

REPORT OF THE MUNICIPAL LIGHT BOARD

Under the leadership of the Municipal Light Board (“MLB”) which consists of two members, Thomas E. Peisch and Edward J. Stewart, III, appointed by the Board of Selectmen and the three members of the Board of Public Works, William E. Charlton, Paul L. Criswell and David A. T. Donohue, the Municipal Light Plant (“MLP”) strives to achieve four primary Mission Statement objectives. These objectives are:

- Provide reliable electric service;
- Maintain competitive electric rates;
- Provide financial benefits to the Town; and
- Ensure the safety of the public and employees.

The MLB has funded an aggressive capital work plan since 1995. With the exception of one back-up supply line, all sub-transmission lines are underground. During the past five years the MLP has re-built two of its three substations. In addition, funding is provided to incrementally upgrade a significant portion of the Town’s 32 distribution circuits. The funding and leadership provided by the MLB in maintaining a strong infrastructure has resulted in the delivery of electricity to Wellesley residents and businesses that is much more reliable than that provided to other towns and cities.

Wellesley’s electric rates remain well below those paid in surrounding communities. The most often used benchmark to compare electric rates is a residential household consuming 500 kilowatt-hours (“kWh”) a month. The most recent independent comparison available (March 2011) estimates Wellesley’s monthly bill at \$66.01 compared to \$85.84 paid in surrounding communities. As a percentage surrounding electric consumers using 500 kWh/per month will pay 30% more than those living in Wellesley. In Wellesley, the average household consumes almost 1,000 kWh’s/per month. At this usage Wellesley residents would pay \$132.94 compared to \$165.25 in surrounding communities. Extrapolated over a full year Wellesley ratepayers would save almost \$400.

The MLP provided \$2.3 million of financial benefits to the Town in Fiscal Year 2011 (“FY11”). 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 the most generous of the forty Massachusetts electric municipalities. In FY11 the MLB also voted to retrofit all of the ornamental metal halide bulbs with LED bulbs. This retrofit resulted in a 20% reduction of streetlight energy usage which in turn provides the Town with an \$88,000 savings each year.

The MLB places the highest priority on maintaining a safe environment for the public and employees. There were no public safety incidents in FY11 and MLP employees continue to establish the highest standards for avoiding lost time accidents. In FY11 the MLP was awarded American Public Power Association’s “Platinum Award” for maintaining a safe and reliable electrical system.

The MLP 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 demand 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 expand on energy conservation and renewable energy initiatives. These initiatives include the expansion of the "voluntary renewable purchase" program, funding for the new High School solar panels, implementation of an expanded time-of-use pilot program and working with Town Boards and Committees to meet the Green Ribbon Committee's energy conservation goals.