

McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:15

P.M. on Thursday, October 19, 2017 at the McNeil Generating Station Farmhouse.

Present: Neale Lunderville, BED, James Gibbons, BED, Munir Kasti, BED, Betsy Lesnikoski, BED, David MacDonnell, BED, Paul Pikna, BED, James Reardon, BED, Douglas Smith, GMP, Kenneth Nolan, VPPSA, and Morrigan McGregor, CORIX.

Others Present: Colleen Rouille, BED

Mr. MacDonnell stated at the start of the meeting that the packet sent out before the meeting included the proposed calendar year 2018 budget. This budget is a draft and has not been approved or finalized by Burlington Electric but was distributed for early numbers and questions. The final budget will be approved at the December, 2018 meeting. He also stated he would be changing the format of the overview in the Operating report. This change was approved by all Joint Owners present.

# Agenda

Mr. Lunderville made a motion to approve the Agenda; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# Review of Joint Owner Operating Committee Meeting Minutes of July 26, 2017

Mr. MacDonnell made a change to the date on page three of the minutes. The next McNeil outage will be April 14th and not April 18th as stated in the minutes. Mr. Lunderville made a motion to approve the amended Joint Owner Committee Meeting Minutes of July 26, 2017; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# Public Forum

There was no one present from the public.

# District Energy Update

Mr. Lunderville asked Ms. McGregor from Corix to stay for the meeting to give an update on District Heating. Ms. McGregor gave all members present a handout showing the phases of the project. She stated that phase one and phase two were feasibility and refined analysis work where many scenarios and customers were looked at and narrowed down. Corix looked at

business as usual heating cost for customers and then had a stakeholder meeting at the end of March, 2017. From this phase and the data collected, two scenarios were presented. The scenarios were explained as using the McNeil plant only and the other using both the McNeil Plant and Perkins Pier Wastewater Plant for district heating. Phase two consisted of a refined analysis of the customer base, refining some of the financial numbers, sitting down with the big potential customers to define their cost. An updated model was reviewed and the results were presented the end of June. The decision was made to go ahead to phase three with the base case being McNeil only. The peak diversified load being 100 MMBtu/hour, capital cost being 40M, levelized cost, or cost to the customer over time, being $23.00 and GHC savings (tonnes) (over 30 years) being 502,000. The base case of McNeil only was chosen partially because of lower capital costs and levelized costs. Since there is now a system that may work out and a customer base that is interested, phase three will consist of meeting with the customers and getting letters of intent signed by them before moving forward. Corix wants to define a model and develop rates to show the potential customer so they can get a commitment from them and move forward. The hope is to sit down with customers starting November, 2017. Ms. McGregor stated that the next phase 4 would be the preliminary design phase. Phase 5 is the detailed design, Phase 6 is the construction and commissioning and phase 7 operations. Mr. Lunderville stated the letters of intent and signatures are an important step in this process but that initial indications are seem positive. Mr. Gibbons stated that he had Corix go back and double check their estimates for steam extraction and other numbers so that we had the final numbers to send the original equipment manufacturers for the study. Mr. Gibbons mentioned that it was assumed that district heating was going to reduce McNeil’s effective generation therefore it had to compensate us for capacity, energy, REC’S. The good news is now it may not reduce effective energy production at the plant and possibly become a revenue. Ms. McGregor proceeded to show the general layout of the pipeline and the number of potential customers they have already engaged with. It was explained that the total energy that will be produced was from three sources. The McNeil economizer at 27%, the McNeil steam extraction at 40% and natural gas boilers at 33% for peaking and backup. Mr. Lunderville stated that the model is designed to be economic for all the players involved. Mr. Gibbons said that understanding the actual implications on the plant is necessary, especially for the joint owners to move forward. Ms. McGregor summed up the presentation by stating that this was the model they intend to follow. Mr. Lunderville stated that the City of Burlington would own the equipment i.e. generation, distribution, energy transfer stations, and Corix would operate them for a fixed period of time. In theory, the inception rates would have to be approved. Mr. Nolan asked what the timeline would be. Corix would like to move forward as quickly as possibly but the reality of the letters being all signed is around March, 2018. It was mentioned that the Joint Owners would possibly need to sign a letter of intent so that Corix can move forward with the preliminary design. He stated that a preliminary letter of intent would probably be ready for the December meeting and a vote would be made at the March, 2018 meeting.

Mr. Lunderville moved that the joint owners discussion of the preliminary disclosure of the ownership and contract terms, if shared publically would place the joint owners and McNeil at a significant competitive disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. The motion was seconded Mr. Nolan.

Mr. Lunderville made a motion to enter into Executive Session based on the finding under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes with staff and Corix present. The motion was seconded by Mr. Nolan.

The Joint Owners moved into Executive Session at 12:41 p.m.

Mr. Lunderville made a motion to exit Executive Session at 1:04 pm; this motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# Overview of Operating Reports for July 2017 through September 2017

Mr. MacDonnell summarized the reduction and limitations and news for the last three months. In July 2017, there was a reduction and limitation of the air heater rotary seal valve failure. This

caused a 1244 MWH reduction. This is a valve that removes the ash from the boiler.

With more than 38 years of service, Shift Supervisor Frank Vigneau resigned effective July 3, 2017. On July 2, 2017 McNeil successfully performed the Seasonal (summer) Maximum Claimed Capability Audit of 52.0 MW for 2 hours. An independent inventory audit was conducted this summer. The McNeil 2018 overhaul have been approved by both Velco and ISO. Overhaul will begin on April 14, 2018 and end on May 20, 2018.

In August 2017, there were a few reductions and limitations in August most notable were the Bottom Ash Conveyor Coupling and the Generator Voltage Regulator. The voltage regulator tells the exciter what the generator should put out for volts. After examination, the regulator was found to be in in working condition and did not need any repairs.

Ross Predom was hired as the new Environmental Specialist. He comes to McNeil with an

Associate degree in civil and environmental engineering along with a bachelor degree in sustainable design. Frank Hall has accepted the position of Shift Supervisor. Frank was an internal candidate that has been working at the plant since 2003. Frank’s previous position of Station Operator has been posted.

In September 2017, there were a few reductions and limitations in September; most notable was the main transformer oil leak, a plugged ash hopper, 7 boiler tube leaks and a circulating water pump coupling. At the time McNeil was offline, energy prices were being monitored and the timing was good to have the plant down. There was no additional overtime needed during this period of time. The communication between Operations and Power Supply has been very strong and helps with the decision to stay offline.

Ken Musgrave was hired as the new Generation Generalist; he comes to McNeil as a licensed and experienced journeyman electrician. Interviews for the vacant Station Operator position were conducted in September. Potential candidates will be asked back for a second interview

during the first part of October. The third quarter REC’s for 2017 ended on September 30th. McNeil’s average NOx emissions for the quarter were .069 lb/mmbtu which are low enough to qualify for Connecticut class 1 REC’s.

# Fuel Procurement Update

Ms. Lesnikoski stated that the 13 day shut-down in September worked well for the foresters because the weather was good, and wood harvesting picked up helping the McNeil station build up their wood supply for the winter. Ms. Lesnikoski stated wood suppliers are working at capacity and the wood stream is coming in steadily. One of the concerns is that low grade markets are still bad and that is helpful to the plant currently but the adjacent states are concerned about losing the low grade markets. They are putting state funded dollars into propping them up. If that is successful, that could be bad for McNeil. Each state wants to keep their wood local. If they can build up local state markets we are going to have to fight harder to get wood. This issue is being monitored by Ms. Lesnikoski. Each state realizes the economic impact of the forestry industry and all of the subsequent jobs related to it, all the way down to the insurance companies. They see this as a huge economic driver and are giving money to their local economies to keep harvesting going and increase other markets for forest products. N. Lunderville asked how the potential subsidies in Maine or New Hampshire impact the low grade market for McNeil. Ms. Lesnikoski stated that other states will start using more wood in their own state impacting what we can buy from them. She also said that New York is a bigger concern if

They subsidize or change their bio-mass rules. Their rules limit what counts for renewable energy in New York. If they change the rules in New York and some of the bio-mass plants that are close to us come back on-line, that will have a bigger impact on McNeil. Ms. Lesnikoski also stated that in New York, if you convert a coal plant to bio-mass, it does not count for REC’s because the law states that it is what that plant was originally built for. This rule is being looked at and if changed would impact McNeil.

Ms. Lesnikoski stated that the Emerald Ash Borer insect has been found in all the surrounding areas and that Vermont has had their traps taken down. There have been none reported currently in Vermont.

# Financial Review

Mr. Reardon thanked K. Nolan for allowing the Finance department to contact Amy Parah, former McNeil Accountant, who is now working for VPPSA to help during the change at Burlington Electric. For the month of July, McNeil is slightly under budget mostly because of the budgeted price for wood versus what was actually spent. The calendar year to date, compared to a budget of $17 million, the actual spent as of July is $13.9 million for a $3.1 million favorable variance of which $2.3 million of that is in woodchips. The remaining difference is in maintenance between boiler plant and electrical plant. Some of this difference is McNeil capitalizing more projects and not putting them in the expense budget. Year to date through September, the preliminary numbers show the capital budget is also below budget. A comparison of the July calendar year to date in 2017 versus 2016, the spending is close to $2.9 million dollars below the prior year to date, mostly due to woodchips that were budgeted at $28 dollars per ton.

# McNeil Operating Statement

Mr. Lunderville moved that the premature disclosure of the operating statement, if shared publically would place BED and McNeil at a significant competitive disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. The motion was seconded Mr. Nolan.

Mr. Lunderville made a motion to enter into Executive Session based on the finding under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes with staff present. The motion was seconded by Mr. Nolan.

The Joint Owners moved into Executive Session at 1:30 p.m.

Mr. Lunderville made a motion to exit Executive Session at 1:40 pm; this motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# Gasifier Demolition in Calendar Year 2018

Mr. Lunderville stated that since McNeil is still in negotiation with the contractor on a proposal to demolish the gasifier, an executive session will be needed to discuss the details of the contract. Any other details would be presented. Mr. Pikna stated that McNeil has an abandoned gasifier on the McNeil property that was built in the 90’s. The entity that built it was called Ferco, who is now bankrupt. There is no clear documentation on who owns the gasifier. There has been some debate around ownership and it has been said that McNeil is the default owner because it is on our property. The gasifier is a negative asset because it is not being used. Burlington Electric has historically been trying to get rid of the gasifier and quotes had been reviewed to accomplish this. There have also been some current quotes obtained to see the current prices to demolish it. Presently, we have an opportunity to get rid of the gasifier with the exception of the concrete foundation from a local Vermont company.

Mr. Lunderville moved that going into any further discussion of the current negotiations, if shared publically would place BED and McNeil at a significant competitive disadvantage per Title 1, Section 313 (a) (1) of the Vermont Statutes. The motion was seconded Mr. Nolan.

Mr. Lunderville made a motion to enter into Executive Session based on the finding under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes with staff present. The motion was seconded by Mr. Nolan.

The Joint Owners moved into Executive Session at 2:43 p.m.

Mr. Lunderville made a motion to exit Executive Session at 3:13 pm; this motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# BED – GM Update

Mr. Lunderville stated that he has covered what he needed to say already and that we could move to item number 11 on the Agenda. Mr. Gibbons wanted to share that his department received some discovery questions from Connecticut in regard to McNeil’s renewability. Most of the questions were data already provided to them. Mr. Gibbons read the questions that had been answered already by Burlington Electric staff. Mr. Smith requested a copy of the questions with the responses filed. Mr. Smith said G.M.P. received similar challenges certifying new facilities such a solar as Connecticut class one eligible. He suggested that any further questions be shared between utilities so that everyone is aware of what is being requested.

# Plant Status, Operating/ Maintenance Concerns

Mr. MacDonnell stated that McNeil is preparing for the 5 week major turbine overhaul that happens every 5 to 7 years. The last one was done in 2011. A new station operator was just hired from out of state. He has dealt with solid fuel, and has worked a rotating shift so he should be a good fit for the position. Mr. MacDonnell also stated he is concerned about the current tube leaks. These happened when the plant shuts down and will be monitored. There has been a major focus on safety at Burlington Electric and at the McNeil Plant. Everyone is reminded daily about safety and have been told to stop the job if something seems wrong. Mr. Smith asked the details of how Burlington Electric was presenting and following up on safety issues because G.M.P. is going through something similar with safety. Mr. MacDonnell said with safety committees and daily reminders things are going well.

# Schedule for next Meeting

The next Joint Owner meeting is scheduled for December 5, 2017 at noon at the McNeil farmhouse.

# Meeting Adjourned

Mr. Lunderville made a motion to adjourn the meeting at 3:26 pm; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.