

DRAFT

McNeil Station Joint Ownership Operating Committee Meeting Minutes

The meeting of the McNeil Station Joint Ownership Operating Committee convened at 12:15

P.M. on Tuesday December 5, 2017 at the McNeil Generating Station Farmhouse.

Present: Neale Lunderville, BED, James Gibbons, BED, Munir Kasti, BED, Betsy Lesnikoski, BED, David MacDonnell, BED, Paul Pikna, BED, James Reardon, BED, Ying Liu, BED, Douglas Smith, GMP, and Kenneth Nolan, VPPSA.

Others Present: Colleen Rouille, BED

Mr. MacDonnell began the meeting by introducing Ying Liu, the new Burlington Electric McNeil Accountant, to the Joint Owners.

# Agenda

Mr. MacDonnell made a change to the agenda. It was suggested that the November 2017 overview of the Operating report be removed and added to the next meeting since the Joint Owners did not get a copy. Mr. MacDonnell made motion to approve the Agenda; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# Review of Joint Owner Operating Committee Meeting Minutes of October 19, 2017

There were no changes to the minutes. Mr. Gibbons made a motion to approve the Joint Owner Committee Meeting Minutes of October 19, 2017; the motion was seconded by Mr. MacDonnell and approved by all Joint Owners present.

# Public Forum

# There was no one present from the public present.

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# Overview of Operating and Generating Reports for October 2017

Mr. MacDonnell summarized the reduction and limitations and news for the month of October.

In October 2017, there was a reduction and limitation of the circulating water pump coupling that happened the beginning of the month. There are two circulators and McNeil was running with just one of them. It took four days to get the part and get it in place. The other big item in October was a tube leak that developed, first in the economizer and then another one in the water wall after shut down. The plant was offline for the last 5 days of October and the first two days of November. Jason Baxter was hired as the new Station Operator, his first day of work at the plant was October 30th. Jason has power plant experience in both trash and coal plants. Mr. Smith asked how many days the plant has been offline in November due to tube leaks. Mr. MacDonnell said the McNeil plant has been offline since November 15th for a tube leak. That tube leak is 50 feet up in the boiler. A special type of staging was needed to get up to this part of the boiler. Due to the Thanksgiving holiday, the staging was delayed a week. The tube leak is expected to be fixed by Thursday December 7th. It was noted that the welders were not at the plant over the weekend being paid premium pay because the economics were not favorable to get the tube leak fixed before Thursday. Mr. MacDonnell said that a section of tube was cut out and sent away to be analyzed to see what is causing the leaks. The report will be back soon. With the plant being offline, seven of the tubes in the furnace area have had a borescope inserted to see what was inside. Four out of seven tubes had some corrosion and build up inside of them. Mr. MacDonnell said he would wait for the analysis of the tube that was sent out before they decide what option they will proceed with. Facts and recommendations from the experts are needed first. The remedy will be dealt with during the plant overhaul in April, 2018. The boiler is 34 years old and Mr. MacDonnell believes this has happened over the years of plant operation. When McNeil cycles off and on, the tube leaks are happening. A spreadsheet is being maintained to keep track of how often this happens.

# Fuel Procurement Update

Ms. Lesnikoski stated that since the plant has been offline it has changed the inventory of the wood both at the plant and in Swanton. Both are at capacity. Trains carrying the wood have been cancelled for the past two weeks and until McNeil is back online there will be limited deliveries. Once online and some space is freed up in the wood yard, deliveries will start up again. There are three special agreements where people have signed up for a certain number of loads per week. It is been beneficial for them because they are still delivering wood to us. The three contractors have agreed to extend this contract for another six months. Mr. Smith asked what percent of the fuel supply these agreements make up. Ms. Lesnikoski said it is 15 to 20 percent. Over the last month, McNeil has reduced some of the wood prices. The tree service wood and the clean mill chips were affected. McNeil is trying to be as price conscious as possible, and still maintain an adequate supply network.

# Financial Review

Mr. Reardon said that the calendar year 2017 budget through October is underspent for approximately 4.5 million dollars. 2.5 million dollars of that favorable variance is related to the amount that was originally budgeted for fuel expense and what McNeil is actually incurring. Each moth that variance is getting larger because McNeil is buying wood at a lower price than budgeted. The other two items that have significant underspending are the boiler plant for three hundred thousand dollars and the electric plant for three hundred forty thousand dollars. These two accounts are being monitored to see the reasons for this underspending. The 2017 capital budget year to date spending is 1.6 million out of 2.6 million total budget.

# McNeil Operating Statement

Mr. Reardon presented a document with McNeil revenue and expense for fiscal year 2016 and 2017, fiscal year to date through October 2017 and calendar year to date through October 2017. In the fiscal Year 2016 numbers, there was a loss which included the fuel expense and depreciation of 7, 589,009. In fiscal year 2017 the loss was 3,535,081. This loss was cut by 4 million dollars because of the fuel prices being lower than what was budgeted. In the year to date fiscal year 2018, in the first four months there is a loss of 538,190 which includes depreciation. The year to date calendar year 2017 data indicates a net loss of 2,966,277. This includes depreciation of 1.6 million and 350,000 for loss on the sale of equipment. This loss is less than fiscal year 2017 at this point. A few assumptions worth noting are that the Joint Owners REC sales are comparable to McNeil’s and that depreciation policies may be different. In the fiscal year 2018 budget to date, there has been no loss on the sale of equipment which means we are doing a better job of estimating the useful life of the capital improvements.

# Calendar Year 2018 Budget Review

# Mr. MacDonnell presented the budget to the joint owners present. Mr. MacDonnell stated that the proposed budget is based on a plant capacity factor of 70 percent. As of November 30th 2017, the plant capacity is 60.3 percent. The expense portion of the budget has been increased by 942,394 over the 2017 calendar year budget, mainly for the removal of the gasifier. Included in the budget was 500, 000 for the removal and 200,000 for possible back taxes. The fuel portion of the budget is down by 618,173 because of the price McNeil is paying for woodchips. In calendar year 2017, McNeil budgeted the purchase of 460,000 tons of chips for 30.00 per ton and in calendar year 2018 proposed budget, the 460,000 tons were budgeted at both 28.00 and 29.00 per ton. The overall budget for calendar year 2018 is 28,259,005. This is an increase from calendar 2017 of 324,220. The capital budget for calendar year 2018 is 4.8 million as compared to 2.6 million budgeted in 2017. The increase is 2.2 million. The reason for the increase is due to the major overhaul in the turbine which is done every 5 to 7 years. This item is budgeted for 2.75 million dollars. The manufacture of the turbine recommends that it is overhauled at 50,000 run hours and we are currently at 58,000 run hours.

# Burlington Electric is proposing an accounting order from the public service board to amortize the cost of the major overhaul over seven years. Mr. Reardon noted that in the 2018 operating budget, there is approximately a 1.2 percent increase, but that the budget would be less than 2017 if we had not included the estimated expenses for the demolition of the gasifier. The demolition is in the budget at 500, 000 and 200,000 for possible taxes. Mr. Smith asked about the annual capacity factor of 70 percent that is built into the budget. He asked if the REC market is softer, the energy market in New England and fuel expenses are down, was there a discussion that yielded the 70 percent figure. Because of cycling, you get a 67 percent capacity factor unlike if you don’t cycle. In the past few years we have been close to the 70 percent capacity factor.

# Mr. MacDonnell asked for a vote on the calendar 2018 budget. Mr. Nolan made a motion to approve the McNeil calendar year 2018 budget; the motion was seconded by Mr. Gibbons and approved by all joint owners present.

# BED – GM Update

Mr. Lunderville stated that he wanted to give an update on district energy. The full pricing proposals have been developed by Corix and Burlington Electric for each of the potential first round of customers involved in district energy. In a previous step, there was a rate design process that developed different rate classes. Two of the large customers would have a rate class of their own while the rest would fall into the third. There is a fourth that is the third rate class plus the site specific retrofit cost. From the rate classes being developed, specific proposals for each of the potential customers were developed and presented to them. The response has been very positive. The focus right now is on the large customers with the goal being to get a letter of intent from them by the end of January. Once the letters of intent have been received, the preliminary engineering phase will begin. The letters of intent will state that after the preliminary engineering phase, if our cost remains within fifteen percent of the original estimate, they will be locked into a thermal energy services agreement or they would face the withdrawal penalty equal to their pro rata share of the preliminary engineering costs. Burlington electric has agreed to fund 75,000 of that preliminary engineering cost and the rest would be split among the potential customers. After being presented with the letters of intent, most had a favorable outlook on moving forward. Because we are asking for a long term contract, that has some potential customers possibly unwilling to commit right now.

Overall, the progress is good and Mr. Lunderville hopes that by the next meeting there will be some positive news. Mr. Gibbons mentioned that they had a very productive meeting with the city attorney. He said the letter of intent is structured so it will be signed by Corix, the customer and the city of Burlington. The city is on board with trying to get city council approval to execute the letters of intent signed by January. It is intended to get it down to four finalists, and then have two finalists and then let the city council vote on those. Mr. Smith asked if the motivation of the customers is economic or something else? Mr. Lunderville answered by saying that it depends on the customer and that most are economic reasons and long term price stability. Corix has gathered data on all the potential customers such as usage, capital costs, and maintenance costs and built the proposed price around that.

Burlington Electric will ask Corix for a preliminary agreement between the Joint Owners and the district energy system. That negotiation needs to be completed before Burlington Electric Department will sign off on the preliminary engineering to begin assuming the letters of intent are in place. That is the commitment by Burlington Electric Department to the other Joint Owners.

# Plant Status, Operating/ Maintenance Concerns

Mr. MacDonnell brought up that Destenie Vital and Adam Rabin have been coming to the McNeil Station to film procedures for training and development of staff. Employees will be able to access the filmed procedures for a reference when needed. For tasks that are not done often, this will help to refresh the employee on the steps taken to complete the task. There will be a loader training this week that will be filmed that each employee must attend. Training and filming specific tasks are a key focus right now at the McNeil plant.

Mr. Lunderville moved that the premature disclosure of the gasifier demolition contract, if shared publically would place BED and McNeil at a significant competitive disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. The motion was seconded Mr. Nolan.

Mr. Lunderville made a motion to enter into Executive Session based on the finding under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes with staff present. The motion was seconded by Mr. Nolan.

The Joint Owners moved into Executive Session at 1:15 p.m.

Mr. Lunderville made a motion to exit Executive Session at 1:48 pm; this motion was seconded by Mr. Nolan and approved by all Joint Owners present.

# Schedule for next Meeting

The next Joint Owner meeting is scheduled for April 25 at noon at the McNeil farmhouse with a tour of the McNeil plant to see the turbine overhaul. A special meeting may be needed in March.

# Meeting Adjourned

Mr. Lunderville made a motion to adjourn the meeting at 2:00 pm; the motion was seconded by Mr. Nolan and approved by all Joint Owners present.