

## **..Title**

**Draft Resolution – Approval to Amend Tariff and Business Rules – Winter Storm Cost Recovery - N Mack | D Thompson**

## **..Other Info**

**Submitted By: Robyn Miller on behalf of Markets**

**Department: Markets**

**Financial Impact and Cost/Benefit Considerations:** As described herein.

## **..Discussion**

As discussed in the Chief Financial Officer (CFO) updates at the May and June Board meetings, the financial impacts to the Cooperative from Winter Storm Uri that occurred in February 2021 have become clearer. Currently, the storm's financial impact to the Cooperative is approximately \$180M broken down as follows:

- \$10M related to storm response (crews, infrastructure and restoration resources, staff overtime, fuel, and other similar costs)
- The remaining \$170M is the amount PEC paid its primary power supplier the Lower Colorado River Authority (LCRA) for energy, ancillary services, and expenses for the LCRA generation fleet during Winter Storm Uri (most of these costs are related to above budget natural gas expenses of LCRA)

Although the storm cost to PEC is \$180M, the Cooperative does not intend to recover the full amount from the membership through these increases for the following reasons:

- PEC will recover a portion of the \$10M related to storm response from Federal Emergency Management Agency (FEMA) claims.
- PEC will reduce budgeted expenses where possible while fulfilling its mission to deliver low-cost, reliable, and safe energy for its members. PEC on an ongoing basis will identify additional budgeted expenses that may be reduced or eliminated where possible.

Additionally, the costs collected through the Delivery Charge have experienced a continuing trend of significant cost increases for materials, trucks and equipment, labor, and contractor expenses

The Cooperative may consider the following

- Temporary Winter Storm Surcharge - for the period from October 1, 2021 through October 1, 2023.
- Delivery Charge rate increase

The financial impact to the Cooperative is anticipated as follows:

- Increases to the Delivery Charge is anticipated to raise revenues by approximately \$6.5M per year.
- Addition of the Temporary Winter Storm Surcharge is anticipated to raise revenues by approximately \$91M over the 24 months that the charge is effective.

PEC staff will report to the Board monthly on the cost recovery for the Winter Storm.

Tariff amendments and effective dates shown below –

- Temporary Winter Storm Surcharge, Section 500.1.21 (New Section) – Effective October 1, 2021 through October 1, 2023
- Residential, Farm and Ranch Service, Section 500.2.1 - Effective October 1, 2021
- Small Power Service, Section 500.2.2.1 – Effective October 1, 2021
- Large Power Service, Section 500.2.2.2 – Effective October 1, 2021
- Electric Vehicle Public Charge Station Rate, Section 500.2.2.5 – Effective October 1, 2021
- Interconnect Net Metering Rate, Section 500.3.1 – Effective October 1, 2021
- Interconnect Wholesale Energy Rate, Section 500.3.2 – Effective October 1, 2021
- Cooperative Solar Rate, Section 500.3.3 – Effective October 1, 2021
- Unmetered Device Service, Section 500.3.6 – Effective October 1, 2021

**..Body**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approves the amendments to the Tariff and Business Rules as attached hereto with such changes, if any, as were approved by the Board, to become effective upon Board approval, unless otherwise specified in the Tariff and Business Rules; and

**BE IT FURTHER RESOLVED** that the Chief Executive Officer, or designee, is authorized to take all such actions as needed to implement this resolution.