

CITY OF GROTON UTILITIES COMMISSION

Minutes of Regular Meeting

January 22, 2014

1. CALL TO ORDER

Chairperson Galbraith called the meeting to order at 10:00 a.m.

ROLL CALL

Present: Chairperson Mayor Marian K. Galbraith

Commissioners: Edward E. DeMuzzio, Paul A. Duarte, Shirleyann Dunbar-Rose, Bruce J. Fafard

Staff present: Director of Utilities Paul Yatcko
General Manager - IT Susan G. Blanchette
General Manager - Utility Finance David F. Collard
General Manager - Electric Herbert D. Cummings
Manager - Water Richard M. Stevens
Executive Assistant Deborah J. Gaudette

2. APPROVAL OF MINUTES

Commissioner Dunbar-Rose moved, **Commissioner Duarte** seconded that the minutes of the special meeting of December 18, 2013 be approved. **So voted unanimously.**

3. REVIEW AND ACCEPTANCE OF TREASURER'S REPORT

Commissioner Duarte moved, **Commissioner DeMuzzio** seconded that the Treasurer's Report be accepted as presented. **So voted unanimously.**

4. COMMUNICATIONS AND CORRESPONDENCE

There were no communications or correspondence to report.

5. PUBLIC COMMUNICATIONS

There were no public communications.

6. CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE (CMEEC) BOARD OF DIRECTORS REPORT

Commissioner DeMuzzio reported on the Risk Management Policy that is being created. The policy is expected to be voted on at the February Board of Directors meeting.

Commissioner DeMuzzio and General Manager Collard discussed the recent news articles indicating the potential for a dramatic increase in power costs. CMEEC purchases power in advance, reducing the potential for major power costs increases for members. Ninety-percent of the power requirements have already been purchased.

Commissioner DeMuzzio reported contractual issues regarding a CMEEC member's withdrawal are being addressed.

7. REGIONAL WATER UPDATE

Mayor Galbraith attended a Regional Water meeting on January 16th, and reported most of the meeting was under Executive Session. There is still interest in Miller's Pond; however there has been no progress to report. Manager Stevens reported the next scheduled Technical Advisory Committee meeting will be held on February 6, 2014.

8. MONTHLY FINANCIAL HIGHLIGHTS

General Manager Collard presented the following financial highlights:

Electric:

- For December a PPA surplus of \$65,000 was added to the PPA Fund, leaving a balance of \$1,673,534. A TCA surplus of \$17,000 was added to the TCA fund, leaving a balance of \$1,379,255.
- Overall Electric Revenues were down 1.2% from budget. In addition to the reduction in the PPA/TCA, the negative variance is driven by one Industrial Non-Manufacturing customer who was 12% below budget, and then offset by higher than budget revenues from the other classes of service. Heating degree day requirements were up 14.5% over December of last year.
- O&M Expenses were 2.5% less than budget. The resulting Net Income from Operations is 21% more than budget for the month, mostly due to the lower expenses.
- Overall Electric Revenues for the fiscal year-to-date were down 4.2% from budget. Residential revenues were almost 3% less than budget, Commercial revenues were down 4.1%, and Industrial Non-Manufacturing revenues were down 9.4%.
- For the fiscal year-to-date, O&M Expenses were 6.5% less than budget. The resulting Net Income from Operations is 21% less than budget.

Commissioner Duarte commented on an article in *The Day* regarding residential electricity use in the United States falling to 2001 levels, mostly due to conservation.

Commissioner Fafard asked what steps Management is taking to address the revenue issue. Director Yatcko stated the \$209,000 positive variance in the budget is being captured and he and General Manager Collard are working on processes to tighten expenditure controls. Management signature authorities will temporarily be reduced to \$1,000 for routine budgeted purchases. Electric operations personnel will be redeployed from OEM projects to capital projects, moving the labor costs off the income statement and onto the balance sheet.

Commissioner DeMuzzio asked about the positive cash. General Manager Collard reported the cash is offset by depreciation and net income.

Water:

- The effects of positive earnings on Water Cash due from Electric is \$2.3 million, compared to \$1.1 million in December 2012.
- Water Revenues are almost 22% more than budget for the month of December and almost 18% more than last year. O&M expenses are 7.7% less than budget. This resulted in Net Earnings before Debt Principal 331% greater than the budgeted loss for the month.
- Total Water Revenues for the fiscal year-to-date are almost 3% more than budget and almost 4% more than last year. This is primarily due to revenues from Sales for Resale that are driven by the unbudgeted special contract with Ledyard and increased consumption from Regional Water due to problems with their equipment.
- O&M expenses that were 9% below budget, combined with higher than budget revenues, resulted in Net Earnings before Debt Principal for the fiscal year-to-date almost 82% more than budget.

Manager Stevens asked if the net income for the fiscal year-to-date included the true-up from Aquarion Water Company. General Manager Collard replied that it did include Aquarion. Per the current contract, a penalty was imposed due to Aquarion taking less water than anticipated.

Commissioner Fafard inquired if the water main break accounted for other issues in the system. Manager Stevens reported the three meters at the Water Treatment Plant had been retested and were working accurately. Water Operations staff will be meeting to review all the steps taken to identify the problem and draft a plan to address the issue.

9. PROJECTS / INITIATIVES UPDATE

Manager Stevens reported on the pilot program being conducted at the Water Treatment Plant that will be testing new mediums for manganese removal. The operators have done a great job constructing the pilot, and it is anticipated that it will be fully operational in a few weeks.

Mayor Galbraith reminded the Commission that the Freeman's meeting regarding the proposed Water Treatment Plant is scheduled for Monday, February 3, 2014 at 7:00 p.m.

General Manager Blanchette reported that meter interval data is now available online for customers. Also, due to the discussed revenue issues, the IT Systems Virtualization Project will be put on hold until after the budget analysis.

General Manager Blanchette also reported that the City of Groton Health and Safety Committee will be forming a wellness subcommittee to benefit City employees. The Commission discussed the various local entities, including the Town of Groton, Ledge Light Health District, and Fiddleheads Food Co-op, that have wellness programs, and who could provide recommendations and assistance to the City's wellness subcommittee.

Commissioner Dunbar-Rose reported on the recent water contamination issues in West Virginia and stated this is good example of why Groton Utilities and the Utilities Commission are stringent on the protection of our watershed areas.

Commissioner Fafard asked for time on the February agenda to give a presentation on governance and how it can be applied by the Utilities Commission.

Commissioner DeMuzzio asked for an update on the teleconferencing options for the Bozrah Utilities Commission meetings. Mayor Galbraith stated the Bozrah Utilities Commission meeting scheduled for this morning had been cancelled due to the inclement weather. General Manager Blanchette reported temporary equipment and service would have been available for this morning's meeting. The IT department is still considering more permanent, portable equipment that could be utilized for other purposes like the Emergency Operations Center.

10. OLD BUSINESS

There was no old business to discuss.

11. NEW BUSINESS

Agenda Item 11A: GUC 14-01-01: Consideration of and Action to authorize Groton Utilities Management to defer \$65,000 from the approved Fiscal Year 2013-2014 Non-Bonded Capital for Buddington Substation Intelligent Electronic Device (IED) Replacement Projects until the Fiscal Year 2014-2015 Budget and use those funds for the Advanced Metering Infrastructure (AMI) project

Commissioner Duarte moved, **Commissioner Dunbar-Rose** seconded that the City of Groton Utilities Commission authorize Groton Utilities Management to defer \$65,000 from the approved Fiscal Year 2013-2014 Non-Bonded Capital for Buddington Substation Intelligent Electronic Device (IED) Replacement Projects until the Fiscal Year 2014-2015 Budget and use those funds for the Advanced Metering Infrastructure (AMI) project. **So voted unanimously.**

Agenda Item 11B: GUC 14-01-02: Consideration of and Action to authorize Groton Utilities Management to contribute up to \$500,000 to the Pequot Village II Housing renovations in return for matching tax credits as part of the State of Connecticut's Housing Tax Credit Contribution (HTCC) Program

Commissioner Dunbar-Rose moved, **Commissioner Duarte** seconded that the City of Groton Utilities Commission authorize Groton Utilities Management to contribute up to \$500,000 to the Pequot Village II Housing renovations in return for matching tax credits as part of the State of Connecticut's Housing Tax Credit Contribution (HTCC) Program.

Director Yatcko gave an overview of the program and encouraged the Commission to participate in the program. The state will allocate up to \$10 million per year to this program. Commissioner Duarte stated this was a great program that would provide needed funds to the community and is also beneficial to the Groton Utilities.

So voted unanimously.

Agenda Item 11C: GUC-14-01-03: Management review of proposed land transfer

General Manager Cummings gave an overview of the proposed land transfer. Several attempts have been made to clean up the area and maintain it. However, costly improvements would be needed to renovate the parcel into parking spaces. As such, the owners of the adjacent parking lot are willing to accept the land as is, without purchasing the property. All site assessments have been completed on the property, and Management does not foresee any potential use for the property in the future.

Commissioner Duarte noted that the property is in the Town of Groton, and would be placed on the Town's tax rolls. Also, the property is not owned by the owners of the Groton Shopping Plaza, but a separate entity.

12. ADJOURNMENT

There being no further business, at 10: 57a.m., **Commissioner Duarte** moved, **Commissioner Dunbar-Rose** this meeting adjourn. **So voted unanimously.**

Attest:

Paul Duarte
Clerk