

REPORT OF THE MUNICIPAL LIGHT BOARD

The Municipal Light Plant ("MLP") enjoyed a great deal of success during Fiscal Year 2007 ("FY07"). The MLP measures its success by its completion of four broad Mission Statement objectives.

- **Competitive Rates** – Wellesley's electric rates remain among the lowest in New England even after the 10% increase in January and the subsequent 1% monthly increases. At the end of FY07 Wellesley residents using 1,000 kilowatt-hours paid \$108.00 a month compared to \$187.40 paid by homeowners in Newton, Needham and Natick. Although the MLP's rates will continue to increase by 1%/per month for the next two years or so, Wellesley's rates are projected to remain well below those paid by residential and commercial customers in surrounding communities.
- **Reliability** – on average, Wellesley residents were without electricity for 42 minutes during FY07. This represents a reduction of 14% from last year and is a significant improvement on the 93-minute average ten years ago.
- **Town Benefits** – the MLP continues to fund a cash payment of \$1 million to the Town. Wellesley's payment as a percent of revenue is the most generous among Massachusetts' 41 electric municipalities. During FY07 the MLP completed its 5-year fiber network plan and now has telecommunication interconnections to all Town buildings and schools.
- **Safety** – as of June 30, 2007 the MLP completed 639 consecutive days without a Lost Time Accident

Under the leadership of the Municipal Light Board ("Board") the MLP has continued to place the highest priority on upgrading its distribution and sub-transmission infrastructure. The Board's decision to upgrade the electrical system provides three primary benefits: improves reliability; accommodates future load growth; and reduces line losses. During FY07 these upgrades included the completion of the Weston Road Substation, the replacement of one Wellesley Hills Substation transformer, energizing a third supply line from Needham and rebuilding two of the MLP's thirty-four distribution circuits. The Board consists of two members appointed by the Board of Selectmen, Thomas E. Peisch and Edward J. Stewart, as well as the three members of the Board of Public Works, William E. Charlton, David A. T. Donohue and Michael D. Humphrys.

The Board also successfully completed a number of initiatives that will benefit all Wellesley residents and businesses. Some of the more significant initiatives are summarized below:

- **Mass Development – Devens** (“Devens’) – the MLP completed its third year of providing operation and maintenance services to the former Army Base. The MLP and Devens have reached a preliminary agreement to extend the contract to March 2014.
- **Standard & Poor’s (“S&P”) Rating** – the MLP received notification that S&P has affirmed its “AA Stable” rating. This is one of the highest ratings S&P has assigned to an electric-only municipality.
- **Mystic Reliability-Must-Run (“RMR”)** – the Board approved the litigation of the annual \$2.3 million Mystic RMR approved by ISO-New England. In December 2006 a settlement was reached which provided the MLP with a \$1.1 million refund and the immediate termination of all future Mystic RMR charges.
- **T-Mobile Distributed Antennas** – an agreement was reached that allows T-Mobile to install pole-mounted antennas at five locations in Wellesley. The Board voted to invest all T-Mobile profits into energy conservation and/or renewable energy programs. The T-Mobile agreement provides three additional benefits: improves cellular telephone coverage; provides a viable alternative to large cell towers; and establishes standards for other prospective carriers.
- **Energy Conservation** – the Board adopted a Municipal Energy Conservation (“MEC”) program that funded the installation of energy efficient lighting in four Town buildings. The MEC program also allows for the funding of additional worthwhile, energy conservation projects for all Town Departments.
- **Energy New England** – given the complexity and cost of electricity in today’s market the Board voted to purchase a 5% ownership in Energy New England. This ownership allows the MLP to participate in a power supply purchasing cooperative with electric municipalities in Braintree, Concord, Hingham and Taunton as well as public power systems in Connecticut.
- **Braintree Generation Plant** – Wellesley, along with eight other public power systems, reached an agreement to participate in the construction of a dual-fired, 115 megawatt power plant at an existing site in Braintree. The MLP has a 10% entitlement in the plant which is expected to be in service in April 2009.
- **Garage and Warehouse Replacement** – in April 2007 the Town Meeting approved the demolition and replacement of the MLP’s 73-year old garage. The new garage and warehouse is expected to be substantially completed by the end of Fiscal Year 2008 at a cost of just under \$7 million. The MLP plans on funding \$5.5

million of these costs from existing cash reserves set aside specifically for this construction.

Fiscal Year 2008 will bring on major challenges for the MLP, especially in the purchase of Wellesley's power supply needs. The current power supply contract with Constellation Energy Commodities Group terminates on September 30, 2007. The already complex power supply decision is further complicated by Wellesley's location in an area designated by ISO-New England as the Northeastern Massachusetts ("NEMA") Congestion Zone. The NEMA designation requires the MLP to pay a premium for power supply and transmission services. As if record setting fossil fuel prices and congestion zone premiums were not enough, the MLP's future power supply must take into consideration projected capacity shortfalls in New England beginning in 2009.

The MLP is well positioned to take on these challenges. After more than ten years of funding an aggressive capital plan the MLP will be able to reduce capital expenditures during the next few years. The MLP will also be able to absorb some of the increased power costs within existing rates as a result of a 23% decrease in its workforce since 1998. The Board and staff are confident that Wellesley residents and businesses will receive highly reliable electric service at rates well below surrounding communities well into the future.