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URECC Members may notice higher than normal bills for this most previous billing cycle. These bumps in bills are due to the extra usage driven by the extremely cold and long-lasting air that we experienced a few weeks ago. Even while using other heat sources, many heating systems worked double time to offset the drastic differences between indoor and outdoor temperatures. It was so cold for so long that many will find their usage on their bill to be 50% to double the normal amount. The usage is not a factor that URECC adjusted but is purely measured at the meter. URECC Power costs and rates have not escalated at this time or changed from where they were.

Members should note that there will be a settlement of power cost coming in the next several months as the markets clear all the transactions. It is likely that we will see some increase in power cost down the road to accommodate those payments.

URECC is dedicated to keeping any cost increases to the least and most affordable possible for our members. We do not expect to see huge, exorbitant bills in the future like some have experienced in the ERCOT region.

However, URECC and the other local co-ops had to buy large amounts of power above its resources because usage was so much higher than expected. Those additional purchases were at a much higher rate than we normally would pay. The Board and Management of URECC are committed to keeping cost as stable as possible and spreading out any additional cost over a reasonable time frame. We will keep the membership informed of the final outcome, but the real numbers will take months as the markets are still digesting and closing out the record purchases that occurred. Current estimates of any increases appear to be in the ¼ of a cent per kWh range in future months. While we never want any increase, this was an unprecedented historical event that we are all navigating together.

URECC and other local co-ops have built generators in the area over the years and that generation served us well in keeping the overall increases in market cost within range of something that can be managed. There were days that URECC's generators were buying gas and power in the market at 20 to 30 times the normal cost but were also generating back a large portion of the increased purchases for sale at those same levels. This physical hedge of the market helps offset market cost that others will see.

We are currently watching the Governor and Legislature to see how final settlements and future changes to the markets will occur. There is no doubt that the markets need to be addressed to manage these highly stressful system events. Like any other market, stock or futures, or even a local swap-market, supply and demand rule the day and generally will keep prices at the lowest cost possible. We have seen that benefit for years, even here at URECC where prices just last year were the lowest since 2011 thanks to cheaper gas and plentiful hydro supplies.

Markets also need some controls. Not necessarily overarching regulation, but something to keep extreme supply and demand based events from wrecking the pricing structures. We believe the Governor and Legislature feel the same way and are determined to make market changes that are necessary to address the extreme supply and demand times. For now, we watch and wait for the government to work and for the markets to settle.

URECC's longer term concern is that federal policy continues to battle against URECC's physical hedges mentioned above. Those hedges are designed to run 40-60 years and paid out over that time. Federal policy is, however, making the continued use of those less possible. We are seeing plants like Dolet Hills and Pirkey (which URECC is a minority owner) having to come off the grid, in time, because the forced maintenance costs to meet regulations make them unable to compete in the daily markets.

We understand the purpose of the regulations is to control climate change. However, the loss of these units will necessitate the replacement of some sort down the road in order to keep our physical hedges in place to combat extreme events like we have seen.

URECC prefers to not be just a market buyer taking only what the market gives it. That is how some in ERCOT found themselves in the recent costly positions they are in now. Newer generation is certainly more environmentally positive, and we will continue to explore those options. The difficulty in them is they tend to be smaller, harder to control, require new mortgages to pay for them, and are less capable of ramping up to meet market demand, but they also tend to be more localized which is a benefit to the service area.

We explain all this to simply say that we are committed to ensuring adequate power supply to our members at reasonable prices while guarding against events like we have recently seen. We will continue to keep our members informed as more information comes available over the ensuing months.

Members who have any questions or need assistance with their bill, may contact our Member Services Department, Monday-Friday, 8:00 a.m.- 5:00 p.m. by calling 903-843-2536 or through our website, urecc.coop.



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