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PRESS RELEASE
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MOODY'S LOWERS AIRPORT AND BED CREDIT RATINGS

Report Recognizes Financial Progress in Each Department; Airport Outlook Remains Negative, BED Outlook Stable

Burlington, VT – October 15, 2010. Moody's Investor Services has completed separate reviews of the Burlington International Airport (BTV) and Burlington Electric Department (BED) and has announced a downgrade of the credit rating for each department. BTV's rating moved from Baa3 to Ba1. BED's rating moved from A3 to Baa2. The Moody's analysis acknowledges progress that has been made to address issues in each department as well as the fundamental strength of Burlington's economy. Moody's also cites as a contributing factor the City's overall credit status and current negative outlook.

City officials are optimistic about addressing Moody's concerns, with action steps already in place to continue making financial improvements. On top of progress made this year, both BED and BTV forecast continued financial improvements in the short and long-term.

The Moody's analysis comes after more than a year of challenges in both the airline and power industry in the context OF a severe national recession. A February 2010 Moody's analysis of the U.S. Airline sector concluded that, despite the fact that many indicators are stabilizing, the overall outlook for the industry is negative going forward 12 to 18 months (http://www.ci.burlington.vt.us/docs/2022.pdf). A difficult national power market has added significant volatility to market power prices. Market power price volatility is a major factor in the Moody's analysis of BED.

The Moody's analysis for both BTV and BED cites the strength of the Burlington economy. This includes one of the lowest unemployment rates in the U.S., most recently measured at 4.9

percent, a low housing foreclosure rate, stable property values, steady revenues and five straight years of surpluses in the City budget.

Airport Analysis

The BTV review follows up a Moody's report in May downgrading the airport from Baa1 to Baa3. At that time, Moody's cited concerns about BTV's projected 2010 debt service coverage ratio of .86x, decreased enplanements, and sufficient cash liquidity in the event access to cash is needed. The most recent analysis cites these factors as continuing reasons for the downgrade from Baa3 to Ba1, while also acknowledging BTV's progress in addressing these issues. In particular, the airport increased its projected debt service coverage ration from .86x to 1.08x or better for FY10, with an anticipated ratio of 1.29x in FY11. Moody's connects the lower ratios to decreased enplanements. BTV experienced a decline of 8.99 percent in enplanements between FY09 and FY10, due substantially to runway construction at the airport which is expected to be completed by November 1. The Airport is working now to establish a line of credit which will help to address liquidity.

Moody's assigned a negative outlook to the airport. The rating could improve if BTV improves the debt service coverage ratio to 1.4x and addresses Moody's liquidity concerns. The report states it could go down if liquidity and the debt service coverage ratio does not improve and enplanement declines continue.

BED Analysis

In its analysis of BED, Moody's states that "[t]he downgrade is primarily related to recent volatility in purchase power prices that have increased rates above average." Moody's also cites the utility's low debt service coverage ratio for FY10, exposure to increases in market power costs, and negative outlook on the City's general A2 credit rating. At the same time, Moody's recognizes BED's efforts to dramatically increase its debt service coverage ratio in FY10 (from .86x in FY09 to 1.86x in FY10) and its active search for long-term fixed price power contracts, while acknowledging that BED's finances are separate from the City's.

As of the end of FY10 BED improved its cash reserves from $1M to $8M and forecasts a debt service coverage ratio of 2.27x in 2011 and 1.75x for 2012 and 2013. Moody's analysis recognizes these efforts while expressing concern that the ratio could go to 1.26x in FY14 unless more fixed price power contracts are put in place to minimize volatility in energy costs.

Because of the financial improvements and management's active search for new power contracts, Moody's assigns a stable outlook to BED. BED's rating could go up or down depending on future debt service coverage ratios as well as the long-term price stability of its power mix.

"BED and the Airport are already addressing the issues raised in the report and these should not be a basis for long-term concern," said Burlington Mayor Bob Kiss. "With sound financial planning in place and fundamental strength in the local economy, as we go forward BED, BTV and the City are in a good position to respond to and resolve Moody's concerns."

The complete Moody's reports are on-line and can be found here:

BTV: http://www.ci.burlington.vt.us/docs/2703.pdf
BED: http://www.ci.burlington.vt.us/docs/2704.pdf

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