

Village of Jacksonville Electric Company

FINANCIAL STATEMENTS

December 31, 2023

Village of Jacksonville Electric Company
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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the Trustees of the Electric Company
of the Village of Jacksonville, Vermont
(A Component Unit of the Village of Jacksonville, Vermont)
Jacksonville, Vermont

Opinions

We have audited the financial statements of the Village of Jacksonville Electric Company, a component unit of the Village of Jacksonville, Vermont, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Village of Jacksonville Electric Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Village of Jacksonville Electric Company, as of December 31, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Village of Jacksonville Electric Company, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Jacksonville Electric Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 GAAS 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 GAAS, 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 Village of Jacksonville Electric Company'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.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Jacksonville Electric Company's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Village of Jacksonville Electric Company and do not purport to, and do not present fairly, the financial position of the Village of Jacksonville, Vermont as of December 31, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, reading "Kithul Brannan Smit". The signature is written in a cursive, flowing style.

St. Albans, Vermont
July 10, 2024

Village of Jacksonville Electric Company
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

The following is a discussion and analysis of the Village of Jacksonville Electric Company's financial performance, including an overview and analysis of the financial activities of the Jacksonville Electric Company for the fiscal year ending December 31, 2023. Readers should consider this information in conjunction with the Company's financial statements, which are located after this analysis. GASB Statement No. 34 requires the use of full accrual accounting in the Financial Statements.

FINANCIAL HIGHLIGHTS

The Village of Jacksonville Electric Company's retail operating revenues were \$946,745 in December 31, 2023, compared to \$946,131 in 2022.

The year 2023 experienced a purchased power increase of \$9,986, and annual total operating costs increased \$84,812 in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Jacksonville Electric Company is a proprietary component unit of the Village of Jacksonville, Vermont. Proprietary funds report activities that operate more like those of private sector businesses. These funds report activities that charge fees for services to the general public.

Basic Components

The financial section of this report consists of the following parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements. The basic financial statements consist of the statement of net position, the statement of revenues, expenses, and changes in fund balances, and the statement of cash flows. These statements provide current and long-term information about the Electric Company and its activities. This information taken collectively is designed to provide readers with an understanding of the Electric Company's finances.

The statement of net position presents information on all of Jacksonville Electric Company's assets and liabilities, with the difference between the assets and liabilities being an indicator of whether The Company is improving or deteriorating. Over time, its net position may serve as a useful indicator of the financial position of the Electric Company.

The statements of revenues, expenses and changes in net position present information showing how the Jacksonville Electric Company's net assets changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

The statement of cash flows report activity of cash and cash equivalents during the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at the end of the fiscal year.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the proprietary financial statements.

Basis of Accounting

The Village of Jacksonville Electric Company presents its financial statements on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated over their useful lives. See notes to the financial statements for a summary of the Electric Company's significant accounting policies.

Village of Jacksonville Electric Company
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Financial Analysis

Total assets, total liabilities, and total net position at December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Utility Plant, Net	\$ 664,449	\$ 641,916
Current Assets	525,551	402,107
Other Assets	<u>444,219</u>	<u>621,177</u>
Total Assets	<u>\$1,634,219</u>	<u>\$1,665,200</u>
Current Liabilities	\$ 611,146	\$ 526,274
Net investment in capital assets	664,449	641,916
Unrestricted	<u>358,624</u>	<u>497,010</u>
Total Liabilities and Net Position	<u>\$1,634,219</u>	<u>\$1,665,200</u>

The principal operating revenues of the Village of Jacksonville Electric Company are derived from electric energy sales. Major operating expenses include purchased power, distribution operating and maintenance expenses, administrative costs, and depreciation on capital assets.

Non-operating income includes interest, dividend income, and miscellaneous income.

Components of operating revenues, non-operating revenues and expenses for the years ended December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Sale of Energy	<u>\$ 946,745</u>	<u>\$ 946,131</u>
Operating Expenses		
Purchased Power	694,287	684,301
Distribution	159,997	144,272
Customer Accounting & Collection	8,740	11,582
Administrative and General	207,106	171,965
Depreciation	40,513	31,982
Property and Other Taxes	61,669	39,981
Employee Pensions and Benefits	<u>-</u>	<u>3,416</u>
Total Operating Expenses	<u>1,172,312</u>	<u>1,087,499</u>
Non-Operating Income (Expense)		
Non-Operating Income	<u>109,714</u>	<u>110,781</u>
CHANGE IN NET POSITION	<u>\$ (115,853)</u>	<u>\$ (30,587)</u>

Village of Jacksonville Electric Company
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Capital Assets

At December 31, 2023 and 2022, the Electric Company had \$664,449 and \$641,916 respectively, invested in utility plant in service, net of depreciation.

Economic Climate

1. The Electric Company provides electric service to residents in Jacksonville and Whitingham.
2. The Service territory is very rural with very little or no growth on an annual basis.
3. The Electric Company purchases power requirements through the ISO/NE Power Pool.
4. The Village uses subcontractors for line maintenance and improvements from Green Mountain Power and Riggs Distler. Under the contract the cost of labor is handled on a pay as you go basis.

Contacting the Village of Jacksonville Electric Company's Financial Management

This report is designed to provide our citizens, customers, and creditors with a general overview of the Electric Company's finances. If you have any questions about this report, or need additional information, contact the Village of Jacksonville Electric Company at 351 VT. Route 112, Jacksonville, VT 05342.

Village of Jacksonville Electric Company
 STATEMENTS OF NET POSITION
 December 31,

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
UTILITY PLANT, at cost	\$ 1,607,891	\$ 1,544,845
Less Accumulated Depreciation	<u>(943,442)</u>	<u>(902,929)</u>
TOTAL UTILITY PLANT, net	<u>664,449</u>	<u>641,916</u>
INVESTMENTS	<u>444,219</u>	<u>402,107</u>
CURRENT ASSETS		
Cash	244,629	67,679
Restricted Cash	52,436	274,785
Accounts Receivable	139,227	157,698
Other Receivables	853	29,640
Unbilled Revenue	68,762	73,882
Inventories	11,474	10,862
Prepaid Expenses	<u>8,170</u>	<u>6,631</u>
TOTAL CURRENT ASSETS	<u>525,551</u>	<u>621,177</u>
TOTAL ASSETS	<u>\$ 1,634,219</u>	<u>\$ 1,665,200</u>
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES		
Accounts Payable	\$ 511,460	\$ 170,993
Due to Unrelated Third Parties	52,436	274,785
Accrued Salaries and Payroll Taxes	4,044	3,965
Other Accrued Expenses	14,685	6,097
Customer Deposits	<u>28,521</u>	<u>70,434</u>
TOTAL CURRENT LIABILITIES	<u>611,146</u>	<u>526,274</u>
NET POSITION		
Net investment in capital assets	664,449	641,916
Unrestricted	<u>358,624</u>	<u>497,010</u>
TOTAL NET POSITION	<u>1,023,073</u>	<u>1,138,926</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,634,219</u>	<u>\$ 1,665,200</u>

See Accompanying Notes to Financial Statements.

Village of Jacksonville Electric Company
 STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN NET POSITION
 For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE	\$ 946,745	\$ 946,131
OPERATING EXPENSES		
Purchased power	694,287	684,301
Distribution	159,997	144,272
Customer accounting and collection	8,740	11,582
Administrative and general	185,044	175,381
Depreciation	40,513	31,982
Interest expense	22,062	-
Taxes	<u>61,669</u>	<u>39,981</u>
TOTAL OPERATING EXPENSES	<u>1,172,312</u>	<u>1,087,499</u>
(LOSS) FROM OPERATIONS	<u>(225,567)</u>	<u>(141,368)</u>
OTHER INCOME		
Non-Operating Income/Net	78,638	51,196
Grant Income	-	31,062
Interest and dividend income	<u>31,076</u>	<u>28,523</u>
TOTAL OTHER INCOME	<u>109,714</u>	<u>110,781</u>
CHANGE IN NET POSITION	(115,853)	(30,587)
NET POSITION, Beginning of Year	<u>1,138,926</u>	<u>1,169,513</u>
NET POSITION, End of Year	<u>\$ 1,023,073</u>	<u>\$ 1,138,926</u>

See Accompanying Notes to Financial Statements.

Village of Jacksonville Electric Company
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 967,944	\$ 851,321
Payments to suppliers	(708,483)	(926,122)
Payments to employees	<u>(55,038)</u>	<u>(56,844)</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>204,423</u>	<u>(131,645)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant Income	-	31,062
Misc Income	<u>46,609</u>	<u>51,196</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>46,609</u>	<u>82,258</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(63,046)	-
Purchase of Investments	<u>(42,112)</u>	<u>(41,067)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(105,158)</u>	<u>(41,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest and dividends on investments	<u>31,076</u>	<u>28,523</u>
NET INCREASE/(DECREASE) IN CASH	176,950	(61,931)
CASH - Beginning of Year	<u>67,679</u>	<u>129,610</u>
CASH - End of Year	<u>\$ 244,629</u>	<u>\$ 67,679</u>
Reconciliation of operating income to net cash provided (used)		
by operating activities		
(Loss) from operations	\$ (225,567)	\$ (141,368)
Adjustments to reconcile net income to net cash provided		
by operations:		
Depreciation	40,513	31,982
Taxes	61,669	-
(Increase)Decrease in:		
Accounts receivable & Unbilled Revenues	22,738	(94,424)
Inventories	(612)	635
Prepaid Expenses	(1,539)	(386)
Increase (decrease) in:		
Accounts Payable	340,467	25,873
Accrued Salaries	79	1,361
Other Accrued Expenses	<u>(33,325)</u>	<u>44,682</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>\$ 204,423</u>	<u>\$ (131,645)</u>

See Accompanying Notes to Financial Statements.

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Village of Jacksonville Electric Company is a municipally owned utility providing electric power to the residents of Jacksonville, Vermont, and surrounding towns. The Company is a component unit of the Village of Jacksonville. The Village of Jacksonville elects the board of commissioners of the Company and the Village of Jacksonville is liable for the debt of the Company. The Company maintains its accounting records in the manner prescribed by the Federal Energy Regulatory Commission (FERC). The Company is regulated by the Public Service Board of Vermont (VPSB). Approval by the VPSB is required for changes in the Company's rate structure.

Basis of Presentation

Proprietary fund accounting is used for the Company's ongoing operation and activities, which are similar to those often found in the private sector. Proprietary funds are accounted for using the economic resources measurement focus.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Company applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins, except those that conflict with a GASB pronouncement.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales of services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, Company's policy to use restricted resources first, then unrestricted resources, as needed.

Assets, Liabilities, and Net Position

Utility Plant In Service – The utility plant of the Electric Company is stated at cost. The Electric Company follows the policy of charging to operating expense annual amounts of depreciation, which allocate the cost of these assets over their estimated useful lives on a straight-line basis for periods of 5-40 years. Repairs and maintenance are expensed as incurred.

Cash and Cash Equivalents – The Electric Company considers cash and short-term investments with a maturity of three months or less to be cash equivalents.

Investments- Investments in stock of associated companies are stated at cost. Because these investments are not publicly traded, market values are not readily determinable.

Inventories – Inventories are valued at cost.

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenses

Retirement Plan – All employees of the Company who have been employed for more than one year and who have elected to join, are covered under the State of Vermont Municipal Employee’s Retirement Plan. The plan requires a percentage contribution of salary. The Company pays all costs accrued each year for the plan. There are currently no active participants in the plan and therefore there is not a contribution expense incurred by the Company for the years ended December 31, 2023 and 2022

Operating Revenues – Revenues are based on billing rates authorized by the VPSB which are applied to customers’ consumption of electricity. The Company bills on a monthly basis using a cycle billing method. The Company estimates unbilled revenues at the end of the accounting period. Unbilled revenues at December 31, 2023 and 2022 amounted to \$68,762 and \$73,882, respectively.

Use of Estimates – The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expensed. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 UTILITY PLANT

An analysis of utility plant at December 31, is as follows:

	Depreciable Lives	2023	2022
Distribution Plant	25 to 33	\$ 1,232,688	\$ 1,448,057
General Plant	5 to 40	375,203	96,788
Total Utility Plant in Service		1,607,891	1,544,845
Less: Accumulated Depreciation		(943,442)	(902,929)
Net Utility Plant in Service		\$ 664,449	\$ 641,916

Depreciation expense for the year ended December 31, 2023 and 2022 was \$40,513 and \$31,982, respectively.

NOTE 3 CASH AND CASH EQUIVALENTS

As of December 31, 2023, the carrying amount of the Company’s deposits with one financial institution was \$297,065, of that, \$47,065 was not covered by the FDIC at December 31, 2023.

Village of Jacksonville Electric Company
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2023

NOTE 4 INVESTMENTS

Investment in Associated Company

The Electric Company accounts for investment in the associated company on the cost method. An analysis of investment in the associated company for the period ended December 31, 2023 is as follows:

	<u>Shares/Units</u>		<u>2023</u>		<u>2022</u>
Vermont Electric Power Company, Inc.:					
Class C Common Stock	113	\$	11,300	\$	11,300
Class B Common Stock (2004)	196		19,200		19,200
Vermont Transco, LLC					
Class A & B Units			<u>413,719</u>		<u>371,607</u>
TOTAL		\$	<u>444,219</u>	\$	<u>402,107</u>

NOTE 5 ACCOUNTS RECEIVABLE

An analysis of accounts receivable at December 31, 2023 is as follows:

		<u>2023</u>		<u>2022</u>
Electric Customers Receivable	\$	179,227	\$	197,698
Less: Reserve for Uncollectable Accounts		<u>(40,000)</u>		<u>(40,000)</u>
Net Accounts Receivable	\$	<u>139,227</u>	\$	<u>157,698</u>

NOTE 6 COMMITMENTS AND CONTINGENCIES

Village of Jacksonville Electric Department (the Electric Department) is a member of the Vermont Public Power Supply Authority ("VPPSA"). The Electric Department pays a proportionate share of VPPSA's operating costs and holds a seat on the VPPSA Board of Directors.

Central Dispatch Agreement

The Electric Department has entered into a Central Dispatch Agreement (CDA) with VPPSA for the economic dispatch of its generating sources. Under the CDA, the Electric Department authorizes VPPSA to act as its billing agent with regard to its generating sources and transmission providers. VPPSA continues to provide dispatch services to the Electric Department under the terms of the CDA between the Electric Department and VPPSA dated 8/9/2001.

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Power Supply Resources

The energy sold through the Electric Department is obtained from a combination of sources. A summary of the major power agreements as of December 31, 2023, follows:

Brookfield Hydro 2023-2027

- Size: 8 MW On Peak, 7 MW Off Peak
- Fuel: Hydro
- Location: Varies
- Entitlement: 0.3 MW On Peak, 0.2 MW Off Peak
- Products: Energy, VT Tier I renewable energy credits
- End Date: 12/31/27

Fitchburg Landfill

- Size: 4.5 MW
- Fuel: Landfill Gas
- Location: Westminster, MA
- Entitlement: 1.9%, PPA
- Products: Energy, capacity, renewable energy credits (MA I)
- End Date: 12/31/31

Hydro Quebec US (HQUS)

- Size: 212 MW
- Fuel: Hydro
- Location: Quebec
- Entitlement: 0.023% (0.049) MW, PPA
- Products: Energy, renewable energy credits (Quebec system mix)
- End Date: 10/31/38

Kruger Hydro

- Size: 6.7 MW
- Fuel: Hydro
- Location: Maine and Rhode Island
- Entitlement: 2.03%, PPA
- Products: Energy, capacity
- End Date: 12/31/37
- Notes: The Electric Department has an agreement with VPPSA to purchase unit contingent energy and capacity from six hydroelectric generators. The contract does not include the environmental attributes.

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Market Contracts

- Size: Varies
- Fuel: New England System Mix
- Location: New England
- Entitlement: Varies (PPA)
- Products: Energy, renewable energy credits
- End Date: Varies, less than 5 years.
- Notes: In addition to the above resources, the Electric Department purchases system power from various other entities under short-term (5 year or less) agreements. These contracts are described as Planned and Market Purchases in the tables below.

New York Power Authority (NYPA)

- Size: 2,675 MW (Niagara), 1,957 MW (St. Lawrence)
- Fuel: Hydro
- Location: New York State
- Entitlement: 0.06 MW (Niagara PPA), 0.003 MW (St. Lawrence PPA)
- Products: Energy, capacity, renewable energy credits (New York System Mix)
- End Date: 9/1/25 (Niagara), 4/30/2032 (St. Lawrence)
- Notes: NYPA provides hydro power to the Electric Department under two contracts, which will be extended at the end of their term.

Project 10

- Size: 40 MW
- Fuel: Oil
- Location: Swanton, VT
- Entitlement: 2.4%, joint-owned through VPPSA
- Products: Energy, capacity, reserves
- End Date: Life of unit
- Notes: As the joint-owner, VPPSA has agreements with the Electric Department pay for and purchase 2.4% of the unit's output.

Ryegate

- Size: 20.5 MW
- Fuel: Wood
- Location: East Ryegate, VT
- Entitlement: 0.1026%, PPA
- Products: Energy, capacity, renewable energy credits (CT Class I)
- End Date: 10/31/2032
- Notes:

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Standard Offer Program

- Size: Small renewables, primarily solar < 2.2 MW
- Fuel: Mostly solar, but also some wind, biogas and micro-hydro
- Location: Vermont
- Entitlement: 0.1052% (Statutory)
- Products: Energy, capacity, renewable energy credits
- End Date: Varies
- Notes: The Electric Department is required to purchase power from small power producers through the Vermont Standard Offer Program in 2023, in accordance with PUC Rule #4.300. The entitlement percentage fluctuates slightly each year with the Electric Department's pro rata share of Vermont's retail energy sales.

Stetson Wind 2023-2027

- Size: 57 MW
- Fuel: Wind
- Location: Maine
- Entitlement: 0.98% (PPA)
- Products: Energy, VT Tier I renewable energy credits
- End Date: 12/31/27

The percentage of energy (MWH) acquired from the above sources for the year ended December 31, 2023, appears in Table 1.

Table 1: 2023 Electricity Supply Resources (MWH)

<u>Resource</u>	<u>2023 mWh</u>	<u>%</u>	<u>Fuel</u>	<u>Exp. Date</u>
Brookfield 2023-2027	2,158	35.3%	Oil	Retired
Fitchburg Landfill	575	9.4%	Landfill Gas	12/31/2031
HQUS Contract	280	4.6%	Hydro	10/31/2038
Kruger Hydro	704	11.5%	System	12/31/2037
Market Contracts	320	5.2%	System	Varies
NYPA Niagra Contract	695	11.4%	Hydro	9/1/2025
NYPA St. Lawrence Contract	22	0.4%	Hydro	4/30/2032
Porject #10	22	0.4%	Oil	Life of Unit
Ryegate Facility	165	2.7%	Wood	10/31/2031
Stetson Wind 2023-2027	1,044	17.1%	Hydro	Life of Unit
Standard Offer Program	126	2.1%	Solar	Varies
Total Resources Available	<u>6,111</u>	100.00%		
Total Load Including Losses	6,325			
ISO Exchange (+ Purchase/-Sale)	214	3.50%		

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

The cost of power from all power vendor sources for the year ended December 31, 2023, appears in Table 2.

Power Supply Cost	Cost
Brookfield 2023-2027	\$ 10,335
Fitchburg Landfill	4,927
HQUS Contract	7,986
Kruger Hydro	11,361
Market Contract	3,235
NYPA Niagara Contract	(2,716)
NYPA St. Lawrence Contract	(702)
Project #10	(12,593)
Ryegate Facility	8,473
Stetson Wind 2023-2027	63,439
Standard Offer Program	21,449
Subtotal Power Supply	115,194
Transmission Costs	
VELCO & St Lawrence Transmission	471
1991 VTA - Common Facilities	36,328
GMP Transmission	38,298
Open Access Transmission Tariff	141,139
Subtotal Transmission	216,236
VPPSA and Other Costs	
Energy Market	262,223
Capacity Market	72,722
Reserve Market	5,635
NCPC	1,171
Regulation Services	1,327
Marginal Loss Revenues	(722)
Auction Revenue Rights	(1,527)
Other Load Settlement	170
VPPSA Fees - Power Supply	6,444
ISONE Self Funding Tariff	14,462
VELCO Tariff Allocation	443
VELCO Market Settlement	125
VELCO Service Fees	322
GIS Costs	62
Total VPPSA & Other Costs	362,857
TOTAL POWER SUPPLY AND TRANSMISSION	\$ 694,287

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

For many years, VELCO offered stock to the Vermont distribution companies when it undertook a financing. The distribution companies were encouraged to acquire VELCO stock for several reasons. First, the FERC approved dividend rate substantially exceeds the cost of money used to purchase the stock. Second, as shareholders of VELCO, the municipalities have a voice in the operation of VELCO through the “municipal representative” director who has historically been elected to the VELCO Board. Finally, if each of VELCO’s Vermont customers own its’ load ratio share of stock, then VELCO and its’ customers can avoid disputes at FERC over the rate of return on equity of VELCO. In 2006, VELCO created Vt. Transco, a Limited Liability Company. Whereas VELCO previously offered stock, all future financings would be funded by the offer of membership units in Vt. Transco, LLC.

In 2007, Vt. Transco, LLC offered \$113.5 Million of equity in the form of membership units to the Vermont Distribution companies. At the time of the offer, each member had the opportunity to purchase Transco units. As an alternative to purchasing the equity itself, a member of the Vermont Public Power Supply Authority (“VPPSA”) had the authority to elect to have VPPSA acquire the units as allowed by the Vt. Transco, LLC operating agreement and a separate TRANSCO equity agreement between the member and VPPSA.

The latter agreement does not eliminate the municipality’s right to purchase equity in Vt. Transco; it simply provides the option to have VPPSA purchase the units for the benefit of the member and defines the terms should it be advantageous to do so. During 2010 VPPSA purchased an additional \$50,400 of these units for the benefit of the Village of Jacksonville Electric Company. In 2011 VPPSA increased the utilities Investment in Transco by \$54,640. On December 28, 2012, the Public Service Board approved a new issuance and are to complete issuance within 30 days. During 2014 VPPSA purchased an additional \$54,900 of units for the benefit of Village of Jacksonville Electric Company. This amount represents units valued at \$28,500 that were previously assigned to VELCO in 2013 and units valued at \$28,500 that were offered to the Village in 2014. Between 2016 and 2023 VPPSA purchased an additional \$44,710 (2016), \$28,170 (2018), \$11,220 (2019), \$19,130 (2020) and \$41,250 (2021) of these units for the benefit of the Village of Jacksonville Electric Company.

The units are owned by VPPSA, the associated debt is an obligation of VPPSA and VPPSA will receive the distributions related to the units. However, as outlined in the Transco Equity Agreement and further recognized by the Vt. Public Service Board in Docket 7340, the Village of Jacksonville Electric Company will receive all the benefits of the units related to their load share. The distributions received by VPPSA related to these units shall be used first, to cover VPPSA’s debt service costs related to those units, and second, all net earnings from the investment will be recorded as investment income in the Village of Jacksonville Electric Company’s financial statements.

In addition, as principal payments are made on this debt, the member will record an investment in others with an offsetting credit to miscellaneous income. At December 31, 2023 the investment in others is \$37,380.

During 2017 VPPSA purchased an additional \$45,000 of units for the benefit of the Village of Jacksonville Electric Company. The Village also purchased \$250 of units in 2020 and another \$1,080 in 2023. These units were purchased outright by the Electric Department and were not financed through VPPSA.

Village of Jacksonville Electric Company
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

The Company has an annual contract with Green Mountain Power to provide emergency services on off hours for the convenience of the Company's customers where services are billed as the expenses are incurred. All other contracted services are agreed upon as they occur.

NOTE 7 RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; stray voltage; and natural causes. The Company manages these risks through commercial insurance packages purchased in the name of the Company. The Company has transferred the risk of loss to the commercial insurance carrier. Insurance settlements have not exceeded insurance coverage in any of the past three years.

NOTE 8 SUBSEQUENT EVENTS

On June 18, 2024, the Company took out a loan with Community Bank, N.A. for the financing of a new bucket truck. The loan amount is \$83,600 with payment terms of principal and interest payments due monthly of \$1,722 at 8.55% maturing on June 18, 2029.

In accordance with Accounting Standards, the Company has evaluated subsequent events through July 10, 2024, which is the date these basic financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2023, have been incorporated into these basic financial statements herein.