MMWEC financing brings $16.8 million in savings, opportunity to pursue new resources

LUDLOW, Mass. – January 27, 2012 – A refunding bond issue closed yesterday by the Massachusetts Municipal Wholesale Electric Company (MMWEC) will save $16.8 million for 28 Massachusetts municipal utilities, strengthening their ability to secure stable and reliable power resources for the future.

In favorable market conditions, MMWEC issued $164.8 million in tax-exempt revenue bonds with a total interest cost of 1.2%. Proceeds from the bond issue and other available funds will be used to refund and retire approximately $214 million in higher-interest bonds issued by MMWEC in 2001. The refunding savings will be realized over the life of the bonds, which mature between 2012 and 2016.

“This refunding will certainly give the municipal light departments greater flexibility to position their energy portfolios in pursuing physical assets for the longer term, from 2016 and beyond,” said MMWEC Chief Executive Officer Ronald C. DeCurzio.

MMWEC has issued more than $4.7 billion in bonds since 1976 to finance and refinance its ownership interests in large New England power plants, including the Seabrook Station and Millstone Unit 3 nuclear units and the fossil-fueled Stony Brook plant in Ludlow. Bonds issued to finance Stony Brook and another unit were retired in 2008. The approximate $300 million in bonds currently outstanding, all of which will be retired by 2019, are associated with MMWEC’s ownership in Seabrook and Millstone.

“Our current debt will be maturing at a time when new resources are needed to meet the future demand for electricity,” DeCurzio said. “Today’s low energy prices are enabling us to meet near-term needs at attractive prices, but a resource like Stony Brook Unit 3 is needed to ensure stable prices and reliable supply over the long term,” he said.

MMWEC is planning to build the 280-megawatt Unit 3 at its Stony Brook site in Ludlow, home to the organization’s existing Stony Brook generators, which use natural gas and oil to provide 526 megawatts of electric generation to MMWEC project participants. Permitting for Unit 3 is nearly complete, but construction has been delayed for several reasons, including the recession, which has slowed demand growth; the near-term availability of low-priced energy; and a surplus of power in New England.
“The uncertainties of today’s power marketplace present a number of challenges in building new capacity, but MMWEC and its municipal utilities are well-positioned financially and structurally to develop the next generation of their energy resources,” DeCurzio said. Unlike investor-owned utilities, MMWEC and the non-profit municipal utilities still have the right to own power plants, a structural benefit that provides price stability and reliability over the long term for municipal utility customers.

“Today’s refunding bond issue, and the savings it produced, reflect the overall success and value of the MMWEC financing program, which has enabled Massachusetts municipal utilities to develop an independent power supply,” DeCurzio said. “With our financial house in order, there is an opportunity to be more aggressive in pursuing future resources,” he said.

The 2012 MMWEC bonds are rated A+ by Fitch Ratings and have A-level ratings from Standard & Poor’s, all with a stable outlook. The underwriting team included Morgan Stanley, lead manager, and BMO Capital Markets. PFM Financial Management Inc. served as MMWEC’s financial advisor with Nixon Peabody LLP acting as bond counsel.

MMWEC owns 11.59 percent of Seabrook Station and 4.8 percent of Millstone Unit 3. While the MMWEC debt associated with these plants is scheduled for retirement by 2019, the Millstone Unit 3 and Seabrook plants are licensed to operate until 2045 and 2030, respectively, with Seabrook having applied for a license extension until 2050.

“The long operating life of these units and relatively short life of related debt bring significant long-term value to these resources,” DeCurzio said.

MMWEC sells the output from its ownership in Seabrook and Millstone Unit 3 to its project participants, which have signed take-or-pay contracts to pay their proportionate share of MMWEC’s ownership costs, including plant operating costs and debt service on the bonds.

MMWEC’s project participants include Massachusetts municipal utilities based in the communities of Ashburnham, Boylston, Braintree, Danvers, Georgetown, Groton, Hingham, Holden, Holyoke, Hudson, Hull, Ipswich, Littleton, Mansfield, Marblehead, Middleborough, Middleton, North Attleborough, Paxton, Peabody, Reading, Shrewsbury, South Hadley, Sterling, Templeton, Wakefield, West Boylston and Westfield as well as the Pascoag (RI) Utility District.

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