

## **S. 95 - An act relating to municipal utility capital investment**

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**Vermont Public Power Supply Authority**

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**Proposal** - Set cumulative and annual thresholds under which municipal utilities may borrow without PUC or voter approval.

- Allow municipal utilities to borrow up to 50% of gross assets without PUC or voter approval.
  - Establish 20% threshold for borrowing in any 12-month period; require additional oversight for large issuances.
  - Thresholds apply to the assets of the utility (*not* the municipality as a whole)
- Exempt VPPSA borrowing from requiring PUC approval.
- Where PUC and voter approval are required, allow public vote to come before *or* after PUC approval; borrowing could proceed only after both approvals were granted.

**Rationale** – Allow municipal utilities to conduct routine utility business (e.g. trucks, generator repairs) without voter or PUC approval for financing.

- 50% threshold is consistent with national and regional debt levels for small utilities that own generating assets.

**Safeguards** – Retain local and state oversight:

- A vote of the local governing body (Electric Commission or Select Board) will still be required.
- PUC Retains Oversight
  - Sect. 248 approval required for projects.
  - Rule 5.200 oversight for contracts.
  - Rate Cases
  - Ability to open an investigation at any time and require utility reporting.
- Lender determination of creditworthiness.

VPPSA Members 3QTR18 Financial  
Data (unaudited)

<i>Utility</i>	<i>Debt</i>	<i>Gross Assets</i>	<i>Ratio</i>		<i>50% Assets Threshold</i>	<i>Overall Capacity (50% threshold)</i>	<i>20% Assets Threshold</i>
<b>Barton</b>	\$ 4,179,558	\$ 6,294,186	66%		\$ 3,147,093	\$ (1,032,466)	\$ 1,258,837
<b>Enosburg</b>	\$ 2,158,185	\$ 7,215,751	30%		\$ 3,607,875	\$ 1,449,691	\$ 1,443,150
<b>Hardwick</b>	\$ 1,201,302	\$ 8,648,160	14%		\$ 4,324,080	\$ 3,122,778	\$ 1,729,632
<b>Hyde Park</b>	\$ 2,917,112	\$ 4,552,632	64%		\$ 2,276,316	\$ (640,796)	\$ 910,526
<b>Jacksonville</b>	\$ 0	\$ 1,244,919	0%		\$ 622,460	\$ 622,460	\$ 248,984
<b>Johnson</b>	\$ 335,653	\$ 3,428,423	10%		\$ 1,714,212	\$ 1,378,559	\$ 685,685
<b>Ludlow</b>	\$ 145,064	\$ 11,462,103	1%		\$ 5,731,052	\$ 5,585,987	\$ 2,292,421
<b>Lyndonville</b>	\$ 1,266,329	\$ 13,142,596	10%		\$ 6,571,298	\$ 5,304,969	\$ 2,628,519
<b>Morrisville</b>	\$ 2,371,647	\$ 21,095,501	11%		\$ 10,547,751	\$ 8,176,104	\$ 4,219,100
<b>Northfield</b>	\$ 410,000	\$ 8,051,673	5%		\$ 4,025,837	\$ 3,615,837	\$ 1,610,335
<b>Orleans</b>	\$ -	\$ 3,431,451	0%		\$ 1,715,726	\$ 1,715,726	\$ 686,290
<b>Swanton</b>	\$ 7,584,849	\$ 23,887,278	32%		\$ 11,943,639	\$ 4,358,790	\$ 4,777,456