

Agenda Summary

January 10, 2024

Agenda Item No.

Stowe Electric General Obligation Bond to Purchase Vermont Transco Equity

Summary: Enclosed is a memo from Jackie Pratt, SED General Manager, requesting the Selectboard approve an Australian ballot article for voter consideration authorizing general obligation notes or bonds from time to time during the period from 2024 through December 31, 2028, in an aggregate amount not to exceed \$3 million dollar, payable primarily from the net revenues of Stowe Electric Department, to fund the acquisition by Stowe Electric Department of equity shares of Vermont Transco, LLC.

“Vermont Transco (a.k.a. VELC) is a Limited Liability Company which transmits high voltage power to Vermont’s distribution utilities...VT Transco uses the equity raised to fund ongoing system reliability and system enhancement projects. The average ROI on Member Units is approximately 12%. Dividends earned on Member Units are used by SED to offset transmission costs. SED is responsible for paying its share of transmission cost no matter how many VT Transco Member Units it owns.

Town Plan Impact: N/A

Fiscal Impact: General obligation bonds are backed by the full faith and credit of the Town of Stowe.

Recommendation: Move to instruct the Manager to include the following article on the Annual Meeting Australian ballot warning: “Shall the voters authorize the issuance of general obligation notes or bonds of the Twon from time to time during the period from 2024 through December 31, 2028, in an aggregate amount not to exceed Three Million and 00/100 Dollars (\$3,000,000.00), payable primarily from the net revenues of the Stowe Electric Department, to fund the acquisition by Stowe Electric Department of equity shares of Vermont Transco, LLC” and to approve the RESOLUTION OF NECESSITY FOR VTRANSCO EQUITY PURCHASES.”



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TO: TOWN OF STOWE SELECTBOARD
FROM: J. PRATT, GENERAL MANAGER; S. JUZEK, DIRECTOR OF FINANCE
RE: VERMONT TRANSCO EQUITY PURCHASE
DATE: JANUARY 10, 2024

BACKGROUND

Vermont Transco (a.k.a. VELCO) is a Limited Liability Company which transmits high voltage power to Vermont's distribution utilities. VT Transco is issuing \$30MM of Member Units to the Vermont distribution utilities in December 2023 and plans to issue an additional \$150MM within the next four years. The amount of equity offered to Stowe Electric Department (SED) is \$478,740 for December 2023 along with an estimated \$2.4MM in additional equity over the next four years.

VT Transco uses the equity raised to fund ongoing system reliability and system enhancement projects. The average ROI on the Member Units is approximately 12%. Dividends earned on Member Units are used by SED to offset transmission costs. SED is responsible for paying its share of transmission cost no matter how many VT Transco Member Units it owns. If SED does not purchase the Member Units offered over the next several years, another utility will. This will result in SED continuing to pay its full share of transmission costs with no corresponding increase in equity dividends to offset those costs for its customers.

VELCO has indicated SED should plan for the following equity purchase amounts over the next five years for a total of \$2,872,440:

- 2023 - \$478,740
- 2024 - \$638,320
- 2025 - \$478,740
- 2026 - \$638,320
- 2027 - \$638,320

To simplify the borrowing process and reduce the number of times SED will need to go before voters for the VT Transco equity purchases, the SED Commission and General Manager have opted to submit a single, lump-sum general obligation bond request to cover lending for all upcoming VELCO equity

purchases. We are seeking voter approval for the issuance of general obligation bonds in an amount not to exceed \$3MM for the period beginning January 1, 2024, and ending December 31, 2028, for the benefit of Stowe Electric Department and payable from the net revenues of the Stowe Electric Department for the purpose of acquiring an equity ownership interest in Vermont Transco, LLC.

Though this approach requires only one vote by residents to authorize borrowing, the bonds will be secured annually for each equity call. This strategy will allow SED to benefit from any potential decrease in interest rates over the coming years.

RECOMMENDED MOTION

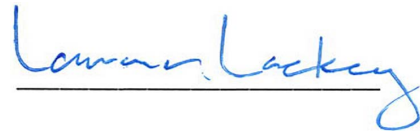
The Stowe Electric Commission unanimously approved the attached resolution at its December 27, 2023, meeting. We respectfully request that the Selectboard of the Town of Stowe approve and place the question as to the issuance of such bonds before the legal voters of the Town of Stowe with the following motion:

***Move to approve including on the Annual Meeting Australian ballot warning the following article:
"Shall the voters authorize the issuance of general obligation notes or bonds of the Town from time to time during the period from 2024 through December 31, 2028, in an aggregate amount not to exceed Three Million and 00/100 Dollars (\$3,000,000.00), payable primarily from the net revenues of Stowe Electric Department, to fund the acquisition by Stowe Electric Department of equity shares of Vermont Transco, LLC."***

STOWE ELECTRIC DEPARTMENT
RESOLUTION OF BOARD OF COMMISSIONERS

The Board of Commissioners of the Stowe Electric Department, having reviewed the materials related to the proposed issuance of general obligation bonds of the Town of Stowe in an amount not to exceed Three Million and 00/100 Dollars (\$3,000,000) for the period beginning January 1, 2024, and ending December 31, 2028, be issued for the benefit of Stowe Electric Department and payable from the net revenues of the Stowe Electric Department for the purpose of acquiring an equity ownership interest in Vermont Transco, LLC. The Board of Commissioners of the Stowe Electric Department hereby approve, recommend, and request that the Selectboard of the Town of Stowe approve and place the question as to the issuance of such bonds before the legal voters of the Town of Stowe.

Dated: December 27, 2023



Lorraine Lackey



Sara Teachout



Mark Gilby

Board of Commissioners
Stowe Electric Department

RESOLUTION OF NECESSITY FOR VTRANSCO EQUITY PURCHASES

RESOLVED, at a Meeting of the Selectboard of the Town of Stowe (the “Town”) duly warned and held on January 10, 2024, it was determined that the public good and necessity will be served if the Town of Stowe Electric Department (“SED”) has funds sufficient to acquire member unit equity shares (“Equity”) in Vermont Transco LLC (“VT Transco”) as the same are offered to SED for subscription from time to time over the next five (5) calendar years; and

BE IT FURTHER RESOLVED that the Stowe Electric Commission, by action taken at its duly called and warned meeting on December 27, 2023, unanimously adopted a resolution approving, recommending and requesting that the Selectboard approve and place on the 2024 Annual Meeting ballot the proposition that the Town be authorized to issue its general obligation bonds or notes in an aggregate amount not to exceed Three Million and 00/100 Dollars (\$3,000,000.00), which bonds or notes shall be payable primarily from the net revenues of SED, to provide funds for SED to acquire VT Transco Equity during the period from the date on and after the action taken by the voters at the 2024 Annual Town Meeting is final and no longer subject to contest through December 31, 2028 (“Project”); and

BE IT FURTHER RESOLVED that the cost of the Project is too great to be paid out of the ordinary annual income and revenue of the Town or SED; and

BE IT FURTHER RESOLVED that the Selectboard, in reliance on the action taken at the Stowe Electric Commission meeting on December 27, 2023, finds that public good and necessity demand that a proposal to approve the acquisition by SED of VT Transco Equity during the period from the date after which the actions taken by the voters at the 2024 Annual Town Meeting is final and no longer subject to contest through December 31, 2028 and to issue general obligation bonds, notes or other debt instruments of the Town in an aggregate principal amount not to exceed Three Million and 00/100 Dollars (\$3,000,000.00), which bonds or notes shall be payable primarily from the net revenues of SED should be submitted to the legal voters of the Town at its Annual Town Meeting to be duly warned and held on March 5, 2024; and

BE IT FURTHER RESOLVED that a public informational meeting will be held to discuss the Project and the issuance of general obligation bonds, notes or other debt instruments on Wednesday, February 28, 2024, commencing at five-thirty o’clock (5:30) in the afternoon (p.m.) which public informational meeting will be held in-person at the Town Offices and also electronically on the Zoom platform, the specific details and dial-in numbers for the Zoom platform will be as specified in the warning for the public information meeting; and

BE IT FURTHER RESOLVED that all acts relating to the proposition of incurring indebtedness and the issuance of general obligation bonds, notes, or other debt instruments of the Town for the purpose of financing the Project be in accordance with the provisions of Chapter 53 of Title 24 and Chapter 14 of Title 30 of the Vermont Statutes Annotated; and

BE IT FURTHER RESOLVED that the attached form of the Warning and form of the ballot article for the Project are specifically adopted for use in connection with consideration of the above-stated proposition of acquisition by SED of VT Transco Equity and incurring indebtedness related thereto.

Dated: January ___, 2024

TOWN OF STOWE SELECTBOARD

LISA HAGERTY

WILLIAM W. ADAMS, II

DOMINICK DONZA

JO SABEL COURTNEY

FRANCIS "PACO" AUMAND

Received for record this ___ day of January 2024.

Penny Davis, Town Clerk & Treasurer