



FY2019 Proposed Budget

Presentation to Board of Finance

May 24, 2018



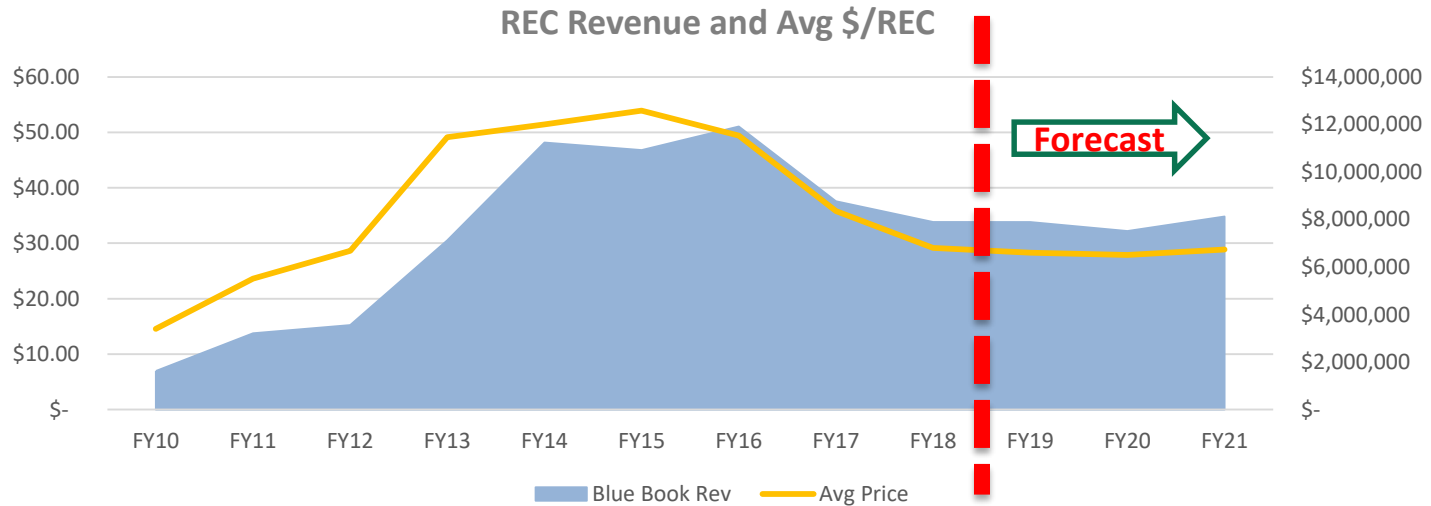
Overview

- FY2019 will be a challenging year, however **our budget proposal contains no rate increase** – *our 10th consecutive year without an adjustment*. This trend is unlikely to continue in FY2020.
- On the income side, we see continued degradation of the REC market, declining kW/h sales, and weak energy prices for McNeil.
- On the expense side, while we have moderated controllable costs through our reorganization and strategic transformation, we see continued pressure on transmission and normal workforce costs.
- Despite these challenges, our FY19 proposal makes investments in key strategic initiatives that advance our vision of becoming a net zero energy city, plus emphasizes safety and employee training.



Declining REC Revenue

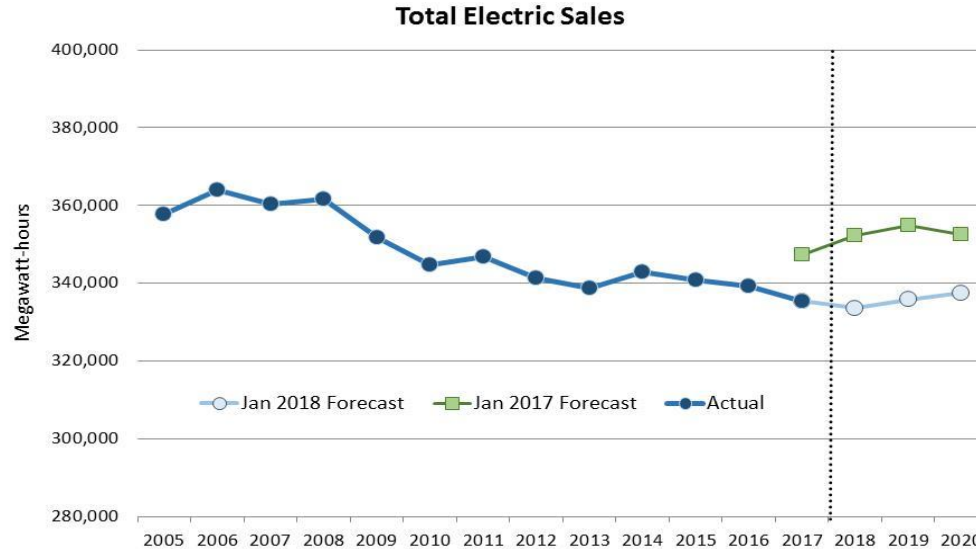
REC Revenues (Total \$ and Dollar per REC) have been declining. BED has used advance sales to soften the effect, but a continued depressed market is expected.





Soft kWh Sales

Sales to customers are “soft” with some customer loss and some delayed expected additions. Revised projections for FY19 are substantially lower.

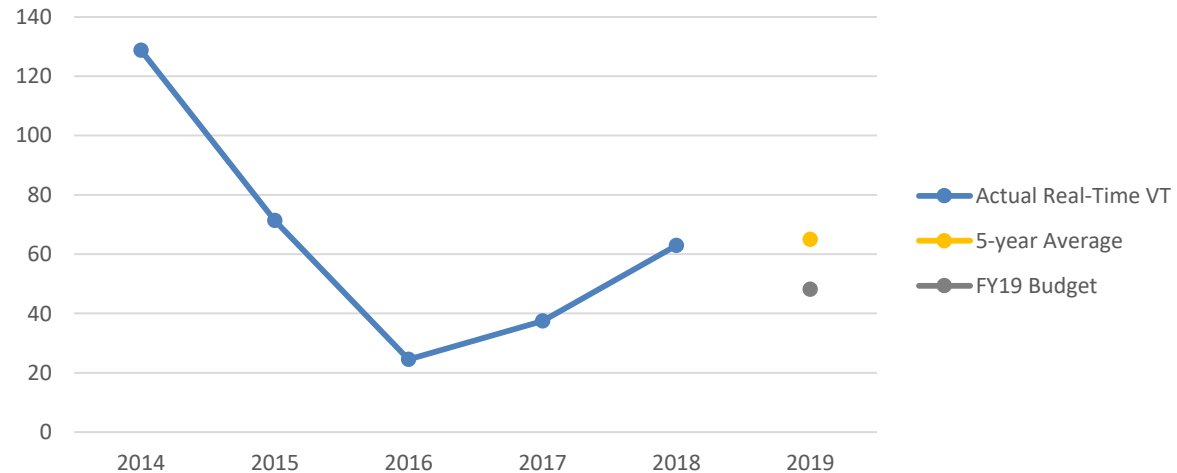




Energy Market Remains Volatile

Winter energy prices are volatile. BED has excess energy in the winter, so high winter prices actually reduce the budget. BED has used a conservative value for the FY19 budget.

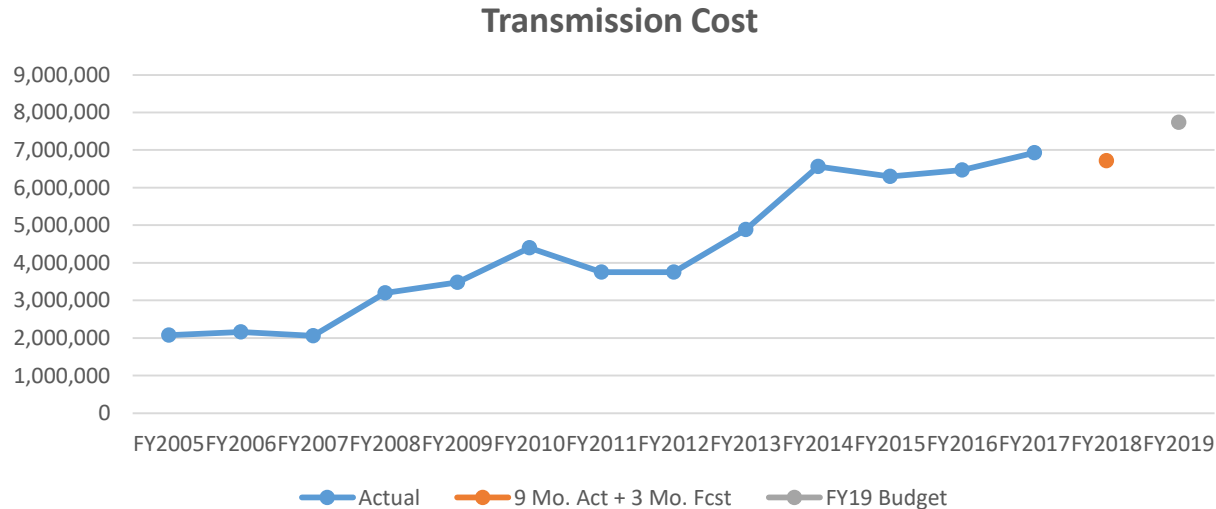
Wholesale Energy Prices (Dec-Mar Avg.)





Steady Rise in Transmission Costs

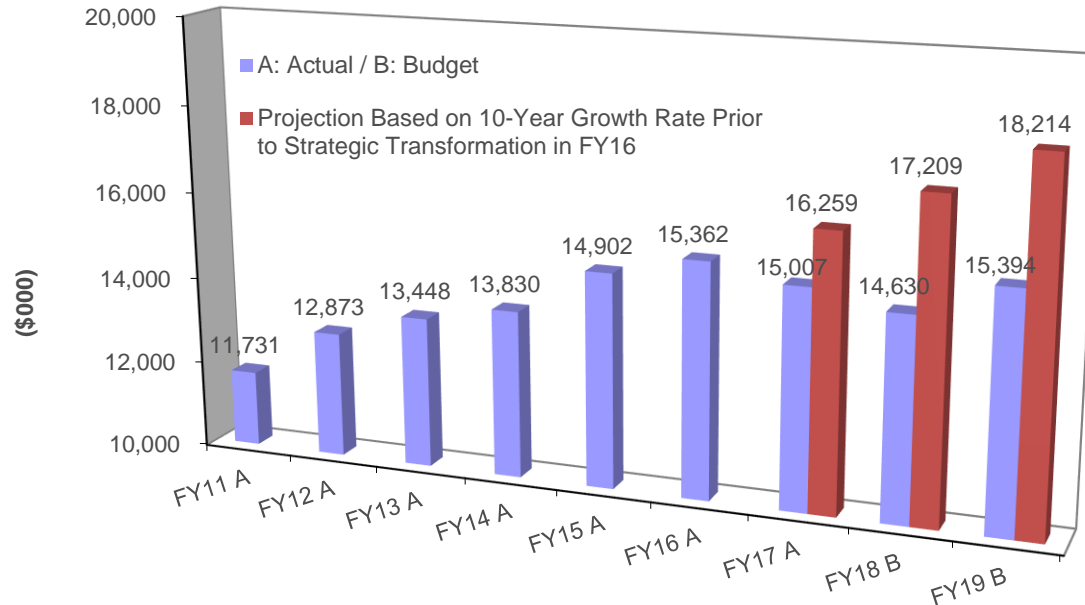
BED is charged by VELCO and ISO-NE for transmission to serve its customers. Transmission costs have increased by roughly \$3,000,000 since BED's last rate increase (+75%)





Held Line on Controllable Expenses

Controllable expenses rose an average of 5.84% annually between FY07-FY16. Strategic efforts during FY16 and continued fiscal discipline have moderated those increases.





FY19 Key Budget Assumptions

- ❑ Stable REC and energy prices (vs. forecast)
- ❑ Stable sales to customers (vs. forecast)
- ❑ Accounting order for McNeil turbine overhaul
- ❑ Sale of BED's share of Highgate Converter Station
- ❑ Special EV overnight charging rate



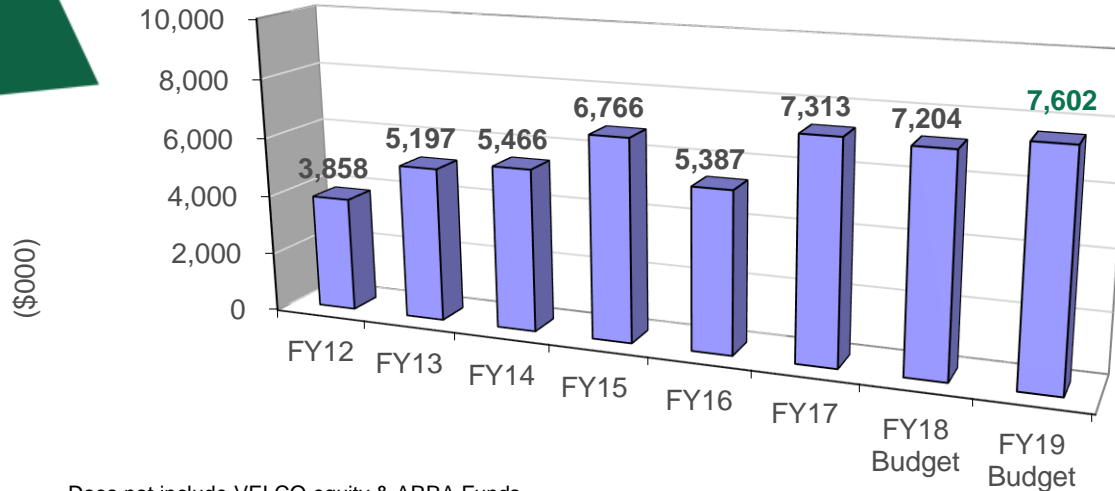
FY19 Strategic Investments

Despite cost pressures, the FY19 budget will make investments to support BED strategic initiatives:

- ❑ Robust \$7.6 million capital plan for maintenance and reliability, inc. +\$2 million for major IT upgrade. Plus \$2.4 million for VELCO equity.
- ❑ Investing in employee safety, training, and education
- ❑ Energy Innovation remains paramount:
 - Energy efficiency program
 - District Energy support
 - Airport Microgrid
 - Net Zero Roadmap
 - Special EV Charging Rate
 - Electric car/bike/bus incentives
 - Solar Shopper 2.0
 - Employee Net Zero benefit



Capital Spending Continues to Track Upward



Does not include VELCO equity & ARRA Funds.

Plant Type	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	Budget	Budget
	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
Production	172	999	566	3,912	1,630	1,363	1,618	1,337
Distribution	2,983	2,857	3,939	2,261	3,088	3,390	3,747	3,602
Transmission	422	1,003	0	0	0	0	0	0
General	281	338	961	593	669	2,560	1,839	2,664
Total	\$3,858	\$5,197	\$5,466	\$6,766	\$5,387	\$7,313	\$7,204	\$7,602

- Total Capital of \$7.6 million, net of \$739,400 expected customer contribution
- Major investment in IT upgrades for customer, financial, and meter data information systems
- Distribution Capital averaged \$3.4 for past 3 years



FY20 Financial Outlook

- Given market challenges, a FY20 rate adjustment is likely for BED to remain fiscally prudent. Without investments in renewable generation, plus reorganization, rate increase likely 3 years ago.
- Would make 10 years without a rate increase. By comparison, Vermont rates increased 13% over roughly same period.

Metric	Benchmark	FY19 Budget	3-Year Average FY17 - FY19
Debt Service Coverage Ratio	>1.25	4.22	4.31
Adj. Debt Service Coverage	>1.50	1.13	1.24*
Days Cash on Hand	>90 days	116	115

- A rate adjustment will be necessary to keep all Moody's financial metrics above the "A" benchmark for the long term.



Summary: FY19 Budget Continues Strong FY18 Progress

Foundational

- No rate increase through fiscal discipline
- Strong metrics for safety, reliability, customer care
- National recognition as top muni utility
- Improved ratings on triennial customer survey
- Leading national effort to create access to energy innovation for low/moderate income customers

Power Supply & Energy Efficiency Innovation

- New Vermont hydro deal with better prices
- Piloted Defeat the Peak and Solar Shopper
- Filed first ever integrated triennial plan (efficiency, thermal, and electrification)
- Negotiated for micro-grid project at Airport

Grid, Generation, and IT

- Extensive work to modernize grid assets
- Completed distribution asset management plan
- Helped recovery efforts in U.S. Virgin Islands
- Improved financials at McNeil
- Established new training & education program at McNeil
- Completed IT Forward process, prepared for major systems upgrade

Transportation & Thermal Innovation

- New EV/PHEV rebate, with extra LMI benefit
- E-Bike rebate & lending library through Local Motion
- EV financing partnership with 3 local credit unions
- Advanced special EV off peak charging rate
- Leading effort on e-bus deployment
- Completed feasibility work on district energy
- Secured \$1.2 million for DES through state legislation