



**BELMONT MUNICIPAL
LIGHT DEPARTMENT**

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Power Supply Policy

I. GOAL

To develop a managed power supply portfolio that provides Belmont ratepayers with reliable energy at competitive market-based rates and with consideration and awareness of environmental concern, conservation and alternative energy options. The Belmont Municipal Light Department (“BMLD”) managed portfolio will minimize risks by entering into layered and staggered purchases at different times with credit worthy New England power suppliers, which would generally be nationally recognized and investment grade companies.

II. VISION STATEMENT

By 2008 the BMLD will have a layered portfolio with a target of no more than 20% of its capacity needs are dedicated to any single contract. Based on current projected Forward Capacity Market (“FCM”) and Locational Forward Reserves Market (“LFRM”) prices, BMLD should create a capacity price hedge with the purchase of entitlements that cover no more than 50% of the BMLD’s peak capacity requirements. Belmont will also strive to optimize the efficiency of energy use to both conserve energy and reduce peak demand. Where economically viable, it will seek to optimize the use of “green” resources.

III. OBJECTIVES THROUGH 2010

1. Obtain resource and counterparty diversification by establishing Master Agreements that conform to the minimum standards set forth by the Edison Electric Institute with multiple suppliers. Such purchases shall include, but not limited to the following:
 - a. energy strips;
 - b. heat rate swaps;
 - c. load following for energy and ancillary services;
 - d. spot market purchases;
 - e. unit entitlements;

- f. forward fuel hedges for unit entitlements and heat rate/fuel index contracts; and
 - g. verifiable load management and/or energy conservation services.
2. Develop a staggered and layered portfolio that is designed to meet an annual and, to a lesser extent, five year energy budget. This objective will be met by procuring forward fixed-price resources and/or heat rate/fuel index resources over various market periods.
3. Active participation in regional and national issues and events; in appropriate regulatory proceedings, and with governing bodies, either independently or in collaboration with others to influence governmental and wholesale market policies for the protection and benefit of Belmont ratepayers.
4. Adhere to the following operational objectives:
 - Maintain flexible power supply and transmission options to meet an evolving market design;
 - Monitor the transmission costs and potential cost mitigation measures with NStar associated with the contractual obligations and all associated activities as stipulated within the Transmission service agreement between Cambridge Electric Light Company and the Town of Belmont, Ma. as agreed to on June 29, 1994, as well as review potential alternative opportunities to reduce the overall costs of obtaining the delivery of energy;
 - Keep abreast of market developments, availability of products, and current, as well as projected, market conditions; and
 - Periodically, but no less frequently than once each year, review this policy, including opportunities to purchase energy and capacity from renewable resources, and/or demand side equivalents with the Belmont Municipal Light Advisory Board (BMLAB), and, with the Municipal Light Board (“MLB”) and make any modifications as warranted.

5. Evaluate the cost-benefits provided by demand-side management, distributed generation and energy conservation programs, implement individual programs that are deemed to be financially viable.
6. BMLD will investigate possibilities for investing in renewable energy facilities and for contracting for clean renewable energy. BMLD will attempt to contract for such power whenever the costs are comparable to the costs for conventional power sources.

IV. PROCUREMENT REVIEW PROCESS

1. Manager shall, on an ongoing basis, review with BMLAB and MLB the status of the power supply market and transaction opportunities.

V. POWER SUPPLY TRANSACTION POLICY

1. The Manager/CEO, or in his/her absence, the Assistant Manager, may implement transactions that are for a term of five (5) years or less and eight (8) megawatts or less without obtaining MLB approval, provided that:
 - a. the Director and/or designee, in collaboration with BMLAB, will provide the MLB with precise summaries detailing the intent and financial benefits of each transaction at the next regularly scheduled Board meeting; and
 - b. all transactions will be monitored and the performance of each will be measured against the market and the portfolio.
2. Any transaction exceeding the megawatt and/or time period in V.1 above shall require the prior notice to the MLB, and BMLAB
3. Any contract or transaction involving Life-Of-Unit entitlements shall require the consent of the BMLAB and MLB.

VI. Business Conduct

1. All members of the BMLD staff, BMLAB, and MLB, will be held to the highest standards of ethical business conduct and are required to fully comply with all laws, regulations and BMLD policies; these same demands apply to trading partners, consultants and/or other entities conducting business with or on behalf of the BMLD.

2. The Manager/CEO, in consultation with BMLAB, shall be responsible for implementing all necessary procedures, guidelines and controls to ensure compliance with this policy.

MLB approval date: _____