

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-1980-PET

Petition of Washington Electric Cooperative, Inc., pursuant to 30 V.S.A. §108, requesting approval for a \$8,130,000 promissory note to the Rural Utilities Service	
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Order entered: 08/14/2019

ORDER CONSENTING TO INDEBTEDNESS AND MORTGAGE & SECURITY AGREEMENT

In this Order, the Vermont Public Utility Commission adopts the following proposal for decision and consents to the proposed loan agreement backed by a mortgage and security agreement pursuant to 30 V.S.A. § 108.

PROPOSAL FOR DECISION**I. INTRODUCTION**

On June 17, 2019, Washington Electric Cooperative, Inc. (“WEC”) filed a petition with the Vermont Public Utility Commission (“Commission”) requesting the Commission’s consent and approval for a \$8,130,000 loan from the Rural Utilities Service (“RUS”) backed by a mortgage and security agreement among WEC, RUS, and the National Rural Utilities Cooperative Finance Corporation to finance WEC’s 2019-2022 construction work plan. The petition is supported by the prefiled testimony and exhibits of Cheryl Willette.

On July 17, 2019, the Vermont Department of Public Service (“Department”) filed (1) a letter recommending approval of the financing request without a hearing or investigation pursuant to 30 V.S.A. § 108(a) and (2) a determination pursuant to 30 V.S.A. § 202(f) that the petition is consistent with the Vermont Electric Plan.

In this proposal for decision, I recommend that the Commission find that the requested indebtedness and mortgage will be consistent with the general good of the State and that the Commission consent to the agreements.

No party requests a hearing or objects to WEC's prefiled testimony and exhibits. Accordingly, the prefiled testimony of Cheryl Willette and exhibits 1 through 6 are admitted into evidence as if presented at a hearing.

Pursuant to 30 V.S.A. § 8(c), and based on the record and evidence before me, I present the following proposed findings of fact and conclusions of law to the Commission.

II. FINDINGS

1. WEC is a public service cooperative with its principal place of business located in East Montpelier, VT. WEC is a company regulated by the Commission as an electric cooperative. Petition at 1.

2. WEC is seeking a loan from the RUS Guaranteed Federal Financing Bank ("FFB") and to enter into a promissory note with FFB for \$8,130,000 to fund its 2019-2022 Construction Work Plan ("CWP"). Petition at 2; exhs. 1, 5 and 6.

3. The CWP is a detailed work plan for improving the reliability and efficiency of WEC's electric utility system, including the replacement of severely decayed and deteriorated poles, wires, and other equipment. Cheryl Willette ("Willette") pf. at 4.

4. WEC's CWP was filed as part of its Integrated Resource Plan filing in Case No. 17-3664-PET. Pursuant to the memorandum of understanding between WEC and the Department in that case, WEC engaged with the Department in the development of "the CWP's transmission and distribution related criteria." WEC incorporated the Department's comments into the CWP. Willette pf. at 3; exh. 2 at 8.

5. WEC has a duty to serve the customers located in its service territory, and completion of the CWP is necessary to continue to provide reliable electric service to its members. Willette pf. at 4.

6. The RUS approved WEC's CWP in two letters dated October 29 and December 11, 2018. Exhs. 3 and 4.

7. The RUS FFB loan will provide financing to WEC at below-market rates. The general terms of the RUS FFB loan will likely require payment over approximately 35 years. The specific interest rate and term will be set when WEC draws upon the loan over the implementation period of the CWP. Willette pf. at 4-5.

8. The promissory note will be secured with a mortgage and security agreement among WEC, RUS, and the National Rural Utilities Cooperative Finance Corporation. Willette pf. at 5.

III. DISCUSSION AND CONCLUSION

Under 30 V.S.A. §108, WEC may not mortgage its property or issue bonds or other evidences of indebtedness for a term of more than one year without the consent of the Commission and without a finding by the Commission that the proposed actions will be consistent with the general good of the State.

WEC seeks to enter into a loan agreement with RUS for \$8,130,000 for a term up to 35 years at below-market interest rates. The promissory note will be secured by a mortgage and security agreement among WEC, RUS, and the National Rural Utilities Cooperative Finance Corporation. The issuance of debt will enable WEC to implement its CWP to ensure its members continue to receive reliable electric service.

The Department believes that the petition is consistent with the general good of the State and recommends that the petition be approved without a hearing.

Based on the foregoing, I conclude that the proposed loan agreement and promissory note backed by a mortgage and security agreement including financing at below-market rates will be consistent with the general good of the State and that no hearing or further investigation is needed. Accordingly, I recommend that the Commission conclude that the proposed debt issuance and mortgage of property to secure the debt will be consistent with the general good of the State and that it provide its consent.

This Proposal for Decision has not been circulated to the parties pursuant to 3 V.S.A. § 811 because it is not adverse to any party.

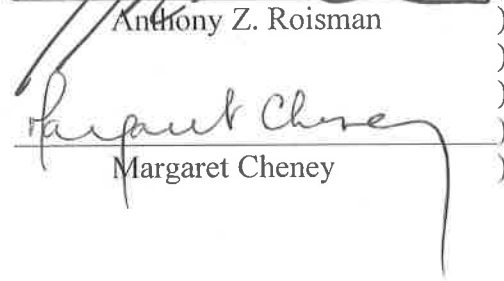

Andrea C. Poppiti
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission (“Commission”) that:

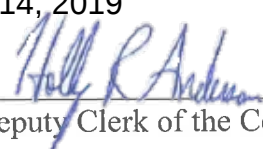
1. The findings, conclusions, and recommendations of the Hearing Officer are adopted.
2. The loan agreement among Washington Electric Cooperative, Inc. (“WEC”), the Rural Utilities Service (“RUS”), and the National Rural Utilities Cooperative Finance Corporation for \$8,130,000 for a term up to 35 years at below-market interest rates as proposed and described in WEC’s petition filing and set forth in the findings, will be consistent with the general good of the State of Vermont, and the Commission consents to this secured debt issuance pursuant to 30 V.S.A. § 108(a).
3. This Order does not constitute approval of WEC’s capital structure or of any particular capital or operating expenditure that WEC may make using funds received under the loan agreement. Nothing in this Order shall preclude the Vermont Department of Public Service (“Department”) or any other party, or the Commission, from reviewing or challenging the resulting capital structure or any such expenditure in any future proceeding.
4. WEC shall inform the Commission and the Department of any material change in the terms and conditions of the loan agreement before closing.
5. Within 10 days after closing, WEC shall notify the Commission and the Department as to the closing and the terms of the financing.

Dated at Montpelier, Vermont, this 14th day of August, 2019.


Anthony Z. Roisman) PUBLIC UTILITY
) COMMISSION

Margaret Cheney) OF VERMONT

OFFICE OF THE CLERK

Filed: **August 14, 2019**

Attest: 
Deputy Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.

PUC Case No. 19-1980-PET - SERVICE LIST

Parties:

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