

# CITY OF GROTON UTILITIES COMMISSION

Minutes of Regular Meeting

February 26, 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  
General Manager - Customer Service Tina M. Daniels  
General Manager - Key Accounts Richard A. DeLorenze  
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 regular meeting of January 22, 2014 be approved. **Motion carried.**

## 3. REVIEW AND ACCEPTANCE OF TREASURER'S REPORT

**Commissioner Fafard** moved, **Commissioner Duarte** seconded that the Treasurer's Report be accepted as presented. **Motion carried.**

## 4. COMMUNICATIONS AND CORRESPONDENCE

Commissioner Dunbar-Rose received a communication from a resident regarding Groton Utilities' rebates for furnaces; similar to the rebates offered by CL&P. General Manager Cummings reported Management is working with the Connecticut Municipal Electric Energy Cooperative (CMEEC) and the other municipal members regarding which types of appliances to offer rebates on. Groton Utilities currently offers rebates for heat pumps, but generally electric utilities don't offer rebates on oil or gas furnaces.

Mayor Galbraith handed out copies of an e-mail received from Mr. Lawrence Grundy of LEGS Landscaping, regarding the grounds and maintenance contract.

## 5. PUBLIC COMMUNICATIONS

Mr. Jay Dempsey addressed the Commission and thanked Director Yatcko for his presentation to the City Council on Groton Utilities' budget. Mr. Dempsey inquired if the current decline in revenues would impact the \$3.1 million that Groton Utilities returns to the City. Director Yatcko replied that the funds are built into the budget and that has not changed; also the City relies on those funds as a source of revenue. General Manager Collard responded the funds are withdrawn from the Groton Utilities' account monthly.

Mr. Dempsey said he doesn't hear a lot about Bozrah Electric and wonders how information gets filtered to the Groton Utilities Commission and then to the City Council. Mayor Galbraith reminded Mr. Dempsey that the public communications portion of the meeting was not a question and answer period. If there was a comment Mr. Dempsey would like to make to the Commission, they would be

happy to hear it. Mr. Dempsey commented that he would like a report to the Council regarding Bozrah. Director Yatchko replied financial reports are compiled for the quarterly Bozrah Utilities Commission meetings and that Management could provide the Council with a report on Bozrah, but asked Mayor Galbraith if that would be appropriate given the governance structure. Commissioner DeMuzzio said the commission meetings are open meetings and Mr. Dempsey is welcome to attend. The agenda and minutes of the meetings are posted at the municipal building as well as on the City of Groton's website.

Mayor Galbraith stated BL&P is overseen by the Bozrah Utilities Commission, and she will look into whether providing reports to the City Council would be appropriate.

Mr. Dempsey also said Director Yatchko mentioned in his presentation to the City Council miscellaneous discretionary money, used for donations or money that isn't part of the general operations of the company. Mr. Dempsey wondered if management could look at those funds and see if the amount is appropriate and if possible cuts could be made.

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

Commissioner DeMuzzio reported the Board discussed the Risk Management Policy manual. While in the process of revising the manual, it was decided to revise the Investment Policy manual as well.

The Backus Hospital microgrid project will be on the agenda for the February 27, 2014 meeting. A tentative construction contract has been awarded to A/Z Corporation. The bid was lower than budgeted, and the construction is expected to be completed in less time than originally scheduled.

The proposed Subbase lease is still being reviewed by the Navy. Congressman Courtney's office has become involved due to the extensive delays.

**7. REGIONAL WATER UPDATE**

Mayor Galbraith reported there have been no regional water meetings at the Southeastern Council of Governments (SCCOG).

Manager Stevens reported on the Technical Advisory Committee meeting of February 6, 2014. The East Lyme / New London interconnection project has encountered some engineering and construction issues. At this time, East Lyme will not be able to supply water to New London.

The City of Norwich is supplying water to the northern sub-region area and was looking at purchasing the water rights from the Franklin mushroom farm. Due to negotiation issues, the Town of Windham is now looking at purchasing those water rights.

Norwich is also working with the Town of Bozrah for water services and the Town of Franklin for sewer services.

The reconvening of the Southeastern Connecticut Water Utilities Coordinating Committee (WUCC) is tied into realigning of the Council of Governments.

The Southeastern Connecticut Water Authority (SCWA) has been trying to negotiate with the Town of Ledyard to operate Ledyard's system. They are also working on a regional interconnection over the Connecticut River through Connecticut Water Company to supply water to Old Lyme / East Lyme.

The Commission discussed the Ledyard water system operations and SCWA's interest in the contract going out to bid. Groton Utilities' is currently operating the system on a month-to-month contract extension, until a contract is finalized.

## **8. MONTHLY FINANCIAL HIGHLIGHTS**

General Manager Collard presented the following financial highlights:

### *Electric:*

- For January, a PPA deficit of \$205,781 was deducted from the PPA Fund leaving a balance of \$1,467,817. A TCA surplus of \$222,510 was added to the TCA fund leaving a balance of \$1,601,816. This was the result of the realignment of the TCA charges and total power cost for the CMEEC forecast for 2014 beginning in January, combined with large purchase of power from Pfizer production at market prices for the month. An adjustment will be made to the customer TCA effective March 1, which should flatten out the adjustment.
- Overall electric revenues were down 4.2% from budget. In addition to the reduction in the PPA/TCA, the negative variance is driven by one Industrial Non-Manufacturing customer who was almost 21% below budget and then offset by higher than budget revenues from the other classes of service. Residential revenues up 1.2% and Commercial up 2.3%. Heating degree day requirements were up 6.5% over January of last year.
- Operating and Maintenance expenses were 12.3% more than budget primarily due to a 5 payroll month. The resulting net income from operations is 33.6% less than budget for the month.
- For the fiscal year-to-date, overall electric revenues were down 4.2% from budget. Residential revenues were almost 2% less than budget and commercial revenues were down 3.2%, with one industrial non-manufacturing customer down 11.2%.
- For the fiscal year-to-date, operating and maintenance expenses were 3.8% less than budget. The resulting net income from operations is 22.8% less than budget. It is all due to a revenue issue.

General Manager Collard reported receiving a new power cost forecast from CMEEC. The previous forecast was low with regard to the size of the load. Director Duarte asked how the deficit in the PPA occurs. General Manager Collard replied the PPA included in Groton Utilities' rates cover the cost of power, and we are billed by CMEEC for the cost of power, which has a built in PPA and TCA component. The total cost of power paid to CMEEC remained the same; however the pricing between the PPA and TCA was moved to bring the TCA rate up to the new level per the forecast. This caused the surplus in the TCA and a deficit in the PPA.

### *Water:*

- The effects of positive earnings on Water cash due from electric is \$1.9 million compared \$1.0 million in January of 2013.
- Water revenues are 6.3% more than budget for the month of January and almost 11% more than last year. Operating and maintenance expenses are 4.9% more than budget, primarily due to a 5 payroll month. This resulted in net earnings before debt principal 33% greater than budgeted for the month.
- Total Water revenues for the fiscal year-to-date are 3.4% more than budget and almost 5% 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, who increased their take due to problems in their equipment.
- Operating and maintenance expenses that were 7% below budget, combined with higher than budget revenues resulted in net earnings before debt principal for the fiscal year-to-date are almost 75% more than budget.

## **9. PROJECTS / INITIATIVES UPDATE**

**Agenda Item 9A:** Management review of Budget Status

Director Yatcko handed out the proposed Electric Division budget reductions and discussed them in detail. The reductions will be partially offset by the Thames Valley Communications, Inc. post-closing settlement. With the suggested reductions, cash flow will probably be close to what was forecasted in the fiscal year budget. However, the earnings target will be short by close to \$500,000.

Commissioner Fafard commented on a short-term basis it would be practical to defer recommended items, but in the next fiscal cycle it might be necessary to play catch up. And while he has the utmost confidence in the management team to manage the minutia, he is concerned with the long term strategic plan, and what the overall impact in service to our customers might be. Will there be controls put into place to ensure we fulfil our mission, which is very much service oriented. While experiencing a power outage last night, he was extremely pleased when a Groton Utilities employee knocked on the door to notify effected customers of the transformer failure. It is this kind of service that sets Groton Utilities apart from other utility companies in the state. Commissioner Fafard stated he would like to focus on what plans will be put in place to ensure this type of budget/revenue issues doesn't happen again in the future if this trend continues.

Director Yatcko thanked Commissioner Fafard for his comments and stated he does not believe the proposed reductions will have any significant impact on customer service. There are no proposed cuts in necessary materials, vehicle availability or maintenance, or labor. The long term strategic approach is to ensure the financial viability of the Electric Division for the remainder of the fiscal year, and to finish the fiscal year with a positive cash flow. Management has discussed what needs to be done differently in the future, including performing better revenue forecasting and trying to better understand what is occurring in the different customer classes.

Also, if a structural reduction in revenue is seen, a different approach to the cost structure may be required. This could potentially be difficult and more time consuming than previous budget planning in order to provide the same service as we do now with fewer resources.

Mayor Galbraith asked if Management was looking at the overall organization and determining if all the functions being carried out are directly related to customer service. Director Yatcko replied that is something that will have to be addressed in the next budget cycle. All aspects will have to be looked at critically, and potentially jettisoning those that are not related to providing excellent customer service. Groton Utilities is currently a very lean organization and he believes it is right sized for the services it provides. Management will look at the “make or buy” decision on certain things that are currently done in-house, that possibly should not be done by a utility this size.

The Commission discussed the possibility of conducting a competitive cost of service / rate study. Director Yatcko explained this would be a three to six month process, should a rate increase be recommended.

**Agenda Item 9B:** Management review of proposed Town of Ledyard Water Contract Proposal

Director Yatcko asked Manager Stevens to give an overview of the proposed contract with the Town of Ledyard. Manager Stevens gave a brief overview of the service Groton Utilities provides for the Town, and the current agreement for those services.

**10. OLD BUSINESS**

**Agenda Item 10A: GUC-01-03:** Consideration of and Action to authorize Groton Utilities’ Management to approve the transfer of 0.11 acre of land, formerly the site of the Long Hill Road Substation, in “as is condition” to Cedar Reality Trust, 44 South Bayles Avenue, Suite 304, Port Washington, New York

**Commissioner Duarte** moved, **Commissioner Dunbar-Rose** seconded a motion that the City of Groton Utilities Commission authorize Groton Utilities’ Management to approve the transfer of 0.11 acre of land, formerly the site of the Long Hill Road Substation, in “as is condition” to Cedar Reality Trust, 44 South Bayles Avenue, Suite 304, Port Washington, New York. **Motion carried.**

**11. NEW BUSINESS**

**Agenda Item 11A: GUC 14-02-04:** Consideration of and Action to authorize Groton Utilities' Management to award a two (2) year contract, with two (2) one-year renewal options for lawn and ground maintenance for the 2014 – 2015 seasons to ACK Services, 515 Cow Hill Road, Mystic, Connecticut based on its low bid of \$67,200, and furthermore, that the City Council be apprised of this action with the recommendation that it concur

**Commissioner Dunbar-Rose** moved, **Commissioner Fafard** seconded a motion that the City of Groton Utilities Commission authorize Groton Utilities' Management to award a two (2) year contract, with two (2) one-year renewal options for lawn and ground maintenance for the 2014 – 2015 seasons to ACK Services, 515 Cow Hill Road, Mystic, Connecticut based on its low bid of \$67,200, and furthermore, that the City Council be apprised of this action with the recommendation that it concur.

Mayor Galbraith asked who oversees the work of current contractor. Manager Stevens reported a check sheet is completed weekly by the Reservoir Patrolmen and submitted to Project Management. If there is an issue, the Operations Manager would contact the contractor. Manager Stevens also stated the purpose of the lawn and grounds maintenance is not for aesthetics as no insecticides, fertilization or watering is done. The process is very utilitarian, only for vegetation control and to keep the grass mowed. Mayor Galbraith asked if Management was confident this contractor could handle the increased scope of work. Manager Stevens replied he was confident they could.

**Motion carried.**

**12. EXECUTIVE SESSION**

**Commissioner Dunbar-Rose** moved, **Commissioner Fafard** seconded a motion to enter into Executive Session to discuss the proposed Town of Ledyard operating contract and that Director Yatcko, General Manager Daniels, and Manager Stevens be included. Motion carried.

Executive session commenced at 11:20 a.m.

Mayor Galbraith called the meeting back to order at 11:58 a.m.

**13. ADJOURNMENT**

There being no further business, at 11:59 a.m., **Commissioner Duarte** moved, **Commissioner Dunbar-Rose** this meeting adjourn. **Motion carried.**

Attest:

Paul Duarte  
Clerk