

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING
SELECTBOARD MEETING ROOM, TOWN HALL
DECEMBER 5, 2019 AT 6:00 P.M.**

Present for the Board: Gregory Dubreuil, John Hine, Anne Awad, Peter McAvoy
Kurt Schenker (arrived 6:06PM)

Present for SHELD: General Manager Sean Fitzgerald, Administrative Assistant Kim Mendoza,
Financial Manager Michael Conchieri, Telecom and Meter Manager Bob Liswell

The meeting was called to order at 6:00 P.M. by Chair Gregory Dubreuil.

Minutes Approval:

10/24/2019 Open Session

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

VOTED: To approve the minutes of the October 24, 2019 open session of the Municipal Light Board.

11/14/2019 Open Session

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

VOTED: To approve the minutes of the November 14, 2019 open session of the Municipal Light Board.

Public Comment:

There were no public comments.

Manager's Report:

Outages:

Mr. Fitzgerald reviewed the outages for the last month. There was only one outage on Willimansett Street due to a transformer failure. The outage impacted a total 49 customers. Eleven customers were without power for 4 hours and nineteen additional customers that had to have their power shut off for 20 minutes to allow the crews to complete the repairs.

Fibersonic Update:

Mr. Fitzgerald updated the Board on the fiber progress. He said that construction has slowed down due to the weather. The snow is making it difficult to work underground so crews have gone back to working on overhead construction until conditions improve.

On Friday evening, Fibersonic staff members will be at the Holiday Stroll at the Village Commons from 4:00 – 8:00 PM. The pop-up tent and trailer will be set up and staff will be available to discuss Fibersonic service with residents.

Mr. Fitzgerald then gave an update and timeline on the construction progress of the new Plains Central Office hut and the upgrades to the existing Stonybrook Central Office. The next step for the Plains CO is to go before the Planning Board for construction approval. The target date to go out to bid is January 2020 with construction to begin in the spring of 2020. Mr. Liswell explained that hardened concrete huts will house the electronic central offices for fiber and future telephone service, for fiber customers, in a secure and protected building at both locations.

Mr. Hine asked if there was any data storage space available for third parties at Stonybrook which could generate additional revenue. Mr. Fitzgerald said that currently there was not any co-location of third-party customers but there is space. There is also the capability to enlarge the Stonybrook hut for future expansion.

Mr. Fitzgerald also told the Board that, in the spring, Fibersonic will be partnering with Big River (from Missouri) for a one-year pilot program for phone service which will be rolled out to a few of the fiberhoods as a test program. More information on phone service will be available at a later date.

September 2019 Financials:

Mr. Conchieri referenced PowerPoint slides as he gave a brief overview of the Financials ending September 30, 2019.

Kilowatt hour sales for 2019 of 85,000,000 were down by 5% from 2018, or 5,000,000 kilowatt hours. Year-to-date revenues of \$10,648,000 were down by 5% from 2018, or about \$596,000. The \$596,000 decrease consisted of a \$623,000 lower volume offset by a \$27,000 higher selling price. We had budgeted for a \$240,000 revenue increase; the actual was an \$836,000 decrease. There were lower sales but also lower power costs.

The 2019 kilowatt hours purchased of 86,181,000 were down by 5% from 2018, or 4,664,000. The 2019 cost of power sold at \$7,358,000 was down by about 7% from 2018, or \$585,000. The \$585,000 decrease consisted of \$408,000 attributable to a lower kilowatt hour purchase volume plus \$177,000 in lower purchase price. We had budgeted for a cost decrease of \$375,000; the actual was a \$210,000 decrease.

The decrease in revenue was greater than the decrease in cost of power; therefore, the net revenue of \$3,290,000 was down from 2018 by about \$11,000. The budgeted decrease in revenue was greater than the budgeted decrease in cost of power; therefore, the actual net revenue was down from the budgeted amount by \$625,000.

All other 2019 operating expenses of \$3,689,000 on a combined basis, were up from 2018 by about \$330,000 and up from the budgeted amount by \$101,000.

Salary and wage expense in 2019 showed an increase of \$67,000 from 2018 and a decrease from the budgeted amount of \$42,000.

Pensions and benefits were up by \$13,000 from 2018 and up from the budgeted amount by \$78,000.

2019 supplies and expenses showed an increase of \$242,000 from 2018 and were up from the budgeted amount by \$50,000.

September 2019 ended with a net YTD profit of about \$293,000, which was better than the 2018 YTD profit of \$177,000 but was short of the budgeted amount of \$579,000.

Mr. Conchieri answered a couple of questions from Mr. Hine regarding operating income losses and non-operating income from investments. He indicated that rates had been set so that SHELD's net would be only what is allowed under Mass General Laws. The non-operating income revenues offset some of the losses which allows SHELD to reduce costs to the customer.

Mr. Dubreuil asked the Board to make a motion to approve the September financials. On a motion made by Mr. Schenker and seconded by Ms. Awad, it was unanimously
VOTED: To approve the financials as presented.

2020 Budget:

Mr. Conchieri gave an overview of the Operating and Capital Budget ending December 2020. He stated that the 2020 Budget provides information related to the expected revenues and expected expenditures of the operation of the distribution system including maintenance and improvement of capital assets. The information incorporates assumptions of future events and actions.

Mr. Conchieri detailed how the figures for the operating revenues, cost of power, salaries and wages, supplies and expenses and pension and benefits were figured for next year.

The total 2020 operating revenue budget is \$14,691,842 with \$14,782,239 in operating expenses budgeted. After adding potential non-operating revenues to the operations loss, the budget shows a net income of \$259,602. It was noted that investment revenue is estimated but not guaranteed.

Mr. Conchieri then reviewed a summary of expected capital expenses for next year of \$3,558,500 for fiber expansion, AMI meters and vehicle replacements. The total includes labor, materials, subcontractor and overhead costs for each project.

Mr. John Howard inquired if any of the new vehicles being purchased would be electric. Mr. Fitzgerald stated that the vehicle being replaced next was a large utility truck which is not available in electric. After that purchase, there will be a couple of pickup trucks, but he is not sure of what there will be on the market for electric pickups. SHELD could investigate that when the time comes.

Mr. McAvoy asked whether the \$1.8 million dollars for the Telecommunications included revenue. Mr. Fitzgerald said it does include revenue. Mr. McAvoy then stated that he did not see a capital expenditure for battery storage which would be a move towards renewable energy on the Town level. Mr. Fitzgerald stated that he told the Board that he would investigate battery storage and started the process this year by putting in a temporary generator which provided a substantial energy savings. A battery storage project costs over \$1,000,000 and is a big project. Currently, all of the staff's time and energy is being taken up by the Telecom (fiber) and AMI projects, which are the first and foremost projects on the list.

Mr. Dubreuil stated that battery storage was not on the agenda and could not be discussed. It would need to be an agenda item because of the magnitude of the project. He said it could be on the January agenda. Mr. Fitzgerald agreed and said he could put together some information.

Mr. Dubreuil asked the Board to make a motion to approve the 2020 Budget report.
On a motion made by Mr. Hine and seconded by Ms. Awad, it was unanimously
VOTED: To accept the 2020 Budget Report as presented.

Annual/Biennial Bid Results:

Mr. Fitzgerald reviewed the information on the bid process and bid recaps for the annual bids for Line Materials and Wire & Cable for 2020. He also reviewed the information and bid results for the biennial bids for Meters and Transformers for 2020-2021. He asked the Board to accept the bids.

On a motion made by Mr. Schenker and seconded by Ms. Awad, it was unanimously
VOTED: To approve the purchase of SHELD's Line Material and Wire & Cable requirements, for the period 1/1/2020 through 12/31/2020, from the lowest responsible bidder for each individual item based on economic analysis.

On a motion made by Mr. Schenker and seconded by Ms. Awad, it was unanimously
VOTED: To approve the purchase of SHELD's Meter and Transformer requirements, for the period 1/1/2020 through 12/31/2021, from the lowest responsible bidder for each individual item based on economic analysis.

Manager's Review:

Mr. Dubreuil gave a quick overview of the rating system used by the Board in reviewing the Manager. He said Mr. Fitzgerald was evaluated in eight categories on a scale of one to five, where a rating of one indicates he rarely meets his goals, and a rating of five indicates he always exceeds his goals. Mr. Dubreuil indicated that Mr. Fitzgerald's overall average rating for the eight categories was 4.50.

The eight categories rated were technical expertise, administrative management, communications skills, personnel management, community relations, MMWEC and other municipal utility company relationships, compliance activities, and strategic planning. For each category rated, a Board member read the title and description of the specific goals, followed by Mr. Fitzgerald's average score. Then they each read one or two of the individual comments submitted by the Board members.

Mr. Dubreuil asked Mr. Fitzgerald if he had any comments. Mr. Fitzgerald thanked the Board for their leadership and support. He indicated that this was his third year and it was a very great year. He is proud of his Staff who makes everything happen. The fiber launch is one example of doing things correctly. There was a lot of investigation before embarking on this project. Also, the service, by the crews when there is an outage, is outstanding. It's been a great team effort. The Board has been great and it has been very beneficial to him that the Board has stayed mostly intact for the past three years.

Mr. Dubreuil had one comment. He stated that the evaluation process is to objectively review the Manager's performance based on his job description and the Strategic Plan. One comment made on the evaluation referenced moving to a nuclear free renewable energy environment. That goal is not in Mr. Fitzgerald's job description and wasn't part of the Strategic Plan. It was Mr. Dubreuil's opinion that it was not a fair comment to be reflected in Mr. Fitzgerald's evaluation.

Mr. Dubreuil continued by stating that the Board is behind schedule in reviewing the Manager and negotiating his salary and contract. Mr. Dubreuil previously discussed with Mr. Fitzgerald a timeline for completing the process by the January meeting and he was agreeable. Mr. Dubreuil reviewed the process that was used previously and had worked well. He indicated that the next step was for a subcommittee of two people to handle negotiations with Mr. Fitzgerald and report back to the whole Board. Mr. Dubreuil asked for volunteers for the subcommittee. Mr. Hine volunteered, and Mr. Dubreuil said he would serve on the committee again this year.

Old Business:

There was no old business.

New Business:

There was no new business.

Adjourn:

On a motion by Mr. Hine and seconded by Ms. Awad, it was unanimously
VOTED: to adjourn

The open session ended at 6:59 P.M.


Anne Awad, Clerk

Approved:

EXHIBIT A

List of Documents reviewed at the December 5, 2019 Municipal Light Board Meeting

1. Draft Open Session Minutes of the MLB October 24, 2019 Meeting
2. Draft Open Session Minutes of the MLB November 14, 2019 Meeting
3. Plains and Stonybrook Central Offices Timeline
4. Management Report September 30, 2019 and 2018
5. Operating and Capital Budget Year Ending December 31, 2020
6. Annual and Biennial Bid Review
7. Review and Goals of the Manager