ORDINANCE NO.

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
AMENDING THE BUDGET FOR THE FISCAL YEAR 2007-08 TO
PROVIDE ADDITIONAL APPROPRIATIONS OF $6,350,000 FOR
ELECTRIC FUND SUPPLY COSTS, $1,500,000 FOR GAS FUND
SUPPLY COSTS, AND $700,000 FOR WATER FUND SUPPLY COSTS

The Council of the City of Palo Alto does ordain as follows:

SECTION 1. The Council of the City of Palo Alto finds
and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of
the Charter of the City of Palo Alto, the Council on June 11, 2007
did adopt a budget for fiscal year 2007-08; and

B. The adopted budget for fiscal year 2007-08 included
$67,510,771 for electric supply commodity purchases, $26,139,362
for gas supply commodity purchases, and $7,698,000 for water
supply commodity purchases. The budget was amended by the City
Council on February 19, 2008, to include additional appropriations
of $4,500,000 for electric supply commodity purchases and $303,753
for water supply commodity purchases bringing total appropriations
to $72,010,771 for electric supply commodity purchases and
$8,001,753 for water supply commodity purchases; and

C. The adopted budget and related adjustments for fiscal year
2007-08 for the Electric Fund, Gas Fund, and Water Fund are based
on prevailing market prices and anticipated demand levels at the
time the budget was adopted and adjusted; and

D. Wholesale electric market prices have increased and
hydroelectric generation has been lower than estimates since the
time the budget was adopted and adjusted. An estimated additional
$6,350,000 beyond the amount appropriated in the budget is
required for electric supply commodity purchases; and

E. Revenue from electric surplus energy, which is sold on a
daily basis, is expected to increase by $800,000 due to higher
than anticipated estimates. This increase in revenue is expected
to partially offset the increase of $6,350,000 in electric supply
commodity purchases resulting in a net reduction to the Electric
Supply Rate Stabilization Reserve of $5,550,000; and

F. Gas commodity costs have risen since the time the budget
was adopted due to higher than anticipated market prices and
higher than anticipated demand as well as several external factors. An estimated additional $1,500,000 beyond the amount appropriated in the budget is required for gas commodity purchases; and

G. Higher than expected demand for natural gas is expected to generate an additional $1,900,000 in total sales revenue, which includes $900,000 in gas supply sales revenue and $1,000,000 in gas distribution sales revenue. The $900,000 in gas supply sales revenue is expected to partially offset the increase of $1,500,000 for gas supply commodity purchases resulting in a net reduction to the Gas Supply Rate Stabilization Reserve of $600,000; and

H. Water supply costs have increased since the time the budget was adopted and adjusted due to higher than anticipated water consumption. An estimated additional $700,000 beyond the amount appropriated in the budget is required for water supply commodity purchases; and

I. Higher than expected demand for water is expected to generate an additional $2,000,000 in water sales revenue. This increase in revenue is expected to exceed the increase of $700,000 in water supply commodity purchases resulting in a net addition to the Water Fund Rate Stabilization Reserve of $1,300,000; and

J. City Council authorization is needed to amend the 2007-08 budget to make additional appropriations of $6,350,000 for electric supply commodity purchases, $1,500,000 for gas supply commodity purchases, and $700,000 for water supply commodity purchases as hereinafter set forth.

SECTION 2. The sum of Six Million Three Hundred Fifty Thousand Dollars ($6,350,000) is hereby appropriated to commodity purchases expense in the Supply Resource Management Functional Area in the Electric Fund.

SECTION 3. Electric Fund revenues are hereby increased by Eight Hundred Thousand Dollars ($800,000) to reflect higher than previously anticipated estimates for electric surplus energy revenue.

SECTION 4. The Supply Rate Stabilization Reserve in the Electric Fund is hereby reduced by Five Million Five Hundred Fifty Thousand Dollars ($5,550,000) to Thirty-Six Million Seventy-Six Thousand Dollars ($36,076,000).
SECTION 5. The sum of One Million Five Hundred Thousand Dollars ($1,500,000) is hereby appropriated to commodity purchases expense in the Supply Resource Management Functional Area in the Gas Fund.

SECTION 6. Gas supply sales revenues and gas distribution sales revenues are hereby increased by Nine Hundred Thousand Dollars ($900,000) and One Million Dollars ($1,000,000), respectively, to reflect higher than expected demand for natural gas.

SECTION 7. The Supply Rate Stabilization Reserve in the Gas Fund is hereby reduced by Six Hundred Thousand Dollars ($600,000) to Four Million Nine Hundred Ninety Thousand Dollars ($4,990,000).

SECTION 8. The Distribution Rate Stabilization Reserve in the Gas Fund is hereby increased by One Million Dollars ($1,000,000) to Three Million Six Hundred Fourteen Thousand Dollars ($3,614,000).

SECTION 9. The sum of Seven Hundred Thousand Dollars ($700,000) is hereby appropriated to commodity purchases expense in the Supply Resource Management Functional Area in the Water Fund.

SECTION 10. Water sales revenues are hereby increased by Two Million Dollars ($2,000,000) to reflect higher than expected demand for water.

SECTION 11. The Water Fund Rate Stabilization Reserve is hereby increased by One Million Three Hundred Thousand Dollars ($1,300,000) to Ten Million Nine Hundred Ninety-Six Thousand Dollars ($10,996,000).

SECTION 12. As specified in Section 2.28.080(a) of the Palo Alto Municipal Code, a two-thirds vote of the City Council is required to adopt this ordinance.

SECTION 13. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

SECTION 14. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.
INTRODUCED AND PASSED:

AYES:
NOES:
ABSTENTIONS:
ABSENT:
ATTEST: 

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

Senior Asst. City Attorney

Director of Utilities
Department

Director of Administrative
Services