

DRAFT

McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:07

P.M. on Monday October 21, 2019 at the McNeil Generating Station Farmhouse.

Present: David MacDonnell, BED, Paul Pikna, BED, Betsy Lesnikoski, BED, Ying Liu, BED, Douglas Smith, GMP via phone, James Reardon, BED, Darren Springer, BED, and James Gibbons, BED, with Ken Nolan, VPPSA.

Others Present: Colleen Rouille, BED

# Agenda

K. Nolan, VPPSA, made a motion to approve the agenda; the motion was seconded by J. Gibbons, BED, and approved by all Joint Owners present.

# Review of Joint Owner Operating Committee Meeting Minutes of July 16, 2019

No changes were made to the minutes. K. Nolan, VPPSA made a motion to approve the Joint Owner Committee meeting minutes of July 16, 2019; the motion was seconded by J. Gibbons, BED, and approved by all Joint Owners present.

# Public Forum

There was no one present from the public.

# Overview of Operating and Generating Reports for July 2019, August 2019 and September 2019.

D. MacDonnell. BED, summarized the operating reports for the months of July, August and September 2019. In July 2019, McNeil has a capacity factor of 73.7 percent. There were some reductions and limitations during the month. There was a water wall tube leak and an economizer tube leak. There were a lot of water wall tube repairs done during the major overhaul in May. This leak happened when a contractor was cutting out a tube, nicked the tube next to the one he was repairing. McNeil performed its summer seasonal claimed capability audit on July 8th, the plant had an output of 52MW for 2 hours.

In August 2019, McNeil had a capacity factor of 77.7 percent. There were some reductions limitations during the month. There was a circulating water pump failure. Two brand new circulators were put in and the original equipment was replaced. One of the circulators had a bad board and it did not take the plant out of service but caused McNeil to run at a reduced load. There was an economizer tube leak at the end of the month that took McNeil offline for four days. The dates for the annual overhaul have been approved by ISO and VELCO for April 11, 2020 to April 26, 2020.

In September 2019, McNeil had a capacity factor of 54.5 percent. The one limitation was an economizer tube leak that took McNeil down for two days. The third Quarter ended and the NOX emissions were low enough to qualify for Connecticut REC’s.

# Fuel Procurement Update

B. Lesnikoski, BED, updated the Joint Owners saying that McNeil ran very well through July, August and September. Currently McNeil is trying to build inventory for the winter months. McNeil currently has a mileage incentive for people coming into Swanton only to make up for the mileage difference. There are four to five haulers taking advantage of this incentive. There is a push to move more wood by train to McNeil while the weather is good to get as much wood before the weather changes. Markets are changing very quickly. In New Hampshire, the second bio mass bill to support the plants was vetoed by the governor. With the first bill, FERC was on the side of the ratepayers saying that the legislature can’t set the pricing and that the Public Utility Commission needs to regulate this. The biomass plants have either closed or are being sold. The Rygate plant is currently shut down until the end of November. They have sent their generator out for repair in Canada. Once the generator is repaired, the plant will be back online. McNeil is not seeing much of an impact because of this shut down. McNeil has some suppliers that split their production between us and Rygate and we are seeing more production come in. McNeil has one supplier that is taking advantage of the higher price in Swanton and is putting seventy-five percent of his wood in Swanton. The higher price which helps our rail ratio. Right now it is hard to get wood due to the wet weather and the suppliers are waiting to see what happens. The Emerald Ash Borer has been found in Londonderry. The USDA and the state are now looking at biological controls, such as a wasp to control the population of the bug. In the mid-west, the bug has been around for a long time and they are noticing that the white ash trees have survived versus the other types of ash trees. The white ash tree is the most prevalent in Vermont among ash trees so the hope is that they will survive here also.

# Financial Review

Y. Liu, BED, said that the total expenses on the calendar year to date budget through June 2019 are $12,137,844. This is $4,044,533 below budget. $2,685,998 of the favorable variance is the fuel expense. McNeil is using less wood than originally budgeted because of economic reasons and the McNeil major overhaul. The other area that were notably underspent were the steam expenses for $202,496, the boiler plant expenses for $305,584 and the electric plant maintenance expenses for $496,566. The total budget through June 30 was underspent by more than four million dollars.

# McNeil Operating Statement

Y. Liu, BED, presented the McNeil operating statement with McNeil revenue and expense for fiscal year to date through June 30, 2019. Also included is calendar year to date through June 30, 2019. In the June fiscal year to date 2019 numbers, the total revenue was $23,045,574 compared to 26,427,741 in June fiscal year 2018. The total fuel expenses were $12,895,040 in fiscal year 2019 compared to $15,527,466 in fiscal year 2018, and the total other expenses including depreciation were $12,070,930 in fiscal year 2019 compared to $9,533,861 in fiscal year 2018. The net loss before interest expense including depreciation was ($1,920,396) in fiscal year 2019 compared to a net income of $1,366,414 in 2018. In the June calendar year to date 2019 numbers, the total revenue was $9,735,114 compared to $13,317,954 in calendar year 2018, the total fuel expenses were $5,394,883 compared to $7,628,271 in 2018 and the total other expenses including deprecation were $7,536,939 in 2019 compared to $4,689,300 in 2018. The net loss before interest expense including depreciation was ($3,196,709). This is compared to a net income of $1,000,383 in the June calendar year to date 2018 number.

J. Reardon said some of the parts for the 2019 overhaul were bought in 2018 and were put into inventory for purposes of financial reporting. These parts are now showing up as an expense in this year. Even though the parts were bought in 2018, they show up now as an expense in this year. J. Reardon, BED, said that the bottom line, including depreciation in the calendar year through June 30, 2019 is 2.4 million which is close to the cost of the overhaul. This means without the expense of the overhaul the budget is close to break-even including covering depreciation.

**8. BED – GM Update**

D. Springer, BED, gave an update on district energy. He reported that Burlington Electric Department has been having conversations with the stakeholder group and there has been a revitalized strategy. The downtown is not being focused on but the UVM Medical Center and University of Vermont are the focus at the moment. Vermont Gas, UVMMC and UVM are in negotiations with Burlington Electric department about a steam based plan as opposed to a hot water plan that Corix had proposed. The hospital has a steam system that would not have to be converted to hot water if this moved forward. Burlington Electric Department is working with Evergreen who is under contract with Vermont Gas Systems for another project in Middlebury, for a modest amount of shared funding, to look at the steam project variables to see if this is more economical than the Corix model. This ultimately would advance the project to the engineering permitting phase if the economics look reasonable.

D. Springer, BED, mentioned that Burlington Electric Department hosted their second innovation cup competition and the second place winner had an idea to have a sign on the McNeil gate to tell the story of McNeil and its contribution to renewable energy and to the economy. D. Springer, BED, said that this idea was good and it will be executed as soon as possible.

# Plant Status, Operating/ Maintenance Concerns

# D. MacDonnell, BED, reported that the economizer is in the budget to repair because this is the cause of most of the issues at the plant currently. The economizer tube leaks are happening often and McNeil is doing everything possible to minimize the leaks. Once the economizer is repaired the boiler will be in much better shape and there will be less reductions and restrictions while running the plant. P. Pikna, BED, commented that the economizer project could be more expensive if an air heater needs to be updated when the economizer is apart. The air heater could be done with a drastic savings if completed at the same time as the economizer replacement. D. MacDonnell, BED, said that currently, when the plant is not running, there are maintenance items that are being done that can’t be done when the plant is online.

# Schedule for next Meeting

The next Joint Owner meeting is scheduled for December 3, 2019 at noon at the McNeil farmhouse.

#  Meeting Adjourned

D. Springer, BED, made a motion to adjourn the meeting at 1:50 pm; the motion was seconded by J. Gibbons, BED, approved by all Joint Owners present.