

Agenda Summary
June 26, 2024

Agenda Item No. B-2
SED Long Term Borrowing Warning

Summary: Enclosed is a memo from Jackie Pratt, SED General Manager, requesting the Selectboard approve the enclosed Resolution of Necessity and Warning for long-term borrowing on August 13th, which is the same day as the Statewide primaries.

The borrowing is for the following projects:

- Express Circuit \$400k – Provides redundancy for supplying service to Mountain Rd. in the event of an outage on our sub-transmission line. Improves resiliency and restoration times.
- Distribution Automation Loop Feed \$100k – Improves resiliency and restoration times.
- Weeks Hill to Percy 3-Phase \$111k – Upgrade aging infrastructure.
- Emergency Operations Center \$475k – Renovate "millwright's office" on SED campus to house emergency operations center, office space, and hydro facility controls for utility.
- Moscow Mills Solar \$111k – Renewable energy generation at SED headquarters.
- Smith's Falls Hydro \$1.32MM – Micro hydro generation and dam restoration at SED headquarters. Provides local, renewable generation in alignment with Vermont's Renewable Energy Standard.

Town Plan Impact: N/A

Fiscal Impact: Total borrowing requested is \$2.8 million dollars to be paid back by ratepayers, but may be considered general obligation debt backed by the full faith and credit of the Town of Stowe's grand list.

Recommendation: Move to approve the enclosed Warning for a SED bond vote on 8/13/24 and the Resolution of Necessity Capital Improvement Projects Stowe Electric Department.

Signatures required.



435 Moscow Rd, PO Box 190 Stowe, VT

802-253-7215

www.StoweElectric.com

TO: STOWE SELECTBOARD

FROM: J. PRATT, GENERAL MANAGER

RE: UTILITY BORROWING RESOLUTION FOR AUGUST 2024 BALLOT

DATE: JUNE 26, 2024

Stowe Electric Department's (SED) five-year capital plan includes a number of projects that utilize a combination of various funding sources, including operating cash, restricted funds, loans, and grants. Because SED has been successful in obtaining a substantial amount of grant funding, the cost to SED customers for many of our capital projects will be substantially lower than the total project costs. The numbers below represent only those funds SED intends to borrow for projects slated to begin construction over the next 12 to 18 months. Additional funding sources (grants, cash, etc.) will cover any remaining costs.

- **Express Circuit \$400k** – Provides redundancy for supplying service to Mountain Rd. in the event of an outage on our sub-transmission line. Improves resiliency and restoration times.
- **Distribution Automation Loop Feed \$100k** – Improves resiliency and restoration times.
- **Weeks Hill to Percy 3-Phase \$111k** – Upgrade aging infrastructure.
- **Emergency Operations Center \$475k** – Renovate "millwright's office" on SED campus to house emergency operations center, office space, and hydro facility controls for utility.
- **Moscow Mills Solar \$111k** – Renewable energy generation at SED headquarters.
- **Smith's Falls Hydro \$1.32MM** – Micro hydro generation and dam restoration at SED headquarters. Provides local, renewable generation in alignment with Vermont's Renewable Energy Standard.

The total capital borrowing needed for the projects listed above comes in at \$2.517MM. We have included additional borrowing capacity above that total to account for any unanticipated expenses, bringing SED's total borrowing request to \$2.8MM. These projects are included in SED's five-year capital plan as reviewed and approved by the Stowe Electric Commission in March 2024.

Stowe Electric has been awarded a USDA Powering Affordable Clean Energy (PACE) grant, which is comprised of a low-interest municipal loan with 20% loan forgiveness following completion of funded projects. We have requested clarity from the USDA on whether their PACE grant/loan is considered a "general obligation" of Stowe's taxpayers, though any borrowing through the USDA PACE program or other lenders will be paid back through the revenue of Stowe Electric Department. Pending a determination from USDA, the Town of Stowe's counsel has advised that SED needs to receive approval of voters for any general obligation bonds. To ensure we're able to meet project and grant timelines, the Stowe Electric Commission is requesting approval by the Selectboard of the attached warrant article for inclusion on the August 2024 ballot.

It is important to note that there are additional grant applications for projects included in this bond request that are in various stages of approval. If SED secures additional grant funding, our borrowing would be less than the \$2.8MM requested. This ballot item is inclusive of the total amount we intend to borrow and does not reflect the impact of the 20% loan forgiveness available through the USDA PACE grant, as that is awarded after project completion. The USDA PACE loan's 20% forgiveness provision will further reduce the overall obligation. Our intention is to use the USDA PACE loan for all eligible projects. However, depending on which additional grants may be awarded, restrictions on "stacking" federal grants may require securing loans for partial funding through other sources to avoid exceeding the allowable federal funding limits. It is SED's goal to accomplish these projects at the lowest cost to our ratepayers.

RESOLUTION OF NECESSITY
CAPITAL IMPROVEMENT PROJECTS
STOWE ELECTRIC DEPARTMENT

WHEREAS the Stowe Electric Department (“SED”) has applied for and been approved to receive, subject to certain terms and conditions, a loan from the United States Department of Agriculture Rural Development Administration (“USDA”) in an amount of Two Million Eight Hundred Thousand and 00/100 Dollars (\$2,800,000.00) to fund capital improvements to its physical plant and infrastructure, including but not limited to restoration of the micro-hydro dam and installation of renewable energy improvements (solar) at SED’s office complex and to upgrade and improve the resiliency of SED’ existing power distribution infrastructure (the “Project”); and

WHEREAS the Project, or elements thereof, may also be eligible to be funded, in whole or in part, by loans from alternate sources of capital at favorable interest rates; and

WHEREAS the Stowe Electric Commission at its duly called and warned meeting on June 18, 2024, adopted a resolution approving, recommending and requesting that the Selectboard of the Town of Stowe (“Selectboard”) approve and place before the voters the proposition that general obligation bonds or notes of the Town be issued in an aggregate amount not to exceed Two Million Eight Hundred Thousand and 00/100 Dollars (\$2,800,000.00), which bonds or notes shall be payable primarily from the net revenues of SED, to authorize and enable SED to borrow from USDA or other sources to finance the Project; and

NOW THEREFORE BE IT RESOLVED that the Selectboard, in reliance on the action taken by the Commission at its meeting on June 18, 2024, and information provided to it by SED finds that there are potential savings available to the Town/SED if the USDA loan (or the alternative funding sources) is accessed and the proceeds are used to make the eligible capital improvements; 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 SED and the Town; and

BE IT FURTHER RESOLVED that public good and necessity demand that a proposal to issue general obligation bonds, notes or other debt instruments of the Town in an aggregate principal amount not to exceed Two Million Eight Hundred Thousand and 00/100 Dollars (\$2,800,000.00), which bonds or notes shall be payable primarily from the net revenues of SED, be submitted to the legal voters of the Town at a Special Town Meeting to be duly warned and noticed, and held on August 13, 2024; and

BE IT FURTHER RESOLVED that a Special Town Meeting of the Town be duly warned and noticed, and held on August 13, 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, July 24, 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 the attached form of the ballot for the Project are specifically adopted for use in connection with consideration of the above-stated Project and incurring indebtedness related thereto.

Dated: June __, 2024

TOWN OF STOWE SELECTBOARD

WILLIAM W. ADAMS, II

FRANCIS "PACO" AUMAND

DOMINICK DONZA

JO SABEL COURTNEY

ETHAN CARLSON

Received for record this __ day of June 2024.

Penny Davis, Town Clerk & Treasurer

**TOWN OF STOWE, VERMONT
SPECIAL TOWN MEETING
OFFICIAL WARNING
AUGUST 13, 2024**

The legal voters of the Town of Stowe, Vermont, are hereby notified and warned to meet at Stowe High School in the Town of Stowe on Tuesday, August 13, 2024. The polls shall open at seven o'clock in the forenoon (7:00 a.m.), and shall close at seven o'clock in the evening (7:00 p.m.), during which time the following article is to be acted upon by Australian ballot:

Article 1: Shall the voters authorize the issuance of general obligation bonds, notes or other debt obligations of the Town in an aggregate amount not to exceed Two Million Eight Hundred Thousand and 00/100 Dollars (\$2,800,000.00), payable primarily from the net revenues of Stowe Electric Department, to fund capital improvements to the physical plant of Stowe Electric Department at an aggregate cost of Two Million Eight Hundred Thousand and 00/100 Dollars?

The legal voters of the Town of Stowe are further notified that voter qualification, registration, and absentee voting relative to said special meeting shall be as provided in Chapters 43, 51 and 55 of Title 17, Vermont Statutes Annotated.

The legal voters of the Town of Stowe are further notified that an informational meeting will be held on Wednesday, July 24, 2024, at the Town Offices in the Town of Stowe and electronically on the Zoom platform beginning at five-thirty (5:30) in the afternoon (p.m.), for the purpose of explaining the capital improvement projects and the financing thereof. The details concerning access to and participation using the Zoom platform will be specified in the warning for the public informational hearing.

Approved this ___ day of June 2024.

TOWN OF STOWE SELECTBOARD

WILLIAM W. ADAMS, II

FRANCIS "PACO" AUMAND

DOMINICK DONZA

JO SABEL COURTNEY

ETHAN CARLSON

Received for record and recorded in the records of the Town of Stowe on June __,
2024.

Penny Davis, Town Clerk & Treasurer

**TOWN OF STOWE
OFFICIAL BALLOT
SPECIAL TOWN MEETING
AUGUST 13, 2024**

ARTICLE 1

Shall the voters authorize the issuance of general obligation bonds, notes or other debt obligations of the Town in an aggregate amount not to exceed Two Million Eight Hundred Thousand and 00/100 Dollars (\$2,800,000.00), payable primarily from the net revenues of Stowe Electric Department, to fund capital improvements to the physical plant of Stowe Electric Department at an aggregate cost of Two Million Eight Hundred Thousand and 00/100 Dollars?

If in favor of Article 1, make a cross (X) in this square .

If opposed to Article 1, make a cross (X) in this square .