



Cultivating
relationships
for over
35
Years
Since 1984

VALICENTI ADVISORY SERVICES, INC.

400 East Water Street
Elmira, NY 14901
607-734-2665
Fax: 607-734-6845

447 East Water Street
Elmira, NY 14901
607-733-9022
Fax: 607-734-6157

24 West Market Street
Corning, NY 14830
607-936-1203
Fax: 607-936-0213

www.valicenti.com

Asset management
as individual as you

An on-line publication by
The Investment Committee

Energy Price Relief Likely

Last May, we wrote to highlight the pending increases in electricity and natural gas utility prices that Americans would soon be facing. For 2022, the average residential cost of electricity to consumers rose 12.7%. Natural gas customers saw 20.7% higher prices from their utilities as a national average. In 2022, a combination of more restrictive Federal permitting on drilling for hydrocarbons, the curbing of capital budgets by oil companies, more confining lending policies toward the energy industry and embargoing Russian energy created spikes in feedstock prices for utilities that were transmitted to consumers.

However, 2023 has marked a change as year-to-date natural gas commodity prices have declined 33% and are down almost 50% from where they peaked last year. A warmer winter in North America and Europe causing demand destruction coupled with a shutdown of a natural gas export facility has raised American reserves of natural gas in storage to 5-year high levels. Natural gas produces 38% of electricity generation in the United States.

This has led utilities to begin the process of reducing rates for households. For instance First Energy Corporation enacted a 2.9% reduction in electricity rates starting March 1st for residential service in Pennsylvania. The U.S. Energy Information Administration estimates that falling feedstock prices will translate into 0.5% declines for the national average residential consumer of electricity. Natural gas residential rates are expected to decline by 9% nationally.

If you notice, electricity rates are not expected to fall quickly. This is due to utilities being allowed to recoup some of the higher feedstock costs from last year. For some electric utilities, return on equity (ROE) declined due to higher feedstock costs in 2022, but since states typically allow utilities to earn a ROE within a tight range some of that payback will retard rate cuts to consumers.

Either way, utility rates appear to have hit an inflection point for 2023, this time in favor of the consumer.

Please remember that past performance is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Valicenti Advisory Services, Inc. ["Valicenti"]), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Valicenti. Valicenti is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the Valicenti's current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request or at www.valicenti.com. Please Remember: If you are a Valicenti client, please contact Valicenti, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as we do currently. Please Also Remember to advise us if you have not been receiving account statements (at least quarterly) from the account custodian. Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Valicenti account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Valicenti accounts; and, (3) a description of each comparative benchmark/index is available upon request. *Please Note: Ranking Limitations. Neither rankings nor recognitions by unaffiliated rating services, publications, media, or other organizations, nor the achievement of any professional designation, certification, degree, or license, membership in any professional organization, or any amount of prior experience or success, should be construed by a client or prospective client as a guarantee that the client will experience a certain level of results if the investment professional or the investment professional's firm is engaged, or continues to be engaged, to provide investment advisory services. A fee was not paid by either the investment professional or the investment professional's firm to receive the ranking. The ranking is based upon specific criteria and methodology (see ranking criteria/methodology). No ranking or recognition should be construed as an endorsement by any past or current client of the investment professional or the investment professional's firm. ANY QUESTIONS: Valicenti's Chief Compliance Officer remains available to address any questions regarding rankings and/or recognitions, including the criteria used for any reflected ranking.