ISSUE ALERT

CARES
Coalition for the Advancement of **Reliable Electric Systems**

ELECTRIC SUPPLY CHAIN CRISIS

The current supply chain crisis in the electric utility industry represents the largest current threat to electric reliability in the country. Increased international shipping delays have caused critical raw materials shortages. Increasing costs across the domestic supply chain threaten the ability of electric cooperatives to procure the basic components required to provide electric service.

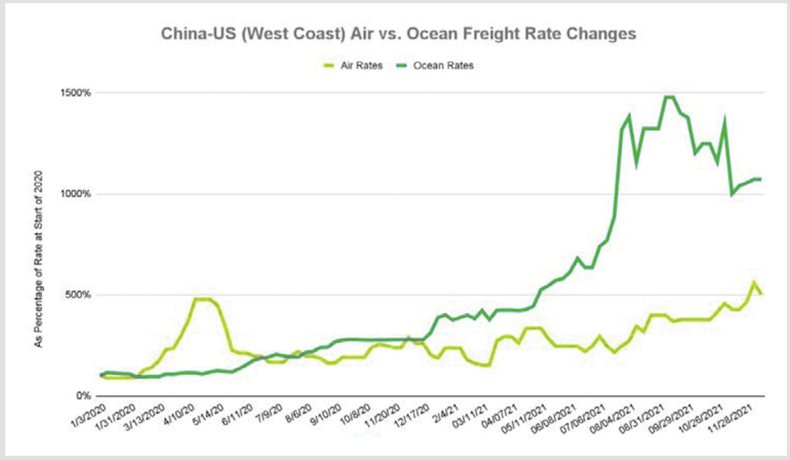
DEFINING THE CRISIS

MATERIALS

- Lack of Domestic raw material production.
- Cost of commodities and raw materials remain at or near record highs.
- Pricing has increased by 150% since 2020.
- Manufacturers have instituted rations for production – customers are assigned production slots.

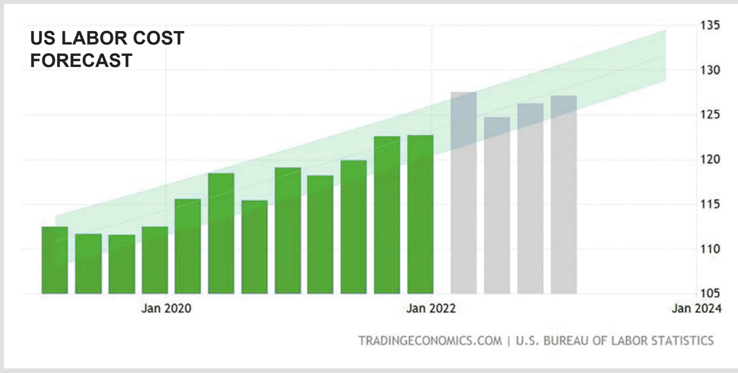
LOGISTICS

- Ocean freight rates have increased 1100% since January 2020.
- Air freight rates have increased 500% since January 2020.
- Transit time from Asian markets exceed 70+ days.
- Fuel surcharges are now common with oil prices 80% higher since January 2021.



WORKFORCE/PRODUCTION

- Generational workforce transitions have reduced the skilled labor pool and complicated manufacturer's ability to increase production.
- Lead times are now being measured in years, not months. Specific timelines are unpredictable and changing on a daily basis at time of order.
- The U.S. Labor Cost Index is projected to increase 4% above 2022 levels in 2023.



QUICK STATS

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INFLATION AT-A-GLANCE

Raw material price increases since 2020:

Steel: 201%
Aluminum: 62%
Copper: 55%
Zinc: 42%
Styrene: 100%
HDPE Resin: 103%
Silicon: 396%
Magnesium: 203%

- Silicon pricing has spiked driving up prices for silicone and metallic alloys.
- Magnesium has spiked since September 2021.
- Suppliers are adding price increases for these material components after contracts expire in 2021.
- Prices expected to remain elevated.

COOPERATIVE MITIGATION EFFORTS

- Closely monitoring local inventory—deferring or delaying reliability projects to ensure sufficient supply for new services and storm exposure.
- Collaborating on multi-state mutual inventory sharing in the event of a major storm.
- Regularly meeting with manufacturers and distributors.
- Working on alternative design specifications for transformers to provide greater options.

MORE HELP IS NEEDED

- The Biden Administration has authorized the Defense Production Act to fast-track production of electric grid components, these efforts must plan to secure and distribute critical materials in an equitable way to protect nonprofit utilities.
- Evaluate workforce development policy changes to assist manufacturers with labor shortages.
- Temporarily waive regulations that require higher-quality silicon steel in transformers, allowing use of lower grades of steel to increase supply.
- Determine present utility supply needs, identify the scope of the shortfall that is contributing to longer lead times.
- Evaluate manufacturer stockpiles and set up a program to distribute to storm-impacted utilities.
- Provide electric utilities 100% FEMA reimbursable support for 2022, 2023, and 2024 so cooperatives and municipalities can economically respond to storm damage.
- Re-establish and accelerate domestic production capacity and raw material availability for future long-term stability for wire, cable, transformers, steel, fiberglass.

Visit ReliabilityCoalition.com or email info@ReliabilityCoalition.com