

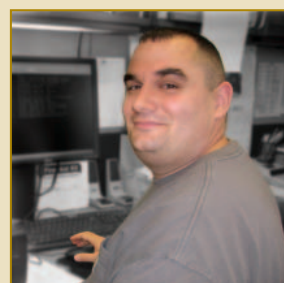
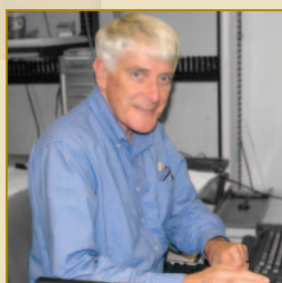
RMLD



Reading Municipal Light Department
RELIABLE POWER FOR GENERATIONS

ANNUAL REPORT FY 2011

Beyond the **SWITCH**



Board of **COMMISSIONERS**

Reading Municipal Light Department is a municipal electric utility serving Reading, North Reading, Wilmington and Lynnfield Center. Founded in 1894, RMLD is non-profit, locally owned and locally controlled. A five-member Board of Light Commissioners elected by Reading voters governs the utility.



Mary Ellen O'Neill
Chairman



Richard S. Hahn
Vice Chairman



Philip B. Pacino
Secretary



Robert Soli
Commissioner



Gina Snyder
Commissioner

Citizens' Advisory Board

The Reading Municipal Light Department Citizens' Advisory Board, whose members are appointed by the four communities we serve, makes recommendations to the Board of Commissioners. Its members include:

Arthur Carakatsane, Lynnfield
Chairman

John Norton, North Reading
Secretary

Tony Capobianco, Reading

George Hooper, Wilmington

Tom Ollila, Wilmington

It takes an entire village to raise a child.

Much like this saying, it takes the entire Reading Municipal Light Department to bring electricity to its 29,072 customers. This annual report will bring you the stories of a small percentage of the RMLD family members whose jobs impact the lives of so many.

Letter from **THE GENERAL MANAGER**

Dear Customer,

With the many changes in the energy industry in the 21st century, we depend more and more on the expertise of our employees at Reading Municipal Light Department. With the customer in mind, RMLD offers innovative options to keep up with the electronic age. For those who opt to pay their bills electronically, customers are billed through email and bills can be paid through direct deposit, credit cards or budget billing. Time-of-use rates allow customers to better control their electricity usage and lower their electric bills. Recently computerized applications in metering and distribution equipment have been promoted as an answer to increasing reliability of electric systems and making more information available to the utility and its customers.

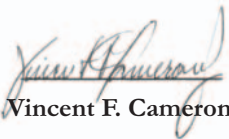
RMLD employees are continuously trained to use this new technology and keep management up to date to help measure the success of the new equipment and technology. Without the many hardworking and specialized employees at RMLD, the utility could not operate or reach its goals of providing good customer service, competitive rates and excellent reliability.

The overall operations of RMLD are intricate and require the actions of many uniquely skilled individuals to make the entire operation run in a highly reliable and efficient manner.

While many of our customers relate to the most visible RMLD staff, they may not be aware of the many behind-the-scene workers who ensure the smooth and dependable operation of the entire utility process on a daily basis. They are all the foundation of the RMLD operation.

You'll not only see us around town and on the boards of business and community organizations, you'll see us as your neighbors, your friends and as a person that may have the same interest and hobby as you. So feel free to strike up a conversation with us when you see us.

And remember, this is *your* electric utility. We're here for you.



Vincent F. Cameron Jr.

General Manager



IN MEMORIAM

Most full-time employees spend more of their waking hours at work than they do at home. At RMLD, we work together to bring you reliable electricity at a competitive rate, in a pleasant manner. We value these employee relationships, perhaps even more so this year because we have lost two much-loved and much-missed co-workers to cancer in 2011. The 2011 Annual Report is dedicated to the memories of LeeAnn Fratoni-Schibilio and Dave Roffi, two longtime employees of Reading Municipal Light Department.

LEEANN FRATONI-SCHIBILIO



LeeAnn was an organized, meticulous numbers person who worked in the Accounting Department and she made sure the rest of us knew what she expected from us. A dedicated and hard worker, she received her master's degree in business while at RMLD. She was a communicator who visited us in our offices, took the time to explain procedures and made sure we kept records of our hours, vacations and sick time. After business was taken care of, she entertained us with her energy and spirit and she became our friend.

So full of life, this spunky and beautiful lady brought style and excitement to our sometimes humdrum existence. She shared her illness and her alternative treatment experiences with us, took yoga lessons and meditated. She met people along the way, listened to their stories and told her own. She became a confidante to others with this raging disease in the wake of their treatments. After she was diagnosed, she married Tom Schibilio, one of our co-workers at RMLD. So, in a way, LeeAnn's passing has touched us twice – we said good bye to LeeAnn, as we support Tom through his sorrow. LeeAnn demonstrated to us the way to be in the face of death – she worked every day up until her last six weeks, almost two years after her diagnosis, she was positive and she married a good man who made her final years happy ones. She fought a courageous battle. We miss her dearly.

DAVE ROFFI



Dave was our senior stockman who was responsible for keeping track of our inventory and who brought us what we needed when we needed it, always with a smile, asking if there was more he could do for us. No matter what kind of weather we had, he would help with the shoveling, sweat in the summer heat and deliver the goods. Well respected by the linemen and the office workers as well, he worked at RMLD for over 30 years.

Dave was a gentle giant, a soft-spoken, quiet man who was devoted to, and proud of, his wife Jody, his sons, Tom and Kirk, and his daughter Marlena. He was a warm and loving family man.

An adventurer at heart, he loved to explore while traveling and to test out new restaurants. A great fan of food, he critiqued the lunches he shared with "the boys," prioritizing local restaurants' cuisine and rating them for future visits.

He was a private man and kept his illness to himself. Many of us did not know he was ill until much later in his battle. He did not want to burden others with his tribulations, went through his treatments quietly and obediently and relied on his hope and faith to get him through his challenges.

Still waters run deep. Dave was a kindhearted and dedicated employee and he was a contented man in his life he shared with his loving family. He is sorely missed - not only as a friend, but also professionally.

Beyond the SWITCH

Most of us know that when we walk into a darkened room, the darkness will be erased with the flick of a light switch, or the turning on of a lamp.

What most of us don't know is that it takes something – better yet, someone – often working behind the scenes to make sure that the electricity flows into our homes and businesses without interruption.

Reading Municipal Light Department customers rely not only on the most visible, but also on the less visible, staff to do their jobs to make sure the street lights are on, the new poles are in place, the lines are clear of tree limbs and branches, the bill payments are credited to the customers' accounts, new businesses receive the correct electric service in the right location at the building site, the fleet of trucks is maintained, the line crews have the right tools to do their jobs, outside construction crews and contractors know where the underground lines are buried, new technology is introduced and software programs are created, commercial customers get the information they need to reduce their electric use, the power supply is managed, the staff receive updated training, the buildings and substations are maintained and safe, new meters are installed and read, the proper personnel are hired and important information is disseminated to the public at a moment's notice.

*Behind the walls of the 230 Ash Street, Reading, office
– inside the cab of an RMLD bucket truck – and inside the substations
in the community are the men and women of the RMLD.
Doing their jobs so you can do yours.*

LINE DEPARTMENT

Undoubtedly, the physical presence of RMLD lies with the Line Department. They're the ones who physically work on the overhead and underground wires, fix the street lights and trim the trees. They're the ones you recognize as you walk or drive along the 50-square miles of roads in the four-community service area.

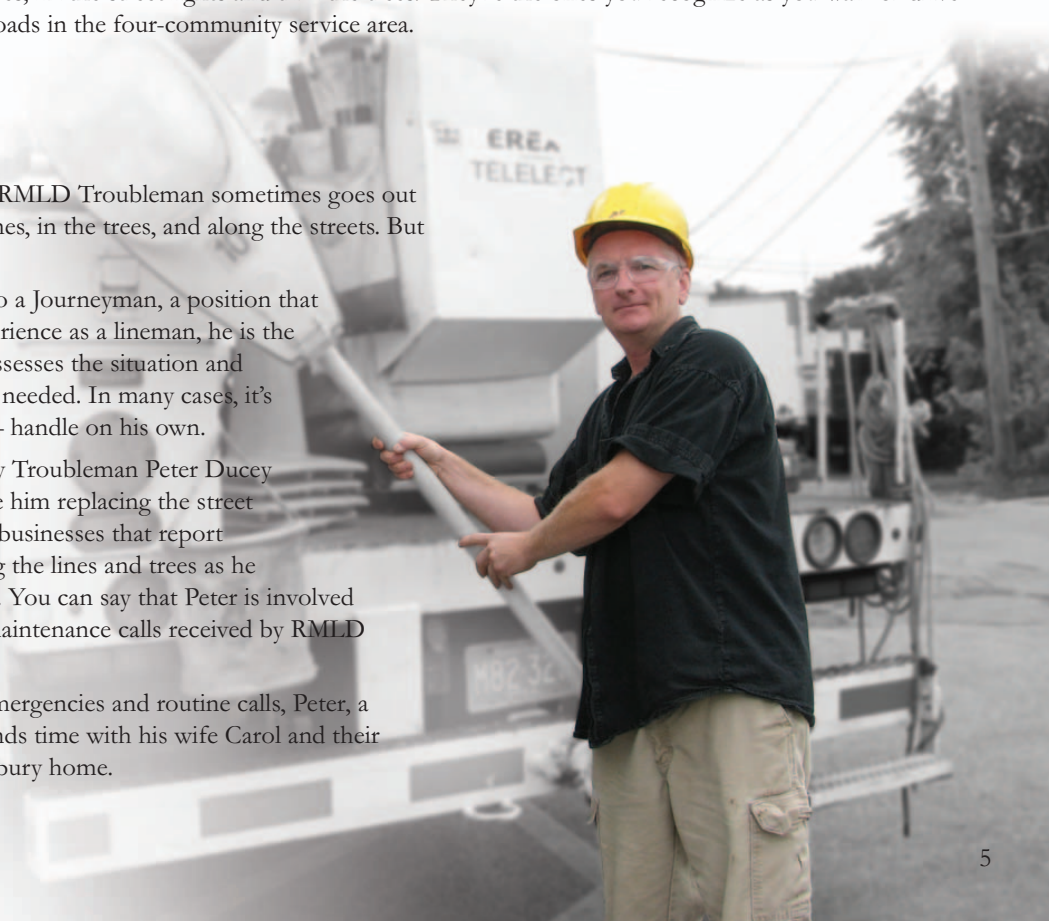
TROUBLEMAN

Just like the name implies, the RMLD Troubleman sometimes goes out looking for trouble – on the lines, in the trees, and along the streets. But that's not all he does.

Because the Troubleman is also a Journeyman, a position that typically requires 10 years experience as a lineman, he is the first responder, the one who assesses the situation and calls in the crews when they're needed. In many cases, it's something he can – and does – handle on his own.

It's something that RMLD Day Troubleman Peter Ducey does on a daily basis. You'll see him replacing the street lights, stopping by homes and businesses that report service problems, and checking the lines and trees as he travels through the four towns. You can say that Peter is involved in any type of emergency or maintenance calls received by RMLD during the day.

And while he's not handling emergencies and routine calls, Peter, a 25-year RMLD employee, spends time with his wife Carol and their 14-year-old son at their Tewksbury home.





LINE CREWS

Under the hardhats are the men of RMLD who are responsible for constructing and maintaining the electric distribution system. These lineworkers, journeymen and apprentices work above and below ground to upgrade the system, restore power and make sure that any emergencies or potential problems are resolved – or averted – without any adverse effect to the customer.

Like most electric utilities, the RMLD Line Department is led by a General Foreman who oversees operations within the 17-person department. Taking on a key role alongside the Foreman are the Leader Linemen who take charge at the worksite and direct the crews while keeping them safe.

It's an awesome responsibility that isn't taken lightly, especially by Leader Lineman Phil LaFleur, a 25-year veteran of the RMLD. And it's not a job he takes for granted.

There isn't a 'typical' workday for Phil, who is committed to not only keeping his crew safe, but keeping them informed about what is happening within RMLD and the industry. It's his job to help train the

apprentices and journeymen so that they can soar to new heights, both in the bucket truck and in their own advancement as lineworkers. But that doesn't mean that Leader Linemen like Phil sit on the sidelines while others do the dangerous work on the wires and in the trenches. He's a member of a team, all of whom work together to be on the same page to reach the same goal: keeping the electricity flowing – safely and consistently.

That's important because he's not only a member of the RMLD family, he's also a customer. Phil and his wife Maryann play an active part in the lives of their three children and in the lives of Wilmington middle schoolers who frequent the town's Youth Center at St. Thomas Church. Phil and Maryann are among the many parents and residents who have become part of a team of volunteers at the church and in the community.

TREE CREWS

Although they play a supporting role in an all-star cast, the tree crews are a vital part of the Line Department. Without them, tree limbs and branches would overtake the overhead wires and high voltage feeders, dramatically increasing the chances of downed power lines and outages during storms and high wind gusts. These two two-person crews travel throughout the RMLD service area, trimming the branches and tree limbs, cleaning up after storms, and clearing the way for the wires that connect you to a brighter world.



ENGINEERING AND TECHNICAL SERVICES

Along with their colleagues in the Line Department, the Engineering Department and Technical Services Department are part of the Engineering and Operations Division. All 36 team members work toward the same goal - the safe and reliable operation of the distribution system.

The men and women in the Engineering and Technical Services Departments make sure that the RMLD electric distribution system works like a well-oiled machine. They oversee and map out all new service requests, make sure that the substations perform at peak efficiency, and keep the meters running like clockwork. Yet that's only a fraction of what they do on their not-so-typical work day.

ENGINEERING

The Engineering Department typically handles the technical end of the distribution system – drawing the plans used by the crews in new construction and system upgrades, working with the crews during an outage to restore power in the safest and most efficient way, mapping the underground service, monitoring the SCADA system, and providing specifications to contractors and electricians working on retrofits and additions.

Before the Chief Engineer and Engineering Project Manager can do their jobs, the groundwork is laid by the Operational Assistant, a job that is vital to keeping the machine running smoothly. As a liaison between the engineers and the customer, it's the Operational Assistant who steers the customers in the right direction, letting them know what they need and what to expect throughout the process. It's also the Operational Assistant who physically puts the plans and specs together, coordinates the requests and acts as a clearinghouse of information between Engineering, the RMLD and the customer.

RMLD Engineering Operational Assistant Laurie Ann Sylvia is a master at her job. In addition to customer and contractor/ electrician requests, and assisting the engineers and station operators, Laurie Ann is a key component in the RMLD storm center, organizing data for the station operators and spearheading operations within the Storm Management System during severe weather.

Laurie Ann's organizational and people skills go far beyond her job at RMLD. As a 31-year employee of RMLD and lifelong resident of Reading, she was recently appointed by the Reading Board of Selectmen to serve on the Advisory Committee on the Cities for Climate Protection Program (CCP), a group charged with finding ways to make Reading 'greener.' Laurie Ann also developed and continues to lead an employees' annual Christmas Adopt-a-Child program which provides much-needed clothing and toys to children in our service territory, hoping to bring the same joy to others that her and her husband Terry's two sons, now 24 and 21, experienced when they were younger. In her limited spare time, Laurie Ann bowls in two candlepin leagues.



SUBSTATION

When the high voltage power comes into Reading and Wilmington from NSTAR at Substations 4 and 5 and into North Reading from National Grid at Substation 3, RMLD customers rely on everything to be running smoothly at the three major substations so that the lights will go on when they turn on the switch. Although the systems that run the substations can be monitored and power loads shifted remotely from the RMLD control center, the equipment needs to be continually maintained and physically inspected for the safety and security of the lineworkers, customers and infrastructure.

This job, among others, falls on the shoulders of the Technicians who are instrumental in not only maintaining the system, but in also testing the distribution transformers and assisting line crews in locating cables and faults in the system. Senior Technician Jack Flaherty, an RMLD employee for 33 years, works with line crews, Station Operators and Technicians, and with Energy Services' large commercial customers to meet the unique needs of those customers who use large amounts of electricity to run their businesses.

A lifelong resident of Reading, Jack takes great pride in his role as the Line Meter Station union representative on health insurance matters with the Town of Reading. At the end of his long day, Jack enjoys fishing on Plum Island and golfing on a Monday afternoon league at Sagamore Golf Course.



TECHNICAL SERVICES

Without Technical Services, the hub of RMLD's power and communications network, the Lineworkers would not have the information they need to work on the overhead and underground lines, and the customers would not receive an accurate meter reading. Technical Services' staff is responsible for the operations of the Station and Substations, as well as the Meter Department.

CONTROL CENTER (STATION)

The RMLD Control Center (Station) at 230 Ash Street in Reading is the 24-hour call center, staffed by Station Operators and Technicians who monitor the entire electrical system, including the Supervisory Control and Data Acquisition System (SCADA) that remotely monitors and controls the power that comes in from National Grid and NSTAR, as well as the electricity that flows through the aboveground and underground wires. The station is also central control during all severe weather storms.

As with nearly all RMLD departments, that's only a small part of what the Station does around the clock. Like his co-workers, Ken Finne handles all station responsibilities, including monitoring the systems at all three major substations, remotely switching using SCADA to control circuits and open and close circuits at the request of engineering and the leader lineman, taking calls and dispatching crews and engineers for outages and related issues, monitoring power use for Energy Services during peak periods, marking the underground lines for DigSafe calls, coordinating HazMat cleanups, monitoring the security at RMLD substations and buildings, and helping to map out the entire system using the GIS mapping system.

Ken perfected his dispatching and monitoring skills during his previous employment as a dispatcher for the Wilmington Police Department and as an Auxiliary Police Officer for the Town. Ken and his wife Laurie are also RMLD customers and new homeowners in the Wilmington home they share with their two bulldogs.



METER

Although the Meter Department is most recognized as the one that collects the readings and transmits the data to RMLD, the department Meter Readers/Technicians are the ones who also install, repair and replace the meters, physically read commercial meters, and work with the line crews whenever service to homes and businesses is upgraded. Each residential RMLD meter has a unique bar code and Encoder Receiver Transmitter (ERT) that identifies the meter and the property so each customer receives an accurate bill each month.

RMLD is in the midst of a residential meter upgrade program that will ensure that all residences in the four communities have up-to-date meter technology by 2013, allowing the meters to send information back to RMLD via radio frequency.

Helping this process in homes, condominiums and apartment buildings is Senior Meter Technician Mike Carroll, a 25-year employee of RMLD. It's the job of technicians like Mike to properly install the new residential meters and make sure that the voltage coming into the building, and the meter, is correct. The technicians also do the wiring, check the phase rotation and verify metering accuracy on commercial and industrial meters.

Working on vintage motorcycles is something Mike enjoys outside work. His restoration of a 1964 BMW motorcycle took home the European Division's Best Restored trophy at Loudon (NH) in 1992. He also enjoys boating and fishing on Lakes Winnepesaukee and Waukewan (NH). Although Mike now lives in Pepperell with his wife Donna and their three children, he grew up in Stoneham where his parents still live.



ENERGY SERVICES

Without Energy Services, RMLD customers would literally be left in the dark. The staff of the department work behind the scenes to purchase and manage the wholesale power supply to ensure that all customers – from the smallest to the largest – receive their electricity from the most reliable power source at the best possible rate. They do all this while keeping a close eye on load forecasts, spot markets and four-year projections while adding environmentally responsible energy purchases to their diverse energy portfolio.

It's something that takes daily, and often hourly, scrutiny, especially during times of high demand. Because of the volatility of the market, the Energy Analysts and Energy Efficiency Engineer also use a four-year matrix which allows them to ladder and layer the power supply by purchasing 25% of their power each calendar year. Working hand-in-hand with the Analysts and Efficiency Engineer is the Key Accounts Manager who serves as an advocate and conduit of information for all 3,500 commercial customers.

As the point of contact for commercial customers, Key Accounts Manager Joe Bilicki works with RMLD's largest customers to answer their questions, provide information about commercial-specific rebates and incentive programs, and help them manage and reduce their energy consumption to make sure their buildings and businesses are environmentally and financially friendly. These customers know they can rely on his 37-plus years at RMLD to steer them in the right direction. Joe also works tirelessly with the business communities in the four towns as the RMLD representative and past-president of the Wilmington Rotary Club, as the President of the Board of Wilmington Community Cable Television and as the RMLD representative to the North Reading Energy Study Ad Hoc Committee. Joe's roots are in Wakefield where he and his wife Theresa raised their four daughters. They are the grandparents of three.

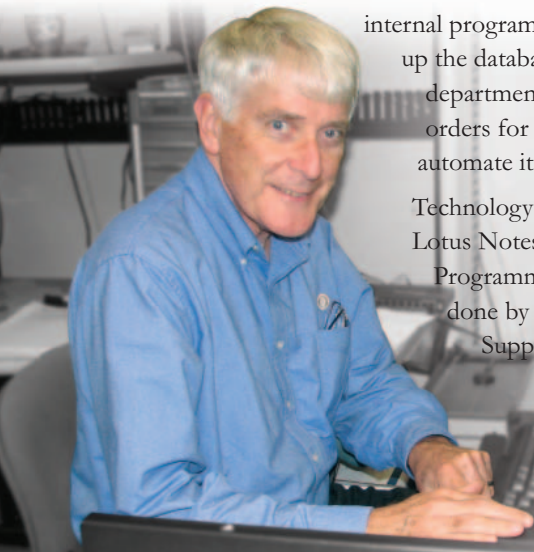


INFORMATION SYSTEMS

As the name implies, RMLD's Information Systems Department handles every facet of the electronic dissemination of information, from supporting the hardware and software to ensuring that all RMLD information is secure and protected. The department maintains all infrastructures, i.e. computers and equipment; and also writes the software programs that enable RMLD to archive information that is easily retrieved by RMLD staff. And without RMLD's Information Systems Department, customers would not be able to communicate with the staff via email, nor would they be able to receive and pay their bill online. In addition, it would take countless hours to research customer inquiries without the resources and services of Information Systems.

RMLD Systems Administrator John Cussen is among those who oversee the steady stream of information that comes in and out of RMLD. It's John's job to make things easier for RMLD staff and customers by writing internal programs for a variety of tasks, from retrieving usage and billing information to setting up the database between RMLD and the paperless invoice provider. John also works with departments like Technical Services to streamline and expedite the process of service orders for its residential meter replacement project, and with the Business Office to automate its tax exempt status for customers.

Technology has broadened the scope of John's job since joining RMLD 11 years ago as a Lotus Notes Programmer. Although he's fluent in SQL (Software Query Language) as a Programmer and takes great pride in the work he does, John is most proud of the work done by his wife, Kathe, a 7th grade Science teacher and coordinator of the Military Support Group that send cards, letters and packages each week to deployed service men and women. When he's not helping Kathe with the project, he is active in the Knights of Columbus as the Treasurer and Past Grand Knight for Council 9058 of Hampstead, NH.



FACILITIES

Everything associated with RMLD's physical presence – from the buildings, to the vehicles, to the grounds – is most often procured or maintained by the Facilities Department. Under this umbrella are Facilities and Materials Management/Purchasing, the two areas that make sure that everyone has what they need to do their jobs and to do those jobs in a safe and secure environment.

FACILITIES

When RMLD crews are out on the streets in the four communities, it's critical that the trucks operate properly and safely; when a customer enters the 230 Ash Street facility, it's critical that the grounds and the buildings are safe; and when the staff gets to work each day, it's critical that all mechanical systems are maintained and are operational. Key to making sure these happen is Facilities, the area that oversees the essential upkeep of the 45 vehicles in the fleet, the grounds and all RMLD buildings and stations.

The cog in the engine that keeps everything running smoothly is the Operational Assistant, the liaison between the Facilities Manager and the mechanics, landscapers, outside vendors and RMLD staff. Although every day has been different for Operational Assistant Patty Mellino since joining RMLD in 2007, there has been one constant in her job and that is seeing that the customer, whether an outside contact or a staff member, has received the answers and resources they needed. In addition to having a multitude of responsibilities, she also makes sure that all regular maintenance is done, and any unexpected problems are resolved. Patty also supports the Materials Management/Purchasing Department with Facilities-related bids, contracts and tasks.

Patty's keen eye for detail extends beyond RMLD. She's an avid gardener and is very handy around the house with a knack for being able to fix almost anything. Patty is the proud mother of three sons, all of whom she taught in CCD, and an even prouder grandmother of two, born within one month of each other.



MATERIALS MANAGEMENT/PURCHASING

All businesses need a system in place that allows them to get quality goods and services at a fair and reasonable price. Materials Management/Purchasing is charged with writing contracts and soliciting bids for RMLD to ensure that this happens, while acting as a watchdog for the ratepayers. They are also the ones who research and negotiate all purchases so that the staff gets the tools they need - from pencils to power tools - to do their jobs.

Responsible for managing this inventory when it is delivered is the Stockman who also receives the goods, maintains the inventory levels, and re-orders all supplies when needed. The most important part of Stockman John Shea's job is to stock the line crew's trucks before they go on a call. Without the right tools, hardware, wires, poles and safety equipment on their vehicles, the lineworkers, troublemen, meter technicians, station operators and technicians would be at risk, or unable to do their job, at the very least.

John knows what everyone needs before they go on the road as the former Operational Assistant for Field Services and head of the tree crew. A 14-year employee of RMLD, John is also a lifelong customer. He grew up in Wilmington and has been a resident of Reading for the past 27 years, with his wife Corinne and their two college-age sons. When they aren't in Reading, the couple enjoys their getaway in Center Ossipee, NH.





BUSINESS/ACCOUNTING

It's inevitable that when a customer receives a service, a bill is generated and payment is due within a certain period of time. The same is true for RMLD, which is both a provider of services and a customer. Although its role as customer may not be as evident, bills need to be paid for power, goods and services purchased, and employees must be paid for the work they do, just a few of the many responsibilities of the Accounting and Business Department at RMLD. If the accounting, payroll, accounts payable, accounts receivable and customer service staffs didn't do their jobs, chances are that the electricity wouldn't be available to customers.

On the flip side of the coin, it's some of the same staff who handle the financial aspects in the RMLD's role as a provider of services. They are the ones who collect and record the customers' payments, balance the books and make sure that everyone at RMLD stays within their budget so that the rates stay low.

CUSTOMER SERVICE

The first, and last, RMLD department most customers encounter when starting or ending service is Customer Service. The Customer Service Specialists are also the first people customers and visitors meet when they open the front doors of the 230 Ash Street business office. And they're the ones customers contact when they need information about payment plans, energy conservation programs and audits, rates, energy usage and history, and all residential and commercial programs and services.

All Customer Service Specialists are cross-trained to do all the jobs within the department, from taking and recording payments, to assisting contractors and electricians with utility authorization requests, and everything in between. This also includes working with customers who may be having difficulty paying their bills, a job that is most often handled by credit and collections - and a compassionate listener.

Customer Service Specialist Evelyn Holt is often the specialist who handles credit and collections, a job she has been doing at RMLD for nearly seven years. In this role, Evelyn works with customers to set up payment plans and helps find additional resources that may be available to them from state, federal and local agencies. To Evelyn, the most important part of her job is to be available to all customers whether they are RMLD customers or RMLD staff, and to get them the information they need. And her compassion extends beyond her job at RMLD into her personal life as a Wilmington mother of two and grandmother of three. Since her children and grandchildren live out of state, Evelyn enjoys traveling with her family whenever the opportunity arises.



HUMAN RESOURCES

Hiring well-qualified employees is an important responsibility for RMLD Human Resources. During their employment at RMLD, all 70-plus employees of RMLD interact with the department on a regular basis, not just when they are interviewed and hired for their positions. The Human Resources Manager is the one who is responsible for providing updated information about benefits, creating and updating job descriptions, conducting or coordinating training opportunities for staff, ensuring the compliance to state and federal employment laws and being the liaison between the Town of Reading and the RMLD employees.

Human Resources Manager Beth-Ellen Antonio has been doing all this and more since joining RMLD in 1994. In this one-person department, she's become an expert on training staff and making sure that employees are notified and receive the ongoing training and education required for the variety of licenses and certificates held by RMLD staff. Beth-Ellen keeps her finger on the pulse of RMLD and the electric industry as a member of the Safety Committee and the Employee Recognition Committee. She and her husband Charlie reside in Peabody and are the parents of three grown children.

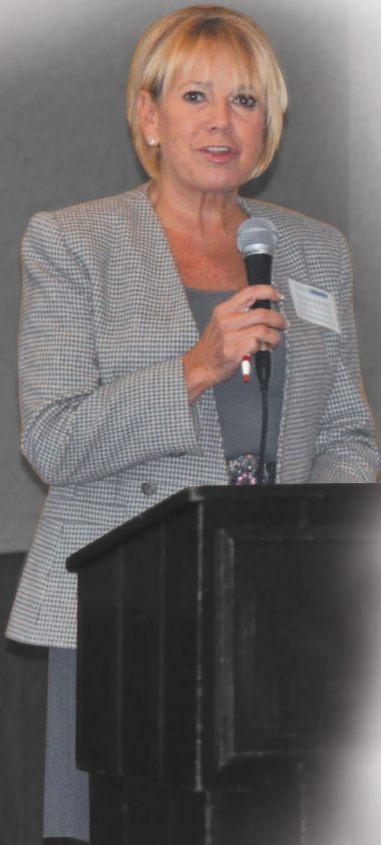


COMMUNITY RELATIONS

While Human Resources disseminates internal information to RMLD staff, external information is disseminated by Community Relations, the one-person department responsible for letting the public know about programs, services, staff appointments and promotions, outages and ongoing work in the four communities. This information is relayed in several ways – in the 11 newspapers in the service area, on cable television, in newsletters and annual reports, during visits to organizations and schools, and during community fairs and town events – among other avenues.

In other words, RMLD Community Relations Manager Priscilla Gottwald makes sure that customers and others know what RMLD is doing in, and for, the communities. She is often the face of RMLD as the RMLD representative to several business and community organizations, including serving as a Past President of the Reading/North Reading Chamber of Commerce, Communications Officer and Past President of the Reading Rotary Club, a Board member of the Wilmington School and Business Partnership, current President of the Municipal Electric Association of Massachusetts (MEAM) Communications and Energy Services Division and a member of the Good Neighbor Energy Fund.

Priscilla spends her free time boating, reading and attending dance, film and theater productions. She is a member of two book clubs and her energy and commitment extends to her home life in Stoneham, where she resides with her husband Fred. When they aren't at their New Hampshire home, the couple looks forward to visiting with their five grown children whose adventures never cease to amaze them.



READING MUNICIPAL LIGHT DEPARTMENT

FY2011 CONSTRUCTION HIGHLIGHTS

PEAK DEMAND

The RMLD's system peak demand in FY2011 was 168,426 kW and occurred on Tuesday, July 6, 2010, at 5 p.m. and is 2.36% lower than the overall peak demand of 172,493 kW set in FY2007. The Department purchased 733,287,869 kWh, which represents an increase of 2.92% over FY2010.

LINE CONSTRUCTION

Line construction throughout the system is performed to provide reliability enhancement, to connect new loads, or to address areas needing upgrades. This work includes both overhead and underground cable installation, service installation and upgrades, installation and removal of poles, transfers of electrical equipment, and performing work related to Massachusetts Highway Projects.

READING

Circuit Upgrades:

Approximately 4,500 circuit feet of primary and secondary cable was installed on Haverhill Street as part of the 3W8 circuit upgrade project.

Approximately 2,000 circuit feet of underground primary cable was installed along Causeway Road and Lowell Street to upgrade circuit 4W17 to a 15 MW feeder.

Approximately 200 feet of underground primary cable and conduit was installed on Sanborn Lane to complete the loop feed to the underground subdivision.

Approximately 4,500 circuit feet of primary and secondary cable was installed on Salem Street as part of the 3W8 circuit upgrade project.

Commercial/Industrial

Notable examples of new service additions or upgrades:

The Wine Bunker – General Way

WILMINGTON

Circuit Extensions:

One gang-operated switch and approximately 3,400 circuit feet of primary spacer cable was installed on Boutwell Street as part of the 4W23 circuit extension project.

One gang-operated switch and approximately 3,800 circuit feet of primary spacer cable and 2,000 feet of secondary cable were installed on Chestnut Street as part of the 4W23 circuit extension project.

Commercial/Industrial

Notable examples of new service additions or upgrades:

Stuffed Foods – 14 Jewel Drive

Silver Lake Dental – Main Street

Wilmington Builder's Supply – 23 Industrial Way

Commercial Building – 269 Ballardvale Street

Chili's Grill and Bar – 207 Main Street

Dunkin Donuts – 357 Middlesex Avenue

Brown's Crossing Pumping Station – Andover Street

NORTH READING

Circuit Upgrades:

Approximately 12 poles were replaced and 4,000 feet of spacer cable was installed on Elm Street between poles 8 and 38 in preparation of the reconductoring of the open wire primary.

Approximately 250 feet of underground primary cable and conduit was installed on Parker Drive to complete the loop feed to the Crestwood Road underground subdivision.

Approximately 4,000 circuit feet of primary and secondary cable was installed on Elm Street as part of the 3W14 circuit upgrade project.

Commercial/Industrial

Notable examples of new service additions or upgrades:

Great American Tavern – 303 Main Street

Melkonian Subaru – 260 Main Street

LYNNFIELD CENTER

Circuit Upgrades:

Approximately 200 feet of underground primary cable and conduit was installed on Candlewood Road to complete the loop feed to the subdivision.

Notable examples of new service additions or upgrades:

Saint Maria Goretti Church – 112 Chestnut Street

Reedy Meadow Golf Course – 195 Summer Street

SPECIAL PROJECTS

Station 4 Upgrades

The Department installed and energized two new circuit breaker cubicles with breakers as part of the Station 4 Upgrade Project. Circuit 4W3 was cutover to the new feeder positions 4W28 and circuit 4W14 was cutover to the new feeder position 4W24 for load balancing of the three new station transformers at Station 4.

As part of the ongoing Station 4 maintenance and upgrade program, the Department replaced 111, 115 kV insulators and four sets of 115 kV disconnects.

New Renewable Energy Customers

The RMLD is working with its customers who wish to install renewable energy technology. In FY2011 three customers: one on Glendale Circle, Wilmington, one on Dorothy Avenue, Wilmington, and one on Magnolia Street, Reading installed photovoltaic systems making a total of 12 residential renewable energy homes in the RMLD service territory. These customers generate renewable energy into the RMLD power grid.

CUSTOMER CALLS

The Department answered approximately 1,406 trouble calls that were of a routine or an emergency nature. A summary of the reasons for these calls is as follows: house service difficulties, trees interfering with power lines, animal contact with energized lines, and transformer and equipment problems for miscellaneous reasons. There were 44 pole damage cases as a result of motor vehicle accidents.

POLE REPLACEMENTS

The Department completed approximately 57 pole installations and replacements. Many of these were in connection with RMLD circuit upgrade projects throughout the service area.

DIGSAFE

The Department also marked out underground facilities locations for 3,126 DIGSAFE calls.

COMPARATIVE SYSTEM PERFORMANCE STATISTICS

The RMLD continues to make use of Customer Average Interruption Index (CAIDI) and System Average Interruption Duration Index (SAIFI) data established for the period of 2006 to 2009. The CAIDI index is a measure of reliability for how long customers are without power during an interruption in service. The SAIFI index is a measure of how often customers experience an interruption in service. The benchmark for CAIDI was lowered to the average of 50.98 minutes of interruption and SAIFI was increased to 0.82, indicating that based upon the 2006 to 2009 period, the average frequency of a customer experiencing an outage is once every 14.6 months. This represents the number of months between interruptions index (MBTI). In FY2011, the actual CAIDI was 49.31 minutes of outage and SAIFI was 0.46, meaning the average RMLD customer experiences an outage of 49.3 minutes every 26 months. The favorable changes in both indices, is a result of the continuum of maintenance and system upgrades, providing the most reliable service possible.

METERS

In the Line Department new services and construction resulted in a grand total of 99 new Residential and Commercial/Industrial services delineated as follows:

Reading – 13 Residential and 2 Commercial/Industrial

Lynnfield – 7 Residential and 4 Commercial/Industrial

North Reading – 27 Residential and 6 Commercial/Industrial

Wilmington – 30 Residential and 10 Commercial/Industrial

The above services include both overhead and underground installations.

A total of 77 residential services were installed in FY2011, which represents a 157% increase of new services as compared to 30 residential services installed in FY10. A total of 22 commercial/industrial services were installed in FY2011, which represents a 22% increase of new services as compared to the previous year total of 18. Total meters increased from 48 in FY10 to 136 in FY10, a 183% increase.

TREE TRIMMING AND PREVENTATIVE MAINTENANCE

In FY2011 the RMLD continued its preventative maintenance tree-trimming program. For a portion of FY2011 a second tree crew was added to concentrate on feeder maintenance, right-of-way maintenance, and customer calls.

FACILITIES

In July 2010, a pole trailer was procured. This pole trailer is able to get in and out of tight spots and features excellent balancing for easy maneuverability. Also in July 2010 the RMLD purchased a new ice machine for the kitchen at 230 Ash Street. This newer, smaller, slimmer, more efficient model replaced the original sixteen-year-old equipment.

The RMLD procured a much needed backflow preventer and miscellaneous plumbing repairs through a state contract during the month of July 2010. The major repairs were completed in the month of August 2010 with one minor issue completed in December 2010.

In July 2010 the RMLD procured one 40' and one 45' bucket truck for use in the Line Department and both vehicles were delivered in April 2011.

Two full-sized pickup trucks were purchased in August 2010 for use in the Engineering Department. These replaced two older 1999 full-sized models.

In September 2010 the Cooling Tower Replacement Project commenced. Due to safety concerns the front and rear walks were repaired at the Ash Street Campus during November 2010. This work was performed by employing, then reimbursing, the Town of Reading Department of Public Works Highway Department. By hiring the Town, rather than employing the bid process, the RMLD was able to save money.

In March 2011 the RMLD replaced one Computer/Mail Room rooftop unit. This rooftop unit was 15 years old and failing on a regular basis.

**TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT**

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

**To the Municipal Light Board
Town of Reading Municipal Light Department
Reading, Massachusetts**

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of the Town of Reading Municipal Light Department ("the Department") (an enterprise fund of the Town of Reading), as of and for the year ended June 30, 2011 which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, and the aggregate remaining fund information of the Town of Reading Municipal Light Department as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing on page 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Melanson, Heath + Company P.C.

Andover, Massachusetts
October 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Reading Municipal Light Department's ("the Department") annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended June 30, 2011. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statements of Net Assets is designed to indicate our financial position as of a specific point in time. At June 30, 2011, it shows our net worth of \$ 93,603,582 which is comprised of \$ 67,560,510 invested in capital assets, \$ 4,265,768 restricted for depreciation fund, \$ 1,169,499 restricted for other post-employment benefits trust and \$ 20,607,805 unrestricted.

The Statements of Revenues, Expenses and Changes in Net Assets summarize our operating results and reveals how much, if any, of a profit was earned for the year. As discussed in more detail below, our net profit for the year ended June 30, 2011 was \$ 2,783,718.

The Statements of Cash Flows provides information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in fiscal year 2011.

The following is a summary of the Department's financial data for the current and prior fiscal years.

Summary of Net Assets

	2011	2010
Current assets	\$ 17,685,849	\$ 18,383,234
Noncurrent assets	<u>86,223,649</u>	<u>83,634,574</u>
Total assets	103,909,498	102,017,808
Current Liabilities	6,262,115	7,438,252
Noncurrent liabilities	<u>4,043,801</u>	<u>3,759,692</u>
Total liabilities	10,305,916	11,197,944
Net assets:		
Invested in capital assets, net of related debt	67,560,510	66,881,500
Restricted for depreciation fund	4,265,768	4,801,694
Restricted for OPEB trust	1,169,499	-
Unrestricted	<u>20,607,805</u>	<u>19,136,670</u>
Total net assets	<u>93,603,582</u>	<u>90,819,864</u>
Total Liabilities and Net Assets	<u>\$ 103,909,498</u>	<u>\$102,017,808</u>

Summary of Changes in Net Assets

	2011	2010
Operating revenues	\$ 89,295,501	\$ 86,542,838
Operating expenses	<u>(84,943,672)</u>	<u>(83,229,057)</u>
Operating Income	4,351,829	3,313,781
Non-operating revenues (expenses)	<u>(1,568,111)</u>	<u>(533,633)</u>
Change in Net Assets	2,783,718	2,780,148
Beginning net assets	<u>90,819,864</u>	<u>88,039,716</u>
Ending Net Assets	<u>\$ 93,603,582</u>	<u>\$ 90,819,864</u>

B. FINANCIAL HIGHLIGHTS

Electric sales (net of discounts) were \$ 87,511,283 in 2011, an increase of 8.2% from the prior year. Kilowatt hours sold increased by 3.6% to 709,213,661 in 2011, compared to 684,390,839 in 2010. In 2011, ratepayers were charged \$ 729,113 in fuel charge adjustments, compared to charges of \$ 586,718 in 2010. In 2011, ratepayers were charged purchase power adjustments of \$ 1,055,105 compared to \$ 5,063,829 in 2010.

Operating expenses were \$ 84,943,672 in 2011, an overall increase of 2.1% from 2010. The largest portion of this total, \$ 66,822,547 was for purchase power expenses. Other operating expenses included \$ 11,951,911 for general operating and maintenance costs, and \$ 1,386,395 in unanticipated costs for hazardous waste mitigation measures associated with the GAW Substation upgrade project. In addition, the Department incurred costs of \$ 1,330,070 for voluntary payments to Towns, and depreciation expense of \$ 3,452,749. In fiscal year 2011, the depreciation rate was 3.0%.

In fiscal year 2011, the Department contributed \$ 1,000,000 to the Reading Municipal Light Department Employees' Pension Trust (the "Trust"). In addition, the Trust contributed \$ 1,278,695 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

In fiscal year 2010, the Department's Board of Commissioners voted to accept the provisions of Massachusetts General Law Chapter 32B §20, to create an *Other Post Employment Benefits Liability Trust Fund* as a mechanism to set aside monies to fund its other postemployment benefits (OPEB) liability. In fiscal year 2011, the department contributed \$ 1,165,800 to this fund, which was equal to its actuarially determined OPEB liability at June 30, 2011. These contributions, along with accumulated investment earnings, are included in the Department's restricted cash and investments balance at June 30, 2011. Additional information on the Department's OPEB liability can be found in the Note 15 on pages 20-22 of these financial statements.

C. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in land at year end amounted to \$ 1,265,842; there was no change from the prior year. Total investment in depreciable capital assets at year end amounted to \$ 66,294,667 (net of accumulated depreciation), an increase of \$ 679,010 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Reading Municipal Light Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Accounting/Business Manager
Town of Reading Municipal Light Department
230 Ash Street
Reading, Massachusetts 01867

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF NET ASSETS

JUNE 30, 2011 AND 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current:		
Unrestricted cash and short-term investments	\$ 6,596,634	\$ 8,167,774
Receivables, net of allowance for uncollectable	8,749,838	7,823,935
Prepaid expenses	753,132	756,954
Inventory	<u>1,586,245</u>	<u>1,634,571</u>
Total current assets	17,685,849	18,383,234
Noncurrent:		
Restricted cash and short-term investments	16,385,677	15,255,385
Restricted investments	2,200,000	1,400,000
Investment in associated companies	77,463	97,690
Land and construction in progress	1,265,842	1,265,842
Capital assets, net of accumulated depreciation	<u>66,294,667</u>	<u>65,615,657</u>
Total noncurrent assets	<u>86,223,649</u>	<u>83,634,574</u>
TOTAL ASSETS	103,909,498	102,017,808
LIABILITIES		
Current:		
Accounts payable	4,997,392	6,188,258
Customer deposits	561,385	499,197
Customer advances for construction	255,980	333,919
Accrued liabilities	390,660	343,076
Current portion of long-term liabilities:		
Accrued employee compensated absences	<u>56,698</u>	<u>73,802</u>
Total current liabilities	6,262,115	7,438,252
Noncurrent:		
Accrued employee compensated absences	2,878,001	2,946,231
Other post-employment benefits	<u>1,165,800</u>	<u>813,461</u>
Total noncurrent liabilities	<u>4,043,801</u>	<u>3,759,692</u>
TOTAL LIABILITIES	10,305,916	11,197,944
NET ASSETS		
Invested in capital assets, net of related debt	67,560,510	66,881,500
Restricted for depreciation fund	4,265,768	4,801,694
Restricted for other post-employment benefits trust	1,169,499	-
Unrestricted	<u>20,607,805</u>	<u>19,136,670</u>
TOTAL NET ASSETS	<u>\$ 93,603,582</u>	<u>\$ 90,819,864</u>

See notes to financial statements

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Electric sales, net of discounts of \$ 4,323,198 and \$ 4,115,808, respectively	\$ 87,511,283	\$80,892,291
Purchase power and fuel charge adjustments:		
Fuel charge adjustment	729,113	586,718
Purchase power adjustment	<u>1,055,105</u>	<u>5,063,829</u>
Total Operating Revenues	89,295,501	86,542,838
Operating Expenses:		
Purchase power	66,822,547	68,012,702
Operating	9,762,601	8,780,835
Maintenance	2,189,310	1,815,612
Hazardous waste mitigation, Gaw Substation	1,386,395	1,096,431
Depreciation	3,452,749	2,240,846
Voluntary payments to towns	<u>1,330,070</u>	<u>1,282,631</u>
Total Operating Expenses	<u>84,943,672</u>	<u>83,229,057</u>
Operating Income	4,351,829	3,313,781
Nonoperating Revenues (Expenses):		
Contributions in aid of construction	65,693	772,279
Interest income	103,765	184,618
Interest expense	(2,005)	(11,620)
MMWEC refund	571,635	371,273
Loss on disposal of capital assets	(371,491)	(3,571)
Return on investment to Town of Reading	(2,171,880)	(2,186,670)
Other	<u>236,172</u>	<u>340,058</u>
Total Nonoperating Revenues (Expenses), Net	<u>(1,568,111)</u>	<u>(533,633)</u>
Change in Net Assets	2,783,718	2,780,148
Net Assets at Beginning of Year	<u>90,819,864</u>	<u>88,039,716</u>
Net Assets at End of Year	<u>\$ 93,603,582</u>	<u>\$ 90,819,864</u>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 86,647,569	\$ 80,158,464
Payments to vendors and employees	(82,392,991)	(80,060,874)
Customer purchase power and fuel charge adjustments	<u>1,784,218</u>	<u>5,650,547</u>
Net Cash Provided By (Used For) Operating Activities	6,038,796	5,748,137
<u>Cash Flows From Noncapital Financing Activities:</u>		
Return on investment to Town of Reading	(2,171,880)	(2,186,670)
MMWEC refund	571,635	371,273
Other	<u>236,171</u>	<u>340,058</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(1,364,074)	(1,475,339)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(4,503,250)	(4,468,826)
Principal payment on notes	-	(550,000)
Interest expense	(2,005)	(11,620)
Contributions in aid of construction	<u>65,693</u>	<u>772,279</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(4,439,562)	(4,258,167)
<u>Cash Flows From Investing Activities:</u>		
Investment income	103,765	184,618
(Increase) decrease in restricted cash and investments	<u>(1,910,065)</u>	<u>(667,247)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(1,806,300)</u>	<u>(482,629)</u>
Net Change in Cash and Short-Term Investments	(1,571,140)	(467,998)
Unrestricted Cash and Short Term Investments, Beginning of Year	<u>8,167,774</u>	<u>8,635,772</u>
Unrestricted Cash and Short Term Investments, End of Year	<u>\$ 6,596,634</u>	<u>\$ 8,167,774</u>
<u>Reconciliation of Operating Income to Net Cash:</u>		
Operating income	\$ 4,351,830	\$ 3,313,781
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	3,452,749	2,240,846
Other post-employment benefits	352,339	377,059
Changes in assets and liabilities:		
Accounts receivable	(925,903)	(736,689)
Prepaid and other assets	3,822	12,379
Inventory	48,326	(71,501)
Accounts payable	(1,190,866)	740,003
Accrued liabilities	(37,750)	231,995
Other liabilities	<u>(15,751)</u>	<u>(359,736)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 6,038,796</u>	<u>\$ 5,748,137</u>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
FIDUCIARY FUND - RETIREMENT TRUST
STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and short-term investments	\$ 4,787,498	\$ 4,017,679
Investments	1,000,000	1,800,000
Other	<u>-</u>	<u>200,000</u>
TOTAL ASSETS	<u>5,787,498</u>	<u>6,017,679</u>
NET ASSETS		
Net assets held in trust for pension benefits	<u>\$ 5,787,498</u>	<u>\$ 6,017,679</u>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
FIDUCIARY FUND - RETIREMENT TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Additions:		
Contributions from Reading Municipal Light Department	\$ 1,000,000	\$ 200,000
Interest and dividend income	<u>48,514</u>	<u>120,760</u>
Total additions	1,048,514	320,760
Deductions:		
Paid to Reading Contributory Retirement System	<u>1,278,695</u>	<u>919,336</u>
Total deductions	1,278,695	919,336
Net increase (decrease) in net assets	(230,181)	(598,576)
Net Assets Available for Benefits, Beginning of Year	<u>6,017,679</u>	<u>6,616,255</u>
Net Assets Available for Benefits, End of Year	<u>\$ 5,787,498</u>	<u>\$ 6,017,679</u>

See notes to financial statements.

Town of Reading, Massachusetts Municipal Light Department

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies of the Town of Reading Municipal Light Department (“the Department”) (an enterprise fund of the Town of Reading) are as follows:

- A. Business Activity - The Department purchases electricity which it distributes to consumers within the towns of Reading, North Reading, Wilmington, and Lynnfield.
- B. Regulation and Basis of Accounting - Under Massachusetts General Laws, the Department’s electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more often than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the Department’s rates are not subject to DPU approval. The Department’s policy is to prepare its financial statements in conformity with generally accepted accounting principles.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

- C. Concentrations - The Department operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts in 1998 which changed the electric industry. The law introduced competition and provided consumers with choices while assuring continued reliable service. Municipal utilities are not currently subject to this legislation.
- D. Retirement Trust - The Reading Municipal Light Department Employees’ Pension Trust (the “Trust”) was established on December 30, 1966, by the Town of Reading’s Municipal Light Board pursuant to Chapter 164 of the General Laws of the Commonwealth of Massachusetts.

The Trust constitutes the principal instrument of a plan established by the Municipal Light Board for the purpose of funding the Department’s annual required contribution to the Town of Reading Contributory Retirement System (the System), a cost sharing, multi-employer public employee retirement system.

- E. Revenues - Revenues are based on rates established by the Department and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis and are stated net of discounts. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.
- F. Cash and Short-term Investments - For the purposes of the Statement of Cash Flows, the Department considers both restricted and unrestricted cash on deposit with the Town Treasurer to be cash or short-term investments. For purpose of the Statement of Net Assets, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.
- G. Investments - State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from date of purchase.

Investments for the Department and the Trust consist of U.S. government bonds that are being held to maturity. Investments are carried at cost.

- H. Inventory - Inventory consists of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes and is stated at average cost. Meters and transformers are capitalized when purchased.
- I. Capital Assets and Depreciation - Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the constructed asset. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value and any cash proceeds, is charged to the Department's unrestricted net assets account.

Massachusetts General Laws require utility plant in service to be depreciated at an annual rate of 3%. To change this rate, the Department must obtain approval from the DPU. Changes in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful lives.

- J. Accrued Compensated Absences - Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department policy or union contract. Generally, sick leave may accumulate according to union and Department contracts and policy, and is paid upon normal termination at the current rate of pay. The Department's policy is to recognize vacation costs at the time payments are made. The Department records accumulated, unused, vested sick pay as a liability. The amount recorded is the amount to be paid at termination at the current rate of pay.
- K. Long-Term Obligations - The proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the proprietary fund statement of net assets.
- L. 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 disclosures for contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.
- M. Rate of Return - The Department's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. The audited financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. To determine the net income subject to the rate of return, the Department performs the following calculation. Using the net income per the audited financials, the return on investment to the Town of Reading is added back, the fuel charge adjustment is added or deducted, and miscellaneous debits/credits (i.e., gain/loss on disposal of fixed assets, etc.) are added or deducted, leaving an adjusted net income figure for rate of return purposes. Investment interest income and bond principal payments are then deducted from this figure to determine the net income subject to the rate of return. The net income subject to the rate of return is then subtracted from the allowable eight percent rate of return, which is calculated by adding the book value of net plant and the investment in associated companies less the contributions in aid of construction multiplied by eight percent. From this calculation, the Municipal Light Board will determine what cash transfers need to be made at year end.

2. **Cash and Investments**

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:

Unrestricted cash and short-term investments	\$ 6,596,634
Restricted cash and short-term investments	16,385,677
Restricted investments	<u>2,200,000</u>
Fiduciary funds:	
Cash and short-term investments	4,787,498
Investments	<u>1,000,000</u>
Total cash and investments	<u>\$ 30,969,809</u>

Cash and investments at June 30, 2011 consist of the following:

Cash on hand	\$ 3,000
Deposits with financial institutions	27,766,809
Investments	<u>3,200,000</u>
Total cash investments	<u>\$ 30,969,809</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Department manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2011, the Department (including the Pension Trust) had the following investments:

	Restricted Investments	Pension Trust	Maturity Date	Moody's Rating
<u>Government agency bonds</u>				
Freddie Mac	\$ 2,200,000	\$ -	9/15/2020	AAA
Freddie Mac	<u>-</u>	<u>1,000,000</u>	9/15/2020	AAA
Total	<u>\$ 2,200,000</u>	<u>\$ 1,000,000</u>		

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year end for each of the Department's (including the Pension Trust) investment types:

		Minimum Legal Rating	<u>Rating as of Year End</u>	
Investment Type	<u>Amount</u>		<u>AAA</u>	<u>Not Rated</u>
Government agency bonds	<u>\$ 3,200,000</u>	N/A	<u>\$ 3,200,000</u>	<u>\$ -</u>
Total	<u>\$ 3,200,000</u>		<u>\$ 3,200,000</u>	<u>\$ -</u>

Concentration of Credit Risk

The Department follows the Town of Reading's investment policy, which does not limit the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent more than 5% of the Department's total investments (including the Pension Trust investments) are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Freddie Mac	Government agency bonds	\$ 3,200,000

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Department follows the Massachusetts statute as written, as well as the Town of Reading's deposit policy for custodial credit risk.

Because the Department pools its cash with the Town of Reading, the specific custodial credit risk of the Department's deposits could not be determined at June 30, 2011. As of June 30, 2011, Department investments (including the Pension Trust) in the following investment types were held by the same broker-dealer (counterparty) that was used by the Department to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Government agency bonds	\$ 3,200,000
Total	<u>\$ 3,200,000</u>

3. Restricted Cash and Investments

Restricted cash and investments consist of the following at June 30, 2011:

	Cash	Investments
Depreciation fund	\$ 4,297,944	\$ -
Deferred fuel reserve	3,055,225	-
Rate stabilization	5,046,137	1,000,000
Deferred energy conservation reserve	170,788	-
OPEB reserve	969,499	200,000
Reserve for uncollectible accounts	200,000	-
Sick leave benefits	1,934,699	1,000,000
Hazardous waste fund	150,000	-
Customer deposits	<u>561,385</u>	<u>-</u>
Total	<u>\$ 16,385,677</u>	<u>\$ 2,200,000</u>

Restricted investments are invested in government agency bonds, which will be held to maturity, and are reported at book value of \$ 2,200,000. The fair market value of the investments at June 30, 2011 was \$ 2,174,282.

The Department maintains the following restricted cash accounts:

- Depreciation fund - The Department is normally required to reserve 3.0% of capital assets each year to fund capital improvements.
- Deferred fuel reserve - The Department transfers the difference between the customers' monthly fuel charge adjustment and actual fuel costs into this account to be used in the event of a sudden increase in fuel costs.
- Rate stabilization - This represents amounts set aside to help stabilize short-term cost increases resulting from fluctuations in purchase power costs.
- Deferred energy conservation reserve - This account is used to reserve monies collected from a special energy charge added to customer bills. Customers who undertake measures to conserve and improve energy efficiency can apply for rebates that are paid from this account.
- OPEB reserve - This account is used to account for the Department's contributions to fund its actuarially determined Other Post-Employment Benefits (OPEB) liability.
- Reserve for uncollectible accounts - This account was set up to offset a portion of the Department's bad debt reserve.

- Sick leave benefits - This account is used to offset the Department's actuarially determined compensated absence liability.
- Hazardous waste fund - This reserve was set up by the Board of Commissioners to cover the Department's insurance deductible in the event of a major hazardous materials incident.
- Customer deposits - Customer deposits that are held in escrow.

4. **Accounts Receivable**

Accounts receivable consists of the following at June 30, 2011:

Customer Accounts:		
Billed	\$ 3,607,974	
Less allowances:		
Uncollectible accounts	(200,000)	
Sales discounts	<u>(296,467)</u>	
Total billed		3,111,507
Unbilled, net		4,830,294
Total customer accounts		7,941,801
Other Accounts:		
Merchandise sales	136,719	
MMWEC flush	571,635	
Liens and other	<u>99,683</u>	
Total other accounts		808,037
Total net receivables		<u>\$ 8,749,838</u>

5. **Prepaid Expenses**

Prepaid expenses consist of the following:

Insurances	\$ 277,479
Purchase power	97,011
PASNY prepayment fund	238,331
WC Fuel - Watson	140,311
Total	<u>\$ 753,132</u>

6. **Inventory**

Inventory is comprised of supplies and materials at June 30, 2011, and is valued using the average cost method.

7. **Investment in Associated Companies**

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Department has made the following advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Department is carrying its investment at cost, reduced by shares repurchased. The Department's equity position in the Project is less than one-half of one percent.

Investment in associated companies consists of the following, at June 30, 2011:

New England Hydro-Transmission	
Electric Company, Inc.	\$ 15,748
New England Hydro-Transmission Corporation	<u>61,715</u>
Total	<u>\$ 77,463</u>

8. **Capital Assets**

The following is a summary of fiscal year 2011 activity in capital assets (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Structures and improvements	\$ 13,521	\$ 146	\$ -	\$ 13,667
Equipment and furnishings	29,251	1,181	(68)	30,364
Infrastructure	<u>72,602</u>	<u>3,176</u>	<u>(1,116)</u>	<u>74,662</u>
Total capital assets, being depreciated	115,374	4,503	(1,184)	118,693
Less accumulated depreciation for:				
Structures and improvements	6,772	(386)	-	(7,158)
Equipment and furnishings	(16,732)	(953)	68	(17,617)
Infrastructure	<u>(26,255)</u>	<u>(2,114)</u>	<u>745</u>	<u>(27,624)</u>
Total accumulated depreciation	<u>(49,759)</u>	<u>(3,453)</u>	<u>813</u>	<u>(52,399)</u>
Total capital assets, being depreciated, net	65,615	1,050	(371)	66,294
Capital assets, not being depreciated:				
Land	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Total capital assets, not being depreciated	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Capital assets, net	<u>\$ 66,881</u>	<u>\$ 1,050</u>	<u>\$ (371)</u>	<u>\$ 67,560</u>

9. Accounts Payable

Accounts payable represent fiscal 2011 expenses that were paid after June 30, 2011.

10. Customer Deposits

This balance represents deposits received from customers that are held in escrow.

11. Customer Advances for Construction

This balance represents deposits received from vendors in advance for work to be performed by the Department. The Department recognizes these deposits as revenue after the work has been completed.

12. Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2011:

Accrued payroll	\$ 215,991
Accrued interest	3,550
Other	<u>171,119</u>
Total	<u>\$ 390,660</u>

13. Accrued Employee Compensated Absences

Department employees are granted sick leave in varying amounts. Upon retirement, termination, or death, employees are compensated for unused sick leave (subject to certain limitations) at their then current rates of pay.

14. Restricted Net Assets

The proprietary fund financial statements report restricted net assets when external constraints are placed on net assets. Specifically, restricted net assets represent depreciation fund reserves, which are restricted for future capital costs.

15. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

The Department follows GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described in Note 16, the Department provides post-employment health and life insurance benefits for retired employees through the Town of Reading's Massachusetts Interlocal Insurance Association (MIIA) Health Benefits Trust. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2008, the actuarial valuation date, approximately 72 retirees and 64 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Department provides post-employment medical, prescription drug, and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who retire from the Department and meet the eligibility criteria will be eligible to receive these benefits.

C. Funding Policy

As of the June 30, 2008, the actuarial valuation date, retirees were required to contribute 30% of the cost of the medical and prescription drug plan, as determined by the MIIA Health Benefits Trust. In 2010, this required contribution changed to 29%. Retirees also contribute 50% of the premium for a \$ 5,000 life insurance benefit. The Department contributes the remainder of the medical, prescription drug, and life insurance plan costs on a pay-as-you-go basis

D. Annual OPEB Costs and Net OPEB Obligation

The Department's fiscal 2011 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of twenty years. The following table shows the components of the Department's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the Department's net OPEB obligation based on an actuarial valuation as of June 30, 2008.

Annual Required Contribution (ARC)	\$ 680,035
Interest on net OPEB obligation	225,946
Adjustment to ARC	<u> </u>
Annual OPEB cost	905,981
Contributions made	<u>(553,642)</u>
Increase in net OPEB obligation	352,339
Net OPEB obligation - beginning of year	<u>813,461</u>
Net OPEB obligation - end of year	<u>\$ 1,165,800</u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/09	\$ 890,140	50.97%	\$ 436,402
06/30/10	\$ 878,668	57.09%	\$ 813,461
06/30/11	\$ 905,981	61.11%	\$ 1,165,800

The Department's net OPEB obligation as of June 30, 2011 is recorded as a component of the "noncurrent liabilities" line item in the Statements of Net Assets.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 8,085,388
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 8,085,388
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	Not available
UAAL as a percentage of covered payroll	Not available

In fiscal year 2010, the Department's Board of Commissioners voted to accept the provisions of Massachusetts General Law Chapter 32B §20, to create an Other Post Employment Benefits Liability Trust Fund as a mechanism to set aside monies to fund its OPEB liability. In fiscal year 2011, the department contributed \$ 1,165,800 to this fund, which was equal to its actuarially determined OPEB liability at June 30, 2011. Because these monies are not held in an irrevocable trust supported by a trust instrument, as required by GASB 45, they are reported as restricted net assets on the Department's Statements of Net Assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include 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 to 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 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 liability for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Department 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 Department and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2008 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets was not determined, as the Department has not advance funded its obligation. The actuarial assumptions included a 7.75% investment rate of return and an initial annual health care cost trend rate of 10.0% which decreases to a 5.0% long-term rate for all health care benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 2.5% per year for a period of 20 years.

16. **Pension Plan**

The Department follows the provisions of GASB Statement No. 27, (as amended by GASB 50) Accounting for Pensions for State and Local Government Employees, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Town of Reading Contributory Retirement system at Town Hall, Reading, MA.

A. Plan Description

The Department contributes to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a Town Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Department is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active

covered payroll. The contributions of plan members and the Department are governed by Chapter 32 of the Massachusetts General Laws. The Department's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$ 1,278,695, \$ 919,336, and \$ 896,185, respectively, which were equal to its annual required contributions for each of these years.

17. Participation in Massachusetts Municipal Wholesale Electric Company

The Town of Reading, acting through its Light Department, is a participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own, or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) (formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Reading Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's Projects amounted to \$ 1,578,484,000, of which \$ 113,067,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$ 358,420,000, of which \$ 17,135,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2011 principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$ 420,481,000, of which \$ 19,693,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Reading Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at June 30, 2011 and estimated for future years is shown below.

	<u>Annual Costs</u>
For years ended June 30, 2012	\$ 4,583,000
2013	4,315,000
2014	3,706,000
2015	2,729,000
2016	2,700,000
2017 - 2020	<u>1,660,000</u>
Total	<u>\$ 19,693,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$ 14,683,000 and \$ 14,350,000 for the years ended June 30, 2011 and 2010, respectively.

18. Environmental Remediation

In August of 2009, while working on a transformer upgrade project at the Gaw Substation, the Department discovered soil that was contaminated with polychlorinated biphenyls (PCBs). This contamination was traced to a capacitor bank lineup located on the south side of the Gaw Substation control house. Once utilized to stabilize voltage, these capacitor banks were removed from the Substation decades prior to the onset of the transformer upgrade project.

Site cleanup at Gaw Substation was conducted by a Commonwealth of Massachusetts Licensed Site Professional in compliance with United States Environmental Protection Agency (US EPA) and Massachusetts Department of Environmental Protection (MA DEP) regulations. Analysis, soil sampling, and remediation of the contaminated area began in fiscal year 2010 and were completed in fiscal year 2011.

As of June 30, 2011, environmental remediation costs related to the Gaw Substation project totaled \$ 2,482,826, of which, \$ 1,386,395 was expended in fiscal year 2011. The Department has temporarily modified its rate structure to include a Hazardous Material Charge of \$ 0.001/kWh, which is designed to recover a portion of the Gaw Substation soil remediation costs over the next three years.

19. Leases

Related Party Transaction - Property Sub-Lease

The Department is sub-leasing facilities to the Reading Massachusetts Town Employees Federal Credit Union. The original sub-lease agreement commenced in December 2000 and ended in November 2005. A new agreement, which extended the lease through November 30, 2008, was signed on December 1, 2005. An additional amendment, effective December 1, 2008, extends the lease through November 30, 2011. The following is the future minimum rental income for the years ending June 30:

2012	<u>\$ 3,630</u>
Total	<u>\$ 3,630</u>

20. NStar Radial Transmission Charges

Effective November 10, 1979, RMLD entered into FERC Rate Schedule No. 125 with Boston Edison Co. (now NStar) to transmit power to the Gaw Substation over two radial 115kV transmission lines (Lines 211-503 and 211- 504). Rate Schedule No. 125 provided for RMLD to pay \$ 11,635 per month for the “support” (i.e., operation and maintenance costs) of these radial transmission lines. In approximately April 2003, NStar and National Grid constructed new facilities which “looped” Lines 211-503 and 211-504 and made them eligible for treatment as Pool Transmission Facilities (“PTF”). Once Lines 211-503 and 211-504 were reclassified from radial to PTF facilities, their costs became eligible for recovery through Regional Network Service rates paid by all customers under the ISO New England (“ISO-NE”) Tariff under either of two alternatives. First, NStar could have rolled-in the costs associated with those lines to its revenue requirement for Regional Network Service rates, which would be socialized by NStar throughout all New England. Second, NStar could have left Rate Schedule No. 125 in place as a “grandfathered” support agreement, and RMLD could have included the charges it paid under Rate Schedule No. 125 in its revenue requirement for the Regional Network Service Rates, which would be socialized by RMLD throughout all New England. However, RMLD was not notified that Lines 211-503 and 211-504 had been reclassified as PTF, and NStar left Rate Schedule No. 125 in place without advising RMLD of the opportunity to include its costs under that Rate Schedule in RMLD’s revenue requirement for Regional Network Service rates.

In May 2011, RMLD discovered that NStar Lines 211-503 and 211-504 had been reclassified as PTF and that continuation of Rate Schedule No. 125 in effect without including RMLD’s payments in Regional Network Service (RSN) rates was no longer appropriate. RMLD contacted NStar, and with the assistance of legal counsel, was able to terminate Rate Schedule No. 125 effective June 1, 2011. In light of the fact that Rate Schedule No. 125 contained a limitation of claims clause, previously upheld by the federal courts, that limited RMLD’s ability to challenge to bills issued within the previous twelve months, RMLD determined that its customers were better off if RMLD incorporated the costs of the terminated agreement in its RNS revenue requirement, through a true-up mechanism, for the prior twelve months and for the five months of 2011 during which Rate Schedule No. 125 had been in effect. Between June 1, 2011 and May 31, 2014, the use of the RNS revenue requirement true-up mechanism will recover \$ 198,000 in charges paid under Rate Schedule No. 125 through adjustments in RMLD’s purchased power costs. The value of payments made under Rate Schedule No. 125 between June 2003 and December 2009 which cannot be recovered due to the claims limitation under Rate Schedule No. 125 and the limited scope of available cost recovery under the ISO-NE Tariff is \$1,094,968.

READING, MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

(Unaudited)

Other Post-Employment Benefits

	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as
	Value of	Accrued	AAL	Ratio	Payroll	a Percent-
Actuarial	Assets	Liability	(UAAL)			age of
Valuation		(AAL)				Covered
Date	(a)	(b)	(b-a)	(a/b)	(c)	Payroll
						[(b-a)/c]
06/30/08	\$ -	\$ 8,085,388	\$ 8,085,388	0.0%	N/A	N/A

See Independent Auditors’ Report.

RMLD STAFF

Vincent F. Cameron Jr., *General Manager*

Beth-Ellen Antonio	<i>Human Resources Manager</i>	Ryan Kiley	<i>Lineman</i>
Joseph Bilicki	<i>Key Accounts Manager - Commercial</i>	Phil LaFleur	<i>Leader Lineman</i>
Matthew Binda	<i>Customer Specialist</i>	Roberta Maillett	<i>Information Systems Technician</i>
Matt Brown	<i>1st Class Lineman</i>	Bill Marks	<i>Meter Technician/Reader</i>
Vaughan Bryan	<i>Engineering Project Manager</i>	Mike McDonough	<i>Troubleman</i>
Jared Carpenter	<i>Energy Efficiency Engineer</i>	Maureen McHugh	<i>Energy Analyst</i>
Vincent F. Cameron Jr.	<i>General Manager</i>	Patty Mellino	<i>Operational Assistant</i>
Mike Carroll	<i>Senior Meter Technician</i>	Ray Melvin	<i>Lineman</i>
Ben Christopher	<i>Lineman</i>	Sue Mitchell	<i>Customer Specialist</i>
John Cussen	<i>Systems Administrator</i>	Paul Murphy	<i>Leader Lineman</i>
Nick D'Alleva	<i>Technical Services Manager</i>	Rosanne Murphy	<i>Customer Specialist</i>
Tom Davis	<i>Station Operator</i>	Tom O'Connor Jr.	<i>General Line Foreman</i>
Steve DeFerrari	<i>Leader Lineman</i>	Fred O'Dea	<i>Stockperson</i>
Laura DeMone	<i>Customer Specialist</i>	Paula O'Leary	<i>Operational Assistant</i>
Joseph Donahoe	<i>Facilities Manager</i>	Craig Owen	<i>Materials Manager</i>
Peter Ducey	<i>Troubleman</i>	Jane Parenteau	<i>Energy Services Manager</i>
Dave Ericson	<i>1st Class Lineman</i>	Steve Perry	<i>1st Class Lineman</i>
Ken Evans	<i>Engineering Project Manager</i>	Peter Price	<i>Chief Engineer</i>
Marianne Fabbri	<i>Purchasing Assistant</i>	Mark Russell	<i>Station Operator</i>
William Faller	<i>Station Operator</i>	Tom Schibilio	<i>Electrical/Mechanical Maintenance Worker</i>
Ken Finne	<i>Station Operator</i>	Bill Seldon	<i>Senior Energy Analyst</i>
Jack Flaherty	<i>Senior Technician</i>	John Shea	<i>Stockperson</i>
Dan Follis	<i>Lineman</i>	Christine Skentzos	<i>Customer Specialist</i>
Jeanne Foti	<i>Executive Assistant</i>	Brian Smith	<i>Engineering Project Manager</i>
Bob Fournier	<i>Accounting and Business Manager</i>	Steve Smith	<i>1st Class Lineman</i>
Paul Galvin	<i>Systems Integrator</i>	Rich Stansfield	<i>Station Operator</i>
Priscilla Gottwald	<i>Community Relations Manager</i>	Kevin Sullivan	<i>Engineering and Operations Manager</i>
Ray Graves	<i>Meter Technician/Reader</i>	Laurie Ann Sylvia	<i>Operational Assistant</i>
Chris Gray	<i>1st Class Lineman</i>	Janey Thibodeau	<i>Customer Specialist</i>
Jim Green	<i>Leader Lineman</i>	Joel Thornton	<i>Senior Meter Technician</i>
Maureen Hanifan	<i>Customer Service Manager</i>	Mark Uvanni	<i>Management Information Systems Manager</i>
Brian Hansen	<i>Electrical/Mechanical Maintenance Worker</i>	Paul Vartanian	<i>1st Class Lineman</i>
Scott Hanson	<i>1st Class Lineman</i>	Scott Williams	<i>Senior Technician</i>
Chuck Helmka	<i>1st Class Lineman</i>	Tom Williamson	<i>Leader Lineman</i>
Evelyn Holt	<i>Customer Specialist</i>	Teresa Zambella	<i>Information Technician</i>
Steve Kazanjian	<i>Accounting Supervisor</i>		



VEHICLE DAY 2011

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