

Electric Light Department

Town of South Hadley

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SOUTH HADLEY ELECTRIC LIGHT BOARD MEETING MAY 26, 2016

Members of the Board Present: Anne S. Awad, Vernon L. Blodgett, Jr., John R. Hine, Kurt C. Schenker, Gregory R. Dubreuil
Staff present: Paul Byrne, Interim Co-Manager, Edward Morrin, Interim Co-Manager, Michael Conchieri, Financial Manager

Ms. Awad convened the meeting at 6:30 PM.

Public Comment:

Mr. John Howard asked that the website be updated. He would like to see the "Facts" page updated with rates and comparative costs.

Chair Report:

The Chair Report includes items of general interest to the public, to ratepayers and to staff and friends.

On a positive note, she introduced Mr. Byrne and Mr. Morrin, two staff members of SHELD who have been appointed to serve as Interim Co-Managers for SHELD. She noted that, after some months of operating without an onsite manager, with the Board playing that role of acting manager, these two people have been identified as demonstrating tremendous commitment to SHELD and to the ratepayers and as serving as role models for expertise in their areas. The combination of Mr. Byrne and Mr. Morrin brings the operations and field perspective together with the business end of SHELD. Mr. Byrne has been the Information Technology Director and has just been promoted to Business Manager and Mr. Morrin has been foreman over the operations area. They work well together. This is also a step for the Board to restore the boundaries of Management and Board function.

The Chair noted that following investigation of incidents involving the Senior Engineer, we have placed him on paid administrative leave pending disciplinary action

We are actively planning for the hiring of a General Manager. We have released an Request for proposal/RFP with a return date of June 3rd, and we've already had comments and interest expressed by several places that we've sent it out to. This process of hiring will be engaging all of the SHELD staff, the Board, and even members of the public in open sessions and with public opportunities to meet final candidates. We'll share the information about the candidates as widely as we can at appropriate points in the process, and we hope to be introducing a new general manager in the mid to late fall. Mr. Hine noted that the RFP was sent out to outside consultants to aid in the selection and hiring process of a new General Manager.

The South Hadley Public Library received a grant for historical document preservation, and when they were writing the grant, they contacted us and asked if we would like to participate. While not perfect timing for us, there are many important documents at SHELD that should be preserved and archived. We will be in a housekeeping mode over the next year and, as we are cleaning, we shall identify those items needing to be protected. An example is the handwritten minutes of the 1913 Town Meeting that agreed to buy the Amherst Electric Company and to form a municipal utility in South Hadley. The library has engaged a consultant that will work with us to identify what should be microfiched and stored, how to store paper documents, and more.

We are posting two positions for hire: an Administrative Assistant to help support Business Office functions and an Engineer. The engineering position is not to replace the current engineer but to delineate duties and build in redundancy in that crucial role.

The former Manager has filed a number of Open Meeting Law violations against the Board. He has also filed a complaint of age, disability, and retaliation complaints against the Board with the Massachusetts Commission Against Discrimination. The Board has engaged Sullivan & Hayes to represent us in these matters.

The Massachusetts Office of the Inspector General is investigating SHELD. They contacted us and have been out several times now to interview staff and to review documents. They are making a lot of requests that are burdening our new interim co-managers. We do not know the goal or what exactly they're investigating, but the Board is fully cooperating and sharing anything that they ask for.

Ms. Awad expressed our appreciation to the Holyoke Gas & Electric for their immediate response to our needs last October when we were suddenly without engineering expertise on our staff. I'm not sure that people know, but within the day Jim Lavelle at Holyoke Gas & Electric sent over five of his engineers, including the supervisor. They visited our substation, they took on the backup of our systems should we need that kind of expertise in any incident. Fortunately we never actually had to call them. Again, between Holyoke and Chicopee we hope to cover this engineering need until we have full engineering capacity again. Chicopee Municipal Electric Company also reached out to us and offered to help in any way. The Mass Municipal Wholesale Electric Commission has been very helpful in their guidance and support.

They've provided sample RFPs for the search process for a Manager Search consultant. They've provided sample job descriptions, sample policies, and all kinds of tangible helps that if we had to stop and recreate these from scratch would be very burdensome. Thank you to all of them, and to the many people who have offered us support as we navigate through this.

Ms. Awad noted that a big thank you goes to the SHELD staff. There are some really dedicated and amazing people in that building that have either been there for many years or not so many years, but they've showed such a commitment to making sure that not only do the lights stay on, but that they help us respond to all of the demands in this very ambiguous and litigious environment that we're in. They deserve a tremendous amount of credit.

The Board is optimistic that if we skip a year, you might find that coming to Board meetings is somewhat boring, that we've moved beyond the drama of personnel and operations and we're talking about technical aspects of energy distribution

Request for Extended Sick Leave. This was an agenda item but was not needed as the employee returned to work and no longer needs consideration of this.

Old Lyman Road Project

Ms. Awad noted that it is time for the Board to discuss the Old Lyman Road project. Ms. Awad gave the background that this is a project that has had peaks and valleys over a number of years now, with intense community and political interest for the last couple of years. Last June, the Board put the project on hold to conduct a public process, to gain the input from other boards in town, and other key groups in town. The Board also pledged to hold some public discussions about the proposed new building to be put on property we own on Old Lyman Road. These activities were undertaken and completed. Through several elections and through much scrutiny and in the environment of all of the other things that have been going on with SHELD, there remains a great deal of interest about this. The building is designed and it is quite a nice design. It would cost about \$10 million to put it out on Old Lyman Road. We need to weigh that as a factor. At one point a number of us, both on the Board and in the community, thought there was money in the bank to pay for this. There is no money in the bank to pay for this. There would be a low-interest loan, being about three percent, coming out of MMWEC, probably, if we wanted to borrow \$10 million, and there has been no analysis done that we know of as to the impact of that borrowing on ratepayers or on the broader financial picture of SHELD. The current facility is poor. It is in need of updating and polishing but, as well, there are also some potential structural issues, and to be sure of that we would really need to get a current structural engineering assessment to see if it's a useable facility for the short-term and then what are we going to do long long-term.

Mr. Schenker suggested that we hold a meeting where the neighborhood and everyone else gathered to review the plans. He'd like to see the plans spread out so all could look at them. People could express their concerns, draw on the plans, suggest modifications. He said the plans do not have to be that definitive at this point. He stated that there has been a large amount of money spent on this project already, and particularly noted the costs of permits obtained. Mr. Schenker stated that he is an advocate of building there. SHELD bought the property with the foresight of building it there, the area being an industrial area at the time.

While there have been some homes built there since the purchase, those homes would not be looking at the SHELD building. There is a high tension wire between the homes and the facility. There are two other commercial lots open to be built on right in the same neighborhood. It is a mixed-use area. Mr. Schenker said he understood concerns about the noise but anyone who has been by our current building; our trucks do not make noise. They are the quietest things in town. It would not be like the State DPW yard which is notorious for noise, with sanders and back-up beepers operating at night. We are not out at night, usually...unless in emergencies when people are glad to see us. Mr. Schenker also noted that he is not bound to a \$10 million building if it could meet needs at lower cost. We do need to own it and not jeopardize SHELD with the uncertainty of a leased facility.

Mr. Hine noted that his preference would be to do nothing right now. The most important task this Board faces right now is the choice of a new General Manager. Trying to maintain routine operations without a Manager is burdening staff and Board. He doubted that the Board had the capacity to manage a building project at this time. SHELD's current facility is not falling down. If there are safety issues, let us address them. Short of needing to vacate the building because of safety issues, he suggested that we put the project on hold. A permanent General Manager should be involved in determining what the building requirements will be, not today, but five and ten years down the road. The energy business is changing. SHELD is going to change over time, short term and long term.

Mr. Conchieri noted that our environmental permits expire in January, 2017 and that project costs are over half a million dollars with architect, environmental, and permits.

Mr. Hine noted that half a million is a sizable amount of money. One hates to see money spent and not reap the benefits of that, but you could also argue that we have explored this and we don't want to make a \$10 million dollar mistake. He noted that he was willing to jeopardize the \$500,000 invested to date to ensure that we end up spending what we need to spend for a building we need to have.

Ms. Awad noted that The Board and management are operating without a strategic plan or a business plan that shows you the operations rationale for building and how each year the revenues would support the borrowing costs. She noted that it was regrettable that the process to date has led to \$600,000 spent out, but sometimes the mature thing to do is to stop a process and state that we are not going to spend any more rather than continue to spend because you've already spent.

Mr. Dubreuil noted that there is a community consideration. There has been a lot of discussion relative to Falls redevelopment, and all plans for Falls redevelopment include keeping SHELD in the Falls area. Since the 1920's, SHELD is a part of the economic engine that makes up South Hadley Falls. There is also a community responsibility as SHELD is a public entity and the Board needs to make the most economic and feasible decision relative to location and type of facility.

Mr. Blodgett noted that the topic was a hot one during the recent campaign that gave us our current expanded Board here. There are so many things going on right now; the ten meetings of the Appropriations Committee and the explanations of what's going on with other aspects of the town's development, the South Hadley Falls in particular, and the South Hadley Redevelopment Authority's work that he would like to think that along with holding off at this time, that we would explore fully the opportunities to locate, remain located, relocate, divide,

whatever the process might be, the operations of SHELD in the area of the Falls where so many elements, so many constituencies in the town have expressed a desire to see it remain.

Mr. Schenker stated that we do not need to vote but could table this until the new Manager is in place and then we can bring it forward at that time.

The Board discussed the structural analysis done as preliminary to retaining an architect. The report is on the SHELOD website. Ms. Awad noted that she was not comfortable with using that existing report exclusively as it was ordered by the architects who were retained to design the new facility. It could be used and supplemented by a current structural analysis that focused on prioritizing safety, environmental and aesthetic needs for staff to remain in the current building at this time and for public access.

Budget Discussion:

Ms. Awad opened this discussion with a statement that she hoped it was not a surprise to people that SHELD does not have an annual budget. Several people expressed surprise. Ms. Awad stated that there is some rationale and description of "WHY we do not have an annual budget. There are constraints for municipal utilities. They have to be nimble in terms of moving large amounts of money from one place to another to fill in power sources, and that's one reason that she was told that we do not have a budget. Ms. Awad stated that budgets, in her experience, can be nimble and flexible, and that if there is a shortfall in one area, the Board can easily vote, if the need is brought to our attention to shift money to cover that area.

Mr. Dubreuil stated that we actually do have a budget, with operations specified and with a five year capital expense plan, but it is not circulated to the Board. It does come to the Board within the Department of Public Utilities report. We, as the Board, have not been involved in the traditional way of seeing a budget prepared in advance of the beginning of the fiscal year and approved by the Board, then recording of actuals against budget. Mr. Dubreuil felt that we have a starting point to creating a budget process that engages the Board. Mr. Dubreuil also described conversations he has had with various municipal managers, beginning with Jim Lavell of Holyoke Gas and Electric. He also called Ipswich and Shrewsbury and is pursuing Sterling Municipal Light Department. For Holyoke, Ipswich, and Shrewsbury, all do a detailed budget based on the FERC chart of accounts.

It's prepared, it goes to whatever their governing body is. In one case, they have an actual financial committee that approves the budget. In all cases, the budget is approved, usually 60 days or more in advance of the start of the fiscal year and then, during the course of the year, interim financial reports are prepared that show actual to budget. The budget includes a list of assumptions that are made relative to overtime, temperature, capital projects, things that are going to break down that are going to need to be repaired, and then any variances from budget to actual can be reported, any differences as far as those go. In speaking to Michael Conchieri we know that there are some challenges from both the staff and infrastructure perspective, as well as with the general ledger system that is currently used. Mr. Conchieri has told us that we are transitioning to a software system that will better accommodate the entering of budgets going forward and the ability to extract reports of actual versus budget. Mr. Dubreuil

recommended to the Board that we do something more formal, starting with the current year. We could take what Mr. Conchieri has already relative to the 2016 budget and look at it from a Board perspective. He is willing to work with Mr. Conchieri to try to set something up so that we can have some basis of measurement relative to actual versus budget in whatever format we can, even if it's very rudimentary for the remainder of 2016, to try and get a structure in place. We may need to start the budget process even before a manager comes on board, depending on when the manager comes on board. Obviously the manager will have a great deal of input into the budget. Mr. Dubreuil would like us to get the structure in place. Mr. Conchieri stated that the new software system should be fully implemented by the end of this fiscal year. Mr. Hine reiterated the need for the budget, referring to it as a plan. Having a budget helps you understand the ins and outs of revenues and expenses and to identify trends and challenges. Mr. Dubreuil will continue to work with Mr. Conchieri and will report back to the Board when appropriate.

Fiber optic Update.

Ms. Awad updated the public. We are trying to keep fiber optics alive and ready to move, and it has been difficult.

There is some expertise on our staff that can be tapped, but key pieces are not on the team at this time. There are lots of rumors floating around about Axia, who was a partner up until this point, and we hope to continue to work with them. The rumors include that they are engaged in a hostile takeover, that another company is trying to force them to be owned by the other company. Axia has been less responsive than in the past. This is impacting how we go forward because they were offering a certain expertise that we needed. So what we might need to do, if they're not able to fulfill that partner role, is to seek other expertise, other entities that could do it. But, meanwhile, staff is trying to keep it going, as appropriate, and there is strong Board interest. Mr. Conchieri reported that we have been unable to communicate with Axia. Calls are not returned. Mr. Hine noted that there has been activity at the Village Commons. Mr. Conchieri noted that that is the beta site to get up and running so Axia could show what they could do. They've installed and are providing services. Customers are happy. Mr. Hine said that if we want to move forward, it becomes a whole different ball game. There was a unique partnership in this case, and he was not sure we can recreate that partnership simply by soliciting other entities to step forward. It would be a difficult process. Mr. Schenker suggested that the Fiber Optics Committee reconvene to consider alternatives. The discussion reached consensus that Mr. Conchieri would make another attempt to talk with Axia. He said that they were to finish up some drawings we would need for a construction cost estimate and decide if it was viable for SHELD to commence. Meanwhile, Mr. Hine will reach out to the fiber optics group and pull together a meeting.

Payment in Lieu of Taxes (PILOT) or Reimbursement of Services

Ms. Awad updated and briefed the Board on the work the previous Board had done on PILOT. She noted that a consultant retained by that Board was clear that it is illegal for a municipal utility to make PILOT payments. The Board of SHELD is committed to making sure that the entity is not a drain on the Town. The Town does provide very significant services to us through the Treasurer's office (and in human resources, payroll and benefits). Last year we gave the

Town a certain amount of money to try to reimburse for that. The consultant, an expert in municipal utility finances and reimbursement models, told us that the Department of Public Utilities mandates that municipal utilities must use ratepayer revenues to cover our expenses that are legitimate in the purchase and delivery of power, and that a legitimate expense would be the time in the Treasurer's office that is involved in supporting SHELD and other aspects of Town government that are burdened in any way by SHELD activities. He counseled us to avoid the use of the term "PILOT" and instead to use "reimbursement of services". To buy time this year, we have level-funded our reimbursement of services and we will bring back the consultant for another session to help us think about what is fair for SHELD and for the Town so it is a balance and not to the advantage of one or the other. Needless to say, this involves conversations with the Town Manager and staff he engages to help with this.

Mr. Conchieri noted that the PILOT piece was carved out for 2015 in the amount of \$220,000 and has been around \$185,000 since then. Mr. Schenker noted that we are the highest taxpayer in the Town and he feels we get the least for the dollars we spend. He does not mind helping out the Town but he knows the way the fire districts work. They pay what it costs them, as a reimbursement.

Mr. Hine noted that it is complex. SHELD employees are part of the town's pension plan, and this pension plan is underfunded in South Hadley, like every other community in the state. We are obligated over a period of time to fully fund that plan. The general government has been putting money into an account towards that funding. So the question is, SHELD employees are beneficiaries of the pension plan, should SHELD be contributing to this OPEB, other post-employment benefit account to help fully fund the benefits that they'll be receiving, both pension and retiree health benefits, which the districts do not, I believe, participate in.

Mr. Conchieri noted that both our pension and the OPEB liability reside on our books. We pay the Town, just as the Town pays into Hampshire County Retirement for those expected benefits, and we too have set aside money for the OPEB funding. So we do recognize our obligation on both of those. They are now on our books, and you will not find that liability on The Town books anymore.

Some of the difficulty is if neither the Town nor the SHELD Board does not understand how we came up with our number, it does not resolve tensions and it does not help the SHELD Board understand our costs as a department of the Town. One fire district does contribute to the PILOT concept, one does not. The public schools do not pay a PILOT for all their buildings. How are we different and how are we the same as other Town departments. Mr. Hine closed the discussion with the point that reimbursement should be part of the annual budget discussion. The 2017 budget should have line items reflecting payments to the Town.

Insurance options for SHELD: PURMA or MIIA.

Public Utilities Risk Management Association (PURMA) is an insurance entity that acts as an agent for public utilities and which currently issues policies to SHELD for a variety of protections. An alternative agent is the Massachusetts Independent Insurance Agency (MIIA). MIIA is commonly used by Cities and Towns for their insurance needs. For a number of years, SHELD was covered by MIIA under the Town's policy. Several years back, perhaps longer than that, SHELD separated from MIIA and purchased their insurance through PURMA, which is

Public Utilities Risk Management Association. Ms. Awad stated that we are not going to make a decision tonight but Board members need to consider the types of insurance we have and the benefits of staying with PURMA or moving back to being part of the Town policy with MIIA. PURMA notified us that the Board is not covered for the federal lawsuit filed last October, although the Board is named in the suit. Would MIIA cover the Board with D&O liability coverage? Ms. Awad has spoken to the Town Administrator and he stated that it is not difficult for us to join MIIA. He would check a box on the renewal form that indicates that he has a municipal utility in Town and they would quote the premium for covering us. SHELd would reimburse the Town for the premium costs related to SHELd.

No decision was made. Ms. Awad will continue to gather information and will talk with the Town and with PURMA.

Renewable Energy Trust:

The Renewable Energy Trust (RET) is a state program within the Clean Energy Center. Municipal utilities have the option to join the RET, investor owned utilities are required to join. It comes with a cost, estimated to be between \$25 and \$40 per year for the average ratepayer. It comes on the electric bill as a small surcharge (5 mil per kilowatt hour). The benefits of the RET is that grants and funding for alternative energy projects are provided to members. If we take it on, we need to realize that it is a commitment of work by staff and Board to actually realize the benefits. Grantwriting is necessary to access funding.

One of the attractive things about RET is that it is one of four required components to have in place before a community can join the Green Community program. SHELd cannot absorb the cost of the surcharge. It must be itemized on the bill and identified as the Renewable Energy Trust.

Mr. Hine noted that membership is irrevocable. Once you join, you cannot decide later that it is not what you want. Joining demands that the Board communicate with ratepayers because it is not just Town government that benefits. Private businesses and residents can also participate and go after funding for projects. They need to know about the resources available. Mr. Hine questioned whether SHELd Board can make the decision to join RET independently or if the Select Board and Town Meeting might have to be involved.

Ms. Awad suggested that she go to the Select Board, perhaps with another Board member. We could explain the RET and seek their thoughts. The Select Board meetings are televised so it is another opportunity to get the public aware. Mr. Dubreuil noted that on the website there are two membership forms, one where the MLB signs directly and one where the Select Board is involved.

Mr. Byrne noted that out of 351 communities in the Commonwealth, 155 were Green Communities and out of the 155, 5 were municipal light plants. The rest, the 150, were investor owned. There are 41 municipal light plants in the state. Ms. Awad noted that she has called those 5 and that some of them are into their seventh year of membership. The response of all five is that it was well worth it. They were very satisfied and felt it had brought in tremendous resources. Mr. Byrne stated that you need the grantwriting resources to get the money and, in that case, it would be a great asset. Mr. Dubreuil suggested that had we been a Green Community or a member of the RET, we might have brought resources in for the library or the Plains School. He feels that even though it comes with a cost that people are at a point with

energy where they understand that a minimal charge for the potential benefits is worth it. It is also the responsible thing to do.

Committee Proposal: MR. BLODGETT: Thank you. Given that Mr. Blodgett noted that we now have the ability to have any two members of this Board talk to each other without violating open meeting laws, it seems like an opportunity to have one or more subcommittees if it would be helpful to address a few of the things that may be coming up. Examples would be Communications (the website, updating and information and education, news releases), Manager Search Support (prepare materials, organize interviews, visits), Solar/renewable energy (RET, options). The proposal was well received. Board members noted that members have different skills and expertise and could contribute to the Board work through subcommittee or work groups on topics. To pilot this, Mr. Blodgett agreed to join Ms. Awad on the gathering of information on insurance options: PURMA or MIAIA.

Staff Recognition: Ms. Awad announced that we have two long-term employees who are retiring this week and next week. Marcia Embury has been with SHELD for 43 years. She has performed all positions except lineman/woman. She is wonderful with the public and can defuse irate customers with her listening skills. She has been the Business Operations Supervisor for many years Leigh Hamel, Administrative Assistant is also retiring. She is another person with a very nice personality, kind of quiet and behind the scenes support to many important things. We wish them well, and we are rebuilding with some new faces that will appear. SHELD will begin to evolve for the next people who want to work there for 43 years.

Mr. Schenker asked if either of our new co-managers have anything to share. Mr. Byrne stated that Marcia and Leigh will be missed. Both played many roles and it will be hard to fill their places.

Mr. Morrin noted that it is a bit overwhelming with the work level and the lack of staff. He asked for patience from the Board and the public. He stated that he has been working for SHELD since 1992 in operations, and he knows the back end very well. He asked any of the Board members during the investigation into the building, the new building, the existing building, whatever we do, please feel free to consult him. He'll be glad to share with any

Adjourn:

Mr. Hine moved and Mr. Blodgett seconded a motion to adjourn. The motion passed unanimously. The meeting adjourned at 8:04 PM.

Approved at July 28, 2016 board meeting, motion by John Hine, second by Gregory Dubreuil, unanimous vote


Clerk