

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
BOARD OF DIRECTORS' MEETING/2019 A&G BUDGET PRESENTATION

MMWEC
LUDLOW, MA

REGULAR SESSION
OCTOBER 17, 2018

MINUTES

A. PROCEDURE

1. Those present:

Directors and Officers:

President Peter Dion; Directors Sean Hamilton, Luis Vitorino, John Driscoll, Jeffrey Cady, Joseph Sollecito, Glenn Trueira; General Counsel Peter Barry; CEO and Secretary Ronald C. DeCurzio; Executive Director, Energy & Financial Markets and Treasurer, Matthew J. Ide

MMWEC Staff:

Director, Engineering & Generation Assets, Brian Quinn; Director, Financial Reporting & Corporate Technology, Carol Martucci; Director of Communications & External Affairs, David Tuohey; Communications Supervisor, Kate Roy; Budget Manager, Kelly Joyce; Budget Analyst, Debra Ann Riley; Director, Business Support & Administrative Services, Anne-Marie Szmyt

Others:

Hull Manager, Panos Tokadjian; West Boylston Manager, Jonathan Fitch; Mansfield Business Manager, Laurie Andersen; Shrewsbury Manager, Michael Hale

2. Approval of Agenda

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

It was unanimously voted to accept the agenda as presented.

B. 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 conducting regular business. Based on roll call vote as follows:

Hamilton	"aye"
Trueira	"aye"
Vitorino	"aye"
Driscoll	"aye"
Sollecito	"aye"
Cady	"aye"

(VOTED 18-50): 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 discuss regular business.

The Board entered Executive Session at 10:05 a.m
The Board meeting reconvened Regular Session at 10:17 a.m.

C. OPEN SESSION

1. Mr. Dion read the vote concerning the Letter of Intent.

A motion was made by Mr. Hamilton, seconded by Mr. Lavelle and with one vote against, it was:

(VOTED 18-51): That the Board of Directors hereby accepts the recommendation of MMWEC's staff and finds that it is in the best interests of MMWEC to enter into a Letter of Intent with Braintree Electric Light Department, Danvers Electric Division, Georgetown Municipal Light Department, Hingham Municipal Lighting Plant, Hudson Light & Power Department, Littleton Electric Light & Water Department, Middleborough Gas & Electric Department, Middleton Electric Light Department, Pascoag Utility District, Rowley Municipal Lighting Plant, Reading Municipal Light Department, and Westfield Gas & Electric Department (collectively, the

“Twelve Systems”) addressing the Twelve Systems each requesting MMWEC to transfer their “MMWEC Participant’s Share” and/or “MMWEC II Participant’s Share” (as defined in the MMWEC Hydro Quebec Participation Agreement Canadian Interconnection Project dated as of July 15, 1982 and the Second MMWEC Hydro-Quebec Participation Agreement Canadian Interconnection Project – Phase II dated as of June 15, 1988, collectively the “Participation Agreements”) in accordance with the provision of the Third Amended and Restated Agreement with Respect to Quebec Interconnection (“Restated Use Agreement”);

That the Board of Directors hereby approves the Letter of Intent among MMWEC and the Twelve Systems substantially in the form of the Letter of Intent presented to this meeting and made a part of the records of this meeting, with such changes, additions and omissions thereto as the Chief Executive Officer, with the advice of counsel, shall determine as necessary or appropriate;

That the Board of Directors hereby authorizes and directs the Chief Executive Officer, with advice of counsel, to execute, deliver and cause MMWEC to exercise its best efforts to complete the actions required by such Letter of Intent, including but not limited to: (1) obtaining waivers (as described in the Letter of Intent) from all of the “Participants” (as defined in the Participation Agreements); (2) obtaining certifications (as described in the Letter of Intent) from all of the Participants; (3) accepting notice from any of the Twelve Systems regarding its desire to have MMWEC transfer its excess MMWEC Participant’s Share and/or MMWEC II Participant’s Share; (4) entering into a limited agency agreement with Energy New England, LLC (“ENE”) as part of MMWEC’s obligation to use its best efforts to effectuate any transfers of any such excess on behalf of the Twelve Systems;

That the Board of Directors 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; and

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

Mr Dion read the vote concerning the Transfer Agreements. There was no discussion on the Transfer Agreements.

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

(VOTED 18-52):

That the Board of Directors hereby accepts the recommendation of MMWEC's staff and finds that it is in the best interests of MMWEC to enter into arrangements to transfer MMWEC's "Use Rights" (as defined in the Third Amended and Restated Agreement with Respect to Use of Quebec Interconnection, originally dated as of December 1, 1981, as amended from time to time (the "Restated Use Agreement")) to NSTAR Electric Company ("NSTAR") and H.Q. Energy Services (U.S.), Inc. ("HQUS"), based on the favorable economics of such arrangements, as presented to the Board;

That the Board of Directors hereby approves the transfer arrangement between MMWEC and NSTAR and hereby approves the form and content of the Agreement between MMWEC and NSTAR for the Transfer of Use Rights of the Phase I/II HVDC Transmission Facilities, between MMWEC and NSTAR ("MMWEC-NSTAR Transfer Agreement"), in the form similar to the MMWEC-NSTAR Transfer Agreement presented to this meeting and made a part of the records of this meeting, with such changes, additions and omissions thereto as the Chief Executive Officer, with the advice of counsel, shall determine as necessary or appropriate; and

That the Board of Directors hereby approves the transfer arrangement between MMWEC and HQUS and hereby approves the form and content of the Agreement between MMWEC and HQUS for the Transfer of Use Rights of the Phase I/II HVDC Transmission Facilities, between MMWEC and HQUS ("MMWEC-HQUS Transfer Agreement"), in the form similar to the MMWEC-HQUS Transfer Agreement presented to this meeting and made a part of the records of this meeting, with such changes,

additions and omissions thereto as the Chief Executive Officer, with the advice of counsel, shall determine as necessary or appropriate;

That the Board of Directors hereby authorizes and directs the Chief Executive Officer, with advice of counsel, to execute, deliver and cause MMWEC to perform all of its obligations under the MMWEC-NSTAR Transfer Agreement and MMWEC-HQUS Transfer Agreement;

That the Board of Directors 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; and

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

D. CURRENT AGENDA

1. 2019 Administrative and General Budget

Mr. DeCurzio began the discussion by stating that the budget would be presented today with the intention of voting on it at the November board meeting. He directed attention to page four of the packet, where Municipal Service Work Orders has been included due to an increase based on last year's activity. They are optional services, but are included here. Overall, MMWEC's ten-year strategic plan developed in 2014 is on track, but there are small changes due to changes in anticipated activities. Each business unit director will present his or her department budget.

Mr. Ide presented the Energy and Financial Markets budget. Key issues for 2019 are the completion of the SMD Phase 2 project, the development of a Virtual Peaker, implementation of a Cash Flow Forecasting System, and completing Special Project 2015A financing milestones. The SMD Phase 2 project is delayed from its original timing but still remains on budget. One reason for the delay is having the correct staff in place to gain the business knowledge needed for the new business-centric reporting. Reporting on power supply will be more concise and more business based, not only cost or accounting based. Power portfolio forecasting will be extended from eighteen months to five years which will allow better decision-making with regard to long-term strategies or alternatives. Mr. Hamilton asked if there will be a MMWEC-run training for the rollout. Mr. Ide responded that there will be both individual and group communications after the first set of reports are generated at the end of the first quarter of 2019.

The Virtual Peaker project includes eleven units to managed and dispatched during peaks. The project was successful this past summer, with an estimated \$2.8 million of avoided transmission and capacity costs. Many MMWEC members want to do more with peak generation and storage. MMWEC is currently working with members and other MLP's to make sure the MLP's have the support they need. MMWEC is currently looking to find commonalities in work systems to make this useable and affordable to each member.

The Treasury project within the JD Edwards platform will implement power cost forecasts and maximize return on cash.

Special Project 2015A financing is scheduled for the first quarter of 2020, which requires DPU approval in 2019 (with anticipated interveners). The testimony presented to DPU will show how the Project is beneficial to rate payers. Mr. Fitch asked if this project and the financing is impacted by 774 (new environmental regulations). Mr. Ide responded that the project is impacted, but MMWEC has anticipated this in their testimony.

Mr. Quinn presented the Engineering and Generation Assets budget. The first big project in this department is to complete Project 2015A engineering milestones, including permitting, engineering for the site, and the EPC contract. The second project is to pursue a natural gas site at Stony Brook. Supporting MMWEC's emerging technologies is also a focus for this group, including portable generators and battery storage projects. The final focus is to develop strategies to address the changing environmental regulations due to 774, including managing allowances, predictable run times and to maximize credits. This group will also be involved in Phase 2 of the Berkshire Wind project.

Ms. Szymt presented the Business Support and Administrative Services budget. The biggest focus this year is to continue to recruit and put in place the strongest staff. Emphasis is to focus on on-boarding, resulting in productivity from employees being realized sooner. Transition planning (e.g. retirements, promotions) is also a focus.

Mr. Tuohey is retiring, being replaced by Ms. Roy in the Communications and External Affairs division. Focus is on communication services, including a new newsletter "Compliance Counts". A municipal utility State House briefing for 2019 is planned. Mr. Hamilton asked if continued work with MEAM at the state house is planned. Ms. Roy replied that coordination with MEAM is important and a unified message is important.

Ms. Martucci presented on Accounting and IT budgets. Notable accounting activity includes completion of an internal audit, as directed by the Audit Committee. The core focus of the IT department is cybersecurity and the completion of a vulnerability assessment. The IT department will also focus on post-implementation SMD support and report improvements. Upgrades to Oracle (money collected in 2018 capital budget, implemented in 2019) and the data center servers are also planned in 2019. Mr. Hamilton asked about using cloud servers versus physical servers. Ms. Martucci stated that all MMWEC data is on physical servers. A few are off site for disaster recovery, with most hosted at MMWEC. A strong reason for the physical servers is that cloud servers require the movement of all data to a service. Any decisions over a physical piece of equipment, including end of life, would not be MMWEC's to make.


Ms. Joyce presented the 2019 Administrative and General Budget. Discussion began on page 17 of the packet, where the financial schematic is shown. Page 18 shows the main operating cost drivers and a comparison to the 2018 budget. On page 41, the 2019 Capital Billings are shown, as well as the previous years approved capital expenditures. These include an upgrade of the virtual server, the replacement of the data center hardware, the applications server, and the labels software program. The last section is the estimated billings per MLP, which presents a total increase of \$300,000.

All business having been concluded, it was moved by Mr. Hamilton, seconded by Mr., 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 11:45 a.m.

A TRUE RECORD

ATTEST:


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