

# CITY OF GROTON UTILITIES COMMISSION

Minutes of Regular Meeting

February 21, 2018

## 1. CALL TO ORDER

Chairperson Hedrick called the meeting to order at 10:04 a.m.

## ROLL CALL

**Present:** Chairperson Mayor Keith Hedrick

**Commissioners:** Paul Duarte, and George Scully  
Jeffrey Godley (excused)  
Shirleyann Dunbar-Rose (resigned)

**Staff present:** Director of Utilities Ronald A. Gaudet  
Executive Assistant Tara Sablon  
General Manager-Information Technology Susan G. Blanchette  
General Manager-Utility Finance David F. Collard  
General Manager-Key Accounts Leonard J. Mediavilla  
General Manager-Customer Service Tina M. Daniels  
Manager-Engineering Brian J. Roche  
Manager-Water/PAF Richard M. Stevens  
Manager-Operations Randall S. Surprenant  
Manager-Operations Raymond L. Valentini  
Energy Engineer Hollis McKee  
Utilities Analytics Specialist Aaron K. Brooks  
Manager-Economic Development Frank E. Winkler  
Accounting Manager - Training – Yi Xiang  
Director Human Resources Linda J. Avedisian  
PAF Chief Plant Operator Kevin L. Cini

## 2. APPROVAL OF MINUTES

**Commissioner Duarte** moved, **Commissioner Scully** seconded a motion to approve the minutes of the regular meeting of January 17, 2018. It was noted that the minutes of the Public Hearing of January 11, 2018 and the minutes of the Special Meeting of January 11, 2018 were not included in the meeting packages and will be voted on at the next regular meeting of March 21, 2018. The motion was amended to approve the January 17, 2018 minutes only. **Motion carried.**

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

**Commissioner Duarte** moved, **Commissioner Scully** seconded a motion to approve the Treasurer's Report for the months ending January 31, 2018. **Motion carried.**

## 4. COMMUNICATIONS AND CORRESPONDENCE

There were no communications or correspondence to report.

## 5. PUBLIC COMMUNICATIONS

There were no public comments.

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

Director Gaudet reported that routine meetings were held for all the different committees. The Ethics Committee is still moving forward, as reported at the GUC January Regular Meeting.

Mr. Justin Connell, Director of Portfolio Management, CMEEC, gave a presentation on what happened to skyrocketing gas prices, hence electricity prices, during the last week of December and the first week of January. The increase was due to pipeline constraints and the cost was absorbed by the consumers during that time frame. An offer to have the presentation given to the Utilities Commission was extended. There was an interest and Director Gaudet will make the arrangements for it to be given at a future Regular or Special Meeting. The Utilities Commission could benefit hearing the presentation for a clear understanding of the basis of electric prices that are paid, the reason that we actually hedge—pre buy electrical usage via CMEEC going forward routinely.

General Manager-Utility Finance David F. Collard agreed that the presentation was very interesting and worthwhile seeing to understand the function of CMEEC and GU.

There was an article in *The Day* newspaper that put a different spin on why electric prices skyrocketed.

Chairperson Hedrick added that once CMEEC's ethics policies are approved, the City will compare them to its policies to ensure that the CMEEC policies are not more restrictive than the City's. He will make sure the City's policies will not put the City in a position where it is in violation and vice versa.

Director Gaudet noted that the Utilities Commission does not have a direct policy in reference to ethics. It is referred to in the Purchasing Policy with interactions with vendors. Otherwise, the Utilities Commission would just fall under the City's policy.

Chairperson Hedrick further added that the travel policy would be looked at, as well.

**7. REGIONAL WATER UPDATE**

There was no Regional Water update to report.

**8. MONTHLY FINANCIAL HIGHLIGHTS**

General Manager Collard presented the following financial highlights:

*Electric:*

- Overall electric revenues for January are overall 6% more than budget. The positive variance was primarily driven by the Residential class which was 18% more than budget, undoubtedly related to

the recovery of unbilled power purchased from the previous month. This has to do with the timing differences between the billing cycles and the purchase of power and the way that the weather comes and effects the month before or after the bills are issued. The one (1) Non-Manufacturing customer was almost 12% below budget and reduced the positive impact from the residential class.

- Heating degree-day requirements were almost 25% more than last year, indicating a colder month than last year and consecutively for the past two months.
- Operation and Maintenance expenses for January are almost 6% more than budget. Due to weather conditions in January, very little capital work was performed in addition to a large budgeted SCADA expense items that were charged to the month of January.
- The Net Income from Operations for the month is 16% less than budget and is 19% less than budget after the effects of TVC.
- Electric Revenues for the fiscal year-to-date are almost 2% below budget and 5% below the same period last year. All classes of service are below budget.
- Operation and Maintenance expenses are almost 8% less than budget, and Net Income is almost 24% less than budget. After the effects of TVC, Net Income before extraordinary item is almost 29% more than budget.
- Days' cash on hand for the Electric Division is 61 days.
- For the fiscal year-to-date, 1.4 million kWhs were purchased from solar customer production, which is almost 3% less than last fiscal year-to-date.

Commissioner Scully asked how GU made out providing mutual aid to Saint Thomas. General Manager Collard responded that no monies were lost and the total reimbursement has not yet been received. The expenses currently remain on a work order that will be closed once all the funding has been received. At that time, he will present the Commission with the information. General Manager Collard confirmed for Chairperson Hedrick that all monies that were expensed would be reimbursed and the Utility would be made whole.

Director Gaudet distributed a graph of the breakdown of residential rates.

*Water:*

- Water Division cash due from Electric is almost \$3.6 million.
- Days' cash on hand for the Water Division is 271 days. The combined Electric and Water Utility days' cash on hand is 92 days.
- The reimbursement process with the State of Connecticut have been timely, such that monies have been received from the State in time to pay the bills when they are due, without utilizing internal cash. For the fiscal year-to-date, \$4.7 million has been incurred for the project and a total of \$3.6 million has been received from the Drinking Water State Revolving Fund (DWSRF) loan and grant combined.
- Total Revenues overall for January are 2% more than budget primarily due to a net overall 8% increase in volume sales. New rates that increased 4% became effective January 1, 2018.
- Operation and Maintenance expenses for January are 12% less than budget and almost 12% more than January of last year.
- The Net Earnings before DWSRF grant proceeds for the month are \$105,000 more than budget. Higher revenues combined with lower operating expenses provided the positive variance. The Net Earnings before the DWSRF grant for the fiscal year-to-date are almost 51% more than budget. The positive variance is driven by lower than budget Operation and Maintenance expenses that are more than offset by the 9.5% negative revenue variance.
- The Water Treatment Plant Restricted Fund contains \$717,000 in cash for the WTP upgrade and reflects transfers for collections through June 2017. From July through December, approximately

\$411,000 was collected from customers and will be transferred in February to the Water Treatment Plant Restricted Fund, along with \$400,000 that was initially transferred to seed the Water Treatment Plant checking account. After that transfer is made the balance will be \$1.5 million.

It appears to Chairperson Hedrick that everyone understands the DWSRF process after being involved with it for three or four months now. General Manager Collard explained how helpful the State has been with providing additional information and clarification when necessary on how to keep the process going smoothly. Contractors have been helpful in providing invoices in a timely manner so the expenses can be reviewed by all. The paperwork is being sent to the State as it is completed and ready before the due date so it is not kicked back and payments are delayed.

**9. PROJECTS / INITIATIVES UPDATE**

Director Gaudet stated that most of the time would be spent on the Sewer Utility Creation & User Charge.

Manager-Operations Raymond L. Valentini reported that the Walker Hill Standpipe Contract has been signed. Once the contractor completes the construction meeting and the weather breaks, the project can be started.

Chairperson Hedrick advised that the Town of Groton is seeking an easement pertaining to the William Seeley Project. The Commission will look at the matter and determine any action required.

Manager-Engineering Brian J. Roche gave an update on the LED Streetlight Replacement Project. Seven (7) out of eighteen (18) sections have been completed and over 700 lights have been replaced. It is anticipated that the project will be completed before May 1<sup>st</sup> and not April 1<sup>st</sup> as previously reported. Chairperson Hedrick commented that it is important to keep the customers informed, especially large customers, when there are changes in estimated completion dates. The new anticipated completion date should also be communicated to the Town.

Commissioner Scully was approached with a question from a resident about why Branford Manor did not get LED streetlights, as everything around the property has already been done. It was explained that the LED Streetlight Replacement Project is currently in Phase 1, which addresses the public areas. Branford Manor, a private area, will be included in Phase 2. The lighting survey was briefly discussed as it related to public versus private areas. Branford Manor and Electric Boat have private lights and will be done under Phase 2, which will be done after the Town of Bozrah. Chairperson Hedrick explained that RELATED is currently renovating the interior and exteriors of the Branford Manor Apartments as part of a structured tax agreement. Energy Engineer Hollis McKee advised that Conversion Area #12 of the project has just been completed and that will be conveyed to Project/Program Manager – Planning and Development Town of Groton Rick Norris.

Regarding the Water Treatment Plant Upgrade Project, the acronym DAF (Dissolved Air Filtration) was explained. Chairperson Hedrick asked if the City would be getting a maintenance plan as part of the upgrade. Manager – Water /PAF Richard M. Stevens responded that there is absolutely an operations maintenance plan for every piece of equipment and one would be developed and turned over as part of operating equipment. There was some discussion and clarification regarding original manuals versus policies and procedures that would need to be customized. Manager – Water /PAF Richard M. Stevens is confident and comfortable within the organization with using the maintenance manuals and the training, and customizing them based on the shifts that we design and the operating personnel. Chief Plant Operator Kevin L. Cini interjected and explained how the Pollution Abatement Facility (PAF) staff makes its own standard operating procedure manuals. Essentially, it will be set up so pretty much anyone can come in, turnkey and run the equipment.

## 10. OLD BUSINESS

**Agenda Item 10A: GUC-18-02-02:** Consideration of and action to authorize Management to waive the bidding requirement of Groton Utilities Policy No. 1004, Policy and Procedures Governing the Purchasing Practices of Groton Utilities and issue a purchase order to Earthlight Technologies, LLC., 92 West Road, Ellington, Connecticut for the purchase of material and installation of to convert eighty-one (81) existing fluorescent fixtures to eighty-one (81) new light-emitting diode (LED) technology fixtures in concert with the office renovations at Groton Utilities Operation Complex in an amount not to exceed Twenty-One Thousand, Nine Hundred Sixty-Four Dollars and Ninety Cents (\$21,964.90) , and furthermore that the City Council be apprised of this action with the recommendation that it concur

**Commissioner Duarte** moved, **Commissioner Scully** seconded a motion to authorize Management to waive the bidding requirement of Groton Utilities Policy No. 1004, Policy and Procedures Governing the Purchasing Practices of Groton Utilities and issue a purchase order to Earthlight Technologies, LLC., 92 West Road, Ellington, Connecticut for the purchase of material and installation of to convert eighty-one (81) existing fluorescent fixtures to eighty-one (81) new light-emitting diode (LED) technology fixtures in concert with the office renovations at Groton Utilities Operation Complex in an amount not to exceed Twenty-One Thousand, Nine Hundred Sixty-Four Dollars and Ninety Cents (\$21,964.90) , and furthermore that the City Council be apprised of this action with the recommendation that it concur.

Energy Engineer Hollis McKee provided a brief background on the LED lighting project at the Operations Complex and the vetting process used to reach the decision to go with Earthlight Technologies for said project. Earthlight was very competitive and the most comprehensive of the four possibilities.

Director Gaudet explained that this item will go to the next Committee of the Whole, as the project would be paid with funds available in Groton Utilities' Regional Greenhouse Gas Initiative (RGGI) funds held at the Connecticut Municipal Electric Energy Cooperative (CMEEC). A purchase order will be issued to upgrade the outdated lighting to LED technology, as part of the Operations Complex Office Renovations Project.

In response to a question from Commissioner Scully, Energy Engineer Hollis McKee explained where the eighty-one (81) lighting fixtures would be distributed. Five (5) new fixtures are going in and the rest are retrofits. The LED fixtures are expected to last between 80-100,000 hours.

## 11. NEW BUSINESS

**Agenda Item 11A** – Management Review of Proposed Water Pollution Control Authority Transition and Fee Structure

Director of Utilities Gaudet opened up a discussion by giving some background that the proposed transition and fee structure has been in the works for approximately two (2) years, and began with a feasibility study to determine if it made sense to bring the sewer under the utility, and bring it to a rate base structure. The goal of the presentation today will be to educate the Commission. Mayor and Council will see the same presentation at a Committee of the Whole (COW) meeting and then at a public hearing scheduled for March 5, 2018 to expose the public to this idea. The net result will be that the Water Pollution Control Authority's (WPCA) duties will become the duties of the Utilities Commission. The Commission would have a third enterprise account, very similar to the water account. The rates that come into the water account stay in the water account for use by the water system and the sewer account will be very, very similar. There will be a new line on the bills right underneath the water bill, which will be a very close amount to what a customer spends on water, to cover the sewage use.

Director of Utilities Gaudet will arrange for Commissioner Godley to see the presentation at another time and extended the invitation for anyone else to attend again to be kept up to speed.

Chairperson Hedrick established some background and his position on Sewer Utility Creation & User Charge. He explained that the City is not creating a new business entity. It is just moving the WPCA out of the City's General Fund and placing it underneath the Utilities so that it can be managed like Electric and Water. Infrastructure changes and improvements on the WPCA are currently being supported through bonding. One of the challenges Chairperson Hedrick has is the issue of raising taxes just to increase infrastructure on the sewer or anywhere else, if it does not have to be done. Moving the sewer under the utilities allows the sewer to be user fee driven, which is more equitable and fair. The benefits of this is that the taxes will be reduced. There will be a fee structure based on usage. Taxes will go down, but the fees will go up. Based on some of the numbers that have been run, it is very close to a wash, if not favorable. The City would also be spreading it over a larger use and customer base as non-taxable entities, which includes state, city, town and non-profits, would now be included. The rate will include a reserve fund so monies can be set aside to allow the buildup of larger infrastructure projects, and allow for the continuation of bonding for large projects. Another benefit of having sewer under the utilities is that grants will now be available, but were not before due to being under the City's General Fund.

Chairperson Hedrick continued stating moving the sewer from the General Fund has been discussed for several years now, and now is the time to take action. It has to take place during the new fiscal year budget. The municipal budget will be presented to the Councilors on April 2<sup>nd</sup>, and will not include the WPCA. The WPCA will be in the next Utilities budget when it is presented to Council.

Director Gaudet encouraged questions as the presentation is being made. The goal is to have everyone understand why this has to take place. Questions will allow the opportunity to update the presentation, as needed to make it a bit more complete and help with talking points going forward. This is the first presentation with budget numbers included.

Mr. David Fox, Raftelis Financial Consultants, was introduced and gave a PowerPoint presentation entitled *Sewer Utility Creation & User Charge Study* dated February 21, 2018 – DRAFT. The following agenda topics were discussed at length:

- Why should we do this?
- Draft user charge
- Customer impacts
- Budgeted revenue requirements
- Aggregate capital needs
- Organization structure
- Implementation schedule

Chairperson Hedrick thanked Mr. Fox and all the staff for doing what needs to be done to make this happen.

**Agenda Item 11B:** In accordance with Water Division Vehicle Replacement Program, Management will be soliciting bids for vehicles as per the approved Fiscal Year 2018 budget

Director Gaudet explained that this purchase will be a budgeted item under \$50,000, and has been put in the Director's Report and on the agenda for informational purposes to the Commission. There are three (3) or four (4) more vehicles in the budget for the Water Division to purchase this year, which is non-bonded capital.

**Agenda Item 11C:** Management will be soliciting bids for the Watershed Lawn and Maintenance Contract, which expired last season

The annual amount spent on watershed lawn and maintenance is under \$100,000. The current contract is up so this item will be going up for another three (3) year contract with two (2) – one (1) year options.

**Agenda Item 11D:** Discussion on budget planning for IT and Customer Care workspace in municipal building

Director Gaudet updated the Commission on the renovations in the Project Management area at the Operations Building. A format upgrade is being done, without any structural changes, to almost double the amount of people that can sit in that area. As for the municipal building, there is just not enough space for modifications to be done. The monies were in the budget last year, but not in the budget for this year. Therefore, the money has been held in reserves, to come up with a solution. There is a total of \$85,000 in expense and non-bonded capital. There are certain things budgeted that could bring the utility into compliance where we currently are not. Director Gaudet tried to express everyone’s frustration about limited space.

Manager Daniels added that the current Customer Service space is not enough and more space is needed for herself, storage and equipment. The storage and equipment need to be in a safe proximity of customer service for privacy.

Chairperson Hedrick further commented that space to renovate is one of the challenges at the municipal building and Customer Service is approximately 500 square feet short for what Management wants to do. Both the auditorium and C-8 have been considered, but there are many factors to be considered such as meeting space or offices; how is the space currently utilized and how will it be, etcetera.

The credit union will be vacant at the end of the year, as the lease will not be renewed. That space has also been discussed to the extent of how it will be used and how it will impact other spaces. The basement is starting to be looked at for additional space and portables. Chairperson Hedrick is not in favor of portables. The goal is to get all the players involved at one table and agree on what the real problems about space issues are and try and get around them. If all the space issues cannot be addressed then the ones that can need to be prioritized. Communication and money are additional challenges. The solutions presented so far have not been acceptable to everyone. These are not complicated issues, they are just complex.

**12. EXECUTIVE SESSION**

There was no executive session.

**13. ADJOURNMENT**

There being no further business, at 11:58 a.m., **Commissioner Duarte** moved, **Commissioner Scully** seconded a motion to adjourn. **Motion carried.**

Attest:

Paul Duarte  
Clerk