

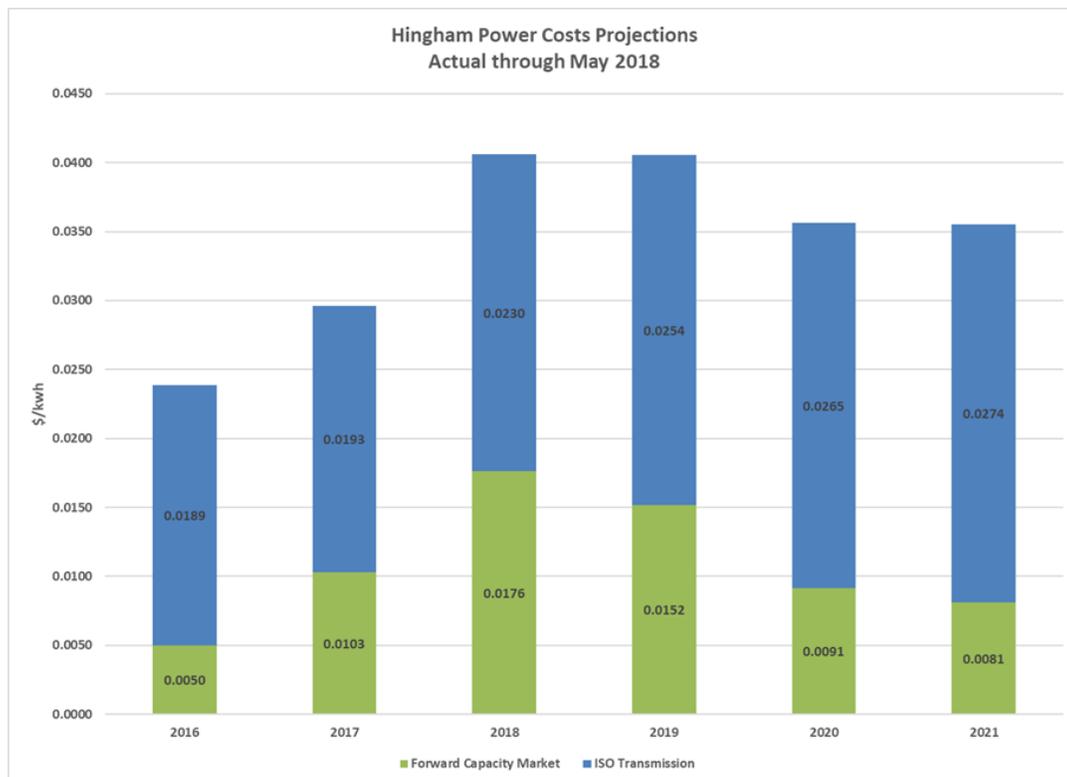
HMLP Rate Increase

This past June the HMLP Board voted to increase our rates effective with our July bills. As a reminder, depending on the rate class and consumption, HMLP customers saw decreases of anywhere from 10 to 30% last year in July.

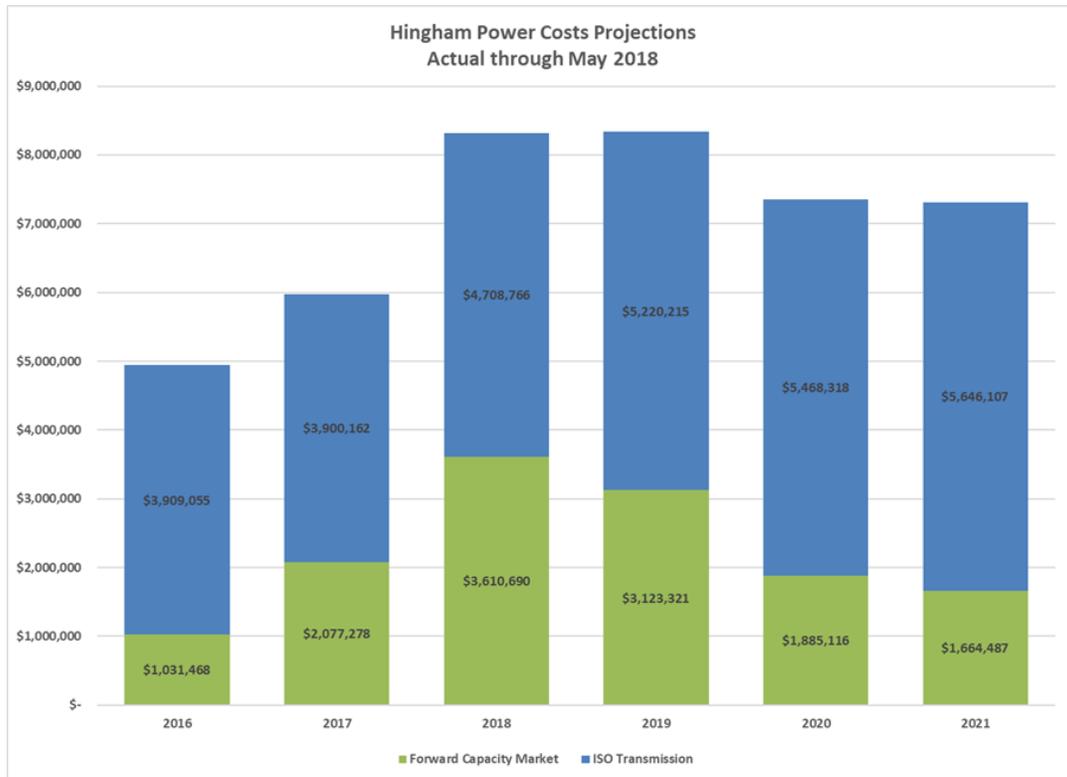
I'd like to take this opportunity to explain the need for this increase. There are a number of components that go into what HMLP needs to charge its customers. One is what it costs us to run our operation daily. Things like maintaining our distribution system, keeping our trucks on the road, paying our employees, etc... fall into this category. These costs account for about 15% of our total. The remaining 85% can be attributed to what we have to pay for the electricity we buy and what it costs to get it here. If prices start to jump in what I'll call the power supply, the 85%, bucket our total expenses can be impacted significantly.

Power supply is made up of multiple components: the price of the energy itself, transmission charges and something called forward capacity charges. The price of energy is largely dependent on the costs of the fuel that is being used to generate the electricity. Fortunately New England's electric generation largely comes from natural gas and that price, except for those coldest parts of winter, is mostly low and stable. Transmission charges are what it costs to get power from the generators and delivered to Hingham. Forward capacity charges are fees allocated by the Independent System Operator of New England (ISO-NE). ISO-NE manages the entire electric grid for all of New England. They are responsible for ensuring there is enough generation to meet New England's demand for electricity (capacity charges) and for the construction and maintenance of the transmission system. By way of an explanation at a high level, forward capacity payments are made to companies in an effort to incent them to spend the necessary dollars to build power plants. It is these last 2 costs, capacity and transmission, that are driving our need for a rate increase. HMLP has no control over capacity charges and marginal control over transmission. The extent to which we can control transmission costs is limited to how much electricity HMLP customers consume.

As you can see from the graph below our combined capacity and transmission charges in 2016 were \$.0239/kWh, and went to \$.0296 in 2017, to \$.0406 in 2018 and 2019, to \$.0356 in 2020 and to \$.0355 in 2021. The going forward rates for capacity charges from 2019 through 2021 are known and fixed at what has been cited below. The transmission numbers for those same years are a projection from ISO-NE.



I expect when most folks look at increases from \$.0239/kWh to \$.0496/kWh they don't have a sense of the magnitude of dollars associated with those upticks. Thus the need for the 2nd graph which shows what those rate increases mean in total dollars. The dollar amounts associated with these costs are, rounded slightly up or down, \$4.9m in 2016, \$6m in 2017, \$8.3m in 2018 and 2019, \$7.4m in 2020 and \$7.3m in 2021.



We hope this explanation and graphs explain, at a higher level, the need for our increase. No company can sustain an increase in its costs of \$3.4m, on a total of \$4.9m, without raising prices. As HMLP is able to share decreases in costs we certainly will. We did that just a year ago. HMLP will continue to work hard at providing excellent service at the best prices we can.

Thanks for your consideration.