

# Proposed 2015 Budget Summary

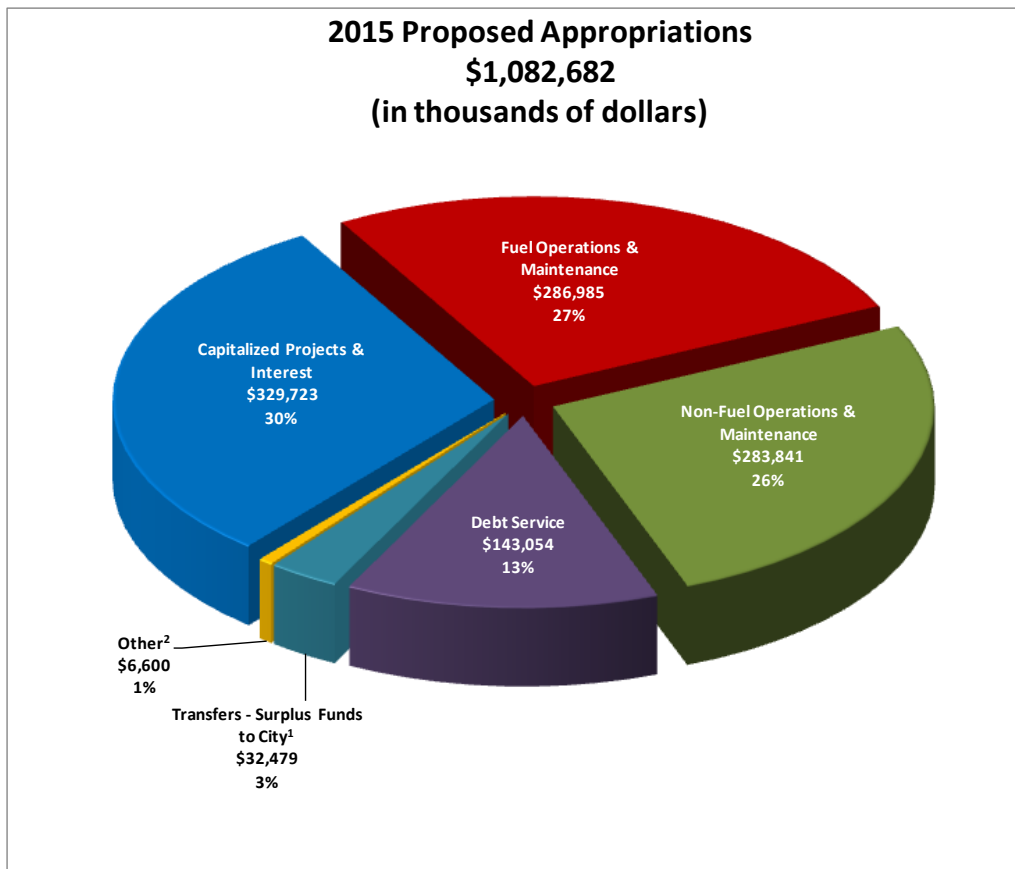
Lower construction costs for the Southern Delivery System, cost-cutting measures and a shift in project prioritization contributed to a lower 2015 Proposed Budget which is \$70.7 million lower than the 2014 Approved Budget.

The proposed 2015 Budget supports a proposed 2015 Electric rate increase necessary to fund emissions controls investments and other Electric system improvements. If approved by City Council, the rate change would mean an approximate 5.5 percent increase, or about \$4, on the typical residential electric bill effective January 1, 2015. Typical commercial and industrial customers will see increases of approximately 2.5 percent and 4.6 percent respectively.

The 2015 budget funds system improvements for all four utility services with no base rate changes planned for Natural Gas, Water and Wastewater services. Following is the timeline that began in February 2014 to prepare the Proposed 2015 Budget and Proposed 2015 Electric Rate Case:

Planning		Rates Process	Governance
<b>CSU Staff</b>	<b>Finance Committee</b>	<b>City Auditor</b>	<b>Utilities Board</b>
Feb 2014 – Aug 2014	May 2014 – Sep 2014	Mar 2014 – Sep 2014	Aug 2014 – Sep 2014
<b>Capital Prioritization</b> <u>Feb - Jun</u> • General Managers' Budget Team: Review current project forecasts • Provide reduction guidance to attain targeted spending levels	<b>Budget/5-Year Summary Review</b> • May 27: 1 <sup>st</sup> Draft • Jul 7: 2 <sup>nd</sup> Draft • Jul 21: 2 <sup>nd</sup> Draft-Service Detail • Aug 11: 3 <sup>rd</sup> Draft-Service Detail Budget Workshop Prep	<b>Electric Rate Case Audit</b> • Sep 12: Draft Proposal & COS of Service provided by CSU	<b>Presentations</b> • Aug 20: Rates Presentation • Aug 21: Budget Workshop Presentation • Sep 17: 2015 AOP & Rate Balancing Policy
<b>O&amp;M Prioritization</b> <u>Apr - Jun</u> • General Managers' Budget Team: Identify cost reductions, direct departments		<b>Finance Committee</b> • Feb 10 Elec COS/Alloc Review • Mar 24: Electric COS Overview & COS Alloc Proj Update • Apr 21: Electric COS Alloc Proj Update • Jun 9: Electric COS Alloc Proj Update; Proposed Rate Filing Schedule • Jun 23: Ratemaking Follow-up; Electric COS Alloc Proj Update • Aug 11: Preliminary Proposed 2015 Electric Rates • Aug 25 & Sep 8: Develop Rate Balancing Parameters/Options	
<b>Budget/Revenue Requirements</b> • Sales & Load Forecast Update • May 22: 1 <sup>st</sup> Draft • Jun 23: 2 <sup>nd</sup> Draft • Jul 23: 3 <sup>rd</sup> Draft • Aug 5: 3 <sup>rd</sup> Draft with Adjustments to attain targets • Aug 5 – 8: Rate Design			<b>City Council</b> Oct 2014 – Dec 2014 <b>Presentations</b> • Oct 14: Rate Filing • Oct 17: Public Notice • Oct 28: 1 <sup>st</sup> Budget Reading • Nov 10: 2 <sup>nd</sup> Budget Reading • Nov 25 Rate Hearing • Dec 9: Rate Decision and Order

The following summarizes the 2015 Proposed Budget:



- **Capitalized Projects and Interest** expenditures are \$329.7 million and represent approximately 30 percent of the Proposed 2015 Budget. These expenditures will decrease by \$80.3 million, or 19.6% from the 2014 Approved Budget. The reduction is primarily due to lower Water Service capital expenditure requirements as funding for the construction of Phase I of the SDS project begins to reach its conclusion. The Electric Service's Capital costs are the primary drivers of the 2015 Electric base rate increase. These capital improvements are required to meet environmental and regulatory requirements, maintain and rehabilitate aging infrastructure and to prepare for future electric demand.
- **Non-Fuel Operations & Maintenance** expenditures are \$283.8 million and represent approximately 26 percent of the Proposed 2015 Budget. These expenditures will decrease by \$4.3 million, or 1.5%, from the 2014 Approved Budget primarily due to reduced maintenance for power plants.
- **Fuel Operations & Maintenance** expenditures are \$287.0 million and represent approximately 27 percent of the Proposed 2015 Budget. These expenditures will increase by \$7.8 million, or 2.8% from the 2014 Approved Budget. Natural gas for distribution will increase by \$10.0 million over 2014 due to a strengthening natural gas market.
- **Debt Service** expenditures are \$143.1 million and represent approximately 13 percent of the Proposed 2015 Budget. These expenditures are planned to remain relatively flat with a decrease of \$0.2 million or 0.2% from the 2014 Approved Budget primarily due to higher principal and interest payments associated with Water's SDS capital project, offset by higher AFUDC and Capitalized Interest overheads applied to the project.
- **Total Transfers – Surplus Funds to the City** expenditures are \$32.5 million and represent approximately 3 percent of the Proposed 2015 Budget. These expenditures are planned to increase slightly by \$0.8 million or 2.5% from the 2014 Approved Budget due to slightly higher electric and gas sales inside City limits.