

2017 ANNUAL REPORT

Southern Power District





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MISSION

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.



"We take pride in providing outstanding service and earning our customer's trust each and every day."

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

Our mission here at Southern Public Power District is to be a customer-focused electric utility that listens and responds to our customer needs. Our Board of Directors and employees take pride in providing outstanding service and earning our customer's trust each and every day. As the electric energy industry continues to evolve and technology changes we will always remember our mission is to serve our customers with low cost energy solutions and provide a level of reliability that is second to none.

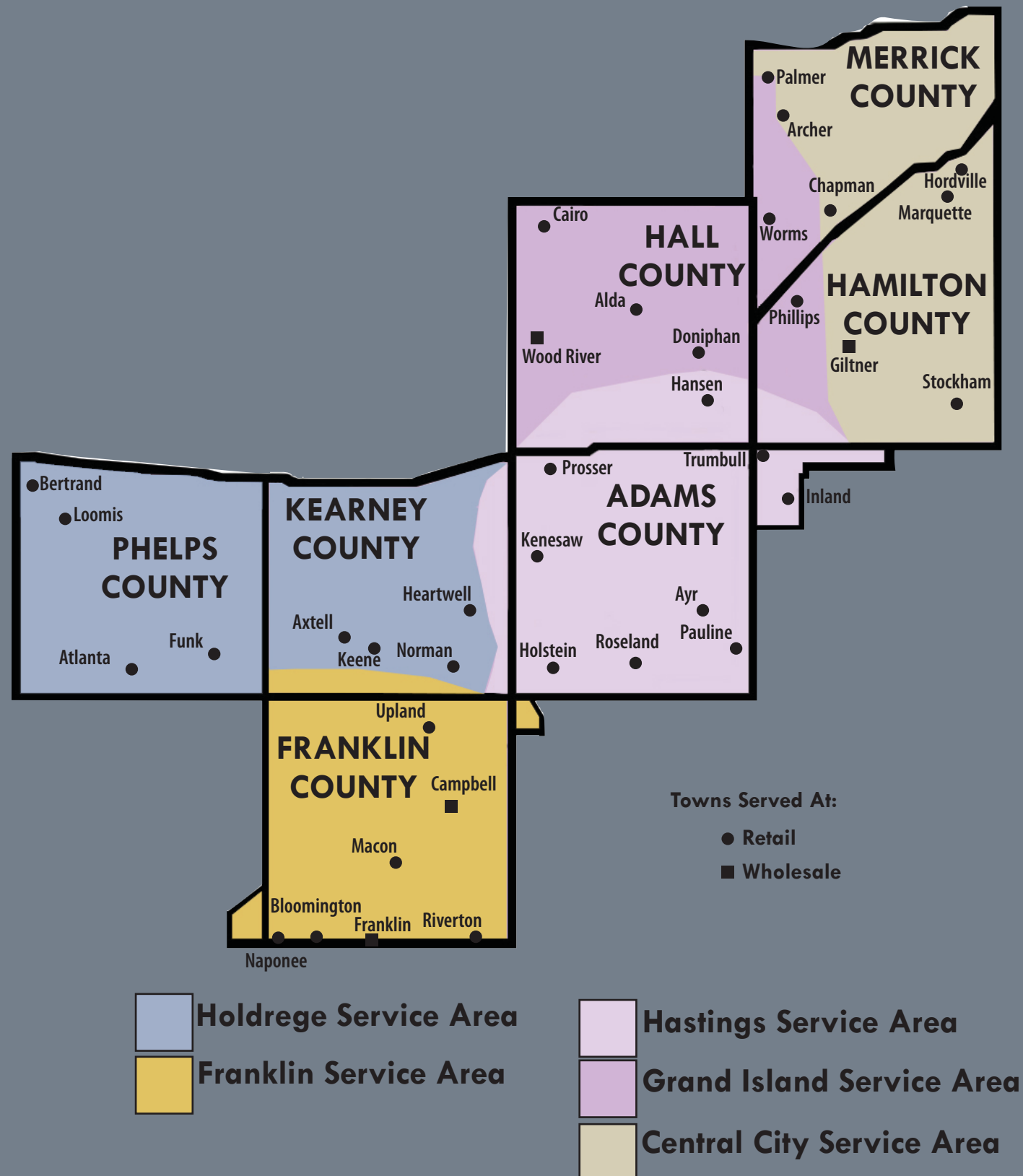
We are proud of our accomplishments this past year. None more so than in protecting our customers in the Nebraska State Legislature. In 2017 the Nebraska public power model was challenged and we faced the possibility of legislation being passed allowing non-publicly owned electric providers to compete in Nebraska. For the past 80 years Nebraska has had the distinction of being the only state in the U.S. where every single home and business receives electric service from a publicly owned utility such as a municipal utility, electric cooperative or a public power district. This business model ensures customers receive the lowest electric price as there is no profit motive and no shareholders. We are only responsible to the customers we serve! In addition, our customer's voices are heard through their locally elected representatives, our Board of Directors, who live in their communities and rural areas allowing for them to receive direct input into how our District should be operated. I am pleased to report that through your District's voice and the support from many of our communities, the potential legislation was unanimously rejected by the Natural Resources Committee. This was a victory for public power customers throughout Nebraska!

As you review this annual report you will find that our District is very strong financially. We have been able to operate the District without increasing our rates to our customers. Our last rate increase was in January 2013. In fact, we have approved rates for 2018 that will be on the average lower than 2017! We continue to grow in our number of customers and we invest heavily in infrastructure to insure the high level of reliability that we promise to all our customers. We continue to invest in technology that results in a higher quality of service and we continue to assist those customers who are interested in pursuing renewable energy as part of their energy supply. We are very proud of our assistance to communities and non-profit entities through our Operation Round Up program and provide our customers with energy efficiency opportunities and incentives. These activities serve to bring the highest value and service to our customers.

In my opening comments I mentioned that earning our customer's trust was vital to our success. There is a saying that goes something like this. "Breaking someone's trust is like crumpling up a perfect piece of paper. You can smooth it over but it's never going to be the same again". I am confident that we will continue our reputation for outstanding customer service and that we will never have to "smooth it over" with any of our customers as we earn and retain your trust for many years to come.

Allow me to take this opportunity to thank our Directors and employees for their leadership and service provided this past year. We are proud of our accomplishments in 2017 and I am excited to be part of the dedicated team here at Southern that has earned your trust in meeting your energy needs.

SERVICE AREA



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 7,113 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.

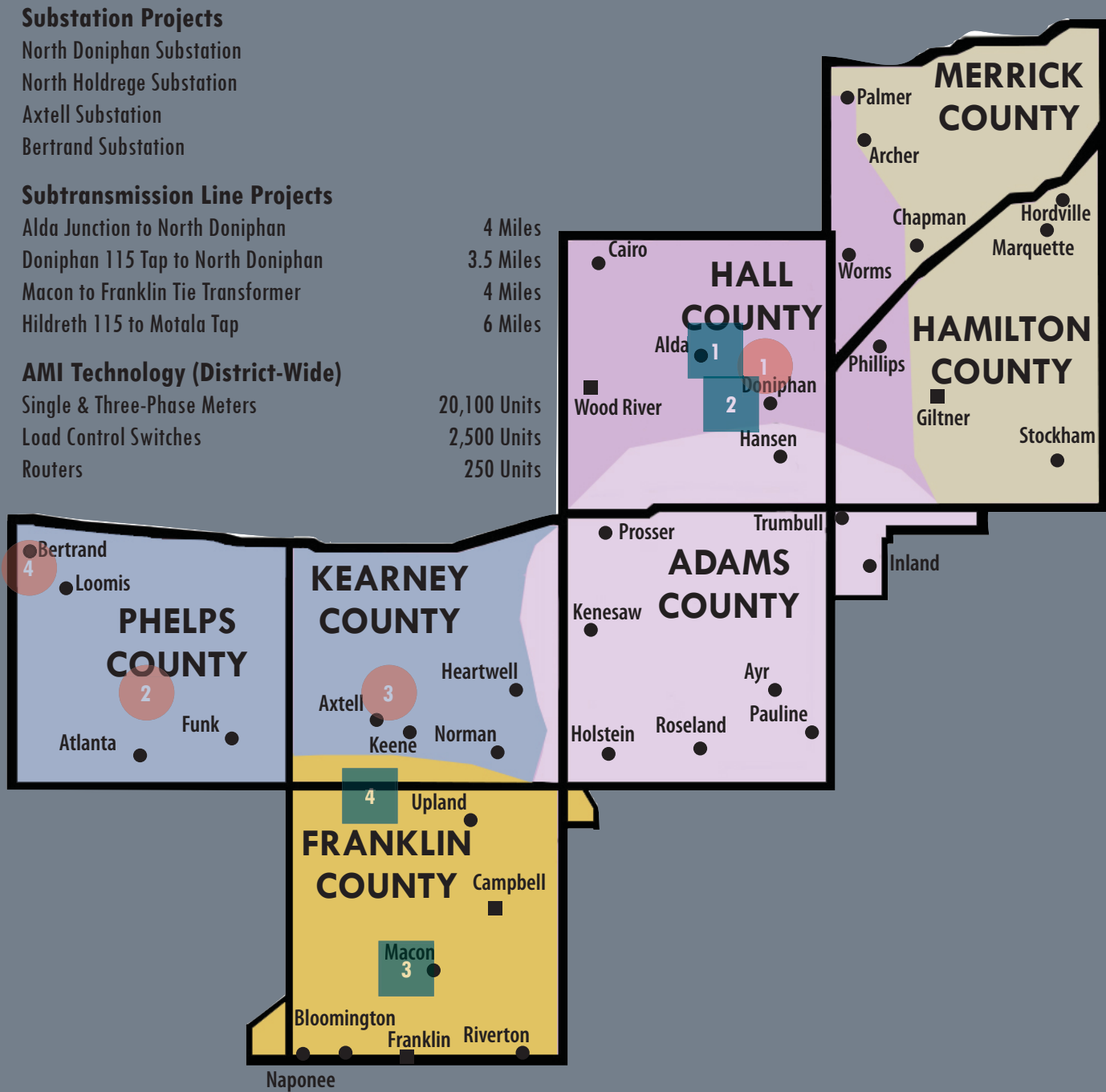
Southern also provides wholesale electric service to Campbell, Franklin, Giltner and Wood River.

With 104 full-time employees, Southern is headquartered in Grand Island and has area service centers in Hastings, Central City, Holdrege and Franklin.

SYSTEM IMPROVEMENTS

Every year Southern establishes goals for infrastructure improvements, which assures our facilities are meeting your expectations for reliable and efficient service. Improvements to our system begin with large infrastructure such as substations and subtransmission lines, continue with the distribution lines that reach to your home, farm or business; and end at the point where we connect to your service with the meter that calculates your usage. In all, these improvements in 2017 totaled just over \$18 million.

The following is a summary which lists the large scale projects that were part of our 2017 work plan, including our substation, subtransmission line and metering technology expenditures.



DISTRICT PROFILE, OPERATING REVENUES

PROFILE OF SERVICES

	2017	2016
Year End Services:		
Residential - Rural	8,738	8,733
Residential - Seasonal	1,408	1,412
Residential - Villages	4,898	4,896
Irrigation	9,191	9,157
General Services	2,577	2,539
Large Power	211	211
Wholesale	4	4
Total Services	27,027	26,952

OPERATING REVENUES

	2017		2016	
	kWh Sold	Revenue	kWh Sold	Revenue
Residential - Rural	165,655,452	\$16,346,977	167,890,016	\$16,497,589
Residential - Villages	67,238,149	\$6,917,569	66,739,612	\$6,913,835
Residential - Seasonal	1,118,797	\$338,730	1,122,342	\$344,203
Irrigation Sales	153,368,325	\$26,022,291	205,511,733	\$29,529,871
General Service	41,089,032	\$4,249,930	39,111,973	\$4,058,315
Large Power	658,423,353	\$40,311,900	618,850,705	\$38,696,360
Wholesale	28,558,351	\$1,979,170	27,009,579	\$1,869,872
Change in Unbilled Revenue	(11,174,419)	\$36,915	834,873	\$58,441
Subtransmission Wheeling Revenue	--	\$71,597	--	\$71,270
Other Electric Revenue		\$554,674		\$587,435
Total	1,104,277,040	\$96,829,753	1,127,070,833	\$98,627,191

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2017	2016
Capital Assets	\$ 251,345,603	\$ 239,467,599
Less: Accumulated Depreciation	(83,369,750)	(81,599,354)
Net Capital Assets	167,975,853	157,868,245
Deferred Outflows of Resources:		
Deferred Charges	3,167,587	3,703,664
Non-Current Assets:		
Investments, Unrestricted	27,500,000	7,500,000
Unamortized Bond Issue Costs	234,456	255,770
Unamortized Pension Costs	2,397,646	2,861,706
Other Assets	287,031	294,853
Investments in Associated Organizations	1,716,258	1,671,906
Total Non-Current Assets	32,135,391	12,584,235
Current Assets:		
Cash and Cash Equivalents	12,090,645	17,673,369
Investments, Unrestricted	7,500,000	25,000,000
Accounts Receivable, less allowance for doubtful accounts of \$100,000	5,760,587	6,200,871
Unbilled Revenue	2,813,631	2,776,717
Interest Receivable	282,334	230,995
Materials and Supply Inventory	6,435,649	6,270,731
Prepaid Expenses	214,431	212,714
Total Current Assets	35,097,277	58,365,397
Total Assets & Deferred Outflows of Resources	\$ 238,376,108	\$ 232,521,541

STATEMENTS OF NET POSITION

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2017	2016
Net Position:		
Investments in Capital Assets, Net of Related Debt	\$ 135,929,890	\$ 123,008,719
Unrestricted	53,754,850	58,317,839
Total Net Position	189,674,740	181,326,558
Deferred Inflows of Resources:		
Deferred Credits	238,203	252,850
Non-Current Liabilities:		
Revenue Bonds Payable	32,290,419	35,115,296
Less Current Maturities	(2,871,328)	(2,824,661)
Total Non-Current Liabilities	29,419,091	32,290,635
Current Liabilities:		
Accounts Payable	11,302,723	10,928,804
Accrued Expenses	3,358,522	3,402,369
Consumer Deposits	1,511,501	1,495,664
Current Maturities of Revenue Bonds	2,871,328	2,824,661
Total Current Liabilities	19,044,074	18,651,498
Total Liabilities & Net Position	\$ 238,376,108	\$ 232,521,541

STATEMENTS OF REVENUE & EXPENSE

	2017	2016
Operating Revenues:		
Residential Sales - Rural	\$16,346,977	\$16,497,589
Residential Sales - Seasonal	338,730	344,203
Residential Sales - Villages	6,917,569	6,913,835
Irrigation	26,022,291	29,529,871
General Services	4,249,930	4,058,315
Large Power	40,311,900	38,696,360
Wholesale	1,979,170	1,869,872
Unbilled Revenue Adjustment	36,915	58,441
Total Electric Revenues	95,203,482	97,968,486
Sub-Transmission Wheeling Revenue	71,597	71,270
Other Electric Revenue	554,674	587,435
Total Operating Revenues	95,829,753	98,627,191
Operating Expenses:		
Cost of Power	68,815,781	67,617,824
Transmission - Operations	324,448	286,344
Distribution - Operations	1,548,876	981,525
Customer Accounts	1,157,284	1,342,898
Customer Service and Information	358,558	352,295
Administrative and General	2,473,729	2,377,168
Maintenance Expense	5,254,220	4,275,220
Depreciation and Amortization	8,226,228	7,675,754
Taxes	65,072	72,499
Total Operating Expenses	88,224,196	84,981,527
Operating Income	\$ 8,605,557	\$ 13,645,664

STATEMENTS OF REVENUE & EXPENSE

	2017	2016
Operating Income	\$ 8,605,557	\$ 13,645,664
Investment and Other Income		
Interest Revenue	727,933	615,051
Other Income	427,375	717,797
Total Investment and Other Income	1,155,308	1,332,848
Income Before Debt and Other Expenses	9,760,865	14,978,512
Debt and Other Expenses:		
Interest on Long-Term Debt	(1,360,858)	(1,426,800)
Amortization of Bond Issue Costs	(21,314)	(21,314)
Other Expenses	(30,510)	(29,452)
Total Debt and Other Expenses	(1,412,682)	(1,477,566)
Increase In Net Position	8,348,183	13,500,946
Net Position, Beginning of Year	181,326,558	167,825,612
Net Position, End of Year	\$189,674,740	\$181,326,558

COMMUNITY OUTREACH OPERATION ROUNDUP

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 2017

Safety & Health	\$33,925
Education	\$10,400
Recreation.....	\$23,400
Community Facilities	\$24,615
Arts	\$2,750
Total Distributions	\$95,090

GRANT DISTRIBUTION BY COUNTY

HALL COUNTY \$6,700	MERRICK COUNTY \$6,500
ADAMS COUNTY \$20,500	HAMILTON COUNTY \$21,415
PHELPS COUNTY \$17,500	FRANKLIN COUNTY \$12,600
KEARNEY COUNTY \$10,325	

COMMUNITY OUTREACH ENERGY SERVICES



ENERGY EFFICIENCY PROGRAMS FUNDS GRANTED TO CUSTOMERS IN 2016:

Heat Pump	\$62,000
Lighting	\$35,945
Irrigation VFD.....	\$17,796
Cooling Tune-Up	\$1,410
Attic Insulation	\$895
Industrial Process	\$5,250
Commercial HVAC.....	\$1,100
Residential LED.....	\$342
Heat Pump Water Heater	\$400
Dealer Incentive	\$4,050
TOTAL INCENTIVES:	\$129,188



Marathon® WATER HEATERS WATER HEATERS DISTRIBUTED, 2017:

50-Gallon	34
85-Gallon with Timeclock	40
85-Gallon without Timeclock.....	1
TOTAL UNITS DISTRIBUTED:	75

DIRECTORS

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.

Southern Power District

