



Massachusetts Municipal Wholesale Electric Company

Financial Statements
and
Supplementary Information

Years Ended December 31, 2023 and 2022

Massachusetts Municipal Wholesale Electric Company

FINANCIAL STATEMENTS Years Ended December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Massachusetts Municipal Wholesale Electric Company

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Massachusetts Municipal Wholesale Electric Company (MMWEC), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MMWEC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of MMWEC as of December 31, 2023 and 2022, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MMWEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MMWEC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MMWEC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MMWEC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
March 29, 2024

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

The following discussion and analysis of the Massachusetts Municipal Wholesale Electric Company (MMWEC) provides an overview and analysis of MMWEC's financial performance during the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with MMWEC's financial statements and the accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts formed to be a joint action agency to develop a bulk power supply for its member Massachusetts cities and towns having municipal electric systems (Members) and other utilities. Among other things, MMWEC is authorized to construct, own or purchase ownership interests in energy facilities and to issue revenue bonds for such purposes. MMWEC's ownership interest in energy generation facilities is through various Projects. Pursuant to its General Bond Resolution (GBR), the bonds of any bond issue relating to a Project are secured solely by revenues derived from that Project. Project revenues are derived primarily from Power Sales Agreements (PSAs) with MMWEC's Members and other utilities that are Participants in a Project (Project Participants). MMWEC's bulk power supply program consists of power purchase arrangements, power brokering services, related planning and other financial services.

MMWEC has a fiduciary responsibility over two defined benefit pension plans that are provided to its employees and has included fiduciary financial statements and disclosures for these pension plans.

The accounting records of MMWEC are maintained using the Governmental Accounting Standards Board (GASB), the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Generally Accepted Accounting Principles of the United States (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the Board of Directors.

MMWEC's financial statements include the Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Balance Sheets report year-end assets and liabilities based on the original cost adjusted for any depreciation, amortization or unrealized gains/losses as appropriate. The Statements of Revenues, Expenses and Changes in Net Position present MMWEC's operating revenues and expenses incurred as a result of MMWEC's business activity. The Statements of Cash Flows report the cash provided and used for operating activities, as well as investing activities and capital and noncapital related financing activities. The Statements of Fiduciary Net Position report the financial resources available for future benefits for MMWEC's administrative and union pension plans. The Statements of Changes in Fiduciary Net Position reflect the additions, deductions and net increase or decrease in net position held in trust for pension benefits.

MMWEC FINANCIAL ANALYSIS

An analysis of MMWEC's financial position begins with the review of the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. A summary of MMWEC's Condensed Balance Sheets is presented in Table 1. The Condensed Statements of Revenues, Expenses and Changes in Net Position are summarized in Table 2 and the Condensed Statements of Cash Flows are summarized in Table 3.

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

MMWEC FINANCIAL ANALYSIS...continued

Table 1
Condensed Balance Sheets

	<u>2023</u>	<u>2022</u>	<u>2021</u>
		(In Thousands)	
Current assets, less current portions of designated and restricted special funds including interest	\$ 99,438	\$ 114,376	\$ 100,317
Restricted special funds, including interest receivable and current portion of restricted special funds	69,133	69,730	88,961
Other assets	351,905	316,415	375,795
Capital assets	590,494	587,177	548,733
Deferred outflows of resources	<u>85,016</u>	<u>94,527</u>	<u>83,589</u>
Total assets and deferred outflows of resources	<u>\$ 1,195,986</u>	<u>\$ 1,182,225</u>	<u>\$ 1,197,395</u>
Current liabilities, less current maturities of long-term debt and accrued interest	\$ 153,943	\$ 174,418	\$ 173,686
Long-term debt, net of premiums, including current maturities and accrued interest	89,595	73,775	73,648
Noncurrent liabilities	300,932	298,921	267,195
Deferred Inflow of resources	<u>651,516</u>	<u>635,111</u>	<u>682,866</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,195,986</u>	<u>\$ 1,182,225</u>	<u>\$ 1,197,395</u>

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

MMWEC FINANCIAL ANALYSIS...continued

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
		(In Thousands)	
Operating revenues	\$ 268,207	\$ 305,235	\$ 240,662
Depreciation expense	22,420	21,838	21,164
Other operating expenses	<u>259,657</u>	<u>287,958</u>	<u>223,983</u>
Total operating expenses	<u>282,077</u>	<u>309,796</u>	<u>245,147</u>
Operating loss	(13,870)	(4,561)	(4,485)
Investment income (loss)	33,074	(35,091)	19,272
Loss on sale of property	5	(4)	-
Interest and amortization expense	(2,760)	(1,910)	(384)
Other nonoperating expenses	(503)	-	(695)
(Increase) Decrease in amounts payable under terms of the power sales agreements	<u>(15,946)</u>	<u>41,566</u>	<u>(13,708)</u>
Total non-operating income	<u>13,870</u>	<u>4,561</u>	<u>4,485</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Table 3
Condensed Statements of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>2021</u>
		(In Thousands)	
Net cash provided by operating activities	\$ 3,546	\$ 32,714	\$ 47,943
Net cash provided by (used in) investing activities	(4,311)	25,199	(8,870)
Net cash provided by (used in) capital and related financing activities	(30,485)	(56,712)	56,040
Net cash used in noncapital financing activities	<u>(30)</u>	<u>(30)</u>	<u>(40,421)</u>
Net change in cash and cash equivalents	(31,280)	1,171	54,692
Cash and cash equivalents – beginning of year	<u>92,566</u>	<u>91,395</u>	<u>36,703</u>
Cash and cash equivalents – end of year	<u>\$ 61,286</u>	<u>\$ 92,566</u>	<u>\$ 91,395</u>

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

BALANCE SHEETS

The majority of MMWEC's Balance Sheet consists of the financial activity relating to various Projects, representing ownership interests in various electric generation facilities for which MMWEC has corresponding PSAs with each Project Participant. MMWEC's joint ownership interests are shown in Note 13 – Project Joint Ownership Agreements in the accompanying notes of the accompanying financial statements.

Comparison of 2022 Financial Results to 2021 Financial Results

Current assets, excluding the current portions of restricted and designated funds, including interest, increased by \$14.1 million.

Cash and temporary investments increased by \$11.3 million largely due to a more operating funds being held in cash than non-current investments at December 31, 2022 than December 31, 2021.

The increase in accounts receivable and unbilled revenue of \$4.3 million is primarily due to an increase in power bills.

Inventories decreased \$1.9 million primarily due to fuel oil usage for Intermediate offset by an increase in spare parts inventories at Seabrook and Stony Brook.

Current and noncurrent restricted special funds, including related interest receivable, decreased by \$44.6 million, largely due to a decrease in constructions funds related to Project 2015A. In addition, Seabrook and Millstone cash decreased due to the usage of previously collected funds. These decreases were offset by an increase in working capital funds. Working capital assessed levels increased because of higher purchase power costs.

Other assets decreased by \$34.0 million from 2021 to 2022, reflecting decreases in nuclear decommissioning trust and pension assets due to investment performance and market valuation of assets, which was lower as of December 31, 2022 than in 2021. In addition, lead owner advances to Seabrook decreased due to actual costs exceeding budgeted billings during 2022. These decreases were offset by an increase in lead owner advances to Millstone.

In 2022, net capital assets increased \$38.4 million due to capital asset additions and construction work in progress largely due to Project 2015A and Project 2020A, offset by continued depreciation and amortization of \$19.0 million.

Other noncurrent liabilities, excluding long-term debt, increased \$14.7 million primarily due to inflationary adjustments of asset retirement obligations related to Seabrook and Millstone.

Deferred inflows of resources increased by \$17.2 million due to increases in amounts payable under the terms of the PSAs (\$15.9 million), which include temporary offsets of unbilled expenses, such as depreciation and unrealized gains/losses. In addition, there was an increase in pension regulatory credit (\$1.7 million) offset by a decrease in the deferred gain on pension assets (\$0.4 million).

The \$732,000 increase in current liabilities, excluding current maturities of long-term debt and accrued interest, was attributable to increases in accounts payable and accrued expenses (\$6.4 million) due to timing of vendor payments and increased power costs and an increase in short-term debt due to the issuance of new debt for Project 2020A (\$12.0 million). These increases were offset by a decrease in advances by Members for Project operating expenses (\$17.6 million) classified as current liabilities.

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

BALANCE SHEETS...continued

Comparison of 2022 Financial Results to 2021 Financial Results...continued

Long-term debt, including current maturities and accrued interest, increased by \$127,000 primarily due to an increase in accrued interest.

Other noncurrent liabilities, excluding long-term debt, increased \$31.7 million primarily due to an increase in Member and participant advances classified as noncurrent liabilities and inflationary adjustments of asset retirement obligations related to Seabrook and Millstone.

Deferred inflows of resources decreased by \$47.8 million due to decreases in amounts payable under the terms of the PSAs (\$43.1 million), which include temporary offsets of unbilled expenses, such as depreciation and unrealized gains/losses. In addition, there was a decrease in deferred gain on pension assets (\$5.2 million) offset by an increase in pension regulatory credit (\$0.5 million).

Comparison of 2023 Financial Results to 2022 Financial Results

Current assets, excluding the current portions of restricted and designated funds, including interest, decreased by \$14.9 million.

Cash and temporary investments decreased by \$24.7 million largely due to more working capital funds being utilized at year end than the prior year. In addition, more operating funds were held in cash than non-current investments at December 31, 2023 than December 31, 2022.

The increase in accounts receivable and unbilled revenue of \$1.6 million is primarily due to an increase in power bills at year end compared to the prior year.

Inventories increased \$8.1 million primarily due to fuel oil purchase for Stony Brook offset by fuel burns. Spare parts inventories also increased at Seabrook and Stony Brook.

Current and noncurrent restricted special funds, including related interest receivable, decreased by \$0.6 million, largely due to a decrease in constructions funds related to Project 2015A and Project 2020A. These decreases were offset by an increase in working capital funds held in investments.

Other assets increased by \$27.1 million from 2022 to 2023, reflecting increases in nuclear decommissioning trust and pension assets due to investment performance and market valuation of assets, which was higher as of December 31, 2023 than in 2022. In addition, lead owner advances to Seabrook and Millstone increased due to budgeted billings being higher than actual costs in 2023.

In 2023, net capital assets increased \$3.3 million due to capital asset additions and construction work in progress largely due to Project 2015A and Project 2020A, offset by continued depreciation and amortization.

Deferred outflows of resources decreased by \$9.5 million due to lower asset retirement obligations as a result of an updated asset retirement study completed by Seabrook. These decreases were offset by increases in Millstone asset retirement obligations due to inflationary estimates and by an increase in deferrals of losses on pension assets.

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

BALANCE SHEETS...continued

Comparison of 2023 Financial Results to 2022 Financial Results...continued

Long-term debt, including current maturities and accrued interest, increased by \$15.8 million primarily due to the issuance of Project 2020A Revenue bonds.

Other noncurrent liabilities, excluding long-term debt, increased \$2.0 million due to an increase in Member and participant advances classified as noncurrent liabilities and by inflationary adjustments of asset retirement obligations related to Millstone. These increases were offset by a decrease in asset retirement obligations related to Seabrook. In 2023, an updated asset retirement obligation study was completed which resulted in decreased obligation.

Deferred inflows of resources increased by \$16.4 million due to increases in amounts payable under the terms of the PSAs (\$15.9 million), which include temporary offsets of unbilled expenses, such as depreciation and unrealized gains/losses. In addition, there was a decrease in deferred gain on pension assets (\$0.1 million) offset by an increase in pension regulatory credit (\$0.6 million).

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The majority of MMWEC's Statements of Revenues, Expenses and Changes in Net Position consist of the financial activity relating to revenues and expenses from power purchases and the PSAs for the Projects. Project revenues are derived, primarily, from PSAs with Project Participants. Under all PSAs, the Project Participants are required to pay their respective shares of MMWEC's actual costs relating to the Projects, including debt service. Thus, MMWEC's revenues for an individual Project are dependent on debt service and the costs associated with that particular Project. Revenues for the individual Projects vary from year to year as the costs MMWEC incurs relating to a Project vary.

Comparison of 2022 Financial Results to 2021 Financial Results

For 2022, revenue increased by \$64.6 million due to increased energy and transmission prices, in conjunction with higher generation from Stony Brook and Seabrook.

The \$12.2 million increase in fuel used in electric generation was primarily driven by increased generation at Stony Brook and Seabrook offset by a decrease in generation at Millstone.

Purchased power expenses increased by \$49.0 million during 2022 as compared to 2021. Higher locational marginal pricing and transmission costs, driven by increased demand and market conditions, offset by lower capacity rates in 2022.

Other operating expense increased \$3.5 million primarily driven by an increase in station service expense and greenhouse gas allowances for Stony Brook due to increased generation in 2022 over the prior year.

Maintenance expenses decreased \$1.1 million compared to 2021 due to lower Seabrook maintenance expenses. Seabrook had lower costs in 2022 because their outage was in fall 2021. Additionally, Intermediate had decreased costs in 2022 because the prior year had increased costs related to various outage related maintenance and safety compliance. These decreases were offset by an increase in maintenance expenses for Millstone. Millstone maintenance expense increased due to their spring 2022 outage. Millstone did not have a refueling outage in 2021.

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION...continued

Comparison of 2022 Financial Results to 2021 Financial Results...continued

In 2022, depreciation expense increased \$674,000, as a result of depreciation from fixed asset additions and asset retirement obligations.

Taxes other than income increased of \$447,000 primarily due to increased rates and valuation of land related to Seabrook property taxes.

Investment income, which is a result of varying fund balances and interest rates, decreased by \$54.4 million. Unrealized investment losses, predominately related to decommissioning funds, was the main driver of this decrease.

Loss on sale of property represents the salvage value of two fully depreciated vehicles offset by the income received on the sale.

Interest expense increased \$2.4 million related to Project 2015A and Project 2020A. Debt related to these projects was issued in 2021, therefore, 2022 reflects a full year of interest expense.

Amortization expense increased \$841,000 and bond issuance expense decreased \$695,000, respectively.

The increase in amounts payable under terms of the PSAs of \$55.3 million is primarily due to unrealized losses on restricted and designated funds, offset by ARO as discussed in Notes 1 and 8 of the accompanying financial statements.

Comparison of 2023 Financial Results to 2022 Financial Results

For 2023, revenue decreased by \$37.0 million due to lower average LMPs (locational marginal prices) and decreased generation at Seabrook, Millstone and Stony Brook.

The \$9.3 million decrease in fuel used in electric generation was primarily driven by decreased generation at Seabrook, Millstone and Stony Brook.

Purchased power expenses decreased by \$20.4 million during 2023 as compared to 2022 due to lower locational marginal pricing. These decreases were offset by increased purchase power based on the demand of Members.

Other operating expense decreased \$2.6 million primarily driven by a decrease in station service expense due to decreased generation in 2023 over the prior year. Decreases were offset by an increase in fuel purchases due to the ISO inventoried energy program.

Maintenance expenses increased \$4.0 million compared to 2022 due to higher Seabrook maintenance expenses. Seabrook had higher costs in 2023 because their outage was in spring 2023. Additionally, Millstone maintenance expense increased due to their fall refueling outage.

In 2023, depreciation expense increased \$582,000, as a result of depreciation from fixed asset additions and asset retirement obligations.

Taxes other than income decreased \$31,000 primarily due to Seabrook property taxes abatement offset by an increase in Millstone taxes due to an increase in the assessed value.

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION...continued

Comparison of 2023 Financial Results to 2022 Financial Results...continued

Investment income, which is a result of varying fund balances and interest rates, increased by \$68.2 million. Unrealized investment gains, predominately related to decommissioning funds, was the main driver of this increase.

In 2023, a fully depreciated vehicle was sold at a gain. In the prior year, a fully depreciated vehicle was sold at a loss.

Interest expense increased \$0.9 million largely due to Project 2020A. In 2023, Project 2020A short term debt was paid off and long-term debt was issued.

Amortization expense stayed level year over year.

The increase in amounts payable under terms of the PSAs of \$57.5 million is primarily due to unrealized gains on restricted and designated funds discussed in Notes 1 and 8 of the accompanying financial statements.

STATEMENTS OF CASH FLOWS

For purposes of the Statements of Cash Flows, cash equivalents are cash and investments having an original maturity of three months or less from the date of acquisition. Cash and cash equivalents increased by \$1.2 million from 2021 to 2022. This is primarily due to the income from operating and investing activities offset by construction expenditures. Cash and cash equivalents decreased by \$31.3 million from 2022 to 2023. This is primarily due to construction expenditures and the purchase of nuclear fuel.

MMWEC PROJECT OPERATIONS

The following tables provide operating information for the MMWEC Projects for the corresponding years for which financial information and analysis was presented above. See Note 13 – Project Joint Ownership Agreements in the accompanying financial statements for additional information.

MMWEC Project Operations January 1 through December 31, 2023

	<u>Stony Brook Intermediate</u>	<u>Stony Brook Peaking</u>	<u>Seabrook</u>	<u>Millstone 3</u>
Availability	94.76%	83.87%	88.19%	78.20%
Capacity Factor	0.54%	0.37%	87.36%	76.90%
Generation MWH	15,226	5,290	1,105,358	394,870

The capacity factor represents the percentage of electricity actually produced as compared with potential production.

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2023 and 2022

MMWEC PROJECT OPERATIONS...continued

MMWEC Project Operations January 1 through December 31, 2022

	<u>Stony Brook Intermediate</u>	<u>Stony Brook Peaking</u>	<u>Seabrook</u>	<u>Millstone 3</u>
Availability	95.79%	93.60%	100.00%	84.31%
Capacity Factor	3.46%	0.43%	100.06%	84.61%
Generation MWH	94,440	6,046	1,266,128	433,594

CONTACT INFORMATION

This financial report is designed to provide a general overview of MMWEC's finances. Questions or requests for additional information should be addressed to MMWEC Attn: Director of Financial Reporting & Corporate Technology, 327 Moody Street, Ludlow, Massachusetts 01056.

Massachusetts Municipal Wholesale Electric Company

Balance Sheets

December 31, 2023 and 2022

(In Thousands)

	2023	2022
ASSETS		
Current assets:		
Cash and temporary investments	\$ 15,189	\$ 39,876
Accounts receivable	28,263	21,999
Unbilled revenues	21,597	26,246
Inventories	32,585	24,492
Prepaid expenses	1,804	1,763
Current portion of restricted special funds	52,509	51,224
Interest receivable restricted special funds	389	158
Current portion of designated funds	1,227	962
Total current assets	<u>153,563</u>	<u>166,720</u>
Noncurrent assets:		
Restricted assets:		
Noncurrent portion of restricted special funds	16,235	18,348
Nuclear decommissioning trust	179,283	156,326
Net pension asset	6,851	6,777
Noncurrent charges:		
Designated funds	141,958	134,461
Designated funds interest receivable	1,698	1,028
Other noncurrent charges	20,888	16,861
Total noncurrent assets	<u>366,913</u>	<u>333,801</u>
Capital assets:		
In service	1,427,560	1,420,814
Accumulated depreciation	(961,750)	(949,474)
Construction work in progress	103,189	93,900
Nuclear fuel, net of amortization	21,495	21,937
Total capital assets	<u>590,494</u>	<u>587,177</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on pension asset	1,646	1,262
Deferred asset retirement obligations	83,370	93,265
Total deferred outflows of resources	<u>85,016</u>	<u>94,527</u>
Total assets and deferred outflows of resources	<u>\$ 1,195,986</u>	<u>\$ 1,182,225</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 13,247	\$ 12,805
Member and participant advances	114,121	116,047
Short-term debt	-	15,500
Accrued expenses	26,575	30,066
Current liabilities payable from restricted assets:		
Accrued interest payable	1,266	1,266
Current maturities of long-term debt	1,165	-
Total current liabilities	<u>156,374</u>	<u>175,684</u>
Noncurrent liabilities:		
Long-term debt, net of premiums and current maturities	87,164	72,509
Asset retirement obligations	176,496	182,859
Long-term member and participant advances	124,436	116,062
Total noncurrent liabilities	<u>388,096</u>	<u>371,430</u>
DEFERRED INFLOWS OF RESOURCES		
Pension regulatory credit	7,431	6,860
Amounts payable under terms of the power sales agreements	643,934	627,988
Deferred gain on pension asset	151	263
Total deferred inflows of resources	<u>651,516</u>	<u>635,111</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,195,986</u>	<u>\$ 1,182,225</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Municipal Wholesale Electric Company

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2023 and 2022

(In Thousands)

	2023	2022
Operating revenues:		
Revenues	\$ 268,207	\$ 305,235
Operating expenses:		
Fuel used in electric generation	11,816	21,094
Purchased power	193,048	213,437
Other operating	36,930	39,551
Maintenance	13,383	9,365
Depreciation	22,420	21,838
Taxes other than income	4,480	4,511
Total operating expenses	282,077	309,796
Operating income (loss)	(13,870)	(4,561)
Non-operating revenues (expenses):		
Investment income (loss)	33,074	(35,091)
Gain (loss) on sale of property	5	(4)
Interest expense on short-term and long-term debt	(3,678)	(2,828)
Amortization of premium	918	918
Bond issuance expense	(503)	-
Decrease (Increase) in amounts payable under terms of the power sales agreements	(15,946)	41,566
Total non-operating revenues (expenses)	13,870	4,561
Change in net position	-	-
Net position, beginning of year	-	-
Net position, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Massachusetts Municipal Wholesale Electric Company

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

(In Thousands)

	2023	2022
Cash flows from operating activities:		
Received from sales to members and participants	\$ 273,040	\$ 303,110
Refund of operating reserves	-	(3,127)
Paid to suppliers for goods and services	(257,922)	(256,588)
Paid to employees	(11,572)	(10,681)
Net cash provided by operating activities	3,546	32,714
Cash flows from investing activities:		
Purchases of investments	(337,905)	(301,398)
Proceeds from sales and maturities of investments	324,378	336,700
Investment income (loss) received	9,216	(10,103)
Net cash provided by (used in) investing activities	(4,311)	25,199
Cash flows from capital and related financing activities:		
Construction expenditures and purchases of nuclear fuel	(27,577)	(66,955)
Gain (loss) on sale of assets	5	(4)
Proceeds from issuance of long-term debt	16,738	-
Interest payments on long-term debt	(3,648)	(1,654)
Proceeds from issuance of short-term debt	(15,500)	12,000
Interest payments on short-term debt	-	(99)
Bond financing issuance expenditures	(503)	-
Net cash used in capital and related financing activities	(30,485)	(56,712)
Cash flows from noncapital financing activities:		
Interest payments on short-term debt	(30)	(30)
Net cash provided by (used in) noncapital financing activities	(30)	(30)
Net change in cash and cash equivalents	(31,280)	1,171
Cash and cash equivalents, beginning of year	92,566	91,395
Cash and cash equivalents, end of year	\$ 61,286	\$ 92,566

The accompanying notes are an integral part of these financial statements.

Massachusetts Municipal Wholesale Electric Company

Statements of Cash Flows...continued

Years Ended December 31, 2023 and 2022

(In Thousands)

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (13,870)	\$ (4,561)
Noncash items included in operating income:		
Depreciation	22,420	21,838
Amortization of nuclear fuel and asset retirement obligations	(4,421)	20,189
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(6,264)	1,304
Unbilled revenues	4,649	(5,622)
Inventories	(8,093)	1,870
Prepaid expenses	(41)	(310)
Net pension asset	(74)	5,101
Other deferred charges	(4,027)	3,090
Increase (decrease) in:		
Accounts payable	306	117
Member and participant advances	6,482	636
Accrued expenses	(3,491)	6,220
Long term member and participant advances	-	(31)
Pension regulatory liability	571	529
Changes in deferred outflows of resources	9,511	(12,433)
Changes in deferred inflows of resources	(112)	(5,223)
Net cash provided by operating activities	<u>\$ 3,546</u>	<u>\$ 32,714</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and temporary investments	\$ 15,189	\$ 39,876
Total restricted and designated funds	211,929	204,995
Total cash and investments	227,118	244,871
Less - investments included in restricted and designated funds	(165,832)	(152,305)
Total cash and cash equivalents	<u>\$ 61,286</u>	<u>\$ 92,566</u>
Supplemental disclosures of cash flow information:		
Noncash investing, capital and financing transactions:		
Amortization of debt premiums	\$ 918	\$ 918
Investment (income) loss	<u>\$ 19,547</u>	<u>\$ 211</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Municipal Wholesale Electric Company

Fiduciary Financial Statements

December 31, 2023 and 2022

(In Thousands)

STATEMENTS OF FIDUCIARY NET POSITION

	2023	2022
ASSETS		
Investments at fair value:		
Mutual funds	\$ 9,814	\$ 12,045
Money market funds	226	853
Guaranteed income funds	11,159	5,886
Total investments	<u>21,199</u>	<u>18,784</u>
Net position available for pension benefits	<u>\$ 21,199</u>	<u>\$ 18,784</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	2023	2022
ADDITIONS		
Employer contributions	\$ 244	\$ 375
Investment activity:		
Interest and dividends	574	422
Net appreciation (depreciation) in fair value of investments	2,295	(3,967)
Total investment activity	<u>2,869</u>	<u>(3,545)</u>
Total additions	<u>3,113</u>	<u>(3,170)</u>
DEDUCTIONS		
Benefits paid directly to participants	657	7,551
Administrative expenses	41	48
Total deductions	<u>698</u>	<u>7,599</u>
Net increase (decrease) in net position	2,415	(10,769)
Net position available for pension benefits, beginning of year	<u>18,784</u>	<u>29,553</u>
Net position available for pension benefits, end of year	<u>\$ 21,199</u>	<u>\$ 18,784</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

Reporting Entity/Nature of Business

The Massachusetts Municipal Wholesale Electric Company (MMWEC) is a public corporation and a political subdivision of the Commonwealth of Massachusetts formed to be a joint action agency to develop a bulk power supply for its member Massachusetts cities and towns having municipal electric systems (Members) and other utilities, both public and private. Among other things, MMWEC is authorized to construct, own, or purchase ownership interests in energy facilities and to issue revenue bonds for such purposes. MMWEC's ownership interests in energy generation facilities are through various Projects (Note 13 – Project Joint Ownership Agreements). Pursuant to its General Bond Resolution (GBR), the bonds of any bond issue relating to a Project are secured solely by revenues derived from that Project. Project revenues are derived primarily from Power Sales Agreements (PSAs) with MMWEC's Members and other utilities who are Participants in a Project (Project Participants). MMWEC's bulk power supply program consists of power purchase arrangements, power brokering services, planning and financial services, and the Projects relating to generating facilities built and operated either by MMWEC or other entities.

A Massachusetts city or town having a municipal electric system, authorized by majority vote of the city or town, may become a Member of MMWEC by applying for admission and agreeing to comply with the terms and conditions of membership as MMWEC By-Laws may require. As of December 31, 2023 and 2022, twenty (20) Massachusetts cities and towns having municipal electric systems were Members.

MMWEC has determined it has a fiduciary responsibility over two defined benefit pension plans that are provided to its employees. The financial statement presentation includes business-type activities and the fiduciary fund financial statements for the defined benefit pension plans.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting records of MMWEC are maintained using the Governmental Accounting Standards Board (GASB), the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Generally Accepted Accounting Principles of the United States of America (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the Board of Directors.

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

Cash and Investments

For purposes of the Statements of Cash Flows, cash equivalents are cash and investments having an original maturity of three months or less from the date of acquisition. Unrestricted cash and cash equivalents are presented within cash and temporary investments in the accompanying Balance Sheets. Restricted cash and cash equivalents are presented within the current or long-term portion of restricted special funds in the accompanying Balance Sheets. Decommissioning Trust investments are excluded from the cash equivalents on the Statement of Cash Flows.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources ...continued

Cash and Investments...continued

MMWEC has adopted an investment policy, which is approved annually by MMWEC's Board of Directors as required by MMWEC's GBR. Although certain cash and temporary investment amounts used for power purchases and working capital requirements of MMWEC are not subject to the provisions of the GBR, they are subject to the provisions of the investment policy.

Investments are stated at fair value, as defined under fair value measurements above. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the Statements of Revenues, Expenses and Changes in Net Position as increases or decreases in investment income.

Through its investment policy, MMWEC is restricted to investing in certain types of securities and investments, which are:

- a. Direct obligations of the United States of America
- b. Bonds, debentures, notes or other indebtedness issued by various federal agencies
- c. New housing authority bonds issued by public agencies or municipalities
- d. Bonds or notes issued by states and municipalities that are rated in one of the two highest rated categories by rating agencies
- e. Bank time deposits
- f. Repurchase agreements
- g. Federal funds or bankers acceptances
- h. Investment agreements

The MMWEC investment policy does not apply to the decommissioning trust funds or defined benefit pension fiduciary funds.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on the validity of contracts and collection history, an allowance for doubtful accounts is not considered necessary. Should these circumstances change, an allowance for doubtful accounts would be provided for those accounts receivable considered to be uncollectible at the end of the year, and the bad debts would be written off against the allowance when identified.

Unbilled Revenue

Unbilled revenues are revenues that are not yet billed under the MMWEC Member and Participant agreements and other power arrangements and represent a portion of December services rendered that are collectible in January of the subsequent year.

Prepaid Expenses

Prepaid expenses represent insurance premiums, property taxes, payment in lieu of taxes and other similar contracts and arrangements paid in the current fiscal year benefiting future periods.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources ...continued

Inventories

Fuel oil and spare parts inventories are valued at the lower of cost or market and recorded and accounted for by the average cost method. At December 31, 2023 and 2022, total fuel oil inventory was at \$15.5 million and \$8.8 million, respectively, and spare parts inventory amounted to \$17.1 million and \$15.7 million, respectively.

Adjustments resulting from valuation of inventory are operating costs charged to fuels used in electric generation on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Restricted Funds

MMWEC's practice is to use restricted funds on hand before using unrestricted funds when an expense is incurred for purposes for which both restricted and unrestricted funds are available. See Note 3 – Restricted and Designated Assets for detail of restricted assets held.

Nuclear Decommissioning Trust

As required by the Nuclear Regulatory Commission (NRC) and respective state statutes and/or regulations, as well as MMWEC's own determinations, MMWEC has funded trust funds maintained by external trustees to provide for the estimated future decommissioning activities of Millstone Unit 3 and Seabrook Station. The balances at December 31, 2023 and 2022 for Millstone Unit 3 were \$74.2 million and \$64.7 million, respectively, and for Seabrook Station were of \$105.0 million and \$91.6 million, respectively, and are stated at fair value and are included in restricted assets and amounts recoverable (payable) under terms of the PSAs on the Balance Sheets. Decommissioning balances for the Seabrook Station include funds in the New Hampshire Nuclear Decommissioning Trust and in an escrow account into which payments are made by MMWEC as a funding assurance mechanism. Depending on future circumstances, the funds held in the escrow account will be placed either in the Decommissioning Trust Fund for Seabrook Station, or will be returned to MMWEC, per order of the Nuclear Decommissioning Financing Committee of the State of New Hampshire.

Net Pension Asset

The Massachusetts Municipal Wholesale Electric Company Pension Plans (Plans) are two single-employer, defined benefit pension plans administered by MMWEC. One plan covers union employees (Union Plan) and the other plan covers non-union employees (Administration Plan). All full-time active administration employees hired before December 1, 2006, and all full-time active union employees hired before January 1, 2008 are covered by their respective plans. At December 31, 2023 and 2022, the net pension asset was \$6.9 million and \$6.8 million, respectively. The calculation and related assumptions of the net pension asset and terms of the Plans are discussed in Note 12 – Benefit Plans.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources ...continued

Designated Funds

Designated funds are held by MMWEC for a specific internal use.

Other Noncurrent Charges

MMWEC advances both Millstone Unit 3 and Seabrook Station operating and capital expenditures based on budgeted levels. These advances are reduced when actual expenditures are incurred. At December 31, 2023 and 2022 these advances totaled \$18.5 million and \$16.4 million, respectively and are included in other noncurrent charges on the Balance Sheets. The remaining balance of noncurrent charges is primarily comprised of MMWEC's equity investment in Hydro-Quebec Phase II interconnection as described in Note 15 - Contracts and Commitments.

Capital Assets – In Service

Capital assets – in service are generally defined by MMWEC as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets of MMWEC are recorded at cost at the date of acquisition.

Provisions for depreciation are computed using the straight-line method based on estimated useful lives for the underlying assets at Stony Brook and the administrative and general office on MMWEC's site (Service). Seabrook Station and Millstone are depreciated based on the group life basis. The lives are as follows:

Stony Brook

Building	25 years
Building improvements	20 years
Equipment	20-30 years
Computer equipment and vehicles	3-4 years

Service

Office equipment and software	3-8 years
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Other Generation Facilities

Seabrook Station	60 years
Millstone Unit 3	60 years

Construction Work in Progress

Construction work in progress is stated at cost. Any internal costs that are capitalized are limited to those costs that can be directly identified with the design, engineering or construction of a specific Project and do not include any costs related to production, general corporate overhead or similar activities. Depreciation of these costs will commence once placed in service.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources ...continued

Nuclear Fuel

Nuclear fuel, net of amortization, includes MMWEC's ownership interest in spent nuclear fuel, fuel in reactor, in stock and in process for both Millstone Unit 3 and Seabrook Station. The cost of nuclear fuel is amortized to fuel used in electric generation for each nuclear unit based on the relationship of energy produced in the current period to total expected energy production for fuel in the reactor. Fuel amortization expense of \$7.4 million as of December 31, 2023 and \$8.5 million as of December 31, 2022, respectively, is included in operating expense on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

MMWEC, along with all of the other joint owners of both Millstone Unit 3 and Seabrook Station, has filed claims against the U.S. Department of Energy (DOE) in the United States Court of Claims for partial breach of the provisions for fuel disposal costs that were previously assessed by the DOE under the Energy Policy Act of 1992, for the cost of decontamination and decommissioning of uranium enrichment plants operated by the DOE.

As the DOE has agreed in principle to settlements in regard to ongoing costs incurred related to the disposal contracts, accounts receivable related to these ongoing cost settlements have been recorded at December 31, 2023 and 2022 in the amount of \$428,000 and \$925,000, respectively. In 2023 and 2022, no refunds were given to MMWEC for costs incurred related to spent fuel facilities and disposal.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense) until that future time. Deferred outflows of resources are comprised of pension-related amounts and asset retirement obligations.

Accounts Payable and Accrued Expenses

At December 31, 2023, accounts payable and accrued liabilities total \$41.1 million which include \$13.2 million related to standard operating supplier and vendor accounts payable; \$20.9 million for power purchase accruals; \$1.3 million for accrued interest on debt; and \$5.7 million for other miscellaneous accounts payable and accrued liabilities.

At December 31, 2022, accounts payable and accrued liabilities total \$44.1 million which include \$12.8 million related to standard operating supplier and vendor accounts payable; \$24.7 million for power purchase accruals; \$1.2 million for accrued interest on debt; and \$5.4 million for other miscellaneous accounts payable and accrued liabilities.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources ...continued

Member and Participant Advances and Reserves

MMWEC maintains numerous operating reserves and advances from its Members and Project Participants in accordance with the PSAs, Power Purchase Agreements (PPAs) and other contractual arrangements. Member and Participant advances that are considered current liabilities were \$114.1 million and \$116.0 million for the years ended December 31, 2023 and 2022, respectively.

Other Member and Participant reserves for 2023 and 2022, which are considered long-term, were \$124.4 million and \$116.1 million, respectively. A reconciliation of the beginning and ending aggregate carrying amount of long-term Member and Participant Advances for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Long-term member and participant advances, beginning of year	\$ 116,062	\$ 97,881
Additions	9,181	21,307
Deletions	<u>(807)</u>	<u>(3,126)</u>
Long-term member and participant advances, end of year	<u>\$ 124,436</u>	<u>\$ 116,062</u>

Asset Retirement Obligations

MMWEC identified certain asset retirement obligations (AROs), which are primarily associated with the decommissioning of MMWEC's ownership interest in Millstone Unit 3 and Seabrook Station. The recognition of the AROs at current value also results in a corresponding deferred outflow of resources, which is amortized over the remaining useful life of the underlying asset. Amortization expense is included in depreciation expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Long-term Obligations

Long-term debt and other obligations are reported as noncurrent liabilities. Bond premiums are amortized over the life of the bonds using the effective interest method. The balance at year end for premiums is shown as an increase to long-term debt in the liability section of the accompanying Balance Sheets.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. Deferred inflows of resources are comprised of pension-related amounts and accounts payable under terms of the power sales agreements.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources ...continued

Amounts Payable Under Terms of the Power Sales Agreements

Billings to Project Participants are structured to recover costs in accordance with the PSAs, which generally provide for billing debt service, operating expenses and reserve requirements. Expenses are reflected in the Statements of Revenues, Expenses and Changes in Net Position in accordance with GAAP. The timing difference between amounts billed and expensed is charged, or credited, to amounts recoverable (payable) under terms of the PSAs.

The principal differences include depreciation, fuel amortization, costs associated with canceled Projects (or assets abandoned within a Project), asset retirement obligations, cost of refinancing, billing for certain interest, reserves, net unrealized gains or losses on investments and other costs. In accordance with the PSAs, these amounts have been offset in amounts payable under terms of the PSAs on the Balance Sheets. The December 31, 2023 and 2022 amounts payable balances of \$643.9 million and \$628.0 million, respectively, reflect the Statements of Revenues, Expenses and Changes in Net Position net increase of \$15.9 million and net decrease of \$41.6 million for the years then ended. See Note 9 - Amounts Payable Under Terms Of The Power Sales Agreements.

Revenues and Expenses

Revenues

Operating revenues include electric sales for resale provided through MMWEC's bulk power supply program. Revenues consist, in significant part, of billings under the PSAs, PPAs, and other power arrangements, net of debt service refunds to participants. MMWEC also records service revenues by providing its Members with power supply planning and related services, which are billed pursuant to the MMWEC Service Agreement or the All-Requirements Bulk Power Sales Agreement. Revenues related to financing and other activities are reflected as non-operating.

Revenues are comprised of the following:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Electric sales for resale	\$ 260,276	\$ 297,873
Service and other	<u>7,931</u>	<u>7,362</u>
	<u>\$ 268,207</u>	<u>\$ 305,235</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Revenues and Expenses

Taxes

Chapter 775 of the Massachusetts Acts of 1975 (the Act) specifically exempts MMWEC from paying any taxes upon its income, existence or franchise, and any revenues from the transfer or sale of bonds issued by MMWEC. Chapter 775 exempts real and personal property situated within the Commonwealth from property taxation. However, the Act requires MMWEC to pay an amount in lieu of property taxes with respect to MMWEC assets in Massachusetts to any governmental body authorized to levy local taxes in Massachusetts. MMWEC pays an amount in lieu of property taxes for its interest in the Stony Brook Peaking and Intermediate fossil-fuel burning plants located in Ludlow, Massachusetts.

MMWEC pays property taxes for its ownership interest in Millstone Unit 3 located in Waterford, Connecticut, and Seabrook Station, which is mostly located in Seabrook, New Hampshire.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the financial statements. Estimates are used for, but not limited to, the selection of the useful lives of capital assets, provision necessary for contingent liabilities, accrued expenses, asset retirement obligations and other similar charges. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Comparative Data

Certain prior year data has been reclassified to conform to the current year's presentation with no impact on Net Position.

Implementations of New Accounting Principles

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) addresses improving accounting and financial reporting for subscription-based information technology arrangements. GASB 96 is effective in fiscal year 2023. GASB 96 was evaluated and there is no financial statement impact to MMWEC.

Effect of Future Accounting Standards on Current Period Financial Statements

GASB has approved Statement No. 100, *Accounting Changes and Error Corrections*, Statement No. 101, *Compensated Absences*, Statement No. 102, *Certain Risk Disclosures*. When they become effective, application of these standards may restate portions of these financial statements.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS

MMWEC's cash and investments (exclusive of the fiduciary funds and decommissioning trust) were comprised of the following at December 31:

Type of Investment or Cash Equivalent	2023		2022		Associated Risks
	Carrying Value	Bank & Investment Value	Carrying Value	Bank & Investment Value	
	(In Thousands)				
Cash and Cash Equivalents:					
U.S. Agency Bonds	\$ 4,773	\$ 4,773	\$ 6,840	\$ 6,840	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Treasury Notes	248	248	21,888	21,888	Credit Risk, Interest Rate Risk
U.S. Agency Discount Notes	4,349	4,349	13,169	13,169	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Treasury Discount Notes	29,530	29,530	-	-	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Municipal Bonds	-	-	398	398	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Deposits	22,386	23,173	50,271	47,024	Custodial Credit Risk
Total Cash and Cash Equivalents	<u>61,286</u>	<u>62,073</u>	<u>92,566</u>	<u>89,319</u>	
Other Investments:					
U.S. Treasury Notes	16,566	16,566	33,451	33,451	Credit Risk, Interest Rate Risk
U.S. Agency Bonds	131,798	131,798	96,503	96,503	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Agency Discount Notes	68	68	9,838	9,838	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Treasury Discount Notes	9,096	9,096	-	-	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Municipal Bonds	8,304	8,304	12,513	12,513	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Total Other Investments	<u>165,832</u>	<u>165,832</u>	<u>152,305</u>	<u>152,305</u>	
Totals	<u>\$ 227,118</u>	<u>\$ 227,905</u>	<u>\$ 244,871</u>	<u>\$ 241,624</u>	

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS...continued

MMWEC's investments in the Decommissioning Trust are held by independent trustees. Investments are limited to those defined by the investment policy, and are comprised of the following at December 31:

Type of Investment or Cash Equivalent	2023		2022		Associated Risks
	Carrying Value	Bank & Investment Value	Carrying Value	Bank & Investment Value	
	(In Thousands)				
Cash and Cash Equivalents:					
Money Market Fund	\$ 2,053	\$ 2,053	\$ 1,218	\$ 1,218	Custodial Credit Risk
Total Cash and Cash Equivalents	2,053	2,053	1,218	1,218	
Other Investments:					
Mutual Funds - equity	57,355	57,355	45,354	45,354	Credit Risk, Concentration of Credit Risk
FPL Minority Owner Trust	36,863	36,863	34,709	34,709	Credit Risk, Interest Rate Risk, Concentration of Credit Risk, Credit Risk, Concentration of Credit Risk
Common stock - equities	22,382	22,382	17,682	17,682	Concentration of Credit Risk, Credit Risk, Concentration of Credit Risk
Preferred stock	-	-	636	636	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
US Treasury securities	4,456	4,456	3,678	3,678	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
Corporate Bonds	5,544	5,544	7,594	7,594	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
US Agency Securities	31,732	31,732	20,782	20,782	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
Municipal Bonds	1,485	1,485	1,427	1,427	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
US Government Obligations	4,303	4,303	9,682	9,682	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
Foreign Bonds and Notes	-	-	97	97	Credit Risk, Interest Rate Risk, Concentration of Credit Risk
Mutual Funds - fixed	13,110	13,110	13,467	13,467	Credit Risk, Concentration of Credit Risk
Total Other Investments	177,230	177,230	155,108	155,108	
Totals	\$ 179,283	\$ 179,283	\$ 156,326	\$ 156,326	

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS...continued

MMWEC's investments in the defined benefit pension plans fiduciary funds are held by an independent trustee. Investments are limited to those defined by the investment policy, and are comprised of the following at December 31:

Type of Investment or Cash Equivalent	2023		2022		Associated Risks
	Carrying Value	Bank & Investment Value	Carrying Value	Bank & Investment Value	
(In Thousands)					
Cash and Cash Equivalents:					
Money Market Funds	\$ 226	\$ 226	\$ 853	\$ 853	Custodial Credit Risk
Total Cash and Cash Equivalents	\$ 226	\$ 226	853	853	
Other Investments:					
Mutual Funds - equity	\$ 9,814	\$ 9,814	\$ 12,045	\$ 12,045	Credit Risk, Concentration of Credit Risk
Guaranteed Income Account	11,159	11,159	5,886	5,886	Credit Risk, Concentration of Credit Risk
Total Other Investments	20,973	20,973	17,931	17,931	
Totals	\$ 21,199	\$ 21,199	\$ 18,784	\$ 18,784	

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined below. No investments are reported at amortized cost. The difference between the bank and investment value and carrying value is due to outstanding checks and/or deposits in transit.

MMWEC Custodial Credit Risk

Deposits and Money Market Funds

Custodial credit risk is the risk that, in the event of a financial institution failure, MMWEC's deposits may not be returned to MMWEC. The aggregate amount of noninterest bearing and interest bearing accounts are insured by the FDIC up to at least \$250,000. There was \$22.9 million and \$46.8 million uninsured and uncollateralized bank balances subject to custodial credit risk at December 31, 2023 and 2022, respectively. There was \$1.3 million and \$0.5 million uninsured and uncollateralized decommissioning trust balances subject to custodial credit risk at December 31, 2023 and 2022, respectively.

MMWEC's investment policy and decommissioning trust investment policy do not address custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MMWEC will not be able to recover the value of its investment or collateral securities that are in the possession of the custodians.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS...continued

Investments...continued

At December 31, 2023 and 2022, all investments were held in MMWEC's name by custodians consisting of the Bond Fund Trustee (as defined in the GBR), or MMWEC's depository bank.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, MMWEC's investments were rated as follows:

Investments Type	Fair Value		Credit Rating
	2023	2022	
	(In Thousands)		
U.S. Agency	\$ 140,988	\$ 126,350	AAA - AA-
Municipal Bonds	8,304	12,911	AAA - AA-
U.S. Treasuries	55,440	55,339	AAA - AA-, NR
Totals	<u>\$ 204,732</u>	<u>\$ 194,600</u>	

MMWEC's investment policy addresses credit risk by defining allowable investments and a maximum allocation to each asset class.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of MMWEC's investment in a single issuer.

At December 31, 2023 and 2022, MMWEC's investment portfolio, excluding decommissioning trust and fiduciary funds, was concentrated as follows:

Issuer	Investment Type	2023	2022
Municipal Bond Anticipation Notes	Municipal Bonds	3.66%	5.11%
Federal Home Loan Bank	U.S. Agency Securities	23.27%	23.61%
Federal Home Loan Mortgage	U.S. Agency Securities	33.36%	11.53%

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS...continued

Concentration of Credit Risk...continued

MMWEC's investment policy minimizes concentration of credit risk in a single issuer by diversification of investment types using the following maximum limits, which are established for MMWEC's total portfolio at December 31, 2023 and 2022, as follows:

Repurchase Agreements	10%
Certificates of Deposits	10%
U.S. Treasury Securities	100%
U.S. Agencies	65%
Municipal Securities	20%

Deviation from the approved portfolio limits requires written authorization and approval from the MMWEC Board of Directors.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At December 31, 2023, the maturities of MMWEC's investments were as follows:

Investment Type	Fair Value	Maturity In Years		
		Less than 1	1 – 5	Over 5
(In Thousands)				
U.S. Treasury Securities	55,440	\$ 46,320	\$ 9,120	\$ -
U.S. Agency Securities	140,988	37,175	102,999	814
Municipal Bonds	8,304	538	6,059	1,707
Totals	<u>\$ 204,732</u>	<u>\$ 84,033</u>	<u>\$ 118,178</u>	<u>\$ 2,521</u>

At December 31, 2022, the maturities of MMWEC's investments were as follows:

Investment Type	Fair Value	Maturity In Years		
		Less than 1	1 – 5	Over 5
(In Thousands)				
U.S. Treasury Securities	\$ 55,339	\$ 33,599	\$ 21,740	\$ -
U.S. Agency Securities	126,350	59,389	65,900	1,061
Municipal Bonds	12,912	1,334	9,275	2,303
Totals	<u>\$ 194,601</u>	<u>\$ 94,322</u>	<u>\$ 96,915</u>	<u>\$ 3,364</u>

MMWEC's investment policy specifies that MMWEC shall seek to maximize the return on investments consistent with requirements for safety, minimization of risk and liquidity. Monies will not be invested for terms in excess of the projected use of funds nor exceed an average life of ten years.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS...continued

Decommissioning Trust - Credit Risk, Interest Rate Risk and Concentration of Credit Risk

As of December 31, 2023, MMWEC's decommissioning trust investments were rated as follows:

Investment Type	Credit Rating	Fair Value	Maturity In Years		
			Less than 1	1 – 5	Over 5
(In Thousands)					
U.S. Treasuries	n/a	\$ 4,456	\$ -	\$ 2,544	\$ 1,912
Corporate Bonds	AAA- - BBB-	5,544	523	2,807	2,214
U.S. Agency Securities	AAA, n/a	31,732	6,829	15,826	9,077
U.S. Government Obligations	Aaa	4,303	2,005	2,298	-
Municipal Bonds/Obligations	AAA - AA-, n/a	1,485	-	-	1,485
Totals		<u>\$ 47,520</u>	<u>\$ 9,357</u>	<u>\$ 23,475</u>	<u>\$ 14,688</u>

As of December 31, 2022, MMWEC's decommissioning trust investments were rated as follows:

Investment Type	Credit Rating	Fair Value	Maturity In Years		
			Less than 1	1 – 5	Over 5
(In Thousands)					
U.S. Treasuries	n/a	\$ 3,678	\$ 498	\$ 1,784	\$ 1,396
Foreign Bonds and Notes	AA2	97	-	97	-
Corporate Bonds	AAA - BBB-, n/a	7,594	290	3,736	3,568
U.S. Agency Securities	AAA, n/a	20,782	5,090	8,566	7,126
U.S. Government Obligations	Aaa	9,682	8,216	1,466	-
Municipal Bonds/Obligations	AAA - AA-, n/a	1,427	-	-	1,427
Totals		<u>\$ 43,260</u>	<u>\$ 14,094</u>	<u>\$ 15,649</u>	<u>\$ 13,517</u>

Investments held in mutual funds and common stock are not rated and do not have a specified maturity date.

The majority of MMWEC's decommissioning trust investments are governed by the investment policies of the regulatory bodies and majority owners of Seabrook Station and Millstone Unit 3. MMWEC does not have a policy to address credit risk, interest rate risk, or concentration of credit risk for these externally-governed investments.

MMWEC maintains a decommissioning trust investment policy for the portion of decommissioning trust investments within the company's control (internal decommissioning trust policy). MMWEC's internal decommissioning trust investment policy does not address credit risk or interest rate risk. In accordance with MMWEC's internal decommissioning trust investment policy for the decommissioning trust, exposure to concentration of credit risk is managed through diversification by limiting investments to no more than 5% of the total portfolio's value in one single issuer, with the exception of fixed income permissible direct investments listed below:

Foreign Securities	10%
Mortgage-backed Securities	25%
Individual Corporate Sector	20%

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

2. CASH AND INVESTMENTS...continued

Decommissioning Trust - Credit Risk, Interest Rate Risk and Concentration of Credit Risk...continued

As of December 31, 2023, 5% of investments were held with the Federal home Loan Banks. There were no investments in any one issuer that represent 5% or more of total decommissioning trust investments as of December 31, 2022.

Fiduciary Funds - Credit Risk, Interest Rate Risk and Concentration of Credit Risk

Investments held in equity mutual funds and guaranteed income account are not rated and do not have a specified maturity date. MMWEC's fiduciary fund investment policy does not address credit risk or interest rate risk.

In accordance with the investment guidelines for the defined benefit pension fiduciary funds, assets should be invested to provide a rate of return sufficient to meet the investment assumptions inherent in the actuarial projection for the plans.

Investment Income

For the year ended December 31, 2023, net unrealized gains on investments totaled \$20.2 million. For the year ended December 31, 2022, net unrealized losses on investments totaled \$31.8 million. The net unrealized losses and gains are excluded from operating revenue and are reported within investment income on the Statements of Revenues, Expenses and Changes in Net Position.

During the years ended December 31, 2023 and 2022, investment income (loss) consisted of interest income, realized gains/(losses) and unrealized gains/(losses) for investments, including the decommissioning trusts, as follows:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Interest income:		
Unrestricted funds	\$ 2,775	\$ 831
Restricted funds	2,259	1,088
Designated funds	3,424	1,115
Decommissioning funds	<u>5,837</u>	<u>2,532</u>
Total interest income	<u>14,295</u>	<u>5,566</u>
Realized gains (losses):		
Unrestricted funds	(636)	(4,192)
Restricted funds	(293)	(641)
Designated funds	<u>(488)</u>	<u>(4,001)</u>
Net realized gains	<u>(1,417)</u>	<u>(8,834)</u>
Unrealized gains (losses):		
Restricted funds	741	(1,403)
Designated funds	2,332	(2,108)
Decommissioning funds	<u>17,123</u>	<u>(28,312)</u>
Net unrealized gains	<u>20,196</u>	<u>(31,823)</u>
Total investment income (loss)	<u>\$ 33,074</u>	<u>\$ (35,091)</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

3. RESTRICTED AND DESIGNATED ASSETS

Mandatory segregations of assets are presented as restricted funds. Such segregations are required by bond agreements and other external parties.

Segregations of assets determined internally by MMWEC management are presented as designated funds.

Numerous restricted funds are required by the GBR pursuant to which MMWEC issued its long-term debt. The restricted funds are invested in accordance with the provisions of the GBR. Certain working capital and other funds are not mandated by the GBR and are classified as restricted funds, they are invested in accordance with the provisions of the investment policy under the GBR.

The composition of restricted funds is as follows for the year ended December 31:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
<u>Restricted Funds</u>		
Bond Fund Interest, Principal and Retirement Accounts to pay principal and interest on bonds	\$ 2,300	\$ 5,230
Bond Fund Reserve Account set at 50% of the maximum outstanding annual debt service obligation to make up any deficiencies in Bond Fund Interest, Principal and Retirement Account Reserve and Contingency Fund to make up deficiencies in the Bond Funds and pay for repairs and extraordinary costs	2,259	2,189
Revenue Fund to receive revenues and disburse them to the Bond Funds and other funds	120	-
	3,172	7
Constructions Fund to pay costs of Project 2015A construction	13,637	18,038
Program Fund to pay costs of Project 2015A construction	1,420	4,031
Working Capital Funds to maintain funds to cover operating expenses	38,387	26,751
Pooled loan lines of credit	<u>7,838</u>	<u>13,484</u>
Total Restricted Funds and Interest Receivable	69,133	69,730
Less -- current portion	(52,509)	(51,224)
Interest receivable	<u>(389)</u>	<u>(158)</u>
Total Restricted Funds, Long term	<u>\$ 16,235</u>	<u>\$ 18,348</u>
<u>Nuclear Decommissioning Funds</u>		
Nuclear decommissioning funds	<u>\$ 179,283</u>	<u>\$ 156,326</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

3. RESTRICTED AND DESIGNATED ASSETS...continued

The composition of designated funds is as follows for the year ended December 31:

	2023	2022
	(In Thousands)	
<u>Designated Funds</u>		
Other Funds for indemnification or purchase of insurance, funds contributed for an agreement where MMWEC acts as agent and long-term investments for the Nuclear Mix No. 1, Nuclear Project 3, Nuclear Project 4, Nuclear Project 5, Project 6, Intermediate, Peaking, and fuel line of credit	\$ 144,883	\$ 136,451
Total Designated Funds and Interest Receivable	144,883	136,451
Less -- current portion	(1,227)	(962)
Interest receivable	(1,698)	(1,028)
Total Designated Funds, Long-term	<u>\$ 141,958</u>	<u>\$ 134,461</u>

For financial reporting purposes, interest receivable has been disclosed separately on the Balance Sheets.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2023 and 2022 is as follows:

	Balance 1/1/2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/2023
	(In Thousands)			
Capital assets not being depreciated:				
Land	\$ 3,849	\$ -	\$ -	\$ 3,849
Capital assets being depreciated:				
Plant in service	1,416,965	13,364	(6,618)	1,423,711
Less - accumulated depreciation	<u>949,474</u>	<u>18,889</u>	<u>(6,613)</u>	<u>961,750</u>
Net plant	<u>\$ 471,340</u>	<u>\$ (5,525)</u>	<u>\$ (5)</u>	<u>\$ 465,810</u>
	Balance 1/1/2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/2022
	(In Thousands)			
Capital assets not being depreciated:				
Land	\$ 3,849	\$ -	\$ -	\$ 3,849
Capital assets being depreciated:				
Plant in service	1,402,325	16,300	(1,660)	1,416,965
Less - accumulated depreciation	<u>932,304</u>	<u>18,821</u>	<u>(1,651)</u>	<u>949,474</u>
Net plant	<u>\$ 473,870</u>	<u>\$ (2,521)</u>	<u>\$ (9)</u>	<u>\$ 471,340</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

4. CHANGES IN CAPITAL ASSETS...continued

A summary of changes in construction work in progress for 2023 and 2022 is as follows:

Year	Balance at January 1,	Additions	Transfers to In Service	Balance at December 31,
		(In Thousands)		
2023	\$ <u>93,900</u>	\$ <u>10,429</u>	\$ <u>(1,140)</u>	\$ <u>103,189</u>
2022	\$ <u>53,737</u>	\$ <u>44,724</u>	\$ <u>(4,561)</u>	\$ <u>93,900</u>

A summary of changes in nuclear fuel for 2023 and 2022 is as follows:

Year	Balance at January 1,	Additions and Transfers	Deletions	Amortization	Balance at December 31,
			(In Thousands)		
2023	\$ <u>21,937</u>	\$ <u>6,977</u>	\$ <u>-</u>	\$ <u>(7,419)</u>	\$ <u>21,495</u>
2022	\$ <u>21,126</u>	\$ <u>9,304</u>	\$ <u>-</u>	\$ <u>(8,493)</u>	\$ <u>21,937</u>

5. SHORT-TERM DEBT

MMWEC maintains a \$15.0 million loan facility which allows for borrowings by MMWEC to finance, temporarily, certain power purchases made by MMWEC for resale to the Members and other municipal systems under various power contracts between MMWEC and the municipal systems (Power Contracts). Borrowings attributable to a Power Contract under this loan facility are secured by the following: a lien on and/or security interest in all proceeds of any loans prior to disbursement by MMWEC, all amounts payable to MMWEC by the Power Contract Participants under the Power Contract, and earnings from MMWEC's temporary investments of such proceeds and amounts payable. The amount payable by a Power Contract Participant with respect to a Power Contract is limited to the amount allocated to that Participant.

At December 31, 2023 and 2022, there was no outstanding amounts under the loan facility. During 2023 and 2022, the maximum outstanding balance under the line of credit was \$0.9 million and \$9.7 million, respectively. The interest rate for the borrowings under this line of credit is at MMWEC's election prior to the last day of any interest period of either the SOFR rate plus 1.50% per annum, or at a variable rate selected by MMWEC, which is either the prime rate or the SOFR Daily Floating Rate plus 1.50%. In addition, a commitment fee of .250% per annum is charged on the unused portion of the loan facility based on the average daily principal amount of the borrowing outstanding. This loan facility expires July 29, 2024. MMWEC has historically renewed this line of credit annually.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

5. SHORT-TERM DEBT...continued

MMWEC also maintains a \$15.0 million revolving line of credit for the purpose of financing purchases of fuel oil and selling such fuel oil from the Stony Brook Fuel Oil Project to the Intermediate and Peaking Projects. Borrowings under this line of credit are secured by the following: a lien on and/or security interest in all proceeds of any borrowings prior to disbursement by MMWEC, all amounts payable by the Intermediate and Peaking Projects to the Stony Brook Fuel Oil Project for fuel oil, and all earnings from MMWEC's investments of any such proceeds and amounts payable to the bank. There were no borrowings outstanding under the loan facility as of December 31, 2023 and 2022. During 2023 and 2022, the maximum outstanding balance under the line of credit was \$0. The interest rate for the borrowings under this line of credit is at MMWEC's election prior to the last day of any interest period of either the SOFR rate plus 1.50% per annum, or at a variable rate selected by MMWEC, which is either the prime rate or the SOFR Daily Floating Rate plus 1.50%. If no such selection is made, the variable rate is in effect. A commitment fee of .250% per annum is charged on the unused portion of the loan facility based on the average daily principal amount of the borrowing outstanding. This line of credit expires July 29, 2024. MMWEC has historically renewed this line of credit annually.

On October 21, 2021, MMWEC entered into a short-term loan agreement in the amount of \$3.5 million for the sole purpose of financing the costs of acquisition and construction of the Master Sergeant Alexander Cotton Memorial Solar Project (Project 2020A), a solar generation facility located in Ludlow, Massachusetts. The loan expired on October 14, 2022, at which time MMWEC entered into a short-term loan agreement in the amount of \$15.5 million. The expiration date was then extended to July 29, 2024. The loan facility bears interest at a rate per annum equal to the sum of the SOFR Daily Floating Rate plus 0.60% and is secured by the following: a lien on and/or security interest in all unexpended proceeds of the loan, all amounts payable to MMWEC by the Participants under the power sales agreements, and earnings from MMWEC's temporary investments of such proceeds and amounts payable. The short-term loan was extinguished with the issuance of the Series 2023A Revenue Bonds on December 21, 2023, which are discussed in Note 6 – Long-term Debt.

The following short-term debt activity occurred in 2023 and 2022:

Year	Balance at January 1,	Additions	Payments	Balance at December 31,
		(In Thousands)		
2023	\$ 15,500	\$ 1,974	\$ (17,474)	\$ -
2022	\$ 3,500	\$ 32,999	\$ (20,999)	\$ 15,500

6. LONG-TERM DEBT

General Bond Resolution and Power Supply System Revenue Bonds

MMWEC issued separate issues of Bonds for each Project, which are payable solely from, and secured solely by, the revenues derived from the Project to which such issue relates, plus available funds pledged under the GBR for the Bonds of such issues. The revenues derived from each Project are used solely to provide for the payment of the Bonds of any Bond issue relating to such Project, and to pay MMWEC's cost of owning and operating such Project, and are not used to provide for the payment of the Bonds of any Bond issue relating to any other Project.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

6. LONG-TERM DEBT...continued

General Bond Resolution and Power Supply System Revenue Bonds...continued

Pursuant to all of the Project PSAs, each Project Participant is obligated to pay its share of the actual costs relating to the Project's generating units, and its share of all principal, premium and interest associated with the Bonds for the Projects in which the Project Participant has a PSA, and for which the Project Participant is obligated to set rates at levels sufficient to pay such costs. These obligations are not contingent upon the operational status of the Project's units.

MMWEC's issuance of debt, other than obligations with a maturity of less than one year, requires authorization by the Massachusetts Department of Public Utilities.

Series 2021A Revenue Bonds

On December 1, 2021, MMWEC issued revenue bonds for the sole purpose of financing the costs of acquisition and construction of Project 2015A, a capacity resource located in Peabody, Massachusetts. The Series 2021A bonds were issued at a par value \$60.9 million, with a premium of \$12.6 million, for total proceeds of \$73.5 million. The premium is being amortized over the life of the bonds using the effective interest method. The Series 2021A bonds bear interest at a fixed rate ranging from 3.0% to 5.0% for the various issues and the final maturity date is July 1, 2051. Interest on the bonds is payable in semi-annual installments on January 1 and July 1 with principal due each July 1.

MMWEC paid \$695,000 of bond financing costs in connection with the issuance of the revenue bonds during 2021, which were expensed directly as they were paid.

Series 2023A Revenue Bonds

On December 21, 2023, MMWEC issued revenue bonds for the purpose of funding the costs of acquisition and construction of Project 2020A through the repayment of the short-term loan issued in anticipation of the bonds. The Series 2023A bonds were issued at a par value \$15.0 million, with a premium of \$1.7 million, for total proceeds of \$16.7 million. The premium is being amortized over the life of the bonds using the effective interest method. The Series 2023A bonds bear interest at a fixed rate of 5.0% for the various issues and the final maturity date is July 1, 2044. Interest on the bonds is payable in semi-annual installments on January 1 and July 1 with principal due each July 1.

MMWEC paid \$503,000 of bond financing costs in connection with the issuance of the revenue bonds during 2023, which were expensed directly as they were paid.

Long-term Debt Summary Tables

The following summarizes changes in long-term debt, net of premiums:

Year	Balance at January 1,	Additions	Payments	Amortization of Premium	Balance at December 31,
			(In Thousands)		
2023	\$ 72,509	\$ 16,739	\$ -	\$ (919)	\$ 88,329
2022	\$ 73,428	\$ -	\$ -	\$ (919)	\$ 72,509

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

6. LONG-TERM DEBT...continued

Long-term Debt Summary Tables...continued

At December 31, 2023 and 2022, long-term debt is comprised of the following term notes from serial bonds:

<u>Issue</u>	<u>Net Interest Cost</u>	<u>2023</u>		<u>2022</u>	
		<u>(In Thousands)</u>			
<u>Serial revenue bonds</u>					
Revenue Bond Series 2021A	3.0% - 5.0%	\$ 60,850	\$ 60,850		
Revenue Bond Series 2023A	5.00%	14,995	-		
Total Debt		75,845	60,850		
Unamortized premium		12,484	11,659		
Less: Current maturities		1,165	-		
Total Long-Term Debt		<u>\$ 87,164</u>	<u>\$ 72,509</u>		

The following is a summary of total debt service requirements for long-term debt from direct borrowings and revenue bonds outstanding at December 31, 2023:

	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>(In Thousands)</u>		
2024	\$ 1,165	\$ 2,928	\$ 4,093
2025	1,655	3,247	4,902
2026	1,720	3,176	4,896
2027	1,795	3,103	4,898
2028	1,875	3,026	4,901
2029-2033	10,865	13,627	24,492
2034-2038	13,760	10,745	24,505
2039-2043	16,980	7,511	24,491
2044-2048	15,775	3,910	19,685
2049-2051	10,255	831	11,086
Totals	<u>\$ 75,845</u>	<u>\$ 52,104</u>	<u>\$ 127,949</u>

Interest paid for long-term debt during 2023 and 2022 was \$3.6 million and \$1.7 million, respectively.

7. CONDUIT DEBT

In 2014, MMWEC began a Pooled Loan Program which enables MMWEC to borrow funds to either make loans to Members that would be used by the utility to finance the acquisition of various utility assets. The Program utilizes a short term revolving loan facility to provide initial funding of the loans.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

7. CONDUIT DEBT...continued

MMWEC issues Promissory Notes to Members who borrow funds under this program and the interest and any fees associated with the Notes are payable solely by each Member who utilizes the program funds for their portion of the funds used. The Promissory Notes under this program are considered conduit debt under GASB 91 and are therefore excluded from MMWEC's accounts receivable, capital asset and long-term debt balances as of December 31, 2023 and 2022. MMWEC holds funds collected from pooled loan participants for future debt service payments and required debt reserves and any interest income associated with these balances and administrative expenses, which are included in cash and investments and member and participant advances on the Balance Sheets. MMWEC does not have any limited or voluntary commitments under the program.

As of December 31, 2023 and 2022, MMWEC has outstanding conduit debt principal obligations totaling \$46.3 million and \$50.5 million, respectively, with the following final maturity dates:

<u>Pooled Loan Facility</u>	<u>Final Maturity</u>
Princeton Term Loan	March 17, 2027
2017A Term Loan	March 17, 2032
2019A Term Loan	March 22, 2034
2021A Term Loan	April 6, 2046
2021B Term Loan	March 22, 2031
Line of Credit	Not Applicable

MMWEC's pooled loan line of credit expires July 29, 2024. MMWEC has historically renewed this line of credit annually.

8. ASSET RETIREMENT OBLIGATIONS

MMWEC has identified certain asset retirement obligations (AROs), which are primarily associated with the decommissioning of MMWEC's ownership interest in Millstone Unit 3 and Seabrook Station. The ARO liabilities are measured using decommissioning studies provided by the majority Fixedowner for each Unit, which represented the current value of outlays expected to be incurred, and are allocated by MMWEC based on percentage of ownership in each Project as discussed in Note 13 – Project Joint Ownership Agreements. MMWEC maintains assets in the nuclear decommissioning trust as discussed in Note 3 – Restricted and Designated Assets to meet legally required funding levels.

ARO activity for the year ended December 31, 2023 is as follows:

<u>Unit</u>	<u>Remaining Useful Life</u>	<u>Balance at January 1</u>	<u>Adjustment for New Study</u>	<u>Inflation Adjustment</u>	<u>Balance at December 31</u>
(In Thousands)					
Seabrook Station	26 Years	\$ 144,304	(7,944)	-	\$ 136,360
Millstone Unit 3	22 Years	\$ 38,555	-	1,581	\$ 40,136
Total		<u>\$ 182,859</u>	<u>\$ (7,944)</u>	<u>\$ 1,581</u>	<u>\$ 176,496</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

8. ASSET RETIREMENT OBLIGATIONS...continued

ARO activity for the year ended December 31, 2022 is as follows:

Unit	Remaining Useful Life	Balance at January 1	Inflation Adjustment	Balance at December 31
(In Thousands)				
Seabrook Station	27 Years	\$ 133,615	10,689	\$ 144,304
Millstone Unit 3	23 Years	\$ 35,699	2,856	\$ 38,555
Total		<u>\$ 169,314</u>	<u>\$ 13,545</u>	<u>\$ 182,859</u>

The recognition of the AROs at current value also results in a corresponding deferred outflow of resources. A reconciliation of the beginning and ending aggregate deferred outflow of resources related to AROs for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	(In Thousands)	
Deferred outflow of resources - AROs, beginning of year	\$ 93,265	\$ 82,734
Reduction based on new study	(7,944)	-
Inflationary increase	1,581	13,545
Amortization	<u>(3,532)</u>	<u>(3,014)</u>
Deferred outflow of resources - AROs, end of year	<u>\$ 83,370</u>	<u>\$ 93,265</u>

Amortization expense is included in depreciation expenses in the Statements of Revenues, Expenses and Changes in Net Position.

9. AMOUNTS PAYABLE UNDER TERMS OF THE POWER SALES AGREEMENTS

Differences between amounts billed to Members and Project Participants and revenues and expenses recognized are included in amounts payable under the terms of the power sales agreements. These differences are made up of debt service collections, net of amounts returned to Participants, capital expenditures funded through reserve billings and unbilled operating and non-operating expenses and revenues.

A summary of the items included in amounts payable in the future under the terms of the power sales contract for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	(In Thousands)	
Beginning balance - January 1,	\$ 627,988	\$ 671,049
Unbilled operating and nonoperating expenses and revenues:		
Depreciation/amortization	(22,420)	(21,838)
Financing costs	(339)	(871)
Interest financed not billed	(2,286)	(2,523)
Amortization of bond premiums and discounts	918	918
Fuel inventory loss (gain) due to market adjustment	(665)	-
Realized and unrealized gains and interest income	27,089	(29,811)
Lease revenue	38	38
Capital funded through reserve billings	13,024	12,521
Gain on disposition of property	5	-
Distribution of Wyman reserves to Participants	-	(1,495)
Debt service collections:		
Principal on long-term debt billed	582	-
Ending Balance - December 31	<u>\$ 643,934</u>	<u>\$ 627,988</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

10. FAIR VALUE MEASUREMENT

MMWEC records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- **Level 1** inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.
- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government agency and mortgage-backed securities are examples of Level 2 inputs.
- **Level 3** inputs are unobservable inputs that reflect MMWEC's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements disclosed below are as follows:

- The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market. For equity securities, these markets include published exchanges such as the National Association of Securities Dealers Automated Quotations and the New York Stock Exchange.
- Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. MMWEC's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

12. BENEFIT PLANS

Defined Benefit Plans

The Massachusetts Municipal Wholesale Electric Company Pension Plans (Plans) are two single-employer, defined benefit pension plans administered by MMWEC. One plan covers union employees (union plan) and the other plan covers non-union employees (administration plan). All full-time active administration employees hired before December 1, 2006, and all full-time active union employees hired before January 1, 2008 are covered by their respective plans. The Plans provide a defined benefit to employees based on years of service and average earnings. The Plans provide retirement, disability, and death benefits to plan members and beneficiaries. Administrative or union employees hired after these dates qualify for a Defined Contribution plan as described below. Certain other financial information concerning the plans, in addition to the information contained here, is provided annually to plan participants.

The Plans do not issue stand-alone financial statements. A summary of the plan's financial statements for the years ended December 31, 2023 and 2022 is presented in the following tables.

STATEMENTS OF FIDUCIARY NET POSITION

	<u>Administrative Plan</u>		<u>Union Plan</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)			
ASSETS				
Investments at fair value:				
Mutual funds	\$ 8,641	\$ 10,891	\$ 1,173	\$ 1,154
Money market funds	142	599	84	254
Guaranteed income funds	<u>9,762</u>	<u>4,998</u>	<u>1,397</u>	<u>888</u>
Total investments	<u>18,545</u>	<u>16,488</u>	<u>2,654</u>	<u>2,295</u>
Net position available for pension benefits	<u>\$ 18,545</u>	<u>\$ 16,488</u>	<u>\$ 2,654</u>	<u>\$ 2,295</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

12. BENEFIT PLANS...continued

Defined Benefit Plans...continued

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Administrative Plan		Union Plan	
	2023	2022	2023	2022
	(In Thousands)			
ADDITIONS				
Employer contributions	\$ 119	\$ 125	\$ 125	\$ 250
Investment activity:				
Interest and dividends	496	372	78	50
Net appreciation (depreciation) in fair value of investments	2,073	(3,599)	222	(368)
Total investment activity	2,569	(3,227)	300	(318)
Total additions	2,688	(3,102)	425	(68)
DEDUCTIONS				
Benefits paid directly to participants	595	7,030	62	521
Administrative expenses	36	42	5	6
Total deductions	631	7,072	67	527
Net decrease in net position	2,057	(10,174)	358	(595)
Net position available for pension benefits, beginning of year	16,488	26,662	2,296	2,891
Net position available for pension benefits, end of year	\$ 18,545	\$ 16,488	\$ 2,654	\$ 2,296

Plan participants providing the basis of the actuarial valuations used to calculate, as of the measurement dates, the net pension liability for the years ended December 31, were:

Status	Administrative		Union	
	2023	2022	2023	2022
Active	9	11	2	2
Terminated vested	17	20	8	11
Retirees and beneficiaries	25	27	5	5
	51	58	15	18

All MMWEC employees are eligible to make a voluntary contribution in accordance with prescribed annual dollar limits to a deferred compensation plan sponsored by the Commonwealth of Massachusetts. The deferred compensation plan is maintained pursuant to Section 457(b) of the Internal Revenue Code and the General Laws of Massachusetts.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

12. BENEFIT PLANS...continued

Defined Benefit Plans...continued

MMWEC's net pension asset at December 31, 2023 and 2022 was measured as of December 31, 2023 and 2022, respectively. The total pension liability used to calculate the net pension asset was determined by actuarial valuations as of January 1, 2023 and 2022 rolled forward using generally accepted actuarial procedures to the December 31, 2023 and 2022, measurement dates, respectively.

MMWEC recorded \$0.2 million and \$0.4 million in pension expense related to these Plans for the years ended December 31, 2023 and 2022, respectively, which are included in other operating expenses on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The annual contribution was determined as part of the January 1 actuarial valuation using the entry age normal with frozen initial liability cost method. All contributions to the plans are authorized by the Board of Directors and made by MMWEC.

The actuarial assumptions for both Plans included a 7.0% investment rate of return, a discount rate of 7.0% on Plan liabilities and a 3.0% projected salary increase.

Effective January 1, 2023, mortality rates for the Administrative Plan were based on the Pri-2012 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2021 generational improvements. Mortality rates for the Union Plan in 2023 were based on the Pri-2012 Blue Collar Table for Males or Females, as appropriate, projected using Scale MP-2021 generational improvements.

In 2022, mortality rates for the Administrative Plan were based on the Pri-2012 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2021 generational improvements. Mortality rates for the Union Plan in 2022 were based on the Pri-2012 Blue Collar Table for Males or Females, as appropriate, projected using Scale MP-2021 generational improvements.

The long-term expected rate of return on Plan investments was determined based on a blend of historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions, developed on a geometric basis.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

12. BENEFIT PLANS...continued

Defined Benefit Plans...continued

MMWEC's change in net pension asset for the years ended December 31, 2023 and 2022 are as follows:

	Administration Plan		Union Plan	
	2023	2022	2023	2022
	(In Thousands)			
<u>Total pension liability</u>				
Service cost	\$ 90	\$ 97	\$ 7	\$ 7
Interest cost	695	1,052	110	113
Difference between expected and actual experience	1,815	599	206	394
Changes of assumptions	(101)	(353)	(69)	(25)
Changes of benefit terms	245	-	-	-
Benefit payments	(595)	(7,031)	(62)	(521)
Net change in total pension liability	2,149	(5,636)	192	(32)
Total pension liability, beginning of period	10,221	15,857	1,784	1,816
Total pension liability, end of period	<u>\$ 12,370</u>	<u>\$ 10,221</u>	<u>\$ 1,976</u>	<u>\$ 1,784</u>
 <u>Plan fiduciary net position</u>				
Employer contributions	\$ 119	\$ 125	\$ 125	\$ 250
Net investment income	2,569	(3,227)	300	(320)
Benefit payments	(595)	(7,031)	(62)	(521)
Corrective distributions	-	-	-	-
Administrative expenses	(36)	(42)	(5)	(5)
Net change in fiduciary net position	2,057	(10,175)	358	(596)
Fiduciary net position, beginning of period	16,487	26,662	2,295	2,891
Fiduciary net position, end of period	<u>18,544</u>	<u>16,487</u>	<u>2,653</u>	<u>2,295</u>
 Net pension (asset) liability, end of period	<u>\$ (6,174)</u>	<u>\$ (6,266)</u>	<u>\$ (677)</u>	<u>\$ (511)</u>

The assumed allocation and expected real rates of return for each major asset class are summarized in the following table:

Asset Class	Administrative		Union	
	Target Asset Allocation	Long Term Expected Rate of Return	Target Asset Allocation	Long Term Expected Rate of Return
Fixed income	10.00%	2.00%	25.00%	2.00%
Mutual Funds	90.00%	7.50%	75.00%	8.60%
Total investments	<u>100.00%</u>		<u>100.00%</u>	

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

12. BENEFIT PLANS...continued

Defined Benefit Plans...continued

The following table presents the sensitivity of net pension (asset) liability calculation to a 1% increase and 1% decrease in the discount rate to measure the total pension (asset) liability:

	Administrative		Union	
	2023	2022	2023	2022
<u>Discount rate</u>	(In Thousands)			
1% decrease - 6.0%	\$ (5,036)	\$ (4,755)	\$ (520)	\$ (313)
Current discount rate - 7.0%	(6,174)	(6,266)	(677)	(511)
1% increase - 8.0%	(7,153)	(7,563)	(813)	(679)

The following table presents information about the pension-related deferred outflows and inflows of resources at December 31:

	Administration Plan			
	2023		2022	
<u>Deferred outflows (inflows) of resources</u>	(In Thousands)			
Difference between expected and actual experience	\$ 1,184	\$ -	\$ 468	\$ -
Changes of assumptions	-	(130)	44	(212)
Difference between projected and actual earnings on plan investments	391	-	637	-
Total deferred outflows (inflows) of resources	<u>\$ 1,575</u>	<u>\$ (130)</u>	<u>\$ 1,149</u>	<u>\$ (212)</u>

	Union Plan			
	2023		2022	
<u>Deferred outflows (inflows) of resources</u>	(In Thousands)			
Difference between expected and actual experience	\$ 62	\$ -	\$ 113	\$ -
Changes of assumptions	-	(21)	-	(7)
Difference between projected and actual earnings on plan investments	9	-	-	(44)
Total deferred outflows (inflows) of resources	<u>\$ 71</u>	<u>\$ (21)</u>	<u>\$ 113</u>	<u>\$ (51)</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

12. BENEFIT PLANS...continued

Defined Benefit Plans...continued

The following table presents the future amortization of pension-related deferred outflows (inflows) of resources, which will be recognized in pension expense, at December 31:

	<u>Administration</u>	<u>Union</u>
	(In Thousands)	
2024	\$ 411	\$ (27)
2025	601	34
2026	720	73
2027	(287)	(30)
	<u>\$ 1,445</u>	<u>\$ 50</u>

The Required Supplementary Information following the Notes to the Financial Statements presents additional multiyear trend information demonstrating the components of change in the net pension liability from year to year, as well as trends in related statistical information and employer contributions to the Plans.

Defined Contribution Plan

In 2007, MMWEC established a defined contribution (DC) plan in compliance with Section 401 (a) of the Internal Revenue Code for non-union employees hired after December 1, 2006 and for union employees hired after January 1, 2008. Thereafter, all new employees are no longer eligible to participate in MMWEC Defined Benefit plans. Under the DC plan, MMWEC contributes 6% of an employee's base salary and matches 50% of employee contributions to the defined contribution plan up to a maximum employee contribution of 6%. For the years ended December 31, 2023 and 2022, MMWEC contributed \$539,000 and \$430,000 and the employees contributed \$12,000 and \$11,000, respectively.

Employee Savings Plan

MMWEC contributes to an employee savings plan administered by a financial holding company. All eligible full-time employees meeting the service and eligibility requirements participate in this plan. Under the provisions of the plan, MMWEC's contributions are vested immediately. For the years ended December 31, 2023 and 2022, MMWEC contributed \$27,000 and \$26,000, respectively, and the employees contributed \$95,000 and \$81,000, respectively. All employees eligible or participating in the DC plan established in 2007 are not eligible to participate in the employee savings plan.

Benefit provisions of all plans are determined and authorized by the MMWEC Board of Directors.

13. PROJECT JOINT OWNERSHIP AGREEMENTS

MMWEC's power supply capacity includes ownership interests in the Stony Brook Peaking and Stony Brook Intermediate Units, both of which MMWEC operates. MMWEC also owns Project 2015A, a capacity resource in Peabody, Massachusetts and Project 2020A, a solar unit in Ludlow, Massachusetts, both of which are under construction as of December 31, 2023 and 2022.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

13. PROJECT JOINT OWNERSHIP AGREEMENTS...continued

MMWEC is a nonoperating joint owner in the Millstone Unit 3 and Seabrook Station. On July 17, 2019, MMWEC sold its full ownership interest in Wyman 4, of which MMWEC was also a nonoperating joint owner. As a result of the sale, MMWEC ceased accounting for operating activity of Wyman 4. In 2022, MMWEC distributed the remaining cash and investments to the Wyman Participants.

Electric plant in service and construction work in progress also includes assets related to MMWEC's service company operations, which totaled \$8.7 million and \$8.6 million at December 31, 2023 and 2022, respectively.

The following is a summary of the balances by Project included in electric plant in service and construction work in progress, as well as MMWEC's share of capability in megawatts (MW).

Projects	Facility and MMWEC Share of Capability in MW	Amount as of December 31,	
		2023	2022
		(In Thousands)	
Peaking Project	Stony Brook	172.7	
Intermediate Project	Stony Brook	321.3	
Nuclear Project No. 3	Millstone Unit 3	39.5	
Nuclear Mix No. 1	Millstone Unit 3	19.8	
Nuclear Mix No. 1	Seabrook Station	2.0	
Nuclear Project No. 4	Seabrook Station	54.0	
Nuclear Project No. 5	Seabrook Station	13.7	
Project No. 6	Seabrook Station	74.7	
Project 2015A	Capacity Resource	60.0	
Project 2020A	Campus Solar	7.0	
Totals			

\$ 63,108 \$ 61,955

183,506 183,215

155,929 154,724

64,498 63,894

10,409 10,366

307,359 306,241

83,119 82,836

567,792 566,244

72,827 64,810

13,501 11,831

\$ 1,522,048 \$ 1,506,116

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

14. RELATED PARTY TRANSACTIONS

MMWEC, together with Massachusetts municipal utility systems, has formed six cooperatives under Massachusetts General Laws to conduct business for the mutual benefit of the members of the cooperatives. The following is a summary of each Cooperative and the associated Cooperative members and purpose for each Cooperative.

<u>Cooperative Name</u>	<u>Other Cooperative Members</u>	<u>Year Founded</u>	<u>Cooperative Purpose</u>
Southwest Cooperative Corporation	Westfield Gas & Electric Light Department (WG&E)	2006	Financing, constructing and operating a natural gas pipeline to provide natural gas transportation service to WG&E
Massachusetts Municipal Light Department Wind Energy Cooperative Corporation	Templeton Municipal Light Department	2007	Financing, owning, constructing and operating wind generation facilities located in the town of Templeton
Berkshire Wind Power Cooperative Corporation	Sixteen municipal light departments	2008	Financing, owning, constructing and operating wind turbines and ancillary equipment located in Hancock and Lanesborough, Massachusetts
Massachusetts Municipal Light Department Solar Energy Cooperative Corporation	West Boylston Municipal Light Plant	2008	Financing, owning, constructing and operating a solar energy production facility in West Boylston, Massachusetts
Wakefield Municipal Cooperative Corporation	Wakefield Municipal Gas & Light Department	2012	Financing, constructing, purchasing, owning, leasing, maintaining and operating real and personal property located in Wakefield
Massachusetts Clean Energy Cooperative Corporation	Holyoke Gas & Electric Department (HG&E)	2013	Purchasing, acquiring, generating, transforming, distributing, selling, reselling, supplying and providing energy, telecommunications, or any related products or service and financing, owning, leasing or otherwise acquiring, holding, using and improving interests therein for the benefit of HG&E

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

14. RELATED PARTY TRANSACTIONS...continued

Pursuant to contracts, MMWEC provides accounting, financial, power supply and administrative services to all six of these cooperatives. As such, although MMWEC is a member of each cooperative and has one representative on the Board of each cooperative, MMWEC has no rights to the entities' assets nor has management oversight of the six cooperatives. Thus, the entities are not required to be reported as component units of MMWEC under rules established by GASB 61, *The Financial Reporting Entity*.

MMWEC billed a total of \$709,000 and \$658,000 for MMWEC services and outside professional services during 2023 and 2022, respectively, for all cooperatives. At December 31, 2023 and 2022, \$32,000 and \$45,000 was due to MMWEC from all cooperatives.

15. CONTRACTS AND COMMITMENTS

Letter of Credit

MMWEC maintained a letter of credit with a power counterparty in order to meet its collateral obligations under the bilateral agreement with the counterparty. The amount of the letter of credit was \$1.0 million as of December 31, 2022. The letter of credit expired September 30, 2023.

Long-Term Contracts – Cooperatives

MMWEC has contracts with each Cooperative described in Note 14 – Related Party Transactions, whereby MMWEC is to serve as the Cooperative's agent in the sale of power, transportation or lease to the municipal utility systems. The sale agreements between MMWEC and the Cooperatives are offset in each case by a purchase agreement between the Cooperative and the municipal utility systems, the revenues and expenses associated with these agreements are not included in the accompanying Statements of Revenues, Expenses and Changes in Net Position and are disclosed in the following table.

<u>Contract</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Transportation Agreement between MMWEC and the Southwest Cooperative Corporation	\$ 540	\$ 540
Power Sales Agreement between MMWEC and the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation	206	235
Power Sales Agreement between MMWEC and the Berkshire Wind Power Cooperative Corporation	8,485	7,355
Lease Agreement between MMWEC and the Wakefield Municipal Cooperative Corporation	132	182
Power Sales Agreement between MMWEC and the Massachusetts Clean Energy Cooperative Corporation	3,145	2,321
Total	<u>\$ 12,508</u>	<u>\$ 10,633</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

15. CONTRACTS AND COMMITMENTS...continued

Long-Term Contracts – Power Purchases

MMWEC entered into agreements for participation in the transmission interconnection between New England utilities and the Hydro-Quebec electric system near Sherbrooke, Quebec (Phase I), which began commercial operation in October 1986. The New England portion of the interconnection was constructed at a total cost of approximately \$140.0 million, of which 3.65% (or initially \$5.0 million) was MMWEC's share to support Phase I. In 1990, MMWEC's participation share in Phase I changed to 3.45%. MMWEC also entered into similar agreements for participation in the interconnection between New England utilities and the Hydro-Quebec electric system. This agreement is for the expansion of the Hydro-Quebec interconnection (Phase II), which went into commercial operation in November 1990. MMWEC's Phase II equity investment is approximately 0.6% (or initially \$3.3 million). MMWEC has corresponding agreements with certain of its Members and another utility to recover MMWEC's share of the costs associated with the Phase II interconnection. Beginning in 1995, capital refunds from Phase II have been received, reducing MMWEC's total equity investment. The equity balance of \$182,000 at December 31, 2023 and 2022, is included in other noncurrent charges on the Balance Sheet. The Phase I and Phase II participation agreements were renewed effective November 1, 2020. MMWEC's entitlement for Phase I and Phase II was increased to 3.47% and .65%, respectively, as of the renewal date.

On a limited basis, MMWEC may enter into agreements providing financial assurance to third parties. At December 31, 2023 and 2022, there were no outstanding guarantees related to its equity interest in the Hydro-Quebec transmission companies. Management believes that the likelihood MMWEC would be required to perform or otherwise incur any significant losses associated with this guarantee is remote.

In 2013, MMWEC entered into a twenty-year power purchase agreement with Clement Dam Hydroelectric LLC, Franklin Power LLC, Greggs Falls Hydroelectric Associates LP, Pembroke Hydro Associates LP and HDI Associates I Partnership for 100% of the output of five hydroelectric generating facilities in New Hampshire with a combined nominal rating at 11.53 MW, effective January 1, 2014. This resource has been subscribed to by thirteen Members. Power purchased under this contract totaled \$3.0 million and \$2.0 million for the years ended December 31, 2023 and 2022, respectively. Also in 2013, MMWEC entered into a twenty-five year power purchase agreement with Hancock Wind LLC for 73.5% of the output of a wind generating facility in Hancock County, Maine (Hancock Facility) with a nominal rating at 51 MW. This resource has been subscribed to by seventeen Members. The Hancock Facility began commercial operations on December 14, 2016. The total power purchased under this contract was \$4.3 million and \$4.1 million for the years ended December 31, 2023 and 2022, respectively.

In 2023, MMWEC entered into a twenty-two year carbon-free energy and emission-free energy certificate product supply agreement with NextEra Energy Marketing, LLC for the purchase of between 17 MW and 55.3 MW annually, beginning January 1, 2028. This contract was subscribed to by seventeen Members. During the same year, MMWEC also entered into two separate five-year power purchase agreements beginning January 1, 2024 with FirstLight Power Management, LLC for 31.3% of the output of a hydroelectric generating facility located in Connecticut with a nominal rating of 8.4 MW and 100% (50% in the first year) of the output of a hydroelectric generating facility located in Connecticut with a nominal rating of 28.4 MW. These contracts were subscribed to by fifteen Members.

Claims and Judgments

MMWEC is involved in various legal actions. Management believes that the ultimate resolution of litigation in which MMWEC is currently involved will not have a material, adverse effect on the financial position of MMWEC.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

16. RISK MANAGEMENT

MMWEC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. There were no settled claims in any of the past three years. There has been no material decrease in insurance coverage of MMWEC in the past year.

Nuclear Insurance

The Price-Anderson Act (the Act), a federal statute, mandates an industry-wide program of liability insurance for nuclear facilities. The \$375.0 million primary layer of insurance for the liability has been purchased in the commercial insurance market. Secondary coverage is to be provided through an assessment on each of the currently licensed nuclear units in the United States of approximately \$137.6 million, not to exceed \$20.5 million per incident in any year. The assessment is to be adjusted for inflation every five years. Under the Act, MMWEC's ownership interests in Millstone Unit 3 and Seabrook Station could result in a maximum assessment of approximately \$8.1 million and \$19.2 million, respectively, limited to payments of \$1.1 million and \$2.3 million per incident per year, respectively. Originally enacted in 1957, the Act has been renewed several times and in July 2005, Congress extended the Act until the end of 2025, as part of the Energy Policy Act of 2005.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover the cost of repair, replacement, decontamination, or premature decommissioning of utility property resulting from insured occurrences at Millstone Unit 3 and Seabrook Station. The NEIL insurance is subject to retroactive assessments if losses exceed the accumulated funds available to the insurer. MMWEC is potentially subject to a \$1.1 million and \$2.3 million assessment for its participation in Millstone Unit 3 and Seabrook Station, respectively, for excess property damage, decontamination, and premature decommissioning.

17. CONCENTRATION OF CREDIT RISK / SIGNIFICANT CUSTOMERS

Credit risk represents the risk of loss that would occur if customers do not meet their financial obligations to MMWEC. Concentration of credit risk occurs when significant customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

As of December 31, 2023, MMWEC had two municipal customers who were considered significant customers, which accounted for approximately \$45.8 million (17%) and \$41.7 million (15%) of MMWEC revenues in 2023. In 2022, MMWEC had two municipal customers who were considered significant customers, which accounted for approximately \$46.8 million (16%) and \$46.2 million (16%) of MMWEC revenues in 2022. As of December 31, 2023, two municipal customers had significant account receivable balances of \$5.2 million (21%) and \$3.5 million (14%). At December 31, 2022, two municipal customers had significant account receivable balances of \$3.4 million (18%) and \$1.9 million (10%).

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

18. ENVIRONMENTAL AND OTHER ISSUES

Nothing has come to management's attention concerning any material pollution liability claims made during 2023 and 2022 or outstanding as of December 31, 2023 and 2022.

MMWEC has established a trust fund to enhance its Directors' and Officers' liability coverage. The purpose of the trust fund is to make available funds for the purchase of Directors' and Officers' liability insurance and/or as a supplement to insurance for indemnification of the Directors or Officers. At December 31, 2023 and 2022, MMWEC has \$10.1 million and \$9.7 million, respectively, recorded in designated funds related to the trust fund with a corresponding liability in the same amount, representing advances from Members.

MMWEC has a guaranty with ISO New England, Inc. (ISO-NE) with respect to certain MMWEC Members' financial assurance obligations to ISO-NE. These Members do not have credit ratings and MMWEC provides financial assurances for their transactions in ISO-NE. MMWEC's financial assurance is backed by the NEPEX Account Agreement between MMWEC and each of these Members. Pursuant to the NEPEX Account Agreement, each Member has an absolute and unconditional obligation to pay MMWEC for its respective ISO-NE transactions. Management believes that the likelihood MMWEC would be required to perform or otherwise incur any significant losses associated with this guarantee is remote.

19. SEGMENT INFORMATION

MMWEC issues separate revenue bonds for each Project, which are payable solely from, and secured solely by, the revenues derived from the Project to which such bond issue relates, plus available funds pledged under the GBR for the bonds of such issues. Each Project operates various electric generation facilities, as shown in Note 13 – Project Joint Ownership Agreements. Following is a summary of the financial information for each Project with revenue bonds outstanding.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

19. SEGMENT INFORMATION...continued

CONDENSED BALANCE SHEET	Project 2015A		Project 2020A	
	2023	2022	2023	2022
	(In Thousands)			
Assets:				
Advances from projects	\$ (69)	\$ (103)	\$ (21)	\$ (4)
Other current assets	5,005	7,308	2,571	4,031
Noncurrent assets	14,050	18,348	121	-
Capital assets, net	72,827	64,810	13,501	11,831
Deferred outflows of resources:	-	-	-	-
Total assets and deferred outflows of resources:	<u>91,813</u>	<u>90,363</u>	<u>16,172</u>	<u>15,858</u>
Liabilities:				
Current liabilities	3,605	10,306	736	15,962
Noncurrent liabilities	89,361	82,509	16,984	-
Deferred inflows of resources:	(1,153)	(2,452)	(1,548)	(104)
Total liabilities and deferred inflows of resources:	<u>91,813</u>	<u>90,363</u>	<u>16,172</u>	<u>15,858</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	\$ 1,855	\$ -	\$ -	\$ -
Depreciation	-	-	-	-
Other operating expenses	(191)	258	12	6
Operating loss	<u>2,046</u>	<u>258</u>	<u>(12)</u>	<u>(6)</u>
Non-operating revenues (expenses):				
Investment income (loss)	867	250	91	13
Interest expense on long-term debt	(2,532)	(2,532)	(1,020)	(90)
Other nonoperating expenses	918	918	(503)	-
Decrease in amounts payable under terms of the power sales agreements	(1,299)	1,622	1,444	83
Total non-operating revenues	<u>(2,046)</u>	<u>258</u>	<u>12</u>	<u>6</u>
Change in net position	-	-	-	-
Net position, beginning of year	-	-	-	-
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided by (used in):				
Operating activities	\$ 2,778	\$ (437)	\$ 409	\$ (13)
Investing activities	1,077	8,267	91	13
Capital and related financing activities	(10,443)	(34,738)	(1,955)	1,322
Net change in cash and cash equivalents	(6,588)	(26,908)	(1,455)	1,322
Cash and cash equivalents, beginning of year	23,496	50,404	4,031	2,709
Cash and cash equivalents, end of year	<u>\$ 16,908</u>	<u>\$ 23,496</u>	<u>\$ 2,576</u>	<u>\$ 4,031</u>

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

20. SUBSEQUENT EVENTS

On January 12, 2024, MMWEC issued a short-term note in the amount of \$5,000,000 for the purposes of purchasing fuel for Project 2015A. The note bears interest at 5.99%, which is due monthly and all unpaid principal is due upon the maturity date of January 10, 2025. MMWEC has evaluated other subsequent events through March 29, 2024, the date which the financial statements were available to be issued, and did not note any additional subsequent events requiring recording or disclosure in the financial statements for the year ended December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Massachusetts Municipal Wholesale Electric Company

Required Supplementary Information (Unaudited)
Years Ended December 31, 2023 and 2022

The following schedules present Administration Plan multiyear trend information that demonstrates the components of change in the net pension (asset) liability from year-to-year, as well as trends in related statistical information. Information is present related to all periods for which the required data is available. Amounts presented are determined as of the measurement date of the net pension liability for the following years ended December 31:

	2023	2022	2021	2020	Administrative Plan 2019						2014
					(In Thousands)						
Total pension liability											
Service cost	\$ 90	\$ 97	\$ 98	\$ 117	\$ 124	\$ 130	\$ 155	\$ 139	\$ 191	\$ 210	
Interest cost	695	1,052	1,197	1,319	1,251	1,271	1,433	1,401	1,353	1,156	
Difference between expected and actual experience	1,815	599	598	(31)	991	1,037	602	(391)	748	26	
Changes of assumptions	(101)	(353)	242	40	190	(31)	(73)	1,395	(200)	1,789	
Changes in benefit terms	245	-	-	-	-	426	-	-	-	-	
Benefit payments	(595)	(7,031)	(4,416)	(2,827)	(1,558)	(3,347)	(4,078)	(1,789)	(1,275)	(313)	
Net change in total pension liability	2,149	(5,636)	(2,281)	(1,382)	998	(514)	(1,961)	755	817	2,868	
Total pension liability, beginning of period	10,221	15,857	18,138	19,520	18,522	19,036	20,997	20,242	19,425	16,556	
Total pension liability, end of period	12,370	10,221	15,857	18,138	19,520	18,522	19,036	20,997	20,242	19,424	
Plan fiduciary net position											
Employer contributions	\$ 119	\$ 125	\$ 125	\$ 245	\$ 500	\$ 275	\$ 361	\$ 174	\$ 480	\$ 877	
Net investment income	2,569	(3,227)	3,907	4,951	5,590	(709)	3,807	1,303	314	1,593	
Benefit payments	(595)	(7,031)	(4,416)	(2,827)	(1,558)	(3,347)	(4,078)	(1,789)	(1,275)	(313)	
Corrective Distributions	-	-	(72)	-	-	-	-	-	-	-	
Administrative expenses	(36)	(42)	(33)	(10)	(10)	(11)	(16)	(19)	(16)	(16)	
Net change in fiduciary net position	2,057	(10,175)	(489)	2,359	4,522	(3,792)	74	(331)	(497)	2,141	
Fiduciary net position, beginning of year	16,487	26,662	27,151	24,792	20,270	24,062	23,988	24,319	24,816	22,675	
Fiduciary net position, end of year	18,544	16,487	26,662	27,151	24,792	20,270	24,062	23,988	24,319	24,816	
Net pension (asset) liability, end of period	\$ (6,174)	\$ (6,266)	\$ (10,805)	\$ (9,013)	\$ (5,272)	\$ (1,748)	\$ (5,026)	\$ (2,991)	\$ (4,077)	\$ (5,392)	
Plan fiduciary net position as a percentage of the total pension liability	149.91%	161.31%	168.13%	149.69%	127.01%	109.44%	126.40%	114.25%	120.14%	127.76%	
Covered -employee payroll	\$ 1,199	\$ 1,379	\$ 1,889	\$ 2,046	\$ 1,874	\$ 2,060	\$ 2,354	\$ 2,371	\$ 2,785	\$ 3,104	
Net pension (asset) liability as a percentage of covered -employee payroll	(515.05%)	(454.46%)	(571.85%)	(440.43%)	(281.35%)	(84.86%)	(213.48%)	(126.19%)	(146.30%)	(173.60%)	
Annual money-weighted rate of return	15.79%	(15.67%)	15.62%	21.04%	29.11%	(3.05%)	17.09%	5.73%	1.28%	6.93%	

Massachusetts Municipal Wholesale Electric Company

Required Supplementary Information (Unaudited)
Years Ended December 31, 2023 and 2022

The following schedules present Union Plan multiyear trend information that demonstrates the components of change in the net pension (asset) liability from year-to-year, as well as trends in related statistical information. Information is present related to all periods for which the required data is available. Amounts presented are determined as of the measurement date of the net pension liability for the following years ended December 31:

	2023	2022	2021	2020	Union Plan 2019 (In Thousands)	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 7	\$ 7	\$ 41	\$ 72	\$ 79	\$ 96	\$ 109	\$ 89	\$ 106	\$ 106
Interest cost	110	113	173	317	335	312	299	327	340	338
Difference between expected and actual experience	206	394	696	(19)	(188)	(142)	(128)	(764)	709	226
Changes of assumptions	(69)	(25)	102	(900)	271	200	(15)	1,238	(52)	191
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Benefit payments	(62)	(521)	(1,870)	(1,560)	(623)	(46)	(46)	(1,302)	(1,281)	(856)
Net change in total pension liability	192	(32)	(858)	(2,090)	(126)	420	219	(412)	(178)	5
Total pension liability, beginning of period	1,784	1,816	2,674	4,764	4,890	4,470	4,251	4,663	4,841	4,836
Total pension liability, end of period	1,976	1,784	1,816	2,674	4,764	4,890	4,470	4,251	4,663	4,841
Plan fiduciary net position										
Employer contributions	\$ 125	\$ 250	\$ 250	\$ 250	\$ 250	\$ 119	\$ 657	\$ 197	\$ 118	\$ 255
Net investment income	300	(320)	519	864	1,008	(106)	626	194	104	416
Benefit payments	(62)	(520)	(1,870)	(1,560)	(623)	(46)	(45)	(1,302)	(1,281)	(856)
Corrective Distributions	-	-	(763)	-	-	-	-	-	-	-
Administrative expenses	(5)	(6)	(11)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Net change in fiduciary net position	358	(596)	(1,875)	(456)	625	(43)	1,228	(921)	(1,069)	(195)
Fiduciary net position, beginning of year	2,295	2,891	4,766	5,222	4,597	4,640	3,412	4,333	5,402	5,597
Fiduciary net position, end of year	2,653	2,295	2,891	4,766	5,222	4,597	4,640	3,412	4,333	5,402
Net pension (asset) liability, end of period	\$ (677)	\$ (511)	\$ (1,075)	\$ (2,092)	\$ (458)	\$ 293	\$ (170)	\$ 839	\$ 330	\$ (561)
Plan fiduciary net position as a percentage of the total pension liability	134.23%	128.56%	159.11%	178.22%	109.61%	94.02	103.81%	80.27%	92.91%	111.59%
Covered -employee payroll	\$ 178	\$ 174	\$ 453	\$ 622	\$ 609	\$ 776	\$ 903	\$ 1,067	\$ 1,232	\$ 1,210
Net pension (asset) liability as a percentage of covered -employee payroll	(379.62%)	(293.24%)	(237.06%)	(336.11%)	(75.24%)	37.69%	(18.86%)	78.59%	26.83%	(46.38%)
Annual money-weighted rate of return	12.68%	(11.83%)	17.51%	17.58%	23.75%	(2.24%)	17.46%	5.61%	2.21%	7.77%

Massachusetts Municipal Wholesale Electric Company

Required Supplementary Information (Unaudited)
Years Ended December 31, 2023 and 2022

The following schedules present multiyear trend information regarding employer contributions to the Plans. Information is presented related to all periods for which the required data is available. The amounts presented are determined as of the years ended December 31:

Administration Plan					
Year	Actuarial Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
			(In Thousands)		
2023	\$ 10	\$ 119	\$ (109)	\$ 1,199	9.91%
2022	6	125	(119)	1,379	9.06%
2021	3	125	(122)	1,889	6.62%
2020	23	245	(222)	2,046	11.99%
2019	485	500	(15)	1,874	26.68%
2018	56	275	(219)	2,060	13.35%
2017	435	361	74	2,354	15.31%
2016	334	174	159	2,371	7.35%
2015	1	480	(479)	2,785	17.24%
2014	48	877	(829)	3,104	28.25%

Union Plan					
Year	Actuarial Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
			(In Thousands)		
2023	\$ -	\$ 125	\$ (125)	\$ 178	70.10%
2022	-	250	(250)	174	143.75%
2021	-	250	(250)	453	55.18%
2020	29	250	(221)	622	40.16%
2019	132	250	(118)	609	41.07%
2018	110	119	(9)	776	15.33%
2017	233	658	(425)	903	72.78%
2016	175	197	(22)	1,067	18.48%
2015	123	118	5	1,232	9.57%
2014	65	255	(190)	1,210	21.10%

Massachusetts Municipal Wholesale Electric Company

Required Supplementary Information (Unaudited)
Years Ended December 31, 2023 and 2022

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	<u>Administration Plan</u>	<u>Union Plan</u>
Valuation date	1/1/2023	1/1/2023
Actuarial cost method	Entry Age Normal with Frozen Initial Liability	Entry Age Normal with Frozen Initial Liability
Amortization method	Level dollar open	Level dollar open
Remaining amortization period	30 years	30 years
Asset valuation method	Fair Market Value	Fair Market Value
Actuarial assumptions		
Investment rate of return	7.0%	7.0%
Projected salary increases	3.0%	3.0%
Cost-of-living adjustments	N/A	N/A
Mortality - Years-ending December 31:		
2023, 2022, 2021	Pri-2012 White Collar with Scale MP-2021 Generational Improvements (Male/Female)	Pri-2012 Blue Collar with Scale MP-2021 Generational Improvements (Male/Female)
2020	Pri-2012 White Collar with Scale MP-2020 Generational Improvements (Male/Female)	Pri-2012 Blue Collar with Scale MP-2020 Generational Improvements (Male/Female)
2019, 2018	RP-2014 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2018 generational improvements from 2006	RP-2014 Blue Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2018 generational improvements from 2006
2017	RP-2014 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2017 generational improvements from 2006	RP-2014 Blue Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2017 generational improvements from 2006

Additional information as of the latest valuation continued:

	<u>Administration Plan</u>	<u>Union Plan</u>
Mortality - Years-ending December 31:		

Massachusetts Municipal Wholesale Electric Company

Required Supplementary Information (Unaudited)
Years Ended December 31, 2023 and 2022

2016	RP-2014 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2016 generational improvements from 2006	RP-2014 Blue Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2016 generational improvements from 2006
2015	RP-2014 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2015 generational improvements from 2006	RP-2014 Blue Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2015 generational improvements from 2006
2014	RP-2014 White Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2014 generational improvements from 2006	RP-2014 Blue Collar Employee Annuitant Table for Males or Females, as appropriate, projected using Scale MP-2014 generational improvements from 2006

There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms that significantly affected trends from year to year in the amounts reported in the required supplementary information above.

SUPPLEMENTARY INFORMATION

Massachusetts Municipal Wholesale Electric Company

Project Balance Sheet
December 31, 2023
(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJ. 6	PEAKING	INTERMEDIATE	Project 2015A	Project 2020A	TOTAL
ASSETS											
Current assets:											
Cash and temporary investments	\$ 8,866	\$ 519	\$ 798	\$ 594	\$ 361	\$ 38	\$ 169	\$ 3,437	\$ 407	\$ -	\$ 15,189
Accounts receivable	17,054	558	905	2,507	641	3,518	571	2,016	377	116	28,263
Unbilled revenues	21,597	-	-	-	-	-	-	-	-	-	21,597
Inventories	-	120	-	3,206	812	4,441	5,865	18,141	-	-	32,585
Advances to (from) projects	406	(8)	(12)	(8)	(4)	(11)	(11)	(262)	(69)	(21)	-
Prepaid expenses	685	159	303	179	45	247	43	140	3	-	1,804
Current portion of restricted special funds	45,885	-	-	-	-	-	-	-	4,169	2,455	52,509
Interest receivable retracted special funds	340	-	-	-	-	-	-	-	49	-	389
Current portion of designated funds	1,227	-	-	-	-	-	-	-	-	-	1,227
Total current assets	96,060	1,348	1,994	6,478	1,855	8,233	6,637	23,472	4,936	2,550	153,563
Noncurrent assets:											
Restricted assets:											
Noncurrent portion of restricted special funds	2,064	-	-	-	-	-	-	-	14,050	121	16,235
Nuclear decommissioning trust	-	26,191	49,523	39,259	9,937	54,373	-	-	-	-	179,283
Net pension asset	6,174	-	-	-	-	-	-	677	-	-	6,851
Noncurrent charges:											
Designated funds	9,694	7,714	11,675	20,423	5,441	28,642	6,971	51,398	-	-	141,958
Designated funds interest receivable	136	96	139	222	54	328	92	631	-	-	1,698
Other noncurrent charges	182	2,685	5,047	4,074	1,030	5,643	108	2,119	-	-	20,888
Total noncurrent assets	18,250	36,686	66,384	63,978	16,462	88,986	7,171	54,825	14,050	121	366,913
Capital assets:											
In service	8,633	72,001	150,326	304,810	82,474	564,262	61,930	183,124	-	-	1,427,560
Accumulated depreciation	(7,601)	(46,643)	(101,581)	(181,498)	(49,632)	(349,979)	(58,015)	(166,801)	-	-	(961,750)
Construction work in progress	68	2,906	5,603	2,549	645	3,530	1,178	382	72,827	13,501	103,189
Nuclear fuel, net of amortization	-	2,668	4,924	5,270	1,334	7,299	-	-	-	-	21,495
Total capital assets	1,100	30,932	59,272	131,131	34,821	225,112	5,093	16,705	72,827	13,501	590,494
DEFERRED OUTFLOWS OF RESOURCES											
Deferred loss on pension asset	1,575	-	-	-	-	-	-	71	-	-	1,646
Deferred asset retirement obligation	-	6,980	12,090	24,374	6,169	33,757	-	-	-	-	83,370
Total deferred outflows of resources	1,575	6,980	12,090	24,374	6,169	33,757	-	71	-	-	85,016
Total assets and deferred outflows of resources	\$ 116,985	\$ 75,946	\$ 139,740	\$ 225,961	\$ 59,307	\$ 356,088	\$ 18,901	\$ 95,073	\$ 91,813	\$ 16,172	\$ 1,195,986
LIABILITIES											
Current liabilities:											
Accounts payable	\$ 1,932	\$ 432	\$ 610	\$ 3,355	\$ 850	\$ 4,646	\$ 445	\$ 318	\$ 241	\$ 418	\$ 13,247
Member and Participant advances	31,383	7,208	12,302	17,558	4,698	21,912	2,109	15,850	785	316	114,121
Short-term debt	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses	22,990	106	167	608	154	841	283	1,276	148	2	26,575
Current liabilities payable from restricted assets:											
Accrued interest payable	-	-	-	-	-	-	-	-	1,266	-	1,266
Current maturities of long-term debt	-	-	-	-	-	-	-	-	1,165	-	1,165
Total current liabilities	56,305	7,746	13,079	21,521	5,702	27,399	2,837	17,444	3,605	736	156,374
Noncurrent liabilities:											
Long-term debt	-	-	-	-	-	-	-	-	70,426	16,738	87,164
Asset retirement obligations	-	15,321	26,730	50,963	12,900	70,582	-	-	-	-	176,496
Long-term member and participant advances, net of current maturities	53,320	4	-	108	27	150	2,667	48,979	18,935	246	124,436
Total noncurrent liabilities	53,320	15,325	26,730	51,071	12,927	70,732	2,667	48,979	89,361	16,984	388,096
DEFERRED INFLOWS OF RESOURCES											
Pension regulatory credit	6,863	-	-	-	-	-	-	568	-	-	7,431
Amounts payable under terms of the power sales agreements	367	52,875	99,931	153,369	40,678	257,957	13,397	28,061	(1,153)	(1,548)	643,934
Deferred gain on pension asset	130	-	-	-	-	-	-	21	-	-	151
Total deferred inflows of resources	7,360	52,875	99,931	153,369	40,678	257,957	13,397	28,650	(1,153)	(1,548)	651,516
Total liabilities and deferred inflows of resources	\$ 116,985	\$ 75,946	\$ 139,740	\$ 225,961	\$ 59,307	\$ 356,088	\$ 18,901	\$ 95,073	\$ 91,813	\$ 16,172	\$ 1,195,986

Massachusetts Municipal Wholesale Electric Company

Project Statement of Cash Flows

Year Ended December 31, 2023

(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6	PEAKING	INTERMEDIATE	Project 2015A	Project 2020A	TOTAL
Cash flows from operating activities:											
Received from sales to members and participants	\$ 193,950	\$ 6,309	\$ 11,572	\$ 12,626	\$ 3,268	\$ 17,503	\$ 6,132	\$ 19,417	\$ 2,263	\$ -	\$ 273,040
Paid to suppliers for goods and services	(198,719)	(4,639)	(8,710)	(6,556)	(1,686)	(14,043)	(9,685)	(14,808)	515	409	(257,922)
Paid to employees	(5,536)	-	-	-	-	-	(1,371)	(4,665)	-	-	(11,572)
Net cash provided by (used in) operating activities	(10,305)	1,670	2,862	6,070	1,582	3,460	(4,924)	(56)	2,778	409	3,546
Cash flows from investing activities:											
Purchases of investments	(101,952)	(6,243)	(14,512)	(13,252)	(4,107)	(19,191)	(7,694)	(44,223)	(98,037)	(28,694)	(337,905)
Proceeds from sales and maturities of investments	92,747	6,434	14,492	12,352	3,502	16,361	12,772	38,763	98,261	28,694	324,378
Interest received	2,009	465	788	818	214	1,140	475	2,363	853	91	9,216
Net cash provided by (used in) investing activities	(7,196)	656	768	(82)	(391)	(1,690)	5,553	(3,097)	1,077	91	(4,311)
Cash flows from capital and related financing activities:											
Construction expenditures and purchases of nuclear fuel	(102)	(2,868)	(5,343)	(5,003)	(1,266)	(1,951)	(1,160)	(303)	(7,911)	(1,670)	(27,577)
Gain on sale of assets	-	-	-	-	-	-	1	4	-	-	5
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	16,738	16,738
Interest payments on long-term debt	(96)	-	-	-	-	-	-	-	(2,532)	(1,020)	(3,648)
Payments on short-term debt	-	-	-	-	-	-	-	-	-	(15,500)	(15,500)
Bond financing issuance expenditures	-	-	-	-	-	-	-	-	-	(503)	(503)
Net cash provided by (used in) capital and related financing activities	(198)	(2,868)	(5,343)	(5,003)	(1,266)	(1,951)	(1,159)	(299)	(10,443)	(1,955)	(30,485)
Cash flows from noncapital financing activities:											
Interest payments on short-term debt	-	-	-	-	-	-	(10)	(20)	-	-	(30)
Net cash provided by (used in) noncapital financing activities	-	-	-	-	-	-	(10)	(20)	-	-	(30)
Net change in cash and cash equivalents	(17,699)	(542)	(1,713)	985	(75)	(181)	(540)	(3,472)	(6,588)	(1,455)	(31,280)
Cash and cash equivalents, beginning of year	44,142	1,561	2,511	1,344	931	1,953	1,701	10,896	23,496	4,031	92,566
Cash and cash equivalents, end of year	\$ 26,443	\$ 1,019	\$ 798	\$ 2,329	\$ 856	\$ 1,772	\$ 1,161	\$ 7,424	\$ 16,908	\$ 2,576	\$ 61,286
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:											
Operating income (loss)	\$ (1,342)	\$ (1,110)	(2,117)	\$ (2,592)	\$ (727)	\$ (5,271)	\$ (89)	\$ (2,656)	\$ 2,046	\$ (12)	\$ (13,870)
Noncash items included in operating income:											
Depreciation	189	1,394	2,690	5,651	1,492	9,483	246	1,275	-	-	22,420
Amortization of nuclear fuel and accretion of ARO	-	1,770	3,669	(1,851)	(468)	(7,541)	-	-	-	-	(4,421)
Changes in assets, liabilities and deferred outflows and inflows:											
(Increase) decrease in:											
Accounts receivable	(4,400)	55	133	(134)	(34)	(226)	(195)	(970)	(377)	(116)	(6,264)
Unbilled revenues	4,649	-	-	-	-	-	-	-	-	-	4,649
Inventories	-	(11)	-	(306)	(78)	(425)	(2,926)	(4,347)	-	-	(8,093)
Prepaid expenses	(92)	(21)	(39)	(19)	(5)	(26)	(5)	(14)	180	-	(41)
Net pension asset	93	-	-	-	-	-	-	(167)	-	-	(74)
Other deferred charges	-	(181)	(317)	(605)	(153)	(838)	(168)	(1,765)	-	-	(4,027)
Increase (decrease) in:											
Accounts payable	96	40	(54)	1,793	454	2,482	(2,042)	(2,865)	-	402	306
Member and participant advances	(4,302)	(198)	(668)	121	85	266	69	10,191	785	133	6,482
Accrued expenses	(5,104)	58	116	5	1	6	186	1,095	144	2	(3,491)
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-
Pension regulatory liability	416	-	-	-	-	-	-	155	-	-	571
Changes in deferred outflows of resources	(426)	(126)	(551)	4,007	1,015	5,550	-	42	-	-	9,511
Changes in deferred inflows or resources	(82)	-	-	-	-	-	-	(30)	-	-	(112)
Net cash provided by (used in) operating activities	\$ (10,305)	\$ 1,670	\$ 2,862	\$ 6,070	\$ 1,582	\$ 3,460	\$ (4,924)	\$ (56)	\$ 2,778	\$ 409	\$ 3,546
Reconciliation of cash and cash equivalents to the statement of net position:											
Cash and temporary investments	\$ 8,866	\$ 519	\$ 798	\$ 594	\$ 361	\$ 38	\$ 169	\$ 3,437	\$ 407	\$ -	\$ 15,189
Restricted and designated funds - noncurrent	58,870	7,714	11,675	20,423	5,441	28,642	6,971	51,398	18,219	2,576	211,929
Total cash and investments	67,736	8,233	12,473	21,017	5,802	28,680	7,140	54,835	18,626	2,576	227,118
Less - long-term investments	(41,293)	(7,214)	(11,675)	(18,688)	(4,946)	(26,908)	(5,979)	(47,411)	(1,718)	-	(165,832)
Total cash and cash equivalents	\$ 26,443	\$ 1,019	\$ 798	\$ 2,329	\$ 856	\$ 1,772	\$ 1,161	\$ 7,424	\$ 16,908	\$ 2,576	\$ 61,286

Massachusetts Municipal Wholesale Electric Company

Combining Fiduciary Financial Statements

December 31, 2023 and 2022

(In Thousands)

STATEMENTS OF FIDUCIARY NET POSITION

	Administrative Plan		Union Plan		Total Fiduciary Funds	
	2023	2022	2023	2022	2023	2022
ASSETS						
Investments at fair value:						
Mutual funds	\$ 8,641	\$ 10,891	\$ 1,173	\$ 1,154	\$ 9,814	\$ 12,045
Money market funds	142	599	84	254	226	853
Guaranteed income funds	9,762	4,998	1,397	888	11,159	5,886
Total investments	<u>18,545</u>	<u>16,488</u>	<u>2,654</u>	<u>2,296</u>	<u>21,199</u>	<u>18,784</u>
Net position available for pension benefits	<u>\$ 18,545</u>	<u>\$ 16,488</u>	<u>\$ 2,654</u>	<u>\$ 2,296</u>	<u>\$ 21,199</u>	<u>\$ 18,784</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Administrative Plan		Union Plan		Total Fiduciary Funds	
	2023	2022	2023	2022	2023	2022
ADDITIONS						
Employer contributions	\$ 119	\$ 125	\$ 125	\$ 250	\$ 244	\$ 375
Investment activity:						
Interest and dividends	496	372	78	50	574	422
Net appreciation (depreciation) in fair value of investments	2,073	(3,599)	222	(368)	2,295	(3,967)
Total investment activity	<u>2,569</u>	<u>(3,227)</u>	<u>300</u>	<u>(318)</u>	<u>2,869</u>	<u>(3,545)</u>
Total additions	<u>2,688</u>	<u>(3,102)</u>	<u>425</u>	<u>(68)</u>	<u>3,113</u>	<u>(3,170)</u>
DEDUCTIONS						
Benefits paid directly to participants	595	7,030	62	521	657	7,551
Administrative expenses	36	42	5	6	41	48
Total deductions	<u>631</u>	<u>7,072</u>	<u>67</u>	<u>527</u>	<u>698</u>	<u>7,599</u>
Net decrease in net position	2,057	(10,174)	358	(595)	2,415	(10,769)
Net position available for pension benefits, beginning of year	<u>16,488</u>	<u>26,662</u>	<u>2,296</u>	<u>2,891</u>	<u>18,784</u>	<u>29,553</u>
Net position available for pension benefits, end of year	<u>\$ 18,545</u>	<u>\$ 16,488</u>	<u>\$ 2,654</u>	<u>\$ 2,296</u>	<u>\$ 21,199</u>	<u>\$ 18,784</u>