Financial Statements  
and Other Financial Information

BLOCK ISLAND POWER COMPANY

Years Ended May 31, 2015 and 2014
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
Block Island Power Company
Block Island, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of Block Island Power Company, which comprise the balance sheets as of May 31, 2015 and 2014, and the related statements of operations and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Block Island Power Company as of May 31, 2015 and 2014, and the changes in its retained earnings and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of expenses on pages 15 to 17 are presented for purposes of additional analysis and are 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 information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2016, on our consideration of Block Island Power Company’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 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 Block Island Power Company’s internal control over financial reporting and compliance.

Cranston, Rhode Island
June 17, 2016
## BLOCK ISLAND POWER COMPANY
### BALANCE SHEETS
**May 31, 2015 and 2014**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UTILITY PLANT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>$8,494,755</td>
<td>$8,556,905</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>5,334,138</td>
<td>5,057,007</td>
</tr>
<tr>
<td><strong>NET UTILITY PLANT</strong></td>
<td>3,160,617</td>
<td>3,499,898</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>818,002</td>
<td>578,638</td>
</tr>
<tr>
<td>Accounts Receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade, Less Allowance for Credit Losses of $19,106 at 2015 and $22,550 at 2014</td>
<td>406,968</td>
<td>493,684</td>
</tr>
<tr>
<td>Other Accounts Receivable, net</td>
<td>118,092</td>
<td>56,228</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>1,454,926</td>
<td>1,199,780</td>
</tr>
<tr>
<td><strong>DEFERRED CHARGES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Regulatory Retirement Asset</td>
<td>124,187</td>
<td>141,509</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED CHARGES</strong></td>
<td>124,187</td>
<td>141,509</td>
</tr>
<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash - DSI and DSM/IRP Surcharges</td>
<td>40,111</td>
<td>40,071</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$4,779,841</strong></td>
<td><strong>$4,881,258</strong></td>
</tr>
</tbody>
</table>

See independent auditors' report and accompanying notes to financial statements.
**BLOCK ISLAND POWER COMPANY**  
**BALANCE SHEETS (Continued)**  
**May 31, 2015 and 2014**

### STOCKHOLDERS' EQUITY AND LIABILITIES

#### STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, $25 Par Value, 8,000 Shares Authorized, Issued and Outstanding</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Premium on Common Stock</td>
<td>13,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>1,061,780</td>
<td>988,045</td>
</tr>
<tr>
<td><strong>Total Stockholders' Equity</strong></td>
<td>1,274,780</td>
<td>1,201,045</td>
</tr>
<tr>
<td>Less: Cost of 2,135 shares in Treasury Stock</td>
<td>121,485</td>
<td>121,485</td>
</tr>
<tr>
<td><strong>Total Stockholders' Equity</strong></td>
<td>1,153,295</td>
<td>1,079,560</td>
</tr>
</tbody>
</table>

#### LIABILITIES

**LONG-TERM LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Obligation</td>
<td>124,187</td>
<td>141,509</td>
</tr>
<tr>
<td>Deferred Tower Lease Revenue</td>
<td>-</td>
<td>16,662</td>
</tr>
<tr>
<td>Long-Term Debt, Less Current Portion</td>
<td>2,319,674</td>
<td>2,503,989</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td>2,443,861</td>
<td>2,662,160</td>
</tr>
</tbody>
</table>

**CURRENT LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>684,827</td>
<td>726,300</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>51,096</td>
<td>47,793</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>24,414</td>
<td>19,782</td>
</tr>
<tr>
<td>Accrued Other Expenses</td>
<td>60,465</td>
<td>53,553</td>
</tr>
<tr>
<td>Deferred Regulatory Engine and SCR Maintenance Obligation</td>
<td>(110,327)</td>
<td>(179,495)</td>
</tr>
<tr>
<td>Deferred Income Tax</td>
<td>647</td>
<td>-</td>
</tr>
<tr>
<td>Current Portion of Retirement Obligation</td>
<td>19,884</td>
<td>28,842</td>
</tr>
<tr>
<td>Current Portion of Deferred Tower Lease Revenue</td>
<td>16,661</td>
<td>16,667</td>
</tr>
<tr>
<td>Current Portion of Long-Term Debt</td>
<td>184,482</td>
<td>195,112</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>932,149</td>
<td>908,554</td>
</tr>
</tbody>
</table>

**DEFERRED CREDITS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Income Tax</td>
<td>183,385</td>
<td>163,297</td>
</tr>
<tr>
<td>Accrued Deferred Income Tax - Other</td>
<td>67,151</td>
<td>67,687</td>
</tr>
<tr>
<td><strong>Total Deferred Credits</strong></td>
<td>250,536</td>
<td>230,984</td>
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</tbody>
</table>

**Total Stockholders' Equity and Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Stockholders' Equity and Liabilities</strong></td>
<td>$4,779,841</td>
<td>$4,881,258</td>
</tr>
</tbody>
</table>

See independent auditors' report and accompanying notes to financial statements.
## BLOCK ISLAND POWER COMPANY
### STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
#### Years Ended May 31, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity Charges</td>
<td>$2,462,239</td>
<td>$2,470,121</td>
</tr>
<tr>
<td>Fuel Surcharge</td>
<td>2,772,916</td>
<td>3,181,951</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td><strong>5,235,155</strong></td>
<td><strong>5,652,072</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>4,190,676</td>
<td>4,510,090</td>
</tr>
<tr>
<td>Maintenance</td>
<td>338,375</td>
<td>437,269</td>
</tr>
<tr>
<td>Taxes</td>
<td>293,089</td>
<td>308,152</td>
</tr>
<tr>
<td>Depreciation</td>
<td>325,906</td>
<td>332,263</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>5,148,046</strong></td>
<td><strong>5,587,774</strong></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME FROM OPERATIONS</strong></td>
<td><strong>87,109</strong></td>
<td><strong>64,298</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental of Utility Poles and Towers</td>
<td>171,676</td>
<td>175,071</td>
</tr>
<tr>
<td>Interest</td>
<td>630</td>
<td>543</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>33,895</td>
<td>37,036</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td><strong>206,201</strong></td>
<td><strong>212,650</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OTHER EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>150,432</td>
<td>168,605</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>47</td>
<td>56</td>
</tr>
<tr>
<td><strong>TOTAL OTHER EXPENSES</strong></td>
<td><strong>150,479</strong></td>
<td><strong>168,661</strong></td>
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<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME BEFORE INCOME TAXES</strong></td>
<td><strong>142,831</strong></td>
<td><strong>108,287</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME TAX EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30,096</td>
<td>14,192</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INCOME</strong></td>
<td>112,735</td>
<td>94,095</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RETAINED EARNINGS AT BEGINNING OF YEAR</strong></td>
<td><strong>988,045</strong></td>
<td><strong>893,950</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Dividends Paid</td>
<td>39,000</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RETAINED EARNINGS AT END OF YEAR</strong></td>
<td><strong>$1,061,780</strong></td>
<td><strong>$988,045</strong></td>
</tr>
</tbody>
</table>

See independent auditors' report and accompanying notes to financial statements.
## BLOCK ISLAND POWER COMPANY
**STATEMENTS OF CASH FLOWS**
*Years Ended May 31, 2015 and 2014*

### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$112,735</td>
<td>$94,095</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>325,906</td>
<td>332,263</td>
</tr>
<tr>
<td>Amortization of Deferred Tower Lease Income</td>
<td>(16,667)</td>
<td>(16,667)</td>
</tr>
<tr>
<td>Provision for Bad Debts</td>
<td>3,444</td>
<td>844</td>
</tr>
<tr>
<td>Deferred Income Tax Expense</td>
<td>30,097</td>
<td>14,192</td>
</tr>
<tr>
<td>Amortization of Accrued Deferred Income Tax - Other</td>
<td>(9,304)</td>
<td>(8,770)</td>
</tr>
<tr>
<td>Changes In Operating Assets and Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>28,296</td>
<td>33,741</td>
</tr>
<tr>
<td>Fuel and Other Inventory</td>
<td>13,104</td>
<td>30,456</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>(2,891)</td>
<td>(1,923)</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>110,658</td>
<td>318,798</td>
</tr>
<tr>
<td>Deferred DSM and IRP Surcharge Revenues</td>
<td>(152,131)</td>
<td>(2,278)</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>3,303</td>
<td>(6,153)</td>
</tr>
<tr>
<td>Accrued Payroll and Other Accrued Expenses</td>
<td>11,544</td>
<td>(9,725)</td>
</tr>
<tr>
<td><strong>Total Adjustments</strong></td>
<td>338,471</td>
<td>684,778</td>
</tr>
<tr>
<td><strong>NET CASH FROM OPERATING ACTIVITIES</strong></td>
<td>451,206</td>
<td>778,873</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of Property, Plant and Equipment</td>
<td>(36,309)</td>
<td>(611,376)</td>
</tr>
<tr>
<td>Retirement of Property, Plant and Equipment</td>
<td>49,684</td>
<td>-</td>
</tr>
<tr>
<td>Excess Collection of Aid to Construct Utility Plant Assets</td>
<td>8,768</td>
<td>1,429</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</strong></td>
<td>22,143</td>
<td>(609,947)</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of Long-Term Debt</td>
<td>(194,945)</td>
<td>(185,174)</td>
</tr>
<tr>
<td>Purchase of Treasury Stock</td>
<td>-</td>
<td>(100,000)</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>(39,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET CASH USED IN FINANCING ACTIVITIES</strong></td>
<td>(233,945)</td>
<td>(285,174)</td>
</tr>
</tbody>
</table>

### NET INCREASE (DECREASE) IN CASH

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH</strong></td>
<td>239,404</td>
<td>(116,248)</td>
</tr>
</tbody>
</table>

### CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>618,709</td>
<td>734,957</td>
</tr>
</tbody>
</table>

### CASH AND CASH EQUIVALENTS AT END OF YEAR

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR</strong></td>
<td>$858,113</td>
<td>$618,709</td>
</tr>
</tbody>
</table>

*See independent auditors' report and accompanying notes to financial statements.*

Page 5
NOTE A – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business: The Block Island Power Company (the "Company"), a privately held regulated utility entity, provides electricity to users located on Block Island, Rhode Island. The Company conforms to accounting principles generally accepted in the United States of America (GAAP) which includes the accounting requirement and rate-making practices of the Federal Energy Regulatory Commission (FERC) and the state public utilities commission.

Use of Estimates: The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management’s most significant estimates relate to the allowance for doubtful accounts, inventory valuation and depreciable lives of utility plant and equipment.

Property, Plant and Equipment: Depreciation is computed using the straight-line method generally for a period of between three (3) and forty (40) years in accordance with the Public Utility Commission guidelines with regard to asset classification and useful life. The Company expenses the cost of planned major maintenance activities as they are incurred.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash accounts in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At May 31, 2015 and 2014, the Company’s uninsured cash bank balances totaled $388,484 and $315,963, respectively.

Accounts Receivable: All of the accounts receivable are stated at the amount management expects to collect from the outstanding balances. Management provides an allowance on the trade receivables for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on 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 trade accounts receivable. Based on management’s assessment of the other outstanding accounts receivable, it has concluded that realization losses will be immaterial.

Fuel and Other Inventory: Fuel inventory is valued at cost determined on the specific identification method. Other inventories, consisting primarily of plant replacement parts, are valued at the lower of cost or market, determined on the first-in, first-out (FIFO) method.

Presentation of Sales and Excise Taxes: The State of Rhode Island imposes certain taxes on all of the Company’s sales to non-exempt customers. The Company collects the taxes from customers and remits the entire amount to the State. The Company includes these taxes collected and remitted to the State as revenues and as operating expenses.
NOTE A – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Income Taxes: The Company recognizes income tax expense based on income reported for financial statement purposes. Income tax expense differs from amounts currently payable because of temporary differences in the recognition of certain income and expense items, primarily depreciation, tax loss carryforwards, and contributions in aid. For income tax reporting purposes, the Company depreciates newly acquired assets on the accelerated basis. Further, for income tax purposes, regulatory commission expense is expensed as incurred. Contributions in aid revenue are taxable in the year received but recorded in part as a reduction of basis in property and equipment and deferred income (Note K) for financial statement purposes.

Accounting for Uncertain Tax Positions: The Company accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Company has tax positions that have been determined to be highly certain and, therefore, no accrual for unrecognized tax liability is deemed necessary. The Company is not currently under examination by any taxing jurisdiction. Its federal and state income tax returns are generally open for examination for the past 6 years.

Subsequent Events: The Company has evaluated subsequent events for potential disclosure or recognition after May 31, 2015 through June 17, 2016, the date the financial statements were available to be issued.

NOTE B – UTILITY PLANT

The property, plant and equipment consists of the following at May 31:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Land Rights</td>
<td>$ 79,720</td>
<td>$ 79,720</td>
</tr>
<tr>
<td>Building</td>
<td>507,289</td>
<td>507,289</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>4,603,043</td>
<td>4,601,643</td>
</tr>
<tr>
<td>Distribution System</td>
<td>3,215,692</td>
<td>3,279,242</td>
</tr>
<tr>
<td>Furniture and Fixtures</td>
<td>89,011</td>
<td>89,011</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment</strong></td>
<td><strong>$8,494,755</strong></td>
<td><strong>$8,556,905</strong></td>
</tr>
</tbody>
</table>
NOTE C – DEFERRED REGULATORY RATE ASSET

On November 9, 2007, the Company filed an application with the Commission of Public Utilities (Commission) to increase its rates above its then authorized rates. In response to the Company’s filing, the Commission conducted a standards investigation of the Company’s increase request through extensive discovery methods and testimony. The details to this filing and settlement of the increase in rates can be found in the Commission Docket No. 3900. The Company’s rate increase became effective for the June 2008 consumption period.

NOTE D – DEFERRED REGULATORY ENGINE AND SCR MAINTENANCE ASSET

The Company is required to reserve 9.16% of non fuel income each year, beginning with the fiscal year ended May 31, 2006, to be spent for catalysts for the SCR system, for related SCR work, and for engine maintenance, installation, and related work. This requirement is detailed in the Commission of Public Utilities Docket No. 3655 and is a stipulation agreed to by the Company as part of the December 17, 2004 rate increase filing request. The actual cash costs for engine and SCR maintenance, installation and related work are required to be charged to this reserve each year. Any difference between the reserve which has been included in the increased rates and actual costs is required to be addressed in a future proceeding. The actual amount reserved based on the mandated regulatory calculation was $238,917 in 2015 and $245,794 in 2014, of which $176,087 and $348,754 was actually spent in 2015 and 2014, respectively. The accumulated difference of ($110,327) as of May 31, 2015 and ($179,495) as of May 31, 2014 represents the amount which has been expended on engine and SCR related items in excess of the regulatory calculation.

NOTE E – OTHER ACCOUNTS RECEIVABLE

Other accounts receivable consists of the following at May 31:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refundable Fuel Excise Tax</td>
<td>$67,205</td>
<td>$25,598</td>
</tr>
<tr>
<td>Advances on Rhode Island Gross Receipts Tax</td>
<td>36,265</td>
<td>26,330</td>
</tr>
<tr>
<td>Rental Income</td>
<td>14,622</td>
<td>4,300</td>
</tr>
<tr>
<td><strong>Other Accounts Receivable, Net</strong></td>
<td><strong>$118,092</strong></td>
<td><strong>$56,228</strong></td>
</tr>
</tbody>
</table>

Page 8
NOTE F – RESTRICTED CASH ACCOUNT

The Company was required to, and did establish, a restricted cash account during the fiscal year ended May 31, 2006, to separately account for revenue required to be reserved for Demand Side Management (DSM) and Integrated Resource Planning (IRP) expenses. The DSM and IRP revenues were derived from a surcharge in the four summer months of $.01 per kilowatt hour (KWH) for a period of 3 years ended May 31, 2008. The Company continues to include a surcharge in the four summer months to be used to improve the Company's distribution system (DSI) as stipulated in part of the November 2007 rate increase filing request and is detailed in the Commission of Public Utilities Docket No. 3900, effective June 1, 2008. The Company earned revenue from this surcharge of $55,977 in 2015 and $57,214 in 2014, and incurred DSI expenses of $208,141 in 2015 and $59,532 in 2014. As of May 31, 2015 and 2014, the restricted cash balances were $40,111 and $40,071, respectively, which represents deferred surcharge revenues not yet expended on DSI expenses.

NOTE G – RETIREMENT OBLIGATION

The Company has agreed to continue to pay the widow of a retired Vice President of the Company a pension benefit of $1,000 per month, in addition to paying her Blue Cross health insurance premiums. The Company also has agreements with three individuals, a retired watchman operator, a retired general manager, and a retired lineman, to pay each a monthly pension benefit of $1,000. None of the agreements are part of a qualified plan, and payments will end upon each recipient’s death, except for the retired general manager, who will receive payment until age 65.

The Company’s regulatory agency has authorized the Company to record these obligations as deferred regulatory asset and amortize them at the same rate as the retirement obligation is reduced.

The present value of these obligations over a life expectancy of 75 years for each recipient, except for the general manager who was calculated to age 75, is $144,071 at May 31, 2015, of which $19,884 is considered current and $124,187 is considered non-current, and is $197,249 at May 31, 2014, of which $28,842 is considered current and $141,509 is considered non-current. The interest rate imputed in determining this obligation was 5.0%. The obligation, which is based on the life expectancy of each recipient, is expected to be paid through 2015 for the retired Vice President, through 2018 for the retired watchman operator, through 2013 for the retired general manager, and through 2027 for the retired lineman. The Company also had an agreement with a retired President to pay him a pension benefit of $2,000 per month. At his passing in 2014, his pension benefit was continued with his spouse at the amount of $1,625 per month.

These retirement obligations totaling $55,500 and $57,125 for 2015 and 2014, respectively, were charged to operations.
NOTE H – DEFERRED TOWER LEASE REVENUE

The Company has two agreements with two entities to broadcast from a tower and maintenance building (facility) built on the Company’s land by these two entities and donated to the Company. In exchange, these two entities have the right to broadcast from the tower for a fifteen year period expiring in May 2016. The Company capitalized $250,000 as the estimated cost of the facility with a corresponding deferred credit for the estimated forgone tower lease income that the Company would have received from the entities. Both the cost of the facility and the deferred revenues are being amortized over the term of the agreements. Deferred tower lease revenue is scheduled to be recognized at $16,667 for each year ending May 31, 2001 through 2016.

NOTE I – LONG-TERM DEBT

Long-term debt consists of the following at May 31:

Note Payable – In June 2000, the Company entered into an agreement with Rural Utilities Services (RUS) to obtain low interest loan advances through the Federal Financing Bank (FFB). The financing was used to improve its generation and distribution systems as well as restructure some of its outstanding debt. RUS has a first position security interest in all assets. There were eight separate Advances from August 2000 to June 2008 which totaled $3,939,963. The eight individual advances to the Company Require quarterly payments totaling $72,181 including Interest, with various fixed rates from 4.392% to 5.915% and final payments in December 2024 and 2031.  

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances from August 2000</td>
<td>$2,424,041</td>
<td>$2,590,745</td>
</tr>
<tr>
<td>Advances from June 2008</td>
<td>80,115</td>
<td>108,356</td>
</tr>
<tr>
<td>Advances from December 2003</td>
<td>2,504,156</td>
<td>2,699,101</td>
</tr>
<tr>
<td>Advances from March 2008</td>
<td>184,482</td>
<td>195,112</td>
</tr>
<tr>
<td>Total Long-term Portions</td>
<td>$2,319,674</td>
<td>$2,503,989</td>
</tr>
</tbody>
</table>

Less Current Portions

Interest paid was $138,218 and $149,568 for the years ended May 31, 2015 and 2014, respectively.
BLOCK ISLAND POWER COMPANY

Notes to Financial Statements
May 31, 2015 and 2014

NOTE I – LONG-TERM DEBT (Continued)

The aggregate annual maturities of the long-term debt are as follows:

<table>
<thead>
<tr>
<th>Year ending May 31</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$184,482</td>
<td>205,953</td>
<td>217,559</td>
<td>210,859</td>
<td>204,990</td>
<td>1,480,313</td>
<td>$2,504,156</td>
</tr>
</tbody>
</table>

NOTE J – TREASURY STOCK

On January 15, 2014, 1,955 shares previously held by Mr. Jerome Edwards upon his death in 2013, was purchased by the Company for $100,000. This has been reflected in the balance sheet of the Company as of May 31, 2014. The effect of the transaction has resulted in three remaining equal shareholders instead of four. The transaction also resulted in the pension benefit to his widow referred to in Note G.

NOTE K – INCOME TAX EXPENSE

Income tax expense consists of deferred income tax expense of $30,096 and $14,192 for the years ended May 31, 2015 and 2014, respectively.

A reconciliation of expected income tax expense calculated by applying the statutory federal tax rate to pretax income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Income Tax Expense</td>
<td>$21,425</td>
<td>$16,243</td>
</tr>
<tr>
<td>Tax Depreciation in Excess of Book Depreciation</td>
<td>1,543</td>
<td>13,060</td>
</tr>
<tr>
<td>Change in Collection of Fuel Excise Tax</td>
<td>6,241</td>
<td>(960)</td>
</tr>
<tr>
<td>Change in Allowance for Credit Losses</td>
<td>517</td>
<td>(127)</td>
</tr>
<tr>
<td>Net Operating Loss Carryover (Utilization)</td>
<td>447</td>
<td>(15,125)</td>
</tr>
<tr>
<td>Rental Income</td>
<td>(77)</td>
<td>1.101</td>
</tr>
</tbody>
</table>


The Company has a net operating loss carryforward of $28,520 available, which begins to expire in May 2025.
NOTE K – INCOME TAX EXPENSE (Continued)

The tax effect of significant temporary differences that result in deferred tax assets and liabilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Tax Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility Plant Basis</td>
<td>5,236</td>
<td>13,099</td>
</tr>
<tr>
<td>Net Operating Loss Carryover</td>
<td>4,278</td>
<td>26,150</td>
</tr>
<tr>
<td>Allowance for Credit Losses</td>
<td>2,866</td>
<td>3,382</td>
</tr>
<tr>
<td>Aid-in-Construction Contribution</td>
<td>10,230</td>
<td>10,153</td>
</tr>
<tr>
<td></td>
<td>22,610</td>
<td>52,784</td>
</tr>
<tr>
<td>Deferred Tax Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility Plant Basis</td>
<td>(196,560)</td>
<td>(202,880)</td>
</tr>
<tr>
<td>Accounts Receivable Fuel Excise</td>
<td>(10,081)</td>
<td>(3,840)</td>
</tr>
<tr>
<td></td>
<td>(206,641)</td>
<td>(206,720)</td>
</tr>
<tr>
<td></td>
<td>(184,021)</td>
<td>(153,935)</td>
</tr>
</tbody>
</table>

The components of deferred tax assets and liabilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>9,434</td>
<td>13,202</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>(10,081)</td>
<td>(3,840)</td>
</tr>
<tr>
<td>Net Current Deferred Tax Assets (Liabilities)</td>
<td>(647)</td>
<td>9,362</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>13,175</td>
<td>39,583</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>(196,560)</td>
<td>(202,880)</td>
</tr>
<tr>
<td>Net Non-current Deferred Tax Liabilities</td>
<td>(183,385)</td>
<td>(163,297)</td>
</tr>
</tbody>
</table>

NOTE L – ACCRUED DEFERRED INCOME TAX – OTHER

The Company collects excess amounts necessary to construct utility plant assets from contributions in aid to construction. This “gross up” amount represents the difference between the cost of paying federal income taxes in the year the contribution in aid is received and the present value of the future depreciation stream allowed for federal income tax purposes.

Each year’s gross up amount is amortized over 15 years (tax useful life) and has been credited against miscellaneous income in 2015, to interest expense in 2014. The amount amortized against interest expense was $9,308 in 2015 and $8,771 in 2014. In order to properly reflect the utility plant assets, the accrued deferred income tax – other account was established. This presentation is consistent with the Uniform System of Accounts for Class A and B Electric Utilities promulgated by the National Associations of Regulatory Utility Commissioners.
NOTE M – COMMITMENTS AND CONTINGENCIES

Litigation: During the ordinary course of business, the Company is a party to various claims, legal actions, and complaints, including regulatory environmental compliance matters. In the opinion of management and legal counsel, these matters are not anticipated to have a material financial impact on the Company.

Commitments

The Company has a credit agreement with the Washington Trust Company that requires the submission of audited financial statements for each fiscal year end.

The Company has complied with this requirement for the fiscal years ended May 31, 2014 and 2013, and will for the fiscal year ended May 31, 2015 after the issuance of this report. The Company has a credit agreement with the U.S. Department of Agriculture Rural Utilities Service (RUS) Guaranteed Loan Program that requires the submission of information regarding net worth, current ratio, cash flow coverage, and earnings for each calendar year through December 31, 2024.

NOTE N – LEASES

The Company leases certain vehicles which are used by management and staff. The leases are renewable and recurring in nature, and all are classified as operating leases. The leases stipulate the Company pay for certain costs such as taxes, maintenance and insurance. In addition, the leases require contingent rental fees based on mileage in excess of the specified minimums. Scheduled future annual minimum lease payments are expected to be $19,760.

Lease expense was $19,760 for 2015 and $17,813 for 2014.

NOTE O – DEFINED CONTRIBUTION 401(K) PLAN

The Company maintains a qualified defined contribution 401(K) plan which covers all employees that meet the Plan’s eligibility requirements. The contribution for each fiscal year is an amount determined by calculation of 3% of individual salaries and approved by a vote of the directors and communicated to the participants on or before the end of each year. Contributions charged to operations were $13,786 in 2015 and $13,626 in 2014.
NOTE P – RELATED PARTY TRANSACTIONS

During 2015 and 2014, the following related party transactions occurred:

a) The Company receives fuel deliveries from IFR Trucking which is owned by a stockholder of the Company. The total delivery expense was $37,800 for 2015 and $24,350 for 2014.

b) The Company had leased land to the son of the Vice President of Plant Operations for storage of his boat. The total related income was $1,200 for 2015 and $1,200 for 2014.

c) The Company purchases heating oil from the Ballard Oil Company. The Ballard Oil Company is owned by a son of the Vice President of Plant Operations. The total related oil expense was $14,392 for 2015 and $18,021 for 2014.

d) The Company rents an oil storage tank to the Ballard Oil Company. The Ballard Oil Company is owned by a son of the Vice President of Plant Operations. The total related income was $5,461 for 2015 and $5,461 for 2014.

e) The Company provides free electricity to its President and Vice President of Operations. The total value of the related free electricity, based on usage, was $8,080 for 2015 and $6,981 for 2014.

NOTE Q – OTHER MATTERS

Since the issuance of the last financial statements of the Company on February 22, 2016 for the year ended May 31, 2014, numerous and significant events have transpired with the Company worthy of note, and are continuing to date, such as the following:

- Plans by National Grid to lay an undersea land line to supply power to Block Island which should be operational by early 2017. As part of this project National grid has been authorized the conveyance of a condominium unit deed for certain real estate upon which National Grid will construct a new substation. The Company has received $332,500 upon sale of the real property rights in July 2015.

- Plans by the Deepwater Wind Block Island wind project to acquire another condominium unit deed for related access and right of way easements. This was conveyed to Deepwater Wind for a control building. The Company has received $142,500 upon sale of the real property rights in July 2015. Related substation costs associated with the Deepwater Wind project could costs the Company approximately $590,000.

- The Company plans to remove its five existing underground fuel tanks and replace them with two new above ground tanks to comply with fuel tank regulations is scheduled for 2017. Preliminary costs associated with this project could be approximately $1 million dollars.
### BLOCK ISLAND POWER COMPANY

**SUPPLEMENTAL SCHEDULE OF EXPENSES**

*Years Ended May 31, 2015 and 2014*

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>POWER PRODUCTION EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision</td>
<td>$22,990</td>
<td>$18,424</td>
</tr>
<tr>
<td>Fuel Purchases (Net of Inventory Changes)</td>
<td>$2,423,789</td>
<td>$2,843,836</td>
</tr>
<tr>
<td>Fuel Handling</td>
<td>$70</td>
<td></td>
</tr>
<tr>
<td>Fuel Procurement</td>
<td>$244,637</td>
<td>$222,390</td>
</tr>
<tr>
<td>Watchman</td>
<td>$85,474</td>
<td>$84,863</td>
</tr>
<tr>
<td>Lubrication</td>
<td>$36,663</td>
<td>$26,527</td>
</tr>
<tr>
<td>Inside Maintenance Payroll</td>
<td>$130,825</td>
<td>$112,858</td>
</tr>
<tr>
<td>Automobile Repairs</td>
<td>$5,805</td>
<td>$11,077</td>
</tr>
<tr>
<td>Purchased Power</td>
<td>$1,468</td>
<td>$5,123</td>
</tr>
<tr>
<td>Miscellaneous Costs (Includes Purchased Parts Inventory Change)</td>
<td>$26,298</td>
<td>$11,818</td>
</tr>
<tr>
<td><strong>TOTAL POWER PRODUCTION EXPENSES</strong></td>
<td><strong>$2,977,949</strong></td>
<td><strong>$3,336,986</strong></td>
</tr>
<tr>
<td><strong>DISTRIBUTION EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision</td>
<td>$22,551</td>
<td>$19,819</td>
</tr>
<tr>
<td>Overhead Linesmen Payroll</td>
<td>$73,053</td>
<td>$63,836</td>
</tr>
<tr>
<td>Meters</td>
<td>$8,720</td>
<td>$1,568</td>
</tr>
<tr>
<td>Leased Motor Vehicles</td>
<td>$19,760</td>
<td>$17,813</td>
</tr>
<tr>
<td>Outside Lineman Services</td>
<td>$65</td>
<td>$(12)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$12,169</td>
<td>$11,433</td>
</tr>
<tr>
<td><strong>TOTAL DISTRIBUTION EXPENSES</strong></td>
<td><strong>$136,318</strong></td>
<td><strong>$114,457</strong></td>
</tr>
<tr>
<td><strong>CUSTOMER ACCOUNT EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meter Reading Payroll</td>
<td>$14,010</td>
<td>$16,334</td>
</tr>
<tr>
<td>Records and Collection Payroll</td>
<td>$25,794</td>
<td>$22,207</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td>$332</td>
</tr>
<tr>
<td><strong>TOTAL CUSTOMER ACCOUNT EXPENSES</strong></td>
<td><strong>$39,804</strong></td>
<td><strong>$38,873</strong></td>
</tr>
</tbody>
</table>

*Continues on Next Page*

See independent auditors' report and accompanying notes to financial statements.

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### OPERATIONS (Continued)

<table>
<thead>
<tr>
<th>Administrative and General Expenses</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Salaries</td>
<td>$25,244</td>
<td>$22,140</td>
</tr>
<tr>
<td>Vacation Pay</td>
<td>21,017</td>
<td>26,140</td>
</tr>
<tr>
<td>Holiday Pay</td>
<td>528</td>
<td>551</td>
</tr>
<tr>
<td>Holiday Not Worked</td>
<td>7,333</td>
<td>14,080</td>
</tr>
<tr>
<td>Sick Leave Pay</td>
<td>6,897</td>
<td>5,769</td>
</tr>
<tr>
<td>Personal Days</td>
<td>632</td>
<td>2,429</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>21,909</td>
<td>31,970</td>
</tr>
<tr>
<td>Outside Services</td>
<td>113,350</td>
<td>77,345</td>
</tr>
<tr>
<td>Employee Private Pension</td>
<td>55,500</td>
<td>57,125</td>
</tr>
<tr>
<td>Pension</td>
<td>13,786</td>
<td>13,626</td>
</tr>
<tr>
<td>Insurance</td>
<td>186,999</td>
<td>174,988</td>
</tr>
<tr>
<td>Accounting</td>
<td>81,278</td>
<td>87,394</td>
</tr>
<tr>
<td>Travel</td>
<td>5,748</td>
<td>7,133</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>126,234</td>
<td>117,083</td>
</tr>
<tr>
<td>Employee Bonus</td>
<td>13,704</td>
<td>11,339</td>
</tr>
<tr>
<td>Management Bonus</td>
<td>39,000</td>
<td>41,000</td>
</tr>
<tr>
<td>Regulatory Commission</td>
<td>23,991</td>
<td>27,161</td>
</tr>
<tr>
<td>Provision for Bad Debts</td>
<td>(3,444)</td>
<td>844</td>
</tr>
<tr>
<td>Officers' Salaries</td>
<td>192,747</td>
<td>187,152</td>
</tr>
<tr>
<td>Directors' Meetings</td>
<td>8,280</td>
<td>7,746</td>
</tr>
<tr>
<td>Environmental</td>
<td>59,046</td>
<td>74,174</td>
</tr>
<tr>
<td>Miscellaneous Plant</td>
<td>31</td>
<td>1,342</td>
</tr>
<tr>
<td>Utilities and Telephone</td>
<td>29,711</td>
<td>26,830</td>
</tr>
<tr>
<td>Trash Disposal</td>
<td>7,085</td>
<td>4,413</td>
</tr>
</tbody>
</table>

**TOTAL ADMINISTRATIVE AND GENERAL EXPENSES** |
1,036,606 | 1,019,774

**TOTAL OPERATIONS** $4,190,677 | $4,510,090

- Continues on Next Page -

*See independent auditors' report and accompanying notes to financial statements.*
# BLOCK ISLAND POWER COMPANY

## SUPPLEMENTAL SCHEDULE OF EXPENSES (Continued from Prior Page)

*Years Ended May 31, 2015 and 2014*

### MAINTENANCE

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERATION OF ELECTRICAL PLANT EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision</td>
<td>$22,113</td>
<td>$18,424</td>
</tr>
<tr>
<td>Gasoline</td>
<td>11,479</td>
<td>12,560</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,971</td>
<td>688</td>
</tr>
<tr>
<td><strong>TOTAL GENERATION OF ELECTRICAL PLANT EXPENSES</strong></td>
<td>$35,563</td>
<td>$31,672</td>
</tr>
<tr>
<td><strong>DISTRIBUTION EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision</td>
<td>$22,551</td>
<td>$18,424</td>
</tr>
<tr>
<td>Overhead Line</td>
<td>8,160</td>
<td>666</td>
</tr>
<tr>
<td>Underground Lines</td>
<td>275</td>
<td>480</td>
</tr>
<tr>
<td>Street Lights</td>
<td>517</td>
<td>222</td>
</tr>
<tr>
<td>Meter Repairs</td>
<td>2,588</td>
<td>1,702</td>
</tr>
<tr>
<td>Backhoe Repairs</td>
<td>138</td>
<td>106</td>
</tr>
<tr>
<td><strong>TOTAL DISTRIBUTION EXPENSES</strong></td>
<td>$34,229</td>
<td>$21,600</td>
</tr>
<tr>
<td><strong>GENERAL PLANT EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generator and General Plant Maintenance</td>
<td>$250,768</td>
<td>$378,391</td>
</tr>
<tr>
<td>Small Tools</td>
<td>9,969</td>
<td>4,231</td>
</tr>
<tr>
<td>Hazardous Removal</td>
<td>7,845</td>
<td>1,375</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL PLANT EXPENSES</strong></td>
<td>$268,582</td>
<td>$383,997</td>
</tr>
<tr>
<td><strong>TOTAL MAINTENANCE</strong></td>
<td>$338,374</td>
<td>$437,269</td>
</tr>
</tbody>
</table>

### TAXES

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$45,532</td>
<td>$42,704</td>
</tr>
<tr>
<td>Registrations</td>
<td>1,202</td>
<td>4,011</td>
</tr>
<tr>
<td>Sales</td>
<td>11,214</td>
<td>7,414</td>
</tr>
<tr>
<td>Rhode Island Gross Earnings Tax</td>
<td>219,904</td>
<td>238,758</td>
</tr>
<tr>
<td>Property Tax</td>
<td>15,238</td>
<td>15,265</td>
</tr>
<tr>
<td><strong>TOTAL TAXES</strong></td>
<td>$293,090</td>
<td>$308,152</td>
</tr>
</tbody>
</table>

*See independent auditors' report and accompanying notes to financial statements.*
INDEPENDENT AUDITORS' 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

To the Board of Directors
Block Island Power Company
Block Island, Rhode Island

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, the financial statements of Block Island Power Company (the Company), which comprise the balance sheet as of May 31, 2015, and the related statements of operations and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated June 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Block Island Power Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Block Island Power Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 company'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. We consider the following deficiency to be a material weakness.

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