

Updates & FAQ

March 18, 2026

Late last week the required report to the state on a 5 year plan for Hyde Park was submitted to regulators. Prepared predominantly by VPPSA and reviewed by Trustees and management, this filing contains similar material to this FAQ as well as further updates on some items.

The State Department of Public Service then issues a required response to this filing earlier this week. Both will be posted to our website so that those with interest may view the documents.

March 12, 2026

The Village Trustees and current management of the Village of Hyde Park (“Village”) recognize that residents and customers of the Village of Hyde Park Electric Department (“VHPED” or “Electric Department”) have many questions about the financial and operational challenges that the Village is experiencing. These range from operational questions to financial issues. This page intends to provide information regarding the status of the Village’s finances, in addition to the information provided during regular meetings of the Trustees and posts to social media. This page will be updated regularly as new information becomes available.

Updates will be posted at the top of the page, so the most recent information is easily identified.

A. Current Financial Situation of the Village of Hyde Park

- The Village, largely as a result of borrowing to cover Electric Department expenses, has about \$4.5 million in operating debt including short term notes with the Union Bank, borrowing from the water and sewer utilities and very large accounts payable.
- The notes issued to Union Bank, totaling about \$1.5 million, will come due around the end of June. The goal is to consolidate this debt into one longer term note to provide predictable and stable debt repayment obligations and to minimize rate impact for customers.

B. Recent Increases to Electric Rates

The recently implemented and state approved 20% electric rate increase was necessary to bring electric rates closer to meeting the daily operating expenses of

the Electric Department. Rates should have been raised routinely from around 2020 through today to keep pace with expenses but were not. While this was a benefit to customer in the short term, it has led to the Village having to take on significant debt to sustain Electric Department operations. Notably, with this 20% increase, rates in Hyde Park are still below the average for customers across Vermont. With the new 20% increase, customers of the Electric Department have rates that are less than 80-90% of all rate payers in Vermont. This is not to minimize the impact of this 20% rate increase on Electric Department customers.

- For context, surrounding utilities have seen rate increases of approximately this amount in the past few years (albeit in two or three rate cases collectively).
- Importantly, the Village did apply for rate increases in the past. These were reduced greatly by the state exacerbating the fiscal condition. These rate cases are very costly to request which discourages decision makers from filing them.
- While the financial viability of the Electric Department requires this rate increase, it will result in a much more balanced income and expense ratio for the Electric Department which will mean that its current debt load should not continue to grow.
- A second increase in rates is planned for later this year to recover sufficient revenue to begin paying down the existing debt load. The scale of that increase is currently unknown. As this debt is reduced overtime, the Electric Department will gain more flexibility to develop long-term plans for upgrades and maintenance of its electric infrastructure.

C. How did we get here:

We have received many questions about what caused the fiscal and operational crisis at Hyde Park. The Trustees acknowledge that the current financial situation of the Village is concerning. The Trustees continue to review decisions that were made by former management and the Trustees to identify better procedures and safeguards to prevent this kind of situation from reoccurring in the future. In addition, there have been no findings of embezzlement or other fiscal impropriety to date. The State will be performing a full audit of both finances and management, and these findings will be shared publicly when available.

The following represents a few of the challenges and issues that have caused some of the financial challenges we face today:

- Audits of VoHP have regularly been performed and they showed the continued degradation of the utility from the late teens to today. The auditors for the Village

clearly called out the fiscal challenges. Certain documentation from the auditors was apparently withheld from the Trustee's by past management. This is not to say Trustees could not have or should not have noticed the fiscal issues to a higher extent than occurred. It is only to acknowledge that certain critical information was reportedly withheld.

- Recently a Tax Anticipation Note with Union Bank came due. To extend the maturity date of this debt, it was refinanced into a current Expense Note with a maturity date in June. This action aligns the due dates of both Current Expense Notes held by Union Bank, enabling them to be moved into a longer-term note. Should this occur, this would minimize short-term rate impacts for this portion of the debt.
- From about 2018 onwards, rates of the Electric Department have fallen behind the cost of operating the Electric Utility. Each year, one or more short-term debt instruments were taken out by the Village to cover the shortfall, and each year the total debt amount increased as expenses continued to exceed revenues during each operating year. This year, with new management in place, the Trustees and current management determined that continuing this practice was not prudent financially or possible in light of concerns raised by State regulators and the Village's lender. Recently, the Village was able to work with Union Bank for a short term extension (categorized as a Current Expense Note) of one of its existing loans to align the due date with other debt to better facilitate restructuring the debt into a longer-term loan that will be gradually paid off from the rate increase that will be sought later this year.
- Another financial challenge that arose concerns the financial assurance required by ISO New England (ISO-NE), the regional electric grid operator. Since leaving VPPSA membership in 2019, the Electric Department is a direct participant in the regional market. ISO-NE requires the Village to have \$325,000 deposited with ISO NE. Being a direct participant also requires the Electric Department to pay power bills, no matter how big, within a couple days. Because the Village recently rejoined VPPSA, we are working with VPPSA to replace the cash obligation with a different financial instrument, which will enable the Village to pull that \$325,000 in cash back to the electric utility.
- Costs for power supply have also been exceedingly expensive of late, further impacting cash flow. During the cold snaps this winter, costs were regularly 40 – 60 cents per unit and peaked for a one-hour average of 92 cents. These power supply costs are not recovered from ratepayers as the rate we charge is around 20 cents per kwh, so these increased power supply costs have exacerbated current financial challenges.

- The Electric Department did seek rate increases on multiple occasions. However, the rates that were ultimately approved in these cases were reduced by the state and remained insufficient to meet current expenses of the Electric Department. Rate cases have significant costs to file, so this may have discouraged further requests for rate increases.
- In around 2019, Hyde Park left membership with Vermont Public Power Supply Authority (VPPSA), a trade association of municipal electric utilities in Vermont. This decision meant that many duties and obligations previously performed by VPPSA would be left solely to the small Hyde Park Electric staff. We have recently rejoined VPPSA and believe their knowledge and expertise will be pivotal in putting the Village and its Electric Department on a more stable financial path.
- Part of the challenge facing past managers and Trustees alike was that there were many competing needs to address: a major water project, a large court case, roles in water, sewer, electric, zoning, and much more, were soaking up large amounts of time from a very limited team. While this is not meant as an excuse for flawed decision making, it provides some context for the reality of the operation of a small municipal staff government with a lot of tasks and challenges to handle.
- Please be advised the State is just beginning an investigation into the cause of the VHPED's financial troubles and we will learn much more as that advances and information will be made public as soon as permitted.

D. Other Areas of Concern

1. Customer Call Center

- During recent electric outages customers have not been able to easily reach our vendor for off hours. Significant effort was made to get the vendor to improve. That has not resulted in a positive outcome.
- Current expectation is that we will change vendors around May 1. We need to wait to meet contractual terminations requirements.
- We expect CRC to become our new call center off hours. Most of the utilities surrounding Hyde Park utilize this service and customers have typically felt well cared for. We should expect a few bumps in the beginning as we work out how our operations together will work. Given a short ramp up period these issues should then be resolved.

2. Village of Hyde Park Water / Sewer Utilities

- Customers have also inquired about the health of the water and sewer utilities. Each is financially sound.

- For electric customers out of the Village who wonder if future rate cases will need to subsidize poorly run water and sewer operations, that is not the case. It is also worth noting the State Public Utility Commission would not allow this cross subsidization.
- What is in doubt is how the internal borrowing, that the electric department used from the water and sewer utilities, will be repaid. In essence, the inverse of the concern of electric customers has been true - they've been subsidized by Village water and sewer utility customers. The repayment doubt lay in whether the state will allow electric rates to be used to repay these internal loans to the water and sewer utilities. The state's determination of whether the funds were entirely or partially used to support electric purposes will be central to this outcome. In the end, water and sewer customers may be made whole or in part, but that is simply not known today.

3. Electric Department Operations

- **Substation:** The transformer in Hyde Park's substation remains red tagged – meaning it may not be operated. VoHP is currently operating off of Morrisville's system on their substation #5. Hyde Park's substation has been tested to determine if it may be repaired or if it simply must be replaced. Replacement would cost many hundreds of thousands of dollars and would mean staying on the MWL system for a few years. Recent test results indicate that once repairs are made, the substation will likely be able to be put back in service. The substation is still very old and coming to the end of its useful life. However, the repair will buy some number of years to plan for the new transformer to be installed
- **Phase imbalance:** As a result of being hooked on to MWL system, it became clear that the distribution system in Hyde Park was very unbalanced. This resulted in a series of outages customers endured earlier in the year. Data has been collected on this matter, and a plan developed to remedy this imbalance. Once completed, this should then remedy the recent outage issues. There will need to be a series of short, planned, outages to make these balance repairs. Importantly, it is believed that the phase imbalance was the primary cause of the issues that resulted at the substation.
- **Maintenance:** Over recent history, the Village has not invested appropriately in routine pole replacement or vegetative maintenance. Each of these deferred items eventually result in increasing reliability concerns. The cost to remedy the deferred maintenance and pole replacements will need to be addressed in any financial plan going forward. These likely stem from such a very small staff size rather than unwillingness to budget appropriate amounts.

- Technology and programs: As a result of state policy and regulation there are many expectations of utilities to invest in technology and programming. Advance meter infrastructure (AMI), Demand Energy Resource Management Systems (DERMS), Electric vehicles rate programs and many more have not been present here. These too will need to be included in future financial management planning.
- Staffing: Currently, our office staff is stretched thin. We have one experienced employee, one recent employee and two temporary employees. This is creating challenges to keep up with new rates, getting out bills, and the challenges related to the fiscal issues in the Village. Similarly, we only have one of three positions on our line / maintenance crew filled. Currently, this shortage is being addressed by having MWL and other local utilities assist as necessary.
- Outage Communications: Please do call in an outage when you have one. The delay times in getting through should be resolved in the next couple of months. We know there has been frustration in the lack of immediate updates regarding outages. The challenge is that utilities do not know what is causing an outage or how long it might take to remedy it for a minimum of 30 to 45 minutes after first learning of the outage as it takes that long for crews to assemble and actually get to the site. It takes much longer if the outage cause is not certain, is a complicated repair or if there are multiple outages, requiring prioritization. Most unplanned outages in Hyde Park and in Vermont last in the 2-to-4-hour range. Most homes can retain warmth for this period of time (inconvenient as it surely is). What is important is to alert people to outages that may move into the 6 hours plus timeframe. Lastly, customers with critical care needs requiring electricity should always have a plan for outages. Where possible a utility can try to prioritize a repair in this condition, but only if there are no “downstream” outages.

4. Many questions arise from the public regarding what caused the fiscal and operational crisis at Hyde Park. The following represent the biggest issues in order of scale as it looks today. Please be advised the state is just beginning an investigation and all will learn much more as that advances. Please also be aware, as noted previously, that part of the challenge I suspect both managers and Trustee’s alike faced was that there were too many competing needs to address all well.
 - a. Poor management: Over a 10-year period, at least, managers have not addressed the financial and operational issues sufficiently. This includes, but is not limited to poor choices, lack of transparency, lack of courage to call out the financial issues as they grew, unwillingness to address the

operational needs that all utilities face in terms of the electric grid, reliability, and other such matters.

- b. Governance insufficiency: Audits through the years called out the growing difficulties. Elected officials had certain documentation seemingly shielded from them making this job of seeing the growing issues clearly more difficult, but in the end, it is the role of governance to be vigilant on fiduciary matters. To their credit they did seek at least two rate increases, which the state did not fully endorse. It seems the very high cost of filing a rate case influenced decision makers not to seek additional rate cases to address the fiscal issues.
- c. Managerial Scope: In around 2019, Hyde Park left membership with Vermont Public Power Supply Authority. This decision created a scope of duties and obligations that few managers in existence could handle. In essence, VPPSA is the white-collar staff for municipal electric utilities (not including finance). One needs only look at the two municipal electric utility staffs of Stowe and Burlington (who are strategic members and who thus provide their own white-collar services) to see the size of staff necessary to replace the VPPSA function. Hyde Park, at the time, chose to have the manager fulfill all these functions.
- d. State: As noted previously, certain rate cases were not fully funded. Further, it is true it is very expensive to file a rate case due to the large bureaucratic processes that have emerged over the years. None of the state's roles should be seen as excuses for the lack of local action or decision-making, but it is helpful for readers to understand this reality.

5. Debt and Fairness to Rate Payers:

Many comments we have received suggest or infer that there has been no value to the funds spent that have created the debt currently on the books of Electric Department and the Village. It is understandable that people would suppose this. It is, however, not entirely accurate for some of the reasons explained below.

- Solar Debt: Customers wonder if the solar bond is to blame. The short answer is no. To explain more fully, there are two aspects to this:
 - Project vs Operating Debt: The solar project is what is called project debt. Debt of this type, so long as it is accompanied by good economic analysis on the front end, is actually good for customers. Projects that have a 20- or 30-year life are paid for over that time with each annual group of customers paying “their fair share” of the project

debt costs. The State presses utilities very hard to accomplish their capital project needs by taking on project debt. They have gone to far as to now require utilities to attain a certain level of debt to equity (meaning we need to take on more project debt).

- Solar project: This project has a very good interest rate (very low) and produces well. There is nothing fundamentally wrong with this project or the debt with it. Over time much more solar has come onto the Hyde Park system, leaving it now with a surplus of energy at certain times. This both creates issues with the energy market and can negatively impact the current economics of the project. There are fairly simple solutions to the current conditions (selling some of the production, monetizing some renewable energy credits and purchasing lower prices REC's and other such actions). The point here is that once capitalized, an owner needs to remain active and make operational modifications to ensure the original positive economic projections remain valid.
 - Summary: this project debt is not hurting current, past or (with appropriate management) future customers.
- Operating Debt: Customers believe this debt had no benefit for them.
 - Importantly, as of this writing, there has been no finding of any fiscal impropriety. No embezzlement, no taking finances for personal gain, nothing of the sort. The auditors over the years never saw or reported such and they don't today. The final word on this should be left to the State in their investigation but we have not seen evidence that would indicate such impropriety occurred.
 - Spending through the years was for electric department needs and were, if anything, too frugally expended. To date, nothing has been found to suggest that electric funds were spent on anything but support of service to electric ratepayers – all of you. Spending on items like reliability (tree cutting), grid maintenance (pole replacement) and substation (the failed equipment) was insufficient. This is to say that had rate cases been filed, rates would be dramatically higher than they are today and would have been steadily growing from 2017 throughout the period until today.
 - New Village Office: The village office is a frequently raise issue by customers. Apparently, this lease was entered into (Village does not own nor did it buy

the building) as the Town required the space the village was previously occupying in their building.

- Asset Sale: Customers wonder why or if the Village will sell assets to help pay for the debt. This includes the solar project, the French house and any others the Village may own. The Trustees continue to assess options for the Village but a sale of assets is not an option under active consideration at this time. As noted previously, the solar project is not a burden. The French house has certain deed restrictions on it such that the Village does not solely have the authority to sell it. It is premature today to determine if any assets should be sold. The State needs to both complete their management and financial audit and then determine how they believe and authorize the Village and electric department to deal with the various categories of operating debt. Once this is known it will then be the appropriate time to consider what to do with assets.

- Representation: A common frustration from customers outside of the Village is that they have no representation on the Trustees. This is true and is driven by the charter of the Village. However, the Trustees are investigating how this may be changed in the short term (changing a charter is a longer-term venture). It is possible a pathway will be brought to the Annual Village Meeting in May for consideration. Please note that there has been an opening on the Village Trustees for many, many months with no interest. If any Village resident has interest, please reach out to a Village Trustee to learn more and please consider running.

- Public Meetings: There has been frustration from customers about the time of meetings to discuss the issues. The Trustees meet generally in the 5 – 6:30 to 7:00 pm timeframe. At the front end of these meetings is a public comment period. When the fiscal crisis became clear, a public forum was added before the meeting at 4:00. It is understood this does not work for all. It was simply an attempt to share more information as quickly as possible. It is not intended to force the public to stay away from the Trustee meetings.

6. The Future:

- Multiple residents and customers have asked if the Village will just offload the Electric Department to avoid the operational and financial challenges it raises.

While this topic has been raised, at this time it is not under active consideration by the Trustees. It is something they intend to evaluate in the future to better understand the costs, benefits and mechanics of selling or transferring the Electric Department to a non-Village entity. It is likely that some of this analysis will be developed as part of the State's investigation, and information or recommendations from that investigation will be made public when management is permitted to do so.

This Informational Document is authored by Scott Johnstone, Interim General Manager of the Village of Hyde Park. It reflects his understanding based on review of Village records and involvement in current operations of the Village and Electric Department. This document does not represent any formal action by the Trustees and the information set forth herein is subject to change as the Village continues to work with its primary lender, State regulators and other parties to develop a long term plan to address the existing debts of the Village and place the Village, and its Electric Department, in a more stable financial position in the years to come.

Accordingly, the comments above are only meant to provide an overview of some of the current issues and challenges the Village faces as well as concerns that have been raised. It is intended, at the request of Trustees, and based on comments and questions received by the customers of the Village and the Electric Department, to provide transparency into the major challenges facing the Village and their causes and to share current information and expected or anticipated actions. Hopefully, this document begins to answer some of the questions and concerns that have been raised recently on social media and at public meetings of the Trustees and Electric Department. Both the Trustees and I are committed to sharing additional information as it becomes available