


NOTICE UNDER MASSACHUSETTS GENERAL LAWS
CHAPTER 30A, SECTION 20

BOARD OF COMMISSIONERS' MEETING

A MEETING OF THE Board of Commissioners of the Town of South Hadley Electric Light Department will be held at 6:00 P.M. on Thursday, April 30, 2015, in the Select Board Meeting Room at 116 Main Street, South Hadley, Massachusetts.

AT THE ORDER OF ANNE S. AWAD,
CHAIR OF THE BOARD


Anne S. Awad, Chair

MEETING AGENDA

- | | |
|--|----------------|
| 1. Public Comment | 15 minutes |
| 2. Minutes | 10 minutes |
| 3. Manager's Report | 30 minutes |
| Financial Statements | |
| Funds on Deposit with MMWEC | |
| PILOT-Annual Transfer to the Town | |
| 4. Review existing contracts and Agreements | 15-30 minutes* |
| Management, staff, and consultants | |
| Old Lyman Road/proposed new building (architectural, environmental, construction) | |
| Axla (fiber optics) | |
| Office/equipment | |
| Accounting/financial services | |
| Other | |
| 5. Review Existing accounts (new building, accounts accessible to SHELD, accounts held by Town for SHELD). | 15-30 minutes* |
| 6. Review Audit and Identify requirements | |
| Options: Vote to bid independent audit for FY2014 OR Vote to join Town audit for FY2015. | 15-30 minutes |
| 7. Correspondence | 5 minutes |
| 8. Johanson Scholarship | 10 minutes |

*these topics will be reviewed, with a plan developed to address in detail at future Board Meeting.

TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT



MANAGEMENT REPORT
MARCH 2015

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT**

INDEX

	<u>Page</u>
Financial Statement Overview	1
Financial Statements	
Statement of Net Position	2
Year-to-Date Statement of Revenue and Expense	3
Year-to-Date Statement of Cash Flows	4
Year-to-Date Schedule of Revenues, Cost of Power, and Kilowatt Hours	5
Year-to-Date Percent of Revenue Analysis	6
Month-to-Date Statement of Revenue and Expense	7
Month-to-Date Statement of Cash Flows	8
Month-to-Date Schedule of Revenues, Cost of Power, and Kilowatt Hours	9
Month-to-Date Percent of Revenue Analysis	10
Graphs	
2015 / 2014 Electric Revenues by Rate Class	11
2015 / 2014 kWh Sales by Rate Class	12
Monthly Electric Revenues	13
Monthly kWh Sales	14
Average Price per kWh Sold	15
Average Cost per kWh Purchased	16
2015 Monthly Operations	17
2014 Monthly Operations	18

**TOWN OF SOUTH HADLEY MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT**

FINANCIAL STATEMENT OVERVIEW

The 2015 year-to-date revenues from sale of electricity decreased by about \$270,000 compared with the same period in 2014. Actual kWh sold decreased by about 1,206,000 on a year-to-date basis. The average \$/kWh revenue decreased by \$.003337 in 2015. This revenue decrease, however, was offset by a decrease in cost of power of about \$551,000. The average \$/kWh cost decreased by \$.017601 in 2015. The 2015 net revenue after cost of electricity purchased showed an increase of about \$273,000 from 2014, or about 6.19% of 2014 revenues.

A decrease in both revenues and kWh sales in March 2015, was primarily due to a change in billing dates for routes 3 and 4. These dates were changes to facilitate the consolidation of billing cycles from four down to two each month. Had these dates not been changed, recognized revenues would have been higher by about \$275,000 and kWh sales would have been higher by about 2,100,000.

Distribution expenses decreased by about \$2,000 compared to 2014. Customer account expenses and general and administrative expenses, on a combined basis, increased by about \$63,000 compared to 2014.

On a year-to-year comparative basis, the March 2015 results were better than the March 2014 results. For the period ended March 2015, SHELD shows a year-to-date loss of about \$203,000.

At March 31, 2015, SHELD shows a very healthy financial position. When compared to other companies in the electric power distribution industry, SHELD's 2015 liquidity and leverage ratios equal or exceed those of its peers.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
STATEMENT OF NET POSITION
MARCH 31, 2015 AND 2014**

Assets			Liabilities and Net Position		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>
Capital Assets			Long Term Liabilities		
Distribution Plant	\$ 30,446,774	\$ 29,994,971	Accrued Compensated Absences	\$ 1,057,518	\$ 1,275,529
General Plant	5,676,091	6,105,544	Other Post-Employment Benefit	572,006	466,404
Construction-in-Progress	225,239	7,327			
Total	<u>36,348,104</u>	<u>36,107,842</u>	Total	<u>1,629,524</u>	<u>1,741,933</u>
Less Accumulated Depreciation	<u>30,496,722</u>	<u>30,144,744</u>	Less Current Portion	<u>257,096</u>	<u>244,265</u>
Total Capital Assets	<u>5,851,382</u>	<u>5,963,098</u>	Total Long Term Liabilities	<u>1,372,428</u>	<u>1,497,668</u>
Restricted Assets			Current Liabilities		
Cash - Depreciation Fund	4,912,195	4,726,830	CP of Accrued Compensated Absences	208,304	199,146
Cash - Customer Deposits	185,001	183,050	CP of Post-Employment Benefits	48,792	45,119
Investment - OPEB Liability Trust	628,311	604,550	Accounts Payable	606,314	743,367
Deferred Charges	1,076,399	1,085,766	Customer Deposits	185,001	183,050
			Accrued Expenses	47,484	11,368
Total Restricted Assets	<u>6,801,906</u>	<u>6,600,196</u>	Total Current Liabilities	<u>1,095,895</u>	<u>1,182,050</u>
Current Assets			Net Position		
Cash - Operating Fund	3,010,844	1,994,579	Net Investment in Capital Assets	5,851,382	5,963,098
Investment - MLDM Reserve Trust	11,705,962	11,615,679	Restricted	6,044,899	5,950,742
Accounts Receivable - Net of Allowance	594,253	1,114,547	Unrestricted	14,127,170	13,246,111
Inventory	438,976	466,616			
Prepaid Expense	63,935	60,438			
Other Assets	24,516	24,516			
Total Current Assets	<u>15,838,486</u>	<u>15,276,375</u>	Total Net Position	<u>26,023,451</u>	<u>25,159,951</u>
TOTAL ASSETS	<u>\$ 28,491,774</u>	<u>\$ 27,839,669</u>	TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,491,774</u>	<u>\$ 27,839,669</u>

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
STATEMENT OF REVENUE AND EXPENSE
THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

	2015	2014	Variance
Operating Revenues			
Residential	\$ 2,419,590	\$ 2,587,317	\$ (167,727)
Commercial	648,692	723,441	(74,749)
Industrial	799,464	815,563	(16,099)
Municipal	249,956	259,696	(9,740)
Other	15,784	18,037	(2,253)
Total Operating Revenues	4,133,486	4,404,054	(270,568)
Operating Expense			
Cost of Power Sold			
Purchased Power	2,899,414	3,442,495	(543,081)
Transmission Expense	544,027	554,691	(10,664)
Supplies and Expenses	42,384	39,510	2,874
Total Cost of Power Sold	3,485,825	4,036,696	(550,871)
Distribution Expense			
Salaries and Wages	142,603	149,792	(7,189)
Supplies and Expenses	53,330	48,191	5,139
Total Distribution Expenses	195,933	197,983	(2,050)
Customer Accounts Expense			
Salaries and Wages	46,457	42,813	3,644
Supplies and Expenses	19,151	24,551	(5,400)
Uncollectible Accounts	-	-	-
Total Customer Accounts Expenses	65,608	67,364	(1,756)
General and Administrative Expense			
Salaries and Wages	119,639	67,186	52,453
Insurance	20,675	17,153	3,522
Pension and Benefits	133,685	131,054	2,631
General	21,508	31,431	(9,923)
Supplies and Expenses	42,442	45,187	(2,745)
Legal Expense	25,313	5,935	19,378
Total General and Administrative Expenses	363,262	297,946	65,316
Depreciation Expense	267,952	266,937	1,015
Total Operating Expenses	4,378,580	4,866,926	(488,346)
Operating Income (Loss)	(245,094)	(462,872)	217,778
Nonoperating Revenues	42,415	80,946	(38,531)
Income (Loss) Before Capital Contributions and Transfer Out	\$ (202,679)	\$ (381,926)	\$ 179,247

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 4,371,712	\$ 4,431,328	\$ (59,616)
Payments to Power Suppliers	(3,392,295)	(3,779,154)	386,859
Payments to Employees	(330,343)	(270,846)	(59,497)
Payments for Other Operations	(434,596)	(334,530)	(100,066)
Net Cash Provided by (Used in) Operating Activities	<u>214,478</u>	<u>46,798</u>	<u>167,680</u>
Cash Flows from Financing Activities*			
Acquisition of Capital Assets	(155,237)	(179,406)	24,169
Capital Contribution	-	22,022	(22,022)
Transfers Out	(34,118)	(38,225)	4,107
Net Cash Provided by (Used in) Financing Activities	<u>(189,355)</u>	<u>(195,609)</u>	<u>9,267</u>
Cash Flows from Investing Activities			
Nonoperating Revenues	42,415	80,946	(38,531)
Acquisition of Investment - OPEB Liability Trust	(5,416)	(16,992)	11,576
Acquisition of Investment - MLDM Reserve Trust	(18,787)	(16,478)	(2,309)
Net Cash Provided by (Used in) Investing Activities	<u>18,212</u>	<u>47,476</u>	<u>(29,264)</u>
Net Increase (Decrease) in Cash	43,335	(101,335)	147,683
Cash - Beginning	8,064,705	7,005,794	1,058,911
Cash - Ending	<u>\$ 8,108,040</u>	<u>\$ 6,904,459</u>	<u>\$ 1,206,594</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (245,094)	\$ (462,872)	217,778
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	267,952	266,937	1,015
Changes in Assets and Liabilities:			
Deferred Charges	4,216	(33,143)	37,359
Accounts Receivable	238,226	27,274	210,952
Inventory	-	-	-
Prepaid Expense	(37,860)	(44,227)	6,367
Other Current Assets	-	-	-
Accounts Payable	(65,860)	(22,947)	(42,913)
Customer Deposits	5,151	28,750	(23,599)
Accrued Liabilities	22,747	(1,774)	24,521
Accrued Compensated Absences	16,000	279,800	(263,800)
Other Post-Employment Benefits	9,000	9,000	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 214,478</u>	<u>\$ 46,798</u>	<u>\$ 167,680</u>

* Non-capital and Capital Financing Activities Combined

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
SCHEDULE OF ELECTRIC REVENUES, COST OF POWER, AND KILOWATT HOURS
THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

	<u>2015</u>		<u>2014</u>		<u>Variance</u>	
	<u>\$ Amount</u>	<u>KWH</u>	<u>\$ Amount</u>	<u>KWH</u>	<u>\$ Amount</u>	<u>KWH</u>
Sale of Electricity						
Residential	\$ 2,419,590	17,367,859	\$ 2,587,317	18,219,672	\$ (167,727)	(851,813)
Commercial	648,692	4,262,201	723,441	4,635,127	(74,749)	(372,926)
Industrial	799,464	6,246,761	815,563	6,185,456	(16,099)	61,305
Municipal	249,956	1,936,329	259,696	1,968,376	(9,740)	(32,047)
Other	15,784	76,564	18,037	87,194	(2,253)	(10,630)
Total Sale of Electricity	<u>\$ 4,133,486</u>	<u>29,889,714</u>	<u>\$ 4,404,054</u>	<u>31,095,825</u>	<u>\$ (270,568)</u>	<u>(1,206,111)</u>
\$ / KWH	<u>\$ 0.138291</u>		<u>\$ 0.141628</u>		<u>\$ (0.003337)</u>	
Cost of Power						
Purchased Power	2,899,414	31,800,667	3,442,495	31,731,035	(543,081)	69,632
Transmission Expense	544,027		554,691		(10,664)	
Supplies and Expenses	42,384		39,510		2,874	
Total Cost of Power	<u>\$ 3,485,825</u>	<u>31,800,667</u>	<u>\$ 4,036,696</u>	<u>31,731,035</u>	<u>\$ (550,871)</u>	<u>69,632</u>
\$ / KWH	<u>\$ 0.109615</u>		<u>\$ 0.127216</u>		<u>\$ (0.017601)</u>	
Gross Profit	<u>\$ 647,661</u>		<u>\$ 367,358</u>		<u>\$ 272,513</u>	

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
PERCENT OF REVENUE ANALYSIS
THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

	2015	2014	Variance
Operating Revenues			
Residential	58.54	58.75	(0.21)
Commercial	15.69	16.43	(0.74)
Industrial	19.34	18.52	0.82
Municipal	6.05	5.90	0.15
Other	0.38	0.40	(0.02)
Total Operating Revenues	100.00	100.00	0.00
Operating Expense			
Cost of Power Sold			
Purchased Power	70.14	78.17	(8.03)
Transmission Expense	13.16	12.60	0.56
Supplies and Expenses	1.03	0.90	0.13
Total Cost of Electricity Sold	84.33	91.67	(7.34)
Distribution Expense			
Salaries and Wages	3.45	3.40	0.05
Supplies and Expenses	1.29	1.09	0.20
Total Distribution Expenses	4.74	4.49	0.25
Customer Accounts Expense			
Salaries and Wages	1.12	0.97	0.15
Supplies and Expenses	0.46	0.56	(0.10)
Uncollectible Accounts	0.00	0.00	0.00
Total Customer Accounts Expenses	1.58	1.53	0.05
General and Administrative Expense			
Salaries and Wages	2.89	1.53	1.36
Insurance	0.50	0.39	0.11
Pension and Benefits	3.23	2.98	0.25
General	0.52	0.71	(0.19)
Supplies and Expenses	1.03	1.03	0.00
Legal Expense	0.61	0.13	0.48
Total General and Administrative Expenses	8.78	6.77	2.01
Depreciation Expense	6.48	6.06	0.42
Total Operating Expenses	105.91	110.52	(4.61)
Operating Income (Loss)	(5.91)	(10.52)	4.61
Nonoperating Revenues	1.03	1.84	(0.81)
Income (Loss) Before Capital Contributions and Transfer Out	(4.88)	(8.68)	3.80

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
STATEMENT OF REVENUE AND EXPENSE
MARCH 31, 2015 AND 2014**

	2015	2014	Variance
Operating Revenues			
Residential	\$ 628,732	\$ 773,405	\$ (144,673)
Commercial	154,825	225,844	(71,019)
Industrial	270,660	263,186	7,474
Municipal	71,653	81,255	(9,602)
Other	4,138	6,064	(1,926)
Total Operating Revenues	<u>1,130,008</u>	<u>1,349,754</u>	<u>(219,746)</u>
Operating Expense			
Cost of Power Sold			
Purchased Power	833,613	1,028,764	(195,151)
Transmission Expense	221,861	179,796	42,065
Supplies and Expenses	11,485	16,300	(4,815)
Total Cost of Power Sold	<u>1,066,959</u>	<u>1,224,860</u>	<u>(157,901)</u>
Distribution Expense			
Salaries and Wages	40,536	54,534	(13,998)
Supplies and Expenses	31,150	18,841	12,309
Total Distribution Expenses	<u>71,686</u>	<u>73,375</u>	<u>(1,689)</u>
Customer Accounts Expense			
Salaries and Wages	14,975	13,502	1,473
Supplies and Expenses	6,936	11,759	(4,823)
Uncollectible Accounts	-	-	-
Total Customer Accounts Expenses	<u>21,911</u>	<u>25,261</u>	<u>(3,350)</u>
General and Administrative Expense			
Salaries and Wages	38,921	20,938	17,983
Insurance	7,106	5,884	1,222
Pension and Benefits	44,827	45,958	(1,131)
General	4,573	16,344	(11,771)
Supplies and Expenses	11,807	5,264	6,543
Legal Expense	20,246	4,600	15,646
Total General and Administrative Expenses	<u>127,480</u>	<u>98,989</u>	<u>28,491</u>
Depreciation Expense	<u>89,317</u>	<u>88,979</u>	<u>338</u>
Total Operating Expenses	<u>1,377,353</u>	<u>1,511,464</u>	<u>(134,111)</u>
Operating Income (Loss)	(247,345)	(161,710)	(85,635)
Nonoperating Revenues	<u>9,030</u>	<u>15,687</u>	<u>(6,657)</u>
Income (Loss) Before Capital Contributions and Transfer Out	<u>(238,315)</u>	<u>(146,023)</u>	<u>\$ (92,292)</u>

**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
STATEMENT OF CASH FLOWS
MARCH 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 1,653,564	\$ 1,498,660	\$ 154,904
Payments to Power Suppliers	(1,063,805)	(1,152,789)	88,984
Payments to Employees	(94,429)	(88,973)	(5,456)
Payments for Other Operations	(301,939)	(231,372)	(70,567)
Net Cash Provided by (Used in) Operating Activities	<u>193,391</u>	<u>25,526</u>	<u>167,865</u>
Cash Flows from Financing Activities*			
Acquisition of Capital Assets	(69,196)	(50,650)	(18,546)
Capital Contribution	-	-	-
Transfers Out	(11,372)	(12,741)	1,369
Net Cash Provided by (Used in) Financing Activities	<u>(80,568)</u>	<u>(63,391)</u>	<u>6,079</u>
Cash Flows from Investing Activities			
Nonoperating Revenues	9,030	15,687	(38,531)
Acquisition of Investment - OPEB Liability Trust	2,728	(3,721)	6,449
Acquisition of Investment - MLDM Reserve Trust	(6,100)	(5,730)	(370)
Net Cash Provided by (Used in) Investing Activities	<u>5,658</u>	<u>6,236</u>	<u>(32,452)</u>
Net Increase (Decrease) in Cash	118,481	(31,629)	141,492
Cash - Beginning	7,989,559	6,936,088	1,053,471
Cash - Ending	<u>\$ 8,108,040</u>	<u>\$ 6,904,459</u>	<u>\$ 1,194,963</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (247,345)	\$ (161,710)	\$ (85,635)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	89,317	88,979	338
Changes in Assets and Liabilities:			
Deferred Charges	22,030	(91)	22,121
Accounts Receivable	523,556	148,906	374,650
Inventory	-	-	-
Prepaid Expense	(20,402)	6,031	(26,433)
Other Current Assets	-	-	-
Accounts Payable	(224,619)	(108,614)	(116,005)
Customer Deposits	(25,583)	1,300	(26,883)
Accrued Liabilities	24,137	(1,575)	25,712
Accrued Compensated Absences	49,300	49,300	-
Other Post-Employment Benefits	3,000	3,000	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 193,391</u>	<u>\$ 25,526</u>	<u>\$ 167,865</u>

* Non-capital and Capital Financing Activities Combined

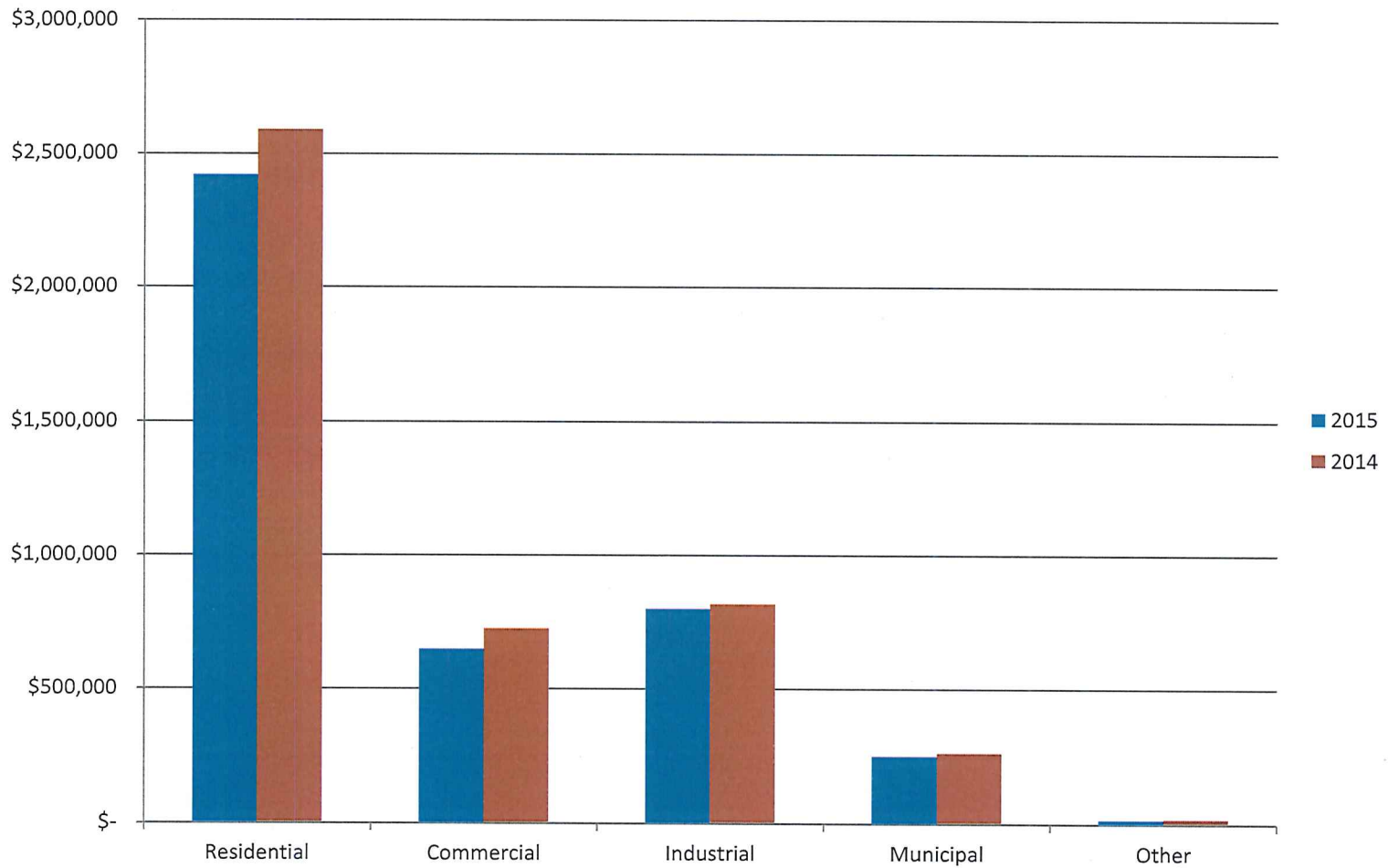
TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
SCHEDULE OF ELECTRIC REVENUES, COST OF POWER, AND KILOWATT HOURS
MARCH 31, 2015 AND 2014

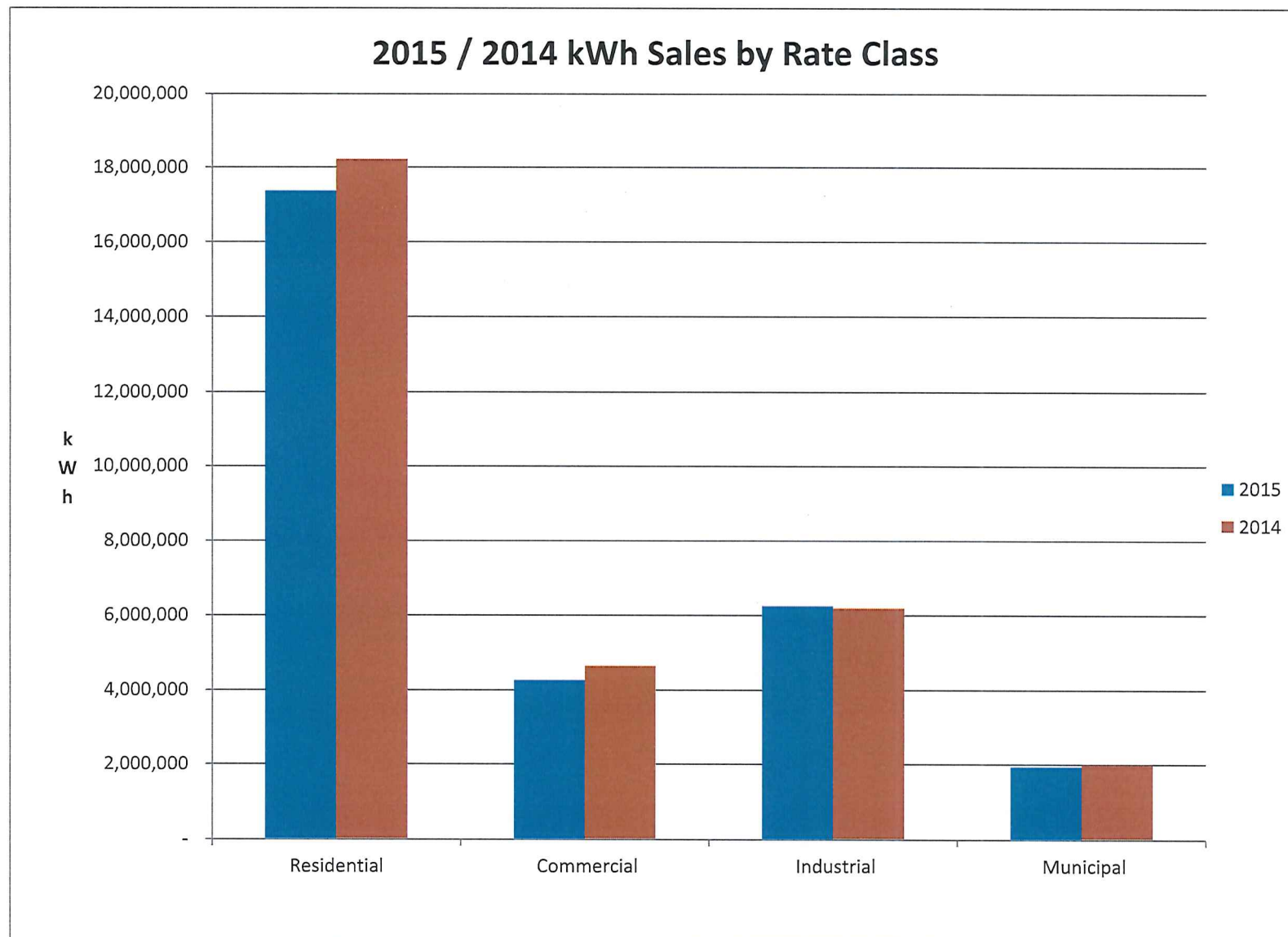
	2015		2014		Variance	
	\$ Amount	KWH	\$ Amount	KWH	\$ Amount	KWH
Sale of Electricity						
Residential	\$ 628,732	4,504,406	\$ 773,405	5,424,694	\$ (144,673)	(920,288)
Commercial	154,825	1,017,036	225,844	1,440,761	(71,019)	(423,725)
Industrial	270,660	2,120,405	263,186	1,994,368	7,474	126,037
Municipal	71,653	564,458	81,255	611,564	(9,602)	(47,106)
Other	4,138	20,086	6,064	28,932	(1,926)	(8,846)
Total Sale of Electricity	<u>\$ 1,130,008</u>	<u>8,226,391</u>	<u>\$ 1,349,754</u>	<u>9,500,319</u>	<u>\$ (219,746)</u>	<u>(1,273,928)</u>
\$ / KWH	<u>\$ 0.137364</u>		<u>\$ 0.142075</u>		<u>\$ (0.004711)</u>	
Cost of Power						
Purchased Power	833,613	9,653,584	1,028,764	10,342,667	(195,151)	(689,083)
Transmission Expense	221,861		179,796		42,065	
Supplies and Expenses	11,485		16,300		(4,815)	
Total Cost of Power	<u>\$ 1,066,959</u>	<u>9,653,584</u>	<u>\$ 1,224,860</u>	<u>10,342,667</u>	<u>\$ (157,901)</u>	<u>(689,083)</u>
\$ / KWH	<u>\$ 0.110525</u>		<u>\$ 0.118428</u>		<u>\$ (0.007903)</u>	
Gross Profit	<u>\$ 63,049</u>		<u>\$ 124,894</u>		<u>\$ (24,595)</u>	

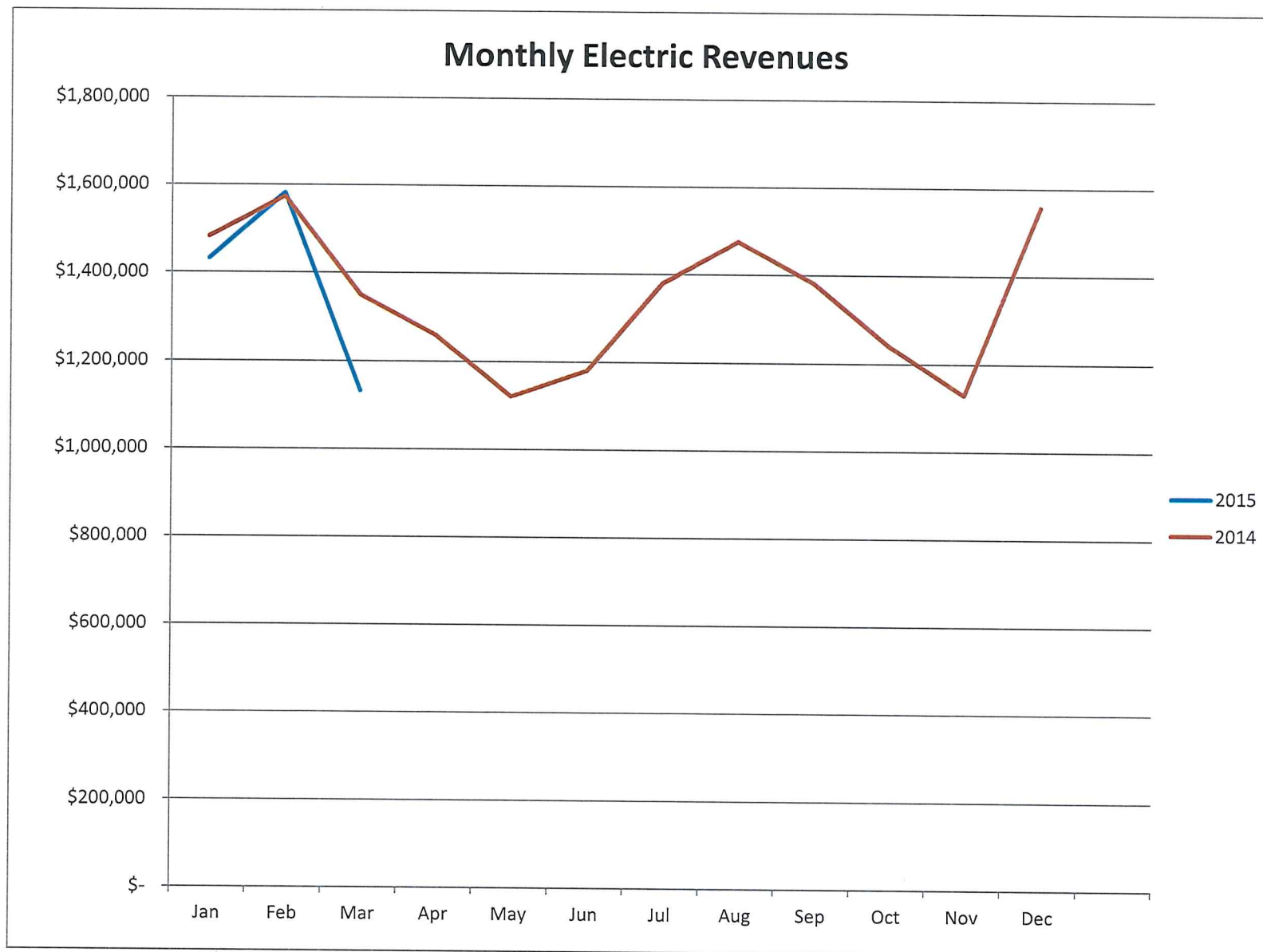
**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
PERCENT OF REVENUE ANALYSIS
MARCH 31, 2015 AND 2014**

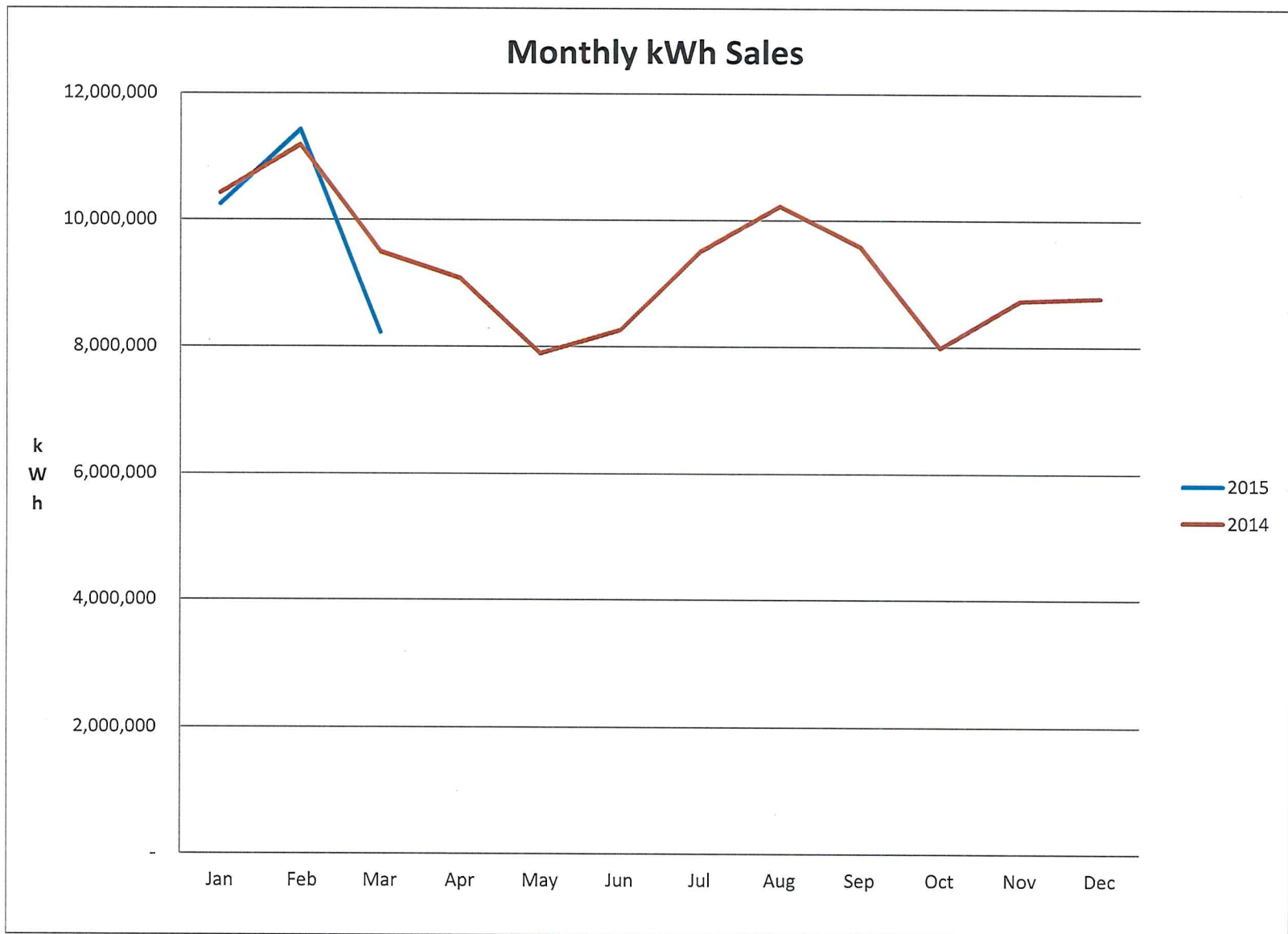
	2015	2014	Variance
Operating Revenues			
Residential	55.64	57.30	(1.66)
Commercial	13.70	16.73	(3.03)
Industrial	23.95	19.50	4.45
Municipal	6.34	6.02	0.32
Other	0.37	0.45	(0.08)
Total Operating Revenues	<u>100.00</u>	<u>100.00</u>	<u>0.00</u>
Operating Expense			
Cost of Power Sold			
Purchased Power	73.77	76.22	(2.45)
Transmission Expense	19.63	13.32	6.31
Supplies and Expenses	1.02	1.21	(0.19)
Total Cost of Power Sold	<u>94.42</u>	<u>90.75</u>	<u>3.67</u>
Distribution Expense			
Salaries and Wages	3.59	4.04	(0.45)
Supplies and Expenses	2.76	1.40	1.36
Total Distribution Expenses	<u>6.35</u>	<u>5.44</u>	<u>0.91</u>
Customer Accounts Expense			
Salaries and Wages	1.33	1.00	0.33
Supplies and Expenses	0.61	0.87	(0.26)
Uncollectible Accounts	0.00	0.00	0.00
Total Customer Accounts Expenses	<u>1.94</u>	<u>1.87</u>	<u>0.07</u>
General and Administrative Expense			
Salaries and Wages	3.44	1.55	1.89
Insurance	0.63	0.44	0.19
Pension and Benefits	3.97	3.40	0.57
General	0.40	1.21	(0.81)
Supplies and Expenses	1.04	0.39	0.65
Legal Expense	1.79	0.34	1.45
Total General and Administrative Expenses	<u>11.27</u>	<u>7.33</u>	<u>3.94</u>
Depreciation Expense	<u>7.90</u>	<u>6.59</u>	<u>1.31</u>
Total Operating Expenses	<u>121.88</u>	<u>111.98</u>	<u>9.90</u>
Operating Income (Loss)	(21.88)	(11.98)	(9.90)
Nonoperating Revenues	<u>0.80</u>	<u>1.16</u>	<u>(0.36)</u>
Income (Loss) Before Capital Contributions and Transfer Out	<u>(21.08)</u>	<u>(10.82)</u>	<u>(10.26)</u>

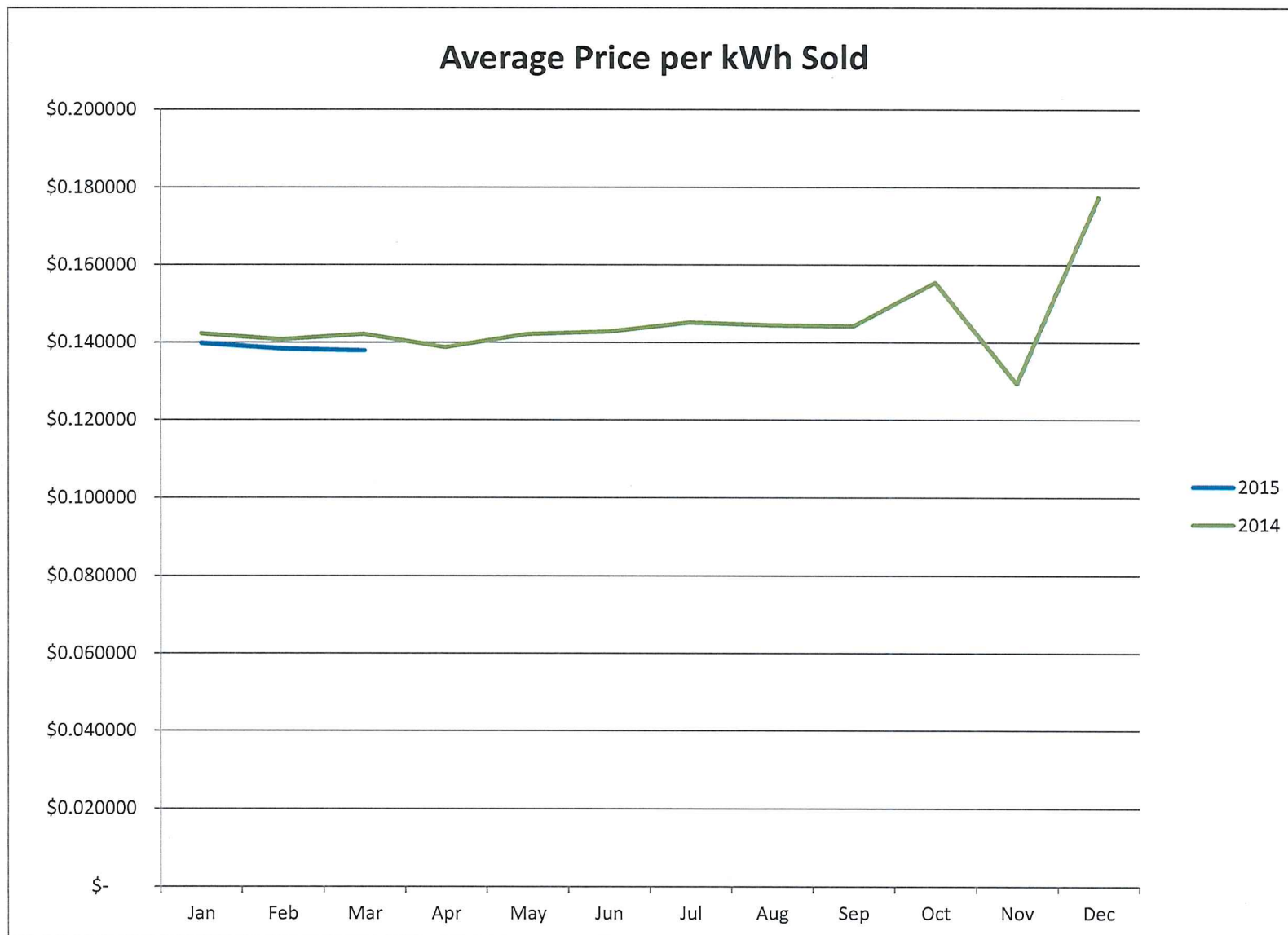
2015 / 2014 Electric Revenues by Rate Class

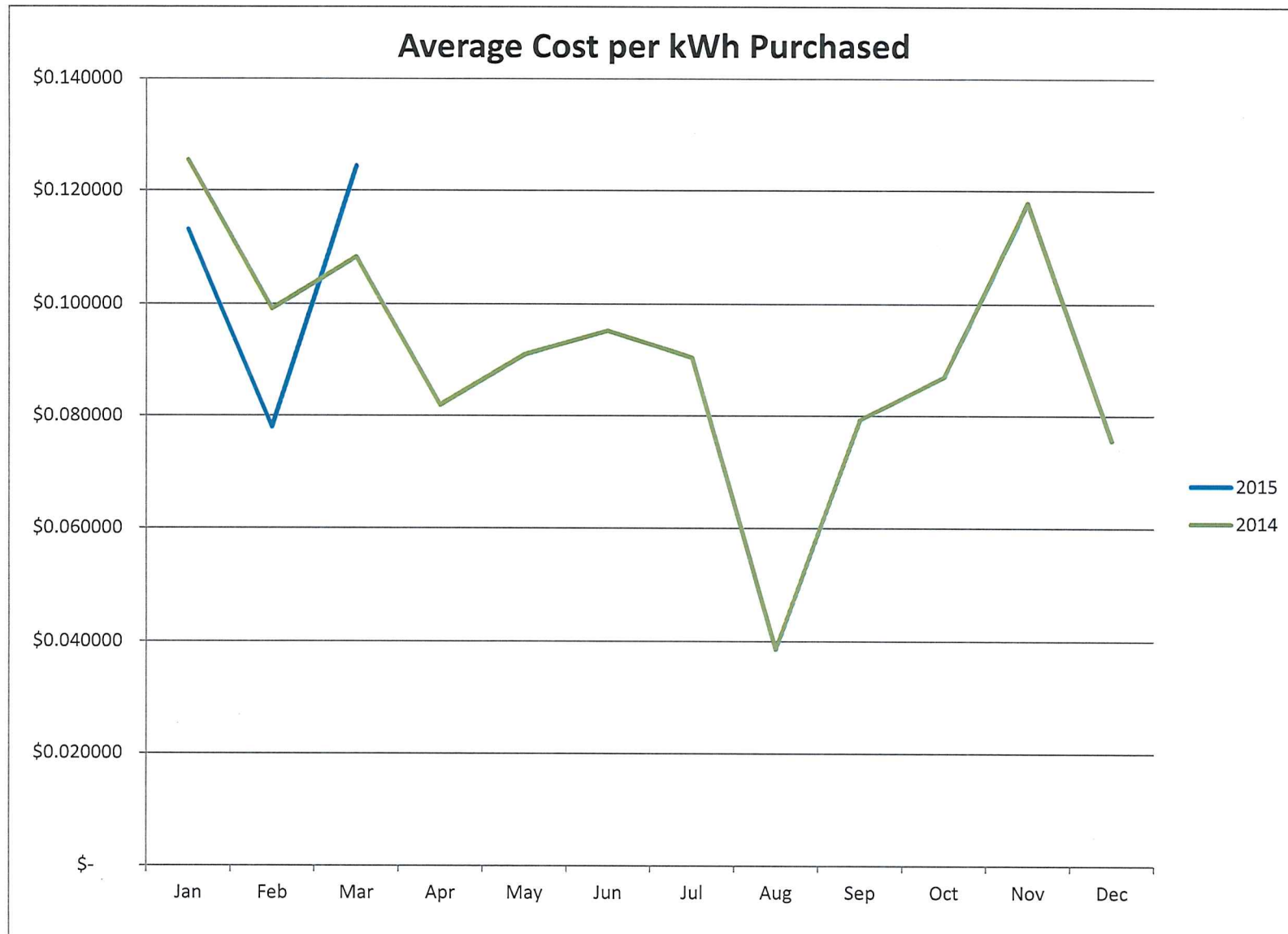




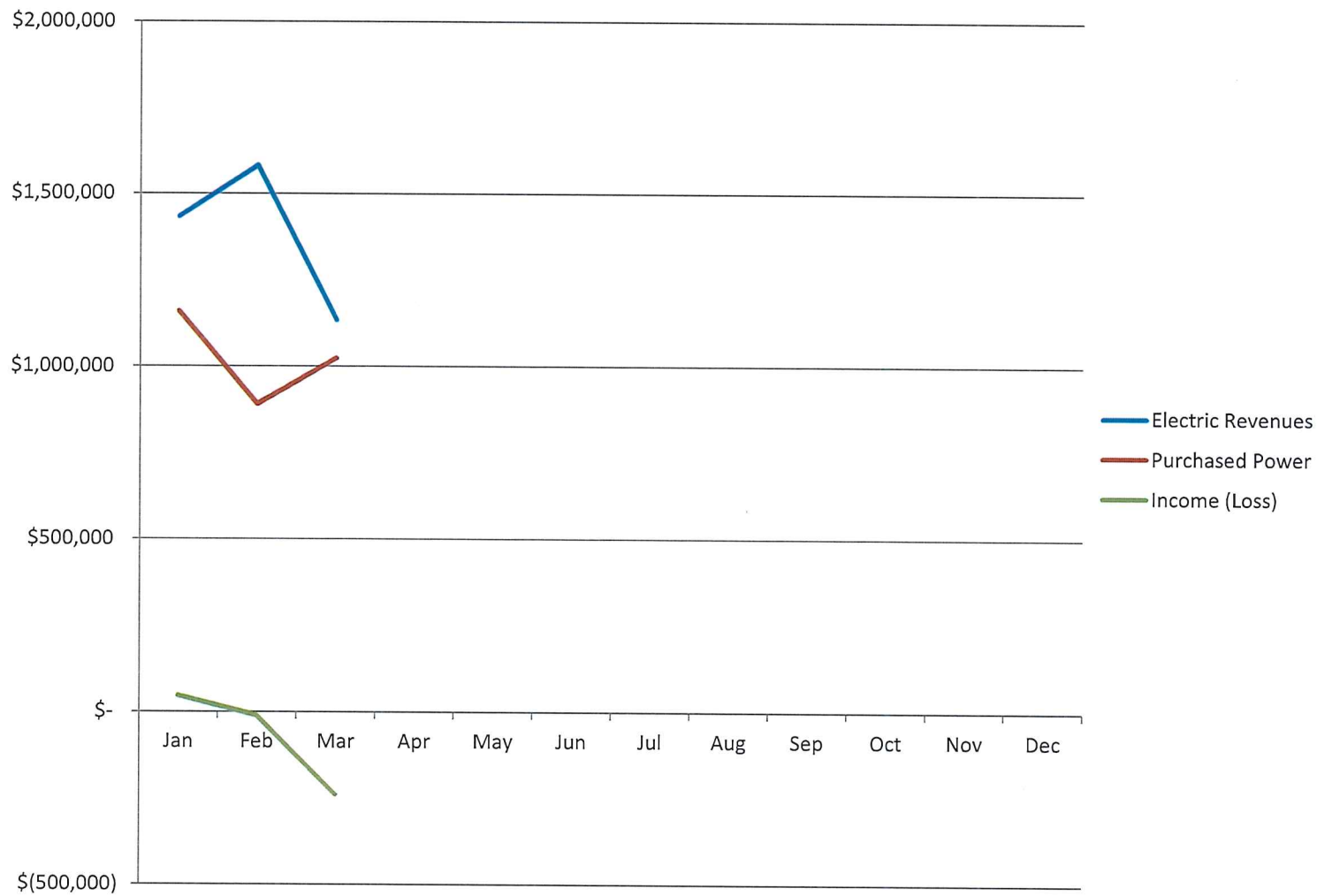




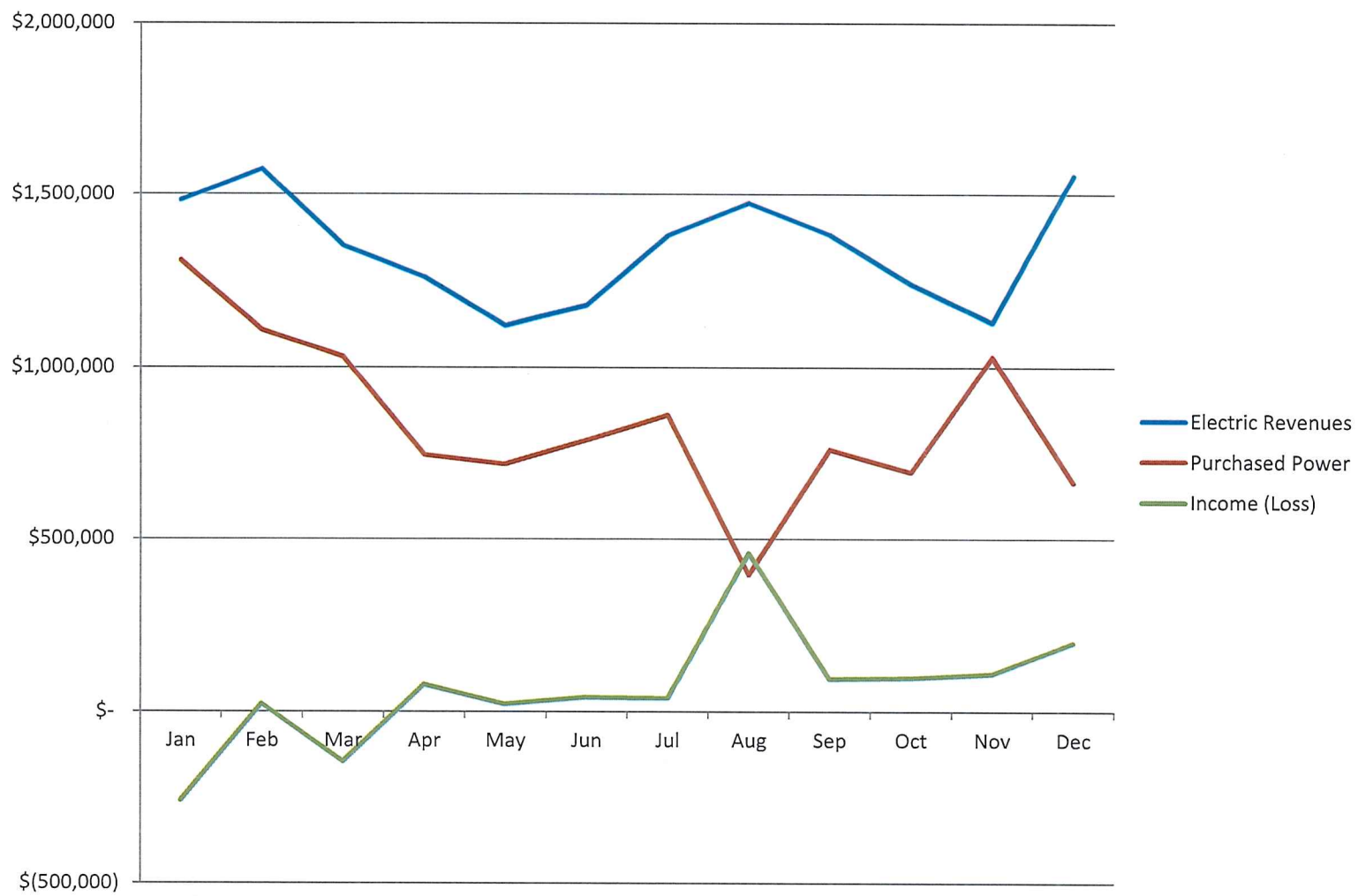




2015 Monthly Operations



2014 Monthly Operations



**TOWN OF SOUTH HADLEY, MASSACHUSETTS
ELECTRIC LIGHT DEPARTMENT
SCHEDULE OF CASH / INVESTMENT ACCOUNTS
MARCH 31, 2015**

Statement of Net Position Title	Balance At 03/31/15	Custodian	Nature of Account
Cash - Operating Fund	<u>3,010,844</u>	TOSH	Unrestricted - Cash (Comingled Town Account)
Cash - Depreciation Fund	<u>4,912,195</u>	TOSH	Restricted - Cash (Comingled Town Account established to maintain and accumulate funds for plant renewals, extensions, reconstructions, enlargements, and additions)
Cash - Customer Deposits	<u>185,001</u>	TOSH	Restricted - Cash (Separate Town Account established to hold customer security deposits)
Investment - OPEB Liability Trust	<u>628,311</u>	MMWEC	Restricted - Cash / Investment (Trust Fund established to maintain and accumulate funds for the payment of benefits related to the Department's post-employment benefit plans)
Investment - MLDM Reserve Trust	<u>11,705,962</u>	MMWEC	Designated - Cash / Investment (Trust Fund established to accumulate and maintain funds for extraordinary or unanticipated expenses such as unit outages, loss of load, and retail wheeling)
Deferred Charges			
NYPA Prepaid	85,614	MMWEC	Restricted - Cash (Working Capital and Prepayment Funds required by the Department's member and purchased power agreements with MMWEC)
Working Capital	1,000,168		
Nuclear Project Prepaid	(9,383)		
Total Deferred Charges	<u>1,076,399</u>		

TOSH - Town of South Hadley

MMWEC - Massachusetts Municipal Wholesale Electric Company

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
ANNUAL / QUARTERLY PAYMENTS TO THE TOWN
HISTORY / ISSUES / CONSIDERATIONS

HISTORY

SHELD makes quarterly payments to the Town of South Hadley to:

- a) reimburse the Town for benefits paid on behalf of SHELD employees and,
- b) provide some compensation to the Town for lost tax revenues resulting from SHELD's tax exempt status (this amount is referred to as a "payment in lieu of taxes" or PILOT).

PILOT represents a direct transfer of the Departments accumulated earnings to the Town. It is not considered an expense and therefore is not (and cannot) be included in the electric rates. There is no legislative, regulatory, or contractual obligation that mandates SHELD pay PILOT. There is no prescribed method to determine a PILOT amount and it appears that no two municipalities employ a common methodology. While it is common for enterprise funds (especially utilities) to make such payments to their respective municipal counterparts, it should be noted that SHELD is the only enterprise fund of the Town that makes a PILOT payment.

The quarterly payments SHELD makes to the Town are based upon a formula that was agreed to by both SHELD and the Town. This formula has been utilized for 50+ years and, prior to the FY 2015 calculation, was never a source of controversy. The formula has been applied consistently over that period, except for one change that occurred in 2007, when the portion of net distribution plant subject to the formula increased from 45% to 100%. This was a unilateral change made by the MLB that benefited the Town. It is important to note that the MLB has consistently approved annual / quarterly payments in excess of the amounts determined under the formula. Over the past seventeen years, the accumulated excess has amounted to approximately \$500,000. The current formula can be summarized as follows:

- A. Reimbursement for benefits to be paid by the Town on behalf of SHELD employees (based upon the Town's estimates for its upcoming Fiscal Year):
 - 1. SHELD Employees Estimated Pension Contribution
 - 2. SHELD Employees Estimated Health Insurance Premiums
 - 3. SHELD Employees Estimated Life Insurance Premiums
 - 4. SHELD Employee Medicare Tax Liability
- B. Plus, the payment in lieu of taxes (based on SHELD's estimate of the expected Net Book Value of its Distribution Plant and the Town's estimate of the expected Real Estate Tax Rate for its upcoming Fiscal year):
 - 1. Estimated Net Distribution Plant x 100% x Estimated Town Real Estate Tax Rate

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

ANNUAL / QUARTERLY PAYMENTS TO THE TOWN

HISTORY / ISSUES / CONSIDERATIONS

HISTORY (Continued)

The total of these amounts provide a ballpark figure to the MLB upon which they base the quarterly transfers. Because the Town, for budgetary purposes, needs to know the amount of the overall transfer approximately one and a half years before the actual costs are known, there will be differences between the estimated and actual amounts. Once the actual amounts are determined, a true up occurs where the reimbursement of the actual amount of benefits paid by the Town on behalf of SHELD employees are charged to operations as an expense, and the excess (PILOT) is charged as after income transfer to the Town.

ISSUES

In early 2014, the Town Administrator contacted a member of the MLB to express his concerns regarding the procedures outlined above. As a result, the Town Administrator, the Town Assessor, the Manager of SHELD, and their respective external accountants met to discuss his concerns. The meeting answered many of the Town Administrator's questions, but did not resolve his concerns. Specifically, he:

1. believed the formula was too complicated and felt the reimbursement component should be separated from the PILOT component
2. believed the method used to determine the Net Book Value of the distribution plant was not correct
3. believed the Net Book Value of the distribution plant did not represent its fair market value
4. believed that the Town Assessor can value SHELD assets and assess a tax on such value
5. wanted an independent assessment of the current procedures and value of the Department's assets
6. believed that the PILOT payment should not be formula based; it should be an agreed-upon amount

CONSIDERATIONS

SHELD has a fiduciary duty to its ratepayers. The ratepayer base and the taxpayer base are similar, but they are not the same. While an increase in PILOT might be relatively neutral for ratepayers that are also taxpayers, it will not be for the ratepayers that are not also taxpayers.

SHELD is a tax-exempt entity. It was established in that manner so it can provide service at a lower cost than its for-profit counterparts. It is not appropriate for SHELD to be taxed on an equivalent basis with a for-profit operation.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
ANNUAL / QUARTERLY PAYMENTS TO THE TOWN
HISTORY / ISSUES / CONSIDERATIONS

CONSIDERATIONS (Continued)

The formula currently in use has been an effective tool used by SHELD to determine appropriate transfers to the Town for over half a century. As with any formula, it can be criticized on numerous levels. The formula clearly does not address the Town Administrators concerns detailed in issues 2-5 above, but it was never intended to do so and it is unclear as to why it is appropriate to consider such concerns now.

Rather than focus on the perceived problems with the methods and procedures used, we need to evaluate the results achieved. Please note:

1. SHELD reimburses the Town for 100% of the benefit costs paid related to SHELD employees. Combining the reimbursement component with the PILOT component allows for any differences in the estimates made by the Town and the actual costs incurred by the Town to be trued up via an adjustment to the PILOT transfer rather than exchanging checks to cover cost over or under runs. This result is a fixed and certain cash flow for both the Town and the SHELD. Having to either bill for or pay additional amounts after the final accounting is completed could create a financial hardship for either entity and would most certainly become a political issue if such funds were not readily available.
2. The PILOT payment determined under the formula (adjusted judgmentally) has resulted in extremely fair and reasonable amounts for the Town. The 2013 transfer of \$180,000 made SHELD the Town's single largest "taxpayer" for that year. When the 2013 PILOT payment is compared with the PILOT payments of other local municipal utilities (Holyoke Gas & Electric, Westfield Gas & Electric, and Chicopee Electric) on the basis of percent of revenues and percent of net plant value, SHELD's percentage ranks 2nd to HG&E for revenues and 1st for net plant value. These facts very much support the adequacy / fairness of both the current procedures and results.

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

LOCAL UTILITY PILOT PAYMENT COMPARISONS

	SHELD		HG&E		WG&E		CELD	
	2013	2012	2013	2012	2013	2012	2013	2012
Payment In Lieu of Taxes	180,911	152,388	1,080,940	1,080,940	408,571	444,443	657,500	587,500
Total Revenues	14,630,970	16,229,116	68,034,291	64,319,829	66,923,570	59,848,628	57,714,570	53,643,616
PILOT as a % of Revenues	1.2365%	0.9390%	1.5888%	1.6806%	0.6105%	0.7426%	1.1392%	1.0952%
Gross Cost - Plant	35,928,436	35,098,756	202,623,575	189,067,456	126,140,297	121,143,621	77,801,880	65,987,722
PILOT as a % of Revenues	0.5035%	0.4342%	0.5335%	0.5717%	0.3239%	0.3669%	0.8451%	0.8903%
Net Cost - Plant	6,050,629	6,923,730	123,417,778	114,253,747	76,466,553	74,076,269	37,161,366	26,631,865
PILOT as a % of Net Plant	2.9900%	2.2010%	0.8758%	0.9461%	0.5343%	0.6000%	1.7693%	2.2060%
Total Customers	8,026		17,272		17,747		26,214	
PILOT per Customer	22.54		62.58		23.02		25.08	

Link to TOSH Top 10 Taxpayers: FY 2015, FY 2014, FY 2013

<http://www.southhadley.org/643/Top-10-Taxpayers>

SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT

TRANSFER TO THE TOWN

MEMO

April 28, 2015

The following table summarizes the calculation and funding of the Department's annual transfer to the Town for 2014.

Cost Paid By The Town and Property Assessment	
Actual FY 2014 Pension Contribution	\$ 212,684
Actual FY 2014 Health Insurance Cost - Active Employees	67,058
Actual FY 2014 Health Insurance Cost - Retired Employees	48,603
Actual FY 2014 Life Insurance Cost - Active Employees	638
Actual FY 2014 Life Insurance Cost - Retired Employees	285
Actual FY 2014 FICA and Medicare Costs - Active Employees	13,982
Total Costs	<u>343,250</u>
Payment in Lieu of Taxes based on 2014 Distribution Plant Cost	75,939
Annual Transfer to the Town	<u>419,189</u>
Approved Transfer FY 2014 (1/2)	263,800
Approved Transfer FY 2015 (1/2)	263,800
Total Approved Transfers	<u>527,600</u>
Excess (Deficiency) of Annual Transfer	<u><u>\$ 108,411</u></u>

The table illustrates the historical formula used by the Department to recognize both the costs of benefits paid by the Town on behalf the Department's employees and the Department's transfer of funds to the Town.

Because the Department is not obligated to make a payment in lieu of taxes to the Town, amounts in excess of the actual expenses paid by the Town are deemed to be "Transfers Out". This information is reflected in the Department's 2014 financial statements as follows:

Financial Statement Presentation	
Operating Expenses	<u>\$ 343,250</u>
Transfers Out	<u>\$ 184,350</u>

In conjunction with the approval of the FY 2015 annual transfer, the Municipal Light Board agreed to provide the Town with a minimum future annual transfer amount of \$527,600. This amount has been incorporated into the Town's current FY 2016 budget numbers.

The Department's FY 2016 calculated annual transfer to the Town (utilizing historical methodology) is based on the Town's estimate of the benefit costs to be paid by the Town on behalf of the Department's employees and an estimate of the PILOT calculation amount. Those estimated benefit costs are \$488,686 and the estimated PILOT calculation amount is \$75,939, for a total of approximately \$565,000.

Historically, the Board has approved transfers in excess of the calculated annual transfer amount. To provide the Town with a PILOT payment consistent with that of 2014, the Municipal Light Board approved transfer for FY 2016 should be approximately \$675,000.