



SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS VIRTUAL MEETING
Minutes of the Executive Session of April 23, 2020

Present: Chair Gregory Dubreuil, Vice Chair John Hine, Clerk Anne Awad, Peter McAvoy
Absent: Kurt Schenker

Also Present: SHELD General Manager Sean Fitzgerald, Financial Manager Michael Conchieri,
Telecommunications Manager Bob Liswell, Administrative Assistant Kim Mendoza

The Executive Session of the Electric Light Board convened at 5:06 PM following an Open Session motion,
by John Hine and seconded by Anne Awad, to enter executive session by a unanimous roll call vote.

Mr. Fitzgerald presented information on the final stage of closing on the purchase of property at 545 Granby
Road for the price of \$120,000. SHELD funds were wired to the closing attorney and the closing is waiting
on a final mortgage pay off figure from the seller's note holder. The closing is anticipated within the next
two weeks.

The Board was given a wet-lands delineation report which was performed by Fuss & O'Neill in accordance
with the Wetlands Protection Act. This is a critical step in determining if this site is adequate for SHELD's
operation. The report indicates there is about 5.20 acres of suitable land on the front portion of the property.
There is additional land in the back of the property which wraps around a wet land area which splits the
front and back of the property.

SHELD is in the process of filing of an Abbreviated Notice of Resource Area (ANRAD), to confirm the
delineation of a bordering Vegetated Wetlands (BVW) with the South Hadley Conservation Commission.
An accepted ANRAD will provide confirmation of the delineation as created in the report. The report was
conducted by a certified wet land engineer/expert who abided by regulations established in the Wetland
Protection Act.

Any work within the 100-foot wetlands buffer would require filing a Notice of Intent with the Conservation
Commission under the State Wetlands Protection Act. Work within the buffer zones will need to be
permitted but should not be a problem, if done correctly, according to the engineering experts at Fuss and
O'Neill.

Mr. Dubreuil asked for an update on other surrounding properties that SHELD had also investigated. Mr.
Fitzgerald said that the owner of the property on the left was going to continue the remodeling plans to his
building but wanted to know if SHELD would be interested in the piece of property behind his building.
After a brief discussion, it was decided that no decision needed to be made on that right now.

The next part of the meeting was an update on current fiber construction costs versus the initial fiber
construction cost projections.

Mr. Fitzgerald began with a brief timeline summary. The Board had approved town-wide fiber in the fall of 2018. SHELd hired a Telcom Manager, Bobby Liswell, in February of 2019 and began providing service in the summer of 2019. The memo and spreadsheet, that was provided to the Board, was a preliminary analysis of current actual cost against initial projected costs, based on six months of operations through the end of 2019.

Mr. Fitzgerald highlighted key points in the spreadsheet. The initial (high side) construction cost projections for this project were about \$11 million. The current actual fiber construction costs indicate the total project construction costs will now be about \$16.2 million. The reasons for the increase were due to changes in scope deemed necessary to enhance reliability of the project, and a change/increase in the overhead labor rate used in the initial projections. The changes in scope, which account for about \$3.3 million, provide for hardened central office structures, strand supported fiber deployment, upgraded central office technology, redundant connectivity equipment, and equipment for providing telephone service.

Management will provide a complete updated proforma on the project, that incorporates both the changes in scope and updated cost information to determine the potential impacts on rates and cash flow including financing options, in the next 30 to 60 days. Management believes that the changes will have a negligible impact on electric rates and that there will be sufficient revenue from fiber sales to cover the cost increases. The original cost projections and analysis, performed by an outside consultant, represented a minimal fiber network constructed at the lowest possible cost. While the original plan may have been less expensive at the start, we have determined that it is was inconsistent with SHELd's stated mission of providing highly reliable service to the residents of South Hadley.

Mr. Dubreuil and Mr. Hine said that they agreed with Management's recommendations that the changes will decrease maintenance expenses and outages, increase redundancy and reliability, and supply South Hadley residents with a better product.

There was a discussion about how the Coronavirus has affected the project and possibly could affect the project in the future. Mr. Hine was concerned about the ability to connect fiber customers if the virus stays active. The Board made a few suggestions of possible changes to the construction of the fiber project that might let the project move forward right now. Mr. Liswell explained the issues with trying to make those changes to the plan and he stated that any of the suggested changes would cost more money and not give the service level that Fibersonic is trying to achieve.

The next discussion revolved around financing. What will happen if the virus keeps Fibersonic from connecting customers over a longer period of time? Mr. Dubreuil was concerned that the cost of financing could be high if the project takes a lot longer, but he did agree with Management that the project needs to be done the right way.

Mr. McAvoy asked about possible ways that homes could get connected now. He would like to see the project continue to move forward. Mr. McAvoy commented that the projections analysis seemed to indicate a considerable mistake and questioned the reason for this. Mr. Fitzgerald explained that while the initial cost projections used a cost factor assumption that was significantly lower than our current cost analysis indicates, the majority of the cost increases are the direct result of changes in our project scope and not the variance in cost factors.

Mr. Fitzgerald explained that, even with the increases and the scope changes, the current take rates in the first five constructed fiberhoods validate that we will be on track to recover the investment and there are customers in queue which would exceed our original anticipated take rate projected. This is an important consideration as the higher the take rate, the faster the pay back will occur.

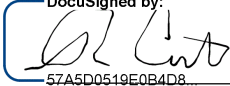
Mr. Fitzgerald commented that Fibersonic is committed to build out the town and there are currently customers in the que waiting for installations. COVID-19 is a temporary problem and once we can get into homes, we will catch up as quickly as possible.

Mr. Dubreuil said the Board needed more data before deciding on financing. This meeting was for information only and they did not need to decide today. There is some time before a decision needs to be made, so once the proforma is completed, the Board can look at the numbers and make an informed decision. The other Board members agreed with Mr. Dubreuil.

John Hine moved, and Anne Awad seconded a motion, to adjourn the Executive Session and return to Open Session. The motion passed unanimously by a roll call vote. The Executive Session ended at 5:58 PM.


Anne Awad, Clerk

Approved: May 27, 2020

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Ronald Coutu, Light Board Clerk

Approved for Release with No Redactions: February 27, 2025