

## Hudson Light and Power Department 2014 Annual Report

### A MESSAGE FROM THE BOARD

*“We are what we repeatedly do. Excellence, then, is not an act, but a habit.”*

**Aristotle**

In the winter of 2013-2014, wholesale electricity prices spiked due to extremely cold weather. Natural gas, which would normally be used for electricity generation, was diverted from generators to homeowners. As less efficient generators were called upon to meet the electrical demand, wholesale electricity prices rose dramatically. This necessitated an increased Power Adjustment Charge, as voted by the Hudson Municipal Light Board in the first quarter of 2014.

In December of 2014, Yakov Levin, the General Manager of the Department, retired after 28 years of service. The Light Board would like to commend Mr. Levin for his dedicated service and excellent stewardship. Mr. Levin started his career as an electrical engineer and was responsible for designing and maintaining much of the infrastructure you see today. He played an integral role in providing the reliability that our customers have come to expect. He successfully directed the Department as the General Manager for the last nine years. The Light Board would like to wish Mr. Levin great health and happiness in his retirement.

The Light Board appointed Brian Choquette as the new General Manager of the Department. Mr. Choquette was the Assistant General Manager for the past nine years and has been involved with all aspects of the Department’s business. The Light Board welcomes Mr. Choquette to the helm and is confident that he can continue to ensure the high reliability, great service and vision to modernize our Light Department in the future.

Hudson Municipal Light Board

*Joseph J. Marinelli*, Chairman

*Paul Huehmer*, Clerk

*Roland L. Plante*, Member

## GENERAL MANAGER'S REPORT

### **Summary**

Fiscal year 2014 was successful both operationally and financially. In the spring, the second power transformer in the Forest Avenue substation was replaced. The first power transformer was replaced in 2013. These substation transformers convert the high voltage from the grid (115,000 volts) to street level voltage (13,800 volts) and are the heart of the system. The existing units were 40+ years old and were fully depreciated. The new units provide increased reliability and additional capacity for future growth.

Financially, the Department performed better than expected due to the increase in kilowatt-hour sales to both commercial and industrial customers. The Department had expected a reduction in sales to the industrial base due to a large customer ceasing its manufacturing operations; however, the large customer delayed the reduction of its operations until Q2 2015, resulting in increased revenue to the Department. Below are some statistical data for 2014:

- kWh sales growth: +1.9% overall (compared to prior year)
  - Residential: -0.78%
  - Commercial: +4.6%
  - Industrial: +3.1%
  - Municipal: -0.5%
- Peak demand of 65.38 MW (on July 2<sup>nd</sup>)

The Power Adjustment Charge (PAC) is a pass-through charge necessary to cover the cost of wholesale energy, capacity and transmission. In the first quarter of 2014, wholesale electricity prices increased dramatically when natural gas was diverted from generators to home owners. The Light Board voted to increase the PAC in the first quarter to accommodate the high wholesale energy costs.

### **Continued Growth**

In 2014, the Department's customer base grew 0.8%. Most of these new accounts were commercial and residential. The Department supported the expansion and construction of multiple housing and commercial projects which include:

- Houghton Bridge reconstruction
- West Ridge Development
- Broad View Development
- 34 Tower Street
- RK Plaza
- Dudley Road Development
- High Street in Stow

## **Reliability**

During 2014, 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 system experienced no major outages despite a winter marked by many snowstorms.

## **Conservation and Energy Efficiency Programs**

The Renewable Energy and Energy Conservation Incentive Program (REECIP), funded with the monthly REECIP charge of \$0.005 per kWh, offers residential and commercial solar incentives, commercial energy audits and rebates. The Residential Conservation Service (RCS), funded at \$0.47 per month per bill, 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. Following is a summary of the 2014 conservation program statistics:

- \$54,500 was awarded in REECIP subsidies and incentives
- \$14,534 was credited to customer accounts in the form of appliance rebates
- \$11,060 in free residential energy audits were performed

## **Billing Improvements**

The Department continued its efforts to expand and improve billing options for customers. During 2014, the Department launched its on-line bill payment program in conjunction with the Southeast Data Cooperative (SEDC). Customers can now access our online Customer Portal to pay bills, track payments, and receive alerts on due dates, account changes, and more. During 2014, the Department also:

- Launched its “Go Green! Go Paperless” option, offering customers email delivery of bills
- Extended the discount date from the 10<sup>th</sup> to the 12<sup>th</sup> of the month
- Updated its Terms and Conditions

## **A Personal Note**

The Department bid a farewell to Meter Worker Rick Veo of Hudson and to General Manager Yakov Levin of Framingham, both of whom retired in 2014. We wish them a long, healthy and happy retirement.

I would like to thank the Hudson Municipal Light Board for granting me the opportunity to serve our customers as the new General Manager. I also commend the employees of the Hudson Light and Power Department for their dedication and commitment to the highest quality of service.

## **2015 Estimates**

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

ESTIMATED INCOME FROM SALES OF ELECTRICITY - 2015

From Sales to Municipal Customers	\$ 1,549,294
From Sales to Domestic Customers	13,237,879
From Sales to Commercial Customers	3,750,287
From Sales to Power Customers	14,575,895
From Street Lights: Stow and Other Communities	4,986
Hudson	141,486
<b>Total Income</b>	<u>\$ 33,259,827</u>

ESTIMATED EXPENDITURES - 2015

Production, Generation, Purchased Power*	\$ 27,420,970
Distribution and Transmission	1,837,886
General	2,443,867
Depreciation	850,000
<b>Total Expenditures</b>	<u>\$ 32,552,723</u>

The estimated cost of electricity to be used by the Town of Hudson for all purposes for the year ending June 30, 2015 is: \$ 1,100,000

*\*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,

*Brian R. Choquette*, 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

<u>ASSETS</u>		<b>Increase (Decrease)</b>	
	<b>2014</b>	<b>2013</b>	
<b>Electric Utility Plant (Net)...</b>			
Intangible Plant	\$ 3,909.66	\$ 3,909.66	-
Production Plant in Service	1,228,122.52	1,324,110.20	(95,987.68)
Nuclear Fuel	151,133.00	89,733.44	61,399.56
Transmission Plant in Service	1,393,258.39	1,442,065.05	(48,806.66)
Distribution Plant in Service	5,873,970.16	5,273,936.04	600,034.12
General Plant in Service	1,179,753.24	1,234,622.53	(54,869.29)
Construction Work In Progress	62,018.73	509,053.65	(447,034.92)
<b>Total Utility Plant In Service</b>	<u>\$ 9,892,165.70</u>	<u>\$ 9,877,430.57</u>	<u>\$ 14,735.13</u>
<b>Other Property &amp; Investments...</b>			
Investments in Assoc. Companies	\$ 16,355.92	\$ 16,355.92	-
Other Investments	-	-	-
<b>Total Other Property &amp; Investments...</b>	<u>\$ 16,355.92</u>	<u>\$ 16,355.92</u>	<u>\$ -</u>
<b>Cash Assets...</b>			
Operation Cash	\$ 8,773,478.61	\$ 3,045,169.73	5,728,308.88
Miscellaneous Cash	1,391,949.20	2,375,537.54	(983,588.34)
Depreciation Fund	-	-	-
Depreciation Fund Investment	3,869,762.41	4,109,594.57	(239,832.16)
Insurance Escrow Reserve	70,384.98	70,081.17	303.81
Petty Cash	500.00	500.00	-
Deposit Interest Account	-	173,503.25	(173,503.25)
Customer Deposits Account	1,179,934.51	1,002,563.58	177,370.93
<b>Total Cash Balances</b>	<u>\$ 15,286,009.71</u>	<u>\$ 10,776,949.84</u>	<u>\$ 4,509,059.87</u>
<b>Other Current and Accrued Assets...</b>			
Customer Account Receivables	\$ 4,241,419.83	\$ 4,014,936.69	226,483.14
Other Accounts Receivables	39,068.28	84,971.86	(45,903.58)
Material and Supplies	1,123,580.57	1,207,389.79	(83,809.22)
Prepayments	1,023,212.78	1,125,265.68	(102,052.90)
Int. & Dividends Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc. Current & Accrued Assets	-	-	-
<b>Total Other Current &amp; Accrued Assets</b>	<u>\$ 6,427,281.46</u>	<u>\$ 6,432,564.02</u>	<u>\$ (5,282.56)</u>
<b>Deferred Assets...</b>			
Preliminary Survey Charges	\$ -	\$ -	-
Misc. Deferred Debits	(0.34)	(0.35)	0.01
<b>Total Deferred Assets</b>	<u>\$ (0.34)</u>	<u>\$ (0.35)</u>	<u>\$ 0.01</u>
<b>Total Assets</b>	<u>\$ 31,621,812.45</u>	<u>\$ 27,103,300.00</u>	<u>\$ 4,518,512.45</u>

## EQUITY AND LIABILITIES

	2014	2013	Increase (Decrease)
<b>Equity...</b>			
Loans Repayment	\$ 1,925,000.00	\$ 1,925,000.00	\$ -
Invested by Town	20,093.39	20,093.39	\$ -
Retained Earnings	20,001,090.27	17,778,240.05	\$ 2,222,850.22
<b>Total</b>	<u>\$ 21,946,183.66</u>	<u>\$ 19,723,333.44</u>	<u>\$ 2,222,850.22</u>
<b>Current &amp; Accrued Liabilities...</b>			
Accounts Payable	\$ 1,244,111.65	\$ 1,568,199.20	\$ (324,087.55)
Customer Deposits	888,602.60	1,002,563.58	\$ (113,960.98)
Customer Deposits-Interest	169,175.39	173,503.25	\$ (4,327.86)
Tax Collections Payable	49,099.09	30,232.24	\$ 18,866.85
Accrued REECIP Liability	450,546.87	369,998.41	\$ 80,548.46
Accrued RCS Liability	125,116.93	88,555.53	\$ 36,561.40
Misc. Current & Accrued Liabilities	753,295.11	242,414.60	\$ 510,880.51
Customer Advances for Construction	121,738.02	530,654.76	\$ (408,916.74)
<b>Total Current &amp; Accrued Liabilities</b>	<u>\$ 3,801,685.66</u>	<u>\$ 4,006,121.57</u>	<u>\$ (204,435.91)</u>
<b>Deferred Credits...</b>			
Misc. Deferred Credits	\$ -	\$ -	\$ -
Deferred Credit-Power Adj Charge	5,177,115.66	1,241,188.11	\$ 3,935,927.55
<b>Total Deferred Credits</b>	<u>\$ 5,177,115.66</u>	<u>\$ 1,241,188.11</u>	<u>\$ 3,935,927.55</u>
<b>Reserves...</b>			
Injuries and Damages Reserve	\$ -	\$ -	\$ -
<b>Total Reserves</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Contributions in aid of Construction...</b>			
<b>Total Contributions in aid of Construction...</b>	<u>\$ 696,827.47</u>	<u>\$ 2,132,656.88</u>	<u>\$ (1,435,829.41)</u>
<b>Total Equity &amp; Liabilities</b>	<u>\$ 31,621,812.45</u>	<u>\$ 27,103,300.00</u>	<u>\$ 4,518,512.45</u>

## STATEMENT OF EQUITY

Retained Earnings on January 1, 2014	\$ 19,632,256.77
Net Income or (Loss)	631,404.08
Miscellaneous Credits to Retained Earnings	-
<b>Total</b>	<u>\$ 20,263,660.85</u>
Appropriation of Retained Earnings Returned to Towns	\$ 262,570.58
Miscellaneous Debits to Retained Earnings	-
<b>Total</b>	<u>\$ 262,570.58</u>
<b>Total Retained Earnings on December 31, 2014</b>	<u>\$ 20,001,090.27</u>

## COMPARATIVE INCOME STATEMENT

### OPERATING STATEMENT

	<b>2014</b>	<b>2013</b>	<b>Increase (Decrease)</b>
<b>Operating Revenue</b>	\$ 43,395,163.45	\$ 39,907,200.28	\$ 3,487,963.17
<b>Operating Expense...</b>			
Production	\$ 829,681.86	\$ 817,485.60	\$ 12,196.26
Purchased Power Expense	29,746,972.98	27,924,435.52	1,822,537.46
Transmission Expenses	6,005,742.61	5,277,814.18	727,928.43
Distribution Expenses	1,187,936.43	1,128,571.93	59,364.50
General Expenses	4,238,940.96	3,468,370.96	770,570.00
Depreciation	794,274.84	753,981.99	40,292.85
Taxes	20,075.01	21,424.32	(1,349.31)
<b>Total Operating Expenses</b>	\$ 42,823,624.69	\$ 39,392,084.50	\$ 3,431,540.19
<b>Net Operating Revenues</b>	\$ 571,538.76	\$ 515,115.78	\$ 56,422.98
<b>Other Income...</b>			
Income From Contract Work	\$ -	\$ -	\$ -
Interest & Dividend Income	59,770.32	65,160.61	(5,390.29)
Misc. Nonoperating Income	185.00	122.00	63.00
<b>Total Other Income</b>	\$ 59,955.32	\$ 65,282.61	\$ (5,327.29)
<b>Miscellaneous Income Deductions...</b>			
Other Income Deductions	90.00	\$ 83.00	\$ 7.00
<b>Total Income Deductions</b>	\$ 90.00	\$ 83.00	\$ 7.00
<b>Inc. Before Interest Charges</b>	\$ 631,404.08	\$ 580,315.39	\$ 51,088.69
<b>Interest Charges...</b>			
Other Interest Expense	\$ -	\$ -	\$ -
<b>Total Interest Charges</b>	\$ -	\$ -	\$ -
<b>Net Income Before</b>			
<b>Return to Towns</b>	\$ 631,404.08	\$ 580,315.39	\$ 51,088.69
Less Return to Towns	262,570.58	262,625.70	(55.12)
<b>Net Income (Loss)</b>	\$ 368,833.50	\$ 317,689.69	\$ 51,143.81



INCOME STATEMENT DETAIL

OPERATING REVENUE

**January 1, 2014 to December 31, 2014**

Sales to Residential Consumers	\$ 8,167,005.91
Sales to Commercial Consumers	2,211,672.15
Sales to Power Consumers	9,934,395.29
Private Property Lighting Sales	90,331.17
<b>Municipal Sales...</b>	
Hudson Street Lights	141,486.41
Hudson Municipal Buildings	87,645.77
Hudson Municipal Power	439,986.28
All Electric Municipal Buildings	-
Stow & Berlin Street Lights	6,552.88
Stow, Maynard & Other Municipal Service	316,993.01
Sales for Resale	-
<b>Total Revenue from Sales of Electricity</b>	<b>\$ 21,396,068.87</b>
<b>Power Adjustment Charges...</b>	
Residential Sales	\$ 6,969,437.46
Commercial Sales	2,125,032.94
Power Sales	15,599,495.95
Private Property Lighting	47,117.71
Municipal Power Adjustment Charges...	
Street Lighting Stow et al	-
Municipal Power Hudson	533,578.64
Municipal Commercial Hudson	81,521.91
Municipal Power Stow et al	363,892.77
Municipal Commercial Stow et al	17,314.94
Municipal All Electric	-
Miscellaneous Electric Sales	(3,933,547.88)
<b>Total Power Adjustment Charges</b>	<b>\$ 21,803,844.44</b>
<b>Total Revenue From Sale of Electricity</b>	<b>\$ 43,199,913.31</b>
Other Income...	
Other Electric Revenues (RCS, etc.)	\$ 195,250.14
<b>Total Income</b>	<b>\$ 43,395,163.45</b>

## INCOME STATEMENT DETAIL

### EXPENSES

**January 1, 2014 to December 31, 2014**

#### **Production**

##### **Nuclear Power Generation**

Operation Supervision	\$	29,108.00
Fuel		55,881.44
Coolants and Water		2,744.00
Steam Expenses		5,169.00
Electric Expenses		-
Miscellaneous Nuclear Power Expenses		50,759.00
Maintenance Supervision		4,390.00
Maintenance of Structures		9,331.00
Maintenance of Reactor Plant Equipment		24,473.00
Maintenance of Electric Plant		5,249.00
Maintenance of Miscellaneous Nuclear Power		14,984.00

**Total Nuclear Power Production Expenses** \$ 202,088.44

##### **Other Power Generation...**

Operation Supervision	\$	10,396.92
Fuel Oil		51,638.93
Fuel Natural Gas		3,391.40
Generation Expense		143,363.98
Generation Expense-Lube		1,894.86
Miscellaneous Other Power Generation Expenses		121,326.68
Maintenance Supervision		27,113.38
Maintenance of Structures		112,203.30
Maintenance of Generation and Electric Plant		152,751.15
Maintenance of Miscellaneous Generation Plant		3,512.82

**Total Other Production Expenses** \$ 627,593.42

##### **Purchased Power Expenses...**

Purchased Power-Entitlement	\$	19,879,734.59
Purchased Power-ISO		9,858,643.56
System Control and Load Dispersion		8,594.83
Other Expenses Purchase Power		-

**Total Purchased Power** \$ 29,746,972.98

##### **Distribution Expenses...**

Operation Supervision and Engineering	\$	52,718.05
Station Expenses		126,388.22
Overhead Line Expenses		15,920.18
Underground Line Expenses		81.53
Street Lighting & Signal Expenses		19,494.97
Meter Expenses		130,486.67

## INCOME STATEMENT DETAIL

### EXPENSES

(Continued)

**Distribution Expenses (cont.) ...**

Customer Installation Expense	66,295.11
Miscellaneous Distribution Expenses	26,608.04
Rents	-
Maintenance of Supervision and Engineering	72,302.06
Maintenance of Station Equipment	3,889.10
Maintenance of Overhead Lines	632,314.96
Maintenance of Underground Line	27,875.79
Maintenance of Line Transformer	4,166.45
Maintenance of Street Lighting	9,310.30
Maintenance of Meters	-
Maintenance of Miscellaneous Distribution Plant	85.00

**Total Distribution Expenses** \$ 1,187,936.43

**Transmission Expense** \$ 6,005,742.61

**General...**

Supervision	\$ 21,048.96
Meter Reader Expenses	37,829.01
Customer Records and Collection Expenses	490,106.80
Advertising Expense	50.00
Miscellaneous Sales Expense (RCS)	-
Administrative and General Salaries	615,818.00
Office Supplies and Expenses	11,009.20
Administrative Expenses Transferred	-
Outside Services Employed	128,391.59
Property Insurance	77,877.00
Injuries and Damages	181,119.46
Employee Pension and Benefits	1,832,954.66
Regulatory Commission Expenses	-
General Advertising Expense	3,823.09
Miscellaneous General Expenses	506,973.09
Maintenance of General Plant	241,256.77
Transportation Expenses	90,683.33
Depreciation Expense	794,274.84

**Total General and Depreciation Expenses** \$ 5,033,215.80

**Real Estate and Other Taxes** \$ 20,075.01

**Total Operation Expenses** \$ 42,823,624.69

## 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 \$758,659.58 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 2014, 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:

PASNY- Niagara River	458,880.30	10,182,453
MMWEC- Wyman #4	283,909.49	728,586
MMWEC - Nuclear Mix #1	308,170.16	5,649,981
MMWEC - Millstone #3	396,577.02	4,774,694
MMWEC - Seabrook #4	1,223,193.74	18,635,390
MMWEC - Seabrook #5	142,934.72	2,075,563
MMWEC - Seabrook #6	12,050,135.69	141,115,224
Taunton - Cleary #9	874,787.83	6,107,555
FPL / NEXTERA	3,481,173.30	43,698,000
Sycarpha Stow	182,796.94	3,066,963
Solar - Local Customers	16,909.06	214,464
	19,419,468.25	236,248,873
ISO-NE	9,858,547.81	112,057,835
<b>Total</b>	<b>29,278,016.06</b>	<b>348,306,708</b>

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 [City] 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 \$1,616,889,000, of which \$174,780,000 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 \$167,110,000 of which \$23,424,000 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, 2014, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$152,675,000, of which \$21,838,000 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, 2014 and estimated for future years is shown below.

<u>COSTS</u>	<u>ANNUAL</u>	
For years ended December 31,	2015	\$ 8,046,000
	2016	7,903,000
	2017	4,078,000
	2018	949,000
	2019	<u>862,000</u>
	TOTAL	<u>\$21,838,000</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 \$15,378,000 and \$16,543,000 for the years ended December 31, 2014 and 2013, respectively.

## STATEMENT OF CHANGES IN FINANCIAL POSITION

**January 1, 2014 to December 31, 2014**

**Funds were provided from . . .**

**Operations . . .**

Net Income	\$ 631,404.08
Miscellaneous Credits to Surplus	-
Return of Investment	-

**Total Funds Provided**

\$ 631,404.08

**Funds were used for . . .**

Increase (Decrease) to Utility Plant	\$ 14,735.13
Miscellaneous Debits to Surplus	(1,854,016.71)
Return to Town of Hudson	225,000.00
Return to Town of Stow	37,570.58
Decrease (Increase) in Deferred Credits	-

**Total**

\$ (1,576,711.00)

**Increase (Decrease) in Working Capital**

\$ 2,208,115.08

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

Cash	\$ 4,509,059.87
Receivables	180,579.56
Materials and Supplies	(83,809.22)
Prepayments	(102,052.90)
Interest Receivable	-
Accrued Utility Revenues	-
Miscellaneous Deferred Debits	(2,091,181.40)
Miscellaneous Accrued Liabilities	(509,701.53)
Accounts Payable	324,087.55
Injury Reserve	-
Taxes Payable	(18,866.85)

**Total**

\$ 2,208,115.08



REVENUE FROM SALE OF ELECTRICITY

January 1, 2014 to December 31, 2014

	<b>HUDSON</b>		<b>STOW</b>		<b>OTHER</b>		<b>TOTAL</b>
Res. Service "A"	\$ 4,338,362.43	\$	1,544,088.02	\$	76,327.06	\$	5,958,777.51
Res. Wtr. Heater "E"	558,209.61		577,506.28		37,725.72		1,173,441.61
All Elec. Service "F"	771,972.68		254,468.68		8,345.43		1,034,786.79
Com. Htg. & Air Cond.	-		-		-		-
Com. Service "C"	1,698,074.52		499,954.49		13,643.14		2,211,672.15
Large Power "D"	9,260,033.46		672,145.15		2,216.68		9,934,395.29
Municipal All Elec.	-		-		-		-
Municipal Service "C"	87,645.77		12,860.82		-		100,506.59
Municipal Power "D"	439,986.27		296,997.82		7,134.37		744,118.46
Street Lighting	141,486.41		6,512.76		40.12		148,039.29
Yard Lighting	77,488.21		10,929.68		1,913.28		90,331.17
<b>Power Adjustment Charges...</b>							
Res. Service "A"	\$ 3,520,548.53		1,269,541.32		62,484.40		4,852,574.25
Res. Wtr. Heater "E"	525,949.33		555,799.13		36,024.49		1,117,772.95
All Elec. Service "F"	740,866.90		250,008.24		8,215.12		999,090.26
Com. Htg. & Air Cond.	-		-		-		-
Com. Service "C"	1,636,038.63		478,054.09		10,940.22		2,125,032.94
Large Power "D"	14,721,016.70		876,000.91		2,478.34		15,599,495.95
Municipal All Elec.	-		-		-		-
Municipal Service "C"	81,521.91		11,479.24		5,835.70		98,836.85
Municipal Power "D"	533,578.64		363,892.77				897,471.41
Street Lighting	-		-				-
Yard Lighting	40,323.62		5,846.75		947.34		47,117.71
<b>Total Rev. Each Zone</b>	\$ 39,173,103.62	\$	7,686,086.15	\$	274,271.41	\$	47,133,461.18

**Misc. Electric Sales** 196,991.64

**Total Revenue from Sale of Electricity** \$ 47,330,452.82

Res. Service "A"	\$ 10,811,351.76
Res. Service "E" Wtr Htr	2,291,214.56
All Elec. Service "F"	2,033,877.05
Com. Htr. & Air. Cond	-
Com. Service "C"	4,336,705.09
Large Power "D"	25,533,891.24
Municipal All Elec.	-
Municipal Service "C"	199,343.44
Municipal Power "D"	1,641,589.87
Street Lighting	148,039.29
Yard Lighting	137,448.88
<b>Total</b>	<u>\$ 47,133,461.18</u>

STATISTICS  
KILOWATT-HOURS GENERATED, PURCHASED, SOLD AND USED

January 1, 2014 to December 31, 2014

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

	HUDSON	STOW	OTHER AREAS
<b>Kilowatt-hours Sold..</b>			
Residence Service "A"	50,295,213	18,135,179	893,930
Service "E" (wtr htr)	7,548,961	7,953,558	515,168
All Electric Service "F"	10,954,595	3,669,168	122,240
Htg. and Air Cond. for Business	0	0	0
Commercial Service "C"	21,542,791	6,223,521	152,496
Large Power "D"	193,432,982	11,451,762	35,936
Departmental Usage	0	0	0
Municipal All Electric	7,051,094	1,317,820	3,576,800
Municipal Service "C"	1,093,792	152,517	78,880
Municipal Power "D"	1,219,936	56,718	350
Street Lighting	5,468	9,864	2,732
Yard Lighting	530,585	67,845	9,853
<b>Total Kilowatt-hours Each Zone</b>	<b>293,675,417</b>	<b>49,037,952</b>	<b>5,388,385</b>
Total Kilowatt-hours distributed			348,101,754
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			2,754,068
<b>Total</b>			<b>359,913,906</b>

Percent lost in Distribution Lines	0.7652%
Percent lost in Station and Transmission Lines	2.5167%

FIVE YEAR COMPARATIVE ELECTRIC SALES DATA

	2014	2013	2012	2011	2010
<b>Customers...</b>					
Residential	10,853	10,780	10,721	10,679	10,635
Commercial	1,364	1,327	1,326	1,328	1,322
Industrial	127	155	152	156	158
Municipal	152	128	130	127	128
Others	171	173	170	172	173
<b>Total</b>	12,667	12,563	12,499	12,462	12,416
 <b>Kilowatt-hour Sales...</b>					
Residential	100,088,012	100,870,082	98,619,240	100,002,698	99,961,153
Commercial	27,918,808	29,304,245	26,161,926	25,403,628	25,091,848
Industrial	204,920,680	198,738,759	207,796,942	244,231,282	258,847,785
Municipal	13,270,903	12,227,229	14,480,988	14,093,277	14,603,081
Other	1,903,351	587,497	627,818	637,063	636,981
<b>Total</b>	348,101,754	341,727,812	347,686,914	384,367,948	399,140,848
 <b>Revenues Billed...</b>					
Residential	15,136,443.37	13,437,383.33	13,125,302.67	13,563,574.17	13,507,697.55
Commercial	4,336,705.09	3,558,382.74	3,484,402.99	3,466,663.15	3,688,971.19
Industrial	25,533,891.24	20,389,329.73	21,088,517.26	25,113,191.45	26,988,260.42
Municipal	1,988,972.60	1,703,842.69	1,637,897.84	1,635,464.64	1,813,154.49
Other	137,448.88	125,019.45	123,083.44	126,350.32	119,594.42
<b>Total*</b>	\$ 47,133,461.18	\$ 39,213,957.94	\$ 39,459,204.20	\$ 43,905,243.73	\$ 46,117,678.07

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

## CONSUMERS STATISTICS

**December 31, 2014**

**Hudson**

Hudson Residential Consumers	8,018
Hudson Commercial Consumers	1,011
Hudson Power Consumers	134
Hudson Municipal Consumers	97

**Total Hudson Consumers** 9,260

**Stow and Maynard**

Stow Residential Consumers	2,726
Stow Commercial Consumers	319
Stow Power Consumers	18
Stow and Maynard Municipal Consumers	22

**Total Stow and Maynard Consumers** 3,085

**Boxboro, Bolton, Berlin, Marlboro, etc.**

Boxboro, Bolton, Berlin, Marlboro, Etc. Residential Consumers	151
Boxboro, Bolton, Berlin, Marlboro, Etc. Commercial Consumers	22
Boxboro, Bolton, Berlin, Marlboro, Etc. Municipal Consumers	8

**Total Boxboro, Bolton, Berlin, Marlboro, Etc. Consumers** 181

**Total Consumers on the System** 12,526

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.

<b>Balance of Retirement Fund as of January 1, 2014</b>	\$	14,908,650.19
Cash transferred to HLPD Retirement Trust Fund	\$	900,300.00
Gain on Sales	\$	202,254.70
Interest, dividends and Principal received	\$	418,169.71
<b>Total Additions to the Fund</b>	<b>\$</b>	<b>1,520,724.41</b>
Payments to the Town of Hudson	\$	758,659.58
Loss on Sales	\$	654.21
<b>Total Reductions to the Fund</b>	<b>\$</b>	<b>759,313.79</b>

<b>Balance of Retirement Fund as of December 31, 2014</b>	<b>\$</b>	<b>15,670,060.81</b>
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AVIDIA BANK MONEY MARKET #29284179	0.25%	\$	460,785.07
MORGAN STANLEY MONEY FUNDS	0.01%	\$	165,398.44
GNMA	10.00%	\$	242.48
GNMA	11.00%	\$	252.27
AVIDIA BANK 4630	1.40%	\$	423,723.32
AVIDIA BANK 1353	1.90%	\$	576,649.63
AVIDIA BANK 1379	1.40%	\$	1,546,028.24
BANK OF AMERICA	2.85%	\$	115,466.42
CONSTELLATION ENERGY GROUP	1.77%	\$	465,271.13
SOUTHWESTERN ELECTRIC	2.37%	\$	197,441.74
PSEG POWER LLC	1.40%	\$	243,742.93
FPL GROUP CAPITAL	2.47%	\$	122,408.69
UNION PACIFIC CORP	2.30%	\$	209,997.24
PSEG POWER LLC	2.08%	\$	199,191.64
CENTURYLINK INC	2.45%	\$	542,418.16
COMMONWEALTH EDISON	3.47%	\$	192,356.03
VIRGINIA ELECTRIC & POWER	1.89%	\$	204,723.66
FLORIDA POWER & LIGHT	1.22%	\$	252,074.30
SOUTHWESTERN ELECTRIC	1.70%	\$	357,609.84
BURLINGTON NORTH SANTA FE	1.40%	\$	283,958.80
NORFOLK SOUTHERN CORP.	1.84%	\$	224,559.06
VIRGINIA ELECTRIC & POWER	1.48%	\$	242,253.92
PPL ENERGYSUPPLY LLC	2.96%	\$	289,012.36
AT&T INC #1	1.40%	\$	113,783.76
FLORIDA POWER & LIGHT	1.61%	\$	488,129.38
FRONTIER COMMUNICATIONS	4.56%	\$	493,525.61
SOUTH CAROLINA ELECTRIC & GAS	2.06%	\$	610,083.36
SOUTHWESTERN PUBLIC SERVICE CO	2.59%	\$	607,292.90
AT&T INC #2	1.83%	\$	418,956.15
VERIZON COMMUNICATIONS	2.01%	\$	358,709.78
PUBLIC SERVICE OKLAHOMA	2.05%	\$	148,744.43
FED HOME LN BK STEP	2.05%	\$	700,000.00
FED HOME LN BK FLOATER	Variable	\$	625,000.00
UNITED COMMUNITY BANK BLAIRSVILLE	2.24%	\$	150,000.00
BANK OF AMERICA	5.32%	\$	741,864.80

EQUITY SECURITIES (Mkt Value \$3,809,851.95)	\$	2,898,405.27
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<b>Total</b>	<b>\$</b>	<b>15,670,060.81</b>
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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.

<b>Balance of the Other Post Employment Benefit Fund as of January 1, 2014</b>	\$	1,054,587.57
Interest, Dividends and Principal Received	\$	32,605.30
Transfers from Operations Cash	\$	-
Gain on Sales		
Total Additions to the Fund	\$	32,605.30
Transfers to Operations Cash	\$	-
Loss on Sales	\$	2,180.04
Total Reductions to the Fund	\$	2,180.04
<b>Balance of the Other Post Employment Benefit Fund as of December 31, 2014</b>	<b>\$</b>	<b>1,085,012.83</b>

Avidia Bank - Money Market	0.15%	742.26
Morgan Stanley - Money Market Fund	0.05%	5,653.89
E V ADV	Variable	299,146.49
Citigroup	4.23%	70,154.14
Virginia Electric	1.58%	64,430.34
Baxter Int'l	1.94%	79,850.57
Entergy ORP	3.33%	102,635.71
McDonalds	2.74%	68,540.20
American Express	5.20%	81,998.94
Suntrust Bank	5.63%	81,944.00
Equity Securities (Market Value \$308,352.49)		229,916.29

MORGAN STANLEY EQUITY ANALYSIS

<b>Total</b>	<b>\$</b>	<b>1,085,012.83</b>
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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.

<b>Balance of the Rate Stabilization Fund as of January 1, 2014</b>	\$	10,702,343.73
Interest, Dividends and Principal Received	\$	196,745.82
Gain on Sales	\$	3,314.24
Transfers from Operations Cash	\$	400,000.00
Total Additions to the Fund	\$	600,060.06
Loss on Sales	\$	28,737.98
Loss on Sales	\$	-
Total Reductions to the Fund	\$	28,737.98
<b>Balance of the Rate Stabilization Fund as of December 31, 2014</b>	<b>\$</b>	<b>11,273,665.81</b>

Avidia Bank Money Market		0.28%	1,713,105.75
Morgan Stanley Money Funds		0.01%	41,105.32
Avidia Bank 4421	CD	0.45%	602,868.45
Avidia Bank 0076	CD	1.60%	923,862.43
Avidia Bank 0152	CD	1.35%	2,064,497.27
Avidia Bank 0479	CD	0.45%	486,983.97
Avidia Bank 0946	CD	1.35%	764,453.48
Century Bank	CD	1.80%	643,365.04
Frontier Comm		1.67%	344,164.34
Burlington North Santa Fe		0.89%	221,941.26
Southwestern Electric Power		1.45%	400,301.74
Virginia Electric & Power		1.08%	429,271.20
Bank of America		5.32%	496,864.80
Verizon		1.96%	320,047.99
Centurylink		2.15%	374,978.19
Duke Energy		1.43%	115,568.04
AT&T		1.38%	350,187.64
Equity Analysis (Market Value \$1,272,768.20)			980,098.90
<b>Total</b>			<b>\$ 11,273,665.81</b>