

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING
SELECTBOARD MEETING ROOM, TOWN HALL
JULY 26, 2018 AT 6:30 P.M.**

Present for the Board: Chair Greg Dubreuil, Vernon Blodgett, Peter McAvoy, Kurt Schenker (arrived 6:35 P.M.)

Absent: John Hine

Staff: General Manager Sean Fitzgerald, Financial Manager Michael Conchieri, Operations Manager Ed Morrin, Administrative Assistant Kim Mendoza

The meeting convened at 6:30 PM.

Public Comment

There were no public comments.

Minutes Approval:

6/25/18 Open Session – Strategic Planning

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

VOTED: To approve the minutes of the June 25, 2018 Open Session for Strategic Planning.

6/28/18 Open Session

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

VOTED: To approve the minutes of the June 28, 2018 Open Session.

6/28/18 Executive Session

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

VOTED: To approve the minutes of the June 28, 2018 Executive Session and to not release them at this time.

Manager's Report:

Outages:

There were five outages in the last month. Three outages were due to tree contact, one outage was from equipment failure and one outage was due to animal contact. The most significant outage was on July 23, on Brainerd Street, which affected 684 customers. Heavy rain and strong winds caused a tree to split and fall across the road. The tree broke the cross arm brace on a pole and knocked down a primary wire. SHELD crews were dispatched and the power needed to be turned off for sixty-three minutes to make the repairs.

A second outage occurred in the same area later that evening. The tree that had fallen earlier in the day had caused internal damage to the transformer causing it to fail. The transformer was replaced. This outage affected nine customers for two hours.

Mr. Fitzgerald commended the Operations department for an excellent job in making the repairs in a safe and efficient manner.

May 2018 Financials:

Mr. Conchieri gave a brief overview of the May 2018 Financials.

Kilowatt hour sales of 48,433,000 were up by 5% from 2017, or 2,265,000 kilowatt hours.

May revenues of \$6,049,000 were up by about 10% from 2017, or about \$541,000. Of that increase, \$278,000 was attributable to a higher selling price; the other \$263,000 was attributable to increased volume. We had budgeted a \$676,000 increase, but fell short by \$135,000.

The \$4,180,000 cost of power sold was up by about 17% from 2017, or \$620,000. Of that increase, \$452,000 was attributed to a higher purchase price; the other \$168,000 was attributed to higher kilowatt hour purchase volume. We had budgeted for a \$518,000 cost increase; the actual was \$102,000 more.

The net revenue after cost of power sold (i.e., gross profit) of \$1,869,000 was down from 2017 by about \$79,000 because the increase in cost of power was greater than the increase in revenue.

All other 2018 operating expenses, on a net basis, were up from 2017 by about \$84,000. Labor expense in 2018 showed an increase of \$60,000, most of which was budgeted. Supplies and expenses showed an increase of \$24,000, most of which was budgeted.

May 2018 ended with a net profit of about \$36,000, which was less than the net profit of May 2017.

Mr. Dubreuil mentioned that he noticed that the operating fund is consistently running approximately \$1,000,000 down from last year and thought that may have been due to a timing issue but it wasn't going away. Mr. Conchieri said that is due to two years of operating losses.

Mr. Dubreuil asked for a motion to accept the financial report. On a motion made by Mr. Blodgett and seconded by Mr. Schenker, it was unanimously

VOTED: To approve the financial statement of May 2018 as presented.

Strategic Plan Framework:

Mr. Fitzgerald reviewed a condensed Strategic Plan Framework PowerPoint presentation and asked that the Board discuss and agree on the framework of the plan. Once the framework was approved, he could begin writing the plan. It would include the initiatives and goals discussed during the meetings. He went on to review the strategic plan background, how Hometown Connections was chosen and how SHELD arrived at this point in the process. The three meetings were all open to the public and posted in compliance with open meeting laws. Mr. Fitzgerald then highlighted some of the steps used to develop the framework for the plan. He also reviewed the Mission and Vision statements and Values that were developed by SHELD's Implementation Team, which consisted of nine staff members, in conjunction with the Board members. Mr. Fitzgerald continued by reviewing the strategic themes; reliability, customer engagement, community development/enhanced quality of life, workforce and finance. The group had decided that these were the most important initiatives for SHELD to consider when setting goals for the next five to ten years. Mr. Fitzgerald explained that this presentation was just to approve the framework so he could move on to writing the plan. It would then be published on the website and initiatives would be implemented. SHELD will report its progress to the Board on a regular basis. Mr. Fitzgerald asked for comments or discussion from the Board.

Mr. McAvoy apologized for missing the last strategic plan meeting. He commented that he agreed with the vision statement, especially the part of the vision statement that mentions “the evolving needs of our customers and the community”. He asked about details and specific goals of the plan.

Mr. Fitzgerald replied that more detailed information, from the three meetings, was included in the original, longer, PowerPoint presentation that was sent to the Board last week.

Mr. McAvoy said he would like to see a project matrix spreadsheet on the strategic themes. He also asked if the staff had input into the Mission and Vision Statements and the Values and whether they are in agreement with the statements and values. Mr. Fitzgerald explained that a project matrix was going to be included in the plan.

Mr. McAvoy asked if SHELD employees were a part of the process and if they had bought into the plan direction. Mr. Fitzgerald explained that there was a good mix of employees from each department included in the entire process. He added that he had asked for volunteers from all of the staff. One person from each department volunteered to participate in the process, in addition to the department managers.

Mr. Blodgett also commented that since SHELD has eighteen employees and nine of those participated, that was fifty percent of the employees. The General Manager was the bridge between the Board and the Implementation Team. There was a consistency in participation and enthusiasm was very high during the whole process.

Mr. McAvoy stated that he liked the statements and values but wasn't sure what the Board needed to vote on. Mr. Fitzgerald stated that he wanted the Board's approval to move forward with the information he had presented, as the core framework structure for the plan, unless there were things the Board wanted to add or change.

Mr. Dubreuil reiterated that the Board was voting on the Mission and Vision Statements and the Values and Strategic Themes that would be the framework of the strategic plan. He commented that it was exciting to see the department move in this direction. Over the last year there has been a modernization of many aspects of the business and processes. The employees have become more engaged. The strategic planning process allowed the Board to interact with members of the staff they don't see often. He likes the idea that SHELD can move in a strategic direction. The department has also become more engaged with other Town departments and municipalities. The framework lays a foundation for the roadmap of where SHELD wants to go in the future. It will help keep everyone on track. The Board can also integrate the plan into the Manager's performance evaluation, based on the creation and achievement of the goals. Light Board meeting topics will also be based on facets of the strategic plan.

Mr. McAvoy stated that one of the values listed is to be “environmentally responsible”, but it's not one of the themes. He would like to see targets, in the goals, for projects that relate to environmental responsibility. He said SHELD would be foolish to scrap our investment in nuclear power but he would like to see calculations of measurements that include projects that would be considered environmentally responsible. When SHELD is considering such a project, if it's a close choice, maybe the environmental aspect would outweigh the financial-based decision.

Mr. Fitzgerald replied that, when it comes to power supply, they will look at every aspect before deciding what to do in the future, including things that will be environmentally responsible for the Town.

Mr. Dubreuil reminded the community of SHELD's support of the one-half megawatt solar project at Mount Holyoke College which will double the percentage of renewables in Town. Mr. Fitzgerald stated he was very proud of being a part of that project with the College. It's an additional step towards being environmentally responsible.

On a motion made by Mr. Blodgett and seconded by Mr. Schenker, it was unanimously
VOTED: To approve the strategic plan framework as presented.

Business Fiber:

Mr. Fitzgerald started by saying that it's SHELD's intention to provide Town businesses with gig speed internet, and to expand its service to more business customers, under the new name of "FiberSonic". He then presented three slides that showed the design for the logo and the tag line "homegrown gig speed internet powered by SHELD". He explained that SHELD has been selling business fiber for several years and now it has been given a name. Soon SHELD will be marketing directly to South Hadley business customers to expand the fiber business.

Mr. Fitzgerald gave some background information on how SHELD began selling business fiber. It began in 2006 with the Five College Network. SHELD was working with a company that is now bankrupt. SHELD is going to work on growing its business customer base by leveraging the existing plant capital investment that's already in place. It's a symmetrical system, with uploads and downloads that are at the same speed. It will give businesses a local option for a premium service at a municipal price.

Mr. McAvoy asked about residential customers. Mr. Fitzgerald said we are only serving businesses at this time and the majority of businesses in Town would be able to connect to fiber.

Mr. Fitzgerald said what makes SHELD unique is that, because we are a municipality, we can keep prices low. We can offer a premium service, at a municipal price, with local service and that's what will make it successful.

Mr. Dubreuil said that before a decision to include residential fiber can be made, there needs to be time invested in developing financial models to look at the feasibility. Currently, SHELD is fighting the same declining electric revenues and usage issues as other utilities. It would be helpful to be able to diversify and create other revenue sources which will allow us to allocate our overhead over different products and services. It would also provide a better quality of life, help our business customers to be more competitive, and everyone would benefit from lower electric and telecommunication rates.

Social Media:

Mr. Fitzgerald announced that SHELD would soon be starting a Facebook page. It will help work towards our strategic planning goal of customer engagement. He continued by saying that many utilities have Facebook pages and they are very useful in getting information to residents quickly, if needed, even when the electricity is out. Mr. Fitzgerald asked if the Board had any concerns or comments.

Mr. Dubreuil said he feels that most companies are on social media now. His concern is how to handle negative posts. Mr. Fitzgerald said the page will be monitored, on weekdays, by several staff members who will respond to posts. There will also be a marketing consultant who will help monitor the site and any inappropriate posts will be removed.

Mr. Howard asked about giving residents instructions on how to get on SHELD's Facebook page. Mr. Fitzgerald said he can send out a how to guide in the next newsletter.

*SHELD BOARD OF COMMISSIONERS MEETING
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New Business:

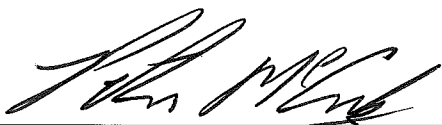
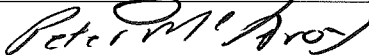
Ms. Mendoza mentioned to the Board that there are five Thursdays in August, so the meeting will be on August 23.

Mr. Dubreuil also mentioned that the auditors from Baker Tilly may be ready to present their report at the August 23 meeting.

Adjourn:

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

The meeting ended at 7:17 P.M.


Clerk 

Approved: August 23, 2018

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EXHIBIT A

List of Documents reviewed at the July 26, 2018 Municipal Light Board Meeting

1. Draft Open Session Minutes of the MLB June 25, 2018 meeting for Strategic Planning
2. Draft Open Session Minutes of the MLB June 28, 2018 meeting
3. Draft Executive Session Minutes of the MLB June 28, 2018 meeting
4. Outages 7/23/2018 YTD
5. Management Financial Statements May 31, 2018
6. Strategic Plan Framework PowerPoint
7. FiberSonic Logo Slides