



DRAFT

McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil station Joint Ownership Operating Committee convened at 11:02 a.m. on Monday, June 6, 2022. Present on Teams; David MacDonnell, BED, Betsy Lesnikoski, BED, Paul Pikna, BED, Munir Kasti, BED, Ying Liu, BED, Darren Springer, BED, Rodney Dollar, BED, James Gibbons, BED, Emily Byrne, BED, Ken Nolan, VPPSA, and Doug Smith, GMP.

Others Present on Teams, Colleen Rouille, BED.

1. Agenda

There were no changes made to the agenda.

2. Review of Joint Owner Operating Committee Meeting Minutes of March 14, 2022.

There were no changes made to the minutes. K. Nolan, VPPSA, made a motion to approve the Joint Owner meeting minutes of March 14, 2022; D. Springer, BED, seconded the motion and it was approved by all Joint Owners present.

3. Public Forum

There was no one present from the public.

4. Summary of Operating and Generating Reports for March, April, and May of 2022.

D. MacDonnell, BED, summarized the operating reports for the months of March, April, and May 2022. In March 2022, McNeil produced 25,342 net MWH for a capacity factor of 68.12 percent. There were a few reductions and limitations during the month. There was poor wood quality, a plugged cyclone hopper, wet fuel and repairs, waterwall tube leaks, and #6 auger issues. McNeil got approval to move forward with the hiring process for a Yard Worker position. In the month of April 2022, McNeil produced zero net MWH for a capacity factor of zero percent. McNeil was in their annual overhaul in April. Many projects were completed. Yard Worker interviews and hiring continued. In May 2022, McNeil produced 3,787 MWH for a capacity factor of 10.18 percent. There were a few reductions and limitations. The annual overhaul continued, there were grate issues and a grate failure, and a hot well indication. This month the McNeil the overhaul concluded, and Yard Workers interviews are still taking place. D. Smith, VPPSA asked about when the plant is expected to run again. D. MacDonnell answered that we are currently in the second overhaul, which had to be done in June due to labor constraints with the contractor. The outage will be completed around June 15th and McNeil will be available to run.

5. Fuel Procurement Update

B. Lesnikoski, BED, updated the Joint Owners saying that McNeil has spent most of May working on a new pricing schedule. This new schedule separated the diesel fuel component from the base production prices. This new schedule went into effect the last week in May. There has not been a large uptake of wood in the two weeks since the new schedule, but B. Lesnikoski thinks this is because the vendors are getting organized and there was a holiday week. She is hoping she will see more support for this in the coming weeks ahead. Suppliers are thankful that McNeil has done something but are not sure we have done enough. This spring has been very wet, and this usually causes less wood to be delivered. McNeil also ran through the end of March that allowed all the existing stockpiles to be chipped. A slight increase in deliveries started to happen last week. In the next few weeks, it will be clearer what the impact of the new pricing will be. B. Lesnikoski, BED, recognized that the suppliers have not been compensated for some of their other base production costs. The base price has increased slightly but not enough to reflect the costs of parts, labor, supply chain issues and general inflation. B. Lesnikoski, BED, said she will watch and see if wood supply increases over coming months. There is a concern that if they do not continue to chip, McNeil will lose the trucking capacity because trucks can make more money particularly in the construction and excavation industries. Once the chip trucks get diverted, they are hard to get back and when they do come back, they want the same price they are getting in the construction industry. It is too soon into this new process to see what is going to happen, but it will be monitored. B. Lesnikoski, BED, also brought up an issue on the Ryegate extension bill that just got signed. There are two pieces of this bill that may affect McNeil. The first issue is the Forest Parks and Recreation department is required to do a survey by July 2024, to determine a minimum market price for fuel at Ryegate. This could impact the price of wood for McNeil. J. Gibbons, BED, asked how this would impact us if Ryegate always pays more than McNeil and they cannot burn any more would running at a 95% capacity factor. B. Lesnikoski, BED, answered by saying that all of the people that are spot market suppliers to the east are going to Ryegate right now and paying a top price. There is a need for wood because of the wet spring in all facilities and if the supplier can get more for their product at one facility, they will go to Ryegate, in the middle section of Vermont. The other piece of the bill is to examine the harvest standards and to determine to see if an update is needed. If there are significant changes to the standards, it may impact McNeil. It will be in McNeil's best interest to watch this closely. D. Smith, GMP, asked where McNeil is now with wood inventory numbers. B. Lesnikoski, BED, said that as of this week, there is a total inventory of 32,575 tons, 29,363 tons are at McNeil. Swanton only has 3,212 tons in inventory.

6. Financial Review

Y. Liu, BED, said that she would be reviewing the McNeil April 30, 2022, calendar year-to-date, total expenses, against the budget. The total McNeil expenses on the calendar year-to-date budget through April 30, 2022, was \$8,707,500. The year-to-date budget was underspent by \$1,959,684. There were favorable variances in all expense categories. The notable variance was fuel expense that was underspent by \$574,695. This was because McNeil did not produce in April 2022. Boiler plant maintenance expense was underspent by \$584,535 and the electric plant maintenance was underspent by \$275,782. The favorable variance will reduce once the April annual overhaul related expenses are paid. Another favorable variance was the disposal of plant equipment at \$183,336. The budget for calendar year 2022 for this expense is \$300,000 and there has not been any disposal of plant equipment to date.

7. McNeil Operating Statement

Y. Liu, BED, presented the McNeil operating statement with McNeil revenue and expense for fiscal year to date through April 20, 2022. Also included is calendar year-to-date through April 30, 2022. In the April fiscal year-to-date 2022 numbers, the total generation megawatt was 226,510 compared to April 30, 2021, fiscal year-to-date 2021 total generation megawatt hours of 236,111. The station generated 9.601 less megawatt hours in fiscal year 2022 compared to fiscal year 2021. In the April fiscal year-to-date 2022 numbers, the total revenue was \$27,416,339 compared to \$19,542,421 in the April fiscal year-to-date 2021 number. Fiscal year 2022 REC revenue only includes three quarters, and the fiscal year 2021 REC revenue includes four quarters. Revenue in fiscal year 2022 is up by \$1,018,848 and would be even higher if the fourth quarter were included. The total fuel expenses were \$13,714,104 in fiscal year-to-date 2022 compared to \$13,310,366 in fiscal year-to-date 2021. The fuel expense increased by \$403,738 in fiscal year 2022. This was related to the increase in inflation and paying more for wood and other costs. The total other expenses including depreciation were \$8,307,577 in fiscal year-to-date 2022 compared to \$9,224,958 in fiscal year-to-date 2021. The operation expense was up this year by \$405,073. This increase was due to the cost of materials and of the overall increase in payroll overhead. The maintenance expenses were down because McNeil has not paid all the overhaul related invoices as of this report. The net income in fiscal year-to-date 2022 was \$5,394,658 compared to a net loss of \$2,992,903 in fiscal year-to-date 2021. The net income increased \$8,387,561 in fiscal year 2022 compared to fiscal year 2021. In the April 30, 2022, calendar year-to-date numbers, McNeil generated 95,332 megawatt hours compared to 107,950 megawatt hours in the April 30, 2021, calendar year-to-date number. The total revenue in the April 30, 2022, calendar year-to-date number was \$14,228,164 compared to \$10,012,198 in the April 30, 2021, year-to-date number. The revenue was up \$4,215,966 in calendar year 2022. The calendar year 2022 total only includes one quarter REC revenue where the calendar year 2021 includes two quarters. In the April 30, 2022, calendar year-to-date numbers, the total fuel expense was \$5,835,691 compared to \$5,626,940 calendar year-to-date 2021. In the April 30, 2022, calendar year-to-date numbers, the total other expenses were \$3,416,780 compared to \$4,231,876 in the April 30, 2021, calendar year-to-date number. This was driven by the disposal of plant equipment in calendar year 2021. The April 30, 2022, calendar year-to-date net income was \$4,975,693 compared to \$153,382 in calendar year-to-date 2021. The revenue was up by \$4,822,311 in calendar year 2022. McNeil's bottom line in both the fiscal year and the calendar year has improved significantly due to the market revenue.

8. BED – G.M. Update

D. Springer, BED, provided an update on the District Energy project. There a couple of items being brought to the City Council to help move the process forward. The first is a formal acceptance of the over five million in federal funds that Senator Patrick Leahy has secured for the project. The second is a resolution for the City Council that would create a 501(C)(3) non-profit that would be managed by Evergreen to help with the additional District Energy development work. If there is a decision to go forward with the project, this would help with the management of the financing, permitting, construction and operation of the project. There is a letter agreement that is in process, which would create a scope of work for the remainder of 2022 which would include UVM, UVM Medical Center, the Intervale Center and the various other parties to the work. The letter agreement would help get some updates by the end of the year including construction pricing. Burlington Electric would like to do some additional work with the Joint Owners to refine what the McNeil draft term sheet would look like as we get closer to determine if the project will move forward.

9. Plans Status, Operating/Maintenance Concerns

P. Pikna, BED, began by giving an update on the overhaul that happened in April 2022 and the second one McNeil is currently in. The second overhaul was driven by the turbine generator OEM support constraints. The first outage was a typical spring outage with a stack inspection and repairs. The stack is holding up well. There was some reinjection ash conveyor work done. One conveyor is usually rebuilt during every overhaul. There was also some reclaimers repair, traditional refractory repair and an ESP rebuild. The McNeil personnel completed many general maintenance projects. D. Smith, GMP, asked if the ESP rebuild is a section or the whole thing. P. Pikna, BED, answered that there are eight mechanical fields, and we rebuild one per year or two every three years. One was rebuilt this outage. In the second outage that is happening now, the east grate is being rebuilt due to a recent overheating event. There was a hang-up a week prior to the failure, and it was believed that the issue had been resolved and repaired. The grate hung up again and overheated causing a need for a rebuild at the cost of around \$375,000 at 100% cost. There was a distortion in two significant horizontal high beams and two lateral high beams, so the grate was not plumb, and it was hanging up. This caused a forced down time and emergency repair, but our contractor was available to help with the situation. Expected completion of this work is June 15, 2022. There is also significant cooling tower work being done. Fill replacement, drift eliminator replacement and new fan blades. We will get a 1- 1/2 degree Fahrenheit increase in cooling water temperature increase which is a direct increase in efficiency. The tower is undersized by design and P. Pikna thinks the efficiency will be noticeable. The turbine generator is on schedule. There was some great news that McNeil did not have to machine the surfaces of the flanges after the control fluid contamination. The repair will now consist of cleaning the surfaces and putting gaskets in instead, which are much cheaper than the original plan. D. MacDonnell, BED, said that they would like to recommend that the 2023 overhaul be on April 22 through May 7th. He asked the Joint Owner if this was a good date for them. They agreed and D. MacDonnell, BED, will ask for these dates from I.S.O. New England to approve them. Power resources will be involved to make sure these dates are acceptable to everyone involved.

10. Other Business

M. Kasti, BED, wanted to announce that Dave MacDonnell's last day will be July 22, 2022. We all wish him well in retirement and are sad to see him go. His expertise will be deeply missed.

11. Schedule for Next Meeting

The next Joint Owner meeting is scheduled for Monday September 19, 2022, on Teams at 11:00 a.m.

12. Adjourn

K. Nolan, VPPSA, made a motion to adjourn the meeting at 12:00 a.m.; D. Springer, BED, seconded the motion.

Respectfully Submitted,

Colleen Rouille
Business Coordinator Generation