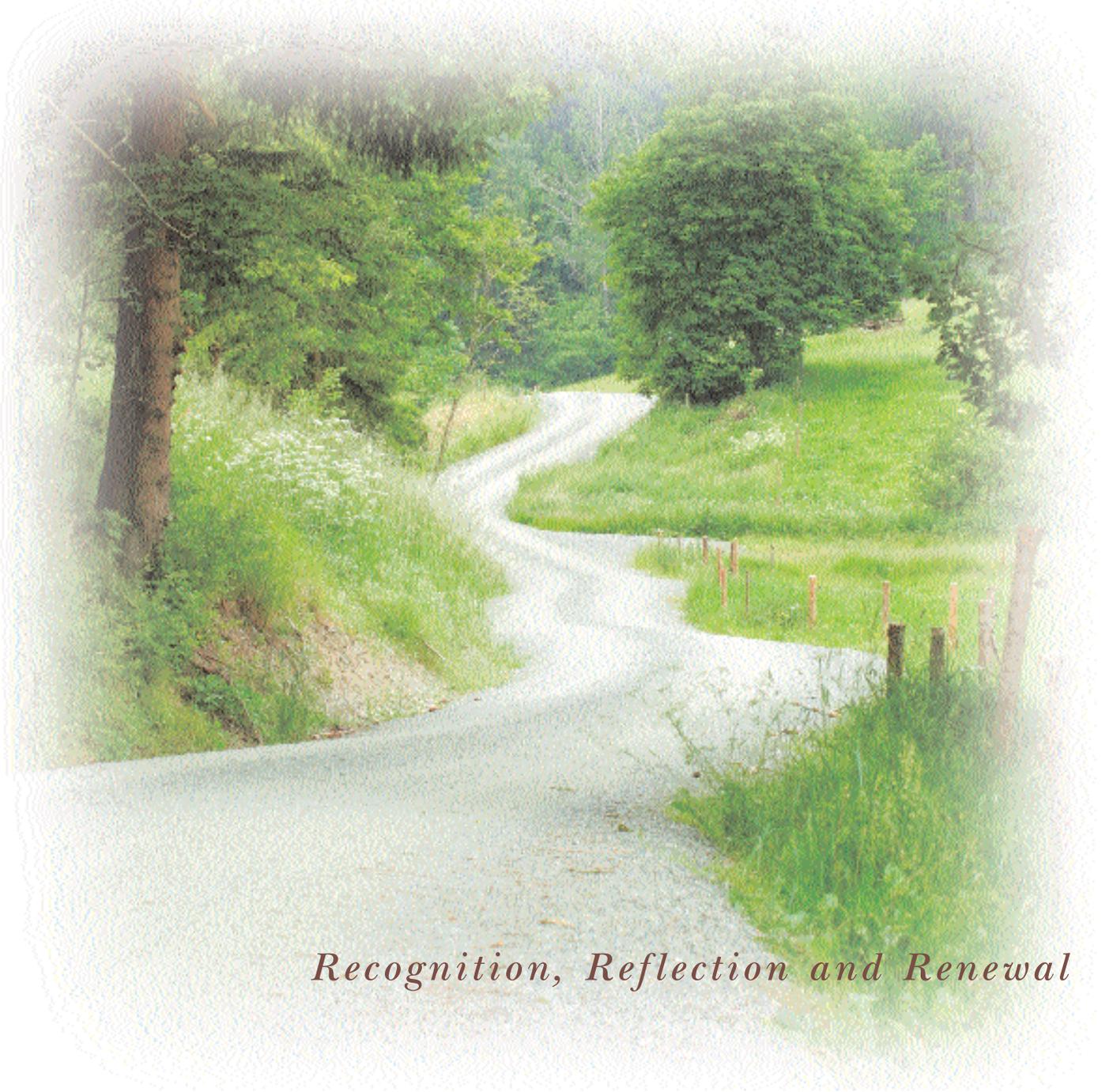


2005 Annual Report

Massachusetts Municipal Wholesale Electric Company



Recognition, Reflection and Renewal



Members

Ashburnham
Belmont
Boylston
Concord
Danvers
Georgetown
Groton
Hingham
Holden
Holyoke
Hull
Ipswich
Littleton
Mansfield
Marblehead
Middleton
Paxton
Peabody
Rowley
Shrewsbury
Sterling
Templeton
Wakefield
West Boylston
Westfield

Project Participants

Ashburnham
Boylston
Braintree
Danvers
Georgetown
Groton
Hingham
Holden
Holyoke
Hudson
Hull
Ipswich
Littleton
Mansfield
Marblehead
Middleborough
Middleton
North Attleborough
Paxton
Peabody
Reading
Shrewsbury
South Hadley
Sterling
Templeton
Wakefield
West Boylston
Westfield
Pascoag (RI)
Green Mountain Power*
Hardwick*
Ludlow*
Stowe*
Swanton*
Morrisville*
* Vermont utilities

30 Years and Counting

Anniversaries, particularly those marking decades of existence, usually are a time to recognize milestone achievements. They also are a time of reflection and renewal, when assessing where you are and how you got there can provide important direction for the future.

MMWEC has reached such an anniversary, marking 30 years as a public corporation. Consequently, this year's annual report will include a measure of milestone recognition, although the report's primary focus will be on the immediate past and future. As the MMWEC organization reexamines its purpose and direction in the context of industry and marketplace change, the goal is to be more aggressive in meeting the evolving needs of the Massachusetts public power community.

May 1976

*MMWEC becomes
a non-profit, public
corporation and
political subdivision
of the Commonwealth
of Massachusetts
under Chapter 775
of the Acts of 1975,
empowered to issue
tax-exempt revenue
bonds to finance
an independent
municipal
power supply.*

Rising to the Challenges of Change

The work of MMWEC actually began long before its May 27, 1976 inauguration as a public corporation. Beginning in 1969, as a Massachusetts Business Trust, MMWEC coordinated the sundry activities that paved the way for the organization to become a non-profit, public corporation with authority under state law to issue tax-exempt revenue bonds to finance a municipal power supply. However, the establishment of MMWEC as a public corporation is what enabled it to begin construction of an independent, public power supply, with the benefits flowing to Massachusetts municipal utilities.

Thirty years ago, public power pioneer and MMWEC President Francis H. King described MMWEC's first bond issue as "a culmination of years of determined effort by the municipals to make effective use of public financing to hold down electric costs." At the same time, he praised MMWEC as the "vehicle by which Massachusetts municipal electric systems have at long last gained effective participation in the affairs of the New England utility industry," a role that developed "on the strength of sheer persistence" by municipal utilities in the face of towering legal and regulatory hurdles.

Reflecting on Frank King's words, his descriptions of the capabilities and purpose of MMWEC hold true today. However, the utility industry and the position of municipal utilities within that industry are very different than they were 30 years ago.

For example, the bonds issued to finance MMWEC's ownership in more than 700 megawatts of generating capacity are reaching retirement, and once again there is a need for significant additions to the power supply to meet municipal utility needs. Today, due to structural changes in the industry, municipal utilities are well-positioned to meet their needs through the joint ownership of new generating facilities, while deregulation essentially has foreclosed that option for many of the region's investor-owned utilities.

In addition, the technical requirements and costs for municipal utilities to participate effectively in the wholesale marketplace – from conducting daily transactions to influencing policy changes – have grown exponentially in recent years. Marketplace changes increasingly carry adverse cost impacts for consumers, and the rights of marketplace stakeholders like MMWEC and municipal utilities are eroding under the weight of federal mandates. The

“sheer persistence” of municipal utilities is facing legal and regulatory hurdles that tower ever-higher.

To address these and other challenges, the MMWEC organization has launched a number of initiatives to renew the excitement and support for public power joint action in Massachusetts, including:

- The MMWEC Board of Directors is exploring changes in the organization’s governance structure and strategic direction so that it can be more aggressive in meeting the diverse needs of Massachusetts municipal utilities.
- MMWEC is investigating forward-looking changes in its organizational structure and services aimed at expanding its membership.
- The organization recently welcomed Glenn O. Steiger as its new General Manager, bringing a seasoned utility executive with proven coalition-building skills to the top management position.
- MMWEC is increasing its focus on Enterprise Risk Management and internal audits as a way to identify, prioritize and address risk exposures.
- MMWEC is reaching out to all 40 Massachusetts municipal utilities as well as public power organizations in other New England states to discuss and pursue construction of a new baseload generating facility to be owned by public power entities, and to pursue other resource options as well.

These and other activities are part of a plan for MMWEC to emerge as a stronger and more effective proponent of public power, enabling the organization to continue making “effective use of public financing to hold down electric costs,” carrying Frank King’s 30-year-old proclamation of MMWEC’s purpose into the coming decades.

Finance

MMWEC reached a major financial milestone on July 1, 2005, retiring the last pieces of debt issued to finance construction of the Stony Brook Peaking Unit, a 170-megawatt, oil-fired peaking facility owned and operated by MMWEC.

In 1980, MMWEC issued \$85.2 million in tax-exempt power supply revenue bonds for the Peaking Unit, which provides power to 22 Massachusetts municipal utilities that contracted with MMWEC to pay the unit’s costs, including debt service on the bonds. The Peaking Unit debt was refinanced over the years, but all of the remaining debt associated with the unit was retired on July 1, eliminating debt service payments of about \$5 million per year for the Peaking Unit participants. Now, these participants pay only MMWEC’s costs for operating and maintaining the unit.

In the coming years, through 2019, the approximate \$784 million in MMWEC bonds outstanding also will be retired. The MMWEC debt issued to finance construction of the 320-megawatt Stony Brook Intermediate Unit, as well as the debt issued to finance MMWEC’s 22.4-megawatt ownership in Wyman Unit No. 4, will be retired in 2008. MMWEC also has outstanding debt associated with

November 1981

MMWEC's

320-megawatt Stony

Brook Intermediate

Unit, the first major

power plant in New

England built by

and for consumer-

owned utilities,

enters commercial

operation. The

170-megawatt Stony

Brook Peaking Unit

is fully operational

a year later.

its 134.6-megawatt ownership in Seabrook Station and its 55.5-megawatt ownership in Millstone Unit No. 3, which will be retired in 2019 and 2018, respectively.

There may be new bonds issued to finance additions to the MMWEC power supply in years ahead, but the retirement of bonds associated with the existing power supply is evidence that the financing structure established in 1976 is working as planned, providing municipal utilities with affordable power to meet their energy and capacity requirements.

Also in 2005, MMWEC received a favorable credit report from Standard & Poor's Ratings Services, which raised its credit rating on one of MMWEC's seven power supply projects from BBB+ to A-. Following its annual review of MMWEC credit ratings, Standard & Poor's reaffirmed its ratings on the remaining six projects and assigned a stable outlook to all of its MMWEC ratings. The ratings reaffirmed in the report include A-ratings on four projects and BBB+ ratings on two others. The Standard & Poor's action reflects the stable and improving credit quality of MMWEC and its project participants.

In addition, largely due to unprecedented increases in fuel and power costs, MMWEC increased its borrowing limits under two lines of credit in 2005. With oil prices rising and natural gas shortages looming after hurricanes damaged the Gulf Coast's natural gas production and delivery facilities, MMWEC decided to increase the line of credit it uses to finance oil purchases for the Stony Brook plant from \$10 million to \$15 million. In line with relevant risk management criteria, MMWEC used the added credit to help make sure Stony Brook's oil supply was adequate for the winter of 2005-06.

MMWEC also maintains a line of credit to supplement its members' working capital accounts, which are used primarily for the payment of members' weekly interchange bills from ISO New England. Using working capital funds, MMWEC pays its members' ISO interchange bills, which reflect each member's purchases and sales of wholesale power market products, and then recovers its payments through monthly billings to members. While the average monthly interchange bill settled by MMWEC was increasing from \$6.5 million in 2004 to \$13.4 million in 2005, MMWEC decided to increase its working capital line of credit from \$5 million to \$10 million.

The lines of credit, along with numerous other MMWEC programs and services, help to ensure that the MMWEC members have the necessary resources in place to meet their financial requirements.

Power Supply

Early in 2006, MMWEC conducted a series of meetings with municipal utilities to discuss their power supply needs and resource options in the years ahead. MMWEC's power supply forecasts have identified a membership need for more than 400 megawatts of new resources by 2010, and its studies of power supply options recommend a balanced and diverse portfolio of resources to meet those needs.

After completing a comprehensive analysis of available resources, MMWEC is recommending that its members pursue a power supply plan that includes new generating units, bilateral contracts, and spot market purchases, as well as renewable and other resources. Such diversity will spread power supply risks across a wide range of resources and provide hedges against the unpredictable volatility of the wholesale power marketplace.

To begin meeting its members' baseload power needs, MMWEC is pursuing development of a new 280-megawatt, combined-cycle generating unit to be owned by public power entities. Approximately 195 megawatts of the new unit is intended to meet a portion of the members' baseload power needs, while the balance would be available to other New England public power entities, including the non-member Massachusetts municipal utilities. Interest among municipal utilities in building such a unit is high, and MMWEC currently is working to complete preliminary project work and develop an appropriate legal and financial structure for the project.

The ability of most New England utilities to build and own new generation has been severely restricted, if not eliminated, by deregulation, which has resulted in most of the region's generation being sold to privately owned generating companies. However, Massachusetts municipal utilities are not subject to these restrictions, and they still have the ability to build their own generating plants and deliver the benefits at cost-based rates to their consumers.

There also are a number of new generating units being proposed in Massachusetts to deliver power at times of peak demand, and pieces of those units also could become part of the MMWEC members' power supply. But generation ownership is not the only option, and MMWEC will use its evolving power supply planning and development services to ensure that its members have an appropriate mix of resources to meet their needs.

In mid-2005, MMWEC reached a settlement agreement with the New York Power Authority (NYPA) under which Massachusetts municipal utilities will continue receiving inexpensive hydroelectric power from NYPA's Niagara Project until at least 2057. The Massachusetts municipals now receive 53 megawatts of Niagara Project power at a delivered cost of about 3.5 cents/kilowatt hour, and the agreement provides

July 1985

*Massachusetts
municipal utilities
receive their first-
ever allocation of
inexpensive power
from federally-licensed
hydroelectric plants in
New York, following
a 10-year effort by
MMWEC to assert
the municipals' rights
to receive "preference"
power allocations
from such plants.*

for a similar allocation at cost-based rates through 2025, with a less-certain level of subsequent allocations, also at cost-based rates, guaranteed through 2057. The agreement is a significant part of a long process through which NYPA is seeking to renew its federal license to operate the Niagara Project, and a decision on relicensing is not expected until August 2007.

MMWEC's efforts to obtain and retain an allocation of Niagara Project power, through an agency agreement with the state Department of Telecommunications & Energy, date back more than 30 years. It took nearly a decade of "sheer persistence" in multiple court and regulatory proceedings for Massachusetts to obtain its first allocation of NYPA hydropower in July 1985.

Also in 2005, as rising energy prices spurred greater interest in conservation, there was a large increase in the number of residential energy audits performed through MMWEC's Home Energy Loss Prevention Services (HELPS) Program, which serves 18 Massachusetts municipal utilities. Over the six-month period ending in February 2006, the number of HELPS audit requests increased 53 percent, and the program handled a record number of appliance rebates and other energy conservation incentives.

As they are adjusted to changes in the marketplace and members' needs, MMWEC's power supply services will remain a vital part of efforts to maintain an adequate, reliable and low-cost power supply for Massachusetts municipal utilities.

Wholesale Markets

Much has changed with respect to the operation of New England's wholesale power markets over the past 30 years, and MMWEC's commitment to being the vehicle by which municipal utilities participate in that marketplace is stronger than ever.

Today, that commitment involves providing the hour-to-hour and day-to-day services that enable members to comply with the escalating requirements for being effective wholesale power market participants. It also involves keeping pace with marketplace changes, which are increasing in both frequency and complexity, and protecting the rights of public power in the various forums where such changes are debated.

Among many other things, MMWEC bids its members' resources into ISO New England's day-ahead and real-time energy markets while keeping track of marketplace and other activities that can affect bid prices. These activities are accomplished primarily through the use of electronic systems that must be maintained to ensure compatibility with the ISO's intricate assembly of computer hardware, software and security systems.

MMWEC also receives, reconciles and finances the payment of members' bills from the ISO, which requires collaboration between MMWEC's power supply and financial staff as individual member transactions are initiated, tracked and reported to members. MMWEC also maintains an elaborate, private website that feeds hourly, system-specific market information to its members.

With respect to structural changes in the marketplace, the year began with activation of the Regional Transmission Organization for New England after more than a year of intense negotiation and litigation on many issues, including the rights of market participants, the accountability of the market operator and the cost of transmission service.

Without missing a beat, controversy continued over the ISO's proposed Locational Installed Capacity (LICAP) market, which threatened to add billions of dollars to consumers' costs in the name of electric system reliability. MMWEC filed its objections to the LICAP proposal with the Federal Energy Regulatory Commission (FERC) and was joined in its protests by virtually the entire New England Congressional delegation, which pressed the FERC for answers and alternatives to LICAP.

Following enactment of the Energy Policy Act of 2005, which included language conveying "the sense of Congress that the (FERC) should carefully consider the states' objections" to LICAP, the FERC in October established a settlement process led by an administrative law judge to consider alternatives to LICAP. After four months of intense settlement negotiations, a proposed LICAP settlement agreement was filed with the FERC on March 6, 2006. The settlement proposes an alternate and less costly method of attempting to address the reliability issues that gave rise to the LICAP proposal.

MMWEC's involvement with LICAP issues began more than three years ago when options for addressing problems with the region's installed capacity requirements were being discussed at ISO committee meetings regularly attended by MMWEC staff. That involvement has progressed through the development and filing of the initial LICAP proposal in March 2004, through more than two years of litigation at the FERC, and has included participation in the recent LICAP settlement negotiations. There also have been many MMWEC staff visits to Congressional offices to discuss LICAP issues.

While LICAP may be the most prominent wholesale marketplace issue of 2005, there are many, many others. MMWEC is an intervenor in different cases to make the ISO more accountable to market participants and be more conscious of consumer cost impacts in its decision making. Securing the ability of public power entities to participate in the construction of new transmission facilities is another important objective being pursued by MMWEC.

As has always been the case, enormous impacts on consumer costs are at stake in the regional affairs

November 2001

MMWEC completes a major debt refunding and restructuring program, including a \$1.03 billion bond issue to refund all outstanding debt.

The program includes a rewrite of MMWEC's General Bond Resolution, providing the business and financial flexibility needed in a changing utility industry.

of New England's electric industry, making the need for effective public power representation in those affairs essential.

Operating Projects Oversight

In the years before MMWEC became a public corporation, Massachusetts municipal utilities were beginning to exercise their new-found rights to purchase and finance shares in the region's major new power projects. While MMWEC was coordinating the many power supply and financial activities associated with these purchases, each utility was required to conduct its own financing with individual issues of tax-exempt revenue bonds.

This method of financing the municipals' purchase of joint ownership shares yielded duplicated efforts and untimely and costly delays, resulting in missed opportunities. The legislation enabling MMWEC to become a public corporation empowered MMWEC to own and finance electric power projects and to contract with municipal utilities to sell the lifetime output of such projects. This consolidated and streamlined the financing activities associated with the municipals' purchase of new generation, speeding the development of an independent public power supply in Massachusetts.

MMWEC has issued more than \$1 billion in tax-exempt revenue bonds to finance its ownership in five power plants, including the Stony Brook Intermediate and Peaking units, which MMWEC operates. MMWEC's responsibilities for oversight of these operating projects are outlined in its project Power Sales Agreements with municipal utilities, and those responsibilities are carried out through the combined efforts of MMWEC staff.

The most extensive oversight responsibilities come with MMWEC's operation of the Stony Brook units. In 2005, staff completed numerous activities to maintain and improve the operating capability of the Stony Brook units, including a complete overhaul of the combustion and turbine sections of Intermediate Unit 1C. Maintenance activities included a 6,000-gallon, hydraulic/lubricating oil change in the Peaking Unit, as well as inspections and improvements to various components of the plant's infrastructure, including transmission and fuel supply facilities.

Taking advantage of new market revenue opportunities, the Stony Brook plant earned more than \$7 million in ISO New England's forward reserve

market, through which the ISO acquires operating reserve capacity for system reliability. The plant also earned more than \$650,000 from the sale of the plant's excess nitrogen oxide (NOx) emissions allowances, bringing the net revenues from such sales to more than \$2 million since inception of the NOx emissions trading program.

MMWEC oversees its ownership interests in Seabrook Station, Millstone Unit No. 3 and Wyman Unit No. 4 through staff attendance at regular meetings with the plants' owners, review of information provided by plant operators, and use of an independent oversight consultant for the Seabrook and Millstone nuclear units.

The nuclear units have been operating well, fulfilling a significant portion of the municipalities' energy and capacity needs. Late in 2005, Dominion Nuclear Connecticut, Inc., Millstone Unit No. 3's operator, obtained approval from the Nuclear Regulatory Commission (NRC) for a 20-year extension of the unit's operating license, until 2045. The NRC also extended Seabrook's operating license by more than three years, to 2030, and is considering a request from plant operator FPL Energy Seabrook, LLC, to extend the license an additional 20 years.

Oversight of MMWEC's operating projects goes hand-in-hand with MMWEC's ownership in these facilities. While the MMWEC Board of Directors ultimately is responsible for decisions regarding the organization's ownership interests, major decisions are made with input from MMWEC's project participant committees.

Strategy, Governance and Communication

In June 2005, the MMWEC Board of Directors announced an effort to refocus the organization's structure and objectives to better meet the evolving needs of municipal utilities throughout Massachusetts.

The announcement also marked the beginning of a search for a new MMWEC General Manager to assist the board with refocusing the organization, a search that ended in February 2006 with the hiring of Glenn O. Steiger, a veteran utility executive with broad industry experience and proven coalition-building skills.

The Board of Directors has been examining the strategic focus and governance structure of MMWEC in a series of special meetings that were continuing into 2006. Generally, the board is pursuing a forward-looking organizational strategy and structure that addresses the common needs of municipal utilities, accommodates industry change and is more responsive to evolving needs.

Focusing on communications throughout the organization is one goal of this process. Effective communication is essential for the success of a joint action program, incorporating input and feedback between and among the board, MMWEC members, project participants, the MMWEC staff and other stakeholders.

July 2005

*MMWEC retires
the last of the bonds
it issued to finance
construction of the
Stony Brook Peaking
Unit, eliminating debt
service billings to the
22 Massachusetts
municipal utilities
that receive power from
the unit. Debt for the
Stony Brook
Intermediate Unit and
Wyman Project will be
retired in 2008.*

There also has been an increased emphasis on organization-wide risk management and internal audits. Through its Enterprise Risk Management Program, supported by an independent Risk Oversight Committee appointed by the board and reporting to the board's Audit Committee, MMWEC has been working to identify, prioritize and address risks facing the organization. Internal audits, performed with assistance from a nationally-recognized auditing firm, are concentrating on developing value-added and best-practice solutions to ensure the organization is operating as efficiently and effectively as possible. As a result of these and other initiatives, there have been significant improvements in MMWEC's fuel supply, contracts management and information systems programs, among others.

In addition, MMWEC is implementing the first phase of a two-phase project to achieve a higher level of efficiency in accounting for the organization's electronic records, including e-mails and other electronic documents. This program involves the purchase of new records management software that will help with storage and maintenance of electronic records in accordance with MMWEC's master file plan and records retention schedule.

MMWEC maintains an extensive business infrastructure to support its power supply, project operations and financial services. It includes a highly-skilled team of professional staff members and a competitive employee benefits program, as well as the computer systems, buildings, and other tangible assets needed to operate Stony Brook and perform the administrative and outreach work of MMWEC.

But the MMWEC organization is much more than what exists at its corporate headquarters in Ludlow, Massachusetts. The organization has a proud history of cooperative action and accomplishment, of asserting and protecting the rights of municipal utilities, and of preserving the promise of public power to provide low-cost and reliable electric service.

In 2005, MMWEC made a commitment to renewing its relationships with Massachusetts municipal utilities and becoming more aggressive in meeting their needs. As that commitment is fulfilled, so too will be the future of public power as an important and thriving part of the electric industry in Massachusetts.

R e c o g n i t i o n , R e

MMWEC welcomes new general manager

Glenn O. Steiger began work as MMWEC's General Manager in February 2006.

In the three years prior to joining MMWEC, Mr. Steiger managed the Energy Department of the Imperial Irrigation District (IID), a consumer-owned utility in southeastern California. In this capacity, he managed the electricity supply to more than 130,000 customers by working with a combination of resources that IID owns, has under contract, or purchases in California's spot power markets.

MMWEC uses a similar approach in meeting the energy and capacity needs of its member utilities, but the similarities between Mr. Steiger's experience and MMWEC run much deeper.

Mr. Steiger's background includes experience with the construction, operation and ownership of both generation and transmission facilities; oversight of wholesale power market activities; the development of legislative, regulatory and financial strategies; and the formation of alliances to achieve common goals.

He also has served as a director and vice president of the Southern California Public Power Authority, an organization similar to MMWEC, and he understands the importance and sometimes-complicated workings of public power joint action.

During his 35 years of experience in all facets of the electric power industry, Mr. Steiger worked with public power and private utilities in New Jersey and spent several years as a utility industry consultant in the Southwest, often crafting innovative solutions to complex issues among parties with diverse interests. He is nationally recognized for his coalition-building skills, as well as his expertise in developing legislative, regulatory and various operational strategies.

Mr. Steiger's skills and experience complement the objectives of the MMWEC organization, and we look forward to working with him to advance the interests of public power in Massachusetts.



GLENN O. STEIGER

Directors: **Robert V. Jolly, Jr.**
Chairman/Director/Elected

Mark T. Kelly
Director/Elected

Stanley W. Herriott
Director/Elected

James M. Lavelle
Director/Elected

H. Bradford White
Director/Elected

Scott Edwards
Director/Elected

Thomas R. Josie
Director/Elected

Michael L. Flynn
Director/Gubernatorial
Appointee/Town of
Wilbraham Representative

Paul Robbins
Director/Gubernatorial
Appointee

Luis Vitorino
Director/Town of Ludlow
Representative

John M. Flynn
Director/Town of Hampden
Representative

Officers: **Raymond R. Shockey**
President

Nicholas J. Scobbo, Jr.
General Counsel

Nancy A. Brown
Assistant Secretary

Ronald W. Kusek
Assistant Treasurer

Managers: **Sandra Z. Magyar**
Director of Business Services

Ronald C. DeCurzio,
Treasurer/ Director
of Financial Services

Joseph O. Roy
Director of Operating
Projects

John J. Boudreau
Sr. Project Manager—
Strategic Planning

General Manager/Secretary Glenn O. Steiger
is pictured on Page 11



Robert V. Jolly, Jr.



Mark T. Kelly



Stanley W. Herriott



James M. Lavelle



H. Bradford White



Scott Edwards



Thomas R. Josie



Michael L. Flynn



Paul Robbins



Luis Vitorino



John M. Flynn



Raymond R. Shockey



Nicholas J. Scobbo, Jr.



Nancy A. Brown



Ronald W. Kusek



Sandra Z. Magyar



Ronald C. DeCurzio



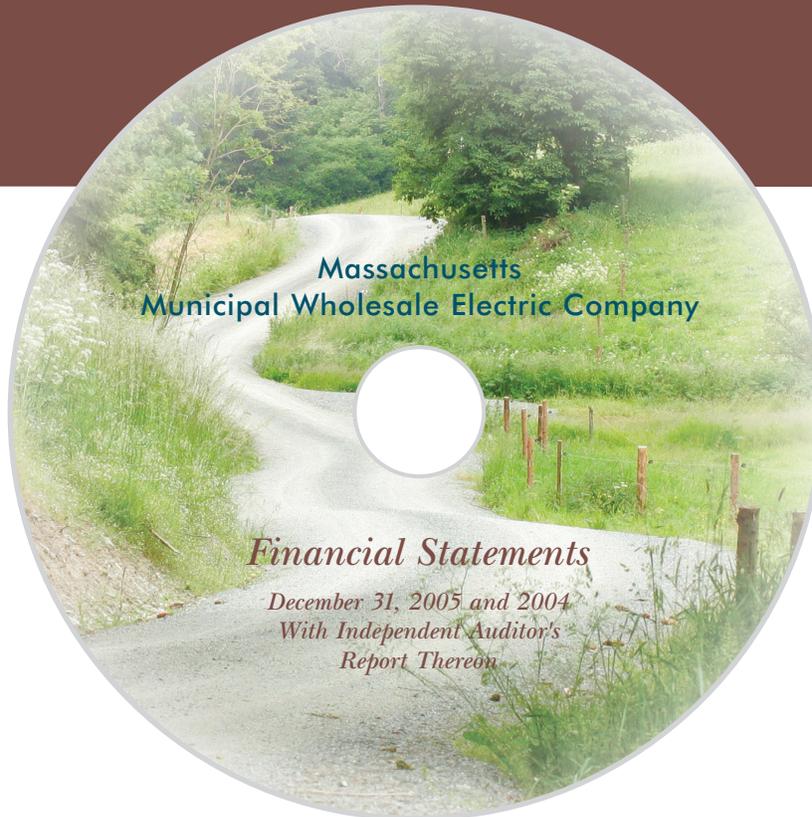
Joseph O. Roy



John J. Boudreau



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 legislature. MMWEC provides a variety of power supply, financial and other services to the consumer-owned municipal utilities of Massachusetts. It also is the operator and principal owner of the Stony Brook Energy Center, a 520-megawatt, combined-cycle intermediate and peaking generating station located in Ludlow, Massachusetts.



MMWEC's Financial Statements for the years ended December 31, 2005 and 2004 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 writing to:
Corporate Communications Office, Massachusetts Municipal Wholesale Electric Company, P.O. Box 426, Ludlow, MA 01056.

Phone: (413) 589-0141 Fax: (413) 589-1585 E-mail: mmwec@mmwec.org Internet: www.mmwec.org
All requests for information about MMWEC should be directed to this office. © MMWEC 2006

Massachusetts Municipal Wholesale Electric Company

Financial Statements

For the years ended December 31, 2005 and 2004

MASSACHUSETTS MUNICIPAL WHOLESAL
ELECTRIC COMPANY
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2005 AND 2004

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Report of Independent Auditors

To the Board of Directors and Members of
Massachusetts Municipal Wholesale Electric Company:

In our opinion, the accompanying statements of financial position and the related statements of operations and of cash flows present fairly, in all material respects, the financial position of Massachusetts Municipal Wholesale Electric Company at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 17, 2006

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

(In Thousands)

ASSETS

	<u>2005</u>	<u>2004</u>
Electric plant		
In service (Note 5)	\$ 1,310,415	\$ 1,299,778
Accumulated depreciation	<u>(707,076)</u>	<u>(686,149)</u>
	603,339	613,629
Construction work in progress	3,813	8,894
Nuclear fuel - net of amortization	<u>10,396</u>	<u>12,593</u>
Total electric plant	<u>617,548</u>	<u>635,116</u>
Special funds (Notes 2, 4 and 6)	<u>292,586</u>	<u>216,692</u>
Current assets		
Cash and temporary investments (Note 6)	389	2,265
Accounts receivable	46,111	31,301
Unbilled revenues (Note 3)	18,273	12,720
Inventories (Note 2)	29,434	19,408
Prepaid expenses	<u>876</u>	<u>934</u>
Total current assets	<u>95,083</u>	<u>66,628</u>
Total special funds and current assets	<u>387,669</u>	<u>283,320</u>
Deferred charges		
Amounts recoverable under terms of the power sales agreements (Note 2)	90,193	140,327
Unamortized debt discount and expenses	6,870	8,528
Nuclear decommissioning trusts	43,485	40,045
Other	<u>14,162</u>	<u>10,856</u>
	<u>154,710</u>	<u>199,756</u>
	<u>\$ 1,159,927</u>	<u>\$ 1,118,192</u>

LIABILITIES

Long-term debt (Note 4 and 7)	\$ 736,173	\$ 812,065
Current liabilities		
Current maturities of long-term debt (Note 4)	70,749	71,698
Short-term debt (Note 4)	15,159	4,262
Accounts payable	18,890	9,519
Accrued expenses	32,433	33,810
Member and participant advances (Note 2)	<u>75,939</u>	<u>54,239</u>
	<u>213,170</u>	<u>173,528</u>
Asset retirement obligation (Note 5)	82,297	80,655
Other liabilities	<u>128,287</u>	<u>51,944</u>
Commitments and contingencies (Note 10)	<u>\$ 1,159,927</u>	<u>\$ 1,118,192</u>

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

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands)

	<u>2005</u>	<u>2004</u>
Revenues (Note 3)	\$ 372,398	\$ 283,748
Interest income	8,475	7,419
Total revenues and interest income	<u>\$ 380,873</u>	<u>\$ 291,167</u>
Operating and service expenses:		
Fuel used in electric generation	\$ 26,474	\$ 22,112
Purchased power	184,437	106,810
Other operating	39,915	36,478
Maintenance	9,655	6,324
Depreciation	22,659	22,308
Taxes other than income	3,481	3,674
	<u>286,621</u>	<u>197,706</u>
Interest expense:		
Interest charges	34,017	34,820
Interest charged to projects during construction (Note 2)	(29)	(45)
	<u>33,988</u>	<u>34,775</u>
Total operating costs and interest expense	<u>320,609</u>	<u>232,481</u>
Other (Note 9)	(82,000)	-
Total costs and expenses	<u>238,609</u>	<u>232,481</u>
Decrease in amounts recoverable under terms of the power sales agreements (Note 2)	142,264	58,686
	<u>\$ 380,873</u>	<u>\$ 291,167</u>

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

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Total revenues and interest income	\$ 380,873	\$ 291,167
Total operating costs and interest expense	(320,609)	(235,683)
Adjustments to arrive at net cash provided by operating activities:		
Depreciation	22,659	25,816
Amortization of debt discount and nuclear fuel	5,228	4,319
Change in assets and liabilities:		
Accounts receivable	(14,810)	(7,943)
Unbilled revenues	(5,553)	(5,230)
Inventories	(10,026)	(2,430)
Prepaid expenses	58	12
Accounts payable	9,371	351
Accrued expenses and other	(4,656)	(3,777)
Other liabilities	66,977	3,036
Member and participant advances and reserves	21,700	8,073
Net cash provided by operating activities	<u>151,212</u>	<u>77,711</u>
Cash flows from investing activities:		
Construction expenditures and purchases of nuclear fuel	(11,286)	(14,984)
Interest charged to projects during construction	(29)	(45)
Net (increase) decrease in special funds	(77,738)	12,839
Decommissioning trust payments	(3,632)	(3,645)
Net cash used for investing activities	<u>(92,685)</u>	<u>(5,835)</u>
Cash flows from financing activities:		
Payments made on long-term debt	(71,300)	(68,970)
Payments made on short-term debt	-	(3,807)
Net proceeds from short-term borrowings	7,733	(5,491)
Proceeds from issuance of short-term debt	3,164	3,807
Net cash used for financing activities	<u>(60,403)</u>	<u>(74,461)</u>
Net decrease in cash and temporary investments	(1,876)	(2,585)
Cash and temporary investments at beginning of year	2,265	4,850
Cash and temporary investments at end of year	<u>\$ 389</u>	<u>\$ 2,265</u>
Cash paid during the year for interest (Net of amount capitalized as shown above)	<u>\$ 39,640</u>	<u>\$ 40,550</u>

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

MASSACHUSETTS MUNICIPAL WHOLESale
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(1) Nature of Operations

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 and to develop a bulk power supply for its member Massachusetts municipal electric systems and other utilities. Among other things, MMWEC is authorized to construct, own, or purchase ownership interests in, and to issue revenue bonds to finance electric facilities secured by revenues received by MMWEC in each of its Projects. A Project is MMWEC's ownership interest in electric generation facilities (Note 5). Project revenues are derived, in part, 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 regional utilities.

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 the MMWEC By-Laws may require. As of December 31, 2005, twenty-five Massachusetts municipal electric systems were members. Termination of membership does not relieve a system of its PSA or other power purchase obligations.

(2) Significant Accounting Policies

MMWEC presents its financial statements in accordance with generally accepted accounting principles (GAAP) in the United States of America. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Interest Charged to Projects During Construction

MMWEC capitalizes interest as an element of the cost of electric plant and nuclear fuel in process. A corresponding amount is reflected as a reduction of interest expense. The amount of interest capitalized is based on the cost of debt, including amortization of debt discount and expenses, related to each Project, net of investment gains and losses, and interest income derived from unexpended Project funds.

Nuclear Fuel

Nuclear fuel, net of amortization, includes MMWEC's ownership interest in spent fuel, fuel in use, 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 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. The final billing from the DOE will occur in 2006. At December 31, 2005, MMWEC's share of Millstone Unit 3 and Seabrook Station unbilled assessments was \$54,000 and \$82,000, respectively. These amounts are included in accrued expenses and other liabilities on the Statements of Financial Position. 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. Those cases, together with similar cases filed by other owners of the nuclear power plants, are progressing through the courts.

MASSACHUSETTS MUNICIPAL WHOLESAL
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(2) Significant Accounting Policies (continued)

Special Funds

Numerous special funds are required by the General Bond Resolution (GBR) pursuant to which MMWEC issued its long-term debt. The special funds, other than certain working capital funds and other funds, are invested in accordance with the provisions of the GBR. The composition of special funds is as follows:

<u>Fund</u>	<u>2005</u>	<u>2004</u>
	(In Thousands)	
Bond Fund Interest, Principal and Retirement		
Account to pay principal and interest on bonds	\$ 51,220	\$ 53,274
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	58,144	58,813
Reserve and Contingency Fund to make up deficiencies in the Bond Funds and pay for repairs and extraordinary costs	22,561	23,495
Revenue Fund to receive revenues and disburse them to other funds	55,020	59,819
Working Capital Funds to maintain funds to cover operating expenses	16,080	11,557
Funds obtained from terminated power purchase contract	74,885	-
Other Funds	<u>14,676</u>	<u>9,734</u>
Total Special Funds	<u>\$292,586</u>	<u>\$216,692</u>

Cash and Temporary Investments

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. In addition to the investment securities delineated in the GBR, MMWEC may invest in repurchase agreements with banks where MMWEC has established accounts. Temporary investments have maturities when purchased of less than ninety days.

Inventories

Fuel oil and spare parts inventories are recorded and accounted for by the average cost method. At December 31, 2005 and 2004, total fuel oil inventory was valued at \$20.9 and \$10.9 million, respectively, and spare parts inventory amounted to \$8.5 and \$8.5 million, respectively.

Amounts Recoverable 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 funds and reserve requirements. Expenses are reflected in the Statements of Operations in accordance with GAAP. The timing difference between amounts billed and expensed is charged or credited to amounts recoverable 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

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abandoned within a Project), asset retirement obligations, cost of refinancing, billing for certain interest, reserves, net unrealized gains or losses on securities available for sale and other costs. Individual Projects have a cumulative deferral of costs which total \$98.2 and \$147.4 million and have cumulative billings in excess of costs which total \$8.0 and \$7.1 million at December 31, 2005 and 2004, respectively. In accordance with the PSAs, these amounts have been offset in amounts recoverable under terms of the PSAs in the Statements of Financial Position.

The December 31, 2005 and 2004 balances of \$90.2 and \$140.3 million, respectively, reflect the Statements of Operations net decrease of \$142.3 and \$58.7 million for the years then ended, the change in net unrealized gain (loss) on securities available for sale, other certain revised classifications (Notes 2 and 4), and minimum pension liability adjustments of \$3.2 and \$1.9 million for 2005 and 2004, respectively, that would otherwise be recorded as other comprehensive income. MMWEC reclassified 2005 and 2004 credit balances in amounts recoverable under terms of the PSAs of \$8.3 and \$12.0 million, respectively. In addition, a downward revision was made to the capitalized asset retirement cost and asset retirement obligation in 2005 of \$1.3 million and MMWEC recorded a gain of \$82 million on a terminated contract (Note 9).

Property, Plant and Equipment

Land, buildings and equipment are reported at cost at the date of acquisition. Provisions for depreciation are computed based on estimated useful lives as follows:

<u>Stony Brook</u>	
Building	25 years
Building Improvements	20 years
Equipment	20-30 years
 <u>Service</u>	
Office Equipment and Software	3-5 years
 Seabrook Station	
	60 years
Millstone Unit 3	60 years
W.F. Wyman No. 4	33 years

In 2005, MMWEC extended the useful lives for certain building improvements and equipment. The change reduced the 2004 accumulated depreciation and amounts recoverable under terms of the PSAs on the Statements of Financial Position by \$7 million, and reduced the 2004 depreciation expense and increased amounts recoverable under terms of the PSAs on the Statements of Operations by \$3.5 million.

Nuclear Decommissioning Trusts

As required by the Nuclear Regulatory Commission (NRC) and respective state statutes and/or regulations, 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 December 31, 2005 Millstone Unit 3 and Seabrook Station balances of \$17.3 and \$26.2 million, respectively, are stated at market value and are included as part of the deferred charges and amounts recoverable under terms of the PSAs on the Statements of Financial Position. The Nuclear Decommissioning Trust balance for the Seabrook Station includes an escrow account into which payments will be made by MMWEC as a funding assurance mechanism through 2007. Depending on future circumstances, the escrow account will hold certain funds that will be placed either in the decommissioning trust fund for Seabrook Station or will be returned to MMWEC.

MASSACHUSETTS MUNICIPAL WHOLESAL
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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 related broker arrangements. Member and Project Participant advances for 2005 and 2004 were \$75.9 and \$54.2 million, respectively, and are included in member and project participant advances on the Statements of Financial Position. Other member and project participant reserves for 2005 and 2004 were \$125.1 and \$49.4 million, respectively, and are included in other liabilities on the Statements of Financial Position.

Revised Classifications

MMWEC has revised the classification of certain amounts from the prior year to conform with current year presentation. (Notes 2 and 4).

(3) Revenues and Unbilled Revenues

Revenues include electric sales for resale provided through MMWEC's bulk power supply program. Revenues consist of billings under the PSAs, PPAs, and related power brokering 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. Amounts that are not yet billed are included in unbilled revenues on the Statements of Financial Position. Revenues are comprised of the following:

<u>Revenues</u>	<u>2005</u>	<u>2004</u>
	(In Thousands)	
Electric sales for resale	\$369,268	\$281,685
Service	<u>3,130</u>	<u>2,063</u>
Total Revenues	<u>\$372,398</u>	<u>\$283,748</u>

(4) Debt

General Bond Resolution

MMWEC issued separate issues of Bonds for each of the eight Projects, 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, with respect to 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. 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 unit(s), and to raise their rates sufficiently to pay such costs. These obligations are not contingent upon the operational status of the Project's unit(s). MMWEC's obligations under the GBR have been fully discharged and satisfied for the Peaking Project. The final Bond payment for the Peaking Project was made in 2005.

MASSACHUSETTS MUNICIPAL WHOLESAL
ELECTRIC COMPANY
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DECEMBER 31, 2005 and 2004

(4) Debt (continued)

Power Supply System Revenue Bonds

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

Bonds payable consist of serial and variable-rate bonds dated November 2, 2001 and are comprised of the following issues:

<u>Issue</u>	<u>Net Interest Cost</u>	<u>December 31,</u>	
		<u>2005</u>	<u>2004</u>
		(In Thousands)	
Stony Brook Peaking Project, Series A (Original Issue \$16,435)	3.1%	\$ -	\$ 4,160
Stony Brook Intermediate Project, Series A (Original Issue \$66,270)	3.5%	28,625	39,475
W.F. Wyman Unit No. 4 Project, Series A (Original Issue \$3,255)	3.5%	1,525	2,015
Nuclear Mix No. 1, Series A (Original Issue \$90,015)	4.0%	63,620	71,035
Nuclear Project No. 3, Series A (Original Issue \$47,930)	4.2%	47,930	47,930
Nuclear Project No. 4, Series A (Original Issue \$112,695)	4.3%	112,695	112,695
Nuclear Project No. 5, Series A (Original Issue \$42,170)	4.2%	37,485	41,080
Project No. 6, Series A (Original Issue \$347,535)	4.2%	280,985	304,600
Nuclear Project No. 3, Series B (Original Issue \$65,290)	4.9%	32,510	42,105
Nuclear Project No. 4, Series B (Original Issue \$48,450)	4.5%	8,845	20,425
Nuclear Mix No. 1, Series One (Original Issue \$11,350)	Variable	11,350	11,350
Nuclear Project No. 3, Series One (Original Issue \$62,975)	Variable	62,975	62,975
Nuclear Project No. 4, Series One (Original Issue \$35,325)	Variable	35,325	35,325
Nuclear Project No. 5, Series One (Original Issue \$9,025)	Variable	9,025	9,025
Project No. 6, Series One (Original Issue \$52,100)	Variable	<u>52,100</u>	<u>52,100</u>
Bonds payable		784,995	856,295
Unamortized premium		21,926	27,468
Less: Current maturities		(70,360)	(71,300)
Current unamortized premium		<u>(388)</u>	<u>(398)</u>
Total long-term debt		<u>\$736,173</u>	<u>\$ 812,065</u>

The Series A Bonds maturing on and prior to July 1, 2011 and the Series B Bonds are not subject to redemption prior to maturity at the option of MMWEC. The Series A Bonds maturing on and after July 1, 2012 are subject to redemption prior to maturity at the option of MMWEC at 101% of the principal amount from January 1, 2012 to December 31, 2012 and at 100% from January 1, 2013 and thereafter.

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.

MASSACHUSETTS MUNICIPAL WHOLESALE
ELECTRIC COMPANY
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Long-term debt maturities are as follows (In Thousands):

	<u>Series A</u>	<u>Series B</u>	<u>Series One</u>	<u>Total</u>
2006	\$ 51,465	\$18,895	\$ -	\$ 70,360
2007	62,465	10,540	-	73,005
2008	60,285	11,100	-	71,385
2009	67,180	820	-	68,000
2010	57,990	-	-	57,990
Thereafter	<u>273,480</u>	<u>-</u>	<u>170,775</u>	<u>444,255</u>
	<u>\$572,865</u>	<u>\$41,355</u>	<u>\$170,775</u>	<u>\$784,995</u>

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 interest rate on the Series One variable rate Bonds during 2005 and 2004 was 2.2% and 1.1%, respectively.

In 2005, MMWEC amended its policy regarding accreting the premium on bonds payable from the straight-line method to the effective interest method. The change increased long-term debt through a reduction of the accumulated accretion of premium and also increased amounts recoverable under terms of the PSAs on the Statements of Financial Position by \$1.6 million in 2004. In addition, this increased the interest charges and reduced amounts recoverable under terms of the PSAs on the Statements of Operations by \$0.3 million in 2004.

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 operating and maintenance expenses, principal of the Bonds and premium and interest on the Bonds. In addition, it will pay all other obligations against its revenues for each Project. 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. For the contract years ended June 30, 2005 and 2004, MMWEC met the GBR debt service coverage requirements for all of MMWEC's Projects.

	Contract Year Ended June 30,	
	<u>2005</u>	<u>2004</u>
	(In Thousands)	
Debt Service Coverage:		
Revenues	\$164,457	\$182,914
Other Billings	561	583
Reserve and Contingency Fund Billings	<u>10,842</u>	<u>10,861</u>
Total	175,860	194,358
Less: Operating & Maintenance Expenses	<u>(56,602)</u>	<u>(74,883)</u>
Available Revenues Net of Expenses	<u>\$119,258</u>	<u>\$119,475</u>
Debt Service Requirement	<u>\$108,416</u>	<u>\$108,614</u>
Coverage (110% Required)	<u>110%</u>	<u>110%</u>

MASSACHUSETTS MUNICIPAL WHOLESAL
ELECTRIC COMPANY
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Short-Term Debt

MMWEC maintains a revolving line of credit to finance, temporarily, certain power purchases made by MMWEC for resale under power purchase contracts, which was increased from \$5 million to \$10 million during 2005. Borrowings under this line of credit 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 PPA Participants under the PPAs, and earnings from MMWEC's temporary investments of such proceeds and amounts payable. The pledge of the proceeds for any Loan and Agreements is limited to securing only the principal and interest on those Loans that are attributable to amounts payable under the PPA or allocated to the PPA Participants. Borrowings outstanding under the line of credit were \$1.3 and \$0.7 million as of December 31, 2005 and 2004, respectively. During 2005 and 2004, the maximum outstanding balance under the line of credit was \$9.9 and \$3.4 million, respectively. Interest charged on borrowings under the line of credit is at the bank's prime rate minus one percent (6.25% at December 31, 2005). In addition, a commitment fee of one quarter of 1% per annum is charged on the unused portion of the line based on the average daily principal amount of the borrowing outstanding. This line of credit expires June 30, 2006, at which time MMWEC expects to be able to renew the line for an additional year.

In 2005, MMWEC's Board of Directors adopted a resolution which restructured the Stony Brook Intermediate Fuel Oil Project, Special Project 2003-A (SB Intermediate Fuel Oil Project), which was created for the purpose of financing purchases of fuel oil and selling such fuel oil to the Intermediate Project. This restructuring was established to include the financing and purchases of fuel oil and selling such fuel oil to the Peaking Project. The SB Intermediate Fuel Oil Project was renamed the Stony Brook Fuel Oil Project, Special Project 2005-D (SB Fuel Oil Project). Under the resolution, MMWEC increased the original \$10 million revolving line of credit with a bank to \$15 million. 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 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 line of credit were \$13.9 and \$3.6 million as of December 31, 2005 and 2004, respectively. During 2005 and 2004, the maximum outstanding balance under the line of credit was \$13.9 and \$9.8 million, respectively. The interest rate for the borrowings under this line of credit is at MMWEC's election prior to the last day of any interest period of either the LIBOR rate plus 1.25% per annum, or at a variable rate, which is the prime rate minus 1% per annum. If no such selection is made, the variable rate is in effect. The interest rate on the borrowings under the line of credit was 5.6% at December 31, 2005.

In 2004, MMWEC negotiated the terms of a Line Letter Agreement with a bank, pursuant to which the bank may loan MMWEC up to \$10 million for the purpose of financing a performance assurance provision required by a PPA. In 2005, the PPA was terminated and the Line Letter Agreement is no longer required.

(5) Electric Generation Facilities and Financing

MMWEC's power supply capacity includes ownership interests in the Stony Brook Peaking and Intermediate Units, both of which it 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 also includes MMWEC's service operations which totaled \$2.3 and \$2.2 million in 2005 and 2004, respectively. The following is a summary of the Projects included in electric plant in service and construction work in progress, as well as MMWEC's share of capability in megawatts (MW).

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ELECTRIC COMPANY
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(5) Electric Generation Facilities and Financing (continued)

<u>Projects</u>	<u>Facility and MMWEC Share of Capability in MW</u>		<u>Amounts as of December 31,</u>	
			<u>2005</u>	<u>2004</u>
			(In Thousands)	
Peaking Project	Stony Brook	170.0	\$ 57,151	\$ 57,028
Intermediate Project	Stony Brook	319.5	166,408	166,025
Wyman Project	W.F. Wyman No. 4	22.7	7,460	7,442
Nuclear Project No. 3	Millstone Unit 3	36.8	135,715	136,725
Nuclear Mix No. 1	Millstone Unit 3	18.4	54,360	54,866
Nuclear Mix No. 1	Seabrook Station	1.9	9,262	9,225
Nuclear Project No. 4	Seabrook Station	49.8	276,838	275,852
Nuclear Project No. 5	Seabrook Station	12.6	75,394	75,144
Project No. 6	Seabrook Station	69.0	<u>525,521</u>	<u>524,155</u>
			<u>\$1,308,109</u>	<u>\$1,306,462</u>

In November 2005, the NRC renewed the operating license for the Millstone Unit 3 nuclear unit for an additional twenty years from November 25, 2025 to November 25, 2045.

Seabrook Station completed its first phase of a power uprate in May 2005. The second phase is scheduled for the fall of 2006. MMWEC's share of the total power uprate is projected by the operator to be approximately 11 MW. In December 2005, the NRC issued an amendment to the operating license that extends the operating license expiration date from October 2026 to March 2030. This is to recapture the period from 1986 to 1990 when Seabrook Station had an operating license, but did not operate.

Asset Retirement Obligations

Effective January 1, 2003, MMWEC adopted SFAS No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), which provides accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. MMWEC has identified certain asset retirement obligations (ARO) which are primarily associated with the decommissioning of MMWEC's ownership interest in Millstone Unit 3 and Seabrook Station. MMWEC's AROs, other than those associated with nuclear decommissioning AROs, are not significant. MMWEC recorded accretion expense of approximately \$4.0 and \$3.9 million for the years ended December 31, 2005 and 2004, respectively. In 2005, MMWEC recorded a downward revision of \$2.4 million to the ARO for both the Seabrook and Millstone Units due to changes in the length of their operating licenses. At December 31, 2005 and 2004, the ARO was \$82.3 and \$80.7 million, respectively.

ARO are recognized at fair value, as incurred, and capitalized as part of the cost of the related tangible long-lived assets. In the absence of quoted market prices, MMWEC estimated the fair value of AROs using present value techniques, involving discounted cash flow analysis. Measurement using such 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.

MASSACHUSETTS MUNICIPAL WHOLESALE
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(6) Investments and Deposits

All bank deposits, which amounted to \$919,000 at December 31, 2005, are maintained at one financial institution and are included in both cash and temporary investments and special funds. The Federal Deposit Insurance Corporation currently insures up to \$100,000 per depositor. At December 31, 2005 and 2004, investments are classified as available for sale and reported at market value with unrealized gains of \$93,000 and \$220,000, respectively, and unrealized losses of \$2.6 million and \$905,000, respectively. The net losses and gains are excluded from earnings and are reported as a component of amounts recoverable under terms of the PSAs on the Statements of Financial Position. At December 31, 2005, all securities underlying repurchase agreements, and all other 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. Investments representing the special funds and cash and temporary investments, as well as certain additional amounts disbursed but available for investment, and accrued interest are presented below:

<u>Type of Investment</u>	<u>2005</u>		<u>2004</u>	
	<u>Amortized Cost Basis</u>	<u>Market Value</u>	<u>Amortized Cost Basis</u>	<u>Market Value</u>
	(In Thousands)			
Cash Equivalents	\$ 1,006	\$ 1,006	\$ 3,185	\$ 3,185
Other Investments				
U.S. Treasury bills	1,164	1,164	-	-
U.S. Treasury notes	26,765	26,691	7,993	8,028
U.S. Agency bonds	131,424	128,946	54,893	54,672
U.S. Agency discount notes	<u>133,214</u>	<u>133,238</u>	<u>150,580</u>	<u>150,081</u>
Total Other Investments	<u>292,567</u>	<u>290,039</u>	<u>213,466</u>	<u>212,781</u>
Total Investments	293,573	291,045	216,651	215,966
Invested Cash	<u>1,930</u>	<u>1,930</u>	<u>2,991</u>	<u>2,991</u>
Total Cash and Investments	<u>\$295,503</u>	<u>\$292,975</u>	<u>\$219,642</u>	<u>\$218,957</u>

MASSACHUSETTS MUNICIPAL WHOLESAL
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(6) Investments and Deposits (continued)

During 2005 and 2004, the proceeds from the sale of securities available for sale were \$94.9 and \$112.7 million, respectively, resulting in gross realized gains of \$121,000 and \$395,000, respectively, and gross realized losses of \$146,000 and \$45,000, respectively. The basis on which cost was determined in computing realized gain or loss was specific identification. The average contractual maturity of the investments in debt securities at December 31, 2005 and 2004 was 394 and 597 days, respectively.

(7) Fair Values of Financial Instruments

The estimated fair value of MMWEC's financial instruments are as follows:

	2005		2004	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In Thousands)			
Long-Term Debt, excluding current maturities	\$ 736,173	\$ 747,818	\$ 812,065	\$ 838,080

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

(8) Benefit Plans

MMWEC has two non-contributory defined benefit pension plans covering substantially all full-time active employees. One plan covers union employees (union plan) and the other plan covers non-union employees (non-union plan). The amount shown below is the benefit obligation for MMWEC. This is a standardized disclosure to measure the present value of pension benefits adjusted for the effect of projected salary increases, and estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plans. MMWEC uses a December 31 measurement date for the plans.

The benefit obligation, plan assets, funded status, amounts recognized in the statements of financial position and components of net periodic benefit cost for both plans are as follows:

MASSACHUSETTS MUNICIPAL WHOLESALE
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(8) Benefit Plans (continued)

	<u>Amounts as of December 31,</u>	
	<u>2005</u>	<u>2004</u>
	(In Thousands)	
<u>Changes in benefit obligation</u>		
Benefit obligation at beginning of year	\$ 17,798	\$ 14,302
Service cost	788	658
Interest cost	1,030	954
Actuarial loss	2,087	2,599
Benefits paid	(234)	(715)
Benefit obligation at end of year	<u>\$ 21,469</u>	<u>\$ 17,798</u>
<u>Change in plan assets</u>		
Fair value of plan assets at beginning of year	\$ 10,603	\$ 9,618
Actual return on plan assets	524	951
Employer contribution	1,868	784
Benefits paid	(234)	(715)
Expenses	(35)	(35)
Fair value of plan assets at end of year	<u>\$ 12,726</u>	<u>\$ 10,603</u>
<u>Funded status</u>		
Unrecognized net actuarial loss	\$ (8,743)	\$ (7,195)
Unrecognized prior service cost	9,303	7,319
Unrecognized transition obligation	418	455
Prepaid pension cost	11	23
	<u>\$ 989</u>	<u>\$ 602</u>
<u>Amounts recognized in the Statements of</u>		
<u>Financial Position consist of:</u>		
Accrued benefit liability	\$ (3,135)	\$ (2,434)
Intangible asset	418	477
Amounts recoverable under terms of the PSAs	3,706	2,559
Net amount recognized	<u>\$ 989</u>	<u>\$ 602</u>
<u>Information for pension plans with an accumulated</u>		
<u>benefit obligation in excess of plan assets</u>		
Projected benefit obligation	\$ 21,469	\$ 17,798
Accumulated benefit obligation	15,861	13,037
Fair value of plan assets	12,726	10,603

MASSACHUSETTS MUNICIPAL WHOLESALE
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(8) Benefit Plans (continued)

Assumptions

Weighted-average assumptions used to determine benefit obligations at December 31

	<u>Amounts as of December 31,</u>	
	<u>2005</u>	<u>2004</u>
Discount rate	5.25%	5.75%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31

	<u>Amounts as of December 31,</u>	
	<u>2005</u>	<u>2004</u>
Discount rate	5.75%	6.25%
Expected long-term return on plan assets	8.50%	8.50%
Rate of compensation increase	4.00%	4.00%

	<u>Amounts as of December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Components of net periodic benefit cost</u>		
Service cost	\$ 788	\$ 658
Interest cost	1,030	954
Expected return on plan assets	(930)	(846)
Amortization of transition obligation	11	11
Amortization of prior service cost	74	70
Recognized net actuarial loss	507	383
Net periodic benefit cost	<u>\$1,480</u>	<u>\$1,230</u>

The following indicates the weighted average asset allocation percentage of the fair value of total plan assets for each major type of plan asset as of December 31, 2005 and 2004, respectively.

	<u>Amounts as of December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Asset Category</u>		
Equity securities	64%	70%
Debt securities	25%	21%
Other	11%	9%
Total	<u>100%</u>	<u>100%</u>

MASSACHUSETTS MUNICIPAL WHOLESALE
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(8) Benefit Plans (continued)

The primary investment goal of the plan is to achieve a total annualized investment return of 8.5% over the long-term while mitigating overall portfolio risk. The expected long-term rate of return on the plan assets reflects the average rate of earnings expected on the funds invested, or to be invested to provide the benefits included in the projected benefit obligation. The assets are diversified by both asset class (i.e., equities, bonds) and within class (i.e., capitalization, growth, value, international) to minimize risks, so that no single security or class of securities will have a disproportionate impact on the plan. Portfolio performance and risks are regularly evaluated and compared to similar investment options to provide oversight and adherence to the stated plan objectives.

The union plan uses the aggregate actuarial cost method and the non-union plan uses the frozen initial liability actuarial cost method in determining pension expense. Pension costs applicable to prior years' service are amortized over thirty years. MMWEC contributed \$1.9 million in 2005 and expects to contribute approximately \$1.2 million to its pension plans in 2006.

The following estimated future benefit payments are:

	<u>Amount</u> (In Thousands)
2006	922
2007	530
2008	697
2009	564
2010	549
2011-2015	6,098

MMWEC contributes to an employee savings plan administered by a mutual insurance company. All full-time employees meeting the service requirements are eligible to participate in this defined contribution plan. Under the provisions of the plan, MMWEC's contributions are vested immediately. For the years ended December 31, 2005 and 2004, MMWEC contributed \$122,000 and \$126,000, respectively, and the employees contributed \$194,000 and \$203,000, respectively.

(9) Other

In 2001, MMWEC entered into an agreement with a supplier to purchase 50 MW of energy and installed capacity from January 2002 through December 31, 2011. In 2005, MMWEC terminated the contract and received payment of \$82 million. This payment was deposited in special funds and MMWEC recorded a gain in other on the Statements of Operations.

MASSACHUSETTS MUNICIPAL WHOLESALE
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(10) Commitments and Contingencies

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 \$5 million is MMWEC's share to support Phase I. 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 \$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.

On a limited basis, MMWEC may enter into agreements providing financial assurance to third parties. At December 31, 2005, outstanding guarantees consisted of \$0.3 million 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.

MMWEC has entered into a contract for a long-term purchase of 21.2 MW from an independent power producer. The table below reflects MMWEC's minimum commitments as of December 31, 2005.

	<u>Amount</u>
	(In Thousands)
2006	\$ 7,067
2007	7,364
2008	7,788
2009	8,001
2010	8,340
Thereafter	<u>23,268</u>
Total	<u>\$61,828</u>

Legal Actions

MMWEC is involved in various legal actions. Based on bond counsel's opinions regarding the validity of the PSAs and legal counsel's representations regarding the litigation, discussions with such counsel and other considerations, 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.

Nuclear Insurance

The Price-Anderson Act (the Act), a federal statute, mandates an industry-wide program of liability insurance for nuclear facilities. The Act now provides approximately \$10.9 billion for public liability claims from a single incident at a nuclear facility. The \$300 million primary layer of insurance for the liability has been purchased in the commercial insurance market. Secondary coverage is to be provided through an assessment of approximately \$95.8 million plus an additional \$4.79 million for defense costs per incident of each of the currently licensed nuclear units in the United States, not to exceed \$15 million per incident per unit

MASSACHUSETTS MUNICIPAL WHOLESAL
ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 and 2004

(10) Commitments and Contingencies (continued)

Nuclear Insurance (continued)

in any year, subject to adjustment 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 \$4.8 and \$11.7 million, respectively, limited to payments of \$.7 and \$1.7 million per incident per year, respectively. Originally enacted in 1957, the Act has been renewed several times and in July 2005, Congress extended the Act until the end of 2025, as part of the Energy Policy Act of 2005.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover the cost of repair, replacement, decontamination or premature decommissioning of utility property resulting from insured occurrences at Millstone Unit 3 and Seabrook Station. The NEIL insurance is subject to retroactive assessments if losses exceed the accumulated funds available to the insurer. MMWEC is potentially subject to a \$1.1 and \$2.2 million assessment for its participation in Millstone Unit 3 and Seabrook Station, respectively, for excess property damage, decontamination and premature decommissioning.

Environmental and Other Issues

MMWEC is not currently covered under gradual pollution liability insurance related to MMWEC's Stony Brook power plants. Nothing has come to management's attention concerning any material pollution liability claims made during 2005 or outstanding as of December 31, 2005.

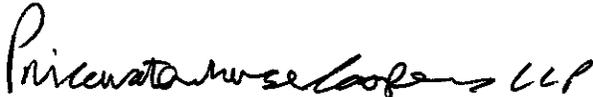
MMWEC has established a trust fund to enhance its Directors' and Officers' liability coverage. The purpose of the trust fund is to make available funds for the purchase of Directors' and Officers' liability insurance and/or indemnification of the Directors or Officers.

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 such has an absolute and unconditional obligation to pay MMWEC for their respective ISO-NE transactions.

**Report of Independent Auditors
on Accompanying Consolidating Information**

To the Board of Directors of
Massachusetts Municipal Wholesale Electric Company:

The report on our audit of the consolidated financial statements of Massachusetts Municipal Wholesale Electric Company as of December 31, 2005 and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual projects. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual projects. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



March 17, 2006

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
PROJECT STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005
(In Thousands)

<u>ASSETS</u>	<u>SERVICE</u>	<u>NUCLEAR MIX 1</u>	<u>NUCLEAR PROJ. 3</u>	<u>NUCLEAR PROJ. 4</u>	<u>NUCLEAR PROJ. 5</u>	<u>PROJECT NO. 6</u>	<u>PEAKING</u>	<u>INTERMEDIATE</u>	<u>WYMAN</u>	<u>HYDRO QUEBEC PHASE II</u>	<u>TOTAL</u>
Electric plant											
In service	\$ 2,306	\$ 63,622	\$ 135,715	\$ 276,838	\$ 75,394	\$ 525,521	\$ 57,151	\$ 166,408	\$ 7,460	\$ -	\$ 1,310,415
Accumulated depreciation	(1,928)	(32,374)	(71,434)	(124,056)	(33,976)	(240,593)	(51,811)	(144,936)	(5,968)	-	(707,076)
	378	31,248	64,281	152,782	41,418	284,928	5,340	21,472	1,492	-	603,339
Construction work in progress	-	588	1,113	800	203	1,109	-	-	-	-	3,813
Nuclear fuel-net of amortization	-	1,160	2,125	2,691	682	3,738	-	-	-	-	10,396
Total electric plant	378	32,996	67,519	156,273	42,303	289,775	5,340	21,472	1,492	-	617,548
Special funds											
Bond funds											
Interest, principal and retirement account	-	5,461	7,084	9,260	2,853	19,889	-	6,433	240	-	51,220
Reserve account	-	4,454	7,974	9,078	2,733	30,749	-	3,051	105	-	58,144
Reserve and contingency fund	-	3,406	4,251	4,320	1,254	7,458	-	1,608	264	-	22,561
Revenue fund	-	2,991	6,338	10,538	2,984	17,080	-	13,764	1,325	-	55,020
Working capital funds	16,074	-	-	-	-	-	-	-	-	6	16,080
Funds from terminated power purchase contract	74,885	-	-	-	-	-	-	-	-	-	74,885
Other funds	10,662	-	-	-	-	-	4,014	-	-	-	14,676
	101,621	16,312	25,647	33,196	9,824	75,176	4,014	24,856	1,934	6	292,586
Current assets											
Cash and temporary investments	304	-	-	1	-	2	82	-	-	-	389
Accounts receivable	17,514	1,339	2,001	2,691	801	5,043	871	14,960	836	55	46,111
Unbilled revenues	18,272	-	-	-	-	-	-	-	-	1	18,273
Inventories	10,430	60	-	1,585	401	2,196	6,163	7,701	898	-	29,434
Advances to (from) projects	3,583	(57)	(84)	(82)	(30)	(126)	(211)	(2,964)	(22)	(7)	-
Prepaid expenses	280	72	135	112	29	156	31	61	-	-	876
Total current assets	50,383	1,414	2,052	4,307	1,201	7,271	6,936	19,758	1,712	49	95,083
Total special funds and current assets	152,004	17,726	27,699	37,503	11,025	82,447	10,950	44,614	3,646	55	387,669
Deferred charges											
Amounts recoverable (payable) under terms of the power sales agreements	2,253	29,321	53,490	486	1,318	11,379	(5,488)	(1,402)	(264)	(900)	90,193
Unamortized debt discount and expenses	-	581	1,253	1,408	415	3,110	-	97	6	-	6,870
Nuclear decommissioning trusts	-	6,140	11,506	9,795	2,479	13,565	-	-	-	-	43,485
Other	517	908	1,521	3,843	971	5,325	-	200	-	877	14,162
	2,770	36,950	67,770	15,532	5,183	33,379	(5,488)	(1,105)	(258)	(23)	154,710
	\$ 155,152	\$ 87,672	\$ 162,988	\$ 209,308	\$ 58,511	\$ 405,601	\$ 10,802	\$ 64,981	\$ 4,880	\$ 32	\$ 1,159,927
<u>LIABILITIES</u>											
Long-term debt	\$ -	\$ 69,421	\$ 135,471	\$ 149,094	\$ 44,061	\$ 319,213	\$ -	\$ 17,802	\$ 1,111	\$ -	\$ 736,173
Current liabilities											
Current maturities of long-term debt	-	7,763	10,050	12,187	3,821	25,057	-	11,450	421	-	70,749
Short-term debt	15,159	-	-	-	-	-	-	-	-	-	15,159
Accounts payable	6,512	289	293	3,786	958	5,244	19	185	1,601	3	18,890
Accrued expenses	8,258	1,748	2,215	6,019	1,670	11,463	16	963	81	-	32,433
Member and participant advances	34,112	2,877	5,766	4,302	1,517	9,147	2,040	15,958	191	29	75,939
	64,041	12,677	18,324	26,294	7,966	50,911	2,075	28,556	2,294	32	213,170
Asset retirement obligation	-	5,573	9,193	25,599	6,479	35,453	-	-	-	-	82,297
Other liabilities	91,111	1	-	8,321	5	24	8,727	18,623	1,475	-	128,287
Commitments and contingencies											
	\$ 155,152	\$ 87,672	\$ 162,988	\$ 209,308	\$ 58,511	\$ 405,601	\$ 10,802	\$ 64,981	\$ 4,880	\$ 32	\$ 1,159,927

The accompanying notes are an integral part of this supplemental schedule.

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
PROJECT STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2005
(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT NO. 6	PEAKING	INTERMEDIATE	WYMAN	HYDRO QUEBEC PHASE II	TOTAL
Revenues	\$ 184,927	\$ 15,417	\$ 23,287	\$ 32,247	\$ 9,251	\$ 58,296	\$ 8,210	\$ 37,346	\$ 3,051	\$ 366	\$ 372,398
Interest income	1,374	747	1,157	1,236	354	2,449	214	828	67	49	8,475
Total revenues and interest income	<u>\$ 186,301</u>	<u>\$ 16,164</u>	<u>\$ 24,444</u>	<u>\$ 33,483</u>	<u>\$ 9,605</u>	<u>\$ 60,745</u>	<u>\$ 8,424</u>	<u>\$ 38,174</u>	<u>\$ 3,118</u>	<u>\$ 415</u>	<u>\$ 380,873</u>
Operating and service expenses:											
Fuel used in electric generation	\$ -	\$ 656	\$ 1,177	\$ 1,808	\$ 458	\$ 2,511	\$ 3,404	\$ 14,760	\$ 1,700	\$ -	\$ 26,474
Purchased power	184,052	-	-	-	-	-	-	-	-	385	184,437
Other operating	1,642	2,846	4,933	7,668	2,006	10,765	2,507	6,805	* 743	-	39,915
Maintenance	22	866	1,584	1,891	479	2,619	434	1,760	-	-	9,655
Depreciation	27	778	1,614	3,667	995	6,875	2,230	6,224	249	-	22,659
Taxes other than income	3	179	316	549	139	760	378	1,045	112	-	3,481
	<u>185,746</u>	<u>5,325</u>	<u>9,624</u>	<u>15,583</u>	<u>4,077</u>	<u>23,530</u>	<u>8,953</u>	<u>30,594</u>	<u>2,804</u>	<u>385</u>	<u>286,621</u>
Interest expense:											
Interest charges	159	3,173	5,802	6,724	1,970	14,521	81	1,519	68	-	34,017
Interest charged to projects during construction	-	(6)	(21)	(1)	-	(1)	-	-	-	-	(29)
	<u>159</u>	<u>3,167</u>	<u>5,781</u>	<u>6,723</u>	<u>1,970</u>	<u>14,520</u>	<u>81</u>	<u>1,519</u>	<u>68</u>	<u>-</u>	<u>33,988</u>
Total operating costs and interest expense	<u>185,905</u>	<u>8,492</u>	<u>15,405</u>	<u>22,306</u>	<u>6,047</u>	<u>38,050</u>	<u>9,034</u>	<u>32,113</u>	<u>2,872</u>	<u>385</u>	<u>320,609</u>
Other	(82,000)	-	-	-	-	-	-	-	-	-	(82,000)
Total costs and expenses	103,905	8,492	15,405	22,306	6,047	38,050	9,034	32,113	2,872	385	238,609
(Increase) decrease in amounts recoverable under terms of the power sales agreements	82,396	7,672	9,039	11,177	3,558	22,695	(610)	6,061	246	30	142,264
	<u>\$ 186,301</u>	<u>\$ 16,164</u>	<u>\$ 24,444</u>	<u>\$ 33,483</u>	<u>\$ 9,605</u>	<u>\$ 60,745</u>	<u>\$ 8,424</u>	<u>\$ 38,174</u>	<u>\$ 3,118</u>	<u>\$ 415</u>	<u>\$ 380,873</u>

* Allocation between maintenance and other operating is not available.

The accompanying notes are an integral part of this supplemental schedule.

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY
PROJECT STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005
(In Thousands)

	SERVICE	NUCLEAR MIX 1	NUCLEAR PROJ. 3	NUCLEAR PROJ. 4	NUCLEAR PROJ. 5	PROJECT NO. 6	PEAKING	INTERMEDIATE	WYMAN	HYDRO QUEBEC PHASE II	TOTAL
Cash flows from operating activities											
Total revenues and interest income	\$ 186,301	\$ 16,164	\$ 24,444	\$ 33,483	\$ 9,605	\$ 60,745	\$ 8,424	\$ 38,174	\$ 3,118	\$ 415	\$ 380,873
Total operating costs and interest expense	(185,905)	(8,493)	(15,406)	(22,306)	(6,046)	(38,050)	(9,034)	(32,113)	(2,871)	(385)	(320,609)
Adjustments to arrive at net cash provided by operating activities:											
Depreciation	27	778	1,614	3,667	995	6,875	2,230	6,224	249	-	22,659
Amortization of debt discount and nuclear fuel	-	336	1,254	2,053	413	1,634	(29)	(432)	(1)	-	5,228
Change in assets and liabilities:											
Accounts receivable	(8,524)	75	(154)	(89)	(26)	(196)	253	(5,918)	(249)	18	(14,810)
Unbilled revenues	(5,553)	-	-	-	-	-	-	-	-	-	(5,553)
Inventories	(7,656)	(2)	-	(39)	(10)	(55)	(3,798)	2,043	(509)	-	(10,026)
Prepaid expenses	(80)	(4)	(11)	46	11	63	1	32	-	-	58
Accounts payable	(414)	132	68	2,405	614	3,327	32	1,714	1,508	(15)	9,371
Accrued expenses and other	113	(187)	(182)	(1,366)	(381)	(2,064)	(113)	(450)	(18)	(8)	(4,656)
Other liabilities	64,484	-	-	-	-	-	-	2,493	-	-	66,977
Member and participant advances and reserves	25,250	(889)	(1,110)	(1,401)	(50)	(1,093)	(567)	2,068	(481)	(27)	21,700
Net cash provided by (used for) operating activities	68,043	7,910	10,517	16,453	5,125	31,186	(2,601)	13,835	746	(2)	151,212
Cash flows from investing activities:											
Construction expenditures and purchases of nuclear fuel	(168)	(971)	(1,711)	(2,985)	(756)	(4,135)	(123)	(419)	(18)	-	(11,286)
Interest charged to projects during construction	-	(6)	(21)	(1)	-	(1)	-	-	-	-	(29)
Net (increase) decrease in special funds	(80,720)	933	1,643	(997)	(549)	(2,202)	6,966	(2,566)	(238)	(8)	(77,738)
Decommissioning trust payments	-	(451)	(833)	(890)	(225)	(1,233)	-	-	-	-	(3,632)
Net cash provided by (used for) investing activities	(80,888)	(495)	(922)	(4,873)	(1,530)	(7,571)	6,843	(2,985)	(256)	(8)	(92,685)
Cash flows from financing activities											
Payments made on long-term debt	-	(7,415)	(9,595)	(11,580)	(3,595)	(23,615)	(4,160)	(10,850)	(490)	-	(71,300)
Net proceeds from short-term borrowings	7,733	-	-	-	-	-	-	-	-	-	7,733
Proceeds from issuance of short-term debt	3,164	-	-	-	-	-	-	-	-	-	3,164
Net cash provided by (used for) financing activities	10,897	(7,415)	(9,595)	(11,580)	(3,595)	(23,615)	(4,160)	(10,850)	(490)	-	(60,403)
Net increase (decrease) in cash and temporary investments	(1,948)	-	-	-	-	-	82	-	-	(10)	(1,876)
Cash and temporary investments at beginning of year	2,252	-	-	1	-	2	-	-	-	10	2,265
Cash and temporary investments at end of year	\$ 304	\$ -	\$ -	\$ 1	\$ -	\$ 2	\$ 82	\$ -	\$ -	\$ -	\$ 389
Cash paid during the year for interest (Net of amount capitalized as shown above)	\$ 147	\$ 3,726	\$ 6,130	\$ 7,628	\$ 2,319	\$ 17,242	\$ 210	\$ 2,162	\$ 76	\$ -	\$ 39,640

The accompanying notes are an integral part of this supplemental schedule.



Massachusetts Municipal Wholesale Electric Company