

News from the Northeast Nebraska Public Power District

June 2009

Audit for FY2008

On May 26, 2009 the entire Board heard the results of the 2008 audit via teleconference with the firm of Schmidt and Co., which serves as the Board's independent auditor. The findings were that management is maintaining the District's financial records in a way that fairly present the financial condition of the District in all material respects and that conform to all accepted accounting principles. Highlights from the audit for 2008:

- The value of the utility plant increased by \$1,707,128 from \$38,927,742 to \$40,634,870
- Revenues increased by \$2,031,308 from \$15,203,434 to \$17,234,742
- Operating expenses increased by \$2,658,688 from \$13,291,558 to \$15,950,246, (Largely because of an increase in the cost of wholesale power. Purchased power accounted for 75% or \$1,990,989 of the increase in operational expenses. Expenses under management control increased \$667,699 reflecting unprecedented fuel and materials costs in 2008.)
- Retail rates increased by an average 5.6% to cover the 7.5% increase in the price of power purchased from NPPD. Purchased power required 68 cents of every dollar paid to the District by consumers in electric bills.

The financial statements for 2008 can be viewed on our web page at www.nmppd.com.

Balance Sheet 2008

Assets		Liabilities		Income Statement 2008	
Electric Plant	\$ 40,634,870	<u>EQUITY</u>	\$ 25,042,655	Electric Sales	\$ 16,881,795
Less Depreciation	(12,745,605)			Other Revenue	352,947
<u>NET ELECT. PLANT</u>	27,889,265			<u>TOTAL REVENUE</u>	17,234,742
				Cost of Power	11,470,382
				Transmission Expense	227,408
				Operation Expenses	539,984
				Maintenance Expenses	586,389
				Consumer Acc't Expenses	493,486
				Other Expenses	41,447
				Administrative & General Exp	783,299
				Depreciation	1,191,790
				Taxes	616,061
<u>INVESTMENTS</u>	2,291,783	<u>TOTAL DEBT</u>	7,445,848	<u>TOT. OPERATING EXP.</u>	15,950,246
Cash	2,617,568	Current debt payments	774,800	<u>INTEREST EXPENSE</u>	305,863
Other Securities	896,000	Accounts payable	1,608,388	<u>NET INCOME from OPERATIONS</u>	971,604
Receivables	1,321,603	Accrued Expenses	170,321	Interest revenue	167,612
Materials and Supplies	542,915	Accrued Taxes	375,721	Other Non-Operations Rev.	(10,306)
Prepayments	123,919	Customer Deposits	263,203	Capital Credits Earned	288,105
<u>TOT.CURRENT ASSETS</u>	5,504,005	<u>TOT.CURR. LIAB.</u>	3,192,434	<u>TOT.NON-OPER. REV.</u>	445,411
				<u>NET INCOME FOR 2008</u>	\$ 1,417,015
<u>DEFERRED DEBITS</u>	115,063	<u>DEFERRED CREDITS</u>	119,179		
<u>TOTAL ASSETS</u>	\$ 35,800,116	<u>TOT. EQUITY & LIABILITIES</u>	\$ 35,800,116		

Climate Change Legislation poised to dramatically increase electricity costs

This summer the US Congress will debate the merits of a 'Cap and Trade' plan intended to limit the amount of greenhouse gas emissions by the electric industry and to establish a method to buy/sell 'allowances' in the financial markets. Most utilities seem to be prepared for the prospect of limiting carbon emissions by curtailing production or fuel switching (because the technology for carbon capture does not exist). The concern expressed by many industry leaders is about the financial trading of allowances issued by the government. This seems to be an unnecessary additional step with extraordinary costs and price volatility for many electric consumers who in turn may not receive any direct benefits from the money raised. Early on, the government announced this type of 'Wall Street' trading market as a means to pay for expanded government obligations unrelated to energy production. Most experts think the 'Cap and Trade' program will result in a huge transfer of wealth from the middle States to the populations on the coasts, which are much less dependent on coal for electricity. Over the last several months the

Board and Management of the Northeast Nebraska PPD have encouraged our consumers to join with the National Rural Electric Assoc. and email their Congressmen about their concern over the financial impacts of racing to legislation on climate change and 'Cap and Trade'. Please go to <https://www.ourenergy.coop> and speak up today. There is also plenty of good information at www.itsyourpower.org, which is sponsored by the Nebraska Public Power District. Nothing in this world is free, but we are concerned that there is the potential for too much cost and not enough benefit for electric bill payers with the 'Cap and Trade' plan. Meeting the 'Cap' on carbon emissions will be costly in and of itself, because of the need to build new electric generating plants. The 'Trade' portion of any pending legislation is cause for concern.

The New General Office Building is Complete

The Northeast Nebraska PPD, as it exists today, is the result of the consolidation of two Rural PPD's and 14 Villages formerly served by NPPD. In 2003, the Board and Management undertook a long-term consolidation plan. Since that time we have centralized our operations in Wayne. This has allowed us to sell two properties in Emerson, two buildings in Ponca, and three properties in Wayne. In 2006 we completed a modern garage and materials yard which was critically needed for good operations. This year we have completed our final real estate consolidation with the location of the General Office Building adjoined to the Operations Center at 1410 W. 7th St. in Wayne. The old building at 303 Logan St. in downtown Wayne was built in 1948 and was never designed or intended to accommodate an operation of our size and scope. The new building is a high quality building constructed of low maintenance materials and we are confident it will yield many years of service to the District. Over a projected 33-year life, the cost of the new General Office represents about 0.36% of the typical residential bill in 2009 dollars. We will host an open house for the public in late summer.

NeNPPD among the very lowest cost electric systems in the State

In comparing the financial statements and revenues of the 30 rural PPD's in Nebraska, NeNPPD's electric rates are consistently low cost. For example the overall average revenue charged per kWh for all energy sold by NeNPPD was 6.59¢/kWh (3rd lowest) compared to a State average of 8.62¢. For sales to residential customers NeNPPD averaged 7.21¢/kWh (less franchise fees when included in bills) compared to the statewide average of 8.49¢. Sales to seasonal customers averaged the 2nd lowest in the state at 10.70¢ compared to the state avg. of 18.62¢. Costs to serve electric irrigation pumps were the 2nd lowest in the state at 9.13¢ on average compared to the statewide avg. of 12.41¢. Large Power customers received the 4th lowest average at 4.45¢ compared statewide to 5.98¢ on avg. Sales to small commercial customers were slightly above the state average of 8.38¢ coming in at 8.78¢. Overall, Nebraska is a low cost electric state and the NeNPPD is a low cost provider within the State. Even with giving the customer low prices the District has still been able to invest heavily in its electric lines and facilities to improve service.

Sholes Substation receives another upgrade

Rapid electric load growth in the Sholes area has required a 50% increase in transformer capacity from 5,000 kVa to 7,500 kVa. The new transformer was put into service on May 31 and cost about \$180,000. The transformer took nearly 6 months to build and was planned to be in place prior to summer irrigation season. The Sholes Sub was upgraded less than 5 years ago due to the steady increase in irrigation load. The transformers, which left Sholes, will be put into service at the Wayne Sub in the fall to allow for future load growth.

Co-op Connection Card is working for some customers

The discount card provided to customers through our national affiliate of *Touchstone Energy*® is part of a national pharmacy discount plan and is accepted at all local pharmacies and chains. An early computer report is that customers using the card to purchase prescription medicines are receiving a 28.33% discount on their medicines. This card is not insurance, but does use the buying power of national programs to negotiate attractive prices. The card is also good for reduced prices at local merchants from Norfolk to Sioux City and many national chains. To check out the offerings go to <http://co-opconnections.com>.

The Board of Directors and Manager are:

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