



Lehi City Council Meeting

Agenda

May 11, 2026

12:00 PM - Lehi Civic Center, Council Chambers (131 N. 100 E., Lehi, Utah)

- I. Lunch, Welcome and Opening Comment
- II. Discussion Items
 - A. Discussion of the Electric Cost of Service and Rate Design Study
[Lehi Draft Report May 4.pdf](#)
 - B. Continue with Budget Review Discussions
 - 1. Power Department
 - 2. Fiber Department
 - 3. Development Services (Building Inspections)
 - 4. Economic Development
 - 5. Streets
 - 6. Engineering
 - 7. Water/PI/Sewer/Drainage
 - 8. Fleet
 - 9. Recreation
 - 10. Non-Departmental
 - C. Discuss any Revisions to the Budget

III. Adjournment

- Public is invited to attend all open meetings
- In compliance with the Americans with Disabilities Act, the City of Lehi will make reasonable accommodations to participate in the meeting. Requests for assistance can be made by contacting the City Recorder at 385-201-2269
- This Agenda has been posted in accordance with Utah Code §§ 63G-30-102
- Agendas may be amended up to 24 hours prior to a meeting
- A Closed Meeting may be called to order pursuant to Utah Code §§ 52-4-204 & 52-4-205
- The order of agenda items may change to accommodate the needs of the legislative body, staff, or the public
- Electronic participation may be permitted for one or more members of the legislative body and staff

City Council Agenda Item Report

Meeting Date: May 11, 2026

Submitted By: Teisha Wilson

Submitting Department: Power

Item Type: Discussion

Agenda Section: Discussion Items

Subject:

Discussion of the Electric Cost of Service and Rate Design Study

Summary:

The purpose of the discussion regarding this study is for the Council to ask questions, propose changes, and reach a consensus on a direction so that the item is ready for a formal vote on May 26.

To maintain the utility's financial stability, the report recommends implementing annual rate increases of approximately 4.2% starting in July 2026. These adjustments are necessary to offset rising wholesale power costs and significant capital investments that are projected to deplete cash reserves. The study identifies that existing revenue structures do not perfectly align with the actual costs of serving different customer classes, such as residential and commercial groups. Consequently, the report proposes a new rate design based on a detailed evaluation of fiscal year 2025 operations and future financial requirements. Detailed tables and exhibits further explain the functionalization and allocation of costs required to ensure long-term operational health.

Disclaimer: This summary is AI-generated and is based on the "Electric Cost of Service and Rate Design Study" draft report dated May 4, 2026.

Attachments:

[Lehi Draft Report May 4.pdf](#)



ELECTRIC COST OF SERVICE AND RATE DESIGN STUDY

Draft Report

May 4, 2026



REPORT OUTLINE

Cover Letter

Section 1 - Introduction

Section 2 – Projected Operating Results – Existing Rates

Section 3 – Cost of Service

Section 4 – Proposed Rates



May 4, 2026

Lehi City
131 North 100 East
Lehi, Utah 84043

Subject: Electric Rate Study

Council Members:

Dave Berg Consulting, LLC has undertaken a study of the retail rates Lehi City (Lehi) 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 a series of annual rate increases averaging 4.2% per year be made beginning July 1, 2026. These increases are necessitated by increasing costs, including wholesale power costs and capital investments in the system, through the Study Period that negatively impact Lehi'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 Lehi through the conduct of this study. We wish to express our appreciation for the valuable assistance we received from Lehi 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

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Section 1

Introduction

Lehi City, Utah owns a municipal utility providing service to approximately 33,000 retail electric customers. The electric utility is operated by Lehi City Power Department (Lehi) and is under the direction of the Lehi City Council. This report has been prepared by Dave Berg Consulting, LLC to examine the rates and charges for electric service in Lehi City. The study includes an examination of the allocated cost of service based on actual FY 2025 utility operations (Test Year). It also includes projected operating results for FY 2026-2030 (Study Period). As a result of the analyses undertaken and reported on herein, electric rate recommendations have been developed for implementation by Lehi.

Section 2

Projected Operating Results

Existing Rates

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

An analysis of the operating results for Lehi during the FY 2026-2030 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

Lehi sells retail power and energy to residential, commercial and industrial customers. Lehi has recently been experiencing steady growth in total retail sales to its electric customers; total sales growth for the Study Period is estimated to average approximately 3.7% per year.

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

Section 2

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

Other Operating Revenues

Lehi also receives revenue from other normal operating procedures. These revenues are shown in Exhibit 2-A below the charges for services. These include late payment fees, temporary power charges, hook-up and servicing fees and miscellaneous revenues.

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

Revenue Requirements

Generation and Purchased Power

Lehi currently meets its wholesale power requirements through a combination of purchased resources. Lehi has an allocation of Colorado River Storage Project hydro resources through the Western Area Power Administration. Lehi also has internally owned generation and through its UAMPS membership, it receives output from a number of different coal, gas, wind, solar, and hydro units. Lehi also has access, through UAMPS, to the wholesale market for both purchases and sales.

Lehi's actual retail sales and wholesale requirements for the FY 2025 Test Year are shown in Table 2-1.

Projected Operating Results – Existing Rates

Table 2-1
Retail Sales
And Wholesale Requirements

Item	2025
Wholesale Energy and Generation	562,047,785 kWh
Metered Retail Sales	512,853,878 kWh
Wholesale Peak	147,660 kW

Other Operating Expenses

Lehi 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 Lehi. Lehi 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 and for administrative fees from Lehi City for reimbursement of City provided services. Non-wholesale power related expenses are based on FY 2025 values, the FY 2026 budget and are generally estimated to increase by 3.5% per year after FY 2027.

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Depreciation/Amortization

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

Lehi's non-operating revenue is primarily associated with investment income. Non-operating expenses are related to interest expense on outstanding debt. Lehi also receives both cash and non-cash capital contributions from developers.

City Administrative Charge

Lehi makes an annual operational transfer to the City's as an administrative charge. The FY 2026 O&M expense budget includes an annual charge of \$700,000 per year.

Capital Improvements

Lehi makes annual normal capital investments in its electric system. Annual electric capital improvements for the Study Period, as budgeted by Lehi, are shown in Table 2-2 below. The capital expenditures include both revenue funded projects and impact fee funded capital projects.

Projected Operating Results – Existing Rates

Table 2-2
Capital Improvements
Fiscal Years

Capital Item	2026	2027	2028	2029	2030
Total Capital	\$4,040,000	\$9,438,731	\$2,830,000	\$6,869,722	\$9,830,000

Debt Service

Lehi currently has annual debt payments associated with outstanding revenue bonds.

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.

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Table 2-3
Projected Operating Results
Existing Rates

Year	2026	2027	2028	2029	2030
Operating Revenues	\$56,652,014	\$60,284,407	\$64,411,691	\$68,846,830	\$73,616,631
Less Operating Expenses	(60,806,838)	(64,732,057)	(69,121,025)	(73,595,727)	(78,535,130)
Plus Non -Operating Revenues (Expenses)	(726,038)	(662,788)	(596,288)	(526,288)	(453,038)
Plus Impact Fees	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Plus Capital Contributions	<u>3,560,000</u>	<u>3,560,000</u>	<u>3,560,000</u>	<u>3,560,000</u>	<u>3,560,000</u>
Change in Net Position	\$1,679,138	\$1,449,562	\$1,254,379	\$1,284,815	\$1,188,464
Net Position as Percent of Revenues	3.0%	2.4%	1.9%	1.9%	1.6%

Cash Reserves

A summary of the impact of the projected operating results on Lehi'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 \$27.9 million at the end of FY 2025 to approximately \$7.2 million by the end of FY 2030. This is a decrease from 53% of operating expenses to 9% of operating expenses. Additionally, Lehi has a policy goal of maintaining reserves at or above 180 days of operating expenses. Reserves are projected to decrease from 195 days at the end of FY 2025 to 34 days of operating expenses at the end of FY 2030.

Projected Operating Results – Existing Rates

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

Year	2026	2027	2028	2029	2030
Beginning Balance	\$27,925,394	\$26,408,864	\$19,333,694	\$18,916,696	\$14,519,746
Plus Change in Net Position	1,679,138	1,449,562	1,254,379	1,284,815	1,188,464
Less Debt Principal	(1,265,000)	(1,330,000)	(1,400,000)	(1,465,000)	(1,540,000)
Less Capital Contributions	(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)
Plus Depreciation	5,669,332	5,803,999	6,118,623	6,212,956	6,441,947
Less Capital Improvements	<u>(4,040,000)</u>	<u>(9,438,731)</u>	<u>(2,830,000)</u>	<u>(6,869,722)</u>	<u>(9,830,000)</u>
Ending Balance	\$26,408,864	\$19,333,694	\$18,916,696	\$14,519,746	\$7,220,157
Reserves as % of Oper Exp	43%	30%	27%	20%	9%
Days of Oper Exp	159	109	100	72	34

Lehi City
Electric Operating Results at Existing Rates

	Historical Fiscal Year					Projected Fiscal Year				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
OPERATING REVENUES										
Charges for Services	\$ 38,896,480	\$ 39,693,039	\$ 46,887,368	\$ 52,971,508	\$ 55,088,361	\$ 56,152,014	\$ 59,784,407	\$ 63,911,691	\$ 68,346,830	\$ 73,116,631
Hook-Up and Servicing Fees	563,713	703,747	463,418	334,052	408,865	275,000	275,000	275,000	275,000	275,000
Miscellaneous	362,923	393,094	375,063	541,523	1,699,962	225,000	225,000	225,000	225,000	225,000
Total Operating Revenues	\$ 39,823,116	\$ 40,789,880	\$ 47,725,849	\$ 53,847,083	\$ 57,197,188	\$ 56,652,014	\$ 60,284,407	\$ 64,411,691	\$ 68,846,830	\$ 73,616,631
OPERATING EXPENSES										
Personnel	\$ 3,458,119	\$ 3,360,431	\$ 4,722,845	\$ 5,353,474	\$ 5,681,856	\$ 6,824,438	\$ 7,063,293	\$ 7,310,509	\$ 7,566,376	\$ 7,831,200
General Administration	593,874	614,585	698,973	885,788	798,611	724,800	750,168	776,424	803,599	831,725
Operating and Maintenance	30,659,160	33,003,613	55,778,862	39,885,971	39,477,499	46,749,268	50,246,232	54,016,712	58,082,582	62,467,487
Interfund Charges	838,000	900,312	883,608	836,268	887,412	839,000	868,365	898,758	930,214	962,772
Depreciation	4,245,484	4,449,450	4,678,614	4,807,762	5,469,332	5,669,332	5,803,999	6,118,623	6,212,956	6,441,947
Total Operating Expenses	\$ 39,794,637	\$ 42,328,391	\$ 66,762,902	\$ 51,769,263	\$ 52,314,710	\$ 60,806,838	\$ 64,732,057	\$ 69,121,025	\$ 73,595,727	\$ 78,535,130
OPERATING INCOME	\$ 28,479	\$ (1,538,511)	\$ (19,037,053)	\$ 2,077,820	\$ 4,882,478	\$ (4,154,824)	\$ (4,447,650)	\$ (4,709,334)	\$ (4,748,897)	\$ (4,918,498)
NON-OPERATING REVENUE (EXPENSE)										
Interest Income	\$ 169,878	\$ 42,909	\$ 876,626	\$ 1,677,754	\$ 1,317,473	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Gain on Sale of Assets	5,540	29,366	44,650	-	-	-	-	-	-	-
Interest expense	(605,395)	(579,295)	(551,926)	(1,143,366)	(1,417,762)	(1,526,038)	(1,462,788)	(1,396,288)	(1,326,288)	(1,253,038)
Total Non-Operating Revenues (Expenses)	\$ (429,977)	\$ (507,020)	\$ 369,350	\$ 534,388	\$ (100,289)	\$ (726,038)	\$ (662,788)	\$ (596,288)	\$ (526,288)	\$ (453,038)
Net Income before Contributions and Transfers	\$ (401,498)	\$ (2,045,531)	\$ (18,667,703)	\$ 2,612,208	\$ 4,782,189	\$ (4,880,862)	\$ (5,110,438)	\$ (5,305,621)	\$ (5,275,185)	\$ (5,371,536)
IMPACT FEES	\$ 5,293,659	\$ 5,528,192	\$ 2,748,357	\$ 2,447,179	\$ 3,249,028	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
CAPITAL CONTRIBUTIONS	\$ 6,104,708	\$ 5,882,656	\$ 3,358,398	\$ 4,924,608	\$ 6,575,907	\$ 3,560,000	\$ 3,560,000	\$ 3,560,000	\$ 3,560,000	\$ 3,560,000
CHANGE IN NET POSITION	\$ 10,996,869	\$ 9,365,317	\$ (12,560,948)	\$ 9,983,995	\$ 14,607,124	\$ 1,679,138	\$ 1,449,562	\$ 1,254,379	\$ 1,284,815	\$ 1,188,464
As Percent of Operating Revenues	27.6%	23.0%	-26.3%	18.5%	25.5%	3.0%	2.4%	1.9%	1.9%	1.6%
CASH RESERVES										
Beginning of Year						\$ 27,925,394	\$ 26,408,864	\$ 19,333,694	\$ 18,916,696	\$ 14,519,746
Plus Change in Net Position						1,679,138	1,449,562	1,254,379	1,284,815	1,188,464
Less Principal Payment						(1,265,000)	(1,330,000)	(1,400,000)	(1,465,000)	(1,540,000)
Less Capital Contributions						(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)
Plus Depreciation						5,669,332	5,803,999	6,118,623	6,212,956	6,441,947
Less Capital Improvements						(4,040,000)	(9,438,731)	(2,830,000)	(6,869,722)	(9,830,000)
End of Year					\$ 27,925,394	\$ 26,408,864	\$ 19,333,694	\$ 18,916,696	\$ 14,519,746	\$ 7,220,157
As a percent of Operating Expenses					53%	43%	30%	27%	20%	9%
Days of Operating Expenses					195	159	109	100	72	34

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Cost-of-Service

A cost-of-service analysis was performed to determine the allocated cost to serve each of Lehi'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 2025 'Test Year' based on actual 2025 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

Lehi'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 Lehi owned generating units and purchases of wholesale power through UAMPS, WAPA and the wholesale market.

Transmission and Distribution – T&D expenses are related to the Lehi owned system for delivering power and energy to Lehi customers. They include local transmission, 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.

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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 2025 Test Year. The detailed cost functions are shown in Exhibit 3-A.

Table 3-1
Functional Electric Costs
2025 Test Year

Component	Revenue Requirement
Power Supply	\$38,913,585
T&D	10,689,479
Customer	3,741,909
Revenue	<u>2,947,132</u>
Total	\$56,292,104

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 Lehi 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'

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estimated share of energy purchases, this is referred to as the Retail Energy (RE) allocator.

Customer Allocations

Two separate customer allocators were utilized. The customer facilities allocator was used to allocate costs associated with the physical service and metering 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 2025 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 2025.

Table 3-2
Electric Cost of Service Results
Comparison of Cost and Revenues
2025 Test Year

Customer Classification	Allocated Cost to Serve	Revenues
Residential/City	\$33,836,609	\$31,870,241
GS No Demand	\$505,930	\$491,908
GS Demand	\$21,353,703	\$23,360,233
Lg Commercial Solar	<u>\$595,862</u>	<u>\$569,723</u>
Total	\$56,292,104	\$56,292,104

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.

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Table 3-3
Electric Cost of Service Results
Comparison of % Cost and Revenues
2025 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential/City	60.1%	56.6%	6.2%
GS No Demand	0.9%	0.9%	2.9%
GS Demand	37.9%	41.5%	-8.6%
Lg Commercial Solar	<u>1.1%</u>	<u>1.0%</u>	<u>4.6%</u>
Total	100.0%	100.0%	0.0%

Table 3-4
Electric Cost of Service Results
Comparison of Cost and Revenues per kWh
2025 Test Year

Customer Classification	Allocated Cost to Serve (\$/kWh)	Revenues (\$/kWh)	Increase/ (Decrease) (\$/kWh)
Residential/City	0.117	0.110	0.007
GS No Demand	0.131	0.128	0.004
GS Demand	0.100	0.109	-0.009
Lg Commercial Solar	<u>0.096</u>	<u>0.092</u>	<u>0.004</u>
Total	0.110	0.110	0.000

As indicated above, Lehi'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.

Lehi City
Functionalization of 2025 Test Year Revenue Requirements

REVENUE REQUIREMENT		Test Year	Power Supply	T&D	Customer	Revenue	Classification Basis
OPERATING EXPENSES							
53-40-10-000	Item						
53-40-10-000	Salaries & Wages	3,426,621	274,130	1,816,109	1,336,382	-	labor
53-40-11-000	Overtime	179,357	14,349	95,059	69,949	-	labor
53-40-13-000	Employee Benefits	2,008,611	160,689	1,064,564	783,358	-	labor
53-40-14-000	Uniforms	28,532	2,283	15,122	11,127	-	labor
53-40-21-000	Books, Subscrip, Memberships	604	48	320	236	-	labor
53-40-23-000	Travel & Training	16,163	1,293	8,566	6,304	-	labor
53-40-24-000	Office Supplies	19,754	1,580	10,470	7,704	-	labor
53-40-25-000	Fleet Fund Charges	495,924	39,674	262,840	193,410	-	labor
	Fuel	57,374	57,374	-	-	-	100% Power Supply
53-40-26-000	Buildings & Grounds O&M	238,407	47,681	190,726	-	-	plant in service
53-40-27-000	Utilities	4,388	570	2,768	1,051	-	operating exp w/o pp
53-40-28-000	Supplies & Maintenance	152	20	96	36	-	operating exp w/o pp
53-40-29-000	Risk Mgmt Fund Charges	300,000	38,954	189,211	71,834	-	operating exp w/o pp
53-40-30-000	Electricity	167,781	21,786	105,820	40,175	-	operating exp w/o pp
53-40-31-000	Professional & Technical	187,115	24,296	118,014	44,804	-	operating exp w/o pp
53-40-32-000	IT Fund Charges	91,488	7,319	48,489	35,680	-	labor
53-40-33-000	Computer Maintenance	-	-	-	-	-	labor
53-40-36-000	Bond Fees/Admin Fees	12,636	2,527	10,109	-	-	plant in service
53-40-38-000	Contract Services	139,830	-	139,830	-	-	100% T&D
53-40-39-000	Internal Generation Maintenance	240,712	240,712	-	-	-	100% Power Supply
53-40-40-000	Safety	17,128	-	17,128	-	-	100% T&D
53-40-41-000	Insurance Expense	-	-	-	-	-	plant in service
53-40-42-000	Delinquent Collection Expense	-	-	-	-	-	NA
53-40-43-000	Billing Expense	524,195	-	-	524,195	-	100% customer
53-40-44-000	Bad Debt Expense	74,666	-	-	74,666	-	100% customer
53-40-45-000	System Maintenance	1,272,410	-	1,272,410	-	-	100% T&D
53-40-45-100	Miscellaneous	29,358	-	29,358	-	-	100% T&D
53-40-46-000	Resale Power Purchase	36,600,881	36,600,881	-	-	-	100% Power Supply
53-40-47-000	Line Maintenance	38,472	-	38,472	-	-	100% T&D
53-40-48-000	Substation Maintenance	30,497	-	30,497	-	-	100% T&D
53-40-49-000	Power Locating	14,721	-	14,721	-	-	100% T&D
53-40-71-000	General Fund Allocation	540,996	-	-	540,996	-	100% customer
53-40-85-000	Depreciation	5,225,507	1,045,101	4,180,406	-	-	plant in service
53-40-90-000	Amortization	243,825	48,765	195,060	-	-	plant in service
	Total Operating Expenses	52,228,105	38,630,032	9,856,164	3,741,909	-	
Non Operating Revenues (Expenses)							
53-36-10	Interest Income	1,317,473	-	-	-	1,317,473	100% revenue
73-37-10	Interest Income	-	-	-	-	-	100% revenue
53-36-20	Gain on Sale of Assets	-	-	-	-	-	100% revenue
53-40-60	Interest expense	(1,417,762)	(283,552)	(1,134,210)	-	-	plant in service
	Total Non Operating Revenues	(100,289)	(283,552)	(1,134,210)	-	1,317,473	
Other Operating Revenues							
53-30-25	Hook Up Fees	408,865	-	-	-	408,865	100% revenue
53-36-00	Miscellaneous Revenue	253,823	-	-	-	253,823	100% revenue
53-36-03	Temporary Power Charges	71,668	-	-	-	71,668	100% revenue
53-36-05	Revenue from Damages	198,791	-	198,791	-	-	100% T&D
53-36-15	Salvage Revenue	34,037	-	34,037	-	-	100% T&D
53-36-50	Late Payment Revenues	167,671	-	-	-	167,671	100% revenue
53-36-25	Contribution & Capital Funding	905,905	-	-	-	905,905	100% revenue
53-36-60	Pole Attachment Revenue	68,067	-	68,067	-	-	100% T&D
53-37-60	Subdivision Development Reimbursement	6,575,907	-	-	-	6,575,907	100% revenue
	Total Other Operating Revenues	8,684,734	-	300,895	-	8,383,839	
73-37-50	Impact Fees	3,249,028	-	-	-	3,249,028	100% revenue
	Margin	15,897,472	-	-	-	15,897,472	100% revenue
	Total Revenue Requirement	56,292,104	38,913,585	10,689,479	3,741,909	2,947,132	

Lehi City
2025 Test Year Power Supply Classification

		Test			
REVENUE REQUIREMENT		Year	Demand	Energy	Classification Basis
OPERATING EXPENSES					
53-40-10-000	Salaries & Wages	274,130	274,130	-	100% demand
53-40-11-000	Overtime	14,349	14,349	-	100% demand
53-40-13-000	Employee Benefits	160,689	160,689	-	100% demand
53-40-14-000	Uniforms	2,283	2,283	-	100% demand
53-40-21-000	Books, Subscrip,Memberships	48	48	-	100% demand
53-40-23-000	Travel & Training	1,293	1,293	-	100% demand
53-40-24-000	Office Supplies	1,580	1,580	-	100% demand
53-40-25-000	Fleet Fund Charges	39,674	39,674	-	100% demand
	Fuel	57,374	-	57,374	100% energy
53-40-26-000	Buildings & Grounds O&M	47,681	47,681	-	100% demand
53-40-27-000	Utilities	570	570	-	100% demand
53-40-28-000	Supplies & Maintenance	20	20	-	100% demand
53-40-29-000	Risk Mgmt Fund Charges	38,954	38,954	-	100% demand
53-40-30-000	Electricity	21,786	21,786	-	100% demand
53-40-31-000	Professional & Technical	24,296	24,296	-	100% demand
53-40-32-000	IT Fund Charges	7,319	7,319	-	100% demand
53-40-33-000	Computer Maintenance	-	-	-	NA
53-40-36-000	Bond Fees/Admin Fees	2,527	2,527	-	100% demand
53-40-38-000	Contract Services	-	-	-	NA
53-40-39-000	Internal Generation Maintenance	240,712	240,712	-	100% demand
53-40-40-000	Safety	-	-	-	NA
53-40-41-000	Insurance Expense	-	-	-	100% demand
53-40-42-000	Delinquent Collection Expense	-	-	-	NA
53-40-43-000	Billing Expense	-	-	-	NA
53-40-44-000	Bad Debt Expense	-	-	-	NA
53-40-45-000	System Maintenance	-	-	-	NA
53-40-45-100	Miscellaneous	-	-	-	NA
53-40-46-000	Resale Power Purchase	36,600,881	5,899,321	30,701,560	per power supply
53-40-47-000	Line Maintenance	-	-	-	NA
53-40-48-000	Substation Maintenance	-	-	-	NA
53-40-49-000	Power Locating	-	-	-	NA
53-40-71-000	General Fund Allocation	-	-	-	NA
53-40-85-000	Depreciation	1,045,101	1,045,101	-	100% demand
53-40-90-000	Amortization	48,765	48,765	-	100% demand
	Total Operating Expenses	38,630,032	7,871,098	30,758,934	NA
Non Operating Revenues (Expenses)					
53-36-10	Interest Income	-	-	-	NA
73-37-10	Interest Income	-	-	-	NA
53-36-20	Gain on Sale of Assets	-	-	-	NA
53-40-60	Interest expense	(283,552)	(283,552)	-	100% demand
	Total Non Operating Revenues	(283,552)	(283,552)	-	NA
Other Operating Revenues					
53-30-25	Hook Up Fees	-	-	-	NA
53-36-00	Miscellaneous Revenue	-	-	-	NA
53-36-03	Temporary Power Charges	-	-	-	NA
53-36-05	Revenue from Damages	-	-	-	NA
53-36-15	Salvage Revenue	-	-	-	NA
53-36-50	Late Payment Revenues	-	-	-	NA
53-36-25	Contribution & Capital Funding	-	-	-	NA
53-36-60	Pole Attachment Revenue	-	-	-	NA
53-37-60	Subdivision Development Reimbursement	-	-	-	NA
	Total Other Operating Revenues	-	-	-	
73-37-50	Impact Fees	-	-	-	NA
	Margin	-	-	-	NA
	Total Revenue Requirement	38,913,585	8,154,651	30,758,934	NA

Lehi City
2025 Test Year Distribution Classification

REVENUE REQUIREMENT		Test Year	Distribution Demand - all	Customer Facilities - all	Classification Basis
OPERATING EXPENSES	Item				
53-40-10-000	Salaries & Wages	1,816,109	1,271,276	544,833	Labor
53-40-11-000	Overtime	95,059	66,541	28,518	Labor
53-40-13-000	Employee Benefits	1,064,564	745,195	319,369	Labor
53-40-14-000	Uniforms	15,122	10,585	4,537	Labor
53-40-21-000	Books, Subscrip, Memberships	320	224	96	Labor
53-40-23-000	Travel & Training	8,566	5,996	2,570	Labor
53-40-24-000	Office Supplies	10,470	7,329	3,141	Labor
53-40-25-000	Fleet Fund Charges	262,840	131,420	131,420	Dem/Cust split all
	Fuel	-	-	-	NA
53-40-26-000	Buildings & Grounds O&M	190,726	95,363	95,363	Dem/Cust split all
53-40-27-000	Utilities	2,768	1,937	830	Labor
53-40-28-000	Supplies & Maintenance	96	64	32	Plant
53-40-29-000	Risk Mgmt Fund Charges	189,211	132,448	56,763	Labor
53-40-30-000	Electricity	105,820	70,547	35,273	Plant
53-40-31-000	Professional & Technical	118,014	78,676	39,338	Plant
53-40-32-000	IT Fund Charges	48,489	33,942	14,547	Labor
53-40-33-000	Computer Maintenance	-	-	-	Labor
53-40-36-000	Bond Fees/Admin Fees	10,109	6,739	3,370	Plant
53-40-38-000	Contract Services	139,830	69,915	69,915	Dem/Cust split all
53-40-39-000	Internal Generation Maintenance	-	-	-	NA
53-40-40-000	Safety	17,128	11,990	5,138	Labor
53-40-41-000	Insurance Expense	-	-	-	Plant
53-40-42-000	Delinquent Collection Expense	-	-	-	NA
53-40-43-000	Billing Expense	-	-	-	NA
53-40-44-000	Bad Debt Expense	-	-	-	NA
53-40-45-000	System Maintenance	1,272,410	636,205	636,205	Dem/Cust split all
53-40-45-100	Miscellaneous	29,358	19,572	9,786	Plant
53-40-46-000	Resale Power Purchase	-	-	-	NA
53-40-47-000	Line Maintenance	38,472	25,648	12,824	Plant
53-40-48-000	Substation Maintenance	30,497	30,497	-	Dist Demand all
53-40-49-000	Power Locating	14,721	-	14,721	Cust Facilities all
53-40-71-000	General Fund Allocation	-	-	-	NA
53-40-85-000	Depreciation	4,180,406	2,786,937	1,393,469	Plant
53-40-90-000	Amortization	195,060	130,040	65,020	Plant
	Total Operating Expenses	9,856,164	6,369,087	3,487,077	
Non Operating Revenues (Expenses)					
53-36-10	Interest Income	-	-	-	NA
73-37-10	Interest Income	-	-	-	NA
53-36-20	Gain on Sale of Assets	-	-	-	NA
53-40-60	Interest expense	(1,134,210)	(756,140)	(378,070)	Plant
	Total Non Operating Revenues	(1,134,210)	(756,140)	(378,070)	
Other Operating Revenues					
53-30-25	Hook Up Fees	-	-	-	NA
53-36-00	Miscellaneous Revenue	-	-	-	NA
53-36-03	Temporary Power Charges	-	-	-	NA
53-36-05	Revenue from Damages	198,791	132,527	66,264	Plant
53-36-15	Salvage Revenue	34,037	22,691	11,346	Plant
53-36-50	Late Payment Revenues	-	-	-	NA
53-36-25	Contribution & Capital Funding	-	-	-	NA
53-36-60	Pole Attachment Revenue	68,067	68,067	-	Dist Demand all
53-37-60	Subdivision Development Reimbursement	-	-	-	NA
	Total Other Operating Revenues	300,895	223,286	77,609	
73-37-50	Impact Fees	-	-	-	NA
	Margin	-	-	-	NA
	Total Revenue Requirement	10,689,479	6,901,941	3,787,538	

Lehi City
2025 Test Year Customer Classification

OPERATING EXPENSES		Item			
53-40-10-000	Salaries & Wages	1,336,382	1,336,382	100% Customer	
53-40-11-000	Overtime	69,949	69,949	100% Customer	
53-40-13-000	Employee Benefits	783,358	783,358	100% Customer	
53-40-14-000	Uniforms	11,127	11,127	100% Customer	
53-40-21-000	Books, Subscrip,Memberships	236	236	100% Customer	
53-40-23-000	Travel & Training	6,304	6,304	100% Customer	
53-40-24-000	Office Supplies	7,704	7,704	100% Customer	
53-40-25-000	Fleet Fund Charges	193,410	193,410	100% Customer	
	Fuel	-	-	NA	
53-40-26-000	Buildings & Grounds O&M	-	-	NA	
53-40-27-000	Utilities	1,051	1,051	100% Customer	
53-40-28-000	Supplies & Maintenance	36	36	100% Customer	
53-40-29-000	Risk Mgmt Fund Charges	71,834	71,834	100% Customer	
53-40-30-000	Electricity	40,175	40,175	100% Customer	
53-40-31-000	Professional & Technical	44,804	44,804	100% Customer	
53-40-32-000	IT Fund Charges	35,680	35,680	100% Customer	
53-40-33-000	Computer Maintenance	-	-	NA	
53-40-36-000	Bond Fees/Admin Fees	-	-	NA	
53-40-38-000	Contract Services	-	-	NA	
53-40-39-000	Internal Generation Maintenance	-	-	NA	
53-40-40-000	Safety	-	-	NA	
53-40-41-000	Insurance Expense	-	-	NA	
53-40-42-000	Delinquent Collection Expense	-	-	NA	
53-40-43-000	Billing Expense	524,195	524,195	100% Customer	
53-40-44-000	Bad Debt Expense	74,666	74,666	100% Customer	
53-40-45-000	System Maintenance	-	-	NA	
53-40-45-100	Miscellaneous	-	-	NA	
53-40-46-000	Resale Power Purchase	-	-	NA	
53-40-47-000	Line Maintenance	-	-	NA	
53-40-48-000	Substation Maintenance	-	-	NA	
53-40-49-000	Power Locating	-	-	NA	
53-40-71-000	General Fund Allocation	540,996	540,996	100% Customer	
53-40-85-000	Depreciation	-	-	NA	
53-40-90-000	Amortization	-	-	NA	
	Total Operating Expenses	3,741,909	3,741,909		
Non Operating Revenues (Expenses)					
53-36-10	Interest Income	-	-	NA	
73-37-10	Interest Income	-	-	NA	
53-36-20	Gain on Sale of Assets	-	-	NA	
53-40-60	Interest expense	-	-	NA	
	Total Non Operating Revenues	-	-		
Other Operating Revenues					
53-30-25	Hook Up Fees	-	-	NA	
53-36-00	Miscellaneous Revenue	-	-	NA	
53-36-03	Temporary Power Charges	-	-	NA	
53-36-05	Revenue from Damages	-	-	NA	
53-36-15	Salvage Revenue	-	-	NA	
53-36-50	Late Payment Revenues	-	-	NA	
53-36-25	Contribution & Capital Funding	-	-	NA	
53-36-60	Pole Attachment Revenue	-	-	NA	
53-37-60	Subdivision Development Reimbursement	-	-	NA	
	Total Other Operating Revenues	-	-		
73-37-50	Impact Fees	-	-	NA	
	Margin	-	-	NA	
	Total Revenue Requirement	3,741,909	3,741,909		

Lehi City
2025 Test Year Allocation Factors

	<u>Total</u>	<u>Residential/City</u>	<u>GS No Demand</u>	<u>GS Demand</u>	<u>Lg Comm Solar</u>
Demand Allocation Factors					
12 Coincident Peak (kW)	1,191,977	668,049	8,332	500,895	14,701
12 CP	100.0%	56.0%	0.7%	42.0%	1.2%
1 Coincident Peak (kW)	147,689	91,917	956	53,135	1,681
1 CP	100.0%	62.2%	0.6%	36.0%	1.1%
1 Non-coincident Peak (kW)	166,916	105,566	1,914	57,755	1,681
1 NCP	100.0%	63.2%	1.1%	34.6%	1.0%
Sum of Max Demands	3,070,670	2,390,640	18,737	644,787	16,506
SMD	100.0%	77.9%	0.6%	21.0%	0.5%
Energy Allocation Factors					
Retail Energy Req. (kWh)	512,853,878	289,402,242	3,853,443	213,391,393	6,206,800
RE	100.0%	56.4%	0.8%	41.6%	1.2%
Renewable Energy	6,206,800	-	-	-	6,206,800
Renew	100.0%	0.0%	0.0%	0.0%	100.0%
Customers					
Number of Customers	30,517	28,001	544	1,971	1
CN	100.0%	91.8%	1.8%	6.5%	0.0%
Customer Facilities Allocation Factor					
Weighting		1	1	4	100
Weighted Number of Cust	36,529	28,001	544	7,884	100
CF all	100.0%	76.7%	1.5%	21.6%	0.3%
Customer Service Allocation Factor					
Weighting		1	1	4	10
Weighted Number of Cust	36,439	28,001	544	7,884	10
CS	100.0%	76.8%	1.5%	21.6%	0.0%
Revenue Allocator					
Sum Other Rev Reqs	\$ 53,344,972	\$ 32,065,118	\$ 479,442	\$ 20,235,745	\$ 564,667
R	100.0%	60.1%	0.9%	37.9%	1.1%

Lehi City
2025 Test Year Allocation of Revenue Requirements

	<u>Total</u>	<u>Residential/City</u>	<u>GS No Demand</u>	<u>GS Demand</u>	<u>Lg Comm Solar</u>	<u>Allocation Factor</u>
<u>Power Supply</u>						
Demand	8,154,651	4,570,310	57,000	3,426,768	100,572	12 CP
Renewable Energy	11,079	-	-	-	11,079	Renew
Energy	<u>30,747,855</u>	<u>17,350,943</u>	<u>231,031</u>	<u>12,793,756</u>	<u>372,125</u>	RE
Total Power Supply	\$ 38,913,585	\$ 21,921,253	\$ 288,031	\$ 16,220,524	\$ 483,776	
<u>Distribution</u>						
Distribution Demand - all	6,901,941	4,365,147	79,142	2,388,157	69,495	1 NCP
Customer Facilities - all	<u>3,787,538</u>	<u>2,903,305</u>	<u>56,405</u>	<u>817,459</u>	<u>10,369</u>	CF all
Total T&D	\$ 10,689,479	\$ 7,268,452	\$ 135,548	\$ 3,205,616	\$ 79,863	
<u>Customer</u>						
Customer Service	<u>3,741,909</u>	<u>2,875,413</u>	<u>55,863</u>	<u>809,605</u>	<u>1,027</u>	CS
Total Customer Service	\$ 3,741,909	\$ 2,875,413	\$ 55,863	\$ 809,605	\$ 1,027	
<u>Revenue</u>						
Other Revenue	(9,701,312)	(5,831,360)	(87,191)	(3,680,071)	(102,690)	R
Impact Fees	(3,249,028)	(1,952,958)	(29,201)	(1,232,478)	(34,392)	R
Margin	<u>15,897,472</u>	<u>9,555,808</u>	<u>142,880</u>	<u>6,030,507</u>	<u>168,278</u>	R
Total Revenue	\$ 2,947,132	\$ 1,771,491	\$ 26,488	\$ 1,117,958	\$ 31,196	
Total Revenue Requirements	\$ 56,292,104	\$ 33,836,609	\$ 505,930	\$ 21,353,703	\$ 595,862	
Total Revenues	\$ 56,292,104	\$ 31,870,241	\$ 491,908	\$ 23,360,233	\$ 569,723	
Percent Revenue Requirements	100.0%	60.1%	0.9%	37.9%	1.1%	
Percent Revenues	100.0%	56.6%	0.9%	41.5%	1.0%	
Percent Change	0.0%	6.2%	2.9%	-8.6%	4.6%	
Revenue Req/kWh	0.110	0.117	0.131	0.100	0.096	
Revenue/kWh	0.110	0.110	0.128	0.109	0.092	

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 Lehi's projected annual change in net position declines during the Study Period from 3.0% of revenues in FY 2026 to 1.6% of revenues in FY 2030. Additionally, Lehi's projected total cash reserves at current rates are expected to decrease from \$27.9 million to \$7.2 million over the Study Period. The reserves measured as 'number of days of operating expenses' reduces from 195 days at the end of FY 2025 to only 34 days at the end of FY 2030. Lehi's goal for operating reserves is 180 days of operating expenses. Based on the projected results, increases averaging 4.2% annually are recommended through FY 2030.

Rate Design Adjustments

In the 2022 rate study, the Residential class had recommended annual rate increases slightly higher than average to address a subsidy the Residential class was receiving from the General Service classes. That subsidy has been reduced as a result of those changes. 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, i.e. the FY 2027 rates would be effective July 1, 2026.

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Residential rates: As part of the last study, the Residential monthly base charge was increased from \$0.00 per month to \$10.00 per month. The current cost based Residential base charge is approximately \$15 per month. It is recommended that monthly base charge be increased \$1 per month each year through FY 2030 when it will reach \$14 per month. Following the last study, the Residential base charge was increased \$2.50 per month each year. Also as a result of the last rate study, the Residential energy rates were altered to add a higher cost rate for monthly usage above 1000 kWh. This style of rate design is referred to as an inclining or inverted rate design, higher usage is more expensive. This type of rate is intended to encourage more conservation by large residential users. This rate design has been continued in the recommendations for the current study.

General Service rates: Lehi has two separate General Service rates. One that includes only a customer charge and energy rate (Rate 104) and one that also includes a demand charge (Rate 105/106). The rate design changes made in the last rate study have been maintained in this study with increasing rates to achieve the recommended overall increases for each class.

Large Commercial Solar rate: Lehi has a single large customer on a special Large Commercial Solar rate. This rate is designed in conjunction with providing this customer 100% renewable energy for their facility. For this rate the customer charge and demand charges are set equal to the General Service Demand rate. The energy charge is currently slightly lower than the General Service Demand energy rate. This energy rate is increased over time to ultimately exceed the General Service Demand energy rate to account for the increased renewable energy costs.

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 Lehi's existing and FY 2027 proposed rates and Rocky Mountain Power (RMP) summer and winter rates. Three different Residential bills are shown (400 kWh, 1000

Proposed Rates

kWh and 2000 kWh). For the General Service 104 (no demand) customers, 2 different usages are shown including the energy and demand usage. While Lehi does not bill for demand on Rate 104, RMP does have demand charges for similarly sized customers meaning that comparisons of monthly bills can vary significantly based on demand usage. Two separate demand and energy usages are shown for the General Service 105/106 (demand) customers.

Table 4-1
Monthly Bill Comparisons

Customer Type and Usage	Lehi Present	Lehi FY2027 Proposed	RMP Winter	RMP Summer
Residential 400 kWh	\$45.52	\$47.89	\$53.77	\$59.17
Residential 1000 kWh	\$98.79	\$103.23	\$134.14	\$149.99
Residential 2000 kWh	\$201.65	\$211.11	\$268.09	\$301.35
General Service no demand 400 kWh/2 kW	\$50.68	\$53.32	\$121.16	\$128.25
General Service no demand 2000 kWh/11 kW	\$201.40	\$210.60	\$408.96	\$446.67
General Service demand 10,000 kWh/30 kW	\$1,020.80	\$1,072.80	\$1,245.43	\$1,377.56
General Service demand 50,000 kWh/140 kW	\$4,898.00	\$5,145.00	\$5,775.40	\$6,413.48

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 through the Study Period. Table 4-3 below summarizes projected cash reserves assuming implementation of the recommended annual rate

Section 4

increases. The projected reserves during the Study Period increase to 175 days of operating expenses by the end of FY 2030. This is just slightly below 180 day goal for Lehi.

Table 4-2
Projected Operating Results
Proposed Rates

Year	2026	2027	2028	2029	2030
Operating Revenues	\$56,652,014	\$63,048,510	\$70,079,556	\$77,940,913	\$86,523,727
Less Operating Expenses	(60,806,838)	(64,732,057)	(69,121,025)	(73,595,727)	(78,535,130)
Plus Non -Operating Revenues (Expenses)	(726,038)	(662,788)	(596,288)	(526,288)	(453,038)
Plus Impact Fees	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Plus Capital Contributions	<u>3,560,000</u>	<u>3,560,000</u>	<u>3,560,000</u>	<u>3,560,000</u>	<u>3,560,000</u>
Change in Net Position	\$1,679,138	\$4,213,665	\$6,922,244	\$10,378,898	\$14,095,560
Net Position as Percent of Revenues	3.0%	6.7%	9.9%	13.3%	16.3%

Table 4-3
Projected Cash Reserves
Proposed Rates

Year	2026	2027	2028	2029	2030
Beginning Balance	\$27,925,394	\$26,408,864	\$22,097,797	\$27,348,664	\$32,045,796
Plus Change in Net Position	1,679,138	4,213,665	6,922,244	10,378,898	14,095,560
Less Debt Principal	(1,265,000)	(1,330,000)	(1,400,000)	(1,465,000)	(1,540,000)
Less Capital Contributions	(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)
Plus Depreciation	5,669,332	5,803,999	6,118,623	6,212,956	6,441,947
Less Capital Improvements	<u>(4,040,000)</u>	<u>(9,438,731)</u>	<u>(2,830,000)</u>	<u>(6,869,722)</u>	<u>(9,830,000)</u>
Ending Balance	\$26,408,864	\$22,097,797	\$27,348,664	\$32,045,796	\$37,653,303
Reserves as % of Operating Expenses	43%	34%	40%	44%	48%
Days of Operating Expenses	159	125	144	159	175

Purchased Power Adjustment Clause

As part of the last study, a Purchased Power Adjustment Clause (PPAC) was added to Lehi's rates to automatically adjust retail rates to reflect wholesale power costs. It is recommended that Lehi continue utilizing the PPAC as designed. The operating results as presented above assume the continued use of the PPAC. At the bottom of Exhibit 4-A is the estimated PPAC value for each year based on projected wholesale power costs. These are estimated PPAC values as shown in Exhibit 4-A, actual values will be dependent on actual wholesale power expenses going forward.

The following discussion of the PPAC is repeated and updated from the 2022 study:

The cost of wholesale power accounts for more than 70% of Lehi's operating expenses. In the recent past, Lehi has benefited from relatively stable wholesale power costs, this stability of wholesale costs has allowed Lehi to maintain stable retail rates for its

Section 4

customers. The current projections for wholesale power costs include an assumption of 4% annual increases in average costs through 2030. 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 Lehi consider implementation of a PPAC that automatically adjusts on an annual basis utilizing the following formula:

Proposed formula:

$$PPA = \frac{WPC \pm \text{over/under}}{PRE} - 0.07553$$

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.
- 0.07553 is the base dollars per kWh.

The estimated average wholesale power cost per retail kWh in FY 2027 is 8.394 cents per retail kWh. Under that assumption and based on the formula above, the estimated PPA for FY 2027 would be \$0.00841 per kWh. That rate is charged to all customers as an additional energy charge.

Lehi City
Existing and Proposed Rates

	Current	Proposed	Proposed	Proposed	Proposed
	<u>Rate</u>	<u>FY 2027 Rate</u>	<u>FY 2028 Rate</u>	<u>FY 2029 Rate</u>	<u>FY 2030 Rate</u>
Residential Rate 101					
Monthly Customer Charge/Base	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00
Energy Charge (0-1000 kWh) (\$/kWh)	\$0.08631	\$0.08975	\$0.09350	\$0.09771	\$0.10212
Energy Charge (over 1000 kWh) (\$/kWh)	\$0.10038	\$0.10540	\$0.11095	\$0.11650	\$0.12233
City Rate 102					
Monthly Customer Charge/Base	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00
Energy Charge (\$/kWh)	\$0.09420	\$0.09844	\$0.10287	\$0.10750	\$0.11290
Pumps/Wells Rate 103					
Monthly Customer Charge/Base	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00
Energy Charge (\$/kWh)	\$0.09420	\$0.09844	\$0.10287	\$0.10750	\$0.11290
General Service Rate 104					
Monthly Customer Charge/Base	\$13.00	\$14.00	\$15.00	\$16.00	\$17.00
Energy Charge (\$/kWh)	\$0.09420	\$0.09830	\$0.10155	\$0.10615	\$0.11150
General Service Demand Rate 105					
Monthly Customer Charge/Base	\$29.00	\$31.00	\$33.00	\$35.00	\$37.00
Energy Charge (\$/kWh)	\$0.06970	\$0.07320	\$0.07600	\$0.07950	\$0.08320
Demand Charge (\$/kW-mo)	\$9.00	\$9.50	\$10.00	\$10.50	\$11.00
Health Care Demand Rate 106					
Monthly Customer Charge/Base	\$29.00	\$31.00	\$33.00	\$35.00	\$37.00
Energy Charge (0-1000 kWh) (\$/kWh)	\$0.06970	\$0.07320	\$0.07600	\$0.07950	\$0.08320
Demand Charge (\$/kW-mo)	\$9.00	\$9.50	\$10.00	\$10.50	\$11.00
Consumption Rate 110					
Monthly Customer Charge/Base	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Energy Charge (\$/kWh)	\$0.07818	\$0.08141	\$0.08477	\$0.08826	\$0.09189
Large Commercial Solar 111					
Monthly Customer Charge/Base	\$29.00	\$31.00	\$33.00	\$35.00	\$37.00
Energy Charge (\$/kWh)	\$0.0678	\$0.07200	\$0.07550	\$0.07950	\$0.08350
Demand Charge (\$/kW-mo)	\$9.00	\$9.50	\$10.00	\$10.50	\$11.00
Primary Rate 114					
Monthly Customer Charge/Base	\$29.00	\$31.00	\$33.00	\$35.00	\$37.00
Energy Charge (\$/kWh)	\$0.06893	\$0.0724	\$0.0752	\$0.0786	\$0.0823
Demand Charge (\$/kW-mo)	\$8.64	\$9.12	\$9.60	\$10.08	\$10.56
Projected PPAC (\$/kWh)	\$ 0.00248	\$ 0.00841	\$ 0.01177	\$ 0.01526	\$ 0.01889

Lehi City
Electric Operating Results at Proposed Rates

	Historical Fiscal Year					Projected Fiscal Year				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
OPERATING REVENUES										
Charges for Services	\$ 38,896,480	\$ 39,693,039	\$ 46,887,368	\$ 52,971,508	\$ 55,088,361	\$ 56,152,014	\$ 62,548,510	\$ 69,579,556	\$ 77,440,913	\$ 86,023,727
Hook-Up and Servicing Fees	563,713	703,747	463,418	334,052	408,865	275,000	275,000	275,000	275,000	275,000
Miscellaneous	362,923	393,094	375,063	541,523	1,699,962	225,000	225,000	225,000	225,000	225,000
Total Operating Revenues	\$ 39,823,116	\$ 40,789,880	\$ 47,725,849	\$ 53,847,083	\$ 57,197,188	\$ 56,652,014	\$ 63,048,510	\$ 70,079,556	\$ 77,940,913	\$ 86,523,727
OPERATING EXPENSES										
Personnel	\$ 3,458,119	\$ 3,360,431	\$ 4,722,845	\$ 5,353,474	\$ 5,681,856	\$ 6,824,438	\$ 7,063,293	\$ 7,310,509	\$ 7,566,376	\$ 7,831,200
General Administration	593,874	614,585	698,973	885,788	798,611	724,800	750,168	776,424	803,599	831,725
Operating and Maintenance	30,659,160	33,003,613	55,778,862	39,885,971	39,477,499	46,749,268	50,246,232	54,016,712	58,082,582	62,467,487
Interfund Charges	838,000	900,312	883,608	836,268	887,412	839,000	868,365	898,758	930,214	962,772
Depreciation	4,245,484	4,449,450	4,678,614	4,807,762	5,469,332	5,669,332	5,803,999	6,118,623	6,212,956	6,441,947
Total Operating Expenses	\$ 39,794,637	\$ 42,328,391	\$ 66,762,902	\$ 51,769,263	\$ 52,314,710	\$ 60,806,838	\$ 64,732,057	\$ 69,121,025	\$ 73,595,727	\$ 78,535,130
OPERATING INCOME	\$ 28,479	\$ (1,538,511)	\$ (19,037,053)	\$ 2,077,820	\$ 4,882,478	\$ (4,154,824)	\$ (1,683,547)	\$ 958,531	\$ 4,345,185	\$ 7,988,597
NON-OPERATING REVENUE (EXPENSE)										
Interest Income	\$ 169,878	\$ 42,909	\$ 876,626	\$ 1,677,754	\$ 1,317,473	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Gain on Sale of Assets	5,540	29,366	44,650	-	-	-	-	-	-	-
Interest expense	(605,395)	(579,295)	(551,926)	(1,143,366)	(1,417,762)	(1,526,038)	(1,462,788)	(1,396,288)	(1,326,288)	(1,253,038)
Total Non-Operating Revenues (Expenses)	\$ (429,977)	\$ (507,020)	\$ 369,350	\$ 534,388	\$ (100,289)	\$ (726,038)	\$ (662,788)	\$ (596,288)	\$ (526,288)	\$ (453,038)
Net Income before Contributions and Transfers	\$ (401,498)	\$ (2,045,531)	\$ (18,667,703)	\$ 2,612,208	\$ 4,782,189	\$ (4,880,862)	\$ (2,346,335)	\$ 362,244	\$ 3,818,898	\$ 7,535,560
IMPACT FEES	\$ 5,293,659	\$ 5,528,192	\$ 2,748,357	\$ 2,447,179	\$ 3,249,028	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
CAPITAL CONTRIBUTIONS	\$ 6,104,708	\$ 5,882,656	\$ 3,358,398	\$ 4,924,608	\$ 6,575,907	\$ 3,560,000	\$ 3,560,000	\$ 3,560,000	\$ 3,560,000	\$ 3,560,000
CHANGE IN NET POSITION	\$ 10,996,869	\$ 9,365,317	\$ (12,560,948)	\$ 9,983,995	\$ 14,607,124	\$ 1,679,138	\$ 4,213,665	\$ 6,922,244	\$ 10,378,898	\$ 14,095,560
As Percent of Operating Revenues	27.6%	23.0%	-26.3%	18.5%	25.5%	3.0%	6.7%	9.9%	13.3%	16.3%
CASH RESERVES										
Beginning of Year						\$ 27,925,394	\$ 26,408,864	\$ 22,097,797	\$ 27,348,664	\$ 32,045,796
Plus Change in Net Position						1,679,138	4,213,665	6,922,244	10,378,898	14,095,560
Less Principal Payment						(1,265,000)	(1,330,000)	(1,400,000)	(1,465,000)	(1,540,000)
Less Capital Contributions						(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)	(3,560,000)
Plus Depreciation						5,669,332	5,803,999	6,118,623	6,212,956	6,441,947
Less Capital Improvements						(4,040,000)	(9,438,731)	(2,830,000)	(6,869,722)	(9,830,000)
End of Year					\$ 27,925,394	\$ 26,408,864	\$ 22,097,797	\$ 27,348,664	\$ 32,045,796	\$ 37,653,303
As a percent of Operating Expenses					53%	43%	34%	40%	44%	48%
Days of Operating Expenses					195	159	125	144	159	175

City Council Agenda Item Report

Meeting Date: May 11, 2026

Submitted By: Teisha Wilson

Submitting Department:

Item Type: Discussion

Agenda Section: Discussion Items

Subject:

Continue with Budget Review Discussions

1. Power Department
2. Fiber Department
3. Development Services (Building Inspections)
4. Economic Development
5. Streets
6. Engineering
7. Water/PI/Sewer/Drainage
8. Fleet
9. Recreation
10. Non-Departmental

Summary:

Attachments:

City Council Agenda Item Report

Meeting Date: May 11, 2026

Submitted By: Teisha Wilson

Submitting Department:

Item Type: Discussion

Agenda Section: Discussion Items

Subject:

Discuss any Revisions to the Budget

Summary:

Purpose: To provide an opportunity for the Council to further review the proposed budget and discuss and propose any revisions. The next step in the process is a public hearing on May 12, with final adoption scheduled for May 26.

Attachments: