



GROTON UTILITIES

ELECTRIC DIVISION

OPERATING AND CAPITAL
BUDGET

FY 2025

Proposed 4/10/2024

UC Approved 4/17/2024

City Council Approved 5/20/2024

GROTON UTILITIES

ELECTRI DIVISION

FY 2025 BUDGET

<i>SUMMARY</i>	<i>page 1-3</i>
<i>RATES</i>	<i>page 4</i>
<i>RETURN TO CITY</i>	<i>page 5</i>
<i>PROFORMA</i>	<i>page 6</i>
<i>REVENUES</i>	<i>page 7</i>
<i>OPERATING EARNINGS</i>	<i>page 8</i>
<i>INTEREST & OTHER</i>	<i>page 9</i>
<i>CAPITAL PROJECTS</i>	<i>page 10</i>

Groton Utilities – Electric Division

FY2025 Budget

Proposed April 10, 2024

The fiscal year 2025 proposed budget for Groton Utilities – Electric Division is presented with Actual FY2023, Projected FY2024, and Approved FY2025 Budget for comparison purposes.

Revenue Development

Revenues are developed using the historical sales data ended December 2023 and applying rates in effect May 1, 2024 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, FY2025 budget kWh usage is approximately 4% lower than last year's budget excluding industrial pass-through kWh usage. Proposed FY2025 Electric revenue (excluding industrial pass-through sales) of \$51.6m is 8% or \$4.3m lower than last year's budget driven by the decreased 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 \$0.09632/ kWh. Proposed FY2025 power cost (excluding industrial pass-through sales) of \$24.5m is 18% or \$5.3m lower 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 \$14.3m by June 30, 2025 after a drawdown of \$1m to lower the PPA rates budgeted in FY25.

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 \$18m proposed for FY2025 is 8% or \$1.3m higher than last year's budget due to the changes as follows:

- Labor budget increased by 12% or \$602k due to:
 - Standard increases for union and non-union employees combined with proposed performance base step increases.
 - Add 1 FTE for Customer Care Billing position and move 1 FTE from Sewer division to Electric division for GIS position.

- Non-Labor expenses budget increased by 6% or \$731k due to:
 - Electric Operations: +23% or \$465k
 - Customer Care and Business Development: +13% or \$94k
 - Conservation & Load Management: -3% or -\$23k
 - IT: +25% or \$159k
 - Admin & Finance: +3% or \$7k
 - Administrative & General: +1% or \$31k

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, 2024. 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 2025 budget remains at \$4.1 million, same as the approved FY 2024 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 \$2.8 million for a total value to the City of \$6.9 million.

Capital Projects

Total proposed capital budget for FY2025 is \$7.2m which will be funded by a combination of annual depreciation, receipts of \$400k from Regional Greenhouse Gas Initiative (RGGI) fund and a drawdown of \$1.6m from CMEEC RSF. FY2025 capital budget includes:

Non-Bonded Capital Projects of \$6.8m for

- Distribution System Upgrades - \$2.7m
- Substation Upgrades- \$861k
- Metering - \$535k
- Facility and Others - \$906k
- Vehicle Replacement - \$1.6m
- Customer Care Projects - \$126k
- IT projects - \$108k

(Regional Greenhouse Gas Initiative) RGGI Fund Projects of \$400k for

- LED Conversion Project

Cash Flow

Net cash flow provided from Operations by FY2025 proposed budget including the capital project financing results in a decrease of \$2.4m which will decrease the projected operating cash balance from \$18.7m to \$16.3m which will be \$1.3m above 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 39% or \$78.80 below the Benchmark's current rate.

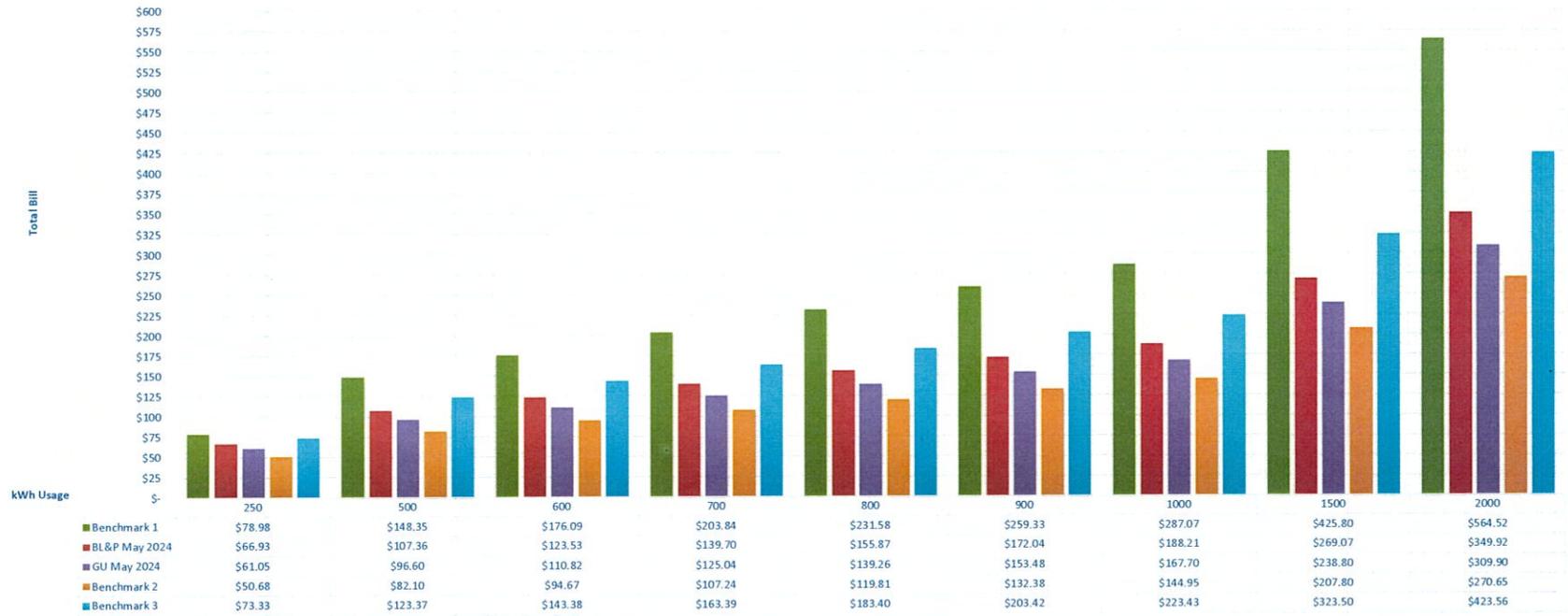
Approval Recommendation

The Proposed budgets for FY2025 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 FY2025 be approved as proposed.

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



GROTON UTILITIES

Contributions To City of Groton

FY 2025 PROPOSED BUDGET

Description	FY 2025
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	10,000
City Services	5,000
Rent on Watershed Property	10,000
City Safety Program	64,600
Building Maintenance Labor	64,700
Building Maintenance Allocation	20,000
Maint. City Assessment	47,000
City Service - Finance Service	477,200
City Service - HR Service	359,200
Financial Software	49,000
IT Support	1,108,400
IT Capital Projects for City	90,000
<hr/>	
Non Cash Contribution	\$ 2,782,100
Cash Contribution	\$ 4,071,140
Total Contribution	\$ 6,853,240

GROTON UTILITIES

ELECTRIC DIVISION

FY 2025 BUDGET

PROFORMA ANALYSIS

GROTON UTILITIES
Electric Division

PROFORMA INCOME STATEMENT

	FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget
OPERATING REVENUES:					
Residential	\$ 19,976,673	\$ 20,916,372	\$ 20,960,010	\$ 18,473,492	\$ (2,486,518) -12%
Commercial	16,446,443	17,113,475	17,213,418	15,313,105	(1,900,313) -11%
Industrial	18,355,790	15,625,899	15,956,602	16,168,608	212,006 1%
Street and Area Lighting	590,660	589,054	580,538	601,488	20,950 4%
Sales for Resale	1,133,908	1,186,830	1,188,712	1,048,730	(139,982) -12%
Unbilled Revenue	98,558	-	-	-	
TOTAL ELECTRIC REVENUES	\$ 56,602,032	\$ 55,431,630	\$ 55,899,280	\$ 51,605,423	\$ (4,293,857) -8%
Industrial Pass Through Energy	\$ 9,651,727	\$ 9,295,147	\$ 9,170,091	\$ 9,776,215	\$ 606,124 7%
OTHER ELECTRIC REVENUES	\$ 324,984	\$ 275,010	\$ 304,000	\$ 304,000	- 0%
TOTAL OPERATING REVENUES	\$ 66,578,744	\$ 65,001,788	\$ 65,373,371	\$ 61,685,638	\$ (3,687,733) -6%
OPERATING EXPENSES:					
Purchased Power	\$ 30,664,532	\$ 28,875,200	\$ 29,740,845	\$ 24,469,808	\$ (5,271,037) -18%
Industrial Pass Through Power Cost	9,651,727	9,295,147	9,170,091	9,776,215	606,124 7%
Operation Expense	11,912,176	12,573,487	12,952,125	14,285,697	1,333,572 10%
Return to the City	4,071,140	4,071,140	4,071,140	4,071,140	- 0%
Depreciation	2,393,176	2,724,494	2,763,800	2,912,300	148,500 5%
Taxes	2,143,183	2,196,491	2,247,286	2,329,566	82,280 4%
TOTAL OPERATING EXPENSES	\$ 60,835,934	\$ 59,735,959	\$ 60,945,286	\$ 57,844,726	\$ (3,100,560) -5%
OPERATING EARNINGS	\$ 5,742,810	\$ 5,265,828	\$ 4,428,085	\$ 3,840,912	\$ (587,173) -13%
OTHER INCOME (EXPENSE)					
Plus: Other Income & Deductions net	\$ 960,681	\$ 2,497,003	\$ 780,967	\$ 2,508,017	\$ 1,727,050 221%
Less: Interest Expense on Long Term Debt	(1,335,621)	(1,196,341)	(1,196,400)	(1,028,400)	168,000 -14%
Less: Other Interest Expense	(17,193)	(16,327)	(15,000)	(20,000)	(5,000) 33%
TOTAL OTHER INCOME (EXPENSE)	\$ (392,134)	\$ 1,284,335	\$ (430,433)	\$ 1,459,617	\$ 1,890,050 -439%
NET EARNINGS	\$ 5,350,676	\$ 6,550,163	\$ 3,997,652	\$ 5,300,529	\$ 1,302,877 33%
PROFORMA CASH FLOW					
NET EARNINGS	\$ 5,350,676	\$ 6,550,163	\$ 3,997,652	\$ 5,300,529	\$ 1,302,877 33%
PLUS:					
Depreciation	\$ 2,393,176	\$ 2,724,494	\$ 2,763,800	\$ 2,912,300	\$ 148,500 5%
FUNDS GENERATED	\$ 7,743,852	\$ 9,274,657	\$ 6,761,452	\$ 8,212,829	\$ 1,451,377 21%
LESS:					
Capital Projects	\$ 13,553,280	\$ 5,757,510	\$ 7,182,800	\$ 7,189,000	\$ 6,200 0%
Transfer from Capital Bond Fund Reserve	(10,283,381)	(2,507,510)	(2,500,000)	-	2,500,000 -100%
Bond Principal Requirements GU	2,483,500	2,004,500	2,004,500	2,004,500	- 0%
Bond Principal Requirements TVC	1,815,000	1,825,000	1,825,000	1,460,000	(365,000) -20%
Working Capital	1,129,783	-	-	-	- 0%
FUNDS REQUIRED	\$ 8,698,183	\$ 7,079,500	\$ 8,512,300	\$ 10,653,500	\$ 2,141,200 25%
NET CASH FLOW FROM OPERATIONS	\$ (954,330)	\$ 2,195,157	\$ (1,750,848)	\$ (2,440,671)	\$ (689,823) 39%
Operating Fund - Beginning Balance	\$ 17,475,257	\$ 16,520,927	\$ 16,208,023	\$ 18,716,083	
Operating Fund - Ending Balance	\$ 16,520,927	\$ 18,716,083	\$ 14,457,175	\$ 16,275,412	

GROTON UTILITIES

Electric Division REVENUE BUDGET

	FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget
OPERATING REVENUES					
Residential	\$ 19,976,673	20,916,372	\$ 20,960,010	\$ 18,473,492	\$ (2,486,518) -12%
Commercial	16,446,443	17,113,475	17,213,418	15,313,105	(1,900,313) -11%
Industrial	18,355,790	15,625,899	15,956,602	16,168,608	212,006 1%
Street and Area Lighting	590,660	589,054	580,538	601,488	20,950 4%
Sales for Resale	1,133,908	1,186,830	1,188,712	1,048,730	(139,982) -12%
Unbilled Revenue	98,558	-	-	-	0
TOTAL ELECTRIC REVENUE	\$ 56,602,032	\$ 55,431,630	\$ 55,899,280	\$ 51,605,423	\$ (4,293,857) -8%
Industrial Pass Through Revenue	9,651,727	9,295,147	9,170,091	9,776,215	\$ 606,124 7%
TOTAL ELECTRIC REVENUES	\$ 66,253,760	\$ 64,726,777	\$ 65,069,371	\$ 61,381,638	\$ (3,687,733) -6%
OTHER OPERATING REVENUES					
Late Payment Penalties	\$ 87,477	79,862	\$ 90,000	\$ 90,000	\$ - 0%
Miscellaneous Service Revenue	67,756	76,130	85,000	85,000	- 0%
Customer Service Charges	5,160	4,140	4,000	4,000	- 0%
CATV Pole Rental Revenue	56,572	57,036	56,000	56,000	- 0%
ABB Space Rental	13,698	5,670	12,000	12,000	- 0%
BL&P AMI System Rental	56,655	52,152	57,000	57,000	- 0%
Salvage Sales	38,160	-	-	-	- 0%
Cash Over/ Short	(495)	20	-	-	- 0%
TOTAL OTHER OPERATING REVENUES	\$ 324,984	\$ 275,010	\$ 304,000	\$ 304,000	\$ - 0%
TOTAL OPERATING REVENUES	\$ 66,578,744	\$ 65,001,788	\$ 65,373,371	\$ 61,685,638	\$ (3,687,733) -6%

Revenue Assumptions:

*Revenues are based on the historic data ended December 31, 2023 with adjustments for weather and normalization.
New Approved Rates effective on 5/1/2024 with 1.3% increase*

Include \$0.0025 CLM.

GROTON UTILITIES

Electric Division OPERATING EARNINGS

		FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget
TOTAL OPERATING REVENUES		\$ 66,578,744	\$ 65,001,788	\$ 65,373,371	\$ 61,685,638	\$ (3,687,733) -6%
OPERATING EXPENSES:						
Purchased Power		\$ 30,664,532	\$ 28,875,200	\$ 29,740,845	\$ 24,469,808	\$ (5,271,037) -18%
Pass Through Power Cost		9,651,727	9,295,147	9,170,091	9,776,215	606,124 7%
Total Power Cost		\$ 40,316,259	\$ 38,170,347	\$ 38,910,936	\$ 34,246,023	\$ (4,664,913) -12%
OPERATION & MAINTENANCE EXPENSE						
Electric Operations 2000-2900	Payroll	\$ 2,804,747	\$ 3,422,428	\$ 3,267,017	\$ 3,654,388	\$ 387,371 12%
Customer Care 4000 - 4900	Payroll	674,101	705,598	720,716	794,283	73,567 10%
Info & Tech 5000	Payroll	509,768	538,805	593,724	628,728	35,004 6%
Administration 9000	Payroll	443,822	503,752	520,080	626,400	106,320 20%
Administrative & General 9900	Payroll	-	-	-	-	-
Subtotal		\$ 4,432,437	\$ 5,170,583	\$ 5,101,537	\$ 5,703,799	\$ 602,262 12%
Electric Operations 2000-2900	Other	\$ 1,742,624	\$ 1,952,121	\$ 1,992,470	\$ 2,457,100	\$ 464,630 23%
Customer Care 4000 - 4800	Other	768,233	648,206	733,860	827,360	93,500 13%
Conservation & Load Management 4900	Other	940,852	798,156	931,152	907,758	(23,394) -3%
Info & Tech 5000	Other	595,812	458,962	627,900	786,700	158,800 25%
Administration 9000	Other	240,376	214,769	234,360	241,380	7,020 3%
Administrative & General 9900	Other	3,191,841	3,330,690	3,330,845	3,361,600	30,755 1%
Return to the City	Other	4,071,140	4,071,140	4,071,140	4,071,140	-
Subtotal		\$ 11,550,879	\$ 11,474,045	\$ 11,921,728	\$ 12,653,038	\$ 731,310 6%
TOTAL OPERATION & MAINTENANCE EXPENSE		\$ 15,983,316	\$ 16,644,627	\$ 17,023,265	\$ 18,356,837	\$ 1,333,572 8%
DEPRECIATION		\$ 2,393,176	\$ 2,724,494	\$ 2,763,800	\$ 2,912,300	\$ 148,500 5%
TAXES						
Electric Operations 2000-2900	Payroll Tax	\$ 348,801	\$ 358,917	\$ 378,900	\$ 421,600	\$ 42,700 11%
Customer Care 4000 - 4900	Payroll Tax	62,356	63,765	70,200	76,560	6,360 9%
Info & Tech 5000	Payroll Tax	36,320	40,529	45,406	48,166	2,760 6%
Administration 9000	Payroll Tax	28,984	35,202	39,780	47,940	8,160 21%
Administrative & General 9900	Payroll Tax	-	-	-	-	-
Subtotal		\$ 476,461	\$ 498,414	\$ 534,286	\$ 594,266	\$ 59,980 11%
Gross Receipts Tax		\$ 1,666,722	\$ 1,698,077	\$ 1,713,000	\$ 1,735,300	\$ 22,300 1%
TOTAL TAXES		\$ 2,143,183	\$ 2,196,491	\$ 2,247,286	\$ 2,329,566	\$ 82,280 4%
TOTAL OPERATING EXPENSES		\$ 60,835,934	\$ 59,735,959	\$ 60,945,286	\$ 57,844,726	\$ (3,100,560) -5%
OPERATING EARNINGS		\$ 5,742,810	\$ 5,265,828	\$ 4,428,085	\$ 3,840,912	\$ (587,173) -13%

GROTON UTILITIES
Electric Division
OTHER INCOME & EXPENSE

	FY 2023 Actual	FY 2024 Projected	Approved FY 2024 Budget	Proposed FY 2025 Budget	FY25 Budget vs. FY24 Budget	
OPERATING EARNINGS	\$ 5,742,810	\$ 5,265,828	\$ 4,428,085	\$ 3,840,912	\$ (587,173)	-13%
OTHER INCOME (EXPENSE)						
Merchandising & Jobbing Expense	\$ 194,887	\$ 234,242	\$ 300,600	\$ 257,400	\$ (43,200)	-14%
Bond Interest Expense GU	1,158,900	1,084,596	1,084,600	989,700	(94,900)	-9%
Bond Interest Expense TVC	357,482	303,255	303,300	233,800	(69,500)	-23%
Amort.Of Premium On Debt (Cr)	(180,761)	(191,510)	(191,500)	(195,100)	(3,600)	2%
Interest Expense Other	17,193	16,327	15,000	20,000	5,000	33%
Subtotal Other Expense	\$ 1,547,701	\$ 1,446,910	\$ 1,512,000	\$ 1,305,800	\$ (206,200)	-14%
Merchandising & Jobbing Income	\$ 186,632	\$ 226,493	\$ 300,600	\$ 257,400	\$ (43,200)	-14%
Interest Income	565,347	409,547	384,967	553,017	168,050	44%
Misc. Income	391,728	2,100,000	400,000	1,955,000	1,555,000	389%
Gain/(loss) on Disposition of Property	11,701	(2,795)	-	-	-	0%
Subtotal Other Income	\$ 1,155,543	\$ 2,733,245	\$ 1,085,567	\$ 2,765,417	\$ 1,679,850	155%
TOTAL OTHER INCOME (EXPENSE)	\$ (392,159)	\$ 1,286,335	\$ (426,433)	\$ 1,459,617	\$ 1,886,050	-442%
Subtotal Net Earnings	\$ 5,350,651	\$ 6,552,163	\$ 4,001,652	\$ 5,300,529	\$ 1,298,877	32%
Miscellaneous Income Deduction for TVC	\$ (25)	\$ 2,000	\$ 4,000	\$ -	(4,000)	0%
NET EARNINGS	\$ 5,350,676	\$ 6,550,163	\$ 3,997,652	\$ 5,300,529	\$ 1,302,877	33%

GROTON UTILITIES

ELECTRIC DIVISION

FY 2022 BUDGET

CAPITAL PROJECTS

GROTON UTILITIES

Electric Division CAPITAL BUDGET

PROJECT	FY 2025 PROPOSED	DESCRIPTION
NON-BONDED CAPITAL PROJECTS		
Operations		
Distribution	\$ 2,698,000	Distribution Infrastructure, Switchgears, Reconductors, Cable and Poles, Reclosers, Capacitors, Switches
Substation	861,000	Substation Equipment Upgrades, SS infrastructure Upgrades, IED Replacement
Metering	535,000	AMI Meters, Meter Farm, Revenue Meters, Misc. Meters
Vehicle	1,555,000	Fleet Vehicle Replacement
Others	906,000	SCADA, Software, Tools, Forklift, Trailers & Equip, Facility Maintenance, Expansion of facilities, Cityworks and etc.
Subtotal	<u>\$ 6,555,000</u>	
IT		
Relace AHU at OPS	\$ 51,000	Carry over from FY24
Physical servers (2) for network endpoint management	36,000	
Storage Disk Upgrade - Muni Building	21,000	
Subtotal	<u>\$ 108,000</u>	
Customer Care		
Office Renovation	\$ 90,000	
Digital Sign	36,000	Carry over from FY24
Subtotal	<u>\$ 126,000</u>	
TOTAL NON-BONDED CAPITAL PROJECTS	<u><u>\$ 6,789,000</u></u>	
OTHER FUND CAPITAL PROJECTS		
LED Conversion - RGGI Fund	\$ 400,000	LED Lights Conversion
TOTAL CAPITAL PROJECTS	<u><u>\$ 7,189,000</u></u>	