

LOUP POWER DISTRICT

Board Summary

April 23, 2008

Loup River Water Issues —

Loup River Water Issues were reviewed. The best way to protect the District's 3,500 cfs water right was addressed. The original water right was received in 1934. This water right is a perpetual water right. To protect the District's water right the District made a call on the river in 1955. The DNR (Department of Natural Resources) has considered this a continuous call until this year.

The District also has a power lease from the state of Nebraska, which was received in 1934 and amended in 1936. The power lease allows the District to generate power from the water of the Loup River. This power lease was for a 50 year term with no renewal.

Over the years the District has developed subordination agreements from junior water right users as irrigators have preference over power users. A subordination agreement allows water users to use water from the Loup River but they must pay the District for this usage. The payment has been \$1.00 per acre foot. The DNR has assisted the District in collecting data from the junior water right users.

The District went to the legislature in the early 1970s to change the power lease restrictions on renewal. During the hearings on this issue the District was having trouble with the irrigators so the District agreed to eliminate collection of the subordination fee after 1983 from water right users prior to 1972. This allowed the lease to be renewed for a 50 year term in 1980.

Currently the District keeps track of 250-300 water users. At one time the District had kept track of over 700 junior water appropriators.

The DNR is now requiring the District to make an annual call on the river. The DNR has manpower issues but will help the District through 2008 to make calculations for billing the water right users. On March 27, the District had a tour at the Columbus Powerhouse with two individuals with the DNR.

On April 10th the District held a tour of the canal and the Columbus Powerhouse with the Lower Loup Natural Resources District (LLNRD) Board. The LLNRD Board is concerned about the Loup River being declared fully appropriated by the NDR.

The District needs to decide whether or not to make a call on the Loup River. Additionally, the District needs to review the calculation for billing the water users under the subordination agreement and review the terms and conditions of these agreements.

Approval was given for the District to place an

annual call on the Loup River waters to the DNR to protect the District's water right.

NPPD ETR Project —

President/CEO Neal Suess informed the Board of the status of the ETR (Electric Transmission Reliability) project and transmission line. This will involve a new 345kV transmission line from Columbus to Lincoln. The construction scheduling has been set. The District will need to move a 34.5kV line that comes from the Columbus East Sub. The District will be reimbursed for this by NPPD.

NPPD Power Supply Issues —

NPPD has discussed some power supply issues with wholesale customers including environmental issues, wind power, transmission, etc. that were presented at a meeting on April 19th.

ADM Generation Billing —

The ADM Generation Billing was discussed. ADM is expanding rapidly. The District is working with NPPD on both wholesale and retail rate structures for the generation facility for ADM. This rate structure must follow PURPA guidelines. Three scenarios have been worked out.

Case A – Buy/Sell arrangement with NPPD purchasing power from ADM at a percentage of the wholesale GFPS rate and included as part of the NPPD overall power supply. The District would sell all power to ADM under the existing LP-2 rate schedule.

Case B – Buy/Sell arrangement with NPPD purchasing power from ADM using NPPD's avoided cost rate and included as part of the NPPD overall power supply. The District would sell all power to ADM under the existing LP-2 rate schedule.

Case C – A Standby option where ADM would use the generation to meet their own load. ADM would declare a base level of demand and a standby level of demand. Depending upon the level of the load and generation some pricing would be based on the existing LP-2 rate schedule and other pricing at the standby rate level.

Legislative Bills —

Several bills that were before the legislature were reviewed. LB766 was adopted. This bill will regulate scrap metal. LB921 was opposed by the NPA. This bill would adopt the Nebraska Energy Independence Act. LB1065 and LB1066 were supported by the NPA. These bills were in regard to power generation throughout the state.

(Continued on next page.)

Adrian Smith Subcommittees —

Adrian Smith, Nebraska's Third District Congressman will be serving on the House Natural Resources Water and Power Subcommittee and the Energy and Mineral Resources Subcommittee. The Water and Power Subcommittee has jurisdiction over federal policies concerning issues such as irrigation, water recycling and hydropower.

Mitigation Plan —

A proposal to develop a Mitigation Plan to send to FEMA for rebuilding the Petersburg subtransmission line that was temporarily rebuilt after the New Year's ice storm of 2007 was reviewed. RVW has assisted other public power districts in preparing mitigation plans for FEMA. The District could receive as much as 75 percent of the cost of the funding for the project. The estimated cost to do the mitigation plan is \$12,000. The District would be responsible for \$3,000 if approved by FEMA.

Approval was given for the District to contract with RVW to develop a mitigation plan to rebuild the 34.5kV subtransmission line from the Petersburg sub into Petersburg and make it standard vertical construction.

Scholarships —

Board Chairman Merrill will present the Columbus High and Scotus scholarships and Director Kracl will present the Schuyler scholarship.

AED Defibrulators —

Safety and Training Supervisor Rick Prater gave a demonstration on the AED defibrulators. Operations Manager Kendall Christensen assisted in demonstrating how to use the defibrulators.

Each District office and crew has an AED defibrillator on hand to be used in case of emergency.

Relicensing Meetings —

President/CEO Neal Suess informed the Board of the hydro relicensing meetings that will be taking place over the next couple of months. An agency meeting will be held on May 7th at Wunderlichs with public meetings to follow on June 10th in Columbus and June 11th in Genoa to kick off the relicensing process.

APPA —

Board Chairman Merrill stressed the importance of the District being a part of APPA (American Public Power Association).

The following work orders were approved.

| <u>W.O. No.</u> | <u>Description</u> |
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| 01995 | Responsibility Area 923 Budget Code 1492 Item No. 3 |
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This work will consist of installing six new poles, building an underground riser and stringing new 1/0 ACSR conductor with a #2 neutral wire. This work is being done to provide equipment service at the Preferred Rock site located near the Genoa Headworks.

Suppl #1

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| 1872 | Responsibility Area 923 Budget Code 1292 Item No. 15 |
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This work was required to relocate a feeder along 25th Street to 29th Avenue and south across 23rd Street due to the building of a new Hy-Vee in Columbus.

This supplement is required because the amount of labor required was underestimated. Due to working with the contractor the crews were required to mobilize and de-mobilize from the site several times resulting in inefficiencies. Also, installing the pipe under Highway 30 near Spady's required more time than estimated.

Suppl #1

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| 1919 | Responsibility Area 923 Budget Code 1492 Item No.4 |
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This work order was required to build .69 miles of 3 phase underbuild on T.L. 3408 east of Newman Grove Substation.

This supplement is required to increase funds because labor and transportation costs were more than estimated due to the crews starting and stopping on this job due to the ice storm and other obligations.

Suppl #1

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| 1921 | Responsibility Area 923 Budget Code 1492 Item No. 5 |
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This work order was to install 27 new poles and string 84,180 feet of T2-1/0 conductor to upgrade the line between the NE Cedar Substation and Cedar Rapids.

This supplement is required because twice as much labor was required than estimated to complete the job and the cost of aluminum wire increased 72% from the time the estimate was prepared resulting in a \$22,700 increase in material costs.

Suppl. #1

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| 1966 | Responsibility Area 923 Budget Code 1492 Item No. 3 |
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This work order installed 64 new poles, string 63,000 ft. of 1/0 ACSR and building four transformer banks to serve five new irrigation services.

This supplement is required because more labor and transportation was required due to the travel time to the construction site. Also, the cost of poles and the 1/0 ACSR was more than estimated.