



2026 Rate Plan

Randy Kruger | Chief Financial Officer

Rob Strobel | Director of Power Supply and Delivery

Wes Symank | Rates Manager

Background

- PEC is committed to providing low cost, reliable, and safe energy for our Members.
- PEC sets rates in accordance with its rate policy
- In accordance with PEC's rate policy, rate changes are presented to the Board annually in a Rate Plan, consistent and in alignment with the annual budget cycle.
- Today's presentation will summarize recommendations for the 2026 Rate Plan.

2026 Rate Updates for Consideration

Rate Items

Rates Recommendations

Next Steps

Annually Adjusted Rates

Base Power Charge,
Sustainable Power Credit

Adjust Base Power Charge and Sustainable
Power Credit, effective March 1st 2026

Nov Board meeting:
Tariff Resolution
(Bundled with Rate Plan)

Rate Evaluation Items (Continued from Last Year's Rate Plan)

Under-recovery from large power
with oversized DG

Peak Demand Charge → Peak Capacity Charge
"Maximum of Peak Demand or Peak
Delivered Energy"

Nov Board meeting:
Tariff Resolution
(Bundled with Rate Plan)

TOU Schedule and Rates,
TOU Residential Interconnect

Replace existing TOU rate schedules and
adjust Tariff, enabling an alternative to the
Sustainable Power Credit

Nov Board meeting:
Tariff Resolution
(Bundled with Rate Plan)

Annually Adjusted Rates

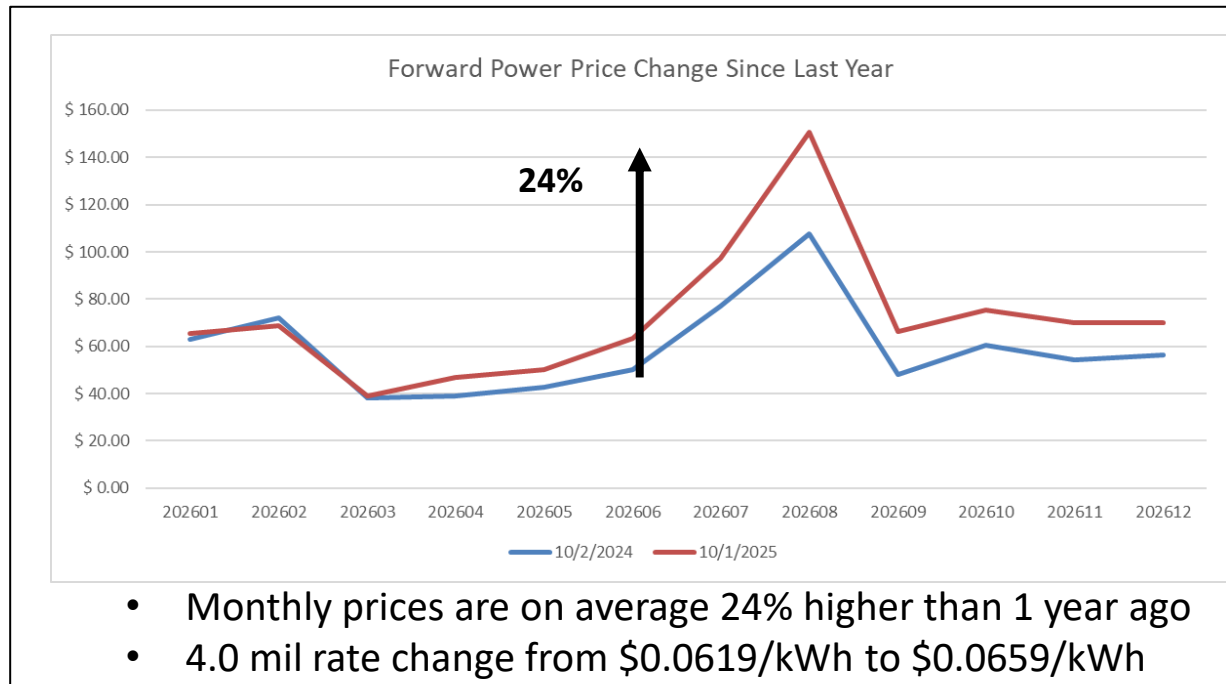
Base Power Charge

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 budgeted volumes.

(budgeted power costs ± previous under or over recoveries) / budgeted volumes = new rate

Monthly Power Costs 2026



Sustainable Power Credit Adjustment

- Sustainable Power Credit adjusts annually and is calculated from the three-year average avoided costs of energy, ancillary services, and transmission.
- Members with an approved interconnection agreement for distributed generation (DG) less than 50 kW receive the credit for surplus generation delivered to PEC's distribution system.

Item	2021	2022	2023	2024	3-Year Average 2021-2023	3-Year Average 2022-2024
Avoided Energy Costs	\$ 68.85	\$ 129.41	\$ 97.66	\$ 43.00	\$ 98.64	\$ 90.02
Avoided Ancillary Services Costs	14.51	5.51	6.30	1.11	\$ 8.77	\$ 4.31
Avoided Transmission Costs	23.08	21.35	21.36	11.88	\$ 21.93	\$ 18.20
Avoided Capacity or Demand Costs	-	-	-	-	-	-
Avoided Distribution Costs	-	-	-	-	-	-
Avoided Regulatory Costs	-	-	-	-	-	-
Value of Distributed Generation	\$ 106.44	\$ 156.27	\$ 125.32	\$ 56.00	\$ 129.34	\$ 112.53
Sustainable Power Credit (\$/kWh)					\$ 0.082666	\$ 0.071921

Recommend decreasing the credit from \$0.082666 to \$0.071921 per kWh based on three-year average

Rate Evaluation Items

Peak Capacity Charge

Background

- Certain Large Power members which have oversized solar systems are not being allocated their full portion of cost for use of the distribution system because the peak received energy exceeds peak delivered energy.
- Recommend changing the tariff for the Peak Demand Charge, renaming this the Peak Capacity Charge, which is the greater of either energy delivered, or energy received, regardless of time-of-use periods.
- With this adjustment, PEC will recover more than \$50,000 per year in aggregate rate recovery shortfall based on existing installed wholesale interconnections.

Recommendation

- It is proposed to implement a Peak Capacity Charge, replacing the current Peak Demand Charge.

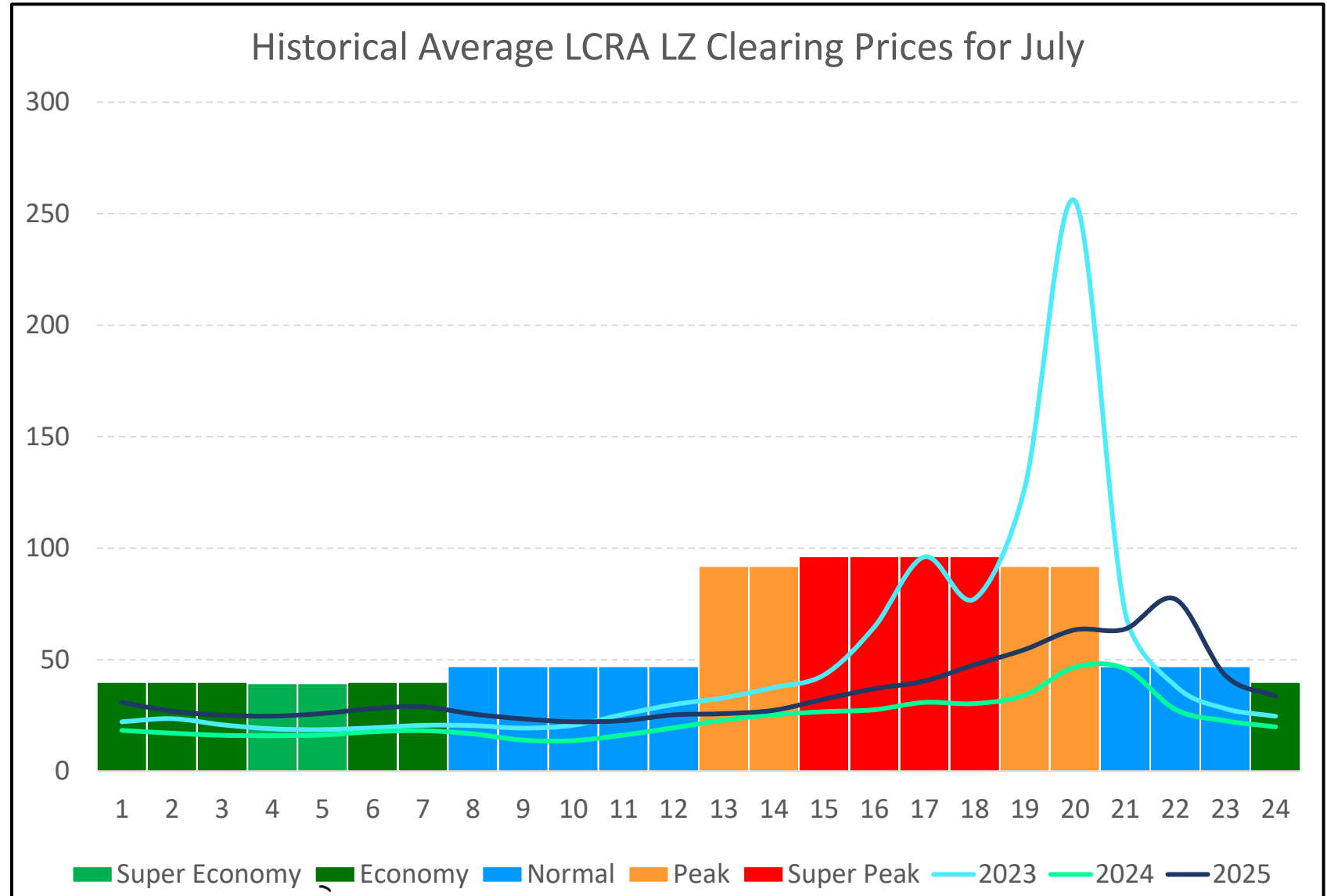
Current TOU Schedule No Longer Matches Market Pricing

Divergence between PEC's TOU price schedule has emerged over time.

- Market pricing has shifted much later in the day.
- Scarcity no longer aligns with periods of highest demand.

Benchmarking of other utilities highlights three main differences:

1. Others utilize fewer price buckets (typically two: Peak/Off-Peak)
2. Peak summer hours are generally spanning 5-9 PM.
3. Peak prices are much higher than PEC's current schedule—typically ranging from the low teens to over 30¢.

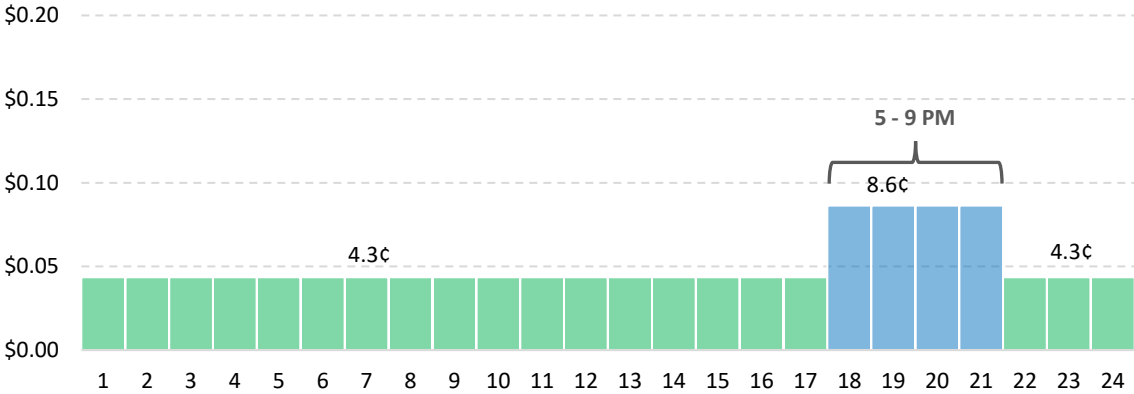


Proposed TOU Rate Build Up

- Summertime pricing schedules incorporate both Peak, and Mid-Peak pricing.
- Shoulder and Winter months would utilize Off-Peak pricing, along with Mid-Peak pricing.

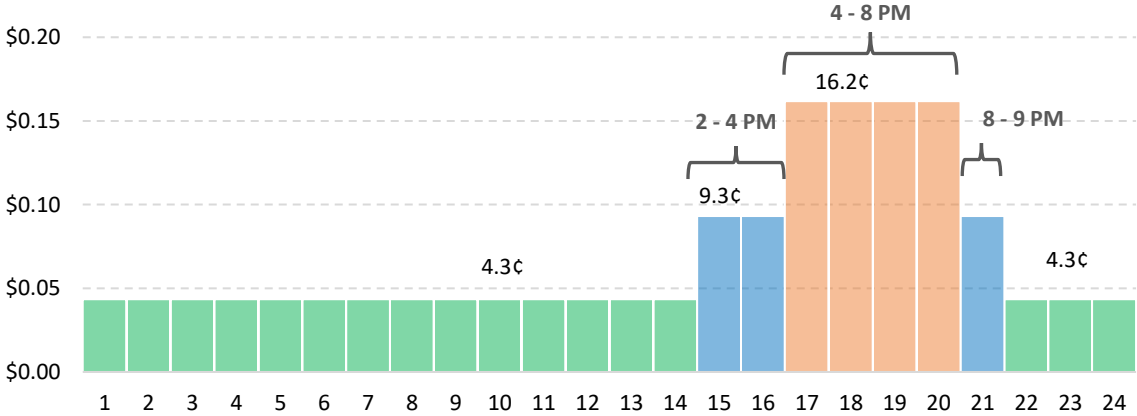
Shoulder

Off-Peak Mid-Peak



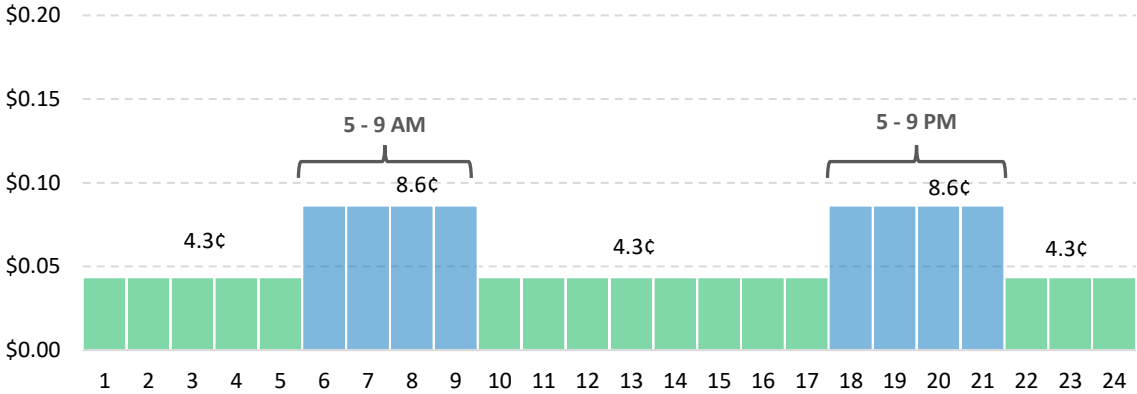
Summer

Off-Peak Mid-Peak Peak



Winter

Off-Peak Mid-Peak



Time-of-Use Base Power Charge

Current

Season	Time of Use Period		Current Charge per kWh
Non-Summer (Jan. – May and Oct. – Dec.)	Super Economy	2:01 AM – 4:00 AM	\$0.044895
	Economy	11:01 PM – 2:00 AM 4:01 AM – 5:00 AM	\$0.046671
	Normal	8:01 AM – 4:00 PM 7:01 PM – 11:00 PM	\$0.052527
	Peak	5:01 AM – 8:00 AM 4:01 PM – 7:00 PM	\$0.061350
Summer (Jun. – Sep.)	Super Economy	3:01 AM – 5:00 AM	\$0.038387
	Economy	11:01 PM – 3:00 AM 5:01 AM – 7:00 AM	\$0.039905
	Normal	7:01 AM – 12:00 PM 8:01 PM – 11:00 PM	\$0.047026
	Peak	12:01 PM – 2:00 PM 6:01 PM – 8:00 PM	\$0.091961
	Super Peak	2:01 PM – 6:00 PM	\$0.096305

Proposed

Season	Time of Use Period		Proposed Charge per kWh
Summer (Jun-Sep)	Off-Peak	12:01 AM - 2:00 PM; 9:01 PM - 12:00 AM	\$0.043481
	Mid-Peak	2:01 PM - 4:00 PM; 8:01 PM - 9:00 PM	\$0.093169
	Peak	4:01 PM - 8:00 PM	\$0.161843
Shoulder (All Other Mo's.)	Off-Peak	12:01 AM - 5:00 PM; 9:01 PM - 12:00 AM	\$0.043481
	Mid-Peak	5:01 PM - 9:00 PM	\$0.086442
Winter (Dec-Feb)	Off-Peak	12:01 AM - 5:00 AM; 9:01 AM - 5:00 PM; 9:01 PM - 12:00 AM	\$0.043481
	Mid-Peak	5:01 AM - 9:00 AM; 5:01 PM - 9:00 PM	\$0.086442

Time-of-Use Interconnect Rate

Background

- Technological advances have introduced new demand-side resources and non-weather-sensitive demand to the residential and small commercial segments. We now have various examples of demand that can be time shifted.
 - Battery energy storage systems
 - Electric vehicle charging
 - Smart thermostats and other home energy management technologies
- As these demand-side resources have become more predominant, new rate offerings are necessary to enable member participation. With the Time-of-Use (TOU) Interconnect Rate, we aim to provide an accurate price signal that our members can respond to.

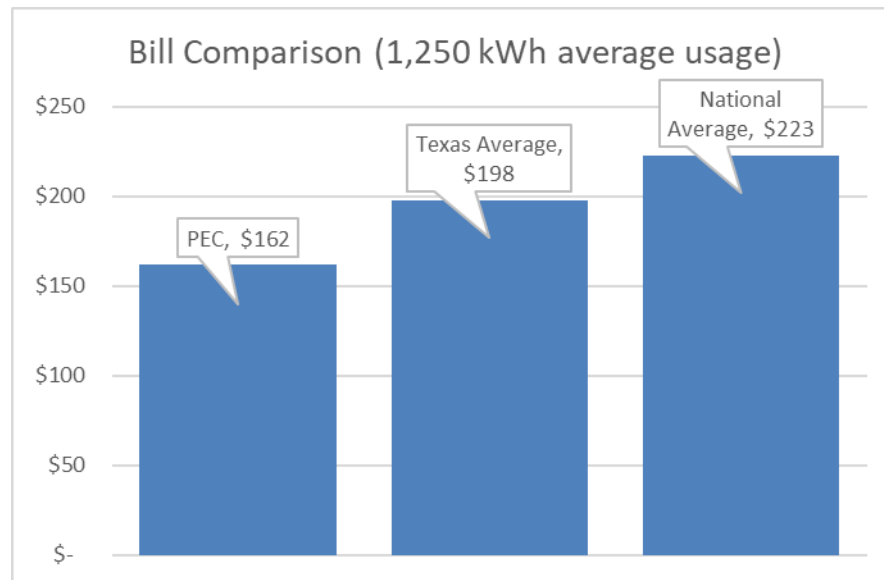
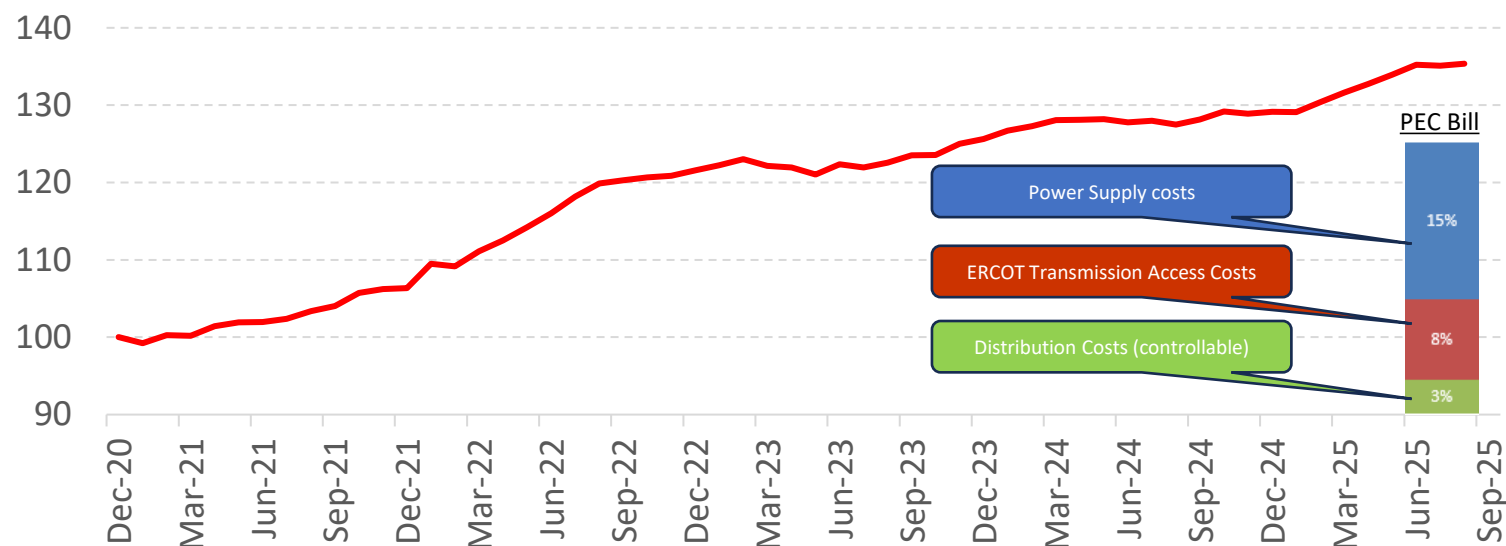
Recommendation

- Make the TOU rate available to members with distributed generation (TOU Interconnect Rate).
 - Distributed generation produced by members on the TOU Interconnect Rate will be credited at the same rate as for energy consumed.
 - Credits offset the cost of energy consumed on the TOU Base Power Charge.
 - Excess credits will roll over from month to month through the end of each calendar year.
 - Members with distributed generation will have the option to choose the TOU rate or the Sustainable Power Credit

Summary Impacts of Proposed Rate Changes

Electricity Bill Trends

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



- Electricity CPI has been on a constant upward trajectory nationally since 2021, growing 35%
- Over the same period, the component of PEC's bill designed to recover distribution costs only increased by 3%. This mitigated larger increases to less controllable power and transmission costs and kept the growth in PEC's overall bill to 26%
- PEC Rates are competitive nationally, in Texas and among surrounding utilities where PEC is in the lowest quartile

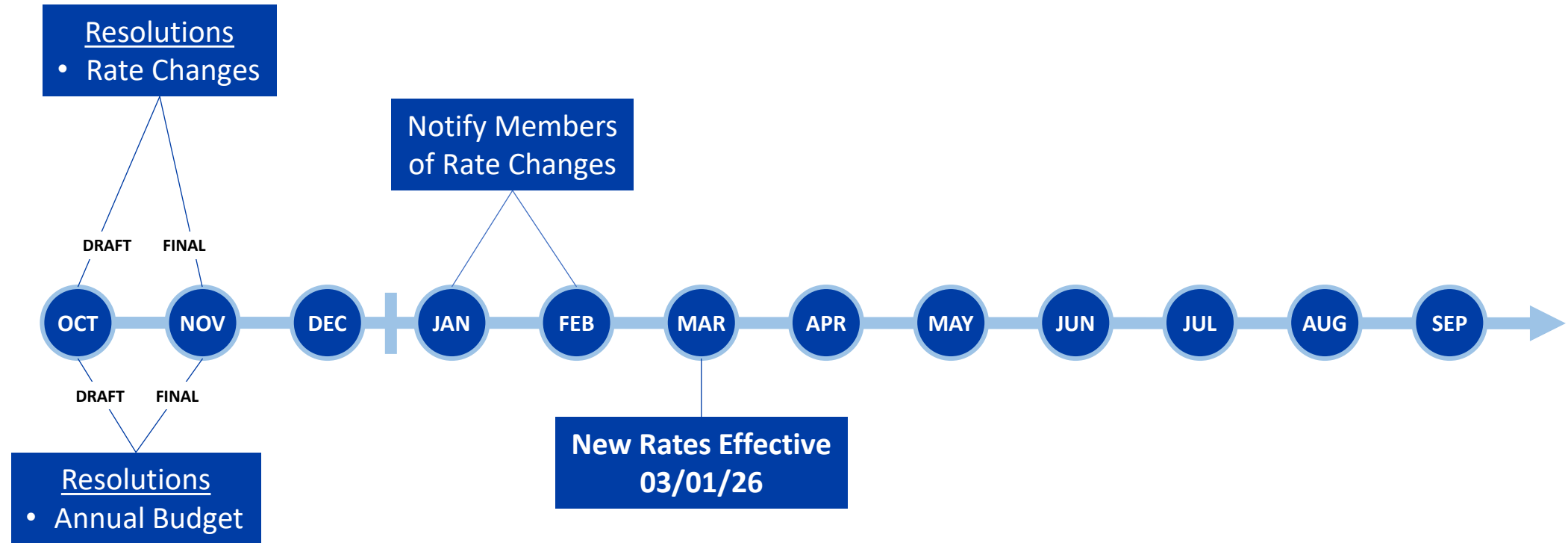
Bill Impact of Base Rate Change

Charges	Current	Proposed	Difference	Monthly Bill Impact**
Base Power Charge	\$0.061900	\$0.065900	\$0.004000	\$5.00

- Increase of \$5.00/month, or 3.2% of a typical residential member's monthly bill.

Prospective Timelines

Timeline for Resolutions



Helpful Links and Contact Information

- Rate Policy: <https://mypec.com/document-center/>
- All rate related questions - Rateinquiry@peci.com



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