



Groton Electric Light

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Groton, MA 01450

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May 1, 2016

Dear Customer/Owner:

Re: Rate increase effective with the May 31, 2016 bill

This letter is to inform you of a rate increase approved at our last Board meeting that will be effective on your May 31, 2016 bill. I would like to provide some background information to help you understand why a rate increase is necessary.

GELD kilowatt hour (kWh) rates have been steady since 2009 at \$0.1216 per kWh for the residential customer using more than 500 kWh and receiving the early pay discount. Since 2009 we have had two rate reductions; we reduced the customer charge by \$1.00 in 2011 and then reduced it again by \$1.00 in 2012. We have been able to keep the rates steady by adding a Power Cost Adjustment (PCA) to recoup the increased generation costs associated with higher fuel and power prices during the colder months. More expensive fuel sources such as Liquefied Natural Gas (LNG) and diesel are necessary to meet New England's power needs in the winter months because there is not an adequate natural gas supply to meet those power needs. As part of our on-going effort to keep rates low, we had two consecutive years with decreased operating costs; but to meet our high reliability standards we cannot continue that trend.

Comparing our rates to the surrounding communities has been very encouraging for GELD. In the most recent 12 month period ending on March 31, our position relative to our neighbors is very positive. For a residential bill that is the size of our average customer (750kWh/month), the rate for electricity in Townsend is 98.5% higher than Groton while the rate for Ayer, Shirley, Pepperell, Dunstable and Westford is 68.9% higher than Groton.

There are multiple forces that are driving the need to increase rates. **Transmission costs** are the costs to deliver power (over high-voltage electric lines) from the generating plants to our substation. Transmission costs have been increasing and will continue to increase at a steady rate. In 2009 the transmission cost for a kWh of electricity was 1.6 cents; it is now 2.6 cents and will continue to increase every year for the foreseeable future. **Capacity costs** are our share of the costs to meet New England's peak hour and are computed from June 1st to June 1st of the following year based on our actual load during the peak hour of the current year. In round numbers our capacity cost is going from \$500,000 this year to \$1,000,000 for the year beginning in June of 2017 to \$1,500,000 for the year beginning in June of 2018. Fortunately these costs will drop back to \$1,000,000 in June of 2019 and they are expected to be below that in 2020. Another very fortunate thing for Groton is that our nuclear debt will be retired in June of 2017, so we will have an almost \$500,000 per year reduction in costs at the same time the capacity market is increasing substantially. Although the capacity cost and debt reduction will neutralize

each other from a Groton perspective, our neighbors are expected to see high rate increases because of the increased capacity costs. The third strike against us right now is a change in accounting rules. Due to accounting rules that were introduced at the end of 2015, all municipal entities must now report their full retirement liabilities on their financial statements. We take these liabilities seriously and intend to begin to fund them in 2016.

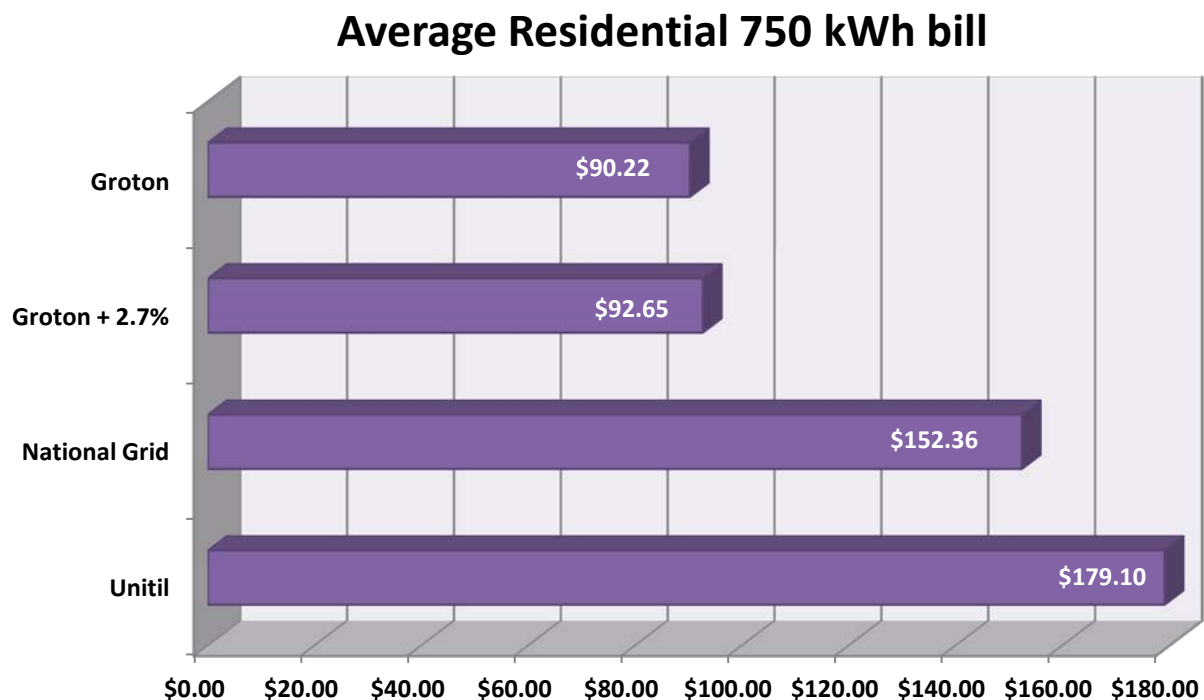
There are several components that make up the total rate. It is our goal to show a true mix of these components as they relate to expenses. The transmission portion of your bill is increasing just over 2 tenths of one cent (\$0.002); the generation portion is decreasing approximately 2 tenths of one cent (\$0.002); and the distribution portion is increasing just over 3 tenths of one cent (\$0.003). The total rate for residential customers is increasing approximately 2.7%.

Thank you for your understanding. We will continue to do everything *in our power* to keep your rates low.

Sincerely,



Kevin P. Kelly
Manager



This graph shows the most recent 12 month average for a 750 kWh bill compared to Unitl and National Grid and shows the new GELD rate as well.