

BELMONT LIGHT

POWERING YOUR COMMUNITY SINCE 1898

BELMONT LIGHT
POWER SUPPLY POLICY
July 2019

APPROVED
Municipal Light Board
DATE: 7/8/19

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 percent. This approach would result in a minimum of four active contracts and leave about 20 percent 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 percent of Belmont Light's requirements.

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.

Regarding particular power sources and RECs, 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 a modest rate impact, Belmont Light shall meet, though it is not otherwise legally obligated to do so, a minimum percentage of electrical energy sales with clean generation attributes as set forth in column three of the following table:

Year	Percent of total Massachusetts power supply portfolio to be non-emitting per Massachusetts Department of Environmental Protection 310 CMR 7.75(4)	Percent of total Belmont Light power supply portfolio to be non-emitting per this Policy
2018	16	33
2019	18	50
2020	20	66
2021	22	83
2022	24	100
2023	26	To Be Decided (TBD)
2024	28	TBD
2025	30	TBD
2026	32	TBD
2027	34	TBD
2028	36	TBD
2029	38	TBD
2030	40	TBD
2031	42	TBD
2032	44	TBD
2033	46	TBD
2034	48	TBD
2035	50	TBD
2036	52	TBD
2037	54	TBD
2038	56	TBD
2039	58	TBD
2040	60	TBD
2041	62	TBD
2042	64	TBD
2043	66	TBD
2044	68	TBD

2045	70	TBD
2046	72	TBD
2047	74	TBD
2048	76	TBD
2049	78	TBD
2050 and each year thereafter	80	TBD

Belmont Light will buy and retire all RECs available in its power supply contracts. To the extent additional RECs are needed to meet the minimum requirements of 310 CMR 7.75(4) shown in column two, Belmont Light will buy and retire Class I Massachusetts RECs. Any additional REC purchases necessary to meet the difference between the 310 CMR 7.75(4) requirements and the Belmont Light power supply targets listed in column three may include RECs generated by Class I and/or Class II resources from New England states, and/or RECs generated by other similar resources specifically deemed acceptable by the Light Board.

To further facilitate achieving the targets listed in column three, the Light Board may allow Belmont Light to count generation from specialized renewable resources categorized as “load reducers” to decrease the level of RECs needed for the applicable year by subtracting megawatt hours from Belmont Light’s overall retail load. Load reducers are renewable generation resources, such as certain hydroelectric facilities, that don’t generate RECs and the megawatt hours from which cannot be claimed by any other entity in achieving renewables targets. When used to reach Belmont Light’s power supply targets, megawatt hours associated with these resources will be deducted from Belmont Light’s retail load to determine a lower compliance obligation. Given the lower retail load, fewer RECs would be needed to meet the column three targets.

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 opportunities 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 only to contractual arrangements that are of five years or less in duration and that pertain to 50,000 megawatt hours of power or less for the length of the contract. Any contractual arrangement in excess of five years or 50,000 megawatt hours 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 1.

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 or 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.

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 through strategic electrification use may be effective in reducing carbon emissions in other sectors.

X. PERIODIC REVIEW

Periodically, but no less frequently than once each year, this Power Supply Policy should be reviewed. How to meet future year clean generation attributes percentages,

as well as whether to pursue a more aggressive percentage of clean generation attributes shall be included in this assessment.

XI. RESPONSIBILITY

Belmont Light's General Manager in consultation with the Light Board shall be responsible for implementing all necessary procedures, guidelines and controls to ensure compliance with this Policy.

MLB Approval Date: 7/8/19