



DRAFT

McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:05 P.M. on Tuesday December 4, 2018 at the McNeil Generating Station Farmhouse.

Present: Darren Springer, BED, David MacDonnell, BED, Paul Pikna, BED, Betsy Lesnikoski, BED, James Gibbons, BED, Ying Liu, BED, Chris Cole, GMP, Kenneth Nolan, VPPSA, James Reardon, BED, Munir Kasti, BED

Others Present: Colleen Rouille, BED

1. Agenda

D. MacDonnell asked that the November 2018 Operating Report be taken off the agenda since this month did not make the meeting packet. K. Nolan made a motion to approve the agenda; the motion was seconded by Mr. Cole and approved by all Joint Owners present.

2. Review of Joint Owner Operating Committee Meeting Minutes of August 28, 2018

K. Nolan made a motion to approve the Joint Owner Committee Meeting Minutes of August 28, 2018; the motion was seconded by J. Gibbons and approved by all Joint Owners present.

3. Public Forum

There was no one present from the public.

4. Overview of Operating and Generating Reports for August 2018, September 2018, and October 2018.

Mr. MacDonnell summarized the reduction and limitations and news for the month of August 2018. McNeil ran approximately 70 percent of the time. In August there were a couple of boiler starts during the month. Fuel oil was used for the start-ups instead of natural gas. The natural gas line was out for maintenance and has not been out since 2010. These start-ups went well using the fuel oil. In the month of September there was an economizer tube leak that lasted for six days after the plant came off-line due to economics. The third quarter REC'S ended and the NOX emissions were low enough to qualify for Connecticut RECS for the quarter. During October there were two issues that happened at the plant. The water wall and a boiler tube rupture. This rupture is

Different than a tube leak. The leaks are a pinhole leak where the rupture is when the tube blows out. There was one rupture in the middle of the month and then a second the end of the month. These are the only ruptures in the history of the plant. These ruptures have required a mapping of the water well section of the tubes that will take place during the next major overhaul. In October there was an annual stack testing where an independent company comes in to verify that the readings produced from the stack are true and accurate. McNeil also hired a Generation Generalist and a Yardworker in October.

5. Fuel Procurement Update

B. Lesnikoski updated the joint owners on the current wood supply. McNeil is trying to build inventory to be ready for winter. It has been a difficult fall because of the rain and snow. It is the hope that when the ground freezes, deliveries will be more frequent. B. Lesnikoski said that she has reached out to Eric Kingsley from Innovative Natural Resources who is a consultant who studies wood markets throughout the country. He is based in Maine and focused in the northeast. He is developing a proposal for McNeil to look at our wood procurement compared to other wood using industries throughout the northeast. He will advise McNeil on what is being done right as well as improvements and how McNeil fits into the other markets. B. Lesnikoski handed out an article that Eric Kingsley wrote from the Biomass magazine that answers a lot of the questions on pricing, long term pricing commitments and how it works in the biomass industry. A lot of the recommendations he makes in the article are already done at McNeil such as having a big enough wood yard and enough dumpers. He is a well-respected consultant in the industry and B. Lesnikoski is looking forward to seeing his proposal. New Hampshire markets are going strong due to legislation where they are subsidized. This is a positive for Vermont because they will have the infrastructure and support system for all of our suppliers.

6. Financial Review

Ms. Liu said that the total expenses on the calendar year to date budget through September are \$17,442,155. This is about \$4.5 million below budget. The variance is mostly driven by underspending in fuel expense and plant maintenance expenses. Fuel expense is about 2.9 million below budget because of the decision not to run as much for economic reasons and wood price being down to \$27 per ton. Miscellaneous steam expenses were about 574,000 below budget because of the amount being budgeted and not spent for the major overhaul which was postponed to 2019. P. Pikna added that the reduced capacity factor and reduced maintenance contribute to the underspending in this category. Y. Liu continued saying that McNeil purchased parts for major turbine overhaul and recorded as the electric plant expense as of June 30, 2018. During fiscal year June 30, 2018 audit, about \$1.1 million was reclassified from the expense to inventory and prepaid accounts. J. Reardon said that when you see the major turbine overhaul in the next calendar year it was noted in the narrative that the cash outlay of that major overhaul will be less than what the expenses are in that budget because you have already put up the cash for those parts that are now in inventory.

7. McNeil Operating Statement

Y. Liu presented two McNeil Operating statements with McNeil revenue and expense for fiscal year 2017 and 2018, fiscal year to date through September 2018 and calendar year to date through September 2018. One statement includes REC revenue provided by the resource planning team. In the September fiscal year to date 2019 numbers on the V1 statement, the total revenue was \$6,117,876 compared to 5,736,579 in September of fiscal year 2017. The total fuel expense was \$3,980,792 in fiscal year 2019 compared to 4,324,770 in fiscal year 2018, and the total other expenses were \$2,302,144 in fiscal year 2019 compared to 2,103,495 in fiscal year

2018. The net loss before interest expense including depreciation was \$165,061 in fiscal year 2019 compared to a net loss of \$691,687 in 2018. In terms of revenue and fuel costs and other expenses there are no notable fluctuations from year to year. In the September calendar year to date 2018 numbers on the V1 statement, the total revenue was \$19,732,906 compared to 15,175,511 in 2017, the total fuel expense was \$11,609,063 compared to 11,680,731 in 2017 and the total other expenses were \$6,993,378 compared to 7,222,822 in 2017. The net income before interest expense including depreciation was \$1,130,465. This is compared to a net loss of \$3,728,041 in the September calendar year to date 2017 number. J. Reardon mentioned that fiscal year 2019 through September is close to break-even with depreciation factored in and that you essentially get your money back on your capital outlays that you have made that get depreciated over time. This is good news. The net income in calendar year 2018 is mainly due to the cold winter and energy prices. A second statement was handed out that is labeled V2 that was done with the same numbers but it includes REC revenues which are aligned with BED' book – that is, BED recognizes REC revenues when billed and received. Due to the higher REC revenues, the second statement presented better operating results. It was asked of the members which statement they would like going forward and it was decided that the Joint Owners will get back to Jim with an answer before the next meeting.

8. CY2019 Budget Review and Vote

The calendar year 2019 budget was presented to the Joint Owners by D. MacDonnell. He mentioned that the one-time expense for the gasifier and property tax expenses were taken out of the 2019 budget because this project is on hold. The cost of the fuel has dropped. J. Reardon mentioned that the gasifier savings will be used with the new expenses for the mapping, staging and water washing that is included in the 2019 budget. Also included in this expense budget is the 2.8 million cost of the major overhaul. This expense is absorbed in the reduction of the fuel cost making this 2019 budget level funded. K. Nolan made a motion to approve the 2019 calendar year budget. The motion was seconded by D. Springer and approved by all Joint Owners present.

9. BED – GM Update

D. Springer, the new general manager for Burlington Electric, gave the update. He began by giving an update on district energy. He said that he has met with UVM medical center, UVM and Corix. The conversations with customers has been good. What would be asked of the customers in a letter of intent would be to take on a proportional responsibility for the development costs in the advanced engineering phase. This has been a significant block currently. Burlington Electric is looking at some alternative funding sources for that phase of work to make it easier for the customers to sign the letter of intent and to go forward with this project. Senator Leahy's staff came to McNeil for a visit and they are exploring if there might be any opportunity for some federal funding for that phase of work for district energy. Other conversations are happening about other potential funding sources and the goal is to bring that conversation to a conclusion over the next couple of months. If funding becomes available, D. Springer believes there is a good chance that the project will advance to the next phase. The regulatory approvals are complete.

D. Springer brought up that he is making some proposed structural organizational changes at Burlington Electric. He is creating a new division called the Center for Safety. Mike Flora who is the director of Safety and reports directly to Darren would now report to a manager of Safety in that division. The Manager of the Center for Safety would be Paul Alexander. Ross Predom, the Environmental Specialist and the Purchasing group would also be in this division.

10. Plant Status, Operating/ Maintenance Concerns

D. MacDonnell said he just received a draft of the triannual report. When this report is finalized Dave will share it with the Joint Owners. This is done every three years and is required by the bond to make sure McNeil is operating as it should. The plant came online yesterday with the

hope it will be online for the winter. McNeil is running at a reduced load at 45 megawatts right now due to a reclaimer that brings the wood onto the conveyor belt being broken. This should be fixed by next week. McNeil is preparing up for the major overhaul that will take place May 15 through June 19. Some of the major work besides the turbine will be on the circulating pumps and motors, stack inspection and sealing of the stack, concrete work around the cooling tower basin. P. Pikna said we will be doing the water wall mapping and scanning during this overhaul. The scanning, which is called Low Frequency Electromatic Technique, will be done by a vendor that is the only one who deals with these boiler issues in its field. He is hoping that the preliminary borescope will find a manageable amount of issues and that the root causes will be found. D. MacDonnell said that consultants have said that this vintage boiler has had these issues and is something that just happens.

11. Schedule for next Meeting

The next Joint Owner meeting is scheduled for March 26, 2019 at noon at the McNeil farmhouse.

12. Meeting Adjourned

Mr. Springer made a motion to adjourn the meeting at 12:50pm; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.