

Town of Stowe, Vermont Electric Department

FINANCIAL STATEMENTS

June 30, 2023

Town of Stowe, Vermont Electric Department
TABLE OF CONTENTS
June 30, 2023

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenditures and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	5
	<u>Report</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	1



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners and
Town of Stowe, Vermont Electric Department
Stowe, Vermont

Opinion

We have audited the accompanying financial statements of the Town of Stowe, Vermont Electric Department, a fund of the Town of Stowe, Vermont, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Stowe, Vermont Electric Department, as of and for the years ended June 30, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Stowe, Vermont Electric Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Stowe, Vermont Electric Department and do not purport to, and do not present fairly the financial position of the Town of Stowe, Vermont, as of June 30, 2023 and 2022, the changes in its financial position and cash flows, where applicable, for the years then ended in the conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report November 15, 2023, on our consideration of the Town of Stowe, Vermont Electric Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Stowe, Vermont Electric Department's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kithell Blanton & Synt". The signature is written in a cursive, flowing style.

St. Albans, Vermont
November 15, 2023

Town of Stowe, Vermont Electric Department
STATEMENTS OF NET POSITION
June 30,

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 2,443,286	\$ 2,564,800
Accounts receivable, net of allowance	1,141,453	699,423
Unbilled revenue	1,256,624	939,370
Accrued interest receivable	168,247	169,873
Inventories	535,492	304,444
Prepaid expenses	123,582	87,947
Current portion lease receivable	<u>32,826</u>	<u>30,895</u>
TOTAL CURRENT ASSETS	<u>5,701,510</u>	<u>4,796,752</u>
 CASH - Restricted	 4,707,734	 1,015,117
 UTILITY PLANT, net	 13,008,294	 12,843,046
 INVESTMENTS	 5,735,542	 5,735,542
 DEFERRED CHARGES, net of amortization	 20,546	 14,117
 LEASE RECEIVABLE, net of current portion	 <u>96,675</u>	 <u>129,502</u>
 TOTAL ASSETS	 <u>\$ 29,270,301</u>	 <u>\$ 24,534,076</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 559,826	\$ 1,020,462
Other accrued liabilities	1,476,770	1,099,388
Due to Town	194,422	162,158
Accrued interest payable	65,518	48,440
Current portion of notes payable	373,963	301,328
Current portion of general obligation bonds	<u>462,080</u>	<u>262,080</u>
TOTAL CURRENT LIABILITIES	<u>3,132,579</u>	<u>2,893,856</u>
 LONG-TERM LIABILITIES		
Notes payable (net of current portion)	2,676,972	2,818,724
General obligation bonds (net of current portion)	<u>7,870,360</u>	<u>4,532,440</u>
TOTAL LONG-TERM LIABILITIES	<u>10,547,332</u>	<u>7,351,164</u>
 TOTAL LIABILITIES	 <u>13,679,911</u>	 <u>10,245,020</u>
 DEFERRED INFLOW OF RESOURCES	 <u>129,501</u>	 <u>162,797</u>
 NET POSITION		
Net investment in Capital Assets	7,942,495	7,304,037
Restricted	583,381	609,857
Unrestricted	<u>6,935,013</u>	<u>6,212,365</u>
TOTAL NET POSITION	<u>15,460,889</u>	<u>14,126,259</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	 <u>\$ 29,270,301</u>	 <u>\$ 24,534,076</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE	\$ 16,714,980	\$ 12,734,630
OPERATING EXPENSES		
Purchased power	11,126,121	8,787,207
Distribution and transmission	1,604,848	1,626,907
Customer accounts	646,113	654,827
Administrative and general	1,684,425	1,557,691
Depreciation	688,696	673,993
Amortization	1,138	760
Taxes	<u>165,306</u>	<u>125,567</u>
TOTAL OPERATING EXPENSES	<u>15,916,647</u>	<u>13,426,952</u>
GAIN/(LOSS) FROM OPERATIONS	<u>798,333</u>	<u>(692,322)</u>
OTHER INCOME/(EXPENSES)		
Interest and dividend income	865,553	743,526
Other non-operating income	15,850	24,840
Gain/(Loss) on sale of asset	5,373	(522)
Interest expense	<u>(350,479)</u>	<u>(261,192)</u>
TOTAL OTHER INCOME/(EXPENSES)	<u>536,297</u>	<u>506,652</u>
CHANGES IN NET POSITION	1,334,630	(185,670)
NET POSITION, Beginning of Year	<u>14,126,259</u>	<u>14,311,929</u>
NET POSITION, End of Year	<u>\$ 15,460,889</u>	<u>\$ 14,126,259</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 15,955,696	\$ 12,992,734
Payments for purchased power	(11,322,797)	(8,983,883)
Payments to suppliers	(2,131,004)	(1,611,715)
Payments to employees	<u>(2,090,685)</u>	<u>(1,633,646)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>411,210</u>	<u>763,490</u>
CASH FLOWS FROM NON-OPERATING ACTIVITIES		
Other receipts	<u>15,850</u>	<u>24,840</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(859,934)	(661,011)
Proceeds from sale of capital assets	1,396	800
Interest payments on bonds payable	(232,066)	(130,393)
Interest payments on notes payable	(101,335)	(136,347)
Principal reduction of long-term debt	(774,607)	(563,445)
Proceeds from Issuance of long-term debt	<u>4,243,410</u>	<u>-</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,276,864</u>	<u>(1,490,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of dividend and interest income	<u>867,179</u>	<u>750,403</u>
NET INCREASE IN CASH	3,571,103	48,337
CASH - Beginning of Year	<u>3,579,917</u>	<u>3,531,580</u>
CASH - End of Year	<u>\$ 7,151,020</u>	<u>\$ 3,579,917</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided(used) by operating activities		
Operating Gain/(Loss)	\$ 798,333	\$ (692,322)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	689,834	674,753
(Increase) decrease in:		
Accounts receivable	(442,030)	203,808
Unbilled revenue	(317,254)	54,296
Inventories	(231,048)	(32,265)
Prepaid expenses	(35,635)	(5,887)
Increase (decrease) in:		
Accounts payable	(460,636)	60,056
Due to Town	32,264	11,804
Other accrued expenses	<u>377,382</u>	<u>489,247</u>
Net cash provided by operating activities	<u>\$ 411,210</u>	<u>\$ 763,490</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stowe, Vermont Electric Department (SED) is a municipally owned utility providing retail electric power to the residents of the Town of Stowe. SED is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and the Vermont Public Utility Commission with respect to their rates and accounting. For financial statement reporting purposes, SED is presented on the accrual basis in accordance with the accounting requirements and ratemaking practices of the regulatory authority having jurisdiction.

The financial statements of SED have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. SED's significant accounting policies are described below.

Reporting Entity

SED is an enterprise fund of the Town of Stowe, Vermont. It is categorized as a separate proprietary fund and these financial statements are not intended to present fairly the financial position and results of its operations and the cash flows of the proprietary fund types of the Town of Stowe, Vermont. The primary criteria used in determining the separate nature of SED is its special accounting and report practices required by various regulatory and statutory authorities.

Basis of Presentation

Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the SED's enterprise fund are charges to customers for sales and service. SED also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, SED considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

SED uploads meter read and bills one-half of the meters on the 6th of each month and the remainder of the meters on the 21st of each month. SED provides an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Unbilled Revenue

The amount shown as unbilled revenue represents the amounts billed to customers in July for June energy usage.

Inventories

Inventories, composed of various parts used in the electric system, are stated at cost.

Utility Plant

The utility plant of SED is stated at cost. SED follows the policy of charging to operating expenses annual amounts of depreciation, which allocate the cost of these assets over their estimated useful lives on a straight-line basis for periods of 5 - 50 years. Repairs and maintenance are expensed as incurred.

Investments

SED recognizes income from its affiliates in which it has ownership interests. This ownership includes investment in common and preferred stock of Vermont Electric Power Company, Inc. and membership units of VT Transco, LLC. These investments are recorded at cost because they are not publicly traded and market values are not readily determinable.

Compensated Absences

It is SED's policy to permit employees to accumulate earned but unused paid time off pay benefits. Employees may, depending on level and length of service, be paid for various amounts of their total accrued leave upon termination or retirement. SED accrues a liability for leave hours that meet the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes. The accrual for compensated absences was \$220,690 and \$265,279 at June 30, 2023 and 2022, respectively.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in SED's balance sheets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as "other non-current assets" and amortized over the term of the related debt.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments: or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "Net investment in Capital Assets".

Deferred Inflows and Deferred Outflows of Resources

SED recognizes provisions of GASB 63, "Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement provides financial reporting guidance for deferred outflows and deferred inflows of resources.

Deferred outflow of resources- the current consumption of the net assets that is applicable to a future period.

Deferred inflows of resources- the current acquisition of net assets that is applicable to a future reporting period.

Net Position- the residual of assets, deferred outflows of resources, liabilities and deferred inflow of resources.

Revenue Recognition

Except for a few opt-out customers, SED meter reads are uploaded via Advanced Metering Infrastructure (AMI) technology on a monthly basis. Revenues are recorded in the accounting period during which the meters are read. Accordingly, the revenues related to energy delivered from the meter reading date to the end of the accounting period are not significant and are recorded in the following period.

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date to the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH

As of June 30, 2023 and 2022, the carrying amount of SED's deposits with financial institutions was \$7,151,019 and \$3,579,917 and the bank balance was \$7,452,872 and \$3,578,600 respectively. The following table summarized the custodial credit risk coverage of the deposits:

	<u>2023</u>	<u>2022</u>
Federal Depository Insured	\$ 250,000	\$ 250,000
Collateralized	4,151,937	3,328,600
Off-set by Debt	<u>3,050,935</u>	<u>-</u>
	<u>\$ 7,452,872</u>	<u>\$ 3,578,600</u>

NOTE 3 CASH – RESTRICTED

In August 2022, SED received a \$4,000,000 bond from Vermont Municipal Bond Bank for the purpose of funding infrastructure and exclusive facilities. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond.

In December 2018, SED sold their portion of the Highgate converter. The proceeds from the sale are restricted to fund future capital projects including the construction of the new office building.

In May 2009, SED received a \$4,000,000 bond from Vermont Municipal Bond Bank for the purpose of funding infrastructure and exclusive facilities. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond.

Restricted cash balances were as follows at June 30,:

	<u>2023</u>	<u>2022</u>
2022 VMBB Bond Proceeds	\$ 3,829,154	\$ -
Proceeds from sale of capital projects	583,381	609,857
2009 VMBB Bond Proceeds	<u>295,199</u>	<u>405,260</u>
Total Restricted Cash	<u>\$ 4,707,734</u>	<u>\$ 1,015,117</u>

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 INVESTMENTS

Investments which are privately traded are stated at cost and consisted of the following as of June 30,:

	2023		2022	
	Shs/Units	Cost	Shs/Units	Cost
VELCO				
Class C Preferred Stock	981	\$ 1,472	981	\$ 1,472
Class B Common Stock	2,078	207,800	2,078	207,800
Class C Common Stock	1,487	148,700	1,487	148,700
VT Transco, LLC				
Class A Membership Units	236,614	2,366,140	236,614	2,366,140
Class B Membership Units	301,143	3,011,430	301,143	3,011,430
TOTAL INVESTMENTS		<u>\$ 5,735,542</u>		<u>\$ 5,735,542</u>

NOTE 5 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance at 6/30/22	Increases	Decreases	Balance at 06/30/2023
Capital assets, not being depreciated:				
Construction in progress	\$ 314,503	\$ 229,654	\$ (43,966)	\$ 500,191
Capital assets, being depreciated:				
Land & Land Rights	241,795	652,237	-	894,032
Buildings and improvements	4,399,749	11,790	(652,237)	3,759,302
Equipment - general plant	1,719,084	403,543	(90,555)	2,032,072
Improvements - distribution	829,512	40,773	-	870,285
Infrastructure - distribution	2,730,734	43,966	-	2,774,700
Infrastructure - transmission	11,322,343	174,174	-	11,496,517
Total capital assets, being depreciated	<u>21,243,217</u>	<u>1,326,483</u>	<u>(742,792)</u>	<u>21,826,908</u>

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 CAPITAL ASSETS (continued)

	<u>Balance at</u> 6/30/22	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> 06/30/2023
Less accumulated depreciation for:				
Land and land rights	(61,444)	(888)	-	(62,332)
Buildings and improvements	(474,196)	(97,000)	-	(571,196)
Equipment - general plant	(1,159,958)	(164,406)	74,101	(1,250,263)
Improvements - distribution	(551,871)	(58,707)	-	(610,578)
Infrastructure - distribution	(1,567,576)	(81,941)	-	(1,649,517)
Infrastructure - transmission	<u>(4,899,629)</u>	<u>(275,290)</u>	<u>-</u>	<u>(5,174,919)</u>
 Accumulated depreciation for capital assets	 <u>(8,714,674)</u>	 <u>(678,232)</u>	 <u>74,101</u>	 <u>(9,318,805)</u>
 CAPITAL ASSETS, net	 <u>\$ 12,843,046</u>	 <u>\$ 877,905</u>	 <u>\$ (712,657)</u>	 <u>\$ 13,008,294</u>

NOTE 6 DEFERRED CHARGES

Loan origination fees are amortized by the straight-line method over the life of the loan.

The balances in deferred charges consisted of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Deferred Bond Issuance Costs	\$ 27,362	\$ 19,795
Accumulated amortization	<u>(6,816)</u>	<u>(5,678)</u>
 Net Bond Issuance Costs	 <u>20,546</u>	 <u>14,117</u>
 Total Deferred Charges	 <u>\$ 20,546</u>	 <u>\$ 14,117</u>

SED had amortization expense of \$1,138 and \$760 for the years ended June 30, 2023 and 2022, respectively. In accordance with ASU 2015-03, the amortization is reflected in interest expense.

NOTE 7 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is \$41,500 and \$41,500 for the years ended June 30, 2023 and 2022.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 LEASES RECEIVABLE

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Receivable	Balance June 30, 2023
Mountain Cable Fiber	8/12/2016	18 years	\$ 5,955	4.20%	\$ 62,075	\$ 63,575
Dump Road Garage	10/26/2020	5 years	29,815	4.20%	62,552	<u>65,926</u>
Total Lease Agreements						<u>\$ 129,501</u>

SED leases one bundle of the Mountain Cable Fiber, containing twelve (12) specifically identified fiber optic strands to a qualified operator for the purpose of providing fiber optic connectivity in the area of the summit of Mount Mansfield.

SED leases its garage on Dump Road in Stowe, Vermont. The base rent of \$2,400 per month will increase by 2% every year on the anniversary of the lease. This lease is inclusive of utilities, property taxes and property insurance.

Annual cash flow from amortizing this lease receivable and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 32,826	\$ 4,814	\$ 37,640
2025	34,852	3,487	38,339
2026	12,792	2,229	15,021
2027	5,268	1,959	7,227
2028	7,227	1,733	8,960
2029-2033	29,472	6,663	36,135
2034-2038	<u>7,064</u>	<u>162</u>	<u>7,226</u>
	<u>\$ 129,501</u>	<u>\$ 21,047</u>	<u>\$ 150,548</u>

NOTE 9 OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at June 30,:

	2023	2022
Accrued Payroll & Taxes	\$ 37,980	\$ 59,221
Accrued Paid Time Off	220,690	265,279
Other Accrued Expenses	210,763	122,765
Credits due Customers	194,959	-
Customer Deposits	<u>812,379</u>	<u>652,123</u>
Total Other Accrued Expenses	<u>\$ 1,476,770</u>	<u>\$ 1,099,388</u>

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 OTHER ACCRUED LIABILITIES (continued)

The credits due customers represents a one-time credit due to all customers fully reflecting payments they made according to the temporary surcharge (February 1, 2023 through June 30, 2023) that are in excess of the approved 7.95% rate increase. SED will apply this credit effective on the first full billing cycle in December 2023 as approved by the Public Utility Commission.

NOTE 10 DEBT

General obligation bonds consist of the following at June 30, 2023:

	Amount Outstanding 6/30/22	Additions	Deletions	Amount Outstanding 06/30/2023	Current
Municipal bond issued by Vermont Municipal Bond Bank, due November 2039, interest variable and due semi-annually, principal payments due annually, used for capital improvements.	\$ 2,380,000	\$ -	\$ (135,000)	\$ 2,245,000	\$ 135,000
4.2% bond payable to VT Economic Development Authority, issued by Union Bank with 3.3% interest subsidy to off set interest. Annual principal payments of \$127,080 plus interest, due February 2041, used for Nebraska Farm Solar Project.	2,414,520	-	(127,080)	2,287,440	127,080
Municipal bond issued by Vermont Municipal Bond Bank, due Novemeber 2041, interest of 3.472% due semi-annually, principal payments due annually, used for capital improvements.	-	\$ 4,000,000	\$ (200,000)	3,800,000	200,000
TOTAL BONDS PAYABLE	\$ 4,794,520	\$ 4,000,000	\$ (462,080)	\$ 8,332,440	\$ 462,080

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 10 DEBT (continued)

The annual requirements to amortize all notes payable outstanding at June 30, 2023 are as follows:

<u>Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 462,080	\$ 257,524	\$ 719,604
2025	462,080	243,295	705,375
2026	462,080	228,815	690,895
2027	462,080	214,280	676,360
2028	462,080	199,656	661,736
2029-2033	2,310,400	713,633	3,024,033
2034-2038	2,310,400	500,028	2,810,428
2039-2043	1,401,240	104,783	1,506,023
	<u>\$ 8,332,440</u>	<u>\$ 2,462,014</u>	<u>\$ 10,794,454</u>

Notes payable consist of the following at June 30, 2023:

	<u>Amount Outstanding 6/30/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 06/30/2023</u>	<u>Current</u>
4.09% note payable to Union Bank, quarterly principal and interest payments of \$20,773, due December 2029, used to purchase equity in Vermont Transco, LLC.	\$ 539,542	\$ -	\$ (62,019)	\$ 477,523	\$ 64,042
4.2% note payable to Union Bank, quarterly principal and interest payments of \$18,209, due November 2030, used to purchase equity in Vermont Transco, LLC.	518,418	-	(51,923)	466,495	60,647
4.1% note payable to Union Bank, quarterly principal and interest payments of \$7,439, due November 2024, used to purchase equity in Vermont Transco, LLC.	289,902	-	(18,176)	271,726	18,904

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 DEBT (continued)

	Amount Outstanding 6/30/22	Additions	Deletions	Amount Outstanding 06/30/2023	Current
2.99% note payable to Union Bank, quarterly principal and interest payments of \$23,215, due May 2027, used to purchase equipment.	429,224	-	(80,956)	348,268	83,314
4.2% note payable to Union Bank, quarterly principal and interest payments of \$15,928, due December 2027, used to purchase equity in Vermont Transco, LLC.	675,263	-	(35,983)	639,280	37,392
2.75% note payable to Union Bank, annual principal and interest payments of \$57,870, due May 2028, used to purchase equipment.	315,265	-	(49,231)	266,034	50,552
4.95% note payable to Union Bank, quarterly principal and interest payments of \$7,845, due November 2028, used to purchase equity in Vermont Transco, LLC.	352,438	-	(14,239)	338,199	14,908
4.8% note payable to Union Bank, annual principal and interest payment of \$55,913, used to purchase equipment.	-	243,410	-	243,410	44,204
TOTAL NOTES PAYABLE	\$ 3,120,052	\$ 243,410	\$ (312,527)	\$ 3,050,935	\$ 373,963

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 10 DEBT (continued)

The annual requirements to amortize all notes payable outstanding at June 30, 2023 are as follows:

<u>Notes Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 373,963	\$ 113,454	\$ 487,417
2025	622,577	90,496	713,073
2026	380,035	74,926	454,961
2027	395,818	61,392	457,210
2028	750,823	38,959	789,782
2029-2032	<u>527,719</u>	<u>28,153</u>	<u>555,872</u>
	<u>\$ 3,050,935</u>	<u>\$ 407,380</u>	<u>\$ 3,458,315</u>

NOTE 11 PENSION PLAN

SED created a retirement plan called "Town of Stowe Electric Department 457 (b) Retirement Plan", an eligible deferred compensation plan for employee contributions under Section 457 (b) of the IRC for its employees and beneficiaries. SED also created the Stowe Electric Retirement Plan, a profit sharing plan, which allows the department to contribute a percentage of its revenues to each employees plan account.

Under the profit sharing plan, employees are eligible to participate in the plan after completion of 1 year of service based upon the date the employee was hired and requires approval of the Chief Executive Officer of the plan sponsor.

SED contracts with a third party administrator to administer the Profit Sharing and Deferred Compensation plans. SED Commissioners are also Plan Trustees. Under the agreement the third party administrator is responsible for employee eligibility determination, record keeping, reporting, and compliance with the plan requirements.

Once eligibility and participation requirements are met, the employee is eligible to receive an allocation of employer contributions based upon each employee's compensation up to a maximum of \$225,000 annual compensation.

Under the plan, employer contributions may be made to union employees at 10.6% and management at 11.6% of annual compensation. All contributions are immediately vested at 100%. The plan allows all participants who had retirement account balances in another qualified plan to roll over those balances to the new plan.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 PENSION PLAN (continued)

Total payroll covered for the pension contributions for the fiscal year ended June 30, 2023 and 2022 was \$2,090,685 and \$1,633,646, respectively. SED's pension contributions for the fiscal years ended June 30, 2023 and 2022 totaled \$178,492 and \$137,551 respectively and the total fees relating to the pension plan for the years ended June 30, 2023 and 2022 were \$9,686 and \$7,642, respectively.

NOTE 12 RELATED PARTY TRANSACTIONS

SED contributed to the general fund in lieu of taxes a total of \$42,000 for the years ended June 30, 2023 and 2022.

SED provides administration and billing services for the Water and Sewer Funds of the Town of Stowe, VT. Annual compensation to SED by the Town of Stowe, VT for these services totaled \$16,000 for each fiscal year.

The Town of Stowe, VT maintains insurance policies on the property of the municipal utility and also worker's compensation coverage for the department's employees. The department reimburses the Town of Stowe, VT for its portion of allocated costs related to insurance coverage. Total amounts paid to the Town of Stowe, VT for insurance purposes totaled \$83,616 and \$69,906 for the fiscal year ended June 30, 2023 and 2022, respectively.

On March 2, 2016 SED entered into a lease agreement with the Town of Stowe, VT. SED is leasing land for use of the Solar Project. Total lease expense at June 30, 2023 and 2022 was \$14,902 and \$14,431, respectively.

SED owed the Town of Stowe, VT \$194,422 and \$162,158 at June 30, 2023 and 2022, respectively.

NOTE 13 MAJOR CUSTOMER

The SED's largest customer represents approximately 23.7% and 15.3% of 2023 and 2022 operating revenue and, 7.1% and 6.6% of accounts receivable as of June 30, 2023 and 2022, respectively.

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES

SED's energy and capacity requirements are provided through a variety of contract obligations.

In 2008, SED became a direct member of the ISO – New England power market. SED has also entered into a service contract with Energy New England, LLC to administer and execute power contracts with the ISO – New England power market as SED's agent.

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

A summary of the major power supply contracts as of June 30, 2023, held by SED is as follows:

Hydro Quebec Contract:

This contract began on November 1, 2012, for energy and renewable credits. The contract began with 218 MWs; Stowe's portions vary during different periods, as shown below in Table 1. The contract pricing is flexible and competitive to the market price because it will follow the defined Energy Market index and the cost of power on the forward market. The pricing is based partly on market prices, partly on inflation, and carries limits on year-to-year price fluctuations. Given the greater degree of market price volatility exhibited since the original Hydro Quebec contract was agreed, this pricing approach should be beneficial to Stowe as the contract will be limited to how "out of market" it might become for both Hydro Quebec and Stowe. This is an important contract quality in the current market environment, and it reduces potential rate pressure to Stowe. In addition to the price flexibility, this will continue to provide exceptionally low carbon energy to Stowe, helping it maintain a market price based green energy procurement strategy. Stowe also can include Hydro Quebec renewable attributes towards their annual Renewable Energy Standard (RES) obligation for Tier I.

Table 1 Contract Based on 255 MW

Schedule	Start Date	Final Delivery Date	Stowe Entitlement (MW)
Period 1	11/1/2012	10/31/2015	1.238
Period 2	11/1/2015	10/31/2016	2.890
Period 3	11/1/2016	10/31/2020	2.990
Period 4	11/1/2020	10/31/2030	2.990
Period 5	11/1/2030	10/31/2035	2.135
Period 6	11/1/2035	10/31/2038	0.483

New York Power Authority:

The New York Power Authority ("NYPA") provides power to the utilities in Vermont under two contracts. SED's share of the first contract is a 9-kW entitlement to the Robert Moses Project (a.k.a St. Lawrence). Effective December 23, 2017, this contract was renewed to extend through April 30, 2032. This renewal did not negotiate for the Environmental Attributes, and therefore SED cannot claim St. Lawrence towards RES compliance years 2017 through 2019. Beginning in compliance year 2020 SED is now able to claim all St. Lawrence renewable attributes toward Tier I. SED's share of the second contract, the Niagara Project, averages of 481 kW. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025. SED can use Niagara environmental attributes towards RES Tier I compliance.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Ryegate:

Ryegate is a 20 MW wood-fired unit that was once within the VEPPI 4.100 projects. The VEPPI contract expired on October 31, 2012. The utilities negotiated a 10-year contract for power through VEPPI. The contract is for both power and renewable energy credits. As the extension terminated on April 30, 2023, the contract was renegotiated through a maximum date of November 1, 2032. The contract timeline is subject to earlier termination if Ryegate Associates fails to meet the requirements of Section 8009(k) in the petition. Stowe's allocation for the November 1, 2022, through October 31, 2023, contract year is 1.5198% of unit generation.

Sustainably Priced Energy Enterprise Development Program "SPEED" or Standard Offer:

SPEED Standard Offer is a program established under Vermont Public Utility Commission Rule 4.300. The program's goal is to achieve renewable energy and long-term stably priced contacts. Vermont utilities will purchase power from the SPEED projects. Projects within Standard Offer consist of behind the meter and ISO-NE settlement. Each utility will receive a percent share of each project. Stowe's share for November 1, 2021, through October 31, 2022, was 1.4422% and increased to 1.5580% for November 1, 2022 through December 31, 2023. Stowe receives modest capacity credit, and renewable energy credits for the resources. The rate per resource is based on fuel type. The SPEED program started in the fourth quarter of 2010.

In May of 2009, as the SPEED Program progressed and implemented modifications, it changed into the Standard Offer program. This change began with a feed-in-tariff to encourage the development of SPEED resources by contracting for longer terms with fixed prices that would qualify. By May of 2012, the Vermont Energy Act of 2012 expanded the program to 127.5 MW over a 10-year span with a new pricing mechanism for qualified projects. The 2020 RFP for the Standard Offer Program within the Public Utility Commission through Orders in Dockets 7523, 7533, 7780, 7873, 7874, 8817, Case 173935-INV, Case 18-2820-INV and most recently Case No. 19-4466-INV, included the avoided cost price caps. Price caps are subject to a location and fuel type.

Stony Brook:

SED has entered into a Power Sales Agreement with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for 1.66% (approximately 5,832 kW) of MMWEC's Stony Brook Project, an operating fossil fuel plant, for life of the units' operation. MMWEC, a public corporation of Massachusetts, is a co-ordination and planning agency for the development of the bulk power supply requirements of its members and project participants. The Power Sales Agreement for the project requires each participant to pay its share of MMWEC's costs related to the project, which includes operation and maintenance, property taxes, administration, expenses, and capital. Lastly, MMWEC collects an operating reserve to finance the project. This is to be paid into a reserve and contingency fund.

Stated in MMWEC's 2021-22 Budget the operating reserve is used to help mitigate cost increases. The funds will be used for any unforeseen events or capital expenditures.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

McNeil Project:

The McNeil wood-fired generating facility is in Burlington, Vermont. The facility has a normal generating capability of 50,000 kW and a maximum generating capability of 53,000 kW. SED's entitlement to McNeil is provided through an agreement with the Vermont Public Power Supply Authority (VPPSA). Stowe receives 15.8% of VPPSA's joint ownership of McNeil or 3% of the full capability of the plant. SED expects the generation to be mostly composed of wood, but gas and oil can be used to fuel the unit if available and if pricing is appropriately set.

McNeil was retrofitted in 2008 to make it eligible to generate Connecticut Class I Renewable Energy Certificates (RECs). McNeil's operating costs have been increased throughout the past two years to collect a reserve fund for the planned shutdown and overhaul of the plant. With COVID-19 the capital project was delayed and has since been completed. The capital budget going forward is higher than usual due to the larger costs of the project overhaul.

Brown Bear II Hydro (Old Miller Hydro Contract):

Stowe had signed a purchase power agreement for 2.613% of the Miller Hydro Project. The contract states that Stowe will receive their percent of the Miller hydro output per month. The contract price is for energy to be delivered to the Maine Zone. The first PPA terminated on May 31, 2016. The second extension of this contract terminated on May 31, 2021.

Brown Bear Hydro purchased the Miller Hydro Project. A PPA was renegotiated beginning on June 1, 2021. It is the same 2.613% of unit, but it is for energy and renewable energy credits going forward. This will terminate on November 30, 2025.

Brown Bear Hydro is a run of river unit that has an average annual production of 90,000 MWH per year, over the past 3 to 5 years. This resource should equate to roughly 3% of Stowe's energy. The RECs from this purchase qualify for Tier I RES compliance.

Saddleback Ridge Wind Project:

Stowe purchased 2.172% of the Saddleback Wind Project, a 33 MW project with a 20-year PPA. The project is in Carthage, ME. This generation is roughly 3% of Stowe's load. The project will allow Stowe to buy energy, capacity, and RECs. The project went full Commercial on September 2015.

NextEra – Seabrook offtake:

Beginning January 1, 2015, and going through December 31, 2034, Stowe will receive 0.16% (or a max of 2 MW) of around the clock, of the NextEra Seabrook Resource. This contract also provides Stowe with the same PPA percentage of capacity as well. The pricing of the product varies with the Gross Domestic Product-Implicit Price Deflator (GDP-IPD). This takes natural gas price volatility away from the contract price. Escalation is limited to between 1.6-4.9% per year. The PPA will provide carbon-free generation that will help insulate Stowe from the potential for higher carbon prices in the future.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Stowe also receives the Emissions Free Energy Certificates (“EFECs”).

Phase 1 Hydro-Quebec Interconnection:

SED has entered contracts with Vermont Electric Power Company (VELCO) to participate in 0.09619% of Phase I portion of the Hydro-Quebec interconnection, a 450 KVHVD transmission line directly connecting the Hydro-Quebec electric system with the ISO-NE system at the Comerford Generating Station. Under these agreements, SED provided capital for the cost of construction through purchase of VELCO Class C preferred stock and will provide support for the operation of the line. SED is entitled to a portion of the benefits and has an obligation for a corresponding portion of the costs associated with Phase I.

On November 14, 2014, Stowe contracted with Green Mountain Power (GMP) for a transfer of use rights agreement. GMP is now the interconnection rights holder and pays SED for that right. This contract terminated on October 31, 2020. Beginning in November 2020 SED has sold the HQ rights to Nalcor. Nalcor pays SED for that right until termination on December 31, 2023.

Nebraska Valley - Beech Hill Solar:

Stowe has built a 1 MW AC ground mounted solar electric generation project. Estimated output is approximately 1,568 MWh per year. This is about 1-2% of Stowe’s annual energy requirement. Stowe benefits from this project in the ability to use the renewable energy credits towards Tier 2 of the Renewable Energy Standard. The project is a distributed generation, or behind Stowe’s meter, which provides additional benefits to include energy, capacity, and transmission. The project started operation in August 2016.

FirstLight (Cabot/Turners Falls Hydro):

Beginning on January 1, 2021, Stowe will receive an estimated 2.6% of their load from a Purchase Power Agreement for a bilateral percentage amount from the Cabot and Turners Fall Hydro Plants. Stowe will also receive renewable energy credits that are Vermont Tier I qualified. This PPA will expire on December 31, 2030.

Great River Hydro Project:

Stowe contracted a PPA for generation and RECs from the Moore Dam and Great River Hydro projects. It began 1/1/23 and will terminate on 12/31/2037. Stowe’s share is estimated to be 5.9% of load.

Market Contracts:

Stowe Electric’s portfolio contains market contracts. Beginning on December 1, 2022, Stowe purchased shaped block power from a counterparty. This purchase was to lock in coverage for Stowe’s position during the month of December 2022 through March 2023. Also, Stowe contracted for a load following contract for the Mount Mansfield ski resort. The contract provides optimal supply flexibility for this load type.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Sources of Energy:

The percentages of energy (kWh) acquired for the fiscal year ended June 30, 2023, was as follows:

FY July 1, 2022 - June 30, 2023- Total KWh's by Resource

Resource	Description	MWH	kWh's	% of Total	Fuel	Location	Termination Date
NYPA- Niagara	ISO Bilateral	3,084	3,084,428	3.8%	Hydro	4011	2025
NYPA- St. Lawrence	ISO Bilateral	85	84,839	0.1%	Hydro	4011	2032
Ryegate	PUC	2,093	2,093,079	2.6%	Wood	2433	2022
VEPPI- Standard Offer ISO Settlement	PUC	95	95,246	0.1%	Farm Methane	VT Nodes	
HQ PPA Contract	ISO Bilateral	17,462	17,461,600	21.6%	Hydro	4013	2038
Cabot/Turners	ISO Bilateral	1,806	1,805,503	2.2%	Hydro	4000	2030
McNeil	Wood Unit	6,422	6,421,740	7.9%	Wood	474	Life of Unit
Stonybrook 1A/1B/1C	Dispatchable	1,824	1,823,781	2.3%	Natural Gas/Oil	1185/1186/1187	Life of Unit
Bilateral Purchase - Seabrook	ISO Bilateral	15,589	15,589,041	19.3%	Nuclear	555	2035
Miller Hydro Purchase	Run of River	2,342	2,341,752	2.9%	Hydro	487	2025
Saddleback Wind	Wind	1,856	1,856,072	2.3%	Wind	38173	2035
Bilateral Purchase-Mtn	ISO Bilateral	7,562	7,562,443	9.3%		4000	2022
Bilateral	ISO Bilateral	2,473	2,473,000	3.1%		4000	3/31/2023
Great River Hydro	ISO Bilateral	892	891,760	1.1%	Hydro	69828	12/31/2037
ISO Energy Net Interchange		<u>14,302</u>	<u>14,301,664</u>	<u>17.7%</u>			
TOTALS		<u>77,886</u>	<u>77,885,949</u>	<u>96%</u>			
Nebraska Valley (BTM)	Solar	1,261	1,261,230	1.6%	Solar		Behind the Meter Life of Unit
VEPPI Standard Offer BTM	PUC	<u>1,769</u>	<u>1,768,906</u>	<u>2.2%</u>	Vary		Behind the Meter Generation
TOTALS		<u>80,916</u>	<u>80,916,085</u>	<u>100%</u>			

Future projects and State Renewable Energy Standard:

Solar Projects

Stowe is analyzing a Solar project built within Vermont. The project will be a PPA for the solar project's generation and environmental attributes.

Hydro Project

Stowe is also reviewing the option of refurbishing the old Moscow Mill Hydro Unit. This project was destroyed in the flood of 2011. This project would allow SED to reduce their load, because it would be behind the meter, and would qualify for the RES requirement.

Battery Project

Stowe is also reviewing the technology of energy storage.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Renewable Portfolio and upcoming Renewable Energy Standard (RES):

In July 2015, Act 56 (H. 40) was established using the 2011 Vermont Comprehensive Energy Plan to detail the states goals and place direction on how utilities will reach these goals. The RES requires utilities to buy or retain renewable energy credits and energy transformation projects. Each year has a percentage of retail sales that must be covered. In lieu of renewable credits or transformation project a utility can meet their obligation by paying an alternative compliance payment, at rates set by the State. The compliance rates will be adjusted annually for inflation using CPI.

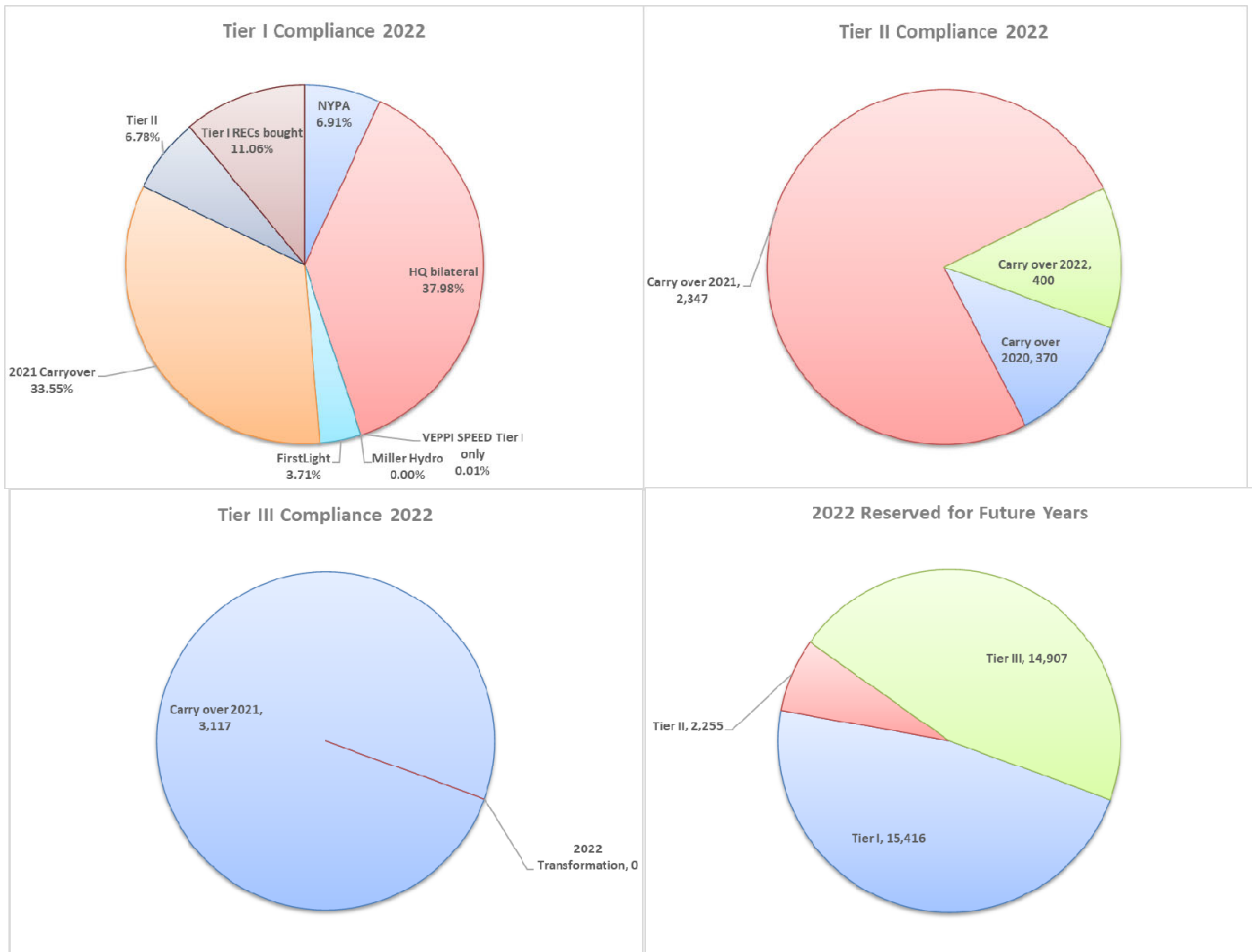
There are three tiers to the RES program:

- The Tier I category establishes the first requirement of renewable energy in Stowe's portfolio. Stowe can claim any class of REC that has a qualification of a renewable energy plant in New England.
 - Requirement to reach 75% of Tier I classification by 2032
 - Total renewable energy requirement started in 2017 at 55%
 - Requirements increase by 4% every three years
 - The Hydro Quebec bilateral and NYPA contracts that have been executed by the State of Vermont also qualify although the power originates outside of New England.
- The Tier II category is for distributed generation. Tier II helps support the reliability of the electric system and helps with transmission constraints. Resources must be 5 MW or less and directly connected to the Vermont utilities sub transmission or distribution system. Stowe's 1 MW solar project provides qualification requirements for Tier II. Projects that are greater than 5 MW name plate are required to receive State approval to qualify for this category.
 - Requirement to reach 10% of Tier II classification by 2032
 - Total renewable energy requirement started in 2017 at 1%
 - Requirements increasing by three-fifths of a percent each year
- The Tier III category allows Vermont utilities to either retire Tier II Rec or incentivize energy transformation projects. Tier III encourages projects that will help reduce fossil fuel consumption and greenhouse gas emissions. The Public Utility Commission (PUC) approves a conversion methodology (developed by the Department of Public Service) that utilities can utilize the exchange of fossil fuel reduction into compliance MWHs of electric energy.
 - Requirements to reach 10 & 2/3% of Tier III classification by 2032
 - Total renewable energy requirements started in 2019 at 2%
 - Increasing by two-thirds of a percent each year
 - Excess Tier II-qualifying distributed generation qualifies for Tier III compliance

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 14 PURCHASE POWER CONTRACTS AND SERVICES (continued)

SED's 2022 100% Compliance is shown below:



NOTE 15 UNUSED LINE OF CREDIT

SED has a \$1,500,000 non-revolving line of credit with a local bank, all of which was unused at June 30, 2023. Advances on this line, plus interest, are due and payable on November 1, 2023. This line of credit was renewed as a revolving line of credit on November 1, 2023 for one year. The credit line is secured by substantially all assets of SED.

NOTE 16 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Electric Department, has evaluated subsequent events through November 15, 2023, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2023, have been included in the financial statements herein.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 RESTATEMENT, STATEMENT OF NET POSITION

The 2022 Statement of Net Position has been restated to properly present the intent of the Public Utility Commission regarding the use of unspent bond proceeds from a 2009 bond. It had been managements' interpretation prior to the issuance of the 2022 financial statements that the unspent bond proceeds lost their restrictions 1:1 as the bond was paid down. After much consideration and research the current interpretation is, based on a review of the Public Utility Commissions order, that the unspent proceeds should be amortized over the life of the loan. The effect of the restatement was to the balance sheet only, increasing restricted cash by \$405,260 and decreasing operating cash by the same amount.



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

To the Board of Commissioners
Town of Stowe, Vermont Electric Department
Stowe, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the business-type activities of the Town of Stowe, Vermont Electric Department, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Stowe, Vermont Electric Department's basic financial statements, and have issued our report thereon dated November 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stowe, Vermont Electric Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stowe, Vermont Electric Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Kittell Brangan Synt". The signature is written in a cursive, flowing style.

St. Albans, Vermont
November 15, 2023