

# LOUP POWER DISTRICT

## Board Meeting Summary

April 22, 2009

### **NPPD Presentation —**

NPPD President and CEO Ron Asche presented a PowerPoint presentation on 'Wind for Export and CO2 Emission Regulation'. Mr. Asche answered numerous questions from the Board.

### **Audit Report —**

The action of the board taken on the 2008 independent audit report at the March 2009 Board Meeting was rescinded. Mr. Jim Scow and Ms. Jodie Prochaska of the firm Scow, Rief, Kruse, Schumacher and Smejkal presented the independent audit report. Mr. Scow informed the Board Ms. Prochaska was the lead person on the audit and would explain the new risk assessments used for the independent audit report this year. Ms. Prochaska proceeded to inform the Board of some of the recent changes to auditing standards that had occurred. Due to these changes, there has been greater review of organizations' internal controls and how these are developed and enforced. Due to the internal controls of the District, the 2008 audit report included a reported material weakness in these controls. It was explained the Board would have to decide how to deal with the reported material weakness. The amended audit report presented was approved.

### **Dredge Replacement —**

The Board was informed Mr. Ancil Taylor of Bean Consulting has completed his initial review of the dredging operation and what is needed for a replacement for the existing dredge. The District now needs to hire a dredge design engineer to provide bid specifications to the District. Mr. Taylor believes Dredging Supply Company, Inc. would be well suited to perform the services needed for the District. They have provided a \$75,000 bid to the District for doing this work. This work would include preparing the bid specifications so they could be sent out to dredge builders. Dredge Supply Company was approved to do the design engineering for the replacement of the existing dredge.

### **Carbon Tax / Carbon Cap and Trade —**

The potential effect of a carbon tax or carbon cap and trade system on the rates paid by the District's residential customers was reviewed. This review was an extension of NPPD President/CEO Ron Asche's earlier presentation.

### **Rate Comparison —**

President/CEO Neal Suess discussed a comparison of operating ratios for the District to other public power utilities. This information was provided by APPA based on 2007 data. The District compares favorably to

other public power utilities in the region and of similar size.

### **Insurance —**

The insurance committee met previous to the Board meeting to consider proposals for insurance actuarial services regarding reserves for the Worker's Compensation and General Liability Insurance. The committee decided to recommend rejecting the bids from firms to provide actuarial services to assist in setting these reserve limits and to accept management's recommendation made at the February 24, 2009, Board meeting to limit the accruals in these two reserve accounts.

Vice President - Administrative Services, Kim Grubaugh, informed the Board that management had developed its recommendation based on information gathered during the last four years, as this was the best data available. Mr. Grubaugh also indicated a consulting firm would look at this data, other historical data and relevant industry data to develop an opinion. Director Thieman inquired if any actuarial analysis had been performed, and management indicated no actuarial analysis had been performed, since there is no actuarial on staff at the District. There was additional discussion on how much insurance the District has under the Umbrella Liability insurance policy that could be used to cover large claims not covered by these reserve levels. Director Thieman indicated his concern regarding management's proposal was with the fact that no actuarial analysis had occurred and management's recommendation was only done based on guess work. Director Thieman felt this was too much of a risk for the District without a better analysis. The committee indicated an actuarial would provide a more informed estimate, however, the committee felt spending additional dollars to hire a consultant to perform these services was excessive. Director Thieman reiterated his concerns over the lack of an informed analysis and the risk being assumed by the Board and the District if the motion passed as proposed.

It was approved to eliminate the accrual for the Worker's Compensation and General Liability insurance and maintain the Worker's Compensation insurance reserve at \$400,000 and the General Liability insurance reserve at \$300,000.

### **NRECA Directors Conference —**

Director Thieman gave an overview of the NRECA Directors Conference that he attended in Las Vegas,

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