

GROTON UTILITIES

ELECTRIC DIVISION

OPERATING AND CAPITAL
BUDGET

FY 2024

Proposed 4/12/2023

UC Approved 4/19/2023

City Council Approved 5/15/2023

GROTON UTILITIES

ELECTRI DIVISION

FY 2024 BUDGET

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Groton Utilities – Electric Division

FY 2024 Budget

Proposed April 12, 2023

The fiscal year 2024 proposed budget for Groton Utilities – Electric Division is presented with Actual FY2022, Projected FY2023, and Approved FY2023 Budget for comparison purposes.

Revenue Development

Revenues are developed using the historical sales data ended December 2022 and applying rates in effect April 1, 2023 plus Purchased Power Adjustment (PPA) and Transmission Cost Adjustment (TCA). PPA/TCA adjustments reflect the difference between the base power costs included in the rates and the actual power costs charged. Current PPA/TCA will be reviewed periodically based on the wholesale market and adjusted as needed.

Revenues also include the Conservation and Load Management (CLM) charge of \$0.0025/kWh, which is unchanged since January 2011.

Overall, FY2024 budget kWh usage is approximately 3% higher than last year's budget excluding industrial pass through kWh usage. Proposed FY2024 Electric revenue (excluding industrial pass through sales) of \$55.9m is 7% or \$3.5m higher than last year's budget driven by the increased kWh usage and the PPA/TCA adjustments.

Power Cost Development

The base power cost in rates together with current PPA and TCA designed to recover fully the CMEEC purchased power cost is currently set at \$0.12/ kWh. Proposed FY2024 power cost (excluding industrial pass-through sales) of \$29.7m is 12% or \$3.2m higher than last year's budget.

The CMEEC Rate Stabilization Fund (RSF) will be utilized going forward, as normal, to stabilize customer rates at the current level. Based on power cost projection from CMEEC and forecasted receipts to the fund of member margin, it is anticipated that the RSF balance at CMEEC would be \$12.5m by June 30, 2024 after a capital drawdown of \$2.5m as planned to fund FY2024 capital projects.

Electric/Water/Sewer Division Allocation

The ratio for allocating non-direct expenses among the Electric, Water, and Sewer divisions are 60/30/10% (Electric/Water/Sewer) based on customer counts per division. The cost associated with Promotions and Demonstrating & Selling expenses allocation will remain at 50/50% (Electric/Water) because the costs incurred in this area generally promote the utility as a whole and not necessarily based on customer segments. Expenses related specifically to an individual department will be allocated accordingly.

Operation and Maintenance (O&M) Expenses

O&M expenses are developed using historical information and adjusted for known changes. Total O&M expenses of \$17m proposed for FY2024 is 2% or \$269k higher than last year's budget due to the changes as follows:

- Labor budget increased by 1% or \$46k due to :
 - Standard increases for union and non-union employees combined with proposed performance base step increases
 - Succession plan for 1 lineman position
 - Removed 1 FTE

- Non-Labor expenses budget increased by 2% or \$269k due to:
 - Electric Operations: +7% or \$126k
 - Customer Care and Business Development: +2% or \$14k
 - Conservation & Load Management: : +2% or \$23k
 - IT: -10% or -\$68k
 - Admin & Finance: -2% or -\$6k
 - Administrative & General: +6% or \$180k

Return to the City

The Return to the City is based on the current fiscal year projected earnings of the Electric Division as of February 15, 2023. According to the provision, the range of contributions could not be greater than 85% of the current year's projected earnings but not less than 90% or not more than 115% of the previous years' payment. The proposed Return to the City amount included in the FY 2024 budget remains at \$4.1 million, same as the approved FY 2023 budget.

In addition to the required cash contribution, Groton Utility pays the City for rent and services and provides the City with other services valued in excess of \$2.6 million for a total value to the City of \$6.6 million.

Capital Projects

Total proposed capital budget for FY2024 is \$7.2m which will be funded by a combination of annual depreciation, receipts of \$2.5m from financing, receipts of \$400k from Regional Greenhouse Gas Initiative (RGGI) fund and a drawdown of \$2.5m from CMEEC RSF. FY2024 capital budget includes:

Non-Bonded Capital Projects of \$4.3m for

- Distribution System Upgrades - \$1.8m
- Substation Upgrades- \$676k
- Metering - \$255k
- Facility and Others - \$861k
- Vehicle Replacement - \$380k
- Customer Care Projects - \$108k
- IT projects - \$174k

Bonded Capital Projects of \$2.5m for Distribution System Upgrades

RGGI Fund Projects of \$400k for LED conversion

Cash Flow

Net cash flow provided from Operations by FY2024 proposed budget including the capital project financing results in a decrease of \$1.7m which will decrease the projected operating cash balance from \$16.2m to \$14.5m which will be \$136k higher than the minimum cash requirement recommended by the Cost of Service Study.

Rate Comparison

The GU average residential customer current electric bill for 700 kWh is 44% or \$110.82 below the Benchmark's current rate.

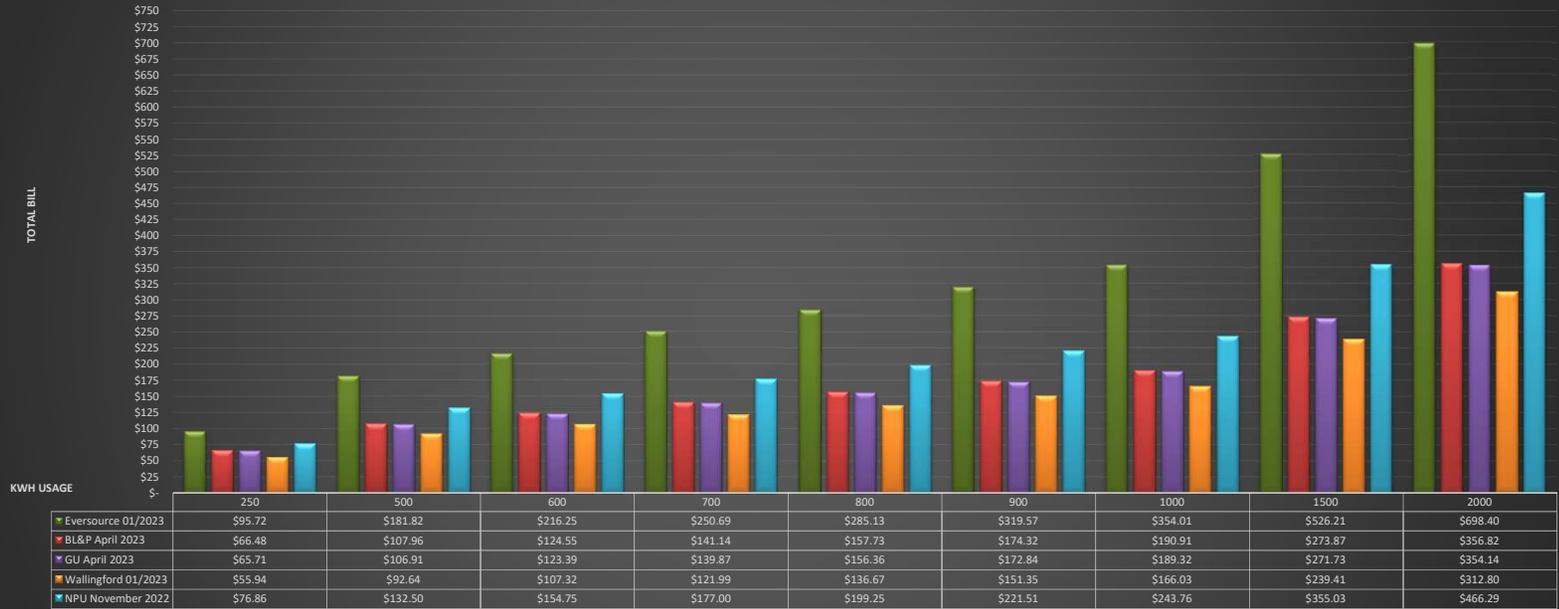
Approval Recommendation

The Proposed budgets for FY2024 will afford the Electric Division to:

1. Continue to provide highly reliable and responsive service that the customers expect and at rates that are fair, competitive, and viewed as providing value to the customer.
2. Allow for the efficient operation and maintenance of the electric distribution system.
3. Meet debt service requirements and fund growing infrastructure and technology needs.
4. Support compensation plans sufficient to attract and retain skilled, high-tech workers.

Management recommends the proposed operations and capital budgets for FY2024 be approved as proposed.

Groton Utilities vs. Benchmark
Residential Bills
(various kWh usage levels)



GU will be 44% below Eversource on 04-1-2023 at 700kWh

GROTON UTILITIES

Contributions To The City of Groton

FY 2024 PROPOSED BUDGET

Description	FY 2024
Rent 295 Meridian	\$ 135,000
Free Service - Utility	295,000
Gravel Sales contributed by Water Division	27,000
City Day	20,000
Concerts in Park	9,000
City Marketing	-
City Services	5,000
Rent on Watershed Property	10,000
City Safety Program	68,800
Building Maintenance Labor	58,600
Building Maintenance Allocation	19,000
Maint. City Assessment	47,000
City Service - Finance Service	394,100
City Service - HR Service	309,700
Financial Software	67,500
IT Support	943,400
IT Capital Projects for City	145,000
<hr/>	
Non Cash Contribution Subtotal	\$ 2,554,100
Cash Contribution	\$ 4,071,140
Total Contribution	<u>\$ 6,625,240</u>

GROTON UTILITIES

Electric Division REVENUE BUDGET

	FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget
OPERATING REVENUES					
Residential	\$ 17,213,867	19,221,278	\$ 19,024,810	\$ 20,960,010	\$ 1,935,200 10%
Commercial	13,872,265	15,669,231	15,621,524	17,213,418	1,591,894 10%
Industrial	18,014,555	17,806,947	16,121,061	15,956,602	(164,459) -1%
Street and Area Lighting	559,361	584,065	586,372	580,538	(5,834) -1%
Sales for Resale	920,025	1,079,075	1,050,421	1,188,712	138,291 13%
Unbilled Revenue	164,443	-	-	-	0
TOTAL ELECTRIC REVENUE	\$ 50,744,516	\$ 54,360,595	\$ 52,404,188	\$ 55,899,280	\$ 3,495,092 7%
Industrial Pass Through Revenue	8,013,054	9,177,334	8,019,727	9,170,091	\$ 1,150,364 14%
TOTAL ELECTRIC REVENUES	\$ 58,757,569	\$ 63,537,929	\$ 60,423,915	\$ 65,069,371	\$ 4,645,456 8%
OTHER OPERATING REVENUES					
Late Payment Penalties	\$ 71,197	87,364	\$ 90,000	\$ 90,000	\$ - 0%
Miscellaneous Service Revenue	71,925	77,856	85,000	85,000	- 0%
Customer Service Charges	3,415	4,410	3,500	4,000	500 14%
CATV Pole Rental Revenue	57,222	56,086	56,000	56,000	- 0%
ABB Space Rental	15,440	8,028	18,000	12,000	(6,000) -33%
BL&P AMI System Rental	56,572	56,413	56,200	57,000	800 1%
Salvage Sales	2,032	-	-	-	- 0%
Cash Over/ Short	(0)	(476)	-	-	- 0%
TOTAL OTHER OPERATING REVENUES	\$ 277,802	\$ 289,681	\$ 308,700	\$ 304,000	\$ (4,700) -2%
TOTAL OPERATING REVENUES	\$ 59,035,372	\$ 63,827,610	\$ 60,732,615	\$ 65,373,371	\$ 4,640,756 8%

Revenue Assumptions:

Revenues are based on the historic data ended December 31, 2022 with adjustments for weather and normalization.

New Approved Rates effective on 4/1/2023 wi

Include \$0.0025 CLM.

GROTON UTILITIES

Electric Division OPERATING EARNINGS

		FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
TOTAL OPERATING REVENUES		\$ 59,035,372	\$ 63,827,610	\$ 60,732,615	\$ 65,373,371	\$ 4,640,756	8%
OPERATING EXPENSES:							
Purchased Power		\$ 25,353,083	\$ 28,885,194	\$ 26,512,143	\$ 29,740,845	\$ 3,228,702	12%
Pass Through Power Cost		8,013,054	9,177,334	8,019,727	9,170,091	1,150,363	14%
Total Power Cost		\$ 33,366,137	\$ 38,062,528	\$ 34,531,871	\$ 38,910,936	\$ 4,379,066	13%
OPERATION & MAINTENANCE EXPENSE							
Electric Operations 2000-2900	Payroll	\$ 3,444,612	\$ 3,153,164	\$ 3,316,378	\$ 3,267,017	\$ (49,361)	-1%
Customer Care 4000 - 4900	Payroll	727,267	726,025	677,693	720,716	43,023	6%
Info & Tech 5000	Payroll	516,629	543,521	562,800	593,724	30,924	5%
Administration 9000	Payroll	422,091	480,906	498,600	520,080	21,480	4%
Administrative & General 9900	Payroll	-			-	-	
Subtotal		\$ 5,110,599	\$ 4,903,617	\$ 5,055,471	\$ 5,101,537	\$ 46,066	1%
Electric Operations 2000-2900	Other	\$ 1,587,975	\$ 1,705,702	\$ 1,866,433	\$ 1,992,470	\$ 126,037	7%
Customer Care 4000 - 4800	Other	682,884	636,675	720,080	733,860	13,780	2%
Conservation & Load Management 4900	Other	932,204	894,556	908,482	931,152	22,670	2%
Info & Tech 5000	Other	384,143	508,919	696,000	627,900	(68,100)	-10%
Administration 9000	Other	181,352	211,825	239,880	234,360	(5,520)	-2%
Administrative & General 9900	Other	2,620,976	2,885,253	3,150,577	3,330,845	180,268	6%
Return to the City	Other	4,071,140	4,071,140	4,071,140	4,071,140	-	0%
Subtotal		\$ 10,460,674	\$ 10,914,069	\$ 11,652,593	\$ 11,921,727	\$ 269,134	2%
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 15,571,273	\$ 15,817,686	\$ 16,708,064	\$ 17,023,264	\$ 315,200	2%
DEPRECIATION		\$ 2,178,548	\$ 2,310,535	\$ 2,363,500	\$ 2,763,800	\$ 400,300	17%
TAXES							
Electric Operations 2000-2900	Payroll Tax	\$ 348,316	\$ 370,898	\$ 384,000	\$ 378,900	\$ (5,100)	-1%
Customer Care 4000 - 4900	Payroll Tax	60,993	65,786	67,798	70,200	2,402	4%
Info & Tech 5000	Payroll Tax	37,872	40,601	43,200	45,406	2,206	5%
Administration 9000	Payroll Tax	28,674	33,281	38,160	39,780	1,620	4%
Administrative & General 9900	Payroll Tax						
Subtotal		\$ 475,855	\$ 510,565	\$ 533,158	\$ 534,286	\$ 1,128	0%
Gross Receipts Tax		\$ 1,555,036	\$ 1,612,683	\$ 1,544,209	\$ 1,713,000	\$ 168,791	11%
TOTAL TAXES		\$ 2,030,891	\$ 2,123,248	\$ 2,077,367	\$ 2,247,286	\$ 169,919	8%
TOTAL OPERATING EXPENSES		\$ 53,146,848	\$ 58,313,997	\$ 55,680,801	\$ 60,945,286	\$ 5,264,485	9%
OPERATING EARNINGS		\$ 5,888,524	\$ 5,513,614	\$ 5,051,815	\$ 4,428,085	\$ (623,730)	-12%

GROTON UTILITIES
Electric Division
OTHER INCOME & EXPENSE

	FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
OPERATING EARNINGS	\$ 5,888,524	\$ 5,513,614	\$ 5,051,815	\$ 4,428,085	\$ (623,730)	-12%
OTHER INCOME (EXPENSE)						
Merchandising & Jobbing Expense	\$ 173,044	\$ 229,289	\$ 297,594	\$ 300,600	\$ 3,006	1%
Bond Interest Expense GU	502,308	1,033,848	1,061,500	1,084,600	23,100	2%
Bond Interest Expense TVC	435,848	385,459	385,500	303,300	(82,200)	-21%
Amort.Of Premium On Debt (Cr)	(129,222)	(154,981)	(129,200)	(191,500)	(62,300)	48%
Interest Expense Other	16,634	16,237	15,000	15,000	-	0%
Subtotal Other Expense	\$ 998,612	\$ 1,509,853	\$ 1,630,394	\$ 1,512,000	\$ (118,394)	-7%
Merchandising & Jobbing Income	\$ 223,547	\$ 221,876	\$ 297,594	\$ 300,600	\$ 3,006	1%
Interest Income	379,478	379,092	384,967	384,967	-	0%
Misc. Income	336,396	518,000	400,000	400,000	-	0%
Gain/(loss) on Disposition of Property	(28,266)	-	-	-	-	0%
Subtotal Other Income	\$ 911,155	\$ 1,118,968	\$ 1,082,561	\$ 1,085,567	\$ 3,006	0%
TOTAL OTHER INCOME (EXPENSE)	\$ (87,457)	\$ (390,884)	\$ (547,833)	\$ (426,433)	\$ 121,400	-22%
Subtotal Net Earnings	\$ 5,801,066	\$ 5,122,729	\$ 4,503,982	\$ 4,001,652	\$ (502,330)	-11%
Miscellaneous Income Deduction for TVC	\$ (325)	\$ 2,000	\$ 4,000	\$ 4,000	-	0%
NET EARNINGS	\$ 5,801,391	\$ 5,120,729	\$ 4,499,982	\$ 3,997,652	\$ (502,330)	-11%

GROTON UTILITIES

ELECTRIC DIVISION

FY 2024 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES
Electric Division

PROFORMA INCOME STATEMENT

	FY 2022 Actual	FY 2023 Projected	Approved FY 2023 Budget	Proposed FY 2024 Budget	Variance FY24 Budget vs. FY23 Budget	
OPERATING REVENUES:						
Residential	\$ 17,213,867	\$ 19,221,278	\$ 19,024,810	\$ 20,960,010	\$ 1,935,200	10%
Commercial	13,872,265	15,669,231	15,621,524	17,213,418	1,591,894	10%
Industrial	18,014,555	17,806,947	16,121,061	15,956,602	(164,459)	-1%
Street and Area Lighting	559,361	584,065	586,372	580,538	(5,834)	-1%
Sales for Resale	920,025	1,079,075	1,050,421	1,188,712	138,291	13%
Unbilled Revenue	164,443	-	-	-		
TOTAL ELECTRIC REVENUES	\$ 50,744,516	\$ 54,360,595	\$ 52,404,188	\$ 55,899,280	\$ 3,495,092	7%
Industrial Pass Through Energy	\$ 8,013,054	\$ 9,177,334	\$ 8,019,727	\$ 9,170,091	\$ 1,150,364	14%
OTHER ELECTRIC REVENUES	\$ 277,802	\$ 289,681	\$ 308,700	\$ 304,000	(4,700)	-2%
TOTAL OPERATING REVENUES	\$ 59,035,372	\$ 63,827,610	\$ 60,732,615	\$ 65,373,371	\$ 4,640,756	8%
OPERATING EXPENSES:						
Purchased Power	\$ 25,353,083	\$ 28,885,194	\$ 26,512,143	\$ 29,740,845	\$ 3,228,702	12%
Industrial Pass Through Power Cost	8,013,054	9,177,334	8,019,727	9,170,091	1,150,364	14%
Operation Expense	11,500,133	11,746,546	12,636,924	12,952,124	315,200	2%
Return to the City	4,071,140	4,071,140	4,071,140	4,071,140	-	0%
Depreciation	2,178,548	2,310,535	2,363,500	2,763,800	400,300	17%
Taxes	2,030,891	2,123,248	2,077,367	2,247,286	169,919	8%
TOTAL OPERATING EXPENSES	\$ 53,146,848	\$ 58,313,997	\$ 55,680,801	\$ 60,945,286	\$ 5,264,485	9%
OPERATING EARNINGS	\$ 5,888,524	\$ 5,513,614	\$ 5,051,815	\$ 4,428,085	\$ (623,730)	-12%
OTHER INCOME (EXPENSE)						
Plus: Other Income & Deductions net	\$ 738,436	\$ 887,679	\$ 780,967	\$ 780,967	\$ -	0%
Less: Interest Expense on Long Term Debt	(808,934)	(1,264,327)	(1,317,800)	(1,196,400)	121,400	-9%
Less: Other Interest Expense	(16,634)	(16,237)	(15,000)	(15,000)	-	0%
TOTAL OTHER INCOME (EXPENSE)	\$ (87,132)	\$ (392,884)	\$ (551,833)	\$ (430,433)	\$ 121,400	-22%
NET EARNINGS	\$ 5,801,391	\$ 5,120,729	\$ 4,499,982	\$ 3,997,652	\$ (502,330)	-11%
PROFORMA CASH FLOW						
NET EARNINGS	\$ 5,801,391	\$ 5,120,729	\$ 4,499,982	\$ 3,997,652	\$ (502,330)	-11%
PLUS:						
Depreciation	\$ 2,178,548	\$ 2,310,535	\$ 2,363,500	\$ 2,763,800	\$ 400,300	17%
FUNDS GENERATED	\$ 7,979,939	\$ 7,431,264	\$ 6,863,482	\$ 6,761,452	\$ (102,030)	-1%
LESS:						
Capital Projects	\$ 10,262,068	\$ 14,690,891	\$ 15,017,300	\$ 7,182,800	\$ (7,834,500)	-52%
Transfer from Capital Bond Fund Reserve	(7,095,692)	(10,290,891)	(9,772,000)	(2,500,000)	\$ 7,272,000	-74%
Bond Principal Requirements GU	1,728,500	2,483,500	2,483,500	2,004,500	(479,000)	-19%
Bond Principal Requirements TVC	1,805,000	1,815,000	1,815,000	1,825,000	10,000	1%
Working Capital	(1,513,938)	-	-	-	-	0%
FUNDS REQUIRED	\$ 5,185,937	\$ 8,698,500	\$ 9,543,800	\$ 8,512,300	\$ (1,031,500)	-11%
NET CASH FLOW FROM OPERATIONS	\$ 2,794,002	\$ (1,267,236)	\$ (2,680,318)	\$ (1,750,848)	\$ 929,470	-35%
Operating Fund - Beginning Balance	\$ 14,681,256	\$ 17,475,258	\$ 16,178,147	\$ 16,208,022		
Operating Fund - Ending Balance	\$ 17,475,258	\$ 16,208,022	\$ 13,497,829	\$ 14,457,174		

GROTON UTILITIES

ELECTRIC DIVISION

FY 2022 BUDGET

CAPITAL PROJECTS

GROTON UTILITIES

Electric Division CAPITAL BUDGET

PROJECT	FY 2024 PROPOSED	DESCRIPTION
NON-BONDED CAPITAL PROJECTS		
Operations		
Distribution	\$ 1,828,800	Distribution Infrastructure, Switchgears, Reconductors, Cable and Poles, Reclosers, Capacitors, Switches
Substation	676,000	Substation Equipment Upgrades, SS infrastructure Upgrades, IED Replacement
Metering	255,000	AMI Meters, Meter Farm, Revenue Meters, Misc. Meters
Vehicle	380,000	Fleet Vehicle Replacement
Others	861,000	SCADA, Software, Tools, Forklift, Trailers & Equip, Facility Maintenance, LED Upgrades, Expansion of facilities, Cityworks
Subtotal	\$ 4,000,800	
IT		
Network Security Monitoring Device	\$ 45,000	
Replace AHU at Operations	36,000	
Replace UPS Units	48,000	
Alternate Fiber Path to Operations	45,000	
Subtotal	\$ 174,000	
Customer Care		
Office Renovation	\$ 90,000	
Digital Sign	18,000	
Subtotal	\$ 108,000	
TOTAL NON-BONDED CAPITAL PROJECTS	\$ 4,282,800	

GROTON UTILITIES

Electric Division CAPITAL BUDGET

PROJECT	FY 2024 PROPOSED	DESCRIPTION
BONDED CAPITAL PROJECTS		
Distribution - 2016 Bond	\$ 2,500,000	Distribution Infrastructure Upgrades
OTHER FUND CAPITAL PROJECTS		
LED Conversion - RGGI Fund	\$ 400,000	LED Lights Conversion
TOTAL CAPITAL PROJECTS	<u>\$ 7,182,800</u>	