

MMWEC

Public Power News

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Here we go: RTO-NE startup set for Feb. 1

On Dec. 30, ISO New England and the region's transmission owners filed a notice with the Federal Energy Regulatory Commission (FERC) of their intent to begin operation as the Regional Transmission Organization for New England (RTO-NE) on or after Feb. 1, 2005.

ISO-NE and the transmission owners also asked the FERC to waive its notice provisions to the extent required to allow the RTO-NE Tariff and other agreements, including revisions to those documents filed on Dec. 10 and Dec. 30, to take effect on Feb. 1.

Revisions to the Transmission, Markets and Services Tariff, the Transmission Operating Agreement and other RTO-NE documents are included in the December filings, which are intended to show compliance with the conditions stated in the FERC's Nov. 3 order. The Nov. 3 order approved a settlement of certain RTO-NE issues and addressed other outstanding issues, essentially clearing the way for the establishment of RTO-NE.

The transmission owners' requests for a higher return on equity and incentives that would further increase

their transmission revenues under the RTO-NE structure remain the subjects of a separate FERC evidentiary proceeding; the case is expected to go to trial later this month. These requests for transmission rate increases, which are opposed by MMWEC and other public power entities, will not be resolved before Feb. 1. The transmission owners are willing to go forward with the RTO without a final ruling on the return on equity issues.

Establishment of the RTO will result in a significant shift in the rights and responsibilities of wholesale power market participants. Under the RTO, many of the rights currently held by market participants will be eliminated or significantly limited, including rights to cast deciding votes on, and to file with the FERC, changes in market rules and changes in the rates, terms and conditions of transmission service.

MMWEC will be monitoring the RTO-NE transition process and will provide its members and project participants with whatever assistance it can as the legal and administrative processes required to create RTO-NE unfold.

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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PHOTO BY ALAN MENARD

Clouds of steam billow from the Stony Brook Energy Center power plant. Freezing temperatures have increased the demand for energy in the New England region. As a result, the plant has been dispatched more frequently and performed to its full capability.

BRIEFLY SPEAKING

New Managers

Congratulations to **Linda Soucy**, former manager of the Merrimac municipal utility, in her new position as the Rowley Municipal Lighting Plant manager.

Welcome aboard to **Dan Folding**, new manager of the Merrimac Municipal Light & Water Department and **Jeffrey Cady**, manager of the Chicopee Electric Light Department.

MMWEC passes EPA drill

MMWEC has received notification from the United States Environmental Protection Agency (EPA) that it successfully passed the unannounced Facility Response Drill held on Sept. 28. During the surprise visit, MMWEC staff was asked to execute a mock oil spill drill. The EPA's letter states MMWEC has adequately trained personnel to implement the response plan and has demonstrated "that the response can be conducted in a timely manner."

Congressional Briefing

The Northeast Public Power Association (NEPPA) will host a congressional briefing on Thursday, Feb. 10 at the Capitol in Washington, D. C. **Scott Strauss** of Spiegel & McDiarmid will give a brief summary of comments submitted to the Federal Energy Regulatory Commission on how to make the current ISO-NE structure more accountable to the customers it serves. In addition, there will be time for comments, questions, and an open discussion of how Congress can help encourage a more efficient wholesale electric market in the Northeast.

Year In Review: A look back at the events of '04

The past year has been full of changes, both within the industry and the MMWEC organization. Here's a look back at some of the events and issues of 2004:

JANUARY

MMWEC enters Forward Reserve Market: MMWEC begins participation in ISO-New England's newly created Forward Reserve Market (FRM).

Stony Brook runs at near-record production levels: The Stony Brook power plant ran almost continually at near-record megawatt levels due to severely cold weather. In addition, the Stony Brook Intermediate Unit reached an all-time record for oil burn of approximately 199,366 barrels of oil in a single month.

Niagara power redistribution cuts Massachusetts' share: Massachusetts' share of inexpensive hydroelectric power from the Niagara Project in New York is reduced by approximately 19-megawatts due to a redistribution of the project's preference power sales among neighboring states.

FEBRUARY

John Tzimorangas joins the Hingham Municipal Lighting Plant as General Manager on Feb. 23 after 17 years of employment with NStar Electric.

Enterprise Risk Management (ERM) program gains speed: MMWEC identifies and implements plans to mitigate corporate risks. A Corporate Risk Oversight Committee is formed.

MARCH

MMWEC launches Public Awareness Program to provide basic safety information to people living and working in the general vicinity of its 5.6-mile natural gas pipeline. Informational packages are sent to residents within 660-feet of the pipeline.

A "changing of the guard" takes place at Templeton Municipal Light & Water Department: Gerald Skelton retires as General Manager and is later elected to seats on the Templeton Light Board and Board of Selectmen. Former Light Board member Sean Hamilton replaces Skelton as General Manager.

APRIL / MAY

Peabody Municipal Light Plant rejoins MMWEC membership and becomes the third utility within a few months to rejoin the organization. MMWEC General Manager Michael A. Minkos calls it a "revival of joint action among Massachusetts municipal utilities."

White elected to seventh term as Chairman of the Board during the 2004 MMWEC Annual Membership Meeting held at the Cyprian Keyes Golf Club in Boylston on May 13. In addition, Stanley Herriott, Thomas Josie and Mark Kelly are elected to three-year terms on the Board of Directors and Raymond R. Shockey is re-elected to his fifth-year as MMWEC President.

Fitch affirms MMWEC's 'A-minus' credit ratings on MMWEC's eight separately secured Power Supply Projects and gives a "stable" outlook for each.

JUNE

The American Public Power Association (APPA) honors MMWEC for its outstanding commitment to community service. MMWEC is awarded the 2004 APPA Community Service Award for its "good neighbor activities."

MMWEC is denied St. Lawrence project power. A June 4 Federal Energy Regulatory Commission (FERC) order eliminates entirely Massachusetts' allocation of Project power.

JULY

MMWEC absorbs workload from weekly ISO bills easing demands of the marketplace on municipals. MMWEC pays the ISO-NE bills weekly and invoices municipals at the end of the month.

AUGUST

KPMG hired to refocus internal audit function: The MMWEC Audit Committee hires KPMG to assess MMWEC's existing audit plan and develop a new plan that will focus on value-added and best practice audits.

Holyoke Gas & Electric Department Manger Jim Lavelle is elected to the MMWEC Board of Directors. Lavelle

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MMWEC staff meet deadline for implementing Integrity Management Program

Natural gas pipeline operators around the nation found themselves in a crunch this fall after the Department of Transportation (DOT) issued clarifications for regulations to enforce a pipeline Integrity Management Program (IMP) as mandated through the Pipeline Safety Improvement Act of 2002. With a Dec. 17 compliance deadline set, natural gas pipeline operators had to comply with a long list of regulations and establish programs specific to their pipeline facilities.

Responding immediately to the regulations, MMWEC staff took the challenge and assembled a task force. Program requirements were numerous. With more than 20 regulatory sections to complete, staff was pressed to meet the deadline.

"MMWEC was in a very good position to move forward with the plan," said MMWEC Engineering Services Manager Alan Menard. "Materials and methods used in the pipeline construction, preoperational testing, and improved safety designs, significantly reduced MMWEC's efforts to develop and remain in compliance with the IMP regulations."

Menard said there were four main objectives in establishing the IMP: identify high consequence areas, assess and prioritize these areas, create a detailed inspection program of the prioritized areas, and repair or mitigate findings. "High consequence" areas are defined as any location that would have a more profound impact on the community or public property if there were a problem or accident involving a pipeline.

"You want to take additional measures to ensure that pipelines in high consequence areas perform their function with minimal risk to the public," said Menard.

Nine employees participated on the task force: Menard, Director of Operations Joe Roy, Stony Brook Plant Manager Karl Winkler, Operations

Supervisor Glenn Corbiere, Technical Services Supervisor Bob Bagge, Principal Environmental Engineer Mike DiMauro, Environmental and Safety Specialist Neil Geary, Resident Engineer Yelena Litvinov, and Senior Project Manager – Technical Services Chung Liu. National averages to develop the program were estimated at 8.8 million labor hours nationwide, with the DOT calculating MMWEC's total at approximately 2,625 hours.

However, there were several factors in MMWEC's favor that significantly reduced this time. Menard said MMWEC was able to purchase an IMP outline from the Northeast Gas Association. Design and pre-operation testing of the pipeline cut labor hours established by the DOT by two-thirds.

"Going into this project, we were already ahead of the game," said Menard. "This was just one of the many benefits to having such stringent guidelines and testing when we built our natural gas pipeline two years ago."

According to the DOT, the goal of the pipeline Integrity Management Program is to improve the safety and public confidence in natural gas pipelines; improve the ability to site or permit new pipelines; reduce consequential damages and unexpected interruptions of gas service; and provide incentives to foster additional pipeline testing.

When the Pipeline Safety Improvement Act of 2002 was implemented, it was understood that future regulations would be developed. However, clarifications of the Integrity Management regulations were not released until the summer of 2004. This left MMWEC staff with only a short four-month window to complete the project.

Although MMWEC staff was able to meet the Dec. 17 compliance date, program assessments and clarifications will be ongoing. A program reassessment date is scheduled for

August 2009. As a result, Menard expects the reassessment testing and inspection will be more extensive than MMWEC's current annual testing and pipeline survey, but less extensive than most other pipeline operators.

In the meantime, MMWEC's IMP task force will continue with monthly meetings. The group will monitor regulation changes and implement them in MMWEC's program to ensure

“*MMWEC was in a very good position to move forward with the plan,*”

- Alan Menard
ENGINEERING SERVICES MANAGER

MMWEC is complying with all the DOT's requirements, said Menard.

A copy of MMWEC's IMP was sent to the Massachusetts Department of Telecommunications and Energy. Due to the security and sensitivity of some of the material contained within the program documentation, some information has been omitted from the DTE copy. MMWEC offered to provide the DOT with a copy of its IMP; however, the DOT has declined at this time.

FACTS & FIGURES

Number of pages in Pipeline Safety Improvement Act of 2002 - 28

Number of clarification pages to Act (codes and regulations) - 249

Number of pages of MMWEC's Pipeline Integrity Management Program - 648

Review continued from page 3

will complete the unexpired term of Dan Golubek who resigned from the board in July.

MMWEC Director Michael Flynn is named by Gov. Mitt Romney to fill one of two positions on the board filled through gubernatorial appointment.

SEPTEMBER

RTO-NE settlement preserves

NEPOOL: An agreement settling many issues related to the creation of the RTO-NE is filed with the FERC. Among many items, the settlement agreement allows NEPOOL to continue to represent market participants and have specific rights to challenge RTO-NE decisions on market rules. The official RTO-NE settlement agreement filing, which runs to 757 pages, is filed with the FERC.

NOVEMBER

RTO settlement is approved. A Nov. 3 FERC order clears the way for the establishment of a RTO-NE. The order

accepts the RTO-NE settlement agreement and addresses issues associated with the creation of the RTO-NE that were excluded from the settlement.

DECEMBER

MMWEC legislation is filed to update Chapter 775 of the Acts of 1975, MMWEC's enabling legislation. The bill will allow MMWEC to fully participate in a restructured electric utility industry.

MMWEC lands contract for power from wind project. A group of Massachusetts municipal utilities and MMWEC agree to purchase the power from a 15-megawatt wind project slated for construction in 2005 on Brodie Mountain in Hancock, Mass. MMWEC entered into a 22-year contract with Berkshire Wind Power LLC to purchase the electric energy and capacity from the Berkshire Project.

MMWEC Project Operations					
	Stony Brook Intermediate	Stony Brook Peaking	Seabrook	Millstone 3	Wyman 4
Month Ending July 2004					
Availability	100%	100%	100%	100%	28.51%
Capacity Factor	0.52%	0.26%	100.76%	100%	0.63%
YTD through July 2004					
Availability	98.49%	99.69%	100%	89.03%	82.76%
Capacity Factor	8.15%	1.17%	100.79%	87.06%	8.89%
<i>The capacity factor represents the percentage of electricity actually produced as compared with potential production.</i>					

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