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Ratings Raised On Debt For Several Massachusetts Municipal Wholesale Electric Co. Projects

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NEW YORK (Standard & Poor's) Sept. 22, 2010--Standard & Poor's Ratings Services has raised its underlying ratings (SPUR) on bonds outstanding to 'A+' from 'A' for Massachusetts Municipal Wholesale Electric Co.'s (MMWEC) Nuclear Mix Projects No. 1, 3, and 4. At the same time, Standard & Poor's also raised its rating on bonds outstanding for Nuclear Project No. 6 to 'A-' from 'BBB+' and affirmed its 'A' rating on bonds outstanding for Nuclear Project No. 5. Standard & Poor's also assigned its 'A+' ratings to the power supply project revenue refunding bonds for projects 1, 3, and 4; 'A' for the project 5 bonds; and 'A-' for the project 6 bonds. The outlook is stable.

"The upgrades reflect what we consider improved credit quality of MMWEC's participating members; good coverage and solid liquidity at each of the projects; rapid amortization of debt outstanding, and the plants' successful relicensing and demonstrated reliability measures," said Standard & Poor's credit analyst Jeffrey Panger.

MMWEC will use proceeds from the new bonds for refunding purposes.

In accordance with Standard & Poor's criteria, with more than 25 participants in each project, the ratings on bonds for projects 1, 3, and 4 reflect the general credit profile of project participants, which we believe is in the upper-end of the medium investment-grade category, overall.

We have differentiated the rating on project 6, reflecting that there are only 20 members in the project; our criteria dictate that we employ a weak link

approach after accounting for potential step-up. Furthermore, a step-up mechanism that is nearly exhausted constrains the rating. We believe a highly funded debt service reserve, which mitigates the latter concern, enhances liquidity but does not boost credit quality.

In affirming the rating on project 5, we believe that that despite the large number of members (28), the credit quality of participants is, on balance, medium investment-grade, due in large part to the fact that 55% of project demand is associated with Braintree Electric Light Department (A/Stable/--). As such, although we acknowledge that No. 5 shares some the positive credit factors enjoyed by the other projects, the members' credit quality constrains the rating.

MMWEC is a joint-action agency that manages eight projects (five with rated debt) on behalf of 28 Massachusetts cities and their electric light departments. Its members serve about 300,000 retail customers. In addition, the utility procures additional power supplies on behalf of some participants in terms of purchased-power arrangements and spot market purchases. However, this power is not subject to our analysis. In 2009, MMWEC's 701 megawatts (MW) of net capacity supplied about half of the capacity and one-third of the energy needs of its members.

The stable outlook largely reflects our view of the stable nature of each project's operations and expectation that there will be no material variations in the participants' medium-term credit worthiness.

RELATED CRITERIA AND RESEARCH

USPF Criteria: Electric Utility Ratings, June 15, 2007

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