

DRAFT

McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:10

P.M. on Tuesday July 16, 2019 at the McNeil Generating Station Farmhouse.

Present: David MacDonnell, BED, Paul Pikna, BED, Betsy Lesnikoski, BED, Ying Liu, BED, Douglas Smith, GMP, James Reardon, BED, Darren Springer, BED, and James Gibbons, BED, with Ken Nolan, VPPSA via phone.

Others Present: Colleen Rouille, BED

# Agenda

D. Smith, GMP, made a motion to approve the agenda; the motion was seconded by D. Springer, BED, and approved by all Joint Owners present.

# Review of Joint Owner Operating Committee Meeting Minutes of December 4, 2018

No changes were made to the minutes after a few clarifications made for D. Smith. D. Smith, GMP, made a motion to approve the Joint Owner Committee meeting minutes of March 26, 2019; the motion was seconded by D. Springer, BED, and approved by all Joint Owners present.

# Public Forum

There was no one present from the public.

# Overview of Operating and Generating Reports for March 2019, April 2019, May 2019 and June 2019.

D. MacDonnell summarized the operating reports for the months of March, April, May and June 2019. In March 2019, McNeil has a capacity factor of 35.2 percent running about 1/3 of the time. There were some reductions and restrictions during the month. During the first part of the month the plant came offline due to an ash handling issue. A few days later there was a problem with the wood system and then a turbine control problem. At the end of March, the plant came offline for a couple of days for a stack monitoring issue. At that time, energy prices were low so McNeil stayed offline for a period of time. The first quarter ended and the NOX emissions were low enough to qualify for Connecticut RECS. D. Smith asked if the NOX rate was an improved number. D. MacDonnell replied saying it is a little lower than normal because we have not been running as much during the end of the quarter to drive the number up. In April 2019, McNeil had a capacity factor of 31.3 percent. There were very few reductions during the month. There was an economizer tube leak in the middle of the month that took McNeil offline for five days. Robert Barrett was hired as a Generation Generalist during the month of April. In the month of May, 2019, McNeil had a capacity factor of 31.9 percent. During the month of May, the major turbine overhaul started on the 15th, and ran until the end of June 2019. In June 2019, McNeil had a capacity factor of 2.3 percent due to the overhaul lasting the whole month. The small percent was caused by doing some testing so the capacity factor was not zero. The second Quarter ended and the NOX emissions were low enough to qualify for Connecticut REC’s. The major turbine overhaul ended on June 30th and McNeil is currently online.

# Fuel Procurement Update

B. Lesnikoski updated the Joint Owners on the current wood supply. She said McNeil did not use a lot of wood from March through June. The plant is now online and the prices are up so things look good for buying wood and the quotas that were in effect have been lifted. The wood supply was restricted the last few months due to the weather conditions. The plant was in their major overhaul so the wood was not needed. Now that the weather is dry, McNeil should see deliveries pick up and trains pick up to four or five per week through the summer. McNeil received the report on the fuel study that was completed by Innovative Natural Resources. One of the items in the report was market pricing and where McNeil fit in compared to others. Market price for McNeil came in at $31.00 per ton compared to tons used at the price of $29.00 per ton. McNeil is currently paying $27.00 per ton which is below the market price because of energy markets and economics. The other point of the fuel study was to point out the reason McNeil can be consistently below market price. This reason reported is the consistency in price and volume McNeil has with the suppliers. The suppliers know what to expect and know the needs in the future due to good communication with the suppliers. B. Lesnikoski gave an update on the New Hampshire woodchip plants. They have a new law waiting for the governor to sign that has been passed by both houses that will give them some incentives and subsidizes to run the plants. They are buying limited amounts of wood in anticipation of the law being passed and in anticipation of the summer energy market being high. All these plants are for sale and it is easier for them to get a buyer if the plants are running. For McNeil, what is happening in New Hampshire helps stabilize the market and gives our suppliers another outlet for their supply of wood. B. Lesnikoski reported that the railroad is being sold. It is being bought by Brookfield Management Associates for 8.4 billion dollars. The McNeil contract with the railroad is good through the end of September 2020. The sale should be approved by the end of 2019 so when McNeil does re-negotiate the contract, it will be with a different entity. It has been said that this should have little to no effect on McNeil. The impact of the next five year contract is unknown. One important part of the last contract was to tie it to a railroad fuel index. This gave a basis as to why the prices were changing and would be good to keep in this next contract. B. Lesnikoski gave an update on the Emerald Ash Borer. It has been found all over the state of Vermont. Vermont is now federally quarantined and well as New York and New Hampshire. Maine is the only state near Vermont that is not quarantined but is expected to be the next one to follow. In the mid-west the Emerald Ash borer has been around for over fifteen years and the white ash tree has survived in some quantity. Vermont has a large amount of white ash trees so this gives some hope for the future of that particular tree. B. Lesnikoski also mentioned that McNeil will not renew the special contracts we have with the wood suppliers at this moment in time. Betsy has personally met with the three suppliers and assured them that they have an elevated status with McNeil and they have priority when we talk about quotas and we will honor them. The only thing they lost is the price stability.

# Financial Review

Y. Liu said that the total expenses on the calendar year to date budget through May 2019 are

$8,489,045. This is $3,315,364 below budget. The favorable variance is mostly driven by underspending in fuel expenses. McNeil is using less wood than originally budgeted because of economic reasons. The other area that is notably underspent is steam plant for $158,000, plant maintenance for $470,000 and electric plant for $100,000. There is more money in these areas in April, May and June because the major turbine overhaul has not been fully accounted for due to invoices not being paid until June. There will be a better picture of expenses when June figures are in.

# McNeil Operating Statement

Y. Liu presented the McNeil operating statement with McNeil revenue and expense for fiscal year to date through May 31, 2019. Also included is calendar year to date through May 31, 2019. In the May fiscal year to date 2019 numbers, the total revenue was $22,645,346 compared to 25,531,323 in May fiscal year 2018. The total fuel expenses were $12,856,564 in fiscal year 2019 compared to $14,701,798 in fiscal year 2018, and the total other expenses including depreciation were $8,359,077 in fiscal year 2019 compared to $9,761,540 in fiscal year 2018. The net income before interest expense including depreciation was $1,429,705 in fiscal year 2019 compared to a net income of $1,067,985 in 2018. J. Reardon asked the question, that even though there were higher revenues in 2018 then why is the bottom line not better than 2019? What is distorting this is the maintenance line item which is carrying about 2.6 million for fiscal year 2018 compared to 1.1 million in fiscal year 2019. The reason is through May 2018, we had about 1.1 million dollars of spare parts reflected that were going to be used for the major turbine overhaul that got adjusted from expense in June 2018 and put in inventory. This is distorting the year to date results through May of 2018. The 2.6 million should be at least 1.1 million dollars less than what it is and that would make the bottom line increase to from 1.1 million to 2.2 million. In the May calendar year to date 2019 numbers, the total revenue was $9,334,763 compared to $12,421,536 in calendar year 2018, the total fuel expenses were $5,356,407 compared to $6,802,602 in 2018 and the total other expenses including deprecation were $3,794,358 in 2019 compared to $4,915,860 in 2018. The net income before interest expense including depreciation was $183,999. This is compared to a net income of $703,073 in the May calendar year to date 2018 number. Both fiscal year and calendar year 2019 revenues remain much lower compared to the same period in calendar year and fiscal year 2018 due to a decrease in market energy revenue and REC revenue. J. Reardon mentioned that you have the same happening on the calendar year as he mentioned on the fiscal year explanation making the bottom line distorted. K. Nolan asked why the billing seems low for the overhaul. J. Reardon said the joint owners were billed some portion in 2018 and some in 2019 making the 2019 expense number look lower than normal. One more reason the bill may be lower is that McNeil has been running 18 percent below production in 2019 and there are savings in the fuel expense.

**8. BED – GM Update**

D. Springer, General Manager for Burlington Electric, gave the update on the back taxes owed to the City of Burlington for the gasifier equipment at the McNeil plant. The city attorney is looking to confirm that there is no entity or successor entity that would continue to be responsible for taxes related to the gasifier. If they find there is no entity responsible then the plan, on behalf of the Joint Owners with the City of Burlington would be to seek an abatement and get the tax liability off the books. Progress on this issue is taking place this summer.

D. Springer then updated the Joint Owners on District Energy. The legislation has been signed by the governor as part of a miscellaneous energy bill that gives Burlington Electric flexibility to use our thermal energy and process efficiency funds in order to support the District Energy system in a new way. The advanced engineering and design work was estimated by Corix to be around $500,000 in work that Burlington can potentially support a portion of and make it easier to ask potential customers to sign on to the next phase. The funds to support this work are called the thermal energy process fuel (TEPF) funds which are currently administered as an efficiency utility on behalf of Burlington. Previously Burlington Electric has been granted permission to use those funds to support incentive for construction with District Energy, but now it can be used to support the engineering and design work, which is the next phase of the project that has been stalled over the past year. This legislation gives Burlington Electric a new opening to have conversations with stakeholders that will happen soon. More information will be reported at the next Joint Owner meeting. At the past commission meeting, one of the commissioners had a question about the carbon footprint of the McNeil station and about woodchips. D. Springer said B. Lesnikoski answered this question with data and facts of the story of McNeil’s operation and the carbon cycle benefits from the way we operate. Betsy and the team at McNeil have done a great job of sharing the story from the carbon standpoint. B. Lesnikoski said that there were two points to make when talking about carbon footprint. The first point is McNeil has been running for over thirty years so the trees that McNeil have been harvesting have been replaced with sustainable guidelines in place to be sure that the future of the forest is being protected. The second point is the forest in Vermont is growing at a high rate and the harvest is only half of what the growth is. Burlington Electric’s part of that harvest is about nine percent of the actual overall harvest. When you take a look at the health of the Vermont forest in general, they are growing much more than they are being harvested. D. Springer continued with an update about a solar test facility at the McNeil Plant to serve as a future research purpose and to utilize the land as a global energy resource. There has been some movement in the past couple of weeks towards the realization of this project with UVM, Sandia and the partners. J. Gibbons said they are discussing if the group wants to permit this as 15 KW facility or greater KW for further expansion. The equipment that has been donated is about 22 KW which could be converted to 15KW leaving no room for expansion. The inclination right now is that UVM would get a 248 permit for up to 15KW. There is a draft agreement between UVM and the McNeil Joint Owners for use of the space at McNeil. This is a 5 year term agreement because UVM can’t enter into a contract above that amount of time. For use of the McNeil property, the Joint Owners would benefit through energy and REC’s produced that Burlington Electric would then buy from the Joint Owners. D. Springer said that this would be a solar research site that would benefit Burlington Electric for training possibilities as well. It could expand to other grid integration research over time. The land associated with this project would be fenced and secured with their own key fob so that there would not be access to the McNeil plant property.

# Plant Status, Operating/ Maintenance Concerns

# D. MacDonnell reported that the major turbine overhaul started on May 15, 2019 and ended on June 30, 2019. The initial schedule was to end on June 19th but it was extended slightly. The last major turbine overhaul was in 2011. This type of overhaul is done every 5 to 8 years based on run time hours on the turbine. There were no major safety incidents during the outage with many workers on site. McNeil came online July 2nd and has been running since then. Some of the work done during the overhaul was a stack inspection and seal, and also an upgrade on the lighting protection on the stack to make sure it was brought up to code. One of the issues with the stack were some superficial cracks on the surface. It was found that there are no real concerns with this but someone will come in and take a look at this in the future. New pumps and VFD motors were installed for the circulating motors on the circulating water pumps. Cement work was also done around the basin. Normal greasing, oil changes and inspections were completed. D. MacDonnell asked the Joint owners if the dates of the 2020 overhaul could be April 11 through April 26th. There were no objections to that date. These dates will be requested to ISO. P. Pikna then reported on a few jobs that happened during the major turbine overhaul. The turbine generator was opened up to inspect the core pieces and hardware. There was a cracked blade that was found and fixed. More things will need to be repaired in the coming years because of age of the turbine. GE said our turbine was in fairly good shape. Some balancing work was done. Some vibration issues were found and will be investigated more. The stator was found to be in good shape also. The water wall scanning was a success. There were 150 defects found doing a low frequency electromagnetic technique. (LFET) The welders that performed the repair work commented how accurate the LEFT was in pinpointing the defects. Out of the 150 defects, 145 were replaced. The ones not addressed were the lowest rated defects possible and were hard to reach. These are very unlikely to cause problems. The defects were taken care of by cutting out the portion of the tube effected and replacing it with a new section. This project was a success because of the amount of the issues it took care of. The economizer replacement will be the next step in the process to ensure less tube leaks. This job is in the fiscal year budget and scheduled to be completed in April in 2020 which will cost around 1.3 million total project cost.

# Schedule for next Meeting

The next Joint Owner meeting is scheduled for September 24, 2019 at noon at the McNeil farmhouse.

#  Meeting Adjourned

Mr. Springer made a motion to adjourn the meeting at 1:20pm; the motion was seconded by Mr. Smith approved by all Joint Owners present.