

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

BOARD OF DIRECTORS' MEETING

RICHARD D. CARNEY MUNICIPAL OFFICE BUILDING
SHREWSBURY, MA

REGULAR SESSION
MARCH 28, 2018

MINUTES

A. PROCEDURE

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

Those present:

Directors and Officers:

Chairman Michael J. Flynn; President Peter D. Dion; Directors James Lavelle, Sean Hamilton, John Driscoll, Kevin Kelly, Jeffrey Cady, Jonathan Fitch, Joseph Sollecito, Glenn Trueira; General Counsel Peter Barry; Executive Director, Energy & Financial Markets and Treasurer, Matthew J. Ide; Gubernatorial Appointee, Charmaine White

MMWEC Staff:

Director, Engineering & Generation Assets, Brian Quinn; Communications Supervisor, Kate Roy; Director, Financial Reporting & Corporate Technology, Carol Martucci; Budget Manager, Kelly Joyce; Sr. Project Manager Regulatory Services, Brian Thomson

Others:

Shrewsbury Manager, Michael Hale; Legal Counsel, Nicholas Scobbo, Ferriter Scobbo; Boylston Manager, Mark Barakian; Paxton Manager, Jason Lavalley; Hull Manager, Panos Tokadjian; Ashburnham Manager, Kevin Sullivan

2. Approval of Agenda

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

Mr. Flynn added an item (number six) to the regular session agenda, titled Annual Conference, and under executive session an item (number five) titled CEO Review 2017-2018.

It was unanimously voted to accept the agenda as amended.

3. Approval of February 8, 2018 Regular Session Minutes

A motion was made by Mr. Kelly, seconded by Mr. Hamilton and with Cady abstaining, the February 8, 2018 Regular Session minutes were approved as presented

B. CURRENT AGENDA

1. Member/Participant Comments

Mr. DeCurzio is not present at the meeting today.

Mr. Fitch stated that regarding the annual conference, in order to be proactive with state initiatives, he would like MMWEC to add to the agenda items relating to the electrification of the heating and cooling sector and transportation sector. The discussion also could include strategies to increase sales.

Mr. Hamilton commented that he liked the look of MMWEC's new website.

2. Activities Report

Mr. Ide started the discussion by referring to page six, pointing out that the hedging program that MMWEC used has worked well for members with the recent cold temperatures.

There was discussion of the Department of Energy (DOE) grant received for hybrid bucket trucks. Also discussed was how to target millennials regarding carbon-free nuclear power, and hosting information sessions to discuss nuclear power. There may be an opportunity to partner with MIT to host such an event, but given the sensitive history of nuclear, it was deemed prudent to seek Board approval. Mr. Fitch stated he thought it was a good idea. There was general consensus that MMWEC should be participating.

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

3. Financial Statements

Mr. Kelly stated that the Audit Committee met last Thursday and there were no comments or concerns. He stated that the report from the auditors was as good as you can get.

Ms. Martucci gave a brief overview of the financials. There were no issues with the management letter. There were no audit adjustment entries. It was a very clean year. Both nuclear plants refueled last year (both are on an eighteen month swing, but both fell in the same year), and that is responsible for most changes that are seen on the statements.

There were no further comments on the Financial Statements or Management Letter as presented.

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

(VOTED 18-02): 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, 2017 and 2016 and the Independent Auditors' (Baker Tilly's) report on the December 31, 2017 and 2016 financial statements.

4. Management Letter Issued Subsequent to the 2017 Annual Audit

(VOTED 18-03): the Board of Directors has reviewed and, as recommended by the Audit Committee and staff, hereby accepts the 2017 management letter proposed by Baker Tilly Virchow Krause LLP subsequent to their audit of MMWEC's 2017 financial statements.

5. Project Budgets (Summary Report) (VOTES)

Ms. Joyce presented the 2018/19 Project Budgets, totaling \$81 million, down about \$20 million from last year's project budgets.

The fossil fuel plants are primarily responsible for the decrease in budgets due to the units running considerably more due to the cold snap and driving fuel costs down.

Stony Brook has a planned maintenance outage this fall, about \$4 million. Fossil fuels make up about \$21M of the \$81 million budget.

The nuclear plants make up \$42 million of the \$81 million total. Seabrook has a Fall outage scheduled for 2018. Debt is rolling completely off on Projects 3 & 5 and will be paid off in July. Project 6 will be done at the end of this project year.

The Capital Budget for Stony Brook is \$2.3 million, including the steam turbine overhaul. Unit 1 has a \$1.3 million exhaust replacement project. All the other projects are under \$400,000.

Mr. Kelly asked if Stony Brook has burned through all of the \$100 per barrel oil it has in reserve. Mr. Ide stated that the oil inventory is out of market, but there is a cash reserve acting as a hedge. There is an additional \$1.6 million in that fund to protect any further change in the market. There is approximately \$3 million total in that fund. Mr. Ide stated that MMWEC would also receive winter reliability payments this summer, and that will be added to the reserve fund. Inventory in the tanks stands at about 37%, and there was a small buy because the inventory for the peaking unit participants was exhausted. There is no forecasted need to buy oil in the foreseeable future as the winter reliability program is scheduled to sunset. There is a major effort underway to try to get Stony Brook more in the market to increase economic return. One such strategy is to get Stony Brook participating in the capacity reserve market so that revenue is generated

without running and allowances are used efficiently. The future of Stony Brook is looking to be more of a peaking type unit, rather than an intermediate unit. 2018 was the first year for air allowances. Next year, MMWEC may have to purchase allowances for Stony Brook through an auction process.

There was no further discussion on the project budgets.

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

(VOTED 18-04): 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, 2018 through June 30, 2019 in the amount of \$6,571,977 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.

(VOTED 18-05): 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, 2018 through June 30, 2019 in the amount of \$12,208,128, 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.

(VOTED 18-06): 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, 2018 through June 30, 2019 in the amount of \$14,124,489, 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.

(VOTED 18-07): 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, 2018 through June 30, 2019 in the amount of \$3,628,622, 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.

(VOTED 18-08): 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, 2018 through June 30, 2019 in the amount of \$23,679,966, 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.

(VOTED 18-09): 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, 2018 through June 30, 2019 in the amount of \$822,704, 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.

(VOTED 18-10): 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, 2018 through June 30, 2019 in the amount of \$16,569,579 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.

(VOTED 18-11): 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, 2018 through June 30, 2019 in the amount of \$3,529,760, 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.

(VOTED 18-12): that the Board of Directors accepts the recommendations of staff and hereby approves the Stony Brook Intermediate and Peaking Projects -

Capital Additions Budget of \$2,280,405 as allocated between the Intermediate Project (\$2,023,681) and Peaking Project (\$256,724) for the 2018/19 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.

6. Annual Conference

A reminder to respond back for the Annual Conference if members have not. If you are not able to attend, please return absentee ballots.

C. EXECUTIVE SESSION

A motion was made by Mr. Hamilton, seconded by Mr. Kelly, 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”
Lavelle	“aye”
Kelly	“aye”
Driscoll	“aye”
Sollecito	“aye”
White	“aye”
Flynn	“aye”

(VOTED 18-13): 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 11:55a.m.
The Board meeting reconvened Regular Session at 12:35 p.m.

Once the Board reconvened,

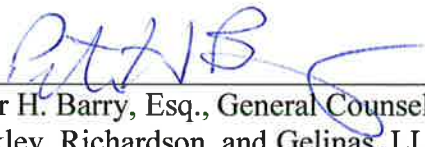
A motion was made by Mr. Kelly, seconded by Mr. Cady, and it was unanimously:

(VOTED 18-14): To give MMWEC staff the authority to analyze the transmission flow rights in the remaining Hydro Quebec contract, including a cost structure analysis, to both phase one and phase two Hydro Quebec participants.

All business having been concluded, it was moved by Mr. Hamilton, seconded by Mr. Lavelle, 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 12:35 p.m.

A TRUE RECORD

ATTEST: 
Peter H. Barry, Esq., General Counsel, MMWEC
Bulkley, Richardson, and Gelinas, LLP

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