

LOUP POWER DISTRICT
BOARD OF DIRECTORS
October 19, 2021

The regular meeting of the Board of Directors of the Loup River Public Power District was held at the Loup Power District Board Room, Columbus, Nebraska on October 19, 2021.

Notification of the meeting was published in the Columbus Telegram and on the Loup Power District website.

Director Knott presided as Chairman of the meeting and Assistant Secretary Angell Robak recorded the minutes.

Roll call showed:

Present: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott

Absent: Donoghue, Zach

Staff Present: Neal Suess, Korey Hobza, Walt Williams, Dan Hellbusch, Todd Duren, and Amanda Henry

Absent: None

Others: Molly Hunter-Columbus Telegram

Chairman Knott reminded everyone of the open meetings law and stipulated this meeting would be conducted according to the Nebraska open meetings law. Chairman Knott also stated he would be conducting the meeting based on Robert's Rules of Order.

President/CEO Suess welcomed Ms. Hunter to the meeting.

Director Aerni made a motion to excuse the absences of Directors Donoghue and Zach. Director Heesacker seconded the motion and roll was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott

Nay: None

Absent: Donoghue, Zach

The motion carried.

The minutes of the September 28, 2021 meeting were approved.

The following reports were presented to the Directors: the September 2021 Staff Operations Report – Exhibit 21-151; the September 2021 Bank Reconciliation Report – Exhibit 21-152; the September 2021 Vendor Payment Report – Exhibit 21-153. Additional reports presented to the Directors included various financial metrics of the District for September 2021 – Exhibit 21-154; selected financial information – Exhibit 21-155; and NPPD's Board of Directors Board Meeting Agendas for the October 13-14, 2021 NPPD Board Meeting – Exhibit 21-156.

Executive Committee

After a request by Chairman Knott, Directors Fleming, Langemeier and Aerni volunteered to serve as the nominating committee for developing the slate of officers for 2022.

A letter addressing District Water Issues is filed as Exhibit 21-157.

President/CEO Suess indicated that, regarding license compliance, there has been no activity during the past month. Mr. Suess stated that management is waiting on the Federal Energy Regulatory Commission (FERC) to provide advice on filing the license amendment as well as provide guidance regarding the Biological Opinion (BO) due to the United States Fish and Wildlife Service (USFWS) comments made in 2020. Mr. Suess noted that management is working with Mike Gutzmer of New Century Environmental, LLC, on year-end reports and updating the Loup Bypass Reach Streambank Monitoring Plan. President/CEO Suess reiterated the hearing on the District's intervention in the revised interbasin water transfer case was held on July 19, 2021, and stated the Department of Natural Resources (DNR) is reviewing the information and hearing transcripts. Mr. Suess stated the DNR could make a ruling at any time, and once that ruling is made, further discussion will take place regarding the next steps to be taken. President/CEO Suess indicated the District continues to hold in abeyance the Eighth Circuit Court of Appeals filing for review of the License Order, with the next filing expected to take place in early November 2021. Mr. Suess restated that management has submitted to FERC a plan and schedule for Canal remediation which indicates its sixty percent design drawings and calculations are expected to be completed and submitted to FERC by the end of October 2021. Mr. Suess added this would allow for bidding of the project in spring 2022, with completion expected in fall 2022, noting that a possible license amendment could alter this timeline. President/CEO Suess indicated that repair work continues on the jetties in the Loup River bypass reach that were damaged during the mid-March 2019 storm event. Management and the Board discussed several items related to the District's hydroelectric license.

Rates Committee

A letter regarding NPPD's Proposal for the 2022 Wholesale PCA is filed as Exhibit 21-158.

President/CEO Suess indicated that in August 2021, NPPD management's initial proposal for General Firm Power Service (GFPS) wholesale rates for 2022 was presented to the NPPD Board. Mr. Suess stated that this proposal included a 5.0 percent transmission increase with a 0.8 percent production decrease, which would amount to no change to base wholesale costs. Mr. Suess noted that the 2022 Production Cost Adjustment (PCA) included an estimated one-time refund of \$10.7 million, with an approximate 10 percent increase in wholesale power costs. Mr. Suess added the PCA proposal is not part of the GFPS proposal and stated that management believes there is no need for a rate hearing on the base proposal. President/CEO Suess indicated that NPPD predicts a surplus of \$197 million for 2021, mainly due to the February 2021 winter storm event. Mr. Suess noted that NPPD has heard from some of its wholesale customers voicing that they prefer to keep overall costs more levelized than what was proposed in August. President/CEO Suess indicated that in late September and early October, NPPD discussed with its wholesale customers a proposal for the wholesale PCA in 2022 which included using half of the 2021 surplus to pay down debt and returning the remaining fifty percent of the surplus to its wholesale customers through a declining PCA refund in both 2022 and 2023, with a 1.0 percent wholesale cost increase in 2022, a 3.6 percent wholesale cost increase in 2023, and a 6.2 percent wholesale cost increase in 2024. Mr. Suess stated that on October 8, 2021, members of Nebraska Electric Generation and Transmission Cooperative (NEG&T) met with management from the District and Southern Power District, where other wholesale customers indicated they would like more of the surplus money refunded and less used to pay off debt, preferring a 70/30 percentage

split, and keeping the PCA level in 2022 at the same level as 2023. Mr. Suess shared an additional proposal that NPPD management presented to its Board at the October 14, 2021, NPPD Board meeting, which included keeping the PCA level the same for 2022 with no wholesale cost increase in 2022, using half of the surplus to pay off debt, a 5.7 percent wholesale cost increase in 2023, and a 5.2 percent wholesale cost increase in 2024. President/CEO Suess indicated that NPPD management expects to present one of these proposals to its wholesale customers in late October, after which time wholesale customers will have thirty days to request a rate hearing. Management and the Board discussed the various NPPD 2022 wholesale PCA proposals.

Finance and Budget Committee

A letter regarding Amendment One to the 2021 Construction Budget is filed as Exhibit 21-159.

President/CEO Suess recommended the Board approve Amendment One to the 2021 Construction Budget.

Director Cerv made a motion to approve Amendment One to the 2021 Construction Budget. Director Fleming seconded the motion.

President/CEO Suess informed the Board that Amendment One to the 2021 Construction Budget decreases the original 2021 Construction Budget from \$6,165,000 to \$5,958,000, a decrease of \$207,000. He then detailed the changes that occurred in 2021 which changed the original Construction Budget.

The question was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott

Nay: None

Absent: Donoghue, Zach

The motion carried.

A letter regarding the 2022 Operating Proforma is filed as Exhibit 21-160.

Management recommended the Board approve the base Operation and Maintenance portion of the budget be increased by 6.0 percent for all costs, including wages.

Director Cerv made a motion to instruct management to increase the base Operation and Maintenance portion of the 2022 budget by 6.0 percent for all costs, including wages. Director Drozd seconded the motion.

President/CEO Suess reviewed the Operation and Maintenance portion of the proposed 2022 budget and provided a comparison of retail revenue and energy sales for 2020 Actual, 2021 Budget, 2021 Projected, and a 2022 Projected Budget as part of a review of the Operating Proforma. The 2022 Projected Budget includes no base retail rate increase. President/CEO Suess also provided projections of wholesale sales and revenue and hydroelectric sales revenue. Hydro contract sales for 2022 budgeted are down from the 2021 projected, and will be dependent on water availability and the market price for power sales in the Southwest Power Pool. The 2022

Projected Budget included purchased power costs based on NPPD's projected wholesale rates. NPPD is proposing no change to wholesale base rates in 2022, and has included a one-time Production Cost Adjustment (PCA) to refund the surplus revenue in the rate stabilization account, which is larger than the refund included in last year's wholesale rate from NPPD. The projected Operation and Maintenance expense budget was developed by removing one-time items from the 2021 projected expenses. This figure was increased by 6.0 percent to account for inflation and employee wage increases. Any one-time expenses expected in 2022 were added back in to arrive at the final 2022 projected Operation and Maintenance expense budget. There was a lengthy discussion between the Board and management regarding specifics related to the 2022 Operating Proforma.

The question was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott

Nay: None

Absent: Donoghue, Zach

The motion carried.

President/CEO Suess stated there will be a meeting of the Finance and Budget Committee on November 16, 2021, at 9:00 A.M. at the General Office to discuss the 2022 Construction and Operations Budgets. All Board members are requested to attend.

Personnel, Safety, and Insurance Committee

The Payroll Changes are filed as Exhibit 21-161.

A letter regarding the Year 2022 Wage Review is filed as Exhibit 21-162.

The Personnel, Safety, and Insurance Committee recommended the Board increase the wage structure by 4.25 percent for all labor codes and a funding level increase of \$500,000 for overall wages in 2022.

Director Aerni made a motion to increase the wage structure by 4.25 percent for all labor codes and a funding level increase of \$500,000 for overall wages in 2022. Director Heesacker seconded the motion.

President/CEO Suess reviewed the proposed changes in the District's wages for 2022. Mr. Suess presented tables showing various wages and benefits for several utilities as well as differences between the District and other utilities and industries. The District uses the journey-lineman wage structure to compare to other peer utilities. The District comparison is better when benefits are added, due mainly to the lifetime health insurance benefit provided by the District, which none of the other utilities provide to new employees. A survey by management of other utilities and local industries indicated wage increases for these entities between 2.5 and 5.4 percent for 2022. Management and the Board discussed at length COVID-19 issues, as well as various aspects of the proposed wage changes, including the current benefits provided by the District.

The question was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott
Nay: None
Absent: Donoghue, Zach
The motion carried.

Resolution No. 2021-08 regarding the retirement of Dan Strong is filed as Exhibit 21-163.

Director Aerni made a motion to adopt Resolution No. 2021-08. Director Heesacker seconded the motion and roll was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott
Nay: None
Absent: Donoghue, Zach
The motion carried.

A letter regarding Discussion and Action-Wage Scale Adjustment for Hydro Superintendent and Division Superintendent-Columbus is filed as Exhibit 21-164.

President/CEO Suess requested that the Board adopt management's recommendation to increase the wage scale for the Hydro Superintendent from 16M to 17M and the Division Superintendent-Columbus from 15M to 16M.

Director Aerni made a motion to increase the wage scale for the Hydro Superintendent from 16M to 17M and the Division Superintendent-Columbus from 15M to 16M. Director Fleming seconded the motion.

President/CEO Suess indicated that Human Resource Manager Henry found in her annual wage check that the wages for the Hydro Superintendent and the Division Superintendent-Columbus seemed low given the work performed, which has increased over the past several years. Mr. Suess noted that the work requirements for the Hydro Superintendent have changed to include additional compliance requirements related to the new license, as well as dealing with the new NPPD hydro contract beginning in 2022, and continuing repairs to the Canal system from the 2019 storm event. Mr. Suess stated the Division Superintendent-Columbus oversees twice the number of employees as the Albion and Fullerton divisions, and manages a higher industrial load base with eight times the number of customers, as well as dealing with more housing developers. President/CEO Suess indicated that neither change would increase costs to the District at this time, but would allow for further pay advancement in the future.

The question was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott
Nay: None
Absent: Donoghue, Zach
The motion carried.

At this time, Vice President of Accounting and Finance/CFO Williams presented his report to the Board, which included the financial report, filed as Exhibit 21-165. Reports to the Board were

also presented by Vice President of Engineering Hobza and Vice President of Operations Hellbusch. Vice President of Corporate Services Duren presented his report to the Board, which included a COVID-19 pandemic update as it relates to the District. A report was also presented by Human Resource Manager Henry.

The investment letter is filed as Exhibit 21-166.

Director Aerni made a motion to approve the investment letter as presented. Director Heesacker seconded the motion and roll was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott
Nay: None
Absent: Donoghue, Zach
The motion carried.

The work order letter is filed as Exhibit 21-167.

Director Cerv made a motion to approve the work order letter as presented. Director Fleming seconded the motion and roll was called.

Aye: Tooley, Fleming, Cerv, Drozd, Langemeier, Aerni, Heesacker, Knott
Nay: None
Absent: Donoghue, Zach
The motion carried.

The next regular Board meeting is set for November 23, 2021 at 9:00 A.M., at the General Office.

Management continues to work with NPPD on possible outcomes due to FERC Order No. 2222, which deals with the potential aggregation of resources on the distribution system. Because of its size, the District is currently automatically opted-out, but NPPD is looking at numerous possibilities. Continued discussions will occur at future Board meetings.

President/CEO Suess indicated that management has received the initial set of numbers from CPPD regarding Humphrey's annexation, and management has reviewed the data and mapped out a plan with CPPD Staff to begin service to these customers.

President/CEO Suess stated that he spoke with Colfax and Nance Counties regarding subdivision redistricting. Mr. Suess stated that the District is prepared to submit its Charter Amendment to the Power Review Board next week.

Director Drozd made a motion to adjourn. Director Langemeier seconded the motion. The motion carried by voice vote.

Ross A Knott

Chairman of the Board

11/23/2021

Date

Angell Robak

Assistant Secretary