

FY2020 Annual Report of the West Boylston Municipal Lighting Plant

Dear Customers,

Your Municipal Lighting Plant (WBMLP) was established in 1909 and our mission is to provide lowest-cost, reliable, and the least greenhouse gas (GHG) emitting electricity within West Boylston's service territory. WBMLP operates as a not-for-profit public utility and is regulated by you through 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 locally owned municipal light plant.

WBMLP's independently audited FY2020 (January 1, 2020 through December 31, 2020) financials will be completed by April 30, 2020. This annual report includes operational data from 2020 and 2019, and, audited financial statements from 2019 and 2018.

Overview of the Financial Statements

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. On December 31, 2019, our net worth increased by 14.3% over the year ended December 31, 2018.

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, 2019 and 2018 was \$1,610,241 and \$1,592,545, respectively.

Summary of Net Position

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 7,602,136	\$ 7,530,589
Noncurrent Assets	<u>19,209,221</u>	<u>17,799,939</u>
Total Assets	26,811,357	25,330,528
Deferred Outflows of Resources	675,550	578,901
Total Assets and Deferred Outflows of Resources	<u>\$ 27,486,907</u>	<u>\$ 25,909,429</u>
Current Liabilities	1,265,950	1,305,213
Noncurrent Liabilities	<u>8,268,266</u>	<u>8,491,253</u>
Total Liabilities	9,534,216	9,796,466
Deferred Inflows of Resources	5,079,303	4,849,816
Net Position:		
Net Investment in Capital Assets	5,518,029	4,377,552
Net Position Restricted for Depreciation	2,864,758	2,564,775
Unrestricted	<u>4,490,601</u>	<u>4,320,820</u>
Total Net Position	12,873,388	11,263,147
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 27,486,907</u>	<u>\$ 25,909,429</u>

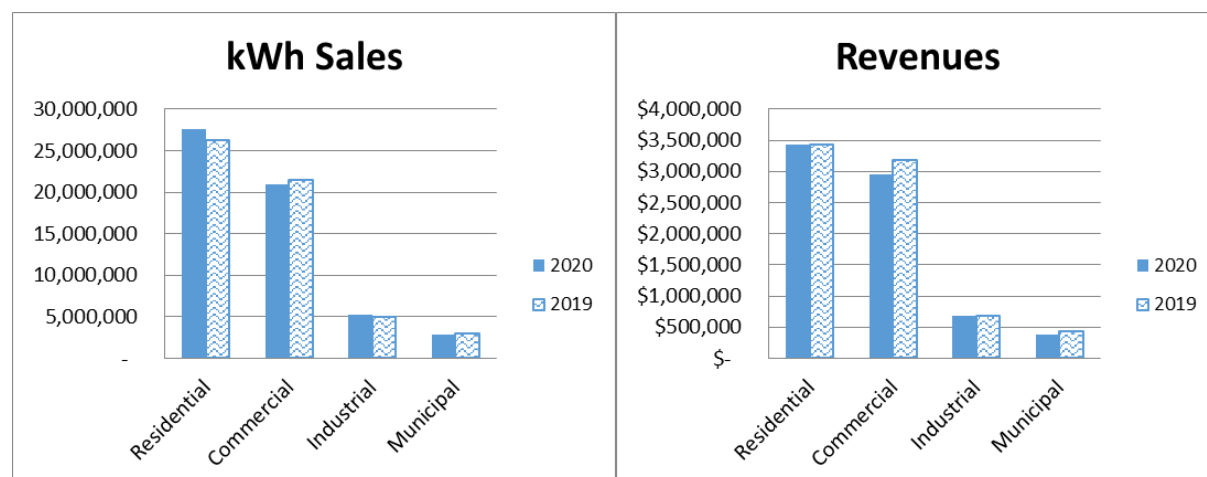
Summary of Changes in Net Position

<u>2019</u>	<u>2018</u>
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Operating Revenues	\$ 7,800,984	\$ 8,177,956
Operating Expenses	<u>6,784,272</u>	<u>6,415,751</u>
Operating Income	1,016,712	1,762,205
Non-operating Revenues (Expenses)	<u>593,529</u>	<u>(169,660)</u>
Income Before Contributions and Transfers	1,610,241	1,592,545
Beginning Net Position	11,263,147	9,670,602
Ending Net Position	<u>\$ 12,873,388</u>	<u>\$ 11,263,147</u>

Kilowatt Hour Sales

The following charts represent total kilowatt-hour sales and total revenues by account class for 2020 and 2019. The annual growth in kilowatt-hour sales was approximately 2% and operating revenues decreased by approximately 3%. The small increase in kilowatt-hours sales was primarily due to higher residential sales and revenues decreased because lower power and transmission expenses resulted in higher customer discounts through our purchase power adjustment.



Customer Base

WBMLP provided electric service to 3,161 residents, 490 businesses and 72 municipal and government customers in 2020. Overall, WBMLP's customer energy consumption and sales revenue in 2020 remained stable and similar to 2019. 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 7.5% of the total kilowatt-hour sales in 2020. The next 34 largest customers represent only 0.3% - 2.5% each, of our kilowatt-hour sales and therefore individually, do not pose a risk to our forecasted revenues and budgets.

Power Supply

WBMLP continuously evaluates new sources of reliable, non-greenhouse gas (GHG) emitting, and affordable energy located throughout or interconnected to ISO-NE. West Boylston is transitioning away from fossil fueled generation and adopted a Greenhouse Gas Emission Standard (GGES). Our GGES goal is "net zero" greenhouse gas emissions by 2050. 50% of WBMLPs energy supply did not emit

greenhouse gas emissions (GHGs) in 2020. WBMLP will need to invest in additional non-GHG emitting generation to meet our “net-zero” 2050 GGES goal. West Boylston’s GGES allows generation from new and existing nuclear, hydroelectricity, wind, solar, geothermal, biomass, landfill gas, digester gas and waste energy sources, as long as we hold and retire the environmental attributes.

Our power supply and transmission expenses represent 60-70% of WBMLP’s annual operating budget. WBMLP purchases most of its annual energy supply through long-term contracts, power purchase agreements, and generation 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 and as far out as 2050. 17% of our energy supply was “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 2020 power supply were two, zero GHG emitting, nuclear energy projects, representing approximately 43% of our power supply purchases. WBMLP expects the Millstone and Seabrook nuclear projects to operate and generate electricity through 2045 and 2050 respectively. 14% of our power supply in 2020 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 comprising 8% of our energy supply in 2020 and included imported, low-cost clean hydroelectricity from both New York and Canada. The remaining components of our 2020 power supply were generated from 9% wind, 7% solar, 2% natural gas, and 0.1% oil.

WBMLP currently sells the environmental attributes from our Berkshire wind project and three solar generation systems located in West Boylston. WBMLP will continue to sell the environmental attributes until the construction loans are paid. Once the loans are paid, WBMLP expects to retire the environmental attributes and count these generation resources towards our GGES. WBMLP does not purchase or own the environmental attributes from the small-scale hydroelectricity purchased from New Hampshire and the wind energy purchased from Princeton Wind and Hancock Wind. Even though WBMLP doesn’t own these environmental attributes, our long-term commitment to purchase the energy output from these sources of energy 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, 2019 and 2018 was \$10,864,045 and \$10,241,142, respectively. Plant and equipment replacement is part of our on-going capital improvement plans to ensure reliability and maintain your lighting plant in the best operating condition.

Purchased Power Working Capital

The purchased power working capital are funds held by the Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. MMWEC holds a set amount of capital (minimum of two months of power supply costs) from which it pays our weekly and monthly power supply obligations when due. The funds are replenished as needed from our monthly invoice payments. Our power supply costs are approximately \$425,000 per month and the balance in this fund as of December 31, 2019 and 2018 was \$991,401 and \$977,615, 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 sets aside 3% of the cost of plant to be used for capital improvements and additions for the years ending December 31, 2020 and 2019. Our depreciation fund balance on December 31, 2020 and 2019 was \$3,166,209 and \$2,874,110, respectively.

Rate Stabilization Fund

WBMLP established a rate stabilization fund which is held and managed by MMWEC. The fund was established to mitigate the difference in the market cost of energy and our long-term energy supply contract costs. The rate stabilization fund is an emergency reserve of approximately six to twelve months energy and transmission supply costs in the event of a national emergency, fuel supply disruptions, transmission constraints, nuclear decommissioning expenses, state and federal regulations impacting energy supply, 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 eliminates coal and oil 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-NE, 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 on December 31, 2020 and 2019 was \$4,747,642 and \$4,561,743, respectively.

Other Post-Employment Benefits (OPEB)

WBMLP's Plan Fiduciary Net Position was \$1,142,345 and our OPEB Liability was \$1,616,539 at the end of 2020. WBMLP's OPEB funded ratio is 70.67%. WBMLP's Board of Light Commissioners authorized additional annual payments to fully fund our OPEB liability by 2023.

Rates

WBMLP's average electricity rates continue to remain lower than investor-owned utility rates in Massachusetts in 2020. Our electricity rates remained the same since 2009 and we do not expect a rate increase in 2021. In 2020, the average home in West Boylston consumed approximately 730 kilowatt hours per month and spent approximately \$100 per month for that electricity. WBMLP continues to manage its 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:	2019	2018	2017	2016
Residential Sales	\$3,436,177	\$3,660,967	\$3,698,715	\$3,459,407
Commercial Sales	\$3,099,615	\$3,248,087	\$3,540,249	\$3,327,314
Industrial Sales	\$674,177	\$691,296	\$722,455	\$697,048
Private Lighting	\$76,745	\$74,333	\$71,138	\$72,873
Municipal Sales	\$439,679	\$446,719	\$462,202	\$449,180
<u>Other Operating Revenues</u>	<u>\$74,591</u>	<u>\$56,554</u>	<u>\$199,181</u>	<u>\$149,075</u>
TOTAL OPERATING REVENUES	\$7,800,984	\$8,177,956	\$8,693,940	\$8,154,897
OPERATING EXPENSES:				
Energy & Transmission	\$3,856,556	\$3,992,377	\$3,869,550	\$4,881,413
Operations and Maintenance	\$2,355,925	\$1,859,226	\$1,945,743	\$1,690,479
<u>Depreciation</u>	<u>\$571,791</u>	<u>\$564,148</u>	<u>\$882,362</u>	<u>\$418,787</u>
TOTAL OPERATING EXPENSES	\$6,784,272	\$6,415,751	\$6,697,655	\$6,990,679
OPERATING INCOME	\$1,016,712	\$1,762,205	\$1,996,285	\$1,164,218
NON-OPERATING REVENUES & EXPENSES:				
Investment Income	\$600,529	\$12,264	\$329,454	\$85,306
Grant Income	\$157,666	\$0	\$67,328	\$0
Interest Expense	\$(166,564)	\$(183,822)	\$(193,864)	\$(47,485)
Amortization of Bond Pre.	\$1,898	\$1,898	\$1,898	\$1,903
<u>Pooled Financing Issuance</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(27,817)</u>	<u>\$(17,216)</u>
TOTAL NON-OP. REV. & EXP.	\$593,529	\$(169,660)	\$176,999	\$22,508
Income Before Contrib. & Trans.	\$1,610,241	\$1,592,545	\$2,173,284	\$1,186,726
NET ASSETS - JANUARY 1	\$11,263,147	\$9,670,602	\$8,001,611	\$6,814,885
NET ASSETS - DECEMBER 31	\$12,873,388	\$11,263,147	\$9,670,602	\$8,001,611