

Hudson Light and Power Department 2013 Annual Report

A MESSAGE FROM THE BOARD

"By failing to prepare, you are preparing to fail."
Benjamin Franklin

The Hudson Municipal Light Board and the Hudson Light and Power Department are proud of their tradition of planning for the future. The success of that tradition was evident in both the quality of our service and stability of our financial base during 2013 when we escaped one of the biggest snow storms of the century unscathed and faced a future without one of our largest consumers with relative ease.

February was marked by a blizzard that proved to be the fifth largest in 100 years of record keeping. Despite high winds, a state-wide driving ban and over two feet of snow falling on the area, Hudson Light crews remained on call for possible major outages that never came. Our tree trimming and storm preparedness policies paid off, and our customers reaped the benefit in the form of reliable electric service.

In 2013, Intel Corporation announced its plans to shut down a major portion of its facility on Reed Road in Hudson by the end of 2014. The Light Board recognized the risks associated with having one very large consumer and had developed a contingency plan to mitigate this risk. In the 1990's, we developed a Rate Stabilization Trust Fund to protect our customers from unforeseen financial events. This Trust Fund will be utilized to offset any loss of revenue associated with Intel's announcement and to keep our rates as stable as possible.

The wholesale market costs of electric transmission and capacity are trending higher due to the number of new transmission construction projects and the retirement of necessary generating units throughout New England. These increased costs are reflected in the rising Power Adjustment Charge shown on your bill. The upward trends are projected to continue over the next three to five years.

As we look to the challenges of the future, the Hudson Municipal Light Board is committed to its mission of ensuring the highest level of reliability and to provide the best value of service for the customers of Hudson Light and Power Department.

Hudson Municipal Light Board

Roland L. Plante, Chairman *Paul Huehmer*, Member

Joseph J. Marinelli, Clerk

MANAGER'S REPORT

COMPETITIVE RATES

For the second year in a row, the Hudson Light and Power Department was able to maintain a tight budget and avoid a rate increase. We were particularly proud of this accomplishment in light of the nation's economic difficulties. The increased aggregate cost of purchased and contracted power did force a \$.0055 increase in the monthly Purchased Power Charge on customer's bills.

CONTINUED GROWTH

During 2013, the system's peak demand was 68.9 MW. In 2013, the Department supported the expansion and construction of multiple housing and commercial projects in Hudson, including completion of the new David J. Quinn Elementary School and ongoing work at the West Ridge condominium complex off Technology Drive, the Brigham Hill III housing complex, the Houghton Street Bridge and Washington Street widening. In Marlboro, work was begun for renovations at the Assabet Valley Regional Vocational High School. In Berlin, work continued on Dudley Road. In Stow, distribution circuit was extended to accommodate the new Delaney Street Solar Field. In addition, multiple pole changeovers were performed on Great Road and Maple Street in Stow for Light Tower Fiber Optic lines.

RELIABILITY

During 2013, customers continued to enjoy reliable electric service. The number of incidents of service interruptions per customer during non-catastrophic events remained much lower than the national average.

The Department installed a new 115 KV transformer in its substation on Forest Avenue to improve system reliability. In addition, upgrades were done in Hudson on Carter Street, Butman Street, Lake Street and Marion Street. In Stow, upgrades continued during 2013 on Peabody Drive, Edgehill Road and Walcott Street.

The Blizzard of 2013 in February went down as the fifth biggest snow event in 100 years of weather-recorded history, dumping more than two feet of snow on the area. Despite Mother Nature's force, there were only minor scattered power problems and no major outages.

CONSERVATION

The Department heightened promotion of its Renewable Energy and Energy Conservation Incentive Program (REECIP) during 2013. Funded with the monthly REECIP charge of \$.005 per kWh, the program offers residential and commercial solar incentives, commercial energy audits and rebates. REECIP was developed as an alternative to the state program, which collects monies for programs involving renewable energy. The local program's benefits are that all funds are earmarked for Hudson Light customers, and program flexibility to meet changing needs. During 2013, a total of \$68,070 was awarded in subsidies and incentives.

The Residential Conservation Service (RCS) charge for 2013-14 was set at \$0.47 per month. The charge supports appliance rebates, energy hotline, free home energy audits, electric usage analyses, energy efficient light bulb program, appliance rebate program and the loan of appliance test meters. During 2013, \$22,703 was credited to customer accounts in the form of appliance rebates, 249 light bulbs were sold at a subsidized cost, and \$17,850 in free residential energy audits were performed.

NEW BILLING SYSTEM

In March, the Department converted to a new customer information system that should lead to heightened efficiency and expanded bill payment options.

REDUCING OUR “CARBON FOOTPRINT”

Hudson Light goes beyond conservation in attempt to reduce our impact on the environment by recycling and promoting renewable energy.

During 2013, Hudson Light obtained approximately 76% of its electricity from sources that produce little or no greenhouse gas emissions. We receive and sell Nitrogen Oxide (NOx) allowances. Approximately 2.6% of Hudson Light’s energy comes from hydroelectric power plants.

In 2013, we recycled 3,809 pounds of transformers, capacitors and insulating oil, approximately 93,325 pounds of scrap metal, and many fluorescent and mercury vapor lamps.

Hudson Light promotes the New England Wind Fund. We provide free meter upgrades to customers with distributed generation and purchase excess energy from them.

CHERRY STREET GENERATING STATION

The Cherry Street Generating Station provides approximately 15 MW of peak shaving capability and is used for emergencies. In 2013, the Station produced 904,836 kWh, which includes 2,787 kWh from our solar installation. The generating units participate in the wholesale Forward Capacity Market (FCM) to support the New England grid in times of capacity shortages. HLPD received compensation credits in the FCM worth approximately \$551,060 in 2013.

SAFETY TRAINING

Safety remains a top priority of the Hudson Light and Power Department. Our employees participate in on-site safety training held throughout the year; and our school electric safety program for local fourth graders is held annually.

COMMUNITY INVOLVEMENT

Our generating station remains a popular educational site for local school and scouting groups, who often visit the station to view the engines, switching boards and lighted circuit maps, and participate in demonstrations on electric metering and conservation.

Hudson Light once again joined local businesses to help Hudson High sophomores prepare for the future. During the annual Reality Fair, they “purchased” homes, “paid” for utilities, food, cars and insurance with their “wages” to see how far their dollars would stretch.

Hudson Light was pleased to continue its assistance to the Organization for the Assabet River (OAR) with the clean-up effort of the river. The HLPD team provided river access and transportation.

A PERSONAL NOTE

The Department was saddened to learn of the passing of former employee Russell Carlson on February 15, 2013. Mr. Carlson worked at the Department’s Generating Station for 29 years and was the plant’s Superintendent before retiring in 1997.

On behalf of the Department, I would like to thank the Hudson Municipal Light Board for its continued support and guidance. I also commend the employees of the Hudson Light and Power Department for their dedication and commitment to the highest quality service possible to our customers.

In accordance with Chapter 164, Section 57 of the Massachusetts General Laws, we are providing the following estimated income and the estimated receipts and expenditures from the sales of electricity:

Estimated Income from Sales of Electricity - 2014

From Sales to Municipal Customers	\$	1,549,036
From Sales to Domestic Customers		13,366,918
From Sales to Commercial Customers		3,690,135
From Sales to Power Customers		16,141,173
From Street Lights: Stow and Other Communities		6,471
Hudson		137,814
Total Income	\$	34,891,547

Estimated Expenditures - 2014

Production, Generation, Purchased Power*	\$	29,160,600
Distribution and Transmission		1,819,952
General		2,520,717
Depreciation		756,000
Total Expenditures	\$	34,257,269

The estimated cost of electricity to be used by the Town of Hudson for all purposes for the year ending June 30, 2014 is: \$ 1,208,000

In addition to generation, **Production, Generation and Purchased Power Costs include MMWEC's accelerated debt service recovery and transfers from the Rate Stabilization Fund.*

In the following pages are the financial statistics of the Hudson Light and Power Department.

Respectfully submitted,

Yakov D. Levin, General Manager

DEFINITIONS

Under the ***Cash Basis of Accounting***, revenue is recognized only when cash is received; expenses are recorded only when they are paid in cash. Under this method the determination of income rests upon the collection of revenues for services or products rendered. Expenses are incurred upon the actual payment of cash for products or services received. This type of accounting is seldom found in practice and financial statements which could be prepared on this basis do not reflect the financial position or operating results of a business in conformity with generally accepted accounting principles.

Under the ***Accrual Basis of Accounting***, revenue is recognized when it is realized and expenses are recognized when incurred, without regard to the time of receipt of payment. The focus of accrual accounting is on the realization of revenue, the incurrence of costs, and the matching of revenue with costs incurred. This "matching" concept requires that the cost incurred to create revenues be accounted for at the same time. Consequently, if revenue is accounted for during a period, the "matching" costs must be accounted for even if it requires an estimation of these costs.

Balance Sheet: A Balance Sheet is a concise statement of the assets, liabilities and equity of a business as of a given date.

Assets: Anything owned that has monetary or utility value is an Asset. Assets are divided into Plant or Property Assets, Current Assets, Deferred Assets or Other Assets. Property Assets are buildings, generation equipment, transmission equipment, distribution equipment, etc. in use. Construction Work In Progress is Plant Under Construction which has not been completed as of the date of the statement. Current Assets are cash, receivables, inventories of generation fuel, gasoline, lube oil, poles, etc., prepayments, unbilled utility revenues and other miscellaneous assets. Deferred Assets represent expenditures for preliminary surveys, plans, and investigations made for the purpose of determining the feasibility of utility projects under consideration.

Liabilities: Liabilities consist of debts outstanding (unpaid bills) and in the process of accruing. They are usually classified as to Current Liabilities, Deferred Liabilities, or Long-Term Debt.

Current Liabilities are Short-Term Liabilities. They generally consist of obligations which are to be liquidated within a year from the balance sheet date and include amounts accrued to date or those liabilities which accumulate from day to day. The most common Current Liabilities are accounts payable (bills owed as of a specific date), accrued salaries and wages, accrued interest, etc.

Deferred Liabilities: Advance billings for services rendered, etc.

Long-Term Debt: Debts incurred through borrowing such as bonds and notes or other financial obligations which are payable over a long period of time.

Equity: The amounts paid on loans over the Department's existence, moneys invested by the Town in the Department, and the earnings retained in the Department as represented by property.

Income Statement: An Income Statement is a report in summary form of the revenue earned by a particular business during a specified period, together with the related costs and expenses and the losses for that same period and the resulting net income (or net loss).

Comparative Balance Sheet

	Assets		
	2013	2012	Increase (Decrease)
Electric Utility Plant (Net)...			
Intangible Plant	\$ 3,909.66	\$ 3,871.33	38.33
Production Plant in Service	1,324,110.20	707,507.56	616,602.64
Nuclear Fuel	89,733.44	77,855.30	11,878.14
Transmission Plant in Service	1,442,065.05	1,480,278.23	(38,213.18)
Distribution Plant in Service	5,273,936.04	4,068,899.14	1,205,036.90
General Plant in Service	1,234,622.53	1,001,099.97	233,522.56
Construction Work In Progress	509,053.65	503,529.71	5,523.94
Total Utility Plant In Service	\$ 9,877,430.57	\$ 7,843,041.24	\$ 2,034,389.33
Other Property & Investments...			
Investments in Assoc. Companies	\$ 16,355.92	\$ 22,594.21	(6,238.29)
Other Investments	-	-	-
Total Other Property & Investments...	\$ 16,355.92	\$ 22,594.21	\$ (6,238.29)
Cash Assets...			
Operation Cash	\$ 3,045,169.73	\$ 3,922,420.16	(877,250.43)
Miscellaneous Cash	2,375,537.54	1,773,334.09	602,203.45
Depreciation Fund Investment	4,109,594.57	5,773,024.94	(1,663,430.37)
Insurance Escrow Reserve	70,081.17	69,755.71	325.46
Petty Cash	500.00	500.00	-
Deposit Interest Account	173,503.25	169,255.02	4,248.23
Customer Deposits Account	1,002,563.58	746,869.32	255,694.26
Total Cash Balances	\$ 10,776,949.84	\$ 12,455,159.24	\$ (1,678,209.40)
Other Current and Accrued Assets...			
Customer Account Receivables	\$ 4,014,936.69	\$ 3,711,729.66	303,207.03
Other Accounts Receivables	84,971.86	38,666.80	46,305.06
Material and Supplies	1,207,389.79	1,125,197.53	82,192.26
Prepayments	1,125,265.68	996,140.37	129,125.31
Int. & Dividends Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc. Current & Accrued Assets	-	-	-
Total Other Current & Accrued Assets	\$ 6,432,564.02	\$ 5,871,734.36	\$ 560,829.66
Deferred Assets...			
Preliminary Survey Charges	\$ -	\$ -	-
Misc. Deferred Debits	(0.35)	-	(0.35)
Total Deferred Assets	\$ (0.35)	\$ -	\$ (0.35)
Total Assets	\$ 27,103,300.00	\$ 26,192,529.05	\$ 910,770.95

Equity and Liabilities

	2013	2012	Increase (Decrease)
Equity...			
Loans Repayment	\$ 1,925,000.00	\$ 1,925,000.00	\$ -
Invested by Town	20,093.39	20,093.39	\$ -
Retained Earnings	<u>17,778,240.05</u>	<u>17,555,690.31</u>	<u>\$ 222,549.74</u>
Total	<u>\$ 19,723,333.44</u>	<u>\$ 19,500,783.70</u>	<u>\$ 222,549.74</u>
Current & Accrued Liabilities...			
Accounts Payable	\$ 1,568,199.20	\$ 1,652,362.86	\$ (84,163.66)
Customer Deposits	1,002,563.58	746,869.32	\$ 255,694.26
Customer Deposits-Interest	173,503.25	169,255.02	\$ 4,248.23
Tax Collections Payable	30,232.24	26,691.76	\$ 3,540.48
Accrued REECIP Liability	369,998.41	299,314.82	\$ 70,683.59
Accrued RCS Liability	88,555.53	60,535.30	\$ 28,020.23
Misc. Current & Accrued Liabilities	242,414.60	318,061.94	\$ (75,647.34)
Customer Advances for Construction	<u>530,654.76</u>	<u>64,234.26</u>	<u>\$ 466,420.50</u>
Total Current & Accrued Liabilities	<u>\$ 4,006,121.57</u>	<u>\$ 3,337,325.28</u>	<u>\$ 668,796.29</u>
Deferred Credits...			
Misc. Deferred Credits	\$ -	\$ -	\$ -
Deferred Credit-Power Adj Charge	<u>1,241,188.11</u>	<u>1,438,179.93</u>	<u>\$ (196,991.82)</u>
Total Deferred Credits	<u>\$ 1,241,188.11</u>	<u>\$ 1,438,179.93</u>	<u>\$ (196,991.82)</u>
Contributions in aid of Construction...			
Total Contributions in aid of Construction...	<u>\$ 2,132,656.88</u>	<u>\$ 1,916,240.14</u>	<u>\$ 216,416.74</u>
	<u>\$ 2,132,656.88</u>	<u>\$ 1,916,240.14</u>	<u>\$ 216,416.74</u>
Total Equity & Liabilities	<u><u>\$ 27,103,300.00</u></u>	<u><u>\$ 26,192,529.05</u></u>	<u><u>\$ 910,770.95</u></u>

Statement of Equity

Retained Earnings on January 1, 2013	\$ 17,460,550.36
Net Income or (Loss)	980,315.39
Miscellaneous Credits to Retained Earnings	-
Total	<u>\$ 18,440,865.75</u>
Appropriation of Retained Earnings Returned to Towns	\$ 262,625.70
Miscellaneous Debits to Retained Earnings	-
Total	<u>\$ 262,625.70</u>
Total Retained Earnings on December 31, 2012	<u><u>\$ 18,178,240.05</u></u>

Comparative Income Statement

Operating Statement

	2013	2012	Increase (Decrease)
Operating Revenue	\$ 39,907,200.28	\$ 40,106,047.33	\$ (198,847.05)
Operating Expense...			
Production	\$ 817,485.60	\$ 784,769.19	\$ 32,716.41
Purchased Power Expense	27,924,435.52	28,473,113.56	(548,678.04)
Transmission Expenses	5,277,814.18	5,045,803.94	232,010.24
Distribution Expenses	1,128,571.93	1,173,065.33	(44,493.40)
General Expenses	3,468,370.96	3,314,323.11	154,047.85
Depreciation	753,981.99	745,827.27	8,154.72
Taxes	21,424.32	24,506.44	(3,082.12)
Total Operating Expenses	\$ 39,392,084.50	\$ 39,561,408.84	\$ (169,324.34)
Net Operating Revenues	\$ 515,115.78	\$ 544,638.49	\$ (29,522.71)
Other Income...			
Income From Contract Work	\$ -	\$ -	\$ -
Interest & Dividend Income	65,160.61	56,542.01	8,618.60
Misc. Nonoperating Income	122.00	117.00	5.00
Total Other Income	\$ 65,282.61	\$ 56,659.01	\$ 8,623.60
Miscellaneous Income Deductions...			
Other Income Deductions	83.00	\$ 114.00	\$ (31.00)
Total Income Deductions	\$ 83.00	\$ 114.00	\$ (31.00)
Inc. Before Interest Charges	\$ 580,315.39	\$ 601,183.50	\$ (20,868.11)
Interest Charges...			
Other Interest Expense	\$ -	\$ -	\$ -
Total Interest Charges	\$ -	\$ -	\$ -
Net Income Before			
Return to Towns	\$ 580,315.39	\$ 601,183.50	\$ (20,868.11)
Less Return to Towns	262,625.70	260,586.50	2,039.20
Net Income (Loss)	\$ 317,689.69	\$ 340,597.00	\$ (22,907.31)

Income Statement Detail

Operating Revenue

January 1, 2013 to December 31, 2013

Sales to Residential Consumers	\$ 8,162,659.88
Sales to Commercial Consumers	2,108,817.12
Sales to Power Consumers	9,586,302.06
Private Property Lighting Sales	91,600.14
Municipal Sales...	
Hudson Street Lights	137,813.82
Hudson Municipal Buildings	90,803.52
Hudson Municipal Power	428,998.63
All Electric Municipal Buildings	153,204.36
Stow & Berlin Street Lights	6,470.51
Stow, Maynard & Other Municipal Service	168,954.45
Sales for Resale	-
Total Revenue from Sales of Electricity	\$ 20,935,624.49
Power Adjustment Charges...	
Residential Sales	\$ 5,267,434.57
Commercial Sales	1,449,011.42
Power Sales	10,803,115.54
Private Property Lighting	33,419.31
Municipal Power Adjustment Charges...	
Street Lighting Stow et al	-
Municipal Power Hudson	396,080.80
Municipal Commercial Hudson	61,713.30
Municipal Power Stow et al	129,489.97
Municipal Commercial Stow et al	10,378.05
Municipal All Electric	127,690.31
Miscellaneous Electric Sales	196,991.82
Total Power Adjustment Charges	\$ 18,475,325.09
Total Revenue From Sale of Electricity	\$ 39,410,949.58
Other Income...	
Other Electric Revenues (RCS, etc.)	\$ 496,250.70
Total Income	\$ 39,907,200.28

Income Statement Detail

Expenses

January 1, 2013 to December 31, 2013

Production

Nuclear Power Generation

Operation Supervision	\$	30,412.00
Fuel		68,672.86
Coolants and Water		2,543.00
Steam Expenses		3,389.00
Electric Expenses		-
Miscellaneous Nuclear Power Expenses		52,670.00
Maintenance Supervision		677.00
Maintenance of Structures		4,872.00
Maintenance of Reactor Plant Equipment		10,158.00
Maintenance of Electric Plant		3,730.00
Maintenance of Miscellaneous Nuclear Power		771.00
Total Nuclear Power Production Expenses	\$	177,894.86

Other Power Generation...

Operation Supervision	\$	44,039.35
Fuel Oil		60,392.40
Fuel Natural Gas		38,181.24
Generation Expense		138,160.16
Generation Expense-Lube		1,931.81
Miscellaneous Other Power Generation Expenses		112,451.43
Maintenance Supervision		46,137.40
Maintenance of Structures		142,761.47
Maintenance of Generation and Electric Plant		54,131.77
Maintenance of Miscellaneous Generation Plant		1,403.71
Total Other Production Expenses	\$	639,590.74

Purchased Power Expenses...

Purchased Power-Entitlement	\$	18,221,128.86
Purchased Power-ISO		9,694,901.31
System Control and Load Dispersion		8,405.35
Other Expenses Purchase Power		-
Total Purchased Power	\$	27,924,435.52

Distribution Expenses...

Operation Supervision and Engineering	\$	50,520.40
Station Expenses		123,372.90
Overhead Line Expenses		15,780.72
Underground Line Expenses		-
Street Lighting & Signal Expenses		16,364.57
Meter Expenses		106,134.03

Income Statement Detail

Expenses (continued)

Distribution Expenses (cont.) ...	
Customer Installation Expense	43,453.72
Miscellaneous Distribution Expenses	33,520.31
Rents	-
Maintenance of Supervision and Engineering	49,826.46
Maintenance of Station Equipment	15,303.51
Maintenance of Overhead Lines	620,285.13
Maintenance of Underground Line	20,613.67
Maintenance of Line Transformer	25,963.53
Maintenance of Street Lighting	6,629.29
Maintenance of Meters	-
Maintenance of Miscellaneous Distribution Plant	803.69
Total Distribution Expenses	\$ 1,128,571.93
Transmission Expense	\$ 5,277,814.18
General...	
Supervision	\$ 24,985.48
Meter Reader Expenses	35,988.49
Customer Records and Collection Expenses	453,829.86
Advertising Expense	25.00
Miscellaneous Sales Expense (RCS)	-
Administrative and General Salaries	659,079.14
Office Supplies and Expenses	11,963.44
Administrative Expenses Transferred	-
Outside Services Employed	128,368.84
Property Insurance	74,880.04
Injuries and Damages	140,095.07
Employee Pension and Benefits	1,637,923.96
Regulatory Commission Expenses	-
General Advertising Expense	1,894.09
Miscellaneous General Expenses	31,260.42
Maintenance of General Plant	165,703.30
Transportation Expenses	102,373.83
Depreciation Expense	753,981.99
Total General and Depreciation Expenses	\$ 4,222,352.95
Real Estate and Other Taxes	\$ 21,424.32
Total Operation Expenses	\$ 39,392,084.50

FOOTNOTE TO FINANCIAL STATEMENTS

The Hudson Light and Power Department's accounting policies are in conformity with generally accepted accounting principles and conform to the uniform system of accounts prescribed for Public Utilities by the Federal Energy Regulatory Commission as modified by the Massachusetts Department of Public Utilities for municipal owned lighting plants.

Revenues are computed on the basis of monthly billings to customers. Unbilled revenues from the sale of energy are not accrued as of the end of the calendar year. Miscellaneous electric sales adjustment is for over-billed or under-billed power adjustment charges.

Electric Utility Plant Assets are stated at net cost. The provision for depreciation is determined by the straight-line method based on a 3% annual depreciation rate. The cost of maintenance and repairs is expensed as incurred; renewals, replacements and betterments are capitalized.

Preliminary Survey Charges (Deferred Assets) incurred for proposed projects through MMWEC are deferred pending bonding of the proposed facility. Funds relating to MMWEC projects are refunded to the Department after bonding. Charges relating to projects, which are undertaken by the Department, are transferred to Construction Work in Progress and eventually to Utility Plant upon completion. Projects abandoned by MMWEC or the Department are charged to expense.

Projects started but not completed are charged to **Construction Work In Progress**. Any project abandoned is charged directly to retained earnings.

Investments of the Depreciation Fund are in Certificates of Deposit and U.S. Government and Agency Securities as prescribed by law. Further, interest earned on these funds can only be used in the same manner as depreciation funds as prescribed by the Massachusetts General Laws.

Inventories: Cost of materials, supplies and fuel are valued at average cost.

Segregated Funds: The Depreciation Fund is restricted to additions and replacements of plant, property and equipment under the General Laws of the Commonwealth of Massachusetts and regulations of State agencies.

Pensions: The Department's employees are members of the Middlesex County Retirement System. The Municipal Light Board has established the Hudson Municipal Light Department Employee's Retirement Trust Fund to reimburse the Town of Hudson for retirement costs of its employees. This fund is maintained by the transfer of funds from the Department to the Trust based on actuarial studies performed by a professional actuarial consultant. An amount equal to \$693,149.29 was transferred from the Trust Fund as payments to the Town.

Other Post-Employment Benefits Trust: The Municipal Light Board has established this Trust Fund to directly reimburse the Town of Hudson for retirement costs, other than pensions, attributable to Light Department retirees. On the basis of actuarial studies, sufficient funds will continue to be set aside to meet the future retirement obligations of the Town for persons currently employed by the Municipal Light Department.

Rate Stabilization Trust: The Municipal Light Board has established this Trust to fund municipal power supply costs, so as to stabilize power supply costs and other presently ascertainable obligations, in order to remain competitive within the electric industry and for other power-related issues which the Trustees designate by vote. In 2013, no funds were used.

Commitments and Contingencies: The Hudson Light and Power Department has purchase contracts with the following sponsor companies and receives kilowatt-hour amounts from the entitlements listed:

	Yearly Cost \$	Energy kWh
PASNY- Niagara River	233,256.64	9,146,615
MMWEC- Wyman #4	152,071.57	553,212
MMWEC - Nuclear Mix #1	413,415.87	5,790,757
MMWEC - Millstone #3	377,012.14	4,867,438
MMWEC - Seabrook #4	1,387,096.19	20,025,645
MMWEC - Seabrook #5	159,513.88	2,230,407
MMWEC - Seabrook #6	13,053,283.59	151,642,854
Taunton - Cleary #9	695,556.36	3,259,717
FPL Energy	1,186,501.60	23,744,000
PPL	267,008.00	4,928,000
Solar - Local Customers	4,875.64	91,614
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	17,929,591.48	226,280,259
ISO-NE	9,694,901.32	117,901,332
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Total	27,624,492.80	344,181,591

Hudson obtains 962.7 kW of Seabrook Unit #1 on a direct ownership basis, for which the Department uses 100% equity financing. Hudson's ownership share of Seabrook Unit #1 is 0.07737%. On June 30, 1990, Seabrook was declared operational. Under the Joint Ownership Agreement, the joint owners are obligated to pay their pro rata share of Seabrook's operating cost. In addition, should any other joint owner fail to make any payment, the other owners may be required to increase their payments and correspondingly their equivalent percentage ownership of Seabrook capacity. Hudson is one of three, minority non-operating owners of Seabrook Station.

Town of Hudson, acting through its Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any

payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Hudson Light and Power Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Total capital expenditures for MMWEC's Projects amounted to \$1,607,269,000 , of which \$173,768,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$225,280,000, of which \$30,241,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2013, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$218,518,000, of which \$30,121,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Hudson Light And Power Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2013 and estimated for future years is shown below.

For years ended December 31,	<u>ANNUAL COSTS</u>	
	2014	\$ 8,354,000
	2015	8,046,000
	2016	7,903,000
	2017	4,078,000
	2018	949,000
	2019	791,000
TOTAL	<u>\$</u>	<u>30,121,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O & M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$16,543,000 and \$16,400,000 for the years ended December 31, 2013 and 2012, respectively.

Statement of Changes in Financial Position

January 1, 2013 to December 31, 2013

Funds were provided from . . .

Operations . . .

Net Income	\$ 580,315.39
Miscellaneous Credits to Surplus	-
Return of Investment	6,238.29
	<hr/>

Total Funds Provided

\$ 586,553.68

Funds were used for . . .

Increase (Decrease) to Utility Plant	\$ 2,034,389.33
Miscellaneous Debits to Surplus	95,139.60
Return to Town of Hudson	225,000.00
Return to Town of Stow	37,625.70
Decrease (Increase) in Deferred Credits	-
	<hr/>

Total

\$ 2,392,154.63

Increase (Decrease) in Working Capital

\$ (1,805,600.95)

Increase (Decrease) in Working Capital Represented by . . .

Cash	\$ (1,678,209.40)
Receivables	349,512.09
Materials and Supplies	82,192.26
Prepayments	129,125.31
Interest Receivable	-
Accrued Utility Revenues	-
Miscellaneous Deferred Debits	(485,845.42)
Miscellaneous Accrued Liabilities	(282,998.97)
Accounts Payable	84,163.66
Injury Reserve	-
Taxes Payable	(3,540.48)
	<hr/>

Total

\$ (1,805,600.95)

Revenue from Sale of Electricity

January 1, 2013 to December 31, 2013

	HUDSON		STOW		OTHER		TOTAL
Res. Service "A"	\$ 4,341,870.87	\$	1,575,255.65	\$	76,519.22	\$	5,993,645.74
Res. Wtr. Heater "E"	558,466.72		584,505.20		37,064.04		1,180,035.96
All Elec. Service "F"	738,777.97		249,584.31		7,904.61		996,266.89
Com. Htg. & Air Cond.	80.27		326.46		-		406.73
Com. Service "C"	1,679,860.04		419,769.35		9,335.20		2,108,964.59
Large Power "D"	8,951,121.28		628,765.19		6,327.72		9,586,214.19
Municipal All Elec.	-		-		151,516.28		151,516.28
Municipal Service "C"	89,704.61		13,669.47		2,388.03		105,762.11
Municipal Power "D"	424,679.15		152,248.38		-		576,927.53
Street Lighting	137,813.82		6,430.87		39.64		144,284.33
Yard Lighting	79,255.94		11,003.77		1,340.43		91,600.14
Power Adjustment Charges...							
Res. Service "A"	\$ 2,650,650.62	\$	974,872.17	\$	47,197.51	\$	3,672,720.30
Res. Wtr. Heater "E"	398,059.27		424,044.57		26,739.79		848,843.63
All Elec. Service "F"	550,234.64		189,555.99		6,080.19		745,870.82
Com. Htg. & Air Cond.	44.63		222.60		-		267.23
Com. Service "C"	1,159,433.90		283,570.34		5,739.95		1,448,744.19
Large Power "D"	10,205,033.81		594,292.43		3,789.30		10,803,115.54
Municipal All Elec.	-		-		127,677.00		127,677.00
Municipal Service "C"	396,080.80		129,489.97		1,401.06		526,971.83
Municipal Power "D"	61,713.30		8,990.30		-		70,703.60
Street Lighting	-		-		-		-
Yard Lighting	28,706.94		4,282.50		429.87		33,419.31
Total Rev. Each Zone	\$ 32,451,588.58	\$	6,250,879.52	\$	511,489.84	\$	39,213,957.94

Misc. Electric Sales 196,991.64

Total Revenue from Sale of Electricity \$ 39,410,949.58

Res. Service "A"	\$ 9,666,366.04
Res. Service "E" Wtr Htr	2,028,879.59
All Elec. Service "F"	1,742,137.71
Com. Htr. & Air. Cond	673.96
Com. Service "C"	3,557,708.78
Large Power "D"	20,389,329.73
Municipal All Elec.	279,193.28
Municipal Service "C"	632,733.94
Municipal Power "D"	647,631.13
Street Lighting	144,284.33
Yard Lighting	125,019.45
Total	<u><u>\$ 39,213,957.94</u></u>

Statistics
Kilowatt-hours Generated, Purchased, Sold and Used

January 1, 2013 to December 31, 2013

Kilowatt-hours Generated	9,358,373
Kilowatt-hours Purchased	<u>344,181,591</u>
Total Generated & Purchased	353,539,964

	HUDSON	STOW	OTHER AREAS
Kilowatt-hours Sold...			
Residence Service "A"	50,793,068	18,662,588	903,323
Service "E" (wtr htr)	7,620,696	8,115,115	511,703
All Electric Service "F"	10,525,930	3,621,362	116,297
Htg. and Air Cond. for Business	842	4,200	0
Commercial Service "C"	21,377,399	5,215,872	103,651
Large Power "D"	187,569,385	11,099,792	69,582
Departmental Usage	193,281	0	0
Municipal All Electric	0	0	2,409,000
Municipal Service "C"	7,288,226	1,313,420	1,005,900
Municipal Power "D"	1,134,864	165,947	23,679
Street Lighting	1,215,482	56,718	350
Yard Lighting	<u>524,715</u>	<u>78,348</u>	<u>7,077</u>
Total Kilowatt-hours Each Zone	288,243,888	48,333,362	5,150,562
Total Kilowatt-hours distributed			341,727,812
Kilowatt-hours sold for resale			0
Kilowatt-hours used at Station and misc.			1,110,971
Kilowatt-hours lost in Station & Transmission			7,947,113
Kilowatt-hours lost in Distribution Lines			<u>2,754,068</u>
Total			353,539,964
Percent lost in Distribution Lines		0.7790%	
Percent lost in Station and Transmission Lines		2.5621%	

Five-Year Comparative Electric Sales Data

	2013	2012	2011	2010	2009
Customers...					
Residential	10780	10721	10679	10635	10550
Commercial	1327	1326	1328	1322	1322
Industrial	155	152	156	158	157
Municipal	128	130	127	128	126
Others	173	170	172	173	169
Total	12564	12499	12462	12416	12324
Kilowatt-hour Sales...					
Residential	100,870,082	98,619,240	100,002,698	99,961,153	94,245,846
Commercial	29,304,245	26,161,926	25,403,628	25,091,848	24,015,429
Industrial	198,738,759	207,796,942	244,231,282	258,847,785	254,812,073
Municipal	12,227,229	14,480,988	14,093,277	14,603,081	13,760,946
Other	587,497	627,818	637,063	636,981	632,787
Total	341,727,812	347,686,914	384,367,948	399,140,848	387,467,081
Revenues Billed...					
Residential	13,437,383.33	13,125,302.67	13,563,574.17	13,507,697.55	13,245,343.48
Commercial	3,558,382.74	3,484,402.99	3,466,663.15	3,688,971.19	3,785,695.91
Industrial	20,389,329.73	21,088,517.26	25,113,191.45	26,988,260.42	29,123,813.72
Municipal	1,703,842.69	1,637,897.84	1,635,464.64	1,813,154.49	1,798,869.44
Other	125,019.45	123,083.44	126,350.32	119,594.42	119,746.87
Total*	\$ 39,213,957.94	\$ 39,459,204.20	\$ 43,905,243.73	\$ 46,117,678.07	\$ 48,073,469.42

**Does not reflect accounting adjustments for power charges.*

Consumers Statistics

December 31, 2013

Hudson

Hudson Residential Consumers	7,964
Hudson Commercial Consumers	1,007
Hudson Power Consumers	137
Hudson Municipal Consumers	99

Total Hudson Consumers

9,207

Stow and Maynard

Stow Residential Consumers	2,691
Stow Commercial Consumers	316
Stow Power Consumers	16
Stow and Maynard Municipal Consumers	21

Total Stow and Maynard Consumers

3,044

Boxboro, Bolton, Berlin, Marlboro, etc.

Boxboro, Bolton, Berlin, Marlboro, Etc. Residential Consumers	144
Boxboro, Bolton, Berlin, Marlboro, Etc. Commercial Consumers	17
Boxboro, Bolton, Berlin, Marlboro, Etc. Municipal Consumers	7

Total Boxboro, Bolton, Berlin, Marlboro, Etc. Consumers

168

Total Consumers on the System

12,419

Hudson Light and Power Department Retirement Trust Fund

The purpose of this Fund is to directly reimburse the Town of Hudson for retirement costs attributable to Light Department retirees for whom the Town is assessed annually by the Middlesex County Retirement System. On the basis of actuarial studies, sufficient funds will continue to be set aside to meet the future retirement obligations of the Town for persons currently employed by the Municipal Light Department.

Balance of Retirement Fund as of January 1, 2013		\$ 14,366,440.02
Cash transferred to HLPD Retirement Trust Fund	\$	864,000.00
Gain on Sales	\$	58,944.46
Interest, dividends and Principal received	\$	312,415.00
Total Additions to the Fund	\$	1,235,359.46
Payments to the Town of Hudson	\$	677,661.95
Loss on Sales	\$	15,487.34
Total Reductions to the Fund	\$	693,149.29
Balance of Retirement Fund as of December 31, 2013	\$	14,908,650.19

AVIDIA BANK MONEY MARKET #29284179		0.25%		\$ 275,404.69
MORGAN STANLEY MONEY FUNDS		0.01%		\$ 83,206.96
GNMA		10.00%		\$ 242.48
GNMA		11.00%		\$ 252.27
AVIDIA BANK	CD	1.40%		\$ 1,524,535.04
PSEG POWER LLC		1.40%		\$ 253,156.53
AVIDIA BANK	CD	1.90%		\$ 565,797.00
NORTHERN STATES POWER COMPANY		0.51%		\$ 275,850.61
FLORIDA POWER & LIGHT		1.22%		\$ 261,394.82
NORFOLK SOUTHERN CORP.		1.84%		\$ 231,814.54
AVIDIA BANK	CD	1.40%		\$ 417,832.63
VIRGINIA ELECTRIC & POWER		1.48%		\$ 250,193.76
SOUTHWESTERN ELECTRIC		1.70%		\$ 369,989.76
UNITED COMMUNITY BANK BLAIRSVILLE		2.24%		\$ 245,000.00
FRONTIER COMMUNICATIONS		4.56%		\$ 506,341.35
FED HOME LN BK STEP		2.05%		\$ 700,000.00
SOUTHWESTERN PUBLIC SERVICE CO		2.59%		\$ 128,216.00
SOUTH CAROLINA ELECTRIC & GAS		2.06%		\$ 264,738.43
JPMorgan	CD	Variable		\$ 150,000.00
CENTURYLINK INC		2.60%		\$ 455,192.64
ALLY BANK		2.45%		\$ 90,000.00
BMW BANK		2.35%		\$ 240,000.00
AT&T INC		1.83%		\$ 95,445.48
PPL ENERGYSUPPLY LLC		2.96%		\$ 297,181.14
BURLINGTON NORTH SANTA FE		1.54%		\$ 241,082.98
FLORIDA POWER & LIGHT		1.61%		\$ 504,359.24
BELLSOUTH CORP		2.02%		\$ 121,635.76
PUBLIC SERVICE OKLAHOMA		2.05%		\$ 152,332.28
PSEG POWER LLC		2.08%		\$ 200,441.56
COMMONWEALTH EDISON		3.47%		\$ 196,641.41
VERIZON COMMUNICATIONS		2.01%		\$ 370,700.72
BANK OF AMERICA		2.85%		\$ 117,305.98
CONSTELLATION ENERGY GROUP		1.77%		\$ 476,674.35
SOUTHWESTERN ELECTRIC		2.37%		\$ 202,239.92
FPL GROUP CAPITAL		2.47%		\$ 198,467.26
UNION PACIFIC CORP		2.30%		\$ 219,011.54
VERIZON COMMUNICATIONS		2.23%		\$ 128,207.09
SBC COMMUNICATIONS		2.34%		\$ 371,875.38
VIRGINIA ELECTRIC & POWER		1.89%		\$ 211,765.08
EQUITY SECURITIES (Market Value \$ 4,270,640.65)				\$ 3,514,123.51
Total				\$ 14,908,650.19

**Hudson Light and Power Department
Other Post Employment Benefits (OPEB) Trust Fund**

The purpose of this Fund is to directly reimburse the Town of Hudson for retirement costs, other than pensions, attributable to Light Department retirees. On the basis of actuarial studies, sufficient funds will continue to be set aside to meet the future retirement obligations of the Town for persons currently employed by the Municipal Light Department.

Balance of the Other Post Employment Benefit Fund as of January 1, 2013	\$	1,013,445.73
Interest, Dividends and Principal Received	\$	31,777.28
Transfers from Operations Cash	\$	-
Gain on Sales	\$	9,364.56
Total Additions to the Fund	\$	41,141.84
Total Reductions to the Fund	\$	-
Balance of the Other Post Employment Benefit Fund as of December 31, 2013	\$	1,054,587.57

Avidia Bank - Money Market	0.19%	65,664.09
Morgan Stanley - Money Market Fund	0.05%	32,246.67
Federated GNMA Instsvc	2.30%	75,609.05
E V ADV	4.54%	189,388.61
Citigroup	4.23%	70,583.67
Verizon Global	2.30%	67,805.52
McDonalds	2.74%	70,077.30
Virginia Electric	1.58%	66,732.78
Baxter Int'l	1.94%	82,687.94
Entergy ORP	3.33%	103,864.79
Equity Securities (Market Value \$ 282,257.90)		229,927.15
Total		\$ 1,054,587.57

**Hudson Light and Power Department
Rate Stabilization Trust Fund**

The purpose of this Fund is to fund future power supply costs so as to stabilize power supply costs and other presently ascertainable obligations, in order to remain competitive within the electric industry and for other power supply-related issues which the Trustees designate by vote.

Balance of the Rate Stabilization Fund as of January 1, 2013		\$ 10,089,890.25
Interest, Dividends and Principal Received		\$ 120,826.42
Gain on Sales		\$ -
Transfers from Operations Cash		\$ 500,000.00
Total Additions to the Fund		<u>\$ 620,826.42</u>
Loss on Sales		\$ 8,372.94
Total Reductions to the Fund		<u>\$ 8,372.94</u>
Balance of the Rate Stabilization Fund as of December 31, 2013		<u><u>\$ 10,702,343.73</u></u>

Avidia Bank Money Market		0.28%	1,508,964.04
Morgan Stanley Money Funds		0.01%	77,607.23
Avidia Bank	CD	1.60%	909,198.58
Avidia Bank	CD	0.60%	600,162.47
Avidia Bank	CD	1.35%	754,202.90
Avidia Bank	CD	1.35%	2,036,814.35
Avidia Bank	CD	0.60%	484,788.17
Century Bank	CD	1.80%	631,896.60
Verizon		1.45%	338,418.84
Burlington North Santa Fe		1.15%	145,702.41
Southwestern Electric Power		1.60%	279,141.30
Union Pacific Corp.		1.11%	152,122.44
Public Service E & G		1.15%	234,442.93
Bellsouth Corp.		1.42%	261,744.88
Duke Energy		1.68%	284,430.88
SBC Comm		1.50%	271,658.43
Centurylink		2.25%	284,896.36
Duke Energy		1.43%	115,779.16
AT&T		1.38%	350,250.27
Equity Analysis (Market Value \$1,162,321.86)			980,121.49
Total			<u><u>\$ 10,702,343.73</u></u>