

To Our Customers:

If you follow the news, you have likely heard alarming reports related to natural gas prices and prices are up significantly from the same time last year. The Energy Information Administration (EIA) is predicting that spot market prices this winter will be almost double last winter's prices. Additionally, the EIA is saying that US residential and commercial gas prices could see 15-year highs this winter. Furthermore, experts are concerned about extraordinary price spikes such as occurred during last February's "deep freeze."

Why is this happening? There are a number of factors supporting higher natural gas prices. These factors include production and storage reports, liquefied natural gas shipments to international markets, politics, competing weather forecasts, and vivid recollections of last February's winter storm.

To provide rate stability to the extent possible, North Alabama Gas District, as does most natural gas utilities, hedges our natural gas supply. We are buying gas throughout the year and we acquire some supply several years into the future in an attempt to stabilize rates and reduce risk. Yes, we have bought some higher priced gas and we will buy more at prevailing market prices, but we have also bought lower priced gas for this winter, and we have additional gas in storage. This allows our customers to pay a weighted average cost for gas supply and prevents extreme rate changes.

In response to the market, our rates are increasing but we believe the magnitude of the increase (4.66% or approximately \$0.50 per unit for each customer class) is very justifiable when viewed in context of the overall energy markets. The rate change will take effect with all bills issued on or after December 1, 2021.

Long range weather forecasts are only so useful so we have no idea what kind of winter we will have. We do believe, however, that we have taken the appropriate actions to mitigate and manage our gas supply and any potential price spikes that may occur. Although we cannot say with absolute certainty our rate will not change, we do hope to maintain this rate for the remainder of our fiscal year.

Thank you