

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING
SELECTBOARD MEETING ROOM, TOWN HALL
AUGUST 22, 2019 AT 6:00 P.M.**

Present for the Board: Gregory Dubreuil, Anne Awad, John Hine, Kurt Schenker arrived 6:01

Absent: Peter McAvoy

Present for SHELD: General Manager Sean Fitzgerald, Administrative Assistant Kim Mendoza, Financial Manager Michael Conchieri, Office Manager Paul Byrne, Telecommunications and Electric Meter Manager Bob Liswell

The meeting was called to order at 6:00 P.M. by Chair Gregory Dubreuil.

Minutes Approval:

7/25/2019 Open Session

On a motion made by Mr. Hine and seconded by Ms. Awad, it was unanimously

VOTED: To approve the minutes of the July 25, 2019 Municipal Light Board meeting.

Public Comment:

There were no public comments.

Mr. Dubreuil thanked ratepayer Mr. Howard for his letter to the editor to encourage ratepayers to support the bill recognizing nuclear as a Class I renewable. Mr. Fitzgerald agreed.

Manager's Report:

Outages:

Mr. Fitzgerald stated that there were five outages in the last month which impacted 50 customers. The more significant outage occurred on Upper River Road affecting 20 customers for five hours. A tree came down and took out a pole and transformer. Mr. Fitzgerald showed two pictures of the crews dealing with the downed tree and wires, and the broken pole. The crews did a fantastic job replacing the pole and wires to restore power.

Fibersonic Update:

Mr. Fitzgerald updated the Board on the fiber progress. He stated he would be announcing the next 4 fiberhoods to be constructed after sharing the latest interest and connection numbers with the Board. To date, there have been 1521 submissions of interest and 115 applications for fiber. Also, there will be 60 installs completed by the end of August, with 28 more on the calendar for September and October in the Hollywood fiberhood.

The next four fiberhoods to be constructed will be the Charon Terrace, Crystal Lane, Parkview Drive and Pheasant Lane areas. Mr. Fitzgerald showed the fiberhoods on the Fibersonic website map. It was determined after a later discussion that Pheasant Lane should be labeled Pheasant Run and that change would be made the next day. Two of these areas, Crystal Lane and Pheasant Run, have substantial amounts of underground services and will be worked on before and after the winter months, leaving the other two areas, that are primarily overhead construction, for construction during the winter months when the ground is frozen.

Mr. Hine asked about day to day support of those customers already connected since the crews were working on construction in other areas. Mr. Liswell responded to the question by stating that the

messenger strand, on which the fiber is run, is very strong and could withstand a tree branch falling. SHELD's line crews are always on call in case of an emergency plus we can use the contractor, with whom we have a maintenance contract from a RFP, if we would need more help. The technicians who handle the installs can also provide service. Mr. Liswell stated that we also have Tier 1 support from Netegrity, who answers calls and handles technical issues for customers who call in for support. If it needs to be escalated from Netegrity, then our crews will provide support. Our turnaround time to respond to a problem has been under one hour. So far we have received only a couple of residential calls regarding password resets. Install technicians leave an informational packet with the customer after each install.

Mr. Fitzgerald added that Netegrity is our help desk and they answer all Fibersonic technical calls that come in. We are working on warm transfers to make it a good experience for customers. Netegrity staff has experience, from working with other local towns, and they are Calix certified. Calix is the brand of routers we are installing in homes. We are on a tiered support program. As the install number goes up, the support coverage goes up.

Mr. Dubreuil asked if the underground installations will be done in the existing conduit or will we install new conduit. Mr. Liswell stated that Crystal Lane and Pheasant Run fiberhoods have quite a bit of older underground services. Engineering is currently looking at the best way to handle these installs. We are currently working on underground in the Plainville Circle and Apple Road areas. It does cost more to run underground fiber. Mr. Fitzgerald stated that if there is useable conduit, we will use it but if not we won't. If we run the fiber in a useable conduit with electric, we will use dielectric which is non-conductive. We will also put in another separate hand hold, where there will be no electric power, so the technicians will not be working directly with the electric as a safety precaution.

Mr. Schenker asked who pays for the underground work since it costs more than running overhead fiber. Mr. Liswell described the underground install process. Mr. Fitzgerald stated that residential customers do not pay for installation. Some companies may charge the customers for installation but we don't. It may take one to two years to recover the costs of these installations but it's included in the financial plan. The customer only pays their monthly fee; there is not an installation charge for residential installs.

Mr. Hine asked about how the routers, being installed, are connected. Mr. Liswell said the routers could either be hardwired or wireless and if the customer signs up for online bill pay, they will get a \$4.95 discount each month.

Fibersonic Trademark Registration:

Mr. Fitzgerald said that the Fibersonic trademark is now officially owned by SHELD and he recently received a registered trademarked document from the United States Patent and Trademark Office. Mr. Fitzgerald displayed the framed document.

June 2019 Financials:

Mr. Conchieri referenced PowerPoint slides as he gave a brief overview of the Financials ending June 30, 2019.

Kilowatt hour sales for 2019 of 54,724,000 were up by 13% from 2018, or 6,291,000 kilowatt hours. Year-to-date revenues of \$7,255,000 were up by 2% from 2018, or about \$155,000. The \$155,000 increase was attributed to a combination of \$910,000 in higher sales volume and \$755,000 due to a lower selling price. We had budgeted for a \$316,000 revenue increase but fell short by \$161,000.

The 2019 kilowatt purchases of 55,244,000 were up by 16% from 2018, or about 7,478,000. The 2019 cost of power sold at \$4,851,000 was down by about 3% from 2018, or \$143,000. The \$143,000 decrease was attributable to a combination of a \$925,000 decrease due to a lower purchase price and an increase of \$782,000 due to a higher kilowatt hour purchase volume. We had budgeted for an increase of \$117,000; the actual was \$26,000 more.

The net revenue, after cost of power sold (i.e., gross profit) of \$2,404,000 was up from 2018 by about \$298,000, because of a decrease in cost of power and increase in revenue.

All other 2019 operating expenses of \$2,412,000, on a net basis, were up from 2018 by about \$212,000 and up from the budgeted amount by \$36,000. Salary and wage expense in 2019 were up \$46,000 from 2018, and down from the budgeted amount of \$58,000. Pensions and benefits were down by \$10,000 from 2018 and up from the budgeted amount by \$50,000. 2019 supplies and expenses showed an increase of \$156,000 from 2018 and were up from the budgeted amount by \$44,000.

June 2019 ended with a net YTD profit of about \$428,000, which was far better than the 2018 YTD loss of \$45,000 and better than the budgeted \$331,000.

Mr. Hine asked if the increase in profit was attributable to non-operating income. Mr. Conchieri stated that the increase was due to investment income, which was attributable to a downturn in market prices at the end of last year. This was reflected in the beginning of this year but he wasn't certain how long it would hold at the current levels.

Power Supply Revenue Bonds:

Mr. Fitzgerald stated that, after 43 years since the first of \$4.8 billion dollars of issued bonds for nuclear investment was made through MMWEC, SHELD has made its final payment for its share of the Seabrook nuclear generator in New Hampshire. The final payment for the Milestone nuclear power plant was made in 2018. Earlier this month SHELD received the 1978 revenue supply bond in recognition of our debt being paid in full, displaying the framed document. This is a huge moment for SHELD, to pay off its 43 years and \$55,000,000 debt.

Mr. Fitzgerald continued to explain what this means for SHELD and the ratepayers with two PowerPoint slides. He started with the historical summary of the nuclear project purchased power costs. The slide showed the portion of cost due to the debt service and the adjusted cost after the elimination of the debt service. It reflected a deduction in cost with the calculation showing a 5 cent per kWh rate in 2011 and a 6/10 of a cent per kWh rate in 2018. While there was a 4.4 million dollar decrease in nuclear expenses, there was also a 2.2 million dollar increase in other costs. The drop in nuclear power costs mitigated some of the increase of other costs.

Mr. Conchieri continued to explain that, as the prices increased in earlier years, the TAC charge to the customer was a positive number but as the debt service was reduced, the customer began seeing negative TAC charges on their bills, paying them back for the reduction in the debt service. In 2018 SHELD updated its rates, setting a new base rate of 8.6710 for cost per kWh. The new rates took into effect the fact that the debt service would be gone and this part of the cost of power has been locked. However, some of the other costs, like transmission rates, will continue to rise.

Mr. Dubreuil commented that earlier this year the Board took a step towards shoring up the open capacity market with the Peabody backup plan.

Mr. Fitzgerald commented that we were weaker on capacity but earlier this year the Board voted to procure 6 megawatts of capacity in a peaking plant which gives us a hedge in the capacity market and covers us up to 50% for years to come. We are still waiting to see if the State will classify nuclear power as a non-emitting source of energy. If they do, South Hadley will be well positioned for the next 30 years.

Mr. Dubreuil commented that he read that various power sources are given a capacity rating based on how they contribute to covering capacity and nuclear has been consistently above 90% capacity rating. This is one of the highest ratings and would contribute towards controlling capacity costs. Mr. Fitzgerald said there are discussions at ISO-NE looking at capacity market adjustments for nuclear. This would benefit the ratepayers if they do include nuclear. SHELD will be well positioned for the future.

Mr. Dubreuil also asked if we hit our capacity day with the mobile generator this year. Mr. Fitzgerald said there were 2 potential peaks and we hit both of them. The temporary generator ran and dropped our load by 2 megawatts. This will be a significant capacity savings for next year. We still need to verify with MMWEC. We also hit the transmission peaks which will add additional cost reduction to SHELD and could generate a huge savings for ratepayers.

Mr. Howard commented that a chart for potential businesses, showing the stability in SHELD's rates, would be a benefit for new companies trying to decide if they would want to move to South Hadley. Mr. Fitzgerald agreed and said that he would see that the information was compiled for that purpose.

AMI Update:

Mr. Fitzgerald presented a slide that highlighted the proposed advanced metering infrastructure (AMI) pilot program. The limited pilot program would involve 150 residential meters, 4 commercial meters, 5 repeaters and 1 fiber to the home (FTTH) Ethernet transceiver.

The pilot would provide SHELD the opportunity to do several things:

- To leverage SHELD's fiber system to connect to the repeaters
- To test the interface between billing and AMI meter readings
- To determine the necessary logistics of replacing large numbers of meters
- To evaluate the outage reporting feature
- To operate meter disconnects remotely
- To implement transformer load management

The pilot would use Itron meters, and the AMI vendor would be Tantalus. Installation should start by the end of the year.

Mr. Fitzgerald commented that he, Mark Gilmore and Bob Liswell met with various vendors and decided to proceed with the pilot program as fiber is rolled out. This gives us the ability to get ready for a full scale project next year. Mr. Gilmore gave more details on the pilot program. The 150 meters will be in the areas where the fiber has been installed. The meters will be on a low frequency with a mesh wireless network that allows the meters to talk to each other even though they would not be installed at every home. There are pros and cons to the new meters. The new meters are deeper than the old meters and stick farther out of the socket than the old meters. The cost of the interface is more expensive than a mesh network meter. The new meters would be able to read the other older meters around them, so we won't have to drive around town to read meters. We will need to figure out how to manage all the data that comes in from the new meters. It will need to interface with the billing system. We will be able to use the data to make SHELD more efficient and a cutting edge operation. The pilot program will allow us to run tests to figure out the things we need to know about an AMI system to be able to include that in a future RFP.

Mr. Hine asked about the implementation of the new meter project commenting that, when the new billing system was implemented, it seemed to be rushed into place. There were a lot of issues. Mr. Gilmore said that is why they are starting with a small pilot program and a lot of testing before implementing it. Mr. Fitzgerald commented that any project that his team has worked on has been tested, over a period of time, before it was implemented.

New Business:

Mr. Fitzgerald spoke about the recent NEPPA conference that he and Ms. Awad attended. There were many presentations, on various topics, such as cybersecurity, grid protection, and the Light Up Navajo Nations initiative which highlighted the lack of electricity in the Navajo nations. There are 1500 households with no electricity and they don't have the financial means to get connected. NEPPA recruited utilities and sent crews to connect them. It had a huge impact on the people there when they finally had electricity. NEPPA will be sending more crews there in the future.

Mr. Fitzgerald was requested to present on the process for utilities getting into the fiber business, along with Jeff Cady from Chicopee Electric. Ms. Awad gave a brief description of what a day at the conference was like with presentations and meetings beginning early in the day and continuing until well into the evening. She felt it is was worthwhile and that there were many opportunities for Board members to participate. She feels that a Board member should attend each year. She was extremely concerned with all the information she learned on cybersecurity. Phishing is a major threat to businesses. There are financial implications to others trying to obtain customer information by extracting money from companies. A layered system is needed to protect customer information. She found that the conference to be very worthwhile.

Mr. Fitzgerald said the first thing he did, when he returned from the conference, was to obtain cyber insurance for SHELD. He also asked Mr. Byrne to tell the Board what SHELD is doing to protect itself and its customers.

Mr. Byrne said that a new firewall was installed last year and it is monitored by Suite 3 from Easthampton and then summarized SHELD's cyber security efforts.

Mr. Dubreuil and Mr. Hine both commented that the companies where they work regularly test their employees and do internal cyber security training with employees. Mr. Byrne plans on doing the same at SHELD in the future.

Mr. Hine asked if we are exposed at the substation or central offices. Mr. Gilmore replied that currently we are not at risk.

Adjourn:

On a motion by Mr. Hine and seconded by Ms. Awad, it was unanimously
VOTED: to adjourn

The open session ended at 7:06 P.M.


Anne Awad, Clerk

Approved: September 26, 2019

EXHIBIT A

List of Documents reviewed at the August 22, 2019 Municipal Light Board Meeting

1. Draft Open Session Minutes of the MLB July 25, 2019 meeting
2. Outages 8/20/2019 – YTD and Upper River Rd outage photos
3. Management Report June 30, 2019 and 2018
4. Historical Summary of Nuclear Project Purchased Power Costs
5. Advanced Metering Infrastructure – Pilot Program