



Nebraska Municipal Power Pool

NMPP

Utility Services



Public Alliance for Community Energy

ACE

Retail Natural Gas



Municipal Energy Agency of Nebraska

MEAN

Wholesale Electric



National Public Gas Agency

NPGA

Wholesale Natural Gas

nmpp
ENERGY™

Annual Report

2016-2017



INDEX

Executive Director	3
NMPP	4-5
MEAN	6-8
NPGA®	9
ACE	10-11



From The Executive Director

ROBERT POEHLING



It was a busy and highly successful year financially and operationally for the organizations of NMPP Energy during fiscal year 2016-17.

Our dedicated members along with devoted staff built upon NMPP Energy's cornerstone philosophy of working together to achieve objectives regarding energy-related solutions.

Each organization faced their own challenges and issues, but through the benefit of local control, in the form of board and committee members representing their respective member communities, strategies were developed and implemented to find successful solutions in moving forward.

Here are just a few of the highlights of each organization during the year:

- ♦ The Nebraska Municipal Power Pool added several new contracts to its cost of service rate study service in assisting members with utility rate designs.
- ♦ NMPP expanded its advocacy and education efforts by becoming active participants in several regional energy-related organizations.

♦ The Municipal Energy Agency of Nebraska completed a successful bond refinancing projected to save approximately \$18.1 million over the life of the remaining bonds.

♦ MEAN developed and rolled out its Renewable Distributed Generation Policy to address the growing trend of behind-the-meter generation.

♦ MEAN had positive year-end financial results, which included a decrease in its 2017-18 targeted revenue requirement to wholesale power participants as well as 2016-17 year-end energy and fixed-cost recovery charge credits issued to long-term power participants.

♦ The Public Alliance for Community Energy (ACE) successfully transitioned to a new natural gas supplier, allowing it to provide competitive rates and build on market share in the Nebraska Choice Gas program.

♦ ACE continued to advocate for the long-term viability of the Choice Gas program, which benefits all customers in the program.

♦ The National Public Gas Agency reviewed and approved a new rate structure with the goal of simplifying rates and creating a better mechanism to recover operating costs.

These are just a few of the many highlights that occurred among the four organizations of NMPP Energy during the year. I encourage you to take a moment to review the 2016-17 Annual Report to learn more about the NMPP Energy coalition of organizations.

As each of the organizations are member-owned and member-driven, NMPP Energy continues to be as strong as its large and diverse membership. Thank you to each member community for supporting NMPP Energy through your considerable time and effort in attending board and committee meetings throughout the year. Your staff continues to stand ready to work for you.

Robert Poehling,

Robert 2. Poehling
Executive Director,
NMPP Energy

Nebraska Municipal Power Pool

UTILITY SERVICES

The Nebraska Municipal Power Pool continued to provide value through its menu of utility-related services in 2016-17. In its 42nd year, NMPP has a membership of 185 communities across six states. Service areas included electric distribution, rate studies, utility software, advocacy, education, regulatory assistance and utility safety training.

Cost of Service Rate Design Study Service

NMPP expanded its Cost of Service Rate Design Study service to include 87 agreements, an increase of 10 from the previous year. These studies include electric, water, sewer, natural gas and refuse rates.

Electric Distribution Service

NMPP served 42 utilities through its Electric Distribution System program, which provides hands-on expertise and assistance to member utilities in being proactive to maintain a reliable local electric system.

Regulatory/Environmental Reports

Through its Energy Information Administration Reporting Service, NMPP staff completed nearly 50 reports for member utilities to fulfill regulatory and environmental reporting requirements. These reports include forms EIA 860 (Annual Electric Generator Report), EIA 861 (Annual Electric Power Industry Report) and EIA 923 (Annual Report Plant Operations Report).

Increased Advocacy Through Partnerships

To increase advocacy and educational opportunities for members, NMPP joined and/or became active participants in the following organizations:

- ♦ Kansas Municipal Utilities
- ♦ Midwest State Public Power Association
- ♦ Nebraska Energy Efficiency Partnership
- ♦ Nebraska Solar Electric Partners Group

Staff also spent significant effort strengthening relationships with regional utility groups, state energy, regulatory and environmental offices as well as various regional vendors.

New Champion Businesses

The NMPP Board approved six businesses as champion members during the year, bringing the total number of Champions to 33. The Champions program includes businesses and

organizations that support NMPP Energy's effort to provide products and services to members. Businesses that were approved during the year were:

- ♦ Air Regulations Consulting, LLC
- ♦ Consortia Consulting, Inc.
- ♦ Fairbanks Morse Engines
- ♦ First National Bank
- ♦ NAQ Environmental Experts
- ♦ Power Plant Consultants

2016-17 Typical Bill Survey

NMPP conducted its annual Typical Bill Survey for the 33rd year. The 2016-17 survey included 136 participating utilities, including 111 NMPP members. The survey included comparison rates for utilities across the region for electric, water and wastewater services.



Utility Safety and Training

NMPP coordinated safety and training topics for its five regional utility safety and training groups. The five groups are comprised of participants from 45 utilities, many of them small municipal utilities that benefit from working together and learning from each other.



PowerManager® database conversion

NMPP and Salt Creek Software's PowerManager® software successfully converted to a new backend database to allow for many more years of reliable service for software users. The Advantage Database Server improves data integrity and reliability and replaces PowerManager's old database, which was no longer supported.

PowerManager continued to be relied upon by municipal utilities for their billing needs:


- ♦ There were 180 PowerManager Software users during the year.
- ♦ There were 165 participants in the PowerManager Value Support Plan, an increase of 10 from the previous year. The plan provides software updates, customer service and training for users.
- ♦ Approximately 90 software users attended the annual PowerManager Refresher Courses held in North Platte and Lincoln, Neb.


Revenues by Service 2016-2017

87 
Cost of Service
Rate Design Study
agreements

42 
Utilities served
through the Electric
Distribution System
program

180 
PowerManager®
software users

 **Member Dues**
\$258,397

 **Computer Services**
\$762,172

 **Distribution Services**
\$454,387

 **Interest & Other**
\$8,484

Total
\$1,483,440

2017-18 NMPP BOARD OFFICERS

President:

Darrel Wenzel, chief executive officer,
Waverly (Iowa) Utilities

Vice President:

Jeff Wells, city manager, Fort Morgan, Colo.

Secretary/Treasurer:

LeRoy Frana, utilities general manager,
Nebraska City, Neb.

Municipal Energy Agency of Nebraska

WHOLESALE ELECTRIC SUPPLY

The Municipal Energy Agency of Nebraska (MEAN) provides wholesale electric supply and related services to participating communities, including resource and transmission management and advocacy.

MEAN provides wholesale power and other related services to 69 Participants in four states, including 54 long-term, total-requirements power supply Participants.

Decrease in targeted revenue requirement

The MEAN Board of Directors and Management Committee in January approved a 1.9 percent decrease in targeted revenue required from its long-term power supply Participants (Schedule M and K) for fiscal year 2017-18 compared to its previous year targeted revenue requirement.

MEAN's wholesale electric rate structure includes a flat energy rate (usage) and a fixed cost recovery charge that allows MEAN to recover certain known costs and better handle energy usage volatility due to weather and other unpredictable factors.

Credits issued to Participants

Energy charge and fixed cost recovery charge credits of \$2.79 million were issued to MEAN long-term power supply Participants (Schedule M and K). The credits were allocated to each eligible Participant and resulted from positive financial results for fiscal year 2016-17 and MEAN's overall financial position.

Bond refunding saves money

MEAN completed a bond refunding in Fall 2016 which decreased debt service costs for its participating communities. Fitch Ratings and Standard and Poor's (S&P) each assigned an 'A' rating to Power Supply System Refunding Revenue Bonds 2016 Series A totaling approximately \$68.9 million issued by MEAN. The bonds refunded nearly all of MEAN's outstanding 2009 Series A

Bonds for interest cost savings and paid related issuance costs.

Fitch and S&P also affirmed an 'A' rating on MEAN's other outstanding bonds and maintained the stable rating outlook.

The refunding decreased debt service by approximately \$18.1 million overall for MEAN over the life of the bonds, an average of \$800,000 per year. The bonds are set to expire in 2039.

The rating agencies cited several positive key rating drivers regarding MEAN in their respective reports, including long-term revenue stability, improved and consistent financial metrics, fixed cost recovery and competitive rates and a diverse power supply.

Pursuing more wind energy

The MEAN Board approved pursuing a 20-year power purchase agreement with Kimball Wind (formerly Sandhills Energy) based in Valentine, Neb., for the output of a 30-megawatt nameplate capacity wind project at the existing site of MEAN's Kimball, Neb., Wind Project. The agreement would include decommissioning the existing 10.5-megawatt MEAN Kimball Wind Project and replacing it with 12 larger (2.5 megawatt), more efficient turbines.

The existing Kimball Wind Project, located three miles northwest of Kimball, Neb., began commercial operation in 2002.

MEAN earlier issued a request for proposals for additional renewable energy with a preference to build at the existing site.

LED Commercial Lighting Program

There were 64 projects in 20 communities that participated in MEAN's ENERGYsmart Commercial LED Lighting Program. The program is administered through a partnership with NMPP. Total estimated annual energy savings from the projects is 1,131 megawatt-hours with a peak demand savings estimated of 209 kilowatts.

The program provides monetary incentives for lighting efficiency upgrades for businesses in communities served wholesale electricity by MEAN.

The MEAN Board approved continuing the program for 2017-18.

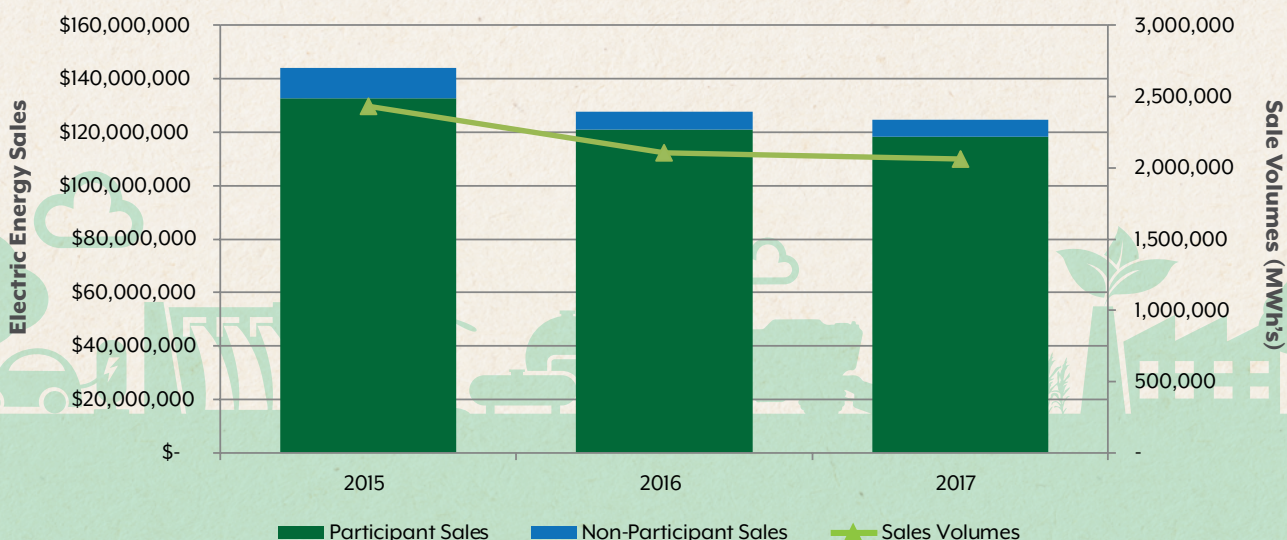
New Participants

Lake View, Iowa, and Trenton, Neb., became new MEAN power participants during the year by signing five-year power supply contracts.

MEAN - Continued on page 8



Electric Energy Sales



Detailed information regarding MEAN's sales volumes and operating revenues is available on page 6 of MEAN's Audited Financial Statement (www.nmppenergy.org/annual_report).

2017-18 MEAN BOARD OFFICERS

Chair:

Tom Goulette, city administrator/
utility superintendent,
West Point, Neb.

Vice Chair:

Tom Ourada, city administrator,
Crete, Neb.

Secretary/Treasurer:

Darrel Wenzel, chief executive
officer, Waverly (Iowa) Utilities

2017-18 MANAGEMENT COMMITTEE OFFICERS

Chair:

Mike Palmer, electric
superintendent, Sidney, Neb.

Vice Chair:

Jeremy Tarr, electric line foreman,
Burwell, Neb.

Secretary:

Vacant

Renewable Distributed Generation Policy

The MEAN Board adopted a Renewable Distributed Generation Policy as part of the Electrical Resources Pooling Agreement to accommodate the growing trend of local renewable distributed generation projects in MEAN Participant communities.

The policy establishes an exception and provides clarification to the full requirements purchase obligation under MEAN's total requirements power supply contracts for MEAN Participants to install under certain limited circumstances renewable generation resources to offset portions of their electric supply requirements from MEAN.

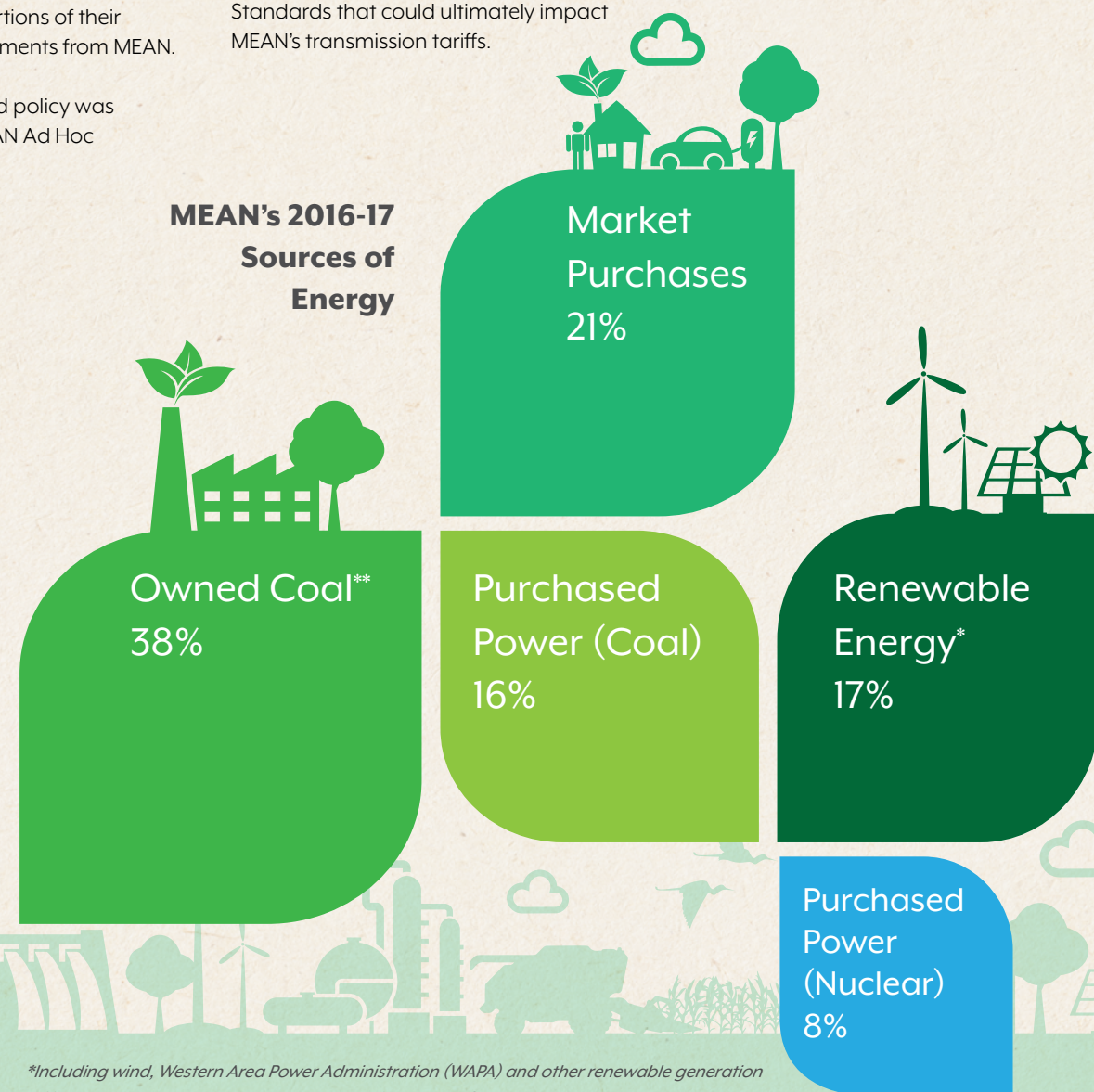
The category-based policy was developed by the MEAN Ad Hoc Committee.

Compliance Activities

For North American Electric Reliability Corporation (NERC) purposes, MEAN operates in the Midwest Reliability Organization (MRO) and Western Electricity Coordinating Council. MRO performed an Inherent Risk Assessment (IRA) for MEAN in 2016 and a follow up IRA is anticipated in 2017 covering MEAN's entire NERC footprint. MEAN continues to tailor its NERC program to keep MEAN audit ready. MEAN is focusing efforts on tracking regulatory changes with the North American Energy Standards Board (NAESB) and is actively participating in the development of NAESB Business Practice Standards that could ultimately impact MEAN's transmission tariffs.

Risk Management Initiative

In the past year, MEAN formalized the MEAN Risk Management Team (MRMT) which is comprised of management level employees that meet at least quarterly to review Risk issues related to MEAN. MEAN is currently developing risk parameters for operating in organized markets. The MEAN Risk Oversight Committee meets in conjunction with the other MEAN committees on the day prior to the Board of Directors' Meeting.



*Including wind, Western Area Power Administration (WAPA) and other renewable generation

**Includes participation in Whelan Energy Center Unit 2 and MEAN's ownership interests in Laramie River Station, Walter Scott Energy Center Unit 4 and Wygen Unit 1

National Public Gas Agency

WHOLESALE NATURAL GAS SUPPLY

Formed in 1991, NPGA provides wholesale natural gas supply to 11 members and 10 other customers in seven states.

New rate structure approved

The NPGA Board of Directors approved a new rate structure in February in an effort to simplify rates and create a better mechanism for the agency to recover its operating costs.

The new rate structure includes a fee structure that accounts for the cost of gas plus a fixed member fee that serves to recover the costs associated with the operation of NPGA. The member fee consists of administrative and general costs and is offset by various other revenue sources such as investment income, management fees and natural gas sales to other customers.

Half of the total member fee is allocated equally among the NPGA members and the other half is allocated based on a three-year historical average of monthly sales volumes.

The new rate structure became effective at the start of the fiscal year April 1, 2017 and will be in effect until the NPGA board approves any modifications.

Pipeline Rate Case Intervention

As part of a shipper's group, NPGA filed as an intervenor with the Federal Energy Regulatory Commission in the Tallgrass Interstate Gas Transmission (TIGT) pipeline rate increase request made the previous fiscal year. TIGT, which is used to ship natural gas to four NPGA member communities, filed for a rate increase on interstate shipping charges. The net savings from the original rate increase request is estimated to be approximately \$3.1 million.

National Trends

Natural gas prices remained low compared to historical pricing due to a large supply of domestic natural gas. Spot prices from the previous year were somewhat higher during the last half of the fiscal year compared to the same period a year ago.

A warm winter led to prices holding about the same or slightly higher than the previous year. With higher than normal storage levels, warmer winter and technology advances in shale extraction, prices remained lower than historical pricing.

Moving forward, prices are expected to hold steady in 2017-18, mainly due to expected adequate supply. A political climate that is somewhat in flux and the weather will also play a factor in pricing.

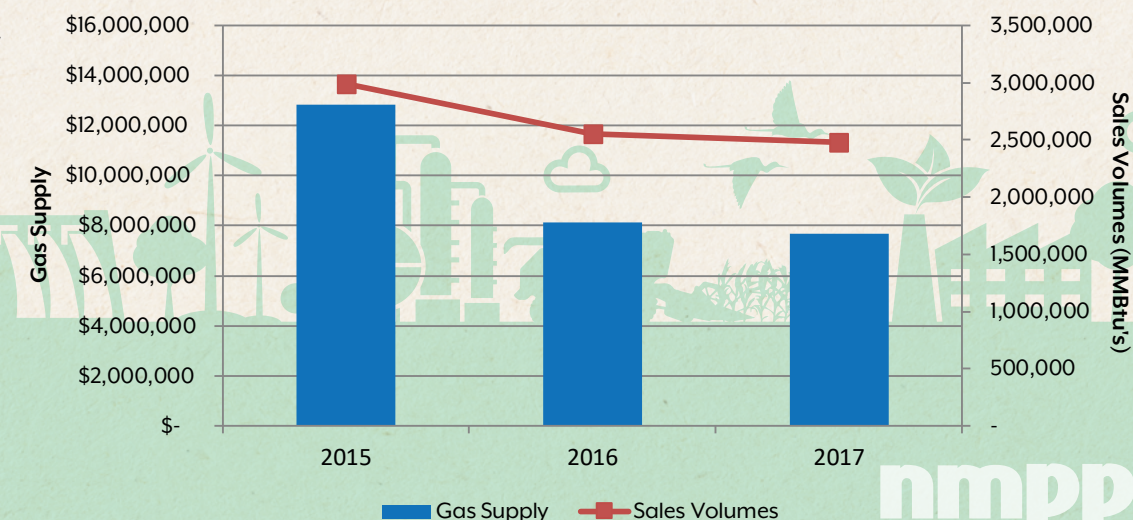
2017-18 NPGA BOARD OFFICERS

Chair: Chris Anderson, city administrator, Central City, Neb.

Vice Chair: Bob Lockmon, utility superintendent, Stuart, Neb.

Secretary/Treasurer: Randy Woldt, utilities superintendent, Wisner, Neb.

Gas Supply



Public Alliance for Community Energy

RETAIL NATURAL GAS SUPPLY

ACE, the Public Alliance for Community Energy, is a community-owned, not-for-profit retail natural gas supplier. Since 1998, it has provided competition in the Nebraska Choice Gas program and served as an advocate for its municipal members and their residents.

ACE's membership in 2016-17 included 72 Nebraska communities and one public power district.

2016-17 Choice Gas Program

- ♦ The 2016-17 selection period was highly competitive with six suppliers providing pricing, two more than the previous year.
- ♦ More than 18,200 customers selected ACE out of 79,681 total program customers for more than 23 percent of market share, an increase from the previous year.
- ♦ Marketing and education efforts included radio and newspaper ads and direct mail as well as various grassroots strategies.
- ♦ ACE spent considerable effort educating customers regarding a federal pipeline rate case that occurred during the selection period. The case resulted in added complexities and uncertainties regarding rates and pricing options.

Board approves \$200,000 Revenue Return

The ACE Board approved a \$200,000 distribution to its member communities through ACE's Revenue Return Program. Since ACE's formation, it has returned more than \$1.8 million to its member communities. These funds, used at the discretion of local government, have typically been used for improvements such as parks, public transportation, and infrastructure.

Advocating for Choice program

ACE continued its efforts in engaging Black Hills Energy on the benefits of the Choice Gas Program for Nebraskans. In February 2016, the Nebraska Public Service Commission approved the

acquisition of SourceGas, the previous Choice Gas program administrator, by Black Hills Corporation. ACE served as an intervenor in two dockets which might impact the future of the Choice Gas program.

An agreement was reached for a minimum three-year continuance of the program. Next year, 2018-19, is the final year of that agreement. ACE continues to advocate on behalf of its members and all Nebraskans in the program for longer-term certainty of the program's future.

Assisting schools through CJUMP Program

ACE continued assisting a consortium of Nebraska schools with acquiring natural gas through its Choice Joint Utilities Management Program. Through the program, which includes more than 40 schools, ACE coordinates natural gas purchases throughout the year with the goal of securing the lowest price possible for program participants.

Partnership with new natural gas supplier

ACE completed a successful transition to natural gas supplier CNEG. This partnership allows ACE to build upon customer confidence and increase market share by remaining competitive in the Choice Gas program.

Strategic planning session

ACE conducted a one-day strategic planning session including active participation from members of the ACE Executive Committee and several staff members. The session identified various strengths, weaknesses, opportunities and threats and charted a strategic path going forward.



2017-18 ACE BOARD OFFICERS

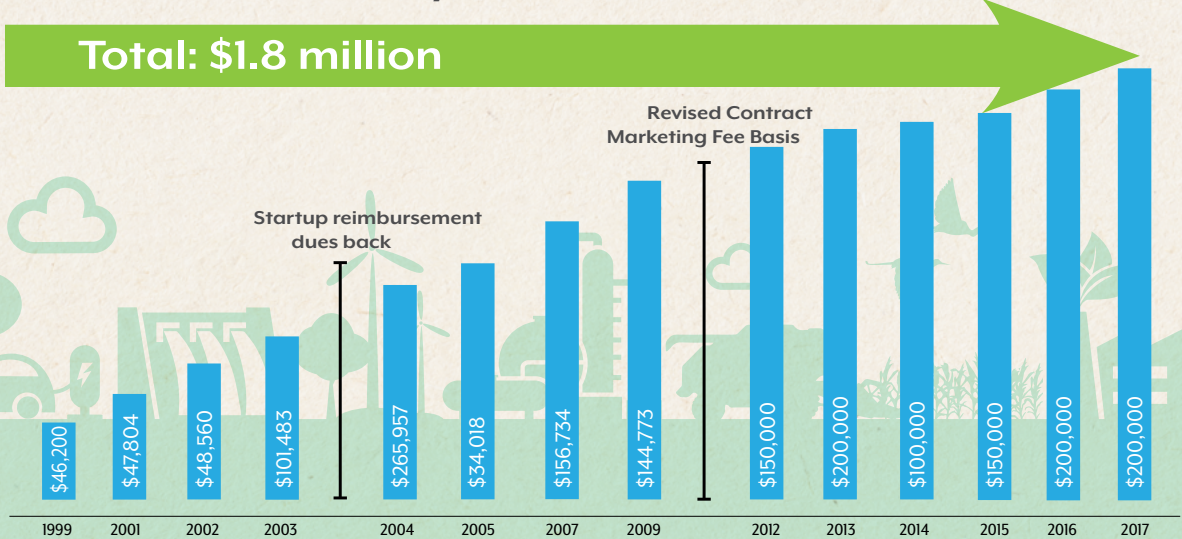
Chair:
Bruce Clymer, city administrator, Gothenburg, Neb.

Vice Chair:
Andrew Devine, city administrator, Albion, Neb.

Secretary/Treasurer:
Jeremy Tarr, electric line foreman, Burwell, Neb.



ACE Distribution Returns by Year



Contact



NMPP Energy
8377 Glynoaks Drive
Lincoln, NE 68516
www.nmppenergy.org



Ph: (402) 474-4759
(800) 234-2595
Fax: (402) 474-0473



info@nmppenergy.org



[www.facebook.com/NMPP Energy](https://www.facebook.com/NMPP%20Energy)
www.facebook.com/ACEenergy



Visit

www.nmppenergy.org/annual_report
to access this report and the complete audited financial
statements of each entity.