



TEXAS TECH UNIVERSITY™

Operating Policy and Procedure

OP 62.35: Utilities Charges

DATE: January 14, 2020

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish policy and procedure for charging utilities to activities that must pay for these services.

REVIEW: This OP will be reviewed in October of odd-numbered years by the Associate Vice President for Operations with substantive revisions forwarded to the Assistant Vice President for Financial Affairs and Controller and the Vice President for Administration & Finance and Chief Financial Officer.

POLICY/PROCEDURE

1. Policy

Auxiliary enterprises and activities that generate additional income from other sources will be charged for any utilities used in accordance with the provisions of this OP. Charges will not be made to any activity that does not use utilities on a continuing basis.

2. Procedure

a. General

In general, auxiliary enterprises and off-campus facilities are billed monthly. The charge made may be either the total of the actual or estimated charges for each type of utility used in a billing, or it may be an overall charge calculated based on a yearly dollar figure per net square foot of space assigned. When meters are installed in buildings, the charges will be based on the actual consumption that is used; when meters are not installed, charges are estimated, usually based on square footage. Rates for manufactured utilities such as steam and chilled water are computed monthly using actual production costs, an allowance for repair and replacement, and debt service requirements.

b. Basis for Monthly Charges (calculated each month)

- (1) Electric – In almost all buildings, electric consumption is metered by the building. All are charged the vendor rate per KWH for measured consumption times, which varies month-to-month.
- (2) Natural Gas and Water – Meters for these utilities serve multiple buildings and charges are formula based: gross area of building charged/gross area of campus X total dollar value of the utility delivered to the campus. Central Heating and Cooling Plant use is excluded from the formula as these utilities are metered separately for the plant.

- (3) Manufactured Utilities (steam, chilled water, and air) – Where meters are available, the building occupant will be charged based upon actual consumption of each utility. Where meters are not available, charges are formula based. The cost of the utility in question will be divided by the gross area that is served by that utility to obtain a unit cost. This unit cost will be multiplied by the occupied area to derive a monthly utility charge.

c. Method of Calculation, Central Plant Sale of Manufactured Utilities

The selling price of each manufactured utility (steam, chilled water, air) is calculated separately each month. The selling price is the sum of the cost of production and the debt service expense.

- (1) The cost of production for any given month is the sum of actual plant expense for labor, materials, services, and purchased utilities (electric, gas, water).
- (2) Debt service is that expense to the plant required to retire the bonded indebtedness. An amount to cover the debt service and an amount for future plant repairs shall be included in the rates charged for utilities.

d. Joint Usage

When an activity that is required to pay for utilities uses a building jointly with another activity that is not required to pay, the charge will be made on a pro-rata basis. This may be either on a percentage of space used, a percentage of time used, or a combination of both, depending on which most closely approximates the correct figure for the actual operation.

e. Determinations

The Associate Vice President for Operations is responsible for the following:

- (1) Verifying and/or adjusting the basis for calculating monthly charges to auxiliary enterprises and off-campus facilities and any other large consumer that may come on line;
- (2) Estimating a yearly dollar per net square foot cost for all utilities for the next ensuing fiscal year, which will be used to make budget estimates and bill charges no later than May 1 of each year; and
- (3) Ensuring that the Operations Division Business Office accomplishes the required billings using the data as presented in the attachment of this OP.

[Attachment: List of Activities to be Charged for Utilities](#)