



## MINUTES OF DISTRICT ENERGY CORPORATION BOARD

Minutes of the meeting of the District Energy Corporation (DEC), October 17, 2023, held at the Lincoln Electric System Operations Center, 9445 Rokeby Road, Lincoln, Nebraska. Notice of the meeting was published in the Lincoln Journal Star newspaper on October 10, 2023.

Board Members Present: Kim Morrow, Carl Eskridge, Bennie Shobe, Sean Flowerday, Carl Eskridge

Board Members Absent: none

Others Present: David Levy, Jason Fortik, Nick Wischhof, Larry Balm, Dianne Dobrusky, Kerin Peterson, Todd Bowman, Nick Wolf, Keith Snyder, Wade Leibbrandt, Nichi Richardson

Chair Sean Flowerday called the meeting to order at 12 noon and noted that a quorum was present. Flowerday stated that DEC conducts its meetings in compliance with the Nebraska Open Meetings Act and that a copy of the act is posted at the back of the room.

### **Call to Order**

Jason Fortik, LES Vice President of Power Supply and DEC Administrator, presented the Safety Briefing.

### **Safety Briefing**

Jason Fortik then asked if anyone had time constraints and would need to leave early, since the high priority items of budget and rates are near the end of the agenda. Chair Flowerday responded with a suggestion that the Financial Report, with budget and rates items, be moved ahead of the Management Report. There were no objections.

### **Agenda Adjusted**

Chair Flowerday asked for approval of the April 18, 2023 meeting minutes. Eskridge made the motion and Shobe seconded. The vote to approve was:

### **Approval of Prior Minutes for 4/18/23**

Aye: Flowerday, Morrow, Eskridge, Vest, Shobe

Nay: None / Absent: None

Chair Flowerday asked for approval of the July 18, 2023 meeting minutes. Eskridge made the motion and Shobe seconded. The vote to approve was:

### **Approval of Prior Minutes for 7/18/23**

Aye: Flowerday, Morrow, Eskridge, Vest, Shobe

Nay: None / Absent: None

Chair Flowerday asked for approval of the both the Management and Financial reports for July 18, 2023, as there was not a quorum at that meeting. Eskridge made the motion and Vest seconded. The vote to approve was:

Aye: Flowerday, Morrow, Eskridge, Vest, Shobe

Nay: None / Absent: None

## **Approval of Prior Reports for 7/18/23**

Nick Wolf, LES Manager Financial Accounting, presented the 3<sup>rd</sup> Quarter Financial Report.

## **Financial Report**

Financial Performance through the third quarter is favorable with operating income near budget. YTD sales total was also at budget, although there were some differing variances between plants. The month of July was cooler than average, and August and September were warmer than average.

- **Current Financial Statement**

YTD revenue was just \$7K over budgeted revenue. Revenue tends to be stable due to the fixed charges vs. the variable consumption-based charges. YTD expenses were 4% under budget, primarily due to higher interest income and lower energy expenses – with an offsetting increase in administrative and payroll expense. Depreciation and non-operating expenses were 8% under budget, due mainly to interest income being over budget. This also affected YTD debt service coverage being great than budget.

End of year projections indicate reduced capital expenditures in 2023 due to project delays. These include the CADF loop field fluid cooler, the WHM boiler addition, and the LOC loop field resistance heater.

Motion to accept the Financial Report was made by Vest and seconded by Morrow. The vote to approve was:

Aye: Flowerday, Morrow, Eskridge, Vest, Shobe

Nay: None / Absent: None

- **Motion to Accept Financial Report**

Wade Leibbrandt, LES Manager, Budgeting and Financial Planning, presented the DEC 2024 Budget and Rates, including Resolutions 23-03, 23-04 and 23-05.

## **2024 Budget and Rates Presentation**

Leibbrandt introduced himself and the staff that worked on the budget. He also reviewed the budgeting process, with the three components of: operating budget, capital budget and non-operating costs. The proposed 2024 Operating Budget is slightly higher than the 2023 Budget, with the main driver being payroll, administrative and outside consulting costs. There is an anticipated drop in capital expenditures for next year. Most of that budget (60%) will be spent on projects at the CADF and WHM sites.

Leibbrandt then reviewed the components of the customer rates, including: heating rates, cooling rates, demand-financing, and demand-other. Details were given on the changes for each site, and what drove those changes. With the capital decline offsetting the increase in operating costs, the 2024 total proposed budget decreased \$0.5M, or 4%, compared to the 2023 budget.

Financial metrics are met for the 2024 proposed budget with a 1.17 debt service coverage ratio and 116 days cash-on-hand. Based on current estimates, these three customers could experience a slight billing decrease overall: State, WHM, and LOC. These two could experience bills similar to last year: CADF, NSP. And the County/City will likely see an increase. Further details were presented regarding the County/City increase.

Flowerday called for a motion to approve Resolution 23-03, adopting the 2024 DEC Operating and Capital Budget, and a revised Schedule of Rates and Charges for DEC customers for 2024. Eskridge made the motion and Morrow seconded. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Vest, Shobe  
Nay: None / Absent: None

**Resolution 23-03**

Flowerday called for a motion to approve Resolution 23-04, to approve the transfer of funds from the DEC Operating Fund to the DEC Rate Stabilization Fund and allocating certain amounts therein to specific plants. Eskridge made the motion and Morrow seconded. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Vest, Shobe  
Nay: None / Absent: None

**Resolution 23-04**

Leibbrandt presented information about Resolution 23-05 and asked for questions. It is a process that is done annually. Flowerday called for a motion to approve Resolution 23-05, to declare the intent of the DEC, under IRS Code of 1986, as amended, to reimburse certain capital expenditures from the proceeds of future tax-exempt obligations. Eskridge made the motion and Vest seconded. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Vest, Shobe  
Nay: None / Absent: None

**Resolution 23-05**

Nick Wischhof, LES Manager, Projects Engineering, presented.

**Management Report**

Wischhof reviewed the details of several service interruptions for the period – both planned and unplanned. Those included:

• **Operations**

- K Street (County-City) to repair hot water distribution leaks.
- Planned NSP outages for customer steam/condensate leak repairs.

- WHM customer outages to cut over to temporary boilers for the valve replacement project.
- County-City partial interruption in July due to Chiller 1 low refrigerant.

Wischof presented a graph showing natural gas prices compared to budget and NYMEX futures projections.

- **Natural Gas**

Some planned capital projects for 2023, that were less urgent, have been deferred to 2024 while more urgent projects/issues were focused on this year. Upcoming capital projects include; central cyber security system / CADF geothermal loop cooler / CADF backup circulating water pumps / C/C water service upgrade and / LOC geothermal loop heating system.

- **Capital Projects**

Information, including pictures, were presented on projects that will be complete in 2023; SBP condensate surge tank project was commissioned on Sept 19<sup>th</sup> / CC water softener installation / CC hot water leak to K Street / CC hot water valve leak / CC fuel oil tank maintenance and / WHM hot water distribution valve replacements.

Wischof presented details, costs, and timelines for 2024 capital projects; WHM electric boiler addition (2) / Central safety and security improvements / CADF multistack upgrades and / WHM on-line chiller condenser cleaning system.

Both Wischof and Flowerday spoke about several areas of potential DEC expansion that are being looked at. These include; new convention center / CC multimodal center / CC K Street redevelopment / WHM Block 5 development / WHM Lincoln Bold development and / NSP State Penitentiary (both new and existing).

- **New Customer Potential**

Flowerday called for a motion to accept the Management Report. Motion was made by Vest and seconded by Morrow. The vote to approve was:

- **Motion to Accept Mgmt Report**

Aye: Flowerday, Morrow, Eskridge, Vest, Shobe  
Nay: None / Absent: None

Flowerday called for a motion to adjourn. Motion was made by Shobe and seconded by Vest. The vote to approve was:

**Adjournment**

Aye: Flowerday, Morrow, Eskridge, Vest, Shobe  
Nay: None / Absent: None

There being no further business to come before the Board, Chairman Flowerday declared the meeting adjourned at 1:25 p.m.

Sean Flowerday, Board Chair

By: *Dianne Dobrusky*  
Dianne Dobrusky, Assistant Secretary

