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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, December 6, 2021. Present on Teams; David MacDonnell, BED, Betsy Lesnikoski, BED, Paul Pikna, BED, Munir Kasti, BED, Ying Liu, BED, Darren Springer, BED, James Gibbons, BED, Emily Stebbins-Wheelock, 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 September 14, 2021.

There were no changes made to the minutes. D. Springer, BED, made a motion to approve the Joint Owner meeting minutes of September 14, 2021; K. Nolan, VPPSA, 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 September, October, and November 2021.

D. MacDonnell, BED, summarized the operating reports for the months of September, October, and November 2021. In September 2021, McNeil produced 11,587 MWH for a capacity factor of 32.2 percent. There were a few reductions and limitations during the month. There were some cooling water chemistry issues, a water wall tube leak, and some down precipitator wires. The railcar maintenance was done during the month of September. After six years of service, Auxiliary Operator Arthur Blakesley left McNeil. There were three job openings posted in September. Those included Generation Generalist, Auxiliary Operator and a Yardworker. In the month of October, McNeil produced 28,417 MWH for a capacity factor of 76.4 percent. There were a few reductions or limitations for the month. There was an east feed pump gasket problem, a broken precipitator wire, an ash conveyor coupling, the annual stack testing and an external transmission concern. Kyle Garcia accepted the Generation Generalist position. He has been working for BED for six years in the forestry department. In November 2021, McNeil produced 6,113 MWH for a capacity factor of 17 percent. McNeil has been building the wood inventory for the winter. The main reductions in November were an insurance upgrade project to the boiler feed pump, repair of the precipitator wires, a water wall tube leak, and a plugged ash hopper. A Yardworker, John Bent, was hired in November.

5. Fuel Procurement Update

B. Lesnikoski, BED, updated the Joint Owners saying that the down time in November was spent building the wood supply. The winter price increase started November 1st instead of December 1st to give suppliers incentive to keep going. McNeil continues to bring five trains a week down from the Swanton wood yard to make sure that the McNeil yard is as full as possible. Right now, McNeil has 63,000 tons of wood in total inventory. There is close to 55,000 tons currently at the McNeil plant. The Swanton wood yard has the capacity to take more tons for the anticipation of running all winter. McNeil will run at around 3000 to 4000 per week deficit, but that will give the plant enough wood volume to run at least until the end of March. McNeil is encouraging the supplier to keep producing and bringing wood in, especially when the ground freezes. B. Lesnikoski, BED, continued by giving an update on the railcars. She is working with the railroad to try out two sample bottom unloading coal cars that would help with the safety aspect of unloading the train. Right now, opening the car doors is the most difficult part of unloading the train and the most dangerous. The new cars have a button that opens the door to drop the load of wood. The railroad is letting McNeil use the two cars for free for two months. McNeil is paying the cost of transport from Kentucky to Burlington, but the trial is at no cost. If these railcars work as well as hoped, they will be available for purchase along with other cars if McNeil is interested. The railcars will be here during the worst winter conditions so that will be a good test to see how well they work. They are expected to arrive within the next couple of weeks. The original wood cars are at the end of their life by the year 2033 because they only have a fifty-year life span. Some of the cars that were purchased more recently will time out much sooner because they are older cars. These have the more difficult doors to open. Since the price of scrap metal is up, McNeil may be able to scrap some of the old cars to recoup some of the cost.

6. Financial Review

Y. Liu, BED, said that she would be reviewing the McNeil October 31, 2021, calendar year-to-date, after expenses, against the budget. The total McNeil expenses on the calendar year-to-date budget through October 31, 2021, was $21,219,031. The year-to-date budget was underspent by $1,211,289. The total generation expense had a favorable variance of $1,804,782. Fuel expense had a favorable variance of $444,700. The boiler plant maintenance expense had a favorable variance of $599,969. Total A&G expenses had a favorable variance of $218,786. This was offset by an unfavorable variance of $788,417 for loss on disposition of plant assets. This is related to the retirement of plant equipment such as the economizer and precipitators.

7. McNeil Operating Statement

Y. Liu, BED, presented the McNeil Operating Statement with McNeil revenue and expense for fiscal year to date through October 31, 2021. Also included is calendar year to date through October 31, 2021. In the October fiscal year to date 2022 numbers, the total generation megawatt was 90,542 compared to October 31, 2020, fiscal year 2021 total generation megawatt hours of 61,522. In the October fiscal year to date 2022 numbers, the total revenue was $8,811,235 compared to $5,392,656 in the October fiscal year 2021 number. REC revenue was not included. Revenue in fiscal year 2022 is up by $3,418,580. The total fuel expenses were $5,697,125 in fiscal year 2022 compared to $4,681,542 in fiscal year 2021. Fuel expense increased by $715,583 in fiscal year 2022. The total other expenses including depreciation were $3,320,241 in fiscal year 2022 compared to $3,400,385 in fiscal year 2021. The net loss in fiscal year 2022 was $206,130 compared to 2,989,271 in fiscal year 2021. The notable item was the higher maintenance expense in fiscal year 2021 due to the annual outage in September 2021. The bottom line as of October 31, 2021, improved due to increased revenue.
In the October 31, 2021, calendar year to date numbers, McNeil generated 526,000 megawatt hours compared to 529,145 megawatt hours in the October 31, 2020, calendar year number. The total revenue in the October 31, 2021, calendar year to date number was $20,057,330 compared to $13,443,308 in the October 31, 2020, numbers. The revenue was up $6,614,023 in calendar year 2021. In the October 31, 2021, calendar year to date numbers, the total fuel expense was $13,305,070 compared to $11,051,768 in calendar year 2020. The higher fuel expense was driven by the increase in production in the current year. In the October 31, 2021, calendar year to date numbers, the total other expense was $9,244,751 compared to $8,744,793 in 2020. Operating expenses were up and offset by lower maintenance expense. A&G expense, property tax and retirement of plant assets were higher as well. The October 31, 2021, calendar year to date net loss was ($2,492,491) compared to a net loss of ($6,353,253) in calendar year 2020. In fiscal year 2022, the property tax was up by 163,000 because of the City of Burlington property tax reappraisal. The appraised value of the McNeil station went from $48,000, 000 to $74,600,000. The appraised value went up by fifty-five percent. Y. Lui, BED, said that there has not been an appraisal in a long time. K. Nolan, VPPSA, asked D. Springer, BED, to look into why this went up so much and if this is consistent with the value of other commercial properties and similar plants.

8. Calendar Year 2022 Budget Approval (D. MacDonnell

The draft calendar 2022 expense budget is $28,531,577 compared to $27,155,763 in calendar year 2021. The calendar year 2022 budget is $1,365,814 more than the 2021 budget. This increase can be explained by an increase in the fuel expense budget of $584,812. In calendar year 2021, the wood tons were budgeted for 419,000 tons at a price per ton of $27.85 for an annual average. In the calendar year 2022, the wood tons budgeted 420,000 tons with a price per ton average of $28.00 per ton to accommodate the current wood chip market. The remaining expense budget increase of $781,002 is due to the rising cost of materials and labor, the planned calendar year 2022 overhaul and the rising property taxes. The capital budget for calendar year 2022 is $2,061,391 compared to calendar year 2021 of $1,552,328 for a difference of $509,063. The main reason for the increase in our capital budget is McNeil did not have an annual overhaul in calendar year 2021 due to Covid. McNeil last had an overhaul in September of 2020. The next overhaul is approved by ISO New England, starting April 23, 2022. K. Nolan, VPPSA, noted that this increase was difficult to get approved through his board and noticed the increase in the fuel budget. D. Smith, GMP, asked what the main increase in property tax and insurance was. Y. Liu, BED, said that the property tax increase happened in the fiscal year and because that increase is carried through to the calendar year 2022 budget, the increase shows for the entire year. The insurance increase is the updated coverage of $40,000 for the calendar year. The insurance rates were looked at and updated in November 2021 and were kept flat for the upcoming fiscal year so next year should be stable. This is in part due to the recommendations that were followed and completed by the McNeil team to keep the insurance costs down. K. Nolan. VPPSA, made a motion to approve the calendar year 2022 McNeil budget; D. Springer, BED, seconded the motion.

9. BED – G.M. Update

D. Springer, BED, began by telling the Joint Owners about what is happening with District Energy. There are some meetings coming up in the next few weeks with University of Vermont and The University of Vermont Medical Center. Burlington Electric is trying to wrap up the phase three feasibility work that has been happening for a period of time now. D. Springer, BED, hopes to conclude this work in the first few months of the new year and have a decision to proceed or not with this project.

D. Springer, BED, also updated the Joint Owners that there was an item at the Vermont Climate Council that was looking at biomass energy broadly which may have had some negative implications for Burlington Electric/McNeil. That item was tabled and there may be some potential further discussion on biomass within the climate council at a later date. As part of a follow up on that, D. Springer, BED, is reaching out to a couple of independent and reputable firms that do energy analysis to see if we could get a better and more realistic accounting of some of the carbon values and benefits from the McNeil plant specifically. There was a little bit of this type of analysis in the independent report on the economics of the plant that was prepared for the BED IRP in 2020, but he thinks that there is additional information to capture with the sustainable harvesting. The carbon stocks in the areas we harvest have increased since we started harvesting in the 1980's. There is a story to tell, and if we can get something written to show the value of the McNeil plant, then it will help. D. Springer, BED, said that this will not be a joint cost with the Joint Owners.

M. Kasti, BED, then talked about the reorganization at the McNeil Plant. There are position and reporting structure changes that provide more operational management and backup for the Shift Supervisors as well as the Winooski One Power Plant Technician. This will also relieve the Senior Generation Engineer from management responsibility so that person can focus on engineering functions and project management rather than spending their time on supervising and overseeing the operation as well as the maintenance of the plant. The workload for the Senior Generation Engineer was too much for one person to manage giving no time for them to do engineering work. The feedback given from the plant was that we needed someone to do engineering work only. After discussions with the directors at the plant and the employee impacted, the vacant Shift Supervisor position was changed to the Supervisor of Operations. This position will oversee the Shift Supervisors, Supervisor of Plant Maintenance, and the Winooski One Power Plant Technician. The Senior Plant engineer will only perform engineering work and project management at the plant. This change was approved by the Board of Finance at the November 8th meeting and the resolution was signed on November 15th.

10. Plans Status, Operating/Maintenance Concerns

D. MacDonnell, BED, thanked B. Lesnikoski, BED, and her team saying that they have prepared McNeil well with the wood supply for the upcoming winter. His concern is to get the plant online and operate it safely for the winter months. He also said we are still concerned with Covid at the plant and keeping the employees safe so they can operate the plant safely. The City of Burlington has issued a mask policy that says any outsider who enters a city building needs to wear a mask. P. Pikna, BED, told the Joint Owners about the precipitator wire update and the insurance feed pump project. He said that there are plates and wires in the electrostatic precipitator, and he showed a hook that the wires hang from that is supposed to have a 35-foot wire on the bottom. The wires in the electric system that charges flu gas particulate, so we do not have black smoke through the stack, were failing. Once the particulate gets charged and knocked out of the flu gas stream, the wires were falling across the high voltage frames and shorting us out. P. Pikna, BED said that is why the McNeil RSCR was plugging up and we historically have not had issues of that nature because of precipitator failures. Additionally, the plant was struggling during start-ups with wires failing once the ID and FD fans were turned on which caused days of delays. During the last start-up, the precipitator held up, although the plant had a forced outage after the plant was running. This job was intended for the April outage, but it was done early to solve the start-up issues. There are eight mechanical fields in the precipitator and all wires were replaced in one mechanical field. Wires cannot be too close to plates so a hundred percent of the wires were replaced that could have been replaced. If there was warpage or fires that occurred that effected the integrity of the plates, those wires were not hung because it would short out the precipitator. The failures were located in the one mechanical field and all of those wires were removed. There were 990 wires that were changed out in that one field even though it was not a one for one wire exchange.

P. Pikna, BED, then talked about the insurance boiler feed pump project. This project was completed in November. There were some start-up issues related to a 4160 MCC that came in and had some defective components that held us back. The project was completed from an insurance REC perspective, meaning we had to have one boiler feed pump able to operate on a different power source. That happened one day after our insurance policy renewal was initiated so it is not clear if that was a significant issue for the Insurance team. Both of the two boiler feed pumps can operate on two diverse sources of power, one being the BED feed and one GMP feed. It takes one boiler feed pump to operate the plant. It was a big project that was completed successfully by the McNeil team.

P. Pikna, BED, said that there is a draft triennial engineers report that will be ready for the next Joint Owners meeting.

Other Business

There was no other business.

11. Schedule for Next Meeting

The next Joint Owner meeting is scheduled for Tuesday March 15, 2021, on Teams at 11:00 a.m.

12. Adjourn

D. Springer, BED, made a motion to adjourn the meeting at 11:56 a.m.; K. Nolan, VPPSA, seconded the motion.

Respectfully Submitted,

Colleen Rouille
Business Coordinator Generation