

Dear Electric Utility Customer:

This past year, fuel and power costs were markedly higher due to a number of factors that affected supply and demand in the U. S. and the entire Texas electric grid. The very cold polar vortex events in January and February along with growth in electric users set new all-time high electric demands and Lower Colorado River Authority (LCRA) was forced to purchase more power than forecasted at a much higher cost than expected. The high demand caused price spikes for natural gas and power. The high demand and pricing caps raised by the Energy Reliability Council of Texas (ERCOT) that regulates the Texas Electric Grid, allowed prices to rise to levels higher than ever before and power amounts that had cost \$30 under normal conditions traded as high as \$5,000.

The City of San Marcos buys power from LCRA and pays for the power we send to our customers through a Fuel and Power Cost Recovery Factor (F&PCRF). The F&PCRF is applied as a charge per kWh on the bill and this cost of power is passed on directly to the customer.

How does this affect the customers of the San Marcos Electric Utility? As a result of the colder temperatures, higher demand, and higher prices, the average F&PCRF charge that customers paid was low compared to the actual cost of fuel and power purchased to supply the customers. This means an additional amount must be charged to cover this shortfall. LCRA recognizes the inconvenience of paying this additional amount may cause and to lessen the impact to the customer is allowing the City to collect the needed amount from all utility customers over the next 24 months. The City agrees this is the best approach and will show this additional charge in a separate line on the customer's bills starting in August. This line will be shown as **2014 F&PCRF Adjustment** and will add an additional charge of .004 per kWh to each customer's bill. The additional charge will add about \$4.00 month to the average residential customer's bill, based on actual kWh usage. Commercial and industrial users will see higher amounts based on their power usage levels.

This charge will expire at the end of the 24 month period when the shortfall has been fully collected.

Customers should remember that this charge is for power that was actually used by each customer and is reimbursing for the actual power charge with no overhead or other charges. Had each customer paid the full cost when the power was supplied, monthly bills for average residential users would have been \$20-\$40 higher in some months. LCRA has taken action to minimize the chance of this large difference occurring again in the future. **Please call 393-8383 if you have any questions or would like more information.**