

City of Mesa

Energy Resources Department

FY '09/10 Budget Presentation
April 2, 2009

3/31/2009

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ENERGY RESOURCES

Integration of five entities

- Electric (Distribution) Division
- Gas (Distribution) Division
- Resources Division (Energy Supplies, Marketing)
- A share of Utility Services (Emergency First Response, Field Customer Service)
- A share of Administration Section

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Merger of Operations

- System Planning & Development
- Supply Chain Management
- Utility Locating Activities
- Residential & Small Commercial Gas Meters
- GIS Planning & Data Storage
- Safety, Regulatory, & Training
- Strategic Initiatives
- Capital Project Management

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Electric Utility Background

- Electric Energy Cost Adjustment Factor (EECAF)
- Customers Served
 - 16,400 Customers
 - 5.5 sq. mi. in Mesa
 - 183 miles of overhead lines
 - 226 miles of underground lines
 - 14 substations

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Accomplishments

- Conversion of Distribution system to 12kV
- Distribution Pole Testing & Replacement
- Transmission Line Refurbishment
- Underground Vault Replacement
- Re-established Tree Trimming
- GenSet Sale
- SolFocus

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Electric Program FY '08/09 Financial Review

Electric Revenues

- | | |
|----------------------|---------------|
| ➤ FY '08/09 Budgeted | \$36,259,000 |
| ➤ FY '08/09 Forecast | \$ 36,217,000 |
| ➤ Variance | <\$ 42,000> |

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Electric Program FY '08/09 Financial Review

Electric Expenditures

➤ FY '08/09 Budgeted	\$ 29,919,000
➤ FY '08/09 Forecast	\$ <u>26,398,000</u>
➤ Variance	<\$ 3,521,000>

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FY '08/09 Electric Summary

	<u>Budgeted</u>	<u>Forecast</u>
Total Net Income	\$6.3 mil	\$9.8 mil
General Fund Transfer	\$6.3 mil	\$6.3 mil
Fund Balance	\$5.3 mil	\$9.1 mil

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FY '08/09 Electric CIP

- FY '07/08 Carryover \$ 824,000
- FY '08/09 CIP Budget \$ 6,000,000

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FY '08/09 Electric CIP

- 4kV to 12 kV Conversions
 - Fraser Substation
- University 69 kV Transmission Reinforcement
- Robson Sub Security Wall
- Distribution Pole Replacements
- Underground Vault Lids
- New/Expansion Service Connections

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FY '09/10 Electric Budget

Revenues \$ 35,635,950

- Reduced billed consumption & EECAF revenues

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FY '09/10 Electric Budget

Baseline Allocations – Expenses

Personal & Other Services \$ 4,759,263

Capital Outlay \$ 3,000,000

Replacement & Ext Reserve \$ 716,000

Debt Service \$ 304,944

SUB TOTAL \$ 8,780,207

Commodities \$ 18,238,226

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FY '09/10 Electric Budget

- No General Rate Increases (thru FY '14/15)
- CIP Program of \$5.8 Million
 - \$3 Million (labor) paid from revenue
 - Reduce bond debt
- Total Net Income **\$ 8.6 Million**
- General Fund Transfer **\$ 6.0 Million**
- Fund Balance **\$11.6 Million**

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Gas Division Background

- Purchased Natural Gas Cost Adjustment Factor (PNGCAF)
- Customers Served
 - 56,000 Customers
 - 90 sq. mi. in Mesa city limits
 - 236 sq. mi. in Pinal County (Magma)
 - 1,088 miles of distribution lines
 - 4 Gate stations

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Accomplishments

- Baseline Assessment of gas system
- 2008 Pipeline Safety Audit
- Infrared methane detector for leak survey
- Contractor training on damage prevention
- Tested next generation of natural gas pipe

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Gas Program FY '08/09 Financial Review

Gas Revenues

- FY '08/09 Budgeted
 - Non-PNGCAF \$22,863,000
 - PNGCAF \$25,050,000
 - TOTAL \$47,913,000

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Gas Program FY '08/09 Financial Review

Gas Revenues

➤ FY '08/09 Forecast	
➤ Non-PNGCAF	\$22,558,000
➤ PNGCAF	\$20,991,000
➤ TOTAL	\$43,549,000
➤ Variance	<\$4,364,000>

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Gas Program FY '08/09 Financial Review

Gas Expenditures

➤ FY '08/09 Budgeted	\$ 41,141,000
➤ FY '08/09 Forecast	\$ 36,409,000
➤ Variance	<\$ 4,732,000>

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FY '08/09 Gas Summary

	<u>Budgeted</u>	<u>Forecast</u>
Total Net Income	\$6.8 mil	\$7.1 mil
General Fund Transfer	\$6.7 mil	\$8.4 mil
Fund Balance	\$3.7 mil	\$2.5 mil

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FY '09/10 Gas Budget

Revenues \$ 44,869,000

- **3.0% Rate Increase = \$656,000**
- **\$492,000 City / \$164,000 Magma**
- **Reduced billed consumption & PNGCAF revenues**

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FY '09/10 Gas CIP

- Gas Mains and Service Lines Replacements
 - Quarter Sections 21 C – Country Club to Extension, University to Main Street.
 - Castillo Nuevo MHC - 3300 East Broadway Road
- Gas System Reinforcements
 - Analyzed in 5 Year Planning
 - Quail Run Road – Roberts to Sky Line
 - Gantzel – Florence High School to Gantzel Gate Station
- Gas Mains and Service Line - New Installations
 - Mountain Bridge Subdivision
 - SCADA System Enhancements

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FY '09/10 CIP Budget

- CIP Program of \$ 10.3 Million
 - Utility Line Replacements (Gas and Water Line Replacements) - \$5.3 Million
 - Gas System Replacements (Other) - \$ 1.3 Million
 - New Construction - \$3.7 Million

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FY '09/10 Gas Budget

Baseline Allocations - Expenses

➤ Personnel & Other Svcs	\$ 12,162,410
➤ Capital Outlay	\$ 63,158
➤ Repl & Ext Reserve	\$ 901,000
➤ Debt Service	<u>\$ 2,640,614</u>
Sub Total	\$ 15,767,182
➤ Commodities	\$ 21,537,181

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Key Issues & Summary

- Climate Change
- Volatility of Energy Markets
- Council strategic initiatives
- Energy Resources contribution to the city's overall financial health
 - A stable & growing revenue source
 - Energy supply cost recovery mechanisms
- Rate/Bill comparability with local utilities

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Questions?

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