

Electric Light Department

Town of South Hadley

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MINUTES OF THE MUNICIPAL LIGHT BOARD MEETING

OF

WEDNESDAY, DECEMBER 16, 2015, AT 6:00 P.M.

Board Present: Anne Awad, Chair, Dan Whitford, Vice Chair, Kurt Schenker, Clerk,

Staff present: Michael Conchieri, Financial Manager, SHEL D

Ms. Awad opened the meeting of the Board of Commissioners for the South Hadley Electric Light Department at 6:00 PM.

Public comment:

Mr. John Howard commented about the net metering policy and provided some figures from his own solar panels. Ms. Awad told him that net metering policy and review were on the agenda as a discussion item.

Mr. Bruce Perron stated that he is a rental property owner in town and he has had tenants and prospective tenants distressed about the deposits required for electricity turn-on. He rents 8 efficiency apartments of 225 to 300 square feet. It seems that the deposit for an electric heated building was \$600. This is a hardship for people who qualify for his housing. He has lost applicants who want to take one of his apartments but return to him after visiting SHEL D to say that they cannot handle the deposit. He has lost 4-5 applicants.

Ms. Awad noted that our deposit policy was relatively new and feedback was helpful to the Board. We did experience considerable loss in the last few years and needed to implement a way to mitigate the loss.

Because it's a new policy, we want to know how it is going. So your feedback is really valuable. We can't act on it tonight. It needs to be posted and discussed, but I think we should put this on our January meeting and fully discuss it, and decide if we want to do any tweaks to the policy at this point.

Ms. Barbara Jandris spoke to her concern that the manager cannot attend meetings that are open. Ms. Awad responded with affirmation that the meeting is public and open if Mr. Doerpholz wishes to attend.

Ms. Awad stated that the leave of absence for Mr. Doerpholz is not disciplinary. It is administrative and does have some conditions but that he is not prohibited from attending public meetings of the SHELD Board.

Financial Report:

Mr. Conchieri presented an overview of the financial situation for SHELD. October was another profitable month for us. We actually strung three profitable months together.

We're about \$200,000 in profit year to date, which represents about 1.6 percent of our total revenues. Year over year our kilowatt hour sales have actually increased this year. He hoped that trend would continue through the end of the year, but that would be the first year in about 15 that our actual kilowatt hour sales increased.

Our total revenues were down half a million over last year, even though we sold 1.6 additional kilowatt hours in electricity.

We're still very strong, still very healthy, and hopefully we're going to show a small profit for the end of the year.

Mr. Berwick asked if a SHELD surplus was similar to a Town surplus in that the money that has not been spent goes into free cash. If there's a surplus at the end of a year, does that go into a rainy day fund of any sort?

Mr. Conchieri responded that, if we have a surplus one year, we might run a deficit the next year. So we try to --we're not in it to make money, we're in it to provide low rates. So we don't really have a surplus that we run, and we don't put cash aside, except for the funds that we specifically set aside for major emergencies and catastrophes.

Chair Report:

Ms. Awad commented that tonight we'll be receiving the report from the Fiber Optic Committee that was appointed several months back. I'll reserve comments until that is presented. Another important item of public interest is the net metering policy. We'll be reviewing what other municipal utility companies are doing in this area. The current policy is from 2011. I will be suggesting to the Board that we do what worked well in fiber optics and recruit people who would be interested in studying the current policy, reviewing options, and making recommendations to the Board for policy revision and update. She also noted that the Redevelopment Authority has asked for a letter of support for a federal grant for brownfield investigation. Mr. Schenker moved and Mr. Whitford seconded that a letter be provided for

submission with the grant. Unanimous vote. It's relevant for us to support this effort. It will help SHELD, it will help the community.

Fiber Optic Advisory Committee report:

John Hine, who chaired that committee, and a number of the committee members were in attendance.

Mr. Hine presented the final report of the fiber optic advisory committee which the Municipal Light Board put together back in the summer; its members include John Hine, Bob Adam, Brian Conway, Paul Dobosh, Stephen Fox, Dale Johnston, Tony Judge, and Robin Szewczyk. The Fiber Optic Advisory Committee had four meetings between July and November. At its initial meeting, SHELD personnel led the committee through the development of fiber optic infrastructure here in South Hadley and its use by the Five College network and the Municipal Broadband Institute.

At its next meeting the committee heard a review of services provided by SHELD related to the fiber network. Those services range from simply providing bandwidth over the fiber backbone to serving as an ISP to being a reseller of services. There was also an overview of the Stony Brook facility, its multifunctional capabilities and its highly secure design. Efforts are also being made to establish connections to internet points of presence in Cambridge, Boston and Albany. Success in these efforts would greatly increase the value of this facility, the businesses and organizations looking for large bandwidth capabilities and offsite data storage.

At this point, the committee voted unanimously to recommend to the Municipal Light Board that SHELD continue to offer its current range of services to government, businesses, community anchor institutes and other organizations, and to develop additional services as opportunities present themselves.

The final area to be discussed was the subject of fiber to the home. That is extending high-speed broadband to residents throughout the town. Discussion centered on the risks versus the rewards of such an endeavor. Points raised included we already have a company, Comcast, which offers cable to the home. Why should a municipal entity do it? There are significant risks associated with competition. Do we want to be a service provider for fiber content and take on the customer service function that comes along with providing such services? Are there companies interested in making the investment in extending fiber to the home and assuming the risks of doing so? High-speed bandwidth will attract people and businesses to town.

SHELD personnel reviewed the relationship between SHELD and Axia as it has developed over time. They also presented a proposal as outlined in a letter of intent that defines a partnership between Axia and SHELD for the purpose of extending the fiber network throughout the town and to make high-speed broadband available to all residents.

The committee also talked via Skype with Robert Price of Axia. There's a positive history between SHELD and Axia, and they share a vision of delivering fiber optic capability to the home, business and government.

At its final meeting the committee voted unanimously to recommend to the Municipal Light Board that the Board continue to pursue an agreement with Axia that would result in the availability of high-speed broadband to residents throughout the town with the least amount of risk possible to SHELD.

The committee's view is that it is important for the town to have a fiber optic infrastructure that will make it possible for content providers to offer important services to its citizens and current businesses. This will also make the town even more attractive to prospective residents and businesses.

It does not view the creation of a profit center for SHELD as a major driving force, and especially does not want to commit SHELD to enlisting additional personnel and/or resources in such an effort. For this reason we favor an approach that utilizes a partnership with a third party to minimize financial risk to SHELD.

Discussion:

Mr. Whitford asked if fiber to the home was in place, who provided content? Response: With the proposal from Axia --and we talked with Robert Price, the president of Axia --the intent is with SHELD and Axia, it would be to build out that infrastructure, and then Axia would be the vehicle through which people could provide content or services over the internet. So that would be contracted or agreements would be made with Axia by other parties that want to provide services, telephone services, act as ISP, provide streaming video.

Basically it would be an agreement with Axia to provide those services.

Mr. Whitford asked how, if with Axia, we would determine the total cost to home owner? Response: That would have to be negotiated in the contract between SHELD and Axia. Again, there's been some numbers put out there in the letter of intent.

There would be a charge for a home owner to hook up to the network. I'd hate to get into specifics because I think that needs to be hammered out in the negotiations with Axia as to what that number would be. The concept is that SHELD would partner with Axia. Axia would provide most of the investment to pay for building out the network throughout the town. SHELD could provide maintenance services and also provide personnel to help in that effort. SHELD would get some revenue from this network, and Axia would then have this infrastructure to be able to market to content providers.

Mr. Hine noted that the relationship has developed over time with Axia, and it seems to be a good relationship that's worth at least pursuing some type of agreement to try and make this happen.

There was strong feeling among committee members that this would be a huge asset to the town. We don't want to assume the risk.

We don't want SHELD to risk its financial stability on this, but SHELD is the owner of this incredible asset, and let's leverage a third party to perhaps extend it out and make it available.

Mr. Fox noted that as far as the content that would be provided, currently we have one provider, Comcast, and they went through the expense initially of hanging all this cable on the phone poles out there and running lines into everybody's house and all that. It's an enormous expense. The next phase of internet into everybody's life is going to be fiber optics because the bandwidth is not sufficient on the copper anymore.

What the committee envisioned from listening to the presentation and Axia's representation of its role is that they're going to provide a pipe, just like, for example, the gas company.

This will be a similar thing. We'll bring a very high bandwidth pipe to your house. Comcast, you know, people were worried at first, what if they decide they're going to compete with SHELD and they're going to want to crush us.

Well, that means they're going to have to come into town and hang their own fiber lines and run their own lines into every house, an expense that these companies don't want anymore. We're going to present them with if you want customers to sign up for Comcast, all of that hardware is in place. You give them the box for their home, you have your box in our trailer or whatever it is that we have, and they can rent from you if they choose. But they could also --I can see the possibility in the future of you could also rent from Charter or from Time Warner or you could pick your own.

You're going to have an internet connection. You could say I want to stream Netflix, I want HBO. Now for \$15 a month, and make your own TV, whatever you want. But the upshot is that because all of the major expense of these networks, the backbone will be owned by the Electric Light, that it will result in competition for who's going to put the box in your house, and competition generally speaking means lower prices. Right now Comcast is the only one that can put that box in your house because they own all the wires. So what we're going to pay is what they say we're going to pay basically is how it works. If we can get it so that they have to compete with Charter and Time Warner and everybody else right in your home, then you're going to benefit. That was our vision of it.

Ms. Awad shared that the last time the committee met was November 16th and they took a unanimous vote to recommend to the Board that we pursue the relationship with Axia to try to bring this to town, as you've reported.

I asked Mr. Conchieri to pursue Mr. Price at Axia to set up a meeting.. We didn't want to let the ball drop because we have somewhat of an administrative suspension going on at the moment. So Mr. Conchieri pursued them, and I did connect with Mr. Price, who was very enthusiastic that we're enthusiastic, and has invited a team from SHELD to go to Calgary to pursue the ongoing relationship and try to bring this to the next step.

At the committee we talked a bit about the team, and we haven't fully discussed it with the full Board at this point, but Mr. Whitford would be willing to go, Mr. Hine is willing to go, and Mr. Conchieri is willing to go. So we have a good core team to go now with finance and information technology background and technical background and Board representation. We will keep the community informed as we go forward.

When the team comes back, they'll be able to tell us this will happen, this should happen, what to do and what the next steps will be. So we will keep this moving.

It's a very exciting development for us at this point.

Mr. Johnston noted that people may understand the difference of this relationship with Axia versus other towns and cities in the state of Massachusetts or western Massachusetts. Most other towns and cities are going out and bonding and paying for someone to bring in fiber to them. They're paying millions of dollars in bonding, and that bonding may be through the town property tax payers. This is the only deal that I'm aware of where there's actually a company coming in and investing, giving money to us, millions of dollars. So it's an important distinction for everyone to understand, and this is also why it's not really a bid situation, because we're being given money essentially versus us going out and requesting multiple bids for someone that we're paying money to. So this is a huge, huge opportunity, and that's the real distinction, is that instead of we're spending millions of dollars going out, either a ratepayer basis which we're not supposed to do or on a taxpayer basis which would be property taxes, we are receiving money.

Ms. Awad stated that Axia is interested in South Hadley because we'll model for them, and then we'll be able to market their product, their networking to other communities.

Being at the juncture of 91 and Mass Pike, we're in a very good location. It's attractive to them, and the size of the community is attractive also.

They have done this in Shanghai and they've done it in a couple of small towns in Calgary, in Alberta, but they haven't done it in a medium sized place like South Hadley, which is a good mix of business, commercial and residential. So we'll take advantage of our position with them.

We'll report back on the visit and what people bring back to us from the visit.

Mr. Hine and Mr. Whitford will meet to discuss the potential visit and ongoing discussion with Axia to move from the letter of intent to an agreement that defines the next steps and actualization of the system.

Ms. Awad, on behalf of the Board, thanked the members of the Committee. Attendance was outstanding, the work was concentrated. The members brought their incredible backgrounds, knowledge, and good ideas. A number of SHELd employers provided valuable support to the Committee work.

Net metering policy.

This policy was passed in 2011. It defines how many housing units can benefit from solar panels or other alternative energy arrangements that reduce electric bills. They pull power from another place and mix it together with the power that SHELd delivers. It is timely to look at a policy that's almost five years old, especially with the technology that's been changing and also the

many government programs that are in place, some of which will expire at the end of this year. Also, for SHELD, we've been approached by the Town and by a group called Green Harbors regarding installation of solar systems on the landfill and at the golf course. So we really need to, as a Board, go up the learning curve on this, understand what we can do, what's possible, what parts of the policy we might want to adjust to bring it up to 2015. Earlier this evening Mr. Howard shared a copy of last year's electric bills from his house. Mr. Howard is an advocate for alternative energy. He has a 6.2 kilowatt solar panel array on his roof. He did calculations on the distribution charge, and it looks like changing the net metering policy with regard to the distribution charge would save --would get an extra \$4,500 per year for SHELD coffers.. Mr. Howard maintained that the Solar owners should get credit for the distribution charges which has cost each ratepayer about \$.58 per year. In return for the long-term solar storage, by credits, the PV owners provide SHELD with a cheap source of energy during peak periods of the summer. PV owners are part of the climate change adjustment that the world has to go through. Mr. Howard noted that since the end of the 2012 rebates, there have been only five new PV installations in South Hadley. SHELD Board should be cautious about changing the system and be fair to those who evaluated the current system before investing into PV. Paul Lemoine stated that he recently put solar on his home, part of the whole initial investment into it was figuring the whole net metering setup. He believes that if you're going to be changing policies like that, that the Board should consider grandfathering in current PV ratepayers.

Ms. Awad noted that the Board did not mean to alarm people. The board is not considering changes that would take anything away from people who have chosen to install solar. People want to conserve, they want to reduce their own energy use and costs, and they want to save the environment. There are many reasons for deciding to use alternative energy sources. If we do change the policy, it will be to make it more flexible and expansive and to encourage people to do this rather than to discourage people. Ms. Awad noted that she was speaking personally and not for the Board. She would like to see the policy liberalized. The fact that we have only 25 households currently participating says the policy is not effective. There is a real dilemma for SHELD because revenues are dropping because people want to conserve. SHELD will have to adapt to that and figure out what it means in terms of electricity distribution in the future. Mr. Berwick asked if someone puts up solar and net meters so that SHELD is buying back some of that electricity, SHELD doesn't have to buy it from somewhere else. Mr. Conchieri noted that we buy back the power from net metering at three times what it costs us to buy anywhere else because the net metering policy is full retail. Our cost for power is five or six cents but maybe we're paying 14 cents for a PV buy. The cost of solar bought in an open market situation would be less than full retail. We can't buy power at what we're selling it to you for. Mr. Berwick noted that the community needs to make a statement about how important it is to use renewables in the generation of electricity. She stated that the Board is elected to represent the community in this. It is possible that if the end decision is that South Hadley ought to use more solar, energy generated from solar, that a policy decision that sets that direction for the community. He noted that the policy of SHELD, as stated, speaks to low cost energy, safety and reliability. If environmental concerns are factored in, the lowest cost might not be possible.

Ms. Awad noted that in the mission statement, environmental considerations are not mentioned. It stresses safety, efficiency, and low cost. These are good, but we need to consider climate also. This might be going beyond net metering and looking at the power distribution by source. We should include sources from water, wind, solar, and geothermal. Mr. Conchieri noted that we are

going to increase our power from hydro and we receive a significant amount from nuclear. We are the number 2 in the state for lowest carbon footprint.

Mr. Whitford suggested convening a working group, similar to what we did with the fiber project. Mr. Howard suggested that adding Power Purchase Agreements to the review work as SHELD does not currently allow them. Mr. Whitford moved and Mr. Schenker seconded a motion to establish a working group to address various aspects of renewable power, Power Purchase Agreements, and with the result being a review of our policies and to advise the Board about revisions to current policy or development of new policy. After discussion, the motion passed unanimously.

Ms. Awad asked the public to consider this opportunity and to submit names for this new group. We'll be looking for 7-9 members. Their meetings will be posted public meetings.

Ms. Awad announced that we would be adjourning our Open Meeting and entering into an Executive Session. Mr. Whitford moved and Mr. Schenker seconded that we adjourn to Executive Session for the discussion of litigation strategy as doing so in open session could harm our litigating positions. and not return to the Open Meeting following adjournment of the Executive Session. Whitford-aye, Schenker-aye, Awad-aye: unanimous vote on the motion.

The Open Session concluded at 6:53 PM.



Clerk

Approved : June 23, 2016