

VILLAGE OF GROTON MUNICIPAL ELECTRIC DEPT.

NOTICE OF APPLICATION FOR RATE RELIEF

On March 17, 2009, the Village of Groton filed an application for a rate increase with the New York State Department of Public Service (the Public Service Commission or "PSC"). The rate increase, that is presently under review by the PSC staff, will be used for making improvements to certain poles, wire and defective cutouts, replacing certain transportation equipment, funding expensive substation maintenance, and upgrading the load management system. Also, the increased rate will help us keep pace with other increased operating costs, described further below.

In late April, we learned that Fingerlakes Aquaculture (the fish farm), our biggest customer, was going to cease their operation in Groton. The fish farm accounted for over 11% of the Village's electric revenues in the fiscal year ending May 31, 2008. To a small utility such as ours, this turn of events has a huge impact. It is very similar to 1983, when our biggest customer at that time, Smith Corona, ceased its operation.

Due to this unexpected turn of events, on June 2, 2009, the Village submitted revisions to the original rate increase application to the PSC. The "resubmission" was filed in a timely manner so that we are anticipating the new rate will be effective on September 1, 2009.

The result of the submission to be enacted will result in an increase in the base rate (which does not include the Purchased Power Adjustment), of 26.1% over a two-year period. We have asked the PSC that this be implemented in a two-step process; with 12.33% taking effect on September 1, 2009, and another 12.33% increase on September 1, 2010.

Other changes have caused a considerable increase in certain operating costs, referred to above. One change that we will be facing in the near future is costs associated with purchase of transmission congestion contracts from the New York State Independent System Operator. Congestion occurs for different reasons, such as when transmission lines that transport power across the State, need maintenance, thus causing redirection of the power and other lines have to pick up the extra load. This "extra load" causes line losses, in the industry this is referred to as congestion. When events like this happen, it increases the cost of the delivery of electricity, which is in turn passed down to the Village. Another change that we will have to account for in the near future is the cost associated with an increased semi-annual assessment from the PSC. This assessment, which was until now, based on 1/3 of 1% of our annual revenues, was increased to 2%, as a result of the State budget crisis. This will increase our cost from \$4,200 to \$25,000+.

The base rates have not been increased since 2002, and that increase was only supposed to provide sufficient cash flows for two years. It also should be noted that although the percentages noted above are substantial, our rates are still among the lowest in the nation. We regret having to take this action at this time, but it is necessary to maintain the fiscal integrity of this valuable community asset, our own public owned electric system, now and in the future.

A comparison of rates is provided on the next page.

<u>Kwh</u>	<u>Present Rate</u>	<u>Total Proposed 9/1/2009 & 2010</u>	<u>Total Increase</u>
<i>Residential Service</i>			
0	\$2.22	\$2.80	\$0.58
100	\$7.08	\$8.44	\$1.36
250	\$14.37	\$16.90	\$2.53
500	\$26.52	\$30.99	\$4.47
1000	\$50.82	\$59.18	\$8.36
5000	\$245.21	\$284.67	\$39.46

Commercial Service

0	\$2.22	\$2.80	\$0.58
100	\$8.04	\$9.65	\$1.61
250	\$16.77	\$19.92	\$3.15
500	\$31.32	\$37.05	\$5.73
1000	\$60.42	\$71.29	\$10.87
5000	\$293.21	\$345.24	\$52.03

*Rates quoted above are based on a PPA of \$0.018897.

Other Village News...

Wastewater Treatment Plant Project – The plans and specifications for the project have been approved by DEC and we are ready to go to bid. The bid opening is projected for late July and the project should begin in the fall. Once we have awarded the bid and can determine what the final cost of the project is, we can then determine the level of the second step of the increase in the sewer rate.

Park & Recreation – The Memorial Park pool will open on June 26th. For more information on our pool hours, the recreation program and summer concerts please refer to our web site www.grotonny.org, under Departments-Park/Recreation.

Olde Home Days – Will be held on August 14 & 15, with this year marking the 75th anniversary of the event. The committee is working diligently to make this year's event one of the best ever. For more information contact 898-3966 or 898-5035.

Sidewalks – If you wish to place new sidewalk in front of your home, the Village will remove the old walk and provide a grant for a portion of the improved sidewalk. **The Board of Trustees has increased the amount of the grant to 25% of the installed cost (up from 10%).** The increased rate will only be effective thru 10/31/09. If you wish to have your old walks removed and participate in this program, please contact Ken Thompson, Director of Public Works at 898-3345.

Meetings will start in the fall to plan the Village's Sesquicentennial celebration. Contact the Village Office if you would be interested in serving on a committee to mark this historic milestone.

