



# Peabody Municipal Light Plant

**Community Owned. Not for profit. It's Ours.**

October 6, 2022

Dear PMLP Ratepayer:

PMLP's mission statement includes objectives like safety, reliability, high-quality customer service, a commitment to the environment, and reasonable rates for our customers. Our rates have consistently been the lowest, or amongst the lowest, in Massachusetts.

Like all electric utilities, there are different parts to your electric bill. In addition to the rate for service, your PMLP bill includes a component called the PP&FCA, or "Purchased Power and Fuel Cost Adjustment". The PP&FCA changes quarterly and adjusts for changes in fuel and energy costs.

The PP&FCA usually changes only marginally, and is negligible. PMLP is able to avoid large swings in power costs because we maintain a diverse power supply portfolio. We also maintain a "Rate Stabilization" fund to mitigate against normal swings in energy prices; only very rarely have we had to adjust the PP&FCA rate such that the net effect to our customers was more than 5% higher or lower.

This year, we are facing record-setting energy prices. These are driven by the rising cost of natural gas due to the war in Ukraine, global demand, as well as insufficient pipeline infrastructure that has limited capability to deliver gas to the region's electricity generators on top of gas needed to heat our homes and businesses.


During normal seasonal volatility, our Rate Stabilization fund can help us to ride through price spikes without having to significantly change the PP&FCA rate. Energy prices this winter are setting up to be anything but normal. Fortunately, our Rate Stabilization funds will partially offset the expected increases, but not fully. It is expected that PMLP will use approximately \$4 Million of our Rate Stabilization funds this winter to ensure we don't see the huge increases Investor-Owned Utilities are issuing (up to 4x the increase PMLP is issuing), but even so, it will not be enough to cover the increase in power costs. To ensure that we'll have the funds available to buy the power needed by our customers this upcoming winter, a difficult decision was made to increase the PP&FCA rate effective October 1, 2022. This will increase the cost of electricity paid by PMLP customers.

The overall rate paid by our residential customers (including base rate, PP&FCA, and prompt-payment discount) is increasing by 1.9¢ per kWh, from approximately 12.2¢ per kWh to 14.1¢ per kWh. Commercial and Industrial customers of PMLP will see a similar increase of between 15% and 17%.

Increased rates are affecting nearly every utility across the region, with National Grid recently announcing that their rates were increasing to 48¢ per kWh for a typical residential customer using 600 kWh per month.

While every decision to increase costs to our customers is a difficult one, we continue to strive to have some of the lowest and most affordable electric rates in the State.

Sincerely,

  
Joseph Anastasi  
Manager