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## We are in this Together

**SUMMER IS IN FULL SWING** and so is the Texas heat! At Tri-County Electric Cooperative, we are focused on keeping the power flowing so you can stay cool, and providing tips and tools to help you manage your energy consumption in the most efficient way. We have more than 101 ways to save energy on our website at [tcectexas.com/energy-efficiency](http://tcectexas.com/energy-efficiency). Tips range from simple habit changes – like turning your smart thermostat to 78 degrees when you are away from home – to home-improvement options – like adding insulation to attic areas.

Beyond managing consumption, we also understand you are feeling the increase in the cost of power. There are several factors that affect the cost of power that we pass on to you from our wholesale power supplier.

Natural gas remains the predominant generating fuel used to produce power in the Electric Reliability Council of Texas (ERCOT) market. Over the past several months, we have seen substantial increases in the price of natural gas. The increases in the price of natural gas are not specific to Tri-County Electric Co-op, or Texas. In fact, these price increases are being experienced across the nation. For example, the average cost for natural gas in 2021 was \$3.89/MMBtu. Today, natural gas is trading at around \$8/MMBtu.

Additional factors such as Russia's invasion of Ukraine, halted oil production in the gulf coast, disruptions caused by the February freeze, and supply chain constraints have all affected market conditions in ERCOT. For all these reasons and others, the cost of power we purchase from Brazos Electric Power Cooperative (Brazos) has gone up over the last several months.

Tri-County Electric Co-op is a distribution cooperative, which means that we do not produce power. We are required to purchase wholesale generation and transmission services through Brazos, which generates a portion of its member-cooperative's requirements and purchases the rest through the ERCOT wholesale market. Tri-County Electric Co-op then passes the cost of wholesale generation and transmission services we receive from Brazos on to you, our member-owners, at our cost, without a mark-up. Because Tri-County Electric Co-op has not had a distribution rate increase (the portion of the rate we keep to operate and maintain the Co-op) in 20 years, the amount of base (budgeted) power costs built into our rates is not reflective of the current market. 4276002

Our average wholesale costs over the last couple of months have been in excess of 11 cents per kWh and the base power costs built in our rates is only 4.8971 cents per kWh. The Power Cost Recovery Factor, or PCRf, component of our rate structure fluctuates monthly and is in place to "true-up" base (budgeted) power costs to actual power costs. Beginning with your June billing statement, the PCRf was 7.5 cents per kWh. In sum, the base power rate plus the PCRf rate – which constitute approximately 75% of your total bill – goes directly back to Brazos. The only money that stays with Tri-County Electric Co-op to operate and maintain the business comes from the Monthly Service Charge and the remainder of the kWh charge up and above the base power rate, which is approximately 25% of a typical residential bill.

Many of you who have been following my column know that Brazos filed for bankruptcy in March of 2021 after Winter Storm Uri. This has been a very costly endeavor. We hope that Brazos is nearing a plan to emerge from bankruptcy. With that, we are also hopeful that there will be future opportunities to purchase wholesale services at a more attractive rates, and that these savings can be passed on to you, our member-owners. We will keep you updated as the situation evolves. However, always remember we know our members are struggling with high costs in all areas of their lives right now, and we are in this together. ■