

Hudson Light and Power Department 2009 Annual Report

A MESSAGE FROM THE BOARD

Surviving in a down economy can be challenging for businesses and residents.

During 2009, Massachusetts did not see an economic recovery. Unemployment rose from 6.4% at the end of 2008 to 9.4% by the end of 2009, both figures a sharp contrast to the 3.0% unemployment recorded at the start of the decade.¹ The number of foreclosure proceedings initiated in the Hudson Light service area in 2009 jumped by 37.04% in Hudson and 22% in Stow over 2008 figures.² Many customers who previously had perfect payment records with Hudson Light began to experience problems.

Despite these troubling times, during 2009 Hudson Light was not only able to maintain its programs in order to provide the quality service its customers have come to expect, but was also able to expand services and plan for the future as we await the hoped-for economic recovery.

One of our goals during 2009 was to avoid adding any burden to our customers by increased electric bills. Troubling transmission and capacity cost increases beyond the control of Hudson Light during 2009 forced an increase on the rate portion of our customers' bills, which we were able to offset with lowered power adjustment charges. By the end of 2009, the average net residential bill was lower than the previous year.

We did not just want to keep the bills static, we also wanted to expand programs that help customers actually reduce their electric bills. We increased the availability of our fluorescent light bulb program, with more bulbs and coupons available. We worked with a conservation distributor to provide discounts for devices that reduce wasted energy related to personal computers and peripherals. By the end of 2009, the Department's negotiations with service providers resulted in the addition of an infra-red scan to the free residential home energy audits.

The difficult economy and lack of control over funds spurred this Board to take a "wait-and-see" attitude towards participation in the Massachusetts Technology Collaborative Renewable Trust Fund, which provides rebates to homeowners for solar power installations. Participation would require us to "tax" all customers in order to fund the Trust Fund, with no guarantee that Hudson Light customers would benefit proportionately from the rebates. In addition, once a utility joins the Trust, it cannot leave.

Despite hard economic times, a utility cannot ignore the future. Increases and decreases in electric consumption are accepted economic indicators. In a flourishing economy, people spend more and businesses operate more. During 2009, Hudson Light began investigating participation in several new generating facilities in order to be prepared to meet the future electric demand of its customers. One of them is a 29MW Renewable Energy project.

¹ US Department of Labor, Bureau of Labor Statistics, *Economy at a Glance*, <http://www.bls.gov/eag/eag.ma.htm> (February, 2010).

² Erica Noonan, "Foreclosure Crisis Hits Affluent Towns," *Boston Sunday Globe* 28 Feb. 2010: 1.

While the economy may be disheartening to many on a personal level, please rest assured that Hudson Light is doing everything possible to minimize the impact on its customers, to help them reduce their electric consumption and to be ready to meet the needs of a prosperous future when that long-awaited economic recovery is realized.

Hudson Municipal Light Board

Paul Huehmer, Chairman

Roland L. Plante, Clerk

Joseph J. Marinelli, Member

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### **MANAGER'S REPORT**

#### **COMPETITIVE RATES**

During 2009, energy costs declined while transmission and capacity charges increased, resulting in changes on our customers' electric bills.

Transmission and capacity charges rose 14.47% and 8.97% respectively during 2009. In January, the Rate Charge portion of the bill was increased 7.4% to reflect these higher costs. At the same time, the Power Adjustment Charge was reduced from \$0.06687 to \$0.060832 per kWh. In June, the charge was reduced again to \$0.05580 per kWh. The credit residential accounts receive due to our participation in hydro-electric projects in the State of New York remained at \$0.006 per kWh.

As a result the average 500 kWh monthly net residential bill decreased from \$73.76 to \$71.35 by the end of 2009. Hudson Light's rates remain highly competitive.

#### **CONSERVATION**

The Residential Conservation Service (RCS) charge for 2009-2010 was set at 47 cents per month. The charge supports our popular Residential Conservation Programs, which include appliance rebates, a toll-free energy hotline (1-888-772-4242), home energy audits, electric usage analyses, an energy efficient light bulb program, appliance rebate program and the loan of appliance test meters to help determine how electricity is being used in the home. The RCS Charge is set annually every August.

During 2009, the appliance rebate program was expanded to include the 7-outlet Smart Strip Power Strip. The switch automatically shuts off computer peripherals such as printers and monitors when a computer is not in use. A total of \$19,458 was credited to customer accounts in the form of appliance rebates for 2009 purchases.

Our energy-efficient compact light bulb program was expanded during 2009 on trial basis to include rebate coupons of up to \$5. We sold 2,842 bulbs and rebated \$305 during 2009.

## **REDUCING OUR “CARBON FOOTPRINT”**

Hudson Light goes beyond conservation in attempting to reduce our impact on the environment by recycling, promoting renewable energy, and investing in non-greenhouse gas-emitting power generation.

In 2009, we recycled 12,906 pounds of transformers, capacitors and associated insulating oil, over 2,000 pounds of paper, approximately 18,000 pounds of scrap metal, and all fluorescent and mercury vapor lamps.

Hudson Light promotes the New England Wind Fund and is pursuing participation in a 29MW renewable energy project with other municipals. We currently provide free meter upgrades to customers with distributed generation, such as wind and solar, and purchase any excess energy from them. Approximately 3% of Hudson Light's energy comes from hydroelectric power plants.

During 2009 Hudson Light obtained 42% of its electricity from sources that produce little or no greenhouse gas emissions. We receive and sell Nitrogen Oxide (NOx) allowances. In addition, the Department is participating in a project to construct a reduced-emissions natural gas power plant in Ludlow, Massachusetts.

## **CONTINUED GROWTH**

During 2009, the demand for electricity reached a peak of 71MW in August. Once again the Department experienced a relatively mild summer during 2009, and the record peak demand of 78MW that was set in August of 2006 was not reached. Over the past 10 years, the number of customers grew 13%, with electric usage up 25%.

A utility's performance is rated based upon the average outage duration per customer per year. Hudson Light's 2009 average outage duration per customer was a phenomenal 82% lower than the National average recorded in 2008. Continued maintenance, including tree trimming and brush clearing, helps to maintain the system's reliability. Our preventive maintenance includes an annual infra-red survey throughout the entire distribution system to find connections and equipment that could pose problems.

During 2009, one of the main commercial projects was expansion of the system for Highland Commons Mall on Coolidge Street in Hudson, including relocation of the Town water tank and the new Lowes store. Also completed was the line relocation along the Main Street Bridge at O'Neil's Crossing.

## **SAFETY, TRAINING, SECURITY**

Safety remains a top priority of the Hudson Light and Power Department, from testing to ensure customer and employee safety, to education for employees and school children, to policy making to shield customers against identity theft.

Our employees participate in on-site safety courses held throughout the year. Our annual school electric safety program for local fourth graders was held in October. Using visual props, we try to give students the information they need to live safely in today's electric world.

The Red Flag program to avert identity theft has been smoothly implemented into the day-to-day operations of the Office. The added requirements of positive identification before establishing or accessing an account have added extra steps to normal operating procedures, but are well worth the protection they afford our customers.

## **SOLAR PROJECT**

Installed at the Cherry Street Power Station in the Fall of 2008, a 12-panel solar power system was designed by Hudson Light's engineers with components purchased from Massachusetts-based businesses. During 2009, the panels generated 2,902 kWh's.

Residential customers interested in installing solar panels are encouraged to contact our Engineering Department to benefit from their knowledge and experience.

## **POWER SUPPLY RELIABILITY**

Hudson Light's Engineering Department ensures that there are enough resources to meet the system's demand for electricity through purchases made on the open market and through our long-term contracts for electric generation. Our major sources of energy include:

**Oil-Fired Units:** WF Wyman, located in Yarmouth, ME and operated by a subsidiary of Florida Power and Light.

**Oil and Gas Fired Units:** Cherry Street Power Station. Cleary No.9 located in Taunton, MA and operated by the Taunton Municipal Lighting Plant.

**Hydro-Electric Units:** On Niagara River, located in Niagara, NY and operated by the New York Power Authority; and Hydro Quebec, located in Quebec, Canada and operated by Hydro Quebec.

**Nuclear-Fueled Units:** Millstone III located in Waterford, CT and operated by Dominion Nuclear Connecticut, Inc.; and Seabrook I, located in Seabrook, New Hampshire and operated by NextEra Energy Seabrook, LLC.

## **COMMUNITY INVOLVEMENT**

Our Assistant Manager Brian Choquette and Customer Service Rep. Karen Shooni once again joined local businesses to help and give Hudson High sophomores an idea of what their monthly costs could be once they choose a career and move out on their own. Students "purchased" homes, "paid" for utilities, food, cars and insurance with their "wages" to see how far their dollars would stretch. Brian and Karen helped students to see how their choice of appliances could impact their bills.

Hudson Light was pleased to assist the Organization for the Assabet River (OAR) with the clean-up effort of the Assabet River. The HLPD team, consisting of Station Superintendent Daniel Murphy and Oiler Derek Neimi, provided river access and transportation.

## **A PERSONAL NOTE**

I would like to extend my condolences to the family and friends of Jean M. Bowen, who passed away November 28, 2009. Mrs. Bowen worked for Hudson Light for several years in the late 1940s-early 1950s.

Hudson Light welcomed new employee Doug Farrar to the line crew during 2009. Ricky Peck transferred to the line crew from Meter Department, while Greg Kenyon was promoted to Meterman Foreman. Jay Rossley was promoted to Meterman position. We wish them the best of luck in their new positions.

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

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

**Estimated Income from Sales of Electricity - 2010**

|                                                |           |                   |
|------------------------------------------------|-----------|-------------------|
| From Sales to Municipal Customers              | \$        | 1,548,259         |
| From Sales to Domestic Customers               |           | 12,970,426        |
| From Sales to Commercial Customers             |           | 3,801,006         |
| From Sales to Power Customers                  |           | 26,957,342        |
| From Street Lights: Stow and Other Communities |           | 7,144             |
| Hudson                                         |           | 176,615           |
| <b>Total Income</b>                            | <b>\$</b> | <b>45,460,792</b> |

**Estimated Expenditures - 2010**

|                                          |           |                   |
|------------------------------------------|-----------|-------------------|
| Production, Generation, Purchased Power* | \$        | 34,671,346        |
| Distribution and Transmission            |           | 7,341,005         |
| General                                  |           | 2,382,374         |
| Depreciation                             |           | 707,610           |
| <b>Total Expenditures</b>                | <b>\$</b> | <b>45,102,335</b> |

The estimated cost of electricity to be used by the Town of Hudson for all purposes for the year ending June 30, 2010 is: \$ 1,155,000

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

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

Respectfully submitted,

*Yakov D. Levin*, Manager

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DEFINITIONS

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

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

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

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

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

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

Deferred Liabilities: Advance billings for services rendered, etc.

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

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

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

Comparative Balance Sheet Assets

	2009	2008	Increase (Decrease)
Electric Utility Plant (Net)...			
Intangible Plant	\$ 3,871.33	\$ 3,879.36	(8.03)
Production Plant in Service	810,671.10	874,434.49	(63,763.39)
Nuclear Fuel	90,942.39	83,718.00	7,224.39
Transmission Plant in Service	1,749,185.12	1,861,514.38	(112,329.26)
Distribution Plant in Service	4,390,151.54	3,759,884.45	630,267.09
General Plant in Service	1,064,520.78	1,114,801.59	(50,280.81)
Construction Work In Progress	425,132.46	1,096,855.29	(671,722.83)
Total Utility Plant In Service	\$ 8,534,474.72	\$ 8,795,087.56	\$ (260,612.84)
Other Property & Investments...			
Investments in Assoc. Companies	\$ 41,787.96	\$ 49,589.43	(7,801.47)
Other Investments	-	-	-
Total Other Property & Investments...	\$ 41,787.96	\$ 49,589.43	\$ (7,801.47)
Cash Assets...			
Operation Cash	\$ 3,399,044.55	\$ 1,855,117.33	1,543,927.22
Miscellaneous Cash	708,669.69	128,194.68	580,475.01
Depreciation Fund	859,557.68	2,489,821.46	(1,630,263.78)
Depreciation Fund Investment	3,511,646.81	1,521,397.90	1,990,248.91
Insurance Escrow Reserve	105,805.26	121,594.95	(15,789.69)
Petty Cash	500.00	500.00	-
Deposit Interest Account	148,433.18	149,058.77	(625.59)
Customer Deposits Account	479,360.92	377,979.78	101,381.14
Total Cash Balances	\$ 9,213,018.09	\$ 6,643,664.87	\$ 2,569,353.22
Other Current and Accrued Assets...			
Customer Account Receivables	\$ 4,713,115.77	\$ 4,888,827.66	(175,711.89)
Other Accounts Receivables	118,963.82	38,276.18	80,687.64
Material and Supplies	902,591.53	915,988.23	(13,396.70)
Prepayments	1,259,311.53	1,093,928.52	165,383.01
Int. & Dividends Receivable	-	-	-
Accrued Utility Revenues	-	-	-
Misc. Current & Accrued Assets	-	-	-
Total Other Current & Accrued Assets	\$ 6,993,982.65	\$ 6,937,020.59	\$ 56,962.06
Deferred Assets...			
Preliminary Survey Charges	\$ -	\$ -	-
Misc. Deferred Debits	1,774,689.46	-	1,774,689.46
Total Deferred Assets	\$ 1,774,689.46	\$ -	\$ 1,774,689.46
Total Assets	\$ 26,557,952.88	\$ 22,425,362.45	\$ 4,132,590.43

Equity and Liabilities

	2009	2008	Increase (Decrease)
Equity...			
Loans Repayment	\$ 1,925,000.00	\$ 1,925,000.00	\$ -
Invested by Town	20,093.39	20,093.39	\$ -
Retained Earnings	<u>16,776,609.63</u>	<u>16,830,410.12</u>	<u>\$ (53,800.49)</u>
Total	<u>\$ 18,721,703.02</u>	<u>\$ 18,775,503.51</u>	<u>\$ (53,800.49)</u>
Current & Accrued Liabilities...			
Accounts Payable	\$ 2,217,100.08	\$ 1,866,319.16	\$ 350,780.92
Customer Deposits	479,360.92	377,979.78	\$ 101,381.14
Customer Deposits-Interest	148,433.18	149,058.77	\$ (625.59)
Tax Collections Payable	(29.92)	(1,467.55)	\$ 1,437.63
Misc. Current & Accrued Liabilities	645,702.61	317,984.77	\$ 327,717.84
Customer Advances for Construction	144,402.96	1,097,237.63	\$ (952,834.67)
Total Current & Accrued Liabilities	<u>\$ 3,634,969.83</u>	<u>\$ 3,807,112.56</u>	<u>\$ (172,142.73)</u>
Deferred Credits...			
Misc. Deferred Credits	\$ 274,689.46	\$ -	\$ 274,689.46
Deferred Credit-Fuel Charge	2,326,349.50	(731,461.07)	\$ 3,057,810.57
Total Deferred Credits	<u>\$ 2,601,038.96</u>	<u>\$ (731,461.07)</u>	<u>\$ 3,332,500.03</u>
Reserves...			
Injuries and Damages Reserve	\$ -	\$ -	\$ -
Total Reserves	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions in aid of Construction...			
Total Contributions in aid of Construction...	<u>\$ 1,600,241.07</u>	<u>\$ 574,207.45</u>	<u>\$ 1,026,033.62</u>
	<u>\$ 1,600,241.07</u>	<u>\$ 574,207.45</u>	<u>\$ 1,026,033.62</u>
Total Equity & Liabilities	<u><u>\$ 26,557,952.88</u></u>	<u><u>\$ 22,425,362.45</u></u>	<u><u>\$ 4,132,590.43</u></u>

Statement of Equity

Retained Earnings on January 1, 2009	\$ 16,830,410.12
Net Income or (Loss)	593,927.82
Miscellaneous Credits to Retained Earnings	-
Total	<u>\$ 17,424,337.94</u>
Appropriation of Retained Earnings Returned to Towns	\$ 254,155.41
Miscellaneous Debits to Retained Earnings	393,572.90
Total	<u>\$ 647,728.31</u>
Total Retained Earnings on December 31, 2009	<u><u>\$ 16,776,609.63</u></u>

Comparative Income Statement Operating Statement

	2009	2008	Increase (Decrease)
Operating Revenue	\$ 45,417,205.54	\$ 50,542,853.09	\$ (5,125,647.55)
Operating Expense...			
Production	\$ 733,430.42	\$ 763,561.36	\$ (30,130.94)
Purchased Power Expense	34,834,408.30	40,929,883.07	(6,095,474.77)
Transmission Expenses	4,328,686.23	3,777,870.84	550,815.39
Distribution Expenses	1,114,448.83	1,132,217.18	(17,768.35)
General Expenses	3,214,136.32	2,845,504.33	368,631.99
Depreciation	698,442.48	687,698.26	10,744.22
Taxes	22,475.22	23,656.92	(1,181.70)
Total Operating Expenses	\$ 44,946,027.80	\$ 50,160,391.96	\$ (5,214,364.16)
Net Operating Revenues	\$ 471,177.74	\$ 382,461.13	\$ 88,716.61
Other Income...			
Income From Contract Work	\$ -	\$ -	\$ -
Interest & Dividend Income	122,943.08	336,518.21	(213,575.13)
Misc. Nonoperating Income	-	-	-
Total Other Income	\$ 122,943.08	\$ 336,518.21	\$ (213,575.13)
Miscellaneous Income Deductions...			
Other Income Deductions	\$ 193.00	\$ 199.00	\$ (6.00)
Total Income Deductions	\$ 193.00	\$ 199.00	\$ (6.00)
Inc. Before Interest Charges	\$ 593,927.82	\$ 718,780.34	\$ (124,852.52)
Interest Charges...			
Other Interest Expense	\$ -	\$ -	\$ -
Total Interest Charges	\$ -	\$ -	\$ -
Net Income Before			
Return to Towns	\$ 593,927.82	\$ 718,780.34	\$ (124,852.52)
Less Return to Towns	254,155.41	256,179.49	(2,024.08)
Net Income (Loss)	\$ 339,772.41	\$ 462,600.85	\$ (122,828.44)

Income Statement Detail Operating Revenue

January 1, 2009 to December 31, 2009

Sales to Residential Consumers	\$ 8,318,126.35
Sales to Commercial Consumers	2,394,651.04
Sales to Power Consumers	14,310,285.88
Private Property Lighting Sales	83,098.80
Municipal Sales...	
Hudson Street Lights	168,588.90
Hudson Municipal Buildings	82,862.67
Hudson Municipal Power	454,899.96
All Electric Municipal Buildings	272,951.45
Stow & Berlin Street Lights	7,615.54
Stow, Maynard & Other Municipal Service	103,113.57
Sales for Resale	-
Total Revenue from Sales of Electricity	\$ 26,196,194.16
Power Adjustment Charges...	
Residential Sales	\$ 4,927,217.12
Commercial Sales	1,391,044.87
Power Sales	14,813,527.84
Private Property Lighting	36,648.08
Municipal Power Adjustment Charges...	
Street Lighting Stow et al	-
Municipal Power Hudson	397,638.60
Municipal Commercial Hudson	48,484.97
Municipal Power Stow et al	62,481.08
Municipal Commercial Stow et al	7,920.11
Municipal All Electric	192,312.59
Miscellaneous Electric Sales	(3,057,810.57)
Total Power Adjustment Charges	\$ 18,819,464.69
Total Revenue From Sale of Electricity	\$ 45,015,658.85
Other Income...	
Other Electric Revenues (RCS, etc.)	\$ 401,546.69
Total Income	\$ 45,417,205.54

Income Statement Detail Expenses

January 1, 2009 to December 31, 2009

Production

Nuclear Power Generation

Operation Supervision	\$ 30,949.00
Fuel	46,237.61
Coolants and Water	2,504.00
Steam Expenses	6,477.00
Electric Expenses	-
Miscellaneous Nuclear Power Expenses	53,912.33
Maintenance Supervision	12,834.00
Maintenance of Structures	6,807.00
Maintenance of Reactor Plant Equipment	27,165.00
Maintenance of Electric Plant	6,870.00
Maintenance of Miscellaneous Nuclear Power	3,248.00
Total Nuclear Power Production Expenses	\$ 197,003.94

Other Power Generation...

Operation Supervision	\$ 43,641.94
Fuel Oil	18,332.72
Fuel Natural Gas	11,505.75
Generation Expense	81,552.53
Generation Expense-Lube	5,023.43
Miscellaneous Other Power Generation Expenses	158,409.96
Maintenance Supervision	43,325.58
Maintenance of Structures	98,412.97
Maintenance of Generation and Electric Plant	70,426.42
Maintenance of Miscellaneous Generation Plant	5,795.18
Total Other Production Expenses	\$ 536,426.48

Purchased Power Expenses...

Purchased Power-Entitlement	\$ 25,266,219.44
Purchased Power-ISO	9,560,022.89
System Control and Load Dispersion	8,165.97
Other Expenses Purchase Power	-
Total Purchased Power	\$ 34,834,408.30

Distribution Expenses...

Operation Supervision and Engineering	\$ 45,995.94
Station Expenses	158,791.11
Overhead Line Expenses	4,727.76
Underground Line Expenses	-
Street Lighting & Signal Expenses	15,082.54
Meter Expenses	171,345.36

Income Statement Detail Expenses (continued)

Distribution Expenses (cont.) ...	
Customer Installation Expense	25,878.90
Miscellaneous Distribution Expenses	34,079.97
Rents	-
Maintenance of Supervision and Engineering	45,864.03
Maintenance of Station Equipment	6,646.68
Maintenance of Overhead Lines	576,936.82
Maintenance of Underground Line	17,313.43
Maintenance of Line Transformer	7,446.92
Maintenance of Street Lighting	4,282.37
Maintenance of Meters	-
Maintenance of Miscellaneous Distribution Plant	57.00
Total Distribution Expenses	\$ 1,114,448.83
Transmission Expense	\$ 4,328,686.23
General...	
Supervision	\$ 18,729.26
Meter Reader Expenses	25,268.74
Customer Records and Collection Expenses	393,160.00
Advertising Expense	2,958.59
Miscellaneous Sales Expense (RCS)	41,927.84
Administrative and General Salaries	563,781.29
Office Supplies and Expenses	16,696.59
Administrative Expenses Transferred	-
Outside Services Employed	160,731.12
Property Insurance	41,888.96
Injuries and Damages	152,052.23
Employee Pension and Benefits	1,588,959.92
Regulatory Commission Expenses	-
General Advertising Expense	1,509.48
Miscellaneous General Expenses	37,642.22
Maintenance of General Plant	77,667.73
Transportation Expenses	91,162.35
Depreciation Expense	698,442.48
Total General and Depreciation Expenses	\$ 3,912,578.80
Real Estate and Other Taxes	\$ 22,475.22
Total Operation Expenses	\$ 44,946,027.80

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 Telecommunications and Energy 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 \$888,429.26 was transferred to the fund.

Rate Stabilization Trust: The Municipal Light Board has established this Trust to fund municipal power supply costs for which the Department is presently obligated to make under Power Supply Agreements, so as to eliminate or reduce 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. Throughout 2009, \$500,000 was

transferred into the Trust and no funds were transferred out of the Trust.

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	253,313.27	10,406,375
MMWEC- Wyman #4	178,944.02	670,192
MMWEC - Nuclear Mix #1	628,646.08	6,163,153
MMWEC - Millstone #3	460,750.40	5,326,457
MMWEC - Seabrook #4	1,620,421.27	16,158,760
MMWEC - Seabrook #5	198,236.74	1,799,725
MMWEC - Seabrook #6	15,273,762.41	122,361,212
Taunton - Cleary #9	539,532.76	1,320,557
Integrlys	3,345,619.20	48,180,000
Nextera	3,324,420.00	48,180,000
Morgan Stanley Capital	1,020,498.00	19,416,000
	<hr/> 26,844,144.15	<hr/> 279,982,431
ISO-NE	<hr/> 9,560,022.89	<hr/> 114,627,083
Total	<hr/> <hr/> 36,404,167.04	<hr/> <hr/> 394,609,514

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 Participants' share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participants' 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, an indirect subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit No. 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 No. 2 nuclear unit. The operating license for the Millstone Unit No. 3 nuclear unit was extended 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 the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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.

Seven municipal light plants that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot

predict the outcome of the arbitration demand, but in the opinion of MMWEC Management, it will not have a material adverse effect on the financial position of MMWEC.

As of December 31, 2009, total capital expenditures for MMWEC's Projects amounted to \$1,566,416,000, of which \$169,365,000 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 System Revenue Bonds totaling \$502,245,000, of which \$60,228,000 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, 2009, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$573,581,000, of which \$70,068,000 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, 2009, and estimated for future years is shown below.

		ANNUAL COSTS
For the years ending December 31,		
	2010	9,288,000
	2011	9,260,000
	2012	9,220,000
	2013	9,091,000
	2014	9,004,000
	2015 to 2019	<u>24,205,000</u>
Total	\$	<u><u>70,068,000</u></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 \$18,704,000 and \$17,938,000 for the years ended December 31, 2009 and 2008, respectively.

Statement of Changes in Financial Position

January 1, 2009 to December 31, 2009

Funds were provided from . . .

Operations . . .

Net Income	\$	593,927.82
Miscellaneous Credits to Surplus		-
Return of Investment		7,801.47

Total Funds Provided

\$ 601,729.29

Funds were used for . . .

Increase (Decrease) to Utility Plant	\$	(260,612.84)
Miscellaneous Debits to Surplus		393,572.90
Return to Town of Hudson		225,000.00
Return to Town of Stow		29,155.41
Decrease (Increase) in Deferred Credits		-

Total

\$ 387,115.47

Increase (Decrease) in Working Capital

\$ 214,613.82

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

Cash	\$	2,569,353.22
Receivables		(95,024.25)
Materials and Supplies		(13,396.70)
Prepayments		165,383.01
Interest Receivable		-
Accrued Utility Revenues		-
Miscellaneous Deferred Debits		(1,631,009.52)
Miscellaneous Accrued Liabilities		(428,473.39)
Accounts Payable		(350,780.92)
Injury Reserve		-
Taxes Payable		(1,437.63)

Total

\$ 214,613.82

Receipts and Expenditures

Cash Balance -- January 1, 2009 \$ 6,643,664.87

Receipts...	Received	
Residential Sales	\$ 13,738,833.77	
Commercial Sales	3,406,362.62	
Industrial Sales	29,363,993.85	
Street Lighting	172,798.61	
Yard Lighting	123,491.09	
Municipal Sales	1,737,785.16	\$ 48,543,265.10
Consumer Deposits	229,707.07	
Int. on Consumers' Deposits	6,420.06	
Int. on Invested Funds	126,891.74	
Rate Stabilization Trust	-	
Sundry Revenues	580,475.01	
Total Receipts	580,475.01	\$ 49,486,758.98

Expenditures...	Paid Out	
Returned to Towns	\$ 254,155.41	
Consumers' Deposits Refunded	135,961.21	
Consumers' Deposits Interest Paid	7,045.65	
Payrolls	2,619,363.49	
Inv. for Supplies, Serv., etc.	42,700,683.54	
Rate Stabilization Trust	500,000.00	
Employees' Retirement Trust	700,196.46	
Total Expenditures	700,196.46	\$ 46,917,405.76

Cash Balance -- December 31, 2009 \$ 9,213,018.09

Revenue from Sale of Electricity

January 1, 2009 to December 31, 2009

	HUDSON	STOW	OTHER	TOTAL
Res. Service "A"	\$ 4,366,092.36	\$ 1,529,920.24	\$ 45,220.59	\$ 5,941,233.19
Res. Wtr. Heater "E"	625,461.33	590,488.97	46,288.42	1,262,238.72
All Elec. Service "F"	834,787.89	271,660.19	8,206.36	1,114,654.44
Com. Htg. & Air Cond.	465.59	1,263.13		1,728.72
Com. Service "C"	1,850,689.56	533,629.30	8,603.46	2,392,922.32
Large Power "D"	13,576,707.65	733,578.23		14,310,285.88
Municipal All Elec.			272,951.45	272,951.45
Municipal Service "C"	82,862.67	14,197.16	717.77	97,777.60
Municipal Power "D"	454,899.96	88,198.64		543,098.60
Street Lighting	168,588.90	7,567.36	48.18	176,204.44
Yard Lighting	73,124.99	9,278.36	695.45	83,098.80
Power Adjustment Charges...				
Res. Service "A"	2,467,565.25	901,429.50	42,467.56	3,411,462.31
Res. Wtr. Heater "E"	380,776.49	365,791.02	28,616.78	775,184.29
All Elec. Service "F"	553,514.89	181,580.29	5,475.34	740,570.52
Com. Htg. & Air Cond.	257.35	898.51		1,155.86
Com. Service "C"	1,074,913.46	310,325.53	4,650.02	1,389,889.01
Large Power "D"	14,265,867.75	547,660.09		14,813,527.84
Municipal All Elec.	-		192,312.59	192,312.59
Municipal Service "C"	48,484.97	7,772.26	147.85	56,405.08
Municipal Power "D"	397,638.60	62,481.08		460,119.68
Street Lighting	-			-
Yard Lighting	32,045.31	4,330.36	272.41	36,648.08
Total Rev. Each Zone	\$ 41,254,744.97	\$ 6,162,050.22	\$ 656,674.23	\$ 48,073,469.42
 Misc. Electric Sales				 \$ (3,057,810.57)
 Total Revenue from Sale of Electricity				 \$ 45,015,658.85
 Res. Service "A"	 \$ 9,352,695.50			
Res. Service "E" Wtr Htr	2,037,423.01			
All Elec. Service "F"	1,855,224.96			
Com. Htr. & Air. Cond	2,884.58			
Com. Service "C"	3,782,811.33			
Large Power "D"	29,123,813.72			
Municipal All Elec.	465,264.04			
Municipal Service "C"	154,182.68			
Municipal Power "D"	1,003,218.28			
Street Lighting	176,204.44			
Yard Lighting	119,746.88			
Total	\$ 48,073,469.42			

Statistics Kilowatt-hours Generated, Purchased, Sold and Used

January 1, 2009 to December 31, 2009

Kilowatt-hours Generated	7,077,024
Kilowatt-hours Purchased	394,609,514
Total Generated & Purchased	<u>401,686,538</u>

	HUDSON	STOW	OTHER AREAS
Kilowatt-hours Sold...			
Residence Service "A"	47,338,435	17,298,222	813,412
Service "E" (wtr htr)	7,283,913	7,015,391	547,665
All Electric Service "F"	10,418,344	3,427,389	103,075
Htg. and Air Cond. for Business	4,486	14,940	0
Commercial Service "C"	18,577,223	5,338,248	80,532
Large Power "D"	245,359,839	9,452,234	0
Departmental Usage	232,623	0	0
Municipal All Electric	0	0	3,618,600
Municipal Service "C"	829,061	133,519	2,535
Municipal Power "D"	6,840,616	1,068,540	0
Street Lighting	1,212,770	54,955	350
Yard Lighting	553,314	74,769	4,704
	<u>338,650,624</u>	<u>43,878,207</u>	<u>5,170,873</u>
Total Kilowatt-hours Each Zone			
Total Kilowatt-hours distributed			387,699,704
Kilowatt-hours sold for resale			0
Kilowatt-hours used at Station and misc.			1,207,666
Kilowatt-hours lost in Station & Transmission			4,887,982
Kilowatt-hours lost in Distribution Lines			<u>7,891,186</u>
Total			<u>401,686,538</u>

Percent lost in Distribution Lines	1.9645%
Percent lost in Station and Transmission Lines	1.5175%

Five-Year Comparative Electric Sales Data

	2009	2008	2007	2006	2005
Customers...					
Residential	10550	10509	10459	10321	10,011
Commercial	1322	1318	1311	1326	1,502
Industrial	157	155	154	160	159
Municipal	126	121	118	110	118
Others	169	167	169	173	171
Total	<u>12324</u>	<u>12270</u>	<u>12211</u>	<u>12090</u>	<u>11,961</u>
Kilowatt-hour Sales...					
Residential	94,245,846	95,538,477	96,412,895	94,005,391	97,101,175
Commercial	24,015,429	24,474,536	25,348,941	24,362,304	23,656,080
Industrial	254,812,073	266,829,082	274,485,846	262,152,611	249,677,652
Municipal	13,760,946	14,713,567	14,065,648	14,926,790	15,588,107
Other	632,787	635,138	639,792	642,450	656,189
Total	<u>387,467,081</u>	<u>402,190,800</u>	<u>410,953,122</u>	<u>396,089,546</u>	<u>386,679,203</u>
Revenues Billed...					
Residential	13,245,343.48	12,827,872.72	12,368,713.69	\$ 11,620,589.65	\$ 10,679,996.77
Commercial	3,785,695.91	3,618,204.57	3,618,701.82	3,260,120.98	2,898,398.14
Industrial	29,123,813.72	29,350,680.35	28,343,623.13	26,376,165.53	21,697,139.31
Municipal	1,622,665.00	1,748,994.59	1,666,306.12	1,572,952.16	1,441,973.72
Other	295,951.31	249,602.24	237,132.81	223,718.71	202,638.90
Total*	<u>\$ 48,073,469.42</u>	<u>\$ 47,795,354.47</u>	<u>\$ 46,234,477.57</u>	<u>\$ 43,053,547.03</u>	<u>\$ 36,920,146.84</u>

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

Consumer Statistics December 31, 2009

Hudson

Hudson Residential Consumers	7,833
Hudson Commercial Consumers	981
Hudson Power Consumers	138
Hudson Municipal Consumers	231
Total Hudson Consumers	<u>9,183</u>

Stow and Maynard

Stow Residential Consumers	2,586
Stow Commercial Consumers	331
Stow Power Consumers	19
Stow and Maynard Municipal Consumers	57
Total Stow and Maynard Consumers	<u>2,993</u>

Boxboro, Bolton, Berlin, Marlboro, etc.

Boxboro, Bolton, Berlin, Marlboro, Etc. Residential Consumers	131
Boxboro, Bolton, Berlin, Marlboro, Etc. Commercial Consumers	10
Boxboro, Bolton, Berlin, Marlboro, Etc. Municipal Consumers	7
Total Boxboro, Bolton, Berlin, Marlboro, Etc. Consumers	<u>148</u>

Total Consumers on the System

12,324

Employee Retirement Trust Fund

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

Balance of Retirement Trust as of January 1, 2009		\$	10,121,709.46
Cash transferred to HLPD Retirement Trust Fund		\$	694,428.20
Gain on Sales		\$	5,768.26
Interest, dividends and Principal received		\$	316,074.90
Total Additions to the Fund		\$	1,016,271.36
Payments to the Town of Hudson		\$	888,429.26
Loss on Sales		\$	64,847.08
Total Reductions to the Fund		\$	953,276.34
Balance of Retirement Trust as of December 31, 2009		\$	10,184,704.48
Avidia Bank Money Market		0.90% \$	247,958.66
Morgan Stanley Money Funds		0.01% \$	335,733.83
MSILF Money Market		0.10% \$	4,665.19
Avidia Bank	CD	1.85% \$	911,129.15
Avidia Bank	CD	2.65% \$	1,312,743.96
Avidia Bank	CD	1.25% \$	696,139.84
Avidia Bank	CD	3.00% \$	617,180.08
Avidia Bank	CD	4.40% \$	617,494.49
Avidia Bank	CD	4.40% \$	628,645.07
Federal National Mortgage Association		5.22% \$	525,941.24
GNMA		10.00% \$	242.48
GNMA		11.00% \$	252.27
JP Morgan Chase		2.63% \$	187,631.85
Wells Fargo		3.00% \$	190,331.25
Flagstar Bank	CD	2.50% \$	240,000.00
CDS on DJI JPM	CD	0.00% \$	100,000.00
World Financial	CD	2.60% \$	200,000.00
Citizens Bank	CD	2.55% \$	45,000.00
Urban Trust Bank	CD	2.35% \$	240,000.00
Federated GNMA		4.30% \$	873,000.00
Equity Securities (Market Value \$ 2,367,324.07)		\$	2,210,615.12
Total		\$	10,184,704.48

Trustees, Hudson Light and Power Department Employee Retirement Trust Fund,

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

Joseph J. Marinelli, Member

Rate Stabilization Trust Fund

The purpose of this Trust is to fund power supply costs for which the Department is presently obligated to make under Power Supply Agreements, so as to eliminate or reduce power supply costs and other presently ascertainable obligations, in order to remain competitive within the electric industry and for other power supply-related issues which the Trustees designate by vote.

Balance of the Rate Stabilization Trust as of January 1, 2009		\$ 7,196,867.29
Interest, Dividends and Principal Received		\$ 253,987.93
Gain on Sales		\$ 2,608.52
Transfers from Operations Cash		\$ 500,000.00
Total Additions to the Fund		<u>\$ 756,596.45</u>
Loss on Sales		\$ 17,731.50
Total Reductions to the Fund		<u>\$ 17,731.50</u>
Balance of the Rate Stabilization Trust as of December 31, 2009		<u><u>\$ 7,935,732.24</u></u>
Avidia Bank Money Market	1.04 %	1,458,819.82
Morgan Stanley Money Funds	0.01 %	67,871.41
Avidia Bank	CD 2.45 %	863,513.73
Avidia Bank	CD 4.10 %	572,673.92
Avidia Bank	CD 2.00 %	521,272.49
Avidia Bank	CD 4.10 %	1,129,401.06
Avidia Bank	CD 2.90 %	512,467.49
Avidia Bank	CD 1.85 %	604,412.12
JP Morgan TLGP	2.56 %	343,987.35
Wells Fargo TLGP	2.89 %	348,936.25
Federated GNMA	4.34 %	740,000.00
Equity Securities (Market Value \$ 818,812.63)		772,376.60
Total		<u><u>\$ 7,935,732.24</u></u>

Trustees, Hudson Light and Power Department Rate Stabilization Trust Fund,

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

Joseph J. Marinelli, Member