

FOR BOARD ACTION

Agenda Item # 4

Meeting Date:

11/13/12

SUBJECT:

Approval of 2013 Electric and Water Budgets

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

In October, management reviewed the preliminary 2013 electric and water budgets with the finance committee and the Utility Board as a whole. The Board was presented with recommendations for no rate increase in the electric or water utilities. The budget has conservative revenue projections in both utilities and continues to invest in our systems to maintain our reliability.

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

- Continued water conservation programs and education; and
- New reservoir to be constructed in 2013 and 2014.

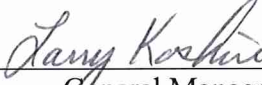
In the electric utility, management is recommending no rate increase for a fourth year. The significant current year business drivers are:

- Commitment to community to maintain rates during continuing slow economic times supporting our mission statement and strategic initiatives;
- Continue holding seven staff positions open to evaluate need in slow times while filling two open positions to support the customer and system growth;
- SMMPA's Board approved rates with no increase for the third year. SMMPA continues to be a significant operating expense at approximately \$88 million or about 68% of our operating costs;
- Lack of demand and low prices in MISO market has made the Silver Lake Plant uncompetitive. RPU is projecting few wholesale sales from this facility in 2013;
- Achieving our energy conservation goals through continued work with residential and commercial customers; and
- Continuing our participation in the CAPX 2020 initiative to expand the electric transmission grid to ensure reliable and affordable service.

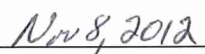
A hard copy of the budget detail has previously been provided to the Board, and public notice of the rate recommendation was provided.

UTILITY BOARD ACTION REQUESTED:

Management recommends the Board approve and recommend that the City Council approve the 2013 RPU electric and water budgets.



General Manager



Date

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2013 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Cost center budgets maintained at 2011 actual level with minimal adjustment for commitments made
- Interest Earnings Rate: 1.5%
- Average Salary Expense Change: 3.4%
(consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 0
- SMMPA Wholesale Power Cost: 0.0% increase
- SMMPA CROD Level: 216 MW
- Cash Reserve Requirements: Policy amount \$32,200,000

RETAIL REVENUES / SALES

- Revenue Adjustment: 0% Proposed
- Electric KWH Sales Forecast: 0.7 % Decrease from 2012 F2 Year End Projected Sales
- Total Electric Utility Customers: 0.5% Increase over Year End 2012 F2 Projected Customers
- Forecast Assumes Normal Weather : 495 Cooling Degree Days

WHOLESALE REVENUES / SALES & EXPENSES

- Wholesale Revenue Forecasts
 - o Silver Lake Plant \$1,876,605
 - o Cascade Creek Gas Turbines \$770,604
 - o Steam Generation \$5,252,452
 - Total \$7,899,661 (16.6% decrease from Y/E 2012 F2 Projected Revenue)
- Estimated Cost of Fuel 2013 \$3.749 / mmBtu
- Budgeted Cost of Fuel 2012 F2 \$4.517 / mmBtu

OTHER ITEMS

- In Lieu of Tax forecast decreasing \$175,400

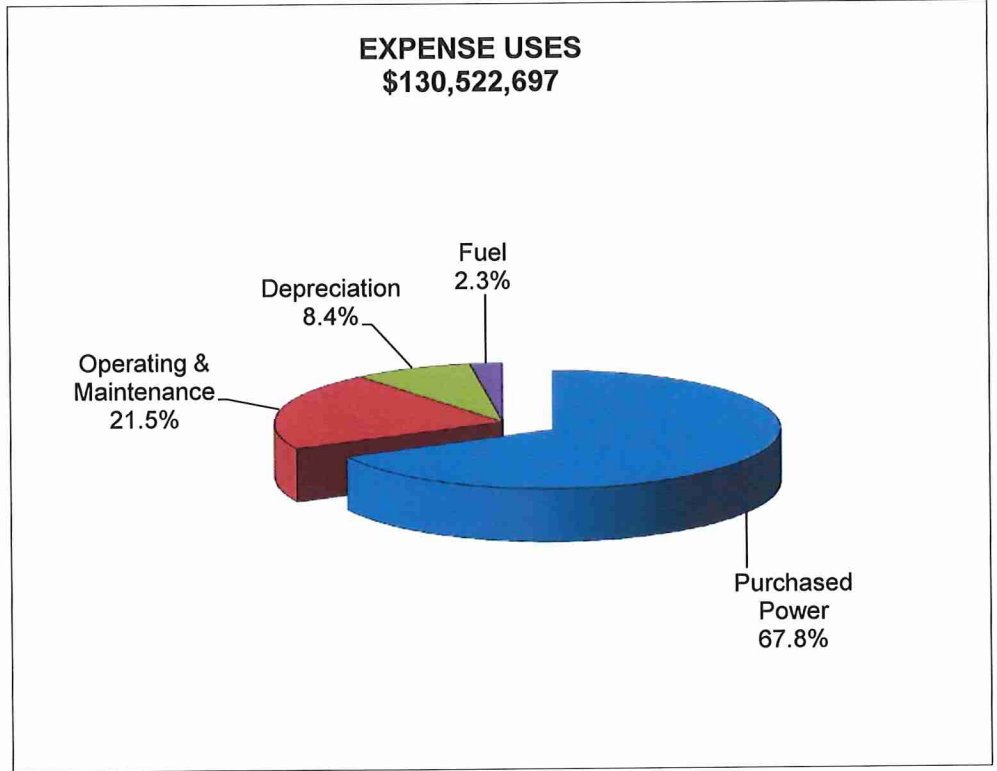
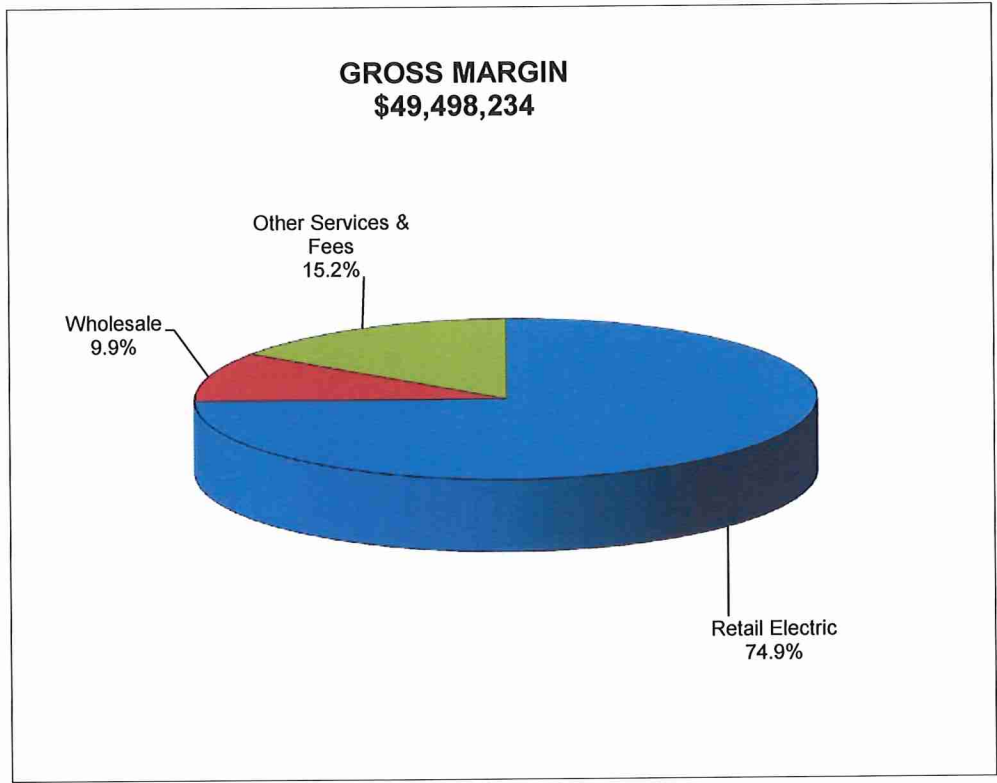
**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

	Historical Data		2012 F2	2013	2014	2015
	2010	2011				
in 000's						
RPU Rate Increase	0.0%	0.0%	0.0%	0.0%	3.5%	3.5%
Revenue						
Retail Electric	\$125,238	\$127,439	\$127,165	\$125,587	\$130,856	\$136,174
Wholesale Electric	\$5,377	\$2,666	\$3,916	\$2,647	\$2,590	\$2,466
Wholesale Steam	\$5,555	\$5,512	\$5,560	\$5,252	\$5,710	\$5,575
Other Services & Fees	\$6,598	\$6,795	\$7,003	\$7,537	\$7,886	\$8,098
Total Revenue	\$142,768	\$142,413	\$143,644	\$141,024	\$147,041	\$152,313
Cost of Revenue						
SMMPA Rate Increase	4.0%	0.0%	0.0%	0.0%	0.0%	2.0%
Power Supply	\$88,158	\$87,916	\$88,595	\$88,539	\$90,709	\$93,388
Generation Fuel	\$5,517	\$4,008	\$4,096	\$2,987	\$2,270	\$2,732
Total Cost of Revenue	\$93,674	\$91,923	\$92,691	\$91,526	\$92,979	\$96,120
Gross Margin						
Retail Electric	\$37,081	\$39,524	\$38,570	\$37,048	\$40,147	\$42,786
Wholesale	\$5,415	\$4,171	\$5,380	\$4,913	\$6,030	\$5,309
Other Services & Fees	\$6,598	\$6,795	\$7,003	\$7,537	\$7,886	\$8,098
TOTAL GROSS MARGIN	\$49,094	\$50,490	\$50,953	\$49,498	\$54,062	\$56,194
Controllable Costs						
Salaries & Benefits	\$18,379	\$18,099	\$18,696	\$19,659	\$20,316	\$20,916
Other Operating Expenses	\$9,807	\$9,217	\$9,504	\$11,666	\$11,910	\$12,189
Major Maintenance	\$1,871	\$1,121	\$1,390	\$1,050	\$2,803	\$2,130
Non-Bonded Capital Projects	\$5,517	\$6,840	\$9,416	\$5,177	\$7,441	\$9,623
TOTAL CONTROLLABLE COSTS	\$35,574	\$35,277	\$39,006	\$37,553	\$42,469	\$44,858
Depreciation & Amortization	\$9,055	\$10,657	\$10,758	\$10,950	\$11,016	\$11,480
Less Non Bonded Projects (capitalized)	(\$5,517)	(\$6,840)	(\$9,416)	(\$5,177)	(\$7,441)	(\$9,623)
Less Total Internal Costs (capitalized)	(\$3,477)	(\$4,010)	(\$3,342)	(\$2,719)	(\$1,915)	(\$1,877)
Interutility Allocation	(\$1,409)	(\$1,577)	(\$1,448)	(\$1,610)	(\$1,642)	(\$1,675)
Total Operating Expenses	\$34,227	\$33,507	\$35,558	\$38,997	\$42,487	\$43,162
Net Operating Income (Loss)	\$14,867	\$16,983	\$15,395	\$10,501	\$11,575	\$13,031
Financing & Other Non-Operating Items:						
Bond & Interest Related Expenses	(\$4,235)	(\$3,903)	(\$3,777)	(\$3,759)	(\$3,758)	(\$4,674)
Interest Income	\$803	\$520	\$620	\$676	\$724	\$758
Misc Non-Operating Income (Expense)	(\$363)	(\$347)	(\$106)	(\$189)	(\$193)	(\$197)
Total Financing & Non-Operating Items	(\$3,795)	(\$3,730)	(\$3,263)	(\$3,272)	(\$3,227)	(\$4,113)
Income Before Transfers or Capital Contributions	\$11,072	\$13,254	\$12,132	\$7,230	\$8,348	\$8,918
Transfers (In Lieu of Taxes)	(\$8,403)	(\$8,378)	(\$8,465)	(\$8,290)	(\$8,520)	(\$8,759)
Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0
NET INCOME	\$2,670	\$4,875	\$3,666	(\$1,060)	(\$172)	\$159
1/01 Cash Balance	\$ 42,314	\$ 42,521	\$ 39,586	\$ 41,091	\$ 41,270	\$ 41,270
Change in Net Assets		4,875	3,666	(1,060)	(172)	159
Depreciation & Amortization		10,657	10,758	10,950	11,016	11,480
Capital Additions/Service Territory Comp		(10,851)	(12,758)	(24,001)	(21,656)	(26,001)
Bond Principal Payments		(3,820)	(4,025)	(8,000)	(3,595)	(36,070)
Bond Proceeds		-	-	20,700	12,300	50,800
Net Change in Other Assets/Liabilities		(655)	(576)	2,916	2,285	(3,300)
Net Changes in Cash		207	(2,935)	1,505	178	(2,931)
11/31 Cash Balance	\$ 42,521	\$ 39,586	\$ 41,091	\$ 41,270	\$ 38,338	\$ 33,900
Reserve Target	\$ 42,215	\$ 31,800	\$ 32,200	\$ 33,400	\$ 33,900	\$ 33,900
Excess (Deficit) from Target	\$ 306	\$ 7,786	\$ 8,891	\$ 7,870	\$ 4,438	\$ 4,438
Cash Balance as % of Reserve Target			124.5%	127.6%	123.6%	113.1%
Debt Service Coverage Ratio		3.6	3.4	3.1	3.2	3.3

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

	Historical Data		2012		Variance		%	
	2010	2011	Orig Bdgt	2012 F2	2013	2012 Orig		Variance
5	in 000's							
6	Revenue							
7	Retail Electric	\$125,238	\$127,439	\$128,588	\$127,165	\$125,587	(\$3,001)	-2.3%
8	Wholesale Electric	\$5,377	\$2,666	\$2,658	\$3,916	\$2,647	(\$11)	-0.4%
9	Wholesale Steam	\$5,555	\$5,512	\$5,200	\$5,560	\$5,252	\$53	1.0%
10	Other Services & Fees	\$6,598	\$6,795	\$6,042	\$7,003	\$7,537	\$1,495	24.7%
11	Total Revenue	\$142,768	\$142,413	\$142,488	\$143,644	\$141,024	(\$1,464)	-1.0%
12	Cost of Revenue							
13	Power Supply	\$88,158	\$87,916	\$89,346	\$88,595	\$88,539	(\$807)	-0.9%
14	Generation Fuel	\$5,517	\$4,008	\$3,133	\$4,096	\$2,987	(\$147)	-4.7%
15	Total Cost of Revenue	\$93,674	\$91,923	\$92,480	\$92,691	\$91,526	(\$954)	-1.0%
16	Gross Margin							
17	Retail Electric	\$37,081	\$39,524	\$39,241	\$38,570	\$37,048	(\$2,193)	-5.6%
18	Wholesale	\$5,415	\$4,171	\$4,724	\$5,380	\$4,913	\$189	4.0%
19	Other Services & Fees	\$6,598	\$6,795	\$6,042	\$7,003	\$7,537	\$1,495	24.7%
20	TOTAL GROSS MARGIN	\$49,094	\$50,490	\$50,008	\$50,953	\$49,498	(\$510)	-1.0%
21	Controllable Costs							
22	Salaries & Benefits	\$18,379	\$18,099	\$19,135	\$18,696	\$19,659	\$524	2.7%
23	Other Operating Expenses	\$9,807	\$9,217	\$12,291	\$9,504	\$11,666	(\$625)	-5.1%
24	Major Maintenance	\$1,871	\$1,121	\$1,874	\$1,390	\$1,050	(\$824)	-43.9%
25	Non-Bonded Capital Projects	\$5,517	\$6,840	\$9,597	\$9,416	\$5,177	(\$4,421)	-46.1%
26	TOTAL CONTROLLABLE COSTS	\$35,574	\$35,277	\$42,898	\$39,006	\$37,553	(\$5,345)	-12.5%
27	Depreciation & Amortization	\$9,055	\$10,657	\$10,610	\$10,758	\$10,950	\$340	3.2%
28	Less Non Bonded Projects (capitalized)	(\$5,517)	(\$6,840)	(\$9,597)	(\$9,416)	(\$5,177)	\$4,421	-46.1%
29	Less Total Internal Costs (capitalized)	(\$3,477)	(\$4,010)	(\$2,861)	(\$3,342)	(\$2,719)	\$142	-5.0%
30	Interutility Allocation	(\$1,409)	(\$1,577)	(\$1,472)	(\$1,448)	(\$1,610)	(\$138)	9.4%
31	Total Operating Expenses	\$34,227	\$33,507	\$39,577	\$35,558	\$38,997	(\$580)	-1.5%
32	Net Operating Income (Loss)	\$14,867	\$16,983	\$10,431	\$15,395	\$10,501	\$71	0.7%
33	Financing & Other Non-Operating Items:							
34	Bond & Interest Related Expenses	(\$4,235)	(\$3,903)	(\$3,908)	(\$3,777)	(\$3,759)	\$149	-3.8%
35	Interest Income	\$803	\$520	\$605	\$620	\$676	\$72	11.8%
36	Misc Non-Operating Income (Expense)	(\$363)	(\$347)	(\$176)	(\$106)	(\$189)	(\$13)	7.5%
37	Total Financing & Non-Operating Items	(\$3,795)	(\$3,730)	(\$3,479)	(\$3,263)	(\$3,272)	\$207	-6.0%
38	Income Before Transfers or Capital Contributions	\$11,072	\$13,254	\$6,952	\$12,132	\$7,230	\$278	4.0%
39	Transfers (In Lieu of Taxes)	(\$8,403)	(\$8,378)	(\$8,306)	(\$8,465)	(\$8,290)	\$15	-0.2%
40	Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
41	NET INCOME	\$2,670	\$4,875	(\$1,354)	\$3,666	(\$1,060)	\$293	-21.7%
42	1/01 Cash Balance		\$ 42,314	\$ 40,284	\$ 42,521	\$ 39,586	\$ (698)	-1.7%
43	Change in Net Assets		4,875	(1,354)	3,666	(1,060)	293	-21.7%
44	Depreciation & Amortization		10,657	10,610	10,758	10,950	340	3.2%
45	Capital Additions/Service Territory Comp		(10,851)	(12,458)	(12,758)	(24,001)	(11,542)	92.6%
46	Bond Principal Payments		(3,820)	(4,025)	(4,025)	(8,000)	(3,975)	98.8%
47	Bond Proceeds		-	-	-	20,700	20,700	0.0%
48	Net Change in Other Assets/Liabilities		(655)	1,021	(576)	2,916	1,895	185.6%
49	Net Changes in Cash		207	(6,206)	(2,935)	1,505	7,711	-124.3%
50	12/31 Cash Balance		\$ 42,521	\$ 34,078	\$ 39,586	\$ 41,091	\$ 7,013	20.6%
51	Reserve Target		\$ 42,215	\$ 31,800	\$ 31,800	\$ 32,200	\$ 400	1.3%
52	Excess (Deficit) from Target		\$ 306	\$ 2,278	\$ 7,786	\$ 8,891	\$ 6,613	290.3%
53	Cash Balance as % of Reserve Target				124.5%	127.6%		

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2013 OPERATING BUDGET**



**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2013 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Interest Earnings Rate: 1.5%
- Average Salary Expense Change: 2.7%
(consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 0
- Cash Reserve Requirements: Policy Amount \$4,457,000
(includes \$2.1M for Capital Project - Water Reservoir,
per Jan., 2011 Board Action)

RETAIL REVENUES / SALES

- Revenue Adjustment: 0.0%
- Water CCF Sales Forecast: 5.4% Decrease from 2012 Projected Sales
- Total Water Utility Customers: 1.0% Increase over Y/E 2012 Projected Customers
- Forecast Assumes Normal Weather : 495 Cooling Degree Days,
24.7 Inches Summer Rainfall

OTHER ITEMS

- In Lieu of Tax forecast decreasing \$17,300, driven by a projected decrease in ccf sales.
- RPU water projects are greatly dependent on the plans of the City Public Works Department and developers.
- Developer-installed subdivision water infrastructure assets and City-installed water towers are contributed to RPU at no cost. RPU records depreciation expense on these assets and is responsible for ongoing maintenance and replacement costs.

ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L

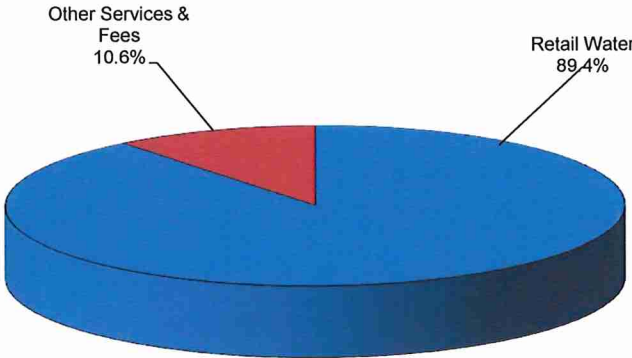
	Historical Data		2012 F2						
	2010	2011		2013	2014	2015	2016	2017	
in 000's									
RPU Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue									
Retail Water	\$7,388	\$7,581	\$7,734	\$7,510	\$7,530	\$7,576	\$7,621	\$7,667	
Other Services & Fees	\$744	\$740	\$716	\$688	\$700	\$713	\$725	\$738	
Total Revenue	\$8,133	\$8,321	\$8,449	\$8,198	\$8,230	\$8,289	\$8,346	\$8,405	
Cost of Revenue									
Water Supply	\$1,637	\$1,657	\$1,631	\$1,717	\$1,814	\$1,828	\$1,842	\$1,871	
Total Cost of Revenue	\$1,637	\$1,657	\$1,631	\$1,717	\$1,814	\$1,828	\$1,842	\$1,871	
Gross Margin									
Retail Water	\$5,751	\$5,924	\$6,103	\$5,793	\$5,716	\$5,748	\$5,779	\$5,795	
Other Services & Fees	\$744	\$740	\$716	\$688	\$700	\$713	\$725	\$738	
TOTAL GROSS MARGIN	\$6,496	\$6,664	\$6,819	\$6,481	\$6,416	\$6,460	\$6,504	\$6,533	
Controllable Costs									
Salaries & Benefits	\$1,828	\$1,943	\$2,036	\$2,165	\$2,233	\$2,289	\$2,325	\$2,363	
Other Operating Expenses	\$524	\$726	\$600	\$627	\$661	\$674	\$709	\$707	
Major Maintenance	\$163	\$213	\$187	\$257	\$258	\$295	\$446	\$284	
Non-Bonded Capital Projects	\$1,590	\$1,941	\$1,675	\$2,581	\$3,151	\$2,157	\$1,467	\$1,667	
TOTAL CONTROLLABLE COSTS	\$4,105	\$4,824	\$4,497	\$5,630	\$6,304	\$5,414	\$4,948	\$5,020	
Depreciation & Amortization	\$2,178	\$2,240	\$2,637	\$2,694	\$2,371	\$2,414	\$2,456	\$2,502	
Less Non Bonded Projects (capitalized)	(\$1,590)	(\$1,941)	(\$1,675)	(\$2,581)	(\$3,151)	(\$2,157)	(\$1,467)	(\$1,667)	
Less Total Internal Costs (capitalized)	(\$468)	(\$273)	(\$312)	(\$334)	(\$344)	(\$361)	(\$275)	(\$310)	
Interutility Allocation	\$1,409	\$1,577	\$1,448	\$1,610	\$1,642	\$1,675	\$1,709	\$1,743	
Total Operating Expenses	\$5,634	\$6,426	\$6,596	\$7,020	\$6,822	\$6,985	\$7,371	\$7,288	
Net Operating Income (Loss)	\$862	\$238	\$223	(\$539)	(\$406)	(\$524)	(\$867)	(\$755)	
Financing & Other Non-Operating Items:									
Bond & Interest Related Expenses	(\$24)	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	
Interest Income	\$160	\$119	\$102	\$99	\$78	\$58	\$48	\$40	
Misc Non-Operating Income (Expense)	(\$72)	(\$40)	(\$1)	\$0	\$0	\$0	\$0	\$0	
Total Financing & Non-Operating Items	\$64	\$79	\$101	\$99	\$78	\$58	\$48	\$40	
Income Before Transfers or Capital Contributions	\$926	\$317	\$324	(\$440)	(\$328)	(\$467)	(\$819)	(\$714)	
Transfers (In Lieu of Taxes)	(\$343)	(\$356)	(\$363)	(\$346)	(\$345)	(\$346)	(\$347)	(\$348)	
Capital Contributions	\$2,910	\$1,263	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	
NET INCOME	\$3,493	\$1,224	\$1,061	\$314	\$428	\$287	(\$66)	\$38	
1/01 Cash Balance	\$ 6,921	\$ 6,536	\$ 7,148	\$ 6,142	\$ 4,345	\$ 3,428	\$ 2,976	\$ 2,439	
Change in Net Assets		1,224	1,061	314	428	287	(66)	38	
Depreciation & Amortization		2,240	2,637	2,694	2,371	2,414	2,456	2,502	
Capital Additions/Service Territory Comp		(2,214)	(1,987)	(2,915)	(3,495)	(2,519)	(1,742)	(1,977)	
Non-Cash Contributions		(1,263)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	
Debt Principal Payments		-	-	-	-	-	-	-	
Debt Proceeds		-	-	-	-	-	-	-	
Net Change in Other Assets/Liabilities		(372)	-	-	-	-	-	-	
Net Changes in Cash	(385)	611	(1,006)	(1,796)	(917)	(452)	(537)	(1,000)	
12/31 Cash Balance	\$ 6,536	\$ 7,148	\$ 6,142	\$ 4,345	\$ 3,428	\$ 2,976	\$ 2,439	\$ 1,439	
Reserve Policy	\$ 4,581	\$ 4,244	\$ 4,457	\$ 4,444	\$ 2,450	\$ 2,546	\$ 2,509	\$ 2,509	
Excess (Deficit) from Policy	\$ 1,955	\$ 2,903	\$ 1,685	\$ (99)	\$ 978	\$ 430	\$ (71)	\$ (71)	
Cash Balance as % of Reserve Policy		168.4%	137.8%	97.8%	139.9%	116.9%	97.2%	97.2%	

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L**

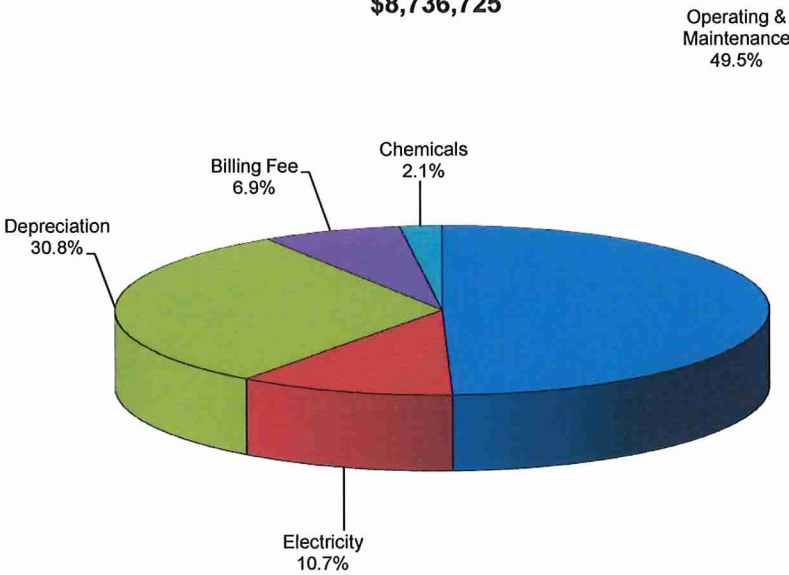
	Historical Data		2012		Variance %			
	2010	2011	Orig Bdgt	2012 F2	2013	2012 Orig	Variance	
5	in 000's							
6	Revenue							
7	Retail Water	\$7,388	\$7,581	\$7,271	\$7,734	\$7,510	\$239	3.3%
8	Other Services & Fees	\$744	\$740	\$704	\$716	\$688	(\$16)	-2.3%
9	Total Revenue	\$8,133	\$8,321	\$7,975	\$8,449	\$8,198	\$223	2.8%
10	Cost of Revenue							
11	Water Supply	\$1,637	\$1,657	\$1,576	\$1,631	\$1,717	\$141	8.9%
12	Total Cost of Revenue	\$1,637	\$1,657	\$1,576	\$1,631	\$1,717	\$141	8.9%
13	Gross Margin							
14	Retail Water	\$5,751	\$5,924	\$5,695	\$6,103	\$5,793	\$98	1.7%
15	Other Services & Fees	\$744	\$740	\$704	\$716	\$688	(\$16)	-2.3%
16	TOTAL GROSS MARGIN	\$6,496	\$6,664	\$6,399	\$6,819	\$6,481	\$82	1.3%
17	Controllable Costs							
18	Salaries & Benefits	\$1,828	\$1,943	\$2,074	\$2,036	\$2,165	\$91	4.4%
19	Other Operating Expenses	\$524	\$726	\$643	\$600	\$627	(\$15)	-2.3%
20	Major Maintenance	\$163	\$213	\$236	\$187	\$257	\$21	8.9%
21	Non-Bonded Capital Projects	\$1,590	\$1,941	\$1,723	\$1,675	\$2,581	\$857	49.8%
22	TOTAL CONTROLLABLE COSTS	\$4,105	\$4,824	\$4,676	\$4,497	\$5,630	\$955	20.4%
23	Depreciation & Amortization	\$2,178	\$2,240	\$2,304	\$2,637	\$2,694	\$390	16.9%
24	Less Non Bonded Projects (capitalized)	(\$1,590)	(\$1,941)	(\$1,723)	(\$1,675)	(\$2,581)	(\$857)	49.8%
25	Less Total Internal Costs (capitalized)	(\$468)	(\$273)	(\$343)	(\$312)	(\$334)	\$9	-2.7%
26	Interutility Allocation	\$1,409	\$1,577	\$1,472	\$1,448	\$1,610	\$138	9.4%
27	Total Operating Expenses	\$5,634	\$6,426	\$6,385	\$6,596	\$7,020	\$634	9.9%
28	Net Operating Income (Loss)	\$862	\$238	\$14	\$223	(\$539)	(\$553)	-3931.7%
29	Financing & Other Non-Operating Items:							
30	Bond & Interest Related Expenses	(\$24)	(\$0)	\$0	(\$0)	\$0	\$0	0.0%
31	Interest Income	\$160	\$119	\$199	\$102	\$99	(\$100)	-50.4%
32	Misc Non-Operating Income (Expense)	(\$72)	(\$40)	\$0	(\$1)	\$0	\$0	0.0%
33	Total Financing & Non-Operating Items	\$64	\$79	\$199	\$101	\$99	(\$100)	-50.4%
34	Income Before Transfers or Capital Contributions	\$926	\$317	\$213	\$324	(\$440)	(\$653)	-306.2%
35	Transfers (In Lieu of Taxes)	(\$343)	(\$356)	(\$328)	(\$363)	(\$346)	(\$17)	5.3%
36	Capital Contributions	\$2,910	\$1,263	\$1,100	\$1,100	\$1,100	\$0	0.0%
37	NET INCOME	\$3,493	\$1,224	\$985	\$1,061	\$314	(\$670)	-68.1%
38	1/01 Cash Balance	\$ 6,921	\$ 6,921	\$ 6,681	\$ 6,536	\$ 7,148	\$467	7.0%
39	Change in Net Assets		1,224	985	1,061	314	(670)	-68.1%
40	Depreciation & Amortization		2,240	2,304	2,637	2,694	390	16.9%
41	Capital Additions/Service Territory Comp		(2,214)	(2,066)	(1,987)	(2,915)	(848)	41.1%
42	Non-Cash Contributions		(1,263)	(1,100)	(1,100)	(1,100)	-	0.0%
43	Debt Principal Payments		-	-	-	-	-	0.0%
44	Debt Proceeds		-	-	-	-	-	0.0%
45	Net Change in Other Assets/Liabilities		(372)	-	-	-	-	0.0%
46	Net Changes in Cash		(385)	123	611	(1,006)	(1,129)	-920.3%
47	12/31 Cash Balance	\$ 6,536	\$ 6,536	\$ 6,804	\$ 7,148	\$ 6,142	(\$662)	-9.7%
48	Reserve Policy	\$ 4,581	\$ 4,581	\$ 4,244	\$ 4,244	\$ 4,457	\$ 212	5.0%
49	Excess (Deficit) from Policy	\$ 1,955	\$ 1,955	\$ 2,559	\$ 2,903	\$ 1,685	(\$875)	-34.2%
50	Cash Balance as % of Reserve Policy			160.3%	168.4%	137.8%		

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2013 OPERATING BUDGET**

**GROSS MARGIN
\$6,480,995**



**EXPENSE USES
\$8,736,725**





RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve the 2013 electric and water capital and operating budgets.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 13th day of November, 2012.

President

Secretary