



McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:05 P.M. on Tuesday June 16, 2020. Present on TEAMS: David MacDonnell, BED, Betsy Lesnikoski, BED, Paul Pikna, BED, Casey Lamont, BED, Ying Liu, BED, Andrea McNeil, BED, Darren Springer, BED, Emily Stebbins – Wheelock, BED, James Gibbons, BED, Ken Nolan, VPPSA, Douglas Smith, GMP.

Others Present on TEAMS: Colleen Rouille, BED.

1. Agenda

No changes were made to the agenda.

2. Review of Joint Owner Operating Committee Meeting Minutes of March 17, 2020

No changes were made to the minutes. D. Smith, GMP, made a motion to approve the Joint Owner Committee meeting minutes of March 17, 2020; the motion was seconded by K. Nolan, VPPSA, and 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 2020.

D. MacDonnell, BED, summarized the operating reports for the month of March, April, and May 2020. In March 2020, McNeil had a capacity factor of 33.9 percent. There was a reduction and limitation during the month which was caused by an economizer tube leak. In April 2020, McNeil had a capacity factor of 12.3 percent. The one reduction and limitation for the month was an economizer tube leak. The annual outage that was scheduled in April 2020, was rescheduled due to Covid-19 to September 2020. In May 2020, McNeil had a capacity factor of 39.7 percent. The reductions and limitations for the month were 2 water wall tube leaks, wood system trouble, and an I/O rack fault with a third water wall tube leak. Mike Russell, McNeil Yardworker died unexpectedly on May 18th. Condolences to his family. McNeil employees were saddened by this loss. Arthur Blakesley was promoted from Yardworker to the vacant Auxiliary Operator position.

5. Fuel Procurement Update

B. Lesnikoski, BED, updated the Joint Owners saying that the spring was slow due to mud season and posted roads, but deliveries are now close to 10,000 tons per week. They dry weather has helped. There have been Covid-19 impacts on wood markets, some that are helping McNeil. Hard wood saw logs were under a tariff to China which got taken off the same day China shut down. The saw log mills are not buying saw logs from the field. Soft wood markets are slow except for places that sell to the retail markets like Home Depot because of home repairs being done at this time. Pulp and paper are very slow because the paper is not being used causing the local pulp mills to shut down. In April there was an explosion in a pulp mill in Jay, Maine. They are down, indefinitely, which has put a lot of wood into the other markets, particularly in New Hampshire. Because of this, McNeil has extra wood coming in from sawmills and loggers. Prices could be dropped but B. Lesnikoski, BED, does not think that would be beneficial because we need to make sure our suppliers stay in operation due to the other markets being so slow for them.

6. Financial Review

Y. Liu, BED, said that the total operating expenses on the calendar year to date budget through April 2020 are \$6,366,975. This is \$4,387,468 below budget. The area that was notably underspent was the fuel expense by \$3,568,653. The variance was due to Covid-19 and the struggle with tube leaks. Other notable underspent areas were steam expense by \$147,640 and boiler plant maintenance by \$257,564. The main reason for this was the April overhaul being rescheduled to September. From the middle of March, McNeil has been tracking expenses for Covid-19 for a possible reimbursement by F.E.M.A. As of April 30th, 2020, the Covid-19 dollars spent are \$135,0000. These expenses will continue to be tracked. The accounting teams from GMP and VPPSA are aware of these expenses. The total budget, minus fuel, through April 30, 2020 was underspent by \$795,585. We will continue to monitor the expenses against the budget. The economizer project that was scheduled for April 2020, has charges that have already been expensed due to materials and supplies that have been purchased for that project. Other expenses will happen in September 2020.

7. McNeil Operating Statement

Y. Liu, BED, presented the McNeil Operating Statement with McNeil revenue and expense for fiscal year to date through April 30, 2020. Also included is calendar year to date through April 30, 2020. In the April fiscal year to date 2020 numbers, the total revenue was \$14,615,135 compared to \$21,135,497 in April fiscal year 2019. Revenue is down by (\$6,520,363). The total fuel expenses were \$12,048,793 in fiscal year 2020 compared to \$12,122,998 in fiscal year 2019, and the total other expenses including depreciation were \$7,633,803 in fiscal year 2020 compared to 7,540,872 in fiscal year 2019. The net loss before interest expense including depreciation was (\$5,067,461) in fiscal year 2020 compared to a net income of \$1,471,627 in 2019. The net loss in fiscal year 2020 was due to decreased revenue. In the April calendar year to date 2020 numbers, the total revenue was \$5,082,894 compared to \$7,825,692 in calendar year 2019, the total fuel expenses were \$4,028,444 in calendar 2020 compared to \$4,622,841 in 2019 and the total other expenses including depreciation were \$2,997,812 in 2020 compared to \$2,976,152 in 2019. The net loss before interest expense including depreciation in calendar year 2020 was (\$,1414,016). This is compared to a net income of \$226,699 in the April calendar year to date 2019 number. There are no significant fluctuations in terms of expenses in calendar year 2020 compared to calendar 2019. Decrease in revenue contributes to the net loss in calendar year 2020.

8. Wood Procurement Purchasing Policy (J. Gibbons)

J. Gibbons, BED, shared a Power Point presentation on how McNeil plans to purchase fuel in fiscal year 2021, which is July 2020 to June 2021. The structure is based on the draft policy that was shared with the Burlington Electric Commission and the McNeil Joint Owners. The policy structure may need some modification after the first-year experience and will be done as a transitional year. We will be developing tracking structures to help wood purchasing monitor the individual supplier performance under these contracts. It is planned to get this policy and contract out to suppliers this week so they can look it over and see if there is any feedback. The first slide James presented showed a history of McNeil's capacity factor back to when the plant was built. Since 2004 the plant has operated in a capacity factor of more than fifty percent. The recent drop in capacity factor is relative to the difficulty in our ability to get wood when it was needed, particularly in time for the winter months and to be able to run around the clock when the conditions are normal. McNeil is looking to change the purchasing structure to recognize that McNeil is likely to run at fifty plus percent capacity factor and to try to firm up the wood supply because of this. If the wood purchasing plan that is being presented is followed, McNeil will have an inventory that would be full at the end of the September outage and would be consumed back down to normal levels by the spring. In the presentation it shows the relationship between monthly usage, monthly purchases, and starting inventory for the month and what capacity factor is projected by each month. This wood purchasing plan is set at a sixty percent capacity factor. It is designed to play the averages and to continue to try to maximize output in the winter because of energy market prices. The capacity factor should happen with high prices during the day and not overnight when possible. B. Lesnikoski, BED, has helped with the initial contracts for each supplier. The policy is designed to provide transparency and clarify new entry avenues in the McNeil wood procurement structure. It is intended to make the subsequent offers based on the performance of these contracts. We do not have a performance stream from last year so this year is considered the transitional year because the performance will be tracked for the next years contracts. The contracts will make it a predictable environment for core wood suppliers, and they will know we are going to buy a certain amount of wood from them. We have not historically signed firm volume contracts for a while, but McNeil has had enough wood to run at fifty percent of the time or more. The contracts are for a one- year period only and assume a sixty percent capacity factor for that year. Most vendors have it broken down between a base contract in tons per month every month, evaluated on a rolling average. In the seasonal contract, some months will be evaluated and if they reach their base load contract amount during the month, and deliver above that, they can get a slightly higher price for the seasonal wood deliveries. There is a differential in price between the base contract and the seasonal contract, but the weighted average is designed to respect the budgets that have already been put in place. The weighted average is \$27.61 which includes mill residues, and the weighted average for the whole tree chips is \$27.77. The base contracts will have minimums and maximums set around that monthly base to give the ability to catch up from a short month or a wet month. The ability to exceed the base on the high side has a constraint on the high side to make sure our inventory does not get too full. This initial offer may be slightly revised to offer a 55% capacity factor given the current state of the wood markets. The joint owners agree with the 55% capacity factor in the initial offer.

9. BED – G.M. Update (Darren S.)

D. Springer, BED, started by saying the entire Burlington Electric team feels the loss of Mike Russell. He then went on to say that Burlington Electric is trying to be as cautious as possible with the finances during this Covid-19 period. D. Springer, BED, said we are trying to manage all operations including McNeil and be as prudent as possible. Part of that plan is to make sure that when there are vacancies, they are not being backfilled automatically. He is being cautious only to fill positions where there is a critical safety and or operational need. When there are opportunities to hold vacancies indefinitely, to provide savings for the Joint Owners, that is being done. McNeil has had a few positions that have needed to be filled and others that will not be for the time being. The update on District Energy was given. D. Springer, BED, stated that Evergreen, BED, VGS and the UVM Medical Center had a phone conversation the day before. It was the first time everyone talked since phase two was announced back in February 2020. The Evergreen team tested a few of their working assumptions for phase two with the hospital and to get some additional information. There will not be a deep engagement with the hospital until September because they have some pressing needs for the moment due to Covid-19. They are in a fiscal situation that that is more challenging than when we initiated phase two of the project. Burlington Electric continues to explore with Evergreen the route of the project with DPW and the scheduled street improvements that are going to take place this summer. There are a couple of operational options to get the steam from McNeil to the hospital using different heat exchanger options. They are evaluating for technical and economic feasibility. The on-site equipment needs will be discussed when the hospital is ready to engage in September. D. Springer, BED, said that it is his hope that there will be a report on phase two at this time to provide to the Joint Owners, the City Council, the Mayor and the public with the outcome of the study and the recommendations. Burlington Electric Department is looking at the options to include various financing and funding programs and exploring regulatory aspects of that as well as federal funding. VGS has been a very committed partner on this project. Finally, D. Springer, BED, mentioned that the solar test center analysis with Encore has been completed. There is not a path forward for locating the solar test center in the field with ground water and archaeological issues. The only option that remains at McNeil is to look at a spot in the front corner waste wood yard and relocate a portion of the waste wood yard to the back of the lot. It would provide a good access point for researchers to access the test center and provide the opportunity to keep this test center at McNeil. The other option that is being explored is to host this solar test center at UVM in the GMP territory. J. Gibbons, BED, pulled up a map and showed the Joint Owners how much space would be used in the waste wood yard. He explained where it would be and where the access would be. If this does not fit in the waste wood yard, there is no other option at McNeil. The site at McNeil is not an archaeological site and has already been disturbed. This site is also six feet higher in elevation compared to the grassy area that was looked at. The result of the study was communicated to the D.O.E. and they want to still look at this option in the waste wood yard.

10. BED, Plant Status, Operating/Maintenance Concerns (DaveM.)

D. MacDonnell, BED, said since the overhaul that was moved to September 2020 will mean that there has been a year and a half since the last overhaul. If the overhaul does happen this September, there will not be one in April of 2021 and the next overhaul will be in April of 2022. The overhaul in September will have two additional capital items that were not in the initial calendar year 2020 budget. These items were insurance based. One was the emergency lube oil pump on the turbine and the other was backup boiler feed pump. Those projects increased the GMP budget around \$87,000 and VPPSA around \$53,000. The Joint Owners were ok with the increases in the budget. There is a concern about the overhaul happening in September because of Covid-19. Having an overhaul means having many out of state contractors on site, which may not be appropriate during this time. The economizer job is important, but this will increase the Covid-19 risk and safety at the plant. P. Pikna, BED, then talked about the water wall leaks. It has been a difficult spring with many leaks happening at the plant. There is a section of the boiler around the burner that the water wall goes around so that we can light off with natural gas or fuel oil. Those areas have a lot of bends and refractories. The low frequency electromagnetic technique that we used to map the bulk of the water wall could not work in those sections. Most of the leaks that we are seeing are in these areas. Even if we can find a way to rectify the situation, there will still be pockets of the boiler that will not be tested and will not be repaired. Water well leaks will still be possible and potentially happen in these areas. In the burner areas, last week we had a contractor who successfully did the primary and secondary economizer replacement and they took a look at the boiler from the exterior and said they think they could come up with a satisfactory cost effective solution. P. Pikna, BED, was not sure if we would be doing this in September and what the actual cost would be. This project will be put out to bid and then it will be decided when McNeil will do it. Part of why the contractor thinks this project will be cost effective is because they will already be mobilized for the economizer. There will be two options in the bid structure. The first is if the contractor were already scheduled to be on site and the second if they needed to be mobilized to do that work. The RFP process will happen in the coming months. D. MacDonnell, BED, said McNeil is slowly bringing people back to work cautiously because of Covid-19.

11. Other Business

There was no other business.

12. Schedule for Next Meeting

The next Joint Owner meeting is scheduled for September 15, 2020 on TEAMS.

13. Adjourn

D. Springer, BED, made a motion to adjourn the meeting at 1:25 pm; the motion was seconded by K. Nolan, VPPSA, approved by all Joint Owners present.