

HUDSON LIGHT AND POWER DEPARTMENT 2016 ANNUAL REPORT

MESSAGE FROM THE BOARD

Since 1897 when the Town of Hudson took over the privately-owned Hudson Electric Company, local residents have enjoyed the benefits of economical, reliable and customer-focused public power. We measure our success by our rates that are among the lowest in the Commonwealth, our fast response times that draw accolades from customers and our community spirit that we celebrated with hundreds at our Open House in October.

Despite reduced electric sales and operating losses in 2016 due to a major consumer ramping down its manufacturing business, Hudson Light was able to lower costs to its customers in the form of a Power Adjustment Charge reduction, while increasing services that put more money back into the community in the form of conservation rebates and incentives. With the prospect of retiring bonds in the near future, we commissioned an independent study to determine how to further reduce the bills while more accurately reflecting the cost of providing service.

At our Open House, customers were pleased to learn about our commitment to environmental issues. With approximately 80% of our power drawn from non-carbon emitting sources and one of the most generous solar incentive programs in the State, Hudson Light invests in the future of the environment. With this in mind, the Department purchased an electric car in 2016 and is studying the feasibility of charging stations and/or specialized rates for electric vehicles.

“Public Power is Hometown Power.” That slogan was prominently displayed during our October Open House when we opened our doors to customers to give them a look at our inner operations. Hundreds toured the Generating Station on Cherry Street, learned about the wholesale electric market, and received information on conservation measures to save them money and earn them rebates. A highlight of the event was the popular bucket ride where children got a line worker’s view of the area from the top of a utility truck. We appreciate the dedication of the employees who donated their time to make the endeavor a success.

We also thank Joseph Marinelli, who retired from the Board in 2016 after 10 years of diligent service to our customers. In his tireless dedication to the community and the customer, Mr. Marinelli’s performance while on the Board was the embodiment of Public Power at its best. We wish him and his family a long, healthy and happy retirement.

Daniel Murphy, Chairman *John Monteiro*, Clerk

GENERAL MANAGER'S REPORT

Hudson Light and Power felt the effects of the planned closure of Intel Corporation's manufacturing facility in 2016. Revenues declined faster than expenses (including wholesale market costs) resulting in an operating loss of \$4.21 million. The Department budgeted the use of the Rate Stabilization Trust Fund to mitigate expected operational losses and therefore accrued a transfer of \$4.30 million from the Trust Fund to the Operating Fund resulting in a net profit of about \$91,000. This accrued transfer is shown as an offset to the Purchase Power Expenses in the enclosed financial pages.

The Department remained on its path of continuous improvement by upgrading the Felton, Pope, Lincoln and Elm Street areas in Hudson from an old distribution voltage to the standard voltage. Additional growth/upgrade projects included: line extensions on Old Stow Road to support a new 6MW solar field, line extensions on Matrix Way to support new apartment buildings and on Municipal Drive to support the new Public Safety Building, pre-work for the new Washington Street Bridge, upgrades to poles and transformers on Old North Road, line extension off Dudley Road in Berlin to support Green Acres Development, and completion of the final phase at the Westridge Development.

Energy efficiency and renewable energy incentive programs provided more than \$123,000 as rebates back to our customers in 2016. The Department issued \$32,000 for commercial lighting upgrades, \$5,400 for commercial solar, \$35,012 for residential solar, \$32,200 for residential AC/Heat Pumps, \$9,457 for residential appliance rebates, \$7,570 in E-bill rebates, and \$1,853 for efficiency products in our on-line store. In addition, the Department provided \$10,226 towards commercial audits and \$12,500 towards residential home energy audits. The Department was also successful in obtaining two Massachusetts Department of Energy Resources Grants of \$150,000 for the replacement of old street lights to new LED type and \$7,500 for an electric vehicle.

The Department continued its support of a proposed transmission line from the Forest Avenue substation to Eversource's Sudbury substation. PLM Electric Power Engineering of Hopkinton, MA was brought onboard as Engineering Consultant for the Forest Ave substation redesign as Eversource continued the process of siting their transmission line. The Department was able to increase the Depreciation Fund by \$1.4 million to a balance of \$6.1 million by year's end in preparation for the substation upgrade. All costs associated with this project are reimbursable through the Independent System Operator as Pool Transmission Facilities.

Two Cherry Street Generating Station employees retired in 2016 after 30-plus years on the job. Emanuel Chaves, Plant Superintendent, and Joseph Perry, Plant Operator, provided unparalleled support and dedication throughout their careers. We wish them the best in their retirement.

Joseph Marinelli retired from the Light Board after ten years of service. Mr. Marinelli was instrumental in the development of our Renewable Energy and Energy Conservation Incentive Program and the successful planning to mitigate both revenue and resource risks. We thank him for his devotion and efforts over the past decade and wish him success in his future endeavors.

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

Estimated Income from Sales of Electricity - 2017

From Sales to Municipal Customers	\$	997,067
From Sales to Domestic Customers		10,395,576
From Sales to Commercial Customers		2,895,188
From Sales to Power Customers		6,873,310
From Street Lights: Stow and Other Communities		3,400
Hudson		75,000
Total Income	\$	21,239,541

Estimated Expenditures - 2017

Production, Generation, Purchased Power*	\$	13,804,469
Distribution and Transmission		2,354,522
General		3,091,802
Depreciation		1,440,000
Total Expenditures	\$	20,690,793

The estimated cost of electricity to be used by the Town of Hudson for all purposes for the year ending June 30, 2017 is:	\$	667,150
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**In addition to Production, Generation and Purchased Power Costs, are MMWEC's accelerated debt service recovery and transfers from the Rate Stabilization Fund.*

The Financial Statistics of the Hudson Light and Power Department are shown in the following pages.

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.

Audited Financial Statements: The current year financial statements shown in this report are unaudited. Prior year financial statements have been updated using the most recent audit findings.

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

	2016	2015	Increase (Decrease)
Electric Utility Plant (Net)...			
Intangible Plant	\$ 3,909.66	\$ 3,909.66	-
Production Plant in Service	1,014,088.45	1,108,931.00	(94,842.55)
Nuclear Fuel	75,680.22	62,284.25	13,395.97
Transmission Plant in Service	1,168,336.22	1,321,332.05	(152,995.83)
Distribution Plant in Service	6,300,840.51	6,289,955.13	10,885.38
General Plant in Service	1,290,409.12	1,173,663.86	116,745.26
Construction Work In Progress	53,213.59	73,497.67	(20,284.08)
Total Utility Plant In Service	<u>\$ 9,906,477.77</u>	<u>\$ 10,033,573.62</u>	<u>\$ (127,095.85)</u>
Other Property & Investments...			
Investments in Assoc. Companies	\$ 16,355.92	\$ 16,355.92	-
Other Investments	-	-	-
Total Other Property & Investments...	<u>\$ 16,355.92</u>	<u>\$ 16,355.92</u>	<u>\$ -</u>
Cash Assets...			
Operation Cash	\$ 4,296,519.36	\$ 9,528,442.24	(5,231,922.88)
Miscellaneous Cash	1,450,385.01	1,776,501.69	(326,116.68)
Depreciation Fund	-	-	-
Depreciation Fund Investment	6,107,310.49	4,708,737.37	1,398,573.12
Insurance Escrow Reserve	70,980.93	70,673.82	307.11
Petty Cash	500.00	500.00	-
Deposit Interest Account	-	-	-
Customer Deposits Account	1,315,653.16	1,250,503.37	65,149.79
Total Cash Balances	<u>\$ 13,241,348.95</u>	<u>\$ 17,335,358.49</u>	<u>\$ (4,094,009.54)</u>
Other Current and Accrued Assets...			
Customer Account Receivables	\$ 1,997,025.47	\$ 2,414,881.33	(417,855.86)
Other Accounts Receivables	107,237.58	78,153.21	29,084.37
Material and Supplies	1,125,469.18	1,106,035.65	19,433.53
Prepayments	3,336,377.42	3,509,652.38	(173,274.96)
Int. & Dividends Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc. Current & Accrued Assets	-	-	-
Total Other Current & Accrued Assets	<u>\$ 6,566,109.65</u>	<u>\$ 7,108,722.57</u>	<u>\$ (542,612.92)</u>
Deferred Assets...			
Preliminary Survey Charges	\$ 35,265.00	\$ 35,265.00	-
Misc. Deferred Debits	2,332,972.01	-	2,332,972.01
Total Deferred Assets	<u>\$ 2,368,237.01</u>	<u>\$ 35,265.00</u>	<u>\$ 2,332,972.01</u>
Total Assets	<u><u>\$ 32,098,529.30</u></u>	<u><u>\$ 34,529,275.60</u></u>	<u><u>\$ (2,430,746.30)</u></u>

EQUITY AND LIABILITIES

	2016	2015	Increase (Decrease)
Equity...			
Loans Repayment	\$ 1,925,000.00	\$ 1,925,000.00	\$ -
Invested by Town	20,093.39	20,093.39	-
Retained Earnings	12,536,967.39	12,445,831.26	91,136.13
Total	\$ 14,482,060.78	\$ 14,390,924.65	\$ 91,136.13
Current & Accrued Liabilities...			
Accounts Payable	\$ 1,050,231.21	\$ 1,170,353.95	\$ (120,122.74)
Customer Deposits	1,160,542.53	1,045,038.45	115,504.08
Customer Deposits-Interest	163,312.92	166,789.83	(3,476.91)
Tax Collections Payable	(6,679.07)	(570.49)	(6,108.58)
Accrued OPEB Liability	209,806.00	(5,194.00)	215,000.00
Accrued REECIP Liability	355,523.96	468,525.85	(113,001.89)
Accrued RCS Liability	113,707.54	150,603.42	(36,895.88)
Misc. Current & Accrued Liabilities	(4,016,568.68)	221,566.06	(4,238,134.74)
Net Pension Liability	13,476,751.84	10,285,024.00	3,191,727.84
Customer Advances for Construction	61,719.51	126,503.80	(64,784.29)
Total Current & Accrued Liabilities	\$ 12,568,347.76	\$ 13,628,640.87	\$ (1,060,293.11)
Deferred Credits...			
Misc. Deferred Credits	\$ -	\$ -	\$ -
Deferred Credit-Power Adj Charge	3,459,167.60	5,423,539.36	(1,964,371.76)
Total Deferred Credits	\$ 3,459,167.60	\$ 5,423,539.36	\$ (1,964,371.76)
Reserves...			
Injuries and Damages Reserve	\$ -	\$ -	\$ -
Total Reserves	\$ -	\$ -	\$ -
Contributions in aid of Construction...			
Total Contributions in aid of Construction...	\$ 1,588,953.16	\$ 1,086,170.72	\$ 502,782.44
Total Equity & Liabilities	\$ 32,098,529.30	\$ 34,529,275.60	\$ (2,430,746.30)

STATEMENT OF EQUITY

Retained Earnings on January 1, 2016	\$ 12,445,831.26
Net Income or (Loss)	375,033.79
Miscellaneous Credits to Retained Earnings	-
Total	\$ 12,820,865.05
Appropriation of Retained Earnings Returned to Towns	\$ 283,897.66
Miscellaneous Debits to Retained Earnings	-
Total	\$ 283,897.66
Total Retained Earnings on December 31, 2016	\$ 12,536,967.39

COMPARATIVE INCOME STATEMENT DETAIL
OPERATING STATEMENT

	2016	2015	Increase (Decrease)
Operating Revenue	\$ 27,770,597.24	\$ 36,116,585.86	\$ (8,345,988.62)
Operating Expense...			
Production	\$ 674,675.31	\$ 846,996.62	\$ (172,321.31)
Purchased Power Expense	14,585,739.92	23,114,031.67	(8,528,291.75)
Transmission Expenses	5,007,080.56	5,668,784.98	(661,704.42)
Distribution Expenses	947,625.32	1,186,106.70	(238,481.38)
General Expenses	4,827,195.05	3,810,001.40	1,017,193.65
Depreciation	1,399,117.80	835,057.88	564,059.92
Taxes	19,113.68	22,584.54	(3,470.86)
Total Operating Expenses	<u>\$ 27,460,547.64</u>	<u>\$ 35,483,563.79</u>	<u>\$ (8,023,016.15)</u>
Net Operating Revenues	\$ 310,049.60	\$ 633,022.07	\$ (322,972.47)
Other Income...			
Income From Contract Work	\$ -	\$ -	\$ -
Interest & Dividend Income	65,094.19	60,177.56	4,916.63
Misc. Nonoperating Income	19.00	28.00	(9.00)
Total Other Income	<u>\$ 65,113.19</u>	<u>\$ 60,205.56</u>	<u>\$ 4,907.63</u>
Miscellaneous Income Deductions...			
Other Income Deductions	129.00	147.00	\$ (18.00)
Total Income Deductions	<u>\$ 129.00</u>	<u>\$ 147.00</u>	<u>\$ (18.00)</u>
Inc. Before Interest Charges	\$ 375,033.79	\$ 693,080.63	\$ (318,046.84)
Interest Charges...			
Other Interest Expense	\$ -	\$ -	\$ -
Total Interest Charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Income Before			
Return to Towns	\$ 375,033.79	\$ 693,080.63	\$ (318,046.84)
Less Return to Towns	283,897.66	269,180.12	14,717.54
Net Income (Loss)	<u>\$ 91,136.13</u>	<u>\$ 423,900.51</u>	<u>\$ (332,764.38)</u>

INCOME STATEMENT DETAIL

OPERATING REVENUE

January 1, 2016 to December 31, 2016

Sales to Residential Consumers	\$	8,117,255.68
Sales to Commercial Consumers		2,228,097.77
Sales to Power Consumers		5,558,820.21
Private Property Lighting Sales		87,505.67
Municipal Sales...		
Hudson Street Lights		147,964.35
Hudson Municipal Buildings		81,591.06
Hudson Municipal Power		385,233.33
All Electric Municipal Buildings		-
Stow & Berlin Street Lights		6,664.34
Stow, Maynard & Other Municipal Service		317,527.78
Sales for Resale		-
Total Revenue from Sales of Electricity	\$	16,930,660.19
Power Adjustment Charges...		
Residential Sales	\$	3,722,488.68
Commercial Sales		1,064,907.85
Power Sales		3,626,262.01
Private Property Lighting		23,246.72
Municipal Power Adjustment Charges...		
Street Lighting Stow et al		-
Municipal Power Hudson		227,707.73
Municipal Commercial Hudson		38,282.26
Municipal Power Stow et al		178,818.12
Municipal Commercial Stow et al		7,668.00
Municipal All Electric		-
Miscellaneous Electric Sales		1,806,956.92
Total Power Adjustment Charges	\$	10,696,338.29
Total Revenue From Sale of Electricity	\$	27,626,998.48
Other Income...		
Other Electric Revenues (RCS, etc.)	\$	143,598.76
Total Income	\$	27,770,597.24

INCOME STATEMENT DETAIL

EXPENSES

January 1, 2016 to December 31, 2016

Production

Nuclear Power Generation

Operation Supervision	\$	25,376.00
Fuel		52,949.03
Coolants and Water		3,656.00
Steam Expenses		2,950.00
Electric Expenses		-
Miscellaneous Nuclear Power Expenses		50,847.00
Maintenance Supervision		(573.00)
Maintenance of Structures		5,551.00
Maintenance of Reactor Plant Equipment		12,046.00
Maintenance of Electric Plant		2,701.00
Maintenance of Miscellaneous Nuclear Power		13,690.00
Total Nuclear Power Production Expenses	\$	169,193.03

Other Power Generation...

Operation Supervision	\$	32,112.40
Fuel Oil		25,543.38
Fuel Natural Gas		13,744.67
Generation Expense		129,105.10
Generation Expense-Lube		1,532.40
Miscellaneous Other Power Generation Expenses		130,238.96
Maintenance Supervision		30,330.40
Maintenance of Structures		112,571.25
Maintenance of Generation and Electric Plant		26,802.08
Maintenance of Miscellaneous Generation Plant		3,501.64
Total Other Production Expenses	\$	505,482.28

Purchased Power Expenses...

Purchased Power-Entitlement	\$	11,089,174.44
Purchased Power-ISO		3,487,249.17
System Control and Load Dispersion		9,316.31
Other Expenses Purchase Power		-
Total Purchased Power	\$	14,585,739.92

Distribution Expenses...

Operation Supervision and Engineering	\$	21,063.65
Station Expenses		149,087.73
Overhead Line Expenses		17,115.06
Underground Line Expenses		3,274.56
Street Lighting & Signal Expenses		18,601.04
Meter Expenses		130,483.38

INCOME STATEMENT DETAIL

EXPENSES (continued)

January 1, 2016 to December 31, 2016

Distribution Expenses (cont.) ...	
Customer Installation Expense	90,352.44
Miscellaneous Distribution Expenses	76,343.43
Rents	-
Maintenance of Supervision and Engineering	21,035.81
Maintenance of Station Equipment	13,500.08
Maintenance of Overhead Lines	339,412.52
Maintenance of Underground Line	24,434.92
Maintenance of Line Transformer	21,124.98
Maintenance of Street Lighting	16,928.52
Maintenance of Meters	1,013.14
Maintenance of Miscellaneous Distribution Plant	3,854.06
Total Distribution Expenses	\$ 947,625.32
Transmission Expense	\$ 5,007,080.56
General...	
Supervision	\$ 27,857.12
Meter Reader Expenses	32,996.00
Customer Records and Collection Expenses	466,769.28
Advertising Expense	1,800.25
Miscellaneous Sales Expense (RCS)	-
Administrative and General Salaries	673,617.68
Office Supplies and Expenses	10,372.37
Administrative Expenses Transferred	-
Outside Services Employed	202,511.97
Property Insurance	46,742.00
Injuries and Damages	172,193.92
Employee Pension and Benefits	2,847,004.59
Regulatory Commission Expenses	-
General Advertising Expense	1,799.33
Miscellaneous General Expenses	40,357.58
Maintenance of General Plant	206,610.60
Transportation Expenses	96,562.36
Depreciation Expense	1,399,117.80
Total General and Depreciation Expenses	\$ 6,226,312.85
Real Estate and Other Taxes	\$ 19,113.68
Total Operation Expenses	\$ 27,460,547.64

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 \$1,232,578.18 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 2016, the HLPD financial statements include an accrued transfer from the Rate Stabilization Trust fund of \$4.3 million. The actual cash movement will take place in 2017 and will be reflected in the 2017 Rate Stabilization Trust Fund financial records.

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	264,974.13	11,360,168
MMWEC- Wyman #4	82,889.24	291,570
MMWEC - Nuclear Mix #1	225,501.13	5,563,022
MMWEC - Millstone #3	338,550.44	4,662,300
MMWEC - Seabrook #4	1,108,908.23	19,722,202
MMWEC - Seabrook #5	134,114.14	2,196,610
MMWEC - Seabrook #6	12,178,260.99	149,345,051
Taunton - Cleary #9	630,688.37	3,617,730
FPL / NEXTERA	198,112.00	2,624,000
Sycarpha Stow	190,394.36	3,070,188
SHELL	147,928.00	1,312,000
Solar - Local Customers	20,887.32	549,666
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	15,521,208.35	204,314,507
ISO-NE	<hr/>	
	3,487,249.17	34,358,619
Total	<hr/> <hr/>	
	19,008,457.52	238,673,126

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 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, 2016, total capital expenditures amounted to \$1,636,374,000, of which \$177,087,000 represents the amount associated with the Department's Project Capability.

MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$55,795,000, of which \$9,267,000 is associated with the Department's share of Project Capability. As of December 31, 2016, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$59,281,000, of which \$9,880,000 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, 2016 and estimated for future years is shown below.

<u>ANNUAL COSTS</u>	
For years ended December 31,	
	2017 \$7,981,000
	2018 174,000
	2019 1,724,000
	2020 _____
	TOTAL <u>\$9,879,000</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 \$14,847,000 and \$14,446,000 for the years ended December 31, 2016 and 2015, respectively.

STATEMENT OF CHANGES IN FINANCIAL POSITION

January 1, 2016 to December 31, 2016

Funds were provided from . . .

Operations . . .

Net Income	\$ 375,033.79
Miscellaneous Credits to Surplus	-
Return of Investment	-
	<hr/>

Total Funds Provided

\$ 375,033.79

Funds were used for . . .

Increase (Decrease) to Utility Plant	\$ (127,095.85)
Miscellaneous Debits to Surplus	2,332,972.01
Return to Town of Hudson	225,000.00
Return to Town of Stow	58,897.66
Decrease (Increase) in Deferred Credits	-
	<hr/>

Total

\$ 2,489,773.82

Increase (Decrease) in Working Capital

\$(2,114,740.03)

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

Cash	\$(4,094,009.54)
Receivables	(388,771.49)
Materials and Supplies	19,433.53
Prepayments	(173,274.96)
Interest Receivable	-
Accrued Utility Revenues	-
Miscellaneous Deferred Debits	1,526,373.61
Miscellaneous Accrued Liabilities	869,277.50
Accounts Payable	120,122.74
Injury Reserve	-
Taxes Payable	6,108.58
	<hr/>

Total

\$(2,114,740.03)

REVENUE FROM SALE OF ELECTRICITY

January 1, 2016 to December 31, 2016

	HUDSON	STOW	OTHER	TOTAL
Res. Service "A"	\$ 4,411,911.51	\$ 1,535,588.71	\$ 86,592.43	\$ 6,034,092.65
Res. Wtr. Heater "E"	543,790.18	572,544.83	35,942.99	1,152,278.00
All Elec. Service "F"	684,314.81	239,434.63	7,649.69	931,399.13
Com. Htg. & Air Cond.	-	-	-	-
Com. Service "C"	1,798,686.14	423,603.58	5,807.64	2,228,097.36
Large Power "D"	4,892,989.03	664,228.18	-	5,557,217.21
Municipal All Elec.	-	-	-	-
Municipal Service "C"	385,233.33	16,246.66	904.02	402,384.01
Municipal Power "D"	81,591.06	300,377.10	-	381,968.16
Street Lighting	147,964.35	6,622.27	42.07	154,628.69
Yard Lighting	75,701.11	10,980.59	1,913.28	88,594.98
Power Adjustment Charges...				
Res. Service "A"	\$ 1,924,256.33	677,594.83	38,413.27	2,640,264.43
Res. Wtr. Heater "E"	275,379.25	296,433.75	18,588.25	590,401.25
All Elec. Service "F"	358,807.11	128,875.08	4,141.21	491,823.40
Com. Htg. & Air Cond.	-	-	-	-
Com. Service "C"	864,050.05	199,036.24	1,821.35	1,064,907.64
Large Power "D"	3,179,842.27	446,419.54	-	3,626,261.81
Municipal All Elec.	-	-	-	-
Municipal Service "C"	38,282.26	7,481.84	186.16	45,950.26
Municipal Power "D"	227,707.73	178,818.12	-	406,525.85
Street Lighting	-	-	-	-
Yard Lighting	19,806.17	2,962.32	478.23	23,246.72
Total Rev. Each Zone	\$ 19,910,312.69	\$ 5,707,248.27	\$ 202,480.59	\$ 25,820,041.55

Misc. Electric Sales 1,806,956.93

Total Revenue from Sale of Electricity \$27,626,998.48

Res. Service "A"	\$ 8,674,357.08
Res. Service "E" Wtr Htr	1,742,679.25
All Elec. Service "F"	1,423,222.53
Com. Htr. & Air. Cond	-
Com. Service "C"	3,293,005.00
Large Power "D"	9,183,479.02
Municipal All Elec.	-
Municipal Service "C"	448,334.27
Municipal Power "D"	788,494.01
Street Lighting	154,628.69
Yard Lighting	111,841.70
Total	\$25,820,041.55

STATISTICS
KILOWATT-HOURS GENERATED, PURCHASED, SOLD and USED

January 1, 2016 to December 31, 2016

Kilowatt-hours Generated	8,722,763
Kilowatt-hours Purchased	<u>238,673,126</u>
Total Generated & Purchased	247,395,889

	HUDSON	STOW	OTHER AREAS
Kilowatt-hours Sold..			
Residence Service "A"	51,334,029	18,081,745	1,024,809
Service "E" (wtr htr)	7,350,057	7,911,984	496,169
All Electric Service "F"	9,600,541	3,447,116	110,927
Htg. and Air Cond. for Business	0	0	0
Commercial Service "C"	22,738,166	5,237,805	47,931
Large Power "D"	83,680,067	11,747,883	0
Departmental Usage	239,299	0	0
Municipal All Electric	0	0	0
Municipal Service "C"	5,992,308	1,251,640	3,454,100
Municipal Power "D"	1,007,425	196,890	5,001
Street Lighting	1,176,390	55,014	350
Yard Lighting	<u>521,212</u>	<u>78,110</u>	<u>12,585</u>
Total Kilowatt-hours Each Zone	183,639,494	48,008,187	5,151,872
Total Kilowatt-hours distributed			236,799,553
Kilowatt-hours sold for resale			0
Kilowatt-hours used at Station and misc.			1,151,185
Kilowatt-hours lost in Distribution Lines			<u>9,445,151</u>
Total			247,395,889

Percent lost in station	0.4653%
Percent lost in Distribution Lines	3.8178%

FIVE-YEAR COMPARATIVE ELECTRIC SALES DATA

	2016	2015	2014	2013	2012
Customers...					
Residential	11008	10930	10853	10780	10721
Commercial	1436	1366	1364	1327	1326
Industrial	134	134	127	155	152
Municipal	125	126	152	128	130
Others	168	167	171	173	170
Total*	12871	12723	12667	12563	12499

Kilowatt-hour Sales...					
Residential	99,357,377	101,025,852	100,088,012	100,870,082	98,619,240
Commercial	28,023,902	27,478,920	27,918,808	29,304,245	26,161,926
Industrial	95,427,950	153,956,119	204,920,680	198,738,759	207,796,942
Municipal	13,139,118	13,711,988	13,270,903	12,227,229	14,480,988
Other	611,907	617,711	1,903,351	587,497	627,818
Total	236,560,254	296,790,590	348,101,754	341,727,812	347,686,914

Revenues Billed..					
Residential	11,840,258.86	13,751,126.37	15,136,443.37	13,437,383.33	13,125,302.67
Commercial	3,293,005.00	4,137,534.28	4,336,705.09	3,558,382.74	3,484,402.99
Industrial	9,183,479.02	16,378,139.85	25,533,891.24	20,389,329.73	21,088,517.26
Municipal	1,391,456.97	1,658,038.30	1,988,972.60	1,703,842.69	1,637,897.84
Other	111,841.70	123,601.31	137,448.88	125,019.45	123,083.44
Total*	\$25,820,041.55	\$36,048,440.11	\$47,133,461.18	\$39,213,957.94	\$39,459,204.20

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

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

CONSUMER STATISTICS

December 31, 2016

Hudson

Hudson Residential Consumers	8,127
Hudson Commercial Consumers	1,201
Hudson Power Consumers	119
Hudson Municipal Consumers	95

Total Hudson Consumers 9,542

Stow and Maynard

Stow Residential Consumers	2,737
Stow Commercial Consumers	326
Stow Power Consumers	16
Stow and Maynard Municipal Consumers	23

Total Stow and Maynard Consumers 3,102

Boxboro, Bolton, Berlin, Marlboro, etc.

Boxboro, Bolton, Berlin, Marlboro, Etc. Residential Consumers	171
Boxboro, Bolton, Berlin, Marlboro, Etc. Commercial Consumers	28
Boxboro, Bolton, Berlin, Marlboro, Etc. Municipal Consumers	6

Total Boxboro, Bolton, Berlin, Marlboro, Etc. Consumers 205

Total Consumers on the System 12,849

**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, 2016	\$ 16,029,168.27
Cash transferred to HLPD Retirement Trust Fund	\$ 955,426.20
Gain on Sales	74,350.71
Interest, dividends and Principal received	382,063.06
Total Additions to the Fund	\$ 1,411,839.97
Payments to the Town of Hudson	\$ 1,232,578.18
Loss on Sales	40,049.89
Total Reductions to the Fund	\$ 1,272,628.07
Balance of Retirement Fund as of December 31, 2016	\$ 16,168,380.17

FIXED INVESTMENTS	COST BASIS	EQUITY INVESTMENTS	COST BASIS
A VIDIA BANK MONEY MARKET	\$ 212,077.08	(ABT) ABBOTT LABS	\$ 249,907.47
MORGAN STANLEY MONEY FUNDS	390,392.12	(MO) ALTRIA GROUP INC	266,401.22
GNMA	242.48	(AIG) AMERICAN INT'L GROUP INC.	48,134.97
GNMA	252.27	(AIG) AMERICAN INT'L GROUP INC. WT	358.38
A VIDIA BANK CD	599,014.57	(BAC) BANK OF AMERICA CORP	234,126.89
COMMONWEALTH EDISON	183,330.20	(BMY) BRISTOLMYERS SQUIBB	263,690.47
VIRGINIA ELECTRIC & POWER	190,237.49	(KO) COCA COLA	232,373.81
FLORIDA POWER & LIGHT	233,057.50	(ED) CONS EDISON	252,390.69
SOUTHWESTERN ELECTRIC	332,211.77	(EMR) EMERSON ELECTRIC CO.	314,880.02
BURLINGTON NORTH SANTA FE	262,947.16	(GE) GENERAL ELECTRIC CO.	246,581.52
NORFOLK SOUTHERN CORP.	209,616.44	(GIS) GENERAL MILLS INC.	291,305.26
VIRGINIA ELECTRIC & POWER	226,051.46	(HPQ) HEWLETT PACKARD CO.	256,805.57
AT&T INC #1	105,686.45	(KMB) KIMBERLY CLARK	238,924.34
FLORIDA POWER & LIGHT	454,877.42	(MCD) MCDONALDS CORP	258,428.35
COMMONWEALTH EDISON CO SENIOR NOTES	431,147.92	(MRK) MERCK & CO	257,560.01
SOUTH CAROLINA ELECTRIC & GAS	563,845.95	(PEP) PEPSICO INC.	304,674.27
SOUTHWESTERN PUBLIC SERVICE CO	546,035.68	(PFE) PFIZER INC.	274,953.59
AT&T INC #2	393,338.11	(PG) PROCTER & GAMBLE CO.	249,292.68
DUKE CAPITAL	177,419.46	(SO) SOUTHERN CO	300,411.90
PUBLIC SERVICE OKLAHOMA	141,345.24	(UN) UNILEVER	304,133.78
DUKE ENERGY INDIANA	290,934.30		
BURLINGTON NORTH SANTA FE	211,591.92		
KENTUCKY UTILITIES COMPANY	678,056.23		
PROGRESS ENERGY INC	288,719.94		
WESTERN MASS ELECTRIC CO.	633,561.44		
GENERAL ELECTRIC CAPITAL CORP	336,672.70		
VERIZON COMMUNICATIONS	386,836.79		
BALTIMORE GAS & ELECTRIC	675,042.61		
FED NATL MTG ASSN FLOATER	589,399.51		
FED HOME LN BK STEP	709,096.53		
FED NATL MTG ASSN STEP	870,006.24		
Total	\$11,323,044.98		\$ 4,845,335.19

**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.

Balance of the Rate Stabilization Fund as of January 1, 2016	\$ 11,948,989.33
Interest, Dividends and Principal Received	\$ 180,298.86
Gain on Sales	110,604.99
Transfers from Operations Cash	-
Total Additions to the Fund	<u>\$ 290,903.85</u>
Loss on Sales	\$ 28,845.87
Total Reductions to the Fund	<u>\$ 28,845.87</u>
Balance of the Rate Stabilization Fund as of December 31, 2016	<u><u>\$ 12,211,047.31</u></u>

FIXED INVESTMENTS	COST BASIS	EQUITY INVESTMENTS	COST BASIS
A VIDIA BANK MMKT	\$ 2,311,559.87	(ABT) ABBOTT LABS	\$ 58,823.29
MORGAN STANLEY MMKT	177,773.37	(MO) ALTRIA GROUP, INC.	65,301.93
A VIDIA BANK CD	953,945.26	(AIG) AMERICAN INT'L GROUP INC.	17,838.68
A VIDIA BANK CD	2,121,075.41	(AIG) AMERICAN INT'L GROUP INC. WT	130.32
A VIDIA BANK CD	785,403.55	(BAC) BANK OF AMERICA CORP	58,850.00
CENTURY BANK CD	666,930.22	(BMY) BRISTOL MYERS SQUIBB CO	65,363.43
CENTURY BANK CD	613,877.39	(KO) COCA COLA	53,818.10
CENTURY BANK CD	613,877.39	(ED) CONS ED	61,169.78
SOUTHWESTERN ELECTRIC POWER	370,584.43	(EMR) EMERSON ELECTRIC CO	72,946.87
BURLINGTON NORTH SANTA FE 145k	203,160.32	(GE) GENERAL ELECTRIC CO.	60,103.60
QWEST CORP	387,321.03	(GIS) GENERAL MILLS INC.	79,382.17
DUKE ENERGY	115,136.66	(HPQ) HEWLETT PACKARD CO.	51,282.64
VIRGINIA ELECTRIC & POWER	392,982.30	(KMB) KIMBERLY CLARK	59,809.26
AT&T	350,059.77	(MCD) MCDONALDS CORP	61,715.93
NORFOLK SOUTHERN CORP	158,047.49	(MRK) MERCK & CO INC	54,499.52
UNION PACIFIC CORP CD	213,739.47	(PEP) PEPSICO INC.	76,324.74
VERIZON	309,379.41	(PFE) PFIZER INC.	74,179.50
DUKE ENERGY CAROLINAS	303,289.08	(PG) PROCTER & GAMBLE CO.	58,146.46
		(SO) SOUTHERN CO.	75,393.49
		(UN) UNILEVER	57,825.18
Total	<u><u>\$ 11,048,142.42</u></u>		<u><u>\$ 1,162,904.89</u></u>

**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, 2016	\$ 1,098,701.90
Interest, Dividends and Principal Received	\$ 43,116.20
Gain on Sales	-
Total Additions to the Fund	\$ 43,116.20
Loss on Sales	\$ 4,159.66
Total Reductions to the Fund	\$ 4,159.66
Balance of the Other Post Employment Benefit Fund as of December 31, 2016	\$ 1,137,658.44

FIXED INVESTMENTS	COST BASIS	EQUITY INVESTMENTS	COST BASIS
A VIDIA BANK MMKT	\$ 754.74	(ABT) ABBOTT LABS	\$ 17,558.55
MORGAN STANLEY MMKT	2,768.11	(MO) ALTRIA GROUP, INC.	22,286.09
NUVEEN	190,000.00	(BMY) BRISTOL MYERS SQUIBB	17,439.75
MCDONALDS 65,000	65,337.76	(KO) COCA COLA	27,654.33
QWEST CORP 150K	152,890.57	(ED) CONS ED	27,777.79
KRAFT FOODS GROUP 110K	117,571.58	(EMR) EMERSON ELECTRIC CO.	19,951.85
AMGEN INC	96,602.93	(GE) GENERAL ELECTRIC CO.	19,270.99
FED NATL MTG ASSN	116,875.76	(GIS) GENERAL MILLS INC.	17,043.95
		(HPQ) HEWLETT PACKARD CO.	30,981.92
		(JNJ) JOHNSON & JOHNSON	20,574.85
		(KMB) KIMBERLY CLARK CORP	16,832.77
		(MCD) MCDONALDS CORP	29,790.59
		(MRK) MERCK & CO INC	17,939.58
		(PEP) PEPSICO INC.	20,469.24
		(PFE) PFIZER INC	15,408.97
		(PG) PROCTER & GAMBLE CO.	25,966.76
		(SO) SOUTHERN CO.	19,880.79
		(UN) UNILEVER	28,028.22
Total	\$ 742,801.45		\$ 394,856.99