Valuation and Cost Savings

Among the questions asked about the potential purchase of BIPCo are the proposed price relative to an independent valuation and the effect of a Town purchase on rates. For the first question on valuation, the Town has now received two valuation reports from Tilson (available on the Town website). The first looks at the value of BIPCo to any independent buyer and arrives at a value of $1.2 to $2.2 million based upon including or excluding the cellphone tower and on the potential sale of part of the BIPCo property. Note, under the current Purchase Agreement, the cellphone tower is included. Tilson then estimated a value for the Town/community based upon converting BIPCo to a nonprofit and upon potential savings in implementing a broadband program. This value is $1.9 to $2.9 million. Thus, under the ultimate actual planned approach and with the possible sale of land, BIPCo has a value with Town/community equal to or greater than the proposed purchase price.

With respect to BIPCo rates, there are two different issues. One is what will happen to rates as a result of a purchase. He second is what is likely to happen to rates irrespective of a purchase. The EUTG has analyzed BIPCo’s financial statements and has determined that available savings will cover the interest and principal for the debt needed to finance the purchase. Again, this analysis is available on the Town website (A Proforma). The savings come from substituting a professional President for the salaries of the existing owners, plus eliminating profits, taxes, and dividends. This is the situation after securing 100% of the stock and converting to a nonprofit. Thus, the EUTG forecasts that the purchase will have no immediate effect on rates and will create the opportunity to reduce the pace of rate increase in the future.

There will be some future investments that will occur whether or not the Town/community purchases BIPCo. The one known at this time is that the fuel tanks need to be replaced by the end of 2017 and the estimated cost for this will be one million dollars, or on the order of $0.005 per kWh. Other investments in infrastructure improvements may also be necessary in the future. For those investments, the question is whether the community and ratepayers are better off having a set of private investors make the decisions on the investments or whether they should be made by the ratepayers.