

Dear Customer/Owner:

The Groton Electric Light Department turned one hundred and eight years old in 2017 and we're heading toward a "bright" future for the ratepayers of Groton.

GELD ratepayers received a "bonus" on their August 2017 bill because the Seabrook Project 6 bonds were reduced to a level that allowed for the release of GELD's security deposit. The Board voted to disburse the funds as follows: \$200,000 as a one-time credit on the ratepayer's bills; \$100,000 for substation investments; \$50,000 toward long-term liabilities and the balance (approx. another \$50,000) transferred to our cash account.

Although electric revenues were down 3.4% and kWh sales were down 1.79% GELD had a net income of \$85,253 in 2017 compared to \$400,250 in 2017. This was lower partially because of the "bonus" received on the August 31, 2017 bill.

GELD's long-term outlook is strong both financially and in terms of infrastructure enhancements. Management monitors power costs monthly with the goal of making sensible business decisions based on the information. We also continue investments in our infrastructure such as pole replacement and overhead and underground service line upgrades.

Capital Improvements

Capital expenditures include infrastructure improvements, substation enhancements, line equipment and integrated software to support ongoing projects. The upgrade of our substation on Lowell Road became our major capital project for 2017. We purchased the high side of the substation from National Grid and replaced antiquated equipment with new state-of-the-art equipment. We are also replacing old AMI meters as they fail – the technology has been improving since we first began installation in 2005. We continued our aggressive tree-trimming and old pole and equipment replacement. Maintaining our equipment is important to ensuring long-term reliability and stability for our customers.

Advances in our GIS, outage management and billing systems via new software and technology enhancements help to keep GELD on the cutting edge.

Power Supply

The Berkshire Wind Power Project had its sixth full year of operation producing power at 37.7% of its capacity. A second wind project in Hancock, ME became operational in December 2016 and produced power at 30.9% of its capacity in 2017. GELD's 2.3 Megawatt (MW) solar farm on the closed landfill on Cow Pond Brook Road is producing approximately 25% of GELD's needs (at times) in the spring and fall and operated at a capacity of 17.2% for 2017. Wind and Solar energy help to diversify GELD's power supply portfolio and help to reduce our reliance on fossil fuels.

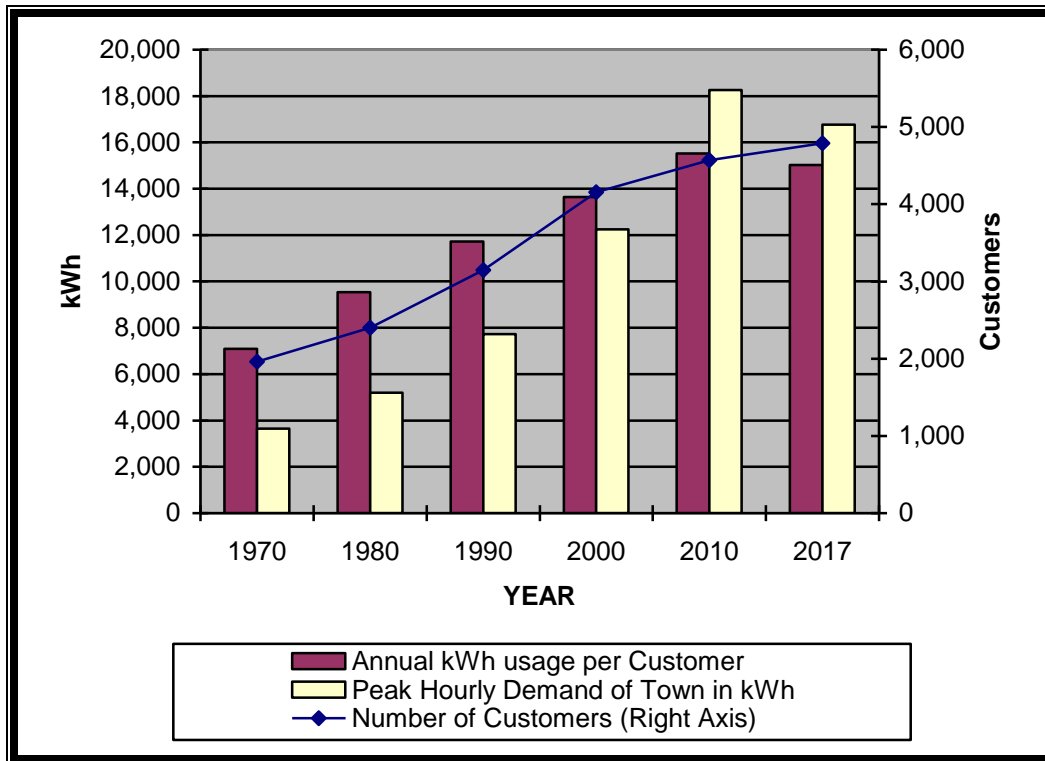
GELD's complete power mix portfolio for 2017 consisted of 39.4% nuclear, 30.8% natural gas, 11.7% hydro-electric, 4.1% refuse, 7.4% wind, 1.0% coal, .6% oil, and 5.1% solar. GELD's power mix was 63.5% carbon-free and 28.2% renewable for 2017.

Natural gas prices were favorable for most of 2017 except for the winter months (January-March) and the last week of December, which continue to see higher than normal energy prices because of natural gas transmission constraints in New England. Electric transmission costs continue to increase significantly with no immediate relief in sight. Luckily, the GELD Light Board and Manager monitor power supply options each month to ensure the best hedging possible for the ratepayers.

Growth Trends

Our rates continue as one of the lowest in Massachusetts. The peak usage in 2017 was in the month of June and was significantly lower than previous years due to a mild summer. Groton's kilowatt-hour sales

decreased by 1.79% for the year. Our customer count increased by 38 new services and we mailed out 4788 bills at the end of the year. The graph below indicates that our number of customers is increasing at a slower rate after decades of rapid growth. Individual customer usage has been declining slightly over the past seven years.



Service & Reliability

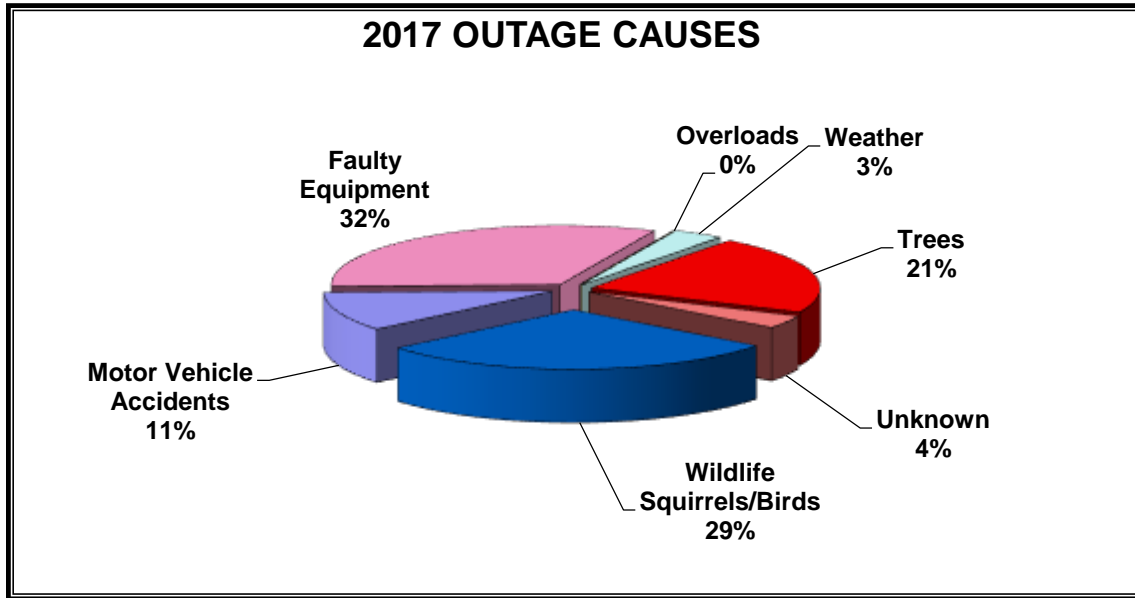
GELD employees are committed to providing the best custom service to our ratepayers whether it is face to face in our office, over the phone or with our linemen in the field. Each day we strive to provide exceptional customer service and dependable reliability at affordable prices.

Investing in tree trimming and, in our infrastructure, ensures long-term reliability for our customer/owners. GELD trims trees for the reliability and safety of its distribution system. We make every effort to maintain a fair balance between Groton’s beautiful tree-lined streets and the need to trim aggressively to reduce service interruptions. GELD began using a new tree trimming contractor in 2017 and as certified arborists they will only remove trees and branches in our easement that are or will become a direct threat to our electric distribution system.

One of our highest priorities is to respond promptly to outages and to restore power in the safest manner possible. Over the last several years, the linemen have been aggressively replacing old poles and old service lines. Maintaining our infrastructure is essential to providing long-term reliability and stability for our customers. This also contributes to fewer outages caused by trees and faulty equipment. Our line crew does a great job maintaining GELD’s infrastructure.

In 2015, GELD set the standard for reliability, so future years will be benchmarked against 2015’s record. Unfortunately, 2017 did not meet the standard that was set in 2015. However, the number of outages

decreased from 90 in 2016 to 56 in 2017 and the total hours of customer outages was 3613 which was an average outage of 45 minutes per household for the year.



Wildlife (mostly squirrels) and trees are typically the cause for the highest number of outage incidents in Groton. However, in 2017 Faulty Equipment was the number one cause for outages with wildlife and trees coming in second and third.

Financial Highlights

For 2017, GELD had a net income of \$85,253 or 0.6% of plant value. The Power Cost Adjustment (PCA) added to the February and March 2017 bills along with withdrawals from our Select and Rate Stabilization Funds helped to avoid a net loss for the year.

KWh sales for the year decreased by 1.79% and electric revenues were down 3.4%. We added a Power Cost Adjustment (PCA) to our bills in February and March 2017 to help recoup the increased generation costs associated with higher power and fuel costs. We also added two new rates in 2017 – the MD (Municipal Demand) and EV (Electric Vehicle) rates were designed to benefit both customers and GELD. We continue to offer an approximate 10% discount to customers who pay their bill by the 12th of the month and we observe a double discount to celebrate the holidays for the bill received December 1. We ended the year with the ninth lowest rates out of 42 Massachusetts utilities for the average 750 kWh electric user. The two investor-owned utilities that service the surrounding towns, National Grid and Unitil, have rates that are 81.5% and 100.4% higher than Groton Electric respectively.

Cheers to a bright future for the ratepayers of Groton. We strive to be our best through **our mission:** *to provide our customers reliable power and excellent service at affordable prices.*

Thank you to the Groton ratepayers for their loyalty and support of Groton’s locally owned and operated Light Department; thank you to my employees for their hard work and perseverance; and thank you to the Light Board of Commissioners for their commitment and selfless resolve.

Sincerely,

Manager