

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS VIRTUAL MEETING
DECEMBER 3, 2020 AT 5:30 P.M.**

Present for the Board: Chair Gregory Dubreuil, Vice-Chair John Hine, Anne Awad, Peter McAvoy. Kurt Schenker was absent. General Manager Sean Fitzgerald was present.

The virtual meeting was called to order at 5:32 P.M. by Chair Dubreuil.

Mr. Hine moved, and Ms. Awad seconded a motion to go into Executive Session for the purpose of contract negotiations with nonunion personnel and to return to Open Session at the conclusion of the Executive Session. The motion passed by unanimously by roll call vote, with one member absent.

The Open Session reconvened at 6:01PM with Chair Gregory Dubreuil, Vice-Chair John Hine, Anne Awad, Peter McAvoy, and Kurt Schenker present for the Board and General Manager Sean Fitzgerald, Financial Manager Michael Conchieri, Administrative Services Specialist Kim Mendoza, and Sr. Engineer Mark Gilmore present for SHELD.

Minutes Approval:

10/22/2020 Open Session

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

VOTED: To accept the minutes of the SHELD Board of Commissioners Virtual Meeting of October 22, 2020.

Public Comment:

The Board received an email from Mr. John Howard regarding discussing the feasibility of doing a solar PPA (purchase power agreement) at the schools like the one done at Mt. Holyoke College. Mr. Fitzgerald gave some background information on the PPA at the college. After a brief discussion with SHELD Engineer Mark Gilmore, it was decided that Mr. Fitzgerald would reach out to the Town Administrator and the Superintendent of Schools to start a discussion on the subject. He would then report back to the Board.

Mr. McAvoy commented that he was onboard with pushing towards using renewable energy sources and moving away from fossil fuels. He stated that SHELD has nuclear energy contracts now, but the contracts are up in his lifetime. He is a proponent of solar, wind and water and would like to see South Hadley move in the direction of investing in renewable energy resources to prepare for the future. There are other factors that need to be considered when looking towards investing in renewals for South Hadley, not just the bottom-line dollar amount.

Manager's Report:

Outages:

SHELD had one five-hour outage, impacting 20 customers, on November 15th at 5:00PM on Susan Drive. High winds caused a tree to fall, break a pole, and bring down electric wires. An

outage was necessary to make it safe to replace the pole and restore the power. This month was much quieter for outages.

Fibersonic Update:

There are currently 11 connected fiberhoods, with 620 connected customers. Six more fiberhoods are under construction with the Falls Wood and Berwyn Ave now accepting applications for installations in January. Currently, there are at least four installations being done daily. We expect to exceed 700 installations by the end of December. We are receiving positive feedback from customers who are using the service. We have 2,791 website submissions from people who have expressed interest. A new Fibersonic Application is now available in the app store for people to download to be able to manage their home network, or small business network, right from their phone or other electronic devices. SHELd will be promoting the new app soon.

The central office site work is almost complete. Relocation of the trailer from Stoneybrook to Plains is scheduled for tomorrow and the new hardened hut is being scheduled for delivery in the next couple of months. Progress has been significant. Marois Construction and the other vendors have done a great job.

Mr. McAvoy stated, with the financing agreement now in place, that he felt that the fiber service should be available to everyone equally and that installs should not be based only on interest in areas that have low construction costs. We should be delivering services to all areas now, even those areas with difficult underground construction. He asked if there were another way to decide the order in which neighborhoods get constructed, including all the areas with underground utilities.

Mr. Fitzgerald acknowledged that the Board authorized financing for the fiber project and that there is a huge appetite for fiber in Town. All customers are eager for the service. He reminded Mr. McAvoy that it is a 5-year construction plan with 32 fiberhoods and that by the end of 2021 it is expected that 17 fiberhoods will be constructed. There is a lot of make-ready work, on poles and underground, that needs to be completed by SHELd crews, in each fiberhood, before the fiber construction can begin. To speed up the project, we would need to hire extra crews which can add considerable expense to the project. The current construction plan was developed to make the financial plan work, by constructing the most passings at the lowest cost in the first phase, according to Mr. Conchieri. Quotes we received, for some of the underground work, would raise the cost of the project significantly. We are trying to be careful and to not exceed the budget for the project. Mr. Fitzgerald said that the construction order is an ongoing internal discussion and the team is trying to figure out how to make gains in all the areas.

COVID-19 Update:

We continue to operate as an essential business with our in-person customer service office closed to the public. SHELd continues to follow all protocols. There are no changes at this time.

2020 Employee Survey:

SHELd now has two years of employee survey data to share with the Board in accordance with

the strategic initiative of workforce. Mr. Fitzgerald displayed the 2020 vs 2019 results. He highlighted some of the specific categories. Most of the metrics showed improvements in the overall department performance. There has been an increase in morale and communication by emphasizing teamwork during all employee meetings and trainings. The categories that showed a decline were related to vacation time and people who may be leaving due to retirements over the next 5 years.

Overall, the survey showed improvements in the Management and Supervision categories and an increase in communication between employees.

Ms. Awad asked if the amount of vacation time was restricted for public employees. Mr. Fitzgerald said the vacation time is contractual for the union employees and less flexible. Some companies may give more than the two weeks that SHELd employees receive as new hires.

Mr. Hine was impressed with the scores and said that it reflects the progress Mr. Fitzgerald has made over last few years due to his excellent work at SHELd. Mr. Dubreuil and Mr. McAvoy both congratulated Mr. Fitzgerald on the positive aspects of the employee survey results.

September 2020 Financials:

Mr. Conchieri started with the September monthly report with a Q3 2020 Quarterly Economic Update. He highlighted the state of the U.S. economy as it continued to try and rebound from the initial fallout of the COVID-19 pandemic. Mr. Conchieri covered specific facts about the current state of the economy which is trying to come back but still has a way to go.

Mr. Conchieri referenced PowerPoint slides as he gave a brief overview of the Financials for the month ending September 30, 2020.

Kilowatt hour sales for 2020 of 84,136,000 were down by 1% from 2019, or 1,077,000 kilowatt hours. Year-to-date operating revenues of \$10,186,000 were down by 3% from 2019, or about \$339,000. The \$339,000 decrease consisted of \$133,000 in lower volume and \$206,000 in a lower selling price. We had budgeted for a \$170,000 revenue increase; the actual was a \$508,000 decrease. The 2020 budget was written pre-COVID.

The 2020 kilowatt hour purchases of 84,809,000 were down by 2% from 2019, or 1,372,000. The 2020 cost of power sold at \$6,661,000 was down by about 9% from 2019, or \$698,000. The \$698,000 decrease consisted of \$117,000 attributable to a lower kilowatt hour purchase volume, and \$581,000 due to a lower purchase price. We had budgeted for a cost decrease of \$438,000; the actual was a decrease of \$259,000.

The decrease in revenue was less than the decrease in cost of power; therefore, the net revenue of \$3,835,000 was up from 2019 by about \$545,000. The actual to budget decrease in revenue was more than the actual to budget decrease in cost of power; therefore, the actual net revenue was down from the budgeted amount by \$331,000.

All other 2020 operating expenses of \$4,277,000 on a combined basis, were up from 2019 by about \$588,000 and up from the budgeted amount by \$108,000.

The period ended with a net YTD loss of about \$252,000, which was not as good as the 2019 net YTD profit of about \$293,000 and not as good as the net YTD budgeted profit of about \$259,000.

Mr. Dubreuil commented that the pensions and benefits number was such a large percentage of the operating expenses. Mr. Conchieri stated that was something that we have very little control over.

Mr. McAvoy asked how we were doing compared to other municipals, compared to budget, when it comes to losses. Mr. Conchieri said he has not spoken to the other munis about it. Mr. Fitzgerald stated that he had spoken to other municipal managers. Collectables are running higher in other towns. It has been helpful that our rate composition is mostly residential, so we are doing better than others.

2021 Budget:

Mr. Conchieri referenced PowerPoint slides for the 2021 Budget report.

Operating revenues were calculated using current rates applied to 97% of forecasted kWh purchases. Every utility experiences line loss. SHELD's have been 3% over the past few years.

The 2021 budget average price per kWh is about \$0.129, compared to the September 2020 average cost per kWh of \$0.125 cents and the actual 2019 cost of \$0.123 cents. The projection is for a change in volume of a 4% decrease.

The cost of purchased power and transmission expense are based on MMWEC's projected 2021 purchases. The 2021 budget average cost per kWh is \$0.083 compared to the September 2020 average cost per kWh of \$0.085 cents and the actual 2019 average cost of \$0.074 cents. The projection is for a change in volume of a 4% decrease.

Wages for union employees were calculated based on current staffing and pay rates as stated in the CBA. All non-union employee salary and wages were calculated based on current staffing and pay rates. Distribution wages were increased to include an overtime estimate of 8% of gross wages and decreased to exclude a capitalization cost estimate of 46% of gross wages. A high percentage of distribution wages will be for capital projects next year.

Cost of power, distribution, customer accounts, and general and administrative supplies and expenses were determined based on historical and expected costs. Pension and benefit costs were based on the best available estimates at this time.

The operating budget for the year shows the depreciation expense set at 3% of gross plant cost and the net income is set below the DPU allowable limit of 8% on net plant cost.

Capital costs were based on historical average costs for the past three years and specifically identified major initiatives which include:

- Upgrade to substation equipment
- Renewal of river crossing / interconnect to HG&E
- Expansion of the fiber optic network to facilitate telecommunications.
- Implementation of AMI / installation of AMI system and meters
- Continuation of five-year vehicle replacement plan

On a motion made by Ms. Awad and seconded by Mr. McAvoy, it was unanimously VOTED: To adopt the annual budget for 2021.

General Manager Contract:

Mr. Dubreuil stated that the subcommittee of Mr. Hine and Ms. Awad negotiated the manager's contract with Mr. Fitzgerald. Ms. Awad reviewed the process of Mr. Fitzgerald's performance review and stated the Board had a very positive response to the performance evaluation. Mr. Hine continued that on a scale of 5, Mr. Fitzgerald received a 4.59. His performance has been outstanding over the last several years. This is the 4th amendment to his contract. The previous three years he received a percentage increase on his base salary plus a bonus. For this contract, the committee proposed a \$10,000 equity adjustment to his salary, then added a 4% increase on the resulting salary, which is in line with other managers. The increase would raise his salary to \$194,308 and his contract is being extended for another year to 2027. In the future the Board wants to move away from annual bonuses and just give a percentage increase based on performance.

Mr. Dubreuil asked the Board to consider the 4th amendment to the manager contract as stated by Mr. Hine.

On a motion made by Mr. McAvoy and seconded by Mr. Hine, it was unanimously VOTED: To accept the negotiation committee's recommendation to extend and upgrade Mr. Fitzgerald's contract.

Mr. Dubreuil stated that the Department is extremely well run. He was impressed with the positive employee survey results, the implementation of the major fiber project especially during COVID-19, and the Department's work during substantial storms this year.

Annual/Biennial Bid Results:

Mr. Fitzgerald indicated that the wire & cable bids and power & telecom materials bids are awarded to the lowest bidder per the bid recap.

On a motion made by Mr. Hine and seconded by Mr. McAvoy, it was unanimously VOTED: to approve the purchase of SHELDT's Wire & Cable and Power & Telecom Material requirements, for the period 1/1/2021 through 12/31/2021, from the lowest responsible bidder, for each individual item, based on economic analysis.

Mr. Fitzgerald indicated, for the vegetation management bid, that Asplundh was selected over the lowest bidder due to their ½ hour response time versus a 2-hour response time. The low bidder also did not indicate “additional equipment” pricing in the bid submission and was disqualified.

There has been a 60% increase in costs for the upcoming year as a result of an increase in the prevailing wage rates. This was the result of a decision made by the Department of Labor to remove an exemption for Municipal Light Plants. Tree Trimming is one of the most important things we do to minimize outages.

On a motion made by Mr. Hine and seconded by Mr. McAvoy, it was unanimously
VOTED: to approve the awarding of SHEL D’s Vegetation Management RFP, for the period 1/1/2021 through 12/31/2022, to Asplundh Tree Expert Company.

Old Business:

There was none.

New Business:

There was none.

Adjourn:

On a motion by Mr. Hine and seconded by Mr. McAvoy it was unanimously
VOTED: To adjourn

The open session ended at 7:02 P.M.



Anne Awad, Clerk

Approved: January 28, 2021

EXHIBIT A

List of Documents reviewed at the December 03, 2020 Municipal Light Board Meeting

1. Draft Open Session Minutes of the MLB October 22, 2020 meeting
2. Employee Survey Slides
3. September 2020 Financial Statement
4. 2021 Budget