



## CITY COUNCIL MEETING

Thursday, August 18, 2022 at 6:30 PM  
Council Chambers, 60 West Main, Hyrum, Utah

### AGENDA

Public notice is hereby given of a Hyrum City Council Meeting to be held in the Council Chambers, 60 West Main, Hyrum, Utah at 6:30 PM, August 18, 2022. The proposed agenda is as follows:

1. ROLL CALL
2. CALL TO ORDER
3. WELCOME
4. PLEDGE OF ALLEGIANCE
5. INVOCATION
6. APPROVAL OF MINUTES
7. AGENDA ADOPTION
8. PUBLIC COMMENT
9. INTRODUCTION AND APPROVAL OF RESOLUTIONS AND ORDINANCES
  - A. [Resolution 22-13 - A Resolution authorizing and approving an amended and restated capacity purchase agreement between the City and Utah Associated Municipal Power Systems, and related matters.](#)
10. OTHER BUSINESS
  - A. [Presentation of Power Rate Study.](#)
  - B. Mayor and City Council reports.
11. ADJOURNMENT

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**Stephanie Fricke**  
City Recorder

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Hyrum City at 435-245-6033 at least three working days before the meeting.

**CERTIFICATE OF POSTING** - The undersigned, duly appointed and acting City Recorder of Hyrum City, Utah, does hereby certify that a copy of the foregoing Notice was emailed to The Herald Journal, Logan, Utah, posted on the Utah Public Notice Website and Hyrum City's Website, provided to each member of the governing body, and posted at the City Offices, 60 West Main, Hyrum, Utah, this **12th day of August, 2022**. Stephanie Fricke, MMC, City Recorder.

**RESOLUTION NO. 22-13**

A RESOLUTION AUTHORIZING AND APPROVING AN AMENDED AND RESTATED CAPACITY PURCHASE AGREEMENT BETWEEN THE CITY AND UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS, AND RELATED MATTERS.

\*\*\*\*\*        \*\*\*\*\*        \*\*\*\*\*

WHEREAS, Hyrum City, Utah (the “City”) is a member of Utah Associated Municipal Power Systems (“UAMPS”) pursuant to the provisions of the Utah Associated Municipal Power Systems Amended and Restated Agreement for Joint and Cooperative Action, as amended (the “Joint Action Agreement”);

WHEREAS, one of the purposes of UAMPS under the Joint Action Agreement is the acquisition and construction of electric generating, transmission and related facilities in order to secure reliable, economic sources of electric power and energy for its members;

WHEREAS, the City and UAMPS have previously entered into the Capacity Purchase Agreement dated as of June 1, 2022 (the “Capacity Purchase Agreement”), and capitalized terms used and not otherwise defined in this resolution shall have the meanings assigned to them in the Capacity Purchase Agreement;

WHEREAS, pursuant to the Capacity Purchase Agreement UAMPS has (a) entered into the Procurement and Construction Agreement with Wheeler Machinery Co. providing for the construction and equipping of the major components of the Project, including three Caterpillar G3520 Natural Gas generator sets and related improvements, (b) agreed to finance the cost of construction of the Project by the issuance of Bonds and (c) agreed to sell the capacity, output and services of the Project to the City.

WHEREAS, pursuant to Resolution 22-06 adopted on May 19, 2022 (“Resolution 22-06”), the City has found and determined that the Project will enhance, improve and extend the capability, reliability and services of the System for the use and benefit of customers located within its electric service area established by law, and the Capacity Payments and other amounts payable by the City under the Capacity Purchase Agreement are payable solely from the rates, charges or revenues derived from the System and are not secured by the full faith and credit or the taxing power of the City, the State or any political subdivision;

WHEREAS, pursuant to Resolution 22-06, the City has acknowledged and agreed that the obligation of the City to make the payments required under the Capacity Purchase Agreement is absolute and unconditional, whether or not the Project or any portion thereof is acquired, constructed, completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output thereof for any reason whatsoever;

WHEREAS, subsequent to the initial execution and delivery of the Capacity Purchase Agreement, the City has requested that UAMPS provide interim financing for the Cost of Construction of one or more of the Hyrum City Components of the Project, and UAMPS is willing to provide such interim financing, and the City and UAMPS desire to amend and restate the Capacity Purchase Agreement to include the terms and provisions for such interim financing and certain related revisions to the Capacity Purchase Agreement; and

WHEREAS, the City now desires to authorize and approve the amended and restated Capacity Purchase Agreement (the “*A&R Capacity Purchase Agreement*”) and its execution and delivery by the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Hyrum City, Utah, as follows:

*Section 1. Findings and Determinations; Acknowledgments.* The findings and determinations and acknowledgments of the City in Resolution 22-06 are hereby confirmed and restated with respect to the A&R Capacity Purchase Agreement and the repayment obligations of the City with respect to interim financings provided by UAMPS thereunder.

*Section 2. Execution and Delivery of the A&R Capacity Purchase Agreement.* The A&R Capacity Purchase Agreement in substantially the form attached hereto as *Exhibit A* is hereby authorized and approved. The Mayor is hereby authorized, empowered and directed to execute and deliver the A&R Capacity Purchase Agreement on behalf of the City, and the City Recorder is hereby authorized, empowered and directed to attest and countersign such execution and to affix the corporate seal of the City to the A&R Capacity Purchase Agreement, with such changes to the form of the A&R Capacity Purchase Agreement attached hereto as shall be necessary to conform to complete the A&R Capacity Purchase Agreement, or to correct any minor irregularities or ambiguities therein and as are approved by the Mayor, her execution thereof to constitute conclusive evidence of such approval.

*Section 3. Miscellaneous; Effective Date.* (a) This resolution is adopted pursuant to the Utah Interlocal Cooperation Act and other applicable provisions of law.

(b) This resolution shall be and remain irrevocable until the expiration or termination of the A&R Capacity Purchase Agreement in accordance with its terms.

(c) All previous acts and resolutions in conflict with this resolution or any part hereof are hereby repealed to the extent of such conflict.

(d) In case any provision in this resolution shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(e) This resolution shall take effect immediately upon its adoption and approval.

ADOPTED AND APPROVED this 18th day of August, 2022.

HYRUM CITY, UTAH

By \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder

[SEAL]

**EXHIBIT A**

[A&R CAPACITY PURCHASE AGREEMENT]

After the conduct of other business not pertinent to the foregoing, it was moved and carried that  
the City Council adjourn.

HYRUM CITY, UTAH

By \_\_\_\_\_  
Mayor

ATTEST:

By \_\_\_\_\_  
City Recorder

[SEAL]

STATE OF UTAH )  
 )  
COUNTY OF HYRUM )

I, the undersigned, do hereby certify that I am the duly qualified and acting City Recorder of Hyrum City, Utah (the “City”). I further certify that the above and foregoing constitutes a true and correct extract from the minutes of a regular public meeting of the City Council (the “City Council”) of the City, held on August 18, 2022, including a resolution adopted at such meeting, together with the exhibits attached thereto, as said minutes, resolution and exhibits are recorded in the regular official book of minutes of the proceedings of the City Council kept in the office of the City Recorder, that said proceedings were duly had and taken as therein shown, that the meeting therein shown was in all respects called, held and conducted in accordance with law, and that the persons therein named were present at said meeting, as therein shown.

I further certify that I caused a true and correct copy of the above-referenced resolution (including the exhibits attached thereto) to be filed in the office of the City Recorder for examination by any interested person during the regular business hours of the office of the City Recorder.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed or imprinted hereon the official seal of the City, this 18th day of August, 2022.

\_\_\_\_\_  
City Recorder  
Hyrum City, Utah

[SEAL]



Hyrum City

August 18, 2022

The City Council (the “*City Council*”) of Hyrum City, Utah (the “*City*”), pursuant to due notice met in regular public session on August 18, 2022, at the hour of 6:30 p.m., at its regular meeting place at 60 West Main, Hyrum, Utah. The meeting was duly called to order by the Mayor with the following members of the City Council being present, constituting a quorum of the City Council:

PRESENT:	Steve Adams	Councilmember
	Jared Clawson	Councilmember
	Paul James	Councilmember
	Vicky McCombs	Councilmember
	Craig Rasmussen	Councilmember

ABSENT:

ALSO PRESENT:	Stephanie Miller	Mayor
	Ron Salvesen	City Administrator
	Stephanie Fricke	City Recorder
		City Attorney
	Matt Draper	Power Director

After the minutes of the preceding meeting had been read and approved, the City Recorder presented to the City Council an affidavit evidencing the giving of public notice of the agenda, date, time and place of the August 18, 2022 regular public meeting of the City Council in compliance with the requirements of applicable Utah law. The affidavit was ordered recorded in the minutes of the meeting and is as follows:

STATE OF UTAH )  
 )  
COUNTY OF CACHE )

I, the undersigned, the duly qualified and acting City Recorder of Hyrum City, Utah (the “City”), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 52-4-202, Utah Code Annotated 1953, as amended, I gave public notice of the agenda, date, time and place of the August 18, 2022, regular public meeting held by the City Council of the City, by:

(a) causing a Notice of Public Meeting to be posted at the principal office of the Board on August 18, 2022, at least twenty-four (24) hours before the convening of the meeting, in the form attached hereto, said such Notice of Public Meeting having continuously remained so posted and available for public inspection during the regular office hours of the Board until the convening of the meeting;

(b) causing a copy of the Notice of Public Meeting in the form attached hereto to be provided on August 18, 2022, at least twenty-four (24) hours before the convening of the meeting, to \_\_\_\_\_ a newspaper of general circulation within the geographic jurisdiction of the City; and

(c) causing a Notice of Public Meeting, in the form attached hereto, to be posted on August 18, 2022 on the Utah Open Public Notice Website at least twenty-four (24) hours before the convening of the meeting.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the City, this 18th day of August, 2022.

\_\_\_\_\_  
City Recorder  
Hyrum City, Utah

[SEAL]

DRAFT  
8/9/22

[Attach Notice of Public Meeting]

As required by Section 52-4-203, Utah Code Annotated 1953, as amended, written minutes and a recording of this meeting are being kept.

The following resolution was then introduced in written form and pursuant to motion duly made and seconded, was adopted and approved by the following vote:

Aye:            Councilmember \_\_\_\_\_  
                    Councilmember \_\_\_\_\_  
                    Councilmember \_\_\_\_\_  
                    Councilmember \_\_\_\_\_  
                    Councilmember \_\_\_\_\_

Nay:            \_\_\_\_\_

The resolution was thereupon signed by the Mayor, was attested and countersigned by the City Recorder and was ordered recorded in the official records of the City. The resolution is as follows:

DRAFT  
8/9/22

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CAPACITY PURCHASE AGREEMENT

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by and between

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

and

HYRUM CITY, UTAH

Dated as of June 1, 2022

[Amended and Restated as of August 15, 2022](#)

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## CAPACITY PURCHASE AGREEMENT

This Capacity Purchase Agreement is made and entered into as of June 1, 2022 ~~(and is amended and restated as of August 15, 2022 (the Capacity Purchase Agreement made and entered into as of June 1, 2022 is referred to herein as the “Original Agreement,” and the Original Agreement as amended and restated as of August 15, 2022 is referred to herein as this “Agreement”)~~, by and between the Utah Associated Municipal Power Systems, an energy services interlocal entity and a political subdivisions of the State (“UAMPS”), and Hyrum City, Utah, a municipal corporation and a political subdivision of the State (the “City”). UAMPS and the City are sometimes referred to individually herein as a “party” and collectively as the “parties.”

### RECITALS\*

WHEREAS, the City owns and operates the System, provides electric utility services to customers located within its established service area and is authorized pursuant to law to construct, operate and contract for the capacity and service of facilities that provide generation, transmission and related services;

WHEREAS, the City requires additional generating capacity to enable it to continue to provide safe, reliable and economical electric services to the customers served by the System and has received a proposal from Wheeler Machinery Co. (“Wheeler”) for the “Hyrum City Power West Point Sub 7.857 MW Generation Facility” dated February 25, 2022 (the “Proposal”) for the construction and equipping of a electric generation facility consisting of three Caterpillar G3520 Natural Gas generator sets and related improvements (as more fully described herein, the “Project”);

WHEREAS, the City is a member of UAMPS and has requested that UAMPS, through its Member Services Project, own, construct, acquire and finance the Cost of Construction of the Project and sell the capacity, output and services of the Project to the City pursuant to this Agreement;

WHEREAS, in furtherance of the Project, UAMPS will (a) enter into the Procurement and Construction Agreement with Wheeler providing for the acquisition and construction of various components of the Project and (b) pursuant to this Agreement will contract with the City for the acquisition and construction of the remaining components necessary to complete the Project and for the operation and maintenance of the Project after its completion;

WHEREAS, the City has found and determined that the Project will enhance, improve and extend that capability, reliability and services of the System for the use and benefit of customers located within its electric service area established by law, and the Capacity Payments and other amounts payable by the City under this Agreement are payable solely from the rates, charges or revenues derived from the System and are not secured by the full faith and credit or the taxing

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\* Capitalized terms used but not defined in the Recitals have the meanings assigned such terms in Section 1.1.

power of the City, the State or any political subdivision;

WHEREAS, subsequent to the initial execution and delivery of the Original Agreement, the City has requested that UAMPS provide interim financing for the Cost of Construction of one or more of the Hyrum City Components of the Project, UAMPS is willing to provide such interim financing, and the parties desire to amend and restate the Original Agreement as set forth herein to include the terms and provisions for such interim financing and certain related revisions to the Original Agreement;

WHEREAS, the execution, delivery and performance of this Agreement, as amended and restated, by UAMPS and the City has been duly authorized and approved by all necessary action of their respective governing bodies; and

NOW, THEREFORE, in consideration of the premises and the respective representations, covenants and agreements hereinafter contained, the parties hereto do mutually promise, covenant and agree as follows:

## ARTICLE I

### DEFINITIONS AND REPRESENTATIONS

*Section 1.1. Definitions.* In addition to the terms defined in the preamble and recitals, the following terms shall have the following meanings in this Agreement:

“*Act*” means the Utah Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended.

“*Agreement*” means this Capacity Purchase Agreement dated, as of June 1, 2022, between UAMPS and the City, and shall include any and all amendments and supplements hereto hereafter made in conformity herewith and with the Bond Documents.

“*Authorized Representative*” means, (i) in the case of UAMPS, its Chief Executive Officer thereof, or any officers, employees, contractors or other agents of UAMPS authorized to perform specific acts or to discharge specific duties and (ii) in the case of the City, its Mayor and those officers or employees authorized to act pursuant to letters of authority issued from time to time by the Mayor and delivered to UAMPS.

“*Bond Counsel*” means Chapman and Cutler LLP or any other nationally-recognized bond counsel selected by UAMPS and approved by UAMPS.

“*Bond Documents*” means (a) the resolution adopted by UAMPS on May 18, 2022 authorizing the execution of the Project Agreements and the issuance of the Bonds to finance the costs of the Project, (b) all resolutions supplemental to such resolution and a certificate of determination of the City under such resolution, (c) the Bonds, (d) any contract or agreement between UAMPS and the Lender and (e) the Tax Certificate.

“*Bond Fund*” means the Bond Fund established by the Bond Documents.

“*Bonds*” means the bonds, notes or other debt obligations issued or incurred by UAMPS pursuant to the Bond Documents to finance the costs of the Project.

“*Capacity Payment*” means the amounts payable by the City for the purchase of the Project Capacity pursuant to this Agreement as shall be set forth on Schedule I.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations thereunder.

“*Cost of Construction*” means all costs of acquiring, installing and/or constructing the Project or any portion thereof to completion and operation, which costs shall include but shall not be limited to (i) all costs of environmental review, engineering and architectural services with respect to the Project or any portion thereof, including the cost of design, test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper installation and/or construction of, and the making of alterations, renovations, additions and improvements in connection with, the completion, operation and/or energization of the Project or any portion thereof; (ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to construction managers, contractors, suppliers, builders and materialmen in connection with the acquisition, installation and/or construction of the Project or any portion thereof; and (iii) all costs which are required to be paid, under the terms of any contract or contracts, for the acquisition or construction of the Project or any portion thereof, including under the Procurement and Construction Agreement.

“*Event of Default*” under the Bond Documents has the meaning specified in Section 5.1.

“*Impositions*” has the meaning assigned to such term in Section 3.5.

“*Legal Requirements*” has the meaning assigned to such term in Section 3.6.

“*Lender*” means the purchaser of the Bonds.

“*Lien*” has the meaning assigned to such term in Section 3.8.

[“\*Lines of Credit\*” means one or more lines of credit or similar agreements drawn on by UAMPS to provide interim financing for the Cost of Construction of some or all of the the Hyrum City Components described in Exhibit A as provided in Section 2.6.](#)

“*Loss Event*” has the meaning assigned to such term in Section 3.7.

“*Operating Expenses*” means all actual operation and maintenance expenses costs of the System incurred by the City for maintaining and operating the System, calculated in accordance with generally accepted accounting principles used by the City consistently applied, including: (a) costs of purchased or generated power and energy; (b) costs of fuel, water, and other commodities;

(c) costs of transmission and interconnection services, including the amounts payable by the City under this Agreement; (d) expenses of maintenance, repair, billing and collection, and other expenses incurred to maintain and preserve the System in good repair and working order; and (e) the administrative costs of the City relating to the System, including salaries and wages of employees, payments to employees retirement and benefit systems, overhead, taxes (if any), fees of auditors, accountants, attorneys, engineers, or other consultants, insurance premiums and all other reasonable and necessary costs of the City or charges required to be paid by it relating to the System; *provided that* Operating Expense do not include: (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (iv) payments in lieu of taxes and transfers to the general fund of the City, (v) charges for the payment of any bonds or other debt obligations payable from the Revenues of the System and (vi) the Capacity Payments payable by the City under this Agreement.

*“Permitted Encumbrances”* means, as of any particular time,

- (a) this Agreement and the Bond Documents;
- (b) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default;
- (c) utility, access and other easements and rights-of-way, restrictions and exceptions that an Authorized Representative of the City certifies to UAMPS will not interfere with or impair the City’s use of the Project as provided in this Agreement;
- (d) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Project and as do not, either singly or in the aggregate, materially impair the value or use of the property affected thereby for the purpose for which it was acquired and held by UAMPS under this Agreement; and
- (e) any mechanics’, workmen’s, repairmen’s, materialmen’s, contractors’, warehousemen’s, carriers’, suppliers’ or vendors’ lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by Section 3.8 of this Agreement.

*“Person”* means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, any agency or political subdivision thereof or any other entity.

*“Procurement and Construction Agreement”* means the Power Generation and Balance of Plant Agreement dated            [as of June 7, 2022](#) between UAMPS and Wheeler.

United States or insolvency, reorganization, arrangement, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally, (ii) general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law and (iii) the exercise of judicial discretion in appropriate cases.

(c) There is no action, suit or proceeding pending or to the knowledge of the City threatened against the City by or before any court, public board, public body, administrative agency or arbitration board that would materially adversely affect the ability of the City to perform its obligations under this Agreement and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the City as of the date hereof in connection with the execution and delivery of this Agreement or in connection with the performance of the obligations of the City hereunder have been obtained.

(d) The execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated have been duly authorized by all requisite action on the part of the City and will not violate or conflict with any provision of law or any order of any court or agency of government or any agreement or other instrument to which the City is a party or by which it or any of its property is subject or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such agreement or other instrument or result in the imposition of any Lien of any nature whatsoever other than Permitted Encumbrances.

(e) All consents, approvals or authorizations, if any, of any governmental authority required on the part of the City in connection with the execution and delivery of this Agreement have been duly obtained.

(f) The City is authorized and empowered by law to (i) own and operate the System, (ii) acquire, construct, equip, install, energize and operate the Project as the agent of UAMPS, (iii) purchase the Project Capacity from UAMPS pursuant to this Agreement, (iv) pay the Capacity Payments and the other amounts payable by the City under this Agreement, provided that the Capacity Payments and such other amounts shall be payable solely from the Revenues of the System as provided herein, and (v) take all actions necessary or convenient in connection with the foregoing.

(g) No Event of Default, and no event that with the giving of notice or the passage of time, or both, would constitute an Event of Default, has occurred and is continuing.

## ARTICLE II

### PURCHASE AND SALE OF PROJECT CAPACITY; FINANCING OF THE PROJECT

*Section 2.1. Purchase and Sale of Project Capacity.* (a) UAMPS has all legal rights of title and ownership of the ["Procurement and Construction Components" of the Project identified on Exhibit A](#). UAMPS hereby sells to the City and the City hereby purchases from UAMPS, the Project Capacity, for and during the term herein provided and upon and subject to the terms and conditions herein set forth. UAMPS hereby delivers to the City and the City hereby accepts sole

and exclusive possession of the Project.

(b) The City shall assure that, during the term of this Agreement, the rights to and interests in the land on which or above which the Project is located and the “Hyrum City Components” of the Project identified on Exhibit A shall be sufficient, ~~if~~ applicable, for the design, installation, construction, testing and energization of the Project and for the operation and continued allowed existence of the Project after construction.

(c) UAMPS covenants and agrees not to sell, convey, transfer, lease, mortgage or encumber the Project or any portion thereof except as specifically permitted under this Agreement.

*Section 2.2. Contract Term.* The term of this Agreement shall commence as of June 1, 2022 and shall, subject to Section 6.2, expire on the date on which the City has paid all of the Capacity Payments and the other amounts payable by the City hereunder.

*Section 2.3. Payment Provisions, Pledge of Capacity Payments.* (a) The City covenants to make Capacity Payments in the amounts and at the times as shall be set forth on Schedule I. UAMPS agrees that such Capacity Payments shall be deposited directly in the Bond Fund.

(b) The City shall pay, as additional amounts payable hereunder, all Impositions, as defined in and in accordance with the provisions of Section 3.5 hereof. If the City fails to pay any Imposition except as permitted by Section 3.5, UAMPS may make such payment and the City shall reimburse UAMPS therefor in accordance with Section 2.3(c).

(c) In the event the City should fail to make or cause to be made any of the payments required under the foregoing provisions of this Section, the amount not so paid shall continue as an obligation of the City until the amount not so paid shall have been fully paid with interest on such overdue amount until the date of payment at an interest rate per annum equal to the “WSJ Prime Rate” published in *The Wall Street Journal*.

(d) The City shall have the option to prepay its Capacity Payment obligations and to exercise its option to purchase the Project at the times and in the manner provided in Article VI hereof.

(e) Pursuant to the Bond Documents UAMPS will pledge and assign as security for the Bonds all of UAMPS’ right, title and interest in the Capacity Payments payable hereunder. The City hereby consents to the above-described pledge, assignment and security interest.

(f) The parties agree that any amounts remaining in the Bond Fund upon expiration or earlier termination of the Contract Term after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Bond Documents) and any expenses in accordance with the Bond Documents shall belong to and be paid to the City as overpayment of Capacity Payments.

*Section 2.4. Special and Limited Obligation of the City.* (a) The obligation of the City to pay the Capacity Payments and all other payments provided for in this Agreement and to operate



and maintain the Project in accordance with Article III shall in each case be (i) a special and limited obligation of the City, payable solely from the Revenues of the System, and (ii) subject to the preceding clause, absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against UAMPS, and the obligation of the City shall arise and continue whether or not the Project is completed, operating or operable or its use is curtailed, suspended or terminated.

(b) The City agrees to make all payments required under this Agreement as an item of the Operating Expenses of the System; *provided that* in the event that the City issues bonds, notes or other debt obligations that are payable from and secured by a pledge of the Revenues of the System (“*Revenue Bonds*”), the City may provide in the resolution, ordinance, indenture or other instrument pursuant to which such Revenue Bonds are issued that the Capacity Payments payable hereunder shall be paid on a parity basis (*i.e.*, equally and ratably) with the debt service payments on such Revenue Bonds. The City agrees to provide to UAMPS a substantially final draft of the instrument pursuant to which such Revenue Bonds are to be issued for review and comment.

(c) THE CITY’S OBLIGATIONS HEREUNDER SHALL BE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AS A COST OF ELECTRIC GENERATION CAPACITY AND SERVICE THAT IS NECESSARY AND USEFUL IN THE OPERATION OF THE SYSTEM. SUCH OBLIGATIONS ARE NOT, NOR SHALL THEY BE CONSTRUED TO BE, GENERAL OBLIGATIONS OF THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, NOR ARE SUCH OBLIGATIONS INTENDED TO BE, OR ARE THEY SECURED BY, THE FULL FAITH AND CREDIT OR THE TAXING POWER OF THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THIS AGREEMENT SHALL NOT CONSTITUTE AN INDEBTEDNESS, GENERAL OBLIGATION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THIS AGREEMENT IS NOT AND SHALL NOT BE CONSTRUED TO BE A LENDING OR A DONATION OF THE CREDIT OF THE CITY FOR ANY PURPOSE WHATSOEVER.

*Section 2.5. Financing of the Project.* (a) UAMPS agrees to issue the Bonds pursuant to the Bond Documents to finance the Cost of the Construction of the Project. The parties acknowledge that the “Consideration Payment” payable under (and as such term is defined in) the Procurement and Construction [Agreement](#) is the largest component of the Cost of Construction and is not payable until such time as the commissioning of the Project has been completed. The parties agree to consult with one another and to solicit the advice of UAMPS’ municipal advisor with respect to the timing for the issuance of the Bonds.

(b) At the request of the City, UAMPS will include in the Cost of Construction to be financed with the Bonds such amounts as are necessary to pay or reimburse the City for the costs of the acquisition, construction and installation of those components of the Project that are within the City’s responsibility under Article III and identified as the “Hyrum City Components” on Exhibit A, as the same may be revised from time to time as provided herein. Prior to the issuance of the Bonds, the City shall provide to UAMPS such information as shall be necessary to complete and conform the description of the Hyrum City Components and the costs or estimated costs thereof, and UAMPS shall prepare and attach a completed Exhibit A to this Agreement and

provide a copy of the same to the City.

(c) UAMPS anticipates that the Bonds will be sold in a direct purchase transaction with a Lender selected through a request for proposals process. UAMPS and its municipal advisor expect to solicit proposals to purchase the Bonds from at least three prospective Lenders. UAMPS agrees to review all such proposals with the City and to select a Lender that is mutually agreeable to UAMPS and the City. Upon the selection of the Lender and the determination of the debt service requirements of the Bonds, UAMPS shall prepare and submit a completed Schedule I to the City setting forth the Capacity Payments payable under this Agreement.

(d) The City agrees to cooperate with UAMPS in connection with the financing of the Project and to provide such information as may necessary or desirable in connection with any request for proposals or as may be requested by a prospective Lender. The City further agrees to (i) execute and deliver a certificate of determination approving the final terms and provisions of the Bonds and Schedule I to this Agreement, (ii) provide such certificates and legal opinions as may be required in connection with the closing of the sale of the Bonds and (iii) provide such continuing information during the term of the Bonds, including budgets, financial statements and operating information with respect to the System, as may be required under the Bond Documents.

(e) THE BONDS, TOGETHER WITH THE INTEREST THEREON, ARE SPECIAL LIMITED OBLIGATIONS OF UAMPS PAYABLE SOLELY FROM THE CAPACITY PAYMENTS PAYABLE BY THE CITY UNDER THIS AGREEMENT. THE OBLIGATION OF UAMPS TO PAY THE BONDS IS A SPECIAL AND LIMITED OBLIGATION PAYABLE SOLELY FROM THE CAPACITY PAYMENTS, AND THE BONDS SHALL NOT BE PAYABLE FROM AND SHALL HAVE NO CLAIM ON THE REVENUES OR ASSETS OF ANY OTHER PROJECT OF UAMPS. THE BONDS SHALL NOT CONSTITUTE A DEBT OR PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE STATE, THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF UAMPS, THE STATE, THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE. NO OWNER OF ANY BONDS SHALL HAVE THE RIGHT TO COMPEL ANY EXERCISE OF TAXING POWER OF THE STATE, THE CITY OR ANY POLITICAL SUBDIVISION OF THE STATE TO PAY THE BONDS OR THE INTEREST THEREON. THIS AGREEMENT IS NOT AND SHALL NOT BE CONSTRUED TO BE A LENDING OR A DONATION OF THE CREDIT OF UAMPS FOR ANY PURPOSE WHATSOEVER.

[Section 2.6. Interim Financing. \(a\) The City has requested that UAMPS, and UAMPS has agreed to, provide interim financing for the Costs of Construction of one or more of the Hyrum City Components of the Project upon and subject to the provisions of this Section 2.6 and this Agreement.](#)

[\(b\) UAMPS will draw from time to time on the Lines of Credit to provide interim financing for the Costs of Construction of such specific portions of the Hyrum City Components as may be requested by the City and agreed to by UAMPS in writing; provided that total amount of all such draws shall not exceed \\$1,000,000. The amount and date of each drawing under the Lines of Credit shall be set forth on Schedule II attached hereto, which shall be prepared by UAMPS. The amounts drawn by UAMPS will bear interest at the applicable rate or rates under the Lines of Credit, which rates include variable interest rates. UAMPS will bill the City each month for, and](#)



the City agrees to pay, the interest due on the amounts so drawn and any other related costs payable under the Lines of Credit.

(c) The parties expect and intend that (i) the principal amount of all draws under the Lines of Credit will be refinanced by the issuance of Bonds by UAMPS as provided in Section 2.5 and (ii) such principal amount will be repaid through the Capacity Payments made by the City. In the event that the Bonds are not issued for any reason by June 30, 2024, the City agrees to repay such principal amount and any accrued and unpaid interest and costs payable by UAMPS under the Lines of Credit on or before such date.

(d) Amounts drawn under the Lines of Credit shall not constitute “Bonds” under this Agreement, provided that (i) Section 2.4 shall apply to amounts drawn under the Lines of Credit and the City’s repayment obligations with respect to such amounts, and (ii) all references to the Bonds in Sections 2.5, 4.11 and 6.2 shall apply to and be deemed to refer to the amounts drawn under the Lines of Credit.

### ARTICLE III

#### CONSTRUCTION, OPERATION AND MAINTENANCE OF THE PROJECT; IMPOSITIONS AND LEGAL REQUIREMENTS

*Section 3.1. Construction of the Project.* (a) The City hereby approves the terms and provisions of the Procurement and Construction Agreement and authorizes UAMPS to execute and deliver the Procurement and Construction Agreement on its behalf. UAMPS hereby appoints the City as its agent in connection with the acquisition and construction of the Project and, so long as no Event of Default has occurred hereunder, agrees to consult with the City with respect to all actions, decisions, directions and matters arising under the Procurement and Construction Agreement.

(b) The City, as the agent of UAMPS, agrees to cause the acquisition, construction and installation of those components of the Project for which it is responsible (identified as the “Hyrum City Components” on Exhibit A) to be completed as soon as is reasonably practicable and in accordance with the terms of the Procurement and Construction Agreement, this Agreement and all applicable requirements of governmental authorities and law.

(c) The City and UAMPS may agree to change the description and specifications of the Project, and may add facilities, equipment and other capital items to the description of the Project, so long as such change or addition is mutually agreed to by the parties and does not substantially alter the nature of the Project; *provided that* (i) prior to making any such change or addition, UAMPS shall consult with Bond Counsel to ensure that such change or addition will not adversely affect the continued exemption from federal income taxation of interest on the Bonds, and (ii) any amendment of the description and specifications of the Project shall not entitle the City to any abatement or reduction in the Capacity Payments and other amounts payable by the City under this Agreement.

*Section 3.2. Operation of the Project.* (a) UAMPS hereby appoints the City as its agent

SCHEDULE II

DRAWINGS ON LINES OF CREDIT

DATE

AMOUNT

\$



# **ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY**

*Draft Report*

*August 11, 2022*



# **REPORT OUTLINE**

**Cover Letter**

**Section 1 - Introduction**

**Section 2 – Projected Operating Results – Existing Rates**

**Section 3 – Cost of Service**

**Section 4 – Proposed Rates**

August 18, 2022

**Hyrum City**  
60 West Main  
Hyrum, UT 84319

**Subject: Electric Rate Study**

Council Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Hyrum City (Hyrum) 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 recommend that an increase of 15% in FY 2023 with an additional increase of 10% in FY 2025. These increases are necessitated by increasing costs, including wholesale power costs and capital improvement needs, through the Study Period that negatively impact Hyrum's financial results and level of cash reserves. Additional specific rate design issues have also been addressed in the rate recommendations.

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

Sincerely,

**Dave Berg Consulting, LLC**



**David A. Berg, PE**  
Principal

# Section 1

## Introduction

Hyrum City, Utah owns a municipal utility providing service to approximately 3,500 retail electric customers. The electric utility is operated by the Hyrum City electric utility (Hyrum) and is under the direction of the Hyrum City Council. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for electric service in Hyrum City. The study includes an examination of the allocated cost of service based on actual FY 2021 utility operations (Test Year). It also includes projected operating results for FY 2022-2026 (Study Period). As a result of the analyses undertaken and reported on herein, electric rate recommendations have been developed for implementation by Hyrum.

## **Section 2**

# **Projected Operating Results Existing Rates**

The rates charged for electric service by Hyrum, combined with other operating and non-operating revenues, must be sufficient to meet the cost of providing services to Hyrum's retail customers. This is necessary to ensure the long-term financial health of Hyrum. 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, and other non-operating expenses.

An analysis of the operating results for Hyrum during the FY 2022-2026 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***

Hyrum sells retail power and energy to residential, commercial and industrial customers. Hyrum retail sales grew 5.5% from 2021 to 2022. For 2023, sales are projected to increase 6.3%, primarily due to a large expansion at a large commercial customer. Total sales growth for the remainder of the Study Period is estimated to average approximately 2%.

Exhibit 2-A is a summarized listing of Hyrum's historical and projected electric operating results at existing rates. The historical and projected revenues from retail sales of power and energy to different groups of customers are included at the beginning of the exhibit

## Section 2

under Charges for Sales and Services. Operating revenues also include power factor penalties, connection fees and miscellaneous revenues.

### Revenue Requirements

#### *Purchased Power*

Hyrum currently meets its wholesale power and energy requirements through its participation in Colorado River Storage Project hydro units and through its wholesale arrangement with UAMPS. Hyrum also has access, through UAMPS, to the real time wholesale market for both purchases and sales. Average wholesale power costs are assumed to increase 4% per year through the Study Period.

Hyrum's actual retail sales and wholesale requirements for the FY 2021 Test Year are shown in Table 2-1.

**Table 2-1  
Retail Sales  
And Wholesale Requirements**

Item	2021
Metered Retail Sales	95,752,039 kWh
Wholesale Energy	102,553,419 kWh
Wholesale Peak	19,912 kW

#### *Other Operating Expenses*

Hyrum incurs other operating expenses associated with local electric system operations. Distribution operating and maintenance expenses are related to the substations, overhead and underground lines and customer facilities located in Hyrum. Hyrum also has customer account expenses related to serving retail electric customers. Administrative and general expenses are required for utility management, employee benefits, training and other administrative costs. Non-wholesale power related expenses



## Projected Operating Results – Existing Rates

are based on 2021 and 2022 values, the 2023 budget and are generally estimated to increase by 4.0% per year after 2023.

### ***Depreciation***

Hyrum has annual depreciation costs based on its system investments. Depreciation during the Study Period is based on budgeted Hyrum 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)***

Hyrum's non-operating revenue is primarily associated with investment income. Hyrum also receives impact fees from developers.

### ***Capital Improvements***

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

**Table 2-2  
Capital Improvements**

<b>Capital Item</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Revenue Financed	\$1,421,311	\$3,223,700	\$1,000,000	\$1,000,000	\$1,000,000

## **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

## Section 2

for the electric utility. A summary presentation of the operating results is shown in Exhibit 2-A.

**Table 2-3**  
**Projected Operating Results**  
**Existing Rates**

Year	2022	2023	2024	2025	2026
Operating Revenues	\$9,627,223	\$9,397,469	\$9,685,282	\$9,982,918	\$10,308,642
Less Operating Expenses	(10,140,273)	(11,162,166)	(11,227,632)	(11,826,908)	(12,474,613)
Plus Non -Operating Revenues (Expenses)	12,352	13,200	-	-	-
Plus Transfer In	1,500,000	-	-	-	-
Plus Impact Fees	<u>238,640</u>	<u>126,500</u>	<u>126,500</u>	<u>126,500</u>	<u>126,500</u>
Change in Net Position	\$1,237,942	\$(1,624,997)	\$(1,415,850)	\$(1,717,490)	\$(2,039,472)
Net Position as Percent of Revenues	12.9%	-17.3%	-14.6%	-17.2%	-19.8%

## Cash Reserves

A summary of the impact of the projected operating results on Hyrum'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 \$3.4 million at the end of 2021 to approximately **negative** \$6.8 million by the end of 2026. This is a decrease from 39% of revenues to **negative** 66% of revenues.

## Projected Operating Results – Existing Rates

**Table 2-4**  
**Projected Cash Reserves**  
**Existing Rates**

Year	2022	2023	2024	2025	2026
Beginning Balance	\$3,407,554	\$3,408,052	\$(853,265)	\$(2,574,278)	\$(4,563,598)
Plus Change in Net Position	1,237,942	(1,624,997)	(1,415,850)	(1,717,490)	(2,039,472)
Plus Depreciation	540,000	587,380	694,837	728,170	761,504
Less Capital Improvements	<u>(1,421,411)</u>	<u>(3,223,700)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Ending Balance	\$3,408,052	\$(853,265)	\$(2,574,278)	\$(4,563,598)	\$(6,841,566)
Reserves as % of Revenue	35%	-9%	-27%	-46%	-66%

Hyrum City  
Electric Operating Results at Existing Rates

	Historical Fiscal Year					Projected Fiscal Year				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>OPERATING REVENUES</b>										
Charges for Sales and Services	\$ 7,034,562	\$ 6,899,450	\$ 7,237,896	\$ 8,220,057	\$ 8,819,062	\$ 9,627,223	\$ 9,397,469	\$ 9,685,282	\$ 9,982,918	\$ 10,308,642
Total Operating Revenues	\$ 7,034,562	\$ 6,899,450	\$ 7,237,896	\$ 8,220,057	\$ 8,819,062	\$ 9,627,223	\$ 9,397,469	\$ 9,685,282	\$ 9,982,918	\$ 10,308,642
<b>OPERATING EXPENSES</b>										
Personnel	\$ 722,476	\$ 717,314	\$ 785,773	\$ 955,079	\$ 1,076,251	\$ 1,164,829	\$ 1,299,300	1,351,272	1,405,323	1,461,536
System Operating Expenses	4,734,159	4,923,752	5,079,439	4,994,726	5,814,388	7,057,101	8,365,486	8,235,123	8,709,159	9,227,947
Repairs and Maintenance	577,287	723,977	737,472	791,944	818,892	1,378,343	910,000	946,400	984,256	1,023,626
Depreciation	300,364	341,116	327,401	354,184	538,674	540,000	587,380	694,837	728,170	761,504
Total Operating Expenses	\$ 6,334,286	\$ 6,706,159	\$ 6,930,085	\$ 7,095,933	\$ 8,248,205	\$ 10,140,273	\$ 11,162,166	\$ 11,227,632	\$ 11,826,908	\$ 12,474,613
<b>OPERATING INCOME</b>	\$ 700,276	\$ 193,291	\$ 307,811	\$ 1,124,124	\$ 570,857	\$ (513,050)	\$ (1,764,697)	\$ (1,542,350)	\$ (1,843,990)	\$ (2,165,972)
<b>NON-OPERATING REVENUE (EXPENSE)</b>										
Interest Revenue	\$ 68,374	\$ 89,242	\$ 116,454	\$ 97,264	\$ 24,847	\$ 12,102	\$ 13,200	\$ -	\$ -	\$ -
Gain (Loss) on sale of fixed asset	\$ -	\$ (97,500)	\$ -	\$ 9,665	\$ 40,548	\$ 250	\$ -	\$ -	\$ -	\$ -
Total Non-Operating Revenues (Expenses)	\$ 68,374	\$ (8,258)	\$ 116,454	\$ 106,929	\$ 65,395	\$ 12,352	\$ 13,200	\$ -	\$ -	\$ -
Net Income before Contributions	\$ 768,650	\$ 185,033	\$ 424,265	\$ 1,231,053	\$ 636,252	\$ (500,698)	\$ (1,751,497)	\$ (1,542,350)	\$ (1,843,990)	\$ (2,165,972)
<b>TRANSFERS IN (OUT)</b>	\$ (300,000)	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
<b>IMPACT FEES</b>	\$ -	\$ -	\$ -	\$ -	\$ 12,650	\$ 238,640	126,500	126,500	126,500	126,500
<b>CHANGE IN NET POSITION</b>	\$ 468,650	\$ 185,033	\$ 424,265	\$ 1,231,053	\$ 648,902	\$ 1,237,942	\$ (1,624,997)	\$ (1,415,850)	\$ (1,717,490)	\$ (2,039,472)
As Percent of Operating Revenues	6.7%	2.7%	5.9%	15.0%	7.4%	12.9%	-17.3%	-14.6%	-17.2%	-19.8%
<b>CASH RESERVES</b>										
Beginning of Year						\$ 3,407,554	\$ 3,408,052	\$ (853,265)	\$ (2,574,278)	\$ (4,563,598)
Plus Change in Net Position						1,237,942	(1,624,997)	(1,415,850)	(1,717,490)	(2,039,472)
Plus Depreciation						540,000	587,380	694,837	728,170	761,504
Less Capital Improvements						(1,421,411)	(3,223,700)	(1,000,000)	(1,000,000)	(1,000,000)
End of Year				\$ 3,407,554	\$ 3,407,554	\$ 3,408,052	\$ (853,265)	\$ (2,574,278)	\$ (4,563,598)	\$ (6,841,566)
As a percent of Operating Revenue				39%	39%	35%	-9%	-27%	-46%	-66%

## Section 3

### Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of Hyrum'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 2021 'Test Year' based on actual 2021 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

Hyrum'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 Hyrum's purchases of wholesale power through UAMPS, CRSP and the wholesale market.

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

**Customer** – the customer function includes 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.

### Section 3

**Revenue** – revenue related items include other operating and non-operating income and utility margin.

Table 3-1 below summarizes the functional electric costs for the 2021 Test Year. The detailed cost functions are shown in Exhibit 3-A.

**Table 3-1**  
**Functional Electric Costs**  
**2021 Test Year**

<b>Component</b>	<b>Revenue Requirement</b>
Power Supply	\$5,555,860
Distribution	853,949
Customer	308,066
Revenue	<u>548,840</u>
<b>Total</b>	<b>\$7,266,715</b>

### 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.

## **Cost-of-Service**

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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 Hyrum 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 classes' estimated share of energy purchases.

## Section 3

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### *Customer Allocations*

Two separate customer allocators were utilized. The customer facilities 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 meter 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 facility, 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 2021 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 2021.



**Cost-of-Service**

**Table 3-2**  
**Electric Cost of Service Results**  
**Comparison of Cost and Revenues**  
**2021 Test Year**

Customer Classification	Allocated Cost to Serve	Revenues
Residential	\$2,178,257	\$2,373,110
Small Commercial	\$314,942	\$353,911
Large Commercial	\$1,989,835	\$1,819,632
Industrial	<u>\$2,783,682</u>	<u>\$2,720,062</u>
Total	\$7,266,715	\$7,266,715

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. Table 3-4 makes the comparisons between allocated cost to serve and revenue on an average \$/kWh basis. 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.

## Section 3

**Table 3-3**  
**Electric Cost of Service Results**  
**Comparison of % Cost and Revenues**  
**2021 Test Year**

<b>Customer Classification</b>	<b>Allocated Cost to Serve</b>	<b>Revenues</b>	<b>Increase/ (Decrease)</b>
Residential	30.0%	32.7%	-8.2%
Small Commercial	4.3%	4.9%	-11.0%
Large Commercial	27.4%	25.0%	9.4%
Industrial	<u>38.3%</u>	<u>37.4%</u>	<u>2.3%</u>
Total	100.0%	100.0%	0.0%

**Table 3-4**  
**Electric Cost of Service Results**  
**Comparison of Cost and Revenues per kWh**  
**2021 Test Year**

<b>Customer Classification</b>	<b>Allocated Cost to Serve (\$/kWh)</b>	<b>Revenues (\$/kWh)</b>	<b>Increase/ (Decrease) (\$/kWh)</b>
Residential	0.095	0.104	-0.009
Small Commercial	0.085	0.095	-0.010
Large Commercial	0.080	0.073	0.007
Industrial	<u>0.063</u>	<u>0.062</u>	<u>0.001</u>
Total	0.076	0.097	0.000

## **Cost-of-Service**

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As indicated above, Hyrum'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.

Hyrum City  
Functionalization of 2021 Test Year Revenue Requirements

REVENUE REQUIREMENT	2021 Test Year	Power Supply	Distribution	Customer	Revenue	Classification Basis
OPERATING EXPENSES						
Salaries and Wages	678,501	-	508,876	169,625	-	dist/cust split
Overtime	55,826	-	41,870	13,957	-	dist/cust split
Standby Time	9,151	-	9,151	-	-	100% distribution
Seasonal/Temporary Workers	-	-	-	-	-	na
Employee Benefits	332,773	-	249,580	83,193	-	dist/cust split
Books, Subscriptions & Memberships	-	-	-	-	-	na
Public Notices	103	-	-	103	-	100% customer
Travel and Training	2,467	-	2,467	-	-	100% distribution
Office Supplies and Expense	9,765	-	-	9,765	-	100% customer
Equip Supplies & Maintenance	147,086	-	147,086	-	-	100% distribution
Gen & Dist Maintenance	618,516	-	618,516	-	-	100% distribution
Tree City/Consumer Ed	102,554	-	102,554	-	-	100% distribution
Diesel Generator Costs	195	195	-	-	-	100% power supply
Christmas Decorations	726	-	-	726	-	100% customer
Hydro Plant Maintenance	-	-	-	-	-	na
Bldgs & Grounds Sup & Maint	53,290	-	39,968	13,323	-	dist/cust split
Utilities	5,781	-	4,336	1,445	-	dist/cust split
Telephone	5,569	-	4,177	1,392	-	dist/cust split
Internet Service	-	-	-	-	-	na
Professional Services	58,149	-	43,612	14,537	-	dist/cust split
Insurance	21,556	-	21,556	-	-	100% distribution
Miscellaneous Supplies	13,224	-	13,224	-	-	100% distribution
Miscellaneous Services	38,506	-	38,506	-	-	100% distribution
Power Purchase	5,555,665	5,555,665	-	-	-	100% power supply
Depreciation	538,743	-	538,743	-	-	100% distribution
Total Operating Expenses	8,248,146	5,555,860	2,384,220	308,066	-	
Non Operating Revenues						
Interest Revenue	24,847	-	-	-	24,847	100% revenue
Gain (Loss) on sale of fixed asset	40,548	-	-	-	40,548	100% revenue
Total Non Operating Revenues	40,548	-	-	-	40,548	
Other Operating Revenues						
Discounts	(17,683)	-	(17,683)	-	-	100% distribution
Connection Fees	177,178	-	177,178	-	-	100% distribution
Misc	1,370,776	-	1,370,776	-	-	100% distribution
Total Other Operating Revenues	1,530,271	-	1,530,271	-	-	
Transfer In	-	-	-	-	-	NA
Transfer Out	12,650	-	-	-	12,650	100% revenue
Margin	576,738	-	-	-	576,738	100% revenue
Total Revenue Requirements	7,266,715	5,555,860	853,949	308,066	548,840	

Hyrum City  
2021 Test Year Power Supply Classification

REVENUE REQUIREMENT	Test <u>Year</u>	<u>Demand</u>	<u>Energy</u>	<u>Classification Basis</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	-	-	-	na
Overtime	-	-	-	na
Standby Time	-	-	-	na
Seasonal/Temporary Workers	-	-	-	na
Employee Benefits	-	-	-	na
Books, Subscriptions & Memberships	-	-	-	na
Public Notices	-	-	-	na
Travel and Training	-	-	-	na
Office Supplies and Expense	-	-	-	na
Equip Supplies & Maintenance	-	-	-	na
Gen & Dist Maintenance	-	-	-	na
Tree City/Consumer Ed	-	-	-	na
Diesel Generator Costs	195	-	195	100% energy
Christmas Decorations	-	-	-	na
Hydro Plant Maintenance	-	-	-	na
Bldgs & Grounds Sup & Maint	-	-	-	na
Utilities	-	-	-	na
Telephone	-	-	-	na
Internet Service	-	-	-	na
Professional Services	-	-	-	na
Insurance	-	-	-	na
Miscellaneous Supplies	-	-	-	na
Miscellaneous Services	-	-	-	na
Power Purchase	5,555,665	985,954	4,569,711	per power supply
Depreciation	-	-	-	na
<b>Total Operating Expenses</b>	<b>5,555,860</b>	<b>985,954</b>	<b>4,569,906</b>	
<b>Non Operating Revenues</b>				
Interest Revenue	-	-	-	na
Gain (Loss) on sale of fixed asset	-	-	-	na
<b>Total Non Operating Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Other Operating Revenues</b>				
Discounts	-	-	-	na
Connection Fees	-	-	-	na
Misc	-	-	-	na
<b>Total Other Operating Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Transfer In	-	-	-	na
Transfer Out	-	-	-	na
Margin	-	-	-	na
<b>Total Revenue Requirements</b>	<b>5,555,860</b>	<b>985,954</b>	<b>4,569,906</b>	

Hyrum City  
2021 Test Year Distribution Classification

	Test <u>Year</u>	Distribution <u>Demand</u>	Customer <u>Facilities</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT				
OPERATING EXPENSES				
Salaries and Wages	508,876	407,101	101,775	dist/cust split
Overtime	41,870	33,496	8,374	dist/cust split
Standby Time	9,151	7,321	1,830	dist/cust split
Seasonal/Temporary Workers	-	-	-	na
Employee Benefits	249,580	199,664	49,916	dist/cust split
Books, Subscriptions & Memberships	-	-	-	na
Public Notices	-	-	-	NA
Travel and Training	2,467	1,974	493	dist/cust split
Office Supplies and Expense	-	-	-	na
Equip Supplies & Maintenance	147,086	117,669	29,417	dist/cust split
Gen & Dist Maintenance	618,516	618,516	-	Dist Demand
Tree City/Consumer Ed	102,554	82,043	20,511	dist/cust split
Diesel Generator Costs	-	-	-	NA
Christmas Decorations	-	-	-	na
Hydro Plant Maintenance	-	-	-	na
Bldgs & Grounds Sup & Maint	39,968	31,974	7,994	dist/cust split
Utilities	4,336	3,469	867	dist/cust split
Telephone	4,177	3,341	835	dist/cust split
Internet Service	-	-	-	na
Professional Services	43,612	34,889	8,722	dist/cust split
Insurance	21,556	17,245	4,311	dist/cust split
Miscellaneous Supplies	13,224	10,579	2,645	dist/cust split
Miscellaneous Services	38,506	30,805	7,701	dist/cust split
Power Purchase	-	-	-	na
Depreciation	538,743	430,994	107,749	dist/cust split
Total Operating Expenses	2,384,220	2,031,079	353,141	
Non Operating Revenues				
Interest Revenue	-	-	-	NA
Gain (Loss) on sale of fixed asset	-	-	-	NA
Total Non Operating Revenues	-	-	-	
Other Operating Revenues				
Discounts	(17,683)	-	(17,683)	Cust Facilities
Connection Fees	177,178	-	177,178	Cust Facilities
Misc	1,370,776	1,370,776	-	Dist Demand
Total Other Operating Revenues	1,530,271	1,370,776	159,495	
Transfer In	-	-	-	NA
Transfer Out	-	-	-	NA
Margin	-	-	-	NA
Total Revenue Requirements	853,949	660,303	193,646	

Hyrum City  
2021 Test Year Customer Classification

	Test <u>Year</u>	<u>Customer</u>	<u>Classification Basis</u>
REVENUE REQUIREMENT			
OPERATING EXPENSES			
Salaries and Wages	169,625	169,625	100% Customer
Overtime	13,957	13,957	100% Customer
Standby Time	-	-	100% Customer
Seasonal/Temporary Workers	-	-	na
Employee Benefits	83,193	83,193	100% Customer
Books, Subscriptions & Memberships	-	-	na
Public Notices	103	103	100% Customer
Travel and Training	-	-	na
Office Supplies and Expense	9,765	9,765	100% Customer
Equip Supplies & Maintenance	-	-	na
Gen & Dist Maintenance	-	-	na
Tree City/Consumer Ed	-	-	na
Diesel Generator Costs	-	-	na
Christmas Decorations	726	726	100% Customer
Hydro Plant Maintenance	-	-	na
Bldgs & Grounds Sup & Maint	13,323	13,323	100% Customer
Utilities	1,445	1,445	100% Customer
Telephone	1,392	1,392	100% Customer
Internet Service	-	-	na
Professional Services	14,537	14,537	100% Customer
Insurance	-	-	na
Miscellaneous Supplies	-	-	na
Miscellaneous Services	-	-	na
Power Purchase	-	-	na
Depreciation	-	-	na
Total Operating Expenses	308,066	308,066	
Non Operating Revenues			
Interest Revenue	-	-	na
Gain (Loss) on sale of fixed asset	-	-	na
Total Non Operating Revenues	-	-	
Other Operating Revenues			
Discounts	-	-	na
Connection Fees	-	-	na
Misc	-	-	na
Total Other Operating Revenues	-	-	
Transfer In	-	-	NA
Transfer Out	-	-	NA
Margin	-	-	NA
Total Revenue Requirements	308,066	308,066	

Hyrum City  
2021 Test Year Allocation Factors

	<u>Total</u>	<u>Residential</u>	<u>Small Commercial</u>	<u>Large Commercial</u>	<u>Industrial</u>
<b>Demand Allocation Factors</b>					
12 Coincident Peak (kW)	198,524	49,965	7,695	54,242	86,622
12 CP	100.0%	25.2%	3.9%	27.3%	43.6%
1 Coincident Peak (kW)	19,912	6,933	630	4,825	7,524
1 CP	100.0%	34.8%	3.2%	24.2%	37.8%
1 Non-coincident Peak (kW)	22,512	7,482	736	6,193	8,101
1 NCP	100.0%	33.2%	3.3%	27.5%	36.0%
1 Non-coincident Peak - Dist (kW)	131,855	58,906	7,973	64,975	0.0%
1 NCP - Dist	100.0%	44.7%	6.0%	49.3%	0.0%
Sum of Max Demands	334,772	156,257	14,242	73,476	90,797
SMD	100.0%	46.7%	4.3%	21.9%	27.1%
Sum of Max Demands - Dist	243,975	156,257	14,242	73,476	0.0%
SMD - Dist	100.0%	64.0%	5.8%	30.1%	0.0%
<b>Energy Allocation Factors</b>					
Retail Energy Req. (kWh)	95,752,039	22,884,618	3,716,468	24,990,253	44,160,700
RE	100.0%	23.9%	3.9%	26.1%	46.1%
<b>Customers</b>					
Number of Customers	3,391	3,196	151	44	1
CN	100.0%	94.2%	4.4%	1.3%	0.0%
<b>Customer Facilities Allocation Factor</b>					
Weighting		1	2	20	500
Weighted Number of Cust	4,874	3,196	301	877	500
CF	100.0%	65.6%	6.2%	18.0%	10.3%
<b>Customer Service Allocation Factor</b>					
Weighting		1	2	5	200
Weighted Number of Cust	3,916	3,196	301	219	200
CS	100.0%	81.6%	7.7%	5.6%	5.1%
<b>Revenue Allocator</b>					
Sum Other Rev Reqs	\$ 6,717,875	\$ 2,013,738	\$ 291,155	\$ 1,839,546	\$ 2,573,436
R	100.0%	30.0%	4.3%	27.4%	38.3%



Hyrum City  
2021 Test Year Allocation of Revenue Requirements

	Total	Residential	Small Commercial	Large Commercial	Industrial	Allocation Factor
<u>Power Supply</u>						
Demand	985,954	248,147	38,215	269,391	430,201	12 CP
Energy	4,569,906	1,092,202	177,374	1,192,696	2,107,634	RE
Total Power Supply	\$ 5,555,860	\$ 1,340,349	\$ 215,588	\$ 1,462,087	\$ 2,537,835	
<u>Distribution</u>						
Distribution Demand	660,303	294,992	39,927	325,384	-	1 NCP - Dist
Customer Facilities	193,646	126,985	11,960	34,834	19,867	CF
Total T&D	\$ 853,949	\$ 421,977	\$ 51,887	\$ 360,217	\$ 19,867	
<u>Customer</u>						
Customer Service	308,066	251,412	23,679	17,242	15,734	CS
Total Customer Service	\$ 308,066	\$ 251,412	\$ 23,679	\$ 17,242	\$ 15,734	
<u>Revenue</u>						
Other Revenue	(40,548)	(12,155)	(1,757)	(11,103)	(15,533)	R
Transfer In/Out	12,650	3,792	548	3,464	4,846	R
Margin	576,738	172,882	24,996	157,928	220,933	R
Total Revenue	\$ 548,840	\$ 164,519	\$ 23,787	\$ 150,288	\$ 210,246	
Total Revenue Requirements	\$ 7,266,715	\$ 2,178,257	\$ 314,942	\$ 1,989,835	\$ 2,783,682	
Total Revenues	\$ 7,266,715	\$ 2,373,110	\$ 353,911	\$ 1,819,632	\$ 2,720,062	
Percent Revenue Requirements	100.0%	30.0%	4.3%	27.4%	38.3%	
Percent Revenues	100.0%	32.7%	4.9%	25.0%	37.4%	
Percent Change	0.0%	-8.2%	-11.0%	9.4%	2.3%	
Revenue Req/kWh	0.076	0.095	0.085	0.080	0.063	
Revenue/kWh	0.076	0.104	0.095	0.073	0.062	

## 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 Hyrum's projected annual change in net position decreases from 12.9% of revenue in 2022 to **minus** 19.8% of revenue in 2026. Additionally, Hyrum's projected total cash reserves at current rates is expected to decrease from \$3.4 million to **negative** \$6.8 million over the Study Period. This represents a significant decrease in total reserve levels and the reserves are projected to be **negative** 66% of operating revenue by the end of the Study Period. Based on the projected results, an overall rate increase of 15% for FY 2023 with an additional increase of 10% for FY 2025 is recommended at this time. Total increases through 2026 average 6.1% each year.

#### *Rate Design Adjustments*

The cost-of-service analysis summarized in Section 3 shows that the Residential and Small Commercial customers are providing subsidies to the Large Commercial customers. As such, higher increases are recommended for the Large Commercial customers with lower increases for the Residential and Small Commercial customers. The specific rate recommendations for all classes are described below and shown in Exhibit 4-A. The proposed rates in Exhibit 4-A are shown for each fiscal year. The FY 2023 rates are assumed to be effective in September 2022.

## Section 4

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**Residential rates:** The current Residential rates include an inclining block structure. Under this structure, greater amounts of usage have an increasingly higher rate. This type of rate structure is partially designed to encourage conservation among users. The first 500 kWh each month are 8.46 cents/kWh the next 250 kWh are 11.03 cents per kWh and over 750 kWh are 13.76 cents/kWh for regular Residential rates. The Residential rates also include a monthly flat customer service charge of \$6 per month. Blacksmith Fork residential customers pay the same energy rates but pay a higher monthly customer charge of \$10. Rocky Mountain Power currently has a \$10/month service charge for Residential customers. The current rate design is advantageous for small residential customers utilizing 500 kWh or less. An average Hyrum Residential customer uses approximately 620 kWh per month. Increases in both the monthly fixed charge and energy charges are recommended. The average increase for Residential customers in the first adjustment is 12% with an additional 10% increase in 2025.

**Small Commercial rates:** These rates have both energy and demand rates as well as a monthly customer charge. There is higher energy rate for the first 1500 kWh with a lower rate for energy over that amount. The demand rate is applicable to all demand exceeding 5 kW each month. This type of rate design is intended to have the demand charge become effective as the customer's usage exceeds the 1500-kWh threshold. An average Small Commercial customer utilizes approximately 2100 kWh per month. The current structure is retained. The increases are applied to each of the rate components. The average increase for Small Commercial customers in the first adjustment is 12% with an additional 10% increase in 2025.

**Large Commercial rates:** The current structure of this rate is identical to the Small Commercial rates. However, the energy rates for this class are lower than for the Small Commercial class. The differing energy rates between Large and Small Commercial rates is the reason for the subsidization of Large Commercial customers as summarized in Section 3 of this report. An average Large Commercial customer utilizes approximately 47,500 kWh per month, substantially more than the average Small Commercial customer.

## Proposed Rates

It is recommended that the structure of rates for this class be adjusted to bill all customers for all demand each month, not just the amount over 5 kW, and a single energy rate be applied to all energy each month. The demand and energy rates are set equal to the second block demand and energy rates in the Small Commercial class with a higher customer charge for the Large Commercial class. In this class the average increase is 19% in the first adjustment with an additional 10% increase in 2025.

**Industrial rates:** Hyrum has a unique rate for its single Industrial customer. This customer is very large and owns its own substation. The current rate is adjusted each month based on actual Hyrum wholesale power costs. The rate calculation includes two separate adjustments, one % adjustment and a second per kWh adjustment. It is recommended that the current formula rate for this customer be retained with increases in both adjustments are shown in Exhibit 4-A. For this single customer class, the increase is 15% in the first adjustment and an additional 10% increase in 2025.

The existing and proposed rates are summarized in Exhibit 4-A.

### *Rate Comparisons*

Table 4-1 below shows comparative monthly bills for different kinds of customers based on Hyrum's existing and 2023 proposed rates and Rocky Mountain Power (RMP) existing summer and winter rates. Three different Residential bills are shown (400 kWh, 1000 kWh and 2000 kWh). Three different Small Commercial customers, 500 kWh with a 2-kW demand, a 2000 kWh/5 kW bill and a 6,000 kWh/15 kW bill are shown. For Large Commercial the usage shown is 47,000 kWh with 130 kW of demand.

## Section 4

**Table 4-1**  
**Monthly Bill Comparisons**

Customer Type and Usage	Hyrum Present	Hyrum 2023 Proposed	RMP Winter	RMP Summer
Residential 400 kWh	\$39.82	\$46.20	\$43.93	\$48.34
Residential 1000 kWh	\$110.27	\$123.00	\$110.00	\$123.00
Residential 2000 kWh	\$247.91	\$267.00	\$220.13	\$247.45
Small Commercial 500 kWh/2 kW	\$157	\$170	\$175	\$188
Small Commercial 2,000 kWh/5 kW	\$183	\$200	\$210	\$227
Small Commercial 6,000 kWh/15 kW	\$470	\$534	\$523	\$576
Large Commercial 47,000 kWh/130 kW	\$3,332	\$4,067	\$3,941	\$4,375

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

Table 4-2 below summarizes the revised projected operating results with the proposed rate increases. A more detailed presentation of operating results at proposed rates is included in Exhibit 4-B. The annual increases in rates result in the projected change in net position increasing each year. Table 4-3 below summarizes projected cash reserves assuming implementation of the recommended annual rate increases. The projected reserves at the end of 2026 are now \$684,000 and equal to only 5% of operating revenue. This is still a low reserve level, Hyrum should continuously monitor its financial results and adjust rates as necessary to meet its goals.

**Proposed Rates**

**Table 4-2**  
**Projected Operating Results**  
**Proposed Rates**

<b>Year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Operating Revenues	\$9,627,223	\$10,619,428	\$11,101,003	\$12,387,654	\$12,788,161
Less Operating Expenses	(10,140,273)	(11,162,166)	(11,227,632)	(11,826,908)	(12,474,613)
Plus Non -Operating Revenues (Expenses)	12,352	13,200	1,428	251	1,861
Plus Transfer In	1,500,000	-	-	-	-
Plus Impact Fees	<u>238,640</u>	<u>126,500</u>	<u>126,500</u>	<u>126,500</u>	<u>126,500</u>
Change in Net Position	\$1,237,942	\$(403,039)	\$1,299	\$687,497	\$441,908
Net Position as Percent of Revenues	12.9%	-3.8%	0.0%	5.5%	3.5%

**Table 4-3**  
**Projected Cash Reserves**  
**Proposed Rates**

<b>Year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Beginning Balance	\$3,407,554	\$3,408,052	\$368,694	\$64,829	\$480,497
Plus Change in Net Position	1,237,942	(403,039)	1,299	687,497	441,908
Plus Depreciation	540,000	587,380	694,837	728,170	761,504
Less Capital Improvements	<u>(1,421,411)</u>	<u>(3,223,700)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Ending Balance	\$3,408,052	\$368,694	\$64,829	\$480,497	\$683,909
Reserves as % of Revenue	35%	3%	1%	4%	5%

## Section 4

### *Purchased Power Adjustment Clause*

The cost of wholesale power accounts for approximately two-thirds of Hyrum’s operating expenses. In the recent past, Hyrum has benefited from relatively stable wholesale power costs, this stability of wholesale costs has allowed Hyrum to maintain stable retail rates for its customers. The current projections for wholesale power costs include an assumption of 4% annual increases in average costs through 2026. The projected results shown in Tables 4-2 and 4-3 above assume those wholesale cost projections and the resulting rate adjustments are made in part to cover those costs. As wholesale costs become more volatile, it can become more difficult to make necessary adjustments to retail rates to match those wholesale changes. Many utilities employ a rate mechanism known as a Purchased Power Adjustment Clause (PPAC) to automatically adjust retail rates to reflect wholesale power costs. If wholesale costs are higher than expected, retail rates are automatically higher and if lower than expected retail rates are automatically lower. Rocky Mountain Power has a similar rate provision it calls the Energy Balancing Account that “accounts for differences between actual power costs and the level of power costs that were set in customer rates.” It is recommended that Hyrum implement a PPAC that automatically adjusts on an annual basis utilizing the following formula:

Proposed formula:

$$PPA = \frac{WPC \pm \text{over/under}}{PRE} - 0.0687$$

Where:

- PPA is the purchased power adjustment per kWh.
- WPC is the projected wholesale power cost in dollars for the projected year.
- Over/Under is the amount in dollars that the previous year’s estimated PPA over or under collected total wholesale costs in the previous year.
- PRE is the projected annual retail energy sales in kWh.
- 0.0687 is the base dollars per kWh.

The estimated average wholesale power cost per retail kWh in fiscal 2023 is 6.87 cents per kWh. That is the assumed power cost for 2023 and the estimated PPA for 2023 would

## **Proposed Rates**

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be 0.00 per kWh. Exhibit 4-C presents proposed rates similar to Exhibit 4-A for each year through 2026. At the bottom of Exhibit 4-C is the estimated PPAC value for each year. That rate would be charged to all customers (not including Industrial) as an additional energy charge. If wholesale costs meet projections, the net rates in Exhibit 4-A and 4-C would be the same. The energy rates shown in Exhibit 4-C plus the PPAC value at the bottom of Exhibit 4-C equal the energy rates in Exhibit 4-A. A spreadsheet will be provided to Hyrum staff for calculation of the annual PPAC value. The PPAC would not be applied to the Industrial class, the Industrial rate is already adjusted monthly based on actual wholesale power costs.



**Hyrum City**  
**Existing and Proposed Rates w/ no PPAC**

<b>Class</b>	<b>Current Rate</b>	<b>2023 Proposed Rate</b>	<b>2024 Proposed Rate</b>	<b>2025 Proposed Rate</b>	<b>2026 Proposed Rate</b>
<b>Residential</b>					
Customer Service Charge (\$/Month)	\$ 6.00	\$ 8.00	\$ 8.00	\$ 10.00	\$ 10.00
Energy Charge 0-500 kWh (\$/kWh)	\$ 0.0846	\$ 0.0955	\$ 0.0955	\$ 0.1040	\$ 0.1040
Energy Charge 500-750 kWh (\$/kWh)	\$ 0.1103	\$ 0.1250	\$ 0.1250	\$ 0.1310	\$ 0.1310
Energy Charge >750 kWh (\$/kWh)	\$ 0.1376	\$ 0.1440	\$ 0.1440	\$ 0.1500	\$ 0.1500
<b>Residential Renewable</b>					
Customer Service Charge (\$/Month)	\$ 6.00	\$ 8.00	\$ 8.00	\$ 10.00	\$ 10.00
Energy Charge 0-500 kWh (\$/kWh)	\$ 0.1074	\$ 0.1183	\$ 0.1183	\$ 0.1268	\$ 0.1268
Energy Charge 500-750 kWh (\$/kWh)	\$ 0.1401	\$ 0.1548	\$ 0.1548	\$ 0.1608	\$ 0.1608
Energy Charge >750 kWh (\$/kWh)	\$ 0.1748	\$ 0.1812	\$ 0.1812	\$ 0.1872	\$ 0.1872
<b>Residential Blacksmith Fork</b>					
Customer Service Charge (\$/Month)	\$ 10.00	\$ 12.00	\$ 12.00	\$ 14.00	\$ 14.00
Energy Charge 0-500 kWh (\$/kWh)	\$ 0.0846	\$ 0.0955	\$ 0.0955	\$ 0.1040	\$ 0.1040
Energy Charge 500-750 kWh (\$/kWh)	\$ 0.1103	\$ 0.1250	\$ 0.1250	\$ 0.1310	\$ 0.1310
Energy Charge >750 kWh (\$/kWh)	\$ 0.1376	\$ 0.1440	\$ 0.1440	\$ 0.1500	\$ 0.1500
<b>Small Commercial</b>					
Customer Service Charge (\$/Month)	\$ 10.00	\$ 12.00	\$ 12.00	\$ 14.00	\$ 14.00
Energy Charge 0-1500 kWh (\$/kWh)	\$ 0.0978	\$ 0.1050	\$ 0.1050	\$ 0.1150	\$ 0.1150
Energy Charge >1500 kWh (\$/kWh)	\$ 0.0518	\$ 0.0610	\$ 0.0610	\$ 0.0680	\$ 0.0680
Demand Charge >5 kW (\$/kW)	\$ 8.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
<b>Large Commercial</b>					
Customer Service Charge (\$/Month)	\$ 20.00	\$ 30.00	\$ 30.00	\$ 50.00	\$ 50.00
Energy Charge 0-1500 kWh (\$/kWh)	\$ 0.0625	\$ 0.0610	\$ 0.0610	\$ 0.0680	\$ 0.0680
Energy Charge >1500 kWh (\$/kWh)	\$ 0.0488	\$ 0.0610	\$ 0.0610	\$ 0.0680	\$ 0.0680
Demand Charge >5 kW (\$/kW)	\$ 8.00	n/a	n/a	n/a	n/a
Demand Charge-all demand (\$/kW)	n/a	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
<b>Industrial</b>					
Customer Service Charge (\$/Month)	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Energy Charge (\$/kWh)	\$ 0.0232	\$ 0.0232	\$ 0.0232	\$ 0.0232	\$ 0.0232
Demand Charge (\$/kW)	\$ 6.57	\$ 6.57	\$ 6.57	\$ 6.57	\$ 6.57
Percent Adder (%)	5%	15%	15%	25%	25%
Energy Adder (\$/kWh)	\$ 0.005	0.010	0.010	0.011	0.011

Hyrum City  
Electric Operating Results at Proposed Rates

	Historical Fiscal Year					Projected Fiscal Year				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>OPERATING REVENUES</b>										
Charges for Sales and Services	\$ 7,034,562	\$ 6,899,450	\$ 7,237,896	\$ 8,220,057	\$ 8,819,062	\$ 9,627,223	\$ 10,619,428	\$ 11,101,003	\$ 12,387,654	\$ 12,788,161
Total Operating Revenues	\$ 7,034,562	\$ 6,899,450	\$ 7,237,896	\$ 8,220,057	\$ 8,819,062	\$ 9,627,223	\$ 10,619,428	\$ 11,101,003	\$ 12,387,654	\$ 12,788,161
<b>OPERATING EXPENSES</b>										
Personnel	\$ 722,476	\$ 717,314	\$ 785,773	\$ 955,079	\$ 1,076,251	\$ 1,164,829	\$ 1,299,300	1,351,272	1,405,323	1,461,536
System Operating Expenses	4,734,159	4,923,752	5,079,439	4,994,726	5,814,388	7,057,101	8,365,486	8,235,123	8,709,159	9,227,947
Repairs and Maintenance	577,287	723,977	737,472	791,944	818,892	1,378,343	910,000	946,400	984,256	1,023,626
Depreciation	300,364	341,116	327,401	354,184	538,674	540,000	587,380	694,837	728,170	761,504
Total Operating Expenses	\$ 6,334,286	\$ 6,706,159	\$ 6,930,085	\$ 7,095,933	\$ 8,248,205	\$ 10,140,273	\$ 11,162,166	\$ 11,227,632	\$ 11,826,908	\$ 12,474,613
<b>OPERATING INCOME</b>	\$ 700,276	\$ 193,291	\$ 307,811	\$ 1,124,124	\$ 570,857	\$ (513,050)	\$ (542,739)	\$ (126,629)	\$ 560,746	\$ 313,547
<b>NON-OPERATING REVENUE (EXPENSE)</b>										
Interest Revenue	\$ 68,374	\$ 89,242	\$ 116,454	\$ 97,264	\$ 24,847	\$ 12,102	\$ 13,200	\$ 1,428	\$ 251	\$ 1,861
Gain (Loss) on sale of fixed asset	\$ -	\$ (97,500)	\$ -	\$ 9,665	\$ 40,548	\$ 250	\$ -	\$ -	\$ -	\$ -
Total Non-Operating Revenues (Expenses)	\$ 68,374	\$ (8,258)	\$ 116,454	\$ 106,929	\$ 65,395	\$ 12,352	\$ 13,200	\$ 1,428	\$ 251	\$ 1,861
Net Income before Contributions	\$ 768,650	\$ 185,033	\$ 424,265	\$ 1,231,053	\$ 636,252	\$ (500,698)	\$ (529,539)	\$ (125,201)	\$ 560,997	\$ 315,408
<b>TRANSFERS IN (OUT)</b>	\$ (300,000)	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
<b>IMPACT FEES</b>	\$ -	\$ -	\$ -	\$ -	\$ 12,650	\$ 238,640	126,500	126,500	126,500	126,500
<b>CHANGE IN NET POSITION</b>	\$ 468,650	\$ 185,033	\$ 424,265	\$ 1,231,053	\$ 648,902	\$ 1,237,942	\$ (403,039)	\$ 1,299	\$ 687,497	\$ 441,908
As Percent of Operating Revenues	6.7%	2.7%	5.9%	15.0%	7.4%	12.9%	-3.8%	0.0%	5.5%	3.5%
<b>CASH RESERVES</b>										
Beginning of Year						\$ 3,407,554	\$ 3,408,052	\$ 368,694	\$ 64,829	\$ 480,497
Plus Change in Net Position						1,237,942	(403,039)	1,299	687,497	441,908
Plus Depreciation						540,000	587,380	694,837	728,170	761,504
Less Capital Improvements						(1,421,411)	(3,223,700)	(1,000,000)	(1,000,000)	(1,000,000)
End of Year				\$ 3,407,554	\$ 3,407,554	\$ 3,408,052	\$ 368,694	\$ 64,829	\$ 480,497	\$ 683,909
As a percent of Operating Revenue				39%	39%	35%	3%	1%	4%	5%

**Hyrum City**  
**Existing and Proposed Rates w/ PPAC**

<u>Class</u>					
	<u>Current Rate</u>	<u>2023 Proposed Rate</u>	<u>2024 Proposed Rate</u>	<u>2025 Proposed Rate</u>	<u>2026 Proposed Rate</u>
<b>Residential</b>					
Customer Service Charge (\$/Month)	\$ 6.00	\$ 8.00	\$ 8.00	\$ 10.00	\$ 10.00
Energy Charge 0-500 kWh (\$/kWh)	\$ 0.0846	\$ 0.0955	\$ 0.0928	\$ 0.0984	\$ 0.0955
Energy Charge 500-750 kWh (\$/kWh)	\$ 0.1103	\$ 0.1250	\$ 0.1223	\$ 0.1254	\$ 0.1225
Energy Charge >750 kWh (\$/kWh)	\$ 0.1376	\$ 0.1440	\$ 0.1413	\$ 0.1444	\$ 0.1415
<b>Residential Renewable</b>					
Customer Service Charge (\$/Month)	\$ 6.00	\$ 8.00	\$ 8.00	\$ 10.00	\$ 10.00
Energy Charge 0-500 kWh (\$/kWh)	\$ 0.1074	\$ 0.1183	\$ 0.1156	\$ 0.1212	\$ 0.1183
Energy Charge 500-750 kWh (\$/kWh)	\$ 0.1401	\$ 0.1548	\$ 0.1521	\$ 0.1552	\$ 0.1523
Energy Charge >750 kWh (\$/kWh)	\$ 0.1748	\$ 0.1812	\$ 0.1785	\$ 0.1816	\$ 0.1787
<b>Residential Blacksmith Fork</b>					
Customer Service Charge (\$/Month)	\$ 10.00	\$ 12.00	\$ 12.00	\$ 14.00	\$ 14.00
Energy Charge 0-500 kWh (\$/kWh)	\$ 0.0846	\$ 0.0955	\$ 0.0928	\$ 0.0984	\$ 0.0955
Energy Charge 500-750 kWh (\$/kWh)	\$ 0.1103	\$ 0.1250	\$ 0.1223	\$ 0.1254	\$ 0.1225
Energy Charge >750 kWh (\$/kWh)	\$ 0.1376	\$ 0.1440	\$ 0.1413	\$ 0.1444	\$ 0.1415
<b>Small Commercial</b>					
Customer Service Charge (\$/Month)	\$ 10.00	\$ 12.00	\$ 12.00	\$ 14.00	\$ 14.00
Energy Charge 0-1500 kWh (\$/kWh)	\$ 0.0978	\$ 0.1050	\$ 0.1023	\$ 0.1094	\$ 0.1065
Energy Charge >1500 kWh (\$/kWh)	\$ 0.0518	\$ 0.0610	\$ 0.0583	\$ 0.0624	\$ 0.0595
Demand Charge >5 kW (\$/kW)	\$ 8.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
<b>Large Commercial</b>					
Customer Service Charge (\$/Month)	\$ 20.00	\$ 30.00	\$ 30.00	\$ 50.00	\$ 50.00
Energy Charge 0-1500 kWh (\$/kWh)	\$ 0.0625	\$ 0.0610	\$ 0.0583	\$ 0.0624	\$ 0.0595
Energy Charge >1500 kWh (\$/kWh)	\$ 0.0488	\$ 0.0610	\$ 0.0583	\$ 0.0624	\$ 0.0595
Demand Charge >5 kW (\$/kW)	\$ 8.00	n/a	n/a	n/a	n/a
Demand Charge-all demand (\$/kW)	n/a	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
<b>Industrial (PPAC not applicable to this class)</b>					
Customer Service Charge (\$/Month)	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Energy Charge (\$/kWh)	\$ 0.0232	\$ 0.0232	\$ 0.0232	\$ 0.0232	\$ 0.0232
Demand Charge (\$/kW)	\$ 6.57	\$ 6.57	\$ 6.57	\$ 6.57	\$ 6.57
Percent Adder (%)	5%	15%	15%	25%	25%
Energy Adder (\$/kWh)	\$ 0.005	\$ 0.010	\$ 0.010	\$ 0.011	\$ 0.011
<b>PPAC (all energy) (\$/kWh)</b>	n/a	0.0000	0.0027	0.0056	0.0085