



# Rate Policy

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# Rate Policy

- The existing Rate Policy was last revised on July 2011.
- Features of the new Rate Policy:
  - Formatted to be consistent with majority of Board policies
  - Expanded to include more detail and clearly assign responsibilities around the rate design, rate making and rate recovery processes; and
  - Outlines procedures for monitoring rate recovery and making rate changes

**Rate Policy**  
PEDERNALES ELECTRIC COOPERATIVE, INC.

**1. Purpose:**  
1.1. Pedernales Electric Cooperative, Inc. ("PEC" or "Cooperative"), in its mission is committed to provide safe, reliable and low-cost energy solutions for the benefit of our members. The Tariff and Business Rules for Electric Service ("Tariff") as approved by the Cooperative's Board of Directors ("Board") details the Cooperative's Rates. The purpose of the Rate Policy ("Policy") is to provide guidance and structure for the design and management of the Cooperative's Rates.

**2. Scope:**  
2.1. This Policy governs the design process of the Cooperative's Rates.  
2.2. This Policy governs the planning, management, reporting, and oversight of the processes to manage the Cooperative's Rates.  
2.3. This Policy governs the interactions with the annual business planning cycle and the enterprise risk management process.

**3. Definitions:**  
The definitions below are commonly utilized by power industry professionals. The definitions are meant to clarify this Policy and may not align with other uses of the terms.  
3.1. **Cost of Service Study** – a study that identifies all costs associated with providing service to a member and/or member class.  
3.2. **Price Signals** – information conveyed to members through the establishment or adjustment of member Rates, which provides transparency to the member regarding the Cooperative's cost to serve or provide services.  
3.3. **Rate(s)** – any compensation, tariff, charge, fare, rental, or classification that is directly or indirectly demanded, observed, charged, or collected by the Cooperative for any service, product, or commodity and any rule, practice, or contract affecting the compensation, tariff, charge, fare, toll, rental, or classification.  
3.4. **Rate Plan** – a Board approved plan that is updated annually and defines how the Cooperative anticipates recovering its costs.

**4. Policy Statement and Implementation:**  
The Rate design process will be guided by the following objectives:  
**4.1. Defined Objectives**  
4.1.1. **Equitable Rates** – Costs will be allocated to members in a just and reasonable, equitable, non-discriminatory manner as supported by the Cost of Service Study.  
4.1.2. **Accurate Price Signals** – Rates will strive to send accurate Price Signals to members, as metering infrastructure and billing software allows.  
4.1.3. **Stability** – Rates will be designed to recover the Cooperative's costs, while limiting the impact of short term cost increases and decreases to member's rates.

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# Rate Policy

New language addressing the following:

- Policy objectives
  - Accurate price signals
  - Rate stability
- Procedural requirements
  - Annual Rate Plan aligned with the budget cycle
  - A Cost of Service Study every three (3) years; and
  - Establishes a Rates Committee tasked with monitoring and bringing recommendations to the Board



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