



# Pedernales Electric Cooperative Commercial and Industrial Line Extension Review



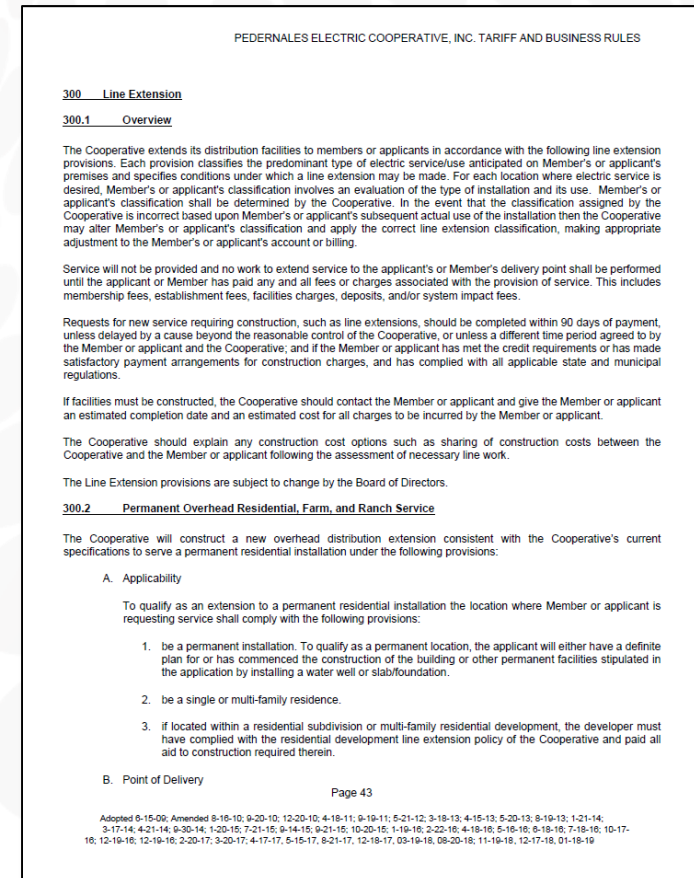
August 16, 2019

# 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 PEC's Line Extension Policy and Procedures as part of PEC's periodic Cost of Service review
- The review today is for Commercial and Industrial Applicants only
  - Determine if a modification is justified
- Return in December with review and recommendations on other line extension applications



# Review of C&I Line Extension Policy

- Staff's Concerns -
  - Policy has not been extensively reviewed since implementation in 2009
  - PEC current level of investment to extend service to C&I applicants is not being recovered from applicants
  - PEC current level of investment, Rates and Capital Credits need to be reviewed for alignment
- Staff's Proposals -
  - Limit PEC's investment to extend service to \$2,000 for C&I applicants
  - Ensure alignment with current Rates and Capital Credits allocations
  - Clarify tariff language

# GDS Review

- PEC has been operating under the current process for ~10 years
  - Inspecting the data over that time shows that the expectation for longevity of service for C&I members needs to be adjusted downward
    - Current allowance assumptions are based on a 30-35 year payback
    - Data shows ~10 years is more appropriate for Large Power and between 10 years and 20 years is more appropriate for Small Power
  - Investment allowances should not exceed the reasonably expected life of the service
- **Conclusion:** Using the last two full Cost of Service Studies completed at PEC, a \$2,000 investment is a justified allowance for both Small and Large Power applicants
  - Guernsey (2009); &
  - Burns & McDonnell (2014)

# GDS Review

- Benchmarking to neighboring utilities -
  - Small Power - Similar credit as Residential
  - Large Power - Neighbors use a revenue calculator for investment allowance but with a shorter life span of 5 years to 15 years
  - Municipal utilities in the area do not provide any allowances for line extension
- **Conclusion:** \$2,000 investment for both Small and Large Power is not out of step with neighboring utilities



# Summary

- Changing PEC's investment for C&I applicants to \$2,000 is justified
- For alignment purposes reviewing the following is justified at this time including
  - Cost allocations to Rate classes
  - Capital Credits allocations
  - Allowances to other line extension applicants
- Ability to consider plans and unique situations should be included
  - Rate design and Capital Credits allocations should be aligned with any PEC investment to extend service
- Tariff language needs to be clarified on how PEC applies the line extension policy across all applicants



# Open House Information

- Date – November 2019 (TBD)
- Location – Cedar Park District Office  
1949 W. Whitestone Blvd.  
Cedar Park, Texas 78613

Time – TBD





# QUESTIONS

