



2020

ANNUAL REPORT

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Possibility*



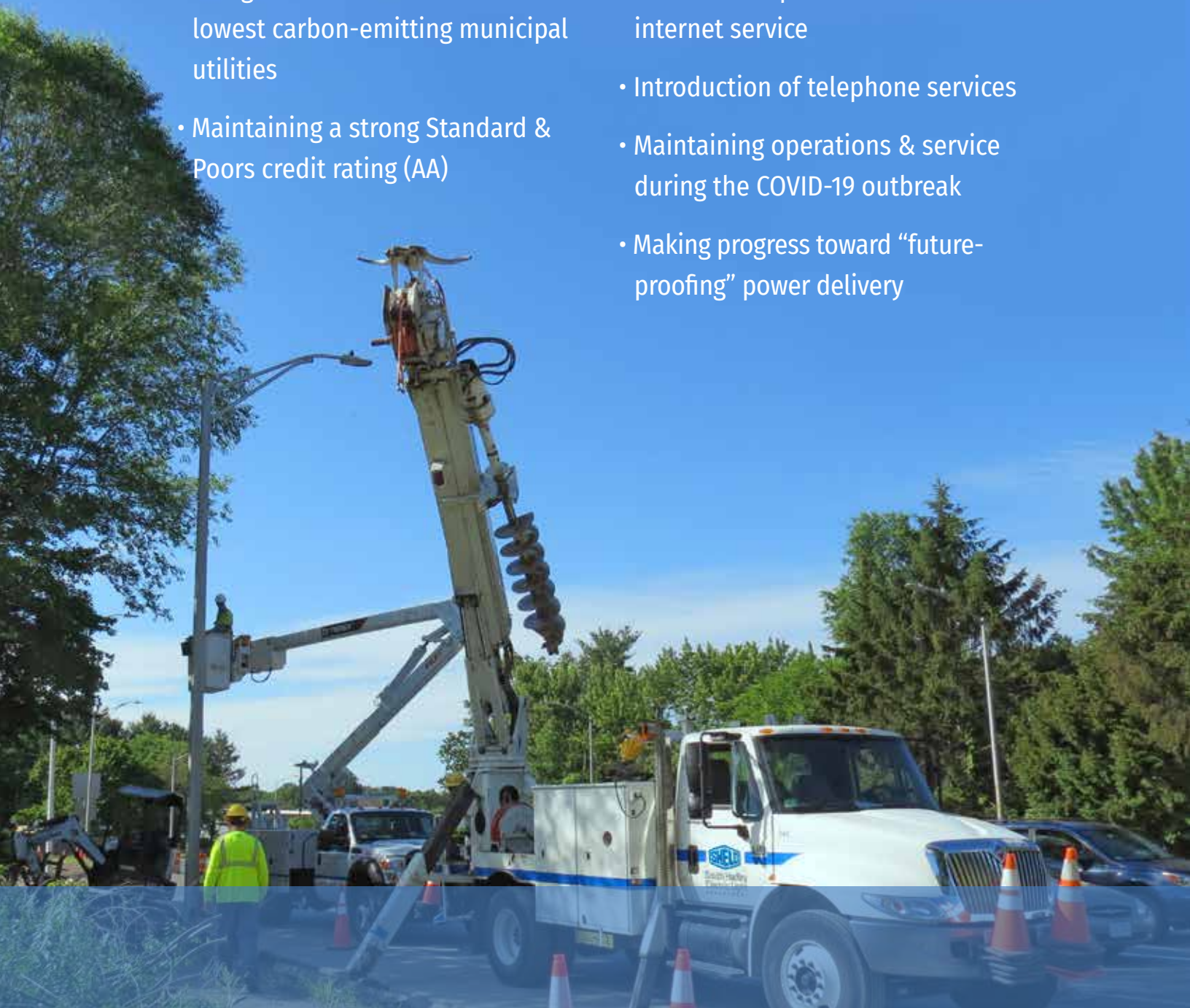
South Hadley Electric Light
DEPARTMENT

2020 was a year that tested all of us.

This report documents how we responded to 2020's challenges, the strengths we relied on, and the trajectory we maintain as we look toward the future.

SHELD's notable achievements this year include:

- Being one of Massachusetts' lowest carbon-emitting municipal utilities
- Maintaining a strong Standard & Poors credit rating (AA)
- Continued expansion of Fibersonic internet service
- Introduction of telephone services
- Maintaining operations & service during the COVID-19 outbreak
- Making progress toward "future-proofing" power delivery



Letter from the General Manager

The 2020 annual report is the first produced by the Department since 2013. Since 2013, significant changes in the operations the South Hadley Electric Light Department (SHELD) have occurred. The Municipal Light Board expanded from three to five members and, for the first time in over thirty years, a new general manager is at the helm.

Over the past six years, the Department made significant plant and equipment investments. SHELD has updated the administrative and electric operation facilities and established a satellite location for fiber operations. The existing fiber hub location at Stoneybrook and the new fiber hub location at Plains are undergoing major upgrades. SHELD has acquired land at Titans Pier Road and Granby Road. Titans Pier will provide a direct connection to the Holyoke Gas & Electric's electric and fiber distribution systems and Granby Road will provide a future location for SHELD's operations.

The Town of South Hadley has suffered significant increases in storm damage over the past few years. SHELD's rapid and professional responses earned it the American Public Power Association (APPA) certificate of excellence in 2019. The award is given to utilities with reliability that significantly exceed the average for all U.S. electric utilities. SHELD has also extended its direct outreach and communication to our rate payers by establishing two new websites, one for SHELD and one for the newly launched Fibersonic, on-line service applications, on-line bill pay, electronic invoicing, and a social media presence.

In 2019, SHELD retired the nuclear debt service on its ownership interest in Seabrook and Milestone power plants. This debt service represented a significant portion of our cost of power and its retirement will provide stability in power costs for decades as these generation assets are licensed to operate through 2045 and 2050. In 2018, SHELD restructured rates for the first time in seventeen years. In 2015, SHELD implemented annual financial audits, which confirmed both the reliability of SHELD's financial procedures and reporting.

Over the past few years, management has revised job descriptions, updated personnel policies, performed organizational restructuring, and updated its personnel manual. In addition, management has invested in both safety and managerial training. All employees receive periodic counseling and are reviewed annually. For 2018 and 2019, management conducted annual employee satisfaction surveys. The survey results demonstrate performance improvements in all areas such as communication, supervision, and management.

The Department has and continues to promote and embrace numerous energy efficiency and carbon emission reduction initiatives such as:

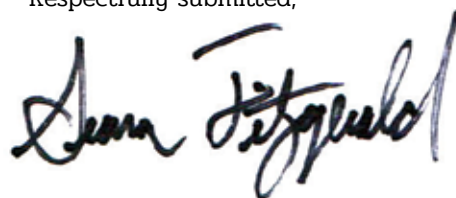
- Completed a town-wide conversion of streetlights to LEDs
- Entered into a 500-kWh long-term Solar Power Purchase Agreement at Mt Holyoke College
- Provided \$200,000 in rebates to customers installing residential PV systems
- Provided electric vehicle rebates and charging stations
- Implemented a connected homes demand reduction program
- Instituted residential and commercial energy and efficiency rebates

SHELD currently maintains one of the lowest utility carbon footprints in the Commonwealth with ninety percent of our energy from carbon free generation.

As we move into the new decade, SHELD will continue to focus on reliability, modernization, financial stability, workforce development, and energy efficiency. We will continue to pursue our two main objectives of fiber to all residents of the Town and deploying our advanced metering infrastructure.

I hope you enjoy the additional material we have included in this report. We appreciate your continued support of our efforts to provide outstanding local service to all our customers.

Respectfully submitted,



The focus of the new Board and General Manager has been on improving electric service reliability, modernizing operations and customer interactions, enhancing our financial condition and accountability, investing in our workforce to increase safety and employee satisfaction, promoting energy efficiency and carbon emission reduction measures, and expanding our fiber service to all Town residents.

STRATEGIC PLAN 2019-2023

The Strategic Plan we developed provides transparency, making clear the measurable steps we are taking to respond to South Hadley's needs, both in the present and the future.



Families and businesses alike know that planning ahead is crucial to reaching goals.

Maybe you were one of the many residents who attended a strategic plan development meeting, all of which were **open to the public** and overseen by the elected Municipal Light Board.

Our Strategic Plan is organized around **five areas of importance** that we seek to strengthen and improve over the course of the 5-year period.

STRATEGIC PLAN FIVE KEY AREAS

- Finance
- Reliability
- Customer Engagement
- Community Development / Enhanced Quality of Life
- Workforce



FINANCE —Ensuring we have a strong foundation to support our goals of expanding services and establishing an infrastructure that's built for the future.

Most of us understand electric service as the light that comes on, the dishwasher that runs. But to bring that power into homes and businesses, SHELD has to engage in complex energy markets.

Stable, strong finances help us plan how to navigate the volatility that can exist in the wholesale energy marketplace. SHELD's current financial position is stable with **little to no debt** and **five straight years of clean audits** from an external, independent auditor.

Our Standard & Poor's credit rating recently was raised to AA, up a full tier from our rating in 2017



*Stable financial footing helps qualify us to participate with industry partners. For example, our involvement in the **Green Opportunity program** allows us to facilitate rebates of up to \$25,000 to qualified South Hadley businesses for investing in energy efficient equipment.*



RELIABILITY — *Making sure we have capacity to respond to the unpredictable while we make sensible plans for the changing future of power delivery.*

Whether a business with a dozen employees or a resident baking a dozen cookies, South Hadley relies on SHELD service to get through their day.

Recent advancements have expanded our ability to meet that expectation, including:

- Establishing connections with neighboring distribution systems (called a circuit tie) as a **back-up source** in the event of wide-spread or catastrophic disruption to our system
- Completion of a pilot program for “**smart meters**,” advanced technology that can help us diagnose localized service problems. They can also help manage stress on the grid during peak hours to preserve reliability and potentially lower customers’ energy costs
- Recognized with a **Certificate of Excellence in Reliability** by the American Public Power Association, in which our uptime was measured against providers across the country

SHELD has agreements in place to meet 80-100% of the town’s power demand through the year 2050.

We’re ready for what’s next!





CUSTOMER ENGAGEMENT — *Many of the service enhancements we've introduced originated with input from you, the customers who own this utility.*

2020 marked continued progress in our ongoing process of upgrading and improving our customer service systems, including the expansion of digital & paperless platforms.

The concerns of our customers matter!

We could not have anticipated the conditions imposed on us in 2020 by COVID-19.

Fortunately, in recent years we've established multiple channels to **communicate to customers**, as well as hearing from them. These outreach efforts include:



- Periodic newsletters distributed to all customers, in print or by email



- Updates on social media



- Special coronavirus-related bulletins, in print & electronic formats



- Information about energy efficiency programs, rebates, and other incentives



- Video recordings of all Board meetings made available online



- Soon, customers may opt in for two-way text notification alerts



Facebook was just one of the ways we've streamlined communication with customers about local outages and other timely information.

COMMUNITY DEVELOPMENT —

Supporting quality of life for South Hadley was central to SHEL D's establishment over a century ago.



Quality of life in the 21st Century is different than when we were founded: carbon-free energy, renewable energy, ultra-high-speed internet service, and so on.

Some steps we took this year were high profile, such as connecting more homes to our Fibersonic gig-speed internet service, plus telephone service enabled by that network.

Another example: through partnerships with state institutions, SHEL D customers are currently eligible for rebates on solar power systems up to fifty percent of total installed cost.

That illustrates steps we've taken that are less visible: infrastructure improvements to make us future-ready for developments like solar and other technologies.

Opportunities will continue to emerge that can improve quality of life in town. SHEL D will continue to be ready.

At SHEL D, we're doing our part to keep our air and water clean: roughly 90% of our power comes from carbon-free non-emitting sources



WORKFORCE — *Delivering the full value of our plans relies on having the right personnel to keep the lights on.*



SHELD is not resting on its laurels: we will continue to advance and upgrade our customer service, our service offerings, and the technologies which make that service possible.



TOP, LINE CREW (left to right): Ed Morrin, Jim Pirog, Jeremy Tremblay, Jon Szymonik, Brandon Roy, Brian Jerome, Curtis Hoye, Pete Jesionowski

UPPER LEFT, TELECOM CREW (left to right): Bobby Liswell, Norm Blanchette, Lee Masters

MIDDLE LEFT, Greg St. Onge, Accountant; MIDDLE, Robert Blasko, Customer Service Electrician; MIDDLE RIGHT, Mark Gilmore, Senior Engineer

LOWER LEFT, CUSTOMER SERVICE TEAM (left to right): Christina Gonzalez, Kelly Frazier, Jenn Kulig, Kim Mendoza

Throughout 2020 and beyond, we remain dedicated to powering a bright future for South Hadley.



Sean Fitzgerald, General Manager



Kelly Frazier, Marketing & Customer Service Manager



Paul Byrne, IT & Business Systems Manager



Michael Conchieri, Financial Manager
CPA CGMA CVA CFF ABV

We're committed to long-term planning for continuity by hiring staff who will serve the town for years: 11 of our 23 employees have been hired in the past three years

Having a workforce with the latest trainings and industry credentials is a major part of how we fulfill the promise of our ambitious goals.



Bobby Liswell, Telecommunications & Electric Meter Manager



Ed Morrin, Operations Manager

FINANCIAL STATEMENTS

Condensed Statement of Net Position

	2019	2018
ASSETS AND DEFERRED OUTFLOWS		
Current	\$ 15,205,681	\$ 15,285,211
Restricted	8,369,225	8,889,064
Non-current	489,286	627,051
Capital - Net	5,771,606	4,146,927
Deferred Outflows	1,495,579	1,090,953
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 31,331,377	\$ 30,039,206
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current	\$ 2,054,015	\$ 1,642,680
Long-Term	5,420,140	4,637,994
Deferred Inflows	446,239	443,971
Net Position		
Net Investment in Capital Assets	5,771,606	4,146,927
Restricted	7,907,866	8,458,064
Unrestricted	9,731,511	10,709,570
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 31,331,377	\$ 30,039,206

Condensed Statement of Revenues, Expenses & Changes in Net Position

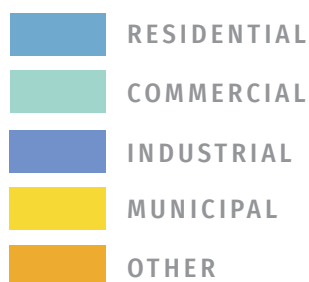
	2019	2018
OPERATING REVENUES	\$ 13,862,340	\$ 14,664,720
OPERATING EXPENSES		
Cost of Power Sold	9,540,547	10,469,675
Distribution Expense	995,397	930,836
Customer Accounts Expense	578,471	456,774
General and Administrative Expense	2,397,653	1,946,816
Depreciation Expense	1,069,828	1,055,978
TOTAL OPERATING EXPENSES	14,581,896	14,860,079
OPERATING INCOME (LOSS)	(719,556)	(195,359)
NONOPERATING REVENUES (EXPENSES)	948,196	191,838
OTHER FINANCING SOURCES (USES)	(132,218)	(178,012)
CHANGE IN NET POSITION	\$ 96,422	\$ (181,533)

Condensed Statement of Cash Flows

	2019	2018
CASH FLOW PROVIDED BY (USED IN):		
Operating Activities	\$ 347,410	\$ 687,994
Financing Activities	(2,662,465)	(845,960)
Investing Activities	3,523,559	9,402
NET INCREASE (DECREASE) IN CASH	1,208,504	(148,564)
CASH - BEGINNING	3,829,880	3,978,444
CASH - ENDING	\$ 5,038,384	\$ 3,829,880

We continue to maintain stable finances, with little to no debt. It's all a part of our long-term stability & preparedness.

Operating Revenue Distribution



Purchased Power Distribution





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M U N I C I P A L L I G H T B O A R D

Greg Dubreuil, Chair

Kurt Schenker

Anne Awad

John Hine

Peter McAvoy



South Hadley Electric Light
D E P A R T M E N T

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