

Hudson Light and Power Department 2012 Annual Report

A MESSAGE FROM THE BOARD

The economic recession continued during 2012, and its impact was felt across the nation as unemployment rose and the term “underwater” as it refers to mortgages was officially added to the Webster Dictionary. According to the US Bureau of Labor Statistics, the national unemployment rate average for 2012 was 8.1% - a sharp contrast to the 4.6% average five years earlier. The US Census Bureau reported that home ownership during 2012 hit a 15-year low of 65.4%. These economic conditions have also impacted Hudson Light and Power Department.

A normal reaction during tight fiscal times is to economize, as people and businesses scrutinize their budgets. This often translates into reduced electric consumption. Hudson Light and Power Department saw its electric load reduced considerably during 2012. Despite an increase in number of customers over the past five years, kilowatt-hour sales declined almost 16% during the same period; due mainly to a reduction in usage in the industrial sector.

Despite these challenges we were able to navigate through 2012 without increasing rates. In fact good power purchasing planning paid off, and we were able to reduce the power adjustment charge after beneficial contracts were signed.

The year 2012 was not just challenging financially for the Hudson Light and Power Department, but was also one in which we lost a vital resource when Edward Brown of Stow stepped down from his position as Stow’s Advisory Representative. Mr. Brown worked tirelessly to facilitate communication between the Town of Stow and this Board. His efforts not only promoted our understanding of Stow’s unique concerns, but were also instrumental in helping Hudson Light to explain the complex business of utility planning to our customers. As the first Stow resident to serve as Advisory Member to the Light Board, Mr. Brown’s knowledge of the utility industry, understanding of our requirements and dedication to the customers in Stow have proven invaluable. Our utility as a whole has benefitted from his vast expertise.

On behalf of our customers and employees of the Hudson Light and Power Department we thank Mr. Brown for his dedication and service, and wish him well in his future endeavors.

Hudson Municipal Light Board

Paul Huehmer, **Chairman** *Roland L. Plante*, **Clerk**
Joseph J. Marinelli, **Member**

MANAGER'S REPORT

COMPETITIVE RATES

Good planning strategies and beneficial power contracts signed in 2011 allowed the Department to reduce its Power Adjustment Charge by \$0.003 in February 2012. Despite a reduction in load in 2012, the Department was able to end the year without a rate increase.

CONTINUED GROWTH

During 2012, the system's peak demand was 77.6 Megawatts (MW). Over the past 10 years, the number of customers grew 11%, with electric usage up 4%. In 2012, the Department supported the expansion and construction of multiple housing and commercial projects in Hudson, including Westridge Housing Complex, Assabet Village, Deer Path, the new David J. Quinn Elementary School and Mulready Elementary School, Market Basket at Highland Commons, the Houghton Street Bridge and Washington Street widening. In addition, work was done in Hudson for extensions on Bush Road, Forbes Road, Exeter Road and Julian Lane, upgrades on Lake Shore Drive, Patterson Lane and Dudley Road. In Berlin, we worked on the Dudley Road Housing Development. In Stow, new areas of growth included the Villages at Stow Housing Complex, Dunster Drive, Sylvan Drive and the new Center School; upgrades were performed for Boon Road, parts of Sudbury Road and Russell Lane.

RELIABILITY

During 2012, customers continued to enjoy reliable, quality electric service. Number of incidents of service interruptions per customer during non-catastrophic events was much lower than national average.

The Department was particularly proud of the speed with which power was restored when Hurricane Sandy visited the area in October. Our year-round line maintenance and tree trimming programs played a major role in the reliability of our system. Crews rode out the lines looking for possible problems before Sandy barreled up the East Coast leaving its path of destruction. Our preparation paid off, and we were able to limit outages to about 3% of the system. Employees worked tirelessly to restore service and to keep customers and local officials informed. In about 24 hours, power to all major areas had been restored. We greatly appreciate the mutual aid from Kennebunk and Boylston Light Departments, who sent crews to help us get the power back on. We also thank local town safety and public works departments who were only a phone call away whenever we needed help.

CONSERVATION

The Department heightened promotion of its Renewable Energy and Energy Conservation Incentive Program (REECIP) during 2012. Funded with the monthly REECIP charge of \$0.005 per kilowatt-hour (kWh), the program offers residential and commercial solar incentives, commercial energy audits and rebates. REECIP was developed as an alternative to the state program, which collects monies for programs involving renewable energy. The local program's benefits are that all funds are earmarked for Hudson Light customers, and program flexibility to meet changing needs. During 2012, a total of \$49,675 was awarded in subsidies and incentives.

The Residential Conservation Service (RCS) charge for 2012-13 was set at \$0.54 per month. The charge supports appliance rebates, energy hotline, free home energy audits, electric usage analyses, energy efficient light bulb program, appliance rebate program and the loan of appliance test meters. During 2012, \$21,102 was credited to customer accounts in the form of appliance rebates, 284 light bulbs were sold at a subsidized cost, and \$12,775 in free residential energy audits were performed.

REDUCING OUR “CARBON FOOTPRINT”

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

In 2012, we recycled 8,024 pounds of transformers, capacitors and insulating oil, approximately 2,700 pounds of paper, approximately 39,900 pounds of scrap metal, and all fluorescent and mercury vapor lamps.

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

Approximately 2.6% of Hudson Light’s energy comes from hydroelectric power plants.

During 2012, Hudson Light obtained approximately 70% 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 large-scale solar project within our service territory.

CHERRY STREET GENERATING STATION

The Cherry Street Generating Station provides approximately 15 MW of peak shaving capability and is used for emergencies. In 2012, the Station produced 249,118 kilowatt-hours (kWh), which includes 2,854 kWh from our solar panels installation. The generating units participate in the wholesale Forward Capacity Market (FCM) to support the New England grid in times of capacity shortages. HLPD received compensation credits in the FCM worth approximately \$583,000 in 2012.

SAFETY TRAINING

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

COMMUNITY INVOLVEMENT

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

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

Hudson Light was pleased to continue its assistance to the Organization for the Assabet River (OAR) with the clean-up effort of the Assabet River during 2012. The HLPD team provided river access and transportation.

A PERSONAL NOTE

The Department bade farewell to two long-time employees who retired during 2012. Distribution Superintendent William Gould retired after 29 years of service. Bill, who started his career as a line worker and advanced through the ranks to Distribution Superintendent in 1994, was replaced by long-time Hudson Light employee Kevin Kittredge. Power Station Superintendent Daniel Murphy retired after 36 years of service. Dan, who worked at the Cherry Street Generating Station as an oiler, mechanic and operator before becoming its Superintendent in 1997, was replaced by long-time employee Emanuel Chaves.

The Department was saddened to learn of the passing of former employees Robert J. Farquharson and Pasquale J. DelSignore. "Bob" Farquharson worked at the Department's Generating Station for 32 years and was the plant's Superintendent before retiring in 1987. "Pat" DelSignore served the Meter Department for 21 years before retiring in 1993. The Department extends its deepest condolences to the families and friends of both former employees.

On behalf of the Department, I would like to thank the Hudson Municipal Light Board for its continued support and guidance. I also commend the employees of the Hudson Light and Power Department for their dedication and commitment to the highest quality service possible to 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 - 2013

| | | |
|--|-----------|-------------------|
| From Sales to Municipal Customers | \$ | 1,496,432 |
| From Sales to Domestic Customers | | 13,097,779 |
| From Sales to Commercial Customers | | 3,602,689 |
| From Sales to Power Customers | | 18,208,167 |
| From Street Lights: Stow and Other Communities | | 6,269 |
| Hudson | | 136,790 |
| Total Income | \$ | 36,548,126 |

Estimated Expenditures - 2013

| | | |
|--|-----------|-------------------|
| Production, Generation, Purchased Power* | \$ | 31,076,415 |
| Distribution and Transmission | | 1,780,302 |
| General | | 2,419,303 |
| Depreciation | | 756,000 |
| Total Expenditures | \$ | 36,032,020 |

The estimated cost of electricity to be used by the Town of Hudson for all purposes for the year ending June 30, 2013 is: \$ 1,150,000

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

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

Respectfully submitted,

Yakov D. Levin, General Manager

DEFINITIONS

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

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

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

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

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

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

Deferred Liabilities: Advance billings for services rendered, etc.

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

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

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

COMPARATIVE BALANCE SHEET

ASSETS

| | 2012 | 2011 | Increase (Decrease) |
|---|--------------------------------|--------------------------------|-------------------------------|
| Electric Utility Plant (Net)... | | | |
| Intangible Plant | \$ 3,871.33 | \$ 3,871.33 | - |
| Production Plant in Service | 707,507.56 | 835,006.44 | (127,498.88) |
| Nuclear Fuel | 77,855.30 | 121,721.45 | (43,866.15) |
| Transmission Plant in Service | 1,480,278.23 | 1,567,429.46 | (87,151.23) |
| Distribution Plant in Service | 4,068,899.14 | 3,925,771.68 | 143,127.46 |
| General Plant in Service | 1,001,099.97 | 1,031,152.50 | (30,052.53) |
| Construction Work In Progress | 503,529.71 | 570,821.51 | (67,291.80) |
| Total Utility Plant In Service | <u>\$ 7,843,041.24</u> | <u>\$ 8,055,774.37</u> | <u>\$ (212,733.13)</u> |
| Other Property & Investments... | | | |
| Investments in Assoc. Companies | \$ 22,594.21 | \$ 30,628.59 | (8,034.38) |
| Other Investments | - | - | - |
| Total Other Property & Investments... | <u>\$ 22,594.21</u> | <u>\$ 30,628.59</u> | <u>\$ (8,034.38)</u> |
| Cash Assets... | | | |
| Operation Cash | \$ 3,922,420.16 | \$ 4,589,415.29 | (666,995.13) |
| Miscellaneous Cash | 1,773,334.09 | 1,484,620.34 | 288,713.75 |
| Depreciation Fund Investment | 5,773,024.94 | 5,308,050.47 | 464,974.47 |
| Insurance Escrow Reserve | 69,755.71 | 69,334.73 | 420.98 |
| Petty Cash | 500.00 | 500.00 | - |
| Deposit Interest Account | 169,255.02 | 168,855.26 | 399.76 |
| Customer Deposits Account | 746,869.32 | 598,897.45 | 147,971.87 |
| Total Cash Balances | <u>\$ 12,455,159.24</u> | <u>\$ 12,219,673.54</u> | <u>\$ 235,485.70</u> |
| Other Current and Accrued Assets... | | | |
| Customer Account Receivables | \$ 3,711,729.66 | \$ 4,161,039.11 | (449,309.45) |
| Other Accounts Receivables | 38,666.80 | 352,729.03 | (314,062.23) |
| Material and Supplies | 1,125,197.53 | 1,158,151.96 | (32,954.43) |
| Prepayments | 996,140.37 | 1,181,207.24 | (185,066.87) |
| Int. & Dividends Receivable | - | - | - |
| Accrued Utility Revenues | - | - | - |
| Misc. Current & Accrued Assets | - | - | - |
| Total Other Current & Accrued Assets | <u>\$ 5,871,734.36</u> | <u>\$ 6,853,127.34</u> | <u>\$ (981,392.98)</u> |
| Deferred Assets... | | | |
| Preliminary Survey Charges | \$ - | \$ - | - |
| Misc. Deferred Debits | - | - | - |
| Total Deferred Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Assets | <u><u>\$ 26,192,529.05</u></u> | <u><u>\$ 27,159,203.84</u></u> | <u><u>\$ (966,674.79)</u></u> |

EQUITY AND LIABILITIES

| | 2012 | 2011 | Increase (Decrease) |
|--|-------------------------|-------------------------|------------------------|
| Equity... | | | |
| Loans Repayment | \$ 1,925,000.00 | \$ 1,925,000.00 | \$ - |
| Invested by Town | 20,093.39 | 20,093.39 | \$ - |
| Retained Earnings | <u>17,555,690.31</u> | <u>17,553,246.41</u> | <u>\$ 2,443.90</u> |
| Total | <u>\$ 19,500,783.70</u> | <u>\$ 19,498,339.80</u> | <u>\$ 2,443.90</u> |
| Current & Accrued Liabilities... | | | |
| Accounts Payable | \$ 1,652,362.86 | \$ 1,703,388.18 | \$ (51,025.32) |
| Customer Deposits | 746,869.32 | 598,897.45 | \$ 147,971.87 |
| Customer Deposits-Interest | 169,255.02 | 168,855.26 | \$ 399.76 |
| Tax Collections Payable | 26,691.76 | 25,847.70 | \$ 844.06 |
| Accrued REECIP Liability | 299,314.82 | 178,578.79 | \$ 120,736.03 |
| Accrued RCS Liability | 60,535.30 | 26,024.35 | \$ 34,510.95 |
| Misc. Current & Accrued Liabilities | 318,061.94 | 1,108,766.68 | \$ (790,704.74) |
| Customer Advances for Construction | 64,234.26 | 162,895.30 | \$ (98,661.04) |
| Total Current & Accrued Liabilities | <u>\$ 3,337,325.28</u> | <u>\$ 3,973,253.71</u> | <u>\$ (635,928.43)</u> |
| Deferred Credits... | | | |
| Misc. Deferred Credits | \$ - | \$ - | \$ - |
| Deferred Credit-Power Adj Charge | <u>1,438,179.93</u> | <u>1,889,582.36</u> | <u>\$ (451,402.43)</u> |
| Total Deferred Credits | <u>\$ 1,438,179.93</u> | <u>\$ 1,889,582.36</u> | <u>\$ (451,402.43)</u> |
| Contributions in aid of Construction... | | | |
| Total Contributions in aid of Construction... | <u>\$ 1,916,240.14</u> | <u>\$ 1,798,027.97</u> | <u>\$ 118,212.17</u> |
| | <u>\$ 1,916,240.14</u> | <u>\$ 1,798,027.97</u> | <u>\$ 118,212.17</u> |
| Total Equity & Liabilities | <u>\$ 26,192,529.05</u> | <u>\$ 27,159,203.84</u> | <u>\$ (966,674.79)</u> |

STATEMENT OF EQUITY

| | |
|--|-------------------------|
| Retained Earnings on January 1, 2012 | \$ 17,215,093.34 |
| Net Income or (Loss) | 601,183.47 |
| Miscellaneous Credits to Retained Earnings | - |
| Total | <u>\$ 17,816,276.81</u> |
| Appropriation of Retained Earnings Returned to Towns | \$ 260,586.50 |
| Miscellaneous Debits to Retained Earnings | - |
| Total | <u>\$ 260,586.50</u> |
| Total Retained Earnings on December 31, 2012 | <u>\$ 17,555,690.31</u> |

COMPARATIVE INCOME STATEMENT

OPERATING STATEMENT

| | 2012 | 2011 | Increase (Decrease) |
|---|-----------------------------|-----------------------------|-------------------------------|
| Operating Revenue | \$ 40,106,047.33 | \$ 44,065,187.99 | \$ (3,959,140.66) |
| Operating Expense... | | | |
| Production | \$ 784,769.19 | \$ 768,938.73 | \$ 15,830.46 |
| Purchased Power Expense | 28,473,113.56 | 31,161,087.05 | (2,687,973.49) |
| Transmission Expenses | 5,045,803.94 | 5,081,981.42 | (36,177.48) |
| Distribution Expenses | 1,173,065.33 | 1,332,276.95 | (159,211.62) |
| General Expenses | 3,314,323.11 | 4,321,214.96 | (1,006,891.85) |
| Depreciation | 745,827.27 | 741,230.53 | 4,596.74 |
| Taxes | 24,506.44 | 23,113.86 | 1,392.58 |
| Total Operating Expenses | <u>\$ 39,561,408.84</u> | <u>\$ 43,429,843.50</u> | <u>\$ (3,868,434.66)</u> |
| Net Operating Revenues | \$ 544,638.49 | \$ 635,344.49 | \$ (90,706.00) |
| Other Income... | | | |
| Income From Contract Work | \$ - | \$ - | \$ - |
| Interest & Dividend Income | 56,542.01 | 73,177.74 | (16,635.73) |
| Misc. Nonoperating Income | 117.00 | - | 117.00 |
| Total Other Income | <u>\$ 56,659.01</u> | <u>\$ 73,177.74</u> | <u>\$ (16,518.73)</u> |
| Miscellaneous Income Deductions... | | | |
| Other Income Deductions | <u>\$ 114.00</u> | <u>\$ 119.00</u> | <u>\$ (5.00)</u> |
| Total Income Deductions | \$ 114.00 | \$ 119.00 | \$ (5.00) |
| Inc. Before Interest Charges | \$ 601,183.50 | \$ 708,403.23 | \$ (107,219.73) |
| Interest Charges... | | | |
| Other Interest Expense | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Interest Charges | \$ - | \$ - | \$ - |
| Net Income Before | | | |
| Return to Towns | \$ 601,183.50 | \$ 708,403.23 | \$ (107,219.73) |
| Less Return to Towns | <u>260,586.50</u> | <u>256,353.11</u> | <u>4,233.39</u> |
| Net Income (Loss) | <u><u>\$ 340,597.00</u></u> | <u><u>\$ 452,050.12</u></u> | <u><u>\$ (111,453.12)</u></u> |

INCOME STATEMENT DETAIL

OPERATING REVENUE

January 1, 2012 to December 31, 2012

| | |
|--|-------------------------|
| Sales to Residential Consumers | \$ 8,068,197.98 |
| Sales to Commercial Consumers | 2,091,622.46 |
| Sales to Power Consumers | 10,020,199.87 |
| Private Property Lighting Sales | 91,210.32 |
| Municipal Sales... | |
| Hudson Street Lights | 136,762.32 |
| Hudson Municipal Buildings | 78,040.95 |
| Hudson Municipal Power | 416,113.11 |
| All Electric Municipal Buildings | 212,181.85 |
| Stow & Berlin Street Lights | 6,296.49 |
| Stow, Maynard & Other Municipal Service | 89,990.54 |
| Sales for Resale | - |
| Total Revenue from Sales of Electricity | \$ 21,210,615.89 |
| Power Adjustment Charges... | |
| Residential Sales | \$ 5,057,919.94 |
| Commercial Sales | 1,392,840.40 |
| Power Sales | 11,067,232.66 |
| Private Property Lighting | 33,476.20 |
| Municipal Power Adjustment Charges... | |
| Street Lighting Stow et al | - |
| Municipal Power Hudson | 404,237.66 |
| Municipal Commercial Hudson | 50,894.94 |
| Municipal Power Stow et al | 61,561.24 |
| Municipal Commercial Stow et al | 7,628.88 |
| Municipal All Electric | 172,796.39 |
| Miscellaneous Electric Sales | 464,126.97 |
| Total Power Adjustment Charges | \$ 18,712,715.28 |
| Total Revenue From Sale of Electricity | \$ 39,923,331.17 |
| Other Income... | |
| Other Electric Revenues (RCS, etc.) | \$ 182,716.16 |
| Total Income | \$ 40,106,047.33 |

INCOME STATEMENT DETAIL

EXPENSES

January 1, 2012 to December 31, 2012

Production

Nuclear Power Generation

| | |
|--|--------------|
| Operation Supervision | \$ 35,547.00 |
| Fuel | 59,416.15 |
| Coolants and Water | 3,010.00 |
| Steam Expenses | 6,526.00 |
| Electric Expenses | - |
| Miscellaneous Nuclear Power Expenses | 51,783.00 |
| Maintenance Supervision | 12,054.00 |
| Maintenance of Structures | 6,596.00 |
| Maintenance of Reactor Plant Equipment | 27,320.00 |
| Maintenance of Electric Plant | 5,999.00 |
| Maintenance of Miscellaneous Nuclear Power | 3,431.00 |

Total Nuclear Power Production Expenses \$ 211,682.15

Other Power Generation...

| | |
|---|--------------|
| Operation Supervision | \$ 44,393.99 |
| Fuel Oil | 10,751.88 |
| Fuel Natural Gas | 6,481.39 |
| Generation Expense | 111,958.36 |
| Generation Expense-Lube | 796.50 |
| Miscellaneous Other Power Generation Expenses | 119,963.44 |
| Maintenance Supervision | 44,900.28 |
| Maintenance of Structures | 163,682.49 |
| Maintenance of Generation and Electric Plant | 67,903.26 |
| Maintenance of Miscellaneous Generation Plant | 2,255.45 |

Total Other Production Expenses \$ 573,087.04

Purchased Power Expenses...

| | |
|------------------------------------|------------------|
| Purchased Power-Entitlement | \$ 22,224,347.79 |
| Purchased Power-ISO | 6,239,980.31 |
| System Control and Load Dispersion | 8,785.46 |
| Other Expenses Purchase Power | - |

Total Purchased Power \$ 28,473,113.56

Distribution Expenses...

| | |
|---------------------------------------|--------------|
| Operation Supervision and Engineering | \$ 51,273.77 |
| Station Expenses | 123,022.82 |
| Overhead Line Expenses | 9,605.71 |
| Underground Line Expenses | - |
| Street Lighting & Signal Expenses | 17,392.87 |
| Meter Expenses | 129,653.66 |

INCOME STATEMENT DETAIL

EXPENSES (CONTINUED)

| | |
|---|-------------------------|
| Distribution Expenses (cont.) ... | |
| Customer Installation Expense | 38,749.67 |
| Miscellaneous Distribution Expenses | 48,714.65 |
| Rents | - |
| Maintenance of Supervision and Engineering | 52,430.27 |
| Maintenance of Station Equipment | 3,517.87 |
| Maintenance of Overhead Lines | 606,035.48 |
| Maintenance of Underground Line | 72,922.20 |
| Maintenance of Line Transformer | 11,266.18 |
| Maintenance of Street Lighting | 7,907.96 |
| Maintenance of Meters | 5.30 |
| Maintenance of Miscellaneous Distribution Plant | 566.92 |
| Total Distribution Expenses | \$ 1,173,065.33 |
| Transmission Expense | \$ 5,045,803.94 |
| General... | |
| Supervision | \$ 25,415.68 |
| Meter Reader Expenses | 31,561.54 |
| Customer Records and Collection Expenses | 437,812.80 |
| Advertising Expense | 128.00 |
| Miscellaneous Sales Expense (RCS) | 1,836.26 |
| Administrative and General Salaries | 661,378.45 |
| Office Supplies and Expenses | 11,970.39 |
| Administrative Expenses Transferred | - |
| Outside Services Employed | 62,274.86 |
| Property Insurance | 80,521.96 |
| Injuries and Damages | 101,510.43 |
| Employee Pension and Benefits | 1,689,162.74 |
| Regulatory Commission Expenses | - |
| General Advertising Expense | 3,765.56 |
| Miscellaneous General Expenses | 18,433.38 |
| Maintenance of General Plant | 73,136.01 |
| Transportation Expenses | 115,415.05 |
| Depreciation Expense | 745,827.27 |
| Total General and Depreciation Expenses | \$ 4,060,150.38 |
| Real Estate and Other Taxes | \$ 24,506.44 |
| Total Operation Expenses | \$ 39,561,408.84 |

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 \$607,582.13 was transferred from the Trust Fund as payments to the Town.

Other Post Employee 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 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. In 2012, no funds were used.

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

| | Yearly Cost \$ | Energy kWh |
|-------------------------|-------------------|---------------|
| PASNY- Niagara River | 150,787.79 | 9,156,957 |
| MMWEC- Wyman #4 | 105,281.05 | 168,280 |
| MMWEC - Nuclear Mix #1 | 526,924.63 | 6,313,070 |
| MMWEC - Millstone #3 | 416,387.04 | 5,499,951 |
| MMWEC - Seabrook #4 | 1,415,481.16 | 15,000,842 |
| MMWEC - Seabrook #5 | 166,698.27 | 1,670,758 |
| MMWEC - Seabrook #6 | 13,486,547.18 | 113,592,958 |
| Taunton - Cleary #9 | 606,193.59 | 3,760,132 |
| FPL Energy | 3,265,974.30 | 66,870,000 |
| PPL | 1,665,927.00 | 36,890,000 |
| Solar - Local Customers | 2,929.41 | 55,113 |
| | 21,809,131.42 | 258,978,061 |
| ISO-NE | 6,239,980.31 | 91,009,368 |
| Total | 28,049,111.73 | 349,987,429 |

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, a subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC), and a 4.8% ownership interest in the Millstone Unit No. 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCl), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCl also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit No. 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) (formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 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 & 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. The arbitration has been stayed by agreement of the parties. 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.

Total capital expenditures for MMWEC's Projects amounted to \$1,593,344,000, of which \$172,913,000 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 \$284,005,000, of which \$36,892,000 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, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$289,247,000, of which \$38,505,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Hudson Light & Power Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2012, and estimated for future years is shown below.

| For the years ending December 31, | ANNUAL COSTS |
|-----------------------------------|------------------------------------|
| 2013 | 8,385,000 |
| 2014 | 8,284,000 |
| 2015 | 8,046,000 |
| 2016 | 7,903,000 |
| 2017 | 4,078,000 |
| 2018 to 2021 | <u>1,809,000</u> |
| Total | \$ <u><u>38,505,000</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 \$16,400,000 and \$17,953,000 for the years ended December 31, 2012 and 2011, respectively.

STATEMENT OF CHANGES IN FINANCIAL POSITION

January 1, 2012 to December 31, 2012

Funds were provided from . . .

Operations . . .

| | |
|----------------------------------|-----------------|
| Net Income | \$ 601,183.50 |
| Miscellaneous Credits to Surplus | - |
| Return of Investment | <u>8,034.38</u> |

Total Funds Provided

\$ 609,217.88

Funds were used for . . .

| | |
|---|-----------------------------|
| Increase (Decrease) to Utility Plant | \$ (212,733.13) |
| Miscellaneous Debits to Surplus | 338,153.10 |
| Return to Town of Hudson | 225,000.00 |
| Return to Town of Stow | 35,586.50 |
| Decrease (Increase) in Deferred Credits | <u> </u> |

Total

\$ 386,006.47

Increase (Decrease) in Working Capital

\$ 223,211.41

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

| | |
|-----------------------------------|-----------------|
| Cash | \$ 235,485.70 |
| Receivables | (763,371.68) |
| Materials and Supplies | (32,954.43) |
| Prepayments | (185,066.87) |
| Interest Receivable | - |
| Accrued Utility Revenues | - |
| Miscellaneous Deferred Debits | 431,851.30 |
| Miscellaneous Accrued Liabilities | 487,086.13 |
| Accounts Payable | 51,025.32 |
| Injury Reserve | - |
| Taxes Payable | <u>(844.06)</u> |

Total

\$ 223,211.41

RECEIPTS AND EXPENDITURES

Cash Balance -- January 1, 2012 \$ 12,219,673.54

| | | Received | |
|-----------------------------|----|-----------------|-------------------------|
| Receipts... | | | |
| Residential Sales | \$ | 13,493,867.32 | |
| Commercial Sales | | 3,233,181.51 | |
| Industrial Sales | | 21,768,368.03 | |
| Street Lighting | | 143,406.68 | |
| Yard Lighting | | 129,577.82 | |
| Municipal Sales | | 1,465,218.70 | |
| Consumer Deposits | | 266,830.50 | |
| Int. on Consumers' Deposits | | 5,330.25 | |
| Int. on Invested Funds | | 56,542.01 | |
| Rate Stabilization Trust | | - | |
| Sundry Revenues | | 2,133,745.74 | |
| | | | |
| Total Receipts | | | \$ 42,696,068.56 |

| | | Paid Out | |
|-----------------------------------|----|-----------------|-------------------------|
| Expenditures... | | | |
| Returned to Towns | \$ | 225,000.00 | |
| Consumers' Deposits Refunded | | 140,733.46 | |
| Consumers' Deposits Interest Paid | | 4,930.49 | |
| Payrolls | | 3,045,619.99 | |
| Inv. for Supplies, Serv., etc. | | 35,812,360.67 | |
| Rate Stabilization Trust | | 1,400,000.00 | |
| Employees' Retirement/OPEB Trust | | 1,831,938.25 | |
| | | | |
| Total Expenditures | | | \$ 42,460,582.86 |

Cash Balance -- December 31, 2012 \$ 12,455,159.24

REVENUE FROM SALE OF ELECTRICITY

January 1, 2012 to December 31, 2012

| | HUDSON | | STOW | | OTHER | | TOTAL |
|------------------------------------|-------------------------|-----------|---------------------|-----------|-------------------|-----------|----------------------|
| Res. Service "A" | \$ 4,352,291.73 | \$ | 1,531,719.43 | \$ | 72,242.68 | \$ | 5,956,253.84 |
| Res. Wtr. Heater "E" | 561,454.65 | | 566,868.35 | | 36,218.04 | | 1,164,541.04 |
| All Elec. Service "F" | 705,353.88 | | 234,119.08 | | 7,114.90 | | 946,587.86 |
| Com. Htg. & Air Cond. | 186.51 | | 765.48 | | | | 951.99 |
| Com. Service "C" | 1,645,837.02 | | 439,948.06 | | 4,825.52 | | 2,090,610.60 |
| Large Power "D" | 9,374,881.18 | | 641,113.74 | | 5,289.68 | | 10,021,284.60 |
| Municipal All Elec. | | | | | 212,181.80 | | 212,181.80 |
| Municipal Service "C" | 78,040.95 | | 12,285.85 | | 687.53 | | 91,014.33 |
| Municipal Power "D" | 415,903.52 | | 77,017.18 | | | | 492,920.70 |
| Street Lighting | 136,762.32 | | 6,257.55 | | 38.94 | | 143,058.81 |
| Yard Lighting | 80,269.36 | | 10,179.61 | | 761.35 | | 91,210.32 |
| Power Adjustment Charges... | | | | | | | |
| Res. Service "A" | \$ 2,592,856.45 | | 929,715.18 | | 43,898.33 | | 3,566,469.96 |
| Res. Wtr. Heater "E" | 389,559.44 | | 400,339.60 | | 25,385.52 | | 815,284.56 |
| All Elec. Service "F" | 500,461.39 | | 170,455.83 | | 5,248.20 | | 676,165.42 |
| Com. Htg. & Air Cond. | 58.68 | | 511.34 | | | | 570.02 |
| Com. Service "C" | 1,102,258.38 | | 287,449.14 | | 2,562.86 | | 1,392,270.38 |
| Large Power "D" | 10,492,472.11 | | 571,049.70 | | 3,710.84 | | 11,067,232.65 |
| Municipal All Elec. | | | | | 172,796.40 | | 172,796.40 |
| Municipal Service "C" | 50,894.94 | | 7,465.16 | | 163.72 | | 58,523.82 |
| Municipal Power "D" | 404,237.66 | | 61,561.24 | | | | 465,798.90 |
| Street Lighting | - | | | | | | - |
| Yard Lighting | 29,390.44 | | 3,834.92 | | 250.84 | | 33,476.20 |
| Total Rev. Each Zone | \$ 32,913,170.61 | \$ | 5,952,656.44 | \$ | 593,377.15 | \$ | 39,459,204.20 |

Misc. Electric Sales

464,126.97

Total Revenue from Sale of Electricity

\$ 39,923,331.17

| | |
|--------------------------|-------------------------|
| Res. Service "A" | \$ 9,522,723.80 |
| Res. Service "E" Wtr Htr | 1,979,825.60 |
| All Elec. Service "F" | 1,622,753.28 |
| Com. Htr. & Air. Cond | 1,522.01 |
| Com. Service "C" | 3,482,880.98 |
| Large Power "D" | 21,088,517.25 |
| Municipal All Elec. | 384,978.20 |
| Municipal Service "C" | 149,538.15 |
| Municipal Power "D" | 958,719.60 |
| Street Lighting | 143,058.81 |
| Yard Lighting | 124,686.52 |
| Total | \$ 39,459,204.20 |

STATISTICS
KILOWATT-HOURS GENERATED, PURCHASED, SOLD AND USED

January 1, 2012 to December 31, 2012

| | |
|--|--------------------|
| Kilowatt-hours Generated | 6,584,841 |
| Kilowatt-hours Purchased | <u>349,988,403</u> |
| Total Generated & Purchased | 356,573,244 |

| | HUDSON | STOW | OTHER AREAS |
|---|--------------------|-------------------|--------------------|
| Kilowatt-hours Sold... | | | |
| Residence Service "A" | 50,583,723 | 18,125,370 | 856,165 |
| Service "E" (wtr htr) | 7,597,319 | 7,804,482 | 494,922 |
| All Electric Service "F" | 9,740,192 | 3,315,059 | 102,008 |
| Htg. and Air Cond. for Business | 1,090 | 9,520 | 0 |
| Commercial Service "C" | 20,705,850 | 5,397,338 | 48,128 |
| Large Power "D" | 196,996,263 | 10,731,081 | 69,598 |
| Departmental Usage | 192,313 | | 0 |
| Municipal All Electric | 0 | 0 | 3,366,400 |
| Municipal Service "C" | 7,589,749 | 1,154,900 | 0 |
| Municipal Power "D" | 955,344 | 140,086 | 3,070 |
| Street Lighting | 1,214,870 | 56,219 | 350 |
| Yard Lighting | <u>551,199</u> | <u>71,915</u> | <u>4,704</u> |
| Total Kilowatt-hours Each Zone | 296,127,912 | 46,805,970 | 4,945,345 |
| Total Kilowatt-hours distributed | | | 347,879,227 |
| Kilowatt-hours sold for resale | | | |
| Kilowatt-hours used at Station and misc. | | | 1,086,873 |
| Kilowatt-hours lost in Station & Transmission | | | 7,134,944 |
| Kilowatt-hours lost in Distribution Lines | | | <u>472,200</u> |
| Total | | | 356,573,244 |

| | |
|--|---------|
| Percent lost in Distribution Lines | 0.1324% |
| Percent lost in Station and Transmission Lines | 2.3058% |

| | | |
|-------------|------------|-------------|
| 295,935,599 | 46,805,970 | 347,686,914 |
|-------------|------------|-------------|

FIVE-YEAR COMPARATIVE ELECTRIC SALES DATA

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Customers... | | | | | |
| Residential | 10721 | 10679 | 10635 | 10550 | 10509 |
| Commercial | 1326 | 1328 | 1322 | 1322 | 1318 |
| Industrial | 152 | 156 | 158 | 157 | 155 |
| Municipal | 130 | 127 | 128 | 126 | 121 |
| Others | 170 | 172 | 173 | 169 | 167 |
| Total | <u>12499</u> | <u>12462</u> | <u>12416</u> | <u>12324</u> | <u>12270</u> |
| Kilowatt-hour Sales... | | | | | |
| Residential | 98,619,240 | 100,002,698 | 99,961,153 | 94,245,846 | 95,538,477 |
| Commercial | 26,161,926 | 25,403,628 | 25,091,848 | 24,015,429 | 24,474,536 |
| Industrial | 207,796,942 | 244,231,282 | 258,847,785 | 254,812,073 | 266,829,082 |
| Municipal | 14,480,988 | 14,093,277 | 14,603,081 | 13,760,946 | 14,713,567 |
| Other | 627,818 | 637,063 | 636,981 | 632,787 | 635,138 |
| Total | <u>347,686,914</u> | <u>384,367,948</u> | <u>399,140,848</u> | <u>387,467,081</u> | <u>402,190,800</u> |
| Revenues Billed... | | | | | |
| Residential | 13,125,302.67 | 13,563,574.17 | 13,507,697.55 | 13,245,343.48 | 12,827,872.72 |
| Commercial | 3,484,402.99 | 3,466,663.15 | 3,688,971.19 | 3,785,695.91 | 3,618,204.57 |
| Industrial | 21,088,517.26 | 25,113,191.45 | 26,988,260.42 | 29,123,813.72 | 29,350,680.35 |
| Municipal | 1,637,897.84 | 1,635,464.64 | 1,813,154.49 | 1,798,869.44 | 1,892,066.97 |
| Other | 123,083.44 | 126,350.32 | 119,594.42 | 119,746.87 | 106,529.86 |
| Total* | <u>\$ 39,459,204.20</u> | <u>\$ 43,905,243.73</u> | <u>\$ 46,117,678.07</u> | <u>\$ 48,073,469.42</u> | <u>\$ 47,795,354.47</u> |

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

CONSUMER STATISTICS

December 31, 2011

Hudson

| | |
|-------------------------------|--------------|
| Hudson Residential Consumers | 7,905 |
| Hudson Commercial Consumers | 993 |
| Hudson Power Consumers | 136 |
| Hudson Municipal Consumers | <u>102</u> |
| Total Hudson Consumers | <u>9,136</u> |

Stow and Maynard

| | |
|---|--------------|
| Stow Residential Consumers | 2,683 |
| Stow Commercial Consumers | 320 |
| Stow Power Consumers | 16 |
| Stow and Maynard Municipal Consumers | <u>23</u> |
| Total Stow and Maynard Consumers | <u>3,042</u> |

Boxboro, Bolton, Berlin, Marlboro, etc.

| | |
|--|------------|
| Boxboro, Bolton, Berlin, Marlboro, Etc. Residential Consumers | 133 |
| Boxboro, Bolton, Berlin, Marlboro, Etc. Commercial Consumers | 13 |
| Boxboro, Bolton, Berlin, Marlboro, Etc. Municipal Consumers | <u>5</u> |
| Total Boxboro, Bolton, Berlin, Marlboro, Etc. Consumers | <u>151</u> |

Total Consumers on the System

12,329

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, 2012 | \$ | 12,647,293.34 |
| Cash transferred to HLPD Retirement Trust Fund | \$ | 1,758,900.00 |
| Gain on Sales | \$ | 318,687.01 |
| Interest, dividends and Principal received | \$ | 249,500.51 |
| Total Additions to the Fund | \$ | 2,327,087.52 |
| Payments to the Town of Hudson | \$ | 607,582.13 |
| Loss on Sales | \$ | 358.71 |
| Total Reductions to the Fund | \$ | 607,940.84 |
| Balance of Retirement Trust as of December 31, 2012 | \$ | 14,366,440.02 |

| | | | | |
|-------------------------------|----|----------|----|--------------|
| AVIDIA BANK MONEY MARKET | | 0.26% | \$ | 288,501.51 |
| MORGAN STANLEY MONEY FUNDS | | 0.01% | \$ | 123,374.20 |
| GNMA | | 10.00% | \$ | 242.48 |
| GNMA | | 11.00% | \$ | 252.27 |
| AVIDIA BANK | CD | 1.65% | \$ | 1,503,340.64 |
| PSEG POWER | | 1.86% | \$ | 262,439.68 |
| Federated GNMA | | 4.30% | \$ | 1,807,443.32 |
| AVIDIA BANK CD #101001353 | CD | 1.90% | \$ | 555,148.61 |
| NORTHERN STATES POWER | | 0.96% | \$ | 279,428.96 |
| FLORIDA POWER & LIGHT | | 1.48% | \$ | 270,614.63 |
| NORFOLK SOUTHERN CORP. | | 2.28% | \$ | 238,948.00 |
| AVIDIA BANK | CD | 1.40% | \$ | 412,023.83 |
| VIRGINIA ELECTRIC & POWER | | 1.82% | \$ | 258,006.28 |
| VERIZON COMMUNICATIONS | | 0.67% | \$ | 273,154.25 |
| UNITED COMMUNITY BANK | | 2.25% | \$ | 245,000.00 |
| FED HOME LN BK STEP | | 2.05% | \$ | 700,000.00 |
| WFC Contingent Income | CD | Variable | \$ | 100,000.00 |
| SOUTH CAROLINA ELECTRIC & GAS | | 2.18% | \$ | 273,455.79 |
| JPMorgan EQUITY | CD | Variable | \$ | 150,000.00 |
| CENTURYLINK INC | | 5.15% | \$ | 464,805.55 |
| ALLY BANK | | 2.45% | \$ | 90,000.00 |
| BMW BANK | | 2.35% | \$ | 240,000.00 |
| Cfi Market | CD | Variable | \$ | 247,000.00 |
| Union Bank | CD | Variable | \$ | 270,843.52 |
| Burlington North Sante Fe | | 0.87% | \$ | 254,012.29 |
| FLORIDA POWER & LIGHT | | 1.98% | \$ | 520,330.56 |
| Bellsouth Corp | | 1.14% | \$ | 125,311.20 |
| PSEG POWER LLC | | 2.32% | \$ | 201,665.85 |
| Commonwealth Edison | | 1.88% | \$ | 200,781.90 |
| Bank of America | | 3.32% | \$ | 119,094.10 |
| CONSTELLATION ENERGY GROUP | | 1.97% | \$ | 487,857.45 |
| SOUTHWESTERN ELECTRIC | | 2.37% | \$ | 206,926.54 |
| FPL GROUP CAPITAL | | 1.93% | \$ | 207,575.10 |
| UNION PACIFIC CORP | | 1.77% | \$ | 227,822.02 |

EMPLOYEE RETIREMENT TRUST FUND

(CONTINUED)

| | | | |
|--|-------|----|-----------------------------|
| VERIZON COMMUNICATIONS | 1.36% | \$ | 131,943.27 |
| SBC COMMUNICATIONS | 1.50% | \$ | 382,388.44 |
| VIRGINIA ELECTRIC & POWER | 1.63% | \$ | 218,675.37 |
| Equity Securities (Market Value \$ 2,063,342.61) | | \$ | 2,028,032.41 |
| | | | <hr/> |
| Total | | \$ | <u><u>14,366,440.02</u></u> |

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

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

Joseph J. Marinelli, Member

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

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

| | | |
|---|-----------|------------------------|
| Balance of the Other Post Employment Benefit Trust as of January 1, 2012 | \$ | 903,315.50 |
| Interest, Dividends and Principal Received | \$ | 14,762.95 |
| Transfers from Operations Cash | \$ | 73,039.00 |
| Gain on Sales | \$ | 22,328.28 |
| Total Additions to the Fund | \$ | 110,130.23 |
| Total Reductions to the Fund | \$ | - |
| Balance of the Other Post Employment Benefit Trust as of December 31, 2012 | \$ | 1,013,445.73 |
| | | |
| Avidia Bank Money Market | 0.21% | 65,533.77 |
| Morgan Stanley Money Funds | 0.20% | 47,577.71 |
| Coca Cola | 0.95% | 89,656.69 |
| Citigroup | 3.91% | 70,995.56 |
| Verizon Global | 1.13% | 69,400.85 |
| Golman Sachs | 4.42% | 72,255.82 |
| McDonalds | 1.33% | 71,573.17 |
| Virginia Electric | 1.24% | 68,999.24 |
| Baxter International | 1.25% | 85,471.14 |
| Federated GNMA | 2.30% | 131,000.00 |
| Entergy orp | 3.50% | 105,053.66 |
| Equity Securities (Market Value \$ 140,854.63) | | 135,928.12 |
| Total | | \$ 1,013,445.73 |

Trustees, Hudson Light and Power Department Other Post Employment Benefits 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, 2012 | | \$ 8,520,955.42 |
| Interest, Dividends and Principal Received | | \$ 75,331.59 |
| Gain on Sales | | \$ 93,733.56 |
| Transfers from Operations Cash | | \$ 1,400,000.00 |
| Total Additions to the Fund | | <u>\$ 1,569,065.15</u> |
| Loss on Sales | | \$ 130.32 |
| Total Reductions to the Fund | | <u>\$ 130.32</u> |
| Balance of the Rate Stabilization Trust as of December 31, 2012 | | <u><u>\$ 10,089,890.25</u></u> |
| Avidia Bank Money Market | 0.30% | 1,579,737.92 |
| Morgan Stanley Money Funds | 0.01% | 22,665.64 |
| Avidia Bank | CD 4.34% | 1,004,446.88 |
| Avidia Bank | CD 0.65% | 897,800.01 |
| Avidia Bank | CD 0.80% | 596,666.29 |
| Avidia Bank | CD 0.65% | 746,273.19 |
| Avidia Bank | CD 0.80% | 2,012,378.47 |
| Avidia Bank | CD 0.85% | 481,911.28 |
| Avidia Bank | CD 0.60% | 628,170.56 |
| Burlington North Santa Fe | 0.87% | 154,098.83 |
| Union Pacific Corp | 1.02% | 158,448.89 |
| Public Service E & G | 0.94% | 243,112.96 |
| Bellsouth Corp | 1.14% | 271,195.92 |
| Duke Energy | 1.12% | 290,626.27 |
| SBC Communications | 0.89% | 280,981.79 |
| Verizon | 0.67% | 253,156.82 |
| Equity Securities (Market Value \$ 456,298.87) | | 468,218.53 |
| Total | | <u><u>\$ 10,089,890.25</u></u> |

Trustees, Hudson Light and Power Department Rate Stabilization Trust Fund

Paul Huehmer, Chairman *Roland L. Plante*, Clerk
Joseph J. Marinelli, Member