

REPORT OF THE MUNICIPAL LIGHT BOARD

The Municipal Light Plant (“MLP”) was faced with a number of unexpected challenges in Fiscal Year 2008 (“FY08”); not the least of which was the purchase of electricity at times when fossil fuel prices reached record highs. Although the MLP’s Income Statement and Balance Sheet were more negatively impacted than expected, the MLP successfully met each challenge head-on and continued to provide reliable electric service to Wellesley residential and commercial customers while maintaining competitive electric rates.

The most widely used benchmark to measure reliability is the System Average Interruption Duration Index (“SAIDI”). The SAIDI index calculates the number of minutes, on average, a customer is without power. During FY08 the average MLP customer was without electricity for 32 minutes. This represents a reduction of 24% from last year when SAIDI was 42 minutes. The reliability improvements are a direct result of the Municipal Light Board’s decision to fund an aggressive capital work plan during the past decade. In the past five years alone the MLP has converted all overhead supply lines to underground; rebuilt the Weston Road and Wellesley Hills Substations; and reconductored nine distribution circuits.

In addition to providing reliable electric service the MLP’s electric rates are among the lowest in Massachusetts and New England. The chart below compares Wellesley’s monthly residential bill with those paid in the surrounding communities of Newton, Needham and Natick that are served by an investor-owned utility.

Residential Rate Comparison As of June 2008			
Kilowatt-Hour Usage	Wellesley	Surrounding Communities	Annual Savings
250	\$30.63	\$51.38	\$249.00
500	\$58.66	\$96.32	\$451.92
750	\$88.54	\$141.27	\$632.76
1,000	\$118.24	\$186.21	\$815.64

The MLP has been able to absorb the higher power supply costs by drawing down on its Rate Stabilization Fund and implementing a monthly 1% rate increase. Initially the monthly increase was to continue through February 2010, however, it now appears likely the 1% increase could be extended for an additional six months.

The MLP provides a number of financial benefits to the Town of Wellesley including discounted electric rates for streetlights, Town buildings and facilities. The MLP has also installed a fiber network to all buildings and schools at no cost to the Town. In addition to the aforementioned benefits the MLP continues to fund a generous annual \$1 million cash payment to the Town. The MLP’s payment is among the most generous of Massachusetts 40 electric municipalities.

During FY08 the MLP had a number of major accomplishments not the least of which was the retention of its “AA Stable” credit rating from Standard & Poor’s and

the completion of 1,005 consecutive days as of June 30, 2008 without incurring a lost time accident. Under the leadership of the Municipal Light Board ("MLB") which consists of two members appointed by the Board of Selectmen, Thomas E. Peisch, Chairman 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 MLP continues to expand outside business revenues. In FY08 the MLP completed the installation of five T-Mobile distributed, pole-mounted antennas, finalized a dark fiber lease agreement with Lighttower, purchased a 5% ownership in Energy New England and increased revenues from operation and maintenance services provided to Mass Development-Devens. FY08 also saw the start of one major capital project and the completion of another. Groundbreaking for the MLP's new garage and warehouse began in November 2007 with an anticipated completion date of June 30, 2009. The MLP's reconstruction of its Wellesley Hills Substation was finished in FY08 at a cost of \$1.68 million.

The only down side to FY08 was the negative financial impact that resulted from significant increases in power supply costs. The MLB elected to maintain the 1% per month increase and absorb higher costs from cash reserves. As a result, the MLP experienced an operating loss of \$1.4 million this year, which includes the \$1 million cash payment to the Town.

Like all electric utilities the MLP is faced with significant challenges in its quest to provide reliable electric service at competitive prices. The MLP, however, 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.