

# LOUP POWER DISTRICT

## Board Meeting Summary

March 25, 2009

### Guests —

Eric Freeman and Jim Scow were introduced as guests.

### Audit Report —

Mr. Jim Scow of Scow, Rief, Kruse and Schumacher, P.C. presented a review of the independent auditors report. He presented a clean opinion for the District and reported that no adjustments were required to the data presented by the District. He stated management has done an excellent job and the purpose of this audit was to get the board and management to review their accounting system which already has checks and balances in place.

There was substantial discussion regarding the one "significant weakness" that was pointed out in the audit. After the discussion, it was noted that the language in the audit and the cover letter referred to the weakness as material and needed to be modified. Mr. Scow indicated the weakness was not material, but significant and his firm would make the modification and return the report to the District. The audit report was approved.

### Wholesale Customer Meeting —

President/CEO Neal Suess discussed the NPPD wholesale customer meeting that was held on March 18, 2009. A variety of topics were discussed at the wholesale customer meeting including what was happening in Washington, DC as a result of the new president's agenda for renewable energy, climate change, and energy efficiency.

### NPPD Territory —

During the Board meeting, the Board discussed the potential effects of the new Nebraska legislation that changes the chartered territory for NPPD. There was significant discussion on how that will affect NPPD's Board make-up.

### Relicensing Update —

President/CEO Neal Suess updated the Board on the progress of hydro relicensing. The District's initial study plan report, detailing the study plans of the District is to be submitted to the Federal Energy Regulatory Commission (FERC) on March 27. The District held meetings with HDR on both March 4 and March 20 to discuss the study plans. Based on current projections the studies as proposed are expected to use over 8,500 man-hours of time, with an estimated cost of over \$1.1 million. A study plan meeting with the agencies and the FERC is planned for April 21, with further meeting dates set for May 28 and July 1, if needed.

### Net Income Analysis —

The net income analysis was reviewed by President/CEO Neal Suess. For the electric system the cash provided is increasing mostly due to the retail rate increases put into effect over the past several years. The hydro system is providing more cash due to the amount of water available for generation. Generation has been up substantially over the past two years. Cash provided by the non-operating portion of the District has been significantly affected by the low interest rates available for investments.

### Insurance —

The tabled discussion item on insurance accruals for Workers' Compensation and General Liability which was included on the February agenda was moved to the April agenda to allow more time for firms to respond to the staff's request for proposals to perform an actuarial study to assist the District. Once the staff has had a chance to review the proposals management will come back with a recommendation to the insurance committee.

### Legislative Bills —

President/CEO Neal Suess discussed a number of bills before the legislature. LB 53 is the bill dealing with NPPD's chartered territory. It was passed by the Unicameral and signed by the Governor. LB 300 dealing with changing the bidding requirements for public power district has passed the first round of floor debate. Several other bills of interest to the District were also discussed.

### APPA —

The APPA 2008 Activity Summary was reviewed by President/CEO Neal Suess. The District was a founding member of the American Public Power Association, which was created in 1940. The District has been a member of APPA since that time and has played a significant role in the history of APPA. The 2008 Activity Summary provides an overview of what APPA has done during the year 2008. This is the first time the District has received this annual summary from APPA. A discussion ensued on the value of belonging to APPA.

The APPA publication entitled "APPA's Competitive Market Plan a Roadmap for Reforming Wholesale Markets" was discussed by President/CEO Neal Suess. APPA's overall goal from the publication is to create competition in the wholesale electric markets, which should provide benefits to all APPA member utilities.

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**Customer Purchase —**

A discussion on the purchase of customers from CPPD in the buffer zone ensued. A customer in the buffer zone was requesting three phase service. For the District to provide this service, three customers would need to be purchased from CPPD.

**Unit 3 at CPH —**

Unit 3 at the Columbus Powerhouse has been taken off-line due to a turbine bearing issue. The reason for the turbine bearing problem was discussed. The rehabilitation work done on all of the units is no longer under warranty.

**Evaluation —**

The President/CEO performance evaluation agenda item was moved to the April agenda.

**May Board Meeting —**

The Directors were reminded the May board meeting date was moved up a week and would be held on May 20, 2009.

**Meeting Day —**

The Directors have always held their meetings on Wednesdays. A short discussion on moving the meeting dates to Tuesday was held. It was suggested this item be included on the July retreat agenda.

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The following work orders were approved.

**W.O. No.            Description**

**2027    Responsibility Area 923    Budget Code 1192    Item No. 4**

This work order provides for the installation of lightning arresters in TL3405, sections A & B, from the St. Edward city substation north to switch 240, a distance of 8.75 miles. This work will reduce lightning outages and improve reliability in the Albion and St. Edward areas.

**2028    Responsibility Area 923    Budget Code 1292    Item No. Contingency**

This work order will purchase three customers from Cornhusker located in the buffer zone west of Columbus. A new house is being built in the buffer zone negotiated between Cornhusker and Loup. In order for Loup to serve the new house and load, three customers and associated facilities will be purchased from Cornhusker according to state statute.

**2029    Responsibility Area 923    Budget Code 1392    Item No. 5**

This work order is required to construct a new 34.5kV/12.5kV substation southeast of ADM Alliance Nutrition. This substation is necessary due to improvements being made at the ADM Alliance Nutrition facility and to reduce maintenance.

**2030    Responsibility Area 923    Budget Code 1392    Item No. 8**

This work order will provide for the purchase of a 10/14 MVA, 34.5/12.5kV transformer for the T-7 position at the Columbus Hydro.

This transformer will be used to replace the existing T-7 which is a 7MVA transformer that will be used for the Clarkson conversion. Also, a larger transformer in this location will provide for additional capacity for the NE portion of Columbus and provide backup to the B-D west plant.

**Suppl. #1**

**01902    Responsibility Area 923    Budget Code 1292    Item No. 5**

This work was to include installing four new poles, building two riser structures, trenching 2540 ft. of 1/0 UG cable and setting six padmounted transformers.

This supplement is needed to adjust the authorized amount to reflect the actual cost. Labor costs were higher than anticipated because outer District personnel were used to help with the increased work load in Columbus.

**Suppl. #1**

**01927    Responsibility Area 923    Budget Code 1492    Item No. 9**

This work order provides for the reconductor of a 1.23 miles segment of 1/0 ACSR three phase underbuild with T2-1/0 ACSR from the Humphrey city sub to the CPPD 81-8 substation. This will make the line between Humphrey and Lindsay a 100% T2-1/0 feeder, allowing full capacity for contingency switching and increase line efficiency.

This supplement is required to adjust the funds due to a 36.9% over-run of the authorized amount. This occurred because the cost of the conductor, which accounts for 56% of the total material costs, nearly doubled in the three year time frame from when the work order was written until it was closed. Also, labor overheads were higher than expected.

**Suppl. #1**

**01984    Responsibility Area 923    Budget Code 1192    Item No. 3**

This work order provides for the installation of lightning arresters on TL3399 and TL3404 north and west of Genoa. These are unshielded lines and installing arresters will reduce line outages and improve reliability to the towns of St. Edward and Genoa.

This supplement is required to adjust funds due to a 23.9% under-run of the authorized amount. Because the grounding on existing lightning gap structures where several arresters were installed proved to be adequate, labor and transportation costs were considerably less, also resulting in a reduction in material costs.

**Suppl. #1**

**1910    Responsibility Area 923    Budget Code 1292    Item No. 10**

This work order was needed to set one junction enclosure, three fused cubicals, one padmounted transformer, and trenching new underground cable.

This supplement is needed to adjust the estimated cost to reflect the actual cost. Material costs were higher than estimated due to the rising market prices.

**Suppl. #1**

**2007    Responsibility Area 923    Budget Code 1492    Item No. 4**

This work order was to include setting 33 poles, and stringing 22,396 feet of T2 1/0 conductor which will increase the ampacity and improve the reliability of the existing line.

This supplement is needed to adjust the estimated cost to represent the actual cost of the work order. Material was higher than estimated due to the escalating cost in market prices. Labor costs were higher than anticipated because access to the line route was limited by rough terrain which slowed working conditions.

**PO #**

**41053    Responsibility Area 923    Budget Code 2292    Item No. 11**

This purchase order is required to purchase one model PS10E pole trailer.