



*Massachusetts Municipal Wholesale Electric Company*

## NEWS RELEASE

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### **Settlement agreement terminates \$238.5 million/year in 'reliability' payments to Mystic generator**

LUDLOW, Mass. – January 8, 2007 - Electricity consumers in Boston and Northeastern Massachusetts (NEMA) will be spared \$238.5 million a year in charges under a settlement agreement that terminates the so-called Reliability Must Run (RMR) agreement with the owners of the Mystic power plant in Everett, effective Dec. 31, 2006.

The Massachusetts Municipal Wholesale Electric Company (MMWEC) has been one of the leading opponents of the Mystic RMR agreement and is among the parties that joined in the settlement agreement, which was filed with the Federal Energy Regulatory Commission (FERC) on Dec. 29, 2006. If approved by the FERC, the settlement is expected to save the MMWEC member municipal utilities in the NEMA area at least \$27 million over the potential life of the Mystic RMR agreement, which had been proposed to remain in place until mid-2010.

At issue before the FERC has been Mystic's eligibility for an RMR agreement and, if eligibility was proven, the justness and reasonableness of Mystic's RMR charges. Hearings on these and related issues have been under way at the FERC, which allowed the Mystic RMR to become effective, subject to refund, on Jan. 1, 2006. All parties to the case, including Mystic, have asked the FERC for expedited review and approval of the settlement, which would end the FERC litigation.

Under the proposed RMR agreement, Mystic Development, LLC, received \$238.5 million in 2006 in guaranteed payments to keep the 1,658-megawatt Mystic Units 8 and 9 available for operation to ensure electric system reliability in the Boston/NEMA area. In addition to terminating the RMR payments for 2007 and beyond, the settlement limits Mystic to \$155 million in RMR revenue for 2006, with the difference to be refunded to consumers.

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## Settlement terminates Mystic RMR agreement – 2

The settlement agreement does not address the reason(s) for termination of the Mystic RMR agreement. MMWEC and others were arguing before the FERC that the Mystic units did not meet FERC's RMR eligibility criteria. MMWEC argued that Mystic failed to demonstrate either a financial need for RMR payments or that the units would be needed to ensure reliability following the activation of recently completed transmission upgrades in the Boston area.

RMR agreements guarantee payments to power plants that 1) power grid operator ISO New England determines are needed to ensure electric system reliability and 2) can demonstrate that they are unable to cover their operating costs with revenue from the competitive marketplace or other sources.

Other opponents of the Mystic RMR agreement that either support or do not oppose the settlement include the Massachusetts municipal utilities serving Concord, Reading and Wellesley; NStar Electric & Gas Corporation; the Massachusetts Department of Telecommunications and Energy; and the Massachusetts Attorney General's Office.

New England consumers paid approximately \$700 million in RMR agreement charges in 2006, with roughly \$276 million of that amount paid by Massachusetts consumers. MMWEC has been a leading opponent of RMR agreements in Massachusetts, challenging both the eligibility of generators for such agreements and the justness and reasonableness of the rates applicable to the agreements.

MMWEC's challenges to the operational and financial need for RMR agreements – coupled with progress on measures to address reliability issues – have resulted in the collapse of three RMR agreements that if approved would have cost Massachusetts consumers an additional \$170 million per year. These include proposed RMR agreements that would have paid Mystic Unit 7 \$50 million/year and Boston Generating's Fore River plant \$115 million/year.

In addition, MMWEC negotiated and the FERC has approved or is considering settlement agreements that reduce RMR payments to three Western Massachusetts generators by about \$29 million a year. The FERC has approved a settlement that reduces RMR payments to Berkshire Power by \$4.2 million/year. The FERC also is considering settlements that reduce RMR payments to Pittsfield Generating Company's Pittsfield unit by \$23.5 million/year and to Consolidated Edison's West Springfield Unit 3 by \$1.2 million/year. An RMR agreement for additional ConEd units is in settlement discussions before the FERC.

MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts that provides a variety of power supply, financial and other services to the state's consumer-owned, municipal utilities.