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Division of Public Utilities
UTAH DEPARTMENT OF COMMERCE

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Initial Comments

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Jeremy Hirschi, Utility Technical Consultant

Date: May 28, 2026

Re: **Docket No. 26-2666-01, Application of Corix Utah City Heating and Cooling LLC to Establish a Thermal Tariff with Rates and Terms of Service**

Recommendation (Approval)

Based on its review of Corix Utah City Heating and Cooling LLC's (Corix or Company) request to establish interim rates, the Division of Public Utilities (Division) recommends the Public Service Commission of Utah (Commission) approve the Company's requested initial interim thermal rates and charges for the Utah City District Energy Utility (UCDEU). Based on the information provided, the Division finds the interim rates to be just, reasonable, and in the public interest and supports the requested effective date of August 1, 2026.

Issue

On March 26, 2026, the Commission found the "Joint Comments persuasive in addressing what may constitute a "complete filing" for purposes of the GRC Statute as it relates to Corix and its forthcoming GRC filing."[1] On May 4, 2026, Corix filed an application (GRC Application) to establish a thermal tariff in accordance with Commission rules and the Commission's order establishing the filing requirements for this application.[2]. On May 6,

[1] Order (Mar. 26, 2026).
[2] *Id.*

2026, the Company filed a request to establish interim rates. This memo represents the Division's initial comments on the Company's request for interim rates.

Background

Corix is a "heat corporation," as defined by Utah Code section 54-2-1(16)(a), the first of its kind subject to Commission regulation. The Company filed its first GRC Application to establish the initial thermal tariff for the UCDEU system located in Vineyard, Utah. The Company is a greenfield utility and anticipates that its first customer will be available and ready to begin receiving service on August 1, 2026.

Discussion

On February 2, 2026, the Commission conditionally approved Corix's application for a Certificate of Public Convenience and Necessity (CPCN) to provide heating and cooling services.[3] As a greenfield utility, Corix lacks the typical historical information and operational data that a mature utility would traditionally provide, particularly regarding base year historical information.

In its CPCN Order, the Commission directed Corix to

> file with the PSC all Required Approvals and other items required by applicable law for the construction and operation of the UCDEU system, after they are obtained and before construction and operation of the UCDEU system begins. Once these conditions have been satisfactorily met before the PSC, the CPCN will no longer be conditional as to this point.[4]

The Commission further conditioned the CPCN approval:

> upon the creation of an acceptable regulatory framework in the forthcoming rate design and terms of service docket that protects just and reasonable rates and

[3] *Application of Corix Utah City Heating and Cooling LLC for a Certificate of Public Convenience and Necessity for a Heat Corporation to Provide Heating and Cooling Services within the State of Utah*, Order (Feb. 2, 2026) at 9-10.
[4] *Id.* at 9.

service quality standards and recourse of the ultimate end users of the UCDEU system (tenants). Once these conditions have been satisfactorily met before the PSC, the CPCN will no longer be conditional as to this point.[5]

The Division believes that these two points of the Commission's order must be satisfied before an interim rate can be granted.

Utility Has Provided (or Will Provide) Additional Required Information to the Commission Before Charging Rates

Corix furnished the Commission with many of the required approvals on March 13, 2026. In addition, Corix witness Derek Nelson testified that the "Vineyard City Business license is pending approval and will be obtained as soon as the IEC [interim energy center] is through final inspection and fire inspection with the City of Vineyard. Our boiler registration and final UL listing for the IEC will be finalized during commissioning of the IEC."[6]

In response to DPU data request set 1, Corix provided a list of outstanding items with expected approval dates. See Table 1 – Outstanding Items below:

Table 1 – Outstanding Items[7]

Item	Date
Vineyard City building permit	May 12, 2026 (received)
Boiler Registration	July 14, 2026 (expected)
UL Listing	July 15, 2026 (expected)
Vineyard City Fire Inspection	July 30, 2026 (expected)
Vineyard City Final Inspection	July 31, 2026 (expected)
Vineyard City Business License	July 31, 2026 (expected)

In addition, the Company states that it "expects to receive remaining items before August 1, 2026, which is the commencement date of the first building connection. Corix has applied

[5] *Id.* at 9-10.
[6] Direct Test. of Derek Nelson (May 4, 2026) at 4:77-82.
[7] DPU Ex. 1.01 – Corix Response to DPU Data Request Set 1 at 1.

for the Vineyard City Business License and it is pending final approval subject to the City Fire Inspection." [8]

Utility Notice to Customers

In his direct testimony for Corix, Mr. Errol South states that "Corix presently has no connected customers and currently expects to commence utility service on August 1, 2026."[9] Corix's single customer will be Flagborough (Developer). The Developer provided a letter of support addressing "key matters it supports as the sole customer of UCDEU."[10] Such supported matters include proposed thermal rates, test period, terms and conditions in the thermal tariff, rate design, cost-based rates with rate stabilization, rate stabilization with deferred account (RDDA), cost of capital, and the request for interim rates.[11]

In addition, the customer indicated that the "first building can be billed effective on the date of the connection."[12] As the building has not received utility service and has not been completed, there is no end user that would need notification of this filing.

Mechanisms to Protect End Users

The proposed tariff section 3(a) states: "a Customer may allocate the Utility bill to end-user tenants without mark-up and without any profit. Any allocations must be fair, reasonable, and transparent. Any allocations of costs for Thermal Energy must be shown on separate identifiable lines to the end-user."[13]

As the customer passes these costs through to the end-user, it is imperative that the end-user has the right to ensure that it pays a fair and reasonable cost for the service and is billed appropriately. The Company has provided the customer a lot of billing structure flexibility within the tariff to allow cost recovery from end-users. Customers have the option (but not obligation) to install sub-meters for the purpose of cost allocation. Such sub-meters

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[8] *Id.*
[9] Direct Test. of Errol South (May 4, 2026) at 4:78-79.
[10] Corix Ex. 6.1 at 1.
[11] *Id.* at 1-2.
[12] *Id.* at 2.
[13] Corix Ex. 1.0 – Thermal Energy Service Tariff.

would be beneficial when allocating costs between different types of tenants (i.e. grocery, office, retail, hospital, pool, residential). Different types of tenants will have varying levels of heating and cooling needs and thus may need a way to track cost causation for allocation purposes.

It is not clear with this provision in the agreement that the customer will share the allocation methodology for allocating costs to the end-user with Corix.

Section 7 of the Tariff states:

> Customers may use Sub-meters in a Building that fully meets and continuously maintains eligibility under [certain criteria listed in the Tariff]. (e) The cost of installing and maintaining the Sub-meter(s) and administering the thermal cost allocation cannot be passed onto any end-user residential tenant. [..] This case-by-case exemption is intended for a very large volume thermal Customer that has sufficiently large sub-metered commercial end-user tenants to warrant an exemption that promotes both efficiency and conservation.[14]

Sub-metering is a consideration that should be thoroughly reviewed. Sub-meters can help ensure that billing reflects cost-causation. Sub-meters have the added benefit of encouraging conservation, as end-users pay for the energy that they use. If the end-user chooses to use less energy, it would be rewarded with a lower bill. There is an economic incentive to use less when an end-user can influence the cost of their utility bills. Under the proposed structure, the benefit that comes with one user's reduction of usage would be socialized to the rest of the end-users, thereby offsetting the individual incentive to conserve. Sub-meters are an acceptable allocation method to ensure fair rates for end-users. Nevertheless, it is likely too soon in Corix's development to fully evaluate the extent to which these benefits might outweigh the cost of sub-metering to either Corix or its customers.

The Division recognizes that the first building is newly built and possibly mostly vacant upon commencement of utility service. As a result, the single customer, the Developer, will have

[14] *Id.,* at 9-10

the responsibility to pay for Corix's service, potentially without recovery from end-users. As the building becomes occupied with tenants, more of the costs will be passed through to the end-users. The Division will more thoroughly investigate the allocation of costs to end-users in future testimony in this proceeding.

In response to Division data request, the Company states that:

> Corix plans to work with our customer (Flagborough) to create information packages for distribution to building end-users at the time of move-in. The information packages would be distributed by our customer(s) on record and will include general information about the utility and details on when and how the end users should contact the utility. Additionally, the UCDEU Thermal Tariff and the rights of end-users will also be posted on the Utah City DEU web page on the Corix website.[15]

It appears that the Company plans to make active efforts to ensure that end-users are provided with information about how it may file a complaint about utility services or billing. These information packages will include information about the Commission's informal and formal complaint processes.[16]

In those jurisdictions where it is more common to have district heating or thermal energy networks, such as New York, laws have been passed and tenant bills of rights have been implemented to ensure that tenants are billed fairly and that tenants can avoid unfair utility shutoffs by landlords. Such bills of rights serve to educate and inform end-users of what they can expect from the utility as well as what they can do when issues arise.

It is still unclear what other specific information will be shared with end-users to educate or inform them of their rights and what they can expect from their utility provider. The Division still has concerns regarding the impact on end-users and will review and address any remaining concerns or further recommendations in this proceeding. However, because the Company has created a process to inform end-users and to receive complaints, it appears to meet the intent of the Commission's Order. If the Commission feels that more protection

[15] DPU Ex. 1.01 – Corix Response to DPU Data Request Set 1 at 5.
[16] *Id.* at 7.

is needed for the end-user, it may also consider the following elements within the interim request:

1. The Company obtain a copy of each Customer's allocation methodology and make available to Commission and Division inspection.
2. The Company create a tenant bill of rights outlining standard notice to end-users of their rights to utility service and the proper recourse or redress in case of issues. The notice can include items such as:

    a. Statement that even if an end-user does not receive a direct bill from the utility, a tenant is legally protected against:
        i. Arbitrary shutoffs;
        ii. Unsafe temperatures;
        iii. Markups on thermal energy passed through to end-users;
        iv. Unfair and non-transparent allocations of thermal energy costs; and
        v. Being billed for sub-metering costs.
    b. The restriction that neither the Customer nor end-user is allowed to re-sell thermal energy.
    c. The right to a 7-calendar-day notice for any planned service outages.
    d. The requirement that Corix must respond to unplanned heating or cooling outages within 2 hours.
    e. The right to have a non-outage issue addressed within 14 calendar days.
    f. Easily accessible contact information for building property manager.
    g. Easily accessible contact information for Corix customer service.
    h. Website information for the Division of Public Utilities to lodge a complaint against the utility.
    i. Any other pertinent information for end-users.

Utility Revenue and Cost Projections Appear Reasonable and the Requested Interim Rate is Justified

Corix proposes to use two main monthly billing elements for cost recovery, namely a capacity charge and an energy charge. "The Capacity Charge is a fixed charge based on the design capacity of each building"[17] and is measured in kilowatts (kW) "The Energy Charge is a variable charge based on measured monthly usage for each building"[18] and is measured in kilowatt-hours (k-Wh). The Company proposes that this charge be adjusted with an Energy Cost Reconciliation Account (ECRA) reviewed annually but will not be part of future GRC proceedings. The "Energy charge would be modified with a goal of zeroing out the ECRA balance in the 12-month energy supply forecast"[19] and is comparable to the Enbridge Gas Utah's 191 account, which is a pass-through cost recovery mechanism.[20]

Both rates are being proposed for consideration in this initial GRC filing. These proposed charges will be further evaluated later in this proceeding. However, after initial review, the Division has not found evidence to suggest that they are not reasonable or justified. The Division reserves its right to recommend adjustments to the proposed rates after it has conducted a more in-depth analysis to be presented in later testimony in this docket.

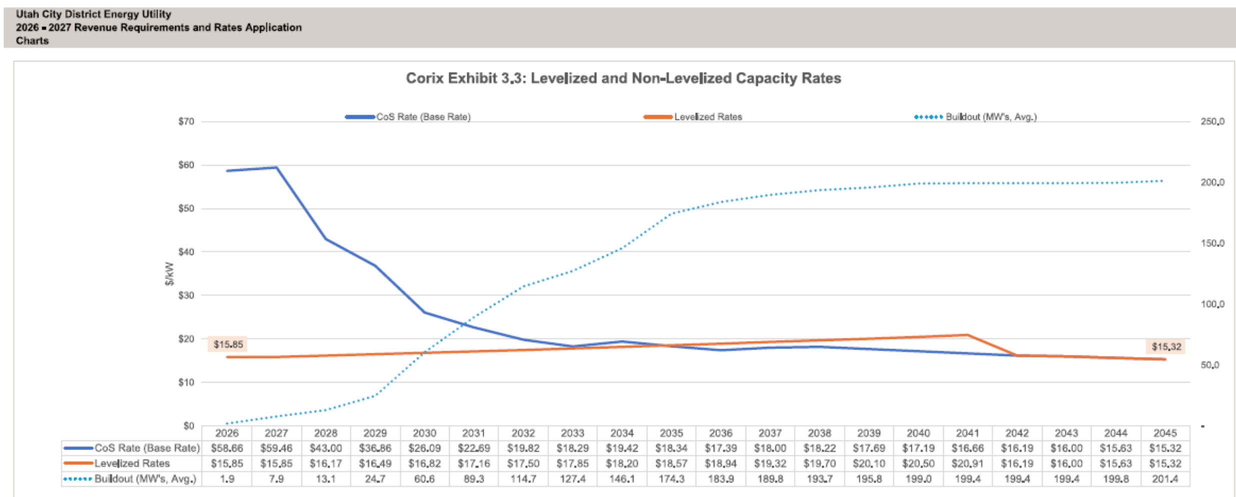
Corix also proposes to create a "Revenue Deficiency Deferral Account (RDDA) that stabilizes rates during the long-term build-out period and is included in rate base.[21] The setting of the Delivery Charge will include consideration of the RDDA additions during the earliest years of the utility and target recovery date of the RDDA."[22] Because Corix is a greenfield utility, there are risks that the initial build-out costs would unfairly encumber initial customers with those costs. The Division recognizes that the RDDA is a complex mechanism and the RDDA is intended to stabilize rates and help address these generational customer concerns that the first users could potentially be the ones to pay for the system infrastructure before the last customers come on to the system. Mr. Chong points out that if Corix were to hypothetically set its initial capacity charge based on the

[17] Direct Test. of Douglas Chong (May 4, 2026) at 13:279-80.
[18] *Id.* at 281-82.
[19] *Id.* at 14:314-15.
[20] *Id.*
[21] Corix Ex. 1.0 – Thermal Energy Service Tariff at 29.
[22] Direct Test. of Douglas Chong, at 17:378-81.

annual cost of service, the rate would be calculated at $58.66/kW/month. This is significantly higher than the proposed rate of $15.85/kW/month.[23]

The Company provided the chart below in Corix Exhibit 3.3: Levelized and Non-Levelized Capacity Rates. This chart illustrates the build-out and impacts on the rates charged versus the Company's proposed levelized rate.

Chart 1 – Corix Exhibit 3.3: Levelized and Non-levelized Capacity Rates



	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
CoS Rate (Base Rate)	$58.66	$59.46	$43.00	$36.86	$26.09	$22.69	$19.82	$18.29	$19.42	$18.34
Levelized Rates	$15.85	$15.85	$16.17	$16.49	$16.82	$17.16	$17.50	$17.85	$18.20	$18.57
Buildout (MW's, Avg.)	1.9	7.9	13.1	24.7	60.6	89.3	114.7	127.4	146.1	174.3

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
CoS Rate (Base Rate)	$17.39	$18.00	$18.22	$17.69	$17.19	$16.66	$16.19	$16.00	$15.63	$15.32
Levelized Rates	$18.94	$19.32	$19.70	$20.10	$20.50	$20.91	$16.19	$16.00	$15.63	$15.32
Buildout (MW's, Avg.)	183.9	189.8	193.7	195.8	199.0	199.4	199.4	199.4	199.8	201.4

The chart shows levelized rates (Orange line) starting in 2026 at $15.85/kW/month and after build-out is completed by 2044, the rates are projected at $15.63/kW/month. This is all while the build-out (blue dotted line) progresses from $0 in 2026 to roughly $200 million in 2044.

The Chart 2 – Corix Exhibit 3.4 – RDDA Balance Relative to NBV, below shows that the Company projects the RDDA would hold the initial build-out costs and then slowly recover them over the next 15 years until the deferred balance is fully recovered by 2041.[24] The blue columns illustrate the increase in the net book value (NBV) of the assets as the project gets built out over the time compared to the reduction of the RDDA balance. The orange line shows the ratio of the RDDA balance divided by the NBV of the build-out costs.

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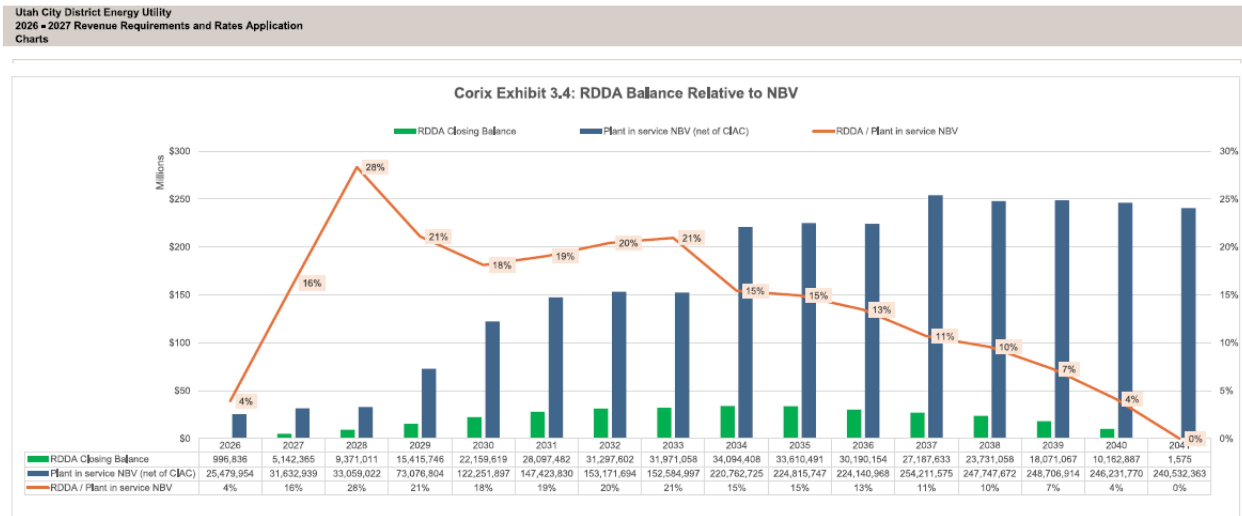
[23] *Id.,* at 411-414
[24] *Id.* at 22.

Chart 2 – Corix Exhibit 3.4: RDDA Balance Relative to NBV[25]



	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	204
RDDA Closing Balance	996,836	5,142,365	9,371,011	15,415,746	22,159,619	28,097,482	31,297,602	31,971,058	34,094,408	33,610,491	30,190,154	27,187,633	23,731,058	18,071,067	10,162,887	1,575
Plant in service NBV (net of CIAC)	25,479,954	31,632,939	33,059,022	73,076,804	122,251,897	147,423,830	153,171,694	152,584,997	220,762,725	224,815,747	224,140,968	254,211,575	247,747,672	248,706,914	246,231,770	240,532,363
RDDA / Plant in service NBV	4%	16%	28%	21%	18%	19%	20%	21%	15%	15%	13%	11%	10%	7%	4%	0%

The green columns at the bottom of the chart illustrate the accumulation of the costs at the end of each year in the RDDA and show a reduction as the build out progresses over time. The Company also proposes that the RDDA will be subject to an annual regulatory audit.[26]

As this is the initial GRC application and there is no historical information, it is difficult to ascertain how closely the proposed costs and revenues will reflect Corix's actual revenue requirement. Adjustments may be proposed in the GRC proceeding with more in-depth review. However, with Corix's proposed cost recovery mechanisms, the Division preliminarily views these as just and reasonable, and in the public interest.

Corix's proposed cost of capital includes a 10.5% return on equity and a cost of debt of 7.49%, which are higher than other utilities' approved cost of capital in recent rate cases.[27] Although the appropriate cost of capital will be more thoroughly reviewed during the course of the GRC proceeding, the Company's requested cost of capital does not appear unreasonable at this point in time. Given the uniqueness of this utility and the risks of

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[25] *Id.* at 23.
[26] *Id.* at 21.
[27] *See Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 24-035-04, Order (Apr. 25, 2025); *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 22-057-03, Order (Dec. 23, 2022).

developing a new utility, the Commission can find the proposed cost of capital just and reasonable on an interim basis.

Corix notes that approval of these interim rates does not set a precedent for adjudication of the request to establish rates in the GRC Application.[28] In these initial comments, the Division does not opine on the final rate that should to be set in the GRC Application and reserves its recommendation on final rates for future rounds of testimony.

The Utility Needs Interim Rates Approved in Order to Provide Safe and Reliable Service

The Company states that it expects to begin providing service at the Utah City development in August of 2026. This means that in August 2026 the building is projected to be completed with potential tenants (end-users) starting their lease. Without interim rates, Corix could potentially go five months without receiving recovery of the costs of providing services or it could also mean that end-users are without heating and cooling services for that period.

To operate the heating and cooling system safely and reliably, the Company installed various elements, namely the Interim Energy Center (IEC), the Distribution Piping System (DPS), and energy transfer systems (ETS). The Company owns and operates each ETS installed in the mechanical room of each building. The ETS is the "critical point of connection between the UCDEU system and each customer building,"[29] as it facilitates the transfer of thermal energy from the UCDEU system to the building heating and cooling system. The ETS has heat exchangers for space heating, cooling, and domestic hot water[30] that transfer thermal energy between the Company's fluid and the customer building's internal hydronic system.[31]

The Company asserts that backup power systems are installed to maintain operations during electrical outages. Centralized monitoring and control systems for real-time

[28] Corix Request to Establish Interim Rates at 5.
[29] Direct Test. of Derek Nelson at 11.
[30] *Id.* at 12.
[31] *Id.* at 19.

performance management have also been installed for compliance with applicable building safety and environmental codes.[32]

Based on the Company's filings and responses to data requests and the Division's preliminary review of the filing, it appears that establishing the requested interim rates is just, reasonable, and in the public interest.

Conclusion

The Division has performed a preliminary review of Corix's application and its request to establish interim rates. The requested interim rates do not appear to be exorbitant or unreasonable and will be further scrutinized in this proceeding for prudency and reasonableness. Based upon the information presented by Company witnesses, it appears that the Company has the ability to comply with applicable regulatory standards to provide safe and reliable services to the customer and end-users. However, the Commission may consider additional safeguards for the end-user as detailed above. The Division recommends that the Commission approve the Company's request to establish interim rates.

The Division agrees with the Company that the Commission's approval of these interim rates does not set a precedent for adjudication of the request to establish final rates in this proceeding.[33] In consideration of the above review, the proposed rates and charges are in the public interest and represent just and reasonable interim rates for Utah customers. The Division recommends that the Commission approve the requested rates on an interim basis, with an effective date of August 1, 2026.

cc: Errol South, Corix
Allan McGavin, Corix
Philip J. Russell, James Dodge Russell & Stephens, P.C.
Sarah Puzzo, James Dodge Russell & Stephens, P.C.
Michele Beck, OCS
Service List

[32] *Id.* at 25.
[33] Corix Request to Establish Interim Rates at 5.