



City of Grand Island

Thursday, August 25, 2011
Special Meeting

Item E1

**Public Hearing on Proposed FY 2011-2012 City Single Budget
(Continued)**

Staff Contact: Mary Lou Brown

CITY OF

Grand Island

NEBRASKA

UTILITIES

2012 BUDGET OVERVIEW






Electric Department – Fund 520



Water Department – Fund 525

Budget Guidelines

- Conservative (low) revenue forecast
 - Weather dependent
 - Ensure debt service coverage
- Conservative (high) operating costs
 - Generation fuel/purchased power
 - Allow potential production capacity
- Maintain adequate cash reserves
- Reduction of controllable operating expenses
- Manage capital expenditures

Cash Reserve Guidelines

-  Working Capital
-  Replacement Power
-  Asset Replacement
-  Capital Improvement Reserve
-  Debt Service Reserve

-  Electric Fund - \$21,000,000
-  Water Fund - \$4,000,000

Operating Expenses

Operating Expenses

Less:

Fuel

Purchased Power

Debt Expense

Depreciation

Equals:

Adjusted Operating Expenses

Adjusted Operating Expenses – 1.75% Reduction

Labor

-  Overtime Management

-  Vacancies

Materials

-  Asset Repair/Replacement

-  Discretionary

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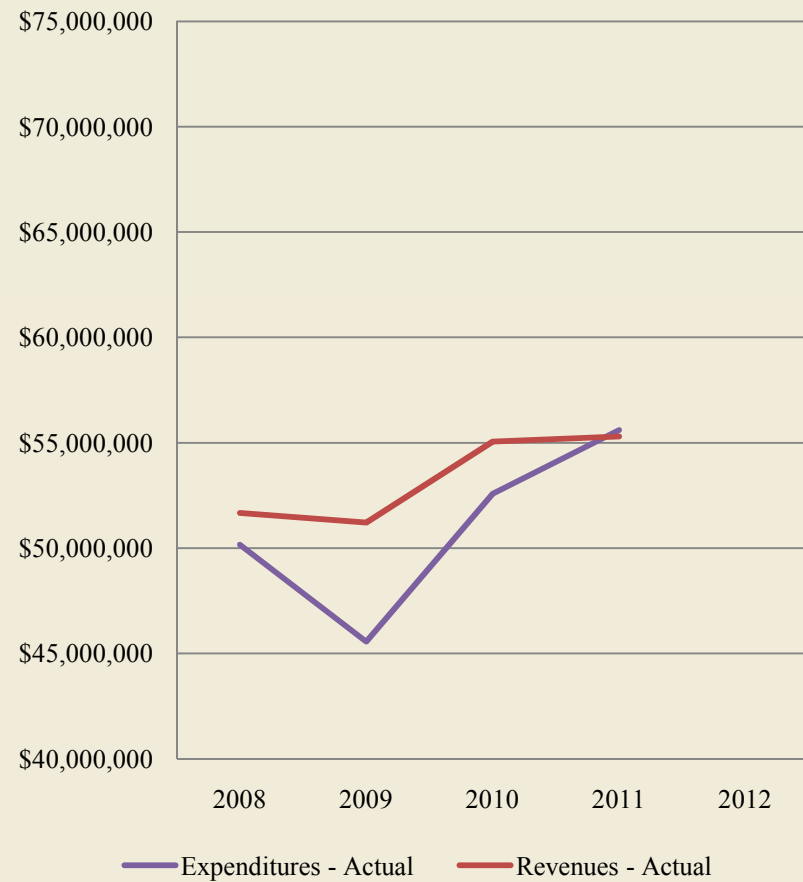
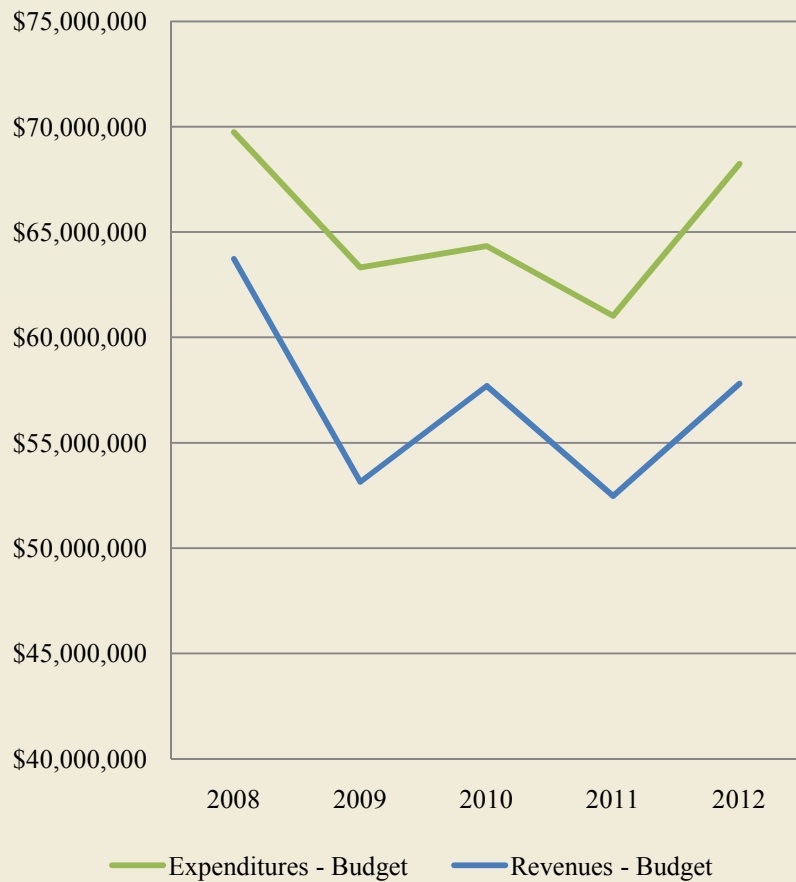
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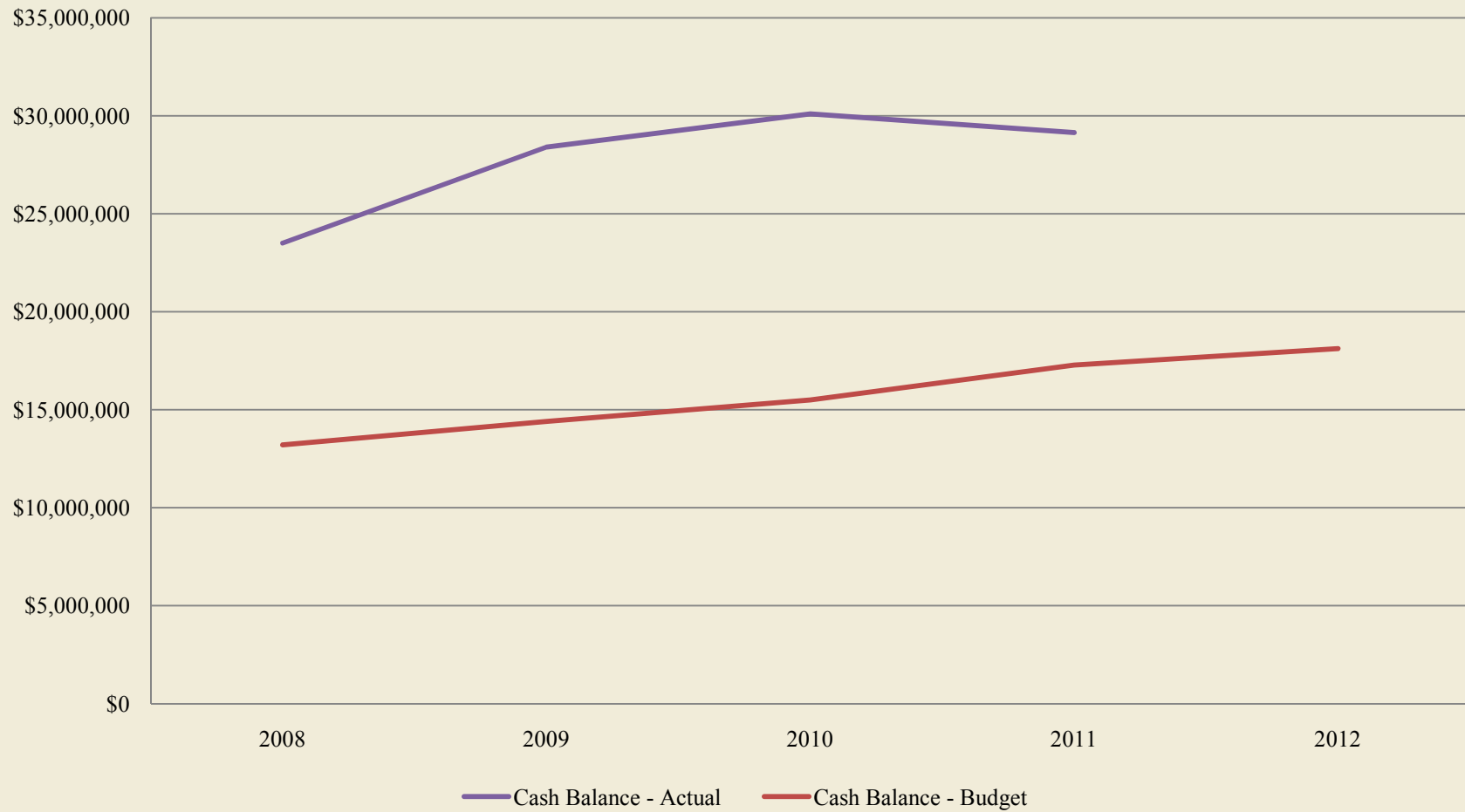
UTILITIES

**ELECTRIC DEPARTMENT
FUND 520**

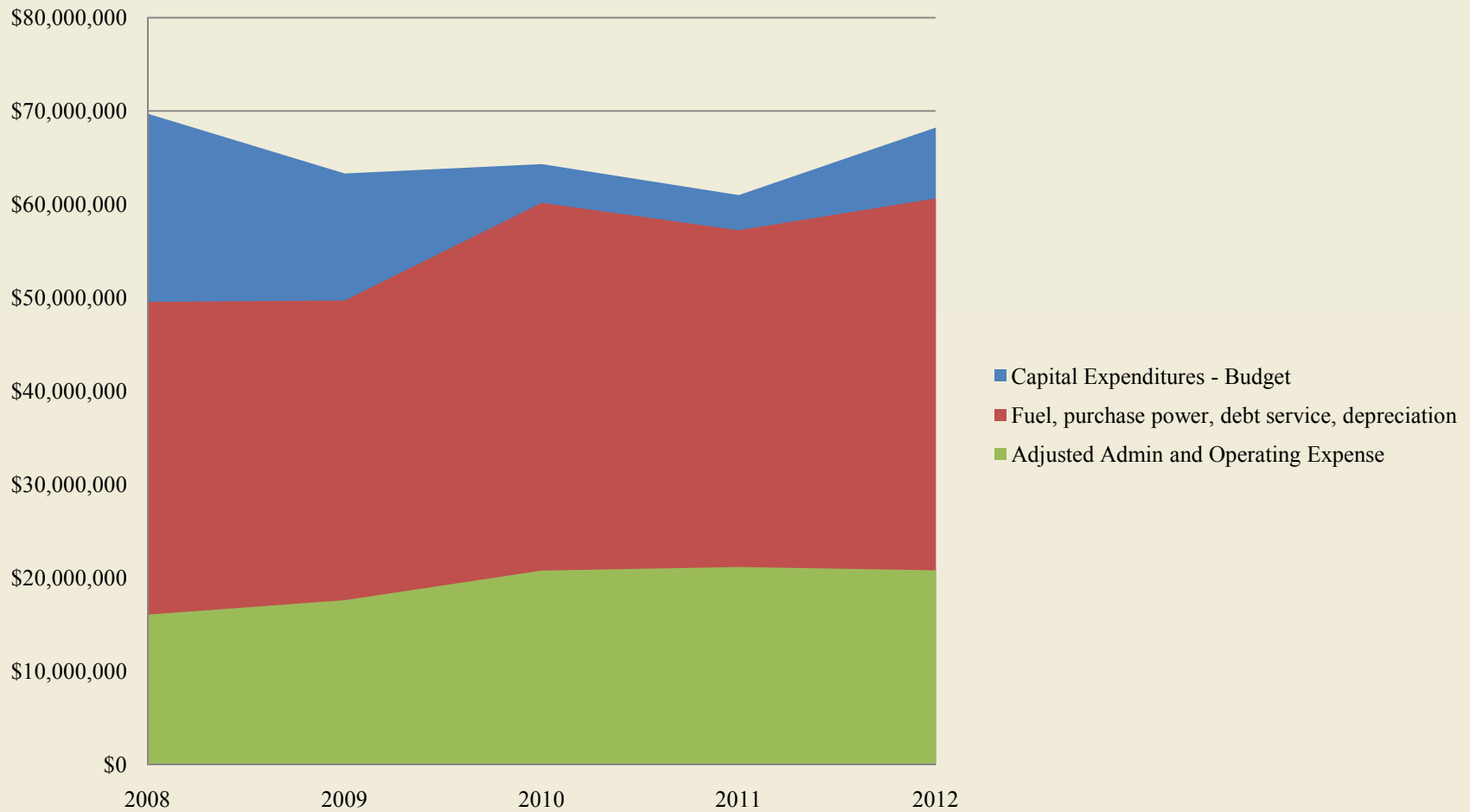
Electric Department – Fund 520



Electric Department - Fund 520



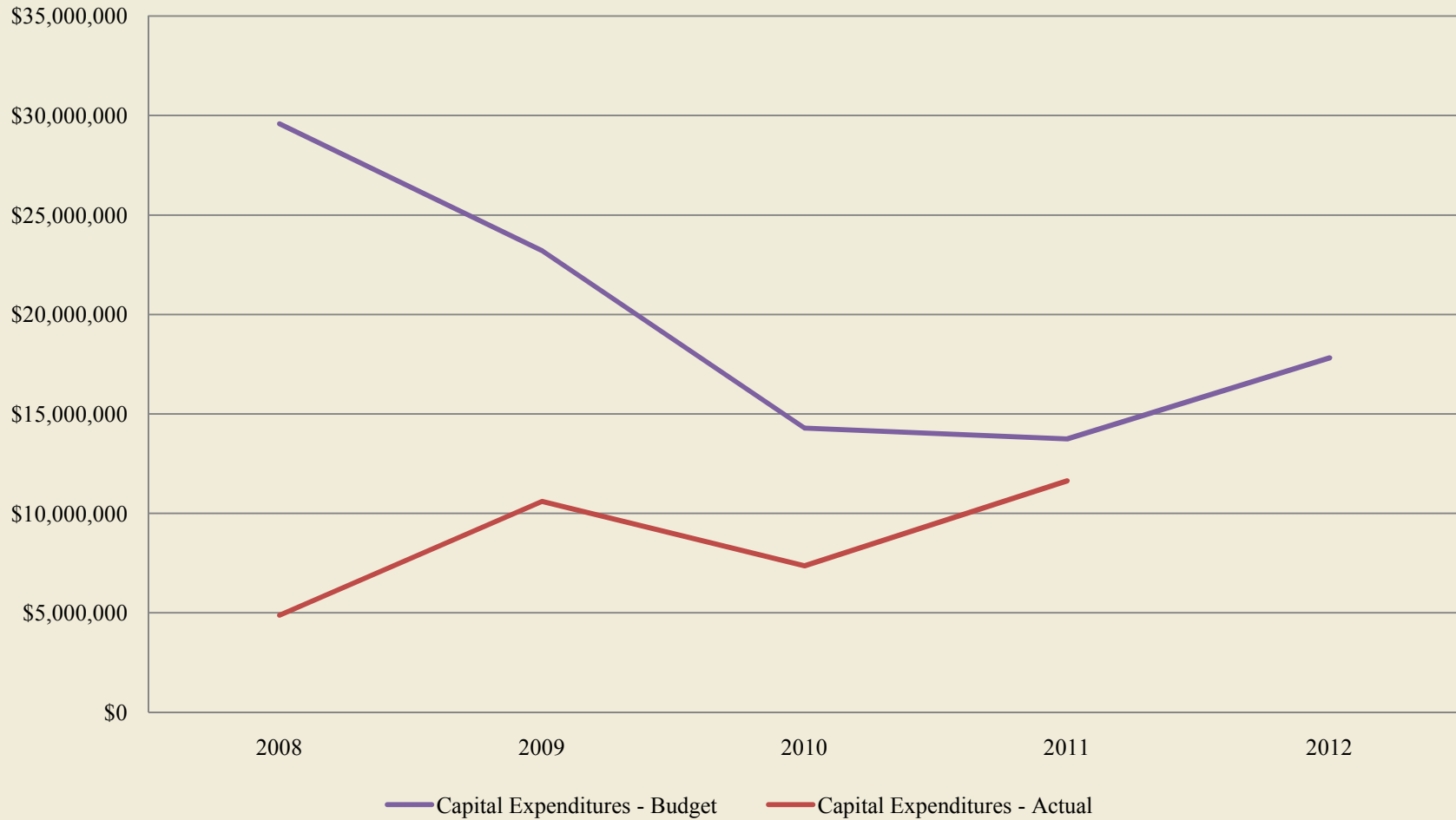
Electric Department - Fund 520



 Adjusted Admin & Operating - Electric

 2010 - Actual	\$	19,332,978
 2011 - Projected	\$	20,305,277
 2012 - Budget	\$	20,812,855

Electric Department - Fund 520



Electric Capital Improvements

- 🇺🇸 Total Capital Budget - \$17,800,000
 - 🇺🇸 St. Libory 115,000 volt interconnection - \$7,000,000
 - 🇺🇸 Bond payments - \$4,800,000
 - 🇺🇸 Distribution materials - \$2,600,000
 - 🇺🇸 Power Plant Maintenance Outage/Improvements
 - 🇺🇸 Substation Improvements
 - 🇺🇸 BNSF track widening

Cross State Air Pollution Rule

- Final Rule signed on July 6, 2011
- Effective January 1, 2012
- PGS NO_x reduction of 44%
- PGS SO₂ reduction of 21%





Cross State Air Pollution Rule

- PGS limit of 360,000 megawatt-hours
- City demand of 790,000 megawatt-hours

- Demand Strategy
 - Maximize Nebraska City 2 and Whelan 2 import
 - Operate Burdick Station units on natural gas
 - Install emission control equipment on PGS
 - Monitor other power purchase options

Cross State Air Pollution Rule

Monetary Impact

-  \$4 million capital expense for PGS
-  Additional \$1.3 million fuel cost for Burdick
-  Absorbed through cash reserves
-  Request budget modification

Mercury and Air Toxics Standards

- Original Mercury Rule vacated in 2008
- Final Rule November 2011
- Three year compliance window

- Capital cost estimate \$35 million
- Additional operating costs

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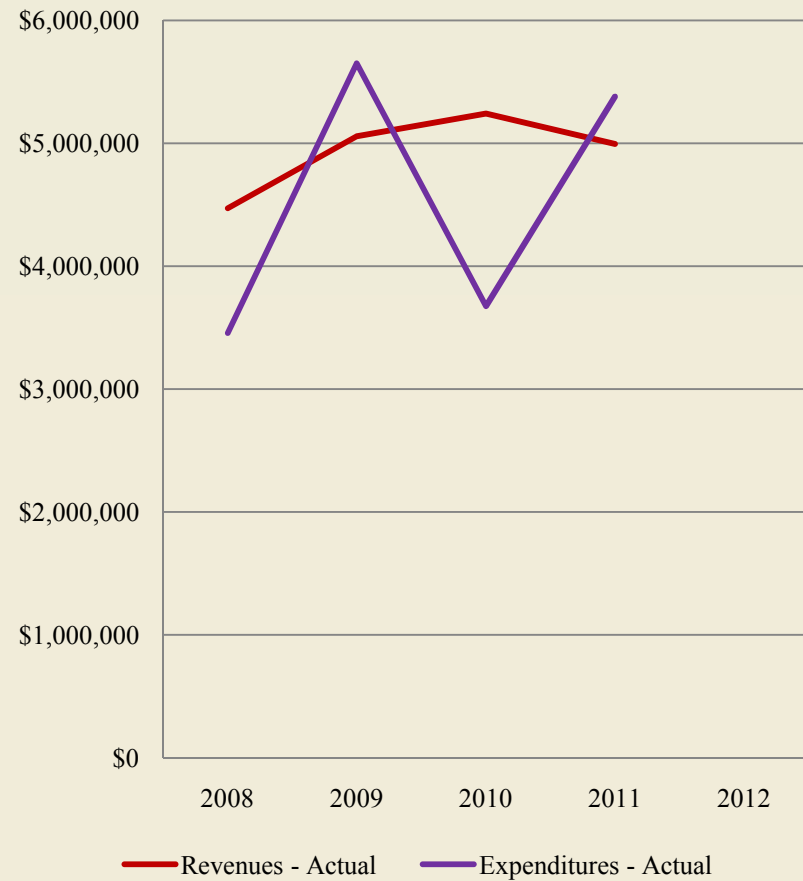
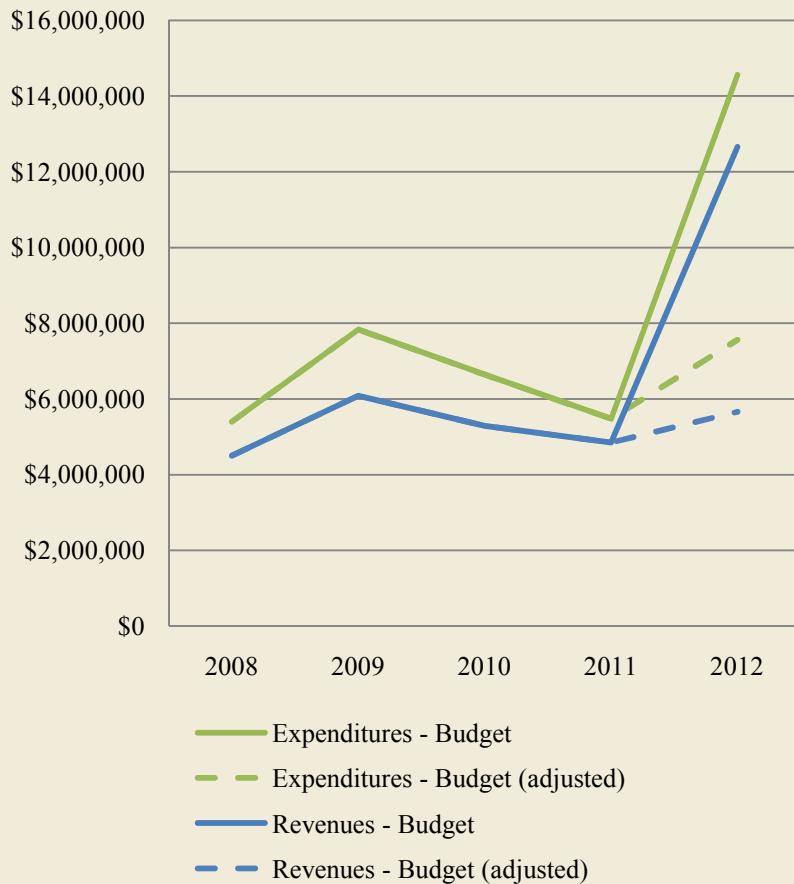
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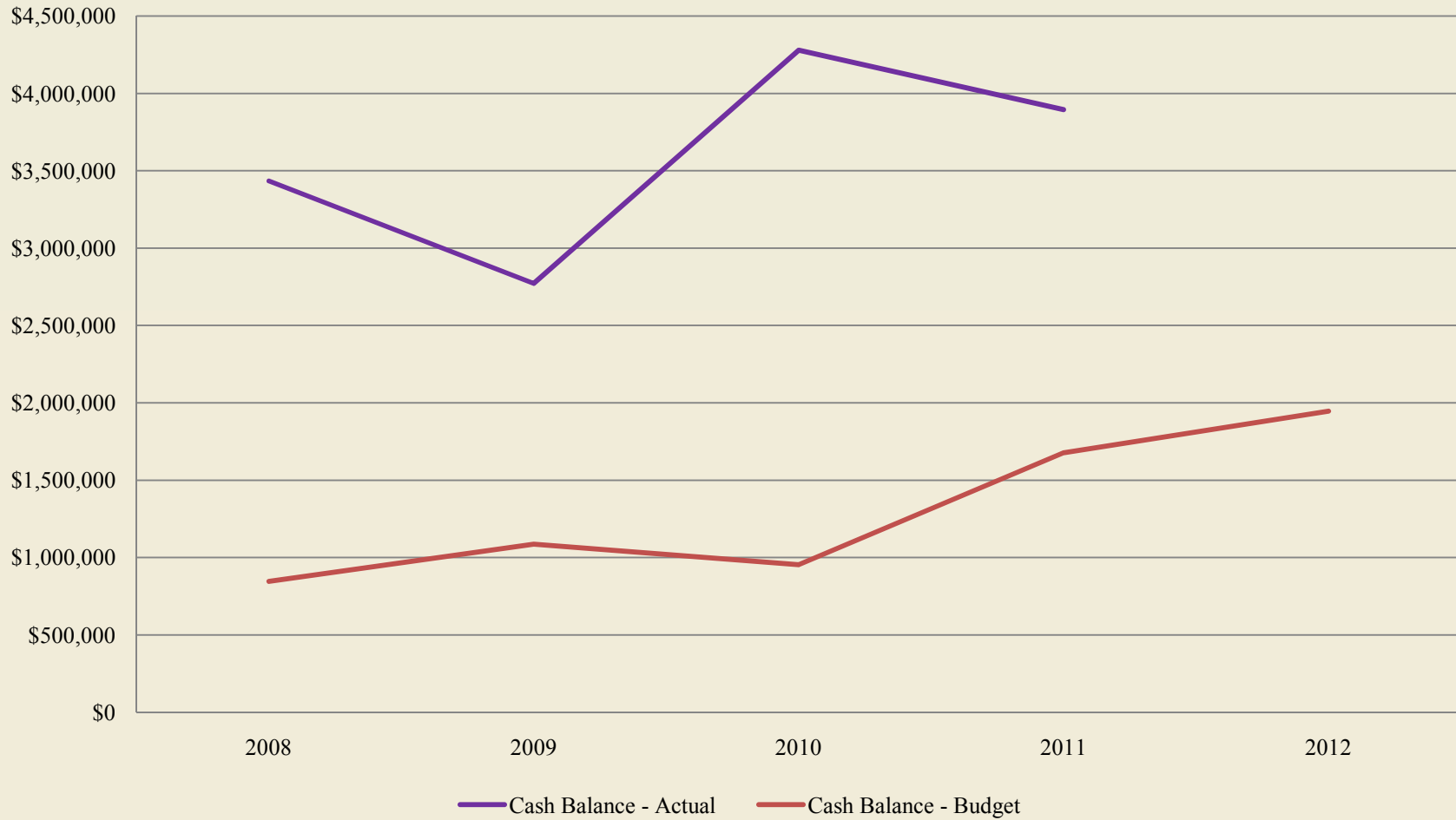
UTILITIES

**WATER DEPARTMENT
FUND 525**

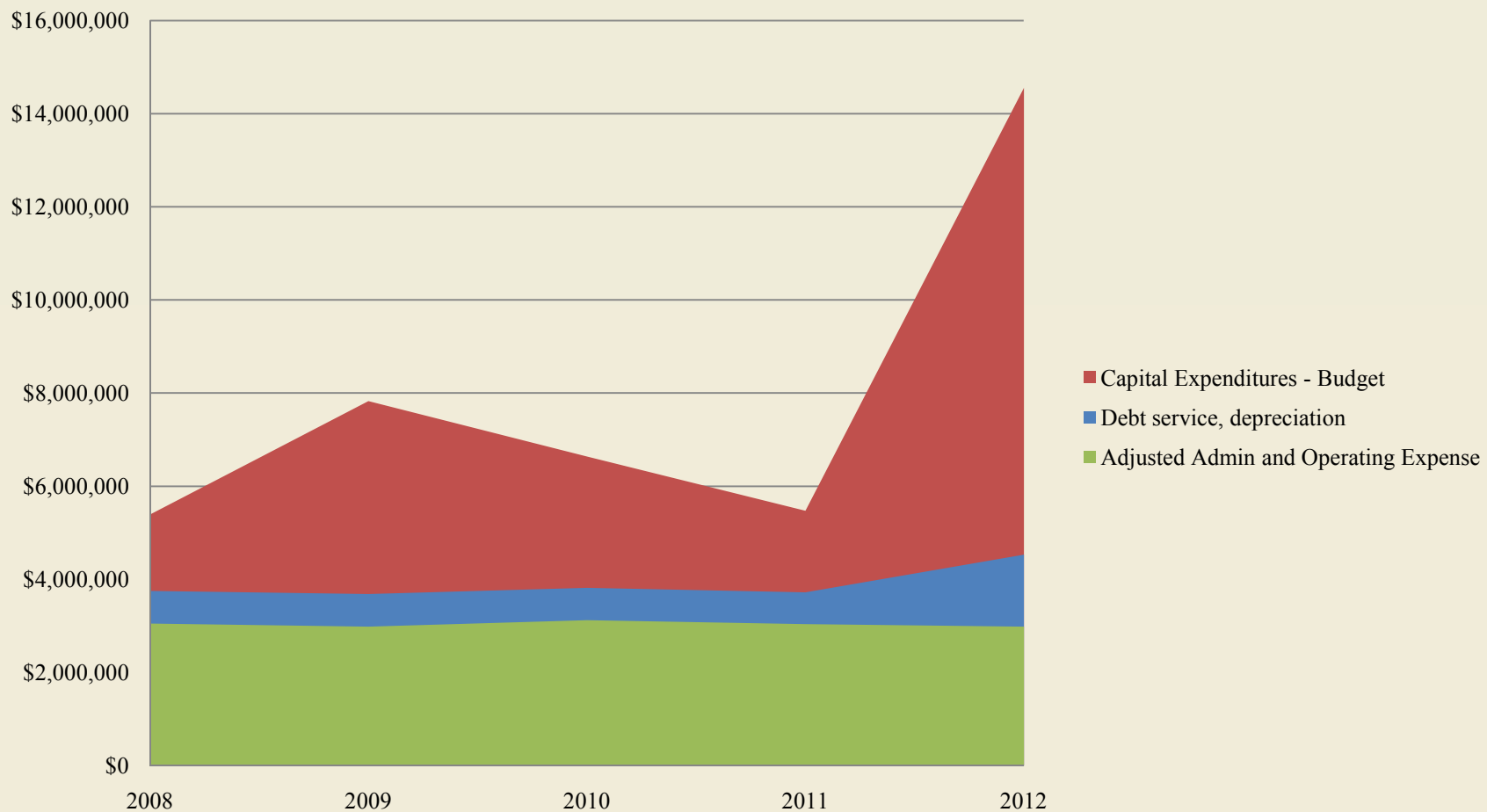
Water Department – Fund 525



Water Department - Fund 525



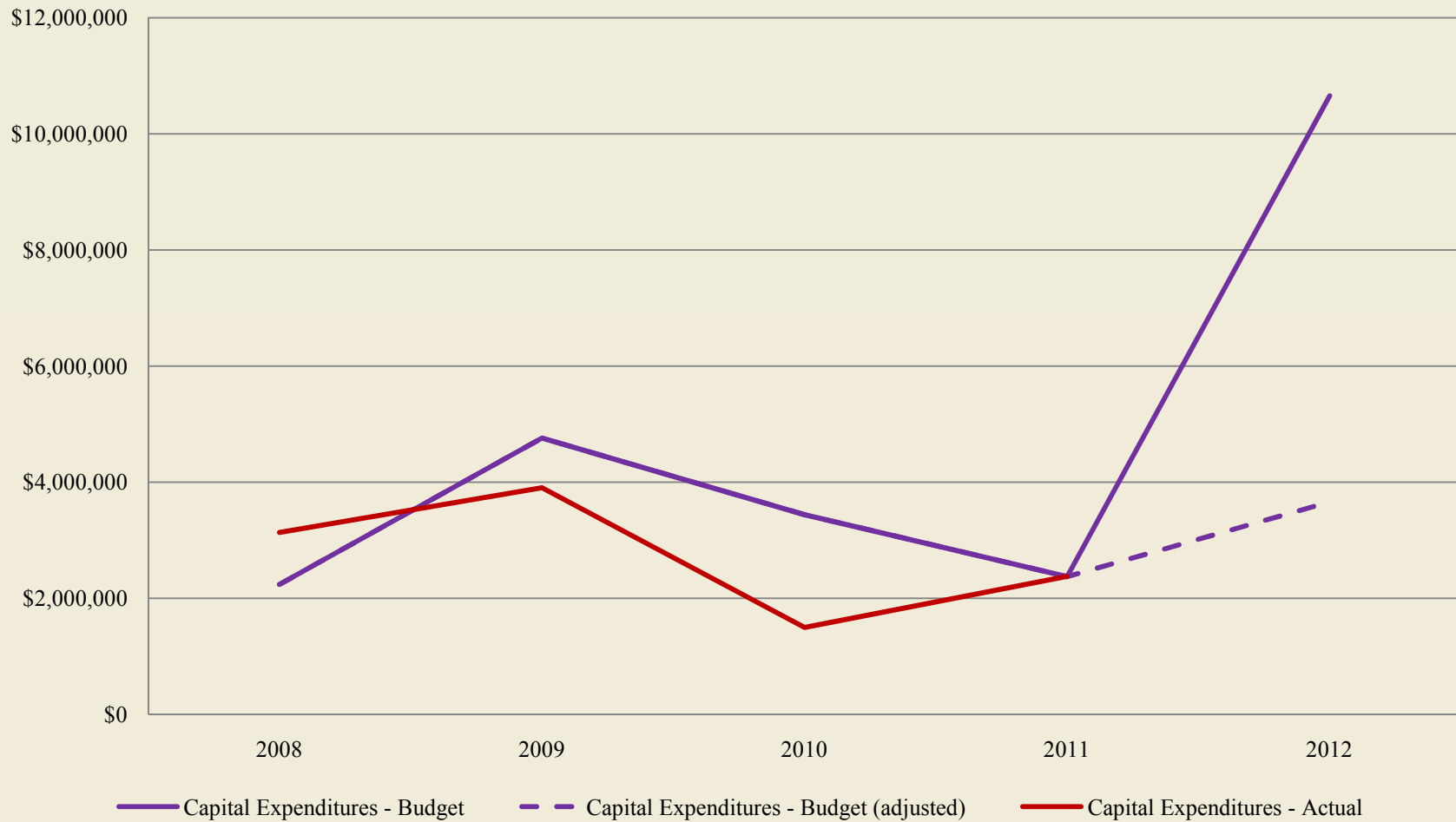
Water Department - Fund 525



 Adjusted Admin & Operating - Water

 2010 - Actual	\$	2,693,494
 2011 - Projected	\$	2,885,029
 2012 - Budget	\$	2,984,125

Water Department - Fund 525



Water Capital Improvements

- 🇺🇸 Total Capital Budget - \$10,700,000
 - 🇺🇸 Merrick Co. main extension (UP) - \$4,000,000
 - 🇺🇸 Uranium Removal System - \$3,000,000
 - 🇺🇸 Bond payments - \$920,000
 - 🇺🇸 Reservoir painting - \$500,000
 - 🇺🇸 Water Main Districts
 - 🇺🇸 BNSF track widening

Budget Impacts

- Refinancing of revenue bonds for \$3 million uranium removal capital cost
- 20% revenue increase for \$750,000 uranium removal annual operating cost

Smart Metering

Boulder, CO

-  25,000 electric meters

-  \$45 million capital cost

Lincoln, NE

-  10 year technology life