



DRAFT

## **McNeil Station Joint Ownership Operating Committee Meeting Minutes**

The meeting of the McNeil station Joint Ownership Operating Committee convened at 12:00 p.m. on Monday, September 11, 2023. Present; Munir Kasti, BED, Betsy Lesnikoski, BED, Paul Pikna, BED, Ying Liu, BED, Darren Springer, BED, James Gibbons, BED, Doug Smith, GMP, and Rodney Dollar, BED. On Teams, Emily Stebbins-Wheelock, BED, and Ken Nolan, VPPSA.

Others Present: Colleen Rouille, BED.

### **1. Agenda**

There were no changes made to the agenda.

### **2. Review of Joint Owner Operating Committee Meeting Minutes of June 12, 2023.**

There were no changes to the minutes. M. Kasti, BED, made a motion to approve the Joint Owner meeting minutes for June 12, 2023; D. Springer, BED, moved the motion; 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 June, July, and August 2023.**

R. Dollar, BED, summarized the operating reports for the months of June, July, and August 2023. In June 2023, McNeil produced 13,989 net MWH for a capacity factor of 38.86 percent. The plant operated for 40.55% of the total hours in June. The plant had one reduction and limitation during the month which involved some ash conveyor issues. This month at McNeil, miscellaneous repairs, and process improvements took place. A vacant yard worker position was filled by Michael Ploof who started in early July. In the month of July 2023, McNeil produced 35,538 net MWH for a capacity factor of 95.53 percent. The plant operated for 100% of the total hours in July. This month at McNeil, miscellaneous repairs, preventative maintenance, and process improvements took place. McNeil received our new loader and CEM's upgrade and are working to install this new critical equipment. In August 2023, McNeil produced 16,707 net MWH for a capacity factor of 44.91 percent. The plant operated for 47.33% of the total hours in August. There was a reduction and limitation caused by the wood quality. This month McNeil, we conducted routine maintenance, repairs of miscellaneous equipment, and started the CEM's upgrade. We hired a new yard worker, Jake Martel who started on August 30<sup>th</sup>. D. Smith, GMP, asked if the fraction of hours generating were close to the capacity factor or when the plant was operating was the average output towards the maximum. The answer was yes, McNeil ran at the maximum capacity for most of the time and avoided running at minimum capacity very well.

#### **5. Fuel Procurement Update**

B. Lesnikoski, BED, updated the Joint Owners saying that the summer has been very wet with the flooding in Vermont and New York state. This weather has had a real impact on deliveries of wood. It has been hard for everyone in the industry to get wood and McNeil has done its best to keep wood coming in. McNeil currently has 21,000 tons in inventory. McNeil plant is currently not running for economic reasons and the annual fall outage. The goal currently is to build inventory until December 1<sup>st</sup> which will ensure we can run around the clock during the frigid winter months. McNeil has the competition of higher priced markets to the East with Berlin and Ryegate paying five to eight dollars per ton more than what McNeil pays. There are no markets to the West. Betsy Lesnikoski, BED, is watching the inventory and doing everything to build it through this fall. All the round wood has been chipped and McNeil does not anticipate buying anymore at this point because that product makes up an exceedingly small amount of our fuel supply. D. Smith asked if McNeil envisions having to increase the price that McNeil offers to compete with some of the higher offers mentioned earlier. B. Lesnikoski, BED, said we will be faced with that adjustment soon, particularly when the woods are less wet, if we want to bring in the extra spot market wood. K. Nolan, VPPSA, asked if BED has done an analysis of what the plant operation looks like this winter if we do not get an increase in wood. There has not been an analysis done but J. Gibbons, BED, said that we would just come on later in December if the wood supply is not where it should be in early December and run for a shorter period or at reduced load of 40 MWH. J. Gibbons, BED, said that maximizing availability in the coldest times in New England as a reliability move is backed by its economics. With a reduction in wood supply, McNeil can position itself for basic operation in the coldest months. D. Smith, BED, said that this is a flexibility feature of McNeil where we balance the fuel expenditures with the value of power. McNeil is an asset that protects our customers against the potential spikes in the winter, the volatility of the winter pricing and we operate the plant with that in mind. If McNeil just wanted the production time we could run on a steady basis, but McNeil chooses to be very strategic when running the plant to capture the highest prices, best return for the rate payer, and most protection against the volatility in the fossil fuel market. With current market structure, the high energy prices indicate the need to run. The ability to run the plant when prices are high is matching when energy is needed. When prices are low, the need to run McNeil is low because the energy production is not needed.

## **6. Plant Status and Maintenance Concerns**

P. Pikna, BED, updated the Joint Owners on the plant status saying that McNeil does not have interruptible natural gas currently, but we are not running due to economics, and we have the annual fall outage scheduled for September through October making this a non-impact issue. Some of the big projects being done this September and October are our high energy pipe nondestructive testing and the water wall mapping/low frequency electromagnetic technique. This was pushed to the spring to the fall so there would be more time to accomplish this project and so there would be a savings on contractor labor costs. There is also a UPS battery bank at McNeil that passed capacity testing but is considered end of life which requires a replacement. There is a CEMS (Continuous Emissions Monitoring System) upgrade in progress. The turbine controls upgrade is on schedule with the final design for construction that should be ready in the next month. There have been monthly meetings to track progress and status. There are no real concerns at the plant currently.

## **7. Financial Review**

Y. Liu, BED, said that she would be reviewing the McNeil June 30, 2023, calendar year-to-date, total expenses, against the budget. The total McNeil expenses on the calendar year-to-date budget through June 30, 2023, was \$12,963,997. The year-to-date budget was underspent by \$4,269,492. There were favorable variances in all expense categories. The notable favorable variance is fuel expense which was underspent by \$3,001,839. This is due to the McNeil spring outage in April and production being less in May. Other plant maintenance and electric plant maintenance were also under budget. Another area is the loss of disposal of plant assets which has a favorable variance of \$250,000 through June 30, 2023. McNeil budgeted a variance of \$300,000 for calendar year 2023 but only a small amount has been spent. The expenses will continue to be monitored.

## **8. McNeil Operating Statement**

Y. Liu, BED, presented the McNeil operating statement with McNeil revenue and expense for fiscal year to date through June 30, 2023. Also included is the calendar year-to-date through June 30, 2023. In the June 30, 2023, fiscal year-to-date numbers, the total generation megawatt hours were 214,065 compared to June 30, 2022, fiscal year-to-date total generation megawatt hours of 243,390. The station generated (29,325) less megawatt hours in fiscal year 2023 compared to fiscal year 2022. In the June 30, 2023, fiscal year-to-date numbers, the total revenue was \$25,989,155 compared to \$30,708,853 in the June 30, 2022, fiscal year-to-date numbers. Revenue in fiscal year 2023 was down by (\$4,719,699) The total fuel expenses were \$16,783,173 in the June 30, 2023, fiscal year-to-date numbers compared to \$15,139,872 in the June 30, 2022, fiscal year-to-date number. The fuel expense was up by \$1,643,301. The total other expenses including depreciation were \$11,114,267 in the June 30, 2023, fiscal year- to-date number compared to \$11,020,199 in the June 30, 2023, fiscal year-to-date number. The net loss in the June 30,2023 fiscal year-to-date was (\$1,908,285) compared to a net income of \$4,548,783 in the June 31,2022 fiscal year-to-date number. The net income decreased (\$6,457,068) in fiscal year 2023 compared to fiscal year 2022. This net loss was caused by less revenue and higher fuel costs. McNeil paid top dollar for wood in this period and the energy prices did not materialize as assumed. This is a notable example of how the up and down energy markets, from year to year, protect the BED customer with the stability of our long-term asset that does well some years and not so well other years. It is understood that running this way is effectively an insurance policy against the volatility of the markets to protect the BED customer.

In the June 30, 2023, calendar year-to-date numbers, McNeil generated 97,296 megawatt hours compared to 112,212 megawatt hours in the June 30, 2022, calendar year-to-date number. The total revenue in the June 30, 2023, calendar year-to-date number was \$10,028,002 compared to \$17,520,678 in the June 30, 2022, year-to-date number. The revenue was (\$7,492,676) less in calendar year 2023. In the June 30, 2023, calendar year-to-date numbers, the total fuel expense was \$8,029,766 compared to \$7,261,459 calendar year-to-date June 30, 2022, number. In the June 30, 2023, calendar year-to-date numbers, the total other expenses were \$5,768,812 compared to \$6,129,403 in the June 30, 2022, calendar year-to-date number. The June 30, 2023, calendar year-to-date net loss was (\$3,770,575) compared to a net income of \$4,129,816 in the June 30, 2022, calendar year-to-date number. The net loss was (\$7,900,392) in calendar year 2023. The decrease in net income was caused by low energy prices, less run time and higher wood prices. This got better in the August-September numbers that will be reflected in the report at the next meeting.

## **9. BED – G.M. Update**

D. Springer, BED, provided an update on materials that are being developed related to the McNeil plant to share with the community and policy makers as we continue through the District Energy conversation. There are some question-and-answer documents that are on the McNeil page of the Burlington Electric website. One section is on McNeil economics, one on climate and forestry and one District Energy. Burlington Electric is hosting a webinar for the public on September 12, 2023, featuring examples of how biomass and District Energy is working in other communities such as Lund Sweden, Halifax Canada, and St. Paul Minnesota hosted by Linda McGuinness who is a local expert and former world bank economist as well as Rob Thornton who is President and CEO of the International District Energy Association. D. Springer, BED, anticipated that Burlington Electric would be bringing a discussion of the District Energy project to the city council in September but that is now being pushed back to October 10<sup>th</sup>, 2023, as a potential starting point for work sessions around the topic. We are continuing too, and finalizing very soon, the broader economic and term sheet discussions with potential customers so we have a conceptual agreement that we could make the basis of the city council discussions. We are aware that the Joint Owner discussion remains in process and Burlington Electric would come back to that if there were a favorable result in the term sheet discussions with customers. City Council and Commission review would happen, looking at the ability of McNeil to contract for steam and for Burlington Electric to provide appropriate incentives for the project. We would also need term sheets from the various entities, the non-profit, the McNeil plant, and the customer. We would also need a term sheet agreement amount the Joint Owners as well in terms of the McNeil piece. The approval of the City Council would happen prior to finalizing any of the term sheets with the entities mentioned. J. Gibbons, BED, provided an update on the solar test center project by saying that the panels are all in and the trenching is next. There will be a small amount of trenching done but none across the twenty-foot VGS path down the middle of the array. An expected completion date has been requested for the construction and when it will be energized so McNeil can have a press conference with the details. The fence will be placed afterwards around October. J. Gibbons, BED, wanted to thank both VPPSA and GMP both for facilitating several documents that were needed at the last minute after the gas pipeline was discovered. VGS was also extremely helpful in this process and made this work. He said that only in Vermont could the entities come together like they did to cooperate and get this solar project done. K. Nolan, VPPSA, noted that the District Energy economics could be a concern that puts VPPSA and BED in opposing positions moving forward. He wanted to make sure that this was on record. He said that the potential issues with the ISO dispatch and how all the money and megawatt hours flow would need further discussion to close the loop with the Joint owners before moving forward. D. Springer, BED, assured the Joint Owners that there would be communication on the issues. He said that even if BED is the contracting entity, with the district heat project relative to thermal output and incentives, we would share this with the Joint Owners. The dispatch of the plant will

continue to be exclusively based on the ISO market signals and the electric market revenue which will continue to drive most of the economics for the facility. District heat would be on a must take basis when McNeil is running. There will be more detailed discussions on this in the future if warranted. There must be a clear sense of an agreement with the customers first to necessitate further discussions with the Joint Owners and with the City Council.

**10. Other Business**

There was no other business.

**11. Schedule for Next Meeting**

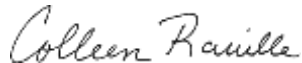
The next Joint Owner meeting is scheduled at the McNeil farmhouse on Monday November 6, 2023, at noon.

**12. Adjourn**

M. Kasti, BED, made a motion to adjourn the meeting at 12:40 p.m.

D. Springer, BED, moved the motion; K. Nolan, VPPSA, seconded the motion.

Respectfully Submitted,



Colleen Rouille  
Business Coordinator Generation