



MINUTES OF DISTRICT ENERGY CORPORATION BOARD

Minutes of the meeting of the District Energy Corporation (DEC), July 18, 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 July 11, 2023.

Board Members Present: Kim Morrow, Carl Eskridge, Bennie Shobe (online via Teams)

Board Members Absent: Sean Flowerday, Rick Vest

Others Present: David Levy, Emily Koenig, Jason Fortik, Nick Wischhof, Larry Balm, Dianne Dobrusky, Kerin Peterson, Lisa Hale, Todd Bowman, Nick Wolf, Keith Snyder, Bryan Willnerd

Director Carl Eskridge called the meeting to order at 12:15pm and roll call was taken. Chair Sean Flowerday and Director Rick Vest were unexpectedly not present due to a long running County Commissioners meeting. Director Shobe was attending virtually. Legal counsel, David Levy, advised the board what options were available. It was decided to move forward with the meeting because a quorum was present, but moving actionable items to later in the agenda to avoid relying on Director Shobe voting virtually, in case Flowerday and Vest might arrive later.

Call to Order

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

Safety Briefing

Jason Fortik introduced Bennie Shobe and welcomed him as the new City Council appointee to the DEC Board. His term will expire at the end of 2024.

Introduction of New Board Member

Emily Koenig, LES VP Financial Services and CFO and DEC CFO, presented the 2nd Quarter Financial Report.

Financial Report

Sales were over budget, due primarily to warmer than average weather, while revenue was at budget. Expenses were 5% under budget, primarily due to higher interest income and lower energy expenses. And debt service coverage was greater than budget due to lower expenses. Mid-year projections indicate reduced capital spending in 2023 due to project delays.

• Current Financial Statement

Bryan Willnerd, LES Manager Treasury and Risk Management, presented the Semi-Annual Investment Report for the quarter ending June 30, 2023.

- **Semi-Annual Investment Report**

Willnerd stated that DEC has a \$10.6 million portfolio, which is \$1.8 million higher than the previous semi-annual report in January. Most funds are held in the Bond P&I account. Second quarter benchmark yields realized an increase since the end of Q4 2022, though rate increases have slowed since March 2023. DEC's investments were below their benchmark yield as a result of DEC's "hold to maturity" investment strategy in an increasing yield market.

Portfolio allocation for money market funds at quarter end is above the limit to meet liquidity needs for July 1, 2023 payments to bondholder. Key investment objectives include safety of assets, liquidity, and return on investment. The Investment Policy will be reviewed and will provide an update at the next meeting, covering processes and procedure updates that have been implemented.

David Levy stated that the legislature has appropriated funds for a new state penitentiary. He discussed the impacts that may have on the current site and potential for a new site to include district energy. Jason Fortik added additional information regarding the current Energy Service Agreement and bond documents with the penitentiary and the funding provisions therein. Levy concluded the discussion by summarizing that more analysis and discussion is needed, and that this topic should be carried forward to the next board meeting in October.

NE Legislative Update

Jason Fortik shared his positive comments about the June IDEA conference and asked board members for their perspective and input. Both Kim Morrow and Carl Eskridge indicated their continued interest in attending, preferably on an every-other-year schedule.

IDEA Conference Comments

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 Update**

- K Street (County-City) to repair hot water distribution leaks
- NSP outages for customer steam/condensate leak repairs
- Brief LOC outage due to refrigerant leak (<1 hour)
- WHM outages due to temporary boilers for the valve replacement project
- Glycol leak at the County-City that caused a reduction in ice capacity

Wischhof presented a graph showing NYMEX prices for natural gas futures over several prior years – which showed that prices have remained fairly low YTD in comparison. Wischhof also introduced some graphs and data for a new Excel based tool for customer metrics and tracking efficiencies.

- **Fuels Update**

Wischhof then reviewed these construction projects for 2023:

- State Building Plant condensate surge tank
- County/City Plant hot water leak to K Street
- West Haymarket Plant valve replacement project
- West Haymarket Plant boiler addition

- **Project Updates**

The final topic Wischhof presented was new customer / feasibility studies. WHM Block 5 expansion is not expecting to connect to DEC. The HUDL II expansion has been delayed until 2028. There is a potential opportunity for DEC with a potential new convention center. DEC was also contacted by a consulting firm about a potential project at 701 S. 10th Street. And Wischhof stated he is also working on some estimates for an individual company related to the K Street redevelopment.

- **Feasibility Studies**

David Levy shared that Flowerday and Vest had been in contact and were not yet enroute. Kim Morrow had left the meeting (which was running late), due to another commitment. Levy presented the legal options since there would not be a quorum. It was decided to adjourn the meeting and carry forward the items that needed a vote to the next regular board meeting. Shobe made the motion and Eskridge seconded. The vote to adjourn was:

Adjournment

Aye: Eskridge, Shobe

Nay: None

Absent: Flowerday, Vest, Morrow

There being no further business to come before the Board, Director Eskridge declared the meeting adjourned at 1:10 p.m.

Sean Flowerday, Board Chair

By: *Dianne Dobrusky*
Dianne Dobrusky, Assistant Secretary