

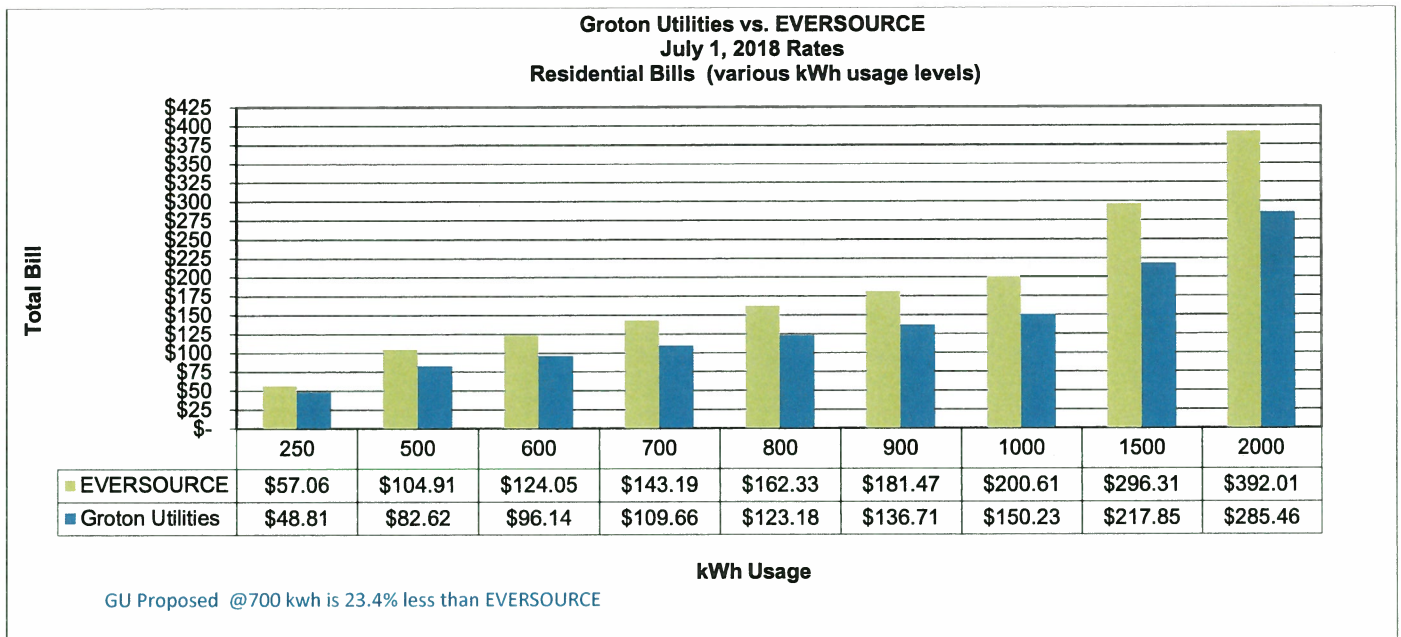
**City of Groton Utilities Commission
Annual Report for the
Fiscal Year Ending June 30, 2018**

Mission:

Groton Utilities is a business leader in Southeastern Connecticut. We provide essential electric, water, and other services at prices which reflect exceptional customer value and quality. We enhance and support the vitality and livability of the communities we serve.

Financial Transactions

- The Electric Division's net earnings, before transfers to the City, during this past fiscal year were \$8.7 million, or 25% higher than budget. The Electric Division transferred over \$4 million dollars of its net earnings to the City during the past fiscal year, which will be requested for the next fiscal year. Over \$34 million has been transferred to the City over the past eleven (11) years, while offering customers some of the lowest electric rates in the region.



- The Water Division's net earnings, including the State of Connecticut Drinking Water State Revolving Fund (DWSRF) grant monies, during the past fiscal year were \$2.2 million, or 21% higher than budget. Lower revenues offset by lower Operational & Maintenance expenses drove the strong financial performance. Rates were increased on January 1, 2018, a good portion of this rate increase is for the purpose of upgrading the Water Treatment Plant, and with that in mind \$800,000 was transferred to restricted funds for this purpose during the past fiscal year.

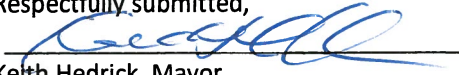
Highlights and Accomplishments:

- Electric Reliability Projects**
 - ❖ *NERC – North American Electric Reliability Corporation:* Compliance is a requirement for Groton Utilities as a Distribution Provider and Transmission Owner. Cyber security policies and procedures are being worked on due to industry concerns in that area. Groton Utilities has NERC compliance audits every six (6) years and spot checks periodically.
 - ❖ *Reliability Statistics:* Over the last twelve (12) months, the power was available to Groton Utilities' customers on average 99.98% of the time.
 - ❖ *Distribution System Maintenance:* Throughout the past year, Electric operations personnel have been hard at work maintaining the Groton Utilities' distribution system. Maintenance projects include substation breaker maintenance, testing relays, infrared scanning that looks for loose connections, testing transformers, installing animal guards, and vegetation control.
 - ❖ *Buddington Substation Breaker Replacement:* Electric operations personnel replaced an additional 3 (three) 35kV substation breakers at Buddington Substation. The project included replacing aging oil circuit breakers with vacuum type breakers. The new breakers have a faster response time for clearing faults and are better for the environment

- ❖ *Tree Trimming*: The number one cause of power interruptions in the Groton Utilities' service territory continues to be fallen trees and tree limbs on power lines. In an effort to reduce power interruptions, a second tree trimming crew continues to work in the Groton Utilities service territory. Both tree trimming crews are hard at work trying to reduce the potential of power interruptions by removing trees and tree branches away from power lines. Please call Customer Service if you ever see an issue or have concerns with vegetation near the power lines.
 - ❖ *Northeast Public Power Association (NEPPA) Mutual Aid Assistance* – Groton Utilities sent a total of sixteen (16) people – two (2) managers and fourteen (14) linemen in four (4) waves - to the U.S. Virgin Islands, Saint Thomas from October 8th through December 15, 2017 to assist in the power restoration of the 100,000 residents on the island. In May 2018, Groton Utilities sent two (2) linemen to Plymouth, New Hampshire and five (5) linemen to Wallingford, Connecticut to assist with power restoration for thousands of residents. Groton Utilities is currently the NEPPA South Region Coordinator.
- **Water Projects**
 - ❖ *Water Treatment Plant Rebuild Project*: Through competitive bidding and state funding, Groton Utilities has started construction of the rebuild of its 12 million gallon-per-day conventional sand-filter plant, which was built in 1939 and improved in 1960, to a modern, carbon filtration plant with new established processes and technology. The upgraded plant will address water quality concerns, community fire protection, security, and technology changes. The project was awarded to R.H. White Construction with a Notice to Proceed on August 22, 2017. The project is forecasted to be completed in August 2020.
 - ❖ *Advanced Metering Infrastructure (AMI) Meter Program*: Groton Utilities continues to upgrade its water meters with more efficient, lead-free meters. This year, six hundred forty-four (644) residential and one hundred fifty-six (156) commercial meters were upgraded. Since the program began, 4,709 new lead-free, efficient water meters have been installed for our customers. This project is a capital bond project.
 - ❖ *Distribution System Upgrades*: As part of the Walker Hill Standpipe project, Preload of Louisville, Kentucky was awarded the contract to construct a 2.2 million gallon water tank and appurtenant work. In conjunction with the tank work, Phases II and III consist of installing a new 16" water main on Walker Hill Road and Tollgate Road, plus a new pump station at the tank site, replacing the Long Hill pump station built in 1960. The projects are bond fund projects, which are supported by water rates.
 - ❖ *Lead Testing*: Groton Utilities takes very seriously its mandated responsibility to treat and test for lead in water. Accordingly, this year Groton Utilities again assisted the Town of Groton and City of Groton to test for the presence of lead in all of the community schools and to assist school authorities on responsible maintenance and replacement programs. Groton Utilities tests for the presence of lead in several locations in the water distribution system and meets or exceeds all government standards.
 - ❖ *Employee Development*: Approximately 80% of water division employees hold State of Connecticut certification relative to their specific employment. Many employees also hold dual or multiple certifications. The thirty (30) employees in the Water Division, including both operations and management, each average approximately twenty (20) contact-hours of technical training, and thirty (30) hours of training in health and safety per year to maintain their levels of certification and upgrade their knowledge and skills. Approximately 20% of all employees are attending local, advanced institutions of learning in addition to course work for certification. Employees are encouraged to job-shadow different sections to support cross-training, which is invaluable in an emergency. This year Groton Utilities added staff in Watershed Protection to meet new regulations and protect our sources of supply.
- **Key Accounts Customer Service**
 - ❖ *Utility Energy Services Conservation (UESC)*: Last year, Groton Utilities arranged a \$15 million Utility Energy Service Conservation (UESC) project with the New London Submarine Base. The two (2) year-long project is ahead of schedule and will assist the Navy in reducing energy consumption, lower its operating costs, and remain a vital location. The final closeout documents for this project were signed on July 31, 2018, three (3) months ahead of schedule. The result of the eight (8) energy conservation measures will reduce the Base's energy costs in excess of \$1 million annually and reduce greenhouse gas emissions by 4,449 metric tons annually.
 - ❖ *Streetlighting Upgrade Project*: Groton Utilities is in the process of upgrading street lighting within our service territory to light-emitting diode (LED) technology, funded by Region Greenhouse Gas Initiative funds (RGGI). The project is 86 percent complete, and it is anticipated the project will be completed by the end of the third quarter of 2018.
 - ❖ *The New London Submarine Base Renewable Energy Fuel Cells*: A total of 7.4 MWs of Connecticut's renewable energy fuel cells will be installed on the Base's Enhanced Use Lease (EUL) property, improving both Groton Utilities' and Navy's overall energy resilience.
 - ❖ *Cost of Service Studies*: The cost of service studies, updated this year for both Electric and Water customer accounts, lead to the development of new customer rates. These approved rates, proportioned for three years going forward, meet Groton Utilities' necessary operating requirements into the future.

In conclusion, we wish to acknowledge the cooperation received from all Utilities Department employees, City Department Heads, City Council, and City Officials.

Respectfully submitted,



Keith Hedrick, Mayor
Chairperson



Ronald A. Gaudet
Director of Utilities