

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

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 1:03

p.m. on Monday December 7, 2020. Present on TEAMS; David MacDonnell, BED, Betsy Lesnikoski, BED, Paul Pikna, BED, Munir Kasti, BED, Ying Liu, BED, Andrea McNeil, BED, Darren Springer, BED, James Gibbons, BED, Ken Nolan, VPPSA, and Douglas Smith, GMP.

Others Present on TEAMS; Colleen Rouille, BED.

# Agenda

D. MacDonnell, BED, added an item to the agenda. Item number 7b, Chittenden Solid Waste District Contract and Vote was added. No other items were added.

# Review of Joint Owner Operating Committee Meeting Minutes of September 15, 2020

No changes were made to the minutes. D. Smith, GMP, made a motion to approve the Joint Owner Committee meeting minutes of September 15, 2020; the motion was seconded by K. Nolan, VPPSA, and approved by all Joint Owners present.

# Public Forum

There was no one present from the public.

# Summary of Operating and Generating Reports for September and October 2020.

D. MacDonnell, BED, summarized the operating reports for the month of September and October 2020. In September 2020, McNeil had a capacity factor of 0.0 percent. McNeil had its annual outage that had been postponed from April 2020, to September 2020. The outage started on August 31st and ended on October 2nd. In October, McNeil had a capacity factor of 87.0 percent. There were a few reductions and limitations during the month. There was a soot blower steam leak and a storm that tripped the plant offline. Alec Grant was hired and started working at McNeil during the month of October as a Station Operator. Alec is a 2018 graduate of Maine Maritime Academy.

# Fuel Procurement Update

B. Lesnikoski, BED, updated the Joint Owners telling them that at the end of September there was a very high inventory of wood. The inventory has been reduced in October. There was a slight concern about some older wood in Swanton, but that has been addressed by bringing it to McNeil and using it up in October. There are 5 to 6 trains per week coming to McNeil from Swanton that are bringing as much inventory as possible to the plant during the good weather. This is to prepare us for the winter months. It also makes room in Swanton for more inventory to be delivered to keep both yards full. This is the first week of the December contract period, so there are base tons and seasonal tons being delivered. Last week was a little slow for deliveries due to weather. Since December is a five-week month for suppliers, B. Lesnikoski is optimistic that the suppliers will get their base and seasonal tons delivered. With the new contract system, the foresters are keeping track of the tons delivered by suppliers by the week and month. The reason for this form of tracking is to see if the supplier is over one month and under the next. This helps spread out the deliveries, so the suppliers meet their quotas. In the spring and fall when it is hard to produce supply, the winter months make up this difference to meet their obligation. Also, at the end of the year it is known who is consistently over and under and that allows the foresters to redistribute tons across the contracts. B. Lesnikoski, BED, did the numbers at the end of November and McNeil was about 600 tons over the base contract number. B. Lesnikoski, bed, said that there is a lot of stockpile wood on landings, mostly accumulated in the fall, so there will be a good supply for deliveries once things freeze up.

# Financial Review

Y. Liu, BED, said that the total operating expenses on the calendar year to date budget through October 2020 was $18,471,328. This was $4,071,512 below budget. The favorable variance was mainly driven by underspending in fuel expense by $2,920,407. Other notable underspent areas were steam expense by $396,461 and boiler plant maintenance expense by $652,642. There was a favorable variance in the loss of disposal of plant that was $550,893. This is related to the early retirement of plant assets and the majority of this is the economizer. A. McNeil, BED, added that the fuel expense was underspent by $2,920,407 and is driven by volume. The breakout between volume and cost is due to lower volume in the amount of 3,700,000 tons and $800,000 in higher cost. Using these totals show how accounting comes up with the total in this category. The total budget, minus fuel, through October 31, 2020 was underspent by $1,151,104. Y. Lui, BED, will continue to monitor the actual expenses against the budget for the remainder of calendar year 2020.

# McNeil Operating Statement

Y. Liu, BED, presented the McNeil Operating Statement with McNeil revenue and expense for fiscal year to date through October 31, 2020. Also included is calendar year to date through October 31, 2020. In the October fiscal year to date 2021 numbers, the total generation was 79,902-megawatt hours compared to October 31, 2020 fiscal year total generation of 92,115-megawatt hours. The generation in fiscal year 2021 is quite a bit lower than fiscal year 2020. In the October fiscal year to date 2021 numbers, the total revenue was $5,392,656 in fiscal year 2021 compared to $6,316,494 in October fiscal year 2020. Revenue in fiscal year 2021 is down by ($923,838). The total fuel expenses were $4,981,542 in fiscal year 2021 compared to $5,527,317 in fiscal year 2020. Fuel expense decreased by ($545,775) in fiscal year 2021. The decrease was mainly due to the decrease in production. The total other expenses including depreciation was $3,400,385 in fiscal year 2021 compared to $3,118,039 in fiscal year 2020. The total other expenses increased by $282,346 in fiscal year 2021. The net loss before interest expense including depreciation was ($2,989,271) in fiscal year 2021 compared to a net loss of ($2,328,862) in fiscal year 2020. The net loss in fiscal year 2021 was due to decreased revenue.

In the October 31 calendar year to date 2020 numbers, the total revenue was $13,443,308 in calendar year 2020 compared to $16,051,598 in calendar year 2019 with a decreased revenue of ($2,608,291) in calendar 2020. The total fuel expenses were $11,051,768 in calendar 2020 compared to $10,922,200 in 2019 and the total other expenses including deprecation were $8,744,792 in calendar year 2020 compared to $10,728,897 in calendar year 2019. The higher expenses in calendar year 2019 were related to the major overhaul expenses and the offset in loss of disposal in calendar year 2020. The net loss before interest expense including depreciation in calendar year 2020 was ($6,353,252). This is compared to a net loss of ($5,599,499) in the calendar year 2019.

**7b**. **Chittenden Solid Waste District Contract and Vote**

D. MacDonnell, BED, began by saying that the contract was given to McNeil late and was finally produced this week. The current contract, which was a five-year contract, is set to expire on December 31, 2020. The new contract is a three-year contract with the provision to have two, one-year extensions, if both parties agree to it. The leaf bunker has to be moved and maintained because of the solar project. The subsidy of $60,000 per year will still be provided to McNeil. McNeil requested the Joint Owners to approve the Chittenden Solid Waste District contract for 3 years with a provision to have two one-year extensions if both parties agree. K. Nolan, VPPSA, made a motion to approve the contract. The motion was seconded by D. Smith, GMP, and approved by all members present.

# Calendar Year 2021 Budget Approval

D. MacDonnell, BED, presented to the Joint Owners the CY2021 budget. He began by saying that the draft CY21 expense budget is $27,165,763 as compared to a CY20 expense budget of $26,360,210. The CY21 budget is approximately $805,553 more than the approved CY20 budget.  The increase can be explained mainly by an increase in the fuel expense of $523,192. In CY20 we budget for 409,580 tons of wood at $27.50/ton where in CY21 we increased the wood tons budget to 419,085 tons and the price per ton to an annual average $27.85/ton to accommodate the current wood chip market. The capital budget for CY21 is $1,552,328 as compared to the CY20 capital budget of $2,191,378 for a difference of $639,050. The main reason for the reduction of our capital budget is that we are not planning to have an overhaul in CY21 due to the COVID-19 related delay of the scheduled April 2020 overhaul to September 2020. Our next scheduled overhaul is tentatively scheduled for April 2022.

D. Smith, GMP, asked if the 1.5 million capital budget is an average budget when there is no outage happening. D. MacDonnell, BED, said that the capital budget is normally around 2 million dollars unless it is a year with a major overhaul. This year McNeil included some insurance projects that need to be completed and some other small projects. D. Springer, BED, added that the insurance items in the capital budget are there because of a significant challenge in securing affordable coverage for a power plant like McNeil in the current market. McNeil had worked through some of the recommendations that have been provided by Paul Plunkett, Hickock and Boardman, via the insurers. McNeil is hopeful that some of the remaining projects will help stabilize the price of insurance and arrest some of the significant increases that have been seen in the past few years. D. Smith, GMP asked about the Backup Boiler Feed Pump Insurance project in the capital budget. He said it was a significant amount of the total and wanted to know what that was. D. MacDonnell, BED, said it is something that McNeil has been out of code and needs to be addressed. The feed pump is the pump that pumps water into the boiler. It is supposed to have a separate feed so when the power supply to it goes down, it can still operate another feed pump and supply water to the boiler so the boiler would not be harmed. This will ensure protection for the boiler in a power supply interruption. It is insurance driven and needs to be fixed in this calendar year. K. Nolan, VPPSA, made a motion to approve the 2021 calendar year budget. The motion was seconded by D. Springer, BED, and approved by all Joint Owners present.

# BED – G.M. Update (Darren S.)

D. Springer, BED, began by saying we are continuing to take the appropriate precautions with the recent spikes in Covid-19. The waste wood yard has gone to an appointment only situation after it had been operation as normal throughout the summer and early fall. D. Springer, BED, said he is trying to minimize exposure between Pine street and McNeil personnel, particularly indoor exposure. There has been some training that has been postponed that was going to take place at the gas turbine. The Center for Safety team are engaged heavily with the planning of this and the planning related to the vaccine and how that would be distributed. This would include any BED personnel that would be eligible for early distribution of the vaccine. For BED, it has been a challenging year financially because of the lower sales to customers and the capital projects with customer contributions being delayed. This has disrupted BED from a capital planning and a labor standpoint. The management team is working to be respectful in a financial manner to filling positions and holding positions that do not need to be filled at this time to minimize any negative financial impacts that may be seen at this point in time. D. Springer, BED, then gave an update on the district energy project. There have been some rough timing challenges with Covid-19 and the network outages at the UVM Medical Center getting to the conclusion to the phase two process of the district energy project. D. Springer, BED, said he and J. Gibbons, BED, had a meeting with Evergreen, VGS and UVM Medical Center in the past week which was the first meeting in the past few months. Burlington Electric plans to provide some written materials to the hospital to review so this phase of the project can be wrapped up and a report can be provided by January 2021. What Burlington Electric is hoping for is there will be an opportunity for the project to advance further, but that it will require commitment from all the parties involved. The hospital will be given the materials to review and to give them the opportunity to give their input and then approval. If there was an agreement at any point to advance the project, the Joint Owners would be notified for their input and approval along with approvals at the city levels. D. Springer, BED, said he thinks we have a good proposal to put in front of the UVM Medical Center, a creative proposal to help advance the project and have received good feedback so far from them. There has been good technical coordination between Evergreen and the hospital on the potential route and the interface. McNeil has been involved to think though the operational pieces of the project. Hopefully, there will be more to report by the next meeting and if things move along there may be a special meeting called to discuss this. The Joint Owners will be notified if this needs to happen.

# BED, Plant Status, Operating/Maintenance Concerns (Dave M.)

# D. MacDonnell, BED, updated the Joint Owners saying that Covid-19 precautions are continuing at the McNeil station. There have been a couple close calls but as of right now, there have been no cases at the plant. The overhaul was a month long with no major accidents. There was an email from a chemical supplier about ordering chemicals early to make sure they are delivered in a timely manner. McNeil is going to keep this in mind throughout the winter months. P. Pikna, BED, gave a summary of the September overhaul. He gave a review of the big projects that happened beginning with the economizer project, that was very successful. There were some water well repairs, mapping the boiler and making repairs as needed in the sections that were mapped. The new piping in the acid tank skid, which are critical to the plant. The turbine valve repair and bolting on the turbine where there were leaks found. The north shredder rebuild, rotary feeders that were rebuilt and replaced, the number five feed water heater ring replacement, standard water well reclaiming work, ESP rebuild and the annual cyclone refractory and insulation work. The outage was long and with the additional concerns with Covid-19 and out of state contractors, it turned out well. D. MacDonnell, BED, said we have been fortunate to not have any illness at the plant. He then said that McNeil will be doing stack testing where an outside contractor comes to the plant to verify that the stack equipment is running correctly next week. He expects this to go well.

# Other Business

There was no other business.

# Schedule for Next Meeting

The next Joint Owner meeting is scheduled for Tuesday March 9, 2021 on TEAMS at 1 p.m.

# Adjourn

D. Springer, BED, made a motion to adjourn the meeting at 2:01 p.m.; the motion was seconded by K. Nolan, VPPSA, and approved by all Joint Owners present.