

Dear Customer/Owner:

The Groton Electric Light Department turns one hundred and four years old as we look forward to new beginnings. Our mission statement has changed. After many years with the same mission statement, our administrative team brought the statement into the 21st century – Our new mission is: *to provide our customers reliable power and excellent service at affordable prices*. It's short, sweet and...to the point. Although our mission statement has changed, our mission to provide great service and reliability to the ratepayers of Groton remains the same.

Our new beginnings include a fresh updated website, our new mission statement and of course our new office and garage facilities – coming soon! In January 2013 we contracted with a third party billing company – Billtrust – to offer online billing and payment services to our customers. Our bills were also given a new look to coincide with this change. Billtrust is also processing and mailing our monthly bills.

We issued a Request for Proposals (RFP) for the construction of our new office and garage facilities in July 2013 and all of the bids came in over budget. Our Board adjusted the budget due to rising construction costs and it was “back to the drawing board” for our architect to make changes to ensure our new budget could be met without giving up any of our program requirements. In the late fall 2013, a second RFP was issued for the project resulting in lower costs of \$302,000. Our new plan is to begin construction of our new state-of-the-art 15,000 square foot building in early spring 2014. The new facilities will be home to our 12 employees, a town-accessible conference room and our garages.

Our temporary office will be located at 11 Station Avenue while the new facilities are being constructed. As always, customer service will be available to accept payments and to discuss issues ranging from energy conservation to billing complaints.

Capital Improvements

Capital expenditures include infrastructure improvements, substation enhancements, line equipment and integrated software to support ongoing projects. GELD began adding a fourth circuit to our substation to further improve reliability and redundancy. We continue to improve upon our GIS and outage management systems via new software and technologies as they become available.

GELD received delivery of a new bucket truck in May 2013. Keeping equipment up-to-date and in good condition helps meet the safety needs of our linemen.

Our new office and garage facilities will be our biggest capital expenditure to date. We are slated to begin construction in the early spring of 2014 and should be complete by the summer of 2015.

Power Supply

The Berkshire Wind Power Project which is partially owned by Groton Electric had its second full year of production and demonstrated very positive wind production for the year. GELD receives just over 5.5% of the project's output. GELD has also been researching potential investments in solar farms to be constructed on GELD-controlled land. Wind and Solar energy sources not only help to diversify GELD's power supply portfolio, but can stabilize long-term costs by reducing our reliance on fossil fuels.

GELD's complete power mix portfolio for 2013 consisted of 44.2% nuclear, 32.1% natural gas, 10% hydro-electric, 4.2% refuse, 4.8% wind, 3.9% coal, 0.8% oil, and 0.1% solar. GELD's power mix was 59% carbon-free and 19% renewable for 2013.

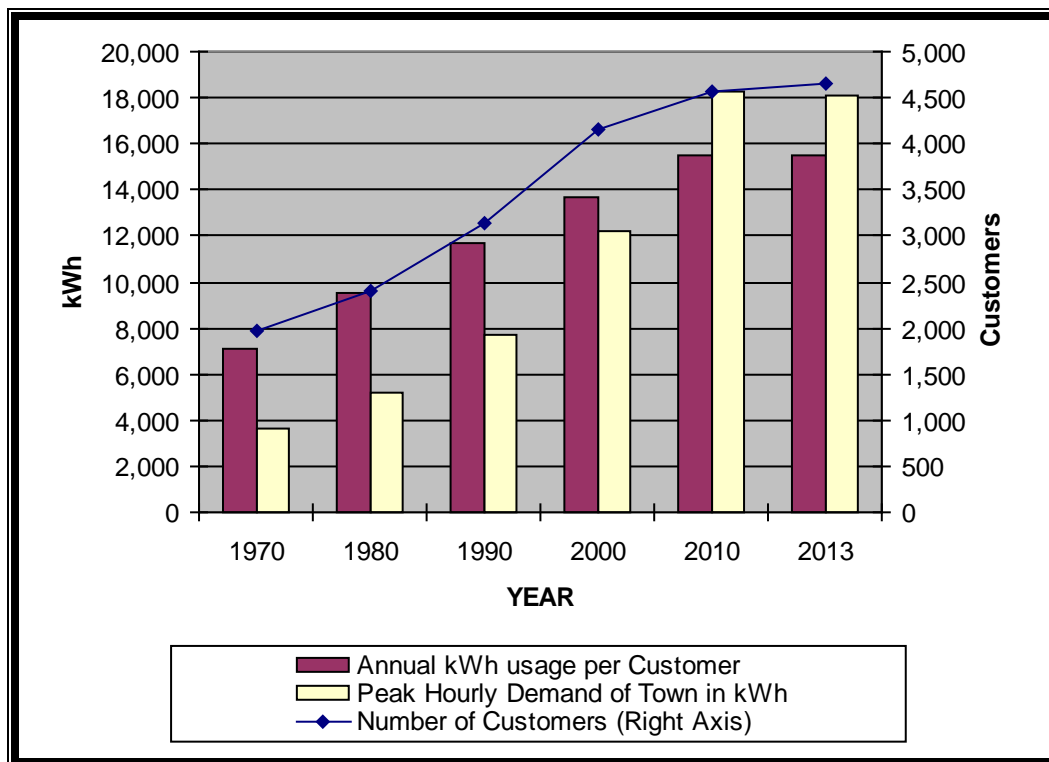
Natural gas prices were somewhat favorable for most of 2013 excluding the winter months and late fall (January/February /December) which saw prices soar due to transmission constraints in New England. Transmission costs continue to increase significantly with no immediate relief in sight. In an effort to

ensure stability, the Light Board and Manager review power supply options each month to get the best value for the ratepayers.

Growth Trends

Our rates continue to remain one of the lowest in Massachusetts. The peak usage in 2013 was in the month of July and was the third highest monthly peak since we began keeping records in 1909.

Groton's kilowatt-hour sales increased by 1.6% for the year. Our customer count increased by 37 new services and we mailed out 4662 bills at the end of the year. The graph below indicates that our number of customers and customer usage is leveling out after decades of rapid growth.

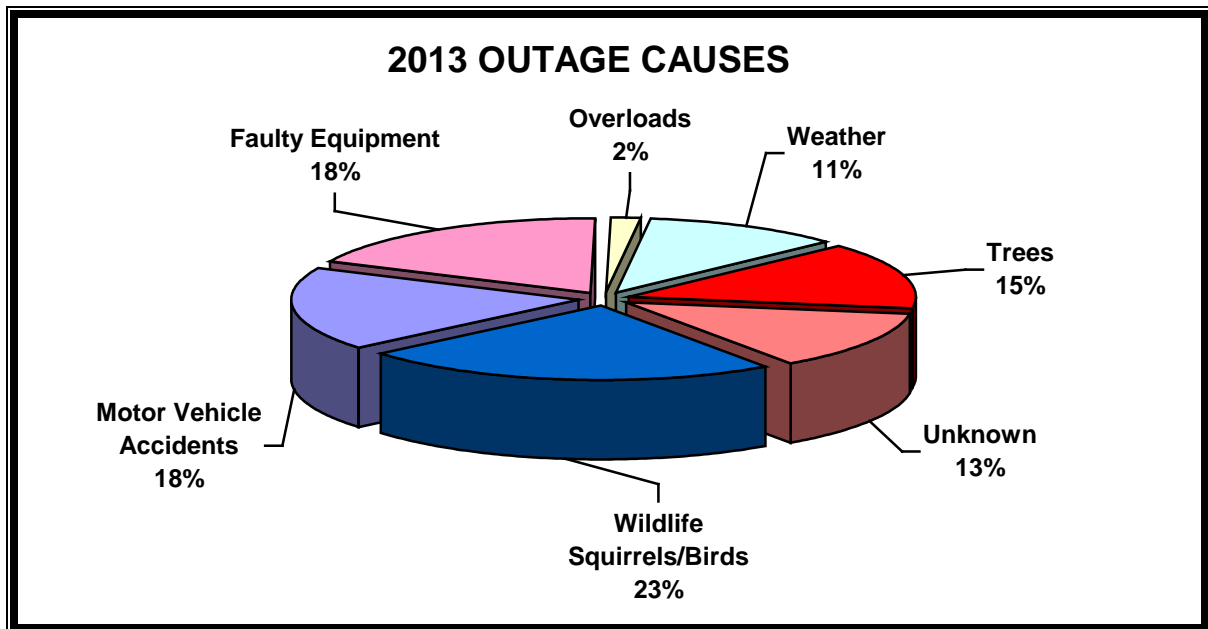


Service & Reliability

One of GELD's many strengths is service – whether it is excellent customer service from our office staff or in the field from our line staff, GELD is known for its high level of service. GELD employees are ready to assist customers with issues ranging from billing and payment questions to answering questions about outages and our distribution system. There is a strong commitment to service because GELD is a part of the community and we know and care about our customers.

A key element in our mission statement did not change and that is to provide our customers reliable power. Investments in the areas of old pole replacement and tree trimming enable long-term reliability for our customers. GELD trims trees for the safety and reliability of its distribution system. We strive to maintain a fair balance between responsible vegetation management and the beauty of Groton's tree-lined streets. That is why GELD has contracted with a local certified arborist – MEAD Tree – to trim throughout town. MEAD has been working with GELD for several years and has done an excellent job to eliminate trees or branches that are potential safety hazards or could cause service reliability problems – they only remove trees that are (or will become) a threat to our electric distribution system. They have been a great asset in helping GELD to reach our reliability goals.

The number of outages decreased from 57 in 2012 to 55 in 2013. 2013 demonstrated some of the lowest customer outage hours since GELD began keeping track of outages.



Financial Highlights

For 2013, GELD earned a small net income of 0.5% of plant value despite challenging times in the electric industry. Our plant value increased to 6.3% due to our infrastructure enhancements. Transmission constraints are one of the biggest challenges facing utilities in New England. Natural gas prices are volatile due to these constraints so prices are closely monitored to ensure the best hedging strategy possible.

KWh sales for the year increased 1.6% and revenues remained steady. The components that make up our rates were changed to better reflect actual costs. The redistribution of rates went into effect on the January 31, 2013 bill, but the overall rate did not change. We continue to offer a 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 seventh 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 27% and 67% higher than Groton Electric respectively.

GELD had a challenging financial year with natural gas restraints in New England affecting power prices in the winter and late fall. We look forward to new beginnings in our modern facilities and we will continue to offer reliable power and great service to our GELD customers. I thank the Light Board of Commissioners for their selfless dedication and commitment; I thank my employees for their diligence and hard work; and I thank the Groton ratepayers for the trust and support of their locally owned and operated Light Department!

Sincerely,

Manager