

FOR BOARD ACTION

Agenda Item # 5.

Meeting Date:

11/27/07

SUBJECT: Preliminary 2008 Electric and Water Budgets

PREPARED BY: Sue Parker, Director of Corporate Services

ITEM DESCRIPTION:

Provided under separate cover is a copy of the preliminary report of the 2008 electric and water capital and operating budgets. A separate presentation of these budgets was given to the Board's finance committee earlier this month. Staff will be reviewing the budgets with the full Board today and bringing them back to the Board in December for final approval.

The budgets are based on electric and water sales forecasts, major maintenance, operating expenses and capital needs in each utility. The budgets reflect the continued growth in the community.

The largest expenditure in the Electric budget is the wholesale power purchased from the Southern Minnesota Municipal Power Agency (SMMPA). The budget reflects a 2.5% increase in the wholesale power costs for 2008. The preliminary budget reflects a recommended revenue adjustment of 4% that would occur in January 2008.

In the water utility, no revenue adjustment is being proposed for 2008. The financing that occurred in the water utility along with prior rate increases has stabilized the cash-flow for the water utility, therefore eliminating the need for a rate increase.

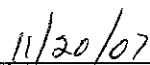
Some of the major items of interest in the budget –

- New residential electric and water service installations are planned for 2008 with an overall increase in energy of 2.9%
- Purchase Power cost increase of \$7 million
- Continued construction of Emission Control Project
- Continue work on the CAPX transmission project

UTILITY BOARD ACTION REQUESTED:

1. Authorize staff to give preliminary notice to the public of the intent to increase electric rates 4% effective on or about January 1, 2008.
2. No action is required on the budget or rates at this time. Approval will be required at the December 13, 2007, meeting.


General Manager


Date