

MEMORANDUM

To: Board Of Finance

From: Barb Grimes, General Manager

Date: November 12, 2013

SUBJECT: INVESTMENT IN VELCO

As you may know, we have been making major investments in VT Transco ("Velco") the past several years. This investment opportunity provides BED and ratepayers a 12.5% average return on investment, which ultimately helps lower rates.

At the time of the Fiscal Year 2014 Budget preparation, Velco was not assuming any new equity in Fiscal Year 2014 or 2015. Since then, they have made plans to issue \$30 million of equity in December of 2013 and December of 2014. BED's pro rata share of that equity is approximately \$1.9 million each year.

Although this was not a budgeted item, BED would like to make the up to \$1,900,000 investment for this December 2013. Our cash balances, largely due to significant REC sales revenue, are running above budget and our Line-Of-Credit is completely paid off despite projecting a \$1 million balance for the start of the 2014 budget year. In addition, if needed, we have available a major portion of the Debt Service Reserve Fund due to certain bonds being paid off on July 1, 2014.

This will not require a bond issue, and will have no budget or rate impact. In fact, every dollar of the 12.5% return helps us defray future rate requirements. The net savings or income to be made is close to \$200,000 annually, based on the difference from the 12.5% return and current interest rates on our cash and other balances.