

*Hudson Light  
and Power  
Department*

*~ 100 Years of Service ~*

*1997 Annual Report*

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## **A Message From the Board...**

*A century ago, the Hudson Light and Power Department's truck was a horse-drawn wagon and the very idea of electricity and whether or not it would catch on was hotly debated at various town meetings. Today, as we celebrate our 100<sup>th</sup> Anniversary, the entire electric utility world is being restructured and competitors are vying to get into a business that was once closed. While change can be beneficial, it's good to know that some things stay the same. **Pages 2 to 3***

## **Manager's Report...**

*For the Hudson Light and Power Department, 1997 was a year of looking back at our accomplishments as we celebrated 100 years of service, and one of looking forward to an entirely new way of doing business under deregulation in Massachusetts. **Pages 6 through 14***

## **Financial Statements...**

<i>Definitions</i>	<i>Page 16</i>
<i>Comparative Balance Sheet, Assets</i>	<i>Page 17</i>
<i>Equity and Liabilities</i>	<i>Page 18</i>
<i>Statement of Equity</i>	<i>Page 18</i>
<i>Comparative Income Statement, Operating Statement</i>	<i>Page 19</i>
<i>Comparative Income Statement, Expenses</i>	<i>Page 20</i>
<i>Income Statement Detail, Operating Revenue</i>	<i>Page 22</i>
<i>Statement of Changes in Financial Position</i>	<i>Page 23</i>
<i>Footnotes</i>	<i>Page 24</i>
<i>Receipts and Expenditures</i>	<i>Page 28</i>
<i>Revenue from Sale of Electricity</i>	<i>Page 29</i>
<i>Statistics</i>	<i>Page 30</i>
<i>Five-Year Comparative Electric Sales Data</i>	<i>Page 31</i>

## **Safety Messages from Local Students**

*During 1997, the Department launched a new educational program for third graders in Hudson and Stow. In this report, we share just a few of their artistic endeavors. **Pages 4, 5 & 15***

## **Personnel...**

*Page 32*

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## A Message from the Board

**A** century ago, the Hudson Light and Power Department's truck was a horse-drawn wagon and the very idea of electricity and whether or not it would catch on was hotly debated at various town meetings. Today, as we celebrate our 100<sup>th</sup> Anniversary, the entire electric utility world is being restructured and competitors are vying to get into a business that was once closed. While change can be inevitable and often beneficial, it's good to know that some things stay the same.

Historically, our customers have enjoyed low rates. We didn't need the State Legislature to enact deregulation laws to mandate a discount - we've been offering a 10% early-payment discount all along. During 1997, our customers' average net bills could range from 8% to 36% lower than those of the closest private utilities. In fact, no private utility in the State could boast of lower bills. Over the last few years, we've been offering an additional 5% discount for larger industrial customers who sign contracts pledging to be served by the Hudson Light and Power Department. This protects all of us from the rate shock that could result from a large industry buying power elsewhere. We expect to be able to maintain our low prices.

One of the hallmarks of the Hudson Light and Power Department has been its service. Our linecrews take a certain pride in their reputation of being one of the best response teams around. They've repeatedly drawn praise from customers for working around the clock during major storms to make sure power is restored. They're fast and efficient. When our customers have a problem, it's a relief for them to know that it won't take long for the familiar yellow bucket trucks to pull up. The vehicles might be a bit more modern than those horse-drawn wagons of old, but the personnel inside are still our neighbors who care about our comfort and safety.

Remember the days when we could telephone a company and actually have a person answer the phone on the other end, instead of a computer that leads us through a myriad of button-punching and confusion? In today's trend of corporate mergers and computerization, it's easy to lose contact with each other. We're proud that we still offer the human touch that so often gets lost as the world modernizes. No matter what time customers call us, 24 hours a day, 365 days a year, there's an employee available to help them with their problems.



Electricity came to Hudson in the form of a power plant, which was eventually purchased by the Town and moved to Cherry Street. There's a photograph from the Sixties in our archives showing a youngster watching in awe a demonstration at the power plant. The station may look a little different today, but it's still an integral and fascinating part of our community. Not only does it allow us to generate electricity and participate in valuable economy exchanges with the rest of New England, but the station is also the stronghold of our educational efforts. That look on the face of the youngster from the Sixties photograph is seen again and again today when local scouting and school groups visit to learn how a diesel engine works. Our doors are not only still open to youths, but we also go out into the communities to teach our Seniors and students how to use electricity wisely.

There's no doubt that the utility world is changing, and we wholeheartedly support any changes that will be beneficial to our customers. We must not, however, allow progress to usurp the very premise upon which the municipal utility was founded - that we are here to serve. The commitment to excellence must not be tarnished by the race for the buck. At the Hudson Light and Power Department, we pledge that as we move forward into the new world of deregulation, we will continue to provide the same things we've been offering for the last 100 years - the most economical rates possible, superb service and community focus. For customers of the Hudson Light and Power Department, it's nice to know some things won't change.

Respectfully submitted,

Hudson Municipal Light Board

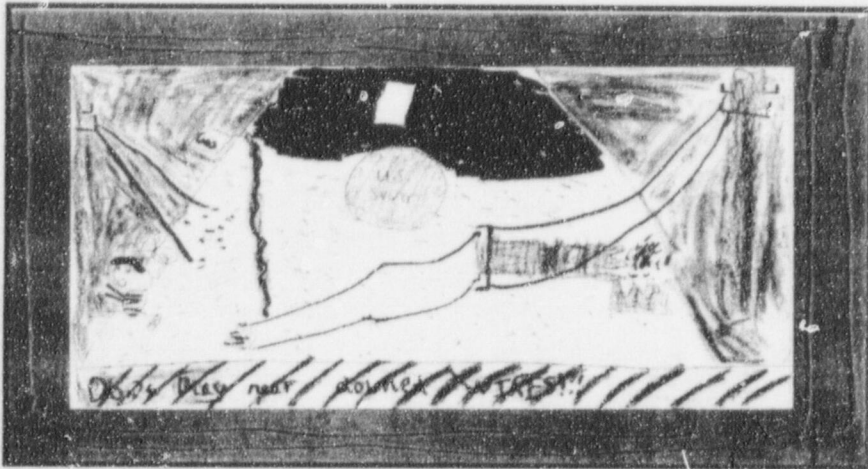
*Weedon G. Parris, Jr., Chairman*

*Roland L. Plante, Member*

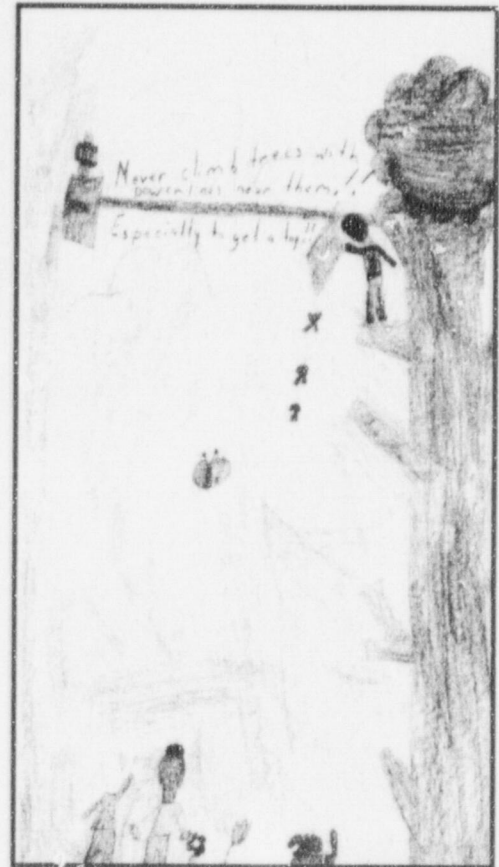
*Horst Huehmer, Clerk*







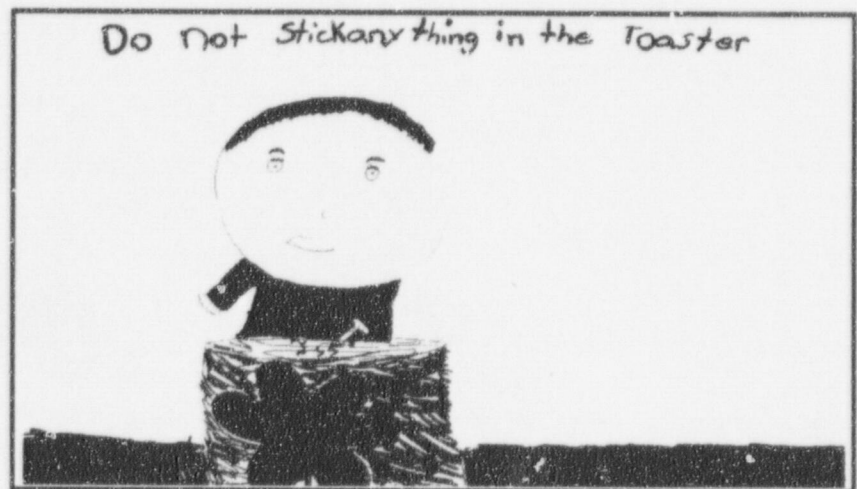
Center School, Stow



Ashley O'Keefe - Mulready School,  
Hudson



Sarah King - Center School  
Stow



Lyndsay Trefry - Center School, Stow



## Manager's Report

**F**or the Hudson Light and Power Department, 1997 was a year of looking back at our accomplishments as we celebrated 100 years of service, and one of looking forward to an entirely new way of doing business under deregulation in Massachusetts.

### *Restructuring Becomes Law*

Perhaps one of the most radical changes ever to hit the electric industry came during November when the State enacted deregulation into law. Lack of local federally-funded water power, past prohibitions against constructing low-cost fossil fuel-powered plants, and lack of natural resources in the area have been just some of the causes behind New England's high energy costs in comparison with the rest of the nation. State officials hope deregulation will bring those costs down and will encourage the State's economy to flourish.

As a municipal light department, the Hudson Light and Power is specifically exempt from most aspects of the new law. Customers of private utilities like Massachusetts Electric, however, will see changes that could bring their bills more in line with the low rates already enjoyed by our customers. By March of 1998, private utilities are required to:



**Under deregulation, customers will decide who will generate their electricity.**

1. "Unbundle" - or split - their rates into the various costs of doing business: distribution, transmission, generation, and transition - or stranded investment;
2. Allow customers to receive the generation portion of their service from other companies; and
3. Provide a 10% rate reduction to customers who chose not to have another company provide generation. Newspaper reports have revealed a loophole in the discount requirement that allows the privates to avoid the 10% reduction if they are unable to maintain a 6% rate of return on that portion of the bill.

There are many other requirements in the approximate 118-page law, such as provisions to protect displaced workers, support conservation programs, create a renewable resource trust and more. There are many complexities involved with deregulating the energy side of the electric businesses. The Department believes it will take considerable fine-tuning - and money - before the new world of deregulation runs smoothly. For example, the renewable resource trust requirement will cost the Department's customers about \$320,000 annually when we become part of the deregulated world. Due to the uncertainties and costs involved, the Department believes it is more prudent to allow the private utilities to work out the potentially costly "kinks" before we open our own borders to competition. In the meantime, the Department is studying how to unbundle its own rates and has established a Rate Stabilization Trust to protect ratepayers from expected increased costs associated with deregulation.

### *A Centennial Year*

The year 1997 marked the 100<sup>th</sup> Anniversary of the Hudson Light and Power Department. Begun by a group of citizens in 1885 and purchased by the Town in 1897, the local municipal utility boasts of a colorful history and a long-standing tradition of excellence.



In 1885, a group of citizens formed the privately-owned Hudson Electric Light Company with a power station in the factory of Bradley and Sayward. Five years later, on December 17, 1890, Hudson Town Meeting voted to petition the State Legislature for legal authority to purchase the plant and to start their own municipal utility. Two enabling Town Meeting votes were required in order to exercise the authority granted by the State. These came on July 1, 1891, with a 30-7 vote; and on September 2, 1891, with a 69-11 approval.

Unfortunately, the Town neglected to raise the funds needed to purchase the business. During those days, not all homes could boast of electric lighting. The issue of electricity and its future were hotly debated and finally landed the Town in Court during 1895. It wasn't until December 21, 1896, that voters finally earmarked \$20,000 to buy the company.

On January 15, 1897, the Town took possession of the business and public power was established in Hudson with 22 customers. By then, the Bradley and Sayward plant in the old factory had become obsolete, and the Town decided to build a new modern power station on Cherry Street. On August 8, 1897, the Cherry Street power plant began generating electricity for the Town. By 1928, diesel engines were installed at the station. The historic Cherry Street station remains a valuable asset, not only in the power it is able to generate, but also in the way it allows us to participate in economy exchanges in the New England Power Pool (NEPOOL).

The Light Department was governed by a Municipal Light Board until 1909, when it came under the authority of the Commissioners of Public Works. When the Town's first Home Rule Charter was established in 1971, the Municipal Light Board again became the policy maker.

Major storms have long caused problems for utilities, and the Department has had its share. In 1938, a hurricane knocked out power to the entire distribution system. Restoration efforts lasted about a month. In 1985, Hurricane Gloria visited with 80-mile per hour winds that dealt damages requiring five days of restoration work. Not every disaster impacted Hudson. No outages were reported during the Blizzard of 1978. In 1965, Hudson, with its own power station, stayed bright when the Northeast experienced the great blackout.

With about 10,400 customers, the Department has grown in leaps and bounds, yet still offers rates lower than any private utility in the State. Our service standards have drawn praise from Town Boards and consumers alike. The Department celebrated its 100<sup>th</sup> Anniversary in the same manner in which it has operated over the past 100 years - with service. Customers were invited to visit us during Community Fest Days in May to sign up for a free energy audit or to take home energy conservation information. The Department also gave away mementos of the occasion in the form of pens, jar openers and emergency message magnets.

### *SJC Supports Ratepayers*

The Department received the support of the Massachusetts Supreme Judicial Court (SJC) in its efforts to protect its customers from any adverse impact of Stow leaving the system when the SJC agreed that Hudson could collect "stranded investment costs." The Town of Stow has been considering leaving the Hudson Light and Power Department, and establishing its own utility.



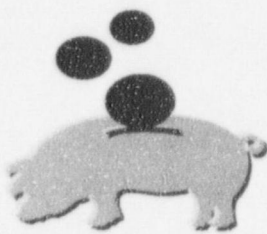
**The SJC said municipals like the HL&PD can collect stranded investment costs.**

When the Department and the Stow Municipal Electric Department (SMED) were unable to negotiate the price that Stow would pay Hudson to sever its ties, the matter was sent to the Massachusetts Department of Public Utilities (DPU). Last February, the DPU determined that Stow should pay approximately \$2.5 million for the Department's equipment located in that town, but needed to pay no money for stranded investment costs. Both the Hudson Light and Power Department and Stow appealed this decision to the SJC.

On December 30<sup>th</sup>, the SJC handed down a two-part decision in the dispute that basically said:

1. The DPU's refusal to allow the Hudson Light and Power Department to collect stranded investment costs from Stow was unfair. The SJC ordered the DPU to calculate these costs with an eye towards protecting "all ratepayers, not just departing customers."
2. The approximate \$2.5 million price tag that the DPU set on Department's poles, transformers and other equipment in Stow was fair. The Department thought that price was too low, while Stow argued that the cost was too high.

As the Department entered its 101<sup>st</sup> year of municipal service in 1998, no word had been received from the SMED as to whether or not the SJC decision will affect Stow's decision to create its own utility. The Hudson Light and Power Department has provided a near-century of quality service to our valued customers in Stow, a tradition of excellence which the Department would be pleased to continue.



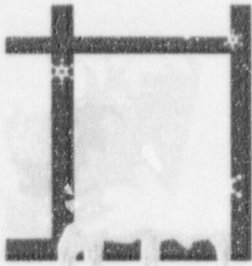
**No rate increases  
are expected in 1998  
or 1999.**

#### *Stable Rates Expected*

Customers' net bills increased about 4% in March in connection with the highly-disputed transmission bills of the New England Power Company (NEP). Hudson and other utilities across the State appealed to the Federal Energy and Regulatory Commission (FERC) over NEP's hefty increase in charges to "ship" electricity to local substations. Many feared that NEP was hiking costs to other utilities in order to prepare for industry restructuring. Hudson saw a jump of almost \$1 million per year. As of the end of 1997, FERC had made no decision on the utilities' complaint.

In addition to the NEP rate hike, the Massachusetts Municipal Wholesale Electric Company (MMWEC) began billing the Department about \$800,000 for stranded investment during 1997. Despite these two cost increases and a 3.5% decrease in sales, we were able to remain competitive with our rates. At the end of 1997, our net bills could range from 8% to 36% less than Massachusetts Electric and Boston Edison, the area's two closest private utilities.

The outlook for rates is one of stability. In anticipation of deregulation, the Department established a rate stabilization fund during 1997 to protect ratepayers from the increased costs expected to be passed onto us as a result of the new rules. Monies were transferred from the insurance escrow reserve into the new fund. Despite cost increases during 1998, no rate changes are anticipated. During 1999, we expect a load growth that will enable the Department to continue to maintain its rates.



**Ice, snow and wind combined for a spring blizzard of record proportions.**

### *An April Fool's Snowstorm*

Mother Nature hit New England with an April Fool's surprise during 1997, but she could not get the better of the Hudson Light and Power Department. March 31<sup>st</sup> ushered in a spring blizzard of record proportions, dumping more than two feet of snow on the area, blasting us with gale-force winds, and leaving hundreds of thousands without power across the State. Despite the State of Emergency declared by the Governor and media predictions of State-wide power outages lasting throughout the week, all Hudson Light and Power Department customers were with electric power by Tuesday evening April 1<sup>st</sup>.

The performance of the Hudson Light and Power Department field crews is one of which we all can be proud. The crews battled dangerous and nearly impossible weather conditions, including ice-covered trucks, bucket lifts constantly filling with snow, unplowed roads, arcing wires, falling trees and limbs, and poor visibility in their commitment to restore service to their customers. While the blizzard raged on and most residents had not even attempted to shovel out, office and power station employees braved the elements in order to staff emergency phone lines.

A particularly difficult area during the storm was Murphy Road in Hudson. Two utility poles were sheared in half when trees came down. The street was closed off by Safety Officials while new poles were set. With 110 customers impacted, Hudson Light and Power Department crews worked diligently, despite vehicles covered with ice and snow, and were finally able to restore power to the area by noon on Tuesday.

Trees were a major problem during the storm, bringing down wires on Route 85 in Bolton, causing dangerous arcing by the Fire Academy in Stow, and knocking out partial power in the River Road area in Hudson. Despite this, outages were kept to a relative minimum, with about 500 customers system-wide impacted by the storm.

The performance earned employees a commendation from the Hudson Municipal Light Board and written thanks from numerous customers. Following are just a few.

From Stow:

*"Keep up the good work. Stow was lucky to have HLP after this last storm."*

*"Just had to let you know that we think you did a great job during the Blizzard . . . Keep up the good work."*

*"Thank you for all your hard work during the storm."*

From Boxboro:

*"Thank you for continuous power throughout yesterday's storm."*

From Hudson:

*"Congrats on a good job during the blizzard."*

*"Just a note to thank you for your quick and efficient response to our most recent power outage. It was greatly appreciated."*



### *Office Report*

The Office worked on making the Department more "user-friendly" during 1997. Perhaps the most visible improvement we were able to make was the installation of the access ramp and automatic door in the front of our Forest Avenue office. Previously, the main office had been wheelchair accessible at the back entrance. Completion of the project took longer than expected, due to the UPS strike. Now that it is done, our front as well as rear entrances are able to accommodate those who are physically challenged.



**The Department joined the World Wide Web with a homepage.**

The Department joined the World Wide Web when we launched our new Homepage during 1997. Located at [www.ultranet.com/~hudsonlp](http://www.ultranet.com/~hudsonlp), the page is updated monthly and provides a wealth of information, including:

- ◇ *General Information:* Addresses, Paying the Bill, Hours, Security Deposits, Hudson Municipal Light Board, Signing for Service, Management, Telephone and Massachusetts Sales Tax
- ◇ *Calendar:* Meter Reading Start Dates, Discount Deadline, Board Meeting, Payment Closing Date, Bill Printed and Mailed Dates and Holidays.
- ◇ *Conservation:* Conservation tips and programs offered by the Department, including Mass-Save energy audits and our own appliance test meter program.
- ◇ *Directions:* Driving directions and maps to the Town of Hudson, Light and Power Department's main office and truck routes.
- ◇ *Emergencies:* What to do when the lights go out.
- ◇ *E-Mail:* A new way to get in touch with us.
- ◇ *Forms:* Domestic Service Application, General Service Application (Commercial, Industrial, Landlord Common Areas etc.), Yard Light Application, Service Problem, Yard Light Out, ST-12 and ST-13 Tax Exempt Forms and Landlord Automatic and Telephone Transfer Forms.
- ◇ *News:* Local news and the current and two previously-issued Customer Newslines.
- ◇ *Power:* What happens when power shortages are predicted, terms used when power shortages are predicted and how to join our Voluntary Load Curtailment/Notification program.
- ◇ *Rates:* Rates, charges, policies.
- ◇ *Services:* 24-Hour Dispatch, Industrial Spreadsheets, All-Electric Budgets, Medical Alert, Appliance Efficiency Component, Newslines, Appliance Test Meters, Payment Plans, Automatic Transfers, Public Power, Bilingual Assistance, Meter Reading, CPR, Radio Alert, Direct Payment, Rate Analysis, Disputing a Bill, Senior Citizen Safety, Estimated Lien Bills, Station Tours, Forms, Street Light Patrol, Gift Certificates, Student Safety, Handicap Accessibility, Survey Plus, Histories and Voluntary Curtailment.

The Department launched a new School Safety Educational Program for third graders in Hudson and Stow during 1997. Youngsters were taught how to live and play safely around electricity. In appreciation, many of the third graders sent the Department posters on electrical safety and a thank-you message. Samples of their artistic and educational endeavors are shown throughout this Annual Report.

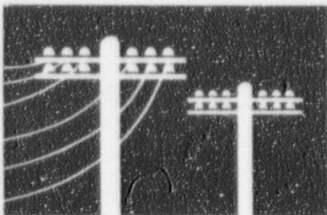
Information on electricity and safety was offered during Public Power Week when we held our second annual Senior Safety Program in Hudson and Stow. This year, the program featured a film on electrical safety, along with a short discussion on how Seniors can protect themselves around electricity, both indoors and out. The program was held at Plantation Apartments in Stow and the Hudson Senior Center in Hudson.

The preliminary work was begun that will enable the employees at the Department's main office on Forest Avenue to begin accepting cash payments. By the beginning of 1998, a trial program was launched. Historically, cash was only accepted at the Hudson Town Collector's Office. Now, we are able to accommodate customers who wish to pay by cash directly to the Office. In keeping with our intentions to expand payment options for customers, Department personnel attended a seminar on utility payment options during 1997 in order to investigate the how-tos of offering additional direct payment methods to its customers. We have already begun a direct payment program with the Community National Bank. Expanding our electronic payment options remains on our wish list for the near future.

### ***Distribution Report***

Constant maintenance and upgrading of the system by the Linecrews ensure that service is provided on the most reliable basis possible. Following is a summary of the activities of the Linecrews during 1997:

Poles, wires and transformers were upgraded in Hudson on Chapin Road, River Street, Brigham Street, Central Street, Main Street, High Street, Laurel Drive, Pleasant Street, Cottage Street, Municipal Drive, Technology Drive, Walnut Street, Houghton Street and at the concession stand and bus stop at Hudson High School; in Bolton on Century Mill Road; in Berlin on River Road, Marlboro Road and Dudley Road; and in Stow on Great Road, White Pond Road, High Street, Boon Road, Randall Road, Harvard Road, Taylor Road, Samuel Prescott Drive, Red Acre Road, Sudbury Road, Hartley Road and Hiley Brook Road.



**Constant maintenance keeps the distribution system running smoothly.**

New three-phase transformer banks were installed or upgraded in Hudson at Test Devices on Loring Street, the Fab Shop Inc. on School Street, Cablevision on Main Street, Kane Perkins on Main Street, Hudson Catholic High School on High Street, Hudson Department of Public Works on Municipal Drive, I. Foulds Company on Cherry Street and A.C.T. Manufacturing Company on Technology Drive; and in Stow at Wedgewood Country Club on Harvard Road, the monitoring well in the Star Market parking lot at Samuel Prescott Drive and at the new Star Market on Great Road.

New housing projects involved both the Engineering and Distribution Departments during 1997. Engineering Department laid out underground electrical circuits for ongoing and future subdivisions, while the linecrews performed the actual work in the field. New and ongoing underground developments in Hudson include Danforth Woods off of Laurel Drive, Courtland Drive off of Hosmer Street, The Pasture off of Alan Road and Brigham Hill II off of Harriman Road; and in Stow include Deerfield Lane, Heritage Estates off of White Pond Road, Maple Street, Russet Lane, Wetherbee Lane and Windmill Estates.

The Department completed the voltage conversion in Hudson from 4,160 volts to 13,800 volts on High Street, Cross Street, and on Manning Street to pole #1 on Main Street. An extensive upgrade from 4,160 volts to 13,800 volts was completed for Feed River Road, Marlboro Road and Dudley Road in Berlin. The voltage conversion not only upgrades the system, but also stabilizes voltage in the area.

Our meter reading was upgraded during 1997 with state-of-the-art electronic handheld devices. For over a decade, meter reading has been done using handheld devices that interact with our mainframe computer. This cuts down on paperwork and data entry. During our Centennial Year, we upgraded the handhelds with what is basically a miniature personal computer. These interact with the personal computers in the Office, which in turn upload to our mainframe computer. The newer devices reduce the amount of paperwork required, substantially increase reliability and speed up the information transfer to the mainframe computer.

### *Power*

With five of New England's major power plants shut down during 1997, the Northeast faced tight power supplies during the summer. Four of Northeast Utilities' (NU) plants in Connecticut were shut down, and Maine Yankee was closed for repairs. NEPOOL, which was renamed Independent System Operator (ISO) in preparation for deregulation, predicted the possibility of rolling blackouts across New England, especially during periods of extended hot and humid days.

To deal with the power supply situation, the Department established a fax notification program during 1997 to keep Voluntary Load Reduction customers updated on power supply situations. Through this program, local businesses and municipal departments agreed to voluntarily cut back on their electric consumption when notified in order to save the region from more drastic measures. Several times, local businesses and municipal governments reduced their electric consumption to assist the Northeast. The Department is sincerely grateful to the following participants: *Assabet Machine Corporation, Boyd Coating, Chase-Walton, Community Chamber of Commerce, Community National Bank, Digital Equipment Corporation, Foursto, Connections, Hudson Fire Department, Hudson Police Department, Hudson Town Hall, Hypertronics, Price Choppers, R.R. Donnelly, Silver King Broadcasting, Specialized Plastics, Stow Fire Department, Stow Police Department, Stow Town Hall and Test Devices.* We also appreciate WSRO's assistance in keeping our customers immediately updated when "Conservation Days" were called and New England's residents were urged to conserve electricity.

In related business, MMWEC joined eight other utilities in filing suit against NU, demanding compensation and charging negligence in connection with the shutdown of its Millstone III power plant. The Department is contracted to buy power from Millstone III through MMWEC. The power plant, however, is but a small portion of our power supply. In addition to our own generating plant on Cherry Street and our participation in ISO, the Department purchases electric power from the following sources:

- ◇ *Oil-Fired Units - W. F. Wyman, located in Yarmouth, Maine and operated by Central Maine Power.*
- ◇ *Oil and Gas-Fired Units - Cleary No. 9 located in Taunton, Massachusetts and operated by the Taunton Municipal Light Plant; and Peabody Municipal Lighting Plant located in Peabody, Massachusetts.*



- ◇ *Hydro-Electric Units* - Niagara River, located in Niagara Falls, New York and operated by the Power Authority of the State of New York; and Hydro Quebec, located in Quebec, Canada and operated by Hydro Quebec.
- ◇ *Trash-Fired Units* - Refuse Fuels, located in Lawrence, Massachusetts and operated by Refuse Fuels Associates.
- ◇ *Uranium-Fueled Units* - Maine Yankee, located in Weiscasset, Maine and operated by Maine Yankee; Millstone III, located in Waterford, Connecticut and operated by North Atlantic Energy Service Corporation; Pilgrim I, located in Plymouth, Massachusetts and operated by Boston Edison; and Vermont Yankee, located in Vernon, Vermont and operated by Vermont Yankee.

Our own power station remains a vital part of the Department's power supply mix. Its existence allows us to participate in ISO's economy exchange. As a member, we only need to run our own engines when all lesser expensive sources of power in New England are exhausted. As a result, the local engines are valuable even when they are not running. For that reason, constant maintenance is performed on the engines to ensure that they run in top condition. Following is a summary of the work performed on the engines during 1997:

- ◇ #7 Engine: Station employees pulled the head and piston on the #4 cylinder, and six broken compression rings were replaced. All the fuel nozzles were tested. The lower liner gland water leak on the #6 cylinder was repaired.
- ◇ #8 Engine: The head and piston on the #8 cylinder was pulled, and two broken compression rings on the piston were replaced. Lower liner gland water leaks on the #3 and #8 cylinders were repaired. The piston cooling temperature gauges were removed and calibrated.
- ◇ #9 Engine: The bearings on the oil purifier motor were repaired. The voltage regulator was repaired and cleaned. The connecting rods and wrist pin from the #6 cylinder was removed and repaired.
- ◇ #10 Engine: Station employees rebuilt the governor gas piston assembly, the engine air compressor, and the engine gas valves. The engine governor motor with spare was replaced.
- ◇ #11 Engine: The governor gas piston assembly was rebuilt, along with the engine gas valves. Water leaks in the gas valve adapters on five cylinders were repaired.
- ◇ #12 Engine: The engine keep-warm pump was rebuilt with new bearings and a water seal. The engine articulating rod bushings and pins were inspected.
- ◇ Miscellaneous Engines: The opacity monitors were tested monthly on engines #7, #8 and #12. The crankcase pressure monitors on engines #7, #8, #9, #10 and #11 were checked. The lube oil filters were changed on all engines, and lube oil samples were sent out for analysis. All engines had their pumps and motors serviced, and their fuel timings checked.

In our attempt to be as environmentally conscientious as possible, the Department hired Techna Test Inc. to test the day tanks of engines #1 and #2 and all underground fuel and lube oil lines. All of the equipment passed the testing. Oil samples from all transformers at the power plant were also tested and passed. In addition, Station employees scraped and painted the 20,000-gallon fuel tank and 7,000-gallon lube oil tank at the station. They also cleaned and painted the top of the 800,000-gallon fuel oil tank.

In other action at the Power Station during 1997:

- ◇ The standby batteries at the Forest Avenue substation and Cherry Street power plant were serviced monthly.
- ◇ Amperage readings were taken on all plant electric motors and put on file.
- ◇ Commonwealth Gas installed new pulse metering on all existing gas meters to allow for the purchase of natural gas on the open market.

The Power Station continues to be a draw for area youths. School classes and scouting groups received guided educational tours of the Station during 1997. The tours are tailor-made to the size of the group and age of the youths. In many instances, children are able to view the start-up of the engines. A favorite stop is electronic circuit maps, where the tour participants are able to decide what circuits to turn off and on during imaginary power outages.

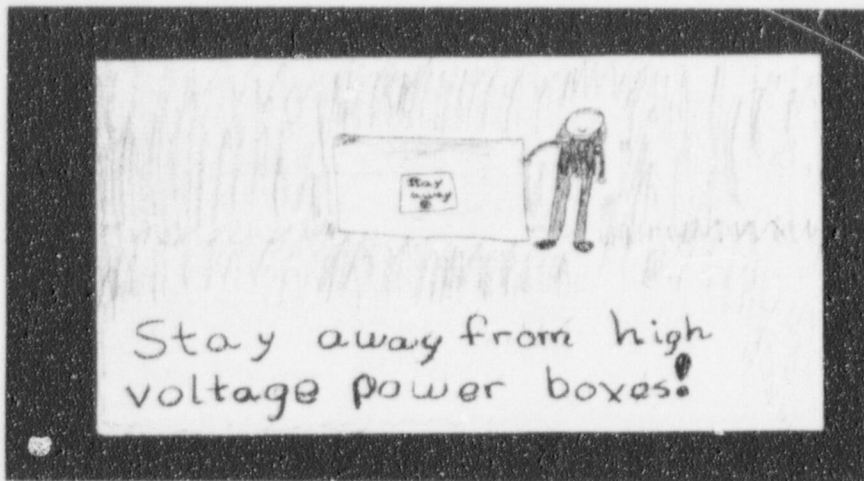
During 1997, the Department wished a happy and healthy retirement to Power Plant Superintendent Russell Carlson. Hired in 1968, Mr. Carlson worked in the various positions of maintenance, foreman and superintendent. Long-time employee Daniel Murphy was appointed as the new Power Plant Superintendent. Emmanuel Chaves was named Plant Foreman.

*A Personal Note*

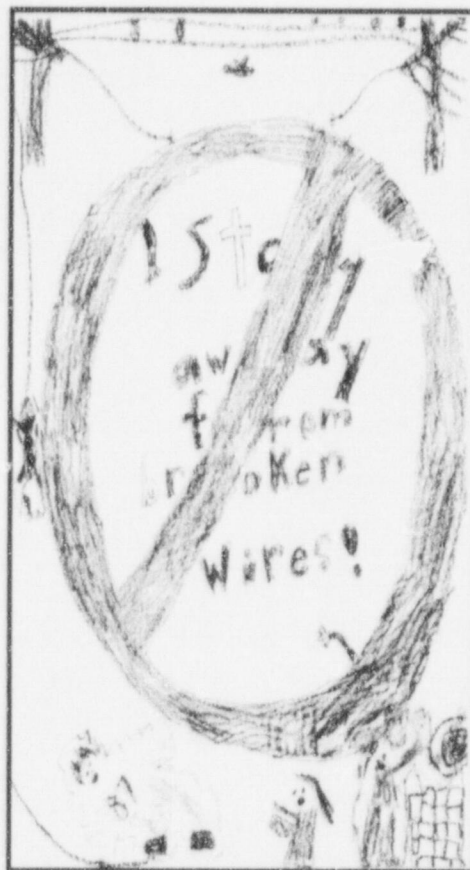
On behalf of the Department, I would like to express our condolences to the family of former employee James J. Higgins, who passed away during 1997. I would also like to take this opportunity to thank the men and women of the Hudson Light and Power Department. Their skill and commitment to the ratepayers has continued the Department's long-standing tradition of offering unparalleled service. My appreciation is also extended to the Hudson Municipal Light Board for their continued guidance and support. In the following pages are the 1997 Financial Statistics of the Hudson Light and Power Department.

Respectfully submitted,

*Anthony J. Monteiro, Manager*



*Kati ura - Center School, Stow*



*Molly S. - Mulready School  
Hudson*



*Christine Silva - Mulready School  
Hudson*

<p>Thank you for coming to our class to talk to us about electrical safety. Here are our favorite parts of the program...</p> <p>Christopher - when he showed the wire.          Keeon - I was sick. Sorry.          Chloe - I liked the movie.          Jack - I liked the movie.          Brendan - I liked to learn the safety rules.          Edmund - I liked the information.          Whitney - I am in Disney World. Sorry.          Stephen - I liked when the kids started to work together.</p>	<p>Shane - I liked the car directions.          Melissa - I liked when we got to feel the glass.          Joanie - I have the chicken pox. Sorry.          Daniel - I like the movie.          Sonny - I liked the movie.          Brett - When he showed us the electric stuff.          Jamie - The movie.          Jaclyn - I liked it when you showed us the stuff.          Thank you again!          Please come back next year.          Mrs. Kilcommins</p>
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*St. Michael School, Hudson*



# Financial Statements 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 money value or utility is an Asset. Assets are divided into plant or Property Assets, Current 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 represents expenditures for preliminary surveys, plans, 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, 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

	1997	1996	Increase (Decrease)
<b>Electric Utility Plant (Net)...</b>			
Intangible Plant	\$ 3,879.76	\$ 3,879.76	\$ 0.00
Production Plant in Service	1,996,543.01	2,203,348.10	(206,805.09)
Nuclear Fuel	53,538.12	64,201.37	(10,663.25)
Transmission Plant in Service	199,518.39	215,918.88	(16,400.49)
Distribution Plant in Service	3,107,402.98	3,245,873.11	(138,470.13)
General Plant in Service	<u>604,385.60</u>	<u>596,116.93</u>	<u>8,268.67</u>
<b>Total Utility Plant In Service</b>	<b>\$ 5,965,267.86</b>	<b>\$ 6,329,338.15</b>	<b>\$ (364,070.29)</b>
<b>Other Property &amp; Investments...</b>			
Investments in Assoc. Companies	\$ 131,453.25	\$ 141,510.08	\$ (10,056.83)
Other Investments		<u>0.00</u>	<u>0.00</u>
	<u>\$ 131,453.25</u>	<u>\$ 141,510.08</u>	<u>\$ (10,056.83)</u>
<b>Cash Assets...</b>			
Operation Cash	\$ 2,761,232.58	\$ 2,205,854.31	\$ 555,378.27
Miscellaneous Cash	221,634.26	862,945.75	(641,311.49)
Depreciation Fund	212,554.06	7,428.34	205,125.72
Depreciation Fund Investment	3,036,068.74	2,822,809.52	213,259.22
Insurance Escrow Reserve	0.00	8,947,416.38	(8,947,416.38)
Escrow Reserve Maine Yankee	92,791.00	0.00	92,791.00
Petty Cash	500.00	500.00	0.00
Deposit Interest Account	115,334.39	95,616.17	19,718.22
Customer Deposits Account	<u>271,585.86</u>	<u>254,468.06</u>	<u>17,117.80</u>
<b>Total Cash Balances</b>	<b>\$ 6,711,700.89</b>	<b>\$ 15,197,038.53</b>	<b>\$ (8,485,337.64)</b>
<b>Other Current and Accrued Assets...</b>			
Customer Account Receivables	\$ 2,766,591.62	\$ 2,735,242.38	\$ 31,349.24
Other Accounts Receivables	195,337.44	31,170.92	164,166.52
Material and Supplies	1,000,290.83	980,054.69	20,236.14
Prepayments	2,042,844.51	1,909,562.88	133,281.63
Int. & Dividends Receivable	9,598.45	42,448.97	(32,850.52)
Accrued Utility Revenues	412,169.25	0.00	412,169.25
Misc. Current & Accrued Assets	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Other Current &amp; Accrued Assets</b>	<b>\$ 6,426,832.10</b>	<b>\$ 5,698,479.84</b>	<b>\$ 728,352.26</b>
<b>Deferred Assets...</b>			
Preliminary Survey Charges	\$ 0.00	\$ 0.00	\$ 0.00
Misc. Deferred Debits	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Deferred Assets</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Total Assets</b>	<b><u>\$ 19,235,254.10</u></b>	<b><u>\$ 27,366,366.60</u></b>	<b><u>\$ (8,131,112.50)</u></b>

## Equity and Liabilities

Equity...	1997	1996	Increase (Decrease)
Loans Repayment	\$ 1,925,000.00	\$ 1,925,000.00	\$ 0.00
Invested by Town	20,093.39	20,093.39	0.00
Retained Earnings	<u>14,473,237.49</u>	<u>23,125,367.01</u>	<u>(8,652,129.52)</u>
<b>Total</b>	<b>\$ 16,418,330.88</b>	<b>\$ 25,070,460.40</b>	<b>\$ (8,652,129.52)</b>
<b>Current &amp; Accrued Liabilities...</b>			
Accounts Payable	\$ 1,365,609.52	\$ 832,546.68	\$ 533,062.84
Customer Deposits	271,585.86	254,468.06	17,117.80
Customer Deposits-Interest	114,571.26	95,616.17	18,955.09
Tax Collections Payable	16,465.15	14,584.97	1,880.18
Misc. Current & Accrued Liabilities	29,744.97	58,801.59	(29,056.62)
Customer Advances for Construction	<u>2,100.00</u>	<u>2,100.00</u>	<u>0.00</u>
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 1,800,076.76</b>	<b>\$ 1,258,117.47</b>	<b>\$ 541,959.29</b>
<b>Deferred Credits...</b>			
Misc. Deferred Credits	\$ 2,792.73	\$ 2,792.73	\$ 0.00
Deferred Credit-Fuel Charge	<u>0.00</u>	<u>20,942.27</u>	<u>(20,942.27)</u>
<b>Total Deferred Credits</b>	<b>\$ 2,792.73</b>	<b>\$ 23,735.00</b>	<b>\$ (20,942.27)</b>
<b>Reserves...</b>			
Injuries and Damages Reserve	<u>\$ 605,394.41</u>	<u>\$ 605,394.41</u>	<u>\$ 0.00</u>
<b>Total Reserves</b>	<b>\$ 605,394.41</b>	<b>\$ 605,394.41</b>	<b>\$ 0.00</b>
<b>Contributions in aid of Construction...</b>			
	<u>\$ 408,659.32</u>	<u>\$ 408,659.32</u>	<u>\$ 0.00</u>
	\$ 408,659.32	\$ 408,659.32	\$ 0.00
<b>Total Equity &amp; Liabilities</b>	<u><u>\$ 19,235,254.10</u></u>	<u><u>\$ 27,366,366.60</u></u>	<u><u>\$ (8,131,112.50)</u></u>

## Statement of Equity

Retained Earnings at January 1, 1997	\$ 23,125,367.01
Net Income or (Loss)	459,760.31
Miscellaneous Credits to Surplus	<u>200,664.28</u>
<b>Total</b>	<b>\$ 23,785,791.60</b>
Appropriation of Retained Earnings Returned to Town	\$ 225,000.00
Miscellaneous Debits to Retained Earnings	<u>9,087,554.11</u>
<b>Total</b>	<b>\$ 9,312,554.11</b>
<b>Total Retained Earnings at December 31, 1997</b>	<u><u>\$ 14,473,237.49</u></u>



## Comparative Income Statement Operating Statement

	1997	1996	Increase (Decrease)
<b>Operating Revenue</b>	\$ 27,752,130.70	\$ 26,431,189.55	\$ 1,320,941.15
<b>Operating Expense...</b>			
Production	\$ 645,572.80	\$ 604,639.49	\$ 40,933.31
Purchased Power Expense	22,760,781.36	21,415,235.10	1,345,546.26
Transmission Expenses	1,508,227.53	1,273,430.95	234,796.58
Distribution Expenses	586,277.00	454,356.72	131,920.28
General Expenses	1,496,057.71	1,443,646.55	52,411.16
Depreciation	596,991.67	579,987.55	17,004.12
Taxes	26,498.00	26,759.16	(261.16)
<b>Total Operating Expenses</b>	<u>\$ 27,620,406.07</u>	<u>\$ 25,798,055.52</u>	<u>\$ 1,822,350.55</u>
<b>Net Operating Revenues</b>	\$ 131,724.63	\$ 633,134.03	\$ (501,409.40)
<b>Other Income...</b>			
Income From Contract Work	\$	\$ 0.00	\$ 0.00
Interest & Dividend Income	318,659.15	669,219.37	(350,560.22)
Misc. Nonoperating Income	9,610.10	162,674.88	(153,064.78)
<b>Total Other Income</b>	<u>\$ 328,269.25</u>	<u>\$ 831,894.25</u>	<u>\$ (503,625.00)</u>
<b>Miscellaneous Income Deductions...</b>			
Other Income Deductions	\$ 145.51	\$ 65.21	\$ 80.30
<b>Total Income Deductions</b>	<u>\$ 145.51</u>	<u>\$ 65.21</u>	<u>\$ 80.30</u>
<b>Inc. Before Interest Charges</b>	\$ 459,848.37	\$ 1,464,963.07	\$ (1,005,114.70)
<b>Interest Charges...</b>			
Other Interest Expense	\$ 88.06	\$ 243,648.06	\$ (243,560.00)
<b>Total Interest Charges</b>	<u>\$ 88.06</u>	<u>\$ 243,648.06</u>	<u>\$ (243,560.00)</u>
<b>Net Income Before</b>			
Return to Town	\$ 459,760.31	\$ 1,221,315.01	\$ (761,554.70)
Less Return to Town	225,000.00	225,000.00	0.00
<b>Net Income (Loss)</b>	<u><u>\$ 234,760.31</u></u>	<u><u>\$ 996,315.01</u></u>	<u><u>\$ (761,554.70)</u></u>

# Income Statement Detail Expenses

January 1, 1997 to December 31, 1997

## Production

### Nuclear Power Generation

Operation Supervision	\$ 16,010.85
Fuel	29,472.23
Coolants and Water	1,730.36
Steam Expenses	12,079.57
Electric Expenses	3,743.48
Miscellaneous Nuclear Power Expenses	28,708.76
Maintenance Supervision	15,297.81
Maintenance of Structures	3,988.82
Maintenance of Reactor Plant Equipment	17,101.97
Maintenance of Electric Plant	14,871.03
Maintenance of Miscellaneous Nuclear Power	586.11
<b>Total Nuclear Power Production Expenses</b>	<b>\$ 143,590.99</b>

### Other Power Generation...

Operation Supervision	\$ 27,588.34
Fuel Oil	50,561.28
Fuel Natural Gas	73,855.56
Generation Expense	80,536.31
Generation Expense-Lube	6,838.84
Miscellaneous Other Power Generation Expenses	64,040.72
Maintenance Supervision	27,595.10
Maintenance of Structures	84,442.20
Maintenance of Generation and Electric Plant	86,459.71
Maintenance of Miscellaneous Generation Plant	63.75
<b>Total Other Production Expenses</b>	<b>\$ 501,981.81</b>

### Purchased Power Expenses...

Purchased Power-Entitlement	\$ 21,730,513.31
Purchased Power-Nepex	994,640.44
System Control and Load Dispersion	15,881.00
Other Expenses Purchase Power	19,746.61
<b>Total Purchased Power</b>	<b>\$ 22,760,781.36</b>

### Distribution Expenses...

Operation Supervision and Engineering	\$ 27,591.50
Station Expenses	108,864.06
Overhead Line Expenses	10,597.60
Underground Line Expenses	999.94

# Income Statement Detail Expenses

January 1, 1997 to December 31, 1997

**Distribution Expenses (continued)**

Street Lighting & Signal Expenses	13,288.58
Meter Expenses	65,713.15
Customer Installation Expense	5,174.34
Miscellaneous Distribution Expenses	6,122.68
Maintenance of Supervision and Engineering	29,381.43
Maintenance of Station Equipment	690.10
Maintenance of Overhead Lines	255,543.16
Maintenance of Underground Line	39,483.20
Maintenance of Line Transformer	19,186.93
Maintenance of Street Lighting	6,138.51
Maintenance of Meters	1,411.36
Maintenance of Miscellaneous Distribution Plant	(3,909.54)

**Total Distribution Expenses** \$ 586,277.00

**Transmission Expense** \$ 1,508,227.53

**General...**

Supervision	\$ 12,385.30
Meter Reader Expenses	54,187.83
Customer Records and Collection Expenses	245,614.66
Advertising Expense	2,772.09
Miscellaneous Sales Expense (RCS)	10,922.65
Administrative and General Salaries	317,043.70
Office Supplies and Expenses	18,493.51
Administrative Expenses Transferred	(6.93)
Outside Services- Employed	210,337.78
Property Insurance	73,881.76
Injuries and Damages	36,878.51
Employee Pension and Benefits	369,466.36
Regulatory Commission Expenses	4.59
General Advertising Expense	3,547.53
Miscellaneous General Expenses	47,171.43
Maintenance of General Plant	49,816.27
Transportation Expenses	43,540.67
Depreciation Expense	596,991.67

**Total General and Depreciation Expenses** \$ 2,093,049.38

**Real Estate and Other Taxes** \$ 26,498.00

**Total Operation Expenses** \$ 27,620,406.07



# Income Statement Detail

## Operating Revenue

January 1, 1997 to December 31, 1997

Sales to Residential Consumers	\$ 6,334,133.84
Sales to Commercial Consumers	1,460,896.02
Sales to Power Consumers	12,638,848.51
Private Property Lighting Sales	77,770.73
<b>Municipal Sales...</b>	
Hudson Street Lights	93,236.74
Hudson Municipal Buildings	63,783.79
Hudson Municipal Power	330,082.74
All Electric Municipal Buildings	443,003.15
Stow & Berlin Street Lights	5,894.75
Stow, Maynard & Other Municipal Service	97,721.08
Sales for Resale	
<b>Total Revenue from Sales of Electricity</b>	<b>\$ 21,545,371.35</b>
<b>Power Adjustment Charges...</b>	
Residential Sales	\$ 856,244.01
Commercial Sales	291,203.60
Power Sales	4,374,901.85
Private Property Lighting	12,704.92
<b>Municipal Power Adjustment Charges...</b>	
Street Lighting Stow et al	821.55
Municipal Power Hudson	89,836.35
Municipal Commercial Hudson	12,982.63
Municipal Power Stow et al	21,448.52
Municipal Commercial Stow et al	2,927.66
Municipal All Electric	70,226.58
Miscellaneous Electric Sales	433,111.52
<b>Total Power Adjustment Charges</b>	<b>\$ 6,166,409.19</b>
<b>Other Income...</b>	
Other Electric Revenues (RCS, etc.)	\$ 40,350.16
<b>Total Income</b>	<b>\$ 27,752,130.70</b>

## Statement of Changes in Financial Position

**Funds were provided from . . .**

**Operations . . .**

Net Income	\$ 459,760.31
Miscellaneous Credits to Surplus	200,664.28
Return of Investment	<u>10,056.83</u>

**Total Funds Provided** \$ 670,481.42

**Funds were used for . . .**

Increase (Decrease) to Utility Plant	\$ (364,070.29)
Establish Rate Stabilization Trust Fund	9,087,554.11
Return to Town of Hudson	225,000.00
Decrease (Increase) in Deferred Credits	<u>20,942.27</u>

**Total** \$ 8,969,426.09

**Increase (Decrease) in Working Capital** \$ (8,298,944.67)

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

Cash	\$ (8,521,410.53)
Receivables	195,515.76
Materials and Supplies	20,236.14
Prepayments	133,281.63
Interest Receivable	(32,850.52)
Accrued Utility Revenues	412,169.25
Miscellaneous Deferred Debits	0.00
Miscellaneous Accrued Liabilities	29,056.62
Accounts Payable	(533,062.84)
Taxes Payable	<u>(1,880.18)</u>

**Total** \$ (8,298,944.67)

## Footnote to Financial Statements

The Hudson Light and Power Department's accounting policies are in conformity with generally accepted accounting principals 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 overbilled or underbilled power adjustment charges.

**Electric Utility Plant Assets** are stated at 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 on 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 in the State banking system 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 and supplies are valued at average cost on the First-In, First-Out basis (FIFO). Cost of fuel is based on 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.

During 1984 the Department set up an Insurance **Escrow Account** to self-insure for conditions that the Department may encounter in its day to day operations.

**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 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 \$95,669.18 was transferred to the fund.

**Rate Stabilization Trust:** The Municipal Light Board has established this Trust to fund future 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. An amount equal to \$9,087,554.11 was transferred to the fund, of which \$284,256.60 was transferred to operations cash during 1997.



**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:

	<b>Yearly Cost</b>	<b>Energy kWh</b>
Pasny- Niagara River	\$ 210,965.50	18,476,415
Vermont Yankee- Yankee Atomic	192,493.59	4,744,754
Maine Yankee- Yankee Atomic	358,764.06	0
Central Maine Power- Wyman	185,074.69	2,740,460
Boston Edison- Pilgrim #1	1,275,993.12	16,083,511
New England Power System	2,172,719.69	67,847,320
MMWEC- Canal	286.76	0
MMWEC - Nuclear Mix #1	572,162.29	439,529
MMWEC -Millstone #3	386,260.41	0
MMWEC- Seabrook #4	1,227,691.67	14,563,077
MMWEC- Seabrook #5	153,249.61	1,622,000
MMWEC- Seabrook #6	12,669,126.82	110,278,017
Central Vermont Public Services	1,150,023.25	37,927,000
Taunton - Cleary #9	561,608.06	6,184,315
RFA- Refuse Fuel	664,340.44	7,001,537
Enron Power Marketing Inc.	33,626.25	860,900
Peabody Municipal Light Plant	44,094.59	370,899
Conn .Municipal Electric Energy Coop.	185,689.50	5,799,000
	<u>\$ 22,044,170.30</u>	<u>294,938,734</u>
 New England Power Exchange	 \$ 994,640.44	 29,925,270
 <b>Total</b>	 <u><u>\$ 23,038,810.74</u></u>	 <u><u>324,864,004</u></u>

Hudson obtains 890 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.

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 political subdivision of the Commonwealth of Massachusetts created as a means to develop 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 utilities and also owns and operates its own electric facilities. MMWEC sells all of the 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 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 any Project Participant fail to make any payment, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of the Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC also contracts to purchase power from third parties, which is resold to Members and other utilities under agreements known as Power Purchase Agreements (PPAs).

The payments required to be made to MMWEC under the PSAs and the PPAs are payable solely from Light Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project fossil-fueled power plants. MMWEC has a 22.7 MW interest in the Wyman #4 plant, operated by Central Maine Power Company.

MMWEC's 11.6% ownership in the Seabrook Station nuclear generating unit represents a substantial portion of its plant investment and financing programs. In addition, MMWEC has a 4.8% ownership interest in the Millstone III nuclear unit. Millstone Unit III was taken out of service on March 31, 1996 and will remain shut down pending a comprehensive Nuclear Regulatory Commission review and approval of a start-up plan.

The MMWEC Seabrook and Millstone Project Participants, per the PSAs, are liable for their proportionate share of the cost of a nuclear incident at those nuclear power plants as outlined in the Price-Andersen Act. The Project Participants are also liable for the decommissioning expenses which are being funded through monthly Project billings.

In November 1997, the Commonwealth of Massachusetts enacted legislation to restructure the electric utility industry. MMWEC and municipal light departments are not specifically subjected to the legislation. However, it is MMWEC's belief that industry restructuring and customer choice promulgated within the legislation, will have an effect on MMWEC and the Participant's operations.

MMWEC is involved in various legal actions. In the opinion of MMWEC's management, the outcome of such litigation or claims will not have a material effect on the financial position of the company.

As of December 31, 1997, total capital expenditures amounted to \$1,475,312,000, of which \$161,540,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects included Power Supply System Revenue Bonds totaling \$1,264,050,000, of which \$132,302,000 is associated with the Department's share of Project Capability. As of December 31, 1997, MMWEC's total future debt service requirement on outstanding Bonds issued for Projects under construction is \$2,025,095,000, of which \$225,498,000 will be billed to the Department.

Hudson's Light Department has entered into power purchase contracts or PSAs with MMWEC. Under these agreements, the Department is required to make capacity or debt service payments to MMWEC. The aggregate amount of such required payments, exclusive of Reserve and Contingency Fund billings, on Bonds outstanding and significant power purchase contracts through MMWEC as of December 31, 1997, is shown following:

	<b>Annual Cost</b>
For years ending December 31, 1998	\$ 11,318,000
1999	11,337,000
2000	11,347,000
2001	11,349,000
2002	11,350,000
Later fiscal years	<u>168,795,000</u>
<b>Total</b>	<b>\$225,496,000</b>

In addition, the Department is required to pay its share of the operation and maintenance (O&M) costs of the units in which they participate. The Department's total O&M costs including debt service under the agreements were \$17,573,000 and \$17,439,000 for the years ending December 31, 1997 and 1996, respectively.



# Receipts and Expenditures

<b>Cash Balance -- January 1, 1997</b>		\$ 15,197,038.53
	<b>Received</b>	
<b>Receipts...</b>		
Residential Sales	\$ 7,163,852.27	
Commercial Sales	1,765,518.59	
Industrial Sales	17,205,416.96	
Street Lighting	94,267.19	
Yard Lighting	98,150.28	
Municipal Sales	1,119,485.25	
Consumer Deposits	98,065.00	
Int. on Consumers' Deposits	19,718.22	
Int. on Invested Funds	309,251.88	
Rate Stabilization Trust	284,256.60	
Sundry Revenues	2,644,685.33	
<b>Total Receipts</b>		\$ 30,802,667.57
	<b>Paid Out</b>	
<b>Expenditures...</b>		
Returned to Town	\$ 225,000.00	
Consumers' Deposits Refunded	80,947.20	
Consumers' Deposits Interest Paid	4,051.46	
Payrolls	1,526,304.47	
Inv. for Supplies, Serv., etc.	28,268,064.02	
Rate Stabilization Trust	9,087,554.11	
Employees' Retirement Trust	96,083.95	
<b>Total Expenditures</b>		\$ 39,288,005.21
<b>Cash Balance -- December 31, 1997</b>		<u>\$ 6,711,700.89</u>

# Revenue from Sales of Electricity

January 1, 1997 to December 31, 1997

	HUDSON	STOW	OTHER	TOTAL
Res. Service "A"	\$ 3,015,398.75	\$ 1,084,092.30	\$ 50,006.11	\$ 4,149,497.16
Res. Wtr. Heater "E"	555,439.23	361,852.21	21,800.91	939,092.35
All Elec. Service "F"	912,276.51	323,199.44	10,068.38	1,245,544.33
Com. Htg. & Air Cond.	3,072.06	1,582.78	0.00	4,654.84
Com. Service "C"	1,087,002.64	362,497.21	6,741.33	1,456,241.18
Large Power "D"	11,779,628.44	859,220.07	0.00	12,638,848.51
Municipal All Elec.	103,323.70	0.00	339,679.45	443,003.15
Municipal Service "C"	63,783.79	10,696.73	0.00	74,480.52
Municipal Power "D"	330,082.74	87,024.35	0.00	417,107.09
Street Lighting	93,236.74	5,826.85	67.90	99,131.49
Yard Lighting	67,141.28	9,839.83	789.62	77,770.73
<b>Power Adjustment Charges...</b>				
Res. Service "A"	\$ 388,093.08	\$ 142,469.86	\$ 6,545.64	\$ 537,108.58
Res. Wtr. Heater "E"	76,876.61	50,988.37	3,077.48	130,942.46
All Elec. Service "F"	137,754.90	48,913.27	1,524.80	188,192.97
Com. Htg. & Air Cond.	734.41	383.95	0.00	1,118.36
Com. Service "C"	217,064.31	71,697.53	1,323.40	290,085.24
Large Power "D"	4,155,779.04	219,122.81	0.00	4,374,901.85
Municipal All Elec.	16,420.90	0.00	53,805.68	70,226.58
Municipal Service "C"	12,982.63	2,927.66	0.00	15,910.29
Municipal Power "D"	89,836.35	21,448.52	0.00	111,284.87
Street Lighting	0.00	813.79	7.76	821.55
Yard Lighting	10,987.93	1,605.38	111.61	12,704.92
<b>Total Rev. Each Zone</b>	<b>\$ 23,116,916.04</b>	<b>\$ 3,666,202.91</b>	<b>\$ 495,550.07</b>	<b>\$ 27,278,669.02</b>
<b>Misc. Electric Sales</b>				<b>\$ 433,111.52</b>
<b>Total Revenue from Sale of Electricity</b>				<b><u>\$ 27,711,780.54</u></b>

Res. Service "A"	\$ 4,686,605.74
Res. Service "E" Wtr Htr	1,070,034.81
All Elec. Service "F"	1,433,737.30
Com. Htr. & Air. Cond	5,773.20
Com. Service "C"	1,746,326.42
Large Power "D"	17,013,750.36
Municipal All Elec.	513,229.73
Municipal Service "C"	90,390.81
Municipal Power "D"	528,391.96
Street Lighting	99,953.04
Yard Lighting	90,475.65
<b>Total</b>	<b><u>\$ 27,278,669.02</u></b>

# Statistics

## Kilowatt-hours Generated, Purchased, Sold and Used

January 1, 1997 to December 31, 1997

Kilowatt-hours Generated	9,570,263
Kilowatt-hours Purchased	<u>324,864,004</u>
<b>Total Generated &amp; Purchased</b>	334,434,267

	HUDSON	STOW	OTHER AREAS
<b>Kilowatt-hours Sold...</b>			
Residence Service "A"	32,787,050	12,034,870	552,838
Service "E" (wtr htr)	6,492,938	4,306,441	259,926
All Electric Service "F"	11,634,756	4,131,182	128,782
Htg. and Air Cond. for Business	36,762	19,220	0
Commercial Service "C"	10,868,858	3,588,979	66,245
Large Power "D"	208,033,613	10,968,758	0
Departmental Usage	267,507	0	0
Municipal All Electric	1,386,900	0	4,544,400
Municipal Service "C"	649,874	146,549	0
Municipal Power "D"	4,496,990	1,073,660	0
Street Lighting	1,157,881	40,436	388
Yard Lighting	<u>550,058</u>	<u>80,699</u>	<u>5,584</u>
<b>Total Kilowatt-hours Each Zone</b>	278,363,187	36,390,794	5,558,163
Total Kilowatt-hours distributed			320,312,144
Kilowatt-hours sold for resale			0
Kilowatt-hours used at Station and misc.			1,584,426
Kilowatt-hours lost in Station & Transmission			2,056,367
Kilowatt-hours lost in Distribution Lines			<u>10,481,330</u>
<b>Total</b>			<u><u>334,434,267</u></u>
Percent lost in Distribution Lines		3.1340%	
Percent lost in Station and Transmission Lines		0.6419%	



## Five-Year Comparative Electric Sales Data

	1997	1996	1995	1994	1993
<b>Customers...</b>					
Residential	9103	9052	8,986	8,939	8,666
Commercial	1010	995	1,003	973	1,102
Industrial	165	173	164	174	189
Municipal	93	92	91	92	89
Others	<u>183</u>	<u>184</u>	<u>174</u>	<u>167</u>	<u>161</u>
<b>Total</b>	10,554	10,496	10,418	10,345	10,207

<b>Kilowatt-hour Sales...</b>					
Residential	72328783	72355738	70,357,575	70,167,817	67,593,087
Commercial	14580064	13185284	12,507,528	11,979,034	11,747,838
Industrial	219002371	230279236	222,450,581	210,469,687	163,787,225
Municipal	13497078	13405465	13,115,187	13,363,742	13,290,623
Other	<u>636341</u>	<u>631523</u>	<u>599,900</u>	<u>577,213</u>	<u>554,649</u>
<b>Total</b>	320044637	329857246	319,030,771	306,557,493	256,973,422

<b>Revenues Billed...</b>					
Residential	\$ 7,190,377.85	\$ 6,789,140.00	\$ 6,602,188.07	\$ 6,400,309.94	\$ 7,391,178.23
Commercial	1,752,099.62	1,525,642.13	1,491,902.26	1,484,858.75	1,704,001.18
Industrial	17,013,750.36	16,980,407.00	17,234,592.86	17,237,596.96	17,097,789.02
Municipal	1,231,965.54	1,174,029.34	1,167,060.57	1,193,990.80	1,406,281.43
Other	<u>90,475.65</u>	<u>86,085.49</u>	<u>80,715.29</u>	<u>70,364.57</u>	<u>75,630.22</u>
<b>Total*</b>	\$ 27,278,669.02	\$ 26,555,303.96	\$ 26,576,459.05	\$ 26,387,121.02	\$ 27,674,880.08

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

# Personnel

## *Hudson Municipal Light Board*

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Roland L. Plante, Member

Horst Huehmer, Clerk

## *Staff*

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Richard L. Veo

Jason Wardwell

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