

WE HAVE MOVED

We are temporarily located at 11 Station Avenue for the next year while our new facilities are being constructed.

We are located in the yellow “house” next to the Bank of America parking lot on Station Avenue. Thank you for your patience during our transition.

Temporary Remittance Address (please read carefully)

If you currently send your billing stub and payment in the pre-addressed envelope included with your electric bill, please continue to do so. (*This is our preferred payment method*)

If you pay your bill through a third party billing service such as your bank or if you mail directly to GELD, please update the mailing address to reflect our temporary address:

11 Station Avenue, Groton, MA 01450.

What's happening with the New England electric market and GELD's rates?

Electric rates in Massachusetts currently vary from just over \$0.10 per kilowatt hour (kWh) to just over \$0.20/kWh. In general, municipal light departments (such as Groton and Littleton) have rates that are much lower than investor-owned utilities (such as National Grid and Unitil). GELD sells the first 500 kWh for residential rates at about \$0.11/kWh and sells kWh over 500 at about \$0.12/kWh. That same kWh of electricity sells for \$0.16 in Shirley, Pepperell and Westford and \$0.20 in Townsend.

Groton has had stable electric rates for the last 5 years. Our total kWh charge has remained the same since the beginning of

2009; however, we have had **two rate reductions**—a \$1.00 decrease in the customer charge on residential rates in August 2011 and another \$1.00 decrease in the customer charge on all rates in September 2012. Our rates are comprised of four components: Distribution, Generation and Transmission plus a Customer Charge. See chart on next page for an explanation of each charge.

New England is currently in a very challenging situation. Legally, natural gas has to be made available for residential heating before electric generators can access the gas that is coming into New England. Because of this law, many electric generat-

ing facilities sit idle when it is cold because they have no gas to operate. Although natural gas is very affordable and plentiful just a few hundred miles away in western Pennsylvania, there are transmission constraints that prevent New England from getting the supply that is needed here in the winter. There is not enough pipeline to deliver the natural gas that is needed when the temperature drops and both residential heating and electric generation are vying for the natural gas supply. In addition, the politicians have made it very difficult for coal, oil and nuclear generation in New England resulting in a higher and higher percentage of electric generation being

New England Winter 2013-2014 by the Numbers

- ▶ January ranks among the coldest months in recent history—9 days in January were in the coldest 5% of days in the past 20 years
- ▶ In December through February there were approximately 43 days where the daily average temperatures were well below the 20-year historical average
- ▶ Winter natural gas price nearly doubled when compared to winter 2012/2013
- ▶ Oil was the cheaper fuel approximately 57% of winter days
- ▶ 64% of the average daily real-time electric prices were above \$0.10/ kWh, compared to 28% in the winter of 2012/2013
- ▶ There were 9 days where the average daily real-time electric prices exceeded \$0.25/ kWh
- ▶ Energy market costs were \$5.05 billion for winter 2013/2014 compared to \$5.2 billion for ALL of 2012

Groton's sign by-law

NOTICE—It is a violation of Town By-Law 196-5e to attach signs to utility poles.

This is a very important safety concern for our linemen. Staples and nails that are left in poles from attaching signs can cause damage to the gloves that protect linemen from serious harm including electric shock. Signs attached to utility poles will be removed and reported to the land use department for further action. Thank you for your cooperation in this important matter.

Customer Charge—Collects costs of providing the basic services, such as metering and billing.

Distribution Charge—Collects costs to deliver electricity from our substation to homes and businesses.

This includes costs for our substation, all of our poles and lines, our trucks, our facilities, payroll and net income.

Generation Charge—Collects costs for power purchased on the wholesale energy market. Savings associated with the hydro-power received from Niagara Falls is applied to the first 500 kWh of the Generation Charge for the residential classes.

This portion of the bill is designed as a pass through to cover your portion of the cost of electrical generation. We have a strategy to diversify our generation supplies; currently we receive no more than 13% from any one project and in 2013 59% of our generation was carbon free while 19% was renewable.

Transmission Charge—Collects costs of purchasing delivery of electricity from the generating plants to our substation

This portion of our bill has seen a substantial increase in recent years and is expected to continue its rapid rise as more electricity has to be transferred over greater distances.

provided by natural gas. Due to the natural gas transportation issues, the average price for natural gas this winter in New England was six times higher than the natural gas price in western Pennsylvania.

Fortunately GELD had locked in 84% of its *forecasted* power needs for this past winter, but the extremely cold weather which caused extremely high prices also caused substantial negative cash flow for our remaining power needs. The cold weather also drove up our actual load to be 4% higher than forecasted. For the winter of 2013/2014 we had negative cash flow of about \$500,000 resulting in the GELD Board transferring \$200,000 out of GELD's Rate Stabilization Fund. The Rate Stabilization Fund was designed to help offset unusual and unpredictable fluctuations in the power market that could affect rates.

We find ourselves in the challenging position of trying to ensure future rates are as low as possible while facing substantial increases in generation and transmission costs, especially in the winter.

One of the major challenges we face is the weather. When winter weather is mild, power prices are modest and stable, but when weather is cold (like this past winter), prices soar because of generation and transmission issues making it impossible to get enough natural gas into New England.

Translating this into dollars and cents...

In January, GELD's total electric needs can vary from 11 megawatts (MW) during the peak hour of the day when it is mild (averaging 40° F) to 14 MW when it is cold (averaging 10° F). The management team has to determine how much power to purchase well in advance based on projections of power use, weather, and other factors—*this is not an easy task*. If we purchase power in advance for more than we need (currently at a rate of \$0.14/kWh for the winter months) we would have to sell the “extra” power back to the pool at the market rate of between \$0.04 & \$0.05/kWh when it is mild—thereby losing money. On the flip side, if we do not purchase enough

to cover our projected needs and we have another winter like this past winter, we may be paying over \$0.25/kWh when it is cold for everything we didn't lock into in advance—again losing money. When we sell power to our customers at \$0.12/kWh and purchase it at \$0.25/kWh, we lose money. No business can sustain an operating deficit for very long.

With the uncertainty in the current electric markets that all utility companies in New England are experiencing, there is the real possibility of a rate increase in the future. Please know it would be our last resort. We are working diligently with our wholesale energy agent and peer groups (while also lobbying and educating lawmakers) on the issues plaguing our industry; we will do everything in our power to prevent a rate increase from occurring. Our mission and our goal is the same: *to provide our customers reliable power and excellent service at affordable prices.*

We hope this gives you a better understanding of some of the challenges we face—this is only some of what goes on behind the scenes at Groton Electric.

Recycle that old refrigerator or freezer—save energy and help the environment!

Groton Electric has partnered with JACO Environmental Inc. to offer an appliance removal and recycling program to Groton residents.

We will pick up and recycle your old refrigerator or freezer at NO COST to you!*

To schedule a pick-up call **1-877-545-4113** or contact our office for more information.

**Refrigerators and freezers must be in working condition and must be a minimum of 10 cubic feet in size. Customers must own the unit(s) being recycled. Limit two units per residential address.*