

Electric Light Department

Town of South Hadley

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MINUTES OF THE MUNICIPAL LIGHT BOARD MEETING OF THURSDAY, OCTOBER 22, 2015, AT 6:00 P.M.

Present: Anne Awad, Chair
Daniel Whitford, Vice Chair
Kurt Schenker, Clerk

Also present:

Wayne Doerpholz, Manager - SHELD
Michael Conchieri, Financial Manager – SHELD

Ms. Awad convened the open meeting of the Board of Commissioners of the South Hadley Electric Light Department at 6 PM on October 22, 2016.

PUBLIC COMMENT:

Public comment section of the meeting drew no public comments.

MINUTES:

Review of draft minutes was deferred to a future meeting of the Board.

MMWEC PRESENTATION:

Representatives of Massachusetts Municipal Wholesale Electric Corporation, Kim Boas and Kim Grant, were invited to this meeting and presented on several energy conservation programs within MMWEC that are of interest to SHELD and its ratepayers. Mr. Boas provided an overview of MMWEC, explaining that it is a not-for-profit public corporation and a political subdivision of the Commonwealth of Massachusetts. It provides supply services, resource development, resource and risk management, wholesale market solutions, a pooled loan program for all sorts of public power items and business support, IT support, as well as energy efficiency programs for member entities (public/municipal utility departments).

For this meeting, MMWEC staff described services provided for energy efficiency and the savings accrued from those programs, and the expenditures for those programs for SHELD and its ratepayers. The Home Energy Loss Prevention Service Program, or HELPS, is a residential program which has been offered to municipals since 1989. HELPS provides home energy audits,

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energy efficient lighting, Energy Star appliances rebates, Cool Home heat pump and air conditioning rebates. There is a toll-free audit number and a webpage within MMWEC that provides all the information that ratepayers need to access the program. Since SHELD joined the program, 486 home energy audits have been done.

MMWEC's home efficiency incentive for SHELD has saved in oil, gas, and electric consumption 537 million BTUs, equivalent to 157,000 plus kilowatt hours annually. The appliance and Cool Homes program has issued over 3, 000 rebates since 2004. MMWEC has an online catalog for people who want to shop for light bulbs and items that reduce energy consumption in the home. Rebate expenditures for SHELD since 2004 have been about \$222,000. SHELD is billed monthly by MMWEC for managing the rebate program.

The Power Point presentation showed the lighting catalogue and noted that SHELD has probably one of the higher rates of participation in this program. There's a 20,000 kilowatt hour annual savings and over 200,000 kilowatt hour savings over the lifetime of those measures. The home energy audit is the basis of everything and, so far this year, there have been 27 energy audits at a cost of over \$3, 600. Installed insulation measures from those audits through the home efficiency incentive has provided \$394 worth of rebates.

There was discussion of how South Hadley compares to comparable towns. The energy savings annually translate currently to about 42 homes energy use. The way municipal programs are structured, they are required to commit a certain amount of money every year to energy savings based on a certain formula, and that's their minimum budget. Some municipal utilities adhere to the minimum, and some go way over the minimum budget. SHELD has consistently complied with its required budget.

A new MMWEC program, GO (Green Opportunity), is designed for commercial and industrial customers. It has two components: 1.) a prescriptive program which sets flat fees for rebates and incentives and 2.) a custom program which gets into more direct customer assistance. It provides an audit, assistance with filling out the application for rebate and installation benefits, a hotline, and guidance during the recommendation to installation phase. SHELD joined this program in 2014 to provide support to business customers.

Audience and Board discussion following the presentation included general questions of MMWEC, including how does MMWEC assist SHELD in purchase of power and does MMWEC hold accounts for SHELD, including one in the amount of \$10,000,000 earmarked for a new facility? The MMWEC staff present explained that they represent the energy savings programs and were not equipped to answer those questions beyond a general explanation that MMWEC has a lot of accounts for member systems because MMWEC does market settlements which is SHELD's biggest cost. MMWEC buys and sells and settles energy deals and does market settlement for the ISO. The Board noted that they will attend trainings at MMWEC and will bring that information back to a future Board meeting.

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MANAGER'S REPORT:

The 2015 year-to-date, through August, shows that revenues from the sale of electricity have decreased by about \$580,000 compared to the same period in 2014. Kilowatt hours sold decreased by 250,000 on a year-to-date basis. The average revenue decreased by seven mills over 2015. The revenue decrease was offset by a decrease in purchased power of about \$628,000. The average cost of the kilowatt hour to SHELD decreased by .0109 cents in 2015. 2015 net revenues after the cost of electricity purchased showed an increase of about \$90,000 over 2014 or about one percent increase in 2014 revenues. Distribution expenses increased by \$66,000 compared to 2014. Customer accounting expenses and general administrative expenses on a combined basis increased by \$61,000 over 2014.

On a year-to-date comparative basis, August 2015 results are not as good as 2014. For the same period ending 2015, SHELD showed a year-to-date loss of about \$8,000. We are still in a very healthy financial position. On the asset side, restricted assets, the Depreciation Fund of \$4.9 million is held in the Town of South Hadley as a restricted fund. It is supposed to be held separately, but the Town mixes that into the General Fund. The Customer Deposits again are also restricted funds, held separately in the Town of South Hadley.

MMWEC accounts include the Municipal Reserve Trust of \$11.7 million and the OPEB Trust of \$604,000.

Questions from the Board to the Manager included concerns that the amounts differed from previously viewed documents. Mr. Doerpholz noted that the combined accounts at MMWEC total approximately \$16 million. Our electric revenues and our purchased power costs are remarkably similar to last year.

Outage report included the following: August 1 6:00 AM: an animal, a squirrel on pole ten, knocked out 24 customers who were out for approximately one hour; August 1: poles 51 through 53 were out due to an auto accident; August 15: a storm knocked several trees over; August 20: auto accident and a squirrel creates several hours lost. Total customer hours lost for August were 83.41.

Ratios: Starting with deregulation in 1999 in Massachusetts, prices were not stable. American Public Power Association provides some data that allows us to compare ourselves. The national averages for utilities our size. It shows about 8.4 cents as a revenue per kilowatt hour, in the northeast 12.9, at SHELD 14.7. It breaks it down by rate class.

Now, the next is the debt to total assets, and it shows that we have very little debt. It then shows

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some other ratios for municipal light departments. Total O&M expense, \$422 per customer, in the northeast \$689, SHELD is \$437. Power supply expense for us is roughly 11 cents compared to our competition for business, 6.7 cents.

CHAIR REPORT:

Later in this session I know we'll be discussing the Annual Review of the Manager. The Fiber Optic committee that the Board appointed has been working very comprehensively, and has a meeting next week on the 28th where they will talk with representatives from Axia and a Professor from UMass. They are well on track to bring a report with recommendations to the Board in December.

There have been some resident complaints about Verizon activity (attaching boxes to SHELD poles) that have been referred to Mr. Doerpholz. The Manager described the Verizon activity as installation of five microcells (Lathrop, Newton, Dayton, Willimansett Streets and one other). Verizon will pay us \$100 a month in pole rental space. Five times \$100 is \$500, times twelve is \$6,000 a year, plus the cost of electricity. The installation by Verizon will relieve some of the congestion on the Verizon data plans on the cell phones, and we hope that they'll be putting up more. E Ink and Mohawk Paper petitioned them to put one up on their site. There are no reported adverse health outcomes related to these installations. Verizon has contracted with a vendor to install the system so it is not a Verizon truck that will be seen around Town. Mr. Doerpholz encouraged anyone with concerns to call him and he'll relay the concerns to Verizon.

LED FIXTURES:

We would very much like to get them all up on our poles before the snow flies, and then we'll get on to some other maintenance items. We received a grant to assist us in installation of LED lighting on major streets in Town. We want to install 340 lights. We would like to expand this program to other streets in South Hadley that are busy, for example, Lathrop Street, Brainerd Street, Ferry Street, Alvord Street. Management hopes to come back to the Board with the savings to do the additional streets. LEDs are cost effective. The savings on what has been installed with the grant and our own funding is approximately \$17,000 per year.

There was Board discussion about the tariff (charges to the Town for the street lights). The Manager noted that the tariff to the Town had not changed. The Board noted that the Town was not realizing the cost savings and should benefit from the LEDs.

The Manager noted that, in the DPU report, we provide the Town estimates, and we do all of the estimates based upon all the municipal buildings, municipal accounts, street lighting accounts, traffic light accounts, fire houses, water pumps, sewer pumps. So we give them all an estimate,

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plus the school, and they're in the statute required to put that into their budgets. We charge the Town for the amount of KWH used so, as the fixtures are changed to LEDs, the wattage amount goes down.

When the Manager brings back a proposal to the Board, the Board will suggest to the Selectboard that they hold a formal hearing. It is an opportunity for public education. Some people will object because they will, but for the most part, people at least know that some change is coming and the street might look different.

ANNUAL REVIEW-MANAGER:

At the last meeting the Board distributed grids, a tool for each member to complete. Each member has completed a review and returned them to the Chair to compile. A copy of the compilation report has been shared and reviewed with the Manager. Some questions have been raised by both Board members and the Manager, and again it brings to the fore the need for the Board to have legal counsel in proceeding with the review process with the Manager. The Board hopes that legal guidance would help both parties avoid a breakdown in communication.

The Chair suggested to the Board members that the Board direct the Manager to hire and retain legal counsel the Board for the purpose of completing the Annual Review, negotiating a contract with him for the upcoming year or more, and that we keep this process moving. One Board member noted that it was an important action to take, noting that legal counsel should be experienced and specialized in human resources issues across municipal utilities. It would be obligatory then for the Manager to follow through to hire that lawyer. Another Board member suggested using the counsel the Department already uses and not bring in someone new. Board discussion weighed whether using current attorneys who counsel the Manager in SHELD operations would provide neutral counsel. An attorney for the Board could communicate with SHELD attorneys, as needed, and with the Manager's personal attorney. The Manager noted that retaining a personal attorney would represent a financial hardship.

A normal cycle for Annual Review would be to do it in the summer of a given year, but because of the election cycle that we're all on and where we started as a newly constituted Board, it is important to get something in place because the Manager has an expired/out-of-date contract and we have no review on file.

We must get a review on file in order to work, Board and Manager, to develop goals and objectives for the organization. Some of the measures will be used again when we gather to do an Annual Review for next summer. Retention of counsel is common for CEO level of management, for people who are in the position of leading an organization who has a significant salary and with significant leadership responsibilities. It is normal business practice.

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Retention of an attorney to advise the Board during Review of the Manager would not interfere with any other projects or processes underway. A memorandum to Mr. Doerpholz directing him to retain legal counsel for the Board during the review and contract development, possible progressive discipline, although that's not on the table at this time, and related human resources needs was shared by the Chair with the Board members. The memo reads as follows:

We direct the following: Choose an attorney from a firm that is not located in Franklin, Hampshire, Hampden or Berkshire County. It's very helpful to go outside our own living and working area because the person comes in without any entanglements or relationships with other law firms. I did mention a couple of firms that are leaders in human resources law, but, if you can, find someone who is top ranked and certified.

Board discussion: A fair, consistent, predictable evaluation process is necessary in any organization, and in this case is preliminary to executing a viable contract. Today we have no contract and no guidance on how to put it together. It should be imperative for Mr. Doerpholz's sake and for the Board and for the Community. Discussion included using current attorneys for SHELd to advise the Board but some members were not comfortable with that, wanting both confidentiality for the Board and expertise in specific human resources/employment law. The Chair noted that she had been advised by the Attorney General's Office that the Mass General Law statute governing municipal utilities gave the Board the power to direct the manager to retain consultants.

Mr. Schenker made a motion to have the Board consult with Mr. Mark Beauregard, Attorney for SHELd. The motion was seconded by Mr. Whitford. It passed, two in favor, one opposed. Mr. Doerpholz agreed to seek times of Mr. Beauregard's availability and to post a meeting.

BOARD COMPOSITION:

There will be a warrant article brought to the fall town meeting, which is in November, recommending that the SHELd Board move from three members to five members. The Chair spoke to the Selectboard the other night as they were reviewing the warrant article, and it was explained to me that if it passes by town meeting, that the seats go on the ballot in the spring election. There would be four SHELd seats on the ballot that would create staggered terms: a one year seat, a two year seat, and two three year seats.

It is very difficult under the constraints of Open Meeting Law to have a Board of three function well. We have just discussed the Annual Review process. It was cumbersome to develop a tool and perform the Review with just one person bringing the tool and review summation back and forth to the Board. A subcommittee of two could have met once quickly, developed a tool and brought it back to a full Board meeting where it would be fully vetted and discussed in public. It

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would streamline activities. When you have a Board of three, it can intensify the politics. In the case of the previous Board, it was kind of two to one with Ms. Archambault always on the outs, and now really it becomes a two to one where it isolates individual members a lot of the time. A Board of five will bring in more diversity of opinion and, hopefully, discourage scapegoating. Also noted is the need to be cognizant of the Open Meeting Law and, even on a Board of five, how it can be subverted by “serial communication”, where one Board member calls another and that member calls another, and, before you realize it, full discussion has occurred before there is a public meeting.

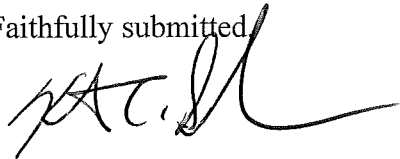
COMMUNITY DONATIONS :

The Manager has consulted with attorneys and, basically, we are not allowed to make donations. He provided a letter to that effect by Attorney Welch.

ADJOURN:

Ms. Awad called for a motion to adjourn. On motion made by Mr. Whitford, seconded by Mr. Schenker, it was unanimously voted to adjourn.

Faithfully submitted,

A handwritten signature in black ink, appearing to read 'K. Schenker', written over the text 'Faithfully submitted,'.

Kurt Schenker, Clerk