



A Customer Owned Utility
Serving Our Community Since 1894

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July 1, 2008

Dear Friends:

It is the summer season - remember to conserve energy whenever possible.

I. INCREASE IN THE PURCHASED POWER ADJUSTMENT (PPA) CHARGE

As you can imagine, the volatility of oil and gas prices has had an impact upon NAED's energy prices and challenged our ability to maintain rates at their current levels. With current energy market oil prices now in excess of \$140 per barrel, the department's projected FY 2008 power expenses indicate that without implementation of the recommended PPA the department is facing a fiscal year shortfall in excess of \$4 million.

On June 30, 2008 due to rising energy costs, the Board of Electric Commissioners voted to amend the department's Purchased Power Adjustment (PPA) from \$.028149/kWh to \$.06141/kWh, effective July 1, 2008. A Purchased Power Adjustment (PPA) is a temporary and adjustable charge, per kilowatt hour, to cover the cost of fuel required to produce and deliver electricity. The department has had a Purchased Power Adjustment as a component of its rates since January, 2006.

The institution of the new PPA will add \$16.64/month to a current residential customer using 500 kWh/month.

By way of illustration, the impact of the PPA is that a resident previously paying \$71.52/month for 500/kWh of electricity will now pay \$88.16.

The Commissioners have requested that I remind the residents that the PPA amount is not permanent and will be reviewed and adjusted, when appropriate. Chairman of the Board of Electric Commissioners Thomas Corrigan has noted that the Board has a history of looking out for the ratepayer. For example in FY 2006 the Board reduced the PPA four times during the year and even provided its customers with more than \$1.6 million in reduced electrical charges in 2007 when a customer "credit" was approved.

Regrettably, the volatility of energy prices has finally "caught up" with NAED.

The department's FY 2008 budget of \$34,146,148 was prepared as a "break even" budget with no budgeted "Rate of Return". The budget was prepared in a conservative manner with energy costs projected between \$72 - \$78 per MWH and a total increase in power costs projected to be \$4,142,728 as compared to FY 2007. The department's FY 2008 budget included \$1.5 million in "non-power revenue" to off-set the then projected increases in energy prices.

Our FY 2008 budgeted net power costs were initially \$26,845,398; however, the revised projections by our consultant now project a total annual net power cost of \$31,035,859 - with the increase totally attributable to energy.

Although we know that our rates will still remain lower than those in several other communities in the Commonwealth, the Commissioners and the NAED administration recognize that rising energy prices do place a hardship on all of our customers. However, the Commissioners and NAED administrators do have a statutory obligation, as stewards of NAED, to ensure that revenues are sufficient to address the departments' projected expenses.

Commissioner Corrigan stated that in this time of rising energy prices it is important that the residents of this community know that NAED is doing all that it can to keep energy prices and rates as low as possible. "We have designated non-power revenue to offset anticipated energy prices. We approved a department budget which does not include a budgeted "rate of return" (a maximum of 8% is allowed by state regulations). We are also looking at new power projects that may provide the department with additional stable energy pricing in the future."

Commissioner Corrigan stated, "The increase in the PPA is reflective solely of our power costs and the Commissioners and NAED's management team will continue to monitor the prices and rates throughout the year. Hopefully, energy costs will stabilize and/or come down so that the current PPA can be adjusted to benefit our customers. I urge all of our customers to do all that they can to conserve energy as a way of reducing system and personal energy costs."

We know that the increase in the PPA can create fiscal challenges and difficulties for our customers. NAED has programs and services to help North Attleborough consumers to address energy costs and we encourage anyone interested in such programs to contact NAED. Customers who are in need of assistance with their electric bills are encouraged to call NAED at 508.643.6300.

II. RATE COMPARISON

Residential customer rates based on the MMWEC data (for March, 2008), plus North Attleborough's current principal residential rate are herein presented, based on consumption:

	250 KWh	500 kWh	750 kWh	1000kWh
NAED*	\$ 46.58	\$ 88.16	\$ 129.73	\$171.31
<u>OTHERS:</u>				
Commonwealth Electric	\$ 51.85	\$ 99.97	\$ 149.20	\$ 196.20
Cambridge Electric	\$ 49.12	\$ 91.37	\$ 133.60	\$ 175.86
WMECO	\$ 48.15	\$ 87.76	\$ 127.38	\$ 166.99
National Grid	\$ 44.53	\$ 82.76	\$ 121.39	\$ 159.82
Fitchburg G & E	\$ 51.75	\$100.48	\$ 149.20	\$ 197.93
Boston Edison	\$ 51.38	\$ 96.32	\$ 141.27	\$ 186.21

**North Attleborough's current rates, per kWh, include, as of July 1, 2008, a Purchased Power Adjustment (PPA) of \$.061410/kWh. Residential rate includes \$5.00 "Customer Charge"*

Please continue to remember our fellow citizens who are defending our country throughout the world.

As always, should you have any questions at any time, please feel free to contact me at 508.643.6300.

Sincerely,

James C. Moynihan
General Manager