

The Next Generation

The theme of MMWEC's 2008 Annual Report—The Next Generation - reflects the fact that MMWEC's financing systems are strong, stable and expanding, despite recent turmoil in financial markets.

It also reflects MMWEC's pursuit of renewable and other energy initiatives to meet the needs of the organization, including the use of new financing and ownership structures that streamline the project development and financing process.

As a result, MMWEC is well positioned to provide its Members with the next generation of financial and energy resources using a blend of traditional and innovative tools.

An important 2008 milestone was the retirement of bonds issued by MMWEC to finance two of its Power Supply Projects, completing the 30-year cycle of a financing system that has proven its value and resiliency through both good and difficult times. MMWEC expects to use this tried and true system of financing new resources to construct a new generating unit at its Stony Brook Energy Center site.

Moving beyond tradition, MMWEC is expanding and streamlining its project development and financing capabilities through the use of Municipal Light Plant Cooperatives to develop wind, solar and other energy facilities.

In addition, recent amendments to MMWEC's enabling legislation allow the organization to finance a broader range of energy resources using more flexible investment vehicles, including a pooled loan program for Member utilities.

With state and national energy policies embracing renewable energy, transmission expansion, carbon trading and other initiatives, innovation has taken its place alongside tradition as MMWEC continues to deliver services that enable municipal utilities to compete effectively in an evolving energy marketplace.

Amendments expand financing options

MMWEC is exploring potential uses of expanded financing capabilities contained in amendments to its enabling legislation that were signed into law by Massachusetts Governor Deval Patrick in January 2009.

In many ways, these amendments represent the "greening" of MMWEC's statutory framework to incorporate fully the kinds of renewable, demand management and other energy resources that are part of today's energy marketplace.

Further, the amendments enable MMWEC to enter into a broader array of energy transactions, including risk management instruments, providing the flexibility required for success in developing, financing, hedging and otherwise protecting the energy resources of MMWEC and its Member utilities.

The amendments also enable MMWEC to create a pooled loan program for Member utilities that could include financing for substations, utility poles, bucket trucks and other capital items.

The MMWEC "Green Team"

MMWEC has established a "Green Team" to assist Member utilities in the development and financing of renewable and energy efficiency resources, particularly those resources eligible for stimulus funding under the federal American Recovery and Reinvestment Act of 2009.

The team consists of key staff members with expertise in energy efficiency, demand management, renewable energy development, Member relations and communications.

With funding available for a wide range of energy initiatives from various state and federal agencies, the "Green Team" is working to identify specific opportunities for municipal utilities and assist with the process of applying for and obtaining stimulus funds.

A new MMWEC publication titled *Energy Efficiency and Stimulus Funding Watch* keeps Members informed of such opportunities.



The *Next* Generation

Of financing and energy resources for
Massachusetts municipal utilities

Quarterly Report and Unaudited Financial Statements

First Quarter

For the months ended March 31, 2009

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Quarterly Report

09

Balance Sheets

March 31, 2009 and 2008

(Unaudited, Dollars In Thousands)

	March 31,	
	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments.....	\$ 19,585	\$ 16,489
Accounts receivable.....	31,005	22,613
Unbilled revenues.....	13,288	17,259
Inventories.....	26,192	23,286
Prepaid expenses.....	1,913	1,827
Total current assets.....	<u>91,983</u>	<u>81,474</u>
NON-CURRENT ASSETS		
Restricted assets		
Restricted special funds.....	229,425	254,116
Interest receivable.....	927	1,463
Deferred charges		
Unamortized debt discount and expenses...	3,203	4,110
Nuclear decommissioning trusts.....	47,671	53,819
Other.....	17,413	19,898
Total non-current assets.....	<u>298,639</u>	<u>333,406</u>
Capital assets		
In service.....	1,327,822	1,321,740
Accumulated depreciation.....	(763,495)	(749,447)
Construction work in progress.....	12,762	11,853
Nuclear fuel - net of amortization.....	27,018	29,118
Total capital assets.....	<u>604,107</u>	<u>613,264</u>
TOTAL ASSETS.....	<u>\$ 994,729</u>	<u>\$ 1,028,144</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable.....	\$ 9,985	\$ 19,235
Member and participant advances.....	70,073	77,451
Short-term debt.....	5,645	756
Accrued expenses.....	25,114	25,509
Current liabilities payable-restricted assets		
Current maturities of long-term debt.....	68,213	71,596
Total current liabilities.....	<u>179,030</u>	<u>194,547</u>
NON-CURRENT LIABILITIES		
Long-term debt, net of premiums.....	510,470	581,787
Asset retirement obligation.....	96,581	91,984
Amounts recoverable under terms of the		
power sales agreements.....	148,180	92,328
Other liabilities.....	60,468	67,498
Total non-current liabilities.....	<u>815,699</u>	<u>833,597</u>
TOTAL LIABILITIES.....	<u>\$ 994,729</u>	<u>\$ 1,028,144</u>

Statements of Revenues and Expenses

March 31, 2009 and 2008

(Unaudited, Dollars In Thousands)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES				
Revenues.....	\$ 72,920	\$ 97,045	\$ 380,492	\$ 377,394
OPERATING EXPENSES				
Fuel used in electric generation.....	4,823	3,923	29,346	25,660
Purchased power.....	34,010	54,069	187,682	194,029
Other operating.....	10,253	12,052	43,850	43,132
Maintenance.....	2,242	2,552	18,633	9,605
Depreciation.....	3,721	3,570	14,693	15,687
Taxes other than income.....	1,332	1,047	5,125	4,123
Total operating expenses.....	<u>56,381</u>	<u>77,213</u>	<u>299,329</u>	<u>292,236</u>
Operating income.....	<u>16,539</u>	<u>19,832</u>	<u>81,163</u>	<u>85,158</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income and investment market adjustments.....	(1,275)	2,444	(2,697)	15,380
Interest expense on long-term debt.....	(5,426)	(7,729)	(25,687)	(32,055)
Amortization of premium on long-term debt.....	792	972	3,315	4,048
Amortization of debt discount and expenses.....	(197)	(239)	(907)	(1,098)
Interest charged to projects during construction.....	22	20	111	191
Decrease in amounts recoverable under terms of the				
power sales agreements.....	<u>(10,455)</u>	<u>(15,300)</u>	<u>(55,298)</u>	<u>(71,624)</u>
Total non-operating revenues (expenses).....	<u>(16,539)</u>	<u>(19,832)</u>	<u>(81,163)</u>	<u>(85,158)</u>
NET REVENUES AND EXPENSES.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<p>These unaudited financial statements should be read in conjunction with the Massachusetts Municipal Wholesale Electric Company (MMWEC) 2008 Annual Financial Statements. Certain reclassifications of 2008 data have been made to conform with the 2008 Annual Financial Statements.</p>				