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DRAFT

TO: All Attending

FROM: Colleen Rouille

DATE: November 30, 2016

SUBJECT: McNeil Station Joint Ownership Operating Committee Meeting Notes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:15 A.M. on Wednesday, November 30, 2016 at the McNeil Generating Station Farmhouse.

PRESENT:

N. Lunderville, BED	J. Gibbons, BED
K. Nolan, VPPSA	B. Lesnikoski, BED
D. Smith, GMP	P. Pikna, BED
A. Parah, BED	M. Kasti, BED
D. MacDonnell, BED	C. Lamont, BED
C. Rouille, BED	J. Reardon, BED

1. Agenda

No changes were made to the agenda.

2. Review of Joint Owner Operating Committee Meeting Notes of September 21, 2016

No changes were made to the minutes. N. Lunderville made a motion to approve the Joint Owner Committee meeting minutes of September 21, 2016. The motion was seconded by D. Smith and approved by all Joint Owners present.

3. Public Forum

There was no one present from the public.

4. Overview of Operating Reports for September and October 2016

D. MacDonnell summarized the reports for the last two months.

In September 2016, the McNeil Generating Station produced a total of 22,617.0 net MWH of power for a Capacity Factor of 62.8%. The plant operated for a total of 561.7 hours or 78% of the total hours in September. The McNeil Station had an equivalent availability of 94.4%. As of September 30th, our total MWH produced for calendar year 2016 to date was 235,125.0 MW. There were an estimated 32,648.9 tons of wood consumed in September. McNeil's average NOx emissions for the quarter were .070 lb./mmmbtu which are low enough to qualify for Connecticut class 1 REC's. The reduction

and limitations in September were due to the circulating water chemistry issue which was due to a lack of rain water in the wells at the plant. Also mentioned was the west grate, hung up and a steam leak that was repaired.

In October 2016, the McNeil Generating Station produced a total of 20,370.0 net MWH of power for a Capacity Factor of 54.8%. The plant operated for a total of 485.6 hours or 65.3% of the total hours in October. The McNeil Station had an equivalent availability of 75.7%. As of October 31st, our total MWH produced for calendar year 2016 to date was 255,495.0 MW. There were an estimated 30,246.7 tons of wood consumed in October. In October, McNeil did their annual stack testing. The initial results were positive with no issues. The final results will be back soon. The stack test makes sure that what is going up the stack is being metered accurately. There were a few reductions and limitations in October, most notable was the circulating water chemistry issue again caused by low levels of water in the plant wells. There was also a steam leak and a circulating water line leak that required some repairs. Due to cycling the last three months, the plant has incurred 34 starts. N. Lunderville asked if the numbers could be looked at to see if cycling has produced a cost savings.

5. Fuel Procurement Update

Chief Forester, B. Lesnikoski handed out the update on the procurement plan and asked if anyone wanted to make changes or add something to that report in the future to let her know. B Lesnikoski stated McNeil is ready for winter with the wood supply. Deliveries are being scheduled according to the wood that is being used. The goal is to keep the wood pile at McNeil full going into the winter. This time of year the trains start to have weather related issues so having a stockpile of wood helps insure we have enough to keep the plant running. B. Lesnikoski explained about how the price of wood right now is low due to the market factors and availability of wood. This can change at any time and is something McNeil will watch and make any adjustments needed with the wood suppliers in the upcoming year. B. Lesnikoski works daily with the suppliers to ensure everyone is satisfied and that we maintain a good relationship with all of our suppliers.

At this time an executive session was called. N. Lunderville moved a finding that the conversation we will have will put McNeil Joint Owners in a substantial disadvantage in the marketplace per 1VSA313A1. D. Smith seconded the motion. All were in favor of the finding. N. Lunderville moved that because of the finding they move to executive session per 1VSA313A1A. with staff present. D. Smith seconded the motion. All Joint Owners present were in favor.

6. Financial Review

Ms. Parah reported that the calendar year to date budget is slightly above budget. McNeil is below on the fuel budget and slightly above on the expense budget. The remaining months of 2017 are expected to be similar. N. Lunderville asked if there were any areas in the budget that are running over more than we expected. It was noted that there were a couple areas that were above budget due to inventory and payroll but there were also many areas below budget.

7. Calendar Year 2017 Proposed Budget review and vote

D. MacDonnell reviewed the 2017 proposed budget. He stated that the budget at McNeil is based on the capacity factor for the plant of 70 percent. For calendar year 2016 the capacity

factor for McNeil as of October 31st is 69.9 percent. The budget for 2016 was \$29,951,352 and the proposed budget for 2017 is \$27,934,785. There is a decrease of \$2,016,567 in the proposed 2017 budget due to a decrease in fuel expense from the previous year. In calendar year 2017, McNeil plans on purchasing the same amount of woodchips, 460,000 tons, but at a lower price of \$30.00 per ton. This is down from the budgeted 460,000 tons of woodchips at \$37.00 per ton in 2016. Low energy prices, harvesting conditions being very favorable and the market for low grade chips being poor has caused the prices to drop in 2016. The fuel budget is down \$2,863,129 from 2016. The total expenses minus fuel went from \$7,937,387 in the 2016 budget to \$8,783,949 in the 2017 budget, an increase of \$846,562. The two main reasons for the increase are the electrical plant maintenance increase of \$348,000 which is due to the amortization of the turbine major overhaul that took place in 2011. Also, there was a loss for depreciation of equipment. D. Smith asked if the loss in depreciation could be explained. J. Reardon explained that it was a change in the estimated useful life of the equipment from what was originally projected when you brought the asset on and started depreciating it. The \$250,000 increase in the 2017 budget for depreciation is a conservative number according to J. Reardon. Moving forward, McNeil will be evaluating depreciation twice each year so this budget item will not be a surprise. K. Nolan asked what the new line item of informational advertising was in the 2017 budget. N. Lunderville stated that it is some of the administration salaries that have been moved to this line item to cover any promotional work incurred. C. Lamont presented a revenue projection model that has not been done in the past. M. Kasti noted that the value of the reliability of the McNeil plant is a non-monetary asset. Going forward, N. Lunderville wanted to see this revenue projection included in the budget to give all joint owners the real visibility of what is going on financially. D. MacDonnell talked about the final aspect of the 2017 budget which is capital. The capital budget decreased \$26,488 from the 2016 budget. The proposed capital budget for 2017 is \$2,613,026. The four major projects in the capital budget is stage II of the station lighting upgrade, phase III of the plant PLC upgrades, replacement of two circulating water pumps and motors and replacing an eleven year old front end loader. This loader loads the woodchips into the plant via the conveyor belt. McNeil replaced one loader a year ago. The current 11 year old loader is costing too much money to repair and because of this a new loader is needed.

D. MacDonnell made a motion to approve the calendar year 2017 budget. K. Nolan so moved and it was seconded by N. Lunderville. All joint owners present were in favor.

8. BED – GM Update

N. Lunderville followed up on the district heating conversation. There will be a 3 day visit by Corix who was chosen to look into district heating. They will visit McNeil and businesses in the area during the three day visit. There will be a final report available at the next joint owner meeting. N. Lunderville has met with a number of employees at the McNeil plant and said things are going very well. D. MacDonnell, P. Pikna, C. Rouille and B. Lesnikoski are doing and exceptional job managing the McNeil plant. In the Labor Management committee meetings, there are always issues and D. MacDonnell handles the things that come up very well and proactively.

9. Plant Status, Operating/ Maintenance Concerns

D. MacDonnell talked about the severe drought condition and how that correlates to the well water issues at McNeil. McNeil is monitoring the well water and the plant is cycling on and off to help with this. The week of December 12th, McNeil is having an operator

emergency response training for all maintenance and operating personnel. GE Alstom will conduct the training. The welder from McNeil has left for a job at the Pine street location leaving McNeil with no welder currently. D. MacDonnell mentioned, for informational purposes, in the next 5 years McNeil will be losing 16 employees due to retirement. The retirements should be spread out so training may not be an issue.

10. Schedule for next Meeting

The next Joint Owner meeting is scheduled for April 12, 2017, at noon at the McNeil farmhouse.

11. Meeting Adjourned

Mr. Lunderville moved to adjourn the meeting at noon. The motion was seconded by Mr. Smith and approved by all Joint Owners present.