

Dear Customer/Owner:

The Groton Electric Light Department turned one hundred and seven years old and we're *feeling at home* in our not-so-new office and garage facilities. It's hard to believe we've been in our "new" building for almost two years now.

GELD completed a customer satisfaction survey in March 2016 and our customers rated us number one compared to the other municipal light departments in Massachusetts that also completed the survey. Our customer service staff and the line staff now have a friendly rivalry of who is the **best** in our customer's eyes. Stay tuned for future survey results.

Although electric revenues were down 1.2% and kWh sales were down .81% GELD had a net income of \$424,750 by keeping costs down combined with a slight rate increase of 2.7% which was effective on the May 31, 2016 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 line upgrades.

Capital Improvements

Capital expenditures include infrastructure improvements, substation enhancements, line equipment and integrated software to support ongoing projects. Completion of our 2.3 megawatt solar farm on the Town's closed landfill on Cow Pond Brook Road became GELD's major capital project for 2016. We also extended the 3-phase lines from the "four corners area" to the Littleton town line to support the new temple on Boston Road. We continued our aggressive tree-trimming and old pole and equipment replacement. Regular maintenance is crucial to long-term reliability for our customers.

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

Power Supply

The Berkshire Wind Power Project had its fifth full year of operation producing power at 35.9% of its capacity. GELD increased its carbon-free footprint in June 2016 when our 2.3 megawatt (MW) solar farm on the closed town landfill on Cow Pond Brook Road went live. We are also participating in another wind project in Hancock, Maine that went live in December 2016. The solar farm provided up to 25% of GELD's power needs a few hours during the fall (*when the sun was shining*). Wind and Solar energy help to diversify GELD's power supply portfolio and also help to reduce our reliance on fossil fuels.

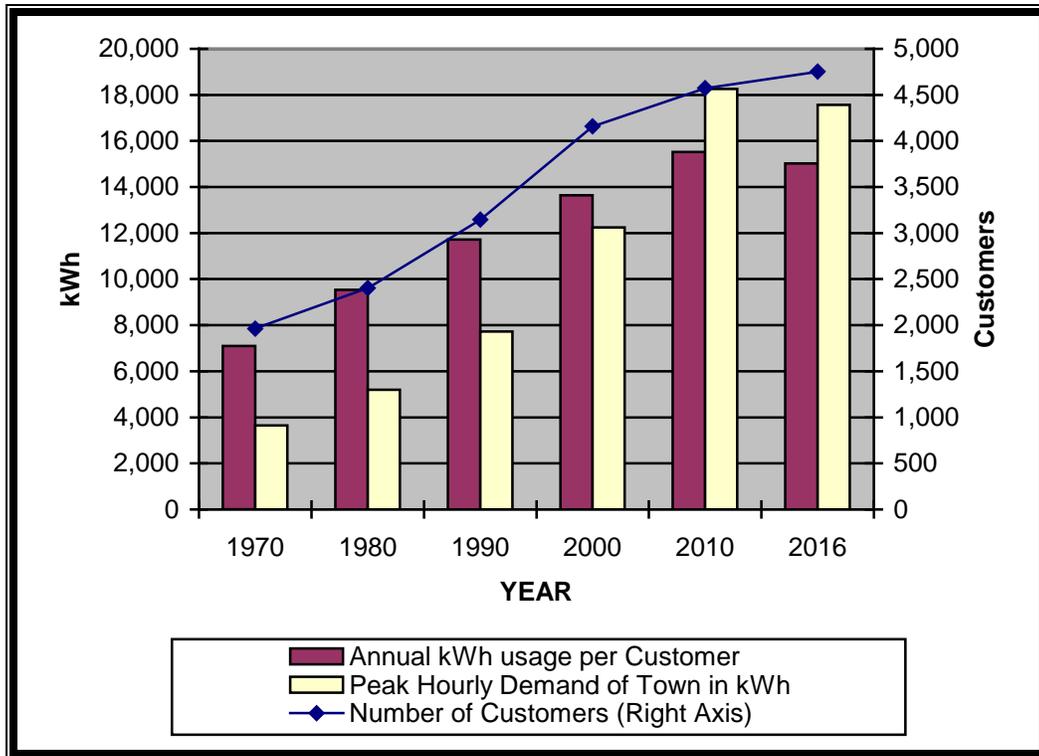
GELD's complete power mix portfolio for 2016 consisted of 41.5% nuclear, 33.4% natural gas, 10.8% hydro-electric, 4.4% refuse, 5.1% wind, 1.6% coal, .5% oil, and 2.8% solar. GELD's power mix was 60.1% carbon-free and 23.1% renewable for 2016.

Natural gas prices were favorable for most of 2016 except for the winter months (January/February) 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. In an effort to ensure stability, the Light Board and Manager monitor power supply options each month to ensure the best value for the ratepayers.

Growth Trends

Our rates continue to remain one of the lowest in Massachusetts. The peak usage in 2016 was in the month of August and was slightly lower than previous years. Groton's kilowatt-hour sales decreased by .81% for

the year. Our customer count increased by 35 new services and we mailed out 4750 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 six years.



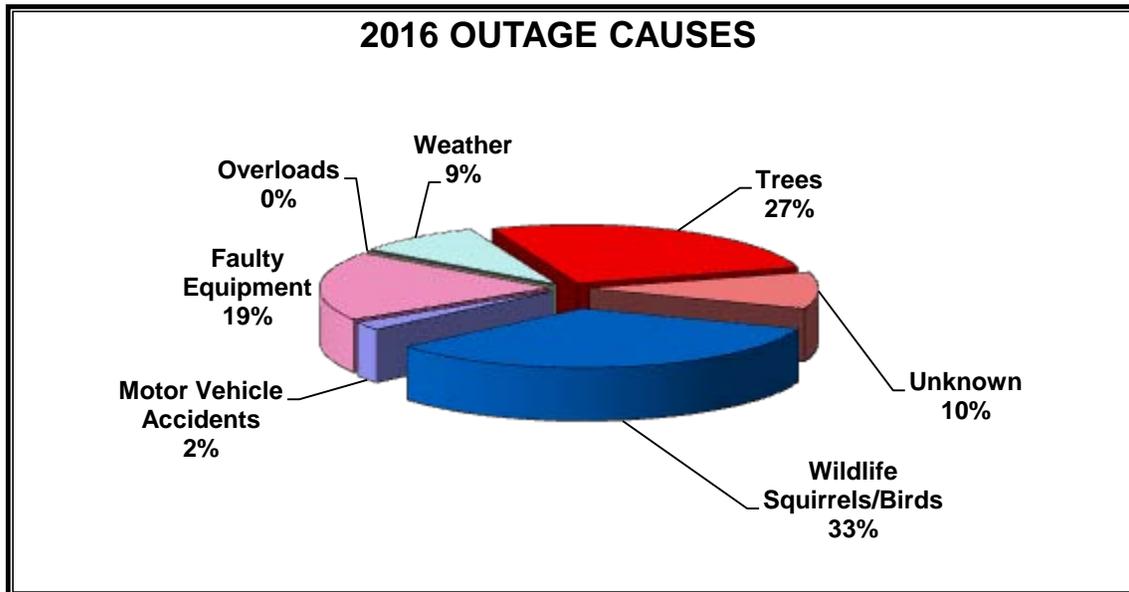
Service & Reliability

GELD was rated #1 in the state by our customers in a customer service satisfaction survey. GELD employees are committed to providing the best custom service to our ratepayers whether it is face to face in our office, via the phone or in the field. Every day we strive to provide excellent customer service and dependable reliability.

GELD trims trees for the reliability and safety of its distribution system. Investing in tree trimming and in our infrastructure ensures long-term reliability for our customer/owners. 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’s contractor is a certified arborist and will only remove trees and branches in our easement that are, or will become a direct threat to our electric distribution system.

Over the last several years, the linemen have been aggressively replacing old poles and old service lines which helps contribute to high reliability and less outages. One of our highest priorities is to respond promptly to outages and to restore power in the safest manner possible, no matter the time of day or the weather conditions. Our line crew does a great job maintaining GELD’s infrastructure which aids in providing reliable power to our customers every day.

GELD’s 2015 reliability was one for the record books, so future years will be compared to 2015’s record. Unfortunately, 2016 did not meet the standard that was set in 2015. The number of outages increased from 48 in 2015 to 90 in 2016.



As always, wildlife (mostly squirrels) and trees remain the cause for the highest number of outage incidents in Groton.

Financial Highlights

For 2016, GELD had a net income of \$424,750 or 3.2% of plant value. This was due to the combination of an aggressive approach to keeping costs down combined with a rate increase of approximately 2.7% effective with our May 31 bill. Our plant value has increased due to our infrastructure enhancements.

KWh sales for the year decreased by .81% and electric revenues were down 1.2%. We added a Power Cost Adjustment (PCA) to our bills from January through March, 2016 and we had a rate increase of approximately 2.7% which was effective with the May 31 bill. The PCA is a way for Groton Electric to recoup the increased generation costs associated with higher power and fuel costs. 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 sixth 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 62.5% and 93.8% higher than Groton Electric respectively.

We're feeling at home in our office and garage facilities and **our mission:** *to provide our customers reliable power and excellent service at affordable prices* remains resolute. Our customer satisfaction is rated number **one**, reliability remains high and our rates remain low.

Thank you to the Light Board of Commissioners for their unwavering commitment and selfless dedication; thank you to my employees for their loyalty and incredible work ethic; and thank you to the Groton ratepayers for the trust and support of their locally owned and operated Light Department!

Sincerely,

Manager