

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7422

Petition of Vermont Public Power Supply Authority )  
pursuant to 30 V.S.A. § 108(a) for Approval for )  
Long-Term financing of \$2.5 million related to capital )  
upgrades to the J.C. McNeil Generating Facility for a )  
Selective Catalytic Reduction System )  
)

Order entered: 5/20/2008

**I. INTRODUCTION**

On March 20, 2008, the Vermont Public Power Supply Authority ("VPPSA" or "Company") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108(a) to finance its share of the cost of certain capital upgrades to the J.C. McNeil Generating Facility ("McNeil") located in the Intervale area of Burlington, Vermont. The upgrades involve the installation of a selective catalytic reduction ("SCR") system (the "Project") which is designed to reduce the plant's flu gas emissions of nitrogen oxide ("NOx"), a recognized green house gas, by 50%. VPPSA is a 19% joint owner of the McNeil generating facility along with the City of Burlington Electric Department, Central Vermont Public Service Corporation, and Green Mountain Power Corporation. VPPSA's share of the project cost is equivalent to approximately \$2.5 million, to be financed over a term of three years (the "Loan") and secured by a pledge of VPPSA's share of revenues provided by the power sales agreements with McNeil's participating members.<sup>1</sup> Project financing is to be provided by

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1. Barton Village, Inc. Electric Department, Village of Enosburg Falls Water & Light Department, Inc., Town of Hardwick Electric Department, Village of Hyde Park Electric Department, Village of Jacksonville Electric Company, Village of Johnson Water & Light Department, Village of Ludlow Electric Light Department, Village of Lyndonville Electric Department, Village of Morrisville Water & Light Department, Village of Northfield Electric Department, Village of Orleans Electric Department, Town of Readsboro Electric Light Department, Town of Stowe Electric Department, and Swanton Village, Inc. Electric Department

Key Bank National Association ("Key Bank"). The Petition was supported by the prefiled testimony of Crystal Currier, Controller for VPPSA, and Patricia H. Richards, Director of Power Supply & Transmission for VPPSA, and by accompanying exhibits.

On April 10, 2008, the Department of Public Service ("DPS") submitted a letter to the Board stating that it believes that the intent of the Petition is consistent with the general good of the state, and recommends approval of the Petition without a hearing, conditioned upon VPPSA's submission of additional clarification of the transaction with regard to the nature of the credit facility, maturity, and principal repayment terms.

In a letter filed with the Board on April 14, 2008, VPPSA provided the DPS with further information on the areas the DPS had requested.

On May 9, 2008, the DPS filed a letter with the Board expressing its satisfaction with the information provided in VPPSA's letter of April 14, and reiterating its recommendation for approval without hearing.

On May 13, 2008, the DPS's Director for Regulated Planning sent a letter with attached Determination Under 30 V.S.A. § 202(f) to the Board recommending that the Board approve the Petition without hearing and finding that the issuance of long-term debt as set forth in the Petition would not be inconsistent with the Vermont Electric Plan pursuant to 30 V.S.A. § 202(f).

The parties have waived the opportunity for review of the Proposal for Decision, briefing, and oral argument, in accordance with 3 V.S.A. § 811.

I have reviewed the Petition, and the supporting documents. I conclude that approval of VPPSA's Petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the exhibits presented in this docket, and the DPS letters of April 10, May 9, and May 13, 2008, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

## **II. FINDINGS**

1. VPPSA is a company as defined by 30 V.S.A. § 201 and as such is subject to the Board's jurisdiction pursuant to 30 V.S.A. § 108 and § 203. Petition at 1.

2. The Company is a body politic and corporate, exercising public and essential governmental functions. It provides power supply services to its fourteen municipal electric department members<sup>2</sup> and other affiliates, allowing its members to act jointly, inter alia, to secure generation and transmission assets and contracts in an efficient and economical manner. Petition at 1.

3. As noted above, VPPSA is a joint owner (19%) of the McNeil facility. The other joint owners are the City of Burlington Electric Department, Central Vermont Public Service Corporation, and Green Mountain Power Corporation. Petition at 2.

4. The Project involves the installation of a selective catalytic reduction system ("SCR") that will result in the reduction of the McNeil facility's nitrogen oxide ("NOx") emissions by 50%. Currier pf. at 2.

5. As of the date of the Petition, the bidding process is not yet complete; however the estimated cost of the Project will be approximately \$11.6 million. The Company's share of the Project cost, equivalent to its 19% ownership interest, is \$2.2 million; but because the full cost of the Project has not been determined, VPPSA requests financing approval in an amount not to exceed \$2.5 million. Currier pf. at 4.

6. Financing for VPPSA's portion will be provided through a long-term loan offered by Key Bank in the amount of \$2.5 million. The Loan will take the form of a line of credit renewable each year, for a term of three years. The interest rate currently offered by Key Bank is a variable rate based on the One-Month London Interbank Offered Rate ("LIBOR"), plus 3.33% times .65, equating to an interest rate of 3.82%. Currier pf. at 3; Petition at 3; Exhibit VPPSA-Currier-2.

7. Eight of the VPPSA members currently have signed power sales agreements ("PSA") for the output of the McNeil facility: Village of Enosburg Falls Water & Light Department, Town of Hardwick Electric Department, Village of Ludlow Electric Light Department, Village of Lyndonville Electric Department, Village of Morrisville Water & Light Department, Village of Northfield Electric Department, Town of Stowe Electric Department, and Swanton Village, Inc.

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2. *Id.*

Electric Department. In signing the PSA's, these participating members are responsible for the operating costs of the Project based on each member's participation share. Currier pf. at 2.

8. The Project qualifies for Connecticut Class I Renewable Energy Certificates ("REC") since the installation of the new SCR system will reduce the facility's NOx emissions. The anticipated additional revenue provided by the REC's will enable VPPSA to pay off the Loan within three years. The market is currently trading at \$51.00/MWH for vintage 2007 Class 1 REC's (ICAP Market Sheet 2/1/2008). Currier pf. at 2, 3.

9. The Board granted final approval for construction of the Project in its Order dated February 28, 2008, in Docket 7380, and found that the Project will promote the general good of the state. Richards pf. at 4.

### **III. DISCUSSION & CONCLUSION**

Based upon the foregoing and the evidence in the record, I find that VPPSA's Petition as described above will be consistent with the general good of the State. I therefore recommend that the Board approve the Petition and authorize the refinancing without hearing.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 15<sup>th</sup> day of May, 2008.

s/Jay E. Dudley  
Jay E. Dudley  
Hearing Officer

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are accepted and adopted.
2. The request for financing as set forth in the Vermont Public Power Supply Authority's ("VPPSA") Petition in this docket, and as described in the Findings, are consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to VPPSA to finance its portion of the project costs associated with the installation of a Selective Catalytic Reduction System at the J.C. McNeil Generating Facility, in an amount not to exceed \$2.5 million in long-term debt financing through Key Bank, according to the terms and rate consistent with the Findings above.
4. This Order does not constitute approval of VPPSA's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the issuance of long-term debt contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Vermont Public Service Board ("Board"), from reviewing or challenging such expenditures or VPPSA's resulting capital structure.
5. VPPSA shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing.
6. VPPSA shall provide the Board and the DPS with a complete set of final loan closing documents within 10 days of the loan closing.

Dated at Montpelier, Vermont, this 20<sup>th</sup> day of May, 2008.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: May 20, 2008

ATTEST: s/Susan M. Hudson  
CLERK OF THE BOARD

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*