



2025

ANNUAL REPORT





HG&E Board of Commissioners (from left): Francis J. Hoey III, Marcos A. Marrero, and James A. Sutter

TO THE HONORABLE MAYOR, MEMBERS OF THE CITY COUNCIL, AND VALUED CUSTOMERS:

Submitted herewith is the 123rd Annual Report of the City of Holyoke Gas & Electric Department (HG&E) for the year ending December 31, 2025.

HG&E delivered another year of strong financial and operational performance in 2025 while navigating a rapidly changing energy landscape and continued market uncertainty. During the year, both Fitch Ratings and Moody's Investor Service affirmed HG&E's credit ratings at AA- and A1, respectively.

A major milestone this year was the successful implementation of HG&E's new enterprise resource planning (ERP) and billing system. This effort represented a department-wide transformation, involving teams across the organization and customers throughout the community. Customers transitioned to the SmartHub platform for account management, while staff adopted a suite of integrated tools for finance, customer information and communication, work management, mapping, outage management, and more. Field crews began utilizing mobile work orders using tablets, significantly improving communication, workflow visibility, and overall efficiency across the organization. The successful deployment of this new system represents one of the most comprehensive operational upgrades in HG&E's recent history.

The Department remained committed to providing some of the lowest utility rates in the region and maintaining exceptional customer satisfaction. In 2025, HG&E completed its 2025 customer satisfaction survey, receiving an outstanding 97% net positive rating, reflecting confidence in HG&E's service and reliability. In addition, HG&E was honored as the 2025 Utility of the Year by the Northeast Renewable Energy Coalition, recognizing the Department's leadership in clean energy, innovation, and customer-focused operations.

HG&E continued to execute its energy transition plan to ensure compliance with Massachusetts climate legislation that commits the Commonwealth to reduce emissions below 1990 levels: 50% by 2030, 75% by 2040, and achieving net-zero emissions by 2050. HG&E is well positioned to meet the incremental carbon-free electricity targets laid out in the climate bill and is currently expected to be compliant with the established targets through 2040 without taking any additional measures. As part of this energy transition effort, in 2025 HG&E worked to expand battery storage capacity and achieved over \$2.074 million in load reduction savings through

demand response strategies. The Department also expanded EV charging infrastructure throughout environmental justice communities and approved more than \$1 million in energy efficiency and electrification assistance.

The Electric Division completed significant reliability and modernization projects, including 115kV relay upgrades, RTU replacements, substation maintenance, aging cable replacements, and transformer upgrades while deploying thousands of new AMI meters and performing extensive system inspections to maintain top-tier reliability metrics.

The Gas Division continued efforts to upgrade leak-prone assets and other critical infrastructure and finished the year with zero active leaks.

The Department also moved forward with the Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) grant-funded project in 2025, which will provide approximately \$22 million in infrastructure improvements in Holyoke's Ward 1. This effort will reduce emissions and provide continued safe and reliable energy delivery to this neighborhood. Additionally, after submitting a petition in December of 2022, HG&E continues to await a decision from the Massachusetts Energy Facilities Siting Board for the approval of one additional liquid natural gas (LNG) storage tank at the West Holyoke LNG Storage Facility. The division maintained strong conservation and safety efforts through its Green Team and Pipeline Safety Management System initiatives.

HG&E's Telecom Division continued to support the Department's information technology and network operations while expanding its wholesale network operator business.

We thank city officials for their support and HG&E employees for their continued faithful service. We shall continue to work diligently to provide our customers with reliable utility services at competitive rates, backed by an unprecedented dedication to customer service.

Respectfully,

Francis J. Hoey III, Commission Chairman
James A. Sutter, Commission Treasurer
Marcos A. Marrero, Commission Secretary
James M. Lavelle, Manager



GAS DIVISION

LNG INFRASTRUCTURE & RESILIENCY PROJECT

HG&E's natural gas portfolio is made up of both firm pipeline capacity from the Tennessee Gas Pipeline and liquefied natural gas (LNG) which is stored at HG&E's West Holyoke LNG Facility. The Department has safely operated the liquefied natural gas (LNG) storage facility for over 50 years to meet peak demand.

In 2019, the Department was forced to institute a gas moratorium on all requests for new and increased gas load, as the regional demand for natural gas outpaced supply and the gas distribution system operates at capacity under peak demand in the winter. In 2022, the Department identified the LNG Infrastructure & Resiliency Project as a potential resource to support system reliability during peak demand periods and filed a petition with the Massachusetts Energy Facility Siting Board (EFSB) for regulatory approval. The proposed project consists of the installation of a fifth LNG storage tank with a nominal capacity of 70,000 gallons to increase on-site storage by 5,000 dekatherms (Dth) to a total of 21,000 Dth. The project, which was filed in December 2022, still remains under EFSB review with no update provided by the state agency in 2025.

The key objective of the project is to enable HG&E to continue to provide reliable service during cold weather periods by maintaining adequate, on-site storage capacity. The project will also help maintain stable rates and reduce environmental impacts of the heating sector

throughout the energy transition to net-zero by 2050 by enabling HG&E to selectively add limited natural gas service with the aim to reduce consumption of higher-emitting fuels when a cost-justifiable, cleaner alternative is not economically feasible.

In 2025, to further enhance gas reliability, the Department began construction on the installation of a secondary, back-up vaporization system. This system will provide necessary redundancy to the peak-shaving system to support periods of increased demand and is planned for commissioning in 2026.

GAS SUPPLY & FLOW CONTROL

The Department distributed 2,170,180 Dth of gas in 2025, with a peak daily send-out of 16,087 Dth on January 21, 2025. Of that, 12,232 Dth was delivered over the pipeline, 3,381 Dth was supplemented by LNG, and an additional 474 Dth was received via an interconnect from a nearby utility. This interconnect operation was a test run to evaluate potential resources to support system demand. Due to a variety of reliability factors, the interconnect is not a replacement for HG&E's LNG infrastructure or request for additional LNG capacity. As mentioned above, HG&E continues to operate its LNG storage and vaporization system, providing the supplemental gas necessary to meet customer demand during the coldest winter days. LNG also serves as an emergency supply for the city in the event of a pipeline interruption.

GAS MAINS & SERVICES

The Department continued its cast-iron main replacement and abandonment efforts and eliminated approximately two miles of cast-iron pipes on Cabot Street, Canal Street, Clemente Street, Franklin Street, Hillview Road, Meadowview Road, Northampton Street, Race Street, South Street and Wyckoff Avenue. Where replaced, the new mains are generally four, six, and eight inches in diameter for plastic pipe and twelve inches in diameter for coated steel pipe.

The Department also broke ground on a \$10 million grant project in Ward 1A as part of a continued focus to replace aging infrastructure in an environmental justice area to reduce emissions and provide continued safe and reliable energy. The grant contract was executed with the Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) in 2024 and is anticipated to last 3-5 years. The Department also executed a second contract with the DOT and PHMSA for a similar project in Ward 1 for \$11.94 million with an anticipated groundbreaking in 2028.

Per HG&E's Distribution Integrity Management Plan (DIMP), which was implemented in August 2011, the Department continued efforts on an accelerated bare steel service replacement program. Bare steel services were installed from the early 1900s through the late 1960s and represented the greatest data-centric safety risk across the system. At the start of the program, there were approximately 4,000 active bare steel services in the system and at the end of the calendar year, all active and known bare steel services have been eliminated, enhancing overall safety and reliability of service.

In all, the Department installed over 1.95 miles of new main infrastructure, 246 replacement services and abandoned 21 services in 2025. HG&E's natural gas distribution system now consists of just under 184 miles of mains and over 8,300 service lines.

LEAK SURVEYS

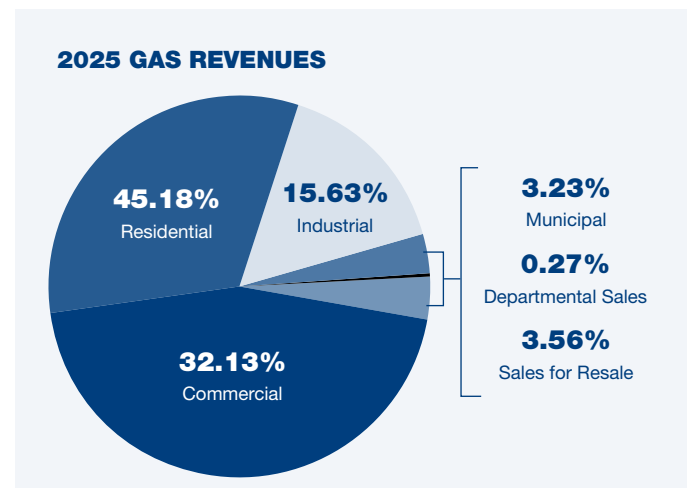
The Department prioritizes safety and is committed to reducing methane emissions. To help ensure the continued safe and reliable operation of the gas distribution system, HG&E completes an extensive series of compulsory and voluntary comprehensive leak surveys. Each year, the Department conducts public building, mobile patrols, walking service, and specialized monthly winter surveys. The full-length walking survey over individual gas services covered over 4,000 lines in 2025, or roughly one-half of the service pipes in the system. The combined surveys accounted for the detection of 46 gas leaks, mostly minor. All leaks were investigated, prioritized, and repaired in accordance with applicable industry standards and regulations. At year end, the Department had zero leaks on file within the gas distribution system.

GAS SERVICE

The Department's gas service group offers 24-hour emergency residential heating and select appliance maintenance and repair services. In 2025, the team responded to 1,965 trouble calls from customers in Holyoke and Southampton. These calls included repairs to boilers, furnaces, space heaters, unit heaters, water heaters, and dryers. In addition, a total of 3,092 atmospheric corrosion inspections were completed to evaluate the integrity of exposed service piping to maintain overall system and public safety.

PIPELINE SAFETY MANAGEMENT SYSTEM (PSMS)

The Department continues to strengthen its Pipeline Safety Management System (PSMS), a program developed in 2019. Safety management systems (SMS) have proven to help other industries and the adoption of API RP1173, PSMS, will allow the Department to systematically manage pipeline safety and continuously measure progress to improve overall pipeline safety performance, awareness, and vigilance. The Department continues to work with regional organizations and SMS experts on implementation and enhancement to further maintain operational and, more importantly, public safety. In 2025, the Department continued its practice of sharing lessons learned across industries with team members, as understanding of past experiences helps organizations improve processes, increase the likelihood of success for projects, and reduce risk, which helps ensure public safety is maintained. The Department also participated in a safety culture assessment survey in an effort to better understand the perception of safety across the organization and ensure safety continues to remain a top priority for our employees and, in turn, our customers.



ELECTRIC PRODUCTION

HYDROELECTRIC

The Hadley Falls facility contains two hydroelectric generating units with a total installed capacity of approximately 33 megawatts. The Holyoke Canal System is a three-tiered, 4½-mile system that runs throughout downtown Holyoke and provides water to generating stations that have a total combined capacity of approximately 17 megawatts. HG&E received Low Impact Hydropower Institute (LIHI) certification for its hydro system in 2012 and was recertified in 2017.

The current LIHI certification extends through January 2030. In addition to operating a source of carbon-free electrical generation and conducting various environmental studies, HG&E has made significant environmental enhancements since acquiring these assets in 2001. Several projects were completed in 2025 that improved or contributed to the future generation capacity and reliability of the Department's hydroelectric facilities, including:

- Hadley Falls #2: Final wet commissioning for the Hadley Falls Unit 2 rehabilitation was completed in January 2025. The rehabilitation work for this unit was completed in 2024.
- Holyoke Dam: A contractor was brought on board for the planned replacement of the rubber bladders at the crest of the Holyoke Dam, with construction planned to commence in 2026. An aerial survey of the dam crest was conducted and new rubber bladders were procured. The Programmable Logic Controller (PLC) for the rubber dam was upgraded. Concrete apron repairs were also completed below Rubber Dam Numbers 4 & 5.
- Holyoke Gatehouse: New headgate operators at the Holyoke Gatehouse, which controls flows into the Holyoke Canal System, were delivered to HG&E, with installation planned in 2026. Engineering was completed for the operator supports, and the hardware for construction of the support was purchased. An emergency generator was installed at the Gatehouse and HG&E began working on upgrading the electrical feeds for two new upgraded station service transformers.
- Hadley Falls Station: Numerous maintenance projects were conducted at Hadley Falls, which included:
 - Installation of a new public access door;
 - Repairs to a section of roof;
 - Replacement of station valves and unwatering system;
 - Procurement of new sump pump; and
 - Procurement and installation of a new station air compressor and air dryer.

- City #1: A revised feasibility study was completed for the rehabilitation of the City 1 facility.
- City #2: A new Hydraulic Power Unit was purchased for the City 2 facility.
- Riverside Station: New stoplogs were purchased for the Riverside Station and the Unit #4 excitation slipring was replaced.
- Boatlock Station: Feedgates Numbers 5 & 6 were replaced with new stainless steel gates. Gates and operators were replaced for the two Boatlock scrollgates. Engineering design was completed for the future replacement of the Boatlock Station traffic bridge.
- Skinner Station: The Skinner Station PLC was upgraded.

OTHER PROJECTS

Annually, HG&E performs two canal inspections, one in the spring and another in the fall. During these inspections, the canals were drained and assessments performed along canals and canal walls, including overflows, intakes, penstocks, powerhouses, and tailraces. No significant findings were reported in 2025.

HG&E continued its annual efforts to control the invasive water chestnut infestation at Log Pond Cove. As in previous years, this work was completed in partnership with Connecticut River Conservancy and the U.S. Fish and Wildlife Conte Refuge. Efforts consisted of hand-pulling by contractors and volunteers. In addition, HG&E conducted hand-pulling to remove water chestnuts within the Third Level Canal. The benthic barrier installed in 2024 was found to control the water chestnut infestation significantly enough for hand-pulling to be a viable method to achieve full control in 2025.

In 2025, various repairs were made to the Canal System. Two abandoned penstock remnants located within the First Level Canal earthen dike were filled in order to mitigate the potential for future seepage through the dike. Vegetation management efforts continued throughout the year to minimize growth along the canal system infrastructure. A weir was installed atop a large boil in the Overflow Number 2 concrete apron for seepage monitoring, and floorboards were replaced in Flumes Number 1 and 4 of the overflow. All wooden crest gates were replaced at the Number 3 Overflow and the PLC was upgraded.

The South Hadley Eel Ramp, after having been taken out of service due to structural damage experienced by high flows during 2023 and 2024, was fully rebuilt in 2025. The rebuild includes new removable ramp sections that allow for removal prior to potentially damaging high flow events, a new collection tank, and new climbing substrate



that is in line with agency recommendations.

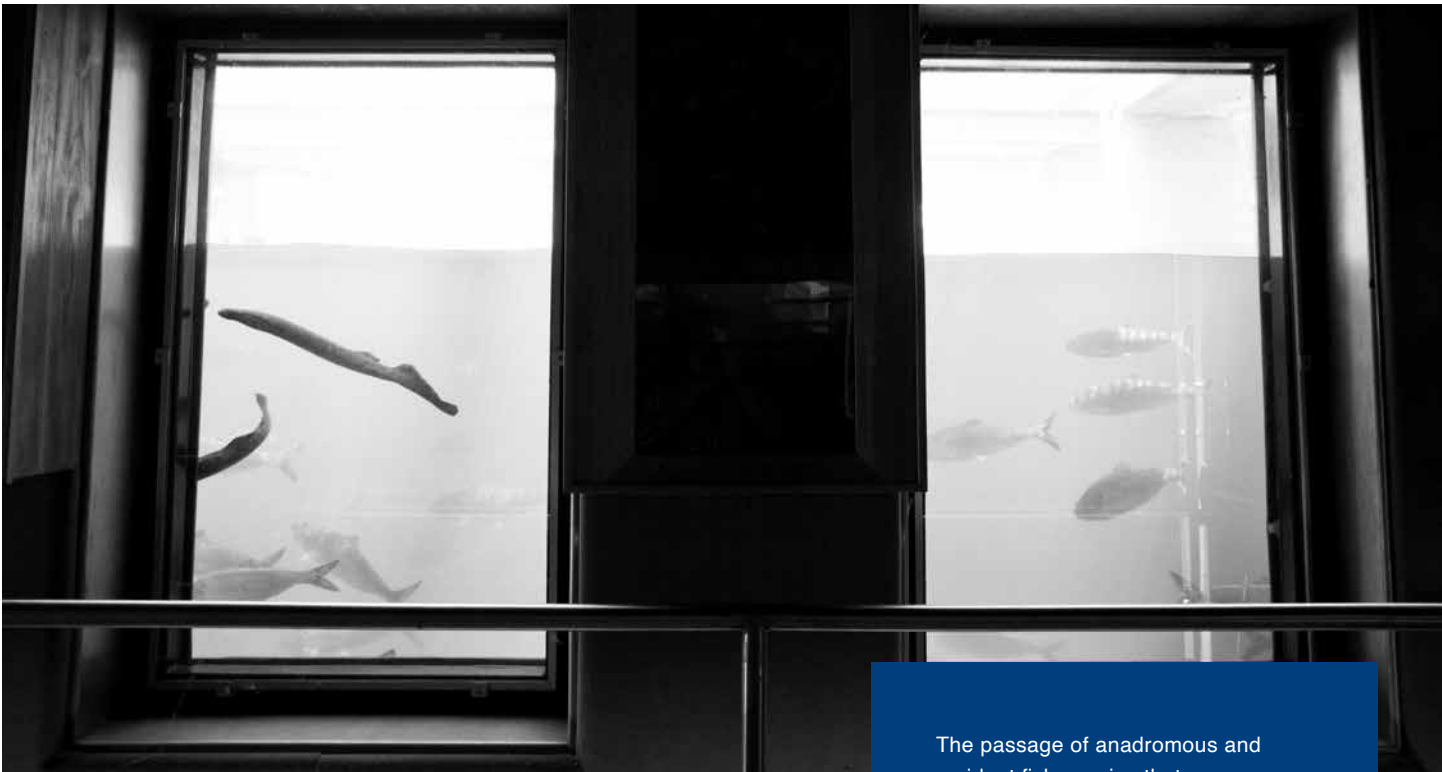
HG&E maintained compliance with the terms of its Federal Energy Regulatory Commission (FERC) license for the Holyoke Hydroelectric Project, and multiple reports were finalized and filed with the FERC during 2025. These reports include the annual Dam Safety and Surveillance Monitoring Report, annual fish and eel passage reports, annual Comprehensive Recreation & Land Management Plan report, and the annual Cultural Resources

Management Plan report. In addition, the Department submitted the final Post Construction Shortnose Sturgeon Monitoring Report that was required from the 2015 Environmental Improvements (Hadley Fish Exclusion Rack and Plunge Pool Installation).

An annual FERC inspection of HG&E hydroelectric assets was conducted in July 2025. FERC found the projects to be in satisfactory condition.

Holyoke Dam at Night





2025 FISH PASSAGE

ROBERT E. BARRETT FISHWAY

In 2025, HG&E continued its partnership with Holyoke Community College (HCC) for the collection of data on the number of species passed at the Robert E. Barrett Fishway. Activities included biological sampling, trapping, and loading of shad, trapping of shortnose sturgeon, and observations of lift operations and eel passage.

2025 HG&E SHAD DERBY

The annual HG&E Shad Derby offers both adult and youth fishing enthusiasts the opportunity to enjoy the recreational benefits of the Connecticut River. The 2025 HG&E Shad Derby was held on May 17 and 18 (derby was limited to one weekend in 2025 due to high river flows). The event attracted 140 registrants in the Senior Division and 18 registrants in the Junior Division.

Paige Neal of West Springfield, Massachusetts, led the Senior Division with a 4.22-pound shad. Jesse Locke of Southampton, Massachusetts, led the Junior Division with a 3.68-pound shad. The John DiNapoli Award for the first shad caught by a youth went to Michael Bidon of East Longmeadow, Massachusetts.

The passage of anadromous and resident fish species that were observed and monitored in the lift system this year included:

AMERICAN SHAD	324,172
BLUEBACK HERRING	144
GIZZARD SHAD	83
SEA LAMPREY	17,149
SHORTNOSE STURGEON	18
STRIPED BASS	518

In addition to the Fishway, there are a total of three juvenile American eel passage facilities on both the Holyoke and South Hadley shores below the dam. A third eel ramp was deployed on the Holyoke side when the South Hadley side eel ramp was out of service due to the rebuild from damage incurred in 2024. A total of 6,481 American eels were passed upstream in 2025.

ELECTRIC DIVISION

ELECTRIC OPERATIONS

In 2025, the Department completed several key initiatives aimed at improving reliability of the Department's electric substation and transmission systems. These efforts also advanced our strategy of supporting grid modernization to accommodate the growing electrification needs of the ratepayers.

THESE PROJECTS INCLUDED:

1657 Line Relay Replacement – Phase II: In a joint project with Eversource, the Department completed the upgrade of the 115kV 1657 Line protection systems, replacing a legacy DCB carrier scheme and step distance backup scheme with redundant fiber optic-based high-speed systems. This will enhance reliability and protection.

RTU Replacements: Two additional legacy Remote Terminal Units (RTUs) were replaced as part of a multi-year project. These devices aggregate I/O data from field devices (relays, meters, breakers, etc.) and send it to the SCADA Master for monitoring. The new RTUs have additional features including event retrieval and are integrated into the Department's Distribution Automation schemes.

Ingleside Substation Planning Study: A study was completed to evaluate replacement of the 1X and 2X transformers, which are approaching end of life. The study assessed substation capacity and loading, reviewed the potential addition of 115 kV circuit switchers for improved protection, and evaluated various upgrade options including targeted equipment replacement and a full substation rebuild. Future work includes developing an equipment replacement strategy which balances risk with capital and maintenance costs.

1657/1292 Line Access Road: A contractor was hired to assist in the design and permitting of a new access road along the railroad right-of-way of the 1292 & 1657 transmission lines. The new access road includes the area from Ashley Reservoir to Jackson Street. All approvals for environmental permitting required for the project were obtained from the Holyoke Conservation Commission, National Heritage Foundation, and the Department of Environmental Protection. Construction of the new road is expected to start in 2026 and will improve access for maintenance and future system upgrades.

Substation Preventative Maintenance: As part of the Department's preventative maintenance (PM) plan, major maintenance and testing was performed on various substation and plant equipment throughout the year. In summary, 221 maintenance orders were completed, including major maintenance and/or testing on:

- Two 115kV circuit breakers at North Canal Substation
- Twelve medium-voltage vacuum circuit breakers at Holyoke Substation
- Four power transformers at Holyoke and Hadley Falls Substations
- Six 115kV voltage transformers at North Canal Substation

- Thirty-five relays, required for NERC compliance

Support for electric distribution and hydro during the year included the preparation of 238 switching orders with clearances/permissions issued for planned and emergency medium-and high-voltage work, and assistance with the design, testing, and commissioning of four medium-voltage automated switchgears, three reclosers, and assistance with the interconnection processes and protection of various battery energy storage/microgrid projects. Maintenance/repair operations were also performed as required on distribution and hydro equipment, including inspections of line reclosers, sectionalizers, and capacitor switching controls. Support was again provided for the city-owned flood control pumping stations in the form of emergency maintenance and pumping operations, as required.

ELECTRIC DISTRIBUTION

In 2025, HG&E continued reliability and future electrification investments of the electric distribution system. One such investment included the replacement of approximately 1.5 miles of underground cable for the 17L5 circuit on Sargeant Street. This section of cable, located between the Electric Station and Northampton Street, was originally constructed in the mid-1970s and primarily services the Highlands and Smith's Ferry areas of the city while also providing a backup source to other circuits originating from Oakdale and Highland switching stations. Another important investment was the replacement of approximately 700' of underground cable and two padmount transformers on Winterberry Circle. Also originally constructed in the mid-1970s, the new cable and transformers will now provide added reliability and future capacity for the residents of this neighborhood.

The Department completed the last phase of its work that began in 2022 involving the 44P8 circuit upgrade along an existing right-of-way (ROW) from the top of Anderson Hill to Whiting Farms Road. The remaining poles were 60+ years old, and the existing overhead wire was bare aluminum that was susceptible to tree contact. Seven new ductile iron and three new wood poles, approximately ¼ mile of overhead spacer cable, and 500' of underground cable were installed within this existing ROW to improve circuit reliability for the Whiting Farms Road area and ISO-NE headquarters.

Backyard pole lines in the areas serviced mainly from Highland Substation were constructed in the 1950s and 1960s. The aging infrastructure has created reliability and access issues, which is a vulnerability to the overall system. Based on reliability data, tree trimming expenses, and known hazard areas, locations with backyard facilities were reviewed in 2018. The Department determines if new facilities are to be installed underground or overhead based on the type of distribution infrastructure existing nearby. There were nine services, six single family and three multifamily, that were relocated from the backyard to the street in various locations, including Oak Street, Lincoln Street, George Street,

Nonotuck Street, Pleasant Street, Pearl Street, and Northampton Street. This work will provide customers with a more reliable electric service, as well as protection from potential safety hazards during extreme weather-related events. Additionally, approximately 1,000' of new underground secondary main and service cable was installed on George Street in preparation for the removal of all existing overhead backyard wire between Northampton Street and Jefferson Street. This will reduce some future tree trimming and outage costs for the Department.

The Department replaced its 1990s Naviline enterprise system with a new system from National Information Solutions Cooperative (NISC). The new system from NISC has various applications that can integrate with each other that allow for significant efficiencies to be achieved across all divisions within the Department. Three such applications within NISC were implemented by the Electric Division in 2025 – Work Management, Mapping & Staking, and Outage Management. The Work Management application is new to the Distribution area and allows HG&E to integrate information obtained from Customer Service, Distribution, Metering, and the line crew to allow for more efficient assigning of work and status tracking from start to finish. The Mapping & Staking application replaces the legacy ESRI ArcGIS mapping system. It allows all designs to be digitally developed and sent out to the field using mobile devices. All jobs are then updated to the Mapping & Staking application almost automatically upon completion for final review and approval. The Outage Management application replaces the in-house developed outage management system. This application integrates with the Mapping & Staking application to provide real-time predictive outage causes and conditions. It can also send out updates and/or other outage information to internal staff and/or customers to keep people aware of any ongoing outages within the service area. These applications will continue to be refined over the next few years.

A number of preventative maintenance (PM) activities continued throughout the year. Testing was performed on 11 sectionalizers, three padmounted switchgears, and 23 capacitor banks. HG&E also performed 280 manhole inspections and 672 wood pole inspections throughout various areas of the City. Stray voltage testing of approximately 20% of the City was completed in the South Holyoke, Flats, and Churchill sections of the City. There were 175 padmount transformers and 18 termination cabinets on various circuits inspected by the Department line crew. Annual visual inspections on all three transmission lines were performed using drones to ensure reliable operation of the transmission system. Infrared inspections were performed on all distribution circuits and transmission substations throughout the City. There were nine services in poor condition that were either upgraded or replaced.

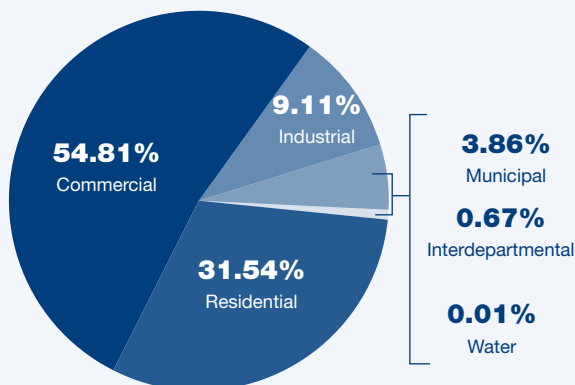
New electric services for future businesses at Holyoke Health Center on High Street, Peck School on Northampton Street, Veterans Home on Cherry Street, Residences on Appleton (former Farr Alpaca Mill) on Appleton Street, and Dunkin on South Street have resulted in a net additional connected load of 4,850 kVA. Six electric vehicle charging stations were installed at Ingleside Square (Mercedes), Holyoke Landing (Tesla), Durham Bus Company (South St), YMCA on Pine Street, 164 Race Street, and 650 S. East Street that were completed resulting in an additional connected load of 4,350 kVA. Service upgrades were performed at Valley Malt for future business development in the canal district, as well as two apartment blocks at 151 and 168-176 West Street, resulting in an additional connected load of 1,050 kVA. A new 3MW/9MWh battery energy storage system was also installed on Kelly Way. There were five new homes and/or building structures constructed on available lots on Mountain Road, Kennedy Circle, Keyes Road, South East Street, and Clemente Street that required net electric services resulting in a connected load of 102.5 kVA.

In summary, for 2025, HG&E set 75 poles and removed 101. A net 14,048 kVA of connected load was installed onto the distribution system. Some 23,550 circuit feet of underground cable was installed, while 16,732 was removed. Similarly, 23,238 circuit feet of overhead wire was installed, while 52,395 was removed. Approximately 13,238 feet of PVC conduit was installed. There was a net increase of 20 contract lights and a net decrease of one street light.

RELIABILITY

Reliability statistics allow the Department to track its service reliability and compare them from year to year with other municipal and private utilities. There are four statistics used to define the length and frequency of interruptions to customers, system availability, and the number of customers impacted by both unscheduled outages alone, as well as unscheduled and scheduled outages combined (see chart on following page).

2025 ELECTRIC DIVISION REVENUES



UNSCHEDULED OUTAGES ONLY		
STATISTIC	2025	2024
ASAI	99.9963%	99.9959%
CAIDI	78.584 min	36.189 min
SAIDI	26.331 min	39.687 min
SAIFI	0.335 outages	1.097 outages
COMBINED OUTAGES		
STATISTIC	2025	2024
ASAI	99.9943%	99.9918%
CAIDI	79.695 min	48.694 min
SAIDI	36.951 min	61.575 min
SAIFI	0.464 outages	1.265 outages

Average System Availability Index (ASAI)

Represents how much of the time a customer actually has service available.

Customer Average Interruption Duration Index (CAIDI)

Represents the average time expected to restore service after a sustained interruption.

System Average Interruption Duration Index (SAIDI)

Defines the average interruption duration per customer served.

System Average Interruption Frequency Index (SAIFI)

Defines the average number of times that a customer's service is interrupted during a given year.

The Department has received the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) designation since 2011. An RP3 designation is a sign of a utility's dedication to operating an efficient, safe, and reliable distribution system. Being recognized by the RP3 program demonstrates to community leaders, governing board members, suppliers, and service providers a utility's commitment to its employees, customers, and community. The Department has been either a Diamond or Platinum member, the highest awarded designations, since 2015.

In addition to the RP3 designation, the Department is also a five-year recipient of the Certificate of Excellence in Reliability award from APPA. This award recognizes the Department for having achieved excellence in reliability by significantly outperforming the electric industry national average and achieving the top quartile of system outage duration from national reliability data collected by the Energy Information Administration (EIA).

METERING

In 2025, the Department continued its advanced metering infrastructure (AMI) system rollout which provides real-time energy information, advanced metrics, and other operational benefits. The Department deployed 2,447 AMI meters during the year. In addition, the Department replaced 2,234 AMR meters with AMI meters for hard-to-access/safety locations and to facilitate the mesh network communication paths back to the field routers. Despite these replacements, the AMR system still maintained an average daily read rate of 99.44%.

A total of 10 generator, transformer, and station service meters were tested to meet ISO-NE OP-18 metering requirements at Holyoke Substation and the Hadley Falls, Cobble Mountain, City Hydro 1 & 2, and Chemical hydro stations. These meters are tested by the Meter Department on a six-year testing cycle using the Department's portable test unit.

Throughout the year, the metering group continued to support the Credit Department, performing delinquent customer turn-ons and turn-offs, tagging notifications, meter reads, and collections. In total, 1,131 credit-related duties were performed in 2025.

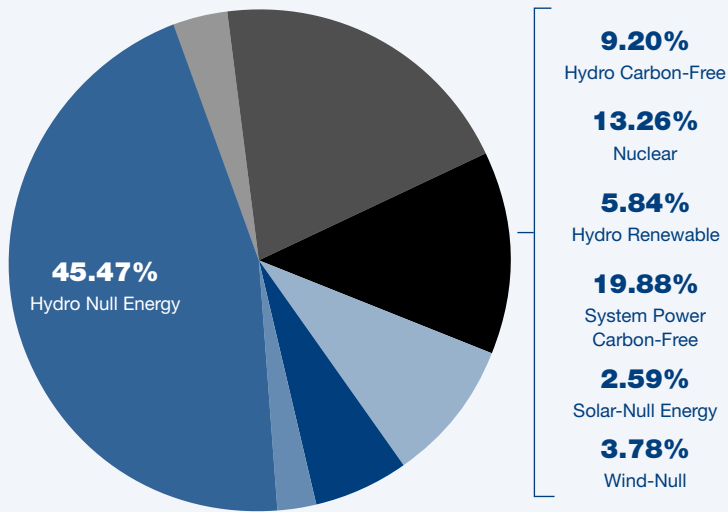
In summary, there were a net total of 213 electric meters installed, 2,264 electric meters replaced, and 2,417 electric meters retired, having an average age of 19.13 years. A total of three electric meters were tested and calibrated, 60 turn-ons and 78 turn-offs, and one vacant consumption report investigated for metering problems and/or theft of service. There were 45 current transformers installed and three current transformers removed while there were three potential transformers installed. In addition, three surge protectors were exchanged while two were removed. On the gas side, 1,434 meters were removed and tested, 1,792 meters were sealed, and 257 meters were retired.

WHOLESALE POWER

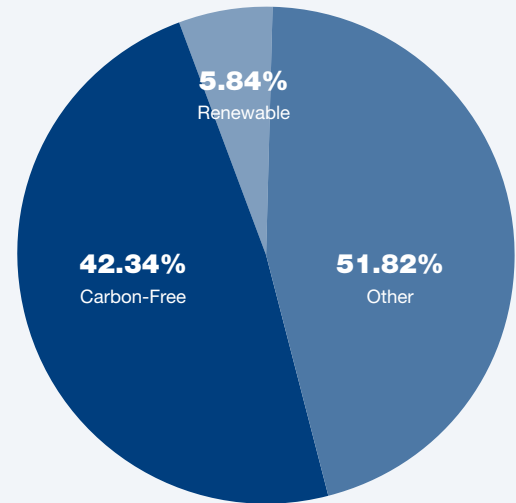
HG&E manages a diverse power supply portfolio, purchasing power to meet the ever-changing electric loads to supply Holyoke from all over the region. HG&E monitors potential monthly and annual peak hours and actively institutes load reduction measures to reduce its load, and thus costs, during these times. As part of the Energy Purchasing and Risk Management Plan, the Department monitors the available energy supply sources on a daily basis to stabilize and ensure price certainty for the future cost of power. The Department purchases power on both a short-term and long-term basis to take advantage of the fluctuating market, manage the risk of rising prices, and increase the stability of future energy costs, thereby stabilizing rates for all customers while maintaining a clean energy supply. HG&E is committed to protecting the environment and setting minimum percentages of carbon-free energy sold to its retail customers.

HG&E's goal is to maintain and increase clean energy within the fuel mix through sustainable, long-term procurement practices. From 2025 through 2035, HG&E is expected to meet and exceed greenhouse gas

2025 ENERGY MIX AS PERCENTAGE OF RETAIL SALES



2025 ENERGY EMISSIONS CHART



These numbers are accurate as of the publishing of this report and will be updated on the website as soon as the markets close in June 2026.

(GHG) emission reduction targets set by the state and will continue to generate and procure energy with the best interest of the ratepayers in mind.

The Carbon-Free Electric Program is designed for commercial and industrial customers who wish to have their electricity come from 100% carbon-free energy sources, made possible through the purchase and retirement of qualifying Renewable Energy Certificates (RECs). This program assists HG&E and commercial customers with achieving carbon-free goals. In 2025, this program had two customers, who purchased a total of 5,494 RECs.

In 2025, 5.84% of HG&E's power supply production came from generation that qualifies as renewable, according to definitions set forth by the Renewable Portfolio Standards within the New England states. 42.34% of HG&E's portfolio came from generators that produced carbon-free hydro, system power and nuclear. Additionally, 50.60% of HG&E's production came from generators that are powered by solar, hydro, battery storage, and wind power, but that HG&E cannot claim as green energy because the renewable energy certificates (REC) are not owned by or retired by HG&E. The Null Energy label is used to signify non-REC ownership; 51.83% of Null Energy total production served to meet HG&E's electrical load in 2025. The pie chart shows Holyoke's supply by fuel type as a percentage of electrical load from retail sales. It can be collapsed into three categories to show 2025 emissions.

In 2025, 48.17% of HG&E's electrical load for the year was considered carbon-free. Of this, 5.84% was renewable and carbon-free, 42.34% was carbon-free (nuclear, carbon-free system power, and hydro), and 51.83% was considered carbon-emitting. The Department was able to sell enough hydro RECs to help offset high power supply costs and retain enough RECs to achieve the 48.17% carbon-free level. The revenue from the sale of these RECs allowed HG&E to maintain competitive electric rates for customers. Electric load was up approximately 6% over 2024 due to a new cannabis growing facility, colder winter and warmer summer, and increased demand from a large data center. Hydro generation was down approximately 17.5% from 2024 due to lower than normal river flow.

System Power Carbon-Free represents long-term, around-the-clock bilateral contracts with nuclear carbon-free certificates attached that expire in December 2049, and a long-term, around-the-clock bilateral contract from Hydro Quebec with carbon-free certificates attached that expired in October 2025.

HG&E currently hosts two battery energy storage systems that have a total output of 7.99 MW/16 MWh. These clean energy systems were successful in operating during all 12 forecasted monthly hourly peak loads and the one annual hourly summer peak load, resulting in significant transmission and capacity cost savings to ratepayers of approximately \$400,386.

The Department continued to proactively pursue and host low-cost carbon-free projects to secure and further enhance the local energy portfolio. As of the end of 2025, HG&E has signed contracts with four additional battery storage systems totaling 17.6 MW/52.77 MWh. These systems are expected to become commercially operational in 2026 and 2027. HG&E currently hosts 28 solar projects (17 utility-scale, nine residential, and two commercial), with a corresponding output load of 17.886 MW-dc, allowing the Department to purchase power at a low cost.

Utility-scale solar projects resulted in 17,440 MWh of load reduction, while residential and commercial customer-owned solar resulted in 115,927 kWh of load reduction on the system in 2025. The harnessing of solar energy from these projects within Holyoke is offsetting the Department's demand and reducing future costs for all customers.

HG&E's load reduction program, which includes demand response programs, solar, battery, and other local generation, has resulted in \$2.074M of net savings from 2025 activities. In a continued effort to help foster the adoption of electric vehicles and meet the needs of many customers and city visitors, HG&E, through a grant with the Massachusetts Clean Energy Center (MassCEC), installed three additional public Level 2 electric vehicle charging stations throughout downtown Holyoke in 2025. Additional locations and funding sources continue to be analyzed as adoption levels and demand increase.

Beginning in February 2017, HG&E developed a Community Solar Program open to all residential customers who opted in to the program. In 2025, 2,453 customers participated in this program. This program allows residential customers to receive the benefits of solar without the expense of installing a system at their location. The Mt. Tom Solar project, totaling 4.988 MW-ac (increased in output during 2019 from prior 4.50 MW-ac rating), and the Kelly Way 2 project, totaling 0.603 MW-ac, were designated as community solar projects. Load reduction from community-shared solar generated net savings of \$94,884 to those participating in the program. Additionally, in 2025, a total of \$18,507 was provided to the Holyoke Housing Authority from three solar systems (Aegis, Gary Rome, and Hadley Mills) that were set up under the Low- or Moderate-Income (LMI) Solar Program.

A total of 188,708 MWh of net generation was produced from Department-owned hydro resources, which continued to help drive down the overall cost of power. During 2025, the hydro preference power credit to residential customers generated total savings of \$1,187,979 (\$626,030 from Department-owned hydro and \$561,949 from New York Power Authority entitlements).

The hydroelectric system, including the Hadley Falls Dam and the Holyoke Canal hydro facilities, maintains Massachusetts Class I and II status, in addition to Maine Existing certifications. HG&E received MA Class I certification for 10.91% of Hadley Falls 1 and 2, and Hadley Falls 1 and 2 were certified as Clean Existing Generation Units in 2021.

All of the canal units, with the exception of City 4J (which is 100% MA Class I) are MA Class II certified, and six canal units are certified with small percentages as MA Class I. Sales of these certificates resulted in \$2,858,819 of revenue to the Department in 2025.

HG&E proactively works throughout the year to improve reliability by maintaining and making upgrades to its 9.25 circuit miles of pool transmission facilities (PTF). Ensuring that all transmission lines and processes are up-to-date allows HG&E to meet future needs and reduce transmission costs. Transmission Regional Network Service (RNS) rates increased approximately 20.0% from \$154.35 kW/year to \$185.28 kW/year in January 2025. The Department's RNS annual charge of \$10,514,529 was offset by 9.25 circuit miles of transmission infrastructure, with three transmission substations. With PTF revenues of \$5,421,003 and peak shaving solar, energy storage, and hydro offsets of \$1,352,885 in 2025, the Department's annual RNS charge was reduced to \$3,740,641.

Holyoke achieved Green Community status in 2010 and is committed to efficiency, conservation, and sustainability. The Department's replacement of high-pressure sodium lights with more efficient light emitting diode (LED) lighting technology has, on average, reduced the city's streetlight consumption by 60%. The city realized about \$334,000 in direct energy savings from these lights in 2025 compared to pre-LED street lighting costs, although, when factoring in additional LED decorative and other lights added by the city to the capital investment list over the past several years, the total resulting savings was approximately \$364,000 in 2025.

In 2025, HG&E was named Utility of the Year by the Northeast Renewable Energy Coalition (NREC) for its clean energy advancement and attracting clean technology companies to the City.

ENERGY EFFICIENCY & ELECTRIFICATION

In 2019, HG&E issued a natural gas moratorium, effectively discontinuing new or increased requests for natural gas services in HG&E's territory. While HG&E has begun making exceptions to allow certain customers to increase their gas use on a case-by-case basis, HG&E continued to expand its energy efficiency and electrification incentives and programs in 2025 by continuing to encourage the installation of cleaner, more efficient alternative electric technologies by promoting heat pump incentives and expanding rebates for electric clothes dryers and lawn equipment.

HG&E's Green Team, established in 2020, continued to strategize its energy efficiency and electrification efforts and initiatives for both residential and commercial customers. In 2025, HG&E updated and added several eligible measures and equipment to its energy efficiency programs. This included the addition of rebates for combination washer/dryers, variable-speed pool pumps, and five new types of electric lawn equipment. Weatherization barriers and electric service upgrades were also added to the CEAP and REAP



assistance programs, provided they are necessary for a weatherization or electrification project and the customer proceeds with the upgrade.

HG&E's demand response programs continued to grow in 2025, with the first two customers enrolling in its Commercial Demand Response Program, 14 new customers enrolling in its voluntary Beat the Peak Program, eight new customers enrolling in its EV Charger Program, and four new customers enrolling in its Connected Homes Smart Device Incentives Program.

In 2025, HG&E began offering free commercial energy audits for small businesses (10,000 sq. ft or less) and multi-family buildings with 5+ units. A total of six free commercial audits were conducted in 2025. HG&E also worked with its energy audit contractor to improve the accuracy of audit reports and to prioritize cost-saving measures, rather than carbon emissions reductions, in energy audits.

Beginning in 2021, HG&E began managing all rebates in-house, a process previously handled by a third-party contractor. This not only reduced administration costs but also assisted with expediting review and payment times. In 2025, HG&E approved 431 rebate and assistance applications, totaling approximately \$1,086,000 in energy efficiency and electrification incentives for customers. Additionally, by processing all applications in-house, HG&E is able to collect the necessary data needed to track the estimated energy and carbon emissions savings resulting from its incentive programs. HG&E will continue to analyze and evaluate the results of these incentive programs

and continue to improve existing incentives offered to better understand how each program benefits the overall goal of reducing emissions.

In 2021, HG&E launched a Whole-Home Air Source Heat Pump (ASHP) Program, designed to support the installation of high-efficiency and optimally designed ASHP systems. Through this program, HG&E offers an enhanced rebate amount toward these systems along with an added incentive to improve weatherization in parallel. In 2025, 14 customers received rebates for installing whole-home ASHP systems, all of whom took advantage of a total of approximately \$144,389 in incentives through assistance and rebates. Additionally, HG&E produced an educational video to inform customers about this technology and added it to its website. It also created a water heater educational webpage which includes a calculator that estimates the costs to heat with various types of water heaters.

HG&E will continue to revise and improve its energy efficiency programs and initiatives in 2026 to further promote energy savings, electrification, and emissions reduction. For example, in 2025, the Green Team discussed and approved a variety of modifications to its 2026 energy efficiency programs to make them more accessible for hard-to-reach customers, such as renters.

HG&E's Hadley Falls Hydro Station



POWER SUPPLY

2025 POWER SUPPLY RESOURCES

PROJECT NAME	FUEL TYPE	PROJECT		CONTRACT CAPACITY (kW-AC)		CONTRACT END DATE
		START DATE		WINTER	SUMMER	
NYPA FIRM	HYDRO	1985		1,984	1,984	9/1/25
MILLSTONE 3 - MIX 1	NUCLEAR	1986		1,334	1,334	11/25/45 *
MILLSTONE 3 - PROJ 3	NUCLEAR	1986		2,325	2,325	11/25/45 *
SEABROOK - MIX 1	NUCLEAR	1990		147	147	3/15/50 *
SEABROOK - PROJ 4	NUCLEAR	1990		3,306	3,306	3/15/50 *
SEABROOK - PROJ 5	NUCLEAR	1990		408	408	3/15/50 *
HYDRO QUEBEC 1	N/A	1986		1,717	1,717	10/31/2040 ***
HYDRO QUEBEC 2	N/A	1989		3,585	3,585	10/31/2040 ***
NYPA PEAK	HYDRO	1985		425	425	9/1/25
STONYBROOK GT 2A	#2 OIL	1982		2,476	1,910	LOU **
STONYBROOK GT 2B	#2 OIL	1982		2,413	1,850	LOU **
NORTHEAST RELIABILITY PROJECT	GAS/OIL	2024		2,327	2,327	LOU *
HADLEY FALLS 1&2	HYDRO	1949		33,400	33,400	OWNED *
RIVERSIDE 8	HYDRO	1931		4,575	4,575	OWNED *
RIVERSIDE 4-7	HYDRO	1921		3,270	3,270	OWNED *
BOATLOCK	HYDRO	1924		3,313	3,313	OWNED *
HOLYOKE HYDRO/CABOT 1-2	HYDRO	1923		1,856	1,856	OWNED *
HOLYOKE HYDRO/CABOT 3	HYDRO	1940		450	450	OWNED * ****
HOLYOKE HYDRO/CABOT 4	HYDRO	1955		750	750	OWNED * ****
CHEMICAL	HYDRO	1935		1,600	1,600	OWNED *
SKINNER	HYDRO	1924		300	300	OWNED *
VALLEY HYDRO	HYDRO	2004		790	790	OWNED *
OPEN SQUARE	HYDRO	2004		525	525	2/29/16 ****
HANCOCK WIND	WIND	2016		6,032	6,032	12/14/41
LUMINACE, A BROOKFIELD CO. - MUELLER RD	SOLAR	2012		2,693	2,693	12/27/31 ****
LUMINACE, A BROOKFIELD CO. - MEADOW ST	SOLAR	2012		793	793	12/27/31 ****
CITIZENS - COUNTY RD	SOLAR	2013		615	615	2/5/33 ****
HPP MA, LLC - RICAR	SOLAR	2015		792	792	10/1/40 ****
C2 ENERGY CAPITAL - DINN	SOLAR	2016		475	475	12/27/36 ****
C2 ENERGY CAPITAL - KELLY WAY I	SOLAR	2016		475	475	12/27/36 ****
JACKSON CANAL, LLC - AEGIS	SOLAR	2017		833	833	1/4/37 ****
GROWING HOLYOKE, LLC - GARY ROME	SOLAR	2017		666	666	1/6/37 ****
MT. TOM SOLAR, LLC - ENGIE	SOLAR	2017		4,988	4,988	2/7/37 ****
SCANNELL SOLAR, LLC - CONKLIN	SOLAR	2017		633	633	2/24/37 ****
GEEPV - RIVERSIDE A/B	SOLAR	2017		133	133	5/8/37 ****
GEEPV - WALNUT	SOLAR	2017		100	100	11/22/37 ****
SUNWEALTH - HADLEY MILLS	SOLAR	2017		336	336	12/31/37 ****
C2 ENERGY CAPITAL - KELLY WAY II	SOLAR	2018		475	475	6/4/38 ****
GEEPV - BOYS & GIRLS CLUB	SOLAR	2018		150	150	4/20/38 ****
GEEPV - JACKSON	SOLAR	2018		120	120	3/15/38 ****
GEEPV - YMCA	SOLAR	2018		167	167	12/17/38 ****
MT. TOM SOLAR, LLC - ENGIE	STORAGE	2019		3,000	3,000	5/31/38 ****
HOLYOKE BESS, LLC	STORAGE	2021		4,999	4,999	7/31/36 ****

All capacity contracts follow the ISO New England calendar system.

* Investments continue for the life of the unit (LOU)

** After 8/31/01, there is no firm energy contract, only capacity and entitlement, which continue for the life of the unit and are based on full rating of the line.

*** In process of retiring assets

**** Load reducer



TELECOMMUNICATIONS

TELECOMMUNICATIONS DIVISION

HG&E's commercial network, now in its 25th year of operation, provides high-speed internet and network connectivity through fiber-optic lines for business class customers located in Holyoke, Chicopee, downtown Springfield, and throughout the Pioneer Valley. Both the Department and the city receive services from the network. The service platforms are industry-standard Carrier Ethernet and Internet Protocol (IP), supporting speeds beyond 100Gbps (gigabits per second).

TELECOMMUNICATIONS HELP DESK

HG&E administers a centralized help desk, accepting support calls from customers and internal staff. As a telecom utility, HG&E offers 24/7 network monitoring services and an on-call support structure to ensure maximum network uptime, as well as the best possible customer experience.

In 2025, the help desk received 1,604 tickets: 1,166 for HG&E Department employees and 438 for commercial customers. 1,520 tickets were resolved in 2025.

COMMERCIAL NETWORK UPGRADES

As customers' needs grow and application requirements evolve, HG&E's network investments continue to grow as well. In 2025, HG&E completed a 400G-capable transport network upgrade.

HG&E completed two diverse 100G active/active uplinks to CEL Crossroads Fiber.

COMMERCIAL NETWORK EXPANSION

In 2025, the Department continued fiber-optic wide-area networking (WAN) services throughout the Pioneer Valley. Within this service territory, HG&E is focused on providing fiber-optic WAN services for large, complex institutions. For example, HG&E provides support for a regional healthcare organization with six locations, offering 10Gbps of bandwidth, ring protection and carrier Ethernet over fiber connecting all locations.

The department also maintains its strategic partnership with a large regional financial institution by providing managed high-speed fiber WAN connections, internet connections, and a fleet of managed IP routers throughout nearly 40 locations.

Local support, network performance, and reliability are some of the factors that contribute to our customer loyalty.

CARRIER INTERCONNECTION

In 2025, HG&E continued its interconnection relationships with regional fiber Ethernet carriers in order to service core customers with locations outside of the existing footprint. These interconnections allow HG&E the flexibility to provide additional services outside of the previous service boundaries.

HG&E is a next-generation provider, having designed, engineered, and implemented full IPv6 internet routing and peering with upstream internet carriers.

The Department has three 100G internet upstream connections, one operating at 50G, a second operating at 50G, and the third operating at 30G, for a total aggregate internet capacity of 130G, scalable to 300G in its current state. The current 12,000 wholesale connected subscribers utilize about 55-65G of capacity on average during daily peak-time hours of 8pm to 10pm.

HG&E maintains and runs a 100G carrier transport network with 400G capability in the core. The equipment is installed, commissioned, and in full-service operation. For the first time, Telecom used network automation tools to stand up the infrastructure and provision of transport services.

UTILITY NETWORK OPERATIONS

In addition to maintaining commercial network customers, the Division continued its support for the design, operation, and maintenance of HG&E's internal network and information intelligence needs.

In 2025, HG&E Telecom provided initial and ongoing support for ERP business systems' migration to NISC.

Rollout of MS Teams was completed in 2025, enabling enterprise-wide collaboration tools for both internal and external resources.

Plans were initiated and completed for the Department's planned email platform migration to MS Outlook cloud in 2025.

The Division supports a wide variety of utility applications, systems, and platforms including computing, internet, telephone, collaboration, video surveillance, SCADA platforms, cybersecurity engineering, and user training and support.

Major changes, upgrades, and modifications were supported throughout the year with the rollout of several key SCADA applications and systems.

CYBERSECURITY

As cyber-threats continue to evolve, both internally and externally, HG&E remains committed to continually improving its cybersecurity posture. Pursuant to these goals, HG&E maintains an umbrella cyber-threat detection and mitigation system at its internet gateways. This system provides blanket attack protection, in real time, to all HG&E internet subscribers and users. HG&E also performs regular user awareness training and vulnerability testing to ensure compliance with cybersecurity policies and best practices.

In 2025, the department designed and engineered an OT and IOT cybersecurity segmentation plan. The Department also designed and engineered an observability and notification platform to aid in near

real-time threat visibility. Currently we are awaiting the results of a grant award from the Department of Energy to complete these projects.

WHOLESALE BROADBAND SERVICES

HG&E continued its development and execution of a last-mile strategy and wholesale service offerings, including the continued scaling of the residential wholesale broadband platform. Leveraging its current network infrastructure, HG&E is supporting several communities that sought to build their own networks but needed an experienced network operator.

In these communities, HG&E does not provide residential internet service, but rather wholesale internet services to internet service providers (ISPs) and those ISPs then sell internet services to residents. These engagements have helped HG&E develop additional expertise in the design, construction, and operation of FTTH networks and have provided additional revenue to HG&E. As of 2025, HG&E has a network operator or ISP presence in eight rural and local communities. HG&E utilizes the Massachusetts Broadband Institute (MBI) regional fiber-optic network and Crown Castle Fiber to connect with these rural communities.

FIBER TO THE HOME

While HG&E is interested in providing FTTH service and is currently providing residential broadband service within Holyoke on a very limited basis, there must be sufficient demand for the service for a citywide venture to make economic sense and not have an adverse effect on utility rates. The test marketing campaigns, initially released in 2021 and promoted again in March 2025, have not shown sufficient interest in supporting a full residential build-out. HG&E commissioned a third-party contractor to complete a fiberhood design in 2025 and is processing those results. HG&E will continue to assess all broadband opportunities within the service territory while studying the outcomes of similar projects in neighboring communities. The team is also evaluating funding opportunities to determine if segments of the system can be cost-effectively constructed. Recent grant applications include:

- MBI Broadband Equity, Access, and Deployment Program Grant
- MBI Residential Retrofit Program
- WeLink Cities Challenge
- City of Holyoke ARPA Application

HG&E remains committed to monitoring market conditions and funding opportunities that could make municipal broadband a success for Holyoke.

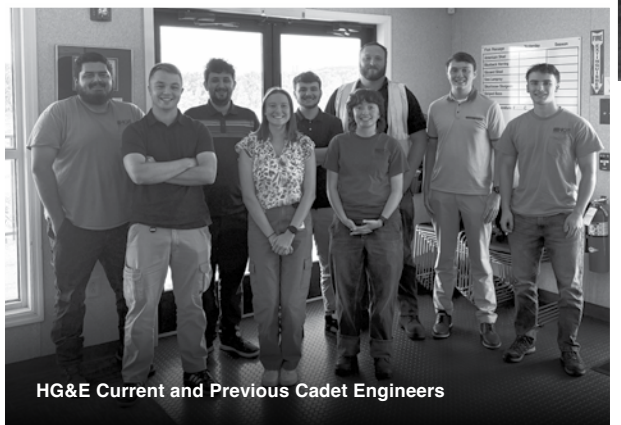


Tanya and Ethan Roman at the Annual Public Utility Celebration

GOODWILL

Community involvement is a central belief of the public power philosophy, and the Department is proud of the role it takes in making Holyoke a better place to call home and assisting in economic development opportunities for business. Key community events that were underwritten by HG&E in 2025 include the St. Patrick's Day Parade, the Holyoke Fireworks, and Fiestas Patronales de Holyoke. In total, \$89,812 in sponsorships were provided for nonprofit causes.

HG&E invited the local community to the annual Public Power & Public Natural Gas Week on October 8 from 3pm to 5pm at the Holyoke Merry-Go-Round. This free celebration featured electric vehicles, HG&E's energy efficiency and audit incentives, information on the LNG Project, activities for kids, and several community and state partner organizations. Each October, community-owned utilities throughout the country celebrate Public Power & Public Natural Gas Week, collectively providing electricity and natural gas services to millions of Americans. This annual nationwide event is intended to build public awareness about the value of having a community-owned utility.



HG&E Current and Previous Cadet Engineers

CORNELIUS J. MORIARTY, JR SCHOLARSHIP FOR CADET ENGINEERS

The Cadet Engineer program is dedicated to the memory of our late commission Chairperson Cornelius J. Moriarty, Jr. He often noted that the admission of new students into the program was one of the most rewarding actions that the commission took each year.

The program offers aid to Holyoke students who are pursuing Bachelor of Science degrees in engineering. Connor McMahon was admitted as the 2025 cadet engineer.

ECONOMIC DEVELOPMENT

In 2025, the Department provided additional discounts to businesses that have relocated or expanded within the city under the Economic Development Discount Program.

This program provides an additional 10% off participants' gas and electric bills for a three-year period.

The Department also offers a similar program for residential customers, under which first-time Holyoke homebuyers can receive

10% OFF
of their first three years of gas and electric bills.

\$89,812
Non-profit Sponsorships

\$1,449,209
Payment in Lieu of Taxes

\$126,996
Cadet Engineer Scholarship

\$364,214
Discounted Street Lighting

\$610,051
Energy Conservation Assistance

Total Community Support
\$2,640,282

Please note: Due to the conversion to the new ERP system, we have been unable to provide service discounts and will update this report as soon as that information is available.



AWARDS & RECOGNITION

HG&E has been recognized as a leader in safety, utility transformation, and clean energy innovation, both regionally and nationally, by a wide range of agencies over the years, including but not limited to:

- ▶ **2025 UTILITY OF THE YEAR** | from the Northeast Renewable Energy Coalition
- ▶ **2023 UTILITY TRANSFORMATION LEADERBOARD** | from the Smart Electric Power Alliance (SEPA), also received in 2021
- ▶ **SYSTEM OPERATIONAL ACHIEVEMENT RECOGNITION** | from the American Public Gas Association (APGA)
- ▶ **RELIABLE PUBLIC POWER PROVIDER** | from the American Public Power Association (APPA)
- ▶ **SMART ENERGY PROVIDER AWARD** | from the American Public Power Association (APPA)
- ▶ **CERTIFICATE OF EXCELLENCE IN RELIABILITY** | from the American Public Power Association (APPA)
- ▶ **RANKED THIRD NATIONALLY IN ENERGY STORAGE** | by the SEPA



Holyoke Gas and Electric
(Enterprise and Fiduciary Funds of the
City of Holyoke, Massachusetts)

Financial Statements and
Supplementary Information

December 31, 2025 and 2024

Holyoke Gas and Electric (Enterprise and Fiduciary Funds of the City of Holyoke, Massachusetts)

Table of Contents
December 31, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	25
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	28
Financial Statements	
Holyoke Gas and Electric:	
Statements of Net Position	37
Statements of Revenues, Expenses and Changes in Net Position	39
Statements of Cash Flows	40
Holyoke Gas and Electric OPEB Trust:	
Statements of Fiduciary Net Position - Fiduciary Fund	42
Statements of Changes in Fiduciary Net Position - Fiduciary Fund	43
Notes to Financial Statements	44
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability	94
Schedule of Contributions - Pension	94
Schedule of Changes of the Net OPEB Liability	95
Schedule of Contributions - Other Post-Employment Benefits	96
Notes to Required Supplementary Information - Pensions	97
Notes to Required Supplementary Information - Other Post-Employment Benefits	98
Supplementary Information	
Schedules of Operating Revenues and Expenses - Gas Division	101
Schedules of Operating Revenues and Expenses - Electric and Telecommunications Divisions	102

Independent Auditors' Report



To the Board of Commissioners of
Holyoke Gas and Electric

Opinions

We have audited the financial statements of Holyoke Gas and Electric and Holyoke Gas and Electric OPEB Trust, enterprise and fiduciary funds of the City of Holyoke, Massachusetts, respectively, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements. Hereafter, the funds will collectively be referred to as Holyoke Gas and Electric.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Holyoke Gas and Electric as of December 31, 2025 and 2024, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). The 2024 audit was not conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Holyoke Gas and Electric and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Massachusetts Clean Energy Cooperative Corporation, a blended component unit of Holyoke Gas and Electric, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Holyoke Gas and Electric enterprise and fiduciary funds and do not purport to, and do not, present fairly the financial position of the City of Holyoke, Massachusetts, as of December 31, 2025 and 2024 and the respective changes in financial position or cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Holyoke Gas and Electric's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2026 on our consideration of Holyoke Gas and Electric's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holyoke Gas and Electric's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holyoke Gas and Electric's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
April 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)

Years Ended December 31, 2025 and 2024

The management of Holyoke Gas & Electric (HG&E) offers all persons interested in the financial position of the utility this narrative overview and analysis of the utility's financial performance during the years ending December 31, 2025 and 2024. You are invited to read this narrative in conjunction with the utility's financial statements.

Financial Highlights

Operating Revenue

- Operating revenues increased by \$4,728,510 (5%) in 2025.
- Electric operating revenues increased by \$55,483 (0.1%), reflecting higher sales across all rate classes driven by a colder winter and warmer summer compared to 2024. These increases were offset by a \$1,752,922 decrease in renewable energy certificate (REC) revenue, as REC availability declined due to lower generation during the latter half of 2024 and the first half of 2025.
- Gas operating revenues increased by \$4,673,027 (20%), primarily due to a higher purchased gas adjustment (PGA) and increased unit sales. The PGA increased 24% from 2024 as a result of higher market gas prices, while unit sales increased 9% due to colder weather conditions.

Fuel Cost

- Fuel costs increased by \$7,574,046 (22%) in 2025.
- Electric fuel expenses increased by \$5,493,761 (22%), reflecting higher system loads at increased prices, lower hydroelectric generation, and higher transmission costs associated with increased demand at higher rates.
- Gas fuel expenses increased by \$2,080,285 (23%), driven by higher pipeline gas prices and increased unit sales during the year.

Non-Fuel Cost

- Non-fuel expenses increased by \$2,080,248 (7%) in 2025. This increase was primarily attributable to a \$1,084,303 (35%) increase in actuarially determined pension expense, along with higher costs related to the Department's enterprise resource planning (ERP) system conversion.
- Depreciation expense increased by \$281,625 (3%) due to continued investment in capital improvement and replacement projects.

Other Revenue

- Other revenues increased by \$2,696,795 (49%) in 2025, reflecting improved performance of the Department's investment portfolios. Investment gains totaled \$9,791,521 in 2025 compared to \$7,088,380 in 2024.

Net Position

- Total net position increased by \$18,515,739 in 2025 as a result of the combined operations of HG&E, Holyoke Solar Cooperative, and the Massachusetts Clean Energy Cooperative. Overall, the Department reported strong financial performance during the year.

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024

Overview of the Financial Statements/Using This Report

The HG&E Commission is a three member board comprised of three local citizens. Nominated by the mayor and approved by the city council, each member has a six year term when approved. One member comes up for re-appointment every two years on a rotating schedule. HG&E provides electric, gas and telecommunications services to the City of Holyoke.

The gas division has a distribution system that covers the City and the eastern portion of Southamptton, Massachusetts. There are approximately 11,500 meters and 184 miles of main pipes. The division also operates a liquefied natural gas plant that is used to meet peak demand during the winter months. In addition to these services, gas and electric appliance repair is offered to customers.

The electric division operates and maintains three substations, 148+ miles of pole lines, 45+ miles of underground distribution, 9.25 miles of overhead transmission, 2,565 transformers and 4,210 streetlights. There are 17,530 electric customers.

HG&E also owns and operates over 50 MW of hydro-electric generation capacity within the City of Holyoke. The Holyoke Gas & Electric hydroelectric system, including the Hadley Falls Dam and the Holyoke Canal hydro facilities, generated a total of 188,708 MWh of net generation which continued to help drive down the overall cost of power.

The Department is a member of the Massachusetts Municipal Wholesale Electric Company (MMWEC), a public corporation and a political subdivision of the Commonwealth of Massachusetts. Through MMWEC, HG&E has partial ownership (entitlements) to the following projects; Stony Brook Peaking Unit, Millstone Unit # 3, Seabrook Nuclear Power Station and Northeast Reliability Center.

In addition to offering some of the lowest electric rates in the Commonwealth, in 2025, 5.88% of HG&E's electricity sold at retail was considered renewable according to the Massachusetts Renewable Portfolio Standard (RPS) and 45.60% of HG&E's electricity sold at retail is considered carbon free

Other

Please refer to the table of contents for the various sections included in this report. The utility is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the utility.

- The Statement of Net Position includes all of the utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.
- The Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the utility's financial health.
- The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024

Utility Financial Analysis

An analysis of the utility's financial position begins with a review of the Statements of Net Position, and the Statements of Revenues, Expenses and Changes in Net Position. These two statements report the utility's net position and changes therein. The utility's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is key to measuring the financial health of the utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position can also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions and new regulations.

A summary of the utility's Statements of Net Position is presented below in Table 1.

Table 1
Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current and Other Assets	\$ 137,586,615	\$ 123,596,811	\$ 120,439,382
Capital Assets	<u>212,056,767</u>	<u>198,389,560</u>	<u>183,069,190</u>
TOTAL ASSETS	<u>349,643,382</u>	<u>321,986,371</u>	<u>303,508,572</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>12,500,713</u>	<u>10,190,967</u>	<u>11,373,451</u>
Long-term Debt Outstanding	64,351,306	63,314,309	70,011,218
Other Liabilities	<u>53,630,809</u>	<u>48,316,618</u>	<u>48,054,597</u>
TOTAL LIABILITIES	<u>117,982,115</u>	<u>111,630,927</u>	<u>118,065,815</u>
DEFERRED INFLOWS OF RESOURCES	64,972,804	59,872,974	57,309,737
Net Investment in Capital Assets	147,218,302	137,584,621	118,761,530
Restricted for Debt Service	3,870,906	3,756,434	3,890,322
Restricted for OPEB	8,605,357	5,984,422	1,414,455
Restricted for Customer Deposits	-	37,117	28,094
Unrestricted	19,494,611	13,310,843	15,412,070
TOTAL NET POSITION	<u>\$ 179,189,176</u>	<u>\$ 160,673,437</u>	<u>\$ 139,506,471</u>

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024

Current and other assets increased by \$13,989,804 (11.3%) in 2025, primarily due to favorable investment market performance, an increase in the Departments' actuarially determined OPEB net asset, and a \$3,096,415 increase in miscellaneous receivables related to grant funds not received by year-end.

Net capital assets increased by \$13,667,207 (6.89%) as the Department continued its capital improvement and replacement program, investing \$22,995,443 during the year. Significant projects included \$7,085,828 for liquefied natural gas (LNG) plant improvements and \$3,093,415 for additional cast iron main replacements funded through a federal grant. These additions were partially offset by \$9,493,429 in depreciation expense and the retirement of \$960,831 of assets no longer in service.

Long-term debt outstanding increased by \$1,036,997 (2%), reflecting scheduled principal repayments offset by the issuance of \$7,834,368 in new debt to support three major multi-year capital projects.

Other liabilities increased by \$5,314,191 (11%), driven primarily by a \$2,079,766 (8%) increase in the actuarially determined net pension liability and a \$2,565,621 (33%) increase in accounts payable, largely due to the timing of year-end check processing.

Table 2
Condensed Statement of Revenue, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUES	<u>\$ 94,509,602</u>	<u>\$ 89,781,092</u>	<u>\$ 88,679,652</u>
OPERATING EXPENSES	<u>82,714,885</u>	<u>72,778,968</u>	<u>71,943,406</u>
Operating Income	<u>11,794,717</u>	<u>17,002,124</u>	<u>16,736,246</u>
OTHER REVENUES (EXPENSES)	<u>8,170,231</u>	<u>5,473,436</u>	<u>6,056,889</u>
Change in Net Position before Transfers	<u>19,964,948</u>	<u>22,475,560</u>	<u>22,793,135</u>
TRANSFERS	<u>(1,449,209)</u>	<u>(1,308,594)</u>	<u>(1,194,569)</u>
Change in Net Position	<u>18,515,739</u>	<u>21,166,966</u>	<u>21,598,566</u>
NET POSITION - Beginning of Year	160,673,437	139,506,471	117,907,905
NET POSITION - End of Year	<u>\$ 179,189,176</u>	<u>\$ 160,673,437</u>	<u>\$ 139,506,471</u>

As previously noted, the Statement of Net Position shows the change in financial position. The specific nature or source of these changes then becomes more evident in the Statements of Revenues, Expenses and Changes in Net Position as shown above in Table 2.

During 2025, operating revenues increased by \$4,728,510 (5%). This increase in revenue was due to a combination of overall higher gas and electric sales revenue as a result of a colder winter and warmer summer which was offset by lower REC sales.

Operating expenses increased by \$9,935,917 (13.65%) overall. This was due to an increase in gas and electric fuel expenses during the year as a result of increased unit sales at higher prices during the year.

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024

The Departments' total net position increased by \$18,515,739 in 2025 from the combined activities of HG&E, Holyoke Solar Cooperative, and the Massachusetts Clean Energy Cooperative. This increase was primarily due to an increase in the market value of investments experienced during the year and overall strong operating results. Changes in the Department's net operating income and overall net position are discussed in more detail in the financial highlights section.

Table 3
Condensed Statements of Cash Flows

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 18,847,919</u>	<u>\$ 22,601,334</u>	<u>\$ 21,994,904</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>9,921,294</u>	<u>10,559,319</u>	<u>7,012,029</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(1,449,209)</u>	<u>(1,308,594)</u>	<u>(1,194,569)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(20,215,334)</u>	<u>(29,698,852)</u>	<u>(23,469,097)</u>
Increase in Cash and Cash Equivalents	7,104,670	2,153,207	4,343,267
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>84,285,502</u>	<u>82,132,295</u>	<u>77,789,028</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 91,390,172</u>	<u>\$ 84,285,502</u>	<u>\$ 82,132,295</u>
NONCASH FINANCING ACTIVITY			
Loss on retirement of fixed assets	<u>\$ 253,955</u>	<u>\$ 278,628</u>	<u>\$ 373,306</u>
Amortization	<u>\$ 274,431</u>	<u>\$ 265,723</u>	<u>\$ 257,384</u>
Lease receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cash flows from operating activities decreased by \$3,753,415 in 2025, primarily due to higher overall operating costs during the year.

Cash flows from investing activities decreased by \$638,025 in 2025.

Cash flows from capital and related financing activities increased by \$9,483,518 in 2025, reflecting the issuance of new debt and higher capital expenditures during the year.

As a result, cash and cash equivalents increased by \$2,153,207 at year-end.

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024

Table 4
Capital Assets – Electric

Electric			
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Capital Assets			
Land	\$ 4,714,850	\$ 4,714,850	\$ 4,709,783
Plant, Property, and Equipment	<u>261,481,931</u>	<u>239,707,124</u>	<u>234,467,451</u>
TOTAL CAPITAL ASSETS	266,196,781	244,421,974	239,177,234
Construction Work in Progress	3,627,147	17,282,813	5,140,028
Less: Accumulated Depreciation	<u>(109,076,358)</u>	<u>(102,740,925)</u>	<u>(96,680,918)</u>
NET CAPITAL ASSETS - ELECTRIC	<u>\$ 160,747,570</u>	<u>\$ 158,963,862</u>	<u>\$ 147,636,344</u>

Electric plant, property, and equipment increased by \$1,783,708 (1%) in 2025, reflecting continued investment in substation, transmission, and distribution infrastructure replacements.

Table 5
Capital Assets – Gas

Gas			
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Capital Assets			
Land	\$ 236,856	\$ 236,856	\$ 236,856
Plant, Property, and Equipment	<u>81,134,823</u>	<u>74,305,289</u>	<u>69,592,481</u>
TOTAL CAPITAL ASSETS	81,371,679	74,542,145	69,829,337
Construction Work in Progress	9,210,319	2,207,776	1,233,905
Less: Accumulated Depreciation	<u>(39,272,801)</u>	<u>(37,324,223)</u>	<u>(35,630,396)</u>
NET CAPITAL ASSETS - GAS	<u>\$ 51,309,197</u>	<u>\$ 39,425,698</u>	<u>\$ 35,432,846</u>

Gas plant, property, and equipment increased by \$11,883,499 (30%) in 2025, reflecting continued replacement of bare steel and cast iron services and mains, additional cast iron main replacements funded by a federal grant, and upgrades to the Department's liquefied natural gas facility.

Further details on capital assets are included in Note 3.

Holyoke Gas & Electric

Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024

Long-Term Debt

As of December 31, 2025, Holyoke Gas & Electric had \$46,680,000 in bonds payable, \$9,836,938 in notes payable and \$7,834,368 in a LOC payable. Long-term debt increased by \$1,036,997 reflecting scheduled principal repayments offset by the issuance of \$7,834,368 in new debt during the year.

Details of the existing debt are included in Note 8.

Currently Known Facts/Economic Conditions

HG&E continues its aggressive maintenance and capital improvement program to upgrade its infrastructure in order to maintain system reliability performance objectives for all facets of the operation. The Massachusetts Executive Office of Energy and Environmental Affairs (EEA) continues to promulgate rules relating to recent climate legislation that was passed by the State legislature and signed by the Governor. Municipal Light Plants (MLP's), such as HG&E, have historically been largely exempt from EEA regulation consistent with applicable statutes. Several of the draft rules currently under consideration contemplate that MLP's would be subject to the new regulations regarding electrification of the heating and transportation sectors as well as energy efficiency and reporting. There would be a significant impact on utility rates if MLP's are required to comply with the draft regulations and HG&E is working with several MLP industry groups to oppose the applicability to MLP's of the draft rules.

Contacting Utility's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Utility's finances. If you have questions about this report, or need additional financial information, contact Holyoke Gas & Electric Department at 99 Suffolk St, Holyoke Massachusetts 01040 or (413) 536 9300.

BASIC FINANCIAL STATEMENTS

Holyoke Gas and Electric

Statements of Net Position

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 43,785,771	\$ 35,584,019
Restricted assets:		
Redemption account	4,373,956	4,299,726
Customer accounts receivable, net	10,042,165	8,573,499
Note receivable, current portion	425,294	391,143
Materials and supplies	5,801,008	5,702,205
Fuel for electric generation and gas in storage	627,190	531,969
Prepaid expense	4,129,882	4,085,845
Other receivables	4,388,444	1,159,308
	<u>73,573,710</u>	<u>60,327,714</u>
Noncurrent Assets		
Restricted assets:		
Accounts required under bond indenture/note payable	6,071,665	7,389,088
Net OPEB asset	8,605,357	5,984,422
Customers' deposits	1,808,905	1,833,001
Note receivable, after one year	2,980,447	3,405,741
Customer Energy Conservation Assistance	1,958,964	1,716,777
Other assets:		
Purchased power accounts	445,616	405,186
Rate stabilization accounts	40,415,009	40,415,009
Regulatory asset, debt issuance cost	456,374	521,570
Costs recoverable in future, pollution	86,675	83,260
Other investments	188,390	188,390
Lease receivable	598,837	863,321
Intangible assets	396,666	463,332
Capital assets:		
Plant, property and equipment in service	347,568,461	318,964,119
Construction in progress	12,837,465	19,490,589
	<u>360,405,926</u>	<u>338,454,708</u>
Less accumulated depreciation	<u>(148,349,159)</u>	<u>(140,065,148)</u>
	<u>212,056,767</u>	<u>198,389,560</u>
Total noncurrent assets	<u>276,069,672</u>	<u>261,658,657</u>
Total assets	<u>349,643,382</u>	<u>321,986,371</u>
Deferred Outflows of Resources		
OPEB related amounts	226,566	324,388
Pension related amounts	12,274,147	9,866,579
	<u>12,500,713</u>	<u>10,190,967</u>

See notes to financial statements

Holyoke Gas and Electric

Statements of Net Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 10,306,134	\$ 7,743,513
Accrued liabilities	2,079,181	1,172,585
Current portion, accrued compensated absences	315,388	383,769
Accrued environmental costs	86,675	83,260
Current portion, leases	214,461	205,368
Current portion, notes payable	895,542	912,369
Liabilities payable from restricted assets:		
Current portion, bonds payable	5,960,000	5,885,000
Customers' deposits	1,853,045	1,795,884
Accrued interest	503,050	543,293
	<u>22,213,476</u>	<u>18,725,041</u>
Long-Term Liabilities		
Bonds payable, long-term	40,720,000	46,680,000
Notes payable, long-term	8,941,396	9,836,940
Line of credit, long-term	7,834,368	-
Leases payable, long term	3,236,506	3,450,968
Accrued compensated absences	3,893,298	3,723,681
Unearned revenue	2,146,860	2,297,852
Net pension liability	28,996,211	26,916,445
	<u>95,768,639</u>	<u>92,905,886</u>
	<u>117,982,115</u>	<u>111,630,927</u>
Deferred Inflows of Resources		
Regulatory deferral	16,338,797	11,896,756
Gain on refunding on debt	939,805	1,074,063
Lease related amounts	863,320	1,116,634
Pension related amounts	142,229	387,602
OPEB related amounts	6,273,644	4,982,910
Rate stabilization reserve	40,415,009	40,415,009
	<u>64,972,804</u>	<u>59,872,974</u>
Net Position		
Net investment in capital assets	147,218,302	137,584,621
Restricted for debt service	3,870,906	3,756,434
Restricted for OPEB	8,605,357	5,984,422
Restricted for customer deposits	-	37,117
Unrestricted	19,494,611	13,310,843
	<u>\$ 179,189,176</u>	<u>\$ 160,673,437</u>

See notes to financial statements

Holyoke Gas and Electric

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Gas charges for service	\$ 28,573,032	\$ 23,900,005
Electric and telecommunications charges for service	<u>65,936,570</u>	<u>65,881,087</u>
Total operating revenues	<u>94,509,602</u>	<u>89,781,092</u>
Operating Expenses		
Gas operation and maintenance	22,008,735	18,660,086
Depreciation/amortization, gas plant and equipment	<u>2,204,074</u>	<u>2,061,900</u>
Total gas operating expenses	<u>24,212,809</u>	<u>20,721,986</u>
Electric and telecommunications operation and maintenance	51,569,624	45,263,978
Depreciation/amortization, electric and telecom plant and equipment	<u>6,932,452</u>	<u>6,793,004</u>
Total electric and telecommunications operating expenses	<u>58,502,076</u>	<u>52,056,982</u>
Total operating expenses	<u>82,714,885</u>	<u>72,778,968</u>
Operating Income		
Gas	4,360,223	3,178,019
Electric and telecommunications	<u>7,434,494</u>	<u>13,824,105</u>
Total operating income	<u>11,794,717</u>	<u>17,002,124</u>
Nonoperating Revenues (Expenses)		
Investment income, net of fees	4,537,115	4,233,797
Net gain (loss) on investments	5,254,406	2,854,583
Interest expense	(1,568,012)	(1,677,589)
Miscellaneous income (expense)	1,009,715	872,992
Amortization of intangible assets	(66,667)	(66,667)
Net gain (loss), plant retirements	(960,831)	(632,091)
Net gain (loss), merchandise jobbing	20,184	(31,460)
Taxes, other	<u>(55,679)</u>	<u>(80,129)</u>
Total other revenues (expenses)	<u>8,170,231</u>	<u>5,473,436</u>
Change in net position before transfers	19,964,948	22,475,560
Transfers		
Payment in lieu of taxes, City of Holyoke	<u>(1,449,209)</u>	<u>(1,308,594)</u>
Change in net position	18,515,739	21,166,966
Net Position, Beginning	<u>160,673,437</u>	<u>139,506,471</u>
Net Position, Ending	<u>\$ 179,189,176</u>	<u>\$ 160,673,437</u>

See notes to financial statements

Holyoke Gas and Electric

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 93,519,079	\$ 89,950,837
Cash paid to suppliers	(54,688,578)	(47,938,445)
Cash paid to employees	(19,982,582)	(19,411,058)
Net cash flows from operating activities	<u>18,847,919</u>	<u>22,601,334</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,931,953	6,975,869
Purchase of investments	(1,802,180)	(3,504,930)
Investment income (loss), net of fees	9,791,521	7,088,380
Net cash flows from investing activities	<u>9,921,294</u>	<u>10,559,319</u>
Cash Flows From Noncapital Financing Activities		
Payment in lieu of taxes and other property taxes	(1,449,209)	(1,308,594)
Net cash flows from noncapital financing activities	<u>(1,449,209)</u>	<u>(1,308,594)</u>
Cash Flows From Capital and Related Financing Activities		
Net investment in plant, property and equipment	(19,644,065)	(21,294,091)
Proceeds from line of credit	7,834,368	-
Payments on bonds and notes payable	(6,797,371)	(6,696,908)
Interest paid on bonds, notes and leases payable	(1,608,266)	(1,707,853)
Net cash flows from capital and related financing activities	<u>(20,215,334)</u>	<u>(29,698,852)</u>
Increase in cash and cash equivalents	7,104,670	2,153,207
Cash and Cash Equivalents, Beginning	<u>84,285,502</u>	<u>82,132,295</u>
Cash and Cash Equivalents, Ending	<u>\$ 91,390,172</u>	<u>\$ 84,285,502</u>
Supplemental Noncash Financing Activity		
Loss on retirement of fixed assets	\$ 253,955	\$ 278,628
Amortization	<u>\$ 274,431</u>	<u>\$ 265,723</u>

See notes to financial statements

Holyoke Gas and Electric

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Schedule of Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating income	\$ 11,794,717	\$ 17,002,124
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	9,136,526	8,854,904
Amortization of regulatory deferral	356,904	336,513
Nonoperation Income	633,127	429,018
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,468,664)	(350,235)
Materials and supplies	(98,803)	(559)
Fuel for electric generation and gas in storage	(95,221)	313,115
Prepaid expense	(44,015)	(555,564)
Other receivables	378,666	318,489
Energy Conservation Assistance	(242,187)	(12,773)
Accounts payable	1,178,164	1,043,528
Customers' deposits	57,161	36,423
Accrued liabilities	513,325	173,516
Accrued compensated absences	101,236	160,391
Rate stabilization related deferrals	(253,314)	(242,615)
Pension and OPEB related deferrals and liabilities	(3,096,288)	(4,902,091)
Accrued environmental costs	(3,415)	(2,850)
	<u>7,053,202</u>	<u>5,599,210</u>
Total adjustments		
	<u>7,053,202</u>	<u>5,599,210</u>
Net cash provided by operating activities	<u>18,847,919</u>	<u>22,601,334</u>
Reconciliation of Cash and Cash Equivalents to the		
Statements of Net Position		
Cash and investments	43,785,771	35,584,019
Redemption account	4,373,956	4,299,726
Accounts required under bond indenture/note payable	6,071,665	7,389,088
Customer deposits	1,808,905	1,833,001
Purchased power accounts	445,616	405,186
Rate stabilization accounts	40,415,009	40,415,009
Other investments	188,390	188,390
	<u>97,089,312</u>	<u>90,114,419</u>
Total cash and investments		
	<u>97,089,312</u>	<u>90,114,419</u>
Less noncash equivalents	<u>(5,699,140)</u>	<u>(5,828,917)</u>
Cash and cash equivalents	<u>\$ 91,390,172</u>	<u>\$ 84,285,502</u>

See notes to financial statements

Holyoke Gas and Electric OPEB Trust

Statements of Fiduciary Net Position - Fiduciary Fund
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Noncurrent Assets		
Investments	<u>\$ 28,297,546</u>	<u>\$ 24,558,592</u>
Total assets	<u>\$ 28,297,546</u>	<u>\$ 24,558,592</u>
Net Position		
Net Position Restricted for OPEB	<u>\$ 28,297,546</u>	<u>\$ 24,558,592</u>

See notes to financial statements

Holyoke Gas and Electric OPEB Trust

Statements of Changes in Fiduciary Net Position - Fiduciary Fund
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Additions		
Investment income (loss)	\$ 3,829,812	\$ 2,775,062
Employee contributions, direct payment of member benefits	428,569	405,771
Employer contributions, direct payment of member benefits	<u>665,456</u>	<u>590,860</u>
Total additions	<u>4,923,837</u>	<u>3,771,693</u>
Deductions		
Benefit payments, including refunds of member contributions	1,094,025	996,631
Advisory fees	<u>90,858</u>	<u>81,782</u>
Total deductions	<u>1,184,883</u>	<u>1,078,413</u>
Net increase in net position	3,738,954	2,693,280
Net Position, Beginning	<u>24,558,592</u>	<u>21,865,312</u>
Net Position, Ending	<u><u>\$ 28,297,546</u></u>	<u><u>\$ 24,558,592</u></u>

See notes to financial statements

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

1. Summary of Significant Accounting Policies

The accounting policies of Holyoke Gas and Electric (Department) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

The financial statements present information on the activities of the Department, an enterprise fund of the City of Holyoke, Massachusetts (the City) and its component units, Holyoke Solar Cooperative (the Solar Cooperative) and Massachusetts Clean Energy Cooperative Corporation (the Clean Energy Cooperative).

The Department provides gas, electric, hydro and telecommunications services to its customers, substantially all of whom are local residents and commercial and industrial businesses. Approximately 70% and 71% of the Department's revenues were derived from its electric division in 2025 and 2024, respectively.

Blended Component Units

The Holyoke Solar Cooperative (Solar Coop) is a cooperative organized in Massachusetts, in December 2010 and is owned by the Department (its original Member). Solar Coop engages in transactions associated with the purchase, acquisition, distribution, sale, resale, supply and disposition of energy or energy-related services to wholesale or retail customers. The Solar Coop is included in the enterprise fund. The Solar Coop does not issue separate financial statements.

The Massachusetts Clean Energy Cooperative Corporation (Clean Energy Coop) was organized in Massachusetts, in March 2013. The initial members are the Department and the Massachusetts Municipal Wholesale Electric Company (MMWEC). The business of the Clean Energy Coop is managed by the board of directors, a majority of which consist of members of the Department's management or Commission. The Clean Energy Coop was formed to finance, purchase, own, lease or otherwise acquire, hold and use property; transact any business associated with the property; and the purchase, acquisition, generation, transformation, distribution, sale, resale, supply and provision of energy and telecommunications products and services, which will include, but is not limited to, the purchase and sale of the electrical capacity of the Hadley Falls Station hydroelectric generator unit #1 and #2 in Holyoke. The Clean Energy Coop is included in the enterprise fund. Separately issued financial statements of the Clean Energy Coop may be obtained from the Department's office.

The Cooperatives are organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and are subject to the same federal and state laws and regulations applicable to municipal lighting plants or other public entities that provide those services.

All intercompany account balances and transactions have been eliminated in the basic financial statements.

Other Postemployment Benefit (OPEB) Trust

The OPEB Trust fund is a fiduciary fund that is used to account for and report resources that are required to be held in trust for the members and beneficiaries of the OPEB plan. The OPEB Trust was established in October 2014.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Rate Regulation

The rates of the Department are approved by the Department's Board of Commissioners. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the rates are not subject to DPU approval.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Department is presented as an enterprise and fiduciary fund of the City. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or when the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability. The OPEB trust fund is used to report resources that are held in trust by the Department for the members and beneficiaries of the defined benefit postemployment welfare plan. The financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Department and OPEB trust, considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investments

Investments totaling \$20,390 represent the cost of the Department's equity in New England HydroTransmission Corporation and New England Hydro-Transmission Electric Company. These investments represent 0.2653% of the issued common stock of these untraded companies. In addition, the Department has invested \$168,000 with the Public Utility Mutual Insurance Company (PUMIC). See Note 14 for additional information related to PUMIC. These investments are carried at original cost.

Investments in debt and equity securities are recorded at fair value (see Note 2).

Investments of the fiduciary fund are limited to investing in assets as a prudent investor would, by considering purposes, terms, distribution requirements and other circumstances of the trust.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Designated Accounts

Purchased power funds are on deposit with Massachusetts Municipal Wholesale Electric Company (MMWEC) to pay for energy and related services as required under existing agreements.

The Department established a rate stabilization reserve which will be used for rate stabilization in the development of future rates and allow the Department to remain competitive under various market conditions by either purchasing replacement power or using reserves to mitigate the Department's exposure. Each year the Department determines the amount to be charged or credited to the reserve. The Department has set aside funds which will be used to offset these reserves. The reserve balance at December 31, 2025 and 2024 is \$40,415,009, with corresponding amounts reported as deferred inflows of resources. In 2025 and 2024, the Department credited and charged a balance of \$0 to the rate stabilization fund.

Accounts Receivable

Accounts receivable are stated net of an allowance for uncollectible accounts of \$749,267 at December 31, 2025 and 2024. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the valuation allowance based on its collection history and its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Customer Energy Conservation Assistance

Customer energy conservation assistance are receivables from residential and commercial customers for assistance provided by the Department to make energy efficient improvements to their property, secured by municipal liens. Assistance amounts and terms vary based on the project type but are required to be repaid to the Department over a term generally between three to five years with 0% interest.

Materials, Supplies and Fuel

Materials, supplies and fuel are valued at the lower of cost or market utilizing the average cost method. All materials are intended to be used in operations and are not intended for resale.

Prepaid Expense

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. This includes the purchase of prepaid power. MMWEC requires a working capital fund for which it holds a set amount of capital from which it may pay power obligations when they are due. The funds are replenished as needed from payments of monthly invoices. The balance in the working capital funds as of December 31, 2025 and 2024 was \$2,524,700.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Plant, Property and Equipment

Capital assets (including right-to-use lease assets) are generally defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Additions to and replacements of plant, property and equipment are recorded at cost or the estimated acquisition value at the time of contribution. The cost of plant, property and equipment retired, less accumulated depreciation and salvage, is charged against revenue in the year retired. The cost of repairs and minor renewals is charged to maintenance expense.

Leases

The Department is a lessor because it leases capital assets to other entities. As a lessor, the Department reports a lease receivable and corresponding deferred inflow of resources in the financial statements. The Department continues to report and depreciate the capital assets being leased as capital assets. The Department has a policy to recognize leases over \$100,000 as a lease receivable.

The Department is a lessee because it leases capital assets from other entities. As a lessee, the Department reports a lease payable and corresponding right-of-use asset in the financial statements. The Department has a policy to recognize leases over \$100,000 as a lease liability and right-of-use asset. Lease assets are typically amortized over the lease term.

Intangible Assets

Intangible assets are recorded at cost. Intangible assets subject to amortization include a franchise area fee to sell the electrical output associated with the December 2001 hydroelectric project purchase. Franchise fees are being amortized on a straight-line basis over the remaining lives of the respective licenses.

Line of Credit, Margin Credit Account

The Department is able to draw funds through the use of a margin account with their investment advisor. The investments held in the Department's investment account with their investment advisor are considered collateral for the borrowing. If the investments in the margin account decline in value, so does the value of the collateral supporting the borrowing and, as a result, the investment advisor may take action, such as issue a margin call or sell investments or other assets held in any of the Department's accounts held with the investment advisor. These funds received are recorded as a current liability and the subsequent investment as a restricted asset. No funds were outstanding on the margin account in 2025 and 2024. The margin line of credit is still open and available for the Department to use in the future.

Environmental Matters

Expenditures that result from the remediation of an existing condition caused by past operations and that do not contribute to current or future revenues are expensed. Liabilities are recognized for remedial activities when the cleanup is probable and the cost can be reasonably estimated. A related asset for pollution costs recoverable in future has been recorded according to the General Standards of Accounting for the Effects of Regulation included in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Pensions

For purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Holyoke Retirement System (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Net OPEB Liability (Asset)

For purposes of measuring the net OPEB liability (asset), deferred outflows and inflow of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City of Holyoke's OPEB Plan (the Plan) administered to Department employees through the Department's Trust and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Energy Tax

The Department is required to collect, on behalf of the State of Massachusetts, an energy tax based on 6.25% of gross sales to its commercial customers. The Department's policy is to exclude these energy taxes from revenue when collected and expenses when paid and instead, record the collection and payment of energy taxes through a liability account.

Compensated Absences

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on length of services. Compensated absences, which have been earned and more likely than not to be paid or used, have been accrued in the accompanying consolidated financial statements, based on current rates of pay.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond premiums, issuance costs and gains/losses on bond refunding are being amortized using the effective-interest method over the lives of the bonds. The balance at year-end for premiums is shown as an increase in the liability section of the statement of net position. The Department uses regulatory accounting to defer and amortize issuance costs in a manner similar to how they will be recovered in rates.

Unearned Revenues

In prior years, the Department collected charges from customers that will be used to pay for future pollution remediation costs. In the event that fees collected are in excess of actual pollution remediation costs, these charges may require refunds to customers and are therefore classified as a liability on the statement of net position. The Department stopped collecting charges from customers on January 1, 2019 as management believes the amounts collected to date are sufficient to cover future pollution remediation costs.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Regulatory Deferral

Regulatory deferral amounts represent reimbursements on infrastructure projects and customer/developer contributions that will be depreciated and recognized as revenue in matching amounts over future periods.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that future time.

Net Position

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, less accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Net position is restricted when constraints placed on its use are either: (1) externally imposed by creditors [such as through debt covenants], grantors, contributors or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. The Department's restricted net position, as of December 31, 2025 and 2024, is related to the bond debt fund requirements.

Unrestricted net position represents the net amount of assets and liabilities that are not invested in property, plant and equipment or restricted for debt service.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

Revenue Recognition

The Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services. Operating expenses for an enterprise fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not making this definition are reported as nonoperating revenues and expenses.

Operating revenues are recognized on the basis of cycle billings rendered monthly, net of discounts. Revenues are not accrued for services delivered beyond such cycle billing dates.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Discounts reported for the years ended December 31, 2025 and 2024 that have directly reduced operating revenue in the statement of revenue, expenses and changes in net position are as follows:

	<u>2025</u>	<u>2024</u>
Gas	\$ 3,172,765	\$ 2,265,440
Electric	<u>5,360,064</u>	<u>4,727,854</u>
Total	<u>\$ 8,532,829</u>	<u>\$ 6,993,294</u>

Expense Allocation

Expenses associated with a particular division of the Department are charged to that division. For the years ended December 31, 2025 and 2024, shared expenses including administrative and supporting costs are allocated to each division as follows:

Gas	35%
Electric and telecommunications	65%

Depreciation

Depreciation is recorded on a straight-line basis using an annual rate of 3% of depreciable plant, property and equipment in service. The rate is in accordance with Massachusetts Department of Public Utilities regulations.

Federal Grants

The Department has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosure of Certain Capital Assets* and Statement No. 105, *Subsequent Events*.

When they become effective, application of these standards may restate portions of these financial statements.

Comparative Data

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

2. Deposits and Investments

The Department participates in a cash and investment pool maintained by the City. In addition, the Department holds certain cash separately from the pool.

Custody and use of restricted assets are subject to requirements and restrictions imposed under contractual agreements, bond indentures and the General Laws of the Commonwealth of Massachusetts and are not available for normal operating purposes. Postemployment benefit funds have been segregated by the Department to cover certain healthcare and life insurance benefits (see Note 10).

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

The Department invests various funds in debt and equity securities held by Flynn Financial Partners Ltd. and U.S. Bank. All investments must be made in securities or deposits as authorized by Massachusetts General Laws, Chapter 44, Sections 54, 55 and 55B. Investments are stated at fair value.

The Department's deposits and investments as of December 31, 2025 were comprised of the following:

	<u>Statement Balances</u>	<u>Carrying Value</u>	<u>Associated Risks</u>
Demand deposits	\$ 9,470,848	\$ 7,679,380	Custodial credit risk
Money market funds	9,604,928	9,604,928	Custodial credit risk
			Credit risk, custodial credit risk, interest rate risk,
U.S. agencies, implicitly guaranteed	2,257,228	2,257,228	concentration of credit risk
U.S. treasuries	1,621,118	1,621,118	Custodial credit risk, interest rate risk
Mutual funds, bond funds	30,247,359	30,247,359	Credit risk, interest rate risk
Mutual funds, other than bond funds	43,858,502	43,858,502	N/A
Corporate bonds	948,155	948,155	Custodial credit risk, credit risk, interest rate risk,
			concentration of credit risk
State and local bonds	<u>872,642</u>	<u>872,642</u>	Custodial credit risk, interest rate risk,
			concentration of credit risk
Total, department	<u>98,880,780</u>	<u>97,089,312</u>	
OPEB Trust, demand deposits	1,065	1,065	Custodial credit risk
OPEB Trust, mutual funds, bond funds	8,048,130	8,048,130	Credit risk, Interest rate risk
OPEB Trust, mutual funds, other than bond funds	<u>20,248,351</u>	<u>20,248,351</u>	N/A
Total OPEB trust	<u>28,297,546</u>	<u>28,297,546</u>	
Grand total	<u>\$ 127,178,326</u>	<u>\$ 125,386,858</u>	
Reconciliation to Statement of Net Position:			
Cash and investments		\$ 43,785,771	
Redemption account		4,373,956	
Accounts required under bond indenture/notes payable		6,071,665	
Customer deposits		1,808,905	
Purchased power accounts		445,616	
Rate stabilization accounts		40,415,009	
Other investments		188,390	
OPEB Trust, statement of fiduciary net position (separate financial statement)		<u>28,297,546</u>	
Total		<u>\$ 125,386,858</u>	

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

The Department's deposits and investments at as of December 31, 2024 were comprised of the following:

	<u>Statement Balances</u>	<u>Carrying Value</u>	<u>Associated Risks</u>
Demand deposits	\$ 7,961,171	\$ 7,944,831	Custodial credit risk
U.S. agencies, implicitly guaranteed	2,644,558	2,644,558	Credit risk, custodial credit risk, interest rate risk, concentration of credit risk
U.S. treasuries	2,155,043	2,155,043	Custodial credit risk, interest rate risk
Mutual funds, bond funds	41,104,558	41,104,558	Credit risk, interest rate risk
Mutual funds, other than bond funds	34,524,408	34,524,408	N/A
Corporate bonds	915,331	915,331	Custodial credit risk, credit risk, interest rate risk, concentration of credit risk
State and local bonds	<u>825,690</u>	<u>825,690</u>	Custodial credit risk, credit risk, interest rate risk, concentration of credit risk
Total, department	<u>90,130,759</u>	<u>90,114,419</u>	
OPEB Trust, demand deposits	608	608	Custodial credit risk
OPEB Trust, mutual funds, bond funds	7,474,345	7,474,345	Credit risk, Interest rate risk
OPEB Trust, mutual funds, other than bond funds	<u>17,083,639</u>	<u>17,083,639</u>	N/A
Total OPEB trust	<u>24,558,592</u>	<u>24,558,592</u>	
Grand total	<u>\$ 114,654,472</u>	<u>\$ 114,673,011</u>	
Reconciliation to Statement of Net Position:			
Cash and investments		\$ 35,584,019	
Redemption account		4,299,726	
Accounts required under bond indenture/notes payable		7,389,088	
Customer deposits		1,833,001	
Purchased power accounts		405,186	
Rate stabilization accounts		40,415,009	
Other investments		188,390	
OPEB Trust, statement of fiduciary net position (separate financial statement)		<u>24,558,592</u>	
Total		<u>\$ 114,673,011</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and non-interest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$500,000 of the Department's investments and \$500,000 of the OPEB Trust investments are covered by SIPC. Additionally, through Lloyds of London, accounts have securities coverage subject to a \$600 million aggregate firm limit. Coverage limits per customer are not available. The value of investments subject to Lloyds of London coverage was \$4,699,143 in 2025 and \$5,557,614 in 2024 for the Department; \$0 in 2025 and \$0 in 2024 for the OPEB trust.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Fair Value

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements as of December 31, 2025 and 2024 are as follows:

- Institutional bond quotes for U.S. government agency securities and state and local bonds
- Matrix pricing of observable market inputs for corporate bonds
- Quoted market prices for identical assets for mutual funds, bond funds and mutual funds, other than bond funds
- Quoted market prices for similar assets for certificates of deposits
- Par value for U.S. Treasury investments

The valuation levels for investments held as of December 31, 2025 and 2024 are as follows:

Investment Type	2025			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 9,604,928	\$ -	\$ -	\$ 9,604,928
U.S. agencies, implicitly guaranteed	-	2,257,228	-	2,257,228
U.S. treasuries	-	1,621,118	-	1,621,118
Mutual funds, bond funds	30,247,359	-	-	30,247,359
Mutual funds, other than bond funds	43,858,502	-	-	43,858,502
Corporate bonds	-	948,155	-	948,155
State and local bonds	-	872,642	-	872,642
Total, department	83,710,789	5,699,143	-	89,409,932
OPEB Trust, mutual funds, bond funds	8,048,130	-	-	8,048,130
OPEB Trust, mutual funds, other than bond funds	20,248,351	-	-	20,248,351
Total, OPEB Trust	28,296,481	-	-	28,296,481
Grand total	\$ 112,007,270	\$ 5,699,143	\$ -	\$ 117,706,413

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Investment Type	2024			Total
	Level 1	Level 2	Level 3	
U.S. agencies, implicitly guaranteed	\$ -	\$ 2,644,558	\$ -	\$ 2,644,558
U.S. treasuries	-	2,155,043	-	2,155,043
Mutual funds, bond funds	41,104,558	-	-	41,104,558
Mutual funds, other than bond funds	34,524,408	-	-	34,524,408
Corporate bonds	-	915,331	-	915,331
State and local bonds	-	825,690	-	825,690
Total, department	75,628,966	6,540,622	-	82,169,588
OPEB Trust, mutual funds, bond funds	7,474,345	-	-	7,474,345
OPEB Trust, mutual funds, other than bond funds	17,083,639	-	-	17,083,639
Total, OPEB Trust	24,557,984	-	-	24,557,984
Grand total	\$ 100,186,950	\$ 6,540,622	\$ -	\$ 106,727,572

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that the Department's deposits may not be returned to the Department. Uninsured, uncollateralized, deposits subject to custodial credit risk were \$8,265,544 in 2025 and \$6,847,153 in 2024.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The investments listed on pages 15, and 16 associated with custodial credit risk, are exposed to this risk. The Department's investment policy addresses credit risk by defining allowable investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department does not have a formal investment policy that limits investment maturities.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

At December 31, 2025 and 2024, the Department's investments subject to interest rate risk were as follows:

	2025				
	Fair Value	Maturity in Years			
		Less Than 1	1-4	5-10	Over 10
U.S. agencies, implicitly guaranteed	\$ 2,257,228	\$ -	\$ 249,330	\$ 881,121	\$ 1,126,777
U.S. treasuries	1,621,118	-	563,703	722,465	334,950
Mutual funds, bond funds	30,247,359	30,247,359	-	-	-
OPEB, Mutual funds, bond funds	8,048,130	8,048,130	-	-	-
Corporate bonds	948,155	-	-	319,843	628,312
State and local bonds	872,642	-	-	759,368	113,274
Total	\$ 43,994,632	\$ 38,295,489	\$ 813,033	\$ 2,682,797	\$ 2,203,313

	2024				
	Fair Value	Maturity in Years			
		Less Than 1	1-4	5-10	Over 10
U.S. agencies, implicitly guaranteed	\$ 2,644,558	\$ -	\$ 244,494	\$ 1,602,386	\$ 797,678
U.S. treasuries	2,155,043	1,339,653	815,390	-	-
Mutual funds, bond funds	41,104,558	41,104,558	-	-	-
OPEB, Mutual funds, bond funds	7,474,345	7,474,345	-	-	-
Corporate bonds	915,331	-	-	307,172	608,159
State and local bonds	825,690	-	-	719,275	106,415
Total	\$ 55,119,525	\$ 49,918,556	\$ 1,059,884	\$ 2,628,833	\$ 1,512,252

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department does not have a separate formal policy regarding credit risk.

As of December 31, 2025 and 2024, the Department's investments were rated as follows:

Investment Type	2025		
	Standard & Poor's	Moody's Investment Service	Composite
U.S. agencies, implicitly guaranteed	AA+	AA1	N/A
Mutual funds, bond funds	N/A	N/A	B to BBB
Corporate bonds	A+	A2	N/A
State and local bonds	AAA	AAA	N/A
OPEB, Mutual funds, bond funds	N/A	N/A	B to BBB

Investment Type	2024		
	Standard & Poor's	Moody's Investment Service	Composite
U.S. agencies, implicitly guaranteed	AA+	AAA	N/A
Mutual funds, bond funds	N/A	N/A	B to BBB
Corporate bonds	A+	A1	N/A
State and local bonds	AAA	AA1	N/A
OPEB, Mutual funds, bond funds	N/A	N/A	B to BBB

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department's investment in a single issuer. In 2025 and 2024, there were no investments in any one issuer that represented greater than 5% of total investments.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

3. Plant, Property and Equipment

Plant, property and equipment as of December 31, 2025 consist of the following:

	Balance January 1, 2025	Increase	Decrease	Balance December 31, 2025
Utility plant not being depreciated:				
Gas:				
Land	\$ 236,856	\$ -	\$ -	\$ 236,856
Construction in progress	2,207,776	13,989,491	6,986,948	9,210,319
	<u>2,444,632</u>	<u>13,989,491</u>	<u>6,986,948</u>	<u>9,447,175</u>
Electric/telecommunications:				
Land	4,714,850	-	-	4,714,850
Construction in progress	17,282,813	7,717,668	21,373,335	3,627,146
	<u>21,997,663</u>	<u>7,717,668</u>	<u>21,373,335</u>	<u>8,341,996</u>
Total utility plant not being depreciated	<u>24,442,295</u>	<u>21,707,159</u>	<u>28,360,283</u>	<u>17,789,171</u>
Utility plant being depreciated:				
Gas:				
Plant investment	69,870,004	6,669,983	414,935	76,125,052
Office furniture and equipment	1,888,034	2,609	-	1,890,643
Transportation and communication equipment	2,022,535	373,764	-	2,396,299
Other	524,716	198,113	-	722,829
	<u>74,305,289</u>	<u>7,244,469</u>	<u>414,935</u>	<u>81,134,823</u>
Electric/telecommunications:				
Plant investment	224,260,033	22,235,984	1,000,558	245,495,459
Office furniture and equipment	4,491,487	48,534	-	4,540,021
Transportation and communication equipment	5,764,585	513,990	47,881	6,230,694
Right-of-use asset	4,410,245	-	-	4,410,245
Other	780,774	24,739	-	805,513
	<u>239,707,124</u>	<u>22,823,247</u>	<u>1,048,439</u>	<u>261,481,932</u>
Total utility plant being depreciated	<u>314,012,413</u>	<u>30,067,716</u>	<u>1,463,374</u>	<u>342,616,755</u>
Total utility plant	<u>\$ 338,454,708</u>	<u>\$ 51,774,874</u>	<u>\$ 29,823,656</u>	<u>\$ 360,405,926</u>

Note: Immaterial differences may exist due to rounding.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

	Balance January 1, 2025	Increase	Decrease	Balance December 31, 2025
Less accumulated depreciation:				
Gas:				
Plant investment	\$ (34,200,004)	\$ (1,934,412)	\$ 288,874	\$ (35,845,542)
Office furniture and equipment	(1,287,018)	(90,195)	-	(1,377,213)
Transportation and communication equipment	(1,474,315)	(187,423)	-	(1,661,738)
Other	(362,886)	(25,422)	-	(388,308)
	<u>(37,324,223)</u>	<u>(2,237,452)</u>	<u>288,874</u>	<u>(39,272,801)</u>
Electric/telecommunications:				
Plant investment	(93,204,711)	(6,652,745)	872,675	(98,984,781)
Office furniture and equipment	(2,851,851)	(238,467)	-	(3,090,318)
Transportation and communication equipment	(5,313,134)	(126,189)	47,880	(5,391,443)
Right-of-use asset	(753,909)	(205,368)	-	(959,277)
Other	(617,320)	(33,219)	-	(650,539)
	<u>(102,740,925)</u>	<u>(7,255,988)</u>	<u>920,555</u>	<u>(109,076,358)</u>
Total accumulated depreciation	<u>(140,065,148)</u>	<u>(9,493,440)</u>	<u>1,209,429</u>	<u>(148,349,159)</u>
Total utility plant being depreciated, net:				
Gas	36,981,066	5,007,017	126,061	41,862,022
Electric	136,966,199	15,567,258	127,884	152,405,573
	<u>173,947,265</u>	<u>20,574,275</u>	<u>253,945</u>	<u>194,267,595</u>
Total utility plant, net:				
Gas	39,425,698	18,996,508	7,113,009	51,309,197
Electric	158,963,862	23,284,926	21,501,218	160,747,570
Net capital assets	<u>\$ 198,389,560</u>	<u>\$ 42,281,434</u>	<u>\$ 28,614,227</u>	<u>\$ 212,056,767</u>

Note: Immaterial differences may exist due to rounding.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Plant, property and equipment as of December 31, 2024 consist of the following:

	Balance January 1, 2024	Increase	Decrease	Balance December 31, 2024
Utility plant not being depreciated:				
Gas:				
Land	\$ 236,856	\$ -	\$ -	\$ 236,856
Construction in progress	1,233,905	6,236,087	5,262,216	2,207,776
	<u>1,470,761</u>	<u>6,236,087</u>	<u>5,262,216</u>	<u>2,444,632</u>
Electric/telecommunications:				
Land	4,709,783	5,067	-	4,714,850
Construction in progress	5,140,028	13,986,765	1,843,980	17,282,813
	<u>9,849,811</u>	<u>13,991,832</u>	<u>1,843,980</u>	<u>21,997,663</u>
Total utility plant not being depreciated	<u>11,320,572</u>	<u>20,227,919</u>	<u>7,106,196</u>	<u>24,442,295</u>
Utility plant being depreciated:				
Gas:				
Plant investment	65,415,032	4,864,524	409,552	69,870,004
Office furniture and equipment	1,849,697	38,337	-	1,888,034
Transportation and communication equipment	1,788,703	359,043	125,211	2,022,535
Other	539,049	-	14,333	524,716
	<u>69,592,481</u>	<u>5,261,904</u>	<u>549,096</u>	<u>74,305,289</u>
Electric/telecommunications:				
Plant investment	219,243,864	6,037,059	1,020,890	224,260,033
Office furniture and equipment	4,332,259	159,228	-	4,491,487
Transportation and communication equipment	5,722,095	188,713	146,223	5,764,585
Right-of-use asset	4,410,245	-	-	4,410,245
Other	758,988	21,786	-	780,774
	<u>234,467,451</u>	<u>6,406,786</u>	<u>1,167,113</u>	<u>239,707,124</u>
Total utility plant being depreciated	<u>304,059,932</u>	<u>11,668,690</u>	<u>1,716,209</u>	<u>314,012,413</u>
Total utility plant	<u>\$ 315,380,504</u>	<u>\$ 31,896,609</u>	<u>\$ 8,822,405</u>	<u>\$ 338,454,708</u>

Note: Immaterial differences may exist due to rounding.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

	Balance January 1, 2024	Increase	Decrease	Balance December 31, 2024
Less accumulated depreciation:				
Gas:				
Plant investment	\$ (32,569,397)	\$ (1,885,008)	\$ 254,401	\$ (34,200,004)
Office furniture and equipment	(1,198,961)	(88,057)	-	(1,287,018)
Transportation and communication equipment	(1,510,241)	(89,285)	125,211	(1,474,315)
Other	(351,797)	(25,422)	14,333	(362,886)
	<u>(35,630,396)</u>	<u>(2,087,772)</u>	<u>393,945</u>	<u>(37,324,223)</u>
Electric/telecommunications:				
Plant investment	(87,578,622)	(6,518,070)	891,981	(93,204,711)
Office furniture and equipment	(2,628,895)	(222,956)	-	(2,851,851)
Transportation and communication equipment	(5,330,935)	(128,422)	146,223	(5,313,134)
Right-of-use asset	(557,248)	(196,661)	-	(753,909)
Other	(585,218)	(32,102)	-	(617,320)
	<u>(96,680,918)</u>	<u>(7,098,211)</u>	<u>1,038,204</u>	<u>(102,740,925)</u>
Total accumulated depreciation	<u>(132,311,314)</u>	<u>(9,185,983)</u>	<u>1,432,149</u>	<u>(140,065,148)</u>
Total utility plant being depreciated, net:				
Gas	33,962,085	3,174,132	155,151	36,981,066
Electric	137,786,533	(691,425)	128,909	136,966,199
	<u>171,748,618</u>	<u>2,482,707</u>	<u>284,060</u>	<u>173,947,265</u>
Total utility plant, net:				
Gas	35,432,846	9,410,219	5,417,367	39,425,698
Electric	147,636,344	13,300,407	1,972,889	158,963,862
Net capital assets	<u>\$ 183,069,190</u>	<u>\$ 22,710,626</u>	<u>\$ 7,390,256</u>	<u>\$ 198,389,560</u>

Note: Immaterial differences may exist due to rounding.

Additional disclosures of the lease asset are included in the Lease Disclosure note (See Note 4).

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

4. Lease Disclosures

Lessee - Lease Liabilities

Electric and Telecommunications						
Lease Liabilities Description	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/25	Balance 12/31/24
Solar power sales and energy storage services agreement	05/31/2018	05/31/2038	4.34 %	\$ 4,410,245	\$ 3,450,967	\$ 3,656,336
Total lease liabilities					\$ 3,450,967	\$ 3,656,336

Debt service requirements to maturity are as follows:

Years Ending December 31:	Principal	Interest	Total
2026	\$ 214,461	\$ 145,539	\$ 360,000
2027	223,956	136,044	360,000
2028	233,871	126,129	360,000
2029	244,225	115,775	360,000
2030	255,038	104,962	360,000
2031-2035	1,454,900	345,100	1,800,000
2036-2039	824,516	45,484	870,000
Total	\$ 3,450,967	\$ 1,019,033	\$ 4,470,000

Lessor - Lease Receivables

Electric and Telecommunications					
Lease Receivables Description	Date of Issue	Final Maturity	Interest Rate	Receivable Balance 12/31/25	Receivable Balance 12/31/24
Lease of land for PODS	09/01/2012	08/31/2032	4.34 %	\$ 520,188	\$ 586,054
Pole attachments	01/01/2017	12/31/2026	4.34	54,522	106,775
Lease of dark fiber	05/01/2022	12/31/2027	4.34	288,610	423,805
Total lease receivables				\$ 863,320	\$ 1,116,634

The Department recognized \$268,531 and \$250,839 of lease revenue as of December 31, 2025 and 2024, respectively.

The Department recognized \$44,494 and \$55,191 of interest revenue as of December 31, 2025 and 2024, respectively.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

5. Note Receivable

	<u>2025</u>	<u>2024</u>
Note receivable from Massachusetts Institute of Technology due to Holyoke Gas and Electric in monthly installments of \$57,937 including interest at 8.4%, matures April 2032.	\$ 3,405,741	\$ 3,796,884
Less amount due within one year	<u>(425,294)</u>	<u>(391,143)</u>
Note receivable, due after one year	<u>\$ 2,980,447</u>	<u>\$ 3,405,741</u>

6. Other Receivables

Other receivables, all due within one year, consist of the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Springfield Water and Sewer	\$ 123,241	\$ 147,161
Massachusetts Department of Transportation	13,688	13,689
Accrued interest receivable	44,545	45,160
Current portion of lease receivable	264,483	253,313
Federal grant receivable	3,093,416	-
Miscellaneous other receivables	<u>849,071</u>	<u>699,985</u>
Total	<u>\$ 4,388,444</u>	<u>\$ 1,159,308</u>

7. Intangible Assets

		<u>2025</u>	
<u>Life in Years</u>		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
2001 franchise fees	30	\$ 2,000,000	\$ 1,603,333
		<u>2024</u>	
<u>Life in Years</u>		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
2001 franchise fees	30	\$ 2,000,000	\$ 1,536,668

Aggregate amortization expense was \$66,667 for the years ended December 31, 2025 and 2024. Estimated annual aggregate amortization expense is \$66,667 for the seven years subsequent to 2025.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

8. Long-Term Obligations

Revenue bonds, issued through Massachusetts Clean Energy Cooperative Corporation:

Original issue amount is \$69,040,000 and date of issue is December 2021. Bonds mature annually 2021-2038. Interest rates range from 0.567% to 2.985%.

\$ 46,680,000

Less amount due within one year

(5,960,000)

Bonds payable, due after one year

\$ 40,720,000

Principal maturing and interest payments are anticipated to be as follows:

<u>Years Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 5,960,000	\$ 1,006,100	\$ 6,966,100
2027	6,060,000	912,648	6,972,648
2028	6,170,000	802,356	6,972,356
2029	6,295,000	677,722	6,972,722
2030	6,420,000	543,322	6,963,322
2031-2035	13,225,000	1,012,252	14,237,252
2036-2038	<u>2,550,000</u>	<u>153,728</u>	<u>2,703,728</u>
Total	<u>\$ 46,680,000</u>	<u>\$ 5,108,128</u>	<u>\$ 51,788,128</u>

The outstanding revenue bonds contain:

1. a provision that in the event of default not remedied, the Trustee may declare the principal of all the Bonds then Outstanding and interest accrued thereon to be immediately due and payable; and,
2. a provision that in the event of default not remedied, upon demand of the Trustee, all monies, securities and funds held by the Clean Energy Cooperative and pledged under the Bond Resolution and after receipt thereof, all revenues from the net capability of the Hadley Falls facility.

Revenue Bonds are payable solely from and secured solely by the revenues of the Clean Energy Cooperative derived from the sale of the Net Capability of the Hadley Falls Facility.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

The Department is required to satisfy certain bond covenant requirements in connection with the bonds payable. In addition, the notes payable from direct placement detailed on the following page also have funding requirements. The following funds are required as part of the bond and note agreements:

	<u>2025</u>	<u>2024</u>
Revenue bonds:		
Debt service reserve fund	\$ 6,071,665	\$ 6,095,260
Hadley Falls construction account	-	1,293,828
Redemption account:		
Reserve and contingency fund	840,693	742,876
Principal account	3,024,825	2,905,108
Bond interest fund	508,438	651,742
	<u> </u>	<u> </u>
Total funds required under bond indenture/ note payable	<u>\$ 10,445,621</u>	<u>\$ 11,688,814</u>

The Department has the following notes payable from direct placements:

	<u>2025</u>	<u>2024</u>
Note payable to bank, secured by revenues of the Department with a lien on all business assets of the Solar Cooperative and a pledge of the service contract between the Department and the Solar Cooperative, monthly payments of \$54,667 including interest at 3.30%, matures in April 2038.	\$ 6,620,980	\$ 7,047,698
Note payable to bank, secured by all assets of the Solar Cooperative, monthly payments of \$4,707 including interest at 3.250%, matures January 2026.	4,694	60,035
Note payable to bank, secured by all assets of the Solar Cooperative, monthly payments of \$48,493 including interest at 4.34%, matures April 2032.	3,211,264	3,641,577
Less amount due within one year	<u>(895,542)</u>	<u>(912,370)</u>
Notes payable, due after one year	<u>\$ 8,941,396</u>	<u>\$ 9,836,940</u>

Principal maturing and interest payments are anticipated to be as follows:

Years Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 895,542	\$ 347,096	\$ 1,242,638
2027	926,028	311,903	1,237,931
2028	961,817	276,113	1,237,930
2029	1,000,662	237,268	1,237,930
2030	1,040,265	197,666	1,237,931
2031-2035	3,542,243	513,679	4,055,922
2036-2038	1,470,381	60,294	1,530,675
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 9,836,938</u>	<u>\$ 1,944,019</u>	<u>\$ 11,780,957</u>

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

The outstanding notes from direct placements contain:

1. a provision that in an event of default, outstanding amounts become immediately due and payable; and/or
2. a provision that in an event of default, the borrower shall reimburse the bank for any reasonable cost incurred by the Bank in connection to the collection and enforcement of the provisions of the loan agreement; and/or
3. a provision that in the event of default, all deposits, securities and other property in the possession of the bank belonging to the borrower shall be treated as collateral to secure payment of the notes; and
4. a provision that in the event of default, the entire outstanding principal balance of the notes shall bear interest, from the date of default at the default rate of 5%.

Changes in Long-Term Liabilities

Line of Credit

The Department has a \$17,800,000 commercial line of credit with Peoples Bank through the Solar Cooperative to fund three multiyear capital projects. Outstanding balance as of December 31, 2025 and 2024 on the line of credit are \$7,834,368 and \$0, respectively. The line of credit will be interest only for a period of two years and will have an annual term out at the loan closing anniversary date. The interest rate during the interest only period will be floating monthly at the tax-exempt equivalent of the Wall Street Journal prime rate. The term loans will have a term and amortization of 15 years.

Long-term liability activities for the years ended December 31, 2025 are as follows:

	<u>Balance January 1, 2025</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2025</u>	<u>Current Portion</u>
Long-term bonds and loans:					
Bonds payable	\$ 52,565,000	\$ -	\$ 5,885,000	\$ 46,680,000	\$ 5,960,000
Line of credit	-	7,834,368	-	7,834,368	-
Notes payable	10,749,309	-	912,371	9,836,938	895,542
Total long-term bonds and loans	63,314,309	7,834,368	6,797,371	64,351,306	6,855,542
Other long-term liabilities:					
Compensated absences	4,107,450	101,236*	-	4,208,686	315,388
Unearned revenue	2,297,852	-	150,992	2,146,860	-
Lease liability	3,656,336	-	205,369	3,450,967	214,461
Total long-term liabilities	<u>\$ 73,375,947</u>	<u>\$ 7,935,604</u>	<u>\$ 7,153,732</u>	<u>\$ 74,157,819</u>	<u>\$ 7,385,391</u>

*Activity is shown net as is allowed by GASB Statement No. 101

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Long-term liability activities for the years ended December 31, 2024 are as follows:

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Current Portion
Long-term bonds and loans:					
Bonds payable	\$ 58,385,000	\$ -	\$ 5,820,000	\$ 52,565,000	\$ 5,885,000
Notes payable	11,626,218	-	876,909	10,749,309	912,369
Total long-term bonds and loans	70,011,218	-	6,696,909	63,314,309	6,797,369
Other long-term liabilities:					
Compensated absences	3,947,059	160,391*	-	4,107,450	383,769
Unearned revenue	2,386,532	-	88,680	2,297,852	-
Lease liability	3,852,997	-	196,661	3,656,336	205,368
Total long-term liabilities	<u>\$ 80,197,806</u>	<u>\$ 160,391</u>	<u>\$ 6,982,250</u>	<u>\$ 73,375,947</u>	<u>\$ 7,386,507</u>

*Activity is shown net as is allowed by GASB Statement No. 101

In addition to the liabilities above. Information on the net pension liability and the net OPEB liability is provided in Notes 10 and 11, respectively.

Revenue Debt

The Department has pledged future revenues, net of certain operating expenses to repay revenue bonds. Proceeds from the bonds provided financing for improvements to the Hadley Falls generating station. The bonds are payable solely from revenues generated by the power purchase agreement with MMWEC through 2032. Annual principal and interest payments on the bonds are expected to require 100% of the Clean Energy Coop future gross revenues from MMWEC. The principal and interest remaining to be paid on the bonds is \$51,788,128. Principal and interest paid in 2025 and 2024 were \$6,971,607 and \$6,967,135, respectively. Total customer net revenues in 2025 and 2024 were \$6,573,772 and \$6,572,895, respectively.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

9. Blended Component Units

The following schedules provide details of the blended component units' balances, activities and eliminations.

Combining Schedule of Net Position December 31, 2025

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Total
Assets					
Current assets:					
Cash and investments	\$ 27,867,077	\$ 15,916,275	\$ 2,419	\$ -	\$ 43,785,771
Restricted assets:					
Redemption account	-	-	4,373,956	-	4,373,956
Customer accounts receivable, net	10,021,551	20,614	-	-	10,042,165
Note receivable, current portion	425,294	-	-	-	425,294
Materials and supplies	5,801,008	-	-	-	5,801,008
Fuel for electric generation and gas in storage	627,190	-	-	-	627,190
Prepaid expense	4,129,882	-	41,980,236	(41,980,236)	4,129,882
Other receivables	4,378,885	9,559	-	-	4,388,444
Total current assets	53,250,887	15,946,448	46,356,611	(41,980,236)	73,573,710
Noncurrent assets:					
Restricted assets:					
Accounts required under bond indenture/note payable	-	-	6,071,665	-	6,071,665
Customers' deposits	1,808,905	-	-	-	1,808,905
Net OPEB asset	8,605,357	-	-	-	8,605,357
Other receivables, after one year	2,980,447	-	-	-	2,980,447
Customer energy conservation assistance	1,958,964	-	-	-	1,958,964
Advances to other funds	431,000	17,863,418	-	(18,294,418)	-
Other assets:					
Purchased power accounts	445,616	-	-	-	445,616
Rate stabilization accounts	40,415,009	-	-	-	40,415,009
Regulatory asset debt issuance cost	-	-	456,374	-	456,374
Costs recoverable in future, pollution	86,675	-	-	-	86,675
Other investments	188,390	-	-	-	188,390
Lease receivable	598,837	-	-	-	598,837
Intangible assets	396,666	-	-	-	396,666
Capital assets:					
Plant, property and equipment in service	347,568,461	-	-	-	347,568,461
Construction in progress	12,837,465	-	-	-	12,837,465
Total capital assets	360,405,926	-	-	-	360,405,926
Less accumulated depreciation	(148,349,159)	-	-	-	(148,349,159)
Net capital assets	212,056,767	-	-	-	212,056,767
Total noncurrent assets	269,972,633	17,863,418	6,528,039	(18,294,418)	276,069,672
Total assets	323,223,520	33,809,866	52,884,650	(60,274,654)	349,643,382
Deferred Outflows of Resources					
OPEB related amounts	226,566	-	-	-	226,566
Pension related amounts	12,274,147	-	-	-	12,274,147
Total deferred outflows	12,500,713	-	-	-	12,500,713

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Combining Schedule of Net Position December 31, 2025

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Total
Liabilities					
Current liabilities:					
Accounts payable	\$ 10,295,418	\$ 10,716	\$ -	\$ -	\$ 10,306,134
Accrued liabilities	2,079,181	-	-	-	2,079,181
Current portion, accrued compensated absences	315,388	-	-	-	315,388
Current portion, accrued environmental costs	86,675	-	-	-	86,675
Current portion, leases	214,461	-	-	-	214,461
Current portion, notes payable	-	895,542	-	-	895,542
Liabilities payable from restricted assets:					
Current portion, bonds and notes payable	-	-	5,960,000	-	5,960,000
Customers' deposits	1,853,045	-	-	-	1,853,045
Accrued interest	-	-	503,050	-	503,050
Total current liabilities	<u>14,844,168</u>	<u>906,258</u>	<u>6,463,050</u>	<u>-</u>	<u>22,213,476</u>
Long-term liabilities:					
Bonds payable, long-term	-	-	40,720,000	-	40,720,000
Notes payable, long-term	-	16,775,764	-	-	16,775,764
Leases payable, long-term	3,236,506	-	-	-	3,236,506
Accrued compensated absences	3,893,298	-	-	-	3,893,298
Unearned revenue	44,127,096	-	-	(41,980,236)	2,146,860
Advances from other funds	17,863,418	-	431,000	(18,294,418)	-
Net pension liability	28,996,211	-	-	-	28,996,211
Total long-term liabilities	<u>98,116,529</u>	<u>16,775,764</u>	<u>41,151,000</u>	<u>(60,274,654)</u>	<u>95,768,639</u>
Total liabilities	<u>112,960,697</u>	<u>17,682,022</u>	<u>47,614,050</u>	<u>(60,274,654)</u>	<u>117,982,115</u>
Deferred Inflows of Resources					
Regulatory deferral	16,338,797	-	-	-	16,338,797
Pension related amounts	142,229	-	-	-	142,229
Lease related amounts	863,320	-	-	-	863,320
OPEB related amounts	6,273,644	-	-	-	6,273,644
Rate stabilization reserve	40,415,009	-	-	-	40,415,009
Gain on refunding	-	-	939,805	-	939,805
Total deferred inflows of resources	<u>64,032,999</u>	<u>-</u>	<u>939,805</u>	<u>-</u>	<u>64,972,804</u>
Net Position					
Net investment in capital assets	206,437,748	-	-	(59,219,446)	147,218,302
Restricted for debt service	-	-	3,982,571	(111,665)	3,870,906
Restricted OPEB	8,605,357	-	-	-	8,605,357
Restricted for purchase of future power capacity	-	-	-	-	-
Restricted for customer deposits	-	-	-	-	-
Unrestricted (deficit)	<u>(56,312,568)</u>	<u>16,127,844</u>	<u>348,224</u>	<u>59,331,111</u>	<u>19,494,611</u>
Total net position (deficit)	<u>\$ 158,730,537</u>	<u>\$ 16,127,844</u>	<u>\$ 4,330,795</u>	<u>\$ -</u>	<u>\$ 179,189,176</u>

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Combining Schedule of Revenues, Expenses and Changes in Net Position Year Ended December 31, 2025

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Consolidated Total
Operating Revenues	\$ 94,509,602	\$ 605,555	\$ 6,573,772	\$ (7,179,327)	\$ 94,509,602
Operating Expenses					
Operation and maintenance	74,955,818	179,050	5,622,818	(7,179,327)	73,578,359
Depreciation/Amortization, plant and equipment	9,136,526	-	-	-	9,136,526
Total operating expenses	84,092,344	179,050	5,622,818	(7,179,327)	82,714,885
Operating income	10,417,258	426,505	950,954	-	11,794,717
Nonoperating Other Revenues (Expenses)					
Investment income, net of fees	3,713,897	869,074	390,233	(436,089)	4,537,115
Net gain (loss) on investments	3,923,768	1,238,654	91,984	-	5,254,406
Interest expense	(590,720)	(436,089)	(977,292)	436,089	(1,568,012)
Miscellaneous income (expense)	1,807,245	(527,838)	-	(269,692)	1,009,715
Amortization of intangible assets	(66,667)	-	-	-	(66,667)
Net gain (loss), disposal of assets	(960,831)	-	-	-	(960,831)
Net gain (loss), merchandise jobbing	20,184	-	-	-	20,184
Taxes, other	(325,371)	-	-	269,692	(55,679)
Total other revenues (expenses)	7,521,505	1,143,801	(495,075)	-	8,170,231
Change in net position before transfers	17,938,763	1,570,306	455,879	-	19,964,948
Transfers					
Payments in lieu of taxes, City of Holyoke	(1,449,209)	-	-	-	(1,449,209)
Change in net position	16,489,554	1,570,306	455,879	-	18,515,739
Net Position (Deficit), Beginning	142,240,983	14,557,538	3,874,916	-	160,673,437
Net Position (Deficit), Ending	\$ 158,730,537	\$ 16,127,844	\$ 4,330,795	\$ -	\$ 179,189,176

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Condensed Combining Schedule of Cash Flows Year Ended December 31, 2025

	<u>HGE</u>	<u>Holyoke Solar</u>	<u>Mass Clean Energy</u>	<u>Eliminations</u>	<u>Total</u>
Net Cash Flows From (Used in)					
Operating activities	\$ 12,394,012	\$ (114,880)	\$ 6,568,787	\$ -	\$ 18,847,919
Investing activities	5,726,956	2,416,921	1,777,417	-	9,921,294
Noncapital financing activities	(1,449,209)	-	-	-	(1,449,209)
Capital and related financing activities	<u>(10,899,896)</u>	<u>(1,020,211)</u>	<u>(8,295,227)</u>	<u>-</u>	<u>(20,215,334)</u>
Net increase (decrease) in cash and cash equivalents	5,771,863	1,281,830	50,977	-	7,104,669
Cash and Cash Equivalents, Beginning	<u>60,455,912</u>	<u>13,432,527</u>	<u>10,397,063</u>	<u>-</u>	<u>84,285,502</u>
Cash and Cash Equivalents, Ending	<u>\$ 66,227,775</u>	<u>\$ 14,714,357</u>	<u>\$ 10,448,040</u>	<u>\$ -</u>	<u>\$ 91,390,172</u>

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Combining Schedule of Net Position December 31, 2024

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Total
Assets					
Current assets:					
Cash and investments	\$ 20,636,931	\$ 14,943,638	\$ 3,450	\$ -	\$ 35,584,019
Restricted assets:					
Redemption account	-	-	4,299,726	-	4,299,726
Customer accounts receivable, net	8,561,043	12,456	-	-	8,573,499
Note receivable, current portion	391,143	-	-	-	391,143
Materials and supplies	5,702,205	-	-	-	5,702,205
Fuel for electric generation and gas in storage	531,969	-	-	-	531,969
Prepaid expense	4,085,845	-	46,274,438	(46,274,438)	4,085,845
Other receivables	1,153,263	6,045	-	-	1,159,308
Total current assets	41,062,399	14,962,139	50,577,614	(46,274,438)	60,327,714
Noncurrent assets:					
Restricted assets:					
Accounts required under bond indenture/note payable	-	-	7,389,088	-	7,389,088
Customers' deposits	1,833,001	-	-	-	1,833,001
Net OPEB asset	5,984,422	-	-	-	5,984,422
Other receivables, after one year	3,405,741	-	-	-	3,405,741
Customer energy conservation assistance	1,716,777	-	-	-	1,716,777
Advances to other funds	431,000	10,357,301	-	(10,788,301)	-
Other assets:					
Purchased power accounts	405,186	-	-	-	405,186
Rate stabilization accounts	40,415,009	-	-	-	40,415,009
Regulatory asset debt issuance cost	-	-	521,570	-	521,570
Costs recoverable in future, pollution	83,260	-	-	-	83,260
Other investments	188,390	-	-	-	188,390
Lease receivable	863,321	-	-	-	863,321
Intangible assets	463,332	-	-	-	463,332
Capital assets:					
Plant, property and equipment in service	318,964,119	-	-	-	318,964,119
Construction in progress	19,490,589	-	-	-	19,490,589
Total capital assets	338,454,708	-	-	-	338,454,708
Less accumulated depreciation	(140,065,148)	-	-	-	(140,065,148)
Net capital assets	198,389,560	-	-	-	198,389,560
Total noncurrent assets	254,178,999	10,357,301	7,910,658	(10,788,301)	261,658,657
Total assets	295,241,398	25,319,440	58,488,272	(57,062,739)	321,986,371
Deferred Outflows of Resources					
OPEB related amounts	324,388	-	-	-	324,388
Pension related amounts	9,866,579	-	-	-	9,866,579
Total deferred outflows	10,190,967	-	-	-	10,190,967

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Combining Schedule of Net Position December 31, 2024

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Total
Liabilities					
Current liabilities:					
Accounts payable	\$ 7,730,920	\$ 12,593	\$ -	\$ -	\$ 7,743,513
Accrued liabilities	1,172,585	-	-	-	1,172,585
Current portion, accrued compensated absences	383,769	-	-	-	383,769
Current portion, accrued environmental costs	83,260	-	-	-	83,260
Current portion, leases	205,368	-	-	-	205,368
Current portion, notes payable	-	912,369	-	-	912,369
Liabilities payable from restricted assets:					
Current portion, bonds and notes payable	-	-	5,885,000	-	5,885,000
Customers' deposits	1,795,884	-	-	-	1,795,884
Accrued interest	-	-	543,293	-	543,293
Total current liabilities	<u>11,371,786</u>	<u>924,962</u>	<u>6,428,293</u>	<u>-</u>	<u>18,725,041</u>
Long-term liabilities:					
Bonds payable, long-term	-	-	46,680,000	-	46,680,000
Notes payable, long-term	-	9,836,940	-	-	9,836,940
Leases payable, long-term	3,450,968	-	-	-	3,450,968
Accrued compensated absences	3,723,681	-	-	-	3,723,681
Unearned revenue	48,572,290	-	-	(46,274,438)	2,297,852
Advances from other funds	10,357,301	-	431,000	(10,788,301)	-
Net pension liability	26,916,445	-	-	-	26,916,445
Total long-term liabilities	<u>93,020,685</u>	<u>9,836,940</u>	<u>47,111,000</u>	<u>(57,062,739)</u>	<u>92,905,886</u>
Total liabilities	<u>104,392,471</u>	<u>10,761,902</u>	<u>53,539,293</u>	<u>(57,062,739)</u>	<u>111,630,927</u>
Deferred Inflows of Resources					
Regulatory deferral	11,896,756	-	-	-	11,896,756
Pension related amounts	387,602	-	-	-	387,602
Lease related amounts	1,116,634	-	-	-	1,116,634
OPEB related amounts	4,982,910	-	-	-	4,982,910
Rate stabilization reserve	40,415,009	-	-	-	40,415,009
Gain on refunding	-	-	1,074,063	-	1,074,063
Total deferred inflows of resources	<u>58,798,911</u>	<u>-</u>	<u>1,074,063</u>	<u>-</u>	<u>59,872,974</u>
Net Position					
Net investment in capital assets	194,191,898	-	-	(56,607,277)	137,584,621
Restricted for debt service	-	-	3,966,693	(210,259)	3,756,434
Restricted OPEB	5,984,422	-	-	-	5,984,422
Restricted for purchase of future power capacity	-	-	1,293,828	(1,293,828)	-
Restricted for customer deposits	37,117	-	-	-	37,117
Unrestricted (deficit)	(57,972,454)	14,557,538	(1,385,605)	58,111,364	13,310,843
Total net position (deficit)	<u>\$ 142,240,983</u>	<u>\$ 14,557,538</u>	<u>\$ 3,874,916</u>	<u>\$ -</u>	<u>\$ 160,673,437</u>

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Combining Schedule of Revenues, Expenses and Changes in Net Position Year Ended December 31, 2024

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Consolidated Total
Operating Revenues	\$ 89,781,092	\$ 593,410	\$ 6,572,895	\$ (7,166,305)	\$ 89,781,092
Operating Expenses					
Operation and maintenance	65,139,676	274,014	5,676,679	(7,166,305)	63,924,064
Depreciation/Amortization, plant and equipment	8,854,904	-	-	-	8,854,904
Total operating expenses	73,994,580	274,014	5,676,679	(7,166,305)	72,778,968
Operating income	15,786,512	319,396	896,216	-	17,002,124
Nonoperating Other Revenues (Expenses)					
Investment income, net of fees	3,251,883	892,140	507,284	(417,510)	4,233,797
Net gain (loss) on investments	1,757,093	723,553	373,937	-	2,854,583
Interest expense	(629,780)	(417,510)	(1,047,809)	417,510	(1,677,589)
Miscellaneous income (expense)	1,130,342	1,534	-	(258,884)	872,992
Amortization of intangible assets	(66,667)	-	-	-	(66,667)
Net gain (loss), disposal of assets	(632,091)	-	-	-	(632,091)
Net gain (loss), merchandise jobbing	(31,460)	-	-	-	(31,460)
Taxes, other	(339,013)	-	-	258,884	(80,129)
Total other revenues (expenses)	4,440,307	1,199,717	(166,588)	-	5,473,436
Change in net position before transfers	20,226,819	1,519,113	729,628	-	22,475,560
Transfers					
Payments in lieu of taxes, City of Holyoke	(1,308,594)	-	-	-	(1,308,594)
Change in net position	18,918,225	1,519,113	729,628	-	21,166,966
Net Position (Deficit), Beginning	123,322,758	13,038,425	3,145,288	-	139,506,471
Net Position (Deficit), Ending	\$ 142,240,983	\$ 14,557,538	\$ 3,874,916	\$ -	\$ 160,673,437

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Condensed Combining Schedule of Cash Flows Year Ended December 31, 2024

	HGE	Holyoke Solar	Mass Clean Energy	Eliminations	Total
Net Cash Flows From (Used in)					
Operating activities	\$ 15,757,088	\$ 330,197	\$ 6,514,049	\$ -	\$ 22,601,334
Investing activities	4,606,545	1,887,325	4,065,449	-	10,559,319
Noncapital financing activities	(1,308,594)	-	-	-	(1,308,594)
Capital and related financing activities	<u>(12,917,099)</u>	<u>(2,985,136)</u>	<u>(13,796,617)</u>	<u>-</u>	<u>(29,698,852)</u>
Net increase (decrease) in cash and cash equivalents	6,137,940	(767,614)	(3,217,119)	-	2,153,207
Cash and Cash Equivalents, Beginning	<u>54,317,973</u>	<u>14,200,141</u>	<u>13,614,182</u>	<u>-</u>	<u>82,132,295</u>
Cash and Cash Equivalents, Ending	<u>\$ 60,455,913</u>	<u>\$ 13,432,527</u>	<u>\$ 10,397,063</u>	<u>\$ -</u>	<u>\$ 84,285,502</u>

10. Retirement Plan

General Information About the Pension Plan

Substantially all full-time employees participate in the Holyoke Contributory Retirement System, a cost sharing multiple employer defined benefit public employee retirement system. The system is partially funded by employee contributions. The Plan provides pension benefits, deferred allowances and death and disability benefits. Retirement allowance is based on the following factors: age, length of creditable service, level of salary and group classification. Age at retirement and group classification determine a benefit rate. Percentages are specified in Chapter 32 of the Massachusetts General Laws. Participants may elect to receive their retirement in one of three optional forms of payment.

Member employers are required by state statutes to make contributions to the Plan. Contributions are determined by the Commonwealth of Massachusetts Division of Public Employee Retirement Administrative Commission (PERAC).

Covered employees are required by state statute to contribute a fixed percentage of their earnings into the Plan. The percentage varies from 5 to 9% depending upon date of hire. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over \$30,000 per year.

Members hired on or after April 2, 2012 are covered by the provisions of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling the Plan as follows:
Attn: Anthony Dulude, Executive Director, Holyoke Retirement Board, City Hall Annex - Room 207, Holyoke, Massachusetts 01040, 413 534 2179.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Pension Liabilities, Pension Expense and Deferred Outflows of Resources Related to Pensions

At December 31, 2025, the Department reported a liability of \$28,996,211, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. No material changes in the assumptions or benefit terms occurred between the actual valuation date and the measurement date. The Department's proportion of the net pension liability was based on the Department's share of appropriations of the pension plan relative to the appropriations of all participating employers. At December 31, 2024, the Department's proportion was 24.377134% which was an increase of 1.201722% from its proportion measured as of January 1, 2024.

At December 31, 2024, the Department reported a liability of \$26,916,445, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. No material changes in the assumptions or benefit terms occurred between the actual valuation date and the measurement date. The Department's proportion of the net pension liability was based on the Department's share of appropriations of the pension plan relative to the appropriations of all participating employers. At December 31, 2023, the Department's proportion was 23.175412% which was a decrease of 0.210467% from its proportion measured as of January 1, 2022.

For the years ended December 31, 2025 and 2024, the Department recognized pension expense of \$4,150,958 and \$3,066,653, respectively.

At December 31, 2025, the Department reported deferred outflows and deferred inflows of resources from the following sources:

	<u>2025</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan	\$ 5,834,084	\$ -
Differences between projected and actual experiences	154,359	135,491
Changes of actuarial assumptions	423,212	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,140,359	6,738
Employer contributions subsequent to the measurement date	4,722,133	-
Total	<u>\$ 12,274,147</u>	<u>\$ 142,229</u>

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

At December 31, 2024, the Department reported deferred outflows and deferred inflows of resources from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan	\$ 3,999,250	\$ -
Differences between projected and actual experiences	183,437	257,625
Changes of actuarial assumptions	804,697	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	364,512	129,977
Employer contributions subsequent to the measurement date	4,514,683	-
Total	<u>\$ 9,866,579</u>	<u>\$ 387,602</u>

Deferred outflows related to pension resulting from the Department's employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31:	
2026	\$ 2,556,366
2027	3,477,737
2028	604,866
2029	770,816
Thereafter	-
Total	<u>\$ 7,409,785</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4:00-4.50%
Investment rate of return	7.00%
Cost of living adjustments	3% of first \$15,000
Preretirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally using Scale MP-2021
Healthy retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally using Scale MP-2021
Disabled retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2025 and 2024 are summarized in the following table:

Asset Class	2025	2024
	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return
Domestic equity	5.82 %	6.29 %
International developed markets equity	5.91	6.39
International emerging markets equity	7.06	7.63
Core fixed income	1.81	1.72
Real estate	3.34	3.24
Hedge fund, GTAA, risk parity	2.77	2.87
Private equity	9.20	9.43
Private credit	5.82	5.91

Discount Rate

The discount rate used to measure the total pension liability was 7% for December 31, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed Plan member contributions will be made at the current contribution rate and the City of Holyoke Retirement system contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Department, calculated using the discount rate of 7.00% for 2025 and 2024, as well as what the Department's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

The sensitivity analysis as of December 31, 2025 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The Department's proportionate share of the net position liability	\$ 43,499,919	\$ 28,996,211	\$ 16,791,501

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

The sensitivity analysis as of December 31, 2024 follows:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The Department's proportionate share of the net position liability	\$ 40,412,390	\$ 26,916,445	\$ 15,555,743

11. Other Postemployment Benefits, Holyoke Gas and Electric

General Information About the OPEB Plan

Plan Description

As part of the Department's Fiduciary Funds, the Department's policy is to provide certain healthcare and life insurance benefits to eligible retirees, their dependents or their survivors through the City of Holyoke's single employer postemployment welfare benefit plan.

The Department created a trust in 2014 to administer these benefits. The trust accounts for the portions of the active members retirees' premiums paid by the Department for health insurance, dental coverage and life insurance. Since the Department has established a separate trust to segregate assets to fund their portion of the City of Holyoke's single employer plan, the disclosures that follow, are consistent with an agent multiemployer plan.

Benefits Provided

Medical and prescription drug benefits are provided to all eligible retirees through a variety of Plans offered by Blue Cross Blue Shield of Massachusetts and Health New England. The Holyoke Gas and Electric Department also pays 50% of the retiree life insurance premium and 50% of the dental premium (non-Medicare retirees only).

Employees covered by benefit terms at December 31, 2025 and 2024, the following employees were covered by the benefit terms:

	2025	2024
Inactive plan members or beneficiaries currently receiving benefit payments	189	179
Active plan members	141	157
Total members	<u>330</u>	<u>336</u>

Contributions

For the years ended December 31, 2025 and 2024, the Department's average contribution rate was 4.1% and 3.5% of covered-employee payroll. Plan members are not required to contribute to the Plan, other than paying their portion of the health, dental and life insurance premiums.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Investments

Investment Policy

It is the policy of the Department to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Investments are limited to investing in assets as a prudent investor would, by considering purposes, terms, distribution requirements and other circumstances of the trust. The following were the Department's investment allocations as of December 31, 2025 and 2024:

<u>Asset Class</u>	<u>2025 Allocation</u>	<u>2024 Allocation</u>
Mutual funds, ETFs and closed-end funds	66.2 %	63.2 %
Other/Undefined	11.6	10.7
Fixed Income	20.4	23.1
Cash and cash equivalents	1.8	3.0
Total	<u>100.00 %</u>	<u>100.00 %</u>

Net OPEB Liability (Asset)

The Department's net OPEB liability (asset) was measured as of December 31, 2025 and 2024 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2024.

The components of the net OPEB liability (asset) of the Department at December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Total OPEB liability	\$ 19,692,189	\$ 18,574,170
Plan fiduciary net position	<u>(28,297,546)</u>	<u>(24,558,592)</u>
Department's net OPEB liability (asset)	<u>\$ (8,605,357)</u>	<u>\$ (5,984,422)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	143.70%	132.22%

Actuarial Assumptions

The total OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	6.25%
Salary increases	Service-related increases for Group 1: 6.0% per year decreasing over 9 years to 4.25% per year Service-related increases for Group 4: 7.0% per year decreasing over 6 years to 4.75% per year
Investment rate of return	6.25%
Non-Medicare medical/prescription drug cost Healthcare cost trend rates	6.0% per year graded down by the Getzen model to an ultimate rate of 4.0% per year
Medicare medical/prescription drug cost Healthcare cost trend rates	6.0% per year graded down by the Getzen model to an ultimate rate of 4.0% per year
Dental/administrative Healthcare cost trend rates	6.0% per year graded down by the Getzen model to an ultimate rate of 4.0% per year
Mortality rates	PubG.H-2010 Mortality Table with MP-2021 Projection Scale

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Below are the actuarial assumptions from the December 31, 2023 actuarial valuation.

Discount rate	6.25%
Salary increases	Service-related increases for Group 1: 6.0% per year decreasing over 9 years to 4.25% per year Service-related increases for Group 4: 7.0% per year decreasing over 6 years to 4.75% per year
Investment rate of return	6.25%
Non-Medicare medical/prescription drug cost Healthcare cost trend rates	6.0% per year graded down by the Getzen model to an ultimate rate of 4.14% per year
Medicare medical/prescription drug cost Healthcare cost trend rates	6.0% per year graded down by the Getzen model to an ultimate rate of 4.14% per year
Dental/administrative Healthcare cost trend rates	6.0% per year graded down by the Getzen model to an ultimate rate of 4.14% per year
Mortality rates	PubG.H-2010 Mortality Table with MP-2021 Projection Scale

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2025 and 2024 are summarized in the following table:

Asset Class	2025	2024
	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return
Closed-end funds	6.25 %	6.25 %

Discount Rate

The discount rate is a blend of the long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the S&P Municipal Bond 20-Year High Grade Obligation Index 4.0% and 4.28% as of December 31, 2025, and 2024, respectively. The blending is based on the sufficiency of projected assets to make projected benefit payments.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Changes in Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2024	\$ 18,574,170	\$ 24,558,592	\$ (5,984,422)
Changes for the year:			
Service cost	656,989	-	656,989
Interest	1,126,486	-	1,126,486
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions, employer	-	665,456	(665,456)
Contributions, employee	428,569	428,569	-
Net investment income	-	3,829,812	(3,829,812)
Benefit payments	(1,094,025)	(1,094,025)	-
Administrative expense	-	(90,858)	90,858
Net changes	1,118,019	3,738,954	(2,620,935)
Balance at December 31, 2025	<u>\$ 19,692,189</u>	<u>\$ 28,297,546</u>	<u>\$ (8,605,357)</u>
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2023	<u>\$ 20,450,857</u>	<u>\$ 21,865,312</u>	<u>\$ (1,414,455)</u>
Changes for the year:			
Service cost	684,489	-	684,489
Interest	1,248,175	-	1,248,175
Differences between expected and actual experience	(2,424,651)	-	(2,424,651)
Changes in assumptions	(793,840)	-	(793,840)
Contributions, employer	-	590,860	(590,860)
Contributions, employee	405,771	405,771	-
Net investment income	-	2,775,062	(2,775,062)
Benefit payments	(996,631)	(996,631)	-
Administrative expense	-	(81,782)	81,782
Net changes	(1,876,687)	2,693,280	(4,569,967)
Balance at December 31, 2024	<u>\$ 18,574,170</u>	<u>\$ 24,558,592</u>	<u>\$ (5,984,422)</u>

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Department, as well as what the Department's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.25%) or 1-percentage-point higher (7.25%) than the current discount rate:

The sensitivity analysis as of December 31, 2025 follows:

	<u>1% Decrease (5.25%)</u>	<u>Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Net OPEB liability (asset)	\$ (6,208,791)	\$ (8,605,357)	\$ (10,548,837)

The sensitivity analysis as of December 31, 2024 follows:

	<u>1% Decrease (5.25%)</u>	<u>Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Net OPEB liability (asset)	\$ (3,709,451)	\$ (5,984,422)	\$ (7,876,800)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the Department, as well as what the Department's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

The sensitivity analysis as of December 31, 2025 follows:

	<u>1% Decrease (5.0%)</u>	<u>Healthcare Cost Trend Rates (6.0%)</u>	<u>1% Increase (7.0%)</u>
Net OPEB liability (asset)	\$ (11,034,307)	\$ (8,605,357)	\$ (5,516,622)

The sensitivity analysis as of December 31, 2024 follows:

	<u>1% Decrease (5.0%)</u>	<u>Healthcare Cost Trend Rates (6.0%)</u>	<u>1% Increase (7.0%)</u>
Net OPEB liability (asset)	\$ (8,173,898)	\$ (5,984,422)	\$ (3,267,160)

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the years ended December 31, 2025 and 2024, the Department recognized OPEB expense of \$203,086 and \$501,842. At December 31, 2025 and 2024, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources.

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan	\$ -	\$ 3,239,878
Changes of actuarial assumptions	226,566	724,179
Net differences between projected and actual investment earnings on pension plan investment	-	2,309,587
Total	<u>\$ 226,566</u>	<u>\$ 6,273,644</u>

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan	\$ -	\$ 3,830,160
Changes of actuarial assumptions	324,388	791,072
Net differences between projected and actual investment earnings on pension plan investment	-	361,678
Total	<u>\$ 324,388</u>	<u>\$ 4,982,910</u>

Deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending December 31:</u>	
2026	\$ (1,159,520)
2027	(1,980,094)
2028	(1,403,913)
2029	(1,002,460)
2030	(501,091)
Thereafter	-
Total	<u>\$ (6,047,078)</u>

Funding Policy

The Department is not required to provide funding for OPEB, other than the pay-as-you go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. The cost of providing these benefits, paid by the Department and the retirees, was \$1,094,025 for 189 retirees in 2025 and \$996,631 in 2024 for 179 retirees. In 2025 and 2024, the Department contributed assets into a separate legal trust, Holyoke Gas and Electric OPEB Trust, for the payment of future OPEB obligations. Contributions were \$0 in 2025 and 2024.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

12. Related-Party Transactions

The Massachusetts Clean Energy Cooperative (Clean Energy Coop) signed a power sales contract in April 2013 with its member Massachusetts Wholesale Electric Company (MMWEC). Through this contract, MMWEC will purchase the net electrical capacity of the Hadley Falls Facility from the Clean Energy Coop at a monthly charge as defined in the contract. There were no sales to MMWEC during 2025 and 2024.

There is also an agency contract between the Clean Energy Coop and MMWEC, whereby MMWEC will act as agent for the Clean Energy Coop in the performance of its administrative obligations.

The Department transacted business with Tighe & Bond for engineering services in the amount of \$29,525 in 2025 and \$20,150 in 2024. One of the Department's commissioners has a financial interest in this company, requiring disclosure.

13. Commitments and Contingences

Purchased Power Contracts

Short-Term Power

On a continuing basis, the Department enters into several short-term power supply contracts for either the purchase or sale of capacity, energy, renewable certificates or ancillary services with various suppliers. This includes bilateral purchases to meet Department's shortfall position during the summer months of 2026, where commitments were made by the end of 2025 in the amount of \$164,684.

Massachusetts Renewable Energy Certificates (RECs)

On a continuing basis, the Department enters into REC contracts for the sale of Massachusetts Class I, Massachusetts Class II and Maine Existing RECs from its hydro units. These commitments were made by the end of 2025. The summary of the resulting revenues to the Department by year and based on the total certificates sold is shown in the table below:

Contract Date	2025		2024	
	Revenues	Total Certificates	Revenues	Total Certificates
2023-2025	\$ 295,625	\$ 8,000	\$ 1,125,500	\$ 38,000

Canal Hydro Power

In November 2013, the Department entered into an agreement to provide electricity to the Open Square facility and purchase any excess electricity from the operation of the Open Square D and G wheels at a monthly charge as defined in the agreement. The Department does not have any liability associated with these energy purchases as any excess energy beyond contract water rights is at Department discretion under terms with the customer. The customer sold his property in December 2022 and assigned the contract to Open Square Reality LLC. The terms of this contract is on a month to month basis.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Solar Power

In December 2010, the Department, through its subsidiary Holyoke Solar Cooperative, signed a 20-year solar Power Purchase Agreement (PPA) with Holyoke Solar, LLC. The Department has agreed to purchase the electricity produced by two grid-connected solar power facilities and for the remaining years to the contract, the total future commitment is \$2,247,397. After the initial term, this agreement can be renewed for two consecutive five-year terms. In conjunction with this PPA, the Department is leasing, to Holyoke Solar, LLC, the property on which the solar power facility is located at \$100 per usable acre per year for the first 20 years. After the initial term under the PPA, the rate shall be \$3,000 per usable acre per year subject to a 2.5% annual escalation.

In June 2011, the Department signed a 20-year solar Power Sales Agreement with Rivermoor Citizens Holyoke, LLC beginning in February 2013. The Department agreed to purchase the electricity produced by the photovoltaic solar electric generation system and for the remaining years to the contract, the total future commitment is \$461,086. After the initial term, this agreement shall automatically renew for successive one-year terms, up to a maximum of 10 such renewal terms, unless terminated by either party.

In December 2014, the Department signed a 25-year solar Power Sales Agreement with Healthy Planet Partners, LLC. beginning October 2015. For the remaining years to the contract, the total future commitment is \$1,085,271.

The Department contracted for several 20-year solar PPA's during 2015 and 2016 with various solar developers and executed interconnection only agreements with a few others. Two C2 Special Solutions Group solar projects had COD of December 2016 under 20-year PPA's signed in October 2015. For the remaining years to the contracts, the total future commitment is \$1,041,429. The Department contracted for several 20-year solar PPA's with various solar developers. Below is a summary for each solar project, which became commercial in 2017 or 2018.

<u>Date of PPA</u>	<u>System Name</u>	<u>Annual Energy Payment</u>	<u>Commercial Operation Date</u>
July 2016	Mt. Tom Solar	\$ 3,526,870	02/03/17
October 2016	AEGIS	554,198	01/04/17
October 2016	Gary Rome	423,308	01/06/17
December 2016	Conklin	539,710	02/24/17
January 2017	Riverside Roof	116,580	05/08/17
June 2017	Walnut Roof	90,638	11/22/17
June 2017	Hadley Mills	286,888	12/29/17
September 2017	Jackson Street	105,169	03/15/18
November 2017	Boys & Girls Club	138,413	04/20/18
October 2015 and reassigned December 2017	Kelly Way 2	439,560	06/04/18
March 2018	YMCA	141,940	12/21/18

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Long-Term Power Transactions

In August 2018, the Department signed an eight-year contract through December 2029 with NextEra Energy Power Marketing to purchase on-peak physical energy and clean nuclear tags each year at a remaining future commitment cost of \$8,113,862. In November 2020, the Department extended this contract for another six years from January 2030 through December 2035 at an estimated cost of \$11,846,265.

In November 2020, the Department executed a four-year contract starting November 1, 2022 and ending October 31, 2026 with NextEra Energy Power Marketing for around-the-clock energy. The total future commitment is \$1,185,875. At the same time, the Department executed a four-year Second Amendment to the above contract with the Massachusetts Green High Performance Computing Center, Inc. locking in the Energy Only piece of the rate and extending the term to cover this transaction.

In March 2023, the Department contracted with NextEra Energy Power Marketing through MMWEC under a fourteen (14) year Power Purchase Agreement for ten (10) MWs of around-the-clock energy and clean nuclear tags each year. The agreement starts January 1, 2036 and ends December 31, 2049. The annual energy payment will start at \$6,783,004 in 2036 and grow 2% per year to \$8,594,436 in 2049. at a future commitment cost of \$109,029,849.

In December 2025, the Department signed a five (5) year unit contingent Purchase Power Agreement for energy and renewable energy credits out of the Stetson Wind I and Stetson Wind II projects located in Danford, Maine. The agreement starts January 1, 2026 and ends December 31, 2030 with an estimated annual future commitment cost of \$431,858.

In December 2013, the Department signed a 25-year PPA for energy and capacity out of the Hancock Wind Project, located in Hancock County, Maine. The annual energy payment will be about \$813,200 for this project that had a commercial operation date of December 2016.

In October 2015, the Department contracted with MMWEC to participate in a new MMWEC owned simple cycle 55 MW peaking unit located in Peabody, MA. The Commercial Operation Date (COD) was June 2024 and the plant was named the Northeast Reliability Center. HG&E's estimated portion of construction costs was approximately \$3,300,000. As the project is MMWEC owned, the Department will not carry project debt on its books. The annual total costs will vary between \$290,832 and \$322,269 over the estimated 30-year life of unit.

In December 2015, the Department contracted with Scuderi Clean Energy, LLC under a 20-year PPA for output from a natural gas generating facility. Expected Commercial Operation is unknown at this time. The Department mitigated market and development risk by ensuring interconnection costs are born by other party and that rates under PPA are discounted to full wholesale energy and resulting load reduction cost savings (where and if applicable).

In September 2017, the Department contracted with Mt. Tom Solar, LLC under a 20-year PPA for a lithium-ion battery-based energy storage system (ESS) located at the Mt Tom Solar facility. Testing and limited operation was completed in 2018 with fixed capacity payments beginning in June 2018. The Commercial Operation date was achieved in March 2019 after all City permitting. The annual fixed capacity payment will be \$360,000 and for the 12 years and five months remaining to the contract, the total future commitment is \$4,470,000. See Note 4 for more information.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

In February 2020, HG&E contracted with Holyoke BESS, LLC under a 15-year PPA. This is our second utility-scale energy storage project totaling 4.99 MW/12 MWh with a commercial operation date in August 2021. This is located across from our North Canal Substation. This acts as a load reducer to lower capacity and transmission costs. The annual capacity and transmission savings will be split between parties. The annual Department Payment will be around \$638,370 and the total future commitment will be around \$7,940,939.

In June 2021, HG&E contracted with Holyoke Energy Storage 1, LLC under a 20-year PPA. This will be our third utility scale energy storage project totaling 4.80 MW/14.40 MWh with an expected commercial operation date in Q1 of 2026. This will be located on Cabot Street and will act as a load reducer to lower capacity and transmission costs. The annual capacity and transmission savings will be split between parties. The annual Department Payment will be around \$846,754 and the total future commitment will be around \$16,987,858.

In October 2021, HG&E contracted with Holyoke Energy Storage 2, LLC under a 20-year PPA. This will be our fourth utility scale energy storage project totaling 4.80 MW/14.40 MWh with an expected commercial operation date in Q4 of 2026. This will be located at the Holyoke Landing and will act as a load reducer to lower capacity and transmission costs. The annual capacity and transmission savings will be split between parties. The annual Department Payment will be around \$869,949 and the total future commitment will be around \$17,398,975.

In September 2024, HG&E contracted with AE-ESS Holyoke, LLC under a 20-year PPA. This will be our fifth utility scale energy storage project totaling 3.0 MW/9.0 MWh began operating in November 2025, however official COD will be Q1 2026. This is located on Kelly Way and will act as a load reducer to lower capacity and transmission costs. The annual capacity and transmission savings will be split between parties. The annual Department Payment will be around \$364,882 and the total future commitment will be around \$7,332,343.

In December 2024, HG&E contracted with Holyoke MA BESS 1 LLC under a 20-year PPA. This will be our sixth utility scale energy storage project totaling 4.99 MW/15 MWh with an expected commercial operation date in Q2 2026. This will be located on Whitney Ave and will act as a load reducer to lower capacity and transmission costs. The annual capacity and transmission savings will be split between parties. The annual Department Payment will be around \$813,509 and the total future commitment will be around \$16,383,759.

Massachusetts Municipal Wholesale Electric Company

The Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC), 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 operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

The Department is also a participant in the Northeast Reliability Center (formerly known as Project 2015A), a capacity reliability resource in Peabody, Massachusetts, which began commercial operations effective June 29, 2024. As of December 31, 2025, the Department contributed \$471,186 for design and construction costs for the Northeast Reliability Center.

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). The Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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. 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. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make 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).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which are funded through monthly Project billings, as needed. Also, the Millstone and Seabrook 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.

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

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) and amount of required debt service payments (if applicable) under the PSAs associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2025 and 2024, respectively, are listed in the table(s) below:

Projects	Percentage Share	Total Capital Expenditures 2025	Capacity, Fuel and Transmission Billed 2025	Capacity, Fuel and Transmission Billed 2024
Stony Brook Peaking Project	2.8342 %	\$ 1,811,435	\$ 200,417	\$ 201,941
Nuclear Mix No. 1, Seabrook	7.2615	775,711	46,011	37,972
Nuclear Mix No. 1, Millstone	7.2615	4,806,497	492,135	501,146
Nuclear Project No. 3, Millstone	6.3500	10,115,862	858,584	870,244
Nuclear Project No. 4, Seabrook	6.1180	19,250,479	1,052,071	840,399
Nuclear Project No. 5, Seabrook	2.9821	2,533,751	130,015	105,833
Northeast Reliability Center	3.8790	3,334,977	418,044	346,286
		\$ 42,628,712	\$ 3,197,277	\$ 2,903,821

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

<u>Years Ended:</u>	<u>Total Project 2015A Debt Service 4.5200%</u>
2026	\$ 165,850
2027	165,814
2028	165,604
2029	165,417
2030	165,304
2031-2035	825,979
2036-2040	825,935
2041-2045	823,363
2046-2050	820,940
2051	163,900
Total	<u>\$ 4,288,106</u>

Long-Term Power Transactions - In March 2023, the Department contracted with MMWEC to participate in a long-term power contract beginning in January 2036 and ending December 2049 with NextEra Energy Power Marketing providing the power and clean nuclear tags. The Department will purchase up to 10 MW of around-the-clock physical energy and associated clean nuclear tags each year. The annual energy payment will start at \$6,783,004 in 2036 and grow 2% per year to \$8,594,436 in 2049. The total future commitment is \$109,029,849.

Telecommunications Contracts

The Department has entered into long-term contracts for dedicated point-to-point data lines and Internet Access services from several companies. These contracts have three and five year terms.

In 2025, The Department entered into a five-year contract with a commercial customer for Network Operator services. The Department also entered into a three-year contract with a commercial customer for 10Gig Internet and WAN services. Lastly the Department entered into a three-year contract with three commercial customers for 1 Gig of Internet.

In 2024, The Department extended an additional three-year contract with Lumen for 50Gig of Internet services. The Department entered into a five-year contract with a commercial customer for Colocation and ELAN services. The Department also entered into a three-year contract with a commercial customer for Internet and ELAN services. Lastly the Department entered into a three-year contract with five commercial customers for 1Gig of Internet.

In 2023, The Department entered into a three-year contract with Lumen and Verizon to provide 50Gig of Internet services. The Department also entered into a three-year contract with Comcast to provide 30Gig of Internet services. The Department also entered into a five-year contract renewal with a commercial customer to increase their Internet from 200M to 300M.

In 2022, The Department co-termed an existing three-year contract with Lumen to increase Internet speeds from 20Gig to 30Gig.

In 2021, The Department entered into a three-year contract with Lumen to provide 20Gig of Internet Services. The Department also entered into a five-year contract with WG&E to provide point-to-point services to a commercial customer. The Department entered into a three-year contract with Fiber Sonic to provide point-to-point services to multiple locations.

In 2020, The Department entered into a five-year contract with a commercial customer to provide Colocation Services. The Department also entered into a five-year contract renewal with a commercial customer to increase their Internet from 100M to 200M.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

In 2019, The Department entered into a five-year contract renewal with Cross Roads a division of Chicopee Electric Light to increase wholesale internet from 2 gigs to 3 gigs. The Department also entered into a five-year contract renewal with a commercial customer to provide router management. Contract can be renewed on an annual basis.

In 2018, the Department entered into a five-year contract with Cross Roads a division of Chicopee Electric Light and a one-year contract with Fiber Sonic a division of South Hadley Electric Light. Contract can be renewed on an annual basis.

In 2017, the Department entered into a five-year contract with Fiber Connect, LLC to provide network operator services. Contract can be renewed on an annual basis.

In 2002, the Department entered into a lease with Fiber Technologies Networks, LLC (Fibertech) for use of the Department's fiber optic lines. The lease provides for an annual payment per route mile for 20 years with an option to renew for an additional five years. That lease was extended in 2022 for a five-year period.

The Department has long-term contracts which range from one to five years with customers for telecommunications services.

Environmental Protection and Other Issues

In 1990, the Massachusetts Department of Environmental Protection (MDEP) sent a notice of responsibility to the Department and other parties regarding the presence of coal tar on property known as the gas works, adjacent to the Connecticut River. An investigation of the site has revealed concentrations of contaminants on the site and MDEP classified the area as a priority site. A second notice of responsibility was issued in September 1993 for gas tar deposits in the Connecticut River, effectively separating the gas works into a land site and a river site.

The current estimate for the 2026 clean up of only the land site is \$86,675. Total remaining cleanup costs for the land only site are unknown as of December 31, 2025. No estimate is currently available for the river site. However, the cost of clean-up may be significant and material to the financial statements. The measurement of the accrual for remediation costs is subject to uncertainty, including the evolving nature of environmental regulations and the difficulty in estimating the extent and type of remediation activity that will be utilized. The utility is also in negotiations with another counterparty under a similar order to fund part of the clean-up efforts. A final agreement as to the cost-sharing methodology between the parties has not been reached. The impact of these negotiations may be material to the financial statements but cannot be estimated.

Sources of Labor Supply

Fifty-eight percent (58%) of the Department's labor force is covered under a collective bargaining agreement between the City of Holyoke Gas and Electric Department and the Holyoke Municipal Gas, Light & Power Guild, Inc. The agreement expires March 31, 2028.

Construction Commitments

In 2025, the Department started a major construction project to upgrade its liquified natural gas plant and entered into construction contracts totaling approximately \$8.95 million. At December 31, 2025, the Department spent approximately \$4.3 million with the remaining work expected to be completed by the end of 2026.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

Line of Credit, Margin Account

As of December 31, 2025 and 2024, the Department had a balance of \$0 on an open line of credit facility (securitized by portfolio assets on deposit) from our investment adviser, LPL Financial. The current interest rate on the line of credit is 4.25%, which is a negotiated 2.5% discount versus Wall Street Journal Prime and a 0.75% discount versus LPL's rack rates. Note this is a variable rate and moves in line with the Fed.

14. Risk Management

Claims and Judgments

The Department is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensations; and health care of its employees. The Department participates in a public entry risk pool called the PUMIC to provide coverage for the above-mentioned risks except for workers compensation. The following details the coverage through the PUMIC. Settled claims have not exceeded the risk pool coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Public Entity Risk Pool

Public Utility Mutual Insurance Company (PUMIC)

The PUMIC is a liability insurance company, which is owned by its members. The PUMIC was formed in 1997 to provide general insurance to members of the Public Utility Risk Management Association (PURMA). PURMA is a 501(c)(6) not-for-profit association whose members include municipal utilities and rural cooperatives.

The PUMIC is self-insured up to a maximum of \$1,000,000 of each insurance risk. Losses paid by the PUMIC plus administrative expenses will be recovered through premiums to the participating pool of municipal utilities and rural cooperatives.

Management of each organization consists of a board of directors comprised of representatives elected by the participants. The Department has an employee participating as a board member in each of the organizations.

Financial statements of PUMIC and PURMA can be obtained directly from PUMIC's offices.

The initial investment in PUMIC is refundable upon withdrawal from the organization and has been reported at the original amount of \$168,000.

For general liability purposes, the Department is self-insured up to \$50,000, has self-insurance trust coverage in the amount of \$500,000 and general liability insurance through the risk pool for \$500,000 to \$25,000,000 per occurrence. The Department was also self-insured for workers compensation up to \$250,000 per occurrence through December 31, 2014. The Department has since moved to commercial insurance for workers compensation.

Holyoke Gas and Electric

Notes to Financial Statements
December 31, 2025 and 2024

15. Subsequent Events

The Department evaluated subsequent events through April 27, 2026, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

On March 31, 2026, the Department extended the term out date for the line of credit with People's Bank by one year. The new term out date is March 26, 2027.

On January 20, 2026 and February 18, 2026, the Department drew \$2.7 million and \$1 million, respectively on the line of credit margin account with their investment advisor, LPL Financial while awaiting the receipt of reimbursable federal grant funds pursuant to an agreement with the Pipeline and Hazardous Materials Safety Administration for the replacement of aging gas pipeline infrastructure.

REQUIRED SUPPLEMENTARY INFORMATION

Holyoke Gas and Electric

Schedule of Proportionate Share of the Net Pension Liability (Unaudited) - City of Holyoke Retirement System Last 10 Fiscal Years*

The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Holyoke Gas and Electric's proportion of the net pension liability	24.3800000%	23.1800000%	22.9600000%	22.9807710%	22.6007850%	23.0413940%	22.7516170%	21.8667720%	21.0663720%	20.7392330%
Holyoke Gas and Electric's proportionate share of the net pension liability	\$ 28,996,211	\$ 26,916,445	\$ 28,179,670	\$ 16,856,396	\$ 22,849,646	\$ 29,829,651	\$ 34,387,346	\$ 25,930,197	\$ 30,715,656	\$ 30,700,334
Holyoke Gas and Electric's covered employee payroll	16,245,743	15,160,385	14,003,339	13,370,925	12,794,112	12,976,188	12,629,315	11,779,347	11,381,012	10,862,753
Plan fiduciary net position as a percentage of the total pension liability	77.64%	77.58%	75.59%	85.04%	78.57%	71.79%	64.90%	71.67%	64.26%	62.55%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

Schedule of Contributions - Pension City of Holyoke Retirement System Last 10 Fiscal Years *

The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 4,679,884	\$ 4,353,483	\$ 4,217,718	\$ 4,094,911	\$ 3,907,249	\$ 3,983,422	\$ 3,958,373	\$ 3,856,839	\$ 3,711,165	\$ 3,596,091
Contributions in relation to the contractually required contributions	(4,679,884)	(4,353,483)	(4,217,718)	(4,094,911)	(3,907,249)	(3,983,422)	(3,958,373)	(3,856,839)	(3,711,165)	(3,596,091)
Holyoke Gas and Electric's covered-employee payroll	17,849,546	16,245,743	15,160,385	14,003,339	13,370,925	12,794,112	12,976,188	12,629,315	11,779,347	11,381,012
Contributions as a percentage of covered-employee payroll	26.22%	26.80%	27.82%	29.24%	29.22%	31.13%	30.50%	30.54%	31.51%	31.60%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See notes to required supplementary information - Pension (unaudited)

Holyoke Gas and Electric

Schedule of Changes of the Net OPEB Liability (Asset) (Unaudited) - City of Holyoke Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability (Asset)									
Service cost	\$ 656,989	\$ 684,489	\$ 690,712	\$ 580,937	\$ 570,324	\$ 500,313	\$ 518,484	\$ 594,872	\$ 526,946
Interest cost	1,126,486	1,248,175	1,182,608	1,247,108	1,211,804	1,162,953	1,119,602	1,008,278	998,426
Differences between expected and actual experience	-	(2,424,651)	(316,267)	(2,789,519)	(285,049)	(269,324)	(222,610)	289,069	-
Changes of assumptions	-	(793,840)	80,662	523,075	(356,356)	(50,171)	(83,641)	463,399	-
Benefit payments, including refunds of member contributions	(665,456)	(590,860)	(581,161)	(574,367)	(575,849)	(589,998)	(579,319)	(574,584)	(824,241)
Net change in total OPEB liability	1,118,019	(1,876,687)	1,056,554	(1,012,766)	564,874	753,773	752,516	1,781,034	701,131
Total OPEB Liability, Beginning	18,574,170	20,450,857	19,394,303	20,407,069	19,842,195	19,088,422	18,335,906	16,554,872	15,853,741
Total OPEB Liability, Ending	\$ 19,692,189	\$ 18,574,170	\$ 20,450,857	\$ 19,394,303	\$ 20,407,069	\$ 19,842,195	\$ 19,088,422	\$ 18,335,906	\$ 16,554,872
Contribution, employer	\$ 665,456	\$ 590,860	\$ 931,160	\$ 656,916	\$ 3,396,100	\$ 2,708,768	\$ 2,559,063	\$ 1,774,584	\$ 2,024,241
Net investment income (loss)	3,738,954	2,693,280	2,564,791	(3,435,258)	2,341,288	1,742,116	1,866,028	(593,694)	840,362
Benefit payments, including refunds of member contributions	(665,456)	(590,860)	(581,161)	(574,367)	(575,849)	(589,998)	(579,319)	(574,584)	(824,241)
Net change in fiduciary net position	3,738,954	2,693,280	2,914,790	(3,352,709)	5,161,539	3,860,886	3,845,772	606,306	2,040,362
Plan Fiduciary Net Position, Beginning	24,558,592	21,865,312	18,950,522	22,303,231	17,141,692	13,280,806	9,435,034	8,828,728	6,788,366
Plan Fiduciary Net Position, Ending	\$ 28,297,546	\$ 24,558,592	\$ 21,865,312	\$ 18,950,522	\$ 22,303,231	\$ 17,141,692	\$ 13,280,806	\$ 9,435,034	\$ 8,828,728
Net OPEB Liability (Asset)									
Net OPEB liability (asset)	\$ (8,605,357)	\$ (5,984,422)	\$ (1,414,455)	\$ 443,781	\$ (1,896,162)	\$ 2,700,503	\$ 5,807,616	\$ 8,900,872	\$ 7,726,144
Plan's fiduciary net position as a percentage of the total OPEB liability	143.70%	132.22%	106.92%	97.71%	109.29%	86.39%	69.58%	51.46%	53.33%
Covered-employee payroll	16,150,123	16,854,668	15,843,824	15,213,927	14,508,827	13,698,697	13,115,000	12,520,427	12,187,515
Net OPEB liability (asset) as a percentage of covered-employee payroll	-53.28%	-35.51%	-8.93%	2.92%	-13.07%	19.71%	44.28%	71.09%	63.39%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB Statement No. 74 was implemented effective January 1, 2017, and therefore only four years are available for disclosure.

See notes to required supplementary information - Other Postemployment Benefits (unaudited)

Holyoke Gas and Electric

Schedule of Contributions - Other Postemployment Benefits (Unaudited)

City of Holyoke Retirement System

Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 684,489	\$ 684,489	\$ 755,677	\$ 919,281	\$ 580,935	\$ 1,279,538	\$ 1,732,455	\$ 1,974,179	\$ 1,978,662
Contributions in relation to the actuarially determined contribution	665,456	590,859	931,160	656,914	3,396,100	2,708,768	2,559,063	1,774,584	2,024,241
Contribution deficiency (excess)	\$ 19,033	\$ 93,630	\$ (175,483)	\$ 262,367	\$ (2,815,165)	\$ (1,429,230)	\$ (826,608)	\$ 199,595	\$ (45,579)
Covered-employee payroll	\$ 16,150,123	\$ 16,854,668	\$ 15,843,824	\$ 15,213,927	\$ 14,508,827	\$ 13,698,697	\$ 13,115,000	\$ 12,520,427	\$ 12,187,515
Contributions as a percentage of covered-employee payroll	4.12%	3.51%	5.88%	4.32%	23.41%	19.77%	19.51%	14.17%	16.61%
Annual weighted rate of return on OPEB plan investments	15.62%	12.72%	13.81%	-15.08%	13.02%	12.52%	18.32%	-5.97%	11.37%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB Statement No. 74 was implemented effective January 1, 2017, and therefore only four years are available for disclosure.

City of Holyoke Retirement System

Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	15.62%	12.72%	13.81%	-15.08%	13.02%	12.52%	18.32%	-5.97%	11.37%

See notes to required supplementary information - Other Postemployment Benefits (unaudited)

Holyoke Gas and Electric

Notes to Required Supplementary Information – Pension (Unaudited)
Year Ended December 31, 2025

Changes of benefit terms: Effective January 1, 2024 the Cost of Living Adjustment (COLA) base was increased from \$14,000 to \$15,000. Effective January 1, 2020 the Cost of Living Adjustment (COLA) base was increased from \$12,000 to \$14,000. There were no changes of benefit terms for any participating employer in the City of Holyoke Retirement System for the years 2015-2019.

Changes of assumptions:

There were no changes effective between January 1, 2023 and January 1, 2025.

The following changes were effective January 1, 2022:

- The investment return assumption was lowered from 7.25% to 7.00
- The mortality improvement scale was updated from MP-2017 to MP2021

The following changes were effective January 1, 2021:

- None

The following changes were effective January 1, 2020:

- The investment return assumption was lowered from 7.50% to 7.25

The following changes were effective January 1, 2018:

- Salary increases was lowered from 4.25%-4.75% to 4.00%-4.50%
- The inflation assumption was lowered from 3.50%-3.25%
- The investment return assumption was lowered from 7.625% to 7.50%
- The mortality assumption for healthy retirees changed from RP-2000 Healthy Annuitant Mortality Table projected using Scale BB2D from 2009, to RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally using Scale MP-2017
- The mortality assumption for disabled retirees changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015, to RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP- 2017

The following changes were effective January 1, 2016:

- The investment return assumption was lowered from 7.75% to 7.625%
- The mortality assumption for nondisabled participants was changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale AA from 2010 to the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally using Scale AA from 2010 to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.

Holyoke Gas and Electric

Notes to Required Supplementary Information - Other Postemployment Benefits (Unaudited)
Year Ended December 31, 2025

Factors significantly affecting trends in the amounts reported:

Inflation	3.50% for FY2025-FY2017
Salary Increases	Service-related increases for Group 1: 6.0% per year decreasing over 9 years to 4.25% per year for FY2025-FY2017 Service-related increases for Group 4: 7.0% per year decreasing over 6 years to 4.75% per year for FY2025-FY2017
Investment Rate of Return	6.25% for FY2025-FY2017
Healthy Mortality Rates	PubG.H-2010 Mortality Table with MP-2021 Mortality Scale for FY2025-FY2021. PubG.H-2010 Mortality Table with MP-2020 Projection Scale for FY2020. PubG.H-2010 Mortality Table with MP-2018 Mortality Scale for FY2019 and FY2018. RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009 for FY2017.

Significant Methods and assumptions used in calculating actuarially determined contributions:

Valuation Date	Actuarially determined contribution for the fiscal year ending December 31, 2025 actuarial valuation. The fiscal years ending December 31, 2024 and 2025 were both determined with the December 31, 2024 actuarial valuation. The fiscal years ending December 31, 2022 and 2023 were both determined with the December 31, 2022 actuarial valuation. The fiscal years ending December 31, 2021 and 2020 were both determined with the December 31, 2020 actuarial valuation. The fiscal year ending December 31, 2019 and 2018 were both determined with the December 31, 2018 actuarial valuation. The fiscal year ending December 31, 2017 was determined with the June 30, 2015 actuarial valuation.
Actuarial Cost Method	Entry Age Actuarial Cost Method for FY2025-FY2018. Projected Unit Credit Method for FY2017.
Amortization Method	Level percent of payroll for FY2025-FY2017
Remaining Amortization Period	6 years from December 31, 2024 for FY2024 and FY2025. 6 years from December 31, 2022 for FY2022 and FY2023. 6 years from December 31, 2020 for FY2021 and FY2020. 6 years from December 31, 2018 for FY2019 and FY2018. 7 years from December 31, 2015 for FY2017.
Asset Valuation Method	Market value for FY2025-FY2017
Discount Rate	6.25% for FY2025-FY2017
Inflation	3.50% for FY2025-FY2017
Healthcare Trend Rates*	6.0% per year graded down by the Getzen model to an ultimate rate of 4.0% per year for FY2024 and FY2025. 6.5% per year graded down by the Getzen model to an ultimate rate of 4.04% per year for FY2023. 6.5% per year graded down by the Getzen model to an ultimate rate of 4.14% per year for FY2022. 6.00% per year graded down by the Getzen model to an ultimate rate of 3.94% per year for FY2021. 5.5% per year graded down by the Getzen model to an ultimate rate of 4.04% per year for FY2020. 6.00% per year graded down by the Getzen model to an ultimate rate of 3.84% per year for FY2019. 6.50% per year graded down by the Getzen model to an ultimate rate of 3.84% per year for FY2018. 10.0%, then 7.5% decreasing by 0.5% for 5 years to an ultimate level of 5.0% per year for FY2017.
<i>Non-Medicare medical/prescription drug</i>	

Holyoke Gas and Electric

Notes to Required Supplementary Information - Other Postemployment Benefits (Unaudited)
Year Ended December 31, 2025

Medicare medical/prescription drug

6.0% per year graded down by the Getzen model to an ultimate rate of 4.0% per year for FY2024 and FY2025. 6.5% per year graded down by the Getzen model to an ultimate rate of 4.04% per year for FY2023. 6.5% per year graded down by the Getzen model to an ultimate rate of 4.14% per year for FY2022. 6.00% per year graded down by the Getzen model to an ultimate rate of 3.94% per year for FY2021. 5.5% per year graded down by the Getzen model to an ultimate rate of 4.04% per year for FY2020. 6.00% per year graded down by the Getzen model to an ultimate rate of 3.84% per year for FY2019. 5.5%, then 7.5% decreasing by 0.5% for 5 years to an ultimate level of 5.0% per year for FY2018. 10.0%, then 7.5% decreasing by 0.5% for 5 years to an ultimate level of 5.0% per year for FY2017.

Dental/Administrative

6.0% per year graded down by the Getzen model to an ultimate rate of 4.0% per year for FY2024 and FY2025. 6.5% per year graded down by the Getzen model to an ultimate rate of 4.04% per year for FY2023. 6.5% per year graded down by the Getzen model to an ultimate rate of 4.14% per year for FY2022. 6.00% per year graded down by the Getzen model to an ultimate rate of 3.94% per year for FY2021. 5.5% per year graded down by the Getzen model to an ultimate rate of 4.04% per year for FY2020. 6.00% per year graded down by the Getzen model to an ultimate rate of 3.84% per year for FY2019. 5.0% for FY2018 and FY2017.

Contributions

Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend for FY2025-FY2017.

**Trends reflect known increases for the first year*

SUPPLEMENTARY INFORMATION

Holyoke Gas and Electric

Schedules of Operating Revenues and Expenses - Gas Division
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Residential	\$ 12,927,258	\$ 11,120,748
Commercial	9,193,620	9,063,587
Industrial	4,473,042	2,578,619
Municipal	925,073	737,389
Departmental sales	75,470	56,497
Sales for resale	1,017,604	429,597
Uncollectible accounts	<u>(39,035)</u>	<u>(86,432)</u>
Total operating revenues	<u>\$ 28,573,032</u>	<u>\$ 23,900,005</u>
Cost of Gas Sold		
Purchases, natural gas	\$ 9,967,144	\$ 8,207,597
Liquid natural gas processed	593,485	303,478
Environmental response	150,993	88,690
Supplies and expenses	<u>223,439</u>	<u>255,009</u>
Total cost of gas sold	<u>\$ 10,935,061</u>	<u>\$ 8,854,774</u>
Distribution		
Salaries and wages:		
System control and load dispatch	\$ 526,564	\$ 543,860
Supervision and engineering	500,653	483,084
Customer installation	795,157	697,210
Operation	621,675	725,152
Maintenance	1,423,859	1,182,719
Supplies and expenses	<u>1,914,592</u>	<u>1,787,025</u>
Total distribution	<u>\$ 5,782,500</u>	<u>\$ 5,419,050</u>
Customer Accounts		
Salaries and wages:		
Meter reading	\$ 77,339	\$ 34,399
Accounting and collection	265,470	207,421
Supplies and expenses	<u>97,629</u>	<u>109,325</u>
Total customer accounts	<u>\$ 440,438</u>	<u>\$ 351,145</u>
General and Administrative		
Salaries	\$ 1,282,876	\$ 1,230,099
Pensions and benefits	1,849,076	1,543,300
Insurance	187,012	187,715
General supplies and expenses	<u>1,531,772</u>	<u>1,074,003</u>
Total general and administrative	<u>\$ 4,850,736</u>	<u>\$ 4,035,117</u>

Holyoke Gas and Electric

Schedules of Operating Revenues and Expenses - Electric and Telecommunications Divisions
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Electric sales:		
Residential	\$ 18,632,116	\$ 17,929,270
Commercial	32,377,654	31,776,384
Industrial	5,379,860	5,370,094
Municipal	2,276,915	2,073,914
Interdepartmental	397,215	356,336
Water	6,300	6,300
Renewable energy revenue	2,858,819	4,611,741
Cobble Mountain operation, net	546,508	553,477
Telecommunication sales	3,767,877	3,423,053
Uncollectible accounts, electric/hydro	(305,561)	(219,226)
Uncollectible accounts, telecommunications	(1,133)	(256)
	<u>\$ 65,936,570</u>	<u>\$ 65,881,087</u>
Cost of Electricity/Steam/Water Sold		
Purchases, electricity	\$ 17,045,537	\$ 13,215,113
Salaries and wages:		
Production	1,582,201	1,635,239
Maintenance	1,971,718	1,967,345
Supplies and expenses	4,137,918	4,224,622
Cost of water sold	383,751	362,993
	<u>\$ 25,121,125</u>	<u>\$ 21,405,312</u>
Electric Transmission		
Salaries and wages	\$ 1,235,076	\$ 1,005,962
Supplies and expenses	620,432	384,966
Transmission by others	5,147,269	3,832,300
	<u>\$ 7,002,777</u>	<u>\$ 5,223,228</u>
Distribution		
Electric:		
Salaries and wages:		
Lines, equipment and street lights	\$ 3,612,426	\$ 3,754,692
Customer installations	238,006	261,112
Supplies and expenses	3,079,456	3,874,625
Telecommunications distribution	2,413,176	2,182,973
	<u>\$ 9,343,064</u>	<u>\$ 10,073,402</u>
Customer Accounts		
Salaries and wages:		
Meter reading	\$ 94,157	\$ 74,730
Accounting and collection	491,211	385,210
Supplies and expenses	170,779	197,985
	<u>\$ 756,147</u>	<u>\$ 657,925</u>
General and Administrative		
Electric:		
Salaries	\$ 2,376,703	\$ 2,357,825
Pensions and benefits	3,472,783	2,756,983
Insurance	785,645	797,660
General supplies and expenses	3,271,603	2,523,475
Telecommunications general and administrative	817,236	683,780
	<u>\$ 10,723,970</u>	<u>\$ 9,119,723</u>



**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Commissioners of
Holyoke Gas and Electric

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Holyoke Gas and Electric and Holyoke Gas and Electric OPEB Trust, enterprise and fiduciary funds of the City of Holyoke, Massachusetts, respectively, as of and for the year ended December 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2026. Hereafter the funds will collectively be referred to as Holyoke Gas & Electric. Our report indicates that financial statements of Massachusetts Clean Energy Cooperative Corporation, a blended component unit of Holyoke Gas and Electric, were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holyoke Gas and Electric's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Holyoke Gas and Electric's internal control. Accordingly, we do not express an opinion on the effectiveness of Holyoke Gas and Electric's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holyoke Gas and Electric's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style and is contained within a thin black rectangular border.

Madison, Wisconsin
April 27, 2026

