



August 30, 2021

Name  
Address  
City, State Zip

Dear Member:

At PEC, we understand our members and communities have experienced many challenges throughout the last year and a half, and February’s historic winter storm was no exception. The winter storm blanketed the entire state in ice and snow, causing hardship for millions of Texas families, communities, and businesses.

PEC also incurred unexpected and significant costs during the winter storm to procure power, repair equipment and infrastructure, and restore power to the Texas Hill Country—costs which totaled approximately \$160 million.

- \$150 million—for power during the storm, which was in limited supply and at a premium cost
- \$10 million—for storm response, restoration efforts, and equipment and system repair

Prior to the storm, PEC took actions that helped bolster its already excellent financial health:

- PEC’s rating agency affirmed PEC’s favorable credit rating of AA-, allowing PEC to borrow money at low rates and save members’ money (much like a good FICO score for individuals)
- PEC also took actions to reduce existing high-cost debt and save other costs

These pre-storm actions allowed PEC to pay the exceptionally high winter storm bills using very low-interest debt. But for PEC to keep its favorable credit rating, the rating agency is requiring PEC to pay off the winter storm debt in three years. Because the credit rating is so beneficial to PEC’s long-term interest rates, maintaining it is in the members’ and the cooperative’s best interests.

To maintain its credit rating, PEC is deferring or eliminating certain capital expenditures and expenses, and will continue to do so as long as the electrical system remains reliable and safe. Unfortunately, cost-saving efforts alone cannot pay off the storm debt within three years. Therefore, PEC is implementing a **temporary** winter storm surcharge to meet repayment obligations and protect PEC’s financial health for the benefit of our membership, who will all share these costs.

### Temporary Winter Storm Surcharge

- This fee will appear as a line item on each bill labeled “*Temporary Storm Surcharge*” of \$0.007 per kWh
- **Temporary increase of approximately \$8.75 per month**, based on an average 1,250 kWh of use
- Effective date: October 1, 2021 to September 30, 2023 (24 months)

### Delivery Charge Increase

Construction costs have greatly increased over the last two years, and growth within our service area is driving up demand. Consequently, the cost of maintaining and operating our more than 23,500 miles of distribution line, which supplies power to over one million Texans, has increased. The Delivery Charge, as shown below, will include a small upward adjustment to reflect these increased costs beginning October 1, 2021.

- **Increase of approximately \$1.60 per month**, based on a residential average 1,250 kWh of use

Rate Class	Existing Charge	New Charge
Residential, Farm and Ranch	\$0.027120	\$0.028405

If you need financial assistance or know someone who does, we have programs ready to help. If you have any questions or need account assistance, please call us at 888-554-4732. Member Relations Agents are available Monday through Friday, between 8 a.m. and 6 p.m.

We sincerely appreciate your membership!  
Pedernales Electric Cooperative