

## MINUTES OF LINCOLN ELECTRIC SYSTEM ADMINISTRATIVE BOARD

Minutes of the regular meeting held at 9:30 a.m., Friday, April 18, 2025, at the Kevin Wailes Operations Center, 9445 Rokeby Road, Lincoln, Nebraska. Public notice of today's meeting was published in the Lincoln Journal Star on April 11, 2025.

Board Members Present: Carl Eskridge, Lucas Sabalka, David Spinar, Chelsea Johnson, Eric Schafer, Alyssa Martin, Kate Bolz, Karen Griffin.

Board Members Absent: Andy Hunzeker.

LES Staff Present: Emeka Anyanwu, Shelley Sahling-Zart, Emily Koenig, Jason Fortik, David Malcom, Matt Andersen, McKenzie Ferguson-Fagan, Amy Svoboda, Jim Rigg, Eric Ruskamp, Wade Leibbrandt, Aaron Anderson, Scott Benson, Ryan Kohn, Keith Snyder, Denise Parrott, Kellie Cave.

Others Present: Nathan Svatora, Bud Synhorst, Scott Williams, Kim Morrow, Ken Winston, Ken Harr, Tara Menhusen, Riley Tolan-Keig, Nancy Packard, Bruce Johnson, Bruce Stevens, David Corbin, Kristen Veldhouse, and numerous virtual participants via Microsoft Teams.

News Media Present: None

Chair Lucas Sabalka declared a quorum present and called the meeting to order at approximately 9:30 a.m. A safety briefing was provided. Sabalka noted that LES conducts its meetings in compliance with the Nebraska Open Meetings Act and noted that a copy of the Act is located on the wall at the back of the room and with the Assistant Secretary. Shelley Sahling-Zart, General Counsel, reviewed duties and responsibilities of LES Board members. **Call to Order, Safety Briefing, and Board Member Duties and Responsibilities**

Chair Sabalka asked for approval of the minutes of the March 21, 2025, board meeting. David Spinar moved approval of the minutes. Carl Eskridge seconded the motion. The vote for approval of the minutes was: **Approval of Minutes**

Aye: Kate Bolz, Alyssa Martin, Lucas Sabalka, Eric Schafer, David Spinar, Karen Griffin, Chelsea Johnson, Carl Eskridge.

Nay: None

Absent: Andy Hunzeker

## Customer Comments

Tara Menhusen, representing herself as a Lincoln resident and working mom, urged the prioritization of clean energy and preserving natural resources for the greater good of the future generations of Lincoln residents.

Ken Winston on behalf of Nebraska Interfaith Power & Light and the Nebraska Sierra Club commented on his appreciation for information previously provided by Scott Benson. He also thanked LES for the opportunity for public comment and input through the Strategic Planning efforts. He expressed concern around the investment into non-renewable generation and how that would take away progress from 2040 decarbonization goal, as well as the unfavorable change in generation mix if natural gas generation is added. Winston mentioned negative impact of the expense and efficacy of the proposed options for new generation.

Gene Hanlon, representing the Coalition for Environmental Improvement, expressed appreciation for the LES Strategic Plan. Hanlon then described his concern regarding the costs of adding turbines at Terry Bundy Generation Station. He encouraged board members to honor the commitment to the 2040 decarbonization goal and renewable energy. He asked that the analysis be reconsidered utilizing a mix of wind and solar. He also requested the board consider the social cost of carbon in the economic analysis of generation addition. He asked that due diligence be considered for 2040 decarbonization goal as well as the City of Lincoln Climate Action Plan.

Riley Tolan-Keig, representing herself as a resident of Lincoln, asked the board to consider a mix of renewable energy sources for new generation in lieu of an “all-or-nothing” approach. She expressed this could be a positive step toward reaching the 2040 decarbonization goal and complying with SPP regulation changes.

Ken Harr, former City Council member and former state Senator, described the potential positive future of LES in relation to achieving the 2040 decarbonization goal. Harr indicated he looks forward to the goal being met.

Scott Williams, representing himself as a resident of Lincoln, expressed continued appreciation of LES, and dedication to customers. He described the consequence that will be felt on the monthly bill of LES customers regarding the addition of

new fossil-fuel generation. He also described the choices that will be available to LES if non-renewable generation is added, which include not meeting the 2040 goal, and/or large costs to customers. He encouraged the use of renewable resources.

Nancy Packard, speaking on behalf of herself as a resident of Lincoln, commented on the bountiful natural resources available to Nebraska, particularly regarding water aquifers. She encouraged the board to utilize natural resources and expressed the citizens would be behind them in their commitment to the decarbonization goal and support their decisions.

Bruce Johnson, speaking on behalf of himself, expressed the concern of moving away from fossil-fuels and encouraged the board to continue toward the decarbonization goal and keep long-term plan in mind regarding new generation.

Bruce Stevens, speaking on behalf of himself as a resident of Lincoln, described his personal mission to have a minimal carbon footprint and asked that board impress the importance of businesses utilizing solar panels on their roofs as a means of tapping into renewable energy sources. Stevens also described enclosed feeding methane gas storage as a potential option for renewable energy.

David Corbin, President of the Public Health Association of Nebraska, expressed his concern about natural gas being utilized. Corbin commented on the negative impact of fracking, the potential threat of methane leakage, and other detrimental environmental impacts. He urged the board to dedicate their decisions toward the 2040 net-zero goal.

David Malcom, Vice President of Technology Services and CTO, introduced Ryan Kohn, Manager Geospatial Services, who was recognized by the board for 20 years of services to LES. The board commended Kohn on this achievement.

## **Introduction & Recognition of Staff**

Chelsea Johnson, Chair of the Operations & Power Supply Committee, reported on Committee discussions held on April 7, 2025, including: 1) Generation Resource Adequacy Update 2) Capacity Sales Update. (Exhibit I)

## **Operations & Power Supply Committee Report**

Carl Eskridge, Chair of the Finance Committee, reported on Committee discussions held on April 18, 2025, including: 1) External Audit Review of 2024 Financial Statements, 2) 2025 First Quarter Financial Review, 3) Health & Dental Reporting Update, 4) Internal Audit 1<sup>st</sup> Quarter Report & Follow-up Report, 5) Resource Plan Financial Impacts. (Exhibit II)

**Finance Committee Report**

Carl Eskridge moved acceptance of the 2024 Annual External Audit by Forvis Mazars (Exhibit III). David Spinar seconded the motion. The vote for acceptance of the audit was:

**Accept 2024 Annual External Audit by Forvis Mazars**

Aye: Kate Bolz, Alyssa Martin, Lucas Sabalka, Eric Schafer, David Spinar, Karen Griffin, Chelsea Johnson, Carl Eskridge.

Nay: None

Absent: Andy Hunzeker

Emeka Anyanwu, LES CEO, gave a brief update on the progress of the Strategic Plan thus far, highlighting the community outreach as well as the customer survey. He reviewed the plan schedule, described the collaboration between LES, PA Consulting, and HDR Consulting. Anyanwu then introduced Marley Urdanick and Chris Jackson from PA Consulting. Marley Urdanick described the focus areas of Workshop 3 and the interactive and content-driven nature of that engagement. She provided an update of the draft Mission, Vision, and Values. Chris Jackson discussed the strategic objectives that were explored in five broad categories and reviewed the objective and intent statement for each. Kristen Veldhouse then spoke on behalf of HDR Consulting regarding Community and Employee Engagement. She described the importance of that engagement as expressed by LES at the start of the strategic plan process. She listed the various groups that were included in the surveys and community outreach meetings. She also described the response to the community survey and the preliminary analysis of the responses and themes that were identified. Kristen recapped the community meetings that were held in-person and online, as well as the community members that were invited. (Exhibit IV)

**Strategic Planning Update (PA Consulting)**

Matt Andersen, Specialist, Government Relations, summarized

**State Legislative Report**

Nebraska Lineworker Appreciation Day at the Nebraska State Capitol building, with breakfast provided by the Nebraska Power Association (NPA). Senators and Governor Pillen met with and recognized lineworkers Levi Davenport and Marcus Rist from LES. Andersen reported that the previous day marked the 64th day of the session, with adjournment scheduled for June 9. Priority designation for bills was due on March 14. LES will continue to monitor priority-designated bills, as indicated on the LES legislative tracking document, and those added to committee packages. He then provided a recap of tracked bills as follows:

- LB 349 and LB 503 regarding energy storage and potential impacts on public power in Nebraska.
- LB 468, Senator Clements' priority bill, advanced to General File. This bill reduces the inheritance tax and replaces the lost revenue with other tax increases, including an increase in the nameplate capacity tax on renewable energy generation. An amendment proposed by Sen. Bostar allows the reduction of the inheritance tax to a year-over-year decrease, reducing the immediate budget impact. The amendment also removes the other tax increases, including the proposed increase to the nameplate capacity tax.
- LB 526, Senator Jacobson's priority bill targeting crypto mining operations, advanced to Select File with a draft amendment. The amendment removes the excise tax and requires: 1) crypto mining operations above 1 megawatt to identify themselves to the electric utility; 2) the utility to post a list of such operations and their annual energy usage; and 3) crypto mining operations to allow service interruptions per utility rate schedules. This amendment also includes municipalities.
- LB 660, a Government, Military and Veterans Affairs priority bill, advanced to General File as a vehicle carrying four additional bills. Andersen clarified that the added bills did not significantly impact LES and that only the sections from LB 660 as introduced would be monitored. Among the changes is a provision to exempt electric suppliers who are NERC compliant, which remedies most of LES' concerns with LB 660. (Exhibit V)

Scott Benson, Manager, Resource & Transmission Planning, provided an update on LES' position with resource adequacy. Due to new SPP rules, LES' projected accredited capacity, the generation capacity that SPP will count toward meeting

**Generation Resource Adequacy Update**

LES' peak load requirements, is expected to drop significantly by 2026. To help mitigate this, Benson presented several near-term resource options at the March 2025 LES Administrative Board meeting, including a now-finalized hydropower purchase power agreement with Central Nebraska Public Power and Irrigation District, which has added approximately 22 MW to LES' nameplate capacity. Based on a recent scenario analysis, natural gas combustion turbines are the preferred near-term option to help meet SPP resource adequacy requirements while also maintaining a long-term path to achieving the 2040 net-zero decarbonization goal. Additionally, nearly all required support infrastructure is already in place at Terry Bundy Generating Station to construct and operate the turbines. Benson concluded with a near-term resource plan, which includes:

1. Turning immediate focus towards the addition of two combustion turbines at TBGS.
2. Continuing to pursue a potential near-term paper capacity contract.
3. Continuing to investigate other near-term resource additions.

Wade Leibbrandt, Manager, Budgeting & Financial Planning, shared that the addition of generation resources would likely increase LES' debt service payments and could result in a future rate increase. Leibbrandt then utilized the scenarios Benson presented to demonstrate the impact on various customer bills while considering several of the many potential rate path options for each scenario. (Exhibit VI)

The next regular meeting of the LES Administrative Board will be **Next Meeting** Friday, May 16, 2025, at 9:30 a.m.

Without further business before the Board, Chair Sabalka declared **Adjournment** the meeting adjourned at approximately 1:15 p.m.

Carl Eskridge, Secretary

BY: Kellie Cave  
Kellie Cave, Assistant Secretary

# **Exhibit I**



## Operations and Power Supply Committee Meeting Summary April 7, 2025

**Attendees:** K. Griffin, C. Johnson (Committee Chair), L. Sabalka, D. Spinar  
E. Anyanwu, S. Benson, P. Crist, D. Florom J. Fortik, L. Hale, E. Koenig, W. Leibbrandt, S.  
Sahling-Zart,

### **Generation Resource Adequacy Update (Scott Benson, Wade Lebrandt):**

- Staff presented information on LES's resource adequacy position and several potential scenarios to meet near term generation needs and longer term decarbonization goals.
- Further discussion of these topics will be held at the April 18<sup>th</sup> LES Board meeting.

### **Capacity Sales Update (Dennis Florom):**

- Staff provided a brief overview of the short-term generation capacity sales that were made for the 2025 summer season.

# **Exhibit II**



## Finance Committee – April 18, 2025 (In-Person)

**Attendees:** C. Eskridge (Chair), K. Bolz, E. Schafer, L. Sabalka, E. Anyanwu, E. Koenig, S. Sahling-Zart, N. Wolf, W. Leibbrandt, D. Auman, T. Hopkins, C. Lindner (Forvis), D. Madlock (Forvis)

### 1. External Audit Review of 2024 Financial Statements (Forvis)

- a. Representatives from FORVIS, LES' external audit team, provided the Committee with a review of the audit of LES' 2024 financial statements.
- b. LES received an unmodified (clean) audit opinion. This is the highest level of audit assurance that can be attained.
- c. A copy of the annual report and a communication letter from FORVIS have been provided to board members.

*At the completion of the Finance Committee minutes,  
please make a motion to "accept" the 2024 annual audit.*

### 2. 2025 First Quarter Financial Review (Emily)

- a. 2025 first quarter financial results were favorable to budget primarily due higher than budget retail revenues and lower than budget other operating expenses.
  - a) Retail revenue was greater than budget primarily due to higher usage by residential customers driven by several colder than average weather events.
  - b) Net Power Costs were \$2.5M or 9% greater than budget.
  - c) Operating Expenses, excluding Power Cost, nearly matched budget with payroll exceeding budget due to increased cost for March's storm response off set by timing of expenses in several other areas.
- b. Capital expenditures were \$11.2 million below expected year-to-date cash flows due to timing of substation, generation and technology projects. However, it is expected that costs will catch up throughout the year.
- c. Financial metrics are expected to be at or favorably exceeding budget at year-end, but it is still early in the year.

### 3. Health & Dental Reporting Update (Emily)

- a. LES, as a self-funded health insurance plan sponsor, is subject to certain annual reporting requirements under state statute.
- b. A change to the way required information will be provided to the board was discussed with the committee.
- c. Previously, staff have provided an annual presentation for the Board. However, the external audit report provides all the required information and will now be considered the official source of the health and dental annual report information.

**(See Reverse Side for Additional Notes)**

#### **4. Internal Audit 1<sup>st</sup> Quarter Report & Follow-Up Report (David)**

- a. Internal Auditing presented the first quarter report for 2025.
- b. There were two audit reports presented: The Data Backup and Recovery Audit and the Patrolling Transmission and Distribution Lines Audit.
  - a) The Data Backup and Recovery Audit had an unqualified opinion with no findings and recommendations.
  - b) The Patrolling Transmission and Distribution Lines Audit received a qualified opinion with only minor findings and recommendations.
- c. The semiannual follow-up on Internal Audit recommendations was also presented. Good progress continues to be made on implementing internal audit recommendations.
- d. Internal Auditing continues to receive excellent support and cooperation from LES staff and management.

#### **5. Resource Plan Financial Impacts (Emily and Wade)**

- a. An overview of recent financial forecasting activity was shared with the committee including the forecast that will be reviewed with the rating agencies next month.
- b. Additionally, an overview of the generation resource planning financial scenarios that will be shared later in today's board meeting was provided to the committee.

# **Exhibit III**



# 2024 Annual Report

# HISTORICAL FINANCIAL SUMMARY

(dollars in thousands)

## LINCOLN ELECTRIC SYSTEM

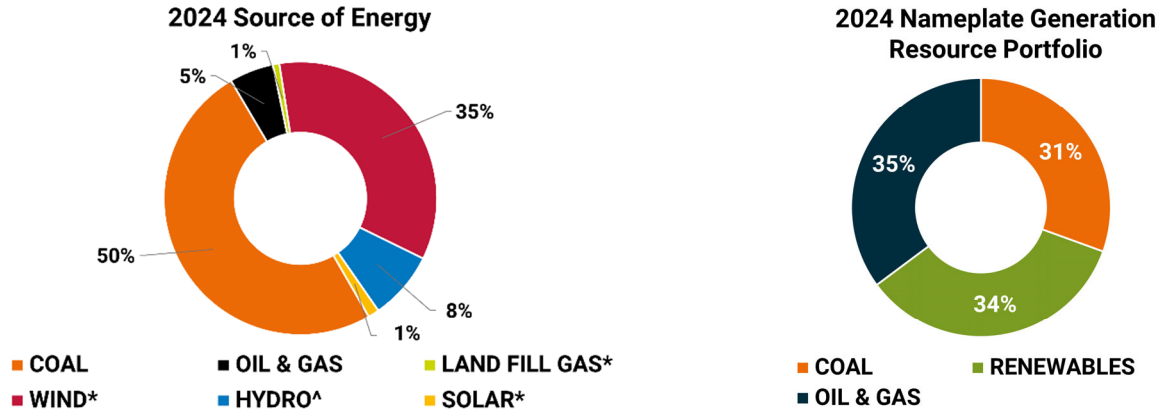
(Unaudited)

	2024	2023	2022	2021	2020
<b>Operating Revenues</b>					
Electric retail	\$ 301,140	\$ 290,674	\$ 275,492	\$ 273,557	\$ 262,878
Electric wholesale	58,677	38,713	65,330	74,594	30,104
Other revenue <sup>[1]</sup>	22,952	20,642	20,561	20,747	18,231
<b>Total Operating Revenues</b>	<b>382,769</b>	<b>350,029</b>	<b>361,383</b>	<b>368,898</b>	<b>311,213</b>
<b>Operating Expenses</b>					
Purchased power	75,110	76,378	90,005	94,240	75,192
Produced power	63,003	61,048	74,377	73,983	43,875
Operations	27,693	25,565	16,797	15,022	18,021
Maintenance	13,254	12,437	9,815	8,070	8,296
Administration and general	66,773	59,032	56,643	51,111	50,474
Depreciation and amortization	35,851	35,555	34,495	35,926	39,211
<b>Total Operating Expenses</b>	<b>281,684</b>	<b>270,015</b>	<b>282,132</b>	<b>278,352</b>	<b>235,069</b>
<b>Operating Income</b>	<b>101,085</b>	<b>80,014</b>	<b>79,251</b>	<b>90,546</b>	<b>76,144</b>
<b>Nonoperating Expenses (Net)</b>	<b>35,588</b>	<b>31,606</b>	<b>37,627</b>	<b>41,307</b>	<b>40,901</b>
<b>Income Before Capital Contributions</b>	<b>65,497</b>	<b>48,408</b>	<b>41,624</b>	<b>49,239</b>	<b>35,243</b>
Net capital contributions	-	-	-	-	-
<b>Change in Net Position</b>	<b>65,497</b>	<b>48,408</b>	<b>41,624</b>	<b>49,239</b>	<b>35,243</b>
<b>Total Capital Assets (Net)</b>	<b>\$ 1,062,826</b>	<b>\$ 1,011,884</b>	<b>\$ 995,864</b>	<b>\$ 980,496</b>	<b>\$ 971,143</b>
<b>Peak Hour Use (MW)</b>	<b>784</b>	<b>819</b>	<b>763</b>	<b>769</b>	<b>715</b>
<b>Megawatt-Hour Sales (MWh)</b>					
Residential	1,307,692	1,347,649	1,345,068	1,310,455	1,284,674
Commercial <sup>[2]</sup> & street/highway lighting	1,473,539	1,481,761	1,475,289	1,443,632	1,367,406
Industrial	469,693	466,063	455,298	477,804	433,624
Subtotal retail	3,250,924	3,295,473	3,275,655	3,231,891	3,085,704
Wholesale	622,119	740,216	968,125	832,831	978,747
<b>Total Megawatt-Hour Sales (MWh)</b>	<b>3,873,043</b>	<b>4,035,689</b>	<b>4,243,780</b>	<b>4,064,722</b>	<b>4,064,451</b>
<b>Revenue from Electric Sales</b>					
Residential	\$ 141,988	\$ 137,735	\$ 130,691	\$ 127,733	\$ 125,672
Commercial <sup>[2]</sup> & street/highway lighting	125,713	121,124	114,501	113,358	107,709
Industrial	33,439	31,815	30,300	32,467	29,497
Subtotal retail	301,140	290,674	275,492	273,557	262,878
Wholesale	58,677	38,713	65,330	74,594	30,105
<b>Total Revenue from Electric Sales</b>	<b>\$ 359,817</b>	<b>\$ 329,387</b>	<b>\$ 340,822</b>	<b>\$ 348,151</b>	<b>\$ 292,983</b>
<b>Average Number of Customers</b>					
Residential	134,912	132,338	130,067	128,256	126,411
Commercial <sup>[2]</sup> & street/highway lighting	17,920	17,751	17,539	17,345	17,197
Industrial	237	233	231	233	180
Total Retail Customers	153,069	150,322	147,837	145,834	143,788
Wholesale	6	7	7	8	9
<b>Total Average Number of Customers</b>	<b>153,075</b>	<b>150,329</b>	<b>147,844</b>	<b>145,842</b>	<b>143,797</b>
<b>Retail (12-Month Average Basis)</b>					
Average kWh/customer	21,238	21,923	22,157	22,161	21,460
Cents/kWh	\$ 0.0926	\$ 0.0882	\$ 0.0841	\$ 0.0846	\$ 0.0852

[1] Other revenue includes City Dividend for Utility Ownership (CDFUO)

[2] Public Authority customers are reported in the Commercial classification.

# RESOURCES



Sources of energy serve wholesale and retail loads.

\* LES sells the Renewable Energy Certificates (RECs), and the renewable attributes are transferred to the REC recipient.

^ Western Area Power Administration contract purchases, including a small portion of nonhydro, supplemental energy.

LES' resource portfolio includes the following:

## RENEWABLE RESOURCES

**Western Area Power Administration:** LES purchases approximately 54 megawatts (MW) of firm power, 72 MW of summer firm peaking and 22 MW of winter firm peaking power from this hydropower resource.

**Elkhorn Ridge Wind Farm:** LES began receiving energy from a share of the Elkhorn Ridge Wind Farm in 2009, located 5 miles north of Bloomfield in northeast Nebraska. LES entered into a power purchase agreement for 6 MW of the total 80-MW wind project, which consists of 27 wind turbines. This power purchase agreement expires in 2029.

**Laredo Ridge Wind Farm:** LES began receiving energy from a share of the Laredo Ridge Wind Farm in 2011, located northeast of Petersburg, Nebraska, in Boone County. LES entered into a power purchase agreement for 10 MW of the total 80-MW wind project, which consists of 54 wind turbines. This power purchase agreement expires in 2031.

**Crofton Bluffs Wind Farm:** In 2012, LES began receiving energy from a share of the Crofton Bluffs Wind Farm located southwest of Crofton in northeast Nebraska. LES entered into a power purchase agreement for 3 MW of the total 42-MW wind project, which consists of 22 wind turbines. This power purchase agreement expires in 2032.

**Broken Bow Wind Farm:** LES began receiving energy from a share of the Broken Bow Wind Farm in 2012. LES entered into a power purchase agreement for 10 MW of the total 80-MW wind project, which consists of 50 wind turbines. The project is located just east of Broken Bow, in central Nebraska. This power purchase agreement expires in 2032.

**Bluff Road Landfill Gas to Energy Plant:** LES completed construction of a 5-MW landfill gas-generated facility in 2014. The methane fuel is supplied by the Bluff Road Landfill.

**Arbuckle Mountain Wind Farm:** LES began receiving energy from the Arbuckle Mountain Wind Farm in 2015. LES entered into a power purchase agreement for the full 100-MW project, which consists of 50 wind turbines. The project is in south-central Oklahoma, about 80 miles south of Oklahoma City. This power purchase agreement expires in 2035.

**Buckeye Wind Energy Center:** LES began receiving energy from the Buckeye Wind Energy Center in 2015. LES entered into a power purchase agreement for the full 100-MW project, which consists of 56 wind turbines. The project is in north-central Kansas, about 5 miles north of Hays, Kansas. This power purchase agreement expires in 2040.

**Prairie Breeze II Wind Energy Center:** LES began receiving energy from the Prairie Breeze II Wind Energy Center in 2015. LES entered into a power purchase agreement for the full 73-MW project, which consists of 41 wind turbines. The project is in northeast Nebraska, about 5 miles east of Elgin, Nebraska. This power purchase agreement expires in 2040.

**Community Solar Project:** In 2016, LES began receiving energy from the Community Solar Project, located on the west edge of Lincoln, Nebraska. LES entered into a power purchase agreement for the full facility of approximately 5-MW<sub>DC</sub>/4-MW<sub>AC</sub>. The project represents the first utility-scale solar facility in Nebraska and is one of the largest in the region. This power purchase agreement expires in 2036.

## NATURAL GAS/OIL RESOURCES

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**J Street Generating Station:** LES' oil or natural gas-fired power plant, with one simple-cycle combustion turbine totaling 30 MW, was installed in 1972.

**Terry Bundy Generating Station (TBGS):** LES' oil or natural gas-fired, 164-MW plant uses waste heat from two aeroderivative combustion turbines to create steam, which is used to operate a steam turbine and generate additional power in a combined-cycle configuration. A third aeroderivative combustion turbine is operated in a simple-cycle configuration. The plant also has a 2-MW "Black Start" unit on-site. The combustion turbines were placed in commercial operation in 2003, with the steam turbine following in 2004.

**Rokeby Generation Station:** LES' power station with three oil or natural gas-fired simple-cycle combustion turbines, totaling 254 MW, including a 3-MW diesel gen-set. The combustion turbines were installed in 1975, 1996 and 2001.

# COAL RESOURCES

**Laramie River Station (LRS):** LES owns 12.76% of this coal-fired power plant, with approximately 10.50%, or 178 MW, available after ownership and participation sales. Construction was completed in 1982 on the three-unit, 1,710-MW plant.

**Walter Scott Energy Center (WSEC) #4:** LES owns 12.66% of WSEC Unit 4 along with MidAmerican Energy Company (MEC) and 12 other companies. The coal-fired plant was completed in 2007 and provides LES approximately 102 MW. To further diversify generation, in January 2008, LES executed an agreement with MEC to exchange energy derived from 50 MW of Unit 4 with 50 MW of Unit 3.

**Gerald Gentleman Station (GGS):** Owned by Nebraska Public Power District (NPPD), LES participates under a life-of-plant contract by purchasing 8.0% of the output, or approximately 109 MW. The final phase of this coal-fired plant was completed in 1982.

OWNED UNITS	FUEL TYPE	COMMERCIAL	NET CAPABILITY (MW)	LES SHARE	
		OPERATION DATE(S)		(%)	(MW) <sup>[1]</sup>
Laramie River Station (Net to LES) <sup>[2]</sup>	Coal	1982	1698	10.5	178
Walter Scott Energy Center #4 <sup>[3]</sup>	Coal	2007	809	12.66	102
J Street Generating Station	Gas/Oil	1972	30	100	30
Terry Bundy Generating Station <sup>[4]</sup>	Gas/Oil	2003/2004	164	100	164
Rokeby Generation Station <sup>[4]</sup>	Gas/Oil	1975/1996/2001	254	100	254
Bluff Road Landfill Gas to Energy Plant	Gas	2014	5	100	5
<b>PARTICIPATION UNITS</b>					
Gerald Gentleman Station	Coal	1982	1365	8	109
Elkhorn Ridge Wind Farm <sup>[5]</sup>	Wind	2009	80	7.5	6
Laredo Ridge Wind Farm <sup>[5]</sup>	Wind	2011	80	12.5	10
Broken Bow Wind Farm <sup>[5]</sup>	Wind	2012	80	12.5	10
Crofton Bluffs Wind Farm <sup>[5]</sup>	Wind	2012	42	7.5	3
<b>FIRM CONTRACTS</b>					
Arbuckle Mountain Wind Farm <sup>[5]</sup>	Wind	2015	100	100	100
Buckeye Wind Energy Center <sup>[5]</sup>	Wind	2015	100	100	100
Prairie Breeze II Wind Energy Center <sup>[5]</sup>	Wind	2015	73	100	73
Western Area Power Administration	Hydro	1974	-	-	126
Community Solar	Solar	2016	4	100	4
<b>TOTAL</b>					<b>1,274</b>

[1] Summer net maximum rating.

[2] LES' share is listed after the deduction of participation sales.

[3] LES is a 12.66% joint owner of WSEC #4 operated by MEC. LES has an agreement with MEC whereby MEC will provide 50 MW of WSEC #3 in a swap for 50 MW of LES' share of WSEC #4.

[4] Does not include black start or diesel generators.

[5] LES sells the Renewable Energy Certificates (REC) and the renewable attributes are transferred to the REC recipient.

## **Independent Auditor's Report**

Administrative Board  
Lincoln Electric System  
Lincoln, Nebraska

### ***Opinion***

We have audited the financial statements of Lincoln Electric System, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Lincoln Electric System's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Electric System, as of December 31, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Lincoln Electric System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only Lincoln Electric System and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Electric System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the historical financial summary and other introductory information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Forvis Mazars, LLP**

**Lincoln, Nebraska**  
**April 11, 2025**

## FINANCIAL REPORT OVERVIEW

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The information provided in the Management's Discussion and Analysis (MD&A) section of the Financial Report explains the activities, plans and events that impacted LES' financial position and operating results for the years ended December 31, 2024, and 2023. This overview from management is one of three components of the Financial Report. The other two components are the Financial Statements and Notes to the Financial Statements. The Financial Report should be read in its entirety to understand the events and conditions impacting LES.

LES' accounting records are maintained in accordance with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In June 2022, GASB issued Statement No. 101 *Compensated Absences*, effective for reporting periods beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. LES previously recognized liabilities on the Statement of Net Position for unused vacation benefits earned by employees as well as vested sick leave. Beginning in 2024, LES is also recognizing a liability for a portion of non-vested sick leave amounts that are more likely than not to be used for time off. LES has adopted this new GASB standard, effective January 1, 2024, and all 2024 financial statements and figures contained herein reflect the new standard. However, comparative historical information, contained solely in the MD&A section of the Financial Report, has not been restated under the new guidance. This results in immaterial differences in certain year-over-year comparisons in the MD&A section of the Financial Report.

**Statement of Net Position** – This statement presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets and liabilities are each divided to distinguish current and noncurrent. This statement reveals liquidity, financial flexibility and capital structure.

**Statement of Revenues, Expenses, and Changes in Net Position** – Operating results are separated into operating revenue and expense, nonoperating revenue and expense, and capital contribution revenue and expense. This statement is useful in analyzing financial health.

**Statement of Cash Flows** – This statement classifies sources and uses of cash summarized by operating, noncapital financing, capital and related financing, and investing activities.

**Notes to Financial Statements** – The notes provide additional information to support the Financial Statements.

# 2024 SIGNIFICANT EVENTS

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- Emeka Anyanwu became chief executive officer (CEO) on January 2, replacing Kevin Wailes, who retired from LES at the end of 2023 after serving as the company's CEO for more than 13 years. Anyanwu is the fourth CEO in LES' 58-year history.
- After nearly 25 years of operation, LES decommissioned two of Nebraska's oldest operating wind generators. Wind Turbine #1 sat on the proposed Nebraska Department of Correctional Services site while Wind Turbine #2 was reaching its full maturity. Both turbines located in northeast Lincoln were decommissioned simultaneously by a controlled explosion.
- On July 31, Lincoln endured 83 mph winds, leaving more than 30,000 LES customers without power. More than 280 employees and crews from three other utilities helped LES restore power quickly to its customers. The same storm caused power outages to the neighboring utility, Omaha Public Power District. Once all LES customers had their power restored, LES deployed three crews comprised of 16 employees to help with the Omaha utility's power restoration. A few months later, LES responded to a mutual aid request in Georgia after Hurricane Helene left many communities without power. Two crews of 12 employees worked for a week to help restore power to the communities impacted by the Category 3 storm.
- Two of LES' substations in Lincoln received new 36MVA power transformers. Each transformer weighed approximately 80 tons and required special permitting to deliver them and unique equipment for installation. One of the old transformers now resides at the Kevin Wailes Operations Center to help train staff.
- In September, LES launched a new online customer portal. The portal provides customers with a customized user experience by streamlining payment options, service features, and contact options into one place with real-time responsiveness. More than 50,000 customers had accessed the portal by the end of 2024.
- LES became a member of the Large Public Power Council (LPPC). LPPC represents 29 of the largest public power systems in America.
- In October, LES held a ribbon cutting and dedication ceremony to commemorate the formal name change of the LES Operations Center to the Kevin Wailes Operations Center. The LES Board approved the official renaming in December 2023.
- LES began a strategic planning process. After selecting PA Consulting as LES' strategic planning consultant, the LES board, executives, and core project team helped LES complete the first major steps in developing a strategy for the future. The strategic plan is projected to be finalized in the summer of 2025.

# FINANCIAL POSITION AND OPERATING RESULTS

## CONDENSED STATEMENTS OF NET POSITION

	2024	2023
	(Dollars in thousands)	
Current Assets	\$ 227,069	\$ 269,276
Noncurrent Assets	50,516	36,570
Capital Assets (Net)	1,062,826	1,011,884
Deferred Outflows of Resources	9,807	13,317
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,350,218</b>	<b>\$ 1,331,047</b>
Current Liabilities	\$ 179,803	\$ 170,585
Noncurrent Liabilities	508,884	547,101
Deferred Inflows of Resources	24,432	41,759
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>713,119</b>	<b>759,445</b>
Net Investment in Capital Assets	487,477	395,813
Restricted for Debt Service	15,243	15,586
Unrestricted	134,379	160,203
<b>NET POSITION</b>	<b>637,099</b>	<b>571,602</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 1,350,218</b>	<b>\$ 1,331,047</b>

### Comparison of 2024 to 2023

Total assets and deferred outflows of resources increased \$19,171,000 in 2024, compared to 2023, or 1.4%. Current assets decreased by \$42,207,000, primarily due to a decrease in cash and short-term investments from operating results. Noncurrent assets increased \$13,946,000 in 2024, compared to 2023, due to an increase in restricted cash balances and a deposit for an overhaul of a generating unit a Rokeby Generation Station. Capital assets increased by \$50,942,000 due to increased capital spending. Deferred outflows of resources decreased by \$3,510,000 due to a decrease in the deferred cost for the asset retirement obligation.

Current liabilities increased by \$9,218,000 due to an increase in contributed capital received in advance and an increase in sick leave liability due to the implementation of GASB 101. Noncurrent liabilities decreased by \$38,217,000, primarily due to payments of bond principal and premium amortization. Deferred inflows of resources decreased by \$17,327,000 due to partial recognition of deferred revenue which resulted from Winter Storm Uri that occurred in February 2021.

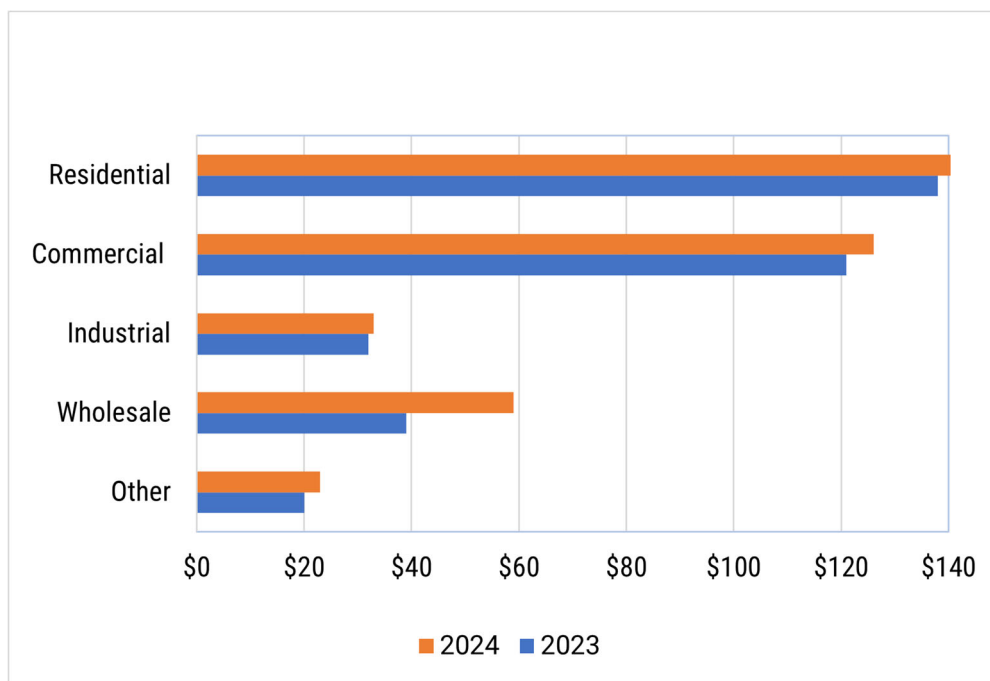
The net investment in capital assets increased by \$91,664,000 primarily due to additional capital expenditures and the reduction of revenue bond liabilities by principal payments. Net position increased by \$65,497,000, due to revenues and expenses which resulted in a favorable financial position throughout the year.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	2024	2023
	(Dollars in thousands)	
Operating Revenues	\$ 382,769	\$ 350,029
Operating Expenses	281,684	270,015
<b>OPERATING INCOME</b>	<b>101,085</b>	<b>80,014</b>
Interest Expense	(16,946)	(17,429)
Other Nonoperating Revenues (Expenses) (net)	(18,642)	(14,177)
<b>TOTAL NONOPERATING EXPENSES</b>	<b>(35,588)</b>	<b>(31,606)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 65,497</b>	<b>\$ 48,408</b>

**OPERATING REVENUES**

(DOLLARS IN MILLIONS)

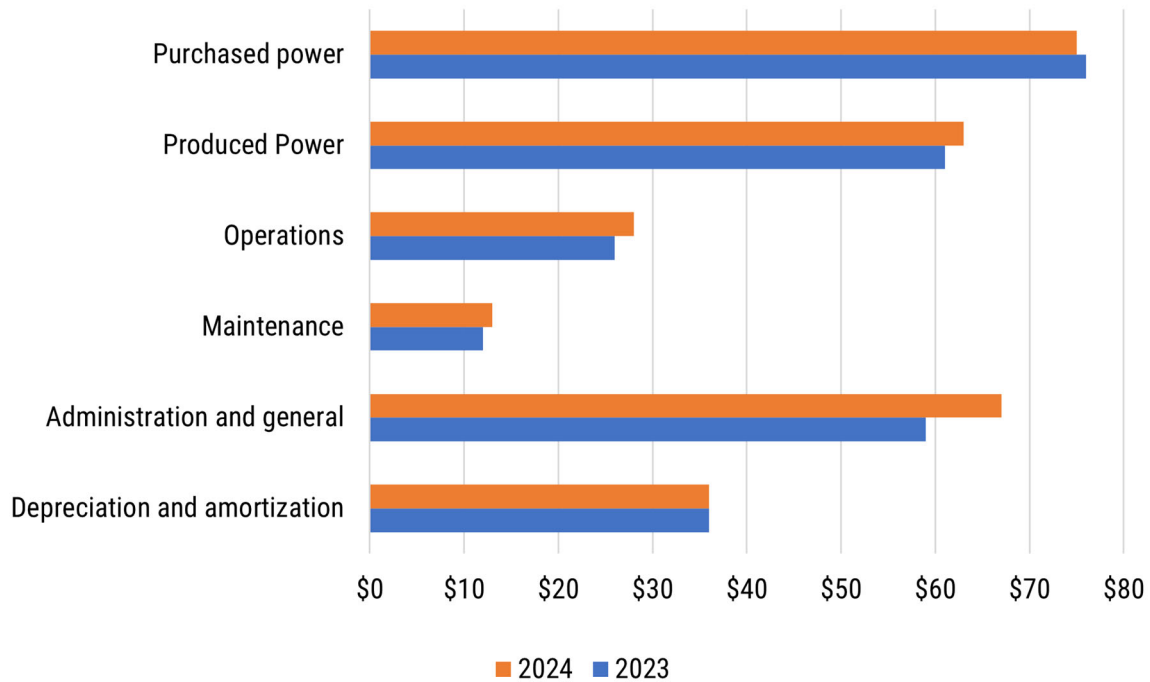


**Comparison of 2024 to 2023**

Operating revenues in 2024 were \$382,769,000, up 9.4% from 2023. Retail revenue was \$301,140,000, which was 3.6% higher than the 2023 revenue of \$290,674,000, due to higher energy rates. Wholesale revenue was \$58,677,000, up 51.6% from 2023 revenue of \$38,713,000, due primarily to partial recognition of Winter Storm Uri’s deferred revenue.

## OPERATING EXPENSES

(DOLLARS IN MILLIONS)



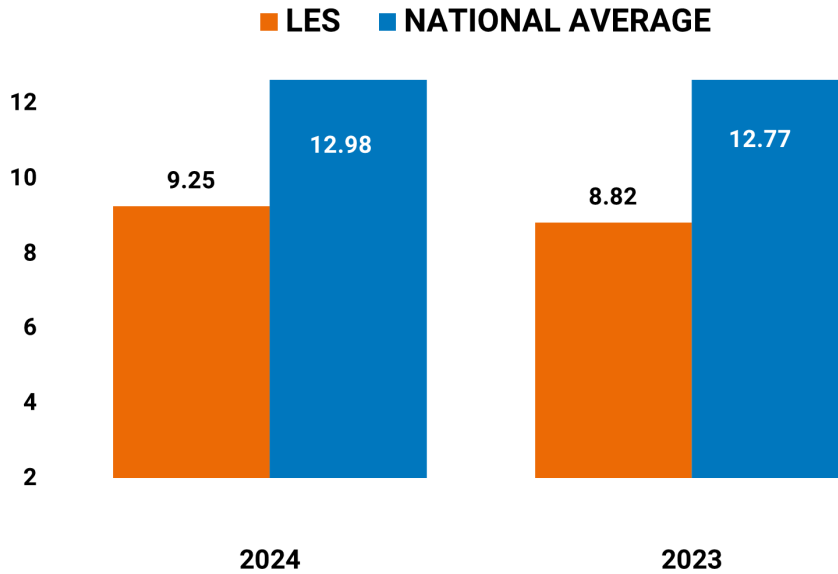
### Comparison of 2024 to 2023

Operating expenses in 2024 were \$281,684,000, an increase of 4.3% from 2023 expenses of \$270,015,000. Purchased power and produced power expenses were \$138,113,000, up 0.5% from 2023 expenses of \$137,426,000. This is primarily due to higher maintenance expenses at the Terry Bundy & Rokeby generation plants. Depreciation and amortization expenses were \$35,851,000, up 0.8% from 2023 expenses of \$35,555,000, primarily due to an increase in utility plant assets being depreciated. Administrative and general expenses were \$66,773,000, up 13.1% from 2023 expenses of \$59,032,000, primarily due to increased payroll-related costs and the customer portal project in 2024. Operations and maintenance expenses were \$40,947,000, up 7.7% from 2023 expenses of \$38,002,000, as a result of higher transmission expenses.

# RATES

## AVERAGE RETAIL RATES

(CENTS PER KWH)



LES' average retail rates per kWh remain competitive as compared to the national average for retail rates (2024 is preliminary) according to the Energy Information Administration (EIA), U.S. Department of Energy. Based on the preliminary EIA data for 2024, LES' retail rates were 29% below the national average.

## RATES COMPARISON

In 2024, LES implemented a system-wide retail rate increase of 3.7%. A six-state regional rate comparison (prepared by LES) shows that LES' residential rates are among the least expensive when ranked among regional utilities. The study showed LES' annual rates for all customer classes remain among the lowest in the region. The regional rate comparison includes cities from Colorado, Iowa, Kansas, Minnesota, Missouri and Nebraska.

# CASH AND FINANCING ACTIVITIES

## CONDENSED STATEMENTS OF CASH FLOWS

	2024	2023
	(Dollars in thousands)	
Cash Flows from Operating Activities	\$ 125,654	\$ 113,113
Cash Flows from Noncapital Financing Activities	(25,926)	(24,298)
Cash Flows from Capital and Related Financing Activities	(151,621)	(88,101)
Cash Flows from Investing Activities	64,242	13,515
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 12,349	\$ 14,229

**Cash flows from operating activities** contain transactions involving customers, suppliers and employees.

**Cash flows from noncapital financing activities** primarily include transactions related to the payment in lieu of tax and City Dividend for Utility Ownership.

**Cash flows from capital and related financing activities** contain transactions involving the acquisition and construction of capital assets and the long-term debt related to those assets.

**Cash flows from investing activities** contain transactions related to security purchases and maturities and investment income.

### Comparison of 2024 to 2023

Cash inflows from operating activities were \$125,654,000, up \$12,541,000 from 2023, primarily due to increased revenue from sales to customers. Cash outflows from noncapital financing activities in 2024 increased by \$1,628,000 due to a higher payment for the City Dividend for Utility Ownership. In 2024, cash outflows from capital and related financing activities increased by \$63,520,000 from 2023, due to an increase in capital expenditures. Cash inflows from investing activities were \$64,242,000 in 2024, an increase of \$50,727,000 from 2023, primarily due to larger income from investments in 2024.

## FINANCING

No bonds were issued in 2024.

LES uses its Commercial Paper Program to provide liquidity between long-term financings. LES' Commercial Paper Program is authorized for \$150,000,000. The commercial paper outstanding amount was \$65,500,000 as of December 31, 2024.

In 2018, LES entered into a revolving credit agreement with JPMorgan Chase Bank, National Association. The agreement was amended in 2024, extending the expiration date to August 19, 2027. The revolving credit

agreement supports the Commercial Paper Program. No advances were outstanding under the revolving credit agreement as of December 31, 2024.

Simultaneous to entering into the revolving credit agreement with JPMorgan Chase Bank, National Association, LES entered into a Note Purchase Agreement. The Note Purchase Agreement was amended in 2024, extending the expiration date to August 19, 2027. The Note Purchase Agreement allows LES to issue both Taxable and Tax-Exempt notes. Amounts outstanding under the Note Purchase Agreement reduce the amount available under the revolving credit agreement which supports the Commercial Paper Program. There were no amounts outstanding under the Note Purchase Agreement as of December 31, 2024.

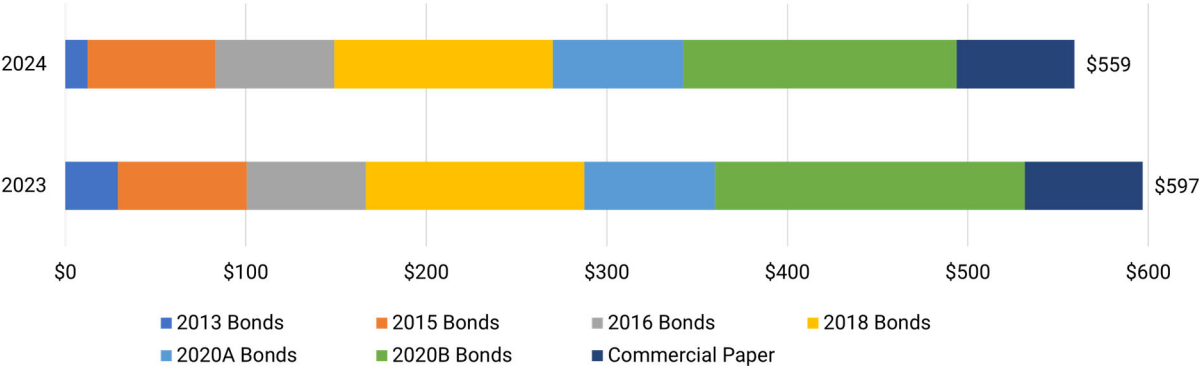
In 2023, LES entered into a revolving credit agreement with Bank of America National Association. The agreement allows LES to draw up to \$50,000,000 on a variable rate basis. The agreement was executed on April 6, 2023, and it replaced a similar agreement with U.S. Bank National Association that expired on March 17, 2023. The revolving credit agreement with Bank of America National Association will expire in April 2026. Electric revenues secure the agreement. There were no amounts outstanding on the agreement as of December 31, 2024.

Also, in 2023, LES entered into a \$50,000,000 revolving credit agreement with Union Bank and Trust Company. The agreement was executed on July 12, 2023, and will expire in August 2026. The agreement is secured by electric revenues and is subordinate to the Bank of America National Association revolving credit agreement. There were no amounts outstanding on the agreement as of December 31, 2024.

The following chart shows outstanding debt as of December 31, 2024, and 2023:

**OUTSTANDING DEBT**

(DOLLARS IN MILLIONS)



# RATINGS

Among other factors, the bond rating agencies assess an entity's operations, stability of customer base, and financial profile when determining an entity's bond rating. Standard & Poor's Global Ratings (S&P) and Fitch Ratings (Fitch) have assigned ratings to LES that are among the highest granted to electric utilities. Bond covenants require LES to have ratings from two rating agencies. The following table provides the current ratings for outstanding debt. LES' ratings have remained unchanged for more than 20 years.

	S&P	Fitch
Revenue Bonds	AA	AA
Commercial Paper	A-1+	F1+

## DEBT SERVICE COVERAGE FOR REVENUE BONDS

**2.59**

2024

**2.41**

2023

LES' bond ordinance establishes a Debt Service Coverage requirement of 1.0. LES generally targets a minimum year-end Debt Service Coverage of 2.0.

The following table reflects the calculation of the debt service coverage ratio. The ratio reflects LES' year-end funds available to pay its debt service.

### DEBT SERVICE COVERAGE RATIO UPDATEUP

	2024	2023
	(Dollars in thousands)	
OPERATING REVENUES	\$382,769	\$350,029
Power Costs	(138,113)	(137,426)
Operations & Maintenance	(40,947)	(38,002)
Administrative & General	(66,773)	(59,032)
<b>TOTAL OPERATING EXPENSES (EXCLUDING DEPRECIATION)</b>	<b>(245,833)</b>	<b>(234,460)</b>
Net Operating Revenue	\$136,936	\$115,569
Interest Income*	5,933	8,472
Other Income	546	577
<b>AVAILABLE FOR DEBT SERVICE</b>	<b>\$143,415</b>	<b>\$124,618</b>
<b>DEBT SERVICE**</b>	<b>\$55,280</b>	<b>\$51,691</b>
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>2.59</b>	<b>2.41</b>

\*Excludes interest from the Rate Stabilization Fund.

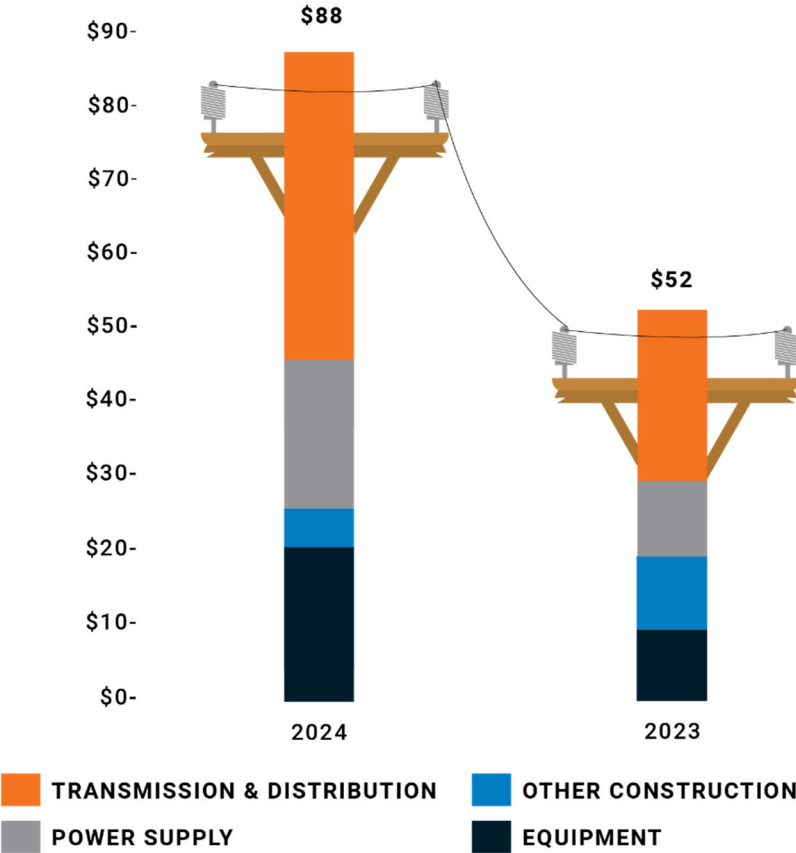
\*\*The calculation of Debt Service Coverage includes only Debt Service on Revenue Bonds.

# CAPITAL EXPENDITURES

Capital expenditures for 2024 and 2023 are shown in the chart below.

## CAPITAL EXPENDITURES

(DOLLARS IN MILLIONS)



*Includes capital expenditures that will be recovered in future periods according to Note 1 – Recovery of Plant Costs*

**Significant capital projects during 2024 included the following:**

- Significant work on the Walter A. Canney Service Center’s HVAC and electrical systems took place in 2024, totaling \$9,119,000. The project is set to be completed in 2026, with the total project cost estimated to be \$18,700,000.
- Capital improvements at Terry Bundy Generating Station resulted in \$9,010,000 in capital costs in 2024.

- Costs for Underground Residential Extensions and Development in 2024 totaled \$6,477,000. This project installs primary and secondary extensions to new homes, residential developments and apartment complexes.
- LES' share of capital improvements at Laramie River Station (LRS) and Walter Scott, Jr. Energy Center (WSEC), for 2024, were \$6,116,000 and \$2,193,000, respectively.
- Costs for Overhead Rebuilds in 2024 totaled \$6,009,000. This project is for the replacement or removal of deteriorated or obsolete facilities.
- Capital costs for the replacement of the 57<sup>th</sup> & Garland transformer totaled \$5,281,000 in 2024.
- Costs for Underground Relocations in 2024 totaled \$5,117,000. This project relocates existing underground equipment in conflict with non-LES projects and converts existing overhead electrical facilities to underground.
- Costs for Underground Rebuilds in 2024 totaled \$4,486,000. This project rebuilds existing underground systems due to age, deterioration or other factors.
- Costs for Underground Commercial Extension/Development in 2024 totaled \$2,983,000. This project installs primary and secondary extensions for new or existing commercial customers.

## **FACTORS AFFECTING LES AND ELECTRIC UTILITY INDUSTRY**

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### **SOUTHWEST POWER POOL (SPP)**

LES became an active member of the SPP Regional Transmission Organization (RTO) on April 1, 2009. Through its representation on various committees, LES continues to work with the SPP Board of Directors, members and staff to identify ways to improve energy market operations and overall organizational effectiveness. LES' participation in SPP and its energy market continues to be successful. Recent winter storms drive new regulatory expectations for SPP and other RTOs in North America. SPP is making system improvements to better address reliability during these events. SPP also continues to expand its footprint with new commitments by electric utilities west of the existing RTO footprint.

### **CYBER AND PHYSICAL SECURITY**

LES continues to be heavily involved in the utility industry's cyber and physical security activities. LES staff, including the chief executive officer, chief technology officer, vice president of Energy Delivery, and the vice president of Corporate Operations, actively participate in cyber and physical security-related industry groups. In addition, they work with industry and government representatives to address incidents and best practices for protecting cyber and physical infrastructure, ensuring the electric system's reliability. The LES Administrative Board receives regular cyber and physical security updates.

## **RENEWABLE RESOURCES AND DECARBONIZATION**

Nebraska does not have a renewable portfolio standard. The electric utility industry continues to experience pressure from customers and regulators to incorporate additional renewable generating resources into generation portfolios. Although their intermittent production capability must be considered when assessing the system's reliability, renewable resources can serve as a hedge against future fossil fuel price volatility and/or environmental regulations. In 2024, LES sourced approximately 35% of its installed nameplate generating capacity from oil and natural gas, 31% from coal, and 34% from renewable resources, which includes hydro, landfill gas, wind, and solar. LES' 2024 energy production from renewable resources is equivalent to 39.9% of retail sales. In 2020, the LES Administrative Board adopted a 2040 goal to achieve net zero CO<sub>2</sub> production from the generation portfolio.

## **ENVIRONMENTAL REGULATIONS**

The electric utility industry has repeatedly faced new and proposed environmental regulations. The increase in legislation, and subsequent regulatory uncertainty, is a major issue facing LES and all-electric utility providers. LES continues to work diligently with industry groups and government representatives to help shape legislation and implement cost-effective means to comply with all regulations. Monitoring the rapidly changing requirements within environmental regulations is a priority for LES. The regulations monitored by LES include:

### **CARBON EMISSIONS FROM EXISTING POWER PLANTS**

The Environmental Protection Agency (EPA) has issued several versions of a plan to reduce carbon emissions from existing power plants which would have a significant impact on LES and the industry, as Nebraska would be required to reduce its CO<sub>2</sub> emission rate by 40%. The current version of the plan was proposed on May 23, 2023, and included technology-based requirements as a Best System of Emission Reduction (BSER), such as carbon sequestration, co-firing of low-carbon fuels, and efficiency standards for large power plants. The final rule was issued in May 2024, and requires coal-fired plants to either retire by 2032, or retire by 2039 if cofiring with 40% natural gas by 2030, or install 90% carbon sequestration if operating after 2039. Multiple lawsuits are in the progress of being settled regarding this new rule.

### **PERFORMANCE STANDARDS FOR GREENHOUSE GAS EMISSIONS FROM NEW, MODIFIED AND/OR RECONSTRUCTED STATIONARY SOURCES**

LES monitors this rule due to its impact on greenhouse gas emissions from new, modified, and/or reconstructed turbines. On January 13, 2021, the EPA published the Pollutant-Specific Significant Contribution Finding for greenhouse gases, which established an alternative framework for evaluating emissions from power plants. However, this rule was vacated and remanded on April 5, 2021, under President Biden's Executive Order 13990. On May 23, 2023, the EPA proposed updated standards. In May 2024, a final rule was issued that required new combustion turbines operating at above 40% capacity to install 80% carbon sequestration by 2032. LES and partner facilities are not affected at this time.

### **CROSS-STATE AIR POLLUTION**

The Cross-State Air Pollution Rule (CSAPR) was initially issued in 2011, to assist states' compliance with ambient air quality standards by limiting downwind pollution. Under this rule, facilities must provide allowances for each ton of nitrogen oxide (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) emitted. Certain states, including Iowa, are also required to provide additional allowances for NO<sub>x</sub> emissions during ozone season. Recent revisions to the rule, including the latest Good Neighbor Plan, have not yet affected LES and partner

facilities. The EPA proposed to add Iowa to the Good Neighbor Plan requirements, however all portions of the Good Neighbor Plan have been remanded or withdrawn at this time.

### **REGIONAL HAZE RULE**

The purpose of the regional haze regulations is to improve visibility by reducing regional haze in 156 national parks and wilderness areas (Class I areas) across the country. These regulations impact GGS and LRS. After analysis, by the State of Wyoming in 2021, it was determined that additional controls at LRS were unnecessary. GGS submitted additional air modeling data on SO<sub>2</sub> emissions, but no action was taken. The current draft of the State of Nebraska State Implementation Plan for Regional Haze does not include additional controls for GGS. However, in 2024 the EPA issued a proposed Federal Implementation Plan (FIP) calling for GGS to add scrubbers for SO<sub>2</sub> control. The FIP has not yet been finalized or withdrawn.

### **ACID RAIN PROGRAM**

Implemented in accordance with the Clean Air Act Amendments of 1990, the Acid Rain Program is intended to achieve environmental benefits through reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions. All LES-owned and contracted resources operate within the acid rain regulations.

### **MERCURY AND AIR TOXIC STANDARDS**

In February 2012, the EPA issued the final Mercury and Air Toxic Standards (MATS) rule intended to reduce emissions of toxic air pollutants from power plants. The MATS rule does not apply to simple-cycle and combined-cycle stationary combustion turbines, so TBGS, RGS and J Street Generating Station are not impacted. GGS, LRS and WSEC have installed mercury controls to comply with MATS. Each affected facility must demonstrate ongoing compliance with MATS. In May 2024, the EPA finalized rules that lowered the Particulate Matter (PM) standard and required MATs facilities to add PM monitors.

### **COOLING WATER INTAKE STRUCTURES STANDARDS 316(b)**

The EPA developed regulations, under Subsection 316(b) of the Clean Water Act, which affect facilities with cooling water intake structures. The regulations are intended to ensure that the location, design, construction, and capacity of the cooling water intake structures reflect the best technology available to minimize harmful impacts on aquatic life from impingement or entrainment.

Apart from GGS and WSEC #4, all units LES owns or contracts with meet the requirements of this rule. Currently the GGS National Pollutant Discharge Elimination System permit, which contains the installation schedule for the intake screens, was effective April 1, 2022. GGS will complete the construction of modified traveling screens in 2026 and advise the Nebraska Department of Environment & Energy (NDEE) of these activities. GGS will also complete a two-year Impingement Technology Performance Optimization Study in 2028 and submit the study results to NDEE the following year. WSEC completed construction of modified traveling screens and advised the Iowa Department of Natural Resources (IDNR) of these activities. Additionally, WSEC will submit an Impingement Technology Performance Optimization Study to IDNR by March 1, 2026.

### **COAL COMBUSTION RESIDUALS PROPOSED RULE**

The Coal Combustion Residuals Proposed Rule requires owners of unlined surface ponds to conduct initial monitoring to detect indicators that may signify a release of contaminants from a surface pond. If

contamination is found, the rule mandates closure or retrofitting of unlined surface ponds if the contamination cannot be attributed to another source.

As the Operating Agent for LRS, Basin Electric Power Cooperative hired a consultant to conduct Coal Combustion Residual (CCR) detection monitoring in 2016 and 2017. LRS has six designated CCR units; Bottom Ash Surface Impoundments 1-3, East and West Emergency Holding Pond Surface Impoundment, and a CCR Landfill. All units are considered “treat and transfer” units, with the final destination of CCR to be the CCR Landfill. The consultant detected a Statistically Significant Increase (SSI) in one or more indicator constituents from an LRS ash pond. A Corrective Measure Assessment was completed on August 30, 2019, with a Groundwater Remedy Selection Report issued in July 2020. Between August 2020 and March 2021, all CCR material was removed, and a liner was installed. While the hydraulic capture pumping system was designed and contracted, supply chain issues prevented its installation on schedule. In a revised schedule, LRS planned to install the pumping system in spring 2024. Detailed CCR-related activities for 2024 were not available at the time this report was completed.

GGs has five designated CCR units; Ash Pits 1-4 and the Bottom Ash landfill. Ash Pit 1 was closed in 1982, Ash Pit 2 was closed in 1992, and the Bottom Ash Landfill was closed in 2018. Therefore, GGS only has two active CCR units, Ash Pits 3 and 4. Nebraska Public Power District (NPPD) submitted a series of Alternative Source Demonstration (ASD) reports pertaining to the two active CCR units to the NDEE in October 2022 to indicate groundwater contamination was not related to seepage from CCR units based on a lab analysis of upgrade and downgrade wells, as well as constituent levels in surrounding water sources. NPPD now submits semi-annual Assessment Monitoring results for two groundwater monitoring wells to the NDEE.

WSEC has three CCR units: a Landfill, a North Surface Impoundment and a South Surface Impoundment. Beginning in December 2019, the North and South Surface impoundments were combined into one CCR unit. The North Surface Impoundment closed in 2019 and groundwater monitoring wells for both impoundments coincided; the North Surface Impoundment is now closed. Groundwater monitoring for active CCR Structures found SSI exceedances at the landfill in 2021 and again in 2023, ASDs were not required since previously conducted ASDs addressed the causes of the observations. The South Surface Impoundment is officially closed, and the North Surface Impoundment was scheduled to close in 2024.

## **CONTACT INFORMATION**

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This financial report is designed to provide a general overview of LES’ financial status for 2024 and 2023. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the vice president of Financial Services and chief financial officer located at 9445 Rokeby Road in Lincoln, Nebraska, 68526-9788, or by email at [finance@les.com](mailto:finance@les.com).

**LINCOLN ELECTRIC SYSTEM**

**STATEMENT OF NET POSITION**

As of December 31, 2024

Assets and Deferred Outflows of Resources	(Dollars in thousands)
<b>Current Assets</b>	
Cash and cash equivalents	\$ 97,556
Restricted cash, cash equivalents and investments	22,065
Accounts receivable, net	26,046
Lease receivable	320
Unbilled revenues	18,007
Accrued interest receivable	744
Materials, supplies and fuel inventory	34,934
Plant operation assets	21,621
Other current assets	5,776
Total current assets	227,069
<b>Noncurrent Assets</b>	
Restricted cash, cash equivalents and investments	35,412
Lease receivable	6,523
Accrued lease interest	133
Other noncurrent assets	8,448
Total noncurrent assets	50,516
<b>Capital Assets</b>	
Utility plant	1,872,206
Accumulated depreciation	(966,867)
Construction work in progress	157,487
Total capital assets	1,062,826
<b>Deferred Outflows of Resources</b>	
Deferred loss on refunded debt	6,834
Deferred costs for asset retirement obligations	2,973
Total deferred outflows of resources	9,807
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,350,218</b>
<b>Liabilities and Deferred Inflows of Resources</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 25,339
Accrual for payments in lieu of taxes	13,704
Commercial paper	65,500
Accrued software interest	30
Accrued liabilities	32,545
Current maturities of long-term debt	35,740
Current maturities of software liabilities	992
Accrued interest payable	5,953
Total current liabilities	179,803
<b>Noncurrent Liabilities</b>	
Long-term debt, net	486,714
Developer performance deposits	16,593
Health and dental plan reserves	1,163
Asset retirement obligation	2,973
Software liabilities	1,441
Total noncurrent liabilities	508,884
<b>Deferred Inflows of Resources</b>	
Reductions of future billings	18,132
Leases	6,300
Total deferred inflows of resources	24,432
Total liabilities and deferred inflows of resources	713,119
<b>Net Position</b>	
Net investment in capital assets	487,477
Restricted for debt service	12,486
Restricted for employee health insurance claims	2,757
Unrestricted	134,379
Total net position	637,099
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 1,350,218</b>

See Notes to the Financial Statements.

**LINCOLN ELECTRIC SYSTEM****STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2024

	(Dollars in thousands)
<b>Operating Revenues</b>	
Electric retail	\$ 301,140
Electric wholesale	58,677
Other (includes City Dividend for Utility Ownership)	22,952
Total operating revenues	<u>382,769</u>
<b>Operating Expenses</b>	
Purchased power	75,110
Produced power	63,003
Operations	27,693
Maintenance	13,254
Administration and general	66,773
Depreciation and amortization	35,851
Total operating expenses	<u>281,684</u>
<b>Operating Income</b>	<u>101,085</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest expense	(16,946)
Payment in lieu of taxes	(13,954)
City Dividend for Utility Ownership	(12,944)
Interest income	7,710
Other income	546
Total nonoperating expenses	<u>(35,588)</u>
<b>Capital Contributions</b>	3,881
<b>Plant Costs Recovered through Capital Contributions</b>	<u>(3,881)</u>
<b>Change in Net Position</b>	65,497
<b>Net Position - Beginning of Year</b>	<u>571,602</u>
<b>Net Position - End of Year</b>	<u>\$ 637,099</u>

*See Notes to the Financial Statements.*

**LINCOLN ELECTRIC SYSTEM**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2024

(Dollars in thousands)

**Operating Activities**

Received from sales to customers and users	\$ 378,698
Sales tax receipts	16,682
Paid to suppliers for goods and services	(205,660)
Paid to employees for services	(47,460)
Payments for sales tax	(16,606)
Net cash provided by operating activities	<u>125,654</u>

**Noncapital Financing Activities**

Payment in lieu of taxes	(13,369)
City Dividend for Utility Ownership payments	(12,557)
Net cash used in noncapital financing activities	<u>(25,926)</u>

**Capital and Related Financing Activities**

Capital expenditures	(92,369)
Net cost/salvage value of retiring plant	(2,564)
Capital contributions	2,168
Cash received from leases	515
Principal payments on software agreements	(665)
Interest payments on software agreements	(67)
Principal payments on long-term debt	(37,800)
Interest payments on long-term debt	(20,839)
Net cash used in capital and related financing activities	<u>(151,621)</u>

**Investing Activities**

Net sales of investments	56,685
Interest received	7,557
Net cash provided by investing activities	<u>64,242</u>

**Net Change in Cash and Cash Equivalents**

12,349

**Cash and Cash Equivalents - Beginning of Year**

35,019

**Cash and Cash Equivalents - End of Year**

\$ 47,368

**Reconciliation of Cash and Cash Equivalents to the Balance Sheet**

Cash and cash equivalents	\$ 97,556
Restricted cash, cash equivalents and investments - current	22,065
Restricted cash, cash equivalents and investments - noncurrent	35,412
Total cash, cash equivalents and investments	155,033
Less: investments not classified as cash equivalents	(107,665)
Total cash and cash equivalents	<u>\$ 47,368</u>

See Notes to the Financial Statements.

**LINCOLN ELECTRIC SYSTEM****STATEMENT OF CASH FLOWS – CONTINUED**

For the Year Ended December 31, 2024

	(Dollars in thousands)
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 101,085
Noncash items included in operating income	
Depreciation charged to other accounts	1,194
Depreciation and amortization	35,851
Changes in operating assets and liabilities	
Accounts receivable	(2,949)
Unbilled revenues	(389)
Materials, supplies and fuel inventories	(3,207)
Plant operation assets	(3,832)
Other current assets	(1,229)
Other noncurrent assets	(5,139)
Accounts payable	8,421
Sales tax payable	76
Accrued expenses	12,131
Health and dental plan reserve	441
Reductions in future billings	(16,800)
Net cash provided by operating activities	<u>\$ 125,654</u>
<b>Supplemental Noncash Activities</b>	
Capital asset acquisitions included in accounts payable	\$ 632
Capital assets acquired through addition of software liabilities	1,659

*See Notes to the Financial Statements.*

# NOTES TO FINANCIAL STATEMENTS

## Note 1: Summary of Significant Accounting Policies

### **Reporting Entity**

Lincoln Electric System (LES) is a municipal utility, owned by the City of Lincoln, Nebraska (the City). LES is operated under the LES Administrative Board, appointed by the mayor, and confirmed by the Lincoln City Council. The City Council, as required by the City Charter, reserves the authority to set the rates and charges, adopt the annual budget and incur debt. LES' service area covers approximately 200 square miles, including the city of Lincoln and surrounding communities.

In evaluating how to define LES, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of several criteria, including: (1) LES' ability to appoint a voting majority of another entity's governing body and to impose its will on that entity; (2) the potential for that entity to provide specific financial benefits to, or impose specific financial burdens on, LES; and (3) the entity's fiscal dependency on LES. Based upon the above criteria, LES has determined that it has no reportable component units.

The financial statements present only LES, and do not purport to fairly present the City's financial position as of December 31, 2024 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States (GAAP).

### **Basis of Accounting and Presentation**

LES' activities are accounted for with an economic resources measurement focus and an accrual basis of accounting. LES' accounting records are maintained in accordance with all applicable pronouncements of the Governmental Accounting Standards Board (GASB) and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). LES prepares its financial statements as a business-type activity in conformity with GAAP.

LES follows the provisions of GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost-based rates and board authorization to include certain revenues or costs in a period other than the period in which revenues or costs would be reported by an unregulated entity, to the extent that the rate-regulated entity is recovering, or expects to recover, such amounts in rates charged to its customers. This guidance applies to LES because rates for LES' regulated operations are established and approved by the LES Administrative Board and City Council.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP, requires management to make estimates, and assumptions, that affect the reported amounts of assets, liabilities, deferred inflows and outflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results may differ from those estimates.

**Revenue Recognition**

Electric revenues are recorded based on the related period of customer usage. Billings for electric revenues are rendered monthly on a cycle basis. Unbilled revenues representing estimated consumer usage for the period between the last billing date and the end of the period are accrued in the period of consumption.

**Cash Equivalents**

LES considers all highly liquid investments with an original maturity of three months or less at the date of purchase, to be cash equivalents. On December 31, 2024, cash equivalents consisted of money market funds, U.S. Treasury bills, U.S. agency discount notes and commercial paper.

**Investments and Investment Income**

LES maintains various designated and restricted accounts (see Note 2) which are held for debt service obligations, future health claims and other items. Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in U.S. Treasury securities, U.S. agency obligations, and commercial paper are carried at fair value. Fair value is determined based on quoted market prices, or yields currently available, on comparable securities of issuers with similar credit ratings.

Investment income includes interest income and the net change for the year in the fair value of investments.

**Accounts Receivable**

Accounts receivable are reported net of the allowance for uncollectible accounts of \$2,968,000 on December 31, 2024.

**Inventory**

Materials, supplies and fuel inventories are stated at the lower of cost or market. Cost is generally determined on a weighted-average basis.

**Jointly Owned Facilities**

Plant operation assets related to the operation of Laramie River Station (LRS) and Walter Scott Energy Center (WSEC) #4 (see Note 9) are comprised of operating assets, primarily fuel and supplies inventories, and operating cash. These assets are managed by the operating agents of LRS and WSEC #4 and are stated at cost. Operating expenses of LRS and WSEC #4 are included in the corresponding operating expense classifications in the Statement of Revenues, Expenses and Changes in Net Position.

**Capital Assets**

The costs of additions and betterments to the system are capitalized. Costs include material, labor, vehicle and equipment usage, related overhead costs and certain administrative and general costs. LES' capitalization threshold was \$5,000 in 2024.

Costs of labor, materials, supervision and other costs incurred in making repairs and minor replacements, and in maintaining the plant in efficient operating condition, are charged to expense. When plant assets are retired, the original cost, and removal cost less salvage are charged to accumulated depreciation. Depreciation is computed on a straight-line basis using composite rates, ranging between 2.0% and 20.0%, depending on the respective asset type.

**Leases**

Leases are contracts that convey control of the right to use another entity's nonfinancial asset for a specified period of time in an exchange or exchange-like transaction, without the transfer of ownership of the asset. LES leases communication tower space throughout the service area. LES is considered the lessor in these arrangements.

For lessor contracts, lease receivables and deferred inflows of resources are established at present value utilizing LES' estimated incremental borrowing rate on the date the contract is signed, unless otherwise stated in the contract terms. Amortization of the lease receivable discount results in interest income, and amortization of the deferred inflows of resources, results in other income in the nonoperating section of the Statement of Revenues, Expenses and Changes in Net Position. LES monitors changes in circumstances, that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Subscription-Based Information Technology Arrangements (SBITA)**

Subscription-Based Information Technology Arrangements (SBITA), are contracts that convey control of the right to use another party's information technology software for a specified period in an exchange or exchange-like transaction, without the transfer of ownership of the asset. The subscription term is the period that LES has a noncancellable right to use the underlying asset. SBITA assets and liabilities are reported at the present value using LES' incremental borrowing rate unless otherwise noted in the contract terms. SBITA assets are reported in utility plant and SBITA liabilities are reported as software liabilities on the Statement of Net Position.

**Compensated Absences**

In June 2022, GASB issued Statement No. 101 *Compensated Absences* (GASB 101), effective for reporting periods beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. LES previously recognized liabilities on the Statement of Net Position for unused vacation benefits earned by employees as well as vested sick leave. Beginning in 2024, LES is also recognizing a liability for a portion of non-vested sick leave amounts that are more likely than not to be used for time off. LES has adopted this new GASB standard, effective January 1, 2024, and all 2024 financial statements and figures contained herein reflect the new standard. Although GASB 101 requires retrospective application, the adoption of this new statement had an immaterial impact on LES' beginning net position.

**Deferred Loss on Refunded Debt**

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter. Amortization is recorded as a component of interest expense within nonoperating expenses. The deferred loss on the refunded debt balance was \$6,834,000 as of December 31, 2024.

**Recovery of Plant Costs**

Capital contributions are received from customers and other third parties, primarily to offset the costs associated with an expansion of LES' electrical system. LES follows FERC guidelines for recording capital contributions. These guidelines direct the reduction of utility plant by the amount of these contributions. In

order to comply with GASB Codification Section N50, *Non-exchange Transactions*, while continuing to follow FERC guidelines, capital contributions are recorded as income and offset by an expense, in the same amount, representing the recovery of plant costs.

### **Net Position Classification**

Net position is required to be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

**Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt, are included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

**Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, the law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Revenue bond funds and health insurance funds, net of any related liabilities, are included in this classification.

**Unrestricted** – This component of net position consists of the net amount of assets and liabilities that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is LES’ policy to use restricted resources first, then unrestricted as needed.

### **Classification of Revenues and Expenses**

Operating revenues and expenses generally result from providing services in connection with the ongoing operation of the electric system. The principal operating revenues are charges to customers for electric service. Operating expenses include operation and maintenance, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Payment In Lieu of Taxes**

LES makes a payment in lieu of taxes, equal to 5% of its electric retail revenues derived within the city limits of incorporated cities and towns served. In 2024, LES transferred a total of \$13,369,000 to the City of Lincoln, Lancaster County, Lincoln Public Schools and the City of Waverly for payment in lieu of taxes. As of December 31, 2024, \$13,704,000 was accrued for the next payment in lieu of taxes.

### **City Dividend for Utility Ownership (CDFUO)**

In 2011, the Lincoln City Council approved an ordinance requiring LES to pay an annual dividend to the City of Lincoln for the city’s ownership of LES. As amended in 2020, the ordinance states that LES shall remit to the City a dividend for utility ownership in an amount equivalent to 2.4% of the Total Net Position (Net Assets) of

LES, as of December 31, based upon the most recent audited year-end financial statements. The dividend is remitted to the City semiannually on the 20<sup>th</sup> day of February and August each year. Each payment represents 50% of the annual dividend payment. In 2024, LES submitted CDFUO payments totaling \$12,557,000.

The CDFUO is assessed on all retail customer billings and is treated as operating revenue on the Statement of Revenues, Expenses and Changes in Net Position. LES records the estimated liability for the CDFUO as a nonoperating expense on the Statement of Revenues, Expenses and Changes in Net Position. As of December 31, 2024, \$4,573,000 was included in the accrued liabilities for the next CDFUO payment.

## **Note 2: Deposits and Investments**

### ***Deposits***

State statute requires banks to issue a bond, or pledge government securities, to LES for the amount of utility deposits. The statute allows pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC). LES' cash deposits are insured up to \$250,000 by the FDIC.

### ***Investments***

LES may invest in U.S. government securities and agencies, U.S. instrumentalities, instrumentalities of the United States, repurchase agreements, corporate issues, money market mutual funds, interest-bearing time deposits or savings accounts, state and/or local government taxable and/or tax-exempt debt, and other fixed term investments, as designated in LES Policy 510 (Investments).

### ***Fair Value Measurements***

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction among market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchy of three levels of inputs may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable, or can be corroborated by observable market data, for the full term of the assets or liabilities.

**Level 3** – Unobservable inputs, supported by little or no market activity, and are significant to the fair value of the assets or liabilities.

Money market mutual funds are carried at cost and thus are not included within the fair value hierarchy.

The table below presents the fair value measurement of LES' assets recognized in the accompanying financial statements, measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurement falls at year-end.

As of December 31, 2024, LES had the following investments (dollars in thousands):

	Carrying Value	Maturities in Years			Credit Ratings Moody's / S&P	Fair Value Hierarchy Level
		Less Than 1	1-5			
Money market mutual funds	\$ 34,492	\$ 34,492	\$ -		Aaa	N/A
U.S. Treasury securities	16,165	9,416	6,749		Aaa/AA+	2
U.S. agency obligations	65,247	51,090	14,156		P-1/A-1+	2
Corp. Issues (Commercial Paper)	39,129	25,660	13,470		P-1/A-1	2
	<u>\$ 155,033</u>	<u>\$ 120,658</u>	<u>\$ 34,375</u>			

### **Interest Rate Risk**

Interest rate risk is the potential for interest rate changes to adversely affect an investment's fair value. It is LES' intent to buy and hold securities to maturity, which reduces interest rate risk.

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Corporate issues, state and/or local government taxable and/or tax-exempt debt, and money market funds are the only current investment types that require a minimum specific rating. All such investments held as of December 31, 2024, meet the minimum credit rating required by LES' investment policy at the time of purchase. Any investment that falls below the minimum credit rating requirement held in LES' investment portfolio, will follow pre-approved guidelines within the investment policy.

### **Custodial Credit Risk**

For an investment, custodial credit risk is a risk that, in the event of a failure of the counterparty, LES would be unable to recover the value of its investment securities in possession of an outside party. LES manages this risk by holding all investments in LES' name, as required by LES' investment policy.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk associated with the amount of investments LES has with any one issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. LES' investment policy places limits on the amount that may be invested in any one type of investment and/or issuer. Investment authorization is measured at the time of acquisition.

<b>Investment Type</b>	<b>Portfolio Composition</b>	<b>Limits of Individual Issuers</b>	<b>Maturity Limitations</b>
U.S. government securities	100%	None	10 years
U.S. government agencies	100%	None	10 years
Federal instrumentalities	100%	None	10 years
Instrumentalities of the U.S.	20%	5%	10 years
Interest-bearing time deposit or savings accounts	100%	15%	5 years
Repurchase agreements	50%	15%	90 days
Corporate issues	50%	5%	-
Banker's acceptances	-	-	180 days
Commercial paper	-	-	270 days
Corporate notes	-	-	5 years
Money market mutual funds	100%	25%	N/A
State and/or local government taxable and/or tax-exempt deb	30%	5%	3 years
Other fixed term investments	25%	25%	5 years

On December 31, 2024, LES had the following investment concentrations:

**U.S. sponsored agency obligations**

Federal Home Loan Bank	19.42%
Federal National Mortgage Association	18.53%

**Summary of Carrying Values**

Deposits and investments were included in the following Statement of Net Position captions on December 31, 2024:

	<b>2024</b>
	<b>(Dollars in thousands)</b>
<b>Current Assets</b>	
Cash and cash equivalents	
Operating cash and cash equivalents	\$ 56,199
Rate stabilization fund	41,357
Total cash and cash equivalents	<u>97,556</u>
Restricted cash, cash equivalents and investments	
Bond principal and interest funds	17,907
Segregated funds - customer deposits	1,131
Health and dental claims funds	3,027
Total restricted cash, cash equivalents and investments	<u>22,065</u>
<b>Noncurrent Assets</b>	
Restricted cash and investments	
Bond reserve funds	9,397
Segregated funds - developer deposits	25,122
Health and dental claims reserve funds	893
	<u>35,412</u>
Total restricted cash and investments	<u>\$ 155,033</u>

### **Rate Stabilization Fund**

LES maintains a Rate Stabilization Fund (RSF) to provide a method of mitigating risks that may result from unforeseen, or one-time events, and may have a significant financial impact on LES. It is not the intent to fund routine rate adjustments with funds from the RSF. Deposits to and withdrawals from the RSF are subject to approval by the LES Administrative Board. An annual liquidity study determines the target RSF balance, which evaluates the probability and financial impact of LES' risks, as determined via the Enterprise Risk Management program.

The RSF balance was \$41,357,000 as of December 31, 2024.

### **Note 3: Capital Assets**

Capital asset activity for the year ended December 31, 2024 was as follows (dollars in thousands):

	<b>January 1, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>December 31, 2024</b>
Construction work in progress (not depreciated)	\$ 104,732	\$ 78,718	\$ (2,564)	\$ (23,399)	\$ 157,487
Utility plant	1,842,990	9,097	(3,280)	23,399	1,872,206
Less: Accumulated depreciation	(935,838)	(37,045)	6,016	-	(966,867)
Totals	<u>\$ 1,011,884</u>	<u>\$ 50,770</u>	<u>\$ 172</u>	<u>\$ -</u>	<u>\$ 1,062,826</u>

### **Note 4: Leases**

LES leases communication tower space to third parties, the terms of which expire in 2050. The leases were measured at lease commencement. The lease receivables balance for these agreements was \$6,843,000 on December 31, 2024, of which \$320,000 is presented as current, and \$6,523,000 as long-term on the Statement of Net Position. Total revenue recognized in 2024 was \$730,000, which was reported as other income and interest income on the Statement of Revenues, Expenses and Changes in Net Position.

The following table summarizes future lease principal and interest payments LES expects to receive as of December 31, 2024 (dollars in thousands):

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 320	\$ 130	\$ 450
2026	302	126	428
2027	301	146	447
2028	236	167	403
2029	177	170	347
2030-2034	1,179	860	2,039
2035-2039	1,801	517	2,318
2040-2044	1,614	241	1,855
2045-2049	874	63	937
2050	39	1	40
Total	<u>\$ 6,843</u>	<u>\$ 2,421</u>	<u>\$ 9,264</u>

**Note 5: Subscription Based Information Technology Agreements (SBITAs)**

LES has entered into several SBITAs with subscription terms ranging from one to four years. As of December 31, 2024, SBITA assets totaling \$4,592,000, and associated accumulated amortization of \$1,287,000 are included in utility plant and accumulated depreciation, respectively, on the Statement of Net Position. There were no SBITA impairments as of December 31, 2024.

The following table summarizes future SBITA principal and interest payments as of December 31, 2024 (dollars in thousands):

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	992	98	1,090
2026	946	61	1,007
2027	239	21	260
2028	256	11	267
Total	<u>\$ 2,433</u>	<u>\$ 191</u>	<u>\$ 2,624</u>

**Note 6: Long-Term Debt and Liabilities**

Long-term debt on December 31, 2024, was presented on the Statement of Net Position as shown below:

	<b>Date Callable</b>	<b>(Dollars in thousands)</b>
<b>Serial Bonds</b>		
2013 Electric revenue and refunding, 2.70% - 5.00%, due from Sep. 1, 2021 to 2025	2023	\$ 12,385
2015 Electric revenue and refunding, 3.00% - 5.00%, due from Sep. 1, 2019 to 2036; partially refunded in 2020	2025	29,895
2016 Electric revenue and refunding, 3.00% - 5.00%, due from Sep. 1, 2017 to 2034	2027	65,960
2018 Electric revenue, 3.00% - 5.00%, due from Sep. 1, 2025 to 2034	2027	121,205
2020A Electric revenue, 5.00%, due from Sep. 1, 2025 to 2033	2030	72,200
2020B Electric revenue refunding, taxable, 0.40% - 2.10%, due from Sep 1, 2023 to 2037	N/A	151,300
<b>Term Bonds</b>		
2015 Electric revenue and refunding, 4.00%, due Sep. 1, 2040	2025	40,710
<b>Long-term debt</b>		<b>493,655</b>
Bond issuance premiums		28,799
Less: current maturities of long-term debt		(35,740)
<b>Long-term debt, net</b>		<b>\$ 486,714</b>

Long-term debt and liability activity for the year ended December 31, 2024, was as follows (dollars in thousands).

	January 1, 2024	Increase	Decrease	December 31, 2024	Due Within One Year
Revenue bonds	\$ 531,455	\$ -	\$ (37,800)	493,655	\$ 35,740
Bond issuance premiums	34,655	-	(5,856)	28,799	-
Developer performance deposits	15,832	11,000	(1,712)	25,120	8,527
Health and dental plan reserve	722	441	-	1,163	-
Software liabilities	1,439	1,659	(665)	2,433	992
Totals	<u>\$ 584,103</u>	<u>\$ 13,100</u>	<u>\$ (46,033)</u>	<u>\$ 551,170</u>	<u>\$ 45,259</u>

Debt service requirements for LES' revenue bonds as of December 31, 2024 was as follows (dollars in thousands):

Bond Year Ending August 31	Principal	Interest	Total
2025	\$ 35,740	\$ 17,730	\$ 53,470
2026	37,580	16,807	54,387
2027	39,325	15,063	54,388
2028	40,915	13,458	54,373
2029	42,640	11,735	54,375
2030-2034	224,350	36,173	260,523
2035-2039	59,000	9,417	68,417
2040	14,105	564	14,669
Totals	<u>\$ 493,655</u>	<u>\$ 120,947</u>	<u>\$ 614,602</u>

All long-term debt is issued for the construction of additional utility plants, refunding of existing debt, or to reimburse LES for prior capital expenditures. All utility revenues after payment of operation and maintenance expenses are pledged for revenue bonds until the bonds are paid or defeased.

Debt Service for 2024 was \$55,280,000. Total gross revenues as reported in the Statement of Revenues, Expenses and Changes in Net Position for the same period were \$382,769,000.

### **Revenue and Refunding Bonds**

There were no bond issuances in 2024.

As a result of refundings, the assets and related liabilities for certain defeased bonds are not included in LES' financial statements.

Bond reserves are set in accordance with terms stated upon issuance. All reserves are fully funded.

### **Revolving Credit Agreement**

On April 6, 2023, LES entered into a revolving credit agreement with Bank of America National Association. The agreement allows LES to draw up to \$50,000,000 on a variable rate basis. The revolving credit agreement with Bank of America National Association will expire in April 2026. Electric revenues secure the agreement. There were no amounts outstanding on the agreement as of December 31, 2024.

Also in 2023, LES entered a revolving credit agreement with Union Bank and Trust Company. The revolving credit agreement allows LES to draw up to \$50,000,000 on a variable rate basis. The agreement was executed on July 12, 2023, and will expire on August 12, 2026. The Union Bank and Trust Company revolving credit agreement is secured by electric revenues and is subordinate to the Bank of America National Association revolving credit agreement. There were no amounts outstanding on the agreement as of December 31, 2024.

## **Note 7: Short-Term Obligations**

### **Commercial Paper**

Established by city ordinance, LES may borrow up to \$150,000,000 under a Commercial Paper Program. The payment of the Commercial Paper Notes is subordinated to the payment of the principal of, and interest, on the outstanding bonds. The commercial paper outstanding amount was \$65,500,000 on December 31, 2024. The notes mature at various dates, but no more than 270 days after the date of issuance. The weighted average interest rate was 3.56% for the year ended December 31, 2024. The outstanding commercial paper notes are secured by a revolving credit agreement with JPMorgan Chase Bank, National Association, that expires on August 19, 2027. No advances were outstanding under the revolving credit agreement as of December 31, 2024. The revolving credit agreement, which secures LES' Commercial Paper Program, also includes a Note Purchase Agreement that allows LES the ability to borrow money on a short-term basis. There were no amounts outstanding under the Note Purchase Agreement as of December 31, 2024. Amounts outstanding under the Note Purchase Agreement reduce the amount available under the revolving credit agreement.

LES uses Commercial Paper Notes as part of its long-term financing strategy. As such, commercial paper is typically renewed as it matures. The weighted average length of maturity of Commercial Paper for 2024 was 55 days.

Commercial Paper activity for the year ended December 31, 2024, was as follows (dollars in thousands):

	<u>January 1, 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2024</u>	<u>Due Within One Year</u>
Commercial Paper Notes	\$ 65,500	\$ 467,500	\$ (467,500)	\$ 65,500	\$ 65,500

## **Note 8: Regulatory Assets and Liabilities**

Rates for LES' regulated operations are established and approved by the LES Administrative Board and Lincoln City Council. LES applies the regulated operations provision of GASB Codification Section Re10, *Regulated Operations*, which provides for the deferral of expenses that are expected to be recovered via

customer rates over a future period (regulatory assets), and reductions in earnings to cover future expenditures (regulatory liabilities).

Regulatory assets are included in other noncurrent assets on the Statement of Net Position. They are amortized in future rate periods when such costs are included in the revenue requirements to establish electric rates.

The composition of regulatory assets on December 31, 2024, was as follows:

	<b>(Dollars in thousands)</b>
Improvement costs on projects in which LES participates	\$ 6,694
Bond issuance costs	<u>1,754</u>
Totals	<u>\$ 8,448</u>

Regulatory liabilities are recorded as a deferred inflow of resources (reductions of future billings) on the Statement of Net Position, representing revenues related to the outcomes of Winter Storm Uri. These liabilities are recognized in future rate periods when such revenues are included in the revenue requirements to establish electric rates.

#### **Note 9: Jointly Owned Facilities**

##### ***Laramie River Station (LRS)***

LES owns a 12.76% share of the Missouri Basin Power Project (MBPP) including LRS, a three-unit, 1,710-MW coal-fired generating station, in eastern Wyoming, and a related transmission system. LES has sold approximately 28 MW, or 13%, of its ownership in LRS to the Municipal Energy Agency of Nebraska (MEAN). Costs, net of accumulated depreciation, and excluding costs allocated to MEAN, for its ownership share associated with LRS of \$45,807,000, are reflected in utility plant on the Statement of Net Position on December 31, 2024.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County), whereby the County purchases from LES, approximately 10 MW or 5% of LES' capacity interest in LRS. The section of the agreement that provides for the County to pay LES monthly payments for the capital budget, processing and dispatch costs, was amended in September 2016. The monthly payments are subject to true-up, each January 1, based on actual costs (as compared to budget) of LRS. The agreement remains in effect until the final maturity occurs on any LRS-related debt or LRS is removed from commercial operation. LES billed the County \$2,017,000 in 2024 for demand and energy charges.

LRS has certain post-retirement obligations, which have not yet been billed to the owners, as these costs are not due and payable. Thus, LES has not reflected these costs in its financial statements. As a co-owner of LRS, LES' allocation of these post-retirement obligations was \$1,315,000 on December 31, 2024.

GASB Statement No. 83, *Certain Asset Retirement Obligations* established accounting standards for recognition and measurement, of a liability for an asset retirement obligation, and associated asset retirement cost. In accordance with this standard, LES, as a participant in MBPP, recognizes asset retirement obligations for the reclamation of wells, landfills and ash ponds.

LES recorded the following amounts as asset retirement obligations, which are offset with a deferred outflow of resources on the Statement of Net Position:

<b>(Dollars in thousands)</b>	
<b>Asset retirement obligations:</b>	
Obligation, beginning of year	\$ 5,190
Additional obligations	(419)
Accretion	327
Liabilities settled	<u>(2,125)</u>
Obligation, end of year	<u>\$ 2,973</u>

**Walter Scott Energy Center #4**

MidAmerican Energy Company’s (MEC) WSEC includes four coal-fired units. LES maintains an ownership interest of 12.66%, or 104 MW of WSEC #4. The 811-MW, coal-fired plant was completed in 2007. To minimize unit outage risk, LES executed a power purchase and sales agreement with MEC to “swap” capacity and energy from LES’ WSEC #4 ownership with capacity and energy from WSEC #3. Under this agreement, LES schedules 50 MW of capacity and energy from WSEC #3 and 53 MW from WSEC #4. This 20-year agreement can be extended through mutual agreement of the parties. LES is responsible for the operation and maintenance expenses and maintains a fuel inventory at the plant site. LES issued debt in conjunction with the construction of WSEC #4 and has capitalized these costs plus interest. Costs, net of accumulated depreciation, associated with WSEC #4 of \$103,767,000, were reflected in utility plant on the Statement of Net Position on December 31, 2024.

**Note 10: Jointly Governed Organizations**

**District Energy Corporation (DEC)**

DEC was formed in 1989 by the City of Lincoln and Lancaster County to own, operate, maintain and finance the heating and cooling facilities utilized by certain city, county and state buildings. The DEC Board of Directors of DEC is comprised of five members: two appointed by the Lancaster County Board of Commissioners, two appointed by the mayor of Lincoln, whom the City Council must confirm, and one appointed by LES. No participant has any obligation, entitlement or residual interest.

Under a management agreement, the DEC Board of Directors has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the actual allocated cost. LES also provides electric energy to DEC on an established rate schedule. The total amount of

payments to LES for management operations and maintenance services in 2024 was \$2,763,000. The total amount of payments to LES for energy in 2024 was \$1,020,000.

## **Note 11: Employee Benefit Plans**

### **Retirement Plan**

LES has a Defined Contribution Retirement Savings Plan, created in accordance with Internal Revenue Code Section 401(k) (401k Plan). Vanguard Fiduciary Trust Company serves as the plan custodian for the 401k Plan. The LES Administrative Board established the 401k Plan under its authority and is responsible for approving all amendments to the 401k Plan. LES' contribution is equal to 200% of the employee contributions, up to 5% of applicable compensation for eligible employees hired prior to January 1, 2011. The contributory rate for eligible employees hired after that date is equal to 100% of the employee contribution, up to 10% of applicable compensation. Vesting of LES matching contributions occurs over a three-year period, with LES contributions being 100 percent vested after three years of service.

Employees who have not met the vesting criteria forfeit the employer matching contributions at termination, which are used to reduce LES' future matching contribution obligations. Forfeitures reduced LES' contributions by \$96,000 in 2024. Vested benefits are fully funded. December participant contributions of \$286,000 were accrued in accounts payable as of December 31, 2024.

Contribution information for 2024 is shown in the table below:

<b>(Dollars in thousands)</b>	
Employer contributions	\$ 5,930
Employee contributions	<u>6,250</u>
Totals	<u>\$ 12,180</u>

LES also offers all eligible employees a Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457(b) (457 Plan). LES' 457 Plan custodian, Vanguard Fiduciary Trust Company, manages the 457 Plan's assets. The 457 Plan permits the employees to defer a portion of their salary until termination, retirement, or death. LES does not match any employee contributions to the 457 Plan.

Assets and liabilities of the 401k Plan and 457 Plan are not included in the LES financial statements, as all plan assets are held, managed and administered by the plan custodian, and the 401k Plan and 457 Plan are not considered to be component units or fiduciary activities of LES under the applicable accounting guidance.

### **Employee Health and Dental Insurance**

LES has self-funded health and dental insurance programs with claims processed by a third-party administrator on behalf of the utility. A separate fund has been established into which accruals are made

and from which actual claims and other program costs are paid. As part of the health plan, a reinsurance policy has been purchased that covers claims in excess of \$150,000 per individual. Accruals to the self-insured account in excess of the claims, and other costs paid, are monitored by LES. Health care claims and fees incurred (prior to reduction for premium payments from participants) were \$8,784,000 for the year ending December 31, 2024.

As required by Nebraska law, LES maintains an Incurred But Not Reported (IBNR) claims reserve, which is actuarially determined. The balance of the IBNR reserve was \$1,163,000 on December 31, 2024. LES established two separate bank accounts for the self-funded employee health and dental insurance plan reserves to ensure compliance with statutory requirements. Although not required by the statute, LES maintains excess insurance that limits the total claims liability for each plan year to not exceed more than 125% of the expected claims liability, up to an annual aggregate maximum of \$1,000,000.

## **Note 12: Derivatives**

LES utilizes Auction Revenue Rights (ARRs) and Transmission Congestion Rights (TCRs) to hedge against congestion costs in the Southwest Power Pool Integrated Market (SPP IM). Awarded ARRs provide a fixed revenue stream to offset congestion costs. TCRs can be acquired through the conversion of ARRs or purchases from SPP auctions. ARRs do not meet the definition of a derivative because, once awarded, they cannot be sold, or assigned, to another party. TCRs meet the definition of a derivative; however, LES' TCRs meet the normal purchases and sales scope exception, of the applicable accounting guidance, because they are used by LES as factors in the cost of transmission. As such, GASB guidance for derivative accounting does not apply. Accrued liabilities included \$1,407,000 for ARRs on December 31, 2024.

## **Note 13: Risk Management**

### ***Insurance***

LES is exposed to various risks of loss related to liability and property. LES carries commercially available insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this coverage in any of the three preceding years.

To protect against other risks, LES participates in the City of Lincoln's self-insurance program, administered by the City's Risk Management Division. Premium amounts are paid annually to the city's Risk Management Division. LES continues identifying, evaluating, and mitigating inherent business risks as part of its Enterprise Risk Management (ERM) Program. LES has implemented a formalized process to expand the scope of risk identification and awareness. Throughout the organization, divisions and departments are encouraged to participate in the identification of risks, implementation of controls, and mitigation assessment process.

Risk oversight is held by the LES Executive Team and assigned risk owners. Executive team members, risk owners and subject matter experts manage current risks and recommend new risks as needed. The LES Administrative Board maintains a high-level awareness of significant risks facing LES, potential impacts,

and related controls and mitigation strategies. To guide employees in their decision-making, the LES Administrative Board has adopted the following as the risk appetite statement for LES:

*Risks will be managed in a manner that will not materially jeopardize LES' ability to serve its customers, achieve its performance targets, and maintain its AA-bond rating. LES has high standards of safety, regulatory, legal, and ethical conduct.*

The active participation and engagement of the LES Administrative Board and executive management supports the success of LES' ERM Program. A report reflecting the status of LES' ERM Program is presented annually to the LES Administrative Board. Enhancements to the ERM Program are ongoing and will provide increased awareness of risks throughout the organization. The information gathered will improve risk control and mitigation efforts to support LES' strategic plan, prioritize use of LES resources for decision-making purposes and eliminate duplicative efforts.

LES has a Commercial Risk Management Team (CRMT) to manage the risks associated with operating in the SPP IM. The CRMT provides general oversight of the financial, market and other risk exposures related to operating in the SPP IM. Members of the CRMT include the following LES employees: Energy and Environmental Operations manager (CRMT Chair), chief executive officer, Power Supply vice president, vice president & chief financial officer, vice president & general counsel, and Energy Management supervisor.

#### **Note 14: Commitments and Contingencies**

##### ***Western Area Power Administration (WAPA)***

LES has an allocation from the U.S. Department of Energy, through WAPA, of firm power under contract from Upper Missouri Basin hydroelectric plants of approximately 54 MW. LES also receives an allocation of 72 MW of firm peaking power from WAPA for the six-month summer season and 22 MW for the remaining months. In 2017, LES signed an amendment which extends the contract from 2021 through 2051.

##### ***Participation Contracts with Nebraska Public Power District (NPPD)***

During 2024, LES had a participation contract in one existing NPPD coal-fired power plant that provided for an entitlement of 8% (109 MW) of the output of the Gerald Gentleman Station (GGS) power plant (nominally rated 1,365-MW).

LES is responsible for its respective participating interests in GGS capital additions and improvements. LES recognizes its share of capital acquisition costs and debt service payments, as power costs in the period the costs are billed, except costs approved for deferral under GASB Codification Section Re10, *Regulated Operations*. Fixed cost payments under the agreement are on made on a participation basis, whether the plant is operating or operable.

The participation contract for GGS continues until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The payments to NPPD under this contract, including capital additions and improvements, debt service payments, fixed costs and credits, were \$7,720,000 in 2024. Through the participation contract, LES may be required to pay costs associated with compliance of environmental regulations for GGS.

**Other Power Purchase Agreements**

LES participates in three wind plants through direct Power Purchase Agreements with the plant developer/owner: 100-MW Arbuckle Mountain Wind Farm in Oklahoma, 100-MW Buckeye Wind Energy Center in Kansas, and 73-MW Prairie Breeze II Wind Energy Center in Nebraska. In 2015 these wind energy facilities were placed in commercial operation. LES also participates in four Nebraska-based wind plants through Power Sales Agreements with NPPD: Laredo Ridge (10 MW), Broken Bow (10 MW), Elkhorn Ridge (6 MW) and Crofton Bluffs (3 MW). NPPD has a direct Power Purchase Agreement for each of these plants with the wind plant developer/owner.

**Commitments for Contracts over One Million Dollars**

LES has outstanding contract commitments totaling \$16,295,000 on December 31, 2024. These are primarily contracts for purchasing equipment related to large substation and transmission projects to serve a large data center in the service territory and a five-year contract to purchase 345kv circuit breakers as needed.

**Claims and Judgments**

From time to time, LES is party to various claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel, that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the financial statements of LES.

**Note 15: Environmental Regulations**

Electric utilities are subject to continued environmental regulation. Federal, state and local standards and procedures, which regulate the environmental impact of electric utilities, are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance LES' facilities will remain subject to the regulations currently in effect, will meet future regulations without retrofit, anticipate the outcome of current regulatory and legislative processes, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital and operating expenditures, reduced operating levels, or the complete shutdown of individual units not in compliance. As necessary, LES will make applications to the appropriate federal and state authorities for any permits, certifications and renewals required by federal and state law; regulations for the operations of its existing plants and for the construction of capital additions and improvements.

**Note 16: Subsequent Events**

On February 20, 2025, LES issued \$42,000,000 of new commercial paper notes. LES uses its Commercial Paper Program to provide liquidity between long-term financings. The Commercial Paper Program is authorized for \$150,000,000, and following the issuance, the amount of commercial paper outstanding is \$107,500,000. Additional details on the Commercial Paper Program can be found in Note 7.



**Lincoln Electric System**

# **Exhibit IV**



# Board Briefing

## *LES Strategic Planning*

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Prepared for Lincoln Electric System

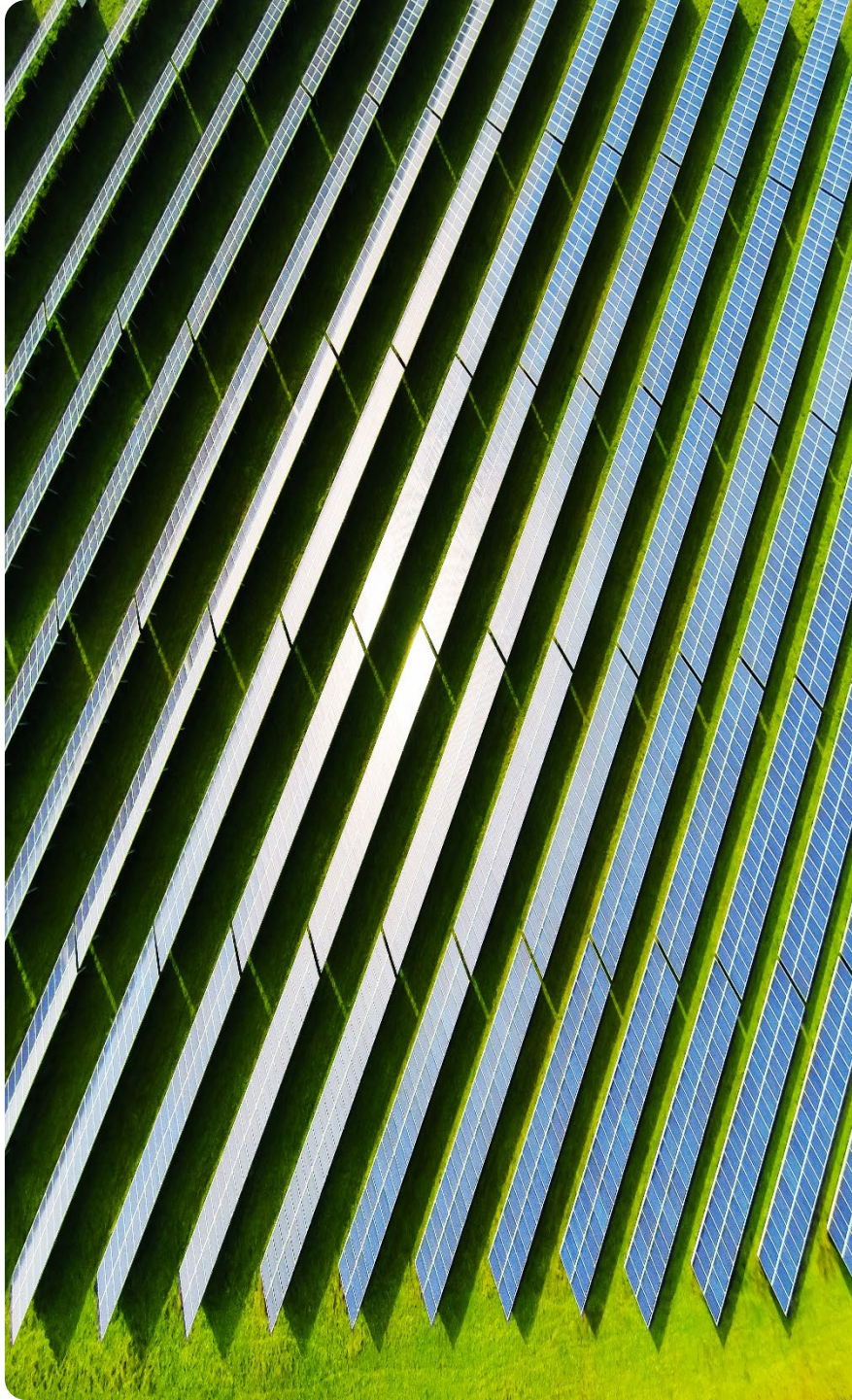
April 18, 2025

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# 01

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## Strategic Planning Journey

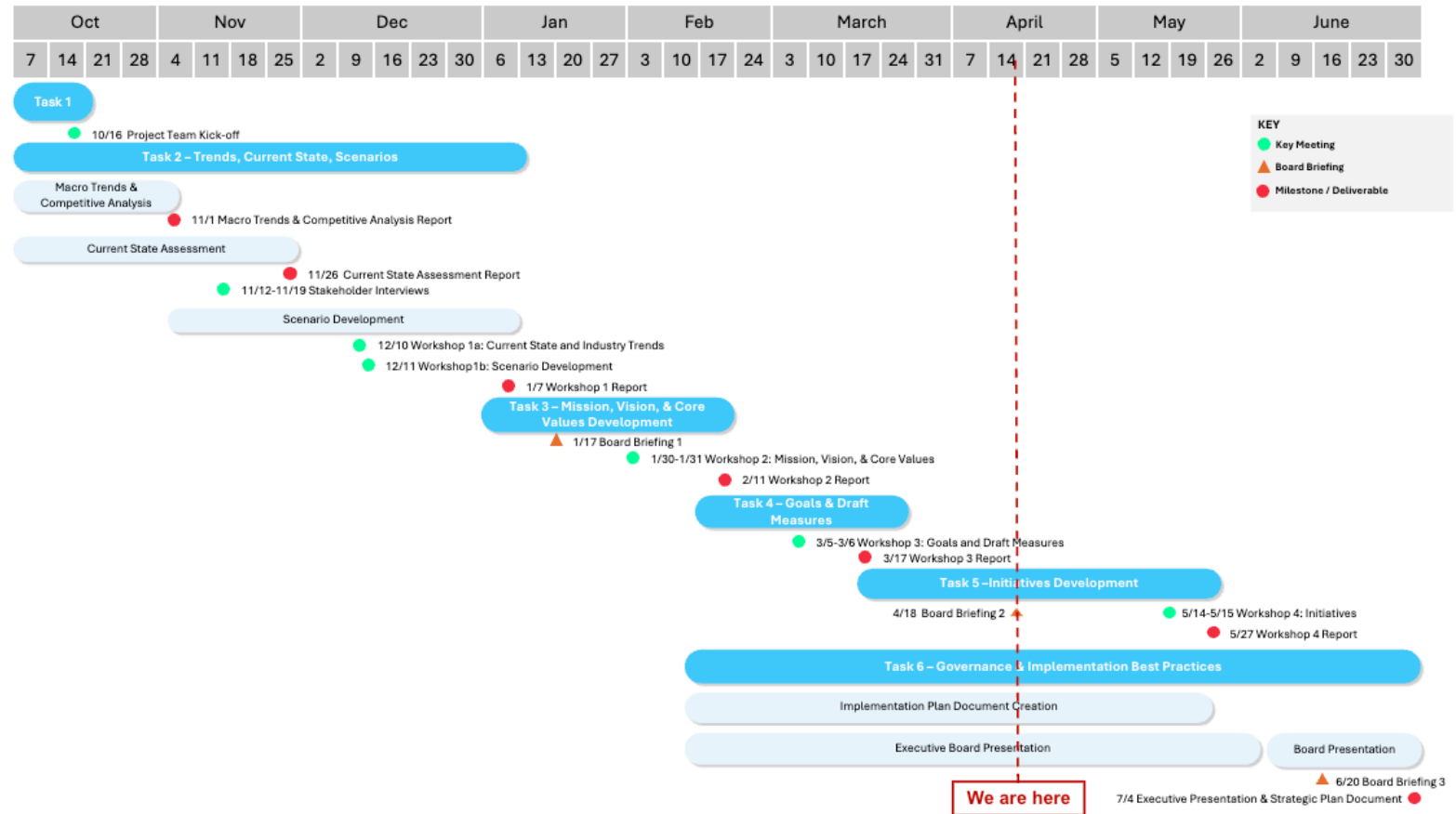


# Strategic Planning Program Overview

*Tasks 1-4 are complete and Task 5 is on schedule*

We are following a structured, flexible, and collaborative approach to guide LES's strategic planning:

- **Task 1:** Align on project goals, success metrics, timelines, and key details.
- **Task 2:** Conduct a macro trend analysis, current state assessment, and stakeholder interviews, supported by Workshop 1: Scenarios Development.
- **Task 3:** Review LES's mission, vision, and core values, updating them in Workshop 2: Mission, Vision & Core Values.
- **Task 4:** Develop strategic goals and draft measures in Workshop 3: Goals & Draft Measures.
- **Task 5:** Create Strategic Initiatives in Workshop 4: Initiatives.
- **Task 6:** Prepare a Strategic Plan implementation document and an accompanying executive presentation summarizing tasks and outcomes for board delivery.



# PA and HDR Collaboration

PA and HDR are working in close partnership to deliver a refreshed strategic plan, collaborating with key stakeholders and actively seeking their feedback throughout the process.



# 02

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## Program Updates



# Task 4: Objectives and Goals Development

## Workshop 3: Strategic Objectives Development

In this workshop, we examined the Strategic Objectives needed to fulfil LES' Mission through 2035. As a result, we identified four new focus areas to help guide the organization and shape the 2035 plan.

The Strategic Objectives will chart a path for what LES, as an organization, will need to accomplish to achieve its Mission. They will lay the foundation for executable strategic initiatives.



# Mission, Vision, and Core Values

*The following content is a draft and may be further refined*



## MISSION

To power our community through responsible stewardship of our shared resources



## VISION

Driving our energy future where people and power enable progress



## CORE VALUES

Safety & Operational Excellence  
Reliability & Resiliency  
Stewardship & Integrity  
People & Community  
Innovation & Curiosity



# LES' Strategic Plan - In Progress

*The following content is a draft and may be further refined*

**MISSION:** To power our community through responsible stewardship of our shared resources

**VISION:** Driving our energy future where people and power enable progress

**CORE VALUES:** Safety & Operational Excellence | Reliability & Resiliency | Stewardship & Integrity | People & Community | Innovation & Curiosity

## STRATEGIC OBJECTIVES

### Customer & Community

Optimally deploy our resources to help meet all our customers' and community's evolving power needs.

*Offer dynamic products and services, minimize energy burden, enable community goals – all while delivering an exceptional customer experience.*

### Infrastructure

Build and maintain reliable, resilient, and adaptable grid and supporting systems.

*Build an adaptable grid that delivers best-in-class reliability, resiliency, and customer experience in an increasingly complex operating environment.*

### Financial Health

Ensure that LES can finance the activities required to achieve its Mission and Vision.

*Maintain financial health through a strong bond rating, sufficient liquidity, and a predictable rate plan.*

### Organizational Readiness

Attract, develop, and retain a talented workforce to boost organizational performance.

*Build a culture of belonging, collaboration, and growth by investing in people, offering dynamic career paths, and aligning with strategic priorities.*

### Generation Resource Planning

Reduce reliance on fossil fuels while maintaining resource adequacy and fiscal responsibility.

*Achieve net zero carbon dioxide production from LES' generation portfolio by 2040.*

**LES HR**

# Community & Employee Engagement



# Engagement Strategy

## Communication Objectives & Guiding Principles

**INFORM**

**ESTABLISH  
TRANSPARENCY**

**ENGAGE**

# Employee Engagement

## 1. Subject Matter Expert Engagement

- 17 employees
- Input into the deliverables

## 2. Cross-Divisional Employee Workshop

- 50 employees
- Initial reaction to the deliverables

## 3. All-Employee Survey

- Response rate: 55% (301 employees)



Employee feedback strongly reinforces LES' identity as a **community-centered public utility** committed to **reliability, affordability, and service excellence**. Staff alignment with LES' mission is high, but opportunities were identified to enhance **employee engagement, innovation, and communication** to meet future demands.

# Community survey



Help shape LES' future with a brief survey, now through April 30.



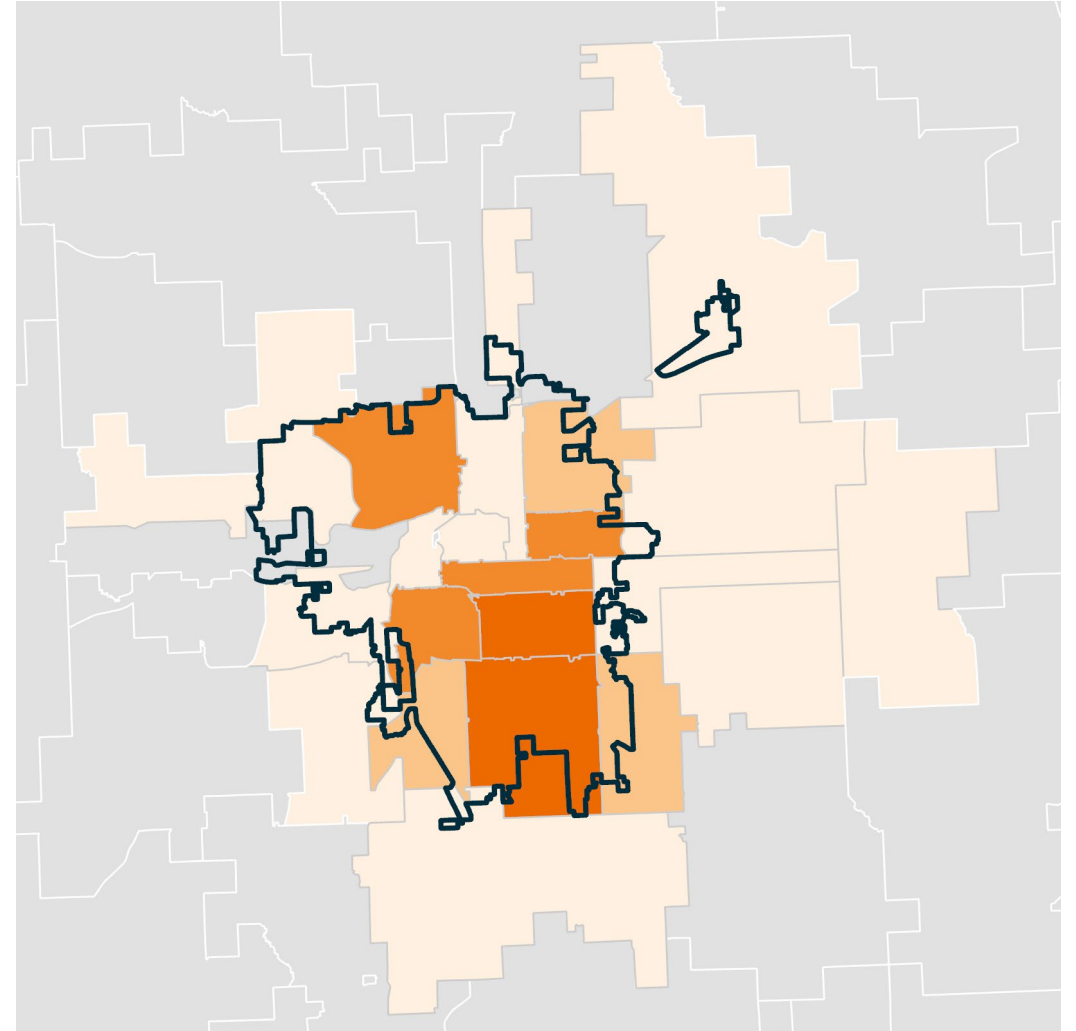
# Community Engagement

Open March 1 through April 30

**609** total survey responses

## Legend Responses

- 0
- 1 - 15
- 16 - 30
- 31 - 60
- 61 - 90
- Lincoln and Waverly City Limits



*Survey results as of April 11, 2025*

# Community Engagement

**Ranked importance that LES invests in:**

1. Reliability of electricity
2. Affordability & rate stability
3. Infrastructure upgrades
4. Sustainability initiatives & renewable energy
5. Customer service & programs



# Community Engagement

Top survey themes:

**Emergency /  
extreme weather  
preparedness**

**Renewables**

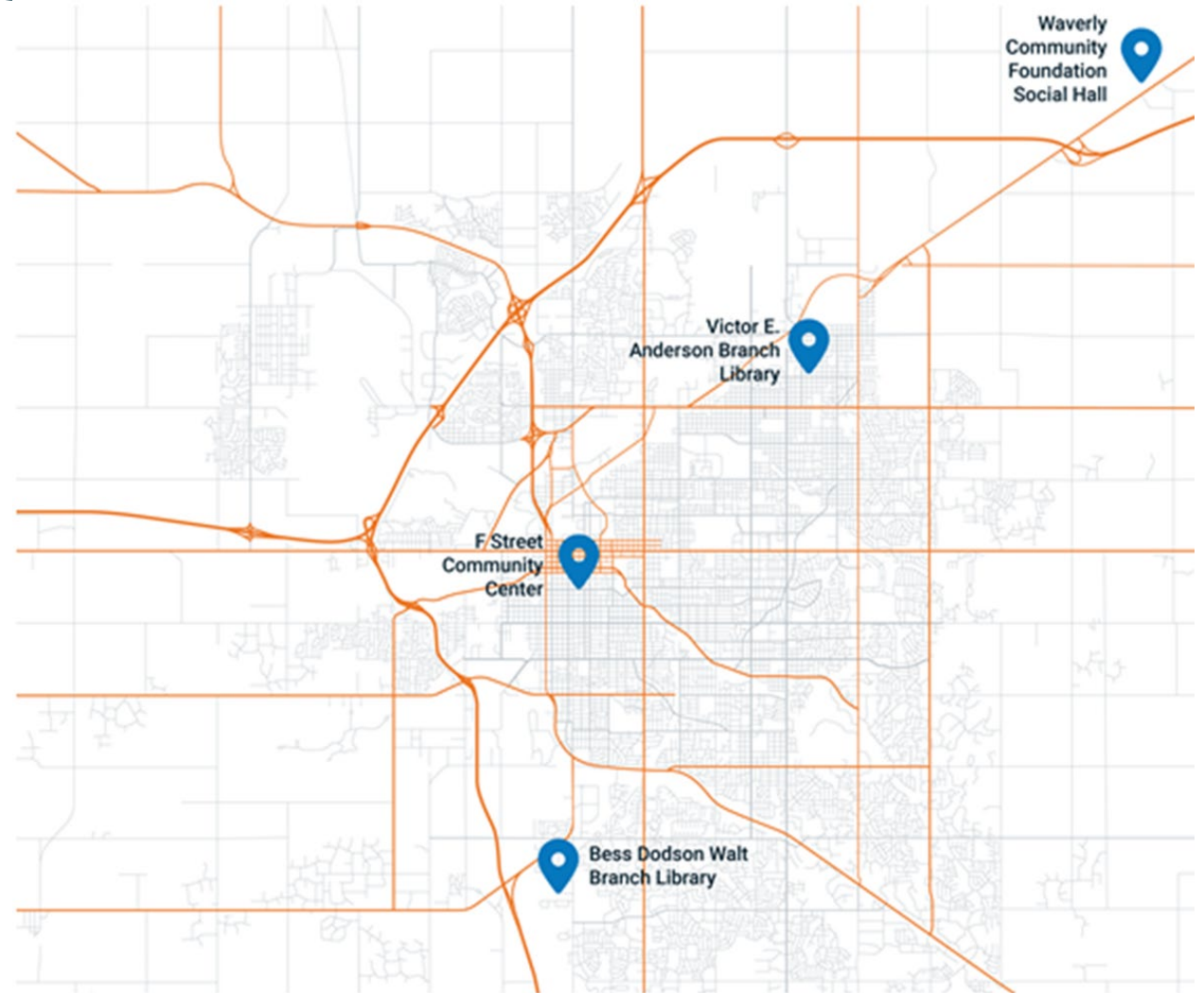
**Planning for  
growth**

**Burying power  
lines**

# Community Engagement

## Community Meetings

- **7** total meetings
  - **4** in person
  - **2** hybrid
  - **1** virtual
- Feedback
  - Mission & vision
  - Strategic objective areas



# 04

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## Next Steps & Discussion



# Strategic Planning Program

## Next steps

### Workshop 4

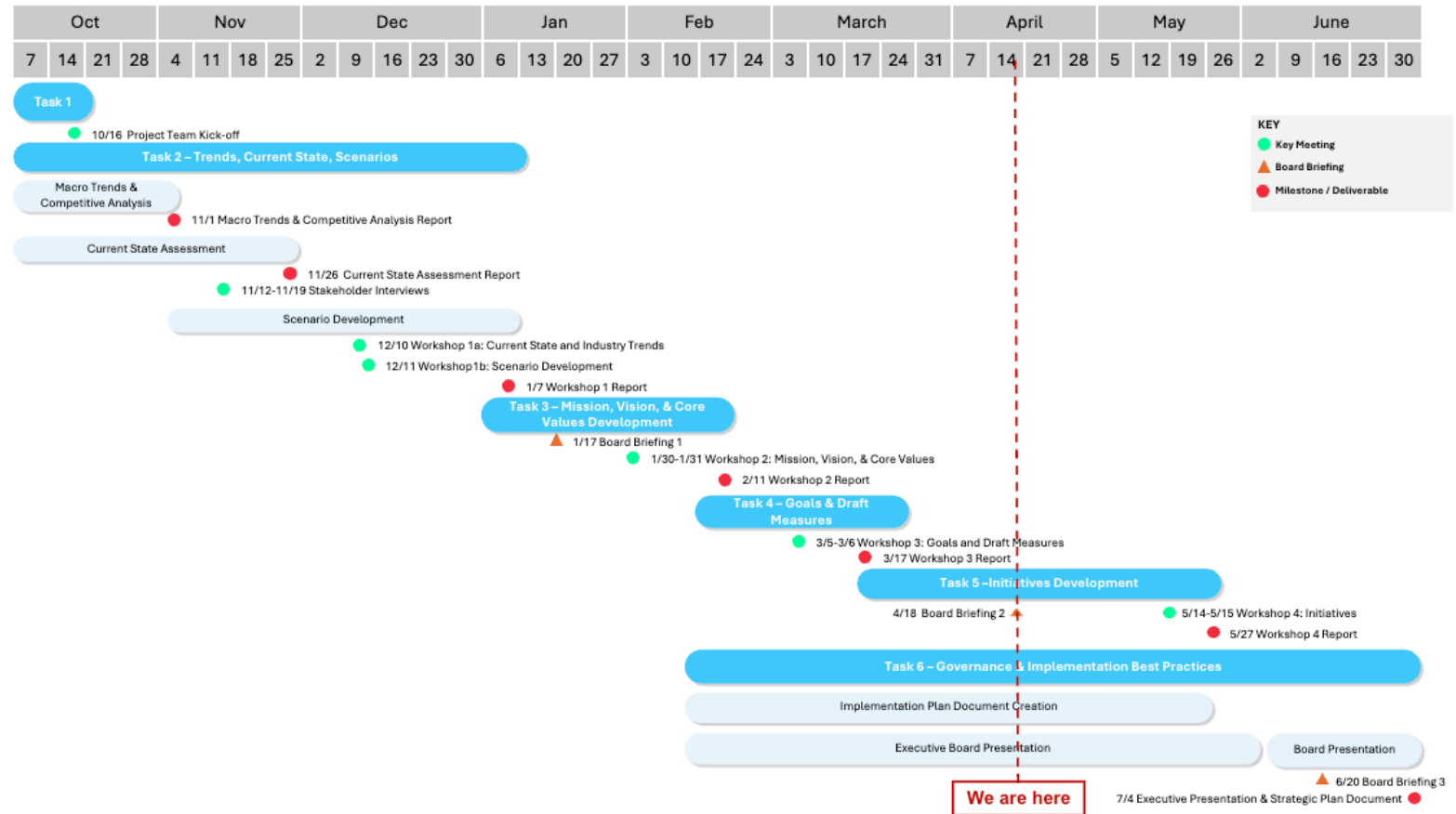
- **5/14-5/15** PA to conduct on-site Workshop 4: Strategic Initiatives Development

### Strategic Plan Document

- **7/4** Strategic Plan Document

### Program updates

- **5/8** Next Monthly Program Update with LES ELT – Review Employee feedback on Strategic Plan
- **6/20** Next Board Briefing



# Community survey



Help shape LES' future with a brief survey, now through April 30.



# **Exhibit V**



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 18</a>	Transportation and Telecommunications Committee <b>Hearing February 11, 2025</b>	(Cavanaugh, J.) Relates to Small Wireless Facilities on poles. This bill gives more rights to local authorities to ensure that new or modified utility poles for small wireless facilities in the right-of-way must be ADA compliant.	Monitor/Confer with the City
<a href="#">LB 20</a>	Natural Resources Committee <b>Approved by Governor</b>	(Cavanaugh, J.) Ensures that no utility shall deny electric service to non-net metering agricultural self-generation facilities with a nameplate capacity of no more than 100 kW. State statutes only require net metering up to 25 kW. This will allow pork producers, farmers, and ranchers to install renewable generation facilities up to 100 kW, but they won't be compensated through net metering.	Monitor
<a href="#">LB 35</a>	Natural Resources Committee <b>Final Reading</b>	(Brandt) LB 35 is intended to clarify provisions from LB 1370 that was passed last year relating to private renewable developers within proximity to a military installation certifying that the facility does not have any components from foreign adversaries. This bill clarifies that privately renewable developers have to certify compliance upon reaching commercial operation, as they apparently are unable to certify this during.	Monitor
<a href="#">LB 36</a>	Natural Resources Committee <b>Natural Resources Priority Bill</b> <b>Select File</b>	(Brandt) Provides notice to any controlling entities of wellhead protection areas during any proposed land-use within those areas. LES has a few wellhead protection areas in the service territory. However, as introduced, LB 36 does not have a direct impact to LES as it only provides information and recommendations.  LB 36 is a Natural Resource priority bill and has been amended to be a committee package that includes the original bill and adds LB 309, LB 459, LB 562, LB 480, LB 590, and LB 344. Among those, LES is only monitoring LB 590 which is in Section 26 through 32. These sections provide for a mitigation bank or in-lieu-fee program to create an endangered species conservation area that compensates for the loss of endangered species habitat resulting from transportation projects. This addition allows for Department of Transportation to use the power of eminent domain, among other powers, to acquire property for use with the mitigation bank or in-lieu-fee program. There doesn't appear to be significant changes to LB 590 as introduced.	Monitor



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 43</a>	Natural Resources Committee <b>Emergency Clause</b> <b>Approved by Governor</b>	<p>(DeKay, Hardin) LB 43 is also a bill to clarify provisions from LB 1370 that was passed last year. It was understood based on the testimony on last year’s bill that the certification provisions would apply to all future construction of facilities. During the interim, there was discussion that it should also apply to any modifications or repairs to existing facilities. The Power Review Board (PRB) attempted to apply this understanding through a guidance document, but ultimately an Attorney General’s opinion counseled the PRB to seek legislative clarification. LB 43 a) adds a definition of electronic-related equipment; b) clarifies that the required certification extends to both new facilities and modifications or repairs to existing facilities if such modifications include electronic-related equipment from foreign adversaries; and c) essentially requires a one-time certification and subsequent notification if a utility or developer finds itself out of compliance. The definition of military installation does not include the Lincoln Air National Guard base. For this reason, LES intends to monitor LB 43, but LES’s position would change to opposition if an amendment extended the scope of the legislation to all electric facilities.</p> <p>The latest amendment clarifies that the restrictions in LB 43 only apply to electronic-related equipment or components manufactured by foreign adversaries. The bill also simplifies the approval process to provide that an electric supplier, before commencing construction or acquiring an electric generation or transmission facility and after consulting with the vendor, shall submit a one-time written notice to the PRB certifying that the facilities are and will continue to be in compliance. LES continues to remain unaffected with the exemption of the National Guard base.</p>	Monitor/Oppose if expanded beyond facilities close to military installations
<a href="#">LB 50</a>	Revenue Committee <b>Speaker Priority Bill</b> <b>General File</b>	<p>(DeKay, Dover, Hansen, McKeon) LB 50 amends the nameplate capacity tax statutes to carve out 5% for community colleges. Under current law, the nameplate capacity tax is distributed to local taxing entities that do not receive tax revenue from the renewable energy generation resources due to the personal property tax exception. LB 50 would add a 5% distribution of the amount collected to be distributed to the community colleges with the remaining 95% distributed to the remaining local taxing entities.</p>	Monitor/Confer with the City
<a href="#">LB 91</a>	Natural Resources Committee <b>Approved by Governor</b>	<p>(DeKay, Brandt, Clouse) Relates to public power districts providing electric services to a city or village, where the city or village wants to take ownership of the distribution system, and the public power district has no debt on the system. This bill deletes “without cost” when transferring the assets so the public power district may negotiate the purchase and collect any additional appreciated value that would be lost. This is a decades-old provision that is likely obsolete in today’s industry, but we will monitor this bill and any amendments.</p>	Monitor



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 117</a>	Revenue Committee <b>Hearing January 31, 2025</b>	(Holdcroft) LB 117 exempts from sales and use taxes any sales and purchases of utilities, including electricity, natural gas, propane and sewer for residential use. Residential use includes an apartment that is paid separately or as a separate line-item from rent, as well as use at a commercial property where the primary use of the property is as a residence. Sales tax is a pass-through obligation for LES so there is no financial impact to LES in eliminating the sales tax, though LES is assessing how the exemption will be applied in certain cases. As it's written, cities, like Lincoln, will not be able to collect a local option sales tax. However, at the committee hearing Sen. Holdcroft stated that they intended to add an amendment to carve out a local option in the bill.	Monitor/Confer with the City
<a href="#">LB 121</a>	Natural Resources Committee <b>Hearing January 30, 2025</b>	(Hardin, Lippincott) Prohibits the land disposal of the component parts of solar panels and wind turbine blades. This will require sending such materials out of state for disposal.	Monitor
<a href="#">LB 129</a>	Natural Resources Committee <b>Hearing January 29, 2025</b>	(McKeon, Hardin, Lippincott, Lonowski) LB 129 prevents a political subdivision from implementing any ordinance, code, resolution, rule, regulation, or policy that restricts, prohibits, or has the effect of prohibiting or restricting, any energy sources supplied by a retail marketer of any energy source. An energy source is defined as fuel or power source used to power an engine, including aviation fuel, biofuel, compressed or liquified natural gas, diesel fuel, electricity used for charging electric vehicles, gasoline including ethanol-blended gasoline, gas distillates, hydrogen and liquid petroleum gas. While this bill was primarily introduced on behalf of ethanol producers, LES is concerned about the inclusion of electricity used for charging electric vehicles. This would eliminate LES's ability to assess demand charges on certain charging stations, among other things. At the hearing, McKeon stated that he intended to remove electricity-related provisions. LES will continue to monitor to watch for amendments on general file.	Oppose/Seek an amendment to remove electricity-related provisions
<a href="#">LB 137</a>	Judiciary Committee <b>Hearing February 27, 2025</b>	(Dungan) LB 137 prohibits a homeowner's association from restricting or charging a residential customer for solar panel installation or a pollinator garden. The bill does not impact LES but will be monitored for awareness.	Monitor
<a href="#">LB 163</a>	Natural Resources Committee <b>Hearing January 30, 2025</b>	(Spivey, Cavanaugh, J., Dungan, Fredrickson, Guereca, Juarez, McKinney, Quick) Creates the Office of Climate Action which will operate within the Department of Environment and Energy to serve as a dedicated point of contact to assist with policies and programs and support federal grant initiatives dealing with climate action. The office would also create a climate action plan on or before July 1, 2026, to manage risks of climate change impacts on the state and reduce the causes of climate change within the state.	Support



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 193</a>	Government, Military and Veterans Affairs Committee <b>General File</b>	(Andersen, Bostar, Holdcroft, Sanders) LB 193 amends the Pacific Conflict Stress Test Act passed last session, specifically provisions relating to the Committee on Pacific Conflict. The bill merely deletes the provisions that provided that the appointments to the committee be made within 60 days after April 17, 2024. The bill seems like a placeholder for additional substantive provisions. LES will monitor the bill for any amendments.	Monitor
<a href="#">LB 264</a>	Appropriations Committee <b>Hearing February 18, 2025</b>	(Arch, at the request of the Governor) Eliminates a number of existing Acts including the Nebraska Geologic Storage of Carbon Dioxide Act. This act was introduced in 2021 as LB 650 and established regulatory framework and support for carbon storage technology. LB 264 would eliminate this act which would impact ongoing and future carbon storage projects. The elimination of this act would create regulatory uncertainties with legal and procedural aspects of carbon storage projects and hinder funding or access to carbon storage projects. This would create a more challenging environment for electric utilities aiming to reduce their carbon emissions.	Oppose
<a href="#">LB 291</a>	Urban Affairs Committee <b>Hearing February 04, 2025</b>	(Urban Affairs Committee) Adopts the Aid to Municipalities Act to provide grants to municipalities to pay for infrastructure projects. The bill specifically includes, among other things, transmission lines in the definition of 'infrastructure project.' It includes an annual appropriation of \$15 million for the Aid to Municipalities Fund, with a cap of \$5 million per grant.	Monitor/Confer with the City
<a href="#">LB 317</a>	Natural Resources Committee <b>Natural Resources Priority Bill Select File</b>	(Brandt, at the request of the Governor) LB 317 is a comprehensive bill of over 400 pages that effectuates the merging of the Department of Natural Resources with the Department of Environment and Energy. It appears that most of this bill is updating all titles as they currently appear in statutes. Sen. Brandt has indicated that he is working on an amendment to address some of the concerns with the bill. Most notably, the bill as introduced removes the professional engineer qualification for the director position. Brandt indicated that his intent was to only make the position more accessible and did not realize the importance of having that qualification for apprenticeships. LES has not seen a formal amendment to this bill but will continue to monitor with the bill's priority designation.	Monitor



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 349</a>	Natural Resources Committee <b>Hearing March 06, 2025</b>	<p>(Prokop) LB 349 specifically defines electric energy storage and is intended to clarify that both public and private electric suppliers can own and operate electric energy storage facilities. In talking to the bill sponsor, it appears the intent of the bill is that if the facility is a standalone energy storage facility, it would have to be approved by the Nebraska Power Review Board (PRB) under the same criteria as any other non-renewable generation facility. If it is part of a privately developed renewable generation facility, it would be approved subject to the certification provisions in statute for such privately developed facilities. LES has concerns about introducing state statutes regarding battery storage when SPP is still defining guidelines. The latest amendment filed intends to clarify the difference between standalone battery storage and storage associated with a generation resource. However, the language is still unclear whether standalone storage would be approved under the normal PRB approval process. The amendment also changes language in existing statutes regarding eminent domain for public power districts from a public power district “shall have and exercise the power of eminent domain to acquire from any... private corporation any and all property...” to “may exercise...”. This does not affect LES as it only applies to public power districts.</p> <p>An unofficial amendment has been shared with LES by the bill drafter that intends to align the language in LB 349 closer to the PRB’s guidance document 14. It also expands on the eminent domain language to provide that no property owned, used, or operated by an energy storage resource shall be subject to eminent domain by a consumer-owned electric supplier, which would include municipalities such as LES. While there may not be the intent to exercise its power of eminent domain, LES is opposed to giving it up all together. With the language that has been shared, LES is still opposed to LB 349 and would prefer to wait until SPP has finalized guidelines around energy storage.</p>	Oppose as introduced/Seek amendments on definitions
<a href="#">LB 396</a>	Natural Resources Committee <b>Approved by the Governor</b>	<p>(DeKay) LB 396 eliminates a requirement for public power districts to make their budgets available to the general public in a form approved by the Power Review Board. They are still required to make the budget available. The bill only eliminates the requirement for the form of the budget to be approved by the PRB. This bill does not impact LES and will just be monitored.</p>	Monitor



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 409</a>	Natural Resources Committee <b>Hearing February 20, 2025</b>	(Cavanaugh, J.) LB 409 would change the composition of the Power Review Board to include at least one licensed journeyman electrician who is affiliated with a nonprofit labor organization for electrical workers. The board would still be comprised of five members—an attorney, an engineer, a union member, and two laypersons. It is unclear what purpose would be served by having a journeyman electrician on the PRB. The PRB’s role in approving the applications for generation and transmission is more geared toward evaluating the public convenience and necessity of a project and the overall economics of the project. The PRB does not evaluate any technical specifications, nor does it evaluate any aspects of project labor. LES does not see a purpose to be served by adding this requirement on the PRB. A journeyman electrician could already be appointed as one of the three laypersons.	Monitor/Seek clarity on the intent with bill introducer
<a href="#">LB 413</a>	Natural Resources Committee <b>Hearing February 05, 2025</b>	(Clouse) LB 413 relates to rates and charges set by public power districts. This bill adds language to provide that rates and charges may be differentiated based on load size, load factor, firm and nonfirm service, technology risks, length of service commitment, and other objective criteria. It is LES’s understanding that the bill was introduced to give utilities greater flexibility in setting appropriate rates for large, transitory loads such as cryptomining. As introduced, the bill does not include municipalities. In addition, LES already has rates and charges that are differentiated based on things like load factor and other criteria, but we still maintain cost of service rates within rate classes that are fair, reasonable, and nondiscriminatory. LES has also evaluated mechanisms to deal with large, transitory loads, but it is not clear that this would provide the desired flexibility. An unofficial amendment has been shared with LES that intends to simplify this bill drastically where it only adds two words to the existing statute to clarify that rates are “not unduly” discriminatory . While this bill only applies to public power districts LES will continue to monitor it as it moves through the process.	Monitor
<a href="#">LB 450</a>	Urban Affairs Committee <b>Hearing February 11, 2025</b>	(Fredrickson) LB 450 amends the Property Assessed Clean Energy Act to add grid resiliency improvements as a qualified improvement in a clean energy assessment district. Grid resiliency improvement would include acquisitions, modifications, or installations benefiting public or private property, and would include backup power generators, generators powered by renewables, solar panels with battery storage, and smart grid technology. There is no direct impact to LES, though the term “grid resiliency” generally refers to the utility level rather than to the customer level.	Monitor/Confer with the City



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 468</a>	Revenue Committee <b>Clements Priority Bill</b> <b>General File</b>	(Clements) LB 468 lowers the inheritance tax and replaces the funds with several changes including increasing the nameplate capacity tax on renewable energy generation from \$3,500 to \$6,500 per megawatt of nameplate capacity. The most recent amendment filed by Sen. Bostar provides that, starting in 2025, the inheritance tax will gradually reduce year-over-year until it is at 0% for all cases. This amendment also removes any changes to other taxes to replace the lost revenue, including the proposed increase to the nameplate capacity tax on renewable energy generation. This bill will continue to be monitored as it is likely that new amendments may be proposed.	Monitor
<a href="#">LB 477</a>	Business and Labor Committee <b>Hearing February 24, 2025</b>	(Fredrickson) LB 477 amends the Workplace Privacy Act and includes provisions to prohibit employers from requiring employees to use or wear electronic tracking devices to track the employee's location or travel patterns. An employer can still track employer property as long as the property and employee possessing or using the property are not associated in the data collected. It's unclear how this would affect employer property, specifically cell phones and iPads, which are assigned to employees for cyber security purposes. LES is concerned that there may be unintended impacts in this bill which would negatively impact safety procedures.	Oppose/Seek amendments on definitions
<a href="#">LB 489</a>	Natural Resources Committee <b>Hearing February 05, 2025</b>	(Brandt) LB 489 is intended to prohibit private entities from operating, maintaining, constructing, or acquiring a transmission line or related facility carrying more than seven hundred volts. As written, the language would impact new primary-metered customers who would construct or maintain 15 kV or 35 kV lines. It would also seem to preclude transmission lines built by private developers to interconnect privately developed renewable energy facilities with public power providers. An unofficial amendment has been shared with LES which, if filed, would alleviate LES's concerns. However, there is disagreement among the industry for how private transmission facilities should be handled in the state. LES intends to continue discussions around private transmission facilities to ensure current customers are not unintentionally affected and to close the gap in the approval process.	Oppose as introduced



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 503</a>	Revenue Committee Hearing February 19, 2025	<p>(Bosn, Ballard, Bostar) Allows counties to be able to adopt the American energy friendly designation which allows for privately developed renewable energy facilities to not have to abide by several county and zoning regulations. The bill provides that privately developed renewable energy generation facility has the same meaning currently in statute “and also includes any electric energy storage resource.” It is unclear whether this is intended as a renewable project that includes energy storage, or whether energy storage could be a standalone facility. A county can pursue designation as an American energy friendly county by either applying to the Department of Revenue for such designation, or by submitting the question of whether to apply for the designation to a vote of registered voters in the county. If the county receives the designation, it essentially agrees to a model set of zoning and setback requirements or parameters.</p> <p>LES would like clarification on the definition of energy storage before determining a position on this bill. While there has not been an official amendment filed for LB 503, the bill drafter has shared that battery storage will be removed from the language in LB 503. If this language is removed, LES would move to a neutral position. LES will continue to monitor this bill for any amendments.</p>	Oppose as introduced/seek amendments on definitions



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 526</a>	Revenue Committee <b>Jacobson Priority Bill</b> <b>Select File</b>	<p>(Jacobson, at the request of the Governor) Establishes an excise tax on cryptocurrency mining operations where these operations will be taxed at a rate of \$0.025 per kilowatt hour after the first 1,000 kilowatt hours in a calendar year. As introduced, the bill only applies to public power districts. LB 526 also provides that public power districts may require direct payment or a letter of credit from cryptocurrency mining operations for the cost of significant infrastructure upgrades required by such operations. Before requiring such direct payment or letter of credit, the public power district must conduct an independent grid impact study to determine the cost of required upgrades. LES has expressed concerns with this language as it is not clearly defined what this would entail. LES has also expressed concerns about identifying crypto mining customers and implementation of the tax as this may impact current, non-crypto mining customers. The excise tax does not apply to data processing centers, cloud computing, or any other industrial or commercial entities not engaged in cryptocurrency mining.</p> <p>The latest amendment completely removes the excise tax and includes municipalities in the bill. This language is unnecessary as LES already has and is exercising the powers provided in this bill. The amendment also changes to only include crypto mining operations of 1 megawatt and above, provides a requirement that such crypto mining operations notify the utility of their existence, require the utility to post the crypto mining operations in their service territory over 1 megawatt as well as each facilities annual energy usage on the utility's website, and provide that a utility can require a crypto mining operation to be on an interruptible rate schedule. While LES appreciates some of the changes Sen. Jacobson has made, there are concerns about providing customer information on the LES website. LES will continue to monitor this bill as it advances for debate on select file.</p>	Monitor
<a href="#">LB 546</a>	Government, Military and Veterans Affairs Committee <b>Hearing March 12, 2025</b>	<p>(Rountree) Allows a political subdivision that supplies electricity, natural gas, water, or sewer service to request an emergency proclamation directly from the Governor that covers one or more counties for a disaster, emergency, or civil defense emergency without having to first request a proclamation from a county or local government entity. This was introduced on behalf of OPPD. It does not impact LES as the LES service area is located in a single county. LES will monitor the bill.</p>	Monitor



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 565</a>	Government, Military and Veterans Affairs Committee <b>Hearing February 12, 2025</b>	(Quick) LB 565 provides change requirements for guidance documents from agencies which introduces restrictions so guidance documents cannot be issued between July 1, 2025, through July 1, 2027, unless specifically requirement by federal rules and regulations and revokes guidance documents from July 1, 2022, through July 1, 2025. It also adds restrictions so guidance documents cannot impose greater regulation than federal requirements. LES is monitoring this bill as it may impact guidance documents implemented by the Nebraska Power Review Board. An amendment has been filed to clarify that this only includes guidance documents issued by the Division of Developmental Disabilities of the Department of Health and Human Services issued between July 1, 2022, and July 1, 2025. LES will continue to monitor this bill as it moves through the process.	Monitor
<a href="#">LB 590</a>	Natural Resources Committee <b>General File</b>	(Moser) Allows for the Department of Transportation to establish and operate a mitigation bank or an in-lieu fee program to provide compensatory mitigation for the incidental take of threatened or endangered species and such species' habitat arising out of permitted activities. LES will monitor this bill for its potential application related to LES compliance with the Migratory Bird Treaty Act and other environmental laws. This bill has been added to a Natural Resources Committee package in LB 36.	Monitor
<a href="#">LB 644</a>	Government, Military and Veterans Affairs Committee <b>Bostar Priority Bill</b> <b>Hearing February 19, 2025</b>	(Bostar, at the request of the Governor) Adopts the Foreign Adversary and Terrorist Agent Registration Act and the Crush Transnational Repression in Nebraska Act but also amends the Foreign Adversary Contracting Prohibition Act (FACPA) passed in 2024. The bill amends the FACPA to include unmanned aircraft (drones) in the definition of 'technology-related product or service' that cannot be procured from a foreign adversary. It grandfathers unmanned aircraft procured prior to July 1, 2026, but seems to potentially prohibit procurement of unmanned aircraft on or after July 1, 2028. The statute includes an exemption for electric suppliers in compliance with federal critical infrastructure protection requirements.	Monitor/Confer with the City



## 2025 NEW LEGISLATION IMPACTING LES

LEGISLATIVE BILL	STATUS OF LEGISLATION	SUMMARY OF LEGISLATION	LES POSITION
<a href="#">LB 660</a>	Government, Military and Veterans Affairs Committee <b>Government, Military and Veterans Priority Bill</b> <b>General File</b>	(Andersen, Bosn, Holdcroft, Sanders, Sorrentino, Storer) Adopts the Drone Purchasing Act to regulate the purchase of drones. Starting January 1, 2027, political subdivisions are prohibited from purchasing or acquiring drones not cleared by the Division of Aeronautics of the Department of Transportation. This division will create and “regularly” maintain and document known as the List of Secure Drones Authorized for Purchase which contains the names of devices and vendors of drones and unmanned aerial systems that are “(a) cleared by the United States Department of Defense through its Blue UAS program; (b) Determined to be compliant with the requirements of the National Defense Authorization Act for Fiscal Year 2024, Public Law 118-31; (c) Determined by the division to be designed, maintained, modified, or operated in such a manner that they are incapable, under normal operating conditions, of transmitting data to unauthorized persons or entities; or (d) otherwise determined by the division to present no threat to the security of the State of Nebraska. Political subdivision must purchase or acquire only drones cleared by the division “to the extent practical,”. The most recent amendment includes changes to the original bill and also incorporates LB 445 (von Gillern), LB 664 (Storer), LB 29 (Conrad), and LB 662 (Andersen). Most notably, section 23, sub-section 5 provides an exemption for electric suppliers, purchasing drones and components for drones, that are NERC compliant.	Monitor
<a href="#">LR 22CA</a>	Natural Resources Committee <b>Hearing February 26, 2025</b>	(Dungan) Proposes an amendment to the Constitution of Nebraska to provide that people have the right to a clean and healthy natural environment and that political subdivisions shall serve as trustee of the natural resources of Nebraska.	Monitor

# **Exhibit VI**

# **LES Resource Adequacy Position**

## *Scenario Analysis*

**Scott Benson**  
**Manager, Resource & Transmission Planning**

**April 18, 2025**

# Background

## *Near-Term Resource Plan*

### March 2025

- ❖ LES reviews projected SPP resource adequacy position with the board, identifying a need for additional accredited capacity in the near term.
- ❖ Preliminary analysis based on “typical” market conditions indicates the best first steps may be the addition of the following:
  - Central Nebraska Public Power & Irrigation District’s (CNPPID) 22-MW Jeffrey Hydro plant.
  - Natural gas peaking generation, initially represented as two 50-MW Aero Combustion Turbines (CT) located at the Terry Bundy Generating Station (TBGS).

### April 2025

- ❖ LES officially adds Jeffrey Hydro plant to its resource portfolio.

# Background

## SPP Cost of New Entry (CONE) Penalty

### What

Annual penalty assessed to Load Responsible Entities (LRE) that don't have enough accredited capacity to meet resource adequacy requirements; reflects the greater of their summer and winter specific penalties.

### How

For each season, multiply the LRE's seasonal deficiency (kW) by:

- 1) CONE, representing annual capital and fixed costs of a natural-gas peaking plant (\$85.61/kW-year).
- 2) Seasonal factor based on how SPP footprint is positioned vs. required Planning Reserve Margin (PRM).

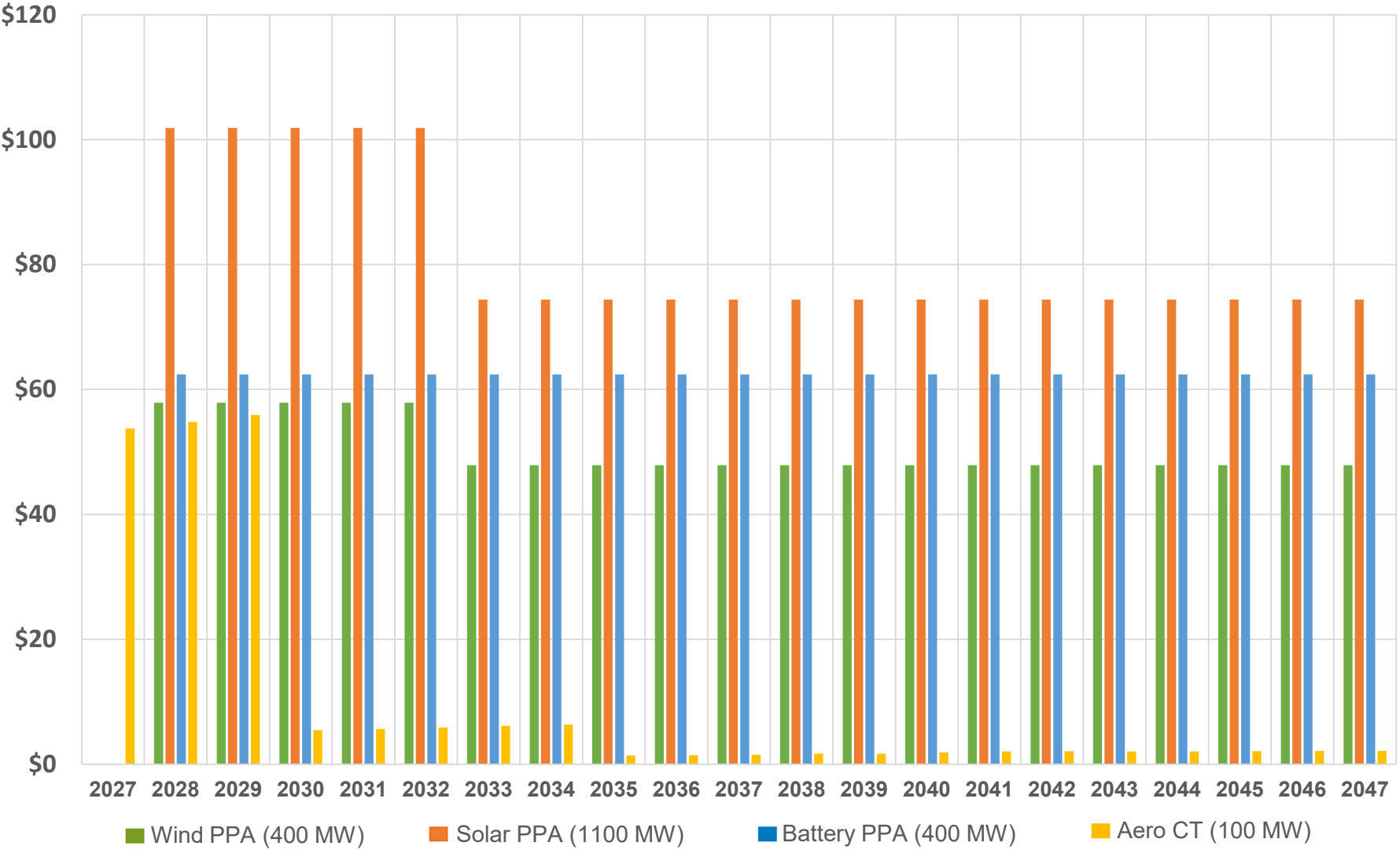
SPP Footprint Position	CONE Factor (%)	Weighted CONE (\$/kW-year)	Penalty (\$/10 MW)
Total SPP Planning Reserves $\geq$ PRM + 8%	125%	\$107	\$1.1M
PRM + 3% $\leq$ Total SPP Planning Reserves < PRM + 8%	150%	\$128	\$1.3M
Total SPP Planning Reserves < PRM + 3%	200%	\$171	\$1.7M

# March Board Meeting Refresh

## *Net Cost Estimates*

# Resource Analysis

## Estimated Net Cashflow Comparison from March Board Meeting (\$M)

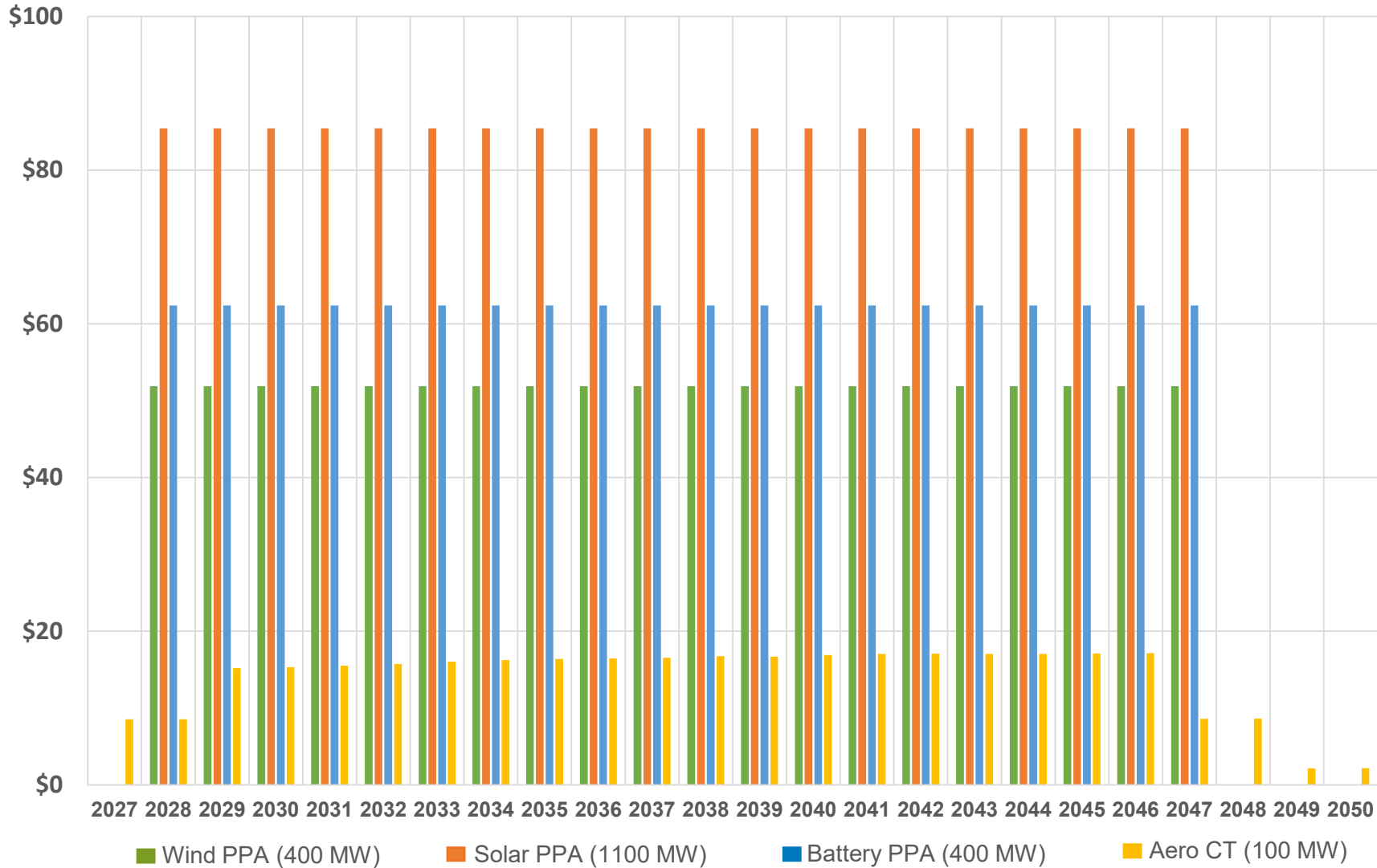


Following the March meeting, a board member requested to revise this chart to represent borrowing costs and future CO<sub>2</sub> offset costs for the Aero CT.

\* Assuming 2023 market conditions every year.

# Resource Analysis

## Estimated Revenue Requirement w/20-Year Borrowing (\$M)

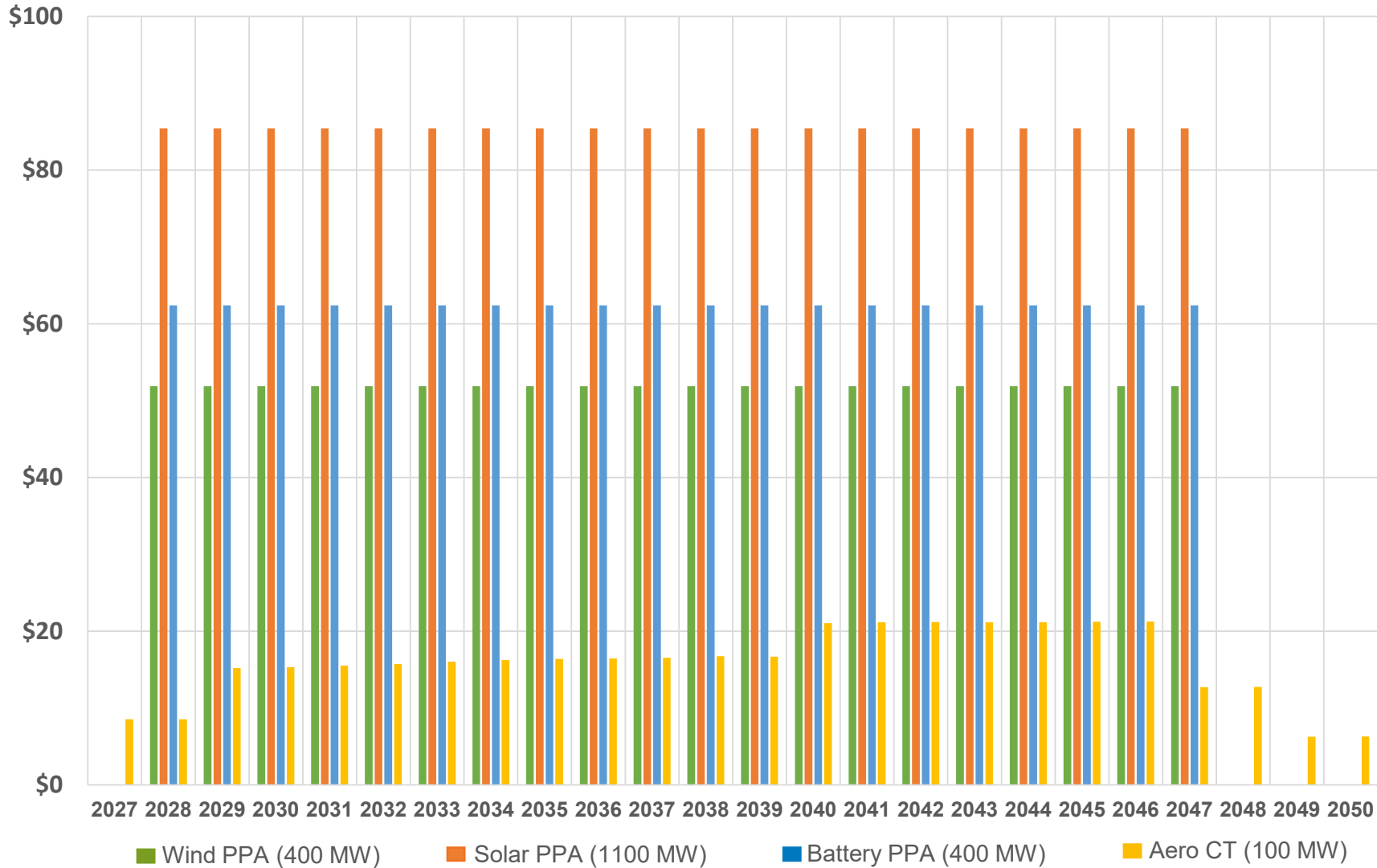


Although not LES' typical borrowing term, the Aero CT and all transmission costs now reflect 20-year debt financing to put everything on the same timeline as the wind, solar and battery PPAs.

\* Assuming 2023 market conditions every year.

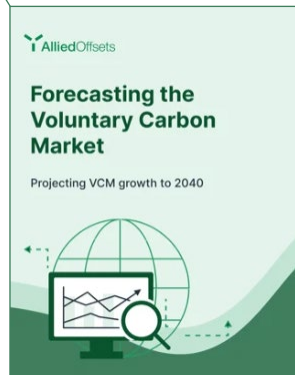
# Resource Analysis

## Estimated Revenue Requirement w/20-Year Borrowing & Voluntary Carbon Market Offsets (\$M)



Starting in 2040, the Aero CT also now assumes an annual \$63/ton CO<sub>2</sub> offset cost, per an industry model:

Low	\$11/Ton
Base Case	\$35/Ton
High	\$63/Ton



Source: [Forecasting the Voluntary Carbon Market](#), AlliedOffsets.

\* Assuming 2023 market conditions every year.

# SCENARIO ANALYSIS

## *Modeling Architecture*

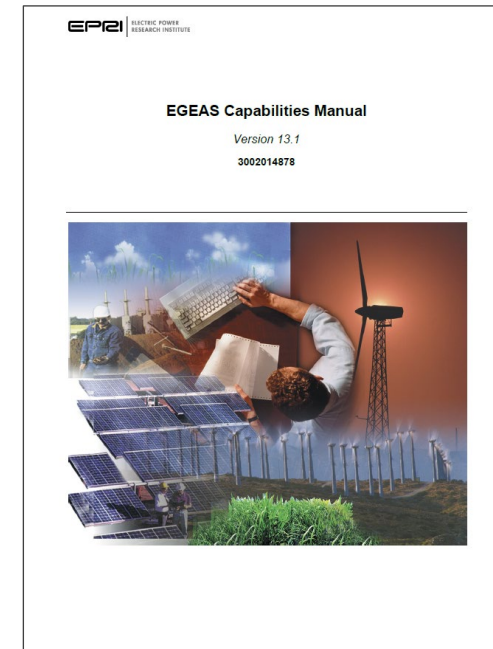
# EGEAS Software

Analysis was conducted with EGEAS (Electrical Generation Expansion Analysis System); a software tool developed by the Electric Power Research Institute (EPRI).

EGEAS is used by numerous companies for future resource planning, including the Midcontinent Independent System Operator (MISO).

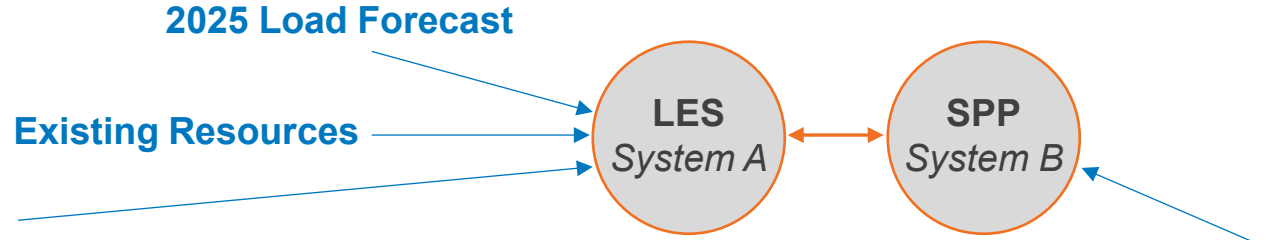
EGEAS works to identify an optimal solution based on the Net Present Value (NPV) of total production costs, including:

- Construction costs.
- Operating costs.
- Reliability constraints.

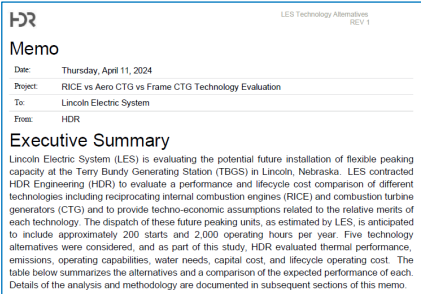


Source: [The Electric Generation Expansion Analysis System \(EGEAS\) Software, 2019 EPRI Update](#), Electric Power Research Institute, January 24, 2018.

# EGEAS Analysis Scope



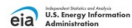
## New Resources



Source: *LES Technology Alternatives*, HDR, April 11, 2024.

## Capital Cost and Performance Characteristics for Utility-Scale Electric Power Generating Technologies

January 2024



Source: *Capital Cost and Performance Characteristics for Utility-Scale Electric Power Generating Technologies*, U.S. Energy Information Administration, January 2024.

## Methodology

EGEAS aids in selecting the optimal, lowest cost resources for LES (System A) while accounting for potential sales to, and purchases from, SPP (System B).

EGEAS analyzed a 15-year study period (2026 – 2040) plus a 30-year extension period.

Resource plan must meet SPP reserve margin requirements assuming latest resource adequacy projections for Effective Load Carrying Capability (ELCC) and Performance Based Accreditation (PBA).

## Load & Resources

### 2022 Lincoln Cooperative Integrated Resource Plan

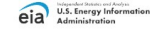
October 2022



Prepared by:  
Lincoln Electric System  
9445 Rokeby Road • Lincoln, NE 68526 • 402.475.4211 • LES.com

Source: *2022 Lincoln Cooperative Integrated Resource Plan*, Lincoln Electric System, October 2022.

## Fuel Costs



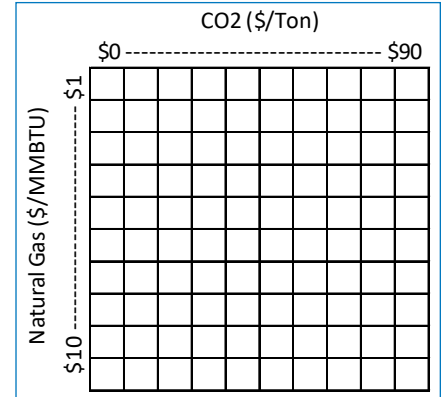
### Annual Energy Outlook

AE02023



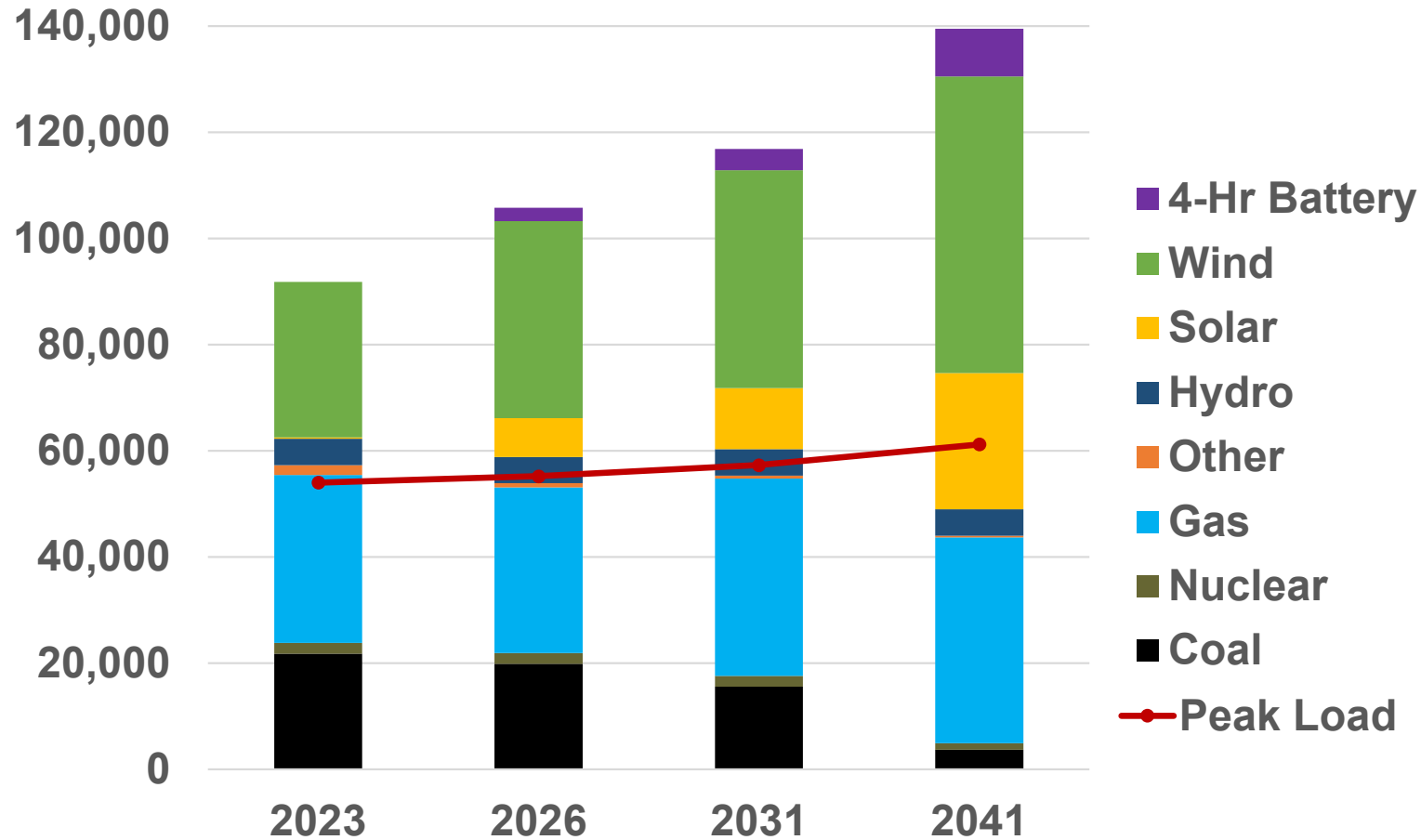
Source: *Annual Energy Outlook 2023*, U.S. Energy Information Administration, March 2023.

## Natural Gas/CO2 Costs



# SPP Resource Projections

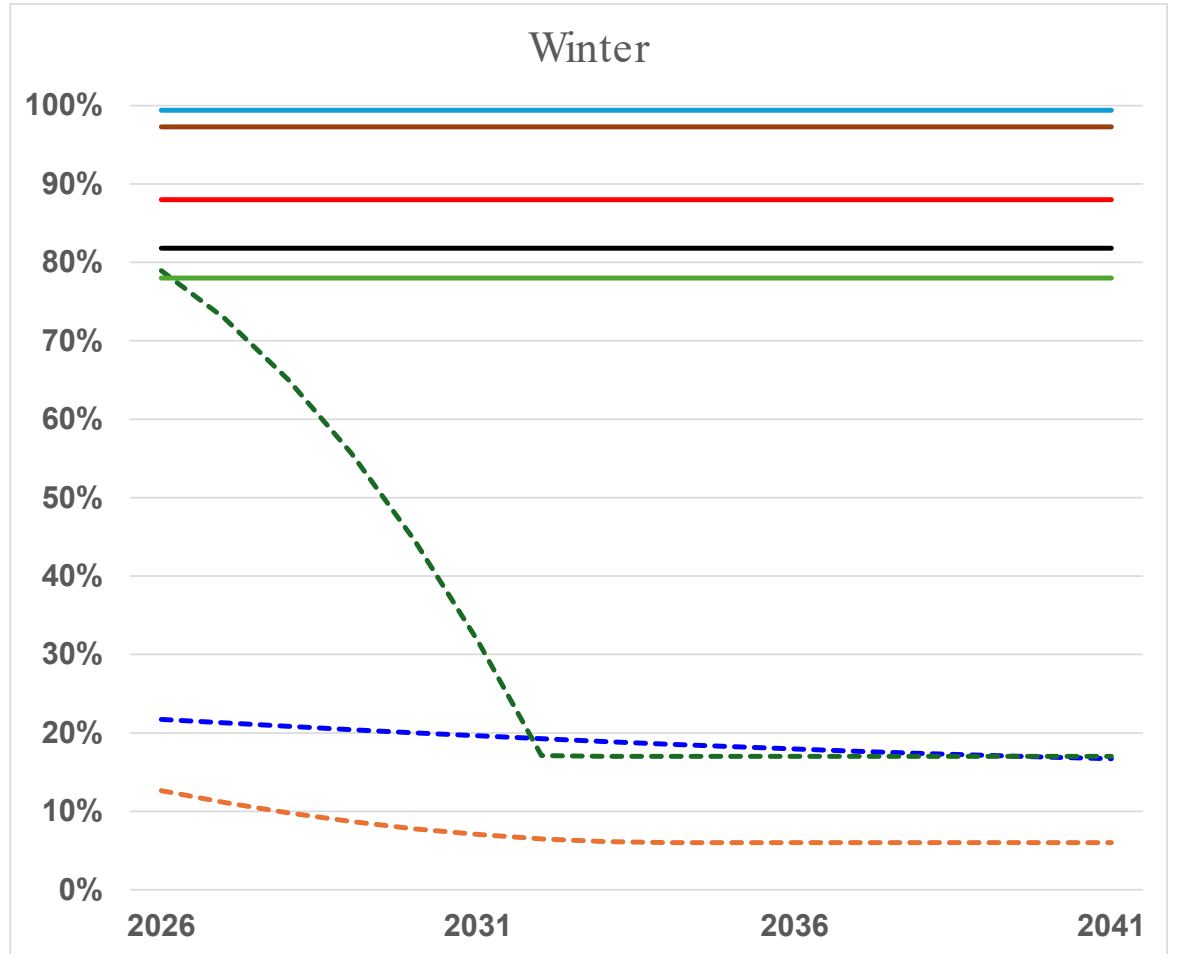
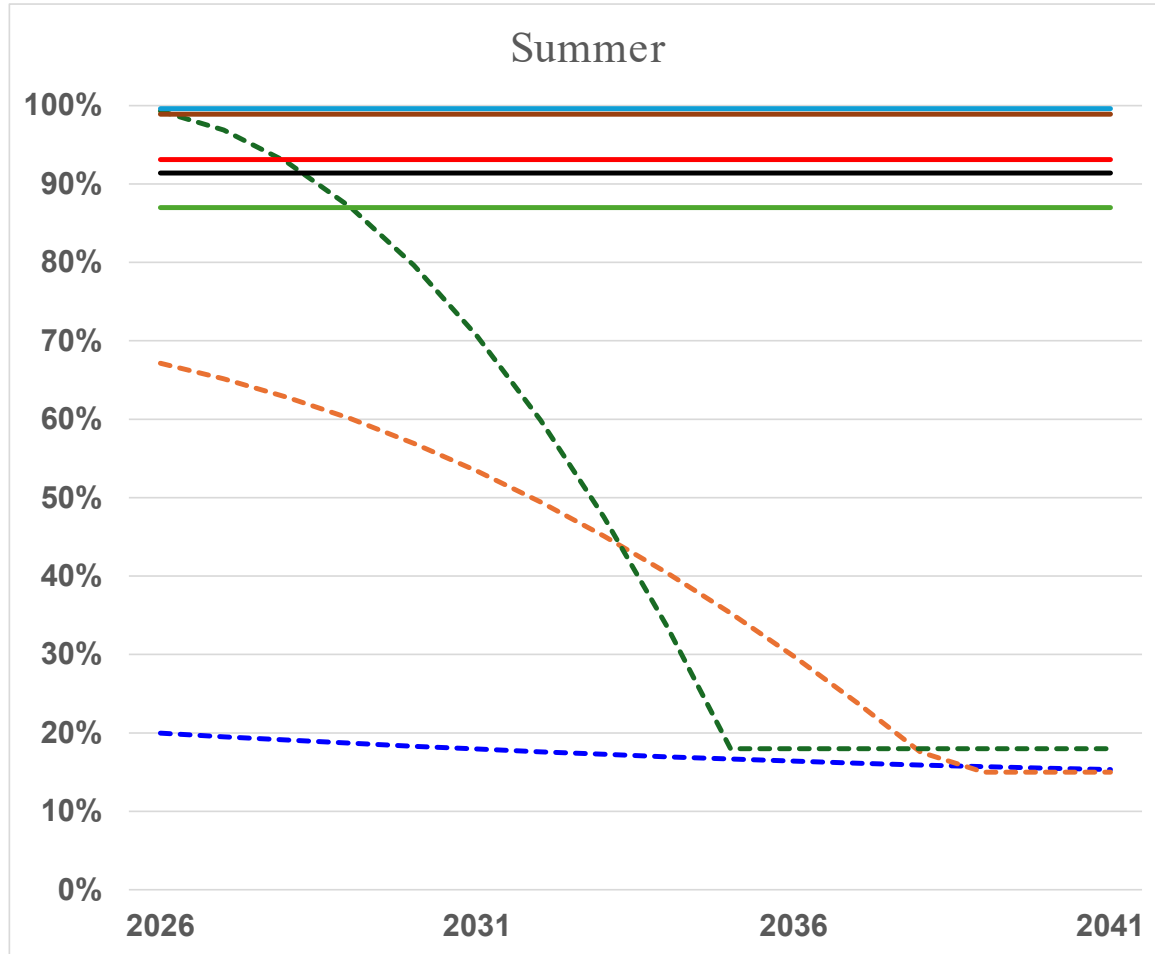
*Nameplate capacity by fuel type (MW)*



SPP load and generation are both slightly increased in primary 2025 SPP ITP case, but the net from the 2022 IRP is still a reasonable model representation.

# SPP Resource Projections

*Accredited capacity as a percentage of nameplate capacity by fuel type*



--- Wind    --- Solar    --- 4-Hr Battery    --- Hydro    --- Coal    --- Gas SC    --- Gas CC    --- Nuclear

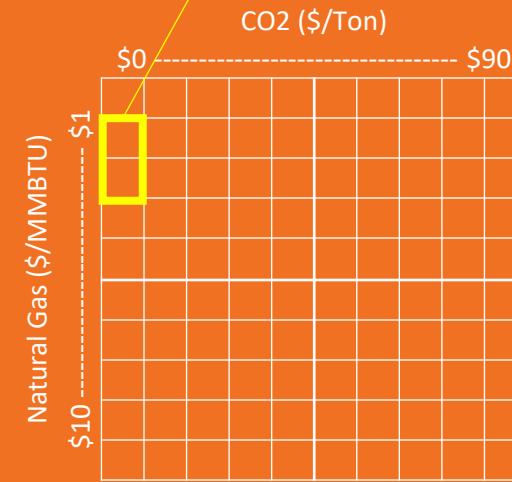
# SCENARIO ANALYSIS

## *Near-Term Results*

# Near-Term Resource Options

Resource	Nameplate MW
Battery Storage (4-hour)	100
Wind	100
Solar	100
Frame CT	80
Aero CT	50

Analysis from March board meeting identified natural gas as the preferred option based on *typical market conditions*.



EGEAS can be used to test that over a much broader range of future conditions.

# Near-Term Resource Options

## EGEAS COD Assumptions

Resource	Nameplate MW							2036 Excess Accreditation MW
	2030	2031	2032	2033	2034	2035	2036	
Battery Storage (4-hour)	100	---	100	100	100	---	---	29
Wind	200	---	100	---	100	---	---	27
Solar	300	100	200	100	100	200	---	24
Frame CT	80	---	---	---	---	---	---	25
Aero CT	100	---	---	---	---	---	---	39
Aero CT + Wind	50	---	100	---	---	100	---	34
Aero CT + Battery	50	---	100	---	---	100	---	34
Wind + Battery	200	---	100	---	---	100	---	29
Aero CT + Battery + Wind	50	---	100	---	---	100	---	36
Battery + Wind + Aero CT	100	---	100	50	---	---	---	36

# Near-Term Resource Options

## EGEAS Results Based on 2026 – 2070 NPV

Resource	Selections Out of 100 Total Cases		
	1 <sup>st</sup> Choice	2 <sup>nd</sup> Choice	3 <sup>rd</sup> Choice
Battery Storage (4-hour)	---	---	---
Wind	---	---	---
Solar	---	---	---
Frame CT	100	---	---
Aero CT	---	100	---
Aero CT + Wind	---	---	89
Aero CT + Battery	---	---	11
Wind + Battery	---	---	---
Aero CT + Battery + Wind	---	---	---
Battery + Wind + Aero CT	---	---	---

Even when assessed over a much broader range of futures, results reflect the same thing seen in March analysis – natural gas CTs are the preferred near-term option.

Choice Comparison	Avg. NPV Delta
1 <sup>st</sup> vs. 2 <sup>nd</sup>	+\$61M
2 <sup>nd</sup> vs. 3 <sup>rd</sup>	+\$320M

# SCENARIO ANALYSIS

## *Long-Term Results*

# Long-Term Resource Options

Resource	Nameplate (MW)
Aero CT	50
Frame CT	80
Coal + 95% CCS Retrofit	100
Combined Cycle (CC) + 95% CCS	100
Nuclear	100

\* CCS = Carbon Capture and Sequestration

Carried over from the near-term analysis.

## Commercial CCS Facilities for Power Generation

Canada SaskPower Boundary Dam (coal)	2014	1 MtCO <sub>2</sub> /yr
U.S. Petra Nova Carbon Capture (coal)	2017	1.4
China National Energy Guohua Jinjie (coal)	2021	0.15
China National Energy Taizhou (coal)	2023	0.5

Source: Status of CO<sub>2</sub> Capture & Storage (CCS) in Power Generation, EPRI, 2024.

As of September 2023, there were only two CCS retrofits of commercial power plants in the world.

Source: [Petra Nova, Pioneering Power Plant Carbon Capture Unit, Is Up and Running Again, says JX Nippon](#), POWER Magazine, September 13, 2023.

Currently only two operating plants in SPP.

# Long-Term Resource Options

## What's Not On the List

- **Alternative Fuels (Ammonia, Biofuels, Hydrogen, etc.)**

There are currently not purpose-built units specific to alternative fuels. They're primarily natural gas and/or oil-fired engines that envision a future fuel shift.

- **Small Modular Nuclear Reactors (SMR)**

The more traditional, brown-field option being studied currently has a significantly lower capital cost than an SMR.

- **Long Duration Energy Storage**

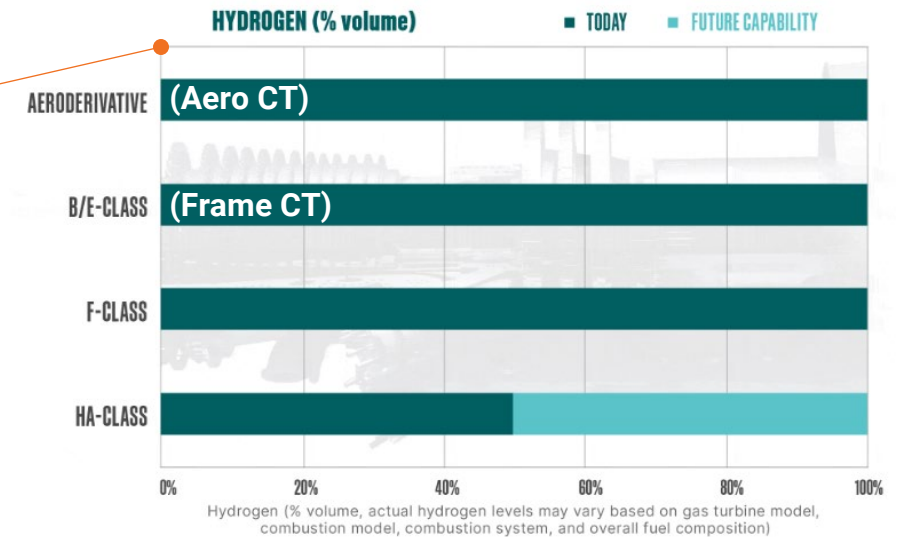
Most of the promising technologies at this time combine high capital costs with low round trip efficiency.

Source: [Don't Neglect Round-Trip Efficiency and Cost of Charging When Considering Levelized Cost of Storage](#), POWER Magazine, May 2023.

- **Geothermal**

“Enhanced Geothermal Systems (EGS)...are less geographically restricted than conventional hydrothermal plants. EGS power plants are the subject of active research and development, but at this time there are no commercial examples in the United States on which to base a cost estimate.”

Source: [Capital Cost and Performance Characteristics for Utility-Scale Electric Power Generating Technologies](#), U.S. Energy Information Administration, January 2024.



Source: [Hydrogen Fueled Gas Turbines](#), GE Vernova, February 2025.

# Possible Long-Term Decarbonization Scenarios

Year	Additions	Removals
2025	CNPPID Hydro	---
2026	Paper Capacity	---
2030	2 x Aero CT	Paper Capacity
2032	2 x Frame CT	---

1) Nuclear Options Materialize



Year	Additions	Removals
2033	---	WSEC
2035	Repower Arbuckle	---
2036	Nuclear	---
2037	---	GGs
2038	Extend Hydro	---
2039	---	LRS
2040	Repower Buckeye & PB II	---

# Possible Long-Term Decarbonization Scenarios

Year	Additions	Removals
2025	CNPPID Hydro	---
2026	Paper Capacity	---
2030	2 x Aero CT	Paper Capacity
2032	2 x Frame CT	---

1) Nuclear Options Materialize

2) CC+CCS Options Materialize

Year	Additions	Removals
2033	---	WSEC
2035	Repower Arbuckle	---
2036	Nuclear	---
2037	---	GGG
2038	Extend Hydro	---
2039	---	LRS
2040	Repower Buckeye & PB II	---

Year	Additions	Removals
2033	---	WSEC
2035	Repower Arbuckle	---
2036	CC+CCS	---
2037	---	GGG
2038	Extend Hydro	---
2039	---	LRS
2040	Repower Buckeye & PB II	---

# Possible Long-Term Decarbonization Scenarios

Year	Additions	Removals
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1) Nuclear Options Materialize

Year	Additions	Removals
2033	---	WSEC
2035	Repower Arbuckle	---
2036	Nuclear	---
2037	---	GGs
2038	Extend Hydro	---
2039	---	LRS
2040	Repower Buckeye & PB II	---

2) CC+CCS Options Materialize

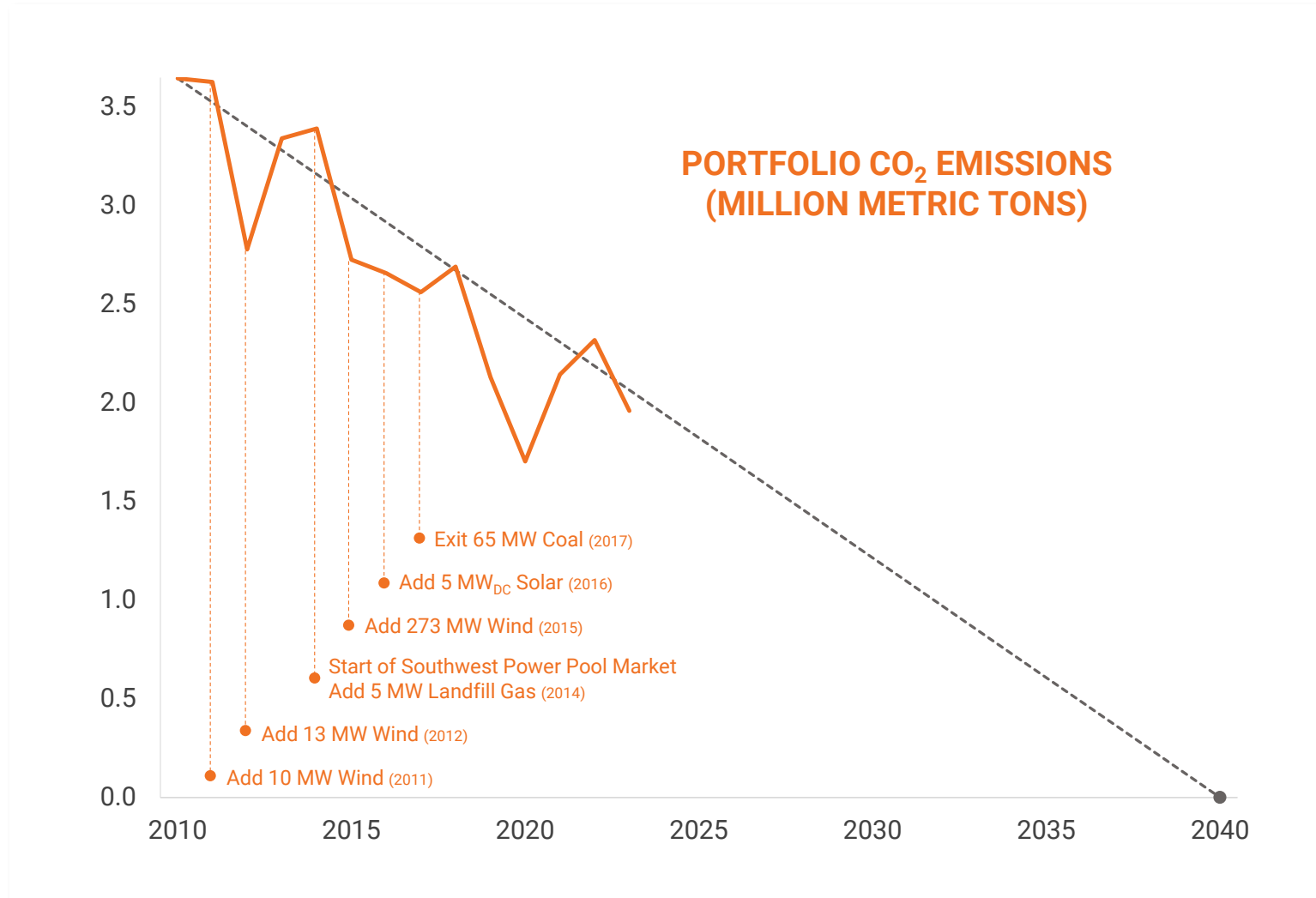
Year	Additions	Removals
2033	---	WSEC
2035	Repower Arbuckle	---
2036	CC+CCS	---
2037	---	GGs
2038	Extend Hydro	---
2039	---	LRS
2040	Repower Buckeye & PB II	---

3) Coal CCS Retrofit Options Materialize

Year	Additions	Removals
2033	WSEC CCS Retrofit	---
2035	Repower Arbuckle	---
2036	---	---
2037	GGs CCS Retrofit	---
2038	Extend Hydro, 1 x Frame CT	---
2039	LRS CCS Retrofit	---
2040	Repower Buckeye & PB II	---

# Long-Term Scenario Analysis

## How Do You Measure Success Relative to the Decarbonization Goal?



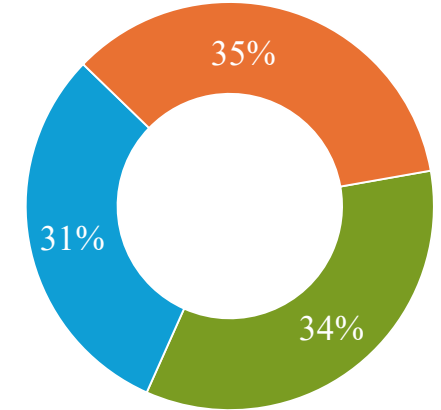
A 90% reduction in CO<sub>2</sub> emissions, with offsets for the remaining 10%, is becoming a commonly accepted frame of reference for long-term net-zero decarbonization targets.

# Possible Decarbonization Scenario #1

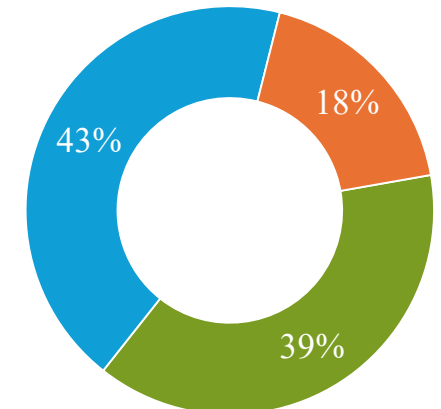
## Assuming Nuclear Options Materialize

Year	Additions	Removals	Net Nameplate Change
2025	CNPPID Hydro	---	+22 MW
2026	Paper Capacity	---	+50 MW
2030	2 x Aero CT	Paper Capacity	+50 MW
2032	2 x Frame CT	---	+160 MW
2033	---	WSEC	-102 MW
2035	Repower Arbuckle	---	---
2036	Nuclear	---	+300 MW
2037	---	GGs	-109 MW
2038	Extend Hydro	---	---
2039	---	LRS	-178 MW
2040	Repower Buckeye & PB II	---	---

Nameplate - Plan Additions



Nameplate - 2040 Portfolio



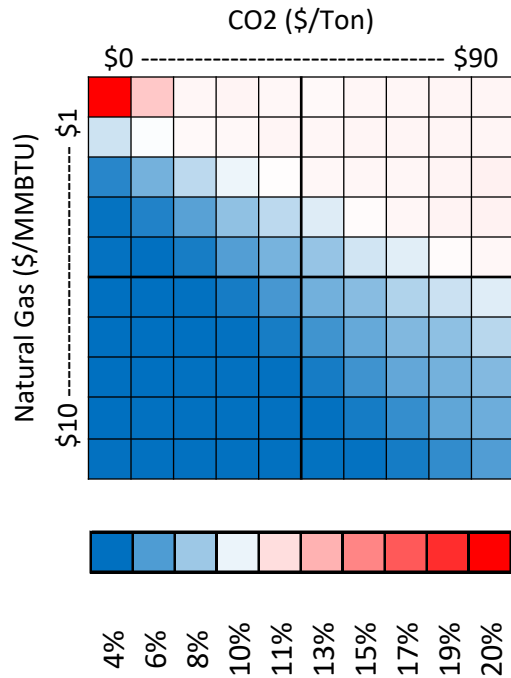
■ Renewables ■ Natural Gas ■ Nuclear

# Possible Decarbonization Scenario #1

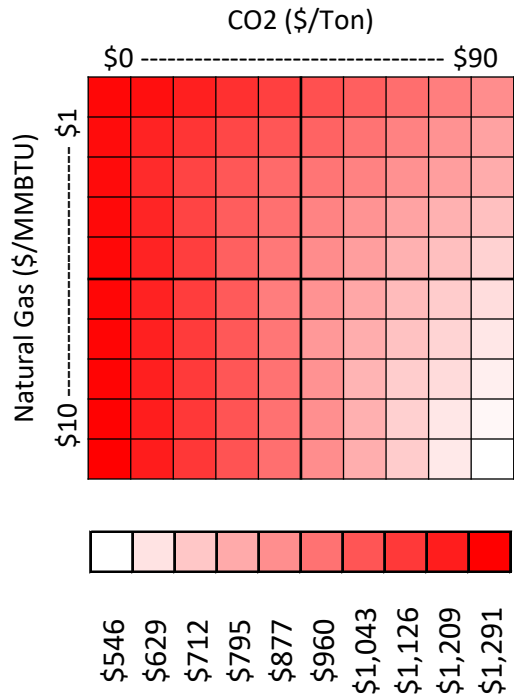
## Assuming Nuclear Options Materialize

**Business As Usual**  
 Continuing to operate LES' current generation portfolio, without consideration for SPP's resource adequacy requirements.

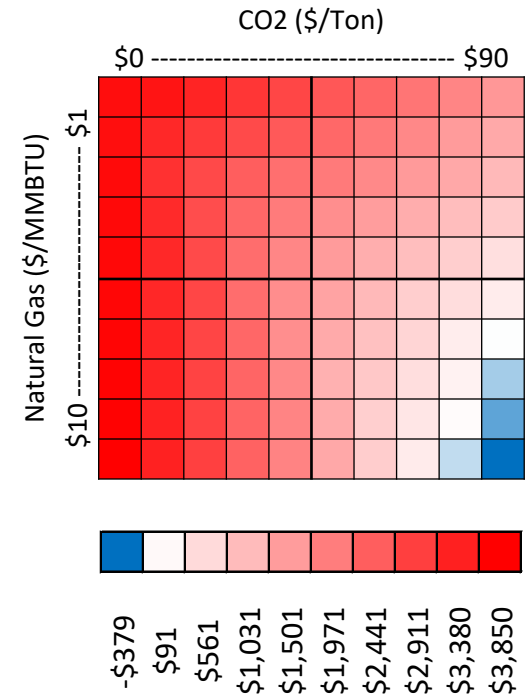
2040 CO<sub>2</sub> Emissions / 2010 CO<sub>2</sub> Emissions



2026 – 2040 Cost (\$M NPV) Relative to Business As Usual



2026 – 2070 Cost (\$M NPV) Relative to Business as Usual

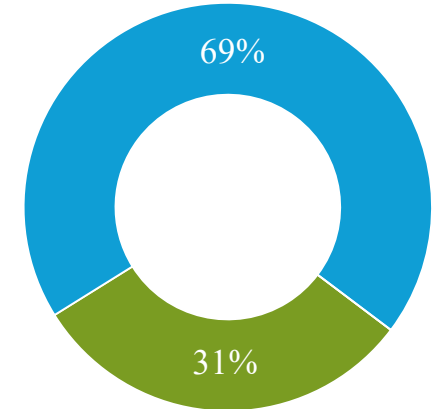


# Possible Decarbonization Scenario #2

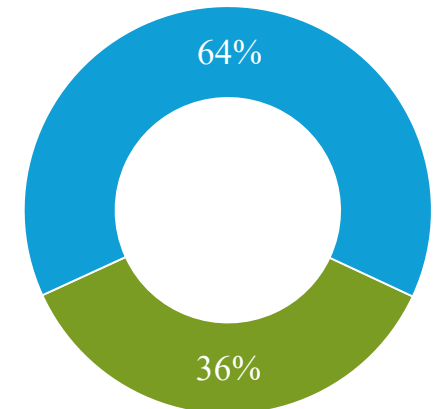
## Assuming Combined Cycle + CCS Options Materialize

Year	Additions	Removals	Net Nameplate Change
2025	CNPPID Hydro	---	+22 MW
2026	Paper Capacity	---	+50 MW
2030	2 x Aero CT	Paper Capacity	+50 MW
2032	2 x Frame CT	---	+160 MW
2033	---	WSEC	-102 MW
2035	Repower Arbuckle	---	---
2036	CC+CCS	---	+400 MW
2037	---	GGs	-109 MW
2038	Extend Hydro	---	---
2039	---	LRS	-178 MW
2040	Repower Buckeye & PB II	---	---

Nameplate - Plan Additions



Nameplate - 2040 Portfolio

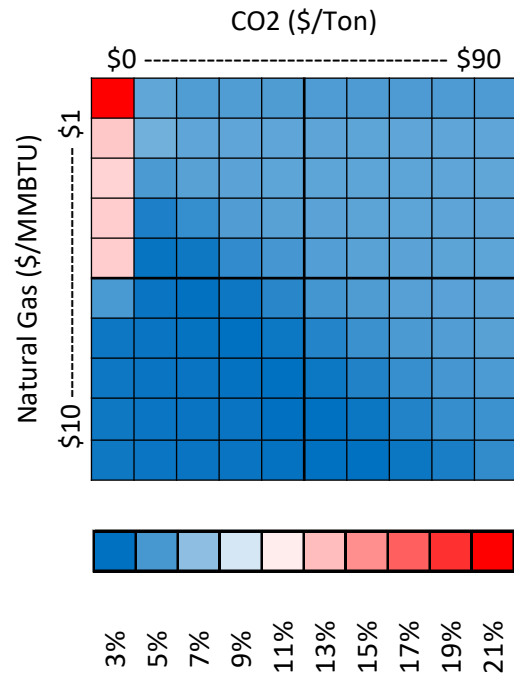


■ Renewables ■ Natural Gas

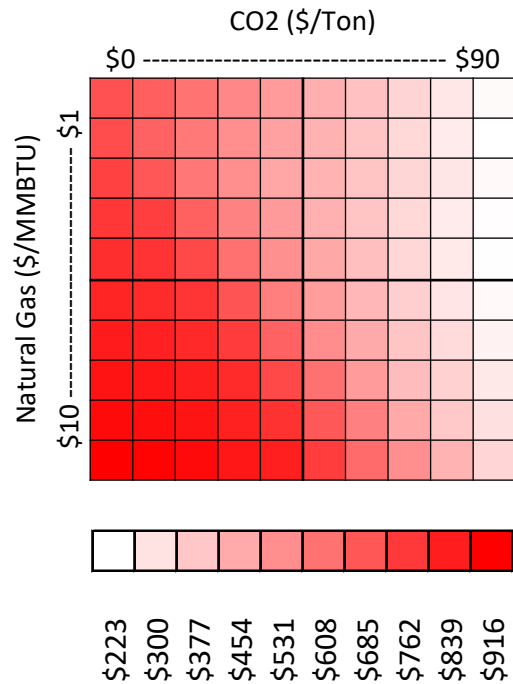
# Possible Decarbonization Scenario #2

## Assuming Combined Cycle + CCS Options Materialize

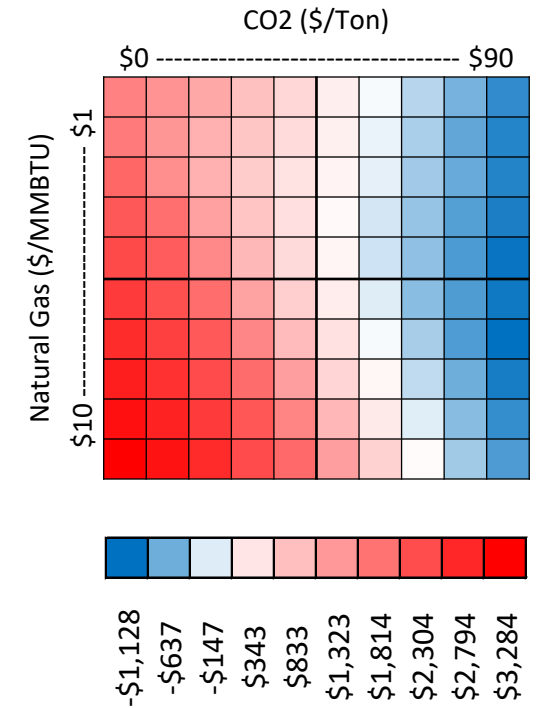
2040 CO<sub>2</sub> Emissions / 2010 CO<sub>2</sub> Emissions



2026 – 2040 Cost (\$M NPV) Relative to Business As Usual



2026 – 2070 Cost (\$M NPV) Relative to Business as Usual

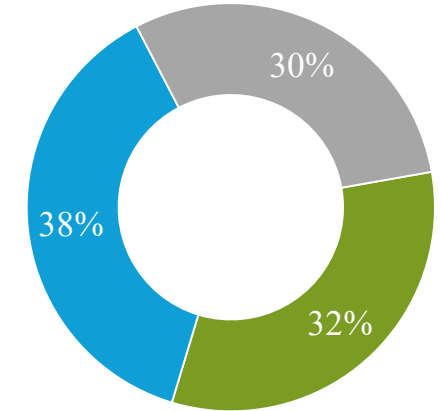


# Possible Decarbonization Scenario #3

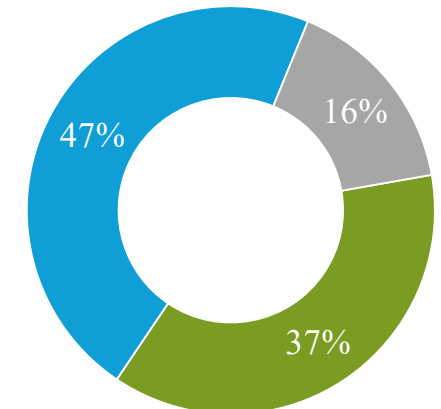
## Assuming Coal CCS Retrofit Options Materialize

Year	Additions	Removals	Net Nameplate Change
2025	CNPPID Hydro	---	+22 MW
2026	Paper Capacity	---	+50 MW
2030	2 x Aero CT	Paper Capacity	+50 MW
2032	2 x Frame CT	---	+160 MW
2033	WSEC CCS Retrofit	---	-31 MW
2035	Repower Arbuckle	---	---
2037	GGG CCS Retrofit	---	-33 MW
2038	Extend Hydro, 1 x Frame CT	---	+80 MW
2039	LRS CCS Retrofit	---	-53 MW
2040	Repower Buckeye & PB II	---	---

Nameplate - Plan Additions



Nameplate - 2040 Portfolio

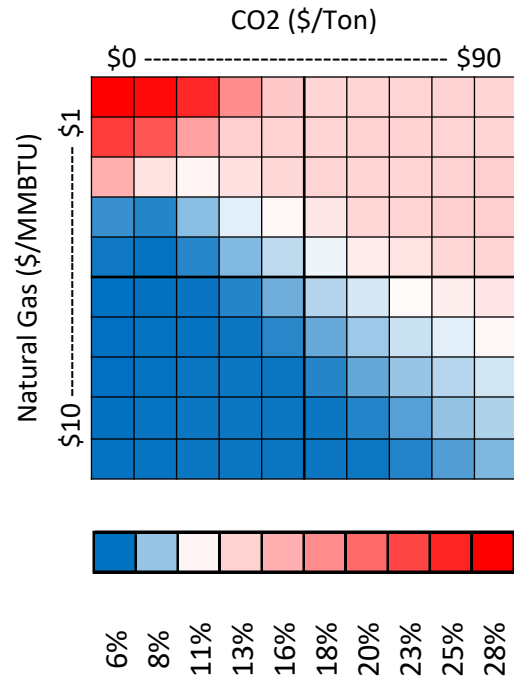


■ Renewables ■ Natural Gas ■ Coal

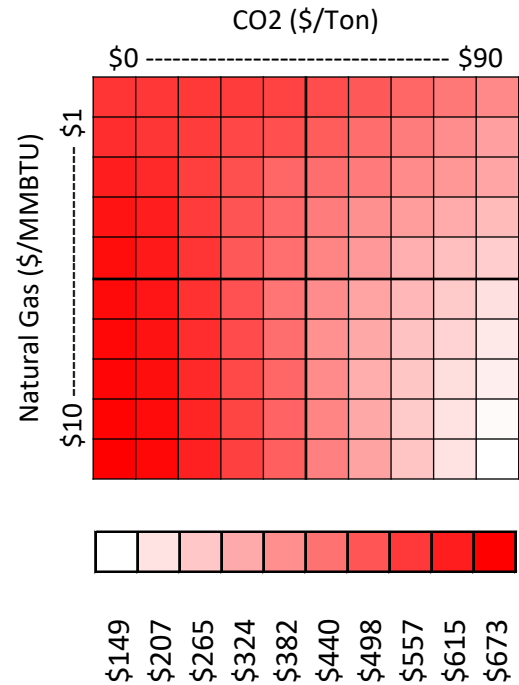
# Possible Decarbonization Scenario #3

## Assuming Coal CCS Retrofit Options Materialize

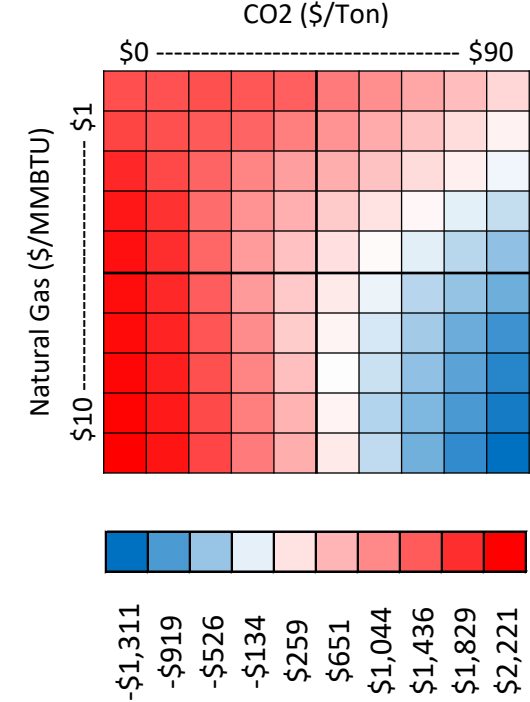
2040 CO<sub>2</sub> Emissions / 2010 CO<sub>2</sub> Emissions



2026 – 2040 Cost (\$M NPV) Relative to Business As Usual



2026 – 2070 Cost (\$M NPV) Relative to Business as Usual



# Proposed Near-Term Resource Plan

- 1) Turn immediate focus towards the addition of two Aero CTs at TBGS.
  - *Analysis has identified natural gas combustion turbines as the best near-term option – under both typical market conditions and a broader spectrum of possible futures – to meet SPP resource adequacy requirements while also maintaining a long-term flight path to achieving the 2040 net-zero decarbonization goal.*
  - *Aero CTs currently represent LES' best path to adding natural gas generation, in part because nearly all required support infrastructure is already in place at TBGS.*
- 2) Continue to pursue potential near-term paper capacity contract (~ 2026 – 2030).  
*Could cure near-term exposure and buy time in case of delays associated with resource additions.*
- 3) Continue to investigate other near-term resource additions.  
*Additions beyond two Aero CTs are required to sustain the future removal of even LES' smallest coal resource.*

# Questions?

# **LES Resource Adequacy**

## *Financial Scenario Analysis*

**Wade Leibbrandt**  
**Manager, Budgeting & Financial Planning**

**April 18, 2025**

# Financial Analysis Review

- **Overview of financial metrics used in the scenario planning**
- **Review impact of large capital expenditures on customer rates**
- **Overview of financial modeling assumptions**
- **Review financial modeling results**
- **Information only, no action requested/required**

*Numbers used throughout this presentation, including customer rate increases, are estimates and should be used for scenario planning purposes only.*

# Financial Metric Overview

- **Fixed Charge Coverage Ratio (FCC)**

*How many times the net revenues of the utility cover certain fixed payment (long-term debt payments, short-term interest, and a certain percentage of fixed capacity payments)*

- LES sets rates to achieve a minimum FCC of 1.40x

- **Debt Service Coverage Ratio (DSC)**

*How many times the net revenues of the utility cover long-term debt payments*

- LES sets rates to achieve a minimum DSC of 2.00x

- **Days Cash on Hand (DCOH)**

*How many days of operating cash are available at a given time*

- LES borrows when DCOH drops below a certain threshold

- **Debt to Capitalization Ratio**

*Percentage of total capitalization achieved through debt*

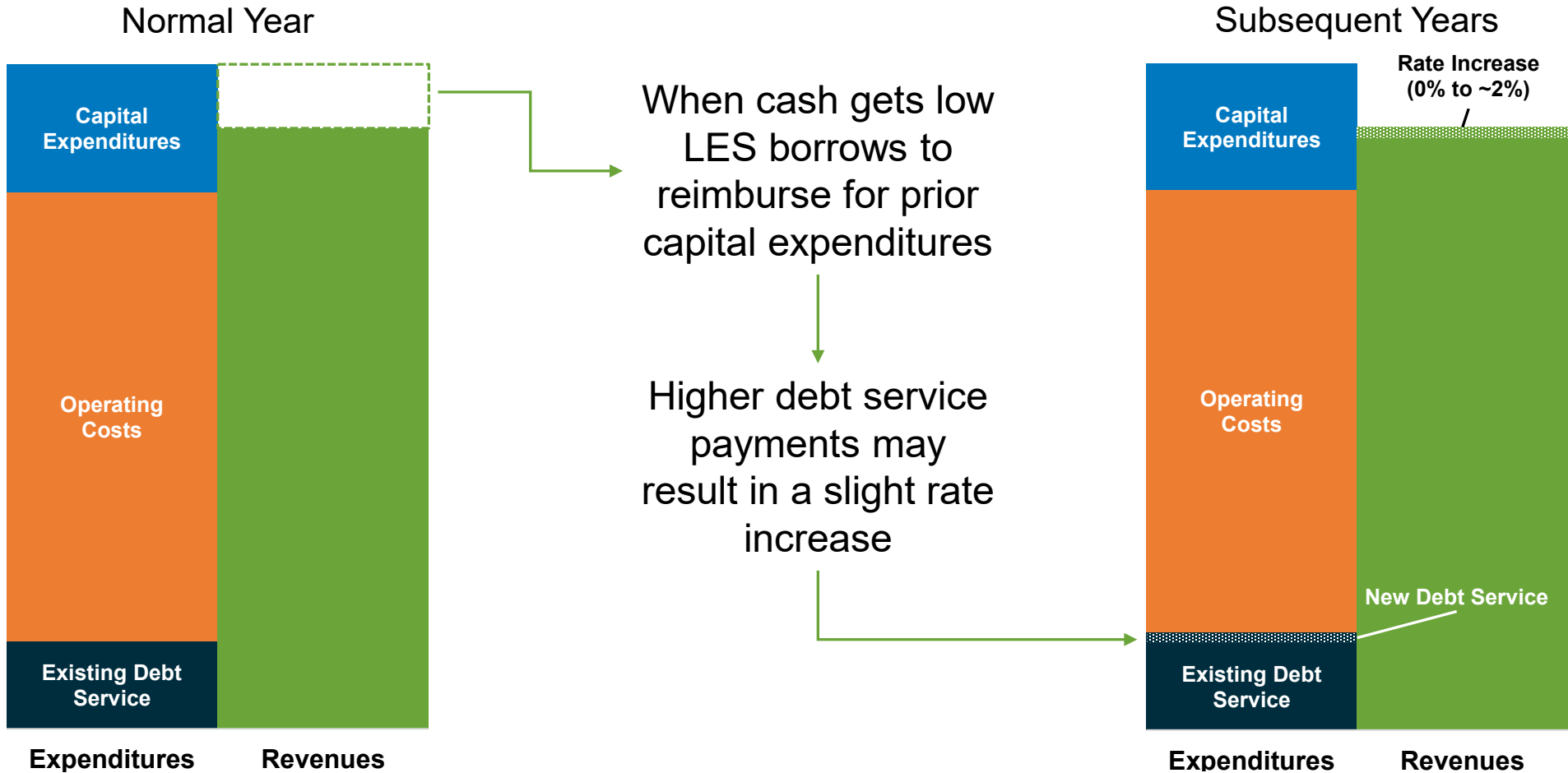
- LES has no official target, but prefers to stay near a peer average

- **Net Debt Ratio**

*How many years it would take for LES to pay back its debt based on the last year of operating results*

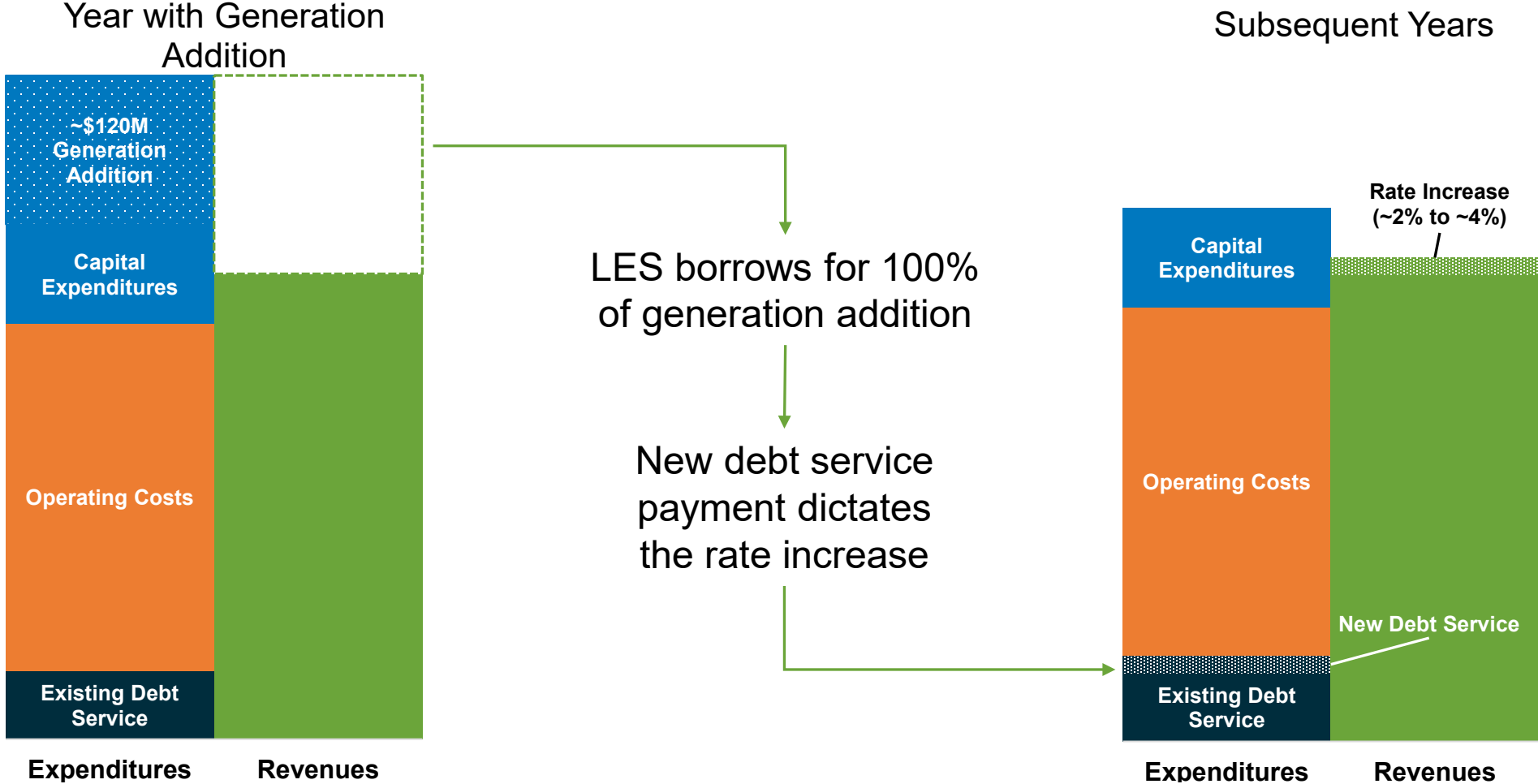
- LES has no official target, but prefers to stay near a peer average

# Capital expenditures impact rates through long-term borrowings



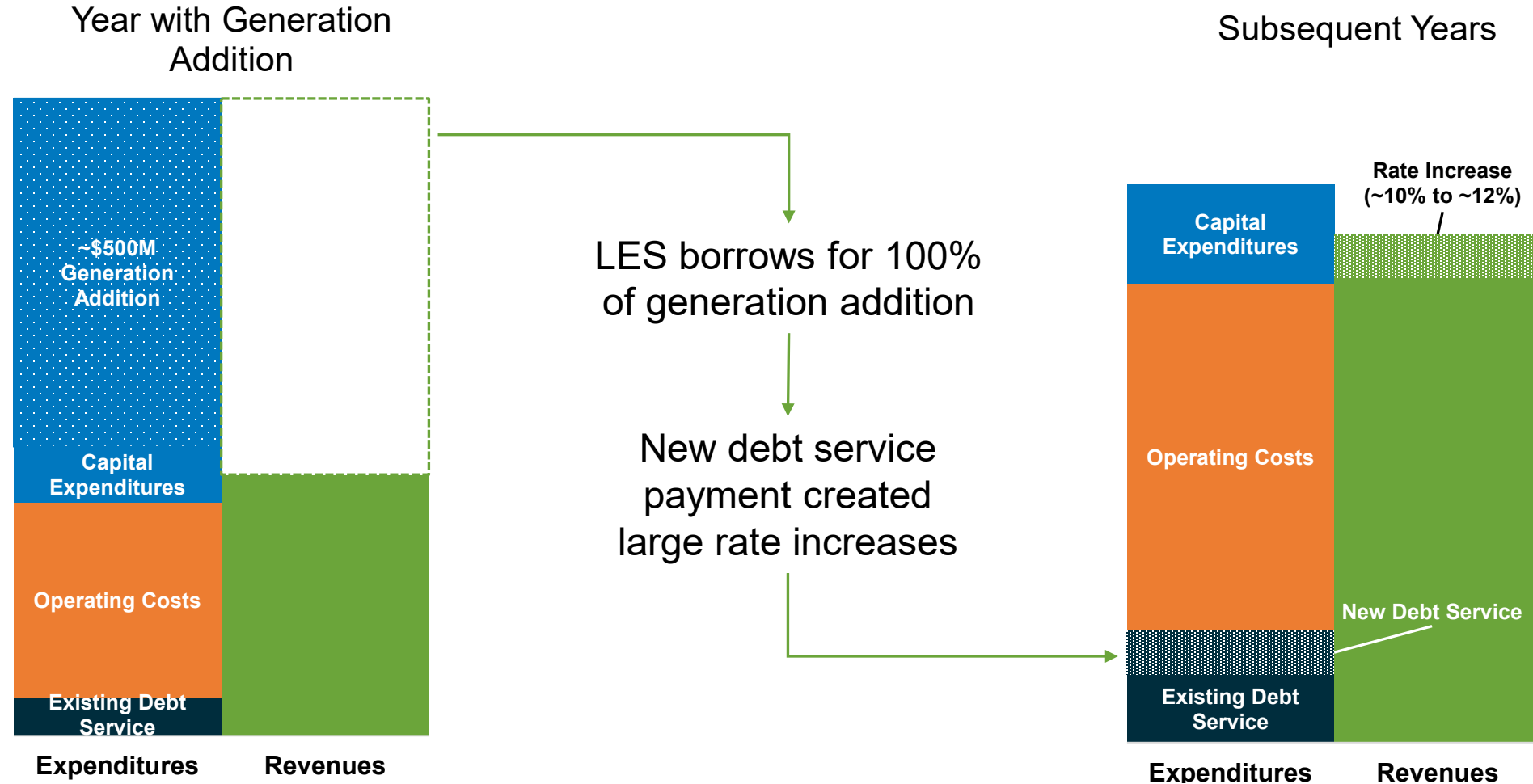
Amounts are illustrative only.

# Generation additions are fully financed and result in higher rate increases



Amounts are illustrative only.

# Resource planning scenarios include significant rate increases following large investments



Amounts are illustrative only.

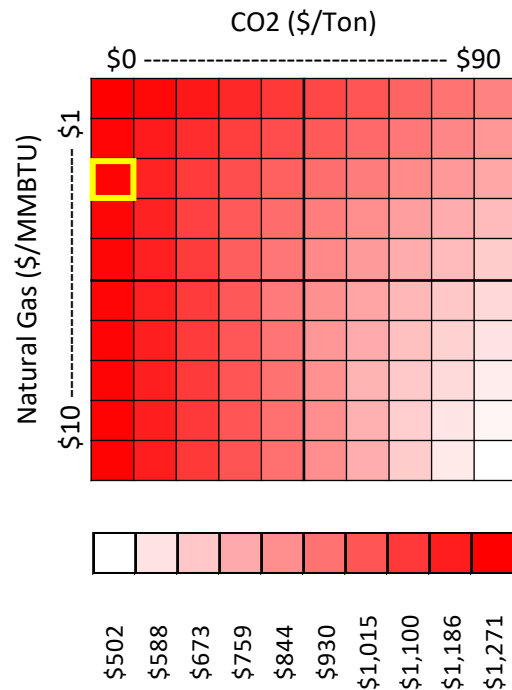
# Key Assumptions

- All cases include similar natural gas resource additions in the first five years
- All cases meet minimum FCC, DSC, and DCOH targets
- Base Case represents a financial case that will be discussed with the Rating Agencies in May
- No single “right way” to structure rates
  - Establishing a higher rate base sooner allows for more predictable rate impacts

# Customer rate scenarios were analyzed assuming \$3 gas and no carbon tax

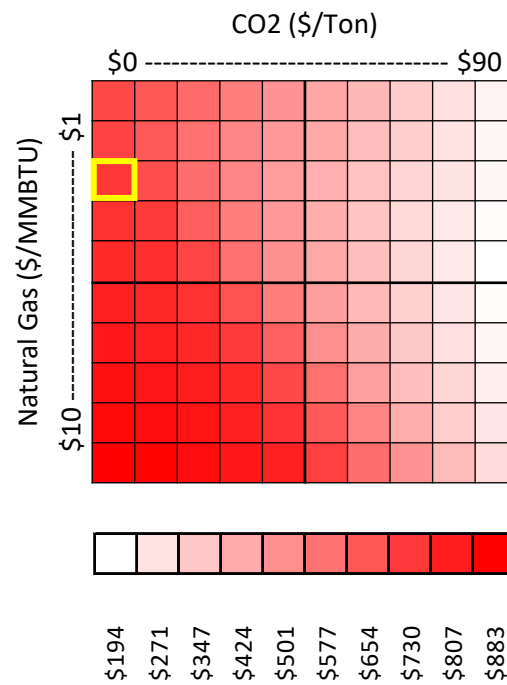
## Scenario 1 - Nuclear

2026 – 2040 Cost (\$M NPV)  
Relative to Business As Usual



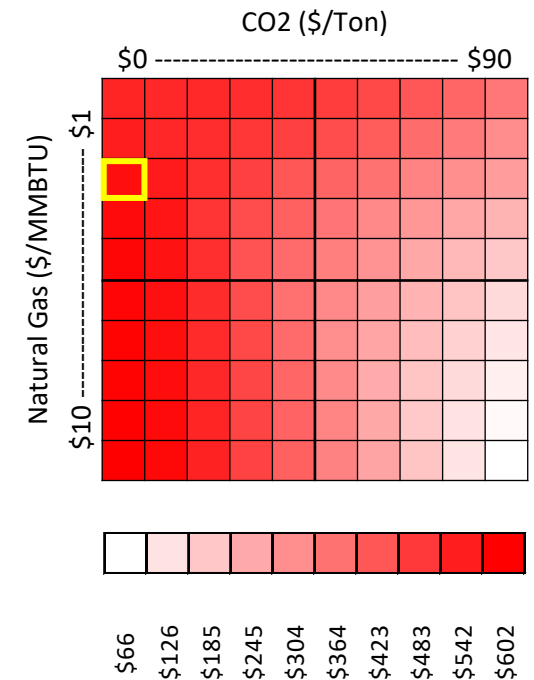
## Scenario 2 – CC + CCS

2026 – 2040 Cost (\$M NPV)  
Relative to Business As Usual



## Scenario 3 – Coal CCS Retrofit

2026 – 2040 Cost (\$M NPV)  
Relative to Business As Usual



CC = Combined Cycle; CCS = Carbon Capture and Sequestration

# Scenario 3 – Coal CCS Retrofit

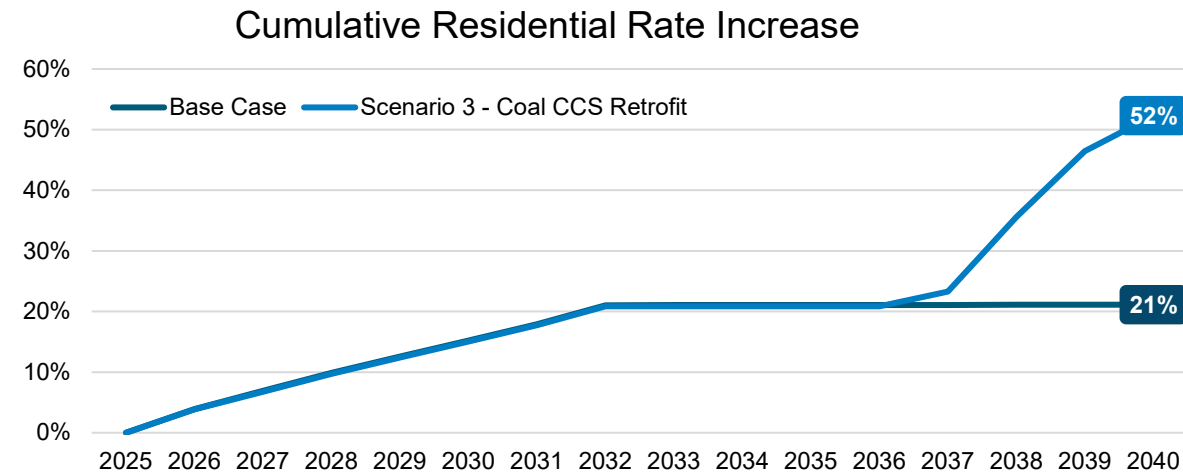
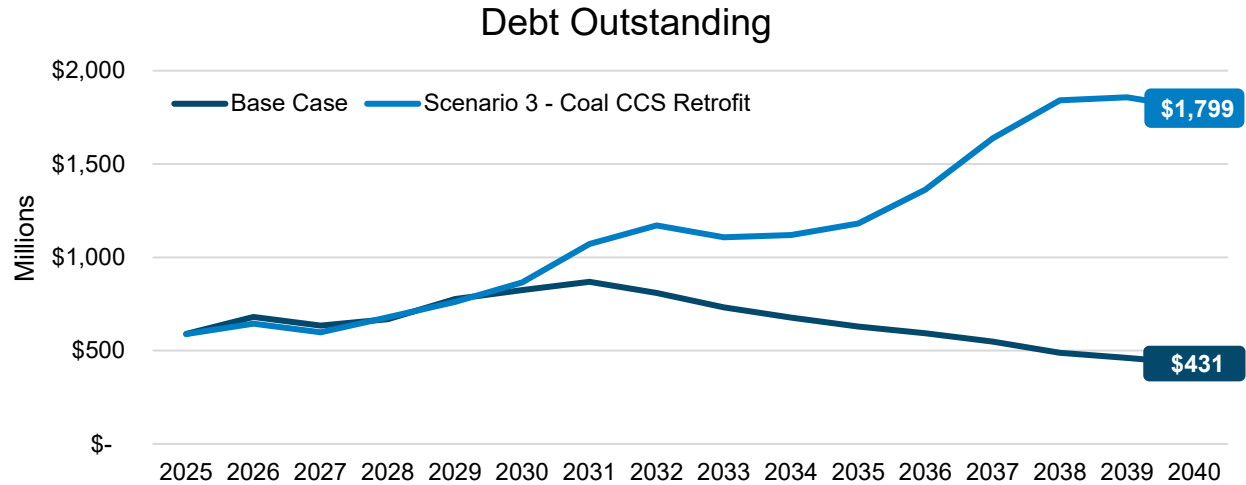
- Total generation investment: **\$1.40 Billion**
- DSC, FCC, and DCOH targets met
- Highest Debt to Capitalization: 62%

## Estimated Monthly Bill Impacts\*

	2025	2040 Projected	% Δ	10-Year Avg Increase
Residential Customer	\$94	<b>\$143</b>	52%	4.3%/Yr
Gas Station	\$2,122	<b>\$2,959</b>	39%	3.4%/Yr
Bank	\$3,704	<b>\$5,533</b>	49%	4.1%/Yr
Manufacturing Company	\$57,533	<b>\$84,919</b>	48%	4.0%/Yr

\*Bill Impacts only reflect normal LES operations plus impacts of resource plan additions.

Numbers used throughout this presentation, including customer rate increases, are estimates and should be used for scenario planning purposes only.



# Scenario 2 – CC + CCS

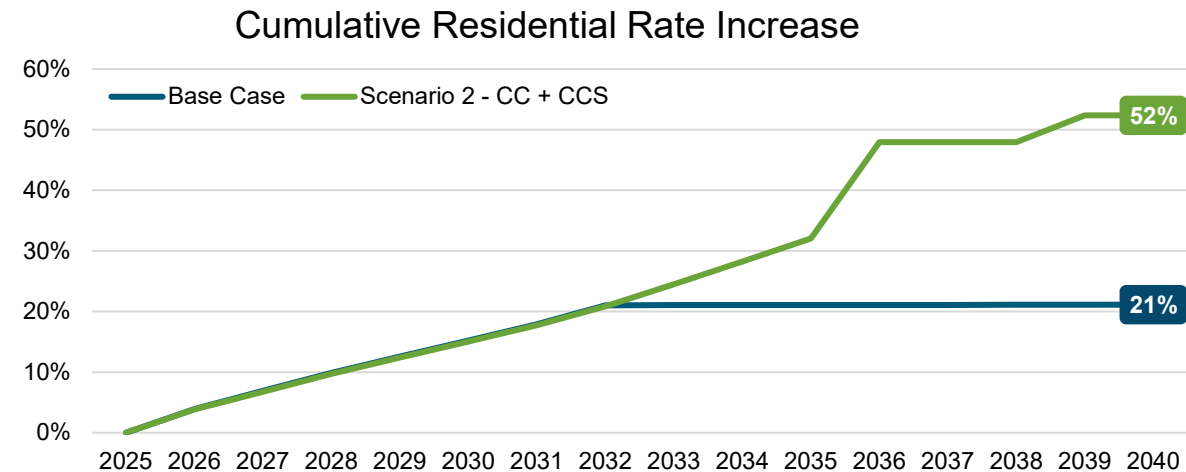
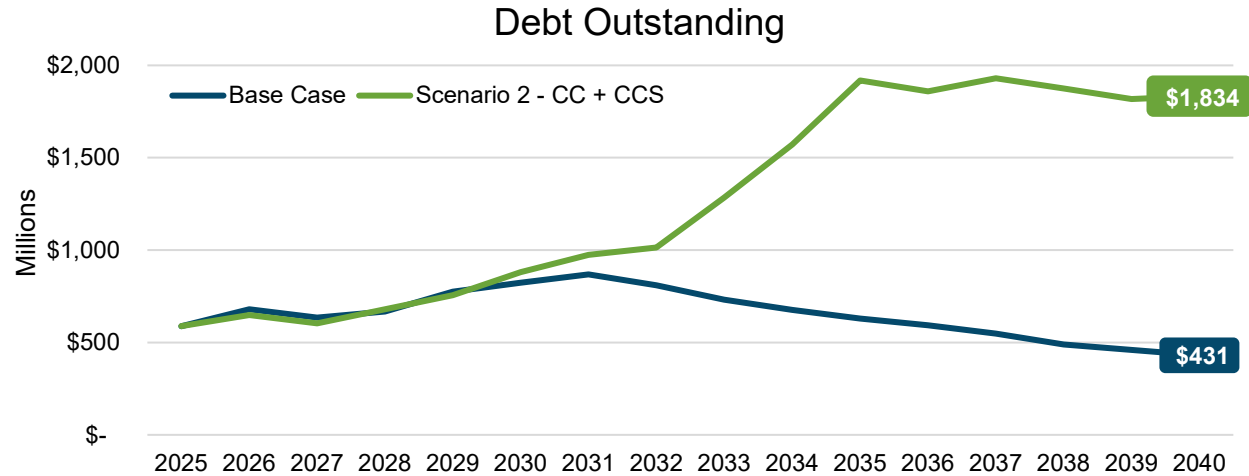
- Total generation investment: **\$1.43 Billion**
- DSC, FCC, and DCOH targets met
- Highest Debt to Capitalization: 64%

## Estimated Monthly Bill Impacts\*

	2025	2040 Projected	% Δ	10-Year Avg Increase
Residential Customer	\$94	<b>\$144</b>	52%	4.4%/Yr
Gas Station	\$2,122	<b>\$2,986</b>	41%	3.5%/Yr
Bank	\$3,704	<b>\$5,539</b>	50%	4.1%/Yr
Manufacturing Company	\$57,533	<b>\$84,925</b>	48%	4.0%/Yr

\*Bill Impacts only reflect normal LES operations plus impacts of resource plan additions.

Numbers used throughout this presentation, including customer rate increases, are estimates and should be used for scenario planning purposes only.



# Scenario 1 – Nuclear

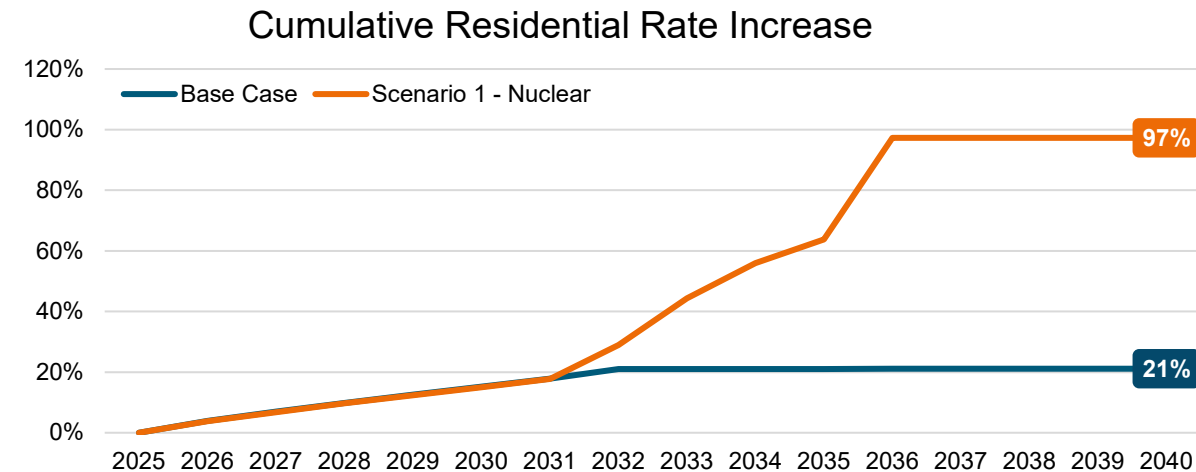
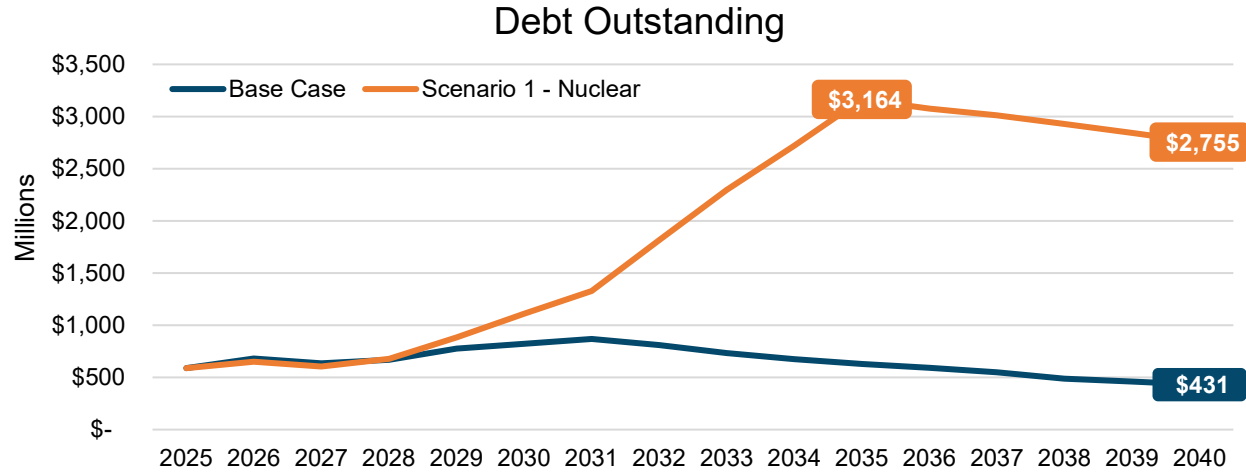
- Total generation investment: **\$2.95 Billion**
- DSC, FCC, and DCOH targets met
- Highest Debt to Capitalization: 71%

## Estimated Monthly Bill Impacts\*

	2025	2040 Projected	% Δ	10-Year Avg Increase
Residential Customer	\$94	<b>\$186</b>	97%	7.1%/Yr
Gas Station	\$2,122	<b>\$3,871</b>	82%	6.2%/Yr
Bank	\$3,704	<b>\$7,080</b>	91%	6.7%/Yr
Manufacturing Company	\$57,533	<b>\$106,196</b>	85%	6.3%/Yr

\*Bill Impacts only reflect normal LES operations plus impacts of resource plan additions.

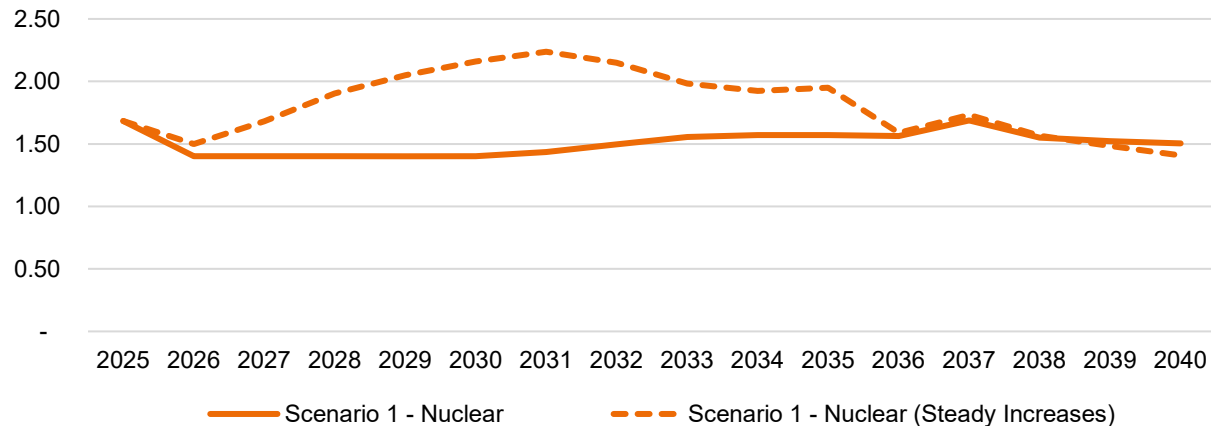
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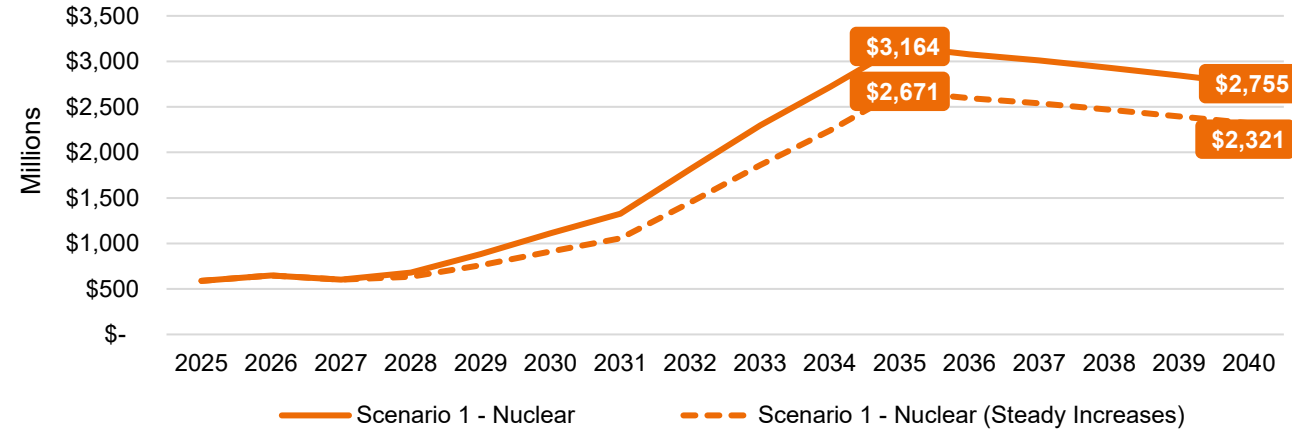
# There are many different rate path options for each scenario

- Scenario 1 – Nuclear with two different rate paths
  - Solid line represents minimum rate increases
  - Dashed line represents steady rate increases above what would be required
    - Steady increases provide more favorable financial position when approaching large bond issuances and lower overall debt balances

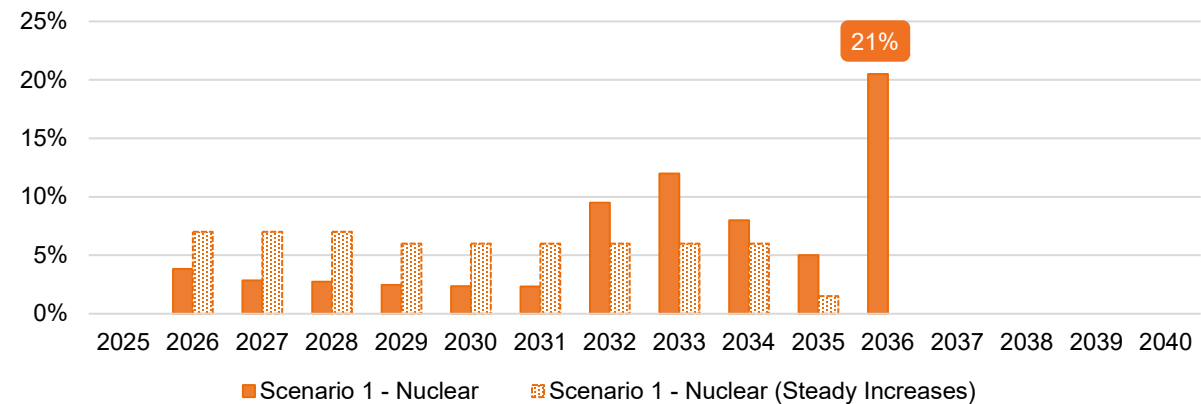
Fixed Charge Coverage Ratio



Debt Outstanding



Annual Residential Rate Increase

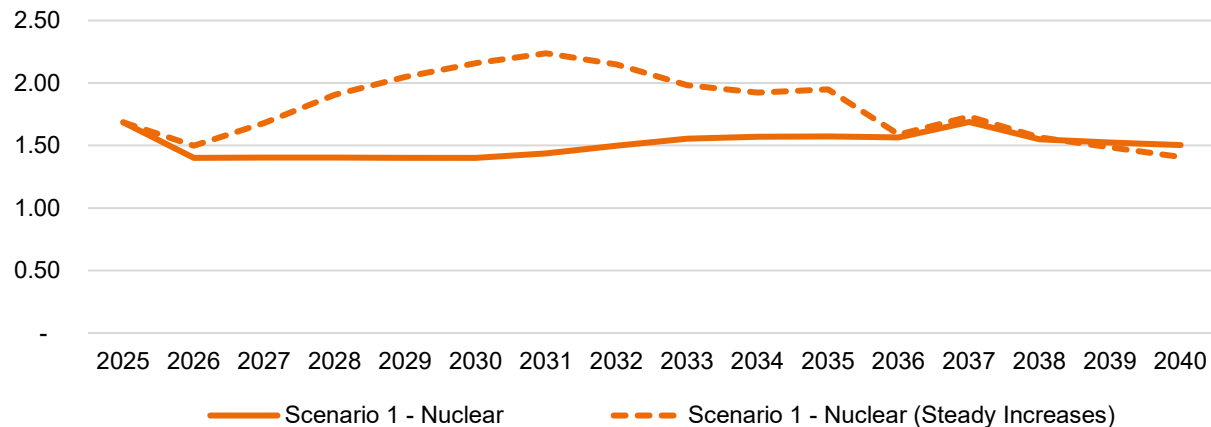


Numbers used throughout this presentation, including customer rate increases, are estimates and should be used for scenario planning purposes only.

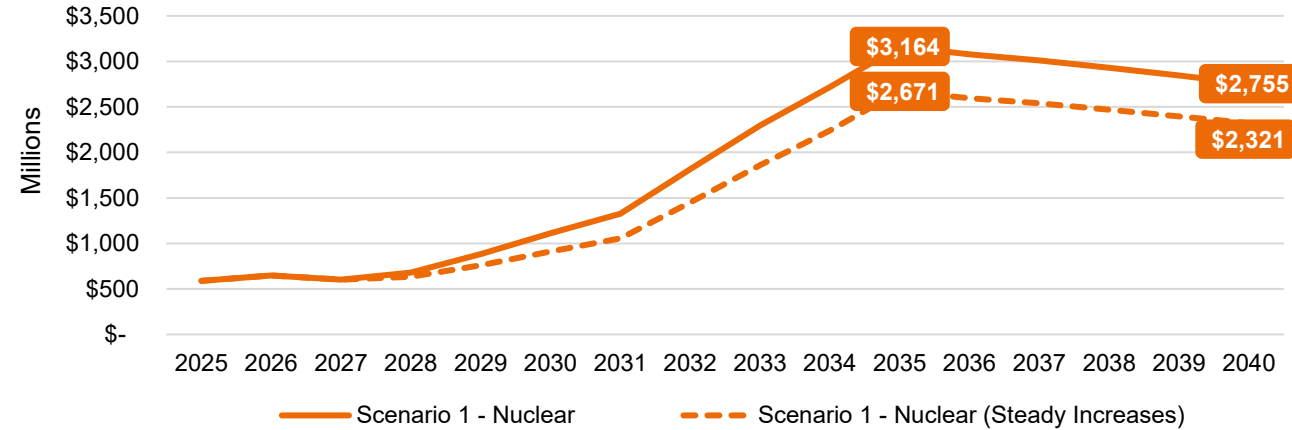
# There are many different rate path options for each scenario

- Scenario 1 – Nuclear with two different rate paths
  - Solid line represents minimum rate increases
  - Dashed line represents steady rate increases above what would be required
    - Steady increases provide more favorable financial position when approaching large bond issuances and lower overall debt balances

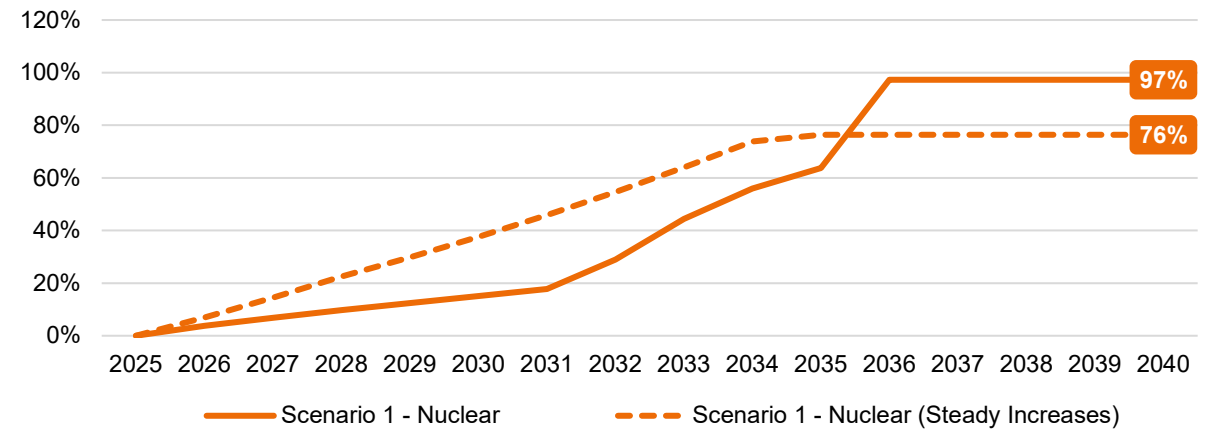
Fixed Charge Coverage Ratio



Debt Outstanding



Cumulative Residential Rate Increase



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# Questions?