



Board Packet for the  
April 16, 2024  
District Energy Corporation  
Board Meeting

# TAB I



**NOTICE OF MEETING AND AGENDA  
DISTRICT ENERGY CORPORATION  
BOARD OF DIRECTORS**

*Lincoln Electric System Operations Center (LOC)  
9445 Rokeby Road / Lincoln, NE  
April 16, 2024 12:00 pm*

*Notice of meeting was published in the Lincoln Journal Star newspaper on April 9, 2024.*

- I.** CALL TO ORDER, OPEN MEETING ADVISEMENT, ROLL CALL – **Vice Chair Carl Eskridge** (12:00)
- II.** SAFETY BRIEFING – **Jason Fortik** (12:02)
- III.** APPROVAL OF JANUARY 23, 2024 MEETING MINUTES\* – **Carl Eskridge** (12:05) **Motion**
- IV.** APPROVAL OF FEBRUARY 22, 2024 MEETING MINUTES\* – **Carl Eskridge** (12:07) **Motion**
- V.** MANAGEMENT REPORT – **Nick Wischhof** (12:10)
  - A. Fuels & Operations Update
  - B. Update of Construction Projects
  - C. Potential New Customer Connections Update
  - D. Decarbonization Update
  - E. Motion to Accept Management Report\* **Motion**
- VI.** FINANCIAL REPORT – **Emily Koenig** (12:25)
  - A. Current Financial Report
  - B. Motion to Accept Financial Report **Motion**
  - C. Consider Accepting the 2023 Audit Report\* **Motion**
  - D. Tax-Exempt Financing Compliance Update
- VII.** MISCELLANEOUS/BUSINESS/ASSIGNMENTS (12:40)
  - A. Legislative Session Update – **David Levy**
  - B. Consider authorizing board member and staff attendance at the International District Energy Association’s Annual Conference in Orlando FL, June 17-20, 2024\* – **Jason Fortik** **Motion**
  - C. New Business
- VIII.** FUTURE MEETING DATES AND DISCUSSION (12:55)
  - July 16, 2024
  - October 15, 2024
  - January 28, 2025
- IX.** ADJOURNMENT (1:00pm)

\*Denotes Action Item

The meeting will start at 12:00 p.m. However, the times listed next to each item are tentative and subject to change dependent on the pace of the meeting.

# TAB II



## MINUTES OF DISTRICT ENERGY CORPORATION BOARD

Minutes of the meeting of the District Energy Corporation (DEC), January 23, 2024, 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 January 16, 2024.

Board Members Present: Kim Morrow, Carl Eskridge, Sean Flowerday, Bennie Shobe (12:11pm)

Board Members Absent: Rick Vest

Others Present: David Levy, Jason Fortik, Emily Koenig, Nick Wischhof, Larry Balm, Dianne Dobrusky, Keith Snyder, Nichi Richardson, Bryan Willnerd, Denise Parrott, Lisa Hale

Chair Sean Flowerday called the meeting to order at 12:05pm. 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**

Chair Flowerday asked for approval of the October 17, 2023 meeting minutes. Eskridge made the motion and Morrow seconded. The vote to approve was:

### **Approval of Prior Minutes for 10/17/23**

Aye: Flowerday, Morrow, Eskridge

Nay: None / Absent: Vest, Shobe

Jason Fortik presented information about the board seats that expired at the end of 2023 – Sean Flowerday’s and Kim Morrow’s. A letter was received from the Lancaster County Board of Commissioners stating that Sean Flowerday was reappointed for the 2024-2025 term. When the City Council first appointed Kim Morrow they approved her term for two years, ending on 11/21/24, rather than fulfilling the remainder of Miki Esposito’s term, which expired 12/31/2023. The DEC received confirmation from the City that their intentions are for Kim to serve through the end of 2025. The DEC will work with the City to affect an official action reflecting the term ending

### **Reappointments**

12/31/2025 so that it reflects the terms required by the DEC bylaws.

David Levy, DEC General Counsel, conducted the election of Chair for 2024. Eskridge moved to nominate Sean Flowerday as Chair. Morrow seconded the motion. The vote to approve Sean Flowerday as Chair was:

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

## **Election of Officers**

David Levy conducted the election of Vice Chair for 2024. Morrow moved to nominate Carl Eskridge as Vice Chair. Flowerday seconded the motion. The vote to approve Carl Eskridge as Vice Chair was:

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

David Levy conducted the election of Secretary for 2024. Eskridge moved to nominate Kim Morrow as Secretary. Flowerday seconded the motion. The vote to approve Kim Morrow as Secretary was:

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

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:

- Planned NSP outages for customer steam/condensate leak repairs.
- County City boiler tube failure – no outages.
- County-City hot water outage – approx. 1 hour

### **• Operations Update**

Wischhof presented information and graphs showing natural gas prices and quantities compared to budget for both 2023 and 2024.

### **• Natural Gas**

The update on capital projects included:

- Central cyber security system – expected to be in place during quarter two of this year.
- CADF geothermal loop cooler – equipment out for bid with installation expected in late 2024 or early 2025.
- CADF backup circulating water pumps – equipment has been purchased with installation work anticipated at the end of summer or early fall 2024.
- County City water service upgrade – project is complete.
- LOC geothermal loop heating system – components have been ordered and will be installed in 2024.

### **• Capital Projects**

- Central safety and security improvements – these include additional card readers, lighting upgrades, and refrigerant monitoring.
- WHM electric boilers – boilers are ordered with installation expected in late 2024.
- CADF multistack upgrades – the components will be purchased soon and installation will take place throughout the year.
- WHM on-line condenser cleaning system for chillers – this project has been delayed due to other significant work at the WHM.

Wischhof presented details showing customer outage metric data, including both planned and unplanned outages. This information was for the 2023 calendar year and separated by plant and delivery point.

- **Outage Metrics**

Potential new development opportunities for DEC were presented. These include: new convention center, multimodal center, supportive housing, K Street redevelopment, and WHM Block 5 development.

- **Expansion Potential**

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

**Motion to Accept Management Report**

Aye: Flowerday, Morrow, Eskridge, Shobe

Nay: None / Absent: Vest

Emily Koenig, LES VP Financial Services and CFO, and DEC CFO, presented the 4th Quarter 2023 Financial Report.

**Financial Report**

Koenig noted that these are preliminary financial reports, prior to being audited, and that the audit report should be ready by early April.

Year-end sales were just 1% under budget. This is due primarily to lower consumption for WHM and CADF. There are underlying variances due primarily to heating degree days being below average and cooling degree days being above average. Year-end revenue variation from budget was + 0.4%, as most revenue is of a fixed nature. Year-end expenses were 2% under budget, primarily due to higher investment income offsetting increased expenses.

- **Sales, Revenue, and Expenses**

Year-end debt service coverage was favorable to budget due primarily to higher investment income. And year-end capital expenses were lower than budget due to project delays, these include CADF, WHM and LOC projects. There may be some additional year end accruals added, but no significant changes are expected.

- **Debt Service and Capital Exp**

Bryan Willnerd, LES Manager – Treasury & Risk Management, presented the Semi-Annual Investment Report for the quarter ending 12/31/23. **Semi-Annual Investment Report**

The investment portfolio that LES manages for DEC is just over \$9.1 million – with most funds in the Bond Reserve, Bond P & I, and Operating funds. The remainder is in Rate Stabilization. The prior year, 2022, showed significant increases in market yields, but that tapered down and leveled off in 2023. Interest income was significantly over budget, due to conservative budgeting and forecasting.

- **Investment Portfolio And Yield Rates**

Willnerd presented information showing that the DEC fund performance has been closing the gap on benchmark yields. The benchmark being used is the Bank of America Merrill Lynch index. The investment objectives of safety, liquidity, and return on investment have all been met. On the portfolio allocation limits, DEC was slightly over the money market limit due to bond interest payments to bondholders on January 1.

- **Benchmarks and Metrics**

Willnerd detailed the proposed changes in the DEC investment Policy. The LES investment policy was recently updated, and the DEC policy would now follow that fairly closely. Some responsibilities were shifted to different areas within Financial Services and some language was updated and clarified.

- **Resolution 24-01**

Motion to accept Resolution 24-01 was made by Flowerday and seconded by Morrow. The vote to approve was:

Aye: Flowerday, Morrow, Eskridge, Shobe

Nay: None / Absent: Vest

**Motion to Approve Resolution 24-01**

Motion to approve the Financial Report was made by Eskridge and seconded by Flowerday. The vote to approve was:

Aye: Flowerday, Morrow, Eskridge, Shobe

Nay: None / Absent: Vest

**Motion to Approve Financial Report**

Jason Fortik presented information regarding the 2024 IDEA conference being held in Orlando, FL on June 17-20. DEC has typically had several board members and staff attend. More information will be shared as it becomes available.

**IDEA conference**

David Levy discussed the current legislative bills that may have an impact to DEC. The three bills that Levy gave detailed information regarding are; LB #951, #1342, and #1366. LB #951 has some implications relating to the Open Meetings Act that could impact other boards that members may serve on. LB #1342 would exempt the sale and purchase of natural gas for

**Legislative Updates**



residential use from state sales and use tax. LB #1366 proposes some additional steps for any political subdivision exercising the power of eminent domain.

Kim Morrow, board member, introduced the topic of DEC potentially adopting a decarbonization goal, and the possibility of a committee or special meeting to explore it further. In further discussions it was decided to hold a special meeting to discuss this topic, as well as the possibility of having more frequent meetings, and other expansion opportunities. The date selected is February 22<sup>nd</sup> at 12pm. Staff will work to determine a location and organize the meeting.

**Open Discussion**

Flowerday called for a motion to adjourn. Motion was made by Eskridge and seconded by Morrow. The vote to approve was:  
Aye: Flowerday, Morrow, Eskridge, Shobe  
Nay: None / Absent: Vest

**Adjournment**

There being no further business to come before the Board, Chairman Flowerday declared the meeting adjourned at 1:02 p.m.

Sean Flowerday, Board Chair

By: *Dianne Dobrusky*  
Dianne Dobrusky, Assistant Secretary



## MINUTES OF DISTRICT ENERGY CORPORATION BOARD

Minutes of the meeting of the District Energy Corporation (DEC), February 22, 2024, held at the Lincoln Electric System conference room, 411 S 13<sup>th</sup> Str, Suite 320, Lincoln, Nebraska. Notice of the meeting was published in the Lincoln Journal Star newspaper on February 15, 2024.

Board Members Present: Kim Morrow, Carl Eskridge, Rick Vest (12:15), Bennie Shobe (12:35)

Board Members Absent: Sean Flowerday

Others Present: David Levy (on-line), Jason Fortik, Wade Leibbrandt, Nick Wischhof, Dianne Dobrusky, Keith Snyder, Denise Parrott, Lisa Hale, Peter Hind, Kerin Petersen

Vice Chair Carl Eskridge called the meeting to order at 12:10pm. Eskridge stated that DEC conducts its meetings in compliance with the Nebraska Open Meetings Act and that a copy of the act is posted.

### **Call to Order**

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

### **Safety Briefing**

Director Kim Morrow started the discussion by presenting the climate action plan of the City of Lincoln and the Verdis Group report. This plan details a goal to reduce greenhouse gas emissions by 80% by 2050. As part of an EPA grant program the City of Lincoln received funding to update their climate action plan.

### **Decarbonization Goal Discussion Verdis Group Report**

Morrow provided information showing the steps taken for community engagement and a graph showing current GHG emissions, by category, for the City of Lincoln. The areas of focus selected by the city include: Energy, Transportation, Waste, and Natural Solutions. Morrow gave details about each focus area and listed action items to consider for each category.

Morrow then presented information from Verdis Group consultants about decarbonizing the DEC system. The results show that decarbonizing the DEC plants would not have a large impact on total emissions from the City of Lincoln. It would only reduce emissions for 2030 by 0.08%. and emissions for

2050 by 0.3%. One of the factors for that is that DEC operates two geothermal plants already.

Nick Wischhof, LES Manager, Projects Engineering, presented information detailing the current DEC plants and equipment. This included installation dates and life expectancy of the equipment. The County Adult Detention Facility and the LES Operations Center are 100% geothermal plants. The State facility is a boiler plant and provides heat only. The Nebraska State Penitentiary is 75% heat dominant, and there is uncertainty regarding the long-term future use of the site. The County/City is also heat dominant, and currently offsets electrical peak with thermal ice storage. The West Haymarket is 59% cooling dominant and is in the process of adding additional backup electric boilers. Wischhof presented information and estimates for possible emissions reduction options, particular to each plant.

## **DEC Equipment Overview**

Morrow asked for further information and analysis about replacing equipment as it ages out, especially regarding replacing gas boilers with electric boilers. Wischhof pointed out that it is currently not cost effective, due to the expense of setting new peak electric usage levels and the associated demand costs. Eskridge asked about geothermal plants and the space/acres needed for those systems. There was discussion about potential new technologies on the horizon and possible opportunities for district energy.

## **Equipment Discussion**

Jason Fortik reviewed the process and timeline of LES's decarbonization goal setting. Fortik gave details about each step in the process, highlighting parts that may be applicable to DEC. Points for consideration include; the role of public governing boards, customer inputs, public feedback, available technologies, customer rate impacts, and administrative time.

## **LES Decarbonization Goal and Process Review**

Morrow reiterated interest in getting more information about replacing systems as they age out – and doing peer comparisons with other district energy systems.

## **Decarbonization Goal Discussion**

Jason Fortik discussed how staff is closely monitoring developments for the new convention center and reviewing RFPs that have been issued to-date. The potential for district energy will be largely location driven, considering proximity to existing plants. David Levy, legal counsel, and Peter Hind, Director of Urban Development, gave more information about how TIF funding works and could become available. Levy also spoke about the potential need to restructure an Energy Service Agreement to serve private customers, if needed.

## **Customer Expansion Discussion**

Peter Hind provided further information about the potential for district energy with a new supportive housing project. The RFP included a requirement about evaluating the cost of district energy. There was further discussion among the group about the importance of sharing total life-cycle cost information with developers, and methods to make that information more accessible to them.

There being no further business to come before the Board, Vice Chair Eskridge stated the next meeting date is April 16<sup>th</sup>, at the LOC, and then declared this meeting adjourned at 1:30 p.m. **Adjournment**

Carl Eskridge, Board Vice Chair

By: *Dianne Dobrusky*  
Dianne Dobrusky, Assistant Secretary