

Approval to Amend Tariff and Business Rules – Base Power Rate

Randy Kruger, Jr. | Chief Financial Officer

David L. Thompson | VP of Markets

Components of Your PEC Bill

Bill Components

Current Activity

Service Availability Charge
Delivery Charge
Base Power Cost
TCOS Pass-Through Charge
Temporary Storm Surcharge
eBilling Credit
eBilling Draft

1,250 kWh @ \$0.028405
1,250 kWh @ \$0.044500
1,250 kWh @ \$0.016860
1,250 kWh @ \$0.007000

\$22.50
\$35.51
\$55.63
\$21.08
\$8.75
-\$1.00
-\$1.50
\$140.96

Current Charges

AUTOPAY AMOUNT

\$140.96

Service and Delivery

Recovers operating expense,
maintenance capital and debt service

Power Costs

Recovers cost to procure power and
associated costs

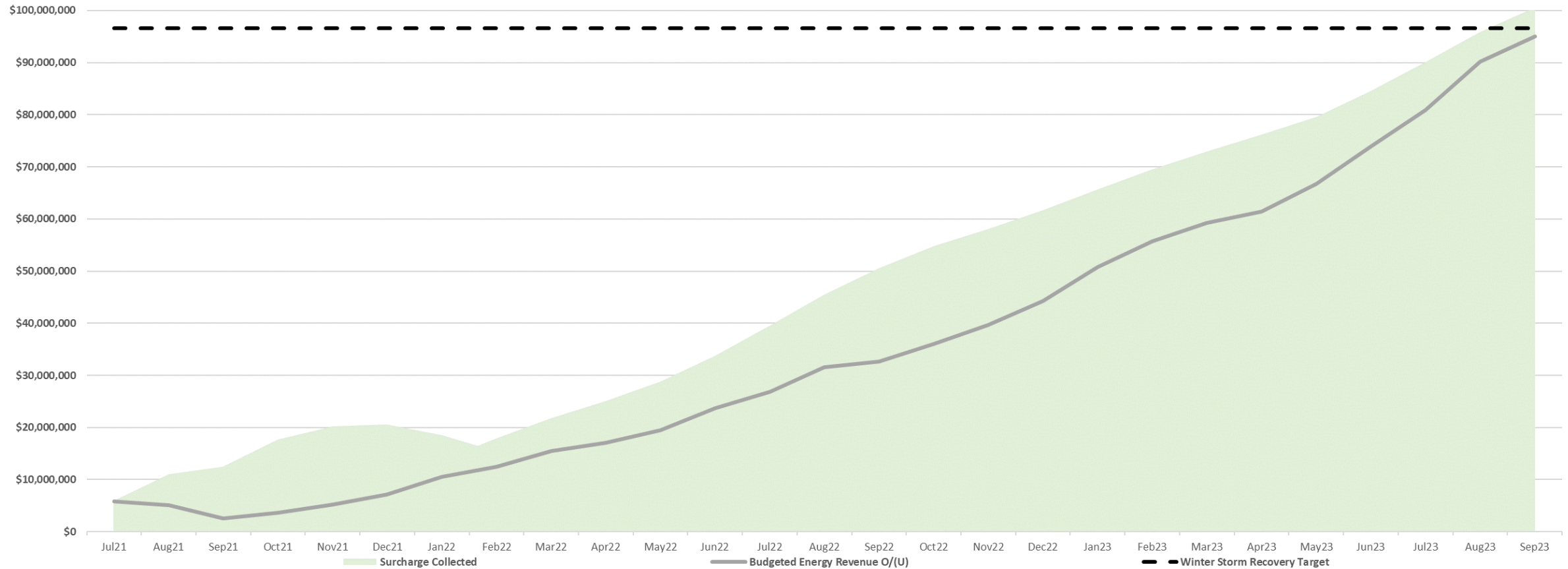
TCOS Pass Through

Recovers access charges for the ERCOT
transmission system

Temporary Storm Charge

Recovers cost of winter storm Uri

Winter Storm Uri Costs Recovered and Temporary Storm Charge Ends 9/30/23



- The winter storm Uri costs have been recovered and the Temporary Storm Surcharge will end on September 30
- Many utilities in the state will be recovering Uri storm costs for up to 30 years.

Service and Delivery

Bill Components

Current Activity

Service Availability Charge	1,250 kWh @ \$0.028405
Delivery Charge	1,250 kWh @ \$0.044500
Base Power Cost	1,250 kWh @ \$0.016860
TCOS Pass-Through Charge	1,250 kWh @ \$0.007000
Temporary Storm Surcharge	
eBilling Credit	
eBilling Draft	
Current Charges	

\$22.50
\$35.51
\$55.63
\$21.08
\$8.75
-\$1.00
-\$1.50
\$140.96

Service and Delivery
Recovers operating expense,
maintenance capital and debt service

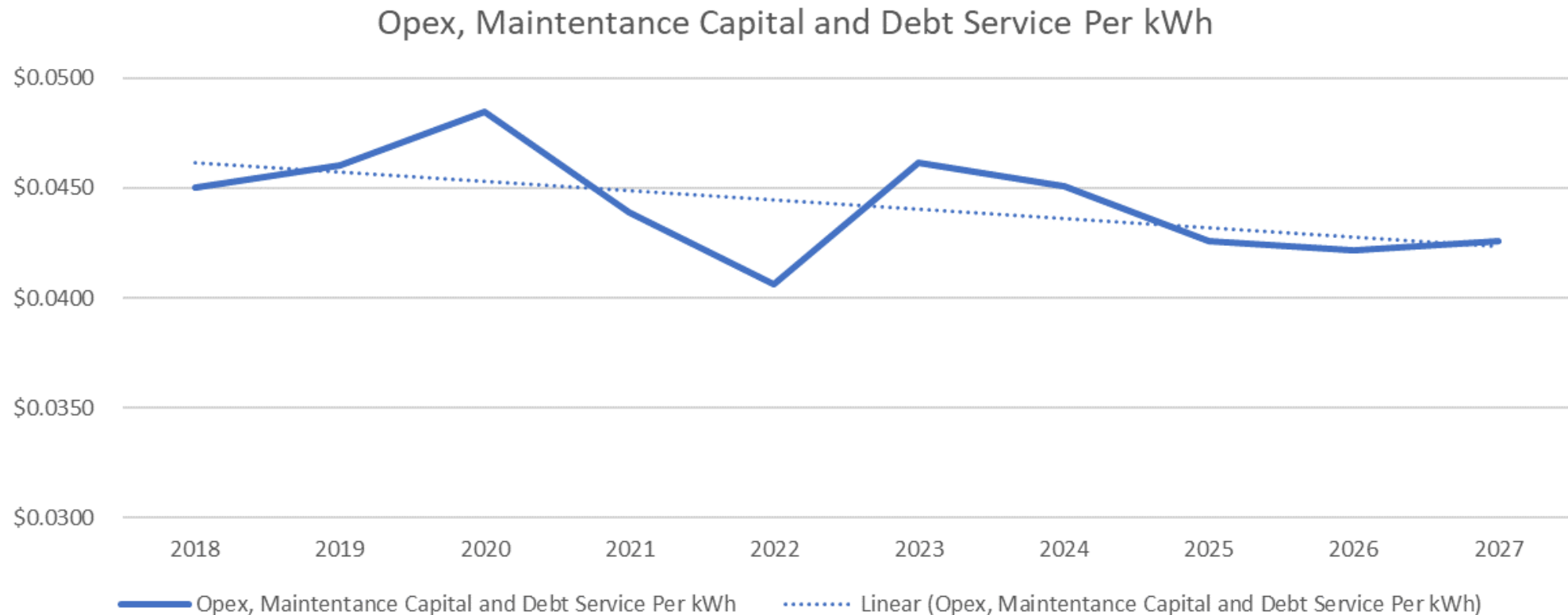
Power Costs
Recovers cost to procure power and
associated costs

TCOS Pass Through
Recovers access charges for the ERCOT
transmission system

Temporary Storm Charge
Recovers cost of winter storm Uri

AUTOPAY AMOUNT **\$140.96**

Service and Delivery Components Are Not Increasing



- Despite inflation and rising interest rates PEC has leveraged technology, cut costs and lowered borrowing expense to offset the impacts of higher interest rates and inflation (inflation up 18% since 2020)
- Service and delivery components have remained in the \$0.04 to \$0.05/kWh range and are not increasing

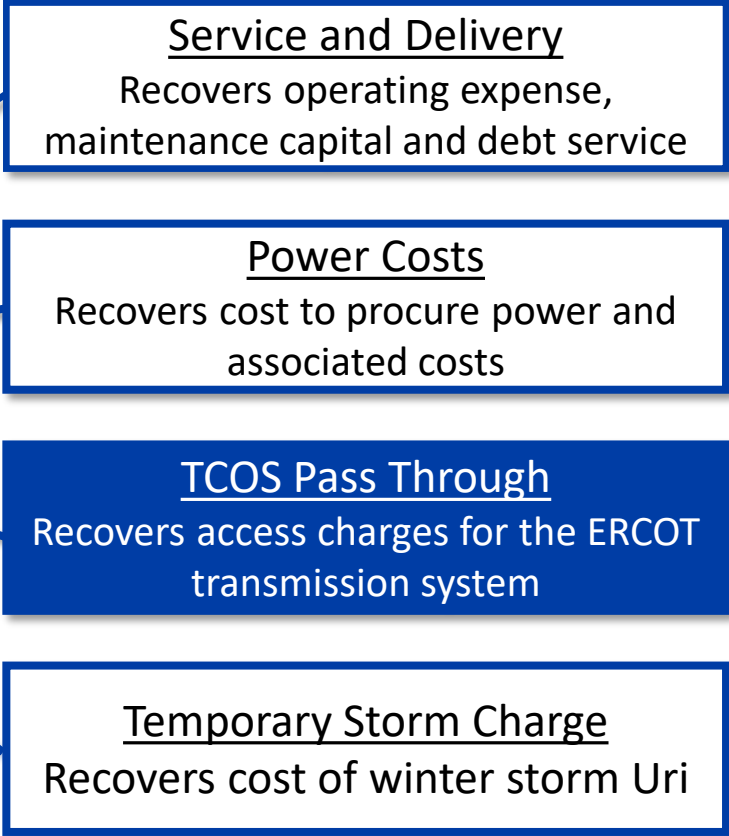
TCOS Pass Through

Bill Components

Current Activity

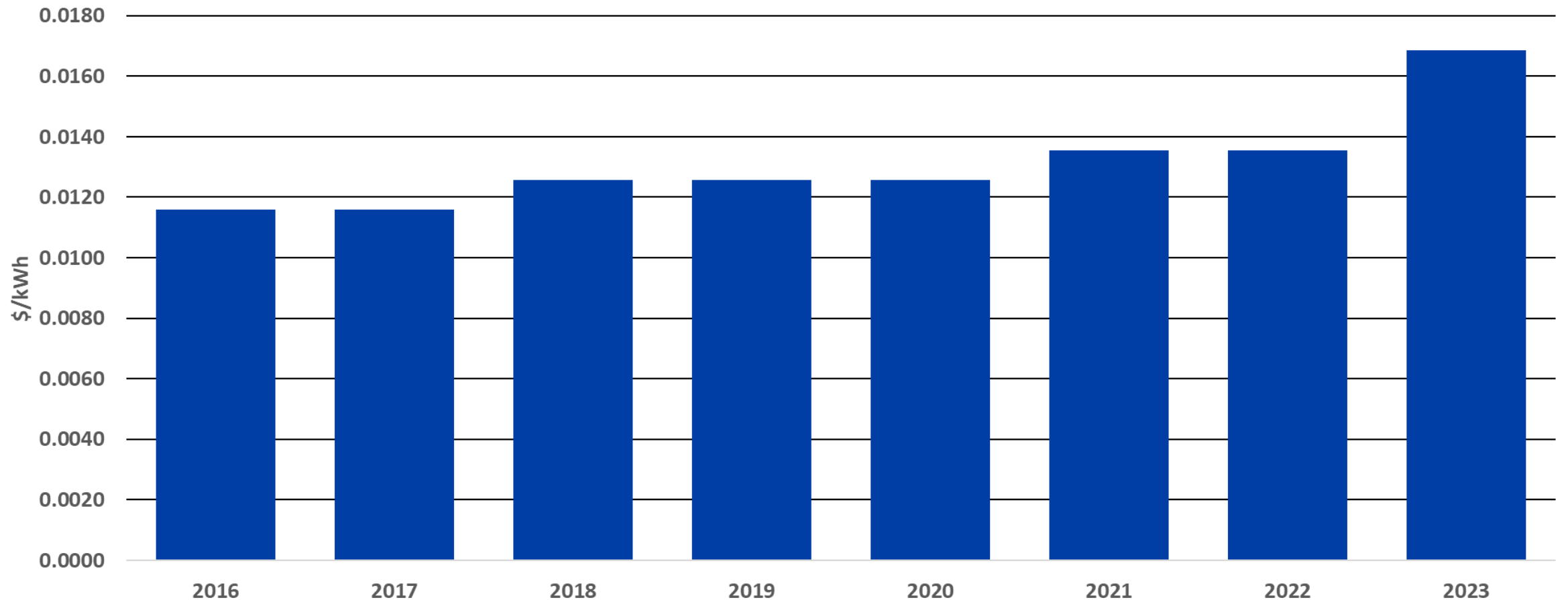
Service Availability Charge	1,250 kWh @ \$0.028405
Delivery Charge	1,250 kWh @ \$0.044500
Base Power Cost	1,250 kWh @ \$0.016860
TCOS Pass-Through Charge	1,250 kWh @ \$0.007000
Temporary Storm Surcharge	
eBilling Credit	
eBilling Draft	
Current Charges	

\$22.50
\$35.51
\$55.63
\$21.08
\$8.75
-\$1.00
-\$1.50
\$140.96



AUTOPAY AMOUNT **\$140.96**

TCOS Pass Through Based on Charges from ERCOT



- TCOS Pass Through will vary with charges set by PUCT.
- There will be no change to this bill component in October.

Base Power Cost

Bill Components

Current Activity

Service Availability Charge

Delivery Charge

Base Power Cost

TCOS Pass-Through Charge

Temporary Storm Surcharge

eBilling Credit

eBilling Draft

Current Charges

1,250 kWh @ \$0.028405

1,250 kWh @ \$0.044500

1,250 kWh @ \$0.016860

1,250 kWh @ \$0.007000

\$22.50

\$35.51

\$55.63

\$21.08

\$8.75

-\$1.00

-\$1.50

\$140.96

Service and Delivery

Recovers operating expense,
maintenance capital and debt service

Power Costs

Recovers cost to procure power and
associated costs

TCOS Pass Through

Recovers access charges for the ERCOT
transmission system

Temporary Storm Charge

Recovers cost of winter storm Uri

AUTOPAY AMOUNT

\$140.96

Cost of Power Supply in ERCOT Has Tripled Requiring an increase in the Base Power Cost

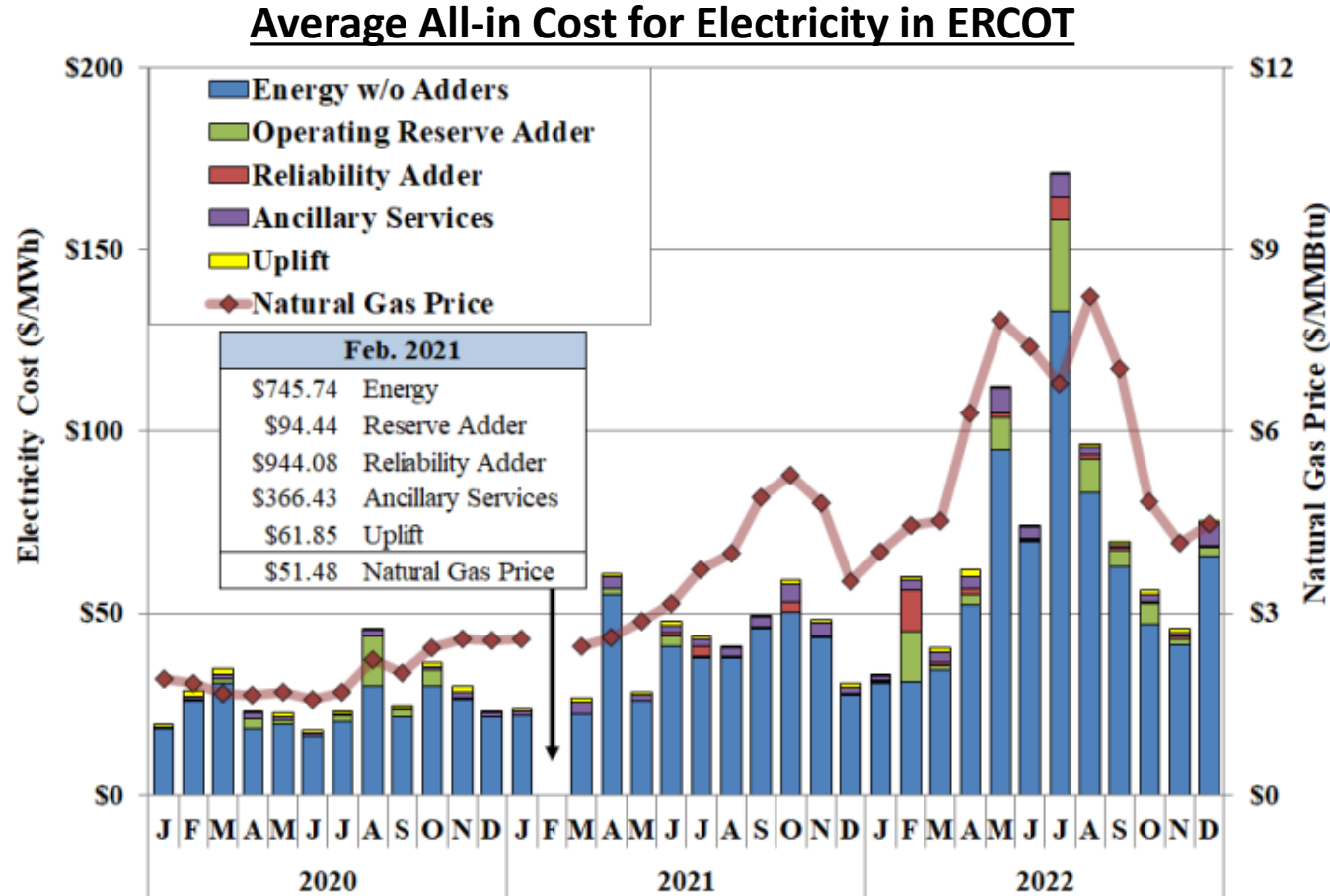


Chart Source: "2022 State of the market Report for the ERCOT Electricity Market" by Potomac Economics, ERCOT Independent Market Monitor. Published May 2023

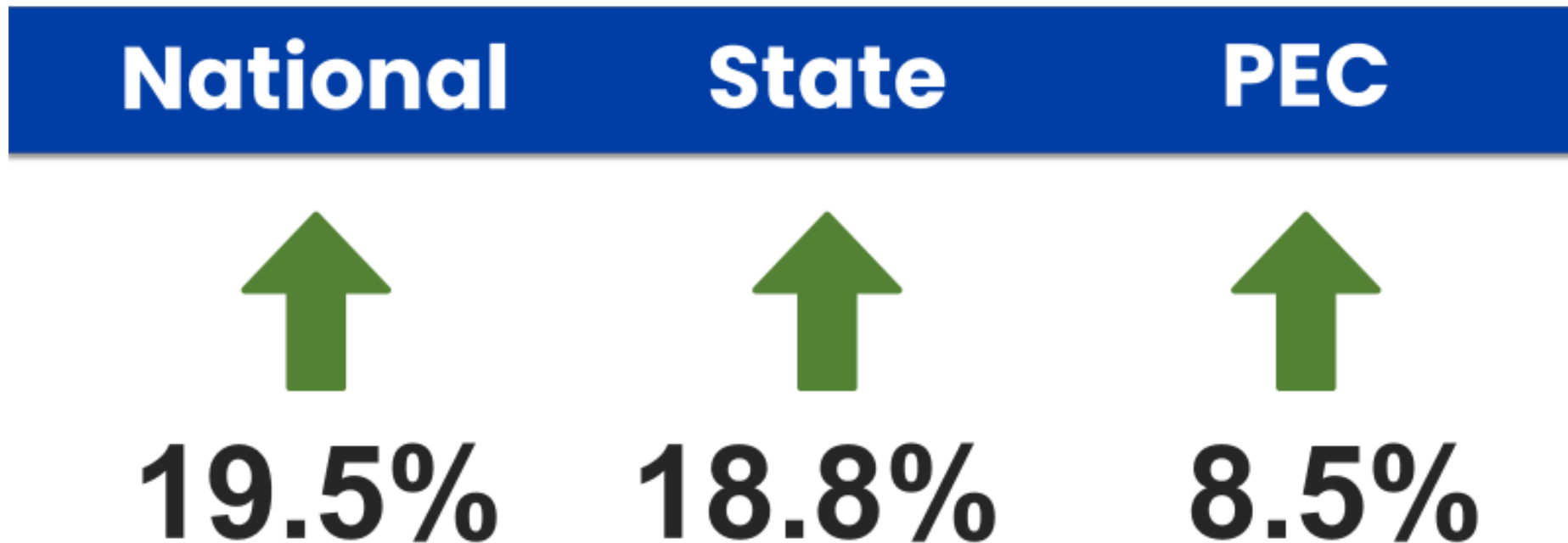
- According to the ERCOT Independent Market Monitor all-in cost for electricity in ERCOT has more than tripled between 2020 and 2022, increasing from \$9.2 billion to \$32 billion

PEC Historical Bill Comparison

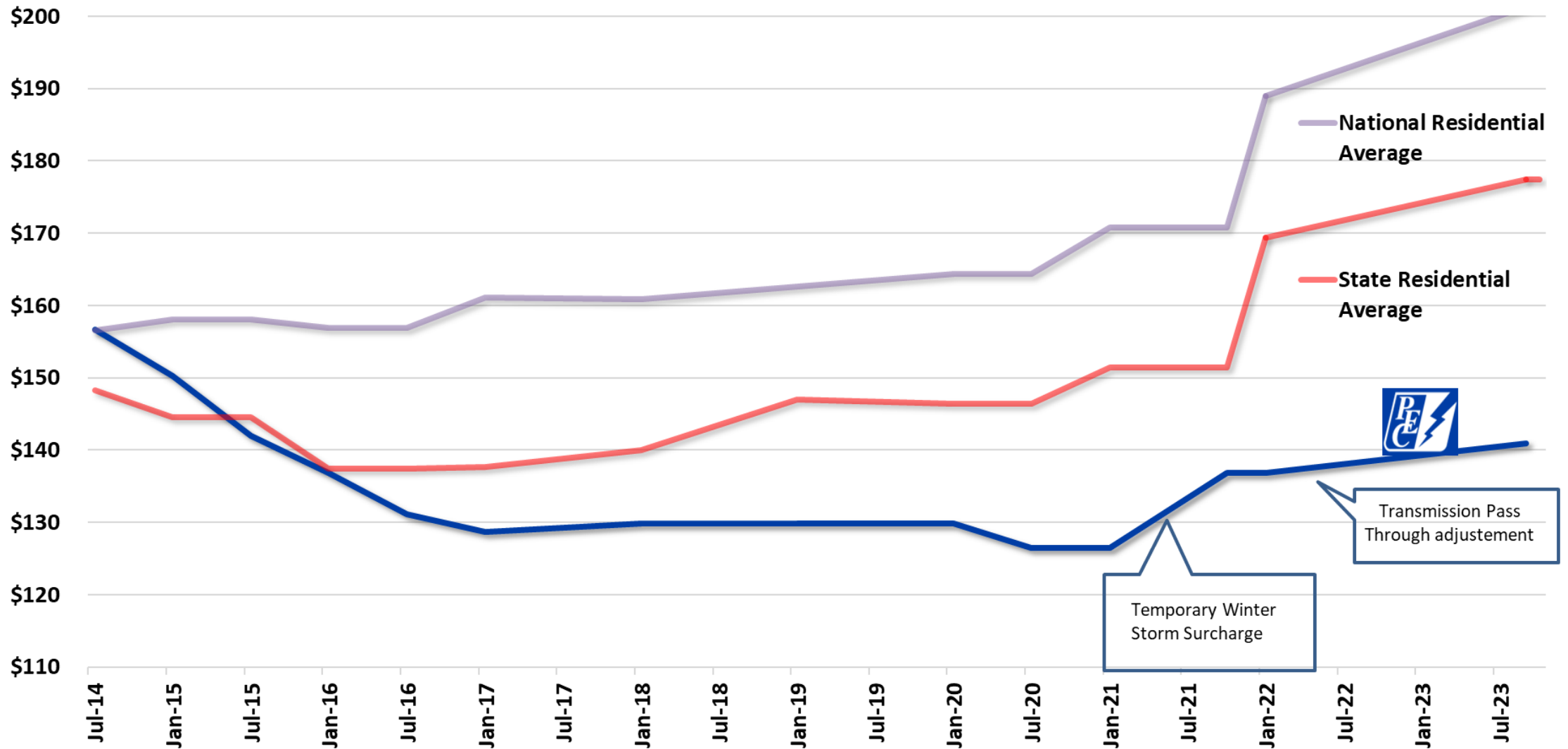
Background

- The increase in prices is impacting utilities across the state and nation.

Increasing Residential Electricity Bill from 2020 – July 2023



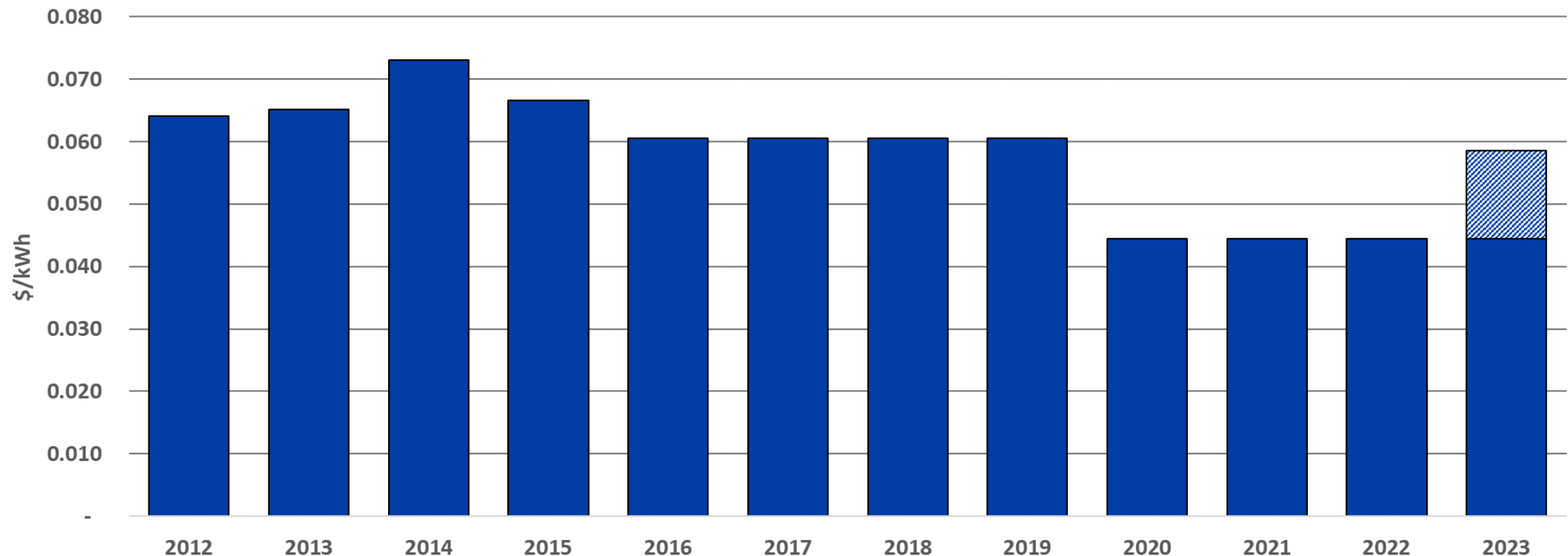
PEC Historical Average Bill Comparison



Source: Texas Residential Avg. and National Residential Avg. numbers from EIA annual report data as of June 1, 2023

Base Power Charge

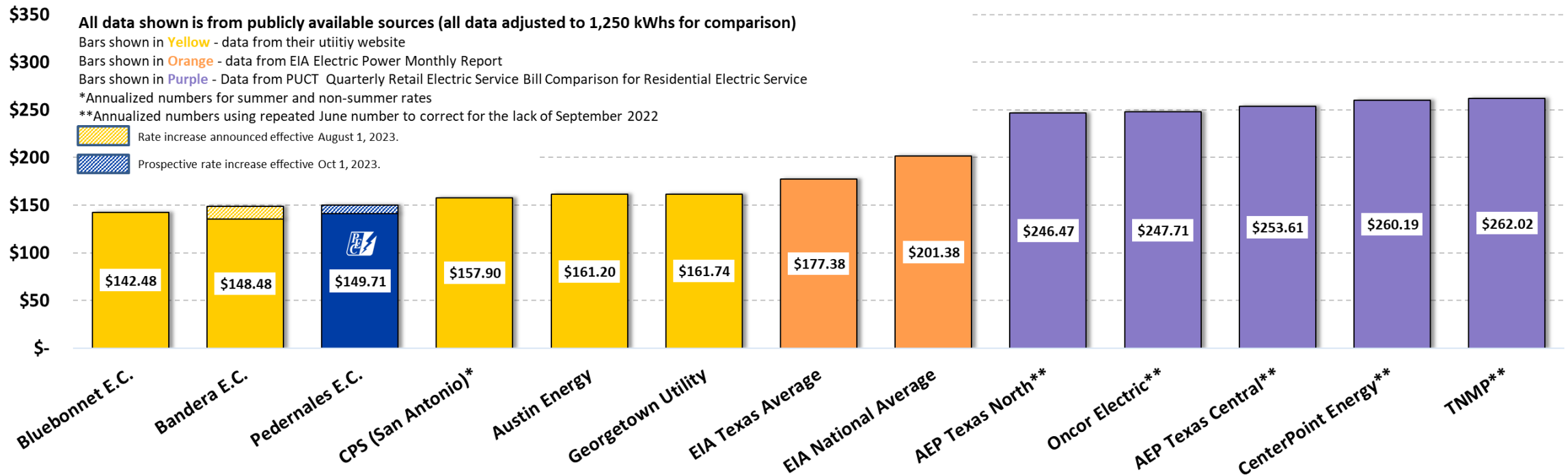
- Base Power Cost recovers the cost of electricity from our power suppliers and associated charges from ERCOT. These costs are passed through to members with no added charges.
- For the average PEC member using 1,250 kWh/month, this means a net increase of \$8.75/month



PEC Rate Competitiveness

- The level of power price increases are more than can be absorbed without an increase to PEC's Base Power Charge and are impacting all utilities at the state and national level
- Even with the proposed level of Base Power Charge increase, PEC's rates will be well below the national and state levels.

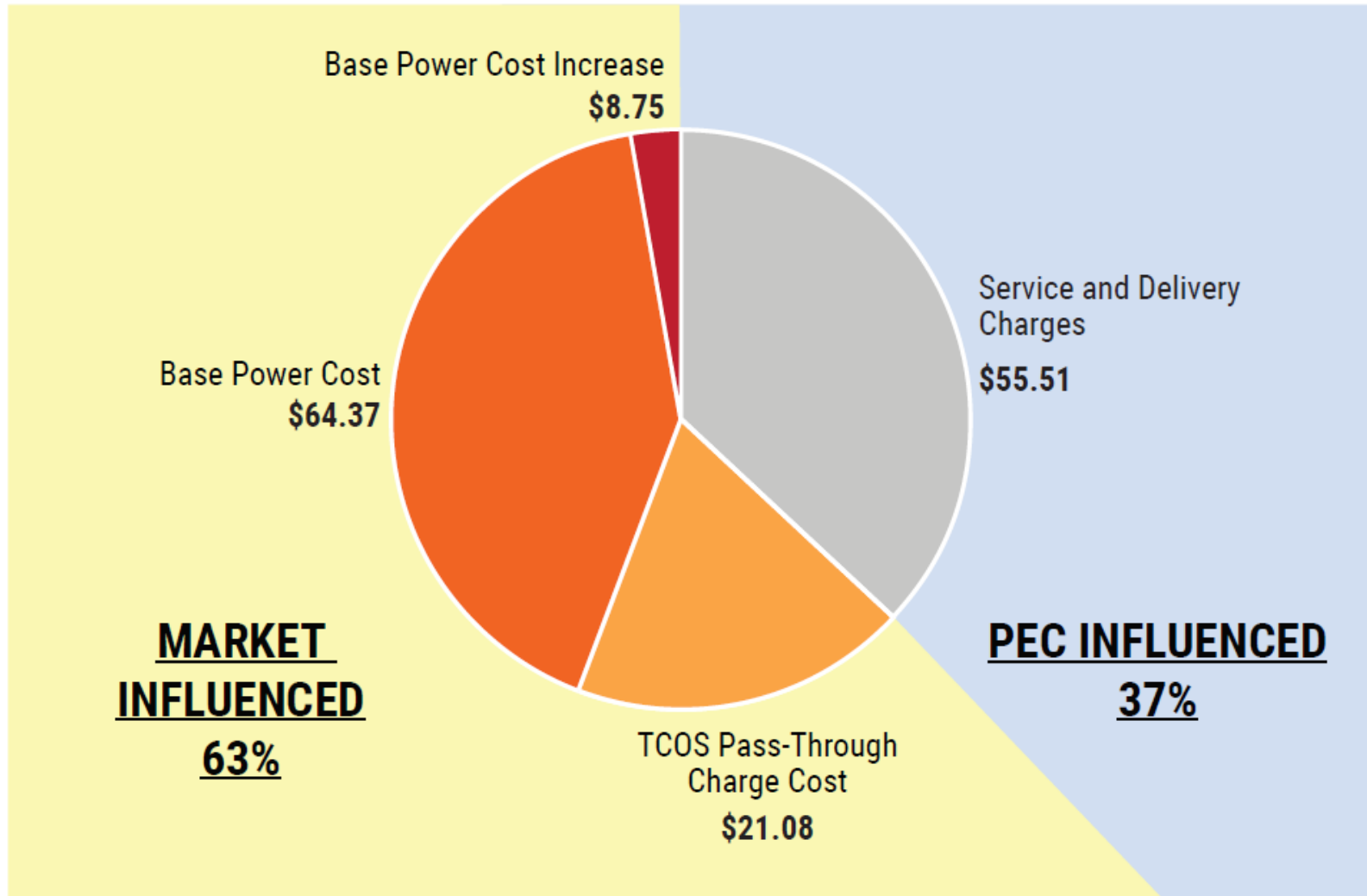
Residential Total Bill as of June 2023 (1,250 kWhs)



** Numbers are from the PUCT Quarterly Retail Electric Service Bill Comparison for Residential Service and are annualized using repeated June to correct for lack of September 2022 - <https://www.puc.texas.gov/industry/electric/rates/resbill.aspx>

Bill Component Summary

Average Usage on a Bill of \$149.71...



- All bill components will remain unchanged except the power cost related components

Base Power Charge

Proposed Changes

- Update the Flat Base Power Charge from \$0.044500 to \$0.058500 per kWh
- Update the Time-Of-Use Base Power Charge to align with the Flat Base Power Charge change
- Add a rate formula to the Tariff to provide transparency to how PEC establishes the Base Power Charge

Proposed Tariff Amendment

- Update Section 500.1.7, Base Power Charge

Base Power Charge

Financial Impact

- An increase of \$0.014000/kWh in the Base Power Charge is recommended to ensure adequate cost recovery.
 - This increase will be applied to the Flat Base Power Charge and the Time-Of-Use Base Power Charge.
- The Temporary Winter Storm Surcharge of \$0.007000/kWh will be expiring the same billing cycle the Base Power Charge becomes effective so the net impact will be an increase of \$0.007000/kWh or \$8.75 per month for an average member that uses 1,250 kWhs per month.
 - The net increase is a 6.2% increase to an average member bill

Bill Print before and after October 1, 2023

- Average Residential Bill net increase of 6.2%
- Removal of the Temporary Storm Surcharge
- Increase Base Power Charge from \$0.044500 to \$0.058500 per kWh

Bill – before October 1, 2023

Current Activity

Service Availability Charge		\$22.50
Delivery Charge	1,250 kWh @ \$0.028405	\$35.51
Base Power Cost	1,250 kWh @ \$0.044500	\$55.63
TCOS Pass-Through Charge	1,250 kWh @ \$0.016860	\$21.08
Temporary Storm Surcharge	1,250 kWh @ \$0.007000	\$8.75
eBilling Credit		-\$1.00
eBilling Draft		-\$1.50
Current Charges		\$140.96

AUTOPAY AMOUNT

\$140.96

Bill – on and after October 1, 2023

Current Activity

Service Availability Charge		\$22.50
Delivery Charge	1,250 kWh @ \$0.028405	\$35.51
Base Power Cost	1,250 kWh @ \$0.058500	\$73.13
TCOS Pass-Through Charge	1,250 kWh @ \$0.016860	\$21.08
eBilling Credit		-\$1.00
eDraft Credit		-\$1.50
Current Charges		\$149.71

AUTOPAY AMOUNT

\$149.71

Communicating Base Power Cost Increase

- Upon Board approval of Base Power Cost increase, every member will receive notice beginning in late August and early September
- Members will be noticed with a bill message and postcard
- Additionally, PEC has prepared:
 - Updated website content
 - Training and talking points for staff

Rates Changing to Reflect the Price of Power

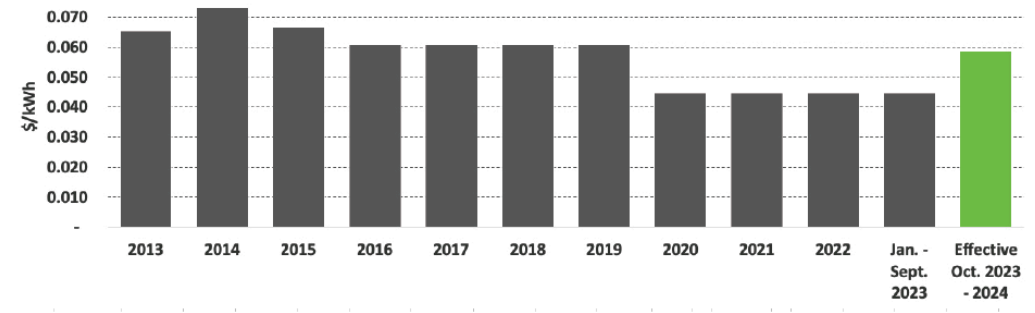
As a nonprofit cooperative, PEC purchases electricity from generators, and those costs are passed through to members with no added charges. Power supply costs in the ERCOT market have more than tripled since 2020. Due to these increases, PEC is adjusting rates to recover power costs. Effective for all bills issued on and after October 1, 2023, the Winter Storm Surcharge will expire, and the Base Power Cost will be adjusted from \$0.044500 to \$0.058500 per kWh.



Scan for details.

For the average PEC member using 1,250 kWh per month, these changes represent a net increase of \$8.75 per month on bills after October 1. Despite this adjustment, PEC's rates will remain below the average residential rate in Texas. Learn more at pec.coop/rates.

PEC Base Power Cost 2013-2024



Proactively Working with Our Members

- PEC has worked hard to shield our members from severe market fluctuations
- We recognize any increase in our rate structure will financially impact our members, and we have programs available to help members in need
- PEC has dollars earmarked to help our members, and our Member Assistance Program helps connect individuals and families with local agencies that can help with bill payment assistance
- We encourage any member struggling to pay their bill to contact us at 1-888-554-4732 — we will work with you



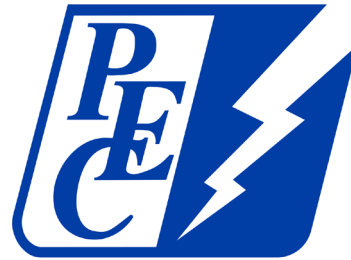
PEC Helpful Links and Rate Contact Information

PEC Document Center -

Includes Rate Policy, Cost of Service Studies, recent rate related Board items

<https://www.pec.coop/about-us/your-cooperative/document-center/>

PEC Rate Inquiry email address - Rateinquiry@peci.com



PEDERNALES ELECTRIC COOPERATIVE