

FOR BOARD ACTION

Agenda Item # 8

Meeting Date:

10/30/12

SUBJECT:

Preliminary 2013 Electric and Water Budgets

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

The preliminary report of the 2013 electric and water capital and operating budgets will be provided under separate cover. The Board's finance committee reviewed these budgets on October 23rd. Staff will be reviewing the budgets with the full Board at the October meeting. Approval of the budgets by the Board will occur on November 13th. City Council approval will be requested on November 19th.

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

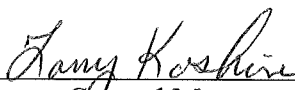
- Continued water conservation programs and education; and
- New reservoir to be constructed in 2013 and 2014.

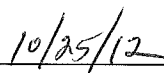
In the electric utility, management is recommending no rate increase for a fourth year. The significant current year business drivers are:

- 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 and RPU is projecting few wholesale sales from this facility in 2013;
- Achieving our energy conservations goals through continued work with residential and commercial customers; and
- Continuing our participation in CAPX 2020 initiative to expand the electric transmission grid to ensure reliable and affordable service.

UTILITY BOARD ACTION REQUESTED:

No action is requested from the Board on the budgets or rates at this time. Approval will be requested at the November 13, 2012 meeting.


General Manager


Date