

BELMONT LIGHT
POWER SUPPLY POLICY
September 2018

I. GOAL

Belmont Light will strive to develop a managed power supply portfolio that provides Belmont customers with reliable electric service at the lowest possible cost consistent with the Town's Climate Action Plan (CAP) that obligates all sectors, in the aggregate, including the electricity sector, to reduce its CO₂ emissions by 80 percent by 2050; recognizing, however, that reductions in CO₂ emissions through non-power supply portfolio measures (for example, through enhanced energy efficiency measures and/or rate design) can contribute to the said goal. New technologies, such as energy storage, will also be investigated as means to achieve the CAP goals and to reduce Belmont Light's capacity charges.

II. PORTFOLIO SUPPLY

Belmont Light, in collaboration with its outside power supply consultants, will strive to enter into portfolio purchases to minimize risks through layered and staggered purchases with credit worthy power suppliers. Power supply should be flexible enough to meet an evolving energy marketplace. The term "power supply" shall consist of three distinct portfolios: energy, capacity and renewable energy credits (RECs).

For our energy requirements, a target of no more than 20 percent of Belmont Light's total energy needs should be supplied via any single contract while the total energy portfolio hedge should not exceed approximately 80%. This approach would result in a minimum of four active contracts and leave about 20% of Belmont's energy needs subject to the spot market to act as a cushion to load variability.

For Belmont Light's capacity requirements, based on the operation of the Forward Capacity Market ("FCM") by the Independent System Operator – New England, Belmont Light will hedge to a maximum of approximately 50 percent of its capacity needs in any year when doing so will provide significantly more cost certainty than would otherwise be expected from the Forward Capacity Auction ("FCA") process. This capacity hedge can be met with individual contracts as available with no one contract exceeding approximately 25% of Belmont Light's requirements.

Regarding particular power sources and renewable energy credits, Belmont Light should seek out competitively priced renewable and non-carbon emitting energy sources in New England and surrounding regions to add to its supply portfolio consistent with the layered and staggered approach indicated above. Consistent with publicly vetted rate impacts, Belmont Light shall contribute to meeting the goals set forth in the Town's Climate Action Plan and applicable Town Meeting resolutions, through retention, procurement and retirement of Class I and Class II Massachusetts

Renewable Energy Certificates (RECs). Where the purchase and retirement of Massachusetts RECs is impossible or infeasible then the power supply opportunity will be brought to the Light Board Advisory Committee (LBAC) for discussion and a vote on a recommendation.

Belmont Light will pursue resource and counterparty diversification by establishing Master Agreements with multiple suppliers that conform to the standards set forth by the Edison Electric Institute. Such purchases shall include, but not be limited to: energy strips; heat rate swaps; load following for energy and ancillary services; spot market purchases; unit entitlements; forward fuel hedges for unit entitlements and heat rate/fuel index contracts; and, verifiable load management and/or energy conservation services.

III. PUBLIC POLICY

Belmont Light will keep abreast of market developments, availability of power products and market conditions. Policy positions by Belmont Light pertaining to power supply shall be discussed in advance with the Light Board Advisory Committee and with the Light Board.

IV. PORTFOLIO PLANNING

Belmont Light's power supply portfolio will be designed to meet an annual energy budget, and, to the extent possible, a five-year energy budget. Long term supply plan goals beyond five years, along with a plan to achieve those, will be set periodically.

V. PARTICIPATION OF LIGHT BOARD ADVISORY COMMITTEE AND LIGHT BOARD

The General Manager of Belmont Light will, on an on-going basis, discuss the status of the power supply portfolios, including percentages from renewable or carbon free resources, with the Light Board Advisory Committee (LBAC) and with the Light Board. Individual contractual power supply opportunities will be discussed in advance with LBAC and with the Light Board. Terms of the arrangement and its benefits should be specified.

VI. TRANSACTION AUTHORIZATION POLICY

Subject to the discussions that will take place pursuant to Section V, above, the General Manager, or in his/her absence the Assistant Manager/Director of Operations, may enter into power supply contractual arrangements without an affirmative vote of the Light Board; provided, however, that this authority extends to arrangements with prior Light Board approved conditions such as price threshold, term etc. Additionally, the General Manager, or in his/her absence the Assistant Manager/Director of Operations, may also enter into power supply contractual arrangements without an affirmative vote of the Light Board if the contractual arrangements are of five years or less in duration and pertain to 50,000 megawatt hours of power or less. Any contractual arrangement not meeting the conditions set forth in this policy requires the approval of the Light Board.

If, due to exigent circumstances, it is not practicable to discuss an individual contractual supply opportunity with LBAC and with the Light Board in advance of the need to enter into a contractual arrangement, the General Manager of Belmont Light or his/her designee will make a diligent effort to contact the Chair of LBAC and the Light Board's Chair to discuss said proposed arrangement.

VII. EVALUATION

All supply portfolio arrangements shall be evaluated for their efficacy and cost-effectiveness in meeting the goals set forth in Section I.

VIII. TRANSPARENCY

It will be the policy of Belmont Light to make public all documents pertaining to power supply other than documents (or portions thereof) that are defined by contract as confidential as commercially proprietary. It is recognized, however, that there may be good cause and a legal basis to protect certain other sensitive documents in certain instances. Belmont Light will seek to avoid unnecessary contractual restrictions on the public release of documents. Belmont Light will endeavor to make as much information public as possible in accordance with public records law.

IX. EQUIVALENCE OF SUPPLY-SIDE AND DEMAND-SIDE MEASURES

Nothing in this Power Supply Policy should be construed as indicating that demand-side measures that reliably and cost-effectively reduce Belmont Light energy and/or capacity requirements are any less important to pursue for ratepayers than supply-side strategies. It is recognized that increased electricity use may be effective in reducing carbon emissions in other sectors, such as via strategic electrification or beneficial electrification.

X. PERIODIC REVIEW

Periodically, but no less frequently than once each year, this power supply policy should be reviewed by the Light Board in consultation with the Light Board Advisory Committee and the Energy Committee.

MLB Approval Date: _____