



2025 Rate Plan

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2025 Rate Plan

- PEC operates as a cooperative. As a result, PEC's sole source of funding over time is member rates. Accordingly, all rates must be designed to pass through costs and prevent subsidies between members.
- Every year we prepare a rate plan to advise members and the PEC board about upcoming rate actions. We are asking for approval of this rate plan. We are not asking for action on any of the individual rate items presented as part of the plan, but will bring related resolutions for each item in the near future.
- Two broad categories of rates:
 1. **System Cost Based Rates**—These are rates designed to recover the cost to operate our system which are not subject to observable market rates but are calculated based on the results of our triennial cost of service study. We updated our cost of service study this year in accordance with our 3-year cycle.
 2. **Market Based Rates**—these are categories of rates where observable changes in market rates are used to calibrate PEC member rates

Rate Adjustments for Consideration

- **System Cost Based Rates**—recommended adjustments based on the most recent cost of service study
 - **Residential**—Increase **Service Availability Charge** and reduce **Delivery Charge** to better match rate structure to fixed/variable operating cost structure.
 - **Small Power**—Adjust **Service Availability** and **Delivery charges** between small power single phase and three-phase rate classes to address cross subsidization
 - **Fees** – Increase due to rising cost to provide service
 - Open Records Fee.
 - Subpoena Response Service Fee
- **Market Based Rates**
 - **Base Power Cost** – Adjust pass-through due to changes in the cost of power within the ERCOT market
 - **Transmission Cost of Service** – Adjust pass-through due to PUC rate charges
 - **Sustainable Power Credit** – Increase due to changes in the cost of power within the ERCOT market

Components of a PEC Bill

Current Activity

Service Availability Charge		\$22.50
Delivery Charge	1,250 kWh @ \$0.028405	\$35.51
Base Power Cost	1,250 kWh @ \$0.058500	\$73.13
TCOS Pass-Through Charge	1,250 kWh @ \$0.019554	\$24.44
eBilling Credit		-\$1.00
eBilling Draft		-\$1.50
Current Charges		\$153.07

Service Availability Charge

Fixed charge mechanism recovers services and distribution cost.

Delivery Charge

Variable charge mechanism recovers services and distribution cost.

Power Costs

Recovers cost to procure power and associated costs

TCOS Pass Through

Recovers access charges for the ERCOT transmission system

System Cost Based Rates

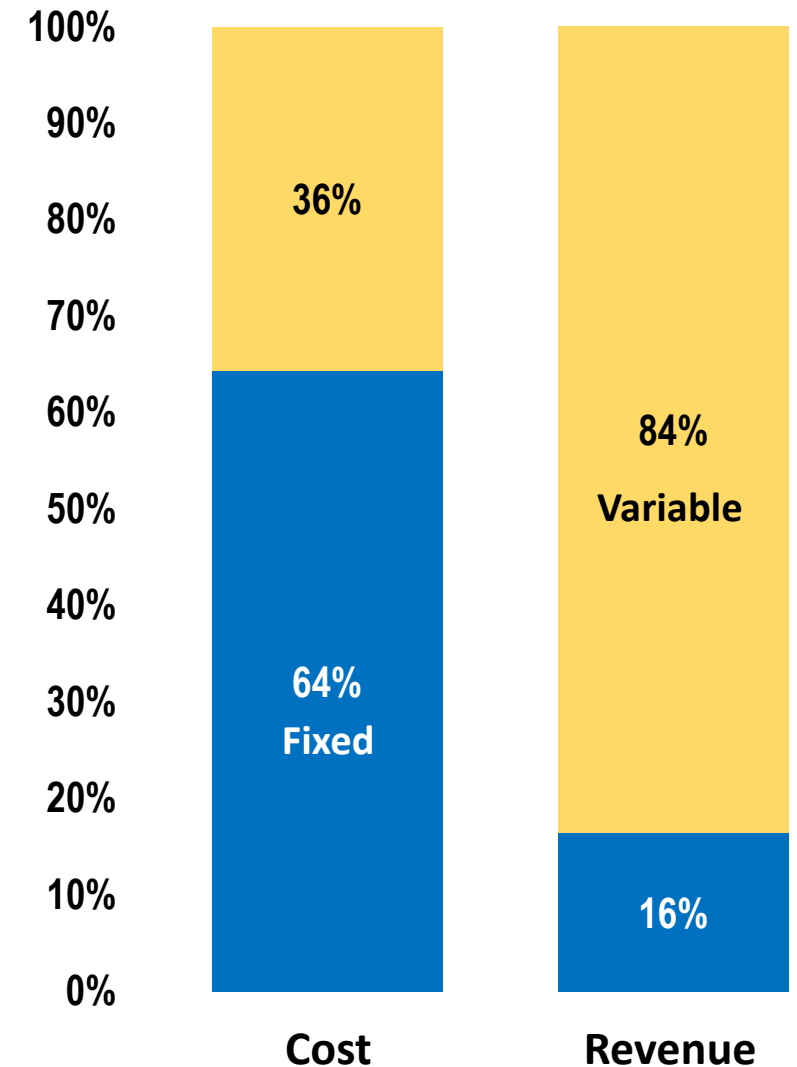
Market Based Rates

System Cost Based Rates

Residential Delivery and Service Availability Charges

Issue: Adjustments needed to better align between fixed cost, variable cost and the associated revenues

- Power volumes change based on weather and member usage patterns, resulting in fluctuations in variable revenues
- The fixed Service Availability Charge (SAC) is unchanged regardless of volumes delivered
- Unchanging costs like debt service, facilities, taxes or similar fixed charges may not be fully recovered or may be over recovered if tied to variable volumes
- To ensure proper matching of expenses to cost recoveries fixed costs should be recovered through fixed charges like the SAC and variable costs should be recovered through volumetric based charges like the Delivery Charge
- This ensures:
 - **Members are not over or undercharged to recover cost**
 - **PEC financial stability and credit rating**



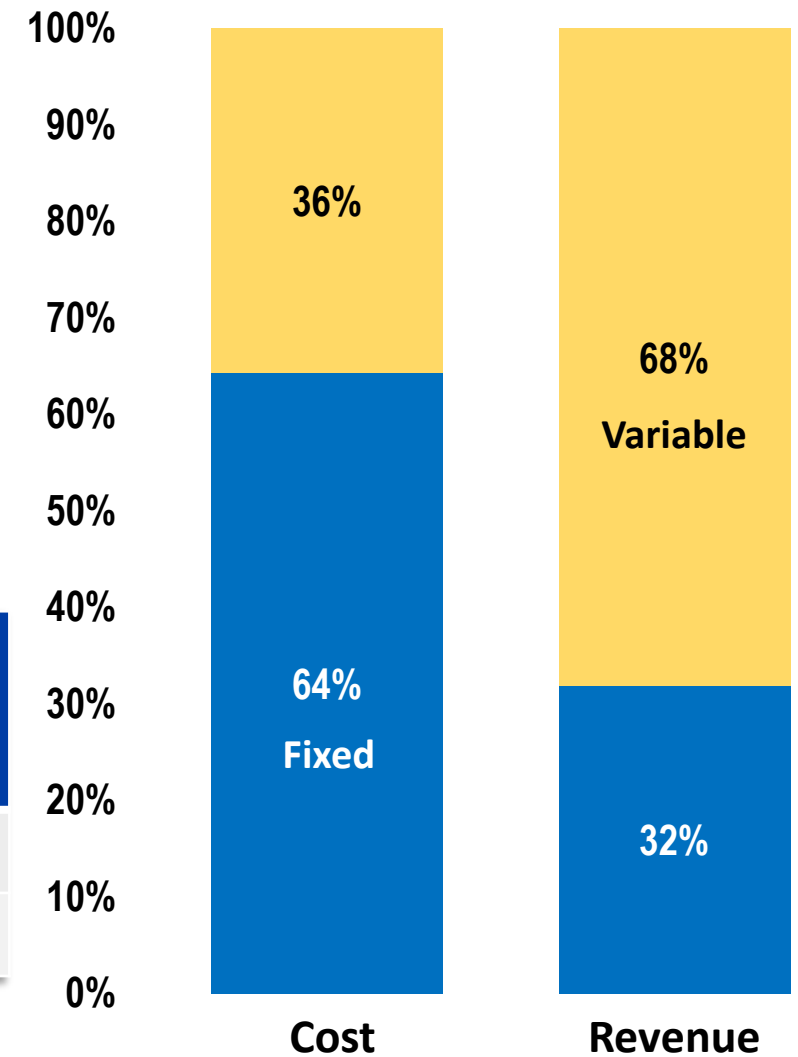
Recommendation: Reduce Variable Revenues and Increase Fixed Revenues

- Will reduce subsidies as small end-users are added to PEC system through build out of multifamily housing
- Increase Service Availability Charge which is a source of fixed revenue
- Reduce Delivery Charge which is a source of variable revenue
- **Typical residential bill impact of \$2.68/month**

Charges	Current	Proposed	Difference	Monthly Bill Impact**
Service Availability Charge	\$20.00*	\$30.00*	\$10.00	\$10.00
Delivery Charge	\$0.028405	\$0.022546	-\$0.00586	-\$7.32

*\$20.00 after eBilling and eDraft credits *\$30.00 for the basic billing package

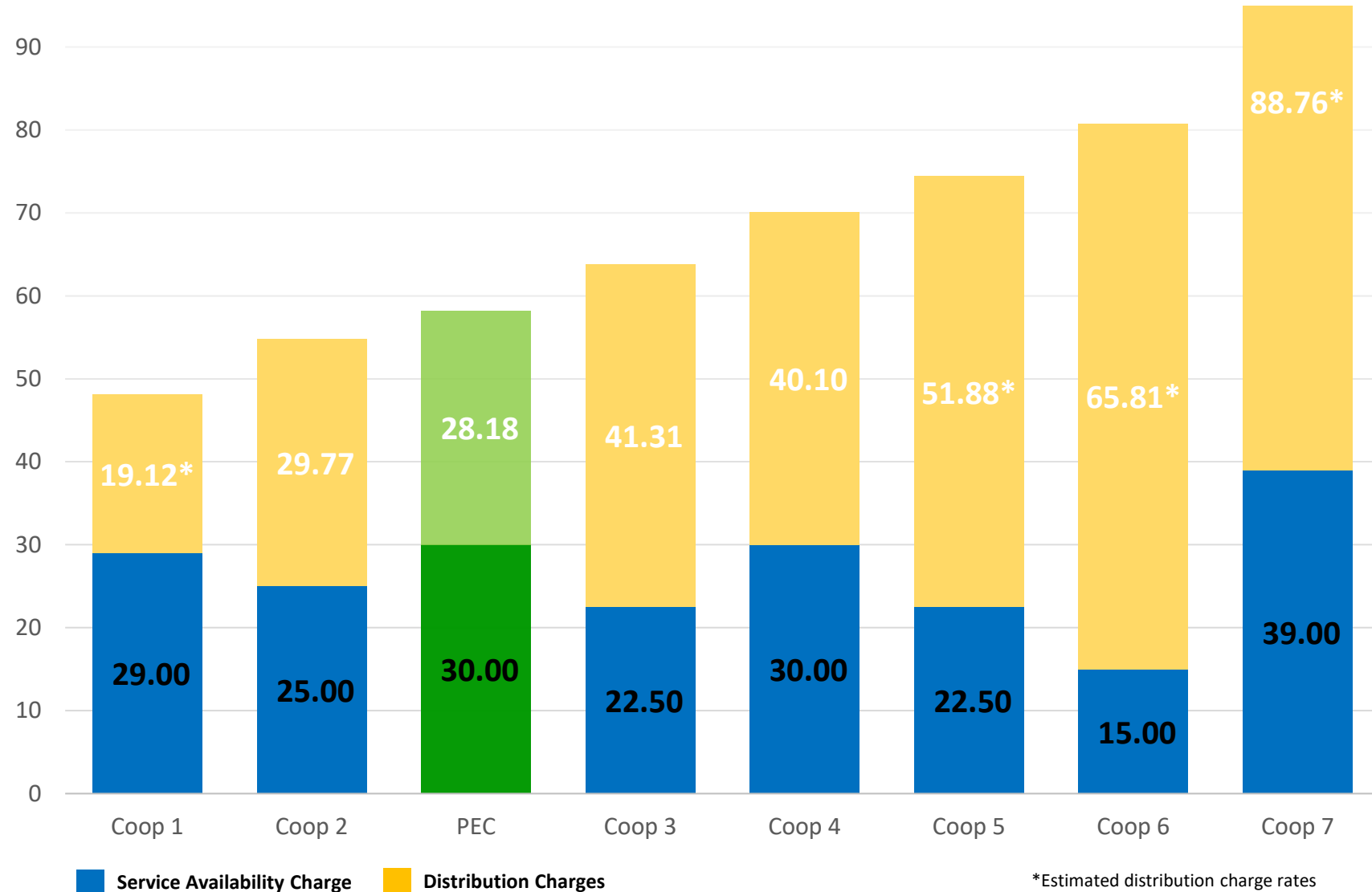
**Calculated based on monthly usage of 1,250 kWh



Residential Delivery and Service Availability Charges

Benchmarking

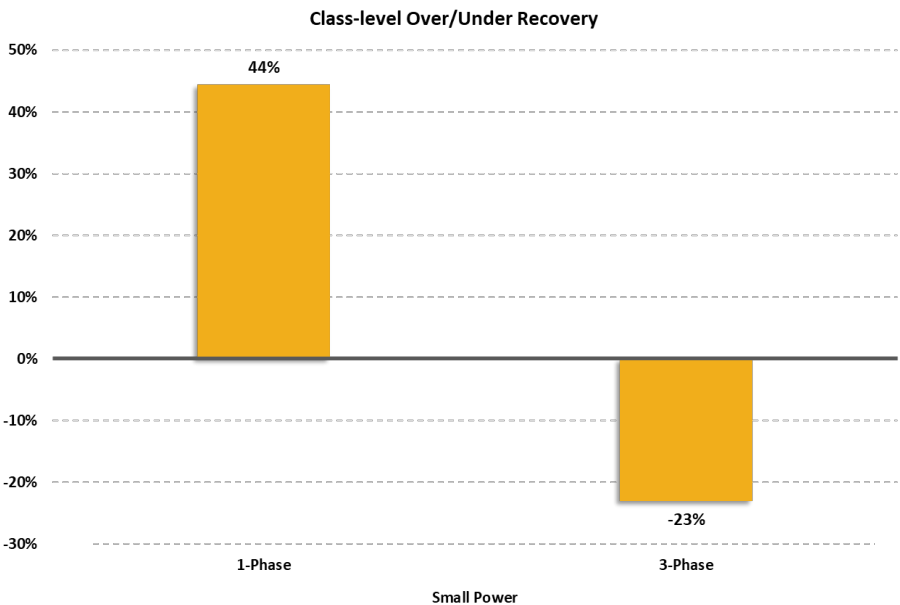
- Fixed cost of distribution infrastructure is recovered using combo of fixed/variable charges
 - Service Availability Charge (\$/month)
 - Delivery Charge (\$/kW)
- Both charges lower than surrounding co-ops
- Adjustments would bring fixed charge profile in line with comparable utilities
- Service Availability Charge increase offset by Delivery Charge reduction



Small Power: Single Phase and Three Phase

Issue: Single-Phase Subsidizing 3-phase

- Approximately 24,000 small power members are Single-Phase Service; 9,000 are Three-Phase Service
- Differences between usage patterns is causing a significant divergence between the revenue requirement for single-phase and three-phase.



Recommendation: Small Power Members

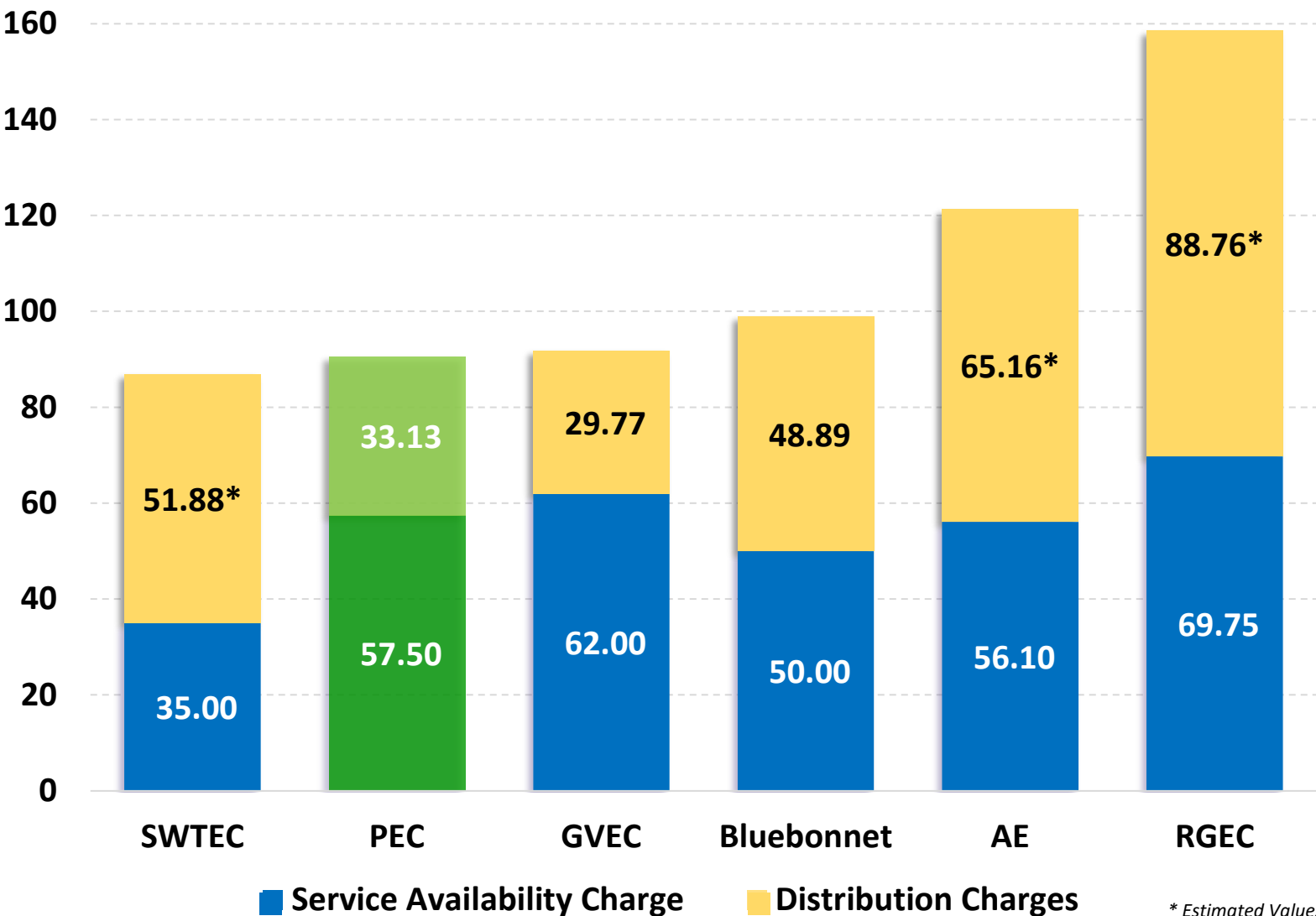
- Increase the SAC and delivery charge for three-phase to \$57.50 and \$0.026506
- Decrease the delivery charge for single-phase to \$0.0079849
- No change for single phase SAC.
- Addresses inequities without materially affecting revenues.

Recommended Service Availability Charge		Recommended Delivery Charge	
1-Phase	3-Phase	1-Phase	3-Phase
\$37.50	\$57.50	\$0.007849	\$0.026506

Small Power: Single-Phase vs. Three-Phase Service

Benchmarking

- Six utilities identified for Small Power: Three-Phase Service
- Excluding high and low, observed a Service Availability Charge ranging from \$50 - \$62
- Recommend adjusting to a Service Availability Charge close to midpoint



Discretionary Service Charges (Fees)

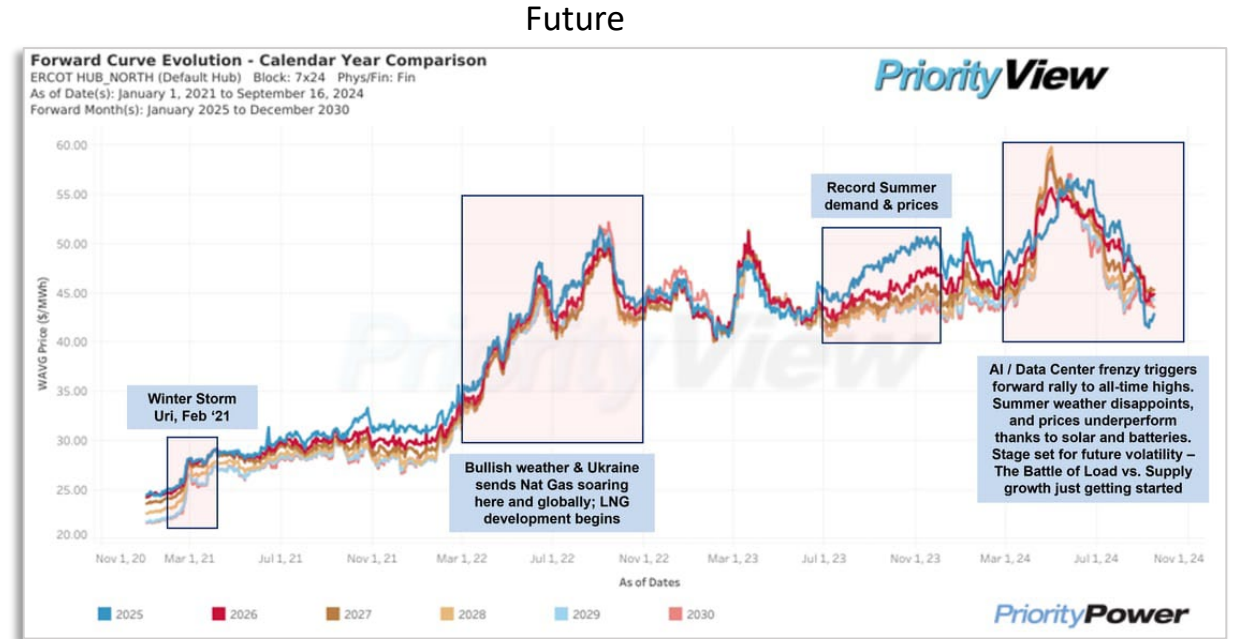
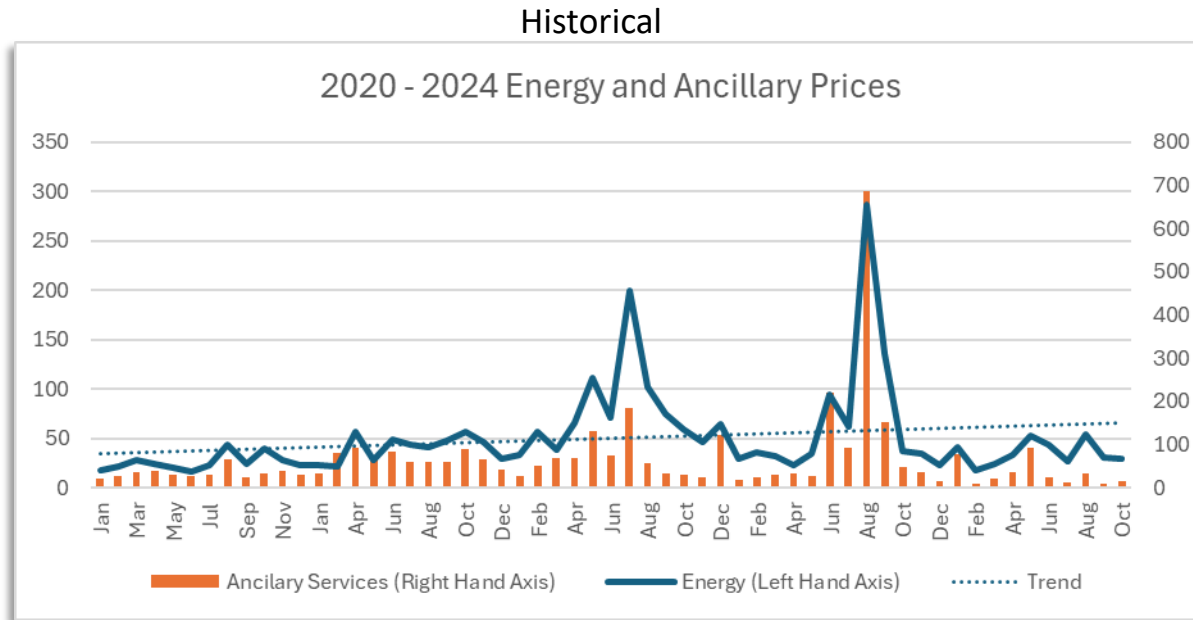
Two Fee Change Recommendations

Fees	Current Amount	Proposed Amount	Section
Open Records Fee – Staff research time	\$ 40.00 / hour	\$ 70.00 / hour	300.4
Subpoena Response Service Fee	\$ 40.00 / hour	\$ 70.00 / hour	300.4.1

- Review of fees was included in study
- Primarily includes updating resource costs that support fee amount
- If process changes that would impact fee amount, fees may be reviewed outside of regular Cost-of-Service Study schedule

Market Based Rates

Base Power Cost Increase Due to Rising Power Prices



- Wholesale power costs and ancillary prices in ERCOT have been increasing since 2020
- Regulatory decisions implemented additional ancillary service charges in 2023 adding \$12B in costs to ERCOT market and ratepayers
- This increased the outlook for future prices, placing upward pressure on PEC's base power cost
- Wholesale power costs are a direct pass-through to the membership, PEC does not collect a margin

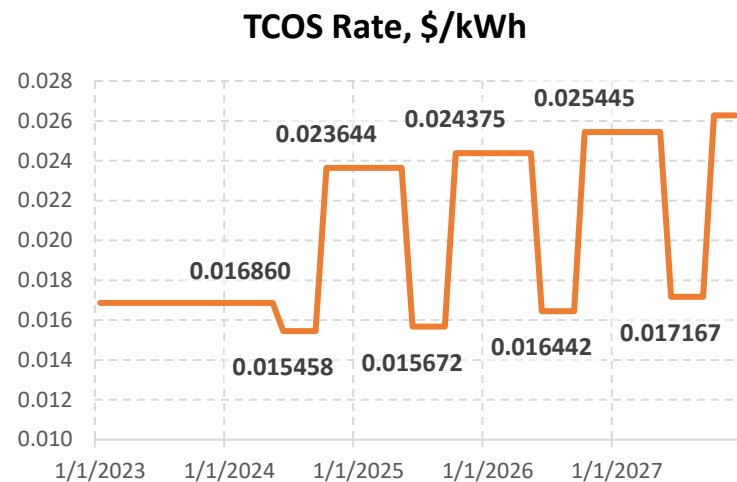
Base Power Cost (Flat and Time-of-Use)

- Under PEC's tariff the base power cost is determined by formula
- The base power cost is a function of budgeted power costs for the next year plus or minus 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 the budgeted volumes

(budgeted power costs $\pm$ previous under or over recoveries) / budgeted volumes

$$(\$455 \text{ M} + \$12 \text{ M}) / 7,547 \text{ GWh} = \$0.0619/\text{kWh}$$

Transmission Cost of Service (TCOS) Increase Due to PUC Rate Changes



Current and Proposed Rates

	Current Rate	Proposed Rate (10/1/24)	% Change
TCOS Rate	0.015458	0.023644	53%

Typical Bill	Summer 2024	Winter 24/25
TCOS Portion (\$)	\$23.20	\$23.62
TCOS Portion (%)	13.4%	18.1%

Year-Over-Year (YOY) Forecasts

	Current (6/1/24)	Forecast (6/1/25)	YOY Pct. Change
June YOY	0.015458	.015672	1.4%

	Proposed (10/1/24)	Forecast (10/1/25)	YOY Pct. Change
October YOY	0.023644	0.024375	3.1%

- PEC and all market participants in ERCOT are charged a fixed amount each month for transmission services
- The Transmission Cost of Service charge recovers the fixed charge on a per kWh basis so the charge is higher in low usage periods and lower in high usage periods. This gives the charge its saw-tooth shape as it adjusts each June and October
- Because transmission charges are increasing in ERCOT, the charge trend has an upward slope
- TCOS are a direct pass-through to the membership, PEC does not collect a margin

Sustainable Power Credit Adjustment

Increase credit from \$0.069554 to \$0.08267 per kWh due to board policy

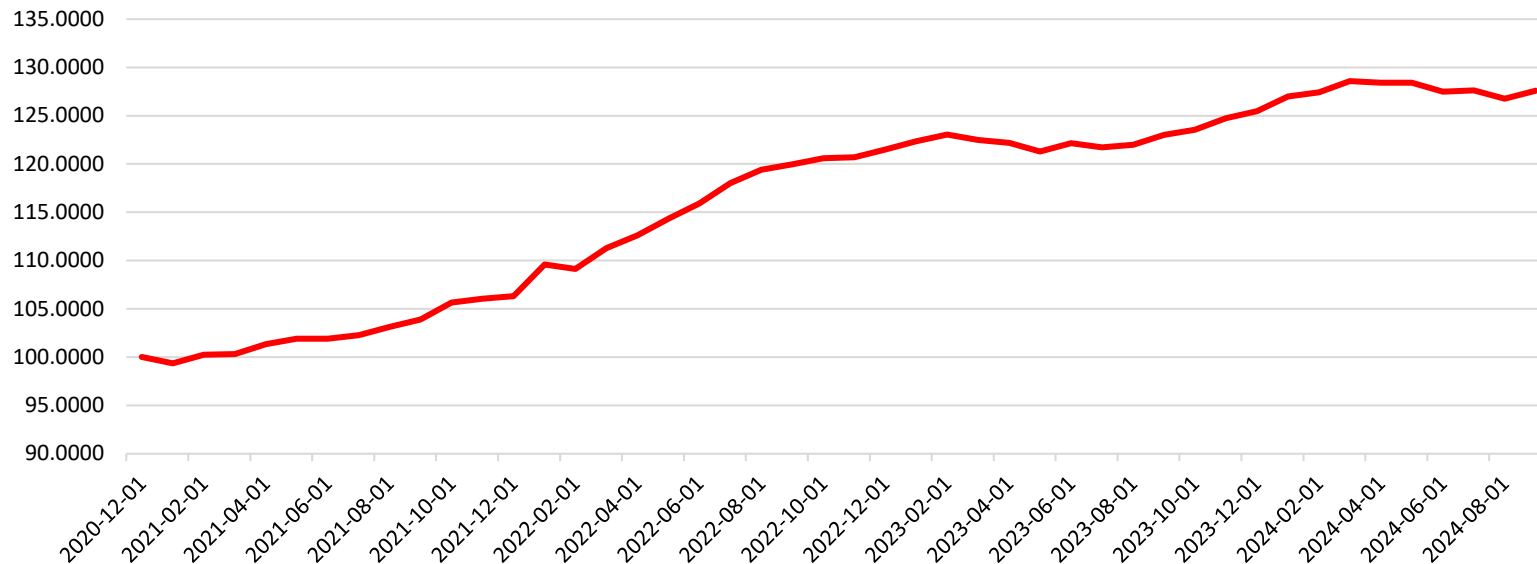
Item	2020	2021	2022	2023	3-Year Average 2020-2022	3-Year Average 2021-2023
Avoided Energy Costs	\$ 41.32	\$ 68.85	\$ 129.41	\$ 97.66	\$ 79.86	\$ 98.64
Avoided Ancillary Services Costs	1.85	14.51	5.51	6.30	7.24	8.77
Avoided Transmission Costs	22.60	23.08	21.35	21.36	21.65	21.93
Avoided Capacity or Demand Costs	-	-	-	-	-	-
Avoided Distribution Costs	-	-	-	-	-	-
Avoided Regulatory Costs	-	-	-	-	-	-
Value of Distributed Generation	\$ 65.77	\$ 106.44	\$ 156.27	\$ 125.32	\$ 108.75	\$ 129.34
Sustainable Power Credit (\$/kWh)					\$ 0.069554	\$ 0.082666

- Sustainable Power Credit adjusts annually
- Calculated from the three-year average avoided costs of energy, ancillary service, and transmission
- Members with distributed generation (DG) less than 50 kW receive the credit for all surplus generation delivered to PEC's distribution system

Summary Impacts of Proposed Rate Changes

Electricity Cost Trends

CPI - Electricity in U.S. City Average (Index YE 2020 = 100), Monthly, Seasonally Adjusted



CPI Comparison

	Aggregate
CPI Electricity Price Growth YE 2020 - Present	27.6%
PEC Rate Growth YE 2020 - Present	17.0%
Base Power	25.8%
TCOS	33.5%
Delivery Charge	4.7%
Service Availability Charge	0.0%

- Electricity CPI on constant upward trajectory since 2021, growing 28%
- PEC rate growth is substantially below national average
 - Most growth from TCOS and Base Power
- PEC Delivery and Service Availability Charges have remained stable. Through prudent cost management, PEC has kept cost increases lower than overall system growth

Bill Impact of Base Power and SAC/Distribution Rate Changes

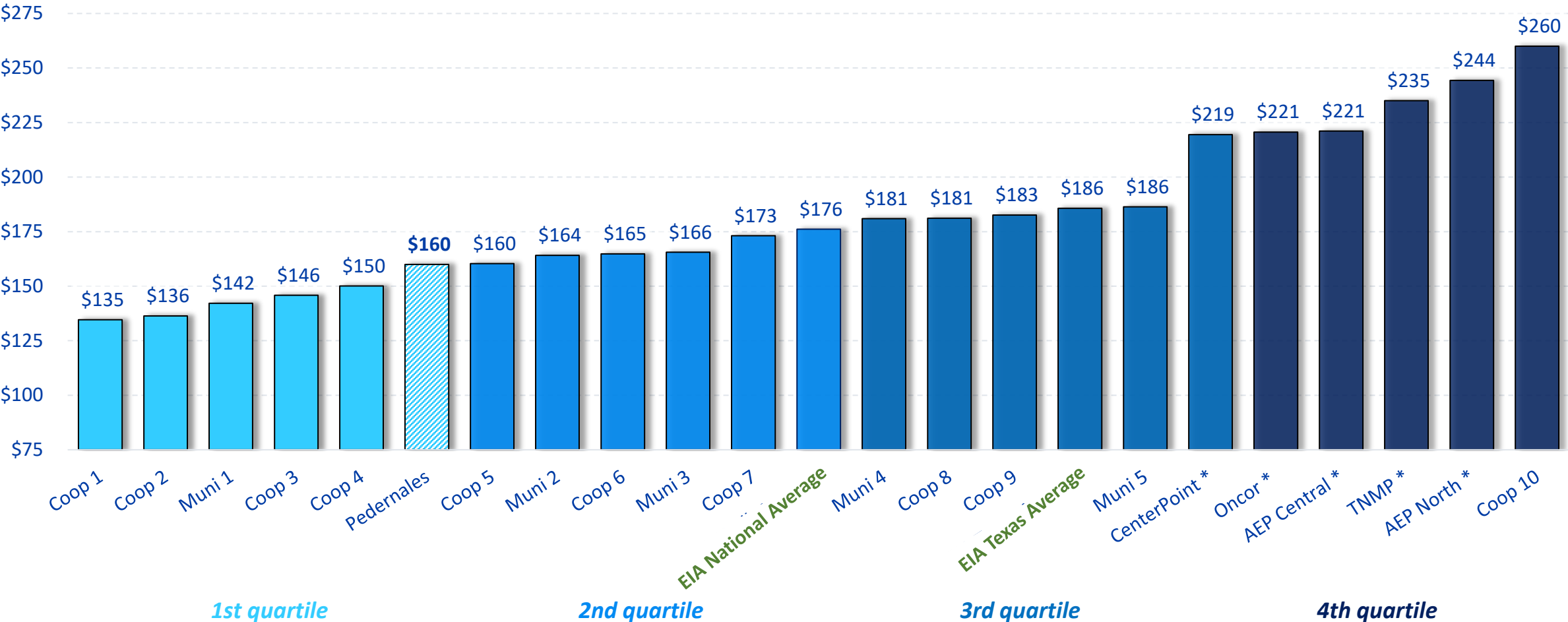
- Service Availability Charge, currently set at \$22.50 (*\$20.00 after eBilling and eDraft credits)
- For consideration, adjusting the SAC to \$32.50 (*\$30.00 for the basic billing package)

Charges	Current	Proposed	Difference	Monthly Bill Impact**
Service Availability Charge	\$20.00*	\$30.00*	\$10.00	\$10.00
Delivery Charge	\$0.028405	\$0.022546	-\$0.00586	-\$7.32
Base Power Charge	\$0.058500	\$0.061900	\$0.003400	\$4.25

- Net increase of 4.5%, or \$6.93/month due primarily to base power increase

Residential Rate Comparisons

Residential rates modeled as of March 2025 (1,250 kWh)



Items to Be Reviewed in 2025

Items for Continued Evaluation during 2025

Continuing Evaluation Recommended For:

- Time-of-Use (TOU) pricing, time periods, and seasons
- Industrial Rate Distribution Cost Recovery
- Renewable Energy Rider

Prospective Timelines

Timeline for Resolutions



Helpful Links and Contact information

- Rate Policy and Cost of Service Study: <https://www.pec.coop/about-us/your-cooperative/document-center/>
- All Rate related questions - Rateinquiry@peci.com



pec.coop