

Dear Barton Electric Customers:

You may have heard recently about potential rate increases for customers of the Barton Electric Department. The Village Trustees are providing an update on the facts of the situation and its plan to move forward through the year. The Trustees have worked hard to reduce costs as much as possible. In the end, Barton could not avoid a rate increase as it had a sizeable net income loss in calendar year 2022. It is important the Barton Electric Department remain financially able to pay its bills. After careful consideration and many weeks of reviewing expenses and data, the Trustees voted to raise electric rates effective April 1, 2023 by 18.27%.

In the Chronicle several weeks ago, the paper reported a 28% increase expected this year. That number was a preliminary estimate which was based on early budget assumptions for 2023 and before the calendar year 2022 financial statements had been closed. In fact, consultants specifically noted it was too early to say with precision what the rate case would be, but they noted the rate increase would be significant. At that time the range of the increase was estimated to be between 20% and 30% based on an early outlook of expenses and revenue.

With the close of the financial year for calendar year 2022, and with Trustees cutting costs in the 2023 electric budget, the rate increase has been finalized. Barton has filed for a rate increase of 18.27% for service provided beginning April 1, 2023.

While still high, this increase is similar to increases sought by other neighboring utilities in Vermont and across the Northeast. The Trustees remain committed to the minimum increase necessary to support the reliable electric service to all Barton customers. The Trustees are working hard to ensure the utility is financially sound.

A formal rate filing has been developed by the Vermont Public Power Supply Authority (VPPSA) on behalf of the Barton Electric Department. The filing made on February 14th meets the standards for a Vermont regulated utility. Every cost and number in the filing will be checked and reviewed by state regulators and only after it is approved will it become final. Until the filing is approved by regulators, Barton will implement the rate increase as a temporary surcharge beginning April 1, 2023. In the event the PUC approves a smaller increase a refund will be issued on bills following the PUC's decision.

Barton is not alone in having to raise rates. Inflationary costs have affected equipment, supplies and labor. The most significant driver of this rate increase is a new contract with VPPSA to provide electric utility operational services. VPPSA began providing line maintenance, meter reading and power restoration in August 2022. Operation related work is provided by VPPSA through a combination of services from our neighboring communities – notably Hardwick, Lyndonville and Orleans, along with the utility contractor Northline. We are pleased with the level of service to date – particularly the response to outages such as that over Christmas, 2022. Nevertheless, these services come at an increased cost and this is a major driver in the rate case filing. Power supply costs are actually expected to be lower in the upcoming year, which helped to offset some of the other cost increases. Fortunately, Barton's power supply mix including its own hydro plant, allowed it to avoid large power related increases in the rate year that affected many other utilities. Financial requirements of Barton lenders to hold sufficient reserves (known as Times Interest Expense Ratio or TIER) was also a major driver in the rate case. This was due to a large loss in net income that occurred in 2022 due to higher expense from the VPPSA operation contract and other outside services needed to run and manage the utility.

Recapping how we got to this point, recall that for a three-year period Barton contracted with Vermont Electric Coop (VEC) to provide operations services, while the Trustees considered other options. In early 2022, the Trustees proposed to sell the utility to VEC. That was turned down by Barton voters last May. Thereafter, Barton Trustees hired energy consultants to assist with managing the utility and identifying paths forward, as VEC said they would not continue their operation contract after August, 2022. Barton issued an RFP for electric services last summer to replace VEC's work. A contract was awarded to VPPSA, which began operations at the end of the VEC agreement in mid-August, 2022.

Our consultants are actively evaluating options for the future. At present, these include three paths: First, continuing the contract arrangements with VPPSA, but extending the contract renewal commitment to a longer length of time with the goal to reduce costs; second, Barton will evaluate what it would cost to hire staff and purchase equipment sufficient to run the utility as a Village Department; and third, Barton will solicit bids for the sale of Barton Electric through a formal, transparent RFP process that will begin in 2023 with a vote occurring in 2024. By the end of the year, with these three options in hand, Barton customers and voters will have the opportunity to see all three options and to understand the Trustee's decision or recommendation (in the case of a sale) in early 2024. No sale will be proposed to the voters before the April, 2024 town meeting, and, as described, cost of the other options will also be presented well in advance of a vote on any sale so that all options can be compared and evaluated. Barton will provide ongoing updates to all customers and Barton residents throughout the year as information warrants. Finally, all Trustee's meetings are open to the public and we welcome your participation.

Thank you for your attention to this important issue. We will continue to work hard to ensure you have ongoing excellent electricity services at the lowest cost possible.

Sincerely,

The Barton Village Trustees