



Pedernales Electric Cooperative

Commercial and Industrial

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 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

PEDERNALAS ELECTRIC COOPERATIVE, INC. TARIFF AND BUSINESS RULES

300 Line Extension

300.1 Overview

The Cooperative extends its distribution facilities to members or applicants in accordance with the following line extension provisions. Each provision classifies the predominant type of electric service/use anticipated on Member's or applicant's premises and specifies conditions under which a line extension may be made. For each location where electric service is desired, Member's or applicant's classification involves an evaluation of the type of installation and its use. Member's or applicant's classification shall be determined by the Cooperative. In the event that the classification assigned by the Cooperative is incorrect based upon Member's or applicant's subsequent actual use of the installation then the Cooperative may alter Member's or applicant's classification and apply the correct line extension classification, making appropriate adjustment to the Member's or applicant's account or billing.

Service will not be provided and no work to extend service to the applicant's or Member's delivery point shall be performed until the applicant or Member has paid any and all fees or charges associated with the provision of service. This includes membership fees, establishment fees, facilities charges, deposits, and/or system impact fees.

Requests for new service requiring construction, such as line extensions, should be completed within 90 days of payment, unless delayed by a cause beyond the reasonable control of the Cooperative, or unless a different time period agreed to by the Member or applicant and the Cooperative; and if the Member or applicant has met the credit requirements or has made satisfactory payment arrangements for construction charges, and has complied with all applicable state and municipal regulations.

If facilities must be constructed, the Cooperative should contact the Member or applicant and give the Member or applicant an estimated completion date and an estimated cost for all charges to be incurred by the Member or applicant.

The Cooperative should explain any construction cost options such as sharing of construction costs between the Cooperative and the Member or applicant following the assessment of necessary line work.

The Line Extension provisions are subject to change by the Board of Directors.

300.2 Permanent Overhead Residential, Farm, and Ranch Service

The Cooperative will construct a new overhead distribution extension consistent with the Cooperative's current specifications to serve a permanent residential installation under the following provisions:

A. Applicability

To qualify as an extension to a permanent residential installation the location where Member or applicant is requesting service shall comply with the following provisions:

1. be a permanent installation. To qualify as a permanent location, the applicant will either have a definite plan for or has commenced the construction of the building or other permanent facilities stipulated in the application by installing a water well or slab/foundation.
2. be a single or multi-family residence.
3. if located within a residential subdivision or multi-family residential development, the developer must have complied with the residential development line extension policy of the Cooperative and paid all aid to construction required therein.

B. Point of Delivery

Adopted 6-15-09; Amended 8-18-10; 9-20-10; 12-20-10; 4-18-11; 9-19-11; 5-21-12; 3-19-13; 4-15-13; 5-20-13; 8-19-13; 1-21-14; 3-17-14; 4-21-14; 9-30-14; 1-20-15; 7-21-15; 9-14-15; 9-21-15; 10-20-15; 1-19-16; 2-22-16; 4-18-16; 5-16-16; 6-18-16; 7-19-16; 10-17-16; 12-19-16; 2-20-17; 3-20-17; 4-17-17; 5-15-17; 8-21-17; 12-19-17; 03-19-18; 08-20-18; 11-19-18; 12-17-18; 01-18-19

Page 43

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

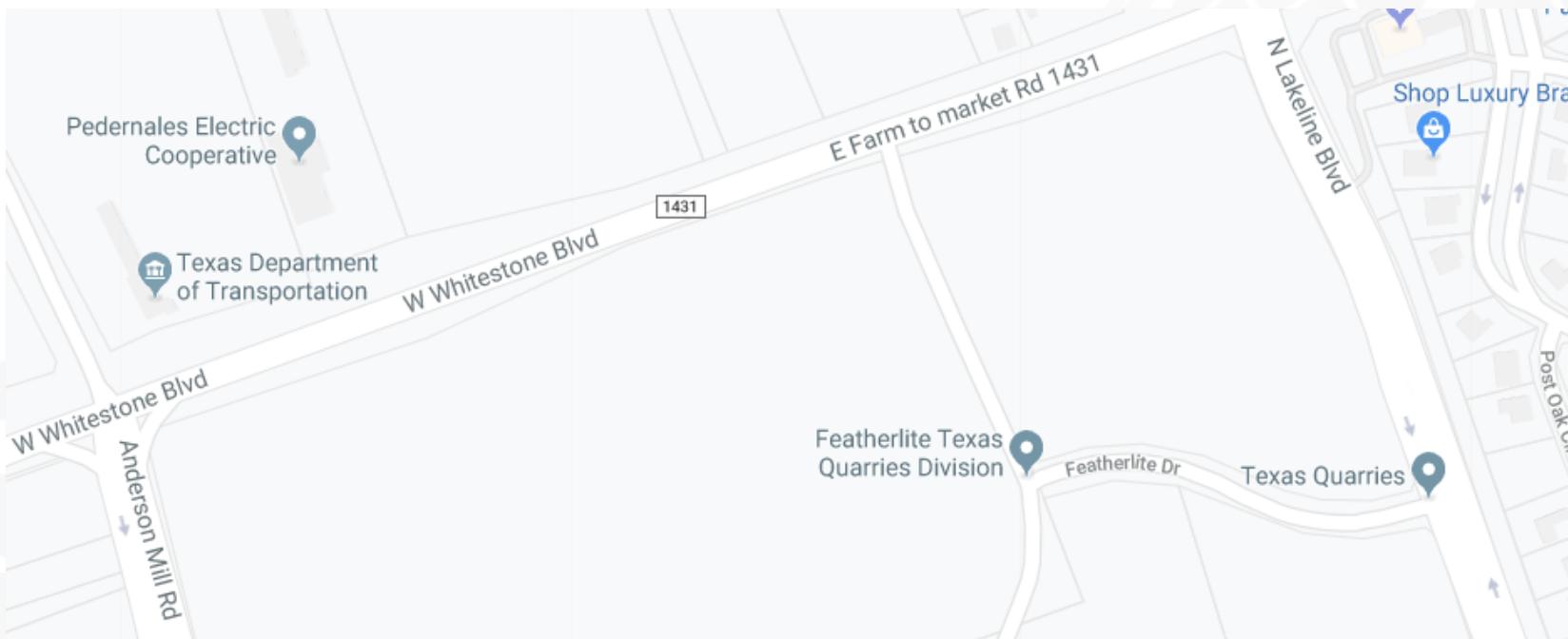


Summary

- 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) Time – TBD
- Location – Cedar Park District Office
1949 W. Whitestone Blvd.
Cedar Park, Texas 78613



QUESTIONS

