

Capital Project for Lane Electric Substation Expansion

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

April 28, 2015

Virginia Tech Electric Service supplies power to Virginia Tech, the Corporate Research Center (CRC), and approximately 6,000 customers in the town of Blacksburg. As campus and the CRC have grown and more buildings are air conditioned, the load at the Lane Electric Substation becomes critical in the summer. The substation operates with two transformers in parallel, each at 22,400 kVA, to maintain reliable electric supply for the university. For several years, peak summer demand on the substation has approached the full-load sustained output limit and has once exceeded the limit. Additional distribution capacity at the Lane Electric Substation is needed to support the ongoing development of both campus and the Corporate Research Center. To meet the increasing demand, the university proposes an expansion of the Lane Electric Substation.

The proposed substation expansion will be located adjacent to the existing Lane Substation on Innovation Drive. The project includes the purchase and installation of two 28,000 kVA transformers, two circuit switchers, six distribution reclosers with space for an additional four reclosers, a control house and associated relay, and control equipment. The improvements would alleviate the loading problems at the Lane Substation and service future construction in the Life Sciences area, Special Purpose Housing area, and the second phase of the CRC. As proposed, an improved Lane Substation would maintain the quality and reliability of the power supply for an anticipated 20 years.

The estimated project costs inclusive of design, construction, and equipment is \$6.5 million. As with all self-supporting projects, the university has developed a financing plan to provide assurance regarding the financial feasibility of the project. This funding plan calls for the use of debt which may be serviced from Electric Service auxiliary revenue. Any cash designated for the project accumulated prior to the issuance of permanent debt may be used directly for project costs and to lower the total debt issuance. The Town of Blacksburg and Corporate Research Center customers will bear an appropriate portion of the project cost through their electric service rates.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the budget, size, scope, and overall funding of nongeneral fund capital outlay projects. This request is for a \$6.5 million authorization for the Lane Electric Substation Expansion project.

RESOLUTION ON CAPITAL PROJECT FOR LANE ELECTRIC SUBSTATION EXPANSION

WHEREAS, Virginia Tech Electric Service supplies power to Virginia Tech, the Corporate Research Center, and approximately six thousand customers in the town of Blacksburg; and,

WHEREAS, the load at the Lane Substation becomes critical in the summer and additional distribution capacity is required to support the existing and projected load growth in the Life Science area, Special Purpose Housing area, and the second phase of the Corporate Research Center; and,
WHEREAS, the university proposes an expansion of the Lane Electric Substation to meet the increased demand; and,

WHEREAS, the project includes the purchase and installation of two 28,000 kVA transformers, two circuit switchers, six distribution reclosers with space for an additional four reclosers, a control house and associated relay, and control equipment; and,

WHEREAS, the improvements will maintain the quality and reliability of the power supply for an anticipated 20 years; and,

WHEREAS, the cost of project is \$6.5 million and the university has developed a 100 percent nongeneral fund resource plan to support the costs; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the university has the authority to issue bonds, notes or other obligations that do not constitute State tax supported debt; and,

WHEREAS, the Finance and Audit Committee will further review and approve a financing resolution prior to securing permanent financing for the debt component of the project plus amounts needed to fund issuance costs, reserve funds, and other financing expenses; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and Virginia Tech, the Board of Visitors has authority to approve the budget, size, scope, and overall funding of nongeneral funded major capital outlay projects;

NOW, THEREFORE BE IT RESOLVED, that the university be authorized to move forward with the Lane Electric Substation Expansion project at a total project cost of \$6.5 million and to secure temporary short-term financing through any borrowing mechanism that, prior to such borrowing, has been approved by the Board, as applicable, in an aggregate principal amount not to exceed the \$6.5 million project authorization, plus related issuance costs and financing expenses.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to complete the Lane Electric Substation Expansion project be approved.

June 1, 2015