

To Our Valued Customers:

With the rising costs for all home energy fuels, we want to provide you with some information that may be helpful in understanding the global energy markets that impact your household budget and our business as well.

▪ **Global Economics at Work**

The prices for all refined petroleum products are affected by the price of a barrel of crude oil. And since crude oil prices have been fluctuating for months, we have all experienced swings in the price of these products. Gasoline is a good example.

The business axiom of supply and demand applies to the crude oil market. If worldwide supplies of crude oil are low for any reason, product prices will be impacted. Any interruption in worldwide supplies of crude oil or high demand for energy products will have a bearing on the global economy,

Keep in mind that energy prices were already higher prior to the onset of the Russia-Ukraine conflict as the world's economy began to emerge from the worldwide COVID-19 pandemic. For example, prices for energy increased as demand for all fuels rose as manufacturing facilities resumed production of goods, as trucking and shipping of products increased, and as people slowly returned to work.

Then, given that we live in a global economy, when the Russia-Ukraine crisis escalated, it shocked the global energy markets.

▪ **High Energy Prices Concern All of Us**

The Russia-Ukraine conflict created unprecedented times in the worldwide energy markets – conditions we are still coping with today. The situation illustrates how retail heating oil companies across the state and their customers are at the mercy of any changes within the global energy markets.

During the beginning stages of the Russia-Ukraine situation, and for days following the onset of the war, retail companies like ours received several notices per day from our heating oil suppliers (wholesalers) that heating oil prices were going up.

Unfortunately, we must immediately pass those increased costs along to our customers.

There is a misconception that when prices rise, retail heating oil companies earn more profits. The opposite is true. Customers may cut back on usage, while others may have trouble paying their bills so our account receivables can skyrocket. Meanwhile, we must continue to pay our employees, cover our rising overhead costs, and pay our wholesale fuel suppliers quickly so we can retain our ability to meet the energy needs of our customers. High wholesale prices will often force heating oil companies to borrow more money than usual from their banks to pay their expenses promptly. This is an added and significant burden to retailers like us.

▪ **All Energy Fuels Will Cost More This Winter**

Keep in mind that natural gas and electricity prices in Massachusetts have also risen due to the world's energy demand, the war in Ukraine, and our heavy reliance on natural gas to produce electricity. One of the main reasons that natural gas prices are higher is because of increased competition for natural gas in Europe and other countries. Russia has made the problem worse by cutting off their exports of natural gas in retaliation to sanctions levied against Russia by the United States and the European Union.

In September of this year, National Grid announced a 22% increase in natural gas rates for this winter, and a 64% in electric rates. And since ISO New England, the company that produces electricity for our region, relies heavily on natural gas to produce electricity, electric rates across Massachusetts will be higher.

▪ **We Are Here to Serve You**

We do not like to see turmoil in the energy markets, and we share the concerns our customers have about energy prices. Remember that we have been in the heating oil and home comfort business for decades and have strong relationships with suppliers and financial institutions. Our goal is to always keep our customers warm and safe even during uncertain and trying times.