

MINUTES OF LINCOLN ELECTRIC SYSTEM ADMINISTRATIVE BOARD

Minutes of regular meeting held at 9:30 a.m., Friday, November 15, 2019, at the offices of Lincoln Electric System, 1040 O Street, Lincoln, Nebraska.

Board Members Present: Layne Sup, DaNay Kalkowski, Lucas Sabalka, Eliot Bostar, David Spinar, Karen Griffin, Andy Hunzeker, Rebecca Lai

Board Members Absent: Sarah Peetz

LES Staff Present: Kevin Wailes, Shelley Sahling-Zart, Laura Kapustka, Jason Fortik, Dan Pudenz, Paul Crist, Lisa Hale, Trish Owen, Melissa Palmer, Emily Koenig, Dustan Daniel, Joel Dagerman, Jay Stoa, Jonathan Jakub, Dennis Florom, Paul Ladd, Tom Rathe, Marc Shkolnick, Eric Ruskamp, Chasity Blair, Brooke Rogers, McKenzie Ferguson, Troy Hopkins, Dave Auman, Kelley Porter

Others Present: Ken Winston, Ken Haar, Alyssa Martin

News Media Present: None

Chair Layne Sup called the meeting to order at approximately 9:30 a.m. A safety briefing was provided. He noted that LES conducts its meetings in compliance with the Nebraska Open Meetings Act and noted that copies of the Act are located near the entrance to the Board room. **Call to Order & Safety Briefing**

Vice Chair Kalkowski asked for approval of the minutes of the meeting of October 18, 2019. moved their approval. seconded the motion. The vote to approve the minutes was: **Approval of Minutes**

Aye: Sup, Hunzeker, Kalkowski, Lai, Sabalka, Bostar, Spinar, Griffin

Nay: None

Abstain: None

Absent: Peetz

Ken Winston noted that the Omaha Public Power District Board had approved a goal for OPPD to be a net-zero carbon emitter by 2050 and voted to add 400-600 megawatts of utility-scale solar to its energy portfolio. Winston encouraged the LES Board to adopt a similar goal. **Comments from Customers**

Ken Haar indicated that he is teaching climate change classes at UNL and in the Osher Lifelong Learning Institute. The students are asked what they know about climate change. Haar would like to meet with each board member individually to discuss what they know about climate change.

Jason Stoa, Specialist, Energy Services in Customer Services Division, was recognized by the Board for 20 years of service to LES.

Introduction and Recognition of Staff

Lucas Sabalka, Chair of the Operations & Power Supply Committee, reported on Committee discussion which included the following: 1) proposed 2020 plans for the Discretionary Overhead to Underground Conversion Program; 2) update on construction of the Nebraska State Penitentiary DEC plant; and 3) 2019 second quarter generation and revenue cost report. (Exhibit I)

Operations & Power Supply Committee

Andy Hunzeker, Chair of the Personnel & Organization Committee, reported on Committee discussion which included the following: 1) discussion of Enterprise Risk Management, specifically Technology Service’s infrastructure risks and mitigation efforts; 2) incident status report and worker’s compensation trending; 3) employee wellness screening statistics; 4) 2020 health and dental forecasts, including a proposed health insurance premium holiday in November and possibly December; 5) 2020 compensation market analysis; 6) IBEW update; and Human Resource Information System enhancements update. (Exhibit II)

Personnel & Organization Committee

DaNay Kalkowski, Chair of the Budget & Rates Committee, reported on Committee discussion which included the following: 1) Third quarter 2019 generation revenue and cost report; 2) overview of LES pole attachments; 3) five-year financial forecast; and 4) update on the DEC SAP implementation project. (Exhibit III)

Budget & Rates Committee

David Spinar, member of the Finance & Audit Committee, reported on Committee discussion which included the following: 1) Overview of LES and DEC insurance coverage; 2) five-year financial forecast; 3) allowance for funds used during construction (AFUDC); 4) 2019 financing update; and 5) brief report on the LES ethics line which will also be reviewed in the Board’s ethics training in January. (Exhibit IV)

Finance & Audit Committee

In October the LES Board adopted LES Resolution 2019-14 recommending City Council approval of the Ninth Series Ordinance authorizing LES to issue revenue bonds not to exceed \$300 million. LES Resolution 2019-15 authorizes LES to take action necessary to issue 2020 Bonds. (Exhibit V) David Spinar moved adoption of LES Resolution 2019-15. Eliot Bostar seconded the motion. The vote to adopt LES Resolution 2019-15 was:

Approval of Financing Authorization – LES Resolution 2019-15

Aye: Sup, Hunzeker, Kalkowski, Lai, Sabalka, Bostar, Spinar, Griffin

Nay: None

Abstain: None

Absent: Peetz

LES Policy No. 1 provides that the Chair appoint a Nominating Committee consisting of at least three Board members on or before the regular meeting in November of each year for the purpose of nominating Board officers for the following year. Chair Sup appointed the following to serve on the Nominating Committee: Sarah Peetz (Chair), Lucas Sabalka and Eliot Bostar. The Nominating Committee will make its report at the December Board meeting.

Appointment of Nominating Committee

Joel Dagerman, Manager, System Planning, Energy Delivery, presented the Discretionary Overhead to Underground Conversion Program. (Exhibit VI) He discussed the schedule and presented a map for projects slated to take place from 2020-2025. For many years, LES has budgeted about \$1 million per year in the capital budget for these projects to gradually convert more of the overhead facilities to underground. Projects are identified based on numerous factors including, but not limited to, aesthetics, roadway design, and safety standards.

2019 Discretionary Overhead to Underground Program Review

Dennis Florom, Manager, Energy & Environmental Operations, provided a comprehensive overview of the Southwest Power Pool (SPP). (Exhibit VII) SPP is a regional transmission organization formed in 1941 and headquartered in Little Rock, AR. LES joined SPP in 2009. The overview covered the structure of SPP, market statistics, and marketplace operational highlights. He also summarized SPP primary functions and services including: a) consolidated balancing authority, b) reliability coordinator; c) transmission planner; and d) market operator.

Southwest Power Pool (SPP) Overview

Kevin Wailes, CEO, reported on LES efforts to engage with the community regarding climate change and sustainability. He noted that LES has representatives on the Mayor's Environmental Task Force, the Mayor's Climate Resiliency Task Force, and the City Sustainability Working Group. There are also two board members on the Climate Resiliency Task Force. Various LES staff continue to speak to numerous community groups including churches, educational groups, environmental groups, business groups and service organizations.

Community Engagement Report

Discussion followed, including discussion regarding the comments from Southwest Power Pool CEO, Nick Brown, at the LES Energy Summit the prior week. Wailes noted that

he will look to bring in a climate change speaker as well as other educational efforts to ensure the board feels well-informed as it addresses climate change policy.

Eric Ruskamp, Manager, Regulatory Compliance, facilitated **FERC Standards of Federal Energy Regulatory Commission (FERC) Standards of Conduct Training** with the board.

The Monthly Financial and Power Supply Reports were distributed to the Board and staff was available to answer questions. (Exhibit VIII) **Monthly Financial and Power Supply Reports**

The Board was reminded that Zoo Lights powered by LES at the Lincoln Children's Zoo will run November 29 through December 30, Wednesday through Sunday each week, 5:30-9:00 p.m. **Miscellaneous**

Kevin Wailes also briefly reported on the national GridEx V cyber and physical security exercise in which LES participated earlier this week November 13-14. LES had about 65 staff and 26 individuals from local agencies participate in the exercise.

The next regular meeting of the LES Administrative Board is scheduled for Friday, December 20, 2019, at 9:30 a.m. **Next Meeting**

There being no further business before the Board, Chair Sup declared the meeting adjourned at approximately 12:08 p.m. **Adjournment**

Andy Hunzeker, Secretary

BY: S/Shelley Sahling-Zart
Shelley Sahling-Zart
Assistant Secretary

Exhibit I



Operations and Power Supply Committee Meeting Summary November 4, 2019

Discretionary Overhead to Underground Conversion Program: *(This topic is covered later on today's agenda)*

The discretionary overhead to underground distribution conversion program began in 2006 and is in conformance with the Lincoln-Lancaster County Comprehensive Plan goal to implement a phased program to relocate utility lines underground wherever feasible and affordable. LES continues its efforts to identify projects for inclusion in the program. Several physical and economic factors are evaluated to help identify appropriate projects. Seventeen discretionary projects are proposed in the 2020-2025 six-year plan that are distributed throughout the LES service territory. These seventeen projects represent about \$9.2 Million in total system investment over the six-year planning period.

Nebraska State Penitentiary DEC Plant Construction Update:

Construction is nearing completion for the new thermal energy plant to serve the Nebraska State Penitentiary. The new plant includes steam generators, chillers, and backup electrical generators. Steam service from the plant was provided in early October and backup electrical generation testing was completed in mid-October. The chilled water system was commissioned in late October, although the Penitentiary is currently not requesting chilled water service. The current estimated completion cost is \$21.5M, or about 2% below the \$22M budget. The DEC plans to start billing the Penitentiary under the currently approved thermal services rate structure in early November.

2019 Third Quarter Generation Revenue and Cost Report:

Staff presented its analysis of the financial performance of LES' generating resources in the SPP Integrated Marketplace for the third quarter of 2019. Ample supply from natural gas producers kept natural gas prices below Budget in the third quarter even with increased demand from the electric generation and liquified natural gas sectors. Market electricity prices for the third quarter trended at or below Budget due to a reduction in generating unit outages in the SPP footprint and sustained low natural gas prices. LES' generating fleet posted positive net revenue results for the third quarter, more than doubling the results from the first and second quarters combined.

Exhibit II

Exhibit III

Exhibit IV

Exhibit V

Exhibit VI

Exhibit VII

Exhibit VIII