

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT  
BOARD OF COMMISSIONERS MEETING  
SELECTBOARD MEETING ROOM, TOWN HALL  
MAY 23, 2019 AT 6:00 P.M.**

Present for the Board: Gregory Dubreuil, John Hine, Kurt Schenker, Peter McAvoy, Anne Awad

Present for SHELD: General Manager Sean Fitzgerald, Financial Manager Michael Conchieri,  
Administrative Assistant Kim Mendoza, IT/Office Manager Paul Byrne

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

**Minutes Approval:**

4/25/2019 Open Session

Chair Dubreuil asked if everyone had the opportunity to review the minutes.

On a motion made by Mr. Hine and seconded by Ms. Awad, it was unanimously

VOTED: To approve the minutes of the April 25, 2019 meeting of the Board of Commissioners.

**Public Comment:**

There were no public comments.

Chair Dubreuil stated that the Board was going to rearrange the order of the agenda and move up the Audited Financial Statement Presentation to before the Manager's report. He then introduced Bethany Ryers, Senior Manager, from Baker Tilly who presented the 2018 Audited Financials.

**2018 Audited Financial Statements Report & Presentation:**

Ms. Ryers explained that she would present an overview of the audit process, followed by the required communication to the governing body that was in the packet that was given to the Board. She also mentioned that there were a number of new GASB accounting standards being implemented that she would review for the Board.

Ms. Ryers said it takes approximately two hundred hours to conduct the audit for SHELD. This includes planning, risk assessment, field work and testing, and review of the financial statements. The field work was completed at SHELD, over a three day period in April, by a team who specializes in the utility business. SHELD management and staff were very cooperative.

The first step evaluates and assesses the risk areas of the organization and is conducted by talking with employees and learning SHELD's processes. Once the largest risk areas are defined, the audit team creates the audit procedures. These procedures consist of statistical sampling, independent confirmations related to cash accounts, specialist reports related to GASB reports, and tracing everything to invoices and source documentation.

The audit is performed in accordance to generally accepted auditing standards. This provides reasonable assurance that the financial statements are free from material misstatement. SHELD's financial statements received an Unmodified (Clean) Opinion, which is the highest level of assurance that an audit can provide. There was a restatement in 2017, related to GASB 75, which consisted of changing from one approved accounting method to another method.

Ms. Ryers reviewed the required communication which details the auditor's responsibilities and the Board's responsibilities related to the audit, significant estimates, and whether there were any changes in accounting policies (there were none). Baker Tilly agreed with SHELD's accounting policies and disclosures. There was one small audit adjustment, which was immaterial to the financial statements, that is included in the required communication. There were no other audit findings or concerns. SHELD did not receive any material weaknesses or significant deficiencies which is commendable for a utility of its size.

Next, Ms. Ryers discussed the upcoming accounting standard impact of several GASB changes that may, or may not, affect SHELD. Effective for 2019 are GASB 83, affecting asset retirement obligations, and GASB 84, affecting fiduciary activities. GASB 87 is a more significant change to the accounting of leases. There is some work to be done to investigate whether this will affect SHELD and that any leases are accounted for appropriately. GASB 88 has additional debt disclosures and GASB 89 eliminates the requirement to capitalize interest on plant projects. All of these changes will need to be looked at carefully to see if they will affect SHELD.

Ms. Ryers thanked the staff at SHELD, for all the time they put into preparing for and assisting Baker Tilly with the audit, and asked the Board if they had any questions.

Mr. McAvoy asked if whether the GASB information was included in their report. Ms. Ryers directed him to the pages in the report and mentioned that more information was available on the GASB website. Mr. McAvoy asked if the new GASB regulations would be pertinent to SHELD and all other utilities. Ms. Ryers said that, when the regulations become effective, SHELD will need to review its finances and decide if each one pertains to SHELD specifically. Mr. Dubreuil and Mr. Hine asked questions on specific GASB regulations that Ms. Ryers answered for them.

Mr. Dubreuil asked to talk about the Management Letter. He mentioned that oversight by the Board is important because of SHELD's small size. He specifically asked about several things that he would like to be able to remove from the Management Letter. The first item Mr. Dubreuil addressed stated a need for controls over financial reporting, adjusting journal entries and any account reconciliations. He asked if having the Manager sign off on these actions would be satisfactory. Ms. Ryers agreed that would be sufficient to have that removed from the Management Letter. Mr. Fitzgerald said that he could do that going forward.

The next thing Mr. Dubreuil mentioned was the capitalization policy. He asked Mr. Fitzgerald if that was something that could be in place by next year. Mr. Fitzgerald stated that it was already in the planning phase and would be tied into a new, more sophisticated, inventory control system that he wanted to see in place within twelve months. SHELD has been looking for an inventory software program, designed for smaller utilities, that will work with the business system currently in place. Mr. Dubreuil said he would like to see a capitalization policy in place by next year's audit, even if it's just a couple of sentences, and that it doesn't necessarily need to be tied to the inventory system. He suggested that, listing what types of expenses we capitalize, what we types of things we expense, and setting a dollar threshold may satisfy the need of a policy. Ms. Ryers agreed with Mr. Dubreuil that a policy can be as simple or detailed as SHELD would like it to be. It would be sufficient if SHELD could track that information, along with bulk item versus individual item thresholds, and make a decision as to which items need to be tracked. Mr. Fitzgerald said he would work on it this year.

The last item Mr. Dubreuil mentioned was the need for information technology improvements. He is interested in addressing this subject again as SHELD moves forward, especially with the addition of fiber.

Mr. Fitzgerald said that some of the information technology items listed in last year's Management Letter have been addressed, such hiring of Suite 3 as backup for the IT Manager, Mr. Byrne. Ms. Ryers said Baker Tilly had sent a separate letter regarding information technology to management. Mr. Byrne highlighted the IT updates SHELD made since last year. Mr. Fitzgerald then mentioned the contracted agreement with Holyoke Gas & Electric, who is the network operator for Fibersonic. They are monitoring the firewall daily. Mr. Hine stated he would like a copy of the letter and response regarding information technology updates that was exchanged between SHELD and Baker Tilly. Mr. Fitzgerald said he would send it out to the Board.

Ms. Ryers finished by stating that normally a utility of SHELD's size would have a material weakness over financial reporting or segregation of duties and internal controls. SHELD does not have either of these and that is very commendable. Mr. Fitzgerald thanked Mr. Conchieri and Greg St. Onge for continually doing great job with SHELD's finances.

On a motion made by Mr. Hine and seconded by Ms. Awad, it was unanimously  
VOTED: To approve and accept the financial report as presented.

**Manager's Report:**

Outages:

Mr. Fitzgerald stated that there were four minor outages last month that impacted 27 customers for about an hour. Two were due to equipment failures, one due to a lighting strike and one was caused by a tree that fell down. It was a quiet month for outages.

Solar Incentive Program Update:

Mr. Fitzgerald stated that on May 13<sup>th</sup>, the Department of Energy Resources announced the award of \$2.3 million dollars to fund the solar rebate program for Municipal Light Plants. There will be a 50% cost share from each participating light plant. South Hadley customers can now apply for these new rebates and will be awarded \$1.20 per watt for their solar projects. Projects are capped at 50% of the total installed costs on up to 10 kilowatts. The first step is to apply and obtain approval for solar from SHELD, using the "PV Interconnection application" on SHELD's website. It is located under Community, Renewables, then Solar, with links to each step. Step two is for customers to apply to the DOER using the online Solar Rebate application which can also be found on SHELD's website. Step three is to receive approval from DOER and install the solar within one year. Once it is installed, the customer will receive their rebate.

The maximum solar rebate a residential customer can receive is \$12,000 on a 10 kilowatt system. To-date, SHELD has received five solar applications. SHELD originally committed an amount of \$50,000 into the rebate program, with the State awarding a total of \$2.3 million. This resulted in a SHELD allocated share determined to be \$36,433.09 from DOER. SHELD will match the \$36,433.09 for a total of \$72,866.18 of total rebate funds which will accomplish an additional 60.72Kw's of solar in South Hadley. The DOER may offer a second round of funding to provide additional rebates.

Fibersonic Update:

Mr. Fitzgerald opened the Fibersonic website and indicated that customer interest in gig speed internet continues to grow. He stated that there were 1231 customers who had expressed interest so far. Three fiberhoods are currently under construction in the Old Lyman Road, Ridge Road and Hollywood Street areas.

Two of the fiberhoods, Old Lyman Road and Ridge Road areas, are now accepting applications as indicated in blue color on the website map. This is an important distinction. It shows that the customers,

who previously expressed interest in service, can now apply for service on the website. Preparations are being made to schedule residential site visits to those customers' homes starting in June. Connectivity for these areas is anticipated to begin as early as mid-July and continue throughout the summer and fall. Testing of the equipment is underway too.

Mr. Schenker inquired about the timing of connections for customers in those areas with underground services. Mr. Fitzgerald stated that areas with underground connections will be done at the same time as the overhead installations in these fiberhoods.

SHELD has hired an authorized contractor to help with the construction, Sertex. They are very experienced with overhead and underground fiber installation and are working in town now. Once SHELD completes the make ready work in each area, Sertex moves quickly onto the next phase of the construction.

SHELD is now starting make ready work in the Hollywood area, where construction will begin once the other two fiberhoods are completed. The plan is to begin accepting applications in that area in August. Customers who have expressed interest will receive emails letting them know that they can apply online at that time.

Mr. Fitzgerald stated that six more fiberhoods could be constructed in 2020. Everyone at SHELD is very busy and will continue to be busy for the next five years. Customers are stopping into the Fibersonic Streaming & Device Center daily to familiarize themselves with Fibersonic and ask questions about cord cutting and streaming.

**Customer Payment Metrics:**

Mr. Paul Byrne presented PowerPoint slides on SHELD's 2018 Payment Analysis. He started by stating that one of SHELD's strategic goals is Customer Engagement and one way SHELD interacts with its customers is through payments. Analyzing payments provides SHELD with metrics that will indicate whether new payment options are effective.

Mr. Byrne spoke about the four options for paying an electric bill: mail, bringing it to SHELD (walk-in or drop off), paying through the customer's personal bank or paying through SHELD's payment portal or IVR system (calling in a payment). The payment option determines how payments are processed or posted to the accounts. The first two payment options (mail & drop off) are processed at the office by posting the payment to the individual account. These payments are all handled individually by SHELD employees.

Payments made through the customer's own bank (online banking) are processed and posted through SEDC (SHELD's business system). Payments made through the Payment Portal or IVR system are posted automatically to the individual accounts. These two options are not touched by SHELD employees. Customers are not charged a fee for either of these types of payment options as long as a credit card payment is \$600 or less. SHELD pays a small fee to the credit card company for other payments made with credit cards and to SEDC for those made through the portal.

The 2018 total number of walk-in or dropped off payments that SHELD received was 48,002, or an average of 200 payments per day. This number has dropped from 59,407, over the last 5 years. Payments made through the portal have increased from 7,789 to 21,865, over the past five years. The roughly 48,000 payments processed in-house in 2018 (4000/month) are broken down as follows: 25,272 payments were walk-ins or dropped off and these payments are processed through a cash register. The payments immediately go onto the customer account. The 22,730 payments that are mailed in are

processed using a bank scanner. The payment stub and the check are run through the scanner which reads the account information and the check information. These payments are posted right to the customer account, and the checks are deposited electronically to the bank. It's real time processing of the payments and checks. Scanning also cuts down on keying errors. The automation of processes will allow more time for the additional work that will be coming into the office due to fiber.

Mr. Dubreuil asked if Mr. Byrne knew what the dollar amount was that customers saved from the early payment discounts. Mr. Byrne did not have the amount on hand but Mr. Conchieri stated that he recently looked into that information and it was approximately \$200,000 annually.

Mr. Fitzgerald mentioned that SHELD recently changed to a new phone provider. A new phone tree has been recorded and set up for incoming calls. There is an employee directory and an extension for fiber calls. Phone calls are now being recorded and monitored for quality control and to improve the customer experience.

**Sale of Old Lyman Road Lots:**

Mr. Fitzgerald stated that SHELD posted a bid for the sale of the three parcels of land located on Old Lyman Road. This was done in accordance with the September 28, 2017 Board vote, authorizing management to proceed with the sale of the three parcels. The bid was posted on the State Central Register and in the Hampshire Gazette, with the bid opening conducted on May 8, 2019. SHELD had one bidder, for all three parcels, for a total of \$165,000. Mr. Fitzgerald stated that the offer is in line with the appraised values provided by Bennet Franklin. The bid amount allows SHELD to recover 80% of the original investment while retaining over 6 acres of remaining land. It is management's recommendation that SHELD accepts the bid offer for the three parcels located at Old Lyman Road.

Mr. Fitzgerald reviewed the individual parcel bid offers: Parcel A1 bid amount was \$62,500, Parcel A2 was bid at \$56,500 and Parcel A3 was bid at \$46,000. Again, Mr. Fitzgerald recommended that SHELD accept the bid for the three parcels.

Mr. Dubreuil said he didn't think the Board needed to vote on awarding the bid because the Board previously gave the General Manager the authority to do what was necessary to sell the parcels.

Mr. Schenker asked about a previous concern that the sale of the land would need to go before a Town Meeting. Mr. Fitzgerald stated that legal counsel had confirmed that SHELD could sell the land. Mr. Dubreuil agreed with Mr. Fitzgerald, stating he had an email from Mr. Sullivan saying the same thing. Mr. McAvoy thought it would be a good idea to take a vote under these circumstances.

Mr. Dubreuil said he would abstain from voting because he did not think a vote was needed.

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

VOTED: To accept Mr. Fitzgerald's recommendation to accept the bid, with 4 votes in favor and one abstention.

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

Mr. Dubreuil mentioned that Ms. Awad suggested that the Board plan to schedule the summer barbeque they sponsor, for SHELD employee appreciation, in July or August. Mr. Fitzgerald said he would send the Board some dates to consider. He also mentioned that SHELD was going to incorporate some employee recognitions into the event.

*SHELD BOARD OF COMMISSIONERS MEETING  
MAY 23, 2019 AT 6:00 P.M.*

**Adjourn:**

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

The open session ended at 7:13 P.M.



Anne Awad, Clerk

Approved: June 26, 2019

**EXHIBIT A**

List of Documents reviewed at the May 23, 2019 Municipal Light Board Meeting

1. Draft Open Session Minutes of the MLB April 25, 2019 meeting
2. SHELD Board of Director's Presentation Report on Financial Audit – December 31, 2018
3. Outages 5/20/2019 – YTD
4. 2018 Payment Analysis PowerPoint