



2013

# South Hadley Electric Light Department

ANNUAL

REPORT



## **Manager**

Wayne D. Doerpholz, P.E.

## **Municipal Light Board**

Cheryl Scott Nickl, Chair  
Rita M. Lawler  
Jeffrey Labrecque

## **Your local utility**

South Hadley Electric Light Department was founded in 1914 because local citizens believed that utility service works best when it is locally owned and locally controlled. Thanks to the foresight of those early citizens, our town still enjoys the benefits of our own municipal utility.

At SHELD, there are no outside stockholders to pay, so our customers come first. All utility benefits flow back to customers in the form of improved service, lower rates and other community advantages. And customers have a say in how their utility operates.

Three local citizens, elected by the people of South Hadley, serve on our Light Board. The Board sets utility policy and oversees operations through the Department's Manager. Decisions are guided by the traditional municipal utility values of outstanding service and competitive rates.

## From the Manager

South Hadley Electric Light Department reached a major milestone in 2013 when our fiber optic system was interconnected to the World Wide Web at SHELD's Stonybrook Center, a fiber optic hub that is poised to benefit the community for years to come.

Stonybrook's fall open house was a great success as more than 50 guests gathered at the new facility, located at 128 College St. at an existing SHELD storage site.

The site currently has two, 34- by 12-foot co-location units, and has been designed and engineered for potential expansion. It connects SHELD's fiber optic network to the World Wide Web via two separate paths to all Tier 1 Internet service providers in southern New England. Our secure, reliable dual connection is unique in western Massachusetts.

We are now in the process of developing this valuable local asset, which is already connected to all local schools, both fire stations, the police station, Town Hall, and some large industrial customers. Future plans include extending the fiber network to South Hadley homes in order to support fast and secure access to a wide range of Internet-based products and services.

This year also saw significant activity within the HELPS – Home Energy Loss Prevention Services – program. Our free home energy audits remained popular, while SHELD distributed more than \$6,500 in rebates in 2013 to local residents who made a variety of energy-efficient improvements to their homes. Our solar program, which saw 25 local solar installations, reached its budget limit in 2012 after distributing more than \$90,000 in rebates.

This report contains more details on these and some of the other ways SHELD has been working to benefit our customers and the community. We sincerely appreciate your continued support, as we maintain our longstanding tradition of local service and unwavering commitment to the future.

Respectfully submitted,



*Wayne D. Doerpholz, P.E.*

*Manager*

*South Hadley Electric Light Department*

*May 2014*

# Stonybrook: A foundation for the future

SHELD's open house at the Stonybrook Center on September 27, 2013 capped a year of progress that extended our local fiber system and completed its interconnection to the World Wide Web.

For the people of South Hadley, the Stonybrook fiber optic hub means that our community is now well positioned for broadband growth, and has the infrastructure in place to support local information service needs well into the future.

## South Hadley's fiber optic network

SHELD's fiber optic network was originally built in 2006 in cooperation with the colleges of Mount Holyoke, Amherst, Smith, Hampshire and the University of Massachusetts. In exchange for SHELD's cooperation during construction of the fiber line they needed, the colleges assumed all construction costs and future maintenance expenses. In addition, the local fiber optic line became SHELD's asset to use and develop.

SHELD currently has approximately 15 miles of fiber feeding most main arteries, schools, municipal buildings and cell sites. In 2013, we installed some 7,300 feet of underground fiber optic cable to South Hadley center, and an additional 31,500 feet of overhead fiber optic cable for the *MassBroadband 123* system.

*MassBroadband 123* is part of the Massachusetts Broadband Institute (MBI), which is working to bring affordable high-speed Internet access to homes, businesses, schools, libraries, medical facilities, government offices and other public places in Massachusetts. Stonybrook connects SHELD's fiber network to the MBI system.

## Future development potential

SHELD's fiber network is now ready for development, and can be used to carry a wide variety of broadband information. This includes entertainment, banking, smart phone, Internet, and other Web-based products and services. Stonybrook also has a large capacity for secure commercial information storage.

In addition to serving businesses and municipal locations, SHELD's fiber system can also be extended to residences, and we have begun discussions with interested parties to bring fiber to the home. For this service, SHELD will own and maintain the physical connection to the premises, and another party will manage the Internet service. Customers may then choose individual Web-based services in a way that is similar to choosing smart phone applications.

### Construction highlights

Investing in our infrastructure is key to providing high quality, reliable electric service. That's why construction work at SHELD is an ongoing process aimed at building and maintaining the best possible electric distribution system.

In 2013, SHELD line crews replaced 7,500 feet of primary cable on Brainerd Street, and also installed isolation switches in our feeder circuits to limit the number of customers affected when outages occur on specific sections of these lines.

## Community connections

This year we again visited local elementary schools to present classroom lessons about electric safety and energy conservation, and discussed similar topics at the Council on Aging with Manager Wayne Doerpholz and a professional instructor.

We brought a line truck to Big Rig Day at Buttery Brook Park, where our annual visit included lunch served by SHELD staff and Light Board members. SHELD also supported the Chamber of Commerce's Holiday Stroll with a \$3,000 contribution in 2013.

# future

## Promoting conservation and sustainability

SHELD offers a popular package of incentives and assistance programs to customers who want to save energy and use it more sustainably. In 2013, our energy-efficiency rebates totaled more than \$6,500.

Through the HELPS program, our residential customers receive free in-home energy audits, get personal answers to energy conservation questions, and can qualify for a variety of rebates.

A toll-free call to 888-333-7525 puts customers in touch with a professional energy advisor who can answer questions or schedule a home audit. After an audit, customers can apply to SHELD's Home Efficiency Incentive Program for financial assistance toward the installation of some of the most cost-effective measures recommended in the audit.

Appliance rebates of \$25 to \$300 are available for customers who buy Energy Star-rated clothes washers, refrigerators, freezers, dishwashers, dehumidifiers, heat pump water heaters, and air purifiers. In 2013, appliance rebates totaled \$3,900. SHELD customers can also access an online lighting and efficiency catalog for discounted products.

For those who want to stay cool for less, the HELPS program has a Cool Homes High Efficiency Central Air Conditioning and Heat Pump rebate program, which offers incentives for installing efficient, Energy Star-rated equipment. There is also a \$100 rebate available with the purchase of a Nest Wi-Fi thermostat, an innovative way to automatically control your home's environment.

Some 25 solar installations are now operating in South Hadley with the help of a SHELD incentive program that distributed more than \$90,000 in rebates before reaching its budget limit in 2012. In addition, SHELD encourages sustainable energy production with a net metering rate that can credit customers for their excess energy under certain circumstances.

For more information on any of SHELD's energy-efficiency programs, visit [munihelps.org](http://munihelps.org) or call our office.

# sustainability

# THE CARL G. JOHANSON SCHOLARSHIP FUND

The late Carl G. Johanson served SHELD for 18 years, beginning in 1954 as Department Engineer and retiring in 1972 after 10 years as Manager. A scholarship fund was established at his bequest to assure that Mr. Johanson's legacy of service will continue into future generations.

The fund provides scholarship money to worthy students who live in South Hadley, regardless of race, color, creed or gender. Recipients must be U.S. citizens, graduates or soon-to-be-graduates of South Hadley High School, and planning to study engineering at the college level. There are no restrictions on the branch of engineering to be studied or the college to be attended. Current college engineering students are also eligible.

## CARL G. JOHANSON SCHOLARSHIP FUND

### 2013 Account Summary

Balance as of Dec. 31, 2012 .....	\$ 141,125
Income and net appreciation .....	21,709
Scholarships disbursed.....	(3,000)
Administrative expenses.....	(1,538)
<b>Balance as of Dec. 31, 2013 .....</b>	<b>\$ 158,296</b>

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

### TO THE MUNICIPAL LIGHT BOARD AND MANAGER SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT SOUTH HADLEY, MASSACHUSETTS

We have compiled the accompanying statements of net position of the South Hadley Electric Light Department, an enterprise fund of the Town of South Hadley, Massachusetts, as of December 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures and the statements of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statements of cash flows were included in the financial statements, they might influence the user's conclusions about the Department's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis information and the schedules of funding progress and employer contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The supplementary information contained in the schedules of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

*CohnReznick LLP*

Springfield, Massachusetts  
April 28, 2014

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<b>2013</b>	<b>2012</b>
<b>CAPITAL ASSETS</b>		
Distribution plant	\$ 29,918,227	\$ 29,553,316
General plant	5,673,416	4,959,762
Land	333,358	333,358
Construction-in-progress	3,435	252,320
	35,928,436	35,098,756
Less: accumulated depreciation	29,877,807	28,175,026
<b>Capital Assets - Net</b>	<b>6,050,629</b>	<b>6,923,730</b>
<b>RESTRICTED ASSETS</b>		
Cash - depreciation fund	4,623,941	3,572,450
Cash - customer deposits	154,300	149,500
Cash - post employment benefit fund	587,558	-
<b>Total Restricted Assets</b>	<b>5,365,799</b>	<b>3,721,950</b>
<b>CURRENT ASSETS</b>		
Cash - operation fund	2,210,325	3,246,965
Cash - stranded investment fund	11,599,201	12,108,089
Cash - rate stabilization fund	999,519	999,519
Accounts receivable - net of allowance	1,141,821	1,037,237
Inventory	466,616	447,945
Prepaid expenses	69,315	82,218
Other assets	41,743	41,636
<b>Total Current Assets</b>	<b>16,528,540</b>	<b>17,963,609</b>
<b>TOTAL ASSETS</b>	<b>\$ 27,944,968</b>	<b>\$ 28,609,289</b>

See independent accountant's compilation report and accompanying selected information.

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2013 AND 2012**

**LIABILITIES AND NET POSITION**

	<b>2013</b>	<b>2012</b>
<b>LONG-TERM LIABILITIES</b>		
Employee benefits - net of current portion	\$ 1,253,987	\$ 1,177,348
<b>Total Long-Term Liabilities</b>	1,253,987	1,177,348
 <b>CURRENT LIABILITIES</b>		
Current portion of employee benefits	199,146	179,969
Current portion of capital lease obligations	-	13,799
Accounts payable	766,314	534,724
Customer deposits	154,300	149,500
Accrued liabilities	13,141	8,888
<b>Total Current Liabilities</b>	1,132,901	886,880
 <b>TOTAL LIABILITIES</b>	 2,386,888	 2,064,228
 <b>NET POSITION</b>		
Net investment in capital assets	6,050,629	6,909,931
Restricted for capital asset replacement	4,623,941	3,572,450
Unrestricted	14,883,510	16,062,680
<b>Total Net Position</b>	25,558,080	26,545,061
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 \$ 27,944,968	 \$ 28,609,289

See independent accountant's compilation report and accompanying selected information.

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Residential	\$ 7,978,510	\$ 8,478,692
Commercial	2,401,117	2,585,708
Industrial	3,278,735	4,059,601
Municipal	805,583	886,857
Other	167,025	218,258
<b>Total Operating Revenues</b>	<u>14,630,970</u>	<u>16,229,116</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity sold	9,925,285	9,439,315
Transmission expense	1,889,246	1,769,738
Distribution expense	767,556	836,869
Customer accounts expense	303,063	363,192
General and administrative expense	1,078,193	1,131,068
Depreciation expense	1,725,654	1,704,000
<b>Total Operating Expenses</b>	<u>15,688,997</u>	<u>15,244,182</u>
<b>OPERATING INCOME (LOSS)</b>	(1,058,027)	984,934
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment income	89,195	114,953
Loss on disposition of capital assets	(34,300)	-
<b>Net nonoperating revenues</b>	<u>54,895</u>	<u>114,953</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS OUT</b>	(1,003,132)	1,099,887
<b>CAPITAL CONTRIBUTIONS</b>	197,062	38,720
<b>TRANSFERS OUT</b>	(180,911)	(152,388)
<b>CHANGE IN NET POSITION</b>	(986,981)	986,219
<b>TOTAL NET POSITION - BEGINNING</b>	<u>26,545,061</u>	<u>25,558,842</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 25,558,080</u>	<u>\$ 26,545,061</u>

See independent accountant's compilation report and accompanying selected information.

## **SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT**

### **SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED**

**DECEMBER 31, 2013 AND 2012**

#### **1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Reporting Entity**

The Department, an enterprise fund of the Town of South Hadley, Massachusetts, supplies electricity to residential, commercial, industrial, and municipal customers in the Town of South Hadley, Massachusetts.

##### **Basis of Accounting**

The Department's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America for state and local governments are established by the Governmental Accounting Standards Board ("GASB") through its pronouncements (Statements and Interpretations).

##### **Rate Stabilization Fund**

Under existing purchase power agreements with the Massachusetts Municipal Wholesale Electric Company ("MMWEC"), the Department is required to contribute to a Reserve and Contingency Fund. Annually, MMWEC evaluates the adequacy of the Reserve and Contingency Fund and any excess contributions are refunded to the Department. The Department maintains such refunds in its Rate Stabilization Fund. The Rate Stabilization Fund balance is maintained at a level that the Department deems sufficient to minimize the effects of future fluctuations in the market price of purchased power. During 2013 and 2012, the Department received refunds from MMWEC of \$385,719 and \$458,507, respectively. The Department determined the Rate Stabilization Fund balance was sufficient and, accordingly, the total refunds received during 2013 and 2012 were passed on to its customers in the form of lower power costs.

##### **Stranded Investment Fund**

The United States electric utility industry is undergoing rate deregulation that will increase competition in the generation and sale of power. As part of this transition, many utilities are requesting compensation for prior investments or commitments that will be rendered uneconomic in a competitive market. These uneconomic investments and commitments, commonly referred to as "stranded costs", include costs associated with above-market power purchase contracts and costs associated with the closure of power plants. As a matter of public policy, regulatory authorities have provided for the recovery of a utility's stranded investment through the imposition of a surcharge in the rate base. In 2000, the Department began depositing funds raised through this surcharge to cover stranded costs as they come due.

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT**

**SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY  
ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF  
AMERICA ARE NOT INCLUDED**

**DECEMBER 31, 2013 AND 2012**

**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

Inventory, which consists of poles and fixtures, conductors and devices, underground conduits, transformers, meters and street lights, is valued at the lower of cost or market using the first-in, first-out flow assumption.

**Depreciation**

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the underlying assets.

**Revenue Recognition**

Operating revenues are recognized on the basis of cycle billings rendered monthly. Revenues are not accrued for services delivered beyond such cycle billing dates.

**Retirement Plan**

The Department participates in the Hampshire County Contributory Retirement System, which covers all employees.

**Other Postemployment Benefits**

The financial statements include an expense for the actuarially determined recommended contribution and the related liability, for other post employment benefits, in an amount equal to the difference between the actuarially determined recommended contribution and the actual amount contributed.

**Income Taxes**

Income of the Department is excluded from taxation under Section 115 of the Internal Revenue Code.

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>OPERATING EXPENSES</b>		
<b>Cost of Electricity Sold</b>		
Purchases	\$ 9,757,474	\$ 9,251,394
Supplies and expense	167,811	187,921
<b>Total Cost of Electricity Sold</b>	9,925,285	9,439,315
<b>Transmission Expense</b>		
Supplies and expense	1,889,246	1,769,738
<b>Distribution Expense</b>		
Salaries and wages	480,349	536,610
Supplies and expense	287,207	300,259
<b>Total Distribution Expense</b>	767,556	836,869
<b>Customer Accounts Expense</b>		
Salaries and wages	181,779	170,152
Supplies and expense	121,284	193,040
<b>Total Customer Accounts Expense</b>	303,063	363,192
<b>General and Administrative Expense</b>		
Salaries and wages	268,413	254,854
Supplies and expense	292,690	239,843
Pension and benefits	386,122	488,407
Insurance	70,963	66,620
Legal and consulting	36,121	54,597
General	23,884	26,747
<b>Total General and Administrative Expense</b>	1,078,193	1,131,068
<b>Depreciation Expense</b>		
Distribution and general plant	1,725,654	1,704,000
<b>TOTAL OPERATING EXPENSES</b>	\$ 15,688,997	\$ 15,244,182

See independent accountant's compilation report.

## MUNICIPAL LIGHT BOARD

Maurice J. Moriarty\* *March 1914 – March 1915*  
Frank A. Brainerd\* *March 1914 – April 1930*  
Alvin R. Wilson\* *March 1914 – March 1929*  
Thomas O. Cunningham\* *March 1915 – April 1927*  
Harrison G. Welles\* *April 1930 – November 1930*  
Alfred R. LaRose\* *April 1927 – March 1960*  
Fred T. Moos\* *March 1929 – March 1953*  
Floyd R. Graham\* *November 1930 – November 1955*  
Charles D. Scott\* *March 1953 – March 1983*  
Lawrence A. Graham\* *November 1955 – January 1975*  
George F. O'Connell\* *March 1960 – October 1974*  
Timothy J. Lawler\* *October 1974 – October 2001*  
Otto C. Kohler\* *January 1975 – April 1975*  
Andrew Kozinetz\* *April 1975 – June 2007*  
Mavis M. Scott\* *May 1983 – April 1986*  
Paul D. Boudreau *April 1986 – April 1992*  
Cheryl Scott Nickl *April 1992 – present*  
Wayne T. Boulais *October 2001 – April 2002*  
Oscar Bail\* *April 2002 – April 2005*  
Rita M. Lawler *April 2005 – present*  
Jeffrey Labrecque *August 2007 – present*

## MANAGERS

Wilfred W. Scott\* *March 1914 – April 1950*  
Robert H. Walker\* *April 1950 – September 1951*  
Edgar G. Thompson\* *September 1951 – December 1961*  
Carl G. Johanson\* *January 1962 – September 1972*  
Wardman K. Brooksbank\* *September 1972 – November 1982*  
Wayne D. Doerpholz *November 1982 – present*

\*Deceased





**South Hadley Electric  
Light Department**

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