MMWEC
Public Power News
A Newsletter Of The Massachusetts Municipal Wholesale Electric Company

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## What's inside . . .



**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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### *Final environmental impact report approved*

# Progress is mixed on new unit development

Dozens of permits, approvals and agreements are needed to build a new power plant, and the process of coordinating and meeting different requirements must be flexible in order to accommodate the inevitable challenges that arise during project development.

As MMWEC continues development work on its plans to build a 280-megawatt, combined-cycle generating unit at its Stony Brook site in Ludlow, there has been solid progress in meeting some of these requirements while unexpected events are slowing progress in other areas.

During the development phase, MMWEC is working to complete the project's environmental, regulatory, contracting and other requirements, which will enable the organization to prepare the cost and schedule estimates needed to decide whether to move forward with the project's final phase, including financing and construction of the new unit.

When MMWEC announced its plans in July 2006, the new unit was estimated to cost about $220 million and be running in 2010. After about 16 months of development work, it is clear that the unit will cost more than $220 million – primarily due to rising equipment costs – and may not be running until 2011.

A final cost and schedule estimate is still up to eight months away, pending the completion of various development tasks.

Two recent decisions illustrate the mixed bag of progress experienced by MMWEC.

On Dec. 3, the state's Executive Office of Energy and Environmental Affairs approved the Final Environmental Impact Report (FEIR) for the new unit, a major step forward for the project.

Acceptance of the FEIR is one of several favorable permitting decisions MMWEC has received to date, including positive rulings from the Ludlow Conservation Commission, the state's Natural Heritage and Endangered Species Pro-

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# Rolling, 18-month power cost projections in place

MMWEC has improved its bulk power cost projection service to provide Member utilities with a rolling, 18-month projection of their bulk power costs, updated monthly.

Members recently received the first 18-month projection of their bulk power costs for the period from November 2007 through May 2009. These system-specific projections are being updated monthly and extended to cover an additional month with each update, so that Members always will have an 18-month projection of their bulk power costs.

Previously, MMWEC provided Members with a 12-month projection of their bulk power costs that was updated twice a year. The enhancement of this service is a result of meetings and discussions with Member utilities over the past several months, including visits with each system to review power supply portfolio information.

The new projections are being posted on the password-protected private website for MMWEC Members and Project Participants.

MMWEC's bulk power cost projections are based on information and data generated by MMWEC, including computer-modeled assumptions regarding the operating level and costs of power from resources in each Members' power supply. Also considered are bids and price trends in forward markets for natural gas and oil, estimates of wholesale power market expenses and other information affecting bulk power costs.

# Briefly Speaking

## Princeton's Jonathan V. Fitch joins MMWEC Board

Jonathan V. Fitch, general manager of the Princeton Municipal Light Department, was elected to the MMWEC Board of Directors at a meeting of the MMWEC Membership on Oct. 30.

Fitch was elected by Members to fill the approximate seven months remaining in the unexpired term of Georgetown Municipal Light Department Commissioner Scott Edwards.

*Jonathan V. Fitch*
*New Director*

In another change on the board, Chairman Michael J. Flynn, representing the Town of Wilbraham on the board, also is now one of two gubernatorial appointees to the board. Both Fitch and Flynn were sworn in to their new positions at the regular meeting of the board in November.

## Member utilities in Hull and Wakefield name new managers

The Hull Municipal Lighting Plant recently named Richard Miller its new manager, filling a void left by the retirement of long-time manager John MacLeod. Miller is a former employee of the Hull utility and most recently worked as a contractor providing the town with line maintenance services.

Also, the Wakefield Municipal Gas and Light Department has named Peter D. Dion its new manager, replacing William Wallace, who retired after a 43-year career with the utility. Dion has more than 20 years of experience in utility management and planning with the Reading Municipal Light Department and NStar.

## Latest MMWEC Institute: Understanding the MMWEC Bills

MMWEC held another in its series of MMWEC Institute presentations on Dec. 12, this time giving municipal utilities a look behind the dollar amounts and line items on the MMWEC bills.

The latest Institute, titled Understanding the MMWEC Bills, explained the programs and services associated with the various MMWEC billing categories for wholesale market services, generation services, agency services, NYPA power, Hydro-Quebec and others.

This is the fourth presentation of the MMWEC Institute, which was created to address issues of critical importance to New England's municipal utilities. Other Institutes have focused ISO New England, NERC reliability standards and demand response/energy efficiency initiatives.

## RISE Engineering conducts audits for Westfield facilities

RISE Engineering, through its contract with MMWEC to provide commercial, industrial and institutional energy audits to municipal utility customers, is in the midst of conducting audits and recommending energy efficiency improvements for schools and other municipal facilities served by the Westfield Gas & Electric Department.

The Westfield utility is targeting February 2008 for decisions on implementing energy efficiency project recommendations.

# Municipal wind co-op secures $6.5 million financing for Princeton project

*This photographic simulation shows the proposed Princeton wind turbines against a backdrop that includes now-dismantled smaller turbines at the Princeton Wind Farm in Central Massachusetts.*

The recently formed Massachusetts Municipal Light Department Wind Energy Cooperative has secured a $6.5 million loan package from PeoplesBank of Holyoke to finance a three-megawatt wind power project in Princeton, Mass.

The Princeton project, tentatively scheduled for operation in the fall of 2008, calls for the installation of two, 1.5-megawatt wind turbines at the Princeton Municipal Light Department's 23-year-old wind farm in Central Massachusetts. The new turbines will replace eight smaller ones that were removed from the site in 2004 after 20 years of operation. Preliminary work has started on the new project, which will meet approximately 40 percent of Princeton's energy needs.

Currently, MMWEC and the Princeton utility are the only members of the co-op, which was established to assist Massachusetts municipal utilities develop and finance wind energy resources. Several other municipal utilities pursuing wind power resources could benefit from membership in the co-op.

MMWEC, which negotiated the financing package, provides the co-op with a variety of financial, power supply and administrative services.

# Progress is mixed on new unit .....continued from Page 1

gram and the Federal Aviation Administration.

MMWEC has filed its applications with the state Department of Environmental Protection and the federal Environmental Protection Agency for approval of the major air permits required for the new unit, and discovery is under way in the state Energy Facilities Siting Board (EFSB) case in which MMWEC is seeking approval to build the unit. Several parties expressed support for the project during a sparsely attended EFSB public hearing on the project in Ludlow.

On another front, however, following a study of the impacts of connecting the new unit to the regional power grid, ISO New England determined that Springfield-area transmission constraints prevent the MMWEC unit from qualifying to participate in an upcoming Forward Capacity Market (FCM) acution. This first FCM auction will identify the resources to receive capacity payments beginning in June 2010. The ISO decision, which holds implications for the project's schedule and economics, makes the unit ineligible to receive between $15 million and $35 million in FCM revenue between June 2010 and June 2011.

MMWEC has asked the Federal Energy Regulatory Commission (FERC) to reverse the qualification decision, citing major flaws in the ISO's interconnection analysis. Absent a reversal, MMWEC wants the FERC to direct the ISO to correct the flaws identified by MMWEC in conducting future analyses, which could enable the MMWEC unit to qualify for the second FCM auction to procure capacity for the period beginning in June 2011.

MMWEC's FERC filing also addresses the need for speedy resolution of the long-standing transmission problems in the Springfield area, citing "the historical failures of the ISO and the applicable transmission owner to address transmission needs", as required by regional tariffs and agreements. The current situation "is leading to perverse results", including exclusion from the FCM auction of the MMWEC unit, which is the type of new, efficient generating unit that the FCM is intended to encourage.

If the FERC upholds the ISO's interconnection analysis, MMWEC asks that the ISO be directed to take all actions necessary "to ensure the expedited completion of the transmission improvements needed to enable Stony Brook Unit 3 to qualify for the FCM auction." Such direction would be consistent with the obligation of transmission owners to construct needed facilities, as contained in the ISO's Open Access Transmission Tariff and New England's Transmission Operating Agreement."

### Other Activities

A number of other activities associated with the new unit development phase are in various stages of completion, including:

- The municipal utilities participating in the development phase have given the proposed new unit a name: Stony Brook Unit No. 3.
- A draft Power Sales Agreement (PSA) for the project is under review. The PSA is the contract through which municipal utilities will commit to purchasing a portion of the unit's output and to paying a proportionate share of the debt service on bonds to be issued by MMWEC to finance construction.
- The possibility of other entities purchasing an ownership share in the project remains under investigation. Currently, for purposes of funding project development costs, 25 municipal utilities have subscribed to 213.2 megawatts of the project's anticipated output.
- A study is being pursued to determine the value of common facilities at the existing Stony Brook site. The study will be used in developing an agreement with current Stony Brook participants regarding the use of facilities to be shared by the

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### *FEIR 'adequately and properly complies'*

State Secretary of Energy and Environmental Affairs Ian A. Bowles has determined that the Final Environmental Impact Report (FEIR) for the new unit "adequately and properly complies" with the Massachusetts Environmental Policy Act (MEPA).

In a Dec. 3 certificate of compliance, Bowles states that the MMWEC project "requires no further review under MEPA" and that MMWEC "has adequately assessed the potential impacts of the project and committed to measures that will avoid, minimize and mitigate adverse impacts."

The permit outlines the numerous permits required to constsruct the unit, as well as the dozens of measures proposed by MMWEC to mitigate the project's impacts on air quality, wetlands, wildlife, aviation, water supply, noise levels, traffic and other resources.

**MMWEC Project Operations**

| | Stony Brook Intermediate | Stony Brook Peaking | Seabrook | Millstone 3 | Wyman 4 |
|---|---|---|---|---|---|
| **Month Ending October 2007** | | | | | |
| Availability | 98.58% | 98.58% | 100% | 100% | 83.87% |
| Capacity Factor | 1.36% | 0.23% | 99.99% | 98.28% | 0.04% |
| **YTD through October 2007** | | | | | |
| Availability | 95.38% | 99.82% | 98.78% | 85.4% | 79.3% |
| Capacity Factor | 8.17% | 0.55% | 98.54% | 83.29% | 5.68% |

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

# New unit development ..... continued from Page 3

existing and new units, including the switchyard and existing pipelines for natural gas, fuel oil, water and wastewater.

• Initial bids for the new unit's major equipment, received last summer, reflected the rising costs of generating equipment, raw materials and transportation. As a result, MMWEC has decided to ask the major equipment vendors to rebid the project once the PSAs are in place and MMWEC is better positioned to move forward expeditiously with the purchase of equipment.

Overall, while some unexpected challenges have arisen, the project continues to move forward on all fronts. Municipal utilities still face a power supply deficit of about 500 megawatts by 2012, and construction of the proposed Stony Brook Unit No. 3 is still the best available alternative for meeting a portion of the municipals' need for new baseload generation.

MMWEC will use the latest and most efficient combined-cycle generating technology in the new unit as well as state-of-the-art emission control technology. To further minimize emissions, the project's primary fuel will be clean-burning natural gas with ultra-low-sulfur distillate oil as a backup.

The design and location of the project, coupled with actions proposed to address environmental impacts, "will result in one of the most efficient and environmentally sound power plants in the United States," as explained in the recently approved FEIR.



*MMWEC is a Hometown Connections partner, facilitating the provision of Hometown Connections services to its Member utilities.*

*Public Power News* is a publication of the Member and Public Relations Division of the Massachusetts Municipal Wholesale Electric Company. Glenn Steiger, *General Manager*; David Tuohey, *Corporate Communications Manager*. 

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