

# CITY OF GROTON UTILITIES COMMISSION

Minutes of Regular Meeting

April 23, 2014

## 1. CALL TO ORDER

Chairperson Galbraith called the meeting to order at 10:07 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-Gergen  
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 / PAF Richard M. Stevens  
Executive Assistant Deborah J. Gaudette

## 2. APPROVAL OF MINUTES

**Commissioner Fafard** moved, **Commissioner Duarte** seconded that the minutes of the regular meeting of March 26, 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

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 the financial reports for fiscal year 2013 were audited and approved. Also, the Backus Hospital microgrid project is on track and is expected to be completed on time.

The Risk Management policy manual is on the April 24<sup>th</sup> agenda for approval.

A public hearing on Rates 9 & 10 was held last week. There was no public opposition to the rates.

Commissioner DeMuzzio also reported the 5- year projections have been updated. The projections are a good tool for the utility members. Mayor Galbraith asked if the projections were historically accurate. General Manager Collard stated circumstances happen that can skew the projections, and Director Yatcko said the projections are a forecasting model that works well when the market is stable, and abnormal weather, which can effect usage, can upset the forecast.

## 7. REGIONAL WATER UPDATE

Mayor Galbraith reported on the recent Council of Governments regional water meeting. The

discussion focused mostly on the old Franklin mushroom farm issue. The East Lyme/New London project still has work that needs to be completed, and it is expected that the connection will not be able to be utilized this summer unless a special waiver is granted, due to water not being "banked" the previous winter as required.

General Manager Daniels reported the Customer Service / Billing contract with the Town of Ledyard was signed and will become effective May 1, 2014. The contract is for one (1) year due to numerous unknown variables; a five (5) year contract would be considered in the future.

General Manager Stevens reported on the signing of the Operations Contract with the Town of Ledyard. At the fifteen (15) month mark, the Town of Ledyard will begin a Request for Proposal (RFP) process. Management is discussing the option of a Request for Qualifications (RFQ) process instead. Mayor Galbraith stated the Town of Ledyard is very pleased with Groton Utilities' operations of their system.

Commissioner Duarte asked if the current issues in the Town of Waterford would have any future impact on Groton's contract with Ledyard. General Manager Stevens doesn't believe so, but will look further into the issue and report back to Director Yatchko.

## **8. MONTHLY FINANCIAL HIGHLIGHTS**

General Manager Collard passed out revised adjusted budget financials and discussed the following financial highlights:

### *Electric:*

- For March, a PPA surplus of \$30,269 was added to the PPA fund leaving a balance of \$1,530,595. A TCA surplus of \$12,871 was added to the TCA fund leaving a balance of \$1,573,082.
- Overall Electric Revenues were up by 5.5% from budget. The positive variance is mostly driven by the Residential class, likely in response to a colder month. Heating degree days were 9.5% more than last month. In addition the one Industrial Non-Manufacturing customer took 1.9 million more kWh than budgeted.
- O&M Expenses were 5.3% more than the adjusted/restated budget. Combined with increased power cost related to higher sales and the effects of the PPA/TCA accounting treatment, the resulting Net Income from Operations is 19.3% less than budget for the month.
- For the fiscal year-to-date, overall Electric Revenues were slightly more than budget. Residential Revenues were almost 2% more than budget and more than offset declines in other classes. Commercial Revenues were slightly below budget and the one Industrial Non-Manufacturing customer is down 2.1%. The positive variance from this customer for the month helped offset the negative fiscal year-to-date variance by \$63,000.
- For the fiscal year-to-date, O&M Expenses were 1% less than the adjusted/restated budget. The resulting Net Income from Operations is 2% more than the adjusted/restated budget for the fiscal year-to-date.

### *Water:*

- The effects of positive earnings on Water Cash due from Electric is \$2.5 million compared \$1.5 million February of 2013.
- Water Revenues overall are 5.8% more than budget for the month of March and almost the same as last year. O&M Expenses are almost 17% less than budget and almost 16% less compared to last year. This resulted in Net Earnings before Debt Principal 471% greater than the budgeted loss for the month.
- Total Water Revenues for the fiscal year-to-date are 4.2% more than budget and 4.3% more than last year. This is primarily due to revenues from Sales for Resale, which 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.

- 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 more than 132% over budget.

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

**Commissioner Fafard** motioned, **Commissioner Duarte** seconded to amend the Agenda to move Agenda Item 11A - Audit Report Presentation by McGladrey LLC, next on the Agenda. **Motion carried.**

Mr. Scott Bassett, McGladrey LLP, gave an overview of the City of Groton Comprehensive Annual Financial Report (CAFR) audit for year ended June 30, 2013, which includes the Electric and Water Division financials. Total assets for the Electric Division were approximately \$61 million, and total liabilities for the Electric Division were \$64 million. With the debt and forgiveness of the Thames Valley Communications, Inc. (TVC) advances, approximately \$5.9 million was paid in interest, principal and the forgiveness of TVC debt. Going forward into the 2014 fiscal year, debt service will be approximately \$4.5 million. Total cash flow will be a savings of \$1.3 to \$1.4 million. A positive cash flow of \$1.9 million was from the Electric Division.

Mayor Galbraith informed the Commission that the City Council had voted to refund some of the current bonds, at a much lower rate. Some of the taxable bonds will convert to tax free bonds.

At 10:48 a.m., **Commissioner Fafard** moved, **Commissioner Duarte** seconded, that this meeting go into Executive Session to discuss documents related to Business Strategies and to include Director Yatcko; General Managers Blanchette, Collard, Cummings, Daniels, DeLorenze, and Stevens; and Executive Assistant Gaudette. **Motion carried.**

At 11:08 a.m., the meeting returned to open session.

## **10. OLD BUSINESS**

Director Yatcko gave an update on the Customer First Initiative. The initiative is an employee involvement project. Three (3) initial teams have been formed and will be working on defining and enhancing relationships with key accounts, developing a performance indicator dashboard and improving customer notification and distribution of information. The team assigned to the performance indicator dashboard will be contacting Commission members for input on desired indicators.

## **11. NEW BUSINESS**

**Agenda Item 11B: GUC-14-04-06 - Management review of proposed Operating and Capital Budgets for the Electric Division for Fiscal Year 2014-2015**

Director Yatcko gave an overview of the proposed Electric Division budgets. Management developed the budgets in order to meet the net cash flow of the business, while addressing critical infrastructure issues. General labor increases are per union contract, and non-union labor proposed increases are estimated at 2%. The Electric Division's contribution to the City remains at \$3.1 million.

Commissioner Duarte asked about bonded capital projects and the Buddington Substation. General Manager Cummings reported various equipment has been changed out and upgraded at the substation, and the breakers are a budgeted item from the 2012 Bond Fund project. Commissioner Duarte would like a status of the electrical system upgrade included in the monthly report to the Commission.

**Agenda Item 11C: GUC-14-04-07 - Management review of proposed Operating and Capital Budgets for the Water Division for Fiscal Year 2014-2015**

Director Yatcko gave an overview of the proposed Water Division budgets. A proposed water rate increase of 4.1% is included, to go into effect January 2015, consistent with previous discussions with the Commission regarding the Water Treatment Plant Upgrade (WTP) project.

The Commission discussed reserves for the upgrade to the WTP, revenue from the proposed water rate increase, the pension, and proposed non-union employee increase percentages.

**12. ADJOURNMENT**

There being no further business, at 11:54 a.m., **Commissioner Fafard** moved, **Commissioner Duarte** this meeting adjourn. **Motion carried.**

Attest:

Paul Duarte  
Clerk