

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

BOARD OF DIRECTORS' MEETING

PEABODY MUNICIPAL LIGHT
PEABODY, MA

REGULAR SESSION
JANUARY 9, 2019

MINUTES

A. PROCEDURE

1. Chairman Flynn called the meeting to order at 10:20 a.m. stating that a quorum was present.

Those present:

Directors and Officers:

Chairman Michael Flynn; President Peter Dion; Directors Sean Hamilton, John Driscoll, Kevin Kelly, Glenn Trueira, Joseph Sollecito (by phone); General Counsel Peter Barry; CEO and Secretary Ronald C. DeCurzio; Executive Director, Energy & Financial Markets and Treasurer, Matthew J. Ide

Others:

Hull Manager, Panos Tokadjian; Peabody Manager, Charles Orphanos; Shrewsbury Manager, Michael Hale; West Boylston Manager, Jonathan Fitch

2. Approval of Agenda

A motion was made by Mr. Hamilton, seconded by Mr. Kelly.

It was unanimously voted to accept the agenda as presented.

3. Approval of December 5, 2018 Regular Session Minutes

A motion was made by Mr. Kelly, seconded by Mr. Driscoll.

The December 5, 2018 Regular Session Minutes were approved as presented.

B. CURRENT AGENDA

1. Member/Participant Comments

Mr. Trueira, who is retiring both from Peabody Light and the MMWEC Board of Directors, introduced his Commissioners and staff. Mr. Chuck Orphanos took over as Peabody Manager as of yesterday.

Mr. Flynn read a resolution recognizing Mr. Trueira's 34 years of service to Peabody and to public power and thanked him for his service to MMWEC.

2. Activities Report

Mr. DeCurzio reported there was nothing unusual on the Activities Report. Regarding Seabrook, there is an expectation that the license extension application will be acted upon in the first quarter of 2019. If approved, this will extend the license to 2050.

Mr. Hale asked about the status of Connecticut's interactions with Millstone and Seabrook. Mr. Ide explained that Connecticut held a solicitation and auction process to encourage non-carbon/nuclear power. Millstone and Seabrook put in bids to develop additional revenue stream. Both cleared the auction and took most of the capacity available. Millstone was determined by the state to be "at economic risk", that determination was considered by some to be controversial. The two lead owners of Millstone, NextEra and Dominion, benefitted directly from this auction process in that it keeps their nuclear power running. They are pure merchants, and this provides stability in their revenue stream with a locked in price. MMWEC's interest is somewhat different than the lead owners, MMWEC is looking more for a hedge on load and wants price to reflect the day ahead market. MMWEC benefits from the auction indirectly due to the increased viability of the two locations. MMWEC did not enter its ownership share in the auction because it would have locked in a fixed price and because MMWEC wanted to maintain the associated environmental attributes. A question was raised whether Seabrook and Millstone could continue to be counted as carbon-free percentages of member portfolios. Mr. Ide answered yes, this was one of the biggest factors to determining whether to participate in the auction – the possible loss of carbon-free status.

There were no further questions or comments on the Activities Report.

3. Overview of Off-Shore Wind Initiatives

Mr. DeCurzio stated that there have been conversations with the off-shore wind companies. Mr. Ide stated that a new lease of 390,000 acres adjacent to Vineyard Wind was finalized. There were three companies that won the bid – one from Norway, one from Portugal, and a joint venture between a Copenhagen Company and Vineyard Wind. The acreage was split among the three companies. The lease price is about \$1,000/acre. In comparison, the initial lease price for Vineyard Wind was \$1.50/acre. This lease will contribute 4.1Gw into the power grid, primarily in New England. The next step will be for the three companies to go through development plans and reaching out to potential buyers for Power Purchase Agreements. In November of 2018, the Vineyard Wind project had to go through the coastal advisory board of Rhode Island, the closest coast. The Fisherman's Advisory Board has not approved the project, and therefore, the Coastal

Resources Management Council has not approved the project. The project cannot go forward until the Coastal Resources Management Council approves. The concern is that the 84 turbines to be placed in the leasehold would upset the rights of way established between two different types of fisherman (bottom draggers v. surface net). Fishing traffic patterns would have to be changed and modified. MMWEC is in conversations with Vineyard Wind regarding its second leasehold. Mr. Fitch asked if the same regulatory hurdles would have to be crossed with the new leasehold. Mr. Ide responded that yes, it can be expected.

4. Proposed MLP Clean Energy Legislation

Mr. DeCurzio stated that last week, MEAM asked MMWEC to bring proposed legislation to the Board for feedback. Mr. Murphy, from Ventry Associates gave an update to the Board. ENE, MEAM and MMWEC are the players in this discussion. Municipals have been exempt from the regulatory mandates in the past, but this year seems different, and the assumption is that keeping the municipals completely outside the mandates is becoming problematic. Meetings with the Baker Administration this week confirmed that assumption. Ventry's take is that some versions of the proposed legislation may be acceptable to MEAM and MMWEC. The Administration can do things by regulation, and the Secretary of Energy is more than willing to work with MMWEC. MEAM has some language that could satisfy the Administration and be acceptable to public power. The sense is that there will be some sort of mandated reporting and enforcement. This can be handled through regulations if the legislators agree, but if legislators do not buy in to this strategy, then the legislators likely will pass a law.

C. EXECUTIVE SESSION

A motion was made by Mr. Hamilton, seconded by Mr. Lavelle, that the MMWEC Board meeting enter Executive Session for the purpose of discussing strategy with respect to discussing commercial or financial information the disclosure of which would adversely affect MMWEC's ability to conduct business in relation to other suppliers of electric power and energy, under St. 1975, c.775 Section 19(a), and to reconvene the meeting in Open Session upon termination of the Executive Session for the purpose of adjournment. Based on roll call vote as follows:

Hamilton	“aye”
Trueira	“aye”
Kelly	“aye”
Driscoll	“aye”
Sollecito	“aye”

It was:

(VOTED 19-01): To enter Executive Session for the purpose of discussing strategy with respect to trade secrets under St. 1975, c. 775 Section 19(a) and that upon termination of the Executive Session, the Board

Meeting will be reconvened in Regular Session to adjourn the meeting.

The Board entered Executive Session at 11:10 a.m.

The Board meeting reconvened Regular Session at 12:15 p.m.

5. Resolution in Support of Electric Vehicles

Mr. Flynn read the resolution and it was unanimously:

(VOTED 19-02): The Massachusetts Municipal Wholesale Electric Company (MMWEC) and its Member municipal light plants (MLPs) support the energy and environmental policies and objectives of the Commonwealth of Massachusetts, including the reduction of carbon emissions. Electric vehicle adoption and EV charging infrastructure deployment are an integral part of this effort.

According to the Massachusetts Department of Environmental Protection, the transportation sector is responsible for more greenhouse gas emissions than any other sector in the state. In 2015, DEP reports transportation accounted for 39% of greenhouse gas emissions in Massachusetts. While overall, greenhouse gas emissions are on the decline, statistics show that more needs to be done to incent drivers to purchase electric vehicles and smart charging infrastructure.

There are both environmental and economic benefits to the electrification of the transportation sector. With a continued push on the public policy side and increasing consumer interest in reducing environmental impacts, electric vehicles and chargers can have a real impact on the environment. In addition, increasing electric vehicle deployment can lead to positive load growth, while smart charging allows the MLP to help control costs.

Seeing this need for action, MMWEC launched its own electric vehicle and charging program in May 2017. In conjunction with federal and state tax incentives, and in partnership with local car dealerships, MMWEC and participating Members are able to offer MLP customers an incentive to purchase an EV. Participating MLPs also have the option of offering a free or reduced-cost level 2 smart charger, which allows the MLP to control peak loads by limiting EV charging to off-peak time periods.

The current \$7,500 federal tax credit is in jeopardy, as more consumers purchase electric vehicles. When EV manufacturers reach the threshold of 200,000 EVs sold, the \$7,500 tax credit begins a phase-out period: the incentive is slashed in half for six months, then cut another 50% for a second six-month period. Two major electric vehicle makers hit the threshold in late 2018, triggering the

tax credit phase-out process. At the same time, the state's electric vehicle rebate program, MOR EV, has reduced its per-vehicle rebate in 2019. These incentives, along with manufacturer rebates, must be preserved to further incent drivers to purchase EVs.

NOW, THEREFORE, BE IT RESOLVED, that MMWEC and its Member MLPs support and promote continued electric vehicle adoption and EV charging infrastructure deployment, in recognition of increasing customer interest and public policy goals towards reducing carbon emissions; and

BE IT FURTHER RESOLVED, that MMWEC and its Member MLPs are embracing cleaner energy policies and objectives, without madate to do so, reflecting a progressive approach to the environmental, policy and other issues facing electric utilities today.

6. Resolution in Support of Advance Refunding Bonds

Mr. Flynn read the resolution and it was unanimously:

(VOTED 19-03):

There have been several efforts to weaken or eliminate the tax exemption for municipal bonds, or replace them with other financing tools. In 2017, tax-exempt advance refunding bonds, a valuable tool in reducing financing costs for investments in electric utility systems, were eliminated with President Trump's tax reform package. The Massachusetts Municipal Wholesale Electric Company (MMWEC) and its municipal light plant (MLP) Members support the restoration of advance refunding bonds for municipalities.

Advance refunding bonds have been a useful instrument for MLPs to keep costs down for infrastructure and other expenses, which ultimately benefit their consumers. Advance refunding bonds have made up about a third of the municipal bond marketplace, with over \$482 billion in advance refunding bonds issued between 2012 and 2017. The municipal bond market is roughly \$3.8 trillion in size.

The termination of advance refunding bonds is expected to generate \$17.3 billion for the U.S. government between 2018 and 2027, according to Thomson Reuters. The federal government's gain is the municipalities' loss, as they have historically relied on this tool to plan for the future.

Through advance refunding, MLPs could "refund" existing tax-exempt municipal bonds by issuing new bonds to pay off the existing ones. Before advance refunding was eliminated in the tax reform package, MLPs could issue a refunding bond when interest rates were low, then pay off the old bonds when the call date arrived. While the issuer would pay interest on both the refunding and

refunded bonds, the issuer would save money in the long run. This saved money could help MLPs keep costs down by providing steady rates for their customers and respond to evolving public policy goals, such as integrating more carbon-free resources.

A fundamental principle of tax-exempt financing is the ability of municipalities to determine what services are needed to serve their citizens. The federal government should not interfere with this principle, or impede on their ability to make local decisions on the best investments for their communities.

NOW, THEREFORE, BE IT RESOLVED: That MMWEC supports any efforts to restore advance refunding bonds for municipalities; and

BE IT FURTHER RESOLVED: That MMWEC will continue to communicate to Congress that the restoration of advance refunding bonds for municipalities is crucial to the MLPs' efforts to maintain strong communities while supporting evolving public policy goals.

All business having been concluded, it was moved by Mr. Hamilton, seconded by Mr. Kelly, and it was unanimously voted to adjourn the Board of Directors' meeting.

Chairman Flynn declared the regular session of the Board of Directors' meeting adjourned at 12:25p.m.

A TRUE RECORD

ATTEST:


Peter H. Barry, Esq., General Counsel, MMWEC
Bulkley, Richardson, and Gelinis, LLP