Mansfield Municipal Electric Department
Operating Budget Fiscal Year 2025

I. Executive Summary:

The Mansfield Municipal Electric Department (MMED) is an electric utility governed under the provisions of Massachusetts General Laws Chapter 164. The four primary objectives of MMED are:

- Establish and work continually to ensure a safe environment for its employees
- Ensure short-term and long-term system reliability
- Provide competitive electric rates to its customers
- Provide economic benefits to the Town of Mansfield

HIGHLIGHTS:
Lower Purchase Power expenses and lower kWh Sales and higher contractual payroll increases, and employee benefits are the major drivers of 2025 budget.

FY25 Operating Budget assumes the following revenue changes:

- *Increased monthly customer charge for Residential, Small Commercial and Municipal by $1*

Table 1: A comparison of the proposed FY25 to the FY24 approved budget:

FY25/FY24 Budget Comparison			
Description	FY24 FINAL Budget	FY25 Proposed Budget	Increase (Decrease)
Revenue	**$ 33,338,387**	**$ 31,849,489**	**$ (1,488,899)**
Purchased Power Expense	$ 15,249,724	$ 14,374,101	$ (875,623)
Transmission Expense	5,932,580	5,975,869	43,289
Distribution	3,066,943	3,121,653	54,709
Customer Service	989,153	1,059,906	70,753
Administrative & General	1,262,873	1,402,060	139,187
Operating Non Power Expense	5,318,971	5,583,619	264,649
Total Before Depreciation	26,501,275	25,933,589	(567,686)
Depreciation	2,693,014	2,671,940	(21,074)
Discount/Rebate Less Other Income	2,097,096	1,644,913	(452,183)
Total Expenses (Net Other Income)	**31,291,384**	**30,250,442**	**(1,040,941)**
Net Income	**$ 2,047,004**	**$ 1,599,046**	**$ (447,957)**
Misc Credits to Surplus	-	-	-
Payment In Lieu of Taxes	780,960	780,960	-
Increase to Surplus	**$1,266,044**	**$818,086**	**$ (447,957)**
Rate of Return	**3.65%**	**2.67%**	**-0.98%**

The FY25 Operating Budget represents the period from July 2024 through June 2025. The Massachusetts Department of Public Utilities (DPU) Uniform System of Accounts is the basis for the categorization of costs. Under Massachusetts General Laws, a municipal plant can earn up to 8% annually of the gross plant in service. MMED's retail rates are approved by the MMED Light Board Commission and revised periodically.

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Table 2: FY25 Statement of Income and Surplus

REVENUE:			EXPENSES:	
Residential Sales	$	11,692,968	**Power Production:**	**$14,374,101**
Small Commercial		1,771,644		
Medium General Service		5,859,513	**Transmission:**	**$ 5,975,869**
Large General Service		10,709,461		
Municipal Sales		1,142,678	Non Power Operating :	$ 5,583,619
Total Metered Sales:	**$**	**31,176,263**	Discounts/Rebates/Other	1,644,913
Rate Stabilization decrease	$	673,225	Depreciation	2,671,940
Total Power Revenue	**$**	**31,849,489**	**Total Expense:**	**$30,250,442**

Net Income	**$**	**1,599,046**
Misc. Surplus		0
In Lieu of Taxes		780,960
Net change Surplus:	**$**	**818,086**

Table 3: Summary of MMED's Energy Sales (kWh) CY 2019 - CY 2023

Calendar Year	*Energy Sales (kWh)*	*Increase (Decrease)*
2019	205,748,407	-1.80%
2020	205,571,786	-0.09%
2021	217,137,920	5.54%
2022	228,500,548	11.15%
2023	212,738,769	-2.03%
5 year Average	213,939,486	0.68%

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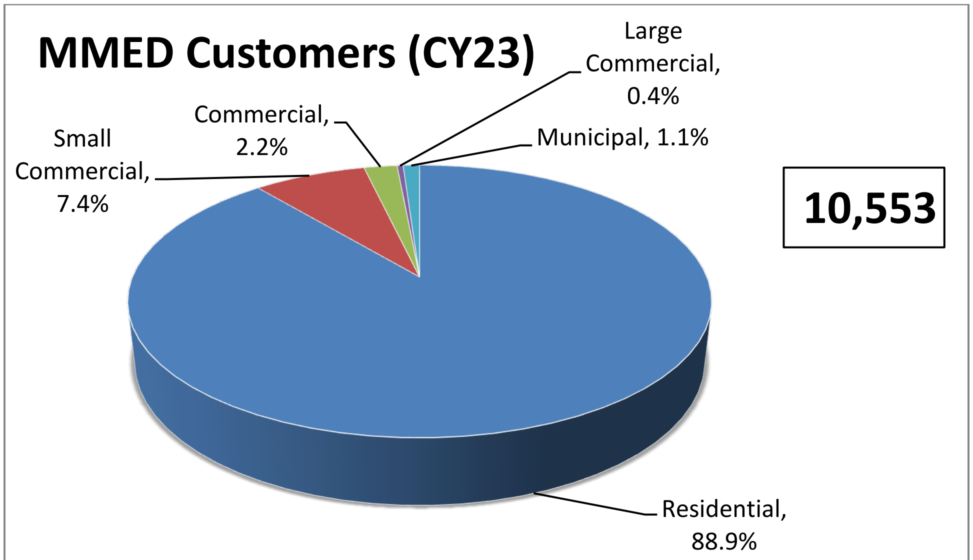
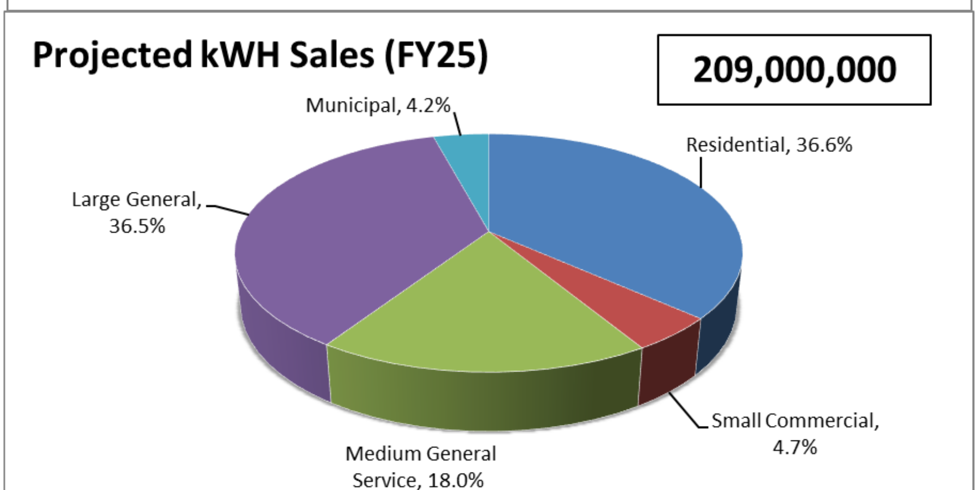
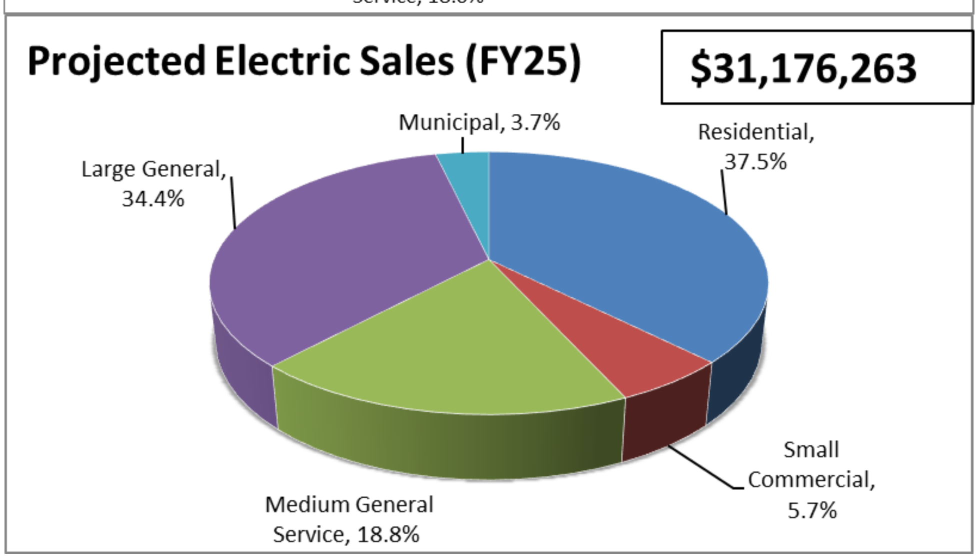
II. MMED Statistics:







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Electric sales revenues are comprised from the following charges:

Customer Charge:
A flat surcharge is apportioned to each customer category type which covers all standard MMED costs that exist to support the costs of meter reading, meter maintenance, customer service, billing and administrative needs.

Distribution Charge:
This rate is based upon the individual customer's energy consumption (kWh) each month and reflects the costs associated with delivering energy from the distribution substations to homes and businesses in Mansfield. This includes the cost of constructing and maintaining all local distribution electrical lines.

Purchase Power Charge:
This rate is based upon the individual customer's energy consumption (kWh) each month and reflects the costs associated with power production and transmission of energy to the Mansfield distribution substations.

> Mansfield power production resources vary from long-term joint ownership in various generation plants (Solar, Wind, Nuclear, Oil, & Natural Gas) through Massachusetts Municipal Wholesale Electric Company (MMWEC), along with other short-term hedges in the 'Spot Market' to cover open market positions.
>
> Such rate may be adjusted to reflect changes in market conditions (i.e. price of fuel, supply factors, etc.). The Purchase Power Charge varies with market conditions and can fluctuate significantly depending on the time of year.

Revenue projections are based on current commodity market pricing for future energy purchases during the FY25 period and are subject to change depending on market conditions at the time.

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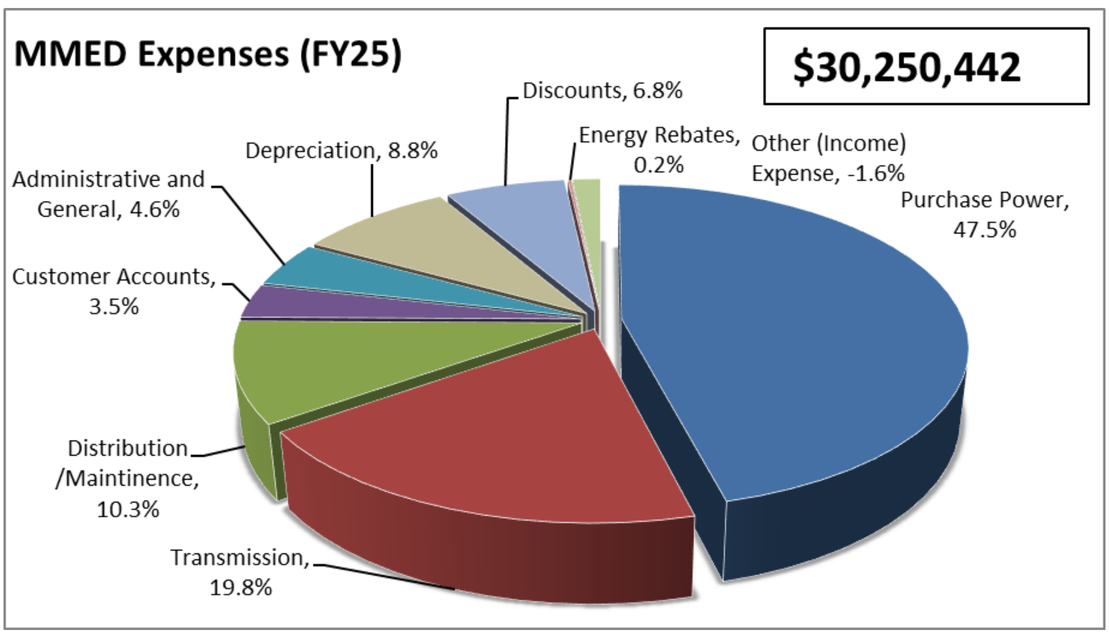
III. MMED Expenses:

Table 4: Major Expense Categories:

EXPENSES:		Amount	% Total
Purchase Power	$	14,374,101	47.5%
Transmission Expense		5,975,869	19.8%
Total Power Expense	**$**	**20,349,970**	**67.3%**
Total Non-Power Operating Expense	**$**	**5,583,619**	**18.5%**
Discounts		2,069,913	6.8%
Energy Rebates		60,000	0.2%
Depreciation Expense		2,671,940	8.8%
Other Expenses	**$**	**4,801,853**	**15.9%**
TOTAL OPERATING EXPENSE	**$**	**30,735,442**	
Other (INCOME) EXPENSE	**$**	**(485,000)**	**-1.6%**
TOTAL EXPENSE	**$**	**30,250,442**	**100%**



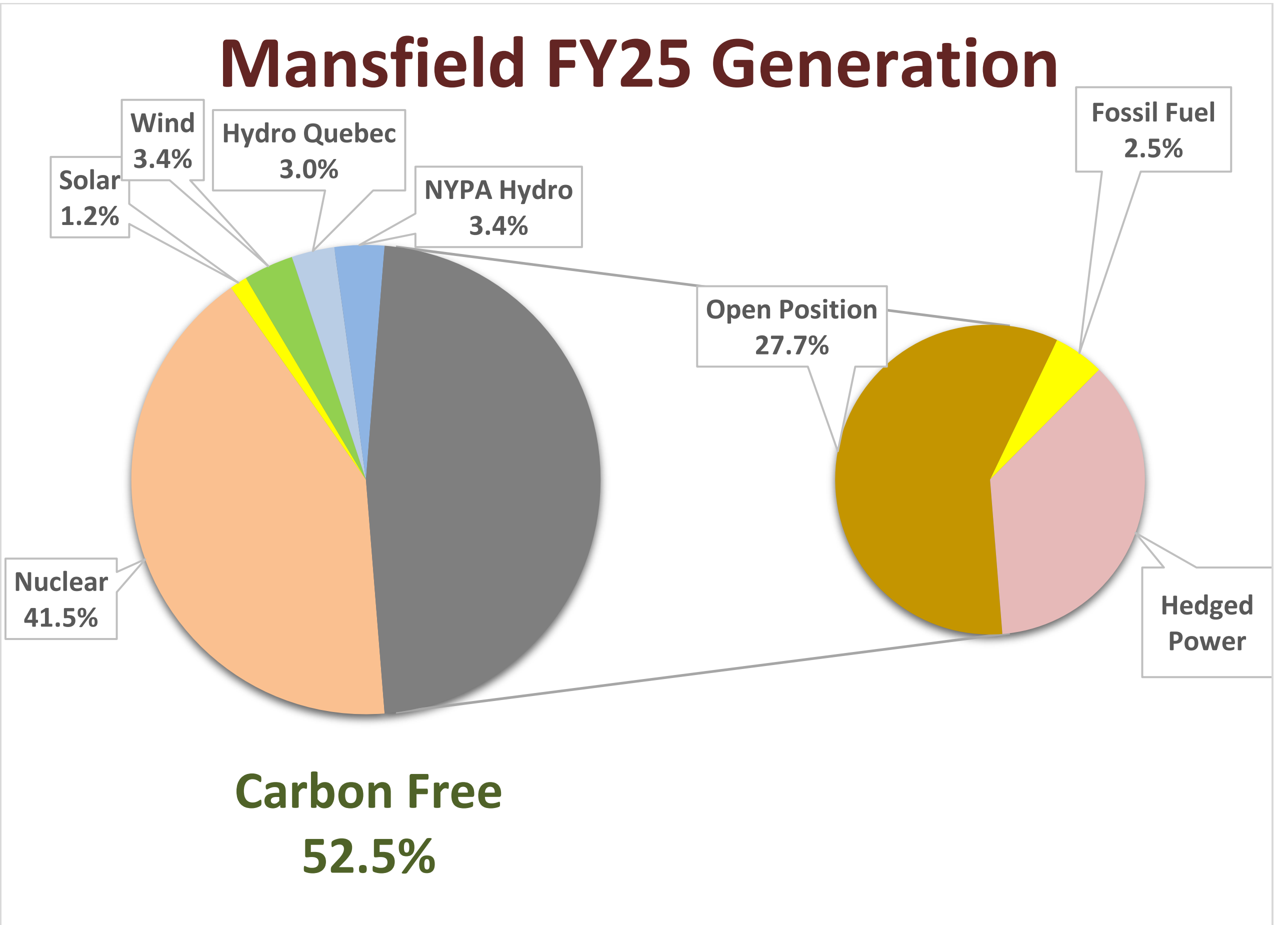
Non-Power Expense (Payroll vs Non-Payroll) Impact

Labor vs Non Labor Growth		BUDGET 2024	2025	%
TOTAL Non Power Expense	Total	$ 5,359,971	$ 5,583,619	4.2%
	Labor	$ 3,514,771	$ 3,713,619	5.7%
	Non-Labor	$ 1,845,200	$ 1,870,000	1.3%

Purchased Power:

For the twelve-month period ending in June 2025, the MMED budget for purchased power expense is $20,349,970. This represents 67.3% of the total operating budget request.

For MMED, there main sources of actual generation of electrical power broken out in the components below of which 52.5% is non-carbon admitting sources:



From those resources, there are five (4) main purchased power expenses:

1) MMWEC Project Expenses – MMED is a project participant in numerous Massachusetts Municipal Wholesale Electric Company (MMWEC) generation projects through Power Sales Agreements. As a project participant, MMED is required to pay its share of the fixed costs of the plants, which includes the debt service, as well as its prorated share of the operating costs associated with running the plants.

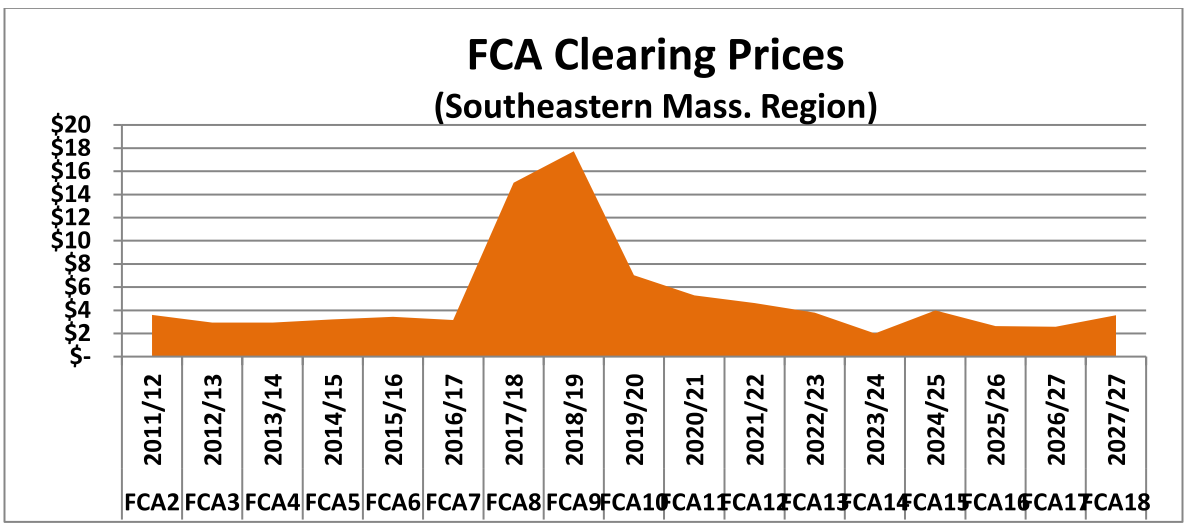
2) Hedged Energy – In 2017, MMED approved the process of purchasing power directly from the market based upon ‘Price’ and ‘Time’ triggers. When MMED is within short duration, the purchase is made to fill open positions (i.e. ‘Time’ trigger). When the price is attractive

enough below the average market price, then the purchase is made to fill the future open position (i.e. 'Price' trigger).

Under this process, MMED has contract with three suppliers covering portions of MMED's energy requirements for FY25.

3) Forward Capacity: In its continuing efforts to reward existing generators and encourage new generators in specific areas where there are constraints, the ISO has a Forward Capacity Market (FCM) to solicit bids through a Forward Capacity Auction (FCA) on an annual basis for a period 5 years in the future (the logic being it would take 5 years to build generation and the auction provides developers with the cash flow forecast for financing purposes). These monies are collected from service providers (like MMED) and are awarded to generators for being available to generate on demand and the costs are distributed to all customers on a kWh basis and built into the cost of power purchased in the market.

The chart (below) illustrates the impact of the FCM auctions on MMED ratepayers



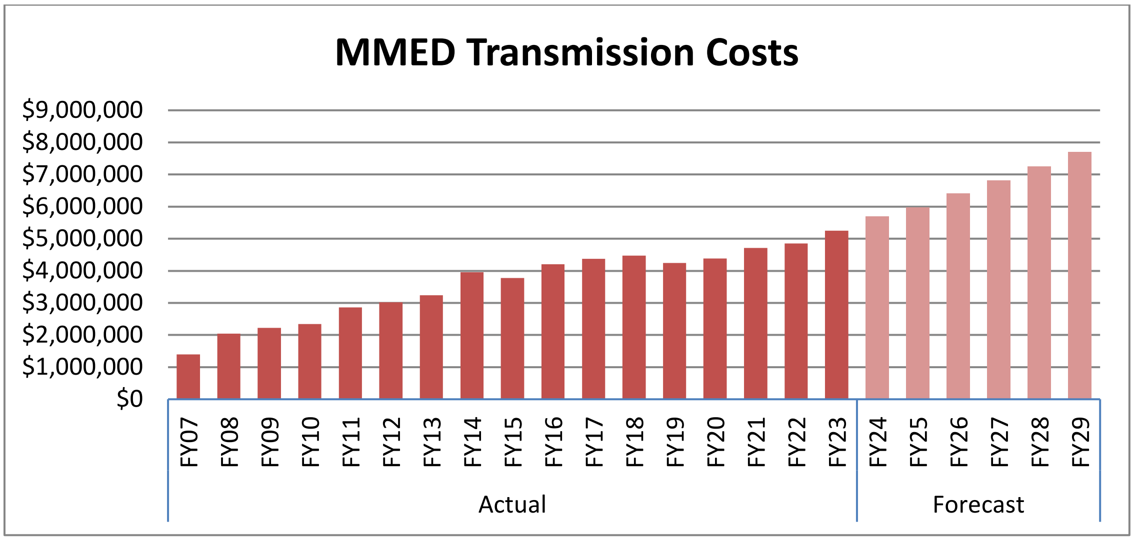
This shows the clearing prices from the previous (17) auctions already completed. The results show a steady rate of about $3.50 per kW per month through FCA 7 (2016-2017). In FCA 8, however, the price increased to $7.025 per kW per month. In FCA 9 the price skyrocketed to $11.80 for existing generators and to $17.73 for new generation in the MMED load zone. Following five consecutive decreases in the FCA clearing price to a low of $2.00 in FCA14, successive FC auctions have cleared in a range between $2.50 and $3.50. There are indications that prices are headed upward.

4) Spot Market Energy Purchases: To the extent that the sum of MMED's project entitlements and the hedge contracts either overstate or are deficient relative to MMED's actual hourly load, MMED is either a purchaser or seller into this market every hour. Approximately 28% of MMED's energy is projected to be purchased off the spot market in FY25, although this will most likely be reduced by additional hedging transactions when market conditions stabilize.

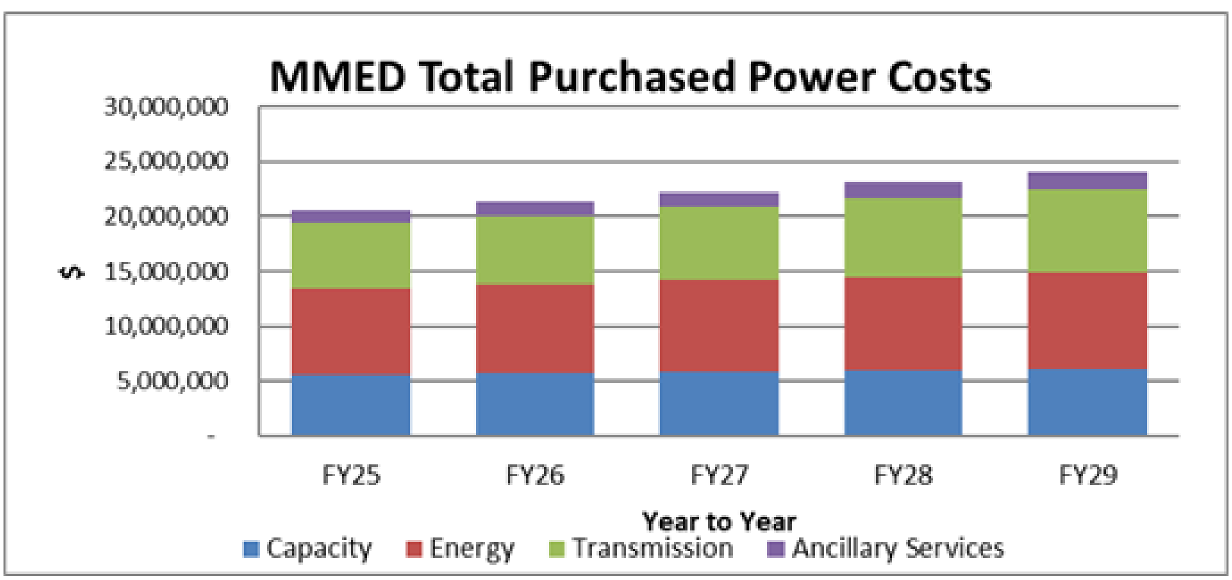
Transmission:

The cost of transmission services is associated with moving power across the regional transmission network from the sources that ISO New England uses to supply Mansfield's load. For FY25, MMED has budgeted $5,975,869 to cover its cost of transmission. The FY25 projected cost of transmission is estimated to be 1% greater than the FY24 forecast because actual transmission rates in FY24 were lower than the original forecast from ISO-NE.

MMED's cost per kWh for transmission is estimated at 2.86 cents in FY25. Since FY11 when the rate was 1.28 cents/kWh, the cost of transmission has increased about 123% based on the FY25 projection. The chart below shows both the actual and projected increases in Transmission costs.



Increases are being driven towards fewer generating facilities in New England to maximize the flexibility of the transmission grid, so system expansion is ongoing. Secondly, there continues to be a strong push for alternative energy sources at the federal and state levels, particularly construction of off shore wind energy facilities.



Operating Expenses (Non-Power):

MMED identifies the following 5 classes of Non-power operating expenses;

(1) Distribution
(2) Customer Accounts
(3) Administrative
(4) Depreciation
(5) Discounts/Rebates and Other Expenses

Internal 'Payroll Allocations' are built within each of the identified categories above. *The proposed FY25 budget for Operating Expenses (Non-Power) represents a $223,648 increase from the approved FY24 budget or 4.2%. The increase is driven by increases in maintenance/software agreements and employee related costs.*

- *Payroll rates and Benefit expenses used in the FY25 budget reflect anticipated contractual increases for the AFSCME and IBEW units and expected increases to Medical and dental benefits and actuarial projections to fund OPEB and pension costs.*

1) Distribution Expenses:

The bulk of expenses in this category are those incurred by MMED for the operation and maintenance of its distribution system.

The total budgeted cost of distribution for FY25 is $3,121,653. This is an increase of $54,709 or 1.8% increase from the approved FY24 budget.

The increase in this account is primarily due to anticipated increases in Payroll and Benefits offset by new hire employee cost at lower step progression

2) Customer Account Expenses

All the costs associated with meter reading, customer service and the billing and collection of revenues fall under this category. The bulk of the expenses are the payroll for the Meter Operations, the Office Administrator and Financial Assistants. The total budgeted cost of customer accounts for FY25 is $1,059,906. *This represents a $70,753 or 7.2% increase from the approved FY24 budget. The increase represents increased salaries and allocation of employee benefits.*

3) Administrative and General Expenses

The administrative and general (A&G) expenses cover management salaries, office supplies and expenses, consulting and legal costs, insurance, cost for vehicular maintenance, and other miscellaneous expenses. The total budgeted cost for A&G for FY25 is $1,402,060. *This represents an increase of $139,187 or 11.0% increase from the approved FY24 budget. The increase is primarily related to increases to salaries and allocation of employee benefits, and new software related expenses.*

4) Depreciation

Under M.G.L. Chapter 164, Section 57, municipal light departments are required to set aside an amount each year for depreciation expense to be used solely for "repairs, extensions, reconstruction, enlargements and additions" to the physical plant. In this manner, the Legislature ensured that money would always be made available through the collection of rates for rebuilding the infrastructure of an electric utility.

Depreciation expense of $2,671,940 is budgeted to decrease by 0.8%, which is driven by lower actual capital spend in FY24. One-twelfth of this amount is transferred each month from operating cash to a segregated Depreciation Fund bank account and is drawn down on an as-needed basis to support capital improvement work.

5) Discounts/Rebates and Other Expenses

MMED offers a 20% discount on either the Distribution Charge or Distribution Demand Charge portion of the unbundled bill (depending on the class of customer) for prompt payment within 15 days of billing. The discount does not apply to the monthly Purchase Power Charge, Customer Charge or Hydropower Credit. The discount is not granted if the account is in arrears. MMED also offers alternate payment options such as credit card, direct debit, on-line internet bill payment and recurring credit card payment.

Discounts and other expenses of $1,644,913 or 21.6% decrease from the FY24 budgeted operating expenses. Decrease in driven by decreased sales and increased interest income, offset partially by, higher participating customers in autopay program and Energy efficient Rebates such as Home weatherization, Appliance Rebates and EV chargers.

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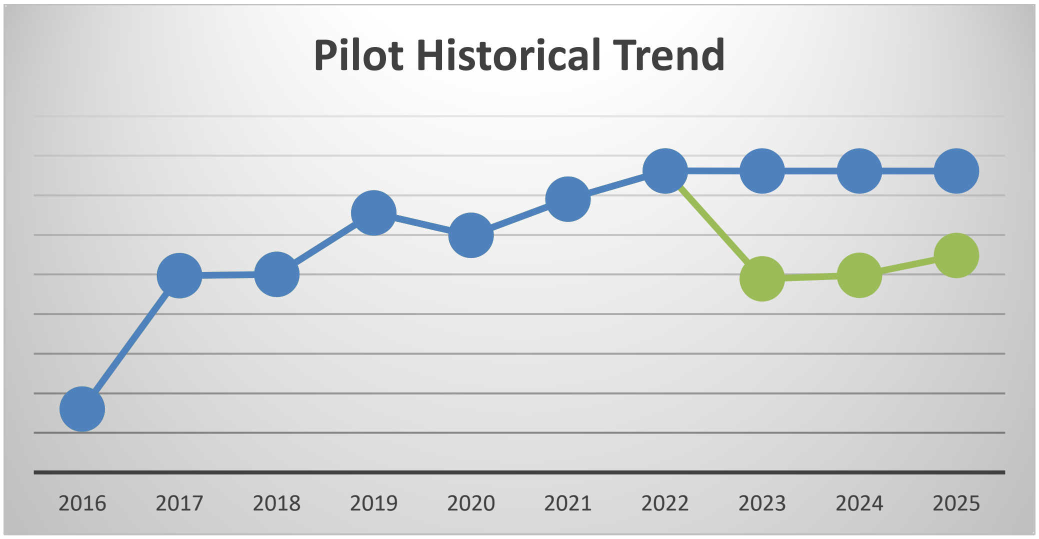
PILOT:



FY25 MMED PILOT	
FY23 MMED Net Book Value(GAAP)	$35,348,711
times FY24 Comm Tax Rate	$19.07
Total rounded up to nearest $	$674,100
Additional Funds to Town	
2023	136,291
2024	131,976
2025	106,860
ITD	**375,127**

Pilot Historical Trend	Calculated	Paid
2016	480,000	480,000
2017	648,648	648,648
2018	650,199	650,199
2019	727,925	727,925
2020	699,478	699,478
2021	745,030	745,030
2022	780,960	780,960
2023	644,669	780,960
2024	648,984	780,960
2025	674,100	780,960
Annualized 9 Year	4.5%	7.0%

MMED Projected Net Income:

Based on projected revenues and anticipated operating expenses. *MMED forecasts a FY25 Net Income of $1,599,046. This represents a 2.67% rate of return on plant assets.* Shown below is the trending of Net Income since FY19.

Net Income FY19 – FY25B

Fiscal year	*Net Income*	*Change from Prior Year Increase (Decrease)*
FY19	193,332	(508,119)
FY20	1,829,200	1,635,868
FY21	1,760,863	(68,338)
FY22	1,554,185	(206,678)
FY23	1,089,835	(464,350)
FY24 Budget	2,047,004	957,169
FY25 Budget	1,599,046	(447,957)

MMED has been able to keep rates lower than national competitors, in large part because of its ownership in power plants and efficient management of operation expenses. The cost of power is lower in FY25 due to the decrease in natural gas prices and the ultimate effect on the cost of electric energy purchased on the spot market but still not back to pre-pandemic trends

Net Income in the FY25 budget is $539,888 lower than the FY24 Net Income budget. The decreased revenue sales and power expenses are offset by increased estimated salary and benefits increases. The FY25 Income (increase to surplus) after Pilot payment is $818,086.

MMED has strengthened its operating and capital reserve cash. MMED will not need to engage in borrowing as Operating Cash is currently at a level to cover planned capital improvements.

IV. MMED Budget Assumptions & Risks

Key assumptions used when compiling the FY25 capital and operating budgets are:

1) Risks: Due to economic inflation, open market fuel prices, and the post-pandemic recovery, there are unknown variables that may impact results. Other contributory factors include
   a. Dramatic change in Load Shape
   b. Decline in Collection Trends
   c. New Regulatory Requirements

2) Payroll rates used for this budget are based on estimated salary information for FY25.

3) The cost of benefits was based on projected annual benefit costs for employees.

4) Base electric rates are assumed in this budget to be lower than FY24 but due to volatility in the market it may not represent the actual decrease incurred.

5) Depreciation expense is based on estimated net plant levels at 12/31/23. A regulatory accounting method of a 20-year life for all assets was used in calculating depreciation.

6) Payroll amounts used in the operating budget were based on total hours estimated to be worked by each of MMED'S (22) employees less hours spent on capital improvements, as detailed in the Capital Budget.

7) Interest income accrues on specific MMED accounts: Operating, Depreciation Fund, Guaranteed Deposits and the MMWEC Reserve Trust fund.

8) Non-Power operating costs are budgeted evenly for each month during FY25, whereas projected purchased power expenses, transmission expenses and revenues are individually calculated monthly.

Conclusion

MMED's budget is an accurate estimate of operations and maintenance expenses for FY25 and is consistent with the long-term goals established by the Electric Commission.