

Town of Stowe, Vermont Electric Department

FINANCIAL STATEMENTS

June 30, 2025

Town of Stowe, Vermont Electric Department
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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners and
Town of Stowe, Vermont Electric Department
Stowe, Vermont

Opinion

We have audited the accompanying financial statements of the Town of Stowe, Vermont Electric Department, a fund of the Town of Stowe, Vermont, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Stowe, Vermont Electric Department, as of and for the years ended June 30, 2025 and 2024, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Stowe, Vermont Electric Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Stowe, Vermont Electric Department and do not purport to, and do not present fairly the financial position of the Town of Stowe, as of June 30, 2025 and 2024, the changes in its financial position and cash flows, where applicable, for the years then ended in the conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report October 29, 2025, on our consideration of the Town of Stowe, Vermont Electric Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stowe, Vermont Electric Department's internal control over financial reporting and compliance.

Kittell, Brannagan & Sargent

Town of Stowe, Vermont Electric Department
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

As management of the Stowe Electric Department (SED), a fund of the Town of Stowe, VT, we offer readers this narrative overview and analysis of the financial activities of SED for the fiscal years ended June 30, 2025, and 2024.

Stowe Electric Department prepares its financial statements in compliance with *Governmental Accounting Standards Board (GASB) Statement 34*.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. As required by GASB Statement 34, the Statement of Net Position and the Statement of Activities are presented, including the Statement of Cash Flows. The Statement of Net Position and the Statement of Activities provide information about the SED finances only, and not the entire Town of Stowe, VT government wide financial statements.

This report is exclusive of the operations of the Town of Stowe, Vermont municipality. The SED financial statements as of June 30, 2025, and 2024 start on page 1.

FINANCIAL HIGHLIGHTS

SED's Net Position for fiscal year (FY) ended 2025 increased by \$2,314,260 from operations, compared to an increase of \$3,295,151 in FY24. Major contributing factors include lower overall electric sales and reduced contract work fees. The new snowmaking contract was significantly lower due to declines in forward market pricing, though this was partially offset by higher residential electric sales. While purchase power costs decreased under the new snowmaking contract, savings were offset by higher costs from long-term energy contracts and transmission expenses. Additionally, FY24 included several large resort expansion projects and make-ready work for additional pole attachments that did not recur in FY25.

SED's residential sales increased 7.8% compared to FY24. Combined commercial sales increased 1.2%. However, snowmaking sales decreased by 35.5%, resulting in an overall reduction in total energy sales. The cost of power decreased by 0.7%, reflecting net savings from the snowmaking contract offset by higher energy and transmission costs.

In total, operating revenue decreased by 4.4% and operating expenses increased by 1.7%, as compared to FY24, resulting in FY25 net earnings from operations of \$1,486,232. After non-operating revenue and expenses are factored in, SED's net income for FY25 was \$2,314,260.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis is intended to serve as an introduction to Stowe Electric Department's, a fund of the Town of Stowe, VT, financial statements. SED's activities are comprised of financial statements and notes to financial statements. This report does not contain other supplementary information to the basic financial statements themselves nor to the primary government Town report.

STOWE ELECTRIC DEPARTMENT – A FUND OF THE TOWN OF STOWE

SED's Total Assets increased from a year ago by \$1,402,894 from current period operations. Our analysis below focuses on the Net Position – *Table 1*, and two major items that effected the financial position of SED, Outstanding Debt – *Table 2* and Changes in Position – *Table 3* of SED's business-type activities.

Town of Stowe, Vermont Electric Department
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2025

Net Assets

Management closely monitors its cash flow to assure availability of funds to timely meet its debt service requirements, purchased power costs and capital asset purchase requirements to maximize its earning potential on available cash and minimize short-term borrowing costs. Below is the summary of net assets in FY25 as compared to FY24:

Table 1 – Net Position:

	FY25	FY24	Change
Cash & Cash Equivalents	\$ 3,562,793	\$ 4,160,768	\$ (597,975)
Restricted Cash	3,883,070	4,226,815	(343,745)
Accounts Receivable & Unbilled Revenue	2,489,565	2,303,672	185,893
Investments in Associated Companies	5,735,542	5,735,542	-
Other Assets	874,133	908,297	(34,164)
Capital Assets, net of accumulated depreciation	16,672,327	14,479,442	2,192,885
TOTAL ASSETS	33,217,430	31,814,536	1,402,894
Debt	9,709,433	10,553,503	(844,070)
Accounts Payable	1,137,367	1,010,389	126,978
Other Liabilities	1,238,506	1,397,929	(159,423)
Deferred Revenue	61,824	96,675	(34,851)
TOTAL LIABILITIES	12,147,130	13,058,496	(911,366)
NET POSITION	\$ 21,070,300	\$ 18,756,040	\$ 2,314,260

Below is a look at the major categories presented in Table 1 above, with additional details:

Capital Assets/Restricted Cash

At the end of FY25, SED had \$16,672,327 invested in capital assets, including transportation equipment, land, buildings, electric utility infrastructure, and related improvements. During FY25, \$2,192,885 in net capital assets were acquired, with the largest expenditures for materials for the Wilkins Substation upgrade, a cold storage barn, and the Smith's Falls Dam restoration and hydro project. The remaining capital spending was for normal equipment replacement, including transformers and overhead lines.

Restricted cash decreased by \$343,745 in FY25 due to the use of 2022 Bond Bank funds for materials for the Wilkins Substation upgrade. Depreciation expense for the years ended June 30, 2025, and 2024 was \$764,821 and \$719,369, respectively.

Debt Administration

At the end of FY25, SED had \$9,709,434 (before unamortized bond costs) in bonds and notes outstanding versus \$10,553,504 at the end of FY24. Scheduled debt payments reduced the balance due by \$844,070. SED strives to consistently manage its debt load in connection with capital asset acquisitions to maintain service reliability to its customers and improve utilization of its capital assets for cost efficiency.

Town of Stowe, Vermont Electric Department
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

The chart below summarizes the debt of SED as June 30, 2025, and 2024.

Table 2 – Outstanding Debt:

	FY25	FY24	Variance
2009 Bond Issued	\$ 1,975,000	\$ 2,110,000	\$ (135,000)
2010 Bank Note	356,040	412,450	(56,410)
2014 Bank Note	233,465	252,845	(19,380)
2016 Bond Issued	2,033,280	2,160,360	(127,080)
2017 Bank Note	179,018	264,916	(85,898)
2017 Bank Note	562,812	601,889	(39,077)
2018 Bank Note	163,539	215,494	(51,955)
2018 Bank Note	307,637	323,322	(15,685)
2019 Bank Note	345,785	413,022	(67,237)
2022 Bond Issued	3,400,000	3,600,000	(200,000)
2023 Bank Note	152,858	199,206	(46,348)
TOTALS	\$ 9,709,434	\$ 10,553,504	\$ (844,070)

SED continues to meet its debt service payments in a timely manner.

Table 3 – Changes in Position:

	FY25	FY24
Net Position - Beginning	\$ 18,756,040	\$ 15,460,889
Net Position - Ending	21,070,300	18,756,040
CHANGE IN NET POSITION	2,314,260	3,295,151
Unrestricted Net Position	8,418,598	8,161,933
Restricted Net Position	598,617	598,617
Invested in Capital Assets, net of related debt	12,053,085	9,995,490
TOTAL NET ASSETS	\$ 21,070,300	\$ 18,756,040

Unrestricted Net Position of SED (net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements), increased by \$256,665. Restricted Net Position stayed the same. Invested in capital assets, net of related debt increased by \$2,057,595.

Town of Stowe, Vermont Electric Department
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2025

Table 4 – Customer Mix:

	FY25			
	Customers		Retail Revenue	
	Number	Percentage	Dollars	Percentage
Residential	3,831	82%	\$ 6,805,985	42%
Commercial and Municipal	852	18%	\$ 9,536,999	58%
TOTALS BY CUSTOMER CLASS	4,683	100%	\$ 16,342,984	100%

Revenue

SED's total FY25 operating revenue decreased by \$794,732, approximately 4.4% below FY24. Residential revenues increased by 7.8% and commercial revenues increased by 1.2%, reflecting continued growth in electrification trends such as heat pumps and electric vehicles. These increases were offset by a 35.5% reduction in snowmaking revenues, driven by increased natural snowfall and lower transmission peaks. Contract fees decreased by 30.1%, primarily due to the completion of several large resort expansion projects and make-ready work for additional pole attachments in FY24 that did not recur in FY25.

Expense

SED's total FY25 operating expenses, excluding purchase power, distribution and transmission costs, and depreciation, increased by \$288,613, approximately 6.6% compared to FY24. The increase was driven primarily by professional fees for a rate design study, consulting services for the Integrated Resource Plan (IRP), and higher staffing levels to support reliability and safety standards. These investments were necessary to support regulatory compliance and ensure continued operational stability as customer expectations and system demands evolve.

Purchased power, distribution, and transmission costs totaled \$10,165,772 for FY25, representing 68.4% of recurring operating expenses (excluding depreciation) and continuing to account for the majority of SED's cost structure. Overall purchased power costs decreased by 0.7% compared to FY24, reflecting net savings under the new snowmaking contract partially offset by increases in long-term energy and transmission costs. The decrease highlights the benefit of lower forward market prices during the year, though upward pressures on transmission and contract costs continue to impact overall power supply expenses.

MAJOR PROJECTS AND INITIATIVES

SED's management continues to look at ways of improving its reliability of service to ratepayers at the most reasonable rates while sustaining reliability and delivery of service to its customers.

Upgrade to Wilkins Substation

As identified in SED's 2020 Distribution Study, Wilkins Substation requires critical upgrades to continue to provide safe and reliable service. This substation services 50% of SED's service territory, providing power to Stowe's critical services such as Fire, Police, Rescue, Electric, Sewer and Town Offices. Stowe has grown exponentially over the past 10 years which has the two transformers in the Wilkins substation nearing capacity. This upgrade will add an additional transformer, regulators and reclosers and will provide resiliency on those circuits that will support the current and future growth of Stowe. At the March 2022 Town Meeting, voters approved SED's procurement of a 20-year \$4 million bond through the Vermont Bond Bank to finance the necessary upgrades. Due to supply chain issues, construction on Wilkins substation upgrade was significantly delayed. Construction is now estimated to be completed in 2026.

Smith's Falls Hydroelectric Facility

Included on the site of Stowe Electric's office and garage is the Little River dam and historic Moscow Mill building. Stowe Electric purchased clean energy from the hydroelectric facility's prior owner from 1982 until Tropical Storm Irene severely damaged the equipment in 2011. SED staff have been working on the revitalization of the hydro facilities. As a part of this process, SED has been applying for grants to help fund the project. To date, Stowe has received several grants including a \$1.2MM appropriation from Senator Sanders (I-VT), \$125,000 from the American Public Power Association, \$125,000 from VLITE, and a USDA Powering Affordable Clean Energy (PACE) loan that provides 20% loan forgiveness upon project completion. Additional funds will come through a Direct-Pay Investment Tax Credit offered by the IRS for construction of new renewable energy generation facilities. The US Federal Energy Regulatory Commission approved SED's exemption application in mid-2025. SED anticipates construction on this project to begin in spring 2026.

Mountain Road Express Circuit

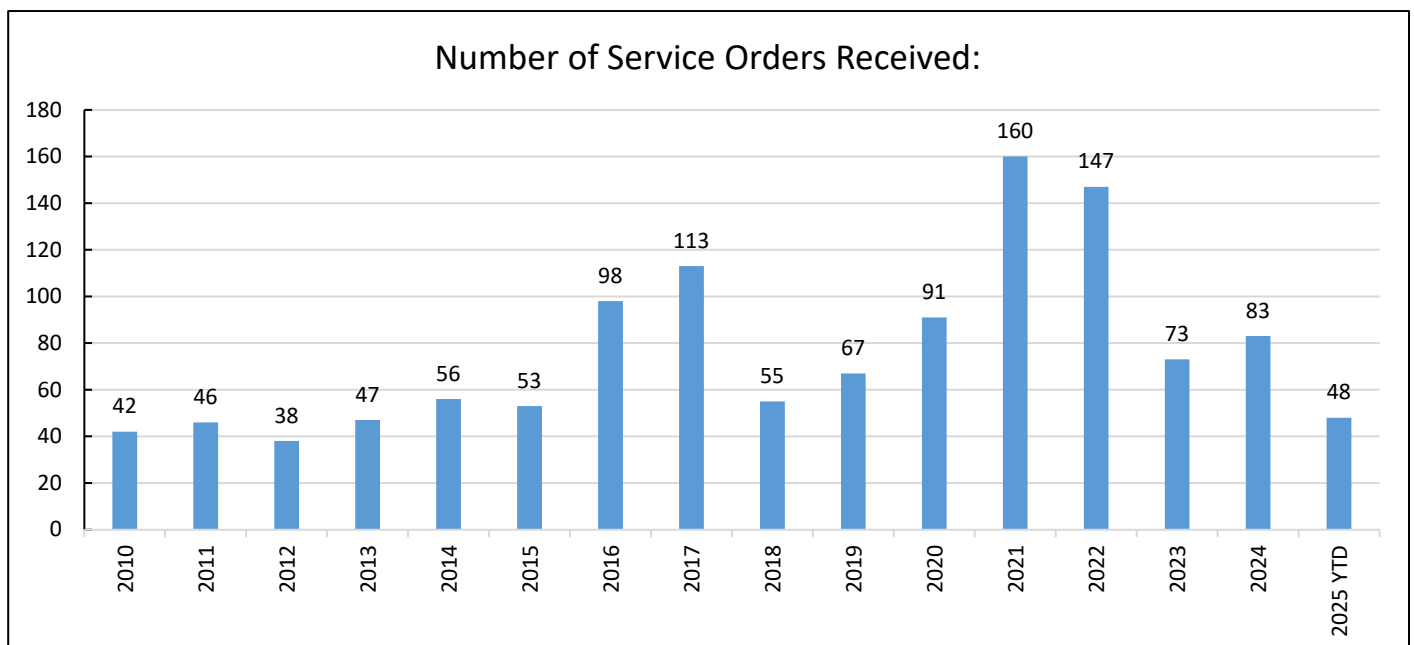
This project provides redundancy for supplying service to Mountain Road in the event of an outage on our sub-transmission line. The project also improves resiliency and restoration times. The express circuit will also allow SED staff to make future improvements and repairs to the sub-transmission line serving Mountain Road without interruption of service and will expand capacity for load growth on key circuits. In 2026, SED will seek the funding and permitting required to complete this project.

Emergency Operations Center

This project will renovate the "Millwright's office" on SED's campus to house an emergency operations center, additional office space, and hydro facility controls for the utility. SED has obtained an appropriated amount of \$245,000 from Senator Sanders (I-VT) to support this project. The project will also include installation of solar on the facility.

Service Orders - Meter Sets

SED is constantly monitoring potential requirements from customers for new or expanded power needs. Service orders for meter sets decreased by 42.2% from calendar year 2024 to 48 total service orders year to date as of mid-November in calendar year 2025.



Town of Stowe, Vermont Electric Department
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Purchase Power Contracts

SED has traditionally purchased longer-term power contracts to limit much of its market exposure from unexpected short-term increases in power costs. SED continues to look for opportunities to address energy needs resulting from expiration of contracts at advantageous prices, while still supporting the renewable energy goals of Vermont. SED will continue to seek to purchase power from renewable resources at favorable prices when the opportunity is presented.

System Maintenance

To maintain system reliability, right-of-way clearing remains a continuing on-going initiative. System modifications continue to be made to provide greater flexibility in support of reliability.

ECONOMIC FACTORS, BUDGETS AND RATES

SED prepares its annual budget on a fiscal year basis. The General Manager and the SED Board of Commissioners consider many factors when setting the budget, including the need for potential rate increases based upon current initiatives and cost of service.

The current outlook on overall purchase power costs is unfavorable for FY26 when compared to FY25 by about \$980,000. Energy costs are expected to increase by about \$160,000 in FY26. The snowmaking contract is expected to increase by about \$140,000. Transmission costs are expected to increase by about \$515,000, due to the increased capital investments in transmission infrastructure to ensure the continued reliability of the New England power grid. The remaining cost differences are made up of capacity and fixed charges, as well as renewable energy credit costs and a slight increase in administration costs.

Overall, purchase power costs are budgeted to increase 9.7%. Purchase power is the largest expense of SED, which comprises approximately 67.6% of projected FY26 expenses, excluding depreciation.

The General Manager and the SED Board of Commissioners are very conscientious of current and future purchase power costs and make every effort to keep from increasing electric rates. SED has hired a rate specialist to conduct a comprehensive cost of service study and to help project future rate changes based on future forecasting and financial changes in the costs of power market prices. If a rate adjustment is necessary, SED's customers will be notified 45 days before rates are adjusted when the initial filing is submitted to the Public Utility Commission (PUC). Although it is not the Board's preference to raise electric rates, the Board must be financially responsible in the management of SED. The financial position of the electric department continues to be monitored closely to determine if changes are needed.

CONTACTING STOWE ELECTRIC DEPARTMENT'S MANAGEMENT

This financial report is designed to provide our citizens, ratepayers, customers, and creditors with a general overview of the Stowe Electric Department finances and to show the department's accountability for the money it receives for services rendered. If you have questions about this report or need additional financial information, contact the Stowe Electric Department at (802) 253-7215 or by writing to: Stowe Electric Department, Board of Commissioners, P.O. Box 190, Stowe, VT 05672.

Town of Stowe, Vermont Electric Department
STATEMENTS OF NET POSITION
June 30,

ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash	\$ 3,562,793	\$ 4,160,768
Accounts receivable, net of allowance	1,321,880	1,020,523
Unbilled revenue	1,167,685	1,283,149
Accrued interest receivable	168,050	174,579
Inventories	544,512	535,586
Prepaid expenses	77,883	82,049
Current portion lease receivable	<u>12,792</u>	<u>34,851</u>
TOTAL CURRENT ASSETS	<u>6,855,595</u>	<u>7,291,505</u>
 CASH - Restricted	 3,883,070	 4,226,815
 UTILITY PLANT, net	 16,672,327	 14,479,442
 INVESTMENTS	 5,735,542	 5,735,542
 DEFERRED CHARGES, net of amortization	 21,864	 19,408
 LEASE RECEIVABLE, net of current portion	 <u>49,032</u>	 <u>61,824</u>
 TOTAL ASSETS	 <u>\$ 33,217,430</u>	 <u>\$ 31,814,536</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 1,137,367	\$ 1,010,389
Other accrued liabilities	1,023,596	1,181,613
Due to Town	154,768	152,205
Accrued interest payable	60,142	64,111
Current portion of notes payable	392,166	615,360
Current portion of general obligation bonds	<u>462,080</u>	<u>462,080</u>
TOTAL CURRENT LIABILITIES	<u>3,230,119</u>	<u>3,485,758</u>
 LONG-TERM LIABILITIES		
Notes payable (net of current portion)	1,908,987	2,067,783
General obligation bonds (net of current portion)	<u>6,946,200</u>	<u>7,408,280</u>
TOTAL LONG-TERM LIABILITIES	<u>8,855,187</u>	<u>9,476,063</u>
 TOTAL LIABILITIES	 <u>12,085,306</u>	 <u>12,961,821</u>
 DEFERRED INFLOW OF RESOURCES	 <u>61,824</u>	 <u>96,675</u>
 NET POSITION		
Net investment in Capital Assets	12,053,085	9,995,490
Restricted	598,617	598,617
Unrestricted	<u>8,418,598</u>	<u>8,161,933</u>
TOTAL NET POSITION	<u>21,070,300</u>	<u>18,756,040</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	 <u>\$ 33,217,430</u>	 <u>\$ 31,814,536</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
 STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN NET POSITION
 For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
OPERATING REVENUE	\$ <u>17,102,547</u>	\$ <u>17,897,279</u>
OPERATING EXPENSES		
Purchased power	10,165,772	10,235,211
Distribution and transmission	1,852,030	1,727,354
Customer accounts	646,914	638,432
Administrative and general	2,022,713	1,864,301
Depreciation	764,821	719,369
Amortization	1,138	1,138
Taxes	<u>162,927</u>	<u>165,884</u>
TOTAL OPERATING EXPENSES	<u>15,616,315</u>	<u>15,351,689</u>
GAIN FROM OPERATIONS	<u>1,486,232</u>	<u>2,545,590</u>
OTHER INCOME/(EXPENSES)		
Interest and dividend income	1,065,009	1,101,856
Other non-operating income	156,014	14,997
Gain/(Loss) on sale of asset	(56,999)	-
Interest expense	<u>(335,996)</u>	<u>(367,292)</u>
TOTAL OTHER INCOME/(EXPENSES)	<u>828,028</u>	<u>749,561</u>
CHANGES IN NET POSITION	2,314,260	3,295,151
NET POSITION, Beginning of Year	<u>18,756,040</u>	<u>15,460,889</u>
NET POSITION, End of Year	<u>\$ 21,070,300</u>	<u>\$ 18,756,040</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 16,916,654	\$ 17,991,684
Payments for purchased power	(10,196,246)	(9,841,990)
Payments to suppliers	(2,333,431)	(2,348,318)
Payments to employees	<u>(2,353,915)</u>	<u>(2,286,248)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>2,033,062</u>	 <u>3,515,128</u>
 CASH FLOWS FROM NON-OPERATING ACTIVITIES		
Other receipts	<u>156,014</u>	<u>14,997</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,017,986)	(2,190,517)
Financing cost paid	(3,594)	-
Interest payments on bonds payable	(230,344)	(246,780)
Interest payments on notes payable	(109,621)	(121,919)
Principal reduction of long-term debt	<u>(844,070)</u>	<u>(829,870)</u>
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(4,205,615)</u>	 <u>(3,389,086)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of dividend and interest income	<u>1,074,819</u>	<u>1,095,524</u>
 NET INCREASE (DECREASE) IN CASH	 (941,720)	 1,236,563
 CASH - Beginning of Year	 <u>8,387,583</u>	 <u>7,151,020</u>
 CASH - End of Year	 <u>\$ 7,445,863</u>	 <u>\$ 8,387,583</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided(used) by operating activities		
Operating Gain/(Loss)	\$ 1,486,232	\$ 2,545,590
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	765,959	720,507
(Increase) decrease in:		
Accounts receivable	(301,357)	120,928
Unbilled revenue	115,464	(26,525)
Inventories	(8,926)	(94)
Prepaid expenses	4,166	41,533
Increase (decrease) in:		
Accounts payable	126,978	450,563
Other accrued expenses	(158,017)	(295,157)
Due to Town	<u>2,563</u>	<u>(42,217)</u>
Net cash provided by operating activities	<u>\$ 2,033,062</u>	<u>\$ 3,515,128</u>

See Notes to Financial Statements.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stowe, Vermont Electric Department (SED) is a municipally owned utility providing retail electric power to the residents of the Town of Stowe. SED is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and the Vermont Public Utility Commission with respect to their rates and accounting. For financial statement reporting purposes, SED is presented on the accrual basis in accordance with the accounting requirements and ratemaking practices of the regulatory authority having jurisdiction.

The financial statements of SED have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. SED's significant accounting policies are described below.

Reporting Entity

SED is a fund of the Town of Stowe, Vermont. It is categorized as a separate proprietary fund and these financial statements are not intended to present fairly the financial position and results of its operations and the cash flows of the proprietary fund types of the Town of Stowe, Vermont. The primary criteria used in determining the separate nature of SED is its special accounting and report practices required by various regulatory and statutory authorities.

Basis of Presentation

Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the SED's enterprise fund are charges to customers for sales and service. SED also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, SED considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

SED uploads meter reads on the 14th and 30th of every month. Bills with a read date of the 30th are billed on or after the 6th of each month, and bills with a read date of the 14th are billed on or after the 21st of each month. The meter for the snowmaking account is read on the 1st of each month and billed around the 11th of each month. SED provides an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Unbilled Revenue

The amount shown as unbilled revenue represents the amounts billed to customers in July for June energy usage.

Inventories

Effective July 1, 2024, Stowe Electric Department changed its method of valuing inventories from the first-in first-out method in to the average costing method in order to fully integrate inventory into the accounting system. The change has been applied prospectively, and prior period amounts have not been restated. The effect of the change was not material.

Utility Plant

The utility plant of SED is stated at cost. SED follows the policy of charging to operating expenses annual amounts of depreciation, which allocate the cost of these assets over their estimated useful lives on a straight-line basis for periods of 5 - 50 years. Repairs and maintenance are expensed as incurred.

Investments

SED recognizes income from its affiliates in which it has ownership interests. This ownership includes investment in common and preferred stock of Vermont Electric Power Company, Inc. and membership units of VT Transco, LLC. These investments are recorded at cost because they are not publicly traded and market values are not readily determinable.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

It is SED's policy to permit employees to accumulate earned but unused paid time off pay benefits. Employees may, depending on level and length of service, be paid for various amounts of their total accrued leave upon termination or retirement. SED accrues a liability for leave hours that meet the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes. The accrual for compensated absences was \$305,824 and \$234,719 at June 30, 2025 and 2024, respectively.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in SED's balance sheets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as "other non-current assets" and amortized over the term of the related debt.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments: or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "Net investment in Capital Assets". During the year ended June 30, 2024, the Board of Commissioners planned to use \$1,000,000 for future capital improvements. As of June 30, 2025 all but \$26,774 had been used.

When both restricted and unassigned resources are available for use, it is the Electric Department's policy to use restricted resources first, then unrestricted resources as needed.

Deferred Inflows and Deferred Outflows of Resources

SED recognizes provisions of GASB 63, "Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement provides financial reporting guidance for deferred outflows and deferred inflows of resources.

Deferred outflow of resources- the current consumption of the net assets that is applicable to a future period.

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred inflows of resources- the current acquisition of net assets that is applicable to a future reporting period.

Net Position- the residual of assets, deferred outflows of resources, liabilities and deferred inflow of resources.

Revenue Recognition

Except for a few opt-out customers, SED meter reads are uploaded via Advanced Metering Infrastructure (AMI) technology on a monthly basis. Revenues are recorded in the accounting period during which the meters are read. Accordingly, the revenues related to energy delivered from the meter reading date to the end of the accounting period are not significant and are recorded in the following period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date to the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH

As of June 30, 2025 and 2024, the carrying amount of SED's deposits with financial institutions was \$7,445,863 and \$8,387,583 and the bank balance was \$7,317,088 and \$8,487,021 respectively. The following table summarized the custodial credit risk coverage of the deposits:

	<u>2025</u>	<u>2024</u>
Federal Depository Insured	\$ 500,000	\$ 500,000
Collateralized	3,982,985	2,172,748
Off-set by Debt	<u>2,834,103</u>	<u>5,814,273</u>
	<u>\$ 7,317,088</u>	<u>\$ 8,487,021</u>

NOTE 3 CASH – RESTRICTED

In August 2022, SED received a \$4,000,000 bond from Vermont Municipal Bond Bank for the purpose of funding infrastructure and exclusive facilities. Should the completed capital projects cost less than the amount of bonds issued, SED shall notify the commission and the department regarding the disposition of excess funds. This filing should be made as a new case as a report.

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 3 CASH – RESTRICTED (continued)

In December 2018, SED sold their portion of the Highgate converter. The proceeds from the sale are restricted to fund future capital projects including the construction of the new office building.

In May 2009, SED received a \$4,000,000 bond from Vermont Municipal Bond Bank for the purpose of funding infrastructure and exclusive facilities. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond.

Restricted cash balances were as follows at June 30,:

	<u>2025</u>	<u>2024</u>
2022 VMBB Bond Proceeds	\$ 3,084,103	\$ 3,381,129
Proceeds from sale of capital projects	598,617	598,617
2009 VMBB Bond Proceeds	<u>200,350</u>	<u>247,069</u>
 Total Restricted Cash	 <u>\$ 3,883,070</u>	 <u>\$ 4,226,815</u>

Of the \$3,883,070 and \$4,226,815 of restricted cash, \$598,617 is included in restricted net assets at June 30, 2025 and 2024, respectively.

NOTE 4 INVESTMENTS

Investments which are privately traded are stated at cost and consisted of the following as of June 30,:

	2025		2024	
	Shs/Units	Cost	Shs/Units	Cost
VELCO				
Class C Preferred Stock	981	\$ 1,472	981	\$ 1,472
Class B Common Stock	2,078	207,800	2,078	207,800
Class C Common Stock	1,487	148,700	1,487	148,700
VT Transco, LLC				
Class A Membership Units	236,614	2,366,140	236,614	2,366,140
Class B Membership Units	301,143	<u>3,011,430</u>	301,143	<u>3,011,430</u>
 TOTAL INVESTMENTS		 <u>\$ 5,735,542</u>		 <u>\$ 5,735,542</u>

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 ACCOUNTS RECEIVABLE

Receivables at June 30, 2025, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, is as follows:

	<u>2025</u>	<u>2024</u>
Other	\$ 12,141	\$ 1,286
Allowance for Doubtful Accounts	(41,500)	(41,500)
Billed Services	996,551	1,060,737
Renewable Energy Credits	<u>354,688</u>	<u>-</u>
	<u>\$ 1,321,880</u>	<u>\$ 1,020,523</u>

NOTE 6 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	<u>Balance at 06/30/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/2025</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 1,376,045	\$ 2,403,249	\$ (251,974)	\$ 3,527,320
Capital assets, being depreciated:				
Land & Land Rights	894,032	-	-	894,032
Buildings and improvements	3,761,212	-	-	3,761,212
Equipment - general plant	2,483,148	76,109	(161,086)	2,398,171
Improvements - distribution	974,240	12,793	-	987,033
Infrastructure - distribution	2,781,185	-	-	2,781,185
Infrastructure - transmission	<u>12,223,373</u>	<u>777,809</u>	<u>-</u>	<u>13,001,182</u>
Total capital assets, being depreciated	<u>23,117,190</u>	<u>866,711</u>	<u>(161,086)</u>	<u>23,822,815</u>
Less accumulated depreciation for:				
Land and land rights	(46,584)	(888)	-	(47,472)
Buildings and improvements	(686,930)	(98,860)	-	(785,790)
Equipment - general plant	(1,450,969)	(251,944)	100,806	(1,602,107)
Improvements - distribution	(646,552)	(39,134)	-	(685,686)
Infrastructure - distribution	(1,724,344)	(72,687)	-	(1,797,031)
Infrastructure - transmission	<u>(5,458,414)</u>	<u>(301,308)</u>	<u>-</u>	<u>(5,759,722)</u>
Accumulated depreciation for capital assets	<u>(10,013,793)</u>	<u>(764,821)</u>	<u>100,806</u>	<u>(10,677,808)</u>
CAPITAL ASSETS, net	<u>\$ 14,479,442</u>	<u>\$ 2,505,139</u>	<u>\$ (312,254)</u>	<u>\$ 16,672,327</u>

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 7 DEFERRED CHARGES

Loan origination fees are amortized by the straight-line method over the life of the loan.

The balances in deferred charges consisted of the following at June 30,:

	<u>2025</u>	<u>2024</u>
Deferred Bond Issuance Costs	\$ 30,956	\$ 27,362
Accumulated amortization	<u>(9,092)</u>	<u>(7,954)</u>
Net Bond Issuance Costs	<u>21,864</u>	<u>19,408</u>
Total Deferred Charges	<u>\$ 21,864</u>	<u>\$ 19,408</u>

SED had amortization expense of \$1,138 for the years ended June 30, 2025 and 2024.

NOTE 8 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is \$41,500 and \$41,500 for the years ended June 30, 2025 and 2024.

NOTE 9 LEASES RECEIVABLE

Lease agreements are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Receivable</u>	<u>Balance June 30, 2025</u>
Mountain Cable Fiber	8/12/2016	18 years	\$ 5,955	4.20%	\$ 62,075	\$ 54,085
Dump Road Garage	10/26/2020	5 years	29,815	4.20%	62,552	<u>7,739</u>
Total Lease Agreements						<u>\$ 61,824</u>

SED leases one bundle of the Mountain Cable Fiber, containing twelve (12) specifically identified fiber optic strands to a qualified operator for the purpose of providing fiber optic connectivity in the area of the summit of Mount Mansfield.

SED leases its garage on Dump Road in Stowe, Vermont. The base rent of \$2,400 per month will increase by 2% every year on the anniversary of the lease. This lease is inclusive of utilities, property taxes and property insurance. This lease expired subsequent to year-end and is currently being renegotiated.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 LEASES RECEIVABLE (continued)

Annual cash flow from amortizing this lease receivable and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 12,792	\$ 2,229	\$ 15,021
2027	5,268	1,959	7,227
2028	5,494	1,733	7,227
2029	5,729	1,498	7,227
2030	5,974	1,253	7,227
2031-2035	<u>26,567</u>	<u>2,341</u>	<u>28,908</u>
	<u>\$ 61,824</u>	<u>\$ 11,013</u>	<u>\$ 72,837</u>

NOTE 10 OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at June 30,:

	<u>2025</u>	<u>2024</u>
Accrued Payroll & Taxes	\$ 52,813	\$ 82,620
Accrued Paid Time Off	305,824	234,719
Other Accrued Expenses	328,842	232,299
Customer Deposits	<u>336,117</u>	<u>631,975</u>
Total Other Accrued Expenses	<u>\$ 1,023,596</u>	<u>\$ 1,181,613</u>

NOTE 11 DEBT

General obligation bonds consist of the following at June 30, 2025:

	Amount Outstanding 06/30/2024	Additions	Deletions	Amount Outstanding 06/30/2025	Current
Municipal bond issued by Vermont Municipal Bond Bank, due November 2039, interest variable and due semi-annually, principal payments due annually, used for capital improvements.	\$ 2,110,000	\$ -	\$ (135,000)	\$ 1,975,000	\$ 135,000

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 11 DEBT (continued)

	Amount Outstanding 06/30/2024	Additions	Deletions	Amount Outstanding 06/30/2025	Current
4.2% bond payable to VT Economic Development Authority, issued by Union Bank with 3.3% interest subsidy to off set interest. Annual principal payments of \$127,080 plus interest, due February 2041, used for Nebraska Farm Solar Project.	2,160,360	-	(127,080)	2,033,280	127,080
Municipal bond issued by Vermont Municipal Bond Bank, due Novemeber 2041, interest of 3.472% due semi-annually, principal payments due annually, used for capital improvements.	3,600,000	-	(200,000)	3,400,000	200,000
TOTAL BONDS PAYABLE	\$ 7,870,360	\$ -	\$ (462,080)	\$ 7,408,280	\$ 462,080

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2025 are as follows:

Obligation Bonds	Principal	Interest	Total
2026	\$ 462,080	\$ 228,815	\$ 690,895
2027	462,080	214,280	676,360
2028	462,080	199,656	661,736
2029	462,080	184,976	647,056
2030	462,080	170,085	632,165
2031-2035	2,310,400	636,060	2,946,460
2036-2040	2,260,400	260,113	2,520,513
2041-2045	527,080	15,130	542,210
	\$ 7,408,280	\$ 1,909,115	\$ 9,317,395

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 11 DEBT (continued)

Notes payable consist of the following at June 30, 2025:

	Amount Outstanding 06/30/2024	Additions	Deletions	Amount Outstanding 06/30/2025	Current
4.09% note payable to Union Bank, quarterly principal and interest payments of \$20,773, due December 2029, used to purchase equity in Vermont Transco, LLC.	\$ 413,022	\$ -	\$ (67,237)	\$ 345,785	\$ 69,994
4.2% note payable to Union Bank, quarterly principal and interest payments of \$18,209, due November 2030, used to purchase equity in Vermont Transco, LLC.	412,450	-	(56,410)	356,040	56,417
4.1% note payable to Union Bank, quarterly principal and interest payments of \$7,439, due December 2024, used to purchase equity in Vermont Transco, LLC.	252,845	-	(252,845)	-	-
6.75% note payable to Union Bank, quarterly principal and interest payments of \$8,366, due December 2034, used to refinance equity loan	-	244,654	(11,189)	233,465	18,214
2.99% note payable to Union Bank, quarterly principal and interest payments of \$23,215, due May 2027, used to purchase equipment.	264,916	-	(85,898)	179,018	88,442
4.2% note payable to Union Bank, quarterly principal and interest payments of \$15,928, due December 2027, used to purchase equity in Vermont Transco, LLC.	601,889	-	(39,077)	562,812	40,702

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 11 DEBT (continued)

	Amount Outstanding 06/30/2024	Additions	Deletions	Amount Outstanding 06/30/2025	Current
2.75% note payable to Union Bank, annual principal and interest payments of \$57,870, due May 2028, used to purchase equipment.	215,494	-	(51,955)	163,539	53,371
4.95% note payable to Union Bank, quarterly principal and interest payments of \$7,845, due November 2028, used to purchase equity in Vermont Transco, LLC.	323,322	-	(15,685)	307,637	16,449
4.8% note payable to Union Bank, annual principal and interest payment of \$55,913, used to purchase equipment.	199,206	-	(46,348)	152,858	48,577
TOTAL NOTES PAYABLE	\$ 2,683,144	\$ 244,654	\$ (626,644)	\$ 2,301,154	\$ 392,166

The annual requirements to amortize all notes payable outstanding at June 30, 2025 are as follows:

Notes Payable	Principal	Interest	Total
2026	\$ 392,166	\$ 98,961	\$ 491,127
2027	407,204	83,376	490,580
2028	764,564	58,720	823,284
2029	420,991	30,435	451,426
2030	138,316	16,646	154,962
2031-2035	177,913	25,496	203,409
	\$ 2,301,154	\$ 313,634	\$ 2,614,788

NOTE 12 PENSION PLAN

SED created a retirement plan called "Town of Stowe Electric Department 457 (b) Retirement Plan", an eligible deferred compensation plan for employee contributions under Section 457 (b) of the IRC for its employees and beneficiaries. SED also created the Stowe Electric Retirement Plan, a profit sharing plan, which allows the department to contribute a percentage of its revenues to each employees plan account.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 12 PENSION PLAN (continued)

Under the profit sharing plan, employees are eligible to participate in the plan after completion of 1 year of service based upon the date the employee was hired and requires approval of the Chief Executive Officer of the plan sponsor.

SED contracts with a third party administrator to administer the Profit Sharing and Deferred Compensation plans. SED Commissioners are also Plan Trustees. Under the agreement the third party administrator is responsible for employee eligibility determination, record keeping, reporting, and compliance with the plan requirements.

Once eligibility and participation requirements are met, the employee is eligible to receive an allocation of employer contributions based upon each employee's compensation up to a maximum of \$225,000 annual compensation.

Under the plan, employer contributions may be made to union employees at 10.6% and management at 11.6% of annual compensation. All contributions are immediately vested at 100%. The plan allows all participants who had retirement account balances in another qualified plan to roll over those balances to the new plan.

Total payroll covered for the pension contributions for the fiscal year ended June 30, 2025 and 2024 was \$2,233,160 and \$2,125,245, respectively. SED's pension contributions for the fiscal years ended June 30, 2025 and 2024 totaled \$218,772 and \$191,037 respectively and the total fees relating to the pension plan for the years ended June 30, 2025 and 2024 were \$14,112 and \$9,820, respectively.

NOTE 13 RELATED PARTY TRANSACTIONS

SED contributed to the general fund in lieu of taxes a total of \$42,000 for the years ended June 30, 2025 and 2024.

SED provides administration and billing services for the Water and Sewer Funds of the Town of Stowe, VT. Annual compensation to SED by the Town of Stowe, VT for these services totaled \$16,000 for each fiscal year.

The Town of Stowe, VT maintains insurance policies on the property of the municipal utility and also worker's compensation coverage for the department's employees. The department reimburses the Town of Stowe, VT for its portion of allocated costs related to insurance coverage. Total amounts paid to the Town of Stowe, VT for insurance purposes totaled \$113,378 and \$118,206 for the fiscal year ended June 30, 2025 and 2024, respectively.

On March 2, 2016, SED entered into a lease agreement with the Town of Stowe, VT. SED is leasing land for use of the Solar Project. Total lease expense at June 30, 2025 and 2024 was \$15,621 and \$15,230, respectively.

SED owed the Town of Stowe, VT \$154,768 and \$152,205 at June 30, 2025 and 2024, respectively.

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 14 MAJOR CUSTOMER

The SED's largest customer represents approximately 14.3% and 18.8% of 2025 and 2024 operating revenue and, 6.4% and 6.7% of accounts receivable as of June 30, 2025 and 2024, respectively.

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES

Stowe Electric Department's (SED) energy and capacity needs are met through a mix of long-term contracts and market purchases.

In 2008, SED became a participant in the ISO New England power market and entered into a service agreement with Energy New England, LLC (ENE). ENE acts as SED's agent in managing and executing transactions with ISO-NE.

As of June 30, 2025, SED's major supply resources are summarized below.

Hydro Quebec Contract:

This contract began on November 1, 2012, for energy and renewable credits. The contract began with 218 MWs; Stowe's portions vary during different periods, as shown below in Table 1. The contract pricing is flexible and competitive in relation to the market price because it will follow the defined Energy Market index and the cost of power on the forward market. The pricing is based partly on market prices, partly on inflation, and carries limits on year-to-year price fluctuations. Given the greater degree of market price volatility exhibited since the original Hydro Quebec contract was agreed, this pricing approach should be beneficial to Stowe as the contract limits to how "out of market" it might become for both Hydro Quebec and Stowe. This is an important contract quality in the current market environment, and it reduces potential rate pressure for Stowe. In addition to price flexibility, this will continue to provide exceptionally low carbon energy to Stowe, helping it maintain a market price based green energy procurement strategy. Stowe also can include Hydro Quebec renewable attributes towards their annual Renewable Energy Standard (RES) obligation for Tier I.

Table 1 Contract Based on 255 MW

Schedule	Start Date	Final Delivery Date	Stowe Entitlement (MW)
Period 1	11/1/2012	10/31/2015	1.238
Period 2	11/1/2015	10/31/2016	2.890
Period 3	11/1/2016	10/31/2020	2.990
Period 4	11/1/2020	10/31/2030	2.990
Period 5	11/1/2030	10/31/2035	2.135
Period 6	11/1/2035	10/31/2038	0.483

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

New York Power Authority:

The New York Power Authority (“NYPA”) supplies power to Vermont utilities under two contracts. SED’s share of the first contract is a 9-kW entitlement from the Robert Moses Project (St. Lawrence). This contract was renewed on December 23, 2017, and extends through April 30, 2032. The renewal did not include the associated environmental attributes, so SED was unable to claim St. Lawrence output for RES compliance in 2017 through 2019. Beginning with compliance year 2020, however, SED has been able to apply all St. Lawrence renewable attributes toward Tier I requirements.

SED also holds a share of the Niagara Project, averaging 481 kW. That contract was renewed effective September 1, 2007, and runs through September 1, 2025. Both the Niagara and St. Lawrence projects now provide renewable attributes that SED may apply toward Tier I RES compliance.

Ryegate:

Ryegate is a 20 MW wood-fired unit, which was once within the VEPPI 4.100 projects. The VEPPI contract expired on October 31, 2012. The utilities negotiated a 10-year contract for power through VEPPI. The contract is for both power and renewable energy credits. As the extension terminated on April 30, 2023, the contract was renegotiated through a maximum date of November 1, 2032. The contract timeline is subject to earlier termination if Ryegate Associates fails to meet the requirements of Section 8009(k) in the petition. Ryegate is currently forecasted to run through 2032.

Stowe’s allocation for the November 1, 2024, through October 31, 2025, contract year is 1.5931% of unit generation.

Sustainably Priced Energy Enterprise Development Program “SPEED” or Standard Offer:

SPEED Standard Offer is a program established under Vermont Public Utility Commission Rule 4.300. The program’s goal is to achieve renewable energy and long-term stably priced contracts. Vermont utilities will purchase power from the SPEED projects. Projects within Standard Offer consist of behind the meter and ISO-NE settlement. Each utility will receive a percent share of each project. Stowe’s share for November 1, 2024, through October 31, 2025, contract year is 1.6342% Stowe receives modest capacity credit, and renewable energy credits for the resources. The rate per resource is based on fuel type. The SPEED program started in the fourth quarter of 2010. As of June 2024, the capacity portion of the SPEED program has expired.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

In May of 2009, as the SPEED Program progressed and implemented modifications, it changed into the Standard Offer program. This change began with a feed-in-tariff to encourage the development of SPEED resources by contracting for longer terms with fixed prices that would qualify. By May of 2012, the Vermont Energy Act of 2012 expanded the program to 127.5 MW over a 10-year span with a new pricing mechanism for qualified projects. The 2020 RFP for the Standard Offer Program within the Public Utility Commission through Orders in Dockets 7523, 7533, 7780, 7873, 7874, 8817, Case 173935-INV, Case 18-2820-INV and most recently Case No. 19-4466-INV, included the avoided cost price caps. Price caps are subject to location and fuel type.

Stony Brook:

SED has entered into a Power Sales Agreement with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for 1.66% (approximately 5,832 kW) of MMWEC's Stony Brook Project, an operating fossil fuel plant, for the life of the units' operation. MMWEC, a public corporation of Massachusetts, is a co-ordination and planning agency for the development of the bulk power supply requirements of its members and project participants. The Power Sales Agreement for the project requires each participant to pay its share of MMWEC's costs related to the project, which includes operation and maintenance, property taxes, administration, expenses, and capital. Lastly, MMWEC collects an operating reserve to finance the project. This is to be paid into a reserve and contingency fund.

McNeil Project:

The McNeil wood-fired generating facility is in Burlington, Vermont. The facility has a normal generating capability of 50,000 kW and a maximum generating capability of 53,000 kW. SED's entitlement to McNeil is provided through an agreement with the Vermont Public Power Supply Authority (VPPSA). Stowe receives 15.8% of VPPSA's joint ownership of McNeil or 3% of the full capability of the plant. SED expects the generation to be mostly composed of wood, but gas and oil can be used to fuel the unit if available and if pricing is appropriately set.

McNeil was retrofitted in 2008 to make it eligible to generate Connecticut Class I Renewable Energy Certificates (RECs).

Brown Bear II Hydro (Old Miller Hydro Contract):

Stowe had signed a purchase power agreement for 2.613% of the Miller Hydro Project. The contract states that Stowe will receive their percentage of the Miller hydro output per month. The contract price is for energy to be delivered to the Maine Zone. The first PPA terminated on May 31, 2016. The second extension of this contract terminated on May 31, 2021.

Brown Bear Hydro purchased The Miller Hydro project. A PPA was renegotiated beginning on June 1, 2021. It is the same 2.613% of unit, but it is for energy and renewable energy credits going forward. This will terminate on November 30, 2025.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Brown Bear Hydro is a run of river unit that has an average annual production of 90,000 MWH per year, over the past 3 to 5 years. This resource should equate to 3% of Stowe's energy. The RECs from this purchase qualify for Tier I RES compliance.

Saddleback Ridge Wind Project:

Stowe purchased 2.172% of the Saddleback Wind Project, a 33 MW project with a 20-year PPA. The project is in Carthage, ME. This generation is 3% of Stowe's load. The project will allow Stowe to buy energy, capacity, and RECs. The project went full Commercial on September 2015.

NextEra – Seabrook offtake:

Beginning January 1, 2015, and going through December 31, 2034, Stowe will receive 0.16% (or a max of 2 MW) of around the clock, of the NextEra Seabrook Resource. This contract also provides Stowe with the same PPA percentage of capacity as well. The pricing of the product varies with the Gross Domestic Product-Implicit Price Deflator (GDP-IPD). This takes natural gas price volatility away from the contract price. Escalation is limited to between 1.6-4.9% per year. The PPA will provide carbon-free generation that will help insulate Stowe from the potential for higher carbon prices in the future.

Stowe also receives the Emissions Free Energy Certificates ("EFECs").

Phase 1 Hydro-Quebec Interconnection:

SED has entered contracts with Vermont Electric Power Company (VELCO) to participate in 0.09619% of Phase I portion of the Hydro-Quebec interconnection, a 450 KVHVD transmission line directly connecting the Hydro-Quebec electric system with the ISO-NE system at the Comerford Generating Station. Under these agreements, SED provided capital for the cost of construction through purchase of VELCO Class C preferred stock and will provide support for the operation of the line. SED is entitled to a portion of the benefits and has an obligation for a corresponding portion of the costs associated with Phase I.

On November 14, 2014, Stowe contracted with Green Mountain Power (GMP) for a transfer of use rights agreement. GMP is now the interconnection rights holder and pays SED for that right. This contract terminated on October 31, 2020. Beginning in November 2020 SED has sold the HQ rights to Nalcor. Nalcor paid SED for that right until termination on December 31, 2023. The latest contract began on January 1, 2024, and will terminate on December 31, 2028, with H.Q. Energy Services (U.S.).

Nebraska Valley - Beech Hill Solar:

Stowe has built a 1 MW AC ground mounted solar electric generation project. Estimated output is approximately 1,568 MWh per year. This is about 1-2% of Stowe's annual energy requirement.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Stowe benefits from this project in the ability to use the renewable energy credits towards Tier 2 of the Renewable Energy Standard. The project is a distributed generation, or behind Stowe’s meter, which provides additional benefits include energy, capacity, and transmission. The project started operation in August 2016.

FirstLight (Cabot/Turners Falls Hydro):

Beginning on January 1, 2021, Stowe will receive an estimated 2.6% of their load from a Purchase Power Agreement for a bilateral percentage amount from the Cabot and Turners Fall Hydro Plants. Stowe will also receive renewable energy credits that are Vermont Tier I qualified. This PPA will expire on December 31, 2030.

Great River Hydro Project:

Stowe contracted a PPA for generation and RECs from the Moore Dam and Great River Hydro projects. Four of the five hydro units began on January 1, 2023. The new generator began on January 1, 2023. It will terminate on December 31, 2037. Stowe’s share is estimated to be 7.1% of the PPA output.

Market Contracts:

Stowe’s snowmaking load requirements are intermittent due to the nature of snowmaking demands at Stowe Mountain. Load-following energy products provide Stowe with a coverage solution. It reduces Stowe’s price risk for the probable increase of load during the winter. A load-follow energy product also can protect other Stowe customers from the Mountain’s snowmaking load requirements.

Sources of Energy:

The percentages of energy (kWh) acquired for the fiscal year ended June 30, 2025, was as follows:

FY25 Total KWh's by Resource

Resource	Type	MWH	kWh's	% of Load	Fuel	Location	Termination Date
NYPA- Niagara	Block	3,180	3,179,916	3.7%	Hydro	Roseton	9/1/2025
NYPA- St. Lawrence	Block	91	91,098	0.1%	Hydro	Roseton	4/30/2032
HQ PPA Contract	ISO Bilateral	17,462	17,461,600	20.2%	Hydro	HQ Highgate 120	10/31/2038
McNeil	Wood Unit	6,173	6,173,118	7.2%	Wood	Essex	Life of Unit
Ryegate	Wood Unit	2,409	2,409,335	2.8%	Wood/Hydro	Ryegate	11/1/2032
Stonybrook 1A/1B/1C	Dispatchable	1,521	1,520,767	1.8%	Natural Gas/Oil	1185/1186/1187	Life of Unit
Saddleback Ridge	Wind	2,003	2,003,440	2.3%	Wind	LUDDN_LN	2035
Bilateral Purchase-Mtn	ISO Bilateral	7,794	7,793,709	9.0%		Mass hub	
Miller Hydro	Run of River	2,210	2,210,341	2.6%	Hydro	TopSham Milr	2025
Seabrook Offtake	ISO Bilateral	15,489	15,488,883	18.0%	Nuclear	Seabrook 545	2034
Great River Hydro	Run of River	4,439	4,439,315	5.1%	Hydro	Moore	12/31/2037
Cabot/Turners	Run of River	1,731	1,731,080	2.0%	Hydro	Mass hub	2030
ISO Energy Net Interchange		<u>18,244</u>	<u>18,244,079</u>	<u>21.2%</u>			
TOTALS		<u>82,747</u>	<u>82,746,681</u>	<u>96.0%</u>			
Standard Offer BTM	Load Reducer	2,249	2,248,555	2.6%	Mix	Behind Meter	Life of Unit
Nebraska Valley Solar Project	Load Reducer	<u>1,237</u>	<u>1,237,122</u>	<u>1.4%</u>	Solar	Behind Meter	Life of Unit
TOTALS		<u>86,233</u>	<u>86,232,359</u>	<u>100%</u>			

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Future projects and State Renewable Energy Standard:

Solar Projects

Stowe is analyzing a Solar project built within Vermont. The project is a PPA for the solar project's generation and environmental attributes.

Hydro Project

Stowe is refurbishing the old Moscow Mill Hydro Unit. This project was destroyed in the flood of 2011. This project would allow SED to reduce their load, because it would be behind the meter, and would qualify for the RES requirement.

Battery Project

Stowe is also reviewing the technology of energy storage.

Renewable Portfolio and upcoming Renewable Energy Standard (RES):

In July 2015, Act 56 (H. 40) was established using the 2011 Vermont Comprehensive Energy Plan to detail the states goals and place direction on how utilities will reach these goals. The RES requires utilities to buy or retain renewable energy credits and energy transformation projects. Each year has a percentage of retail sales that must be covered. In lieu of renewable credits or transformation project a utility can meet their obligation by paying an alternative compliance payment, at rates set by the State. The compliance rates are adjusted annually for inflation using CPI.

There are three tiers to the RES program:

- The Tier I category establishes the first requirement of renewable energy in Stowe's portfolio. Stowe can claim any class of REC that has a New England qualification.
 - Requirement to reach 75% of Tier I classification by 2032.
 - Total renewable energy requirement started in 2017 at 55%.
 - Requirements increase by 4% every three years.
 - The Hydro Quebec bilateral and NYPA contracts that have been executed by the State of Vermont also qualify although the power originates outside of New England.

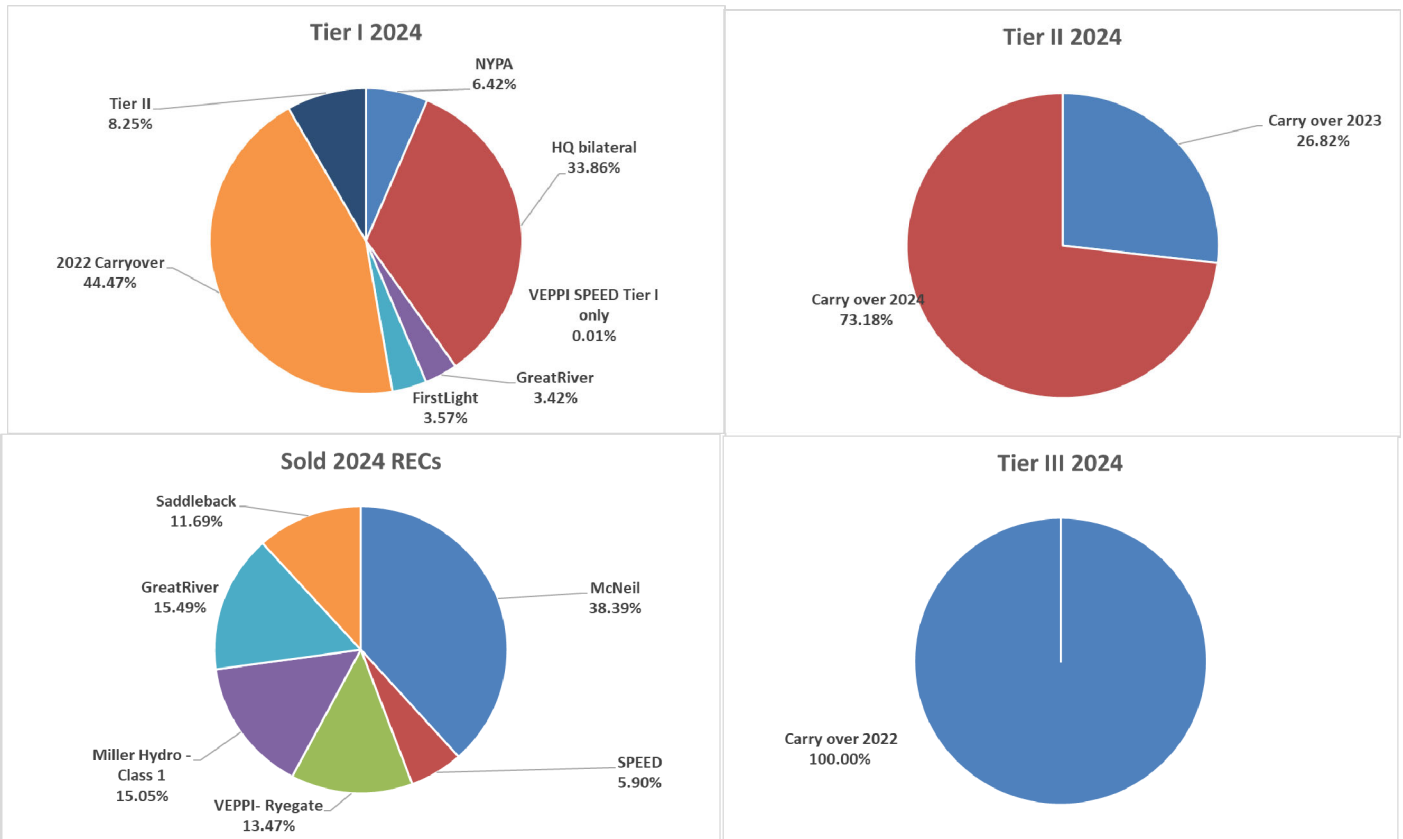
- The Tier II category is for distributed generation. Tier II helps support the reliability of the electric system and helps with transmission constraints. Resources must be 5 MW or less and directly connected to the Vermont utilities sub transmission or distribution system. Stowe's 1 MW solar project provides qualification requirements for Tier II. Projects that are greater than 5 MW name plate are required to receive State approval to qualify for this category.
 - Requirement to reach 10% of Tier II classification by 2032.
 - Total renewable energy requirement started in 2017 at 1%.
 - Requirements increasing by three-fifths of a percent each year.

Town of Stowe, Vermont Electric Department
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

- The Tier III category allows Vermont utilities to either retire Tier II REC or incentivize energy transformation projects. Tier III encourages projects that will help reduce fossil fuel consumption and greenhouse gas emissions. The Public Utility Commission (PUC) approves a conversion method (developed by the Department of Public Service) that utilities can utilize the exchange of fossil fuel reduction into compliance MWHs of electric energy.
 - Requirements to reach 10 & 2/3 percent of Tier III classification by 2032.
 - Total renewable energy requirements started in 2019 at 2%.
 - Increasing by two-thirds of a percent each year
 - Excess Tier II-qualifying distributed generation qualifies for Tier III compliance.

SED's 2024 100% Compliance is shown below:



Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 15 PURCHASE POWER CONTRACTS AND SERVICES (continued)

Renewable Energy Standard (RES) changes begin in year 2025:

In June 2024, the House and Senate passed to amend the Renewable Energy Standard within H. 289 (Act 179). Changes to the RES categories are below.

- The Tier I category establishes the first requirement of renewable energy in Stowe's portfolio. Stowe can claim any class of REC that has a New England qualification.
 - Total renewable energy requirement started in 2025 at 63%.
 - Requirement to reach 100% of Tier I classification by 2035.
 - Requirements increase by 4% every three years.
 - The Hydro Quebec and NYPA contracts qualify.
 - Tier II Distributed renewable energy can count towards this obligation.
 - But not if used in Tier III obligations.
 - Tier IV New renewable energy can count toward this obligation.
- The Tier II category is for distributed generation. Tier II helps support the reliability of the electric system and helps with transmission constraints. Resources must be 5 MW or less and directly connected to the Vermont utilities sub transmission or distribution system.
 - Requirement to reach 20% of Tier II classification by 2035.
 - Total renewable energy requirement started in 2025 at 5.8%.
 - Requirements increasing by ½% each year.
 - Stowe's 1 MW solar project provides qualification requirements for Tier II.
 - Moscow Mills Hydro Project will qualify for Tier II.
- The Tier III category is for Energy Transformation. Vermont utilities can either retire Tier II REC or incentivize energy transformation projects. Tier III encourages projects that will help reduce fossil fuel consumption and greenhouse gas emissions.
 - Requirements to reach 10 & 2/3 percent of Tier III classification by 2032.
 - Total renewable energy requirements started in 2025 at 6%.
 - Increasing by two-thirds of a percent each year
 - Excess Tier II-qualifying distributed generation qualifies for Tier III compliance.
- The Tier IV category is for new renewable.
 - New Renewable: New England interconnected project with a commission date of January 1, 2010, or after. Excludes hydro with 200MW or greater.
 - Retail providers with less than 75,000 obligations begin at 5% in 2030.
 - Increases to 10% in 2035
 - Cannot double count as Tier II and or Tier III RECs within this category.
- The Tier V category is for load growth.
 - Stowe does not have to comply with this Tier because Stowe is not 100% renewable as of 2024.

Town of Stowe, Vermont Electric Department
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 UNUSED LINE OF CREDIT

SED has a \$1,500,000 revolving line of credit with a local bank, all of which was unused at June 30, 2025. Advances on this line, plus interest, are due and payable on October 31, 2025. The credit line is secured by substantially all assets of SED.

NOTE 17 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Electric Department has evaluated subsequent events through October 29, 2025, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2025, have been included in the financial statements herein.

On January 2, 2025, SED signed a commitment letter with the United States Department of Agriculture for two Powering Affordable Clean Energy (PACE) loans. The total amount available to be borrowed is \$6,089,812 and will be disbursed upon completion of specific milestones detailed in the loan agreement. These loans have not been drawn as of the date of these financial statements.

On August 7, 2025, the Town of Stowe, Vermont Electric Department acquired a \$3,000,000 bond from Vermont Bond Bank which was subsequently used to acquire an equity ownership in Vermont Transco, LLC. The equity was purchased in the form of 2023, 2024, and 2025 stock subscriptions, which were valued at \$478,740, \$2,538,340, and \$69,260, respectively.

On October 9, 2025, SED obtained a capital note from Northfield Savings Bank in the amount of \$391,366 to purchase a bucket truck. The loan is payable in quarterly installments of \$22,109 which include interest at 4.70% and is payable over a five year term with quarterly payments beginning January 9, 2026, and due in full October 9, 2030.

On November 3, 2025, SED will renew the line of credit with Union Bank. The amount available on the line of credit is \$1,500,000, any outstanding principal and interest at 5.75% are due in full on October 31, 2026. As of October 29, 2025, there was no outstanding balance.



Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

To the Board of Commissioners
Town of Stowe, Vermont Electric Department
Stowe, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the business-type activities of the Town of Stowe, Vermont Electric Department, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Stowe, Vermont Electric Departments basic financial statements, and have issued our report thereon dated October 29, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stowe, Vermont Electric Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stowe, Vermont Electric Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stowe, Vermont Electric Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kittell, Branagan & Sargent

St. Albans, Vermont
October 29, 2025