



## *Proposed FY2016 Budget*

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# Key Assumptions – Revenue/Income

- *No rate filing (June 2009 last filing)*
- *Rate re-design assumed to be revenue neutral*
- *Sale of McNeil REC's, \$5.8 million  
(FY15 Budget was \$5.8M)*
- *Sale of Wind REC's, \$3.2 million  
(Similar level as FY14 and FY15)*
- *UVM Medical Center project contribution of \$1.8 million*

## **Key Assumptions – Expenses**

- *Total Operating Expense down \$1,100,000*
- *Voluntary Buyout savings of \$865,000  
(Base model assumption)*
- *Floyd Associates expense and savings of \$775,000  
(Assumed to be cost neutral)*
- *Labor and benefits per IBEW contract/City assumptions*
- *Amortization up \$478,800  
(Winooski One market value over book value - 20 yrs)*

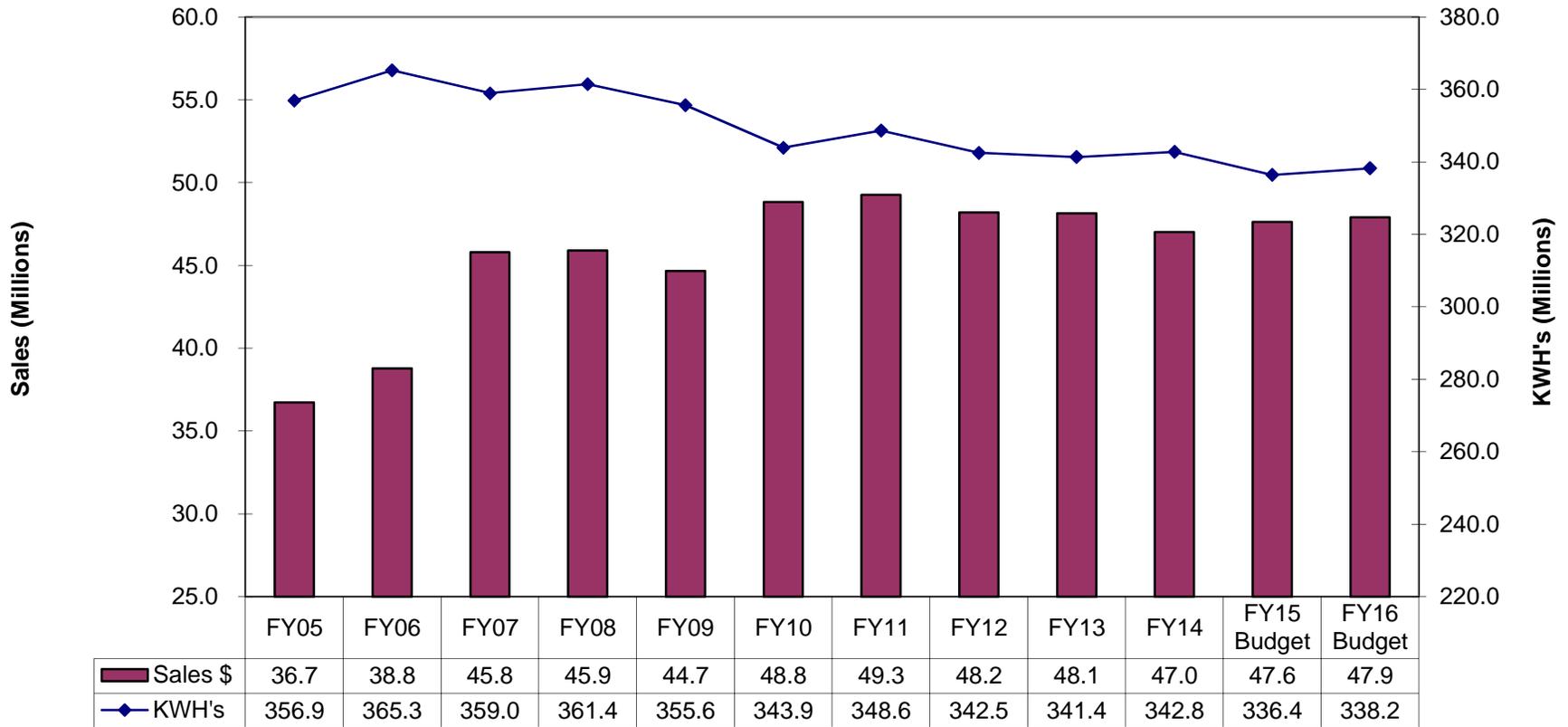
## Key Assumptions – Capital

- *Total Capital of \$10.7 million  
(Net of Contribution, \$8.4 million)*
- *UVM Medical Center upgrades \$1.8 million*
- *Other Distribution Capital \$3.8 million  
(Averaged \$3.3 million past 3 years)*
- *IT Capital of \$1.27 million  
(Averaged \$207,000 past 3 years)*
- *Efficiency Improvements of \$735,000*
- *Community Solar & Storage of \$1,765,000*

## Key Assumptions – Cash/Financing

- *Beginning cash balance of \$7 million*
- *\$3 million General Obligation Bond (annual)*
- *Voluntary Buyout payments of \$2.5 million (Oct-Dec)*
- *Voluntary Buyout Reserve Fund of \$2.5 million*

### Burlington Electric Department Total Sales to Customers



# Net Power Cost – Base Case Assumptions

## McNeil

- 50% McNeil ownership – 25 MW's power
- 70% Capacity Factor
- Assumes 460,000 tons of wood at average \$36.88/ton

## Winooski One

- Full ownership as of September 1, 2014
- 8.4% of BED's load

## Solar Generation

- Ownership of array at Burlington International Airport parking garage as of February 2015
- Project on the roof at BED
- 0.3% of BED's load

## Renewable Energy Credits

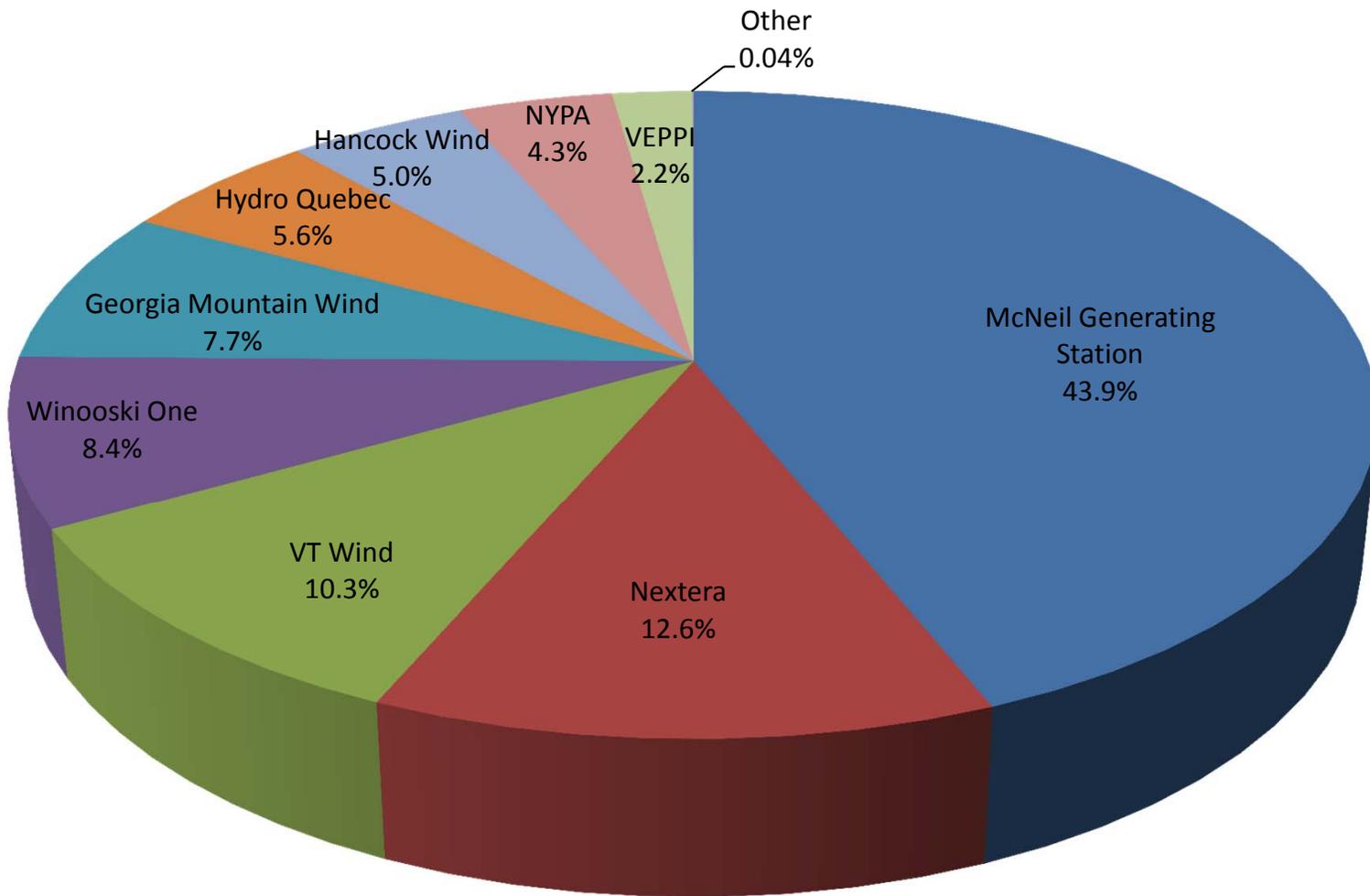
- McNeil (\$41 per REC)
- Wind (\$51 per REC)
- Winooski One (\$16 per REC)
- Solar (\$52 per REC)
- Standard Offer (\$52 per REC)

## Hydro Quebec

- Projected to begin November 2015
- 5.6% of BED's load

Net Power Supply Costs (000's)	FY 12	FY 13	FY 14	Budget FY 15	Budget FY 16
<b><u>Expenses:</u></b>					
Fuel	\$7,136	\$8,304	\$10,561	\$9,614	\$11,047 *
Purchased Power	17,097	14,695	14,839	16,899	15,616
Transmission Fees	4,705	4,883	6,569	6,164	6,517
Highgate	88	98	119	148	143
Total Power Supply - Expenses	29,026	27,981	32,088	32,825	33,324
<b><u>Revenues:</u></b>					
Transmission Contracts	284	310	364	366	366
Renewable Energy Credits - McNeil	3,123	5,241	7,571	5,796	5,823
Renewable Energy Credits - Wind	427	1,857	3,543	3,485	3,162
Renewable Energy Credits - Hydro	5	5	10	355	469
Renewable Energy Credits - Standard Offer	0	21	113	0	213
Renewable Energy Credits - Solar	0	0	0	0	58
Total Power Supply - Revenues	3,840	7,433	11,602	10,002	10,091
Net Power Supply Costs	\$25,187	\$20,547	\$20,487	\$22,823	\$23,233

### Power Supply - MWH by Source



## **Other Income Assumptions**

- **Velco/VT Transco Income**

- No investment in FY16
- 12.5% average return

- **Interest Income**

- Debt Service for all GO Bonds
- Debt Service Reserve Fund
- Rates remain low

- **Customer Contribution Income**

- \$1,767,400 UVM Medical Center

# Interest Expense Assumptions

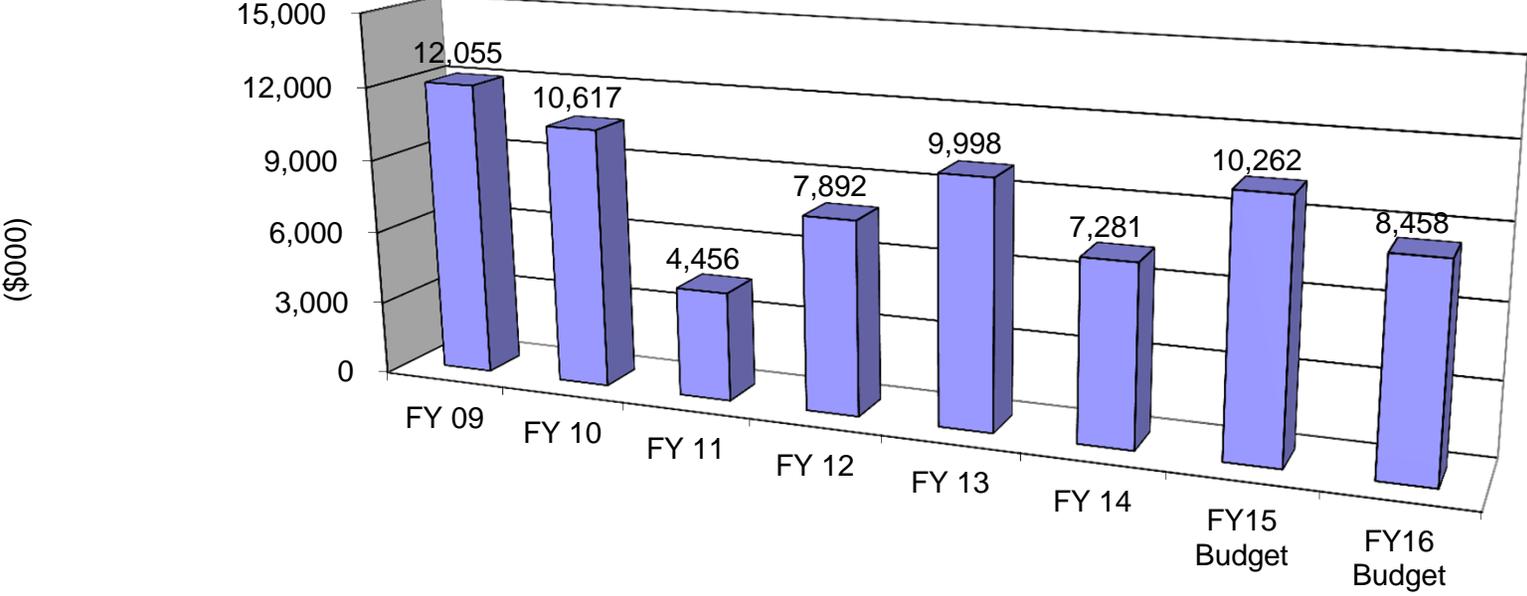
- **\$3M General Obligation Bond (annual)**
- **2001/2002 Revenue Bonds fully paid**
- **\$12M Revenue Bond for Winooski One**

<b>Interest Expense</b>	<b>Actual FY 12</b>	<b>Actual FY 13</b>	<b>Actual FY 14</b>	<b>Budget FY 15</b>	<b>Budget FY 16</b>
General Obligation Bonds	\$1,649,042	\$1,806,381	\$1,975,066	\$2,129,500	\$2,066,700
Revenue Bonds	1,985,360	1,747,642	1,362,776	1,411,700	1,260,100
Credit Enhancement Fee	206,584				
<b>Total Long Term Debt Interest</b>	<b>3,840,986</b>	<b>3,554,023</b>	<b>3,337,842</b>	<b>3,541,200</b>	<b>3,326,800</b>
Amortization of Debt Discount	6,425	18,200	18,969	1,400	1,500
Amortization of Deferred Debt Costs	2,264,280	4,315,745	4,326,293	2,200	2,200
Amortization of Debt Premium	(223,294)	(248,803)	(268,880)	(23,600)	(30,300)
Line-of-Credit	129,959	71,358			
Other Interest			13,211		
<b>Total Interest Expense</b>	<b>\$6,018,356</b>	<b>\$7,710,523</b>	<b>\$7,427,435</b>	<b>\$3,521,200</b>	<b>\$3,300,200</b>

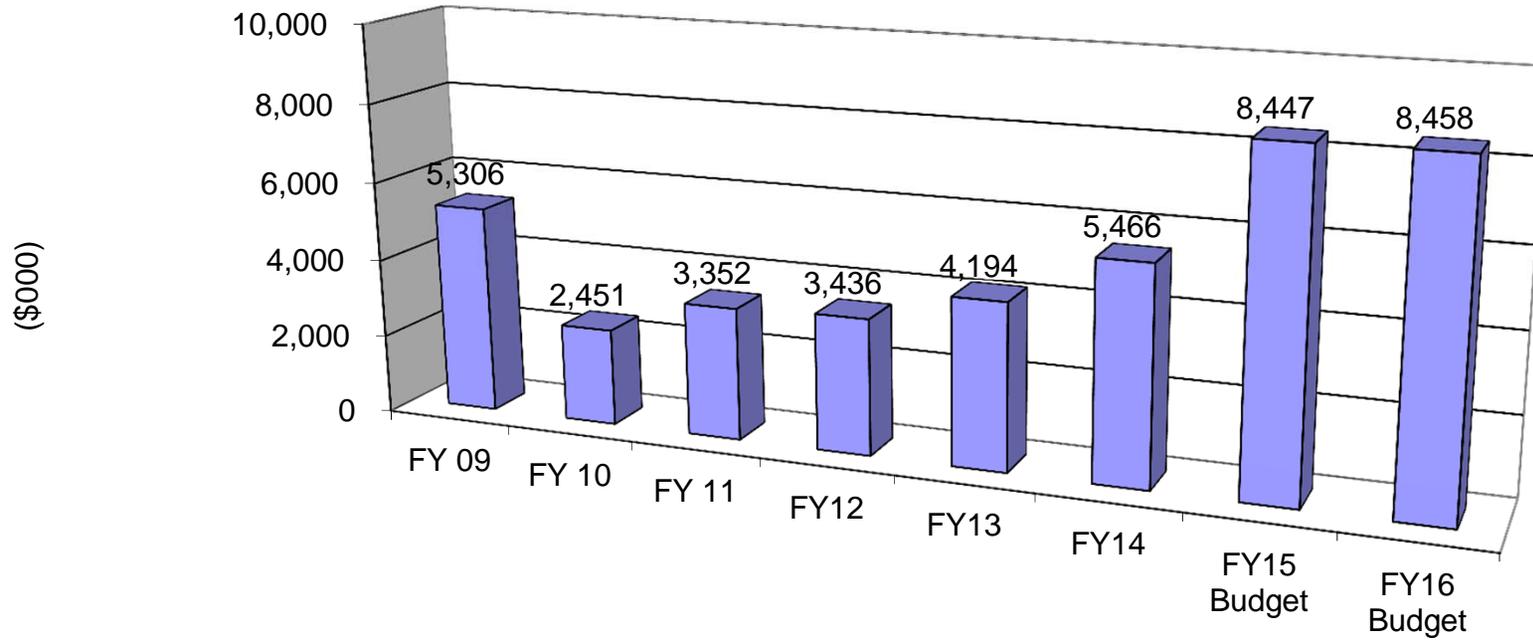
## **Capital Assumptions**

- Total Capital Budget of \$10.7 million  
(Net of Contribution, \$8.4 million)
- UVM Medical Center \$1.8 million
- McNeil Plant \$1.2 million
- Community Solar & Storage \$1.8 million
- Efficiency Improvements \$735,000

**Burlington Electric Department  
Capital Spending - Net**



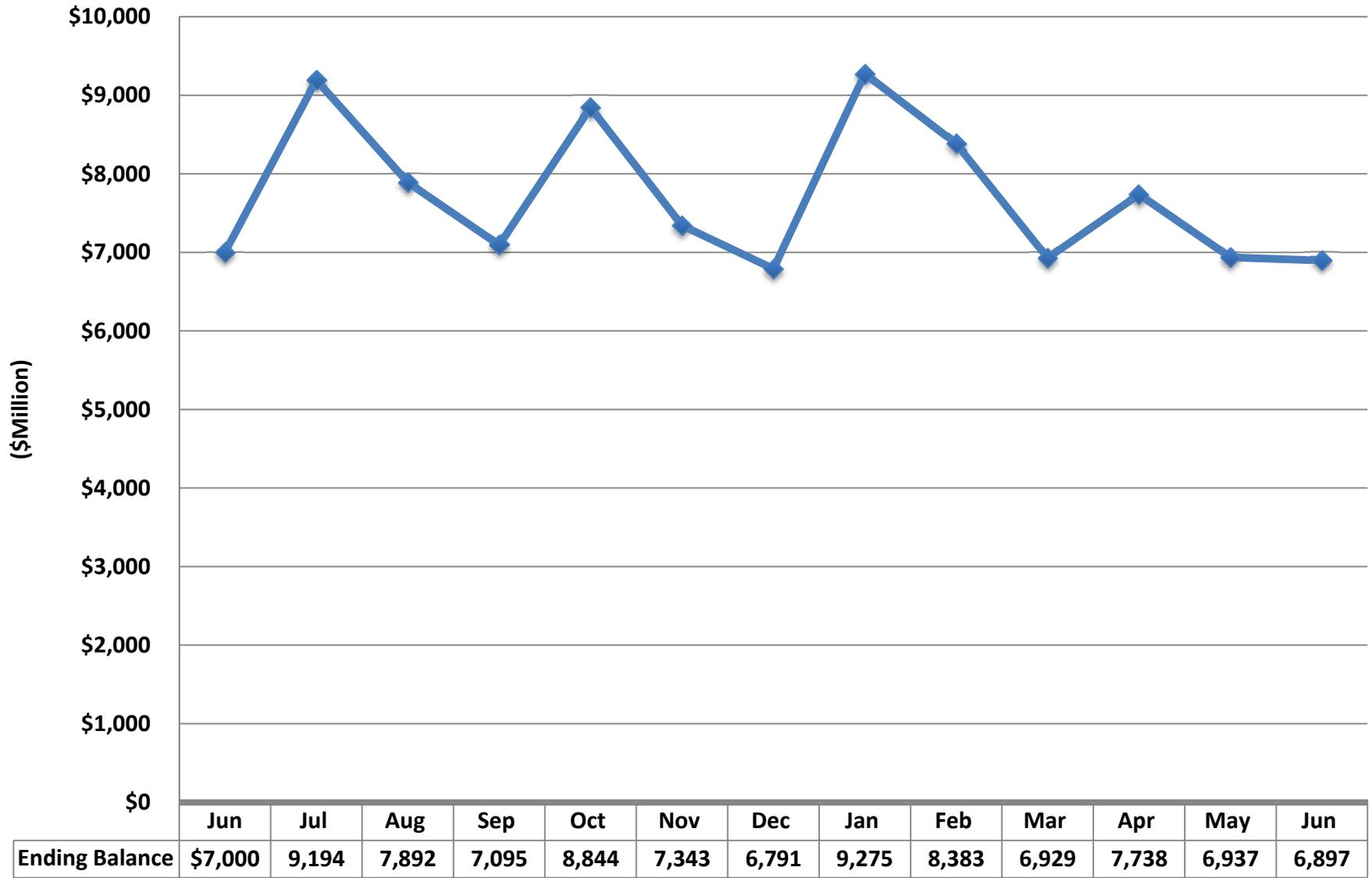
### Burlington Electric Department Capital Spending (less Velco Equity & ARRA)



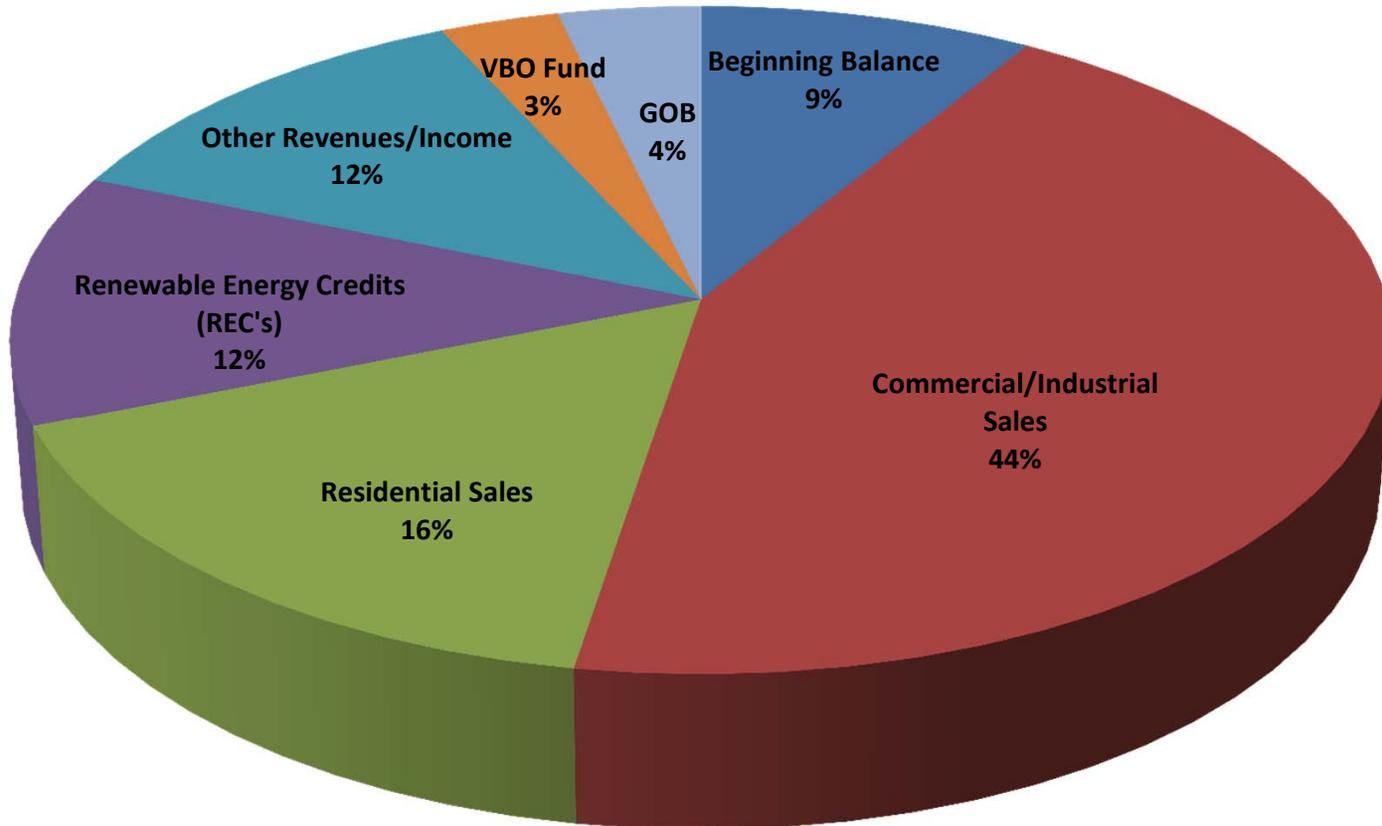
## **Cash Assumptions**

- Starting Balance \$7.0 million
- Achieve Moody's "A" target
- Capital budget Net cost of \$8.5 million
- Customer Contribution income \$2.3 million
- Voluntary Buyout cost \$2.5 million
- GO Bonds of \$3 million

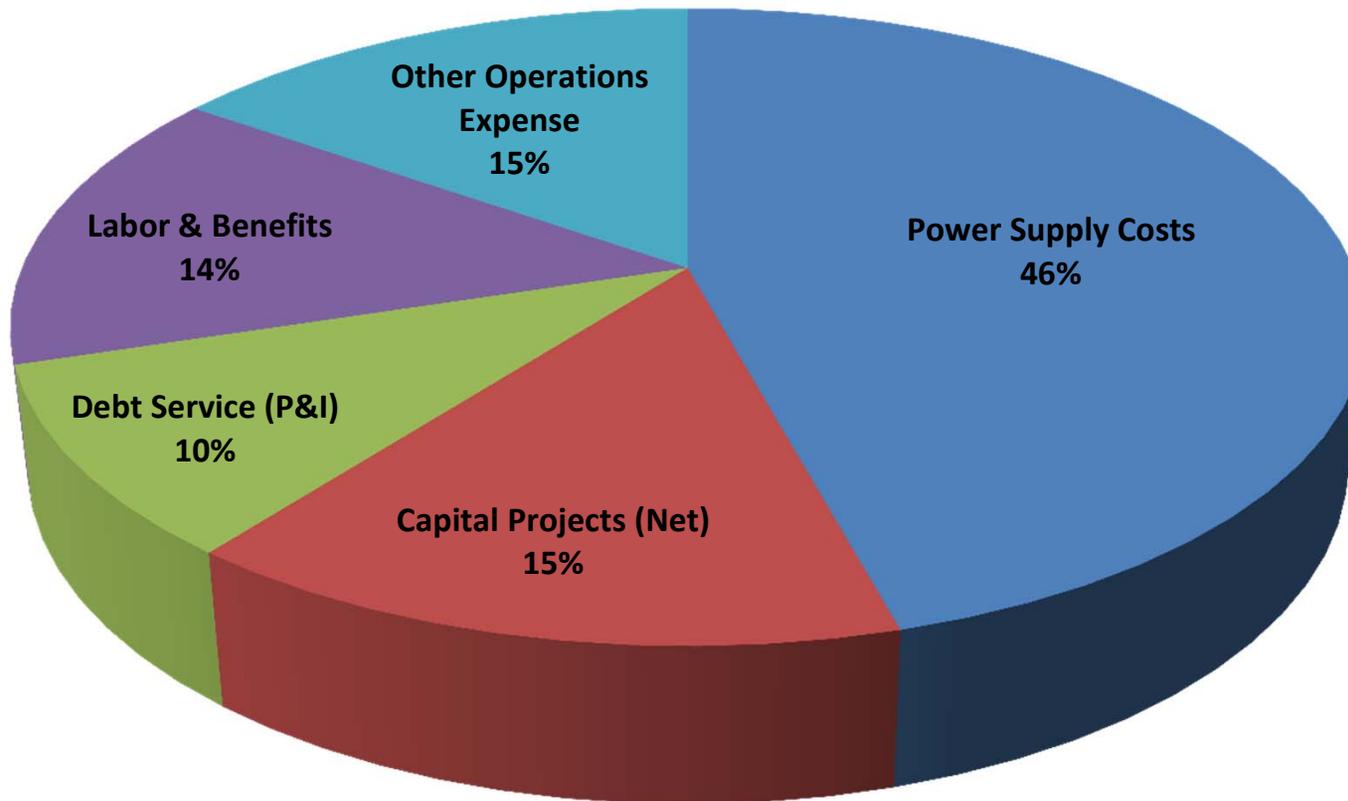
**Burlington Electric Department  
Budget for the Year Ending June 30, 2015  
MONTHLY CASH**



# Sources



# Uses



## Income Statement

(000's)	Actual FY 12	Actual FY 13	Actual FY 14	Budget FY 15	Budget FY 16
<b>OPERATING REVENUES:</b>					
Sales to Customers	\$48,190	\$48,147	\$47,009	\$47,619	\$47,898
Misc Revenues - Power Supply	3,840	7,433	11,602	10,002	10,091
Misc Revenues - Other	4,544	4,506	4,948	3,616	3,488
Total Operating Revenues	<u>56,574</u>	<u>60,087</u>	<u>63,559</u>	<u>61,236</u>	<u>61,477</u>
<b>OPERATING EXPENSES:</b>					
Fuel	7,136	8,304	10,561	9,614	11,047
Purchased Power	17,097	14,695	14,839	16,899	15,616
Transmission Expense	4,705	4,883	6,569	6,164	6,517
Operation and Maintenance	14,185	14,772	15,799	17,546	16,322
Depreciation & Amortization	6,987	6,379	7,561	5,410	5,754
Taxes	2,194	2,352	2,482	3,076	3,131
Total Operating Expenses	<u>52,304</u>	<u>51,386</u>	<u>57,811</u>	<u>58,710</u>	<u>58,387</u>
<b>NET OPERATING INCOME</b>	4,270	8,701	5,748	2,526	3,089
<b>OTHER INCOME &amp; DEDUCTIONS:</b>					
Dividends	2,400	2,619	2,908	3,135	3,236
Interest Income	200	208	206	80	58
Grant/Customer Income	2,746	3,226	255	1,293	2,256
Other Income, Net	292	332	200	72	64
Total Other Income/Deductions	<u>5,638</u>	<u>6,386</u>	<u>3,570</u>	<u>4,580</u>	<u>5,615</u>
<b>INCOME BEFORE INTEREST EXPENSE</b>	<u>9,908</u>	<u>15,087</u>	<u>9,318</u>	<u>7,106</u>	<u>8,704</u>
INTEREST EXPENSE	6,018	7,711	7,427	3,521	3,300
<b>NET INCOME (LOSS)</b>	<u><u>\$3,890</u></u>	<u><u>\$7,376</u></u>	<u><u>\$1,890</u></u>	<u><u>\$3,585</u></u>	<u><u>\$5,404</u></u>

## Closing Highlights

- *Cash above \$6.8 million each month*
- *\$10.7M in new capital without need for additional bonds*
  - *Other than \$3M GOB*
- *1.25 Debt Service Coverage met*  
*(5.33 for FY16; 1.83 in FY12 trending up)*
- *1.50 Adjusted Debt Service Coverage met*  
*(1.78 for FY16; 1.10 in FY12 with steady trend upward)*
- *Days Cash on Hand at 93 days for FY16*  
*(64 days in FY13 continued upward trend)*
- *Net Income of \$5.4 million*