



**MINUTES OF THE MUNICIPAL LIGHT BOARD
EXECUTIVE SESSION OF SEPTEMBER 22, 2020
SHELD CONFERENCE ROOM
85 MAIN STREET, SOUTH HADLEY**

Present for the Board: Gregory Dubreuil, John Hine, Anne Awad, Kurt Schenker
Absent: Peter McAvoy

Present for SHELD: General Manager Sean Fitzgerald, Financial Manager Michael Conchieri,
Administrative Assistant Kim Mendoza, Telecom & Electric Meter Manager Bobby Liswell

The meeting was called to order at 5:11 P.M. by Chair Dubreuil.

On a motion by Mr. Hine and seconded by Mr. Schenker, it was unanimously

VOTED: To adjourn to Executive Session for the purpose of discussing trade secrets, confidential, competitively sensitive or other propriety information that the Board has determined the disclosure of which will adversely affect its ability to conduct business in relation to other entities making, selling or distributing power and energy and not return to open session.

By a roll call vote: Awad-aye, Schenker-aye, Hine-aye, Dubreuil-aye.

Mr. Fitzgerald explained that the Board was going to see a summary and an analysis of costs associated with the fiber project.

Mr. Conchieri started by reviewing the Fiber Project History beginning in September 2018 when the MLB was presented with long term projections for three major potential projects. The projects were constructing new a facility utilizing external financing, replacing the AMR System with an AMI System utilizing depreciation funds, and constructing and operating a fiber optic telecom system utilizing internal financing. At that time, the MLB approved the AMI system and the fiber optic telecom system.

Mr. Conchieri explained that as the fiber construction proceeded, there were scope changes and estimate variances on the fiber optic network construction costs, which were previously discussed and presented in February 2020. At that time, the MLB was presented with preliminary revised fiber optic network construction costs estimates and they were informed that to maintain the projected construction schedule, external financing would be required. As a result of that meeting, the MLB asked for an update of the original September 2018 long-term financial projections to reflect the revised costs and financing.

The initial projections of a new building, originally at \$11 million, have been revised to \$17 million. The projections changed because the costs used by the original architects were somewhat dated. The architects updated the construction estimates to capture current costs. Mr. Conchieri stated that the new building construction estimates, with updates included, would result in an average estimated rate increase of .0204 / kWh for a projected 20-year financing period. Mr. Fitzgerald displayed rate comparison charts for the entire state which indicated that SHELD's current rate position is in the lowest quartile and, with these estimated increases, the position would remain below the state average for utilities in the Commonwealth.

Mr. Conchieri continued by comparing the Fiber Optic project scope changes, which represented variations from the original plans, to the current day Fiber Optic Network construction costs. Mr. Conchieri explained that the scope changes represented a more robust, reliable, and safe network. These changes included replacement of the single site inadequate utility trailers with dual site hardened concrete structures and the related site work, upgrades to the original equipment and duplicating the equipment for the second site, replacing self-supporting ADSS fiber optic cable with strand supported construction, and replacing direct underground burial construction with microduct construction. Changing from ADSS cable will result in less maintenance and repairs as the strand is much stronger and prevents sagging and easy grounding. Originally, the total project costs were expected to be \$11 million and new estimates are \$16 million.

There are also changes in the AMI Infrastructure construction costs, which is dependent on fiber construction and are therefore impacted by the fiber network changes, which increase the project by \$1.7 million.

Mr. Conchieri reminded the Board of the reasons why they had voted to proceed with the fiber project originally and although the changes are significant, all the benefits remain the same even though it will take a longer time to achieve the pay back.

Mr. Fitzgerald communicated that Management recommends that we proceed with the fiber optic network and the AMI system but postpone the new building because of the timing of having three major department resource and capital-intensive projects all at once. In order to achieve the original fiber construction schedule, SHELD will need to obtain external financing. Management recommends the MLB authorize \$11.1 million in borrowing for the project. If financing occurs in 2021, then the project will become profitable in 2024, cash flow positive in 2026 and achieve payback in 2039. One year and 2 months into the fiber project we are achieving the take rate used in the original projections. If the take rate should continue to increase going forward, payback will happen sooner with current indication that the project will be self-supporting.

The Board engaged in a discussion with Mr. Fitzgerald and Mr. Liswell about the complications encountered with the MDUs and underground construction in some fiberhoods. Mr. Fitzgerald and Mr. Liswell explained that installation in MDUs typically results in much higher construction costs. It was decided that each multi dwelling unit will be looked at on a case by case basis and that possibly the MDU will need to pay something towards the additional

construction expenses. Mr. Fitzgerald explained that MDUs are typically privately owned and controlled by boards which require preauthorization to construct. This adds another level of complexity to the construction. Mr. Fitzgerald and Mr. Liswell explained that underground construction is more expensive, and we should approach each area of underground with careful consideration to the costs. Some areas can escalate in cost rapidly due to the lack of pathway and the expensive boring to be done. The decision was made to move forward with construction of additional fiberhoods that have more overhead construction so the project could continue to move forward more quickly and within budget. It was recommended that underground be done on a case by case basis also and that underground will be more feasible as the project grows and the higher costs can be offset with revenues.

Next, they discussed where power costs, revenue, and rates may go in the future and the possible financing options. Chairman Dubreuil discussed the ROI, the associated financing, and the project in general. Chairman Dubreuil reiterated that this project is about quality of life improvements for the people of South Hadley; if we can provide this service, recover costs, diversify services and reduce department expenses, we are doing our job of looking out for the best interest for our customers.

Mr. Hine commented that he thought this was the time to borrow because the pandemic has caused a change in the environment and more people are reliant on broadband for school and working from home. People are interested now, and we should try to meet that interest.

Ms. Awad said the information was a lot to digest but she would support borrowing now. It is important to do it soon. One worry, she expressed, was in the future life of the nuclear plants where SHELD gets its power. Mr. Fitzgerald said the NRC has been extending nuclear plant licenses as they come up for renewal and our currently owned nuclear plants are licensed until 2045 and 2050. They are also paid in full, which provides incredible stability in our largest company expense, which is Power Supply, at 80 to 90% of our department budget. Ms. Awad agreed SHELD should not move forward with the new building construction now but supports the financing of the project. Mr. Schenker agreed that we need to move forward with the financing, sooner rather than later, before interest rates go up. Mr. Fitzgerald and Mr. Conchieri presented the same information to Commissioner McAvoy individually, as he had a meeting conflict. Mr. McAvoy conveyed support for the fiber project to proceed with the financing to complete the project.

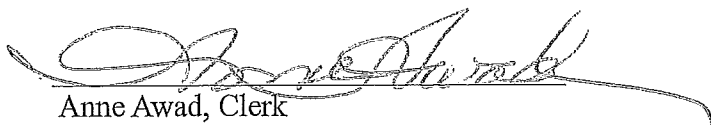
Mr. Dubreuil said they were fortunate to have Mr. Conchieri who put together a very detailed financial projection and since the Board members were in support of seeking financing that he was satisfied with the information as presented. There was a discussion as to whether the Board would need to vote on financing and if they would need to do that in open session. Mr. Fitzgerald said he would follow up with the attorney and get a legal opinion on how to proceed. He also said he would follow up with MMWEC for their suggestions.

Adjourn:

On a motion by Mr. Hine and seconded by Ms. Awad it was unanimously
VOTED: To adjourn

By a roll call vote: Awad-aye, Schenker-aye, Hine-aye, Dubreuil-aye.

The executive session ended at 6:37 P.M.



Anne Awad, Clerk

Approved: October 22, 2020

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Ronald Coutu, Light Board Clerk

Approved for Release with No Redactions: February 27, 2025