

Annual Report 2016



Celebrating 80 Years of Lighting The Way

SPD
Lighting the Way

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Mission Statement

responsiveness...

SUPERIOR
customer service

valued price...

safety for all...

strive to improve...

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 F. NIEDFELDT
President/CEO

“We are driven to build our reputation as a superior provider of customer service.”

In 2016 we celebrated the 80th year of providing electric service to the customers in our seven county service area. While the industry has gone through a multitude of changes over the years, the one thing that remains the same is the demand for great service from our customers and our commitment to provide service that exceeds those expectations. We concentrate on being our customer's energy partner while remaining true to the District's principles of offering innovative energy solutions and services that are desired by our customers. It's a mission that never changes and one that we are very proud of.

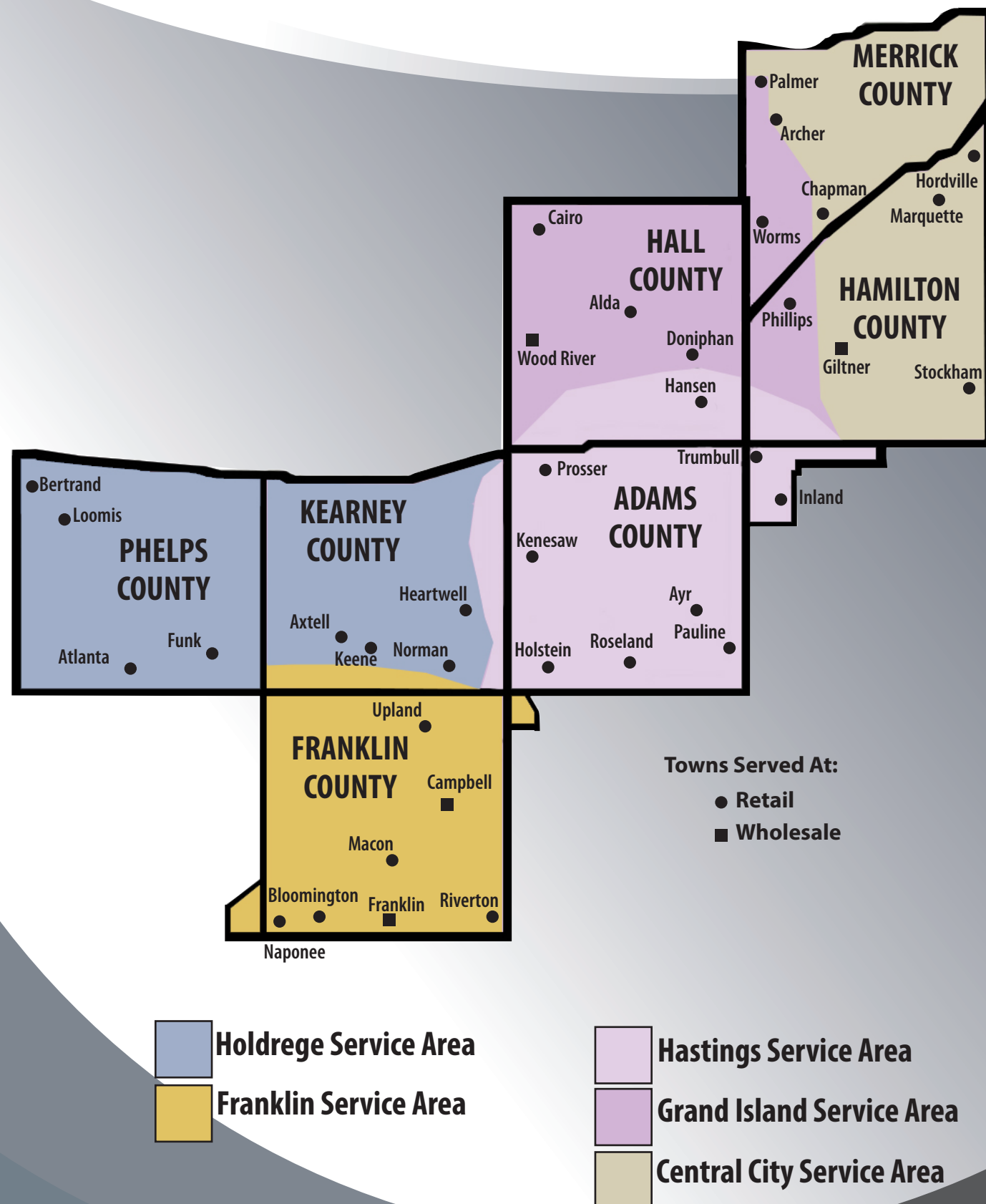
Our 80th year of service had several highlights that are illustrated in our annual report. We continued to build a financially strong District through fiscal responsibility by balancing service, reliability and rates. Revenues reached \$98 million in 2016 on record breaking energy sales of 1.1 billion kWh's. Coupled with this 8.5% growth in energy sales were stable power costs from our wholesale power supplier, a manageable increase in our operating expenses and lower financing costs. It all added up to an increase in margins that will be used to fund our capital expenditures over the next few years and will allow us to enter 2017 with no rate increase for our customers for the fourth year in a row!

We took numerous initiatives in 2016 to support our customers and the communities that we serve. We welcomed the opportunity to provide wholesale power service to a new community, the Village of Giltner. Our investments in our electric facilities exceeded \$17 million as we completed the seventh of a ten year plan to rebuild our backbone sub transmission facilities to serve our growing electric loads and provide for reliability well into the future. We installed 800 automated meters as a pilot project to study the advantages of implementing a system for us to read and operate meters remotely. The pilot project was successful leading us to move forward with a District-wide project to replace all of our 27,000 meters with automated meters over the next three years. Over 12,000 customers participated in our Operation Round Up program allowing our Southern Public Power Area Development Fund to issue nearly \$49,000 in community grants in 2016. Energy efficiency incentive payments totaling \$222,000 were distributed to 347 customers as part of our encouragement to customers to conserve energy, lower their electric bills and help us delay the need for the next power plant.

I want to thank our directors and employees for their leadership and service provided this past year. A special thank you is extended to two Board members that left us at the end of 2016. We thank Richard Schaffert, who represented Hamilton County for 43 years, for his longtime contributions to the District. We also thank Joel Kuehn, our representative from Kearney County, whose term with the District ended in 2016 after serving the public power industry for 1 year. We wish both of these men good luck in their future endeavors.

Looking forward, I am confident that the Southern District has a bright future. We are driven to build our reputation as a superior provider of customer service by listening to our customers and providing services they need and want. On behalf of our Board of Directors and our 102 dedicated employees, we say thank you for allowing us to serve you in 2016.

SERVICE AREA



ABOUT YOUR PUBLIC POWER DISTRICT

Southern Public Power District is a publicly-owned electric distribution system providing electricity to customers in south central Nebraska.

Founded in 1936, Southern is a non-profit political subdivision of the State of Nebraska. Policies and rates are set by an elected 14-member board of directors. Each county served by Southern is represented by two directors who serve 6-year terms.

Southern operates 7,109 miles of lines throughout the District's 4,028 square mile service area. Southern purchases all of its power from Nebraska Public Power District (NPPD), headquartered in Columbus, Nebraska.

Our chartered service area extends through rural areas of seven counties: Adams, Franklin, Hall, Hamilton, Kearney, Merrick and Phelps County.

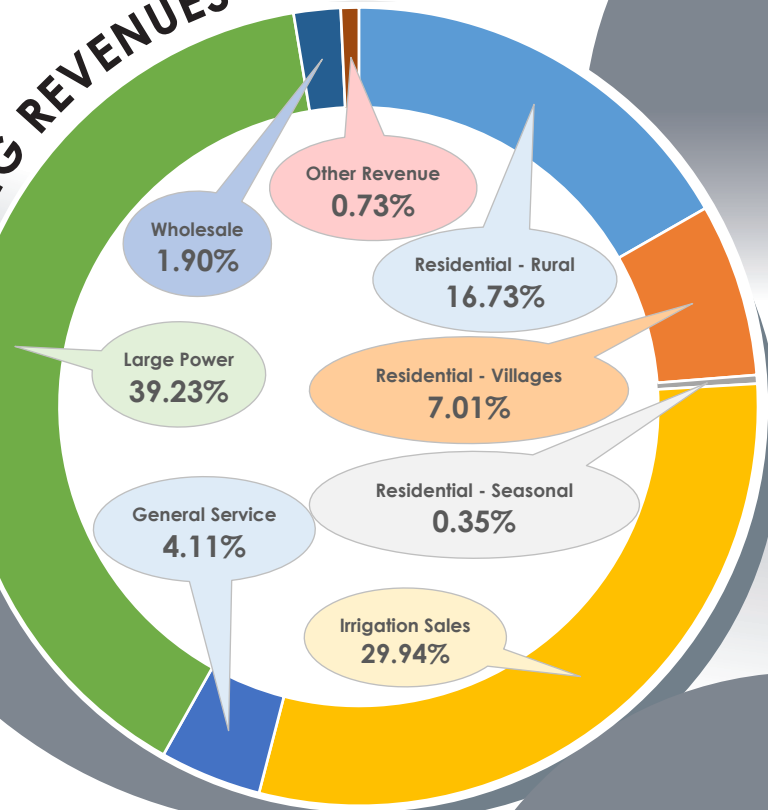
Southern provides retail electric service to the following villages: Alda, Archer, Atlanta, Axtell, Ayr, Bertrand, Bloomington, Cairo, Chapman, Doniphan, Funk, Hansen, Heartwell, Holstein, Hordville, Keene, Kenesaw, Inland, Loomis, Macon, Marquette, Naponee, Norman, Palmer, Pauline, Phillips, Prosser, Riverton, Roseland, Stockham, Trumbull, Upland and Worms.

Southern also provides wholesale electric service to Campbell, Franklin, Giltner and Wood River.

With 102 full-time employees, Southern is headquartered in Grand Island and has area service centers in Hastings, Central City, Holdrege and Franklin.

& DISTRICT PROFILE OPERATING REVENUES

2016 OPERATING REVENUES



Total services
increased by

79
in 2016

Electric Usage
Increased by

8.53%
in 2016

Year End Services:

Residential - Rural
Residential - Seasonal
Residential - Villages
Irrigation
General Services
Large Power
Wholesale
Total Services

	2016	2015
Residential - Rural	8,733	8,725
Residential - Seasonal	1,412	1,411
Residential - Villages	4,896	4,909
Irrigation	9,157	9,147
General Services	2,539	2,469
Large Power	211	209
Wholesale	4	3
Total Services	26,952	26,873

	2016		2015	
	kWh Sold	Revenue	kWh Sold	Revenue
Residential - Rural	167,890,016	\$16,497,589	169,012,586	\$16,458,453
Residential - Villages	66,739,612	\$6,913,835	66,599,809	\$6,829,275
Residential - Seasonal	1,122,342	\$344,203	1,700,683	\$414,979
Irrigation Sales	205,511,733	\$29,529,871	168,747,259	\$26,855,036
General Service	39,111,973	\$4,058,315	37,840,100	\$3,904,760
Large Power	618,850,705	\$38,696,360	578,058,405	\$36,272,846
Wholesale	27,009,579	\$1,869,872	20,702,453	\$1,477,881
Change in Unbilled Revenue	834,873	\$58,441	(4,177,154)	\$(246,803)
Subtransmission Wheeling Revenue	--	\$71,270	--	\$79,234
Other Electric Revenue		\$587,435		\$616,033
Total	1,127,070,833	\$98,627,191	1,038,484,141	\$92,661,694

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2016	2015
Capital Assets	\$ 239,467,599	\$ 227,287,730
Less: Accumulated Depreciation	(81,599,354)	(78,904,137)
Net Capital Assets	<u>157,868,245</u>	<u>148,383,593</u>
Deferred Outflows of Resources:		
Deferred Charges	<u>3,703,664</u>	<u>4,269,872</u>
Non-Current Assets:		
Investments, Unrestricted	7,500,000	20,000,000
Unamortized Bond Issue Costs	255,770	277,084
Unamortized Pension Costs	2,861,706	3,325,767
Other Assets	294,853	302,698
Investments in Associated Organizations	1,671,906	1,615,340
Total Non-Current Assets	<u>12,584,235</u>	<u>25,520,889</u>
Current Assets:		
Cash and Cash Equivalents	17,673,369	14,343,588
Investments, Unrestricted	25,000,000	12,500,000
Accounts Receivable, less allowance for doubtful accounts of \$100,000	6,200,871	5,830,535
Unbilled Revenue	2,776,717	2,718,277
Interest Receivable	230,995	189,090
Materials and Supply Inventory	6,270,731	6,419,144
Prepaid Expenses	212,714	392,066
Total Current Assets	<u>58,365,397</u>	<u>42,392,700</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 232,521,541</u>	<u>\$ 220,567,054</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2016	2015
Net Position:		
Investments in Capital Assets, Net of Related Debt	\$ 123,008,719	\$ 110,757,295
Unrestricted	58,317,839	57,068,317
Total Net Position	<u>181,326,558</u>	<u>167,825,612</u>
Deferred Inflows of Resources:		
Deferred Credits	<u>252,850</u>	<u>321,285</u>
Non-Current Liabilities:		
Revenue Bonds Payable	35,115,296	37,903,374
Less Current Maturities	(2,824,661)	(2,787,941)
Total Non-Current Liabilities	<u>32,290,635</u>	<u>35,115,433</u>
Current Liabilities:		
Accounts Payable	10,928,804	9,533,239
Accrued Expenses	3,402,369	3,531,388
Consumer Deposits	1,495,664	1,452,156
Current Maturities of Revenue Bonds	2,824,661	2,787,941
Total Current Liabilities	<u>18,651,498</u>	<u>17,304,724</u>
Total Liabilities & Net Position	<u>\$ 232,521,541</u>	<u>\$ 220,567,054</u>

STATEMENTS OF REVENUE & EXPENSE

	2016	2015
Operating Revenues:		
Residential Sales - Rural	\$16,497,589	\$16,458,453
Residential Sales - Seasonal	344,203	414,979
Residential Sales - Villages	6,913,835	6,829,275
Irrigation	29,529,871	26,855,036
General Services	4,058,315	3,904,760
Large Power	38,696,360	36,272,846
Wholesale	1,869,872	1,477,881
Unbilled Revenue Adjustment	58,441	(246,803)
Total Electric Revenues	97,968,486	91,966,427
Sub-Transmission Wheeling Revenue	71,270	79,234
Other Electric Revenue	587,435	616,033
Total Operating Revenues	98,627,191	92,661,694
Operating Expenses:		
Cost of Power	67,617,824	62,616,852
Transmission - Operations	286,344	264,813
Distribution - Operations	981,525	893,409
Customer Accounts	1,342,898	1,240,033
Customer Service and Information	352,295	360,537
Administrative and General	2,377,168	2,528,106
Maintenance Expense	4,275,220	4,473,184
Depreciation and Amortization	7,675,754	7,151,892
Taxes	72,499	64,396
Total Operating Expenses	84,981,527	79,593,222
Operating Income	\$13,645,664	\$13,068,472

	2016	2015
Operating Income	\$13,645,664	\$13,068,472
Investment and Other Income		
Interest Revenue	615,051	496,612
Other Income	717,797	353,739
Total Investment and Other Income	1,332,848	850,351
Income Before Debt and Other Expenses	14,978,512	13,918,823
Debt and Other Expenses:		
Interest on Long-Term Debt	(1,426,800)	(1,631,940)
Amortization of Bond Issue Costs	(21,314)	(26,174)
Other Expenses	(29,452)	(10,098)
Total Debt and Other Expenses	(1,477,566)	(1,668,212)
Increase In Net Position	13,500,946	12,250,611
Net Position, Beginning of Year	167,825,612	155,575,001
Net Position, End of Year	\$181,326,558	\$167,825,612

COMMUNITY OUTREACH OPERATION ROUND UP

DEVELOPMENT FUND BOARD OF DIRECTORS

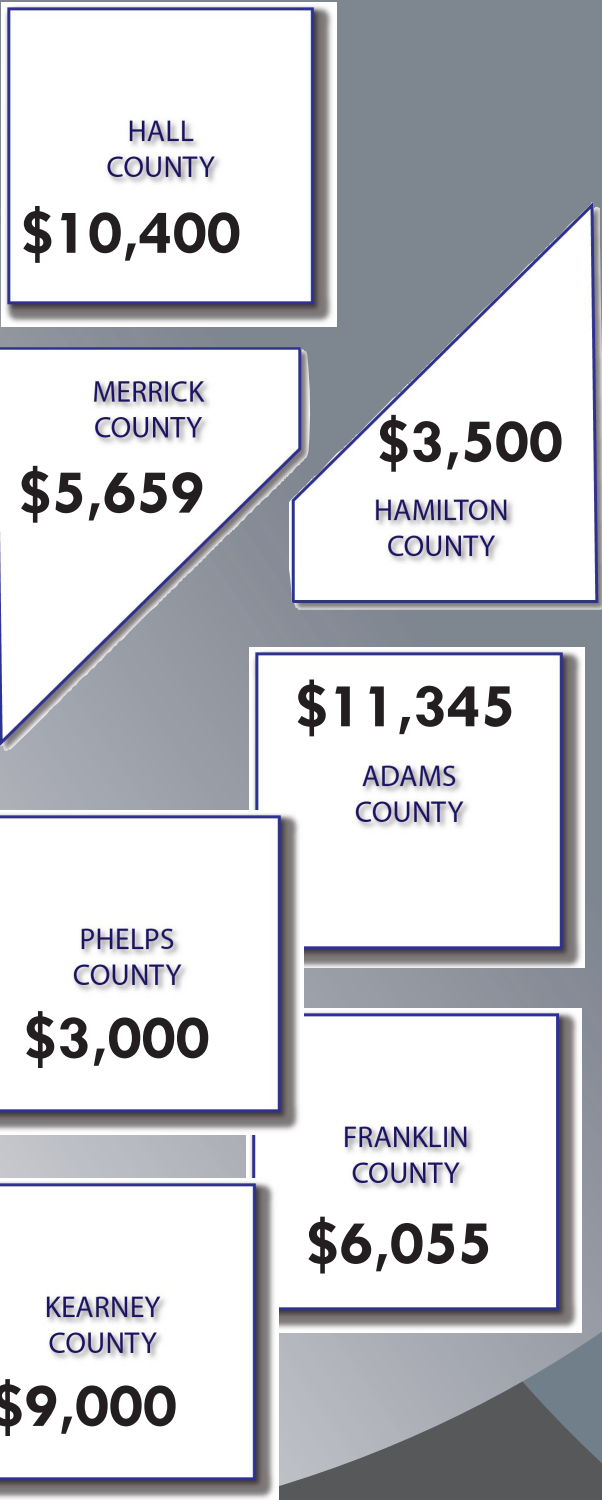


TOP: Terry Nelson, Phelps County; Jay Meyer, Franklin County; Terry Connick, Vice-Chairperson, Hall County; Mark Utter, Secretary/Treasurer, Adams County.
BOTTOM: Terry Sorensen, Kearney County; Jayne Mann, Chair-Person, Hamilton County; and Bill Bolte, Merrick County.

GRANT DISTRIBUTIONS IN 2016

Fire & Rescue	\$14,955
School Programs	\$4,760
Parks & Recreation	\$10,994
Health.....	\$5,750
Community Centers.....	\$5,500
Arts	\$3,000
Education & Libraries	\$4,000
Total Distributions	\$48,959

GRANT DISTRIBUTION BY COUNTY



COMMUNITY OUTREACH ENERGY EFFICIENCY PROGRAMS

ENERGYWISESM
Use less. Spend less. Do more.

ENERGY EFFICIENCY PROGRAMS FUNDS GRANTED TO CUSTOMERS IN 2016:

Heat Pump	\$63,000.00
Lighting	\$111,557.10
VFD.....	\$9,982.40
Cooling Tune-Up.....	\$1,110.00
Attic Insulation	\$981.90
Industrial Process	\$20,803.00
Commercial HVAC.....	\$3,300.00
Residential LED.....	\$6,374.00
Heat Pump Water Heater	\$200.00
Dealer Incentive.....	\$4,300.00
TOTAL INCENTIVES:.....	\$221,608.43



Marathon[®]
WATER HEATERS

WATER HEATER PROGRAM:

50-GALLON	34
85-GALLON WITH TIMECLOCK.....	45
85-GALLON WITHOUT TIMECLOCK	2
ALL OTHER SIZES.....	2
TOTAL UNITS DISTRIBUTED:	83

BOARD OF DIRECTORS



RICK BERGMAN
CHAIRMAN



LARRY BENSON
VICE-CHAIRMAN



DEAN KLUTE
SECRETARY



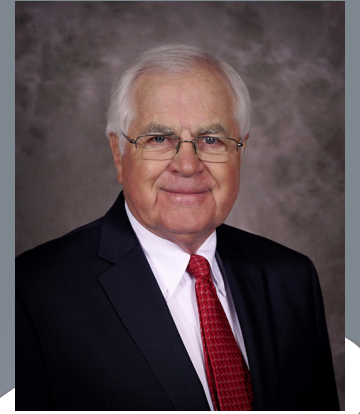
ARLON JACOBITZ
TREASURER



MARVIN FISHLER
MERRICK COUNTY



LEE GROVE
PHELPS COUNTY



GARY HEDMAN
HALL COUNTY



JOEL KUEHN
KEARNEY COUNTY



NEAL KATZBERG
ADAMS COUNTY



MIKE LOWRY
HALL COUNTY



DANA MEYER
FRANKLIN COUNTY



DIRK NICKEL
KEARNEY COUNTY



ROBERT OVERLEESE
FRANKLIN COUNTY



RICHARD SCHAFFERT
HAMILTON COUNTY

