Taunton Municipal Lighting Plant

Annual Report 1990

Fulfilling Our Mission

After all the statistics are in, after all the quantitative analyses are completed, there is one more test publicly owned utilities can take to determine if we are truly fulfilling our mission to serve. We can ask our customers to evaluate our performance. TMLP took that step in 1990. In this annual report, we are pleased to present the highlights of the year that has just ended – from their perspective.

• General Manager's Letter •

Utilities often report annual accomplishments in terms of statistics. In 1990, for example, this public utility generated 258,430 MWH of electricity, achieved an enviable 91 percent availability rate, installed seven miles of new lines and 644 new meters, and matched last year's record high in-lieu-of-tax contribution of $2.3 million to the City of Taunton.

Certainly, each of these measures indicates how well TMLP fulfilled its basic charter in 1990 – to provide safe, reliable, cost-efficient energy services to our customers. But statistics alone cannot measure the impact we had on our customers and the communities we serve.

This year, we asked our customers to help us evaluate our performance in areas that don't easily lend themselves to statistical analysis: supporting local business, fostering economic development, improving quality of life and enhancing customer services, for example. Based on their feedback, I am pleased to report that we are accomplishing our mission in each of these vital areas.

The assistance we provided to Beresford Packaging significantly reduced their monthly electric bill and helped to retain 170 local jobs. Our concern for fostering economic development in our service territory helped to pave the way for a new corporate park, Raynham Woods. Our work with long-time, Taunton-area employer Rand McNally went beyond cost-savings. It helped Rand McNally reach their quality objectives. And our commitment to treat each customer as an individual is well-evidenced in the personal story of Leroy Gregg – just one of the more than one hundred residential customers we helped through dire economic and personal hardships in 1990. Stories like these demonstrate how we and all publicly owned utilities fulfill our real mission – to be an integral part of the communities we serve.

Though all of us at TMLP worked together to better serve each of our customers in 1990, we also kept our sights on the "big picture" – on their behalf.

Executive Officers (L–R)

Joseph M. Blain
General Manager

John A. Martyniak
Commissioner

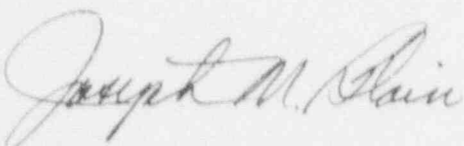
Arthur G. Pimenta
Secretary

Joseph Medeiros
Chairman

In 1990, TMLP was one of the many intervenors before the Federal Energy Regulatory Commission during hearings on a proposed merger that would give one private utility control over nearly 90 percent of the transmission lines in the Northeast. Recognizing the negative effects such a merger could have on rates in our service territory, we are pursuing conditions that would ensure low-cost access on behalf of our ratepayers.

We also watched the conflict in the Persian Gulf and the fluctuating oil prices which it precipitated. While we prayed for a speedy end to the conflict and the safe return of the troops, this crisis fueled our ongoing efforts to reduce our dependence on oil, as we moved closer to presenting our case for a new coal-fired facility before the Energy Facilities Siting Council.

Focusing on our customers today and responding to national and international issues that can impact our ability to serve them in the future is the unique role of publicly owned utilities. TMLP is well-prepared to play this role as we move into 1991 and beyond.



JOSEPH M. BLAIN

DEPARTMENT MANAGERS (L–R)

Michael J. Horrigan
Transmission & Distribution

William Nickerson
Power Production

Doris M. Renaud
Customer Services

R. Scott Whittemore
Energy Services & Planning

When Rand McNally's Robert "Skip" Chisser first heard about Lightwaves, TMLP's commercial and industrial energy conservation program, he admits it "sounded almost too good to be true."

"We were about to embark on a complete relamping of the facility. At the same time, we wanted to increase light levels throughout the facility to support increased efficiency and accuracy among our employees – part of Rand McNally's company-wide Quality program. TMLP representatives said Lightwaves would do it for us, and the fee for the program would be only a percentage of the savings we'd realize on our monthly electric bill. I admit, we wondered if there was a catch to this," said Mr. Chisser, manager of research and development engineering/maintenance.

No catches to be found. Rand McNally, a leader in the world of book manufacturing, put Lightwaves to work in their Taunton facility.

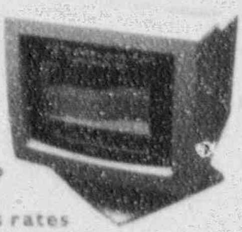
"TMLP did the engineering calculations and the prints and made the necessary recommendations," Mr. Chisser said. "Their vendors dealt directly with our contractors and took responsibility for accurate installation. If there was a problem, we just pointed it out and they rectified it for us. All we had to do was review plans, make sure they met our specifications, and give approvals."

The Lightwaves project included relamping the Rand McNally facility with energy-efficient fluorescents and fitting existing fixtures with electronic ballasts and specular reflectors. It resulted in consistent light-level readings of 40-plus foot-candles – and anticipated savings of more than $2,000 per month.

"I think one of the biggest advantages of this program is that the effort that was needed to accomplish our quality objectives was put on the shoulders of the municipal lighting facility," Mr. Chisser said. "With 300 employees in the plant, we understand the importance of sufficient light levels. Good vision is essential to their jobs. With Lightwaves, we're doing more than reducing our electric bill. We're achieving increased levels of quality as well."

CONSERVATION CATCHES ON

Lightwaves, the commercial and industrial energy conservation program unveiled by the Energy Services & Planning Department in 1989, proved even more effective than originally anticipated. Of customers contacted, 95 percent signed on, and Lightwaves was six months ahead of projected capacity reductions at the close of 1990. Efforts to diversify our fuel mix continued with the preparation of testimony for the Energy Facilities Siting Council to establish the need for a coal-fired facility next to the Cleary-Flood power plant. Additionally, ES&P kept TMLP's rates among the lowest in New England, and despite the wide fluctuations in oil prices during the second half of the year.



Robert "Skip" Chisser

Beresford Packaging, Inc. made their initial public offering in October, 1990 and announced that new management turned "a loss operation into a profitable business." One of the new company directors, C. Jill Beresford, is quick to share that accomplishment with her local utility.

Purchasing an undercapitalized and fast-failing plastic bag manufacturing business in Taunton's Myles Standish Industrial Park, BPI inherited a huge power bill, and additional burden for Ms. Beresford whose primary objective was to get BPI quickly into the black.

"TMLP was very good about negotiating reasonable terms – in fact, nothing short of fantastic. Everyone there worked with us, including the commissioners who were always available when we called – day or night. TMLP was concerned that we did well because they knew, if we did well, the people of Taunton would do well," Ms. Beresford said.

Negotiations continued in other directions: how to reduce BPI's $43 thousand-a-month utility bill. The country's third largest manufacturer of plastic grocery sacks, BPI relies heavily on electrical power.

TMLP's engineers initiated a cost reduction study for BPI. They demonstrated that 1,200 Kvar of capacitors would improve BPI's power factor from 72.8 percent to 98.8 percent, and result in a demand reduction of 490 KVA per month, or $71 thousand in yearly savings. BPI installed 700 Kvar in late 1990 and an additional 700 Kvar is planned for early 1991.

Where will BPI be in five years? A $100 million company with more than 200 employees – and still in Taunton, according to Ms. Beresford. BPI considered relocation in 1990.

"Demand for our product is beginning to exceed our capacity at this location, and relocation was an option we considered," Ms. Beresford explained. "A site in another local community met all but one of our predetermined requirements – competitive power rates. We would have doubled our electric costs there! If we found cheaper rates somewhere else, we would have looked at them. But we know who we are working with here; TMLP is certainly a very important reason for staying (in Taunton). Coupled with the highly skilled, loyal work force here, it would take horses to get us out of this area."

A YEAR OF GROWTH

The Transmission & Distribution Department continued working to upgrade existing lines and expand the system. The department converted lines and installed alternate feeds in the north end of Taunton and in Raynham to improve voltage levels and accommodate future growth. For a firm supply of power to our customers in the growing Berkley area, they completed conversion of 4KV to 13,800 volt lines. Looking to the future, they are installing a second major feed and designing substation power to the Raynham area and the eastern territory to ensure reliable delivery of 10 MW of power for the Galleria Mall, a 1,200,000 square foot retail mall now under construction. In 1990, the department processed 450 service requests and installed 644 new meters, 460 poles, 306 transformers, 30 padmount transformers, and 579 street and rental lights.

C. Jill Beresford

• A Welcome Mat For Business •

The word's out: TMLP supports economic development. And when the "word" comes from internationally known Perini Corporation, that's good news for the TMLP service territory. Case in point: Raynham Woods.

Paramount Development Associates, a division of Perini, decided to explore commercial development opportunities in southeastern Massachusetts. The Raynham area looked good.

"We found affordable labor and housing, a strong work ethic, reasonably priced land, easy access to rail and major highways – and TMLP," Paramount project manager Chris Maietta said.

"Utilities are a big factor in where companies decide to locate. They want to know exactly what power is going to be available; they need to know it's going to be reliable so they don't experience business interruption; and they have to find out it's affordable for their operations. TMLP had the answers we needed to hear."

TMLP began working with Paramount before the groundbreaking on engineering drawings, calculating the best way to provide service to the park.

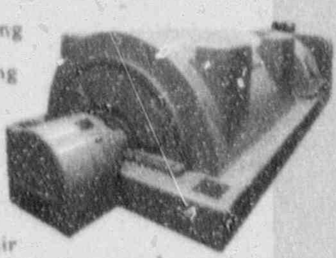
"TMLP continued to work with us during the construction stages, with the timely installation of utilities, and subsequently to make sure any wrinkles got ironed out of the system. They're very good at that," Mr. Maietta said. "Many businesses would do well to be as responsive as TMLP is."

The park, officially opened in 1990, is home to the world headquarters of Johnson & Johnson Orthopaedics Division, a regional sales and service office of Philips Medical Systems, a $45 billion manufacturer of medical imaging equipment, other manufacturers and professional offices.

"TMLP has a distinctly can-do attitude," Mr. Maietta reported, "and companies today are extremely sensitive to that. It's reflected in the people you deal with. You might say, they have a welcome mat out for business."

Planning For The Future

In 1990, the Power Production Department prepared for the five-week maintenance outage scheduled for 1991. Performance and benefits analyses, critical path scheduling, ensuring replacement parts are manufactured on time and according to specifications, and reviewing and selecting vendors were some of the tasks added to their day-to-day responsibilities. The department also implemented the federally mandated MSDS worker safety program and ensured compliance with the new Clean Air Act. The department, with its new manager Bill Nickerson, delivered a 1990 availability record of 91 percent and generated 258,430 MWH in 1990. Efforts are now underway to further improve availability rates in the future.



Chris Maietta

Ordinarily, electric bills not paid after three months can result in discontinuing service. Leroy Gregg, 68, a TMLP customer for more than 40 years, was not an ordinary case.

In 1987, Mr. Gregg and his wife separated and he moved into an apartment. They were divorced a year later. With the real estate market softening, he as unable to sell their home and his financial obligations soon strained hi modest printer's income. Unpaid bills, including a seriously delinquent electric bill, began to mount. Then, Mr. Gregg was told he had cancer.

"I went to TMLP, met with Nancy (a TMLP Customer Services representative) and explained what was going on. I told her that as soon as I sold the home I would pay. She was very cooperative. But in the interim, I developed cancer. I've been fighting it for two years, now, and have had three major operations. It hasn't been easy, but Nancy carried me all the way through this mess until I got to the point when I finally sold the property and paid off my bill," Mr. Gregg said.

Mr Gregg's case may be extraordinary, but Nancy's response is typical of the customer service philosophy at TMLP.

"The customer comes first," she explained. "We try to work with our customers to make their lives easier. Mr. Gregg was really in need of help. You could see it in his eyes. But he was only one of at least a hundred of our customers we helped through dire hardships last year. It might take us a little longer to get paid, but we go out on a limb for people like him -- not just me, but all of us in this department. That's the way people are here."

For Mr. Gregg, whose cancer is in remission at this writing, that philosophy has made a lasting impression.

"I'm moving out west soon," Mr. Gregg said, "maybe Kansas where I was born and raised, maybe Colorado. I haven't decided. I've got relatives in both states. But wherever I end up, I won't forget Nancy. I think a lot of her. She was good to me, talked to me, helped me through an awful lot. In a way, she became part of the family."

TIMELY SERVICE, STEADY RATES

Customer Services added 644 new members to the TMLP customer family in 1990. The department processed 12,501 service orders, 440 temporary service orders and responded to customer telephone inquiries at the rate of 2110 calls per month. The department's prompt payment discount program, initiated in 1987, resulted in $447 thousand in savings for the customers who participated in 1990. In-lieu-of-tax payments to the City of Taunton matched last year's record high contribution of $2.3 million. The department also neared completion of a utility wide computerized inventory program, focusing this year on parts and supplies at the Power Production Department. Rates, still among the lowest in New England, held firm at 1989 levels.

LEROY GREGG

1990 Employee Listing

Michael Abbott
William Adams
Antone Almeida, Jr.
Lawrence Arieta
Richard Arruda
Robert Bach, Jr.
Brent Baker
Brian Belanger
John Bisio
Mark Bissonnette
Mark Blackwell
Mark Blackwell, Jr.
Joseph M. Blain
Richard Bolduc
Leo Bousquet
Tommie Bruce
Victor Buote
Bing Chan
Fred Chandler
Roberta Chesterfield
Cynthia Clark
Walter Clarke
Carol Collagan
Margaret Cooke
David Cordeiro
Mark Cordeiro
Raymond Corey
David Costa
Michael P. Cote
Paul Cote
Steven P. Cote
Rene Courcy
Lawrence DeThomas
Joseph Desmond
Wayne Dixon
Dayle Doane
Lorraine Donahue
Robert Donnelly
Stephen J. Donovan
Kevin Dooley
Mary Dower
Paul Downing
Robert Drake
John Dubena
Armand Emond
Michael Emond
Joan Faria
Charles Farrell
Joseph Fernandes
Maria Fernandez
Glenn Ferreira
Ronald Ferreira
David Fink
Craig Foley
Charlotte Fournier
Fernando Frates
Ernest Fresta
Douglas Furtado
Paula Gallagher
Frank Gill
Thomas Goggin
Edward Goulart
Roland Grandmont
John Haggerty
Michael Hagopian
Manuel Hathaway
Michael Horrigan
James Irving
Wallace Jones
Kevin J. Kiernan
Paulette Kingsbury
Stanley Koss, Jr.
Robert Krantz
Michael Larkin, Jr.
Robert Larkin
Raymond Leanues
Ronald Legere, Jr.
Theresa Levesque
Robert Linhares
Maureen Lounsbury
Jennifer Love
Kelly Lozinski
Ronald Lund
Robert Lynch, III
Frank Macedo
Daniel Mahoney
Linda M. Mason
George Mastin
Charles McCaffrey
Francis McDermott
James McDermott
John McDonough
Diane McGrath
Laurel J. McGrath
Joseph McKenna
John McRae
Lawrence Medeiros
Robert Medeiros
Ronald Medeiros
Ernest Mello
Paul Menard
Paul Mercier
Joan Mulcahy
William Nickerson
Joseph Noberini
Rose O'Donnell
David Owen
Alice Pacheco
Diane Paiva
Richard Parker
David Pereira
Francis Pereira
Manuel Pereira
William Phipps
Anthony Pietrzyk
Frank Pirozzi
James Pirozzi
L[illegible]
Tho[illegible]rs
John Pu[illegible]
Peter Reilly
Doris M. Renaud
Leonard Rocha
Steven Rogers
Brenda A. Roose
Manuel E. Rose
Stephen Rose
Ronald Roy
Albert Santos
Mark Seekell
John F. Semas
John M. Semas
Robert Silva
Edmund Silveira
Katrina Silveira
Cynthia Silvia
Gregory Simmons
Kathleen M. Smyth
Francis Soares
Edwin Sokoloski
Nancy Stankiewicz
Kevin Steadman
William Strojny
Ralph Strollo
John Thomas
Judith J. Torres
John F. Valcovic
Joseph Vasconcellos
Richard Velez
Anna May Vieira
Shirley Vincent
Thomas Walmsley
James Warren
Clinton Westgate
R. Scott Whittemore
Thomas Zagorski

Municipal Light Commission of the City of Taunton
Taunton, Massachusetts

Report Of Independent Certified Public Accountants

We have audited the accompanying balance sheets of Taunton Municipal Lighting Plant (a department of the City of Taunton) as of December 31, 1990 and 1989, and the related statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As discussed in note H, the Plant records pension expense based on a formula determined by the City, whereas generally accepted accounting principles require the use of actuarial methods in determining annual pension expense. The effect on the financial statements of not using actuarial methods has not been determined. In addition, certain disclosures required by the Governmental Accounting Standards Board relating to pensions have been omitted.

In our opinion, except for the effects on the financial statements of such adjustment, if any, as might have been determined to be necessary had we been able to determine the effects of not using actuarial methods in determining pension expense and, except for the omission of certain pension plan disclosures required by the Governmental Accounting Standards Board, the financial statements referred to above present fairly, in all material respects, the financial position of Taunton Municipal Lighting Plant as of December 31, 1990 and 1989, and the results of its operations and its cash flows and changes in its retained earnings for the years then ended in conformity with generally accepted accounting principles.

Grant Thornton
Boston, Massachusetts
February 22, 1991

Balance Sheets

Assets December 31	1990	1989
Utility Plant – At Cost		
Plant in service	$75,538,225	$71,319,992
Less accumulated depreciation (note A2)	42,791,414	40,020,296
Net utility plant in service	32,746,811	31,299,696
Construction work in progress (note I)	1,852,728	2,144,802
Total utility plant	34,599,539	33,444,498
Depreciation Fund (notes A2 and B)	12,347,028	11,503,660
Sick Leave Trust Fund (note A5)	2,044,726	1,828,268
Other Assets		
Investment in Seabrook (note C)	3,786,423	3,850,000
Advance to Quebec Hydro Project (note G)	324,634	369,546
Lightwaves (note D)	149,287	
Current Assets		
Cash (note B)	1,835,032	2,935,719
Customer deposits (note B)		
Principal fund	276,863	304,063
Interest fund	31,010	27,098
Accounts receivable, less allowance for doubtful accounts of $427,571 and $540,446, respectively	4,407,606	4,408,697
Materials and supplies inventory (note A4)	2,113,675	1,906,305
Prepaid expenses	109,258	275,517
Total current assets	8,773,444	9,857,399
	$62,025,081	$60,853,371

Retained Earnings and Liabilities December 31	1990	1989
Retained Earnings		
Appropriated Retained Earnings		
Loans repayment	$14,077,000	$13,512,000
Construction repayment	32,434	32,434
	14,109,434	13,544,434
Unappropriated retained earnings	23,506,147	22,454,740
Total retained earnings	37,615,581	35,999,174
Long-Term Debt (note E)	18,480,587	19,093,941
Current Liabilities		
Accounts payable	2,211,877	2,220,080
Customer deposits	276,863	304,063
Current maturities of long-term debt (note E)	610,000	565,000
Accrued liabilities		
Compensated absences	2,059,871	1,870,752
Interest	641,846	659,032
Payroll	117,106	141,329
Other	11,350	
Total current liabilities	5,928,913	5,760,256
Commitments and Contingencies (notes G, H, and I)		
	$62,025,081	$60,853,371

The accompanying notes are an integral part of these statements.

Statements Of Earnings

Years ended December 31.	1990	1989
Operating revenues		
Sales of electricity		
Commercial and industrial	$19,110,353	$18,657,504
Residential	13,278,212	12,019,172
Sales for resale (note G)	6,208,181	8,416,884
Municipal	1,419,365	1,336,882
	40,016,111	40,460,442
Other operating revenues	152,495	123,029
Total operating revenues	40,168,606	40,583,471
Operating expenses		
Power production	24,172,260	24,595,480
Transmission and distribution	2,121,852	1,648,732
Customer accounting	1,075,530	1,021,427
Administrative and general (notes A3, A5 and H)	4,966,310	4,068,403
Depreciation (note A2)	2,809,321	2,723,623
Nuclear expense	186,955	
Total operating expenses	35,332,228	34,057,665
Earnings from operations	4,836,378	6,525,806
Other expense (income)		
Interest expense	1,507,218	1,548,426
Other expense	11,966	3,136
Interest income (note B)	(659,213)	(614,113)
Total other expense	859,971	937,449
Net earnings before provision for payment in lieu of taxes	3,976,407	5,588,357
Provision for payment in lieu of taxes (note F)	2,360,000	2,190,000
Net Earnings	$ 1,616,407	$ 3,398,357

Statements Of Retained Earnings

	Appropriated Retained Earnings		
Years ended December 31, 1990 & 1989	Loans Repayment	Construction Repayment	Unappropriated Retained Earnings
Balance at December 31, 1988	$12,992,000	$32,434	$19,576,383
Transfer for bond repayment	520,000		(520,000)
Net earnings			3,398,357
Balance at December 31, 1989	13,512,000	32,434	22,454,740
Transfer for bond repayment	565,000		(565,000)
Net earnings			1,616,407
Balance at December 31, 1990	$14,077,000	$32,434	$23,506,147

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years ended December 31,	1990	1989
Increase (Decrease) in Cash		
Cash flows from operating activities:		
Net earnings	$ 1,616,407	$ 3,398,357
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	2,809,321	2,723,623
Amortization of bond premium	(3,354)	(3,353)
Equity in earnings of Seabrook investment	63,577	
Change in assets and liabilities:		
Decrease in customer deposit funds	23,228	25,284
Decrease (increase) in accounts receivable	1,091	(744,107)
Increase in inventory	(207,370)	(360,956)
Decrease (increase) in prepaid expenses	166,259	(106,568)
Increase in lightwaves	(149,287)	
Decrease in accounts payable	(8,203)	(107,320)
Decrease in customer deposits	(27,200)	(10,225)
Increase in accrued compensated absences	189,119	177,175
Decrease in accrued interest	(17,186)	(15,600)
(Decrease) increase in accrued payroll	(24,223)	34,744
Increase in other accrued liabilities	11,350	
Net cash provided by operating activities	4,443,529	5,011,054
Cash flows from investing activities:		
Additions to utility plant	(3,964,302)	(3,463,486)
Increase in Sick Leave Trust Fund	(216,458)	(243,129)
Repayment of advance to Quebec Hydro Project	44,912	338,098
Net cash used in investing activities	(4,135,848)	(3,368,517)
Cash flows from financing activities:		
Payment of long-term debt	(565,000)	(520,000)
Net (decrease) increase in cash	(257,319)	1,122,537
Cash at beginning of year	14,439,379	13,316,842
Cash at end of year	$14,182,060	$14,439,379
Cash at end of year is reflected on the balance sheets as follows:		
Depreciation fund	$12,347,028	$11,503,660
Cash	1,835,032	2,935,719
	$14,182,060	$14,439,379
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 1,527,758	$ 1,564,026

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

A summary of Taunton Municipal Lighting Plant's (the "Plant") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Rates

Rates charged by the Plant are not subject to the approval of regulatory agencies. Pursuant to state laws, rates must be such that the resulting net earnings before payment to the City, less bond payments and interest income, do not exceed 8% of the cost of utility plant. The Plant's resulting net earnings amounted to 3.7% and 6.4% of utility plant in 1990 and 1989, respectively.

2. Depreciation

Pursuant to the Department of Public Utilities regulations, depreciation is calculated as a percentage of depreciable property at January 1. Depreciation is computed at 4% of the cost of depreciable property.

Depreciation fund cash is used in accordance with state laws for replacements and additions to the electric plant in service.

3. Pension Plan

Substantially all employees of the Plant are covered by a contributory pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see note H).

4. Inventory

Materials and supplies inventory is carried at cost, principally on the average cost method.

5. Sick Leave Trust Fund

The Plant established a Sick Leave Trust Fund ("Trust") in 1982 for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability, at which time the Trust will make all sick leave liability payments required under current Plant policies. The assets of the Trust are shown in the financial statements to provide a more meaningful presentation, as the assets of the Trust are for the sole benefit of the Plant. The assets of the Trust, shown at cost which approximates market, are invested in money market funds, treasury notes, mutual funds which invest in government securities, common stocks, and a corporate bond. Net investment income for the Trust of approximately $120,000 and $91,000 in 1990 and 1989, respectively, is reflected in the statements of earnings as an offset to compensated absence expense, as these funds are restricted and can only be used for the payment of sick leave benefits.

Note B – Cash

The Plant's cash is deposited with the City of Taunton Treasurer who commingles it with other City funds. The City invests the cash and credits the Plant each year with interest earned on certain of the cash deposits.

Cash deposited with the City of Taunton consists of the following at December 31:

	1990	1989
Non-interest bearing pooled funds including restricted customer deposits of $162,874 and $186,181, respectively	$ 5,1%6,778	$ 6,677,478
Certificates of deposit with rates of 7.30% to 8.85% for 1990 and 7.875% to 9.25% for 1989	9,293,155	8,085,314
Savings accounts		7,748
	$14,469,933	$14,770,540

Cash at December 31, is reflected as follows:

	1990	1989
Depreciation fund	$12,347,028	$11,503,660
Cash	1,835,032	2,935,719
Customer deposit principal fund	276,863	304,063
Customer deposit interest fund	31,010	27,098
	$14,489,933	$14,770,540

continued on next page

NOTES TO FINANCIAL STATEMENTS

Note C – Investment in Seabrook

The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Units 1 and 2, nuclear generating station. Seabrook Unit 2 has been cancelled by the joint owners, and the Plant wrote off its investment in the Unit during 1987. The Plant's investment in Seabrook Unit 1 at December 31, 1989 was $3,850,000.

On March 1, 1990, the U.S. Nuclear Regulatory Commission (NRC) authorized a full-power operating license for Seabrook Unit 1. The Unit began its power ascension testing program in March 1990, and on June 30, 1990, the Unit was turned over to New England Power Pool (NEPOOL) for dispatch. The Plant's portion of operating income and losses from Seabrook Unit 1 is accounted for under the equity method of accounting.

In addition, Public Service Company of New Hampshire, the lead participant in the Seabrook project, is operating under Chapter 11 Bankruptcy. The Plant is unable to predict whether this will also have any effect on the ultimate commercial operation of the Unit.

Note D – Other Assets

The plant has initiated an energy savings program for commercial and industrial customers known as Lightwaves. The program entitles the customer to a free energy audit and installation of energy efficient equipment. Customers are required to pay a monthly fee for a 60 month period. The fee is based upon the administrative costs related to the program. As of December 31, 1990, the Plant has deferred costs of $149,287 to be billed so customers.

Note E – Long Term Debt

Long-term debt is comprised of the following bonds:

	1990	1989
Electric loan, Act of 1969		
Interest rate – various rates from 7.3% to 8% dated February 1, 1976. Interest payable February 1 and August 1. Due serially from February 1, 1977 to February 1, 2006	**$19,040,000**	$19,605,000
Unamortized premium	**50,587**	53,941
	19,090,587	19,658,941
Less current maturities	**610,000**	565,000
Total long-term debt	**$18,480,587**	$19,093,941

Aggregate maturities of long-term debt at December 31, 1990 are as follows:

1991	$ 610,000
1992	660,000
1993	715,000
1994	775,000
1995	840,000
1996 and thereafter	15,440,000
	$19,040,000

Note F – Contribution in Lieu of Taxes

The Plant voluntarily contributed $2,360,000 and $2,190,000 in 1990 and 1989, respectively, to the City of Taunton in lieu of taxes. All contributions to the City are voted by the Municipal Light Commission.

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Note G – Commitments and Contingencies

Interconnection Agreement

The City of Taunton, acting by vote of its Municipal Lighting Plant Commission, entered into an agreement with Montaup Electric Company ("Montaup"), dated July 31, 1970, as amended, concerning interconnection of electrical operations, purchase and sale of kilowatt capacity, and construction by Taunton of a generating unit of approximately 110 megawatt capability. The agreement, originally for the twelve (12) years following the commencement of operations of Unit No. 9 on December 1, 1975, was amended and the term extended to October 31, 1988. Under the current informal interconnection agreement, the City agrees to exchange with Montaup Electric Company fifteen (15) megawatts of Unit No. 9 capacity for ten (10) megawatts of capacity from the Canal No. 2 generating unit, 50% of which is owned by Montaup. Since the expiration of this agreement, the Plant and Montaup have continued this arrangement without a formal agreement in place. The Plant credited to sales for resale $1,115,832 and $1,241,807 of capacity and energy charges billed to Montaup Electric Company in 1990 and 1989, respectively, for its share of power under the interconnection agreement.

Hydro-Quebec Agreement

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities to support the operation of a transmission line to permit the interchange of electricity between such utilities and Hydro-Quebec Electric Corporation. In connection with the agreement, the Plant advanced approximately $800,000 toward development of the project. In February of 1989, approximately $450,000 of this advance was returned after the project had obtained financing.

Note H – Pension Plans

The Plant contributes to the City of Taunton Employees' Retirement System ("System"), a public employee retirement system that acts as the investment and administrative agent for the City. All full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members joining the System after January 1, 1979 are subject to a cap of $30,000 on the level of compensation upon which their benefits are calculated.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The system also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7% or 8% of their regular compensation depending on the date upon which their membership began.

The System also provides death and disability benefits.

The System does not make a separate measurement of assets and the pension benefit obligation for the Plant. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation at January 1, 1989, for the System as a whole, determined through an actuarial valuation performed as of that date, was $64,486,000. The System's net assets available for benefits on that date (valued at book) were $26,376,000, leaving an unfunded pension benefit obligation of $38,110,000.

The Plant's share of the unfunded pension benefit obligation has not been determined.

continued on next page

Note H – Pension Plans (cont.)

The Sytem's funding policy for the participating entities is not actuarially determined. The participating entities are required to contribute each fiscal year an amount approximating the pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employees Retirement Administration (PERA) and is based in part on the previous year's benefit payout. No actuarial information is used in determining this amount. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted as specified.

The effect on the accompanying financial statements of the departure from generally accepted accounting principles referred to in the previous paragraph has not been determined.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the City of Taunton's general purpose financial statements.

In addition, the Plant has established a separate Employees Retirement Trust for the financing of future pension payments. The Retirement Trust had net assets of $9,197,911 and $8,689,806 at December 31, 1990 and 1989, respectively.

The Plant had pension expense of $1,559,798 and $1,526,387 in 1990 and 1989, which includes contributions to the Retirement Trust of $350,000 for both years.

Note I – Subsequent Event

On January 31, 1991, the Plant entered into contracts with Silver City Energy Limited Partnership (the "Developer"), a Delaware limited partnership. The contracts pertain to the leasing of a 25 acre parcel adjacent to the Plant's Cleary-Flood Station and the subsequent building of a coal fired electric generating facility (coal plant) by the Developer.

The ground lease extends for a period of forty years. Rental payments to the Plant will be $50,000 per year until September 15, 1994, $500,000 per year until operations commence, and $1,100,000 per year for the remaining lease term.

The Plant has agreed to purchase 20% of the power generated once the coal plant is in operation. The guarantee approximates 30 megawatts per year. The agreement is for twenty years.

The Plant has secured a mortgage on the buildings and facilities to be constructed to secure payment of the aggregate differential. The aggregate differential represents funds to be paid to the Plant in the event that the project is not completed. Payment is based on a dollar value per kilowatt which increases over the duration of the construction period.

Commencement of operations of the coal plant is scheduled for September 15, 1994. If operations do not commence by September 15, 1996, the Plant may terminate all contracts with the Developer.

As of December 31, 1990, the Plant has capitalized approximately $1,500,000 of legal and administrative costs which are included in construction work in progress. These costs will be amortized over the contract period once operations have commenced.

These financial statements were printed on recycled paper.

TMLP

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