



NEWS RELEASE

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

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MMWEC requests federal probe of power market manipulation, seeks refund for consumers

LUDLOW, Mass. – August 20, 2008 – Massachusetts and six other states receiving hydroelectric power from New York are seeking a federal investigation into the causes of multi-million dollar increases in the cost of delivering the power across New York's electric transmission system.

Allegations of potential illegal activity and abuse of power market rules have surfaced in calls for a Federal Energy Regulatory Commission (FERC) investigation into manipulative practices that by one estimate have cost consumers more than \$450 million since January 2008.

Forty Massachusetts municipal utilities receive a 53-megawatt allocation of low-cost, hydroelectric power generated at the Niagara Hydroelectric Project in western New York. While the cost of generating the power has remained relatively stable at around 3 cents/kilowatt hour, the cost of delivering the power to the Massachusetts border nearly tripled in recent months, to approximately \$3 million.

The New York Power Authority (NYPA), which operates the Niagara Project and sells the power to Massachusetts and the other states, also has asked the FERC to launch "a vigorous investigation" into the matter because of the significant harm to consumers from "the exploitive and possibly illegal actions of a small group of market participants" in New York.

Massachusetts is represented in the FERC case by the Massachusetts Municipal Wholesale Electric Company (MMWEC), which manages the state's allocation of New York power through an agreement with the state Department of Public Utilities. Under federal law, Massachusetts is entitled to a share of the Niagara Project power, which is delivered to the residential customers of the state's municipal utilities. Other states receiving a share of the power are Connecticut, Rhode Island, Vermont, New Jersey, Pennsylvania and Ohio.

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“MMWEC is seeking an investigation to determine whether the alleged abuse of power market rules warrants a refund to our municipal utility consumers,” said MMWEC Chief Executive Officer Ronald C. DeCurzio. “The fact that New York’s power grid operator did not catch and curtail this activity sooner underscores the need for greater oversight and accountability in restructured power markets, where the cost to consumers is often an afterthought,” he said.

In an effort to address the problem, the New York Independent System Operator last month informed the FERC of emergency actions taken to terminate the day-ahead scheduling of power flows over eight transmission paths. It appears that certain as-yet-unnamed market participants were scheduling power flows over circuitous routes around Lake Erie in the day-ahead market for electricity. In real-time, the laws of physics prevailed and actual power flows did not match the scheduled flows, triggering a number of marketplace mechanisms that increased prices significantly, presumably to the benefit of those unnamed entities.

The FERC “has a responsibility to assure that markets function efficiently and that those who manipulate market rules are required to disgorge the excessive profits earned,” according to the filing by MMWEC and the six other states. “In the face of the convincing evidence of malfeasance”, an investigation is necessary to restore confidence in the marketplace, which is “sorely lacking” as a result these activities, the filing states.

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.