

REPORT OF THE MUNICIPAL LIGHT BOARD

The Municipal Light Board (“MLB”) consists of two members appointed by the Board of Selectmen, Edward J. Stewart, III and Katharine Gibson and the three members of the Board of Public Works, Paul L. Criswell, David A. T. Donohue and Owen H. Dugan. The Municipal Light Plant (“MLP”) has been established and is governed by Massachusetts General Law, Chapter 164 (“M.G.L. 164”). The Board continuously strives to protect the interests of Wellesley electric ratepayers by focusing on three primary Mission Statement objectives: reliability; competitive rates; and financial benefits to the Town of Wellesley (“Town”). In addition, the Board encourages the staff to take advantage of the opportunities provided within M.G.L. 164 by operating the MLP in a business-like manner. During Fiscal Year 2013 (“FY13”) the MLP expanded its outside revenue sources by entering into an agreement to provide streetlight maintenance to the Town of Acton. The MLP is also in the process of evaluating the feasibility of installing a pole-mounted, distributed antenna system (“DAS”) that would provide Wellesley residents and businesses with wireless cellular coverage without the need to install large cell towers. At the time this report is being written the MLP is actively negotiating a Master DAS Agreement with American Tower Corporation. During FY13 the MLP reached an agreement with Wellesley College and Mass Development-Devens to extend existing service agreements to 2014 and 2019, respectively. Summaries of the MLP’s Mission Statement objectives are provided below.

Competitive Rates

During FY13 the Board implemented a 5% electric rate decrease. This reduction provides Wellesley homeowners consuming an average of 750 kilowatt-hours (“kWh”) a month with an annual savings of \$57.24. Residents in the surrounding communities of Needham, Natick and Newton will pay \$123.33/month for 750 kWh’s while Wellesley electric consumers pay \$94.79. Over the course of a year Town residents will pay \$342.48 less for the same amount of electricity.

Reliable Service

As was the case in Fiscal Year 2012 the MLP’s infrastructure was severely tested in FY13. First in October 2012 by Tropical Storm Sandy and four months later by the February blizzard. Like most of New England, many residents and businesses experienced a power outage. In Wellesley, however, electricity was restored to the entire Town within a day while some local communities were forced to go without electricity 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 the Board has placed on upgrading the distribution infrastructure and sub-transmission supply lines. Since 1995 the Board 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.

Financial Benefits

The MLP continued to provide significant financial benefits to the Town. The MLP's annual \$1,000,000 payment-in-lieu-of-tax ("PILOT") to the General Fund each year is among the most generous of Massachusetts forty electric municipalities. Based on the current commercial real estate tax rate the MLP's PILOT is more than double the tax an investor-owned electric utility would pay in real estate taxes. The MLP also provides discounted electric rates for all Town buildings and facilities. Wellesley's municipal electric rate provides an estimated annual savings of \$1,300,000 for Town departments compared to rates paid in surrounding communities.

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. In FY13 the MLP's administrative office addition was completed at a cost of \$3,300,000. It is worth noting that all of the construction costs were paid with funds generated from external sources and no taxpayer and/or electric ratepayer funds were required.

The Board 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 Board plans to utilize these financial benefits to continue to improve reliability, maintain competitive electric rates and provide superior financial benefits to the Town.