

Southern Power District



2015 Annual Report



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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 achieve our goals while prioritizing the safety of our workers, customers and the public.

To always attempt to improve.



Message From Our CEO



NEAL NIEDFELDT

I am often found repeating to others how proud I am about the reputation of Southern Public Power District as a customer-focused electric utility. The decisions we make each day for our customers are based on completing the mission of our District which you will find in this Annual report. Our mission centers on providing superior customer service at a valued price, being responsive to our customers' needs and achieving our results with a high priority for the safety of our employees

and the public. The commitment of our Board of Directors and our dedicated employees to complete our mission has allowed us to earn this reputation through almost 80 years of service.

This past year we took a very important step towards meeting our mission statement by entering into a long term power supply agreement with Nebraska Public Power District (NPPD). After several years of negotiations with NPPD and completing studies that compared what other power suppliers had to offer, we executed a contract to purchase our wholesale power supply from NPPD through 2035. This wasn't an easy decision considering our industry's technology to generate power is changing rapidly, including pressure from the EPA to reduce carbon emissions from coal fired power plants, the declining costs of renewable fuels and falling market prices. However, we felt NPPD was best positioned going forward and we're confident we have made the best decision for our customers for the next 20 years.

In addition to the power supply contract with NPPD we are also moving ahead with our first wind generation project in 2016. The availability of low cost wind generation allows us to provide environmentally clean energy for our customers and provide an alternative source of energy generation that will complement our NPPD contract.

While the pace of change in our industry is increasing the one goal that doesn't change is our ongoing commitment to our mission of providing a reliable source of power at rates that are fair and competitive to our neighbors. To accomplish our mission we must stay strong financially and continue to improve our electric system. Our energy sales and revenues were record-breaking in 2015 allowing us to provide margins to reinvest in our electric system and hold down future rates. We will be entering 2016 by charging rates that haven't been adjusted since January, 2013. We refinanced our debt in 2015 saving our customers approximately \$7 million in interest payments between now and 2028. We continued to improve our electric system by investing over \$17 million into our distribution and subtransmission facilities. We also increased maintenance activities so that we can continue to improve reliability and keep outages to a minimum.

I want to thank our directors and employees for their leadership and service provided this past year. A special thank you is extended to Adrian Choquette, our Board representative from Franklin County, who resigned his position with the District at the end of 2015 after serving the public power industry for 45 years. Adrian's contributions during his 21 years on the Southern Board of Directors and 25 years on the Franklin Public Power District were much appreciated and we wish him well in his future endeavors.

I am confident that the Southern Power District will continue its reputation for outstanding customer service for many years to come and I am excited to be part of the dedicated team here at Southern that takes pride in exceeding the expectations of our customers!

Balance Sheet

ASSETS

	2015	2014
Capital Assets	\$ 227,287,730	\$ 218,947,650
Less Accumulated Depreciation	78,904,137	80,482,077
Net Capital Assets	<u>148,383,593</u>	<u>138,465,573</u>
Non Current Assets:		
Investments, Unrestricted	20,000,000	12,500,000
Unamortized Bond Issue Costs	277,084	635,057
Unamortized Pension Costs	3,325,767	3,789,827
Other Assets	302,698	310,372
Loss on Refunding	4,269,872	0
Restricted Investments - Debt Reserve Fund	0	4,275,333
Investments in Associated Organizations	1,615,340	1,774,873
Total Investments	<u>29,790,761</u>	<u>23,285,462</u>
Current Assets:		
Cash and Cash Equivalents	14,343,588	20,265,418
Investments, Unrestricted	12,500,000	12,500,000
Accounts Receivable, less allowance for doubtful accounts of \$100,000 in 2014 and 2015	5,830,535	6,683,980
Unbilled Revenue	2,718,277	2,965,079
Interest Receivable	189,090	132,649
Materials and Supply Inventory	6,419,144	9,902,762
Prepaid Expenses	392,066	263,526
Total Current Assets	<u>42,392,700</u>	<u>52,713,414</u>
Total Assets and Other Debits	<u>\$ 220,567,054</u>	<u>\$ 214,464,449</u>

Balance Sheet

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2015	2014
Net Position:		
Investments in Capital Assets, Net of Related Debt	\$ 110,757,303	\$ 95,754,658
Restricted	0	4,275,333
Unrestricted	57,068,309	55,545,010
Total Net Position	<u>167,825,612</u>	<u>155,575,001</u>
Deferred Inflows of Resources:		
Deferred Credits	<u>321,284</u>	<u>300,298</u>
Non Current Liabilities:		
Note Payable	0	3,286,931
Less Current Maturities	0	(796,099)
Revenue Bonds Payable	37,903,374	40,059,040
Less Current Maturities	(2,787,941)	(2,243,854)
Total Current Liabilities	<u>35,115,433</u>	<u>40,306,018</u>
Current Liabilities:		
Accounts Payable	9,533,239	10,000,634
Accrued Expenses	3,531,389	3,835,318
Consumer and Other Deposits	1,452,156	1,407,227
Current Maturities of Notes Payable	0	796,099
Current Maturities of Revenue Bonds	2,787,941	2,243,854
Total Current Liabilities	<u>17,304,725</u>	<u>18,283,132</u>
Total Liabilities and Other Credits	<u>\$ 220,567,054</u>	<u>\$ 214,464,449</u>

Statements of Revenue & Expense

	2015	2014
Operating Revenue:		
Residential Sales - Rural	\$ 16,458,453	\$ 17,310,497
Residential Sales - Seasonal	414,979	431,912
Residential Sales - Villages	6,829,274	7,043,819
Irrigation	26,855,036	23,430,418
General Services	3,904,760	3,812,302
Large Power	36,272,846	33,677,358
Wholesale	1,477,881	871,276
Unbilled Revenue Adjustment	(246,802)	199,353
Total Electric Revenue	91,966,427	86,776,935
Sub-Transmission Wheeling Revenue	79,234	81,121
Other Electric Revenue	616,033	501,648
Total Operating Revenue	92,661,694	87,359,704
Operating Expenses:		
Cost of Power	62,616,852	61,120,857
Transmission and Distribution - Operations	1,158,222	936,667
Customer Accounts	1,240,033	1,338,712
Customer Service and Information	360,537	377,338
Administrative and General	2,528,106	2,680,554
Maintenance Expense	4,473,185	3,877,087
Depreciation and Amortization	7,151,892	6,736,912
Taxes	64,395	49,649
Total Operating Expenses	79,593,222	77,117,776
Operating Revenue Before Financing Charges	\$ 13,068,472	\$ 10,241,928

Statements of Revenue & Expense

Non-Operating Revenue:

Interest Revenue	\$ 496,612	\$ 485,761
Other Income	353,739	2,319,884
Total Non-Operating Revenue	850,351	2,805,645
Debt and Other Expenses		
Interest on Long-Term Debt	(1,631,940)	(2,127,151)
Amortization of Bond Issue Costs	(26,173)	(50,470)
Other Expenses	(10,099)	(4,293)
Total Debt and Other Expenses	(1,668,212)	(2,181,914)
Increase In Net Position	12,250,611	10,865,659
Accumulated Net Position, Beginning of Period	155,575,001	144,709,342
Accumulated Net Position, End of Period	\$ 167,825,612	\$ 155,575,001
Debt Coverage Ratio	5.19	3.87

District Profile & Operating Revenues

	2015	2014
Year End Services:		
Residential - Rural	8,725	8,569
Residential - Seasonal	1,411	1,514
Residential - Villages	4,909	4,873
Irrigation	9,147	9,132
General Services	2,469	2,412
Large Power	209	260
Wholesale	3	2
Total Services	26,873	26,762

	2015		2014	
Rate:	kWh Sold	Revenue	kWh Sold	Revenue
Residential - Rural	169,012,586	\$ 16,458,453	182,503,932	\$ 17,310,497
Residential - Villages	66,599,809	6,829,275	69,991,146	7,043,819
Residential - Seasonal	1,700,683	414,979	1,893,108	431,912
Irrigation Sales	168,747,259	26,855,036	123,673,905	23,430,418
General Service	37,840,100	3,904,760	35,481,232	3,812,302
Large Power	578,058,405	36,272,846	518,007,800	33,677,358
Wholesale	20,702,453	1,477,881	12,455,254	871,276
Change in Unbilled Revenue	(4,177,154)	(246,802)	2,700,769	199,353
Surge Protection Revenues	0	11,710	0	11,861
Generlink Revenues	0	2,810	0	2,797
Forfeited Discounts (Late Payment Fee)	0	342,304	0	248,292
Subtransmission Wheeling Revenue	0	79,234	0	81,121
Other Electric Revenue	0	259,209	0	238,698
Total	1,038,484,141	\$ 92,661,694	946,707,146	\$ 87,359,704

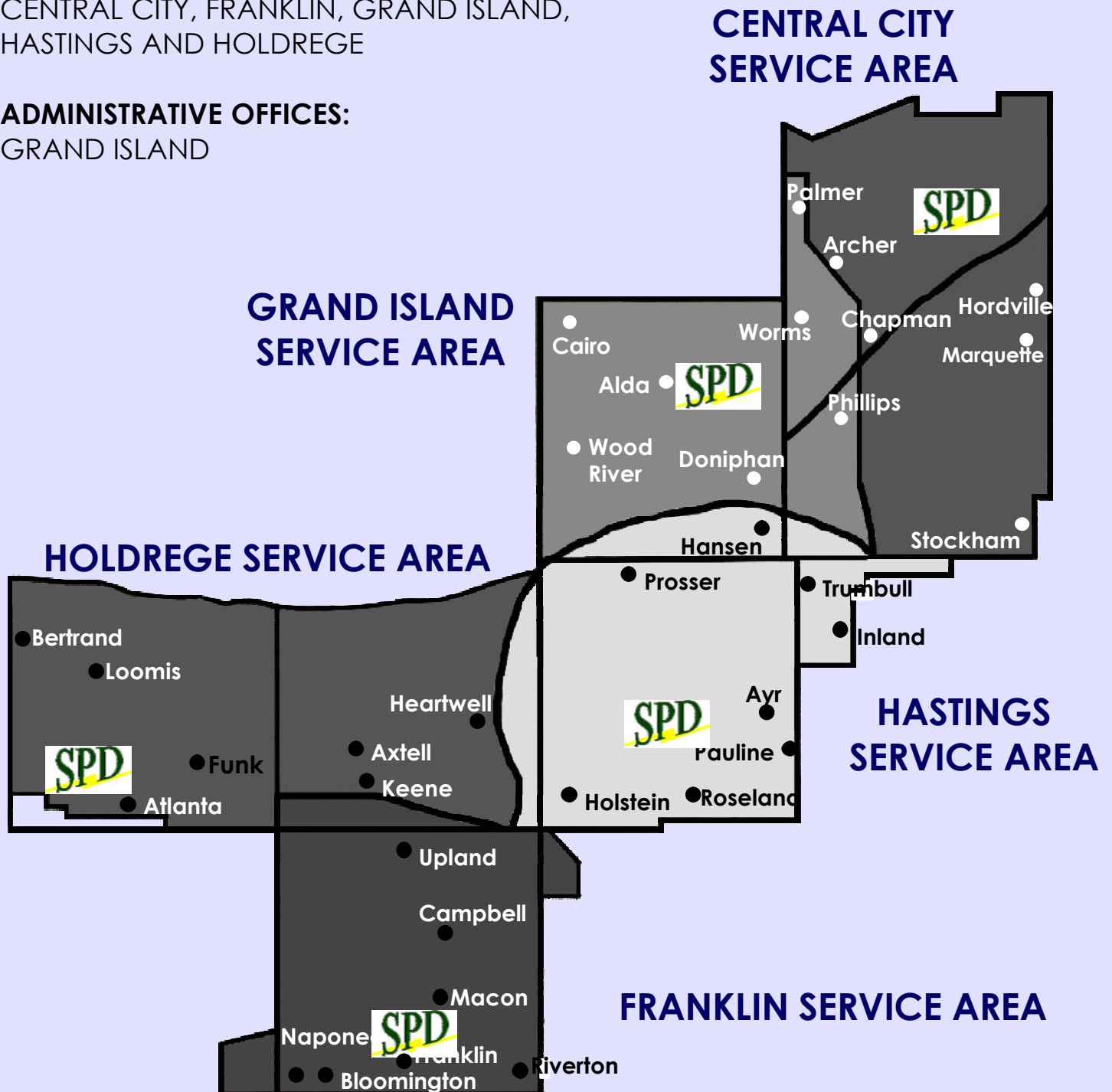
Service Region

SERVICE AREA OFFICES:

CENTRAL CITY, FRANKLIN, GRAND ISLAND,
HASTINGS AND HOLDREGE

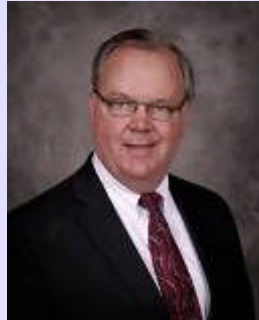
ADMINISTRATIVE OFFICES:

GRAND ISLAND



Board of Directors

Rick Bergman,
Chairman
Phelps County



BERGMAN

Larry Benson,
Vice-Chairman
Merrick County

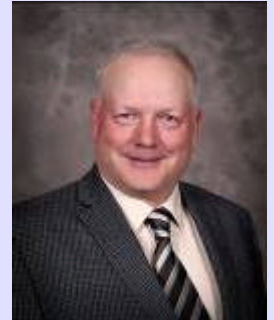


BENSON

Dean Klute,
Secretary
Hamilton County



KLUTE



JACOBITZ

Arlon Jacobitz,
Treasurer
Adams County



FISHLER

Marvin Fishler
Merrick County



GROVE

Lee Grove,
Phelps County



HEDMAN

Gary Hedman
Hall County



KATZBERG

Neal Katzberg
Adams County

Joel Kuehn
Kearney County



KUEHN

Mike Lowry
Hall County



LOWRY

Dana Meyer
Franklin County



MEYER



NICKEL

Dirk Nickel
Kearney County

Robert Overleese
Franklin County



OVERLEESE

Richard Schaffert
Hamilton County



SCHAFFERT

Adrian Choquette
Franklin County
Retired 2015



CHOQUETTE