



House Energy & Technology

Washington Electric Cooperative
Broadband Tax Exemption

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Patty Richards &
Barry Bernstein

About WEC



- Electric Cooperative – Not for Profit
 - Established in 1939
 - Member owned
 - Created by and for those without power
 - investor owned utility would not extend lines to rural landscape
 - 100% renewable sourced power (85% in VT & 15% NY hydro)
- Size
 - Peak 16 MW (Winter)
 - State of VT ~ 1,000 MW Peak (Summer)
 - 70,000 MWH Retail Sales Annually
 - 1.3% of State Load
 - 11,700 meters/members
 - 41 towns 4 counties Central Vermont (Washington, Orange, Orleans, Caledonia)
 - 17% of Vermont Towns
 - 96% of our members residential
- Board of Directors
 - Nine Directors
 - Set Policy
 - All Members
 - Annual Meetings



WEC's Vision

- Universal Internet Access for WEC Members
- Symmetric Highspeed Service (100/100 Mbps down/up)
- Affordable Rates
- Solutions
 - Thumb on the scale to get highspeed internet service to WEC's under/unserved members
 - WEC wants to move ahead
 - Highspeed internet essential service
- Fast Build Out
 - Begin Late 2021
 - Finish less than 5 years
- Partnership(s)
 - CUDs
 - Mission Based Providers (Kingdom Fiber)

Why WEC Here Today

- Tax Solution
- WEC Taxed on physical assets (poles, wires, substations, power plants, etc)
 - If WEC builds and adds fiber, it would be taxed
 - The tax estimate for fiber buildout significant (~\$500K per year)

WEC Property Tax (2020)

- Lines, poles, substations \$1,323,492
- Generation Plants
 - Wrightsville \$33,006
 - Coventry \$208,472
- Total Property and Town Tax = \$1.56 M
- Paid out to 43 towns
- WEC's Proposal has No Change in Electric Property Tax Base



WEC Broadband Scenarios		
Capital -- Broadband Build Out	\$ 22,164,000	\$ 22,164,000
Interest Rate	2.00%	2.00%
Property Tax	\$ 475,000	\$ -
Maint & Misc	\$ 73,000	\$ 73,000
Debt Service Payment (30+ yrs)	\$ 919,444	\$ 919,444
Total Annual Cost to WEC	\$ 1,467,444	\$ 992,444
Fiber Miles	799	799
Per Mile Cost	\$ 1,837	\$ 1,242
Lease Rate per Mile to CUD		
\$ 1,200		
Annual Revenue to WEC	\$ 958,800	\$ 958,800
Net Loss (Profit)	\$ 508,644	\$ 33,644
Increase to Electric Rates from Broadband	3.6%	0.2%
Lease Rate per Mile to CUD		
\$ 1,400		
Annual Revenue to WEC	\$ 1,118,600	\$ 1,118,600
Net Loss (Profit)	\$ 348,844	\$ (126,156)
Increase to Electric Rates from Broadband	2.5%	-0.9%

Lease rate of \$1400 per mile deemed too expensive by CUDs. We don't think this case is feasible for CUD to move ahead.

Tax Exemption Needed

- Lease rate of \$1400 per mile deemed too expensive by CUDs
 - Not feasible for CUD to move ahead
 - No Savings for CUDs to pass on to Customers
 - CUD could build it without WEC
 - The advantage of lower interest rate with USDA loans is offset by taxes

Tax Exemption Needed

- Levels the field with CUDs
- Allows WEC to Build Out Fiber using low cost funds from USDA
- Lease fee \$1,200 per mile feasible with tax exemption in place
 - Lower Cost than CUD can build
 - Allows CUD to pass on savings to consumers
- Impact to electric rates matter
 - \$1,200 case WEC has rate pressure but smaller
- Towns will still benefit with tax exemption on WEC Broadband equipment
 - If we build it, new tax base will come

Tax Exemption Solution

- Avoid complicated tax laws
- Requesting Tax Exemption for **NEW** Broadband Infrastructure
 - Tax Estimated ~ \$500K
- Applied only to **NEW** broadband equipment
 - WEC continues to pay other taxes

Tax Exemption

- Potential for towns to **increase** tax base with the tax exemption in place
 - Economic Development - high speed internet needed for community growth
 - Availability of Highspeed Internet will result in
 - New Homes
 - New Businesses
 - New Tax base
 - Increased Home Values

Comments Current Bill Language

- Remove town vote for tax exemption
- Add language that allows tax exemption and any non-profit entity serving under/unserved consumers



Questions & Thank You

Patty Richards 802-224-2324
patty.richards@WEC.coop