

UPDATE ON PROPOSED POWER PLANT—4/24/2006

TO: Town Meeting Members and Officials

FROM: William Bottiggi, BELD GM

POWER PLANT PRESENTATION ON BCAM

Braintree Community Access & Media (BCAM) recorded the new power plant presentations given to Town Meeting Members this month. This presentation is scheduled to run frequently on BCAM until Town Meeting begins May 1. It includes a detailed discussion of power supply markets, future generation requirements in New England, and how a power plant helps keep BELD's power supply costs—and ultimately, rates—competitive. If you were unable to attend one of the Open House events at Braintree Electric Light Department (BELD) April 11 or 19, please tune to BELD Broadband channel 18 or Comcast channel 10. Visit www.bcam.tv for program schedules.

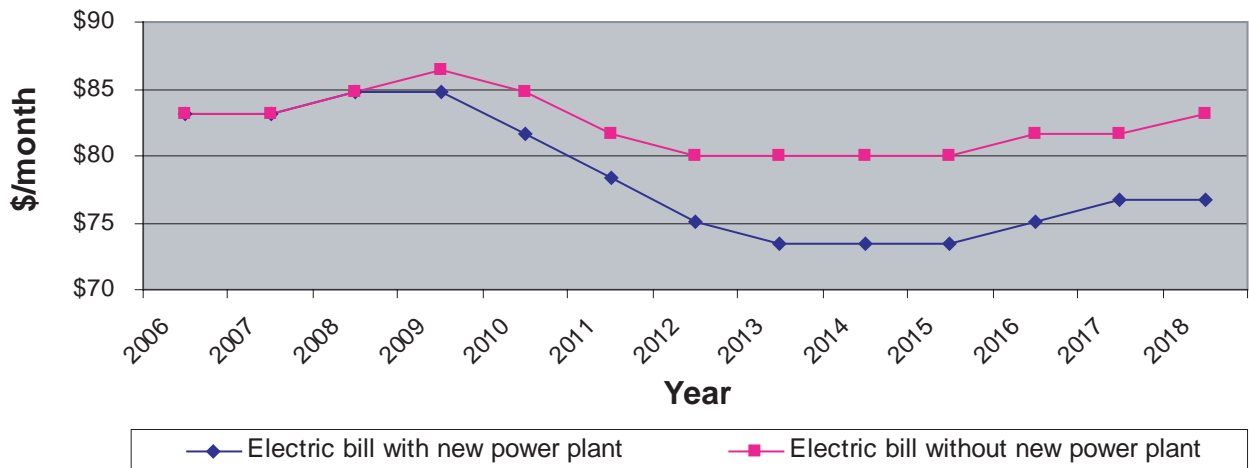
FREQUENTLY ASKED QUESTIONS

One of the benefits of conducting the Open House events this month was to give Town Meeting Members a forum to hear about the power plant and air their concerns. From this we have developed a list of frequently asked questions that we hope will help with your decision.

What effect will the new power plant have on the average residential electric bill?

We anticipate that an average residential rate payer will save approximately 8–10% or 1 cent/Kilowatt-hour on his/her electric bill. This equates to approximately \$5–\$7 per month for a customer. Please see the graph below to visualize how your rates are anticipated to change over time.

**Residential rate comparison
based on 650 Kw-hours/month**



What is the risk to the Town regarding the issuance of general obligation bonds?

BELD will be responsible to repay \$95 million in bonds over their 20-year life by setting the rates to our customers appropriately. Because we are seeking to fund this project with general obligation bonds, in the unlikely event of a default by BELD the Town of Braintree would ultimately be responsible for their repayment. But BELD is required by Chapter 164, Section 58, of the Massachusetts General Laws to “set their rates at not less than their production cost including repayment of the principle and interest on their debt.” This debt paid over 20 years will cost approximately \$7.4 million per year. Of this amount 70% will be the responsibility of the other municipal utilities participating in the project. BELD's portion of the debt will therefore be equal to \$2.2 million per year.



BRAINTREE ELECTRIC LIGHT DEPARTMENT
150 POTTER ROAD, BRAINTREE MA 02184

What are the financial risks associated with building the power plant? What is the worst case?

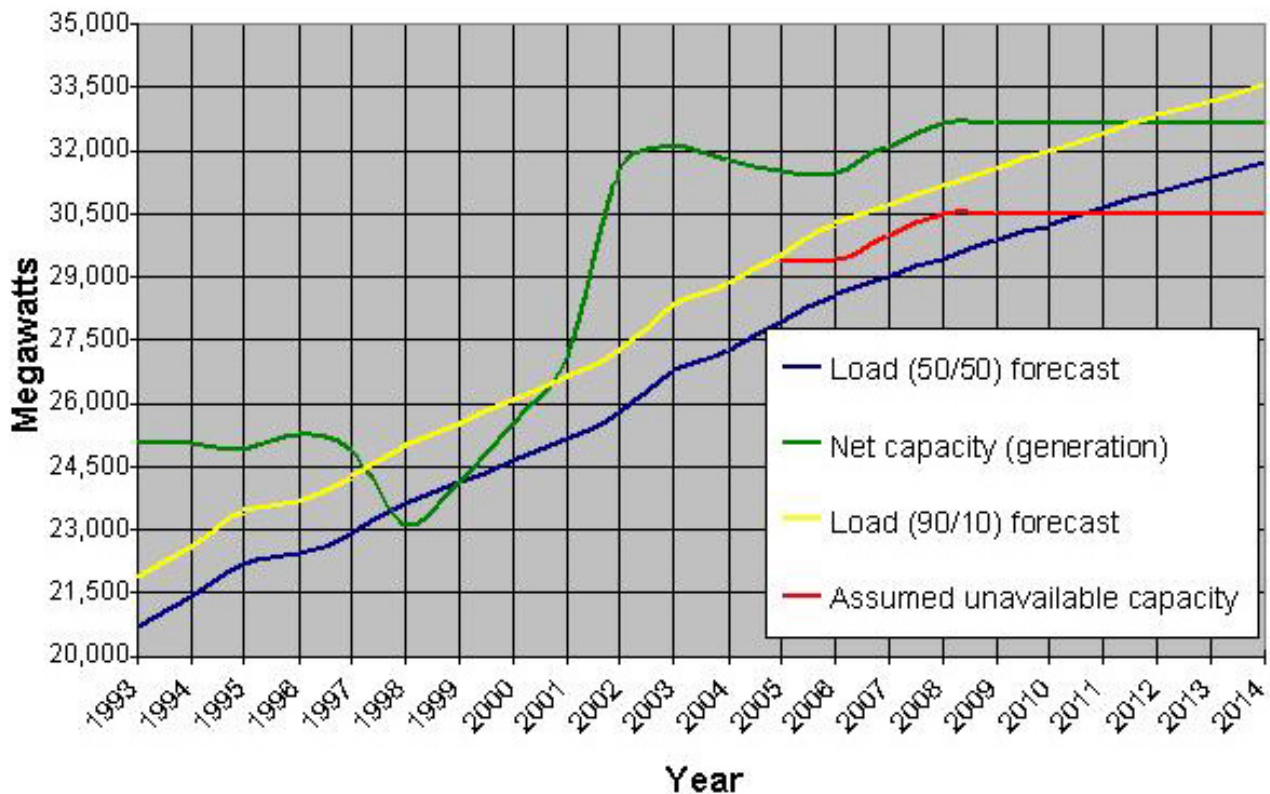
If the power plant was never completed and the money was spent, BELD would still be responsible for repayment of the bonds. This would require us to raise our rates approximately 1.5 cents/Kilowatt-hour, which would cost the average ratepayer \$7.50–\$10 per month depending on usage. *This is a highly unlikely scenario.*

Another scenario might be that the anticipated reimbursement from regulators (ISO New England) would not materialize once the power plant is completed. If that happened we would not get the \$1.6+ million per year we include in our analysis to offset the cost of the debt. This would require us to raise our rates approximately 0.4 cent/Kilowatt-hour, which would cost the average ratepayer \$2–\$3 per month depending on usage. This is also highly unlikely, because without the payments from the regulators no new generation will be built and energy shortages resulting in brownouts and blackouts will eventually occur.

What is the real possibility of brownouts and blackouts?

As depicted in the graph below there are currently no power plants being developed/constructed in New England except for BELD's. Because it takes a minimum of 5–6 years to develop and build a power plant, there will be no additional power plants coming on line in New England until 2011 at the earliest. Based on industry projections as represented in the graph, the potential for brownouts and blackouts becomes more likely the longer we go without new power plants. This not only will be a major inconvenience for electric customers but also it will cause significant price spikes in the cost of electricity as private generating companies seize the opportunity to maximize their profits. With our new power plant the residents of Braintree will be protected from these price spikes as BELD will be able to supply electricity directly to our customers.

Historical/future load vs. generation



What is the risk that the plant could take longer to construct than currently scheduled?

This is a risk that power plant construction projects always face. In order to minimize this risk we intend to remove our retired Potter I power plant and prepare the site for the Engineering/Procurement/Construction (EPC) contractor prior to the end of 2007, providing a clean footprint from which to start in 2008. Once the EPC firm accepts the terms of their contract the major scheduling risk is theirs, subject to design changes over which BELD will have control. BELD's proposed power plant is not the major generating station that encountered major construction delays and financial problems built across the Fore River at Edgar Station in Weymouth. Ours will be a simple-cycle power plant delivered mostly by barge on skids. We anticipate the construction process to take approximately six months and will be conducted during the fall of 2008 and the spring of 2009.

What alternatives have you considered?

During the last three years we have looked combined-cycle power and simple-cycle power plant configurations. We have considered investing in existing power plants—as well as developing a power plant with other investors—outside of Braintree. On our existing site we have looked at as many as six different power plant configurations and have evaluated the potential to re-power our existing Potter II generating station with a new gas turbine. We will continue to evaluate different technologies as we proceed with this project as part of the Request For Proposal (RFP) process later this year.

Will the power plant use any hazardous materials?

As part of the new environmental regulations and standards enforced by the Environmental Protection Agency, ammonia is injected into the power plant exhaust. This ammonia is used to eliminate greenhouse gases like sulfur dioxide (which creates acid rain) and nitrous oxide (which causes smog and ozone problems). We anticipate a delivery of ammonia to BELD once a month. We will be able to schedule this delivery for off-hours and we will work with the fire and police departments to minimize any potential risk. As a point of reference, Weymouth's Edgar Station plant has been receiving ammonia deliveries on a regular basis for the last few years.

Why build the power plant now?

Based on current analysis, brownouts and blackouts are possible as early as 2007. Because no power plants currently are being developed/built, less efficient power plants will be running more and driving up the cost of electricity. In addition, the longer we wait to move ahead on this project, the more it will cost. Constructing this power plant will be a six-year project. Our analysis indicates each year of delay will add approximately \$5 million to the cost of the project.

Will there be an increase in BELD's annual Payment in Lieu of Taxes as a result of the new plant?

Yes, the construction of a new power plant is expected to add \$500,000 to BELD's in lieu of tax payment.

This seems like a huge project. Is BELD trying to manage this project alone?

We have hired help in the form of consultants: an engineering firm to act as our owner's engineer, a law firm to work with us on all legal issues and contracts, a permitting firm to begin the extensive permitting process, and a project management firm to coordinate the efforts of all involved. None of these consultants will be allowed to bid on any other piece of the project, ensuring they keep BELD's best interests as their top priority.

I'd like to take this opportunity to thank you for your support on this important project for Braintree. If you have any other questions or concerns you would like addressed before Town Meeting (when I will present this information once again), please feel free to contact me at 781/348-BELD or GM@beld.com. We look forward to a positive outcome in May so we can begin securing the future of the Town's energy supply.