

# *A Bond to Purchase the Winooski One Hydro Plant*



**Question No. 4 on the March Ballot**

## *Frequently Asked Questions*

### *How large is the Winooski One Hydro plant?*

Winooski One hydroelectric plant is a 7.4 megawatt hydro dam on the Winooski River going into Winooski from Colchester Avenue. Based on its historic output this facility would provide roughly 8% of the city's energy needs.

### *Why is BED buying this power now?*

This purchase opportunity is the result of a contract entered into in the early 1990's between BED and Winooski One's present owners. Both BED and the owners of Winooski One were seeking authority to build a hydroelectric generator at nearly identical locations on the Winooski River, and filed competing applications with the federal government. The ensuing litigation resulted in a series of contracts that allowed Winooski One to be built by the private developers and BED to receive an option to purchase the facility when its 20-year contract with the State of Vermont ended. That contract ended on March 31, 2013.

### *How was the price agreed on?*

In setting a purchase price the contract stated that BED would need to pay "Fair Market Value" and that if the parties could not agree on what Fair Market Value was then it would be decided through arbitration. The parties could not agree so the arbitration process was undertaken. On December 10, 2013 the arbitration panel issued its Order stating that the value of the plant was \$16 million.

### *Did BED consider the price satisfactory?*

BED has considered this purchase price in the context of other options that are available, and anticipated future revenues from the facility. The analysis showed that the purchase would provide substantial long-term value to Burlington residents.

### *What other options are available?*

BED routinely looks at purchases such as wind, biomass, other hydro power, or generic purchases from the market. The cost to purchase Winooski One is very similar to the cheapest of these other options during the period that BED will be making bond payments. Then Burlington ratepayers will receive power from the plant long after the bonds are paid off.

### ***Why only a bond up to \$12 million if the value is \$16 million?***

Although the purchase price is \$16 million, and approximately \$2 million will be required for a debt service reserve and issuance costs for any bond (bringing the total purchase cost to \$18 million), BED only anticipates needing to issue up to \$12 million in new bonds. This is because a \$10 million reserve fund was established in the 1980's when the McNeil Generating Facility was built. The bonds associated with McNeil will be paid in full in 2014, so the \$10 million reserve fund will become available for other uses. BED intends to use approximately \$6 million of those funds to reduce the bond associated with purchasing Winooski One. By using the reserve fund to reduce the bond amount, and timing the purchase of Winooski One such that its bond starts after the McNeil bonds end, BED will be able to make this purchase without any impact on rates.

### ***Are there savings resulting from Winooski One's Location?***

The power generated from Winooski One can feed directly into BED's distribution system. During times of very high power usage throughout New England BED will avoid any congestion fees that could result from wheeling power over highly stressed transmission lines.

### ***How close is Burlington to being 100 percent renewable?***

With the completion of this purchase BED's electricity supply portfolio of owned and contracted power would be sourced 100 percent from renewable generators. BED is continuing to sell Renewable Energy Credits from many of these generators to keep rates down, so we cannot say that the energy you use is 100% renewable.

### ***Have there been votes in support already?***

The Burlington Electric Commission voted 5-0 to support a bond for the purchase of this power. The City Council voted 9-0 in support.