

## A MESSAGE FROM DALTON UTILITIES ABOUT RECENT ELECTRIC INCREASE

The recent increase that electric customers are seeing on their bill is due to the large increase in natural gas prices, which is the fuel of choice for electricity generation.

The single greatest factor affecting the price of energy generation in the southeastern US today is the price of natural gas delivered on interstate pipelines. Therefore, Dalton Utilities calculates an F&E (Fuel & Emissions) adjustment based on natural gas prices monthly (for commercial and industrial customers) and quarterly (for residential customers) to offset the additional power cost we incur. These costs are passed along to the Utility and are out of the Utility's control.

Below we have addressed some additional questions you may have:

What is fuel and Emissions (F&E)?

**Fuel and Emissions (F&E) is a charge that was originally added to DU electric bills to recover fuel and environmental compliance costs associated with operating the generating facilities from which DU obtains power. Today it primarily captures the variable cost of acquiring energy, which is largely driven by fuel (in this case, natural gas) costs at power plants.**

Why does Dalton Utilities charge for F&E?

**The cost to obtain electric power can vary considerably from month to month. In 2021, power costs in the southeast USA started to rise and change after years of being pretty stable. DU has the F&E as a variable adder to cover these costs.**

Who decides on the % charged monthly & quarterly for F&E?

**This is determined by a formula based on natural gas price indexes, which come from industry publications that reflect market conditions and pricing of natural gas.**

Does DU make money from the increase?

**No, it is a pass-thru expense. The F&E simply recovers the fuel costs that DU incurs in procuring electricity. F&E is not designed to increase DU's profits.**

What can you do to lower your bill?

**Lowering consumption will lower your bill. You can find tips on how to lower your usage on our website at [dutil.com](http://dutil.com).**

What months are in quarters for Residential F&A?

**The 3<sup>rd</sup> Quarter residential F&E rate will be in effect for July, August and September electric usage. Most customers will see this rate for the first time on the bill they receive in August. The 4<sup>th</sup> Quarter F&E rate will go into effect on October 1, and most residential customers will see it on the bill they receive in November.**

Who makes the decision about F&E increases?

**The formula for the F&E adder was designed by DU management and was approved by our Board of Commissioners.**

How are we determining the increases what map so to say are we getting information from to come up with the figures?

**The gas price data used to calculate F&E comes from two sources: S&P Global's "Platts Gas Daily" report (an industry publication which reports on conditions in the natural gas industry) and the Henry Hub natural gas price on the New York Mercantile Exchange (NYMEX).**

Who do we buy power from and can we purchase from someone else cheaper?

**DU's power comes from a variety of sources. We own a share in some power generating plants, and we have long-term contracts with some other providers, specifically Southern Power (which is part of Southern Company) and SEPA (the Southeastern Power Administration). We are constantly reviewing the value we get from these contracts and comparing it against market conditions. The increased power costs we are seeing today are affecting all utilities in the region and are not specific to the sources that DU has.**

