



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

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

