2026 Rate Plan

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Background

- PEC is committed to providing low cost, reliable, and safe electricity for our Members.
- PEC sets rates in accordance with its rate policy
- In accordance with PEC's rate policy, rate changes are presented to the Board annually in a Rate Plan, consistent and in alignment with the annual budget cycle.
- Today's presentation will summarize recommendations for the 2026 Rate Plan.

For more information, see the Rates Policy at: https://mypec.com/document-center/

2026 Rate Updates for Consideration

Rate Items	*Rates Recommendations*	*Next Steps*
Annually Adjusted Rates		
Base Power Charges **Sustainable Power Credit**	**Adjust Base Power Charges (Flat and TOU) and Sustainable Power Credit, effective March 1st 2026**	**Nov Board meeting:** **Tariff Resolution** **(Bundled with Rate Plan)**
Rate Evaluation Items (Continued from Last Year's Rate Plan)		
Under-recovery from large power with oversized DG	**Peak Demand Charge → Peak Capacity Charge "Maximum of Peak Energy Delivered or Received"**	**Nov Board meeting:** **Tariff Resolution** **(Bundled with Rate Plan)**
TOU Schedule and Rates, **TOU Residential Interconnect**	**Replace existing TOU rate schedules and adjust Tariff, enabling an alternative to the Sustainable Power Credit**	**Nov Board meeting:** **Tariff Resolution** **(Bundled with Rate Plan)**

Annually Adjusted Rates

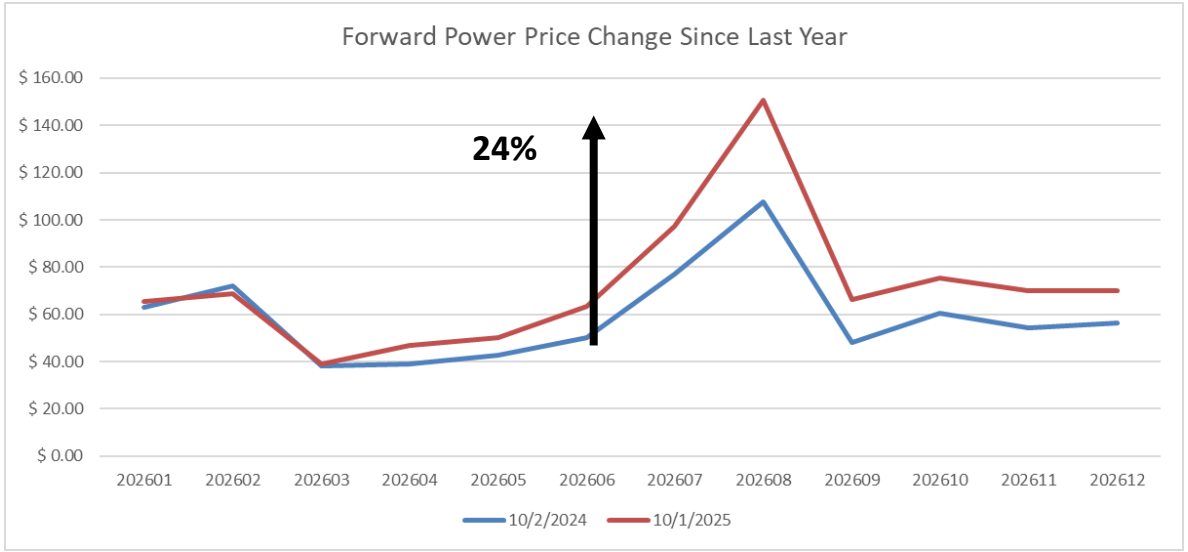
Base Power Charge

Under PEC's tariff, the base power charge is determined by formula.

- The base power charge is a function of budgeted power costs for the next year (including adjustments to recover or return variances between prior year budgeted and collected power costs).
- The cost is converted to an hourly charge by dividing by budgeted volumes.

(budged power costs ± previous under or over recoveries) / budgeted volumes = new rate

($528 M - $2.5 M) / 8,045 GWh = $0.0659/kWh



- Monthly prices are on average 24% higher than 1 year ago
- 4.0 mil rate change from $0.0619/kWh to $0.0659/kWh

Sustainable Power Credit Adjustment

Recommend decreasing the credit from $0.082666 to $0.071921 per kWh

Item	2021	2022	2023	2024	3-Year Average 2021-2023	3-Year Average 2022-2024
Avoided Energy Costs	$ 68.85	$ 129.41	$ 97.66	$ 43.00	**$ 98.64**	**$ 90.02**
Avoided Ancillary Services Costs	14.51	5.51	6.30	1.11	**$ 8.77**	**$ 4.31**
Avoided Transmission Costs	23.08	21.35	21.36	11.88	**$ 21.93**	**$ 18.20**
Avoided Capacity or Demand Costs	-	-	-	-	-	-
Avoided Distribution Costs	-	-	-	-	-	-
Avoided Regulatory Costs	-	-	-	-	-	-
Value of Distributed Generation	**$ 106.44**	**$ 156.27**	**$ 125.32**	**$ 56.00**	**$ 129.34**	**$ 112.53**
Sustainable Power Credit ($/kWh)					**$ 0.082666**	**$ 0.071921**

- Sustainable Power Credit adjusts annually and is calculated from the three-year average avoided costs of energy, ancillary services, and transmission.
- Members with an approved interconnection agreement for distributed generation (DG) less than 50 kW receive the credit for surplus generation delivered to PEC's distribution system.

Rate Evaluation Items

Peak Capacity Charge

Background

- Certain Large Power members that have oversized DG systems are not being allocated their full portion of cost for use of the distribution system because the peak energy received by PEC from the member exceeds peak energy delivered by PEC to the member.
- The Peak Demand Charge will be renamed the Peak Capacity Charge and defined as the greater of either energy delivered, or energy received, regardless of time-of-use periods.
- This adjustment will address an aggregate rate recovery shortfall.

Recommendation

- It is proposed to implement a Peak Capacity Charge, replacing the current Peak Demand Charge.

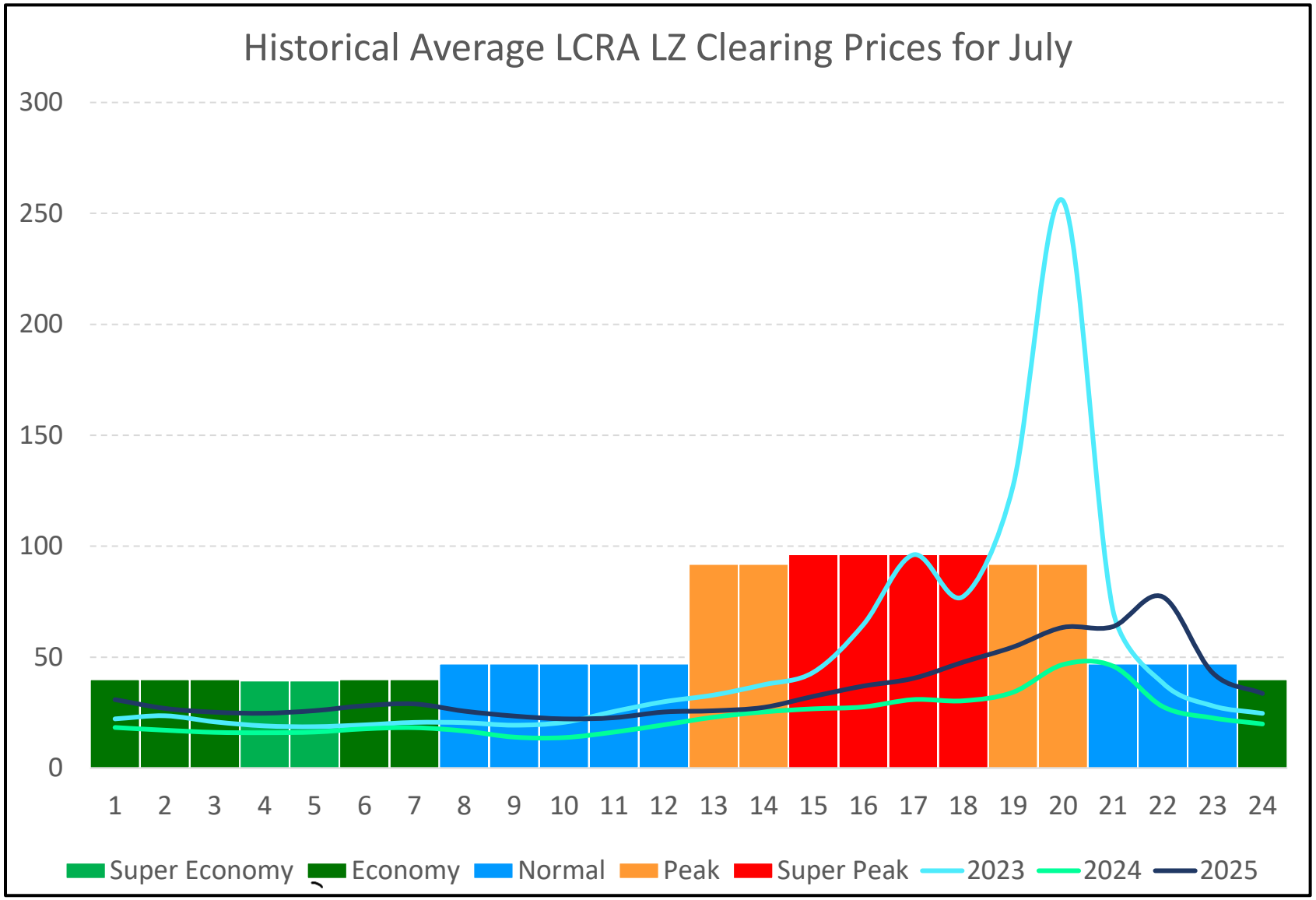
Current TOU Schedule No Longer Matches Market Pricing

Divergence between PEC's TOU price schedule has emerged over time.

- Market pricing has shifted much later in the day.
- Scarcity no longer aligns with periods of highest demand.

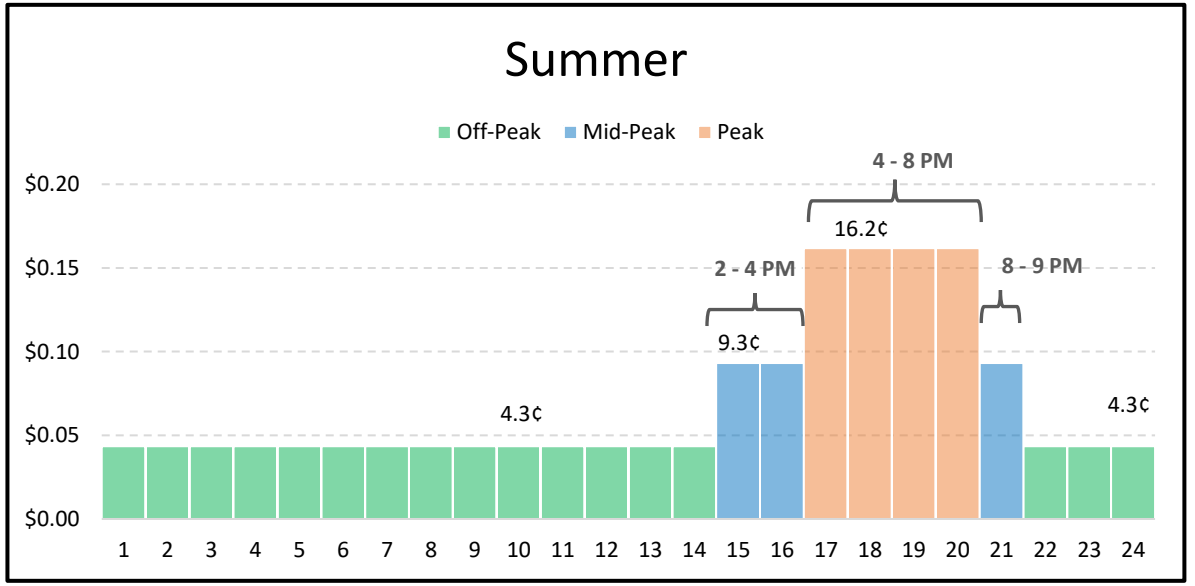
Benchmarking of other utilities highlights three main differences:

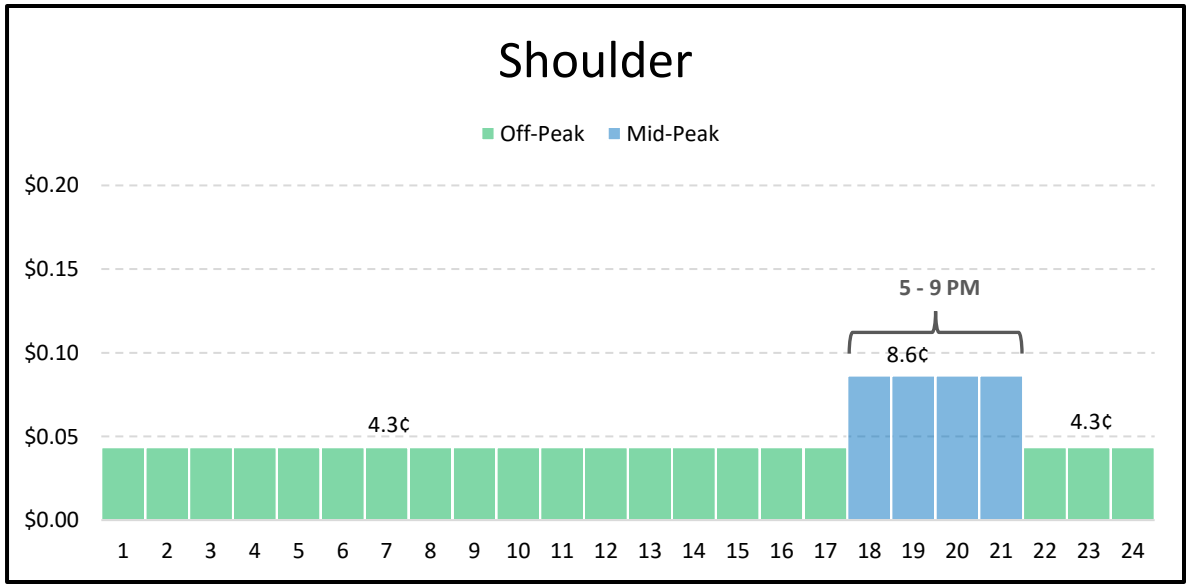
1. Others utilize fewer price buckets (typically two: Peak/Off-Peak)
2. Peak summer hours are generally spanning 5-9 PM.
3. Peak prices are much higher than PEC's current schedule—typically ranging from the low teens to over 30¢.

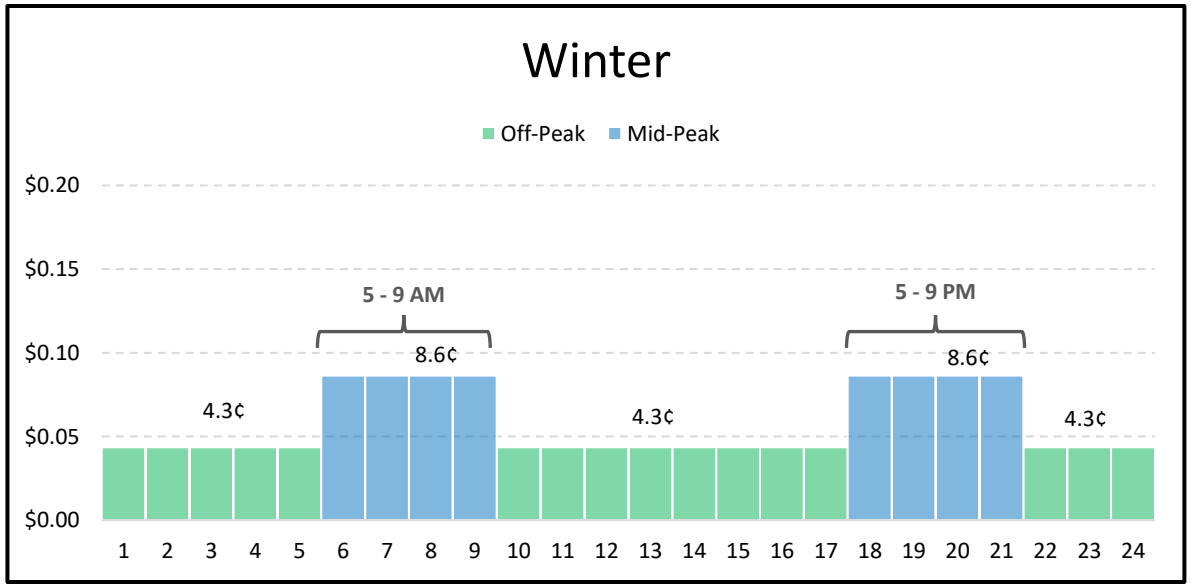


Proposed TOU Rate Build Up

- Summertime pricing schedules incorporate both Peak, and Mid-Peak pricing.
- Shoulder and Winter months would utilize Off-Peak pricing, along with Mid-Peak pricing.







Time-of-Use Base Power Charge

Current

Season	Time of Use Period		Current Charge per kWh
Non-Summer (Jan. – May and Oct. – Dec.)	Super Economy	2:01 AM – 4:00 AM	$0.044895
	Economy	11:01 PM – 2:00 AM 4:01 AM – 5:00 AM	$0.046671
	Normal	8:01 AM – 4:00 PM 7:01 PM – 11:00 PM	$0.052527
	Peak	5:01 AM – 8:00 AM 4:01 PM – 7:00 PM	$0.061350
Summer (Jun. – Sep.)	Super Economy	3:01 AM – 5:00 AM	$0.038387
	Economy	11:01 PM – 3:00 AM 5:01 AM – 7:00 AM	$0.039905
	Normal	7:01 AM – 12:00 PM 8:01 PM – 11:00 PM	$0.047026
	Peak	12:01 PM – 2:00 PM 6:01 PM – 8:00 PM	$0.091961
	Super Peak	2:01 PM – 6:00 PM	$0.096305

Proposed

Season	Time of Use Period		Proposed Charge per kWh
Summer (Jun-Sep)	Off-Peak	12:01 AM - 2:00 PM; 9:01 PM - 12:00 AM	$0.043481
	Mid-Peak	2:01 PM - 4:00 PM; 8:01 PM - 9:00 PM	$0.093169
	Peak	4:01 PM - 8:00 PM	$0.161843
Shoulder (All Other Mo's.)	Off-Peak	12:01 AM - 5:00 PM; 9:01 PM - 12:00 AM	$0.043481
	Mid-Peak	5:01 PM - 9:00 PM	$0.086442
Winter (Dec-Feb)	Off-Peak	12:01 AM - 5:00 AM; 9:01 AM - 5:00 PM; 9:01 PM - 12:00 AM	$0.043481
	Mid-Peak	5:01 AM - 9:00 AM; 5:01 PM - 9:00 PM	$0.086442

Time-of-Use Interconnect Rate

Background

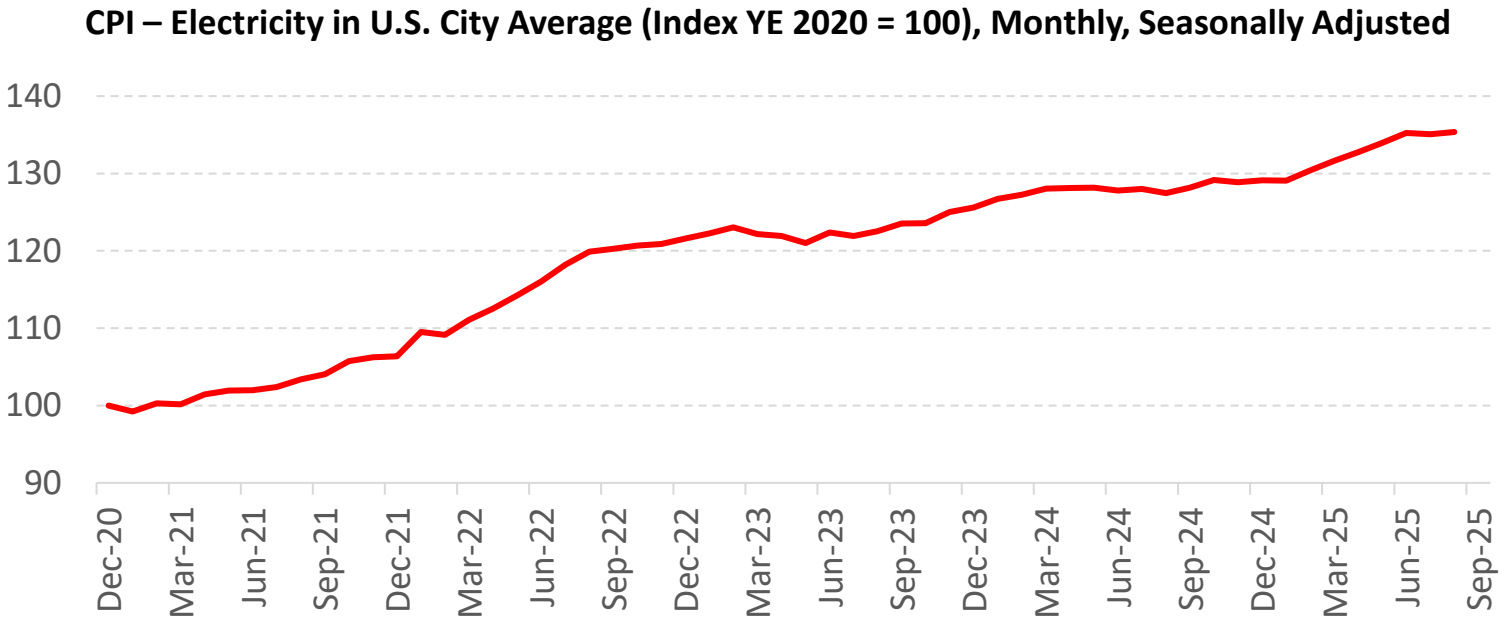
- Technological advances have introduced new demand-side resources and non-weather-sensitive demand to the residential and small commercial segments. We now have various examples of demand that can be time shifted.
  - Battery energy storage systems
  - Electric vehicle charging
  - Smart thermostats and other home energy management technologies
- As these demand-side resources have become more predominant, new rate offerings are necessary to enable member participation. With the Time-of-Use (TOU) Interconnect Rate, we aim to provide an accurate price signal that our members can respond to.

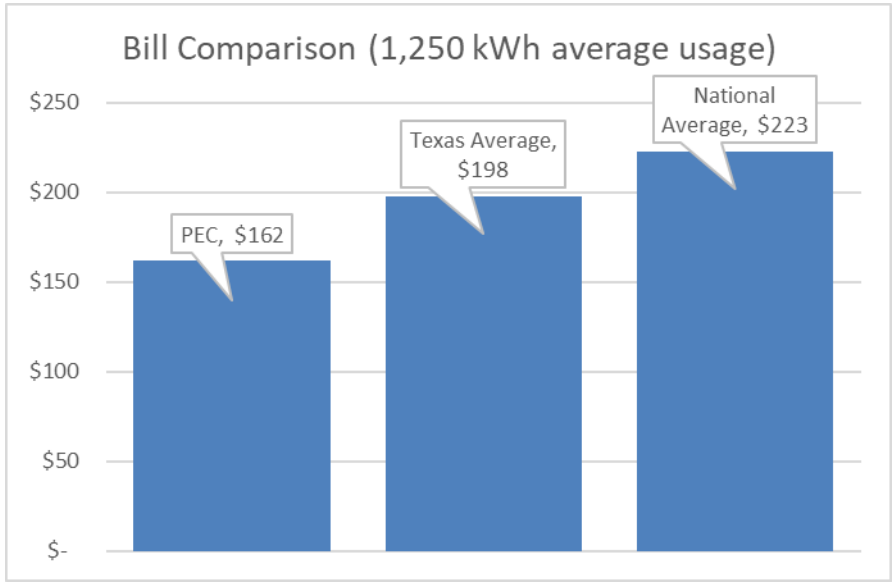
Recommendation

- Make the TOU rate available to members with distributed generation (TOU Interconnect Rate).
  - Distributed generation produced by members on the TOU Interconnect Rate will be credited at the same rate as for energy consumed.
    - Credits offset the cost of energy consumed on the TOU Base Power Charge.
    - Excess credits will roll over from month to month but expire at the end of each calendar year.
  - Members with distributed generation will have the option to choose the TOU rate or the Sustainable Power Credit

Summary Impacts of Proposed Rate Changes

Electricity Cost Trends





- Electricity CPI is on a constant upward trajectory nationally since 2021, growing 35%
- Over the same period PEC's 26% rate growth is substantially below the national average
  - Most growth from TCOS and Base Power Charge
  - PEC Delivery and Service Availability Charges have generally been stable despite considerable inflationary pressure
- PEC Rates are competitive nationally, in Texas and among surrounding utilities where PEC is in the lowest quartile

Bill Impact of Base Rate Change

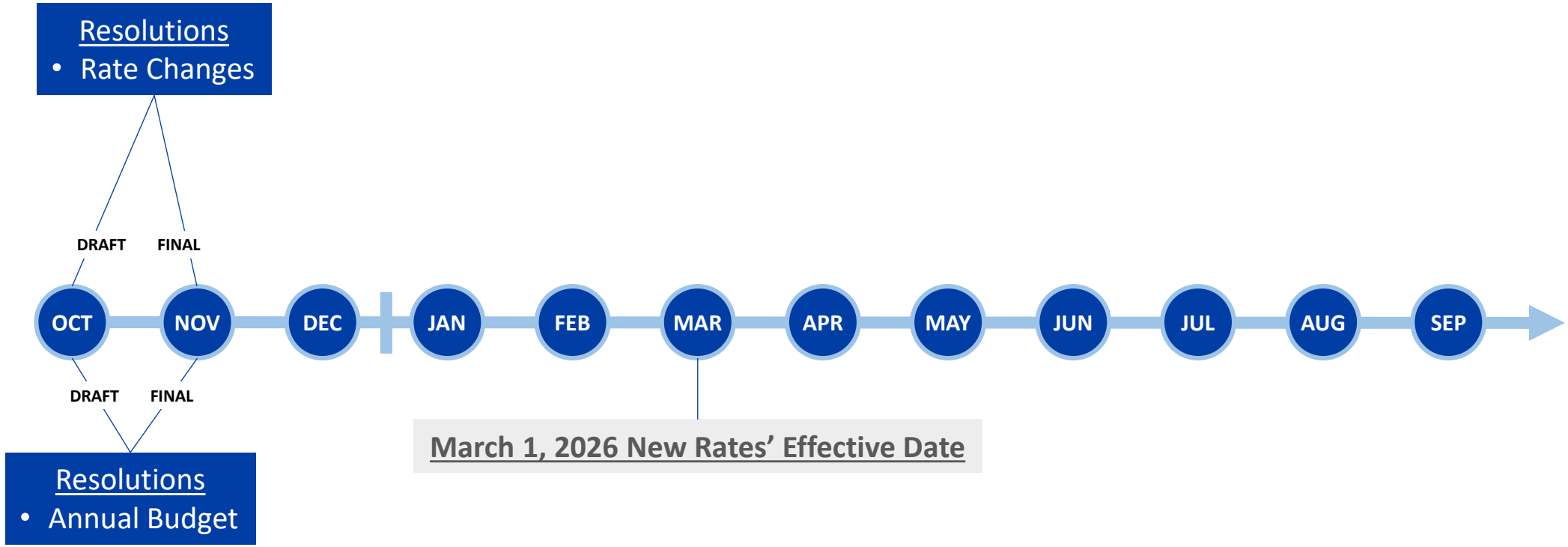
Charges	Current	Proposed	Difference	Monthly Bill Impact**
Base Power Charge	$0.061900	$0.065900	$0.004000	$5.00

Increase of $5.00/month, or 3.2% of a typical residential member's monthly bill.

***Calculated based on monthly usage of 1,250 kWh.*

Prospective Timelines

Timeline for Resolutions



Helpful Links and Contact Information

- Rate Policy: https://mypec.com/document-center/
- All rate related questions - Rateinquiry@peci.com

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