

CITY OF TAUNTON, MASSACHUSETTS

MUNICIPAL LIGHTING PLANT

**Financial Statements
and Supplementary Information**

Years Ended December 31, 2011 and 2010

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REPORT OF INDEPENDENT AUDITORS

To the Municipal Light Commission
City of Taunton, Massachusetts, Municipal Lighting Plant

We have audited the accompanying statements of assets, liabilities and net assets of the **City of Taunton, Massachusetts, Municipal Lighting Plant** (the "Plant") (an enterprise fund of the City of Taunton, Massachusetts) as of December 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and statements of 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 auditing standards generally accepted in the United States of America. 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Taunton Municipal Lighting Plant and do not purport to, and do not, present fairly the financial position of the City of Taunton, Massachusetts as of December 31, 2011 and 2010, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America required that the management's discussion and analysis on pages 2 through 4 and the required supplementary information on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Providence, Rhode Island
April 11, 2012

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the City of Taunton, Massachusetts, Municipal Lighting Plant annual financial report, management provides narrative discussion and analysis of the financial activities of the Municipal Lighting Plant for the year ended December 31, 2011. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements:

The basic financial statements include (1) the statements of assets, liabilities and net assets (2) the statements of revenues, expenses and changes in net assets (3) the cash flow statements and (4) notes to the financial statements.

The Statement of Assets, Liabilities and Net Assets is designed to indicate the Plant's financial position as of a specific point in time. At December 31, 2011, it shows our net worth of \$97,854,020 which is comprised of \$67,666,336 invested in capital assets, \$12,308,818 restricted for depreciation and \$17,878,866 available for operations.

The Statement of Revenues, Expenses and Changes in Net Assets summarizes our operating results for the years ended December 31, 2011 and 2010. As discussed in more detail below, the Plant's net income for 2011 and 2010, was \$8,412,857 and \$9,584,053 respectively, before payments in lieu of taxes (PILOT).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Plant's Statements of Cash Flows indicates that the cash receipts from operating activities, (that is, electricity and internet access sales and related services) were sufficient to cover the operating expenses and capital projects, as well as contributions to the City.

Summary of Net Assets

	2011	2010	2009
Current Assets	\$ 28,354,493	\$ 33,617,198	\$ 21,909,214
Noncurrent Assets	98,195,707	87,123,537	75,925,084
Total Assets	\$ 126,550,200	\$ 120,740,735	\$ 97,834,298
Current Liabilities	\$ 7,501,914	\$ 8,100,601	\$ 6,289,293
Noncurrent Liabilities	21,194,266	20,298,971	10,850,589
Total Liabilities	28,696,180	28,399,572	17,139,882
Invested in Capital Assets	67,666,336	66,193,703	64,167,702
Restricted for Depreciation	12,308,818	2,308,818	2,269,741
Unrestricted	17,878,866	23,838,642	14,256,973
Total Net Assets	97,854,020	92,341,163	80,694,416
Total Liabilities and Net Assets	\$ 126,550,200	\$ 120,740,735	\$ 97,834,298

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Changes in Net Assets

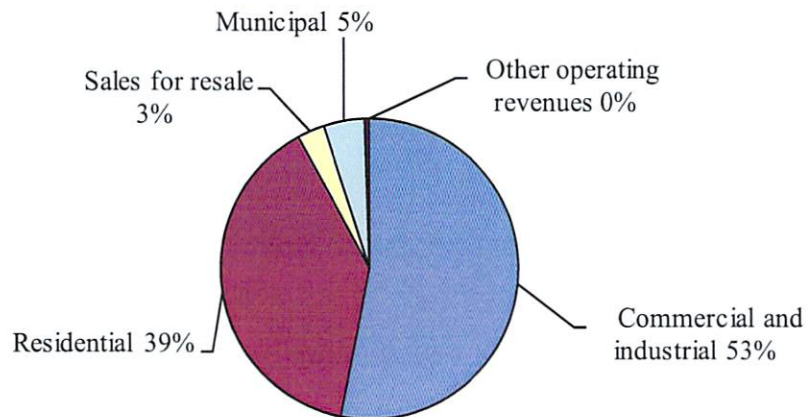
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 95,903,272	\$ 100,947,722	\$ 109,519,331
Operating Expenses	<u>87,392,213</u>	<u>91,290,434</u>	<u>105,012,163</u>
Operating Income	8,511,059	9,657,288	4,507,168
Nonoperating Revenues Less Nonoperating Expenses	<u>(98,202)</u>	<u>(73,235)</u>	<u>99,818</u>
Increase in Net Assets before Transfers	8,412,857	9,584,053	4,606,986
Transfers Out - Payment in lieu of taxes	<u>(2,900,000)</u>	<u>(2,900,000)</u>	<u>(2,900,000)</u>
Increase in Net Assets	<u><u>\$ 5,512,857</u></u>	<u><u>\$ 6,684,053</u></u>	<u><u>\$ 1,706,986</u></u>

Financial Highlights:

Operating revenues for 2011 decreased by \$5 million or 5% from 2010. The revenue reduction was a result of a rate restructuring which occurred in February 2011.

Operating expenses for 2011 decreased by \$3.9 million or 4.3% from 2010. The decrease is attributable principally to a decrease in power supply costs (fuel, and purchased power expenses).

Source of 2011 Operating Revenues



**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Utility Plant and Debt Administration:

Utility Plant

There was an increase in net utility plant in service of \$81,000 for 2011. This increase is the difference between the current year additions of \$5.8 million and the annual depreciation (3% of depreciable gross plant) expense of \$5.1 million. Additions to plant consisted principally of approximately \$600,000 in production plant, \$3.7 million in distribution plant and \$1.5 million in general plant. Major items capitalized in 2011 include the #8 fuel oil storage tank coating project, installation of overhead and underground conductors and devices, general plant communications equipment, distribution line transformers and transportation equipment.

Debt Administration

The Plant issued \$7,250,000 of long-term serial general obligation bonds on June 15, 2010. The bond proceeds were used to upgrade the Plant's computer system and for asbestos abatement at the West Water Street facility during 2011.

Significant Balances and Transactions:

Depreciation Fund

The Plant maintains this fund to pay for capital investments and improvements. These capital items are paid from the operating fund, which is then replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute. The Light Plant must set aside 3% of its gross depreciable plant annually to be used principally for capital expenditures. Interest earned on the account is kept in the fund.

Sick Leave Trust Fund

The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") 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.

Pension Plans

The employees of the Light Plant participate in the City of Taunton Retirement System. In addition to investments made by the System, a separate trust fund has been established by the Plant to provide funding of the Plant's past unfunded service costs. Each year the Light Plant is assessed by the City for its share of such pension costs.

Customer Deposits

The Plant collects deposits from residential and commercial accounts when they come into the system. Deposits can be refunded when a customer has demonstrated a good credit history or upon leaving the system. Interest is paid for as long as the Plant holds the deposit.

Environmental Remediation

The Plant completed the cleanup of the retired West Water Street generating facility by removing the hazardous materials at that location. The total cost of the project was \$4,410,936 with \$1,928,507 in expenditures being incurred during the year ended December 31, 2010. The project was completed in 2010.

Unit 10

The Plant has placed on hold the further development of the Unit #10 combined cycle generating project. A total of \$2,531,922 has been booked in CIP related to this project. The portion of this total expended during 2011 was \$0.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Statements of Assets, Liabilities and Net Assets
December 31, 2011 and 2010**

ASSETS			LIABILITIES AND NET ASSETS		
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>
<u>Utility Plant - at cost</u>			<u>Net Assets:</u>		
Plant in service	\$ 196,306,491	\$ 190,724,018	Invested in capital assets, net of related debt	\$ 67,666,336	\$ 66,193,703
Less: Accumulated depreciation	<u>127,412,240</u>	<u>122,074,140</u>	Restricted for depreciation	12,308,818	2,308,818
			Unappropriated net assets	<u>17,878,866</u>	<u>23,838,642</u>
<u>Net Utility Plant in Service</u>	68,894,251	68,649,878	<u>Total Net Assets</u>	<u>97,854,020</u>	<u>92,341,163</u>
Investment in Seabrook	1,065,475	1,266,110			
Construction work in progress	<u>4,231,610</u>	<u>3,527,715</u>	<u>Non-current Liabilities:</u>		
			Bonds payable - excluding current portion	5,800,000	6,525,000
<u>Total Utility Plant</u>	<u>74,191,336</u>	<u>73,443,703</u>	Provision for rate stabilization	2,000,000	2,000,000
<u>Other Assets</u>			Sick leave	8,418,522	7,806,729
Depreciation fund	12,308,818	2,308,818	Other post-employment benefits obligation	<u>4,975,744</u>	<u>3,967,242</u>
Rate stabilization fund	2,000,000	2,000,000			
Sick leave trust fund	8,939,131	8,623,732	<u>Total Non-current Liabilities</u>	<u>21,194,266</u>	<u>20,298,971</u>
Investment in Hydro Quebec Project	94,564	99,593			
Investment in Energy New England LLC	<u>661,858</u>	<u>647,691</u>	<u>Current Liabilities:</u>		
			Bonds payable - current portion	725,000	725,000
<u>Total Other Assets</u>	<u>24,004,371</u>	<u>13,679,834</u>	Accounts payable	3,501,735	4,089,417
			Customer deposits	1,241,109	1,107,470
<u>Current Assets</u>			Accrued liabilities:		
Cash	12,903,449	16,243,110	Vacation	1,482,422	1,392,453
Customer deposits	1,240,484	1,106,846	Interest	18,392	24,026
Accounts receivable, less allowance			Payroll	304,730	353,435
for doubtful accounts of \$1,299,406 and			Environmental remediation obligation	-	178,000
\$1,654,727 in 2011 and 2010, respectively	8,490,244	9,760,704	Other	<u>228,526</u>	<u>230,800</u>
Accounts receivable - internet services	76,296	101,458			
Due from plant retirement trust	433,740	385,459	<u>Total Current Liabilities</u>	<u>7,501,914</u>	<u>8,100,601</u>
Materials and supplies inventory	4,195,212	4,776,665			
Prepaid expenses	<u>1,015,068</u>	<u>1,242,956</u>	<u>Total Liabilities</u>	<u>28,696,180</u>	<u>28,399,572</u>
<u>Total Current Assets</u>	<u>28,354,493</u>	<u>33,617,198</u>			
<u>Total Assets</u>	<u>\$ 126,550,200</u>	<u>\$ 120,740,735</u>	<u>Total Liabilities and Net Assets</u>	<u>\$ 126,550,200</u>	<u>\$ 120,740,735</u>

See accompanying notes and report of independent auditors.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>Operating Revenues:</u>		
Sales of electricity		
Commercial and industrial	\$ 52,419,880	\$ 54,427,238
Residential	38,434,862	39,614,426
Sales for resale	2,926,024	3,541,644
Municipal	4,438,651	4,700,020
Discounts given	<u>(2,783,896)</u>	<u>(2,884,209)</u>
Total sales of electricity	95,435,521	99,399,119
Other operating revenues	<u>467,751</u>	<u>1,548,603</u>
 <u>Total Operating Revenues</u>	 <u>95,903,272</u>	 <u>100,947,722</u>
 <u>Operating Expenses:</u>		
Power production and purchases	56,926,518	61,951,058
Transmission and distribution	14,868,652	13,515,801
Customer accounting	3,506,804	4,061,561
Administrative and general	5,979,346	5,527,657
Depreciation and amortization	5,687,775	5,211,118
Environmental remediation obligation	-	674,306
Nuclear expense	<u>423,118</u>	<u>348,933</u>
 <u>Total Operating Expenses</u>	 <u>87,392,213</u>	 <u>91,290,434</u>
 <u>Earnings from Operations</u>	 <u>8,511,059</u>	 <u>9,657,288</u>
 <u>Other Income (Expense)</u>		
Interest expense	(220,227)	(126,796)
Interest income	23,803	16,573
Internet income (loss), net	80,058	52,832
Loss on disposal of nonutility property	-	(15,000)
Other income (expense)	<u>18,164</u>	<u>(844)</u>
 <u>Total Other Income (Expense)</u>	 <u>(98,202)</u>	 <u>(73,235)</u>
 <u>Net Income</u>	 <u>\$ 8,412,857</u>	 <u>\$ 9,584,053</u>
 <u>Net Assets, January 1</u>	 <u>\$ 92,341,163</u>	 <u>\$ 85,657,110</u>
 <u>Net Income</u>	 8,412,857	 9,584,053
 <u>Transfers in (out):</u>		
Payment in lieu of taxes	<u>(2,900,000)</u>	<u>(2,900,000)</u>
 <u>Net Assets, December 31</u>	 <u>\$ 97,854,020</u>	 <u>\$ 92,341,163</u>

See accompanying notes and report of independent auditors.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from customers	\$ 98,218,761	\$ 102,063,076
Cash payments to suppliers and employees	<u>(81,132,902)</u>	<u>(89,790,641)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>17,085,859</u>	<u>12,272,435</u>
<u>Cash Flows from Non-capital Financing Activities:</u>		
Payment to city in lieu of taxes	<u>(2,900,000)</u>	<u>(2,900,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Net additions to utility plant	(6,468,654)	(7,891,938)
Proceeds from long-term debt	-	7,250,000
Principal paid on bonds	(725,000)	-
Interest paid on bonds	<u>(222,031)</u>	<u>(107,396)</u>
<u>Net Cash Used in Capital and Related Financing Activities</u>	<u>(7,415,685)</u>	<u>(749,334)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and dividend income	<u>23,803</u>	<u>16,573</u>
<u>Net Cash Provided by Investing Activities</u>	<u>23,803</u>	<u>16,573</u>
<u>Net Increase in Cash</u>	<u>6,793,977</u>	<u>8,639,674</u>
<u>Cash and cash equivalents, Beginning</u>	<u>21,658,774</u>	<u>13,019,100</u>
<u>Cash and cash equivalents, Ending</u>	<u>\$ 28,452,751</u>	<u>\$ 21,658,774</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating income	\$ 8,511,059	\$ 9,657,288
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest income (loss), net	80,058	52,832
Equity in losses (gains) on investments in associated companies	42,275	(33,581)
Depreciation	5,687,775	5,211,118
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,295,622	(141,346)
(Increase) decrease in Sick Leave Trust Fund	296,394	(744,868)
Increase in due from Plant Retirement Trust	(48,281)	(46,204)
(Increase) decrease in prepaid expenses	227,888	(317,576)
(Increase) decrease in materials and supplies	581,453	(507,828)
Increase in other postemployment benefits obligation	1,008,502	1,061,315
Decrease in accounts payable	(587,682)	(1,539,712)
Decrease in pollution remediation obligation	(178,000)	(737,038)
Increase in customer deposits	133,638	247,320
Increase in accrued liabilities	<u>35,158</u>	<u>110,715</u>
<u>Total Adjustments</u>	<u>8,574,800</u>	<u>2,615,147</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 17,085,859</u>	<u>\$ 12,272,435</u>

See accompanying notes and report of independent auditors.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Plant is a regulated municipal electric utility located in Taunton, Massachusetts. The Plant operates as an enterprise fund of the City of Taunton, Massachusetts, and produces, purchases and distributes electricity to approximately 35,900 customers in the city of Taunton and the surrounding areas. The Plant also operates an internet access business unit and provides services to approximately 1,700 customers.

Enterprise funds and similar component units apply Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements, in which case GASB prevails.

The Plant operates within the electric utility industry which has undergone significant restructuring and deregulation. In 1998, the Massachusetts Department of Public Utilities ("DPU") issued an electric industry restructuring plan, and the Massachusetts legislature created a special committee on electric industry restructuring. The ongoing changes in the industry and the resultant financial impact on the Plant are not determinable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates relating to the allowance for doubtful accounts, contingencies (see note G), and other post-employment benefits (see note I) represent significant estimates included in the financial statements. Management bases its estimates of these items on historical experience, specific identification and future expectations.

Rates

The Plant 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 DPU 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, the requirements of any serial debt and depreciation.

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.

Utility Plant

The provision for depreciation of utility plant was computed in 2011 and 2010 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. No depreciation is taken in the year of plant additions and a full year's depreciation is taken in the year of disposal. Massachusetts law stipulates that the Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU.

Depreciation Fund cash is used in accordance with state laws for replacements, enlargements and additions to the utility plant in service.

The Plant capitalizes individual purchases of \$3,000 or more and groups of purchases of similar items of \$5,000 or more. Office furniture purchased for more than \$1,000 or office equipment, meters, transformers and vehicles purchased for more than \$500 are capitalized.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Seabrook

The Plant's Investment in Seabrook represents a 0.10034% joint ownership share. The Plant records annual 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, and decommissioning expenses (see Note C) are charged against earnings.

Sick Leave Trust Fund

The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") 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. 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 purpose of satisfying a liability of the Plant.

The invested funds are reported at fair value in the statements of assets, liabilities and net assets. Realized gains and losses, as well as changes in value of the invested funds, are included in the statements of revenues, expenses and changes in net assets.

Net investment income for the Trust was approximately \$252,000 and \$240,000 in 2011 and 2010, respectively. The net income (expense) for sick leave was approximately (\$412,000) and \$192,000 for years ended December 31, 2011 and 2010, respectively. The net income (expense) for sick leave is the change in the accrued sick leave liability net of the gains or losses on the assets held in the Trust and, therefore, may fluctuate significantly from year to year.

Nonutility Property

Nonutility property consists of the cost of property owned by the Plant that is neither used nor held for future use in the utility service. The property was purchased for the fiber-to-the-premises project. The Plant subsequently decided not to pursue the project and has disposed of the property in 2010. The carrying value of the property has been adjusted to the expected resale value, which was \$0 as of December 31, 2011 and 2010, respectively. The estimated loss in value of the property of \$0 and \$15,000, for the years ended December 31, 2011 and 2010, respectively, is reflected on the statement of revenue, expenses and changes in net assets.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Plant considers all deposits with original maturities of three months or less to be cash equivalents.

Accounts Receivable

The Plant carries its accounts receivable at fair market value by way of an allowance for doubtful accounts. Collectability of receivables is determined based on historical write offs and collections, on knowledge of specific large accounts, and on current economic conditions.

Inventory

Materials and supplies inventory is carried at cost, principally on the average cost method.

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).

Taxes

The Plant is exempt from federal and state income taxes as well as local property taxes. The Plant pays an amount to the City of Taunton in lieu of taxes. That amount is voted annually by the Municipal Light Commission.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through April 11, 2012, the date the financial statements were available to be issued.

NOTE B. PLANT IN SERVICE

Plant in service activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	\$ 75,620,611	\$ 608,910	\$ -	\$ 76,229,521
Transmission	7,283,794	18,510	-	7,302,304
Distribution	77,868,386	3,758,645	-	81,627,031
General	29,951,227	1,453,500	(257,092)	31,147,635
Total plant in service	<u>190,724,018</u>	<u>5,839,565</u>	<u>(257,092)</u>	<u>196,306,491</u>
Less accumulated depreciation for:				
Production	59,877,654	1,276,122	-	61,153,776
Transmission	6,651,602	131,385	-	6,782,987
Distribution	44,710,103	2,264,264	-	46,974,367
General	10,834,781	1,852,615	(186,286)	12,501,110
Total accumulated depreciation	<u>122,074,140</u>	<u>5,524,386</u>	<u>(186,286)</u>	<u>127,412,240</u>
Net utility plant in service	<u>\$ 68,649,878</u>	<u>\$ 315,179</u>	<u>\$ (70,806)</u>	<u>\$ 68,894,251</u>

Depreciation expense for utility plant in service of \$5,524,386 and for the investment in Seabrook of \$163,389 was charged to operating expenses for the year ended December 31, 2011.

Plant in service activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	\$ 70,725,983	\$ 4,904,975	\$ (10,347)	\$ 75,620,611
Transmission	7,283,794	-	-	7,283,794
Distribution	75,201,296	3,462,912	(795,822)	77,868,386
General	29,059,031	1,215,640	(323,444)	29,951,227
Total plant in service	<u>182,270,104</u>	<u>9,583,527</u>	<u>(1,129,613)</u>	<u>190,724,018</u>
Less accumulated depreciation for:				
Production	59,709,700	1,095,821	(927,867)	59,877,654
Transmission	6,588,443	131,376	(68,217)	6,651,602
Distribution	42,784,317	2,110,518	(184,732)	44,710,103
General	9,089,287	1,710,014	35,480	10,834,781
Total accumulated depreciation	<u>118,171,747</u>	<u>5,047,729</u>	<u>(1,145,336)</u>	<u>122,074,140</u>
Net utility plant in service	<u>\$ 64,098,357</u>	<u>\$ 4,535,798</u>	<u>\$ 15,723</u>	<u>\$ 68,649,878</u>

Depreciation expense for utility plant in service of \$5,047,729 and for the investment in Seabrook of \$163,389 was charged to operating expenses for the year ended December 31, 2010.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE C. INVESTMENTS

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 \$1,027,000 as of December 31, 2011 (the most current valuation date). The Plant is currently contributing, based on a present value formula, \$1,005 per month over 25 years. The cost is included in nuclear expense on the statement of revenues, expenses and changes in net assets as it is paid.

Energy New England

Energy New England, LLC ("ENE") is an energy services company established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. ENE functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The Plant owns a 28.33% interest in ENE. Each of the six members has one seat on the Board of Directors along with three outside Directors. The Plant's initial investment in the company in 1998 was \$500,000. The Plant records this investment under the equity method.

Included in other income is approximately \$14,000 and \$16,000 of gains for the years December 31, 2011 and 2010, respectively, representing the Plant's share of ENE's results of operations.

Hydro Quebec Electric Company

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England 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 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, 2011 and 2010, the Plant received dividends from the two companies of approximately \$21,000 and \$13,000, respectively.

NOTE D. CASH AND CERTIFICATES OF DEPOSIT

The Plant's cash is primarily deposited with the City of Taunton treasurer who commingles it with other City funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant's deposits is not determinable because the limits of insurance are computed on a City-wide basis.

The City invests the cash and credits the Plant each year with interest earned on the cash deposits.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE D. CASH AND CERTIFICATES OF DEPOSIT (Continued)

Cash, certificates of deposit and short term investments consist of the following at December 31,

	<u>2011</u>	<u>2010</u>
Cash - operating	\$ 11,102,273	\$ 14,784,219
Customer deposits	1,240,484	1,106,846
Depreciation fund	12,308,818	2,308,818
Rate stabilization fund	<u>2,000,000</u>	<u>2,000,000</u>
Cash deposited with City of Taunton	26,651,575	20,199,883
Cash deposited with Energy New England LLC	<u>1,801,176</u>	<u>1,458,891</u>
	<u>\$ 28,452,751</u>	<u>\$ 21,658,774</u>

Cash, certificates of deposit and short term investments at December 31 are reflected on the balance sheet as follows:

	<u>2011</u>	<u>2010</u>
Cash	\$ 12,903,449	\$ 16,243,110
Customer deposits	1,240,484	1,106,846
Depreciation fund	12,308,818	2,308,818
Rate stabilization fund	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 28,452,751</u>	<u>\$ 21,658,774</u>

NOTE E. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
\$7,250,000 general obligation bonds, issued June 15, 2010, with interest rates ranging from 2.5% to 4% and annual principal and semi-annual interest payments through June 1, 2020.	\$ 6,525,000	\$ 7,250,000
Less: current installments of long-term debt	<u>(725,000)</u>	<u>(725,000)</u>
Long-term debt, excluding current installments	<u>\$ 5,800,000</u>	<u>\$ 6,525,000</u>

Long-term debt activity for the years ended December 31, 2011 and 2010 was as follows:

Balance of long-term debt, Beginning	\$ 7,250,000	\$ -
Bonds issued	-	7,250,000
Principal payments	<u>(725,000)</u>	<u>-</u>
Balance of long-term debt, Ending	<u>\$ 6,525,000</u>	<u>\$ 7,250,000</u>

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE E. LONG-TERM DEBT (Continued)

The future payments on the long-term debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 725,000	\$ 200,281	\$ 925,281
2013	725,000	178,531	903,531
2014	725,000	153,156	878,156
2015	725,000	124,156	849,156
2016	725,000	100,594	825,594
2017-2020	2,900,000	185,328	3,085,328
Total	<u>\$ 6,525,000</u>	<u>\$ 942,046</u>	<u>\$ 7,467,046</u>

NOTE F. OPERATING LEASES

The plant leases various equipment with terms ending between 2011 and 2013.

The future minimum lease payments under these agreements at December 31, 2011, are as follows:

December 31, 2012	\$ 45,217
2013	<u>45,217</u>
Total	<u>\$ 90,434</u>

Rent expense under these leases, which is included in administrative and general expenses, was approximately \$45,000 and \$217,000 in 2011 and 2010, respectively.

NOTE G. COMMITMENTS AND CONTINGENCIES

Litigation and Other Matters

The Plant is involved in various legal matters incident to its business, none of which is believed by management to be significant to the financial condition or the results of operations of the Plant.

The Plant is also involved in proceedings relating to environmental matters. Although it is not possible to estimate the liability, if any, of the Plant related to these environmental matters, the Plant believes that these matters will not have a material adverse effect upon its financial condition or the results of operations.

The Plant has a program for insurance coverage provided by the Massachusetts Municipal Utility Self-Insurance Trust Fund ("Trust"). The insurance coverage provided by the Trust is in excess of a \$50,000 self retention up to a maximum of \$500,000 per occurrence. Additionally, coverage for certain environmental claims is provided by the Trust through a separate policy for which the plant is responsible for a \$50,000 self-retention and the Trust covers the next \$50,000. Above this combined \$100,000 self-retention, the separate pollution liability policy provides coverage for certain claims up to \$1 million per occurrence and \$10 million aggregate.

Option Contracts

The Plant manages risk associated with power supply commitments and excess capacity by entering into forward contracts for the purchase and sale of electricity and fuel in the normal course of business. It also uses put and call option contracts to reduce the price risk associated with its power supply portfolio.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE G. COMMITMENTS AND CONTINGENCIES (Continued)

Option Contracts (Continued)

Put and call options are reflected at fair value as determined by actively quoted prices and are recorded on the balance sheet with changes in fair value included in purchased power and transmission expense. No option contracts were open as of December 31, 2011 and 2010.

Forward contracts to purchase electricity and fuel at set prices and other contracts to sell electricity at fixed prices qualify for the normal purchases and sales exception of SFAS No. 133 and are not accounted for as derivatives.

The objectives of TMLP's risk management procedures for option contract and power and fuel purchase and sale forward contract activities are to optimize power supply resources, control costs, and manage price volatility to customers while avoiding speculative positions in the commodities markets.

Power Contracts

The Plant has commitments under contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in purchased power in the statements of revenues, expenses and changes in net assets and are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts. The status of these contracts is as follows:

<u>Counter Party</u>	<u>Fuel</u>	<u>2011 KW Entitlements</u>	<u>Contract End Date</u>	<u>Estimated Annual Minimum Payments</u>
NextEra Energy Power Marketing, LLC	Unspecified	5,000	2011	\$ 6,404,000
TransCanada Power Marketing Ltd.	Unspecified	10,000	2012	\$ 7,026,000
PPL EnergyPlus	Unspecified	5,000	2013	\$ 6,309,000
Miller Hydro Group, Inc.	Unspecified	2,700-4,350	2016	\$ 1,740,000
Morgan Stanley Capital Group	Unspecified	5,000	2013	\$ 7,957,000
Industrial Power Services Corporation	Unspecified	430	2013	\$ 173,000
Fortistar Methane Group-GRS Fall River	Methane	5,000	2014	\$ 2,180,000
Dominion Energy Marketing, Inc	Unspecified	16,200	2015	\$ 972,000
MM Taunton Energy, LLC	Methane	1,630-1900	2019	\$ 1,907,000
Seabrook Nuclear Power Plant	Nuclear	1,170	2020	\$ 355,000
New York Power Authority	Hydro	4,845	2025	\$ 1,149,000
Braintree Electric Light Department	Methane	10,000	2029	\$ 2,135,000

NOTE H. PENSION PLANS

The Plant contributes to the City of Taunton Retirement System (the "System"), a public employee retirement system that acts as the investment and administrative agent for the City. The System is a contributory cost-sharing multiple employer defined benefit plan. 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.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE H. PENSION PLANS (Continued)

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%, 8% or 9% of their regular compensation depending on the date upon which their membership began. The System also provides death and disability benefits.

The System assesses the City each fiscal year an amount determined in accordance with its current funding schedule. The City allocates a portion of its obligation to the Plant based on the relative number of participants and the amount of payroll. The Plant's contributions to the System for 2011, 2010 and 2009 were \$3,048,523, \$2,891,107 and \$2,842,514, respectively, and were equivalent to the required payments.

The current funding schedule includes the amount required to pay the employer normal cost (in addition to member contributions) plus the amortization of the prior unfunded actuarial accrued liability. The current funding schedule projects that the plan will be fully funded in 2028. The funding schedule has been approved by the Public Employees Retirement Association.

Copies of the System's audited financial statements can be obtained by writing to The City of Taunton Retirement System, 40 Dean Street, Taunton, MA 02780.

The Plant has established a separate Employees Retirement Trust Fund ("Trust Fund") for the financing of future pension payments. The market value of the net assets at December 31, 2011 and 2010, was approximately \$8,801,000 and \$9,193,000, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant made no contributions to the Trust Fund in 2011 and 2010.

The Plant pays the normal costs plus expenses and a levelized amount of the amortization. The Plant receives from the Trust Fund, over the next fifteen years, the balance of the annual amortization of the unfunded pension liability. Prior to 2007, the Plant received 100% of the annual amortization of the unfunded pension liability from the Trust Fund.

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Contributions assessed by and paid to the System	\$ 3,048,523	\$ 2,891,107
Contributions from the Trust Fund	<u>(819,199)</u>	<u>(724,714)</u>
Recorded pension expense	<u>\$ 2,229,324</u>	<u>\$ 2,166,393</u>

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE I. OTHER POST-EMPLOYMENT BENEFITS

The Plant follows GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions."

Plan Description

The Plant participates in The Post Retirement Benefits Plan of The City of Taunton, an agent multi-employer defined benefit healthcare plan administered by the City of Taunton. The Plant provides post-employment health care benefits to retirees that meet certain requirements. Retirees of the Plant under age 65 are eligible for the same health benefits as active employees, while retirees over the age of 65 are eligible for MEDEX. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan does not issue a publicly available financial report.

At June 30, 2010, the most recent actuarial valuation date, the Plant's membership consisted of the following:

Current retirees and beneficiaries	163
Current active members	<u>158</u>
Total	<u><u>321</u></u>

Funding Policy

The contribution requirements of the plan members and the Plant are established and may be amended through collective bargaining. The cost of the benefits provided to retirees are borne 75% by the Plant, and 25% by the retiree. For plan year ended June 30, 2011, the Plant contributed approximately \$940,500 to the plan, and total member contributions were approximately \$314,000.

Annual OPEB Costs and Net OPEB Obligation

The Plant's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Plant's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Plant's net OPEB obligation are summarized in the following table:

	<u>2011</u>	<u>2010</u>
Normal cost	\$ 1,093,381	\$ 1,093,381
Amortization of unfunded actuarial accrued liability	<u>1,168,844</u>	<u>1,168,844</u>
Annual OPEB cost/expense	2,262,225	2,262,225
Contributions made	<u>(1,253,723)</u>	<u>(1,200,910)</u>
Increase in net OPEB obligation	1,008,502	1,061,315
Net OPEB obligation - beginning of year	<u>3,967,242</u>	<u>2,905,927</u>
Net OPEB obligation - end of year	<u><u>\$ 4,975,744</u></u>	<u><u>\$ 3,967,242</u></u>

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE I. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 2,612,849	\$ 1,200,910	46%	\$ 2,905,927
12/31/2010	\$ 2,262,225	\$ 1,200,910	53%	\$ 3,967,242
12/31/2011	\$ 2,262,225	\$ 1,253,723	55%	\$ 4,975,744

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$37,623,107, all of which was unfunded. The covered payroll (annual payroll of the Department's active employees covered by the plan) was \$15,955,539, and the ratio of the Unfunded Actuarial Accrued Liability ("UAAL") to the covered payroll was 236%

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 4% investment rate of return and an annual health care cost rate trend of 8% decreasing to 5% in 2016. The UAAL is being amortized as a level percentage of pay assuming a 4.5% increasing, open basis. The remaining amortization period at June 30, 2010, was 30 years.

NOTE J. INTERNET ACCESS BUSINESS UNIT

Revenue and expense for this business unit are combined and presented as a single line item in other income (expense) in the statement of revenues, expenses and changes in net assets. Internet services generated revenues of approximately \$1,034,000 and \$1,037,000 for the years ended December 31, 2011 and 2010, respectively. Expenses were approximately \$954,000 and \$984,000 for the same periods.

The business unit leases certain assets from the Plant. For the years ended December 31, 2011 and 2010, other operating revenue for the Plant and internet expense includes approximately \$162,000 and \$162,000, respectively, relating to this lease.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Notes to The Financial Statements
Years Ended December 31, 2011 and 2010**

NOTE K. SALE OF EMISSION ALLOWANCES

The Plant receives emission allowances in connection with the operation of its generation facilities. The Plant may from time to time purchase or sell excess emission allowances on the open market. The income from the sale or the expense from the expiration of allowances are recorded as other income or expense on the statement of revenues, expenses and changes in net assets.

NOTE L. ENVIRONMENTAL REMEDIATION

The Plant follows GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations."

The West Water Street generating facility closed in 1978. During 2007, The Plant hired a consulting firm to assess, characterize, and quantify the special and hazardous materials at the West Water Street facility including the preparation of the technical specifications for their removal.

A contract was awarded in 2008 to remove and dispose of these materials from the facility.

The hazardous material remediation of the facility began in 2009. The total cost of the project was \$4,410,936 with \$1,928,507 in expenditures being incurred during the year ended December 31, 2010. The project was completed in 2010.

The costs of the hazardous material remediation project have been capitalized as they were incurred.

During the abatement and clean-up process, the Plant discovered a No. 6 fuel oil Underground Storage Tank ("UST") with oil product leaking out of the UST, and several oil piping troughs (or covered raceways) and vaults filled with oil which were not included in the original scope of work. The Massachusetts Department of Environmental Protection ("MADEP") was contacted by the Plant.

The oil leak remediation of the facility began in 2009. The total cost of the oil leak remediation project per the contract was \$1,589,345 of which \$0 and \$674,306 was expensed for the years ended December 31, 2011 and 2010, respectively.

The Plant discovered an additional No. 6 fuel oil UST with product leaking out, the leak has been contained, clean-up and was completed in 2011, with a cost of approximately \$178,000. This project was out-of-scope of the initial oil remediation project and the costs are in addition to the completed project stated above. The additional cost of \$178,000 was recorded as a liability and expense as of December 31, 2010. The project was considered complete as of December 31, 2011.

The costs of the oil remediation projects are accrued and expensed when the expected outlays are reasonably estimable.

NOTE M. RECLASSIFICATIONS

Certain 2010 financial statement amounts have been reclassified to conform to the 2011 presentation.

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Other Post-Employment Benefit Plan
Required Supplementary Information
Years Ended December 31, 2011 and 2010**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
June 30, 2010	\$ -	\$ 37,623,107	\$ 37,623,107	0.00%	\$ 15,955,539	236%
June 30, 2008	\$ -	\$ 50,082,169	\$ 50,082,169	0.00%	\$ 13,794,910	363%

Actuarial methods:

Valuation date	6/30/2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount
Remaining amortization period	30 years as of June 30, 2010

Actuarial assumptions:

Investment rate of return	4.00%
Projected salary increases	4.50%
Medical/drug cost trend rate	8% decreasing to 5% in 2016

Plan membership:

Current retirees and beneficiaries	163
Current active members	158
Total	321

See notes to required supplementary information

**CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT**

**Other Post-Employment Benefit Plan
Notes to Required Supplementary Information
Years Ended December 31, 2011 and 2010**

NOTE A. The Plant participates in an agent multi-employer defined benefit healthcare plan, administered by the City of Taunton, which provides lifetime health care and life insurance benefits for eligible retirees and their spouses through the city's health and life insurance plans, which covers both active and retired members.

The Plant currently finances its other post-employment benefits ("OPEB") on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Plant has recorded its OPEB cost equal to the actuarially determined annual required contribution ("ARC") which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.