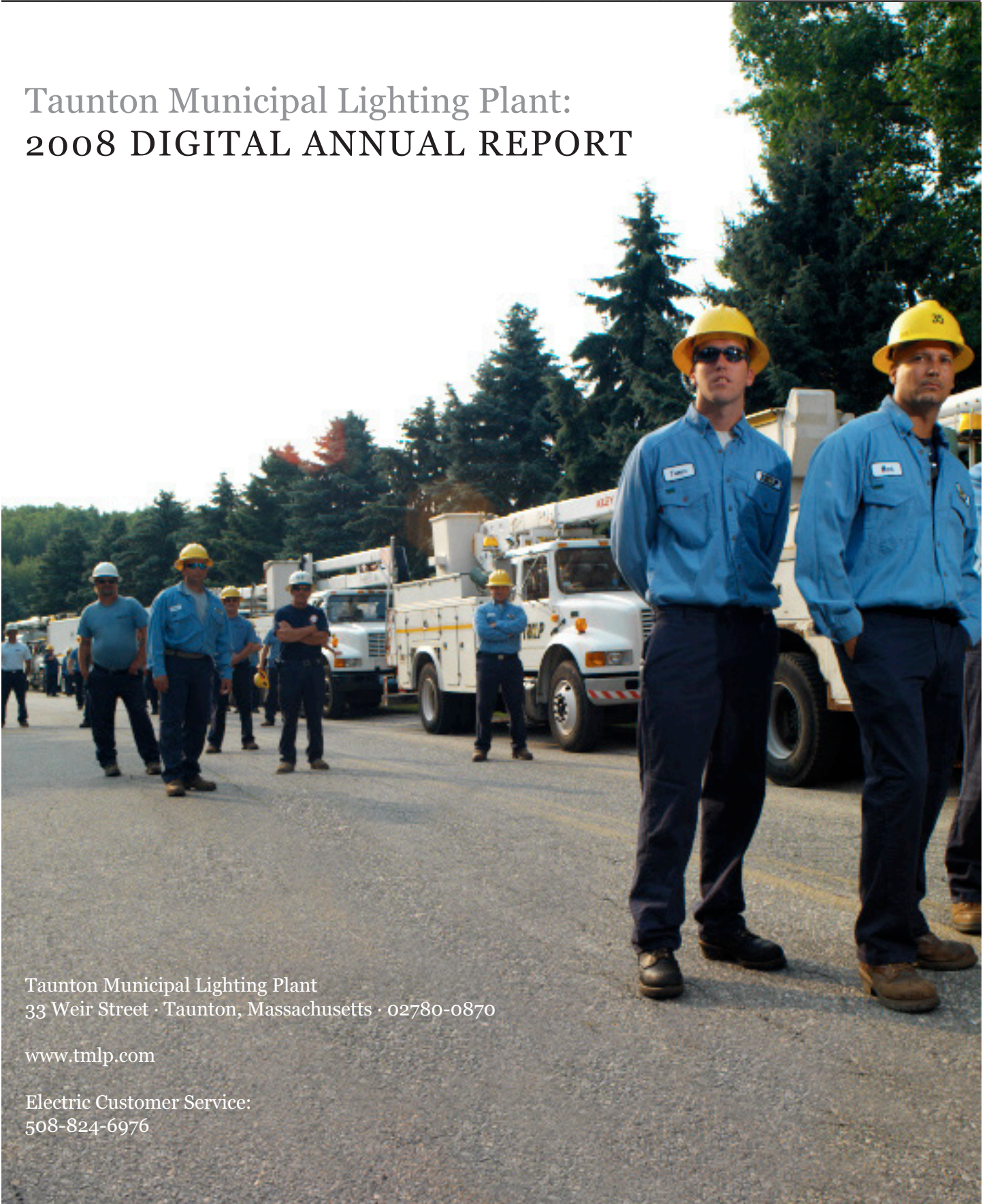


Taunton Municipal Lighting Plant: 2008 DIGITAL ANNUAL REPORT



Taunton Municipal Lighting Plant
33 Weir Street · Taunton, Massachusetts · 02780-0870

www.tmlp.com

Electric Customer Service:
508-824-6976

Independent Auditor's Report

We have audited the accompanying statements of assets, liabilities and net assets of the City of Taunton, Massachusetts. Municipal Lighting Plant (an enterprise fund of the City of Taunton, Massachusetts as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Taunton Municipal Lighting Plant as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 and the required supplementary information on pages 17 and 18 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 consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Providence, Rhode Island
JUNE 26TH, 2009

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Management's Discussion & Analysis

Within this section of the City of Taunton, Massachusetts, Municipal Lighting Plant annual financial report, management provides narrative discussion and analysis of the financial activities of the Municipal Lighting Plant for the year ended December 31, 2008. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

The Statement of Assets, Liabilities and Net Assets is designed to indicate the Plant's financial position as of a specific point in time. At December 31, 2008, it shows our net worth of \$80,694,416 which is comprised of \$64,167,702 invested in capital assets, \$2,269,741 restricted for depreciation and \$14,256,973 available for operations.

The Statement of Revenues, Expenses and Changes in Net Assets summarizes our operating results for the years ended December 31, 2008 and 2007. As discussed in more detail below, the Plant's net income for 2008 and 2007, was \$4,606,986 and \$4,159,598 respectively, before payments in lieu of taxes (PILOT).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Plant's Statements of Cash Flows indicates that the cash receipts from operating activities, (that is, electricity and internet access sales and related services) were sufficient to cover the operating expenses and capital projects. Investing activities and prior year's cash balances were used to provide contributions to the City in 2008.

Summary of Net Assets

Revenues & Expenses	2008	2007
Current Assets	\$21,909,214	\$21,144,972
Noncurrent Assets	75,925,084	74,004,205
Total Assets	\$97,834,298	\$95,149,177
Current Liabilities	6,289,293	7,100,592
Noncurrent Liabilities	10,850,589	9,061,155
Total Liabilities	17,139,882	16,161,747
Invested Capital Assets	64,167,702	61,785,528
Restricted for Depreciation	2,269,741	2,165,805
Unrestricted	14,256,973	15,036,097
Total Net Assets	80,694,416	78,987,430
Total Liabilities and Net Assets	\$97,834,298	\$95,149,177

Summary of Changes in Net Assets

	2008	2007
Operating Revenues	\$109,519,331	\$94,328,244
Operating Expenses	105,012,163	92,014,273
Operating Income	4,507,168	2,313,971
Nonoperating Revenues Less Nonoperating Expenses	99,818	1,845,627
Increase in Net Assets before Transfers	4,606,986	4,159,598
Transfers Out - Payment in lieu of taxes	-2,900,000	-2,825,000
Increase in Net Assets	\$1,706,986	\$1,334,598

FINANCIAL HIGHLIGHTS:

Operating revenues for 2008 increased by \$15.2 million or 16% from 2007. The increase is attributable to the recovery of increased power supply costs through the Purchased Power Cost Adjustment (PPCA).

Operating expenses for 2008 increased by \$13 million or 14.1% from 2007. The increase is attributable principally to an increase in power supply costs (fuel, purchased power and transmission expenses).

Source of 2008 Operating Revenues

UTILITY PLANT AND DEBT ADMINISTRATION

Utility Plant

There was an increase in net utility plant of \$1,949,000 for 2008. This increase is the difference between the current year additions of \$6,221,000 and the annual depreciation (3% of depreciable gross plant) expense of \$4,272,000. Additions to plant consisted principally of approximately \$1 million in production plant, \$3.8 million in distribution plant and \$1.4 million in general plant. Major items capitalized in 2008 include TMLP's security project, the National Pollutant Discharge Elimination System (NPDES) project, purchase of transformers and additions to the vehicle fleet.

Debt Administration

The Plant was debt free in 2008. Capital projects have been financed through current earnings.

Significant Balances and Transactions

Depreciation Fund

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

Sick Leave Trust Fund

The Plant established a Sick Leave Trust Fund ("Trust") in 1982 for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust. Full funding of the Trust was achieved in 1999.

Pension Plans

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

Customer Deposits

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

Statements of Assets, Net Assets & Liabilities

ASSETS			LIABILITIES AND NET ASSETS		
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
<u>Utility Plant -at cost</u>			<u>Net Assets:</u>		
Plant in service	\$173,734,646	\$167,811,723	Invested in capital assets	\$ 64,167,702	\$ 61,785,528
Less: Accumulated depreciation	<u>113,959,718</u>	<u>109,985,761</u>	Restricted for depreciation	2,269,741	2,165,805
<u>Net Utility Plant in Service</u>	59,774,928	57,825,962	Unappropriated net assets	<u>14,256,973</u>	<u>15,036,097</u>
Investment in Seabrook	1,524,906	1,721,138	<u>Total Net Assets</u>	<u>80,694,416</u>	<u>78,987,430</u>
Construction work in progress	<u>2,867,868</u>	<u>2,238,428</u>	<u>Non-current Liabilities:</u>		
<u>Total Utility Plant</u>	<u>64,167,702</u>	<u>61,785,528</u>	Provision for rate stabilization	2,000,000	2,000,000
<u>Other Assets</u>			Sick leave	7,401,743	7,061,155
Depreciation fund	2,269,741	2,165,805	Other post-employment benefits obligation	<u>1,448,846</u>	<u>-</u>
Rate stabilization fund	2,000,000	2,000,000	<u>Total Non-current Liabilities</u>	<u>10,850,589</u>	<u>9,061,155</u>
Sick leave trust fund	6,611,559	7,137,932	<u>Current Liabilities:</u>		
Investment in Hydro Quebec Project	125,705	134,236	Accounts payable	3,972,110	4,536,333
Investment in Energy New England LLC	608,907	580,704	Customer deposits	526,812	647,265
Nonutility property	<u>141,470</u>	<u>200,000</u>	Accrued liabilities:		
<u>Total Other Assets</u>	<u>11,757,382</u>	<u>12,218,677</u>	Pension fund	23,435	21,912
<u>Current Assets</u>			Vacation	1,309,972	1,274,056
Cash	4,983,721	5,506,285	Interest	17,844	22,910
Customer deposits	526,812	647,265	Payroll	201,700	167,583
Accounts receivable, less allowance for doubtful accounts of \$1,198,508 and \$969,942 in 2008 and 2007, respectively	10,148,498	8,663,981	Other	<u>237,420</u>	<u>430,533</u>
Accounts receivable - Internet services	116,533	122,110	<u>Total Current Liabilities</u>	<u>6,289,293</u>	<u>7,100,592</u>
Due from plant retirement trust	295,038	252,731	<u>Total Liabilities</u>	<u>17,139,882</u>	<u>16,161,747</u>
Materials and supplies inventory	4,926,476	4,996,160			
Prepaid expenses	<u>912,136</u>	<u>956,440</u>			
<u>Total Current Assets</u>	<u>21,909,214</u>	<u>21,144,972</u>			
<u>Total Assets</u>	<u>\$97,834,298</u>	<u>\$95,149,177</u>	<u>Total Liabilities and Net Assets</u>	<u>\$ 97,834,298</u>	<u>\$ 95,149,177</u>

Statements of Revenues, Expenses & Changes in Net Assets

	<u>2008</u>	<u>2007</u>
<u>Operating Revenues:</u>		
Sales of electricity		
Commercial and industrial	\$ 61,311,004	\$ 53,069,326
Residential	41,661,719	36,126,461
Sales for resale	3,710,459	3,152,398
Municipal	5,167,630	4,399,875
Discounts given	<u>(3,127,846)</u>	<u>(2,997,322)</u>
Total sales of electricity	108,722,966	93,750,738
Other operating revenues	<u>796,365</u>	<u>577,506</u>
<u>Total Operating Revenues</u>	<u>109,519,331</u>	<u>94,328,244</u>
<u>Operating Expenses:</u>		
Power production and purchases	77,998,267	69,714,606
Transmission and distribution	10,221,055	8,977,095
Customer accounting	4,566,955	2,759,439
Administrative and general	7,423,302	5,926,750
Depreciation and amortization	4,422,819	4,331,887
Nuclear expense	<u>379,765</u>	<u>304,496</u>
<u>Total Operating Expenses</u>	<u>105,012,163</u>	<u>92,014,273</u>
<u>Earnings from Operations</u>	<u>4,507,168</u>	<u>2,313,971</u>
<u>Other Income (Expense)</u>		
Interest income (loss) - net	(73,378)	36,515
Interest income	161,455	252,241
Sale of emission allowances	-	1,381,695
Loss on disposal of nonutility property	(30,900)	-
Other income	<u>42,641</u>	<u>175,176</u>
<u>Total Other Income</u>	<u>99,818</u>	<u>1,845,627</u>
<u>Net Income</u>	<u>\$ 4,606,986</u>	<u>\$ 4,159,598</u>
<u>Net Assets, January 1</u>	<u>\$ 78,987,430</u>	<u>\$ 77,652,832</u>
<u>Net Income</u>	4,606,986	4,159,598
<u>Transfers in (out):</u>		
Payment in lieu of taxes	<u>(2,900,000)</u>	<u>(2,825,000)</u>
<u>Net Assets, December 31</u>	<u>\$ 80,694,416</u>	<u>\$ 78,987,430</u>

Statements of Cash Flows

	<u>2008</u>	<u>2007</u>
<u>Cash Flows From Operating Activities:</u>		
Cash received from customers	\$108,756,448	95,617,919
Cash payments to suppliers and employees	<u>(99,592,761)</u>	<u>(88,990,283)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>9,163,687</u>	<u>6,627,636</u>
<u>Cash Flows from Non-capital Financing Activities:</u>		
Payment to city in lieu of taxes	<u>(2,900,000)</u>	<u>(2,825,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Net additions to utility plant	<u>(6,964,223)</u>	<u>(6,359,578)</u>
<u>Net Cash Used in Capital and Related Financing Activities</u>	<u>(6,964,223)</u>	<u>(6,359,578)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and dividend income	161,455	252,241
Sale of emission allowances	:	<u>1,381,695</u>
<u>Net Cash Provided by Investing Activities</u>	<u>161,455</u>	<u>1,633,936</u>
<u>Net Decrease in Cash</u>	<u>(539,081)</u>	<u>(923,006)</u>
<u>Cash and cash equivalents, Beginning</u>	<u>10,319,355</u>	<u>11,242,361</u>
<u>Cash and cash equivalents, Ending</u>	<u>\$ 9,780,274</u>	<u>\$ 10,319,355</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating income	<u>\$ 4,507,168</u>	<u>\$ 2,313,971</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Internet income (loss), net	(73,378)	36,515
Equity in losses on investments in associated companies	204,763	17,231
Depreciation	4,422,819	4,331,887
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,478,940)	4,527
Decrease (increase) in Sick Leave Trust Fund	526,373	(357,791)
Increase in due from Plant Retirement Trust	(42,307)	(3,911)
Decrease (increase) in prepaid expenses	44,304	(28,267)
Decrease (increase) in materials and supplies	69,684	(228,796)
Increase in other postemployment benefits obligation	1,448,846	-
Increase (decrease) in accounts payable	(564,223)	1,013,100
Decrease in customer deposits	(120,453)	(108,500)
Increase (decrease) in accrued liabilities	<u>219,031</u>	<u>(362,330)</u>
<u>Total Adjustments</u>	<u>4,656,519</u>	<u>4,313,665</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 9,163,687</u>	<u>\$ 6,627,636</u>

Notes to the Financial Statements

Years Ended December 31, 2008 and 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

Use of Estimates

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

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

Rates

The Plant is under the charge and control of the Municipal Light Plant Commissioners in accordance with Chapter 164, Section 55, of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area. The rates charged by the Plant to its customers are filed with the Department of Public Utilities (“DPU”) and are subject to Chapter 164, Section 58, of the General Laws, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation.

The Plant’s rates include a Purchased Power Cost Adjustment (PPCA) which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred.

Depreciation

The provision for depreciation of utility plant was computed in 2008 and 2007 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. No depreciation is taken in the year of plant additions and a full year’s depreciation is taken in the year of disposal. Massachusetts law stipulates that the Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU.

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

Taxes

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

Nonutility Property

Nonutility property consists of the cost of property owned by the Plant, that is neither used nor held for future use in the utility service. The property was purchased for the fiber to the premises project. The Plant subsequently decided not to pursue the project. The Plant is currently examining options for disposing of the property. The carrying value of the property has been adjusted to the expected resale value. The estimated loss on disposal of the property of \$30,900 and \$0 for the years ended December 31, 2008 and 2007, respectively, is reflected on the statement of revenue, expenses and changes in net assets.

Pension Plan

Substantially all employees of the Plant are covered by a contributory pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see Note G).

Inventory

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

Sick Leave Trust Fund

The Plant established a Sick Leave Trust Fund ("Trust") in 1982 for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust once full funding is achieved. Full funding was achieved in 1999. The assets of the Trust are shown in the financial statements to provide a more meaningful presentation, as the assets of the Trust are for the sole benefit of the Plant.

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

Net investment income for the Trust was approximately \$326,000 and \$305,000 in 2008 and 2007, respectively. The net expense for sick leave was approximately \$1,282,000 and \$372,000 for years ended December 31, 2008 and 2007, respectively.

Investment in Seabrook

The Plant's Investment in Seabrook represents a 0.10034% joint ownership share. The Plant records annually depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses, and decommissioning expenses (see Note D) are charged against earnings.

Cash Equivalents

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

Accounts Receivable

The Plant carries its accounts receivable at fair market value by way of an allowance for doubtful accounts. Collectibility of receivables is determined based on historical write offs and collections, on knowledge of specific large accounts, and on current economic conditions. file:///Users/kboostrom/Desktop/KSB_Work/TMLP/09-TMLP-004%20Annual%20Report%20Website/09-TMLP-004-annual-report/images/financial/notes-cash.jpg

NOTE B. CASH AND CERTIFICATES OF DEPOSIT

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

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

	<u>2008</u>	<u>2007</u>
Cash - operating	\$ 3,104,848	\$ 3,662,040
Customer deposits	526,812	647,265
Depreciation fund	2,269,741	2,165,805
Rate stabilization fund	<u>2,000,000</u>	<u>2,000,000</u>
Cash deposited with City of Taunton	7,901,401	8,475,110
Cash deposited with Energy New England LLC	<u>1,878,873</u>	<u>1,844,245</u>
	<u>\$ 9,780,274</u>	<u>\$ 10,319,355</u>

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

	<u>2008</u>	<u>2007</u>
Cash	\$ 4,983,721	\$ 5,506,285
Customer deposits	526,812	647,265
Depreciation fund	2,269,741	2,165,805
Rate stabilization fund	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 9,780,274</u>	<u>\$ 10,319,355</u>

NOTE C PLANT IN SERVICE

Plant in service activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Production	\$ 69,920,768	\$ 929,409		\$ 70,850,177
Transmission	7,254,094	-		7,254,094
Distribution	67,273,993	3,788,829		71,062,822
General	<u>23,362,868</u>	<u>1,502,664</u>	<u>(297,979)</u>	<u>24,567,553</u>
Total plant in service	<u>167,811,723</u>	<u>6,220,902</u>	<u>(297,979)</u>	<u>173,734,646</u>
Less accumulated depreciation for:				
Production	56,779,677	1,140,201		57,919,878
Transmission	6,336,132	122,438		6,458,570
Distribution	38,751,216	2,060,640		40,811,856
General	<u>8,118,736</u>	<u>948,657</u>	<u>(297,979)</u>	<u>8,769,414</u>
Total accumulated depreciation	<u>109,985,761</u>	<u>4,271,936</u>	<u>(297,979)</u>	<u>113,959,718</u>
Net utility plant in service	<u>\$ 57,825,962</u>	<u>\$ 1,948,966</u>		<u>\$ 59,774,928</u>

Depreciation expense for utility plant in service of \$4,271,936 and for the investment in Seabrook of \$150,883 was charged to operating expenses for the year ended December 31, 2008.

NOTE D: INVESTMENTS

Seabrook

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

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is approximately \$927,000 as of December 31, 2008 (the most current valuation date). The Plant is currently contributing, based on a present value formula, \$1,005 per month over 25 years.

Energy New England

Energy New England, LLC (ENE) is an energy and energy services company established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. ENE functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. As of December 31, 2006, the Plant owned a one third interest in ENE. On January 1, 2007, three new members joined ENE each receiving a 5% interest in the company. After the entry of the new members the Plant owns a 28.33% interest in ENE. Each of the members has one seat on the Board of Directors along with three outside Directors. The Plant's initial investment in the company in 1998 was \$500,000. The Plant records this investment under the equity method.

Included in other income is approximately \$28,000 and \$174,000 of gains for the years ended December 31, 2008 and 2007, respectively, representing the Plant's share of ENE's results of operations and capital adjustments in 2007.

Hydro Quebec Electric Company

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities and Hydro-Quebec Electric Corporation (Hydro Quebec). In connection with the agreement, the Plant advanced approximately \$800,000 toward development of the project of which approximately \$450,000 was returned after the project obtained financing. In 1991, the Hydro Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and The New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate. During the years ended December 31, 2008 and 2007, the Plant received dividends from the two companies of approximately \$16,000 and \$11,000, respectively.

NOTE E: OPERATING LEASES

The plant leases various equipment under leases with terms ending between 2010 and 2013.

The future minimum lease payments under these agreements at December 31, 2008, are as follows:

2009	\$275,065
2010	\$217,603
2011	\$45,217
2012	\$45,217
2013	\$45,217

Rent expense under these leases, which is included in administrative and general expenses, was approximately \$275,000 in 2008 and 2007.

NOTE: F COMMITMENTS AND CONTINGENCIES

Litigation and Other Matters

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

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

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

Option Contracts

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

Put and call options are reflected at fair value as determined by actively quoted prices and are recorded on the balance sheet with changes in fair value included in purchased power and transmission expense. No option contracts were open as of December 31, 2008 or 2007.

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

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

Power Contracts

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

Estimated Annual 2008 KW Contract Minimum

Entitlements	End Date	Payments	
Fuel - Hydro	4,845	2025	\$ 2,073,000
Fuel - Methane	2,850	2014	\$ 1,198,000
Fuel - Methane	1,150	2016	\$ 535,000
Fuel - Methane	5,000	2020	\$ 2,102,000
Fuel - Nuclear	1,170	2020	\$ 381,000
Fuel - Unspecified	10,000	2010	\$ 7,074,000

(fixed price Contract)

NOTE G: PENSION PLANS

The Plant contributes to the City of Taunton Retirement System (the “System”), a public employee retirement system that acts as the investment and administrative agent for the City. The System is a contributory cost-sharing multiple employer defined benefit plan. All full-time employees participate in the System. Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

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

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City’s payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, 8% or 9% of their regular compensation depending on the date upon which their membership began. The System also provides death and disability benefits.

The System assesses the City each fiscal year an amount determined in accordance with its current funding schedule. The City allocates a portion of its obligation to the Plant based on the relative number of participants and the amount of payroll. The Plant’s contributions to the System for 2008, 2007 and 2006 were \$2,796,600, \$2,646,530 and \$2,493,792, respectively, and were the equivalent to the required payments.

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

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

The Plant has established a separate Employees Retirement Trust Fund (“Trust Fund”) for the financing of future pension payments. The market value of the net assets at December 31, 2008 and 2007, was approximately \$8,261,000 and \$9,499,000, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant made no contributions to the Trust Fund in 2008 and 2007.

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

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

December 31,	2008	2007
Contributions assessed by and paid to the System	\$ 2,796,600	\$ 2,646,530
Contributions from the Trust Fund	(547,771)	(501,550)
Recorded pension expense	\$ 2,248,829	\$ 2,144,980