

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

BOARD OF DIRECTORS' MEETING

GROTON ELECTRIC LIGHT  
GROTON, MA

REGULAR SESSION  
SEPTEMBER 12, 2018

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, Joseph Sollecito, Glenn Trueira, Jeffrey Cady; 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; Power Generation Engineer, Jason Viadero

Others:

Marblehead Assistant Manager, Andrew Hadden; Hull Manager, Panos Tokadjian;; West Boylston Manager, Jonathan Fitch; Boylston Manager, Mark Barakian; Marblehead Finance Manager, Mark Dugan; Sean Fitzgerald, South Hadley Manager; Michael Hale, Shrewsbury Manager; Nicholas Scobbo, Ferriter Scobbo

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 July 11, 2018 Regular Session Minutes

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

Mr. Kelly requested a correction of a typo in the minutes in number 3.

The July 11, 2018 Regular Session Minutes were approved as corrected. One abstention.

B. CURRENT AGENDA

1. Member/Participant Comments

Mr. Hamilton wanted to acknowledge the excellent work of the staff of MMWEC, in connection with the CEC state grant application to offer customers an incentive program for installation of mini-splits and LEDs. Princeton and Sterling were not big enough on their own to apply for this grant, and Mr. Hamilton reached out to MMWEC staff to coordinate with interested municipalities. MMWEC staff began work right away and offered new ideas, including manufacturer's incentives. Mr. Hamilton wanted to recognize and give thanks to the staff. He sees this project ramping up next spring. Mr. Flynn mentioned that with regard to manufacturer's incentives for products manufactured in the US, he has contacts at Daikin and will put MMWEC in touch with them, if any MMWEC members are interested in these types of projects.

Mr. Driscoll thanked Mr. Ide and Mr. Viadero for their help with the battery project which looks like it is going to go through next week. Thanks also are due to the MMWEC staff for help with the pro forma and running the numbers for that project.

There were no further general comments.

2. Activities Report

Mr. Quinn led the discussion regarding the concrete situation at Seabrook. On May 3<sup>rd</sup>, NRC completed an on-site inspection that is a required part of the Seabrook license renewal. The scope of the inspection was to examine the plant, activities and documents that support the application for renewal of the operation of Seabrook. The inspection results concluded that there is reasonable assurance that the effects of aging on the concrete due to ASR at Seabrook will be managed thoroughly through implementation of a program outlined in the license renewal application. The next step will be for the NRC to finalize its review. The draft report will be released in September. A meeting will be held in Washington DC in December for a presentation of the final review. C-10 is a well-funded, well-organized group in opposition of the Seabrook renewal that will have a chance to meet with the license review board in the first quarter of the New Year. C-10's main allegation is that the concrete has deteriorated to a point that the structural integrity of Seabrook is compromised.

Mr. DeCurzio continued with discussion on the history of press releases from Millstone regarding its financial status. MMWEC has been requesting financial information to

support Millstone's position that the project is not financially stable. Millstone had not supplied any information because Millstone took the position that MMWEC is a competitor because of Stony Brook. Mr. Quinn stated that right after Fourth of July there was a news release followed by a meeting to establish better communication among MMWEC, Millstone and Dominion. Mr. Quinn reiterated to Millstone that MMWEC is not a competitor, that there should be some access to information relative to Millstone's financial viability to share with participants. MMWEC also asked Millstone to identify how MMWEC's shares would be used if Millstone does in fact enter the zero carbon market in Connecticut. Director of Safety and Licensing from Millstone, Michael Conner, was appointed as a liaison to better facilitate communication with MMWEC. At a meeting in August, the same topics were discussed. Mr. Ide stated the most promising result of all these meetings was that Dominion and Millstone no longer view MMWEC as a competitor. Also, as a result of the meetings, MMWEC now has an understanding of how Millstone will handle MMWEC's shares. Millstone will take the entire output of Unit 3 and place it into the ISO market. Millstone will bid in the day-ahead market since they are a nuclear plant with a capacity obligation. MMWEC will receive its proportionate share of the sale of the output of Unit 3 capacity.

A zero emission market has been put in place by the legislature in CT to try to create an additional revenue stream that would be attributable to Millstone outside of the regular ISO market. Millstone will be bidding into the zero emission market in September. Dominion likely will settle its shares by hedge agreements with financial institutions outside the bid process. MMWEC did not want those shares to be subject to the outside settlement process but rather to be set in the day ahead ISO market. Bids for the zero emission market are to be submitted on September 14<sup>th</sup>. DEEP and PURA will respond to Millstone in mid-October regarding at-risk determination. In order for Millstone to participate in this new zero-emission market, it has to be designated "economically at-risk". Bids will be awarded first quarter of 2019.

Mr. Hamilton stated that this process seems overly complicated, and wondered why Dominion did not just de-list and renegotiate. Mr. Ide replied that this approach was discussed. Dominion stated that the de-list approach was considered but not pursued.

Mr. Ide led the discussion on Wyman. Last November, MMWEC made an offer to NextEra to sell MMWEC's Wyman interest. NextEra refused the offer. There will be no deal with NextEra this year, and MMWEC will continue to receive capacity revenue. With the Eversource deal now closed, MMWEC hopes that NextEra will have more flexibility in the future.

Mr. DeCurzio stated that Wyman incurred a penalty on Labor Day during a capacity shortage event due to the new penalty rules. Wyman is a slow-start up unit, and was not running when the capacity shortage was declared and was penalized, under the new ISO "pay for performance" rules. There is a formula ISO uses to calculate the Wyman penalty based on its capacity supply obligation, and the fact that it did not meet that volumetric requirement triggered the penalties. Wyman, for a 3.5 hour capacity scarcity event on Monday afternoon, was penalized \$2.3 million. MMWEC's share of that penalty equates to \$85,000. The "pay for performance" structure also rewards units that were online, and

Millstone and Seabrook were online during Monday's shortage event, which generated \$83,000 to Millstone participants and \$217,000 in benefits to Seabrook participants.

Mr. Ide distributed a handout of the performance of all MMWEC units during the shortage event. Units that have long startups to full load capacity are at a disadvantage to short start up. Mr. Ide stated that MMWEC's focus during the shortage event was on the assets that are exposed to the "pay for performance" penalties. Mr. Ide distributed materials regarding power price, the hedging strategy, and how Stony Brook is a hedge against extreme events. The basic calculation of energy price is the current load bid in the day-ahead market. Generating assets sell power into the market and make a margin on that. Net power cost is the cost of buying the power in the day ahead minus the margin from the generating assets and the cost of any power purchased in the real time market. Eighty six percent (86%) of the shortage event was covered by the day ahead price – and the rest was covered through the real time market. The entire shortage event cost the MMWEC portfolio just under \$700,000 collectively. Stony Brook was dispatched and all five units were called into the real time market. That attributed to a positive gross margin of \$477,317 to MMWEC Participants. This is how Stony Brook is used as a hedge for participants. The net charge to MMWEC participants was \$214,688. The Board thanked Mr. Ide for a strong report on the situation and mentioned that discussion could continue at the Roundtable scheduled for September 27<sup>th</sup>.

Mr. DeCurzio directed discussion to page thirteen (13) of the Activities Report the MMP project schedule. Ms. Martucci stated that the original deadline was first quarter of 2018, but the actual deadline is most likely year-end 2018, this works well with the Accounting year to have a full year on the new system. Data validation is ongoing, and staff is currently at a training with the developer.

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

### 3. Financial Statements

Ms. Martucci presented the June 30, 2018 Financial Statements. The A&G report has a forecast from the actuals of the first six months of the year and a projection of the second six months. The projected year-end A&G is running very close to budget.

Stony Brook Intermediate and Peaking projects are both over budget due to fuel oil cost. The units ran a lot more in the cold over this winter than they were projected to.

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

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

(VOTED 18-40): 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 June 30, 2018 and the Administrative and General Statement of Revenues & Expenses for the Six Months Ended June 30, 2018, as

submitted to and made a part of the permanent records of this meeting.

(VOTED 18-41): 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 Twelve Months Ended June 30, 2018, for Nuclear Mix No. 1 as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-42): 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 Twelve Months Ended June 30, 2018, for the Nuclear Project No. 3, as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-43): 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 Twelve Months Ended June 30, 2018, for the Nuclear Project No. 4, as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-44): 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 Twelve Months Ended June 30, 2018, for the Nuclear Project No. 5, as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-45): 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 Twelve Months Ended June 30, 2018, for the Project No. 6, as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-46): 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 Twelve Months Ended June 30, 2018, for the Stony Brook Peaking Project as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-47): 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 Twelve Months Ended June 30, 2018, for the Stony Brook Intermediate Project, as submitted to and made a part of the permanent records of this meeting.

(VOTED 18-48): 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 Twelve Months Ended June 30, 2018, for the Wyman Unit No. 4 Project, as submitted to and made a part of the permanent records of this meeting.

#### 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”
Cady	“aye”
Kelly	“aye”
Driscoll	“aye”
Sollecito	“aye”
Flynn	“aye”

It was:

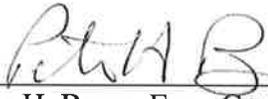
(VOTED 18-49): To enter Executive Session for the purpose of discussing strategy with respect to trade secrets under St. 1975, c. 775 Section 19(a) and that upon termination of the Executive Session, the Board Meeting will be reconvened in Regular Session to adjourn the meeting.

The Board entered Executive Session at 11:50 a.m.  
The Board meeting reconvened Regular Session at 12:42 p.m.

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 12:45 p.m.

A TRUE RECORD

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