

General Manager's Message

I have had the privilege in recent months to present a summary of benefits we bring to our community to various town departments and other interested groups. This is part of our more formal effort to reach out to those we serve and bring our message of public ownership and local service to light.

While promoting this message is important to the public's understanding of our work, it would be meaningless without the solid accomplishment that backs it up. This year, we've experienced phenomenal growth and the workload that accompanies it. We've also reaped the reward of careful planning, budgeting and management — the hallmarks of our Strategic Business Plan — to avoid price increases and secure reliable energy sources in the rapidly changing deregulated market. I am confident that we now have the practices and management in place to weather the uncertainty of more volatile times.

With this confidence comes the freedom to invest in the reliability of our delivery systems and equipment as well as plan for minimizing our stranded costs and ensure competitive rates in our future. Also, we will continue to investigate the new services and technologies that our customers are coming to expect.

I am especially pleased to report the findings of our recent customer satisfaction survey and an average positive rating of nearly 80% when considering characteristics including quality of service, honesty, integrity, responsiveness, and reliable service. The survey also showed that our customers are getting our message more than ever - those who are aware we are a public utility jumped from 48.3% to 61.1%. Clearly our message is working. And clearly we need to tell it more.

I am grateful to our employees whose tireless efforts throughout this extremely busy year kept us operating in the manner our customers expect. They provide the substance to our message. And I thank you, our customers for your confidence and support of our work.



Growth

Visitors to Middleborough and Lakeville in 1999 no doubt saw two communities thriving in a growing economy. New homes and neighborhoods spread and reshaped their towns. New schools and new businesses opened doors to serve growing populations.

MG&E both contributed and shared in that growth in ways that will mark 1999 as a defining year for the department.

We added ___new residential electric services to our infrastructure during the year, and our gas division connected ___homes to new natural gas service and extended our mains over ___miles to meet the oncoming expectations of a growing demand. In residential service alone, we saw a ___ percent rise in customer totals.

This year, we welcomed no new commercial or industrial customers, however, we continued our construction at the locations of ___ of our newest commercial accounts as they completed their expansion projects in this year of phenomenal growth. The Campanelli Industrial Park and Oak Point Retirement Community continued their planned phases of ongoing development, resulting in an added ___% of revenues for these two projects alone.



Still we are cautious. Such dramatic growth can eventually lead to growing pains. This year we have been watching our electric and gas supplies and delivery requirements carefully with an eye toward future needs. In 1999, we took the first steps to complete a study of our electric substation and it's ability to meet growing distribution requirements. In the coming year, we will plan for it's expansion and ensure those requirements are easily met for the foreseeable future.

Stimulating changes in the electric supply market have come to full realization in this first full year of a deregulated electric industry. Also, the natural gas supply market experienced its own unpredictability as spot market prices showed their first signs of change in some years. There are winners and losers in such new volatility, determined by experience and caution. We have prepared for pricing fluctuations by budgeting reserve funds and working with experts in the market to manage our purchases and renegotiate more flexible terms. In 1999, we saved well in excess of one million dollars in electric and natural gas supply purchases by staying light on our feet and continually evaluating the changing market structure. We are learning quickly.

...and we are thinking ahead



The last year of this century was a year spent forging the connections that will be critical in the coming decades for our operation and for those we serve. In order to continue to serve well and thrive in the future, we must be part of the technological evolution that is shaping the way we live and work. Yet we must also keep

our focus on the purpose of that work: to provide energy and related services to our customers reliably, safely and cost-effectively. These two demands are not at odds. In fact, safe, reliable, cost-effective service inevitably requires the resourceful use of new tools and techniques. Therefore, our strategic plan mandated in 1999 that we master an array of new technologies and practices to diversify our experience in an evolving competitive environment. In other words, to prepare.

Moving toward that goal, major projects undertaken in 1999 included:

- Committing to a structured key accounts program to ally our operations and goals more closely with an understanding of our largest energy users requirements, forging a link that will benefit all customers by allowing us to plan our future more reliably. We developed an agreement with our largest customer, resulting in a five year contract for service with concrete benefits for the customer and a new Load Retention Rate. We brought in a key accounts manager and established milestones and tangible objectives for contact with identified key accounts and constituencies.

Accomplishments

- Taking steps to diversify our product and service offering. Launching our Long Distance phone service as an entry into the telecommunications arena and beginning the process of locating a natural gas filling station in our service area to secure our involvement in this bright new transportation technology. We began Long Distance service to over three hundred customers within the first half of the year and investigated local and regional toll service as service extensions. We investigated several in-town locations for the natural gas fueling station and developed a relationship with a third party which will allow us to supply the fuel while the station operation will be handled by qualified experts.
- Completing the third year of our Information Technology (IT) upgrade program including the final connection of our three division locations via fiber optic cable. Our network server is now completely operational and accessible to all divisions. Our customer account system and general ledger accounting system has been upgraded to be accessible through our central server and our billing system will soon follow. We now own a three-mile fiber optic loop securing the free flow of vital information between our operational divisions and our administrative functions.
- Preparing for the Year 2000 (Y2K) by reviewing all major information and operational systems and making corrections where necessary. Following a well-constructed plan, we identified several programming concerns and addressed them with cost-effective solutions. Like most, we welcomed the new century with no disruption to service or internal systems, thanks to diligent preparation.

Community

We are, first and foremost, a part of the community we serve and that makes us unique for most electric and natural gas consumers. It means that we don't operate for a profit but to serve them first. It means our ratepayers have a measure of control and access not available to customers of private utilities now so large they span other continents. We are grounded in our origins of local spirit and pride. The communities of Middleborough and Lakeville profit by this spirit everyday, rewards that go far beyond the financial benefits of utility ownership or municipal rates.

Until this year, we were content to focus on simply reporting the financial results of ownership to the town of Middleborough, letting our work speak for itself. But, in 1999, we became more vocal to inform our ratepayers and all constituencies of our unique brand of service.

We developed a series of advertorials spotlighting the difference between public and private utilities and encouraging consumer participation in our public meetings. We worked with municipal electric utilities across the state to promote a branding of municipal ownership through their localight campaign. All 12,000 of our ratepayers received the localight brochure directly and learned that their utility is one of the forty that serves them with a local, friendly, attitude and reliable service at not-for-profit rates.



... a part of the community

In 1999, specific benefits to our community included:

- Installed both electric and natural gas service to the new Tiger Nichols Elementary School without payment, helping the town complete this important project under budget and as scheduled to begin the school year. Contributed numerous poles, wire, pipe and equipment as well as extensive labor accommodating the town's schedule throughout our busy construction season.
- Paid over a quarter of a million dollars to the town of Middleborough in lieu of taxes. Contributed \$225,000 in interest earned on our funds in town accounts, also providing a flow of 25 million dollars of funds through the town's treasury annually.
- Raised numerous banners and set poles, lights and temporary service for a variety of community events in both Middleborough and Lakeville. Supported local events through program advertising. Provided free mailing to area residents for community organizations in our bills and instituted a new column devoted to community events in our customer newsletter.

As we move into an era of market competition, we must continue to distinguish ourselves from bloating private utilities and indifferent service. We will give voice to our message of public ownership as the key to a future of caring, superior service and community reward. And we will remain committed to providing those benefits that so significantly shape our thriving community.



Financials

BALANCE SHEET

Total Gas Utility Plant	\$ 3,281,238
Total Electric Utility Plant	\$ 5,775,401
Total Gas & Electric Utility Plant	\$ 9,056,639
Other Non-current Assets	\$ 294,826
Depreciation Fund	\$ 2,252,693
Total Current & Accrued Assets	\$ 11,622,560
TOTAL ASSETS	<u>\$23,226,718</u>
Appropriated Earnings	\$ 3,792,200
Reinvested Earnings Accumulated	\$ 13,798,828
Long Term Debt	\$ 542,131
Total Current & Accrued Liabilities	\$ 2,688,291
Reserves	\$ 2,405,268
TOTAL LIABILITIES & CAPITALIZATION . . .	<u>\$23,226,718</u>

OPERATING HIGHLIGHTS

	<u>1999</u>	<u>1998</u>
Electricity Sold (Kilowatt-hours)	198,322,407	188,098,766
Gas Sold (Hundreds of Cubic Feet)	4,797,760	4,256,560
Customers Served		
Electric	12,551	12,248
Gas	3,305	3,180
Number of Employees	52	52



OPERATING STATEMENT

OPERATING REVENUES **\$22,903,832**

OPERATING EXPENSES

Purchased Power & Operations, Maintenance
..... (\$18,259,346)

Administration & General Expense
..... (\$ 2,484,429)

Depreciation
..... (\$ 1,218,293)

TOTAL OPERATING EXPENSES **(\$21,962,068)**

NET OTHER INCOME **\$ 207,051**

Payment in lieu of Taxes \$ 270,000

NET INCOME **\$ 878,815**

(to be transferred to reinvested earnings accumulated)

REINVESTED EARNINGS

REINVESTED EARNINGS ACCUMULATED
(at the beginning of the period) \$13, 115,013

Transferred from Income \$ 878,815

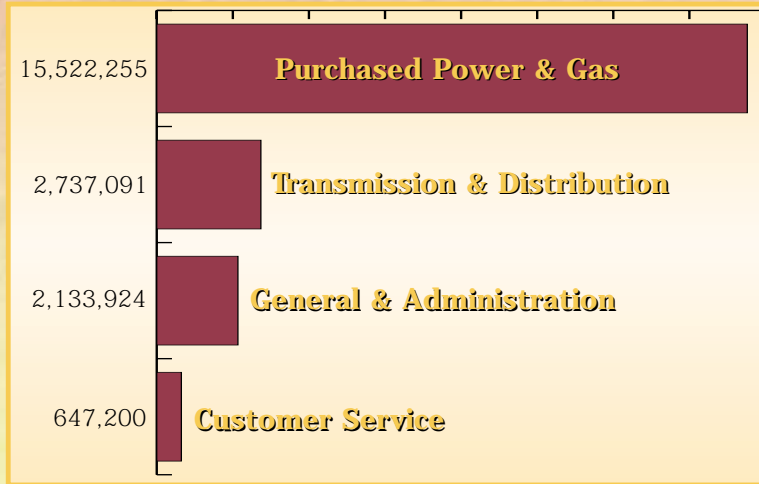
Miscellaneous credits to Reinvested Earnings
..... \$ 0

Miscellaneous debits to Reinvested Earnings
..... (\$ 195,000)

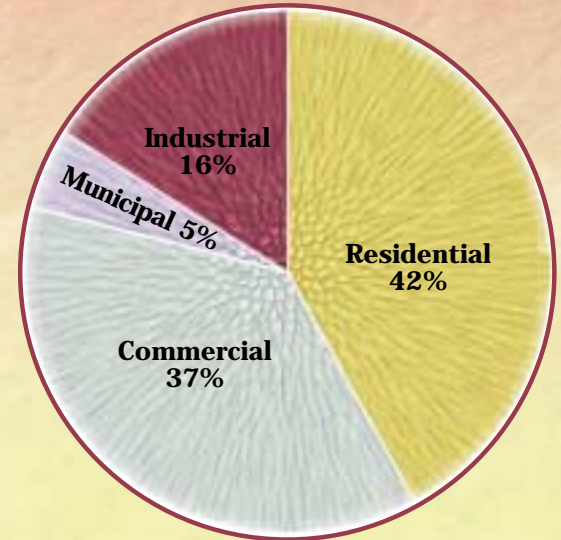
REINVESTED EARNINGS ACCUMULATED
(at the end of the period) **\$ 13,798,828**



Financials



1999 EXPENSES (GAS & ELECTRIC)



1999 REVENUES (GAS & ELECTRIC)

MG&E Contact info here??