

Unapproved MINUTES  
Risk Oversight Committee Meeting  
Municipal Energy Agency of Nebraska  
NMPP Energy office – 8377 Glynoaks Dr. Lincoln, Nebraska 68516  
With Virtual Conference Option  
April 21, 2022 - 1:00 p.m. (CT)

The Municipal Energy Agency of Nebraska (MEAN) Risk Oversight Committee met Thursday, April 21, 2022, at 1:00 p.m. (CT) in conjunction with the Finance Committee joining the previously convened Power Supply Committee, at the NMPP Energy office, 8377 Glynoaks Drive, Lincoln, Nebraska, the designated public meeting site. A virtual conference option was provided. Notice of the meeting was given to committee members by e-mail and the public was advised by publication both print and online in the Lincoln Journal-Star newspaper and website on April 8, 2022. The notice and agenda were posted upon issuance in the NMPP Energy office and kept continually current and were available for public inspection at the NMPP Energy office. Instruction to join the meeting via virtual conference, or telephone, and links to an electronic copy of the agenda, all documents being considered at the meeting, and the current version of the Nebraska Open Meetings Act were made available on NMPP Energy's Public Meeting Information website.

**CALL TO ORDER**

Chairman Todd Kielkopf called the meeting to order at 1:00 p.m. (CT). Pursuant to Section 84-1412 (8) of the Nebraska Open Meetings Act, a current copy of the Open Meetings Act was posted in the meeting room and made available to the public.

**ROLL CALL**

A quorum was declared with all committee members in attendance.

Present:

1. James DePue, Wray
2. Todd Kielkopf, Carlisle
3. Brent Nation, Fort Morgan
4. Tom Ourada, Crete
5. Mike Palmer, Sidney
6. Chris Rodman, Wall Lake
7. Adam Suppes, Delta

Others in attendance: Tyler Christoff, Luke Danielson, Chris DesPlanques, Will Dowis, Edward Dunn, Russ Forest, Leslie Glustrom, Nate James, Jim Kerr, Leslie Glustrom, Kallie Klein, Jeff Kohrs, Brent Nation, Mike Palmer, Chris Rodman, Todd Rust, Adam Suppes, Dallas Thomas, and Darrel Wenzel.

NMPP Staff: Carol Brehm, Tim Cerveny, Shannon Coleman, Chris Dibbern, Brad Hans, Mandy Hansen, Scott Hartz, Stacy Hendricks, Kara Hunt, Jamie Johnson, Jill Jones, Sarah Jones, Kyle Kaldahl, Michelle Lepin, Jennifer McCoy, Brittany Millard, Samantha Parker, Matt Reed, Andrew Ross, David Russell, Videll Sabio, Robin Spady, Candy Thomazin, and Kevin Wickham.

**PUBLIC COMMENT PERIOD**

Presenter: Michelle Lepin, Associate General Counsel

The Public Comment Period was announced and a review of the rules applicable to the public comment process at MEAN public meetings was provided. There were no requests to comment.

## **CONSENT AGENDA**

### Minutes

Minutes of the March 31, 2022, meeting of the Risk Oversight Committee were previously distributed to Board members and included in the meeting packet. There were no corrections to the minutes.

### Next Meeting

The next meeting of the Risk Oversight Committee is scheduled for Wednesday, May 18, 2022, at the Younes Conference Center in Kearney, Nebraska.

### Consent Resolution

*Motion: Brent Nation moved to approve the consent resolution as presented. Tom Ourada seconded the motion, which carried on a unanimous roll call vote.*

*WHEREAS, certain business of the Risk Oversight Committee of the Municipal Energy Agency of Nebraska (MEAN) transpires on a regular and routine basis or is not of a controversial nature; and,*

*WHEREAS, roll call votes on each individual issue greatly extended the meeting time.*

*NOW, THEREFORE, BE IT RESOLVED BY THE MEAN Risk Oversight Committee that in the interest of economizing time, yet complying with the Open Meetings Act of the State of Nebraska, which requires roll-call voting, the following issues are hereby consolidated in this Consent Resolution:*

- 1. BE IT FURTHER RESOLVED BY the MEAN Risk Oversight Committee that the minutes of the March 31, 2022, meeting are hereby approved.*
- 2. BE IT FURTHER RESOLVED BY the MEAN Risk Oversight Committee that the next meeting will be held on Wednesday, May 18, 2022, at the Younes Conference Center in Kearney, Nebraska.*

## **FINANCIAL AND ADMINISTRATIVE POLICIES AND GUIDELINES**

Presenter: Jamie Johnson, Director of Finance & Accounting

Cash Reserves & Rate Stabilization Account Targets: MEAN will seek a recommendation for Board approval of the updated language to the cash reserve, liquidity, rate stabilization account, and rates and charges sections of the Financial and Administrative Policies and Guidelines as provided in the meeting packet, and as discussed at the March 31<sup>st</sup> meeting.

MEAN balances relative to the minimum cash reserve balances established by historical targets were presented. Those are minimums to be maintained. It is healthy and expected to have funds higher than the minimums. When looking at the operating fund, it is important to keep in mind that timing differences can significantly influence balances at a given point in time.

There is no proposal to change the formulas used to calculate minimum balances. The proposed language additions as shown in the meeting packet are only to provide clarification and add transparency to the policies that are already in place.

To date, MEAN's rate stabilization account has primarily been funded by external events. The reserve portion of these funds should be maintained except in very extreme circumstances. The goal would continue to be to maintain funds at least equal to 15% of budgeted cash operating expenses, excluding purchased power capital; plus, the annual average of the preliminary 5-year capital budget, including purchased power capital. Targets can be changed through a Board resolution. As the target will fluctuate annually, it is important to fund the account at a level that will maintain the funds at the minimum for multiple years.

Discussion ensued to include: Do members want to have funding of the other component of the rate stabilization account built into the rates or would they prefer to allocate a certain amount of funds annually to fund the rate stabilization account? Costs will vary each year, but the later the Board starts funding the other component the more pressure there will be. Considering external events have added \$28 million into this account to date, can't we assume that will continue to some degree? Under a previous resolution, \$4 million is to be returned to members. Should there be an initiation fee for new members? New members will benefit from funds that they have never paid into. The fixed cost recovery charge per member has the potential to be lowered with new members resulting in the costs being spread over a larger group. When considering new J or K members, look not just at funding recovery of current costs paid in, but also the help on the backend. At some point, an analysis may be needed to show both the future load and energy benefits as well as decommissioning sharing expenses to determine if there is a need for a surcharge for new members.

In terms of distributing the \$28.3 million in the rate stabilization fund, based on the 2022-2023 calculated target (MEAN's current policy), \$20.1M should be allocated to the reserve account, leaving \$8.2 M remaining prior to analyzing preliminary 2021-2022 results. \$6.9M of that \$8.2M has been allocated through the previous direction of the Board. As part of the 2022-2023 budget, \$1.9M is needed to meet debt service coverage and \$1M is needed to reduce the FCRC, and another \$4M to reduce the FCRC in future years through the August 2021 resolution and the 2022-2023 budget process. Evaluations are always done at year-end and a determination is made on the use of funds based on the information at that point in time. In August 2021, the Board wanted to use \$5M (\$1M/year) to reduce the FCRC by \$1M per year beginning 2022-2023. The Board can revisit that decision as needed. Additional discussions will take place at the meeting on May 12<sup>th</sup>, and on May 18<sup>th</sup> the Committee will be asked to make a recommendation to the Board on the allocation of the Rate Stabilization Fund balance to the various components.

#### Baseload Transmission Factors

Tim Cervený, Manager of Resources, Transmission and O&M Services

Baseload Transmission Factors include economics, performance, operating strategy, regulatory environment, and MEAN's minority interest ownership in eight coal-fired facilities (200 MW). The economy drives the market, and integrated markets, subsidies for renewable resources, transmission congestion, and natural gas pricing factor into that. Performance factors are dependent on investment in facilities, and good management practices (e.g., not running a plant too hard) which are out of MEAN's control. Operating; cycling of units and heat rate impact, and the regulatory environment are all factors in baseload transmission.

#### Enterprise Risk Management Program

Robin Spady, Director of Risk & Compliance/Regulatory Counsel

An analysis of Enterprise Risk Management (ERM) is currently underway which will help identify areas of organizational risks both internally by MEAN staff, and by Committee representatives through one-on-

one meetings. This will assist representatives in making recommendations to the MEAN Board of Directors on which risks to focus on. The ERM program timeline was presented and Baseload Facility Transition Planning from an ERM perspective was discussed.

### **MEAN Meeting Public Participation Policy**

Presenter: Michelle Lepin, Associate General Counsel

MEAN staff presented a draft policy regarding public participation at MEAN public meetings. Under the Nebraska Open Meetings Act, public bodies can make and enforce reasonable rules and regulations regarding the conduct of members of the public at meetings. The MEAN staff has developed the proposed policy for consideration by the MEAN Committees and the Board. The policy would replace the current Public Comment Period Rules and would be incorporated into MEAN's Financial and Administrative Policies and Guidelines after the Committees and the Board have had sufficient time to review and comment on the proposed public participation policy language. Discussion ensued. No action was taken to approve the proposed policy language as MEAN staff will seek a recommendation from the MEAN Committees for Board approval at a future meeting.

MEAN staff recommends the Risk Oversight Committee consider a recommendation to the Board of Directors to approve the modifications to MEAN's Financial and Administrative Policies and Guidelines as presented.

*Motion: Chris Rodman moved for the Risk Oversight Committee to recommend the Board of Directors approve the changes to MEAN's Financial and Administrative Policies and Guidelines as presented. Brent Nation seconded the motion, which carried on a unanimous roll call vote.*

The Finance Committee and Power Supply Committee also approved recommendations for the Board of Directors to approve the changes to MEAN's Financial and Administrative Policies and Guidelines as presented.

### **RATE STRUCTURE**

Presenter: Jamie Johnson, Director of Finance & Accounting

In the future, MEAN wants to be sure its Fixed Cost Recovery Charge (FCRC) has components of all of the different ways MEAN procures energy. The energy charge has all the resource-related costs that are not included in the FCRC. Refer to the Financial and Administrative Policies and Guidelines for the full wind rate and landfill gas energy environmental attribute rate policies.

MEAN's renewable rate concept works with the potential change in underlying costs of the FCRC and ensures all participants pay for the capacity portion of all of MEAN's resources. It also eliminates the concerns regarding how market dynamics impact the cost of resources and continues to allow participants who want to be "more renewable" than MEAN is overall, to customize their resource mix.

MEAN is contemplating a new section in MEAN's Schedule of Rates and Charges to document the "E-rate". It will be similar to the current policy in that the "E-rate" won't be less than the Participant's contracted energy charge. It is a subscription based on a historical amount and is an add-on to participants' contracted energy charges. There must be agreement on the "E-Rate" to implement it.

Discussion ensued to include: Can someone who subscribes now, give up their portion later? What if due to political pressure a community needs to do something else? MEAN is in that position now and has received formal requests from communities but until MEAN has a resource change, it is not going to

overextend itself. Those changes are coming, and most likely replacements will be renewables. The policy needs to be written to work with impending resource changes.

**DEBT STRATEGY AND REFUNDING CONSIDERATION**

Presenter: Jamie Johnson, Director of Finance & Accounting

A municipal bond market update and information on refunding opportunities were presented including the AAA MMD Rate Position from June 8, 1981, inception to April 13, 2022, yield curve movement since last year, and since January of 2022.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 3:18 p.m. (CT)

Prepared by:  
Stacy Hendricks  
Municipal Energy Agency of Nebraska

Submitted by:  
Brad Hans  
Director of Wholesale Operations  
Municipal Energy Agency of Nebraska