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MUNICIPAL LIGHT PLANT

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November 2014

WELLESLEY MUNICIPAL LIGHT PLANT

5% Electric Rate Increase

The November electric bill includes an increase in the Purchase Power Adjustment ("PPA") charge from \$0.04086/kilowatt-hour ("kWh") to \$0.04722/kWh. For most homeowners and businesses this will equate to a 5% increase. The actual percentage will depend on each customer's monthly usage. The November increase reverses the 5% rate decrease the Municipal Light Plant ("MLP") implemented in October 2012.

Three regional factors are primarily responsible for the PPA increase: 1) higher transmission charges; 2) ancillary payments (reliability-must-run, winter generation incentive, etc.); and 3) winter natural gas price spikes. Almost all transmission lines in New England are owned by investor-owned utilities and regulated by ISO-New England. In Fiscal Year 2012 the MLP's transmission expense was \$3.4 million. In 2014 this cost increased to \$4.6 million. ISO-New England has also increased ancillary payments the MLP must make to generators. Based on the costs incurred during the first quarter of Fiscal Year 2015, Wellesley's ancillary costs are on schedule to increase by \$600,000 this year. Like all New England electric utilities, the MLP will feel the financial impact from winter natural gas prices. The costs passed onto Wellesley's electric consumers, however, will be minimized as a result of the MLP's decision to systematically hedge energy purchases as much as five years in advance.

Even with this increase Wellesley's residential and commercial electric rates will be among the lowest in Massachusetts and New England. A study performed by the U.S. Energy Information Administration ("EIA") in April 2014 calculated the average Massachusetts residential rate to be 18.19 cents/kWh compared to 12.88 cents charged by the MLP. Based on the EIA estimate, Massachusetts residents pay electric rates that are 41% higher than those paid by MLP customers.

Should you have any questions or require further explanation please contact the MLP Director, Richard F. Joyce via email: djoyce@wellesleyma.gov or telephone, 781-235-7600, extension 3380.