

# LOUP POWER DISTRICT

## Board Meeting Summary

December 23, 2009

### **Anniversary Recognitions —**

Chairman Clausen presented incoming Chairman Robert Cerv with his five year anniversary gift. Director Cerv thanked the Board and expressed his pleasure at being a part of the Board of Directors and that he was looking forward to his term as Chairman in 2010.

President/CEO Neal Suess presented Chairman Clausen with his five year anniversary gift. Chairman Clausen thanked the Board and expressed his pleasure at being a part of the Board of Directors.

### **Clarkson Article / Monroe Powerhouse Photo —**

A number of the Directors stated the last issue of the *Loup Generator* newsletter had an outstanding article on voltage conversion being done in Clarkson. The picture of the Monroe Powerhouse on the back cover was very nice as well.

### **2010 Officers and Committees —**

The slate of officers for 2010 was approved as presented by the nominating committee.

Kim Grubaugh was appointed as Deputy Treasurer and Vicki Dilfer appointed as Assistant Secretary.

The standing committees were approved as presented.

### **Relicensing Update —**

President/CEO Neal Suess discussed the progress of the District's hydro relicensing stating that more data is being gathered as a prelude to the year one studies that will be done in 2010. A quarterly report has been sent in to FERC (Federal Energy Regulatory Commission) as required.

The biggest issue the District seems to be facing is the ice jam study scope that has been requested by the DNR (Department of Natural Resources). HDR has met with New Century Environmental and other local consultants to see if there are cost savings available if these consultants would perform the studies.

The first year studies will be done in 2010 and if needed, there will be second year studies done in 2011.

President/CEO Suess provided updated cost estimates for relicensing activities to the Board. The District is moving forward to try to get a license that allows hydroelectric operations similar to the current operations of the District. Over the next two years, the cost of performing the studies will take up the bulk of the cost estimates provided by HDR. After the studies are completed the expenses will be mostly associated with filing the application and responding to filings from other parties.

Director Merrill made mention that the major focus seems to be on the Loup River from the Headworks to the Tailrace. This is the area affected the most due to the impact of the canal and hydro operations.

Management plans to bring HDR to Board meetings about every six months to answer any questions the Directors might have.

There was a question from the Directors about water rights along the canal. The DNR is questioning the District giving water rights to canal irrigators. The District does not give out water rights. The DNR issues the water rights.

### **2010 Rates —**

President/CEO Suess presented management's recommendation for the retail rate increase in 2010, based upon a review with the Rates Committee of the Board. The targeted overall retail rate increase was five percent based on the 2010 Operations Budget. This will pay off long term debt and reduce the District's cash reserves. Based on the proposed rates the average residential customer will see a cost increase of \$54.34 per year or 4.84 percent. The overall increase for the residential class is 4.96 percent.

The average commercial single-phase customer would see an increase of \$68.75 per year or 4.40 percent with an overall increase of 5.12 percent for the commercial class. The commercial three-phase customer would see an increase of \$244.88 per year or 5.05 percent.

Director Thieman championed the small commercial class that uses no more energy than a residential dwelling stating they continue to be overbilled and he would like to see two classes of small commercials instead of just one combined small commercial class. Management plans to have an outside consultant perform or review the rate study next year as President/CEO Suess has been doing it for the past 14 years and someone new should look at the rate design.

The average commercial space heating customer would see an increase of \$432.16 per year or 6.25 percent. This is a rate the District is working to eliminate.

The large power rate class taking service at a distribution voltage level using less than 300kW will see an increase of 5.03 percent. The large power rate class taking service at a distribution voltage level using more than 300kW will see an increase of 4.97 percent.

The large power rate class taking service at a sub-transmission voltage level using less than 20,000kW will see an increase of 5.64 percent.

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The large power rate classes taking service at a subtransmission voltage level using more than 20,000kW have been set up specifically for ADM at the current time. They generally track the District's wholesale power rates from NPPD with a four percent margin.

The irrigation rates are projected to increase irrigation revenue by 6.09 percent.

The street light rates will be increased five percent, with the area light rates and the water heater rental fees remaining the same.

The overall margin is only 0.48 percent or \$406,021. The District will still be drawing down the cash reserves. The rates are proposed to go into effect January 15, 2010.

The Board adopted the rates effective with billing after January 15, 2010.

President/CEO Suess presented management's recommendation for the wholesale rate increase in 2010, based upon a review with the Rates Committee of the Board. President/CEO Suess stated the wholesale rates affect the Village of Leigh, the City of Schuyler and Cornhusker Public Power District. The production demand and energy rates and the transmission line/ancillary services rates are the same as those that NPPD bills the District. The District develops its own transmission substation, subtransmission line and subtransmission substation rates.

The new wholesale rates were approved to go into effective with service on January 1, 2010.

**Land Option —**

Director Sand inquired about the land option across from Wishbone's as had been reported in the monthly report. The land option of 56 acres across from Wishbones (the Fleisher property) was discussed and the reasoning behind obtaining the option was given. It is a prime location for industrial companies that would not want to be located in the east industrial park.

**Other Actions —**

Resolution 10,064 updating the Bank Account Authorizations was approved.

The Directors instituted a new vacation policy for the President/CEO instead of a salary increase. The President/CEO's vacation accrual will change to four weeks per year until the 20th year of service at which time he will fall under the District's existing vacation accrual policy.

President/CEO Suess then wished everyone a Merry Christmas and a Happy New Year.

Chairman Clausen wished everyone a Merry Christmas and a Happy New Year.

The following work orders were approved.

<b>W.O. No.</b>	<b>Description</b>
<b>Suppl #1</b>	
<b>1964</b>	<b>Responsibility Area 923 Budget Code 1192 Item No. 4</b> This work order replaced the conductor on the subtransmission line from the Tail Race Substation located east of Columbus to the ADM tap, a distance of 2200 feet. T2-477 KCM conductor was used to replace existing 795 KCM conductor. This was required due to the increased load growth at ADM and east Columbus. This supplement is required to adjust the funds due to an over-run of the authorized amount. This occurred because the scope of the project changed to include an additional 3/8 mile of conductor replacement into the ADM substation, increasing labor, transportation and material costs substantially. In addition ADM would only allow a small outage time to get this work done, so crews from Albion and Fullerton came in and overtime was required which was not accounted for in the original budget estimate. Also, the cost of the conductor increased dramatically during this time frame, causing increased material costs.
<b>P.O.</b>	
<b>41576</b>	<b>Responsibility Area 925 Budget Code 2192 Item No. 9</b> This purchase order provides for the purchase of the communications test set equipment necessary to test and verify the SCADA communications circuits, at the District's transmission substations.
<b>P.O.</b>	
<b>41591</b>	<b>Responsibility Area 925 Budget Code 2192 Item No. 10</b> This purchase order will provide for the purchase of a large paper copier, scanner and plotter for the Engineering Department. The existing large paper copier and plotter are obsolete and support for maintenance and repair are limited. Loup also has a need for large document scanning for large engineering prints and has to contract with outside companies to accomplish this work which will be eliminated with this purchase.
<b>P.O.</b>	
<b>41614</b>	<b>Responsibility Area Budget Code 2292 Item No. 1</b> Purchase replacement pickup truck from Ernst Auto for use at Columbus Hydro. Trade 1988 truck that has in excess of 100,000 miles.
<b>P.O.</b>	
<b>41615</b>	<b>Responsibility Area 926 Budget Code 2292 Item No. 2</b> Purchase replacement pickup truck from Steffy Ford for use on the Canal Crew. Trade 1988 truck that has in excess of 100,000 miles.
<b>P.O.</b>	
<b>41616</b>	<b>Responsibility Area 923 Budget Code 2292 Item No. 3</b> Purchase replacement aerial lift truck from ALTEC for use by the Cedar Rapids Local Superintendent. Existing truck has in excess of 100,000 miles and over 7,000 hours of operation. Sell existing truck at the NPPD Auction.

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**P.O.**

**41617 Responsibility Area 923 Budget Code 2292 Item No. 4**

Purchase new trencher from Midwest Underground for use by retail crews in Columbus. Existing trencher will be moved to the Albion and Fullerton Divisions to eliminate travel time and improve efficiency.

**P.O.**

**41618 Responsibility Area 926 Budget Code 2292 Item No. 5**

Purchase replacement riding mower from Lakeview Small Engine to be used by the Canal Crew for maintaining District Parks. Existing mower was traded in on this purchase.

**P.O.**

**41619 Responsibility Area 926 Budget Code 2292 Item No. 6**

Purchase replacement tracked crawler from Nebraska Machinery Company (CAT) for use by the Canal Crew for maintenance of the canal and other District facilities. Existing machine has over 9,000 hours of operation and has required extensive maintenance and repair cost to keep it operational. Existing machine was traded on this purchase.

**P.O.**

**41620 Responsibility Area 921 Budget Code 2192 Item No. 3**

This purchase order will provide for the hardware and support services provided by Secureworks as part of an intrusion prevention and detection system to protect the District's computer network.