

Merrimac Municipal Light Department

LOCAL CURRENTS



RISING ELECTRIC COSTS



When it comes to electricity, there are three major components that make the Physical Electrical System. The first component is Generation, which is the production of electricity. Big generating plants, of different fuel types, produce electricity which then goes into the Transmission system, the second component. The Transmission system allows for the transportation of the electricity to Distribution System, which is the last component. The Distribution System moves the electricity to the end-user.

Generation. A number of years ago, after deregulation in the late 1990s, there was a surplus of generating capacity in New England which caused a number of generating plant owners to declare bankruptcy. To help owners of power plants to stay in business, the



regulators (ISO New England and the Federal Regulatory Commission) created Capacity payments as a way to produce revenue to plant owners for being able to run when required. These costs are passed along to electric consumers. In the last 10 years the surplus capacity has slowly gone away as old generating plants have retired. As a result of these retirements, new generation needs to be built and capacity payments to power plant owners are increasing very dramatically which causes your electricity cost to go up. See graph on next page.

Transmission. In the early 2000s, regulators incited the transmission owners to expand the capacity of the system and as a result major transmission owners like National Grid and Northeast Utilities have spent billions of dollars over the last decade to accomplish this expansion needed because of the rapidly growing energy demand in New England and the inadequacy of the transmission system. These costs and the rate of return to the transmission owners are also absorbed by all electric consumers in New England. See graph on next page.

Impact on Distribution Expenses. The Merrimac Municipal Light Department (MMLD) functions as a distributor of electricity and as such is subject to the impact of rate changes coming from Generators and Transmission owners.



Continues on back.....

Did You Know that You Can Now :



Please join us and know what is happening at the MMLD sooner using your computer or mobile device!!

Safety Tip:

With this cold weather, keep an eye on Space Heaters and make sure you follow all the manufacturer's instructions to avoid potential fires or shock hazard. Go to our website for additional safety tips on Space Heaters.

Winter Energy Conservation Tips:

- Adjust your thermostat down at night by 10 to 15 degrees and save close to 10% on annual heating costs.
- Only use exhaust fans when necessary and safe on heating and electricity.

For many other tips go to our website!

Department Hours of Operation:

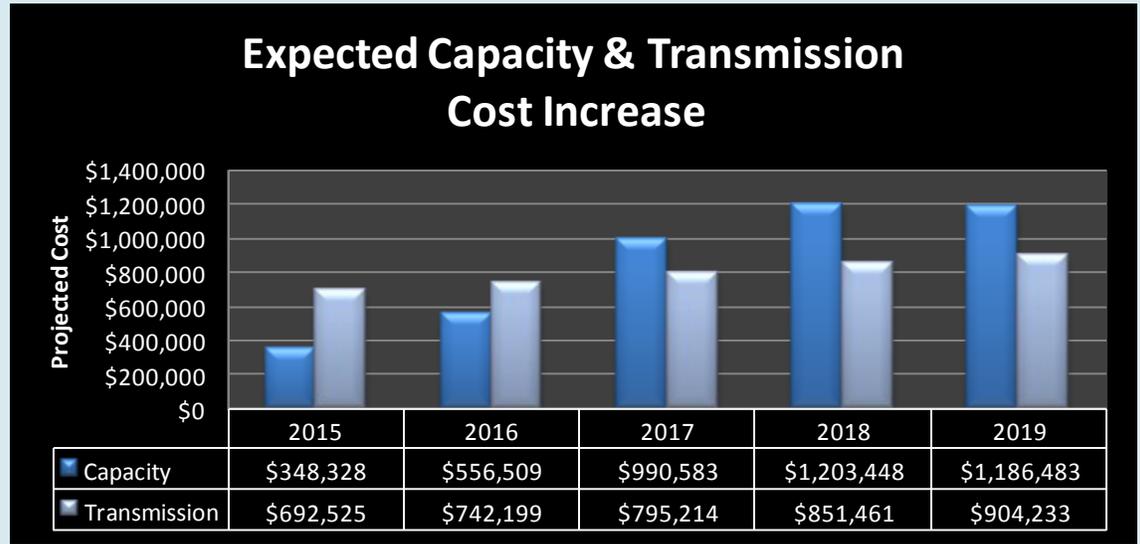
Monday–Friday, 7:30 a.m.– 4:00 p.m.

Visit Us On the Web:

www.merrimac01860.info

The MMLD's distribution expenses cover the costs to run the business. This includes the cost to maintain service to each home and business, paying employees, vehicles, purchasing the wires, poles and equipment making up the larger electrical distribution system; property and medical insurance; retirement benefits and everything else necessary to serve our customers. In contrast to Generation and Transmission costs, the MMLD has more control over the distribution expenses.

The MMLD's Purchase Power Costs which includes Capacity, Transmission and Energy will be going up substantially because of the increases in the Capacity and Transmission markets. All of New England's electric distribution companies will be subject to these increases not only the MMLD.



Impact to Customers. The MMLD is working hard to minimize these price increases for both our residential and commercial customers; however the expected expense hike will demand an increase in the cost of electricity paid by our customers as early as this Spring. National Grid and NStar late last year asked state regulators for a 37% and 29% rate increase, respectively, which were approved; however the MMLD will not implement an increase of such magnitude. We understand, in this economy, how tough it would be for our customers to cope with a sudden increase on their basic expenses. We will keep that in mind while implementing any future changes on the electrical costs.

I, Francisco Frias, as a National Grid customer who lives in Haverhill, pay close to \$0.24/kWh compared to \$0.1609/kWh if I was living in Merrimac. If I was living in Merrimac and taking advantage of the early payment discount the number would be \$0.1543/kWh. This means that if my usage was 500 kWh, the savings would be about \$43 each month.

Currently, the department is looking at its Five-Year Financial Forecast and analyzing how electric bills will need to be adjusted to keep up with the upcoming expenses. Additionally, the department plans to provide information to the public about how, through energy conservation and behavioral change on electricity usage, they can help the department to keep some of these costs down.

It is very important for our customers to know, just like it was mentioned in the Fall 2014 edition of the newsletter, that the MMLD is a Not-For-Profit organization and as such, its rate structure is only designed to cover its expenses. After having implemented any rate increases, if at any point in the future the department experiences a relief in the costs of Purchase Power then the department would plan on a rate decrease for customers to experience such relief.

Please feel free to contact our office if you have any questions. We look forward to answering any questions you may have on this subject or any other subject related to the service we provide you.

Municipal Light Department
 10 West Main Street
 Merrimac, MA 01860
 978-346-8311

Commission Meetings:

Meetings are usually held the second Tuesday of each month at 4:00 p.m. in the Administrative Offices at 10 West Main St., Merrimac. Please call 978-346-8311 to confirm dates and times.

Payment Options:

www.merrimac01860.info
 Click on "Departments", then "Municipal Light Plant" and on the left click on "Pay Your Light & Water Bills Online" to pay your electric and water accounts using credit card or eCheck.

Remember that you can always contact our office to enroll in our secure ACH program, which automatically withdraws your monthly electric & water bill balances off your bank account taking one more thing off your mind and allowing you to take advantage of our early payment discount.

Payment Locations:

10 West Main Street
 Our office is open from 7:30 a.m. to 4:00 p.m., Monday through Friday. During off hours you can drop your payments in our drop box on the left front corner of our building