

# **FY2021 Annual Report of the West Boylston Municipal Lighting Plant**

**Dear Customers,**

Your Municipal Lighting Plant (WBMLP) was established in 1909 and operates as a not-for-profit public power utility. WBMLP is regulated by its own ratepayers through a locally elected and independent Board of Light Commissioners. WBMLP's mission is to provide the lowest-cost, most reliable, and the least greenhouse gas (GHG) emitting energy supply within West Boylston's service territory. Municipal light plants are unique and separate departments of the towns they serve. Our ratepayers are our shareholders, and they directly participate in governing their locally owned municipal light plant.

WBMLP's independently audited FY2021 (January 1, 2021, through December 31, 2021) financials will be completed by April 30, 2022. This annual report includes operational data from 2021 and 2020, and, audited financial statement information from 2020 and 2019.

## **Overview of the Audited 2020 and 2019 Financial Statements**

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. On December 31, 2020, our net worth increased by 8.1% over the year ended December 31, 2019.

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 pages, our income for December 31, 2020, and 2019 was \$1,041,759 and \$1,610,241, respectively.

### **Summary of Net Position**

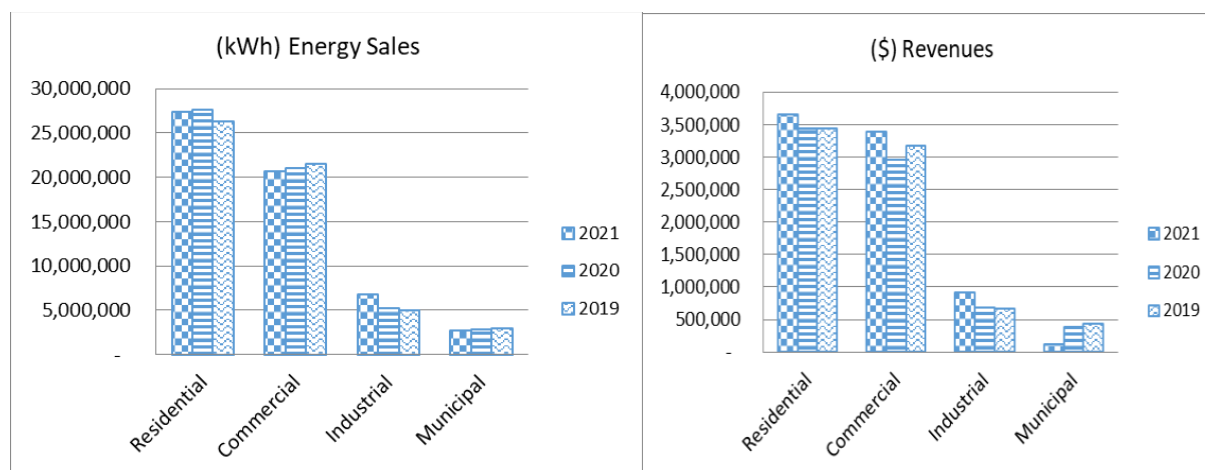
	<u>2020</u>	<u>2019</u>
Current Assets	\$ 7,942,491	\$ 7,602,136
Noncurrent Assets	<u>19,758,154</u>	<u>19,209,221</u>
Total Assets	27,700,645	26,811,357
Deferred Outflows of Resources	1,111,139	675,550
Total Assets and Deferred Outflows of Resources	<u>\$ 28,811,784</u>	<u>\$ 27,486,907</u>
Current Liabilities	1,388,265	1,265,950
Noncurrent Liabilities	<u>8,204,986</u>	<u>8,268,266</u>
Total Liabilities	9,593,251	9,534,216
Deferred Inflows of Resources	5,303,386	5,079,303
Net Position:		
Net Investment in Capital Assets	6,177,746	5,518,029
Net Position Restricted for Depreciation	3,150,440	2,864,758
Unrestricted	<u>4,586,961</u>	<u>4,490,601</u>
Total Net Position	13,915,147	12,873,388
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 28,811,784</u>	<u>\$ 27,486,907</u>

### Summary of Changes in Net Position

	2020	2019
Operating Revenues	\$ 7,576,983	\$ 7,800,984
Operating Expenses	<u>6,719,854</u>	<u>6,784,272</u>
Operating Income	857,129	1,016,712
Non-operating Revenues (Expenses)	<u>184,630</u>	<u>593,529</u>
Income Before Contributions and Transfers	1,041,759	1,610,241
Beginning Net Position	12,873,388	11,263,147
Ending Net Position	<u>\$ 13,915,147</u>	<u>\$ 12,873,388</u>

### Revenue and Kilowatt Hour Sales

The following charts represent total retail kilowatt-hour sales and total revenues by major account class for 2021, 2020, and 2019. Our 2021 retail kilowatt-hour sales increased approximately 2% and operating revenues increased approximately 7.5%. The increase in kilowatt-hours sales was primarily due to higher industrial kWh's and revenues increased because higher power and transmission expenses resulted in lower customer wide discounts through our purchase power adjustment (PPA).



### Customer Base

WBMLP provided electric service to 3,165 residents, 494 businesses and 73 municipal and government customers in 2021. 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 2021. 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 and Environment

WBMLP continuously evaluates new sources of reliable, non-greenhouse gas (GHG) emitting, and cost-effective energy located throughout or interconnected to ISO-NE. West Boylston is transitioning away from all fossil fueled energy generation and adopted a Greenhouse Gas Emission Standard (GGES) in 2020. The GGES became state law in 2021 and now applies to all municipal light plants in the

Commonwealth. Our GGESS goal is “Net Zero” greenhouse gas emissions by 2050 with interim goals of 50% and 75% by 2030 and 2040 respectively. 54% of WBMLP’s energy supply did not emit greenhouse gas emissions (GHGs) in 2021. Over time, WBMLP will need to invest in additional renewable and clean energy qualified generation in order to meet our net-zero GGES goal by 2050.

Power supply and transmission expenses represent 60-70% of WBMLP’s annual operating budget. WBMLP purchased 81% of its 2021 annual energy supply through long-term contracts, power purchase agreements, hedges, and asset ownership. This energy strategy typically provides certain fixed volumes of energy at fixed or known prices. 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. Our long-term energy portfolio includes a mix of existing clean energy supply obligations that extend beyond 2035.

The largest components of our 2021 power supply were two zero greenhouse gas (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. 10% of our power supply in 2021 came from energy hedge contracts that provide fixed amounts of energy and prices for timeframes lasting up to five years. Hydroelectricity is another important component comprising 12% of our energy supply in 2021 and included imported, low-cost clean hydroelectricity from New York and Canada for the specific benefit of our residential ratepayers. The remaining components of our 2021 power supply were generated from 7% wind, 7% solar, 1% natural gas, and 0.1% oil sources. The remaining 19% of our 2021 annual energy supply was considered “open” to market forces and fulfilled through ISO-NE day-ahead and real-time energy market purchases.

Renewable and clean energy is defined in Massachusetts as generation that includes wind, solar, nuclear, geothermal, biomass, landfill gas, hydroelectricity, digester gas and waste energy. These renewable and clean energy sources generate environmental attributes called “Renewable Energy Credits (RECs)” and “Clean Energy Credits (CECs)”. WBMLP sold the RECs from our Berkshire wind project and the three solar generation systems located within West Boylston in 2021. Since we sell these RECs we do not count this energy towards our GGES yet. WBMLP will continue to sell our RECs until we pay off the construction loans used to invest in this renewable energy. Once WBMLP retires these RECs, we will include these additional amounts of non GHG emitting energy supply towards our GGES. WBMLP does not purchase or own the RECs from the small-scale hydroelectricity we purchase from New Hampshire and the wind energy we purchase from Princeton Wind and Hancock Wind. However, 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 continued operation.

### **Utility Plant**

The Lighting Plant and Cooperative’s investment in utility plant assets, net of accumulated depreciation, as of December 31, 2020, and 2019 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 a minimum of two months energy and transmission costs in an account from which it can pay our obligations when they are due. MMWEC replenishes the fund as needed from our actual monthly invoice payments. Currently our power costs are approximately \$425,000 per month. The balance in this fund as of December 31, 2021, and 2020 was \$998,365 and \$996,953 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, 2021, and 2020. Our depreciation fund balance on December 31, 2021, and 2020 was \$3,407,735 and \$3,150,440 respectively.

### **Rate Stabilization Fund**

WBMLP established a rate stabilization fund which is managed by MMWEC. The rate stabilization fund represents a reserve of approximately six months energy and transmission costs in the event of a national emergency, terrorism, war, fuel supply disruptions, 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 and regional transmission system.

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. 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 on December 31, 2021, and 2020 was \$4,392,500 and \$4,747,642 respectively.

### **Other Post-Employment Benefits (OPEB)**

WBMLP's Plan Fiduciary Net Position was \$1,357,102 and the liability was \$1,843,758 at the end of 2021. WBMLP's OPEB funded ratio is 73.6%. WBMLP's Board of Light Commissioners authorized additional annual payments to fully fund our OPEB liability.

### **Rates**

WBMLP's average electricity rates continue to remain lower than investor-owned utility rates in Massachusetts in 2021. Our electricity rates have remained the same since 2009 and we don't expect a rate increase in 2022. In 2021, the average homeowner in West Boylston consumed approximately 722 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**

<b>OPERATING REVENUES:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Residential Sales	\$3,433,949	\$3,436,177	\$3,660,967	\$3,698,715
Commercial Sales	\$2,878,137	\$3,099,615	\$3,248,087	\$3,540,249
Industrial Sales	\$682,423	\$674,177	\$691,296	\$722,455
Private Lighting	\$80,181	\$76,745	\$74,333	\$71,138
Municipal Sales	\$387,501	\$439,679	\$446,719	\$462,202
<u>Other Operating Revenues</u>	<u>\$114,792</u>	<u>\$74,591</u>	<u>\$56,554</u>	<u>\$199,181</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$7,576,983</b>	<b>\$7,800,984</b>	<b>\$8,177,956</b>	<b>\$8,693,940</b>
<b>OPERATING EXPENSES:</b>				
Energy & Transmission	\$3,371,563	\$3,856,556	\$3,992,377	\$3,869,550
Operations and Maintenance	\$2,749,764	\$2,355,925	\$1,859,226	\$1,945,743
<u>Depreciation</u>	<u>\$598,527</u>	<u>\$571,791</u>	<u>\$564,148</u>	<u>\$882,362</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$6,719,854</b>	<b>\$6,784,272</b>	<b>\$6,415,751</b>	<b>\$6,697,655</b>
<b>OPERATING INCOME</b>	<b>\$857,129</b>	<b>\$1,016,712</b>	<b>\$1,762,205</b>	<b>\$1,996,285</b>
<b>NON-OPERATING REVENUES &amp; EXPENSES:</b>				
Investment Income	\$282,805	\$600,529	\$12,264	\$329,454
Grant Income	\$50,938	\$157,666	\$0	\$67,328
Interest Expense	\$(151,016)	\$(166,564)	\$(183,822)	\$(193,864)
Amortization of Bond Pre.	\$1,903	\$1,898	\$1,898	\$1,898
<u>Pooled Financing Issuance</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(27,817)</u>
<b>TOTAL NON-OP. REV. &amp; EXP.</b>	<b>\$184,630</b>	<b>\$593,529</b>	<b>\$(169,660)</b>	<b>\$176,999</b>
<b>Income Before Contrib. &amp; Trans.</b>	<b>\$1,041,759</b>	<b>\$1,610,241</b>	<b>\$1,592,545</b>	<b>\$2,173,284</b>
NET ASSETS - JANUARY 1	\$12,873,388	\$11,263,147	\$9,670,602	\$8,001,611
NET ASSETS - DECEMBER 31	\$13,915,147	\$12,873,388	\$11,263,147	\$9,670,602