

**CITY OF GROTON UTILITIES COMMISSION
/WATER POLLUTION CONTROL AUTHORITY**

Minutes of Meeting
September 19, 2018

1. CALL TO ORDER

Chairperson Hedrick called the meeting to order at 10:01 a.m.

ROLL CALL

Present: Chairperson Mayor Keith Hedrick

Commissioners: Paul Duarte, George Scully, Robert Zuliani

Staff present: Director of Utilities Ronald A. Gaudet
General Manager-Utility Finance David F. Collard
General Manager-Information Technology Susan G. Blanchette
General Manager-Key Accounts Leonard J. Mediavilla
General Manager-Customer Service Tina M. Daniels
General Manager-Water Operations Raymond L. Valentini
Manager-Engineering Brian J. Roche
Manager-Water / PAF Richard M. Stevens
Manager-Operations Electric Randall S. Surprenant
Manager-Operations Water Raymond L. Valentini
Economic Development Manager Frank E. Winkler
Energy Engineer-Hollis McKee
Utility Analyst Manager Aaron K. Brooks
Accounting Manager Yi Xiang
Executive Administrator Deborah J. Damm
Human Resources Director Linda Avedisian

2. APPROVAL OF MINUTES

Commissioner Duarte moved, **Commissioner Scully** seconded a motion to approve the minutes of the regular meeting of August 15, 2018. **Motion carried.**

3. REVIEW AND ACCEPTANCE OF TREASURER'S REPORT

Commissioner Zuliani moved, **Commissioner Duarte** seconded a motion to approve the Treasurer's Report for the month ending August 31, 2018.

4. COMMUNICATIONS AND CORRESPONDENCE

Commissioner Scully reported on his recent attendance at the Northeast Public Power Association (NEPPA) Annual Conference. There were over 300 members in attendance, with various presentations by other municipalities. Commissioner Scully noted he felt it would be beneficial for the other Commissioners to attend upcoming conferences.

5. PUBLIC COMMUNICATIONS

Mr. Michael Boucher – 16 Hillside Avenue, Groton – Mr. Boucher provided a list of questions for the Commission. The document is on file with the Mayor's Office and the Administration office. Director Gaudet noted some of information in regards to budgetary questions would be provided in the review of the monthly financials.

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

Director Gaudet reported on the Risk Management Committee and Governance Committee meetings. Committee appointments for calendar year 2019 are being confirmed.

7. REGIONAL WATER UPDATE

Manager Stevens reported on the legal notice from the State of Connecticut, Department of Public Health (DPH) regarding the submittal of the coordinated water system plan for the Central Corridor Water Utility Coordinating Committee (WUUC). Additionally, the permit for the emergency regional water interconnection was approved this week.

8. MONTHLY FINANCIAL HIGHLIGHTS

General Manager Collard presented the following financial highlights:

Electric:

- Overall total electric revenues for August are 4.5% (\$191,000) more than budget. The Industrial Non-Manufacturing class was 11% below budget and was offset by all other classes of service. However, new rate applicable to the Non- Manufacturing industrial customer is designed to safeguard the bottom line from revenue variances.
- Cooling degree day requirements for August were 35% more than July and 109% more than August of last year. Not surprising as validated by the oppressive, hot, humid weather experiencing during the month.
- Operation and maintenance expenses for the month are almost 29% less than budget.
- The net income from operation for the month is 10% less than budget, despite a five (5) week payroll month. Total purchased power cost is 12% more than budget; understandably as a result of the weather conditions. Unbilled T&D losses that are 288% higher than last year are an indicator of the impact on timing differences between the purchase of energy and the billing to customers that occur in a cycle billing environment. Unbilled purchased power is expected to be recovered in the next month. Net performance after the effects of TVC is 8% less than budget for the month. For the fiscal year to date, net income from operations is 11% more than budget, and net performance after the effects of TVC is 12% more than budget.
- Days cash on hand for the Electric division is 80 days.
- For the month of August, 4,233 kWhs were purchased from solar customers, which is 17% less than last August. For the fiscal year-to-date, 5,556 kWhs were purchased from solar customers, which is almost 3% less than last fiscal year.

There was discussion on the billing cycles, and seasonal effects of the billing cycle. Power is purchased from the first day of the month to the last day of the month. As such more energy may be billed out than purchased during the month in cooler weather. General Manager Daniels noted industrial customers are billed at the end of the month, whereas residential bills are cycled weekly due to the number of residential customers.

Commissioner Zuliani requested to meet with General Manager Collard to gain a better understanding of the financials and the billing process.

Water:

- Cash due from Electric is over \$1 million and \$3,000 is due from Sewer.
- Days cash on hand for the Water division is 322 days. Combined Electric, Water and Sewer days cash on hand is 107 days.
- The reimbursement process with the state continues to be timely, such that monies are received from the state in time to pay billings when due without using internal cash. For the fiscal year-to-date, over \$12 million has been incurred for the project and a total of \$180 million has been received from the Drinking Water State Revolving Fund (DWSRF) loan and grant.
- Total revenues overall for August are \$7,000 more than budget. The negative Commercial and Industrial class variances were offset by positive residential and resale revenues.
- Operation and maintenance expenses for August 14.5% less than budget. Net Earnings before the DWSRF grant for the month are \$205,000 greater than budget. Operation & Maintenance expense for the fiscal year-to-date is 22% less than budget. Net earnings before the DWSRF grant proceeds for the fiscal year-to-date

is \$530k more than budget.

- The Water Treatment Plant Restricted Fund contains \$1.9 million for collections through June 30, 2018.

Sewer:

- Total sewer revenue for the second month of operations as a division of Groton Utilities are 29% below budget.
- Operations and maintenance expense for the second month of operations is 23% below budget and includes a five (5) week payroll. The positive variance helped offset some of the negative revenue variance for the month. The budgeted operating expenses were developed based on the Pollution Abatement Facility (PAF) historic operating expenditures under the City General Fund, plus a 10% allocation of Groton Utilities Administration, Information Technology, and Customer Service costs. As a result, net income from operations for August is 48% less than budget.
- Net cash flow for the sewer division for the month of August is \$141,000, which is the net of the due from Electric and due from Water division. For the month of August, current assets exceed current liabilities by \$124,000.

There was discussion on reviewing the budget and adjusting going forward. It was noted customers are not billed for water that is not discharged to the sewer system, and there would be a large variance in industrial customers' water usage during the colder months. Director Gaudet stated capital projects would be delayed for six (6) months.

9. PROJECTS / INITIATIVES UPDATE

Energy Engineer McKee reported the LED Streetlight project is 95% complete in Groton and 51% complete in Bozrah. Commissioner Scully noted there were many lights in Groton that have not been changed and asked how the project could be 95% complete. Director Gaudet stated the project scope was only for streetlights billed to the Town of Groton, not City streetlights. There was a discussion on if the City streetlights would be changed to LED in the future. The Commission requested a plan to replace all the City streetlights and would like a draft plan to review at the October Commission meeting.

Commissioner Zuliani asked about the depreciation of the streetlights. General Manager Collard replied it was regular depreciation.

Director Gaudet informed the Commission of the new sewer use fee graph included in the Commissioners meeting packages. There was discussion on the validity of the fees. Management has contacted another consultant to review and validate the data and financials provided in the original cost of service study. Director Gaudet stated if the current fee was reevaluated based on usage or a fixed fee, any changes in the rates would be determined by the Commission and would go through the public hearing process.

Commissioner Godley asked if Management was pursuing grant options. Manager Stevens replied the grant process is similar to the grant process for the Water Treatment Plant project, with eligibility of 20-40% grants for certain approved projects (such as nitrogen removal), and the grant process is closed at this time.

Chairperson Hedrick stated Management and the Commission will continue to review the financials for the next six (6) months, and decided should changes need to be made. Director Gaudet stated a team will be reviewing the data and would like to have a Commissioner on the team. Due to conflicts in schedules, it was decided Management would include the Commissioners on all meeting requests, and Commissioners would attend as available.

There was discussion regarding the North Slope sewer customers. General Manager Daniels reported they are on the same fee as City residents, and the Town bill their residents individually.

Manager Valentini gave an update on the Pollution Abatement Facility digester repairs. Planning and Zoning officials and the Fire Chief have inspected the facility, and new diffusers will be installed in early October. It is

anticipated the digester will be operational in October. Chairperson Hedrick state the secondary digester would be taken out of service and cleaned when the primary digester is operational. Management has received communications from Hart Engineering Corporation that the project is complete. It was noted the Pollution Abatement Facility remains in complete regulatory compliance.

Manager Valentini reported the Walker Hill Standpipe project is 99% complete. The contractor is currently tying in the water and will leak test and chlorinate the tank. It is anticipated the tank will be in service in the next month. Once the new tank has been online for approximately a month, the old tank will be demolished.

Manager Valentini gave an update on the Water Treatment Plant Upgrade project. Work during the month of August included underground electrical, concrete work, and pouring of the foundations. It is anticipated a crane will be onsite next week to install the water tanks.

Manager Stevens informed the Commission of the addition of a State of Connecticut, Department of Public Health (DPH) Safe Drinking Water Fee. The fee is based on the number of service connections and will be billed biannually. General Manager Daniels reported the fee will be a line item on customers' bills, and will be approximately \$0.22 per month. Bill inserts will be sent to all customers in November / December explain the new state requirement.

Commissioner Scully asked for an update on the transmission line upgrade. Manager Roche reported after twenty-two (22) years, ISO New England, Eversource and CMEEC are down to two (2) design options for upgrading the transmission line facilities in southwest Connecticut. Option 1 is very expensive and includes two (2) autotransformers plus multiple breakers and capacitors located at various Eversource substations. Option 2 is the best option for Groton Utilities, which includes re-conductor of the 100 and 400 lines, and the voltage upgrade from 69kV to 115kV. The 400 line is one (1) of three (3) transmission lines that supply power to Buddington Substation. Upgrading the 400 line from 69kV to 115kV at Buddington Substation improves reliability to the Groton Utilities distribution system. Any of the three (3) lines will be capable of suppling power to the entire Groton service territory once the project is complete. A decision from ISO is expected in January of 2019.

Manager Stevens informed the Commission on a cautionary notification to customers regarding elevated levels of sodium in the water supply. Manager Stevens handed out a fact sheet on sodium. The state is considering raising the acceptable levels of sodium in source water to the acceptable level of well water.

Director Gaudet informed the Commission that management has reviewed the Emergency Preparedness Plan (EPP) which is require by state docket to be submitted biennially to the Public Utility Regulatory Authority (PURA).

Accounting Manger Xiang gave an overview of the Neighborhood Assistance Act Program, which was included in the Commissioners meeting packages. Director Gaudet noted this has not been reviewed by the Commission in the past, and as such, management is looking for guidance and not approval of the item. Commissioner Duarte requested signage indicating Groton Utilities' participation in the project be included at each project location.

Director Gaudet informed the Commission that Commissioner Scully had suggested training for the Commission and City Council on the operations of each division. There was discussion of how to arrange such training due to having a quorum of either entity and the availability of members to meet. Commissioner Scully said he was suggesting more of an orientation for new Commission / Council members instead of an all-day training session. It was decided information would be provided at the Commission meetings and forwarded to the Committee of the Whole.

Key Accounts – Utility Analytics Manager Brooks informed the Commission of the ISO-NE peak hour, which occurred on August 29th, between the hours of 5:00 – 6:00 p.m. The ISO-NE Capacity Obligation, based on the annual peak hours, is responsible for approximately 17% of the underlying wholesale costs to Groton Utilities. Peak shaving is targeted conservation efforts, and as a result of such, Groton Utilities, in combination with other

Connecticut Municipal Electric Energy Cooperative (CMEEM) members, saved via avoided costs in excess of \$2 million.

10. OLD BUSINESS

There was no old business to discuss.

11. NEW BUSINESS

There was no new business to discuss.

12. ADJOURNMENT

There being no further business, at 12:19 a.m., **Commissioner Godley** moved, **Commissioner Duarte** seconded a motion to adjourn. **Motion carried.**

Attest:

Paul Duarte
Clerk