EXHIBIT A

Hot Water Rate Schedules

Customer s' Total Monthly Cost of Hot Water Service

Cost = *HW Consumption Charge* + *HW Capacity Charge* + *Infrastructure Charge* + *State and City Sales Tax*

HW Consumption Charge = (The lessor of: 70% x *Steam Consumption Rate* or the *HW Consumption Rate*) x *Customer's Metered Consumption*

For the purposes of the rate calculation, the months of January, February, March, April, May, October, November and December comprise the "Heating Season"; the remaining months of June, July, August and September comprise the "Off-Season" .

At the beginning of the fiscal year, the Hot Water (HW) Heating Season Consumption Rate (**RHS**) is set at 95% of the projected annual HW Consumption Rate. As the year progresses from January, actual variable costs and consumption will replace projected costs and consumption resulting in monthly changes to the **RHS** calculated as follows:

$$R_{HS} = \left(\frac{(\textit{Actual Variable Costs incurred} + \textit{Remaining Projected Variable Costs})}{(\textit{Actual HW Consumed to date} + \textit{Projected Additional HW Consumption for year})} \right) \times 95\%$$

The HW Off-Season Consumption Charge Rate (**ROS**) is calculated each month; June through September with actual variable costs and consumption replacing projected costs and consumption as follows:

$$R_{OS} = \left(\frac{(\textit{Actual Variable Costs Incurred} + \textit{Projected Additional Annual Costs} - \textit{Actual HW Heating Season Consumption Charges Billed} - \textit{Remaining Projected HW Heating Season Variable Costs})}{(\textit{Actual Off-Season Consumption to date} + \textit{Remaining Projected Off-Season Consumption})} \right)$$

Each customer's monthly HW Consumption Charge is equal to the customer's metered consumption multiplied by the appropriate Consumption Rate (**RHS or ROS**).

The Monthly Capacity Charge calculation includes both the Steam and Hot Water energy usage and costs in determining the Group Capacity Charge Rate. The Group Capacity Charge Rates are the same for both the Steam and Hot Water services. For Customer's switching from Steam to Hot Water service, prior steam usage will be used in the calculation unless otherwise defined in Article I. A Hot Water Customer's Capacity may be capped or otherwise limited so as to differ from the calculation above when a binding, long-term agreement has been entered into by said Customer and City of Duluth or its agent.

Monthly HW Capacity Charge = $\frac{\textit{Normalized Consumption} \times \textit{Group Capacity Charge Rate}}{12}$

Capacity Year Consumption = *a building's average consumption for a given 12 month period starting on July 1st and ending on June 30th for each of the three previous years (n, n-1, n-2)*

Weather Normalization Factor = $\frac{(\textit{the normal total number of Heating Degree days for a given 12 month July 1 to June 30 period})}{(\textit{the actual total number of Heating Degree Days for a given 12 month July 1 to June 30 period})}$

Note: Heating Degree Days (HDD) as reported by NOAA at the Duluth International Airport using a 65^0 F base temperature

Normalized Consumption = $\frac{(\textit{Capacity Year Consumption}_n \times \textit{Weather Normalization Factor}_n + \textit{Capacity Year Consumption}_{n-1} \times \textit{Weather Normalization Factor}_{n-1} + \textit{Capacity Year Consumption}_{n-2} \times \textit{Weather Normalization Factor}_{n-2})}{3}$

Consumption Group = *Customer grouping categories based on a customer's Normalized Consumption*

Normalized Group Consumption = *Total Normalized Steam Consumption for all Customers in a Consumption Group*

Group Consumption Percentage = $\frac{\textit{Normalized Group Consumption}}{\textit{(Total Normalized Group Consumption for all Consumption Groups)}}$

Group Factor = *Factor for each Consumption Group*

Group Factor Percentage = *Group Factor* x *Group Consumption Percentage*

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

Group Fixed Capacity Charge Allocation = *Adjusted Group Factor Percentage* x *Total System Projected Fixed Costs*

Group Capacity Charge Rate = $\frac{\textit{Group Fixed Capacity Charge Budget Allocation}}{\textit{Normalized Group Consumption}}$

Infrastructure Charge: Customer's Infrastructure Charge is defined in Article I of the Hot Water Service Agreement.