

Tariff Amendments and Restructure

Natalia A. Mack | Rates Manager

David L. Thompson | VP Markets

Tariff Amendments and Restructure

SECTIONS

1. Tariff and Business Rules restructure and business practice amendments, both substantive and non-substantive
2. Tariff and Business Rules amendments to implement Line Extension Policy recommendations from GDS and Associates at the December 2019 Board Meeting (Blue boxes)
3. Tariff and Business Rules amendments to implement the 2020 Rate Plan approved by the Board at the December 2019 Board Meeting (3 items found in Orange boxes)

Tariff Amendments and Restructure:

Section 1

Purpose

The Tariff and Business Rules for Electric Service lays out the rules governing the interactions between the Cooperative and the Members. Additionally, the Tariff shows the Texas Legislature and the Public Utility Commission of Texas (PUCT) that Cooperative Members are protected by its democratically-elected Board of Directors.

Brief History

- May 2009 - The official Tariff was adopted by the PEC Board
- December 2016 - Tariff was combined with Business Rules

Why now

Since its adoption, numerous amendments have been made affecting only the section(s) requiring changes. Consequently, the Tariff and Business Rules for Electric Service is ripe for a refresh and overall restructuring.

Tariff Amendments and Restructure:

Section 1

Overview

- The order of sections was re-arranged to mirror a Member's interaction with the Cooperative from establishing the membership to getting a line extension and/or selecting rates.
- The changes made to the formatting and clarification of language are significant, thus a true redline document is not useful for comparison purposes.
- To assist in navigating the changes, please see the following documents:
 - Copy of the current Tariff
 - Copy of the proposed Tariff
 - Mapping existing Tariff sections to proposed Tariff sections with changes

Tariff Amendments and Restructure:

Section 1

Summary of non-substantive changes

- Formatting style changed to ensure consistency, including table of contents, headers, numbering, bulleting, fonts, etc.
- Passive tense sentences have been reworded for clarity of responsibility
- Language was consolidated to remove repetitive statements
- Majority of sections and sub-sections have been re-organized
- New sections and sub-sections were added to provide clarity and consistency as sections were re-organized
- Hyperlinks added to table of contents as well as section links to cross referenced sections

Summary of substantive changes

Definitions	Consolidated all existing definitions throughout the document into one section.
	Added new definitions as needed
Description of The Cooperative's Service Area	New Section for Service Area by County and Franchised Municipality
Availability of Tariff	Tariff will be available online and at offices
Disconnection Notices	Removed language applicable to Master Metered Utilities as consistent with current practices
Critical Load Program	New Section reflecting current practices
Payment Deadline Extension	New Section reflecting current practices
Sales Tax	New Section reflecting current practices
Power of Change	New Section reflecting current practices
Capital Credits Adjustment	New Section reflecting current practices
Wholesale Transmission Policy	Section removed as this rate is no longer applicable
Wholesale Distribution Service	Section removed as this rate is no longer applicable
Vegetation Management	New language outlining current practices
Forms	New Section including current Member forms

Tariff Amendments and Restructure: Section 1

Tariff
Amendments
and
Restructure:

Section 2

Line Extension Policy Tariff Amendment

Per PEC's review and recommendations by GDS and Associates presented at the December 2019 Board Meeting, the following changes will become effective June 1, 2020.

- Residential Service applicability – clarified to be for a Member's primary residence that qualifies as their homestead
- Other Residential Service – Cooperative allowance removed; currently \$800
- Other Non-Residential Service – Cooperative allowance removed; currently \$800
- Service Upgrades – clarified that no Cooperative allowance given for service upgrades

Tariff
Amendments
and
Restructure:

Section 3

2020 Rate Plan Tariff Amendment

Per the Board approved 2020 Rate Plan, the Tariff will be amended to make the following changes effective June 1, 2020. All changes proposed to be effective at the same time to allow for proper notice to Members and ensure that all changes are implemented with transparency.

- Absorb PCA charge into the Flat Base Power and TOU charges
- Absorb Water Well rate into the Residential rate class
- Rate decrease: Base Power Charges
 - Flat Rate and Time-of-Use

Tariff Amendments and Restructure:

Section 3

Item 1 - Absorb PCA into the Flat and TOU base power charges

History

- Following the 2009 Cost of Service Study, PEC unbundled Member charges by separating the Delivery, Base Power, and Transmission. Base Power was broken into two: (1) Flat charge and (2) Power Cost Adjustment (PCA), effective August 2009.
- Since then, the PCA has been modified 15 times. The last change was in Aug 2016. Although this sounds like a lot, it's customary that the PCA floats monthly based on actual Cost of Power, which would have been 120 times instead over the last 10 years without Board approval.

Benchmarking

- PCA's are used in the energy industry as a way to make monthly changes to a Member's bill without having to get a rate change approved. PEC has limited its adjustments to all Rates including the PCA to provide rate stability, and PEC has the Board approve all Rate adjustments.

Tariff Amendments and Restructure:

Section 3

Item 1 - Absorb PCA into the Flat and TOU base power charges

Why

- To simplify and help our Members understand Member charges.
- PEC's cost of power is relatively stable due to the LCRA fleet. If PEC's load costs increase so does the PEC revenue from the LCRA fleet.
- Additionally, currently the PCA is applied uniformly to the Members on the Time-of-Use rate, which can reduce the effectiveness of the rate as designed.

Recommendation

- Simplify the bill by removing the PCA charges item from the bill and netting the credit into the base power charges (both Flat and Time-of-Use).

Impact Analysis

- This change will be revenue and cost neutral to Members and PEC.

Item 1 - Absorb PCA into the Flat and TOU base power charges

Tariff Amendments and Restructure: Section 3

Current Bill

Account Summary

Service Availability Charge*		21.50
Delivery Charge*	988 kwh @ \$0.02712	26.79
Base Power Cost*	988 kwh @ \$0.06050	59.77
Transmission Cost of Service*	988 kwh @ \$0.01256	12.41
Power Cost Adjustment*	988 kwh @ -\$0.01400	-13.83
Cedar Park Franchise Fee*		2.13
Tax (*includes Tax)		2.18
PEC Power of Change		0.05

Current Charges Due By	09/25/2019	\$111.00
-------------------------------	-------------------	-----------------

Proposed Bill

Account Summary

Service Availability Charge*		21.50
Delivery Charge*	988 kwh @ \$0.02712	26.79
Base Power Cost*	988 kwh @ \$0.04650	45.94
Transmission Cost of Service*	988 kwh @ \$0.01256	12.41
Cedar Park Franchise Fee*		2.13
Tax (*includes Tax)		2.18
PEC Power of Change		0.05

Current Charges Due By	09/25/2019	\$111.00
-------------------------------	-------------------	-----------------

This depiction is currently under review and will undergo changes, expected in Q3 2020.

Tariff Amendments and Restructure:

Section 3

Item 2 - Absorb Water Well rate into the Residential rate class

History

- The current Water Well Rate became effective February 2005.
- The rate was designed for small scale agricultural purposes, and was originally charged based on connected horsepower.
- Currently charged based on energy usage, similar to the residential rate.
- Per the 2017 Cost of Service Study by Burns & McDonnell, the Water Well Rate Members’ service availability charges should be at least the same amount as the Residential class.

	Water Well	Residential			
		Conventional	Ebilling	Edraft	Esaver
SAC	\$ 19.50	\$ 22.50	\$ 21.50	\$ 21.00	\$ 20.00
Bill Impact per month	\$ -	\$ 3.00	\$ 2.00	\$ 1.50	\$ 0.50
Total Revenue Increase per year	\$ -	\$ 70,164	\$ 46,776	\$ 35,082	\$ 11,694
2019 Member Count		1949			



Tariff
Amendments
and
Restructure:

Section 3

Item 3 - Base Power Rate Decrease (Flat and Time-of-Use)

- Reduce Base Power Charges to applicable rate schedules by approximately \$6M per year or \$- 0.001 per kWh for Flat Rate Base Power Charges
- Bill impact to average residential Member:

1,000 kWh = - \$ 1.00 per month

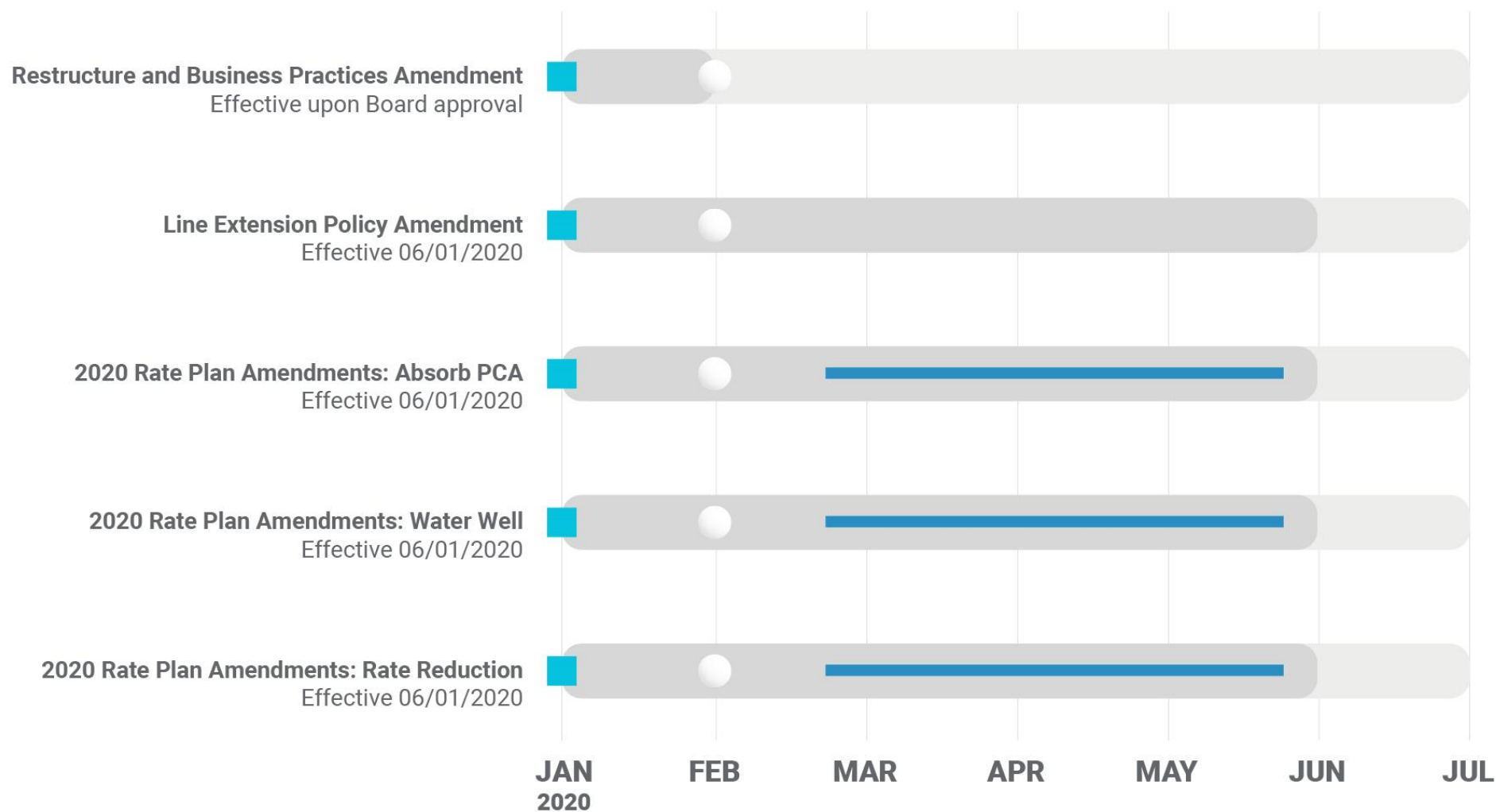
1,250 kWh = - \$ 1.25 per month

Tariff Amendments and Restructure

Special thanks to the following teams for several months of inter-departmental collaboration:

- Legal
- Member Relations
 - Billing
 - Member Engagement; and
 - Support Services
- Communications
- Engineering and Metering
- Markets

Tariff and Business Rule Amendments



 Board meeting draft tariff language

 Open house and/or member outreach

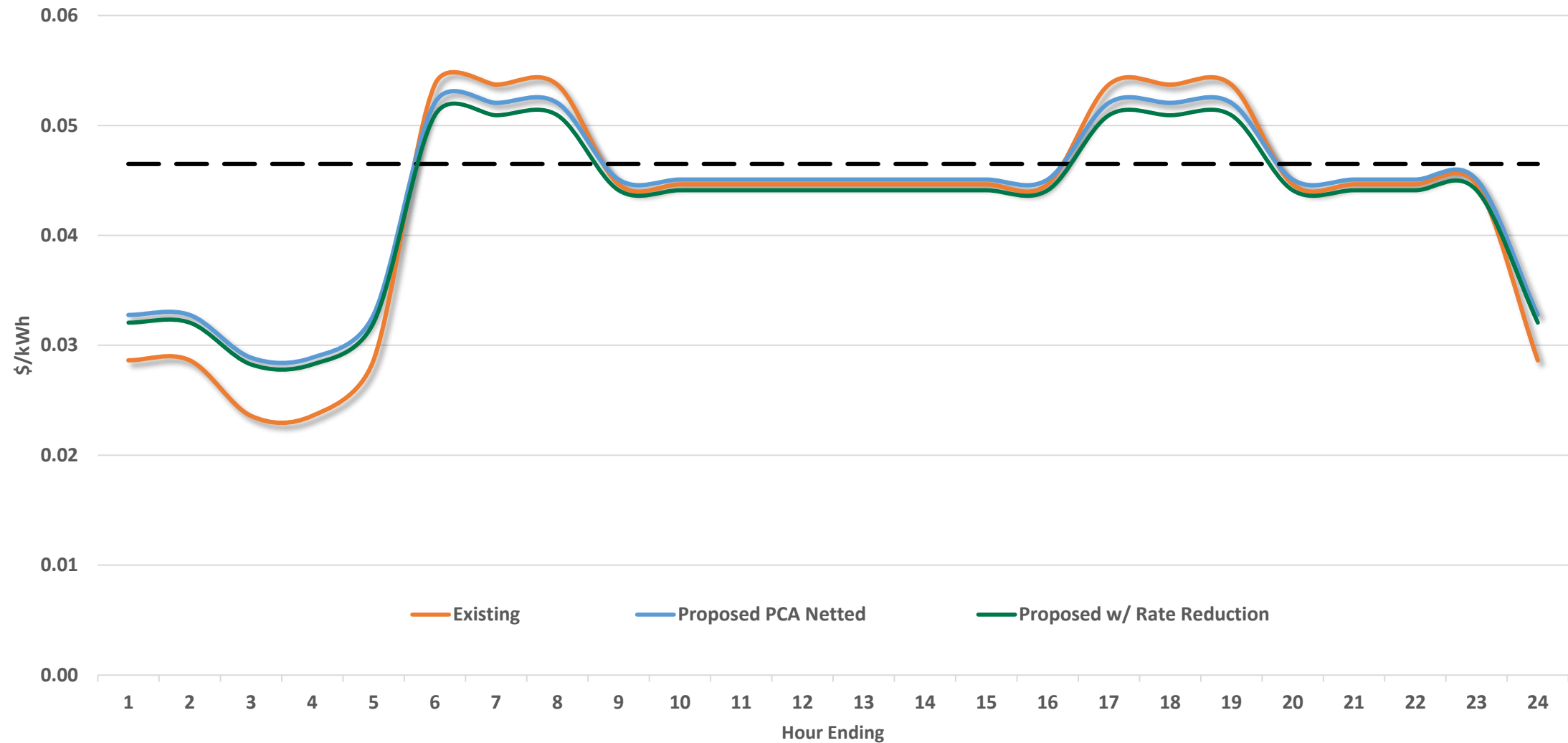
 Board meeting final tariff language



pec.coop

Appendix

TOU Shape - Winter



TOU Shape - Summer

