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MMWEC debt retirement improves credit profile, augments new financing plans

LUDLOW, Mass. – July 14, 2008 – The Massachusetts Municipal Wholesale Electric Company (MMWEC) recently retired the last of its debt for ownership in two major power plants, enhancing the credit profiles of MMWEC and its municipal utility partners at a time when they are moving toward financing new power projects.

On July 1, MMWEC made the final payments required to retire the tax-exempt revenue bonds it issued to finance its ownership in the Stony Brook Intermediate Unit in Ludlow, Mass., and the W.F. Wyman Unit No. 4 in Yarmouth, Maine. Through its ownership in these plants, MMWEC provides electricity to 26 Massachusetts municipal utilities and six Vermont utilities.

The debt retirement is a major financial milestone for MMWEC, which was created in 1976 through an act of the state legislature and authorized to issue tax-exempt debt to help municipal utilities develop an independent power supply.

“The retirement of this debt coincides well with a need for MMWEC and municipal utilities to finance new resources, including an additional generating unit at the Stony Brook site and the Berkshire Wind Project in Western Massachusetts,” said MMWEC Chief Executive Officer Ronald C. DeCurzio. “It’s a welcome state of affairs that has helped MMWEC earn upgrades to its credit ratings, which are important in containing the cost of financing new projects,” DeCurzio said.

MMWEC is planning to build a new, 280-megawatt unit at its Stony Brook site and, along with 14 municipal utilities, is a member of the Berkshire Wind Power Cooperative, which is planning to develop an approximate 15-megawatt wind project in Hancock, Mass.

In 1979 and 1980, MMWEC issued \$177 million in bonds to finance its 91 percent ownership in the 350-megawatt Stony Brook Intermediate Unit. A \$9.42 million bond issue in 1977 funded MMWEC’s 3.7 percent ownership interest in the 619-megawatt Wyman unit. New bonds were issued on various occasions since then to refund the original Intermediate Unit and Wyman bonds, but all of the debt associated with both projects is now retired.

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MMWEC is the operator and principal owner of the 520-megawatt Stony Brook power plant, which includes the Intermediate Unit and the 170-megawatt Peaking Unit. Bonds issued to finance MMWEC's sole ownership of the Peaking Unit were retired in 2005. Stony Brook, which started operation in 1980, is the first major power plant in New England built and operated by consumer-owned utilities.

"Beyond the immediate credit and financial benefits of retiring the Stony Brook and Wyman debt, this occasion demonstrates that the system established by MMWEC to finance energy facilities for municipal utilities is working very well," DeCurzio said. "Thirty years after it was established, this system of joint action for mutual benefit, in financing energy facilities and providing other services, is still the key to ensuring a strong and environmentally responsible future for public power in Massachusetts," he said.

Payments for the principal and interest on MMWEC bonds are derived from contracts through which municipal utilities agree to pay a share of MMWEC's unit ownership costs, including the cost of debt service, unit operation and administrative expenses. In return, the utilities are entitled to receive a proportionate share of the unit's output. In the cases of Stony Brook and Wyman, there will be no debt service expenses for participating utilities after July 1, providing a measure of relief from soaring energy costs throughout the industry. Debt service payments on the Stony Brook Intermediate and Wyman bonds, amounting to about \$13.4 million annually over most of the past 30 years, had declined to about \$9.8 million during the past year.

MMWEC currently has approximately \$570 million in debt outstanding. All of this debt is associated with the organization's ownership interests in the Seabrook Station and Millstone Unit No. 3 nuclear units, which are licensed to operate until 2030 and 2045, respectively. MMWEC's nuclear project debt is scheduled for retirement in 2019.

The Massachusetts municipal utilities participating in MMWEC's Stony Brook Intermediate Project are based in the communities of Ashburnham, Boylston, Danvers, Georgetown, Groton, Hingham, Holden, Hull, Ipswich, Littleton, Mansfield, Marblehead, Middleborough, Middleton, North Attleborough, Paxton, Peabody, Reading, Shrewsbury, Sterling, Templeton, Wakefield, West Boylston and Westfield.

The Vermont Stony Brook participants include Green Mountain Power and consumer-owned utilities based in the Vermont communities of Hardwick, Ludlow, Morrisville, Stowe and Swanton.

MMWEC's Wyman Project participants are Massachusetts municipal utilities based in the communities of Boylston, Holyoke, Hudson, Hull, Littleton, Marblehead, Middleborough, Middleton, North Attleborough, Shrewsbury, Wakefield and Westfield.

MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts that provides a variety of power supply, financial and other services to the state's consumer-owned, municipal utilities.