

# *Electric Light Department*

## *Town of South Hadley*

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### **SOUTH HADLEY ELECTRIC LIGHT BOARD MEETING**

**November 19, 2015, 6 p.m.**

Board:

Anne Awad, Chair,  
Dan Whitford Vice Chair  
Kurt Schenker, Clerk,

Staff:

Michael Conchieri, Financial Manager

The Board meeting was convened by the Chair at 6:02 P.M.

#### **Public Comment:**

Dale Johnston, Chapel Hill Road, who noted that he was a member of the Fiber Optics Working Group, expressed his appreciation that the Board convened the Group and that it was an excellent representation of talent and people in Town. The Group will recommend to the SHELD Board that we proceed with negotiations with Axia. There are a number of people on the Group who feel that urgent attention is needed to make a significant deal and that it should proceed rapidly. The Board might send a team to Calgary, Alberta to negotiate with Axia and it is important that the team is prepared and is well represented with skills and talents in both the technology and the business. A consultant should probably be added to the Team and the Manager should go, whether on leave or not, because he has expertise in the subject and is well-regarded by Axia.

The Chair noted that we expect a formal report from the Fiber Optics Working Group at our December 17 meeting. We are not “doing nothing” while waiting for the Report. All Board members were present at most of the Fiber Optic Working Group meetings and agree that we need a team ready to go that will negotiate with potential vendors.

#### **Business and financial report**

Mr. Conchieri, Financial Manager for SHELD, focused on the financials.

He reported that, for 2015, year-to-date revenues decreased by about half a million dollars in 2015 over 2014. Per actual kilowatt hour sales increased, which bucks a trend that's been going on for a number of years. We'll be watching to see if it continues through the close of the fiscal year on 12/31/2015.

Our decrease in revenue was offset by the corresponding decrease in Cost of power of about the same amount. For distribution expenses, they increased by about \$46,000 over 2014. Customer account and G&A expenses were up about \$96,000 over 2014. The current year results aren't quite as good as last year, but the good news is that we're actually showing a profit at the end of nine months of about \$100,000. That compares to a profit last year of about \$350,000. Of course we have a very healthy, strong balance sheet.

### **Solar and Alternative Energy**

The Chair noted that this agenda item offers an opportunity to look at what is in place now and what some of the challenges are. The Board needs to know what are the requests and desires of ratepayers, both residential and business, and what level of interest there is in access to alternative energy sources.

The Chair noted the Net Metering Policy that was voted by the Board on November 12, 2011. Considering the pace of change in the industry, a policy from 2011 is probably out of date in some respects. The board should consider updating the policy.

Revenues from the sale of electricity from traditional sources (oil, gas, nuclear) have been dropping, rather precipitously, over the last five years. This is true for large investor-owned utilities as well as for municipally owned utilities. South Hadley has lost some large commercial customers and all ratepayers are more conscious of conservation to save on their energy bills. A lot of the new buildings that are coming online, like the library, are LEED-certified, meaning they've designed to try to meet energy conservation goals within their building to save on energy use and cost.

We are a small utility. Do we implement policies that everyone can have whatever they want, and the possible result is that some years down the road we don't exist because we have gone bankrupt? Is there a way to be welcoming and receptive to the desires of people to implement alternative sources, and find other revenue sources, such as fiber optics which would bring in income? We also need to continuously identify ways to streamline operations and costs.

Mr. Whitford asked to have the Net Metering Policy<sup>7</sup> posted on the SHELD website. Mr. Conchieri said it would be posted along with the article he shared from the American Public Power Association on solar and issues with solar reliability. Mr. Conchieri noted that we operate as a business and must be reimbursed for our costs. When the sun doesn't shine, we remain the source of power for people. We cannot rely totally on solar as we know that New England weather will not support consistent power delivery based on solar. A balance is required so that people who do not have solar do not get very high rates, effectively subsidizing those with solar.

Mr. Conchieri noted that the original Net Metering Policy was put into place to promote and encourage distributive generation (solar, wind, etc.). Unfortunately, that initial policy did some significant cost shifting where the distributive generator customers weren't paying their full share of the cost and that cost was then laid on to all other rate payers. It worked when we had a very small number of ratepayers using distributive generation but as the number grows, it has implications for all ratepayers. The board could consider having all solar generators pay the normal utility rates and pay their fair share for the system and then reimburse them for their

generation on a different fee schedule. We buy power from different entities and we could treat homes/businesses with solar the same, buying power from them on the same fee schedule. Now we are paying the retail rate when we buy power from people with solar. The problem with that is that we don't recover all the other costs associated with providing the power. We don't get our distribution or fix costs.

Mr. Conchieri noted that there are customers who basically don't pay us anything, and yet when the sun goes down, they pull power from us. They use our system to sell power back to us. They pay nothing because they generate more than what they use. We have to maintain a system of electrical delivery to homes and businesses.

The Board discussed possible models in other Massachusetts municipal utility companies. Mr. Conchieri noted that he did a comparison with Holyoke, Chicopee, and Westfield. Chicopee, Westfield, and South Hadley do net metering but we are the only ones who pay for credits, pay for power produced at the full retail rate. Chicopee and Westfield pay for excess power production at their cost to acquire it. Holyoke's model is that for whatever power their customers use, they pay the retail rates and then they look at total generation and they pay those customers total generation at basically their wholesale cost for power. Holyoke also offers Purchase Power Agreements (PPA) which have stimulated installation of solar fields by private companies.

Mr. John Howard was recognized with a question regarding distribution cost. He did not understand why a distribution cost is necessary because solar panel ratepayers are giving SHELD the power right on the street. Mr. Howard generates more electricity than he uses and he stores that, uses it as a battery. Some charge to him for battery usage might be feasible but if the costs go too high, ratepayers will choose to go off the grid, losing ratepayers from the system.

SHELD should explore the use of batteries. It is an emerging technology. Energy would be stored in batteries at off-peak rates.

It would be wonderful if we could do something like the folks up in Northfield where they pump water up the mountain at night and then it flows back down, creating energy, and in peak periods they make money by generating power during those peak periods. That's what batteries could do for SHELD down the road. The other thing that Holyoke does is they have PPAs, Purchase Power Agreements. The Holyoke utility has had two companies come in and install large fields of solar panels, no upfront cost to Holyoke Electric & Gas. They sell that -- the company sells the Holyoke utility power at a fixed rate for 20 years.

Mr. Howard noted that we are just a few years away from severe consequences of climate change. We need to plan for it. Anything we can do to get power from the sun, wind, waves, or anything that does not burn something, then we would be better off. He recommended working with Mt Holyoke College to bring in a company to have a PPA and to look for other places in Town to install large solar fields. Mr. Johnston noted that the rotary on 202 might be a good spot.

Mr. Whitford suggested a Working Group be formed to explore the many issues raised during this discussion and to review our current Net Metering Policy and to recommend revisions. The Board discussed and decided to revisit the topic of forming a Group at the December 17

meeting. Mr. Schenker suggested inviting the MMWEC staff which works on alternative energy/conservation to that meeting.

**Correspondence**

1. A letter from the Mosier School thanking Paul Byrne, who is our IT Director, for bringing by a framed mosaic of photos of the children and their teachers. SHELDC does a lot of public education in the public schools, and the children loved this framed picture of them.
2. International Brotherhood of Electrical Workers. They represent our line staff as their bargaining unit. The letter expresses concerns that when the Manager and the Engineer were placed on administrative leave they feared that we might bring another electric company or a contract service in to cover the linestaff, who are the union employees.

The Chair responded to this letter to the union in a conversation with Brian Kenney, IBEW, and personally to the line staff and the union that there is no intention to do that.

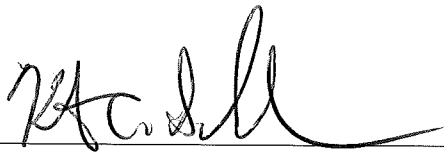
We have excellent line staff; very committed, with many years of collective experience together, knowing our town and our power system. It did not affect any union members at all, so that is the response to the union letter. Holyoke Gas and Electric is providing engineering to our line staff as we have a regulatory requirement that we have engineering available. Engineering provides safety and back-up to the line staff.

**Move to Executive Session.**

Mr. Whitford moved and Mr. Schenker seconded to go into an Executive Session for the purpose of discussing strategy with respect to litigation and to discuss the deployment of security personnel or devices and to not return to open session this evening.

By roll call vote: Mr. Whitford, Aye, Mr. Schenker, Aye, and Ms. Awad, Aye. (unanimous vote).

The Meeting adjourned at 6:31 p.m.



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Clerk