



FROM THE DESK OF THE GENERAL MANAGER

February 1, 2012

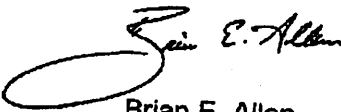
To the Rate Payers of the Princeton Municipal Light Department:

In 2009 two 1.5 megawatt Fuhrlander wind turbines were installed on town property adjacent to Wachusett Mountain. Delivery issues, commissioning problems, and breakdowns have plagued this endeavor. Presently, we are dealing with a failure in the gearbox in one of the units. The cost of this repair is approximately \$600,000. We are working with the manufacturer regarding outstanding warranty issues but do not have a clear resolution to that problem at this time.

In addition, the formulation for payback on the \$7 million dollar loan for the project was based on electricity selling for \$90 a megawatt hour. Our debt service on the loan for the project is approximately \$850,000 a year. Under present market conditions, (current market prices of energy are about one-half of original projections), higher than anticipated operating costs, and currently having one-half output of the generators, we have found ourselves looking at a loss of \$631,000 in 2010 and \$628,000 in 2011. (In 2010: 6,003.12 megawatts were produced from the project / In 2011: 5,071.71 megawatts were produced from the project.)

These issues are compounded by an additional \$1.4 million in deferred debt service payments for 2009. We are making every effort to pay our debt and solve these problems. Since January of 2011 we have paid \$75,000 per month towards the debt service. This amount pays the current debt service per year but does not contribute to paying off the outstanding past due amount. Factor in the current low market energy prices, and we will continue to lose money if the situation remains the same. I am certain this was not in the original thought process for the project. The intent of this project continues to be to help supplement the town's power needs with a clean source of energy that could also stand as a beacon for renewable energy to surrounding communities.

I have looked at our numbers and continue to look for ways to resolve our problem. I assure you that the Board of Light Commissioners and I are working very hard and in the best interest of the rate payers to explore all avenues to come to a solution to this situation.



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