



Board Packet for the
July 18, 2023
District Energy Corporation
Board Meeting

TAB I



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

***Lincoln Electric System Operations Center (LOC)
9445 Rokeby Road / Lincoln, NE
July 18, 2023 / 12:00 pm***

Notice of meeting was published in the Lincoln Journal Star newspaper on July 11, 2023.

- I.** CALL TO ORDER, OPEN MEETING ADVISEMENT, AND ROLL CALL
- II.** SAFETY BRIEFING – **Jason Fortik** (12:02)
- III.** RECEIPT OF APPOINTMENT NOTICE/WELCOME NEW BOARD MEMBER – **Jason Fortik** (12:05)
- IV.** APPROVAL OF APRIL 18, 2023 MEETING MINUTES* – **Sean Flowerday** (12:10) **Motion**
- V.** MANAGEMENT REPORT – **Nick Wischhof** (12:15)
 - A. Fuels & Operations Update
 - B. Update of Construction Projects
 - C. New Customer Feasibility Studies
 - D. Motion to Accept Management Report* **Motion**
 - E. Lincoln Convention Center Update – **Sean Flowerday**
 - F. Customer Growth Subcommittee Discussion – **Sean Flowerday**
- VI.** FINANCIAL REPORT – (12:35)
 - A. Current Financial Statement – **Emily Koenig**
 - B. Semi-Annual Investment Report - **Bryan Willnerd**
 - C. Motion to Accept Financial Reports* **Motion**
- VII.** MISCELLANEOUS/BUSINESS/ASSIGNMENTS (12:45)
 - A. Legislative Session Update (LB 818-Future NSP Funding)– **David Levy**
 - B. IDEA Conference Comments– **Jason Fortik**
- VIII.** FUTURE MEETING DATES AND DISCUSSION (12:55)
 - October 17, 2023
 - January 23, 2024
 - April 16, 2024
- IX.** ADJOURNMENT (1:00)

*Denotes Action Item

The meeting will start at 12:00 pm. However, the times listed next to each item are tentative and subject to change dependent on the pace of the meeting. The Board may take up items before the estimated time.

TAB II



Mairead E. Safranek <MSafranek@lincoln.ne.gov>

To:  Dianne Dobrusky

Retention Policy 900-Working Papers 3 Years default full mailbox (3 years)

 You forwarded this message on 6/8/2023 10:33 AM.

Expires 6/7/2026

From: Mairead E. Safranek <MSafranek@lincoln.ne.gov>

Sent: Thursday, June 8, 2023 9:32 AM

To: Dianne Dobrusky <ddobrusky@les.com>

Subject: [EXTERNAL] Re: District Energy Corporation Board of Directors appointee request

Hi Diane,

The appointee will be Bennie Shobe! I'll get his info submitted to council and we'll have him confirmed in time for the meeting.

Mairead Safranek

Mayoral Aide | City of Lincoln

402-416-0131

[555 South 10th Street](#)

[Lincoln, NE 68508](#)

lincoln.ne.gov

From: Dianne Dobrusky <ddobrusky@les.com>

Sent: Thursday, June 8, 2023 9:21 AM

To: Mairead E. Safranek <MSafranek@lincoln.ne.gov>

Subject: RE: District Energy Corporation Board of Directors appointee request

Good Morning Mairead,

Just following up to see if there is any development on a new appointee to the DEC Board, to complete Tammy Ward's term? The next DEC Board meeting is next month – July 18th – it would be great if the new person could attend this meeting.

Dianne Dobrusky | DEC Assistant Secretary



Office: 402-473-3170

Email: ddobrusky@les.com

LES.com | 9445 Rokeby Rd. | Lincoln, NE 68526

CONNECT



TAB III



MINUTES OF DISTRICT ENERGY CORPORATION BOARD

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

Board Members Present: Tammy Ward, Sean Flowerday, Kim Morrow, Rick Vest, Carl Eskridge arrived at approx. 12:15pm

Board Members Absent: None

Others Present: David Levy, Emily Koenig, Jason Fortik, Nick Wischhof, Larry Balm, Dianne Dobrusky, Kerin Peterson, Lisa Hale

Chair Sean Flowerday called the meeting to order at 12 p.m. 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**

Chair Flowerday asked for approval of the January 24, 2023 meeting minutes. Flowerday made the motion and Eskridge seconded. The vote to approve the minutes was:
Aye: Ward, Flowerday, Morrow, Vest
Nay: None
Absent: Eskridge **Approval of Prior Minutes**

Nick Wischhof, LES Manager, Projects Engineering, presented.

Management Report

Wischhof reviewed the planned and unplanned service interruptions for the period. Wischhof also gave an update on natural gas contracts and prices. Updates on plant projects included: State Boiler Plant roof upgrade and condensate surge tank work, County/City Plant hot water service line leak repairs for the K Street customer, and the West Haymarket Plant customer service lines valve replacement project.

- **Operations Update**

Wischhof then reviewed these construction projects for 2023:

- County Adult Detention Facility: Geothermal Loop Cooler and Backup Circulating Water Pumps
- LES Operations Center: Geothermal Loop Heating System
- Nebraska State Penitentiary: Control Room Temperature Conditioning and On-Line Chiller Tube Cleaning System

Construction Projects Update

An update on new customer Feasibility Studies was presented. He stated that the 9th & P developers have decided against connecting to DEC. WHM Block 5 is undetermined as to whether that area will seek connection. The WHM Hudl 2 expansion timeline has been extended to 2028, and there is ongoing discussion regarding the County/City K Street redevelopment and possible Telesis connection.

- **Feasibility Studies**

Emily Koenig, LES VP Financial Services and CFO and DEC CFO, presented.

Financial Report

Both sales and revenue were slightly below budget, due primarily to warmer than average winter weather. Year to date expenses were 6% under budget, primarily due to higher interest income & lower energy and administrative costs. Debt Service Coverage was greater than budget due primarily to higher revenue and lower expenses. And early projections indicate reduced capital spending in 2023 due to project delays.

- **1st Quarter 2023**

Koenig then presented information on the audit report for 2022 – which was sent out near the beginning of April and indicated that it was a clean audit. Motion to accept the audit was made by Ward and seconded by Eskridge. The vote to approve the audit was:

Aye: Ward, Flowerday, Morrow, Vest, Eskridge

Nay: None

Absent: None

- **Audit Report & Motion to Accept**

Koenig gave an update on Tax-Exempt Financing Compliance. Koenig noted that in her review, per the Tax-Exempt Compliance Policy approved by the DEC board, all required compliance activities have been performed and no deficiencies have occurred. An annual update on the status of tax-exempt bond compliance is required by the policy.

- **Tax-Exempt Financing Compliance Update**

Koenig presented information detailing this resolution, which is in regards to a change for the JP Morgan line of credit to be benchmarked off SOFR rather than LIBOR, as LIBOR is sunsetting in June of this year. Vest made a motion for approval, it was seconded by Eskridge. The vote to approve was:

- **Resolution 23-01**

Aye: Ward, Flowerday, Morrow, Vest, Eskridge
Nay: None
Absent: None

David Levy presented information about proposed Nebraska legislation that may impact DEC. He presented information on the following bills: LB 164 (McKinney), LB 299 (Linehan), LB 637 (Albrecht), LB 650 (McDonnell). **Nebraska Legislative Update**

Jason Fortik introduced the topic of the upcoming IDEA conference attendance, and that there is interest from a greater number of board members and staff than budgeted for. Fortik read the motion to approve the budget exceedance for this year. Ward made the motion to approve and Eskridge seconded. The vote to approve was as follows: **IDEA Conference & Motion**
Aye: Ward, Flowerday, Morrow, Vest, Eskridge
Nay: None
Absent: None

Chair Flowerday read the resolution to acknowledge and thank Tammy Ward for her service on the DEC Board from July 2019 to present. Motion to approve was made by Vest and seconded by Eskridge. The vote to approve was: **Resolution 23-02**
Aye: Ward, Flowerday, Morrow, Vest, Eskridge
Nay: None
Absent: None

Chair Flowerday asked that an agenda item for the next meeting be added to discuss establishing a subcommittee to work on new customer connection issues. **Future Meetings**

Chair Flowerday asked for a motion to adjourn. Morrow made the motion and Eskridge seconded. moved for approval. The vote to adjourn was: **Adjournment**
Aye: Ward, Flowerday, Morrow, Vest, Eskridge
Nay: None
Absent: None

There being no further business to come before the Board, Chair Flowerday declared the meeting adjourned at 1:00 p.m.

Sean Flowerday, Board Chair

By: _____
Dianne Dobrusky, Assistant Secretary

TAB IV



Vision

“Striving for Energy Excellence”

Mission

“Provide low-cost, reliable and efficient thermal energy services to enhance and enable economic development of the Lincoln community”

DEC ENERGY

Management Report

Nick Wischhof, P.E., Manager, Projects Engineering

Board of Directors Meeting

July 18, 2023



Fuels and Operations Update: July 2023



Operations Update

Service Interruptions

- ❑ Continual outage to K Street (CC) to repair hot water distribution leaks
- ❑ Planned outages to the Penitentiary (NSP) for customer steam/condensate leak repairs
- ❑ Short (<1 hr) unplanned outage to LOC due to Freon leak that caused the fire system to alarm and initiate LFR response
- ❑ Outages to WHM customers to cutover to temporary boilers for valve replacement project
- ❑ Glycol leak at the CC - reduced ice capacity



Operations Update-Fuels

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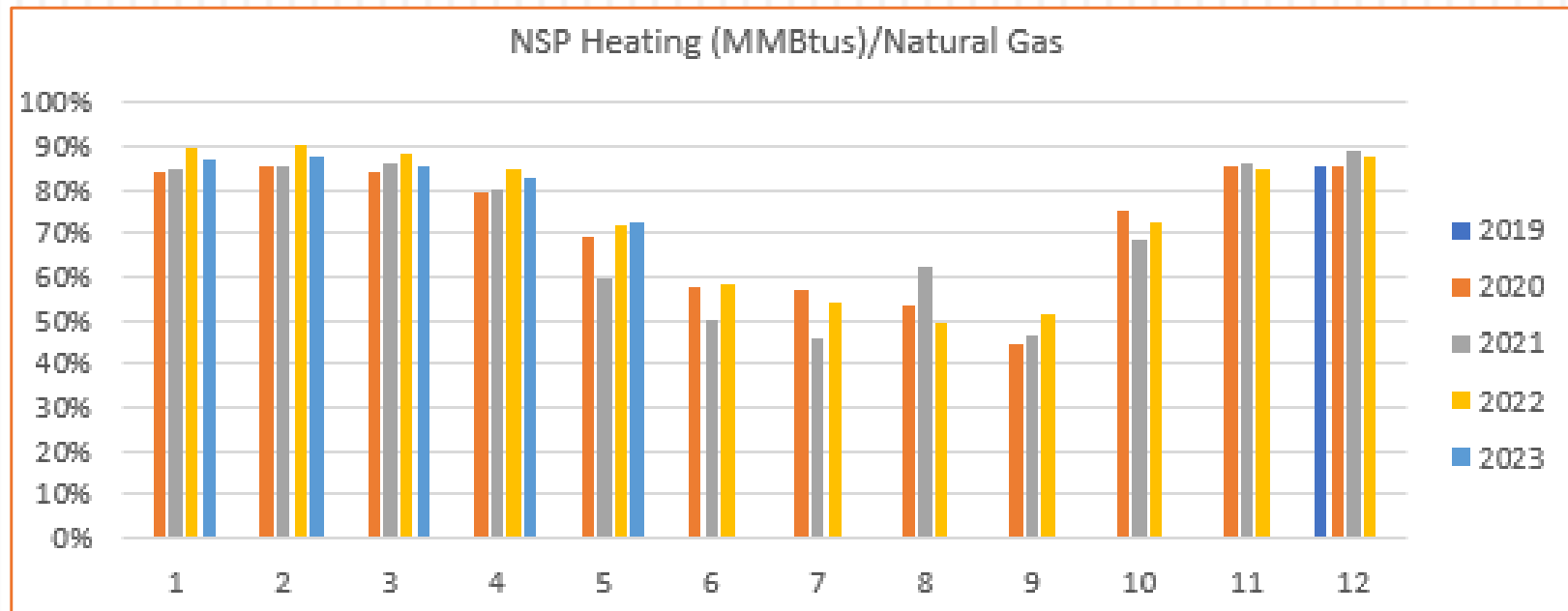
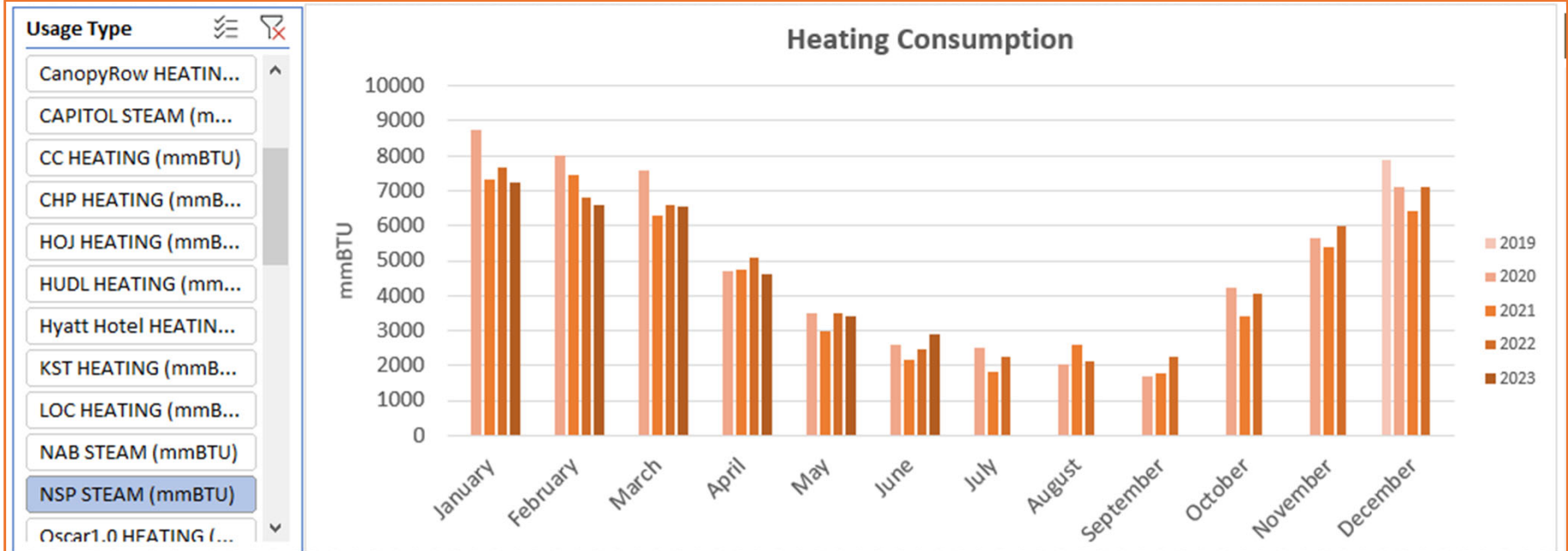
Near-Month Natural Gas Futures Prices (NYMEX) through June 29, 2023

\$/MMbtu





DEC Thermal Dashboard





DEC
ENERGY

Project Updates



SBP Condensate Surge Tank

Project Scope / Description	Budget	Completion	Status
This project will replace the surge tank and associated pumps, valves, and instrumentation.	\$200k	2023 – Q3	Mechanical work issued to NIFCO & Electrical work issued to Wilmar





DEC
ENERGY

County/City Plant Hot Water Leak

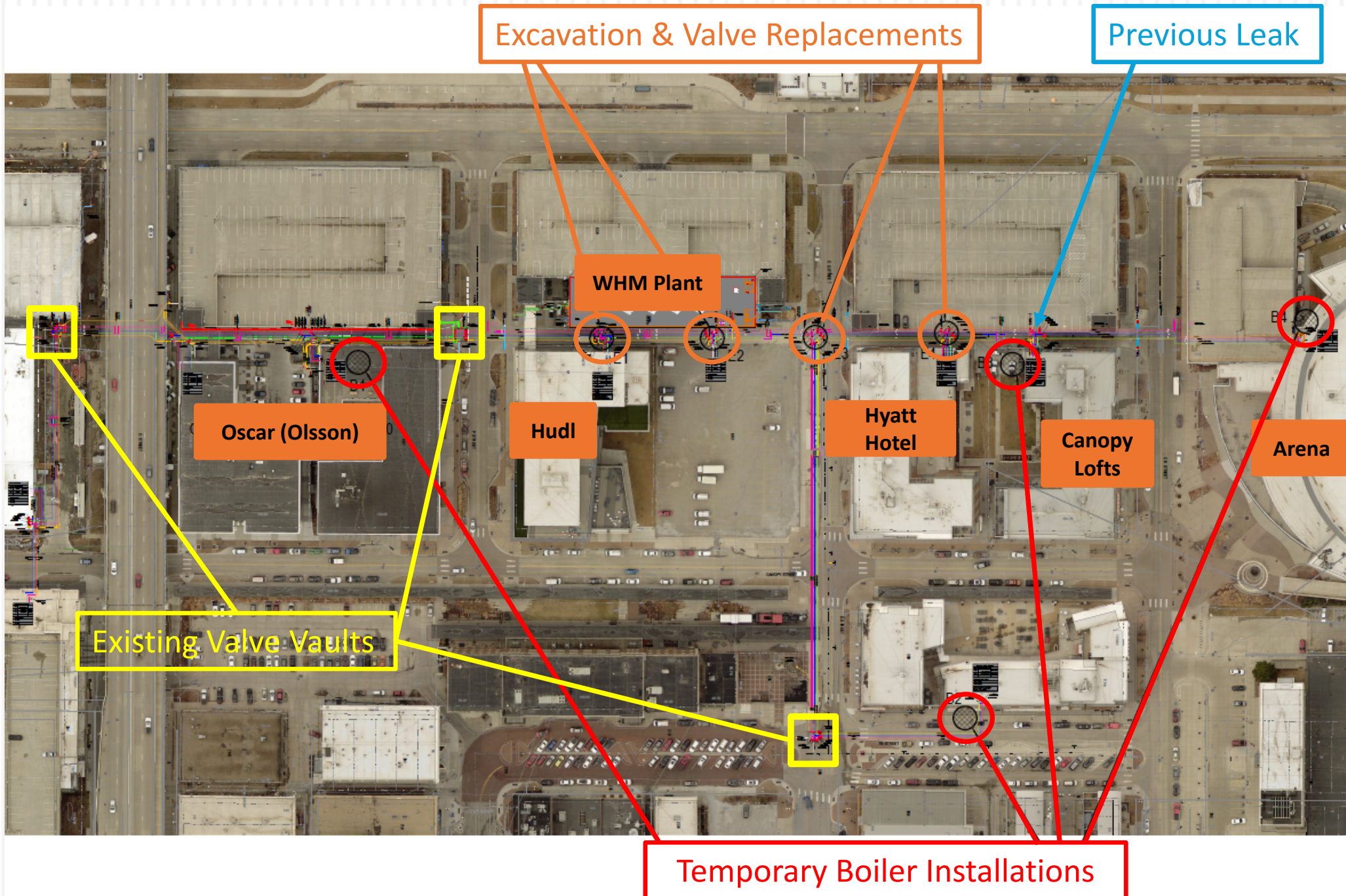
CC Hot Water Leak to K Street





West Haymarket Plant Valve Replacement Project

WHM Hot Water Distribution Valves



Temporary Boilers



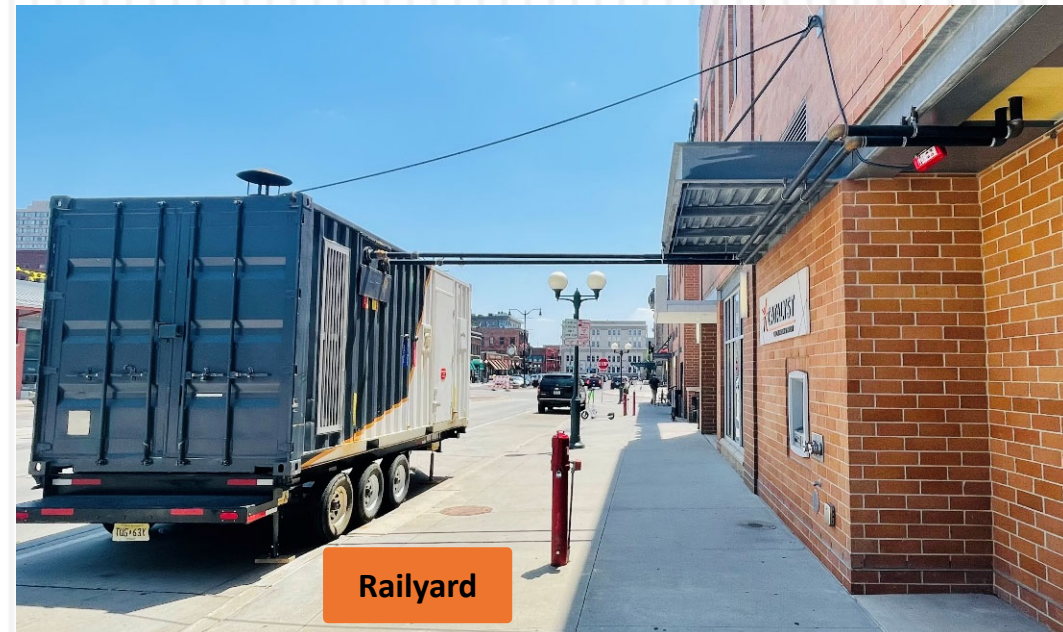
Arena



Hyatt/Canopy
Lofts



Oscar 1&2



Railyard

WHM Valve Excavation





WHM Boiler Addition

Project Scope / Description	Budget
This budget item will install additional alternative fuel boilers to provide full back up in the event there is a loss of natural gas service.	\$500k

- Additional electric boilers
 - Higher cost to operate
 - Additional switchgear may be necessary (↑ install cost)
- Dual fuel (natural gas/fuel oil) boilers
 - Concerns with fuel shelf life
 - Require new exhaust stacks (↑ install cost)
- Dual fuel (natural gas/propane) boilers
 - Requires access to propane tank & frequent re-fueling in emergent use
 - *Insufficient space requirements to set propane tank
 - Requires vaporizer during extreme temperatures
- Evaluating heat pump & possible thermal storage
 - Provides increased efficiencies throughout the year
 - **Waiting on engineer's design and cost estimates to further evaluate



New Customer Feasibility Studies / Discussions



DEC Expansion

- ❑ Block 5 (WHM) expansion will not occur
 - City's IFRP did not require DEC connection
 - Developer proceeding without DEC connections
- ❑ HUDL II (WHM) expansion - 2028
- ❑ New Convention Center
 - Possible DEC involvement?
- ❑ Possible new service to 701 S. 10th Street (CC)
- ❑ K Street Redevelopment (CC)
 - DEC was provided peak load estimates & request to provide estimate for service



Comments/Questions

TAB V



Vision

*“Striving for Energy
Excellence”*

Mission

*“Provide low-cost,
reliable and efficient
thermal energy
services to enhance
and enable economic
development of the
Lincoln community”*

Financial Report

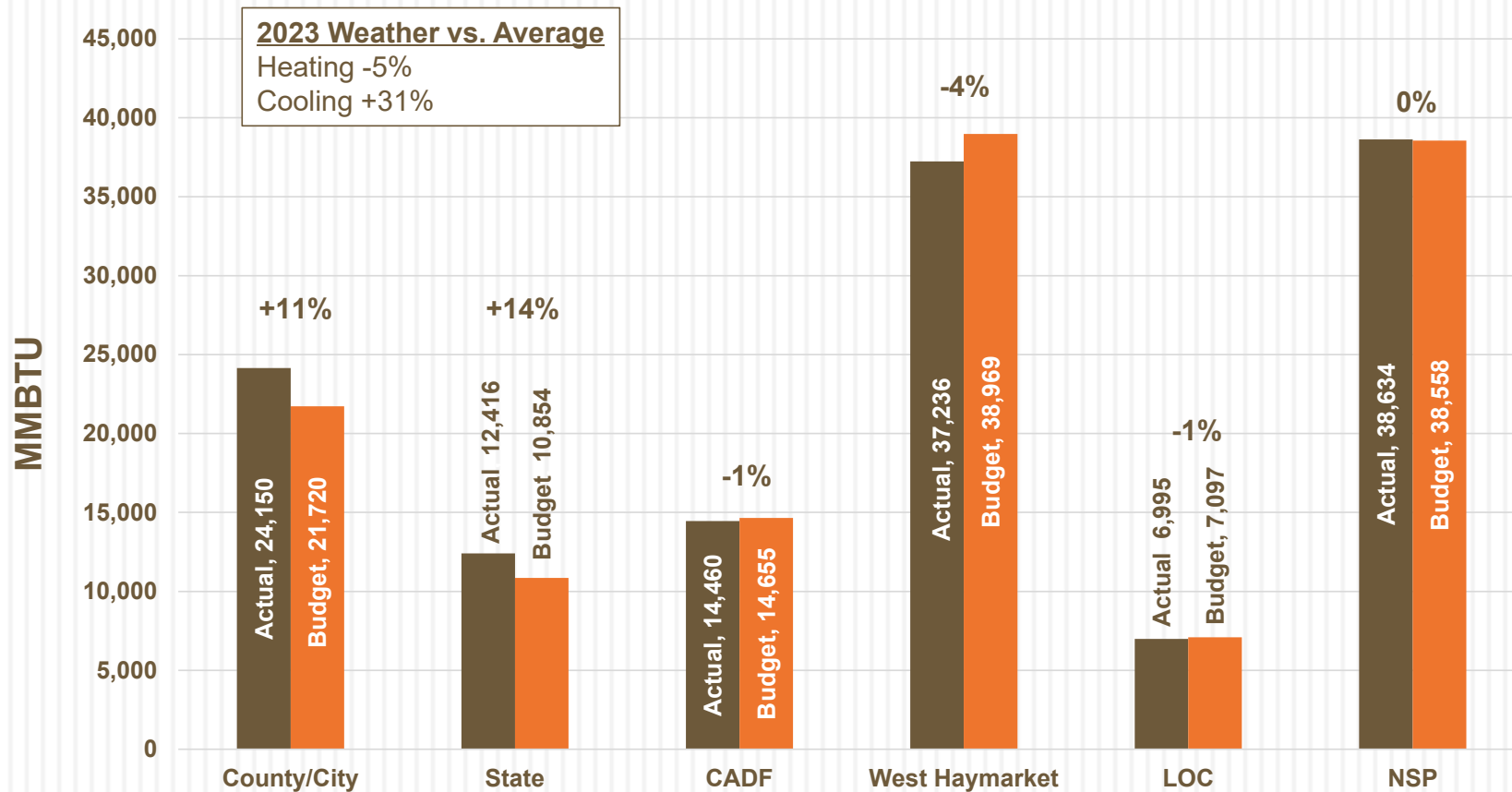
2nd Quarter 2023

Board of Directors Meeting
July 18, 2023

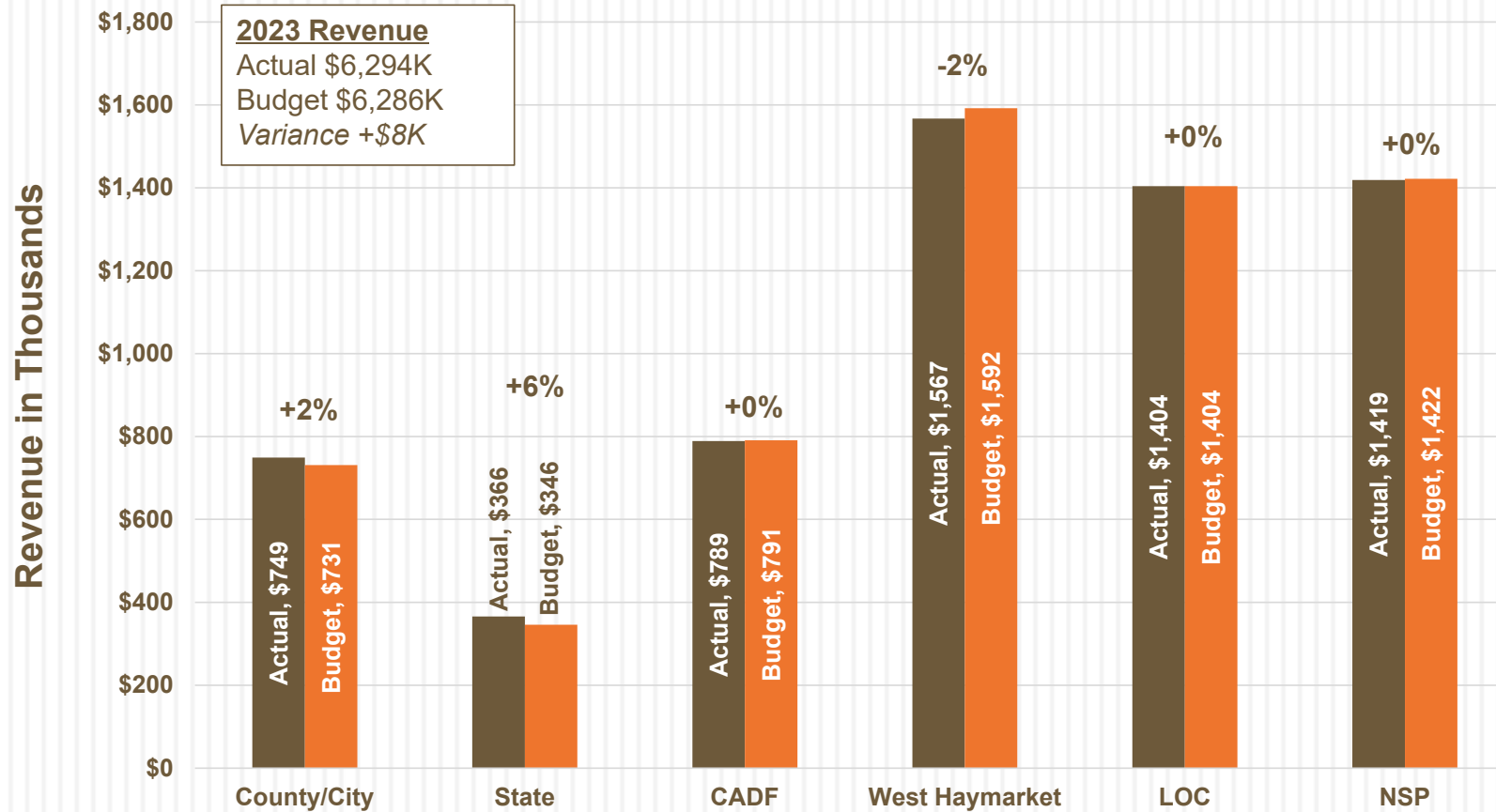
Lower expenses result in favorable financial metrics.

Emily N. Koenig
LES Vice President & CFO; DEC CFO

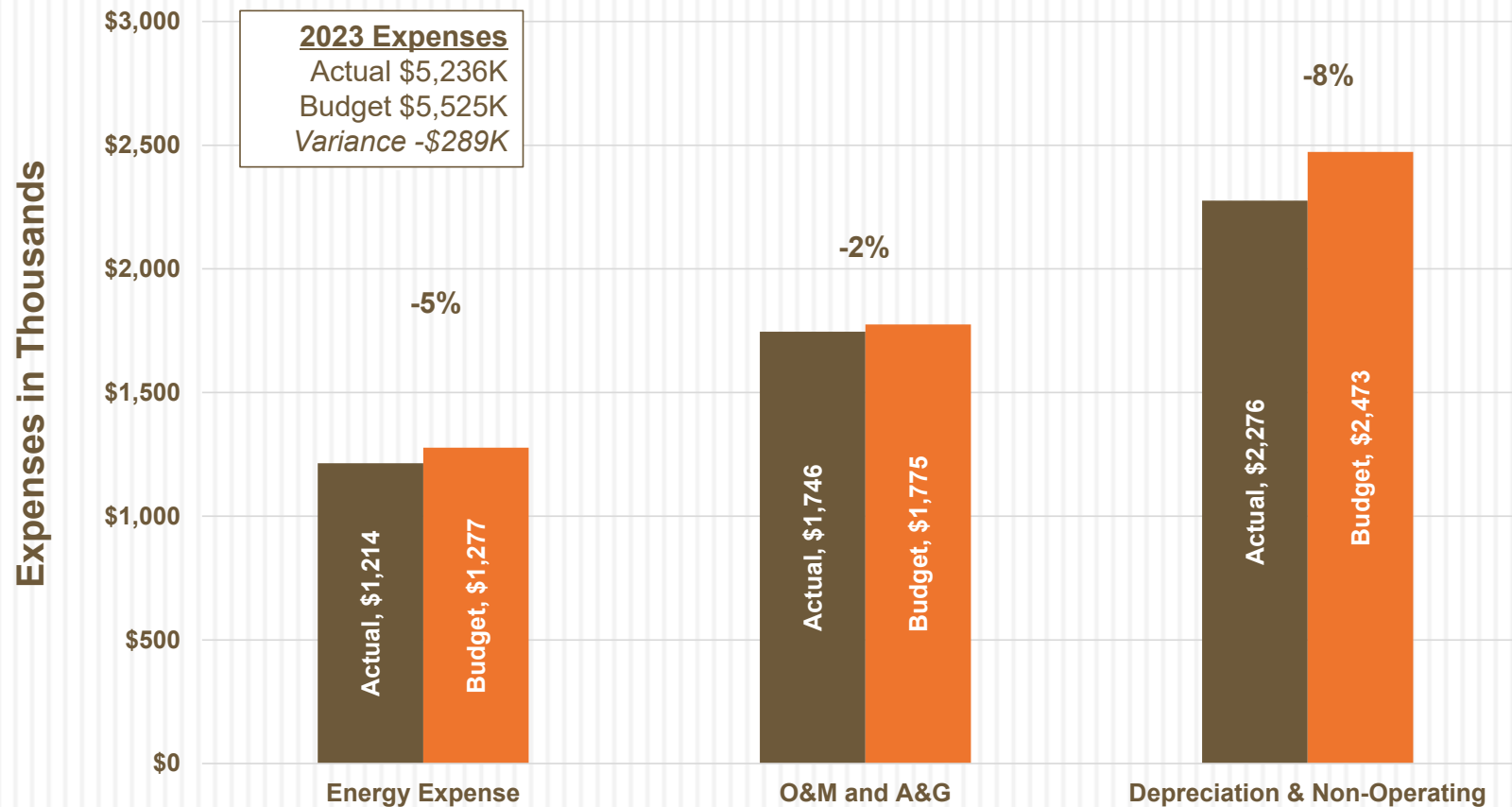
Sales were 2% over budget due primarily to warmer than average weather



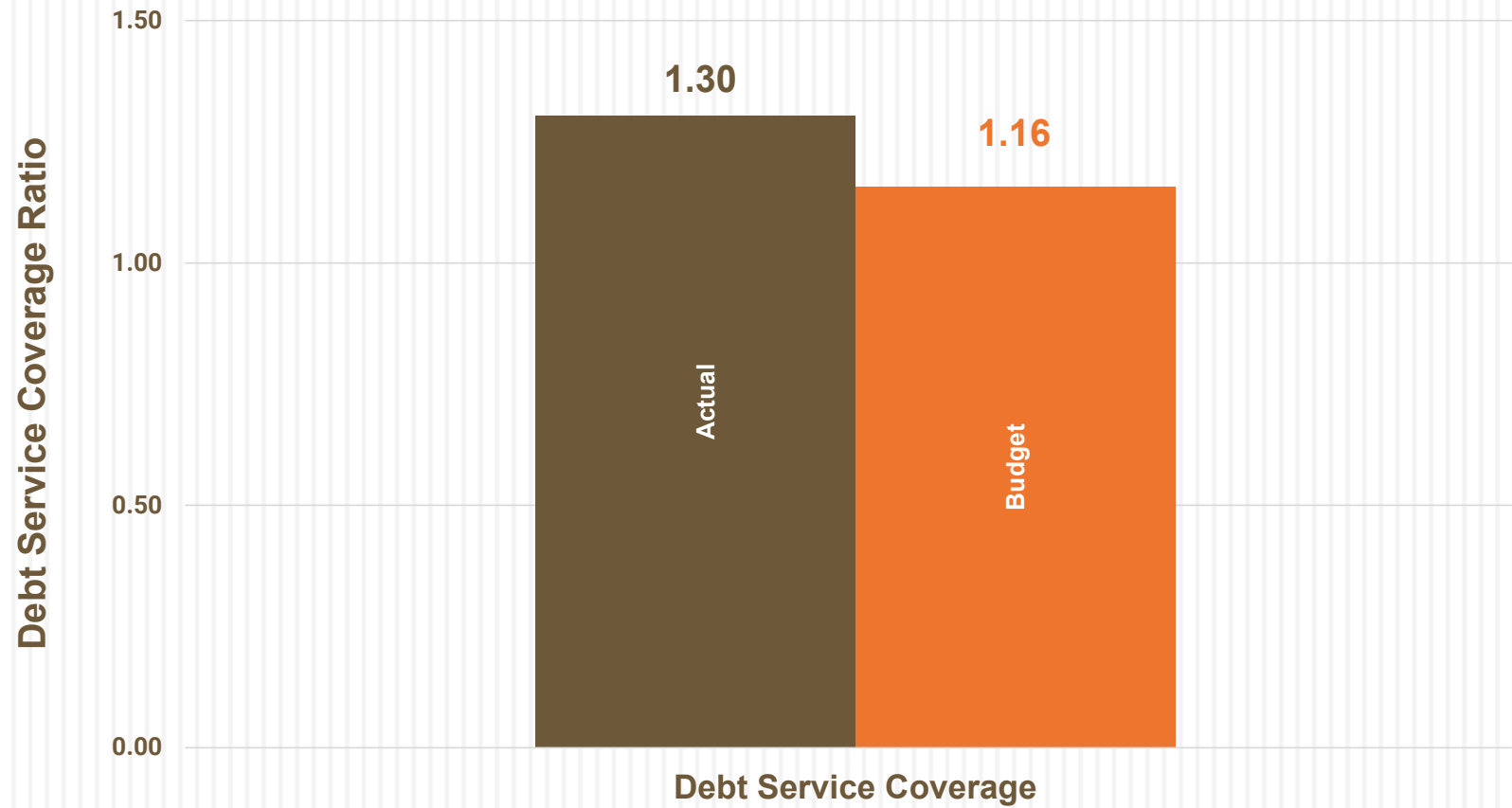
Revenue was at budget



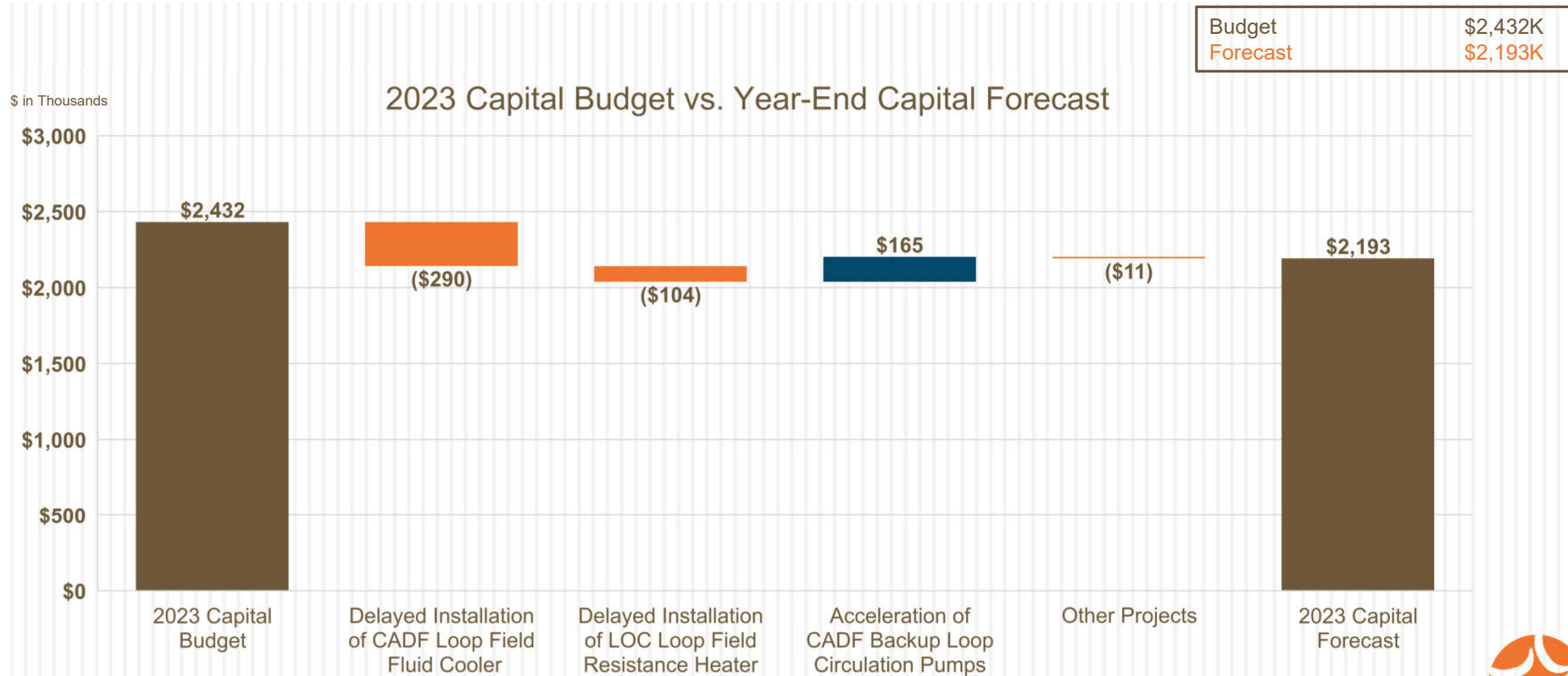
Expenses were 5% under budget, primarily due to higher interest income and lower energy expenses



Debt Service Coverage was greater than budget
due to lower expenses



Mid-year projections indicate reduced capital spend in 2023 due to project delays

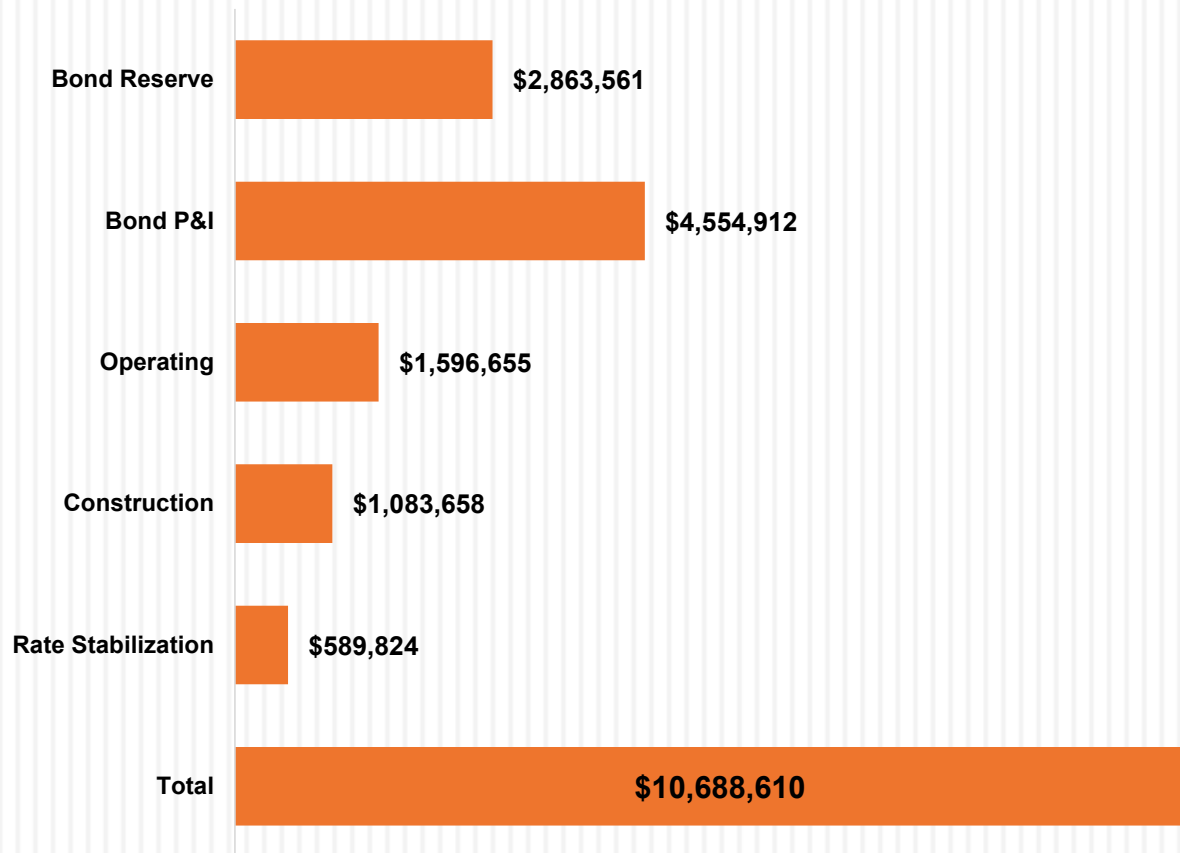


Financial Report

Semi-Annual Investment Report
Second Quarter Ending
June 30, 2023



LES manages DEC's \$10.6M investment portfolio



Yields continue to increase at the end of Q2

9

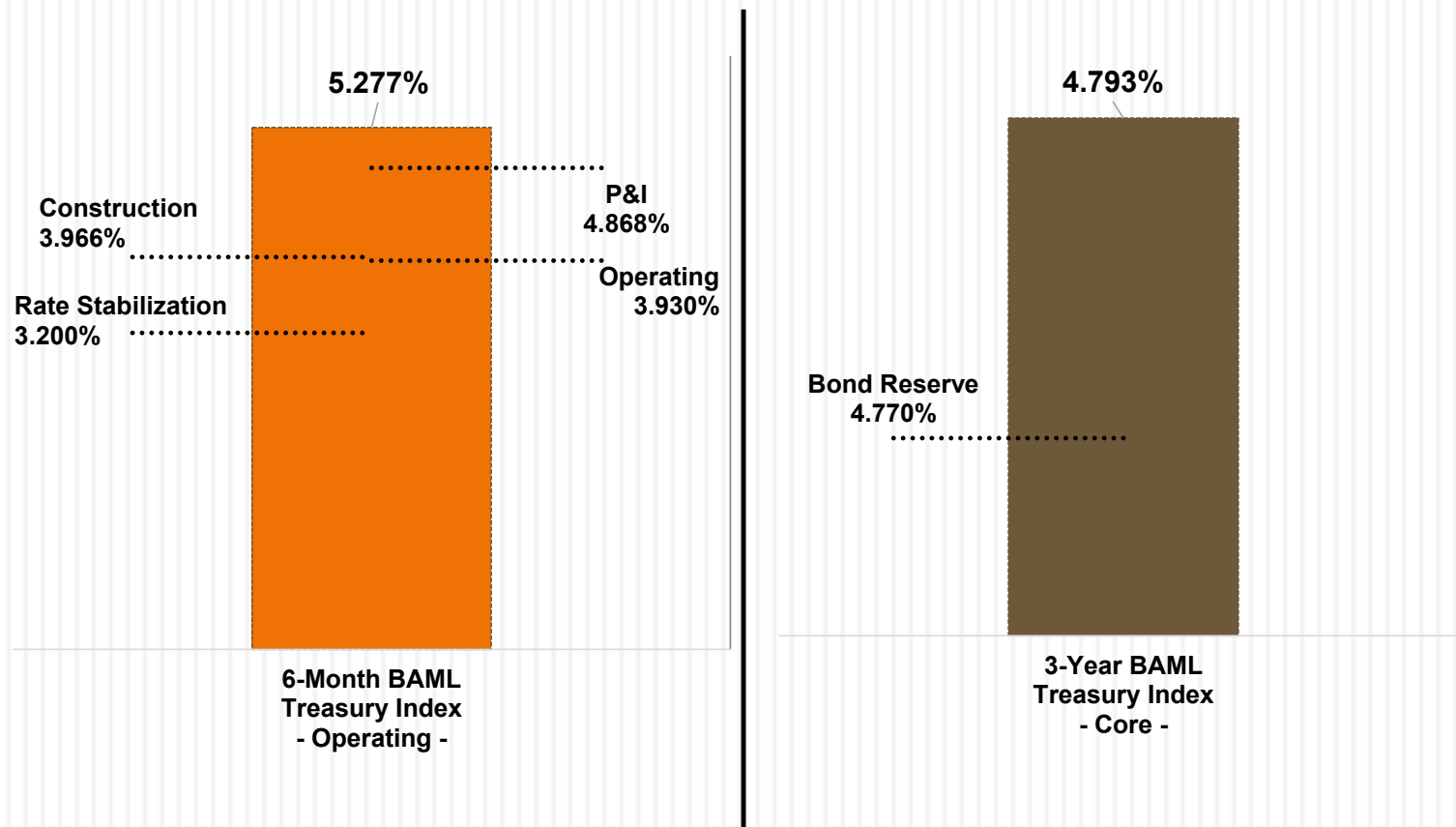
Date	6-Month BAML Treasury Index	1-Year BAML Treasury Index	0-3 Year BAML Treasury Index
6/30/2022	2.484	2.771	2.756
9/30/2022	3.907	3.991	4.127
12/31/2022	4.616	4.707	4.519
3/31/2023	4.828	4.577	4.355
6/30/2023	5.390	5.371	5.103

- Second quarter benchmark yields realized an increase since the end of Q4 2022. Though rate increases have slowed since March 2023.
- 1-Year BAML and 0-3 Year BAML lag behind 6-Month BAML yields due to increasing yields and “hold to maturity” strategy.
- Where appropriate, DEC will focus on investing for the short-term in order to utilize increasing yields.



DEC funds closing the gap on benchmark yield increases

10



Portfolio allocation above the limit to meet liquidity needs

11



Investment Objectives

- **Safety** – primary objective; specific list of investment options
- **Liquidity** – invests funds to meet specific obligations
- **Return on Investment** – maximize yield while meeting other objectives



Portfolio Allocation Limits

- Agencies – 25.99%
- Treasuries – 5.5%
- Money Market Funds – 68.52%



Receive 3 bids for each investment request

- DEC has active relationship with five investment brokers including; First National Bank, Wells Fargo, Moreton Capital, Piper Sandler, and RBC Capital

