SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT
BOARD OF COMMISSIONERS EXECUTIVE SESSION VIRTUAL SPECIAL MEETING
MAY 12, 2022, AT 6:00 P.M.

Present for the Board: Chairman John Hine, Vice-Chair Denise Presley, Greg Dubreuil, Paul Dobosh, Kurt Schenker (arrived 6:06, left 6:30)

Present for SHELD: General Manager Sean Fitzgerald, Administrative Assistant Kim Mendoza, Financial Manager Michael Conchieri

Guest: Matthew Ide, MMWEC Director of Energy & Financial Markets

The open session of the virtual meeting was called to order at 6:00 P.M. by Chairman Hine. It was voted to move into executive session, by a roll call vote in open session (see open session minutes).

Mr. Fitzgerald introduced Mr. Ide who presented information on MMWEC's Project 2022A, a 100 MW Battery Storage Project. Discussions had been postponed last year as there were several capital investments already in process, but the time to get into the project is nearing its end, and a decision needs to be made by the May 26th meeting.

Mr. Ide stated he would present the economics of the project, and then Mr. Conchieri and Mr. Fitzgerald would make their recommendations. He gave a background on the large scale 100 MW battery storage project that would be jointly owned by Anbaric Development Partners, LLC and MMWEC, who are looking for potential MLP project participants to share in the benefits of the battery storage project. It will serve primarily as a non-carbon emitting daily power generation shifter discharging to the grid during peak hours. In addition, participants will benefit from capacity supplied by the battery storage project that qualifies to participate in ISO New England's Forward Capacity Market.

It would be located on MMWEC's campus in Ludlow, MA and MMWEC would own 35% (35 MW) of the project. Economically this location, adjacent to Stoney Brook, is attractive because of the low cost to build there by using the existing infrastructure and the switch yard has extra capacity to accept power into the grid.

Large utility scale battery storage systems are used to shift the output of power generation into the peak hours of electricity consumption from the actual time of the day that power is being produced, mostly in the off-peak hours. These systems can also enable greater penetration of variable renewable power into the grid by storing any excess generated power and targeting the power output when it's needed the most, during peak demand hours. Scaled development of large battery storage systems will facilitate the transition of New England's power grid generation fleet to that of one that is predominately comprised of renewable and non-carbon emitting generators.

Secondly, to further incentivize development of large-scale battery resources, the State has developed a Massachusetts Clean Peak Energy Standard that is designed to provide incentives to clean energy technologies, like batteries, which can supply electricity or reduce demand during seasonal peak demand periods. The anticipated daily charging and dispatch of the battery will make the project eligible for revenue from the clean peak program. This revenue stream creates very favorable project economics. MLPs have no obligations under the Clean Peak Energy Standard. This would create a revenue stream and bring down the cost of the project.

The project will provide direct benefits to its participating MLPs as a capacity resource. As a load serving entity, SHELD is required to carry its share of the ISO-NE Installed Capacity Requirement (ICR) that ISO-NE forecasts will be needed to maintain system reliability in New England. SHELD currently purchases 49% of its capacity on the open market where prices change yearly, even after participating in Project 2015A and with capacity from the 2 nuclear plants.

When SHELD pays its share of the stable costs of the project, it's like paying itself for capacity which would stabilize SHELD's capacity pricing if future prices are as volatile as they have been in the past. Then the value of the project increases significantly. It is anticipated that the project will derive additional revenue through participation in the Massachusetts Clean Peak Energy Standard further reducing stable costs.

To construct the Tesla battery project, MMWEC will seek authority from the DPU for MMWEC to issue a long-term bond which will be used to finance the construction of the Project.

Based on a recommended share of 6.05% of the Project, SHELD's share of the forecasted Project costs is expected to be $3,233,631, equating to an expected cost of capacity to its portfolio of $3.74 cents per kW-month after execution of a PSA (power sales agreement).

While MMWEC believes that the firm prices offered through the solicitation process delivers price certainty, the ultimate project cost may vary due to material assumptions. These material assumptions include a change in the length of the construction period due to COVID 19, the final interest rate on the financing bond, and the size of the reserves.

SHELD's 6.05% share of the Project represents 5.5% of its capacity portfolio, equating to 2.12 MWs. That brings SHELD's open position of its capacity portfolio from 49% to 43% for the 15-year project.

In addition to being a Project Participant, it is recommended that South Hadley purchase additional capacity with a Power Purchase Agreement (PPA) that is available from the Anbaric's ownership share. The PPA would represent 5% of SHELD's capacity portfolio. This puts SHELD in line with the target open position for capacity of 30-40%.

Mr. Ide stated SHELD's yearly cost would be $320,000. The Proforma showed that the debt service and maintenance costs of the project at $11.81/kW month, would be reduced $4.84 by the Clean Peak Energy revenue and again reduced $3.24 by buying power at lower demand times and reselling into the market at peak hours. MMWEC has experience in forecasting capacity at the high and low demand times. It will also provide stable prices, better than in the open market, especially in the second half of the 15-year lifespan of the battery. It's all about risk and how

much the Board is willing to tolerate. Participants can have a PSA or a PPA or both, depending on their needs.

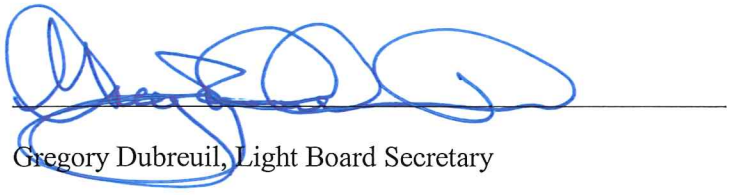
Mr. Ide answered several questions from Board Members. Mr. Dubreuil asked Mr. Conchieri for his opinion. Mr. Conchieri said the idea is to hedge costs, and we need capacity, so if the projections hold true it's a good deal financially. If we are in the open market, it will cost us more for capacity. It's a trade off with any pollution or battery disposal issues that may be encountered down the road, and the cost is less than SHELD is paying for Project 2015A.

Mr. Fitzgerald stated he doesn't think the cost will be a significant impact on SHELD. Project 2015A was more significant. It may cost 2 or 3 mils, which won't raise rates considerably. It aligns with our current portfolio strategy and will benefit the ratepayers over the long haul. Ratepayers indicated, in the survey, that they want to be invested in these assets. The only risk he sees is that it may not clear the FCA which would leave us having to pay for some pre-build expenses, but he thinks it can be built. Mr. Ide stated he thinks it has a good chance of clearing in March of 2023. Most of the expenses come after it clears the auction.

Mr. Hine stated the vote will be on the next open meeting agenda and asked for a motion to adjourn.

On a motion by Mr. Dubreuil and seconded Ms. Presley, it was unanimously

VOTED: to adjourn executive session at 7:23PM, by a roll call vote: Ms. Presley – aye, Mr. Dubreuil – aye, Mr. Dobosh– aye, Mr. Hine – aye,



Gregory Dubreuil, Light Board Secretary

Approved: May 26, 2022