



JOSEPH C. MCNEIL GENERATING STATION

Special Purpose Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

JOSEPH C. MCNEIL GENERATING STATION

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Independent Auditors' Report

The Joint Owners
Joseph C. McNeil Generating Station:

We have audited the accompanying special-purpose financial statements of the Joseph C. McNeil Generating Station (the Station), as of June 30, 2020 and 2019, and the related notes to the special-purpose financial statements, which collectively comprise the Station's special-purpose financial statements as listed in the table of contents.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the joint owners' agreement; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets, owners' equity and liabilities of the Station as of June 30, 2020 and 2019 and the related changes owners' equity and Station operating expenses thereof for the years then ended in accordance with the joint owners' agreement.



Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2 to the special-purpose financial statements, the special-purpose financial statements are prepared by the Station on the basis of the financial reporting provisions of the joint owners' agreement, which is a basis of accounting other than U.S. generally accepted accounting principles, to meet the requirements of the Station. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Station and its joint owners and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Colchester, Vermont
October 28, 2020

JOSEPH C. McNEIL GENERATING STATION

Special-Purpose Statements of Assets, Owners' Equity, and Liabilities

June 30, 2020 and 2019

Assets	2020	2019
	<hr/>	<hr/>
Steam production plant, at cost:		
Land and land rights	\$ 276,599	276,599
Structures and improvements	20,245,016	20,278,390
Boiler plant equipment	57,906,184	57,912,873
Turbine generator	13,225,602	13,376,411
Accessory electrical equipment	2,208,217	2,218,645
Miscellaneous power plant equipment	2,105,208	2,087,892
Other steam production plant	1,108,007	1,101,559
Construction work in progress	11,605	1,344
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Total steam production plant	97,086,438	97,253,713
Cash	229,475	1,083,508
Inventories, at average cost:		
Fuel	2,150,843	1,889,274
Materials and supplies	4,246,303	3,731,784
Other assets	229,678	74,245
	<hr/>	<hr/>
Total assets	\$ <u>103,942,737</u>	<u>104,032,524</u>
Owners' Equity and Liabilities		
Owners' equity:		
Burlington Electric Department	\$ 51,743,695	50,840,460
Vermont Public Power Supply Authority	19,520,229	19,177,000
Green Mountain Power Corporation	31,848,751	31,288,680
	<hr/>	<hr/>
Total owners' equity	103,112,675	101,306,140
Liabilities:		
Accounts payable	656,853	2,305,102
Accrued liabilities	173,209	421,282
	<hr/>	<hr/>
Total liabilities	830,062	2,726,384
	<hr/>	<hr/>
Total owners' equity and liabilities	\$ <u>103,942,737</u>	<u>104,032,524</u>

See accompanying notes to special-purpose financial statements.

JOSEPH C. McNEIL GENERATING STATION

Special-Purpose Statements of Changes in Owners' Equity

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Contributions by joint owners:		
Burlington Electric Department	\$ 11,442,722	10,026,426
Vermont Public Power Supply Authority	4,348,234	3,810,042
Green Mountain Power Corporation	<u>7,094,553</u>	<u>6,216,384</u>
	22,885,509	20,052,852
Property taxes paid by individual joint owners	<u>1,407,057</u>	<u>1,351,349</u>
Total contributions by joint owners	24,292,566	21,404,201
Less station operating expenses, net	<u>22,486,031</u>	<u>23,517,233</u>
Net (decrease)/increase in owners' equity	1,806,535	(2,113,032)
Owners' equity at beginning of year	<u>101,306,140</u>	<u>103,419,172</u>
Owners' equity at end of year	<u>\$ 103,112,675</u>	<u>101,306,140</u>

See accompanying notes to special-purpose financial statements.

JOSEPH C. McNEIL GENERATING STATION

Special-Purpose Statements of Station Operating Expenses

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operation expenses:		
Supervision and engineering	\$ 449,556	453,468
Fuel – oil	2,221	15,884
Fuel – wood	14,026,117	12,816,044
Fuel – gas	65,963	63,112
Steam	1,514,867	1,571,723
Electric	636,935	687,907
Miscellaneous steam power expense	<u>563,387</u>	<u>600,849</u>
Total operation expenses	<u>17,259,046</u>	<u>16,208,987</u>
Maintenance expenses:		
Supervision and engineering	125,683	108,307
Structures	102,733	61,173
Boiler plant	565,147	1,194,015
Electric plant	633,191	2,954,278
Miscellaneous steam power expense	<u>29,577</u>	<u>30,729</u>
Total maintenance expense	1,456,331	4,348,502
Transmission expenses	<u>66,424</u>	<u>91,318</u>
Total production expenses	18,781,801	20,648,807
Administrative and general expenses	<u>1,319,172</u>	<u>1,415,465</u>
Total operating expenses	20,100,973	22,064,272
Taxes, including payment in lieu of taxes to the City of Burlington, Vermont	1,407,189	1,352,551
Loss on sale of equipment	1,034,822	163,430
Other income	(54,920)	(60,801)
Interest income	<u>(2,033)</u>	<u>(2,219)</u>
Station operating expenses, net	<u>\$ 22,486,031</u>	<u>23,517,233</u>

See accompanying notes to special-purpose financial statements.

JOSEPH C. MCNEIL GENERATING STATION

Notes to Special-Purpose Financial Statements

June 30, 2020 and 2019

(1) Station Organization

The Joseph C. McNeil Generating Station is a wood, natural gas, and oil fired, 50 megawatt steam generating unit located in the City of Burlington, Vermont. Under the Agreement for Joint Ownership, Construction and Operation of the Joseph C. McNeil Generating Station (the Station), dated May 14, 1982 as amended (the Agreement), the joint owners are tenants in common with undivided interest in the Station. Ownership percentages of the Station as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Burlington Electric Department	50%	50%
Green Mountain Power	31	31
Vermont Public Power Supply Authority	19	19
	<u>100%</u>	<u>100%</u>

The City of Burlington, Vermont Electric Department (the Department) has sole responsibility for operation of the Station. The Station began commercial operations in 1984. The McNeil Plant capacity factor for the fiscal year 2020 was 54.5% compared to 48.6% in 2019, supplying 239,330 MWH and 212,976 MWH, respectively, of its energy production to the Joint Owners.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying special-purpose financial statements have been prepared in order to comply with the terms of the Agreement. They summarize certain financial transactions occurring as a result of the Agreement and, accordingly, they are not intended to be a presentation in conformity with U.S. generally accepted accounting principles. The significant differences from generally accepted accounting principles are as follows:

- A statement of cash flows is not presented.
- Station costs are classified in accordance with Federal Energy Regulatory Commission (FERC) guidelines and include all direct and indirect costs and expenses incurred with respect to the Station which are properly chargeable to the design, engineering, procurement, installation, construction, operation, maintenance, insuring, licensing, shutdown, demolition or disposal of the Station, taxation, and payments in lieu thereof, and all costs of keeping accounting and other records, of furnishing accounts, reports, and other information with respect to the Station and of audits pursuant to Section 15, including both financial and engineering audits. Each of the owners has financed its respective participation in station costs. Accordingly, an allowance for funds used during construction is not included in station costs. Other costs assessed directly to individual owners are not included in station costs except for property taxes. The Station incurred capital costs of \$867,545 and \$955,031, in 2020 and 2019, respectively, which are recorded as part of steam production plant.
- The notes to the special purpose financial statements are not compliant with U.S. generally accepted accounting principles.

JOSEPH C. MCNEIL GENERATING STATION

Notes to Special-Purpose Financial Statements

June 30, 2020 and 2019

- No depreciation has been recorded in the special-purpose financial statements. Each owner records depreciation expense based on the total cost of its investment in the Station, its depreciation method, and its useful life for rate-making purposes. Major expenditures for steam production plant which are major improvements or extend the life of the asset are capitalized. Maintenance and repairs are expensed as incurred. When assets are replaced, the costs associated with such replacement are capitalized and the previously capitalized costs are removed from steam production plant.
- Significant costs of the Station, e.g., costs of financing construction, have been incurred by individual owners and are not recorded in these special-purpose financial statements.

(b) Payment of Station Costs

Owners advance funds to the Department on a monthly basis based on anticipated cash requirements. Excess cash funds are temporarily invested by the Department prior to use.

(c) Fuel Inventories

Fuel inventories comprised of fuel oil and wood chips are stated at lower of cost or market as determined using the average cost method.

(d) Revenue and Transmission Expense

Revenue from sales of electricity, net of related transmission expense, is credited to individual owners and owners' participants by the Vermont Electric Power Company (VELCO) and/or Independent System Operator-New England (ISO-NE).

(e) Income Taxes

The Station is an unincorporated organization that has elected, pursuant to Internal Revenue Code Section 761(a), not to be treated as a partnership. No provision is made for income taxes since such liability is the responsibility of the individual joint owners.

(f) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of changes in owners' equity during the reporting period. Actual results could differ from these estimates.

(3) Related-Party Transactions

Station operating expenses include \$38,112 and \$27,132 in 2020 and 2019, respectively, representing administrative and general expenses incurred by the Department acting in its capacity as manager of the Station.