



Legislation Details (With Text)

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Title: Draft Resolution - Approval to Amend Tariff and Business Rules - 2020 Rate Plan - N Mack | D Thompson

Sponsors:

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Attachments: 1. 2020-01-17 - Current PEC Tariff-and-Business-Rules, 2. 2020-01-17 Draft Tariff and Business Rules - N Mack and D Thompson v2, 3. 2020-01-17 Tariff Amendments and Restructure Presentation - N Mack and D Thompson v2, 4. 2020-01-17 Tariff Restructure Mapping Document - N Mack and D Thompson v2

Date	Ver.	Action By	Action	Result
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Draft Resolution - Approval to Amend Tariff and Business Rules - 2020 Rate Plan - N Mack | D Thompson

Submitted By: Robyn Miller on behalf of David Thompson

Department: Markets

Financial Impact and Cost/Benefit Considerations:

Reduction of Cooperative revenue from rates is anticipated to be reduced by a total of approximately \$5M per year; expenditures of staff time not anticipated to be impacted. The anticipated reduction in revenue from rates breaks down as follows:

- The Cooperative anticipates absorbing the current Water Well rate schedule into the Residential rate schedule to yield no significant fiscal impact.
- The Cooperative anticipates removal of the Power Cost Adjustment component (PCA) within the Power Cost Recovery (PCR) to have a neutral fiscal impact.
- The Cooperative anticipates the lowering of the Base Power Charge will reduce Members' bills in the aggregate by approximately \$5M per year and will reduce the Cooperative's revenues collected from rates by \$5M per year.

On December 13th 2019 the Board approved its 2020 Rate Plan which included adjustments or deletions of the following rates included in the Tariff and Business Rules (the "Tariff") of the Cooperative. These changes are proposed to become effective June 1, 2020 to allow for proper notice to Members and ensure transparency in implementation of these changes. These amendments to the Tariff are found in the orange boxes located within the text of the proposed draft Tariff in Section 500: Rates as detailed below:

- Section 500.2.1.5: Water Well
- Section 500.1.5: Power Cost Adjustment (PCA)
- Section 500.1.4: Base Power Charge

The **Water Well** rate schedule (current Tariff Section 100.2) became effective in February 2005. The rate was

designed for small scale agricultural purposes and was originally charged based on connected horsepower. Currently, the Water Well rate schedule is charged based on energy usage (kWh), similar to the residential rates, and members on this rate are assessed a service availability charge of \$19.50 per month. The 2017 Cost of Service Study reflected that the Water Well rate schedule's service availability charges should be at least the same amount as the residential rates of the Cooperative. To ensure adequate cost recovery, send accurate price signals, and simplify the rate offerings, the Water Well rate schedule is proposed to be removed. Approximately 1,949 members are on this rate schedule; members on this schedule would be transferred to one of the residential or non-residential rate options. Residential rate options include the ability to reduce the service availability charge from \$22.50 to as low as \$20.00 with the Esaver billing option.

The **Power Cost Adjustment (PCA)** (currently within Tariff Section 100.13 Power Cost Recovery) was approved by the Board following the 2009 Cost of Service Study. PCAs or power supply adjustments are generally used in the energy industry to adjust the rates to account for changes to reflect the current price of fuel and projected power purchases, and do not usually require any additional Board authorization to implement. PEC has attempted to limit its adjustments to all Rates, including the PCA, to provide rate stability to its Members. The PCA was last adjusted in August, 2016. The current PCA is calculated by a formula and equates to $-\$.014000$ per kWh. Removing the PCA simplifies a Member's billing while remaining transparent as to power costs through the Base Power Charge.

The **Base Power Charge** (current Tariff Section 100.13 Power Cost Recovery (PCR)) is used by the Cooperative to recover the Cooperative's actual cost of power purchased for the membership and other costs incurred in connection with the development and management of the Cooperative's power supply. The Cooperative has experienced a reduction to its cost of power and anticipates this reduction to continue forward, placing cost of power reserves in a strong financial position. As a result, a rate reduction is proposed to the Base Power Charge of $\$0.00075/\text{kWh}$ for Flat Base Power Charge for secondary service and a corresponding change to Time-of-Use and primary service.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Cooperative approves the amendments to the Tariff and Business Rules as attached and presented this day with such changes, if any, as were approved by the Board to become effective on June 1, 2020, as specified in the Tariff and Business Rules; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designee, is authorized to take all such actions as needed to implement this resolution.