

## **REPORT OF THE MUNICIPAL LIGHT BOARD**

The Municipal Light Board (“MLB”) consists of two members appointed by the Board of Selectmen, Thomas E. Peisch and Edward J. Stewart, III and the three members of the Board of Public Works, William E. Charlton, Paul L. Criswell and David A. T. Donohue. At the end of Fiscal Year 2012 (“FY12”) both Mr. Peisch and Mr. Charlton resigned from the MLB after 8.5 years and 10 years of dedicated service, respectively. Katharine Gibson was selected to serve on the MLB while former Selectmen, Owen H. Dugan replaced Mr. Charlton. As in years past the MLB placed the highest priority on fulfilling three primary Mission Statement objectives: reliable service; competitive rates; and financial benefits to the Town.

### **Reliable Service**

The Municipal Light Plant’s (“MLP”) infrastructure was severely tested in FY12. First by Tropical Storm Irene in August and two months later by an October snow storm. Like most of New England, many residents and businesses experienced a power outage. In Wellesley, however, electricity was restored to the entire community within a day while some of our neighbors were forced to go without power for a week. Many factors contributed to the quick restoration of service. First, and foremost, was the dedicated staff of the MLP that worked tirelessly to ensure power was restored as safely, expeditiously and efficiently as possible. The second, and much less obvious, is the priority placed on upgrading the distribution and sub-transmission infrastructure by the MLB. Since 1995 the MLB has elected to fund an aggressive capital work plan that has resulted in an electrical system capable of withstanding major weather-related events better than other towns and cities.

### **Competitive Rates**

In FY12 the Board voted to reduce electric rates by 5% in October 2012. This reduction ensures Wellesley electric rates will remain well below those paid by residents and businesses in surrounding communities. The monthly mean consumption for Wellesley residents is 750 kilowatt-hours (“kWh”). With this reduction, Wellesley residents will pay \$94.79 a month for electricity compared to \$125.85 in surrounding communities. As a percentage, residents of Newton, Needham and Weston will pay 33% more than those residing in Wellesley. At 750 kWh’s, Wellesley electric rate-payers will realize an annual savings of \$373.

### **Financial Benefits**

The MLP provided \$2.3 million of financial benefits to the Town in FY12. All Town Departments and facilities receive discounted electric rates providing a savings of \$1.3 million. In addition, an annual payment-in-lieu-of tax (“PILOT”) of \$1 million is made to the General Fund each year. The MLP’s PILOT payment is almost three times greater than the property tax payments an investor-owned electric utility would pay. As a percent of revenue Wellesley’s PILOT payment is among the most generous of the forty Massachusetts electric municipalities. Also in FY12 the MLP was able to save the Town \$107,000 in streetlight costs compared to FY11 primarily

as a result of the MLB's decision to retrofit all 545 ornamental streetlights with LED bulbs. Finally, in early 2012 the MLP completed the installation of a 40-kilowatt solar panel system on the roof of the new High School at no cost to Wellesley taxpayers. In addition to providing the school with electricity the panels will provide excellent, real-time educational experience for all students for decades to come.

Wellesley and all electric ratepayers in New England are forced to absorb significant cost increases from recent policies implemented by regional and federal regulators. The MLP is uniquely positioned to absorb these costs because it has continued to maintain and improve its distribution and sub-transmission infrastructure without issuing debt. The MLP has also made a long-term investment in future price stability by purchasing a 10% entitlement in the 115 megawatt Braintree generation plant.

The MLB looks forward to meeting the future challenges of balancing reliability, rates and Town benefits. Standard & Poor's reaffirmation of the MLP's "AA Stable" rating allows the staff more flexibility and favorable payment terms for the purchase of the Town's energy and capacity. The MLB plans to utilize these financial benefits to continue to improve reliability, maintain competitive electric rates and provide superior financial benefits to the Town.