

**Fuel Adjustment Factor.**

The Fuel Adjustment factor is designed to recover the cost of fuel that is included in the cost of wholesale power supply incurred by the City to provide electric service to its customers. The Fuel Adjustment Factor will be determined periodically by the City. Review of the adequacy of the Fuel Adjustment Factor will occur at least quarterly. Generally, if the fuel Adjustment Factor under-recovers fuel cost, the City will increase the Fuel Adjustment to collect the under-recovery. If the Fuel Adjustment Factor over-recovers fuel cost, the City will decrease the fuel adjustment to credit back to customers the over-recovery. In order to stabilize fluctuations in the fuel adjustment factor, the City Manager may determine to phase in such increases or decreases over time. It is the intention of the City to maintain the fuel cost recovery fund balance between the minimum and maximum trigger points as defined in the table below. Specific changes to the Fuel Adjustment Factor will be made in accordance with the criteria defined in the table below:

Target Fuel Cost Stabilization Fund Balance	10% of the fiscal year’s annual fuel budget rounded up to the next \$100,000 without appropriate adjustments to the fuel adjustment
Minimum trigger point for an increase in Fuel Adjustment Factor	Preceding month’s Fuel Cost Stabilization Fund Balance is less than 75% of the Target Fuel Cost Stabilization Fund Balance
Maximum trigger point for a decrease in Fuel Adjustment Factor	Preceding month’s Fuel Cost Stabilization Fund Balance is more than 125% of the Target Fuel Cost Stabilization Fund Balance

If the Fuel Cost Stabilization Fund Balance drops below the Minimum Trigger point the Fuel Adjustment Factor will be set at a rate that would project to replenish the balance to the Target Fuel Cost Stabilization Fund Balance over a nine-month period. This adjustment factor may have to be modified over that nine-month period to reflect actual results if they are substantially different from predicted results.

If the Fuel Cost Stabilization Fund Balance exceeds the Maximum Trigger point the Fuel Adjustment Factor will be set at a rate that would project to reduce the balance to the Target Fuel Cost Stabilization Fund Balance over a six-month period. This adjustment factor may have to be modified over that six-month period to reflect actual results if they are substantially different from predicted results.