

WEST BOYLSTON MUNICIPAL LIGHTING PLANT

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FY2016 Annual Report of the West Boylston Municipal Lighting Plant

Dear Customers,

The Town of West Boylston owns and operates a Municipal Lighting Plant (WBMLP) established by its residents in 1909. WBMLP's mission is to provide the lowest-cost and most reliable electricity service within West Boylston. WBMLP operates as a not-for-profit public utility and is regulated by a locally elected and independent, Board of Light Commissioners. Municipal light plants are unique and distinct departments of the Town's they serve and operate under a completely different business model than Investor Owned Utilities (IOUs). Primarily, our ratepayers are our shareholders, and they directly participate in the municipal light plant stakeholder process.

WBMLP's ability to govern its operations at the local level resulted in the acquisition of significant amounts of non-GHG emitting energy generation, highly competitive electricity rates, and, investment in cost effective renewable and clean energy projects. By the end of 2016, WBMLP purchased 64% of its annual power supply through solar, wind, nuclear, and hydroelectric generation assets and purchase power agreements.

Customer Base

By the end of 2016, WBMLP provided electric service to 3,016 residents, 477 businesses and 68, municipal and government customers. Energy consumption from all ratepayers decreased approximately 4% in 2016 compared to 2015 energy consumption. WBMLP expects energy consumption and sales revenue in 2017 to remain stable and similar to 2016. Our sales revenues are not dependent on one industry or one significantly sized customer that could impact revenues in the event this customer leaves our service territory. Our largest customer, the county jail, has three electric services that accounted for approximately 8% of the total kilowatt-hour sales in 2016. The rest of our top 20 largest customers represent only 1.0% - 2.0% each, of our kilowatt-hour sales and therefore individually, do not pose a risk to our forecasted revenues and budgets.

Power Supply

Power supply and transmission expenses represent 74% of WBMLP's annual operating budget. WBMLP purchases most of its annual energy supply through long-term contracts, power purchase agreements, and asset ownership that provide certain volumes of energy at fixed or known prices. Our long-term energy portfolio includes a mix of existing renewable and clean energy supply obligations that extend beyond 2045. In 2016, only 12% of our annual energy supply was considered "open" to market forces and fulfilled through ISO-NE day-ahead and real-time energy market purchases. The ability to own generation and execute long-term energy supply contracts is one of many distinct features that differentiate municipal light plants from distribution companies or IOUs.

In 2016 the largest components of our power supply were two greenhouse gas emission (GHG) free nuclear energy projects, representing approximately 44% of our power supply purchases. WBMLP expects these two nuclear projects to operate and generate electricity through 2045. 27% of our power supply in 2016 came from energy hedging contracts that provide fixed amounts of energy and prices for timeframes lasting up to five years. Hydroelectricity is another important component that was 6% of our long-term clean energy supply in 2016 and includes the out-of-region import of low-cost hydroelectricity from New York for the benefit of our ratepayers. The remaining components of our 2016 power supply were 6% wind, 4% natural gas/oil, and 1% solar energy generation owned and operated by WBMLP.

WBMLP's non-GHG emitting energy supply, as a percentage of sales, was 54% in 2016 based on MassDEP reporting. MassDEP's most recently published GHG Summary Report points out that 50.1% of West Boylston's annual energy sales were non-emitting in 2013. In comparison, Investor Owned Utilities (IOU's) reported only 6.2% - 7.3% of sales as non-emitting MWh's in 2013. WBMLP's ratepayers pay for an existing clean energy supply that exceed MassDEP's proposed Clean Energy Standard through 2040, and our local regulatory process will continue to develop and/or purchase both renewable and clean energy given our unique structure and legislative authority.

Rates

WBMLP's average electricity rates continue to remain lower than investor owned utility rates in Massachusetts in 2016. Our electricity rates have remained the same since 2009 and we don't expect a rate increase in 2017. In 2016, the average homeowner in West Boylston consumed approximately 700 kilowatt hours per month and spent approximately \$90 per month for that electricity. WBMLP continues to manage its operating budget to minimize future rate increases.

Energy Rebates and Conservation

Our customers saved energy by taking advantage of our energy audits and appliance rebates. WBMLP provides residential and commercial energy audits which identify ways to reduce energy consumption and your monthly bill. Please call 1-888-655-6767 to schedule a free energy audit. Our rebate and incentive programs helped our customers purchase the most energy efficient home appliances and equipment. WBMLP provides Energy Star appliance rebates for refrigerators, clothes washers, dehumidifiers, dishwashers, heat pump water heaters, and air conditioning units. Visit our webpage at www.wbmlp.org for a complete list of rebates, incentives, and online applications.

If you have any questions or concerns call or visit us. Our web page at www.wbmlp.org is a great resource for electricity rates, appliance rebates, financial reports, meeting minutes, and the latest pertinent information.

Sincerely, Board of Light Commission, Anthony Meola Jr., William D. Smith, & Winthrop Handy

West Boylston Municipal Lighting Plant and Subsidiary
Consolidated Statement of Revenues, Expenses, and Changes in Net Assets

OPERATING REVENUES:	2016	2015	2014	2013
Residential Sales	\$3,459,407	\$3,412,373	\$3,440,463	\$3,131,428
Commercial Sales	\$3,327,314	\$3,249,068	\$3,196,201	\$2,977,862
Industrial Sales	\$697,048	\$737,188	\$816,053	\$772,406
Private Lighting	\$72,873	\$70,873	\$67,962	\$64,164
Municipal Sales	\$449,180	\$447,536	\$391,789	\$291,803
<u>Other Operating Revenues</u>	<u>\$149,075</u>	<u>\$159,979</u>	<u>\$140,545</u>	<u>\$127,316</u>
TOTAL OPERATING REVENUES	\$8,154,897	\$8,077,017	\$8,053,013	\$7,364,979
OPERATING EXPENSES:				
Energy & Transmission	\$4,881,413	\$5,390,907	\$5,496,985	\$5,377,603
Operations and Maintenance	\$1,690,479	\$1,502,212	\$1,386,218	\$1,378,375
<u>Depreciation</u>	<u>\$418,787</u>	<u>\$404,200</u>	<u>\$604,874</u>	<u>\$441,934</u>
TOTAL OPERATING EXPENSES	\$6,990,679	\$7,326,439	\$7,488,077	\$7,197,912
OPERATING INCOME	\$1,164,218	\$750,578	\$564,936	\$167,067
NON-OPERATING REVENUES & EXPENSES:				
Investment Income	\$85,306	\$55,697	\$48,646	\$43,139
Dividend Income	\$0	\$0	\$0	\$747
Interest Expense	\$(47,485)	\$(51,558)	\$(63,255)	\$(29,286)
Amortization of Bond Pre.	\$1,903	\$1,898	\$1,898	\$1,898
Pooled Financing Issuance	\$(17,216)	\$0	\$0	\$0
<u>Relief of Insurance Res. Obl.</u>	<u>\$0</u>	<u>\$0</u>	<u>\$627,940</u>	<u>\$0</u>
TOTAL NON-OP. REV. & EXP.	\$22,508	\$6,037	\$615,229	\$16,498
Income Before Contrib. & Trans.	\$1,186,726	\$756,615	\$1,180,165	\$183,565
NET ASSETS - JANUARY 1	\$6,814,885	\$6,058,270	\$4,878,103	\$6,939,771
NET ASSETS - DECEMBER 31	\$8,001,611	\$6,814,885	\$6,058,270	\$7,123,337