



DATE: August 3, 2016  
6:00 p.m. WORK SESSION  
1. Power Rate Study Review

7:00 p.m. AGENDA – REGULAR COUNCIL MEETING  
1. Volunteer Motivational/Inspirational Message  
2. Invitation to Say Pledge of Allegiance  
3. Approve Mower Annexation  
4. Approve Water Department Truck  
5. Approve Resolution Amending Electric Utility Rate  
6. Approve Heat Vendor Contract  
7. Approve Minutes of July 20, 2016  
8. Approve Bills for Payment

#### DIRECTORS REPORTS

9. Chief Brad James, Public Safety Director
  - a. Public Safety
10. Dave Johnson, Building Official Director
  - a. Building
  - b. DRC
11. Attorney Junior Baker
  - a. Legal
12. Jeffrey Nielson, City Finance Director
  - a. Finances
  - b. City Office/Civic Center
  - c. City Library
13. Matt Marziale, Public Works/Recreation Director
  - a. Public Works
    - i. Water/PI
    - ii. Sewer
    - iii. Roads
    - iv. Parks/Cemetery
    - v. Solid Waste/Green Waste
  - b. Recreation/ Eagle Scouts

14. Clark Crook, Electrical Director
  - a. Power
15. Bruce Ward, Engineering
  - a. Planning & Zoning
16. Wade Reynolds, Storm Drain/Safety Coordinator
  - a. Storm Drain
  - b. Safety

#### MAYOR/COUNCIL REPORTS

17. Mayor Randy A. Brailsford
  - a. Budget Review
  - b. New City Improvements
  - c. Meeting
18. Councilman Sterling Rees
  - a. UMPA Report
  - b. SUVPS Report
19. Councilperson Cristy Simons
  - a. Chamber Report
  - b. Library
  - c. Youth Council
20. Councilman Soren K. Christensen
  - a. SUVMWA Report
  - b. Mt. Nebo Water Agency Report
21. Councilman Aaron Cloward
  - a. Recreation Meeting
22. Councilman Craig Warren
  - a. SUVSWD Report

\*Please Note: If you have an item that you would like to have discussed before the City Council, please fill out a request form, which is available on line at [salemcity.org](http://salemcity.org) or at the City Office, and return it to the City Office by 5:00 p.m. the Thursday prior to the meeting you would like to attend.



**SALEM CITY**  
**Staff Report to Mayor & City Council**

**Agenda Date:** August 3, 2016  
**Agenda Item #:** Mower Annexation  
**Staff Contacts:** Bruce Ward, Jeff Nielson

**Background Discussion:**

Mayor and Council, it has been a couple of years since we have had an annexation, so if you have any questions please let me know. The county has requested that we rename the annexation, as there is already a Mower Annexation in Payson. Recommendation: Dee Mower Annexation or Salem Mower Annexation.

**April 15, 2015** – Salisbury came to the council asking for approve to move forward with the annexation process. The council approved to have the study and move forward.

**August 5, 2015** – Public Hearing for the approval of the Mower Annexation. At that time the council tabled the motion until the SESD power buy out was determined. The amount was determined by SESD for \$24,175.10 (This is to buy out the infrastructure that is owned by SESD in the area). Mowers have brought in a check for that amount and would like to have the annexation approved.

If the council approves the annexation, they will also need to zone the property at this time. In the public hearing, Gus Farley, the other property owner being brought in with the annexation, requested to have the same zoning as the Mowers. Mr. Henry “Chip” Reynolds, representing the Mowers, was going to talk to Bruce Ward when Bruce returned from his vacation to talk about zoning options for the property. I have included a map showing the property around it and what it is currently zoned. I have also included a map showing the General Plan of the area what was determined by the council for the general plan.

A side note. The Mowers also own the vacant property to the south. Currently it is zoned Commercial. If the Mowers want to change that zone, they will need to go through the process. Public Hearings for both Planning and Zoning and City Council.

**General Plan Description:**

The General Plan has this property zoned for Low Density Residential (majority on East side), Medium Density (close to the highway), Mixed Use and Neighborhood Commerical (Next to the highway)

***Low Density Residential.** The Low Density Residential designation is designed to provide areas for residential subdivisions with an overall density of 1 to 3 units per acre. This area is to be characterized by neighborhoods with streets designed to the City’s standards, single-family detached dwellings and open spaces. Open spaces shall include useable recreational features as outlined in a Parks and Recreation Element of the General Plan. (Note: one acre = 43,560 square feet)*

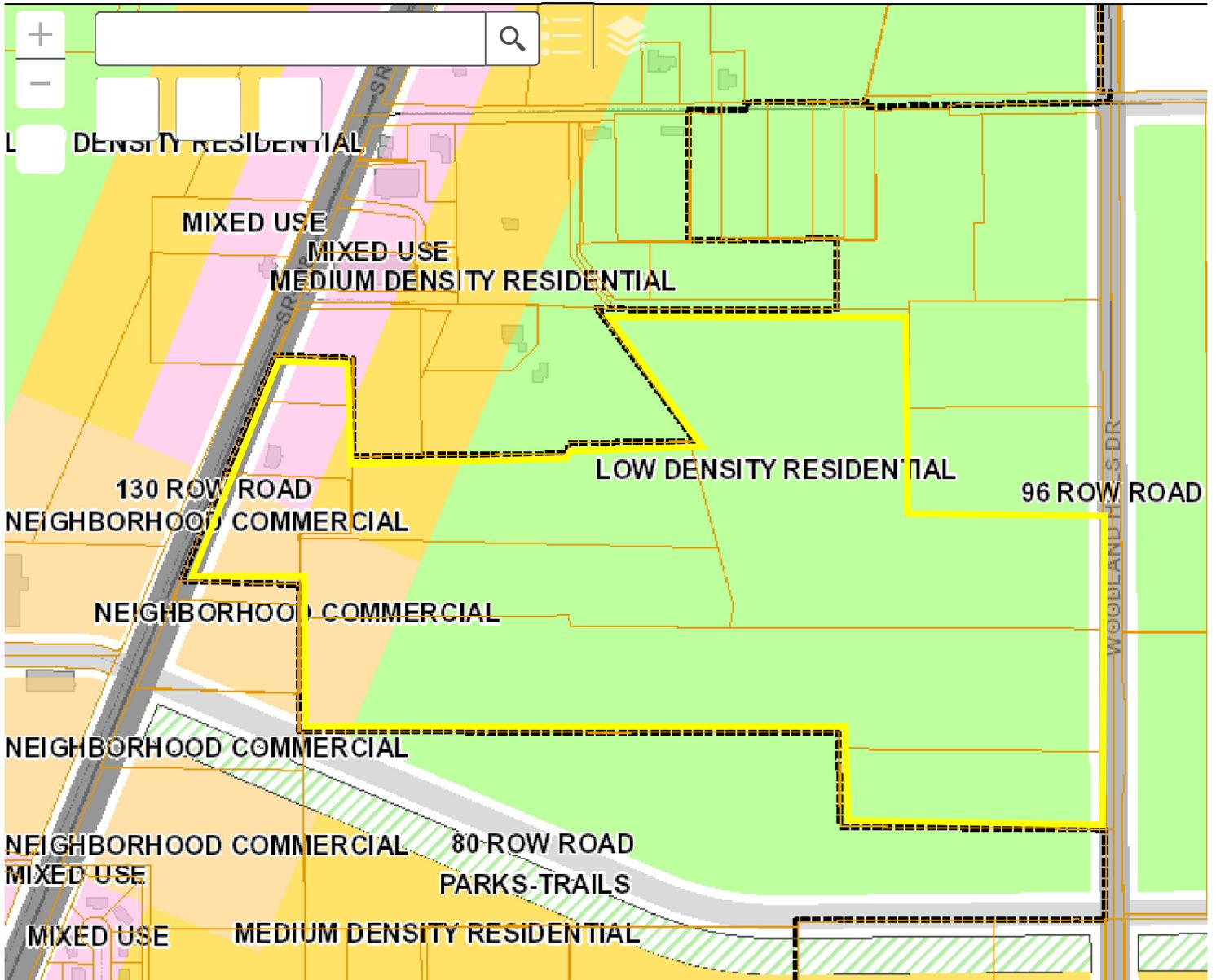
**Medium Density Residential.** *The Medium Density Residential designation is provided as a means of allowing for residential developments at higher densities in neighborhoods that still maintain a suburban character. This area is to be characterized by density ranging from 3 to 10 units per acre that may include a mixture of attached and detached dwellings. Master Planned Developments may be permitted in the Medium Density Residential areas.*

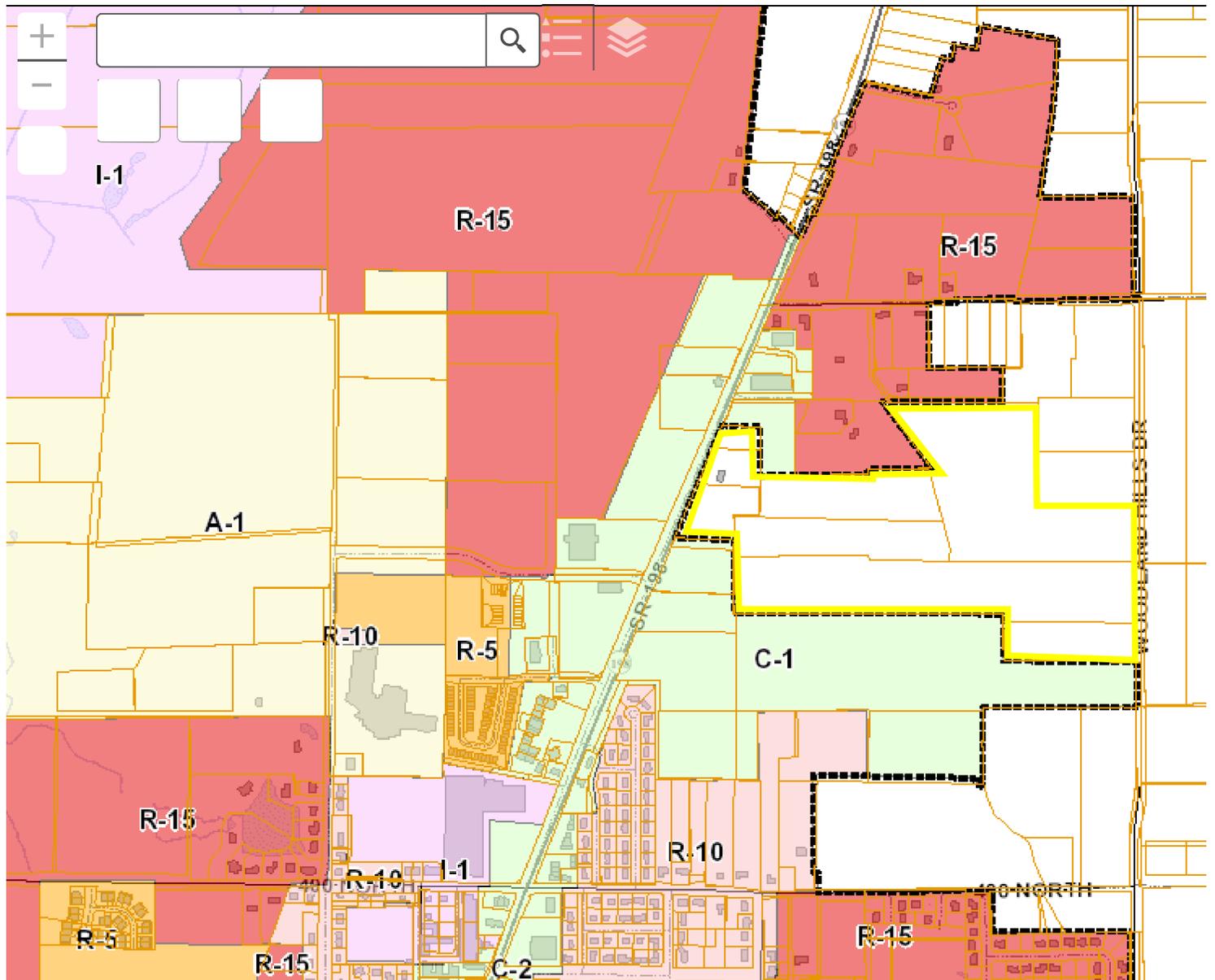
**Mixed Use.** *The Mixed Use designation is designed to be utilized throughout the City. It is expected that developments in the Mixed Use areas will be among the most difficult in the City to design. As such, it is also expected that teams of highly sophisticated design and marketing professionals will be involved in the preparation of development plans in the Mixed Use areas. In addition to the residential and retail based commercial uses, the Mixed Use district is intended to accommodate the majority of the professional office space in the City. Office components should be included as an integral part of developments in this district so as to capitalize on the benefits that can be enjoyed with a mixture of distinct but complimentary land uses. The residential component shall be designed and integrated so as to complement the surrounding commercial activity. While not required, it is anticipated that dwelling units will be located in shared residential/commercial structures so as to preserve first-floor and other prime commercial spaces for retail activities. Open spaces and recreational features shall be designed for the use and enjoyment of both the commercial patrons and the development's residents. Developments in these areas shall contain landscaping and recreational features as per the City's Parks and Trails Element of the General Plan.*

**Neighborhood Commercial.** *The Neighborhood Commercial designation is intended to identify locations where small-scale, neighborhood-oriented commercial developments are to be located. These commercial developments are to provide goods and services that are used on a daily basis by the surrounding residents. Tenant spaces in these areas shall be limited to 50,000 square feet. Individual Neighborhood SALEM CITY GENERAL PLAN UPDATE 2010 Page 13 Commercial developments should be large enough to accommodate functioning traffic patterns but should not exceed 5 acres in size. Parcels considered for this designation should be located in close proximity to residential areas where pedestrian activity between residents and the development is likely to occur. Improvements such as trails, seating and lighting that would help create gathering spaces and promote pedestrian activity are expected and shall be considered an essential part of developments in the Neighborhood Commercial areas. Developments in these areas shall contain landscaping and recreational features as per the City's Parks and Trails Element of the General Plan.*

**Attachments:**

Maps (General Plan, Current Zoning, and Annexation Area). Council Minutes from April 15 and August 5, 2015.







**South Utah Valley Electric Service District**

PO Box 349  
 803 North 500 East  
 Payson, UT 84651

**Invoice**

DATE	NUMBER
07/26/2016	213679

**Account No:** 1037

**Terms:** Net 30

**Bill To:** Salem City Corp.  
 P. O. Box 901  
 30 West 100 South  
 Salem UT 84653-0901

Job #:      Job Name: MOWER ANNEXATION COSTS

DESCRIPTION	QTY	AMOUNT
Facilities Asset Costs		34,535.85
Depreciation: To 70% of Full Value		-10,360.75
Amount Due:		\$24,175.10

Minutes of the Salem City Council Meeting held on August 5, 2015 in the Salem City Council Chambers.

**Worksession** 6:15 p.m.

Bruce Ward from Forsgren Engineering discussed how Circle V Meat would like to hook onto our sewer system. He stated by the state definition, Circle V would not qualify as an industrial user. We would do a permit and would require them to do a pretreatment. The discharge permit would be with the council approval. The council was okay to proceed. The question was asked if Cornaby food processing would be consider an industrial user, Bruce stated he does not think they would qualify either.

Council reviewed the items on the agenda.

**MEETING CONVENED AT:** 7:00 p.m.

**CONDUCTING:** Mayor Randy A. Brailsford

**COUNCIL PRESENT:**

Mayor Randy A. Brailsford  
Councilperson Janie Christensen  
Councilperson Aaron Cloward  
Councilperson Soren Christensen  
Councilperson Sterling Rees  
Councilperson Craig Warren

**STAFF PRESENT:**

Jeffrey Nielson, Finance/Recorder  
Chief Brad James, Police Chief  
Junior Baker, City Attorney  
David Johnson, Building Dept.  
Matt Marziale, Recreation  
Clark Crook, Power

Mayor Brailsford stated Councilperson Soren Christensen will be participating by phone tonight.

**OTHERS PRESENT**

Betty Herbert, David Olson, Robert J. McNeel, Tom Scribner, Kent Carter, Joe Bradford, Trey Stephens, Thane Eliot, Justin Royslance, Nick Allred, Gus Farley, Trudy Farley, Clark Caras, Christy Simons, Paul Cheney, Gary warner, Lisa Warner, Bryce Gray, Darren Averett, Gavin Averett, Brandon Coffman, Derick Myers, Logan Blanchard, Calvin Myers, Ryan Young, Rhonda Caywood, Brete Arnold.

**1. VOLUNTEER MOTIVATIONAL/INSPIRATIONAL MESSAGE**

Mayor Brailsford asked if anyone would like to give a motivational or inspirational message. Matt Marziale stated he would like to offer a motivational message in the form of a prayer.

**2. INVITATION TO SAY PLEDGE OF ALLEGIANCE**

Nick Allred, a boy scout, invited those who wish to participate, to stand and say the pledge of allegiance with him. He then led the pledge of allegiance for those who wanted to participate.

### 3. PUBLIC HEARING

Open

**MOTION BY:** Councilperson Aaron Cloward to open the public hearing.

**SECONDED BY:** Councilperson Sterling Rees.

**VOTE:** All Affirmative (5-0).

#### a. Salisbury Development – Mower Salem Annexation

Henry Reynolds is representing the Salisbury Development and they want to proceed with the annexation. It has gone through the 90 day protest period, and there were no written protest for the annexation.

Mayor Brailsford asked if there were any comments from the public.

Gus Farley, who has property affected by the annexation, stated he is protesting the annexation, but he knows that he will be forced in with the annexation. He has some concerns with the annexation and coming into the city. He stated he has two electric meters with SESD, he has paid for them and the hookup fees, he is concerned that he would have to switch over to Salem City Power, and with the two meters, he is concerned about the fees and rates he would have to pay. He is also concerned about the sewer and being forced to hook onto city sewer and the expenses associated with it, and the same with the other utilities and being forced onto them. Mayor Brailsford told Gus, that he would not be forced onto the utilities, until he develops or subdivides his property. The only utilities he would be required to pay now are for the storm water fee and also garbage. Mayor also told him some of the other benefits by coming into the city, like covered by Salem City Public Safety.

Gus had a couple more concerns, which were the buyout cost from SESD, he does not want to incur those cost, losing the right to hunt on his property, if he could still hunt, he would still want his animal rights, and then zoning, he would request not being zoned commercial or industrial but he would want to be high density. Chief Brad James stated he would still be able to hunt, but he would have to be 600 feet from homes. Attorney Junior Baker stated if he is zoned as agriculture, he would still be able to keep his animal rights and it is also a good holding zone, then when he would like to develop he could come in for a zone change.

Councilperson Soren Christensen asked about Guy Farley property. Gus stated that his father Guy had deeded the property over to him.

Mayor Brailsford asked if there were any other questions.

**b. Swift Creek Properties - Variance on Side Setback Requirement for the Existing House at 830 South 130 East**

Tom Scribner told the council, if they were to take the garage off of the home, then they would not need a variance. They would like to keep the home and not tear it down like it was discussed. When the development was designed, it was an oversite on the road with the proportion to the home. After the road was completed, it made the home out of compliance. The older home fits in with the other homes in the area, except for the new homes.

Mayor Brailsford stated that every time they came in to talk about the Orchard Farms Development, the existing Sabin home (the one in question tonight) was not there. He feels they are now coming in and asking for forgiveness. Tom explained when the two lots were divided off from the rest of the subdivision; they wanted to keep the existing home and do a remodeling of the home.

Councilperson Soren Christensen asked if they applied for any building permits for the remodeling. Tom explained since the structure of the home was not changed, they did not need to have a building permit.

Mayor Brailsford asked if there were any other questions.

Close

**MOTION BY:** Councilperson Sterling Rees to close the public hearing.

**SECONDED BY:** Councilperson Aaron Cloward.

**VOTE:** All Affirmative (5-0).

**a. Salisbury Development – Mower Salem Annexation**

Mayor Brailsford stated the city is still waiting on SESD for a cost of the infrastructure for the power buyout. When we receive that, then the council can make a decision on the annexation, if Salisbury still wants to proceed.

**MOTION BY:** Councilperson Aaron Cloward to table the decision until we have the cost of the SESD power buy out for the area.

**SECONDED BY:** Councilperson Craig Warren.

**VOTE:** All Affirmative (5-0).

Minutes of the Salem City Council Meeting held on April 15, 2015 in the Salem City Council Chambers.

**Worksession:** 6:30 p.m.

John Dester, who is the developer for Central Park Development, and Bruce Ward from Forsgren Engineering, talked about some of the changes John has done with the development. They are working on the development agreement that will be coming to council on May 6. Some of the new amenities John has added, is a pergola, gazebo, pavilion and playground. These will be accessed by all of the homeowners and will be nice for people to gather. The yards will also be fenced back yards, to have the private yard. The property will be owned by the HOA, so once you enter the property it will be owned and maintained by the HOA. It was stated that Planning and Zoning requested to have the book which was handed out to them and the council be an exhibit to the development agreement. They also wanted to review the agreement before it got approved.

Bruce Ward, mentioned Planning and Zoning stated this is not what was envisioned for a Mixed Use development but this is basically an extension of a previously approved project that failed. If the city approves this project, we are not setting a precedence because it is not a new project. With a new project, the city would require more.

Attorney Baker stated he would get the development agreement to Planning & Zoning and to the Council for review. Planning and Zoning will not need to act on, but if they have concerns they can let us know. He also wanted to recognize Planning and Zoning's motion: *Reid Nelson said that since this is a continuation of a failed project and there are limited options, he would make a motion to recommend approval of the Georgetown Master Plan Development with the recommendations stated at DRC regarding the drainage and pavilion and is outlined in the book presentation. He also recommended that the Planning Commission be able to read the draft of the development agreement before it is passed by City Council. Seconded by Seth; Vote Affirmative, 5-0 (this was a roll call vote and was unanimous)*

Councilperson Soren Christensen asked about the commercial section. John stated there would be 10 livable units with commercial under them.

The council discussed the Mower Annexation and how it needed to be initiated by the petitioner (Chris Salisbury). If the council wants to proceed, then we do a study on it, the minimum time to do the study is 90 days.

**CITY COUNCIL MEETING CONVENED AT:** 7:00 p.m.

**CONDUCTING:** Mayor Randy A. Brailsford

**COUNCIL PRESENT:**

Mayor Randy A. Brailsford  
Councilperson Janie Christensen  
Councilperson Aaron Cloward  
Councilperson Soren Christensen  
Councilperson Sterling Rees  
Councilperson Craig Warren

**STAFF PRESENT:**

Jeffrey Nielson, Finance/Recorder  
Matt Marziale, Recreation  
Junior Baker, City Attorney  
David Johnson, Building Dept.  
Clark Crook, Power

Excused:

Chief Brad James, Police Chief

**OTHERS PRESENT**

Gus Farley, Keith Lyman, Chris Salisbury, Robert Palfreyman, Linda Evans

**1. VOLUNTEER MOTIVATIONAL/INSPIRATIONAL MESSAGE**

Mayor Brailsford asked if anyone would like to give a motivational or inspirational message. Clark Crook stated he would like to offer a motivational message in the form of a prayer.

**2. INVITATION TO SAY PLEDGE OF ALLEGIANCE**

Councilperson Janie Christensen invited those who wish to participate, to stand and say the pledge of allegiance with her. She then led the pledge of allegiance for those who wanted to participate.

**3. CHRIS SALISBURY – Annexation Request**

Chris Salisbury stated he is requesting an annexation of the Mower, Farley and Neer property. He would like approval to proceed to the next step of the annexation. Chris explained they have a preliminary concept of the property, it would have commercial by the highway with residential, it is only concept at the moment.

Councilperson Soren Christensen asked if the Farley's have been notified. Gus Farley stated they had not been notified. He has the concern of the wetlands in the area. He would also like to request the same zoning which Salisbury would be allowed. Mayor Brailsford stated if the council allows Chris to move forward, then the annexation goes through the protest period and a public hearing. When it goes to council for approval, if it

is approved it would then be zoned. It was stated that the Farley's would be forced into the annexation.

**MOTION BY:** Councilperson Soren Christensen to accept the annexation for further study.

**SECONDED BY:** Councilperson Craig Warren.

**VOTE:** All Affirmative (5-0).

#### **4. GEORGETOWN DEVELOPMENT – Master Plan Development Approval**

It was stated there was nothing to present tonight. The development agreement is not finished. It did go before Planning and Zoning on April 8, 2015. This item was also discussed in work session tonight.

#### **5. ALLRED JACKSON AUDITOR ENGAGEMENT LETTER**

Jeff Nielson stated he approached Allred Jackson to see if they would like to give us an engagement letter for another five years. They have done a great job for us in the past.

**MOTION BY:** Councilperson Sterling Rees to approve Allred Jackson's auditor engagement letter.

**SECONDED BY:** Councilperson Aaron Cloward.

**VOTE:** All Affirmative (5-0).

#### **6. APPROVE RESOLUTION FOR WATER RESTRICTIONS**

Councilperson Soren Christensen stated last council we approved the water restrictions, tonight is the resolution for those restrictions. He then read the resolution, which stated no residential watering on Tuesday and Friday. Commercial, Parks, Schools, and Churches cannot water on Tuesdays and Saturdays.

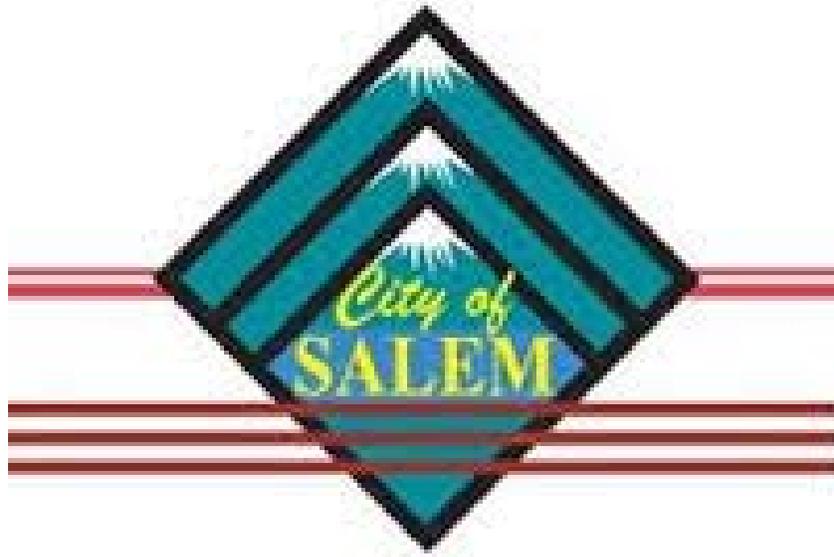
Matt was concerned if the city hydro seeds the soccer park, and would need to water every day until it starts to grow. Councilperson Soren Christensen felt Matt would be okay with following the regulations.

Councilperson Sterling Rees is concerned about how the resolution states irrigation water, what about culinary water. It was stated to take out the word irrigation.

**MOTION BY:** Councilperson Soren Christensen to approve Resolution 41515 for water restrictions.

**SECONDED BY:** Councilperson Janie Christensen.

**VOTE:** All Affirmative (5-0).



# ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

*Final Report*

*June 2016*



# **REPORT OUTLINE**

**Cover Letter**

**Section 1 Introduction**

**Section 2 Projected Operating Results Existing Rates**

**Section Cost of Service**

**Section Proposed Rates**



June 23, 2016

**Salem City Corp.**  
30 West 100 South St  
Salem, UT 84653

**Subject: Electric Rate Study**

Council Members:

Dave Berg Consulting, LLC with the assistance of NewGen Strategies and Solutions, has undertaken a study of the retail rates Salem City Corp (Salem) charges its customers for electric service. This report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates.

The recommended rate adjustments have been made based on overall revenue and cash reserve needs of the utility and the results of a cost-of-service analysis. We have recommended an overall increase in electric rates of 4.2%. Additional considerations for future rate adjustments have also been recommended for the electric utility.

Thank you for the opportunity to be of service to Salem through the conduct of this study. We wish to express our appreciation for the valuable assistance we received from Salem staff relative to the execution of this study.

Sincerely,

**Dave Berg Consulting, LLC**

A handwritten signature in black ink, appearing to read 'David A. Berg', is written over a light gray rectangular background.

**David A. Berg, PE**  
**Principal**

***Dedicated to providing personal service to consumer-owned utilities***

Dave Berg Consulting, LLC | 15213 Danbury Ave W, Rosemount, MN 55068 | 612-850-2305

[www.davebergconsulting.com](http://www.davebergconsulting.com)

# Section 1

## Introduction

Salem, Utah owns a municipal utility providing service to approximately 2,200 retail electric customers. The electric utility (Salem) is under the direction of the Salem City Council. This report has been prepared by Dave Berg Consulting, LLC with assistance from NewGen Strategies and Solutions to examine the rates and charges for electric service in Salem City. The study includes an examination of the allocated cost of service based on actual FY 2015 utility operations (Test Year). It also includes projected operating results for FY 2016-2020 (Study Period). As a result of the analyses undertaken and reported on herein, electric rate recommendations have been developed for implementation by Salem.

## Section 2

# Projected Operating Results Existing Rates

The rates charged for electric service by Salem, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to Salem's retail customers. This is necessary in order to ensure the long-term financial health of Salem. The cost of providing electric service consists of normal operating expenses such as purchased power, distribution functions, customer and administrative functions, system depreciation expenses, capital improvements, debt payments and contributions to Salem City and other non-operating expenses.

An analysis of the operating results for Salem during the FY 2016-2020 Study Period has been performed assuming the current retail rates and charges remain in effect for the electric utility through the Study Period. This analysis has been done to determine the overall need, if any, for additional revenue through rates to meet projected revenue requirements. The analyses and assumptions utilized in these projections are explained below.

### Estimated Revenues – Existing Rates

#### *Retail Sales*

Salem sells retail power and energy to residential and commercial customers. Salem has recently been experiencing moderate growth in total retail sales to its electric customers; total sales growth after 2015 has been assumed to be approximately 3.6% per year through the Study Period. The growth is in large part due to the addition of a new health care facility with an estimated peak usage of 500 kW.

Exhibit 2-A is a summarized listing of Salem's historical and projected electric operating results at existing rates. The historical and projected revenues from retail sales of

## Section 2

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power and energy to different groups of customers are included at the beginning of the exhibit under Operating Revenues.

### *Other Operating Revenues*

Salem also receives revenue from other normal operating procedures. These revenues are shown in Exhibit 2-A and include connection fees, hook-ups and other miscellaneous revenues.

Utility Revenues combined with Other Operating Revenues results in Salem's Total Operating Revenues.

## Revenue Requirements

### *Purchased Power*

Salem currently meets its wholesale power requirements through its membership in the Utah Municipal Power Agency (UMPA).

Salem's actual retail sales and wholesale requirements for the FY 2015 Test Year are shown in Table 2-1.

Table 2-1  
Retail Sales  
And Wholesale Requirements

<b>Item</b>	<b>201□</b>
Metered Retail Sales	32,256,634 kWh
Losses/Unmetered (% of sales)	8.4 %
Wholesale Energy	34,975,157 kWh
Wholesale Peak	10,004 kW

## Projected Operating Results – Existing Rates

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For 2016-2020, annual wholesale requirements are projected to increase 3.5% per year.

### *Other Operating Expenses*

Salem incurs other operating expenses associated with local electric system operations. Distribution operating and maintenance expenses are related to the substations, distribution lines and customer facilities located in Salem. Administrative and general expenses are required for utility management, employee benefits, training and other administrative costs. Non-wholesale power related expenses are based on 2015 values, the 2016 budget and are generally estimated to increase by 2.2% per year after 2016.

### *Depreciation*

Salem has annual depreciation costs based on its system investments. Depreciation during the Study Period is based on budgeted Salem amounts and future capital improvements. Depreciation is a funded non-cash expense that generates monies available for annual capital improvements and reserves.

### *Non-operating Revenue (Expenses)*

Salem's non-operating revenue is primarily associated with impact fees.

### *City Transfer*

Salem makes an annual operational transfer to the City's general fund.

### *Capital Improvements*

Salem makes annual normal capital investments in its electric system. Annual electric capital improvements for the Study Period, as budgeted by Salem, are shown in Table 2-2 below.

Table 2-2  
Capital Improvements

<b>Capital Item</b>	<b>201□</b>	<b>201□</b>	<b>201□</b>	<b>201□</b>	<b>2020</b>
Total Capital	\$20,000	\$20,000	\$25,000	\$30,000	\$30,000

*Debt Service*

Salem makes annual principal payments to a developer for funds advanced to Salem for a new substation. There is no interest on the debt and principal payments are made based on 50% of annual impact fee revenue.

*Projected Operating Results – Existing Rates*

Based on the assumptions outlined above, the resulting projected operating results assuming continued application of the existing retail rates are summarized in Table 2-3 for the electric utility. A summary presentation of the operating results is shown in Exhibit 2-A.

Projected Operating Results – Existing Rates

Table 2-3  
 Projected Operating Results  
 Existing Rates

Year	2015	2016	2017	2018	2020
Operating Revenues	\$3,678,324	\$4,071,447	\$4,139,791	\$4,213,291	\$4,288,920
Less Operating Expenses	(3,592,465)	(3,939,792)	(4,066,696)	(4,197,423)	(4,314,866)
Plus Non-Operating Revenues	40,012	40,892	41,792	42,711	43,651
Less City Transfers	<u>(338,686)</u>	<u>(338,686)</u>	<u>(338,686)</u>	<u>(338,686)</u>	<u>(338,686)</u>
Change in Net Position	(\$212,815)	(\$166,138)	(\$223,798)	(\$280,107)	(\$320,981)
Net Position as Percent of Revenues	-5.8%	-4.1%	-5.4%	-6.7%	-7.5%

## Cash Reserves

A summary of the impact of the projected operating results on Salem’s cash reserves for the Study Period is shown at the end of Exhibit 2-A and in Table 2-4 below.

As shown below, under existing retail rates and estimated revenue requirements over the Study Period, the cash reserves for the electric utility are projected to decrease from approximately \$530,000 at the end of 2015 to approximately \$160,583 by the end of 2020.

Section 2

Table 2-4  
Projected Cash Reserves  
Existing Rates

Year	2019	2018	2017	2016	2020
Beginning Balance	\$533,276	\$490,957	\$495,541	\$437,848	\$319,387
Plus Change in Net Position	(212,815)	(166,138)	(223,798)	(280,107)	(320,981)
Plus Depreciation	210,502	211,168	212,002	213,002	214,002
Less Capital Improvements	(20,000)	(20,000)	(25,000)	(30,000)	(30,000)
Less Debt Principal	<u>(20,006)</u>	<u>(20,446)</u>	<u>(20,896)</u>	<u>(21,356)</u>	<u>(21,825)</u>
Ending Balance	\$490,957	\$495,541	\$437,848	\$319,387	\$160,583
Reserves as % of Revenue	13%	12%	11%	8%	4%



## Projected Operating Results

Description	Actual		Escalation Factor	Projected				
	2014	2015		2016	2017	2018	2019	2020
<b>Operating Revenues</b>								
Residential Sales			Manual	2,371,009	2,408,708	2,452,050	2,498,698	2,546,232
Commercial Sales			Manual	1,210,815	1,564,482	1,587,565	1,612,399	1,638,434
Industrial Sales			Manual	60,000	60,954	62,052	63,232	64,434
<i>Subtotal - Charges for services</i>	3,678,278	3,279,649		3,641,824	4,034,144	4,101,668	4,174,329	4,249,101
Connect & Reconnect Fees		23,417	General Inflation	21,500	21,973	22,456	22,950	23,455
Substation Hook-Up		466,967	General Inflation	10,000	10,220	10,445	10,675	10,909
Other Operating Revenues	14,727	41,314	General Inflation	5,000	5,110	5,222	5,337	5,455
<b>Total Operating Revenues</b>	<b>3,693,005</b>	<b>3,811,347</b>		<b>3,678,324</b>	<b>4,071,447</b>	<b>4,139,791</b>	<b>4,213,291</b>	<b>4,288,920</b>
<b>Operating Expenses</b>								
Power purchased	2,200,602	2,261,023	Manual	2,178,821	2,499,012	2,598,031	2,700,113	2,788,300
O&M Excluding Purchased Power	998,928	1,245,641	General Inflation	1,203,142	1,229,611	1,256,663	1,284,309	1,312,564
Depreciation Expense	206,697	209,835	Manual	210,502	211,168	212,002	213,002	214,002
<b>Total Operating Expenses</b>	<b>3,406,227</b>	<b>3,716,499</b>		<b>3,592,465</b>	<b>3,939,792</b>	<b>4,066,696</b>	<b>4,197,423</b>	<b>4,314,866</b>
<b>Operating Income (Loss)</b>	<b>286,778</b>	<b>94,848</b>		<b>85,859</b>	<b>131,655</b>	<b>73,096</b>	<b>15,868</b>	<b>(25,946)</b>
<b>Nonoperating Revenues (Expenses)</b>								
Other Non-Operating Revenue (Expenses)	204,396	179,431	General Inflation	40,012	40,892	41,792	42,711	43,651
<b>Total Nonoperating Revenues (Expenses)</b>	<b>204,396</b>	<b>179,431</b>		<b>40,012</b>	<b>40,892</b>	<b>41,792</b>	<b>42,711</b>	<b>43,651</b>
<b>Transfers In (Out)</b>	<b>(255,804)</b>	<b>(305,004)</b>	Manual	<b>(338,686)</b>	<b>(338,686)</b>	<b>(338,686)</b>	<b>(338,686)</b>	<b>(338,686)</b>
<b>Operating Surplus (Deficit)</b>	<b>235,370</b>	<b>(30,725)</b>		<b>(212,815)</b>	<b>(166,138)</b>	<b>(223,798)</b>	<b>(280,107)</b>	<b>(320,981)</b>
Beginning of Year Cash Reserves		445,881		533,276	490,957	495,541	437,848	319,387
Plus Net Income		(30,725)		(212,815)	(166,138)	(223,798)	(280,107)	(320,981)
Plus Depreciation		209,835		210,502	211,168	212,002	213,002	214,002
Less Capital Improvements		(2,000)		(20,000)	(20,000)	(25,000)	(30,000)	(30,000)
Less Debt Service Principal		(89,716)		(20,006)	(20,446)	(20,896)	(21,356)	(21,825)
<b>End of Year Cash Reserves</b>		<b>533,276</b>		<b>490,957</b>	<b>495,541</b>	<b>437,848</b>	<b>319,387</b>	<b>160,583</b>

# Section 3

## Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of Salem's customer classes within the electric utility. Customer classes exist, in part, because the cost to serve different kinds of customers varies. The cost-of-service analysis has been performed on a FY 2015 'Test Year' based on actual 2015 financials, operations and sales. The results of the cost-of-service study give an indication of the degree of revenue recovery warranted for each class of customers. A comparison of the allocated cost to serve a class of customers and the actual revenues received from that class is taken into consideration during rate design.

### Functionalization of Costs

Salem's Test Year electric revenue requirements have been divided into four functional categories. These categories are described below.

**Power Supply** – the power supply function is related to the cost of Salem transmission and purchases of wholesale power through UMPA and Southern Utah Valley Power.

**Distribution** – distribution expenses are related to the Salem owned system for delivering power and energy to Salem customers. They include local substation and distribution system costs.

**Customer** – these costs are fixed costs associated with the service facilities utilized to deliver electric power and energy directly to customers. They also include items such as meter reading, billing, collections and dealing with customers by customer service representatives.

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**Revenue** – revenue related costs include transfers to the City and City related fees, other operating and non-operating income and utility margin.

Table 3-1 below summarizes the functional electric costs for the 2015 Test Year. The detailed cost functions are shown in Exhibit 3-A.

Table 3-1  
Functional Electric Costs  
2015 Test Year

<b>Component</b>	<b>Revenue Requirement</b>
Power Supply	\$2,362,328
Distribution	597,197
Customer	45,845
Revenue	<u>274,279</u>
Total	<u>\$3,279,649</u>

### Classification of Costs

Within each function, the revenue requirements have been divided into distinct cost classifications. These cost classifications are described below.

**Demand Related** – demand related costs are fixed costs that do not vary with hourly consumption. Demand related costs are required to meet the overall demand of the system as expressed in kW.

**Energy Related** – energy related costs vary based on hourly consumption in kWh.

**Customer Related** – costs related to serving, metering and billing of individual customers.

**Revenue Related** – revenue related costs vary by the amount of revenue received by the utility.

Exhibits 3-B through 3-D show the detailed classification of revenue requirements within the functions.

### *Allocation of Costs*

Based on an analysis of customer class service characteristics, the classified costs summarized above were allocated to the major Salem customer classes. Allocation of costs was performed on a fully-distributed, embedded cost allocation basis. Specific allocation factors were utilized in each of the cost classification categories as described below. Exhibit 3-E contains a summary of the development of the various allocation factors.

#### *Demand Allocations*

Customer class demands on a system can be reflected in various ways. Two primary demand allocation types were utilized in this analysis. A common industry allocator known as Coincident Peak Demand (CP) allocator is utilized to allocate demand related costs based on each class' contribution to the system peak demand each month. A 12 CP demand allocator was utilized for power supply related demand costs. A Non-coincident Peak Demand (NCP) reflects a class maximum demand regardless of when it occurs. A 1 NCP method, an estimate of each class' maximum annual demand on the system, was utilized for allocating local system demand related costs.

#### *Energy Allocations*

Each class' share of energy requirements was used to allocate energy related costs. The predominant energy related costs are the energy portions of the purchased power expenses. These costs were allocated based on each class'

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estimated share of wholesale energy purchases, this is referred to as the Net Energy for Load (NEFL) allocator.

### *Customer Allocations*

Two separate customer allocators were utilized. The customer distribution allocator was used to allocate costs associated with the physical facilities required to serve individual customers. The customer service allocator is for allocation of costs associated with customer service – meter reading, billing, collections and customer inquiries. For both the customer distribution and customer service allocators, a weighted customer allocation factor is developed. Weighting factors are developed to represent the difference in service configurations between customer classifications. For instance, a larger customer facility is required for a single large power customer than for a single residential customer, or a single large power customer requires more customer service than a single residential customer.

### *Revenue Allocations*

Revenue related costs were allocated based on each class' share of total demand, energy, customer distribution, customer service and direct costs.

### *Cost of Service Results*

Based on the classifications and allocations described above, the estimated cost to serve each major class of customers for the 2015 Adjusted Test Year was determined. Exhibit 3-F presents this analysis in detail. Table 3-2 below summarizes the total allocated electric costs for each class compared to the total electric revenues received from the class during 2015.

Table 3-2  
Electric Cost of Service Results  
Comparison of Cost and Revenues  
2015 Test Year

<b>Customer Classification</b>	<b>Allocated Cost to Serve</b>	<b>Revenues</b>
Residential	\$2,168,596	\$2,096,401
Commercial no Demand	50,282	52,579
Commercial with Demand	983,368	1,079,696
Industrial	<u>77,403</u>	<u>50,975</u>
Total	\$3,279,649	\$3,279,649

The revenue requirements and revenues as allocated to each class and summarized above are shown on a total dollars basis. Table 3-3 below makes the comparison based on percentages of total cost to serve and total revenues. The percentage increase/(decrease) in each class' revenue shown below is the adjustment necessary to produce revenues from each class in accordance with the allocated cost to serve. The percentage adjustments do not represent the recommended change in each class' rates. The cost-of-service results are one item for consideration in rate design. It is important to note also that the adjustments shown in the table below would not change the total revenue received by the utility and are not indicative of overall revenue needs of the utility going forward. Recommendations regarding rate design are included in Section 4 of this report.

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Table 3-3  
Electric Cost of Service Results  
Comparison of % Cost and Revenues  
2015 Test Year

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<b>Customer Classification</b>	<b>Allocated Cost to Serve</b>	<b>Revenues</b>	<b>Increase <input type="checkbox"/></b> <b><input type="checkbox"/> Decrease <input type="checkbox"/></b>
Residential	66.1%	63.9%	3.4%
Commercial no Demand	1.5%	1.6%	-4.4%
Commercial with Demand	30.0%	32.9%	-8.9%
Industrial	<u>2.4%</u>	<u>1.6%</u>	<u>51.8%</u>
Total	100.0%	100.0%	0.0%

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As indicated above, Salem’s existing class revenues do not exactly match the allocated cost to serve each class. Cost based rates are one of several goals in establishing rates. The relationship between allocated costs and revenues for each class should be considered, in addition to other rate related goals, in developing recommended rates. Small classes of customers often do not lend themselves well to an overall COS analysis, the comparison shown above for the industrial class should not be considered to be entirely indicative of the appropriate rate levels for that class.

### Per Unit Costs

Based on the cost-of-service results shown above, the costs have been summarized on a per unit basis by customer class and class billing data. These per unit costs resemble rates and represent another piece of information for use in rate design. The resulting per unit costs by rate class are shown in Table 3-4

Table 3-4  
Per Unit Electric Costs  
2015 Test Year

Customer Classification	Total		
	Dmd □□□□W□	Energy □□□□Wh□	Cust □□□mo□
Residential	\$8.43	\$0.03711	\$8.94
Commercial no Demand	\$9.06	\$0.03711	\$8.94
Commercial with Demand	\$10.80	\$0.03711	\$32.25
Industrial	\$16.44	\$0.03614	\$233.16



## Functional Unbundling

Line	Description	2015	Adjustments	Test Year	Allocation	Power Supply	Distribution	Customer	Revenue	Total
1	<b>Power Production and Delivery Expense</b>									
2	Salaries	392,309		392,309	Distribution	-	392,309	-	-	392,309
3	Employee Benefits	197,581		197,581	Distribution	-	197,581	-	-	197,581
4	Clothing Allowance	3,831		3,831	Distribution	-	3,831	-	-	3,831
5	Safety Equipment/Testing	12,424		12,424	Distribution	-	12,424	-	-	12,424
6	Power System Maint & Repair	47,107		47,107	Distribution	-	47,107	-	-	47,107
7	Equip Supplies/Inventory	31,840		31,840	Distribution	-	31,840	-	-	31,840
8	Substation Repair	13,459		13,459	Distribution	-	13,459	-	-	13,459
9	Professionals & Technical	25,365		25,365	Distribution	-	25,365	-	-	25,365
10	Travel/Education	5,384		5,384	Distribution	-	5,384	-	-	5,384
11	Power Purchased UMPA	2,261,023		2,261,023	Power Supply	2,261,023	-	-	-	2,261,023
12	UMPA SCADA	3,769		3,769	Power Supply	3,769	-	-	-	3,769
13	SUVP Payments	96,511		96,511	Power Supply	96,511	-	-	-	96,511
14	Capital Outlay/Substation	46,590		46,590	Distribution	-	46,590	-	-	46,590
15	Equipment Purchase	10,353		10,353	Distribution	-	10,353	-	-	10,353
16	Motor Pool	30,128		30,128	Distribution	-	30,128	-	-	30,128
17	Depreciation Expense	209,835		209,835	O&M x/PS	-	202,731	7,104	-	209,835
18	<b>Total Power Production and Delivery</b>	<b>3,387,508</b>	<b>-</b>	<b>3,387,508</b>		<b>2,361,302</b>	<b>1,019,102</b>	<b>7,104</b>	<b>-</b>	<b>3,387,508</b>
19										
20	<b>Administrative &amp; General</b>									
21	Meter Reader Salaries	7,798		7,798	Customer	-	-	7,798	-	7,798
22	Employee Benefits	429		429	Customer	-	-	429	-	429
23	Office Exp & Supplies	518		518	Customer	-	-	518	-	518
24	Administrative Services	290,740		290,740	O&M x/PP	1,026	279,906	9,808	-	290,740
25	Substation O&M	9,318		9,318	Distribution	-	9,318	-	-	9,318
26	Public Safety Vehicle Fund	6,730		6,730	Customer	-	-	6,730	-	6,730
27	Transfer Funds to Motor Pool	13,459		13,459	Customer	-	-	13,459	-	13,459
28	<b>Total Administrative &amp; General</b>	<b>328,991</b>	<b>-</b>	<b>328,991</b>		<b>1,026</b>	<b>289,223</b>	<b>38,741</b>	<b>-</b>	<b>328,991</b>
29										
30	<b>Other Expenses (Revenues)</b>									
31	Impact Fees	(179,431)		(179,431)	Distribution	-	(179,431)	-	-	(179,431)
32	Electric Hookup Fees	(23,417)		(23,417)	Distribution	-	(23,417)	-	-	(23,417)
33	Reconnect Fee	(1,500)		(1,500)	Distribution	-	(1,500)	-	-	(1,500)
34	Power Hook Up New Subdivision	(466,967)		(466,967)	Distribution	-	(466,967)	-	-	(466,967)



## Functional Unbundling

Line	Description	2015	Adjustments	Test Year	Allocation	Power Supply	Distribution	Customer	Revenue	Total
35	Other Revenues	(39,814)		(39,814)	Distribution	-	(39,814)	-	-	(39,814)
36	Transfer Funds to General Fund	305,004		305,004	Revenue	-	-	-	305,004	305,004
37	Utility Margin	(30,725)		(30,725)	Revenue	-	-	-	(30,725)	(30,725)
38	<b>Total Other Expenses (Revenues)</b>	<b>(436,850)</b>	<b>-</b>	<b>(436,850)</b>		<b>-</b>	<b>(711,129)</b>	<b>-</b>	<b>274,279</b>	<b>(436,850)</b>
39										
40	<b>Total Revenue Requirement</b>	<b>3,279,649</b>		<b>3,279,649</b>		<b>2,362,328</b>	<b>597,197</b>	<b>45,845</b>	<b>274,279</b>	<b>3,279,649</b>



# Power Supply

Line	Description	Test Year	Allocation	Demand	Energy	Total
<b>1</b>	<b>Operating Expenses</b>					
2	Salaries	-	Demand	-	-	-
3	Employee Benefits	-	Demand	-	-	-
4	Clothing Allowance	-	Demand	-	-	-
5	Safety Equipment/Testing	-	NA	-	-	-
6	Power System Maint & Repair	-	NA	-	-	-
7	Equip Supplies/Inventory	-	NA	-	-	-
8	Substation Repair	-	NA	-	-	-
9	Professionals & Technical	-	NA	-	-	-
10	Travel/Education	-	NA	-	-	-
11	Power Purchased UMPA	2,261,023	UMPA	1,164,826	1,096,197	2,261,023
12	UMPA SCADA	3,769	Demand	3,769	-	3,769
13	SUVP Payments	96,511	Demand	96,511	-	96,511
14	Capital Outlay/Substation	-	NA	-	-	-
15	Equipment Purchase	-	NA	-	-	-
16	Motor Pool	-	NA	-	-	-
17	Depreciation Expense	-	NA	-	-	-
<b>18</b>	<b>Total</b>	<b>2,361,302</b>		<b>1,265,105</b>	<b>1,096,197</b>	<b>2,361,302</b>
19						
<b>20</b>	<b>Administrative &amp; General</b>					
21	Meter Reader Salaries	-	NA	-	-	-
22	Employee Benefits	-	NA	-	-	-
23	Office Exp & Supplies	-	NA	-	-	-
24	Administrative Services	1,026	Demand	1,026	-	1,026
25	Substation O&M	-	NA	-	-	-
26	Public Safety Vehicle Fund	-	NA	-	-	-
27	Transfer Funds to Motor Pool	-	NA	-	-	-
<b>28</b>	<b>Total Administrative &amp; General</b>	<b>1,026</b>		<b>1,026</b>	<b>-</b>	<b>1,026</b>



Power Supply

Line	Description	Test Year	Allocation	Demand	Energy	Total
29						
30	<b>Other Expenses (Revenues)</b>					
31	Impact Fees	-	NA	-	-	-
32	Electric Hookup Fees	-	NA	-	-	-
33	Reconnect Fee	-	NA	-	-	-
34	Power Hook Up New Subdivision	-	NA	-	-	-
35	Other Revenues	-	NA	-	-	-
36	Transfer Funds to General Fund	-	NA	-	-	-
37	Utility Margin	-	NA	-	-	-
37	<b>Total Other Expenses (Revenues)</b>	-		-	-	-
38						
39	<b>Total Revenue Requirement</b>		<b>2,362,328</b>	<b>1,266,131</b>	<b>1,096,197</b>	<b>2,362,328</b>



# Distribution

Line	Description	Test Year	Allocation	Demand	Customer	Total
1	<b>Operating Expenses</b>					
2	Salaries	392,309	O&M	308,550	83,759	392,309
3	Employee Benefits	197,581	O&M	155,397	42,184	197,581
4	Clothing Allowance	3,831	O&M	3,013	818	3,831
5	Safety Equipment/Testing	12,424	O&M	9,771	2,653	12,424
6	Power System Maint & Repair	47,107	PIS	25,021	22,086	47,107
7	Equip Supplies/Inventory	31,840	PIS	16,912	14,928	31,840
8	Substation Repair	13,459	Demand	13,459	-	13,459
9	Professionals & Technical	25,365	O&M	19,950	5,416	25,365
10	Travel/Education	5,384	O&M	4,234	1,149	5,384
11	Power Purchased UMPA	-	NA	-	-	-
12	UMPA SCADA	-	NA	-	-	-
13	SUVP Payments	-	NA	-	-	-
14	Capital Outlay/Substation	46,590	Demand	46,590	-	46,590
15	Equipment Purchase	10,353	PIS	5,499	4,854	10,353
16	Motor Pool	30,128	O&M	23,696	6,432	30,128
17	Depreciation Expense	202,731	PIS	107,680	95,051	202,731
18	<b>Total</b>	<b>1,019,102</b>		<b>739,772</b>	<b>279,330</b>	<b>1,019,102</b>
19						
20	<b>Administrative &amp; General</b>					
21	Meter Reader Salaries	-	NA	-	-	-
22	Employee Benefits	-	NA	-	-	-
23	Office Exp & Supplies	-	NA	-	-	-
24	Administrative Services	279,906	Demand	279,906	-	279,906
25	Substation O&M	9,318	Demand	9,318	-	9,318
26	Public Safety Vehicle Fund	-	NA	-	-	-
27	Transfer Funds to Motor Pool	-	NA	-	-	-
28	<b>Total Administrative &amp; General</b>	<b>289,223</b>		<b>289,223</b>	<b>-</b>	<b>289,223</b>



Distribution

Line	Description	Test Year	Allocation	Demand	Customer	Total
29						
30	<b>Other Expenses (Revenues)</b>					
31	Impact Fees	(179,431)	O&M	(141,122)	(38,309)	(179,431)
32	Electric Hookup Fees	(23,417)	Customer	-	(23,417)	(23,417)
33	Reconnect Fee	(1,500)	Customer	-	(1,500)	(1,500)
34	Power Hook Up New Subdivision	(466,967)	Demand	(466,967)	-	(466,967)
35	Other Revenues	(39,814)	Demand	(39,814)	-	(39,814)
36	Transfer Funds to General Fund	-	NA	-	-	-
37	Utility Margin	-	NA	-	-	-
37	<b>Total Other Expenses (Revenues)</b>	<b>(711,129)</b>		<b>(647,903)</b>	<b>(63,226)</b>	<b>(711,129)</b>
38						
39	<b>Total Revenue Requirement</b>	<b>597,197</b>		<b>381,093</b>	<b>216,104</b>	<b>597,197</b>



Customer

Line	Description	Test Year	Allocation	Customer	Total
1	<b>Operating Expenses</b>				
2	Salaries	-	Customer	-	-
3	Employee Benefits	-	Customer	-	-
4	Clothing Allowance	-	Customer	-	-
5	Safety Equipment/Testing	-	NA	-	-
6	Power System Maint & Repair	-	NA	-	-
7	Equip Supplies/Inventory	-	NA	-	-
8	Substation Repair	-	NA	-	-
9	Professionals & Technical	-	NA	-	-
10	Travel/Education	-	NA	-	-
11	Power Purchased UMPA	-	NA	-	-
12	UMPA SCADA	-	NA	-	-
13	SUVP Payments	-	NA	-	-
14	Capital Outlay/Substation	-	NA	-	-
15	Equipment Purchase	-	NA	-	-
16	Motor Pool	-	NA	-	-
17	Depreciation Expense	7,104	Customer	7,104	7,104
18	<b>Total</b>	<b>7,104</b>		<b>7,104</b>	<b>7,104</b>
19					
20	<b>Administrative &amp; General</b>				
21	Meter Reader Salaries	7,798	Customer	7,798	7,798
22	Employee Benefits	429	Customer	429	429
23	Office Exp & Supplies	518	Customer	518	518
24	Administrative Services	9,808	Customer	9,808	9,808
25	Substation O&M	-	NA	-	-
26	Public Safety Vehicle Fund	6,730	Customer	6,730	6,730
27	Transfer Funds to Motor Pool	13,459	Customer	13,459	13,459
28	<b>Total Administrative &amp; General</b>	<b>38,741</b>		<b>38,741</b>	<b>38,741</b>



Customer

Line	Description	Test Year	Allocation	Customer	Total
29					
30	<b>Other Expenses (Revenues)</b>				
31	Impact Fees	-	NA	-	-
32	Electric Hookup Fees	-	NA	-	-
33	Reconnect Fee	-	NA	-	-
34	Power Hook Up New Subdivision	-	NA	-	-
35	Other Revenues	-	NA	-	-
36	Transfer Funds to General Fund	-	NA	-	-
37	Utility Margin	-	NA	-	-
38	<b>Total Other Expenses (Revenues)</b>	-		-	-
39					
40	<b>Total Revenue Requirement</b>	<b>45,845</b>		<b>45,845</b>	<b>45,845</b>



# Cost of Service

Line	Description	Test Year	Allocation	Residential	Commercial No Demand	Commercial with Demand	Industrial	Total
36	<b>Allocation Factors</b>							
37								
38				42,105	946	20,602	1,495	65,148
39	12 Coincident Peak Demand		12CP	65%	1%	32%	2%	100%
40				8,144	203	2,284	215	10,846
41	1 Non-Coincident Peak Demand for Distribution		1NCP	75%	2%	21%	2%	100%
42				142,973	3,074	48,586	2,430	197,063
43	Sum of Maximum Demands		SMD	73%	2%	25%	1%	100%
44				20,181,362	425,650	10,666,822	982,800	32,256,634
45	kWh Sales		kWh Sales	63%	1%	33%	3%	100%
46				21,899,798	461,894	11,575,098	1,038,367	34,975,157
47	Net Energy for Load		NEFL	63%	1%	33%	3%	100%
48				23,904	723	1,953	12	26,592
49	Count of Meter Months		Meters	90%	3%	7%	0%	100%
50				23,904	723	7,812	360	32,799
51	Customers - Distribution Weighting		Cust. Distribution	73%	2%	24%	1%	100%
52				23,904	723	3,906	120	28,653
53	Customers - Customer Service Weighting		Cust. Service	83%	3%	14%	0%	100%
54				1,014,048	24,298	458,109	31,624	1,528,080
55	Revenue Requirement		RevReq	66%	2%	30%	2%	100%



## Cost of Service

Line	Description	Test Year	Allocation	Residential	Commercial No Demand	Commercial with Demand	Industrial	Total
1	<b>Power Supply</b>							
2	Power Supply Demand Expense	1,266,131	12CP	818,304	18,378	400,389	29,060	1,266,131
3	Power Supply Energy Expense	1,096,197	NEFL	686,387	14,477	362,789	32,545	1,096,197
4	<b>Total Power Supply</b>	<b>2,362,328</b>		<b>1,504,692</b>	<b>32,854</b>	<b>763,177</b>	<b>61,605</b>	<b>2,362,328</b>
5								
6	<b>Distribution</b>							
7	Distribution Demand Expense	381,093	1NCP	286,146	7,145	80,243	7,558	381,093
8	Distribution Customer Expense	216,104	Cust. Distribution	157,497	4,764	51,471	2,372	216,104
	<b>Total Transmission &amp; Distribution</b>	<b>597,197</b>		<b>443,644</b>	<b>11,909</b>	<b>131,714</b>	<b>9,930</b>	<b>597,197</b>
9								
10								
11	<b>Customer</b>							
12	Customer Service and Account	45,845	Cust. Service	38,247	1,157	6,250	192	45,845
13	<b>Total Customer</b>	<b>45,845</b>		<b>38,247</b>	<b>1,157</b>	<b>6,250</b>	<b>192</b>	<b>45,845</b>
14								
15	<b>Revenue</b>							
16	Revenue Expense	274,279	RevReq	182,014	4,361	82,227	5,676	274,279
17	<b>Total Revenue</b>	<b>274,279</b>		<b>182,014</b>	<b>4,361</b>	<b>82,227</b>	<b>5,676</b>	<b>274,279</b>
18								
19	<b>Total Cost of Service</b>	<b>3,279,649</b>		<b>2,168,596</b>	<b>50,282</b>	<b>983,368</b>	<b>77,403</b>	<b>3,279,649</b>
20								
21								
22	Percent of Cost of Service	100%		66.1%	1.5%	30.0%	2.4%	100.0%
23	Percent of Revenue	100%		63.9%	1.6%	32.9%	1.6%	100.0%
24	Difference	0%		3.4%	-4.4%	-8.9%	51.8%	0.0%
25								
26	<b>Classified Cost of Service</b>							
27	Customer Cost	285,856		213,608	6,461	62,989	2,798	285,856
28	Demand Cost	1,797,554		1,205,246	27,852	524,495	39,960	1,797,554
29	Energy Cost	1,196,240		749,029	15,798	395,898	35,515	1,196,240
30								
31	<b>Classified Unit Cost of Service</b>							
32	Customer Cost	10.75		8.94	8.94	32.25	233.16	10.75
33	Demand Cost	9.12		8.43	9.06	10.80	16.44	9.12
34	Energy Cost	0.03709		0.03711	0.03711	0.03711	0.03614	0.03709

# Section 4

## Proposed Rates

Changes to rates are generally based on the overall need for revenues and results of the cost-of-service analyses. The projected operating results at existing rates as presented in Section 2 of this report outlines the overall revenue needs of the electric utility. Section 3 summarizes the cost-of-service results. These factors have been considered in developing the proposed rates summarized in this section of the report.

### Proposed Rates

#### *Revenue Needs*

In Section 2, it shows that Salem's projected annual change in net position declines from negative 5.8% of revenues in FY 2016 to negative 7.5% of revenues in FY 2020. Additionally, Salem's projected cash reserves at current rates are expected to decrease from \$490,957 at the end of FY 2016 to \$160,583 at the end of FY 2020. The end of the Study Period projected reserves are less than 4% of annual revenues. Based on these projected results, a 4.2% increase in utility revenues through rates is recommended. Our recommended rate adjustments by class are shown in Exhibit 4-A.

#### *Rate Design Adjustments*

The cost of service analysis summarized in Section 3 shows that the Commercial with Demand and, to a lesser extent, Commercial without Demand are providing a subsidy to the Residential and Industrial classes. As Salem requires future rate adjustments, it may wish to consider implementing a higher increase for Residential and Industrial customers and a lower increase for Commercial without Demand and Commercial with Demand customers.

## Section 4

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For Residential customers, Salem has a few customers with 400 amp services to their homes. The standard service size in Salem is 200 amps for a residential customer. Customers with larger service sizes place more fixed costs on the system. We have proposed a new rate class 102 for 400 amp and higher residential customers, for this rate the monthly charge is increased from \$11 to \$20, the rest of the rate is identical to the regular residential rate.

After reviewing Salem's current rate structures, we recommend adjustments be considered to the inclining block rate structure for classes with demand charges. For those customer classes with a demand charge, including an inclining block energy rate in the rate structure unduly penalizes customers based solely on their size while the per kWh cost to service a customer does not necessarily increase with size. Typically, inclining rate blocks are introduced to encourage energy efficiency. However, because the Commercial with Demand class serves a wide variety of customers at various sizes, the selection of block sizes using a fixed kWh usage that effectively sends a pricing signal to efficiently use energy is not possible. For example, any customer that uses less than 3,000 kWh/month under the current Commercial with Demand rate receives no pricing signal and receives a lower energy rate just for being small. Conversely, customers that use significantly more than 3,000 kWh/month may be so far removed from the pricing point that they do not have any opportunity to react to the pricing signal. Additionally, a demand and energy rate is designed to promote efficient use of fixed system investments, customers with higher load factors (energy use relative to demand) pay a lower overall average per kWh. For customers like these, efficient use of the system is more important than size. However, the existence of the lower first block of energy provides some rate related relief for smaller customers given the \$49 per month customer charge. This monthly charge is relatively high for small Commercial customers; the lower first block of energy helps counter the customer charge for smaller customers. We have provided two alternatives for proposed rates for the Commercial with Demand class. The first option removes the tiered energy rate design and replaces it with a single energy charge in combination with the demand charge. The second

option, labeled 'Alternative', maintains the current design to provide a slightly lower energy rate to smaller customers in this class.

For the Industrial class, we recommend the inclining block energy rate design be replaced by a single energy block. Additionally, we recommend that the demand rate in the Industrial class be increased. Currently, the Commercial with Demand and Industrial rates have the same \$10.99 demand rate. However, the Industrial rate energy rates are lower than the Commercial with Demand rate. This difference is not warranted by the costs to serve. We initially recommend a \$0.50 increase in the Industrial demand rate with additional increases in this component of the rate as additional utility revenues are needed.

#### *Projected Operating Results – Proposed Rates*

The rates recommended for Salem increase overall projected revenues for Salem beginning in FY 2017. Table 4-1 below summarizes the revised projected operating results with a July 1, 2016 rate increase.

Section 4

Table 4-1  
Projected Operating Results  
New July 1, 2016 Rates

Year	2014	2015	2016	2017	2020
Operating Revenues	\$3,678,324	\$4,237,469	\$4,308,589	\$4,385,072	\$4,463,788
Less Operating Expenses	(3,592,465)	(3,939,792)	(4,066,696)	(4,197,423)	(4,314,866)
Plus Non-Operating Revenues	40,012	40,892	41,792	42,711	43,651
Less City Transfers	<u>(338,686)</u>	<u>(338,686)</u>	<u>(338,686)</u>	<u>(338,686)</u>	<u>(338,686)</u>
Change in Net Position	(\$212,815)	(\$102)	(\$54,987)	(\$108,312)	(\$146,113)
Net Position as Percent of Revenues	-5.8%	0.0%	-1.3%	-2.5%	-3.3%

### Cash Reserves – Proposed Rates

A summary of the impact of the proposed rates on Salem’s cash reserves for the Study Period is shown in Table 4-2 below.

As shown below, the proposed rates increase the estimated end of study period cash reserve level from \$160,583 under existing retail rates to \$842,092 under the proposed rates. This represents an increase from 4% of revenues under existing rates to 19% of revenues under the proposed rates at the end of FY 2020. We would recommend that Salem set a goal of a minimum level of cash reserves equal to 25% of revenues. In order to achieve that level, Salem may wish to implement additional rate adjustments during the Study Period.

Table 4-2  
Projected Cash Reserves  
New July 1, 2016 Rates

Year	2014	2015	2016	2017	2020
Beginning Balance	\$533,276	\$490,957	\$661,576	\$772,696	\$826,029
Plus Change in Net Position	(212,815)	(102)	(54,987)	(108,312)	(146,113)
Plus Depreciation	210,502	211,168	212,002	213,002	214,002
Less Capital Improvements	(20,000)	(20,000)	(25,000)	(30,000)	(30,000)
Less Debt Principal	<u>(\$20,006)</u>	<u>(\$20,446)</u>	<u>(\$20,896)</u>	<u>(\$21,356)</u>	<u>(\$21,825)</u>
Ending Balance	\$490,957	\$661,576	\$772,696	\$826,029	\$842,092
Reserves as % of Revenue	13%	16%	18%	19%	19%

### *Net Metering*

Based on the analyses contained in this study, we have identified several options for Salem's consideration relative to rate provisions applicable to net metering of small distributed generation facilities at customer locations, most notably solar power installations. Net metering is a billing mechanism where customers with distributed generation (like rooftop solar) are credited for electricity they deliver back to the distribution system. For example, if a residential customer has a solar system on the home's rooftop, it may generate more electricity than the home uses during daylight hours. If the home is net-metered, the utility pays the customer for the excess generation. The rate paid for the excess generation varies by state and utility.

The State of Utah net metering policy requires Rocky Mountain Power and all rural electric cooperatives to offer a net metering tariff to their customers. However, municipally owned utilities like Salem are not currently required to offer net metering, but they may if they desire. Salem's current net metering policy is to apply net metering to the standard tariff for users with less than 25kW of generation. Under the current Salem net metering rate, a customer receives full retail price credit for energy it delivers

## Section 4

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to the utility during periods when the on-site generator is producing more energy than the customer requires. The customer can apply that payment/credit to its usage during times that the on-site generator is not producing energy. Any excess generation (negative net energy) is not rolled over from month to month.

Within the electric industry, there are numerous discussions about the economic and operational 'fairness' of net metering programs. Distributed generation advocates argue that net metering programs help promote this beneficial program. Others argue that net metering customers do not contribute sufficiently to the fixed cost of the electric grid, resulting in subsidies from non-net metering customers. There are several potential rate approaches addressing the need for net metering customers to make a contribution to the fixed costs of the grid, even if their net use of energy during a billing period may be zero. Based on the results of the cost-of-service study, we have examined the following rate scenarios and have designed cost based rates for your consideration. It should be noted that due to the incompatibility of inclining block tiered rates with net metering, all designed cost based rates include only a single energy charge as opposed to the tiered rate structure of the general tariff.

- Current net metering policy
- Higher monthly customer charge
- Retail demand charge rate structure
- Separate charge based on solar generating capacity
- Minimum bill provision
- Feed-in-tariff

These options are discussed below.

Current Net Metering Policy

Salem could opt to maintain its current net metering policy. It is similar to standard net metering policies in place at numerous utilities nationwide. It also reflects current Utah requirements on Rocky Mountain Power and cooperatives. The current policy does not address cost based concerns about potential subsidies from regular customers to net metering customers.

Higher monthly customer charge

Credits that net metering customers receive for power generated do not generally apply to the fixed monthly customer charge paid by customers. The fixed charge does not vary based on energy used by a customer. Customer charges are meant to recover fixed charges incurred by the utility simply by having a customer connected to the system. These can include meter reading, billing and customer services. They may also include fixed system costs such as portions of the distribution system, service transformers, service lines and meter installations. A higher customer charge can be designed to collect some or all of a customers allocated fixed costs of the local system. This rate design alternative could be applied to all customers or to just net metering customers.

Retail demand charge rate structure

Solar net metering customers purchase less net energy from the utility while still placing demands on the system during times when the solar units are not generating (evenings/nights). This results in net metering customers having a much lower effective load factor for their service. Under a customer charge/energy charge rate structure, it is not possible to adjust rates to reflect wide disparities in load factor. Moving residential net metering customers to a demand and energy rate structure as is commonly done for non-residential customers can allow for contribution to fixed system charges by these customers despite their low energy use.

## Section 4

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### Separate charge based on solar generating capacity

Net metering customers access the distribution system to deliver energy to the utility during over generation periods and to receive energy during low generation periods. Based on the size of the solar generation installation, a separate distribution access fee can be charged to a customer. This charge is levied on a \$/kW basis to reflect the fixed expense of the distribution system. The charge can either be assessed on the total generation size or the generation size less the average demand of a typical residential customer. For Salem, the average residential customer is estimated to have an average monthly peak demand of 6 kW. As an example, a solar customer with an 8 kW system, they could be charged for the full 8 kW of demand or for 2 kW (8 kW generator capacity less the 6 kW average customer demand).

### Minimum bill provision

Implementation of a simple minimum bill provision can ensure that net metering customers, as well as all customers, make a minimum contribution to system fixed costs.

### Feed-in-tariff

Feed-in-tariffs are designed to pay for output of distributed generation at a 'value of solar' rate. There is often discussion regarding what the value of solar should include relative to generation, transmission, distribution, environmental externalities and other costs. For our analysis, we have assumed a value equal to the avoided average generation cost for Salem. Under this type of scenario, the output that is exported to the system by the generator is not paid the full retail rate in a net metering arrangement. The customer receives a credit for the excess generation based on the feed in tariff rate.

A proposed rate is shown in the following table for each of the rate arrangements discussed above. These are cost based rates based on the FY 2015 test year included in the rate study. The footnotes contain a brief explanation of the basis for the calculations.

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**Net Metering Alternatives**

FY 2015 Test Year

<b>Item</b>	<b>Rate</b>
Current net metering policy <sup>(1)</sup>	Current rate
Higher monthly customer charge <sup>(2)</sup>	\$27.77/mo. \$0.07456/kWh
Retail demand charge <sup>(3)</sup>	\$8.94/mo cust \$8.43/kW-mo demand \$0.03711/kWh energy
Separate charge based on solar capacity <sup>(4)</sup>	\$3.10/kW-mo
Minimum bill provision <sup>(5)</sup>	\$27.77/mo.
Feed-in-tariff <sup>(6)</sup>	\$0.07456/kWh

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(1) No change in current rate policy

(2) Customer unit cost plus distribution fixed cost for average customer plus production costs in energy.

(3) Cost based three-part rate for all services.

(4) Distribution fixed cost per kW.

(5) Equals higher customer charge computation.

(6) Allocated residential production cost.



## Proposed Rates

	Rates		
	Current	Proposed	
<b>Rate 101 - Residential City</b>			
Customer Service Charge (\$/Month)	11.00	11.00	
Energy Charge (\$/kWh)			
Tier 1 (First 500kWh)	0.08389	0.08793	
Tier 2 (501-999kWh)	0.09844	0.10318	
Tier 3 (1000kWh)	1.50	1.50	
Tier 4 (1001-1499kWh)	0.11752	0.12318	
Tier 5 (1500kWh)	2.50	2.50	
Tier 6 (All additional kWh)	0.12532	0.13136	
<b>Rate 102 - Residential City - 400 amp service</b>			
Customer Service Charge (\$/Month)	n/a	20.00	<b>new rate</b>
Energy Charge (\$/kWh)			
Tier 1 (First 500kWh)	n/a	0.08793	
Tier 2 (501-999kWh)	n/a	0.10318	
Tier 3 (1000kWh)	n/a	1.50	
Tier 4 (1001-1499kWh)	n/a	0.12318	
Tier 5 (1500kWh)	n/a	2.50	
Tier 6 (All additional kWh)	n/a	0.13136	
<b>Rate 103 - Residential County</b>			
Customer Service Charge (\$/Month)	11.00	11.00	
Energy Charge (\$/kWh)			
Tier 1 (First 500kWh)	0.09395412	0.098479	
Tier 2 (501-999kWh)	0.10224864	0.107173	
Tier 3 (1000kWh)	1.56	1.56	
Tier 4 (1001-1499kWh)	0.12209600	0.127977	
Tier 5 (1500kWh)	2.6	2.60	
Tier 6 (All additional kWh)	0.13020800	0.136479	
<b>Rate 106 - Commercial without Demand</b>			
Customer Service Charge (\$/Month)	20.00	20.00	
Energy Charge (\$/kWh)			
Tier 1 (First 700kWh)	0.075280	0.079390	
Tier 2 (All additional kWh)	0.113085	0.119259	
<b>Rate 107 - Commercial County without Demand</b>			
Customer Service Charge (\$/Month)	20.00	20.00	
Energy Charge (\$/kWh)			
Tier 1 (First 700kWh)	0.085512	0.090500	
Tier 2 (All additional kWh)	0.128455	0.135469	
<b>Rate 108 - Commercial with Demand</b>			
Customer Service Charge (\$/Month)	49.00	49.00	<b>Alternative</b>
Demand Charge (\$/kW)	10.99	10.99	10.99
Energy Charge (\$/kWh)			
Tier 1 (First 3000kWh)	0.03473	0.04828	0.03798
Tier 2 (All additional kWh)	0.04750	0.04828	0.05194
<b>Rate 110 - Industrial Rate</b>			
Customer Service Charge (\$/Month)	110.00	110.00	
Demand Charge (\$/kW)	10.99	11.49	
Energy Charge (\$/kWh)			
Tier 1 (First 1000kWh)	0.02857	0.03443	
Tier 2 (All additional kWh)	0.03090	0.03443	

# SALEM CITY

30 West 100 South Salem, Utah 84653  
 801-423-2770, Fax 801-423-2818,  
 www.salemcity.org



## PETITION FOR ANNEXATION TO SALEM CITY

APPLICATION INFORMATION			
Name of Applicant or Authorized Agent(s): Chris Salisbury			
Address: 494 West 1300 North			
City: Springville	State: UT	Zip: 84663	Phone: 801 491 9091
Fax: 801 491 9096	E-mail: chris@AlwaysAffordableHomes.com		
Signature of Applicant: <i>[Signature]</i>			
Date: 3/31/15			
Current Zoning: C-1			

We/I (see attached sheet) hereby petition Salem City, a municipal corporation of the State of Utah, to annex the hereinafter described real property, which is platted and mapped on that certain map submitted herewith. We are the owners of the majority of the real property, representing at least one third in value of said real property as shown by the last assessment rolls. We desire that said real property be annexed to said Salem City, which property is now contiguous to the present city limits. We have complied with the provisions of Utah Code Annexation 10-2-403. We agree to be responsible for and pay the costs of any feasibility study which may be required and agree to prepay for said study, if required, as a condition of annexation.

### FOR OFFICE USE ONLY

Application Date:	
Development Review Committee (DRC) Date:	
Planning and Zoning (P&Z) Meeting Date:	
City Council Meeting Date:	
Initial Fee \$150	Paid
Review Fee \$200	Paid
Receipt#	Receipt#

# SALEM CITY

30 West 100 South Salem, Utah 84653  
 801-423-2770, Fax 801-423-2818,  
 www.salemcity.org



## ANNEXATION TO SALEM CITY CHECKLIST

1 ✓	Completed application. (Application must be signed by majority of property owners owning 1/3 of property value): See attached document.
2 ✓	Pay an initial fee of \$150.00
3 ✓	Provide an 11" x 17" copy of the annexation area.
4 ✓	Disk or e-mailed copy of annexation in PDF format.
	Initial Council Action-Date <u>4/15/15</u> Deny _____ Accept _____
<b>If Accepted:</b>	
1	Pay a Review Fee of \$200.00
2	Submit the Names and Addresses of all property owners within 300 feet of the annexation boundaries.
3	Submit five (5) 24" x 36" <b>certified</b> copies of the annexation area, and one (1) 11" x 17" plat or map prepared by a licensed surveyor.
4	Submit one (1) Mylar copy of the annexation.
5	Submit an electronic legal description version compatible with MS Word and AUTOCAD.DWG.
	<b>Petition Certification Date:</b> _____
<b>As conditions of annexation into Salem City, petitioners will be responsible for the following:</b>	
1	Determine if SESD (South Valley Electric Service District) has any facilities and/or customers within the proposed area of annexation.
2	Negotiate the cost of purchasing SESD facilities within the area of annexation.
3	Pay negotiated costs of purchasing facilities and deliver to Salem City a letter of satisfaction from SESD, a bill of sale to Salem City along with a map showing the facilities purchased, a list of customers served by SESD, inventory lists of facilities purchased, and SESD's valuation calculations.
4	Pay all costs to SESD associated with buying out all customers served by SESD within the annexed area (Gross annual revenues), along with the costs of converting these customers to Salem City Power. <b>OR-</b> With the approval of the City Council, service for these customers may be left with SESD until the time of any new development, or 10 years, whichever is sooner.
5	If the second option under #4 is allowed, prior to approval of any proposed development within the annexed area, determine and pay, or bond for, all costs of buying out any existing SESD customers within the annexed area for the balance of the ten years remaining from the date of annexation, and all costs related to converting these customers to service by Salem City Power.
6	Provide new city addresses for homeowners located within the annexation area.
7	If required by the City Council, enter into an annexation agreement with the City.
<b>Before any development or construction can proceed on the property the Petitioner must prepare and present to the City proposed documents conveying water rights required for annexation. (Resolution #4-21-92-A).</b>	

Note: Submittals will not be considered complete until all required items are submitted. The City has up to 30 days to review each complete submittal.

**PROPERTY OWNERS APPROVAL FOR ANNEXATION**

Name: Chris Salisbury	Date: 3/31/15
Address: 494 West 1300 North, Springville UT 84663	
Serial #(s): 30:003:0019 (22.67 Acres), 30:003:0022 (22.18 acres)	
My signature certifies that I am the owner of said property: <i>[Signature]</i>	
\$412,500	\$404,400
Total: \$816,900	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

Name:	Date:
Address:	
Property Serial #(s):	
My signature certifies that I am the owner of said property:	

(TO BE ATTACHED TO AND SUBMITTED WITH ORIGINAL APPLICATION)

30:002:0027 \$19,600  
 30:002:0025 \$278,300  
 30:002:0026 \$73,400  
 30:003:0004 \$149,000  
 30:003:0003 \$150,900  
 30:003:0021 \$374,400  
\$1,045,600

Mower Page 3 of 3  
 30:003:0019 \$412,500  
 30:003:0022 \$404,400  
\$816,900

43.86%

\$1,045,600  
\$816,900  
 \$1,862,500 Grand Total

GLEED ANNEXATION  
NW 1/4 CORNER  
SECTION 20, T5S, R1E, SLB&M

**Surveyor's Certificate**

I certify that this is a true and accurate map of the tract of land to be annexed to Salem City, Utah County, Utah.

**Boundary Description**

BEGINNING AT THE NORTHEAST CORNER OF SECTION 1, TOWNSHIP 9 SOUTH, RANGE 2 EAST, SALT LAKE BASE & MERIDIAN, THENCE, S 00° 10' 12" E FOR A DISTANCE OF 1334.25 FEET; THENCE WEST 27.96' TO THE POINT OF BEGINNING;

THENCE, S 00° 10' 20" E FOR A DISTANCE OF 521.38 FEET. THENCE, S 05° 32' 18" W FOR A DISTANCE OF 100.50 FEET. THENCE, S 00° 10' 17" E FOR A DISTANCE OF 199.94 FEET. THENCE, S 05° 52' 58" E FOR A DISTANCE OF 100.50 FEET. THENCE, S 00° 10' 20" E FOR A DISTANCE OF 103.23 FEET. THENCE, N 89° 21' 46" W FOR A DISTANCE OF 864.34 FEET. THENCE, N 00° 49' 25" W FOR A DISTANCE OF 307.45 FEET. THENCE, N 89° 52' 35" W FOR A DISTANCE OF 1753.63 FEET. THENCE, N 00° 00' 00" E FOR A DISTANCE OF 124.81 FEET. THENCE, S 87° 53' 04" E FOR A DISTANCE OF 0.18 FEET. THENCE, N 00° 04' 55" W FOR A DISTANCE OF 351.72 FEET. THENCE, N 87° 53' 04" W FOR A DISTANCE OF 383.65 FEET. THENCE, N 22° 56' 15" E FOR A DISTANCE OF 793.86 FEET. THENCE, N 05° 10' 43" E FOR A DISTANCE OF 34.60 FEET. THENCE, S 00° 17' 42" W FOR A DISTANCE OF 318.78 FEET. THENCE, N 89° 20' 28" E FOR A DISTANCE OF 698.96 FEET. THENCE, N 87° 40' 33" E FOR A DISTANCE OF 250.45 FEET. THENCE, S 00° 17' 42" W FOR A DISTANCE OF 318.78 FEET. THENCE, N 89° 20' 28" E FOR A DISTANCE OF 698.96 FEET. THENCE, N 05° 10' 43" E FOR A DISTANCE OF 34.60 FEET. THENCE, N 89° 35' 11" E FOR A DISTANCE OF 414.36 FEET. THENCE, N 36° 31' 37" W FOR A DISTANCE OF 541.42 FEET. THENCE, S 87° 29' 41" E FOR A DISTANCE OF 119.42 FEET. THENCE, S 89° 59' 21" E FOR A DISTANCE OF 664.18 FEET. THENCE, S 89° 59' 23" E FOR A DISTANCE OF 232.03 FEET. THENCE, S 00° 02' 04" E FOR A DISTANCE OF 319.85 FEET. THENCE, S 00° 09' 40" E FOR A DISTANCE OF 346.22 FEET. THENCE N 89° 50' 20" E A DISTANCE OF 634.17 FEET TO THE POINT OF BEGINNING.



Date \_\_\_\_\_ Surveyor \_\_\_\_\_

NOTE: THIS ANNEXATION PLAT IS BASED ON AN OFFICE SURVEY DERIVED FROM THE COUNTY GIS MAPPING, LEGAL DESCRIPTIONS FROM OWNERSHIP INSTRUMENTS AND RECORDED ANNEXATION PLATS. A FIELD SURVEY WAS NOT PERFORMED TO VERIFY BEARINGS OR DISTANCES OF RECORD, OR OWNERSHIP LINES. THIS PLAT IS INTENDED TO MATCH CURRENT PRIVATE OWNERSHIP LINES OF THE PROPERTIES BEING ANNEXED, THE EXISTING CITY BOUNDARY AND PUBLISHED SECTION DATA AS OF SEPTEMBER 29, 2014.

**Acceptance by Legislative Body**

THIS IS TO CERTIFY THAT WE, THE CITY COUNCIL HAVE RECEIVED A PETITION SIGNED BY A MAJORITY OF THE OWNERS OF THE TRACT SHOWN HEREON REQUESTING THAT SAID TRACT BE ANNEXED TO THE CITY OF SALEM AND THAT A COPY OF THE ORDINANCE HAS BEEN PREPARED FOR FILING HERewith ALL IN ACCORDANCE WITH THE UTAH COUNTY ANNOTATED (1953) 10-2-401 TO 10-2-424 AS REVISED AND THAT WE HAVE EXAMINED AND DO HEREBY APPROVE AND ACCEPT THE ANNEXATION OF THE TRACT AS SHOWN AS A PART OF SAID CITY AND THAT SAID TRACT OF LAND IS TO BE KNOWN AS THE \_\_\_\_\_ ANNEXATION

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 201\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Attest: \_\_\_\_\_ Recorder

**Utah County Surveyor Acceptance**

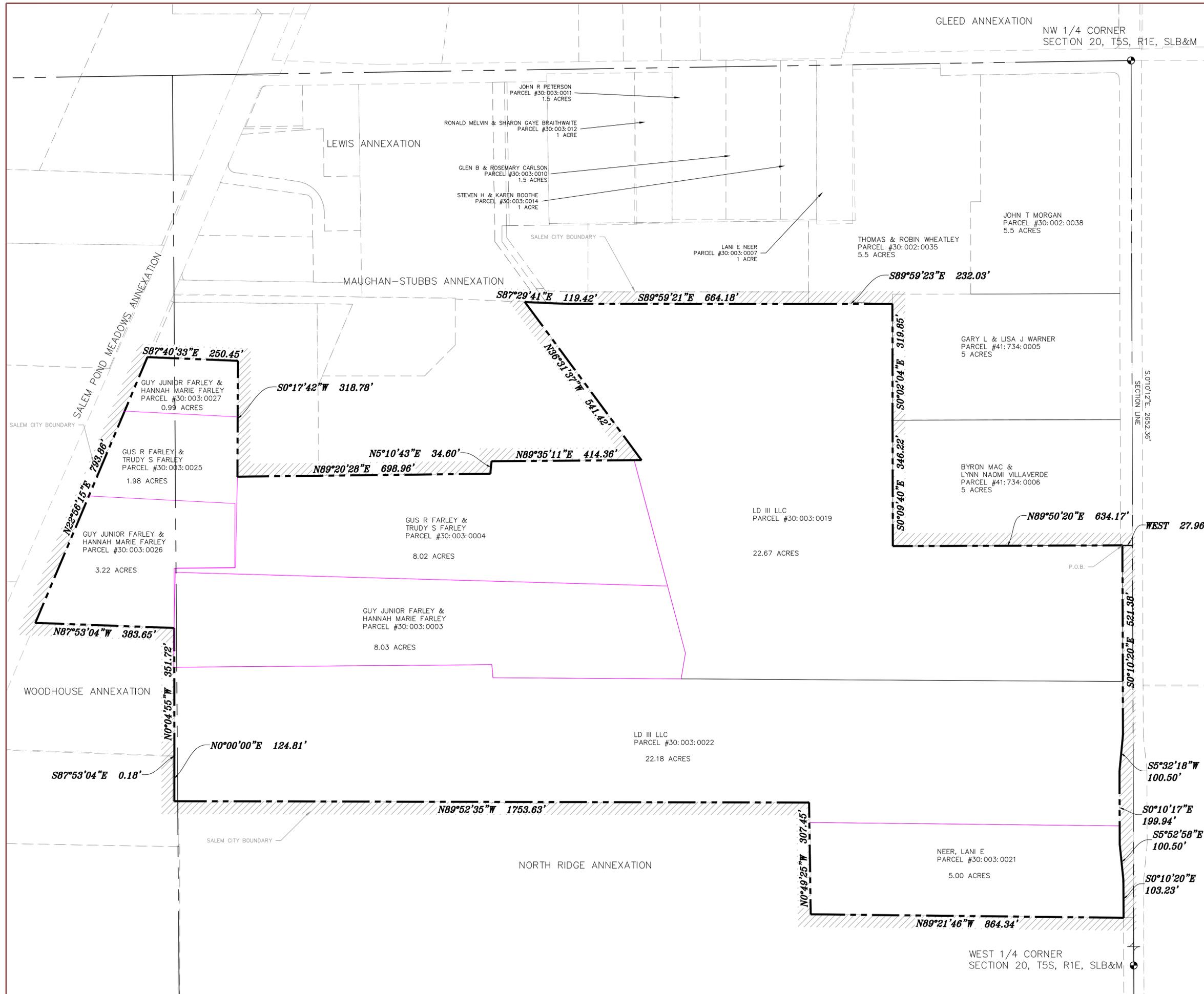
This plat has been reviewed by the County Surveyor and is hereby certified as a final local entity plat, pursuant to Utah County Ann. 17-23-20 as amended.

Gary Ratcliffe, Utah County Surveyor

**MOWER ANNEXATION**

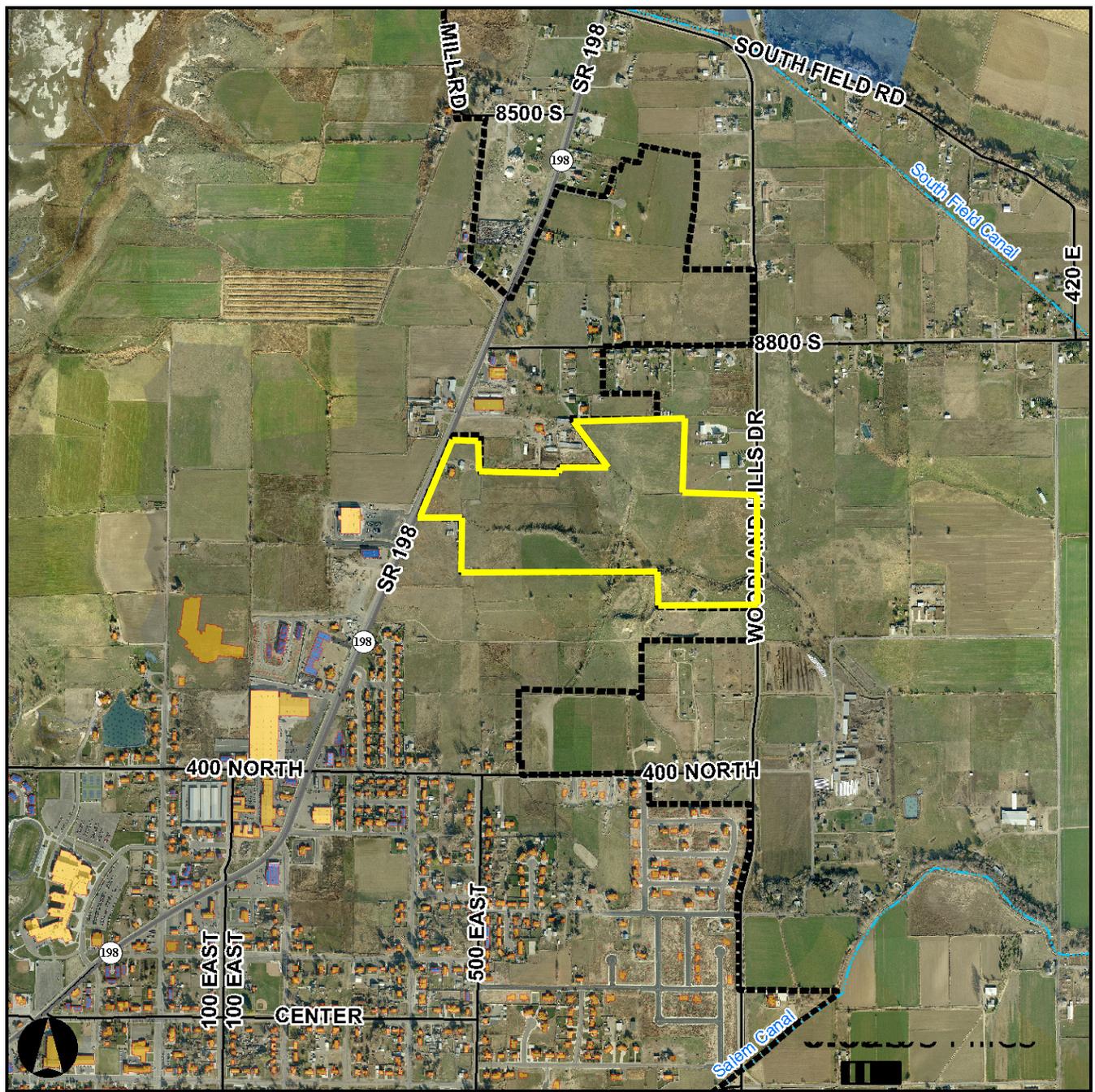
Salem City, Utah County, Utah  
Scale: 1" = 120 Feet

REGION ENGINEERING & SURVEYING  
1776 NORTH STATE ST. #110  
OREM, UTAH 84057  
PH - 801.367.5274



WEST 1/4 CORNER  
SECTION 20, T5S, R1E, SLB&M

# Map



# MOWER ANNEXATION

## Land Value

3/31/2015

PARCEL NO.	OWNER NAME	VALUE
30:002:0027	Gus & Trudy Farley	\$19,600.00
30:002:0025	Gus & Trudy Farley	\$278,300.00
30:002:0026	Gus & Trudy Farley	\$73,400.00
30:003:0004	Gus & Trudy Farley	\$149,000.00
30:003:0003	Gus & Trudy Farley	\$150,900.00
30:003:0021	Lani Neer	\$374,400.00
<b>SUBTOTAL</b>		<b>\$1,045,600.00</b>
30:003:0019	LD III LLC (Mower)	\$412,500.00
30:003:0022	LD III LLC (Mower)	\$404,400.00
<b>SUBTOTAL</b>		<b>\$816,900.00</b>
<b>TOTAL VALUE</b>		<b>\$1,862,500.00</b>
<b>MOWER %</b>		<b>43.86%</b>



**Sean Carson**  
Sales and Leasing Associate

cell: 801-380-7714

2125 N. University Pkwy  
Provo, UT 84604

main: 801-356-4300  
fax: 801-356-4308



www.larryhmillerchevroletprovo.com

Sales Consultant: Sean Carson

Vehicle #1: 2016 Chevrolet 3500HD Silverado	VIN/Order #	MSRP	Stock #
	1GC4KYC88GF140493	\$53,655.00	3160108
<b>Additional Vehicle Information</b>			

Body Style: CK35943-LWB, 4WD, Crew Cab  
 PEG: 1WT-1WT Work Truck Preferred Equipment Group  
 Primary Color: GAZ-Summit White  
 Trim: H2R-Base Cloth, Jet Black / Dark Ash, Interior Trim  
 Engine: LML-Engine: 6.6L V8 DuraMax Diesel, Turbo  
 Transmission: MW7-Allison, 6-Speed Automatic

Options: 1WT-1WT Work Truck Preferred Equipment Group  
 A31-Power Windows  
 A91-Tailgate Lock, Remote Controlled  
 AE7-Seats: 40/20/40/ Split Front Bench  
 AKO-Glass, Deep Tinted  
 AQQ-Keyless Remote Entry  
 AU3-Power Door Locks  
 BG9-Floor Covering: Rubberized Vinyl, Black  
 C67-Air Conditioning, Manual  
 C7V-GVW Rating 11,600 LBS, Single Rear Wheels  
 DD8-ISRV Mirror, Electro-chromatic  
 DPN-Mirrors, O/S, Wide Load / Trailing, Full Feature  
 E63-Body: Pick-Up Bed / Box  
 FE9-Federal Emissions  
 G80-Locking Differential, Rear  
 GAZ-Summit White  
 GT4-Rear Axle, 3.73 Ratio  
 H2R-Base Cloth, Jet Black / Dark Ash, Interior Trim  
 IOB-Radio, 7" Color Screen, Bluetooth, w/ USB Port  
 JL1-Integrated Trailer Brake Controller  
 K05-Engine Block Heater  
 K34-Cruise Control  
 K40-Engine Exhaust Brake  
 K47-Air Cleaner, High Capacity  
 KC4-Cooler, Engine Oil  
 KG4-Alternator, 150 AMP

KI4-110 Volt Electrical Receptacle, In Cab  
 KNP-Transmission Cooling System  
 LML-Engine: 6.6L V8 DuraMax Diesel, Turbo  
 MW7-Allison, 6-Speed Automatic  
 N79-Wheel, Spare, 18 x 8.0, Steel  
 NZZ-Underbody Shield  
 PCM-Convenience Package  
 PYT-Wheels: 18" Steel, Painted  
 QGM-Tires: LT 265/70R18 ALT BW  
 SAF-Spare Tire Lock  
 U2K-SiriusXM Satellite Radio (subscription)  
 UE1-OnStar Communication System  
 UF2-Lighting, Cargo Box, Under Bed Rail, LED  
 UQ3-Speaker System  
 UVC-Rear View Camera System  
 UY2-Wiring Provisions Camper  
 V10-Diesel Engine Winter Cover  
 V22-Grille: Chrome Surround  
 V46-Bumper, Front, Chrome  
 V76-Recovery Hooks  
 VJH-Bumper: Rear Chrome Step  
 VK3-License Plate Front Mounting Hardware  
 VV4-Onstar 4G LTE Wi-Fi Hotspot  
 Z82-Trailer Package  
 ZWF-Tire Spare: LT 265/70R18 BW ALS  
 ZY1-Paint, Solid

**Disclaimer:**

GM has tried to make the pricing information provided in this summary accurate. Please refer to actual vehicle invoice, however, for complete pricing information. GM will not make any sales or policy adjustments in the case of inaccurate pricing information in this summary.

7/19/2016  
 Quote \$44,936 + Tax, Lic, ect.  
 Net After rebates + incentives

2016 SIERRA 2500HD 4WD DBL CAB  
 GAZ SUMMIT WHITE /V8D  
 H2R JET BLACK / DARK ASH  
 ORDER NO. SZNFR2/TRE STOCK NO.  
 VIN 1GT 22RE 83 GZ176598  
 \*\*\*\*\*3997\*\*\*\*\*48\*44137S

MODEL & FACTORY OPTIONS	MSRP	INV AMT	RETAIL - STOCK
TK25953 SIERRA 2500HD 4WD DBL CAB	38865.00	36533.11	INVOICE 12/21/15
CGN SPRAY-ON BED LINER	475.00	432.25	SHIPPED 12/21/15
C49 ELECTRIC REAR WINDOW DEFOGGER	175.00	159.25	EXP I/T 01/03/16
C7A GVW RATING - 10,000 LBS	N/C	N/C	INT COM 01/04/16
DPN BLACK TRAILERING MIRRORS W/ PWR GLASS,MAN FOLD/EXT, HEAT, TURN SIGNAL, LED RR GUIDANCE LAMPS, LED AMBER LIGHTS, AND I/S REARVIEW AUTO-DIM. MIRROR (REPLACES STD/OPT MIRRORS)	350.00	318.50	PRC EFF 12/19/15 KEYS XXXXX XXXXX WFP-S QTR OPT-1 BANK: JP MORGAN C CHG-TO 44-137
FE9 50-STATE EMISSIONS	N/C	N/C	SHIP WT: 7258
GT4 REAR AXLE, 3.73 RATIO	N/C	N/C	HP: 52.8
IOB GMC INTELLILINK AUDIO SYSTEM W/ 7" DIAGONAL COLOR APPLE CARPLAY CAPABILITY AND ANDROID AUTO CAPABILITY PROVIDED BY APPLE AND GOOGLE AVAILABLE WITH COMPATIBLE SMARTPHONES ONSTAR(R) INCLUDES 5 YR BASIC PLAN PLUS 6 MTH SERVICE W/ AUTOMATIC CRASH RESPONSE, NAVIGATION & MORE. INCL: 4G LTE WI-FI(R) HOTSPOT W/ LIMITED DATA TRIAL & MORE (SUBJECT TO TERMS SEE ONSTAR.COM)	375.00	341.25	GVWR: 10000 GAWR.FT: 6000 GAWR.RR: 6200 EMPLOY: 47533.67 SUPPLR: 49456.11 NTR: 3/4 DAN: WTDPD EMPINC: 2959.19 SUPINC: 1036.74
K05 ENGINE BLOCK HEATER	N/C	N/C	
LML DURAMAX 6.6L V8 TURBO DIESEL W/ ALLISON 6-SPEED AUTOMATIC TRANS (INCL. 5YR/100,000 POWERTRAIN LIMITED WARRANTY - SEE DEALER FOR DETAILS)	8395.00	7639.45	
MW7 ALLISON 6-SPEED AUTOMATIC TRANS	N/C	N/C	
PDD SIERRA CONVENIENCE PACKAGE * GLASS, DEEP-TINTED * POWER OUTLET, 110-VOLT AC * REMOTE KEYLESS ENTRY, INCL. REMOTE LOCKING TAILGATE * POWER HEATED OUTSIDE MIRRORS * LED LIGHTING, CARGO BOX * REAR VISION CAMERA	1010.00	919.10	
PYQ 17" MACHINED ALUMINUM WHEELS	500.00	455.00	
QXT 17" ALL-TERRAIN BW TIRES	200.00	182.00	
R6J CUSTOMER DIALOGUE NETWORK	0.00	16.50	
UY2 CAMPER/5TH WHEEL TRAILER WIRING PROVISIONS	35.00	31.85	
U2K SIRIUSXM + SERVICE	195.00	177.45	

\*\* CONTINUED ON PAGE 2 \*\*

JERRY SEINER BUICK GMC  
 2016 SIERRA 2500HD 4WD DBL CAB  
 GAZ SUMMIT WHITE /V8D  
 H2R JET BLACK / DARK ASH  
 ORDER NO. SZNFR2/TRE STOCK NO.  
 GENERAL MOTORS LLC  
 RENAISSANCE CENTER  
 DETROIT MI 48243-1114

117293

VIN 1GT 22RE 83 GZ176598

VEHICLE INVOICE 50D68896252

\*\*\*\*\*3997\*\*\*\*\*48\*44137S

MODEL & FACTORY OPTIONS MSRP INV AMT RETAIL - STOCK

\*\* CONTINUED FROM PAGE 1 \*\*

SUBSCRIPTION SOLD SEPARATELY

BY SIRIUSXM AFTER 3 MONTHS

VYU SNOW PLOW PREP PACKAGE 385.00 350.35

\* POWER FEED FOR BACKUP AND ROOF EMERGENCY LIGHT

\* ALTERNATOR, 220 AMP

\* FORWARD LAMP WIRING HARNESS

\* PROVISIONS-ROOF MOUNTED LAMP

\* UNDERBODY SHIELDS

Z82 TRAILERING EQUIPMENT PKG: 555.00 505.05

\*TRAILERING HITCH

\*TRAILER BRAKE CONTROLLER

117293

50,415.20  
 Disc. 8100  
 -----  
 42,315.20  
 Doc, Temp, Tire 114.66  
 -----  
 42,429.86

TOTAL MODEL & OPTIONS	51515.00	48061.11	ACT 237	47710.66
DESTINATION CHARGE	1195.00	1195.00	H/B 261	1545.45
DEALER IMR CONTRIBUTION		515.15	ADV 261	515.15
LMA GROUP CONTRIBUTION		643.94	EXP 65A	643.94

TOTAL 52710.00 50415.20 PAY 310 50415.20

MEMO: TOTAL LESS HOLDBACK AND

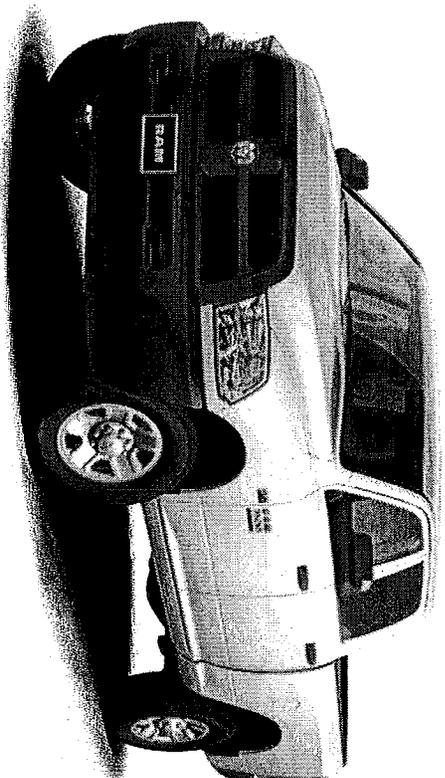
APPROX WHOLESALE FINANCE CREDIT 48286.77

\*\*\*\*\*

INVOICE DOES NOT REFLECT DEALER'S ULTIMATE COST BECAUSE OF MANUFACTURER REBATES, ALLOWANCES, INCENTIVES, HOLDBACK, FINANCE CREDIT AND RETURN TO DEALER OF ADVERTISING MONIES, ALL OF WHICH MAY APPLY TO VEHICLE.

\*\*\*\*\*

JERRY SEINER BUICK GMC



## 2016 RAM 3500 TRADESMAN CREW CAB 4X4

VIN: 3C63R3CL4GG208728

Prepared for: Salem City

Prepared by: Shane Giffin

Prepared on: July 18, 2016



1339 North Main Street Spanish Fork, UT 84660



1339 North Main Street  
Spanish Fork, UT 84660

**Customer Information:**

Salem City  
chrisa@salemcity.org

**Sales Consultant Information:**

Shane Giffin  
1339 North Main Street  
Spanish Fork, UT 84660  
UT  
(801) 404-7005

**Price Summary**

MSRP:	\$52,430.00
Destination Charge:	\$1,195.00
rebates	\$-4,000.00
dealer discount	\$-4,468.00
accessories rebate	\$-500.00

Your Price: \$44,657.00

**Comments**

Signature: \_\_\_\_\_  
(Salem City)

Date: \_\_\_\_\_

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1339 North Main Street  
Spanish Fork, UT 84660



**2016 RAM 3500 TRADESMAN CREW CAB  
4X4**

VIN: 3C83R3CL4GG208728

Shane Giffin  
Doug Smith Chrysler Dodge Jeep Ram  
1339 North Main Street  
Spanish Fork UT 84660

**MANUFACTURER'S SUGGESTED RETAIL  
PRICE OF THIS MODEL INCLUDING DEALER  
PREPARATION**

**Base Price: \$39,475**

**2016 RAM 3500 ST CREW CAB 4X4**  
**Exterior Color:** Bright White Clear Coat Exterior  
**Paint**  
**Interior Color:** Black / Diesel Gray Interior Colors  
**Interior:** Cloth 40 / 20 / 40 Bench Seat  
**Engine:**  
**6.7-Liter 16 Cummins® Turbo Diesel Engine**  
**Transmission:** 6-Speed Automatic 68RFE  
**Transmission**

**STANDARD EQUIPMENT (UNLESS REPLACED  
BY OPTIONAL EQUIPMENT)**  
**FUNCTIONAL/SAFETY FEATURES**  
 Advanced Multistage Front Airbags  
 Supplemental Front Seat-Mounted Side Airbags  
 Supplemental Side-Curtain Front and Rear Airbags  
 Anti-Spin Differential Rear Axle  
 3.73 Rear Axle Ratio  
 Anti-Lock 4-Wheel Disc Brakes  
 Electronic Stability Control  
 Sentry Key® Theft Deterrent System  
 Speed Control  
 Power Door Locks  
 Power Accessory Delay  
 Power Front Windows w/ 1-Touch Up and Down  
 Feature  
 Automatic Headlamps  
 Power Black Trailer Tow Mirrors w/Manual Fold  
 Away  
 730-Amp Maintenance Free Battery  
 180-Amp Alternator  
 Tip Start  
**INTERIOR FEATURES**  
 Air Conditioning  
 Radio 3.0  
 Media Hub (USB, Aux)  
 6 Speakers

**OPTIONAL EQUIPMENT**

<b>Tradesman Package 2FA</b>	
<b>Protection Group</b>	\$50
Transfer Case Skid Plate	
<b>Chrome Appearance Group</b>	\$895
18-Inch x 8.0-Inch Steel Chrome Clad Wheels	
Bright Front Bumper	
Bright Rear Bumper	
Bright Grille	
Heavy Duty Snow Plow Prep Group	\$85
220-Amp Alternator	
<b>5th Wheel / Gooseneck Towing Prep Group</b>	\$400
<b>Popular Equipment Group</b>	\$695
Cloth 40 / 20 / 40 Bench Seat	
Floor Covering Carpet	
Front and Rear Floor Mats	
Remote Keyless Entry	
6-Speed Automatic 68RFE Transmission	
3.42 Rear Axle Ratio	
Transmission Oil Cooler	
<b>Electric Shift-on-the-Fly Transfer Case</b>	\$245
<b>6.7-Liter 16 Cummins® Turbo Diesel Engine</b>	\$8,995
180-Amp Alternator	
Diesel Exhaust Brake	
Ram Active Air™	
LED Bed Lighting	\$100
<b>Uconnect® 5.0</b>	\$760
5.0-Inch Touchscreen Display	
SiriusXM® Sat Radio w/ 1-Yr Radio Subscription	
For More Information, Call 800-643-2112	
Integrated Voice Command with Bluetooth®	
Overhead Console	
Remote USB Port - Charge-Only	
<b>ParkSense® Rear Park Assist System</b>	\$250
<b>ParkView™ Rear Back-Up Camera</b>	\$200
<b>Trailer Brake Control</b>	\$280
<b>DESTINATION CHARGE</b>	\$1,195

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1339 North Main Street  
Spanish Fork, UT 84660

Instrument Cluster with Display Screen	
40 / 20 / 40 Split Bench Seat	
Second-Row In-Floor Storage Bins	
Rear Folding Seat	
Rear Under Seat Storage Compartment	
12-Volt Auxiliary Power Outlet	
Tilt Steering Column	
Rearview Day / Night Mirror	
Driver / Passenger Assist Handles	
<b>EXTERIOR FEATURES</b>	
18-Inch x 8.0-Inch Steel Wheels	
LT275/70R18E BSW All Season Tires	
31-Gallon Fuel Tank	
Locking Tailgate	
Class V Receiver Hitch	
7 Pin Wiring Harness	
Trailer Tow with 4-Pin Connector Wiring	
Tow Hooks	
Tinted Windshield Glass	
Tinted Glass Windows	
Halogen Quad Headlamps	
Incandescent Tail Lamps	
Cargo and Center High-Mounted Stop Lamp	
Full Size Spare Tire	
Variable Intermittent Windshield Wipers	
	<b>TOTAL BEFORE DISCOUNT</b>
	<b>\$53,625</b>
	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>Total Price: * \$53,625</b> </div>

Assembly Point/Port of Entry: SALTILLO, MEXICO

**FCA US LLC**

VIN: 3C063R3CL4GG208728 VON: 35345831

THIS WINDOW STICKER MAY OR MAY NOT MATCH THE ACTUAL WINDOW STICKER ON THE VEHICLE ITSELF. WE RESERVE THE RIGHT TO MAKE CHANGES WITHOUT NOTICE AND ARE NOT RESPONSIBLE FOR TYPOGRAPHICAL ERRORS. DEALERS ARE INDEPENDENT AND FREE TO SET THEIR OWN PRICES.

\*STATE AND/OR LOCAL TAXES, IF ANY, LICENSE AND TITLE FEES AND DEALER SUPPLIED AND INSTALLED OPTIONS AND ACCESSORIES ARE NOT INCLUDED IN THIS PRICE. DISCOUNT, IF ANY, IS BASED ON THE PRICE OF OPTIONS IF PURCHASED SEPARATELY.

**THIS VEHICLE IS MANUFACTURED TO MEET SPECIFIC UNITED STATES REQUIREMENTS. THIS VEHICLE IS NOT MANUFACTURED FOR SALE OR REGISTRATION OUTSIDE OF THE UNITED STATES.**

**PARTS CONTENT INFORMATION**

NOTE: PARTS CONTENT DOES NOT INCLUDE FINAL ASSEMBLY, DISTRIBUTION, OR OTHER NON-PARTS COSTS. FOR THIS VEHICLE:

FINAL ASSEMBLY POINT: SALTILLO, MEXICO

COUNTRY OF ORIGIN:

ENGINE: UNITED STATES

TRANSMISSION:

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**Jeep**



1339 North Main Street  
Spanish Fork, UT 84660



**VEHICLE  
PROTECTION**  
A PRODUCT OF FCA US LLC

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<b>Supplier:</b> Salem City Corp
<b>Project:</b> HEAT Vendor Contract
<b>Vendor Code:</b> 02019H
<b>Contract Coding:</b> 1000/600/9365/NSG
<b>CFDA # &amp; Title:</b> 93.568 Low Income Home Energy Assistance Program – LIHEAP Vendor Contract
<b>Federal Funding Entity:</b> U.S. Dept. of Health & Human Services

Salem City Corp  
PO Box 901  
Salem, Utah 84653

**1. CONTRACT PRINCIPALS:**

This contract is between the Utah State Department of Workforce Services, Housing and Community Development Division, Home Energy Assistance Target (HEAT) Program, 1385 S State Street, Salt Lake City, UT 84115, hereinafter referred to as STATE, and

Salem City Corp

Hereinafter referred to as SUPPLIER.

**2. CONTRACT PERIOD:**

This contract is effective upon signature and effective until terminated, in writing, by either party.

**3. PURPOSE OF CONTRACT:**

The Low-Income Home Energy Assistance Act of 1981 (Pub. Law 97-35, Sections 2601-11, 42 U.S.C. Sections 8621-8629) provides grants to the states to assist eligible low-income households in meeting the costs of home energy. Eligible households are defined as those meeting the criteria set forth in the HEAT Policy Manual, issued by the Utah State Department of Workforce Services, HEAT Program. This contract incorporates the requirements that must be met by SUPPLIER if payments are to be made directly to SUPPLIER in accordance with 42 U.S.C., Section 8624 (b)(7).

**4. DOCUMENTS INCORPORATED INTO THIS AGREEMENT BY REFERENCE BUT NOT ATTACHED HERETO:**

- A. HEAT Policy Manual.
- B. State of Utah LIHEAP Plan of Operation and Application for Funding.

**5. TERMS AND CONDITIONS:**

- A. STATE will make payments to SUPPLIER provided that:
- 1) SUPPLIER charges the household in SUPPLIER'S normal billing process.
  - 2) SUPPLIER bills the household no more than the cost of the energy delivered minus the cost of the payments received or expected from the STATE.
  - 3) SUPPLIER does not discriminate against or treat adversely any eligible household for any reason. This includes but is not limited to services, billing practices, terms and conditions of sale, credit, delivery, or price, including service charges, reconnection charges and payment plan arrangements.
  - 4) SUPPLIER agrees not to discontinue utility service for at least 30 days after receiving any verification of payment from STATE, whether for the standard HEAT program or for emergency funds, excluding repairs. Examples of valid HEAT verifications will be available upon request from the STATE.
  - 5) SUPPLIER agrees to waive any additional security deposit billed to household approved for the HEAT program. This does not apply to service initiation fees routinely charged by SUPPLIER to both renters and owners alike as a condition of service.
  - 6) If SUPPLIER is a utility regulated by the Public Service Commission of Utah, SUPPLIER will supply energy in accordance with provisions of Utah residential Utility Service Regulation R746-200, as adopted by the Public Service Commission of Utah.
  - 7) SUPPLIER will ensure that payment by the state is credited toward the household's home energy costs.
  - 8) If the HEAT benefit was paid in error or if fraud is determined, the SUPPLIER agrees to return a negotiated portion of the HEAT benefit, if applicable, to the STATE upon request.
- B. STATE will include a list of eligible households and amounts paid on behalf of households with each warrant paid to SUPPLIER.
- C. Credit Balances
- 1) If a household discontinues service with SUPPLIER and the household so elects, SUPPLIER may forward to the new SUPPLIER any credit balance remaining on the account, provided that:
    - the household continues to reside in Utah;
    - the client furnishes the name and address of the new SUPPLIER, together with his/her account number, within 30 days after termination of service; and

- the new SUPPLIER has an active Utah HEAT contract and is doing business in the State of Utah.

2) In the event that the SUPPLIER chooses not to forward balance to new SUPPLIER, or the household does not furnish the required information within the 30 day period, SUPPLIER will refund the remaining balance to STATE.

- D. In the event SUPPLIER erroneously returns funds to the STATE, the STATE shall remit such funds to the SUPPLIER within 30 days after a determination that such return was in error.
- E. Delivery of fuel or energy will be made within four calendar days of the receipt of or verification of payment, if not earlier.
- F. SUPPLIER will be an independent contractor, and as such, shall have no authorization, express or implied to bind the state of Utah or the above State Agency to any agreements, settlements, liability, or understanding whatsoever, and agrees not to perform any such acts as agent for the State of Utah except as herein expressly set forth.
- G. The compensation provided for herein shall be the total compensation payable hereunder by the State of Utah or the above designated State Agency.
- H. This contract is entered into as a means of providing appropriate services to eligible households.

**6. AUDITS AND INSPECTION:**

On request, STATE and Federal auditors and program reviewers may have access to SUPPLIER'S financial and billing records pertaining to services provided under authority of this contract for audit inspection.

**7. INDEMNITY CLAUSE:**

Each party hereto agrees to indemnify and save harmless the other party, its officers, agents and employees from and against any and all loss, damages, injury, liability, and costs of suits or proceedings which may arise out of the performance of this contract by said indemnifying party, its officers, agents or employees.

**8. TERMINATION:**

This contract may be terminated, with or without cause by either party upon 30 days prior written notice being given to the other party. On termination of this contract all accounts and payments will be processed according to financial arrangements set forth herein for services rendered to date of termination.

**9. RELEASE:**

The SUPPLIER named above is a Retail Energy Provider who represents and warrants that it is authorized to receive payment from STATE on behalf of a customer determined by STATE under the HEAT guidelines to be an eligible HEAT applicant. SUPPLIER will, with reference to an eligible HEAT applicant:

- a. Upon verbal or written request from STATE, provide at no cost to STATE the eligible HEAT applicant's billing and usage history for the previous twelve (12) months. SUPPLIER will transmit such billing history via electronic mail or facsimile by October 30<sup>th</sup> of each year.

IN WITNESS WHEREOF, the parties sign this contract and cause it to be effective as of the date signed:

SUPPLIER INFORMATION

STATE SIGNATURES:

\_\_\_\_\_  
Supplier Name

\_\_\_\_\_  
Jonathan Hardy, Division Director      Date  
Housing & Community Development Division

\_\_\_\_\_  
Printed Name of Authorized      Date  
Representative

\_\_\_\_\_  
Kimberley Schmeling, Budget Officer      Date  
Housing & Community Development Division

\_\_\_\_\_  
Signature of Authorized Representative

Vendor Contact Person: \_\_\_\_\_

Email: \_\_\_\_\_  
(Email required in order to receive list of HEAT recipients and benefit amounts)

Phone Number: \_\_\_\_\_ Fax: \_\_\_\_\_

Fuel Type(s) provided (please check all that apply):

- Natural Gas     Propane     Coal     Wood     Electricity     Fuel Oil     Kerosene