

N-CORPE

Nebraska Cooperative Republican Platte Enhancement Project

Board of Directors Meeting Minutes

July 11, 2018

Great Western Bank, 111 S Dewey St. North Platte, NE

Agendas were sent to board members and others requesting agendas. Agendas were posted at www.ncorpe.org and in the following offices: Twin Platte NRD; Lower Republican NRD, Middle Republican NRD; and Upper Republican NRD.

Board Members Present: Terry Martin (Upper Republican NRD); Jim Meismer (Twin Platte NRD); Benjie Loomis (Middle Republican NRD); Tim Kahrs (Lower Republican NRD)

Other Present: Kyle Shepherd (NCORPE); Riley Ellwanger (NCORPE); Scott Dicke (Lower Republican NRD); Todd Siel (Lower Republican NRD); Jack Russell (Middle Republican NRD); Sylvia Johnson (Middle Republican NRD); Kent O. Miller (Twin Platte NRD); Dean Large (Upper Republican NRD); Nate Jenkins (Upper Republican NRD); Jasper Fanning (Upper Republican NRD); Kevin Fornoff (Middle Republican NRD); Cole Brodine (Dawson Power); Justin Pieper (H-D Management Co.); Lynn Frederick (Landowner); Ken Anderson (Tax Payer); Henry K. Vogt (Lincoln County Appraiser); Julie Stenger (Lincoln County Assessor); Dan Estermann (Wellfleet); Jim Estermann (Wellfleet); Marlene Estermann (Wellfleet)

Information sent to Board Members: Agenda; Minutes from April 18, 2018 Board Meeting; Accounts Payable up to 7-9-2018; Financial Statements for 9 months ended 3-31-2018; 2019 fiscal year draft budget; UNL Economic Study; Property Management Plan.

Terry Martin called the meeting to order at 10:05 AM and designated NCORPE's General Manager, Kyle Shepherd, to chair the meeting. Shepherd pointed out that there were copies of the Open Meeting Act posted in the back of the room.

Roll call was taken. Voting representatives from the Twin Platte NRD (Jim Meismer); Middle Republican NRD (Benjie Loomis); Lower Republican NRD (Tim Kahrs); and Upper Republican NRD (Terry Martin) were present.

Open Forum

Kyle Shepherd called an open forum and there was no comment from the audience.

Minutes of April 18, 2018 Meeting

Jim Meisemen moved to approve the minutes of the April 18, 2018 Meeting as presented. The motion was seconded by Tim Kahrs.

Roll Call, Middle Republican NRD – Yes; Lower Republican NRD – Yes; Upper Republican NRD – Yes; Twin Platte NRD – Yes. Vote 4 – Yes, 0 – No, Motion approved.

Payables

Kyle Shepherd presented the payables to the board and opened the floor to questions. Benjie Loomis asked about fencing expenses and Shepherd said that it included fixing fence along Piepers and installing fence along the corrals. Loomis asked if it was barbed wire fence and Shepherd advised that is correct. Loomis asked what the pivot repairs were for and Shepherd responded the expenses from Valley Pro were for parts, (gear boxes and tires) that needed repaired that totaled approximately \$11,000 and that Piepers covered the labor; the expenses from Horizon Ag were for the alignment of the pivots, also totaling approximately \$11,000. Loomis also asked about the April, May and June labor expenses that weren't presented. Shepherd advised that the bill was too late to be prepared, but the total came to about \$110,000 including labor and credit card expenses, about \$80,000 being payroll.

Terry Martin moved to approve the payables as presented and was seconded by Jim Meismer.

Roll call, Upper Republican NRD – Yes; Middle Republican NRD – Yes; Lower Republican NRD – Yes; Twin Platte NRD – Yes. Vote 4 – Yes, 0 – No, Motion approved.

Financial Report

Kyle Shepherd presented the financial statements for the first three quarters of the fiscal year, through March 31, 2018 and opened the floor to questions. Shepherd said that the in-kind numbers aren't updated on this financial statement but should be by the year-end financial statement. Terry Martin asked how often the information was updated and Kyle Shepherd responded that they were updated quarterly, and that they usually run a month behind.

Terry Martin moved to accept the financial statements prepared by McChesney Martin Sagehorn PC through March 31, 2018. The motion was seconded by Jim Meismer.

Roll call, Middle Republican NRD – Yes; Lower Republican NRD – Yes; Twin Platte NRD – Yes; Upper Republican NRD – Yes. Vote 4 – Yes, 0 – No, Motion approved.

Manager's Reports

Bill Sellers – Sellers did some reseeding in late April and May; worked on tumbleweed control through grazing, haying, spraying and planted some living fence; improved watering structures; fixed fence; monitored spring and summer grazing; seeded a creek crossing that was replaced; controlled musk and Canada thistle and was assisted by Mike, Bob, Riley, and the McCook work camp.

Mike Keller – Keller installed several water tanks and maintained existing tanks; repaired fence; worked on the creek; met with contractors and engineers on both pipelines; completed new stock well pipeline; worked with Bill on preparing for grazing and grazing issues; performed maintenance on equipment and was assisted by Bob and Riley; meeting with Sylvia on some creek work with a culvert and tree issues.

Kyle Shepherd – Prepared agenda; Prepared for the meeting; public relations; spent time on the budget getting the in-kind squared up; met with managers and board members; several meetings; fixed fence; and worked with tenants on leases.

Dawson Public Power

Cole Brodine presented information about their rates to the board. Brodine presented their estimated rates on irrigation wells depending on horsepower, control level, and hours run. Brodine provided a reference for their demand and energy rates. Brodine said that their demand charges vary depending on control level, and that demand is an instantaneous reading of the highest energy usage. Brodine also said that Dawson Public Power averages demand over fifteen-minute intervals because electric motors start with three times the current that they run at. Brodine states that their wholesale provider, Nebraska Public Power District, bills them on demand. Brodine also states that more load control saves both Dawson Public Power and the customer money. Brodine said that demand is billed based on the previous year and that they measure demand at the meter in kilowatts. Jasper Fanning asked if Dawson Public Power has a commercial or industrial rate and how it compares to the irrigation rate. Brodine said the commercial rate would be cheaper than the irrigation rate because it is not designed with high summer usage in mind, but irrigation wells are usually restricted from being on the commercial rate. Brodine also said that there are rates above commercial rates, large power and industrial, for larger users. Fanning said that Southwest Public Power has their other augmentation wells on a commercial rate because they're generally not pumping during the irrigation season. Brodine responds that they've noticed that the NCORPE wells demands are lower in the summer and higher in the winter compared to when the wells belonged to Lincoln Farms, and that a change from irrigation to commercial rates would need to be approved by their board. Brodine also said that they could run some numbers to see what the cost difference would look like, and that to get on a large power or industrial rate we would have to combine meters. Terry Martin asks if we have used load control before while pumping. Fanning responds that load control wouldn't work because it would shut off power to the computer system. Kyle Shepherd asks that Brodine put numbers together for the board to look at. Brodine said he could get something together in the next week or two.

Third Party Audit Update

Kyle Shepherd said that he was presented a PowerPoint synopsis of their progress, since then he's been sent another round of information request, which means they don't have the draft report like they'd promised. Benji Loomis asked what the requests were for. Shepherd answered more supporting documents for account entries and more support of deposits and the accountants are looking into some of the account entries and he needs to look for support of the deposits. Shepherd stated that all that information has been given to them several times and from the PowerPoint they sent us it doesn't look like they're going to have any significant findings. Shepherd also suggested they may have language to introduce for different policies for the bylaws. Jack Russell asked if there is documentation that the information has already been submitted. Shepherd answered yes. Russell suggests telling them that we're done sending them information and to submit the report as is. Jasper Fanning said that he had asked Debb to tell them that the information had already been provided, but she thought that it was faster to send the information again than to find the documents proving that the information had already been provided. Scott Dicke asked how much money we owe. Shepherd answered that he thought it was about \$22,000. Russell said he thinks that they should be there to answer to the board

why it wasn't done yet and why they're asking for more information. Terry Martin asked if the audit was just for one year. Shepherd advised that is correct. Martin asked if Shepherd would demand they be done by the August meeting. Shepherd responded yes, but he also demanded they be done by this meeting. Russell asked when the August meeting was. Shepherd said the fifteenth in Curtis.

Model Update

Kyle Shepherd said that Jim Schneider is scheduled to come to the August meeting.

Seeding Needs

Kyle Shepherd said that Bill Sellers asked that his presentation be pushed to the August meeting and he thinks that there are twelve that will need portions reseeded. Shepherd said they've been criticized about seeding in the past and hopes to have discussion about rate and mix at the next meeting. Shepherd also said he talked to NET about two different grants and they seemed positive about NCORPE receiving funds for reseeding. Benji Loomis asked about the amount acres that would need reseeded. Shepherd said he thinks about one thousand acres. Nate Jenkins asked if Sellers was suggesting all the circles be drilled in 2019. Shepherd said yes, they are the 2014 seedings that were assessed, and Sellers would suggest spot seeding. Terry Martin asked if the intend was to seed the areas yourself. Shepherd answered yes.

Draft Budget/Management Plan

Kyle Shepherd said that he has been meeting with the NRD managers, the board members and most of the alternates. Shepherd presented the draft budget to the board. Shepherd stated rangeland rental down for reseeding and different rate based on UNL rate. Jack Russell asked about income not presented. Shepherd said he didn't have it with him, but it would be closer to the 2018 numbers. Todd Siel asked why the building maintenance budget was \$30,000 when funds spent through 6-30-18 was only \$3,376. Shepherd said he thinks that some expenses budgeted for fell into the 2017 fiscal year and that they didn't have the building repairs he thought they would this year. Shepherd also said that this year he would like to put new siding on a building but hasn't received a bid yet. Siel asked why funds spent for the well repair budget through 6-30-18 was zero. Shepherd said he doesn't think there was any repairs in 2018. Jasper Fanning advised that they were done pumping by the beginning of the fiscal year and haven't done any pumping since. Siel asked whether there's been maintenance of any kind. Fanning said he thinks that when the pumps are turned on they'll find some needed repairs. Shepherd said that there was a new submersible put in two weeks ago and the bill was received yesterday so that expense will fall into the next fiscal year. Shepherd also said that he has not paid the bill yet because he wants to know what went wrong and if it was under warranty. Benji Loomis asked why weed control was separated from chemical and fertilizer in the budget. Shepherd responded that the managers had wanted weed control separated to specifically show the budget for weed control. Shepherd advised that they will be working on crossing maintenance on two different properties at the request of the Middle Republican NRD. Fanning asked where the crossing location repairs were needed and whether they were culverts that were put in previously that were out. Russell answered that one was a culvert that washed out. Sylvia Johnson added that the other property was a tree pile that they had drug out. Shepherd said that they had taken out some tree dams and that the landowner had agreed to allow the trees to piled on his property and that he would burn them but has since changed his mind and been visiting Middle Republican board meetings about the problem. Shepherd also said that the other

property was a culvert that had plugged up and caused some problems. Jim Meismer asked why the landowner changed his mind about the trees. Russell said that he thinks that the landowner tried to burn the trees but there some left that didn't burn. Russell also said he thinks that the plan is to try to burn the trees again. Nate Jenkins asked if the damage to the culvert occurred when we were operating the project. Russell said that they were two new culverts that weren't there before and he thinks that the last large rain caused the problem. Russell asked what the cash balance was. Shepherd answered about \$287,000 as of the end June. Russell asked why NCORPE sent out bills to the NRDs that would bring the cash balance well above the budgeted amount. Fanning said that the billed amount would be included in the NRD contribution needed budget for the next fiscal year, not the cash balance for the previous fiscal year. Russell asked to see the income and receivables in the cash account. Siel asked if the augmentation usage charge budget was going to stay at zero because he had budgeted for it in the Lower Republican budget. Shepherd said he thinks that it was agreed that NCORPE would not budget for the augmentation usage charge but the NRDs would. Fanning agreed and said that he thinks that legally NCORPE didn't have to budget for usage charge, but the NRDs did. Shepherd suggested that they make changes and try to get the budget passed in August. Fanning asked if the weed control budget represented the amount of spraying planned and suggested it be reconsidered. Russell agreed and asked if the seeding budget represented the amount of reseeding planned and suggested it be reconsidered. Shepherd said that he and Bill Sellers would look at those numbers again.

Midwest Power

Larry Burger presented information about their rates to the board. Burger provided a reference to the rates they are charged by their wholesale provider, Tri State. Burger also provided a reference to Midwest rate design and said that the wells are charged large commercial rates rather than irrigation rates, but the yearly expense is nearly the same. Burger explained that they have set charges for infrastructure, whether the wells run or not because they are always energized. Burger said that they have a demand charge based on kilowatts. Burger also said that they charge one rate for the first ten thousand kilowatts used per month and a different rate per kilowatt after that and opened the floor for questions. Jasper Fanning asked what the conversion was from kilowatt to horsepower. Burger answered that one kilowatt was 1.34 horsepower. Burger mentioned that he didn't bring up control rate because he didn't think it would work well with the augmentation wells. Fanning said the price differences seem to come from the different wholesale providers, NPPD and Tri State. Burger explains that NPPD and Tri State have different rate structures because NPPD has seasonal ratchets while Tri State just goes from month to month, making them hard to compare. Fanning asked if it still goes back to the wholesale provider. Burger answered yes. Kevin Fornoff asked how many wells were with Midwest and how many were with Dawson. Fanning said that six are Midwest and 24 are on Dawson.

Management Plan

Kyle Shepherd presented the management plan to the board. Shepherd said he had met with all the board members about the plan and opened the floor for questions.

Jim Meismer moved to approve the management plan of July 2018 as presented and was seconded by Terry Martin.

Roll call, Lower Republican NRD – Yes; Twin Platte NRD – Yes; Upper Republican NRD – Yes; Middle Republican NRD – Yes. Vote 4 – Yes, 0 – No, motion approved.

Eight Pivot Goals

Kyle Shepherd opens to the board the question of what the goals are for owning the eight pivots on Old Highway 83. Terry Martin said he thought Twin Platte might have a need for those in a property exchange. Shepherd said that is correct. Martin asked what the Twin Platte’s status was for owning those at this time. Kent O. Miller stated that they have supported trading the pivots. Shepherd said that he thinks that the option should always be open to trade. Miller said they haven’t supported selling them, but they have supported trading them. Shepherd said he thinks the question is whether they should continue owning them or sell them and the next question is whether they should continue to be rented out or be retired. Jasper Fanning said there’s no real advantage to retiring them given their location. Jim Meismer said his concern is using those pivots for offset water as long as they’re certified acres. Meismer also said that he supports owning with the potential to trade.

Dundy County Court Decision

Kyle Shepherd opened the topic of the Dundy County Court’s decision to the board for discussion. Jim Meismer said that he thinks that it is important that the ruling showed the surface was tax exempt. Jasper Fanning said that he thinks it was important that the ruling showed that you must own the land to pump the water. Shepherd said he thinks the ruling showed the boards progressive thinking with this issue and really helped Lincoln County prior to the ruling.

Terry Martin moved to go into an executive session and was seconded by Jim Meismer.

Roll call, Twin Platte NRD – Yes; Upper Republican NRD – Yes; Middle Republican NRD – Yes; Lower Republican NRD – Yes. Vote 4 – Yes, 0 – No, motion was approved.

The Board exited executive session 12:34 pm and the meeting was immediately adjourned as there was no further matters to be discussed.

Benjie Loomis, Board Secretary

Date