

2014

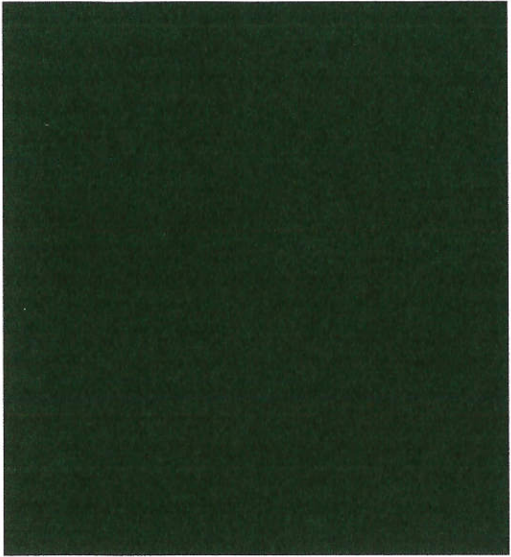


Annual Report

Table of Contents

Mission Statement.....	3
Message from Our CEO	4
Balance Sheet.....	5
Statements of Revenue & Expense.....	6-8
District Profile	9
Service Region.....	10
Board of Directors.....	11-12

Mission Statement



The mission of the District is...

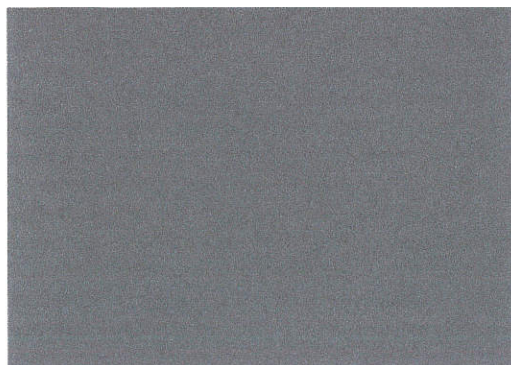
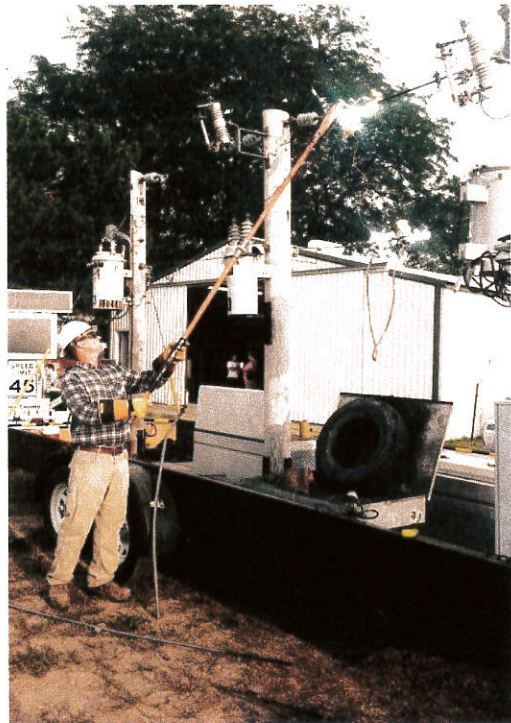
To be **RESPONSIVE** to the customer.

To **PROVIDE** superior customer service.

To **LISTEN** to the customer to determine what level of service and which services are desired.

To provide that level of service at a **VALUED PRICE** as perceived by our customers.

To always attempt to **IMPROVE.**



Southern Power District



Message From Our CEO

As you browse through this 2014 edition of our *Annual Report*, I hope you will take a minute to read our mission statement on Page Three. Have you noticed how many times the word customer is used in our mission statement? It is not by accident that we mention our customers more than once. Our primary objective at Southern is to be a customer-focused utility with employees dedicated to providing outstanding service to everyone we serve. It is what we take pride in doing and we will continue to work tirelessly to serve our customers and follow our guiding mission statement in the years to come.

No event challenged our service reputation more than the storms that swept through many parts of our District in June and July. Outages were widespread with over 4,000 customers without power at one point in time. Rural customers lost their crops and one report indicated over 700 pivot irrigation systems were damaged or lost. District personnel worked long hours to bring service back in record time and rate relief was offered to customers who would be unable to replace irrigation equipment in time for the growing season. It was a challenge for us to be responsive to such a massive event and provide superior customer service, two important parts of our mission statement. I was very proud of our employees in how we responded and I received many notes of appreciation from our customers.

Financially the District met our 2014 Budget obligations. We maintained our AA- Rating from our bond rating agency, a rating that recognizes we are strong financially. We held rates stable and for the second year in a row we were able to announce there would be no rate increase for the following year. I am proud to say you will find our rates very competitive with our neighboring electric utilities.

In addition to the daily service we provide and the ongoing improvements we make to our electric infrastructure, the District took many initiatives during 2014 to support our customers and the communities we serve. We supported the ethanol industry and opposed EPA's proposal to lower Ethanol Fuel Standards. We opposed state legislation which would weaken local control of our District and impact rates. We diligently worked on an extended long term power contract to provide the District with low cost wholesale power for the next decade and beyond. New retail and wholesale contracts were signed with communities to ensure they have access to low cost power and the services we can provide. We initiated an Operation ROUND UP program allowing our customers to fund community projects by voluntarily rounding their bill upwards to the nearest dollar and donating the difference. All of these actions serve to strengthen our industries and keep our communities growing.

I want to thank our directors and employees for their leadership and service provided this past year. A special thank you is extended to John Kuehn, our Board representative from Kearney County, who resigned his position with the District at the end of 2014 to take up his new role as State Senator representing District 38. John's contributions during his 6 year stay on the Southern Board of Directors were much appreciated and we wish him well in his new role.

I am proud of our accomplishments this past year and I am equally confident that the Southern District has a bright future. Guided by our mission statement, our employees and directors are dedicated to meeting our first priority, the needs of our customers!



NEAL NIEDFELDT

A stylized, handwritten signature in black ink, appearing to read 'Neal F. Niedfeldt'.

Neal F. Niedfeldt
President and CEO

Balance Sheet

YEARS ENDED DECEMBER 31, 2014 AND 2013

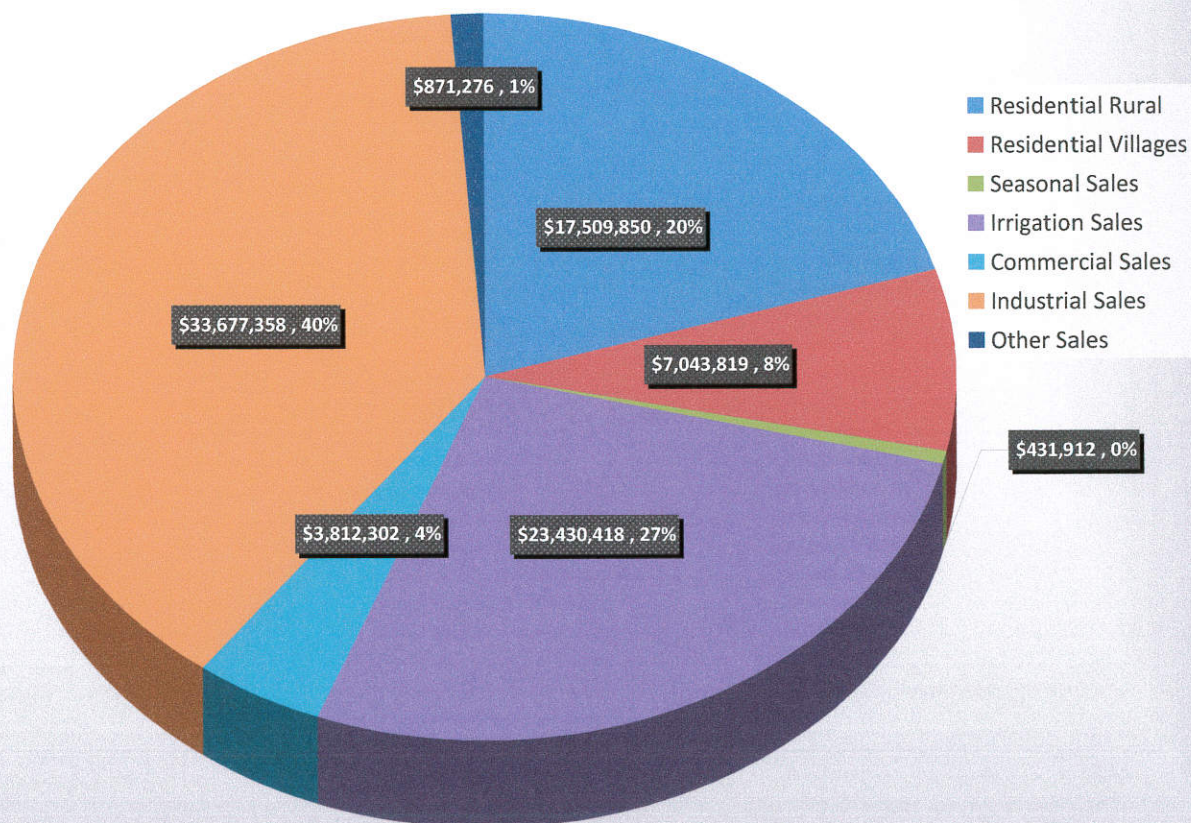
	2014	2013
<u>ASSETS</u>		
Electric Plant	\$218,721,309	\$211,491,376
Less Accumulated Depreciation and Amortization	<u>80,482,077</u>	<u>78,184,860</u>
Net Electric Plant	138,239,232	133,306,516
Debt Reserve Fund	4,275,333	4,239,838
Investments in Associated Organizations	<u>1,774,873</u>	<u>1,703,184</u>
Total Investments	6,050,206	5,943,022
Current Assets:		
Cash and Securities	45,265,418	37,839,327
Accounts Receivable, less allowance for doubtful accounts of \$102,515 in 2013 and \$100,000 in 2014	5,894,500	6,169,692
Unbilled Revenue	2,965,079	2,765,726
Interest Receivable	132,649	60,360
Materials and Supply Inventory	10,918,583	9,575,408
Prepaid Expenses	<u>263,526</u>	<u>246,812</u>
Total Current Assets	65,439,755	56,657,325
Deferred Debits	4,735,256	5,257,343
Total Assets and Other Debits	214,464,449	201,164,206
<u>CAPITALIZATION AND LIABILITIES</u>		
Capitalization:		
Accumulated Net Revenue	155,575,002	144,709,342
Long-term Debt, excluding current installments	<u>40,306,018</u>	<u>43,345,972</u>
Total Capitalization	195,881,020	188,055,314
Current Liabilities:		
Current Installments of Long-term Debt	3,039,953	2,942,258
Accounts Payable	10,000,634	4,641,461
Accrued Expenses	3,835,318	3,294,600
Consumer Deposits	<u>1,407,227</u>	<u>1,128,696</u>
Total Current Liabilities	18,283,132	12,007,015
Deferred Credits	300,297	1,101,877
Total Liabilities and Other Credits	214,464,449	201,164,206

Statements of Revenue & Expense

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Operating Revenue:		
Residential Sales - Rural	\$17,310,497	\$15,660,065
Residential Sales - Seasonal	431,912	427,361
Residential Sales - Towns	7,043,819	7,860,381
Irrigation	23,430,418	29,727,103
General Services	3,812,302	3,965,173
Commercial Large Power	33,677,358	31,129,029
Wholesale	871,276	887,768
Unbilled Revenue Adjustment	199,353	508,900
Total Sales of Electric Energy	86,776,935	90,165,780
Sub-Transmission Wheeling Revenue	81,121	86,447
Other Electric Revenue	501,648	664,451
Total Operating Revenue	87,359,704	90,916,678

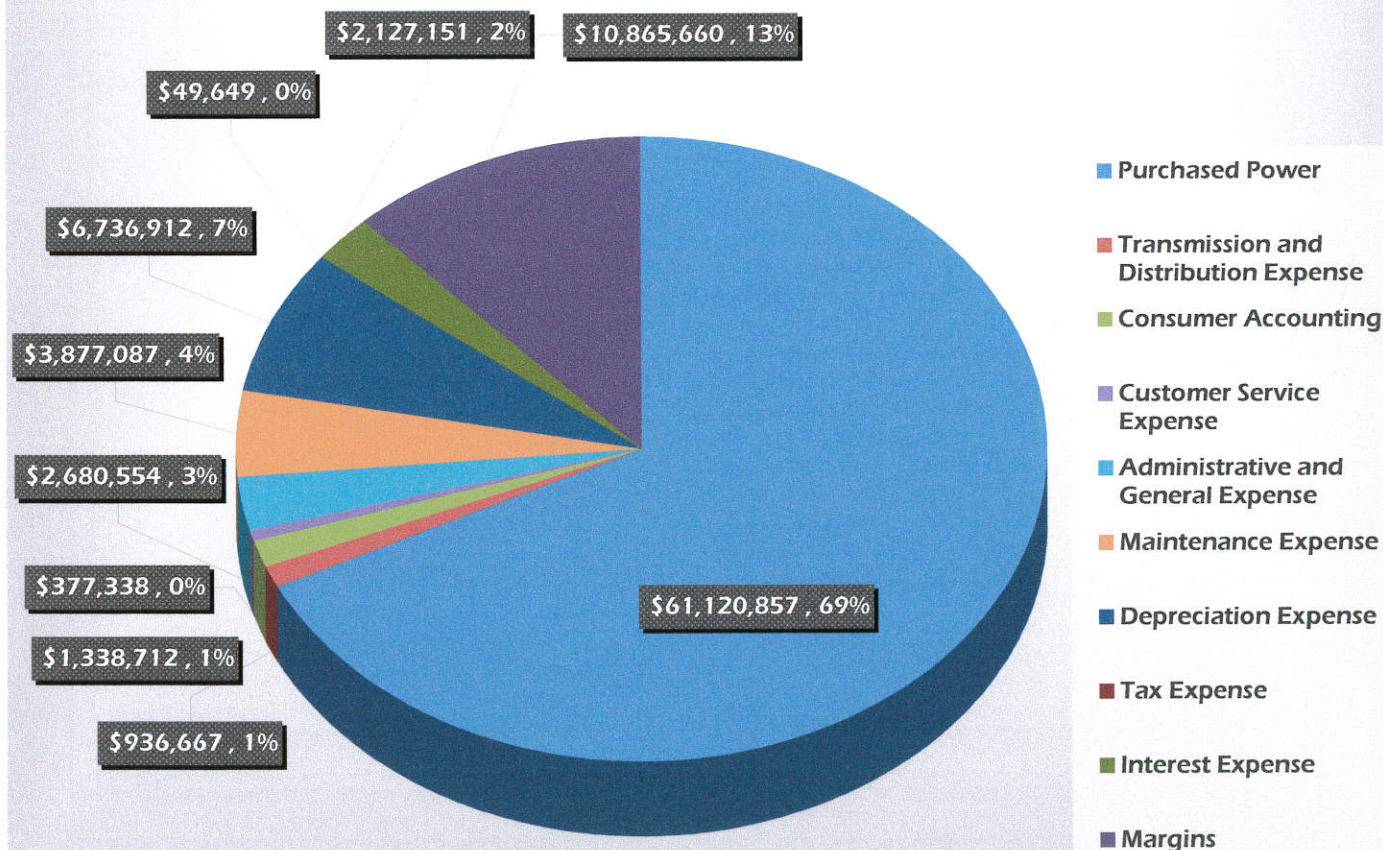
SOURCE OF REVENUE: ELECTRIC ENERGY



Statements of Revenue & Expense

	2014	2013
Operating Revenue Deductions:		
Cost of Power	61,120,857	61,503,889
Transmission and Distribution	936,667	580,941
Customer Accounts	1,338,712	1,069,592
Customer Service and Information	377,338	467,958
Administrative and General	2,680,554	4,583,720
Maintenance Expense	3,877,087	3,578,272
Depreciation and Amortization	6,736,912	6,211,045
Taxes	49,649	292,437
Total Operating Revenue Deductions	77,117,776	78,287,854
Operating Revenue Before Financing Charges	10,241,928	12,628,824

USE OF TOTAL REVENUES:



Statements of Revenue & Expense

	2014	2013
Financing Charges:		
Interest on Long-Term Debt	2,127,151	2,203,449
Net Operating Revenue	8,114,777	10,425,375
Non-Operating Revenue:		
Interest	399,056	323,188
Other, Net	2,351,827	186,198
Total Non-Operating Revenue	2,750,883	509,386
Net Revenue	10,865,660	10,934,761
Accumulated Net Revenue, Beginning of Period	144,709,342	133,774,581
Accumulated Net Revenue, End of Period	155,575,002	144,709,342
Debt Coverage Ratio	3.87	3.96

District Profile

YEARS ENDED DECEMBER 31, 2014 AND 2013

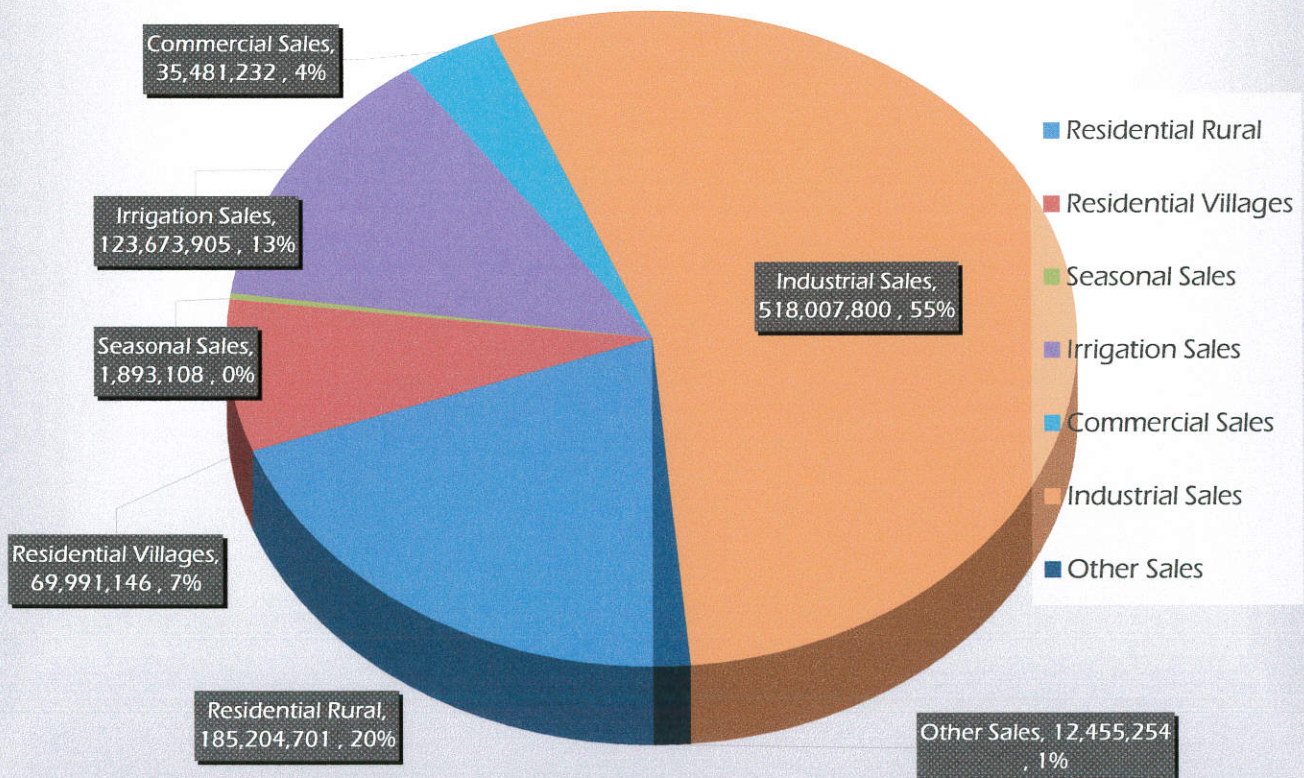
YEAR-END SERVICES:

	2014	2013
Residential Sales - Rural	8,569	8,554
Residential Sales - Seasonal	1,514	1,542
Residential Sales - Towns	4,873	4,829
Irrigation	9,132	8,998
General Services	2,412	2,369
Commercial Large Power	260	245
Wholesale	2	2
Total Services	26,762	26,539

OTHER STATISTICS:

Purchased Power Costs	6.04¢	5.80¢
Average Revenue (Cents/kWh)	9.17¢	9.12¢
Total Utility Plant	\$218,721,309	\$211,491,376
Full Time Employees	105	105
Total kWh Sales	946,707,146	988,715,710
Billable KW Peak	229,282	233,192
Actual KW Peak	297,970	318,795

SOURCE OF ENERGY SALES:



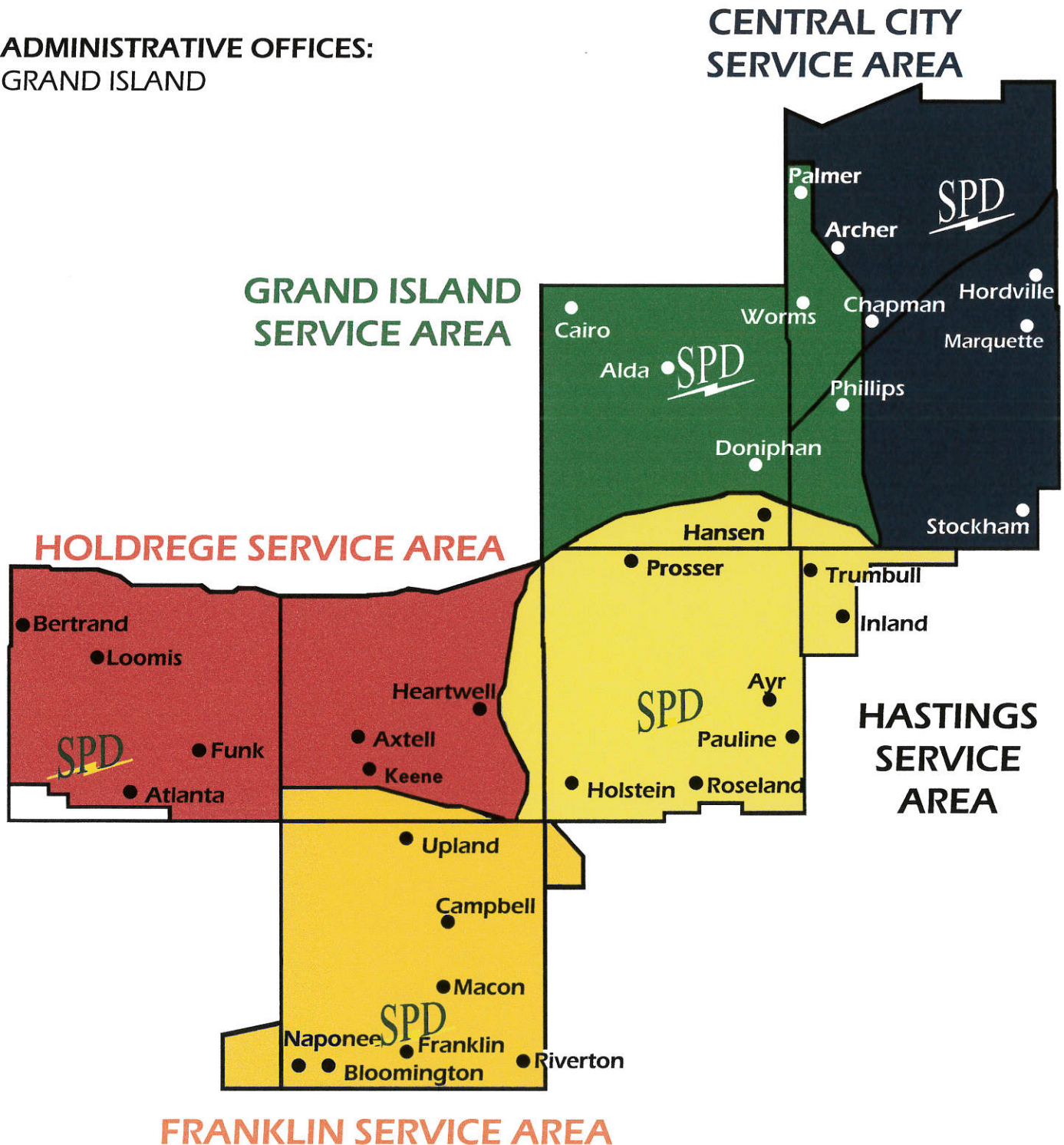
Service Region

SERVICE AREA OFFICES:

CENTRAL CITY, FRANKLIN, GRAND ISLAND,
HASTINGS AND HOLDREGE

ADMINISTRATIVE OFFICES:

GRAND ISLAND



Executive Officers



LEE GROVE

Chairman
Phelps County



RICK BERGMAN

Vice-Chairman
Phelps County



JOHN L. KUEHN

Secretary
Kearney County



LARRY BENSON

Treasurer
Merrick County

**Southern Power District Executive Officers,
2013-2014**

Board of Directors



ADRIAN CHOQUETTE
Franklin County



MIKE LOWRY
Hall County



MARVIN FISHLER
Merrick County



NEAL KATZBERG
Adams County



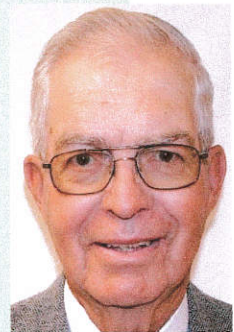
DEAN KLUTE
Hamilton County



DIRK NICKEL
Kearney County



GARY HEDMAN
Hall County



ROBERT OVERLEESE
Franklin County



ARLON JACOBITZ
Adams County



RICHARD SCHAFFERT
Hamilton County