

Dear Customer/Owner:

The Groton Electric Light Department turns one hundred and five years old and as is *finally* getting new office and garage facilities after years of waiting and wondering. It has been a long, challenging process but the end result will be well worth it.

GELD broke ground on its new office and garage facilities in the spring of 2014 and except for a few minor delays and design changes, the project has remained on schedule and on budget. The wintry weather certainly didn't help the progress. However, construction workers arrived during each snow storm to keep the project moving forward. We are on target to occupy our new facilities in the spring of 2015.

The new facilities will be home to our 11 employees, a town-accessible conference room and our garages. The transition back to 23 Station Avenue should be seamless.

GELD's long term stability is strong both financially and in terms of infrastructure enhancements. Management monitors natural gas prices and power costs monthly with the goal of making prudent business decisions based on the information. We also continue investments in our infrastructure such as pole replacement and overhead line upgrades.

GELD began 2014 with a significant loss in cash flow in the winter months due to explosive energy prices caused by natural gas supply restraints. Favorable power costs for the rest of the year, a withdrawal from our Rate Stabilization Fund and the Power Purchase Fuel Adjustment added in the fall helped us to return to a 1% net income for the year.

Capital Improvements

Capital expenditures include infrastructure improvements, substation enhancements, line equipment and integrated software to support ongoing projects. Completion of a fourth circuit became GELD's main capital project for 2014 other than our new building. Adding the fourth circuit to GELD's infrastructure further improves reliability by balancing the power delivered to GELD residents. We also continued our aggressive tree-trimming and old pole and equipment replacement. Constant and vigilant maintenance is key to ensuring long-term reliability for our customers.

We continue to improve upon our GIS and outage management systems via new software and technologies as they become available.

Power Supply

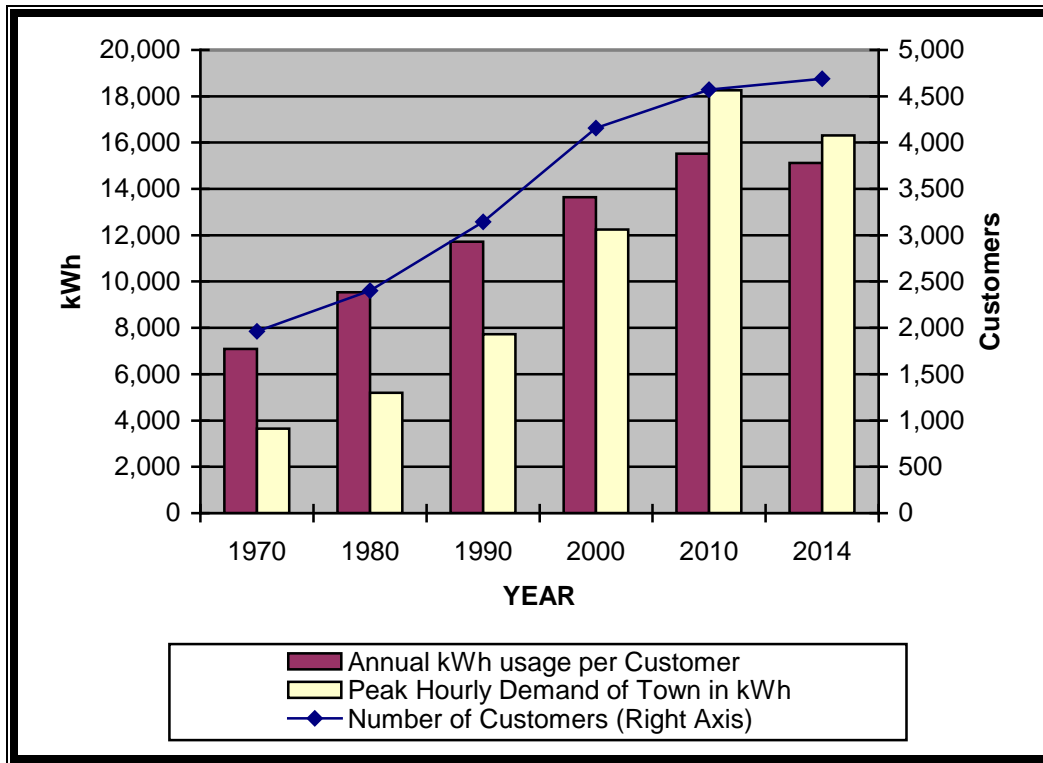
The Berkshire Wind Power Project had its third full year of operation producing power at 39.8% of its capacity. GELD in conjunction with the Town began negotiations for possible solar farms to be constructed on GELD-controlled land and the town landfill. These solar projects could provide up to 25% of GELD's power needs during the spring and fall months (*when the sun is shining*). Wind and Solar energy sources 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 2014 consisted of 43.5% nuclear, 30.4% natural gas, 11% hydro-electric, 4.5% refuse, 4.9% wind, 3.2% coal, 2.3% oil, and 0.2% solar. GELD's power mix was 59.6% carbon-free and 20.6% renewable for 2014.

Natural gas prices were somewhat favorable for most of 2014 excluding the winter months (January/February /December) which saw prices higher than normal due to transmission constraints in New England. Both natural gas and electric 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 obtain the best value for the ratepayers.

Growth Trends

Our rates continue to remain one of the lowest in Massachusetts. The peak usage in 2014 was in the month of July and was substantially lower compared to previous peaks. Groton's kilowatt-hour sales decreased by 1.6% for the year. Our customer count increased by 48 new services and we mailed out 4690 bills at the end of the year. The graph below indicates that our number of customers is leveling out after decades of rapid growth. Individual customer usage is beginning to decline after years of steady growth.

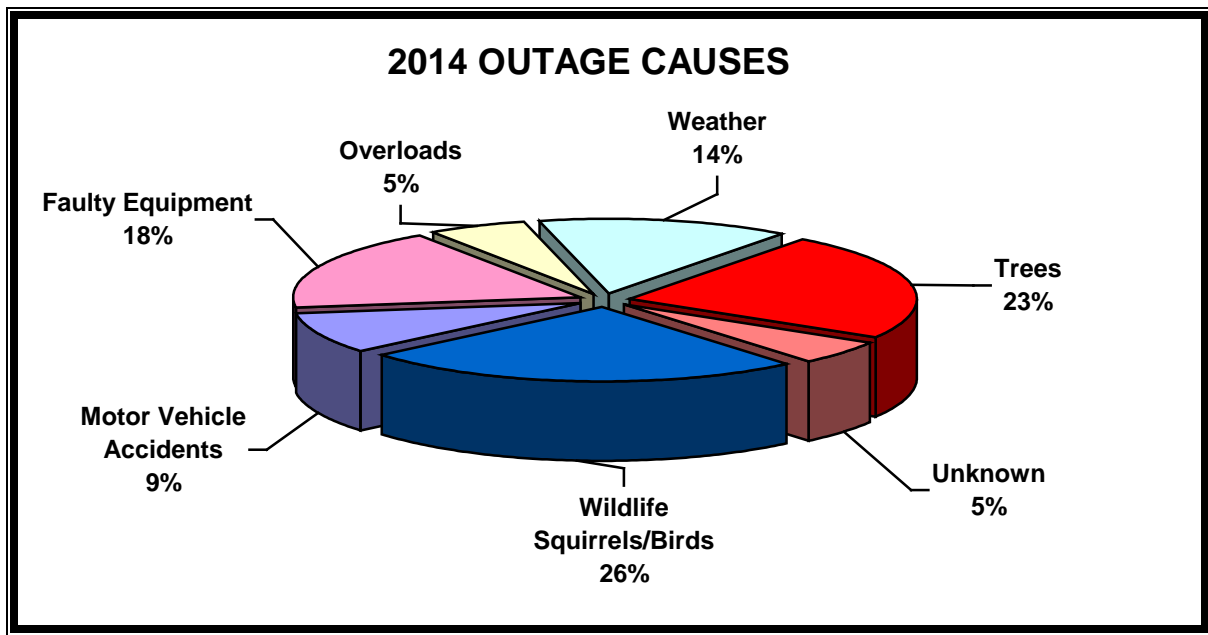


Service & Reliability

There is a strong commitment to service because GELD is a part of the community and we know and care about our customers. Whether it is service from our office staff or from our line staff, GELD strives to offer the highest level of customer service possible. GELD employees are prepared to assist customers with issues ranging from billing and payment questions to answering questions about outages and our distribution system.

Investing in our infrastructure and tree trimming ensure long-term reliability for our customers. GELD trims trees for the safety and reliability of its distribution system. We make every effort to maintain a fair balance between responsible vegetation management and the splendor of Groton's tree-lined streets. That is why GELD has contracted with MEAD Tree, a local certified arborist to trim throughout town. MEAD has been working with GELD for several years and has done an outstanding job eliminating trees or branches that are potential safety hazards or could cause service reliability problems. MEAD only removes trees and branches that are (or will become) a threat to our electric distribution system. They have been a great asset in helping GELD to reach our service and reliability goals.

The number of outages increased slightly from 55 in 2013 to 56 in 2014. Since keeping outage records, 2014 demonstrated our third best year in regards to reliability. The outage statistics were somewhat higher than our record setting year of 2013.



Financial Highlights

For 2014, GELD earned a small net income of 1.2% of plant value despite challenging times in the electric industry. Our plant value increased 25.7% due to our infrastructure enhancements and our new building. Transmission constraints continue to pose the biggest challenge 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 decreased 1.6% and electric revenues were up slightly due to the addition of the Power Purchase Fuel Adjustment. We added a Power Purchase Fuel Adjustment (PPFA) which later became known as a Power Cost Adjustment (PCA) beginning with the September 2014 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 46% and 79% higher than Groton Electric respectively.

GELD had another challenging financial year with natural gas constraints in New England affecting power prices in the winter and late fall. We look forward to *finally* moving into our modern new facilities and we will continue to offer reliable power and great service to our GELD customers. Thank you to the Light Board of Commissioners for their steadfast dedication and commitment; thank you to my employees for their hard work and loyalty; and thank you to the Groton ratepayers for the confidence and support of their locally owned and operated Light Department!

Sincerely,

Manager