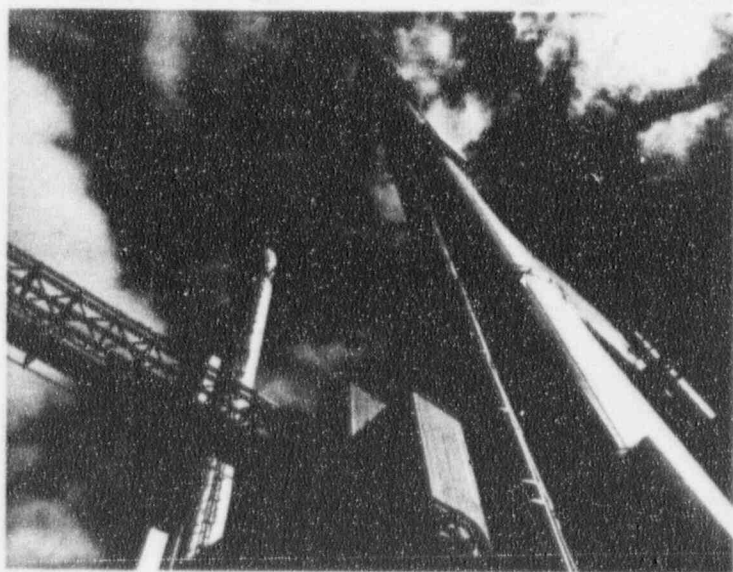


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TAUNTON MUNICIPAL LIGHTING PLANT

Annual REPORT



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Contents

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Environmental

COMPLIANCE

left to right:

JOHN MARTYNIAK
Commissioner

WILLIAM NICKERSON
Power Production Mgr.

MICHAEL J. HERRIGAN
Transmission & Distribution Mgr.

JOSEPH MEDEIRO
Commission Chairman

DORIS RENAUD
Business Mgr.

RICK VELEZ
Project Mgr.

SCOTT WHITTEMORE
Energy Services & Planning Mgr.

JOSEPH M. ELAIN
General Manager

ROBERT TREANO
Commission Secretary (not shown)



The Taunton Municipal Lighting Plant reached three milestones in 1993 – all without much fanfare.

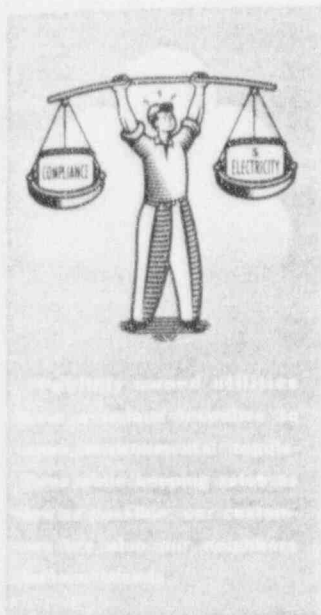
We logged a peak load of 101 megawatts last July, a new high for TMLP – and a firm indicator of commercial and industrial

Though deserving of fanfare, none of these milestones commanded center stage for any length of time. Invariably, the spotlight kept returning to the environment – and how best to ensure compliance with the growing number of regulations now governing our industry.

This “year of environmental compliance” can best be described as a balancing act – one where we continued to strive to deliver safe, reliable power at the lowest possible cost and, at the same time, comply with a sea of new, increasingly stringent regulations that have already

GENERAL MANAGER'S LETTER:

MAINTAINING A Balance



growth in our service territory for the second consecutive year. We boosted our prompt payment discount to five percent, up from the three percent discount offered since August 1992. Customer rebates totaled an all-time annual high of \$662,000. Finally, we set a record for the number of customers we serve, adding our 30,000th customer in December – an event our commissioners marked with a one month, additional three percent discount for all 30,033 TMLP customers.

Just keeping track of fast-changing State and Federal regulations literally became a full-time job this year when we added an Environmental Compliance Administrator to our management team. In our Production Department, preparation for Phase I of the Federal Clean Air Act stepped up with no less than a dozen new projects. Related efforts got underway in our Energy Services and Planning Department. They began to explore new models for power supply planning based on environmental dispatch criteria – still virgin territory for all of us in the power production industry. All the while, we expanded our demand-side management efforts, intensified our investigation into new emission reduction technology and continued our search for more environmentally friendly fuels.

begun to boost the cost of power production. For 1993, I am pleased to report that we maintained the balance. The challenge, however, has just begun.

A handwritten signature in dark ink, reading 'Joseph M. Blain'. The signature is fluid and cursive.

JOSEPH M. BLAIN

TMPL established the office of Environmental Compliance Administrator in 1993, and all of us began to look more closely at daily operations – through green-colored glasses.

TANKS, SOLVENTS AND AN OLD POWER PLANT:

CLEARING HOUSE. The new office quickly emerged as a clearinghouse for compliance questions from every department. It also launched several proactive projects of its own. It established the Environmental Audit Team to identify and correct potential problems before they become non-compliance issues. Composed of TMLP employees, the team will receive extensive video-assisted training in hazardous waste storage and disposal, and conduct periodic spot inspections throughout the utility.

The Environmental Compliance Administrator also was the catalyst for plans to discontinue the use of underground fuel storage tanks at our Cleary Flood Generating Station. This project will eliminate the problem of undetected leaks, the possibility of soil and water contamination and costly clean-up operations.

Voluntary compliance with the Massachusetts Toxic Use Reduction Act also became a goal this year. By reviewing Material Safety

Data Sheets prior to buying a product, we began to reduce or replace volatile and hazardous materials in use at TMLP. One immediate target was the elimination of products containing ozone-depleting chemicals – like the solvent cleaners formerly used at TMLP. We replaced them with an environmentally benign but no less effective brand. The next step, a central computer system will link MSDS information with our Purchasing Department and automatically flag products with undesirable materials.

CLEANING HOUSE. On a much larger scale, we initiated a major clean-up project at our old

**BRUCE
CORREIA**



West Water Street generating station, built in 1926 and idle since 1979. Our self-imposed mandate is to have the four buildings empty, clean and suitable for industrial re-use in about three years. As a first step, Imperial Oil of Canada purchased and will be removing Unit 6 from the site early in 1994. In addition, TMLP chose the “owner’s engineers” for the clean-up project. The engineers will complete initial site assessments by mid-1994 and begin development of remediation plans by the end of the year.

We zeroed in on environmental issues this year – with positive results. At year’s end, we had our first-ever, regulatory multimedia inspection – a four-hour, on-site, simultaneous review by three divisions of the Dept. of Environmental Protection. We learned that, except for a few minor findings, we were “in compliance” on all fronts. No doubt, we raised environmental consciousness this year. Equally important, we could end the year saying, We’re doing our part.

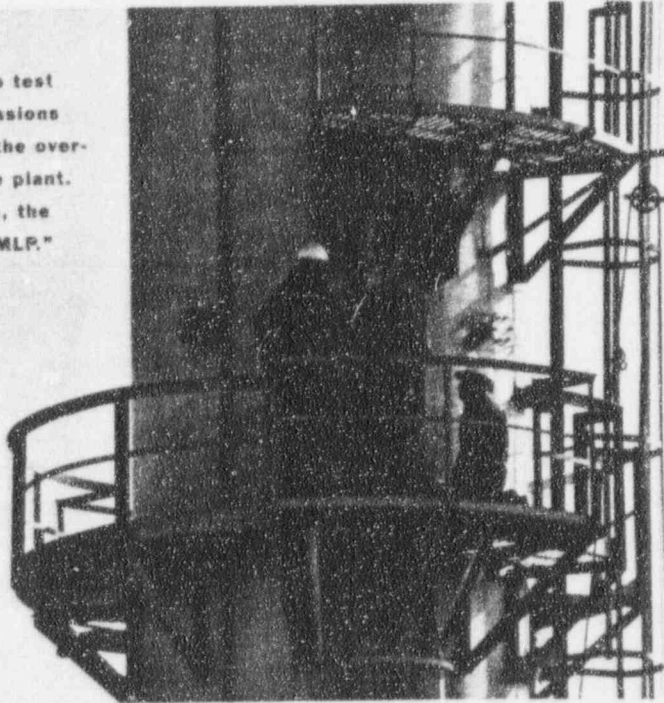


Environmental Consciousness



"The path we chose to test
and reduce stack emissions
will actually improve the over-
all performance of the plant.
And the better we run, the
more it will benefit TMLP."

KEN GOULART
Mechanical Engineer



CEMS AND TEC, NO_x AND SO_x:

New Standards

In 1993, focusing on the environment meant looking to the future.

SPECS FOR THE STACK.

Our Production Department prepared to meet new Federal and State emission standards that will become law over the next few years. They completed the complicated engineering review needed to write specifications for a new Continuous Emissions Monitoring System. We will need the CEMS by 1995 to measure a number of stack emissions, a criterion that will be used to determine compliance with the Federal Clean Air Act. We can now "stand in line" with other companies regulated by this Act to have a CEMS custom-built for installation, now scheduled for 1994.

In an effort to further abate nitrogen oxide emissions, we started an investigation into new combustion equipment, including a new air distribution system and "low-NOx" burner equipment for Unit 9. We also began to research a new combustion

TEC TALK. More than retrofitting existing equipment, we spent yet another year advocating the construction of the Taunton Energy Center. TEC is our proposed 150 megawatt, coal-fired generating station. In addition to serving projected increases in demand, it will go a long way toward ensuring compliance with even the toughest, new clean air standards. In some cases, TEC will stay within new emission guidelines by a factor of five or more. Further, it could improve air quality throughout southern New England by allowing older, less efficient plants to be taken off line. We anticipate a go-ahead ruling by the Energy Facilities Siting Council in 1994.

SMART LIGHTS. Demand-side management continued to play a major role in our efforts to address new air quality standards. We readied Smartlight Plus, an extension of our residential lighting program, for introduction in 1994. Smartlight Plus goes beyond our original

efficient lamps and fixtures at 38 C&I sites, bringing the total number of Lightwaves participants to 159, up from 121 in 1992. Reduction in usage directly attributable to Smartlight and Lightwaves reached 8,737,584 kWh in 1993, which translates to a two percent reduction of criteria emissions – without any cutback in lighting services.

KEN
GOULART



for cleaning the AIR

control management system for Unit 9, which will be required if new burner fronts are installed.

compact fluorescent leasing program to include a broader array of lamps and other energy conservation products. Lightwaves, our commercial and industrial (C&I) program, continued to make new strides in 1993. We installed energy-

Concentrating on compliance allowed us to spread our creative wings in 1993 and develop innovative, unusual and cooperative approaches to meet the environmental challenges that lie ahead.

CHECK THE BATTERIES. We took a first step toward early compliance with provisions of the Clean Air Act Amendment of 1990 and the Energy Policy

will help us understand the impact of the law on off-peak loads, when electric vehicles will likely be recharged – and improve load factors in public utilities throughout Massachusetts.

GREEN POWER. Through a Request for Proposals we found an environmentally friendly energy source in two rather unusual locations: the landfills in nearby Halifax and East Bridgewater.

**JIM
IRVING**



ONE VAN, TWO LANDFILLS, AND PARTNERSHIP WITH THE PRESIDENT

CREATIVE

Act of 1992 that mandate zero emissions from at least two percent of our vehicle fleet by 1998. But more, under a Demonstrate Energy Efficient Developments (DEED) grant from the American Public Power Association, we turned that mandate into a learning process – for us and the students at our local vocational school.

In cooperation with Bristol Plymouth Regional Technical School's automotive students and Electric Vehicles of America, we converted a gasoline-powered van into our fleet's first zero-emission, battery-powered electric vehicle. Then, working in concert with other public utilities who have electric vehicles, we began through the DEED grant to build a data base about these vehicles – their operation, charging characteristics and impact on load. This data

In an ongoing effort to reduce our dependence on fossil fuels, we entered into a no-risk, 20-year agreement to purchase up to 30 million kilowatt hours of electricity annually, enough to supply 5,000 average homes. The power will be generated with methane gas, a natural byproduct of decay in landfills. Two environmental plusses result. The methane gas, which has 20 times the global warming capacity of carbon dioxide, will not be released into the atmosphere; and the power it produces annually can displace less environmentally friendly power sources. A cost advantage too, we pay only for what we use, at prices fixed below projected fossil fuel escalation rates.

WORKING TOGETHER. A cooperative venture, TMLP joined several other publicly owned utilities in Massachusetts

by agreeing to participate in President Clinton's Climate Change Action Plan. This is a voluntary program which supports cost-effective greenhouse gas limitations. We will share information about our power supply, load and energy conservation programs, and work closely with the Department of Energy in developing emission policies. As advocates for our customers, this research partnership also enables us to provide information about the impact of policy proposals on electric rates in our service territory.



Responses to ENVIRONMENTAL ISSUES

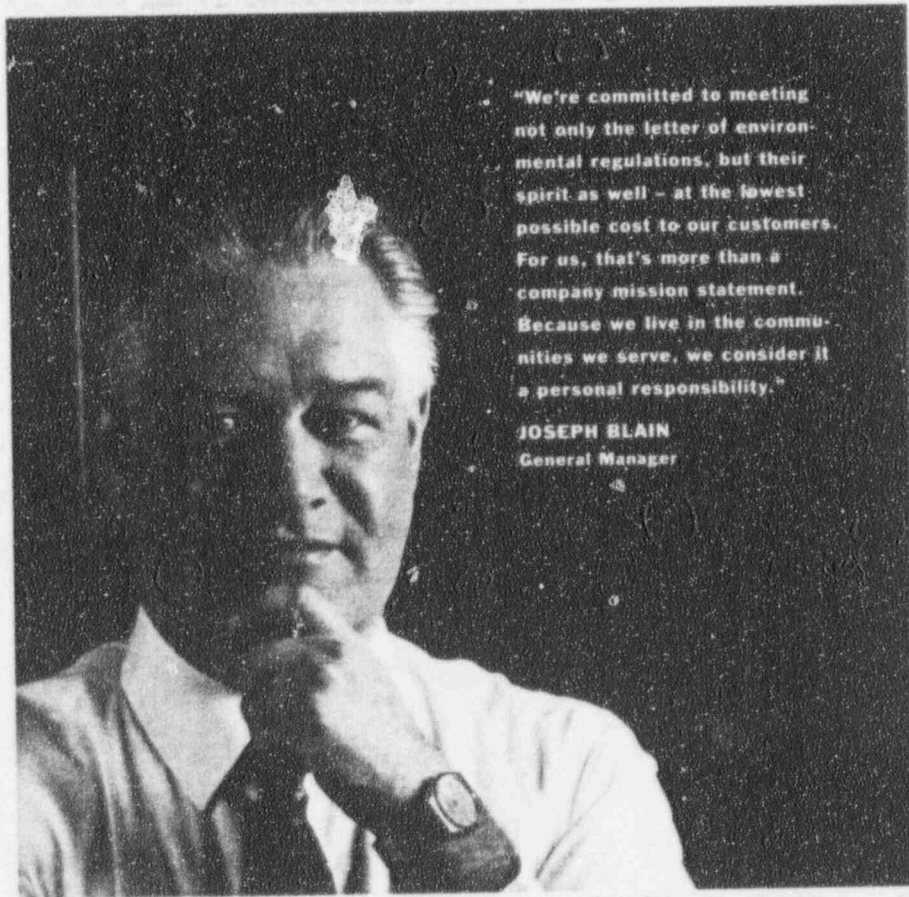


"Our electric van is one more way that we're bringing the future to our ratepayers, giving them a glimpse of the year 2000 today."

JIM IRVING
Planning Engineer

THE COST OF GREEN:

Looking



"We're committed to meeting not only the letter of environmental regulations, but their spirit as well - at the lowest possible cost to our customers. For us, that's more than a company mission statement. Because we live in the communities we serve, we consider it a personal responsibility."

JOSEPH BLAIN
General Manager

Sometimes invigorated,
sometimes frustrated, we fo-
cused on environmental issues in
1993 – renewing our long-stand-
ing commitment to serve our

However, one question kept sur-
facing over and over this year,
without any definite answer:

to THE FUTURE

customers in an environmentally
responsible way. The activities
reviewed in this report are
testimony to that commitment.

What will it all cost? As regula-
tions become more stringent and
increasingly complex measures
must be taken to achieve new
environmental standards, that
question ultimately will be an-
swered by our customers – and
users of electricity across the na-
tion. Like us, their job too will
be looking to the future – and
finding the right balance.

1993 EMPLOYEE LISTING

Michael Abbott	Mary Dower	Maureen Lounsbury	Doris Renaud
William Adams	Paul Downing	Jennifer Love	Leonard Rocha
Antune Almeida, Jr.	Paul Dumont	Kelly Lozinski	Steven Rogers
James Araujo	Robert Drake	Ronald Lund	Charlotte Romano
Lawrence Arieta	John Dubena	William Lyons	Manuel Rose
Richard Arruda	Armand Emond	Daniel Mahoney	Richard Rose
Brett Baker	Michael Emond	Linda Mason	Stephen Rose
Brian Belanger	Dayle Escobar	George Mastin, Sr.	Ronald Roy
John Bisio	Joan Faria	Charles McCaffrey	Doreen Rua
Mark Bissonnette	Charles Farrell	Francis McDermott	Albert Santos
Mark Blackwell, Jr.	Joseph Fernandes	James McDermott	Mark Seekell
Mark Blackwell, Sr.	Maria Fernandez	John McDonough	John F. Semas
Joseph M. Blain	Glenn Ferreira	Diane McGrath	John M. Semas
Richard Bolduc	Ronald Ferreira	Laurel McGrath	Robert Silva
Leo Bousquet	David Fink	Joseph McKenna	Edmund Silveira
Tommie Bruce	Craig Foley	John McRae	Katrina Silveira
Victor Buote	Fernando Frates	Robert Medeiros	Cynthia Silvia
Arthur Cabral	Ernest Fresta	Ronald Medeiros	Debra Silvia
Steven Cantwell	Douglas Furtado	David Melanson	Gregory Simmons
Bing Chan	Paula Gallagher	Ernest Mello	Rita Smith
Fred Chandler	Frank Gill	Paul Menard	Robert Smith
Patricia Chandler	Thomas Goggin	Paul Mercier	Kathleen Smyth
Roberta Chesterfield	Edward Goulart	Joan Mulcahy	Scott Souza
Cynthia Clark	Kenneth Goulart	William Nickerson	Nancy Stankiewicz
Walter Clarke	Roland Grandmont	Joseph Noberini	Kevin Steadman
Carol Collagan	John Haggerty	David Owen	William Strojny
Margaret Cooke	Michael Hagopian	Alice Pacheco	Ralph Strollo, Jr.
David Cordeiro	Manuel Hathaway	Diane Paiva	John Thomas
Bruce Correia	Michael Horrigan	Richard Parker	Frederick Tompson
David Costa	James Irving	David Pereira	Judy Torres
Michael Cote	Wallace Jones	Francis Pereira	John Valcovic
Steven Cote	Kevin Kiernan	Manuel Pereira	Joseph Vasconcellos
Thomas DeBrum	Pauletto Kingsbury	Joseph Perry	Richard Velez
Russell Demar	Stanley Koss, Jr.	William Phipps	Anna May Vieira
Lawrence DeThomas	Robert Krantz	Anthony Pietrzyk	Shirley Vincent
Wayne Dixon	Michael Larkin, Jr.	Frank Pirozzi	James Warren
Lorraine Donahue	Raymond Leanes	Louis Ponte	R. Scott Whittemore
Robert Donnelly	Ronald Legere, Jr.	Thomas Powers	Thomas Zagorski
Stephen Donovan	Theresa Levesque	John Punda	
Kevin Dooley	Robert Linhares	Peter Reilly	

AUDITOR'S LETTER

Municipal Light Commission of the City of Taunton Taunton, Massachusetts

We have audited the accompanying balance sheets of the Taunton Municipal Lighting Plant (a department of the City of Taunton) as of December 31, 1993 and 1992, and the related statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As discussed in note H to the financial statements, the Plant records pension expense based on a formula determined by the City of Taunton, whereas generally accepted accounting principles require the use of actuarial methods in determining annual pension expense. The effect on the financial statements of not using actuarial methods has not been determined. In addition, certain disclosures required by the Governmental Accounting Standards Board relating to pensions have been omitted.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the effects of not using actuarial methods in determining pension expense and, except of the omission of certain pension plan disclosures required by the Governmental Accounting Standards Board, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Taunton Municipal Lighting Plant as of December 31, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Giant Horton

Boston, Massachusetts
February 25, 1994

BALANCE SHEETS

Assets	December 31,	1993	1992
Utility Plant -- At Cost			
Plant in service		\$88,157,501	\$83,912,664
Less accumulated depreciation (note A2)		52,319,897	48,791,252
Net utility plant in service		35,837,604	35,121,412
Investment in Seabrook (notes A7 and C)		3,332,311	3,464,981
Construction work in progress (note I)		3,934,774	3,754,213
Total utility plant		43,104,689	42,340,606
Depreciation Fund (including \$5,820,000 of certificates of deposit in 1993)(notes A2 and B)		11,836,705	11,975,493
Sick Leave Trust Fund (note A5)		2,621,405	2,414,317
Other Assets			
Investment in Hydro-Quebec Project (note G)		311,472	311,472
Lightwaves (note D)		262,863	336,429
Other deferred debits (notes J and K)		903,824	1,277,216
Current Assets			
Cash (note B)		1,838,983	1,323,186
Customer deposits (note B)		302,125	312,047
Accounts receivable, less allowance for doubtful accounts of \$448,706 and \$431,773, respectively		3,352,012	3,558,516
Due from TMLP Retirement Trust (notes A3 and H)		387,836	
Materials and supplies inventory (note A4)		1,934,681	1,902,746
Prepaid expenses		112,618	116,393
Total current assets		7,928,255	7,212,888
		<u>\$66,969,213</u>	<u>\$65,868,421</u>

Retained Earnings and Liabilities	December 31,	1993	1992
Retained Earnings			
Appropriated retained earnings			
Loans repayment		\$18,062,000	\$15,347,000
Construction repayment		32,434	32,434
		<u>16,094,434</u>	<u>15,379,434</u>
Unappropriated retained earnings		25,737,137	24,577,502
Total retained earnings		41,831,571	39,956,936
Long-Term Debt (note E)		16,320,216	17,098,570
Current Liabilities			
Accounts payable		1,898,232	1,887,340
Customer credits (note A6)		2,213,766	2,679,799
Customer deposits		308,653	303,178
Current maturities of long-term debt (note E)		775,000	715,000
Accrued liabilities			
Sick leave (note A5)		2,871,835	2,515,159
Interest		579,771	602,413
Payroll		154,376	110,026
Other		15,793	
Total current liabilities		8,817,426	8,812,915
Commitments and Contingencies (notes C, G, H and I)			
		<u>\$66,969,213</u>	<u>\$65,868,421</u>

STATEMENTS OF EARNINGS

Years ended December 31,	1993	1992
Operating revenues		
Sales of electricity		
Commercial and industrial	\$20,947,421	\$19,134,214
Residential	14,034,186	13,137,746
Sales for resale (note G)	2,607,432	3,945,603
Municipal	1,930,737	1,560,075
	<u>39,519,776</u>	<u>37,777,638</u>
Other operating revenues	362,451	253,006
Total operating revenues	39,882,227	38,030,644
Operating expenses		
Power production	20,642,646	20,089,163
Transmission and distribution	2,830,378	2,674,624
Customer accounting	1,979,813	1,599,122
Administrative and general (notes A3, A5 and H)	5,390,674	5,643,179
Depreciation and amortization (note A2)	3,840,534	3,343,318
Nuclear expense	203,282	241,292
Total operating expenses	34,887,327	33,590,698
Earnings from operations	4,994,900	4,439,946
Other expense (income)		
Interest expense	1,359,329	1,414,104
Other expense	2,805	1,662
Interest income	(443,508)	(266,061)
Other income (note G)	(158,361)	(216,916)
Total other expense	760,265	932,789
Net earnings before provision for payment in lieu of taxes	4,234,635	3,507,157
Provision for payment in lieu of taxes (note F)	2,360,000	2,360,000
Net earnings	\$ 1,874,635	\$ 1,147,157

STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 1993 & 1992	Appropriated Retained Earnings		Unappropriated Retained Earnings
	Loan Repayment	Construction Repayment	
Balance at December 31, 1991	\$14,687,000	\$32,434	\$24,090,345
Transfer for bond repayment	660,000		(660,000)
Net earnings			<u>1,147,157</u>
Balance at December 31, 1992	15,347,000	32,434	24,577,502
Transfer for bond repayment	715,000		(715,000)
Net earnings			<u>1,874,635</u>
Balance at December 31, 1993	<u>\$16,062,000</u>	<u>\$32,434</u>	<u>\$25,737,137</u>

STATEMENTS OF CASH FLOWS

Years ended December 31,	1993	1992
Increase (Decrease) in Cash		
Cash flows from operating activities:		
Net earnings	\$ 1,874,635	\$1,147,157
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,840,534	3,343,318
Amortization of bond premium	(3,354)	(3,663)
Income equity in losses of Seabrook investment	(12,614)	(28,263)
Change in assets and liabilities:		
Decrease (increase) in customer deposit funds	9,922	(19,227)
Decrease in accounts receivable	206,504	356,386
Increase in due from retirement trust	(387,836)	
Increase in inventory	(31,935)	(176,922)
Decrease (increase) in prepaid expenses	3,775	(3,319)
Increase in Lightwaves	(67,549)	(115,905)
Increase (decrease) in accounts payable	10,892	(391,501)
Decrease (increase) in customer credits	(466,033)	715,626
Increase in customer deposits	5,475	24,549
Increase in accrued sick leave	356,676	317,229
Decrease in accrued interest	(22,642)	(20,625)
Increase (decrease) in accrued payroll	44,350	(17,449)
Increase (decrease) in other accrued liabilities	15,793	(1,903)
Net cash provided by operating activities	5,376,593	5,124,488
Cash flows from investing activities:		
Net additions to utility plant	(4,450,888)	(3,287,073)
Investment in certificates of deposit - depreciation fund	(5,820,000)	
Increase in Sick Leave Trust Fund	(207,088)	(224,578)
Decrease in deferred debits	373,392	366,145
(Decrease) in deferred credits		(401,359)
Net cash used in investing activities	(10,104,584)	(3,546,865)
Cash flows from financing activities:		
Payment of long-term debt	(715,000)	(660,000)
Net (decrease) increase in cash	(5,442,991)	917,623
Cash and cash equivalent at beginning of year	13,298,679	12,381,056
Cash and cash equivalent at end of year	\$7,855,688	\$13,298,679
Cash and cash equivalents at end of year is reflected on the balance sheets as follows:		
Depreciation fund	\$6,016,705	\$11,975,493
Cash	1,838,983	1,323,186
	\$7,855,688	\$13,298,679
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,381,971	\$ 1,434,729

NOTES TO FINANCIAL STATEMENTS

Note A - Summary Of Significant Accounting Policies

A summary of Taunton Municipal Lighting Plant's (the "Plant") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. **Rates** Taunton Municipal Light Plant (TMLP) is an enterprise fund of the City of Taunton, Massachusetts (the City). TMLP is under the charge and control of the Municipal Light Plant Commissioners in accordance with Chapter 164, Section 55 of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area. The rates charged by the Plant to its customers are filed with the Massachusetts Department of Public Utilities (MDPU) and are subject to Chapter 164, Section 58 of the General Laws, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt and depreciation. The Plant's resulting net earnings amounted to 3.6% and 2.9% of utility plant in 1993 and 1992, respectively.
2. **Depreciation** Pursuant to the Department of Public Utilities regulations, depreciation is calculated as a percentage of depreciable property at January 1. Depreciation is computed at 4% of the cost of depreciable property. Depreciation fund cash is used in accordance with state laws for replacements and additions to the electric plant in service.
3. **Pension Plan** Substantially all employees of the Plant are covered by a contributory pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see note H).
4. **Inventory** Materials and supplies inventory is carried at cost, principally on the average cost method.
5. **Sick Leave Trust Fund** The Plant established a Sick Leave Trust Fund ("Trust") in 1982 for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust once full funding is achieved. The assets of the Trust are shown in the financial statements to provide a more meaningful presentation, as the assets of the Trust are for the sole benefit of the Plant. The assets of the Trust are shown at cost. The market value of the trust assets at December 31, 1993 and 1992, were \$2,687,059 and \$2,479,026 respectively. The funds are invested in money market funds, treasury notes mutual funds which invest in government securities, common stocks, and a corporate bond. Net investment income for the Trust of approximately \$208,000 and \$225,000 in 1993 and 1992, respectively, is reflected in the statements of earnings as an offset to compensated absence expense, as these funds are restricted and can only be used for the payment of sick leave benefits. The net expense for sick leave was \$179,000 and \$212,000 for the years ended December 31, 1993 and 1992, respectively.
6. **Customer Credits** The Plant's rates include a Purchased Power Cost Adjustment (PPCA) which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred. Any excess or deficiency in amounts collected as compared to costs incurred is deferred and either credited or billed to customers over subsequent periods.
7. **Investment in Seabrook** The Plant's Investment in Seabrook represents a 0.10034% joint ownership share. The Plant records annually depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses are charged against earnings.
8. **Cash Equivalents** For purposes of the Statements of Cash Flows, the Plant considers certificates of deposit with maturities of 3 months or less to be cash equivalents.
9. **Reclassifications** Certain amounts in the financial statements for the year ended December 31, 1992 have been reclassified to conform to the current year presentation.

Note B - Cash

The Plant's cash is deposited with the City of Taunton Treasurer who commingles it with other City funds. The City invests the cash and credits the Plant each year with interest earned on certain of the cash deposits.

Cash deposited with the City of Taunton consists of the following at December 31,	1993	1992
Non-interest bearing pooled funds		
including restricted customer deposits		
of \$302,125 and \$312,042, respectively	\$5,459,451	\$4,552,405
Certificates of deposit with rates		
of 4% for 1992, maturing February 1993		2,110,566
Certificates of deposit with rates		
of 2.90% - 4% maturing at various dates during 1994	5,198,362	
Certificates of deposit with rates		
of 5.08% maturing 1996	3,320,000	
Savings and money market accounts		6,947,755
	<u>\$13,977,813</u>	<u>\$13,610,726</u>
Cash at December 31, is reflected as follows:	1993	1992
Depreciation fund	\$11,836,705	\$11,975,493
Cash	1,838,083	1,323,186
Customer deposit principal and interest fund	302,125	312,047
	<u>\$13,977,813</u>	<u>\$13,610,726</u>

Continued on next page.

NOTES TO FINANCIAL STATEMENTS

Note C - Investment in Seabrook

The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Unit 1.

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is approximately \$324,000 as of December 31, 1993. The Plant is currently contributing based on a present value formula, \$435 per month over 36 years to the fund.

Note D - Lightwaves

The Plant has initiated an energy saving program for commercial and industrial customers known as Lightwaves. The program entitles the customer to a free energy audit and installation of energy efficient equipment. Customers are required to pay a monthly fee for a 60 month period. The fee is based upon the administrative costs related to the program. The related administrative costs are being deferred and amortized over the 60 month billing period. As of December 31, 1993 and 1992, the Plant has deferred these costs which will be billed to customers.

Note E - Long-Term Debt

Long-term debt is comprised of the following bonds:

	1993	1992
Electric Loan Act of 1969		
Interest rate - various rates from 7.3% to 8%		
interest payable February 1 and August 1,		
due serially to February 1, 2006	\$17,055,000	\$17,770,000
Unamortized premium	40,216	43,570
	17,095,216	17,813,570
Leas current maturities	775,000	715,000
Total long-term debt	\$16,320,216	\$17,098,570

Aggregate maturities of long-term debt at December 31, 1993, are as follows:

1994	\$ 775,000
1995	840,000
1996	910,000
1997	985,000
1998	1,065,000
1999 and thereafter	12,480,000
	<u>\$17,055,000</u>

Note F - Contribution in Lieu of Taxes

The Plant contributed \$2,360,000 in 1993 and 1992 to the City of Taunton in lieu of taxes. All contributions to the City are voted by the Municipal Light Commission.

Note G - Commitments and Contingencies

Interconnection Agreement

The City of Taunton, acting by vote of its Municipal Lighting Plant Commission, entered into an agreement with Montaup Electric Company ("Montaup"), dated July 31, 1970, as amended, concerning interconnection of electrical operations, purchase and sale of kilowatt capacity, and construction by Taunton of a generating unit of approximately 110 megawatt capability. The agreement, originally for the twelve (12) years following the commencement of operations of Unit No. 9 on December 1, 1975, was amended and the term extended to October 31, 1988. Under the current interconnection agreement, the City agrees to exchange with Montaup Electric Company fifteen (15) megawatts of Unit No. 9 capacity for ten (10) megawatts of capacity from the Canal No. 2 generating unit, 50% of which is owned by Montaup. The Plant credited to sales for resale \$265,287 and \$393,605 of capacity and energy charges billed to Montaup Electric Company in 1993 and 1992, respectively, for its share of power under the interconnection agreement.

NOTES TO FINANCIAL STATEMENTS

Note G - Commitments and Contingencies (cont.)

Hydro-Quebec Agreement

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities to support the operation of a transmission line to permit the interchange of electricity between such utilities and Hydro-Quebec Electric Corporation (Hydro-Quebec). In connection with the agreement, the Plant advanced approximately \$800,000 toward development of the project of which approximately \$450,000 was returned after the project had obtained financing. In 1991, the Hydro-Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and The New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate.

During the years ended December 31, 1993, and 1992 the Plant received dividends from the above noted Companies in the amount of \$76,762, and \$133,616, respectively.

Note H - Pension Plans

The Plant contributes to the City of Taunton Employees' Retirement System ("System"), a public employee retirement system that acts as the investment and administrative agent for the City. All full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, or 8% of their regular compensation depending on the date upon which their membership began. The System also provides death and disability benefits.

The System does not make a separate measurement of assets and the pension benefit obligation for the Plant. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

As of July 1, 1991 (the most current valuation date), the Plant's pension benefit obligation was \$22,800,000 determined through an actuarial valuation performed for the Plant. The system's net assets available for benefits, allocated to the Plant, on July 1, 1991 (valued at market) were \$8,700,000 (excluding assets held in Employee Retirement Trust Fund), leaving an unfunded pension benefit obligation of \$14,100,000.

The Plant has established a separate Employees Retirement Trust Fund (Trust Fund) for the financing of future pension payments. The Trust Fund had net assets (at cost) of \$12,656,000 and \$11,781,000 at December 31, 1993 and 1992, respectively. The market value of the net assets at December 31, 1993 and 1992 was \$13,188,000 and \$12,304,000, respectively. The Plant contributed \$0 and \$350,000 to the Trust Fund during the years ended December 31, 1993 and 1992, respectively.

Beginning with the year ended December 31, 1993, the Plant will receive from the Trust Fund over the next thirty-two years, an amount equal to eighty-five percent of the annual amortization of the unfunded pension liability. The remaining fifteen percent of the unfunded pension liability will be contributed from current year operations.

The following represents the components of the Plant's recorded pension expense:

	1993	December 31, 1992
Contributions to the System	\$1,378,005	\$1,448,083
Contributions (from) to the Trust Fund	(387,830)	349,996
Recorded Pension expense	\$ 990,175	\$1,798,079

NOTES TO FINANCIAL STATEMENTS

Note H - Pension Plans (cont.)

The System's funding policy for the participating entities is not actuarially determined. The participating entities are required to contribute each fiscal year an amount approximating the pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employees Retirement Administration (PERA) and is based in part on the previous year's benefit payout. No actuarial information is used in determining this amount. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted as specified. Effective for fiscal year ends 1993 and beyond, the System has removed the "pay-as-you-go" method and will amortize the unfunded pension benefit obligation over thirty-two years. This change has been approved by PERA.

The effect on the accompanying financial statements of the departure from generally accepted accounting principles referred to in the previous paragraph has not been determined for the year ended December 31, 1993.

Note I - Coal-Fired Electric Generating Facility

On January 31, 1991, the Plant entered into contracts with Silver City Energy Limited Partnership (the "Developer"), a Delaware limited partnership. The contracts pertain to the leasing of a 25 acre parcel, owned by the Plant, adjacent to the Plant's Cleary-Flood Station and the subsequent building of a coal fired electric generating facility (coal plant) by the Developer.

The ground lease extends for a period of forty years. Rental payments to the Plant will be \$50,000 per year until September 15, 1994, \$500,000 per year until operations commence, and \$1,100,000 per year for the remaining lease term.

The Plant has agreed to purchase 20% of the power generated once the coal plant is in operation, which is approximately 30 megawatts. The agreement is for twenty years.

The Plant has secured a mortgage on the buildings and facilities to be constructed to secure payment of the aggregate differential. The aggregate differential represents funds to be paid to the Plant in the event that the project is not completed. Payment is based on a dollar value per kilowatt which increases over the duration of the construction period.

If operations do not commence by September 15, 1996, the Plant may terminate all contracts with the Developer. In the event of termination of the contracts, the Plant may be entitled to reimbursement of certain costs incurred by the Plant.

As of December 31, 1993, the Plant has capitalized approximately \$1,521,438 of legal and administrative costs which are included in construction work in progress. These costs will be amortized over the contract period once operations have commenced.

With respect to the proposed plant construction, the Plant is involved in certain legal matters relating to zoning. In the opinion of management, the ultimate resolution of these matters will not have a material effect on the financial statements.

Note J - Computer System Conversion

On December 8, 1993, the Plant entered into a contract to purchase software. The total cost of the software is estimated to be \$219,555. Payment is contingent on the achievement of specified conversion milestones. Once the conversion has been completed, the Plant will be required to pay an annual software maintenance fee of \$33,000.

The Plant intends to lease the computer hardware, but has not formally entered into any agreements to do so.

Note K - Deferred Maintenance

A unit of the Plant underwent a maintenance overhaul of which the related costs are being amortized over a five year period. The unamortized balance at December 31, 1993 and 1992 is \$903,824 and \$1,277,216 respectively.

Note L - Post Employment Benefits

Retirees of the Plant under age 65 are eligible for the same health benefits as active employees. Retirees over the age of 65 are eligible for MEDEX. This applies to single or family coverage and the costs are borne 75% by the Plant and 25% by the retiree. Retiree's survivors must bear the full cost of the benefit. The Plant is charged their prorata portion of the cost based on an allocation by the City.





Taunton Municipal Lighting Plant
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