

Section II

Enterprise Budget Detail

Concord Municipal Light Plant

Concord Municipal Light Plant

Program Description

The Concord Municipal Light Plant (CMLP) is responsible for providing electricity to more than 7,200 residential, municipal, and business customers throughout Concord. Since the Light Plant does not have generating capability, it purchases its power from outside suppliers. To distribute the electricity, the CMLP operates substations and distribution facilities. Power lines are maintained by CMLP line workers. In order to monitor the system, the Municipal Light Plant has a modern, consolidated operations center. In addition, the CMLP staff is responsible for reading electric and water meters and for providing customer service.

The mission of the CMLP is to supply reliable and cost effective energy services, in a responsible and courteous manner, which can meet the current and future needs of its customers. In support of the mission, the CMLP is committed to improving service to its customers and maintaining a safe and positive work environment for its employees. Furthermore, the Light Plant's goal is to develop and maintain a reliable and secure supply of electric energy at a reasonable cost. The CMLP strives to provide service at competitive rates that are fair to all customers. Applicable environmental regulations are to be met or exceeded. The Light Plant staff is responsible for engineering, constructing, and maintaining the electrical distribution system, related facilities, and equipment that will meet current and future customer needs. Finally, the mission statement specifies that the Light Plant's goal is to develop and implement energy conservation and load management programs designed to reduce system peak load and educate customers in energy efficiency and the wise use of energy.

On June 1, 2002, the Concord Municipal Light Plant changed its electricity supplier. In the past, the CMLP bought most of its electricity from NSTAR (formerly Boston Edison). Under the new contract, the main supplier of power is Constellation Power Source, Inc. This new seven-year agreement provides a reliable supply of electricity at reasonable and known costs.

This past year the Light Plant has worked closely with the owner of the Acton Hydro generating plant, located along Rt. 62 in Maynard, in order to restart the facility and provide a green power option to Concord. The hydro plant should be operating shortly. Since last November, some fifty-five residential customers have signed up for over 150,000 kWh of green power from the Acton plant in support of a cleaner environment.

The Light Plant makes an annual Payment in Lieu of Taxes to the General Fund. This is applied as revenue and reduces the property tax levy accordingly. The current formula, which was adopted by the Light Board in March 1994, uses net book value of utility plant in service at June 30 multiplied by the commercial \ industrial property tax rate adopted by the Board of Selectmen at the end of the calendar year to determine the PILOT for the town's subsequent fiscal year. This is the same process as would be used for other utilities such as Boston Edison or Keyspan. One major difference, however, is that CMLP's payment is never reduced. By agreement, there is a ratchet in the formula such that whenever the calculation of the PILOT for a new year would be less than the current payment, the new PILOT is set at the current level. This adds stability to the General Fund budget process.

Construction activity in the public way for the Main Street underground conduit replacement project is complete. Conduit installation for connections to individual buildings should begin in 2004.

Town of Concord, Massachusetts

Rates are determined depending on the type of service provided and are classified into residential and general service categories. For a residential customer, the basic rate (Rate R-1) is \$7.71 per month for the meter charge and \$0.09099 per kWh for the energy rate. General service rates apply to business and municipal customers. The general service rate for a small user of electricity (Rate G-1) is \$8.28 per month for the meter charge and \$0.11473 per kWh for the energy rate. Different rates are available for other types of service.

In terms of the following analysis, the CY04 numbers are projected using a formula that based on various factors including historical trends. The CY03 numbers are referred to as being actual/preliminary since they are the unaudited amounts for calendar 2003.

Including street and private area lighting, the system sales forecast for calendar year 2004 is about 176,600,000 kWh, representing a slight increase above the CY03 number of 175,500,000 kWh.

For the CY04 budget, the projected operating revenue is \$14.6 million, which is \$800,000 (5.2%) less than the operating revenue of \$15.4 million in CY03. The decline in revenue is primarily a result of a 6.9% decrease in revenue from the sales of electricity for commercial and industrial customers that is due in part to a lower power supply expense.

In CY04, operating expense is projected to remain at or near the same level as the previous year. Of the total operating expenses, the major item is the power supply expense, which is projected to account for 73% of total O&M expenses. This percentage is compared to 74% in CY03 and 77% in CY02. Under the terms of the power supply contract with Constellation Power Sources, Inc., the cost of power is expected to be approximately 1.5% less than in CY03. In addition, excluding power supply expense and depreciation, other operating expense is budgeted to increase by 3.5% from \$3,341,000 in CY03 to \$3,457,000 in CY04.

Due to the decrease in revenue, operating income is projected to decline from \$1,463,000 in CY03 to \$650,000 in CY04. When items such as the underground surcharge and interest on bonds are taken into account, the net income is projected to decrease from \$1,718,000 in CY03 to \$828,000 in CY04, a decline of \$890,000. This amount is substantially lower than the net income of \$1.7 million the CMLP earned during each of the two previous years. Part of this decrease is from lower earnings from interest and dividends due to continuing low short-term interest rates.

The rate of return on plant assets is projected to be about 0.6% for CY04 compared to 3.0% in CY03 and 2.9% in CY02. The rate of return is calculated by dividing the net return by the cost of the plant at year-end. The net return is the net income minus the debt principal repayment. This number is projected to be \$248,000 for CY04. For comparison, the net return for CY03 is \$1,218,826 (preliminary) and for CY02 is \$1,124,995.

The results projected for CY04 revenues will not be sufficient to provide for all of the planned capital expenditures. In the CY04 budget, the net available for capital purposes is projected to be \$1,134,844. This amount includes \$310,137 from the underground surcharge credited to the Underground Fund and interest earnings allocated to this fund. Accordingly, the amount available for capital improvements other than for underground projects is \$824,707. However, the budget plans for construction expenditures of \$1,187,500 (not including \$489,000 planned from the Underground Fund). The projected shortfall relating to planned capital improvements

Town of Concord, Massachusetts

is \$541,646. This amount can be drawn from available cash in the Depreciation and Underground Funds.

Capital Project Funding Plan, CY04

	Underground Projects	Other Projects	Total
Net Income	\$310,137	\$558,932	\$869,069
Add: Depreciation Expense		1,185,775	1,185,775
Less: Debt Principal		(580,000)	(580,000)
Less: Payment in lieu to General Fund		<u>(340,000)</u>	<u>(340,000)</u>
Net Available	310,137	824,707	1,134,844
		0	↓
Less: Planned Spending	489,000	1,187,500	1,676,500
Current Excess / Deficit	\$(178,863)	\$(362,793)	\$(541,656)
		8	6

849,069

Town of Concord, Massachusetts

LIGHT FUND (Concord Municipal Light Plant)	FUND # 62
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OPERATING REVENUES

Calendar Year:	2001 Actual	2002 Actual	2003 Actual Preliminary	2004 Budget
Sales of Electricity:				
Residential sales	5,671,790	6,151,073	6,363,981	6,128,403
Commercial and industrial sales	8,007,918	8,448,492	8,176,752	7,615,938
Municipal sales:				
Street lighting	86,613	87,642	79,897	71,000
Lighting and water heating for municipal buildings and regional school	726,475	751,823	725,425	723,997
Miscellaneous sales	49,633	42,766	41,317	53,700
Total Electric Operating Revenues Billed	14,542,429	15,481,796	15,387,372	14,593,038
Provision for Purchased Power Adjustments	(412,054)	173,436	--	--
Net Change in Unbilled Revenues	(285,022)	60,011	49,680	45,000
Provision for Rate Refund	0	0	45,539	0
Power Supply Refunds	2,415,598	260,371	0	0
Total Operating Revenues	16,260,951	15,975,614	15,482,591	14,638,038

OPERATING SALES (KWH)

Calendar Year:	2001 Actual	2002 Actual	2003 Actual Preliminary	2004 Estimated
Kilowatt-hours Sold:				
Residential sales	63,187,211	64,491,190	67,322,578	68,124,000
Commercial and industrial sales	98,466,190	98,289,801	99,297,175	99,520,100
Municipal sales:				
Street lighting	922,873	906,933	879,094	823,000
Lighting and water heating for municipal buildings and regional school	7,853,221	7,753,647	8,019,298	8,117,000
Total Electric Sales Billed	170,429,495	171,441,571	175,518,145	176,584,100
Net Change in Unbilled Sales	(1,275,529)	1,058,865	--	--
Total Operating Sales	169,153,966	172,500,436	175,518,145	176,584,100

Source: 2001-02 actual; 2003 actual from preliminary unaudited financial statements;
2004 budget adopted by Municipal Light Board on 1/13/04.

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LIGHT FUND (Concord Municipal Light Plant)

FUND # 62

OPERATING EXPENSES

Calendar Year:	2001 Actual	2002 Actual	2003 Actual Preliminary	2004 Budget
Operating Accounts:				
Power Supply Expense	11,630,990	10,270,177	9,515,964	9,344,773
Transmission & Subtransmission Expenses:				
Operation	4,621	59,934	19,663	20,000
Maintenance	128,589	101,545	97,247	94,000
	<u>133,210</u>	<u>161,479</u>	<u>116,910</u>	<u>114,000</u>
Distribution Expenses:				
Operation	91,384	105,595	105,507	102,600
Maintenance	452,624	409,144	240,017	511,700
	<u>544,008</u>	<u>514,739</u>	<u>345,524</u>	<u>614,300</u>
Customer Accounts Expenses:				
Meter-reading labor and expenses	38,652	37,803	41,531	46,000
Billing, collecting and associated costs	100,213	114,743	116,512	117,000
Customer information services	84,059	106,041	125,321	145,050
Uncollectible accounts	3,834	38,288	6,290	40,000
	<u>226,758</u>	<u>296,875</u>	<u>289,654</u>	<u>348,050</u>
Administrative and General Expenses:				
Operations:				
Administrative & general salaries	506,765	571,437	592,304	773,100
General Fund services	201,419	199,519	195,430	201,300
Office supplies and expense	87,656	87,394	75,072	90,400
Outside services employed	280,801	408,916	858,960	315,000
Property insurance & damages	58,846	58,979	48,993	82,500
Employee pensions & group benefits	325,994	329,794	360,045	418,900
Sick leave/vacation leave/holidays	201,068	226,918	252,721	239,000
Miscellaneous expenses	121,228	149,906	53,569	145,000
Maintenance of general plant	88,522	66,257	151,507	115,000
	<u>1,872,299</u>	<u>2,099,120</u>	<u>2,588,601</u>	<u>2,380,200</u>
Subtotal, Operating Accounts	<u>14,407,265</u>	<u>13,342,390</u>	<u>12,856,653</u>	<u>12,801,323</u>
Depreciation Expense	<u>1,145,493</u>	<u>1,152,640</u>	<u>1,162,564</u>	<u>1,185,775</u>
Total Operating Expenses	<u>15,552,758</u>	<u>14,495,030</u>	<u>14,019,217</u>	<u>13,987,098</u>

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LIGHT FUND (Concord Municipal Light Plant)	FUND # 62
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AUTHORIZED POSITIONS

Code	Position Title	Grade	July 1, 2003-June 30, 2004 Fiscal Year 2004		July 1, 2004-June 30, 2005 Fiscal Year 2005	
			# Positions	\$ Amount	# Positions	\$ Amount
5111	Superintendent	MP-13	1	93,016	1	93,018
	Engineering & Oper. Mngr.	MP-11	1	79,428	1	79,428
	Electrical Engineer	MP-8	1	59,634	1	59,696
	Asst. Superintendent	MP-7	1	61,846	1	61,846
	Business Administrator	MP-7	1	61,689	1	61,689
	Civil Engineer	MP-5	1	51,547	1	53,550
	Energy Svcs.Comm.Admin.	MP-5	1	54,561	1	54,561
	Meter Supervisor	MP-4	1	50,414	1	49,433
	Utility Software Coord.	MP-2	1	45,586	1	45,586
	Engineering Technician	MP-2	1	47,892	1	47,930
	Office Accountant	MP-1	1	38,591	1	38,591
	Sr. Admin. Asst.	ACL-7	1	47,517	1	47,517
	CAD Operator	ACL-5	1	36,558	1	36,749
	Sr. Account Clerk	ACL-4	1	34,715	1	34,860
	Department Clerk	ACL-3	2	68,808	2	69,022
	Line Supervisor	LA-10	1	72,323	1	72,323
	Lead Line Worker	LA-9	3	197,776	3	197,971
	Line Worker, Grade 1	LA-8	2	111,845	3	167,415
	Line Worker, Grade 2	LA-6	3	145,009	2	99,158
	Utility Electrician	LA-6	1	50,772	1	51,053
	Master Mechanic	LA-5	1	48,104	1	48,132
	Equipment Operator	LA-3	2	77,743	2	78,634
	Meter Technician	LA-3	1	41,238	1	41,238
	Meter Reader	LA-2	3	110,377	3	113,545
	Building Maint. Custodian	LA-2	1	36,969	1	37,391
	IS Support:					
	Technology Admin.	MP-8	0.20	12,314	0.20	12,314
	Info. Systems Asst.	MP-2	0.20	8,364	0.20	8,413
	Subtotal, FTE's		34.4	1,744,636	34.4	1,761,063
	Line Worker Stand-By Pay		1,320 hrs.	41,677	1,320 hrs.	41,718
	Engineering Stand-By Pay			31,320		31,320
	Subtotal, regular pay			1,786,313		1,802,781
5120	Fiber Optics Specialist	Misc.	1,544 hrs.	37,056	2,088 hrs.	50,112
517X	Group Insurance --					
	Health, Life, Dental			110,000		124,000
	Retirement			265,597		273,365
	Social Security & Medicare Tax			22,000		28,000
5194	Clothing Allowance			3,600		3,600
51XX	Salary Reserve -- regular pay			--		47,743
51XX	Vacancy Savings [Lead Line Worker, Line Worker Gr. 2] [Equipment Operator, Meter Technician]			(189,575)		--
				<u>2,034,991</u>		<u>2,329,601</u>

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LIGHT FUND (Concord Municipal Light Plant)	FUND # 62
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DEBT SERVICE

	Calendar Year:	2001 Actual	2002 Actual	2003 Actual Preliminary	2004 Budget
Long Term Debt: (cash basis)*					
Principal		613,000	655,000	500,000	580,000
Interest		259,237	228,980	208,319	190,664
		<u>872,237</u>	<u>883,980</u>	708,319	770,664
Accrued Interest Expensed:*		257,511	227,964	201,782	173,524
*including 2/15/03 bond issue					

PAYMENTS TO GENERAL FUND

	FY02 Actual	FY03 Actual	FY04 Revised Budget	FY05 Estimate
General Fund Services:				
Financial & Administrative Svcs.	202,860	211,618	210,405	210,320
Landscaping - Line Clearance	3,000	3,000	3,000	3,000
GIS Administration	2,459	2,459	2,459	2,459
Natural Resource Protection	19,657	20,820	20,716	21,254
Salary Reserve	--	--	--	7,810
	<u>227,976</u>	<u>237,897</u>	236,580	244,843
Payment in Lieu of Taxes (PILOT):	340,000	340,000	340,000	340,000
Calendar Year of PILOT payment	2001	2002	2003	2004

Town of Concord, Massachusetts

LIGHT FUND (Concord Municipal Light Plant)

FUND # 62

NET INCOME

Calendar Year:	2001 Actual	2002 Actual	2003 Actual Preliminary	2004 Budget
Statement of Net Income:				
Operating Revenues	16,260,951	15,975,614	15,482,591	14,638,038
Operating Expenses	15,552,758	14,495,030	14,019,217	13,987,098
Operating Income	708,193	1,480,584	1,463,374	650,940
* Interest & dividend income	303,690	147,339	97,787	49,800
Underground surcharge	290,009	308,935	309,414	294,137
Other income	128,612	75,085	63,179	40,000
Income before interest expense	1,430,504	2,011,943	1,933,754	1,034,877
Interest on bonds & notes	(250,130)	(219,124)	(201,782)	(173,524)
Interest on deposits	(7,381)	(8,840)	(9,162)	(8,300)
Amortization of debt expense	(3,984)	(3,984)	(3,984)	(3,984)
Net Income	1,169,009	1,779,995	1,718,826	849,069

* includes allocation from Town Treasurer's pooled investment program

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LIGHT FUND (Concord Municipal Light Plant)	FUND # 62
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AVAILABLE RESOURCES

	Calendar Year:	2001 <u>Actual</u>	2002 <u>Actual</u>	2003 Actual <u>Preliminary</u>	2004 <u>Budget</u>
Resources available from current operations for replacement & renewal of plant: (not including issuance of debt)					
from:					
Depreciation expense		1,145,493	1,152,640	1,162,564	1,185,775
Net Income		<u>1,169,009</u>	<u>1,779,995</u>	<u>1,718,826</u>	<u>849,069</u>
		2,314,502	2,932,635	2,881,390	2,034,844
less:					
Debt Principal repayment		613,000	655,000	500,000	580,000
Payment in lieu of taxes		<u>340,000</u>	<u>340,000</u>	<u>340,000</u>	<u>340,000</u>
		953,000	995,000	840,000	920,000
Net from current operations available for capital purposes		1,361,502	1,937,635	2,041,390	1,114,844
Cost of Plant @ year end		39,118,364	39,449,144	39,861,375	41,463,400
Net from current operations as % of Cost of Plant		3.5%	4.9%	5.1%	2.7%
<u>Cost of Plant:</u>					
Beginning		38,880,182	39,118,364	39,449,144	39,972,403
Additions		458,239	743,005	875,579	2,538,500
Retirements		220,057	412,225	352,320	276,109
Ending		39,118,364	39,449,144	39,972,403	42,234,794

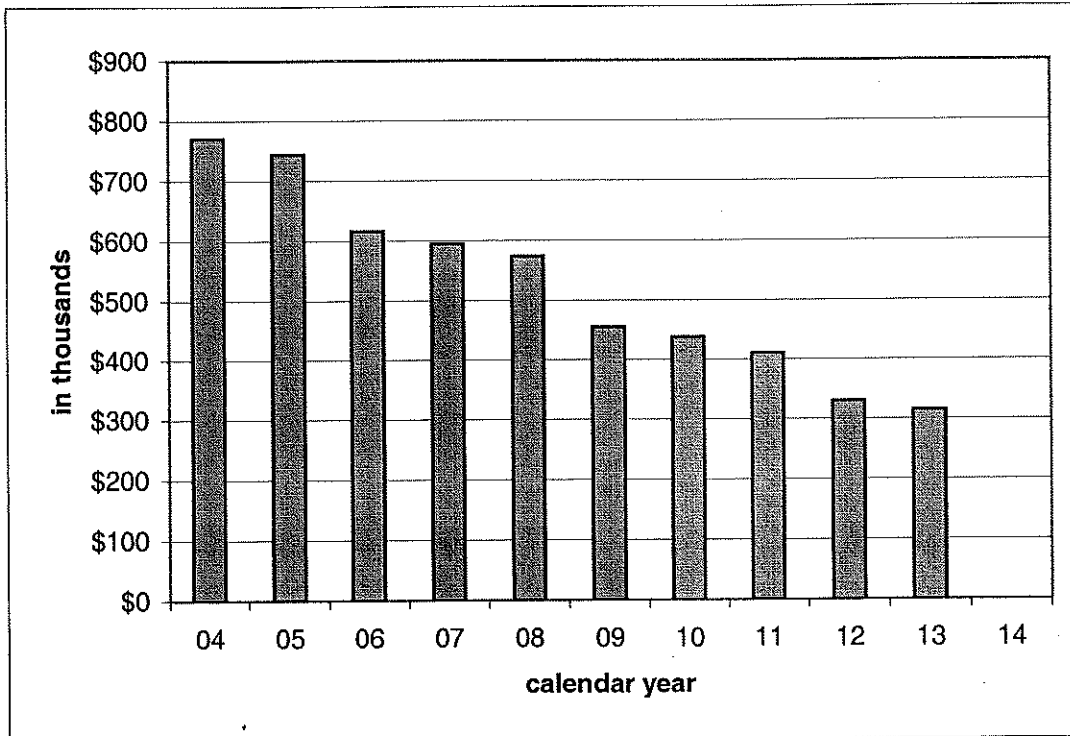
RATE OF RETURN

	Calendar Year:	2001 <u>Actual</u>	2002 <u>Actual</u>	2003 Actual <u>Preliminary</u>	2004 <u>Budget</u>
Rate of Return Analysis:					
Net Income		1,169,009	1,779,995	1,718,826	849,069
less debt principal repaid		<u>613,000</u>	<u>655,000</u>	<u>500,000</u>	<u>580,000</u>
Net Return		556,009	1,124,995	1,218,826	269,069
Cost of Plant @ year end		39,118,364	39,449,144	39,972,403	42,234,794
% Return (net return ÷ cost of plant)		1.4%	2.9%	3.0%	0.6%

Town of Concord, Massachusetts

CMLP Debt Service

Calendar Year	Principal	Interest	Total
2004	580,000	190,664	770,664
2005	580,000	164,514	744,514
2006	475,000	141,117	616,117
2007	475,000	120,401	595,401
2008	475,000	99,108	574,108
2009	375,000	80,126	455,126
2010	375,000	63,270	438,270
2011	365,000	46,073	411,073
2012	300,000	30,000	330,000
2013	300,000	15,000	315,000
2014	<u>0</u>	<u>0</u>	<u>0</u>
Totals	\$4,300,000	\$950,273	\$5,250,273



Town of Concord, Massachusetts

**DETAIL OF GENERAL FUND SERVICES
PROVIDED TO LIGHT FUND**

	<u>FY02 Actual</u>	<u>FY03 Actual</u>	<u>FY04 Revised Budget</u>	<u>FY05 Estimate</u>
Financial & Administrative Services				
Town Manager's Account	64,428	67,630	68,061	67,855
Town Accountant				
General Services	49,749	51,568	50,489	50,461
Audit Services	1,075	1,290	1,290	1,290
Finance Administration	25,104	26,383	26,183	26,186
Treasurer-Collector	36,151	38,031	38,879	38,900
Personnel Administration	22,415	22,414	21,001	21,063
Town House Facilities	3,938	4,302	4,502	4,565
	<u>202,860</u>	<u>211,618</u>	<u>210,405</u>	<u>210,320</u>
Natural Resource Protection				
Planning	6,446	6,813	6,857	7,029
Natural Resources	13,211	14,007	13,859	14,225
	<u>19,657</u>	<u>20,820</u>	<u>20,716</u>	<u>21,254</u>
Landscaping @ Substations				
Parks & Trees	3,000	3,000	3,000	3,000
GIS Administrator				
CPW Engineering	2,459	2,459	2,459	2,459
Street Lighting	1,700	1,725	0	0
Salary Reserve				
Equals 4.0% of salaries	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,810</u>
TOTAL - LIGHT FUND	<u><u>229,676</u></u>	<u><u>239,622</u></u>	<u><u>236,580</u></u>	<u><u>244,843</u></u>

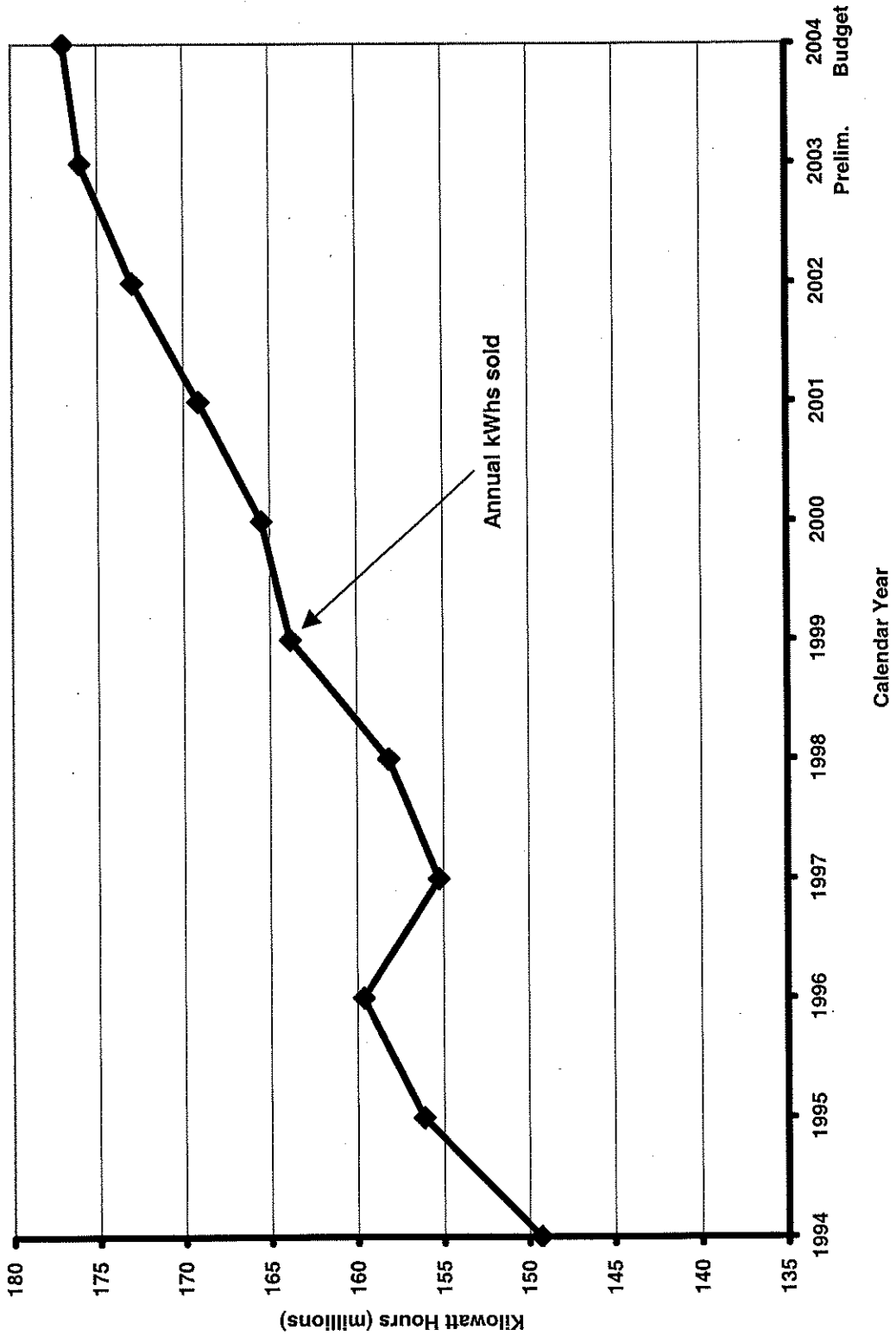
Concord Municipal Light Plant
kWhs Sold, Revenue, Expense, Operating Income, and Net Income
(1994 - 2004)

<u>Calendar Year</u>	<u>kWh Sold</u>	<u>Operating Revenue</u>	<u>Operating Expense</u>	<u>Operating Income</u>	<u>Net Income</u>
1994	149	\$12,717,271	\$10,814,120	\$1,903,151	\$2,505,197
1995	156	\$12,726,124	\$10,871,581	\$1,854,543	\$2,048,752
1996	160	\$13,737,585	\$11,934,545	\$1,803,040	\$1,998,035
1997	155	\$12,947,920	\$12,250,659	\$697,261	\$984,556
1998	158	\$13,634,662	\$12,345,676	\$1,288,986	\$1,344,062
1999	164	\$15,161,867	\$14,325,038	\$836,829	\$1,479,513
2000	165	\$15,450,051	\$14,391,434	\$1,058,617	\$1,477,104
2001	169	\$16,260,951	\$15,552,758	\$708,193	\$1,169,009
2002	173	\$15,975,614	\$14,495,030	\$1,480,584	\$1,779,995
2003 Prelim.	176	\$15,482,591	\$14,019,217	\$1,463,374	\$1,718,826
2004 Budget	177	\$14,638,038	\$13,987,098	\$650,940	\$828,069

849,069

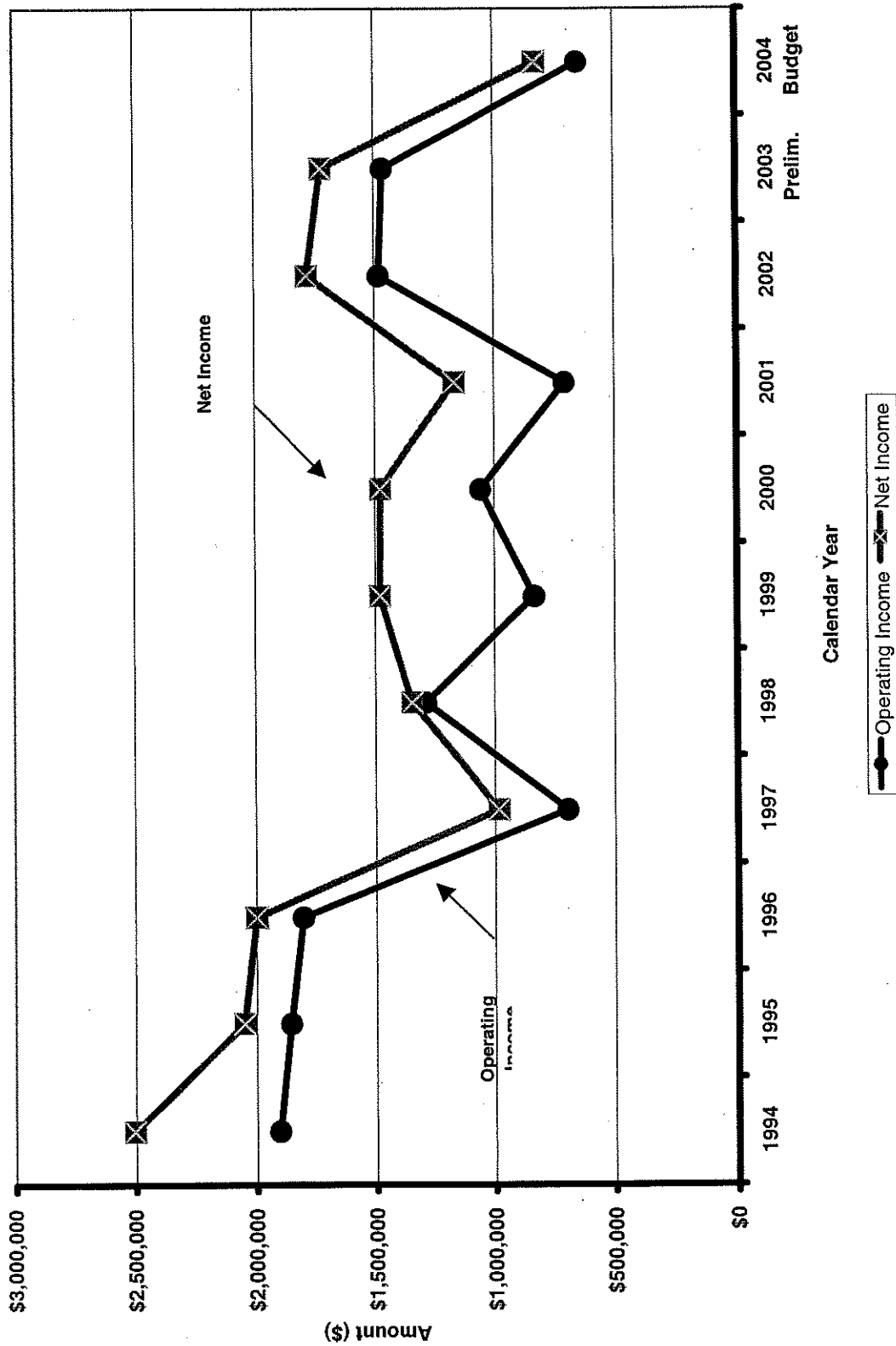
Town of Concord, Massachusetts

Light Fund (Concord Municipal Light Plant)
Sale of Electricity



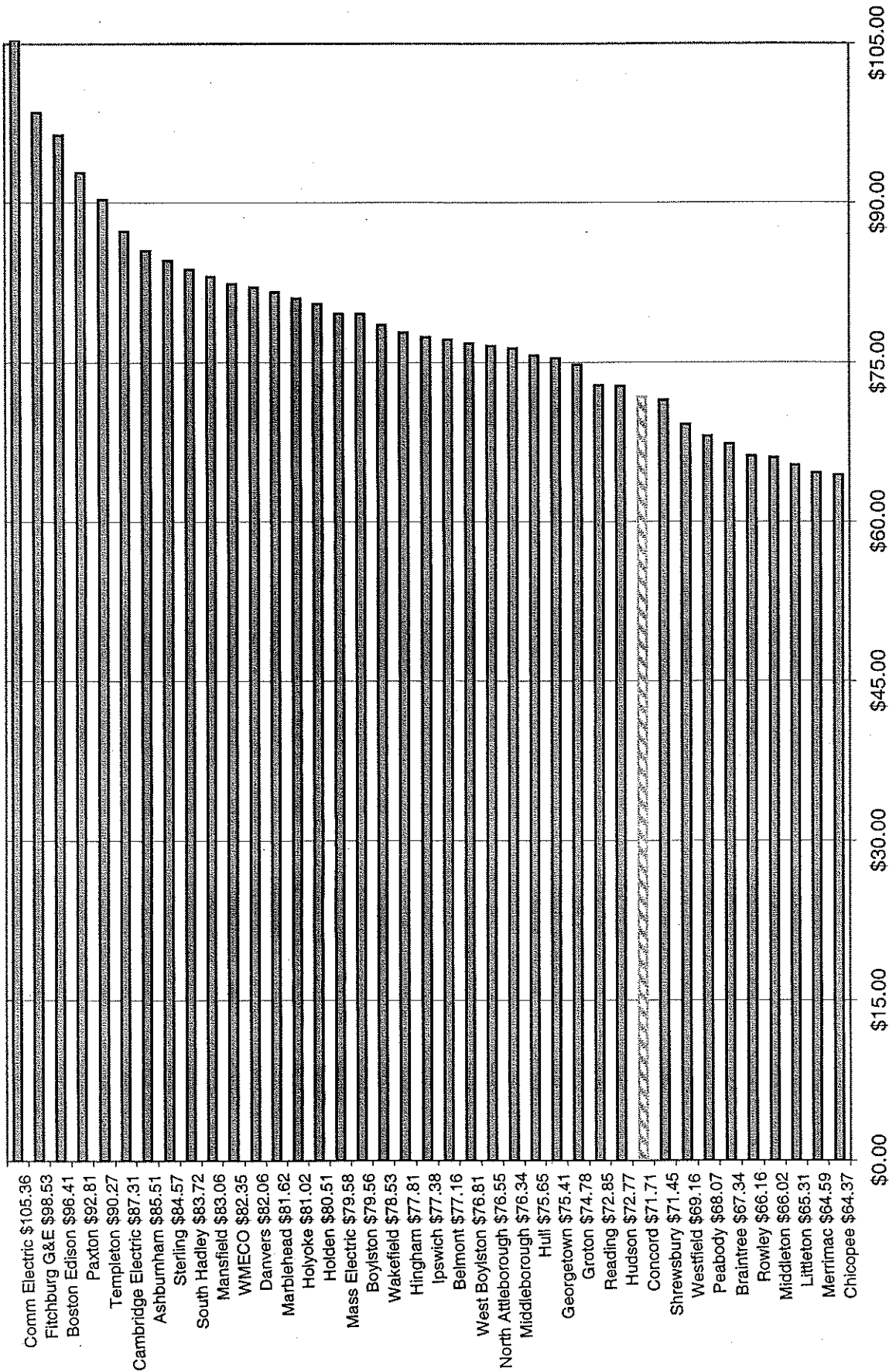
Town of Concord, Massachusetts

Light Fund (Concord Municipal Light Fund)
Operating Income and Net Income



Town of Concord, Massachusetts

Residential Rate Comparison 750 kwh
12 Month Average Rate (January 2003 - December 2003)



Town of Concord, Massachusetts

CASH FLOW PROJECTION - 2004

Line No.	Description (a)	Operating (b)	Customer Deposits (c)	Operating Reserve (d)	Subtotal (e)	Depreciation (f)	Underground (g)	Other (h)	Total (i)
1	Cash @ Jan. 1, 2004	\$1,524,266	\$160,991	\$1,129,322	\$2,814,579	\$406,145	\$1,636,567	\$600,200	\$5,457,491
2	ADD:								
3	Depreciation Expense					1,185,775			1,185,775
4	Underground Fund surcharge						294,137		294,137
5	Operating Income	650,940			650,940				650,940
6	Other Income	40,000			40,000				40,000
7	Bond Proceeds								
8	Additional deposits								
9	Interest Earned	28,800	*	*	28,800	5,000	16,000		49,800
10	Subtotal - sources	\$719,740	\$-	\$-	\$719,740	\$1,190,775	\$310,137	\$-	\$2,220,652
11	LESS:								
12	Routine System Improvements								
13	Underground Expenditures						489,000		489,000
14	Bond Interest Expense	190,664			190,664	1,187,500			1,187,500
15	Misc. Income Deductions	12,284			12,284				12,284
17	PILOT (to Town general fund)	340,000			340,000				340,000
18	Bond Principal	580,000			580,000				580,000
19	Subtotal - uses	\$1,122,948	\$-	\$-	\$1,122,948	\$1,187,500	\$489,000	\$-	\$2,799,448
20	Cash @ Dec. 31, 2004 (proj.)	\$1,121,058	\$160,991	\$1,129,322	\$2,411,371	\$409,420	\$1,457,704	\$600,200	\$4,878,695

* Interest on these funds is credited to the Operating Fund