

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

BOARD OF DIRECTORS' MEETING

STONY BROOK POWER PLANT
LUDLOW, MA

REGULAR SESSION
JUNE 5, 2019

10:00 AM

MINUTES

A. PROCEDURE

1. President Dion called the meeting to order at 10:00 a.m. stating that a quorum was present.

Those present:

Directors and Officers:

President Peter Dion; Directors Kevin Kelly, Joseph Sollecito, John Driscoll, James Lavelle, Charles Orphanos, Michael Hale, Luis Vitorino; 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; Mansfield Finance Manager, Joe Pereira; Boylston Manager, Mark Barakian; Westfield Gas & Electric Systems and Support Analyst, Kurt Dahdah; South Hadley Manager, Sean Fitzgerald; Hudson Manager, Brian Choquette

MMWEC Staff:

Director, Financial Reporting & Corporate Technology, Carol Martucci; Director, Engineering & Generation Assets, Brian Quinn

2. Approval of Agenda

A motion was made by Mr. Sollecito, seconded by Mr. Orphanos and it was unanimously voted to accept the agenda as presented.

3. Approval of March 27, 2019 Regular Session Minutes

A motion was made by Mr. Sollecito, seconded by Mr. Orphanos.

Upon request, the draft minutes were amended to correct the reference to John Lavelle instead of James Lavelle.

The March 27, 2019 Regular Session Minutes were approved as amended.

4. Approval of May 1, 2019 Regular Session Minutes

A motion was made by Mr. Sollecito, seconded by Mr. Lavelle.

Although he was not present, Mr. Lavelle was listed on the minutes as making a second to enter executive session. The draft minutes were amended to reflect that he was not in attendance.

The May 1, 2019 Regular Session Minutes were approved as amended.

5. Approval of May 2, 2019 Regular Session Minutes

A motion was made by Mr. Lavelle, seconded by Mr. Orphanos and it was unanimously voted to approve the May 2, 2019 Regular Session Minutes as presented.

B. CURRENT AGENDA

1. Member/Participant Comments

Mr. Hale provided an update on outstanding legislative issues. While a hearing had been scheduled for June 4th on the renewable energy bill supported by MMWEC, that hearing has been postponed until June 18th. As many managers as possible should attend the rescheduled meeting to show support. Commissioner Suuberg called Mr. Hale and stated that her staff has finalized its review of the data MMWEC sent and has developed additional data. Mr. Hale suggested to the Commissioner that the data be sent to MEAM for review and comment by all. Mr. Hale also let the Commissioner know that MEAM had hired a consultant to develop a white paper presenting facts with respect to MLP renewables. The Commissioner spoke highly of the consultant MEAM had chosen. Lastly, Mr. Hale mentioned that he has a meeting with the new Secretary next week. Mr. DeCurzio mentioned that he had met her at a meeting of the GWSA task force and that she seemed friendly to public power.

Mr. Lavelle, on behalf of Mr. Cady who could not attend, raised a question about whether MMWEC staff has recalibrated the strategy of Project 2015A given that the landscape of power has changed since decisions were made years ago. Mr. Cady was specifically interested in distributed power and battery storage. Mr. DeCurzio deferred the question until discussion on the Activities Report.

2. Activities Report

Mr. DeCurzio began the discussion on the Activities Report. On page 2, the revised Seabrook funding schedule is shown. All indications are that the decommissioning will be overfunded. Lead owner, NextEra, is advocating to have the escrow fund released due to the overfunding and the license extension. MMWEC opposes releasing the escrow funds at this time given the uncertainty and risk involved in decommissioning. It is

expected that NDFC (oversight commission) also will oppose the release of the escrow at this time.

On page 12, the report shows that certain securities are paid off, resulting in additional savings on Project 6. On July 1st, the remaining debt for Project 6 will be retired and MMWEC will be the only entity that owns carbon free power debt free.

In reference to Mr. Lavelle's question for Mr. Cady, Mr. DeCurzio explained that Project 2015A is more of a capacity hedge than a revenue driven project. When the project was introduced, it was with the understanding that capacity markets could change but that projects of this nature likely would remain valuable. Mr. Ide continued the discussion and stated that Mr. Cady has a good point in asking for a refocused strategy. When making a long-term investment like a peaking power plant, markets are going to change over time. The expectation is that the plant will run infrequently, and therefore, the threat of air allowance costs becoming too high is not a major factor. However, ISO is considering new regulations on the forward reserve market that could impact 2015A. The forward reserve market regulates how units bid into the capacity market – currently adding about \$3.40 per kW month of revenue to Project 2015A. If ISO were to eliminate capacity revenue completely, it would increase Project 2015A's substitute capacity cost, or hedge, to somewhere around \$7.00. MMWEC's forecast for capacity does not predict costs rising to that level in the next 10-15 years. This presents a significant risk to Project 2015A's viability. This is the number one concern of MMWEC staff right now regarding Project 2015A strategy and planning.

Mr. Dion asked why ISO would want to eliminate the forward reserve capacity market revenue. Mr. Ide answered that ISO is responding to a FERC mandate to address fuel security in a market construct. The economists at ISO have come up with this option that they believe is more market based and will file the solution with FERC in October. Mr. Ide stated that the development of Project 2015A should not be stopped as the Project is scheduled to go to the DPU by the end of the year and more will be known by then as ISO is scheduled to report to FERC in the Fall.

3. Financial Statements (Unaudited) dated March 31, 2019 (Votes)

Ms. Martucci presented the Financial Statements – 3 month budgets and 9 month project review. The A&G budget is currently running \$600,000 under budget, which is not unusual at this time of year.

Millstone Project 3 is running 9% over budget, largely due to an increase in lead owner expenses. Millstone is also going through a voluntary separation program.

Seabrook Project 4 is running 2% over budget due to a slight overage in lead owner costs.

Wyman is about 25% under budget due to lower fuel expense.

There was no further discussion on the financial statements and:

A motion was made by Mr. Lavelle and seconded by Mr. Kelly, and it was unanimously:

- (VOTED 19-32): that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Consolidated Balance Sheet as of March 31, 2019 and the Administrative and General Statement of Revenues & Expenses for the Three Months Ended March 31, 2019, as submitted to and made a part of the permanent records of this meeting.
- (VOTED 19-33): that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for Nuclear Mix No. 1 as submitted to and made a part of the permanent records of this meeting.
- (VOTED 19-34): that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Nuclear Project No. 3, as submitted to and made a part of the permanent records of this meeting.
- (VOTED 19-35): that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Nuclear Project No. 4, as submitted to and made a part of the permanent records of this meeting.
- (VOTED 19-36): that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Nuclear Project No. 5, as submitted to and made a part of the permanent records of this meeting.
- (VOTED 19-37): that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs

and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Project No. 6, as submitted to and made a part of the permanent records of this meeting.

(VOTED 19-38):

that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Stony Brook Peaking Project as submitted to and made a part of the permanent records of this meeting.

(VOTED 19-39):

that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Stony Brook Intermediate Project, as submitted to and made a part of the permanent records of this meeting.

(VOTED 19-40):

that the Board of Directors accepts the recommendation of the Treasurer and Director of Financial Reporting & Corporate Technology and hereby accepts the Review of Actual Power Costs and Statement of Revenues & Expenses for the Nine Months Ended March 31, 2019, for the Wyman Unit No. 4 Project, as submitted to and made a part of the permanent records of this meeting.

C. EXECUTIVE SESSION

A motion was made by Mr. Sollecito, 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:

Sollecito	"aye"
Lavelle	"aye"
Kelly	"aye"
Driscoll	"aye"

Orphanos "aye"
Hale "aye"
Vitorino "aye"

It was:

(VOTED 19-41): To enter Executive Session pursuant to St. 1975, c. 775 Section 19(a) for the purpose of discussing strategy and competitively sensitive commercial and financial information that would adversely affect its ability to conduct its business 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 10:45 a.m.

The Board meeting reconvened Regular Session at 11:25 a.m.

D. Vote on Wyman

A motion was made by Mr. Kelly, seconded by Mr. Hale and it unanimously:

(VOTED 19-42): That the MMWEC Board of Directors, based upon the analyses provided to the Board by MMWEC's staff at this meeting, and consistent with Prudent Utility Practice (as defined in the Power Sales Agreement applicable to Wyman Unit 4 ("PSA")), hereby accepts the recommendation of MMWEC's staff and finds that it is in the best interests of MMWEC to sell MMWEC's 3.6688% ownership interest in Wyman Unit 4 (including real and personal property) to NextEra substantially as set forth in the NextEra offer and presented to the meeting.

That the Board hereby authorizes MMWEC's staff to follow all of the requirements of the PSA applicable to the sale of MMWEC's ownership interest in Wyman Unit 4, including providing the Participants with an accounting of the sale.

That the Board hereby authorizes and directs the Chief Executive Officer, with advice of counsel, to execute, deliver and cause MMWEC to enter into a Purchase and Sale Agreement with FPL Energy Wyman IV, LLC (or such other affiliated entity of NextEra as chosen by NextEra) substantially in the form of the draft Purchase and Sale Agreement presented to the Board at this meeting to effectuate the sale of MMWEC's

ownership interests in Wyman Unit 4 and to make changes to such Purchase and Sale Agreement as the Chief Executive Officer, with the advice of counsel, may deem reasonable or necessary.

That the Board hereby authorizes MMWEC's Chief Executive Officer, with the advice of counsel, to take any other actions and to execute any other documents deemed reasonable or necessary to carry out the purposes of this Vote.

That the Board hereby ratifies and confirms any actions previously taken by the Chief Executive Officer, Treasurer, counsel and/or MMWEC's staff that are consistent with the purposes of this Vote.

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

President Dion declared the Regular Session of the Board of Directors' Meeting adjourned at 11:30 a.m.

A TRUE RECORD

ATTEST:


Peter H. Barry, General Counsel to MMWEC