July 3, 2014

VIA Email and US Mail

Ms. Heather Hunt
Executive Director
New England States Committee on Electricity (NESCOE)
655 Longmeadow Street
Longmeadow, MA 01106
regionalinfrastructure@nescoe.com

RE: A Consumer Model for Natural Gas Infrastructure Development

Dear Ms. Hunt,

I am writing in response to the June 11, 2014 NESCOE "Request For Further Information On Capacity Management, Other Concepts And Expressions Of Interest In Acting As A Counterparty". In this response, the Massachusetts Municipal Wholesale Electric Company (MMWEC) will clarify and expand upon its proposed *Consumer Model for Natural Gas Infrastructure Development* in New England (the Consumer Model), as presented in MMWEC's May 15, 2014 letter proposal to NESCOE.

In its current request for information, NESCOE refers to the Consumer Model as "a variation of the IGER" proposal, which is based upon a proposal submitted by the investor-owned electric distribution companies (EDCs). This is an accurate characterization of the proposed Consumer Model, which includes the following key variations from the IGER proposal:

- It delivers the highest possible value to electric consumers, avoiding billions of dollars of costs that would be incurred under the IGER proposal;
- It simplifies and streamlines the business model for implementing the governors' plan, eliminating the need for a "contract entity" to own pipeline capacity;
- It eliminates the high level of concern over actual or apparent conflicts of interest associated with the IGER proposal, as MMWEC is subject to public records and open meetings laws that ensure transparency and accountability; and
- It enhances the potential for public and regulatory approval of the governors' plan by ensuring that the plan is implemented at the lowest cost possible to consumers.

These "variations" are made possible by the core element of the Consumer Model, which calls for non-profit, public ownership and financing of natural gas pipeline capacity built with the financial backing of an electric tariff charge on New England consumers. We understand that the Consumer Model breaks new ground in terms of pipeline ownership, capacity ownership and pipeline financing, but the Consumer Model appropriately follows the Governors' plan in breaking new ground to finance

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natural gas infrastructure. We believe strongly that such innovation is necessary to address the growing electric reliability issues and economic disparities caused by insufficient natural gas pipeline capacity in New England. (Please reference the initial MMWEC proposal regarding our strong support for the Governors' plan.)

In addition to providing clarifying information about the Consumer Model, we endeavor to include information in the format outlined in NESCOE's "Request for Expression of Interest to Act as a Counterparty," although the need for such a counterparty is eliminated under the Consumer Model.

Why MMWEC?

MMWEC is the logical choice to implement the Consumer Model.

The idea of public ownership of new pipeline facilities surfaced during a meeting between NESCOE and the NEPOOL Public Power Sector. The discussion centered upon creation of a new, regional entity for this purpose, but the idea was summarily dismissed because the timeframe for creation of such an entity surpassed by far the timeframe for implementation of the Governors' plan.

The Consumer Model is being proposed by MMWEC because MMWEC has the existing statutory authority to own and finance energy facilities, including natural gas pipelines. MMWEC views the Consumer Model as the vehicle to deliver the highest possible value from the Governors' plan to electric consumers throughout New England.

Pipeline Ownership and Financing

The concept of public ownership and financing of energy facilities is not new and has been very successful and beneficial to consumers in other areas of the United States. It is a simple concept, reflecting the public power business model, which relies upon low-cost financing and non-profit operation to maximize consumer benefits.

Under MMWEC's Consumer Model, MMWEC would issue the debt required to finance construction of new pipeline facilities and would own the facilities upon completion. As explained in our initial proposal, MMWEC is a non-profit, public entity with A-level credit ratings. The avoided costs for consumers under this model will result in part from the interest cost of debt issued by a public entity being significantly less compared to the interest cost of debt issued by a for-profit entity.

The bulk of the avoided costs result from the foregone Return on Equity (ROE) allowance for pipeline investment. With the Federal Energy Regulatory Commission (FERC) allowing pipeline companies to earn a ROE or profit of up to 14% on their pipeline investments, consumers would make billions of dollars in ROE payments to pipeline companies under the IGER proposal.

With non-profit financing and ownership of pipeline facilities, the ROE or profit would be zero, with MMWEC seeking only to recover its costs of financing and owning the pipeline. Under the Consumer Model, there is no need for profits to pay stockholder dividends.

To illustrate this concept, if the cost of new pipeline facilities was $1.6 billion, the avoided costs for consumers under the Consumer Model versus the IGER model could reach $7 billion over an estimated 30-year life of the pipeline. This level of avoided costs could be high or low, depending on the outcome of the NESCOE process; but in other words, for every $1 billion of pipeline cost, the avoided costs under the Consumer Model could reach approximately $4.38 billion.

Tariff revenues, minus revenues derived from pipeline capacity sales, will be used to pay costs of ownership, which will encompass financing, debt service and administrative expenses, including such things as pipeline operation and maintenance, tariff administration and capacity management costs.

Ultimately, tariff revenue requirements will decrease when the related debt is retired, at which point pipeline capacity will be available on a lower-cost, non-profit basis.

Capacity Ownership

The Consumer Model contemplates public ownership of pipeline capacity as well, with a capacity manager that would contract with and be subject to the strict transparency and accountability requirements of a non-profit, public entity.

We understand this is contrary to unbundling reforms in the gas industry that prohibit the ownership of pipelines and associated capacity by the same company. However, the potential for anticompetitive behavior and conflicts of interest that prompted these reforms are not applicable to the Consumer Model, which by its nature removes motivation for profit and ensures full transparency and accountability. We note that a similar "restructuring" of the electric industry excluded public power entities from many reforms due to their non-profit operations and high level of public accountability.

As with other aspects of the Governors' plan and the Consumer Model, such an arrangement is acceptable due to the urgency and potential consumer benefits associated with this proposal. Such benefits include additional avoided costs for consumers due to streamlining of the business model and elimination of the need for the "Contract Entity" envisioned in the IGER model. This aspect of the Consumer Model also eliminates concerns regarding apparent or actual conflicts of interest under the IGER model.

Strategic Partnerships

The Consumer Model envisions strategic partnerships and agreements with gas pipeline companies and others within the natural gas industry, such as the capacity manager noted above. MMWEC is not interested in building, operating or maintaining the subject pipeline. Under the Consumer Model, such activities would be performed, under contract with MMWEC, by an existing pipeline company or companies, as decided via the NESCOE process.

The Governors' plan has set in motion a process involving NESCOE, ISO New England, the FERC and others that will determine what company builds how much pipeline and how the related capacity is managed. The Consumer Model accepts whatever comes of that process. Our interests and capabilities are in financing and ownership of the pipeline and its related capacity, which will deliver the highest possible value to consumers.

While the Consumer Model requires the company or companies that build and operate the pipeline to forgo a Return on Equity for the facilities financed with an electric tariff charge, there will be significant opportunities for income via construction, operation and maintenance of the pipeline.

In addition, while the Consumer Model works with any pipeline selected via the NESCOE process, MMWEC believes the pipeline route should minimize additional land taking and environmental impacts to enhance the potential for regulatory approval. This would favor pipeline development within an existing right of way, such as the looping of the existing 300 pipeline from Pennsylvania into Massachusetts.

In the balance of MMWEC's response, we will endeavor to provide additional information in the format required for responses to NESCOE's Request for Expression of Interest to Act as a Counterparty (REI).

Executive Summary

Qualification – MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts, empowered by statute to issue tax-exempt and taxable bonds and other forms of indebtedness to finance various energy facilities, including natural gas pipelines. MMWEC has issued more than $4.7 billion in bonds to finance and refinance such energy facilities.

Pipeline Capacity Manager – The Consumer Model initially contemplates the states selecting a capacity manager, who would contract with and be subject to the strict transparency and accountability requirements of a non-profit, public entity.

Remuneration - MMWEC services related to the Consumer Model will be provided on a non-profit basis, at MMWEC's cost, with no requirement for a Return on Equity (ROE) or profit, resulting in billions of dollars in avoided costs for consumers.

Regulatory Approval – The Consumer Model enhances the potential for public and regulatory approval of the Governors' plan for natural gas infrastructure development, as it delivers the highest possible value to electric consumers, versus the alternatives under consideration.

Benefits/Pre-Requisites – The Consumer Model produces significant benefits, including large avoided costs, minimal conflicts of interest, and greater accountability and transparency. Approval by the MMWEC Board of Directors is required. Massachusetts Department of Public Utilities approval of MMWEC bond issues also is required.

Pipeline Construction – The Consumer Model contemplates having an experienced pipeline construction company build the pipeline.

Ownership – The Consumer Model contemplates ownership of the pipeline and pipeline capacity by a non-profit, public entity.

Finance – The Consumer Model contemplates having a qualified non-profit entity with authority to issue tax-exempt and taxable bonds finance the pipeline at-cost with no return on equity required.

Liability – The Consumer Model contemplates that any and all liability associated with the construction, operation and maintenance of such pipeline be covered under the tariff.

Rate Payer (Consumer) Cost Recovery – The cost of insufficient pipeline capacity to New England consumers – measured only by higher electric rates - is estimated by NESCOE to be more than $2 billion during the 2013-14 winter alone. This gas deficiency surcharge, which will continue to increase absent new pipeline capacity, already has eclipsed the cost of the pipeline capacity needed to cure the deficiency. Due to the high and increasing cost of insufficient pipeline capacity, cost recovery will be seen almost immediately.

Pipeline Route – The pipeline route should minimize additional land taking and environmental impacts to enhance the potential for regulatory approval. This would favor pipeline development within an existing right of way, such as the looping of the existing 300 pipeline from Pennsylvania into Massachusetts.

Description of Entity

MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts, empowered by statute to issue tax-exempt revenue bonds to finance various energy facilities, including natural gas pipelines. MMWEC is a public power Joint Action Agency and provides a wide range of energy services to the state's consumer-owned, non-profit municipal electric utilities. In this capacity, since the late 1970s, MMWEC has issued more than $4.7 billion in both taxable and tax-exempt bonds to finance and refinance its 735-megawatt ownership in several New England electric generating facilities. MMWEC also constructed, owns, maintains and operates a portion of the natural gas pipeline serving its Stony Brook Energy Center.

MMWEC provides numerous wholesale power market services to its Member and Project Participant utilities, including interaction with ISO New England (ISO-NE) on many levels, from representation on ISO-NE committees and the scheduling of Member resources in the marketplace to reconciliation of its members' ISO-NE interchange bills.

Since its creation in 1969 and its establishment as a public corporation in 1976 via Chapter 775 of the Massachusetts Acts of 1975, MMWEC has been a successful champion of consumer interests in the development of New England's electricity marketplace, consistent with its mission of delivering competitively priced, reliable electricity to Massachusetts municipal utilities.

MMWEC is governed by a 12-member Board of Directors. Seven directors are managers or commissioners of Member municipal utilities elected to staggered, three-year terms by the membership. Two directors are appointed by the governor of Massachusetts. Three directors are appointed by the towns of Hampden, Ludlow and Wilbraham, respectively, to vote on matters affecting their respective towns.

The individual authorized to represent MMWEC in this process is Ronald C. DeCurzio, Chief Executive Officer, who can be reached by phone at (413) 308-1358 or by email at rdecurzio@mmwec.org.

We know of no complaints alleging misconduct or malfeasance or requesting an investigation filed against MMWEC at the FERC or any state agency in connection with the provision of any natural gas-related service.

Qualifications

MMWEC has a long history of strong credit quality, with current A+ ratings from Fitch Ratings; A+, A and A- ratings from Standard & Poor's and A3 ratings from Moody's. We are attaching MMWEC's most recent audited financial statements and a copy of MMWEC's most recent annual report to the email conveying this response. These documents also are available on MMWEC's public website at: http://www.mmwec.org/Who_We_Are.html

With respect to conducting business in a way that is transparent and accountable to government agencies and authorities, MMWEC is subject to public records and open meetings laws, bringing the highest possible level of transparency and accountability to its business operations.

Capacity Manager Selection and Controls

The Consumer Model initially contemplates the states selecting a capacity manager, based on an evaluation of responses, as noted in section I. C. of the REI. Here, NESCOE states that the capacity manager would administer the capacity utilization on behalf of New England's electric ratepayers and undertake associated duties in strict conformance with governing provisions that are expected to be reflected in a FERC-approved tariff.

Under the IGER model, the states may rely upon a Contract Entity to select a capacity manager. Since the Consumer Model does not include a Contract Entity, the Consumer Model would rely upon NESCOE's alternate suggestion that the states select a capacity manager, or upon a different capacity manager selection procedure, as may be identified during the NESCOE process.

Once selected, the capacity manager would contract with MMWEC to provide capacity management services in accord with tariff provisions and in a manner consistent with the transparency, reporting, disclosure and accountability requirements of a non-profit, public entity. This high level of transparency and accountability will prevent the capacity manager from self-dealing or the appearance of self-dealing.

Costs and Other Business Terms

MMWEC services related to the Consumer Model will be provided on a non-profit basis, at MMWEC's cost, with no requirement for a Return on Equity (ROE) or profit. As a result, the only remuneration MMWEC will seek to collect through the tariff will be its costs to provide the required services, minus the revenue derived from the sale of capacity.

Costs incurred by MMWEC under the Consumer Model will include financing, debt service and administrative expenses, including such things as pipeline operation and maintenance, tariff administration and capacity management costs. Proceeds of a debt issuance will be used to pay for pipeline construction.

Regulatory Review

The Consumer Model delivers the highest possible value to consumers, which will enhance the probability of favorable review by the FERC and any state regulatory agencies. It is difficult to envision favorable public or regulatory review if the benefits of the Consumer Model are not given full and fair consideration in this process.

Prerequisites or Impediments to Participation

The Consumer Model proposal remains subject to an ongoing due diligence process, including legal and regulatory review, as well as approval by the MMWEC Board of Directors. We continue to believe that the Consumer Model can be implemented within the NESCOE timeframe for pipeline development, assuming approval by FERC of the contemplated tariff changes.

Conflicts of Interest

The potential for a limited conflict of interest exists in relation to MMWEC's operation and principal ownership of the 527-megawatt, combined-cycle Stony Brook generating station located at MMWEC's Stony Brook Energy Center in Ludlow, Massachusetts. Such a conflict could exist within performance of the capacity management function. MMWEC believes this potential conflict can be fully addressed with contract terms requiring appropriate reporting and disclosure of transactions.

We look forward to further discussions with you regarding use of the Consumer Model in implementing the Governors' plan for natural gas pipeline development in New England.

Sincerely,

Ronald C. DeCurzio
Chief Executive Officer
Massachusetts Municipal Wholesale Electric Company (MMWEC)

PUBLIC **POWER** JOINT ACTION

2013 ANNUAL REPORT

MMWEC
MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
Public Energy Partners

The New England winter of 2013-14 was a harsh one, with the typical cold-weather challenges compounded by record high natural gas and electricity prices, driven once again by constraints in the supply of natural gas to the region. There were and continue to be electric system reliability issues, which are bringing major changes to the already complex rules governing wholesale power markets and power plant operations.

Fortunately, MMWEC's ownership in several power plants and its forward purchases of electricity provided a hedge against the higher prices for municipal utility consumers, who saved many millions of dollars due to their affiliations with MMWEC. In addition, as the region's power grid operators and regulators work to address reliability issues, MMWEC is at the table ensuring that municipal utility interests are recognized and addressed.

Paul Robbins, Chairman of the Board and Gubernatorial Appointee
Peter D. Dion, President
Ronald C. DeCurzio, Chief Executive Officer and Secretary

There are many local benefits to municipal utility ownership, including the ability of customers to walk into a Main Street office to speak with the utility manager or attend a meeting of utility officials.

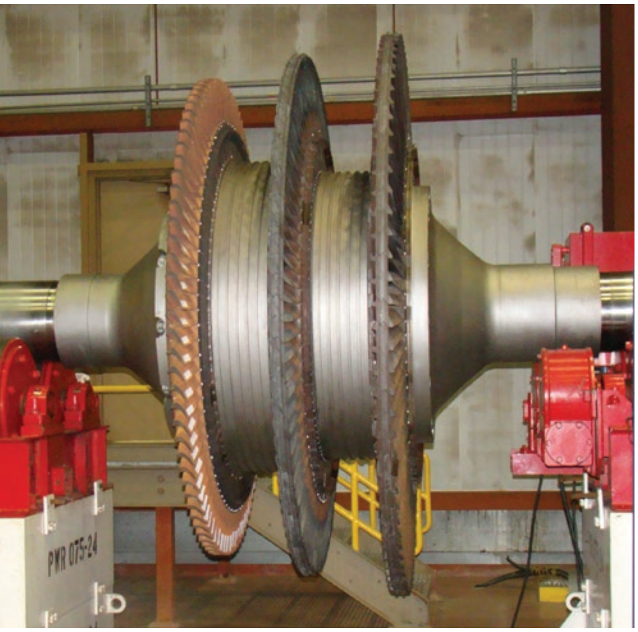
In order to retain these and other benefits of local ownership and control, it is essential for municipal utilities to be heard in the regional and national forums where utility industry rules are created and enforced. This is next to impossible for a single municipal utility, but joint action with other municipal utilities gives public power a larger voice that is heard far beyond Main Street.

MMWEC is the Joint Action Agency for Massachusetts municipal utilities, possessing unique statutory authority to plan, finance, construct and operate energy facilities on behalf of its member and project participant utilities. We manage our members' interactions with grid operator ISO New England (ISO-NE) and oversee our members' interests in state, regional and national energy issues.

In the past year, MMWEC's commitment to public power joint action has led to:

- Completion of a 5-year project to extend the rotor life and value of the 527-megawatt Stony Brook power plant to at least 2030. Such investment in MMWEC generating assets also extends the benefits of generation ownership for participating municipal utilities and their customers.
- More than $14 million in power cost savings for member utilities, resulting from forward power purchases to hedge against price volatility in wholesale power markets.
- New contracts for wind and hydroelectric resources that bring diversity and price stability to members' power portfolios.
- Creation of a Pooled Loan Program to assist member utilities with financing big-ticket, local facilities such as substations and operations centers.
- Increased participation in regional and national activities to protect municipal utility interests.
- Affirmation of MMWEC's A-level credit ratings by the three major credit rating agencies, reflecting sound financial planning and asset management.
- A higher level of involvement in North American Electric Reliability Corporation (NERC) activities to ensure electric system reliability and cyber security.
- Completion of a Financial Systems Redesign (FSR) Project and continuation of MMWEC's Strategic Information Technology Plan, which is replacing outdated information systems throughout the enterprise to improve the reliability and efficiency of MMWEC operations.

In managing these activities, MMWEC brings subject-matter expertise and economies of scale to the work required for municipal utilities to survive and thrive in an environment where change and challenges to the status quo are constant. This gives Massachusetts municipal utilities the collective strength to influence regional and national affairs without compromising the local, hometown benefits of public power.



The ongoing value of Stony Brook is evident in its selection by ISO New England to participate in the region's 2013-14 Winter Reliability Program, which involved incentive payments for generators to maintain oil inventories required to ensure electric system reliability if supplies of natural gas to New England fell short during the winter months.

STONY BROOK LIFE EXTENSION/GENERATION OWNERSHIP

A Stony Brook Intermediate Unit rotor replacement program that started in 2008 was completed during the unit's fall 2013 scheduled outage, extending the life of rotor assemblies in the three Intermediate Unit combustion turbines until at least 2030.

The Intermediate Unit began operating in November 1981, and by 2008 the turbine rotors were beginning to reach the manufacturer's limit on number of starts. Manufacturers have established life limits on turbine rotors that require their replacement at a prescribed number of operating hours or starts, whichever comes first.

MMWEC also completed the installation of new control systems for the Intermediate Unit's heat recovery steam generators in 2013. The new control systems replace the original controls, which were no longer supported by the manufacturer.

The ongoing value of Stony Brook is evident in its selection by ISO New England to participate in the region's 2013-14 Winter Reliability Program, which involved incentive payments for generators to maintain oil inventories required to ensure electric system reliability if supplies of natural gas to New England fell short during the winter months. As it turned out, Stony Brook operated frequently on oil due to the harsh winter and constraints on the supply of natural gas to the region.

Stony Brook received approximately $3.6 million for participating in the program, which roughly offset the program costs for customers of Stony Brook participant utilities, reflecting the benefits of generation ownership.

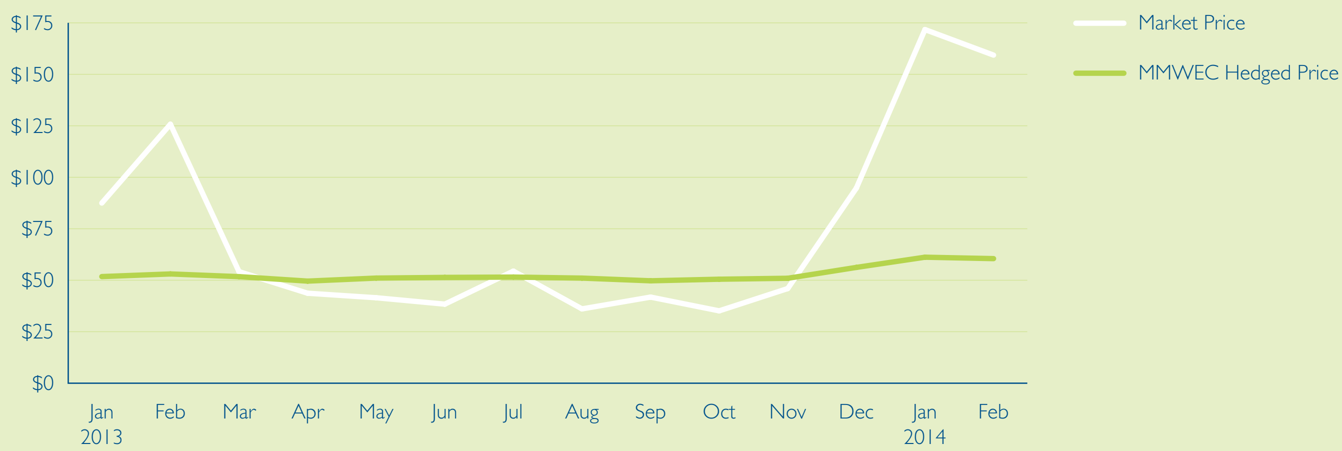
Similarly, Stony Brook's participation in ISO-NE's locational forward reserve markets is generating additional revenue for Stony Brook participants, offsetting the higher regional costs of providing forward reserve capacity.

All told, MMWEC owns approximately 735 megawatts of electric generating capacity in New England. The MMWEC-owned resources are a valuable hedge against market volatility and earn revenue in the energy, reserve and capacity markets, bringing greater balance and price stability to municipal utility participation in wholesale power markets.

MMWEC staff and contractors align the turbine rotor in Intermediate Unit 1A as part of a life extension program for the Stony Brook power plant.

Standing, left to right, are **Alan R. Menard**, Director of Business Support and Administrative Services and Assistant Treasurer; **Michael J. Lynch,** Director of Market Management and Planning; **Edward Kaczenski,** Director of Engineering and Generation Assets; and **Matthew J. Ide,** Director of Treasury and Commodities. *Seated are* **David Tuohey,** Director of Communications and External Affairs; and **Carol Martucci,** Director of Accounting and Financial Reporting.

Hedging and Price Stability



Price stability is a goal of MMWEC's hedging program, which enabled consumers of member utilities to avoid nearly $25 million in market power costs over the 14 months ending in February 2014.

POWER SUPPLY HEDGING/PRICE STABILITY

In addition to generation ownership, hedging members' power supplies involves entering into contracts for future power at regular intervals over time, using a variety of market intelligence and analytical tools to manage risks and help achieve stable prices over the long term.

Typically, hedged power prices are above or below projected market prices at any given time but always within a band of reasonableness. The value of MMWEC's hedge purchases is most obvious during times of market volatility, such as during the 2013-14 winter, when MMWEC's hedged prices were as much as 70% lower than market power prices.

There are many ways to measure market volatility. For example, during January 2014, New England's wholesale electricity market costs totaled $2.2 billion, up from $1.2 billion the previous month. That means electricity costs nearly doubled from one month to the next due to extremely cold weather, higher demand for electricity, constraints in the region's natural gas supply and other factors, all of which created inefficiencies in operating the electric system, resulting in higher prices.

By another measure, the price of natural gas, which usually dictates the price of electricity in New England, was 137% higher in January 2014 than it was in January 2013. In addition to large price spikes, this created operating challenges when oil units became more economical to run than gas units, because oil units experienced operating limits due to limited fuel supply and environmental limitations on their emissions.

Such periods of stress and high prices in operating New England's electric system have become too common in recent years, and there are numerous initiatives in place and proposed to address underlying issues. However, it is during these periods, and during more typical peak demand periods, that a measured and steady approach to power supply hedging pays off for consumers.

During February 2013, when fuel supply and other issues caused New England's peak power prices to spike as high as $135 per megawatt hour, MMWEC's average power hedge price was less than $59 per megawatt hour. That difference translates into retention of significant disposable income for consumers of municipal utilities participating in MMWEC's power supply portfolio management program.

This program is designed to address each utility's risk tolerance and unique portfolio goals using a comprehensive package of power supply planning, market analysis, resource development, contracting and risk management services. And while the benefits are most evident in volatile markets, the program is key in providing long-term competitiveness and price stability for municipal utilities.

During February 2013, when fuel supply and other issues caused New England's peak power prices to spike as high as $135 per megawatt hour, MMWEC's average power hedge price was less than $59 per megawatt hour. That difference translates into retention of significant disposable income for consumers of municipal utilities participating in MMWEC's power supply portfolio management program.

Elected MMWEC Directors are, standing from left, **James M Lavelle,** Holyoke Gas & Electric Department General Manager; **Gary R. Babin,** Mansfield Municipal Electric Department Director; **Sean Hamilton,** Sterling Municipal Light Department General Manager; and **Kevin P. Kelly,** Groton Electric Light Department Manager. *Seated, from left, are* **Jonathan V. Fitch,** West Boylston Municipal Lighting Plant General Manager; **Philip W. Sweeney,** Marblehead Municipal Light Department Board Chairman; and **Jeffrey R. Cady,** Chicopee Electric Light General Manager.

In addition to ownership of the 15-megawatt Berkshire Wind Power Project, above, MMWEC and its members have entered into a 25-year contract for an additional 38 megawatts from a Maine wind farm.

MMWEC officers not pictured elsewhere in the report are, from left,
Stephen J. Smith, Assistant Treasurer; **Nicholas J. Scobbo, Jr.,** General Counsel; and **Nancy A. Brown,** Assistant Secretary.

A BALANCED APPROACH

Late in 2013, MMWEC entered into a fixed-price, 25-year contract with First Wind to purchase approximately 38 megawatts from a wind project in Maine for resale to 17 MMWEC member municipal utilities. Execution of the MMWEC contract with First Wind and the corresponding contracts with the municipal utilities was completed in record time to accommodate a deadline for the project to receive a federal production tax credit that expired at the end of 2013.

MMWEC also entered into a 20-year contract to purchase the output of four hydro projects in Vermont with a capacity of 9.1 megawatts on behalf of 13 member utilities. Deliveries from the projects started in 2014.

These contracts add to the green energy portfolio of MMWEC and its members, which includes the 15-megawatt Berkshire Wind Power Project, MMWEC's energy efficiency programs and numerous smaller wind and solar projects located in the service territories of member utilities. MMWEC also created and manages the MMWEC Solar Aggregate, which aggregates and sells Solar Renewable Energy Certificates (SRECs) for projects located in municipal utility communities to offset development costs.

The contracts bring competitively priced energy to the MMWEC portfolio and to the customers of member utilities. They also bring a valuable measure of diversity and price stability to the MMWEC resource mix at a time when New England's high and growing reliance on natural gas for electricity production is creating concern.

Energy efficiency is another important component of the MMWEC portfolio, including the Home Energy Loss Prevention Services (HELPS) Program for residential customers of municipal utilities and the Green Opportunity (GO) Program for commercial, industrial and institutional customers. GO Program growth is targeting opportunities for additional state funding to improve and expand program offerings. In addition, a new staff member, improved website presence and increased marketing initiatives are working to improve exposure and participation for both programs.

MMWEC GREEN OPPORTUNITY • ENERGY EFFICIENCY • go

Resource diversity and portfolio balance are key objectives of MMWEC's power supply planning and development activities. This focus is a result of decisions by municipal utilities and their customers, without mandate, to invest in renewable energy and energy efficiency resources.

POOLED LOAN PROGRAM

MMWEC has requested approval from the Massachusetts Department of Public Utilities (DPU) to issue up to $400 million in bonds or other forms of indebtedness to finance a Pooled Loan Program for its member utilities. Under this program, member utilities can reduce their financing costs by using MMWEC to finance a variety of local facilities, such as operations centers, substations, bucket trucks and other facilities to benefit their operations.

The program, authorized by MMWEC's enabling legislation, expands the benefits and economies of scale that are the foundation of MMWEC's joint action initiatives. In conducting a single financing to fund multiple member projects, MMWEC will save its participating members the costs of multiple individual financings, such as the bond counsel, rating agency, financial advisor, trustee and other fees typically associated with bond issues.

In an example provided to the DPU, MMWEC estimated a savings in up-front costs of more than $1 million for eight municipal utility projects financed through the Pooled Loan Program versus individual municipal utility financings. As such, the program will enable MMWEC member utilities to finance necessary projects more economically and expeditiously, thereby reducing costs for their consumers.

MMWEC has been discussing a number of potential member projects to finance through the program and expects to activate the program by mid-2014.

These and other activities are made possible by joint action, which adds value and strength to MMWEC's advocacy role. It also enables individual municipal utilities to focus on providing economic and reliable electric service and delivering the local benefits of public power.

MMWEC Chairman Paul Robbins, left, and Chief Executive Officer Ron DeCurzio bring concerns directly to the Federal Energy Regulatory Commission in Washington, D.C.

MMWEC's Director of Engineering and Generation Assets Ed Kaczenski speaks nationally about the electric/natural gas issues facing New England, here at the American Public Power Association's March 2014 Legislative Rally in Washington, D.C.

REPRESENTING PUBLIC POWER

A growing number of difficult marketplace and regulatory issues have added importance and value to MMWEC's role as an advocate for public power interests.

Threats to reliability of the region's electric system spurred ISO-NE to propose and implement more than a dozen major market changes over the past year. Early in 2014, proposing additional market reforms, ISO-NE said the region's reliability situation over the next few years is "precarious".

MMWEC participates in the various ISO-NE stakeholder processes, providing the expertise and other resources required to identify and address public power issues as the marketplace evolves. Addressing threats to reliability usually results in higher costs for consumers. In addition, the increasing scope and complexity of marketplace issues increases the requirements and cost of participating in the rulemaking process. In this environment, MMWEC is working to ensure an appropriate balance between cost and reliability.

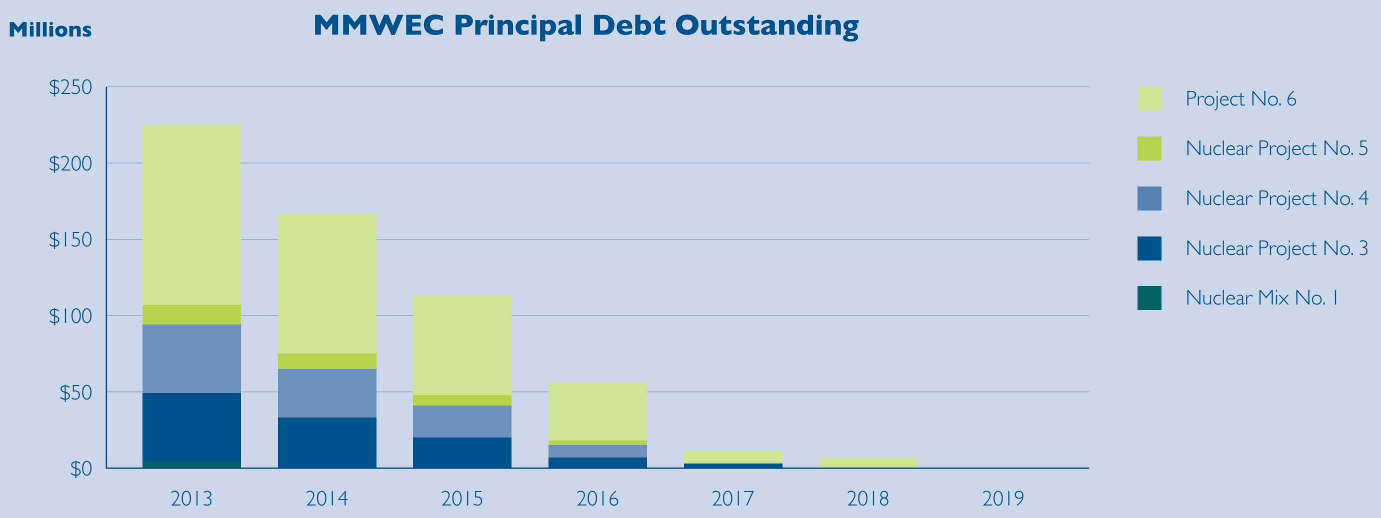
After the stakeholder process, most of these market reforms require approval in separate cases before the Federal Energy Regulatory Commission (FERC), where arguments for and against what is being proposed can be presented. The FERC also has established three separate technical conference proceedings to address issues affecting New England's power markets, including natural gas pipeline constraints, capacity markets and cold weather operations.

In addition to participating in the technical conferences, MMWEC is a party to most of the FERC proceedings involving the New England marketplace and meets with the FERC Commissioners and staff as required to address public power issues. An initial decision in one of these cases, which would reduce from 11.14% to 9.7% the amount of profit transmission owners are allowed to earn on their investments, would save consumers upwards of $100 million a year over the life of existing and planned transmission projects.

Constraints on the supply of natural gas to New England during peak demand periods are an underlying cause of the region's cost and reliability issues, especially since natural gas is used to generate about half of the region's electricity. The FERC launched an investigation into electricity and natural gas market coordination more than two years ago, recognizing the related issues are particularly acute in New England. With growing market implications and impacts on operation of its Stony Brook power plant, MMWEC is addressing these issues with the FERC and members of Congress.

MMWEC filed comments and met with FERC Commissioners on numerous occasions to discuss natural gas issues and is participating in the New England Gas/Electric Focus Group, a regional initiative that grew out of an August 2012 FERC conference in Boston. MMWEC's involvement with these issues has resulted in several national speaking engagements for MMWEC staff to discuss the implications for public power.

These and other activities are made possible by joint action, which adds value and strength to MMWEC's advocacy role. It also enables individual municipal utilities to focus on providing economic and reliable electric service and delivering the local benefits of public power.



MMWEC's remaining debt is related to its ownership in two nuclear units, both of which are expected to operate until at least 2045, long after the debt is retired in 2019.

SOUND FINANCIAL STRUCTURE

Several of MMWEC's tax-exempt bond issues have run full cycle, with bonds issued to finance MMWEC's ownership in the Stony Brook power plant and Wyman Unit No. 4 retired in recent years. The balance of MMWEC's outstanding debt, about $225 million, will be retired by 2019.

Since issuing its first bonds in 1976, MMWEC has issued more than $4.7 billion in bonds to finance and refinance its 735-megawatt ownership interest in several generating facilities, using the unique financing authority contained in MMWEC's enabling legislation. During this time, the MMWEC system of financing has become a known and respected quantity within the financial community. The backbone of that system – the take-or-pay Power Sales Agreements with project participant utilities – has been court-tested and upheld by the Massachusetts Supreme Judicial Court.

Few public power systems have the track record, strength and proven success of the MMWEC financing system, which in large part is responsible for reaffirmation of MMWEC's A-level credit ratings by three major credit rating agencies in 2013. As they have many times in the past, the rating agencies again cited the financial and competitive strength of MMWEC and its municipal utility project participants in affirming their ratings.

Other achievements cited by the rating agencies include the elevation of MMWEC's energy portfolio and risk management services. According to Moody's Investors Service, "The effectiveness of MMWEC's enterprise risk management program with regards to energy price hedging, contract negotiation, and the ongoing monitoring of member power supply needs remains a key rating consideration."

Significantly, MMWEC's remaining debt is related to its ownership in the Seabrook Station and Millstone Unit No. 3 nuclear plants, both of which are expected to operate until at least 2045, long after the related debt is retired. The long operating life of these units and relatively short life of related debt make these resources a valuable, long-term hedge against the volatility and uncertainty of the region's wholesale power markets.

All of this means that MMWEC and its municipal utilities are well-positioned financially and structurally to develop and finance the next generation of public power energy resources. While marketplace uncertainties present a number of challenges to building new power plants, there was a first-time shortfall of capacity in the recent auction to procure capacity needed to meet New England's power needs in 2017. This signals a need for new capacity in the region, and MMWEC is continuing to pursue ownership opportunities and the benefits they bring for its member utilities.

NERC ACTIVITIES

Regulatory and political concern about the physical and cyber security of bulk power facilities reached new heights following widespread publicity about the 2013 attack that crippled a major California substation. While debate about the best methods to secure bulk power facilities is continuing at the highest national levels, MMWEC is working to protect the interests of its members and project participants as the process unfolds.

Part of that effort includes working with the North American Electric Reliability Corporation (NERC) and others in the electric industry to develop practical and effective reliability standards that do not place an undue burden on MMWEC and its municipal utilities. For example, MMWEC has argued successfully that small municipal utilities with assets not critical to bulk power system operations should be exempt from many standards.

It also involves ensuring that MMWEC is in compliance with existing NERC operations standards and cyber security standards for bulk power facilities. As the operator and principal owner of the Stony Brook power plant, MMWEC works to ensure compliance with both sets of standards, a discipline that is growing rapidly in importance and prominence among electric utilities.

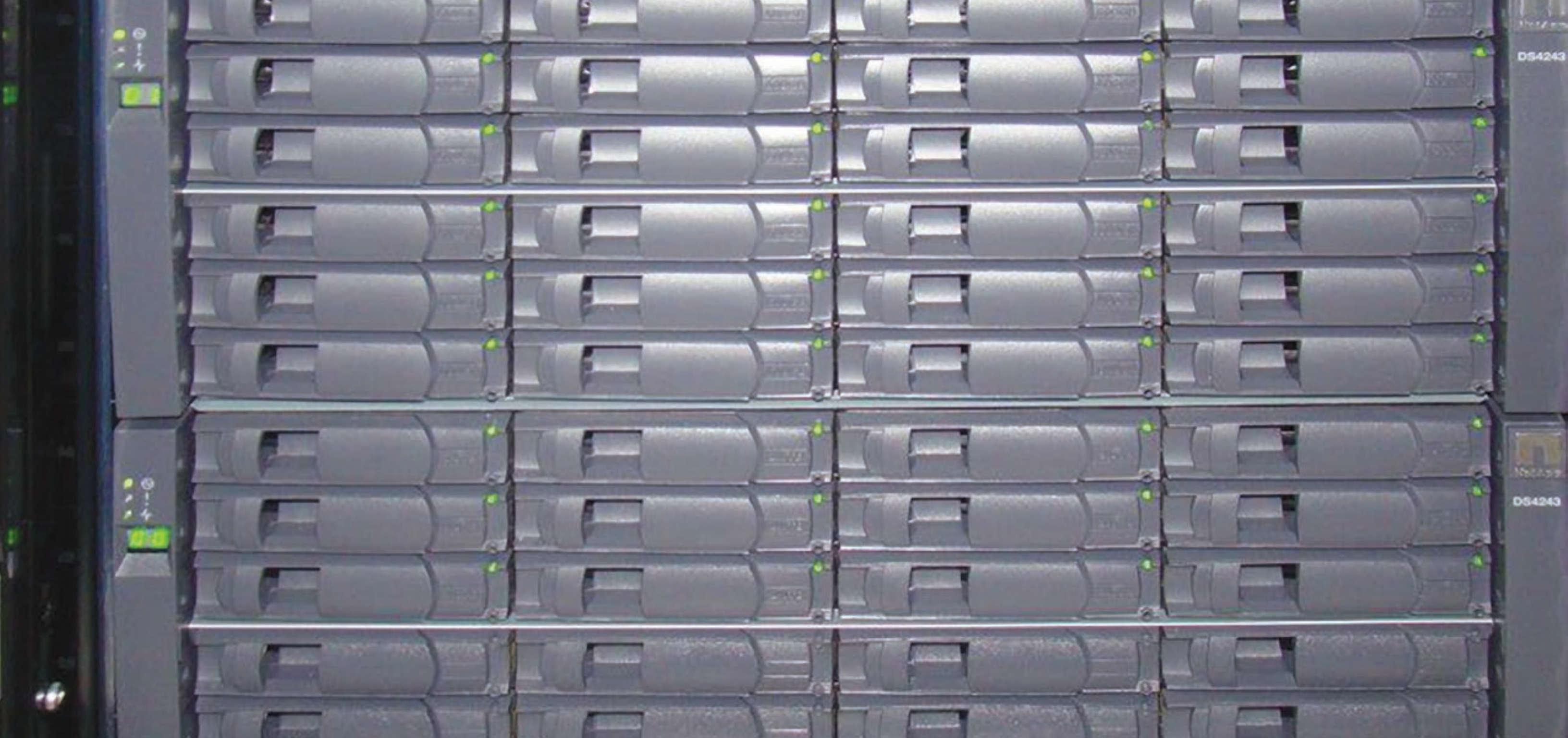
MMWEC participated in the NERC-sponsored GridEx II grid security exercise in November 2013, a national exercise that included simulated physical and cyber attacks on the bulk power system. The exercise provided an opportunity for MMWEC to test its procedures for responding to such attacks as well as its communications with law enforcement and other organizations.

In addition, officials from the Northeast Power Coordinating Council, the regional enforcement arm of NERC, completed a near-week-long, on-site audit of MMWEC's compliance with NERC's Critical Infrastructure Protection (CIP) standards. The success of the audit validates MMWEC's cyber security program for the protection of critical infrastructure facilities.

MMWEC also serves as a resource for its member utilities with respect to NERC compliance activities, including the physical and cyber security of their utility assets. The value of this resource is increasing with heightened national activity to ensure electric system reliability.

Importantly, with the requirements for utilities to comply with NERC and other standards growing, MMWEC's knowledge and experience in this area are ahead of the curve.

Top row, from left, are **Michael J. Flynn,** MMWEC Board of Directors, Gubernatorial Appointee and Town of Wilbraham Representative; **Cornelius Flynn,** MMWEC Board of Directors, Town of Hampden Representative. *Bottom row, are* **Luis Vitorino,** MMWEC Board of Directors, Town of Ludlow Representative; **Daniel L. Suppin,** MMWEC Director of Information Technology.



INFORMATION TECHNOLOGY

MMWEC's Strategic Information Technology Plan is a comprehensive strategy to transform its information systems and business processes into a sustainable, competitive advantage for municipal utilities. It encompasses all of the organization's business functions, from a broad range of power supply, energy management and engineering functions to a full spectrum of financing, accounting and treasury services.

These core business functions of MMWEC rely heavily on information technology. Over time, one of the key goals is to replace dated technology and processes with a flexible and efficient information systems platform that accommodates new technology and integrates data and activity across all business units.

The first phase of this plan was completed early in 2013 with implementation of a Financial Systems Redesign (FSR) Project, which has replaced outdated general ledger, accounting, purchasing and financial reporting systems. The FSR Project represents a fundamental change in MMWEC's financial services technology that opens up new opportunities for data sharing and efficiencies that bring greater value to MMWEC's financial services.

Rollout of the Strategic Information Technology Plan is continuing in 2014 with physical improvements in MMWEC's data center that are upgrading the organization's computing and network infrastructure. The planned 2014 update of MMWEC's Business Continuity Plan goes hand-in-hand with these upgrades to help ensure the security, availability and reliability of business operations.

Power supply analysis and electric metering applications that are central to MMWEC's Market Management and Planning activities also are in line for an upgrade in 2014. As these and other upcoming upgrades are integrated with other components of the technology infrastructure, there will be enhanced opportunities for strategic sharing and business use of information resources, ultimately improving the quality and value of MMWEC services for municipal utilities.

MEMBERS & PROJECT PARTICIPANTS

Ashburnham Municipal Light Department*

Boylston Municipal Light Department*

Braintree Electric Light Department

Chicopee Electric Light Department*

Danvers Electric Division

Georgetown Municipal Light Department

Groton Electric Light Department*

Hingham Municipal Lighting Plant

Holden Municipal Light Department*

Holyoke Gas & Electric Department*

Hudson Light & Power Department

Hull Municipal Lighting Plant*

Ipswich Municipal Light Department*

Littleton Electric Light & Water

Mansfield Municipal Electric Department*

Marblehead Municipal Light Department*

Middleborough Gas & Electric Department

Middleton Municipal Electric Department

North Attleborough Electric Department

Paxton Municipal Light Department*

Peabody Municipal Light Plant*

Princeton Municipal Light Department*

Reading Municipal Light Department

Russell Municipal Light Department*

Shrewsbury Electric & Cable Operations*

South Hadley Electric Light Department*

Sterling Municipal Light Department*

Templeton Municipal Light & Water Plant*

Wakefield Municipal Gas & Light Department*

West Boylston Municipal Lighting Plant*

Westfield Gas & Electric*

Pascoag (RI) Utility District

Green Mountain Power Corporation (VT)

Hardwick (VT) Electric Department

Ludlow (VT) Electric Light Department

Morrisville (VT) Water and Light Department

Stowe (VT) Electric Department

Swanton (VT) Electric Department

* MMWEC Members

2013 FINANCIAL STATEMENTS

MMWEC's Financial Statements for the years ended December 31, 2013 and 2012 are contained on the CD included in this year's annual report. Copies of this report and supplemental financial information can be obtained, free of charge, by contacting:

Communications and External Affairs
Massachusetts Municipal Wholesale Electric Company
327 Moody Street
PO Box 426
Ludlow, MA 01056

E-mail: mmwec@mmwec.org | Internet: www.mmwec.org

The Massachusetts Municipal Wholesale Electric Company (MMWEC) is a not-for-profit, public corporation and political subdivision of the Commonwealth of Massachusetts, created in 1976 through an Act of the Massachusetts General Court. MMWEC provides a broad range of power supply, financial, risk management and other services to enhance the competitiveness of Massachusetts municipal utilities. MMWEC also is the operator and principal owner of the Stony Brook power plant, a 527-megawatt, combined-cycle generating station located at MMWEC's Stony Brook Energy Center in Ludlow, Massachusetts.

Massachusetts Municipal Wholesale Electric Company
PO Box 426, Ludlow, MA 01056

Phone: 413.589.0141 | Fax: 413.583.8994
E-mail: mmwec@mmwec.org | Internet: www.mmwec.org

Massachusetts Municipal Wholesale Electric Company

Financial Statements and Supplementary Information

Years Ended December 31, 2013 and 2012

Massachusetts Municipal Wholesale Electric Company

FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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McGladrey

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Massachusetts Municipal Wholesale Electric Company
Ludlow, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Massachusetts Municipal Wholesale Electric Company (the Company) which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Massachusetts Municipal Wholesale Electric Company as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013, the Company adopted the new accounting guidance pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accounting changes adopted to conform to the provisions of this Statement were applied retroactively by restating financial statements for all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America for state and local governments require that the management's discussion and analysis and the schedules of funding progress and employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Management has omitted the management's discussion and analysis for the year ended December 31, 2011 that the accounting principles generally accepted in the United States of America for state and local governments require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion 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 financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

Boston, Massachusetts
March 31, 2014

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2013 and 2012

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, 2013 and 2012. 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, both private and public. 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, planning and financial services, and the Projects relating to generating facilities built and operated either by MMWEC or other entities.

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

The accounting records of MMWEC are maintained using the Uniform Governmental Accounting Standards Board (GASB), the 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.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Statements of Net Position 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 related financing activities.

MMWEC FINANCIAL ANALYSIS

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

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2013 and 2012

MMWEC FINANCIAL ANALYSIS...continued

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation. These reclassifications had no effect on the change in net position.

Table 1
Condensed Statements of Net Position

	2013	Restated 2012
	(In Thousands)	
Current assets, less current portion of restricted special funds	$ 107,074	$ 96,313
Restricted assets, including current portion of restricted special funds	223,050	222,478
Other assets	113,450	102,632
Capital assets	600,172	606,966
Total assets	$ 1,043,746	$ 1,028,389
Current liabilities	$ 221,184	$ 212,402
Noncurrent liabilities	820,619	813,525
Deferred inflows of resources	1,943	2,462
Total liabilities	$ 1,043,746	$ 1,028,389
Net position	$ -	$ -

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

	2013	Restated 2012
	(In Thousands)	
Operating revenues	$ 310,262	$ 287,403
Depreciation expense	16,282	15,566
Other operating expenses	235,686	207,929
Total operating expenses	251,968	223,495
Operating income	58,294	63,908
Investment income	8,899	7,893
Interest and amortization expense	(3,333)	(6,146)
Increase in amounts payable under terms of the power sales agreements	(63,860)	(65,655)
Total non-operating expenses	(58,294)	(63,908)
Change in net position	$ -	$ -

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2013 and 2012

MMWEC FINANCIAL ANALYSIS...continued

Table 3
Condensed Statements of Cash Flows

	2013	2012
	(In Thousands)	
Net cash provided by operating activities	$ 71,565	$ 98,087
Net cash provided by (used in) investing activities	(5,806)	62,324
Net cash used in capital and related financing activities	(89,503)	(101,316)
Net change in cash and cash equivalents	(23,744)	59,095
Cash and cash equivalents – beginning of year	74,384	15,289
Cash and cash equivalents – end of year	$ 50,640	$ 74,384

STATEMENTS OF NET POSITION

The majority of MMWEC's Statements of Net Position 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 9 – Project Joint Ownership Agreements in the accompanying notes of the accompanying financial statements. The following analysis compares 2013 financial results to 2012 financial results.

Current assets, excluding the current portion of restricted funds, increased by $10.8 million.

Cash and temporary investments decreased by $19.7 million, primarily due to the decrease in Stony Brook Intermediate working capital funds for fuel oil purchases during 2013 and expenditures related to the Stony Brook Intermediate major fall outage, where the Unit 1C rotor was replaced in addition to other major maintenance performed. There were also timing differences in the Stony Brook Peaking and Intermediate portfolio, resulting in a corresponding increase in restricted special funds for investments with a maturity of greater than one year in the Stony Brook Peaking and Intermediate Projects of $9.0 million.

The increase in accounts receivable and unbilled revenue of $18.1 million is chiefly attributable to higher amounts billed due to higher average locational marginal prices for Massachusetts in December 2013 related to Member power purchases than at the same time in the prior year. Inventories increased $12.3 million from the prior year due to approximately 154,000 barrels of fuel oil purchased for the Stony Brook Intermediate Project in 2013, offset by fuel burn in both of the Stony Brook Projects.

Current and noncurrent restricted funds, including related interest receivable, increased by $0.7 million, primarily due to an increase of $9.0 million in Stony Brook Intermediate and Peaking restricted funds as described above, and an increase of $1.6 million in Seabrook Station operating reserve due to collections made in advance for the Spring 2014 refueling outage. These increases were offset by a decrease of $4.9 million in Member power purchase working capital funds due to the higher average power prices in December 2013 as compared to December 2012 and a decrease of $5.0 million in Millstone operating reserves due to expenditures paid for the refueling and maintenance outage in 2013.

STATEMENTS OF NET POSITION...continued

Noncurrent charges increased by $10.7 million from 2012 to 2013, reflecting improved investment performance of and monthly contributions made to the nuclear decommissioning trust funds; higher market valuation of and increased contributions made to pension assets; higher advances made to the lead owners for the Project operating costs of the Millstone Projects offset by lower advances made to the lead owners for the Project operating costs of the Seabrook Projects.

In 2013, total capital assets had a net decrease of $6.8 million due primarily to continued depreciation of $16.3 million and continued amortization of nuclear fuel of $12.0 million, offset primarily by net in-service asset and construction work in progress additions of $11.6 million, net of asset retirements of $0.3 million and net purchases of nuclear fuel of $9.6 million.

The $9.4 million increase in current liabilities, excluding current maturities of long-term debt, was attributable to increased collections for future planned maintenance and capital purchases for the Projects, which increased the amount of advances the Members and Project Participants had at MMWEC by $8.5 million. In addition, accounts payable and accrued expenses decreased by $3.3 million as payments to vendors for operational expenses were greater prior to year-end during 2013, whereas in the prior year, such payments were made after year-end. There were also increased draws on the lines of credit of $4.2 million primarily due to fuel oil purchases made in the last quarter of 2013, which were funded through use of the line of credit, resulting in a higher short-term debt balance than in the prior year.

Long-term debt, including current maturities, decreased by $65.4 million primarily due to principal payments and maturities on long-term debt made during 2013.

Other noncurrent liabilities, excluding long-term debt, increased $71.9 million due to accretion of asset retirement obligations, and increases in amounts payable under the terms of the PSAs, which include temporary offsets of unbilled expenses, such as depreciation, unrealized gains/losses, and bond payment activity.

Deferred inflows of resources decreased by $0.5 million due to amortization of the deferred gain on extinguishment of debt.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The majority of MMWEC's Statements of Revenues, Expenses and Changes in Net Position consists 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. MMWEC bills under the PSAs only the expenses and costs it incurs from the lead owner of the generating facility and its own expense associated with each Project plus certain other amounts required pursuant to MMWEC's General Bond Resolution.

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

For 2013, revenue increased by $22.9 million due to higher power prices, higher generation in the Seabrook Station and Wyman Projects and increased fuel costs in the Stony Brook Intermediate Project, offset by lower generation in the Stony Brook Peaking and Millstone Projects. Purchased power expenses increased by $23.2 million during 2013 as compared to 2012 due to more extreme temperatures than in the prior year and instability in the natural gas markets, resulting in increased power prices.

The $6.5 million increase in fuel used in electric generation was driven by increased generation at Seabrook Station and Wyman and higher fuel costs at Stony Brook Intermediate, offset by decreased generation at Millstone. Millstone had a planned refueling and maintenance outage in 2013, whereas in the prior year Seabrook Station had a planned refueling outage. Stony Brook Intermediate utilized more fuel oil than natural gas for generation in 2013, resulting in higher overall fuel costs, despite lower generation than in the prior year.

Other operating expense increased $0.9 million reflecting increased operations activity at Millstone and Stony Brook Intermediate due to planned outages in 2013.

Maintenance expense decreased $2.6 million in 2013, primarily driven by Seabrook Station as only Millstone had a planned refueling and maintenance outage in 2013, whereas in the prior year Seabrook Station had a planned refueling and maintenance outages and the costs associated with the Seabrook Station outage were more significant.

In 2013, depreciation expense increased $0.7 million. This was the result of higher depreciation from fixed asset additions offset by retirements during 2013.

The $0.2 million decrease in taxes other than income was attributable to lower generation taxes paid due to the suspension of the generation tax at Millstone as of September 30, 2013, offset by slight increases to other property taxes paid during 2013.

Investment income, which is a result of varying fund balances and interest rates, increased by $1.0 million in 2013, due to better investment performance in 2013 as opposed to 2012.

Interest expense decreased by $3.1 million due to lower interest costs incurred in 2013 than in 2012 as a result of reduced long-term debt balances due to scheduled principal payments and maturities. Amortization expense decreased by $1.0 million due to continued amortization of premiums and gains associated with various bond issues.

In 2012, MMWEC incurred $0.9 million of debt issuance costs in connection with the issuance of the Series 2012A Bonds, which were expensed in the period paid. No bonds were issued during 2013 and thus, no debt issuance costs were paid.

The decrease in amounts payable under terms of the PSAs is discussed in Note 1 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 decreased by $23.7 million from 2012 to 2013. This is due to purchases of investments during 2013 and decreased operating cash due to timing of payments for operational activities in 2013.

DEBT SERVICE COVERAGE

For the PSAs' contract years ended June 30, 2013 and June 30, 2012, MMWEC met the GBR debt service coverage requirements for all of MMWEC's Projects. In accordance with the provisions of MMWEC's GBR, MMWEC covenants that it will fix, revise and collect rates, tolls, rents and other fees and charges sufficient to produce revenues to pay all Project operating and maintenance expenses as well as principal, premium, if any, and interest on the Bonds associated with each Project. Revenues for each Project, which include applicable interest earnings from investments associated with funds required to be maintained by the GBR, are required to equal 1.10 times the annual debt service for the PSA contract year ending June 30, after deduction of certain operating and maintenance expenses and exclusive of depreciation. Further details can be found in the Supplementary Information to the financial statements.

DEBT RATINGS

During 2013, following their annual credit review of MMWEC, two major credit rating agencies rated the MMWEC bonds as follows:

Investment Type	Standard & Poor's	Fitch Ratings
Nuclear Mix No. 1, Series 2011	A+	A+
Nuclear Project No. 3, Series 2011	A+	A+
Nuclear Project No. 4, Series 2011	A+	A+
Nuclear Project No. 5, Series 2011	A	A+
Project No. 6, Series 2011	A-	A+
Nuclear Mix No. 1, Series One	A+	A+
Nuclear Project No. 3, Series One	A+	A+
Nuclear Project No. 4, Series One	A+	A+
Nuclear Project No. 5, Series One	A	A+
Project No. 6, Series One	A-	A+
Nuclear Project No. 4, Series 2012A	A+	A+
Nuclear Project No. 5, Series 2012A	A	A+
Project No. 6, Series 2012A	A-	A+

Massachusetts Municipal Wholesale Electric Company

Management's Discussion and Analysis (unaudited)
Years Ended December 31, 2013 and 2012

MMWEC PROJECT OPERATIONS

The following table provides 2013 operating information for the MMWEC Projects. See Note 9 – Project Joint Ownership Agreements in the accompanying financial statements for additional information.

MMWEC Project Operations
January 1 through December 31, 2013

	Stony Brook Intermediate	Stony Brook Peaking	Seabrook	Millstone 3	Wyman
Availability	87.72%	97.11%	100.00%	88.85%	88.92%
Capacity Factor	3.79%	0.17%	100.10%	89.44%	3.08%
Generation MWH	102,191	2,320	1,266,708	456,884	5,978

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

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 Accounting & Financial Reporting, PO Box 426, Ludlow, Massachusetts 01056.

Massachusetts Municipal Wholesale Electric Company

Statements of Net Position
December 31, 2013 and 2012
(In Thousands)

	2013	Restated 2012
ASSETS		
Current assets:		
Cash and temporary investments	**$ 11,614**	$ 31,309
Accounts receivable	**39,344**	26,532
Unbilled revenues	**19,414**	14,174
Inventories	**35,042**	22,768
Prepaid expenses	**1,660**	1,530
Current portion of restricted special funds	**53,784**	79,787
Total current assets	**160,858**	176,100
Noncurrent assets:		
Restricted assets:		
Restricted special funds	**169,266**	142,691
Interest receivable	**485**	386
Noncurrent charges:		
Nuclear decommissioning trust	**88,686**	77,105
Other noncurrent charges	**24,279**	25,141
Total noncurrent assets	**282,716**	245,323
Capital assets:		
In service	**1,386,798**	1,377,206
Accumulated depreciation	**(831,164)**	(815,053)
Construction work in progress	**17,698**	15,555
Nuclear fuel, net of amortization	**26,840**	29,258
Total capital assets	**600,172**	606,966
Total assets	**$ 1,043,746**	$ 1,028,389
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 6,727**	$ 16,420
Member and participant advances	**123,444**	114,906
Short-term debt	**5,089**	862
Accrued expenses	**26,772**	20,395
Current liabilities payable from restricted assets:		
Current maturities of long-term debt, net of premiums	**59,152**	59,819
Total current liabilities	**221,184**	212,402
Noncurrent liabilities:		
Long-term debt, net of premiums and current maturities	**175,779**	240,549
Asset retirement obligations	**131,287**	125,037
Amounts payable under terms of the power sales agreements	**451,916**	388,056
Long-term member and participant advances	**61,637**	59,883
Total noncurrent liabilities	**820,619**	813,525
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on extinguishment of debt, net of amortization	**1,943**	2,462
Total liabilities and deferred inflows of resources	**$ 1,043,746**	$ 1,028,389
NET POSITION		
Net investment in capital assets	**$ 369,822**	$ 309,264
Restricted for:		
General bond resolution	**13,334**	32,014
Unrestricted	**(383,156)**	(341,278)
Total net position	**$ -**	$ -

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, 2013 and 2012
(In Thousands)

	2013	Restated 2012
Operating revenues:		
Revenues	**$ 310,262**	$ 287,403
Operating expenses:		
Fuel used in electric generation	**24,553**	18,040
Purchased power	**148,011**	124,857
Other operating	**47,104**	46,186
Maintenance	**10,373**	12,999
Depreciation	**16,282**	15,566
Taxes other than income	**5,645**	5,847
Total operating expenses	**251,968**	223,495
Operating income	**58,294**	63,908
Non-operating revenues (expenses):		
Investment income	**8,899**	7,893
Interest expense on long-term debt	**(10,568)**	(13,659)
Amortization of premium	**6,711**	7,731
Amortization of gain on extinguishment of debt	**519**	520
Debt issuance costs	**-**	(858)
Interest charged to projects during construction	**5**	120
Increase in amounts payable under terms of the power sales agreements	**(63,860)**	(65,655)
Total non-operating expenses	**(58,294)**	(63,908)
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, 2013 and 2012
(In Thousands)

	2013	2012
Cash flows from operating activities:		
Received from sales to members and participants	$ 302,502	$ 283,946
Paid to suppliers for goods and services	(230,937)	(185,859)
Net cash provided by operating activities	71,565	98,087
Cash flows from investing activities:		
Net maturities (purchases) of investments	(4,621)	60,680
Investment income (loss) received	(1,185)	1,644
Net cash provided by (used in) investing activities	(5,806)	62,324
Cash flows from capital and related financing activities:		
Construction expenditures and purchases of nuclear fuel	(21,532)	(21,116)
Proceeds from issuance of short-term debt	5,705	1,569
Proceeds from issuance of long-term debt	-	179,096
Principal payments on long-term debt	(58,725)	(241,321)
Principal payments on short-term debt	(1,478)	(1,518)
Decommissioning trust payments	(1,596)	(1,140)
Debt issuance costs paid	(20)	(835)
Interest payments on long-term debt	(11,857)	(16,051)
Net cash used in capital and related financing activities	(89,503)	(101,316)
Net change in cash and cash equivalents	(23,744)	59,095
Cash and cash equivalents, beginning of year	74,384	15,289
Cash and cash equivalents, end of year	$ 50,640	$ 74,384

Massachusetts Municipal Wholesale Electric Company

Statements of Cash Flows continued
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 58,294**	$ 63,908
Noncash items included in operating income:		
Depreciation	**16,282**	15,566
Amortization of nuclear fuel and accretion of asset retirement obligations	**18,299**	15,907
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(12,812)**	(1,524)
Unbilled revenues	**(5,240)**	482
Inventories	**(12,274)**	2,126
Prepaid expenses	**(130)**	(528)
Other noncurrent charges	**862**	1,224
Increase (decrease) in:		
Accounts payable	**(9,673)**	1,972
Member and participant advances	**10,292**	(2,415)
Accrued expenses	**7,665**	1,369
Amounts payable under terms of power sales agreements	**-**	-
Net cash provided by operating activities	**$ 71,565**	$ 98,087
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and temporary investments	**$ 11,614**	$ 31,309
Total restricted special funds	**223,050**	222,478
Total cash and investments	**234,664**	253,787
Less - investments included in restricted special funds	**(184,024)**	(179,403)
Total cash and cash equivalents	**$ 50,640**	$ 74,384
Supplemental disclosures of cash flow information:		
Noncash investing, capital and financing transactions:		
Amortization of debt premiums	**$ 6,711**	$ 7,731
Amortization of gain on extinguishment of debt	**$ 519**	$ 520

Massachusetts Municipal Wholesale Electric Company

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 interest in energy generation facilities are through various Projects (Note 9). 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, 2013 and 2012, twenty-one (21) 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 is of the business-type activities only and excludes 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 Uniform Governmental Accounting Standards Board (GASB), the 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.

Fair Value Measurements

MMWEC accounts for its assets and liabilities at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. MMWEC follows the established framework for measuring fair value, which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is generally determined by quoted market prices. Priority is given, within the measurement of fair value, to the use of market-based information over entity specific information and there is a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

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

Fair Value Measurements continued

The following is a synopsis of the fair value measurements.

Level 1 - Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date. MMWEC does not adjust the quoted price for these investments, even in situations where MMWEC holds a large position and a sale could reasonably impact the quoted price.

Level 2 - Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.

Level 3 - Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private investments that are supported by little or no market activity.

The following table presents MMWEC's assets measured at fair value on a recurring basis as of December 31:

	2013			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Investment and cash equivalents:				
U.S. Treasury Bills	$ 39,277	$ -	$ -	$ 39,277
U.S. Treasury Notes	38,830	-	-	38,830
U.S. Agency Bonds	-	98,459	-	98,459
U.S. Agency Discount Notes	-	41,543	-	41,543
Municipal Bonds	-	13,025	-	13,025
Investments and cash equivalents	$ 78,107	$ 153,027	$ -	$ 231,134
Nuclear Decommissioning Trust	$ -	$ 88,686	$ -	$ 88,686

	2012			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Investment and cash equivalents:				
U.S. Treasury Bills	$ 74,800	$ -	$ -	$ 74,800
U.S. Treasury Notes	35,757	-	-	35,757
U.S. Agency Discount Notes	-	54,643	-	54,643
U.S. Agency Bonds	-	80,063	-	80,063
Municipal Bonds	-	4,078	-	4,078
Investments and cash equivalents	$ 110,557	$ 138,784	$ -	$ 249,341
Nuclear Decommissioning Trust	$ -	$ 77,105	$ -	$ 77,105

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

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

Fair Value Measurements continued

The fair value of Level 1 instruments is based on quoted over-the-counter (OTC) market prices at December 31 for identical securities. The fair value of Level 2 instruments is based on quoted OTC market prices at December 31 for similar issues.

Fair Value of Financial Instruments

The carrying value of MMWEC's short-term financial instruments, which consist of cash, cash equivalents, temporary investments, accounts receivable, unbilled revenues, short-term debt, accounts payable and accrued expenses, approximates the instruments' estimated fair values based on the instruments' short-term nature.

The estimated fair value of MMWEC's long-term financial instruments is as follows:

	2013		2012	
	(In Thousands			
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current maturities and excluding premiums and discounts	$ 225,280	$ 236,577	$ 284,005	$ 303,994
Long-term investments held in restricted special funds	$ 169,266	$ 169,266	$ 142,691	$ 142,691
Nuclear Decommissioning Trust	$ 88,686	$ 88,686	$ 77,105	$ 77,105

The fair value of long-term financial instruments is estimated based on quoted market prices for the same or similar issues.

Assets and Liabilities

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 Statements of Net Position. Restricted cash and cash equivalents are presented within the current portion of restricted special funds in the accompanying Statements of Net Position.

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.

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

Assets and Liabilities...continued

Cash and Investments...continued

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

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.

Inventories

Fuel oil and spare parts inventories are recorded and accounted for by the average cost method. At December 31, 2013 and 2012, total fuel oil inventory was valued at $22.2 million and $9.0 million, respectively, and spare parts inventory amounted to $12.8 million and $13.8 million, respectively.

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

Assets and Liabilities 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. A provision for fuel disposal costs is included in fuel used in electric generation based upon disposal contracts with the U.S. Department of Energy (DOE). In addition, fuel used in electric generation includes the annual assessment, under the Energy Policy Act of 1992, for the cost of decontamination and decommissioning of uranium enrichment plants operated by the DOE. MMWEC, along with all of the other joint owners of both Millstone Unit 3 and Seabrook Station, has filed claims against the DOE in the United States Court of Claims for partial breach of the disposal contracts with the DOE.

With respect to Seabrook Station, in 2009, MMWEC and the other Seabrook Station joint owners settled their claims against the DOE, with the U.S. Department of Justice (DOJ), who represented 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, 2013 and 2012 in the amount of $1.3 million and $925,000, respectively. During 2012, approximately $521,000 of these costs were received by MMWEC and then disbursed to Seabrook Station Participants as a credit on billings. No amounts were received during 2013. MMWEC received $1.0 million of these funds, in March 2014, which will be disbursed to Seabrook Station Participants in 2014.

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. MMWEC capitalizes interest as an element of the cost of electric plant and nuclear fuel in process. The amount of interest capitalized is based on the cost of debt, including amortization of debt issuance costs and premiums, related to each Project, net of investment gains and losses, and interest income derived from unexpended restricted special funds. MMWEC capitalized interest costs of $5,000 and $120,000 for the years ended December 31, 2013 and 2012, respectively.

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

Assets and Liabilities continued

Capital Assets – In Service...continued

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, Millstone and Wyman 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
Other Generation Facilities	
Seabrook Station	60 years
Millstone Unit 3	60 years
W.F. Wyman No. 4	51 years

NextEra Energy Seabrook, LLC, the lead owner of Seabrook Station, has filed for approval from the Nuclear Regulatory Commission to extend Seabrook Station's operating license for an additional 20 years to 2050. The estimated useful life of 60 years for Seabrook Station incorporates the assumption that the license extension will be granted.

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.

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

Assets and Liabilities continued

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, 2013 and 2012 for Millstone Unit 3 were $34.6 million and $30.6 million, respectively, and for Seabrook Station were of $54.1 million and $46.5 million, respectively, and are stated at fair value and are included in noncurrent charges and amounts recoverable (payable) under terms of the PSAs on the Statements of Net Position. 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.

Amounts Recoverable (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. Such amounts will be recovered through future billings or an expense will be recognized to offset credit balances. 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. Individual Projects have cumulative billings in excess of costs, which total $451.9 million and $388.0 million at December 31, 2013 and 2012, respectively. In accordance with the PSAs, these amounts have been offset in amounts payable under terms of the PSAs on the Statements of Net Position.

The December 31, 2013 and 2012 amounts payable balances of $451.9 million and $388.0 million, respectively, reflect the Statements of Revenues, Expenses and Changes in Net Position net increase of $63.9 million and $65.7 million for the years then ended.

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 $123.4 million and $114.9 million for the years ended December 31, 2013 and 2012, respectively. Other Member and Participant reserves for 2013 and 2012, which are considered long-term, were $61.6 million and $59.9 million, respectively.

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

Assets and Liabilities continued

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 and Wyman. There were no additional liabilities incurred nor revisions to the estimated cash flows during 2013 and 2012. A reconciliation of the beginning and ending aggregate carrying amount of AROs for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
	(In Thousands)	
Asset retirement obligations, beginning of year	$ 125,037	$ 119,084
Accretion expense	6,250	5,953
Asset retirement obligations, end of year	$ 131,287	$ 125,037

Accretion expense is included in other operating expenses in the Statements of Revenues, Expenses and Changes in Net Position. MMWEC's AROs, other than those associated with these assets, are not significant.

AROs are recorded at the present value of amounts expected to be paid and capitalized as part of the cost of the related tangible long-lived assets. In the absence of quoted market prices, MMWEC estimated the present value of AROs using techniques involving discounted cash flow analysis. Using such measurement techniques is dependent upon many subjective factors, including the selection of discount and cost escalation rates, identification of planned retirement activities and related cost estimates, and assertions of probability regarding the timing, nature and costs of such activities. Inputs and assumptions are based on the best information available at the time the estimates are made. However, estimates of future cash flows are highly uncertain by nature and may vary significantly from actual results.

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. 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.

Massachusetts Municipal Wholesale Electric Company
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

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

Revenues and Expenses continued

Revenues continued

Revenues are comprised of the following:

	2013	2012
	(In Thousands)	
Electric sales for resale	$ 305,053	$ 281,276
Service and other	5,209	6,127
	$ 310,262	$ 287,403

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, Seabrook Station, which is mostly located in Seabrook, New Hampshire and Wyman Unit 4 fossil-fuel burning plant, which is located in Yarmouth, Maine. In addition, MMWEC pays taxes for electric generation related to Millstone Unit 3.

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.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation and costs recoverable from future billings, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

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

Net Position Classification...continued

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.

Unrestricted - consists of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the net investment in capital assets or restricted component of net position.

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.

Implementations of New Accounting Principles

In 2012 and 2013, MMWEC implemented the provisions of the following accounting principles:

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This standard was created to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. This statement amends the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets.

Management determined in 2013 that even though net position of MMWEC is $0, it is appropriate to include the net position categories and related amounts. Net position of the previous period has been restated to conform with 2013 reporting.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

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

Implementations of New Accounting Principles continued

In 2013, MMWEC implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities (GASB 65)*, which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

As a result of the adoption of GASB 65 certain prior year data has been revised to conform to the current year's presentation with no impact on net position. The following show the impacts to the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.

	As Previously Reported 2012	Implementation of GASB 65	As Restated 2012
Statement of Net Position Items Affected			
Unamortized debt issuance costs	$ 1,892	$ (1,892)	$ -
Deferred gain on extinguishment of debt, net of amortization	-	2,462	2,462
Amounts payable under terms of the power sales agreement	392,410	(4,354)	388,056
Statement of Revenues, Expenses and Changes in Net Position Items Affected			
Amortization of debt issuance costs	(743)	743	-
Gain on extinguishment of long-term debt	(120)	120	-
Amortization of gain on extinguishment of debt	-	520	520
Debt issuance costs	-	(858)	(858)
Increase in amounts payable under terms of the power sales agreements	(65,130)	(525)	(65,655)

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

2. CASH AND INVESTMENTS

MMWEC'S cash and investments at December 31, 2013 and 2012 were comprised of the following:

	2013		2012		
Type of Investment or Cash Equivalent	Carrying Value	Bank & Investment Value	Carrying Value	Bank & Investment Value	Associated Risks
	(In Thousands)				
Cash and Cash Equivalents:					
Government Money Market Funds	$ 453	$ 453	$ 1,366	$ 1,366	Credit Risk, Custodial Credit Risk
Bank Cash Management Accounts	75	75	893	893	Custodial Credit Risk
U.S. Treasury Bills	32,163	32,163	41,117	41,117	Credit Risk, Interest Rate Risk
U.S. Treasury Notes	-	-	201	201	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Agency Bonds	151	151	3,005	3,005	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Agency Discount Notes	12,390	12,390	24,284	24,284	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Municipal Bonds	2,406	2,406	1,331	1,331	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Deposits	3,002	3,733	2,187	3,385	Custodial Credit Risk
Total Cash and Cash Equivalents	50,640	51,371	74,384	75,582	
Other Investments:					
U.S. Treasury Bills	7,114	7,114	33,683	33,683	Credit Risk, Interest Rate Risk
U.S. Treasury Notes	38,830	38,830	35,556	35,556	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Agency Bonds	98,308	98,308	77,058	77,058	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
U.S. Agency Discount Notes	29,153	29,153	30,359	30,359	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Municipal Bonds	10,619	10,619	2,747	2,747	Credit Risk, Concentration of Credit Risk, Interest Rate Risk
Total Other Investments	184,024	184,024	179,403	179,403	
Totals	$ 234,664	$ 235,395	$ 253,787	$ 254,985	

Massachusetts Municipal Wholesale Electric Company

2. CASH AND INVESTMENTS continued

Investments are stated at fair value as described earlier in fair value measurements policy in Note 1. Fair values are based on quoted market prices of identical or similar securities. 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.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, MMWEC's deposits may not be returned to MMWEC. Beginning December 31, 2010 and through December 31, 2012, noninterest bearing transaction accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC), regardless of the balance of the account. Subsequent to December 31, 2012, the aggregate amount of noninterest bearing and interest bearing accounts are insured by the FDIC up to at least $250,000. There was $3.4 million and $0 uninsured and uncollateralized bank balances subject to custodial credit risk at December 31, 2013 and 2012, respectively.

MMWEC's investment policy does 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.

At December 31, 2013 and 2012, 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, 2013, MMWEC's investments were rated as follows:

Investment Fair Value (In Thousands)	Standard & Poor's	Fitch Ratings	Moody's Investors Service
$ 219,597	AA+	AAA	Aaa
5,997	AA-	AA	Aa3
351	AA+	Not rated	Aa2
5,642	Not rated	Not rated	Not rated

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

2. CASH AND INVESTMENTS continued

Credit Risk...continued

As of December 31, 2012, MMWEC's investments were rated as follows:

Investment Fair Value (In Thousands)	Standard & Poor's	Fitch Ratings	Moody's Investors Service
$246,628	AA+	AAA	Aaa
751	AA	Not rated	Not rated
1,331	Not rated	Not rated	Aa2
1,996	AA	Not rated	Aa2

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, 2013 and 2012, MMWEC's investment portfolio was concentrated as follows:

		Percentage of Portfolio	
Issuer	Investment Type	2013	2012
Federal National Mortgage Assn.	U.S. Agency Securities	26.52%	24.01%
Federal Farm Credit Bank	U.S. Agency Securities	8.50%	11.25%
Federal Home Loan Bank	U.S. Agency Securities	12.89%	14.08%
Federal Home Loan Mortgage	U.S. Agency Securities	11.56%	2.19%
Municipal Bond Anticipation Notes	Municipal Bonds	5.54%	1.61%

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, 2013 and 2012, 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.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

2. CASH AND INVESTMENTS continued

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, 2013, the maturities of MMWEC's investments were as follows:

		Maturity In Years		
Investment Type	Fair Value	Less than 1	1 – 5	Over 5
		(In Thousands)		
U.S. Treasury Securities	$ 78,107	$ 43,713	$ 31,881	$ 2,513
U.S. Agency Securities	140,002	41,594	84,942	13,466
Municipal Bonds	13,025	5,642	7,383	-
Money Market Funds	453	453	-	-
Totals	$ 231,587	$ 91,402	$ 124,206	$ 15,979

At December 31, 2012, MMWEC's investments were as follows:

		Maturity In Years		
Investment Type	Fair Value	Less than 1	1 – 5	Over 5
		(In Thousands)		
U.S. Treasury Securities	$ 110,557	$ 75,000	$ 32,789	$ 2,768
U.S. Agency Securities	134,706	71,274	33,380	30,052
Municipal Bonds	4,078	4,078	-	-
Money Market Funds	1,366	1,366	-	-
Totals	$ 250,707	$ 151,718	$ 66,169	$ 32,820

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.

For the years ended December 31, 2013 and 2012, net unrealized gains on investments totaled $5.1 million and $3.2 million, respectively. The net unrealized gains are excluded from operating revenue and are reported within investment income on the Statements of Revenues, Expenses and Changes in Net Position.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

2. CASH AND INVESTMENTS continued

Interest Rate Risk...continued

During the years ended December 31, 2013 and 2012, investment income consisted of interest income, realized gains/(losses) and unrealized gains/(losses) as follows:

	2013	2012
	(In Thousands)	
Interest income:		
Restricted funds	$ 1,880	$ 1,212
Cash and temporary investments	224	501
Decommissioning funds	1,579	2,273
Total interest income	3,683	3,986
Realized gains:		
Restricted funds	101	512
Cash and temporary investments	40	8
Decommissioning funds	22	181
Net realized gains	163	701
Unrealized gains (losses):		
Restricted funds	(2,737)	(528)
Cash and temporary investments	(593)	(198)
Decommissioning funds	8,383	3,932
Net unrealized gains	5,053	3,206
Total investment income	$ 8,899	$ 7,893

3. SPECIAL FUNDS/RESTRICTED ASSETS

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

3. SPECIAL FUNDS/RESTRICTED ASSETS...continued

Numerous special funds are required by the GBR pursuant to which MMWEC issued its long-term debt. The special funds are invested in accordance with the provisions of the GBR. Certain working capital and other funds are not mandated by the GBR; however, they are invested in accordance with the provisions of the investment policy under the GBR. The restricted net position is less than the total restricted funds shown below as the advances collected from participants are in excess of the related restricted funds. The composition of special funds is as follows:

	2013	2012
	(In Thousands)	
Fund		
Bond Fund Interest, Principal and Retirement Accounts to pay principal and interest on bonds	$ 33,579	$ 35,182
Bond Fund Reserve Account set at the maximum annual interest obligation to make up any deficiencies in the Bond Fund Interest, Principal and Retirement Account	38,643	39,487
Reserve and Contingency Fund to make up deficiencies in the Bond Funds and pay for repairs and extraordinary costs	23,746	24,269
Revenue Fund to receive revenues and disburse them to the Bond Funds and other funds	56,078	57,874
Working Capital Funds to maintain funds to cover operating expenses	22,111	25,946
Capital Reserve Fund to pay Nuclear Capital Expenditures	5,832	4,483
Funds obtained from terminated power purchase contract	9,226	9,359
Other Funds for indemnification or purchase of insurance, funds contributed for an agreement where MMWEC acts as agent and long-term investments for the Peaking Project and fuel line of credit	34,320	26,264
Restricted Special Funds and Interest Receivable	223,535	222,864
Less - current portion	(53,784)	(79,787)
Interest receivable	(485)	(386)
Total Restricted Special Funds, Long-Term	$ 169,266	$ 142,691

For financial reporting purposes, interest receivable has been disclosed separately on the Statements of Net Position.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2013 and 2012 is as follows:

	Balance 1/1/2013	Additions/ Reclassi-fications	Deletions/ Reclassi-fications	Balance 12/31/2013
	(In Thousands)			
Capital assets not being depreciated:				
Land	$ 3,649	$ -	$ -	$ 3,649
Capital assets being depreciated:				
Plant in service	1,373,557	9,931	(339)	1,383,149
Less - accumulated depreciation	815,053	16,282	(171)	831,164
Net plant	$ 562,153	$ (6,351)	$ (168)	$ 555,634

	Balance 1/1/2012	Additions/ Reclassi-fications	Deletions/ Reclassi-fications	Balance 12/31/2012
	(In Thousands)			
Capital assets not being depreciated:				
Land	$ 3,049	$ 600	$ -	$ 3,649
Capital assets being depreciated:				
Plant in service	1,363,887	12,552	(2,882)	1,373,557
Less - accumulated depreciation	802,291	15,566	(2,804)	815,053
Net plant	$ 564,645	$ (2,414)	$ (78)	$ 562,153

A summary of changes in nuclear fuel for 2013 and 2012 is as follows:

Year	Balance at January 1,	Additions	Deletions	Amortization	Balance at December 31,
	(In Thousands)				
2013	$ 29,258	$ 11,020	$ (1,389)	$ (12,049)	$ 26,840
2012	$ 32,809	$ 6,403	$ -	$ (9,954)	$ 29,258

5. SHORT-TERM DEBT

MMWEC maintains a $25 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.

5. SHORT-TERM DEBT continued

Borrowings outstanding under the loan facility were $944,000 and $862,000 as of December 31, 2013 and 2012, respectively. During 2013 and 2012, the maximum outstanding balance under the line of credit was $1.4 million and $1.2 million, respectively. The interest rate for the borrowings under this line of credit after December 31, 2013 is at MMWEC's election prior to the last day of any interest period of either the LIBOR rate plus 1.50% per annum, or at a variable rate selected by MMWEC, which is either the prime rate or the BBA LIBOR Daily Floating Rate plus 1.50%. At December 31, 2013, the outstanding borrowings are at 1.669% (LIBOR 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 April 24, 2014. MMWEC has historically renewed this line of credit annually.

MMWEC also maintains a $15 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. Borrowings outstanding under the loan facility were $4.1 million and $0 as of December 31, 2013 and 2012 respectively. During 2013 and 2012, the maximum outstanding balance under the line of credit was $4.1 million and $0 respectively. The interest rate for the borrowings under this line of credit after December 31, 2013 is at MMWEC's election prior to the last day of any interest period of either the LIBOR rate plus 1.50% per annum, or at a variable rate selected by MMWEC, which is either the prime rate or the BBA LIBOR Daily Floating Rate plus 1.50%. If no such selection is made, the variable rate is in effect. At December 31, 2013, the outstanding borrowings are at 1.669% (LIBOR 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 line of credit expires April 24, 2014. MMWEC has historically renewed this line of credit annually.

The following short-term debt activity occurred in 2013 and 2012:

Year	Balance 1/1	Additions	Payments	Balance 12/31
	(In Thousands)			
2013	$ 862	$ 5,705	$ (1,478)	$ 5,089
2012	$ 811	$ 1,569	$ (1,518)	$ 862

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.

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 2012A Revenue Bonds

On January 26, 2012, MMWEC issued and sold Power Supply Project Revenue Bonds, Series 2012A for Nuclear Mix No. 1, Nuclear Project No. 3, Nuclear Project No. 4, Nuclear Project No. 5 and Project No. 6 (Series 2012A Bonds) in the face amount of $164.8 million. The Series 2012A Bonds were issued at a premium of $14.3 million which is being amortized over the life of the bonds using the effective interest method. The Series 2012A Bonds are payable from and secured by the revenues derived from Nuclear Mix No. 1, Nuclear Project No. 3, Nuclear Project No. 4, Nuclear Project No. 5 and Project No. 6.

The Series 2012A bond proceeds were used to redeem the Series A Bonds prior to maturity at the option of MMWEC at a redemption price of $218.0 million, which was equal to the principal amount of $214.1 million plus accrued interest of $1.7 million and premiums of $2.2 million. The gain on extinguishment of debt is equal to the acceleration of the amortization of the unamortized premiums of $2.6 million related to the Series A Bonds redeemed, offset by the premiums on the redeemed issues.

MMWEC has capitalized the gain on extinguishment of debt, which is being amortized using the effective interest rate method over the terms of the underlying bond agreements.

Interest on the Series 2012A is payable in semi-annual installments beginning July 1, 2012 and on January 1 and July 1 for each year thereafter. The Series 2012A Bonds bear interest at a fixed rate ranging from 3.0% to 5.0% for the various issues.

In 2012, MMWEC paid $858,000 of debt issuance costs in connection with the issuance of the Series 2012A Bonds, which were expensed in the period paid.

Series 2011 Revenue Bonds

Interest on the Series 2011 is payable in semi-annual installments on January 1 and July 1. The Series 2011 Bonds bear interest at a fixed rate ranging from 3.0% to 5.0% for the various issues.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

6. LONG-TERM DEBT...continued

General Bond Resolution and Power Supply System Revenue Bonds continued

Series One Revenue Bonds

The Series One Bonds of each issue are subject to redemption at the option of MMWEC, in whole or in part, at a redemption price of 100% of the principal amount.

Power Supply System Revenue Bonds

At December 31, 2013 and 2012, bonds payable on the accompanying Statement of Net Position consist of serial and variable-rate bonds dated November 2001, June 2011 and January 2012 and are comprised of the following issues:

Issue	Net Interest Cost	December 31, 2013	December 31, 2012
		(In Thousands)	
Nuclear Mix No. 1, Series 2012A (Original Issue $7,520)	0.6%	$ -	$ 3,965
Nuclear Project No. 3, Series 2012A (Original Issue $6,130)	0.6%	-	1,095
Nuclear Project No. 4, Series 2012A (Original Issue $35,275)	0.9%	17,840	30,260
Nuclear Project No. 5, Series 2012A (Original Issue $11,270)	1.0%	6,300	9,820
Project No. 6, Series 2012A (Original Issue $104,570)	1.2%	70,160	94,525
Nuclear Mix No. 1, Series 2011(Original Issue $3,965)	1.9%	2,215	3,965
Nuclear Project No. 3, Series 2011 (Original Issue $31,895)	2.4%	25,985	31,895
Nuclear Project No. 4, Series 2011 (Original Issue $22,065)	2.6%	22,065	22,065
Nuclear Project No. 5, Series 2011 (Original Issue $2,580)	2.7%	2,580	2,580
Project No. 6, Series 2011 (Original Issue $36,180)	3.1%	36,180	36,180
Nuclear Mix No. 1, Series One (Original Issue $11,350)	Variable	2,080	3,680
Nuclear Project No. 3, Series One (Original Issue $62,975)	Variable	18,775	22,875
Nuclear Project No. 4, Series One (Original Issue $35,325)	Variable	5,275	5,275
Nuclear Project No. 5, Series One (Original Issue $9,025)	Variable	4,475	4,475
Project No. 6, Series One (Original Issue $52,100)	Variable	11,350	11,350
Long-term debt		225,280	284,005
Unamortized premium		9,651	16,363
Less: Current maturities, including unamortized premiums		(59,152)	(59,819)
Total Long-Term Debt, net of premiums and current maturities		$ 175,779	$ 240,549

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

6. LONG-TERM DEBT continued

General Bond Resolution continued

Power Supply System Revenue Bonds continued

The estimated fair values of MMWEC's debt, based on similar issuances with similar remaining maturities, are as follows:

Issue	December 31, 2013	December 31, 2012
	(In Thousands)	
Nuclear Mix No. 1, Series 2012A	$ -	$ 4,036
Nuclear Project No. 3, Series 2012A	-	1,108
Nuclear Project No. 4, Series 2012A	18,481	31,903
Nuclear Project No. 5, Series 2012A	6,559	10,368
Project No. 6, Series 2012A	74,359	101,779
Nuclear Mix No. 1, Series 2011	2,256	4,103
Nuclear Project No. 3, Series 2011	27,923	34,790
Nuclear Project No. 4, Series 2011	24,169	24,794
Nuclear Project No. 5, Series 2011	2,839	2,848
Project No. 6, Series 2011	40,959	42,142
Nuclear Mix No. 1, Series One	1,986	3,680
Nuclear Project No. 3, Series One	17,836	22,875
Nuclear Project No. 4, Series One	5,275	5,275
Nuclear Project No. 5, Series One	4,117	4,475
Project No. 6, Series One	9,818	9,818
Total Long-Term Debt at estimated fair value	$ 236,577	$ 303,994

The following is a summary of total estimated debt service requirements for bonds outstanding at December 31, 2013:

	Principal	Interest	Total
		(In Thousands)	
2014	$ 58,170	$ 10,867	$ 69,037
2015	54,600	8,050	62,650
2016	56,715	5,355	62,070
2017	45,115	2,626	47,741
2018	3,570	514	4,084
2019	7,110	346	7,456
Totals	$ 225,280	$ 27,758	$ 253,038

6. LONG-TERM DEBT continued

General Bond Resolution continued

Power Supply System Revenue Bonds continued

Future interest requirements on variable rate debt were calculated using 4.5% per annum.

The interest rates on the Series One variable rate Bonds may be converted, at the option of MMWEC, to a daily, weekly, flexible, term or fixed mode. The realized interest rate on the Series One variable rate Bonds during 2013 and 2012 was .12% and .20%, respectively.

Financial and credit market disruption in 2008 resulted in failed auctions for MMWEC Series One variable rate debt. MMWEC Series One variable rate bonds have subsequently priced at the Maximum Auction Rate. The Maximum Auction Rate means, as of any Auction Date, the product of the Index multiplied by the Auction Mode Multiple. The index on any Auction Date with respect to the Series One Bonds of a particular Issue in any Auction Period of 35 days or less will be the Seven-Day "AA" Composite Commercial Paper Rate on such date. The Auction Mode Multiple, means, as of any Auction Date and with respect to the Series One Bonds of a particular Issue, the Percentage of Index determined based on the prevailing Rating of the Series One Bonds.

At December 31, 2013, the following are the detail terms of all variable rate debt:

Project	2013 Average Auction Rate	Auction Mode
Nuclear Mix No. 1, Series One	.12%	Weekly
Nuclear Project No. 3, Series One	.12%	Weekly
Nuclear Project No. 4, Series One	.12%	Daily
Nuclear Project No. 5, Series One	.12%	Weekly
Project No. 6, Series One	.12%	Daily

The following summarizes changes in long-term debt at face value for 2013 and 2012:

Year	Balance January 1,	Additions	Payments (In Thousands)	Premium at Redemption	Balance December 31,
2013	$ 284,005	$ -	$ (58,725)	$ -	$ 225,280
2012	$ 358,420	$ 164,765	$ (241,321)	$ 2,141	$ 284,005

Interest paid for long-term debt during 2013 and 2012 was $11.9 million and $16.1 million, respectively.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

7. LABOR AGREEMENTS

At December 31, 2013, approximately 28% of MMWEC's 89 employees work under collective bargaining agreements, whose existing labor agreements expires on December 31, 2014. At December 31, 2012, approximately 27% of MMWEC's 88 employees worked under the collective bargaining agreements.

8. 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. No standalone financial statements are issued for the Plans.

All contributions to the plans are authorized by the Board of Directors and made by MMWEC. Since 2008, MMWEC has made additional contributions in excess of the required contributions with the goal of establishing a funding ratio of approximately 100%.

The annual pension cost and net pension asset for both plans as of and for the years ended December 31, 2013 and 2012 are as follows:

	Administration Plan		Union Plan	
	2013	2012	2013	2012
	(In Thousands)			
Annual required contribution	$ 290	$ 315	$ 173	$ 154
Interest on net pension obligation	(531)	(531)	(132)	(137)
Adjustment to annual required contribution	612	599	152	155
Annual pension cost	371	383	193	172
Contributions made	(895)	(891)	(223)	(226)
Increase in net pension asset	(524)	(508)	(30)	(54)
Net pension asset beginning of year	(7,587)	(7,079)	(1,891)	(1,837)
Net pension asset end of year	$ (8,111)	$ (7,587)	$ (1,921)	$ (1,891)

The net pension asset is included in other noncurrent charges on the Statements of Net Position.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

8. BENEFIT PLANS continued

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age normal with frozen initial liability cost method. The actuarial assumptions included a 7.0% investment rate of return and a 3% projected salary increase. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a thirty year open basis. The remaining amortization period at December 31, 2013 was 30 years.

Three-year trend information for MMWEC's pension cost and contributions is as follows:

	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Asset
		(In Thousands)		
Administration Plan				
2011	$ 347	$ 881	253.9%	$ 7,079
2012	383	891	232.6%	7,587
2013	371	895	241.2%	8,111
Union Plan				
2011	$ 147	$ 236	160.5%	$ 1,837
2012	172	226	131.4%	1,891
2013	193	223	115.5%	1,921

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.

A schedule of funding progress for the Plans is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Administrative Plan						
1/1/2012	16,390	16,738	348	97.9%	3,248	10.7%
1/1/2013	18,451	19,302	851	95.6%	3,042	28.0%
Union Plan						
1/1/2012	5,033	5,026	(7)	100.1%	1,469	-0.5%
1/1/2013	5,072	5,414	342	93.7%	1,343	25.5%

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents additional multiyear trend information about whether the actuarial value of assets of each plan are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

8. BENEFIT PLANS continued

In 2007, MMWEC established a defined contribution (DC) pension 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, 2013 and December 31, 2012, MMWEC contributed $174,000 and $151,000 and the employees contributed $16,000 and $12,000, respectively.

MMWEC contributes to an employee savings plan administered by a mutual insurance 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, 2013 and 2012, MMWEC contributed $88,000 and $90,000, respectively, and the employees contributed $129,000 and $132,000, respectively. All employees eligible or participating in the DC pension 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.

9. 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 is a nonoperating joint owner in the W.F. Wyman Unit No. 4, Millstone Unit 3 and Seabrook Station. Electric plant in service and construction work in progress also includes assets related to MMWEC's service company operations, which totaled $5.6 million and $5.3 million in 2013 and 2012, 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, 2013	Amount as of December 31, 2012
			(In Thousands)	
Peaking Project	Stony Brook	172.7	$ 58,643	$ 58,638
Intermediate Project	Stony Brook	321.3	175,924	172,073
Wyman Project	W.F. Wyman No. 4	22.4	8,728	8,725
Nuclear Project No. 3	Millstone Unit 3	39.5	145,173	143,861
Nuclear Mix No. 1	Millstone Unit 3	19.8	59,103	58,446
Nuclear Mix No. 1	Seabrook Station	2.0	10,165	10,087
Nuclear Project No. 4	Seabrook Station	54.0	300,875	298,796
Nuclear Project No. 5	Seabrook Station	13.7	81,478	80,952
Project No. 6	Seabrook Station	74.7	558,811	555,932
Totals			$ 1,398,900	$ 1,387,510

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

10. 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.

Cooperative Name	Other Cooperative Members	Year Founded	Cooperative Purpose
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	Princeton Municipal Light Department and Templeton Municipal Light Department	2007	Financing, owning, constructing and operating wind generation facilities located in the town of Princeton & Templeton
Berkshire Wind Power Cooperative Corporation	Fourteen 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

10. 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 GASB 61, *The Financial Reporting Entity*.

MMWEC billed a total of $500,000 and $986,000 for MMWEC services and outside professional services during 2013 and 2012, respectively, for all cooperatives. At December 31, 2013 and 2012, $158,000 and $416,000 was due to MMWEC from all cooperatives. There were no amounts due to the cooperatives from MMWEC at December 31, 2013 or 2012.

11. CONTRACTS AND COMMITMENTS

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 million, of which 3.65% (or initially $5 million) was MMWEC's share to support Phase I. In 1990, MMWEC's participation share in Phase I changed to 3.45% (or initially $4.8 million). 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 remaining equity balance of $35,000 and $59,000 at December 31, 2013 and 2012, respectively, is included in other noncurrent charges on the Statement of Net Position.

On a limited basis, MMWEC may enter into agreements providing financial assurance to third parties. At December 31, 2013 and 2012, outstanding guarantees consisted of $607,000 and $105,000, respectively, 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 1990, MMWEC entered into a PPA, for a long-term purchase of 21.2 MW (or 7.86%) of the output of an independent power producer (MASSPOWER). In 2005, MMWEC filed a complaint against MASSPOWER alleging that MASSPOWER breached the PPA by ceasing to operate as a dispatchable/baseload unit. In February 2007, the Superior Court, after trial, entered judgment for MASSPOWER. MMWEC appealed that judgment to the Massachusetts Appeals Court, which, in 2008 affirmed the Superior Court's judgment in favor of MASSPOWER.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

11. CONTRACTS AND COMMITMENTS continued

Long-Term Contracts – Power Purchases continued

In May 2007, MMWEC exercised its “must run” right under the PPA, which permits MMWEC to request MASSPOWER to schedule the facility to operate on a must run basis under certain conditions. MASSPOWER refused. MMWEC terminated the PPA for material breach thereof. In July 2007, MASSPOWER sued MMWEC alleging among other claims, breach of the PPA and sought damages equal to the cost associated with the remainder of the PPA term and treble damages.

After hearing cross-motions for summary judgment, on February 13, 2008, the court entered judgment allowing MMWEC’s motion for summary judgment and denying MASSPOWER’S cross motion. On the same day, MASSPOWER appealed the judgment. In November 2008, the Appeals Court held that the Superior Court’s grant of summary judgment was improper as genuine issues of material fact existed. Accordingly, the Appeals Court remanded to the Superior Court for trial MASSPOWER’s claim that MMWEC breached the PPA by terminating it improperly. The Appeals Court also remanded for trial MASSPOWER’s claims that MMWEC violated the implied covenant of good faith and fair dealing and Massachusetts General Laws Chapter 93A, relative to unfair and deceptive trade practices. Trial of MASSPOWER’s claims was held from March 1, 2010 through March 26, 2010, with closing arguments presented on July 14, 2010.

On January 31, 2011, the Superior Court issued its Findings of Fact, Rulings of Law and Order for Judgment. The Superior Court decided in MMWEC’s favor on all counts, except for a portion of one count. The court did hold that MASSPOWER is entitled to reasonable attorney’s fees and costs incurred in prosecuting its Chapter 93A claim. Other than the reasonable attorney's fees and costs that MASSPOWER may recover, MASSPOWER is not entitled to any further damages with respect to this matter. MASSPOWER filed a notice of appeal of the January 31, 2011 Superior Court decision.

As of March 30, 2012, MASSPOWER (through an assignee) and MMWEC executed a settlement agreement, which provided that MASSPOWER and MMWEC waive, release and discharge each other and their respective officers, directors, members, managers, participants, partners, parents, subsidiaries, affiliates, agents and attorneys from any and all existing claims and claims arising from the PPA, whether such claim is based on contract, tort, strict liability, statute, common law or any other basis. Under the terms of the agreement, MMWEC made a payment to MASSPOWER in the amount of $3 million on March 30, 2012 and MASSPOWER withdrew its appeal.

In 2013, MMWEC entered into a twenty-year power purchase agreement with Franklin Power LLC, Greggs Falls Hydroelectric Associates LP, Pembroke Hydro Associates LP and HDI Associates I Partnership for 100% of the output of four hydroelectric generating facilities in New Hampshire with a combined nominal rating at 9.13 MW, effective January 1, 2014. This resource has been subscribed to by thirteen Members.

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. The Hancock Facility is expected to achieve commercial operations on or before December 31, 2015. This resource has been subscribed to by seventeen Members.

11. CONTRACTS AND COMMITMENTS continued

Claims and Judgments

During 2012 and 2011, MMWEC received invoices totaling $0.6 million and $3.5 million, respectively, (cumulatively $4.1 million), from North Atlantic Energy Services Corporation (NAESCO) for costs allegedly related to pensions as associated with NAESCO's former employees at Seabrook. The calculation and basis of those invoices were unclear to MMWEC. MMWEC conveyed its questions to NAESCO. On May 29, 2013, NAESCO (and another Northeast Utilities subsidiary) filed a demand for arbitration against MMWEC seeking payment of those invoices and other pension related costs not yet billed, plus interest, attorneys' fees and arbitration costs. The arbitration is currently in the discovery phase. MMWEC is unable to estimate the amount of Seabrook-related pension expense that may be owed to NAESCO, but MMWEC believes that the amount of these costs, if any, will not be material and that the likelihood MMWEC would be required to pay NAESCO is not probable. MMWEC has not recorded a liability for these potential expenses at December 31, 2013.

In 2009, seven municipal light departments that are Participants under PSAs with MMWEC (Claimants) submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC and the Claimants executed a settlement agreement dated as of July 18, 2013, which provided, in part, that, with the exception of the charges contained in the Monthly Power Costs (as defined in the PSAs), neither party shall pay damages, attorneys' fees or costs to the other party as part of or resulting from the dispute. On August 13, 2013, MMWEC and the Claimants executed and forwarded to the arbitrator a stipulation dismissal of the action with prejudice.

In 2013, a complaint was filed by the owner of property for which MMWEC had recorded an Order of Taking in 2012. The owner is seeking an assessment of damages in connection with taking. To date, no dollar amount demand has been asserted, and MMWEC has not recorded a liability for these potential expenses at December 31, 2013. The assessment of damages, if any, would be collectible under MMWEC's service agreement with the cooperative for which MMWEC recorded the Order of Taking.

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.

12. 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.

12. RISK MANAGEMENT continued

Nuclear Insurance

The Price-Anderson Act (the Act), a federal statute, mandates an industry-wide program of liability insurance for nuclear facilities. The $375 million primary layer of insurance for the liability has been purchased in the commercial insurance market. As adjusted for inflation in 2008, secondary coverage is to be provided through an assessment on each of the currently licensed nuclear units in the United States of approximately $127 million, not to exceed $19 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 $6.1 million and $14.8 million, respectively, limited to payments of $0.9 million and $2.5 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 $0.9 million and $2.5 million assessment for its participation in Millstone Unit 3 and Seabrook Station, respectively, for excess property damage, decontamination and premature decommissioning.

13. 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, 2013, MMWEC has one municipal customer who is considered a significant customer, which accounted for approximately $42.6 million (14%) of MMWEC revenues in 2013. In 2012, MMWEC had two municipal customers who were considered significant customers, which accounted for approximately $39.0 million (14%) and $27.9 million (10%) respectively of MMWEC revenues. As of December 31, 2013, one municipal customer had a significant account receivable balance of $3.9 million (11%). At December 31, 2012, there were no customers with significant account receivable balances.

14. ENVIRONMENTAL AND OTHER ISSUES

Nothing has come to management's attention concerning any material pollution liability claims made during 2013 and 2012 or outstanding as of December 31, 2013 and 2012.

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, 2013 and 2012, MMWEC has $10.9 million and $11.4 million, respectively, recorded in restricted special funds related to the trust fund with a corresponding liability in the same amount, representing advances from Members.

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

14. ENVIRONMENTAL AND OTHER ISSUES continued

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.

15. 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 9 – Project Joint Ownership Agreements. Following is a summary of the financial information for each Project.

	2013				
	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6
CONDENSED STATEMENT OF NET POSITION					
Assets:					
Advances from projects	$ (36)	$ (55)	$ (87)	$ (26)	$ (126)
Other current assets	4,957	12,342	19,427	4,962	34,482
Noncurrent assets	21,416	41,764	41,841	11,119	85,530
Capital assets, net	32,409	63,563	157,939	42,222	278,830
Total assets	58,746	117,614	219,120	58,277	398,716
Liabilities:					
Current liabilities	10,658	26,556	37,997	10,093	62,541
Noncurrent liabilities	48,063	90,482	180,704	48,108	335,328
Total liabilities	58,721	117,038	218,701	58,201	397,869
Deferred inflows of resources	25	576	419	76	847
Net position:					
Net investment in capital assets	$ 27,235	$ 18,268	$ 103,133	$ 26,589	$ 169,443
Restricted for general bond resolution	4,421	8,877	(2,066)	(485)	2,587
Unrestricted	(31,656)	(27,145)	(101,067)	(26,104)	(172,030)
Total net position	$ -	$ -	$ -	$ -	$ -

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

15. SEGMENT INFORMATION...continued

	2013				
	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$ 13,001	$ 25,814	$ 30,257	$ 7,933	$ 52,011
Depreciation	(894)	(1,819)	(3,967)	(1,066)	(7,152)
Other operating expenses	(6,601)	(11,926)	(15,126)	(3,890)	(21,043)
Operating income (loss)	5,506	12,069	11,164	2,977	23,816
Non-operating revenues (expenses):					
Investment income	1,245	2,214	2,473	636	3,182
Interest expense on long-term debt	(215)	(1,530)	(2,259)	(498)	(5,941)
Other nonoperating revenues	169	953	1,650	371	4,092
(Increase) decrease in amounts payable under terms of the power sales agreements	(6,705)	(13,706)	(13,028)	(3,486)	(25,149)
Total non-operating revenues (expenses)	(5,506)	(12,069)	(11,164)	(2,977)	(23,816)
Change in net position	-	-	-	-	-
Net position, beginning of year	-	-		-	-
Net position, end of year	$ -	$ -	$	$ -	$ -
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided by (used in):					
Operating activities	$ 5,583	$ 11,441	$ 21,968	$ 5,807	$ 41,569
Investing activities	1,307	115	(2,588)	(758)	(7,390)
Capital and related financing activities	(8,350)	(13,695)	(21,618)	(5,783)	(40,105)
Net change in cash and cash equivalents	1,460	2,139	(2,238)	(734)	(5,926)
Cash and cash equivalents, beginning of year	3,034	6,894	7,958	2,079	25,263
Cash and cash equivalents, end of year	$ 1,574	$ 4,755	$ 5,720	$ 1,345	$ 19,337

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

15. SEGMENT INFORMATION...continued

	2012				
	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6
CONDENSED STATEMENT OF NET POSITION					
Assets:					
Advances from projects	$ (45)	$ (65)	$ (68)	$ (25)	$ (103)
Other current assets	8,121	15,427	22,677	6,112	38,974
Noncurrent assets	19,351	37,354	35,710	9,281	76,225
Capital assets, net	33,915	66,804	159,070	42,572	282,071
Total assets	61,342	119,520	217,389	57,940	397,167
Liabilities:					
Current liabilities	15,957	29,781	36,692	9,900	59,415
Noncurrent liabilities	45,328	89,065	180,139	47,938	336,681
Total liabilities	61,285	118,846	216,831	57,838	396,096
Deferred inflows of resources	57	674	558	102	1,071
Net position:					
Net investment in capital assets	21,027	9,494	$ 89,836	$ 22,920	$ 143,492
Restricted for general bond resolution	5,046	7,092	7,022	2,044	16,481
Unrestricted	(26,073)	(16,586)	(96,858)	(24,964)	(159,973)
Total net position	$ -	$ -	$ -	$ -	$ -
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$ 14,040	$ 23,329	$ 32,723	$ 8,682	$ 55,329
Depreciation	(873)	(1,782)	(3,874)	(1,043)	(7,023)
Other operating expenses	(5,686)	(10,014)	(16,013)	(4,126)	(22,237)
Operating income (loss)	7,481	11,533	12,836	3,513	26,069
Non-operating revenues (expenses):					
Investment income	923	1,795	1,648	413	2,759
Interest expense on long-term debt	(493)	(1,916)	(2,926)	(701)	(7,445)
Other nonoperating revenues	283	1,113	1,750	395	3,972
(Increase) decrease in amounts payable under terms of the power sales agreements	(8,194)	(12,525)	(13,308)	(3,620)	(25,355)
Total non-operating revenues (expenses)	(7,481)	(11,533)	(12,836)	(3,513)	(26,069)
Change in net position	-	-	-	-	-
Net position, beginning of year	-	-		-	-
Net position, end of year	$ -	$ -	$	$ -	$ -

Massachusetts Municipal Wholesale Electric Company

Notes to Financial Statements
Years Ended December 31, 2013 and 2012

15. SEGMENT INFORMATION...continued

	2012				
	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided by (used in):					
Operating activities	$ 11,255	$ 19,071	$ 20,315	$ 5,522	$ 38,696
Investing activities	2,817	5,429	6,726	1,857	22,611
Capital and related financing activities	(12,080)	(19,234)	(21,021)	(5,816)	(38,995)
Net change in cash and cash equivalents	1,992	5,266	6,020	1,563	22,312
Cash and cash equivalents, beginning of year	1,042	1,628	1,938	516	2,951
Cash and cash equivalents, end of year	$ 3,034	$ 6,894	$ 7,958	$ 2,079	$ 25,263

16. SUBSEQUENT EVENTS

MMWEC has evaluated subsequent events through March 31, 2014, 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, 2013 other than those already disclosed.

SUPPLEMENTARY INFORMATION

Massachusetts Municipal Wholesale Electric Company

Project Statement of Net Position
December 31, 2013
(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6	PEAKING	INTERMEDIATE	WYMAN	HYDRO QUEBEC PHASE II	TOTAL
ASSETS											
Current assets:											
Cash and temporary investments	$ 1,451	$ -	$ -	$ -	$ -	$ -	$ 3,621	$ 5,561	$ 981	$ -	$ 11,614
Accounts receivable	15,730	925	2,321	3,729	983	6,269	393	8,786	169	39	39,344
Unbilled revenues	19,414	-	-	-	-	-	-	-	-	-	19,414
Inventories	3,705	106	-	2,821	714	3,907	3,215	18,257	2,317	-	35,042
Advances to (from) projects	627	(36)	(55)	(87)	(26)	(126)	(213)	(74)	(10)	-	-
Prepaid expenses	449	123	224	280	71	387	20	100	6	-	1,660
Current portion of restricted special funds	367	3,803	9,797	12,597	3,194	23,919	-	107	-	-	53,784
Total current assets	41,743	4,921	12,287	19,340	4,936	34,356	7,036	32,737	3,463	39	160,858
Noncurrent assets:											
Restricted assets:											
Restricted special funds	41,738	7,376	15,375	20,271	5,658	55,617	8,360	14,398	473		169,266
Interest receivable	155	25	48	59	17	121	18	42	-	-	485
Noncurrent charges:											
Nuclear decommissioning trust	-	12,285	22,987	20,247	5,125	28,042	-	-	-	-	88,686
Other noncurrent charges	13,615	1,730	3,354	1,264	319	1,750	44	2,188	(20)	35	24,279
Total noncurrent assets	55,508	21,416	41,764	41,841	11,119	85,530	8,422	16,628	453	35	282,716
Capital assets:											
In service	5,509	68,260	143,464	296,853	80,460	553,241	58,628	171,655	8,728	-	1,386,798
Accumulated depreciation	(3,254)	(38,600)	(84,469)	(151,360)	(41,384)	(291,667)	(56,495)	(156,325)	(7,610)	-	(831,164)
Construction work in progress	89	1,008	1,708	4,021	1,018	5,570	15	4,269	-	-	17,698
Nuclear fuel, net of amortization	-	1,741	2,860	8,425	2,128	11,686	-	-	-	-	26,840
Total capital assets	2,344	32,409	63,563	157,939	42,222	278,830	2,148	19,599	1,118	-	600,172
Total assets	$ 99,595	$ 58,746	$ 117,614	$ 219,120	$ 58,277	$ 398,716	$ 17,606	$ 68,964	$ 5,034	$ 74	$ 1,043,746
LIABILITIES											
Current liabilities:											
Accounts payable	$ 1,382	$ 183	$ 244	$ 1,619	$ 410	$ 2,243	$ 2	$ 393	$ 239	$ 12	$ 6,727
Member and Participant advances	20,076	6,084	13,413	21,575	5,776	30,830	3,864	19,301	2,463	62	123,444
Short-term debt	5,089	-	-	-	-	-	-	-	-	-	5,089
Accrued expenses	19,579	70	678	1,613	362	3,593	66	789	22	-	26,772
Current liabilities payable from restricted assets:											
Current maturities of long-term debt, net of premiums	-	4,321	12,221	13,190	3,545	25,875	-	-	-	-	59,152
Total current liabilities	46,126	10,658	26,556	37,997	10,093	62,541	3,932	20,483	2,724	74	221,184
Noncurrent liabilities:											
Long-term debt, net of premiums and current maturities	-	-	33,771	33,804	10,179	98,025	-	-	-	-	175,779
Asset retirement obligations	-	8,393	13,645	41,229	10,436	57,100	-	-	484	-	131,287
Amounts payable under terms of the power sales agreements	10,292	39,670	43,066	105,671	27,493	180,203	11,007	32,688	1,826	-	451,916
Long-term member and participant advances	43,177	-	-	-	-	-	2,667	15,793	-	-	61,637
Total noncurrent liabilities	53,469	48,063	90,482	180,704	48,108	335,328	13,674	48,481	2,310	-	820,619
DEFERRED INFLOWS OF RESOURCES											
Deferred gain on extinguishment of debt, net of amortization	-	25	576	419	76	847	-	-	-	-	1,943
Total liabilities and deferred inflows of resources	$ 99,595	$ 58,746	$ 117,614	$ 219,120	$ 58,277	$ 398,716	$ 17,606	$ 68,964	$ 5,034	$ 74	$ 1,043,746
NET POSITION											
Net investment in capital assets	$ 2,344	$ 27,235	$ 18,268	$ 103,133	$ 26,589	$ 169,443	$ 2,149	$ 19,577	$ 1,084	$ -	$ 369,822
Restricted for:											
General bond resolution	-	4,421	8,877	(2,066)	(485)	2,587	-	-	-	-	13,334
Unrestricted	(2,344)	(31,656)	(27,145)	(101,067)	(26,104)	(172,030)	(2,149)	(19,577)	(1,084)	-	(383,156)
Total net position	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Massachusetts Municipal Wholesale Electric Company

Project Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2013
(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6	PEAKING	INTERMEDIATE	WYMAN	HYDRO QUEBEC PHASE II	TOTAL
Operating revenues:											
Revenues	$ 152,602	$ 13,001	$ 25,814	$ 30,257	$ 7,933	$ 52,011	$ 3,379	$ 23,082	$ 1,857	$ 326	$ 310,262
Operating expenses:											
Fuel used in electric generation	-	1,247	2,205	3,874	982	5,384	516	9,192	1,153	-	24,553
Purchased power	147,676	-	-	-	-	-	-	-	-	335	148,011
Other operating	4,099	3,438	6,067	9,047	2,350	12,606	2,280	6,538	679	-	47,104
Maintenance	69	1,397	2,694	1,208	306	1,672	323	2,704	-	-	10,373
Depreciation	446	894	1,819	3,967	1,066	7,152	110	759	69	-	16,282
Taxes other than income	154	519	960	997	252	1,381	325	1,003	54	-	5,645
Total operating expenses	152,444	7,495	13,745	19,093	4,956	28,195	3,554	20,196	1,955	335	251,968
Operating income (loss)	158	5,506	12,069	11,164	2,977	23,816	(175)	2,886	(98)	(9)	58,294
Non-operating revenues (expenses):											
Investment income	(661)	1,245	2,214	2,473	636	3,182	(49)	(130)	(20)	9	8,899
Interest expense on long-term debt	(80)	(215)	(1,530)	(2,259)	(498)	(5,941)	(7)	(38)	-	-	(10,568)
Amortization of premium	-	144	849	1,509	345	3,864	-	-	-	-	6,711
Amortization of gain on extinguishment of debt	-	32	98	139	26	224	-	-	-	-	519
Interest charged to projects during construction	-	(7)	6	2	-	4	-	-	-	-	5
(Increase) decrease in amounts payable under terms of the power sales agreements	583	(6,705)	(13,706)	(13,028)	(3,486)	(25,149)	231	(2,718)	118	-	(63,860)
Total non-operating revenues (expenses)	(158)	(5,506)	(12,069)	(11,164)	(2,977)	(23,816)	175	(2,886)	98	9	(58,294)
Change in net position	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Massachusetts Municipal Wholesale Electric Company

Project Statement of Cash Flows
Year Ended December 31, 2013
(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT PROJ. 6	PEAKING	INTERMEDIATE	WYMAN	HYDRO QUEBEC PHASE II	TOTAL
Cash flows from operating activities:											
Received from sales to members and participants	$ 144,212	$ 12,346	$ 24,003	$ 32,208	$ 8,466	$ 55,631	$ 3,535	$ 19,318	$ 2,532	$ 251	$ 302,502
Paid to suppliers for goods and services	(151,080)	(6,763)	(12,562)	(10,240)	(2,659)	(14,062)	(3,013)	(26,846)	(3,412)	(300)	(230,937)
Net cash provided by (used in) operating activities	(6,868)	5,583	11,441	21,968	5,807	41,569	522	(7,528)	(880)	(49)	71,565
Cash flows from investing activities:											
Net maturities and purchases of investments	1,299	1,285	140	(2,591)	(764)	(7,098)	(1,225)	3,300	1,033	-	(4,621)
Investment income (loss) received	(688)	22	(25)	3	6	(292)	(58)	(145)	(17)	9	(1,185)
Net cash provided by (used in) investing activities	611	1,307	115	(2,588)	(758)	(7,390)	(1,283)	3,155	1,016	9	(5,806)
Cash flows from capital and related financing activities:											
Construction expenditures and purchases of nuclear fuel	(200)	(480)	(487)	(6,257)	(1,583)	(8,666)	(5)	(3,851)	(3)	-	(21,532)
Proceeds from issuance of short-term debt	5,705	-	-	-	-	-	-	-	-	-	5,705
Principal payments on long-term debt	-	(7,315)	(11,105)	(12,420)	(3,520)	(24,365)	-	-	-	-	(58,725)
Principal payments on short-term debt	(1,478)	-	-	-	-	-	-	-	-	-	(1,478)
Decommissioning trust payments	-	(219)	(408)	(367)	(93)	(509)	-	-	-	-	(1,596)
Debt issuance costs paid	-	(1)	(1)	(4)	(1)	(13)	-	-	-	-	(20)
Interest payments on long-term debt	(81)	(335)	(1,694)	(2,570)	(586)	(6,552)	(6)	(33)	-	-	(11,857)
Net cash provided by (used in) capital and related financing activities	3,946	(8,350)	(13,695)	(21,618)	(5,783)	(40,105)	(11)	(3,884)	(3)	-	(89,503)
Net change in cash and cash equivalents	(2,311)	(1,460)	(2,139)	(2,238)	(734)	(5,926)	(772)	(8,257)	133	(40)	(23,744)
Cash and cash equivalents, beginning of year	14,937	3,034	6,894	7,958	2,079	25,263	2,644	10,687	848	40	74,384
Cash and cash equivalents, end of year	$ 12,626	$ 1,574	$ 4,755	$ 5,720	$ 1,345	$ 19,337	$ 1,872	$ 2,430	$ 981	$ -	$ 50,640
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:											
Operating income (loss)	$ 158	$ 5,506	12,069	$ 11,164	$ 2,977	$ 23,816	$ (175)	$ 2,886	$ (98)	$ (9)	$ 58,294
Noncash items included in operating income:											
Depreciation	446	894	1,819	3,967	1,066	7,152	110	759	69	-	16,282
Amortization of nuclear fuel and accretion of ARO	-	1,488	2,572	5,383	1,363	7,473	-	-	20	-	18,299
Changes in assets and liabilities:											
(Increase) decrease in:											
Accounts receivable	(3,552)	173	(145)	(472)	(133)	(743)	(176)	(7,823)	69	(10)	(12,812)
Unbilled revenues	(5,240)	-	-	-	-	-	-	-	-	-	(5,240)
Inventories	(3,705)	(6)	-	(172)	(43)	(238)	360	(6,704)	(1,766)	-	(12,274)
Prepaid expenses	(105)	(15)	(33)	28	7	40	(3)	(49)	-	-	(130)
Other noncurrent charges	(526)	(356)	(779)	925	234	1,283	2	45	10	24	862
Increase (decrease) in:											
Accounts payable	(2,912)	(1,099)	(2,102)	(1,206)	(306)	(1,669)	(1)	(628)	239	11	(9,673)
Member and participant advances	446	(837)	(1,676)	2,442	667	4,386	385	3,944	600	(65)	10,292
Accrued expenses	8,122	(165)	(284)	(91)	(25)	69	20	42	(23)	-	7,665
Net cash provided by (used in) operating activities	$ (6,868)	$ 5,583	$ 11,441	$ 21,968	$ 5,807	$ 41,569	$ 522	$ (7,528)	$ (880)	$ (49)	$ 71,565
Reconciliation of cash ad cash equivalents to the balance sheet:											
Cash and temporary investments	$ 1,451	$ -	$ -	$ -	$ -	$ -	$ 3,621	$ 5,561	$ 981	$ -	$ 11,614
Restricted special funds - noncurrent	42,105	11,179	25,172	32,868	8,852	79,536	8,360	14,505	473	-	223,050
Total cash and investments	43,556	11,179	25,172	32,868	8,852	79,536	11,981	20,066	1,454	-	234,664
Less - long-term investments	(30,930)	(9,605)	(20,417)	(27,148)	(7,507)	(60,199)	(10,109)	(17,636)	(473)	-	(184,024)
Total cash and cash equivalents	$ 12,626	$ 1,574	$ 4,755	$ 5,720	$ 1,345	$ 19,337	$ 1,872	$ 2,430	$ 981	$ -	$ 50,640

Massachusetts Municipal Wholesale Electric Company

Debt Service Coverage Calculation
Years Ended December 31, 2013 and 2012

NET REVENUE AVAILABLE FOR DEBT SERVICE

In accordance with the provisions of MMWEC's GBR, MMWEC covenants that it shall fix, revise and collect rates, tolls, rents and other fees and charges sufficient to produce revenues to pay all Project operating and maintenance expenses, and principal, premium, if any, and interest on the Bonds. Revenues for each Project, which include applicable interest earnings from investments, are required to equal 1.10 times the annual debt service for each contract year ending June 30, after deduction of certain operating and maintenance expenses and exclusive of depreciation. As such, the balances included in the table below do not reflect December 31 balances. For the contract years ended June 30, 2013 and 2012, MMWEC met the GBR debt service coverage requirements for all of MMWEC's Projects.

	Contract Year Ended June 30,	
	2013	2012
Revenues	$ 127,552	$ 125,387
Other billings	-	-
Reserve and contingency fund billings	7,522	7,522
Total	135,074	132,909
Less – operating and maintenance expenses	(55,463)	(50,066)
Available revenues net of expenses	$ 79,611	$ 82,843
Debt service requirement	$ 72,114	$ 75,340
Coverage (110% required)	110%	110%

REQUIRED SUPPLEMENTARY INFORMATION

Massachusetts Municipal Wholesale Electric Company

Pension Schedules of Funding Progress
December 31, 2013
(in Thousands)

A schedule of funding progress for the Plans is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Administrative Plan						
1/1/2008	13,755	17,213	3,458	79.9%	4,825	71.7%
1/1/2009	10,917	15,642	4,725	69.8%	3,718	127.1%
1/1/2010	13,077	15,578	2,501	83.9%	3,549	70.5%
1/1/2011	15,919	16,004	85	99.5%	3,321	2.6%
1/1/2012	16,390	16,738	348	97.9%	3,248	10.7%
1/1/2013	18,451	19,302	851	95.6%	3,042	28.0%
Union Plan						
1/1/2008	3,569	3,981	412	89.7%	1,604	25.7%
1/1/2009	2,697	3,940	1,243	68.5%	1,430	86.9%
1/1/2010	4,108	4,272	164	96.2%	1,492	11.0%
1/1/2011	4,832	4,636	(196)	104.2%	1,469	-13.3%
1/1/2012	5,033	5,026	(7)	100.1%	1,469	-0.5%
1/1/2013	5,072	5,414	342	93.7%	1,343	25.5%

Massachusetts Municipal Wholesale Electric Company

Pension Schedules of Employer Contributions
December 31, 2013
(In Thousands)

Six-year trend information for MMWEC's pension cost and contributions is as follows:

	Employer Contributions			
	Administration Plan		Union Plan	
Year Ended December 31,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	769	547.1%	211	146.9%
2009	940	111.2%	286	333.8%
2010	668	248.4%	182	242.6%
2011	284	310.1%	130	181.5%
2012	315	282.7%	154	146.8%
2013	289	309.1%	173	128.8%

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:

	Administration Plan	Union Plan
Valuation date	1/1/2013	1/1/2013
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