



JOSEPH C. MCNEIL GENERATING STATION

Special-Purpose Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

JOSEPH C. MCNEIL GENERATING STATION

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Independent Auditors' Report

The Joint Owners
Joseph C. McNeil Generating Station:

Opinion

We have audited the special-purpose financial statements of the Joseph C. McNeil Generating Station (the Station), which comprise the special-purpose financial statements of assets, owners' equity and liabilities as of June 30, 2023 and 2022, and the related special-purpose statements of changes in owners' equity and Station operating expenses for the years then ended, and the related notes to the special-purpose financial statements.

In our opinion, the accompanying special-purpose financial statements present fairly, in all material respects, the assets, owners' equity and liabilities of the Station as of June 30, 2023 and 2022, and the related changes in owners' equity and Station operating expenses thereof for the years then ended in accordance with the Joint Owners' agreement described in Note 2 to the special-purpose financial statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Special-Purpose Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2, the special-purpose financial statements are prepared by the Station on the basis of the financial reporting provisions of the Joint Owners' agreement, which is a basis of accounting other than U.S. generally accepted accounting principles, to meet the requirements of the Joint Owners' agreement. As a result, the special-purpose financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Joint Owners' agreement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special-purpose financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the Station and its joint owners and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Colchester, Vermont
October 27, 2023

JOSEPH C. McNEIL GENERATING STATION

Special-Purpose Statements of Assets, Owners' Equity, and Liabilities

June 30, 2023 and 2022

Assets	2023	2022
Steam production plant, at cost:		
Land and land rights	\$ 276,599	276,599
Structures and improvements	20,471,319	20,323,885
Boiler plant equipment	61,877,869	60,164,562
Turbine generator	13,923,572	13,808,193
Accessory electrical equipment	2,473,176	2,216,424
Miscellaneous power plant equipment	2,141,725	2,117,474
Other steam production plant	1,128,359	1,116,417
Construction work in progress	59,618	1,438
Total steam production plant	<u>102,352,237</u>	<u>100,024,992</u>
Cash	1,282,424	525,564
Inventories, at average cost:		
Fuel	2,746,917	1,549,355
Materials and supplies	5,199,820	4,829,646
Other assets	241,527	220,999
Total assets	<u>\$ 111,822,925</u>	<u>107,150,556</u>
Owners' Equity and Liabilities		
Owners' equity:		
Burlington Electric Department	\$ 55,661,517	52,927,065
Vermont Public Power Supply Authority	21,008,999	19,969,909
Green Mountain Power Corporation	34,278,332	32,582,369
Total owners' equity	<u>110,948,848</u>	<u>105,479,343</u>
Liabilities:		
Accounts payable	776,057	1,581,964
Accrued liabilities	98,020	89,249
Total liabilities	<u>874,077</u>	<u>1,671,213</u>
Total owners' equity and liabilities	<u>\$ 111,822,925</u>	<u>107,150,556</u>

See accompanying notes to special-purpose financial statements.

JOSEPH C. McNEIL GENERATING STATION

Special-Purpose Statements of Changes in Owners' Equity

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Contributions by joint owners:		
Burlington Electric Department	\$ 15,062,070	11,833,111
Vermont Public Power Supply Authority	5,723,586	4,496,582
Green Mountain Power Corporation	<u>9,338,483</u>	<u>7,336,528</u>
	30,124,139	23,666,221
Property taxes paid by individual joint owners	<u>1,575,354</u>	<u>1,642,668</u>
Total contributions by joint owners	31,699,493	25,308,889
Less station operating expenses, net	<u>26,229,988</u>	<u>24,526,924</u>
Net increase in owners' equity	5,469,505	781,965
Owners' equity at beginning of year	<u>105,479,343</u>	<u>104,697,378</u>
Owners' equity at end of year	<u><u>\$ 110,948,848</u></u>	<u><u>105,479,343</u></u>

See accompanying notes to special-purpose financial statements.

JOSEPH C. McNEIL GENERATING STATION

Special-Purpose Statements of Station Operating Expenses

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operation expenses:		
Supervision and engineering	\$ 549,664	559,407
Fuel – oil	26,992	6,561
Fuel – wood	16,710,917	15,066,491
Fuel – gas	45,264	66,820
Steam	1,951,386	1,912,399
Electric	765,586	647,456
Miscellaneous steam power expense	<u>685,896</u>	<u>733,147</u>
Total operation expenses	<u>20,735,705</u>	<u>18,992,281</u>
Maintenance expenses:		
Supervision and engineering	149,559	135,043
Structures	59,367	87,341
Boiler plant	1,209,147	1,091,812
Electric plant	538,908	611,086
Miscellaneous steam power expense	<u>50,694</u>	<u>24,745</u>
Total maintenance expense	2,007,675	1,950,027
Transmission expenses	<u>69,940</u>	<u>93,454</u>
Total production expenses	22,813,320	21,035,762
Administrative and general expenses	<u>1,924,357</u>	<u>1,793,846</u>
Total operating expenses	24,737,677	22,829,608
Taxes, including payment in lieu of taxes to the City of Burlington, Vermont	1,577,953	1,634,786
Loss on sale of equipment	—	126,186
Other income	(66,323)	(62,565)
Interest income	<u>(19,319)</u>	<u>(1,091)</u>
Station operating expenses, net	<u>\$ 26,229,988</u>	<u>24,526,924</u>

See accompanying notes to special-purpose financial statements.

JOSEPH C. MCNEIL GENERATING STATION

Notes to Special-Purpose Financial Statements

June 30, 2023 and 2022

(1) Station Organization

The Joseph C. McNeil Generating Station (the Station) is a wood-, natural gas-, and oil-fired, 50 megawatt, steam generating unit located in the City of Burlington, Vermont. Under the Agreement for Joint Ownership, Construction and Operation of the Joseph C. McNeil Generating Station dated May 14, 1982 as amended (the Agreement), the joint owners are tenants in common with undivided interest in the Station. Ownership percentages of the Station as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Burlington Electric Department	50 %	50 %
Green Mountain Power	31	31
Vermont Public Power Supply Authority	19	19
	<u>100 %</u>	<u>100 %</u>

The City of Burlington, Vermont Electric Department (the Department) has sole responsibility for operation of the Station. The Station began commercial operations in 1984. The McNeil Plant capacity factor for the fiscal year 2023 was 48.9% compared to 55.6% in 2022, supplying 214,065 MWH and 243,390 MWH, respectively, of its energy production to the Joint Owners.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying special-purpose financial statements have been prepared in order to comply with the terms of the Agreement. They summarize certain financial transactions occurring as a result of the Agreement and, accordingly, they are not intended to be a presentation in conformity with U.S. generally accepted accounting principles. The significant differences from generally accepted accounting principles are as follows:

- A statement of cash flows is not presented.
- Station costs are classified in accordance with Federal Energy Regulatory Commission (FERC) guidelines and include all direct and indirect costs and expenses incurred with respect to the Station that are properly chargeable to the design, engineering, procurement, installation, construction, operation, maintenance, insuring, licensing, shutdown, demolition, or disposal of the Station, taxation and payments in lieu thereof, and all costs of keeping accounting and other records, of furnishing accounts, reports, and other information with respect to the Station and of audits pursuant to Section 15, including both financial and engineering audits. Each of the owners has financed its respective participation in Station costs. Accordingly, an allowance for funds used during construction is not included in Station costs. Other costs assessed directly to individual owners are not included in Station costs except for property taxes. The Station incurred capital costs of \$2,324,504 and \$1,801,232, in 2023 and 2022, respectively, which are recorded as part of steam production plant.
- The notes to the special-purpose financial statements are not compliant with U.S. generally accepted accounting principles.

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Notes to Special-Purpose Financial Statements

June 30, 2023 and 2022

- No depreciation has been recorded in the special-purpose financial statements. Each owner records depreciation expense based on the total cost of its investment in the Station, its depreciation method, and its useful life for rate-making purposes. Major expenditures for steam production plant that are major improvements or extend the life of the asset are capitalized. Maintenance and repairs are expensed as incurred. When assets are replaced, the costs associated with such replacement are capitalized and the previously capitalized costs are removed from steam production plant.
- Significant costs of the Station, e.g., costs of financing construction, have been incurred by individual owners and are not recorded in these special-purpose financial statements.

(b) Payment of Station Costs

Owners advance funds to the Department monthly based on anticipated cash requirements. Excess cash funds are temporarily invested by the Department prior to use.

(c) Fuel Inventories

Fuel inventories comprised of fuel oil and wood chips are stated at lower of cost or market as determined using the average cost method.

(d) Revenue and Transmission Expense

Revenue from sales of electricity, net of related transmission expense, is credited to individual owners and owners' participants by the Vermont Electric Power Company (VELCO) and/or Independent System Operator-New England (ISO-NE).

(e) Income Taxes

The Station is an unincorporated organization that has elected, pursuant to Internal Revenue Code Section 761(a), not to be treated as a partnership. No provision is made for income taxes since such liability is the responsibility of the individual joint owners.

(f) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of changes in owners' equity during the reporting period. Actual results could differ from these estimates.

(3) Related-Party Transactions

Station operating expenses include \$43,548 and \$43,548 in 2023 and 2022, respectively, representing administrative and general expenses incurred by the Department acting in its capacity as manager of the Station.