



## PEC's New Solar Interconnection Rate Benefits All Members Through Equitable Costs and a Simple Rate

**Simple:** PEC's new SOLAR interconnection rate will continue to provide financial incentives for members who prefer to go solar without requiring non-solar members to subsidize it.

**Sustainable:** This new solar interconnection rate will continue to provide solar members with a higher financial incentive than provided by most other co-ops across the state.

**Fair:** The new solar interconnection rate furthers PEC's mission of providing reliable, low-cost power to all members.

Plus, PEC's generation portfolio of renewable energy (solar, wind, and hydro) continues to be one of the largest of any electric cooperative in the nation.

### Frequently Asked Questions:

**Why was the independent "Value of Solar Study" commissioned by the PEC Board of Directors? What was its key finding?**

PEC's current solar interconnection rates for members were approved in 2016. Since then, advancements to our metering and billing software systems have enabled us to more accurately measure the direct cost of serving solar members. With this new data available, PEC's Board of Directors commissioned an independent "Value of Solar Study" to determine the benefits and costs gained by the cooperative from members with solar installations. These calculations revealed that the cooperative has not been recovering the full cost incurred for serving solar interconnect members and this has resulted in non-solar members subsidizing solar generation members. This subsidy currently stands at \$1.3 million for the past year. Furthermore, as new solar installations are added to the system, this cost to all members will grow larger. By triuing-up the solar interconnection rate, PEC can remain true to both its mission as a nonprofit cooperative to provide low-cost energy to all members and to its commitment to sustaining a solar interconnection program for members.

### Is the “Value of Solar Study” available to the public?

Both the “Value of Solar Study” (by GDS Associates, Inc.) and the economic analysis which verified its accuracy (by The Perryman Group) can be found at <https://www.pec.coop/about-us/your-cooperative/document-center/>.

### Will PEC’s solar members continue to be compensated for their generated power that flows back into the PEC system?

Members who generate power that flows back onto the PEC distribution system will receive a “Sustainable Power Credit” of \$0.053770 per kWh, which is a greater reimbursement credit than offered by most other electric cooperatives across the state. This rate is designed to pay solar members for their excess power at the market value of power plus any system benefit. Additionally, all electricity that a member produces and consumes behind the meter (power that can be used on-site without passing through a meter) will continue to be treated as an offset to the cost of power purchased from PEC.

### How is the Sustainable Power Credit determined?

The credit for excess energy produced by solar interconnect members below 50 kW, also called the Sustainable Power Credit, of \$0.053770 per kWh, is determined by quantifying the three-year average of direct cost benefits from wholesale energy purchases, transmission access charges, and ancillary service costs incurred by PEC. All other costs incurred by PEC were reviewed to determine whether members’ solar systems allowed PEC to avoid or lower such direct costs. The chart below demonstrates the values for direct costs as determined in the Value of Solar Study:

| Item                                   | 2018         | 2019         | 2020         | 3-Year Average |
|--|--------------|--------------|--------------|----------------|
| Avoided Energy Costs                   | 3.636        | 5.678        | 2.636        | 3.983          |
| Avoided Capacity or Demand Costs       | 0.000        | 0.000        | 0.000        | 0.000          |
| Avoided Transmission Costs             | 1.160        | 1.160        | 1.251        | 1.191          |
| Avoided Ancillary Services Costs       | 0.159        | 0.343        | 0.106        | 0.203          |
| Avoided Distribution Costs             | 0.000        | 0.000        | 0.000        | 0.000          |
| Avoided Regulatory Costs               | 0.000        | 0.000        | 0.000        | 0.000          |
| <b>Value of Distributed Generation</b> | <b>4.956</b> | <b>7.181</b> | <b>3.993</b> | <b>5.377</b>   |

### Do PEC member-owned solar systems reduce operational costs for PEC?

The “Value of Solar Study” shows that a member-owned solar system provides some decrease in costs for transmission access charges during the summer, but solar systems do not reduce the direct costs incurred by PEC for investment, operations, and maintenance of the distribution system. Please see sections 4.7 and 4.8 of the “Value of Solar Study.” As a nonprofit electric distribution cooperative, direct costs are important because they must and can only be recovered from the cooperative’s members through fair, reasonable, and equitable rates.

### How many PEC members have solar installations and what percentage of the membership do they represent?

Currently, there are over 6,000 members with DG installations, who represent **1.7%** of the total number of PEC members.

### **Is PEC committed to solar and renewable energy?**

PEC's record of utilizing solar and renewable energy is strong. In addition to our member solar interconnection program, PEC also offers a cooperative community solar program allowing non-solar generating members the option to use power generated only from solar sources. PEC also has a renewable rider, allowing members to choose power generated from only renewable resources. More information on these and other programs can be found at <https://www.pec.coop/your-service/pec-cares/>.

### **What renewable energy does PEC have in its portfolio?**

PEC has invested in 15 MW of cooperative community **solar generated** inside our service territory. All 15 MW are available to members through the Community Solar Program. PEC also has three contracts for wholesale **wind generation** with 100 MW currently online, and another 100 MW set to come online next year. In addition, the cooperative has a financial interest in about half of the available Lower Colorado River Authority (LCRA) generation fleet, which includes 280 MW of **hydroelectric power**, and two LCRA wholesale solar farm contracts totaling 151 MW.

### **Why is "grandfathering" the current solar rate and continuing the subsidy unsustainable?**

PEC's rates are cost-based and informed by cost-of-service studies that are performed every three years. All PEC rates are subject to change based on the updated studies when the study reflects changing costs. If a study highlights an inequity, we try to remediate it as quickly as possible. The approach in adjusting the solar rate is consistent with other recent rate adjustments, like the Water Well Rate, and the College Discount Rider.

### **When will the new solar interconnection rate take effect?**

The new rate is effective **March 1, 2022**.