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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Joanna Matyjasik, Utility Analyst
Kelley O'Connor, Utility Analyst

Date: April 1, 2026

Re: **Docket No. 26-2280-01**, Legacy Sweetwater, Inc. Adequacy of Existing Rates.

Recommendation (No Action Required)

The Division of Public Utilities (Division) recommends the Public Service Commission (Commission) take no immediate action in this matter as Legacy Sweetwater, Inc.'s (LSI or "Company") existing rate structure is not sufficient to continue providing safe, reliable, and adequate service to its customers. The Division further recommends that since LSI has filed a Notice of Intent to File a Request for a Rate Increase ("General Rate Case", GRC) on July 30, 2025, and filed its GRC application on March 26, 2026, no additional regulatory proceedings are necessary within this investigatory docket at this time.

Issue

On February 13, 2026, the Commission issued a Notice of Investigation and Action Request to the Division to review the adequacy of LSI's existing rate structure and recommend whether additional regulatory proceedings are necessary to ensure just, reasonable, and sufficient rates. This memorandum contains the Division's findings for the investigatory docket.



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Background

LSI filed a Notice of Intent for a GRC on January 17, 2025, and withdrew notice on March 5, 2025. On March 11, 2025, LSI filed its Application for Exemption, Docket No. 25-2280-02, after which the Division filed comments on April 9, 2025, recommending that the Commission deny the application. Many comments were received by customers requesting that the Commission deny the application over service concerns. LSI then withdrew its Exemption application on June 18, 2025. LSI once again filed Notice of Intent for a GRC on July 30, 2025. A formal complaint against LSI was filed on September 11, 2025, which was dismissed by the Commission on February 13, 2026. The culmination of these actions by LSI prompted concerns regarding LSI's intent to complete a GRC.

Discussion

Varying levels of financial analysis can be used to determine whether rates are sufficient to provide service to customers. Since LSI has subsequently filed its GRC Application, a limited financial analysis is appropriate in this docket to answer the question of sufficiency. To address the Commission's request, the Division met with LSI representatives on March 3, 2026. During this meeting, LSI provided the Division with a comprehensive set of financial and operational records, including internal balance sheets, income statements for 2024 through 2026, and an updated customer master list. The Division reviewed these materials to evaluate the Company's liquidity, historical cost recovery, and current operational solvency.

The Division's investigation confirms that LSI is experiencing a significant and chronic revenue deficiency. The Division's analysis of the provided 2024- and 2025-income statements show that LSI's operating expenses consistently exceed total income by a factor of nearly five to one. Specifically, in 2024, LSI incurred a net loss of over [REDACTED], with a similar deficit following in 2025. This shortfall has resulted in a depleted cash position that, as of January 31, 2026, was insufficient to cover even one month of standard operating costs without external capital infusions.

Furthermore, the Division finds that the current rates, which have not been adjusted since 2006, fail to account for the increased costs of regulatory compliance, essential

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infrastructure repairs, and the unique geographical challenges of the Sanpete County service area. While the Company has grown to 63 connected customers, the revenue generated from these connections is mathematically incapable of supporting a self-sustaining utility company. Consequently, the Division concludes that a general rate increase is not only warranted but necessary to ensure the continued provision of safe and reliable water service.

On March 12, 2026, the Division submitted a data request to LSI requesting specific financial information for 2024, 2025, and 2026 year-to-date, detailed in Table 1 below.

Confidential Table 1

Report Year	Revenue	Expenses	Net Fixed Assets	Accumulated Depreciation	Connected Customers	Standby Customers
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	55	112
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	63	179
2026 YTD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	63	179

Based on the totality of the information provided by LSI, current revenues are not sufficient to cover current and expected expenses. The topography and remoteness of LSI’s service area present unique challenges in providing service to customers that are reflected in LSI’s expenses.

Conclusion

Based on its review of LSI’s current rate structure, the Division finds that the current rates set in the 2006 tariff are not sufficient to provide service to customers. Since LSI has filed its GRC application, the Division recommends that no additional regulatory proceedings are necessary at this time. However, the Division recommends that a GRC be considered at

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least every five years moving forward to prevent future rate shock and true-up any categorical projections that may not accurately reflect current situations due to inflation or unforeseen circumstances.

cc: Shane Berry, Legacy Sweetwater, Inc.
Dave Anderson, Legacy Sweetwater, Inc.
Christopher Bramhall, Kirton McConkie