



**DRAFT**

## McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:18 P.M. on Wednesday June 20, 2018 at the McNeil Generating Station Farmhouse.

Present: Neale Lunderville, BED, Betsy Lesnikoski, BED, David MacDonnell, BED, Paul Pikna, BED, Ying Liu, BED, Douglas Smith, GMP, and Kenneth Nolan, VPPSA, James Gibbons, BED, James Reardon, BED, Adam Rabin, BED, Casey Lamont, BED, Munir Kasti, BED

Others Present: Colleen Rouille, BED

### **1. Agenda**

Mr. Lunderville asked that item number 8, BED G.M. Update be moved to agenda item number 4. Mr. Lunderville made a motion to approve the Agenda; the motion was seconded by Mr. Smith and approved by all Joint Owners present.

### **2. Review of Joint Owner Operating Committee Meeting Minutes of May 2, 2018**

D. Smith asked that in item 5, some of the wording be changed about the plant NOX emission rate in two places. D. Smith changed the wording in section 10 about a comment he made concerning a training video. N. Lunderville made a motion to approve the Joint Owner Committee Meeting Minutes of May 2, 2018; 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. BED – GM Update**

N. Lunderville said that it was his last Joint Owner meeting because he will be transitioning to his new position at C.E.D.O. The search process will take place very soon for his replacement. At the last meeting, training videos at the McNeil station were discussed. N. Lunderville asked Adam Rabin to come to the meeting to show everyone a sample of these videos. A video of the train unloading process was shown. The videos are on a website for employees to access. N. Lunderville described them as very professional and said that the videos will be used for the current training program. N. Lunderville then moved that information on District Energy, if shared publicly would place BED and McNeil at a significant competitive disadvantage per Title 1, Section 313 (a) (1) of the Vermont Statutes. N. 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 12:36 p.m.

N. Lunderville made a motion to exit Executive Session at 12:45 pm; this motion was seconded by Mr. Nolan.

#### **5. Overview of Operating and Generating Reports for April 2018 and May 2018.**

Mr. MacDonnell summarized the reduction and limitations and news for the month of April 2018. There were reductions during the month. The first was east water wall blow down line and economizer leak. This happened again at the end of the month. There was also an ash transfer conveyor coupling failure. The annual overhaul started on April 28<sup>th</sup>. Energy prices were up in April which was good for the plant to run. In May 2018, the plant was offline for the month due to the overhaul and some issues. The overhaul was done May 13<sup>th</sup>. The plant did not go back online because there was an issue with the sulfuric acid tank. When drained and inspected it was compromised and the decision was made to replace the tank.

#### **6. Fuel Procurement Update**

B. Lesnikoski handed out copies of the wood report that was not included in the packet that was emailed. B. Lesnikoski stated that at the end of April McNeil had a low inventory of wood but currently there is an abundance of wood. B. Lesnikoski asked for direction if McNeil does not run consistently this summer so McNeil can let the suppliers know what the outlook looks like. It is difficult to predict the wood supply when McNeil is shutting down more than usual. The steadier the production the easier it is to maintain the supply structure. B. Lesnikoski said it is a real concern to her that the suppliers will not be there if we are not steady in our deliveries. She then asked about the commitment letters that are being done because the contracts run out in June and need to be renewed. Betsy asked if McNeil wants to keep the contracts open ended or date driven and also stated that she is worried that we might lose suppliers. A discussion happened about managing the wood inventory. The conclusion was to raise the round wood price to try to fill the round wood yards and try to divert some of the wood from the chip market into the round wood. B. Lesnikoski said that she has heard that the infrastructure of the supply system of wood is struggling because of the low prices. Many are closing. Offering the contracts at the same prices and the same volume would be appropriate due to the current market. The contracts would be for a year and that would lock the supplier into the contracts volume and price.

## **7. Financial Review**

Ms. Liu said that the total expenses on the calendar year to date budget through April are \$9,515,666. This is \$203,094 below budget. Total generation expenses are overspent by \$422,150. This variance is due to overspending in the electric plant. This variance is due to the purchase of parts for the major turbine overhaul in 2019. J. Reardon commented that the auditors may request the parts that have not been used yet may have to be adjusted from expensed to the balance sheet and put into inventory. This adjustment would show up in the May financials. If this happened, that amount would be added to the accounting order that would be amortized over a 7 year period. Jim also mentioned that McNeil had never accounted for the spoilage in the wood pile and will also have to be an adjustment in inventory at about ten thousand tons or \$500,000. Y. Liu continued saying that the notable variance in the boiler plant of \$216,000 is because of overhaul parts being budgeted in April and not spent until May.

D. Smith asked the question, if we are spending money on equipment in anticipation of the major overhaul, wouldn't this be a capital expenditure? J. Reardon said the equipment would not be capital because this does not significantly improve the facility. The parts keep the performance of the plant as usual and is more of a replacement and not an improvement. For utility accounting, under gap, if you have a regulatory body and get approval, they will allow you to treat what otherwise would be an operating expense as a capital expense that can be amortized over a period of time like a capital asset could be.

## **8. McNeil Operating Statement**

Y. Liu presented the McNeil Operating statement with McNeil revenue and expense for fiscal year 2017 and 2018, fiscal year to date through April 2018 and calendar year to date through April 2018. In the April fiscal year to date 2018 numbers, the total revenue was \$24,676,371, the total fuel expense is \$14,089,261, and the total other expenses were \$8,688,986. The net income including depreciation was \$1,898,124. This is compared to a net loss of \$3,576,173 in the April fiscal year to date 2017 number. In the April calendar year to date 2018 numbers, the total revenue was \$12,195,249, the total fuel expense was \$6,190,666 and the total other expenses were \$3,840,607. The net income including depreciation was \$2,164,577. This is compared to a net loss of \$1,153,934 in the April calendar year to date 2017 number. J. Reardon said that we are in the positive after factoring in depreciation. Each Joint Owner should be generating positive cash flow and this should allow McNeil to recoup their capital investments. Positive cash flow is being generated from an operating perspective and also recovering through cash flow from the capital projects.

## **9. Plant Status, Operating/ Maintenance Concerns**

D. MacDonnell asked if his preference to do the major overhaul next year in late April and May was acceptable to the group. This will be a 5 week outage. Since April and May are reasonable times to be offline due to the anticipated soft energy market, the group agreed. Dave will submit the dates to ISO New England. D. MacDonnell said he has a concern with low energy prices, losing the wood supply and rotating the fuel supply which is an ongoing issue that he will monitor. P. Pikna gave an update on the gasifier. He said the one crane entity that has interest in doing the project will not bid the job without drawings. The drawings are currently being located and will be provided to them to move this project forward, if found. It is possible the project will happen next fiscal year.

## **10. Pro-active Replacement of Original Equipment**

D. MacDonnell said that the McNeil availability since 2013 has dropped recently. In 2013 it was 89.7, 2014 it was 82.5, 2015 it was 82.3, 2016 it was 85.2 and in 2017 it was 74.6. Availability does tell you that we were not available as much as in past year, but when the plant is broke down McNeil has not rushed contractors and paid premium wages to get back online if the energy prices are low. For May of 2018, McNeil did not run and will drop the average for the year for availability. K. Nolan said with the acid tank failure, the question was raised if there were other older pieces of equipment that McNeil might want to be looking at to evaluate for possible issues. The acid tank failure is a good example of a piece of equipment that is not looked at during the overhaul. D. MacDonnell said McNeil has a preventative maintenance program and equipment is being replaced regularly. McNeil has a five year budget where equipment maintenance is looked at and predicted. There are no real concerns at this time.

## **11. Schedule for next Meeting**

The next Joint Owner meeting is scheduled for August 28, 2018 at noon at the McNeil farmhouse.

## **12. Meeting Adjourned**

Mr. Lunderville made a motion to adjourn the meeting at 1:50 pm; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.