

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING
SELECTBOARD MEETING ROOM, TOWN HALL
DECEMBER 6, 2018 AT 6:00 P.M.**

Present for the Board: Gregory Dubreuil, Chair, Vern Blodgett, Vice Chair, John Hine, Peter McAvoy
Kurt Schenker (joined meeting at 6:20 P.M.)
Also Present: Sean Fitzgerald

The meeting was called to order at 6:05 P.M. by Chair Gregory Dubreuil. Chair Dubreuil noted the first item on the agenda was an Executive Session.

A motion made by Mr. Blodgett and seconded by Mr. McAvoy to move to Executive Session for the purpose of contract negotiations with nonunion personnel and to return to Open Session at the conclusion of the Executive Session was voted unanimously by a roll call vote; Hine-aye, McAvoy-aye, Blodgett-aye, Dubreuil-aye.

The open session reconvened at 6:39 PM.

Additional Staff: Financial Manager Michael Conchieri, Administrative Assistant Kim Mendoza, Sr. Engineer Mark Gilmore, Telecommunications and Electric Meter Manager Bobby Liswell

Minutes Approval:

10/25/18 Executive Session

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

VOTED: To approve the minutes of October 25, 2018, Executive Session, at SHELD and not to release them at this time.

10/25/18 Open Session

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

VOTED: To approve the minutes of the Open Session of October 25, 2018.

Election of the Clerk:

Mr. Dubreuil began by stating that the election of the officers usually happens after the Town elections in April. Mr. McAvoy was elected Clerk in April but, due to personal reasons, he cannot continue in the position. Therefore, the Board would have to elect a new Clerk. Mr. Dubreuil nominated Mr. Hine. Mr. Hine accepted the nomination. There were no other nominations. The Board voted unanimously to appoint Mr. Hine as Clerk.

Public Comment:

Mr. Howard had a question about the cap on residential solar installations in Town. Mr. Gilmore stated that the cap is 2% for residential and 3% for commercial of the 2010 peak load. Mr. Howard asked how many solar installations that would that be if they were all 10k installations. Mr. Gilmore answered approximately twenty. Secondly, Mr. Howard asked that the Board consider battery storage installation for SHELD, listing several of the benefits. Mr. Fitzgerald said that SHELD and MMWEC were currently looking into battery storage and analyzing how it would affect SHELD.

MMWEC Award Presentation:

Mr. Brian Sewell, Energy Efficiency Program Manager at MMWEC (Massachusetts Municipal Wholesale Electric Company), introduced himself and stated he was attending the meeting to present SHELD with an award. Mr. Sewell said that he also manages the HELPS (Home Energy Loss Prevention Services) residential energy efficiency program and the GO (Green Opportunity) commercial, industrial and municipal energy efficiency program and SHELD participates in both of those programs. Mr. Sewell explained that MMWEC was pleased to present South Hadley Electric Light with the award for innovative redesign, or new design, of a website for customer access to residential or commercial efficiency programs. SHELD has improved customer access to online rebate applications and made key energy efficiency information easily accessible to their customers on the website, with a direct link to MMWEC. Mr. Sewell presented the award certificate to Mr. Dubreuil and Mr. Fitzgerald.

Mr. Dubreuil commented that ratepayers have told him that they like the updated website. They find it much easier to use and to be more interactive than the previous one.

Manager's Report:

Outages:

There were five outages, mostly minor, this month. The largest outage, on San Souci Drive, was caused by equipment failure of a padmount transformer, affecting fifteen customers for four hours. The SHELD crews restored power as quickly as possible.

Bob Liswell Introduction:

Mr. Fitzgerald officially introduced, and welcomed, SHELD's new Telecommunications and Electric Meter Manager, Mr. Robert Liswell. Mr. Fitzgerald stated that Bob will manage SHELD's Telecommunications and Advanced Meter Initiatives (AMI) in this new role and that SHELD was excited to have him on board.

Mr. Fitzgerald gave a brief background on Mr. Liswell. He stated that Bob brings twenty-three years of telecommunications industry knowledge to the job and was most recently employed by the City of Chicopee as their Technology Projects Manager. Bob also managed multiple fiber optic deployments & technology projects and brings 10+ years of project planning experience including; a Master Project Manager Certification. Bob had also been designated as the mayoral appointment for the City of Chicopee's Advance Meter Infrastructure (AMI) project since 2016. Mr. Fitzgerald stated that Bob brings a great combination of technical and municipal experience which will be of great value to SHELD. He will be key to SHELD's fiber rollout and AMI project management.

Thank You Letters:

Mr. Fitzgerald referenced a very nice thank you letter that SHELD received from customers Wayne and Sandi Buckhout. They expressed their gratitude, thanking our Assistant Working Foreman Peter Jesionowski and our Operations Manager Ed Morrin, and their entire team, for the speedy response and positive resolution to an electrical problem. Mr. Fitzgerald acknowledged Ed, Peter, and the team, for a job well done.

Mr. Fitzgerald also shared a second thank you letter that SHELD received from Mosier Elementary School and the Mosier PTO. They thanked SHELD for the continued offering of safety programs, provided by Mr. Ray Gouley. Mr. Fitzgerald stated that Ray does a fantastic job ensuring the South Hadley children are well informed about electrical safety. SHELD appreciates the thank you letter.

SMART Solar Rebate Program Update:

Mr. Fitzgerald highlighted the new solar rebate program that replaces the SREC rebate program that expired. Originally, the SMART program did not include Municipal Light Plants (MLPs) but an alternative program for municipals was developed. The Department of Energy Resources (DOER) and the MLPs will provide funding for rebates for qualifying PV solar installations. The DOER and the MLPs will each provide a rebate of \$0.60/watt DC each (a total of \$1.20/watt DC). SHELD is funding the program at \$50,000, providing for 83.3 kW DC additional total PV installations, which represents an approximately 25% increase in residential installations. Mr. Fitzgerald listed the specifications for SHELD residential customers. The systems must be rated 10 kW DC or less, with no more than 20% shading, and with orientation between 150 and 270 degrees. The installation must qualify as Renewable Portfolio Standard (RPS) Class I RECs (renewable energy certificates). The RECs will be owned by SHELD. The expected launch date will be in December, with an end date of 7/31/2020, or until funding is exhausted. Applications will be submitted via MMWEC and will flow to the DOER.

Mr. Gilmore stated that the average rebate for a 10 kilowatt PV system would be \$12,000. DOER has asked for \$2.3 million dollars to be matched by the MLPs. Mr. Fitzgerald thought it was a good program to support. Once the program begins and customers have a solar design, they will be able to go to the SHELD website and access the MMWEC link to apply for the rebate program.

Mr. McAvoy stated that he encourages people to put solar on their homes and asked if the rebate payment would be the final payment or an in-progress payment. Mr. Gilmore stated he believes that the rebate is paid after the PV system is built but all the information is not yet available. There are still some program details that have not been explained yet.

Mr. John Howard commented that there is a State program called the Massachusetts Solar Loan Program that works with local banks and helps people secure loans for up to ten years. Mr. Howard continued by stating that if your income falls between certain limits, the State will help pay for some of the loan. Mr. Fitzgerald thanked Mr. Howard for the information. Mr. Fitzgerald said he would inform the Board once more information is released.

September Financials:

Mr. Conchieri referenced PowerPoint slides as he gave a brief overview of the September 2018 Financials. Kilowatt hour sales for 2018 of 90,210,000 were up by 8% from 2017, or 6,416,000 kilowatt hours. September revenues of \$11,244,000 were up by 15% from 2017, or about \$1,456,000. Of that increase, \$717,000 was attributable to a higher selling price; the other \$739,000 was attributable to increased volume. We had budgeted a \$1,443,000 increase; the actual was \$13,000 higher.

The 2018 kilowatt purchases of 90,845,000 were up by 7% from 2017, or about 5,599,000. The cost of power sold at \$7,943,000 was up by about 14% from 2017, or \$1,000,000. Of that increase, \$547,000 was attributed to a higher purchase price; the other \$456,000 was attributed to higher kilowatt hour purchase volume. We had budgeted for a \$616,000 cost increase; the actual was \$387,000 higher.

The net revenue, after cost of power sold (i.e., gross profit) of \$3,301,000, was up from 2017 by about \$453,000 because the increase in cost of power was less than the increase in revenue.

All other 2018 operating expenses of \$3,356,000, on a net basis, were up from 2017 by about \$121,000 and up from the budgeted amount by \$18,000.

Salary and wage expense in 2018 showed an increase of \$75,000 from 2017, all of which was budgeted. Pensions and benefits were up by \$82,000 from 2017 and up from the budgeted amount by \$169,000. 2018 supplies and expenses showed a decrease of \$39,000 from 2017 and were down from the budgeted amount by \$165,000.

September 2018 ended with a net YTD profit of about \$177,000, which was better than the 2017 YTD loss of \$141,000.

Mr. Hine commented that electric usage was higher this year. Mr. Conchieri stated it was the hot summer and colder than normal fall weather that had increased sales.

The Board members liked the new presentation of the financials. They found it easier to understand and thought it would be helpful for people watching at home to follow along.

2019 Budget:

Mr. Conchieri gave a brief overview of the Operating Budget for 2019. He stated the operating and capital budget provides information related to the expected revenues and expenditures associated with the operation of the distribution system along with the expected expenditures related to the maintenance and improvements of capital assets. The information he supplied was prospective in nature and incorporates certain assumptions regarding future events and actions.

Mr. Conchieri stated how the figures were calculated and then listed some of the significant assumptions. Operating revenues were calculated using current rates applied to 96% of forecasted kWh purchases. The cost of power was calculated utilizing MMWEC's 2019 bulk power cost projections based on the Town's historical consumption, taking weather into consideration, and then applying market costs. Salaries and wages were calculated based on current expected staffing and pay rates. 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 as of the date of the budget.

The results of all the assumptions show a 3.6% return on gross revenues and total operating revenues equate to \$0.13 average per kilowatt hour, which are up .03% from where we expect to be at the end of 2018.

Capital costs were based on historical average costs (over the past three years) and specifically identified major initiatives such as the expansion of the fiber optic network to facilitate telecommunications (FTTH), the expansion of the fiber optic network to facilitate advances in metering infrastructure (AMI) and, ongoing vehicle replacement plans.

Mr. Hine asked what kind of wages can be capitalized. Mr. Conchieri stated wages associated with construction are capitalized. For example, if a lineman installs a new transformer or strings fiber, those wages are capitalized per accounting practices. Mr. Hine also asked if capital expenses come from the depreciation account funds. Mr. Conchieri said they did come from the depreciation account funds and that the DPU requires MLPs fund their depreciation accounts based on 3% of the plant assets every year. Mr. Dubreuil said that the Board needed to approve the September Financials and the 2019 Budget.

On a motion by Mr. Schenker and seconded by Mr. Blodgett, it was unanimously
VOTED: to accept the 2019 Budget and the September 2018 Financials as read.

Bid Approvals:

Vegetation Management Bid:

Mr. Fitzgerald reviewed the Vegetation Management (tree trimming) bid which provides for managing tree vegetation under and adjacent to all of the Department's overhead distribution lines. The work includes preservation of desirable vegetation, pruning and removing trees, site cleanup, and off-site disposal of cut vegetation. The bid is for a two-year period in an effort to be more efficient. The bid recap sheet showed the two bids that SHELd received and Mr. Fitzgerald stated that the Board's approval was requested to accept the bid. There was a brief discussion.

On a motion by Mr. Schenker and seconded by Mr. Blodgett, it was unanimously VOTED: to award SHELd's Vegetation Management Bid, for the period 1/1/2019 through 12/31/2020, to the lowest responsible bidder based on economic analysis, which is Asplundh Tree of East Windsor, CT.

Line Material Bids 2019-2020:

Mr. Fitzgerald reviewed the bid information for SHELd's line material requirements. The bids were for a two-year period in an effort to be more efficient and are awarded to the lowest bidder on each item. SHELd will not order everything on the list. Items are ordered when needed and only in the quantity needed at that time. The Board's approval was requested to accept the bids.

Mr. McAvoy asked why SHELd would lock in pricing now, if we buy items as needed. Mr. Fitzgerald explained that we need to have an approved vendor and pricing so that when we need to order, we can do so. Mr. Conchieri stated that we don't want to hold up ordering by having to go out to bid each time we want to order an item.

On a motion by Mr. Blodgett and seconded by Mr. Hine, it was unanimously VOTED: to approve the purchase of SHELd's line material requirements, for the period 1/1/2019 through 12/31/2020, from the lowest responsible bidder for each individual item based on economic analysis.

Wire & Cable Bids 2019-2020:

Mr. Fitzgerald reviewed the bid information for SHELd's the wire and cable requirements. The bids are for a two-year period in an effort to be more efficient and are awarded to the lowest bidder on each item. SHELd will not order everything on the list. Items are ordered when needed and only in the quantity needed at that time. The Board's approval was requested to accept the bids.

On a motion by Mr. Schenker and seconded by Mr. Blodgett, it was unanimously VOTED: to approve the purchase of SHELd's wire and cable requirements, for the period 1/1/2019 through 12/31/2020, from the lowest responsible bidder for each individual item based on economic analysis.

Approval of Manager's Contract Amendment:

Mr. Dubreuil gave a summary of the process used in the Manager's review. The Board conducted Mr. Fitzgerald's review at the last meeting and he scored a 4.7 out of 5. A subcommittee was formed, consisting of Mr. Dubreuil and Mr. Blodgett, to conduct negotiations with Mr. Fitzgerald. The results of the negotiations were a three-year extension of his contract, a 3.5% increase for the upcoming year, and a bonus of \$5,000 to be paid from the electric power business and a \$5,000 bonus to be paid from the fiber optic business.

On a motion by Mr. Hine and seconded by Mr. Schenker, it was unanimously
VOTED: to approve the second amendment to the Manager's employment contract as presented.

New Business:

Mr. Schenker mentioned that the staff at the middle school was interested in having Ray Gouley present the safety program there next year. Mr. Fitzgerald said he would contact Mr. Gouley about adding a program at the middle school.

Other New Business:

Mr. McAvoy pointed out that the UN's report on climate change assessment shows that we are in tough shape. He feels that, since we produce power, we should focus on getting out of this situation. He thanked John Howard and the DOER for their interest in solar installations. Mr. McAvoy stated that one of the reasons that caravans of people are coming, from El Salvador and Honduras, is because it's hot down there. People are leaving Syria and Jordan because it's too hot to live there too. It's imperative for us to do whatever we can do to address climate change.

Adjourn:

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

The open session ended at 7:25 P.M.



John Hine, Clerk

Approved: January 24, 2019

EXHIBIT A

List of Documents reviewed at the December 6, 2018 Municipal Light Board Meeting

1. Draft Executive Session Minutes of the MLB October 25, 2018 meeting
2. Draft Open Session Minutes of the MLB October 25, 2018 meeting
3. Outages 12/3/2018 YTD
4. Thank You Letters
5. MA DOER and MA MLP Solar Program Overview
6. Monthly Management Report for the Period Ended September 30, 2018
7. Operating and Capital Budget - Year Ending December 31, 2019
8. Vegetation Management Bid 2019-2020
9. Line Material Bid 2019-2020
10. Wire & Cable Bid 2019-2020