FLYTE HCM LLC	120.00
56594	FS3 Inc	326.37
56595	Further	192.00
56596	Holy Cross Lutheran Church	233.00
56597	Ideal Service Inc.	370.00
56598	Impact Mailing of Minnesota, Inc.	1,079.52
56599	Innovative Office Solutions LLC	1,076.44
56600	Interstate Companies Inc.	7,955.55
56601	Irby - Stuart C Irby Co.	461.71
56602	Lano Equipment Inc.	41.27
56603	Midwest Safety Counselors, Inc.	258.31
56604	Minn Dept. of Commerce	11,126.42
56605	Minn Valley Testing Labs Inc.	399.00
56606	MMPA c/o Avant Energy	3,673,589.62
56607	MMUA	1,545.00
56608	MN Dept of Revenue	303,529.00
56609	Gerry Neville	141.45
56610	Cindy Nickolay	150.08
56611	Northern States Power Co.	5,572.73
56612	Parrott Contracting, Inc.	4,637.00
56613	Pitney Bowes Inc.	1,214.52
56614	Plunket's Pest Control, Inc.	149.25
56615	R.W.Beck Group, Inc.	32,553.00
56616	Short Elliott Hendrickson Inc.	29,385.15
56617	Southwest News Media	1,515.25
56618	Star Energy Services	390.00
56619	Gregory Triplett	133.41
56620	Verizon Wireless	1,263.31
56621	Ziegler Inc.	559.92
	TOTAL	4,230,053.93

Interim Commission Secretary

Commission President

Kelly Williamson

Interim Director of Finance & Administration

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

September 21, 2020

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:

56566	Tyler Hanson	1694.22	direct deposit paycheck reissued thru A/P since he had closed his account and did not let us know in the appropriate time.
56574	Void	0.00	check overlay for Daffron, new signatures
56575	AEM Financial Solutions, LLC	4,310.00	AEM Budgeting Processing
56576	American Engineering Testing Inc.	2,898.00	WO#2259 - Water dept. Water Tank 8 Observation & Testing Services
56577	Apple Ford of Shakopee	546.82	$66.73-Water dept. trk D.H., oil change & inspection; $315.32 Elec.Dept. Trk #627 - new upholstery and repair; $164.77-Elec. Dept. Trk 611 Diesel oil change
56578	Arrow Ace Hardware	138.76	$38.09-Elec. Dept. Cycle oil and Goofoff remover; $73.06 & $27.61-Water dept. washer, bolts, nozzle, cable tie, EMT strap
56579	Astleford International & Isuzu	1,066.15	Elec. Dept. Trk#612 - Blower motor not working
56580	Bergerson-Caswell Inc.	45,326.00	WO#2346 - Well #10 - Submersible well pump #10 maint. Inspection
56581	Robert Berndtson	221.96	Mileage reimbursement
56582	Birds Lawn Care LLC	3,205.00	August Lawn care
56583	Border States Electric Supply	48,435.39	$35,879.59 - Cable/Inventory;$1,431.66-WO#2344- Itron meters Elec.; $11,124.14 - Elec. Dept. Insulating Caps & Elbows
56584	Centerpoint Energy	178.51	Gas usage for 8/7/20-9/9/20 for SPUC & 10th Ave.
56585	Choice Electric Inc.	188.72	Replace4 lamp ballast
56586	Choice Underground, LLC	5,120.00	Install 2" HDPE from transformer to transformer to replace damage line - Presidential Lane
56587	City of Shakopee	237.32	WO#2259-Water dept. - SPUC Water Tower @ 2080 Zumbro Ave./Storm plan review
56588	City of Shakopee	1,740.00	Aug. R.O.W. permits: $757.50-WO#2384, $680.00-GL 594.00 and $302.50-GL 593.00
56589	Comcast	2.25	Cable bill for lunchrooms
56590	Core & Main LP	33,205.68	$30,484.48-WO#2345 Meters; $2,721.20-Inventory
56591	Deputy Registrar #135	1,332.00	Title, Application & Registration for Reel Trailer - WO#2354
56592	DSI/LSI	238.87	Sept. Trash service
56593	FLYTE HCM LLC	120.00	COBRA Billing for July notices (M.B. & R.S.)
56594	FS3 Inc.	326.37	Pulling Grip & Aluminum Eye Sleeve
56595	Further	192.00	Flex dependent reimb.
56596	Holy Cross Lutheran Church	233.00	2020 LED Retrofit
56597	Ideal Service Inc.	370.00	Troubleshoot VFD @ Well #10
56598	Impact Mailing of Minnesota, Inc.	1,079.52	Collection Letters 7/31-8/27/20
56599	Innovative Office Solutions LLC	1,076.44	Office Supplies
56600	Interstate Companies Inc.	7,955.55	PHS #9 Inspection & replace transfer switch
56601	Irby - Stuart C Irby Co.	461.71	groove clamp
56602	Lano Equipment Inc.	41.27	Oil - JIC fitting & Hydraulic hose
56603	Midwest Safety Counselors, Inc.	258.31	Wall mounted cabinet for new Zoll AED for back area/Warehouse
56604	Minn Dept. of Commerce	11,126.42	2nd Qtr. Fiscal Year 2021 Indirect Assessment
56605	Minn Valley Testing Labs Inc.	399.00	Coliform, Nitrate and Nitrite
56606	MMPA c/o Avant Energy	3,673,589.62	Aug. Power bill
56607	MMUA	1,545.00	Overhead school for C.S., M.G., J.V.
56608	MN Dept. of Revenue	303,529.00	August Sales & Use Tax
56609	Gerry Neville	141.45	Mileage reimbursement
56610	Cindy Nickolay	150.08	Mileage reimbursement
56611	Northern States Power Co.	5,572.73	Aug. Power bill
56612	Parrott Contracting, Inc.	4,637.00	Fairhaven repair water main
56613	Pitney Bowes Inc.	1,214.52	Postage head rental 6/30-9/29/20
56614	Plunket's Pest Control, Inc.	149.25	TX for stinging insects - Pump house
56615	R.W.Beck Group, Inc.	32,553.00	$13,725.00 - WO #2377 SPU W.Substation Interconnection Assistance; $18,828.00 WO #2376- Analysis of SPU East Substation Sites
56616	Short Elliott Hendrickson Inc.	29,385.15	Water dept. invoices: WO#2170-$28,625.43-2020 Water main Construction Observation & Admin. Service; WO#2356-$162.76 Hanson Ave. & Stone Meadow; WO#2357-$301.44 Stone Meadow WM Ext.; $295.52 Misc. Eng. Services
56617	Southwest News Media	1,515.25	Aug. Legals/minutes
56618	Star Energy Services	390.00	Move Pole feature class to New SQL Server/Reconcile & Copy - Eng. Dept.
56619	Gregory Triplett	133.41	Mileage reimbursement
56620	Verizon Wireless	1,263.31	Cell phones for all dept.
56621	Ziegler Inc.	559.92	Water dept. Troubleshoot battery charger issues
	TOTAL	4,230,053.93	

Interim Commission Secretary

Commission President

Interim Director of Finance & Administration

Proposed As Consent Item

8b

Monthly Water Dashboard

As of: August 2020

Shakopee Public Utilities Commission

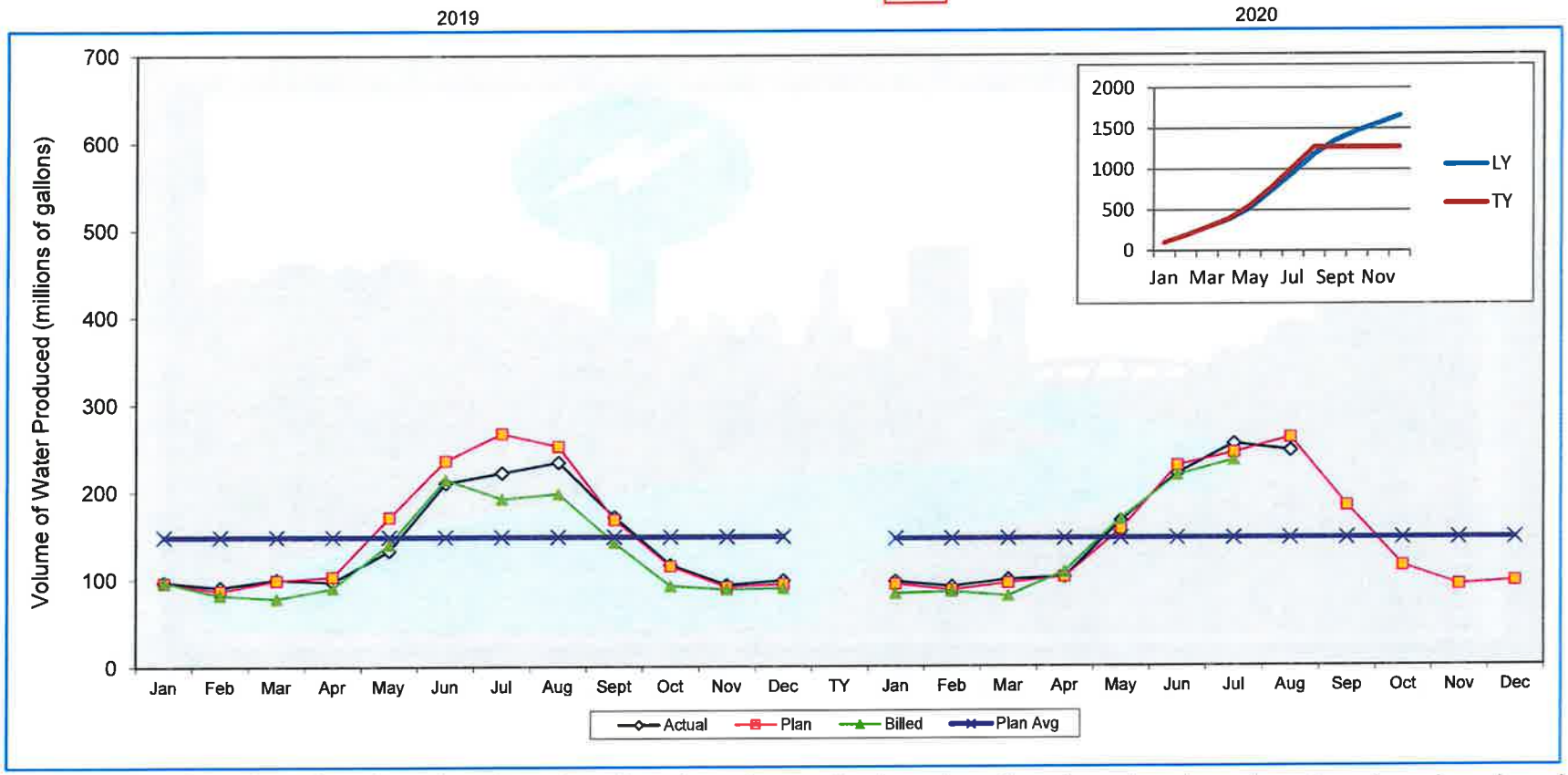
ALL VALUES IN MILLIONS OF GALLONS

Element/Measure Water Pumped/Metered

Last 6 months actuals	99	102	166	220	254	246

Averages

2017	147
2018	153
2019	139



	LY Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TY Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual	97	91	100	97	133	210	222	234	171	116	93	98	97	91	99	102	166	220	254	246				
Plan	96	87	99	103	171	236	267	252	168	115	91	94	94	87	95	102	156	229	244	261	183	114	92	96
YTD % *													103%	104%	104%	103%	104%	102%	102%	101%				
Billed	97	82	78	90	140	214	192	198	142	92	88	89	83	85	80	108	168	218	235					

* Actual gallons pumped vs. Plan

SPU
Shakopee Public Utilities

po box 470 ◦ 255 sarazin street
shakopee, mn 55379
main # 952.445-1988 ◦ fax # 952.445-7767
www.shakopeeutilities.com

TO: Joe Adams, Interim Utilities Manager

FROM: Lon R. Schemel, Water Superintendent

SUBJECT: Water Treatment Plant Feasibility Study Revised Proposal

DATE: September 18, 2020

A revised proposal to the 2001 Water Treatment Plant Feasibility Study has been completed. The attached proposal is the enhanced review of the current water quality and an expanded study of possible future needs for our system.

The proposed cost of the enhanced review is $67,247.00. The previous proposal cost was $29,274.00.

Staff recommends, should the Commission approve the new proposal, changing the name of the proposed study from the Feasibility Study for Municipal Water Treatment to a Comprehensive Evaluation for Municipal Water Treatment. The new study does include a review of the 2001 study.

Supplemental Letter Agreement

In accordance with the Master Agreement for Professional Services between Shakopee Public Utilities ("Client"), and Short Elliott Hendrickson Inc. ("Consultant"), effective May 23, 2016, this Supplemental Letter Agreement dated September 18, 2020 authorizes and describes the scope, schedule, and payment conditions for Consultant's work on the Project described as: Comprehensive Evaluation for Municipal Water Treatment

Client's Authorized Representative: Lon Schemel
Address: 255 Sarazin Street, P.O. Box 470
Shakopee, MN 55379-0470
Telephone: 952.233.1504 **email:** lschemel@shakopeeutilities.com

Client Services Manager: Miles B. Jensen, PE
Address: 3535 Vadnais Center Drive
St. Paul, MN 55110
Telephone: 651.490.2020 **email:** mjensen@sehinc.com

Scope: The Basic Services to be provided by Consultant: As identified in the attached Exhibit No. 1.

Schedule: SEH is prepared to begin work upon receipt of a fully executed copy of this agreement.

Payment: Compensation for this work shall be on an hourly basis as identified in the attached Exhibit No. 1. The payment method, basis, frequency and other special conditions are set forth in attached Exhibit A-2.

Other Terms and Conditions: Other or additional terms contrary to the Master Agreement for Professional Services that apply solely to this project as specifically agreed to by signature of the Parties and set forth herein: None.

Short Elliott Hendrickson Inc.

By: _____
Miles B. Jensen, PE
Title: Principal/Water Market Leader

Shakopee Public Utilities

By: _____
Title: Water Superintendent

Exhibit No. 1

Building a Better World for All of Us®

September 17, 2020

RE: Proposal for Professional Engineering Services
Comprehensive Evaluation for Municipal Water Treatment
Shakopee Public Utilities
Shakopee, MN

Mr. Lon R. Schemel, Water Superintendent Shakopee Public Utilities
255 Sarazin Street, PO Box 470
Shakopee, MN 55379

Dear Mr. Schemel:

The Shakopee Public Utilities Commission is proposing to update its 2001 Water Treatment Plant Feasibility Study with an enhanced review of its approach to municipal water treatment. Acting on your invitation, SEH is pleased to submit this proposal for professional engineering services to prepare a comprehensive evaluation of Shakopee's municipal water treatment program. The following outlines our understanding of the project and our proposed scope of services for assisting Shakopee Public Utilities Commission with this feasibility study endeavor.

PROJECT BACKGROUND

The Shakopee Public Utilities Commission (SPUC) owns and operates the municipal drinking water system that serves the City of Shakopee, which is a community of approximately 42,000 people located in the Northern part of Scott County. Of that population, SPUC serves approximately 39,000 people via an estimated 11,000 metered accounts within the City limits of Shakopee. SPUC provides water to its customers via 196 miles of transmission and distribution water mains ranging in size up to 30 inches in diameter. The water system also consists of the following significant features:

- Sixteen (16) groundwater wells that pump water from the Prairie du Chien-Jordan Sandstone aquifer.
- Two (2) other wells, Wells No. 3 and No. 10 pump from the Mount Simon-Hinckley aquifer, however, Well No. 3 is no longer used and merely serves as an emergency, standby well.
- Combined, the wells have a total supply capacity of 24.4 million gallons a day (MGD) and a reliable supply capacity of 20.3 MGD.
- Four elevated storage tanks with a total storage capacity of 4.25 million gallons (MG).
- Three ground storage tanks with a total storage capacity of 7.0 MG.

The City of Shakopee's location with respect to nearby major urban centers, principal transportation corridors, and available lands makes the community an ideal place for both continued steady residential and commercial growth and development. To stay ahead of the increasing population and its demand for high quality drinking water, SPUC regularly reviews and updates its long range planning documents. Following on the heels of completing its 2019 Comprehensive Water System Plan, SPUC is now proposing to review and update its plan for municipal water treatment.

As stated earlier, Shakopee's municipal drinking water system is primarily supplied with water from the Prairie du Chien-Jordan Sandstone aquifer. The water pumped from this aquifer is generally considered to be of such high quality, with respect to the US Environmental Protection Agency's (EPA's) primary and secondary drinking water standards, that SPUC only operates and maintains fluoridation and chlorination treatment systems for the prevention of tooth decay and residual disinfection throughout the distribution system piping. Nevertheless, because of SPUC's commitment to public health and the provision of abundant high quality water to its customer, SPUC intends to complete a comprehensive evaluation of the water quality and potential treatment needs associated with its municipal water system.

PROJECT SCOPE

At this time, SPUC is proposing to complete a regular review of its approach to municipal water treatment. For this project, the scope will be enhanced to complete a comprehensive review and evaluation of water quality of Shakopee's municipal water system in comparison with standards established by the US EPA and Minnesota Department of Health (MDH). This review will also consider emerging contaminants and offer potential solutions for future treatment should water quality parameters change or regulations expand in scope or become more stringent. Finally, for the purposes of continuity, the proposed project will include a review of the former 2001 Water Treatment Plant Feasibility Study and offer comparisons and updates to reflect what was forecast then but, is known now.

For this project, it is SPUC's plan to use Short Elliot Hendrickson (SEH) to assist with completing this Feasibility Study for Municipal Water Treatment as set forth in the following Scope of Services and the Task descriptions identified therein:

SCOPE OF SERVICES

SEH has divided our scope of services for this Comprehensive Evaluation for Municipal Water Treatment into five basic tasks as listed below.

TASK 1 – PROJECT INITIATION & DATA COLLECTION (mid-September 2020 to mid-October 2020)

In this Task, SEH proposes to initiate the project and begin assembly and review of relevant documents from past studies and evaluations completed by SPUC. In preparation for the kick off of this project with SPUC staff, SEH project team members will complete an initial document review prior to the opening meeting.

1. Document Review:
   a. Review the 2001 Water Treatment Feasibility Study: SEH will have each of its project team members thoroughly review this study to understand the scope of work that was completed at that time.
   b. Review the 2018 Comprehensive Water System Plan.
   c. Review the 2019 Update to the 2018 Comprehensive Water System Plan.
   d. SPUC's most current Wellhead Protection Plan Parts 1 & 2.
   e. Other studies.

2. Hold Kick-off Meeting (Meeting No. 1) as an In-Person with the SPUC staff to:
   a. Kick off the project.
   b. Consensually define the purpose and need for this study. To assist:
      i. Discuss water system and water quality concerns with SPUC staff.
      ii. Discuss current treatment practices at each well source and in the distribution system.
      iii. Review and discuss the most current Consumer Confidence Report (CCR).
      iv. Review and discuss the frequency and scope of SPUC's current water quality testing
      v. Consider events or scenarios where either sudden or gradual degradation of water quality could occur and how they should be addressed.
      vi. Discuss system operation choices that SPUC operators make relative to matters of water quality.
   c. Discuss how best to bring a public involvement element into the project.
   d. Confirm the project scope and schedule.
   e. Hold background discussions regarding the scope and direction from the 2001 Water Treatment Feasibility Study. Discuss the differences between then and now with respect to water quality requirements, customer perception, community development, etc…
   f. Review current and future water demands and expected system expansion that includes:
      i. Wells,
      ii. Storage, and
      iii. Potential sites for municipal water treatment facilities.
   g. Discuss potential future well locations, resulting capacities in each pressure zone, and operational combinations.
   h. Tour the Shakopee water system with SPUC staff.

3. Prepare Memorandum No. 1:
   a. Provide a recap of the kick off meeting discussions relative to project purpose.
   b. Prepare a detailed accounting of the construction parameters (depth, diameter, age, capacity, etc...) and current water quality for each of Shakopee's wells.
   c. Provide a detailed accounting of Shakopee's water usage for the last 10 years and the withdrawal appropriation set forth by the MN DNR for the corresponding 10 years.
   d. Review the existing water quality test data collected by SPUC and identify if additional testing is needed.
   e. Identify the current US EPA regulated primary water quality standards and the secondary (aesthetically-based) standards.
   f. Summarize the current contaminant candidate list (CCL) and unregulated contaminant monitoring rule (UCMR).
   g. Identify those health guidance values published by the MDH and the parameters for which they are established or intended to protect – such as various age groups, etc....
   h. Then make comparisons between Shakopee's current well water quality and the collection of EPA and MDH standards.
   i. Look at trends in the nitrate levels versus how much different wells have been used. Offer suggestions to minimize risk of nitrate levels increasing
   j. Summarize SPUC's current treatment practices at each well source and in the distribution system. Compare these activities to the range of what is normal for municipal water treatment.
   k. Make a comparison for what is provided in the CCR verses data collected in Task 1.
   l. Comment on the frequency and scope of SPUC's current water quality testing practices.
   m. Reflect on the presence of any known contaminants in Shakopee's current and proposed wellfield areas.
   n. Transmit Memorandum No. 1 to SPUC for review and comment.

TASK 2 – WATER QUALITY MODELING **(October 2020 to December 2020)**

In this Task, SEH will compare water quality predictions obtained from the water system model, to that from actual system testing. The purpose of this work will be to calculate the age of the water through Shakopee's distribution system determine the effectiveness of current treatment practices at the extents of the distribution system.
The scope of this Task will include:

1. Obtain general chemical feed dosages applied at each well site.
2. Update the water model to include water quality in the distribution system.
3. Prepare various model scenarios that correspond to SPUC's well matrix of preferred operation.
4. Add in the potential future well locations discussed in Task 1 and prepare scenarios for operating those wells min conjunction with the existing wells.
5. Run the model under minimum day, average day and maximum day demand cycles to generate:
   a. Water age contours, and
   b. Expected water quality information throughout the distribution system.
   c. Use well operation scenarios developed in Items 3 and 4 above.
   d. Create and run one final scenario that uses the least favored water quality wells to determine a "worst case" water quality scenario throughout the system.
6. Hold Meeting No. 2 as an In-Person with the SPUC staff to:
   a. Discuss findings of the various and multiple model runs.
   b. Compare the model run results to water problem areas known by operations staff.
   c. Prepare a plan for operating a known set of wells for a period of time and then coordinate with SPUC to obtain water quality tests at various system extents.
7. Obtain the test results from SPUC and correlate these results to the model.
8. Adjust the model accordingly.
9. Prepare Memorandum No. 2 and transmit to SPUC for review and comment.

TASK 3 – PUBLIC INVOLVEMENT **(October 2020 to April 2021)**

In this Task, SEH will work with SPUC to set up a public involvement process that engages citizens and other potential stakeholders (such as City officials, etc...) in the early stages of the project and encourages their participation throughout. In general, collaborating with the public can allow Utilities, and other governmental agencies, the opportunity to foster shared vision and enjoy higher levels of project appreciation among planners, citizens, and other stakeholders.

SEH has found Public Informational Meetings (PIMs) to be a very effective approach for public education. In an informal setting, with scheduled presentations, residents can attend to learn about the SPUC's considerations for municipal water treatment. The planning process can come to life when the community emerges to share their voices. Now, we also recognize there is no single technique that works for all situations. As a result, for this feasibility study, SEH proposes to use the following methodologies as a guide for the public involvement process for this planning project:

1. Very early in the project, begin with two months of informational mailers in customers' water bills and postings to SPUC's website (and possibly other social media avenues) that SPUC normally uses regarding issues of water quality, water demands and FAQs on municipal water treatment.
2. Then follow these postings with a survey that asks customers to weigh in on issues like:
   a. Current cost of water service (water rates),
   b. Customers' perception of the current quality of water they receive,
   c. Any desire on the customers' part for changes, including municipal water treatment,
   d. Provide information collected from Task 1 that compares Shakopee's current water quality to Regulatory standards, and those related health (and age) based issues.
   e. Offer notes on the differences between simple iron and manganese removal and softening and provide comparative costs of treatment on a 1,000 gallon basis.
   f. Seek input from customers on their interest, or willingness, to pay more for advanced water treatment.
3. Review the information gathered from the survey with SPUC staff at virtual Meeting No. 5 to determine the focus of the next step, the Open House. The agenda for virtual Meeting No. 5 will include initiation of the Task 6 – Cost Estimate work.
4. Midway through this planning project, initiate an Open House to discuss the survey results and share more information on Shakopee's current water quality, SPUCs plan for addressing the potential impacts of emerging contaminants or sudden contaminations, and the scope and associated costs for implementation of municipal water treatment.
5. Review the information gathered from public input with SPUC staff at a virtual Meeting No. 6 meeting and consensually agree on incorporating customer feedback as a guide for the direction and recommendations set forth in the final report of this feasibility study. The agenda for virtual Meeting No. 6 will include initiation of the Task 7 – Feasibility Report work.
6. Finally, go back to the website and social media to demonstrate we heard, understood and value the ideas, concerns and goals of SPUC's customers and thank everyone for their interest and input on water treatment in Shakopee.

TASK 4 – PRELIMINARY ANALYSIS **(December 2020 to January 2021)**

In this Task, SEH will review the filtration and process alternatives and design criteria for further evaluation; identify sizes, capacities and operational features of various water filtration technologies; review backwash water handling options; review layout features in terms of both process (treatment) and non-process features such as architecture and space needs criteria. The scope of this Task will include:

1. Hold Meeting No. 3 as an In-Person with the SPUC staff to:
   a. Review both process and non-process design parameters that are fundamental to the design and layout of water treatment facilities.
   b. Discuss centralized and satellite water treatment facility concepts and how the current and future wells can be connected to form either scenario.
2. Site Locations and Utility Alignments:
   a. Review how treatment facilities can be located in both centralized and satellite configurations.
   b. Determine facility capacities based upon siting and water supply parameters.
   c. Identify utility alignments for facility integration with raw water transmission mains and finished water mains.
   d. Perform hydraulic modeling of the potential water treatment facility locations to determine pipe sizes for the raw and finished water mains.

3. Review process options:
   a. Groundwater treatment:
      i. Pressure and Gravity Systems
      ii. Iron, manganese, radium, nitrate removal.
   b. Softening:
      i. Lime softening
      ii. Ion Exchange
      iii. Electro Dialysis Reversal, and
      iv. Membranes
4. Future Water Quality Issues Requiring Treatment:
   a. Emerging contaminants,
   b. Volatile Organics,
   c. Synthetic Organics
   d. PFCs
5. Space Needs. For this effort, we will address the following considerations:
   a. Office spaces,
   b. Garage spaces,
   c. Shop spaces,
   d. Process and chemical spaces, and
   e. Building code parameters.
6. Architectural Considerations: Establish common building materials for the feasibility study analyses:
   a. Walls: Interior and exterior building materials.
   b. Roofs:
      i. Sloped or Flat
      ii. Metal or Asphalt/Bitumen
7. Prepare Memorandum No. 3 and transmit to SPUC for review and comment.

TASK 5 – CONDUCT TECHNICAL ANALYSES **(January 2021 to February 2021)**

In this Task, SEH proposes to use the information developed in Task 3 to analyze key project elements, create basic layouts for each alternative, incorporate non-process spaces into these layouts and prepare viable site arrangements of the facility components. The scope of this Task will include:

1. Hold (Virtual) Meeting No. 4 with the SPUC staff to:
   a. Review Memorandum No. 3.
   b. Discuss the scope and schedule of this Task 4.
2. Update Memorandum No. 3 following input from SPUC.
3. Major Process Element Sizing:
   a. Filter size and filtration rates,
   b. Backwash rates, and
   c. Backwash water quantities generated.
   d. Clearwell (Finished Water Storage) Sizing
4. Prepare generalized utility maps: Create system maps showing the considered water treatment plant locations and the extent of connecting raw and finished water mains and sanitary sewer.
5. Prepare facility layouts for both centralized and satellite locations.
6. Prepare Memorandum No. 4 and transmit to SPUC for review and comment.

TASK 6 – COST ESTIMATES **(March 2021)**

In this Task, SEH proposes to prepare both capital and 50-year present worth cost analyses for the various treatment facility alternatives considered.

1. Hold (Virtual) Meeting No. 5 with the SPUC staff to:
   a. Review Memorandum No. 4.
   b. Discuss the scope and schedule of this Task 5.
   c. The agenda for virtual Meeting No. 5 will also include a review the information gathered from the Task 3 survey with SPUC staff to determine the focus of the proposed Task 3 Open House.
2. Update Memorandum No. 4 following input from SPUC.
3. Prepare cost estimates for the various treatment facility alternatives considered:
   a. Central and Satellite WTP Options.
   b. Utilities.
4. Prepare Memorandum No. 5 and transmit to SPUC for review and comment.

TASK 7 – FEASIBILITY REPORT **(March 2021 to April 2021)**

In this Task, SEH proposes to combine all Technical Memorandums into a Feasibility Study that complies the analyses and estimates of cost with a summary and recommendations for implementation. As part of this Task, we provide assistance as desired by SPUC staff in presenting the contents of this Study to the Commission responding to any questions or comments that arise. The scope of this Task will include:

1. Hold (Virtual) Meeting No. 6 with the SPUC staff to:
   a. Review Memorandum No. 5.
   b. Discuss the scope and schedule of this Task 6.
   c. The agenda for virtual Meeting No. 6 will also include a review of the customer feedback obtained at the Open House.
2. Update Memorandum No. 5 following input from SPUC.
3. Prepare draft Feasibility Report.
4. Incorporate customer feedback gathered during the Task 3 – Public Involvement process to serve as a guide for the direction and recommendations set forth in the final report of this feasibility study.
5. Transmit the draft feasibility report to SPUC for review and comment.
6. Hold Meeting No. 7 in-person with the SPUC staff to review the draft Feasibility Report.
7. Update the Feasibility Report following input from SPUC.
8. Transmit the Final Feasibility Report to SPUC.

PROJECT DELIVERABLES

The project deliverables, also defined in the Task descriptions above, include electronic and five (5) hard copies of the documents generated for each Task as well as the Final Report. Reimbursement for printing is included in the fixed price noted below.

PROJECT SCHEDULE

COMPREHENSIVE EVALUATION FOR MUNICIPAL WATER TREATMENT(September 2020 to April 2021)

The SEH team is available to start this work as early as September 22, 2020. SEH will coordinate specific project schedules with SPUC staff following receipt of a Notice to Proceed (NTP). Following an assumed September 21, 2020 NTP, we anticipate the following schedule:

Task 1: Project Initiation & Data Collection: This Task is expected to run between September 22, 2020 and October 16, 2020, with the project kick off meeting and water system tour (Meeting No. 1) tentatively scheduled for the early on the week of September 21, 2020. As such, SEH will complete this Task within approximately 24 days of the NTP.

Task 2: Water Quality Modeling: This Task is expected to start concurrent with Task 1 on September 22, 2020 and run through December 31, 2020. It is proposed that the in-person Meeting No. 2 be tentatively scheduled for the week of October 12, 2020. As such, SEH will complete this Task within approximately 94 days after initiation of the NTP.

Task 3: Public Involvement: This Task is expected to run between October 5, 2020 and April 30, 2021, with the initial project mailers, the survey, and the survey analysis portion of this Task scheduled to be completed by December 31, 2020. Virtual Meeting No. 5 (tentatively scheduled for the week of March 1, 2021), the proposed open house (tentatively scheduled for the week of March 15, 2021), customer feedback analysis, virtual Meeting No. 6 (tentatively scheduled for the week of March 28, 2021), and project wrap-up communications are scheduled to be completed between January 1, 2021 and April 30, 2021. As such, SEH will complete this Task within approximately 207 days of the Task start date.

Task 4: Preliminary Analysis: This Task is expected to run between December 1, 2020 and January 15, 2021, with in-person Meeting No. 3 tentatively scheduled for the week of Tuesday, December 1, 2020. As such, SEH will complete this Task within approximately 46 days of the completion of Task 2.

Task 5: Conduct Technical Analyses: This Task is expected to run between January 18, 2021 and February 26, 2021, with the proposed virtual Meeting No. 4 tentatively scheduled for the week of January 18, 2021. As such, SEH will complete this Task within approximately 41 days of the completion of Task No. 4.

Task 6: Cost Estimates: This Task is expected to run between March 1, 2021 and March 26, 2021. Virtual Meeting No. 5 (tentatively scheduled for the week of March 1, 2021) will be shared with the FY 2021 portion of Task 3 efforts. As such, SEH will complete this Task within approximately 28 days of the completion of Task No. 5.

Task 7: Feasibility Report: This Task is expected to run between March 28, 2021 and April 30, 2021. Virtual Meeting No. 6 (tentatively scheduled for the week of March 28, 2021) will be shared with the final portion of the FY 2021 Task 3 efforts. The final project meeting, in-Person Meeting No. 7, is then tentatively scheduled for the week of April 22, 2021. As such, SEH will complete this Task, and this project, within approximately 35 days of the completion of Task No. 6.

PROJECT STAFFING

For this project, **Chris Larson, PE** will serve as project manager. Chris has over 25 years' experience covering all aspects of water treatment including pilot studies and testing, preliminary engineering studies, design, construction administration, project management, and startup and training for water treatment and supply projects.

Chris' efforts will be supported by:

Chad Katzenberger, PE

You already know **Chad** as our water system modeling expert who worked on your Comprehensive Water System Plan.

and

McKenzie Martin, EIT. **McKenzie**, is one of the rising stars at SEH having worked with Chris and myself on recent water treatment plant studies and subsequent major design/construction projects for Cloquet, Faribault, Anoka, Fond du Lac and Ramsey.

I (**Miles B. Jensen, PE**) will serve as QA/QC specialist and senior advisor to the project team.

FEE PROPOSAL

SEH proposes to be compensated for the scope of work in this agreement on a Lump Sum basis. The following table provides a summary of fees associated with the various Tasks included in this proposal. The breakdown of fees is to be consider all-inclusive and not as discrete sums for separation in any manner. This proposed compensation plan includes all labor and reimbursable expenses such as mileage and printing.

Primary Scope of Services Category	Basis of Compensation	Amount
FY 2020 Effort		
Task 1 - Project Initiation & Data Collection	FY 2020 Portion of the Total Lump Sum	$9,714.00
Task 2 – Water Quality Modeling	FY 2020 Portion of the Total Lump Sum	$12,832.00
Task 3 – Public Involvement – FY 2020 Portion	FY 2020 Portion of the Total Lump Sum	$3,824.00
Task 4 – Preliminary Analysis – FY 2020 Portion	FY 2020 Portion of the Total Lump Sum	$5,383.00
Project Subtotal	**Total FY2020 Portion of the Lump Sum**	**$31,752.00**
FY 2021 Effort		
Task 3 – Public Involvement – FY 2021 Portion	FY 2021 Portion of the Total Lump Sum	$4,525.00
Task 4 – Preliminary Analysis – FY 2021 Portion	FY 2021 Portion of the Total Lump Sum	$9,718.00
Task 5 – Conduct Technical Analyses	FY 2021 Portion of the Total Lump Sum	$10,005.00
Task 6 – Cost Estimates	FY 2021 Portion of the Total Lump Sum	$6,568.00
Task 7 – Feasibility Report	FY 2021 Portion of the Total Lump Sum	$4,679.00
Project Subtotal	**Total FY2021 Portion of the Lump Sum**	**$35,495.00**
Total - Comprehensive Evaluation for Municipal Water Treatment	**Total Lump Sum**	**$67,247.00**

Detailed task, man-hour and fee breakdowns for the design and construction phases are attached at the end of this proposal.

SUMMARY

We again thank you for the opportunity to submit this proposal. We have the experience and the available staff to efficiently and successfully complete this project for the SPUC. The terms and conditions of this proposal wholly include the contents of the May 23, 2016, 2011 General Services Agreement between the Shakopee Public Utilities and Short Elliot Hendrickson, Inc. We look forward to working with you on this project and continuing our valued relationship with the SPUC. Please contact me with any questions you may have at (651) 775-5031 or at mjensen@sehinc.com.

Sincerely,
SHORT ELLIOTT HENDRICKSON INC.

Miles B. Jensen, PE Principal/Client Service Manager

Project Schedule and Level of Effort Estimate

Feasibility Study for Municipal Water Treatment
Shakopee Public Utilities
Shakopee, MN
SPUC Project No. __
SEH Project No. P-156985

Feasibility Study for Municipal Water Treatment	Client Service Manager - Jensen	Project Manager - Larson	Project Engineer - Martin	Project Engineer - Kalzenberger	Process Lead Technician - Karns	Process Tech - Hanson/Koonitz	Total SEH Hours	Total Fees
Billing Rate per hour		$234	$111	$164	$141	$102		
FY 2020 PORTION								
Task 1 - Project Initiation & Data Collection								
Document Review: 2001 Water Treatment Feasibility Study, etc...	1	2	2				5	$690
Kick-off Meeting (Meeting No. 1) and Site Tours	5	5	5				15	$1,725
Data Collection Well Water Quality, Quarry Information, Future Well Locations, etc..		1	2	4		4	11	$1,519
Prepare Memorandum No. 1 and transmit to SPUC		16	16			2	34	$5,725
Subtotal Hours	**6.0**	**8.0**	**9.0**	**0.0**	**0.0**	**0.0**	**23.0**	
Subtotal Labor Costs	**$0**	**$1,871**	**$1,001**	**$0**	**$0**	**$0**		**$9,659**
Task Expenses	**$0**	**$27**	**$27**	**$0**	**$0**	**$0**		**$55**
Subtotal Fees	**$0**	**$1,898**	**$1,028**	**$0**	**$0**	**$0**		**$9,714**
Task 2 - Water Quality Modeling								
Obtain general chemical feed dosages applied at each well site.		2		4			6	$1,123
Update the water model to on water quality in the distribution system.		1		8			9	$1,544
Run the model - Generate Low, Ave and Max Day Reports	1	1		16			18	$2,855
Hold Meeting No. 2 as an In-Person with the SPUC staff		4	4	4			12	$2,035
Obtain/correlate SPUC test results with the model		1		4			5	$889
Adjust the model accordingly.		2		8			10	$1,778
Prepare Memorandum No. 2 and transmit to SPUC		2	4	8		2	16	$2,427
Subtotal Hours	**1.0**	**13.0**	**8.0**	**52.0**	**0.0**	**2.0**	**76.0**	
Subtotal Labor Costs	**$0**	**$3,040**	**$890**	**$8,518**	**$0**	**$204**		**$12,651**
Task Expenses	**$0**	**$27**	**$27**	**$125**	**$0**	**$0**		**$180**
Subtotal Fees	**$0**	**$3,067**	**$917**	**$8,643**	**$0**	**$204**		**$12,831**
Task 3 - Public Involvement (FY 2020 Portion)								
Prepare Informational Mailers	1	1	4			4	10	$1,087
Prepare and Set Up Survey		4	8				12	$1,825
Tabulate Survey Results		2	4				6	$912
Subtotal Hours	**1.0**	**7.0**	**16.0**	**0.0**	**0.0**	**4.0**	**28.0**	
Subtotal Labor Costs	**$0**	**$1,637**	**$1,779**	**$0**	**$0**	**$408**		**$3,824**
Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
Subtotal Fees	**$0**	**$1,637**	**$1,779**	**$0**	**$0**	**$408**		**$3,824**
Task 4 - Preliminary Analysis (FY2020 Portion)								
Meeting No. 3 (In-Person)	4	4	4				12	$1,380
WTP Siting Options (Centralized or Satellite Facilities)	2	2	2				6	$690
WTP Capacities	1	2	4				7	$912
WTP Site Locations & Utility Alignments	1	1	1				3	$345
Hydraulic Modeling to Size Raw Water & Finished Water Mains	1	2	2	8			13	$2,000
Subtotal Hours	**9.0**	**11.0**	**13.0**	**8.0**	**0.0**	**0.0**	**41.0**	
Subtotal Labor Costs	**$0**	**$2,572**	**$1,445**	**$1,310**	**$0**	**$0**		**$5,328**
Task Expenses	**$0**	**$27**	**$27**	**$0**	**$0**	**$0**		**$55**
Subtotal Fees	**$0**	**$2,600**	**$1,473**	**$1,310**	**$0**	**$0**		**$5,383**
FY 2020 Estimated Project Hours	**17.0**	**39.0**	**46.0**	**60.0**	**0.0**	**6.0**	**168.0**	
FY 2020 Estimated Project Labor Cost	**0.0**	**9120.2**	**5114.7**	**9828.0**	**0.0**	**612.0**		**$31,463**
FY 2020 Estimated Project Expenses	**0.0**	**81.8**	**81.8**	**125.0**	**0.0**	**0.0**		**$289**
FY 2020 Estimated Project Totals	**0.0**	**9201.9**	**5196.5**	**9953.0**	**0.0**	**612.0**		**$31,751**

C:\Users\myersen\Documents\MBJ\Shakopee\2020 Water Treatment Plant Feasibility Study\[Fee Estimate v2.xls]Labor

Project Schedule and Level of Effort Estimate
Feasibility Study for Municipal Water Treatment
Shakopee Public Utilities
Shakopee, MN
SPUC Project No. __
SEH Project No. P-156985

Feasibility Study for Municipal Water Treatment	Client Service Manager - Jensen	Project Manager - Larson	Project Engineer - Martin	Project Engineer - Katzenberger	Process Lead Technician - Narns	Process Tech - Hanson/Koontz	Total SEH Hours	Total Fees
Billing Rate per hour		$234	$111	$164	$141	$102		
FY 2021 PORTION								
Task 3 - Public Involvement (FY 2021 Portion)								
Meeting No. 5 (Virtual) includes agenda for Task 6	2	2	2				6	$690
Prepare for and Participate in Open House	1	5	8				14	$2,059
Meeting No. 7 (Virtual) includes agenda for Task 6	2	2	2				6	$690
Follow Up with Project on Social Media Platforms Used		1	4			4	9	$1,087
Subtotal Hours	**5.0**	**10.0**	**16.0**	**0.0**	**0.0**	**4.0**	**35.0**	
Subtotal Labor Costs	**$0**	**$2,339**	**$1,779**	**$0**	**$0**	**$408**		**$4,526**
Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
Subtotal Fees	**$0**	**$2,339**	**$1,779**	**$0**	**$0**	**$408**		**$4,526**
Task 4 - Preliminary Analysis (FY2021 Portion)								
WTP Process Options and Layouts	1	4	8		8		21	$2,949
Future Water Quality Issues Requiring Treatment	1	4	8		8		21	$2,949
Space Needs		2	4				6	$912
Architectural Considerations		1	2				3	$456
Prepare Memorandum No. 3 and Transmit to SPUC		2	16			2	20	$2,451
Subtotal Hours	**2.0**	**13.0**	**38.0**	**0.0**	**16.0**	**2.0**	**71.0**	
Subtotal Labor Costs	**$0**	**$3,040**	**$4,225**	**$0**	**$2,249**	**$204**		**$9,718**
Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
Subtotal Fees	**$0**	**$3,040**	**$4,225**	**$0**	**$2,249**	**$204**		**$9,718**
Task 5 - Conduct Technical Analyses								
Meeting No. 4 (Virtual)	2	2	2				6	$690
Update Memorandum No. 3		1	2				3	$456
Major Process Element Sizing		2	8				10	$1,357
Prepare Generalized Utility Alignment Maps			1	8			9	$1,422
Update Facility Layouts	1	2	4		16		23	$3,161
Prepare Memorandum No. 4 and Transmit to SPUC		4	16			2	22	$2,918
Subtotal Hours	**3.0**	**11.0**	**33.0**	**8.0**	**16.0**	**2.0**	**73.0**	
Subtotal Labor Costs	**$0**	**$2,572**	**$3,669**	**$1,310**	**$2,249**	**$204**		**$10,005**
Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
Subtotal Fees	**$0**	**$2,572**	**$3,669**	**$1,310**	**$2,249**	**$204**		**$10,005**
Task 6 - Cost Estimates								
Meeting No. 5 (Virtual)	2	2	2				6	$690
Update Memorandum No. 4		1	2				3	$456
Prepare Cost Estimates								
Central and Satellite WTP Options	1	4	16				21	$2,714
Utilities	1	1	4				6	$679
Prepare Memorandum No. 5 and Transmit to SPUC		4	8			2	14	$2,029
Subtotal Hours	**4.0**	**12.0**	**32.0**	**0.0**	**0.0**	**2.0**	**50.0**	
Subtotal Labor Costs	**$0**	**$2,806**	**$3,558**	**$0**	**$0**	**$204**		**$6,568**
Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
Subtotal Fees	**$0**	**$2,806**	**$3,558**	**$0**	**$0**	**$204**		**$6,568**
Task 7 - Feasibility Report								
Meeting No. 6 (Virtual) Shared with Task 3								
Update Memorandum No. 5		1	2				3	$456
Prepare Draft Feasibility Report	1	2	24				27	$3,136
Transmit Draft Feasibility Report to SPUC			1			2	3	$315
Meeting No. 7 (Virtual) Shared with Task 3								
Update Feasibility Report		1	2				3	$456
Transmit Final Feasibility Report to SPUC			1			2	3	$315
Subtotal Hours	**1.0**	**4.0**	**30.0**	**0.0**	**0.0**	**4.0**	**39.0**	
Subtotal Labor Costs	**$0**	**$935**	**$3,336**	**$0**	**$0**	**$408**		**$4,679**
Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
Subtotal Fees	**$0**	**$935**	**$3,336**	**$0**	**$0**	**$408**		**$4,679**
FY 2021 Estimated Project Hours	**15.0**	**50.0**	**149.0**	**8.0**	**32.0**	**14.0**	**268.0**	
FY 2021 Estimated Project Labor Cost	**$0**	**$11,693**	**$16,567**	**$1,310**	**$4,497**	**$1,428**		**$35,495**
FY 2021 Estimated Project Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		**$0**
FY 2021 Estimated Project Totals	**$0**	**$11,693**	**$16,567**	**$1,310**	**$4,497**	**$1,428**		**$35,495**
TOTAL PROJECT FEES								
Total Estimated Project Hours	**32.0**	**89.0**	**195.0**	**68.0**	**32.0**	**20.0**	**436.0**	
Total Estimated Project Labor Cost	**$0**	**$20,813**	**$21,682**	**$11,138**	**$4,497**	**$2,040**		**$66,958**
Total Estimated Project Expenses	$0	$82	$82	$125	$0	$0		**$289**
Total Estimated Project Totals	**$0**	**$20,894**	**$21,764**	**$11,263**	**$4,497**	**$2,040**		**$67,247**

C:\Users\mjensen\Documents\MBJ\Shakopee\2020 Water Treatment Plant Feasibility Study\[Fee Estimate v2.xls]Labor

SEH Project Expenses Estimate

Feasibility Study for Municipal Water Treatment
Shakopee Public Utilities
Shakopee, MN
SPUC Project No. __
SEH Project No. P-156985

Feasibility Study for Municipal Water Treatment	Client Service Manager - Jensen	Project Manager - Larson	Project Engineer - Martin	Project Engineer - Katzenberger	Process Lead Technician - Karns	Process Tech - Hanson/Koontz	Totals
Task 1 - Project Initiation & Data Collection							
Kick-off Meeting (Meeting No. 1) and Site Tours							
Mileage		$27	$27				
Subtotal Task Expenses	**$0**	**$27**	**$27**	**$0**	**$0**	**$0**	**$55**
Task 2 - Water Quality Modeling							
Hold Meeting No. 2 as an In-Person with the SPUC staff							
Mileage		$27	$27	$125			
Subtotal Task Expenses	**$0**	**$27**	**$27**	**$125**	**$0**	**$0**	**$180**
Task 3 - Public Involvement (FY 2021 Portion)							
Meeting No. 5 (Virtual) includes agenda for Task 6							
Mileage							
Participate in Open House							
Mileage		$27	$27				
Meeting No. 7 (Virtual) includes agenda for Task 6							
Mileage							
Subtotal Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Task 4 - Preliminary Analysis (FY2021 Portion)							
Meeting No. 3 (In-Person)							
Mileage		$27	$27				
Subtotal Task Expenses	**$0**	**$27**	**$27**	**$0**	**$0**	**$0**	**$55**
Task 5 - Conduct Technical Analyses							
Meeting No. 4 (Virtual)							
Mileage							
Subtotal Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Task 6 - Cost Estimates							
Meeting No. 5 (Virtual)							
Mileage							
Subtotal Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Task 7 - Feasibility Report							
Meeting No. 6 (Virtual) Shared with Task 3							
Mileage							
Meeting No. 7 (Virtual) Shared with Task 3							
Mileage							
Subtotal Task Expenses	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Estimated Expenses	**$0**	**$82**	**$82**	**$125**	**$0**	**$0**	**$289**

C:\Users\mjensen\Documents\MBJ\Shakopee\2020 Water Treatment Plant Feasibility Study\[Fee Estimate v2.xls]Expenses

Exhibit A-2
to Supplemental Letter Agreement
Between Shakopee Public Utilities (Client)
and
Short Elliott Hendrickson Inc. (Consultant)
Dated September 18, 2020

Payments to Consultant for Services and Expenses Using the Lump Sum Basis Option

The Agreement for Professional Services is amended and supplemented to include the following agreement of the parties:

A. Lump Sum Basis Option

The Client and Consultant select the Lump Sum Basis for Payment for services provided by Consultant. During the course of providing its services, Consultant shall be paid monthly based on Consultant's estimate of the percentage of the work completed. Necessary expenses and equipment are provided as a part of Consultant's services and are included in the initial Lump Sum amount for the agreed upon Scope of Work. Total payments to Consultant for work covered by the Lump Sum Agreement shall not exceed the Lump Sum amount without written authorization from the Client.

The Lump Sum amount includes compensation for Consultant's services and the services of Consultant's Consultants, if any for the agreed upon Scope of Work. Appropriate amounts have been incorporated in the initial Lump Sum to account for labor, overhead, profit, expenses and equipment charges. The Client agrees to pay for other additional services, equipment, and expenses that may become necessary by amendment to complete Consultant's services at their normal charge out rates as published by Consultant or as available commercially.

B. Expenses Not Included in the Lump Sum

The following items involve expenditures made by Consultant employees or professional consultants on behalf of the Client and shall be paid for as described in this Agreement.

1. Expense of overtime work requiring higher than regular rates, if authorized in advance by the Client.
2. Other special expenses required in connection with the Project.
3. The cost of special consultants or technical services as required. The cost of subconsultant services shall include actual expenditure plus 10% markup for the cost of administration and insurance.

The Client shall pay Consultant monthly for expenses not included in the Lump Sum amount.

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SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: Shakopee Public Utilities Commission

FROM: Joseph D. Adams, Planning & Engineering Director (Interim Utilities Manager)

SUBJECT: West Shakopee Substation Site Purchase Agreement

DATE: September 18, 2020

ISSUE

Staff has completed negotiations with the property owners' representative and I am pleased to report we have reached a reasonable agreed upon price. I am submitting the attached draft purchase agreement for Commission review and approval to secure a site for the West Shakopee electrical substation.

BACKGROUND

For background on the need for additional electrical substation capacity, please refer to the attached report previously accepted by the Utilities Commission in July 2018 entitled *Long Term Plan* by Leidos' Kevin Favaro. This report outlines the need for additional substation capacity to serve the developing areas of western and eastern Shakopee, including the portions of Jackson township both within the existing SPU electric service territory and beyond the present service territory boundary that are designated to eventually be annexed into the city as outlined in the orderly annexation agreement between city and township. And the report addresses options for providing enough capacity to serve the existing developed and remaining undeveloped areas within the existing city limits that includes an East Shakopee substation as the best option should our capacity in Xcel Energy's Blue Lake substation ever need to be replaced (inevitable) or expanded (highly likely without a new SPU substation).

The area of Jackson Township was the subject of an Alternative Urban Area Review (AUAR) report, which was made a part of the City of Shakopee's 2040 Comprehensive Plan. Based on the City's 2040 Comp Plan the projected demand on the SPU electric distribution system from the city's planned land uses and projected development timetable requires SPU to now seek sites on which to locate two new electrical substations. SPU currently has 7 electrical substations of its own located at 4 separate sites (Shakopee 1, South Shakopee 1&2, Dean Lake 1,2&3 and Pike Lake 1) all constructed within the past 25 years to meet the demand growth within SPU's electric service territory, plus limited capacity within Xcel Energy's aging Blue Lake substation with facilities dating back to the mid-1970's.

Experience has shown being out in front, as has been the Commission's practice, with infrastructure facilities is welcomed by the community and is the best approach vs. attempting to insert infrastructure of this nature within existing developments. Also siting substations along existing transmission line corridors is much more preferable than having to extend transmission to a site some distance away.

DISCUSSION

The attached current year 2020 Capital Projects includes budgeted amounts sufficient to secure both the West and East Shakopee substation sites based on 2020 projected costs. The attached current 5-year 2020-2024 Capital Improvement Plan includes the budgeted amounts for design and construction of the substations to meet the needs presented by the known and planned developments.

Previously, staff reviewed with the Commission the status of the search for a site in northeast Shakopee for the East Shakopee substation and the negotiations with a potential willing seller of suitable property. That effort is currently on hold at direction of the Commission, while the property owner seeks various approvals from the city for the property's development plan so they can best determine an asking price. Potential substation sites in east Shakopee remain limited.

The timing of the need for capacity is greater on the west side of the system due to the current rapid ongoing development west of CR 15 that is quickly absorbing the available capacity of existing feeders from the South Shakopee substation. We are currently adding a new feeder ckt. SS-83 to enable SPU to serve the newly developing loads, while the West Shakopee substation can be designed and constructed. This project needs to remain on a fast track to enable the utility to meet the goal of being ahead of the city's growth with the capacity available to secure developments dependent on highly reliable and low cost electricity.

Multiple west Shakopee sites were investigated by staff with the focus being on two different sites that seemed promising being that they both are currently vacant and bordered by the appropriate 115 kV transmission lines. Staff asked Leidos' Kevin Favero to prepare a preliminary site plan that would confirm the smaller site was large enough to host the preferred two power transformer line-up, while meeting all of the city's setback and zoning requirements assuming the site would eventually be annexed into the city limits. Staff also contacted representatives for both properties and inquired as to each property's availability and the owner's willingness to negotiate an agreeable purchase price. Property valuation reports (see attached for the subject site) were prepared to guide staff in the negotiations and the reports were shared with the property owner representatives. Staff decided to abandon one of the sites when city staff's comments were negative as to their support of it due to not being consistent with the city's planned land uses for that property and the property owner expressing a preference to sell the entire 15.5 acres vs. creating a smaller parcel for a substation. City staff okayed the smaller site as being acceptable.

Once it was confirmed that the smaller parcel was indeed large enough, actually ideal since there would be very little room to spare thus no excess area to purchase, the Commission was brought up to speed and a transmission access study by Xcel Energy was authorized and begun to determine if the transmission system has the capacity to serve the projected loading both initially and after a period of time given our latest projections.

The Electrical Operating Fund would be the funding source for the site purchase and eventual design and construction costs. The operating funds are collected through sales of electricity to all customer classes. With the assistance of interim Finance Director Kelley Willemssen I have attached a summary of the latest available fund balances for all of SPU's accounts for the Commission's benefit. As can be seen on the summary as of 8/31/20 there is a balance of over $43,000,000 in the Electrical Operating Fund. With these funds in reserve plus ongoing sales revenues from operations, which will continue to produce positive net revenue over expenses, all of the planned expenses in the current 5-year CIP are projected to be funded on a cash basis- including this substation - via cash from reserves plus ongoing sales revenues less expenses. The bottom line is SPU is in a strong financial position to fund all of its Capital Projects with cash and bonding will not be necessary, thus keeping SPU debt free. Further, with the most recent pricing information from our wholesale power supplier MMPA, no rate increases are on the horizon.

REQUESTED ACTION

Staff requests the Commission approve the terms of the draft Purchase Agreement in the proposed amount of $3.00 per square foot for a total amount of approximately $321,472.80 for 2.46 acres with the final cost and area determined by survey as described in the agreement and authorize its execution.

PURCHASE AGREEMENT

DATE: _____, 2020

BETWEEN: **R & J BREEGGEMANN FAMILY LIMITED PARTNERSHIP, LP,**
a Minnesota limited partnership ("Seller")

AND: **SHAKOPEE PUBLIC UTILITIES COMMISSION,**
a Minnesota municipal utility commission ("Buyer")

FOR VALUABLE CONSIDERATION, Seller and Buyer agree as follows:

I. SALE AND PURCHASE

1.1 Sale of Property. Subject to the terms and conditions of this Purchase Agreement (this "Agreement"), Seller will sell and convey to Buyer, and Buyer will purchase and accept from Seller, the parcel of real property described in Exhibit A, including that portion of the parcel subject to the right of way for Colburn Drive West, together with all improvements thereon and all rights, privileges, easements, licenses, appurtenances and hereditaments relating thereto (collectively, the "Property").

1.2 Closing. The closing of the sale and purchase of the Property ("Closing") will occur thirty (30) days after the expiration of the Due Diligence Period under Article IV of this Agreement, but in any event and notwithstanding any other provision in this Agreement no later than three hundred thirty (330) days after the date of this Agreement, at 10:00 a.m. local time in the offices of the Title Company identified in Section 3.1 or at such other time or place as Buyer and Seller may agree. Irrespective of the foregoing provisions regarding the occurrence of Closing, Buyer shall use reasonable, good faith efforts to cause the Closing to occur as soon as reasonably possible.

II. PURCHASE PRICE

2.1 Calculation of Purchase Price. The "Purchase Price" shall mean an amount calculated based on the area contained in the Property as shown on the Survey described in Section 3.2. The Purchase Price shall be calculated based on a rate of Three and No/100 Dollars ($3.00) per square foot. For illustration purposes only, if the Survey shows that, following the final configuration of the Property as agreed upon by the parties, the Property contains 2.46 acres, the Purchase Price would be Three Hundred Twenty-One Thousand Four Hundred Seventy-Two and 80/100 Dollars ($321,472.80). Notwithstanding the foregoing, the Purchase Price shall not include an amount calculated based on the area contained in the right of way for Colburn Drive West.

2.2 Payment of Purchase Price. The Purchase Price for the Property will be paid in the following manner:

(a) $7,500.00, by Buyer depositing with the Title Company such amount in cash upon execution of this Agreement as earnest money; and

(b) the remainder of the Purchase Price, by Buyer paying such amount to Seller in cash at Closing.

2.3 Method of Payment. All cash payments by Buyer will be in U.S. Dollars and in the form of wire transfers, certified checks or other immediately available funds acceptable to Seller.

2.4 Application of Earnest Money. Any earnest money deposited by Buyer under Section 2.1 will be deposited with the Title Company. The Title Company will be instructed to hold the earnest money in its trust account, and invest the earnest money in certificates issued by and time deposits in national banking associations or nationally chartered savings and loan associations, in securities issued or guaranteed by the United States Government, in money market funds the underlying assets of which consist of the above-described certificates or securities, or in such other investments as may from time to time be approved in writing by Buyer and Seller. All interest earned on the earnest money will be considered as additional earnest money, to be held and invested by the Title Company in the same manner as the earnest money originally deposited. If Closing does not occur pursuant to the termination of this Agreement by Buyer pursuant to the terms hereof or because of a default by Seller under this Agreement, the earnest money deposited under this Agreement and any interest earned thereon will be returned to Buyer. If Closing does not occur because of a default by Buyer under this Agreement, such earnest money will be paid to Seller as liquidated damages. If Closing occurs, such earnest money will be paid to Seller as a part of the Purchase Price. Buyer will bear any risk of loss with regard to any earnest money deposited with the Title Company or any interest earned thereon.

III. TITLE

3.1 Title Commitment. Within fifteen (15) days of the date of this Agreement, Seller will order, for furnishing to Buyer as soon as reasonably possible, a commitment for an owner's policy of title insurance (ALTA Form 06/17/06) covering the Property (the "Commitment"), issued by Old Republic National Title Insurance Company through Scott County Abstract and Title, Inc., or such other title insurer as may be acceptable to Buyer (the "Title Company"), with standard exceptions for mechanic's liens, survey and parties in possession deleted, with searches for special assessments and with an amount of coverage equal to the Purchase Price. The Commitment will include a copy of each instrument listed as an exception to title or referred to therein. The service charge for the Commitment will be paid by Seller, but the premium for any policy issued pursuant to such Commitment will be paid by Buyer.

3.2 Survey. Within fifteen (15) days of the date of this Agreement, Seller will order, and thereafter furnish to Buyer at Buyer's expense, an "as-built" survey of the Property made by a registered land surveyor and certified to Buyer, the Title Company and the title insurer, showing the location of all easements, buildings, improvements, and encroachments and conforming to the current standard detail requirements established by the American Land Title Association and the National Society for Professional Surveyors (the "Survey"). The

parties agree the Survey shall be prepared by Loucks pursuant to the Survey Proposal attached hereto as Exhibit C and Buyer selects the ALTA/NSPS Land Title Survey option and shall inform Seller or Loucks if it desires the Topographic Survey option.

3.3 Examination of Title. Buyer will be allowed thirty (30) days after receipt of the Commitment and Survey for examination of title to the Property and making of objections. Objections will be made in writing or be deemed waived. If Buyer objects to matters that may be cured by the payment of a fixed sum of money by Seller, such objections may be cured by the payment of such fixed sum of money at the time of Closing.

3.4 Corrections to Title. If any objections to title to the Property are made as provided in Section 3.3, Seller will be allowed sixty (60) days in which to make title marketable. Pending correction of title, Closing will be postponed; but upon correction of title or waiver of the specified defects by Buyer, Closing will be held on the date scheduled for Closing under Section 1.2 or, if later, ten (10) days after the objections are cured or waived. If title is not made marketable or the objections are not waived by Buyer within sixty (60) days after the date Buyer gives written objection to title to the Property under Section 3.3, Buyer or Seller may terminate this Agreement, and the earnest money and any interest earned thereon will be returned to Buyer and neither party will have any further obligations under this Agreement.

IV. REVIEW OF THE PROPERTY

4.1 Documents. Within fifteen (15) days after the date of this Agreement, Seller will make available at its offices for review and copy by Buyer all leases, contracts, records, environmental and engineering studies, reports and tests, and other documents and surveys relating to the condition, suitability, and desirability of the Property that are in the possession of Seller or otherwise reasonably available to Seller (collectively, the "Documents"). Seller will not be responsible for the accuracy, completeness or sufficiency of the Documents and will have no obligation to copy or incur any costs for copying the Documents.

4.2 Due Diligence. Buyer will be allowed two hundred seventy (270) days after the date of this Agreement (the "Due Diligence Period") to review the Documents, inspect the Property, perform such inventories, observations, tests, and investigations as Buyer may reasonably deem appropriate, and otherwise satisfy itself regarding the condition, suitability, and desirability of the Property. If Buyer in its sole discretion is not satisfied with the Property, Buyer may on or before the expiration of the Due Diligence Period terminate this Agreement by giving written notice to Seller. Upon such termination, the earnest money and any interest earned thereon will be returned to Buyer and neither party will have any further obligations under this Agreement.

4.3 Environmental Inspection. Buyer may provide its environmental consultant with a copy of any environmental report included in the Documents made available by Seller, and pursuant to Section 9.2 may at its cost conduct additional investigations of the environmental condition of the Property. If Buyer conducts a Phase I environmental investigation and such report contains a recommendation for a Phase II investigation, Buyer will have the option of

terminating this Agreement or ordering at Seller's cost a Phase II investigation. If a Phase II investigation is ordered, the Due Diligence Period will be extended by an additional sixty (60) days for investigation and submittal of such report. Buyer will provide Seller with a copy of its Phase I and Phase II environmental reports upon completion.

4.4 Cooperation. Seller, at no cost to Seller except as set forth in Section 7.1, will cooperate with Buyer in making all necessary filings, petitions, and submissions required by Buyer to obtain the necessary governmental approvals for Buyer's planned use of the Property. Seller will take no action, either personally or in connection with a related entity, that would be inconsistent with or in contravention of its obligations to cooperate hereunder.

V. CONDITIONS TO CLOSING

5.1 Seller Conditions. The obligation of Seller to sell the Property under this Agreement is subject to the reasonable satisfaction of Seller that:

(a) the representations and warranties of Buyer contained in Section 8.2 are true and correct in all material respects as of Closing;

(b) Buyer has in all material respects performed and observed all covenants, agreements and conditions of this Agreement to be performed or observed by it prior to or on Closing;

(c) Seller has received a certificate or certificates dated the day of Closing and signed by a responsible officer of Buyer certifying as to the matters set forth in items (a) and (b) of this Section;

(d) no action or proceeding has been instituted or threatened by any third party unaffiliated with Seller to enjoin or delay purchase or obtain material damages from Seller with respect to the purchase which Seller in good faith believes presents a significant risk of succeeding; and

(e) Buyer has delivered to Seller all of the items required to be delivered to Seller pursuant to Section 6.1.

5.2 Buyer Conditions. The obligation of Buyer to purchase the Property under this Agreement is subject to the reasonable satisfaction of Buyer that:

(a) the representations and warranties of Seller contained in Section 8.1 are true and correct in all material respects as of Closing;

(b) Seller has in all material respects performed and observed all covenants, agreements and conditions of this Agreement to be performed or observed by it prior to or at Closing;

(c) Buyer has received a certificate or certificates dated the day of Closing and signed by a responsible general partner of Seller certifying as to the matters set forth in items (a) and (b) of this Section;

(d) it is satisfied with the Property in its sole judgment and has determined that it can proceed with its planned use of the Property without significant additional expense and that the same is economically feasible;

(e) it has obtained the approval of the Township of Jackson and any and all relevant governmental authorities and other bodies and persons for all required rezoning, permits, licenses, variances, site plan reviews, and other approvals necessary for Buyer's planned use of the Property, including, but not limited to, transmission access approvals from Xcel Energy and the Midwest Independent System Operator (MISO);

(f) Seller has caused Scott County Property ID: 06.914015.0 to be subdivided such that a resulting lot consists of all of the Property and only the Property, at Seller's sole cost and expense, and with Buyer's approval of all application materials in connection with said subdivision prior to their submission to the Scott County Planning and Zoning Department; provided, however, that Buyer shall be responsible at its cost and expense for any subsequent subdivision or platting that may be required for Buyer's use of the Property;

(g) Seller has terminated all existing leases on the Property prior to Closing so that Seller can deliver the Property to Buyer free of all claims for lease termination and tenant relocation expenses. Notwithstanding the foregoing, in the year of Closing, at Buyer's option, either (i) Seller shall retain all right, title and interest in and to all crops growing on the Property and all proceeds therefrom, or (ii) Buyer shall pay Two Thousand and No/100 Dollars ($2,000.00) to Seller at Closing for which Seller shall transfer all right, title and interest in and to all crops growing on the Property and all proceeds therefrom;

(h) no action or proceeding has been instituted or threatened by any third party unaffiliated with Buyer to enjoin or delay purchase or obtain material damages from Buyer with respect to the purchase which Buyer in good faith believes presents a significant risk of succeeding;

(i) as of two (2) days before and as of Closing, Seller has removed from the Property any and all containers of motor oil, paint, solvents, petroleum products, all motor vehicle tires and batteries, and all hazardous substances, pollutants, and environmental contaminants from the Property, except those related to use of the Property for agricultural purposes; and

(j) Seller has delivered to Buyer all of the items required to be delivered to Buyer pursuant to Section 6.2.

5.3 Unsatisfied Conditions. If any condition set out in Section 5.1 or 5.2 is unsatisfied on the date scheduled for Closing, the party for whose benefit the condition exists may at its option:

(a) waive the condition and proceed with Closing;

(b) delay Closing for up to thirty (30) days to allow the condition to be satisfied; or

(c) terminate this Agreement.

If this Agreement is so terminated, the earnest money and any interest thereon will be applied as set out in Section 2.4 and neither Seller nor Buyer will have the right to specific performance or damages for default of this Agreement.

VI. CLOSING

6.1 Buyer Closing Documents. Buyer will deliver to Seller at Closing:

(a) the portion of the Purchase Price specified in Section 2.1;

(b) a certificate or certificates dated the day of Closing and signed by a responsible officer of Buyer certifying as to the matters set forth in Section 5.1(a) and (b) of this Agreement;

(c) a resolution of the board of commissioners of Buyer authorizing and approving the transaction contemplated by this Agreement, certified as true and correct by the secretary of Buyer;

(d) a notice of the option exercised by Buyer pursuant to the terms of Section 5.2(g) of this Agreement, and payment accordingly, if applicable; and

(e) any other items required by this Agreement or reasonably required by the Title Company.

6.2 Seller Closing Documents. Seller will deliver to Buyer at Closing:

(a) a certificate or certificates dated the day of Closing and signed by a responsible general partner of Seller certifying as to the matters set forth in Section 5.2(a) and (b) of this Agreement;

(b) a warranty deed duly executed by Seller conveying the Property to Buyer;

(c) termination agreements for all existing leases, written and oral, on the Property;

(d) an affidavit satisfactory to Buyer that Seller is not a foreign person under Section 1445 of the United States Internal Revenue Code;

(e) a well disclosure statement as required under Minnesota Statutes section 103I.235, if appropriate disclaimer language is not contained in the deed delivered at Closing;

(f) an affidavit satisfactory to Buyer that at Closing there are no outstanding, unsatisfied judgments, tax liens, or bankruptcies against Seller, no labor, services, materials, or machinery furnished to the Property for which mechanics' liens could be filed, and no unrecorded interests in the Property which have not been fully disclosed to Buyer;

(g) a resolution of the general partners of Seller authorizing and approving the transaction contemplated by this Agreement, certified as true and correct by a partner of Seller; and

(h) any other items required by this Agreement or reasonably required by the Title Company.

6.3 Delivery of Possession. Seller will deliver possession of the Property to Buyer at Closing.

6.4 Further Actions. At Buyer's request from time to time after Closing, Seller will at no cost to Seller execute and deliver such further documents of conveyance and take such other action as Buyer may reasonably require to convey the Property to Buyer.

VII. CLOSING COSTS AND PRORATIONS

7.1 Closing Costs. Buyer and Seller will each be responsible for its legal, accounting and other expenses associated with the transaction contemplated by this Agreement up to and including the date final adjustments are made pursuant to this Agreement. However, if Buyer or Seller defaults under this Agreement, it will be responsible for all reasonable expenses (including attorneys' fees) incurred by the other in enforcing any rights and remedies under this Agreement. Seller will be responsible for any document recording fees required for correction of title and any state deed tax required in connection with the transaction. Buyer will pay all other document recording fees, fees associated with the transfer or obtaining of licenses and permits required to operate the Property, mortgage registry taxes, and any sales or use taxes required in connection with the transaction. Seller and Buyer will each pay half of the closing fee and any escrow fees imposed by the Title Company, title insurer or its closing agent in connection with this transaction.

7.2 Taxes and Assessments. Real estate taxes and installments of special assessments with respect to the Property due and payable in the year in which Closing occurs will be prorated as of Closing on a calendar year basis. Seller will pay all such taxes and assessments due and payable in years prior to the year in which Closing occurs. Buyer will pay all such taxes and assessments due and payable in years following the year in which Closing occurs.

7.3 Income and Expenses. Except as set out in Section 7.2, rents (including without limitation payments for operating costs and percentage rent) and all other income and operating expenses relating to the Property, exclusive of annual income and annual expenses related to agricultural crops, will be prorated as of the close of business of the day before Closing. Seller will be responsible for the expenses and entitled to the revenues accrued or applicable to the period prior to Closing. Buyer will be responsible for the expenses and entitled to the revenues accrued or applicable to the day of Closing and thereafter. As to annual income and

annual expenses related to agricultural crops growing on the Property in the year of Closing, (a) if Buyer elects, pursuant to Section 5.2(g) herein, that Seller shall retain all right, title and interest in and to all crops growing on the Property and all proceeds therefrom, then Seller shall pay all expenses related to the crops and shall be entitled to all income from the crops both before and after Closing, or (b) if Buyer elects, pursuant to Section 5.2(g) herein, that Buyer shall make the required payment to Seller at Closing for which Seller shall transfer all right, title and interest in and to all crops growing on the Property and all proceeds therefrom (the "Crop Purchase Option"), then Seller shall pay all expenses and be entitled to all income related to the crops prior to Closing, and Buyer shall pay all expenses and be entitled to all income related to the crops from and after Closing.

7.4 Estimates. If any amount to be apportioned under Section 7.3 cannot be calculated with precision because any item included in such calculation is not then known, such calculation will be made on the basis of reasonable estimates of Seller of the items in question. Promptly after any such item becomes known to either party, such party will so notify the other and will include in such notice the amount of any required adjustment. If such adjustment requires an additional payment by Buyer to Seller, Buyer will make such payment to Seller simultaneously with its giving or within twenty (20) days of its receipt of such notice, as the case may be. If such adjustment requires a refund by Seller to Buyer, Seller will make such refund simultaneously with its giving or within twenty (20) days after its receipt of such notice, as the case may be.

VIII. WARRANTIES AND REPRESENTATIONS

8.1 Seller Warranties. Seller warrants and represents to Buyer that:

(a) no brokerage commission or other compensation is due and unpaid in connection with any lease, tenancy or occupancy of the Property or any renewal thereof;

(b) Seller has not received any notice and is not aware of a violation of any building codes, fire codes, health codes, zoning codes, environmental laws, or other laws and regulations affecting the Property or the use thereof;

(c) Seller has not received any notice of a condemnation, environmental, zoning or other regulation or proceeding being instituted or planned which would detrimentally affect the use and operation of the Property for its intended purpose;

(d) Seller has not received any notice of hearing of a public improvement project from any governmental assessing authority, the costs of which may be assessed against the Property, other than the stated intention of the City of Shakopee to annex the Property;

(e) Seller does not know of any wells on the Property, except as may otherwise be disclosed in the Documents (this statement being made pursuant to the disclosure requirements of Minnesota Statutes section 103I.235);

(f) Seller does not know of any individual sewage treatment systems on the Property or serving the Property, except as may otherwise be disclosed in the Documents (this statement being made pursuant to the disclosure requirements of Minnesota Statutes section 115.55);

(g) Seller does not know of any underground or aboveground storage tanks currently on the Property, or any underground or aboveground storage tanks formerly on the Property that had a release for which no corrective action was taken, except as may otherwise be disclosed in the Documents or affidavit filed of record (this statement being made pursuant to the disclosure requirements of Minnesota Statutes section 116.48);

(h) the Property has been and is currently used for agricultural purposes in the growing of crops and farm chemicals have been applied on the Property consistent with such agricultural purposes;

(i) Seller has removed, or will remove prior to Closing, all personal property, any and all containers of motor oil, paint, solvents, petroleum products, all motor vehicle tires and batteries, and all hazardous substances, pollutants, and environmental contaminants from the Property, including but not limited to any such hazardous substances, pollutants, and environmental contaminants identified in any environmental assessment of the Property, except those related to use of the Property for agricultural purposes;

(j) to the best of Seller's knowledge, no methamphetamine production has occurred on the Property;

(k) Seller is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Minnesota and has all requisite power and authority to carry out its business as conducted, to execute and deliver this Agreement and the documents entered into pursuant hereto, and to carry out its obligations under this Agreement and such documents;

(l) this Agreement has been duly authorized, executed and delivered on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms;

(m) the execution, delivery and performance of this Agreement by Seller will not result in a breach or violation of Seller or constitute a default by Seller under any agreement, instrument or order to which Seller is a party or by which Seller is bound; and

(n) Seller is not aware of any action, proceeding or investigation pending or threatened which might materially adversely affect the Property or the ability of Seller to perform its obligations under this Agreement.

8.2 Buyer Warranties. Buyer warrants and represents to Seller that:

(a) Buyer is a municipal utility commission duly organized, validly existing and in good standing under the laws of the State of Minnesota and has all requisite power and authority to carry on its business as conducted, to execute and deliver this Agreement and the documents entered into pursuant hereto, and to carry out its obligations under this Agreement and such documents;

(b) this Agreement has been duly authorized, executed and delivered on behalf of Buyer and constitutes the valid and binding agreement of Buyer, enforceable in accordance with its terms;

(c) the execution, delivery and performance of this Agreement by Buyer will not result in a breach or violation by Buyer or constitute a default by Buyer under any agreement, instrument or order to which Buyer is a party or by which Buyer is bound; and

(d) Buyer is not aware of any action, proceeding or investigation pending or threatened which might materially adversely affect the ability of Buyer to perform its obligations under this Agreement.

8.3 Non-Residential Property Disclosures. Seller shall complete the disclosures attached hereto as Exhibit B.

IX. OPERATIONS PRIOR TO CLOSING

9.1 Operation. During the period from the execution of this Agreement to Closing, Seller will cause the Property to be operated in the manner in which it has been operated prior to the execution of this Agreement. Seller will not without Buyer's written consent permit any new leases or contracts relating to the Property. Seller will keep and comply with all requirements of encumbrances and will not without Buyer's written consent permit any new encumbrance or any amendment, modification or termination of any encumbrance or any waiver of Seller's rights under any encumbrance on the Property.

9.2 Inspection. During the period from execution of this Agreement to Closing, Buyer and its representatives, following reasonable prior written or oral notice to Seller, may enter the Property to inspect the Property and perform such inventories, observations, tests and investigations, including, but not limited to geotechnical investigations, as Buyer may reasonably deem appropriate. Buyer will at Buyer's cost repair or provide reasonable compensation to Seller for any resulting damage to the Property and will indemnify and hold harmless Seller from any resulting injury or damage to persons or property. Notwithstanding anything in this Agreement to the contrary, this obligation and indemnity shall survive termination of this Agreement.

X. CASUALTY AND CONDEMNATION

10.1 Notice of Damage or Taking. Seller will give Buyer prompt notice of any fire or other casualty occurring between the date of this Agreement and Closing which involves damage to the Property and of any actual or threatened taking in condemnation affecting the Property of which Seller has knowledge.

10.2 Option to Terminate. If prior to Closing:

(a) the Property sustains damage by fire or other casualty in an amount greater than 10% of the Purchase Price under this Agreement;

(b) the Property is taken in condemnation or by transfer in lieu of condemnation; or

(c) condemnation proceedings are commenced against the Property,

Buyer may terminate its obligations under this Agreement by written notice given to Seller within fifteen (15) days after receipt of the notice referred to in Section 10.1. If so terminated, this Agreement will be void and of no effect, the earnest money and any interest earned thereon will be returned to Buyer and neither party will have any further rights or obligations under this Agreement.

10.3 Affect on Closing. If Buyer is not entitled to or does not timely make the election provided for in Section 10.2, this Agreement and the obligations of Seller and Buyer under this Agreement will remain in full force and effect except that:

(a) Buyer will accept the Property with such damage or condemnation;

(b) there will be no abatement or reduction in the Purchase Price; and

(c) Seller will at Closing, pay over to Buyer any insurance proceeds and condemnation awards received prior to Closing which have not been applied to repairs and restoration, and assign to Buyer Seller's interest in all unpaid insurance proceeds and condemnation awards.

XI. GENERAL

11.1 Notices. Any notice or other communication under this Agreement will be in writing and will be deemed given when delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, return receipt requested, addressed:

(a) if to Seller: R & J BREEGGEMANN FAMILY LIMITED PARTNERSHIP, LP
12355 Old Brickyard Road
Shakopee, MN 55379
Attention: Steven Breeggemann

with copies to: Streeter Companies
6900 Winnetka Circle
Brooklyn Park, MN 55428
Attention: Ken Streeter

and Moss & Barnett
150 South Fifth Street
Suite 1200
Minneapolis, MN 55402
Attention: David S. Johnson

(b) if to Buyer: Shakopee Public Utilities Commission
255 Sarazin Street
Shakopee, MN 55379
Attention: Joseph D. Adams

with copies to: Shakopee Public Utilities Commission
255 Sarazin Street
Shakopee, MN 55379
Attention: Lon Schemel

and McGrann Shea Carnival Straughn & Lamb, Chartered
800 Nicollet Mail, Suite 2600
Minneapolis, MN 55402
Attention: Carla J. Pedersen

or to such other address as the party to be addressed shall specify by notice so given.

11.2 Broker Commissions. Buyer and Seller each represents that no salesperson, broker, or agent has been retained by it in connection with this transaction other than Streeter Companies ("Seller's Broker"). Seller is responsible for payment of the commission of Seller's Broker as and to the extent of its listing agreement with Seller's Broker. Except as so specified, Buyer and Seller each indemnifies the other from any real estate or other sales commissions arising out of any claim of any salesperson, broker or agent acting or claiming to have acted on behalf of the indemnifying party in connection with this transaction.

11.3 Entire Agreement. This Agreement embodies the entire agreement and understanding between Buyer and Seller relating to the transactions contemplated by this Agreement and may not be amended, waived or discharged except by an instrument in writing executed by the party against whom enforcement of such amendment, waiver or discharge is sought. No warranties or representations have been given by either party to the other which are not fully embodied in this Agreement. If any term or provision of this Agreement is invalid or unenforceable, the remainder of this Agreement will not be affected and will remain in full force and effect.

11.4 Survival. Except as may otherwise be expressly provided in this Agreement, all covenants, agreements, obligations and undertakings made by Seller and Buyer in or pursuant to this Agreement will survive Closing, for a period of six (6) years after Closing, whether or not so expressed in the immediate context of any such covenant, agreement, obligation or undertaking.

11.5 Construction. This Agreement will be construed and enforced in accordance with the laws of the State of Minnesota. Time is of the essence of this Agreement. Seller and Buyer and their respective counsel have reviewed and revised this Agreement. Seller and Buyer acknowledge that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

11.6 Binding Agreement. This Agreement will be binding upon and inure to the benefit of Buyer and Seller and their respective heirs, representatives, successors and assigns.

11.7 Memorandum of Agreement. Buyer has the right to record a memorandum of this Agreement with the County Recorder, Registrar of Titles or other recording office of the County in which the Property is located and Seller consents to and agrees to join in and sign any such memorandum; provided, however, Buyer shall pay the costs of preparing and recording such a memorandum and any document necessary to remove such memorandum as an encumbrance on title.

11.8 Execution and Delivery. This Agreement will be effective only upon execution and delivery by both parties.

[The remainder of this page is intentionally left blank]

IN WITNESS OF this Agreement, Seller and Buyer have duly executed it as of the date set out at its head.

SELLER:

R & J BREEGGEMANN FAMILY LIMITED PARTNERSHIP, LP,
a Minnesota limited partnership

By: _____
Steven R. Breeggemann
Its: General Partner

By: _____
Edwin C. Breeggemann
Its: General Partner

BUYER:

SHAKOPEE PUBLIC UTILITIES COMMISSION,
a Minnesota municipal utility commission

By: _____
Debra Amundson
Its: President

By: _____
_____
Its: Interim Utilities Manager

EXHIBIT A

Legal Description

[Property located in the western portion of Scott County Property ID: 06.914015.0, along the west side of County Road 69. Subject to confirmation by Buyer based on receipt and review of the Survey and Commitment.]

EXHIBIT B

Disclosures for Sale of Non-Residential Property

A. WELL DISCLOSURE. Pursuant to Minnesota Statutes Section 103I.235 *[check one of the following:]*

☒ Seller certifies that Seller does not know of any wells on the real property and will so certify on the Deed or Contract for Deed delivered at closing.

☐ Seller certifies there are one or more wells located on the real property and Seller's disclosure is continued on the attached *Well Disclosure Statement. [If this option is selected, attach a copy of Well Disclosure Statement, M.S.B.A. Real Property Form No. 21.]*

B. SEWAGE TREATMENT SYSTEM DISCLOSURE. Pursuant to Minnesota Statutes Section 115.55 *[check only one from (1), (2 and (3):]*

☐ (1) Seller certifies that sewage generated at the Property goes to a facility permitted by the Minnesota Pollution Control Agency (for example, a city of municipal sewer system).

☐ (2) Seller certifies that sewage generated at the Property does not go to a facility permitted by the Minnesota Pollution Control Agency and Seller's disclosure of the sewage system is continued on the attached *Disclosure of Sewage Treatment System. [If this option is selected, attach a copy of Disclosure of Sewage Treatment System, M.S.B.A. Real Property Form No. 14.]*

☒ (3) Seller certifies that no sewage is generated at the Property.

[and also check either (4) or (5):]

☒ (4) Seller has no knowledge whether there is an abandoned subsurface sewage treatment system on the Property.

☐ (5) Seller knows there *[select one:]* ☐ **are** ☐ **are no** abandoned subsurface sewage treatment systems on the Property. *[If Seller discloses the existence of an abandoned subsurface sewage treatment system on the Property, attach a copy of Disclosure of Sewage Treatment System, M.S.B.A. Real Property Form No. 14.]*

Independent Compliance Report. In addition to the statutory disclosures under Minnesota Statutes Sections 115.55, some local units of government may require an independent sewage treatment system compliance report be provided to the Buyer and may impose obligations on Buyer or Seller for failed systems as a condition to sale of the Property. A copy of any required independent sewage treatment system compliance report *[select one:]* ☐ **is** ☐ **is not** attached.

C. HAZARDOUS SUBSTANCES, PETROLEUM PRODUCTS, AND UNDERGROUND STORAGE TANK DISCLOSURE. Pursuant to Minnesota Statutes Sections 115B.16 and 116.48, Seller knows of no hazardous substances or petroleum products having been placed, stored, or released

from or on the Property by any person in violation of any law, nor of any underground or aboveground storage tanks having been located on the Property at any time, except as follows:
NONE

If the presence of any hazardous substances or petroleum products or any underground or aboveground storage tanks is disclosed, then this paragraph applies:
Seller certifies that all underground and aboveground storage tanks known to Seller on the Property are shown on the attached drawing or map. Seller shall provide Buyer with the affidavits required by Minnesota Statutes Sections 115B.16 and 116.48 if applicable to the Property and shall record such affidavits at Closing.

D. FLOOD PLAIN, SHORELAND AND WETLANDS DISCLOSURE. Minnesota law and local ordinances restrict the ability to build or to rebuild improvements (including homes, garages, outbuildings, wells or sewage treatment systems) within flood plains, shorelands, or wetlands or to excavate, fill, or drain a wetland. A "flood plain" is the area adjoining a water course which has been or hereafter might be covered by the regional flood which recurs once in 100 years, a "shoreland" is land located within 1,000 feet from the normal high watermark of a lake, pond, or flowage and land located within 300 feet of a river of stream or the landward side of a flood plain, whichever is greater, and a "wetland" is land transitional between terrestrial and aquatic systems where the water table is usually at or near the surface or the land is covered by shallow water. Seller knows of no flood plains, shorelands or wetlands affecting the Property, except as follows:
NONE

[If the presence of a flood plain, shoreland or wetland is disclosed, attach a copy of Addendum to Purchase Agreement: Wetlands, Shoreland and Flood Plain Disclosure, M.S.B.A. Real Property Form No. 8.]

E. METHAMPHETAMINE DISCLOSURE. Pursuant to Minnesota Statutes Section 152.0275, Subd. 2(m), Seller hereby certifies that *[check only one box, either (1) or (2):]*

☒ (1) Seller is not aware of any methamphetamine production that has occurred on the Property.

☐ (2) Seller is aware that methamphetamine production has occurred on the Property, and Seller's disclosure is continued on the attached *Methamphetamine Disclosure Statement. [If this option is selected, attach a copy of Methamphetamine Disclosure Statement, M.S.B.A. Real Property Form No. 22.]*

F. NOTICE OF AIRPORT ZONING REGULATIONS. If airport zoning regulations affect this real property, a copy of those airport zoning regulations as adopted can be viewed or obtained at the office of the county recorder where the zoned area is located.

G. TENANTS AND PARTIES IN POSSESSION DISCLOSURE. Seller certifies that the Property *[select one:]* ☐ **is** ☒ **is not** subject to the rights of tenants or other parties in possession. [*If the Property is subject to the rights of tenants or other parties in possession, attach a copy of Addendum to Purchase Agreement: Tenants and Parties in Possession, M.S.B.A. Real Property Form No. 20.]*

H. **CEMETERY DISCLOSURE.** Minnesota Statutes Section 307.08 prohibits any damage or illegal molestation of human remains, burials or cemeteries. Seller certifies that Seller *[select one:]* ☐ **is** ☒ **is not** aware of any human remains, burials or cemeteries on the Property.

ATTACHMENTS TO EXHIBIT B

DISCLOSURES FOR SALE OF PROPERTY (NON-RESIDENTIAL)

- ☐ Well Disclosure Statement (M.S.B.A. Real Property Form No. 21)
- ☐ Disclosure of Sewage Treatment System (M.S.B.A. Real Property Form No. 14)
- ☐ Independent Sewage Treatment Compliance Report
- ☐ Addendum to Purchase Agreement: Wetlands, Shoreland and Flood Plain Disclosure (M.S.B.A. Real Property Form No. 8)
- ☐ Methamphetamine Disclosure Statement (M.S.B.A. Real Property Form No. 22)
- ☐ Addendum to Purchase Agreement: Tenants and Parties in Possession (M.S.B.A. Real Property Form No. 20)

EXHIBIT C

Survey Proposal

July 9, 2020

LOUCKS

Mr. Ken Streeter
Streeter Companies
ken@streetercompanies.com

RE: **Proposal for Professional Surveying Services**
Site in Shakopee PID: 069140150
Loucks Proposal No. P20354.00

Dear Mr. Streeter,

Thank you for your interest in a proposal to provide professional surveying services for the parcel depicted in the attachment. This parcel is a part of a larger parcel. We are proposing to provide surveying services for the approximately 3 acres shown. The site is PID # 069140150.

Loucks considers this document a contract for the work described below. We will begin our work on receipt of this signed document. Therefore, if there are any items that do not meet your needs, please let us know and we will make the necessary adjustments before we begin.

SCOPE OF SERVICES

We propose to provide the following surveying services:

1.1 Boundary Survey

From the legal description and title insurance commitment provided to us by you, we will perform a boundary survey of the site shown on the attached exhibit, including the following:

a. Perimeter boundary of the property involved.
b. Monumentation of the boundary corners.
c. Lines of possession and improvements along the boundary lines.
d. Location of visible surface features, such as buildings, drives and fences.
e. Square footage of the total property.
f. Easements of record as listed in the title insurance commitment.

1.2 Topographic Survey (Option)

We will perform a topographic survey of the site shown on the attached exhibit and approximately 25 feet surrounding, including:

a. One-foot contours of the site.
b. Spot elevations on significant structures and features.
c. Location and elevation of tops of castings and inverts of observable sanitary and storm sewer appurtenances, i.e. manholes, catch basins, flared ends, OCS's.

1.3 ALTA/NSPS Land Title Survey (Option)

From a title insurance commitment and zoning letter provided to us by you, we will perform a survey that will meet the February 23, 2016 Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys, jointly established and adopted by ALTA and NSPS and includes Items 1 – 4, 6(a), 7(a), 8, 9, and 11 of Table A thereof.

This survey will include, but will not be limited to, the following items:

a. Perimeter boundary of the property involved.
b. Evidence of found and placed monuments.

c. Abutting rights of ways and evidence of access to public ways.
d. Lines of possession and improvements along the boundary lines.
e. Location of visible surface features, such as buildings, drives, utilities and fences.
f. Square footage of the total property
g. Portrayal of underground utilities on the site based upon a Gopher State One Call request, and mapping provided by utility operators.
h. Easements either observed or as evidenced by recorded documents cited in the title insurance commitment.

NOTE: In regard to the Table A, Item 6(a) listed in the paragraph above, the information required to be provided in a zoning letter, to be obtained from the city, is the following: current zoning classification; setback requirements; building height and floor space area restrictions; and parking requirements.

In regard to the Table A, Item 11: utilities will be shown based on observed evidence, plans that are obtained from an 811 map request from utility companies, the City, and the owner, as well as on the ground markings based on an 811 utility locate request. The client should be aware that it is not unforeseen that the 811 locate request will be ignored or not performed in the required timeframe (4 days) and the surveyor may not be able to obtain some of the utility plans. Loucks can only aid in identifying the approximate location of underground utilities due to the occasional absence of complete and accurate plans. Loucks does not warrant nor does it guarantee that utilities will be discovered or located at the location marked on the survey. In any event, lacking excavation, the underground utility information shown on the survey will be approximate and sometimes incomplete. If that is deemed unacceptable, the site will need to be excavated and/or a private utility locate ordered, both for an additional fee. Client agrees that it shall have no claim against Loucks and further agrees to defend, indemnify, and hold Loucks harmless from and against any and all such liability, loss, cost or damages due to utility locations.

TIMING

We will commence our preparation and research into mapping and records upon your authorization to proceed. We anticipate completing the survey within 3 weeks of notice to proceed. We will need to receive the title commitment and zoning letter 5 days prior to completion date to maintain this schedule.

COMPENSATION

Compensation for those items described in the Scope of Services above will be for the following amount:

Activity	Fee
1. Boundary Survey	$3,900
2. Topographic Survey (option)	$2,900
3. ALTA/NSPS Land Title Survey (option)	$1,000

a. It appears that the land is being farmed. The optional fee shown on this proposal is for the Topographic Survey is for completing the field work without any crops on the site. If there are grown crops on the site, additional services will apply.

b. Additional work due to an insufficient number of property corner monuments found during the survey field work, resolution of conflicting descriptions with ad joiners, multiple title commitments, non-survey able or defective title descriptions and/or property disputes will be billed as additional services. The client will be consulted prior to proceeding with any additional services.
c. If the project site is significantly different from the previous survey or aerial map attached to this proposal, additional services will apply. The client will be consulted prior to proceeding with any additional services.
d. Reimbursable expenses such as mileage and delivery service will be billed above and beyond the lump sum or unit prices quoted above.
e. Invoices will be sent once a month based on the percentage of work completed and/or additional services performed through the date of billing. Payments on invoices are due upon receipt. Account balances over 30 days will be charged a late charge of 1.1% per month.

CLOSURE

Only the services listed above in the Scope of Services are included in this proposal. If additional services are required, they shall be provided in accordance with the attached hourly rate fee schedule. Loucks appreciates the opportunity to present this proposal to you. It is being provided via email for you to sign and return via email as written authorization to proceed.

Attached to this proposal are Loucks' General Conditions and Hourly Rate Fee Schedule, which are part of this agreement. By signing this contract, you are agreeing that they have been read, understood and accepted. We would appreciate the opportunity to personally discuss this proposal/contract with you at your earliest convenience.

This proposal is valid for a period of 30 days from the date of this proposal.

Sincerely,
LOUCKS

Vicki VanDell, PE
Associate Civil Engineer

Max Stanislowski, PLS
Director of Surveying

End. Loucks' General Conditions
Loucks' Hourly Rate Fee Schedule

Authorization to Proceed:

By: _____ Date: _____

Loucks is an Equal Opportunity Employer.

Scott County

Scott

Date: 7/7/2020

1 in = 752 ft

HOURLY RATE FEE SCHEDULE

Effective January 1, 2020

LOUCKS

Services performed on an hourly basis will be invoiced based on actual hours worked in accordance with the following itemized staffing descriptions. Reimbursable external expenses including, but not limited to, sub-consultants, duplication, messenger service, travel, postage and expendable field supplies will be billed to the client at the actual rate, plus 10%.

DISCIPLINE	JOB CLASSIFICATION	HOURLY RATE
Planning	Senior Planner	$198
	Planner	146
Landscape Architecture	Principal Landscape Architect	205
	Senior Landscape Architect	177
	Landscape Architect	146
	Site Design Technician	130
Engineering	Principal Engineer	212
	Associate Engineer	195
	Senior Project Engineer | Manager	190
	Project Engineer | Manager	170
	Engineer In Training (EIT)	141
	Senior Engineering Technician	133
	Engineering Technician	112
	Senior Construction Representative	143
	Construction Representative	107
Surveying	Principal Surveyor	212
	Senior Surveyor	186
	Project Surveyor	141
	Land Surveyor in Training	136
	Senior Survey Technician	138
	Survey Technician	115
	Survey Crew Chief	133
	Field Survey Technician	105
	Two Person Survey Crew*	238
	One Person Survey Crew*	175
	*For Projects Requiring Certified Health & Safety Training Add Per Employee	59
Scanning	3D Imaging Crew Chief with Scanner	298
	3D Imaging Technician	160
Graphics	Graphic Designer	135
	Graphic Artist	118
Administration	Administration Assistance (Clerical)	100
Reimbursable Expenses	Mileage	per mile 0.58
	Mylar Film	each 28.00
	Plan Size Photocopies | Blueprints	each 2.50
	Photocopies - Black & White (8 ½ x 11)	each 0.10
	Photocopies - Color (8 ½ x 11)	each 0.50
	Photocopies - Black & White (11 x 17)	each 0.15
	Photocopies - Color (11 x 17)	each 1.00

GENERAL CONDITIONS

LOUCKS

1.0 CLIENT RESPONSIBILITY

1.1. The CLIENT shall provide or make available all existing data that could possibly have a bearing on the decisions or recommendations made by Loucks including:

1.1.1. The CLIENT shall provide a copy of an Abstract or Title commitment for the parcel within seven (7) days of agreement date.

1.1.2. The CLIENT shall provide a copy of all staff reports, meeting minutes and pertinent correspondence as they become available. This information shall be furnished as expeditiously as necessary for the orderly progress of Loucks services and of the work.

1.1.3. The CLIENT shall provide, as requested, information regarding requirements for the Project that shall set forth the CLIENT's design objectives, constraints and criteria, including building area, building types and site requirements.

1.1.4. The CLIENT shall examine the documents prepared by Loucks and shall render decisions pertaining thereto promptly, to avoid unreasonable delay in the progress of Loucks services.

1.1.5. The CLIENT shall furnish reports and professional recommendations and other services of soil engineers or other consultants when such services are deemed necessary by Loucks. Consultants hired by the CLIENT shall carry liability, errors and omission and other pertinent insurance. The services may include test borings, test pits, soil bearing values, percolation tests, air and water pollution tests, ground corrosion and resistivity tests, etc.

1.1.6. Loucks shall receive copies of all soil borings, compaction tests and reports.

1.2. If the CLIENT observes or otherwise becomes aware of any fault or defect in the Project or non conformance with the Construction Documents, prompt written notice thereof shall be given by the CLIENT to Loucks.

1.3. The CLIENT shall provide for Loucks right to enter from time to time property owned by the CLIENT and/or others in order for Loucks to fulfill the Scope of Services indicated herein. The CLIENT understands that use of equipment may unavoidably cause some damage, the correction of which is not part of this agreement.

2.0 PAYMENT TO LOUCKS

2.1. Invoices will be submitted to the CLIENT from time to time, generally monthly but no more frequently than every two weeks and shall be due and payable within thirty (30) calendar days of the invoice date.

2.2. If the CLIENT objects to all or any portion of an invoice, the CLIENT shall so notify Loucks in writing within thirty (30) calendar days of the invoice date, identify the cause of disagreement and pay when due that portion of the invoice, if any, not in dispute. The CLIENT forfeits his objection by failure to respond within thirty (30) days. Loucks and CLIENT shall strive to resolve disputed amounts within 45 days. If the dispute cannot be resolved, either party has the right to suspend or terminate this agreement.

2.3. The CLIENT shall pay an additional carrying charge of one (1.0) percent of the invoice amount per month for any payment received by Loucks more than thirty (30) calendar days from the date of the invoice, excepting any portions of the invoice amount in dispute and resolved in favor of the CLIENT.

2.3.1. Payment thereafter shall first be applied to the carrying charges and then to the principal unpaid amount.

2.3.2. Application of the additional carrying charge indicated above as a consequence of the CLIENT's late payments does not constitute any willingness on Loucks part to finance the CLIENT's operation, and no such willingness should be inferred.

2.4. Payment of invoices is in no case subject to unilateral discounting or setoffs by the CLIENT.

2.5. If the CLIENT fails to pay undisputed invoiced amounts within sixty (60) calendar days of the date of the invoice, Loucks may at any time, without waiving any other claims against the CLIENT and without thereby incurring any liability to the CLIENT, suspend or terminate this agreement.

2.6. (a) **ANY PERSON OR COMPANY SUPPLYING LABOR OR MATERIALS FOR THIS IMPROVEMENT TO YOUR PROPERTY MAY FILE A LIEN AGAINST YOUR PROPERTY IF THAT PERSON OR COMPANY IS NOT PAID FOR THE CONTRIBUTIONS.**

(b) **UNDER MINNESOTA LAW, YOU HAVE THE RIGHT TO PAY PERSONS WHO SUPPLIED LABOR OR MATERIALS FOR THIS IMPROVEMENT DIRECTLY AND DEDUCT THIS AMOUNT FROM OUR CONTRACT PRICE, OR WITHHOLD THE AMOUNTS DUE THEM FROM US UNTIL 120 DAYS AFTER COMPLETION OF THE IMPROVEMENT UNLESS WE GIVE YOU A LIEN WAIVER SIGNED BY PERSONS WHO SUPPLIED ANY LABOR OR MATERIAL FOR THE IMPROVEMENT AND WHO GAVE YOU TIMELY NOTICE.**

2.7. In the event that litigation is required to collect undisputed invoiced amounts, Loucks shall be reimbursed by the CLIENT for Loucks legal costs in addition to whatever other judgment or settlement sums, if any, may be due. Such legal costs shall include, but not be limited to, reasonable attorney's fees, court costs, expert witness fees and other documented expenses, as well as the value of time spent by Loucks in researching the issues in question, discussing matters with attorneys and others, preparing for depositions, responding to interrogatories and so on. The value of time spent and the expenses incurred shall be based on Loucks prevailing fee schedule and expense reimbursement policy relative to the recovery of direct project costs. The same considerations apply to the prevailing party, either the CLIENT or Loucks, when litigation or arbitration is needed to resolve properly noticed disputed invoiced amounts.

3.0 ADDITIONAL SERVICES AND/OR EXCLUDED SERVICES

3.1. Unless specifically included in the Scope of Services, the following services are not included in this agreement. They shall be provided if agreed to in writing by the CLIENT and Loucks. In general, tasks not specified within the Scope of Services will be prepared in accordance with the prevailing hourly fee schedule.

3.2. Revisions to plans that are requested by the CLIENT, the CLIENT's architect or representative or required by the city, its consultants, watershed, county surveyor, DNR, Corps of Engineers, or other regulatory agency if it is not clearly demonstrated that the cause for change is an error or omission on Loucks behalf.

3.3. The CLIENT shall also pay all Reimbursable Charges and other costs directly attributable to termination or suspension for which Loucks is not otherwise compensated.

3.4. If the services covered by the Agreement have not been completed within eighteen (18) months of the date of this Agreement, through no fault of Loucks, the amount of compensation shall be equitably adjusted using the prevailing hourly fee schedule.

3.5. If the CLIENT requests a task be completed in a time frame which requires Loucks employees to work beyond 8 hours per working day (Monday through Friday), and it is solely based on the CLIENT's request and not Loucks integral workload, Loucks may negotiate additional compensation for fast tracking a specific task.

3.6. In that it would be unfair for Loucks to be exposed to liability for his or her failure to perform a service the CLIENT has instructed Loucks not to perform, due to the CLIENT's preference or desire to obtain such service from another source, the CLIENT hereby waives any claim against LOUCKS and agrees to defend, indemnify and hold LOUCKS harmless from any claim or liability for injury or loss allegedly arising from Loucks failure to perform a service the CLIENT has instructed Loucks to not perform. The CLIENT further agrees to compensate Loucks for any time spent or expenses incurred by Loucks in defense of any such claim, in accordance with Loucks prevailing fee schedule and expense reimbursement policy.

3.7. The CLIENT has relied on Loucks judgment in establishing the work scope and fee for this project, given the project's nature and risks. The CLIENT shall therefore rely on Loucks judgment as to the continued adequacy of this agreement in light of occurrences or discoveries that were not originally contemplated by or known to Loucks. Should Loucks call for contract re negotiation, Loucks shall identify the changed conditions which in Loucks judgment makes such re negotiation necessary, and Loucks and the CLIENT shall promptly and in good faith enter into re negotiation of this agreement to help permit Loucks to continue to meet the CLIENT's needs. If re negotiated terms cannot be agreed to, the CLIENT agrees that Loucks has an absolute right to terminate this AGREEMENT.

4.0 REIMBURSABLE EXPENSES

4.1. In addition to the Compensation for Basic and Additional Services, the following Reimbursable Charges are due to Loucks from the CLIENT, for reasonable charges incurred or established by Loucks in the interest of the Project:

4.2. Transportation in connection with the Project, out-of-town travel, long-distance communications, blueprints, reproductions, copies, deliveries performed by Loucks or outside delivery services, and fees paid for securing approval by authorities having jurisdiction over the Project.

4.3. The plat check fee and the cost of the plat mylars are reimbursable expenses to be paid by the CLIENT.

5.0 OPINION OF PROBABLE CONSTRUCTION COSTS

5.1. If contained in the Scope of Services or if requested as an additional service, Loucks shall submit to the CLIENT an opinion of the probable cost required to construct work recommended, designed, or specified by Loucks. Loucks is not a construction cost estimator or construction contractor, nor should Loucks rendering an opinion of probable construction costs be considered equivalent to the nature and extent of service that a construction cost estimator or construction contractor would provide. Loucks opinion will be based solely upon his or her own experience with construction. This requires Loucks to make a number of assumptions as to actual conditions that will be encountered on site; the specific decisions of other design professions engaged; the means and methods of construction the contractor will employ; the cost and extent of labor, equipment and materials the CONTRACTOR will employ; CONTRACTOR's techniques in determining prices and market conditions at the time, and other factors over which Loucks has no control. Given the assumptions that must be made, Loucks cannot guarantee the accuracy of his or her opinions of cost, and – in recognition of that fact – the CLIENT waives any claim against Loucks relative to the accuracy of Loucks opinion of probable construction cost.

6.0 CONSTRUCTION MANAGEMENT, OBSERVATION ANTI TESTING

6.1. Loucks shall render Construction Document interpretations necessary for the property execution or progress of those portions of the Work designed by Loucks with reasonable promptness.

6.2. Loucks will provide periodic observation of grading, utility and street construction activities as specified in under the SCOPE OF SERVICES.

6.3. Loucks will verify field measured quantities for payment to the construction contractor as specified under the SCOPE OF SERVICES.

7.0 SHOP DRAWING REVIEW

7.1. Loucks shall timely review and take appropriate action upon the construction contractor's submittals of Shop Drawings, Products Data and Samples. Such action shall be taken with reasonable promptness to insure job progress. Loucks review of a specific item shall not pass design responsibility for that item to Loucks when the design aspects are the responsibility of other designers. Instead this review would be to verity conformance of that specific item as a component within an entire assembly.

8.0 CONSTRUCTION STAKING

8.1. Loucks shall be notified at least two (2) working days prior to the time that the construction stakes are required. No additional compensation shall be allowed for any claims of crews being held up because of lack of line and grade stakes. If Loucks survey crew arrives at the site to perform construction staking at a specified date and time as requested, but the scheduled work cannot be performed due to circumstances beyond Loucks control, the waiting and/or travel time will be considered additional services.

8.2. After any part of the staking has been completed, the CLIENT and/or contractor shall be responsible for the proper execution of the work such lines and grades and all stakes or other marks given shall be protected and preserved until the work is completed and checked. Restaking shall be considered as an additional service, less it is to correct an error in the original staking.

8.3. The CLIENT and/or contractor shall assist Loucks in staking utility lines by exposing potentially conflicting utility lines for determination of line elevation and location.

8.4. If Loucks is not retained to perform construction observation, the client or his representative shall review the construction staking and/or cut sheets for general conformity to the plans and immediately report any obvious discrepancies to Loucks. If work is performed after knowing a possible staking error exists, it will be at the sole responsibility of the CLIENT or Contractor.

8.5. The cost of resetting lost irons will be invoiced to the CLIENT at Loucks' standard hourly rates.

8.6. Loucks shall be held harmless by the CLIENT for any losses resulting from houses that are staked by other surveyors prior to installation of lot corners.

9.0 JOB SAFETY

9.1. Insofar as job site safety is concerned, Loucks is responsible for his or her own and his or her employee's activities on the jobsite, but this shall not be construed to relieve the CLIENT or any construction contractors from their responsibilities for maintaining a safe job site. Neither the professional activities of Loucks nor the presence of Loucks or his or her employees and subcontractors, shall be construed to imply Loucks has any responsibility for methods of work performance, superintendent, sequencing of construction, or safety in, on or about the job site. The CLIENT agrees that the Construction Contractor is solely responsible for job site safety, and warrants that this intent shall be made evident in the CLIENT's agreement with the Construction Contractor. The CLIENT also warrants that Loucks shall be made an additional insured under the Construction Contractor's general liability insurance policy.

10.0 RECORD DRAWINGS

10.1. Upon completion of the work, Loucks shall compile for and deliver to the CLIENT, a complete set of record documents using information furnished to Loucks by the construction contractor and as measured by the field representatives. This set of documents shall consist of the original plan sheets altered by striking our original elevation or distance and writing the record information.

10.2. In that the record drawings are based partially on information provided by others, Loucks cannot and does not warrant their accuracy beyond that which Loucks is directly responsible.

10.3. A reproducible set of the record drawings will be provided for the City's use and the originals retained in Loucks files for future use.

11.0 STANDARD OF PRACTICE

11.1. Services performed by Loucks under this agreement will be conducted in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality under similar conditions. No other representation, expressed or implied, and no warranty or guarantee is included or intended in this Agreement, or in any report opinion, document or otherwise.

12.0 TERMINATION OF AGREEMENT AND/OR SUSPENSION OF WORK

12.1. This Agreement may be terminated by either party upon seven days written notice should the other party fail substantially to perform in accordance with its terms through no fault of the party initiating the termination.

12.2. This Agreement may be terminated by the CLIENT upon at least seven days written notice to Loucks in the event that the project is permanently abandoned.

12.3. The CLIENT may instruct Loucks to temporarily stop work on the project by giving written notice.

12.4. The CLIENT shall pay all costs associated with the suspension or termination of work, including demobilization, modifying schedules, reassigning personnel, etc.

13.0 MISCELLANEOUS PROVISIONS

13.1. This Agreement shall be governed by Minnesota Law.

13.2. The CLIENT and Loucks waive all rights against each other and against Loucks, agents and employees of the other for damages during construction covered by any property insurance. The CLIENT and Loucks each shall require appropriate similar waivers from their contractors, consultants and agents. Where any property insurance policy requires an endorsement to permit waiver of subrogation, the CLIENT shall obtain such endorsement.

13.3. Loucks shall remain the owners of all plans, designs and papers related to the above referenced project. In the event of any nonpayment of invoices, Loucks shall be under no obligation to deliver any such plans, designs or other papers to you, and shall have no liability to you for its retention of such plans unless full and prompt payment is made.

14.0 INDEMNIFICATION

14.1. The CLIENT shall indemnify and hold harmless Loucks, from claims resulting from the performance of the work; provided that any such claim, damage, loss or expense (a) is attributable to bodily injury, sickness, disease or death or to injury to or destruction of tangible property (even to Work itself) including loss of use or resulting therefrom, and (b) is caused in whole

or in part by a negligent act or omission of the CLIENT, anyone directly or indirectly employed by him, or anyone for whose acts he may be liable. Such obligation shall be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity which would otherwise exist as to any party or person described in this paragraph.

14.2. Loucks shall indemnify and hold harmless Client, from claims resulting from the Work performed provided that any such claim, damage, loss or expense is caused in whole or in part by a negligent act or omission of Loucks.

15.0 ASSIGNMENT

15.1. The CLIENT and Loucks, respectively, bind themselves, their partners, successors, assigns and legal representatives to the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither the CLIENT nor Loucks shall assign, sublet or transfer any interest in this Agreement without the written consent of the other.

16.0 EXTENT OF AGREEMENT

16.1. This Agreement comprises a final and complete repository of understanding between the CLIENT and Loucks. It supersedes all prior or contemporaneous communications representations or agreements whether oral or written, relating to the subject matter of this agreement. Each party has advised the other to read this document thoroughly before accepting it, to help assure it accurately conveys meaning and intents. Acceptance of this agreement as provided for below signifies that each party has read the documents thoroughly and has had any questions or concerns completely explained by independent counsel and is satisfied. The CLIENT and CONSULTANT agree that modifications to this Agreement shall not be binding unless made in writing and signed by an authorized representative of each party.

16.2. Any notice given hereunder shall be deemed served when hand-delivered in writing to an officer or other duly appointed representative of the party to whom the notice is directed, or if sent be registered or certified mail to the business address identified at the end of this agreement.

17.0 AFFIRMATIVE ACTION

17.1. Loucks certifies that it has received a certificate of compliance from the Commissioner of Human Rights pursuant to Minnesota Statutes, Section 363.074.

MARKET VALUE APPRAISAL
2.46 AC OF COMMERCIAL LAND
NWC COUNTY ROAD 69 AND COLBURN DRIVE
JACKSON TOWNSHIP, MINNESOTA

DATE OF REPORT:
January 22, 2020

PREPARED FOR:
Shakopee Public Utilities
255 Sarazin Street
Shakopee, MN 55379-0470

PREPARED BY:
Patchin Messner Valuation Counselors
Sunset Pond Executive Offices
13961 West Preserve Boulevard
Burnsville, MN 55337

PATCHIN MESSNER
VALUATION COUNSELORS

January 22, 2020

Shakopee Public Utilities
255 Sarazin Street
Shakopee, MN 55379-0470

ATTN: Joseph D. Adams

RE: Market Value Appraisal
2.46 Acres of Commercial Land
NWC of County Road 69 and
Colburn Drive
Jackson Township, Minnesota

Dear Mr. Adams:

At your request, we have appraised the above-referenced property for the purpose of estimating its fee simple market value. The function of this appraisal is to provide valuation guidance to Shakopee Public Utilities for internal decision making regarding the possible purchase of the subject property.

The subject property consists of approximately 2.46 acres which is the western portion of an overall site of approximately 106 acres. The subject site is triangular in shape and is located along the west side of County Road 69. It includes approximately 7,013 SF, or 0.161 acres encumbered by a 115 kV transmission line easement along the northwest boundary of the site that travels in a northeast-southwest direction. The property is further described within this report.

This appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. It has also been performed in compliance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and is presented following the USPAP Standards Rule 2 – 2(a) guidelines for real property appraisal reporting. As such, this report presents summary discussions of the data and analyses used in the appraisal process. Additional information and documentation concerning the data and analyses of this appraisal have been retained in our files.

It should be noted that this letter does not qualify as an appraisal, and that the reader is directed to the following report for the data, analyses and conclusions which support our value estimate. The appraisal report is contingent upon the assumptions and limiting conditions submitted within the report. The Contingent and Limiting Conditions section of this report should be thoroughly read and understood before relying on any information or analysis presented herein.

Based upon inspection of the property, and after consideration of the factors influencing market value, it is the appraisers' opinion the market value for the subject property, as of December 17, 2019, is:

$260,000

TWO HUNDRED SIXTY THOUSAND DOLLARS

Thank you for allowing our firm to be of assistance in this matter. If you have any questions after reading this report, feel free to contact us at your convenience.

Respectfully submitted,

PATCHIN MESSNER VALUATION COUNSELORS

Alyssa M. Ruis
Trainee Real Property Appraiser
Minnesota License 40295088

Jason L. Messner, MAI
Certified General Real Property Appraiser
Minnesota License 4000836

CERTIFICATION
(Real Estate)

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
7. I have made a personal inspection of the property that is the subject of this report.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. No one provided significant real property appraisal assistance to the persons signing this certification or report.
11. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
12. This appraisal cannot be completely understood without reading the Contingent and Limiting Conditions section of this report, which should be thoroughly read and understood before relying on any information or analysis presented herein.
13. As of the date of this report, Alyssa Ruis has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

Alyssa M. Ruis — 1-22-2020 (Date)

CERTIFICATION
(Real Estate)

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
7. I have made a personal inspection of the property that is the subject of this report.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. No one provided significant real property appraisal assistance to the persons signing this certification or report.
11. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
12. This appraisal cannot be completely understood without reading the Contingent and Limiting Conditions section of this report, which should be thoroughly read and understood before relying on any information or analysis presented herein.
13. As of the date of this report, Jason L. Messner has completed the continuing education program requirements for Designated Members of the Appraisal Institute.

Jason L. Messner

Jason L. Messner, MAI

11/22/20
Date

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Fee Owner:	R&J Breeggemann Partnership
Location:	Northwest Corner of County Road 69 and Colburn Drive, Jackson Township, Scott County, Minnesota
Date of Valuation:	December 17, 2019
Date of Inspection:	December 17, 2019
Property Appraised:	Real Property Only
Rights & Interests Appraised:	Fee Simple Market Value
Zoning:	C1, General Commercial
Guided Land Use:	Mixed-Use Employment Center (Shakopee 2040)
Highest and Best Use:	As Vacant – development of a service commercial or industrial use consistent with zoning.
Gross Land Area:	107,245 SF, or 2.46 acres of an overall 4,617,360 SF, or 106 acre property
Unencumbered Land Area (Net of Transmission Easement):	100,232 SF, or 2.30 acres
Site Description:	The subject site has a site area of approximately 107,245 SF, or 2.46 acres, which is the western portion of an overall site of 106 acres. The subject property is encumbered by a 115 kV transmission line easement that is along the northwest corner of the site traveling in a northeast-southwest direction. It consists of approximately 7,013 SF, or 0.16 acres. The subject's topography is generally level and street grade.
Value Conclusion:	$260,000

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TABLE OF CONTENTS

PHOTOGRAPHS OF SUBJECT

Looking Northwest from South Boundary of Site along County Road 69

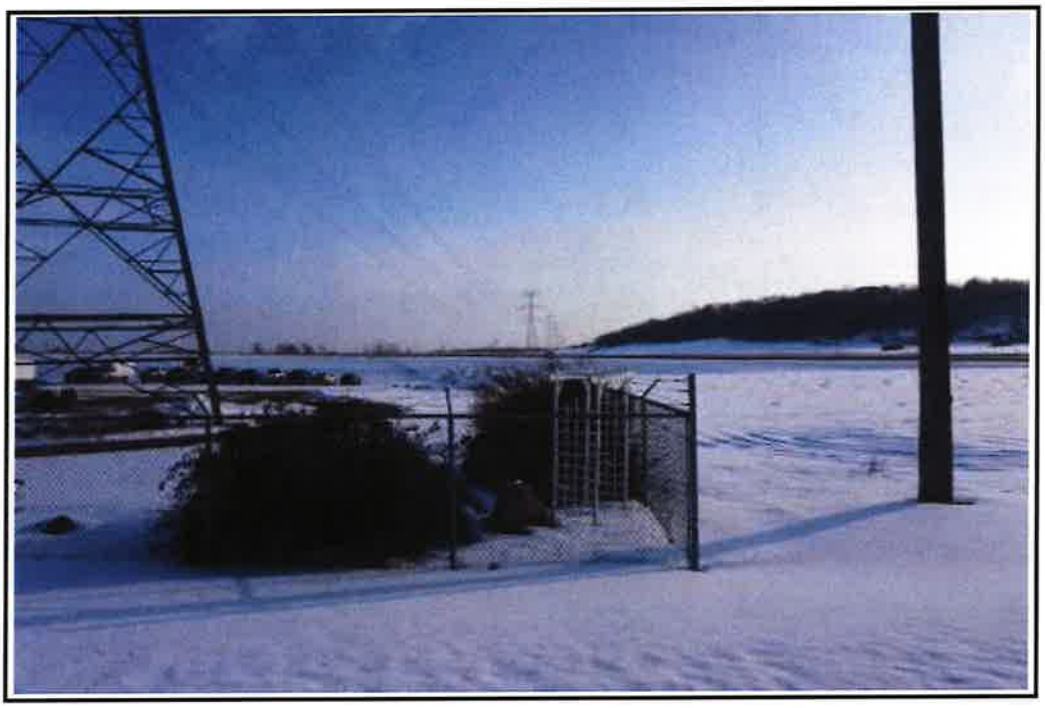
Looking North along Colburn Drive from West Boundary of Site

PHOTOGRAPHS OF SUBJECT

Looking Southeast from Colburn Drive along West Boundary of Site

Looking East from West Boundary of Site along Colburn Drive

PHOTOGRAPHS OF SUBJECT



Looking East from North Boundary of Site from Colburn Drive

Looking West at North End of Subject Boundary from County Road 69

PHOTOGRAPHS OF SUBJECT

Street Scene along County Road 69 Viewing North - Subject on Left

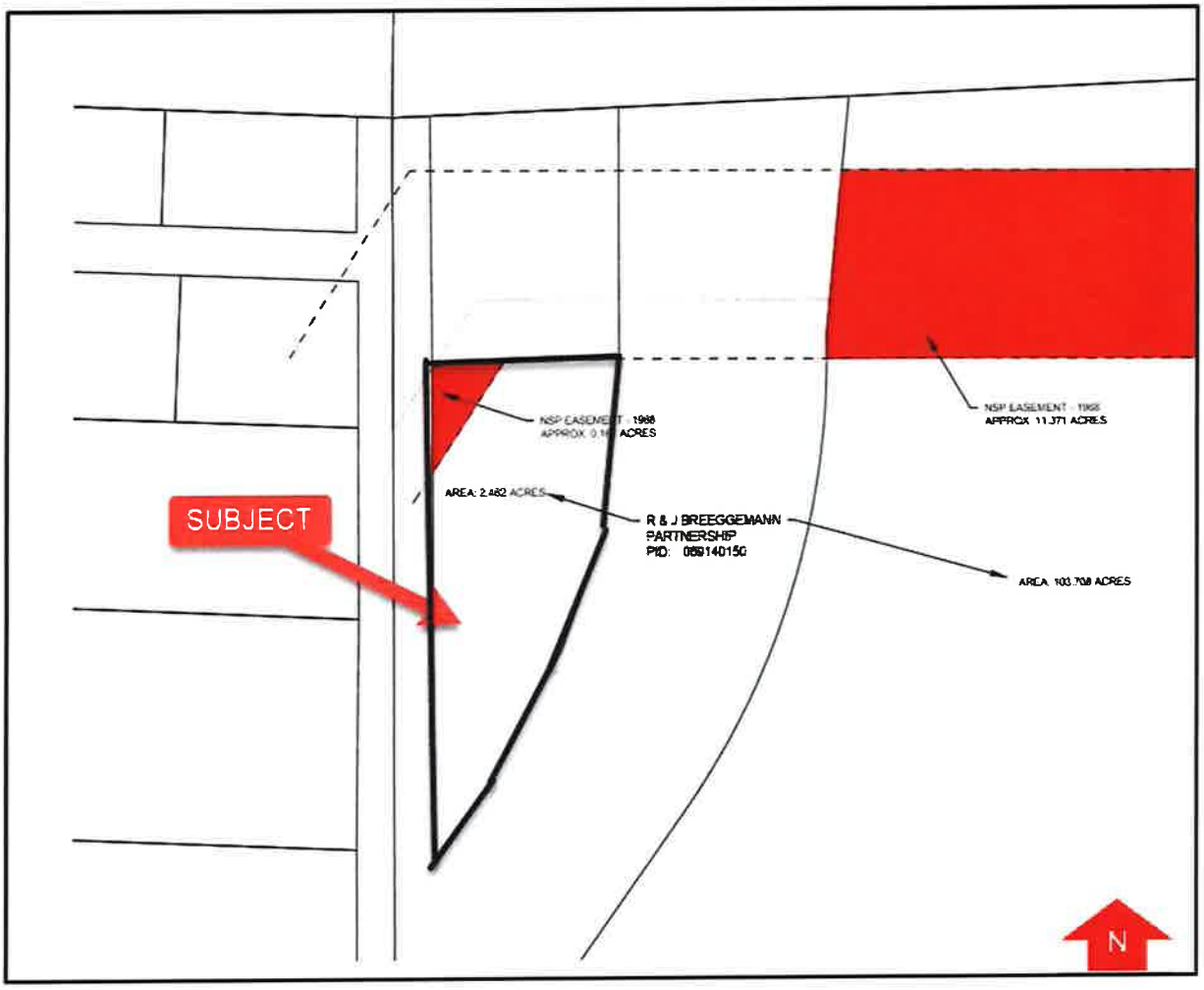
Street Scene along County Road 69 Viewing South/Southwest

PHOTOGRAPHS OF SUBJECT

Aerial View of Subject (Scott County GIS)

Please note the subject site of 2.46 acres is approximate lot outline in red.

PHOTOGRAPHS OF SUBJECT



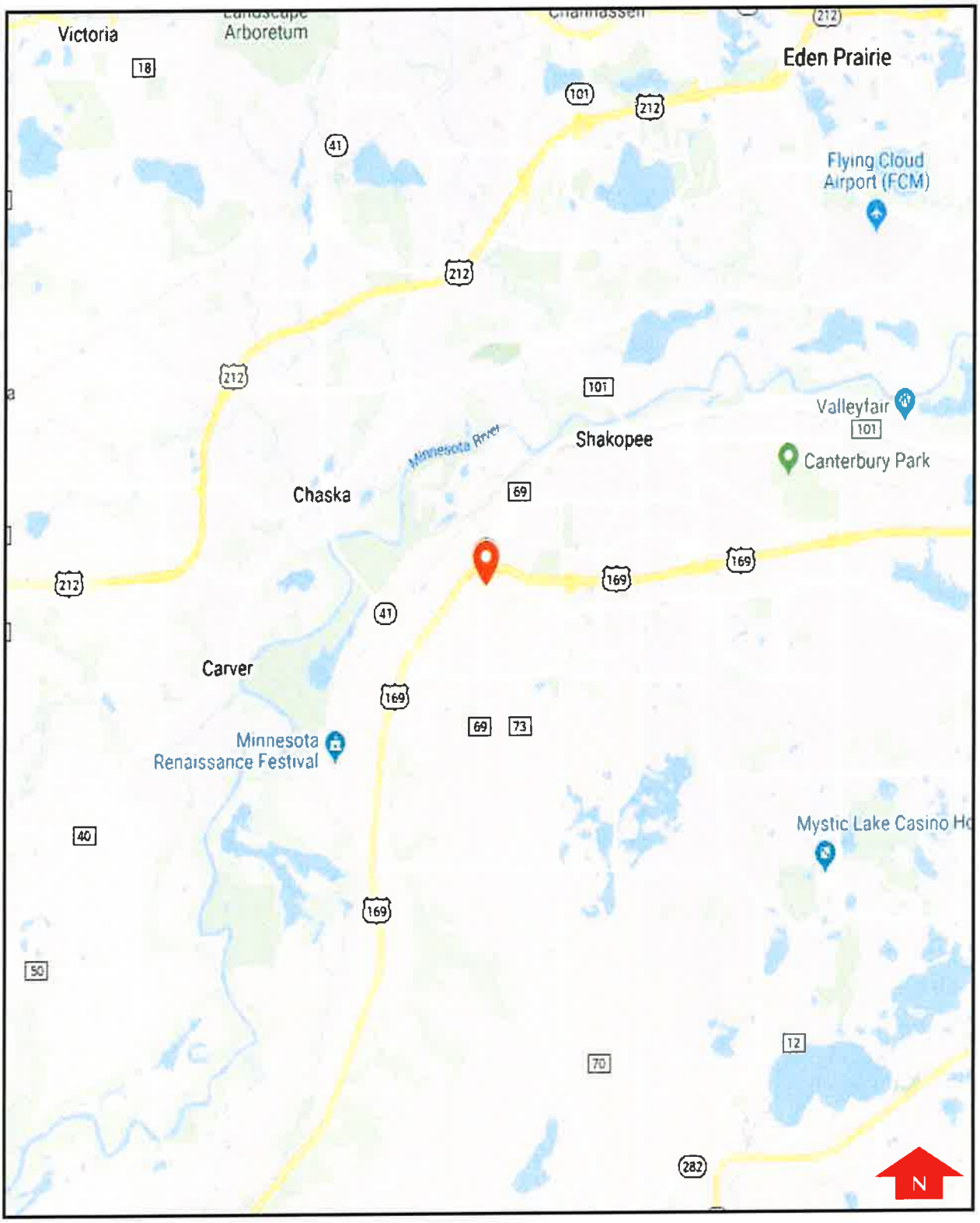
Easement Exhibit of Subject (Provided by client)

The exhibit above displays the transmission easement areas, shaded in red. Of the subject's 2.46 acres, there is a transmission easement along the northwest corner of the subject site that encumbers approximately 7,013 SF, or 0.16 acres. The unencumbered area of the subject, minus the transmission easement, is approximately 100,232 SF, or 2.30 acres.

PHOTOGRAPHS OF SUBJECT

Aerial View of Subject (Google Earth)

The aerial above displays the transmission lines that pass through the subject property. The yellow line is a 115 kV transmission line that is along the northwest corner of the property. The red line is a 345 kV transmission line. The transmission easement along the northwest corner of the site (yellow line) encumbers approximately 7,013 SF, or 0.16 acres of site area along the subject property.



SUBJECT LOCATION MAP

PROPERTY APPRAISED

The subject property consists of approximately 2.46 acres, which is the western portion of an overall site of approximately 106 acres. The subject site is triangular in shape and is located along the west side of County Road 69. It includes approximately 7,013 SF, or 0.161 acres encumbered by a 115 kV transmission line easement along the northwest boundary of the site that travels in a northeast-southwest direction.

DATE OF APPRAISAL

The effective date of this appraisal is December 17, 2019.

INSPECTION OF THE PROPERTY

Alyssa M. Ruis and Jason L. Messner inspected the property on December 17, 2019.

PROPERTY OWNERSHIP

The property is owned by R&J Breeggemann Partnership.

SALES HISTORY

The Uniform Standards of Professional Appraisal Practice (USPAP) requires that all sales of the subject during the previous three years be reported and analyzed. According to Scott County records, there have been no sales of the subject in the three-year period prior to the date of valuation.

The subject site is currently for sale at a negotiable rate according to broker Ken Streeter of Streeter Companies. As previously stated, the subject site is 2.46 acres, which is the western part of approximately 106 acres and separated by County Road 69. According to the broker, the subject site received interest from several parties for such uses as a daycare

SALES HISTORY

or gas station; however, no purchase agreement or letter of intent has been provided to the appraisers. The site has been currently available for sale for over one year.

CLIENT, INTENDED USE AND INTENDED USERS

The client of this appraisal assignment is Shakopee Public Utilities. The intended use of this appraisal is to provide valuation guidance for internal decision making regarding the possible purchase of the subject property. The intended users of this appraisal report are the representatives of Shakopee Public Utilities.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the fee simple market value of the subject property.

PROPERTY RIGHTS APPRAISED

The subject property will be appraised by estimating the market value of the fee simple interest of the real estate, subject to existing easements. For use in this appraisal, the fee simple interest in the real estate is subject to the following definition obtained on Page 90 of *The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute.

> *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

MARKET VALUE DEFINED

Market value as utilized in this appraisal report conforms to the following definition obtained from Page 142 of *The Dictionary of Real Estate Appraisal*, Sixth Edition.

MARKET VALUE DEFINED

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised, and acting in what they consider their best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Unless otherwise noted in the appraisal report, market value shall represent cash equivalent terms where the seller receives all cash for their interest. The property may be financed at typical market terms under this definition.

The above definition describes market value as an exchange concept. According to *The Dictionary of Real Estate Appraisal*, Sixth Edition, at Page 245, value in exchange is defined as the "a type of value that reflects the amount that can be obtained from an asset if exchanged between parties."

COMPETENCY OF APPRAISERS

Alyssa M. Ruis and Jason L. Messner, MAI, have the knowledge and experience to complete this appraisal assignment competently and in compliance with USPAP. Refer to the Appraiser's Qualifications in the Addenda of this report for further details.

SCOPE OF WORK

This document is intended to provide a market value appraisal of the property. This appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. It has also been performed in compliance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and is presented following the USPAP Standards Rule 2 – 2(a) guidelines for real property appraisal reporting.

Summary of Appraisal Methodology

In this analysis, the following data and concepts pertaining to the subject property have been examined.

1. Physical Characteristics of Real Property, including:

   Inspection of the Subject Property

   Review of available Plat Maps

   Review of available Aerial Photographs

   Exterior Photographs

   Observation of the Local Market and the Subject's Place within this Market

2. Non-Physical Characteristics of Real Property including:

   Property Rights

   Legal Description

   Existing Road, Transmission, and Utility Easements

   Assessment Data

   Zoning and Land Use Guiding

3. Observations and Data Concerning the Subject Property's Market and Transactions within this Market:

   Supply and Demand Generators of the Market

   Financing Available within the Market

SCOPE OF WORK

Summary of Appraisal Methodology

Perception of the Market as to the Future

From the above data and concepts, we have made the following analyses.

Highest and Best Use of the Subject Property

Application of the Appropriate Approaches to Value for the Property - See the following Appraisal Procedures and Techniques section of this report for an explanation of the sales comparison approach.

Correlation and Final Estimate of Value

ASSUMPTIONS

The following assumptions have been made related to this valuation of the subject property:

- The subject site consists of 2.46 acres, which is part of a larger parcel that is approximately 106 acres in size.
- The subject site is encumbered by a transmission line easement along the northwest boundary of the site. The appraisers have been provided an easement sketch from the client stating there is approximately 7,013 SF, or 0.16 acres of a transmission easement area. Therefore, we assume that 0.16 acres is the correct amount of site area that is encumbered by the 115 kV transmission line easement.

ENVIRONMENTAL CONSIDERATIONS

Based upon inspection of the subject property, it is assumed that no environmental concerns such as PCBs, toxic and hazardous soil or ground water contamination exist upon the subject as of the date of this appraisal report. However, the reader is advised the appraiser is not qualified to perform inspections concerning the existence or absence of environmental concerns. If any environmental contaminants do exist within the subject property, the appraisers reserve the right to adjust the estimated market value contained in this report accordingly.

REGIONAL AND CITY DATA

Location

The subject is located in Jackson Township, which is situated in northern Scott County, and is proximate to Shakopee, Minnesota. Shakopee is located within the outer-suburban ring of the Minneapolis/St. Paul metropolitan area. The Minneapolis/St. Paul metropolitan area is situated in the north central portion of the United States, approximately 275 miles south of the U.S./Canadian Border and 400 miles northwest of Chicago, Illinois.

Commonly referred to as the "Twin Cities," the Minneapolis/St. Paul metropolitan area is located in the southeastern region of the State of Minnesota at the confluence of the Mississippi and Minnesota Rivers. According to the U.S. Census Bureau, the Standard Metropolitan Statistical Area (SMSA), which constitutes the Twin Cities, includes eleven Counties: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington and Wright Counties in Minnesota and St. Croix County in Wisconsin. Scott County borders Hennepin County to the north, Dakota County to the east, Rice and Le Sueur Counties to the south, Sibley County to the west and Carver County to the northwest.

The Minneapolis/Saint Paul metropolitan area is situated at the crossroads of Interstate 94 (east/west) and Interstate 35 (north/south) and is served by a major international airport, located approximately six miles south of the mid-point between Minneapolis and St. Paul.

Government

The Metropolitan Council was established to coordinate and resolve development issues affecting the Minneapolis/St. Paul area. This governing body has jurisdiction over the Seven-County Metropolitan Area (SCMA), which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties. Since the Metropolitan Council deals with planning issues for the Seven-County Metropolitan Area, most data available concerning the social and economic forces affecting the Twin Cities corresponds to the same SCMA. Shakopee also has a City Council/Mayor form of government.

Population

The Metropolitan Council reports the following population estimates for 2018:

- Shakopee: 41,506
- Scott County: 146,111
- SCMA: 3,113,338

REGIONAL AND CITY DATA

Population

In addition, based upon data compiled by the U.S. Census Bureau, the Metropolitan Council reports the following population trends for the city of Shakopee, Scott County and the Seven-County Metropolitan Area.

Households			
Year	City of Shakopee	Scott County	Seven-County Metro Area
2000	6,807	30,692	1,021,456
2010	12,722	45,108	1,117,749
2020*	15,000	55,160	1,256,580
2030*	16,900	64,510	1,378,470
2040*	18,800	74,130	1,491,780

*As projected by the Metropolitan Council

The population data shows that the city of Shakopee and Scott County realized strong growth between 2000 and 2010, increasing at compounded annual growth rates of 5.75% and 3.80%, respectively. In comparison, the Seven-County Metropolitan Area grew at a 0.76% annual rate. As estimated by the Metropolitan Council, growth is expected to continue for Shakopee, as well as for Scott County and the larger metropolitan area.

Households

The Metropolitan Council reports the following household estimates for 2018:

- Shakopee: 13,787
- Scott County: 49,812
- SCMA: 1,213,980

In addition, based upon data compiled by the U.S. Census Bureau, the Metropolitan Council reports the following household trends for the city of Shakopee, Scott County and the Seven-County Metropolitan Area.

Population			
Year	City of Shakopee	Scott County	Seven-County Metro Area
2000	21,115	89,498	2,642,062
2010	36,946	129,928	2,849,567
2020*	43,000	153,750	3,127,660
2030*	48,100	176,260	3,388,950
2040*	53,100	199,520	3,652,060

*As projected by the Metropolitan Council

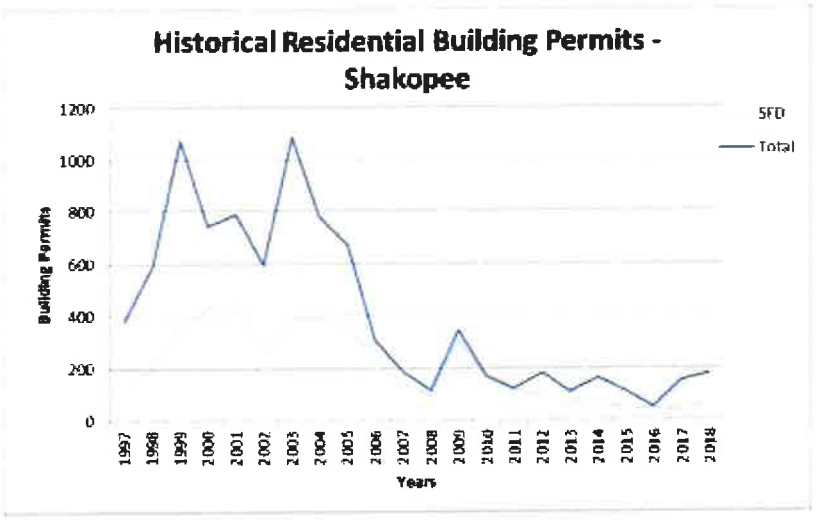
REGIONAL AND CITY DATA

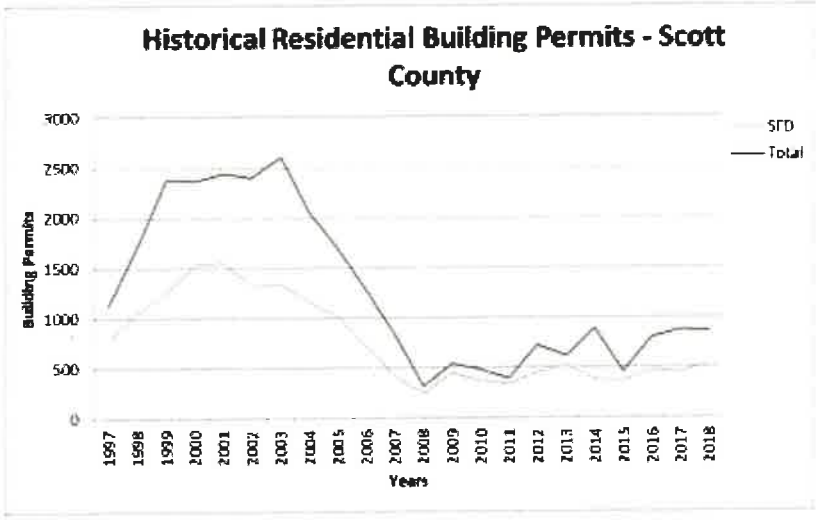
Households

The household data also indicate that the city of Shakopee and Scott County realized significant growth between 2000 and 2010, with compounded annual growth rates of 6.45% and 3.93%, respectively. These rates are higher than the Seven-County Metropolitan Area's annual growth rate of 0.90%. While this growth stagnated across most markets for several years due to the Great Recession, residential permit activity has increased in recent years.

Construction Activity

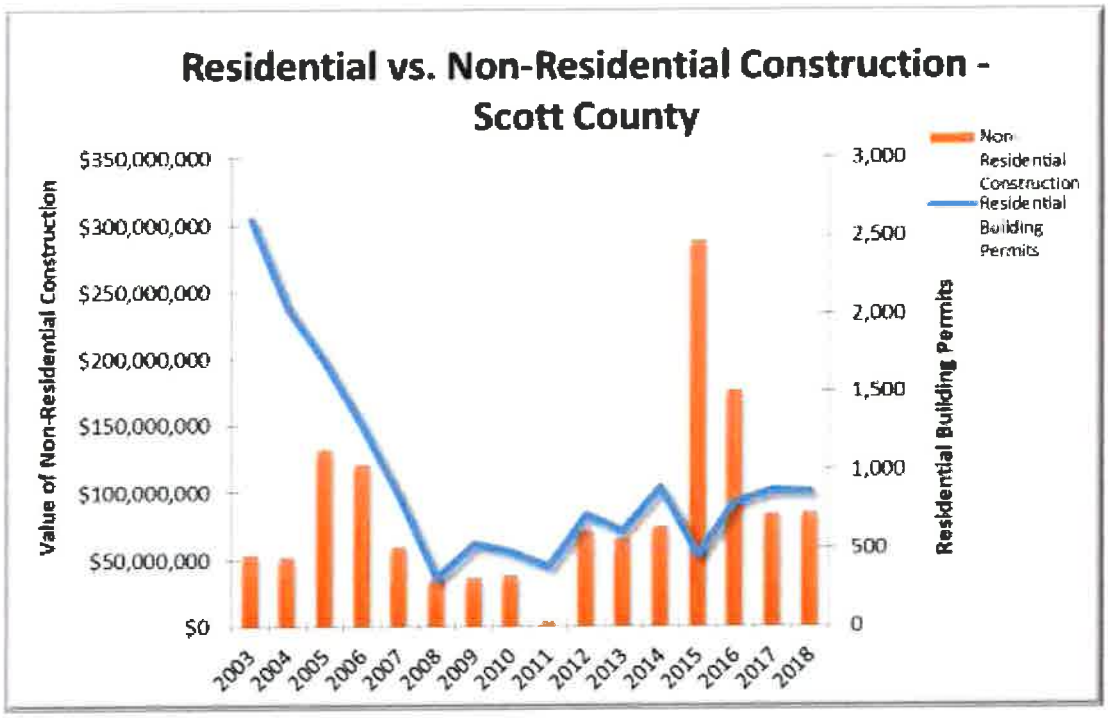
The following charts summarize construction activity in Shakopee, Scott County, and the Twin Cities metropolitan area, with data obtained from the Metropolitan Council.





REGIONAL AND CITY DATA

Construction Activity



REGIONAL AND CITY DATA

Employment

Historical unemployment rates of Shakopee, the Twin Cities, the State of Minnesota and the United States, from 2011 to 2018, are located below.

	Unemployment							
Area	2011	2012	2013	2014	2015	2016	2017	2018
Shakopee	5.9%	5.0%	4.4%	3.4%	3.1%	3.3%	3.0%	2.4%
Scott County	5.8%	5.0%	4.4%	3.6%	3.1%	3.2%	3.0%	2.5%
Twin Cities	6.3%	5.5%	4.9%	3.9%	3.5%	3.5%	3.3%	2.7%
Minnesota	6.5%	5.6%	5.1%	4.1%	3.7%	3.8%	3.5%	2.9%
United States	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%

Source: Minnesota Department of Employment and Economic Development

As can be observed from the data above, the unemployment rates in Shakopee and Scott County generally mirror that of the Twin Cities and Minnesota as a whole. However, Minnesota consistently has lower unemployment rates than the national average. Furthermore, unemployment rates have improved considerably since 2011.

Transportation

The Minneapolis/St. Paul metropolitan area is easily accessible due to the following major highways serving the Twin Cities.

- Interstate 35 - A major north/south highway, which connects with Duluth, Minnesota to the north and Kansas City, Missouri to the south. In the metro area, I-35 splits with I-35W passing through Minneapolis, while I-35E passes through St. Paul.
- Interstate 94 - A major east/west highway that connects with Milwaukee, Wisconsin/Chicago, Illinois to the east, and Fargo, North Dakota to the west.
- Interstate 494/694 - A major freeway, which loops around the periphery of the Twin Cities.
- U.S. Highway 169 - A north/south route serving the western suburbs.
- U.S. Highway 212 - An east/west route serving the southwestern suburbs.
- U.S. Highway 12/ Interstate 394 - An east/west route, which connects downtown Minneapolis with the western suburbs.

REGIONAL AND CITY DATA

Transportation

- U.S. Highway 61 - A north/south route serving the eastern suburbs.
- U.S. Highway 10 - A diagonal route extending from Wisconsin to Fargo, North Dakota; it passes through St. Paul and Anoka County.

Other major highways serving the Twin Cities area include State Highway 100, State Highway 77 (Cedar Avenue), Crosstown Highway 62, Lafayette Freeway, and U.S. Highway 52/55.

The Twin Cities is served by the Minneapolis St. Paul International Airport (MSP) and six general aviation airports throughout the region, known as "reliever airports" that help relieve congestion at MSP. These airports provide private and corporate aviation services for more than 400,000 aircraft each year, according to the Metropolitan Airports Commission. MSP International is among the largest airports in the world, with high volumes of passenger and cargo traffic to and from destinations around the globe. MSP is a primary hub for Delta Airlines, and is served by eleven other domestic and international passenger carriers.

The major means of mass transit in the Twin Cities is the metropolitan bus system operated by Metro Transit, a division of the Metropolitan Council. In addition, Light Rail Transit (LRT) along the Hiawatha Avenue corridor connects downtown Minneapolis, Minneapolis/St. Paul International Airport, and the Mall of America. There are 17 LRT stations, and Metro Transit offers 46 bus routes with connecting service and timed transfers at 13 light rail stations. Central Corridor-Green Line LRT began service in June 2014, and connects the two CBDs of Minneapolis and St. Paul, as well as the State Capital and the University of Minnesota. The Northstar commuter rail connects the northwest suburbs of the Twin Cities with downtown Minneapolis.

Railroads serving the Twin Cities include Burlington Northern Santa Fe, Union Pacific, Canadian Pacific/Soo Line Railway Company and Amtrak. Also, about 100 trucking firms serve the metropolitan area, making it one of the largest distribution centers in the nation.

REGIONAL AND CITY DATA

Utilities

The Minneapolis/St. Paul area, as well as Shakopee, is served by municipal water and sewer systems, electricity, telephone service and natural gas. Sewage disposal is regulated by the Metropolitan Waste Control Commission. In comparison, Jackson Township is not currently served with municipal utilities, nor is it forecasted to be served until 5 to 10+ years.

The Metropolitan Council controls sewer availability by restricting the area that it will serve. The area served is called the Metropolitan Urban Service Area (MUSA). Through its control of municipal sewer, the Metropolitan Council has been able to direct urban development.

Summary

In summary, the Twin Cities enjoys a strategic geographic location supported by strong transportation links. Analysis of economic and demographic data for the Twin Cities reveals a trend of general growth and soundness of the area's well-diversified economy.

While the region is not insulated from national and global economic uncertainties, the above data indicate the Twin Cities is an environment that is resilient and, in most circumstances, above national averages and standards. Although in the short term the local economy will continue on a path of slow-to-moderate growth, the Twin Cities region's business environment is expected to have a positive, long-term, effect on real estate and values, including properties such as the subject.

NEIGHBORHOOD DATA

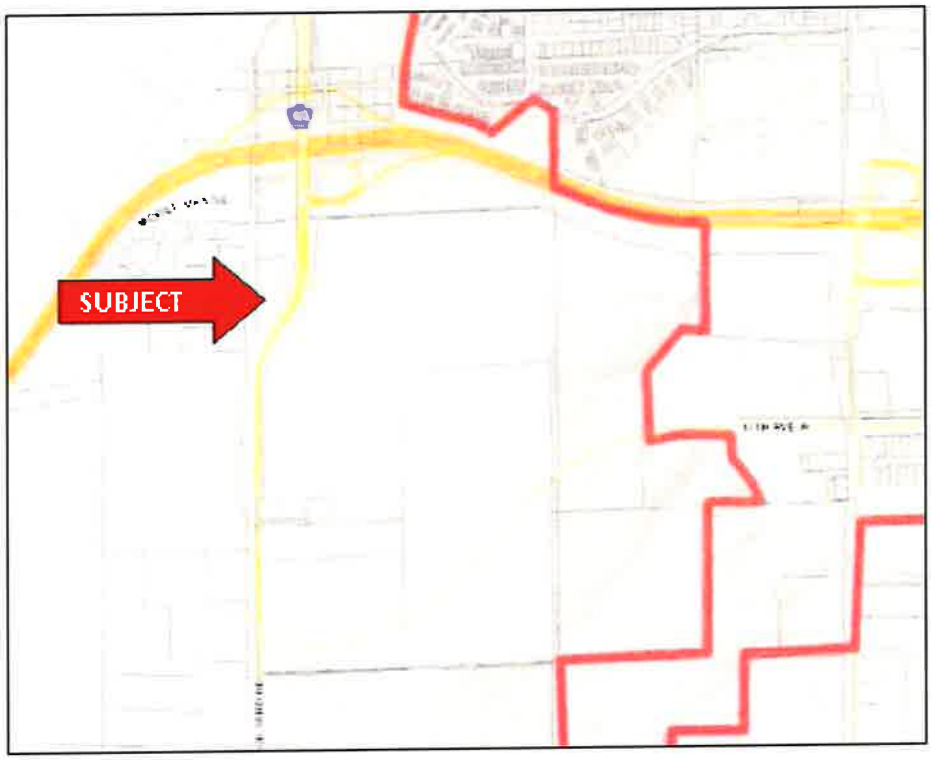
The subject is located on the southwest quadrant of Highway 169 and County Road 69 in Jackson Township. More specifically, the subject site is along the northwest corner of County Road 69 and Colburn Drive. Jackson Township is a rural community adjacent to the growing southwestern suburb city of Shakopee. Portions of the township adjacent to the city boundary have been annexed to the city and developed to urban standards. However, the majority of the community is considered rural in nature with large-acre single family homes and agricultural uses.

NEIGHBORHOOD DATA

The subject neighborhood is defined by the following boundaries.

North: Minnesota River
South: County Road 78/Chestnut Boulevard
East: Marystown Road
West: Interchange of Highway 169 and County Road 41

The neighborhood is mostly outside of Shakopee city limits, and is outside of existing MUSA boundaries, without municipal water and sanitary sewer services available. Therefore, the neighborhood is considered a transition area between the developing areas of Shakopee to the north and east, downtown Chaska to the northwest, and rural Scott County to the south. Furthermore, portions of the neighborhood, are planned for future annexation to the City of Shakopee, with an orderly annexation agreement in place with Jackson Township. According to Mark Noble, Senior Planner of Shakopee, it could take up to ten years before the subject's immediate area would be annexed into the City of Shakopee and gain access to municipal utilities. Currently, the city border is just west of Marystown Road and 17th Street West and to the northeast corner of Highway 169 and County Road 69. A picture below depicts the approximate west border of the City of Shakopee.



NEIGHBORHOOD DATA

The subject's neighborhood comprises a variety of commercial and rural industrial uses located along U.S. Highway 169, such as Ron's Mechanical, Mom's Design and Build, Garza Motors, Ditch With, Rapid Marine, and other industrial uses near the intersection of U.S. Highway 169 and T.H. 41/C.H. 78. To the east, the neighborhood along Marystown Road south of U.S. Highway 169 transitions to a series of commercial, multi-family, and single-family developments over the past several years. More recently, a development known as the Windermere, which is a mixed-use, multi-phased development is being developed with multiple commercial buildings, and 585 residential units including single-family homes, townhomes, and senior apartments. In addition, in the spring of 2018, Windermere South has been approved for development of an additional 158 single-family homes.

As previously noted, the U.S. Highway 169 corridor is the major highway connecting the neighborhood and Jackson Township to the region. U.S. Highway 169 is a four-lane divided roadway that serves as a linkage to the southwestern suburbs, the interstate highway system and the greater metropolitan area. County Road 69 is a two-lane roadway that travels north towards Shakopee that transitions to County Road 101 into the downtown portion of the City. C.H. 78 is a two-lane roadway that extends east of the intersection, through a primarily agricultural and residential area of Scott County; and T.H. 41 is a two-lane roadway that extends northwest of the intersection, to downtown Chaska and beyond. The following table provides traffic volumes for the subject neighborhood.

Neighborhood Traffic Volumes	
U.S. 169 (corner of Co Rd 69)	34,500 (2018)
County Road 69 (Nouth of U.S. 169)	7,500 (2017)
County Road 69 (South of U.S. 169)	1,300 (2018)
CH 78	5,200 (2017)
TH 41	18,200 (2017)

Therefore, considering the subject's location southwest of U.S. Hwy 169 and County Road 69, and developers are slowly expanding development to the outer-ring suburbs and acquiring land along the edge of MUSA boundaries, the neighborhood is anticipated to remain viable into the future. However, there is additional vacant land within the

NEIGHBORHOOD DATA

Shakopee city limits that is available for urban development with public utilities. Therefore, development activity in the subject's immediate neighborhood is anticipated to be delayed into the future.

TAX AND ASSESSMENT DATA

The subject's property tax and assessment data are presented below. Please note that tax and assessment data below are for the overall larger ownership of 106 acres of land, including improvements. Again, the subject property is only 2.46 acres along the west side of County Road 69.

TAX AND ASSESSMENT DATA			
Property Identification Number	06.914015.0	Property Identification Number	06.914015.0
2018 Assessor's Estimated Market Value		2019 Assessor's Estimated Market Value	
Total	$2,058,900	Total	$2,330,800
2018 Assessor's Taxable Market Value		2019 Assessor's Taxable Market Value	
Total Taxable Market Value	$2,058,900	Total Taxable Market Value	$2,330,800
Real Estate Taxes Payable 2019		Real Estate Taxes Payable 2020	
General Taxes	$4,571.00	General Taxes	$5,157.00
Special Assessments	$11.00	Special Assessments	$11.00
Total	$4,582.00	Total	$5,168.00
Effective Tax Rate	0.22%	Effective Tax Rate	0.22%

The 2019 Assessor's estimate for the entire parcel (106 acres) is $2,330,800 or $0.50 per square foot (site area). The subject property consists of 2.46 acres. The assessed value is lower on a per square foot basis compared to the subject's concluded land value due to the smaller site size.

LOCATION AND LEGAL DESCRIPTION

Address:	Northwest corner of County Road 69 and Colburn Drive, Jackson Township, Scott County, Minnesota.
PID:	West portion of 06.914015.0
Legal Description:	The property is located within the western portion of Section 14 Township 115 Range 023 W1/2 NW1/4 EX 1A & EX 1.76A HWY EX 1.24A EX 2.5A & NE1/4 NW1/4 (EX 7.72A MN DOT PLAT 70-16, # 43B), Jackson Township, Scott County, Minnesota.

ZONING AND FUTURE LAND USE

The subject is located in Jackson Township. As such, zoning is administered by Scott County. As depicted on the Scott County Zoning Map, the subject is zoned C1, Commercial District and is guided for Mixed Use Employment Center based upon the 2040 Shakopee Comprehensive Plan.

According to Scott County, "The purpose of the C1, Commercial District is to provide an area that will allow general retail service and other commercial uses within available service capabilities and in a manner compatible with the surrounding area in locations specifically guided by the Comprehensive Plan."

Uses permitted within the C1, Commercial District include, but are not limited to the following:

- Agricultural uses;
- Agricultural buildings;
- Essential services- infrastructure;
- Railroad ROW

Uses permitted as an administrative use within the C1, Commercial District include, but are not limited to the following:

- Animal hospital;
- Daycare center;
- Feed mills;
- Indoor storage space or garage rental;

ZONING AND FUTURE LAND USE

- Indoor commercial recreation;
- Office and professional buildings;
- Open outdoor sales, rental, or display area;
- Commercial retail establishment

Uses permitted as a conditional use within the C1, Commercial District include, but are not limited to the following:

- Animal shelter;
- Auction house;
- Auto, implements, heavy equipment, truck, RV sales;
- Commercial nursery or greenhouse;
- Lumber yard and landscape supply;
- Motor vehicle repair garage;
- Restaurant including fast food;
- Truckstop

According to Scott County, mostly all commercial uses are required to be submitted for approval to the County to ensure they comply with the future land uses. This is due to the limited permitted uses currently listed above. There are a limited number of required lot dimensions within the C1, Commercial District. The performance standards are as follows:

Maximum Building Height:	45 Feet
Minimum Lot Area:	2.5 Acre
Maximum impervious surface percentage:	75%
Minimum Lot Width:	200 Feet
Minimum Front Yard:	100 Feet
Minimum Side Yard:	20 Feet
Minimum Rear Yard:	30 Feet

The subject property size is slightly smaller than the required minimum area, however, according to Scott County, this was not viewed as an issue and that it is fully developable. As such, we assume the subject property conforms to the zoning code.

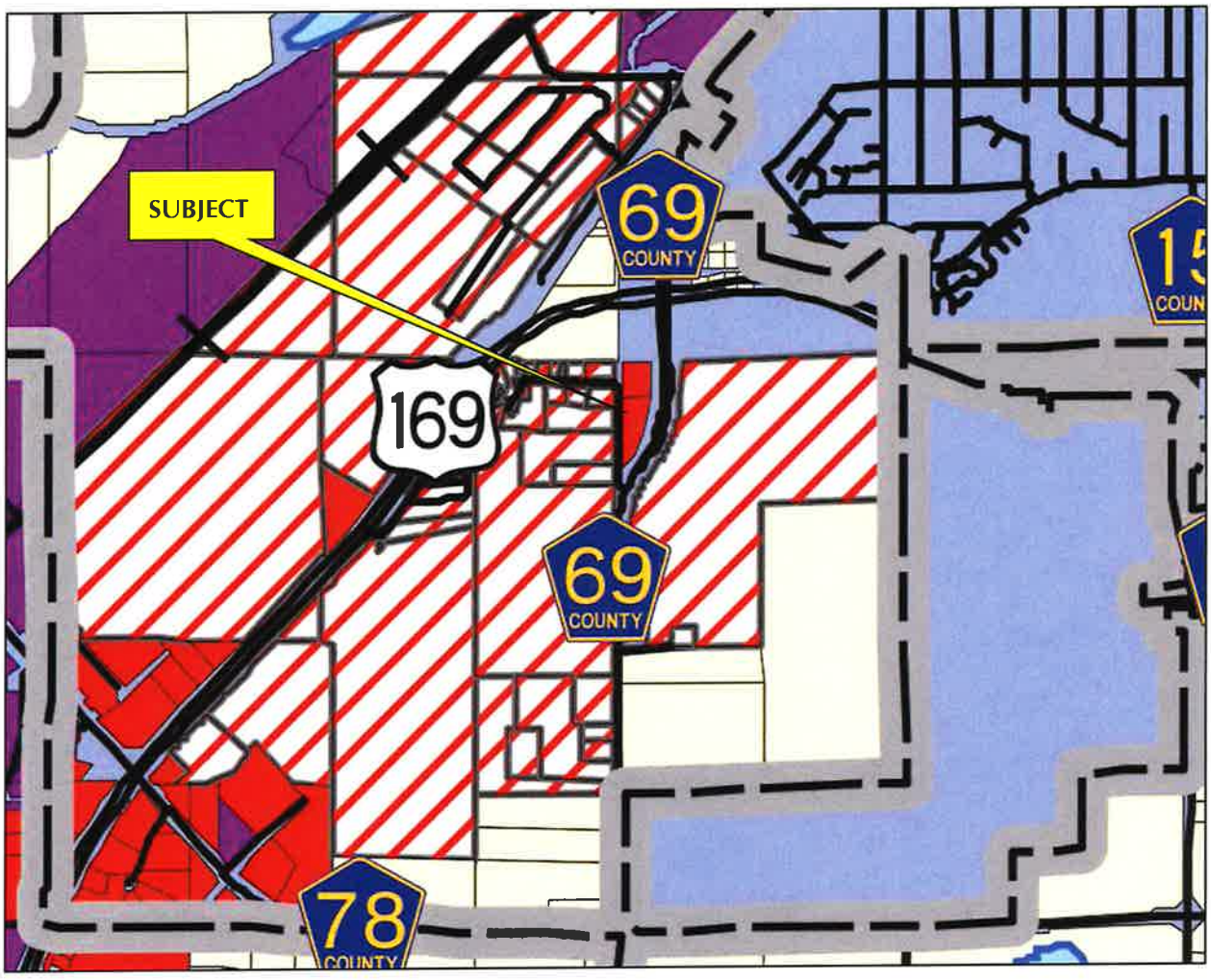
With the orderly annexation agreement existing between Jackson Township and the City of Shakopee, the City of Shakopee has the authority over Scott County zoning for the subject's guided use, Mixed-Use Employment Center. The future guided use, Mixed-Use Employment Center, has primary uses such as light/advanced manufacturing, warehousing

ZONING AND FUTURE LAND USE

and distribution, office, higher education, business support services/retail, multi-family residential, and public and private open spaces. According to Mark Noble, Senior Planner of Shakopee, it could take up to ten years before the subject area would be annexed into the City of Shakopee and gain access to municipal utilities.

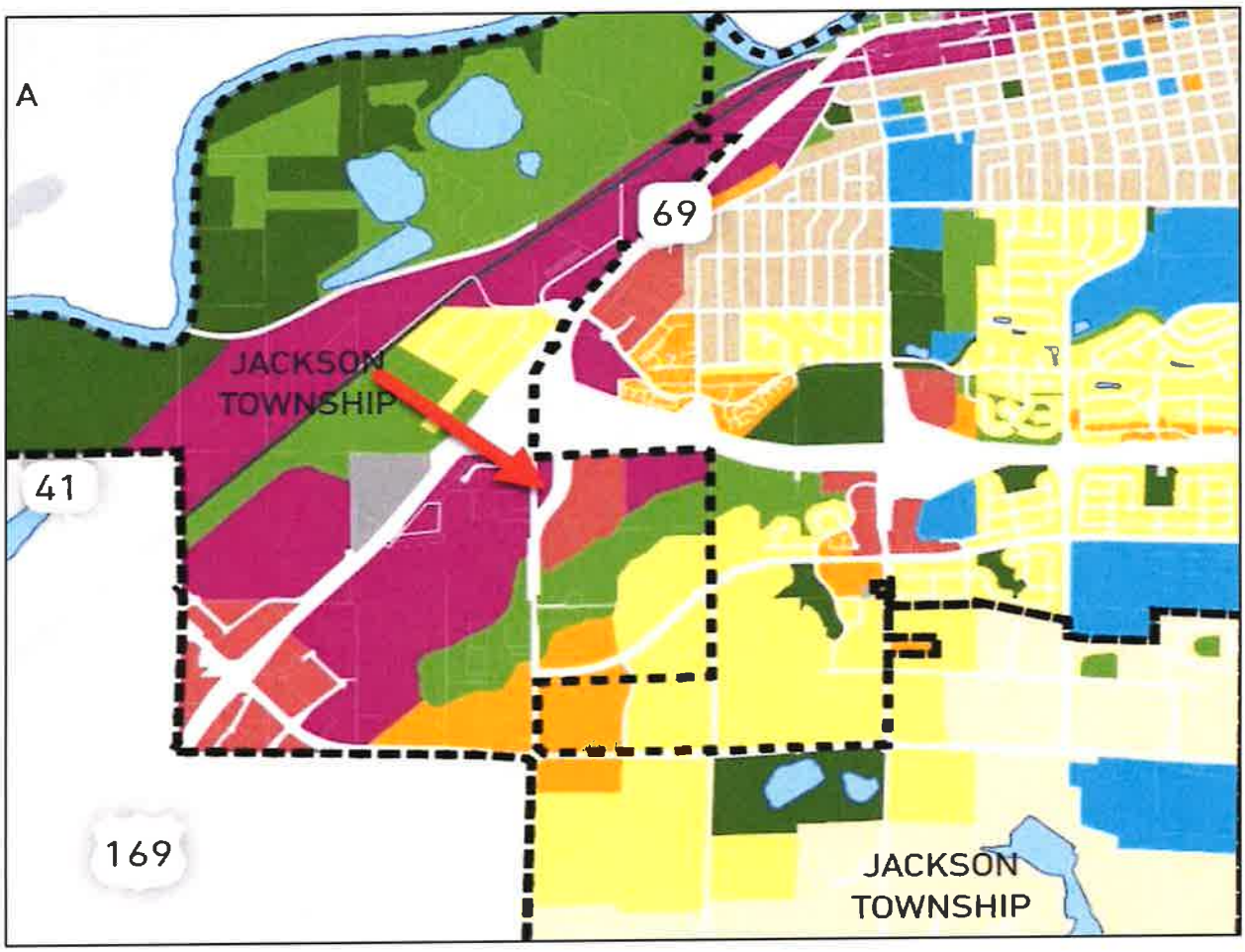
The following pages include the zoning map for Scott County and the 2040 Future Land Use Plan Map from the City of Shakopee.

ZONING AND FUTURE LAND USE



CURRENT ZONING MAP

ZONING AND FUTURE LAND USE



CITY OF SHAKOPEE 2040 COMPREHENSIVE PLAN

LAND DESCRIPTION

Gross Land Area:	107,245 SF, or 2.46 acres
Unencumbered Land Area (minus Transmission Ease.):	100,232 SF, or 2.30 Acres
Shape:	Effectively Triangular
Frontage:	The subject has frontage along County Road 69 and Colburn Drive.
Street Access:	If developed, the subject would gain access to/from Colburn Drive along the west boundary of the subject.
Traffic Counts:	County Road 69: 1,300 VPD (2018)
Terrain:	The subject's topography is generally level and open.
Utilities:	There are currently no municipal utilities connected or available to the site.
Flood Hazard:	The subject property is located in FEMA Zone X, areas with minimal flood risk. No flood hazard analysis has been conducted. The subject site is located in one FEMA map area. Map No.: 2704280010C Effective Date: February 19, 1987
Soil Conditions:	The soils appear stable and suitable for typical construction practices. However, neither soils tests nor engineering data have been provided to us in conjunction with this appraisal.
Easements/ Encumbrances:	The subject is encumbered by an easement in favor of Northern States Power Company (assigned to Xcel Energy) along the northwestern corner of the subject boundary. The easement is encumbers approximately 7,013 SF, or 0.16 acres of the site area according to the easement exhibit provided by the client.

HIGHEST AND BEST USE

Highest and best use is defined in *The Dictionary of Real Estate Appraisal*, Fifth Edition, Appraisal Institute as follows:

> *The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

This publication goes on to distinguish the highest and best use as vacant and as improved, as follows:

> *Highest and best use of land or site as though vacant - Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.*
>
> *Highest and best use of property as improved - The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.*

In order to determine highest and best use of the subject property, as vacant, the following factors must be considered when addressing possible uses. They are:

1. Legally Permissible
2. Physically Possible
3. Financially Feasible
4. Maximally Productive

As Vacant

The subject is zoned C1, Commercial District by Scott County and guided Mixed-Use Employment Center by the Shakopee 2040 Comprehensive Plan. As previously mentioned, the C-1 District is intended to provide an area that will allow general retail service and other commercial uses within available service capabilities and in a manner compatible with the surrounding area. The subject's Shakopee guided use is Mixed-Use Employment Center which includes primary uses such as light/advanced manufacturing, warehousing & distribution, office, higher education, business support services/retail,

HIGHEST AND BEST USE

As Vacant

multi-family residential, and public and private open spaces. With the orderly annexation agreement existing between Jackson Township and the City of Shakopee, the City of Shakopee has the authority over Scott County zoning for the subject's guided use, Mixed-Use Employment Center, which is described in the zoning section of this report as well as the City of Shakopee zoning section.

The subject site size is 107,245 SF, or 2.46 acres and located within the southwest quadrant of U.S. Highway 169 and County Road 69. The subject is approximately less than one-quarter mile south of U.S. Highway 169. Given traffic volumes of U.S. Highway 169, nearby land uses and proximity to Shakopee, the subject is suited for a service commercial or industrial use. Furthermore, the terrain and soils are suitable for building construction over the majority of the site. However, it is recognized that the triangular shape of the subject somewhat limits potential development of the south boundary due to the narrow shape. Even so, there is sufficient buildable area for development. While public street improvements serve the site, near-term development would require use of private sewer and water services.

Again, the immediate area has vacant agricultural land with currently occurring development to the far east of the subject near Marystown Road and U.S. Highway 169 that is extending development towards the west along County Road 78, 17th Avenue West, and U.S. Highway 169. Directly to the north of the subject is an industrial service type use that is located within the C1, Commercial District.

The Shakopee area is growing, and interest rates remain at historically low levels. Financing is generally available to qualified borrowers. In addition, market participants are investing in commercial/industrial related properties and the following sales comparison approach demonstrates recent land sales activity for new construction.

While a number of the legally permissible uses may be financially feasible, given the subject's location with limited visibility from U.S. Highway 169, it is the appraisers' opinion that the maximally productive and, consequently, the highest and best use of the subject is development of a service commercial or industrial use consistent with zoning.

EXPOSURE AND MARKETING TIME

Exposure time of up to 12 months would be required to sell the subject property, based on the value stated herein. Marketing time, including due diligence and closing, is also estimated at up to 12 months.

APPRAISAL AND PROCEDURES AND TECHNIQUES

In order to develop an opinion of market value of the subject land, in both the before and after situations, the following appraisal technique is considered.

Cost Approach - considers the current cost of replacing a property, less the depreciation from three sources: physical deterioration, functional obsolescence and external obsolescence. A summation of the market value of the land, assumed vacant, and the depreciated replacement cost of the improvements provides an indication of the total value of the property.

Sales Comparison Approach - produces an estimate of value by comparing the subject property to sales and/or listings of similar properties in the same or competing areas. This technique is used to indicate the value established by informed buyers and sellers in the market.

Income Approach - is based on an estimate of the subject property's possible net income. The net income is capitalized to arrive at an indication of value from the standpoint of an investment. This method measures the present worth of anticipated future benefits (net income) derived from a property.

The appraisal assignment is to estimate the fee simple market value of the subject. The sales comparison approach is the preferred, and most common, technique for valuing land. Therefore, only the sales comparison approach to value is performed in this appraisal.

SALES COMPARISON APPROACH

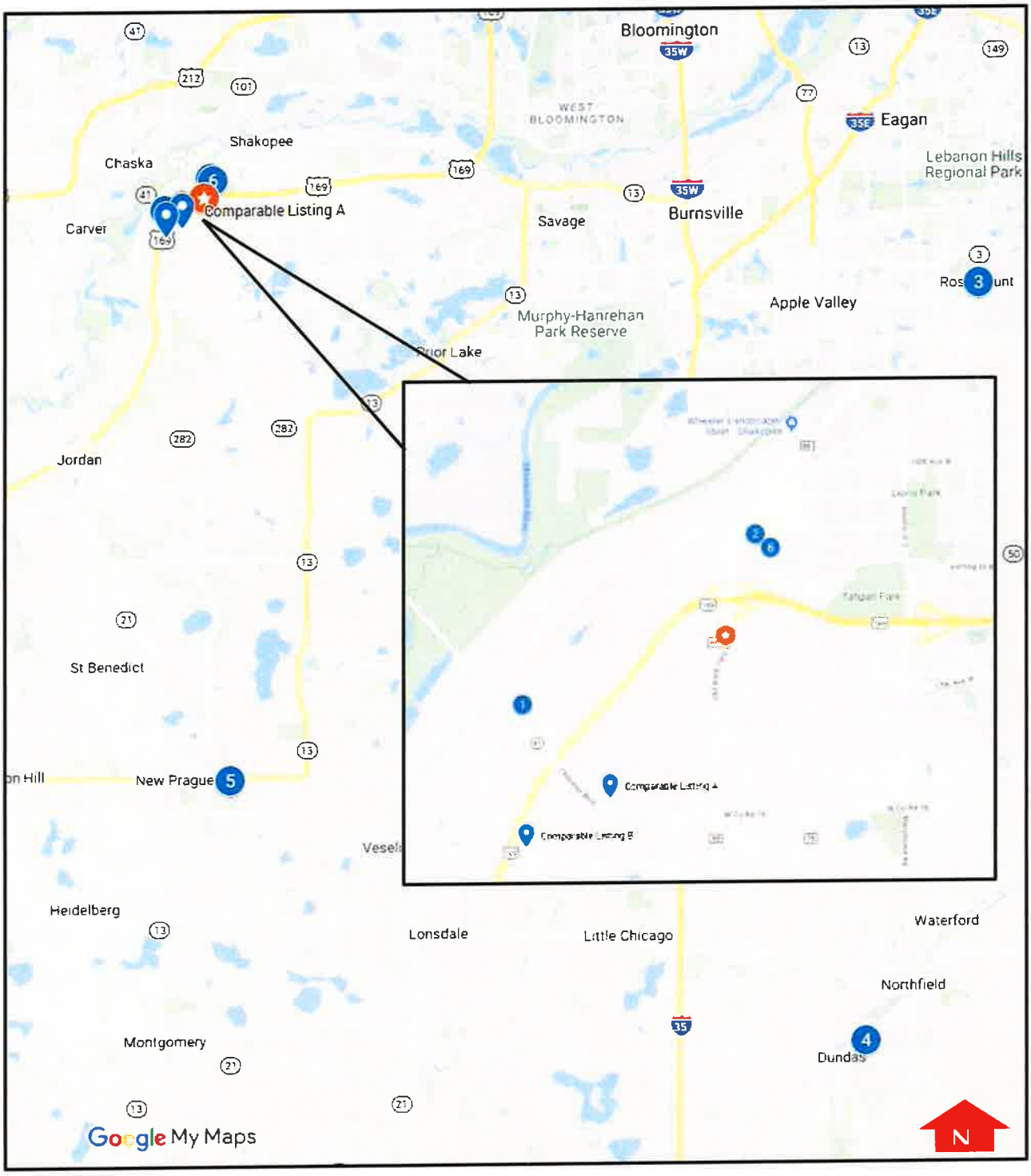
The sales comparison approach is utilized to value the subject property. As previously mentioned, the theory behind the sales comparison approach is based on the "principle of substitution," which implies that a prudent person will not pay more to buy or rent a property than it will cost to buy or rent a comparable substitute property. The validity of

SALES COMPARISON APPROACH

this approach is based on the assumption that continuity exists between similar properties of like adequacy and their market values. The reliability of this technique is dependent upon the availability of sales data and the degree of comparability of the sales studied.

To apply the sales comparison approach to the subject property, information has been sought on recent land sales similar to the potential future uses of the subject parcel. In this case, the search primarily focused on recent sales of future industrial and commercial development land uses. While a number of sales were initially considered and analyzed, the comparables summarized and adjusted on the following pages were ultimately chosen as being most relevant to estimating the subject's land value. The sales used in this analysis are presented on a location map, followed by aerials and brief comments of the comparables, and then an adjustment grid, to arrive at an estimated market value for the subject land.

SALES COMPARISON APPROACH



COMPARABLE SALES LOCATION MAP

SALES COMPARISON APPROACH

Comparable Land Sale 1

Location:	Highway 41 Frontage Road, Louisville Township, Minnesota
PID(s):	07.916001.1
Buyer:	Plehal Properties, LLC
Seller:	Barbra Fischer, Sherman Malkerson, Patricia Malkerson, Bruce Malkerson, Mary Malkerson, Warren Malkerson, Joan Malkerson, Charles Malkerson, and Carolyn Hall II
Date of Sale:	November 2019
Municipal Utilities:	Unavailable
Zoning:	I1, Light Industrial District
Intended Use:	Office/warehouse and outdoor storage
Traffic Counts:	MN 41: 18,200 AADT (2017)
Size:	476,546 SF, or 10.94 Acres
Sale Price:	$1,200,000
Price per SF:	$2.52
Remarks:	The property was reportedly listed for sale by owner. The buyer plans to build an office/warehouse/shop on the site as well as utilize the site for crushing rock and asphalt. The site is modestly sloping along the south end of the site which was graded in house by the buyer. The buyer's representative stated that they lease a building approximately one mile south of the subject and needed to find a new location due to the lease ending soon. There is also a billboard facing Highway 41 on the south end of the site that is reportedly worth approximately $50,000. In addition, a new roadway intersection is currently being constructed southeast of the property at the intersection of Highway 41 and Highway 169.

SALES COMPARISON APPROACH

Comparable Land Sale 2

Location:	1250 Lincoln Street, Shakopee, Scott County
PID(s):	27.47.300.20
Buyer:	Shak RTC, LLC
Sellers:	Economic Development Authority for the City of Shakopee
Date of Sale:	August 2018
Municipal Utilities:	Available
Zoning/Guiding:	B-1, Business Highway; Guided Mixed-Use Center
Intended Use:	Health Recovery Center
Traffic Counts:	Vierling Drive: 3,000 VPD; Highway 69 (distant): 6,400 VPD (2018)
Size:	131,028 SF, or 3.01 Acres
Sale Price:	$375,000
Price per SF:	$2.86
Remarks:	The property was reportedly publicly marketed by the City of Shakopee. The site is generally level and is zoned Business Highway with a guided mixed-use center. The buyer is planning to develop a mental health treatment center. According to the seller representative, the City of Shakopee is marketing for sale the immediate area that includes four lots and incentives to spur development.

SALES COMPARISON APPROACH

Comparable Land Sale 3

Location:	2929 145th Street East Rosemount, Dakota County
PID(s):	34-02500-29-030
Buyer:	Steven L Harrison
Seller:	Rosemount Cy_Con Properties LLC
Date of Sale:	October 2017
Municipal Utilities:	Not Available
Zoning:	Agriculture
Intended Use:	Rural Residential
Traffic Counts:	12,900 AADT – 145th Street East (2016 Data)
Size:	120,348 SF, or 2.76 Acres
Sale Price:	$150,000
Price per SF:	$1.25
Remarks:	This is a property was publicly marketed for sale and the sale price was reported to be market. This property is within Rosemount city limits and is guided for Business Park Use, which allows for commercial/industrial type uses. The buyer reportedly purchased the site for rural residential use. There was a pole shed on the site at the time of purchase. However, the agent said that the shed did not provide any contributory value. As such, this is viewed as a land only sale. Vic's Crane & Heavy Haul is located just to the southeast of this site and St. John's Lutheran Church is located one-half-mile east of this property. No building permits have been granted for the property, other than an electrical permit for a security gate with a low voltage operator.

SALES COMPARISON APPROACH

Comparable Land Sale 4

Location:	2121 Cannon Road Northfield, Rice County
PID(s):	22.11.4.29.001
Buyer:	Gregory E and Andrea N Berube
Seller:	Barbara H. Hanson and Paul L. Hanson, Trustees
Date of Sale:	September 2017
Municipal Utilities:	Sewer and Water Available
Zoning:	Industrial
Intended Use:	Commercial; Gym
Traffic Counts:	N/A
Size:	30,492 SF, or 0.70 Acres
Sale Price:	$65,000
Price per SF:	$2.13
Remarks:	This property is located behind a Dollar Tree and Fielders Choice Tap & Table. According to the CREV, the property was publicly promoted for sale by owner and the buyer purchased the property as an investment, with future plans to construct a gym. The sale price appears to be at market. Access to the site is somewhat circuitous from Highway 3; however, the site is near several newer retail buildings and a U.S. Post Office Branch. The site has limited visibility from Highway 3. The buyer opined that they paid slightly above market for the property.

SALES COMPARISON APPROACH

Comparable Land Sale 5

Location:	Southwest Corner of 280th Street (MN 19) and 141st Avenue Lanesburgh Township, Le Sueur County, Minnesota
PID(s):	07.002.3300
Buyer:	JJM Properties II, LLC
Seller:	Roundbank
Date of Sale:	January 2016
Municipal Utilities:	Unavailable
Zoning:	GB, General Business District
Intended Use:	Automotive Dealership
Traffic Counts:	MN 19: 9,100 AADT (2015)
Size:	124,582 SF, or 2.86 Acres (net of right-of-way)
Sale Price:	$230,000
Price per SF:	$1.85
Remarks:	This is a bank-owned property that was publicly marketed for approximately one year and the sale price was reported to be at market. The property is outside of New Prague city limits, but it is within the 2030 Comprehensive Plan boundaries, and, guided for Community Commercial use. The listing agent reported the land was purchased for use as an automotive dealership. There is a Ford dealership to the west and a Chevrolet dealership to the east. The site is open, level and slightly below grade with MN 19.

SALES COMPARISON APPROACH

Comparable Land Sale 6 (Pending)

Location:	XXXX Lincoln Street, Shakopee, Scott County
PID(s):	27.47.300.30
Buyer:	MWF Properties, LLC
Sellers:	Economic Development Authority for the City of Shakopee
Date of PA:	October 2019
Municipal Utilities:	Available
Zoning/Guiding:	B-1, Business Highway; Guided Mixed-Use Center
Intended Use:	102-unit affordable housing
Size:	159,430 SF, or 3.66 Acres
Sale Price:	$500,000
Price per SF:	$3.14
Remarks:	The property was reportedly publicly marketed by the City of Shakopee and is currently under contract. The site is generally level and is zoned Business Highway with a guided mixed-use center. The buyer is planning to develop a 102-unit affordable housing facility and was approved for rezoning to high density residential. According to the seller representative, the site is set to close sometime in January 2020. The City of Shakopee is marketing for sale the immediate area that includes four lots and incentives to spur development.

SALES COMPARISON APPROACH

Comparable Listing A

Location:	Chestnut Blvd and Emery Way Jackson Township, Minnesota
PID(s):	06.0360.020
Date of Listing:	July 2017
Municipal Utilities:	None
Zoning:	C-1, Commercial; Guided: Mixed Employment Center
Traffic Count(s):	County Road 78: 5,200 AADT (2017)
Land Area:	169,013 SF, or 3.88 Acres
List Price:	Negotiable; $676,000 to $845,000
Price per SF:	Negotiable; $4/SF to $5/SF
Remarks:	According to the broker, the list price is negotiable with the seller wanting a price of $4/SF to $5/SF or $676,000 to $845,000. However, the property does not have municipal utilities nearby and therefore, the broker believes it would sell between $1/SF to $2/SF or $170,000 to $338,000. The property is near the new Highway 169 and County Road 78 interchange to the northwest of the comparable. At the time of interview with the broker, no offers have been made.

SALES COMPARISON APPROACH

Comparable Listing B

Location:	xxx Highway 169 and xxx 133rd Street West Louisville Township, Scott County, Minnesota
PID(s):	07.921007.0, 07.922004.0
Date of Listing:	September 2018
Municipal Utilities:	Unavailable
Zoning:	C-1, General Commercial District
Travel Counts:	U.S. 169: 30,000 AADT (2018 Data)
Land Area:	282,704 SF, or 6.49 Acres
List Price:	$1,272,170
List Price per SF:	$4.50
Remarks:	There are two westerly parcels that are currently on the market with an asking rate of $4.50 per square foot. The owner purchased three parcels (highlighted in red above) in September of 2018 for $850,000 or $1.16 per square foot totaling 730,357 SF, or 16.77 acres. The parcels were not publicly marketed for sale and the seller was motivated because of terminal cancer. The owner was aware of the nearby road/bridge project and opined that it would have a positive impact on land value. The owner reportedly turned down an offer for the westerly portion of the site in the $4.00 per SF range. The owner has plans to potentially develop the easterly parcel into a baseball training facility.

COMMERCIAL LAND ADJUSTMENT GRID - PARCEL 3

Sale Data	Subject	Sale 1		Sale 2		Sale 3		Sale 4		Sale 5		Sale 6 (Pending)		Comparable Listing A		Comparable Listing B		Average
Location	NWC of Colburn Drive and County Road 69	Highway 41 Frontage Road		1250 Lincoln Street		2929 145th Street East		2121 Cannon Road		SWC of MN-19 and 141st Avenue		XXXX Lincoln Street		Chestnut Blvd and Emery Way		XXX Highway 169 and XXX 133rd Street West		
	Shakopee	Louisville Township		Shakopee		Rosemount		Northfield		Lanesburgh Township		Shakopee		Jackson Township		Louisville Township		
Property ID No.	06.914015.0	07.916001.1		27.473032.0		34.02500.29.030		22.11.4.29.001		07.002.3300		27.47.300.30		06.0360.020		07.921007.0, 07.922004.0		
Land Area	107,245 SF	476,546 SF		131,028 SF		120,348 SF		30,492 SF		124,582 SF		159,430 SF		169,013 SF		282,704 SF		
Recorded Sale Price		$1,200,000		$375,000		$150,000		$65,000		$230,000		$500,000		$676,000		$1,272,176		
Price Per SF		$2.52		$2.86		$1.25		$2.13		$1.85		$3.14		$4.00		$4.50		$2.76
Transactional Adjustments																		
Unadjusted Sale Price			$1,200,000		$375,000		$150,000		$65,000		$230,000		$500,000		$676,000		$1,272,176	
Property Rights	Fee Simple	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	Fee Simple	$0	
Adjusted Sale Price			$1,200,000		$375,000		$150,000		$65,000		$230,000		$500,000		$676,000		$1,272,176	
Financing	Cash To Seller	Cash To Seller	$0	Cash To Seller	$0	Cash To Seller	$0	Cash To Seller	$0	Cash to Seller	$0	Cash to Seller	$0	Cash to Seller	$0	Cash to Seller	$0	
Adjusted Sale Price			$1,200,000		$375,000		$150,000		$65,000		$230,000		$500,000		$676,000		$1,272,176	
Conditions of Sale	Typical	Typical	0%	Typical	0%	Typical	0%	Typical	0%	Typical	0%	Typical	0%	Active Listing	80%	Active Listing	80%	
Adjusted Sale Price			$1,200,000		$375,000		$150,000		$65,000		$230,000		$500,000		$540,800		$1,017,734	
Special Assessments	None	None	$0	None	$0	None	$0	None	$0	None	$0	None	$0	None	$0	None	$0	
Adjusted Sale Price			$1,200,000		$375,000		$150,000		$65,000		$230,000		$500,000		$540,800		$1,017,734	
Other Expenditures	N/A	Billboard	-$50,000	None	$0	None	$0	None	$0	None	$0	None	$0	None	$0	None	$0	
Adjusted Sale Price			$1,150,000		$375,000		$150,000		$65,000		$230,000		$500,000		$540,800		$1,017,734	
Market Conditions	Dec-19	Nov-19	1.00	Aug-18	1.04	Oct-17	1.07	Nov-17	1.06	Jan-16	1.09	Jan-20	1.01	Current	1.00	Current	1.06	
Adjusted Sale Price			$1,150,000		$390,000		$160,500		$68,900		$250,700		$505,000		$540,800		$1,017,734	
Adjusted Sale Price Per SF			$2.41		$2.98		$1.33		$2.26		$2.01		$3.17		$3.20		$3.60	$2.62
Property Adjustments																		
Location	Average	Superior	0.95	Superior	0.90	Inferior	1.10	Inferior	1.05	Inferior	1.10	Superior	0.90	Superior	0.95	Superior	0.95	
Zoning	C1, Commercial	Industrial / Commercial	1.05	B1, Business Highway	1.00	Ag/Rural Residential	1.05	Industrial/Commercial	1.05	GB, General Business	1.00	B1, Business Highway	1.00	C1, Commercial	1.00	C1, Commercial	1.00	
Size	107,245 SF	476,546 SF	1.10	131,028 SF	1.00	120,348 SF	1.00	30,492 SF	1.00	124,582 SF	1.00	159,430 SF	1.00	169,013 SF	1.05	282,704 SF	1.05	
Shape	Mostly Triangular	Effectively Rectangular	0.95	Effectively Rectangular	0.95	Rectangular	0.95	Rectangular	0.95	Rectangular	0.95	Effectively Rectangular	0.95	Effectively Rectangular	0.95	Irregular	1.00	
Terrain	Gently Lvl & Opn	Moderate Slope & Trees	1.05	Gently Lvl & Opn	1.00	Partially Wooded & Level	1.00	Gently Lvl & Opn	1.00	Gently Lvl & Opn	1.00	Gently Lvl & Opn	1.00	Gently Lvl & Opn	1.00	Gently Lvl & Opn	1.00	
Municipal Utilities	No	No	1.00	Yes	0.90	No	1.00	Yes	0.90	No	1.00	Yes	0.90	No	1.00	No	1.00	
Net Adjustment			1.09		0.77		1.12		0.94		1.05		0.81		0.95		1.00	
Indicated Subject Price Per SF			$2.63		$2.29		$1.49		$2.12		$2.11		$2.57		$3.04		$3.60	$2.45

SALES COMPARISON APPROACH

Explanation of Adjustments

Property Rights:	All of the sales represent the transfer of fee simple interest. Therefore, no adjustments are necessary.
Financing:	No unusual financing circumstances were reported that would have affected the sale prices of the comparables. All of the comparable sales involved cash to seller financing.
Conditions of Sale:	Comparables 1 through 6 are sales used are reported to be arm's-length transactions. Comparables Listing A and B are listings.
Special Assessments:	None
Other Expenditures:	Comparable 1 has a billboard on the site reportedly worth $50,000. Therefore, we have deducted $50,000 from the overall sale price.
Market Conditions:	The comparable sales occurred between March of 2016 and November of 2019. The market has had a timely recovery from the recession during this time period. As such, a 3% annual adjustment is applied to the comparables to the date of valuation.
Location:	The location adjustment is based upon observations of the subject and each of the comparables. Factors such as proximity to the Twin Cities metropolitan area, major transportation routes, access, demand generators, and surrounding land uses are considered when making this adjustment. The subject property is located along the southwest quadrant of U.S. Highway 169 and County Road 69. The subject has no visibility to U.S. Highway 169 and will have secondary access to Colburn Drive. There are 1,300 vehicles per day along County Road 69. Comparable 1 has superior visibility along Highway 41 compared to the subject and is accessible via a signalized intersection. Therefore, a downward adjustment has been made. Comparable 2 and 6 are located right off County Road 69, north of U.S. Highway 169, where there are superior traffic counts compared to the subject. Therefore, Comparables 2 and 6 are given downward adjustments.

SALES COMPARISON APPROACH

Explanation of Adjustments

Location (continued):	Comparable 3 is inferior in location due to the inferior accessibility to a major roadway. Therefore, Comparable 3 has been given an upward adjustment. Comparable 4 and 5 are located within the outlying metropolitan area which are considered inferior compared to the subject. Comparables 4 and 5 have been warranted upward adjustments. Comparable Listing A has superior visibility compared to the subject. Therefore, we have applied a downward adjustment. Comparable Listing B has superior visibility along U.S. Highway 169 along the west side of the property and therefore, a downward adjustment was applied.
Zoning:	The subject is located in a C1, Commercial zoning which is considered to be slightly superior than industrial or agricultural zoning. Comparables 1, 3, and 4 have inferior zoning designations compared to the subject and therefore, upward adjustments were applied.
Land Size:	The comparable land sales range in size from 30,492 SF to 476,546 SF. For this analysis, Comparables 1, 6, and Comparable Listing B are larger than the subject and were given upward adjustments for their larger sizes in comparison to the subject. Comparable 4 is smaller than the subject at 30,492 SF versus the subject at 107,245 SF. Typically, the smaller the size of lot, the higher price per square foot. In this case, it appears Comparable 4 does not need an adjustment as smaller sites begin to develop restrictions which limit the development potential.
Shape/Utility:	The subject's gross land area is mostly triangular with the south portion of the site being somewhat limited; however, overall, it has average utility. Comparables 2, 3, 4, 5, 6, and 7 are effectively rectangular in size which creates a superior utility and development potential. Therefore, downward adjustments were applied.

SALES COMPARISON APPROACH

Explanation of Adjustments

Terrain:	The subject's topography is generally level with no tree coverage. Comparable 1 has moderate sloping in the south boundary of the site and has been given an upward adjustment.
Utilities:	The subject does not have public water or sewer available to the site. According to a local broker, sites that are connected to municipal utilities are superior compared to those who have private utilities. Comparables 2, 4, and 6 have municipal utilities available to the site and are considered superior compared to the subject. Therefore, downward adjustments have been applied.

Analysis

The eight comparable land sales/listings range in unadjusted sale price from $1.25 to $4.50 per square foot, with an average of $2.78 per square foot and a median of $2.69 per square foot. After the adjustment process, the comparable land sales range in sale price from $1.46 per square foot to $3.60 per square foot, with an average of $2.48 per square foot and a median of $2.43 per square foot. The adjustment process has tightened the range of the comparable sales, indicating the appropriateness of the adjustments utilized.

Comparables 2 through 6 are actual or pending sales with adjusted sale prices of $2.29 and $2.57 per square foot, respectively. Comparables 2 and 6 are located less than one mile north of the subject along County Road 69 with greater traffic counts.

Comparables 1, 3, 5, Comparable Listing A, and Comparable Listing B have no municipal utilities available to the site, like the subject. They have an adjusted average sale price of $2.57 per square foot. However, Comparable Listing A and Listing B are both listings that are at the top of the range between $3.04 and $3.60 per square foot. Due to the nature of these comparables being listings, we have afforded lesser weight. Excluding the listings, Comparables 1, 3 and 5 range in adjusted sale price from $1.46 to $2.63 per square foot. We have given greater weight to Comparables 1, 3 and 5.

Therefore, based on the preceding data, the unencumbered unit value for the subject property is estimated to be $2.50 per square foot.

SALES COMPARISON APPROACH

Analysis

As previously discussed, the subject is encumbered by a transmission line easement that affects 7,013 SF, 0.16 acres, or 7% of the subject land area, in the northwest portion of the site. This results in the subject's unencumbered land of 100,232 SF, or 2.30 acres. Based upon the subject's current zoning, there is a side yard setback of 20 feet, which is unbuildable regardless of the transmission line easement.

Given the owner can still utilize the easement area to satisfy setback, density, and open space requirements, as well as improve the area with surface parking, the easement contributes value to the underlying ownership. Even so, it is recognized that the existing easement extinguished certain property rights and constrain the potential building envelop in this case. Therefore, considering the loss of certain property rights and reduced utility in the area encumbered by the existing transmission line easement, it is the appraisers' opinion that the fee value of the land affected by the easement is reduced in value by 40%. Thus, this area has a contributory value of $1.50 per SF ($2.50 per SF x 0.60).

FINAL SUMMATION

Considering the subject's highest and best use, size, and its location in Jackson Township, the market value for the subject property as of December 17, 2019 is estimated to be:

Area Net of Existing Transmission Line Easement:	100,232 SF x $2.50 per SF	=	$250,580
Existing Transmission Line Easement:	7,013 SF x $1.50 per SF	=	$ 10,520
Indicated Market Value:			$261,100
	Rounded to		**$260,000**

ADDENDA

CONTINGENT AND LIMITING CONDITIONS

(Pages 42-44)

CONTINGENT AND LIMITING CONDITIONS

The value estimates and conclusions in the appraisal are made subject to these assumptions and conditions:

1. No title search has been made and the reader should consult an appropriate attorney or title insurance company for accurate ownership data. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The legal description, furnished or otherwise, is assumed to be correct. No responsibility is assumed for the legal description or for matters including legal or title considerations.

3. The information contained in this report is not guaranteed, but it has been gathered from reliable sources. The appraiser(s) certify that, to the best of their knowledge and belief, the statements, information and materials contained in the appraisal are correct.

4. All value estimates in this report assume stable soil and any necessary soil corrections are to be made at the seller's expense, unless otherwise noted.

5. The site plan, if any, in this report is included to assist the reader in visualizing the property, but we assume no responsibility for its accuracy.

6. The market value herein assigned is based on conditions which were applicable as of the effective date of appraisal, unless otherwise noted.

7. The appraiser(s) that signed this report shall not be required to prepare for, or appear in court, or before any board or governmental body by the reason of the completion of this assignment without predetermined arrangements and agreements.

8. Surveys, plans and sketches may have been provided in this report. They may not be complete or be drawn exactly to scale.

9. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person, other than the party to whom it is addressed, without the written consent of the appraiser, and in any event only with properly written qualification and only in its entirety.

10. Information in the appraisal relating to comparable market data is more fully documented in the confidential file in the office of the appraiser.

CONTINGENT AND LIMITING CONDITIONS

(CONTINUED)

11. All studies and field notes will be secured in our files for future reference.

12. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. And, it is assumed that the utilization of the land and any improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.

13. The distribution of the total valuation in this report between land and any improvements, if stated, applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

14. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.

15. The appraiser was not aware of the presence of soil contamination on the subject property, unless otherwise noted in this appraisal report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.

16. The appraiser was not aware of the presence of asbestos or other toxic contaminants in any building(s) located on the site, unless otherwise noted in this report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.

17. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

18. The value stated in this report is fee simple, assuming responsible ownership and management, unless otherwise indicated. This appraisal recognizes that available financing is a major consideration by typical purchasers of real estate in the market, and the appraisal assumes that financing is or was made available to purchasers of property described herein.

CONTINGENT AND LIMITING CONDITIONS

(CONTINUED)

19. The appraiser has neither present nor contemplated interest in the property appraised and employment is not contingent upon the value reported.

20. Unless otherwise stated in this report, the appraisers have not made a survey or analysis to determine whether any buildings on the property are in compliance with "The Americans with Disabilities Act" (ADA). If the property is not in compliance with the ADA, it could have a negative effect on the value of the property.

21. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

APPRAISER QUALIFICATIONS

(Pages 46-48)

QUALIFICATIONS OF

ALYSSA M. RUIS

PROFESSIONAL AFFILIATIONS

Practicing Affiliate, Appraisal Institute
Trainee Real Property Appraiser, Minnesota License No. 40295088
St. Cloud State Real Estate Alumni Association Member

BUSINESS EXPERIENCE

Patchin Messner Valuation Counselors, Associate Appraiser, December 2019 to Present
GTRE Commercial, Associate Appraiser, 2016 to 2019
The Appraisal Group, Appraiser, 2015 to 2016
Diversified Real Estate Services, Inc., Associate Appraiser, 2014 to 2015

EDUCATIONAL BACKGROUND

Bachelor of Science Degree in Business, Major - Real Estate
St. Cloud State University, St. Cloud, MN

SPECIALIZED REAL ESTATE TRAINING

Real Estate Principles and Procedures, Appraisal Institute, 2012
Real Estate Property Management, Saint Cloud State University, 2012
Real Estate Investments, Saint Cloud State University, 2012
Real Estate Law, Saint Cloud State University, 2012
National USPAP 15-Hour Course, North Star Chapter, 2012
Real Estate Appraisal, Saint Cloud State University, 2013
Commercial Appraisal, Saint Cloud State University, 2013
Real Estate Finance, Statistics and Valuation Modeling, North Star Chapter, 2013
Supervisory Appraiser/Trainee Appraiser Course, Northstar Chapter, 2016
General Appraiser, Income Approach / Parts I & II, Northstar Chapter, 2017
General Appraiser, Site Valuation and Cost Approach, Northstar Chapter, 2019
General Appraiser, Market Analysis and Highest & Best Use, Northstar Chapter, 2019
General Appraiser, Report Writing and Case Studies, Northstar Chapter, 2019
Commercial Appraisal Review, McKissock Educational Services, 2019
General Appraiser, Sales Comparison Approach, Northstar Chapter, 2019

APPRAISAL EXPERIENCE

Valuation and analysis of many types of commercial real estate, including, but not limited to: retail, office, industrial, special purpose properties, vacant land, and multi-family residential properties. Valuations have been performed for financing purposes, highest and best use determination, and due diligence support. Valuations and market studies have done on proposed, partially completed, new construction, renovated and existing structures.

QUALIFICATIONS OF

JASON L. MESSNER

PROFESSIONAL AFFILIATIONS

MAI Member, Appraisal Institute
Certified General Real Property Appraiser, Minnesota License No. 4000836
Member, Minneapolis Area Association of Realtors
Member (No. 6591), International Right of Way Association

BUSINESS EXPERIENCE

Patchin Messner Valuation Counselors, President/Principal, 2001 to Present
Patchin Messner Appraisals, Inc., Principal, 1995 to 2000
Peter J. Patchin & Associates, Inc., Associate Appraiser, 1986-1994
Century 21 Granite City Real Estate, Residential Salesperson, 1985

EDUCATIONAL BACKGROUND

Bachelor of Science Degree, St. Cloud State University, majored in Real Estate, graduated Magna Cum Laude, 1986
Associate in Arts Degree in Business Administration, Willmar Community College, graduated with honors, 1984

SPECIALIZED REAL ESTATE TRAINING

Basic Valuation Procedures, American Institute of Real Estate Appraisers, 1986
Real Estate Appraisal Principles American Institute of Real Estate Appraiser, 1986
Capitalization Theory and Techniques (Part A), A.I.R.E.A., Minneapolis, MN, 1987
Standards of Professional Practice, A.I.R.E.A., Minneapolis, MN, 1988; Appraisal Institute, Minneapolis, MN, 1994
Capitalization Theory and Techniques (Part B), A.I.R.E.A., Minneapolis, MN, 1989
Case Studies in Real Estate Valuation, American Institute of Real Estate Appraisers, Mpls., MN, 1990
Report Writing & Valuation Analysis, Appraisal Institute, Minneapolis, MN, 1991

SEMINARS ATTENDED

Appraisal Institute
Condemnation: Legal Rules and Appraisal Practices
Special-Purpose Properties: The Challenges of Real Estate Appraising in Limited Markets
New Industrial Valuation
The Road Less Traveled: Special Purpose Properties
National Uniform Standards of Professional Appraisal Practice Update
The Appraiser as Expert Witness
The Appraisal of Local Retail Properties
Valuation of Detrimental Conditions in Real Estate
Analyzing Distressed Real Estate
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
Appraising the Appraisal: Appraisal Review-General
Complex Litigation Appraisal Case Studies
Real Estate Valuation in Condemnation Appraising in Minnesota

APPRAISAL EXPERIENCE

Preparation of appraisals for condemnation, tax appeal, litigation, financing, debt restructuring, acquisition/disposal, and special assessment appeal. Properties appraised include: office buildings, warehouses, service stations, manufacturing plants, medical and veterinary clinics, shopping centers, restaurants, apartment buildings, subsidized housing, research and redevelopment buildings, grain elevators, flour mills, special–purpose properties, lands, air rights, avigation easements, utility easements, highway easements, and environmentally impaired properties. Specialize in litigation valuation of commercial, industrial, development land and investment properties.

QUALIFICATIONS OF

JASON L. MESSNER (CONTINUED)

RELATED EXPERIENCE

Participant in the writing of The Effect of Contamination on The Market Value of Property, Federal Highway Admin.; Office of Right-of-Way, Washington, DC, 1993

Faculty participant at the Hazardous Waste Litigation seminar, Minnesota Institute of Legal Education, 1995

Adjunct lecturer on environmental appraisal issues, University of St. Thomas, Mpls., MN, 1996 and 2002

Faculty participant at the Annual Right-of-Way Professionals Conference, Minnesota Department of Transportation, 2004, 2005 and 2007

Metro/Minnesota Chapter of the Appraisal Institute; Education Coordinator – 1997 through 2001, Secretary – 2001, Vice President – 2002, President – 2003, Region III Representative - 2008 through 2011. National Board of Directors of the Appraisal Institute, 2012 through 2016.

APPRAISAL CLIENTS

Alliant Techsystems, Inc.
Bank of America
B.P. Oil Pipeline Company
Burlington Northern Railroad Company
Campbell Soup Company
Ceridian Corporation
CMC Heartland Partners
Deluxe Check Corporation
Equitable Life Assurance Co.
Exxon Mobil Corporation
Farm Credit Services
First Bank Systems
Great River Energy
Honeywell, Inc.
IBM Corporation
IDS Financial Services
Internal Revenue Service
Jostens, Inc.
LaSalle National Bank
Lockheed Martin
Louisville Regional Airport Authority
Medtronic, Inc.
Metropolitan Airports Commission
Mpls. Community Planning and Economic Development (CPED)
Minnesota Department of Transportation
3M Corporation
Northwest Airlines, Inc.
Northwestern Mutual Life Insurance Co.
Old Dutch Foods
Philips Lighting
Resolution Trust Corporation
Reynolds Metals Company
Soo Line Railroad Company
Unisys Corporation
University of Minnesota
U.S. Environmental Protection Agency
U.S. Fish & Wildlife
U.S. Postal Service
Wells Fargo
Williams Pipeline Company
Xcel Energy

Other clients include various Cities (Andover, Belle Plaine, Bloomington, Brooklyn Center, Burnsville, Cambridge, Chanhassen, Chaska, Cokato, Columbia Heights, Crystal, Duluth, Elk River, Farmington, Jordan, Lake City, Lino Lakes, Marshall, Medina, Minneapolis, Minnetonka, New Brighton, New Prague, Osseo, Prior Lake, Ramsey, Richfield, Robbinsdale, Rochester, St. Paul, St. Louis Park, Savage, Shakopee and Victoria), and Counties (Benton, Brown, Carver, Clay, Dakota, Douglas, Goodhue, Hennepin, Jackson, McLeod, Murray, Nicollet, Otter Tail, Ramsey, Scott, Sherburne, Stearns, Steele and Washington), in the State of Minnesota.

COURT EXPERIENCE

Qualified as an expert witness in Minnesota Tax Court, U. S. District Court (Minnesota), Anoka, Carver, Dakota, Goodhue, Hennepin, Isanti, Rice, Scott, Wabasha, Washington and Wright County District Court and various Commission Hearings.

MINUTES

OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION
(Regular Meeting)

President Weyer called the regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., July 16, 2018.

MEMBERS PRESENT: Commissioners Joos, Amundson, Meyer and Weyer. Also present, Liaison Mocol, Utilities Manager Crooks, Planning & Engineering Director Adams, Electric Superintendent Drent, Water Superintendent Schemel and Marketing/Customer Relations Director Walsh. Commissioner Hennen was absent as previously advised.

Motion by Joos, seconded by Amundson to approve the minutes of the June 18, 2018 Commission meeting. Motion carried.

There were 3 Communication items to present. A thank you letter was received from Mayor Mars for the donation to the Reverend Pond Statue. An acknowledgement letter was received from APPA informing SPU on the Lineworker's Rodeo results. A thank you letter was received from APPA thanking Utilities Manager Crooks for his presentation at the National Conference.

President Weyer offered the agenda for approval.

Motion by Joos, seconded by Meyer to approve the agenda as presented. Motion carried.

Motion by Joos, seconded by Amundson to approve the Consent Business agenda as presented. Motion carried.

President Weyer stated that the Consent Items were: Item 8b: Quarterly Nitrate Results and Item 11a: Quarterly Website Analytics.

The warrant listing for bills paid July 2, 2018 was presented.

Motion by Amundson, seconded by Joos to approve the warrant listing dated July 2, 2018 as presented. Motion carried.

The warrant listing for bills paid July 16, 2018 was presented.

Motion by Joos, seconded by Meyer to approve the warrant listing dated July 16, 2018 as presented. Motion carried.

Liaison Mocol presented her report. The City Council will be addressing a rezoning for the development on Stagecoach Rd. The Capital Improvement Plan will be reviewed and there will be an opportunity for public comment for the Envision Shakopee Project.

Water Superintendent Schemel provided a report of current water operations. A watermain break and repair that took place on July 13 was reviewed. Summer water production has increased month over month and from last year.

Item 8b: Quarterly Nitrate Results was received under Consent Business.

Electric Superintendent Drent provided a report of current electric operations. Summer electric demand was reviewed. Two 100 MW days have occurred this summer. Seven outages were reviewed. Two were caused by trees, three were caused by squirrels, one was from a bad transformer and one a burned cutout.

Kevin Favero, SPU's long time Engineering Consultant from Leidos, presented the SPU Long Range Planning Study. Growth trends within the SPU service territory, territory acquisitions and infrastructure to serve the anticipated growth were discussed.

Motion by Amundson, seconded by Joos to accept the SPU Long Range Plan as presented. Motion carried.

The LED Streetlight bid results were presented by Electric Superintendent Drent. Nine different bids were received. The low bid meeting the SPU specifications was from Irby, with a American Electric Lighting fixture at $251.29/fixture plus tax. The bid was for 475 fixtures.

Motion by Amundson, seconded by Joos to enter into a purchase agreement with Irby for 475 American Lighting fixtures, model #ATB2-40LEDE10, at a total cost of $128,165.75. Motion carried.

Item 11a: Quarterly Website Analytics was received under Consent Business.

The tentative commission meeting dates of August 6 and August 20 were noted.

Motion by Joos, seconded by Meyer to adjourn to the August 6, 2018 meeting. Motion carried.

Commission Secretary: John R. Crooks

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
JULY16, 2018

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street.

2. **Approval of Minutes**

3. **Communications**
   - 3a) Reverend Pond Statue Letter
   - 3b) APPA Rodeo Acknowledgement Letter
   - 3c) APPA National Conference Letter

4. **Approve the Agenda**

5. **Approval of Consent Business**

6. **Bills: Approve Warrant List**
   - 6a) July 2, 2018
   - 6b) July 16, 2018

7. **Liaison Report**

8. **Reports: Water Items**
   - 8a) Water System Operations Report – Verbal
   - C=> 8b) Quarterly Nitrate Results

9. **Reports: Electric Items**
   - 9a) Electric System Operations Report – Verbal
   - 9b) SPU Long Range Planning Study – Final Draft
   - 9c) LED Streetlight Bid Award

10. **Reports: Human Resources**

11. **Reports: General**
    - C=> 11a) Quarterly Website Analytics

12. **New Business**

13. **Tentative Dates for Upcoming Meetings**
    - Regular Meeting -- August 6
    - Mid Month Meeting -- August 20
    - Regular Meeting -- September 4 (Tuesday)
    - Mid Month Meeting -- September 17

14. **Adjourn** to 8/6/18 at the SPUC Service Center, 255 Sarazin Street

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: John Crooks, Utilities Manager

FROM: Joseph D. Adams, Planning & Engineering Director

SUBJECT: Long Range Plan for Electric Utility

DATE: July 13, 2018

ISSUE

Attached is an abbreviated version of the final long range plan from Leidos Engineering's Kevin Favero, submitted for the Commission's review and acceptance.

BACKGROUND

The long range plan is a guide for the electric utility as we move forward into the future. The plan identifies and estimates the cost and timing of additional facilities to serve projected load growth. Load growth projections are based on the City's latest development guides.

We asked the Commission's consultant to look forward to full development of the Shakopee Public Utilities electric service territory, including areas now in Jackson township outside the corporate limits of the City of Shakopee that are planned for eventual annexation. Once areas outside the SPU service territory are annexed into Shakopee, the service territory rights become eligible for acquisition by SPU.

We also asked Leidos to evaluate options in case of a loss of our current Blue Lake substation capacity, since Xcel Energy has made past requests to SPU to abandon our facilities in their substation.

DISCUSSION

The full report is over 1,200 pages, including all of the appendices that evaluate all possible contingency conditions under each growth scenario and how service could best be restored during such contingencies. The full report is available of course if desired. Staff believes the abbreviated report should suffice for discussion purposes.

Kevin Favero SPU" s long time engineering consultant oversaw the report's preparation and will present the report to the Commission and answer questions.

REQUESTED ACTION

Staff requests the Commission accept the report as is or direct staff to add clarifying information as deemed necessary.

Final Report

Long-Range Plan

Shakopee Public Utilities
Shakopee, Minnesota

SHAKOPEE PUBLIC UTILITIES

July 2018

leidos

This report has been prepared for the use of the client for the specific purposes identified in the report. The conclusions, observations and recommendations contained herein attributed to Leidos constitute the opinions of Leidos. To the extent that statements, information and opinions provided by the client or others have been used in the preparation of this report, Leidos has relied upon the same to be accurate, and for which no assurances are intended and no representations or warranties are made. Leidos makes no certification and gives no assurances except as explicitly set forth in this report.

July 12, 2018

leidos

Joe Adams
Shakopee Public Utilities
255 Sarazin Street
Shakopee, MN 55379

Subject: **SPU Long Range Planning Study – Final Report**

Dear Mr. Adams:

Attached is the final report of the Long Range Planning Study for the SPU electric distribution system. This study investigates planning options for the ultimate system load growth under two load growth scenarios (Scenario A and Scenario B), including six areas to be annexed in the western portion of Shakopee, over a study period through 2033. The Scenario A and Scenario B load growth scenarios reflect different load growth amounts in the Shakopee Mdewakanton Sioux Community (SMSC) areas.

West Shakopee Substation

Forecast load growth in the six annexed areas and western portion of Shakopee exceeds the capacity of existing SPU Shakopee Substation and South Shakopee Substation, thereby requiring a new West Shakopee Substation to be developed.

Blue Lake Substation

A portion of load in eastern Shakopee is served by two circuits from the Blue Lake Substation, which is owned by Xcel Energy. SPU and Xcel have been in discussions concerning the abandonment of Blue Lake capacity by SPU or alternatively the expansion of Blue Lake Substation capacity to accommodate both Xcel and SPU load requirements and the associated long-term commitment by SPU to the associated costs.

Xcel has not indicated a definitive date for SPU to abandon its Blue Lake capacity or alternatively commit to long-term costs for expansion. Xcel has not provided a cost estimate for such expansion. Under **Plan 1**, SPU would continue to use Blue Lake capacity at current cost levels. Under **Plan 4**, SPU would increase its use of Blue Lake capacity in conjunction with a reinforcement upgrade by Xcel Energy and higher annual payments based on the new costs.

East Shakopee and Pike Lake Substations

This study investigated two options if SPU were to abandon its capacity in Blue Lake Substation:

- A second power transformer and circuits from the existing SPU Pike Lake Substation (**Plan 2**)
- A new East Shakopee Substation and circuits (**Plan 3**)

Under Scenario A load growth, there is little difference in estimated cumulative annual costs over the study period between Plan 2 and Plan 3. Plan 4 (Blue Lake reinforcement upgrades by Xcel) has a significantly higher cost than Plan 2 and Plan 3. A new East Shakopee Substation is recommended (Plan 3) based on the operating and flexibility advantages of the East Shakopee Substation versus additions at the Pike Lake Substation. The development of a new East Shakopee Substation can be approached in stages, with first identifying and possibly purchasing a site, and then abandoning the Blue Lake capacity when load growth requires the new substation construction.

Under Scenario B load growth, the estimated 15-year cumulative annual costs of Plan 2 are $3.4 million (12%) less than for Plan 3. To date the load density in the residential SMSC area north of Pike Lake Substation is approximately 42% of the Scenario A load growth density and approximately 21% of the Scenario B load growth density. If SPU pursues Plan 3 and the Scenario B load growth density is achieved, the additions at Pike Lake Substation can be made to serve the additional load growth, but the cost would be higher than for Plan 2.

For all plans considered, SPU would extend new circuits from existing substations to serve load growth.

Thank you for the assistance provided by you and the SPU staff. After you have had a chance to review the study results, let us know when you would like to discuss this further.

Sincerely,

Leidos Engineering, LLC

Kevin Favero

Kevin Favero, P.E.
Senior Project Manager

Long-Range Plan

Shakopee Public Utilities

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Introduction

Sound system planning is essential to provide management with guidance to economically develop the Shakopee Public Utilities (SPU) electric distribution system to ensure reliable and low-cost service to SPU electric customers. The planning should provide for an orderly development of the electric system such that the new investment in facilities is in step with load growth and revenue. System planning should include the following:

- Improvements in the quality of service to customers as improvement opportunities occur
- Expansion of the existing system beyond the present design requirements
- Economic evaluation of the construction of new facilities to meet the required capacity and evaluation of associated system energy losses

By using this approach, interim changes and system additions will be compatible with the capacity level needs as system load growth occurs.

SPU has retained Leidos Engineering (Leidos) to prepare a distribution system planning study for the ultimate load development in the SPU service territory based on a 15-year planning period through 2033.

Purpose of Report

The purpose of this Long-Range Plan is to provide general guidance in system planning for SPU. This plan makes allowances for changes that are forecast to occur and prepares the system for the future by the timely installation of required facilities to provide sufficient and reliable service to its customers. Periodic reviews of the long-range plan will be required to examine the applicability of the plan considering actual system developments and load growth.

Summary of Report, Conclusions, and Recommendations

The existing SPU electric system was analyzed and the findings are detailed in Section 1. Planning criteria were developed based on SPU's system reliability and performance goals to evaluate potential alternatives to serve the future planning load. The criteria developed are consistent with the criteria used for the SPU annual system operating analyses and were used to control costs while meeting the goals. Section 2 details the planning criteria.

The SPU electric system was analyzed to serve a forecasted system peak demand of 225.2 MVA in year 2033 under Scenario A. An alternate forecast, Scenario B, was

developed based on a higher load density in the Shakopee Mdewakanton Sioux Community (SMSC) territory resulting in a forecasted system peak demand of 236.2 MVA. The forecasted system peak demand for both scenarios was developed based on six annexation areas, multiple non-load areas, multiple spot loads, and base growth. For the annexation and non-load areas, Leidos identified representative SPU existing feeder[1] load density to estimate the load growth for the areas. The load forecast is based on the information below:

- **Existing Load**—The recorded non-coincident peak load for the SPU electric system during July 2016 totaled 113.2 MVA[2]. Load transfers between circuits since the recorded non-coincident peak load were accounted for in the load forecast.
- **Annexation Areas**—Totaling approximately 2,280 acres, the city of Shakopee is forecasted to annex six areas in Jackson Township, three of which are already in the SPU service territory. Load growth in those three areas is included in the non-load areas described below. The other three areas are forecasted to be annexed into the City first and then brought into the SPU service territory by 2030 with combined existing and potential future load growth totaling 23.2 MVA.
- **Non-Load Areas**—Totaling approximately 6,169 acres, the undeveloped (non-load or NL) areas in SPU's existing service territory totaling 56.0 MVA of potential future load growth for Scenario A and 67.1 MVA for Scenario B.
- **Spot Loads**—SPU identified expansion of existing customer sites or known developments (spot loads) totaling 14.0 MVA of potential future load growth.
- **Base Growth**—A compounded annual growth of 1% was assumed totaling 18.0 MVA of potential future load growth on existing feeders.

A map of the Existing and Future Load Areas can be found in Appendix A. Future load areas include annexation areas (A through F) and non-load (NL) areas in the existing SPU service territory.

Without the addition of new facilities, loading on power transformers and/or circuits served by the Shakopee, South Shakopee, Dean Lake, and Pike Lake Substations are forecasted to be over capacity during the study period through 2033. Based on these forecasted overloads, additional transformer and feeder capacity will be required to serve the projected load.

[1] Feeders are primary voltage circuits served from electric substations. Electric substations transform high voltage from transmission lines to lower primary circuit voltage.
[2] MVA = Mega-volt-amperes, which is a measure of electrical load or capacity.

Blue Lake Substation

SPU and Xcel Energy have been in discussions pertaining to SPU abandoning its capacity in Blue Lake Substation, which is owned by Xcel Energy, or alternatively, the expansion of the Blue Lake Substation to be able to serve SPU loads. However, Xcel Energy has not given notice of a specific date by which SPU must vacate its capacity in the Blue Lake Substation or commit to the cost of an expansion in the Blue Lake capacity.

Xcel has not provided an estimate of the costs for the expansion of Blue Lake Substation. Costs for Blue Lake capacity for this study are based on the following:

- Plan 1 – Blue Lake capacity costs are based on current payment levels to Xcel Energy assuming the SPU Blue Lake load does not increase and no Blue Lake reinforcements are needed.
- Plan 4 – Blue Lake capacity costs are based on a Leidos-prepared indicative planning level estimate for reinforcement upgrades and allocation of costs between SPU load and Xcel load. The Leidos-prepared estimate is not based on input from Xcel as to the facilities needed for reinforcement and should be considered to be a very preliminary estimate.

East Shakopee Substation

For purposes of this study, it has been assumed that if SPU abandons its capacity in Blue Lake Substation, one alternative would be to construct a new substation in the eastern portion of Shakopee (the East Shakopee Substation or ES substation). The ES substation is assumed to be in service in 2021, which would provide time for identifying and procuring a substation site, designing the substation, and constructing the substation.

Potential sites for the East Shakopee Substation are shown in Appendix W. Selection of a site will depend on many factors such as proximity to an existing transmission line, the approval of Xcel to tap that line for new substation load, the proximity to residential and commercial retail customers, the ability to route exit circuits to serve load and to provide backup ties with circuits from other substations, and the willingness of the site owner to sell the property for the development of a substation.

Some of the potential sites shown in Appendix W are under development and are no longer available as a substation site. These have been marked with an X.

Pike Lake Substation Expansion

If SPU abandons its capacity in Blue Lake Substation, another alternative investigated in this study is to install the second power transformer and switchgear building in the existing SPU Pike Lake Substation and install Pike Lake circuits to serve the load currently served by the Blue Lake circuits.

West Shakopee Substation

The total forecast load of 25 MVA in the three annexation areas that are projected to be brought into the SPU service territory plus the load in the other three annexation areas is too great to be served by existing SPU substation facilities. There is limited capacity available in the Shakopee Substation circuits. Also, the South Shakopee Substation capacity, with the addition of two circuits, is expected to ultimately serve load growth in the area near to the South Shakopee Substation.

Circuits from the South Shakopee Substation would be installed to serve the existing load in the annexed areas until a new substation in west Shakopee (the West Shakopee Substation or WS Substation) could be built—forecast to be needed in 2022, which provides time for identifying and procuring a substation site, designing the substation, and constructing the substation.

Potential sites for the West Shakopee Substation are shown in Appendix W. Selection of a site will depend on many factors such as proximity to an existing transmission line, the approval of Xcel to tap that line for new substation load, the proximity to residential and commercial retail customers, the ability to route exit circuits to serve load and to provide backup ties with circuits from other substations, and the willingness of the site owner to sell the property for the development of a substation.

Interconnecting the West Shakopee Substation to the 115 kV transmission line between Scott County Substation and Dean Lake Substation will need to take into consideration the load of the substations already connected to the line, which include the Dean Lake Substation and the Hyland Lake Substation, as well as the potential for connecting the East Shakopee Substation.

Summary of Plans

The basic development characteristics of the plans that were evaluated are summarized as follows:

Plan 1

- New circuits from existing substations
- Keep Blue Lake capacity and circuits at current payment levels
- New West Shakopee Substation to serve load in the Annexation Areas
- New Pike Lake Substation power transformer and circuits (for Scenario B load levels only)

Plan 2

- New circuits from existing substations
- New Pike Lake Substation power transformer to serve Blue Lake circuits and other load
- New West Shakopee Substation to serve load in the Annexation Areas

Plan 3

- New circuits from existing substations
- New East Shakopee Substation to serve Blue Lake circuits and other load
- New West Shakopee Substation to serve load in the Annexation Areas
- New Pike Lake Substation power transformer and circuits (for Scenario B load levels only)

Plan 4

- New circuits from existing substations
- New Blue Lake Substation reinforcement upgrades, which include two larger power transformers and associated high voltage and medium voltage upgrades
- New West Shakopee Substation to serve load in the Annexation Areas
- New Pike Lake Substation power transformer and circuits (for Scenario B load levels only)

A more detailed description of the plans is provided in Section 2 of this report.

Economic Summary of Plans

The following table provides a summary of the 15-year costs of the plans considered for this analysis:

Table ES-1
Estimated 2033 Cumulative Annual Costs Comparison

Plan	Description	2033 Cumulative Investment	2033 Cumulative Annual Cost[a]	Cumulative Annual Cost Difference from Plan 1	Cumulative Annual Percent Cost Difference from Plan 1
Plan 1A	West Shakopee	$16,176,394	$28,345,133	-	-
Plan 2A	West Shakopee and 2nd Transformer at Pike Lake	$20,779,310	$33,139,770	$4,794,637	17%
Plan 3A	West Shakopee and East Shakopee	$23,318,447	$34,342,004	$5,996,872	21%
Plan 4A	Upgrade Blue Lake Substation	$21,325,651	$38,012,156	$9,667,023	34%
Plan 1B	West Shakopee	$20,515,753	$29,586,087	-	-
Plan 2B	West Shakopee and 2nd Transformer at Pike Lake	$21,183,073	$33,555,276	$3,969,189	13%
Plan 3B	West Shakopee and East Shakopee[b]	$23,391,455	$34,666,946	$5,080,859	17%
Plan 4B	Upgrade Blue Lake Substation	$26,196,126	$41,379,328	$11,793,240	40%

Notes:
a. Includes Annual Carrying Costs, Blue Lake Annual Costs, and Annual Cost of Losses.
b. For Plan 3B, the second transformer at Pike Lake will need to be installed to serve the increased load of the SMSC areas during a contingency outage of the first transformer at Pike Lake.

Findings and Conclusions

The following findings and conclusions are based on the scenarios and plans evaluated and the assumptions described herein:

- If the Blue Lake Substation capacity is abandoned, additional substation capacity will be required.
- The forecast load in the Annexation Areas coupled with other load growth exceeds the existing spare capacity at the Shakopee and South Shakopee Substations, thereby requiring capacity additions in the western portion of Shakopee to serve forecasted load.
- The existing load density of circuit PL-77, which serves load in an SMSC residential area, is 6.3 kVA per acre of developed land. The 15 kVA per acre density for SMSC area under Scenario A provides a reasonable level for a moderate increase in density with mostly residential and some commercial load. The 30 kVA per acre of density for SMSC areas under Scenario B provides a reasonable level for more aggressive increase in density that could reflect large commercial loads.
- The potential growth in the SMSC areas for Scenario B near Pike Lake will exceed the existing capacity at Pike Lake Substation.
- **Under Scenario A**, Plan 1 has the lowest estimated cumulative 15-year annual cost. Estimated cumulative annual costs for Plan 2 are $4.8 million or 17% higher than for Plan 1.
- **Under Scenario A**, estimated cumulative annual costs for Plan 3 are $6.0 million or 21% higher than for Plan 1.
- **Under Scenario A**, estimated cumulative annual costs for Plan 4 are $9.7 million or 34% higher than for Plan 1.
- **Under Scenario A**, estimated cumulative annual costs for Plan 3 are $1.2 million or 4% higher than for Plan 2.
- **Under Scenario A**, estimated cumulative annual costs for Plan 3 are $3.7 million or 11% higher than for Plan 4.
- **Under Scenario A**, estimated cumulative annual costs for Plan 4 are $4.9 million or 14% higher than for Plan 2.
- **Under Scenario B**, Plan 1 has the lowest estimated cumulative 15-year annual cost. Estimated cumulative annual costs for Plan 2 are $4.0 million or 13% higher than for Plan 1.
- **Under Scenario B,** estimated cumulative annual costs for Plan 3 are $5.1 million or 17% higher than for Plan 1.
- **Under Scenario B**, estimated cumulative annual costs for Plan 4 are $11.8 million or 34% higher than for Plan 1.

- **Under Scenario B**, estimated cumulative annual costs for Plan 3 are $1.1 million or 3% higher than for Plan 2.
- **Under Scenario B**, estimated cumulative annual costs for Plan 3 are $6.7 million or 19% higher than for Plan 4.
- **Under Scenario B**, estimated cumulative annual costs for Plan 4 are $7.8 million or 23% higher than for Plan 2.
- **Plan 1** is the lowest-cost alternative, but it requires that the aggregate SPU and Xcel Energy load at Blue Lake does not increase enough to require a Blue Lake reinforcement.
- **Under Plan 2**, potential benefits include increased capacity at Pike Lake to facilitate restoration of power for transformer outages and marginally lower cost than for Plan 3.
- **Under Plan** 2, potential problems include longer feeder distances to serve the Blue Lake circuits and possible feeder routing issues. Due to long feeder lengths, using Pike Lake circuits to back up Dean Lake circuit DL-48, previously connected to Blue Lake circuit BL-20, could be problematic during heavy load conditions.
- **Under Plan 3**, potential benefits include increased flexibility when serving load in the northeast portion of SPU's service territory, including backup to Dean Lake Substation circuits previously connected to Blue Lake circuits, and shorter feeder lengths, which is expected to reduce exposure to load outages and to reduce voltage drop for serving other circuits during contingencies. The new East Shakopee Substation circuits would also be used to back up Pike Lake Substation circuits.
- **Under Plan 3,** flexibility to install additional transformer capacity at Pike Lake Substation is maintained for Scenario B load growth in the area around Pike Lake.
- **Under Plan 3**, potential problems include finding a site for the East Shakopee Substation and contingency transformer outage issues at Pike Lake in Scenario B. Plan 3B requires the installation of the second transformer at Pike Lake, which increases the overall cost of the plan.
- **Under Plan 4**, potential benefits include increased flexibility when serving load in the northeast portion of SPU's service territory, including backup to Dean Lake Substation circuits, and shorter feeder lengths.
- **Under Plan 4,** flexibility to install additional transformer capacity at Pike Lake Substation is maintained for Scenario B load growth in the area around Pike Lake.
- **Under Plan 4**, potential problems include additional annual carrying costs for Blue Lake Substation upgrades and contingency transformer outage issues at Pike Lake in Scenario B. Plan 4B requires the installation of the second transformer at Pike Lake, which increases the overall cost of the plan.

Recommendations

Based on the forecast system deficiencies and the above findings and conclusions, an expansion plan was selected that includes the following:

- New feeder additions out of South Shakopee, Dean Lake, Pike Lake, and West Shakopee Substations
- Construction of the West Shakopee Substation to serve load growth in the western portion of the SPU service territory and Annexation Areas
- Identification and possible purchase of land for an East Shakopee Substation in preparation for the potential of abandoning the SPU capacity in Blue Lake
- Construction of the East Shakopee Substation to serve load in the northeast portion of the SPU service territory if Blue Lake Substation capacity is abandoned
- Additional transformer capacity at Pike Lake Substation if Scenario B load growth is achieved
- Various distribution improvements, including switching, re-conductoring (replacing existing circuit conductors with larger conductors) to relieve overloading and improve conditions for contingency switching, and installing additional phase conductors to existing single-phase and two-phase circuits

Under the proposed expansion plan (Plan 3), total estimated cumulative capital expenditures through 2033 are estimated to be $34.3 million for Scenario A and $34.7 million for Scenario B, as shown in the table above and in Appendix V.

General Basis of Study

In the preparation of this Report, including the results and findings contained herein, Leidos relied on certain assumptions, considerations, and forecasts with respect to conditions that may occur in the future. While these considerations, assumptions, and forecasts are reasonable based on information known as of the date of this study, actual field conditions of the electric system were not verified and may differ from those assumed. Future standards, load growth, and system changes may alter the results and findings. In addition, field conditions encountered during design may impact some of the projects.

Section 1
ANALYSIS OF EXISTING SYSTEM AND BASIC DATA

1.1 Introduction

The existing SPU electric service territory is approximately 65% developed (based on a total area of 17,537 acres) with a 2016 recorded non-coincident electric circuit summer peak demand of 113.2 MVA. SPU is interested in identifying a program for supplying the electric system load when the SPU service territory is completely developed (the "ultimate electric system load"). This analysis was performed to project the ultimate SPU electric system load and identify a cost-effective approach to serve it.

SPU provided an up-to-date distribution system computer-based WindMil model for analyzing load flow and voltage drop on primary voltage distribution circuits. This model was revised for forecast load growth to perform the long-range analysis of the system.

The distribution system is operated at primary voltages of 13.8 kV[3] and 12.47 kV over approximately 361 miles of distribution lines. The distribution system consists of 91 miles of overhead distribution lines and 270 miles of underground distribution lines. The installed overhead conductor sizes range up to 477 kcmil ACSR[4] and the underground cable sizes range from #1/0 AL to 750 kcmil[5] aluminum.

1.2 Existing System Loading

1.2.1 Existing Substation Analysis

Table 1-1 below provides a summary of substation voltages, capacities, and historical peak demands. This analysis used the forecast non-coincident circuit summer peak loads for 2016 as the base load. The forecast 2016 non-coincident circuit peak loads used as a base for this analysis totaled 113.2 MVA as summarized in Table 1-1 below.

[3] kV = kilo-volts = 1,000 volts, which is a measure of electrical potential between circuit phases.
[5] ACSR = Aluminum conductor steel reinforced.
[6] kcmils = 1,000 circular mils.

Table 1-1
Substation Voltages, Capacities, and Historical Peak Demands

Substation	Voltage (kV)	Transformer Capacity (MVA)[a]	2016 Peak (MVA)[b]	Power Factor[6] @ Peak	Percent Loaded[c]
Shakopee – 0s Circuits	115 x 69 - 12.47	28	16.6	97%	59%
South Shakopee – 30s Circuits	115 - 12.47	28	17.1	96%	61%
South Shakopee – 80s Circuits	115 - 12.47	28	7.1	92%	25%
Blue Lake – 20s Circuits	115 -13.8	8.3	8.3	95%	32%
Dean Lake – 40s Circuits	115 -13.8	46.7	24.2	99%	52%
Dean Lake – 50s Circuits	115 -13.8	46.7	20.1	96%	43%
Dean Lake – 90s Circuits	115 -13.8	46.7	5.7	98%	12%
Pike Lake - 70s Circuits	115 -13.8	46.7	13.4	95%	29%
Total	-	**298.8**	**113.2**	**96%**	**38%**

Notes:
a. Except for Blue Lake, represents the maximum continuous load rating of the power transformer. For Blue Lake, represents the aggregate capacity limit of the two Blue Lake circuits as agreed to with Xcel Energy.
b. Peak demand and power factor based on historical metered data provided by SPU for 2016.
c. Equals 2016 Peak/Transformer Capacity.

1.2.2 Existing Circuit Analysis

Leidos used SPU's recorded non-coincident peak load during July 2016 as the base load. The 2016 non-coincident peak loads used as a base for this analysis totaled 113,241 kVA.[7] (113.2 MVA) as summarized in Table 1-2 below. The loading criteria targets a 50% maximum load level to allow for each feeder to back up another feeder based on the emergency rating of the feeder.

[6] Power factor = MW/MVA where MW = mega-watts a measure of electrical energy delivery.
[7] kVA = kilo-volt-ampere, which is a measure of electrical load or capacity; 1,000 kVA = 1 MVA.

Table 1-2
SPU Electric System Non-Coincident Peak Loads

Substation/ Feeder	Feeder Capacity (kVA)[a]	Actual 2016 Peak (kVA)	Power Factor[b]	Percent Loaded[f]
Shakopee				
SH-07	11,300	3300	98%	29%
SH-08	11,300	5000	98%	44%
SH-09	11,300	4300	98%	38%
SH-10	11,300	3980	95%	35%
South Shakopee				
SS-31	11,300	1400	97%	12%
SS-32	11,300	5400	96%	48%
SS-33	11,300	4200	89%	37%
SS-34	11,300	6100	95%	54%
SS-81	11,300	3800	97%	34%
SS-82	11,300	3320	92%	29%
Blue Lake				
BL-20	12,500	4800	93%	38%
BL-22	12,500	4200	96%	34%
Dean Lake				
DL-41	12,500	3600	99%	29%
DL-42	12,500	141	100%	1%
DL-43	12,500	5300	98%	42%
DL-44[c]	12,500	1400	99%	11%
DL-46	12,500	2600	97%	21%
DL-47	12,500	6800	99%	54%
DL-48	12,500	4400	99%	35%
DL-51	12,500	5200	99%	42%
DL-52	12,500	2800	95%	22%
DL-55	12,500	2200	96%	18%
DL-56	12,500	4700	100%	38%
DL-57	12,500	2200	93%	18%
DL-58	12,500	3000	93%	24%
DL-92[d]	12,500	3300	98%	26%
DL-96[e]	12,500	2400	96%	19%

Substation/ Feeder	Feeder Capacity (kVA)[a]	Actual 2016 Peak (kVA)	Power Factor[b]	Percent Loaded[f]
Pike Lake				
PL-71	12,500	5900	92%	47%
PL-72	12,500	10	100%	0.1%
PL-73	12,500	2900	96%	23%
PL-74	12,500	1980	100%	16%
PL-75	12,500	1790	90%	14%
PL-77	12,500	820	94%	7%
	Total:	**113,241**		

Notes:

a. Emergency peak rating of feeder per the loading criteria to allow for contingencies. Rating is equal to 522 amps emergency rating for 750 kcmil aluminum underground cables and for Blue Lake voltage regulators.
b. The power factor was taken from the WindMil model provided by SPU.
c. Load moved from DL-53.
d. Load moved from DL-45.
e. Load moved from DL-44.
f. Equal to Actual 2016 Peak/Feeder Capacity.

1.3 Projected System Loading

1.3.1 Load Density Projections

The 2018 Substation Forecast shown in Appendix C and summarized in Table 1-3 below projects the coincident system peak loads through 2033. The system forecast was allocated to the SPU substations based on load growth potential as described in more detail below and the SPU staff knowledge of expected spot load additions in the SPU service territory.

The load forecast is based on a Load Level and the anticipated year in which such Load Level is forecasted to be achieved. However, loads may develop more quickly or more slowly than anticipated. If the actual load develops as projected in the load forecast, the year given will match the Load Level. To avoid the impression that facilities need to be constructed for a specific year versus a specific load level, this report refers to Load Level and the anticipated year.

The load density for existing load areas was used to estimate load density for undeveloped areas (the non-load or NL areas shown in Appendix A). Appendix B provides a list of each undeveloped area and the existing load area whose load density was used to estimate load density for each undeveloped area. The load density, in kVA per acre, for each undeveloped area was multiplied by the area, in acres, of each undeveloped area to arrive at the projected potential ultimate load growth for that area.

Table 1-3 below is a presentation of the Load Level projections of the SPU system non-coincident substation peak demands.

Table 1-3
Peak System Planning Loads

Load Level	Anticipated Year	Non-Coincident Peak Demand (MVA)		
		Actual[a]	Scenario A Forecast	Scenario B Forecast
---	2016	113.2	---	---
0	2018	---	130.9	132.2
5	2023	---	173.2	177.7
10	2028	---	198.8	206.6
15	2033	---	224.5	235.6

Note:
a. Peak was recorded in 2016.

The service area was reviewed with management and staff of SPU relative to potential load growth. Each substation service area was examined based on historical load growth and load growth potential. A projected load for each substation was determined for each Load Level, as shown in Appendix C.

Annexation Areas

The SPU service territory is projected to expand to serve six areas (A through F) being annexed by the city of Shakopee in Jacksonville Township. These annexation areas are on the western side of Shakopee with Annex Areas A, E, and F already included in the SPU service territory. The six annexation areas, totaling approximately 2,280 acres, are forecasted to be served by SPU by 2020 totaling 23.2 MVA of existing and potential future load growth in the areas not already included in the SPU non-load areas as summarized in Table 1-4 below.

Table 1-4
Annexation Areas in Jackson Township

Annexation	Annexation Area (acres)[a]	Forecasted Load (MVA)	Year Annexed
Annex A	-[b]	-	2019
Annex B	436	10.2	2019
Annex C	313	2.5	2019
Annex D	1,497	10.2	2019
Annex E	-[c]	-	2019
Annex F	36	0.3	2019
	Total:	**23.2**	

Notes:
a. This includes areas not already covered by existing SPU circuits or undeveloped areas within SPU's service territory.
b. Annex A's area is within non-load Area B (NL-B).
c. Annex E's area is within non-load Area C (NL-C), and SPU circuits SS-32, SS-33, and SS-34.

Non-Load Areas

For the Shakopee Mdewakanton Sioux Community (SMSC) areas, non-load areas NL-H, NL-J, NL-L, NL-M, and NL-Y SPU confirmed with Leidos a load density of 15 kVA per acre load growth for NL-H, NL-J, NL-L, and NL-M and a load density of 10 kVA per acre load growth for NL-Y to be used to estimate the projected ultimate load growth in Scenario A. To investigate the effect of a higher load growth in the SMSC area, Scenario B was developed based on load growth of 30 kVA per acre for non-load areas NL-J, NL-L, and NL-M.

The undeveloped (non-load or NL) areas in SPU's service territory, totaling approximately 6,169 acres, are forecasted to have a potential growth of 56.0 MVA for Scenario A and 67.1 MVA for Scenario B.

Spot Load

SPU identified expansion of existing customer sites or known developments totaling 14.0 MVA. These Spot Loads were projected based on potential development plans as expressed by developers, potential installations on vacant parcels, or the load density of the surrounding area. The projected spot load growth in existing areas is summarized in Table 1-5 below.

Table 1-5
SPU 2016 Spot Load Projection

Spot Load	Feeder	Location	Forecasted Load (MVA)	Starting Load Level
Amazon	DL-96	4th Ave & Shenandoah Dr	2.6	LL0
St. Francis Hospital	SS-32	17th Ave & Marschall Rd	1.5	LL3
Residential Expansion	PL-77	McKenna Rd & Tinta Ln	1.3	LL0
NL-C School	SS-32	130th St W & Townline Ave	2.0	LL5
SL-1	DL-44	12th Ave E	0.1	LL1
SL-2	DL-44	12th Ave E	0.1	LL3
SL-3	DL-44	12th Ave E	0.2	LL5
SL-4	DL-46	Dean Lakes Blvd	2.0	LL4
SL-5	SS-32	Vierling Dr W	1.3	LL0
SL-6	SH-10	Sarazin St	0.8	LL0
SL-7	BL-22	Stagecoach Rd	1.6	LL0
SL-8	SS-32	County Road 78 & County Road 15	0.5	LL1
		Total	**14.0**	

Base Growth

The base growth is projected based on a compounded annual growth of 1% per circuit. Growth could occur in existing load areas due to the addition of new electrical appliances, electric vehicle charging equipment, and other electrical equipment by customers, the development of a small number of undeveloped lots, expansion by some customers, etc. The 1% annual base growth is assumed to be the net growth after growth is offset by the replacement of existing appliances and equipment with more energy efficient equipment over time and other energy reduction approaches under the SPU programs designed to meet the 1.5% annual energy reduction target under the Minnesota conservation improvement program (CIP).

1.3.2 Projected Substation Analysis

Table 1-6 below provides an overview of the existing substation capacity compared to the projected design load in 2033 (Load Level 15). At the projected design load, Shakopee and South Shakopee Substations are expected to exceed 100% of substation capacity, and Pike Lake and Dean Lake Substation are expected to exceed 75% of substation capacity. Projected overloaded facilities and associated percent loading are shown in red.

Table 1-6
Existing Substation Capacity and Projected Loading

Substation/Feeder	Peak Load (MVA)			
	Transformer Capacity (MVA)[a]	Projected LL15[b]	Power Factor @Peak	Percent Loaded[c]
Shakopee – 0s Circuits	28	**41.0**	97%	**146%**
South Shakopee – 30s Circuits	28	**49.4**	96%	**176%**
South Shakopee – 80s Circuits	28	11.1	92%	40%
Blue Lake – 20s Circuits	18.8	12.1	95%	64%
Dean Lake –40s Circuits	46.7	43.0	99%	92%
Dean Lake –50s Circuits	46.7	24.6	96%	53%
Dean Lake –90s Circuits	46.7	10.5	98%	22%
Pike Lake - 70s Circuits A[d]	46.7	33.5	95%	72%
Pike Lake- 70s Circuits B[d]	46.7	44.4	95%	95%

Notes:
a. Except for Blue Lake, represents the maximum continuous load rating of the power transformer. For Blue Lake, represents the sum of the normal ratings of the two Blue Lake circuits.
b. Projected demand based on the 2017 Load Forecast adjusted projections.
c. Equals Projected LL15/Transformer Capacity.
d. Differing load densities were used for the Shakopee Mdewakanton Sioux Community (SMSC) territory.

1.3.3 Projected Circuit Analysis

Table 1-7 below provides an overview of the existing circuit capacity compared to the projected design load in 2032 (Load Level 15). At the projected design load, SH-07, SS-31, SS-32, and PL-72B are expected to exceed 100% of circuit capacity, and SH-08, SS-33, SS-34, SS-81, DL-41, DL-47, DL-96, PL-71, PL-72A, PL-77A, and PL-77B are expected to exceed 50% of circuit capacity. The loading criteria targets a 50% maximum load level to allow for each feeder to back up another feeder based on the emergency rating of the feeder. Projected overloaded facilities and associated percent loading are shown in red.

Table 1-7
SPU Electric System Forecasted Non-Coincident Peak Loads

Substation/ Feeder	Feeder Capacity (kVA)	Projected 2032 Peak (kVA)	Power Factor[a]	Percent Loaded[b]
Shakopee				
SH-07	11,300	**24,658**	98%	**218%**
SH-08	11,300	**5,846**	98%	**52%**
SH-09	11,300	5,027	98%	44%
SH-10	11,300	5,453	95%	48%
South Shakopee				
SS-31	11,300	**14,437**	97%	**128%**
SS-32	11,300	**20,913**	96%	**185%**
SS-33	11,300	**6,910**	89%	**61%**
SS-34	11,300	**7,132**	95%	**63%**
SS-81	11,300	**5,743**	97%	**51%**
SS-82	11,300	5,382	92%	48%
Blue Lake		12,122		
BL-20	12,500	5,612	93%	45%
BL-22	12,500	**6,510**	96%	**52%**
Dean Lake				
DL-41	12,500	**9,009**	99%	**72%**
DL-42	12,500	4,265	100%	34%
DL-43	12,500	6,197	98%	50%
DL-44	12,500	5,437	99%	43%
DL-46	12,500	5,040	97%	40%
DL-47	12,500	**7,950**	99%	**64%**
DL-48	12,500	5,144	99%	41%
DL-51	12,500	6,080	99%	49%
DL-52	12,500	4,374	95%	35%
DL-55	12,500	2,572	96%	21%
DL-56	12,500	5,495	100%	44%
DL-57	12,500	2,572	93%	21%
DL-58	12,500	3,507	93%	28%
DL-92	12,500	3,858	98%	31%
DL-96	12,500	**6,606**	96%	**53%**
Pike Lake				
PL-71	12,500	**6,898**	92%	**55%**
PL-72A[c]	12,500	**8,712**	100%	**70%**
PL-72B[d]	12,500	**14,712**	100%	**118%**
PL-73	12,500	5,691	96%	46%

Substation/ Feeder	Feeder Capacity (kVA)	Projected 2032 Peak (kVA)	Power Factor[a]	Percent Loaded[b]
PL-74	12,500	2,725	100%	22%
PL-75	12,500	2,093	90%	17%
PL-77A[c]	12,500	**7,339**	94%	**59%**
PL-77B[d]	12,500	**12,309**	94%	**98%**

Notes:
a. The power factor was taken from the WindMil model provided by SPU.
b. Equal to Projected 2023 Peak/Feeder Capacity.
c. Load for Scenario A.
d. Load for Scenario B.

1.4 Summary of Overload Violations

1.4.1 Substation Overload Violations

At Load Levels 0, 5, 10, and 15, each of the eight transformers at the five substations was analyzed with respect to loading conditions. The analysis is summarized in Table 1-8 below.

Table 1-8
SPU Substation Violations Summary

Load Level	Anticipated Year	Number of Transformers Exceeding 100% Capacity	
		Scenario A	Scenario B
LL0	2018	0	0
LL5	2023	1	1
LL10	2028	2	2
LL15	2033	2	2

1.4.2 Circuit Overload Violations

At Load Levels 0, 5, 10, and 15, each of the 33 circuits was analyzed with respect to loading conditions. The analysis is summarized in Table 1-9 below.

Table 1-9
SPU Substation Violations Summary

Load Level	Anticipated Year	Number of Circuits Exceeding 50% Capacity	
		Scenario A	Scenario B
LL0	2018	3	3
LL5	2023	7	7
LL10	2028	9	11
LL15	2033	13	13

Section 2
ALTERNATE PLANS

2.1 System Development Plans

Various alternative plans and associated costs were evaluated to meet the future system facility requirements. The purpose of this section is to describe the alternative plans investigated and to identify a preferred plan that is forecast to serve the SPU system load on a cost-effective and reliable basis as the system expands for each of the planning load levels while meeting the planning criteria as described in Section 2.3 below.

2.2 Plan Selection

The alternatives considered serving the long-range planning load from the following:

- The existing substation locations, with distribution line and power transformer capacity increases
- The existing substation locations with load transferred between the substations to limit capacity increases of power transformers and distribution lines
- New substation locations to serve projected load where the rated capacity of the existing substation is projected to be exceeded
- New substations and circuits to improve conductor loading on the distribution system

Each exploratory plan considers the major facilities and operating conditions required to provide a transition from the existing to the projected system planning load. System deficiencies identified were addressed in each plan. The proposed circuit load distribution for each plan can be found in Appendix D through Appendix K.

A summary of the plans evaluated is given below. The plans are designated with an A or B to indicate Scenario A or Scenario B load levels. For example, Plan 1A is Plan 1 based on Scenario A load levels and Plan 1B is Plan 1 based on Scenario B load levels. The basic development characteristics of the plans that were evaluated are summarized as follows:

Plan 1

- New circuits from existing substations
- Keep Blue Lake capacity and circuits
- New West Shakopee Substation to serve load in the Annexation Areas
- New Pike Lake Substation power transformer and circuits (for Scenario B load levels only)

Plan 2

- New circuits from existing substations
- New Pike Lake Substation power transformer to serve Blue Lake circuits and other load
- New West Shakopee Substation to serve load in the Annexation Areas

Plan 3

- New circuits from existing substations
- New East Shakopee Substation to replace Blue Lake Substation source
- New West Shakopee Substation to serve load in the Annexation Areas
- New Pike Lake Substation power transformer and circuits (for Scenario B load levels only)

Plan 4

- New circuits from existing substations
- New Blue Lake Substation reinforcement upgrades
- New West Shakopee Substation to serve load in the Annexation Areas
- New Pike Lake Substation power transformer and circuits (for Scenario B load levels only)

A more detailed description of the plans is provided as follows.

Plan 1A: Upgrades to existing facilities to correct substation and distribution system deficiencies for Scenario A, including the following:

- **Load Level 1 (2019)**
  - **SS-83 (Future WS-01 and WS-13)** West from South Shakopee Substation along transmission line right-of-way to County Road 15 and north along County Road 15 to Oak Road.
    - Provide a tie with SS-32 by installing a new switch at Oak Road to allow load to be served by SS-83 during contingency. Once the West Shakopee Substation is built, this switch will provide a tie with WS-13.

- From Oak Road, continue north along County Road 15 to County Road 78, west along County Road 78 to County Road 69, and north along County Road 69 to 125th Street to serve undeveloped areas Annexation A and NL-B.
- The section of SS-83 north of County Road 78 will be served by West Shakopee Transformer 1 and Control Building 1 by feeder WS-01 in Load Level 9.
- The section of SS-83 east of County Road 69 and south of County Road 78 will be served by West Shakopee Transformer 2 and Control Building 2 by feeder WS-13 in Load Level 6.

- **SS-84 (Future WS-02)** West from South Shakopee Substation along transmission line right-of-way to County Road 15 and north along County Road 15 to County Road 78, west along County Road 78 to County Road 69, and north along County Road 69 to 125th Street to serve undeveloped areas Annexation A and NL-B.

- **DL-47** Close switch SW-916 on Valley Industrial Boulevard South and install a switch on line section OHPRI-244. Open the new switch to allow DL-55 to feed the existing load west of CEVA Logistics.

- **Load Level 4 (2022)**
  - **PL-71** Close switch SW-263 on Canterbury Road and install a switch on line section OHPRI-4172 on Canterbury Road just north of Valley View Road to allow DL-42 to serve SMSC Organics Recycling Facility and other load north of Valley View Road.
  - **Install West Shakopee Substation Transformer 1 and Control Building 1**
  - **WS-01** South from West Shakopee Substation along County Road 69 and east along County Road 16 (17th Avenue) extension for the West End Concept to Marystown Road to feed existing circuit SS-32 north of Highway 169.
    - In Load Level 9, WS-01 will serve a portion of the undeveloped area Annexation A and NL-B.
  - **WS-01 (Future WS-13)** South from West Shakopee Substation along County Road 69 to 125th Street to feed SS-32 and to serve undeveloped areas in Annexation F, NL-C, and the future school in NL-C. In Load Level 1 this is built to connect to SS-83 at 125th Street. Once the NL-B load is switched to WS-02, the circuit from 125th Street to Oak Road on County Road 15 will be utilized for WS-13.
    - Convert overhead single-phase conductor to underground three-phase 500 MCM from line sections OHPRI-1463 to OHPRI-1450 along County Road 78 from County Road 69 to County Road 15.
    - Open switch SW-918 located near South Shakopee Substation on County Road 79. This will allow SS-32 to be routed south as described below under SS-32.

  - Provide a tie with SS-83 by installing a switch at Oak Road.
  - This section of WS-01 will be served by West Shakopee Transformer 2 and Control Building 2 in Load Level 6.

- **WS-02** South from West Shakopee Substation along County Road 69 and east along County Road 16 (17th Avenue) extension for the West End Concept (planned development) to Marystown Road to feed existing circuit SS-32 south of Highway 169 to County Road 78 and to serve undeveloped area NL-B.
  - Switch service for SS-84 (Future WS-02) to the second West Shakopee transformer.
- **WS-03** North from West Shakopee Substation along County Road 69 and west along Highway 169 to County Road 41 to serve undeveloped area in Annexation D.
  - Provide a tie with SH-07 by extending WS-03 north along County Road 69 and west to the reconductored end of SH-07 as described below. Install a new switch to allow load to be served by SH-07.
- **WS-03 (Future WS-12)** South from West Shakopee Substation along County Road 69 to serve a portion of undeveloped area in Annexation B, which is west of County Road 69.
  - This section of WS-03 will be served by the second West Shakopee transformer in Load Level 6.
- **WS-04** North from West Shakopee Substation along County Road 69, west of Highway 169, and northwest along County Road 41 to serve undeveloped area in Annexation D. Initially tie WS-04 to WS-03 and ultimately to a circuit served by the second West Shakopee transformer.
- **WS-04 (Future WS-11)** South from West Shakopee Substation along County Road 69 and west along County Road 78 to serve a portion of undeveloped area in Annexation B.
  - This section of WS-04 will be served by the second West Shakopee transformer in Load Level 6.
- **SH-07** Reconductor overhead and underground line sections OHPRI-2113 to UGPRI-54369 along River Valley Road and Chaparral to 4/0 AL.
- **SS-84** East from South Shakopee along transmission line right-of-way through Stonebrooke Golf Course to County Road 17, south along County Road 17 to County Road 42, and approximately 700 feet east along County Road 42 to line section UGPRI-52876.
  - Open switch SW-777 on County Road 42 just east of County Road 17 and install a switch on line section UGPRI-52876 at County Road 17 and County Road 42. Close the new switch to allow SS-84 to feed existing circuit SS-31 south of County Road 42 and to serve undeveloped areas NL-F, NL-G, and a portion of NL-H.

- **SS-32** Install a switch at South Shakopee Substation at line section OHPRI-1536 to separate SS-34 into SS-34 (north) and SS-32 (south).
  - Reconductor to 500 kcmil aluminum the underground line sections UGPRI-11093 to UGPRI-13799 from the South Shakopee Substation along Townline Avenue (County Road 79) to the overhead portion of existing SS-34 south of South Shakopee Substation.
  - Convert overhead conductor to underground 500 kcmil aluminum from line sections OHPRI-1536 to OHPRI-1701 south along Townline Avenue (County Road 79).
  - Convert overhead single-phase conductor to underground three-phase 500 kcmil aluminum from line sections OHPRI-1727 to OHPRI-1553 along Townline Avenue (County Road 79) and OHPRI-3361 to OHPRI-3171 along County Road 14.
  - The switch located on County Road 14 east of County Road 79 will provide a tie with SS-31 (Future SS-84) during contingency.

- **Load Level 6 (2024)**
  - Install West Shakopee Substation Transformer 2 and Control Building 2.
  - **WS-11** Switch service for WS-04 (Future WS-11) to the second West Shakopee transformer.
  - **WS-12** Switch service for WS-03 (Future WS-12) to the second West Shakopee transformer.
  - **WS-13** Switch service for WS-01 (Future WS-13) and SS-83 (Future WS-13) to the second West Shakopee transformer.

- **Load Level 7 (2025)**
  - **DL-97** Northwest from Dean Lake Substation along Eagle Creek Boulevard, northeast along Vierling Drive East, and northeast along 12th Avenue to Shenandoah Drive.
    - Connect DL-97 to the circuit north of switch SW-835 at Shenandoah Drive and Eastway Ave. Install a switch on line section OHPRI-2015 on 4th Avenue East. Open the new switch to allow DL-97 to serve a portion of undeveloped area NL-Q, undeveloped area NL-S, and a small portion of existing DL-41.

- **Load Level 9 (2027)**
  - **WS-01** Switch service for SS-83 (Future WS-01) to WS-01.
  - **BL-22** Close switch SW-726 on County Road 21 and open SW-312 on County Road 18 to allow PL-75 to feed the existing load on Crossings Boulevard west of County Road 18.
  - **SS-83** East from South Shakopee along transmission line right-of-way through Stonebrooke Golf Course to County Road 17, south along County

Road 17 to County Road 42, and approximately 700 feet east along County Road 42 to line section UGPRI-52883.

  - Open switch SW-445 on County Road 42 just east of County Road 17 and install a switch on line section UGPRI-52883 at County Road 17 and County Road 42. Close the new switch to allow SS-83 to feed existing circuit SS-31 east of County Road 17 and to serve a portion of undeveloped area NL-I.

- **DL-91 Contingency Tie Feeder** Southeast from Dean Lake Substation along Eagle Creek Blvd to Canterbury Road South, south along Canterbury Road to County Road 16, and west along County Road 16 to Dean Lakes Trail to provide a tie with DL-58 at the 165/344 and 567/116/928 Switchgears.

- **Load Level 11 (2029)**
  - **PL-76** North from Pike Lake Substation along County Road 21 and west along Tinta Lane to McKenna Road to serve undeveloped areas NL-Y and NL-L.

- **Load Level 12 (2030)**
  - **SH-08** Open switch SW-526 located at County Road 17 and 4th Avenue.
    - Close switch SW-349 located at 4th Avenue and west of Sarazin Street to allow SH-10 to serve a portion of SH-08.

- **Load Level 13 (2031)**
  - **DL-94 Contingency Tie Feeder** Southeast from Dean Lake Substation along Eagle Creek Blvd to Canterbury Road South, south along Canterbury Road South to Shakopee Gravel to provide a tie with DL-42 at the 914/263 Switchgear.

Plan 2A – Capacity at Blue Lake Substation Removed, Served by Pike Lake: Plan 2A includes the projects listed in Plan 1A, with the exception of the DL-91 and DL-94 feeder additions, with additional feeders from Pike Lake needed to serve BL-20 and BL-22 at the projected load levels for Scenario A, including the following:

- **Load Level 3 (2021)**
  - **Install Pike Lake Substation with Transformer 2 and Control Building 2.**
  - **PL-61** North from Pike Lake Substation along County Road 21 and west along Southbridge Parkway to Old Carriage Road to feed existing circuit BL-20.
  - **PL-62** North from Pike Lake Substation along County Road 21 and east along County Road 16 to County Road 18 to feed existing circuit BL-22.

Plan 3A – Capacity at Blue Lake Substation Removed, Served by East Shakopee: Plan 3A includes the projects listed in Plan 1A, with the exception of the DL-91 and DL-94 feeder additions, with the new substation East Shakopee needed to serve BL-20 and BL-22 at the projected load levels for Scenario A, including the following:

- **Load Level 3 (2021)**
  - Install East Shakopee Substation with Transformer 1 and Control Building 1
  - **ES-21** Northwest from East Shakopee Substation to feed existing circuit BL-20.
  - **ES-22** Northwest from East Shakopee Substation to feed existing circuit BL-22.
  - **ES-23** South from East Shakopee Substation to the 436/300/820 switchgear to feed existing circuit PL-74.
    - Open switch 543 at the 358/140/543 switchgear. This will allow ES-23 to serve the existing load of PL-74 and serve as a tie in the case of an outage at East Shakopee.
  - **ES-24** South from East Shakopee Substation to Southbridge Parkway, southeast along Southbridge Parkway to Old Carriage Road, and east along Old Carriage Road to the 449/606 switchgear to feed existing circuit PL-75.
    - Open switch 807 at the 807/144/726 switchgear. This will allow ES-24 to serve the existing load of PL-75 and serve as a tie in the case of an outage at East Shakopee.

Plan 4A – Upgrade Blue Lake Substation: Plan 4A includes the projects listed in Plan 1A, with the exception of the DL-91 and DL-94 feeder additions, with new feeders needed to serve PL-74 and PL-75 at the projected load levels for Scenario A to serve as tie feeders in the case of an outage at Blue Lake, including the following:

- **Load Level 4 (2021)**
  - Upgrade Blue Lake Substation Capacity.
  - **BL-23** South from Blue Lake Substation to the 436/300/820 switchgear to feed existing circuit PL-74.
    - Open switch 543 at the 358/140/543 switchgear. This will allow BL-23 to serve the existing load of PL-74 and serve as a tie in the case of an outage at Blue Lake.
  - **BL-24** South from Blue Lake Substation to Southbridge Parkway, southeast along Southbridge Parkway to Old Carriage Road, and east along Old Carriage Road to the 449/606 switchgear to feed existing circuit PL-75.
    - Open switch 807 at the 807/144/726 switchgear. This will allow BL-24 to serve the existing load of PL-75 and serve as a tie in the case of an outage at Blue Lake.

Plan 1B: Upgrades to existing facilities to correct substation and distribution system deficiencies at the projected load levels for Scenario B. Plan 1B includes the projects listed in Plan 1A, with the exception of the DL-91, DL-94, and PL-76 feeder additions, and includes the following additional projects:

- **Load Level 6 (2024)**
  - **PL-76** North from Pike Lake Substation along County Road 21 and west along Tinta Lane to McKenna Road to serve a portion of undeveloped area NL-J and undeveloped area NL-Y.
- **Load Level 7 (2025)**
  - **Install Pike Lake Substation with Transformer 2 and Control Building 2.**
  - **PL-64** North from Pike Lake Substation along County Road 21 to serve a portion of undeveloped area NL-M.
- **Load Level 11 (2029)**
  - **PL-63** West from Pike Lake Substation along transmission line right-of-way to McKenna Road, north along McKenna Road to serve a portion of undeveloped area NL-J. Continue West to Canterbury Road to provide tie with DL-42.

Plan 2B – Capacity at Blue Lake Substation Removed, Served by Pike Lake: Plan 2B includes the projects listed in Plan 1A, with the exception of the DL-91, DL-94, and PL-76 feeder additions, and Plan 1B with additional feeders from Pike Lake needed to serve BL-20 and BL-22 at the projected load levels for Scenario B, including the following:

- **Load Level 3 (2021)**
  - **PL-61** North from Pike Lake Substation along County Road 21 and west along County Road 18 to Old Carriage Road to feed existing circuit BL-20.
  - **PL-62** North from Pike Lake Substation along County Road 21 and east along County Road 16 to County Road 18 to feed existing circuit BL-22.

Plan 3B – Capacity at Blue Lake Substation Removed, Served by East Shakopee: Plan 3B includes the projects listed in Plan 1A, with the exception of the DL-91, DL-94, and PL-76 feeder additions, with the new substation East Shakopee needed to serve BL-20 and BL-22 at the projected load levels for Scenario B, including the following:

- **Load Level 3 (2021)**
  - **Install East Shakopee Substation with Transformer 1 and Control Building 1.**
  - **ES-21** Northwest from East Shakopee Substation to feed existing circuit BL-20.

- **ES-22** Northwest from East Shakopee Substation to feed existing circuit BL-22.
- **ES-23** South from East Shakopee Substation to the 436/300/820 switchgear to feed existing circuit PL-74.
  - Open switch 543 at the 358/140/543 switchgear. This will allow ES-23 to serve the existing load of PL-74 and serve as a tie in the case of an outage at East Shakopee.
- **ES-24** South from East Shakopee Substation to Southbridge Parkway, southeast along Southbridge Parkway to Old Carriage Road, and east along Old Carriage Road to the 449/606 switchgear to feed existing circuit PL-75.
  - Open switch 807 at the 807/144/726 switchgear. This will allow ES-24 to serve the existing load of PL-75 and serve as a tie in the case of an outage at East Shakopee.

- **Load Level 6 (2024)**
  - **PL-76** North from Pike Lake Substation along County Road 21 and west along Tinta Lane to McKenna Road to serve a portion of undeveloped area NL-J and undeveloped area NL-Y.
- **Load Level 13 (2031)**
  - **ES-25 Contingency Tie Feeder** South from East Shakopee Substation to Southbridge Parkway, southwest along Southbridge Parkway to County Road 21, and south along County Road 21 to Tinta Lane to provide a tie with PL-77 at the 130/747 switchgear.

Plan 4B – Upgrade Blue Lake Substation: Plan 4A includes the projects listed in Plan 1B with new feeders needed to serve PL-74 and PL-75 at the projected load levels for Scenario A to serve as tie feeders in the case of an outage at Blue Lake, including the following:

- **Load Level 3 (2021)**
  - Upgrade Blue Lake Substation Capacity.
  - **BL-23** South from Blue Lake Substation to the 436/300/820 switchgear to feed existing circuit PL-74.
    - Open switch 543 at the 358/140/543 switchgear. This will allow BL-23 to serve the existing load of PL-74 and serve as a tie in the case of an outage at Blue Lake.

- **BL-24** South from Blue Lake Substation to Southbridge Parkway, southeast along Southbridge Parkway to Old Carriage Road, and east along Old Carriage Road to the 449/606 switchgear to feed existing circuit PL-75.
  - Open switch 807 at the 807/144/726 switchgear. This will allow BL-24 to serve the existing load of PL-75 and serve as a tie in the case of an outage at Blue Lake.

- **Load Level 10 (2028)**
  - **DL-91 Contingency Tie Feeder** Southeast from Dean Lake Substation along Eagle Creek Blvd to Canterbury Road South, south along Canterbury Road to County Road 16, and west along County Road 16 to McKenna Road Northwest, and south along McKenna Road to Tinta Lane to provide a tie with PL-77 at the 191/434/650/925 switchgear.

2.3 Service During Contingency Outages

The criteria used for circuit loading in this analysis is consistent with the study criteria used for the April 2010 Ultimate Electric System Load Analysis and subsequent annual operating studies. The circuit loading criteria limits loading of each circuit to approximately 50% of its circuit emergency rating to enable each circuit to be capable of backing up another circuit without exceeding its emergency rating of approximately 12,000 kVA. Under the planning criteria, the peak load of certain circuits is allowed to exceed 50% of its circuit emergency rating provided there is a circuit whose load is limited to a level which allows it to provide emergency backup.

For this study the highest loaded circuits under normal conditions (no outages) forecast for ultimate peak load conditions are SS-32 with 6,201 kVA, SS-34 with 5,991 kVA, SS-81 with 5,743 kVA, WS-01 with 6,414 kVA, WS-02 with 5,758 kVA, and PL-77B with 6,609 kVA of load. The remaining circuits have a forecast ultimate peak load that is less than 50% of its circuit rating.

Leidos performed contingency analysis for Plan 1A, 2A, 3A, 4A, 1B, 2B, 3B, and 4B. The results can be found in Appendix L through Appendix S. With the exception of a West Shakopee Substation outage in Plans 1 through 4 for Scenarios A and B, an East Shakopee Substation outage in Plan 3B, a Blue Lake Substation outage in Plan 4B and a Pike Lake Substation outage in Plans 3A, 4A and 4B, the SPU Ultimate Load can be served for an outage of each substation control building without exceeding the emergency rating of a circuit and without exceeding the maximum continuous load rating of a power transformer.

For the West Shakopee Substation outage in Plans 1 through 4 for Scenarios A and B, feeder SS-81 reaches a peak loading of 102% of the emergency rating.

For the Pike Lake Substation outage in Plan 3A, feeder ES-24 reaches a peak loading of 104% of the emergency rating. The maximum continuous load rating of the East Shakopee power transformers is not exceeded.

For the Pike Lake Substation outage in Plan 4A, feeder BL-24 reaches a peak loading of 104% of the emergency rating. The maximum continuous load rating of the Blue Lake power transformers is not exceeded.

For the Pike Lake Substation outage in Plan 4B, the Dean Lake power transformer reaches a peak loading of 105% of the normal rating.

For the East Shakopee Substation outage in Plan 3B, the Pike Lake power transformer reaches a peak loading of 106% of the normal rating.

For the Blue Lake Substation outage in Plan 4B, the Pike Lake power transformer reaches a peak loading of 106% of the normal rating.

The circuit loadings that exceed normal ratings for various contingency outages are summarized in Tables 2-1 through 2-6 below. The percent overload for circuits that exceed 100% of emergency ratings is shown in red below.

Table 2-1
Summary of Circuit Loadings for Substation Outages for Plan 1A at Ultimate Load

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Shakopee Substation Control Building 1	WS-03	186	93
	DL-52	154	77
	SS-33	174	87
	DL-96	169	85
Blue Lake Control Building 1	PL-73	182	91
	PL-74	133	67
South Shakopee Substation Control Building 1	PL-71	176	88
	SS-84	196	98
	SH-09	186	93
	DL-43	195	97
South Shakopee Substation Control Building 2	SS-33	196	98
	DL-92	148	74
	PL-71	150	75
	SS-32	189	94
	DL-43	195	97
Dean Lake Substation Control Building 1	DL-96	160	80
	PL-71	179	89
	DL-52	169	85
	DL-92	149	74
	DL-58	137	68
	DL-55	168	84
	BL-20	172	86
	PL-73	182	91
Dean Lake Substation Control Building 2	DL-44	184	92
	SH-08	171	85
	DL-92	136	68
	DL-97	178	89
	DL-48	123	62
	PL-72	152	76
Dean Lake Substation Control Building 3	SH-10	196	98
	DL-45	62	31
	DL-52	156	78
Pike Lake Substation Control Building 1	DL-42	189	94
	DL-58	169	85
	BL-22	182	91
	BL-20	191	95
	DL-94	68	34
	DL-91	55	27
West Shakopee Substation Control Building 1	WS-14	114	57
	SS-81	**204**	**102**
	SH-07	169	85
	WS-11	177	88
West Shakopee Substation Control Building 2	WS-04	177	88
	WS-02	192	96
	SS-33	186	93
	SH-07	169	85

Table 2-2
Summary of Circuit Loadings for Substation Outages for Plan 2A at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-58	152	76
	PL-61	137	68
	PL-62	182	91
	PL-63	78	39
	PL-65	83	41
	PL-67	44	22
Pike Lake Substation Control Building 2	PL-73	182	91
	PL-75	137	68

Note:
a. Plan 1A and Plan 2A's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, and West Shakopee Substations. The Blue Lake feeders have been replaced by Pike Lake feeders.

Table 2-3
Summary of Circuit Loadings for Substation Outages for Plan 3A at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-58	152	76
	ES-22	182	91
	ES-24	104	207
East Shakopee Substation Control Building 1	DL-48	172	86
	PL-73	182	91
	PL-74	44	22
	PL-75	47	23

Note:
a. Plan 1A and Plan 3A's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, and West Shakopee Substations. The Blue Lake feeders have been replaced by East Shakopee feeders.

Table 2-4
Summary of Circuit Loadings for Substation Outages for Plan 4A at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-58	152	76
	BL-22	182	91
	BL-24	207	104
	DL-48	172	86
	DL-92	149	72
Blue Lake Substation Control Building 1	DL-48	172	86
	PL-73	182	91
	PL-74	44	22
	PL-75	47	23

Note:
a. Plan 1A and Plan 4A's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, and West Shakopee Substations.

Table 2-5
Summary of Circuit Loadings for Substation Outages for Plan 1B at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-58	152	76
	BL-22	182	91
	PL-63	92	46
	BL-20	137	68
	PL-64	182	91
	PL-65	106	53
Pike Lake Substation Control Building 2	PL-74	92	46
	PL-77	197	98

Note:
a. Plan 1A and Plan 1B's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, Blue Lake, and West Shakopee Substations.

Table 2-6
Summary of Circuit Loadings for Substation Outages for Plan 2B at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-58	152	76
	PL-62	182	91
	PL-67	44	22
	PL-61	137	68
	PL-65	91	46
	PL-66	106	53
Pike Lake Substation Control Building 2	PL-75	137	68
	PL-73	182	91
	PL-74	92	46
	PL-77	197	98

Note:
a. Plan 1A and Plan 2B's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, and West Shakopee Substations. The Blue Lake feeders have been replaced by Pike Lake feeders.

Table 2-7
Summary of Circuit Loadings for Substation Outages for Plan 3B at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-58	152	76
	ES-22	182	91
	ES-23	183	91
	ES-24	138	69
	ES-25	106	53
East Shakopee Substation Control Building 1	DL-48	172	86
	PL-73	182	91
	PL-74	92	46
	PL-75	138	69

Note:
a. Plan 1A and Plan 3B's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, and West Shakopee Substations. The Blue Lake feeders have been replaced by East Shakopee Feeders.

Table 2-8
Summary of Circuit Loadings for Substation Outages for Plan 4B at Ultimate Load[a]

Outage	Circuit	Peak Loading as a Percentage of Normal Rating at LL15 (%)	Peak Loading as a Percentage of Emergency Rating at LL15 (%)
Pike Lake Substation Control Building 1	DL-42	179	89
	DL-48	172	86
	DL-58	152	76
	BL-22	182	91
	BL-23	183	91
	BL-24	138	69
	DL-91	106	53
East Shakopee Substation Control Building 1	DL-48	172	86
	PL-73	182	91
	PL-74	92	46
	PL-75	138	69

Note:
a. Plan 1A and Plan 4B's contingency analysis are the same for the Shakopee, South Shakopee, Dean Lake, and West Shakopee Substations.

As shown in the above tables, many of the contingency outages result in exceeding the normal rating of certain circuits. The emergency rating of circuits is only nominally exceeded for a couple of cases. The outage of the West Shakopee Control Building 1 is projected to result in SS-81 exceeding the emergency rating with a loading percentage of 102%. The outage of the Pike Lake Control Building in Plan 3A and 4A is projected to result in ES-24 and BL-24 exceeding the emergency rating with a loading percentage of 104% for both feeders respectively.

2.4 Substation Loading Criteria

The substation loading criteria limits loading on two transformers in substations with two or more transformers to 150% of the maximum continuous rating of one transformer, subject to being able to use circuit ties to transfer load within 2 hours and reduce loading to 140% of the maximum continuous rating of one transformer. The above substation criteria is based on the assumption an emergency mobile transformer would be available within one load cycle (24 hours) to be placed in service to replace the outaged transformer. To provide for the potential of an emergency transformer not being available at the time of the outage, an additional criterion has been established by SPU which requires the loading on all SPU transformers remaining in service to be reduced to 100% of maximum continuous rating within 24 hours.

The above criteria limits loading on power transformers to a level and a time duration that allows a nominal reduction in the transformer insulation life due to the increase in temperature associated with loading to a level that exceeds the maximum nameplate rating of the transformer. To help reduce the potential length of time of operating at an elevated oil and winding temperature and the corresponding reduction in insulation life, SPU should continue to investigate the installation of remote or automatic switching between circuits to facilitate the transfer of load from one substation to another as loading on the SPU substations increases.

2.4.1 Scenario A Plans Substation Loading

For the proposed system configuration under Plans 1A, 2A, 3A, and 4A, the following substations have two or more power transformers: South Shakopee, Dean Lake, Pike Lake and West Shakopee. The installation of the second transformer at the Pike Lake Substation is exclusive to Plan 2A. Plans 1A, 2A, 3A, and 4A include the installation of the West Shakopee Substation and associated circuits. The projected ultimate base loading on each power transformer in these substations is summarized in Table 2-9 below.

Table 2-9
Projected Ultimate Base Load in Substations with Two or More Power Transformers for Scenario A Plans

	South Shakopee	Dean Lake	Pike Lake[b]	West Shakopee
Transformer 1 Load (kVA)	22,728	38,072	32,759	21,972
Transformer 2 Load (kVA)	20,017	26,667	11,292	15,800
Transformer 3 Load (kVA)	-	14,884	-	-
Transformer Rating[a] (kVA)	28,000	46,700	46,700	28,000
150% of Transformer Rating (kVA)	42,000	70,050	70,050	42,000
Total Load above 150% of Rating[c] (kVA)	745	0	0	0
140% of Transformer Rating (kVA)	39,200	65,380	65,380	39,200
Total Load above 140% of Rating[c] (kVA)	3545	0	0	0

Notes:
a. Rating shown is maximum continuous rating for one power transformer.
b. Exclusive to Plan 2A.
c. For Dean Lake, the total load is equal to the sum of Transformer 3 load plus Transformer 1 load. Transformer 3 is available to automatically backup either Transformer 1 or Transformer 2. For a single contingency outage, only one power transformer is assumed to be out of service.

The projected ultimate total load on the Dean Lake, Pike Lake and West Shakopee Substations does not exceed the 150% loading criterion. The projected ultimate total load on the South Shakopee Substation exceeds the 150% loading criterion by 745 kVA, which is approximately equivalent to 7% of the loading on one circuit

South Shakopee Substation exceeds the 140% loading criterion by 3545 kVA, which is approximately equivalent to 31% of the loading on one circuit.

2.4.2 Scenario B Plans Substation Loading

For the proposed system configuration under Plans 1B, 2B, 3B, and 4B, the following substations have two or more power transformers: South Shakopee, Dean Lake, Pike Lake and West Shakopee. The installation of the second transformer at the Pike Lake Substation is exclusive to Plans 1B and 2B. Plans 1B, 2B, 3B, and 4B include the installation of the West Shakopee Substation and associated circuits. The projected ultimate base loading on each power transformer in these substations is summarized in Table 2-10 below.

Table 2-10
Projected Ultimate Base Load in Substations with Two or More Power Transformers for Scenario B Plans

	South Shakopee	Dean Lake	Pike Lake (Plan 1B)[b]	Pike Lake (Plan 2B)[b]	West Shakopee
Transformer 1 Load	22,728	38,072	35,039	35,039	21,972
Transformer 2 Load	20,017	26,667	8,700	19,992	15,800
Transformer 3 Load	-	14,884	-	-	-
Transformer Rating[a]	28,000	46,700	46,700	46,700	28,000
150% of Transformer Rating	42,000	70,050	70,050	70,050	42,000
Total Load above 150% of Rating[c]	745	0	0	0	0
140% of Transformer Rating	39,200	65,380	65,380	65,380	39,200
Total Load above 140% of Rating[c]	3545	0	0	0	0

Notes:
a. Rating shown is maximum continuous rating for one power transformer.
b. Pike Lake's loading in Plan 2B is different than Plan 1B due to the installation of PL-61 and PL-62.
c. For Dean Lake the total load is equal to the sum of Transformer 3 load plus Transformer 1 load. Transformer 3 is available to automatically backup either Transformer 1 or Transformer 2. For a single contingency outage, only one power transformer is assumed to be out of service.

The projected ultimate total load for Scenario B is the same as Scenario A for the South Shakopee, Dean Lake, and West Shakopee Substations. Under Scenario B, the ultimate load for the Pike Lake Substation is higher than under Scenario A due to the higher load densities for the SMSC areas. The Pike Lake projected loading does not exceed the 150% or 140% loading criterion.

Section 3
COST SUMMARY AND ANALYSIS

3.1 Economic Analysis

After the alternatives were identified through discussions among the SPU and Leidos project team, the technical and economic analysis for each alternative was prepared, as follows:

- The projected load was allocated to the existing electric distribution system as modeled on Milsoft Integrated Solutions, Inc.'s WindMil 8.6 software.
- In areas where the system did not meet the planning criteria identified in Section 2, load was transferred or improvements were selected. Computerized load-flow, and loss calculations were then prepared to determine whether each alternative provided adequate service to the customers.

Substation and distribution cost estimates were developed by Leidos for initial capital cost with review by SPU staff. Cost of losses were estimated using projected peak load data, an estimate of annual losses based on a 30% annual loss factor, and annual purchased power costs from 2017. The costs for Blue Lake Substation capacity were estimated based on current payments to Xcel Energy in the amounts of $24,000 per year plus $0.47 per kW of peak load per month. Annual carrying costs are estimated to be 7% per year based on 3% annual interest rate, 3% annual depreciation, and 1% annual O&M costs. Other applicable costs were also estimated for each alternative.

- A comparative cost summary was prepared for each plan. The assumptions used in the analysis are summarized in Appendix T.

Cost analyses were prepared for each alternative based on the plans and loading presented in Section 2. The cost calculations and detailed cost estimates are provided in Appendix T, Appendix U, and Appendix V. Table 3-1 below summarizes the estimated cost differences for each of the system plans. Tables 3-2 and 3-3 below summarize the estimated total investment by year and the cumulative estimated annual costs of each plan.

Table 3-1
Estimated 2032 Cumulative Annual Costs Comparison

Plan	Description	2033 Cumulative Investment	2033 Cumulative Annual Cost[a]	Cumulative Annual Cost Difference from Plan 1	Cumulative Annual Percent Cost Difference from Plan 1
Plan 1A	West Shakopee	$16,176,394	$28,345,133	-	-
Plan 2A	West Shakopee and 2nd Transformer at Pike Lake	$20,779,310	$33,139,770	$4,794,637	17%
Plan 3A	West Shakopee and East Shakopee	$23,318,447	$34,342,004	$5,996,872	21%
Plan 4A	Upgrade Blue Lake Substation	$21,325,651	$38,012,156	$9,667,023	34%
Plan 1B	West Shakopee	$20,515,753	$29,586,087	-	-
Plan 2B	West Shakopee and 2nd Transformer at Pike Lake	$21,183,073	$33,555,276	$3,969,189	13%
Plan 3B	West Shakopee and East Shakopee[b]	$23,391,455	$34,666,946	$5,080,859	17%
Plan 4B	Upgrade Blue Lake Substation	$26,196,126	$41,379,328	$11,793,240	40%

Notes:
a. Includes Annual Carrying Costs, Blue Lake Annual Costs, and Annual Cost of Losses.
b. For Plan 3B, the second transformer at Pike Lake will need to be installed to serve the increased load of the SMSC areas during a contingency outage of the first transformer at Pike Lake.

Table 3-2
Estimated Total Investment by Year

Year	Plan 1A	Plan 2A	Plan 3A	Plan 4A	Plan 1B	Plan 2B	Plan 3B	Plan 4B
2019	$1,288,324	$1,288,324	$1,288,324	$1,288,324	$1,288,324	$1,288,324	$1,288,324	$1,288,324
2020	-	-	-	-	-	-	-	-
2021	-	$4,602,916	$7,142,053	$5,149,257	-	$4,602,916	$7,142,053	$5,149,257
2022	$10,122,241	$10,122,241	$10,122,241	$10,122,241	$10,122,241	$10,122,241	$10,122,241	$10,122,241
2023	-	-	-	-	-	-	-	-
2024	$3,223,941	$3,223,941	$3,223,941	$3,223,941	$3,542,693	$3,542,693	$3,542,693	$3,542,693
2025	$386,635	$386,635	$386,635	$386,635	$4,486,039	$550,442	$386,635	$4,486,039
2026	-	-	-	-	-	-	-	-
2027	$577,023	$577,023	$577,023	$577,023	$404,480	$404,480	$404,480	$404,480
2028	-	-	-	-	-	-	-	$531,116
2029	$369,521	$369,521	$369,521	$369,521	$671,976	$671,976	-	$671,976
2030	-	-	-	-	-	-	-	-
2031	$208,708	$208,708	$208,708	$208,708	-	-	$505,029	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
Total:	**$16,176,394**	**$20,779,310**	**$23,318,447**	**$21,325,651**	**$20,515,753**	**$21,183,073**	**$23,391,455**	**$26,196,126**

Note:
The escalation rate per year used during calculation of project costs is 3%.

Table 3-3
Estimated Cumulative Annual Costs[a]

Year	Plan 1A	Plan 2A	Plan 3A	Plan 4A	Plan 1B	Plan 2B	Plan 3B	Plan 4B
2019	$930,308	$981,586	$921,992	$919,221	$847,385	$987,592	$935,620	$938,623
2020	$1,885,132	$1,989,227	$1,868,252	$1,862,625	$1,716,798	$2,001,418	$1,895,917	$1,902,012
2021	$2,865,203	$3,345,904	$3,339,445	$3,484,971	$2,608,896	$3,364,466	$3,381,568	$3,544,943
2022	$4,579,831	$5,410,074	$5,516,235	$5,932,743	$4,232,911	$5,435,199	$5,573,249	$6,013,916
2023	$6,321,233	$7,502,541	$7,719,368	$8,414,454	$5,880,983	$7,534,425	$7,791,721	$8,517,465
2024	$8,315,885	$9,849,830	$10,175,311	$11,156,416	$7,801,817	$9,910,989	$10,285,775	$11,304,233
2025	$10,365,878	$12,254,203	$12,686,266	$13,956,002	$10,062,066	$12,356,312	$12,835,315	$14,436,257
2026	$12,444,994	$14,689,497	$15,226,006	$16,786,962	$12,348,468	$14,832,771	$15,414,129	$17,600,352
2027	$14,594,499	$17,197,031	$17,835,788	$19,690,531	$14,690,121	$17,369,614	$18,051,409	$20,825,692
2028	$16,774,667	$19,737,368	$20,476,109	$22,627,183	$17,059,286	$19,939,489	$20,719,746	$24,122,031
2029	$19,012,499	$22,337,360	$23,173,751	$25,623,681	$19,504,041	$22,590,425	$23,420,072	$27,500,147
2030	$21,283,082	$24,972,154	$25,903,793	$28,655,079	$21,978,204	$25,276,404	$26,153,346	$30,913,946
2031	$23,602,007	$27,657,402	$28,681,814	$31,736,938	$24,482,656	$27,998,479	$28,955,908	$34,364,401
2032	$25,955,677	$30,379,572	$31,494,208	$34,855,627	$27,018,305	$30,757,731	$31,793,426	$37,852,517
2033	$28,345,133	$33,139,770	$34,342,004	$38,012,156	$29,586,087	$33,555,276	$34,666,946	$41,379,328

Note:
Includes Annual Carrying Costs, Blue Lake Annual Costs, and Annual Cost of Losses.

As shown in Table 3-1, **under Scenario A**, Plan 1 has the lowest estimated cumulative 15-year annual cost. Estimated cumulative annual costs for Plan 2 are $4.8 million or 17% higher than for Plan 1. Estimated cumulative annual costs for Plan 3 are $6.0 million or 21% higher than for Plan 1. Estimated cumulative annual costs for Plan 4 are $9.7 million or 34% higher than for Plan 1. Estimated cumulative annual costs for Plan 3 are $1.2 million or 4% higher than for Plan 2. Estimated cumulative annual costs for Plan 3 are $3.7 million or 11% higher than for Plan 4. Estimated cumulative annual costs for Plan 4 are $4.9 million or 14% higher than for Plan 2.

Under Scenario B, Plan 1 has the lowest estimated cumulative 15-year annual cost. Estimated cumulative annual costs for Plan 2 are $4.0 million or 13% higher than for Plan 1. Estimated cumulative annual costs for Plan 3 are $5.1 million or 17% higher than for Plan 1. Estimated cumulative annual costs for Plan 4 are $11.8 million or 34% higher than for Plan 1. Estimated cumulative annual costs for Plan 3 are $1.1 million or 3% higher than for Plan 2. Estimated cumulative annual costs for Plan 3 are $6.7 million or 19% higher than for Plan 4. Estimated cumulative annual costs for Plan 4 are $7.8 million or 23% higher than for Plan 2.

3.2 Preferred Plan

If SPU is able to retain the Blue Lake Substation capacity at the existing rates of payment, Plans 1A and 1B are the most economical options.

Based on the technical and economic analysis described herein and the abandonment of the Blue Lake Substation capacity, Plans 3A and 3B were selected for the Preferred Plans. If the Blue Lake Substation capacity is abandoned, the addition of the East Shakopee in conjunction with new circuits to serve the Blue Lake circuits, these plans provide SPU sufficient capacity and optimal contingency switching.

With the current plan of Blue Lake abandonment, Plans 1A and 1B were excluded from Leidos' selection process. For Scenario A, Plan 3A's estimated cost is $1.2 million more than Plan 2A and offers similar capacity and increased system reliability. For Scenario B, Plan 3B's estimated cost is $1.1 million more than Plan 2B. Plan 3's ability to serve the potential ultimate load of both scenarios with little differences between Plan 3A and 3B make it the best option moving forward.

Detailed information on the substation, and distribution improvements required for the Preferred Plans is given in Section 2, and includes the following:

- New feeder additions out of South Shakopee, Dean Lake, Pike Lake, and West Shakopee Substations
- Construction of the West Shakopee Substation to serve load growth in the western portion of the SPU service territory and Annexation Areas
- Identification and possible purchase of land for an East Shakopee Substation in preparation for the potential of abandoning the SPU capacity in Blue Lake
- Construction of the East Shakopee Substation to serve load in the northeast portion of the SPU service territory if Blue Lake Substation capacity is abandoned
- Additional transformer capacity at Pike Lake Substation if Scenario B load growth is achieved
- Various distribution improvements, including switching, re-conductoring (replacing existing circuit conductors with larger conductors) to relieve over-loading and improve conditions for contingency switching, and installing additional phase conductors to existing single-phase and two-phase circuits

Shakopee Public Utilities
2020 Capital Projects
Final
Dated: December 2, 2019

Electric Summary

Item Description	Justification	2019 Carryover	2020
Operating Fund			
System Projects			
Miscellaneous	See Detail	-	175,000
System Material & Facilities	See Detail	-	660,000
Vehicles/Equipment	See Detail	-	478,000
Local Area Projects			
New UG Cables & Related Cost (Net of Contribution)	See Detail	-	350,000
Replace UG Cable Projects	See Detail	-	10,000
Rebuild OH Lines	See Detail	-	437,500
Major System Projects			
Feeder Extension Projects	See Detail	250,000	984,500
Convert OH to UG	See Detail	-	285,000
Territory Acquisition	See Detail	-	350,000
Shakopee Substation	See Detail	-	265,000
South Shakopee Substation	See Detail	-	80,000
Pike Lake Substation	See Detail	-	85,000
Dean Lake Substation	See Detail	-	137,000
East Shakopee Substation	See Detail	-	1,200,000
West Shakopee Substation	See Detail	-	1,200,000
Upgrade Projects	See Detail	-	330,000
ADVANCED METERING INFRASTRUCTURE (AMI)	See Detail	-	120,000
Service Center	See Detail	12,000	308,000
Total Operating Fund		**262,000**	**7,455,000**
Relocation Fund			
Relocation Projects	See Detail	-	480,750
Total Relocation Fund		**-**	**480,750**
Total Electric		**262,000**	**7,935,750**
CumulativeTotal Electric		**262,000**	**8,197,750**

9/17/2020

Shakopee Public Utilities
2020 Capital Projects
Final
Dated: December 2, 2019
Electric Detail

Item Description	Justification	2019 Carryover	2020
Territory Acquisition			
Territory Acquisition	Purchase	-	200,000
Territory Acquisition	Consolidation	-	150,000
Total Territory Acquisition		**-**	**350,000**
Shakopee Substation			
Land Rights	Load Growth/Downtown Re-development	-	250,000
Substation to County Fiber & Fiber Equipment		-	15,000
Total Shakopee Substation		**-**	**265,000**
South Shakopee Substation			
Upgrade to RTAC C3 ilex	For SCADA	-	65,000
Substation to County Fiber & Fiber Equipment		-	15,000
Oil Change Out on Tap Changer (Transformer 1 & 2)	Maintenance/Extend Life of Tap Changer	-	-
Total South Shakopee Substation		**-**	**80,000**
Pike Lake Substation			
SCADA C3 ilex/Schweitzer RTAC & Blue Lake	Change out C3ilex	-	75,000
Oil Change Out on Tap Changer	Maintenance/Extend Life of Tap Changer	-	-
Substation to County Fiber & Fiber Equipment		-	10,000
Total Pike Lake Substation		**-**	**85,000**
Dean Lake Substation			
Oil Change Out on Tap Changer	Maintenance/Extend Life of Tap Changer	-	30,000
Substation to County Fiber & Fiber Equipment		-	7,000
Dean Lake 2 115KV Circuit Switcher		-	100,000
Total Dean Lake Substation		**-**	**137,000**
East Shakopee Substation			
Land Rights	Load Growth	-	1,200,000
Planning/Design/Project Management	Load Growth	-	-
Construction	Load Growth	-	-
Total East Shakopee Substation		**-**	**1,200,000**
West Shakopee Substation			
Land Rights	Load Growth	-	1,200,000
Planning/Design/Project Management	Load Growth	-	-
Construction	Load Growth	-	-
Total West Shakopee Substation		**-**	**1,200,000**
Upgrade Projects			
Downtown Alley Reconstruction add duct banks	Alley paving w/concrete	-	100,000
SH-08 Reconductoring 4th, Spencer, Fillmore, Somerville	Load Growth	-	40,000

Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: December 2, 2019

Electric Summary

Item Description	Justification	2019 Carryover	2020	2021	2022	2023	2024
Operating Fund							
System Projects							
Miscellaneous	See Detail	-	175,000	175,000	175,000	175,000	175,000
System Material & Facilities	See Detail	-	660,000	585,000	510,000	495,000	495,000
Vehicles/Equipment	See Detail	-	478,000	495,000	470,000	370,000	345,000
Local Area Projects							
New UG Cables & Related Cost (Net of Contribution)	See Detail	-	350,000	400,000	400,000	450,000	450,000
Replace UG Cable Projects	See Detail	-	10,000	10,000	10,000	10,000	10,000
Rebuild OH Lines	See Detail	-	437,500	125,000	75,000	50,000	175,000
Major System Projects							
Feeder Extension Projects	See Detail	250,000	984,500	608,100	505,950	761,750	795,000
Convert OH to UG	See Detail	-	285,000	-	-	-	-
Territory Acquisition	See Detail	-	350,000	100,000	100,000	100,000	100,000
Shakopee Substation	See Detail	-	265,000	-	-	-	-
South Shakopee Substation	See Detail	-	80,000	60,000	-	-	-
Pike Lake Substation	See Detail	-	85,000	-	-	-	30,000
Dean Lake Substation	See Detail	-	137,000	-	-	-	-
East Shakopee Substation	See Detail	-	1,200,000	-	-	216,300	4,950,000
West Shakopee Substation	See Detail	-	1,200,000	-	-	216,300	4,950,000
Upgrade Projects	See Detail	-	330,000	200,000	210,000	220,000	220,000
ADVANCED METERING INFRASTRUCTURE (AMI)	See Detail	-	120,000	1,820,000	1,700,000	1,700,000	-
Service Center	See Detail	12,000	308,000	3,048,000	45,000	4,052,000	45,000
Total Operating Fund		**262,000**	**7,455,000**	**7,626,100**	**4,200,950**	**8,816,350**	**12,740,000**
Relocation Fund							
Relocation Projects	See Detail	-	480,750	125,000	102,000	55,000	394,300
Total Relocation Fund		**-**	**480,750**	**125,000**	**102,000**	**55,000**	**394,300**
Total Electric		**262,000**	**7,935,750**	**7,751,100**	**4,302,950**	**8,871,350**	**13,134,300**
CumulativeTotal Electric		**262,000**	**8,197,750**	**15,948,850**	**20,251,800**	**29,123,150**	**42,257,450**

Shakopee Public Utilities
Capital Improvement Plan
Final
Dated: December 2, 2019
Electric Detail

Item Description	Justification	2019 Carryover	2020	2021	2022	2023	2024
Pike Lake Substation							
SCADA C3 ilex/Schweitzer RTAC & Blue Lake	Change out C3ilex	-	75,000	-	-	-	-
Oil Change Out on Tap Changer	Maintenance/Extend Life of Tap Changer	-	-	-	-	-	30,000
Substation to County Fiber & Fiber Equipment		-	10,000	-	-	-	-
Total Pike Lake Substation		-	**85,000**	-	-	-	**30,000**
Dean Lake Substation							
Oil Change Out on Tap Changer	Maintenance/Extend Life of Tap Changer	-	30,000	-	-	-	-
Substation to County Fiber & Fiber Equipment		-	7,000	-	-	-	-
Dean Lake 2 115KV Circuit Switcher		-	100,000	-	-	-	-
Total Dean Lake Substation		-	**137,000**	-	-	-	-
East Shakopee Substation							
Land Rights	Load Growth	-	1,200,000	-	-	-	-
Planning/Design/Project Management	Load Growth	-	-	-	-	216,300	450,000
Construction	Load Growth	-	-	-	-	-	4,500,000
Total East Shakopee Substation		-	**1,200,000**	-	-	**216,300**	**4,950,000**
West Shakopee Substation							
Land Rights	Load Growth	-	1,200,000	-	-	-	-
Planning/Design/Project Management	Load Growth	-	-	-	-	216,300	450,000
Construction	Load Growth	-	-	-	-	-	4,500,000
Total West Shakopee Substation		-	**1,200,000**	-	-	**216,300**	**4,950,000**
Upgrade Projects							
Downtown Alley Reconstruction add duct banks	Alley paving w/concrete	-	100,000	-	-	-	-
SH-08 Reconductoring 4th, Spencer, Fillmore, Somerville	Load Growth	-	40,000	-	-	-	-
Projects yet to be determined		-	190,000	200,000	210,000	220,000	220,000
Total Upgrade Projects		-	**330,000**	**200,000**	**210,000**	**220,000**	**220,000**
ADVANCED METERING INFRASTRUCTURE (AMI)							
Planning/Design/Project Management	Project Planning/Design	-	120,000	120,000	-	-	-
Construction/Implementation/Hardware/Software/Training	Customer Service	-	-	1,700,000	1,700,000	1,700,000	-
Total ADVANCED METERING INFRASTRUCTURE (AMI)		-	**120,000**	**1,820,000**	**1,700,000**	**1,700,000**	-
Service Center							
Miscellaneous Building Improvements/Replacements	Maint. & Requested Changes	-	45,000	45,000	45,000	45,000	45,000
Replace Outside Landscape Lighting	Replace Problem Lighting and Upgrade Efficiency	12,000	20,000	-	-	-	-
Repair or Replace Exhaust Fan in Garage Area (exhaust fans not working)	Replace or Repair	-	-	-	-	-	-
Warehouse Expansion		-	50,000	3,000,000	-	-	-
SPU Signage for South Entrance of Service Center (Non-public)	Facility Security	-	20,000	-	-	-	-
Display Case Office		-	7,000	-	-	-	-
Garage Heaters	Maintenance	-	30,000	-	-	-	-
Extend Outdoor Storage Cement 225X33	Additional Storage	-	100,000	-	-	-	-
Seal Wash Bay (Cracks & Surface)	Maintenance	-	6,000	-	-	-	-
Seal Wood Beams & Chaulk Windows	Maintenance	-	30,000	-	-	-	-
Door Seal Loading Dock		-	-	3,000	-	-	-
Ice Machine		-	-	-	-	7,000	-
Building Expansion Office		-	-	-	-	4,000,000	-

As of 8/31/2020

SPU AVAILABLE FUND BALANCE SUMMARY

Electric reconciliation by g/l account:	Wells Fargo	G/L#	4M	G/L#	Western Bank	Old National	Total Balance	Definition of Funds
13601 - Electric Operating Fund	17,653,705.70	13105	23,870,550.97	13101	1,634,908.69		43,159,165.36	Electric Operating Fund
125,600 - Emergecy Fund				12560	100,000.00		100,000.00	Emergency Fund
12690 - Undergound Relocation	-	12565	-	13603	1,053,493.09		1,053,493.09	Total UG Relocation Fund
	17,653,705.70		23,870,550.97		2,788,401.78		44,312,658.45	

Electric Operating Fund	Established to fund expenses associated with daily operations of the electric department and budget approved CIP projects.
Emergency Fund	Established to keep ready reserve for emergency response.
Underground Relocation Fund	Established by Resolution #742, dated 11/3/2003, and modified by subsequent resolutions. The fund was established to fund the additonal costs to relocate existing electric facilities underground rather that overhead when mandated by the City of Shakopee.

Water reconciliation by g/l account	Wells Fargo	G/L	4M		Western Bank	G/L	Old National	Total Balance	Definition of Funds
13601 - Water Operating Fund	2,226,367.55	13105	5,618,999.61	13101	907,965.90	13100	-	8,753,333.06	Water Operating Fund
12670 - Trunk Fund				13604	61,787.15			61,787.15	Total Trunk Fund
12680 - Connection Fund	-	13600	8,750,004.16	13605	1,078,974.53	12500-12510	5,868,860.28	15,697,838.97	Total Connection Fund
13606 - Water Recon Fund				13606	936,592.92			936,592.92	Total Water Recon Fund
	2,226,367.55		14,369,003.77		2,985,320.50		5,868,860.28	25,449,552.10	

Water Operating Fund	Established to fund expenses associated with daily operations of the water department and budget approved CIP projects.
Trunk Fund	Established by Resolution #217, dated 9/8/1980, later repealed by Resolution #222, dated 2/2/1981, and modified by subsequent resolutions. This fund was established to fund the costs to oversize lateral watermains to support a robust trunk watermain system for fire flow.
Connection Fund	Established by Resolution #261, dated 9/12/1983, and modified by subsequent resolutions This fund was established to fund the costs to provide capacity of water supply wells, pumphouses, water treatment, and pressure booster stations/reducing valves.
Water Reconnection Fund	Established by Resolution #875, dated 1/2/2007, and modified by subsequent resolutions This fund was established to fund the cost to reconstruct existing watermain and related facilities in conjuction with the City of Shakopee/Scott County reconstruction programs.

SPU
Shakopee Public Utilities

po box 470 • 255 sarazin street
shakopee, mn 55379
main # 952.445-1988 • fax # 952.445-7767

September 11, 2020

TO: Joseph Adams, Interim Utilities Manager

FROM: Greg Drent, Electric Superintendent

Subject: Apprentice Lineman to Journeyman Lineman

We have three-apprentice lineman that will get their journeyman certificate by the end of the year. SPU's program consist of internal evaluation, MMUA assist in quarterly apprentice two-day training lessons and written test are taken through NW Line College. SPU also works with MN Department of Labor and Industry on 8000 hours of work before they can get their journeyman card with the state of MN. These linemen have been through the four years of training and taken dozens of written tests and a comprehensive final exam before they can graduate from this program.

Jordan Schuettpelz has been with SPU since 2013 and is graduating the apprenticeship program. Jordan is a hard worker and is willing to take on new tasks. Jordan is an outstanding employee and I recommend that Jordan be moved to Journeyman lineman wage range.

Tyler Hanson has been with SPU since 2015 and is graduating the apprenticeship program. Tyler has a great attitude and gets along with everyone. Tyler takes pride in his work and makes sure it is done correct and efficient. Tyler has been an outstanding employee and I recommend that Tyler be moved to Journeyman lineman wage range.

Matt Kahle has been with SPU since 2016 and is graduating the apprenticeship program. Matt takes pride in his work and never backs down from a challenge. Matt has been an outstanding employee and I recommend that Matt be moved to Journeyman lineman wage range.

Jordan, Tyler and Matt have been on-call with a journeyman lineman for the last couple of years to learn the system better and understand how to work outages when they happen. I am very proud of the accomplishments of these individuals. We are blessed with a very dedicated staff at SPU and I am proud that we have some of the best lineman in the state.

Adams, Joe

To: Korine Land; Deb Amundson
Subject: RE: MMUA Contractor Agreement

Thanks!

From: Korine Land [mailto:KLand@levander.com]
Sent: Friday, September 18, 2020 1:10 PM
To: Deb Amundson <damund1281@hotmail.com>
Cc: Adams, Joe <jadams@shakopeeutilities.com>
Subject: RE: MMUA Contractor Agreement

Attached is the version of the agreement for the packet.

Summary of the Agreement:

- The Agreement is with MMUA (not with the Utilities Manager) and MMUA will select the Utilities Manager to fulfill the obligations of the agreement
- If the Utilities Manager is not working out, the SPU can request a different person and MMUA will find someone else within 15 days
- The Utilities Manager will sign an acknowledgment as part of his/her agreement with MMUA that he/she will perform the Scope of Services in the contract
- MMUA can choose to fire the Utilities Manager if MMUA ends up having a breach of contract with the Utilities Manager and MMUA will provide a new Utilities Manager
- In the Scope of Services, it should mirror what the Utilities Manager's role currently is, except that I carved out termination of employees – any termination of an employee would be in the form of a recommendation to the Commission
- Payment is $150/hour for a max of a 40-hour work week
- Mileage reimbursement, otherwise expenses only if approved by the Commission
- 30-day notice to terminate by either party for no reason, which should cover the situation if the referendum passes. There will still be at least a 30-day wind-down period after the election.
- 15-day notice to cure if there's a default and then terminate immediately if not cured
- Provide the Utilities Manager with equipment to work remotely, but allow workspace at the facility
- Typical insurance requirements, mutual indemnification, data practices and confidentiality clauses

Let me know if you have any questions.

Thanks!
Kori

Kori Land
Attorney
LeVander, Gillen & Miller, P.A.
kland@levander.com
Direct dial: 651-361-8582

Minnesota Municipal Utilities Association
Utility Management Services Agreement

Date: September 21, 2020

Contract No. xxx-2020

Utility Management Services

For purposes of this Agreement, the Minnesota Municipal Utilities Association shall hereinafter be referred to as MMUA, the Shakopee Public Utilities shall hereinafter be referred to as SPU, and the Shakopee Public Utilities Commission shall hereinafter be referred to as the Commission.

PART I – Scope of Services

PART II – Duration / Amendment

PART III – Obligations

PART IV – Standard Terms and Conditions

PART I – SCOPE OF SERVICES

MMUA will provide a qualified and experienced individual to serve as Interim Utilities Manager of SPU until such services are terminated pursuant to Part III, Section 8. The SPU may request a replacement individual during the term of this Agreement if the Commission determines in its sole discretion that the Interim Utilities Manager is not fulfilling the Scope of Service s identified herein. The Commission shall provide MMUA with 15 days notice of a request for a replacement Interim Utilities Manager. If MMUA is unable to provide a replacement within 15 days from receipt of the notice requesting a replacement Interim Utilities Manager, the Commission may extend the transition period or initiate termination of this agreement pursuant to Part III, Section 8. MMUA reserves the right to replace an appointed Interim Utilities Manager if MMUA determines the Interim Utilities Director has violated any terms of the person's employment or contract agreement with MMUA or fails to provide services under this agreement in a manner consistent with MMUA's expected standards.

The Scope of Services to be provided by the Interim Utilities Manager include, but are not limited to:

1. Maintain close communications and a positive working relationship with the Commission.
2. Serve as SPU's liaison to the Mayor, the City Administrator, and other city officials.
3. Strive to maintain employee morale and keep the organization moving in a positive direction during the interim period.
4. Provide overall direction to the SPU in coordination with the Commission.
5. Provide supervision and direction to SPU's staff and ensure that they are carrying out their responsibilities appropriately and effectively, including disciplinary action, but not including termination.
6. Make recommendations to the Commission, if appropriate and necessary regarding termination of any employees.
7. Ensure that all required reporting is being done in a timely manner.
8. Ensure that ongoing projects continue to make appropriate progress toward completion.
9. Serve as Shakopee's representative on the board of the Minnesota Municipal Power Agency and oversee SPU's relationship with the agency.
10. Facilitate, prepare, and organize materials for, and attend all meetings of the Commission.
11. Perform other duties appropriate to the Utilities Manager position.
12. Perform any additional duties as directed by the Commission.
13. Agree to all terms and conditions of this Agreement.

PART II – DURATION / AMENDMENT / RENEWAL

1. DURATION: This Agreement shall remain in force from September 21, 2020 until terminated pursuant to Part III, Section 8.

2. AMENDMENT: This Agreement may be amended or modified upon the mutual written agreement of both MMUA and the Commission. Such amendment or addendum shall be signed by both MMUA and the Commission, dated, and appended to this Agreement.

PART III – OBLIGATIONS

1. COMPENSATION: For the services covered by this Agreement, SPU shall pay MMUA an hourly fee of $150.00 per hour up to a maximum of 40 hours per week, unless otherwise agreed to by the parties.

2. EXPENSES: SPU shall compensate MMUA for out-of-pocket expenses such as mileage at the applicable IRS rate, and other expenses approved by the Commission.

3. BILLING: On or about the fifteenth day of each calendar month MMUA shall submit an invoice to SPU for the charges for all services furnished under this Agreement during the previous month. Payment is due thirty (30) days after delivery of the invoice.

4. FINANCING CHARGES FOR LATE PAYMENTS: If SPU fails to pay invoiced amounts within thirty (30) days after delivery of invoice, additional charges shall become due and payable at a rate of 1½ percent per month (or the maximum percentage allowed by law, whichever is lower) on the unpaid amounts. Interest on delinquent amounts shall be calculated from the due date of the invoice to the date that payment is received. All payments shall first be credited against any accrued interest. If SPU fails to pay invoiced amounts within sixty (60) days after delivery of invoice, MMUA, at its sole discretion, may suspend work hereunder without incurring any liability or waiving any right established hereunder or by law.

5. INDEMNIFICATION:

    a. MMUA and SPU each agree to defend, indemnify, and hold harmless each other, and their respective agents and employees, from and against legal liability for all claims, losses, damages, and expenses to the extent such claims, losses, damages, or expenses are caused by their respective negligent acts, errors, or omissions. In the event claims, losses, damages, or expenses are caused by the joint or concurrent negligence of MMUA and SPU, they shall be borne by each party in proportion to each party's own negligence.

    b. MMUA shall indemnify SPU against legal liability for damages arising out of claims by MMUA's employees or independent contractors. SPU shall indemnify MMUA against legal liability for damages arising out of claims by SPU's employees.

6. FORCE MAJEURE: Neither party shall be liable for failure to perform its obligations under this Agreement to the extent such failure is due to causes beyond its commercially reasonable control, including but not limited to, failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, pestilence, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority, externally caused transmission interference, Acts of God, the public enemy, embargo, governmental act, or such other cause that is beyond the control of the parties, which by due diligence and foresight such party could not reasonably have expected to avoid.

7. INSURANCE: During the performance of the Services under this Agreement, MMUA shall maintain the following insurance:

    a. Professional Liability Insurance, with a limit of $2,000,000 for any number of claims arising out of a single occurrence.

b. Workers' Compensation Insurance in accordance with statutory requirements.

c. Automobile Liability Insurance, with a combined single limit of $1,000,000 for each person and $1,000,000 for each accident.

MMUA may satisfy the minimum limit threshold required by this section with a valid and applicable umbrella liability policy. MMUA shall furnish the SPU with certificates of insurance, which shall include a provision that such insurance shall not be canceled without written notice to the SPU. The SPU shall be named as an additional insured on the Utilities Liability Insurance policy and the Professional Liability Insurance policy.

8. TERMINATION:

a. Termination by Either Party. This Agreement may be terminated by either party upon 30 days' written notice delivered to the other party to the addresses listed in Part IV section 11 of this Agreement. Upon termination under this provision, if there is no default by the MMUA, MMUA shall be paid for Services rendered and reimbursable expenses until the effective date of termination.

b. Termination Due to Default. This Agreement may be terminated by either party upon written notice in the event of substantial failure by the other party to perform in accordance with the terms of this Agreement. The non-performing party shall have fifteen (15) calendar days from the date of the termination notice to cure or to submit a plan for cure that is acceptable to the other party.

9. OWNERSHIP OF DOCUMENTS: Professional documents, drawings, and specifications prepared by the MMUA as part of the Scope of Services shall become the property of the SPU. MMUA shall retain its rights in its standard drawing details, specifications, databases, computer software, and other proprietary property, if applicable. Rights to proprietary intellectual property developed, utilized, or modified in the performance of the Scope of Services shall remain the property of the MMUA.

10. OTHER SPU OBLIGATIONS:

a. Provide workspace for the Interim Utilities Manager when on-site.
b. Permit the Interim Utilities Manager to enter SPU's premises at all reasonable times in order to carry out the provisions of this Agreement.
c. Allow the Interim Utilities Manager to work remotely and provide the Interim Utilities Manager with the technology and equipment to do so effectively.
d. Make its maps and records of SPU and its facilities available to the Interim Utilities Manager in connection with carrying out the terms of this Agreement.
e. Provide to the Interim Utilities Manager in a timely manner any information he or she indicates is needed to perform the Scope of Services hereunder. MMUA may rely on the accuracy of information provided by SPU and its representatives.
f. SPU shall obtain at its sole cost and expense such licenses, permits, and approvals as may be required by law for the performance of the Scope of Services required by this Agreement.

PART IV – STANDARD TERMS AND CONDITIONS

1. INDEPENDENT CONTRACTOR: In the performance of services hereunder, MMUA is an independent contractor and except as otherwise expressly provided for the Interim Utilities Manager under the Scope of Services provision in Part I of this agreement, neither MMUA nor any of its employees, directors, board members, agents, contractors, or subcontractors, shall be considered an employee, agent or representative of SPU for any purpose. The services performed by MMUA under this Agreement are solely for the benefit of SPU. Nothing contained in this Agreement shall create any duties, liabilities, or obligations on the part of MMUA toward any person or entity other than SPU.

2. STANDARD OF CARE: SPU acknowledges that MMUA undertakes to provide the services described herein to SPU as a member of MMUA and, similarly to other members of MMUA, consistent with its nonprofit purpose and that in so doing, MMUA affords to SPU a convenience, cost savings and efficiency otherwise not available to SPU from other service providers. SPU acknowledges that MMUA will exercise its best efforts to perform the described services in accordance with current rules and practices but acknowledges that the ultimate responsibility for an interpretation of law lies with SPU and its City Attorney and the application of such law and of the appropriate methods and practices also lies with SPU in the exercise of its best judgment with reasonable and due regard for the safety of its employees and other third persons. MMUA assumes no responsibility under this Agreement other than to render the services called for in good faith. It shall not be responsible for any action of SPU, its agents, or employees.

3. CONFIDENTIALITY: In performing the Scope of Services, the MMUA and Interim Utilities Manager may be provided confidential information about the SPU regarding its employees, strategies, and business. The Interim Utilities Manager agrees to keep such information confidential and only to utilize such information during the term of this Agreement in good-faith furtherance of the Scope of Services described above.

4. SEVERABILITY: In the event that any of the terms, covenants or conditions of this Agreement, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction under the circumstances, the remainder of the Agreement, and the application of its terms, covenants or conditions to such persons or circumstances shall not be affected thereby.

5. WAIVER: Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any subsequent default or matter.

6. ASSIGNMENT: This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties thereto. The obligations and responsibilities of this Agreement may be assigned by either party (i) only in full, (ii) only with the written approval of the other, which approval shall not be unreasonably withheld, and (iii) with the written acceptance of such assignment, including all obligations by the Assignee.

7. HEADINGS: The descriptive headings of the various sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions of this Agreement.

8. COUNTERPARTS: This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

9. MINNESOTA LAW: This Agreement is made under and shall be deemed to be governed by and construed according to the laws of the State of Minnesota.

10. DATA PRACTICES COMPLIANCE. All data collected or retained by the MMUA and the Interim Utilities Manager pursuant to this Agreement shall be subject to the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13.

11. NOTICE: Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and deemed properly served if (i) delivered in person; (ii) sent by United States first-class mail, prepaid; or (iii) delivered by facsimile with answer back received to the persons specified below:

    Minnesota Municipal Utilities Association
    3131 Fernbrook Lane North, Suite 200
    Plymouth, MN 55447-5337
    Attention: Jack Kegel, Executive Director
    email: jkegel@mmua.org

    Shakopee Public Utilities
    255 Sarazin Street
    Shakopee, MN 55379
    Attention: Deb Amundson, Commission President
    Email: damund1281@hotmail.com

    or to such other address as the party to be addressed shall specify by notice so given.

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MINNESOTA MUNICIPAL UTILITIES ASSOCIATION

_____

Jack Kegel
Executive Director

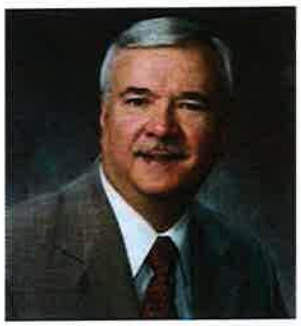
SHAKOPEE PUBLIC UTILITIES COMMISSION

_____

Debra Amundson
President

BIOGRAPHICAL SKETCH

Larry Koshire, General Manager (retired)
Rochester Public Utilities
Rochester, Minnesota



Larry Koshire was general manager of Rochester Public Utilities (RPU) a combined electric and water utility with revenues of $180 million for 17 years, retiring in 2014. He has held various positions in the electric utility industry for private and public power utilities. Prior to coming to RPU, he served as General Manager of Muscatine Power and Water, Muscatine, Iowa.

During his employment in the utility industry, Mr. Koshire was active in state and national boards, committees and professional organizations:

- American Public Power Association (APPA) Communication and Control Committee Chairman, and Engineering and Operations Workshop Chairman
- Past member of the APPA DEED Board of Directors, APPA's research and development program
- Past member APPA Board of Directors and National Membership Committee
- Instructor for APPA Underground Distribution Course (UEC) Program for the past 20 years
- Past Board Member – Iowa Association of Municipal Utilities and Minnesota Municipal Utilities Association
- Mid-Continent Area Power Pool (MAPP) Executive and Management Committee member, and Restructuring Task Force
- Southern Minnesota Municipal Power Agency Board Director
- National Society of Professional Engineers, past member
- Minnesota Consortium of Municipal Utilities (Bond Pool) Board Member and Chair
- Rochester Area Economic Development, Inc. (RAEDI) Board Member
- Member Rotary International and various community organizations

His current activities include:

- Member Board of Directors Rochester Area Foundation
- Member Board of Directors Madonna Living Community
- Member of Midwest Reliability Organization in St Paul

Mr. Koshire is a graduate of the University of Minnesota Institute of Technology and is a Registered Professional Engineer in Minnesota and Iowa. He is a Senior Member of the Institute of Electrical and Electronic Engineers (IEEE).

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

TO: Shakopee Public Utilities Commission

FROM: Joseph D. Adams, Planning & Engineering Director (Interim Utilities Manager)

SUBJECT: Policies/Purchasing Policy/Truck Purchases

DATE: September 18, 2020

ISSUE

At the last Commission meeting staff was directed to bring back more information on policies in general and specifically how purchasing decisions are authorized and made; with trucks being of particular interest.

BACKGROUND

Staff's understanding and observation has been Commission actions (policies) can be made in a regular or special meeting either by resolution, motion or consensus. A resolution is the most formal method by which action/direction aka "policies" are memorialized, but approved motions also equate to taking action to provide direction or create a "policy" and the memorialization is noted within the approved meeting minutes. Sometimes the Commission as a whole (never individually) will provide staff with direction by reaching consensus. For staff's benefit having the Commission President summarize the consensus reached during a Commission meeting is always helpful to avoid confusion.

The Commission, by the attached resolutions Resolution #1075 and #1226 respectively, did adopt two large documents titled "Water Policy Manual" and "Electric Service Rules and Regulations." These documents are posted on the SPU website. The Water Policy Manual contains the Commission's Water Main Design Criteria, Specifications and Installation Standards and Customer Service Policies. The Electric Service Rules and Regulations also contain system extension policies, construction and service standards and customer service policies.

Other policies are contained within other resolutions and their attachments and in meeting minutes. Two examples of this that may be of interest to the Commission are attached. The first is resolution #1017 and its attachment A that address the Commission's Investment Policy and the Commission's Capital Asset Policy which is attached along with the meeting minutes from the Commission's January 17, 2012 meeting where it was approved.

Staff is unaware of a consolidated single document that encompasses all policies.

DISCUSSION

Specific to purchasing and capital improvements, each year the Commission is presented in the fall with a 5-year Semi-Final Capital Improvement Plan (CIP) for the Administrative, Electric and Water projected expenses for review and discussion with direction to staff on any desired changes. The Final 5-year CIP is then submitted to the Commission at its next meeting and is only "accepted" by the Commission, not approved, as it is only a guiding document.

The first year of each 5-year CIP is re-labeled as the current year's Capital Projects in a separate document, which is then approved by Commission motion. The Commission has the option to retain authority over any individual item or group of items should it desire, but frequently they do not note anything being held back and then the purchasing authority is passed onto the Utilities Manager.

The Utilities Manager at the beginning of each year then informs each department director what purchases have been approved by the Commission, which are always subject to the state statutory limits (see attached) requiring following a formal bid process to obtain sealed bids (above $175,000) OR sealed bids or direct negotiation, obtaining multiple quotes (below $175,000 and above $25,000) OR obtaining multiple quotes or purchasing on the open market (less than $25,000). However, staff recalls that the SPU staff's maximum limit for purchasing on the open market is lower than the state's limit and is set at $10,000 per Commission direction. Whenever an item requires the formal bid process that bid award will always have to be brought forward to the Commission for separate action.

Also attached is a description of the purchase control system leading to the Commission approving items on the warrant list.

Finally, also attached is Electric Superintendent Greg Drent' s memo on the process followed when purchasing trucks via the state contract.

REQUESTED ACTION

Staff requests the Commission discuss and provide direction on this subject.

RESOLUTION #1075

ADOPTING THE WATER POLICY MANUAL

OF THE SHAKOPEE PUBLIC UTILITIES COMMISSION

AND PROVIDING FOR GENERAL ADMINISTRATION

WHEREAS, it is deemed to be of benefit to have assembled into a comprehensive document the policies of the Shakopee Public Utilities Commission applicable to accessing water service from the Shakopee municipal water system; and

WHEREAS, it is necessary to provide a balance between firm regulations and some degree of flexibility to respond to unforeseen circumstances or new technologies; and

WHEREAS, it is necessary to provide for administration of such policies by providing a framework for interpretation and routine modifications of details; and

WHEREAS, it is necessary to provide for timely adjustments of rates, fees, and charges.

NOW THEREFORE, BE IT RESOLVED that the Shakopee Public Utilities Commission Water Policy Manual adopted by this resolution is applicable to all water service requested or supplied by connection to the Shakopee Municipal Water system.

BE IT FURTHER RESOLVED that the previously adopted Water Policy Manual in Resolution #783 is hereby repealed and replaced by policies covered by this Resolution.

BE IT FURTHER RESOLVED that the Water Policy Manual is represented as a faithful attempt at compiling policies, however the Shakopee Public Utilities Commission reserves the right to adopt policies without being limited by this resolution or by the Water Policy Manual.

BE IT FURTHER RESOLVED that adjustment of rates, fees, and charges covered by the Water Policy Manual may be implemented by Commission action from time to time.

BE IT FURTHER RESOLVED that the Utilities Manager or his delegate is charged with the administration of all policies including interpretations, routine modifications, or details.

BE IT FURTHER RESOLVED that the assessment rights of the City of Shakopee under state law are not compromised by this Resolution.

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

Adopted in Regular Session of the Shakopee Public Utilities Commission, this 4th day of August, 2014.

Commission President: Joseph Helkamp

ATTEST:

Commission Secretary: John R. Crooks

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RESOLUTION #1226

ADOPTING THE ELECTRIC SERVICE RULES AND REGULATIONS

OF THE SHAKOPEE PUBLIC UTILITIES COMMISSION

AND PROVIDING FOR GENERAL ADMINISTRATION

WHEREAS, it is deemed to be of benefit to have assembled into a comprehensive document the policies of the Shakopee Public Utilities Commission applicable to accessing electric service from the Shakopee Public Utilities electric system; and

WHEREAS, it is necessary to provide a balance between firm regulations and some degree of flexibility to respond to unforeseen circumstances or new technologies; and

WHEREAS, it is necessary to provide for administration of such policies by providing a framework for interpretation and routine modifications of details; and

WHEREAS, it is necessary to provide for timely adjustments of rates, fees, and charges.

NOW THEREFORE, BE IT RESOLVED that the Shakopee Public Utilities Commission Electric Service Rules and Regulations adopted by this resolution is applicable to all electric service requested or supplied by connection to the Shakopee Public Utilities electric system.

BE IT FURTHER RESOLVED that the Electric Service Rules and Regulations is represented as a faithful attempt at compiling policies, however the Shakopee Public Utilities Commission reserves the right to adopt policies without being limited by this resolution or by the Electric Service Rules and Regulations.

BE IT FURTHER RESOLVED that adjustment of rates, fees, and charges covered by the Electric Service Rules and Regulations may be implemented by Commission action from time to time.

BE IT FURTHER RESOLVED that the Utilities Manager or his delegate is charged with the administration of all policies including interpretations, routine modifications, or details.

BE IT FURTHER RESOLVED that the assessment rights of the City of Shakopee under state law are not compromised by this Resolution.

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

Adopted in Regular Session of the Shakopee Public Utilities Commission, this 3rd day of December, 2018.

Commission President: Aaron Weyer

ATTEST:

Commission Secretary: John R. Crooks

RESOLUTION #1017

A RESOLUTION ADOPTING A REVISED INVESTMENT POLICY

BE IT RESOLVED, the Shakopee Public Utilities Commission, in the meeting duly assembled on May 7, 2012 that the Shakopee Public Utilities Commission does adopt the Investment Policy dated May 7, 2012 as represented in Appendix "A" to this Resolution, which supersedes, Resolution #1012, Appendix "A".

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

Adopted in adjourned regular session of the Shakopee Public Utilities Commission this 7th day of May, 2012.

Commission President: Joseph Helkamp

ATTEST:

Commission Secretary: John R. Crooks

SHAKOPEE PUBLIC UTILITIES COMMISSION

"Lighting the Way - Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES INVESTMENT POLICY

As of May 7, 2012
Appendix A to Resolution #1017

I. PURPOSE AND NEED FOR POLICY

It is the policy of the Shakopee Public Utilities Commission to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow requirements of the Shakopee Public Utilities Commission and conforming to all state and local statutes governing the investment of public funds. The purpose of this Policy is to develop an overall program for cash investments, designed and managed with a high degree of professionalism, worthy of the public trust; to establish that appointed officials and employees are custodians of a portfolio which shall be subject to public review; to establish cash investment objectives, delegation of authority, standards of prudence, internal controls, authorized investments, selection process for investments, and broker representations.

II. SCOPE

This Policy applies to the investment and deposit of all funds of the Shakopee Public Utilities Commission.

A. Pooling of Funds

Except for cash in certain restricted and special funds, the Shakopee Public Utilities Commission will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. OBJECTIVE

At all times, investments of the Shakopee Public Utilities Commission shall be in accordance with Minnesota Statutes Chapter 118A and amendments thereto. The primary objectives of the Shakopee Public Utilities Commission's investment activities shall be in the following order of priority:

A. Safety

Safety of principal is the foremost objective of the investment portfolio. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk, interest rate risk, and custodial risk.

Credit Risk: Credit Risk is the risk of loss due to failure of the security issuer or backer. Thus, designated depositories shall have insurance through the FDIC (Federal Insurance) or the SIPC (Securities Investor Protection Corporation). 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.

Interest Rate Risk: Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The Shakopee Public Utilities Commission 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 Risk: The Shakopee Public Utilities Commission will minimize deposit Custodial Risk, which is the risk of loss due to failure of the depository bank (or credit union), by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

B. Liquidity

The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Generally, investments shall have "laddered" maturities so that money becomes available on a regular schedule. Liquid funds will allow the Shakopee Public Utilities Commission to meet possible cash emergencies without being penalized on investments.

Duration: The duration of the fixed income portfolio shall remain within 10% of the stated benchmark. The maximum maturity of a holding that may be purchased for the portfolio may not exceed 5 years and no more than 10% of aggregate holdings within the portfolio may exceed the 3 - 5 year maturity level at any time.

C. Yield

The investment portfolio shall be designed to manage the funds to maximize returns consistent with items A and B above and within the requirements set forth in this Policy. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic

cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal
- A security swap would improve the quality.
- Liquidity needs of the portfolio require that the security be sold.

IV. DELEGATION OF AUTHORITY

Responsibility for the investment program is hereby delegated from the Shakopee Public Utilities Commission to the Utilities Manager and/or the Director of Finance and Administration. Authority to conduct actual investment transactions may be delegated to the Utilities Manager, and/or the Director of Finance and Administration, who shall act in accordance with procedures as established with this investment policy. The authorized individuals, when acting in accordance with this Policy and exercising due diligence, shall not be held responsible for losses, provided that the losses are reported immediately and that appropriate action is taken to control further losses.

V. PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent investor", and shall be applied in the context of managing the investments. All investment transactions shall be made in good faith with the degree of judgment and care, under the circumstances, that a person of prudence, discretion and intelligence would exercise in the management of their own affairs. This standard of prudence shall mean not for speculation, and with consideration of the probable safety of the capital as well as the probable investment return derived from assets.

VI. INTERNAL CONTROLS

Internal controls are designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Before the Shakopee Public Utilities Commission invests any surplus funds, competitive quotations shall be obtained. Written quotations from local financial institutions shall be obtained via fax, email or other form of written documentation, with all of them receiving the exact same rate request. Verbal quotations shall be received from all other brokers, along with a subsequent confirmation. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, quotations will be requested for instruments that meet the maturity requirement. If no specific maturity is required, a yield analysis will be conducted to determine which maturities would be most advantageous. Quotations will be requested from financial institutions for various options with regard to term and investment type. The Shakopee Public Utilities Commission will accept the quotation, which provides the highest rate of return within the maturity required and within the limits of this Policy.

The Utilities Manager and/or Director of Finance and Administration will report periodically to the Shakopee Public Utilities Commission on the total of all funds invested and the total interest received on all securities year to date.

VII. AUTHORIZED INVESTMENTS AND COLLATERALIZATION

All Shakopee Public Utilities Commission investments and deposits shall be those allowable by Minnesota Statutes Chapter 118A and amendments thereto. In accordance with Minnesota Statutes 118A, collateralization will be required on all demand deposit accounts, including checking, savings, and money market accounts, and non-negotiable certificates of deposit in excess of federal deposit insurance.

State law defines the types of securities that a financial institution may pledge as collateral for public deposits. These securities include:

- United States Treasury Issues
- Issues of US Government Agencies and Instrumentalities
- Obligations of State and Local Governments
- Time Deposits (Certificates of Deposits fully insured by the federal deposit insurance company or federal agency).

Since the amount a public entity has on deposit will vary from time to time, the financial institution needs sufficient amounts of pledged collateral to cover 110% of the uninsured amount on deposit during peak deposit times.

State law permits investment in the following types of securities:

- Federal Securities – Treasury bills, notes and bonds, as well as bonds and notes issued by or guaranteed by U.S. Government Agencies such as the Small Business Administration or GNMA, or by U.S. Government instrumentalities such as FNMA, Federal Home Loan Bank, or Federal Farm Credit Bank or FHLMC (Freddie Mac)
- State and Local Securities – Bonds and other debt instruments issued by cities, counties, states or other governmental units subject to rating requirements as defined under Minnesota Statutes 118A.
- Commercial Paper – Rated short term debt issued by U.S. corporations or their Canadian subsidiaries
- Guaranteed Investment Contracts
- Certificates of Deposit – Issued by U.S. Banks fully insured by FDIC
- Bankers' Acceptances – Issued by U.S. Banks
- Money Market Mutual Funds – Subject to certain ratings
- Government Investment Pools, including the 4M Funds, the Liquid Asset Fund, MAGIC Fund, and MN Trust

Additional Portfolio Guidelines:

- Bonds must be rated by at least by one Nationally Recognized Securities Rating Organization ("NRSRO"). If the downgrade of a single bond forces the holding below the lowest rating allowed for that security, the advisor will notify Shakopee Public Utilities within a reasonable timeframe, the holding will be discussed, and a decision made based on valuation by the Advisor whether to hold or sell the bond with consent of Shakopee Public Utilities.
- Individual holdings of obligors other than those backed by the U.S. Government, its agencies, or its instrumentalities are limited to 3% of the total market value of the portfolio at the time of purchase.
- Investment managers shall purchase or sell securities through firm(s) offering the best price and execution, unless otherwise directed by the Client.
- All fixed income investments will be U.S. dollar denominated.

An investment purchased by a public entity can only be held in safekeeping with:

- a Federal Reserve Bank,
- a United States bank with corporate trust powers,
- a primary reporting dealer to the Federal Reserve Bank of New York (primary reporting dealers), or
- a broker dealer having its principal executive office in Minnesota

VIII. DIVERSIFICATION

The Shakopee Public Utilities Commission will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The Shakopee Public Utilities Commission will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.

IX. REPORTING

A. Methods

Investment Advisors will provide monthly reporting on the status of the current investment portfolio and individual transaction executed over the last month. The report will include the following:

- Listing of individual securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or deprecation by listing the cost and market value of securities one-year duration that are not intended to be held until maturity

- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investments by maturity date
- Percentage of the total portfolio which each type of investment represents
- The market value of the portfolio shall be calculated and issued monthly

B. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken and the benchmark shall have a similar weighted average maturity as the portfolio.

Stated Benchmark for Fixed Income Portfolio: Barclays Capital 0-3 Year Government Index

Stated Benchmark for Short Term Cash Portfolio: Barclays 3 Month T-Bill

C. Marking to Market
The market value of the portfolio shall be calculated and updated in the financial reporting for Shakopee Public Utilities at least quarterly.

X. CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XI. BROKER REPRESENTATIONS

Municipalities must obtain from their brokers certain representations regarding future investments. Pursuant to Minnesota Statutes 118A, the Shakopee Public Utilities Commission shall provide each broker with the Shakopee Public Utilities Commission's investment policy, and the securities broker shall submit a certification annually to the Shakopee Public Utilities Commission stating that the officer has reviewed the investment policies and objectives, as well as applicable state law, and agrees to disclose potential conflicts of interest or risk to public funds that might arise out of business transactions between the firm and the Shakopee Public Utilities Commission. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the Shakopee Public Utilities Commission's funds.

XII. APPROVAL OF INVESTMENT POLICY

The investment policy shall be formally approved and adopted by the governing body of the Shakopee Public Utilities Commission.

SHAKOPEE PUBLIC UTILITIES COMMISSION

"Lighting the Way - Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
CAPITAL ASSET POLICY

As of January 17, 2012

This policy defines dollar thresholds and descriptions for categories of capital assets for Shakopee Public Utilities.

Capital Assets Definition

A Capital Asset is defined as the purchase or construction of infrastructure, a building, land, a piece of equipment or furnishing with total costs equal to or greater than $3,000. A capital purchase must be long term in nature (the asset has an estimated useful life of greater than 1 year).

The cost of a capital purchase may include the following:

- Cost of the item
- Labor
- Shipping
- Permits
- Appraisals
- Any other cost to get the asset ready to be placed into service

Capital assets are categorized as Distribution Plant and General Plant assets. A detailed list of specific asset classes is defined below. Capital assets are to be reported and depreciated in the financial statements. Assets that are not capitalized are expensed in the year of acquisition.

Capital Asset Recordkeeping

The Utility shall record all capital assets at the time of acquisition. Each record should include: description, year of acquisition, cost or estimated cost, and estimated useful life.

Recording Land

Land is to be capitalized but not depreciated. It is recorded at historical cost and remains at that cost until disposal. All costs for professional services incidental to the acquisition and other charges in preparing the land for use shall be included in the cost. If there is a gain or loss on the sale of land, it is reported as a special item in the financial statement.

Buildings

Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated because projects usually consist of major components such as land, land improvements, building construction (including professional fees and permits), furniture, fixtures and equipment. In addition, buildings include components such as roof, air conditioner system, etc. that should be recorded separately when significant because these building components have different useful lives. The value of each component needs to be determined and placed within its own category.

Building Improvements

Building improvements that extend the useful life should be capitalized. Examples of building improvements include roofing projects, painting of water towers, and remodeling or replacing major building components.

Recording Work in Progress

This is primarily used in conjunction with Capital Projects. Capital Project costs are accumulated until completion, when cumulative costs are transferred to the appropriate fixed asset account.

Recording Equipment, Furnishings and Other Assets

Assets such as furniture, computers, machinery and equipment (that meet threshold levels), should be capitalized. These items are described as tangible property not permanently affixed to real property, which are needed in carrying out the operations of the Utilities. Installation cost should be included in the capitalized amount. Some assets, individually, may fall below the capitalization threshold but may be purchased in large quantities by the Utilities e.g. computers, tools. Staff should aggregate such assets and consider the materiality and significance of them and if material or significant capitalize such items either individually or in the aggregate.

Recording Vehicles

Vehicles are described as all equipment that must be titled by the Minnesota Division of Motor Vehicles and bear a license tag. Cars, trucks, and trailers are examples. Vehicles should be identified and depreciated.

Recording Easements

An easement is an interest in land owned by another that entitles its holder to specific limited use of the land. Therefore, easements are not required to be reported unless the Utility paid for the easement.

Establishing and Setting the Threshold Levels for Recording Capital Assets

The following elements of useful life and asset costs are established for capitalization of assets:

Estimated Useful Life: The first criterion is useful life. An asset must have an estimated useful life greater than one (1) year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year or less will not be capitalized.

Asset Cost: The second criterion for determining depreciable capital asset is cost. The capitalization threshold shall be established per individual asset item.

Obtaining an Asset's cost of Acquisition Value

Capital assets are reported at historical cost and should include the cost of freight, site preparation, architect and engineering fees, etc. If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost. With few exceptions, an asset's costs should also include necessary costs incurred to place the asset in service. Costs include the invoice price plus incidental costs (insurance during transit, freight, duties, title search, registration fees, and installation costs). Exceptions to this rule include interest expenses associated with deferred payments and real estate taxes paid, if any, in the acquisition of property.

Depreciation Definition

Depreciation is the process of allocating the cost of tangible property over a period of time rather than deducting the cost as an expense in the year of acquisition.

It is the Utilities policy to use the straight line depreciation method. The basis of the asset is written off evenly over the estimated useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life. The total amount depreciated can never exceed the asset's historic costs less salvage value. At the end of the asset's estimated life, the salvage value will remain.

To avoid the complications of depreciating each asset from the specific year and month in which it is placed in service, the Utility will utilize a half year convention. Under this convention, a half year depreciation will be taken for the year of the acquisition followed by a full year of depreciation in the second year and every subsequent year until the asset is fully depreciated.

To calculate depreciation on a capital asset, the following five factors must be known:

1. The year the asset was placed in service.
2. The asset's cost or acquisition value.
3. The asset's estimated useful life
4. The depreciation method.

Establishing Classes of Assets, Capitalization Threshold, Depreciation Method & Schedule

The Utilities established the following major categories for electric capital assets and related capital threshold, depreciation eligibility, estimated useful life, and annual rate of depreciation:

General Ledger	Electric Asset Category		Capital Threshold	Depreciate	Estimated Useful Life	Depreciation Rate/Year
360	Distribution	Land and Land Rights	$3,000	No	25 Years	4%
361	Distribution	Structures and Improvements	$3,000	Yes	25 Years	4%
362	Distribution	Station Equipment	$3,000	Yes	28.57143 Years	3.5%
363	Distribution	Station Battery	$3,000	Yes	10 Years	10%
364	Distribution	Poles Towers and Fixtures	$3,000	Yes	20 Years	5%
365	Distribution	Overhead Conductors and Devices	$3,000	Yes	33.3333 Years	3%
366	Distribution	Underground Conduit	$3,000	Yes	25 Years	4%
367	Distribution	Underground Conductors and Devices	$3,000	Yes	33.3333 Years	3%
368	Distribution	Line Transformers	$3,000	Yes	28.57143 Years	3.5%
369	Distribution	Services	$3,000	Yes	25 Years	4%
370	Distribution	Meters	$3,000	Yes	40 Years	2.5%
382	General	Computer Hardware	$3,000	Yes	4 Years	25%
383	General	Computer Software	$3,000	Yes	4 Years	25%
389	General	Land and Land Rights	$3,000	Yes	25 Years	4%
390	General	Structures and Improvements	$3,000	Yes	33.3333 Years	3.0% *
391	General	Office Furniture and Equipment	$3,000	Yes	10 Years	10% **
392	General	Transportation Equipment	$3,000	Yes	10 Years	10%
394	General	Tools, Shop and Garage Equipment	$3,000	Yes	10 Years	10%
395	General	Laboratory Equipment	$3,000	Yes	10 Years	10%
396	General	Power Operated Equipment	$3,000	Yes	10 Years	10%
397	General	Communication Equipment	$3,000	Yes	20 Years	5%

*Used 10% depreciation rate for 2004 & prior. Changed to 3% for 2004 forward
**10% Depreciation rate unless alternative estimated useful life for asset is determined

The Utilities established the following major categories for water capital assets and related capital threshold, depreciation eligibility, estimated useful life, and annual rate of depreciation:

General Ledger	Water Electric Asset Category		Capital Threshold	Depreciate	Estimated Useful Life	Depreciation Rate/Year
310	Distribution	Land and Land Rights	$3,000	No	25 Years	4%
314	Distribution	Wells	$3,000	Yes	50 Years	2%
325	Distribution	Station Equipment	$3,000	Yes	20 Years	5%
342	Distribution	Towers, Pump Houses	$3,000	Yes	75 Years	1.333%
343	Distribution	Distribution System	$3,000	Yes	50 Years	2%
346	Distribution	Meters	$3,000	Yes	33.3333 Years	3%
382	General	Computer Hardware	$3,000	Yes	4 Years	25%
383	General	Computer Software	$3,000	Yes	4 Years	25%
390	General	Structures Improvements	$3,000	Yes	40 Years	2.5%
391	General	Office Furniture and Equipment	$3,000	Yes	10 Years	10% **
392	General	Transportation Equipment	$3,000	Yes	10 Years	10%
394	General	Tools, Shop and Garage Equipment	$3,000	Yes	10 Years	10%
395	General	Laboratory Equipment	$3,000	Yes	10 Years	10%
396	General	Power Operated Equipment	$3,000	Yes	10 Years	10%
397	General	Communication Equipment	$3,000	Yes	10 Years	10%
398	General	SCADA Equipment	$3,000	Yes	10 Years	10%

**10% Depreciation rate unless alternative estimated useful life for asset is determined

Leases

Operating Leases are not capitalized. A lease is an operating lease if it does not transfer the benefits and risk of ownership to the Utilities. Operating lease payments are recognized as an expense to the Utilities when they become payable.

Capital Leases will meet one of the following criteria:

a. The lease transfers ownership of the property to the governmental unit by the end of the lease.
b. The lease contains a bargain purchase option (an option extending to the lease the right to purchase the leased property at a price so favorable that the exercise of the option appears, at the inception of the lease, to be reasonable assured).
c. The term is 75% or more of the estimated life of the leased property.
d. The present value, at the beginning of the lease term, of the minimum lease payments is at least 90% of the fair market value of the leased property to the lessor.

Capital leases should be capitalized at the lesser of either the present value or the fair market value. The present value is determined to be the amount that would be borrowed to purchase the asset at the inception of the lease.

Items Not Considered to be Fixed Assets:

Maintenance and Repair Replacements: The replacement costs of component parts(s) of a fixed asset, not the entire asset itself, during a maintenance and repair operation which also enhances the performance or life of the asset are not generally considered to be capital asset additions or modifications. For example, replacing an original disk drive with a higher capacity disk drive in a microcomputer or a more powerful engine in a leaf vacuum machine is considered to be maintenance and repair expense.

Window Coverings and Carpet: The original purchase of draperies and carpet is considered an addition to the total asset value of the building. Replacement of either of these items is classified as maintenance to the building.

Supplies: Any supply, regardless of cost, that is not permanent and will be consumed within a year is not considered a fixed asset.

- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investments by maturity date
- Percentage of the total portfolio which each type of investment represents
- The market value of the portfolio shall be calculated and issued monthly

B. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken and the benchmark shall have a similar weighted average maturity as the portfolio.

Stated Benchmark for Fixed Income Portfolio: Barclays Capital 0-3 Government Index (75%)/ Bank of America/Merrill Lynch 3 month T-Bill (25%)

Stated Benchmark for Short Term Cash Portfolio: Barclays 3 Month T-Bill

C. Marking to Market
The market value of the portfolio shall be calculated and updated in the financial reporting for Shakopee Public Utilities at least quarterly.

X. CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XI. BROKER REPRESENTATIONS

Municipalities must obtain from their brokers certain representations regarding future investments. Pursuant to Minnesota Statutes 118A, the Shakopee Public Utilities Commission shall provide each broker with the Shakopee Public Utilities Commission's investment policy, and the securities broker shall submit a certification annually to the Shakopee Public Utilities Commission stating that the officer has reviewed the investment policies and objectives, as well as applicable state law, and agrees to disclose potential conflicts of interest or risk to public funds that might arise out of business transactions between the firm and the Shakopee Public Utilities Commission. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the Shakopee Public Utilities Commission's funds.

- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investments by maturity date
- Percentage of the total portfolio which each type of investment represents
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Replaced Page

Establishing and Setting the Threshold Levels for Recording Capital Assets

The following elements of useful life and asset costs are established for capitalization of assets:

Estimated Useful Life: The first criterion is useful life. An asset must have an estimated useful life greater than one (1) year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year or less will not be capitalized.

Asset Cost: The second criterion for determining depreciable capital asset is cost. The capitalization threshold shall be established per individual asset item.

Obtaining an Asset's cost of Acquisition Value

Capital assets are reported at historical cost and should include the cost of freight, site preparation, architect and engineering fees, etc. If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost. With few exceptions, an asset's costs should also include necessary costs incurred to place the asset in service. Costs include the invoice price plus incidental costs (insurance during transit, freight, duties, title search, registration fees, and installation costs). Exceptions to this rule include interest expenses associated with deferred payments and real estate taxed paid, if any, in the acquisition of property.

Depreciation Definition

Depreciation is the process of allocating the cost of tangible property over a period of time rather than deducting the cost as an expense in the year of acquisition.

It is the Utilities policy to use the straight line depreciation method. The basis of the asset is written off evenly over the estimated useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life. The total amount depreciated can never exceed the asset's historic costs less salvage value. At the end of the asset's estimated life, the salvage value will remain.

To avoid the complications of depreciating each asset from the specific year and month in which it is placed in service, the Utility will utilize a half year convention. Under this convention, a half year depreciation will be taken for the year of the acquisition followed by a full year of depreciation in the second year and every subsequent year until the asset is fully depreciated.

To calculate depreciation on a capital asset, the following five factors must be known:

MINUTES

OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION
(Adjourned Regular Meeting)

President Mars called the adjourned regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., January 17, 2012.

MEMBERS PRESENT: Commissioners Mars, Helkamp, McGowan, Joos and Yost. Also present, Liaison Clay, Utilities Manager Crooks, Finance Director Schmid, Planning & Engineering Director Adams, Line Superintendent Athmann, Water Superintendent Schemel and Marketing/Customer Relations Director Ambach.

Motion by Helkamp, seconded by Joos to approve the minutes of the January 3, 2012 meeting. Motion carried.

Under Communication items, Resolution #1011, A Resolution of Appreciation to Terrill Roquette was read into the record by Commissioner Joos.

Motion by Helkamp, seconded by McGowan to offer Resolution #1011. A Resolution Of Appreciation To Terrill Roquette. Ayes: Commissioners Yost, McGowan, Helkamp, Joos and Mars. Nay: none. Motion carried. Resolution passed.

President Mars offered the agenda for approval.

Motion by Helkamp, seconded by Joos to approve the agenda as presented. Motion carried.

Commissioner McGowan offered to add item 10c: Phone System Update to the consent agenda.

President Mars stated that the Consent Items were: item 10a: Long Term Disability Insurance; item 10c: Phone System Update and item 10f: Capital Asset Policy.

Motion by Joos, seconded by McGowan to approve the amended Consent Business agenda as presented. Motion carried.

The warrant listing (dated January 16, 2012) for bills paid January 17, 2012 was presented:

AIMS First Aid Supplies	287.92
Altec Industries, Inc.	356.04
Amaril Uniform Co.	3,927.26
American Public Power Association	520.00
Arrow Ace Hardware	3,201.54

Tree trimming continues with the Electric crews. Testing will take place on aerial booms for SPUC vehicles at a reduced cost as we participating with other governmental entities.

Planning and Engineering Director Adams presented a draft of the CR 69 Ductbank Agreement between Scott County and SPUC. Due to the scheduling of bid proposals, the agreement has several small items that will need to be agreed upon with the County. SPUC approval of the agreement, in its present form, will allow the County to move forward with their schedule.

Motion by Helkamp, seconded by Joos to accept the general terms of the CR 69 Ductbank Agreement, with Staff having the ability to work out the minor details yet to be finalized with the agreement. Motion carried.

Item 10a: Long Term Disability Insurance was received under Consent Business.

Marketing/Customer Relations Director Ambach provided information on the 2012 State Conservation Improvement Program. The program has been approved by the Department of Energy Resources. Several changes to the program were discussed.

Motion by McGowan, seconded by Helkamp to adopt the 2012 State Conservation Improvement Program as approved by the Department of Energy Resources. Motion carried.

Item 10c: Phone System Update was received under Consent Business.

Finance Director Schmid presented an Investment Policy update. Several small changes have been made to bring the policy up to date and to conform with new federal accounting requirements.

Motion by Helkamp, seconded by McGowan to offer Resolution #1012. A Resolution Adopting a Revised Investment Policy. Ayes: Commissioners Yost, McGowan, Helkamp, Joos and Mars. Nay: none. Motion carried. Resolution passed.

Item 10f: Capital Asset Policy was received under Consent Business.

The 2011 Staff Schedules and Priorities were reviewed by Utilities Manager Crooks.

The tentative commission meeting dates of February 6 and Tuesday, February 21 were noted.

Motion by Helkamp, seconded by McGowan to adjourn to the February 6, 2012 meeting. Motion carried.

Commission Secretary: John R. Crooks

471.345 UNIFORM MUNICIPAL CONTRACTING LAW.

Subdivision 1. **Municipality defined.** For purposes of this section, "municipality" means a county, town, city, school district or other municipal corporation or political subdivision of the state authorized by law to enter into contracts.

Subd. 2. **Contract defined.** A "contract" means an agreement entered into by a municipality for the sale or purchase of supplies, materials, equipment or the rental thereof, or the construction, alteration, repair or maintenance of real or personal property.

Subd. 3. **Contracts over $175,000.** If the amount of the contract is estimated to exceed $175,000, sealed bids shall be solicited by public notice in the manner and subject to the requirements of the law governing contracts by the particular municipality or class thereof. With regard to repairs and maintenance of ditches, the provisions of section 103E.705, subdivisions 5, 6, and 7, apply.

Subd. 3a. **Contracts over $175,000; best value alternative.** As an alternative to the procurement method described in subdivision 3, municipalities may award a contract for construction, alteration, repair, or maintenance work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2), and paragraph (c).

Subd. 4. **Contracts exceeding $25,000 but not $175,000.** If the amount of the contract is estimated to exceed $25,000 but not to exceed $175,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof.

Subd. 4a. **Contracts exceeding $25,000 but not $175,000; best value alternative.** As an alternative to the procurement method described in subdivision 4, municipalities may award a contract for construction, alteration, repair, or maintenance work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2), and paragraph (c).

Subd. 5. **Contracts $25,000 or less.** If the amount of the contract is estimated to be $25,000 or less, the contract may be made either upon quotation or in the open market, in the discretion of the governing body. If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations which shall be kept on file for a period of at least one year after their receipt. Alternatively, municipalities may award a contract for construction, alteration, repair, or maintenance work to the vendor or contractor offering the best value under a request for proposals as described in section 16C.28, subdivision 1, paragraph (a), clause (2), and paragraph (c).

Subd. 5a. **County or town rental contracts.** If the amount of a county or town contract for the rental of equipment is estimated to be $60,000 or less, the contract may, in the discretion of the county or town board, be made by direct negotiation by obtaining two or more quotations for the rental when possible and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations shall be kept on file for a period of at least one year after their receipt.

Subd. 5b. **Water tank service contracts.** (a) A municipality may, by direct negotiation or through the solicitation of requests for proposals, enter into a multiyear professional service contract for the engineering, repair, and maintenance of a water storage tank and appurtenant facilities owned, controlled, or operated by the municipality, if the contract contains:

(1) a provision that the municipality is not required to make total payments in a single year that exceed the water utility charges received by the municipality for that year;

Shakopee Public Utilities

Understand, Document and Evaluate the Entity's Processes and Activity-Level Controls

Accounts Payable Disbursements Process

2019

(A)	(B) Process Documentation	(C) Control Procedure
Initiation of transaction	The Utilities have an Inventory & Purchasing Specialist on staff (Ed). Employees contact the Inventory & Purchasing Specialist to request purchases. A standard requisition form is not used to initiate the purchasing process, however, the Inventory & Purchasing Specialist may receive requests by email (process varies). The Inventory & Purchasing Specialist creates a purchase order based on the request and codes it.	A purchase order process is in place and Directors sign all non-inventory purchase orders and return them to the Inventory & Purchasing Specialist (Ed). The Inventory & Purchasing Specialist signs purchase orders to order inventory items.
	The Inventory & Purchasing Specialist obtains two quotes for purchase requests over $5,000 where multiple vendors are available to provide quotes. A competitive bidding process is used as required. Additionally, Directors typically discuss and plan for large purchases with the Utility Manger before making the purchase, and projects have been approved in advance through the CIP.	Processes are in place to assess price and ensure compliance with bidding requirements. Additionally, the Director of Finance & Administration reviews purchase orders later in the payment process/before checks are disbursed.
	The Inventory & Purchasing Specialist faxes or emails the purchase order to the appropriate vendor. The Inventory & Purchasing Specialist also attaches any quotes provided by the vendor to the PO. This is the primary method for purchasing.	
	The Utilities have a store specialist on staff (Mike). When goods arrive, the store specialists receives the items, using the packing slip to code inventory items to inventory. The Inventory & Purchasing Specialist verifies the items received by comparing the receiving documentation to the original purchase order. The Inventory & Purchasing Specialist then gives them to AP/HR Specialist.	Persons processing accounts payable are separate from those ordering or receiving goods or services.
	Invoices for purchased inventory items are received by the AP/HR Specialist. She makes copy of the invoices and gives the copy to the Inventory & Purchasing Specialist. The Inventory & Purchasing Specialist verifies that the invoice and the original PO match. Occasionally the Inventory & Purchasing Specialist must adjust the original purchase order due to freight or fuel surcharges not foreseen on the PO. The Inventory & Purchasing Specialist then posts the quantity of inventory items received in the inventory system.	Invoices are compared to original purchase orders to verify accuracy. Director level or above signs off on invoices

(A)	Process Documentation (B)	Control Procedure (C)
	Invoices for non-inventory items (including purchased power) are received by the AP/HR Specialist for processing.	Director level or above signs off on invoices
	The AP/HR Specialist enters invoices into the AP module and codes each bill with vendor number. She verifies approval signatures, and then prepares checks entering the day the bill is to be paid (day is same as next Commission meeting).	
	The AP/HR Specialist prints the warrant list. The Director of Finance & Administration reviews (including coding) and approves the list. Once this review is complete, copies are made for all directors for another review.	There is appropriate review of the bills payable by management.
	The AP/HR Specialist prints the checks and applies signatures. Authorized signers are the Commission President, Utilities Manger and Director of Finance & Administration.	The Director of Finance & Administration reviews the check register, amount and number of checks, and approves the warrant list with signature.
	The Commission approves bills at two meetings per month. Checks are prepared in advance of the meetings, but are not mailed until approved by the Commission. The Director of Finance & Administration documents special/large items for the Utilities Manager to discuss at Commission meetings as necessary.	Minutes record commission approval, and the Commission President and Utility Manger sign the warrant list.
		Checks are securely locked in a fire proof cabinet in locked room. Signatures are applied as checks are printed. Check stock is secured in same room.
	The AP/HR Specialist sets up vendors in the system and prepares 1099s.	The Inventory & Purchasing Specialist does not have authority to set up vendors in the system. Quotes are obtained over $5,000 where multiple quotes from vendors are avilable, and vendors are evaluated. Vendor relationships are addressed annually in the audit questionnaire.
	Director of Finance & Administration emails the AP/HR Specialist to notify her when checks have been approved by the Commission. The AP/HR Specialist then initiates mailing via daily mail courier who picks up the checks and takes them to the post office.	Segregation between check preparation and distribution.

	Process Documentation	Control Procedure
(A)	(B)	(C)
	The AP/HR Specialist files supporting documentation for invoices by check number with check requests and approvals, by month. If a bill is paid on-line, she prints a copy of the acknowledgement and places this document in the file as support for the disbursement.	Documentation is maintained to support disbursements.
How the incorrect processing of transactions is resolved	The Senior Accounting Specialist prepares journal entries and the Director of Finance & Administration signs off, or vice versa. Back-up documentation is filed with each JE to support the JE, and files are maintained by month.	Journal entries are approved by person other than preparer.
Process for reconciling detail to the general ledger	The Accounting Specialist reconciles AP monthly. Bank statement is reconciled with warrant list. Checks that have cleared the bank are entered into the system, and the system reports the outstanding checks. The Senior Accounting Specialist reconciles the totals as part of the cash reconciliation. Note: system keeps track of outstanding checks.	Reconciliations are performed timely. The Director of Finance & Administration reviews the reconciliations, looking at detailed documentation to support GL entries.
	The Senior Accounting Specialist books retainages to the GL before annual financial audit. This is based on the last invoice for the audit year and coordination with engineering.	
	Monthly budget report is given to the Commission showing revenue and expense detail by utility, for the month, YTD, and last year to date as comparison. The Director of Finance & Administration distributes reports to managers that show budget to actual status and variances.	

SPU
Shakopee Public Utilities

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September 16, 2020

TO: Joseph Adams, Interim Utilities Manager

FROM: Greg Drent, Electric Superintendent

Subject: Truck purchases

Attached is a list of the trucks purchased through state bid or Sealed Bids in during the last couple of years. Past practice has been to keep pickup trucks 8 to 10 years and large trucks 10 to 12 years. We do look at our truck fleet on a regular basis to decide if we need to expedite or add some years to individual trucks. We look at the year of the truck, mileage, maintenance cost and upgrades before deciding to keep or look at a new truck.

For example, in 2018, we had one truck that was 5 years old that our locator drove every day. Several repairs were needed to be done to the front end and it also needed new tires. We got an estimate for over $3000 to get the vehicle repaired. The truck had over 88,000 miles and a couple times a year he, the locator, was stuck on job sites because he did not have 4-wheel drive. During the CIP budget process, we added that truck to be replaced rather than spending the money and still having a vehicle that did not fit our needs.

We purchase most of our vehicles through the state bid contract process, which meets the competitive bidding requirement. Attached is an email from the League of Minnesota cities regarding state bid contracts. I added a bucket truck we purchased in 2016 to the list of vehicles to show when large bucket trucks are purchased outside state bid process we use formal sealed bid process to get the best price for the utility. After evaluating the sealed bid, we brought that recommendation to the commission for approval before purchasing the bucket truck.

When our new vehicles are put into service, we normally send the old vehicle to auction with the exception of the bucket trucks which we either trade in or send to auction. We evaluate the trade in amount verses what we think we may get at auction. In 2016 we sent a large bucket truck to auction and got $25,500 but in 2019 we got offered $27,000 for a small bucket truck through Altec industries (the manufacture of the new bucket truck) so we decided that was more than we were going to get at auction and we traded it in.

I will be at the commission meeting to answer any questions you may have.

Order date	Vehicle	Purch cost		Replaced	Auction Value
10/1/2016	2018 International	234,206.98	Sealed bid	2004 International	$25,500.00
1/10/2018	2018 F250 Ford 4X4	29,690.84	State Contract	2007 Ford F150 4X4 old 641	$6,500.00
2/27/2018	2018 F550 Ford Sup Cab	37999.00	State Contract	2005 Ford F350 Ext Cab	$9,125.00
2/27/2018	2018 F150 Ford 4X4 Sup Cab	24,644.92	State Contract	2013 Ford F150 Ext Cab 4x2	$7,400.00
2/27/2018	2018 F550 Ford Sup Cab	35,487.00	State Contract	2011 Ford F550 Reg Cab	$23,500.00
3/7/2018	2018 Chev Silverado 4x4	26,421.48	State Contract	2004 F150 Ford Ext Cab	$7,200.00
3/7/2018	2018 GMC Sierra Crew Cab	28,808.70	State Contract	2010 Ford Explorer	$8,400.00
8/28/2018	2019 F550 Ford Small bucket	117,237.30	State Contract	2011 4x2 service bucket	$27,000.00 Trade -in
1/29/2020	2020 Ford F550 SupCab 4x4	43,706.80	State Contract	2007 F450 4x4 Ford	in the process
1/29/2020	2020 Chev Silverado 3500 4x4	29,485.64	State Contract	2008 F450 4x4 Ford	in the process
1/8/2020	2020 F250 Ford Super Cab 4x4	33,235.58	State Contract	2011 Ford F150	in the process

Zambrano, Ed

From: O'Reilly, Quinn <qoreilly@lmc.org>
Sent: Friday, June 10, 2016 9:34 AM
To: Zambrano, Ed
Subject: Competitive Bidding

Eddie,

Thank you for your question. You asked: **WE are looking to purchase a big truck and are using the Minnesota Cooperative Purchasing Venture to build or spec out the truck. since the truck will more than likely be over $100,000., and we use the Materials Management Division CPV website, do we still need to advertise for bids, or does going off the state purchasing website satisfy that process? I hope this makes sense. Thank you**

Pursuant to Minnesota Statute section 471.345 subd. 15, the state cooperative purchasing list will satisfy the competitive bidding requirements. For additional information, please see the League's memo on competitive bidding, available here: http://lmc.org/media/document/1/competitivebidding.pdf?inline=true. Specifically, page 4 details cooperative purchasing.

Thank you for contacting the League of Minnesota Cities. Please let me know if you have any other questions.

Sincerely,

Quinn O'Reilly | Staff Attorney
Tel: (651) 281-1271
qoreilly@lmc.org | www.lmc.org
League of Minnesota Cities
145 University Ave. West | St. Paul, MN 55103

Connecting & Innovating since 1913

Shakopee Public Utilities

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September 14, 2020

TO: Joseph Adams, Interim Utilities Manager

FROM: Sharon Walsh

SUBJECT: Cold Weather Rule and COVID19 Discussions

Overview

Following the March 16, 2020 regular commission meeting, staff was instructed to close the lobby to the public, waive the $3.95 convenience fee to customers for online/IVR payments, eliminate late fees and cease all disconnections or collections related to nonpayment. All of these actions were implemented in the month of March, with the exception of late fees, which were discontinued in April due to timing within the monthly billing cycle. Staff was adjusted to reduce headcount in the service center (staying under allowed group gathering numbers) and remote workstations were setup.

These measures were to remain in place (and still are) at the direction of the Utilities Manager who was following Governor Walz' Peacetime Emergency. With the proposed extension of the Peacetime Emergency to October 12th we will be bumping up against MN's Cold Weather Rule (CWR) protection for low-income customers that begins on October 15th and runs through April 15th.

The concern is that SPU is currently doing more than is required under the CWR; we are not mandating payment plans to avoid disconnections (only requesting said plans) and when payments are not received we are not disconnecting. Additionally, we have not required income thresholds.

We have not opened our lobby, but have taken steps to prepare for the opening when directed. Glass barriers have been installed to protect customers and staff, and floor decals have been purchased for social distancing. Additionally, internal staffing protocol is ready to be implemented, such as keeping like-trained staff separated to help ensure we do not lose critical skill sets to COVID at the same time.

Attached is a summary recap of the current 'COVID protocol' we are following and its impact, which may be instrumental in making future decisions.

Action Required

Staff is requesting direction on any modifications to COVID protocol going forward.

Shakopee Public Utilities

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SUMMARY DATA
IMPACT OF COVID19 PROTOCOL
MARCH 2020 – AUGUST 2020

Utility Lobby Status	
Remain Closed	Reopened
Chaska, New Prague, MVEC, Elk River and SPU	Hutchinson, Delano, Owatonna*, LeSueur and Wasceca

**Owatonna will allow entry by appointment only.*

Online Convenience Fees Waived – since March	
# of Customers	$ Paid to Paymentus by SPU
20,600	$81,370

Late Fees Waived – since April	
# of Customers	$ Not Assessed/Collected
Approx. 17,000	Approx. $194,000
Apr-Aug = Avg 2822 Sep = 3230 325 more customers than any prior month	Apr-Aug = Avg $29,500 Sept = $46,000 $10,000 higher than any prior month

Collection Letters Issued – March – August 2020 (now worded as a Late Payment Reminder/Assistance)	
# of Customers	Monthly Average
8,829	1472 letters Sept = 1583 (72 higher than any prior month)

Collection Service Orders – April – August 2020 (would have been disconnected under normal circumstances)		
# of Service Orders	Avg # of Monthly Service Orders	Total SO Collection Balance (9/16/20)
2947	589	$268,025*
# of Service Orders Total for all of 2019	Avg # of Monthly Service Orders - 2019	Avg SO Total Collection Balance In 2019
2449	223	$34,000 (highest was $59,000 in March 2019)

*This will go down as the month progresses; several days early in the reporting process.

Proposed As Consent Item

11c

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September 14, 2020

TO: Joseph Adams, Interim Utilities Manager

FROM: Sharon Walsh

SUBJECT: SPU Financials Posted on Website

Overview

Following the September 8th regular commission meeting, at the request of Commissioner Brennan and supported by Commissioner Meyer, SPU's 2019 Financial Statements were posted on the SPU website on September 11th, under Community Interest>Financials>2019 Year End Financial Statements.

Action Required

No action is required at this time.

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Proposed As Consent Item **11d**

September 18, 2020

TO: Joseph Adams, Interim Utilities Manager JA Propose as Consent

CC: Greg Drent
Lon Schemel
Sharon Walsh

FROM: Kelley Willemssen, Interim Finance Director KW

SUBJECT: Financial Results for August, 2020

The following Financial Statements are attached for your review and approval.

Month to Date and Year to Date Financial Results – August, 2020

- Combined Statement of Revenue & Expense and Net Assets – Electric, Water and Total Utility
- Electric Operating Revenue & Expense Detail
- Water Operating Revenue & Expense Detail

Key items to note:

Month to Date Results – August, 2020

- Total Utility Operating Revenues for the month of August totaled $6.0 million and were favorable to budget by $25k or 0.4%. Electric revenues totaled $5.2 million and were unfavorable to budget by $72k or 1.4% due to lower than plan revenue in commercial, industrial, power cost adjustment and customer penalties. Water revenues totaled $787k and were favorable to budget by $98k or 14.2%.
- Total operating expenses were $4.9 million and were favorable to budget by $124k or 2.5%. Total purchased power in August was $3.7 million and was $42k or 1.1% lower than budget for the month. Total Operating Expenses for electric including purchased power totaled $4.4 million and was favorable to budget by $81k or 1.8% due to lower than plan purchased power costs and timing of expenditures in administrative and general expenses and operation maintenance expenses. Total Operating Expense for Water totaled $407k and was also favorable to budget by $43k or 9.6% due to lower than plan expenditures in pumping and maintenance and administrative and general expenses.
- Total Utility Operating Income was $1.2 million and was favorable to budget by $149k due to higher than plan operating revenues of $25k and lower than plan operating expenses of $124k.
- Total Utility Non-Operating Revenue was $12k and was unfavorable to budget by $91k driven by lower than plan investment income of $75k and lower than plan rental and miscellaneous income of $19k.
- Capital Contributions for the month of August totaled $386k and were favorable to budget by $56k primarily due to $332k in water capacity fees and $49k in trunk water charges being billed.

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- Change in Net Position was $1.4 million and was favorable to budget by $114k primarily due to higher than plan capital contributions of $386k and higher than plan operating income of $149k.
- Electric usage billed to customers in August was 45,768,375 kWh, an increase of 9.34% from July usage billed at 41,859,602 kWh.
- Water usage billed to customers in August was 235.0 million gallons, an increase of 7.65% from July usage billed at 218.0 million gallons.

Year to Date Financial Results – August, 2020

- Total Utility Operating Revenues year to date August totaled $35 million and were unfavorable to budget by $1.5 million or 4.2%. Electric revenues totaled $31 million and were unfavorable to budget by $1.6 million or 4.8% driven by lower than plan energy sales in industrial and commercial of $864k and lower than plan power cost adjustment revenues of $1.2 million due to lower sales and lower unit costs of purchased power. Water revenues totaled $3.6 million and were favorable to budget by $64k or 1.8% driven by higher than plan sales volumes in residential, offset by unfavorable sales in commercial and industrial.
- Total Utility Operating Expenses year to date August were $32 million and were favorable to budget by $2.2 million or 6.4% primarily due to lower than plan purchased power costs of $1.0 million, expenditures in energy conservation of $265k, employee benefits of $227k, outside services totaling $179k and miscellaneous and general expenses of $179k. Total Operating Expense for electric including purchased power was $28.6 million and was favorable to budget by $1.8 million or 5.9%. Total Operating Expenses for Water was $3.2 million and was also favorable to budget by $387k or 10.7%.
- Total Utility Operating Income was $3.1 million and was favorable to budget by $679k driven by lower than planned operating expenses of $2.2 million and partially offset by lower than plan operating revenues of $1.5 million.
- Total Utility Non-Operating Income was $1.0 million and was favorable to budget by $32k due to higher than planned investment income of $120k, and lower than plan interest expense on customer deposits of $21k, and was partially offset by lower than plan rental and miscellaneous income of $104k due to timing.
- YTD Capital Contributions were $1.9 million and are unfavorable to budget by $697k primarily due to timing of collection of trunk water fees of $177k and timing of collection of water capacity charge fees of $530k.
- Municipal contributions to the City of Shakopee totaled $1.6 million year to date and are higher than plan by $7k or 0.4%. The actual estimated payment throughout the year is based on prior year results and will be trued up at the end of the year.
- YTD Change in Net Position is $4.4 million and is favorable to budget by $7k reflecting lower than plan operating expenses and higher than plan investment income.

SHAKOPEE PUBLIC UTILITIES

MONTH TO DATE FINANCIAL RESULTS

August 2020

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

	Month to Date Actual - August 2020			Month to Date Budget - August 2020			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	MTD Actual v. Budget B/(W) $	%	MTD Actual v. Budget B/(W) $	%	MTD Actual v. Budget B/(W) $	%
OPERATING REVENUES	$ 5,230,370	787,395	6,017,765	5,302,919	689,444	5,992,363	(72,548)	-1.4%	97,950	14.2%	25,402	0.4%
OPERATING EXPENSES						-						
Operation, Customer and Administrative	4,236,241	254,024	4,490,266	4,318,803	294,876	4,613,679	82,562	1.9%	40,851	13.9%	123,413	2.7%
Depreciation	212,556	153,270	365,826	210,622	155,720	366,342	(1,934)	-0.9%	2,451	1.6%	517	0.1%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	4,448,797	407,294	4,856,091	4,529,425	450,596	4,980,021	80,628	1.8%	43,302	9.6%	123,930	2.5%
Operating Income	781,574	380,100	1,161,674	773,494	238,848	1,012,342	8,080	1.0%	141,252	59.1%	149,332	14.8%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	26,233	(22,978)	3,254	21,090	1,160	22,250	5,143	24.4%	(24,138)	-2081.0%	(18,995)	-85.4%
Interdepartment Rent from Water	7,500	-	7,500	7,500		7,500	-	0.0%	-	-	-	0.0%
Investment Income	1,089	3,321	4,409	56,116	23,203	79,318	(55,027)	-98.1%	(19,882)	-85.7%	(74,909)	-94.4%
Interest Expense	(2,953)	(130)	(3,084)	(5,413)	(183)	(5,596)	2,460	45.4%	52	28.6%	2,512	44.9%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	#DIV/0!	-	-	-	#DIV/0!
Gain/(Loss) on the Disposition of Property	-	-	-	-	-	-	-	-	-	-	-	0.0%
Total Non-Operating Revenue (Expense)	31,868	(19,788)	12,080	79,292	24,180	103,472	(47,424)	-59.8%	(43,968)	-181.8%	(91,392)	-88.3%
Income Before Contributions and Transfers	813,441	360,312	1,173,753	852,786	263,028	1,115,814	(39,344)	-4.6%	97,284	37.0%	57,940	5.2%
CAPITAL CONTRIBUTIONS	-	385,834	385,834	-	329,545	329,545	-	-	56,289	17.1%	56,289	17.1%
TRANSFER TO MUNICIPALITY	(184,909)	(16,000)	(200,909)	(183,552)	(17,182)	(200,734)	(1,358)	-0.7%	1,182	6.9%	(176)	-0.1%
CHANGE IN NET POSITION	$ 628,532	730,146	1,358,678	669,234	575,391	1,244,625	(40,702)	-6.1%	154,755	26.9%	114,053	9.2%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	MTD Actual August 2020	MTD Budget August 2020	MTD Actual v. Budget Better/(Worse) $	MTD Actual v. Budget Better/(Worse) %
OPERATING REVENUES				
Sales of Electricity				
Residential	$ 2,214,326	2,059,154	155,172	7.5%
Commercial and Industrial	2,930,385	3,139,193	(208,808)	-6.7%
Uncollectible accounts	-	-	-	-
Total Sales of Electricity	5,144,711	5,198,347	(53,637)	-1.0%
Forfeited Discounts	-	22,719	(22,719)	-100.0%
Free service to the City of Shakopee	8,909	7,125	1,785	25.1%
Conservation program	76,750	74,728	2,022	2.7%
Total Operating Revenues	5,230,370	5,302,919	(72,548)	-1.4%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	3,678,830	3,720,560	41,730	1.1%
Distribution operation expenses	51,058	40,708	(10,350)	-25.4%
Distribution system maintenance	79,874	57,035	(22,839)	-40.0%
Maintenance of general plant	32,877	29,587	(3,289)	-11.1%
Total Operation and Maintenance	3,842,639	3,847,891	5,251	0.1%
Customer Accounts				
Meter Reading	9,999	10,667	668	6.3%
Customer records and collection	93,846	49,719	(44,127)	-88.8%
Energy conservation	26,274	60,407	34,133	56.5%
Total Customer Accounts	130,119	120,794	(9,326)	-7.7%
Administrative and General				
Administrative and general salaries	53,118	63,793	10,674	16.7%
Office supplies and expense	(27,252)	22,488	49,740	221.2%
Outside services employed	81,393	38,934	(42,459)	-109.1%
Insurance	10,803	13,928	3,125	22.4%
Employee Benefits	134,976	167,761	32,785	19.5%
Miscellaneous general	10,444	43,216	32,771	75.8%
Total Administrative and General	263,483	350,119	86,636	24.7%
Total Operation, Customer, & Admin Expenses	4,236,241	4,318,803	82,562	1.9%
Depreciation	212,556	210,622	(1,934)	-0.9%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	$ 4,448,797	4,529,425	80,628	1.8%
OPERATING INCOME	$ 781,574	773,494	8,080	1.0%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	MTD Actual August 2020	MTD Budget August 2020	MTD Actual v. Budget Better/(Worse) $	MTD Actual v. Budget Better/(Worse) %
OPERATING REVENUES				
Sales of Water	$ 787,395	685,885	101,510	14.8%
Forfeited Discounts	-	3,560	(3,560)	-100.0%
Uncollectible accounts	-	-	-	-
Total Operating Revenues	787,395	689,444	97,950	14.2%
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	50,003	46,738	(3,265)	-7.0%
Pumping and distribution maintenance	30,487	41,664	11,177	26.8%
Power for pumping	24,900	25,537	637	2.5%
Maintenance of general plant	1,289	7,570	6,281	83.0%
Total Operation and Maintenance	106,679	121,508	14,830	12.2%
Customer Accounts				
Meter Reading	5,343	5,780	437	7.6%
Customer records and collection	30,607	13,672	(16,935)	-123.9%
Energy conservation	636	833	197	23.7%
Total Customer Accounts	36,585	20,285	(16,301)	-80.4%
Administrative and General				
Administrative and general salaries	37,281	40,924	3,642	8.9%
Office supplies and expense	(8,763)	8,006	16,769	209.5%
Outside services employed	22,142	20,012	(2,130)	-10.6%
Insurance	3,601	4,643	1,042	22.4%
Employee Benefits	44,110	61,794	17,683	28.6%
Miscellaneous general	12,389	17,704	5,316	30.0%
Total Administrative and General	110,760	153,083	42,322	27.6%
Total Operation, Customer, & Admin Expenses	254,024	294,876	40,851	13.9%
Depreciation	153,270	155,720	2,451	1.6%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	407,294	450,596	43,302	9.6%
OPERATING INCOME	$ 380,100	238,848	141,252	59.1%

SHAKOPEE PUBLIC UTILITIES

YEAR TO DATE FINANCIAL RESULTS

August 2020

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Shakopee Public Utilities

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

	Year to Date Actual - August 2020			Year to Date Budget - August 2020			Electric YTD Actual v. Budget B/(W)		Water YTD Actual v. Budget B/(W)		Total Utility YTD Actual v. Budget B/(W)	
	Electric	Water	Total Utility	Electric	Water	Total Utility	$	%	$	%	$	%
OPERATING REVENUES	$ 31,360,477	3,623,744	34,984,221	32,945,225	3,559,782	36,505,007	(1,584,749)	-4.8%	63,962	1.8%	(1,520,787)	-4.2%
OPERATING EXPENSES						-						
Operation, Customer and Administrative	26,961,010	2,014,292	28,975,302	28,789,217	2,381,318	31,170,535	1,828,207	6.4%	367,026	15.4%	2,195,233	7.0%
Depreciation	1,700,445	1,226,159	2,926,604	1,684,972	1,245,764	2,930,736	(15,473)	-0.9%	19,605	1.6%	4,132	0.1%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	28,661,455	3,240,451	31,901,907	30,474,189	3,627,082	34,101,271	1,812,734	5.9%	386,631	10.7%	2,199,365	6.4%
Operating Income	2,699,021	383,293	3,082,314	2,471,036	(67,300)	2,403,736	227,985	9.2%	450,593	669.5%	678,578	28.2%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	90,551	148,419	238,970	168,717	174,569	343,286	(78,166)	-46.3%	(26,150)	-15.0%	(104,316)	-30.4%
Interdepartment Rent from Water	60,000	-	60,000	60,000		60,000	-	0.0%	-	-	-	0.0%
Investment Income	555,015	199,971	754,986	448,925	185,621	634,546	106,090	23.6%	14,350	7.7%	120,440	19.0%
Interest Expense	(22,752)	(984)	(23,736)	(43,305)	(1,461)	(44,766)	20,552	47.5%	477	32.7%	21,030	47.0%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	#DIV/0!	-	0.0%	-	#DIV/0!
Gain/(Loss) on the Disposition of Property	(5,603)	-	(5,603)	-	-	-	(5,603)	0.0%	-	-	(5,603)	-
Total Non-Operating Revenue (Expense)	677,211	347,406	1,024,617	634,337	358,729	993,066	42,874	6.8%	(11,323)	-3.2%	31,551	3.2%
Income Before Contributions and Transfers	3,376,233	730,699	4,106,931	3,105,373	291,429	3,396,802	270,859	8.7%	439,270	150.7%	710,129	20.9%
CAPITAL CONTRIBUTIONS	10,589	1,929,008	1,939,596	-	2,636,359	2,636,359	10,589	-	(707,351)	-26.8%	(696,762)	-26.4%
MUNICIPAL CONTRIBUTION	(1,350,113)	(262,468)	(1,612,581)	(1,468,413)	(137,458)	(1,605,871)	118,300	8.1%	(125,010)	-90.9%	(6,710)	-0.4%
CHANGE IN NET POSITION	$ 2,036,709	2,397,238	4,433,947	1,636,960	2,790,329	4,427,290	399,748	24.4%	(393,091)	-14.1%	6,657	0.2%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	YTD Actual August 2020	YTD Budget August 2020	YTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Electricity				
Residential	$ 12,039,332	11,654,289	385,043	3.3%
Commercial and Industrial	18,726,225	20,568,761	(1,842,535)	-9.0%
Uncollectible accounts	-	-	-	#DIV/0!
Total Sales of Electricity	30,765,557	32,223,050	(1,457,493)	-4.5%
Forfeited Discounts	64,961	181,750	(116,789)	-64.3%
Free service to the City of Shakopee	71,275	56,996	14,279	25.1%
Conservation program	458,683	483,429	(24,746)	-5.1%
Total Operating Revenues	31,360,477	32,945,225	(1,584,749)	-4.8%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	22,901,809	23,936,335	1,034,526	4.3%
Distribution operation expenses	383,805	325,667	(58,138)	-17.9%
Distribution system maintenance	444,816	456,277	11,462	2.5%
Maintenance of general plant	174,028	236,698	62,669	26.5%
Total Operation and Maintenance	23,904,458	24,954,977	1,050,519	4.2%
Customer Accounts				
Meter Reading	85,612	85,340	(273)	-0.3%
Customer records and collection	393,399	397,752	4,353	1.1%
Energy conservation	223,462	483,259	259,797	53.8%
Total Customer Accounts	702,472	966,350	263,878	27.3%
Administrative and General				
Administrative and general salaries	485,996	510,340	24,344	4.8%
Office supplies and expense	111,732	179,903	68,171	37.9%
Outside services employed	221,202	311,473	90,271	29.0%
Insurance	86,425	111,425	25,000	22.4%
Employee Benefits	1,262,764	1,409,023	146,259	10.4%
Miscellaneous general	185,962	345,726	159,764	46.2%
Total Administrative and General	2,354,080	2,867,890	513,810	17.9%
Total Operation, Customer, & Admin Expenses	26,961,010	28,789,217	1,828,207	6.4%
Depreciation	1,700,445	1,684,972	(15,473)	-0.9%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	$ 28,661,455	30,474,189	1,812,734	5.9%
OPERATING INCOME	$ 2,699,021	2,471,036	227,985	9.2%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	YTD Actual August 2020	YTD Budget August 2020	YTD Actual v. Budget Better/(Worse) $	%
OPERATING REVENUES				
Sales of Water	$ 3,620,014	3,531,305	88,710	2.5%
Forfeited Discounts	3,729	28,478	(24,748)	-86.9%
Uncollectible accounts	0	-	0	#DIV/0!
Total Operating Revenues	3,623,744	3,559,782	63,962	1.8%
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	421,720	373,907	(47,814)	-12.8%
Pumping and distribution maintenance	206,919	333,309	126,390	37.9%
Power for pumping	190,119	204,294	14,175	6.9%
Maintenance of general plant	24,808	60,558	35,751	59.0%
Total Operation and Maintenance	843,565	972,067	128,503	13.2%
Customer Accounts				
Meter Reading	47,451	46,237	(1,214)	-2.6%
Customer records and collection	122,997	109,374	(13,624)	-12.5%
Energy conservation	1,194	6,667	5,473	-
Total Customer Accounts	171,643	162,277	(9,365)	-5.8%
Administrative and General				
Administrative and general salaries	307,142	327,389	20,247	6.2%
Office supplies and expense	36,774	64,046	27,273	42.6%
Outside services employed	71,370	160,100	88,730	55.4%
Insurance	28,808	37,142	8,333	22.4%
Employee Benefits	435,895	516,661	80,766	15.6%
Miscellaneous general	119,096	141,636	22,540	15.9%
Total Administrative and General	999,085	1,246,974	247,889	19.9%
Total Operation, Customer, & Admin Expenses	2,014,292	2,381,318	367,026	15.4%
Depreciation	1,226,159	1,245,764	19,605	1.6%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	$ 3,240,451	3,627,082	386,631	10.7%
OPERATING INCOME	$ 383,293	(67,300)	450,593	669.5%

SPU
Shakopee Public Utilities

Proposed As Consent Item 11e

September 17, 2020

TO: Joseph Adams, Interim Utilities Manager

FROM: Kelley Willemssen, Senior Accounting Specialist

SUBJECT: Dashboard Metrics - August, 2020

The SPU Commission requested staff to provide information regarding trends in customer sales and customer receivables in order to monitor the potential impacts of the COVID-19 pandemic on SPU's business. The graphs and data reflect monthly metrics and year to date.

The following reports are included for Commission review:

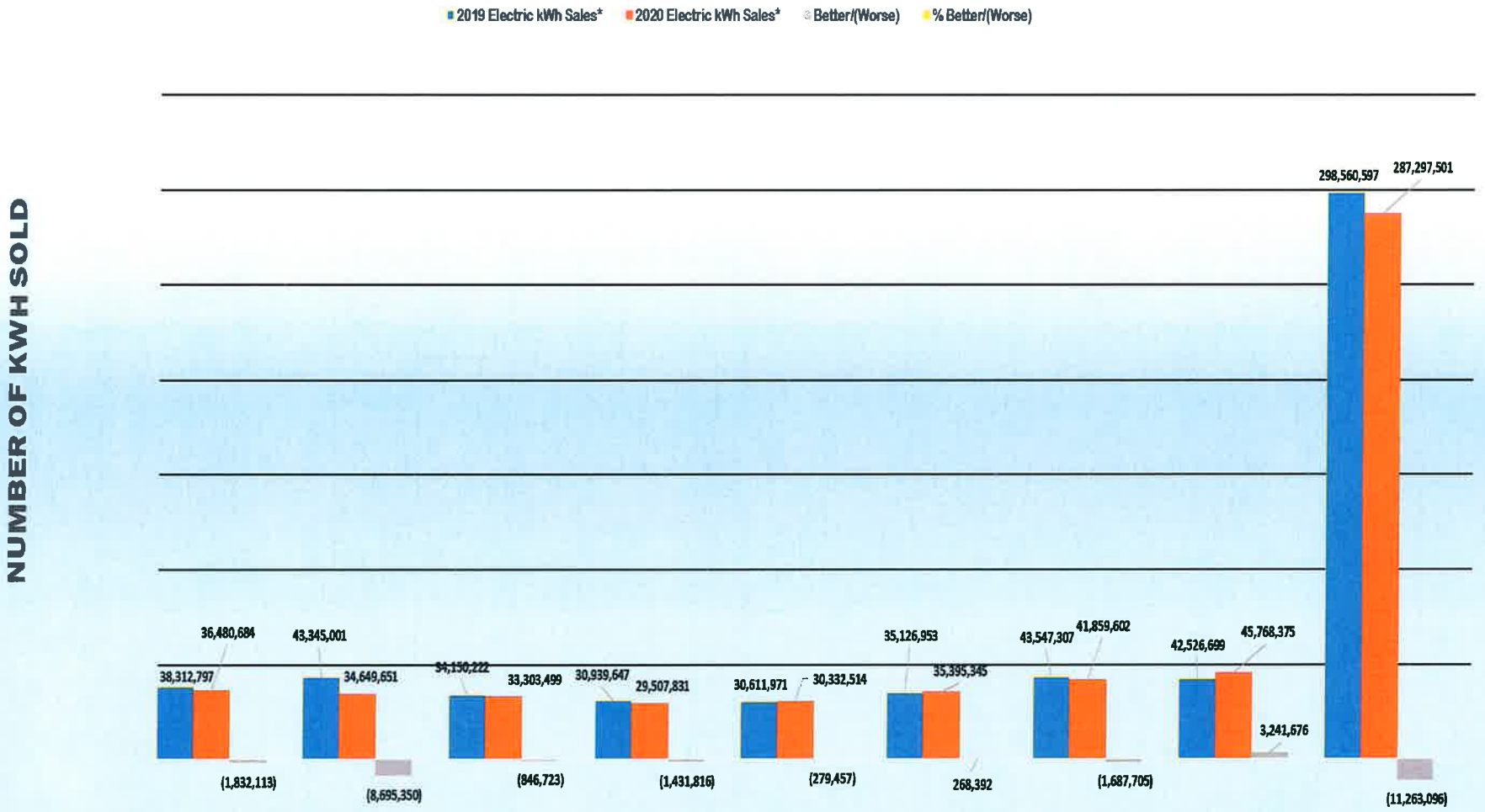
- SPU kWH Sales
- SPU Water Gallons Sales
- SPU Electric Accounts Receivable # & $ of Accounts: 31-60 Days
- SPU Water Accounts Receivable # & $ of Accounts: 31- 60 Days
- SPU Electric Accounts Receivable # & $ of Accounts: > 120 Days
- SPU Water Accounts Receivable # & $ of Accounts: > 120 Days
- SPU 08/31/20 Accounts Receivable Aging Summary Report (2 pages)

Thank you.

SPU
Shakopee Public Utilities

SPU ELECTRIC KWH SALES

(*INCLUDES UME)

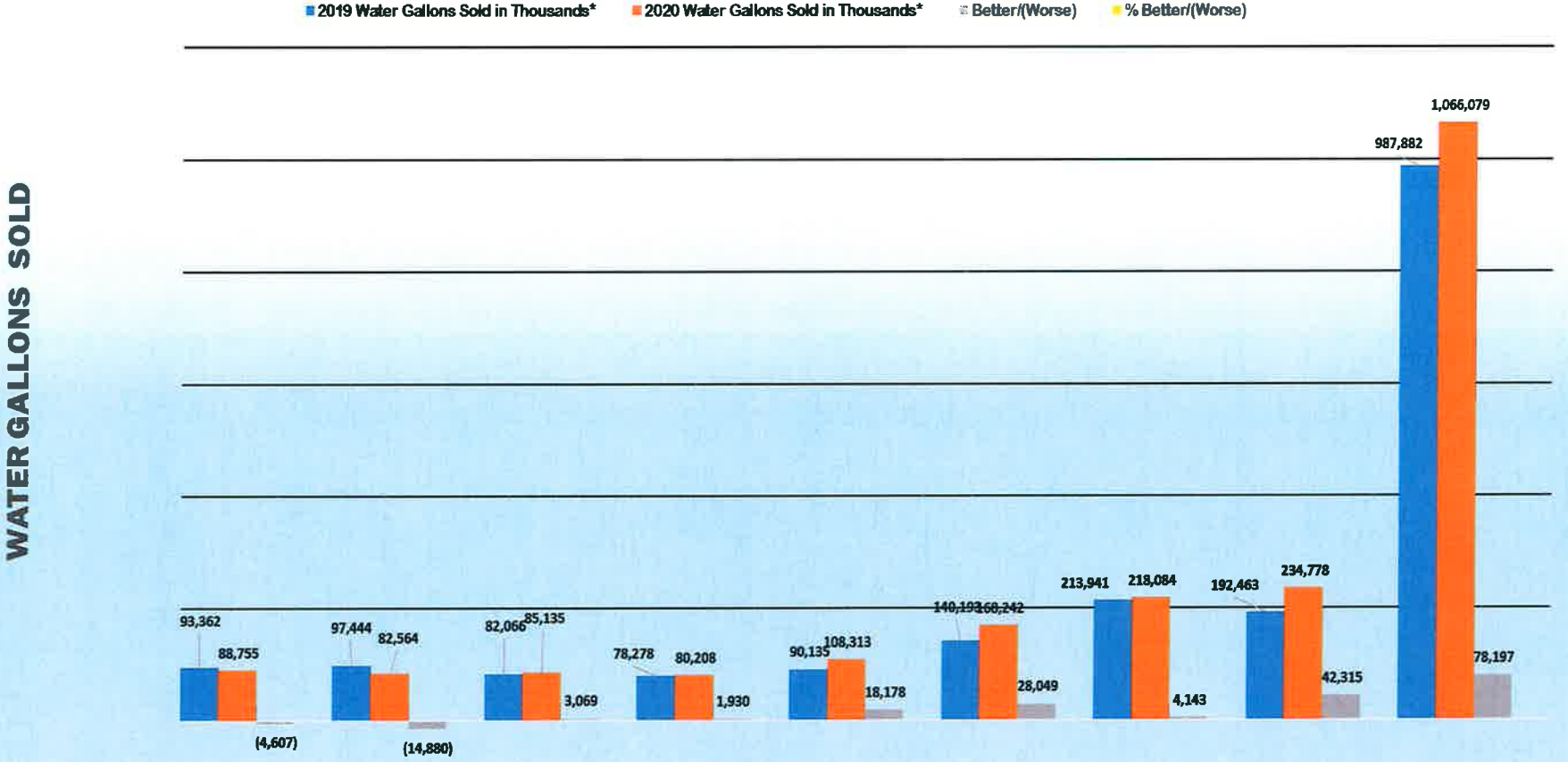


	Jan	Feb	Mar	Apr	May	Jun	July	Aug	YTD
2019 Electric kWh Sales*	38,312,797	43,345,001	34,150,222	30,939,647	30,611,971	35,126,953	43,547,307	42,526,699	298,560,597
2020 Electric kWh Sales*	36,480,684	34,649,651	33,303,499	29,507,831	30,332,514	35,395,345	41,859,602	45,768,375	287,297,501
Better/(Worse)	(1,832,113)	(8,695,350)	(846,723)	(1,431,816)	(279,457)	268,392	(1,687,705)	3,241,676	(11,263,096)
% Better/(Worse)	-4.8%	-20.1%	-2.5%	-4.6%	-0.9%	0.8%	-3.9%	7.6%	-3.8%

SPU
Shakopee Public Utilities

SPU WATER GALLONS SALES (IN THOUSANDS)

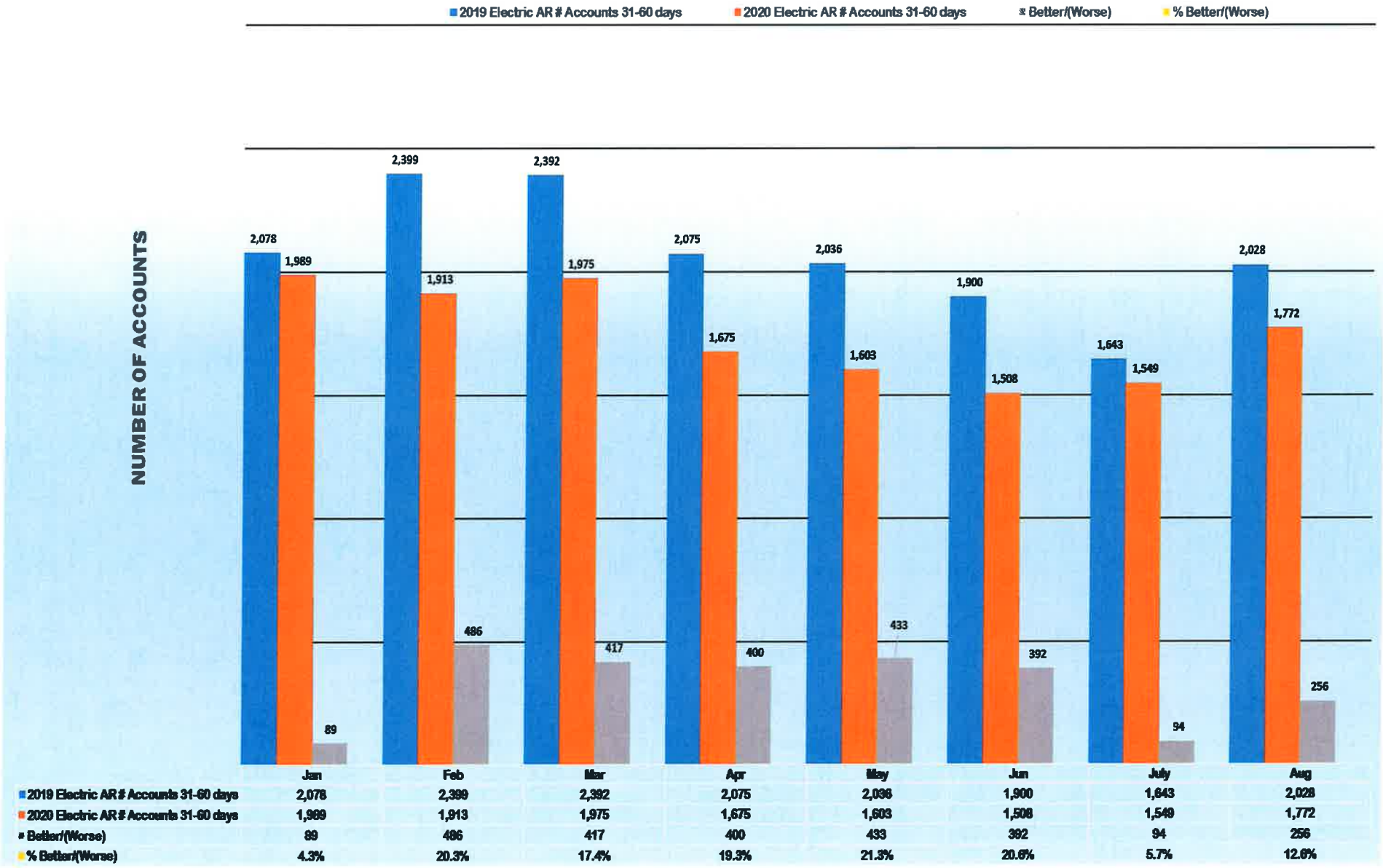
(*EXCLUDES HYDRANT SALES)



	Jan	Feb	Mar	Apr	May	Jun	July	Aug	YTD
2019 Water Gallons Sold in Thousands*	93,362	97,444	82,066	78,278	90,135	140,193	213,941	192,463	987,882
2020 Water Gallons Sold in Thousands*	88,755	82,564	85,135	80,208	108,313	168,242	218,084	234,778	1,066,079
Better/(Worse)	(4,607)	(14,880)	3,069	1,930	18,178	28,049	4,143	42,315	78,197
% Better/(Worse)	-4.9%	-15.3%	3.7%	2.5%	20.2%	20.0%	1.9%	22.0%	7.9%

SPU
Shakopee Public Utilities

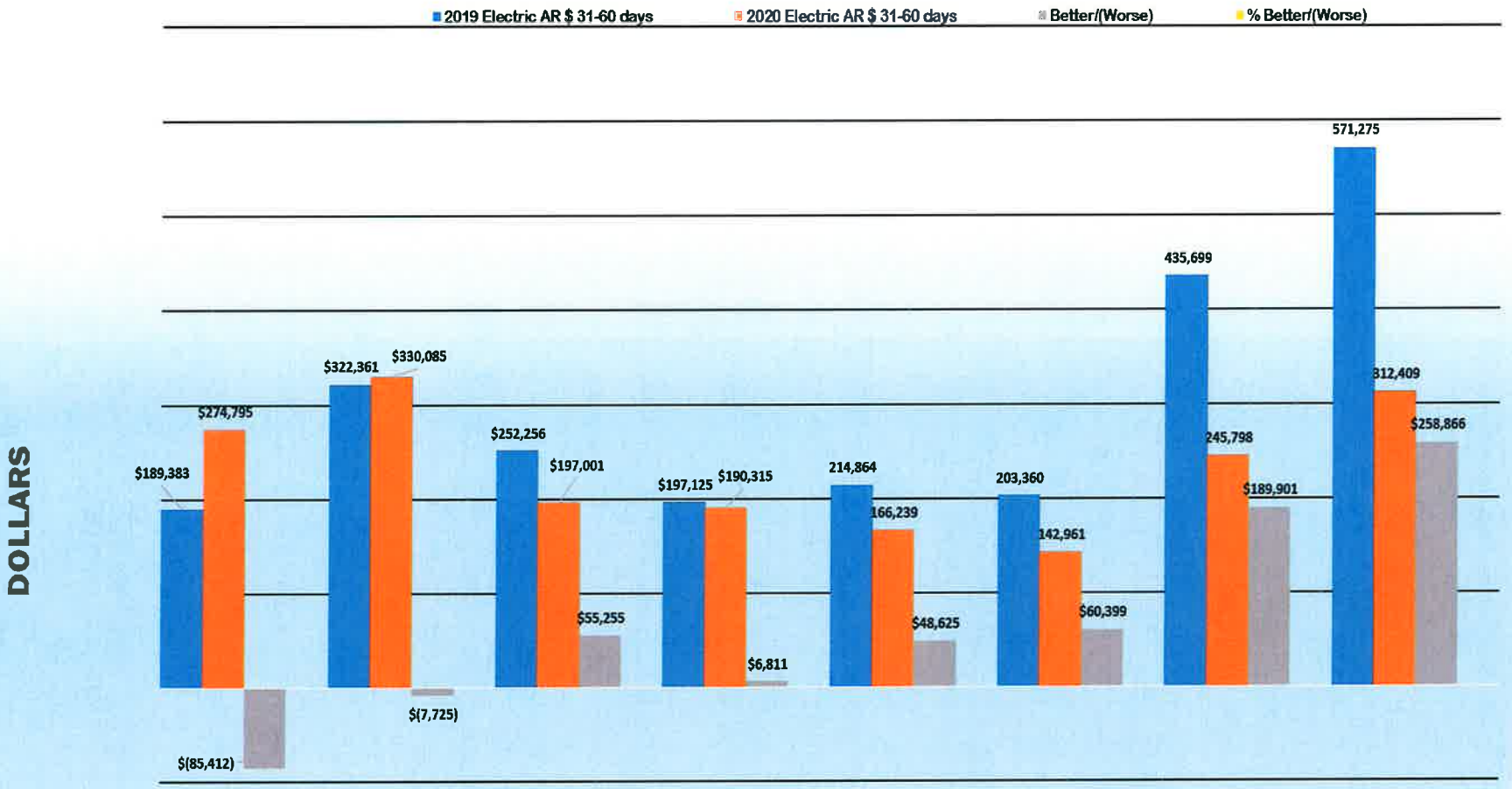
SPU ELECTRIC AGED RECEIVABLES 31 - 60 DAYS: # OF ACCOUNTS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Electric AR # Accounts 31-60 days	2,078	2,399	2,392	2,075	2,036	1,900	1,643	2,028
2020 Electric AR # Accounts 31-60 days	1,989	1,913	1,975	1,675	1,603	1,508	1,549	1,772
Better/(Worse)	89	486	417	400	433	392	94	256
% Better/(Worse)	4.3%	20.3%	17.4%	19.3%	21.3%	20.6%	5.7%	12.6%

SPU
Shakopee Public Utilities

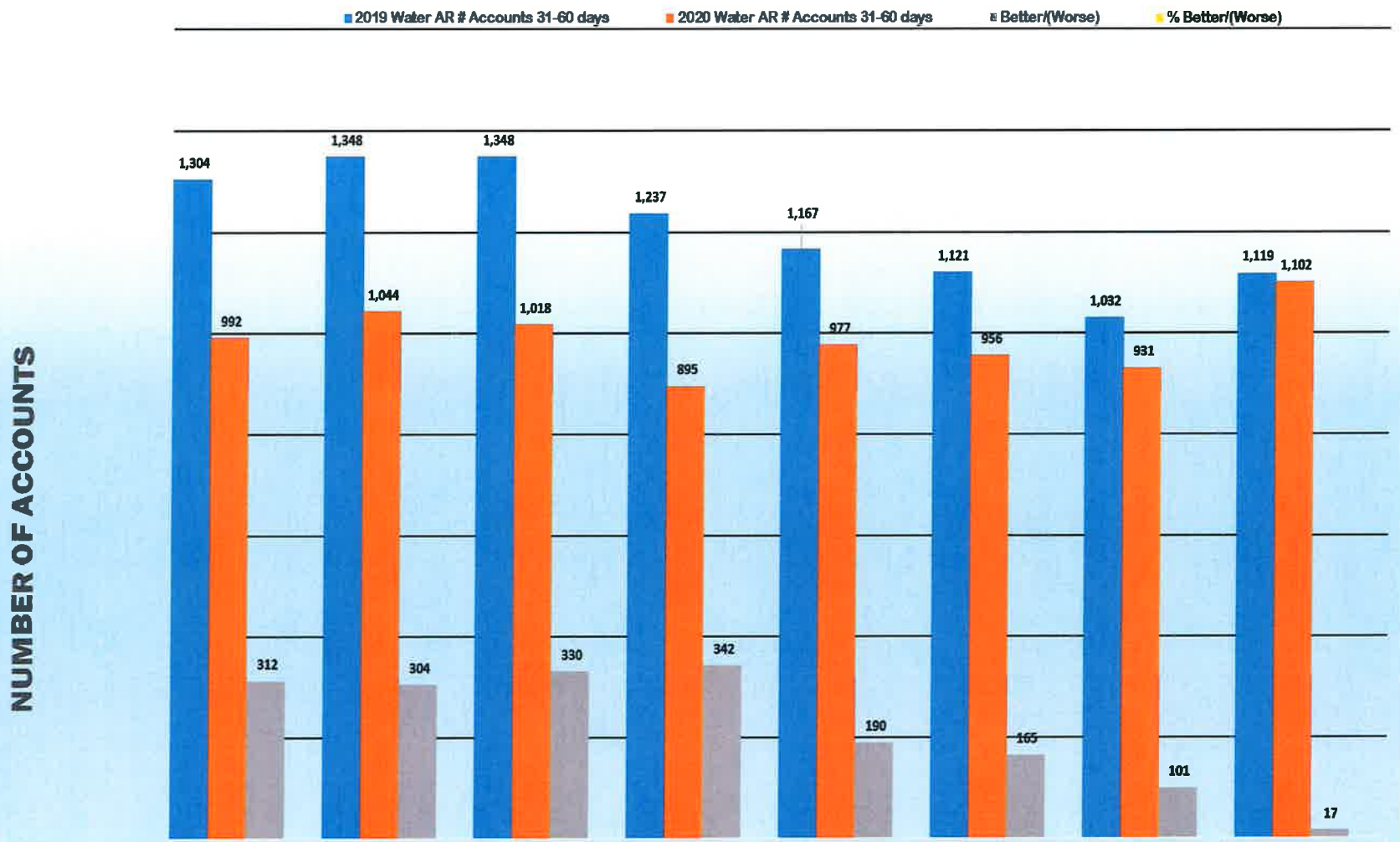
SPU ELECTRIC AGED RECEIVABLES $ 31 - 60 DAYS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Electric AR $ 31-60 days	$189,383	$322,361	$252,256	$197,125	214,864	203,360	435,699	571,275
2020 Electric AR $ 31-60 days	$274,795	$330,085	$197,001	$190,315	166,239	142,961	245,798	312,409
Better/(Worse)	$(85,412)	$(7,725)	$55,255	$6,811	$48,625	$60,399	$189,901	$258,866
% Better/(Worse)	-45.1%	-2.4%	21.9%	3.5%	22.6%	29.7%	43.6%	45.3%

SPU
Shakopee Public Utilities

SPU WATER AGED RECEIVABLES 31 - 60 DAYS: # OF ACCOUNTS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Water AR # Accounts 31-60 days	1,304	1,348	1,348	1,237	1,167	1,121	1,032	1,119
2020 Water AR # Accounts 31-60 days	992	1,044	1,018	895	977	956	931	1,102
Better/(Worse)	312	304	330	342	190	165	101	17
% Better/(Worse)	23.9%	22.6%	24.5%	27.6%	16.3%	14.7%	9.8%	1.5%

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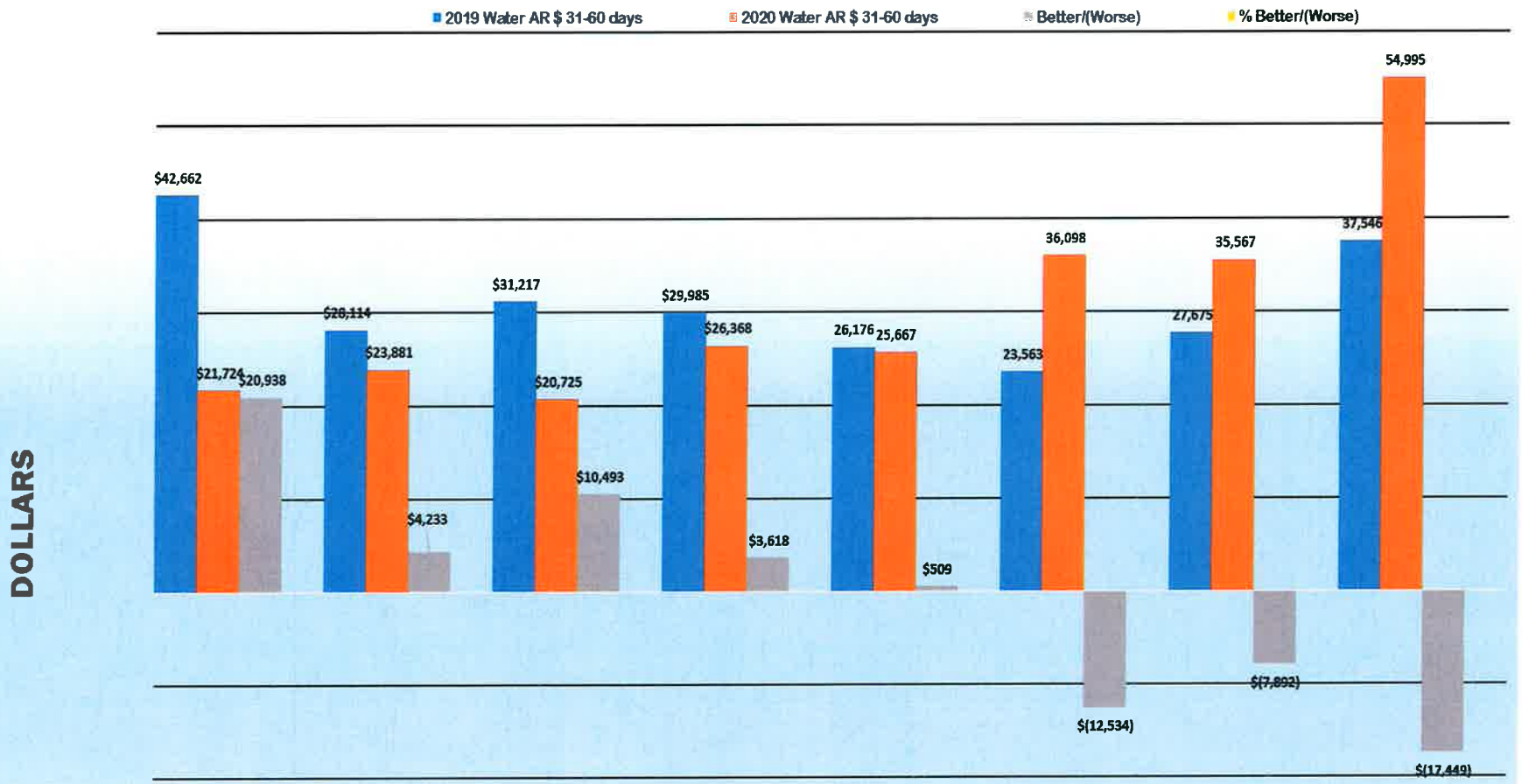
Shakopee Public Utilities

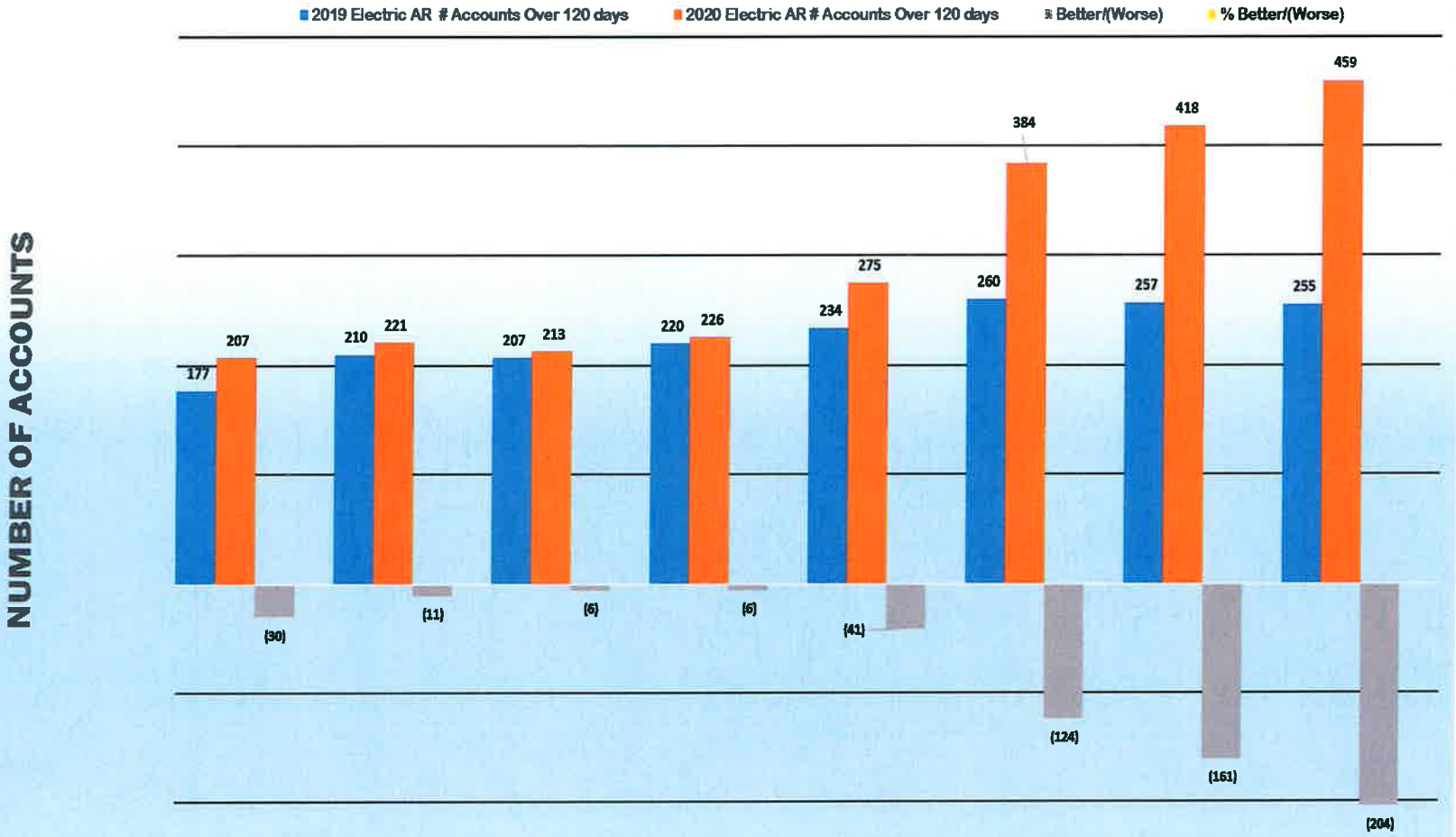
SPU WATER AGED RECEIVABLES $ 31 - 60 DAYS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Water AR $ 31-60 days	$42,662	$28,114	$31,217	$29,985	26,176	23,563	27,675	37,546
2020 Water AR $ 31-60 days	$21,724	$23,881	$20,725	$26,368	25,667	36,098	35,567	54,995
Better/(Worse)	$20,938	$4,233	$10,493	$3,618	$509	$(12,534)	$(7,892)	$(17,449)
% Better/(Worse)	49.1%	15.1%	33.6%	12.1%	1.9%	-53.2%	-28.5%	-46.5%

SPU
Shakopee Public Utilities

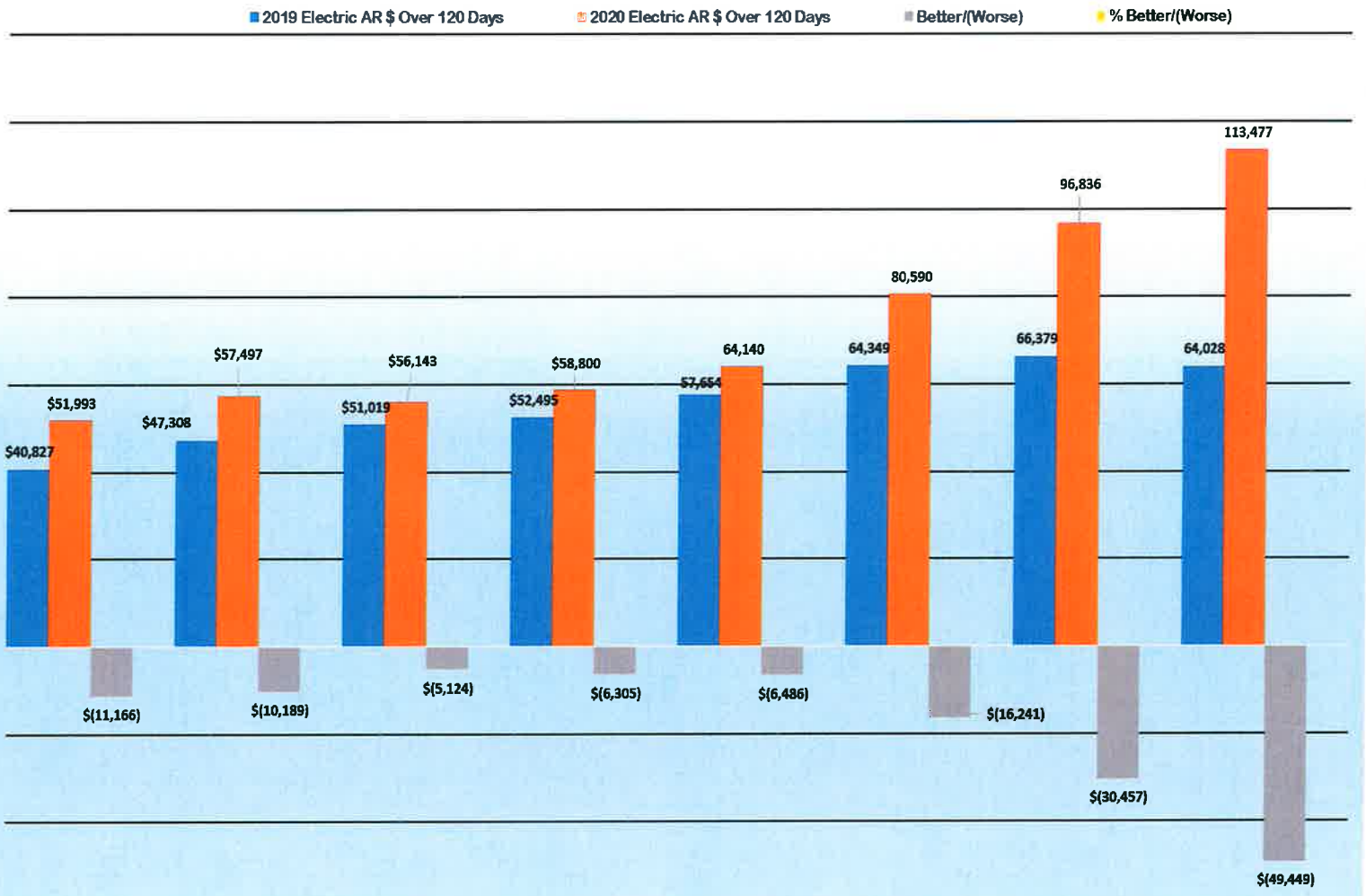
SPU ELECTRIC AGED RECEIVABLES > 120 DAYS: # OF ACCOUNTS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Electric AR # Accounts Over 120 days	177	210	207	220	234	260	257	255
2020 Electric AR # Accounts Over 120 days	207	221	213	226	275	384	418	459
Better/(Worse)	(30)	(11)	(6)	(6)	(41)	(124)	(161)	(204)
% Better/(Worse)	-16.9%	-5.2%	-2.9%	-2.7%	-17.5%	-47.7%	-62.6%	-80.0%

SPU
Shakopee Public Utilities

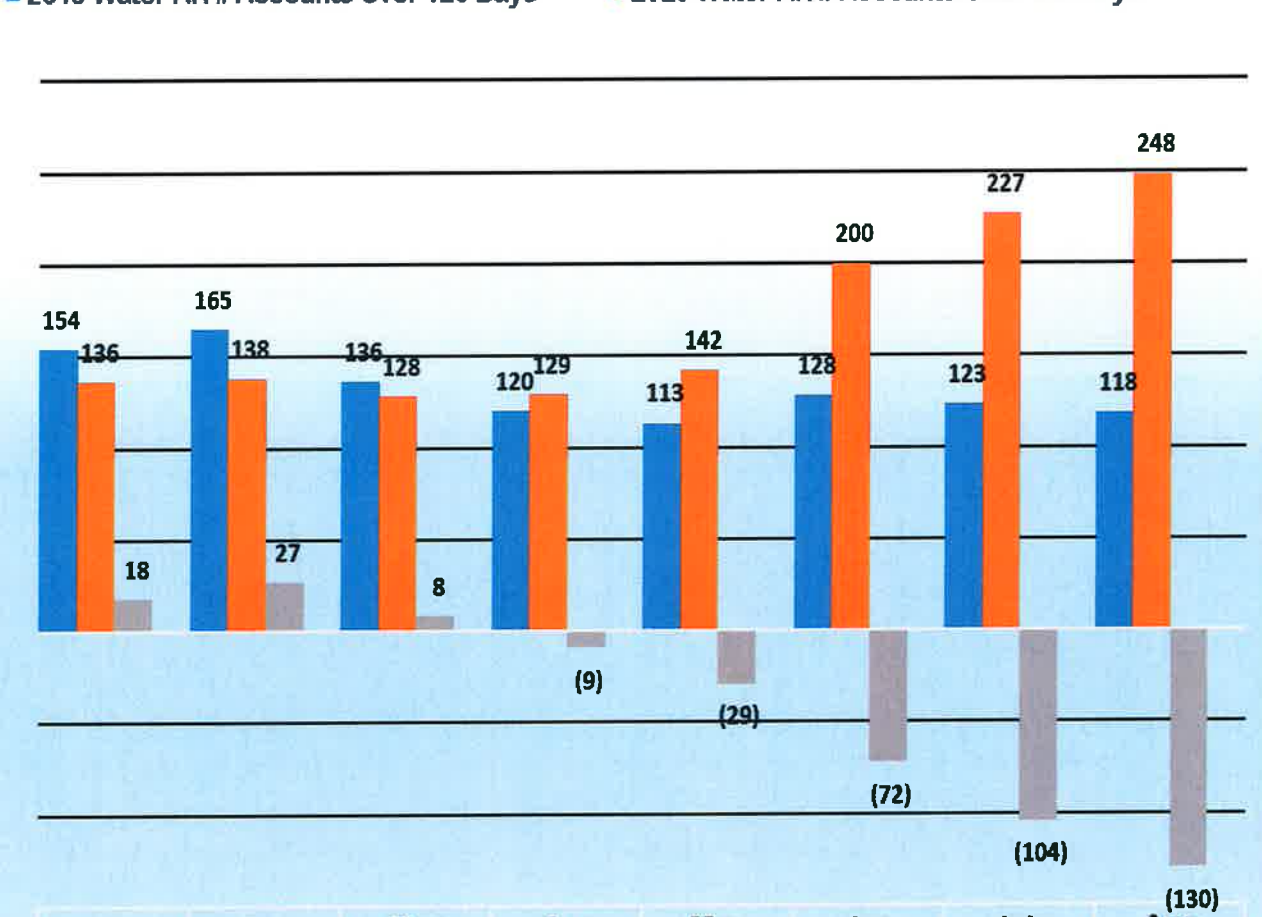
SPU ELECTRIC AGED RECEIVABLES $ >120 DAYS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Electric AR $ Over 120 Days	$40,827	$47,308	$51,019	$52,495	57,654	64,349	66,379	64,028
2020 Electric AR $ Over 120 Days	$51,993	$57,497	$56,143	$58,800	64,140	80,590	96,836	113,477
Better/(Worse)	$(11,166)	$(10,189)	$(5,124)	$(6,305)	$(6,486)	$(16,241)	$(30,457)	$(49,449)
% Better/(Worse)	-27.3%	-21.5%	-10.0%	-12.0%	-11.3%	-25.2%	-45.9%	-77.2%

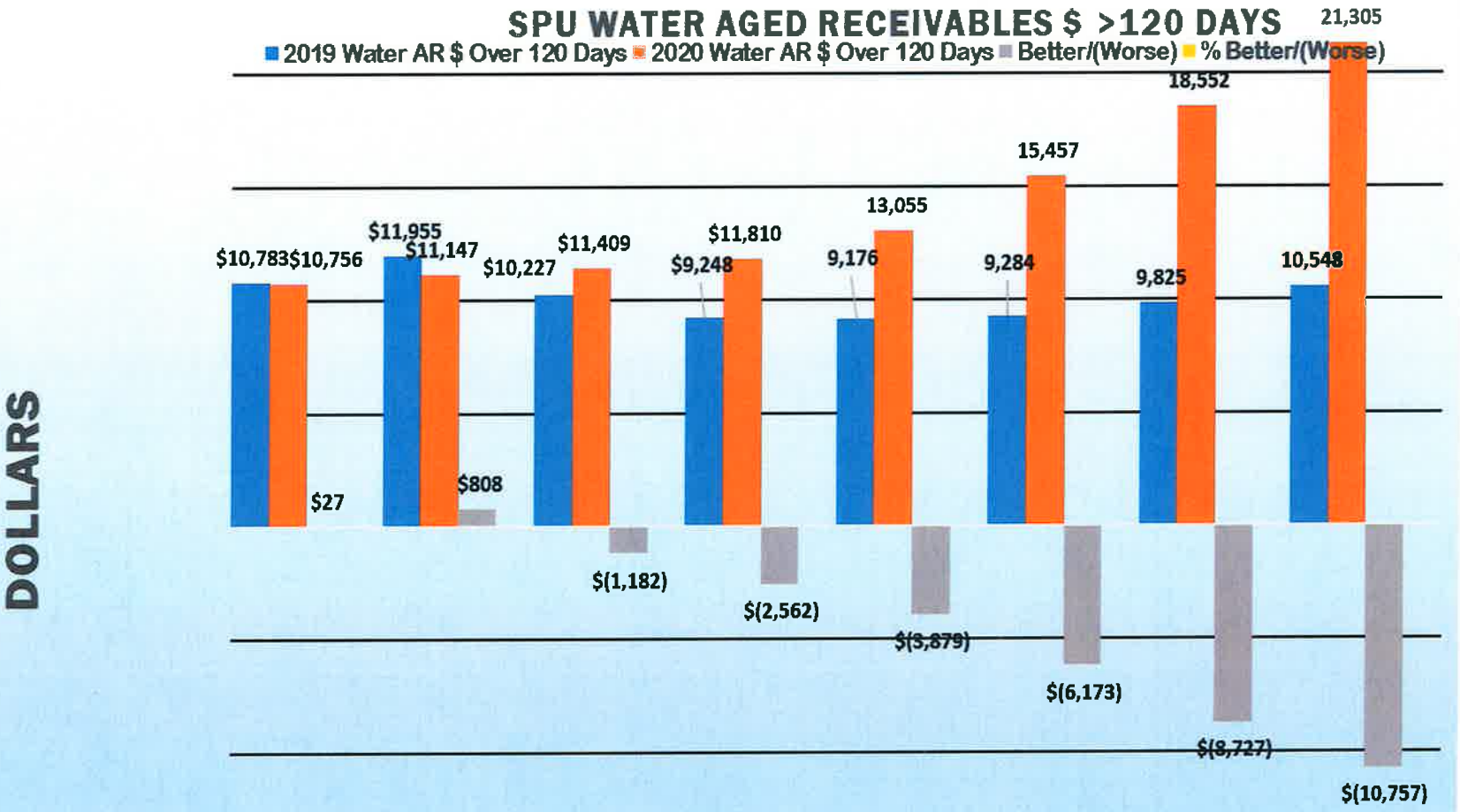
SPU
Shakopee Public Utilities

SPU WATER AGED RECEIVABLES > 120 DAYS: # OF ACCOUNTS



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Water AR # Accounts Over 120 Days	154	165	136	120	113	128	123	118
2020 Water AR # Accounts Over 120 Days	136	138	128	129	142	200	227	248
Better/(Worse)	18	27	8	(9)	(29)	(72)	(104)	(130)
% Better/(Worse)	11.7%	16.4%	5.9%	-7.5%	-25.7%	-56.3%	-84.6%	-110.2%

SPU
Shakopee Public Utilities



	Jan	Feb	Mar	Apr	May	Jun	July	Aug
2019 Water AR $ Over 120 Days	$10,783	$11,955	$10,227	$9,248	9,176	9,284	9,825	10,548
2020 Water AR $ Over 120 Days	$10,756	$11,147	$11,409	$11,810	13,055	15,457	18,552	21,305
Better/(Worse)	$27	$808	$(1,182)	$(2,562)	$(3,879)	$(6,173)	$(8,727)	$(10,757)
% Better/(Worse)	0.2%	6.8%	-11.6%	-27.7%	-42.3%	-66.5%	-88.8%	-102.0%

SPU
Shakopee Public Utilities

Shakopee Public Utilities

Accounts Receivable Aging Summary Report

As of 8/31/2020

Summary of Accounts

Service	1 to 30	31 to 60	61 to 90	91 to 120	Over 120	Total	General Ledger (GL)	Total - GL
Electric	$4,704,305.57	$312,408.91	$130,586.37	$33,030.47	$113,477.40	$5,293,808.72	$5,293,808.72	$0.00
Water	$716,560.62	$54,995.15	$16,474.54	$5,790.70	$21,305.28	$815,126.29	$815,126.29	$0.00
Sewer	$331,102.01	$32,950.08	$13,631.78	$8,071.15	$24,966.58	$410,721.60	$410,721.60	$0.00
Storm Drainage	$94,677.02	$8,411.42	$3,244.81	$1,098.21	$3,822.93	$111,254.39	$111,254.39	$0.00
Totals	$5,846,645.22	$408,765.56	$163,937.50	$47,990.53	$163,572.19	$6,630,911.00	$6,630,911.00	$0.00

Number Accounts with a Balance

Service	1 to 30	31 to 60	61 to 90	91 to 120	Over 120	Total
Electric	17,176	1,772	616	363	459	17,482
Water	11,055	1,102	422	225	248	11,178
Sewer	10,633	1,190	465	255	256	10,730
Storm Drainage	12,674	1,438	588	330	322	12,798
Totals	18,258	2,303	992	575	617	18,566

SPU
Shakopee Public Utilities

Accounts Receivable Aging Summary Report - 2020

Over 120 days	Electric $$	Electric # of Accts	Water $$	Water # of Accts	Total $$ Electric & Water	Total # of accts Electric & Water
January	$ 51,993.20	207	$ 10,755.94	136	$ 62,749.14	343
February	$ 57,496.81	221	$ 11,146.63	138	$ 68,643.44	359
March	$ 56,142.85	213	$ 11,408.58	128	$ 67,551.43	341
April	$ 58,800.20	226	$ 11,809.98	129	$ 70,610.18	355
May	$ 64,139.75	275	$ 13,055.13	142	$ 77,194.88	417
June	$ 80,590.02	384	$ 15,456.97	200	$ 96,046.99	584
July	$ 96,836.22	418	$ 18,552.28	227	$ 115,388.50	645
August	$113,477.40	459	$ 21,305.28	248	$ 134,782.68	707
September					$ -	0
October					$ -	0
November					$ -	0
December					$ -	0