



KERRVILLE PUBLIC UTILITY BOARD

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KPUB FACING SIGNIFICANT FINANCIAL IMPACT FROM WINTER STORM BUT STANDS CONFIDENT THE UTILITY WILL MAINTAIN COMPETITIVE RATES

February 21, 2021— This past week was one that was unprecedented in the electric utility industry. Winter Storm Uri swept across the State of Texas, spreading record low temperatures, natural disaster and a state of emergency for all of us.

The Kerrville Public Utility Board's (KPUB) electric distribution system is located within the Electric Reliability Council of Texas (ERCOT) region, the state grid operator for approximately 90% of the electric load for Texas. We are subject to the ERCOT market issues that Governor Abbott has been pointedly criticizing and has vowed to improve.

Now that this week's reliability crisis is over, KPUB faces significant and unexpected costs from purchasing energy to serve our customers during these disastrous winter storm events. KPUB is not alone—electric and gas utilities across Texas, the Plains States and Midwest have incurred unanticipated cost increases. KPUB is working to fully calculate the financial impact we are facing due to these events. However, the exposure is very significant even though our utility has reasonable hedges in place to mitigate such cost spikes.

“We’d like to assure our customers that they will not be experiencing the astronomical bills being reported in the media,” said KPUB General Manager & CEO, Mike Wittler. “It’s still unclear what the true financial impacts will be from these events on the price of power for our customers long-term. Please know that KPUB always remains focused on our mission of delivering reliable, low-cost power for our customers, and we will adjust accordingly by spreading costs long-term to ensure our rates remain competitive and affordable for our friends and neighbors.”

KPUB is a community-owned, not-for-profit electric utility company. We are committed to providing our customers with competitively priced electricity and full transparency. Based upon the initial information that we have, we are confident that we will be able to maintain competitive rates by spreading the costs of this impact over time if no outside relief is obtained.

The primary cause of the costs KPUB is facing during these events is a result of a sudden spike in natural gas prices which fueled generators to produce power. A week before



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this event, natural gas prices were hovering around \$3 per MMBtu—during the storm, prices rose to \$400 per MMBtu.

“I’ve looked back at natural gas pricing over a 20-year time span and haven’t found anything above \$20,” said Wittler.

“The natural gas price increases in the energy market during this crisis would be like gas station owners in the coastal regions charging \$250 per gallon of gasoline to people evacuating from an approaching hurricane,” said Wittler. “It’s price gouging in an emergency event when people needed power the most. As a non-profit utility company, any costs of power are passed down to our customers, and it’s unacceptable.”

KPUB will pursue every available legal regulatory, legislative and political remedy which can be obtained to minimize the long-term impact on our customers’ bills.

Our action also includes joining our peers with the American Public Power Association (APPA) in calling for an investigation and action to understand the tremendous jump in market pricing for natural gas and working with our peers at the Texas Public Power Association (TPPA) to find solutions to this crisis.

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About KPUB

The Kerrville Public Utility Board (KPUB) was acquired by the City of Kerrville in 1987. KPUB serves approximately 23,250 customers throughout its 146 square mile service area, including Kerrville, Center Point, Ingram, Hunt, and surrounding areas in Kerr County. KPUB is overseen by a five-member board of trustees who serve without compensation and who are responsible to the City of Kerrville for the management and control of the system.

KPUB is a responsive and efficient locally-owned provider of reliable, high-quality utility service at the lowest responsible price.