

Financing/Construction

MMWEC Stony Brook Unit 3

Financial Structure

Under its enabling legislation, as a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts, MMWEC is authorized to issue tax-exempt revenue bonds to finance energy facilities required to meet the needs of its Project Participant utilities. Using this authority, MMWEC has issued more than \$4.4 billion in bonds to finance and refinance its 720-megawatt ownership interest in five New England power plants. Participants in MMWEC's Power Supply Projects include 28 Massachusetts municipal utilities, the Pascoag (RI) Utility District and six Vermont utilities.

Security for MMWEC bonds is provided through take-or-pay Power Sales Agreements (PSAs) between MMWEC and its Project Participants. The PSAs obligate Project Participants to pay their proportionate share of the debt service on MMWEC's bonds, project operating costs and MMWEC administrative costs. The ownership and financial structure for the Stony Brook Intermediate Unit, which is operated and principally owned by MMWEC, includes Joint Ownership Agreements between MMWEC and two Vermont utilities.

MMWEC is planning to use a similar structure in financing Stony Brook Unit 3. Currently, 24 municipal utilities have subscribed to approximately 180 megawatts of new unit capacity. MMWEC has completed the drafting of Power Sales Agreements that will be executed with these utilities. The balance of new unit capacity is being marketed by MMWEC to entities eligible to sign PSAs with MMWEC and/or entities interested in entering into a Joint Ownership Agreement with MMWEC.

Once the new unit is fully subscribed and PSAs or a combination of PSAs and Joint Ownership Agreements are in place, MMWEC will issue an amount of bonds sufficient to finance the PSA share of unit construction costs. Entities with joint ownership in the unit will be responsible individually for financing their share of unit costs, pursuant to the requirements of a Joint Ownership Agreement.

Construction Process/Schedule

As the principal owner of the new unit, MMWEC will be responsible for construction and operation of Stony Brook Unit 3. Currently, MMWEC is planning to issue separate Requests for Proposals for Original Equipment Manufacturers (OEMs) and Engineer/Procure/Construct (EPC) contractors to provide the equipment and services needed to complete construction.

Commercial operation has been scheduled for 2015 but is currently being assessed in light of market conditions and a recent FERC decision, which if upheld will impact capacity revenues for new plants.

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