



## MINUTES OF DISTRICT ENERGY CORPORATION

Minutes of the meeting of the District Energy Corporation (DEC), June 22, 2022, held at the Lincoln Electric System Operations Center, 9445 Rokeby Road, Lincoln, Nebraska. The Board Meeting was also held using MS Teams. Notice of the meeting was published in the Journal Star on June 15, 2022.

Board Members Present: Virtually - Deb Schorr, Sean Flowerday, Layne Sup

Board Members Absent: Miki Esposito, Tammy Ward

Others Present: Virtually - Jennifer Hiatt, Emily Koenig, Jason Fortik, Dan Dixon, Wade Leibbrandt, Lisa Hale, Kerin Peterson, Dustan Daniel, Linh Phung

Others Present: In person – Julie Ryan

Chair Deb Schorr called the meeting to order at approximately 10:00 a.m. **Call to Order**  
She noted that DEC conducts its meetings in compliance with the Nebraska Open Meetings Act and noted that a copy of the act is located near the entrance of the Board room, with the DEC Assistant Secretary, and on the DEC website.

Dan Dixon, LES Supervisor of Inter-Local Projects, and DEC Project Manager, provided an update on the West Haymarket plant valve replacement project. **West Haymarket Valve Replacement Project**  
Dixon emphasized that the objective is making sure there are no leaks that would interrupt service. The project was broken down by different tasks. On the north end, the first task would be to excavate and expose valves to the north of Hyatt Place, just to the south of the original repaired leak from 2020. These activities are being coordinated with the building owner and the contractor with respect to the ATM that is there, and an overhead door used for garbage service. We expect the valves to be in a similar condition like the corroded valves replaced in 2021. We plan to replace the valves, backfill with Gilsulate and re-pave. This would require temporary boilers. One for the Pinnacle Bank Arena and one for the Canopy Lofts and Hyatt to share. Moving south down the same line is task 2, which is basically the same process of opening the excavation and assessing the condition of the underground facilities. If we feel we can wait a few years, we will wait to make changes until the new building north of Hudl begins development. We would then update the valves as part of that capital project. If it looks like it is in bad condition, and may have a leak that is imminent, we will go ahead and work on those valves. The third task is physically

located between task one and two. This would only be accomplished if task two is fully executed. Under task 3, we would remove the isolation valves that are in the street. We would excavate and expose the valves, remove the isolation and customer take-off valves, and replace all with pipe, backfill with Gilsulate, and re-pave.

Dixon stated that the bid opening was June 14, but no bids were received. The scope, drawings, and specifications were clear. Bidders had concerns with a labor shortage and getting the work done in the requested timeframe. There was a concern of unforeseen circumstances in the field causing increased costs to the contractor, and a preference of performing the work on a Time & Materials basis as opposed to hard bid. We have decided we will reissue the scope for bid and that will go out today. We will do a hard bid for Task 1. We will do unit pricing, which will allow us to do change orders for tasks two and three. Depending on the schedule scope, we may defer tasks two and three, till there is a capital project development to the north of Hudl. The bid period will only be two weeks. We wanted to be done before the football season, but now we are targeting before the heating season. We do have a preliminary estimate of \$1.5 Million for the project. We did get some pricing back from one of the potential bidders just for budgetary purposes. Schorr asked if the potential bidder that Dixon spoke to had any encouraging words knowing that you had split the tasks apart and we are going to bid them separately. Dixon said the contractors preferred that approach

Emily Koenig, LES Vice President, Financial Services & CFO and DEC CFO, introduced Resolution 22-04. The resolution provides for the Board acknowledging that the operating budget may be exceeded in an amount up to \$1.5 million, consistent with the engineering estimate for the West Haymarket Valve Repair Project. Koenig emphasized that this is a large expense for the West Haymarket. The DEC West Haymarket plant typical annual operating budget is in the range of \$1.5 to \$2 million. It is not expected that customer rates will be changed in 2022 because the project expense still unknown. It is expected that funds will be borrowed against the JP Morgan line of credit. The JP Morgan line expires in 2024. As such, evaluation is on-going for a bank loan to secure a longer-term financing mechanism for this operating expense. It is expected that the repayment could be in the five-year range. Conversations have occurred with PFM, DEC's financial advisor, about the best options for a bank loan. Due to the project costs, there will be a rate increase for the West Haymarket in the budget proposal for 2023. The resolution

**Resolution 22-04**

indicates that it is expected that regulatory accounting treatment will be used, which allows for spreading the project operating expense over multiple years.

Layne Sup, DEC Board Member, asked if there is an estimate on how much the impact will be on the rates. Koenig responded that it would be somewhere in the 15 to 20% increase range with a 5-year financing term for the project. Schorr asked Jason Fortik if there has been a conversation with the customers about this issue and the potential rate increase. Fortik said that Tammy Ward is the interface for the JPA relationship, and that he has visited with her a couple of times. He has not talked to any other JPA Board Members. Flowerday suggested that a briefing should be provided to the JPA and the Mayor's office. Schorr suggested a formal letter outlining the situation and the potential impact be sent to the Mayor's Office and to all the JPA members. Fortik said he would take care of sending the letter. Schorr asked if there would be special precautions made for the public's safety depending on how large and deep the hold would be for the repairs. Dixon responded that the intent is to minimize the amount of time that the hole is open. There will be barriers and markings used. Fortik added that other safety options maybe a chain link fence or steel plates that would cover the hole.

Chair Schorr asked for a motion to approve Resolution 22-04. Flowerday moved to accept Resolution 22-04. Sup seconded the motion. The vote to approve was:

Aye: Schorr, Flowerday, Sup  
Nay: None  
Absent: Esposito, Ward  
Abstain: None

Chair Schorr reviewed the next DEC Board Meeting is July 19, 2022.

There being no further business to come before the Board, President **Adjournment**  
Schorr declared the meeting adjourned at 10:20.

Deb Schorr, Board Chair

By:   
Julie Ryan, Assistant Secretary