

MINUTES OF LINCOLN ELECTRIC SYSTEM ADMINISTRATIVE BOARD

Minutes of the regular meeting held at 9:30 a.m., Friday, August 19, 2022, at the Lincoln Electric System Operations Center, 9445 Rokeby Road, Lincoln, Nebraska. Public notice of today's meeting was published in the Lincoln Journal Star on August 12, 2022.

Board Members Present: Carl Eskridge, Andrew Hunzeker, Chelsea Johnson, DaNay Kalkowski, Kim Morrow, Lucas Sabalka, David Spinar, Layne Sup

Board Members Absent: Karen Griffin (Griffin was unable to attend in person but participated virtually, but pursuant to the Nebraska Open Meetings Act she cannot be counted as present or vote)

LES Staff Present: Kevin Wailes, Shelley Sahling-Zart, Emily Koenig, David Malcom, Paul Crist, Jason Fortik, Lisa Hale, Trish Owen, Jim Rigg, Kelley Porter, Amber Tate, Scott Benson

Others Present: Michael Nolan (participated virtually)

News Media Present: None

Chair DaNay Kalkowski declared a quorum present and called the meeting to order at approximately 9:30 a.m. A safety briefing was provided. Kalkowski noted that LES conducts its meetings in compliance with the Nebraska Open Meetings Act and noted that copies of the Act are located with the Board Assistant Secretary. LES General Counsel served as Acting Assistant Secretary for this meeting due to the absence of the regular Assistant Secretary. **Call to Order & Safety Briefing**

Chair DaNay Kalkowski asked for approval of the July 15, 2022, meeting minutes. Layne Sup moved their approval. Andy Hunzeker seconded the motion. The vote for approval of the minutes was: **Approval of Minutes**

Aye: Carl Eskridge, Andrew Hunzeker, Chelsea Johnson, DaNay Kalkowski, Kim Morrow, Lucas Sabalka, David Spinar, Layne Sup

Nay: None

Absent: Karen Griffin

There were no comments from customers.

Customer Comments

Lucas Sabalka, Chair of the Operations & Power Supply Committee, reported on Committee discussions which included the following: 1) 2023 Long Range Forecast and Revenue Expectations; 2) 2023 Power Cost Review; 3) update on supply chain issues; and 4) 2022 2nd Quarter Generation Revenue and Cost Report. (Exhibit I)

**Operations & Power
Supply Committee Report**

Michael Nolan, LES's federal legislative consultant, provided an overview of the energy provisions in the federal Inflation Reduction Act (IRA) of 2022 that was signed into law by President Biden earlier in the week. (Exhibit II)

**Review of Federal
Inflation Reduction Act of
2022 – Energy Provisions**

One of the most significant provisions benefitting public power is referred to as “direct pay” provisions. These provisions amend the Internal Revenue Code to permit tax-exempt entities, like LES, to essentially receive the same production tax credits (PTCs) and investment tax credits (ITCs) applicable to private, investor-owned utilities. Historically the tax credits have not been available to public power utilities because they do not pay federal taxes. Consequently, these new provisions will provide a direct payment, rather than a tax credit, to qualifying tax-exempt entities.

There are a number of remaining questions regarding implementation of the provisions of the IRA. LES will monitor the implementation regulations in conjunction with the American Public Power Association.

Scott Benson, Manager, Resource & Transmission Planning, presented the results of the Integrated Resource Plan (IRP) modeling analysis and an overview of the draft plan. (Exhibit III) Staff also worked to address very recent changes that significantly impact the modeling, specifically the Southwest Power Pool increase in the planning reserve margin from 12 percent to 15 percent effective in 2023, and the eligibility for direct payments equivalent to the federal PTC and ITC as provided in the recently enacted Inflation Reduction Act.

**Integrated Resource Plan
Analysis Results and Draft
Report**

This analysis will be made available on the LES web site and reviewed at a public meeting scheduled for August 25. The Board is scheduled to take action on the IRP at the October board meeting.

The Revenue and Expense Statements, Financial and Operating Statements and the Power Supply Division Monthly Reports for July 2022 were available with the meeting materials. (Exhibit IV) **Monthly Financial and Power Supply Reports**

Board members were reminded that the Nebraska Power Association annual conference will be held August 30-31 at the Younes Conference Center in Kearney, NE. **Miscellaneous**

The next regular meeting of the LES Administrative Board will be Friday, September 16, 2022, at 9:30 a.m. **Next Meeting**

There being no further business before the Board, Chair Kalkowski declared the meeting adjourned at approximately 1:15 p.m. **Adjournment**

David Spinar, Secretary

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

Exhibit I



Operations and Power Supply Committee Meeting Summary August 8, 2022 (in person and virtual)

2023 Long Range Forecast and Revenue Expectations (Joe Cocklin):

- The 2023 energy sales and system demand forecasts were shared with the committee.
- 2023 energy sales are expected to be similar to 2022. Revenue, prior to any potential rate increase identified through the 2023 budget work, is expected to increase by approximately \$2.6M in comparison to the 2022 budget.

2023 Power Cost Review (Scott Benson):

- The projected 2023 Power Cost net expenditure is \$111.9M, which is \$5.4M higher than the 2022 Power Cost budget.
- Increased generating plant maintenance expenses, higher natural gas transportation costs, and higher energy costs are significant drivers of the Power Cost increase.
- Transmission related expenses are expected to increase by \$9.6M in 2023 due primarily to the expiration of a regional transmission expansion expense credit that has been in place since 2012.

Supply Chain Issues Update (Fredrick Rumery):

- The electric utility industry continues to experience delays and other supply chain related issues for materials including distribution transformers, electrical cable, smoothwall duct, switchgear, and wood poles.
- Staff continues to manage and mitigate the situation by closely monitoring inventory levels, strategically procuring equipment, tailoring projects around material availabilities, and repurposing and refurbishing available equipment to meet customer needs.

2022 2nd Quarter Generation Revenue and Cost Report (Brad Lafler):

- Staff presented its analysis of the financial performance of LES's generating resources in the SPP Integrated Marketplace for the second quarter of 2022.
- Natural gas prices have continued their general trend upward, which has put upward pressure on market electricity prices.
- LES's generating fleet posted positive net revenue results for the quarter, driven largely by positive returns at the traditional generating plants.

Exhibit II

Exhibit III

Exhibit IV