

A large, dark, diamond-shaped image serves as the background for the central text. It depicts a power line worker in a bucket, silhouetted against a night sky, working on high-voltage power lines. Below the worker, a piece of utility equipment with bright red and blue lights is visible on a snowy or icy ground.

2019

ANNUAL REPORT



Powering A Brighter Future

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Guiding Principles

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.

President's Message

One could say we weathered the storms in 2019 which impacted our District's service area and much of the state of Nebraska. From severe flooding in the north-central and north-east portions of the state during March to record rainfalls here in the south-central region in late summer, the citizens of Nebraska, including our customers, persevered through losses that will rewrite the history books of our state. The impacts on the Nebraska economy were devastating and we continue to deal with the aftermath of their losses. The spring rains kept our farm operators out of the fields leaving many acres not planted for the season and additional rains throughout the summer months reduced the need to irrigate crops resulting in reduced energy sales.

Our District was not completely spared from the flooding issues of early spring. Our wholesale town of Wood River experienced severe flooding with major property damage and losses. In August, extreme winds and rainfall caused extensive damages in our retail towns of Cairo, Alda and Doniphan which preceded additional flooding in the Wood River and Doniphan areas. Throughout our battles with mother nature, the District's line workers and support staff were there to work tirelessly to restore service to the customers in those areas. Our people demonstrated our commitment to the customers and communities that we serve which is the backbone of our Mission and Vision Statements supporting superior customer service and high reliability throughout our service area.

Revenues were about 9% lower in 2019 when compared to 2018. Irrigation revenues dropped 17% as the energy provided to our irrigation customers declined almost 40% from 2018. The loss of an ethanol plant and reductions in operations of another major customer caused revenues to our industrial customer group to decline 12%. However, on a positive side, we were able to control operation and maintenance expenses resulting in final Net Margins in 2019 to be fairly solid but about \$1.6 million less than reported in 2018.

Regardless of the issues in 2019 the District is in excellent financial shape. Beginning in February 2020, we will reduce retail rates slightly for the majority of our customers and continue to pass

through credits being received from our wholesale power supplier that began in 2018. Overall, all of our customers should experience energy costs that are 4% lower in 2020 when compared to 2018!

While we were weathering the storms, we accomplished many of our objectives set out in our budget and strategic planning initiatives. We continued improvements to our distribution and subtransmission systems to ensure we meet the high reliability standards that we have set for our District. We completed the replacement of all meters to automate the capture of meter readings and made significant progress on a new load control system to serve our irrigation customers more reliably in the future. We started a program to convert street lights in our communities with LED's to save future energy costs. We signed a new wholesale power contract to serve the City of Franklin and executed new retail lease agreements with the Villages of Naponee, Bloomington, Riverton, Alda, Cairo, Doniphan and Marquette. We made significant progress on the construction of a new service center located in Funk to serve the Phelps County area. We continued to offer our customers energy efficiency incentives through our EnergyWise program and community improvement grants through our Operation Round Up program.

I am proud of our accomplishments and our ability to weather the storm in 2019 in more ways than one. I am excited about what our future holds for us in 2020 and the years following. On behalf of our Board of Directors and our dedicated employees, we thank you for allowing us to serve you in 2019.



NEAL NIEDFELDT
CHIEF EXECUTIVE OFFICER

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



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



About SPPD

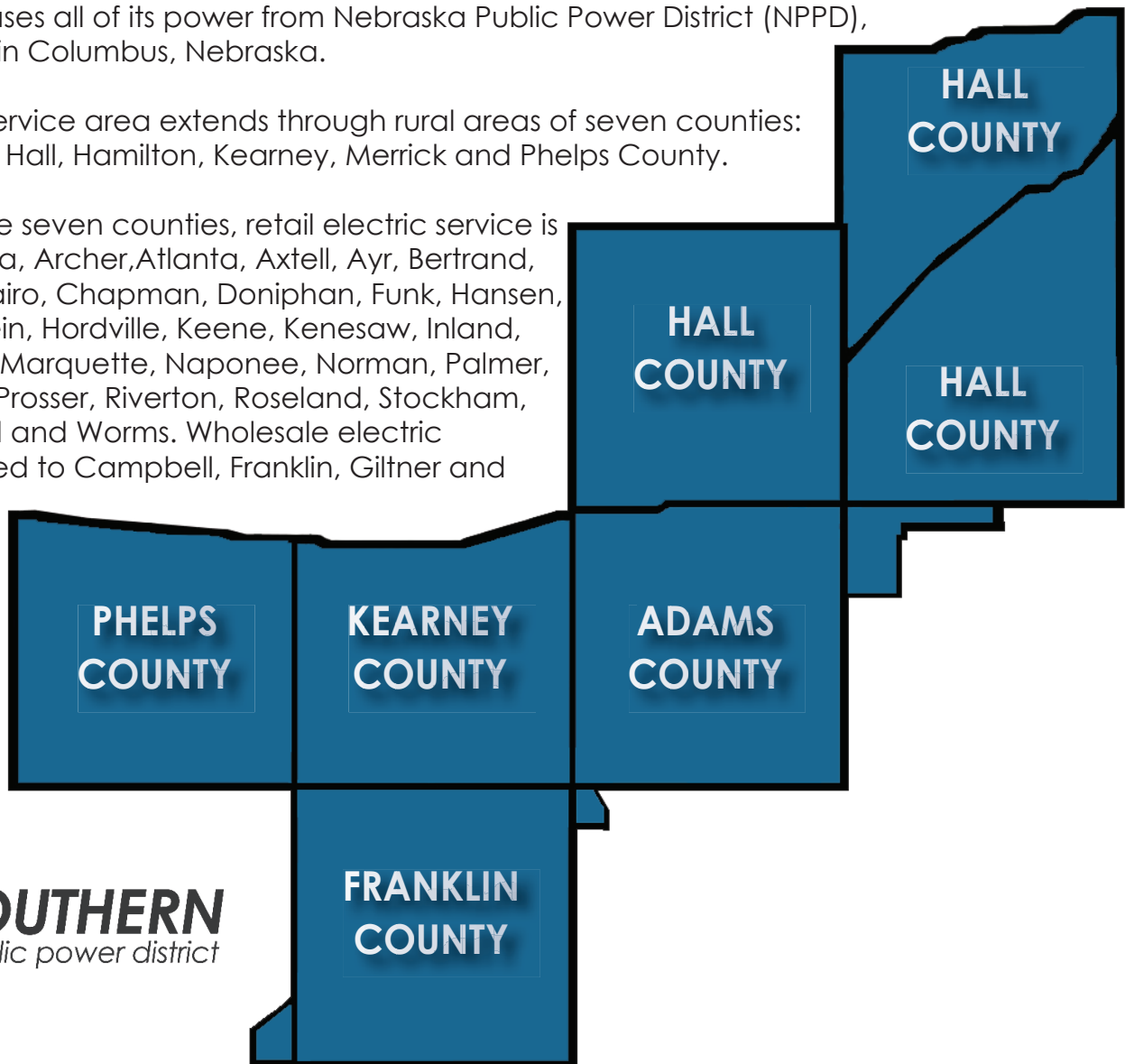
Southern Public Power District is a publicly-owned electric distribution system providing electricity to customers in south central Nebraska.

We are a non-profit political subdivision of the State of Nebraska. 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 7,087 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, retail electric service is provided to: 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. Wholesale electric service is provided to Campbell, Franklin, Giltner and Wood River.





System & Facilities

Service Center Facility

Funk, Nebraska

Ground was broken in April, 2019, for a new 26,700 square foot facility. The new facility will relocate our Holdrege area staff to Funk, Nebraska. The site includes the building, which houses offices and vehicles, and a pole yard.

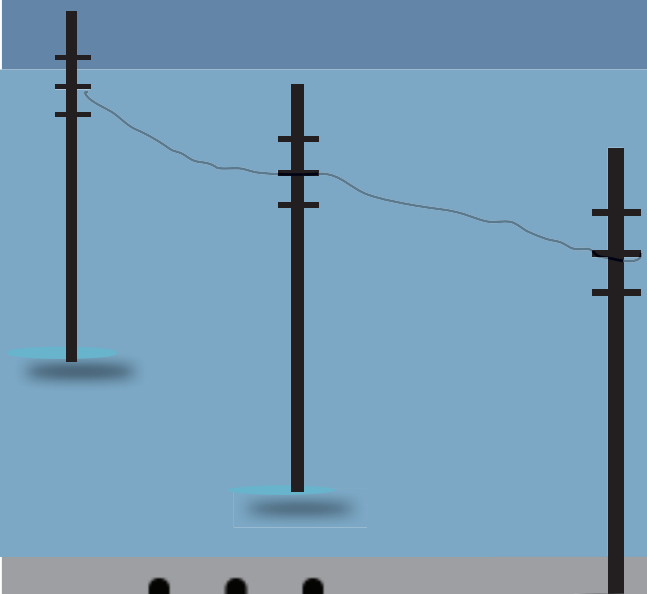


Subtransmission Line Projects

- South Hampton to Hampton, Four Miles

Other Projects

- Six 69kV Switch Installations
- Distribution line improvements and installations, 21 Miles

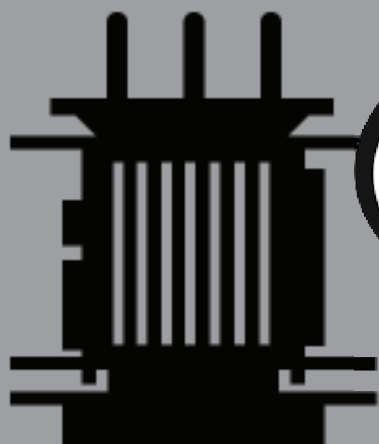


69kV conversion has been a multiple year process, which improves reliability.

FACT

Substation Projects

- Loomis Substation Upgrade 69kV
- Overton Substation Upgrade 69kV
- Kaneb SUBstation Upgrade 69kV
- Odessa Substation Upgrade 69kV



Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
Capital Assets	\$ 274,160,961	\$ 260,960,233
Less: Accumulated Depreciation	(90,527,013)	(85,980,516)
Net Capital Assets	183,633,948	174,979,717
Deferred Outflows of Resources:		
Deferred Charges	2,197,881	2,664,715
Non-Current Assets:		
Investments, Unrestricted	7,500,000	5,000,000
Unamortized Bond Issue Costs	264,952	213,142
Unamortized Pension Costs	3,611,388	3,933,586
Other Assets	270,397	278,624
Investments in Associated Organizations	1,798,586	1,767,013
Total Non-Current Assets	13,445,323	11,192,365
Current Assets:		
Cash and Cash Equivalents	9,697,175	11,615,686
Investments, Unrestricted	26,000,000	27,500,000
Accounts Receivable, less allowance for doubtful accounts of \$100,000	6,344,449	5,950,744
Unbilled Revenue	1,463,866	1,426,162
Interest Receivable	342,140	338,832
Materials and Supply Inventory	6,895,226	6,769,306
Prepaid Expenses	296,731	182,014
Total Current Assets	51,039,587	53,782,744
Total Assets & Deferred Outflows of Resources	\$ 250,316,739	\$ 242,619,541

Statements of Net Position

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION

	2019	2018
Investments in Capital Assets	\$ 152,926,599	\$ 145,773,768
Unrestricted	51,409,973	51,857,787
Total Net Position	<u>204,336,572</u>	<u>197,631,556</u>
Deferred Credits	<u>272,620</u>	<u>265,138</u>
Non-Current Liabilities:		
Revenue Bonds Payable	30,972,302	29,419,091
Less Current Maturities	(3,440,260)	(2,926,067)
Total Non-Current Liabilities	<u>27,532,042</u>	<u>26,493,024</u>
Accounts Payable	9,972,344	10,323,078
Accrued Expenses	3,314,778	3,433,818
Consumer Deposits	1,448,123	1,546,860
Current Maturities of Revenue Bonds	3,440,260	2,926,067
Total Current Liabilities	<u>18,175,505</u>	<u>18,229,823</u>
Total Liabilities & Net Position	<u>\$ 250,316,739</u>	<u>\$ 242,619,541</u>

Statements of Revenue & Expense

OPERATING REVENUES

	2019	2018
Residential Sales - Rural	\$16,770,426	\$17,385,484
Residential Sales - Villages	7,022,567	7,205,214
Residential Sales - Seasonal	343,542	347,272
Irrigation	19,469,473	23,476,522
General Services	4,213,782	4,410,631
Large Power	35,743,942	40,762,198
Wholesale	2,010,702	1,927,650
Unbilled Revenue Adjustment	37,706	(1,387,470)
Total Electric Revenues	85,612,140	94,127,501
Sub-Transmission Wheeling Revenue	46,961	67,402
Other Electric Revenue	362,539	472,090
Total Operating Revenues	86,021,640	94,666,993

OPERATING EXPENSES

Cost of Power	59,518,847	66,616,826
Transmission - Operations	283,806	308,885
Distribution - Operations	1,183,495	1,470,305
Customer Accounts	744,527	806,131
Customer Service and Information	360,583	341,663
Administrative and General	2,601,704	2,610,475
Maintenance Expense	6,212,848	5,983,985
Depreciation and Amortization	9,085,009	8,782,773
Taxes	53,694	59,929
Total Operating Expenses	80,044,514	86,980,972

Operating Income

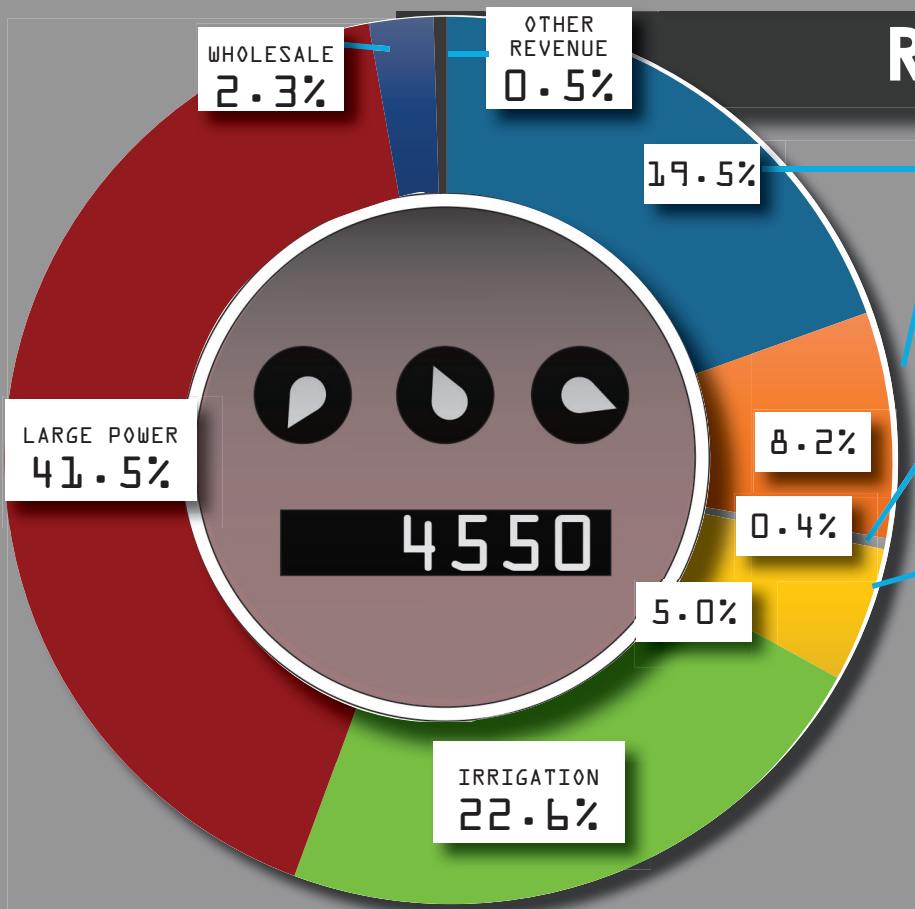
\$ 5,977,126

\$ 7,686,021

Statements of Revenue & Expense

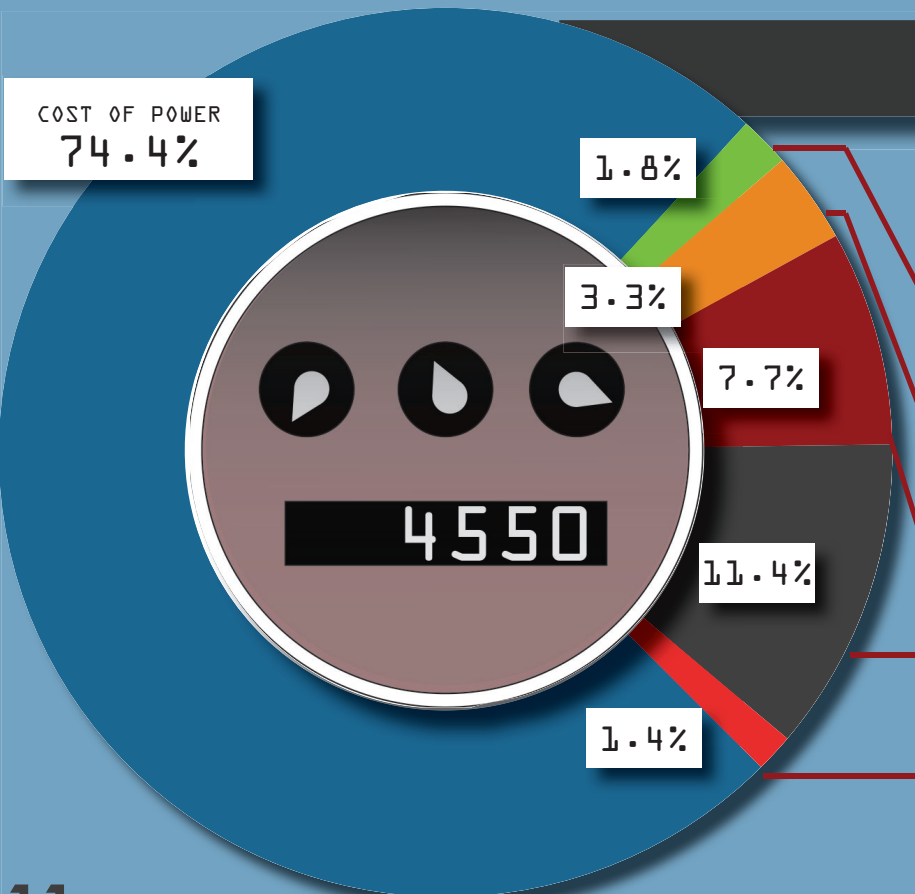
	2019	2018
OPERATING INCOME	\$ 5,977,126	\$ 7,686,021
Investment and Other Income		
Interest Revenue	1,092,759	869,899
Other Income	<u>961,683</u>	<u>705,980</u>
Total Investment and Other Income	<u>2,054,442</u>	<u>1,575,879</u>
Income Before Debt and Other Expenses	<u>8,031,568</u>	<u>9,261,900</u>
Debt and Other Expenses:		
Interest on Long-Term Debt	(1,296,036)	(1,278,117)
Amortization of Bond Issue Costs	(29,439)	(21,314)
Other Expenses	<u>(1,077)</u>	<u>(5,654)</u>
Total Debt and Other Expenses	<u>(1,326,552)</u>	<u>(1,305,085)</u>
Increase In Net Position	<u>6,705,016</u>	<u>7,956,815</u>
Net Position, Beginning of Year	<u>197,631,556</u>	<u>189,674,740</u>
Net Position, End of Year	<u>\$204,336,572</u>	<u>\$197,631,556</u>

Revenue Sources



Rural Residential	\$16,808,132
Rural Village	\$7,022,567
Rural Seasonal	\$343,712
Irrigation	\$19,469,473
General Services	\$4,213,782
Large Power	\$35,743,942
Wholesale	\$2,010,702
Other Electric Revenue	\$409,500

Expenditures



Cost of Power	\$59,518,847
Transmission/ Distribution	\$1,467,301
Administrative/ General	\$2,655,348
Maintenance Expense	\$6,212,848
Depreciation/ Amortization	\$9,085,009
Customer Services	\$1,105,110

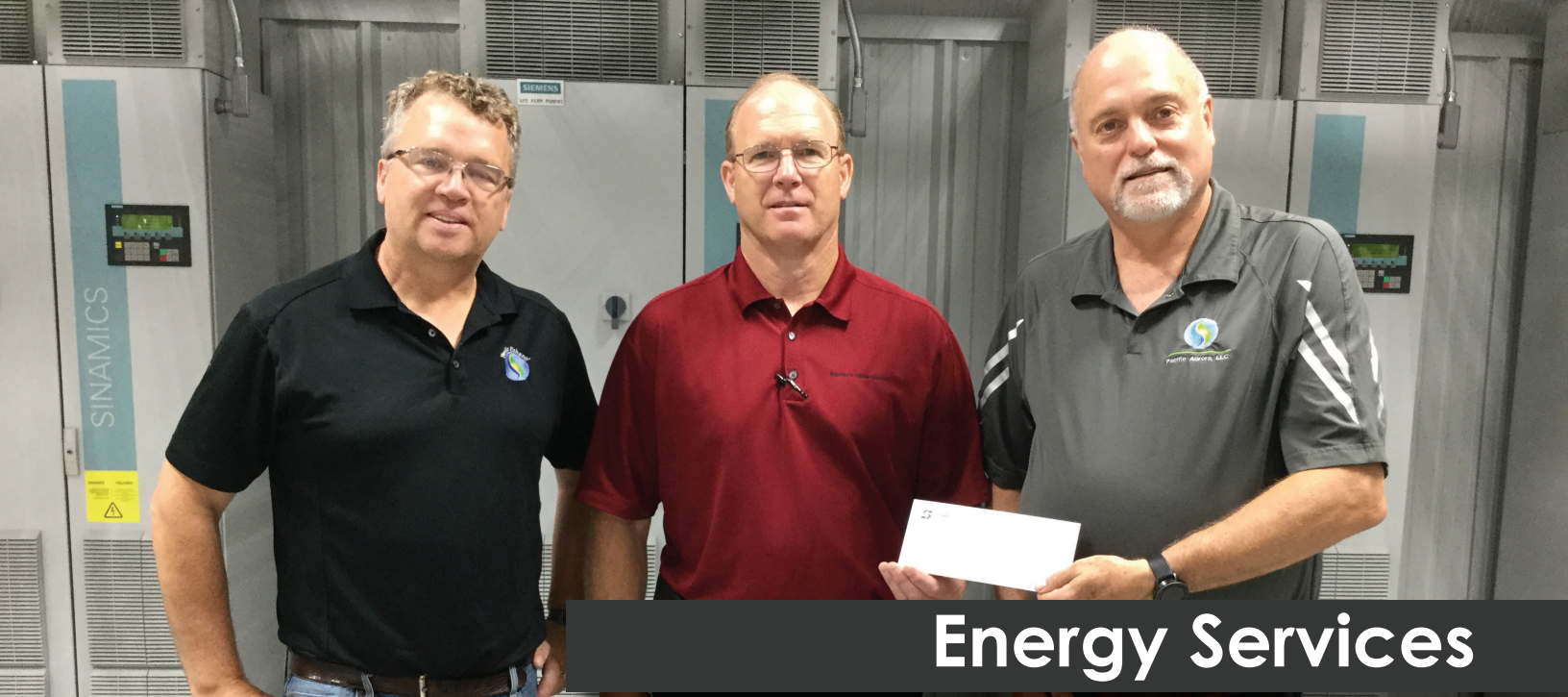


Operation ROUND UP

HEALTH & SAFETY	RECREATION & QUALITY OF LIFE	COMMUNITY FACILITIES	YOUTH & EDUCATION
\$108,530	\$65,409	\$74,046	\$55,480

TOTAL FUNDS DISTRIBUTED SINCE 2014--THE YEAR OPERATION ROUND UP BEGAN: **\$303,465**

	2019	TOTAL
ADAMS COUNTY	\$7,820	\$64,415
FRANKLIN COUNTY	\$15,166	\$51,246
HALL COUNTY	\$20,450	\$49,250
HAMILTON COUNTY	\$8,500	\$37,915
KEARNEY COUNTY	\$2,060	\$29,460
MERRICK COUNTY	\$4,200	\$30,429
PHELPS COUNTY	\$6,500	\$40,750 12



Energy Services



WATER HEATERS DISTRIBUTED IN 2019:

50-Gallon.....	47
85-Gallon with Timeclock.....	39
All Others.....	1
TOTAL UNITS:.....	87



TOTAL ENERGY WISE PROGRAM FUNDS GRANTED TO CUSTOMERS IN 2019:

\$160,352

HEAT PUMP	\$71,300	INDUSTRIAL PROCESS	\$63,000
COOLING TUNE-UP	\$2,820	COMMERCIAL LIGHTING	\$14,190
ATTIC INSULATION	\$1,447	DEALER INCENTIVES	\$2,050
SMART THERMOSTAT	\$1,075	COMMERCIAL HVAC	\$1,870
HEAT PUMP WATER HEATER	\$800	IRRIGATION VFD	\$1,800



Executive Committee



**DEAN
KLUTE**
CHAIRMAN
HAMILTON COUNTY



**ARLON
JACOBITZ**
VICE CHAIRMAN
ADAMS COUNTY



**DANA
MEYER**
SECRETARY
FRANKLIN COUNTY



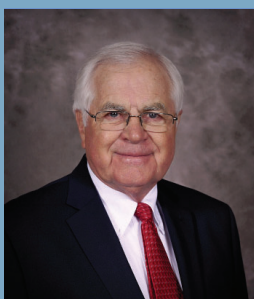
**WAYNE
ANDERBERY**
TREASURER
KEARNEY COUNTY



NEAL KATZBERG
BOARD MEMBER
ADAMS COUNTY



KEVIN CHOQUETTE
BOARD MEMBER
FRANKLIN COUNTY



GARY HEDMAN
BOARD MEMBER
HALL COUNTY



MIKE LOWRY
BOARD MEMBER
HALL COUNTY



KEVAN REESON
BOARD MEMBER
HAMILTON COUNTY



DIRK NICKEL
BOARD MEMBER
KEARNEY COUNTY



LARRY BENSON
BOARD MEMBER
MERRICK COUNTY



MARVIN FISHLER
BOARD MEMBER
MERRICK COUNTY



RICK BERGMAN
BOARD MEMBER
PHELPS COUNTY



LEE GROVE
BOARD MEMBER
PHELPS COUNTY

Board Members