MUNICIPAL LIGHT DEPARTMENT

Member of: American Public Power Association, Northeast Public Power Association, Municipal Electric Association of Massachusetts, and the Massachusetts Municipal Wholesale Electric Company

The 108TH Annual Report of the Belmont Municipal Light Department (Belmont Municipal Light Department) is hereby submitted. Kilowatt hour (Kwh) sales during the year 2006 totaled 141,119,819 Kwh, a decrease of 4,735,502 Kwh over 2005 sales. BMLD's highest ever system peak demand of 34,090 KW occurred on August 2, 2006.

The following chart illustrates the trend of the Belmont Municipal Light Department's business over the past ten years:

Year	Kwh Purchased	Peak Kilowatts	Gross Sales $	# of Customers
1996	113,782,082	23,561	10,260,912	10,636
1997	114,647,040	24,305	10,826,376	10,638
1998	115,819,200	24,012	10,876,616	10,629
1999	114,503,706	27,287	10,465,660	10,707
2000	123,855,507	25,074	11,266,974	10,789
2001	127,794,974	29,287	11,795,533	10,722
2002	128,706,897	30,320	12,044,965	10,780
2003	140,476,128	28,498	12,520,038	10,758
2004	132,835,892	28,100	12,465,020	10,800
2005	145,855,321	29,948	12,873,450	10,784
2006	141,119,819	34,090	15,169,572	10,821

In December 2006 the Belmont Municipal Light Department transferred $650,000 to the Town's General Revenue Fund as an In Lieu of Tax payment.

Belmont Municipal Light Department continues to furnish "other services" to the Town including electrical inspections, maintenance and construction of the outside fiber optic network, electrical maintenance, re-lamping of buildings with hard to reach lighting, installation and removal of the holiday decorations. The Department also maintains the Town's traffic signals and the fire alarm call box system.

Power Supply

On April 1, 2003, Dominion Energy Marketing, Inc. of Richmond VA began supplying energy to the Belmont Municipal Light Department through a power supply contract that runs through December 2007. The Dominion Agreement provides fixed prices that provide predictability to our wholesale energy costs. Belmont Municipal Light Department is an active market participant as we build a power supply portfolio. The Department's objectives are to obtain competitively priced generation services using multiple contracts with staggered durations. At the close of 2006, Belmont Municipal Light Department has contracted out for 40% of the community's energy needs for 2008. The Department is investigating several opportunities to acquire contract rights to proposed renewable energy projects around the New England states. The Belmont Municipal Light Department is committed to purchasing renewable energy that provides value to our energy portfolio.

The Dominion contract permits Belmont Municipal Light Department to replace up to 5% of the energy to be supplied by Dominion with energy from "green" or renewable resources. The Belmont Municipal Light Department along with thirteen other Massachusetts municipal light plants, signed an agreement to purchase the output of the Berkshire Wind Turbine Project in Hancock, Massachusetts. The Berkshire project has experienced significant delays due to funding challenges and they have not yet started construction, even though they were originally scheduled to come on-line in late 2005. When the project is completed, it will fill Belmont Municipal Light Department's 5% renewable opportunity.

Belmont Municipal Light Department also received over 8,000 MWHr of lower cost hydropower from the New York Power Authority's (NYPA) Niagara Falls project as our share of preference power allocated to the 40 Massachusetts municipal light departments. Savings realized from the purchase of NYPA power are credited monthly to our residential customers.

Belmont Municipal Light Department did experience a moderation of transmission costs over the past year. This is due in part to the lack of high voltage transmission lines in the Boston area. NStar has built a new transmission line to address this issue. The power supply market continues to evolve as generators, transmission owners and other stakeholders try to obtain value from the market.

Rates

In response to increased transmission rates and market pricing for electricity, Belmont Municipal Light Department increased the rates for electric service. The rates were effective January 1, 2006 and are forecast to remain steady through 2007. Despite the increased rate, customers of Belmont Municipal Light Department continued to realize a lower cost of service than neighboring communities. On average in 2006, a Belmont Municipal Light Department residential customer using 500 Kwh / month paid $61.30/ month while a Cambridge Electric Light Co. customer paid $95.28/month for the same 500 Kwh. The long term trend does not look any better for wholesale power costs as energy prices used for generation are not projected to significantly decrease.

Energy Conservation and Outreach

The Belmont Municipal Light Department has been focused on energy conservation in the past few years. Our Appliance Rebate Program has completed its fourth year with over $ 45,275 credited back to customers for purchasing Energy Star® eligible appliances. Customers have called our energy conservation hotline generating 61 home energy audits. The Belmont Municipal Light Department also went into the elementary schools with electric safety and conservation techniques for kindergarten through third graders.

As part of the Department's energy procurement needs, a Demand Side Management (DSM) strategy is being formulated. DSM projects provide value by reducing peak demand levels and offsetting energy purchases during periods of high market prices. The Department will continue to seek efficiency measures to offset purchase requirements and for environmental benefits. The Sustainable Belmont committee has been very helpful in providing an outside perspective on these efforts.

This year Belmont saw the first two co-generation systems interconnected with Belmont Municipal Light Department's electric grid. One system is a combined heat and power unit installed in a residential home. This system uses natural gas to drive a generator when the heating system in needed. The waste heat from the generator is used as the first stage of a forced hot air heating system. The overall system efficiency can exceed 80%. A 3 kW photovoltaic array has been installed. This PV array supplies some portion of the customer's electric load during daylight hours with the home using utility power to fulfill the rest of the energy needs.

Other Projects

Work continues on the installation of a new 15 KV feeder around the Belmont Hill section. This project will provide increased capacity and reliability in the area.

The Belmont Municipal Light Department continues to install fiber optic cables in order to provide various broadband communications services to town facilities. Belmont Municipal Light Department provided design and construction support to Belmont High School in the replacement of the driveway lighting at Belmont High School. The Department has taken over the customer billing functions for the Department of Public Works, Water Division. This will be a companion to the water meter reading functions the Department has performed for over two years.

The Belmont Municipal Light Department continues to aggressively pursue upgrades to our underground distribution system. Most of this work involves the removal of aging underground oil-filled switches and replacing them with safer and more reliable products. The Department has upgraded switches in Belmont Center, Trapelo Road and along Washington Street in 2006. We expect to begin extensive work in the Dalton Road area during 2007.

As part of the Pleasant Street rebuild, Belmont Municipal Light Department has installed a 13.8 kV overhead line that will replace the existing 4.16 kV conductors. This will eventually be tied into new underground conductors in the newly installed

conduit bank along Pleasant Street. Once this project is complete, the reliability and capacity of the supply to the Waverley area will be greatly enhanced.

Belmont Municipal Light Department has deployed a GIS system (electronic mapping system) for all of the Belmont Municipal Light Department facilities. The GIS system currently stores 95% of the mapping data for the Department. Most users of the system can access the maps and underlying data using free software to reduce licensing fees. This project was coordinated with the Town's Information Tech department to ensure that other municipal departments can use the system as appropriate. The system is currently providing circuit analysis tools.

Belmont Municipal Light Department is working with Town staff, has been converting our business and utility billing software over to a new package. The upgrade should allow for better access to data, and an improved capability to extract and manipulate data using existing office tools. The data structure will provide a link between the GIS mapping and our customer information system. This structure will allow data to be shared between different platforms electronically. An obvious benefit will be the ability to view customer information on our electric operations maps. We expect to use this capacity to institute new outage/trouble management programs, system analysis tools and customer notification.

We continue the installation of new electric meters that can be read from the street via radio. As part of this meter modernization project, we began reading both electric and water meters. In 2006 we installed 1,484 new electric meters and have converted 67% of the town to this new technology.

We are still experiencing problems with the Substation Two's transformer. Our immediate need in this regard is to complete the planned voltage conversion and retirement of the Unit Substation #1A. The Department would then use this new capacity to relieve Substation #2's load. Ultimately we expect to convert the entire distribution system to 13.8 kV.

The Northlands Development Phase 1 at McLean Hospital was completed in 2006. To provide power to these homes, Belmont Municipal Light Department installed 14 new transformers, 6,000 circuit feet of primary cable, and 2,000 circuit feet of secondary cables.

Belmont Municipal Light was a co-sponsor with the Sustainable Belmont committee and participated in an energy savings forum that attracted over 100 people.

Personnel

2006 brought significant changes to the staff at Belmont Municipal Light Department. Ron Lunt resigned as Manager/CEO effective November 26, 2006. Timothy J. Richardson has been promoted to Manager/CEO. In January 2006, Kristina Frizzell was promoted to Customer Service/Finance Director for the Department. Ms. Frizzell completed her Masters Degree in Public Administration in 2006. Ed Crisafi was promoted from Meter Superintendent to Operations Manager in July, 2006 to reflect his added responsibilities in system operations and the Department's Geographic Information System. The Department hired a new Director of Operations in August 2006 and welcomes James Palmer to the management staff. Mr. Palmer has extensive experience working for Boston Edison/NStar Electric. The Department has hired a First Class Lineworker and welcomes Thomas Costello. Mr. Costello will add his skills to the line construction group. The Department also welcomes Linda Notartomaso to our office staff. Ms. Notartomaso transferred over as a Belmont Municipal Light Department employee from the Department of Public Works, Water Division. The Department hired a new billing clerk in December 2006 and welcomes Debra Bottiglio to our office staff.

General

The guidance and co-operation of the Municipal Light Board and the devotion to duty and good work of our 25 fantastic employees is gratefully acknowledged.

The cooperation extended by other Town Departments has been outstanding and is greatly appreciated.

Attached are a Balance Sheet and a Comparative Income Statement for the Municipal Light Department for the Year-ended December 31, 2006.

Respectfully submitted,
Timothy J. Richardson, Manager/CEO

Belmont Municipal Light Department UNAUDITED Financial Statements YTD December 31, 2006

REVENUES:	Residential	9,133,130		
	Commercial	5,259,841		
	Municipal	776,447		
	Interest	61,189		
	Other, Non-Operating Revenues	58,018		
	TOTAL SALES & OTHER REVENUES		**15,288,626**	
EXPENSES:	Purchased Power & Transmission	9,267,041		
	Operations, Supervision & Engineering	234,282		
	Stores and Stockroom Expense	48,354		
	Station Equipment and Costs	53,816		
	Underground & Overhead Lines	1,028,067		
	Street Lights, Signals, and Fire Alarms	153,357		
	Electric Meter Reading, Installations, & Expenses	232,011		
	Water Meter Reading & Expenses	9,841		
	Misc. Distribution	85,073		
	Line Transformers	754		
	Supervision, Records, Collection & Uncollectibles	207,872		
	Advertising	3,618		
	Administrative Salaries	244,899		
	Office Supplies, Utilities, & Maintenance Contracts	112,897		
	Outside Services	364,623		
	Insurance: Property, Injuries & Damages	100,955		
	Employer's portion of Pension & Benefits	791,341		
	Regulatory Commission	760		
	General Plant & Miscellaneous	424,288		
	Transportation	48,733		
	Depreciation Expense	1,124,207		
	Interest	38,091		
	TOTAL EXPENSES		**14,574,876**	
	BMLD'S UNAUDITED NET INCOME FOR FY2006			**713,750**

Note : BMLD's payment in lieu of taxes for 2006 of $650,000 is not reflected in these amounts.

CURRENT	CASH - Petty & Operations	1,728,539		
ASSETS:	CASH - Depreciation & Construction	1,361,510		
	CASH - Consumers Deposits	111,158		
	Prepaid Expenses	501,166		
	Customer A/R & Liens, Net	1,053,652		
	TOB & MLD Reserve Trust	951,846		
	TOTAL CURRENT ASSETS		*5,707,871*	
PLANT &	UTILITY PLANT - Distribution	3,946,256		
EQUIPMENT:	UTILITY PLANT - General	3,212,024		
	Materials & Supplies	342,953		
	TOTAL PROPERTY & EQUIPMENT		*7,501,233*	
	TOTAL ASSETS			**$ 13,209,104**
LIABILITIES:	Accounts Payable	916,479		
	Bonds Payable & Interest	606,825		
	Commercial Deposits	103,400		
	Other Payables & Reserves	88,943		
	MLD Rate Stabilization	1,182,422		
	TOTAL LIABILITIES		*2,898,070*	
EQUITY:	Retained Earnings	9,597,284		
	Net Income (Loss)	713,750		
	TOTAL EQUITY		*10,311,033*	
	TOTAL LIABILITIES & EQUITY			**$ 13,209,104**