



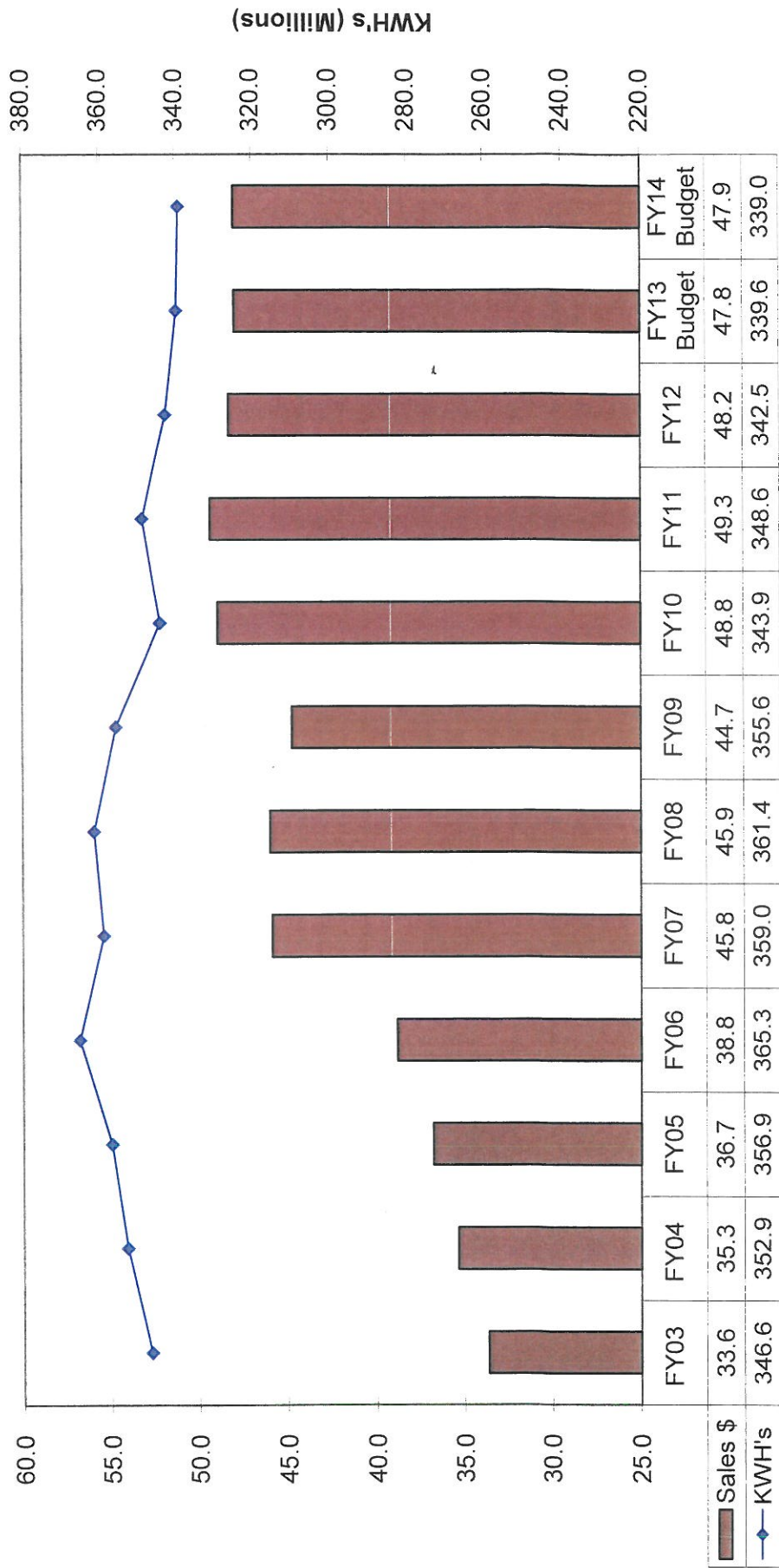
FY14 Budget Presentation

Daryl Santerre, CFO
May 13, 2013

Assumptions - Sales to Customers

- *“Normal” Weather*
- *No rate adjustment modeled*
- *Energy efficiency program impacts*

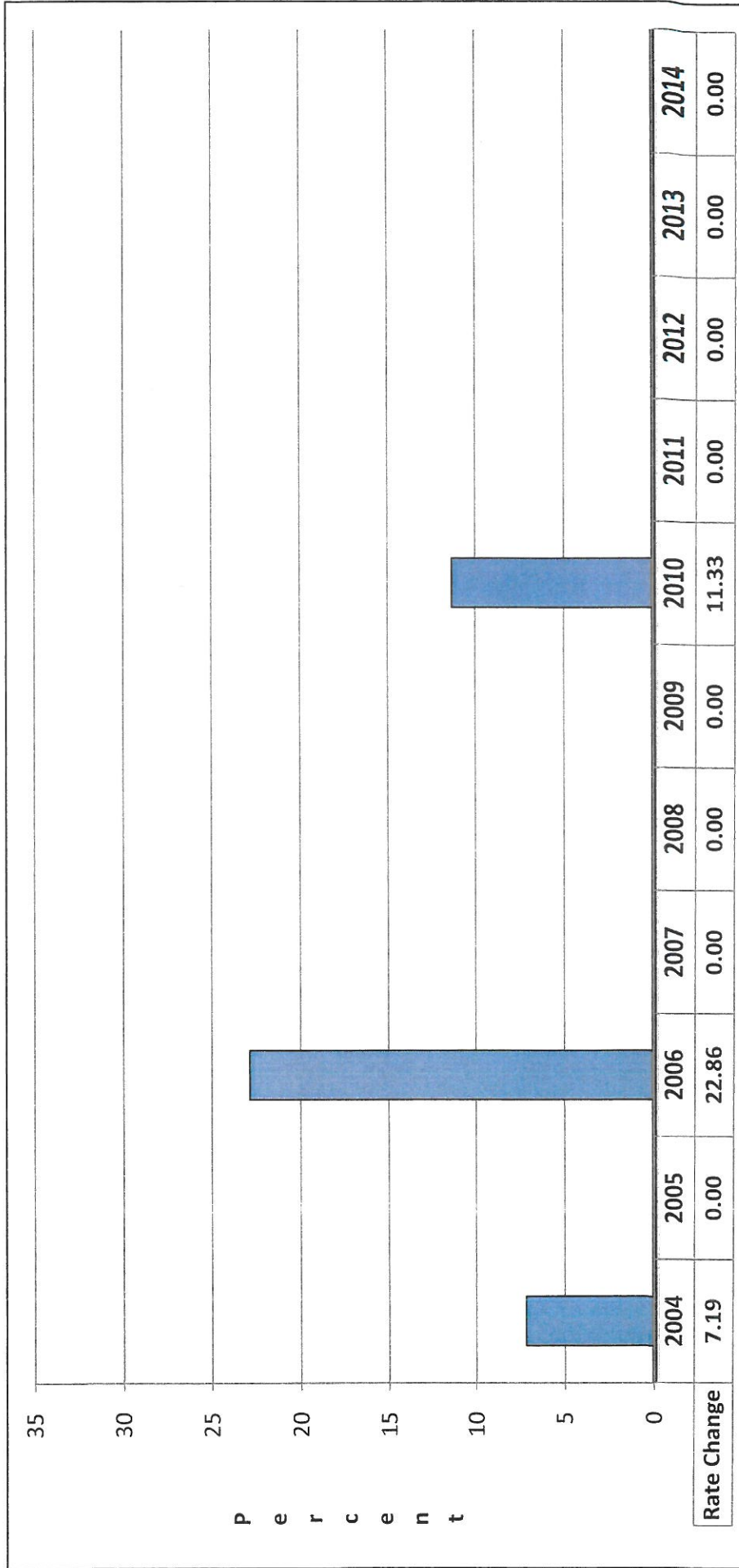
Burlington Electric Department Total Sales to Customers



Sales (Millions)

KWH's (Millions)

Burlington Electric Department
Rate Change History



Rates in effect: 7.19% January 2004; 22.86% May 2006; 11.33% January 2010

Other Revenues Assumptions

- ***General Rule***
 - Three Year Average

- ***Pole Attachment & Conduit Rentals***
 - Comcast, Burlington Telecom, VELCO & UVM Telecom
 - \$10.97 plus taxes per attachment
 - \$0.7175/per foot of conduit

- ***New England Power Company***
 - \$1.9M for Newport debt payments

- ***Energy Efficiency Charge***
 - Based on EEU program expenses
 - Per PSB approved budgets

- ***Transmission Contracts***
 - Highgate (ISO-NE)

Miscellaneous Electric Revenues	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
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Forfeited Discounts

Late Payment Fees	\$33,145	\$40,288	\$37,249	\$36,700	\$36,900
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Service Revenues

Total Service Revenues	94,068	204,505	220,815	222,800	222,900
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Rent from Electric Property

Total Rent from Electric Property	235,216	255,933	248,670	259,100	252,500
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Electric Revenues - Other

Miscellaneous	85,900	131,547	64,923	54,100	48,900
New England Power Co.	1,948,464	1,948,464	1,948,464	1,948,500	1,948,500
EEU Program Cost Reimbursement	1,089,466	2,111,386	2,024,301	2,421,800	2,753,100
Total Electric Revenues - Other	3,123,830	4,191,397	4,037,688	4,424,400	4,750,500

Net Power Cost – Base Case Assumptions

McNeil

- 50% McNeil ownership – 25 MW's power
- 61% Capacity Factor
- Assumes 400,000 tons of wood at average \$32.46/ton

BED Gas Turbine

- Not a significant energy source
- Significant value in non-energy markets (capacity, reserves, black start, etc.)

Renewable Energy Credits

- McNeil (\$36 per REC)
- Wind (\$40 per REC)

Vermont Wind

- Became commercial in October, 2011
- Entitled to 16 MW of 40 MW Project
- 11.7% of BED's load

Georgia Mountain Community Wind

- Began commercial output in January, 2013
- 7.4% of BED's load

Net Power Cost – Base Case Assumptions

Nextera Hydro

- Bilateral contract
- 10MW from January 2013 through December 2014
- 5 MW from January 2015 through December 2017

SPEED

- Deliveries began in July 2010
- Solar, farm methane, biomass, wind, hydro & LFG

NYPA

- 4.1% of total energy needs
- St. Lawrence Contract through 2017
- Niagara Contract through 2025

VEPPI

- 2.3% of energy requirement
- State mandated purchases

Newport Contract Termination

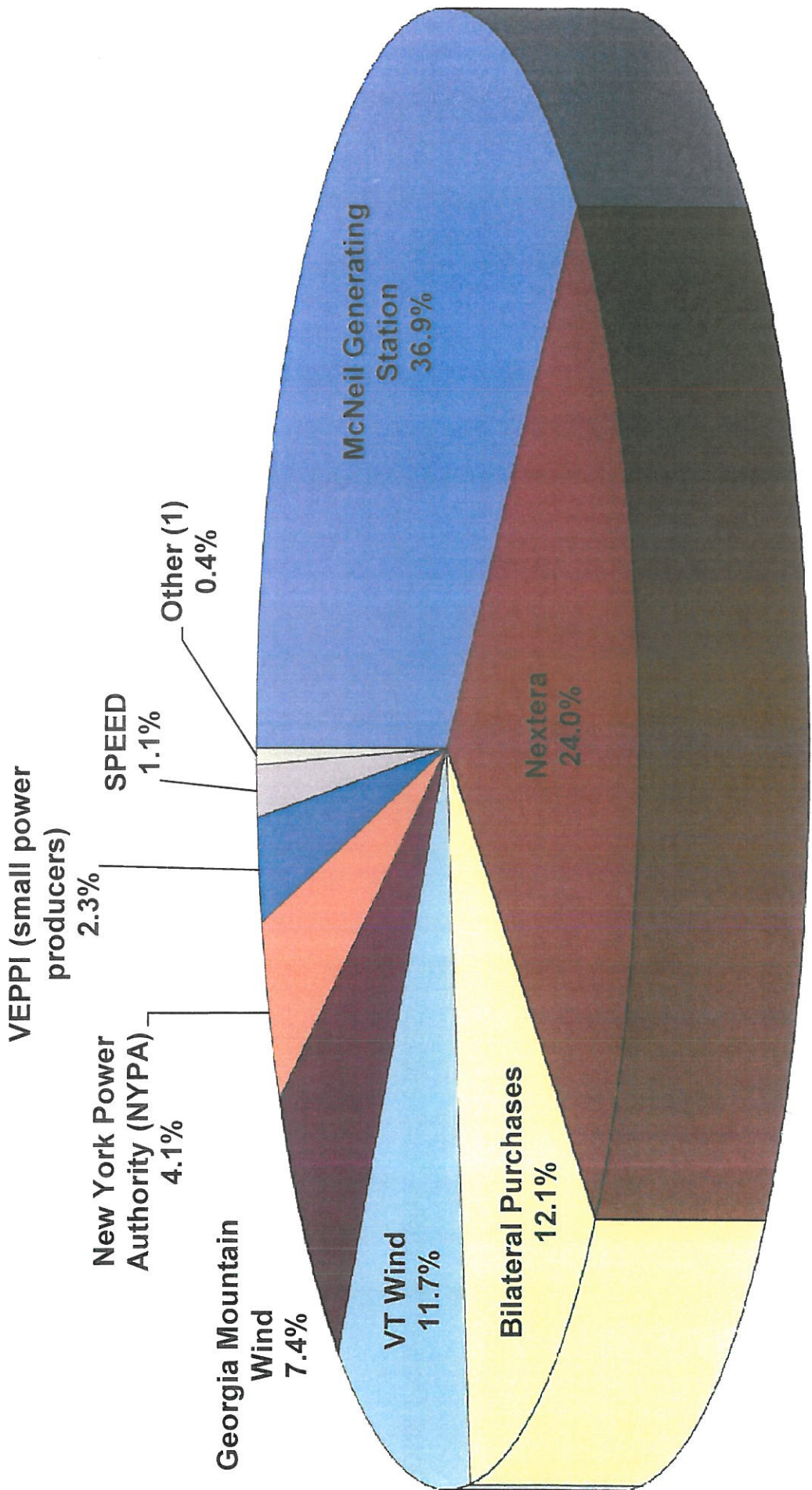
- \$210,000 monthly through July, 2014.

Budget Power Supply - MWH by Source

VEPPI (small power producers)

- New York Power Authority (NYPA) 4.1%
- Georgia Mountain Wind 7.4%
- VT Wind 11.7%
- Bilateral Purchases 12.1%
- Nextera 24.0%
- McNeil Generating Station 36.9%
- Other (1) 0.4%
- SPEED 1.1%

2.3%



(1) Includes BED Solar, Gas Turbine and Enernoc.

Net Power Supply Costs (000's)

	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
Expenses:					
Fuel	\$7,260	\$7,117	\$7,136	\$9,206	\$8,838
Purchased Power	19,213	17,991	17,097	16,307	17,166
Transmission Fees	4,337	3,698	4,705	5,434	6,239
Highgate	95	86	88	115	124
Total Power Supply - Expenses	30,906	28,892	29,026	31,062	32,367

Revenues:					
Transmission Contracts	360	304	284	402	415
Renewable Energy Credits - McNeil	1,624	3,212	3,123	3,277	4,878
Renewable Energy Credits - Wind			427	851	2,769
Renewable Energy Credits - Other			5	49	101
Total Power Supply - Revenues	1,985	3,516	3,840	4,580	8,163

Net Power Supply Costs	\$28,921	\$25,376	\$25,187	\$26,482	\$24,204
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Tax Assumptions

- **PILOT**
 - Assumes rate of \$2.30
 - Based on 100% valuation
- **Gross Revenue Tax**
 - Funds DPS and PSB
 - 0.5% of total sales less resales
- **Gross Receipts Tax**
 - Began in July, 1990
 - Funds Home Weatherization Assistance Fund
 - 0.5% of sales to customers

Taxes

	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
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(000's)

Property Taxes

Payment in Lieu of Taxes - BED	\$958	\$1,015	\$1,087	\$1,348	\$1,313
Payment in Lieu of Taxes - McNeil	540	543	546	546	554
Property Taxes - Highgate	55	31	31	30	30
Sub-Total - Property Taxes	1,553	1,589	1,664	1,924	1,897

Tax Rates

	\$2.25	\$2.26	\$2.27	\$2.27	\$2.30
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Revenue Taxes

Gross Revenue Tax (.5%)	272	287	283	287	307
Gross Receipts Tax (.5%)	242	246	241	239	239
Sub-Total - Revenue Taxes	514	534	524	526	546

Over/Under Allocation of Social Security Taxes

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Total Taxes

	\$2,075	\$2,114	\$2,194	\$2,450	\$2,443
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Other Income Assumptions

- **Velco/VT Transco Income**
 - No investment for FY14
 - 12.5% average return
 - (11.5% A units; 13.3% B units)

- **Interest Income**
 - Debt Service for all GO Bonds
 - Rates remain low

- **Grant Income**
 - \$1,176,800 Waterfront (North Access)

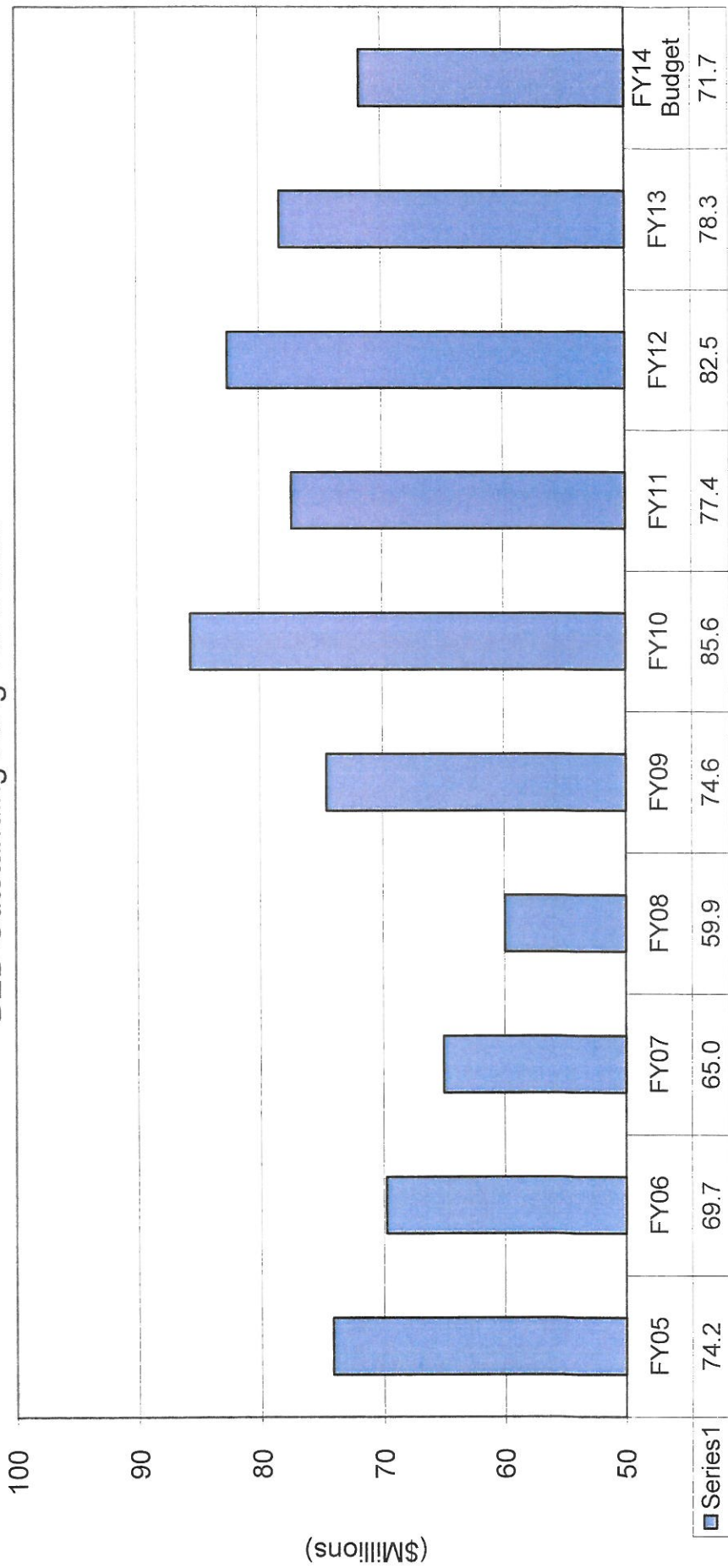
Dividend Income	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
VELCO	\$165,945	\$165,801	\$166,089	\$166,200	\$166,200
VT TRANSCO LLC	1,805,386	2,133,438	2,205,359	2,449,300	2,627,200
VELCO	1,194	1,194	28,214	1,200	1,200
Total Dividend Income	\$1,972,525	\$2,300,433	\$2,399,662	\$2,616,700	\$2,794,600

Interest Expense Assumptions

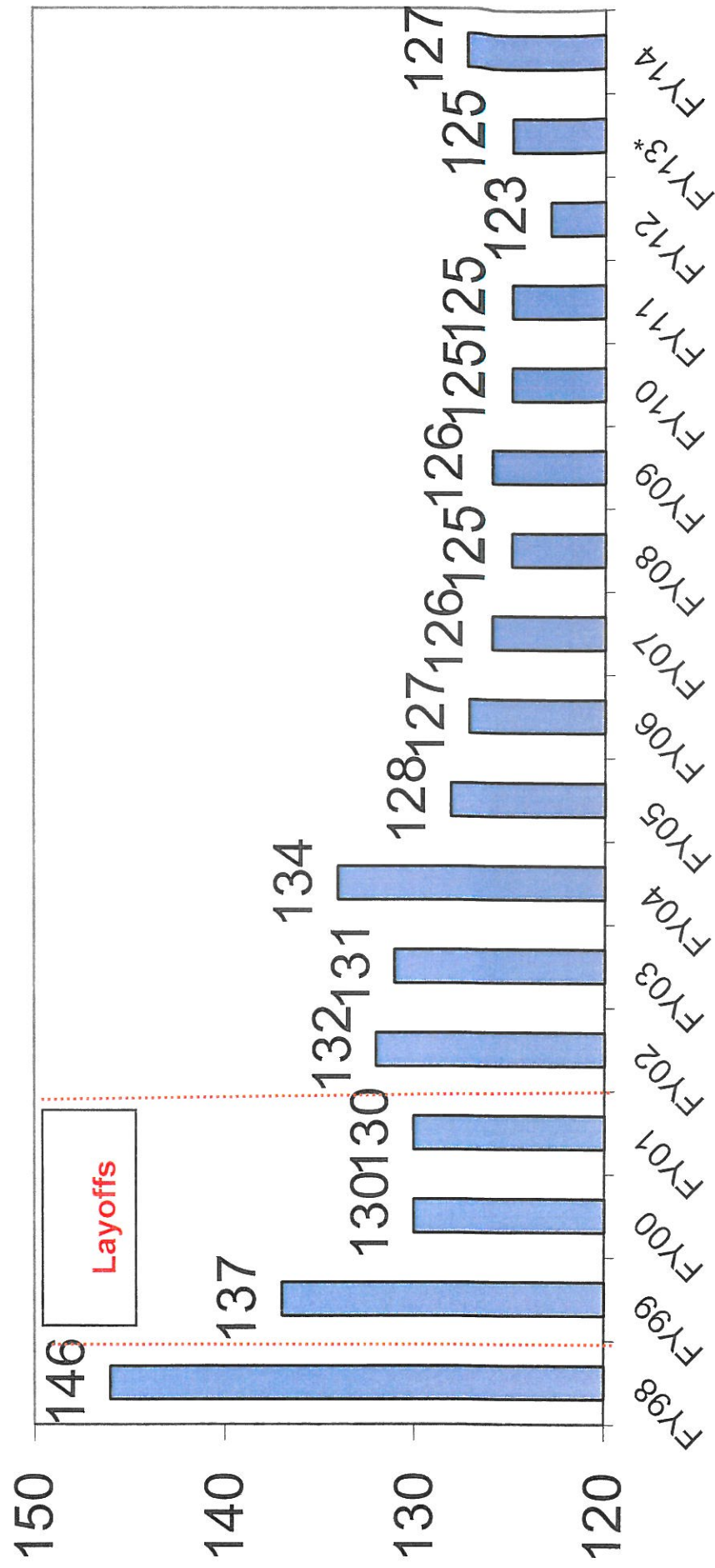
- **\$3M General Obligation Bond (annual)**
- Larger principal payments at the end of bond life
- **Other Interest Expense**
 - Line-of-Credit paid off in early July.
 - Credit Enhancement Fee (City) ended in FY12

Interest Expense	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
General Obligation Bonds	\$1,565,862	\$1,620,335	\$1,649,042	\$1,809,400	\$1,983,700
Revenue Bonds	2,285,183	1,895,365	1,985,360	1,747,600	1,362,800
Credit Enhancement Fee	196,254	207,468	206,584		
Total Long Term Debt Interest	4,047,299	3,723,168	3,840,986	3,557,000	3,346,500
Amortization of Debt Discount	4,770	5,743	6,425	18,200	19,000
Amortization of Deferred Debt Costs	2,017,309	2,139,313	2,264,280	4,292,300	4,536,800
Amortization of Debt Premium	(192,944)	(210,411)	(223,294)	(248,800)	(268,900)
Line-of-Credit	76,776	133,551	129,959	80,600	
Other Interest	719	234			
Total Interest Expense	\$5,953,929	\$5,791,598	\$6,018,356	\$7,699,300	\$7,633,400

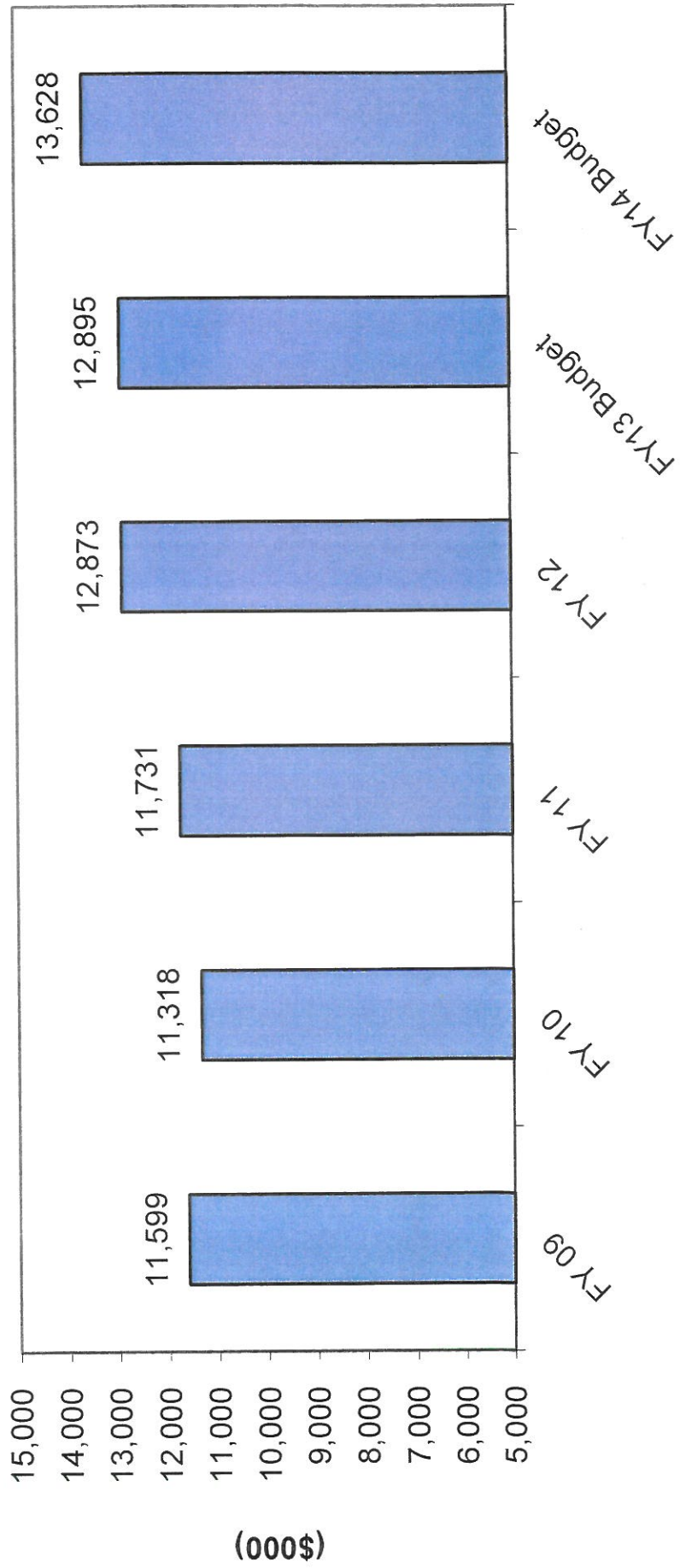
Burlington Electric Department
 BED Outstanding Long Term Debt



Burlington Electric Department
Staffing Analysis - Vacancies not included



Before A&G Capitalized



Operational Expense

	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
Labor-Regular	\$5,749,255	\$5,835,912	\$5,956,088	\$6,043,400	\$6,698,600
Labor-Overtime	226,189	234,086	222,616	287,100	327,300
Labor-Overhead	2,109,569	2,552,750	2,625,912	2,591,000	2,810,400
Outside Services	1,244,323	1,403,671	1,911,360	1,856,400	1,616,100
Outside Svcs-Transmission	4,337,175	3,697,940	4,704,769	5,433,700	6,239,100
DSM Rebates / Other	609,315	1,504,181	1,472,182	1,511,100	1,727,600
Group Insurance	321,014	332,155	214,089	385,000	416,800
Building Clearing	337,305	348,302	381,832	391,300	420,500
Administrative & General Clearing	(633,280)	(433,063)	(769,600)	(982,100)	(687,900)
Other	1,851,019	1,686,173	2,170,929	2,336,400	2,457,100
Total Operational Expense	\$16,151,884	\$17,162,107	\$18,890,177	\$19,853,300	\$22,025,600
Less EEC Expenses (reimbursed)	(1,089,466)	(2,111,386)	(2,024,301)	(2,421,800)	(2,753,104)
Less Power Supply - Transmission	(4,337,175)	(3,697,940)	(4,704,769)	(5,433,700)	(6,239,100)
Less Power Supply - Highgate Bill	(40,590)	(54,480)	(57,805)	(84,900)	(93,200)
Total Operational Expense	\$10,684,653	\$11,298,301	\$12,103,302	\$11,912,900	\$12,940,196
A&G Add Back	\$11,317,933	\$11,731,364	\$12,872,902	\$12,895,000	\$13,628,096

Labor Overhead

	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
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TOTAL LABOR \$8,562,470 \$9,188,095 \$9,090,093 \$9,813,200 \$9,944,000

LABOR OVERHEAD

Medical Insurance	1,127,293	1,203,323	1,296,352	1,323,700	1,300,600
Dental Insurance	92,303	91,632	95,569	100,800	96,000
Life Insurance	14,246	14,430	13,841	15,900	13,600
Social Security Taxes	646,520	668,209	671,708	750,700	760,700
Workers Compensation Ins.	326,223	480,997	461,502	529,100	461,500
Pension	1,006,532	1,327,843	1,437,055	1,535,600	1,605,500

Sub-total Labor Overhead

3,213,117 3,786,434 3,976,027 4,255,800 4,237,900

Health Ins (Employee Contribution)
 Pension (Employee Contribution)
 Health Care Buyout

(202,317) (215,713) (227,379) (255,206) (255,485)
 (225,845) (245,169) (242,290) (277,347) (281,743)
 14,303 19,893 15,679 15,998 18,598

Total Labor Overhead

\$2,799,259 \$3,345,445 \$3,522,037 \$3,739,246 \$3,719,270

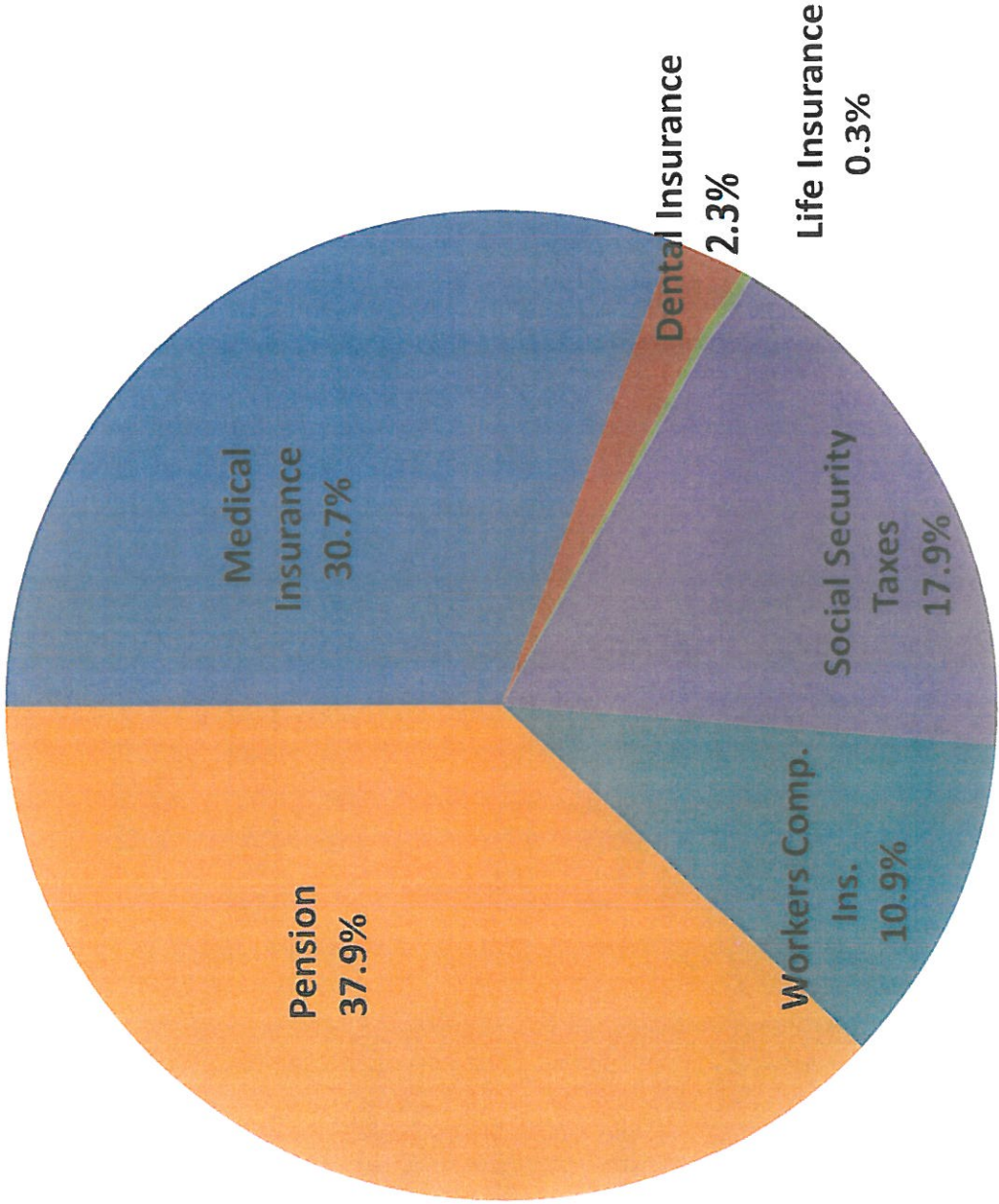
Labor Overhead Rate

35.33% 39.08% 41.41% 40.93% 40.24%

Pension Rate

14.00% 15.38% 15.68% 16.50% 16.91%

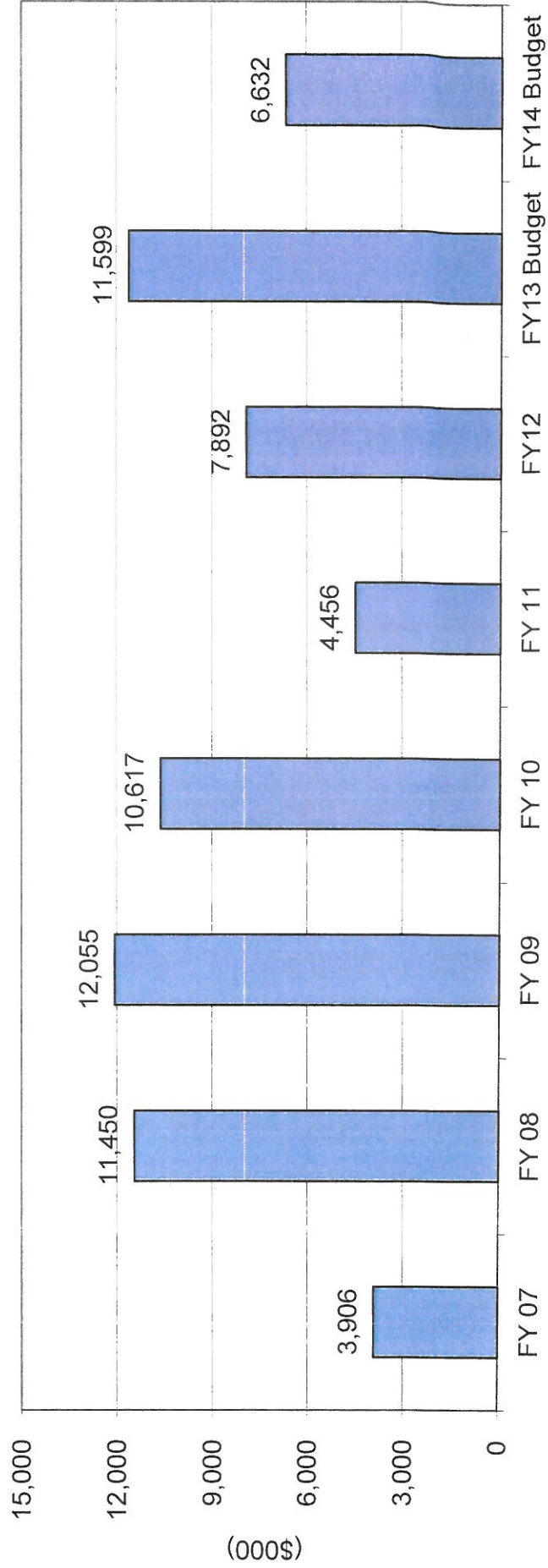
Labor Overhead



Capital Assumptions

- No ARRA/Grant Capital
- Queen City Sub Switchgear \$1.6 million
- Waterfront North Access \$1.3 million
- Outage Management System \$700,000
- Other Distribution Capital \$2.5 million

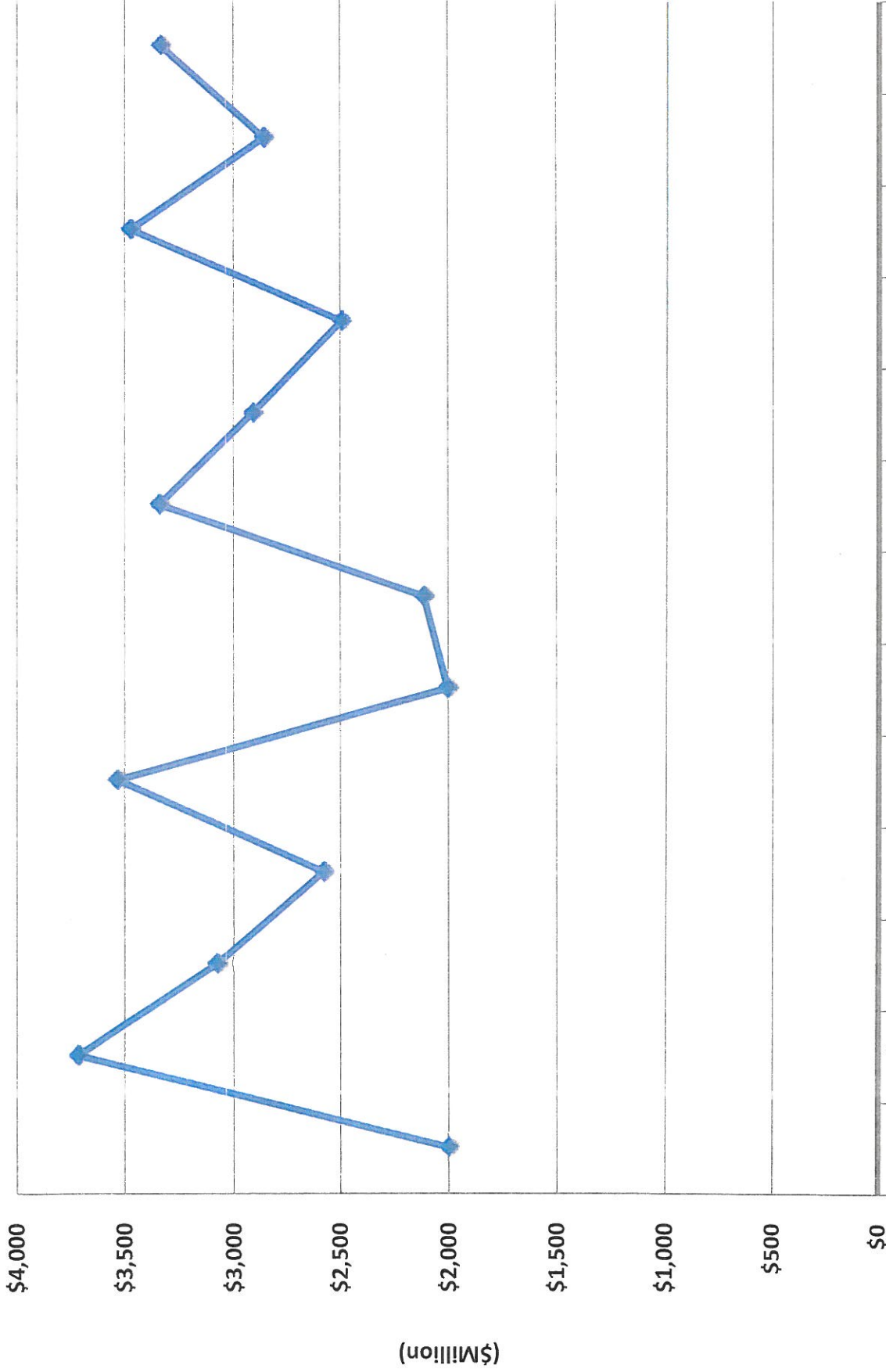
Burlington Electric Department
Capital Spending



Cash Assumptions

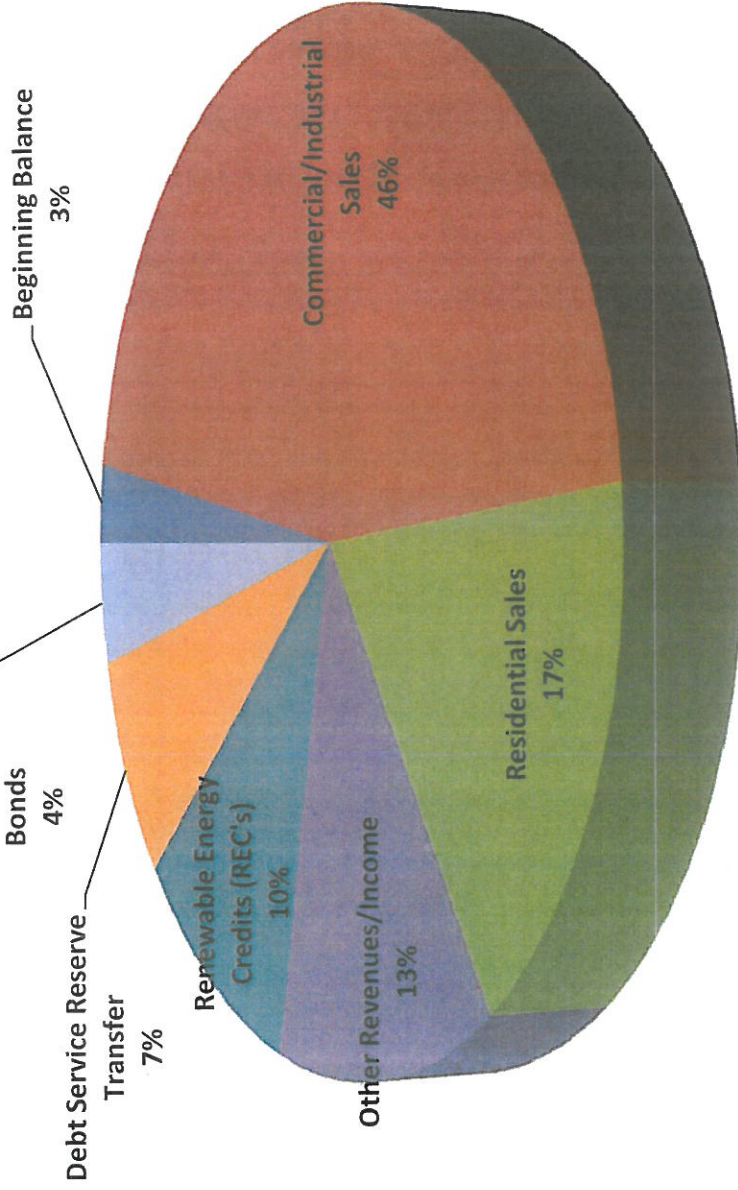
- Starting Balance \$2,000,000
- Capital budget of \$7,997,000
- \$3,000,000 GO Bonds
- Debt Service Reserve Funds available

MONTHLY CASH



Ending Balance	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
	\$2,000	3,713	3,075	2,577	3,532	2,002	2,113	3,340	2,908	2,492	3,472	2,857	3,334

Sources

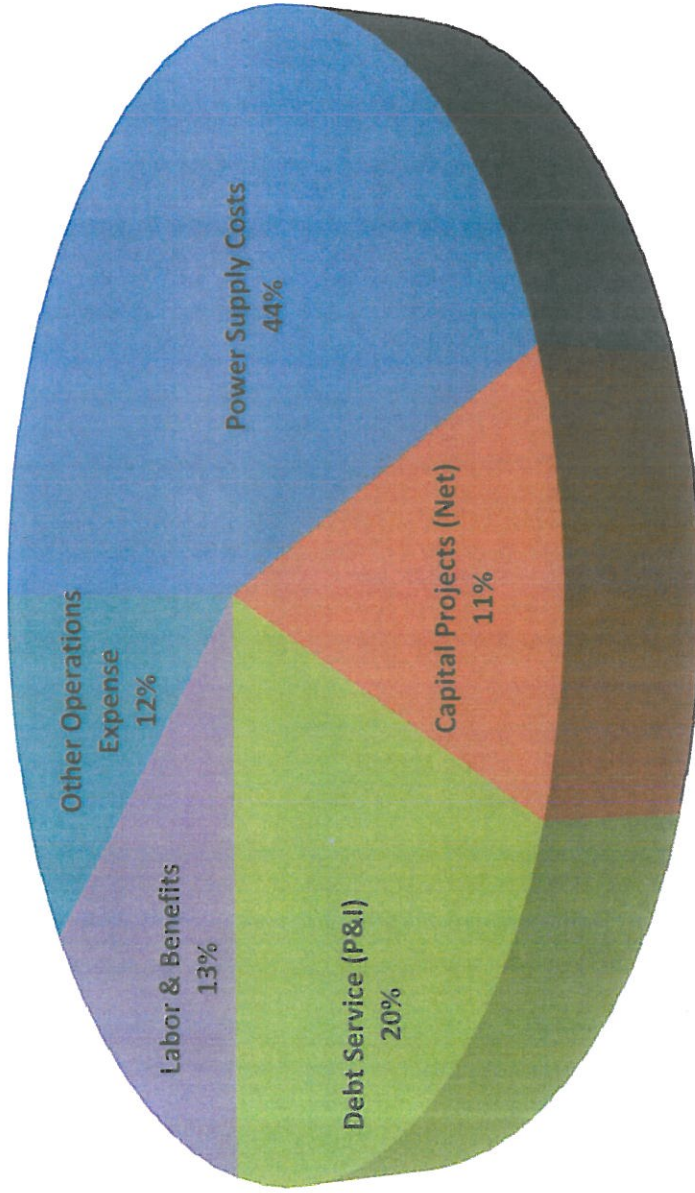


Where the money comes from (\$000)

Beginning Balance	\$2,000
Commercial/Industrial Sales	34,997
Residential Sales	12,899
Other Revenues/Income	9,956
Renewable Energy Credits (REC's)	7,748
Debt Service Reserve Transfer	5,716
General Obligation Bonds	3,099
Total	\$76,415

* Net of Renewal & Replacement

Uses



Where the money goes (\$000):	
Power Supply Costs	\$32,336
Capital Projects (Net)	7,997
Debt Service (P&I)	14,382
Labor & Benefits	9,836
Other Operations Expense	8,530
Total	\$73,081

* Net of Renewal & Replacement

Income Statement

(000's)	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
OPERATING REVENUES:					
Sales to Customers	\$48,833	\$49,262	\$48,190	\$47,842	\$47,896
Misc Revenues - Power Supply	1,985	3,516	3,840	4,580	8,163
Misc Revenues - Other	3,486	4,692	4,544	4,943	5,263
Total Operating Revenues	54,304	57,470	56,574	57,365	61,321
OPERATING EXPENSES:					
Fuel	7,260	7,117	7,136	9,206	8,838
Purchased Power	19,213	17,991	17,097	16,307	17,166
Transmission Expense	4,337	3,698	4,705	5,434	6,239
Operation and Maintenance	11,815	13,464	14,184	14,420	15,786
Depreciation & Amortization	6,041	6,588	6,987	5,409	7,245
Taxes	2,075	2,114	2,163	2,450	2,443
Total Operating Expenses	50,741	50,973	52,272	53,225	57,717
NET OPERATING INCOME	3,562	6,497	4,302	4,140	3,605
OTHER INCOME & DEDUCTIONS:					
Dividends	1,973	2,300	2,400	2,617	2,795
Interest Income	344	283	200	243	165
Grant/Customer Income	358	214	476	1,086	1,265
Grant Income - ARRA	1,037	819	2,220	2,473	
Other Income, Net	(46)	191	342	161	196
Total Other Income/Deductions	3,665	3,806	5,638	6,580	4,420
INCOME BEFORE INTEREST EXPENSE	7,227	10,304	9,940	10,720	8,024
INTEREST EXPENSE	5,954	5,792	6,018	7,699	7,633
NET INCOME (LOSS)	\$1,273	\$4,512	\$3,922	\$3,021	\$391

Debt Coverage

(000's)	Actual FY 10	Actual FY 11	Actual FY 12	Budget FY 13	Budget FY 14
Total Operating Revenues	\$54,304	\$57,470	\$56,574	\$57,365	\$61,321
Total Operating Expenses	50,741	50,973	52,273	53,225	57,717
Less: Depreciation & Amortization	(6,041)	(6,588)	(6,987)	(5,409)	(7,245)
Less: Payment in Lieu of Taxes	(1,498)	(1,558)	(1,633)	(1,894)	(1,866)
Total Operating Expenses - Adjusted	43,202	42,826	43,653	45,922	48,606
Net Operating Income - Adjusted	11,101	14,643	12,922	11,443	12,715
Total Other Income	3,665	3,806	5,639	6,580	4,420
(Less) Grant/Customer Income	(1,394)	(1,032)	(2,697)	(3,559)	(1,265)
Net Income Available for Debt Service	13,372	17,417	15,864	14,464	15,870
Debt Service on Revenue Bonds - NEPCO (100%)	1,948	1,948	1,948	1,948	1,949
Net Income Available for Other Debt Service	11,424	15,469	13,915	12,516	13,921
Debt Service on Revenue Bonds - Other (125%)	7,077	7,077	7,587	7,489	7,484
Debt Service Coverage Ratio	1.61	2.19	1.83	1.67	1.86

Debt Coverage Adjusted (\$000)	FY10	FY11	FY12	Budget FY13	Budget FY14
Total Operating Revenues	54,304	57,470	56,574	57,365	61,321
Total Operating Expenses	50,741	50,973	52,272	53,225	57,717
Less: Depreciation & Amortization	(6,041)	(6,588)	(6,987)	(5,409)	(7,245)
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Net Income Available for Other Debt Service	13,372	17,417	15,864	14,464	15,870
Deduct: Payment in Lieu of Taxes	(1,498)	(1,558)	(1,633)	(1,894)	(1,866)
Adjusted Net Income Available for Debt Service	11,874	15,860	14,231	12,570	14,004
Debt Service					
Revenue Bonds (NEPCO)	1,948	1,948	1,948	1,948	1,949
Revenue Bonds (Other)	7,077	7,077	7,587	7,489	7,484
General Obligation Bonds	3,032	3,237	3,349	3,509	3,949
Total Debt Service	12,057	12,262	12,884	12,947	13,382
Adjusted Debt Service Coverage Ratio	0.98	1.29	1.10	0.97	1.05

Moody's Rating Methodology			
Aa	A	Baa	Ba
2.00-2.49	1.5-1.99	1.10-1.49	0.0-1.10

Burlington Electric Department
 Budget for the Year Ending June 30, 2014

Cash Coverage	FY10	FY11	FY12	Feb YTD FY13	Budget FY14
Cash Accounts - Operating	215,421	1,439,619	1,583,172	2,780,875	3,333,642
Cash Accounts - McNeil	394,745	644,640	239,583	263,776	385,700
(Plus) Line-of-Credit Available	826,675	826,675	1,500,000	2,800,000	5,000,000
Unrestricted Cash and Investments	1,436,841	2,910,934	3,322,755	5,844,651	8,719,342
Total Operating Expenses	50,741,366	50,975,552	52,273,055	50,667,522	57,716,575
(less) Depreciation Expense	(4,946,925)	(5,679,394)	(5,980,195)	(5,031,402)	(4,624,600)
(less) Amortization Expense	(853,778)	(908,990)	(1,007,294)	(1,544,532)	(2,620,100)
Adjusted Operating Expenses	44,940,663	44,387,168	45,285,566	44,091,588	50,471,875
Days Cash on Hand	11.67	23.94	26.78	48.38	63.06

Aa	A	Baa	Ba
150-250	90-149	30-89	0-29