

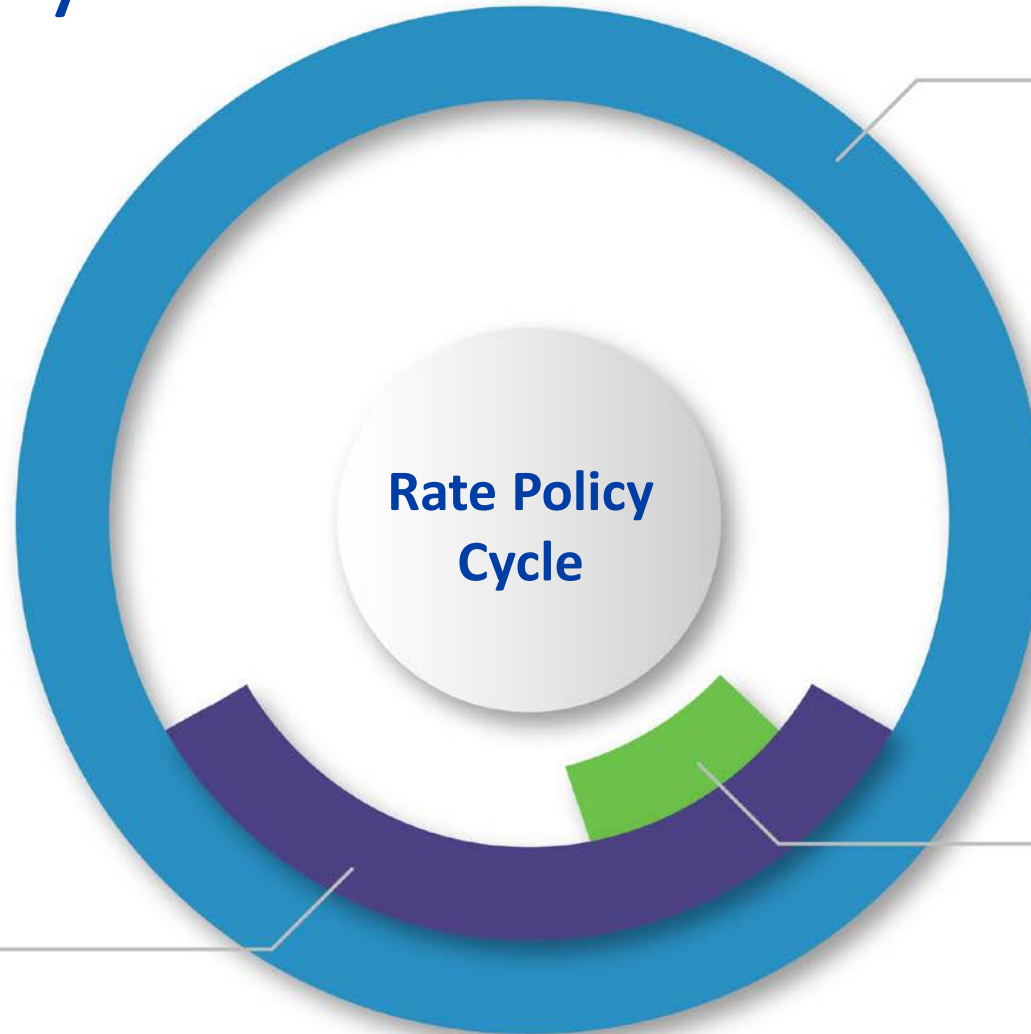


2023 Rate Plan

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Rate Policy Cycle



EVERY YEAR

Rate Plan

- Presented to both the Rates Committee and the Board of Directors
- Recommendations for upcoming year

EVERY 3 YEARS

Cost of Service Study

- All rates, fees and allowances reviewed
- Due to complete new study in 2023

EVERY QUARTER

Board of Directors Report

- Implementation of the Rate Plan
- Reserve balances
- Revenue recovery
- Rate competitiveness

Rate Policy Cycle

2023 Cost of Service Study

Background

- The Rate Policy requires a Cost-of-Service Study every three-year, the results of which inform the rate plans for the coming years

Scope

- Evaluate cost recovery for all tariffed rate schedules and programs, including fees and billing discounts

Timeline

Q4 2022 – Release and Award RFP

Q1 2023 – Project start Begin work

Q3 2023 – Project Completion

Rate Policy Cycle

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2023 Annual Rate Updates

Items that are reviewed each year to ensure proper cost recovery.

Updates will be brought to the Board of Directors for consideration.

2023 Annual Rate Updates

1. Sustainable Power Credit Rate

Background

- All Members with distributed generation (DG) less than 50 kW receive the Sustainable Power Credit for all surplus generation delivered to PEC's distribution system
- The Sustainable Power Credit is calculated from the 3-year average avoided cost of the following:
 - Energy Cost
 - Ancillary Service Cost
 - Transmission Cost
 - Other if applicable
- Every year we will update the rate by including the most recent 3 years

Updated rate will be brought to the Board for consideration at the December Board meeting

2023 Annual Rate Updates

2. Industrial Distribution Cost Recovery

Background

- Each year, we review the distribution rate for Industrial Power members to ensure full cost recovery of dedicated distribution and substation assets, and corresponding O&M
- All other aspects of the Industrial Rate are direct pass-through monthly

Updated rate will be brought to the Board for consideration at the December Board meeting

2023 Rate items for Consideration

2023 Rate Items for Consideration

1. Cost recovery for Non-Standard Facilities requiring reserved capacity

Background

- Currently, we have 10 members with Automatic Transfer Switches that require reserved capacity on a second feeder.
- These require a secondary feeder on stand-by with capacity in case the ATS is triggered
- System Planning reserves capacity on both the primary and secondary feeders in planning studies
- The current Large Power Delivery Charge (Distribution wires charge) does not recover the cost to reserve capacity on the secondary feeder.
- Based on current load growth, we expect to add 1 to 2 members a year with dual feed requirement

2023 Rate Items for Consideration

1. Cost recovery for Non-Standard Facilities requiring reserved capacity

Example: Automatic Transfer Switch (ATS)



2023 Rate Items for Consideration

1. **Cost recovery for Non-Standard Facilities requiring reserved capacity**

Recommendation

- Establish a new rate to recover cost for non-standard facilities requiring reserved capacity
- Bring to Board for consideration in December as a draft and January for approval

2023 Rate Items for Consideration

2. Impacts of wholesale market changes and volatility on rate design

Recommendation

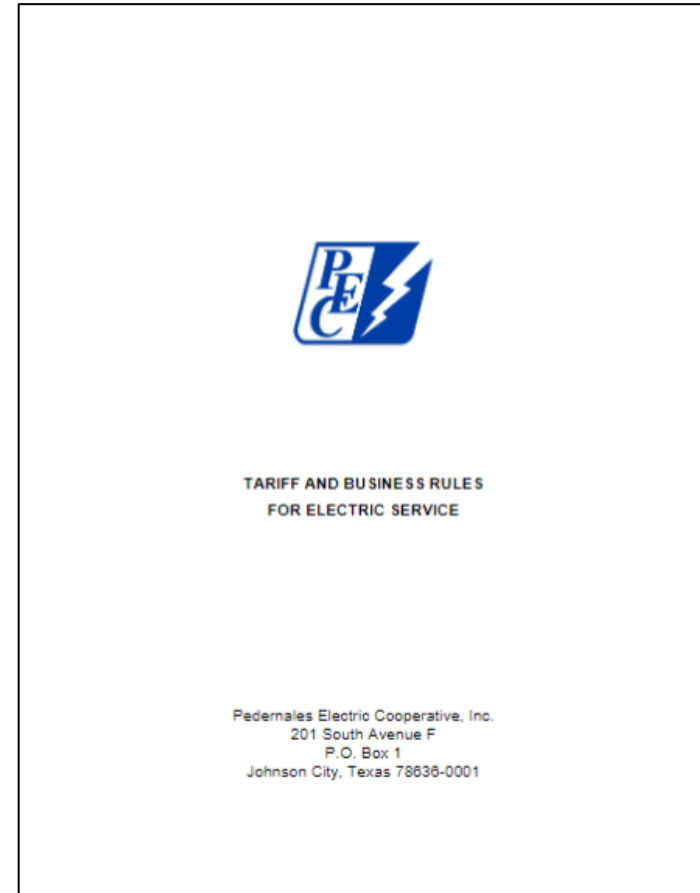
- Evaluate power cost rate adjustment mechanisms
 - Evaluate the need for enhanced authority to execute wholesale power supply transactions in order to reduce power supply risk and costs that may impact member rates
- Evaluate potential rate changes for energy market design being discussed
- Evaluate methods to optimize liquidation of renewable energy credits between the wholesale market and direct sales to members
- Bring to Board for consideration as needed

2023 Rate Items for Consideration – Tariff Changes

Each item in the approved version of the 2023 Rate Plan will be brought to the Board for consideration to Amend the Cooperative's Tariff and Business Rules.

Draft in December 2022

Final in January 2023



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



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