

# *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  
APRIL 27, 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: SHELD General Manager Sean Fitzgerald

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

### **Reorganization of the Board**

Ms. Awad explained that at the first Board meeting following the Town elections, the Board looks at reorganization among the Commissioners and considers new officers for the upcoming year. She went on to say that she has been Chair for two years and will not continue to serve as Chair. The Board needs to choose a new Chair and that she would be willing to help that person going forward. She then asked for a nomination for Chair. Mr. Blodgett nominated Greg Dubreuil for Chair. Mr. Hine nominated Mr. Schenker who declined the nomination because of previous obligations. A vote was taken for all those in favor of Mr. Dubreuil for Chair; it was unanimous.

Ms. Awad then asked for nominations for Vice Chair. Ms. Awad nominated Mr. Blodgett. There were no other nominees. A vote was taken for all those in favor of Mr. Blodgett for Vice Chair. It was unanimous.

For the position of Clerk, Mr. Schenker nominated Mr. Hine. Mr. Dubreuil then nominated Ms. Awad for Clerk. Votes were taken for each candidate. There was one vote in favor of Mr. Hine for Clerk and three votes in favor of Ms. Awad for Clerk. Ms. Awad was voted in as Clerk and she passed the gavel to Mr. Dubreuil. Ms. Awad will report the results to the Town Clerk.

Mr. Dubreuil then spoke about Ms. Awad's work as Chair. He said the Board, the department, and the ratepayers owe a deep debt of gratitude to Ms. Awad for the guidance and leadership she has given over the past two years. He could not imagine where the Board would be without her diligence, perseverance, knowledge and patience. She leaves big shoes to fill but she has left at the point where it will be easier to take over the reins, given how things are going at the department now, with a new Manager in place. He also expressed his gratitude as a Board member and ratepayer for everything Ms. Awad has done over the past two years as she went well above and beyond what anyone is expected to do in a volunteer position.

Ms. Awad thanked Mr. Dubreuil. She also stated that she and Mr. Schenker are the remaining two members from prior to when the Board expanded to five members. She went on to say that neither of them could have anticipated the changes that have happened since then. They had a lot of support from SHELD staff and the ratepayers and that's what helped them through it all. Things are in good shape today.

### **Public Comment**

Ms. Zieminski agreed with Mr. Dubreuil regarding everything he said about Ms. Awad. She went on to say that Ms. Awad has been successful in addressing all the needs of the department in a professional manner and that she wanted to thank her too.

### **Manager's Report**

Personnel Policy Updating: The current version of the personnel policy is from 2006. Mr. Fitzgerald has had a meeting with legal counsel and has been working on updating the policy to include new laws. He has reviewed the entire draft and is waiting on a final review by legal counsel. There was a lot of IBEW language that doesn't need to be in the personnel policy because it's already in the IBEW contract. Mr. Fitzgerald said he should have a policy for the Board to review by the next meeting.

### **Outages – Fiber 4/12:**

There were no electrical outages for the past month. There was a fiber outage on April 12 which affected approximately 4 customers. A squirrel became trapped in the fiber conduit which was coming out of the ground. For some reason it was not capped and the squirrel chewed through the fiber optic cable, trying to get out, causing an overnight outage. Our crews and vendors assessed the outage, made repairs and it was back up by the morning. The conduit was then capped. Mr. Fitzgerald thanked the other departments who assisted SHELD in the repairs.

### **50' Bucket Truck Bid:**

It was decided to go out to bid for the new truck a few months earlier than anticipated. The truck that is going to be replaced needs some repairs; so instead of putting the money into the old truck we put the new one out to bid now. It is anticipated that the new truck will cost around \$220k. Mr. Hine asked how the purchase of the truck is funded. Mr. Fitzgerald stated it comes from the depreciation account which is set up for these types of purchases. Mr. Blodgett asked if the trucks wear out from usage or mileage. Mr. Fitzgerald said it is the usage and age of the vehicle that becomes an issue. The truck that is being replaced is from 1994 and we will put it out to bid to sell it.

### **Audit**

Mr. Fitzgerald spoke to the current status of the audit. Baker Tilly had been working on the audit for the last couple of weeks and spent time at SHELD and at Town Hall. This is the first audit done by Baker Tilly and there are additional services, that they have supplied, for which they want to be compensated.

Mr. Dubreuil elaborated on those services by referencing a conference call that he and Ms. Awad, as the audit subcommittee, had with the audit firm. The Board was disappointed that for two years in a row both audit firms we used asked for more money than what was originally bid. The issues reviewed were compensated absences and prior period restatements. Baker Tilly has

requested that the prior year audit firm restate their audit, which they probably won't do. Therefore Baker Tilly will have to do the restatement. There was time spent on the GASB 68 pension issues which include the timing of the reports and that the duration since the last report is in excess of the time required; so there will be potential issues leading to a possible disclaimer of opinion. There was time spent on the Inspector General report and adjustments that tie back to the prior period. There is a discrepancy of \$109,000 between SHELD figures and the Town's figures in the cash reconciliation. Also listed was the lack of a formal inventory/work order process which led to the firm spending more time than anticipated on reviewing for that part of the audit. Baker Tilly had figured potentially an additional 80 hours at \$190/hour above what is normally required and they have used 42 of those 80 hours, so far, totaling \$7,980.00. Mr. Dubreuil asked the Board to approve the amount that has been billed which includes the additional services fee.

Ms. Awad moved to approve the invoice dated April 3, 2017 from Baker Tilly in the amount of \$25,694.00 which includes the additional services not bid but requested of \$7,980.00. Mr. Schenker seconded the motion.

A discussion on the topic started with Mr. Hine asking if last year's audit was not as thorough as it should have been therefore leaving things that Baker Tilly needs to address. The audit firm last year had requested an additional services fee also.

Ms. Awad stated that Baker Tilly feels that last year's audit was not as complete as it should have been and they asked Melanson Heath to restate their audit from last year. The discrepancy between the Town and what SHELD has on its books was not resolved. Audit firms hate to restate audits; it implies they were not thorough. Things that should have been resolved last year were not, and therefore Baker Tilly did not have a clean slate to start the 2016 audit.

Mr. Hine asked if the \$109,000 discrepancy has been reconciled or will they just be stating that there is a discrepancy.

Mr. Conchieri said it has been reconciled but not resolved. He believes SHELD's numbers are correct and that it's a matter of how to bring the two into agreement.

Mr. Dubreuil said that Baker Tilly had also said that the SHELD figures are correct and that the discrepancy is on the Town side and they suggested a journal entry be made to make the adjustment. The Town is overstating what is in SHELD's accounts.

On the motion by Ms. Awad, and seconded by Mr. Schenker, it was unanimously

VOTED: to approve the invoice dated April 3, 2017 from Baker Tilly in the amount of \$25,694.00 which includes the additional services, not bid but requested, of \$7,980.00.

### **Annual DPU Report**

The DPU report was emailed to the Board for review and Mr. Fitzgerald passed around a signature sheet that needs to be signed by the Board members before submitting the report to the State. The report will be available on SHELD's website.

### **Reimbursement to the Town**

Mr. Fitzgerald has meet with Mr. Sullivan who was pleased with the way the reimbursement amount was separated from the cost of services amount. Mr. Fitzgerald also asked for a general description of the services supplied to SHELD, by the Town, and Mr. Sullivan agreed to supply a list. Mr. Fitzgerald will follow up with Mr. Sullivan.

### **Depreciation Fund**

This is a work in progress and that Mr. Fitzgerald has asked the Town for more understanding on how the fund is invested and managed. Mr. Fitzgerald explained that the depreciation fund is money set aside to purchase things that depreciate over time, such as trucks and materials for the distribution system. Currently the fund totals 5 to 6 million dollars.

Mr. Hine inquired how the money gets into the account to fund these capital expenses.

Mr. Conchieri said the fund was established through Mass General Laws and is calculated as a percentage of gross assets. It's set aside in a separate account for capital expenses but there are limits on what it can be spent. Massachusetts requires municipal utilities to set money aside for future expenses and it is transferred from general revenues.

Mr. Hine said he has spoken to Mr. Sullivan and Mr. Fitzgerald about this issue and right now SHELD's money is co-mingled with the Town's money in an account. He brought a copy of the annual review from the investment company managing the Town's accounts. There is no reason why SHELD's money cannot be moved to a separate investment account and then the interest earned could be tracked. On the municipal side, rules and regulations are very strict on investments but there isn't a reason why we couldn't move the money into a separate account. The interest then earned by the SHELD money could be determined accurately. Mr. Sullivan would be willing to set up a meeting with the investment firm.

Mr. Dubreuil mentioned that in the past we have taken the assumed earnings and have used that amount as part of the reimbursement to the Town because the interest amount was not known.

Mr. Fitzgerald said he had recently received an email from Mr. Sullivan stating this information and found that to be very positive. This will supply SHELD with more of an understanding of how the money is invested and the interest it earns. He thanked Mr. Hine for his work on this topic.

### **Renewable Energy Trust – RET**

Mr. Fitzgerald presented a PowerPoint slide presentation on RET (attached). This has been a long standing topic in Town.

There were several discussions on some of the slides during the presentation.

Mr. Hine commented on the slide referring to SHELD's power portfolio exceeding its current load. He asked Mr. Fitzgerald if the Town initiates a large renewable energy project, are we locked into the power we already purchase. Therefore any additional energy generated would not be helpful.

Mr. Fitzgerald explained that SHELD is invested in Seabrook and Millstone nuclear power plants and those two units cover 78% of the load on an average day. At night, when the load is

low, we have more power than we are consuming and we sell power back into the market. We have more generation than we need for a majority of the time and that may lead us to sell power back at a loss.

Mr. Howard asked if one of the power plants was going off line. Mr. Conchieri indicated that one plant has received an extension and the other is seeking an extension to stay in operation.

Mr. Fitzgerald corrected a statement he made last month regarding the Mass Save rebates. Joining RET does not give the residents access to these rebates. Only Investor Owned Utility (IOU) customers have access to these rebates because the money comes from a different source.

Mr. Dubreuil said he thought it was a requirement to join the RET to become a green community and wondered what has changed regarding that requirement. Mr. Fitzgerald explained that SHELD has identified some residents who are supplied their electricity by an IOU. The information was supplied to the State and it has met the criteria which will allow the Town to become a green community without joining the RET.

One of the slides showed that over the next 20 years the cost to South Hadley ratepayers would be \$1,118,900, if they were a member of the RET. Mr. Fitzgerald said the concern is whether the Town would be able to recoup that amount of money from rebates on large projects, and if not, then the money would go to other State projects. In his speaking with other RET member towns; they told Mr. Fitzgerald that the RET gives access to some rebate programs but they also indicated that some of their ratepayers found the rebate processes frustrating.

Mr. Dubreuil asked Mr. Fitzgerald about the rebate program that Westfield developed for itself. Mr. Fitzgerald outlined how they developed their own program by trying to mirror rebate programs that were offered elsewhere. It's possible to create a rebate, keep the money here, and have the customer apply through SHELD for the rebate. SHELD would need a clean website and online forms. SHELD would also need a program administrator that could help define the rebates to match RET rebates. Mr. Fitzgerald worked with a vendor to create Westfield's program. This vendor would evaluate the rebate programs out there and try to be competitive by offering rebate programs that the ratepayers are interested in seeing available. Mr. Schenker suggested that keeping the rebate program in-house could be more cost effective and safer in the long run.

Mr. Blodgett said that it looked like the only certainty is that RET is irrevocable and that we know what the cost is currently. We don't know if there will be money there when we would apply for it. We would have more control if it was handled locally because we know how much we could set aside and that is the amount that would be available to use.

The only negative that Mr. Fitzgerald sees is that there may be a large private customer who would want to do a large project and they could benefit from the RET membership. We may not be able to give out a large rebate before we can build up that amount in the program.

Mr. Hine asked how the program was funded. Mr. Fitzgerald said Westfield allocates a certain amount of money monthly to the program. There is an administration fee, to the vendor who manages it, but a large majority of the funds are given out in rebates. We could create a similar

program here. The money comes from the electric rates and the rates were not increased. We could budget for it, but since we haven't had a rate change in twenty years, we may need to adjust how our rates are allocated. Mr. Hine commented that the people he had heard from would be willing to have the rates increase the equivalent of .0005 to fund a program. Ms. Awad said she has noticed that rates have not gone up since she has been in town and she thinks we may be due for a rate change due to increasing costs of operations. She suggests maybe it could be done in stages.

Mr. Fitzgerald stated that South Hadley's rates are in the lower quadrant in the State. We are in a good position. We may not have to raise rates, just reallocate them. We will be looking at rates more closely in the near future.

Ms. Awad said the Board did a survey where about 100 people responded with most of them in favor of supporting the RET as a statement about caring for the environment. Ms. Awad would like to see what other alternatives to joining RET are available and suggested not voting on RET right now. She wants to support the Town in becoming a green community and had thought that RET was a requirement but if the IOU customers allow the Town to move forward without joining RET she would like to hold off on that vote. In the future we could still consider RET because it could help with economic development for the community.

Mr. Hine stated we could join the RET anytime, there is support for joining, but he would like to direct the GM to look into a local option where SHELD could develop a local program to raise funds for energy rebates and other renewable energy programs. He also stated he would like the Board to agree to not join RET right now and to look into promoting renewable energy use through a local program.

Mr. Fitzgerald agreed to work on a local program and present options to the Board. Then if it was not agreeable to them, we could still join RET later.

The discussion continued with Mr. Dubreuil mentioning the fact that we are selling power back into the market, possibly at a loss, as a result of when the purchase of electricity was locked in a while ago and there was greater consumption in Town at that time. He wondered now, with more conservation, would not joining RET put current commercial customers at a disadvantage or discourage new businesses from moving into Town if they wouldn't have access to the funds from the RET programs.

Mr. Fitzgerald said it was a possibility if there was a new business customer looking to do a large renewable energy project. However, there is currently up to \$25,000 available, through the GO program for specific energy efficiency projects, which is available to new industrial and commercial customers. That's what makes the decision difficult. In speaking with the other member communities, they said that joining RET is not a good economic decision right now because we won't recoup the amount we pay into the fund.

Mr. Howard spoke to the fact that the RET charges have not increased since the program began and it takes an act of legislature to get an increase so the rates were likely to not increase.

Ms. Zieminski asked who decides how the RET money is distributed. Mr. Fitzgerald said the CEC (Clean Energy Center), a State agency, appropriates the funds. They create the rebates on their website. Ms. Zieminski referenced another state program which was in a news article recently. She explained that this state program ran out of funds and she would be concerned about this happening with the RET. She liked the idea of having a local rebate program.

On a motion by Mr. Hine and seconded by Mr. Schenker, it was unanimously  
VOTED: to direct the General Manager to pursue developing an internal program for promoting renewable energy and providing programs for residents.

**Minutes Approval - 3/23/17 MMWEC Session**

On a motion made by Mr. Hine and seconded by Ms. Awad, it was unanimously  
VOTED: To approve the MMWEC meeting minutes of March 23, 2017.

**Minutes Approval - 3/23/17 Open Session**

On a motion made by Mr. Hine and seconded by Mr. Schenker, it was unanimously  
VOTED: To approve the minutes of the Board of Commissioners meeting on March 23, 2017 at 6:30 PM.

**Minutes Approval - 3/23/17 Executive Session**

On a motion made by Ms. Awad and seconded by Mr. Blodgett, it was unanimously  
VOTED: To approve the minutes of the Executive Session of March 23, 2017, and not to release at this time.

**Adjourn to Executive Session**

On a motion by Mr. Hine and seconded by Mr. Blodgett, it was unanimously  
VOTED: to adjourn to Executive Session for the purpose of discussing litigation strategy related to Federal Court Case, Docket No. 315CV30185, because to do so in Open Session may be detrimental to the litigation position of SHELD, and to not return to Open Session following the Executive Session.

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

The Open Session ended at 7:48 PM.

  
Anne Awad, Clerk

Approved: May 25, 2017

**EXHIBIT A**

**List of Documents reviewed at the April 27, 2017 Municipal Light Board Meeting**

1. Baker Tilly Invoice dated April 3, 2017
2. 2016 Annual DPU Report
3. Renewable Energy Trust PowerPoint dated April 27, 2017
4. Draft MMWEC Minutes of the MLB March 23, 2017
5. Draft Open Session Minutes of the MLB March 23, 2017
6. Draft Executive Session Minutes of the MLB March 23, 2017