



Marblehead Municipal Electric Light Department
80 Commercial Street
Marblehead, Massachusetts 01945

Nov 10, 2022

MMLD NEWS

Two Important Updates Regarding Your Monthly Electric Bill

Dear Marblehead Customers,

1. Why has my electric bill increased this year? What can I do about it?

As Marblehead homeowners and renters, commercial property owners and tenants, we've enjoyed competitive, stable electric rates for the past 5+ years. Unfortunately, in 2022 your electric bill has increased. This year the average residential customer, using 662 kwh of electricity per month, has seen a 33% increase on their monthly bill, from \$117 in January to \$156 in October. Unfortunately, these prices are directly due to the increased cost of electricity MMLD must pay in the New England wholesale power market. We do not expect any relief in the wholesale power prices until the spring of next year.

We recognize that this increase can be difficult on household budgets. Please be certain we're doing everything we can to keep these increases to a minimum. And understand our rates remain significantly lower than the rates paid in communities served by investor-owned utilities. A September 21st National Grid press release stated their Basic Service residential rate will increase 64% and that the average National Grid customer, using only 600 kwh of electricity per month, will see their monthly bill increase to \$293 this November from \$179 last November.

Nearly all the electric power MMLD supplies to you is transmitted from "the grid". In New England, ISO-NE is the entity that manages our region's wholesale electric grid. <https://www.iso-ne.com>. Roughly half of the wholesale power transmitted on the ISO-NE grid is generated by power plants fueled by natural gas. In the summer, there's an adequate supply of natural gas for electric power generation, delivered into NE by pipeline. However, in the winter, the demand for natural gas in NE increases substantially because additional natural gas is needed to heat our homes. In NE, the home heating use of natural gas takes priority over power generation. In past years that gap has been reduced by natural gas supplied to NE in liquified form, or LNG, delivered in tanker ships. The war in Europe has dramatically driven up the price of LNG worldwide, as western European nations are forced to pay more to replace the natural gas they are no longer buying from Russia. As a result, LNG tanker shipments that in the past would be delivered to NE are being diverted to Europe, driving prices higher in New England and worldwide. An October 27th ISO-NE press release states the average price of natural gas in September 2022 increased 53% versus last September.

MMLD has been able to keep increases lower because 50% of our wholesale power comes from power plants not fueled by natural gas. Our diversified power sources include nuclear - 27% of our 2021 wholesale power supply, hydro - 16%, and wind generation - 5.4%, and include generation assets we own and generators with whom we have multiyear power purchase contracts. We also have a rate stabilization fund to help offset utility price spikes.

There are several things you can do to lessen the impact of these higher energy costs:

1. Conserve your usage. Turn off lights and appliances when not in use. See the “Ways to Save” main menu selection on our MMLD website for more ideas: <https://marbleheadelectric.com>
2. Get a free home energy audit and learn how to make your home more energy efficient. Visit our website or call us at 781-631-5600. If you’re a National Grid gas customer, you can also get a free energy audit through the Mass Save Program. See: <https://www.masssave.com>
3. Be sure to review our rebates and incentives before you replace a home appliance. Visit the “Ways to Save” main menu selection on our MMLD website <https://marbleheadelectric.com>

2. Introducing MMLD Rate Restructuring Changes, beginning January 2023

In late 2021 MMLD began a “cost of service” and rate review study facilitated by Utility Financial Solutions (UFS), a nationally recognized utility financial analysis firm. The MMLD Board reviewed the UFS analysis at multiple MMLD Board meetings in 2022 and approved the recommended initial rate changes at the August 9, 2022 meeting. The plan is to implement the recommended changes over a two-year period, beginning in January 2023 (February 2023 bills). The four top-line UFS findings:

1. Using established financial metrics to benchmark financial stability, ***UFS has concluded that MMLD is financially sound, and that introducing rate increases to raise revenue is not necessary.*** The financial metrics they evaluated included: projected minimum cash reserves, debt coverage ratio, and a review of revenue versus cost of service in each of seven rate classes.
2. The base rates MMLD currently charges are too low to cover our actual fixed costs and should be raised. FYI the base rate charge is intended to cover MMLD’s annual fixed costs such as payroll and benefits, annual maintenance contracts for metering, billing and IT systems, distribution system maintenance and retirement contributions. As a result, some fixed cost expenses are instead covered by the energy (kwh) rate we charge, raising our energy rates. UFS has indicated that this imbalance is quite common today in municipal utilities nationwide. ***So we will correct this imbalance by simultaneously increasing the base rates while lowering the energy rates.*** The objective is NOT to increase overall revenue in any rate class, but to rebalance the revenue generated between the base and energy rates, for each of our rates. This change will begin in January 2023, with the changes appearing in the February 2023 bills. Details of these rate changes will be posted on the MMLD website: <https://marbleheadelectric.com>
3. MMLD should introduce one or two new cost elements to our residential rate: a demand and/or a time-of-use charge, and add a demand charge to our small commercial rate. The intent of a demand charge, based on a customer’s highest 15- or 60-minute use of electricity over the course of a month, is to better capture the costs associated with the ongoing upgrades needed on our local distribution system. The intent of a time-of-use charge is to better ensure the retail energy rates we charge are in line with actual wholesale energy costs, especially during peak times when wholesale costs can increase dramatically. These changes will not occur until later in 2023.
4. MMLD should review and update rates related to distributed energy resources (DERs) capable of reducing carbon emissions, such as customer-installed solar PV arrays, battery electric storage systems, EV chargers, and EV-to-Grid (V2G) capable vehicles. These rates will balance the actual economic costs and benefits with carbon reduction benefits. It is expected these rate changes will be updated/introduced in 2023.

Please visit the MMLD website for updates and details as we move forward. Or contact us with questions or comments at customerservice@mhdld.com

Regards,



Joseph T. Kowalik
General Manager, MMLD