



## Legislation Text

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### **Draft Resolution - Approval of Rate Policy - D Thompson**

**Submitted By:** Robyn Miller on behalf of David Thompson

**Department:** Markets

**Financial Impact and Cost/Benefit Considerations:** None

The PEC Board of Directors previously approved a Rate Policy in July 2011. The PEC Board of Directors has exclusive jurisdiction to set all terms of access, conditions, and rates applicable to the services provided by the Cooperative other than as provided by Texas state law. The federal Public Utility Regulatory Policies Act of 1978 (PURPA) as amended in 2005 and in 2007 also dictates that nonregulated entities, which includes PEC, consider and determine whether to implement ratemaking standards as described in PURPA (16 USC Section 2621) including:

- (1) Cost of service;
- (2) Declining block rates;
- (3) Time-of-day rates;
- (4) Seasonal rates;
- (5) Interruptible rates;
- (6) Load management techniques;
- (7) Integrated resource planning;
- (8) Investment in conservation and demand management;
- (9) Energy efficiency investment in power generation and supply;
- (10) Consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers; and assurance of adequate fuel supplies.

#### 2005 amendments:

- (11) Net metering;
- (12) Fuel sources;
- (13) Fossil fuel generation efficiency;
- (14) Time-based metering and communications;
- (15) Interconnection

#### 2007 amendments:

- (16) Integrated resource planning
- (17) Rate design modifications to promote energy efficiency investments;
- (18) Consideration of smart grid investments; and
- (19) Smart grid information.

PEC adopted various Board resolutions in 2007, 2008 and 2009 as to requirements found within Section 2621 of PURPA.

In July 2007, the Board considered certain PURPA standards and determined PEC would not adopt PURPA standards pertaining to the following: 1) Net Metering Standard, 2) Fuel Sources Standard, 3) Fossil Fuel Generation Technology Standard, 4) Time-Based Metering and Communications Standard, and 5) the Interconnection Standard.

In October 2008, the Board required a public hearing to consider and determine whether to implement additional ratemaking standards addressing energy efficiency, integrated resource planning, rate design modifications to promote energy efficiency investments, consideration of smart grid investments, and access to smart grid information.

In March 2009, the Board adopted modified PURPA standards as to: 1) integrating energy efficiency resources into resource planning and making cost-effective energy efficiency a priority resource; 2) modifying rate designs to promote energy efficiency investments; 3) assessing investments in smart grid technologies before investing in non-advanced technologies; and 4) making smart grid information available to members.

Although the Cooperative adopted its Rate Policy in 2011, which included reference to the following concepts found in the PURPA standards: 1) cost of service requirements, 2) load management techniques, 3) investment in conservation and demand planning, 4) energy efficiency investment in power generation and supply and in 2010 the Cooperative referenced in its Resource Planning Policy the following concepts found in the PURPA standards: 1) Integrated resource planning and 2) consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies, the Cooperative never formally declared its positions on the following PURPA standards:

- (1) Cost of service;
- (2) Declining block rates;
- (3) Time-of-day rates;
- (4) Seasonal rates;
- (5) Interruptible rates;
- (6) Load management techniques;
- (7) Integrated resource planning;
- (8) Investment in conservation and demand management;
- (9) Energy efficiency investment in power generation and supply; and
- (10) Consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies.

Cooperative staff has performed cost of service studies and publicly reported its findings for test years 2007, 2015 and 2017 during which the aforementioned PURPA rate standards were evaluated as possible rate recovery options.

Additionally, the Cooperative held numerous open Board Meetings and Member Forums events throughout the

Cooperative's service territory to gather member feedback related to rate preferences, rate options, and the cost of service study process and their findings.

October 20th, 2008 - Member Forum Event

March 2009 - Open Board Meeting

April 6<sup>th</sup> and 16<sup>th</sup>, 2009 - Member Forum Events

May 11, 2009 - Member Forum Event

February 2015 - Membership survey and Member Forum Events in Kyle, Junction, Cedar Park, and Johnson City.

In addition to Member Forum Events, the Cooperative provides members the opportunity to express their views in person at open meetings held each month. Furthermore, members are encouraged to submit comments on all rate related matters to staff or the Board of Directors.

**NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** the Cooperative acknowledges that it has considered all components of PURPA (16 USC Section 2621), as amended;

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative previously considered and adopted resolutions in 2007 and in 2009 as to PURPA standards 16 USC Section 2621(d)(11), (d)(12), (d)(13), (d)(14), (d)(15), (d)(16), (d)(17), (d)(18) and (d)(19);

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, after provision of notice and consideration at an open meeting, consistent with the requirements of 16 USC Section 2621, 2622, and 2631, based on findings from cost of service analysis, the Cooperative has considered and determined it is appropriate to implement or not implement the following PURPA standards:

- The Cooperative has considered and determined it is appropriate to implement the **cost of service** standard established in PURPA 16 USC Section 2621 (d) (1) as it is in alignment with the Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative has considered and determined it is appropriate not to implement the **declining block rates** standard established in PURPA 16 USC Section 2621 (d) (2) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative has considered and determined it is appropriate to implement the **time of day rates** standard established in PURPA 16 USC Section 2621 (d) (3) as it is in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery. The Cooperative implemented Time of Use Rates in February of 2018.
- The Cooperative has considered and determined it is appropriate to implement the **seasonal rates** standard established in PURPA 16 USC Section 2621 (d) (4) as it is in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery. Seasonal Rates were implemented through the Time of Use Rates; The Cooperative implemented Time of Use Rates in February of 2018.
- The Cooperative has considered and determined it is appropriate not to implement the **interruptible rates** standard established in PURPA 16 USC Section 2621 (d) (5) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative has considered and determined it is appropriate not to implement the **load**

**management techniques** standard established in PURPA 16 USC Section 2621 (d) (6) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.

- The Cooperative has considered and determined it is appropriate not to implement the **integrated resource planning** standard established in PURPA 16 USC Section 2621 (d) (7) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative has considered and determined it is appropriate not to implement the **investment in conservation and demand management** standard established in PURPA 16 USC Section 2621 (d) (8) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative has considered and determined it is appropriate not to implement the **energy efficiency investment in power generation and supply** standard established in PURPA 16 USC Section 2621 (d) (9) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative has considered and determined it is appropriate not to implement the **consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies** standard established in PURPA 16 USC Section 2621 (d) (10) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.

**NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative authorizes the adoption of the attached Rate Policy which supersedes such policies as referred to therein; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, the Cooperative reserves the right to re-consider the adoption and implementation of any of these federal standards if it deems it beneficial and in alignment with the Cooperative's objectives, its Rate Policy or any other Board-approved Policy; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the CEO, or designee, is authorized to take all such other actions necessary to implement this resolution.