

### **WHAT IS THE OUTLOOK ON THE POWER MARKETS?**

Most of the power generation in the northeast comes from natural gas facilities. Just like gasoline, natural gas is subject to price fluctuations based on supply and demand. Due to the war in Ukraine and curtailed natural gas production during the pandemic, the supply of natural gas is tight during this time of high demand. As a result, the price of natural gas has skyrocketed.

It does not appear the tight supply will increase quickly, and we expect the price of natural gas and the overall price of the power markets to remain high for the foreseeable future.

### **HOW DOES THIS AFFECT SHELD?**

While SHELD is somewhat protected from market price fluctuations (due to our owned stable base power cost), it is not immune. To the extent we need to go out into the market to meet the demand of SHELD's customers, we must pay those increased power costs.

### **OTHER FACTORS AFFECTING SHELD?**

SHELD is not immune to the effects of inflation. In addition to the increase in power costs, we have also experienced cost increases across the board. Even though our investments are highly conservative (mainly government securities) they are subject to market fluctuations and because the market is down, the value of our investments is also down.

### **WHAT DOES THIS MEAN FOR OUR CUSTOMERS?**

Through the first three quarters of the year, we have been able to bill at rates that were at or below the billing rates in 2021. As a result, our customers have not felt the impact of the increase in power cost or inflation in their utility bills during the periods of highest electrical demand. Unfortunately, we can no longer bill at the 2021 rates.

Substantially all electric utilities will have to raise rates. Many utilities are informing their customers to expect an increase between 65% to 100% or more.

Our fourth quarter rate adjustment factors will increase, but at levels significantly below those of other utilities. These adjustments are built into our rates to ensure the cost of power is equal to what we must pay for power. We will use our accumulated rate stabilization funds to minimize the increases to the extent possible. The current average billing rate increase for all SHELD electric customers beginning in the 4<sup>th</sup> quarter of 2022 is 28% or .04 cents per kilowatt hour.

SHELD's rate position has remained in the lowest quartile in the Commonwealth for many years due to our stable power supply investments. Even with this unavoidable increase, SHELD forecasts that it will remain among the lowest quartile electric utility rates in the Commonwealth.