



**A Customer Owned Utility**  
Serving Our Community Since 1894

**275 Landry Avenue**  
**North Attleborough, MA 02760-3501**  
**Telephone: 508.643.6300**  
**Fax: 508.699.5603**  
**www.naelectric.com**



**January 11, 2010**

**Board of Electric Commissioners Approve FY 2010 Operating Budget and Capital Improvement Plan**

At their January 7, 2010 meeting the North Attleborough Board of Electric Commissioners ("Board") approved the department's FY 2010 operating budget and Capital Improvement Plan (CIP).

North Attleborough's fiscal year is the calendar year (January 1 – December 31, inclusive).

**I. OPERATING BUDGET - OVERVIEW**

The department's Purchased Power Adjustment (PPA) will remain the same: \$.022/kWh

The department's **FY 2010** budget totals are as follows:

|                                  | <b>FY 2010</b>      | <b>FY 2009</b>      | <b>Difference \$</b> | <b>Difference %</b> |
|----------------------------------|---------------------|---------------------|----------------------|---------------------|
| Revenue from Electric Sales:     | \$28,900,246        | \$32,072,297        | (\$3,172,051)        | (9.9%)              |
| Revenue from Non-Electric Sales: | \$ 235,600          | \$ 264,800          | (\$29,200)           | (12.4%)             |
| <b>TOTAL NET INCOME*:</b>        | <b>\$29,003,846</b> | <b>\$32,229,097</b> | <b>(\$3,225,251)</b> | <b>(10.0%)</b>      |

*\* Includes "Less: Uncollectable Accounts" - \$132,000: \$11,000/month in FY 2010, compared to \$108,000 in FY 2009: \$9,000/month*

Net Power Supply Expenses\*\*:

|                              | <b>FY 2010</b> | <b>FY 2009</b> | <b>Difference \$</b> | <b>Difference %</b> |
|------------------------------|----------------|----------------|----------------------|---------------------|
| Net Power Supply Expenses**: | \$20,614,064   | \$24,147,077   | (\$3,533,013)        | (14.63%)            |

*\*\* Includes "Capacity", "Energy", "Transmission" and "Other Power Supply Expenses"/ Also included is "Less - Extraordinary Power Supply Items" (Select Energy Credit and "MMWEC Flush of Funds")*

|                                 | <b>FY 2010</b> | <b>FY 2009</b> | <b>Difference \$</b> | <b>Difference %</b> |
|---------------------------------|----------------|----------------|----------------------|---------------------|
| Total O&M, Cust., A&G Expenses: | \$3,172,784    | \$ 3,077,557   | \$ 95,227            | 3.1%                |

|                                  |                     |                     |                      |                 |
|----------------------------------|---------------------|---------------------|----------------------|-----------------|
| <b>TOTAL OPERATING EXPENSES:</b> | <b>\$28,262,211</b> | <b>\$31,567,915</b> | <b>(\$3,305,704)</b> | <b>(10.47%)</b> |
|----------------------------------|---------------------|---------------------|----------------------|-----------------|

## **II. BUDGET OVERVIEW**

This budget represents a responsible budget plan for FY 2010 which is responsive to the goals of the Board of Electric Commissioners, objectives of the departmental administration and respectful of NAED's customers & rate payers.

The budget presents an overall reduction in power and small increase non-power expenses, while at the same time addressing obligations such as power purchases, NERC requirements, ISO-NE obligations, Forward Capacity Market (FCM) and administrative obligations such as projected increases in Retirement and Health Insurance.

The budget also continues to provide funding for a PILOT of \$300,000 and another \$50,000 for "Community Service".

Our Energy Conservation Programs (audit and rebates) are again funded. Through our Capital Improvement Plan we will commence two pilot projects involving "energy efficiency" and "real time information" – one program involving remote metering and the other project allowing 50 homeowners to better control their residential energy consumption.

The projected "Adjusted Net Income" amount in FY 2010 of \$466,635 represents a Return on the Assets of 1.17% - well below the statutory maximum (8.0%) that could be included in the rates.

## **III. BUDGET HIGHLIGHTS**

### **A. POWER REVENUES:**

Power revenues constitute 99.6% of NAED's projected "Total Net Income" in FY 2010.

The FY 2010 power revenues assume that the price for "fossil fuels" - the principal source of NAED's energy production will be higher than the time when FY 2009 commenced. We also assume that there will be volatility in the energy market place.

Sales are projected to decline in comparison to the previous fiscal year, due to factors such as the economy and consumer efforts to conserve energy.

The PPA will remain at \$.022/kWh. The FY 2010 budget cannot balance without a PPA.

Accordingly, the volatility of the energy market place of recent months seems to be continuing and must be constantly monitored. We believe that at least in the short term, that the proposed PPA (which is itself conservative), coupled with a conservative budget and a small built in return on investment will allow for stability in the rates (a stated goal of the Board of Electric Commissioners).

### **B. POWER EXPENSES**

The power expenses are based, in part, on the projections of EMG and Leymaster, Inc. of December 21, 2009. The projected purchases and sales in FY 2010 are reduced from FY 2009 based upon both the "trend" of sales in FY 2009 and the years' actual purchases and sales. The sales in FY 2009 were "dramatically" lower than those in FY 2008, which in turn were lower than our sales in FY 2008.

### **C. WHAT DOES THIS BUDGET PROVIDE?**

**1. Stability in the Rates:** The Board of Electric Commissioners has continually emphasized the importance of stability in NAED's rates. This budget reflects a commitment to that policy with the PPA remaining stable (\$.022/kWh) even with energy prices being considered volatile. We also will continue to review power opportunities that might provide NAED with long term energy price stability.

**2. Safety & Training:** We will continue to provide high quality safety training for employees. We will also be providing training on Defibrillator use and purchase new testing equipment for the distribution system. Clothing will be appropriate with new ArcFlash requirements. We will continue to test our emergency response policies and practices.

**3. Commitment to "Energy Efficiency":** The department will continue to provide programs that support energy efficiencies. The department will continue to offer rebate opportunities involving "Energy Star" products and "audits" for both residential and commercial/industrial customers.

**4. Planning:** The budget and CIP will result in the completion of the "backbone" of the 4kV conversion project which has the focal point of the department's capital effort for the past three years.

In addition, in FY 2010 we will institute our bi-annual survey of our commercial & industrial customers; commence the planning process for a future Master Plan, enhance our capacity to address "growth projects", update our Terms & Conditions" and continue to assess opportunities to develop local "green" energy resources.

We will continue to consider opportunities involving "green power" or locally generated power that might be used to support and/or supplement NAED's current power portfolio.

**5. Preventive Maintenance Programs and On-Going System Maintenance:** We will continue our efforts to enhance NAED "preventive maintenance" programs by continuing our program involving departmental vehicles. We will also institute new in the field reviews of NAED distribution infrastructure and procedures relating to substation operations.

We will utilize our "Field Assessment Tool" to review the distribution system's infrastructure in a specific section of town and continue to perform tree trimming work. We will also begin efforts this year, through funding in the CIP to assess our underground distribution system (which in some sections of town is now approximately twenty years old).

**6. Support for Technology:** There are funds available to allow the department to utilize technologies and software such as GIS, SCADA, Cogsdale and Infra-Red. We also plan on enhancing our "Field Assessment Tool".

**7. Compliance with Government and Industry Requirements:** NERC, ISO-NE, FCM are only some of the terms and agencies that this budget addresses on behalf of the department. In FY 2010 we will have our first pre-NERC audit to determine NAED's readiness for an actual NERC review of this department.

**8. Communication:** We are prepared to provide customers with updated and relevant information through the GM Newsletter, our web site and the NAED Television Show.

#### **IV. CAPITAL IMPROVEMENT PLAN**

The **FY 2010** CIP totals **\$1,540,535**

Of particular note in this year's CIP is funding for:

- a. Two pilot programs involving "energy efficiency" – remote metering (20 meters) and a program that will allow customers to set goals and actually manage their energy consumption using a new "smart grid" type technology.
- b. A continuation of NAED's efforts to upgrade its capital equipment by purchasing a new bucket truck – replacing a twenty three (23) year old vehicle.
- c. Funding sufficient to permit the completion of the "backbone" of the department's decades long effort to convert the distribution system from 4kV to a more robust 13.8 kV. The work will result in greater reliability in the system and should reduce outages.
- d. The department will be also be improving its facilities relative to serving its customers and enhancing safety at the NAED Administration Building by renovating downstairs space, creating a second building entrance, constructing a new parking area and installing new lighting and security cameras.
- e. New testing and safety equipment

file: FY 2010 - ..., 1-10