

RATE POLICY
PEDERNALES ELECTRIC COOPERATIVE, INC.
Board Adopted: July 18, 2011

PURPOSE:

To set forth policy relating to the development and implementation of electric rates that matches the strategic objectives of the Pedernales Electric Cooperative, Inc.

POLICY:

1. Commitment to Rate Design

- a. It is the policy of the Board of Directors of Pedernales Electric Cooperative to develop electric rates that allow the Cooperative to provide low-cost energy services that are reliable, cost based, considerate of the environment and maintain the Cooperative's financial strength.

2. Basic Fundamentals

- a. The Cooperative will prepare revenue requirements and cost-of-service studies as required to have information needed to develop rates.
- b. Rates will be developed and implemented that:
 - i. Allocate cost across rate classes in an equitable manner
 - ii. Minimize subsidies between classes. (Exceptions may occur due to a specific strategic initiative such as providing a low-income rate.)
 - iii. Phase out subsidies within a class
 - iv. Generate margins adequate to meet annual lender requirements and long-term financial objectives as per the Cooperative's equity management plan
 - v. Coordinate local distribution rates with the rates of the Cooperative's power suppliers

3. Environmental Commitment

- a. Develop and implement rates that encourage energy conservation and efficiency
- b. Promote the use of renewable resources
- c. Develop effective demand-side management programs

4. Technology

- a. Invest in technologies that:
 - i. Allow the Cooperative to communicate to members the Cooperative's current cost of energy
 - ii. Implement demand-side management programs
 - iii. Enhance member service and reliability

5. Monitoring

Management should be held accountable for implementing rates as approved by the Board of Directors and routinely report to the Board as to the need to adjust rates to account for changes in cost of strategic initiatives.