

FOR BOARD ACTION

Agenda Item # 6

Meeting Date:

10/26/10

SUBJECT:

Preliminary 2011 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 2011 electric and water capital and operating budgets. A separate presentation of these budgets was given to the Board's finance committee on October 19th. Staff will be reviewing the budgets with the full Board today. Approval of the budget by the Board will occur on November 9th and forwarded to the City Council on November 15th for approval.

In the water utility, no revenue adjustment is being proposed for 2011. Earlier in the year, the water conservation rates were implemented. Staff is continuing to monitor the impact of the conservation rates on use. The revenues continue to be sufficient to provide the reliable service.

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

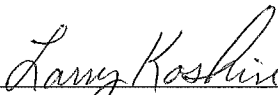
- Commitment to community to have no rate increase during continuing tough economic times;
- Continuing the cost reductions made during 2009 and 2010 into 2011;
- Continuing our strategic initiatives of safety, reliability and fiscal strength;
- Purchased power costs from our wholesale provider, SMMPA, continue to be a significant operating expense at approximately \$90 million or about 68% of our operating costs;
- Lack of demand in MISO market has made it cost prohibitive to sell energy from the Silver Lake Plant this past year, and RPU is projecting limited wholesale sales from this facility in 2011;
- Increasing our energy conservation goals to achieve a 1.5% reduction in KWh sales;
- Continuing our participation in CAPX 2020 initiative to expand the electric transmission grid to ensure reliable and affordable service; and
- Implementing a Smart Grid education and potential pilot program.

FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not Applicable

UTILITY BOARD ACTION REQUESTED:

No action is required on the budget or rates at this time. Approval will be requested at the November 9, 2010 Utility Board meeting.



General Manager

10-21-10
Date