



Energy Price Update

We know that everyone is facing rising costs for a number of products and services, and you may be noticing higher electric bills as well. We want our customers to understand what goes into their bill and why it has increased.

Right now, **high fuel and purchased power costs**, as well as **hot weather earlier this summer**, are driving higher customer bills.

Price Projection

Fuel accounts for a significant portion of electric bill costs, averaging from 35% to as much as 55% of a total bill for some customers. The fuel rider on customer bills includes coal, natural gas and purchased power costs. Fuel price forecasts are often dependent on market conditions, and since the middle of 2021, market prices for coal, natural gas and purchased power have increased dramatically. In fact, we are seeing the highest sustained prices for fuel that we have witnessed in a decade. We pass fuel costs to our customers with no profit, so customers pay what we pay. **This is not a permanent rate increase and will fluctuate with the cost of fuel, which is adjusted quarterly after review and approval by state utility regulators.** While we estimate higher costs through the remainder of this year, our projections show costs decreasing in early 2023, but the markets are too volatile to predict with certainty at this time.

High Temperatures

Summer brings **high temperatures and increased energy use, which can mean higher bills.** There were hot stretches this July—warmer than this time last year—and we use “cooling degree days” as a measure to reflect the need for air conditioner use and likely increase in electric usage. On a cooling degree day basis, July 2022 was 20 percent higher than normal and 31 percent higher than July 2021.

We know that we provide an essential service and have a responsibility to keep bills as low as possible. Our priority is to purchase fuel at the best possible price, through steps such as long-term contracts and using a diversity of suppliers. The most immediate relief we can provide is **extending the time for recovery of fuel costs to six months rather than three. That has the effect of lowering the immediate rate impacts significantly.**

We recognize that higher electric bills are a hardship not only for individuals, but schools, municipalities, businesses and all the organizations we serve. Please let me know if there are any questions I can answer.