MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Baa1 rating for Vermont Public Power Supply Authority's Swanton Project revenue bonds; revises outlook to stable from negative

13 May 2025

New York, May 13, 2025 -- Moody's Ratings (Moody's) has affirmed the Baa1 rating on Vermont Public Power Supply Authority's (VPPSA) Swanton Project revenue bonds of approximately $6.6 million and has revised the outlook to stable from negative.

RATINGS RATIONALE

Today's rating action reflects that all project participants are currently up to date on payments, including the project's largest member, Lyndon Electric, and recognizes the credit supportive actions taken by VPPSA over the past several years to work with its members and the Vermont Public Utility Commission (VPUC) to address liquidity and revenue issues across its membership.

Lyndon Electric had outstanding balances to VPPSA for the project and other projects related to its relationship with VPPSA following adverse weather events during 2023/2024 and large capital outlays for capital improvements. Lyndon Electric was able to secure a loan to repay its outstanding balances to VPPSA and also received a rate increase of 7.25% from the VPUC in 2024. Lyndon Electric is expected to request another rate increase in 2025, which should further improve the utility's cash flow. An additional member, Jacksonville Electric Department (Jacksonville Electric), was also overdue on payments to the project, and while they have overdue balances owed to VPPSA on other projects, Jacksonville Electric is currently up to date on project payments. Currently, Jacksonville Electric and Morrisville Water & Light Department (Morrisville Electric) are the only members experiencing cash flow concerns but are both expected to apply for rate increases in 2025 to help mitigate liquidity issues and strengthen cash flow. Furthermore, including the three participants mentioned above, almost all of the project's participants are seeking rate increases in 2025. Importantly, VPPSA continues to maintain an active role in facilitating these rate increase and is currently developing a schedule for the filings to the VPUC. While any significant delay in payments from members could decrease cash flow to the project, this is somewhat mitigated by the project's strong liquidity position, which consistently produces days cash on hand around 800 days. The project's liquidity position is further aided by VPPSA's access to a $7.5 million line of credit with Community Bank.

The rating action also reflects the legal security of the take-or-pay power sales agreement with 11 municipal electric utilities and 1 rural electric cooperative that collectively have a weighted average credit quality in the Baa rating category. The weighted average credit quality is somewhat weak compared to similarly rated municipal projects and is further exacerbated by Vermont's regulation of municipal utilities as their rates need to be approved by the VPUC even though VPPSA and the project itself is unregulated. This is balanced by the project's profile as a peaking facility and its fast reserve capacity as it is highly valuable to ISO-NE, owing to its ability to quickly help stabilize the New England electrical grid. Moreover, with the project's participation in ISO-NE's capacity and energy markets, the project is able to realize value for the members from the services it provides to ISO-NE. As a result, each member receives an annual bill credit through the authority's power settlement process that reflects the economic benefit to the participants. This structure helps to reduce each member's payment obligation to the project, helps to mitigate the need for a substantial rate increase at VPPSA, and lowers the burden of the obligation to each member.

RATING OUTLOOK

The stable outlook reflects our expectations that members will continue to make their payments to the project without delay and that VPPSA will continue to work with its members in order to receive the necessary rate increases to fulfill their obligations to the project. The outlook also reflects our expectation that the project will maintain its strong liquidity position

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Notable improvement in the project participants' weighted average credit quality

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Additional difficulty in payments from members

- Further deterioration in the project participants' weighted average credit quality

- Unexpected major plant outages that impact financial performance

PROFILE

VPPSA is a joint action agency established in 1979. The authority is a self-supported agency providing a variety of centralized services to its 11 member municipal distribution utilities throughout the State of Vermont. The authority is organized as a public service corporation and the board of directors consists of 11 directors, with one director elected by the legislative body of each of the 11 municipal members.

The Swanton project participants include 11 municipal electric distribution utilities that are VPPSA members and one electric cooperative which is not a VPPSA member. The Swanton plant is a 48 MW dual-fuel peaking electric generation plant in Swanton, Vermont that achieved full commercial operations in June 2010. The plant has fast-Start capabilities and is mostly utilized for reserve capacity purposes in the ISO-NE forward and real time markets.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Joint Action Agencies published in December 2022 and available at https://ratings.moodys.com/rmc-documents/396803. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Rodney Cannon
Lead Analyst

Rachel Cortez
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653
