

Hudson Light and Power Department 2015 Annual Report

A Message from the Board

A new 115,000 volt transmission line is being proposed between Sudbury and Hudson. The Independent System Operator of New England (ISO-NE), a non-profit agency tasked with coordinating the wholesale market and the reliability of the electric grid in New England, recently commissioned a study to resolve transmission problems in the Greater Boston area. One of the many solutions to these problems is to build a new transmission line from Sudbury to Hudson. The proposed transmission line will be owned and operated by Eversource Energy Corporation.

Some residents in Hudson and Sudbury oppose the transmission line due to the necessary removal of trees during construction. Abutters fear that their property value may decrease or that electric fields may adversely impact their health. Hudson Light and Power acknowledges the extreme importance of these concerns and recommends that our customers become involved in the siting process governed by the State of Massachusetts.

As a municipal utility, it is our responsibility to ensure that you, our customers and owners, understand the significant local benefits provided by this new transmission line.

With the installation of this new transmission line, customers in Hudson and Stow will be served by a much more reliable electric system. The probability of system-wide long term outages due to transmission events will be greatly diminished. This increase in reliability will not cost the Hudson Light and Power rate-payers; in fact, the new line is estimated to reduce our rates by 5-7% permanently.

The residents of Hudson and Stow have a unique opportunity to increase the reliability of our local electric system while simultaneously lowering our rates. We ask that our customers consider these benefits and focus on construction solutions that address all of our community concerns.

On a personal note, Roland L. Plante retired from the Hudson Municipal Light Board in 2015 after 39 years of service to our customers. As a Light Board Commissioner and member of the Hudson Finance Committee, Charter Commission and Board of Selectmen, Mr. Plante's tenure represents the epitome of public service. We thank him for his dedication and his service.

Hudson Municipal Light Board

Joseph F. Marinelli, Chairman

Daniel Murphy, Clerk

John Monteiro, Member

General Manager's Report

Hudson Light and Power Department (HLPD) continued its successful performance in 2015. The Department's budget planned for an operational loss for the fiscal year due to expected reduced kilowatt-hour sales revenue associated with the largest industrial customer ramping down its manufacturing operations. The planned loss of revenue did not materialize in the expected timeframe, resulting in a net profit for the year. As the HLPD load was reduced, the Department purchased less energy in the wholesale market and was charged less in the capacity and transmission markets. These savings were passed on to our customers through two Power Adjustment Charge (PAC) reductions. The PAC started the year at \$0.08/kwh and was reduced to \$0.053/kwh in March and reduced again to \$0.047/kWh in October.

The Department implemented an aggressive proactive maintenance program in 2015. A new infrared scanning program was developed to identify problems before they result in outages. Investments were made in distribution reclosers to mitigate animal impacts, turning potential long-term outages into momentary outages. A Geographical Information System was created to develop system maps, manage assets, assist with outage management and plan capital expenditures. Using the GIS data, the Department developed an age profile of all distribution transformers and began a replacement program for the oldest population. Computer tablets were purchased and issued to line crew to provide data and communications resulting in better response time to emergencies. The Department continued its aggressive tree cutting and trimming with a full time crew from Asplundh.

The winter of 2015 was affectionately labeled "Snowmageddon". Eighty inches of snow, accompanied by high winds and ice, fell during January and February. HLPD customers experienced no major outages during this timeframe. However, in August, severe thunderstorms brought high winds, lightning, rain, and hail that resulted in major power outages across the State. Locally downed trees interrupted service in the Chapin Road and Lake Boon areas. The Department called upon its sister municipal light plants for mutual aid and was successful in restoring power the same day. Our thanks go out to Shrewsbury, Boylston and Hingham for their support.

In 2015 the Department welcomed two new Board members, Daniel Murphy and John Monteiro. Andrew Grant was hired as the new Assistant General Manager, Richard Rogers joined as a new Customer Service Representative, Evan Mammone was hired as an Apprentice Lineman, and Michael Bierne joined as a Plant Oiler.

As new team members were welcomed, the Department said farewell and thank you to Roland Plante, who retired from the HLPD Board after 39 years of invaluable service. His dedication, experience, guidance and professionalism have ensured that Hudson Light and Power Department remains financially secure and able to provide top-level service to all its customers for the foreseeable future. The Department also bid farewell to Kevin Kittredge and Eddie Rego in their retirement after 32+ years of service.

With a dedicated team of Light Department employees and an eye to the future, the Department will proceed on its path of continuous improvement in order to provide the best electric service at the lowest possible rates in an environmentally responsible way. We look forward to serving you again in 2016.

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 - 2016

From Sales to Municipal Customers	\$	1,274,444
From Sales to Domestic Customers		11,987,543
From Sales to Commercial Customers		3,343,871
From Sales to Power Customers		10,704,550
From Street Lights: Stow and Other Communities		6,902
Hudson		147,549
Total Income	\$	27,464,859

Estimated Expenditures - 2016

Production, Generation, Purchased Power*	\$	21,264,954
Distribution and Transmission		1,716,037
General		2,616,268
Depreciation		1,440,000
Total Expenditures	\$	27,037,259

The estimated cost of electricity to be used by the Town of Hudson for all purposes for the year ending June 30, 2016 is:	\$	935,000
---	----	---------

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

The following pages contain the financial statistics of the Hudson Light and Power Department.

Respectfully submitted,

Brian R. Choquette

General Manager

Definitions

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. Hudson Light and Power Department utilizes Accrual Basis of Accounting.

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		2015	2014	Increase (Decrease)
Electric Utility Plant (Net)...				
Intangible Plant	\$	3,909.66	\$ 3,909.66	-
Production Plant in Service		1,108,931.00	1,228,122.52	(119,191.52)
Nuclear Fuel		62,284.25	151,133.00	(88,848.75)
Transmission Plant in Service		1,321,332.05	1,393,258.39	(71,926.34)
Distribution Plant in Service		6,289,955.13	5,873,970.16	415,984.97
General Plant in Service		1,173,663.86	1,179,753.24	(6,089.38)
Construction Work In Progress		73,497.67	62,018.73	11,478.94
Total Utility Plant In Service	\$	10,033,573.62	\$ 9,892,165.70	\$ 141,407.92
Other Property & Investments...				
Investments in Assoc. Companies	\$	16,355.92	\$ 16,355.92	-
Other Investments		-	-	-
Total Other Property & Investments...	\$	16,355.92	\$ 16,355.92	\$ -
Cash Assets...				
Operation Cash	\$	9,639,446.12	\$ 8,773,478.61	865,967.51
Miscellaneous Cash		1,776,501.69	1,391,949.20	384,552.49
Depreciation Fund Investment		4,708,737.37	3,869,762.41	838,974.96
Insurance Escrow Reserve		70,673.82	70,384.98	288.84
Petty Cash		500.00	500.00	-
Deposit Interest Account		-	-	-
Customer Deposits Account		1,250,503.37	1,179,934.51	70,568.86
Total Cash Balances	\$	17,446,362.37	\$ 15,286,009.71	\$ 2,160,352.66
Other Current and Accrued Assets...				
Customer Account Receivables	\$	2,414,881.33	\$ 4,241,419.83	(1,826,538.50)
Other Accounts Receivables		78,153.21	39,068.28	39,084.93
Material and Supplies		1,201,219.62	1,123,580.57	77,639.05
Prepayments		1,131,224.91	1,023,212.78	108,012.13
Int. & Dividends Receivable		-	-	-
Accrued Utility Revenues		-	-	-
Misc. Current & Accrued Assets		-	-	-
Total Other Current & Accrued Assets	\$	4,825,479.07	\$ 6,427,281.46	\$ (1,601,802.39)
Deferred Assets...				
Preliminary Survey Charges	\$	-	\$ -	-
Misc. Deferred Debits		-	(0.34)	0.34
Total Deferred Assets	\$	-	\$ (0.34)	\$ 0.34
Total Assets	\$	32,321,770.98	\$ 31,621,812.45	\$ 699,958.53

Equity and Liabilities

	2015	2014	Increase (Decrease)
Equity...			
Loans Repayment	\$ 1,925,000.00	\$ 1,925,000.00	\$ -
Invested by Town	20,093.39	20,093.39	\$ -
Retained Earnings	20,635,836.34	20,001,090.27	\$ 634,746.07
Total	\$ 22,580,929.73	\$ 21,946,183.66	\$ 634,746.07
Current & Accrued Liabilities...			
Accounts Payable	\$ 1,267,250.49	\$ 1,244,111.65	\$ 23,138.84
Customer Deposits	1,045,038.45	888,602.60	\$ 156,435.85
Customer Deposits-Interest	166,789.83	169,175.39	\$ (2,385.56)
Tax Collections Payable	(570.49)	49,099.09	\$ (49,669.58)
Accrued REECIP Liability	468,525.85	450,546.87	\$ 17,978.98
Accrued RCS Liability	150,603.42	125,116.93	\$ 25,486.49
Misc. Current & Accrued Liabilities	235,874.06	753,295.11	\$ (517,421.05)
Customer Advances for Construction	126,503.80	121,738.02	\$ 4,765.78
Total Current & Accrued Liabilities	\$ 3,460,015.41	\$ 3,801,685.66	\$ (341,670.25)
Deferred Credits...			
Misc. Deferred Credits	\$ -	\$ -	\$ -
Deferred Credit-Power Adj Charge	5,266,124.52	5,177,115.66	\$ 89,008.86
Total Deferred Credits	\$ 5,266,124.52	\$ 5,177,115.66	\$ 89,008.86
Contributions in aid of Construction...			
Total Contributions in aid of Construction...	\$ 1,014,701.32	\$ 696,827.47	\$ 317,873.85
	\$ 1,014,701.32	\$ 696,827.47	\$ 317,873.85
Total Equity & Liabilities	\$ 32,321,770.98	\$ 31,621,812.45	\$ 699,958.53

Statement of Equity

Retained Earnings on January 1, 2015	\$ 20,001,090.27
Net Income or (Loss)	868,306.71
Miscellaneous Credits to Retained Earnings	-
Total	\$ 20,869,396.98
Appropriation of Retained Earnings Returned to Towns	\$ 269,180.12
Miscellaneous Debits to Retained Earnings	-
Total	\$ 269,180.12
Total Retained Earnings on December 31, 2015	\$ 20,600,216.86

Comparative Income Statement

Operating Statement

	2015	2014	Increase (Decrease)
Operating Revenue	\$ 36,188,055.26	\$ 39,907,200.28	\$ (3,719,145.02)
Operating Expense...			
Production	\$ 846,996.62	\$ 817,485.60	\$ 29,511.02
Purchased Power Expense	23,113,978.68	27,924,435.52	(4,810,456.84)
Transmission Expenses	5,668,784.98	5,277,814.18	390,970.80
Distribution Expenses	1,090,922.73	1,128,571.93	(37,649.20)
General Expenses	3,822,386.52	3,468,370.96	354,015.56
Depreciation	814,153.04	753,981.99	60,171.05
Taxes	22,584.54	21,424.32	1,160.22
Total Operating Expenses	\$ 35,379,807.11	\$ 39,392,084.50	\$ (4,012,277.39)
Net Operating Revenues	\$ 808,248.15	\$ 515,115.78	\$ 293,132.37
Other Income...			
Income From Contract Work	\$ -	\$ -	\$ -
Interest & Dividend Income	60,177.56	65,160.61	(4,983.05)
Misc. Nonoperating Income	28.00	122.00	(94.00)
Total Other Income	\$ 60,205.56	\$ 65,282.61	\$ (5,077.05)
Miscellaneous Income Deductions...			
Other Income Deductions	147.00	\$ 83.00	\$ 64.00
Total Income Deductions	\$ 147.00	\$ 83.00	\$ 64.00
Inc. Before Interest Charges	\$ 868,306.71	\$ 580,315.39	\$ 287,991.32
Interest Charges...			
Other Interest Expense	\$ -	\$ -	\$ -
Total Interest Charges	\$ -	\$ -	\$ -
Net Income Before			
Return to Towns	\$ 868,306.71	\$ 580,315.39	\$ 287,991.32
Less Return to Towns	269,180.12	262,625.70	6,554.42
Net Income (Loss)	\$ 599,126.59	\$ 317,689.69	\$ 281,436.90

Income Statement Detail

Operating Revenue

January 1, 2015 to December 31, 2015

Sales to Residential Consumers	\$ 8,249,586.61
Sales to Commercial Consumers	2,189,820.93
Sales to Power Consumers	7,986,006.00
Private Property Lighting Sales	86,378.06
Municipal Sales...	
Hudson Street Lights	147,549.53
Hudson Municipal Buildings	85,119.56
Hudson Municipal Power	410,832.80
All Electric Municipal Buildings	-
Stow & Berlin Street Lights	6,901.76
Stow, Maynard & Other Municipal Service	305,967.94
Sales for Resale	-
Total Revenue from Sales of Electricity	<u>\$ 19,468,163.19</u>
Power Adjustment Charges...	
Residential Sales	\$ 5,502,490.68
Commercial Sales	1,511,333.15
Power Sales	8,830,923.79
Private Property Lighting	34,888.77
Municipal Power Adjustment Charges...	
Street Lighting Stow et al	-
Municipal Power Hudson	371,956.02
Municipal Commercial Hudson	60,305.28
Municipal Power Stow et al	256,228.26
Municipal Commercial Stow et al	12,150.96
Municipal All Electric	-
Miscellaneous Electric Sales	(97,844.98)
Total Power Adjustment Charges	<u>\$ 16,482,431.93</u>
Total Revenue From Sale of Electricity	<u>\$ 35,950,595.12</u>
Other Income...	
Other Electric Revenues (RCS, etc.)	<u>\$ 237,460.14</u>
Total Income	<u><u>\$ 36,188,055.26</u></u>

Income Statement Detail

Expenses

January 1, 2015 to December 31, 2015

Production

Nuclear Power Generation

Operation Supervision	\$	28,319.00
Fuel		48,867.75
Coolants and Water		3,916.00
Steam Expenses		4,435.00
Electric Expenses		-
Miscellaneous Nuclear Power Expenses		52,606.00
Maintenance Supervision		7,429.00
Maintenance of Structures		8,602.00
Maintenance of Reactor Plant Equipment		24,083.00
Maintenance of Electric Plant		7,791.00
Maintenance of Miscellaneous Nuclear Power		16,214.00
Total Nuclear Power Production Expenses	\$	202,262.75

Other Power Generation...

Operation Supervision	\$	30,801.32
Fuel Oil		32,622.79
Fuel Natural Gas		24,509.37
Generation Expense		147,185.26
Generation Expense-Lube		1,217.23
Miscellaneous Other Power Generation Expenses		133,139.74
Maintenance Supervision		40,540.98
Maintenance of Structures		147,014.28
Maintenance of Generation and Electric Plant		87,591.07
Maintenance of Miscellaneous Generation Plant		111.83
Total Other Production Expenses	\$	644,733.87

Purchased Power Expenses...

Purchased Power-Entitlement	\$	15,865,963.24
Purchased Power-ISO		7,238,877.20
System Control and Load Dispersion		9,138.24
Other Expenses Purchase Power		-
Total Purchased Power	\$	23,113,978.68

Distribution Expenses...

Operation Supervision and Engineering	\$	48,333.29
Station Expenses		133,819.51
Overhead Line Expenses		28,592.01
Underground Line Expenses		2,031.07
Street Lighting & Signal Expenses		30,957.32
Meter Expenses		138,361.43

Income Statement Detail

Expenses (continued)

Distribution Expenses (cont.) ...

Customer Installation Expense	48,163.45
Miscellaneous Distribution Expenses	49,789.79
Rents	-
Maintenance of Supervision and Engineering	55,674.36
Maintenance of Station Equipment	13,403.54
Maintenance of Overhead Lines	458,366.14
Maintenance of Underground Line	46,020.98
Maintenance of Line Transformer	5,456.80
Maintenance of Street Lighting	24,957.38
Maintenance of Meters	6,372.81
Maintenance of Miscellaneous Distribution Plant	622.85

Total Distribution Expenses \$ 1,090,922.73

Transmission Expense \$ 5,668,784.98

General...

Supervision	\$ 25,811.36
Meter Reader Expenses	38,279.61
Customer Records and Collection Expenses	489,663.82
Advertising Expense	25.00
Miscellaneous Sales Expense (RCS)	-
Administrative and General Salaries	595,864.80
Office Supplies and Expenses	12,353.83
Administrative Expenses Transferred	-
Outside Services Employed	166,666.38
Property Insurance	77,877.00
Injuries and Damages	176,711.33
Employee Pension and Benefits	1,854,633.35
Regulatory Commission Expenses	-
General Advertising Expense	7,671.58
Miscellaneous General Expenses	38,341.99
Maintenance of General Plant	257,138.32
Transportation Expenses	81,348.15
Depreciation Expense	814,153.04

Total General and Depreciation Expenses \$ 4,636,539.56

Real Estate and Other Taxes \$ 22,584.54

Total Operation Expenses \$ 35,379,807.11

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 \$889,940.52 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 2015, \$500,000 was transferred into the fund from prior year profits.

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	352,485.38	11,109,810
MMWEC- Wyman #4	231,971.33	1,300,346
MMWEC - Nuclear Mix #1	231,819.29	6,327,973
MMWEC - Millstone #3	409,427.71	5,446,501
MMWEC - Seabrook #4	1,125,800.24	17,381,852
MMWEC - Seabrook #5	132,439.70	1,935,947
MMWEC - Seabrook #6	11,345,350.31	131,622,906
Taunton - Cleary #9	737,776.28	7,785,812
FPL / NEXTERA	944,640.00	6,560,000
Sycarpha Stow	180,124.02	3,001,497
SHELL	433,347.20	9,152,000
Solar - Local Customers	23,939.60	452,963
	<hr/>	<hr/>
	16,149,121.06	202,077,607
ISO-NE	<hr/>	<hr/>
	7,244,727.24	92,844,634
Total	<hr/> <hr/>	<hr/> <hr/>
	23,393,848.30	294,922,241

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.

The 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.

The Hudson Light and Power Department has entered into PSAs and PPAs with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Under the PSAs, each Participant is unconditionally obligated to make 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 management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

As of December 31, 2015, total capital expenditures amounted to \$1,626,959,000, of which \$176,048,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$112,510,000, of which \$16,300,000 is associated with the Department's share of Project Capability. As of December 31, 2015, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$121,353,000, of which \$17,703,000 is anticipated to be billed to the Department in the future.

The 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, 2015 and estimated for future years is shown below.

<u>COSTS</u>	<u>ANNUAL</u>	
For years ended December 31,		
	2016	\$ 7,823,000
	2017	7,981,000
	2018	174,000
	2019	1,724,000
	TOTAL	<u>\$ 17,702,000</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 \$14,446,000 and \$15,378,000 for the years ended December 31, 2015 and 2014, respectively.

Statement of Changes in Financial Position

January 1, 2015 to December 31, 2015

Funds were provided from . . .

Operations . . .

Net Income	\$ 868,306.71
Miscellaneous Credits to Surplus	-
Return of Investment	-
	<hr/>

Total Funds Provided

\$ 868,306.71

Funds were used for . . .

Increase (Decrease) to Utility Plant	\$ 141,407.92
Miscellaneous Debits to Surplus	(35,619.14)
Return to Town of Hudson	225,000.00
Return to Town of Stow	44,180.12
Decrease (Increase) in Deferred Credits	-
	<hr/>

Total

\$ 374,968.90

Increase (Decrease) in Working Capital

\$ 493,337.81

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

Cash	\$ 2,160,352.66
Receivables	(1,787,453.57)
Materials and Supplies	77,639.05
Prepayments	108,012.13
Interest Receivable	-
Accrued Utility Revenues	-
Miscellaneous Deferred Debits	(411,648.49)
Miscellaneous Accrued Liabilities	319,905.29
Accounts Payable	(23,138.84)
Injury Reserve	-
Taxes Payable	49,669.58
	<hr/>

Total

\$ 493,337.81

Revenue from Sale of Electricity

January 1, 2015 to December 31, 2015

	HUDSON		STOW		OTHER		TOTAL
Res. Service "A"	\$ 4,418,963.91	\$	1,554,332.34	\$	81,968.50	\$	6,055,264.75
Res. Wtr. Heater "E"	554,537.45		584,526.13		37,822.39		1,176,885.97
All Elec. Service "F"	751,419.49		256,884.57		8,111.65		1,016,415.71
Com. Htg. & Air Cond.	-		-		-		-
Com. Service "C"	1,814,237.74		365,816.79		7,425.92		2,187,480.45
Large Power "D"	7,307,261.01		678,744.99		-		7,986,006.00
Municipal All Elec.	-		-		-		-
Municipal Service "C"	85,119.56		13,441.01		-		98,560.57
Municipal Power "D"	411,858.99		287,830.35		4,696.58		704,385.92
Street Lighting	147,549.53		6,859.50		42.26		154,451.29
Yard Lighting	76,096.83		10,702.43		1,913.28		88,712.54
Power Adjustment Charges...							
Res. Service "A"	\$ 2,773,820.72		988,645.53		52,258.32		3,814,724.57
Res. Wtr. Heater "E"	407,080.58		436,989.32		28,126.20		872,196.10
All Elec. Service "F"	600,466.50		208,433.63		6,739.14		815,639.27
Com. Htg. & Air Cond.	-		-		-		-
Com. Service "C"	1,284,061.40		661,987.45		4,004.98		1,950,053.83
Large Power "D"	8,168,936.34		223,197.51		-		8,392,133.85
Municipal All Elec.	-		-		-		-
Municipal Service "C"	60,305.28		9,055.86		3,095.10		72,456.24
Municipal Power "D"	371,956.02		256,228.26		-		628,184.28
Street Lighting	-		-		-		-
Yard Lighting	29,852.12		4,326.49		710.16		34,888.77
Total Rev. Each Zone	\$ 29,263,523.47	\$	6,548,002.16	\$	236,914.48	\$	36,048,440.11

Misc. Electric Sales

(97,844.98)

Total Revenue from Sale of Electricity

\$ 35,950,595.13

Res. Service "A"	\$ 9,869,989.32
Res. Service "E" Wtr Htr	2,049,082.07
All Elec. Service "F"	1,832,054.98
Com. Htr. & Air. Cond	-
Com. Service "C"	4,137,534.28
Large Power "D"	16,378,139.85
Municipal All Elec.	-
Municipal Service "C"	171,016.81
Municipal Power "D"	1,332,570.20
Street Lighting	154,451.29
Yard Lighting	123,601.31
Total	<u><u>\$ 36,048,440.11</u></u>

Statistics
Kilowatt-hours Generated, Purchased, Sold and Used

January 1, 2015 to December 31, 2015

Kilowatt-hours Generated	7,795,583
Kilowatt-hours Purchased	<u>294,922,240</u>
Total Generated & Purchased	302,717,823

	HUDSON	STOW	OTHER AREAS
Kilowatt-hours Sold...			
Residence Service "A"	51,309,761	18,241,615	966,364
Service "E" (wtr htr)	7,495,558	8,043,879	517,329
All Electric Service "F"	10,626,127	3,707,060	118,159
Htg. and Air Cond. for Business	0	0	0
Commercial Service "C"	22,979,776	4,428,898	70,246
Large Power "D"	142,055,969	11,900,150	0
Departmental Usage	211,944	0	0
Municipal All Electric	6,577,143	1,270,980	3,320,400
Municipal Service "C"	1,057,857	158,107	50,383
Municipal Power "D"	1,220,050	56,718	350
Street Lighting	4,845	9,590	2,685
Yard Lighting	<u>522,887</u>	<u>67,804</u>	<u>9,900</u>
Total Kilowatt-hours Each Zone	244,061,917	47,884,801	5,055,816
Total Kilowatt-hours distributed			297,002,534
Kilowatt-hours sold for resale			0
Kilowatt-hours used at Station and misc.			1,250,897
Kilowatt-hours lost in Transmission			80,278
Kilowatt-hours lost in Station & Distribution Lines			<u>4,384,114</u>
Total			302,717,823
Percent lost in Transmission Lines		0.4397%	
Percent lost in Station & Distribution Lines		1.4483%	

Five-Year Comparative Electric Sales Data

	2015	2014	2013	2012	2011
Customers...					
Residential	10930	10853	10780	10721	10679
Commercial	1366	1364	1327	1326	1328
Industrial	134	127	155	152	156
Municipal	126	152	128	130	127
Others	167	171	173	170	172
Total*	<u>12723</u>	<u>12667</u>	<u>12563</u>	<u>12499</u>	<u>12462</u>
Kilowatt-hour Sales...					
Residential	101,025,852	100,088,012	100,870,082	98,619,240	100,002,698
Commercial	27,478,920	27,918,808	29,304,245	26,161,926	25,403,628
Industrial	153,956,119	204,920,680	198,738,759	207,796,942	244,231,282
Municipal	13,711,988	13,270,903	12,227,229	14,480,988	14,093,277
Other	617,711	1,903,351	587,497	627,818	637,063
Total	<u>296,790,590</u>	<u>348,101,754</u>	<u>341,727,812</u>	<u>347,686,914</u>	<u>384,367,948</u>
Revenues Billed...					
Residential	13,751,126.37	15,136,443.37	13,437,383.33	13,125,302.67	13,563,574.17
Commercial	4,137,534.28	4,336,705.09	3,558,382.74	3,484,402.99	3,466,663.15
Industrial	16,378,139.85	25,533,891.24	20,389,329.73	21,088,517.26	25,113,191.45
Municipal	1,658,038.30	1,988,972.60	1,703,842.69	1,637,897.84	1,635,464.64
Other	123,601.31	137,448.88	125,019.45	123,083.44	126,350.32
Total*	<u>\$ 36,048,440.11</u>	<u>\$ 47,133,461.18</u>	<u>\$ 39,213,957.94</u>	<u>\$ 39,459,204.20</u>	<u>\$ 43,905,243.73</u>

**Number of customers was based on annual average.*

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

Consumers Statistics

December 31, 2015

Hudson

Hudson Residential Consumers	8,058
Hudson Commercial Consumers	1,049
Hudson Power Consumers	115
Hudson Municipal Consumers	97

Total Hudson Consumers 9,319

Stow and Maynard

Stow Residential Consumers	2,736
Stow Commercial Consumers	324
Stow Power Consumers	15
Stow and Maynard Municipal Consumers	22

Total Stow and Maynard Consumers 3,097

Boxboro, Bolton, Berlin, Marlboro, etc.

Boxboro, Bolton, Berlin, Marlboro, Etc. Residential Consumers	168
Boxboro, Bolton, Berlin, Marlboro, Etc. Commercial Consumers	16
Boxboro, Bolton, Berlin, Marlboro, Etc. Municipal Consumers	7

Total Boxboro, Bolton, Berlin, Marlboro, Etc. Consumers 191

Total Consumers on the System 12,607

**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.

Note: Figures below do not reflect Unrealized Gains or Losses.

Balance of Retirement Fund as of January 1, 2015	\$ 15,670,060.81
Cash transferred to HLPD Retirement Trust Fund	916,323.63
Gain on Sales	8,298.10
Interest, dividends and Principal received	373,013.24
Total Additions to the Fund	\$ 1,297,634.97
Payments to the Town of Hudson	\$ 889,940.52
Loss on Sales	48,586.99
Total Reductions to the Fund	\$ 938,527.51
Balance of Retirement Fund as of December 31, 2015	\$ 16,029,168.27

FIXED INVESTMENTS	COST BASIS	EQUITY INVESTMENTS	COST BASIS
AVIDIA BANK MONEY MARKET	\$ 958,038.34	(ABT) ABBOTT LABS	138,937.72
MORGAN STANLEY MONEY FUNDS	7,905.58	(MO) ALTRIA GROUP INC	155,820.04
GNMA	242.48	(AIG) AMERICAN INT'L GROUP INC	48,134.97
GNMA	252.27	(AIG') AMERICAN INT'L GROUP INC	358.38
AVIDIA BANK	587,710.43	(BAC) BANK OF AMERICA CORP	123,377.81
BANK OF AMERICA	496,864.80	(ED) CONS EDISON	141,919.89
UNION PACIFIC CORP	200,774.42	(EMR) EMERSON ELECTRIC CO.	204,229.56
PSEG POWER LLC	72,334.62	(GE) GENERAL ELECTRIC CO.	136,046.33
CENTURYLINK INC	529,446.98	(GIS) GENERAL MILLS INC.	180,742.40
COMMONWEALTH EDISON	187,920.71	(HPQ) HEWLETT PACKARD CO.	143,260.23
VIRGINIA ELECTRIC & POWER	197,548.63	(KMB) KIMBERLY CLARK	128,686.56
FLORIDA POWER & LIGHT	242,623.53	(MCD) MCDONALDS CORP	148,184.25
SOUTHWESTERN ELECTRIC	345,018.39	(MRK) MERCK & CO	146,911.87
BURLINGTON NORTH SANTA FE	273,526.32	(PEP) PEPSICO INC.	194,129.42
NORFOLK SOUTHERN CORP.	217,156.15	(PFE) PFIZER INC.	164,351.07
VIRGINIA ELECTRIC & POWER	234,218.08	(PG) PROCTER & GAMBLE CO.	138,371.60
PPL ENERGYSUPPLY LLC	280,602.76	(SO) SOUTHERN CO	189,687.34
AT&T INC #1	109,763.36	(UN) UNILEVER	193,343.44
FLORIDA POWER & LIGHT	471,636.86		
COMMONWEALTH EDISON SENIOR NOTES	450,938.90		
FRONTIER COMMUNICATIONS	480,119.11		
SOUTH CAROLINA ELECTRIC & GAS	587,170.79		
SOUTHWESTERN PUBLIC SERVICE CO	576,970.13		
AT&T INC #2	406,277.03		
VERIZON COMMUNICATIONS	346,477.11		
DUKE CAPITAL	185,198.81		
PUBLIC SERVICE OKLAHOMA	145,082.59		
DUKE ENERGY INDIANA	294,953.44		
BURLINGTON NORTH SANTA FE	214,613.93		
KENTUCKY UTILITIES COMPANY	685,023.49		
PROGRESS ENERGY INC	291,118.18		
WESTERN MASS ELECTRIC CO.	640,252.56		
THE SOUTHERN CO 6.25%-A (SOJA)	500,000.00		
FED NATL MTG ASSN FLOATER	595,197.26		
FED HOME LN BK STEP 10/19/17	700,000.00		
FED HOME LN BK FLOATER 9/26/2029	500,000.00		
JPMORGAN CHASE BANK NA FID	165,000.00		
Total	\$ 13,177,978.04		\$ 2,851,190.23

***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.

Note: Figures below do not reflect Unrealized Gains or Losses.

Balance of the Other Post Employment Benefit Fund as of January 1, 2015	\$ 1,086,030.59
Interest, Dividends and Principal Received	\$ 29,348.58
Gain on Sales	\$ 302.38
Total Additions to the Fund	\$ 29,650.96
Loss on Sales	\$ 16,979.65
Total Reductions to the Fund	\$ 16,979.65
Balance of the Other Post Employment Benefit Fund as of December 31, 2015	\$1,098,701.90

FIXED INVESTMENTS	COST BASIS	EQUITY INVESTMENTS	COST BASIS
AVIDIA BANK MMKT	\$ 753.22	(ABT) Abbott Labs	12,569.11
MORGAN STANLEY MMKT	11,213.13	(MO) ALTRIA GROUP, INC.	7,144.35
NUVEEN	190,000.00	(BAC) BANK OF AMERICA CORP	12,440.84
VIRGINIA ELECTRIC	62,091.37	(BMY) BRISTOL MYERS SQUIBB	12,475.70
BAXTER INT'L	76,958.00	(KO) COCA COLA	12,670.89
ENTERGY CORP	101,365.11	(HLDG CO)(ED) CONS ED	14,969.17
MCDONALDS	66,960.74	(EMR) EMERSON ELECTRIC CO.	14,304.49
QWEST CORP	159,744.19	(GE) GENERAL ELECTRIC CO.	12,084.02
FRAFT FOODS GROUP	122,066.10	(HPQ) HEWLETT PACKARD CO.	15,474.09
GENERAL ELECTRIC CAPITAL CORP	83,703.84	(JNJ) JOHNSON & JOHNSON	5,509.74
		(KMB) KIMBERLY CLARK CORP	11,840.20
		(MCD) MCDONALDS CORP	14,712.46
		(MRK) MERCK & CO INC	12,962.08
		(PEP) PEPSICO INC.	15,498.42
		(PFE) PFIZER INC	10,436.86
		(PG) PROCTER & GAMBLE CO.	10,847.07
		(SO) SOUTHERN CO.	14,935.04
		(UN) UNILEVER	12,971.67
Total	\$ 874,855.70		\$ 223,846.20

***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.

Note: Figures below do not reflect Unrealized Gains or Losses. Note: Figures below do not reflect Unrealized Gains or Losses.

Balance of the Rate Stabilization Fund as of January 1, 2015	\$	11,273,665.81
Interest, Dividends and Principal Received	\$	210,606.50
Gain on Sales	\$	1,598.34
Transfers from Operations Cash	\$	500,000.00
Total Additions to the Fund	\$	712,204.84
Loss on Sales	\$	36,881.32
Total Reductions to the Fund	\$	36,881.32
Balance of the Rate Stabilization Fund as of December 31, 2015	\$	11,948,989.33

FIXED INVESTMENTS	COST BASIS	EQUITY INVESTMENTS	COST BASIS
AVIDIA BANK MMKT	\$ 1,004,570.51	(ABT) ABBOTT LABS	\$ 47,536.15
MORGAN STANLEY MMKT	220,882.23	(MO) ALTRIA GROUP, INC.	\$ 51,967.31
AVIDIA BANK CD	938,762.78	(AIG) AMERICAN INT'L GROUP INC.	\$ 17,838.68
AVIDIA BANK CD	2,092,556.44	(AIG') AMERICAN INT'L GROUP INC	\$ 130.32
AVIDIA BANK CD	774,843.38	(BAC) BANK OF AMERICA CORP	\$ 32,932.82
AVIDIA BANK CD	655,041.62	(BMY) BRISTOL MYERS SQUIBB	\$ 52,000.70
AVIDIA BANK CD	606,255.18	(KO) COCA COLA	\$ 40,662.49
AVIDIA BANK CD	606,255.18	(HLDG) (ED) CONS ED	\$ 52,261.63
BANK OF AMERICA	496,864.80	(EMR) EMERSON ELECTRIC CO	\$ 71,054.09
SOUTHWEST ELECTRIC	385,550.18	(GE) GENERAL ELECTRIC CO.	\$ 46,706.30
FRONTIER COMM CORP	325,071.14	(GIS) GENERAL MILLS INC.	\$ 67,182.47
BURLINGTON NO SANTA FE	212,592.41	(HPQ) HEWLETT PACKARD CO.	\$ 59,040.92
QWEST CORP	404,679.24	(KMB) KIMBERLY CLARK	\$ 45,476.97
CENTURYLINK	364,962.48	(MCD) MCDONALDS CORP	\$ 45,492.44
DUKE ENERGY	115,353.89	(MRK) MERCK & CO INC	\$ 37,388.88
VIRGINIA ELECTRIC&POWER	411,223.50	(PEP) PEPSICO INC.	\$ 65,596.17
AT&T	350,124.14	(PFE) PFIZER INC.	\$ 63,141.14
NORFOLK SOUTHERN CORP	164,387.17	(PG) PROCTER & GAMBLE CO.	\$ 49,958.88
UNION PACIFIC CORP	222,056.91	(SO) SOUTHERN CO.	\$ 67,602.85
VERIZON	314,759.13	(UN) UNILEVER	\$ 50,126.76
DUKE ENERGY CAROLINAS	318,099.05		
Total	\$ 10,984,891.36		\$ 964,097.97