

MINUTES OF REGULAR BUSINESS MEETING OF THE
BOARD OF DIRECTORS
THE CENTRAL NEBRASKA PUBLIC POWER AND IRRIGATION DISTRICT
GOTHENBURG, NEBRASKA
OCTOBER 7, 2013 – 9:00 AM

This meeting was publicly advertised in accordance with Section 84-1411 of the Nebraska Statutes by a notice on Radio Station KUVR on September 30, 2013, giving the time, date, and place of the meeting and the information that the Agenda was available in advance at the Office of the Assistant Secretary.

Individual cards giving the time, date, and place of this meeting were mailed to the Directors on September 20, 2013.

The following Directors were present:

Dudley L. Nelson, President	Robert A. Garrett	William E. Knoerzer
David L. Rowe, Vice President	Robert L. Petersen	Gordon N. Soneson
K. Scott Olson, Secretary	Richard J. Hove	Geoffrey K. Bogle
Martin E. Mueller		

The following Directors were absent: Robert B. Dahlgren and Roger D. Olson

Also present were the following:

Don D. Kraus, General Manager	Devin M. Brundage, Electrical Super.
David R. Ford, Irrigation Division Mgr.	Rochelle A. Jurgens, Controller
Eric R. Hixson, Engineering Services Mgr.	Holly G. Hiebert, Public Relations Asst.
Michael A. Drain, Natural Resources Mgr.	Jeff J. Buettner, Public Relations Coord.
Cory A. Steinke, Civil Engineer	Michael C. Klein, Legal Counsel
Kevin M. Boyd, Gothenburg Division Mgr.	Emily J. Anderson, Assistant Secretary

Others present:

Ken Christensen, IBEW #2185	E. Barrett, Gothenburg Times
Anne Anderson, Gothenburg Chamber	Ron Fowler, JLDI
Dan Neben	

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The President announced that information for the public concerning the Open Meetings Act was available for interested parties to view.

At 9:00 AM, the Board President, Dudley L. Nelson, announced that the meeting was open for business and proceeded with roll call.

PUBLIC INPUT: Ron Fowler commented on the great job Central did getting the roads graded. The sanitation bid was awarded to Dan's Sanitation. The last JLDI meeting for the season will be held on October 15, 2013.

Anne Anderson from the Gothenburg Chamber of Commerce complimented the new facilities and thanked Kevin Boyd for inviting her to the meeting.

Dan Neben addressed the Directors by stating he lives in northwest Phelps County, near the proposed site of the J-2 Regulating Reservoir. He would like to be informed with a general timeline of when the project might begin so he has ample time to relocate his family.

CONSENT AGENDA: President Nelson asked the Directors if there were items they wished to be removed from the following consent agenda and discussed and voted on individually.

- **Approval of Minutes of Regular Business Meeting of the Board of Directors held September 3, 2013**
- **Approval of Minutes of Special Meeting of the Board of Directors held September 19, 2013**
- **Approval of Minutes of Committee Meeting of the Board of Directors held September 27, 2013**
- **Approval of the September Disbursements:**
 - Hydro Division Vouchers:*
 - Check #44704 \$VOID
 - Check #44777 through 45012 (Accounts Payable) \$1,158,881.53
 - #99341 through 99346
 - Check #9908895 through 9908994 (Payroll) \$311,251.85
 - Kingsley Division Operations Disbursements:*
 - Check #2619 through 2625 (Accounts Payable) \$67,855.92
 - Glendo Division Disbursements:*
 - Check # \$NONE
 - Flex Spending Account Disbursements:*
 - Check #6788 through 6793 \$2,375.94
- **Approval of Water Service Agreement**
"14" Yr WATER SERVICE AGREEMENTS (Standard 10-Yr Term + Add'l 4-Yr Term due to AWEP)
Phelps.....6172606....NW1/4 & N1/2 SW1/4 26-6-17. Steve K & Mardell R Larson....209.....(1)
- **Approval of Right of Way Transaction**
APPLICATIONS FOR REMOVAL OF BRIDGE OR CROSSING
E65 E65#391 N1/2NW1/4 12-6-19 W-C Inc. (Wesley P. Nelson)
- **Approval of 2013 Budget Amendments**
 - a. J-2 Feasibility Study (\$35,000 transferred from General License Admin Expense)
 - b. Construction Work Order No. 186613 (\$16,500 for E65-23.7-5.2R Pipeline from Bertrand Earthwork and Bank Protection)
- **Approval of Variance Request by Marvin and Becky Crawford (8 S. Crappier Corner Dr 3, Johnson Lake)** – Approve a variance of 2’ of the 6’ maximum width of a pathway to the shoreline and also provide a second access point to the shoreline to accommodate a handicapped member of the family
- **Approval of Variance Request by Gordon Svoboda (3 Kirby Point Dr 2, Johnson Lake)**- Approve a variance of 10’ of the 50’ setback from the Normal Shoreline across the entire frontage of the lot
- **Approval of the Allocation Guidelines for Public Relations Expenses**

Allocation Guidelines for Public Relations Expenses

Background

These guidelines will be used by the Accounting Department to consistently determine how public relations expenses are to be allocated.

The Kingsley Agreement states in part at Article V.5.(7): *“The Central District will charge directly to each system, division, or project of Central District all administrative and general expenses (as defined in the Uniform System of Accounts) that can be identified as relating directly to the operation or maintenance of such system, division, or project, and all administrative and general expenses relating directly to capital projects, including but not limited to general plant and equipment, that can be identified as relating to a capital project in such system, division or project. Such direct charges shall include, but not be limited to, payroll and all associated payroll related adders (such as FICA, retirement fund contributions, workers compensation, and employee benefit insurance), travel, subsistence, and consultant fees and expenses. A percentage of the remaining administrative and general expenses of Central District which are not directly charged to a system, division or project shall be allocated to the Kingsley Project*

based upon the ratio of the average annual Kingsley Project operating revenues for the three calendar years immediately preceding the year for which the allocation is made divided by the average annual total operating revenues of the Central District for the said three years.”

Guidelines:

A public relations expense that is directly related to a single system, division or project of Central shall be allocated to that system, division or project. A public relations expense that is directly related to more than one system, division or project but not all of the systems, divisions or projects of Central shall be reasonably allocated between those systems, divisions or projects. The remaining public relations expenses of Central shall be allocable A&G expenses.

For example, if the purpose is to promote surface water irrigation, it should be allocated 100% to the irrigation division. If the purpose is to promote the benefits of hydropower, it should be allocated between the Supply Canal Hydro Plants and the Kingsley Hydro Plant *based on accredited capacity*. If the purpose is to promote the District in general, it should be an allocable A&G expense.

The following are some specific examples:

- Advertising in the “Central Nebraska Wildlife Viewing Guide” - this publication promoted Central in general and should be charged as an allocable A&G expense.
- A ½ page advertisement funded by Central in the Keith County Profile Magazine is charged as an allocable A&G expense because it is public image advertising.
- Sponsoring a Water Conference in Phelps, Gosper or Kearney county is directly related to the irrigation system and should be charged directly to the Irrigation Division.
- Advertising related to endangered or threatened species that is required by a FERC license requirement is charged to the proper FERC account within the Hydro Division (example – Eagle Viewing). Then 25% of the FERC expenses are transferred to the Kingsley Hydro Division, but are not a billable Monthly Power Cost expense (See Policy for Transferring FERC License Expense approved by General Manager Feb. 22, 2000).

➤ **Approval of the Allocation Guidelines for NERC Expenses**

Allocation Guidelines for NERC Expenses

Background

These guidelines will be used by the Accounting Department to consistently determine how North American Electric Reliability Corporation (NERC) expenses are to be allocated.

General NERC expenses will be allocated based on the number of facilities regulated. The generating stations regulated, because they are above 20MVA, are the Kingsley Hydro and the J2 Hydro. The substations at Kingsley, Jeffrey, J1 and J2 are regulated because of the voltage level being above 100kV. There are six facilities registered now, two of which are in the Kingsley Hydro Division. Therefore 2/6 or 33% of NERC expenses will be allocated to the Kingsley Hydro Division.

NERC expenses will be directly charged as much as possible first. The remainder will be allocated 33% to the Kingsley Hydro and 67% to the Supply Canal Hydros. If the Jeffrey and J1 plants become regulated by NERC, the allocation will be modified accordingly.

Guidelines:

A NERC expense that is directly related to a single system, division or project of Central shall be allocated to that system, division or project. A NERC expense that is directly related to more than one system, division or project but not all of the systems, divisions or projects of Central shall be reasonably allocated between those systems, divisions or projects.

The following are some specific examples:

- Consultant expense for setting up or reviewing Central's NERC/MRO Compliance Plan will be an allocated expense.
- N-Dimension software/hardware used for compliance with NERC CIP regulations at the Gothenburg Control Center and the Backup Control Center located at J2 will be an allocated expense.
- Blackstart testing and documentation associated with Kingsley Hydro will be directly charged to Kingsley Hydro.
- NPPD analyzing an operation of PCB 8232 at J1 to determine if it operated correctly will be directly charged to the Supply Canal Hydros.

It was moved by Director Petersen, seconded by Director Garrett, that the Board approve the Consent Agenda as presented. Upon voting on the motion, the following Directors voted therefore: Bogle, Garrett, Hove, Knoerzer, Mueller, Nelson, S. Olson, Petersen, and Soneson. Rowe abstained. None voted no and the motion was declared carried.

SUPPLEMENTAL WORK ORDER NO. 107306: Kevin Boyd explained he was able to negotiate with Dowhower to perform the additional work to extend the concrete behind the cold storage building in exchange for them not having to redo the concrete in another area. The Work Order will not be needed.

EASEMENT FROM DAWSON COUNTY FOR HIKE/BIKE TRAIL: Don Kraus stated this easement from Dawson County is for the land around the Hike/Bike Trail. Mike Klein preliminarily reviewed the easement and it appears to be standard and acceptable.

It was moved by Director S. Olson, seconded by Director Hove, that the Board approve the Easement from Dawson County for the Hike/Bike Trail pending legal review. Upon voting on the motion, the following Directors voted therefore: Garrett, Hove, Knoerzer, Mueller, Nelson, S. Olson, Petersen, Rowe, Soneson, and Bogle. None voted no and the motion was declared carried.

AMENDMENT NO. 1 TO WATER SERVICE AGREEMENT FOR GROUNDWATER RECHARGE FROM EXCESS FLOWS BETWEEN THE CENTRAL NEBRASKA PUBLIC POWER AND IRRIGATION DISTRICT, NEBRASKA DEPARTMENT OF NATURAL RESOURCES AND TRI-BASIN NATURAL RESOURCES DISTRICT: Don Kraus explained the purpose of this amendment is to increase the total amount diverted from 10,000 acre feet to 15,000 acre feet as requested by Tri-Basin and NDNR.

It was moved by Director S. Olson, seconded by Director Mueller, that the Board approve the Amendment No. 1 to the Water Service Agreement for Groundwater Recharge from Excess Flows Between The Central Nebraska Public Power and Irrigation District, Nebraska Department of Natural Resources and Tri-Basin Natural Resources District. Upon voting on the motion, the following Directors voted therefore: Hove, Knoerzer, Mueller, Nelson, S. Olson, Petersen, Rowe, Soneson, Bogle, and Garrett. None voted no and the motion was declared carried.

UNION CONTRACT WITH IBEW LOCAL #2185 EFFECTIVE SEPTEMBER 24, 2013 THROUGH DECEMBER 23, 2016: Don Kraus informed the Directors that the Administration Committee is recommending approval of the contract.

It was moved by Director Garrett, seconded by Director Knoerzer, that the Board approve the Union Contract with IBEW Local #2185 for the period of September 24, 2013 through December 23, 2016 as presented. Upon voting on the motion, the following Directors voted therefore: Knoerzer, Mueller, Nelson, S. Olson, Petersen, Rowe, Soneson, Bogle, Garrett, and Hove. None voted no and the motion was declared carried.

SALARY AND BENEFIT CHANGES FOR SALARIED AND CONFIDENTIAL PERSONNEL: Don Kraus explained these changes are consistent with the changes made to the union contract.

It was moved by Director S. Olson, seconded by Director Petersen, that the Board approve the Salary and Benefit Changes for Salaried and Confidential Personnel as presented. Upon voting on the motion, the following Directors voted therefore: Mueller, Nelson, S. Olson, Petersen, Rowe, Soneson, Bogle, Garrett, Hove, and Knoerzer. None voted no and the motion was declared carried.

RESOLUTION NO. 13-06 – RETIREMENT PLANS: Don Kraus explained these documents will freeze the current retirement plan and create a defined contribution plan for new employees to participate in.

Resolution 13-06

WHEREAS, the Board of Directors of The Central Nebraska Public Power and Irrigation District (the “District”) maintains the Amended and Restated The Central Nebraska Public Power and Irrigation District Employees’ Retirement Plan (the “Pension Plan”) and The Central Nebraska Public Power and Irrigation District Employees’ Defined Contribution Retirement Plan (the “Defined Contribution Plan”);

WHEREAS, the District previously froze the Pension Plan and replaced it with the Defined Contribution Plan with respect to employees who are not represented for collective bargaining purposes by the International Brotherhood of Electrical Workers Local Union 2185 beginning work with the District on or after April 13, 2013;

WHEREAS, the District desires, among other things, to complete the freeze of the Pension Plan and replace it with the Defined Contribution Plan with respect to employees who are represented for collective bargaining purposes by the International Brotherhood of Electrical Workers Local Union 2185 and begin work with the District on or after November 1, 2013;

WHEREAS, pursuant to Section 12.1 of the Pension Plan and Section 9 of the Defined Contribution Plan, the Board of Directors of the District is authorized to amend the Pension Plan and Defined Contribution Plan.

WHEREAS, the Pension Plan and Defined Contribution Plan according to applicable law and guidance must be restated to incorporate all current and prior amendments; and

WHEREAS, amended and restated Pension Plan and Defined Contribution Plan documents to accomplish the foregoing are presented with this Resolution as Exhibits A and B.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the District hereby adopts and approves the following:

BE IT RESOLVED that the amended and restated Pension Plan and Defined Contribution Plan documents in form and content presented with this Resolution and incorporated herein as Exhibits A and B are hereby adopted and approved, subject to review and any modifications as the General Manager or other proper officer of the District or said officer’s designee determines necessary or appropriate in consultation with legal counsel (“Restated Pension Plan and Defined Contribution Plan Documents”).

BE IT FURTHER RESOLVED that the General Manager or other proper officer of the District or said officer’s designee is hereby authorized and directed to execute the Restated Pension Plan and Defined Contribution Plan Documents, to provide the same to the Trustee (for its written acceptance, if determined necessary or appropriate), to file said plan documents with the Internal Revenue Service for determinations as to the qualified status thereof under the Internal Revenue Code, including, but not limited to, Code sections 401(a) and 501(a), and to make and adopt such further amendments and/or take such further actions, as

are necessary or appropriate to maintain the tax qualified status of the Plans, obtain favorable determinations from the IRS and carry out the actions approved in this Resolution.

BE IT FURTHER RESOLVED that all prior actions of the General Manager, Assistant Treasurer or any other officer, employee or person pursuant to Resolution 13-01 which approved the initial Pension Plan freeze and replacement Defined Contribution Plan, or to carry out any action authorized or approved in said resolution, are hereby ratified, affirmed, adopted and approved, effective, unless otherwise specified, on the dates said actions were taken.

It was moved by Director Knoerzer, seconded by Director Soneson, that the Board approve Resolution No. 13-06 as presented. Upon voting on the motion, the following Directors voted therefore: Nelson, S. Olson, Petersen, Rowe, Soneson, Bogle, Garrett, Hove, Knoerzer, and Mueller. None voted no and the motion was declared carried.

APPOINT BOARD VACANCY AD HOC COMMITTEE: Don Kraus stated the Ad Hoc Committee will consist of the Gosper County Directors, those being: Geoffrey K. Bogle, Richard J. Hove and William E. Knoerzer. He discussed the proposed timeline and expects the Board to select Hove's replacement at the November 4th Board meeting with the new Director taking office on December 2, 2013.

STORAGE WATER USE – 2014: This was discussed in Closed Session.

J-2 REGULATING RESERVOIR AGREEMENT FOR ENGINEERING SERVICES: Don Kraus stated Central staff has previously reviewed RJH Consultants, Inc.'s proposal for the engineering services with the Board. Central is requesting that insurance be increased based upon the recommendation from Central's insurance agent. Staff recommends approval subject to legal review regarding the insurance issue.

It was moved by Director Petersen, seconded by Director Knoerzer, that the Board approve the Agreement for Professional Services with RJH Consultants, Inc. subject to legal review. Upon voting on the motion, the following Directors voted therefore: S. Olson, Petersen, Rowe, Soneson, Garrett, Hove, Knoerzer, Mueller, and Nelson. Bogle voted no. Motion was declared carried.

J-2 REGULATING RESERVOIR AGREEMENT FOR LAND ACQUISITION SERVICES: This was discussed in Closed Session.

EMPLOYEE HANDBOOK: Changes have been made to the handbook to match the changes to the union contract.

It was moved by Director Soneson, seconded by Director Hove, that the Board approve the Employee Handbook as presented. Upon voting on the motion, the following Directors voted therefore: Petersen, Rowe, Soneson, Bogle, Garrett, Hove, Knoerzer, Mueller, Nelson, and S. Olson. None voted no and the motion was declared carried.

LEGISLATION: Jeff Buettner stated the LB517 Taskforce will resume meetings this week in Alliance with it being their last educational session. The taskforce will then begin meeting weekly to create a plan to present to the Legislature.

DIRECTORS' ATTENDANCE:

It was moved by Director Mueller, seconded by Director Rowe, that the Board excuse Roger D. Olson and Robert B. Dahlgren from the meeting. Upon voting on the motion, the following Directors voted therefore: Rowe, Soneson, Bogle, Garrett, Hove, Knoerzer, Mueller, Nelson, S. Olson, and Petersen. None voted no and the motion was declared carried.

BOARD COMMENTS: Director Petersen complimented the Gothenburg remodel and addition.

OPERATIONS REPORT: The following operations reports were presented:

- a. Kevin Boyd thanked Don Kraus for encouraging the Directors to approve the Gothenburg remodel. He thanked Devin Brundage for taking on the work of negotiating with the contractors and managing the remodel. He is updating the Dam Safety Plan to include emergency contract information to satisfy FERC.
- b. Devin Brundage demonstrated the technology in the new conference room. He and Kevin Boyd will give the Directors and staff a tour of the facilities following the meeting.
- c. Jeff Buettner had a busy month of tours. There were representatives from Metropolitan Utilities District and Kansas City Power and Light out recently to tour the hydro plants. He informed the Directors of several upcoming meetings they may be interested in attending. He will update the Board website with a list of meetings.
- d. Cory Steinke stated Lake McConaughy is shut off. He expects at least another week of excess flows from flooding.
- e. Mike Drain received the annual letter from FERC reminding Central of dam safety requirements.
- f. Eric Hixson stated the repairs are complete on the bypass valve at Kingsley Hydro.
- g. Holly Hiebert recently attended the Water Leaders Academy on the Niobrara River. She is traveling to Scottsbluff later today for an event to educate 5th graders about hydro power.
- h. Rochelle Jurgens informed the Directors of the receipt of funds from the Platte River Program for the J-2 Regulating Reservoir project. Central also made its contribution.
- i. Dave Ford stated the irrigation bills for all 1,181 accounts were sent out last week. He discussed two wells on E65 that are problematic, one of which has collapsed. Allen Blasting and Coating will begin work on the siphon on October 21, 2013.

A break was taken at 9:56 a.m. The meeting resumed at 10:16 a.m.

At 10:16 AM it was moved by Director Knoerzer, seconded by Director Mueller, that the Board go into Closed Session to discuss legal matters. Upon voting on the motion, the following Directors voted therefore: Soneson, Bogle, Garrett, Hove, Knoerzer, Mueller, Nelson, S. Olson, Petersen, and Rowe. None voted no and the motion was declared carried. President Nelson stated that the items to be discussed in closed session are: J-2 Regulating Reservoir – Land Acquisition Agreement and Storage Water Use – 2014.

At 11:06 AM it was moved by Director Garrett, seconded by Director S. Olson, that the Board exit Closed Session and reconvene in Regular Session. Upon voting on the motion, the following Directors voted therefore: Bogle, Garrett, Hove, Knoerzer, Mueller, Nelson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried. President Nelson stated that the items discussed in closed session were: J-2 Regulating Reservoir – Land Acquisition Agreement and Storage Water Use – 2014.

It was moved by Director Garrett, seconded by Director Soneson, that the Board accept Midwest Right of Way Services, Inc.'s Proposal for Right of Way Services with regard to the J-2 Regulating Reservoir Project subject to legal review. Upon voting on the motion, the following Directors voted therefore: Soneson, Garrett, Hove, Knoerzer, Mueller, Nelson, S. Olson, and Petersen. Bogle and Rowe voted no. The motion was declared carried.

The meeting adjourned at 11:07 AM.

ATTEST:

THE CENTRAL NEBRASKA PUBLIC POWER
AND IRRIGATION DISTRICT

K. Scott Olson, Secretary

By _____
Dudley L. Nelson, President