

South Hadley  
Electric Light Department

2012 Annual Report



**Manager**

Wayne D. Doerpholz, P.E.

**Municipal Light Board**

Cheryl Scott Nickl, Chair  
Rita M. Lawler  
Jeffrey Labrecque

**From the Manager**

Local voters founded the South Hadley Electric Light Department in 1914 because they believed that essential services work best when they are locally owned and controlled. Nearly 100 years later, the idea still makes sense.

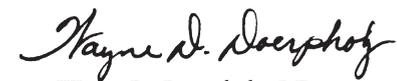
Today, SHELD is one of 40 municipal utilities in Massachusetts, each independent, yet united in a shared commitment to superior local service at not-for-profit rates. Smaller than the large, privately owned utilities, municipal utilities can band together when needed to access our collective strength. But our focus is always on the people we serve.

In South Hadley, local control means that an elected Municipal Light Board of three local citizens sets utility policy. Customers can call or visit us right here in South Hadley, not miles away in another area. Rates are low and competitive. SHELD is a vital community asset, created solely to serve the people of South Hadley.

This year, as always, these traditional municipal utility values guided our actions as we worked to meet the challenges of the modern utility industry. We continued to move forward on plans to develop and use our fiber optic network. We also reached a key goal in our commitment to green energy when the portion of South Hadley's power needs provided by solar energy reached 1%. A significant factor in this green energy milestone was the success of our former solar incentive program for residential customers. We thank those who participated, and are supporting legislation to create additional funding sources so that the program may be resumed in the future.

As we move toward our Centennial year, SHELD will continue to maintain the local utility values that have served our community so well for so many years. Thank you for your continued support.

Respectfully submitted,



*Wayne D. Doerpholz, P.E.*

*Manager*

*South Hadley Electric Light Department*

*April 2013*



## SOLAR INITIATIVE IS A SUCCESS

This year, SHELD reached its goal of achieving 1% of its energy supply from solar power sources. This was achieved through a now-completed solar incentive program introduced in the second half of 2011 to encourage solar photovoltaic (PV) and solar thermal energy projects at local homes.

The \$100,000 program, which reached its goal and its funding limit near the end of 2012, offered generous incentives based on the size of the system installed. Program participants earned SHELD incentives, and could also apply for federal and state solar benefits.

In addition, all PV projects have the potential to earn credits for generating renewable energy, and may also take advantage of SHELD's Net Metering policy. The policy encourages electricity production from alternative and sustainable sources, and is on our website at [sheld.org](http://sheld.org).

## WORKING FOR FAIR FUNDING

While SHELD's budget for solar incentives has been exhausted, we support a bill filed with the Massachusetts Legislature in 2013 that could provide additional funding for local energy efficiency programs such as solar incentives.

Filed on behalf of the state's municipal light plants, the bill would require that public power systems receive a fair share of so-called Regional Greenhouse Gas Initiative (RGGI) funds that can be used for local conservation programs.

The RGGI system collects fees based on the amount of electricity consumed by all utility customers in the state. However, unlike residents and businesses served by investor-owned utilities, municipal light plants and their customers are not eligible to apply for energy efficiency funds under this program.

We believe that the current system is unfair to municipal utility customers, and that all consumers should share in the benefits of this program. For this reason, we are hopeful that our share of RGGI funds will be returned so we can continue to offer energy efficiency initiatives.

## PROGRESS ON FIBER OPTIC NETWORK CONTINUES

In 2012, SHELD made further progress on plans to interconnect our fiber optic system to the Massachusetts Broadband Institute (MBI). The MBI connection will take place at SHELD's new Stony Brook Fiber Hub, located at the site of the former Stony Brook substation off College Street.

Created as part of state legislation signed in 2008, MBI is working to bring affordable high-speed Internet access to all homes, businesses, schools, libraries, medical facilities, government offices and other public places in Massachusetts.

SHELD's fiber optic system 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.

The local fiber optic line, which travels over SHELD's poles on its way to a direct Internet connection, is now SHELD's asset to use and develop. This asset represents a unique revenue opportunity, allowing us to sell bandwidth and lease "dark fiber" for a variety of purposes.

## A PERSONAL APPROACH TO SAVING ENERGY

Local residents continue to have access to HELPS, a free service that puts them directly in touch with energy experts who will work with each customer to make their efficiency project a success.

By calling the toll-free energy hotline at 888-333-7525, SHELD customers can get answers to specific technical questions about everything from ideal home insulation levels to lighting efficiency. If desired, callers can even keep in touch with the energy advisor as they plan and complete do-it-yourself or contracted energy efficiency projects.

SHELD customers can call the same hotline number to schedule a free home energy audit. During each audit, an experienced energy professional performs a complete home evaluation. This includes a thorough room-by-room assessment of the home, as well as an in-depth review of historic energy bills – both for electricity and heating.

When the audit is complete, each customer is given a comprehensive report that explains the findings, energy efficiency improvement recommendations, and potential energy savings that can be achieved as a result.

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

## SHELD IS IN THE COMMUNITY

Local elementary school students learned important lessons about safety and conservation this spring and fall, thanks to our popular classroom program. We also sponsored a safety and conservation program for adults at the Council on Aging, featuring Manager Wayne Doerpholz and a professional instructor.

This summer we had fun at our annual visit to Big Rig Day at BATTERY Brook Park, where SHELD's line truck was a popular attraction, and visitors enjoyed lunch prepared and served by SHELD employees and Light Board members.

# 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 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

### 2012 Account Summary

Balance as of Dec. 31, 2011 .....	\$ 129,683
Income and net appreciation .....	14,868
Scholarships disbursed.....	(2,000)
Administrative expenses.....	(1,426)
<b>Balance as of Dec. 31, 2012 .....</b>	<b>\$ 141,125</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, 2012 and 2011, 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, changes in financial position, 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 are required to be presented for purposes of additional analysis. 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.



Springfield, Massachusetts  
April 26, 2013

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>CAPITAL ASSETS</b>		
Distribution plant	\$ 29,553,316	\$ 29,184,622
General plant	4,959,762	4,895,550
Land	333,358	333,358
Construction-in-progress	252,320	19,342
<b>Total</b>	<b>35,098,756</b>	<b>34,432,872</b>
Less: accumulated depreciation	28,175,026	26,638,859
<b>Capital Assets - Net</b>	<b>6,923,730</b>	<b>7,794,013</b>
<b>RESTRICTED ASSETS</b>		
Cash - depreciation fund	3,572,450	2,650,764
Cash - customer deposits	149,500	146,500
<b>Total Restricted Assets</b>	<b>3,721,950</b>	<b>2,797,264</b>
<b>CURRENT ASSETS</b>		
Cash - operation fund	3,246,965	2,173,602
Cash - stranded investment fund	12,108,089	12,007,834
Cash - rate stabilization fund	999,519	999,519
Accounts receivable - net of allowance	1,037,237	1,153,822
Intergovernmental receivable	-	254,657
Inventory	447,945	473,607
Prepaid expenses	82,218	56,375
Other assets	41,636	60,860
<b>Total Current Assets</b>	<b>17,963,609</b>	<b>17,180,276</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,609,289</b>	<b>\$ 27,771,553</b>

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

**SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND 2011**

**LIABILITIES AND NET POSITION**

	<b>2012</b>	<b>2011</b>
<b>LONG-TERM LIABILITIES</b>		
Employee benefits - net of current portion	\$ 1,177,348	\$ 1,037,498
Capital lease obligations - net of current portion	-	13,799
<b>Total Long-Term Liabilities</b>	<b>1,177,348</b>	<b>1,051,297</b>
<b>CURRENT LIABILITIES</b>		
Current portion of employee benefits	179,969	170,006
Current portion of capital lease obligations	13,799	12,501
Accounts payable	534,424	828,347
Customer deposits	149,500	146,500
Accrued liabilities	9,188	4,060
<b>Total Current Liabilities</b>	<b>886,880</b>	<b>1,161,414</b>
<b>TOTAL LIABILITIES</b>	<b>2,064,228</b>	<b>2,212,711</b>
<b>NET POSITION</b>		
Investment in capital assets - net of related debt	6,909,931	7,767,713
Restricted for capital asset replacement	3,572,450	2,650,764
Unrestricted	16,062,680	15,140,365
<b>Total Net Position</b>	<b>26,545,061</b>	<b>25,558,842</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 28,609,289</b>	<b>\$ 27,771,553</b>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Residential	\$ 8,478,692	\$ 8,498,576
Commercial	2,585,708	2,559,895
Industrial	4,059,601	3,941,925
Municipal	886,857	894,961
Other	218,258	178,264
<b>Total Operating Revenues</b>	<u>16,229,116</u>	<u>16,073,621</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity sold	9,439,315	10,760,240
Transmission expense	1,769,738	1,434,370
Distribution expense	836,869	754,954
Customer accounts expense	363,192	251,969
General and administrative expense	1,131,068	1,153,835
Depreciation expense	1,704,000	1,631,770
<b>Total Operating Expenses</b>	<u>15,244,182</u>	<u>15,987,138</u>
<b>OPERATING INCOME</b>	984,934	86,483
<b>NONOPERATING REVENUES</b>		
Interest and investment income	114,953	135,451
<b>Income before capital contributions and transfers out</b>	1,099,887	221,934
<b>Capital contributions</b>	38,720	30,130
<b>Transfers out</b>	(152,388)	(105,409)
<b>CHANGE IN NET POSITION</b>	986,219	146,655
<b>TOTAL NET POSITION - BEGINNING</b>	<u>25,558,842</u>	<u>25,412,187</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 26,545,061</u>	<u>\$ 25,558,842</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, 2012 AND 2011**

**1. 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 2012 and 2011, the Department received refunds from MMWEC of \$458,507 and \$424,250, respectively. The Department determined the Rate Stabilization Fund balance was sufficient and, accordingly, the total refunds received during 2012 and 2011 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, 2012 AND 2011**

**1. 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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING EXPENSES</b>		
<b>Cost of Electricity Sold</b>		
Purchases	\$ 9,251,394	\$ 10,604,399
Supplies and expense	187,921	155,841
<b>Total Cost of Electricity Sold</b>	<u>9,439,315</u>	<u>10,760,240</u>
<b>Transmission Expense</b>		
Supplies and expense	<u>1,769,738</u>	<u>1,434,370</u>
<b>Distribution Expense</b>		
Salaries and wages	536,610	560,473
Supplies and expense	300,259	194,481
<b>Total Distribution Expense</b>	<u>836,869</u>	<u>754,954</u>
<b>Customer Accounts Expense</b>		
Salaries and wages	170,152	145,357
Supplies and expense	193,040	106,612
<b>Total Customer Accounts Expense</b>	<u>363,192</u>	<u>251,969</u>
<b>General and Administrative Expense</b>		
Salaries and wages	254,854	247,335
Supplies and expense	239,843	232,002
Pension and benefits	488,407	531,227
Insurance	66,620	71,042
Legal and consulting	54,597	29,079
General	26,747	43,150
<b>Total General and Administrative Expense</b>	<u>1,131,068</u>	<u>1,153,835</u>
<b>Depreciation Expense</b>		
Distribution and general plant	<u>1,704,000</u>	<u>1,631,770</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 15,244,182</u>	<u>\$ 15,987,138</u>

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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Massachusetts 01075-2797

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[www.sheld.org](http://www.sheld.org)

