



2021 Rate Plan Items

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2021 Rate Plan Items – Round 1

PROPOSED RATE CHANGES

1. Removal of the College Discount Rider
2. Removal of the Revenue Adjustment Factor
3. Removal of the Power Plant Start Service Rate
4. Convert Residential Billing Options to Discounts
5. Base Power and TCOS Rate Changes
6. Time-of-Use Rates Update

1. Removal of the College Discount

BACKGROUND

- The College Discount is a 20% reduction applicable to the Service Availability, Delivery, and Capacity Demand charges
- It is offered to Members who qualify as Educational Institutions (four year state university, any state upper level institution, non-profit upper level institution, or state technical college)
- It was adopted by the Board in 1999, pursuant to interpretation as a Legislative mandate
- The Legislative mandate was clarified to exclude Cooperatives from the requirement in 2007

PROPOSAL

To remove the College Discount from the Tariff and Business Rules.

1. Removal of the College Discount

REASON

- The 2020 Cost of Service Study shows this rate under-recovers
- Rate Policy states rates are to be cost based
- Discount not mandated by Texas Law

IMPACT

- Small Power Members will see an average increase of ~ \$16.00 per month or 12%
- Large Power Members will see an average increase of ~ \$470.00 per month or 5%

IMPLEMENTATION

The Commercial and Industrial Accounts Team will provide each Member a personal notice at least two (2) months in advance.

- Board approval: December 18, 2020
- Effective date: March 1, 2021

2. Removal of the Revenue Adjustment Factor

BACKGROUND

- The Revenue Adjustment Factor (RAF) was adopted in October 2015
- It is a one-time credit to all Members to achieve a non-permanent rate reduction
- Created as a mechanism to reduce the Cooperative's margins
- Utilized in December 2015 and December 2016 to reduce revenues by respectively \$2M and \$6M

PROPOSAL

To remove the RAF from the Tariff and Business Rules.

2. Removal of the Revenue Adjustment Factor

REASON

This rate option is superfluous with the current and robust Capital Credits process

IMPACT

No impact to Members

IMPLEMENTATION

- Board approval: December 18, 2020
- Effective date: Upon Board Approval

3. Removal of the Power Plant Start Service Rate

BACKGROUND

- In 2000, the Power Plant Start Service rate was adopted to serve commercially operated power plants whose demand is 1,000 kW or greater
- Currently, PEC serves four Members under this rate schedule
- All Members on this rate receive service at Transmission-level

PROPOSAL

Consolidate the Power Plant Start Service Rate schedule with the Transmission Service Rate schedule, as rate design is identical.

3. Removal of the Power Plant Start Service Rate

REASON

The Power Plant Start Service Rate can consolidate with the Transmission Rate schedule because the cost basis for the two rates are identical.

IMPACT

Members will see a \$500 per month reduction in the Service Availability Charge. This aligns with their cost to serve.

IMPLEMENTATION

The Commercial and Industrial Accounts Team will provide each Member a personal notice in advance.

- Board approval: December 18, 2020
- Effective date: Upon Board Approval

4. Convert Residential Billing Options to Credits

BACKGROUND

- Residential billing options – Ebilling, Edraft, and Esaver – were introduced in 2016 to incentivize behaviors that reduce PEC’s cost
- Each billing option reflects a discount to the Service Availability Charge reflecting the Cooperative’s avoided cost and risk in the billing process
- Residential Members’ Service Availability Charge reflects the amount of the corresponding discount based on their selection:

| | |
|--|-----------|
| Ebilling - paperless billing; save \$1.00 | = \$21.50 |
| Edraft - automatic bank draft; save \$1.50 | = \$21.00 |
| Esaver - paperless billing AND automatic bank draft; save \$2.50 | = \$20.00 |

4. Convert Residential Billing Options to Discounts

PROPOSAL

Bill the Service Availability Charge at its rate of \$22.50, and add a line item labeled as a credit to clearly show Members the amount of the discount per the billing option.

Bill sample:

| Account Summary | | | |
|------------------------------|-----------|-----------|------------------|
| Service Availability Charge | | | \$ 22.50 |
| Delivery Charge | 1,250 kWh | @ 0.02712 | \$ 33.90 |
| Base Power Cost | 1,250 kWh | @ 0.04550 | \$ 56.88 |
| Transmission Cost of Service | 1,250 kWh | @ 0.01256 | \$ 15.70 |
| Esaver Credit | | | \$ -2.50 |
| Current Charges due | | | \$ 126.48 |

REASON

To increase the visibility of the discount provided to Members, reflecting the cost reduction to PEC.

IMPLEMENTATION

- Board approval: December 18, 2020
- Effective date: April 1, 2021

5. Base Power and TCOS Rate Changes

BACKGROUND

As part of the Cost of Service Study and the annual budget process, staff identified changes to rate amounts to ensure adequate cost recovery and rate stability.

PROPOSAL

- Decrease Base Power rate by \$ 0.001/kWh
- Increase TCOS rate by \$ 0.001/kWh

IMPACT

Impact to all non-TOU Members is neutral. Impact to TOU Members depends upon their usage patterns.

IMPLEMENTATION

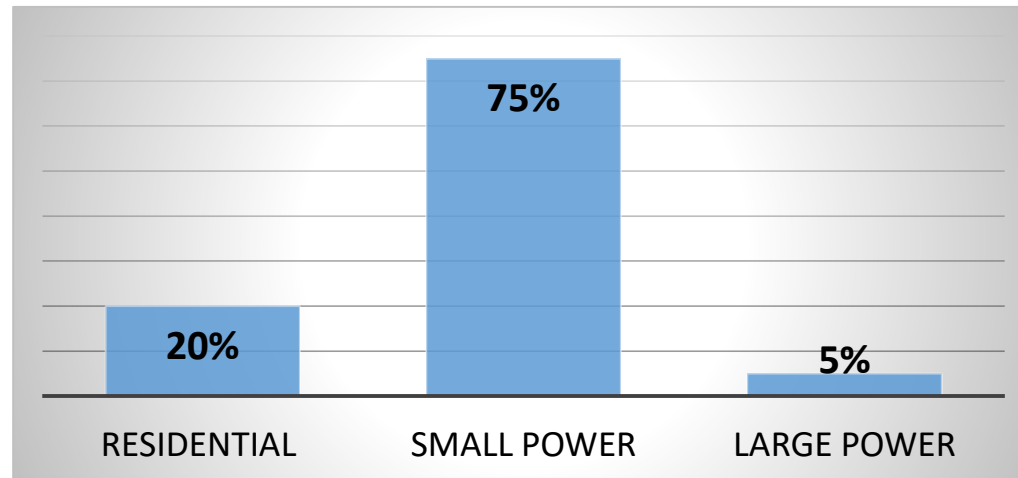
All PEC Members will receive at least a thirty (30) days in advance notice

- Board approval: December 18, 2020
- Effective date: March 1, 2021

6. Time-of-Use (TOU) Rates Update

BACKGROUND

- TOU rates were approved and went into effect in 2016
- The cost basis for the TOU shapes changed since 2016, therefore, rates need updating
- Currently, there are less than 1,000 Members on the TOU Rate.
The breakdown is as shown below:



6. Time-of-Use (TOU) Rates Update

PROPOSAL

Update existing TOU rates as follows:

| Time Periods | | Current Rates | Effective starting March 1, 2021 | |
|--|---------------|--|-------------------------------------|------------|
| Non-Summer (Jan. – May and Oct. – Dec.) | Super Economy | 2:01 am – 4:00 am | \$0.028259 | \$0.030616 |
| | Economy | 11:01 pm – 2:00 am 4:01 am – 5:00 am | \$0.032060 | \$0.037529 |
| | Normal | 8:01 am – 4:00 pm 7:01 pm – 11:00 pm | \$0.044103 | \$0.042449 |
| | Peak | 5:01 am – 8:00 am 4:01 pm – 7:00 pm | \$0.050926 | \$0.045680 |
| Summer (Jun. – Sep.) | Super Economy | 3:01 am – 5:00 am | \$0.029346 | \$0.030398 |
| | Economy | 11:01 pm – 3:00 am 5:01 am – 7:00 am | \$0.032819 | \$0.031940 |
| | Normal | 7:01 am – 12:00 pm 8:01 pm – 11:00 pm | \$0.040297 | \$0.035883 |
| | Peak | 12:01 pm – 2:00 pm 6:01 pm – 8:00 pm | \$0.052494 | \$0.046863 |
| | Super Peak | 2:01 pm – 6:00 pm | \$0.077141 | \$0.088620 |

Note: These TOU prices include the proposed #5 Base Power Rate component reduction

6. Time-of-Use (TOU) Rates Update

REASON

TOU rates need to adjust to ensure alignment with the cost of power.

IMPLEMENTATION

All Members enrolled will receive a notice at least thirty (30) days in advance. Staff has a dedicated TOU email help box to assist Members.

- Board approval: December 18, 2020
- Effective date: March 1, 2021



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