

FOR BOARD ACTION

Agenda Item # 7.

Meeting Date:

11/28/06

SUBJECT: Preliminary 2007 Electric and Water Budgets

PREPARED BY: Curt Kraft, Director of Corporate Services

ITEM DESCRIPTION:

Provided under separate cover is a copy of the preliminary report of the 2007 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 13% increase in the wholesale power costs for 2007. The preliminary budget reflects a recommended revenue adjustment of 8% that would occur in January 2007.

In the water utility, a 5% revenue adjustment is being proposed, also effective January 2007. This adjustment will offset increases in operating and maintenance cost, along with the needed infrastructure additions to serve the City of Rochester, while maintaining the appropriate reserve levels.

Some of the major items of interest in the budget –

- 550 new residential electric and water service installations are planned for 2007
- Overhaul of Cascade Creek Unit #1 exhaust duct at \$ 750,000.
- Recover fixed cost of emission control project through the use of a Clean Air Rider charge.
- Purchase Power cost increase of \$ 9 million.
- Borrowing of \$ 50 million to fund electric capital improvements through 2009.
- Replacement of existing customer software at \$ 2.5 million.

UTILITY BOARD ACTION REQUESTED:

No action required discussion item only.



General Manager



Date

ROCHESTER PUBLIC UTILITIES

- DRAFT -

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE CAR
SHEET 1 OF 1**

CLEAN AIR RIDER

APPLICATION:

Applicable to all residential, commercial and industrial rate schedules.

CONDITIONS OF DELIVERY:

1. The Clean Air Rider will be added to all KWH's used in the above classifications.
2. The Clean Air Rider is calculated on an annual basis and billed monthly to cover the fixed costs of the Emission Control Project (ERP).
3. The Clean Air Rider will be calculated annually by dividing the ERP fixed cost by the KWH's forecast in the above rate classes. The ERP fixed cost may be adjusted by subtracting an amount from the emission credit fund(s). The initial value of the Clean Air Rider is estimated to be \$.00197/KWH.
4. The Clean Air Rider will terminate on final payment of ERP bonds.
5. The Clean Air Rider will commence upon issuance of bonds for the ERP. Scheduled date for implementation is April 1, 2007.

Approved by Rochester Public Utility Board:

Effective Date: