

FY2018 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 lowest-cost and 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 towns 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 governing their municipal light plant.

Overview of the Financial Statements

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2018, it shows our net worth has increased by 16.5% over the year ended December 31, 2017.

The Statements of Revenues, Expenses and Changes in Net Position summarize our operating results and reveal how much of a profit was earned for the years presented. As discussed in more detail on the following page, our income for December 31, 2018 and 2017 was \$1,592,545 and \$2,173,284, respectively.

Summary of Net Position

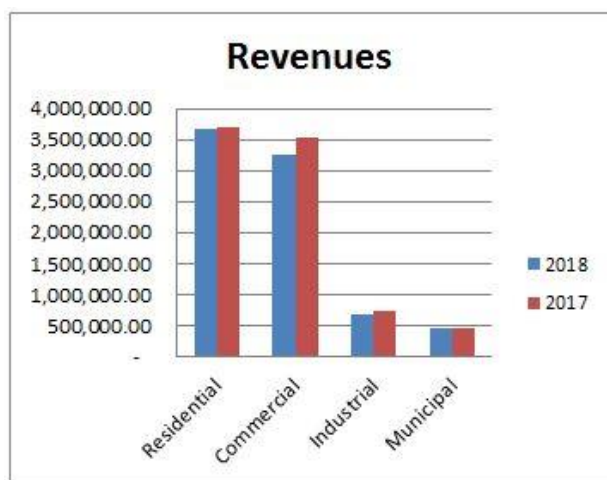
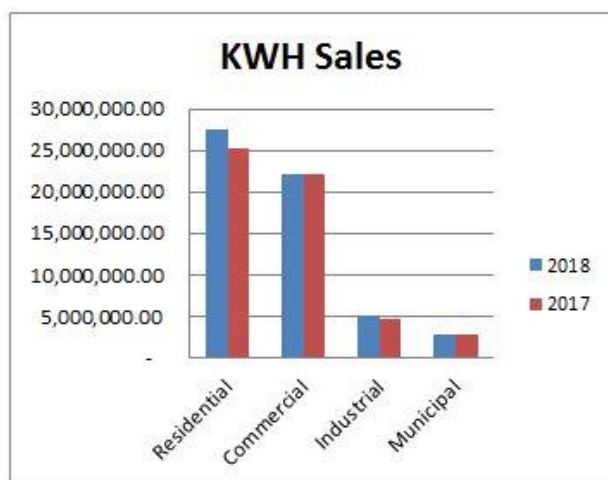
	<u>2018</u>	<u>2017</u> <u>(As Revised)</u>
Current Assets	\$ 8,077,878	\$ 8,351,574
Noncurrent Assets	<u>17,252,650</u>	<u>16,095,068</u>
Total Assets	<u>25,330,528</u>	<u>24,446,642</u>
Deferred Outflows of Resources	<u>578,901</u>	<u>807,621</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 25,909,429</u>	<u>\$ 25,254,263</u>
Current Liabilities	\$ 1,305,213	\$ 1,307,075
Noncurrent Liabilities	<u>8,491,253</u>	<u>9,838,741</u>
Total Liabilities	<u>9,796,466</u>	<u>11,145,816</u>
Deferred Inflows of Resources	<u>4,849,816</u>	<u>4,437,845</u>
Net Position:		
Net Investment in Capital Assets	4,377,552	3,884,723
Net Position Restricted for Depreciation	2,564,775	2,036,142
Unrestricted	<u>4,320,820</u>	<u>3,749,737</u>
Total Net Position	<u>11,263,147</u>	<u>9,670,602</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 25,909,429</u>	<u>\$ 25,254,263</u>

Summary of Changes in Net Position

	2018	2017 (As Revised)
Operating Revenues	\$ 8,177,956	\$ 8,693,940
Operating Expenses	<u>6,415,751</u>	<u>6,697,655</u>
Operating Income	1,762,205	1,996,285
Non-operating Revenues (Expenses)	<u>(169,660)</u>	<u>176,999</u>
Income Before Contributions and Transfers	1,592,545	2,173,284
Beginning Net Position	9,670,602	8,001,611
Implementation of GASB 75	<u>0</u>	<u>(504,293)</u>
Ending Net Position	<u>\$ 11,263,147</u>	<u>\$ 9,670,602</u>

Kilowatt Hour Sales

The following charts represent total kilowatt-hour sales and total revenues by account class for 2018 and 2017. Overall the annual growth shows an increase of approximately 4.7% in kilowatt-hour sales and a decrease of approximately 4.4% in operating revenues. The increase in kilowatt-hours sales was due to the recent construction of ninety-six residential rental and townhouse style properties utilizing 100% heat-pump base technology for heating and cooling. The decrease in operating revenues was a result of the increase in the total credit provided to all customers through the power purchase adjustment (PPA).



Customer Base

By the end of 2018, WBMLP provided electric service to 3,136 residents, 495 businesses and 72 municipal and government customers. WBMLP expects energy consumption and sales revenue in 2019 to remain stable and similar to 2018. 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 Worcester county jail, has three electric services that accounted for approximately 7% of the total kilowatt-hour sales in 2018. The next 20 largest customers represent only

0.2% - 2.1% each, of our kilowatt-hour sales and therefore individually, do not pose a risk to our forecasted revenues and budgets.

Power Supply

Our 2018 power supply and transmission expenses represent 68% 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 clean energy supply obligations that extend beyond 2035. In 2018, only 14% 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.

The largest components of our 2018 power supply were two, zero greenhouse gas (GHG) emitting nuclear energy projects, representing approximately 45% of our power supply purchases. WBMLP expects the Millstone and Seabrook nuclear projects to operate and generate electricity through 2045 and 2050 respectively. 19% of our power supply in 2018 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 7% of our long-term energy supply in 2018 and includes imported, low-cost clean hydroelectricity from New York for the specific benefit of our residential ratepayers. The remaining components of our 2018 power supply were generated from 8% wind, 5% solar, 2% natural gas, and 0.3% oil sources. The remaining 14% of our 2018 power supply was purchased through day-ahead and real-time ISO-NE market.

WBMLP's non-GHG emitting energy, as a percentage of sales, was 50.1% in 2018. WBMLP's non-GHG emitting energy in 2015 was 49.1% as reported in MassDEP's most recently published GHG Summary Report. In comparison, the Commonwealth's three largest Investor Owned Utilities (IOU's) reported only 7.4% - 11.2% of sales as non-emitting in 2015. WBMLP's ratepayers purchase an existing clean energy supply that exceeds MassDEP's Clean Energy Standard through the 2035-2040 timeframe. Our local control and regulatory process will continue to develop and purchase both renewable and clean energy given our unique vertically integrated structure.

The 2003 Massachusetts Renewable Energy Portfolio Standard (RPS) requires retail electricity suppliers (both regulated distribution utilities and competitive suppliers) obtain a percentage of the electricity they serve to their customers from qualifying renewable energy. RPS-qualified generation includes; Wind, Solar, Geothermal, Biomass, Landfill Gas, Small-Scale Hydroelectricity, Digester Gas and Waste Energy. These renewable energy sources generate environmental attributes called "Renewable Energy Credits" or "RECs". 15% of WBMLP's 2018 energy supply was generated from RPS qualified generation.

Although WBMLP is excluded from the RPS standard, it owns and controls the RECs from 9% of our annual power supply that is RPS qualified. WBMLP currently sells the RECs from our Berkshire wind project and three solar generation systems located in West Boylston. WBMLP will sell our RECs until we pay off the construction loans used to invest in this renewable energy. Once the loans are paid, WBMLP expects to retire the RECs and claim credit for the renewable energy attributes associated with these generation assets.

WBMLP does not purchase or own the RECs from the remaining 6% of our annual power supply that is RPS qualified. This includes small-scale hydroelectricity we purchase from New Hampshire and wind energy we purchase from Princeton Wind and Hancock Wind. Even though WBMLP doesn't own these RECs, our long-term commitment to purchase the energy output from these renewable energy generators help ensure their construction and continued operation.

Utility Plant

The Lighting Plant and Cooperative's investment in utility plant assets, net of accumulated depreciation, as of December 31, 2018 and 2017 was \$10,241,142 and \$10,265,887 respectively. Plant and equipment replacement is part of an on-going capital improvement plan to keep the Lighting Plant in good operating condition.

Purchased Power Working Capital

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. MMWEC requires that they hold a set amount of capital (minimum of two months) from which it may pay our power supply obligations when they are due. They replenish the fund as needed from our monthly invoice payments. Currently our power costs are approximately \$425,000 per month. The balance in this fund as of December 31, 2018 and 2017 was \$977,615 and \$971,802, respectively.

Depreciation Fund

The West Boylston Municipal Lighting Plant maintains a depreciation fund, which is managed as a separate account by the Town of West Boylston Treasurer. This fund is used to pay for large capital investments such as new vehicles, distribution system upgrades and new construction projects. This fund is required by State statute. The Lighting Plant set aside 3% and 5% of the cost of plant to be used for capital improvements and additions for the years ending December 31, 2018 and 2017, respectively. Our depreciation fund balance at December 31, 2018 and 2017 was \$2,564,775 and \$2,036,142 respectively.

Rate Stabilization Fund

WBMLP established a rate stabilization fund which is managed by MMWEC. The fund was initially established to mitigate the difference in the market cost of energy and our long term energy contract costs. Today the rate stabilization fund represents a reserve of approximately six months energy and transmission supply costs in the event of a national emergency, fuel supply disruption, transmission constraints, nuclear decommissioning expenses, new state and federal regulations related to clean energy, homeland security, climate change, and other disruptions to the energy market.

New England and Massachusetts in particular, is heavily dependent on reliable and cost effective natural gas fuel supply for energy generation. The transportation and supply of natural gas is becoming constrained due to a lack of multiple natural gas transmission pipelines into the Commonwealth. Demand for the supply of natural gas continues to increase as the Commonwealth and the ISO-NE region reduces and eliminates coal and oil from its sources of generation, and, consumers switch to natural gas for residential and commercial heating. ISO-NE market rates for energy have been impacted previously by the lack of adequate natural gas pipeline infrastructure in Massachusetts.

There are many factors, other than the cost of energy, such as increased financial requirements of the ISO New England, the possibility of escalating costs at our nuclear facilities due to homeland security requirements and interruptions in supply due to natural and manmade disasters, which could dramatically affect the cost of energy and transmission services. Our rate stabilization fund balance at December 31, 2018 and 2017 was \$4,088,276 and \$3,628,784, respectively.

Rates

WBMLP's average electricity rates continue to remain lower than investor owned utility rates in Massachusetts in 2018. Our electricity rates have remained the same since 2009 and we don't expect a rate increase in 2019. In 2018, the average homeowner in West Boylston consumed approximately 730 kilowatt hours per month and spent approximately \$100 per month for that electricity. WBMLP continues to manage its operating budget to minimize future rate increases.

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

OPERATING REVENUES:	2018	2017	2016	2015
Residential Sales	\$3,660,967	\$3,698,715	\$3,459,407	\$3,412,373
Commercial Sales	\$3,248,087	\$3,540,249	\$3,327,314	\$3,249,068
Industrial Sales	\$691,296	\$722,455	\$697,048	\$737,188
Private Lighting	\$74,333	\$71,138	\$72,873	\$70,873
Municipal Sales	\$446,719	\$462,202	\$449,180	\$447,536
<u>Other Operating Revenues</u>	<u>\$56,554</u>	<u>\$199,181</u>	<u>\$149,075</u>	<u>\$159,979</u>
TOTAL OPERATING REVENUES	\$8,177,956	\$8,693,940	\$8,154,897	\$8,077,017
OPERATING EXPENSES:				
Energy & Transmission	\$3,992,377	\$3,869,550	\$4,881,413	\$5,390,907
Operations and Maintenance	\$1,859,226	\$1,945,743	\$1,690,479	\$1,502,212
<u>Depreciation</u>	<u>\$564,148</u>	<u>\$882,362</u>	<u>\$418,787</u>	<u>\$404,200</u>
TOTAL OPERATING EXPENSES	\$6,415,751	\$6,697,655	\$6,990,679	\$7,326,439
OPERATING INCOME	\$1,762,205	\$1,996,285	\$1,164,218	\$750,578
NON-OPERATING REVENUES & EXPENSES:				
Investment Income	\$12,264	\$329,454	\$85,306	\$55,697
Grant Income	\$0	\$67,328	\$0	\$0
Interest Expense	\$(183,822)	\$(193,864)	\$(47,485)	\$(51,558)
Amortization of Bond Pre.	\$1,898	\$1,898	\$1,903	\$1,898
<u>Pooled Financing Issuance</u>	<u>\$0</u>	<u>\$(27,817)</u>	<u>\$(17,216)</u>	<u>\$0</u>
TOTAL NON-OP. REV. & EXP.	\$(169,660)	\$176,999	\$22,508	\$6,037
Income Before Contrib. & Trans.	\$1,592,545	\$2,173,284	\$1,186,726	\$756,615
NET ASSETS - JANUARY 1	\$9,670,602	\$8,001,611	\$6,814,885	\$6,058,270
NET ASSETS - DECEMBER 31	\$11,263,147	\$9,670,602	\$8,001,611	\$6,814,885