

LOUP POWER DISTRICT

Board Meeting Summary

August 26, 2009

Refunding Bonds —

In order to accommodate Mr. Burmeister, financial consultant for PFM, the Finance and Budget Committee agenda items were moved to the beginning of the meeting.

The potential savings the District could achieve if the 2004 bonds were refunded was discussed. The savings could be \$264,101 or \$52,800 a year based on the PFM assumptions. The refunding of the bonds would not reduce the payment timeline but it would lower the principal and interest payments. The Finance and Budget committee held a telephonic call and the recommendation of the committee is to move forward with the refunding of the bonds. Vice President – Administrative Services, Kim Grubaugh has been closely following the potential to refund the bonds and now seems a good time.

Mr. Burmeister then elaborated on the refunding of the bonds stating the District would lower the reserve fund slightly and now is a good time to do the refunding. The District's AA rating is enhancing the value of refunding the 2004 bonds even more. Standard & Poors in 2008 started wanting an annual maintenance fee to rate the bond issues but PFM has been able to get this fee reduced. A question was raised about bond brokers representing the bond issuer. PFM indicated they only represent the issuer so there is no conflict of interest.

The refunding of the 2004 bond issue and second supplemental revenue bond resolution No. 10,063 was approved.

Budget Preparation —

The budget preparation schedule was reviewed and the Directors were informed there would also be two Finance and Budget Committee meetings held. One of the meetings would address the construction budget and the other meeting would address the operations budget. Neither meeting had been listed on the schedule as it was unknown at this time what the Director's schedules would be in October or November. The head of the Finance and Budget Committee would be notified when the budgets are ready for review and he will then set the date for their meetings. The 2010 budget preparation schedule was approved as proposed by management.

Relicensing Update —

A review was given of what has happened in the relicensing process to date. The Revised Study Plan (RSP) was filed on July 27, 2009 with FERC (Federal Energy Regulatory Commission). The District also filed

comments to some of the information filed by other agencies. Nine studies were included in the filed RSP. The District will receive from FERC today the study plan determinations FERC has made. The RSP estimate to complete these nine studies is \$1.6 to \$1.75 million. After the studies are completed the District will file a draft application at which time the agencies will come back with their issues and the District will have to negotiate with FERC and the agencies. In 2014 FERC will come back with the license for the District but will also tell the District how it will have to operate to keep the license. FERC has a project coordinator for the District's relicensing and has a number of individuals working on the relicensing. The USFWS (United States Fish and Wildlife Service) and the DNR (Department of Natural Resources) have filed comments on the RSP. The District and HDR are working with attorney Mary Jane Graham to insure the District is covered on all fronts.

Retreat Recap —

The recap of the July 28-29 board retreat at the St. Benedictine Center in Schuyler was discussed by all of the participants. President/CEO Suess and members of the Board agreed that the retreat had been successful and that it may be beneficial to hold a one-day retreat each year as opposed to a two-day retreat every other year.

Wholesale Rate Projection —

NPPD's Wholesale Rate Projection for 2010 was discussed. On August 7, 2009, NPPD presented preliminary wholesale production and transmission rates to all wholesale customers. NPPD sent revised preliminary rates to wholesale customers on August 20, 2009 in anticipation of their August 24, 2009 Wholesale Customer meeting. The preliminary wholesale production and transmission rates reflect a 5.9 percent increase, with a 3.3 percent increase in production rates and 30.0 percent increase in transmission rates. The production demand increase is 6.9 percent with a production energy decrease of 0.8 percent with these preliminary rates.

Using the preliminary rates and the District's 2008 loads, the District's purchased power increase for 2010 is estimated to be 6.0 percent. This equates to an increase of approximately \$3.3 million for purchased power costs, however; revenue from the hydroelectric facilities, which is tied to NPPD's production costs, would increase by about \$225,000.

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Board Meeting Summary (continued)

NPPD also included a possible scenario in which they would freeze wholesale energy rates in 2010. This is NPPD's management's preferred rate design. Under this scenario the District's purchased power increase would be 5.3 percent. The District hopes to hold the retail rate increase for 2010 to around 6 to 7 percent. NPPD will file a cost analysis and the Board will then have the option to file for a rate hearing.

Human Resources Manager —

A discussion of adding a new Human Resources Manager position to the payroll was held with the Board. President/CEO Suess reviewed the work load of the Vice President - Administrative Services, the Administrative Assistant - Administrative Services, and the President/CEO's division of the duties that would be handled by a Human Resource Manager. This would free time up for these positions to be able to more effectively handle their already full work load. In addition, with the increase in legal requirements regarding human resources this person would be in better shape to handle all those duties.

A question regarding the education requirements of the Human Resource Manager was discussed. Management indicated they had looked at other job descriptions to help develop this schedule. Chairman Clausen indicated he would prefer a 4-year degree included in the job description.

The Board indicated it had concern over the increase in payroll this position would create and if there were areas that could be reduced to make up this cost. President/CEO Suess indicated he would have to look at this.

The addition of the Human Resource Manager position was tabled until the September Board meeting to see if there would be an individual within the company that would be qualified to handle the position. This would include an analysis of potential cost savings for elimination of payroll.

Audit Report —

A discussion associated with the development of the District's annual audit report was held. Audit proposals had been received from three firms. The firm of Dana F. Cole and Company, LLP, was the low bidder and also has more electric utility auditing experience. After discussions with the Auditing Committee and a review of the proposals presented by each firm, management recommends approving a three-year agreement with Dana F. Cole and Company, LLP.

A Director strongly stated his opinion that the auditing firm should be a local one regardless of not being the low bidder. He also indicated his belief that the firm of Scow, Kruse, Rief and Schumacher, P.C., who had done the District's audit for the past twelve years had done a good job and felt that management was not tak-

ing this into account when providing their recommendation. Sentiments on both sides of this argument were discussed.

Robert Beran representing Dana F. Cole and Company, LLP, fielded a number of questions in regard to his company and their ability to do the District's annual audit report. Mr. Beran would be the lead person for the District's audit.

The Board accepted management's recommendation to hire the firm of Dana F. Cole, LLP, to do the District's audit report for the next three years.

Dredge Notes —

President/CEO Suess informed the Directors there is a problem with a pump bearing on the dredge so dredging will start later this fall.

Visitors —

Senator Langemeier will be at the September Board meeting.

Senator Dubas will attend the November 24th meeting.

Cornhusker Public Power —

The Board Chairman stated he had met with Clay Gibbs, incoming General Manager and Ron Hostetter, current General Manager of CPPD regarding the possibility of working together as much as possible. Both Districts are reviewing their operations to determine if it would be mutually beneficial to work together in order to reduce costs for both Districts.

Other Items —

NPPD's annual customer meeting will be held in North Platte on September 24-25.

There is a wind energy tour stop scheduled for this afternoon in Columbus at the Central Community College campus.

The Directors were informed there would be no EnergyFest this year.

Apogee is having an in-house ceremony September 18th, they now have 500 employees and are glad to be in Columbus.

Appleton Electric will be closing in Columbus within the next 12 months. Their first anticipated layoff will be in approximately 60 to 90 days.

Board Meeting Summary (continued)

The following work orders were approved.

W.O. No. Description

2042 Responsibility Area 923 Budget Code 1292 Item No. 6

This work order is required to rebuild 1.25 miles of three phase underbuild from the Genoa City Distribution Substation to the Highway 22/39 intersection. This work is being done in conjunction with the rebuilding of the associated 35kV transmission line. 336 ACSR conductor and 4/0 ACSR neutral will replace existing three phase and single phase conductor. This work order is over the budgeted amount due to a change in the size of conductor used and extra labor required due to the Highway 81/30 detour.

2043 Responsibility Area 925 Budget Code 1392 Item No. 7

This work order will replace 5233 and 5234 disconnect switches at the Lake Substation to improve reliability of the substation by replacing worn unrepairable switches.

Suppl #1

1830 Responsibility Area 923 Budget Code 4592 Item No. 2

This work consisted of stringing new 336 ACSR conductor and 4/0 ACSR neutral wire and installing poles and anchors. This work replaced the copper trolley line which was in poor condition.

This supplement is required because additional labor was required due to the complex nature of the project. Because of the extra labor required truck expense and subsistence was higher than estimated.

Suppl #1

1840 Responsibility Area 923 Budget Code 1192 Item No. 2

This work order was required to construct 3.9 miles of 34.5kV line from Duncan to the north side of the Loup River at Lake Oconee. This line is of vertical construction utilizing T2-4/1 ACSR conductor and a 3/8" EHS shield wire for lightning protection. This replaces an existing line from Silver Creek which is 60 years old and inaccessible much of the year.

This work order is over the budgeted amount for several reasons:

1. This work order was written in 2003 and is now being closed. During this time, the conductor, being the largest single dollar cost item, increased 250%, as well as increase in most other materials.
2. Labor and transportation rates increased during this time frame.
3. Miscellaneous items not accounted for were added labor and transportation costs to add rip-rap to the river crossing structures, culverts required to set the river bottom poles due to extremely sandy/wet conditions, taller poles required for clearance over two grain bins built after the work was started, surveying costs, and legal fees.

The Directors had several questions regarding Supplement #1 to Work Order 1840, especially regarding the large increase to this work order. It was explained to the Directors this was a joint project with Cornhusker PPD and additional work was required that was not anticipated. The project was also delayed, which also created the cost increase.