

Electric Light Department

Town of South Hadley

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**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING
SELECTBOARD MEETING ROOM, TOWN HALL
MARCH 23, 2017 AT 6:30 P.M.**

Present for Board: Chair Anne Awad, Vice Chair Vern Blodgett, Clerk Gregory Dubreuil,
John Hine, Kurt Schenker
Also present: SHEL D General Manager Sean Fitzgerald

The meeting was called to order at 6:30 P.M. by Chair Anne Awad.

Public Comment:

Mr. Howard mentioned that the Planning Board is talking about legislation that would restrict the number of trees that can be cut down for solar installations and he wanted to know if SHEL D will have any input in the discussion. Ms. Awad said the Board has not had communication with the Planning Board at this time but she indicated that SHEL D would like to be included in the discussion.

Manager's Report:

Mr. Fitzgerald gave an overview of some of the initiatives he is focusing on right now.

Reliability: Our most important responsibility is to provide reliable power service to our rate payers and to ensure quick restoration in times of severe weather. We are investigating ties to our sister utilities to improve our overall reliability. We are also investigating the impact of the Mt. Tom closure. We are looking at options that would make us more reliable. We are fed primarily by one substation in Town. If that substation goes down, we want connection points to Chicopee or possibly Holyoke where we can have alternative reliability connections.

Internal Process Improvements: We have been looking at adding options to our billing system. We have met with vendors and are looking toward web based solutions for improvement to customer intake. This would include electronic applications for service. It will eliminate the need for customers to come into the office to fill out forms. Initial meetings have been productive and our goal is to have electronic service applications within six months once we pick the right solution and do some testing so it will be seamless to the customers.

Personnel Policy Updating: The current version of the personnel policy is from 2006. We need to bring it up to 2017 laws and codes. We plan to have a draft in the next couple of months to discuss with the Board.

Fiber Assessment: We recently did some detective work to assess our fiber. We have decided we need a fiber audit to determine our fiber capacity and what we are capable of, before deciding where to go from here and what the cost will be going forward. We met with people who were involved in the original fiber construction design and are in process of getting legal review to assess previous fiber commitments with previous entities.

Mr. Fitzgerald indicated he would like to meet with the previous Fiber Committee.

Mr. Hine said he would look into setting up a meeting.

Power Supply: This is the largest budget item for SHELD at 80% and has been initially evaluated. SHELD is very stable and well positioned for the future. Ownership is strong. Prices are slightly suppressed and will probably stay that way going forward.

Mr. Fitzgerald and the Board met with MMWEC earlier today and it was noted that SHELD is in a good position right now.

Operations Report – Outages:

The outage report shows the last 45 days of outages. There were six outages recorded, four caused by animal contact and two from high winds. It was a high wind month. The largest outage affected 1752 customers. A conductor may have been damaged in a past lightning storm on Alvord Street. The damage had not been previously visible to the eye but the 40 mph winds on March 2 took the wire down. The line was back up in less than one hour. It was a benefit that everyone involved in the repair was local. The crew and the office personnel stepped up and did a great job handling the outage.

Ms. Awad asked if anything can be done to keep squirrels off the power lines.

Mr. Fitzgerald said that animals are a constant source of frustration for every utility. The outages are usually small, affecting under 20 customers at a time and repair time is usually less than one hour.

Reimbursement to the Town:

Mr. Fitzgerald referred the Board to the Summary of the Annual Transfer to the Town for 2016. This is summary of the calculations for reimbursement for services rendered to SHELD by the Town. There is also a recommendation for FY 2018. Costs are going up significantly for health insurance. Mr. Fitzgerald met with the Town Administrator to discuss the costs and he estimates the cost of 2018 benefits will be \$600,000 and the cost of additional services will be \$175,000. Last year the total payment was \$675,000, this year it will be \$775,000.

Mr. Fitzgerald recommended the increase of \$100,000 to the Board and asked that they vote to approve it. A discussion then followed his statement.

Mr. Hine indicated he would like to separate out the reimbursement for the benefit costs (health insurance and pension) that the Town incurs. There is no need for discussion on these since SHELD needs to reimburse the Town for these costs. It is confusing when the two totals are lumped together as one sum. Approval for the \$600,000, in benefit costs, does not need to come from the Board.

Ms. Awad said last year that the auditors had suggested separating those two totals. Mr. Conchieri stated that the two figures were separated but paid together quarterly. Ms. Awad suggested that SHEL D pay with two separate checks. Mr. Conchieri said he could do that too.

Mr. Hine inquired as to what the \$175,000, estimated cost of services, relates to in this instance. Ms. Awad said it was previously referred to as the PILOT payment but that is not a legal process and that term cannot be used. The additional cost of services includes time taken by the town staff to process procedures for SHEL D, public safety, use of the roads and other similar things that are difficult to measure. She had discussed it with Mr. Sullivan last year and he said it would not be possible to come up with a list with amounts. She also met with a State expert who encouraged her to get an accounting from the Town for where the money goes. We should have good faith information to match the \$175,000 and know that it's an accurate figure.

Mr. Hine indicated that it's important to notice that the amount to cover the services has been inconsistent. Over the last few years, the amount has fluctuated which makes it difficult for the Town to budget. Services don't change much from year to year. The amount needs to be consistent.

Mr. Blodgett asked if the missing ingredient is a list from the Town of the services and the amounts for those services.

Mr. Fitzgerald said Mr. Sullivan had been asked for a list but it is challenging for them to come up with a list with dollar amounts.

Mr. Hine asked how Westfield handles their reimbursement. Mr. Fitzgerald indicated they have a formula and a cap but it's always an issue and the towns try to cover as much as possible of their costs and the utility Board is trying to limit the payment without having justification. It's a difficult process in all towns. He also did some analysis of other towns. SHEL D is right up there for payment amounts and has paid in the top tier when compared to surrounding utilities. If you remove Holyoke, because of their dam, we pay more than some and less than a few, but not many. It's very complicated, everyone has their own formula.

Mr. Dubreuil stated that even if the Town can't assign dollar amounts they should be able to come up with a list of the services, without a value. As a minimum, there should be a list of the services supplied by the Town.

Mr. Hine mentioned that other companies' or residents' taxes are based on values of assets of the property, not by the services they use. He suggested that possibly this model might be able to be used as a basis to address the question, even though SHEL D is a non-profit.

Mr. Blodgett then asked for information on the "Imputed Payment – Interest on Depreciation".

Mr. Fitzgerald asked Mr. Conchieri to address this line item. Mr. Conchieri stated the Town holds SHEL D's depreciation fund that should be invested. SHEL D should get the interest but doesn't, the Town keeps the interest. The interest is estimated, the rate is low, and it's added to the reimbursement figure. The reimbursement will more likely be closer to \$200,000 instead of \$175,000. We have been adding the interest to the reimbursement amount in past years. There needs to be further discussion with the Town on how the money should function going forward. The \$175,000 will be a cash transfer.

Ms. Awad said we will give the Town the interest going forward but suggested it could be included in the \$175,000. The Board has a fiduciary responsibility to the ratepayer but we are

also part of the Town. We want to be fair to the Town but we would like them to acknowledge they are holding the interest SHEL D's money produces. Mr. Hine said he assumes there is a cost incurred with managing the money and suggested this was a topic for a later discussion.

Mr. Dubreuil added that the reimbursement to the Town for direct costs, such as Blue Cross, does not need a vote, it's only the \$175,000 that needs a vote. Mr. Fitzgerald inquired if this meant that next year the Board did not need to talk about the benefits portion of the costs. Mr. Hine confirmed that statement. The \$600,000 for reimbursing actual expenses is pure accounting, an expense for benefits. It's a bill that needs to be paid and doesn't need a vote. Ms. Awad stated she hoped the Board could get a general breakdown of what categories the \$175,000 reimbursement pertains to, in case the DPU audits or the Inspector General wants justification for the payment. Mr. Fitzgerald said he would address it with the Town Administrator.

On a motion by Mr. Hine and seconded by Mr. Schenker, it was unanimously
VOTED: to approve the estimated additional cost of services of \$175,000 to be reimbursed to the Town.

Mr. Schenker asked if a motion is needed, for the future, that states that direct reimbursement of costs would be put on the warrant and handled by the manager since in the past it has always been addressed at the Board meetings.

On a motion by Mr. Schenker and seconded by Mr. Dubreuil, it was unanimously
VOTED: that, in the future, direct reimbursement of costs to the Town would be handled by the Manager.

Renewable Energy Trust – RET

Mr. Fitzgerald spoke about the pros and cons of joining the RET. He has met with the Town Administrator, the Department of Energy Resources and other key players from the State. The discussion was about the Town's intention to adopt the Green Communities Act. There are 5 criteria that need to be met. One criterion is to join the Renewable Energy Trust. The advantages to becoming a green community are rebates and grants for renewable and efficiency projects, but this is a complicated issue.

Mr. Fitzgerald spoke with several surrounding muni General Managers to get their feedback. Some of the concerns are that only 6 out of 41 communities have joined, primarily because it's irrevocable. There also may be cuts to the energy sector by the federal government administration and no one knows if there will be any impact on Massachusetts.

Mr. Fitzgerald asked the state for the number of people who have taken advantage of the programs from the communities that are members. Even though the amount charged to customers may be small, there are people of fixed incomes and it's a permanent commitment. Some people will never take advantage of the rebates. Also in looking at the power supply portfolio, much of our load is covered through existing generation ownership, so doing more renewable projects will push us closer to having more generation than we need. With a suppressed wholesale electricity market, this can create net sales of energy at a loss for SHEL D. The larger RET benefits come when a town has large scale projects planned like Holyoke who

has a large hydro fleet of generators and can receive large grant rebates for those types of projects. Mr. Fitzgerald commented that feedback has been that towns would need to have large scale projects, over a long period of time, to continuously benefit from the program. The Town has indicated they would like an answer by April. Mr. Fitzgerald stated he would like to investigate further and put a presentation together for the next Board meeting unless the Board wants to make a decision now.

Ms. Awad mentioned that she had called the 6 communities, months ago, and they reported that they would join again. It's good to join but we would need to use it to get the benefits from it, otherwise it's just a surcharge. It may be helpful to speak to the managers in those towns again.

Mr. Hine asked about the residential component to this program. Mr. Fitzgerald gave an example that if a homeowner needed a new furnace or boiler they could apply for a 0% loan through the Mass Save program and there are also rebates on energy efficient appliances and solar projects. There can be advantages for those who use the program but some people may never use it but will have to continually pay into the program.

Mr. Blodgett asked about power generation implications and how it could affect the revenue expense impact on SHEL D's operating statement. Mr. Fitzgerald explained that in the spring and fall there is more generation of power than we use, causing SHEL D to be "long". When you add more power from solar that makes SHEL D more "long" and if prices are suppressed, you sell at a loss. Our power supply is currently abundant for our load. That is another reason to be cautious.

Mr. Blodgett suggested while we all want to do the right thing for the Town, the planet and most people, it's a challenging situation because we don't want to make commitments that we'll regret down the road. It takes us back to the point of how the financial activities of the Town and SHEL D interact and how benefits are provided for on one side and paid for on the other side.

Mr. Fitzgerald agreed stating that the Town would also need to comply by buying electric vehicles, reducing energy consumption by 20% in municipal buildings in 5 years, having an as-of-right site for renewable energy and adopting the stretch code for new building development. On the other side the Green Communities Act has a pool of monies and the Town could apply for rebates and grants for Town projects. In order for the Town to take advantage of those grants and become designated as a Green Community, it is a requirement that the Light Department adopt a surcharge cost of \$.00050, half a mil, which averages less than \$4 per year per residential customer.

Ms. Awad is concerned about which form would need to be signed, if SHEL D voted to join the Renewable Energy Trust (RET). One form authorizes the Municipal Light Department Board to approve and join, the other has the Select Board and Town Meeting approving the SHEL D Commission vote. There are conflicting opinions as to which form to sign. We are an independent muni and are not subject to Select Board or Town Meeting review.

Mr. Fitzgerald will look into it before next month's meeting.

Mr. Howard and Mr. Whitford both spoke in favor of joining RET. They agreed that, with climate change getting worse over time and the small amount it will cost, the return on the \$5 a

year charge would be worth it. Mr. Howard mentioned that if we stop using all carbon now it would take 100 years before we are out of the woods. Again Mr. Fitzgerald stated he wants to make the right decision for all the ratepayers in South Hadley.

Mr. Blodgett asked if the Green Community aspect was the driving force behind joining RET and not the source of SHELD's power.

Mr. Fitzgerald confirmed this statement because it was shown at the meeting at MMWEC earlier in the day, that 76% of SHELD's power comes from non-carbon nuclear power.

Mr. Schenker asked if Mr. Fitzgerald could also prepare information on what it would cost SHELD to fund its own rebate program instead of joining RET. Mr. Fitzgerald said he would look into it. Mr. Fitzgerald explained there is a loophole which exempts Municipal Light Departments from joining the RET if there is a customer in Town who is supplied by an investor owned utility (IOU). Then it is not necessary to join RET, the Town can still become a green community. It is also possible to set up our own rebate program by putting money into a pot and distributing it ourselves. It would be challenging to try to match what Mass Save does but it's a way to control the money locally. Westfield has a version of the "GO" program geared mostly towards businesses but there are some prescriptive residential rebates which are offered similar to the Mass Save programs. Westfield funds it and administers it themselves. There is an engineering and administrative component to the program that is funded too. It is an alternative.

Ms. Awad stated this topic would be on the agenda for April and a decision would be made at that meeting.

MMWEC Designated Voting Representative Change:

Ms. Awad stated that the Board has been the voting designation, for the last year, for MMWEC and NYPA and it is time to shift that back to the Manager. This requires a vote by the Board.

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

VOTED: that the Town of South Hadley, pursuant to Article III, Section 6 of the Massachusetts Municipal Wholesale Electric Company (MMWEC) By-Laws, as revised and amended, and Section 3(b) of Chapter 775 of the Acts of 1975 hereby designates Sean Fitzgerald, its manager of municipal lighting, as its Voting Representative, to vote and execute written instruments on its behalf relative to adoption, amendment, or repeal of MMWEC By-Laws, the election of President and Directors of the Corporation, and other action by the Member cities and towns of MMWEC; and Anne Awad, Vernon Blodgett, Gregory Dubreuil, John Hine, Kurt Schenker members of the municipal light Board, are designated as an Alternate Voting Representatives.

NYPA Designated Voting Representative Change:

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

VOTED: that the NYPA Recipient Town of South Hadley, pursuant to Section 5.1.4 of the Agency Agreement between the Massachusetts Department of Telecommunications and Energy (MDTE) and the Massachusetts Municipal Wholesale Electric Company (MMWEC), hereby designates Sean Fitzgerald, its manager of municipal lighting, as its

Designated Voting Representative on the NYPA Recipients' Committee, and that Michael Conchieri, is hereby designated as an Alternate Designated Voting Representative.

Minutes Approval - 2/23/17 Executive Session

On a motion made by Mr. Hine and seconded by Mr. Schenker, it was unanimously
VOTED: To approve the Executive Session minutes of February 23, 2017, but not to release.

Minutes Approval - 2/23/17 Open Session

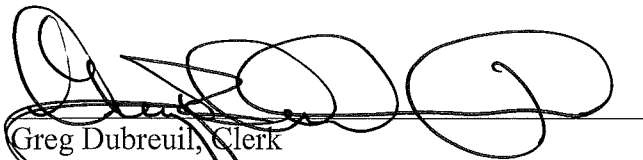
On a motion made by Mr. Hine and seconded by Mr. Blodgett, it was unanimously
VOTED: To approve the Open Session minutes of February 23, 2017.

Adjourn to Executive Session

On a motion by Mr. Hine and seconded by Mr. Blodgett, it was unanimously
VOTED: to adjourn to Executive Session to discuss strategy with respect to Collective Bargaining I.B.E.W. Local 455 and not to return to open session

By a roll call vote; Hine-aye, Blodgett-aye, Awad-aye, Schenker-aye, Dubreuil-aye.

The Open Session ended at 7:45 PM.



Greg Dubreuil, Clerk

Approved: April 27, 2017

EXHIBIT A

List of Documents reviewed at the March 23, 2017 Municipal Light Board Meeting

1. Customer Outages-3/20/2017 YTD
2. Annual Transfer to the Town Memo
3. MMWEC Designated Voting Representative & Alternate
4. NYPA Designated Voting Representative & Alternate
5. Draft Executive Session Minutes of the MLB Feb 23, 2017
6. Draft Open Session Minutes of the MLB Feb 23, 2017