

## Information Regarding Upcoming Rate Increase

Electric utilities across the country continue to experience rising costs and other factors contributing to higher electric rates. These increases are not the result of a single issue, but rather a combination of pressures affecting the entire energy industry. As these challenges continue to impact utilities, we want to share with our member-owners, how they impact our cooperative.

As reported in the media, demand for electricity is increasing at unprecedented rates due to the rapid expansion of data centers, manufacturing, housing and other power-intensive industries. As a result, utilities must add new power generation facilities and upgrade equipment to meet this rising demand and Victoria Electric Cooperative is experiencing these same pressures.

In addition to the need for generation, investing in necessary infrastructure upgrades is critical to ensure long-term system reliability and sustained performance. Victoria EC continues to invest heavily in replacing critical infrastructure in order to maintain system demand and reliability. Many have noticed we are relocating lines due to several TXDOT expansions in our service area. This relocation is taking place at Victoria EC's expense. While this is taking place, we are upgrading the line to allow for additional capacity for the future. We are also replacing copper lines and increasing maintenance on downline equipment across the distribution system. These infrastructure upgrades increase our operating costs, but a greater challenge is covering the cost of the labor and materials which have increased dramatically in recent years. The dollar we have today does not go as far. This is also apparent with the increases in insurance premiums and the latest requirements of the legislature to implement plans for resiliency, wildfires and pole changeout programs that are greater than our current plans and increase expenses as well. While all of this work is being performed on our distribution system, natural gas remains a major fuel source for electricity generation and is the basis for the price of power on the ERCOT market. Recent fluctuations in natural gas prices, influenced by global markets and supply disruptions, has resulted in increased pressure on electric rates.

The culmination of all of the items impacting Victoria EC's income statement is watched very closely by our Board of Directors. For those that attended the Victoria EC annual meeting, you heard Board President Trey Ruschhaupt state that after carefully reviewing our operating costs and long-term needs, the Board of Directors authorized a cost-of-service study to be performed by our independent rate consultant to evaluate our existing rates, expenses and determine the need for any rate adjustment. The results of this study confirmed the need for a rate adjustment. Based upon this feedback, the Board of Directors voted in November to approve a rate adjustment designed to achieve a 7.09% percent revenue increase. This change will take effect with the electric bill you receive in April 2026 covering the usage from February 17 through March 17, 2026.

We understand that any increase may raise questions or concerns, and our staff is available to assist with anything you would like clarified. In addition, Victoria EC will hold a meeting on February 16, 2026 at 6:00 p.m. at the Victoria EC offices to answer any questions you may have.

The Victoria EC Board of Directors and many of our employees are members and bill payers just like you. We take seriously our responsibility to ensure that rates align with actual costs so that pricing remains fair across all rate classes. While rate increases are never welcomed, we remain committed to delivering electric service that is safe, reliable, and affordable for the long term, while maintaining a strong financial position for Victoria EC.

We sincerely appreciate and value your membership with Victoria EC. Below, you will find a charge summarizing how the increase will affect the most common rate classes.

### **Rate Change Summary**

| Rate Class                             | Member Charge | Existing Energy Charge | New Rate Member Charge | New Rate Energy Charge |
|--|---------------|------------------------|------------------------|------------------------|
| Farm and Residential-Rate 110          | \$28.00       | \$0.098131             | \$33.00                | \$0.107553             |
| Single Phase Small Commercial-Rate 420 | \$28.00       | \$0.098131             | \$33.00                | \$0.107553             |

| Rate Class                       | Existing Member Charge | Energy     | Demand  | New Rate Member Charge | New Rate Energy | New Rate Demand |
|----------------------------------|------------------------|------------|---------|------------------------|-----------------|-----------------|
| Three Phase Small Power-Rate 430 | \$47.00                | \$0.104408 | 0       | \$60.00                | \$0.117352      | 0               |
| Large Power Secondary-Rate 540   | \$84.50                | \$0.061246 | \$12.36 | \$100.00               | \$0.062766      | \$15.00         |
| Large Power Primary-Rate 541     | \$84.50                | \$0.059408 | \$11.99 | \$100.00               | \$0.060928      | \$14.63         |