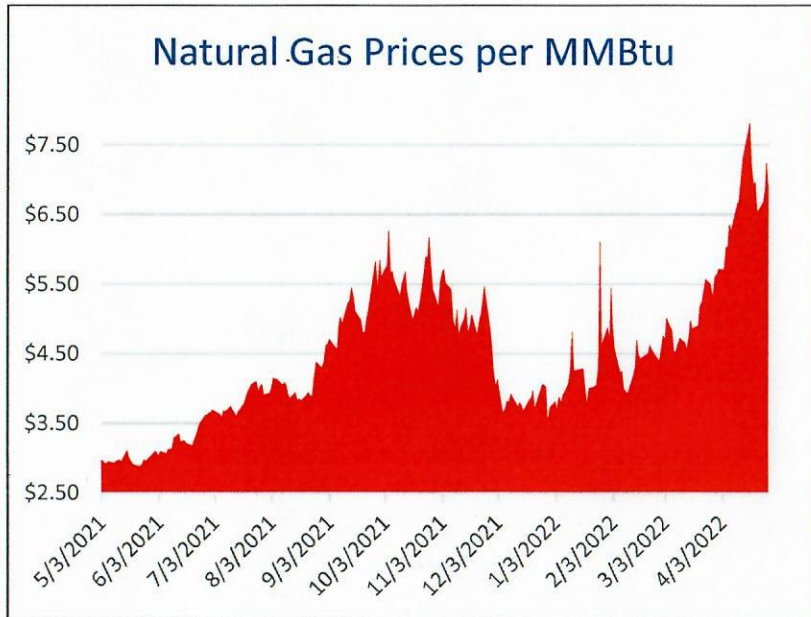


## Natural Gas Prices Fueling Increases



Monthly electric bills fluctuate due to changes in usage and the cost of power. The cost of power is passed through to members in the form of the power cost recovery factor (PCRF). PCRF fluctuations are related to HILCO's cost to purchase the power necessary to meet your electricity needs. Electricity is generated using several types of fuel or methods including natural gas, coal, fuel oil, nuclear power, hydro power, wind power, and solar power. Almost half of all the electricity generated in Texas is fueled by natural gas-fired power plants. As the price of natural gas increases, the overall cost to generate electricity increases. This chart shows the dramatic increase in the cost of natural gas during the last year. While we cannot control the cost of natural gas, we strive to serve all members efficiently as possible while ensuring the financial stability of the Cooperative. We hope that the cost of power will decrease as soon as possible. Thank you for being a HILCO member. We look forward to serving your electric service needs and are willing to answer any questions you have.