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Fitch affirms A+ rating on MMWEC power supply projects

LUDLOW, Mass. – October 1, 2015 – A major credit rating agency has affirmed the A+ credit ratings of Massachusetts Municipal Wholesale Electric Company (MMWEC) power supply projects, citing the “solid credit quality” and improving rate competitiveness of MMWEC and its municipal utility project participants.

The ratings affirmation by Fitch Ratings reflects a strong and improving financial profile for MMWEC, a non-profit, joint action agency that provides services to the Commonwealth’s consumer-owned municipal electric utilities.

“MMWEC is in solid financial shape and the metrics will be improving as we move toward retirement of our existing debt by 2019,” said MMWEC Chief Executive Officer Ronald C. DeCurzio. “We are in a strong position to take advantage of marketplace opportunities that will further improve the competitive position of MMWEC’s member utilities,” he said.

According to Fitch, key drivers in its ratings decision include MMWEC’s standing as a low-cost wholesale power provider as well as the strong financial condition and competitive rates of MMWEC’s project participants. The rating agencies base their ratings of MMWEC largely on the financial condition of project participants.

“Participant rates remain competitive compared to other utilities in the state and ... should improve further following the repayment of the nuclear project debt,” Fitch states. Modest electric system debt and healthy cash reserves also bolster the financial standing of participants, according to Fitch.

Importantly, MMWEC maintains reserve funds that will be sufficient to cover most of its remaining debt following the July 2016 debt payments, which Fitch calls “an added financial cushion” that enhances bondholder protection.

The four rated MMWEC power supply projects and the organization’s \$112.5 million in outstanding debt are associated with MMWEC’s ownership in the Millstone Unit No. 3 and Seabrook Station nuclear plants, which are licensed to operate until 2045 and 2030, respectively. Seabrook is seeking an extension of its operating license to 2050.

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“The long operating life of these units and relatively short life of related debt significantly enhance the value of these resources,” DeCurzio said. “Asset ownership, especially debt-free asset ownership, provides a valuable hedge against increasing capacity and transmission costs in today’s marketplace,” he said.

MMWEC sells the output of its nuclear projects to 28 Massachusetts municipal utilities and one Rhode Island utility under contracts that require the utilities to pay their share of project costs, including the debt service on MMWEC 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 has issued more than \$4.7 billion in bonds since 1976 to finance and refinance its 750-megawatt ownership in several New England power plants. All but \$112.5 million of that debt has been retired. Bonds that were issued to finance MMWEC’s ownership in the Stony Brook power plant in Ludlow, Mass., and the W.F. Wyman plant in Maine were retired in 2008.

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.