

Minutes:

Stowe Electric Commissioners' Special Meeting
June 2, 2022 at 9:00 a.m. at Town of Stowe Electric Conference Room

Present:

BOARD MEMBERS: Richard ("Dick") Marron, Chairman; Larry Lackey, Vice-Chairman

STAFF: Ellen Burt, General Manager; Sarah Juzek, Controller; Lily Burgess, Clerk of the Board

GUESTS: Dave Lamont, Rate Case Specialist

Dick called the meeting to order at 9:06 a.m.

Rate Increase Presentation

This is only the second time Stowe Electric has asked the PUC to approve a rate increase since 2011. In 2014, Stowe Electric had a rate reduction of 3.5% and refunded more than \$300,000 to its customers. Even though the Consumer Price Index has increased by over 2% annually, and the cost of power has steadily increased for years (34% in just the past year alone) SED's rates overall increased by only 8.43% in the past 12 years, on average by only 0.7% per year.

The Commissioners and Ellen worked diligently during the pandemic to avoid raising rates during a crisis. Unfortunately, SED cannot put the inevitable off any longer. The requested increase will ensure that the utility can continue to provide reliable service despite considerable financial pressure from the increases in energy and transmission costs, inflation, and goods and services since the pandemic.

Dave Lamont explained that there are still a few loose ends, but that based on his rate model the necessary rate increase is 15%. This need for increased rates is driven by power costs and all costs associated with these power costs. Power costs are about 70% of SED's operating expenses. SED has many long-term purchase power contracts, some of which have an escalator clause. The increased price of natural gas is a big portion of what is driving the increased power costs, together with VELCO transmission upgrade costs, McNeil capital upgrades as well as the current inflationary trends. SED is projecting a loss of \$650K before the rate increase would take effect on August 1st, 2022.

Dave also prepared a rate model showing what a 10% rate increase would mean in terms of a deficit for the rate year, which is August 1, 2022 to July 31, 2023.

Ellen suggested an initial rate increase of 10% and to then evaluate after January and February (which are SED's big months) to then file an additional rate increase of 3-5%. The costs for filing a rate case were discussed.

Under the new rules, once a full rate case is filed, utilities can then go in for a 2% rate increase every 12 months by simply filing a letter.

Sarah explained how different rate increases would potentially affect SED's financials:

10% rate increase: \$700K loss by year end, and \$800K loss by end of rate year 2023
11.5% rate increase: \$650K loss by year end
13% rate increase: \$575K loss by year end, and \$460K loss by end of rate year 2023
15% rate increase: \$475K loss by year end, and \$207K loss by end of rate year 2023

The various rate increase scenarios were discussed.

Larry Lackey made a motion that the Commission authorize the General Manager to petition the Public Utility Commission for a rate increase of not more than 13% to be effective August 1st, 2022, Dick Marron seconded the motion, and the motion was approved.

Other Business

Press Release: Ellen will work on a press release and send it to the Commissioners for their review.

There being no further business, the meeting was adjourned at 9:52 a.m.

Respectfully Submitted,



Lily Burgess
Clerk of the Board