

# Pedernales Electric Cooperative Line Extension Review



# About GDS

- National/International Consulting and Engineering Firm
- Founded in 1986
- Primary Focus – Utilities and Energy
  - Electric, gas, water & wastewater utilities
  - Primarily Electric Cooperatives & Municipalities
- 175 Employees
- Offices: Austin, TX; Marietta (Atlanta), GA; Auburn, AL; Madison, WI; Manchester, NH; Augusta, ME; Orlando, FL
- Web site: [www.gdsassociates.com](http://www.gdsassociates.com)

# GDS Assignment

- Review of PEC's Line Extension Policies and Procedures – Part 2
- Today – Affirmations and Staff Proposed Changes
  - Residential – Affirm \$2,000 Extension Credit
  - Non-Permanent Installations (“other”) – Reduce or Eliminate Credits
  - Residential developments – Affirm no credits for system backbone
  - Commercial developments – Affirm no credits for system backbone
  - Service upgrades (all service levels and types) – No Credits for Upgrades

# Review of Line Extension Policy

- **Permanent Residential** (a permanent individual private dwelling or multi-family dwelling) -
  - PEC current investment credit = \$2,000
  - GDS reviewed PEC's 2009 and 2014 full cost of service studies
  - GDS reviewed representative historical residential account information provided by PEC staff
  - GDS additionally benchmarked the allowable investment to neighboring and like electric utilities
- **Conclusion** - \$2,000 allowable investment is justified and cost based

# Review of Line Extension Policy

- **Non-Permanent Installations (“other”) –**
  - Non-perm residential: hunting or lake cabin, barn, shop, water well, gate opener etc.
  - Non-perm commercial: mobile food est., fire pumps, garbage compactors
  - PEC current allowable investment credit = \$800
  - GDS reviewed PEC’s 2009 and 2014 full cost of service studies as well as the 2018 cost of service rate review
  - GDS reviewed representative historical non-permanent information provided by PEC staff
  - GDS benchmarked the allowable investment to neighboring and like electric utilities
  - Primary drivers
    - low/uncertain usage
    - account longevity
    - low margin on revenue
  - Revenues do not support significant investment allowance
- **Conclusion – eliminating credit justified and cost based**

# Review of Line Extension Policy

- **Residential Developments** (subdivisions) —
  - GDS reviewed PEC's 2009 and 2014 full cost of service studies as well as the 2018 cost of service rate review
  - GDS reviewed representative historical other residential account information provided by PEC staff
  - GDS independently calculated allowances
  - GDS additionally benchmarked the allowable investment to neighboring and like electric utilities
  - Primary driver - no revenue above the allowable investment for backbone extension
- **Conclusion** – no allowance toward backbone extension for residential developments is justified and cost based

# Review of Line Extension Policy

- **Commercial Developments** (Strip centers, shopping centers, multi and stand alone commercial) –
  - GDS reviewed PEC's 2009 and 2014 full cost of service studies as well as the 2018 cost of service rate review
  - GDS reviewed representative historical other residential account information provided by PEC staff
  - GDS benchmarked the allowable investment to neighboring and like electric utilities
  - Primary driver no revenue above the allowable investment to invest in backbone extension
- **Conclusion** – no allowance toward backbone extension is justified and cost based

# Review of Line Extension Policy

- **Service Upgrades** (all service levels and types) –
  - Upgrades: increasing size or relocating service, larger transformers, single-phase to three-phase, etc.
  - PEC currently absorbs substantial portion of upgrade cost
    - Basis – Anticipated increase in revenues and margins
  - GDS reviewed PEC's 2009 and 2014 full cost of service studies as well as the 2018 cost of service rate review
  - GDS reviewed representative historical other account information provided by PEC staff
  - GDS additionally benchmarked the allowable investment to neighboring and like electric utilities
  - Primary drivers
    - No significant additional revenue
    - All service levels receive the same allowance regardless of usage
- **Conclusion – no allowable investment toward upgrades is justified and cost based**



# Summary

- Affirming current practices as follows:
  - Residential - PEC allowable investment toward the cost of construction of \$2,000 is justified and cost based
  - Residential Development Backbone Extensions – no allowance toward backbone extension for residential developments is justified and cost based
  - Commercial Development Backbone Extensions – no allowance toward backbone extension for residential developments is justified and cost based
- Recommended changes to current practices as follows:
  - Non-Permanent (“other”) – eliminating credit justified and cost based
  - Service Upgrades (all service levels and types) – no allowable investment toward upgrades is justified and cost based

# QUESTIONS

