

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

BOARD OF DIRECTORS' MEETING

MMWEC
LUDLOW, MA

REGULAR SESSION
MARCH 27, 2019

MINUTES

A. PROCEDURE

1. Chairman Flynn called the meeting to order at 10:00 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, James Lavelle, Joseph Sollecito, Luis Vitorino, Jeffrey Cady; 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; Boylston Manager, Mark Barakian; Ipswich Manager, Jon Blair; South Hadley Manager, Sean Fitzgerald; Holden Manager, Jane Parenteau

MMWEC Staff:

Director, Financial Reporting & Corporate Technology, Carol Martucci; Budget Manager, Kelly Joyce; Budget Analyst, Debra Riley; Director, Engineering & Generation Assets, Brian Quinn; Director, Communications and External Affairs, Kate Roy

2. Approval of Agenda

Mr. Flynn proposed adding "Report of Committees" under Current Agenda as number 1(a), and "Nomination for Audit Committee" as number 1(b).

A motion was made by Mr. Hamilton, seconded by Mr. Kelly and it was unanimously voted to accept the agenda as amended.

3. Approval of February 20, 2019 Regular Session Minutes

A motion was made by Mr. Kelly, seconded by Mr. Sollecito, and the February 20, 2019 Regular Session Minutes were approved as presented with two abstentions.

B. CURRENT AGENDA

1. Member/Participant Comments

(a). Report of Committees

The Nominating Committee met today and is prepared for the Annual Meeting.

(b). Nomination for Audit Committee

The Audit Committee reported that the audit went very smoothly. Baker Tilly reports that MMWEC is in the top tier of Joint Action Agencies. Mr. Flynn recommended that Jane Parenteau, Holden Manager, be placed on the Audit Committee.

A motion was made by Mr. Sollecito, seconded by Mr. Cady and it was unanimously approved, appointing Jane Parenteau to the Audit Committee.

It was moved, seconded and unanimously voted that Agenda item number 6 “Risk Oversight Committee Update” be included in the Report of Committees. Mr. Hamilton gave the report from the Risk Oversight Committee (ROC). Mr. Hamilton read the ROC written report, focused on the software upgrade project. The ROC will meet quarterly going forward. Mr. Tokadjian stated that he had attended the ISO meeting and questioned if the ROC had discussed the proposed ENE amendment. Mr. Ide answered that it was part of the Fuel Security Program and would have eliminated revenue from MMWEC’s nuclear assets. ENE’s motivation was to reduce the additional cost of load. However, because of the way MMWEC’s power portfolio is structured, and to ensure that the nuclear assets continued to produce revenue, MMWEC opposed the amendment. It was Mr. DeCurzio’s understanding that CMEEC took the same position.

2. Activities Report

Mr. DeCurzio began by distributing Ms. Roy’s comments to the DEP that are due this Friday regarding the clean energy standard. Mr. DeCurzio wanted to get Board approval to submit the comments, and to make sure that MMWEC is in lockstep with MEAM to ensure a similar response. The Board approved the submission of comments.

Ms. Roy mentioned that she received a call from the Boston Globe, requesting comments for a point/counterpoint column. The question up for debate is “Should MLPs comply with the new carbon-free requirements?” The Globe is looking for an MLP to answer with the opposing side written by MCAN. Mr. DeCurzio’s advice is that all MLP’s decline.

Mr. Hale stated that an RFP was developed this week by Brian Choquette, which was reviewed by Mr. Hale and Mr. Fitch. The RFP will be distributed to five or six consulting firms, due back the second week of April. This will be to construct a “white

paper” to tell the MLP story of greenhouse gasses compared to the rest of the market. Mr. Hale feels that once complete this RFP will tell the MLP side of the story.

Mr. DeCurzio presented the Activities Report. The license extension for Seabrook was granted through 2050. Page two of the Report shows how the Seabrook decommissioning fund will be adjusted (lowered significantly) next year to reflect the extended life of the Project. All funds that have recently been paid into the decommissioning fund have been put in escrow so that if it becomes overfunded, the money can be returned to participants upon completion of the decommissioning. Mr. Hamilton asked if the money could be refunded prior to decommissioning. Mr. DeCurzio stated the project must return to green field status before any excess funds can be distributed.

3. MMWEC Financial Statements with Supplementary Information for the Years Ended December 31, 2018 and 2017 With Independent Auditors’ Report Thereon (Vote)

Ms. Martucci presented the MMWEC financial statements of net position for years 2017 and 2018. Reserves collected in Pooled Loan Program add to the growth in cash and restricted funds. MMWEC also holds the funds for construction in Berkshire Wind and for Special Project 2015A. Changes in A/R and Unbilled are due mostly to increases in power bills. Changes in inventory are due mostly to fuel oil burn that was not replaced. Change in In-Service and CWIP are increased by \$18 million due to additions in Seabrook and Millstone and leased assets under the pooled loan program. Changes in derivatives are due to unrealized loss on fuel oil hedges. The revenue and expense report shows that revenues have increased - driven by higher purchased power and fuel expenses. The investment loss is an unrealized loss due to investment loss in the decommissioning funds. Market conditions drive most of the losses in Q4 2018. No new accounting items were added this year, so no new footnotes were necessary.

There were no further questions or comments on the Financial Statements.

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

(VOTED 19-12): the Board of Directors has reviewed and, as recommended by the Audit Committee and staff, hereby accepts the Massachusetts Municipal Wholesale Electric Company Financial Statements with Supplementary Information for the years ended December 31, 2018 and 2017 and the Independent Auditors' (Baker Tilly's) report on the December 31, 2018 and 2017 financial statements.

4. Management Letter issued Subsequent to the 2018 Annual Audit (Vote)

Ms. Martucci reviewed the management letter and stated there are no material weaknesses. It was presented in draft form simply because that is how it arrives from the auditors. With no further questions about the management letter, a motion was made by Mr. Kelly, seconded by Mr. Sollecito, and it was unanimously:

(VOTED 19-13): the Board of Directors has reviewed and, as recommended by the Audit Committee and staff, hereby accepts the 2018 management

letter proposed by Baker Tilly Virchow Krause LLP subsequent to their audit of MMWEC's 2018 financial statements.

5. Project Budgets (Summary Report) (Vote)

Ms. Joyce presented the 2019 Project Year budgets. All projects total \$77.1 million. Seabrook Project 6 debt will be fully retired this July, lead owner expenses continue to decrease because of staffing reductions. Millstone came in equal to projected, with no outage in the 2019-2020 year. Wyman budget has increased by \$190,000 based mostly on fuel and major maintenance costs. Stony Brook's budget increased by about \$900,000 driven by Intermediate coming off a major outage, maintenance repairs, and the need to replenish reserves. There were no further questions on the project budgets.

A motion was made by Mr. Hamilton, seconded by Mr. Sollecito, and it was unanimously:

Mix No. 1

(VOTED 19-14): that the Board of Directors accepts the recommendation of staff and hereby approves the Nuclear Mix No. 1 Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$6,673,531 as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Nuclear Project No. 3

(VOTED 19-15): that the Board of Directors accepts the recommendation of staff and hereby approves the Nuclear Project No. 3 Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$12,363,132, submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Nuclear Project No. 4

(VOTED 19-16): that the Board of Directors accepts the recommendation of staff and hereby approves the Nuclear Project No. 4 Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$13,434,605, as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Nuclear Project No. 5

(VOTED 19-17): that the Board of Directors accepts the recommendation of staff and hereby approves the Nuclear Project No. 5 Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$3,441,284, as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Project No. 6

(VOTED 19-18): that the Board of Directors accepts the recommendation of staff and hereby approves the Project No. 6 Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$20,158,882, as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Wyman Project

(VOTED 19-19): that the Board of Directors accepts the recommendation of staff and hereby approves the Wyman Unit No. 4 Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$871,244, as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Intermediate Project

(VOTED 19-20): that the Board of Directors accepts the recommendation of staff and hereby approves the Stony Brook Intermediate Project Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June 30, 2020 in the amount of \$16,348,174 as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Peaking Project

(VOTED 19-21): that the Board of Directors accepts the recommendation of staff and hereby approves the Stony Brook Peaking Project Annual Budget of Monthly Power Costs for the contract year July 1, 2019 through June

30, 2020 in the amount of \$3,776,388, as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote.

Intermediate and Peaking Project Capital Additions

(VOTED 19-22): that the Board of Directors accepts the recommendations of staff and hereby approves the Stony Brook Intermediate and Peaking Projects - Capital Additions Budget of \$870,000 as allocated between the Intermediate Project (\$682,420) and Peaking Project (\$187,580) for the 2019/20 contract year as submitted to and made a part of the permanent records of this meeting; and authorizes the Chief Executive Officer to carry out the programs and related expenditures as he deems necessary or advisable for the purpose of this vote

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"
Lavelle	"aye"
Kelly	"aye"
Driscoll	"aye"
Sollecito	"aye"
Cady	"aye"
Vitorino	"aye"

It was:

(VOTED 19-23): 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.

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 Gelinas, LLP