



April 28, 2021

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FOR IMMEDIATE RELEASE

Re: City Council Passes on Portion of February Electric Cost to its Customers

Winter Storm Yuri that struck Texas during the week of February 14, 2021 was unprecedented in its strength and duration. As we all have learned or personally experienced, the electrical power grid that we depended on failed us. The Electric Reliability Council of Texas (ERCOT) electric grid endured the longest rotating outages since its inception - 70 hours throughout the duration of the storm. The week's arctic blast broke numerous historic records, and market prices for electricity reflected the severity of the event. Subfreezing temperatures in turn created extremely high system demands and energy prices that were more similar to our hottest summer days.

Due to freezing temperatures and precipitation, many transmission and distribution lines throughout the state were damaged or went out of service. I have full confidence that LCRA employees were (like City staff) working around the clock to keep units running and doing everything possible to provide power to our customers and contain the cost impacts. Fortunately, due to everyone's combined efforts, Flatonia was not subject to power or water shortages/outages during the event. However, since the number of electric generating plants, both renewable and traditional, were unable to perform as predicted, that brought the supply of electric energy well below the demand peak created by the weather, and something had to give. Two things did "give".

In order to protect the viability of the state electric grid, ERCOT initiated multiple rolling blackouts across the state to lessen energy demand. For those generating plants able to stay up and operational, fuel and distribution costs greatly increased. The value of 1 kW of energy produced and delivered on Wednesday during the storm was over 40 times greater than the value of that same power the Friday before the storm. All electric providers across the state were hit by these costs; a few did not financially survive.

Locally, the City of Flatonia's system felt this financial impact. However, through our wholesale power purchasing partnership with the Lower Colorado River Authority (LCRA), the relative financial impact to our system was held to a minimum. LCRA is both a net generator to the state power grid, producing more than its customers demand, and also owns and operates transmission assets throughout the state. Because of LCRA's ongoing commitment to operation and maintenance programs at their power plants, LCRA's assets performed well. But costs are costs and the LCRA system suffered the same high

fuel and energy costs all providers did across the state. As such, LCRA recently billed the City of Flatonia for our share of the fuel costs of energy provided to our system during this historic week. The City did not foresee this occurring.

In review of this outstanding bill, the City Council decided that there are not sufficient system reserves generated by the prior year's operating revenues. The Council took care to assess and analyze all reserves not committed to any ongoing expenses or planned projects, and due to the infrastructure needs of the City, were unable to bridge any financial gaps. In the same action, Council decided to pass these additional costs on to its customers as a per kilowatt hour surcharge over the next thirty-six (36) billing periods beginning with the April 2021 billing cycle. As a customer, the City will be paying an increased rate as well. During the specified period, the typical Flatonia household, depending on its metered use, will see a monthly bill increase between \$4.00 and \$50.00 per month through the next thirty-six (36 months) of billing cycles. Commercial accounts will be billed based upon kWh at the same rate and increases will depend upon usage (and impact by taxes). The greater the usage and demand by a particular business, the greater the increase. The City does not like passing along cost increases to customers. However, our customers need to know that this surcharge is the most equitable way to pass on our share of the storm's cost without jeopardizing our long-term ability to respond to future needs, planned or unplanned. Though the City does not know the exact financial impact of the storm on other electric providers, we do know that other consumers in the region and across the state will see far greater increases for a far greater time than our customers.

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