



Line Extension Tariff Review

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Review of Line Extension Tariff

- PEC's current Line Extension Tariff:
 - Effective in August 2009 and was re-reviewed by the Board in 2011
 - Based on a third-party rate analysis
 - Is one component of PEC's overall rate design
- In March 2018, the Board directed staff to review the Tariff
 - A third-party financial consultant assisted with the review
- Goal of the Tariff is to balance affordable connection for members without increasing costs to the general membership
- New construction requires members to pay for service, including:
 - Secondary voltage service drops and meters to serve the premise
 - Any required primary system upgrades (not necessary for overall system reliability)
- PEC provides an allowance to help offset costs:
 - Either a standard amount or calculated on a case-by-case basis
 - Allowance based on the return PEC expects to receive over the life of the service



Residential (Single-Family) Findings

- The existing \$2,000 allowance is in the range of allowances provided by other cooperatives
- The current costs for line extension materials have not substantially increased since the current allowance amount was established
- Due to rate reductions after a 2015 study, the allowable investment for residential members (or return embedded in rates) has decreased
- No revisions to the Tariff are recommended at this time, but will review the allowable investment again in the upcoming 2019 rate review

Residential Cost Sharing Options

- Considered member options to share/refund construction costs if the line is used to serve additional, future members
 - Costly to track and quantify - 15,893 residential line extensions in 2019 and current systems do not track construction funding in a systematic manner
- Considered setting aside general funds to be used for extensions meeting certain criteria
- Concerns with options include:
 - Potential disparities between existing members (who paid full cost for extensions) and future members
 - No common industry practices for cost sharing identified
 - PEC's Rate Policy states rates be developed and implemented that minimize subsidies between classes and phase out subsidies within a class

Residential Financing Options

- Considered several financing options:
 - Real estate secured financing
 - Secured by personal property
 - Unsecured
- Concerns with options include:
 - Limitations with PEC's current systems and costs associated with modifications necessary for implementation
 - Offering financing would subject PEC to additional lender laws and regulations, with associated costs for compliance
 - Very limited industry practices identified from other cooperatives offering financing
- Contacted financial institutions to establish relationships for referral of members for third-party financing, but little-to-no interest received
- No modifications recommended at this time, but PEC will continue to evaluate



Commercial - Findings and Improvements

- Commercial members pay the full cost of line extensions minus any allowance
- Allowance is based on the expected net revenue (PEC margin) from the new member
- Process updates and improvements:
 - Moving from a paper service form to an on-line form
 - Saving all form information into a database for tracking and reporting, and to allow for future follow-up or verification
 - Updated allowance calculation with latest tariffed rates, system costs, and load shapes
 - Established route for district staff to escalate projects that don't easily fit the allowance calculation process
 - Begin to utilize contracts for loads over 1 MW
 - Created training material to ensure consistent process application

Electric Service Data Form

Electric Service Data Form - Commercial or Industrial Form ID: 18

Project Information

Application Date: 11/29/2018 Requested In-Service Date: 11/29/2018

Member Name: AutoZone

Member Address: Liberty Hill

Member Phone #: Member Email:

Business Type: Outdoor Advertising

Project Name: Autozone Test Life of Project: 1

Service/Project Address: 111 north Hwy 29

General Contractor Name:

General Contractor Phone #: General Contractor Email:

Engineer Name: Tessa

Engineer Phone #: 555-5555 Engineer Email: go@gogo.com

Signed By:

Document Link:

Received Date: In-Service Date:

District: Feeder:

Account Number: PriKey:

Transformer Size: KYA Meter Number:

PEC Designer Name:

UC Updated Date: UC Updated By:

Calculated Job cost: 50000 Work Order Number:

Total Project Cost		Coop's Investment		Customer's Contribution	
Direct Job Cost	50,000.00	Annual Revenue	6,320.29	Total Project Cost	53,743.23
System Cost	3,743.23	Return Factor	1.1195	Coop's Investment	5,645.64
Total Project Cost	53,743.23	Coop's Investment	5,645.64	Customer Contribution	48,097.59



Next Steps and Recommendations

- Improvements to the Commercial process:

December 2018

- Finalized process manual and training documents
- Tested online service form and database

January 2019

- Present updated process to working groups for final review and feedback
- Train staff that will be using tool on new process

February 2019

- Go Live with new tool and process

- Complete Rate Study in 2019

- Review amount of allowable investment for both single-family residences and multi-family units
- Review of fees, including consideration of costs for redesigns and upgrades