



*Powering
A Brighter
Future*



2018 ANNUAL REPORT





Contents

04 | Vision, Mission & Values

06 | President's Message/
Executive Staff Members

08 | Service Area

10 | System Improvements

11 | District Profile & Operating
Revenues

12 | Statements of Net Position

14 | Statements of Revenue
& Expense

16 | Community Outreach

18 | Board of Directors

Our vision and mission statements reflect our pride in being part of the public power model in Nebraska, and in delivering superior customer service and affordable rates to our customers since 1936.

--Neal Niedfeldt, President, SPPD

Vision

Powering a brighter future for our customers and communities while supporting public power in Nebraska.

Mission

To safely provide our customers with highly reliable and competitively priced electricity, superior customer service and innovative energy solutions.

Values

We value our employee and customer opinions. We work together to support, trust and respect each other. We conduct business in a safe and honest manner. We do what is right, treat others the way we want to be treated and lead by example. We strive for excellence.

"We look back to 2018 with an impressive list of financial results and accomplishments that will benefit our customers."

NEAL NIEDFELDT
CHIEF EXECUTIVE OFFICER



EXECUTIVE STAFF MEMBERS



AARON BROWN
ENGINEERING/OPERATIONS MANAGER



BRAD KOOL
CHIEF FINANCIAL OFFICER



LEANNE DOOSE
PUBLIC RELATIONS MANAGER



SAM REINKE
ENERGY SERVICES MANAGER



JACK WELCH
IT MANAGER



ANTHONY BOHATY
IRRIGATION SERVICES MANAGER

President's Message

In 2018 we released a new Vision Statement for our District which reads "Powering a brighter future for our customers and communities while supporting public power in Nebraska". Our new vision statement reminds us that the District will be a partner with our customers and we are dedicated to assist in their success. As we power a brighter future for our customers, we are proud to be part of the public power model in Nebraska, a model that is unique to our State and has brought low rates and superior customer service to the rate payers of Nebraska since 1936.

We look back to 2018 with an impressive list of financial results and accomplishments. Financially the District met our expectations with adequate margins and cash flows. We lowered rates at the beginning of the year and announced for the sixth year in a row there would be no rate increases for 2019. We know you will find our rates very competitive with our neighboring electric utilities here in Nebraska and the surrounding states.

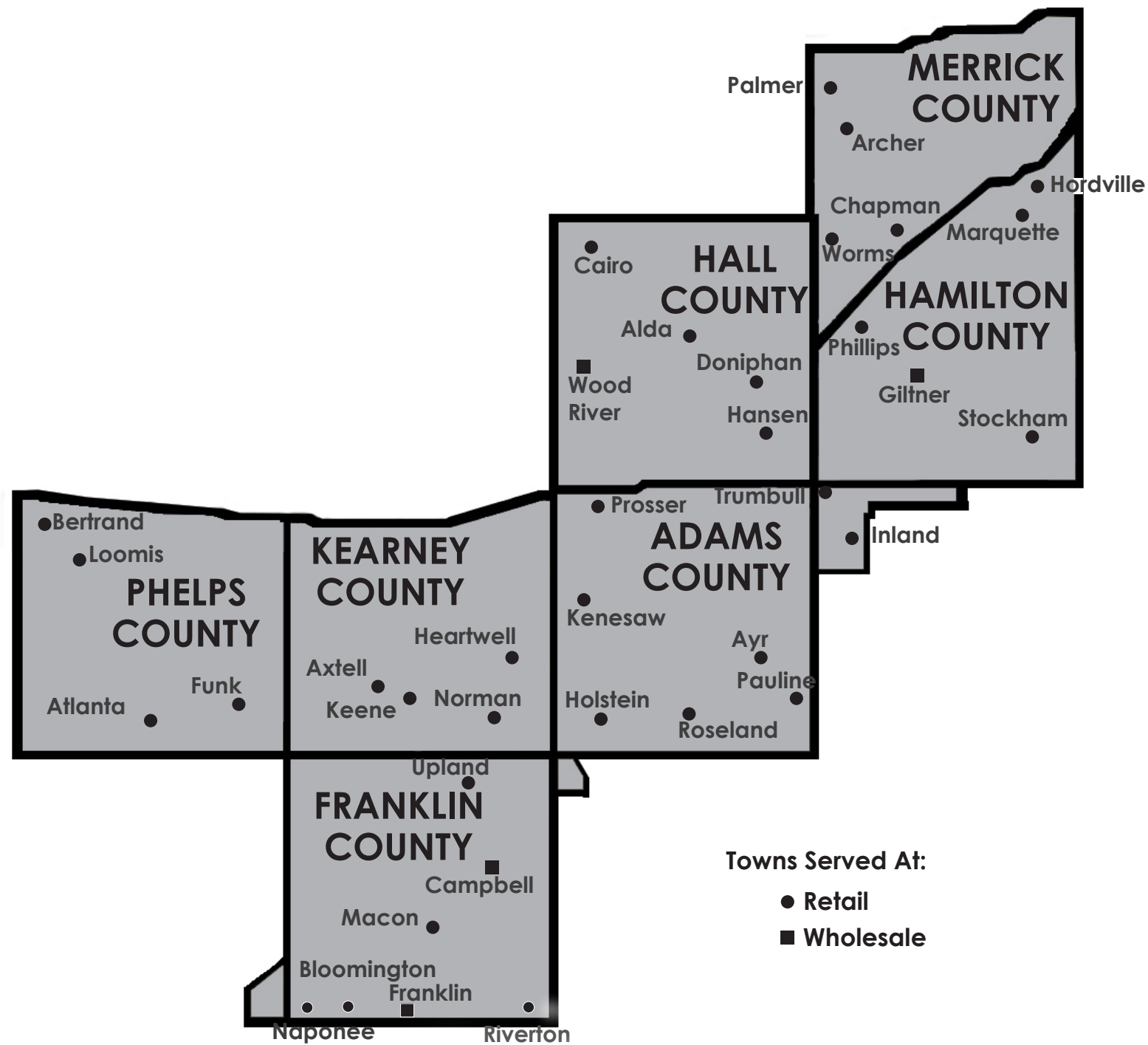
We completed several initiatives to improve customer service, recruit industry to our service area and support the communities we serve. Through a strategic planning initiative, we re-branded ourselves and developed a new logo to allow us to focus more clearly and consistently on our task at hand. We completed a Development Plan for the District's Energy Park to assist in our recruitment of industry. We were successful in bringing our first new project to the Energy Park in several years and we should see it operational in 2019. We executed a new retail lease agreement with the Village of Heartwell and a new wholesale power contract with the Village of Campbell. We look forward to assisting both towns with their power needs for many years to come.

In the fall we entered into agreements to prepare for a new service center in Funk, Nebraska in 2019. The new center will replace our aging and inadequate facilities currently located in Holdrege. We provided added value to our customers through programs offered to assist customers realize greater savings through our energy efficiency programs. Additionally, we were pleased to see the continued support from our customers through their participation in our Operation Round Up program. After five years of operation we have awarded over \$200,000 in grants to community projects throughout our seven-county service area.

I would like to extend a special thank you to Robert Overlese, our Board representative from Franklin County, who resigned his position with the District at the end of 2018 after serving the public power industry for 35 years. Robert's contributions during his many years of service on the Southern Public Power District Board of Directors and the Franklin Public Power District Board of Directors were much appreciated and we wish him well in his future endeavors.

All of us here at the District are proud to provide our customers with highly reliable and competitively priced electricity, superior customer service and innovative energy solutions. My thanks go out to our Board of Directors and the dedicated employees of the District for their commitment to our success during this past year.

Service Area



About SPPD

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

We are a non-profit political subdivision of the State of Nebraska. Our policies and rates are established by an elected 14-member board of directors. Each county served by Southern is represented by two directors who serve six-year terms.

Southern operates 7,102 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.

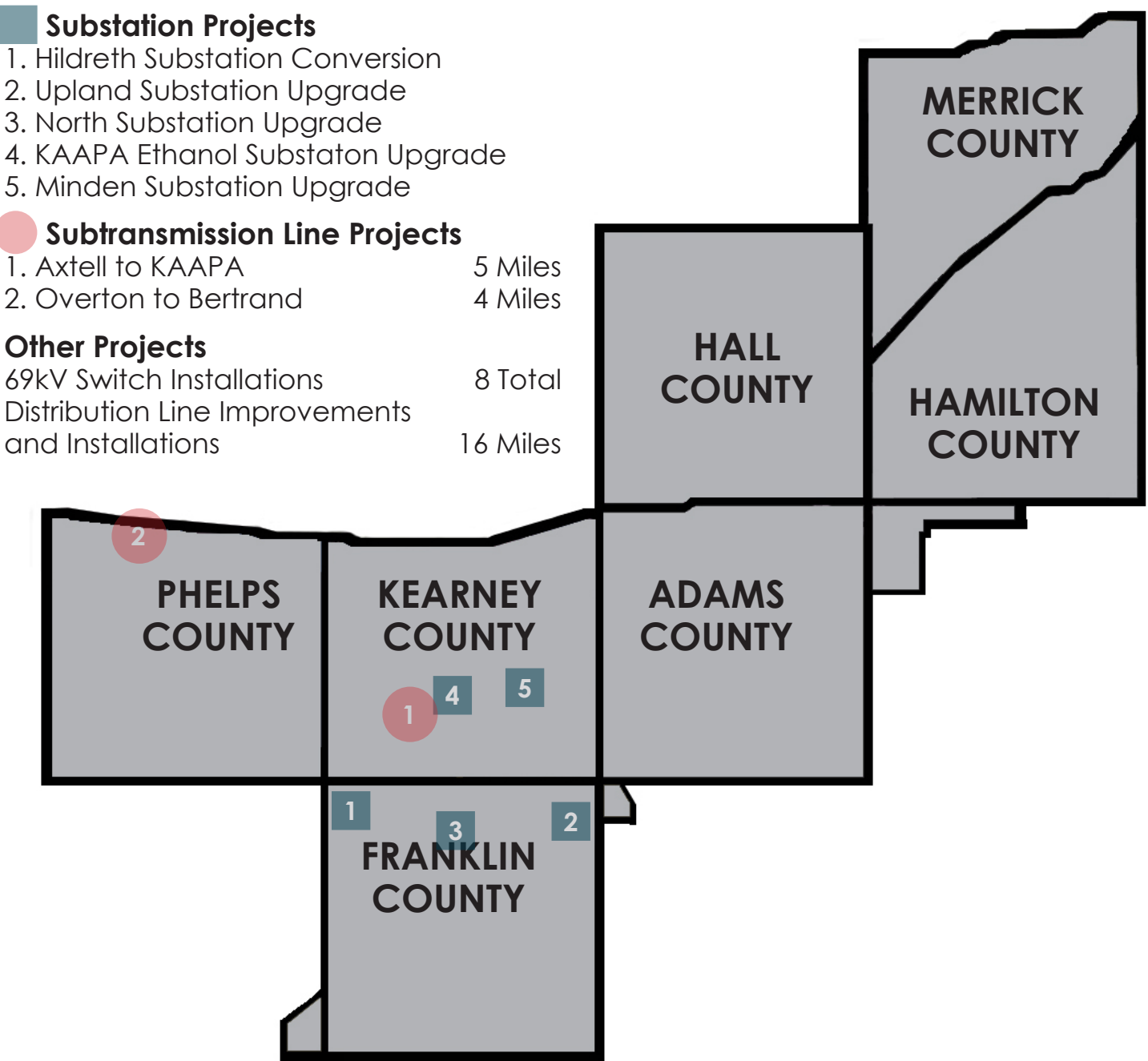
Our chartered service area extends through rural areas of seven counties: Adams, Franklin, Hall, Hamilton, Kearney, Merrick and Phelps County.

Throughout those seven counties, we provide 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.

System Improvements

System improvements assure the reliability of your electric service. Projects in 2018 ranged from substation upgrades to distribution lines, and the installation of a new metering system was completed. In all, these projects in 2018 totaled just over \$16 million. The following is a summary which lists the large scale projects that were completed within our 2018 work plan.



District Profile, Operating Revenues

PROFILE OF SERVICES

	2018	2017
Year End Services:		
Residential - Rural	8,814	8,738
Residential - Villages	4,936	4,898
Residential - Seasonal	1,388	1,408
Irrigation	9,230	9,191
General Services	2,615	2,577
Large Power	220	211
Wholesale	4	4
Total Services	27,207	27,027

OPERATING REVENUES

	2018		2017	
	kWh Sold	Revenue	kWh Sold	Revenue
Residential - Rural	184,603,952	\$17,385,484	165,655,452	\$16,346,977
Residential - Villages	73,230,988	7,205,214	67,238,149	6,917,569
Residential - Seasonal	1,117,472	347,272	1,118,797	338,730
Irrigation Sales	117,810,841	23,476,522	153,368,325	26,022,291
General Service	42,950,203	4,410,631	41,089,032	4,249,930
Large Power	663,557,657	40,762,198	658,423,353	40,311,900
Wholesale	29,437,396	1,927,650	28,558,351	1,979,170
Change in Unbilled Revenue	(14,230,463)	(1,387,470)	(11,174,419)	36,915
Subtransmission Wheeling Revenue	--	\$67,402	--	71,597
Other Electric Revenue	--	\$472,090	--	\$554,674
Total	1,098,478,046	\$98,829,753	1,104,227,040	\$96,829,753

Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017
Capital Assets	\$ 260,960,233	\$ 251,345,603
Less: Accumulated Depreciation	(85,980,516)	(83,369,750)
Net Capital Assets	<u>174,979,717</u>	<u>167,975,853</u>
Deferred Outflows of Resources:		
Deferred Charges	<u>2,664,715</u>	<u>3,167,587</u>
Non-Current Assets:		
Investments, Unrestricted	5,000,000	27,500,000
Unamortized Bond Issue Costs	213,142	234,456
Unamortized Pension Costs	3,933,586	2,397,646
Other Assets	278,624	287,031
Investments in Associated Organizations	1,767,013	1,716,258
Total Non-Current Assets	<u>11,192,365</u>	<u>32,135,391</u>
Current Assets:		
Cash and Cash Equivalents	11,615,686	12,090,645
Investments, Unrestricted	27,500,000	7,500,000
Accounts Receivable, less allowance for doubtful accounts of \$100,000	5,950,744	5,760,587
Unbilled Revenue	1,426,162	2,813,631
Interest Receivable	338,832	282,334
Materials and Supply Inventory	6,769,306	6,435,649
Prepaid Expenses	182,014	214,431
Total Current Assets	<u>53,782,744</u>	<u>35,097,277</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 242,619,541</u>	<u>\$ 238,376,108</u>

Statements of Net Position

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2018	2017
Net Position:		
Investments in Capital Assets	\$ 145,773,768	\$ 135,929,890
Unrestricted	51,857,787	53,754,850
Total Net Position	<u>197,631,556</u>	<u>189,674,740</u>
Deferred Inflows of Resources:		
Deferred Credits	<u>265,138</u>	<u>238,203</u>
Non-Current Liabilities:		
Revenue Bonds Payable	29,419,091	32,290,419
Less Current Maturities	(2,926,067)	(2,871,328)
Total Non-Current Liabilities	<u>26,493,024</u>	<u>29,419,091</u>
Current Liabilities:		
Accounts Payable	10,323,078	11,302,723
Accrued Expenses	3,433,818	3,358,522
Consumer Deposits	1,546,860	1,511,501
Current Maturities of Revenue Bonds	2,926,067	2,871,328
Total Current Liabilities	<u>18,229,823</u>	<u>19,044,074</u>
Total Liabilities & Net Position	<u>\$ 242,619,541</u>	<u>\$ 238,376,108</u>

Statements of Revenue & Expense

	2018	2017
Operating Revenues:		
Residential Sales - Rural	\$17,385,484	\$16,346,977
Residential Sales - Villages	7,205,214	6,917,569
Residential Sales - Seasonal	347,272	338,730
Irrigation	23,476,522	26,022,291
General Services	4,410,631	4,249,930
Large Power	40,762,198	40,311,900
Wholesale	1,927,650	1,979,170
Unbilled Revenue Adjustment	(1,387,470)	36,915
Total Electric Revenues	<u>94,127,501</u>	<u>95,203,482</u>
Sub-Transmission Wheeling Revenue	67,402	71,597
Other Electric Revenue	472,090	554,674
Total Operating Revenues	<u>94,666,993</u>	<u>95,829,753</u>
Operating Expenses:		
Cost of Power	66,616,826	68,815,781
Transmission - Operations	308,885	324,448
Distribution - Operations	1,470,305	1,548,876
Customer Accounts	806,131	1,157,284
Customer Service and Information	341,663	358,558
Administrative and General	2,610,475	2,473,729
Maintenance Expense	5,983,985	5,254,220
Depreciation and Amortization	8,782,773	8,226,228
Taxes	59,929	65,072
Total Operating Expenses	<u>86,980,972</u>	<u>88,224,196</u>
Operating Income	<u>\$ 7,686,021</u>	<u>\$ 8,605,557</u>

Statements of Revenue & Expense

	2018	2017
Operating Income	\$ 7,686,021	\$ 8,605,557
Investment and Other Income		
Interest Revenue	869,899	727,933
Other Income	705,980	427,375
Total Investment and Other Income	<u>1,575,879</u>	<u>1,155,308</u>
Income Before Debt and Other Expenses	<u>9,261,900</u>	<u>9,760,865</u>
Debt and Other Expenses:		
Interest on Long-Term Debt	(1,278,117)	(1,360,858)
Amortization of Bond Issue Costs	(21,314)	(21,314)
Other Expenses	(5,654)	(30,510)
Total Debt and Other Expenses	<u>(1,305,085)</u>	<u>(1,412,682)</u>
Increase In Net Position	7,956,815	8,348,183
Net Position, Beginning of Year	<u>189,674,740</u>	<u>181,326,558</u>
Net Position, End of Year	<u>\$197,631,556</u>	<u>\$189,674,740</u>

Southern Public Power Area Development Fund

DEVELOPMENT FUND BOARD OF DIRECTORS



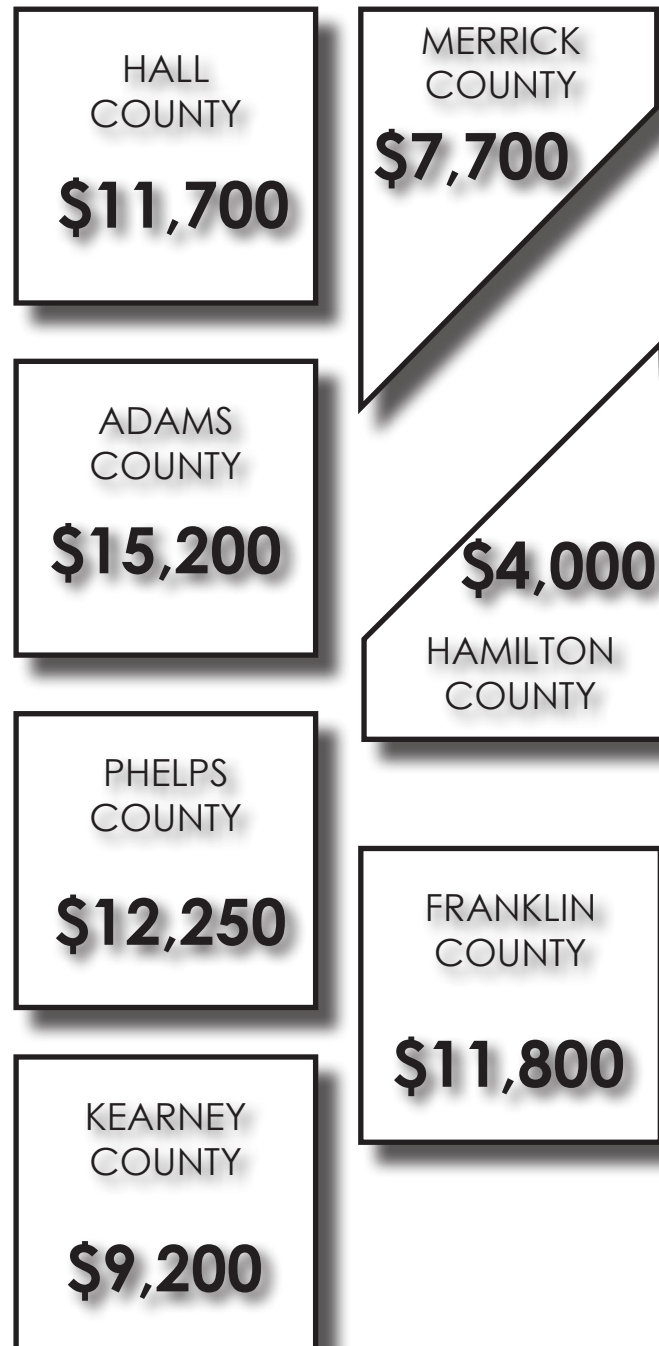
BACK ROW: Terry Nelson, Phelps County; Jay Meyer, Franklin County; Terry Connick, Vice-Chairperson, Hall County; Mark Utter, Secretary/Treasurer, Adams County.

FRONT ROW: Terry Sorensen, Kearney County; Jayne Smith, Chair-Person, Hamilton County; and Bill Bolte, Merrick County.

GRANT DISTRIBUTIONS IN 2018

Safety & Health	\$26,400
Education.....	5,800
Recreation	10,400
Community Facilities.....	28,300
Arts	950
Total Distributions.....	\$71,850

GRANT DISTRIBUTION BY COUNTY



Energy Services

ENERGYWISESM
Use less. Spend less. Do more.

ENERGY EFFICIENCY PROGRAMS FUNDS GRANTED TO CUSTOMERS IN 2018:

Heat Pump.....	\$41,300
Commercial Lighting	30,170
Irrigation VFD	5,760
Cooling Tune-Up	1,260
Attic Insulation.....	1,708
Industrial Process	12,435
Commercial HVAC	600
Heat Pump Water Heater	400
Dealer Incentive.....	3,624
TOTAL INCENTIVES:.....	\$97,257

Marathon[®]
WATER HEATERS

WATER HEATERS DISTRIBUTED IN 2018:

50-Gallon.....	42
85-Gallon with Timeclock.....	30
TOTAL UNITS DISTRIBUTED:.....	72



Executive Leadership



LARRY BENSON
CHAIRMAN



DEAN KLUTE
VICE-CHAIRMAN



ARLON JACOBITZ
SECRETARY



DANA MEYER
TREASURER



Top Row: Neal Katzberg, Adams County; Wayne Anderbery, Kearney County; Robert Overleese, Franklin County; Lee Grove, Phelps County; Dean Klute, Hamilton County; Marvin Fishler, Merrick County; Rick Bergman, Phelps County; Dana Meyer, Franklin County; Kevan Reeson, Hamilton County; Arlon Jacobitz, Adams County; Dirk Nickel, Kearney County.

Bottom Row: Larry Benson, Merrick County; Mike Lowry, Hall County; Neal Niedfeldt, President/CEO; and Gary Hedman, Hall County.

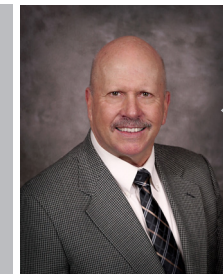
Directors



ARLON JACOBITZ
Adams County



MIKE LOWRY
Hall County



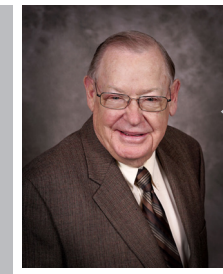
LARRY BENSON
Merrick County



NEAL KATZBERG
Adams County



DEAN KLUTE
Hamilton County



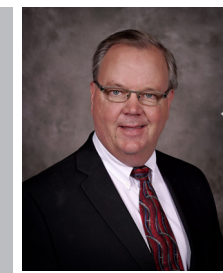
MARVIN FISHLER
Merrick County



ROBERT OVERLEESE
Franklin County



KEVAN REESON
Hamilton County



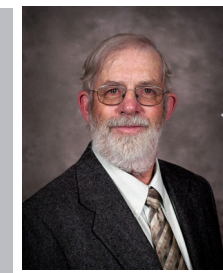
RICK BERGMAN
Phelps County



DANA MEYER
Franklin County



WAYNE ANDERBERY
Kearney County



LEE GROVE
Phelps County



GARY HEDMAN
Hall County



DIRK NICKEL
Kearney County