

## FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

10/25/11

**SUBJECT:**

Preliminary 2012 Electric and Water Budgets

**PREPARED BY:**

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

Provided under separate cover is a copy of the preliminary report of the 2012 electric and water capital and operating budgets. A separate presentation of these budgets was given to the Board's finance committee on October 18<sup>th</sup>. Staff will be reviewing the budgets with the full Board today. Approval of the budget by the Board will occur on November 15th and forwarded to the City Council on November 21<sup>th</sup> for approval.

In the water utility, management is recommending no rate increase for the fifth year. The main drivers for the water utility budget are:

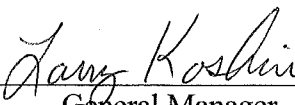
- Continued water conservation programs and education;
- Slowdown in new development;
- New reservoir to be constructed in 2013 and 2014; and
- Addition of one water operator to support water system growth.

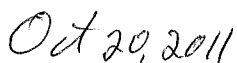
In the electric utility, management is recommending no rate increase for a third year. The significant current year business drivers are:

- Commitment to community to have no rate increase for the third year during continuing tough economic times supporting our mission statement and strategic initiatives;
- Continue holding staff positions open to evaluate need in slow times while adding two positions to support the customer and system growth;
- SMMPA's Board approved rates with no increase for 2012. SMMPA continues to be a significant operating expense at approximately \$89 million or about 68% of our operating costs;
- Lack of demand and low prices in MISO market has made the Silver Lake Plant uncompetitive this past year. RPU is projecting few wholesale sales from this facility in 2012;
- Increasing our energy conservation goals to achieve required reduction in KWh;
- Continuing our participation in CapX2020 initiative to expand the electric transmission grid to ensure reliable and affordable service; and
- Continuing to implement Smart Grid education and possible pilot projects.

UTILITY BOARD ACTION REQUESTED:

No action is required on the budget or rates at this time. Approval will be requested from the Board at the November 15, 2011 meeting.

  
General Manager

  
Date

**ROCHESTER PUBLIC UTILITIES**