

## FOR BOARD ACTION

Agenda Item # 4

Meeting Date:

11/25/08

**SUBJECT:**

Preliminary 2009 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 2009 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 on Tuesday and bringing them back to the Board on December 11 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, although slowing, growth in the community. Based on discussion with the finance committee, staff has made reductions in the original budget proposal to provide some rate relief to our customers. Staff is recommending a 1% rate increase for the general operations of the electric utility, excluding the wholesale power increase.

Wholesale purchased power is the largest expenditure in the electric budget which is purchased from Southern Minnesota Municipal Power Agency (SMMPA). The budget report reflects a 6% increase in the wholesale power costs for 2009. The impact of the wholesale purchased power increase to our customers is about 4%.

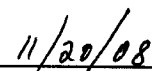
The combined rate increase proposed for both the electric utility operations and wholesale purchased power costs is 5%. One percent is for the operations of the electric utility and four percent for the wholesale purchased power costs from our wholesale provider, SMMPA.

In the water utility, no revenue adjustment is being proposed for 2009. 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.

UTILITY BOARD ACTION REQUESTED:

1. Authorize staff to give preliminary notice to the public of the intent to increase electric rates 5% effective on or about January 1, 2009.
2. No action is required on the budget or rates at this time. Approval will be required at the December 11, 2008, meeting.

  
General Manager

  
Date

**ROCHESTER PUBLIC UTILITIES**