

PUBLIC WORKS AND UTILITIES COMMITTEE

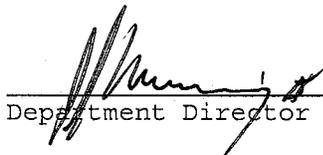
12-0636R

RESOLUTION AMENDING RESOLUTION 10-464 AMENDING RATE CALCULATIONS APPLICABLE TO STEAM DISTRICT NO. 1 TO INCLUDE A CONSUMPTION NORMALIZATION FACTOR, EFFECTIVE JANUARY 1, 2013.

CITY PROPOSAL:

RESOLVED, that calculation of monthly steam customer charges as described in Public Document No. 10-0913-17 approved pursuant to Resolution No. 10-0464 is hereby amended by the Rate Calculation on file in the office of the city clerk as Public Document No. _____, to authorize inclusion of a rate normalization factor in the calculation of customer consumption charges, effective for steam provided to customers on and after January 1, 2013.

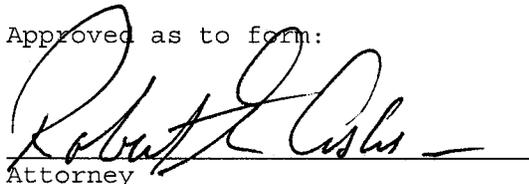
Approved:


Department Director

Approved for presentation to council:


Chief Administrative Officer

Approved as to form:


Attorney

Approved:


Auditor

PW&U/ATTY REA:cjk 12/7/2012

STATEMENT OF PURPOSE: The purpose of this resolution is to modify the rate structure for Steam District No. 1, the downtown steam utility to allow the District to "normalize" the rates charged to customers to average out the cost fluctuations occasioned by increases or decreases in annual district-wide consumption resulting from excessively cold and excessively warm heating seasons. This is accomplished by including in the calculations a "Normalization Factor" which is determined by dividing the number of heating degree days which are "normal" by the number of heating degree days actually experienced in the prior heating season. The result is included in the rate calculation and therefore the individual customer's charges, thereby "leveling out" their heating costs on an annualized basis.

**STEAM DISTRICT NO.1
RATE CALCULATION**

Customer Cost/month = Monthly Consumption Charge + Monthly Capacity Charge + Condensate Discharge Cost

Monthly Consumption Charge

Monthly Consumption = $\frac{\text{Total Variable Cost of Steam Produced}}{\text{Total Steam Product Sold for Heating}} \times \text{Customer's Monthly Steam Consumption}$

Monthly Capacity Charge

Normalization Factor = $\frac{\text{Normal Heating Degree Days from prior Average Capacity Year}^{**} \text{ (65 Degree Base)}}{\text{Actual Heating Degree Days from prior Average Capacity Year}^{**} \text{ (65 Degree Base)}}$

Normalized Group Consumption = $\frac{\text{Prior Average Capacity Year's}^{**} \text{ Sales for All Consumers within the Group}}{\text{Normalization Factor}}$

Group's Consumption Percentage = $\frac{\text{Normalized Group Consumption}}{\text{Total System Sales for prior Average Capacity Year}^{**} \times \text{Normalization Factor}}$

Group Service Factor = Estimated Cost of Serving Each Consumption Group per KLB*
(Estimate based on Group Experience)

Service Factor Percentage = Group Service Factor X Group's Consumption Percentage

Adjusted Service Factor Percentage = $\frac{\text{Group Service Factor Percentage}}{\text{Sum of all Group Service Factor Percentages}}$

Fixed Budget Allocation = Adjusted Group Service Factor % X Projected Fixed Cost Budget for
budget calendar year (By Group)

Group Capacity Charge/KLB* = $\frac{\text{Group Fixed Budget Allocation}}{\text{Total Normalized Group Consumption for prior Average Capacity Year}^{**}}$

Customer Capacity Charge = $\frac{(\text{Individual Customer Usage (Prior Average Capacity Year}^{**}) \times \text{Normalization Factor}) \times \text{Group Capacity Charge/KLB}^*}{\text{Group Capacity Charge/KLB}^*}$

Monthly Customer Capacity Charge = $\frac{\text{Customer Capacity Charge}}{12}$

Condensate Discharge Cost

Condensate Discharge Cost = Cost to District Associated with Discharge of Customer's Steam Condensate into the Sanitary Sewer System, if so Discharged.

* KLB = Thousand Pounds of Steam

** Average Capacity Year = the average of the prior three twelve month periods commence on the July 1st of each year and ending on the following June 30th.