

**MINUTES OF JOINT CITY COUNCIL AND LES STAFF PRESESSION MEETING  
LINCOLN CITY COUNCIL  
MONDAY, DECEMBER 1, 2008  
COUNTY-CITY BUILDING  
555 SOUTH 10<sup>TH</sup> STREET  
LINCOLN, NEBRASKA 68508**

**CITY COUNCIL MEMBERS PRESENT:** Robin Eschliman, Dan Marvin, Ken Svoboda,  
John Spatz, Doug Emery, Jon Camp

**CITY COUNCIL MEMBERS ABSENT:** Jonathan Cook

**LES STAFF & COUNSEL PRESENT:** Shelley Sahling-Zart, Keith Brown, Todd Hall,  
Doug Bantam

**OTHERS PRESENT:** John Hendry, Deena Winter, Brittany Jeffers  
(KLKN-TV)

Council Chair Robin Eschliman welcomed LES to the City Council pre-session meeting at approximately 9:30 a.m. LES Vice President and Assistant Counsel, Shelley Sahling-Zart, introduced LES staff noting that Terry Bundy, LES Administrator and CEO, was unavailable due to medical leave. She proceeded to provide an overview of the 2009 LES Operating and Capital Budget that is recommended for City Council approval by the LES Administrative Board.

Sahling-Zart reviewed two key organizational changes at LES in 2008. The first involved forming a new Corporate Services Division at LES. This involved taking a number of departments that were dispersed among the various divisions at LES and putting them together into one division. These departments provide some type of service to the entire organization, such as Human Resources, Safety and Training, Buildings and Grounds, Records Management, and Purchasing and Stores, among others. The consolidation of these departments under a single division will bring added consistency and operating efficiency to the organization.

The second organizational change was to consolidate the Operations Division and the Engineering Services Division into a single Energy Delivery Division. There are natural synergies between the design and construction functions of the organization that will also bring added operating efficiency to the organization. This organizational change resulted in the net reduction of one Vice President from the LES management team and was instrumental in reducing the budgeted total full-time equivalent (FTE) positions by 2.5 FTE's in the 2009 budget.

Sahling-Zart also noted several changes that were made to the budget process this year. Some of the local business organizations had asked for opportunity to provide input regarding the budget earlier in the process. As a result, an additional public meeting was added to the schedule prior to the LES Administrative Board's consideration of the budget. That

meeting was held on October 23, 2008. LES also held two detailed budget briefings for the key business organizations and their members. The briefings were about two hours in length and allowed for a more detailed review and discussion of the budget.

LES also made a greater amount of budget information available to the public on its web site. A budget summary, a more detailed budget presentation, and an Executive Summary of the Sustainable Energy Program were provided on the web site. In addition, copies of the budget summary were available in the LES lobby, in the County-City Building lobby and at the local libraries.

Keith Brown, LES Chief Financial Officer, provided an overview of the 2009 LES Operating and Capital Budget. (Exhibit I) He noted that the budget calls for a total appropriation of \$268 million, down about \$17 million from the 2008 budget. The operating budget is about \$3 million higher than the 2008 budget. The budget includes \$1.1 million for a Sustainable Energy Program as well as \$218,000 for the Energy Voucher Program to assist customers who are struggling to pay their electric bill. Year-end debt coverage is targeted at 1.86. Brown reported that the capital budget is down about \$23 million from the 2008 budget. He noted that capital costs tend to fluctuate from year to year, depending on the need for large generation and transmission projects. With the completion of major transmission projects, the capital budget is significantly reduced.

Sahling-Zart noted that the budget had been reviewed in detail with the LES Board's Budget and Rates Committee and adopted by the full LES Administrative Board at its November board meeting. She noted that the LES Administrative Board recommends approval of the budget by the City Council.

Earlier in the presentation it was noted that three of LES' generating resources will be out of service for planned maintenance at about the same time this spring. Councilman Emery asked what measures LES is taking to mitigate this occurrence and the need to be purchasing power in the wholesale market which has been volatile in recent years. Doug Bantam, LES Vice President Power Supply, responded that it is rare to have this many units undergoing maintenance at the same time, but is unavoidable in some years. The planned maintenance cycles of the various generation resources are all different.

Chair Eschliman excused LES from the meeting at approximately 10:05 a.m.

Respectfully Submitted,

BY: S/Shelley R. Sahling-Zart  
Shelley R. Sahling-Zart  
Assistant Secretary  
LES Administrative Board

# **Exhibit I**

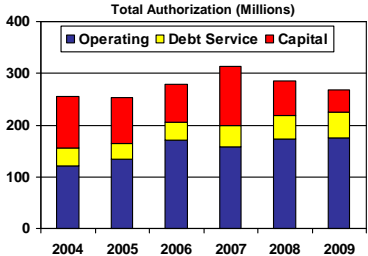
# 2009 Budget Review

Lincoln City Council

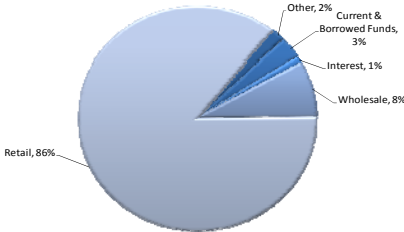
December 1, 2008

## 2009 Budget Information

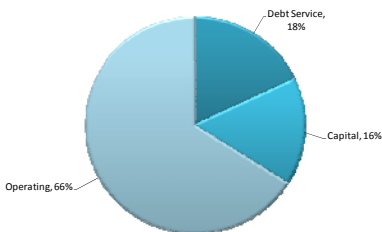
Total Authorization - \$268,322,000



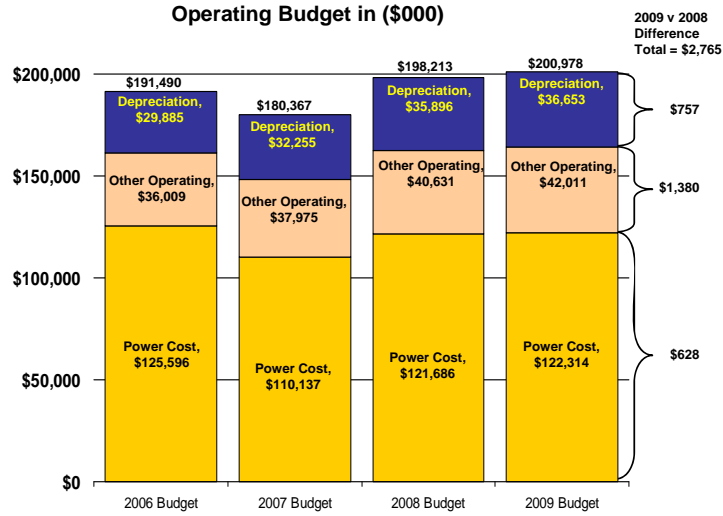
Source of Funds



Uses of Funds



## 2009 Operating Budget Changes

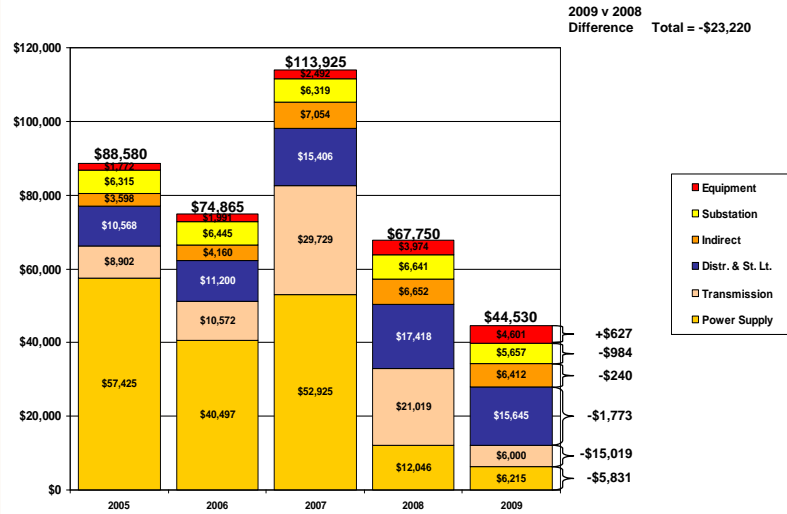


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## 2009 Capital Budget Changes

(In Thousands)



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## Comparative Operating Expense Statement

(by Expenditure Type)

	2008 BUDGET	2009 BUDGET	VARIANCE AMOUNT	PERCENT
<b>Operation Cost</b>				
Payroll	25,656,325	26,518,650	862,325	3.4%
Travel, Training & Local	917,563	916,064	(1,499)	-0.2%
Membership & Publication	318,510	342,656	24,146	7.6%
Purchases/Outside Services	12,852,923	13,759,776	906,853	7.1%
Material	1,103,530	1,449,879	346,349	31.4%
Transportation	943,837	1,068,300	124,463	13.2%
Clearing/Chargeback/Credit	<u>(3,722,706)</u>	<u>(3,872,027)</u>	<u>(149,321)</u>	<u>4.0%</u>
<b>Subtotal - Operation Costs</b>	<b>38,069,982</b>	<b>40,183,298</b>	<b>2,113,316</b>	<b>5.6%</b>
<b>Employee Cost</b>				
FICA	1,570,300	1,607,400	37,100	2.4%
Employee Benefits (net)	<u>3,393,469</u>	<u>3,533,614</u>	<u>140,145</u>	<u>4.1%</u>
<b>Subtotal - Employee Cost</b>	<b>4,963,769</b>	<b>5,141,014</b>	<b>177,245</b>	<b>3.6%</b>
<b>Power Cost (w/o payroll, travel, etc.)</b>				
Generation Fuel	13,056,530	6,983,930	(6,072,600)	-46.5%
Purchased Power	61,591,000	67,324,800	5,733,800	9.3%
LRS Power	28,329,982	28,051,000	(278,982)	-1.0%
CB4 MEC	13,699,866	13,897,496	197,630	1.4%
LRS/MINT/CB4 Transmission	<u>2,045,600</u>	<u>1,986,220</u>	<u>(59,380)</u>	<u>-2.9%</u>
<b>Subtotal - Power Cost</b>	<b>118,722,978</b>	<b>118,243,446</b>	<b>(479,532)</b>	<b>-0.4%</b>
<b>Other Cost</b>				
Depreciation (including vehicle)	36,456,627	37,410,428	953,801	2.6%
<b>Subtotal - Other Cost</b>	<b>36,456,627</b>	<b>37,410,428</b>	<b>953,801</b>	<b>2.6%</b>
<b>Total</b>	<b>198,213,356</b>	<b>200,978,186</b>	<b>2,764,830</b>	<b>1.4%</b>

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## Sustainable Energy (SEP) Program Goals

- Financial savings to the consumer;
- Mitigation of year-to-year system load growth; and
- Concerted effort to reduce peak load impact.

Year 1- Potential reduction of 6.4 MW in demand and 13,246 MWh in energy.

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## Summary of All Programs

Program	Market	Annual Incentive Pool	LES Savings (mW)	LES Savings (mWh)	LES Savings (\$)	Customer Savings (\$)
Whole House Tune Up	Residential	\$150,000	.211	871	21,438	81,500
Low Income Weatherization	Residential	\$100,000	.11	84	2,100	6,175
High Efficiency Heat Pumps	Residential/ Small Commercial	\$250,000	1.88	423	10,500	39,640
Commercial HVAC Maintenance	Small Commercial	\$100,000	1.6	1,600	39,700	150,000
Commercial Lighting Retrofit	Commercial	\$200,000	.6	2,384	52,488	95,360
Systems Commissioning	Large Commercial/Industrial	\$250,000	2.0	7,884	195,000	500,000
Energy Efficiency Grant	Large Commercial/ Industrial	\$50,000	TBD	TBD	TBD	TBD
Totals		\$1,100,000	6.4	13,246	321,266	872,675

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## Budget Request Summary

(Amounts in Thousands)

<u>BUDGET REQUEST</u>		
OPERATING BUDGET (including PILOT)		212,118.2
Less Depreciation & Amortization		(36,653.1)
		\$175,465.1
<b>DEBT SERVICE</b>		
2002 Bonds		15,718.5
2003 Bonds		8,655.7
2005 Bonds		5,615.7
2007A Bonds		4,549.2
2007B Bonds		11,407.4
Commercial Paper & AFUDC		2,380.5
		48,327.0
<b>CAPITAL BUDGET</b>		
Previously Authorized Projects	12,546.0	
2008 Construction of Previously Authorized Projects		3,338.0
Currently Authorized Projects	49,747.2	
2008 Construction of New Authorizations		41,192.2
2008 Construction Cashflow/Appropriations Request		44,530.2
Authorization Carryover to 2009	17,763.0	
<b>TOTAL BUDGET REQUEST</b>		<b>\$268,322.3</b>
<u>SOURCE OF FUNDS</u>		
<b>CASH RECEIPTS</b>		
Operating Revenue		\$256,681.3
Interest & Other Income		1,741.4
		\$258,422.7
To be provided from current or borrowed funds		9,899.6
<b>TOTAL SOURCE OF FUNDS</b>		<b>\$268,322.3</b>

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