

MMWEC

Public Power News

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MMWEC is a non-profit, public corporation and political subdivision of Massachusetts, providing a variety of energy services, primarily to public power utilities.

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Special Project 2006A Phase II begins

MMWEC receives adequate in-state participation commitments to move ahead with development process

MMWEC has reached a milestone in the development of its Special Project 2006A, through which the non-profit, public power organization is planning to build a 280-megawatt baseload generating unit at its Stony Brook Energy Center in Ludlow, Mass.

As of August 31, MMWEC had received commitments sufficient to enable it to proceed with Phase II of the three-phase Special Project 2006A. Phase II, which is expected to cost about \$5 million and last approximately two years, includes work on the regulatory, environmental, siting, permitting, contracting and financing aspects of the project.

During Phase II, MMWEC will be gathering information and completing regulatory filings to answer questions about the proposed plant's fuel and water

supplies, air quality impacts, permitting requirements and financing structure, among other things. After this information is compiled and various required permits are obtained, MMWEC and its project participants will decide whether to proceed with Phase III. The third and final phase will require longer-term commitments to proceed with the actual construction and financing of the new unit, estimated to cost \$220 million.

Twenty-three Massachusetts municipal utilities, including 19 MMWEC members, have signed the Project Development Agreement (PDA), which is the vehicle for funding of Phase II activities. The 23 utilities have subscribed to 184.2 megawatts of the proposed unit's capacity, a level of participation that will keep

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Stony Brook units 1B, 2B now black start capable



The two 2-MW rental Caterpillar diesel generators needed for the Stony Brook Energy Center to provide black start capability, pictured above, were delivered to the Stony Brook site on Sept. 7. Black start tests of the generators performed at the plant on Sept. 24 were successful, and all testing was completed well within ISO requirements. The black start project allows the units to start independently and reenergize the region's power grid during total blackout conditions as required by ISO to initiate system restoration following a major system-wide disturbance.

BRIEFLY SPEAKING

SBEC peaking participants to expect \$5.04M in LFRM payments

ISO New England's winter 2006-2007 Locational Forward Reserve Market (LFRM) began Oct. 1 and is the first Forward Reserve Market in the region with a local component. MMWEC's 150-megawatt bid of 30-minute operating reserve supply obligations for Stony Brook units 2A and 2B cleared the LFRM auction at \$4.20/kw-month back in August. As a result, MMWEC's Stony Brook peaking project participants are expected to receive up to \$5.04 million in their NEPOOL Interchange payment credits over the eight-month period of Oct. 2006 through May 2007.

The LFRM is intended to ensure that generating units capable of providing 10-minute and 30-minute operating reserves in needed locations will be available to the ISO for dispatch during reserve shortage periods. Penalties associated with failing to start the units on time or being out of service make it difficult to predict the exact value of reserve market participation; however, participation in the LFRM provides an important source of revenue for MMWEC's peaking project participants and introduces additional competition to the marketplace.

Separately, the 71 MW obligation offer that MMWEC submitted on behalf of the municipal utilities in Ipswich, Marblehead, and Peabody cleared, ending at \$14.00/kw-month. It is anticipated that these Northeast Massachusetts (NEMA) area municipals will receive \$7.95 million in LFRM payments over the next eight months. In preparation for participation in the LFRM, MMWEC staff assisted the Ipswich and Marblehead municipal light departments with the conversion of their generators from settlement-only resources to fully-dispatchable units that are fully integrated into ISO-NE's Energy Management System (EMS) and eligible to provide 30-minute quick start capability.

Hull Wind 2 reaches generation milestone

After approximately 134 days of operation, the Hull Municipal Lighting Plant's Hull Wind 2 turbine exceeded the one million kilowatt hour mark in total generation. As of Sept. 14, the 330-foot-tall windmill with a 1.8 MW generator had operated for a total of 2,148 hours and had a capacity factor of 17.6 percent. The turbine is expected to produce 4.5 million kWhs each year and save the town of Hull an estimated \$500,000 annually over the next 20 years.

Murdock named Hull's new operations manager

Back in July, Hull Municipal Lighting Plant Operations Manager John A. MacLeod retired following 29 years of service. John Murdock has been selected to replace MacLeod as the utility's operations manager, effective Oct. 16.

Annual A&G budget workshop scheduled for Oct. 18

A special MMWEC Administrative Committee meeting has been scheduled for Oct. 18 at 10 a.m. at MMWEC's administrative office building in Ludlow to review the 2007 Administrative & General (A&G) budget in detail. All MMWEC members, project participants, and Board members are invited to attend. This meeting will provide those in attendance with an opportunity to ask questions and offer input on the proposed budget.

MMWEC initiates municipal utility visitation program

Mutual understanding. That's the primary goal of MMWEC's newly established municipal system visitation program.

Developed and coordinated by MMWEC's Member and Public Relations Division, the program is intended to foster an increased awareness among MMWEC staff of the daily challenges faced by municipal utilities at the local level. It also will give MMWEC and municipal utility personnel a better understanding of how MMWEC's programs and services affect individual light departments.

Essentially, the program provides each of MMWEC's administrative employees with the opportunity to spend a day at a consumer-owned utility working with employees of that utility to gain a better sense of local operations, system-specific issues, and unique day-to-day challenges. The knowledge gained through this face-to-face interaction can help make MMWEC employees more responsive to its members' needs.

MMWEC General Manager Glenn Steiger said, "I am confident that this initiative will bring MMWEC closer to its members and will strengthen MMWEC's continued commitment to moving in an increasingly customer-driven direction."

Steiger emphasized that these visits will allow MMWEC employees to witness the direct impact that MMWEC's services have on a light department's residential and commercial customers, adding that MMWEC staff is generally isolated from interactions with municipal utility consumers because of the wholesale focus of the services MMWEC provides. "It is so important for MMWEC staff to see firsthand how MMWEC's work is utilized locally and how it affects utility customers," Steiger said.

Reciprocal in nature, the visitation program provides both MMWEC and municipal utility employees a chance to ask questions of one another and discover common organizational responsibilities. According to Steiger, "this program will add another dimension to the MMWEC staff's ability to address the needs of Massachusetts municipal utilities. Additionally, it will provide a similar opportunity for municipal employees to gain a better understanding of what we do here at MMWEC."

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MMWEC protest of Mystic reliability payments leads to expansion of federal probe

Federal regulators will expand the scope of their investigation into the legitimacy of \$238 million a year in reliability payments being made to a Boston power plant as a result of a challenge to the payments by MMWEC and the municipal utilities serving Concord, Reading, and Wellesley.

The Federal Energy Regulatory Commission (FERC) on Aug. 23 granted the request of MMWEC and the municipal utilities to reconsider key aspects of the FERC's earlier decision, which found that the plant is eligible to receive the payments and established a hearing to determine the appropriate payment level. Under the Aug. 23 decision, the hearing will be expanded to consider eligibility issues.

The case involves payments being made to the owners of Mystic Units 8 and 9 under a Reliability Must Run (RMR) agreement.

MMWEC has characterized the agreement as a consumer-funded bailout of poor business decisions by Mystic's owners. MMWEC also questioned the determination by ISO New England

(ISO-NE) that the units are needed to ensure electric system reliability.

"We are cautiously optimistic that the Commission's recent decision

ing and agreeing to take a closer look at the issues raised by MMWEC in this case," he said.

RMR agreements guarantee payments to power plants that 1) the ISO determines are needed for reliability and 2) can demonstrate that they are unable to cover their operating costs with revenue from the competitive marketplace or other sources. The Aug. 23 FERC decision sets both of these issues for hearing.

The order also sets for hearing several other financial issues, including the treatment of discounts and sales under a Mystic natural gas contract, as well as other revenues and expenses claimed by Mystic.

In approving the Mystic RMR agreement earlier this year, subject to refund, the FERC set for settlement discussion and hearing issues raised in determining Mystic's annual revenue requirement of \$238.5 million.

After settlement discussions failed to result in an agreement, the case was assigned to a FERC Administrative Law Judge. The schedule adopted in the case calls for a decision by the judge to be issued in June 2007.

More specifically, the FERC decision:

- Requires the ISO to update its reliability analysis for the Mystic units within 30 days after operation of a major, 345-kV transmission upgrade in the Boston area. MMWEC has argued that the soon-to-be-activated NStar transmission project will relieve constraints causing reliability problems in the area and possibly negate Mystic's eligibility for an RMR agreement;
- Sets for hearing several issues regarding Mystic's financial need for an RMR agreement, stating that the record before the FERC is inadequate to resolve "issues of material fact" regarding Mystic's claims of financial need for an RMR agreement. MMWEC has argued that the plant's troubled construction and operating history has produced suspicious financial information that is contradictory and unverifiable;
- Sets for hearing whether debt service and other claimed costs are appropriately classified and properly allocated between Mystic units 8 and 9 and other units in the owner's portfolio of generating resources. The group of financial institutions that assumed ownership of the Mystic units in lieu of foreclosure also owns and has debt outstanding on other generators; and
- Requires that "prospective capacity revenues" from transition payments made to generators under the Forward Capacity Market settlement agreement be included in Mystic's financial need analysis.

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Since the program's launch on Sept. 21, MMWEC staff members have visited the Paxton Municipal Light Department, Shrewsbury's Electric & Cable Operations, Ashburnham Municipal Light Plant, and Templeton Municipal Light & Water Plant. Visits are scheduled over the next few weeks in Belmont, Georgetown, Groton, Holden, Ipswich, and Middleton.

MMWEC Project Operations					
	Stony Brook Intermediate	Stony Brook Peaking	Seabrook	Millstone 3	Wyman 4
Month Ending August 2006					
Availability	99.98%	98.64%	99.47%	100%	99.40%
Capacity Factor	35.15%	1.57%	99.23%	98.61%	4.74%
YTD through August 2006					
Availability	99.92%	99.83%	99.93%	100%	97.19%
Capacity Factor	13.42%	0.84%	99.92%	99.91%	1.41%

The capacity factor represents the percentage of electricity actually produced as compared with potential production.

Special Project 2006A updateContinued from Page 1

the per-megawatt costs for Phase II below the threshold established by the MMWEC Board of Directors.

MMWEC is continuing discussions with other public power and private entities regarding participation in Phase II and subscription to the balance of the proposed unit's capacity. The proposed unit, a natural gas and oil-fired combined-cycle generator, would have a winter capacity rating of 280 megawatts and a summer rating of 240 megawatts.

Numerous federal, state and local permits will be required for construction and operation of the new unit. At a minimum, the plant will be subject to the Massachusetts Environmental Policy Act (MEPA) process, which begins with the filing of an Environmental Notification Form (ENF) with the state Executive Office of Environmental Affairs and continues through the development and approval of an Environ-

mental Impact Report. The ENF for the project was filed on Sept. 27.

The unit also will require an emissions permit from state and federal environmental agencies, as well as siting approval by the Massachusetts Energy Facilities Siting Board. At this point, it is anticipated that MMWEC also will be preparing and filing a request for authorization from the state Department of Telecommunications and Energy to issue debt to finance plant construction.

In addition to completing the permitting/approval process, another priority Phase II task involves the development of contracts between MMWEC and its project participants, including potential joint owners.

Construction of the new unit is being proposed to meet a portion of the baseload power needs of MMWEC member utilities and other New England public power entities. MMWEC has identified a need among its members for approximately

500 megawatts of new energy resources by 2012, including an estimated 300 megawatts of baseload resources.

MMWEC's proposed plant will reduce significantly the exposure of municipal utilities to New England's highly volatile spot energy markets, and MMWEC ownership will give the municipals a measure of control over the price and reliability of their future power supplies.

To assist its members in meeting the balance of their needs, MMWEC will be developing system-specific integrated resource plans for each member utility. In preparing such plans, MMWEC will examine additional unit ownership, contract purchases, spot market energy purchases and demand management/conservation programs in order to maintain supply diversity. Such diversity spreads power supply risks across a broader range of resources and provides protection against the uncertainty of wholesale power prices.

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