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High Valley Water Supply Corp.
 8709 High Valley Road
 Austin, Texas 78737-1458-09

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 By Certified Mail
 No: 7020 1290 0000 5863 9284

CRITICAL NOTICE REGARDING SENATE BILL 3 AND CRITICAL LOAD DESIGNATIONS

You are receiving this letter as an identified Water Utility registered with the Public Utility Commission of Texas (PUCT) within the counties served by Pedernales Electric Cooperative, Inc. (PEC or Cooperative).

PEC is committed to its Core Value of Service, and provides the following information to affected water utilities resulting from Senate Bill 3 and changes to Texas Water Code (TWC) Section 13.1394, passed during the 2021 Legislative Session.

PEC understands that affected water utilities must now prepare and implement an Emergency Preparedness Plan (EPP) to provide water during an extended power outage greater than 24 hours. This information is provided in order to help affected water utilities understand the services PEC is able to provide to its members, as well as an explanation of possible service limitations.

CRITICAL INFORMATION FOR WATER UTILITIES

PEC DOES NOT GUARANTEE UNINTERRUPTED SERVICE

PEC does not guarantee an uninterrupted, regular, or continuous power supply. Section 300.9.6 of PEC's Tariff and Business Rules for Electric Service (Tariff) addresses Continuity of Service, and if continuous service is required, the Member must install the necessary equipment. (See: https://www.pec.coop/wp-content/uploads/tariff/Tariff_and_Business_Rules.pdf)

CRITICAL LOAD DESIGNATION

PEC classifies its nonresidential locations into three categories for its Critical Load Program:

1. Public Safety – Critical water and wastewater facilities are within this category
2. Industrial
3. Natural gas infrastructure

Locations registered in PEC's Critical Load Program are not exempt from planned or unplanned service interruptions or ERCOT-directed load shed activities. When planned outages or service interruptions for nonpayment are scheduled, the Cooperative will attempt to provide advance notice so preparations can be made. For unplanned outages, the Cooperative will prioritize Critical Load Program participants for restoration as much as practicable. This Program does not guarantee priority electric service restoration, and locations registered in the Program are not exempt from planned service interruptions.

1309



During ERCOT-directed load shed events, locations registered in the Critical Load Program are placed in a latter group on PEC's load shed rotation list, but will still be subject to load shed.

Additional information on PEC's Critical Load Program is available at <https://www.pec.coop/your-service/critical-load-program>. PEC's Commercial & Industrial Accounts team can answer additional questions, and may be contacted by emailing CommercialAccounts@peci.com.

PEC has received information from your entity, however, please ensure you have completed the proper forms and requirements for PEC's Critical Load Application.

NON-STANDARD FACILITIES DESIGN PROCESS & MEMBER RESPONSIBILITIES

Affected water utilities may have several options when implementing their EPP, including measures that range from obtaining various forms of back-up generation, hardening the electric transmission and distribution system serving the affected water utility, or securing dedicated electrical feeds for the affected water utility.

Section 400.9 of PEC's Tariff addresses the provision of non-standard delivery service and facilities, which include in part, but are not limited to, facilities necessary to provide dual feed, automatic and manual transfer switches, service through more than one Point of Delivery, redundant facilities, and non-standard facilities in excess of those normally required for service.

Members or Applicants requesting non-standard facilities will be responsible for all costs associated with the engineering, installation, maintenance, and material costs required to provide and maintain these non-standard facilities. The Cooperative reserves the right to convert or deny non-standard facilities installations if the Cooperative determines that such service may have an adverse impact on the Cooperative's Delivery System or service provided to another Member. (See: https://www.pec.coop/wp-content/uploads/tariff/Tariff_and_Business_Rules.pdf)

Member water utilities may elect to compare costs for modifications to PEC's existing facilities installed to serve the site to the other EPP options, and PEC has two options for obtaining a cost estimate for non-standard services.

1. Member water utilities may hire a PEC prequalified engineering firm to design alternative electrical configurations to serve their facilities. PEC will review those designs, and the Member is responsible for paying all of PEC's costs for that review as noted below pursuant to Tariff Sections 400.16 and 500.4.
2. PEC may prepare a high-level estimate pursuant to Tariff Sections 400.16 and 500.4, which addresses Planning Design Fees. The Planning Redesign Fee is \$500 or actual cost, whichever greater. The Member water utility must pay \$500 in advance, and will be billed for any actual costs that exceed \$500. Member will be responsible for all actual costs.



NON-STANDARD FACILITIES – LIMITATIONS DURING LOAD SHED EVENTS

While facilities such as dual feeds, automatic and manual transfer switches, service through more than one Point of Delivery, and redundant facilities are generally effective to ensure service during normal planned and unplanned outages, in emergency events, including ERCOT-directed load shed (given the uncertainty around potential severity of load shed conditions), PEC cannot guarantee the full operation and availability of installed non-standard facilities, including use of multiple different feeders.

NON-STANDARD FACILITIES ONGOING MEMBER RESPONSIBILITIES

Non-standard facilities essentially reserve capacity on PEC's systems that may otherwise be used to serve other Members. PEC reserves the right, and intends to review these non-standard facilities during future rate analysis to ensure all costs associated with such facilities are appropriately assigned through adequate ongoing rates.

Section 400.9 of PEC's Tariff states neither a Member nor an Applicant may perform service or maintenance to equipment located on the Cooperative's Delivery System. PEC will perform annual maintenance on all non-standard equipment at the sole expense of the Member. If all or any part of non-standard equipment must be replaced, the cost for replacement will be the sole responsibility of the Member. If a Member requests removal of non-standard equipment, the cost for removal will be the sole responsibility of the Member.

CONTACT INFORMATION

For additional inquiries into the information provided, you may reach out to the Cooperative's Commercial & Industrial Accounts team by emailing CommercialAccounts@peci.com or call 888-554-4732, Extension 5049.

Account 3000249812