

Municipal Utility Financing Amendments

Vermont Public Power Supply Authority

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VPPSA Members

Barton Village, Inc. Electric Department (1893) 2,170

Village of Enosburg Falls Water & Light Department (1896) 1,706

Town of Hardwick Electric Department (1897) 4,492

Village of Hyde Park Electric Department (1894) 1,383

Village of Jacksonville Electric Company (1904) 700

Village of Johnson Water & Light Department (1894) 944

Village of Ludlow Electric Light Department (1900) 3,758

Village of Lyndonville Electric Department (1894) 5,664

Village of Morrisville Water & Light Department (1895) 3,986

Northfield Electric Department (1894) 2,223

Village of Orleans Electric Department (1925) 669

Swanton Village, Inc. Electric Department (1894) 3,632



VPPSA Overview

- ▶ VPPSA is a Joint Action Agency created by the Vermont General Assembly in 1979 and codified as Title 30 VSA, Chapter 84.
 - ▶ VPPSA is one of about 60 Joint Action Agencies in the US.
- ▶ The VPPSA Board of Directors consists of one director appointed from each member system.
- ▶ Working together enables the municipal members to gain efficiency while maintaining local control.
- ▶ VPPSA has a staff of 13 with offices in Waterbury Center.



VPPSA Services

- ▶ Finance and Accounting Support
- ▶ Metering and IT Support
- ▶ Power Supply
 - ▶ Long-term and short-term energy forecasting and contracting
 - ▶ Interactions with the ISO-New England Markets and Committees
 - ▶ Integrated Resource Planning (IRP)
- ▶ Ratemaking and Revenue Forecasts
- ▶ Regulatory and Legislative Support
 - ▶ Participation in relevant Public Utility Commission proceedings and at VELCO
 - ▶ Federal legislative support, FERC representation, American Public Power Association



Municipal Financing Challenges

- ▶ Currently, municipal utilities are required to obtain Public Utility Commission approval for all borrowing under 30 V.S.A. §108(c)(3).
 - ▶ Burlington Electric Department (the State's largest municipal utility) is exempted, through its City Charter, from §108 requirements.
- ▶ Voter approval is required *after* PUC approval has been granted under 24 V.S.A. § 1822.
 - ▶ This process applies for any purchase by the utility where borrowing is utilized (e.g. bucket trucks).
 - ▶ Process raises concerns around timing and added expense for ratepayers.



Municipal Financing Proposal

- ▶ Set cumulative and annual thresholds under which municipal utilities may borrow without PUC or voter approval.
 - ▶ To conduct routine utility business (e.g. trucks, generator repairs).
 - ▶ Allow municipal utilities to borrow up to 50% of gross assets without PUC or voter approval.
 - ▶ 50% threshold is consistent with national and regional debt levels for small utilities that own generating assets.
 - ▶ Establish a 20% threshold for borrowing in any 12-month period without PUC approval.
- ▶ Where PUC and voter approval are required, allow public vote to come before *or* after PUC approval



Safeguards

- ▶ Local and state oversight would be retained
 - ▶ A vote of the Local Elected Body would be required for all municipal bonding.
 - ▶ Voter approval would be needed for indebtedness beyond 50% of the utility's gross assets.
- ▶ PUC retains regulatory oversight through:
 - ▶ Sect 248 approval for projects
 - ▶ Rule 5.200 oversight for contracts
 - ▶ Utility rate cases
 - ▶ Ability to open an investigation at any time



VPPSA Financing Challenges

- ▶ VPPSA was created as a “public instrumentality” to support Vermont’s publicly-owned electric utilities.
 - ▶ Despite VPPSA being created to operate as a bond bank for its members, it is required to receive PUC approval any time it issues debt.
 - ▶ VPPSA was instrumental in its members’ participation in the McNeil plant, Highgate Converter station, and the Swanton peaking plant.
 - ▶ VPPSA facilitates member purchases of VT TRANSCO equity
- ▶ Challenges exist around the timing of completing the PUC approval process.



Supporting Municipalities through VPPSA

- ▶ Remove requirement for VPPSA to receive PUC approval for bonding.
 - ▶ VPPSA's debt is not considered an obligation of the State or its municipal members.
- ▶ Municipal utilities are increasingly looking to Joint Action Agencies for financing to accommodate rapid industry changes.
 - ▶ AMI deployment, storage investments, etc.
 - ▶ Members would “opt in” to specific projects.
 - ▶ Vote of the VPPSA Board required prior to borrowing.
- ▶ Vermont utilities are taking the lead on meeting the State's energy goals; streamlined process will facilitate investment.

