

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING
SELECTBOARD MEETING ROOM, TOWN HALL
MARCH 28, 2019 AT 6:00 P.M.**

Present for the Board: Gregory Dubreuil, Chair, Vern Blodgett, Vice Chair, John Hine, Peter McAvoy
Kurt Schenker Arrived 6:03

Present for SHELD: General Manager Sean Fitzgerald, Financial Manager Michael Conchieri,
Administrative Assistant Kim Mendoza, Sr. Engineer Mark Gilmore

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

Minutes Approval:

2/28/2019 Open Session

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

VOTED: To approve the minutes of February 28, 2019, Open Session of the Municipal Light
Board.

Public Comment:

There were no public comments.

Manager's Report:

Outages:

Mr. Fitzgerald stated that there were no outages last month.

Seabrook Update:

Mr. Fitzgerald reported that, on March 12, Seabrook's twenty year operating license extension was granted. This extends the expiration date of the operating license from 2030 to 2050. This will provide South Hadley with energy supply stability for the next thirty years.

Mr. McAvoy asked if the extension was reflected in the Strategic Plan. Mr. Fitzgerald stated that it was and that while this extension is for the Seabrook Nuclear Plant in NH, the Millstone Nuclear Plant in Connecticut had previously received its operating license extension to 2045.

AMI Project Update:

Mr. Fitzgerald reported that, over the past year, management had been working on identifying preliminary technologies for SHELD's Advanced Meter Infrastructure (AMI)/Fiber Deployment project and has begun to make decisions on which type of meter will work best for South Hadley's needs. SHELD will begin a pilot test program of the meters by integrating them with the residential fiber installations and deployment. The meters are designed to integrate seamlessly with the fiber deployment.

Mr. Hine asked if the meters would be wireless. Mr. Fitzgerald stated that they will be able to communicate wirelessly and directly over the fiber. The plan is to start installing pilot meters, in the two fiberhoods, as the fiber is installed to the homes. Mr. Dubreuil asked about new meters for the customers that do not sign up for Fibersonic internet. Mr. Fitzgerald said the meters can also be installed on homes of people who do not sign up for fiber. The meters have the ability to communicate with the other meters. Mr. Dubreuil asked about the challenges of combining new meters with old meters.

Mr. Gilmore said that there could be challenges and that is why SHELD will be doing a pilot first. This will allow SHELD to see how the new meters and old meters work together. The data will be retrieved, reviewed, and decisions can be made, on what information will need to be kept and what information needs to be acted on, before moving forward with the whole project.

2018 Year End Financials

Mr. Conchieri referenced PowerPoint slides as he gave a brief overview of the Year End Financials for 2018.

Kilowatt hour sales for 2018 of 116,651,000 were up by 6% from 2017, or 6,778,000 kilowatt hours. Year-to-date revenues of \$14,665,000 were up by 12% from 2017, or about \$1,607,000. Of that increase, \$815,000 was attributable to a higher selling price; the other \$792,000 was attributable to increased sales volume. We had budgeted for a \$1,536,000 increase; the actual was \$84,000 higher.

The 2018 kilowatt hour purchases of 119,100,000 were up by 5% from 2017, or about 5,557,000. The cost of power sold at \$10,470,000 was up by about 10% from 2017, or \$943,000. Of that increase, \$477,000 was attributed to a higher purchase price; the other \$456,000 was attributed to a higher kilowatt hour purchase volume. SHELD had budgeted for a \$369,000 cost increase; the actual was \$574,000 higher.

The net revenue, after cost of power sold (i.e., gross profit) of \$4,195,000, was up from 2017 by about \$664,000 because the increase in cost of power was less than the increase in revenue.

All other 2018 operating expenses of \$4,407,000, on a net basis, were up from 2017 by about \$196,000 and down from the budgeted amount by \$45,000.

Salary and wage expense in 2018 showed an increase of \$119,000 from 2017, and an \$83,000 increase from the budgeted amount. Pensions and benefits were up by \$42,000 from 2017 and up from the budgeted amount by \$52,000. 2018 supplies and expenses showed an increase of \$35,000 from 2017 and were down from the budgeted amount by \$180,000.

December 2018 ended with a net YTD loss of about \$20,000, which was much better than the 2017 YTD loss of \$294,000.

Hr. Hine asked why there is a difference in the amount of kilowatt hours purchased and the kilowatt hours sold. Mr. Conchieri explained that there is always a difference between the two, for a couple of reasons. One reason is because of the line losses SHELD experiences, which amount to of 4-5%, each year. Mr. Gilmore explained that all electric utilities, including SHELD, experience line loss due to the physics of power transmission. Mr. Conchieri continued to state that the second reason for the difference is that the kilowatt hours purchased in one month are not sold until the next month, so that also adds to the difference in the totals.

Mr. Hine also asked about the fiber revenue being listed in "other" income category and not in the "operating" income category. Mr. Conchieri explained that "other" income is included in the operating income figures along with other items, such as yard lights. Mr. Hine asked if fiber revenue was growing. Mr. Conchieri said it has been growing slowly each year. Mr. Hine inquired as to when the fiber revenue would be broken out into its own division. Mr. Conchieri replied that since fiber is currently in the construction phase, that he would probably wait until third quarter, of this year, to move it into its own division.

Mr. McAvoy asked about the reason for the 6% increase in sales for the year. Mr. Conchieri stated that it was attributable to the weather. Last summer was very warm and the winter was colder than the previous year. Mr. McAvoy asked if Mr. Conchieri could find out if it was the colder winter or the warmer summer that caused the increase in sales. Mr. Fitzgerald said they could get reports from MMWEC. Mr. McAvoy then asked if the increase in sales could be attributable to an increased number of accounts. Mr. Conchieri stated that the customer base was basically unchanged. Mr. Gilmore agreed with Mr. Conchieri, stating that the weather in 2017 had been much milder in the summer and winter than in 2018, according to the peaks that were registered which caused ratepayers to use more electricity in 2018.

Mr. Dubreuil asked about the graph that compared the year-to-date revenue by rate class to the year-to-date kilowatt sales by rate class. It showed that the 2018 revenue was close to equaling the 2016 revenue but SHELD had the highest kilowatt sales, in 2018, than it had in the last 5 years. He remarked that it would mean that the ratepayers are paying a lower rate than they have paid in the last 5 years. Mr. Conchieri agreed with that statement.

RFP Approval Process:

Mr. Fitzgerald started by saying that SHELD had recently executed several RFPs pertaining to the FTTH/AMI project. He continued to explain that the Board had approved management to carry out these RFP's in an October 2018 meeting. The RFP amounts were included in the 2019 budget which the Board had already approved. He wanted to notify the Board that there were four bids that would soon be awarded including the installation services (residential service drops and in home installations), installation services lateral or midspan services, cable & connectivity (actual fiber product) and upcoming will be Central Office materials.

Mr. Fitzgerald asked the Board if they wanted to see all the details of each RFP that support the fiber construction, before awarding of the RFPs. He explained that the RFPs were processed in accordance with State guidelines. SHELD will use its crews for some of the work and will hire contractors, as needed, to keep the installation process on track. He continued by stating that Mr. Liswell had reviewed and evaluated the bids before making recommendations to Mr. Fitzgerald. They are now ready to make the awards. Mr. Fitzgerald mentioned that the Board had authorized him, in a previous meeting, to proceed with all aspects of the fiber project, which would include these RFPs.

Mr. Dubreuil stated that, unless something was outside the scope for the original project, he felt that the original authorization of the capital expenditures associated with the project would cover awarding the bids. He continued to say that Mr. Fitzgerald could proceed with the process without another Board vote.

5 Year Truck Replacement Plan Revision:

Mr. Fitzgerald began by reviewing that, in the 2019 capital budget, the Board approved the replacement of a digger truck for \$190,000. Management recently determined there is an immediate need for a smaller bucket truck for working on electrical secondary, primary and pole replacement in neighborhoods with tight spaces. They would like the Board to approve a deferral of the replacement of the digger truck. This smaller bucket truck would allow SHELD to perform more safely and efficiently. The existing medium sized bucket truck is often too large, in some areas, which poses some safety concerns. He stated that, because SHELD has 2 operational digger trucks, replacing the older digger truck could wait another year. He asked the Board to approve deferring the purchase of the digger truck until next year's 2020 budget and instead purchase a small bucket truck at an estimated cost of \$150,000.

Mr. Fitzgerald answered questions from several Board members. Then
On a motion by Mr. Schenker, and seconded by Mr. McAvoy, it was unanimously

VOTED: To purchase the 550 cherry picker truck versus the larger digger truck.

Strategic Plan:

Mr. Fitzgerald stated that the Board had been sent a final draft of the Strategic Plan and that it was ready to be released to the public. He would like the Board to approve the finished plan so it could be posted on the SHELD website. Mr. Fitzgerald scrolled through a presentation of the plan which featured the company's mission and vision statements, key operating strategies, and other key areas that SHELD will focus on over the next five years. It also included pictures of SHELD employees.

Mr. Dubreuil mentioned that the creation of the plan was a collaborative effort on the part of the Board, SHELD management and the employees. He felt that it was great to be able to interact with SHELD employees on this project. The industry is experiencing significant changes and challenges. This plan will allow an additional level of transparency and will show the future direction of SHELD. It can be used to evaluate performance, management, meetings and projects.

Mr. Hine commented that it's important to report against the goals. It needs to be a working document that drives SHELD forward. It's important for the Board to get regular updates. Mr. Fitzgerald said he plans to incorporate some plan goals into every Board meeting and that all of SHELD managers' goals are focused on the Strategic Plan goals. At next month's meeting, he plans on presenting the results from the first ever employee survey.

Mr. Dubreuil stated he would like to see documentation done on a more formal basis. He mentioned having an annual report again. Mr. Fitzgerald said that project was already in the works.

Mr. Blodgett asked when Mr. Fitzgerald thought that the plan would need to be updated. Mr. Fitzgerald stated the plan was designed for five years but that he plans on reviewing it internally, with his staff, yearly. Near the end of the five years, he will bring the Board in again to take a more comprehensive look at the plan and repeat the planning process.

Then on a motion by Mr. Hine, and seconded by Mr. Blodgett, it was unanimously
VOTED: To adopt the Strategic Plan, as presented.

Other items that come to the attention of the Chair after the meeting is posted:

First, Mr. Dubreuil commented that it was the last meeting that Mr. Blodgett would be serving on the Board. He wanted to personally thank Mr. Blodgett for his dedication and contributions to SHELD. Mr. Dubreuil said he has enjoyed serving on the Board with Vern who has been Vice Chair for the three years that he has been on the Board. Mr. Dubreuil stated he has a lot of respect for Vern's knowledge, his perspective on things, and how he carefully processes information. He will be greatly missed. We want to wish him well and we owe him a debt of gratitude for his service. He was also instrumental in the process of hiring the Manager.

Mr. Fitzgerald said he would also like to thank Mr. Blodgett for his service to SHELD. He found Commissioner Blodgett to be a deep thinker and very committed to SHELD customers' wellbeing. SHELD will also miss his editing skills. Thank you for your leadership and for hiring me!

Mr. Blodgett said it had been fun and thanked Mr. Fitzgerald for coming to work for SHELD.

Mr. McAvoy, Mr. Schenker and Mr. Hine also thanked Mr. Blodgett for his help and for encouraging people to become involved in Town government.

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Secondly, Mr. Fitzgerald said that Richard Harris, Director of Planning, had requested to use the Selectboard meeting room on April 25th at 6:45PM for a Town Special Meeting. This conflicts with the next planned Light Board meeting. Mr. Harris asked if SHELD could begin early at 5:30PM or finish early by 6:45PM that night.

There was a discussion about the way to accommodate the request. Mr. Dubreuil mentioned that the Light Board could meet at 5:30, if that time will work for everyone. Everyone agreed that would work.

Adjourn:

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

The open session ended at 6:48 P.M.


Anne Awad, Clerk

Approved: April 25, 2019

EXHIBIT A

List of Documents reviewed at the March 28, 2019 Municipal Light Board Meeting

1. Draft Open Session Minutes of the MLB February 28, 2019 meeting
2. Management Report for the Period Ended December 31, 2018 and 2017
3. SHELD Strategic Plan 2019-2013