

ANNUAL REPORT

2017-2018



nmpp
ENERGY™

NMPP | MEAN | NPGA | ACE

FROM THE EXECUTIVE DIRECTOR

Fiscal year 2017-18 was a productive year for the four organizations of NMPP Energy.

Being one of the most diverse and geographically largest joint action agencies in the country, each year is filled with its share of complex challenges and wide-ranging issues across NMPP Energy's four organizations. The 2017-18 fiscal year was no exception as we continued striving to serve member communities through providing wholesale electricity and natural gas, retail natural gas and utility-related services.

The following are just a few of the accomplishments the NMPP Energy organizations completed during the year:

The Nebraska Municipal Power Pool (utility-related services)

- NMPP continued to serve member communities through many services, including its cost of service utility rate studies. There were several renewed and new contracts for rate studies signed during the year.
- Staff continued to engage with regional organizations to forge new partnerships and increase advocacy and educational opportunities for members.
- The PowerManager suite of software programs continues to provide value for utilities. The nearly complete conversion to a new database platform should provide a reliable backend platform for the future.

The Municipal Energy Agency of Nebraska (wholesale electric supply)

- The Executive Committee approved a 1.2 percent rate decrease in long-term wholesale electric energy rates and a 2.2 percent decrease in its overall targeted revenue requirement for its long-term wholesale power participants.
- The MEAN Kimball Wind Project was decommissioned and a power purchase agreement was signed for a new, larger Kimball Wind Facility, which will increase MEAN's renewable energy portfolio;
- Staff completed MEAN's five-year Integrated Resource Plan which serves as a guide to long-term resource planning.

The National Public Gas Agency (wholesale natural gas supply)

- Under new leadership, NPGA pursued growth initiatives and strengthened relationships with natural gas pipeline representatives serving NPGA members.

- The agency signed its first Asset Management Arrangement (AMA) resulting in benefits to some NPGA members. NPGA continues to seek additional AMA opportunities to provide more value out of NPGA member pipeline assets.
- NPGA advocated on behalf of members facing increased costs due to a pipeline modernization project.

The Public Alliance for Community Energy (retail natural gas supply)

- ACE successfully advocated to preserve the Nebraska Choice Gas program following the acquisition of the previous program administrator. Staff served on a committee to provide input in improving the program for the benefit of all Choice Gas customers.
- ACE provided competitive natural gas rates during the 20th year of the Choice Gas selection period, gaining 23 percent market share by securing more than 18,000 accounts.
- The ACE Board approved the distribution of \$250,000 to ACE member communities through its Revenue Return Program. Overall, ACE has returned more than \$2 million back to its member communities.

As you can see, the organizations of NMPP Energy were busy during the year. By no means is this a complete list—but it provides a sample of the diverse and complex issues that dedicated staff work on throughout the year for the benefit of members. NMPP Energy's organizations remain member-driven—we work for the benefit of our members and seek to maximize value in serving members.

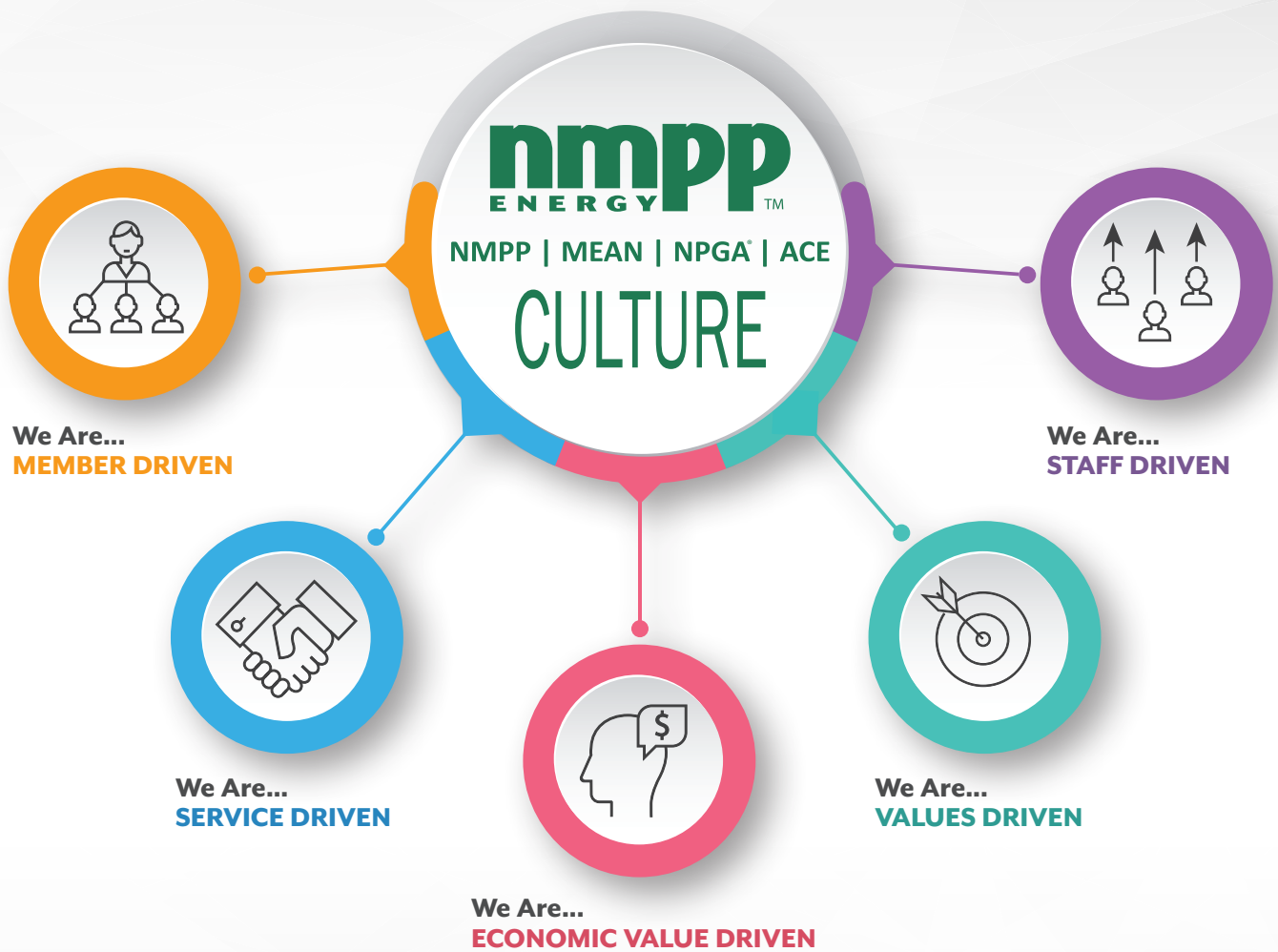
Internally, we recently launched an initiative to further the enhancement of the staff culture at NMPP Energy focusing on five primary principles: member driven, service driven, economic value driven, values driven and staff driven. The staff at NMPP Energy has always dedicated themselves to serving members. My goal with the new culture initiative is to continue and even strengthen that mission.

Thank you for taking time to read the 2017-18 Annual Report. The accomplishments this fiscal year would not be possible without dedicated board and committee members who direct and guide the organizations.

Robert Poehling,

Robert Z. Poehling
Executive Director,
NMPP Energy





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Nebraska Municipal Power Pool

UTILITY SERVICES

The Nebraska Municipal Power Pool provides utility-related services to its 185 members in the areas of electric distribution, cost-of-service utility rate studies, utility/business software, advocacy, education, regulatory assistance and utility safety training.



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.

2017-18 Highlights

Customer-Owned Electric Generation Guide

In continuing to assist member utilities with the growing trend of distributed electric generation, staff updated its Customer-Owned Electric Generation Guide. The guide is distributed to all wholesale electric service participants (Schedule M and K) of the Municipal Energy Agency of Nebraska.

The booklet serves as a valuable resource with the continued expansion of customer-owned electric generation.

Electric Distribution Service

NMPP served 41 utilities through its Electric Distribution System program, which provides hands-on utility expertise and assistance to member utilities in proactively maintaining local electric distribution systems.

Utility Safety and Training Groups

NMPP continued to coordinate safety and training sessions for five regional utility safety and training groups. There are 45 utilities participating in the program, many of them small municipal utilities that benefit from collaborating and knowledge sharing.



Regulatory/Environmental Reports

Through its Energy Information Administration Reporting Service, staff completed more than 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).

Staff also completed several Certificate of Compliance/Air Emissions Inventory Reports and NOx reports for utilities to fulfill reporting requirements by the Nebraska Department of Environmental Quality.

90 
Lighting projects

179 
PowerManager®
software users

96 
Cost of Service
Rate Design Study
agreements

139 
Typical Bill Survey
participants

Advocacy and Education

Staff maintained and strengthened relationships with Nebraska and regional entities and utilities to increase advocacy, educational and services opportunities. NMPP actively participated in meetings with the following entities in Nebraska:

- Nebraska League of Municipalities
- Nebraska Energy Efficiency Partnership
- Nebraska Solar Electric Partners Group
- Nebraska Economic Developers Association
- Nebraska Electric Vehicle Task Force

Outside of Nebraska, staff was engaged with the following groups:

- Midwest State Public Power Association
- Rocky Mountain Utilities Efficiency Exchange
- Colorado Municipal League
- Colorado Association of Municipal Utilities
- Economic Development Council of Colorado
- American Public Power Association



Commercial Lighting Program

NMPP administered the LED Commercial Lighting Program for long-term power participants of the Municipal Energy Agency of Nebraska (MEAN). Overall, there were more than 90 lighting projects in nearly 30 communities approved during the year totaling more than \$107,000 in preauthorized applications. These lighting upgrade projects will result in improved energy efficiency for businesses and communities served wholesale electricity by MEAN.



We Are... **MEMBER DRIVEN**

Every decision we make is in the best interest of our Members. We encourage Member engagement on Boards and Committees. And, we equip our Members with the resources to be effective leaders within our organization and in their communities.

45



Utilities participated
in the Utility Safety &
Training Groups

41



Utilities served through
the Electric Distribution
System program

More
than

50



Regulatory/Environmental
reports completed



PowerManager Software

Through NMPP's partnership with Salt Creek Software, PowerManager software had another successful year of providing utility billing software to users. There were 179 total users of the program suite. More than 93 percent of PowerManager users are being served through the software's Value Support Plan maintenance program, which keeps users current on the most up-to-date software versions.

The conversion to a new backend database platform is nearing completion with nearly 90 percent complete. The new database will provide a reliable and stable platform for the future.

Approximately 90 participants attended the Annual PowerManager Refresher and Training Courses held last fall.

Champions Program Growth

The NMPP Board approved the League Association of Risk Management (www.larmpool.org) and the Foundation of Educational Services (www.fes.org) as new Champion businesses bringing the total number of Champions to 35. The program includes businesses and organizations that support NMPP Energy's effort to provide products and services to members.



We Are... SERVICE DRIVEN

We offer outstanding service to our internal customers (co-workers) and our external customers (Members, vendors, etc.). New product offerings are developed to enhance existing services and create additional value propositions for our Members.

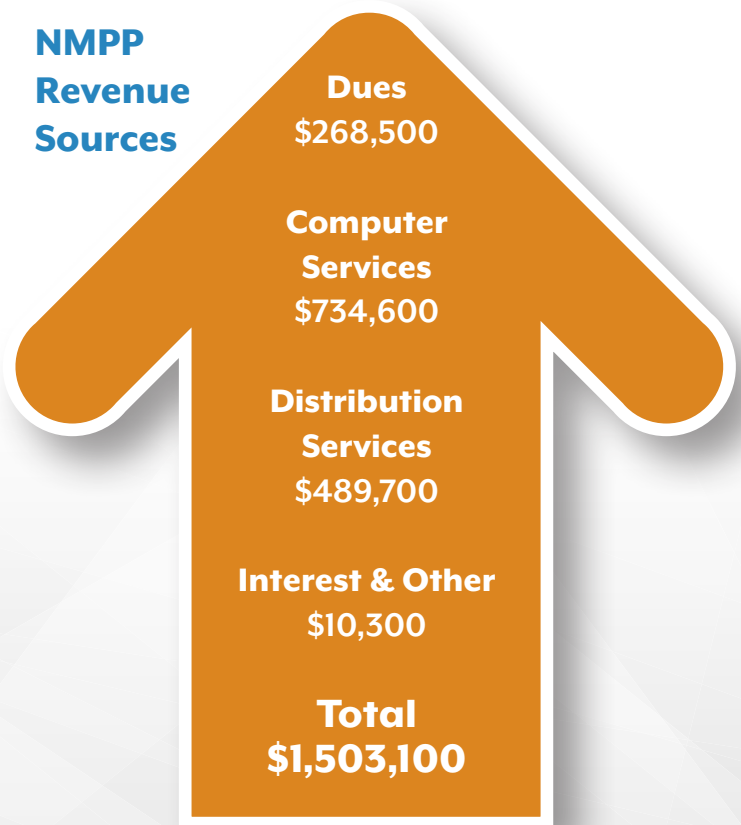
Typical Bill Survey

NMPP engineering services staff completed its 34th annual Typical Bill Survey for participating member and non-member utilities. The survey includes electric, water and wastewater retail rates. Of the utilities that participated in the survey, 115 were members and 24 non-members. The composite data reflect ranking of typical bills by utility for each rate service class and usage level.

Utility Cost of Service Rate Assistance

NMPP continued assisting member utilities through its Cost of Service Rate Studies service with 53 communities under contract for the service which includes electric, water and wastewater, including the addition of 16 new contracts. During the year, staff designed rates and performed financial plans for approximately 18 member communities.

NMPP Revenue Sources



Municipal Energy Agency of Nebraska

WHOLESALE ELECTRIC SUPPLY

The Municipal Energy Agency of Nebraska (MEAN) provides wholesale electric supply and related services to 69 participating communities in Colorado, Iowa, Nebraska and Wyoming.



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 Highlights

Board Approves Rate Decrease

The MEAN Executive Committee approved a 1.2 percent rate decrease in MEAN's long-term wholesale electric energy rate and a 2.2 percent decrease in its overall targeted revenue requirement from the previous year for its 54 long-term (Schedule M) wholesale power participants for the 2018-19 fiscal year. It marks the third straight year that MEAN has lowered its targeted revenue requirement, which is the total net revenue required to cover MEAN's cost of operation.

The decreases in the energy rate and targeted revenue requirement are due largely to the decrease in the average cost of energy (purchased and produced) during the budget year.

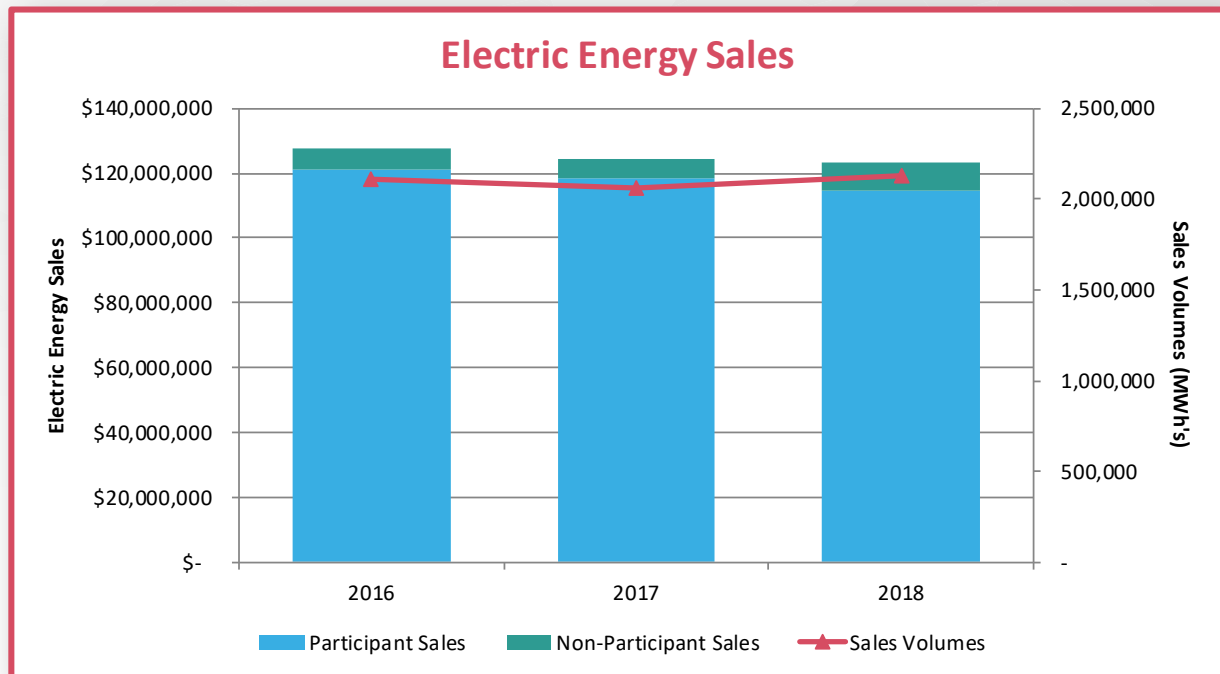
Board Approves Credits to Participants

The MEAN Board approved an energy charge and fixed cost recovery charge credits totaling \$8.3 million to its wholesale electric participants. The actions were based on positive financial results for fiscal year 2017-18. The credits were allocated to all long-term (Schedule M) and limited-term (Schedule K) participants.

Decommissioning Kimball Wind Project and Signing New Kimball Wind Agreement

MEAN's Kimball (Neb.) Wind Project was decommissioned after nearly 15 years in operation. The 10.5-megawatt project was the first utility-scale wind farm in Nebraska. In its place, MEAN signed a 20-year power purchase agreement for a new Kimball Wind Facility, a 12-turbine, 30-megawatt project located on the same footprint. Commercial operation is expected to begin Summer 2018.





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

Power Supply Renewals

Five-year power supply agreements (Schedule J) were signed with the cities of Wray, Colo. and Holyoke, Colo. Wray's peak load is approximately six megawatts and Holyoke's peak load is approximately five megawatts.

Behind-the-Meter Generation Assistance

To assist member utilities with adapting to the growing trend of behind-the-meter electric generation, staff conducted several educational meetings in member communities resulting in more than 30 utilities adopting MEAN's interconnection policy for customer-owned renewable generation.

The MEAN Board further refined its Renewable Distributed Generation Policy to assist in accommodat-

ing local community renewable energy projects while still fulfilling requirements under MEAN's long-term total requirements power supply contracts.

Engaging in Mountain West Transmission Group Discussions

MEAN was engaged throughout the year regarding discussions of the possible integration of the Mountain West Transmission Group joining the Southwest Power Pool (SPP). The group consists of investor-owned utilities, municipal electric providers, generation and transmission cooperatives and federal power marketing administration projects. Staff was engaged in stakeholder discussions, traveling to meetings and planning sessions and keeping a close eye on any impacts the possible integration might have on MEAN participants.



We Are...

ECONOMIC VALUE DRIVEN

We continue to pursue financial strength and ensure the sustainability of our business model. Every day, we come into work and ask ourselves: "How can I do what I do more efficiently and cost effectively without sacrificing quality to our Members?"



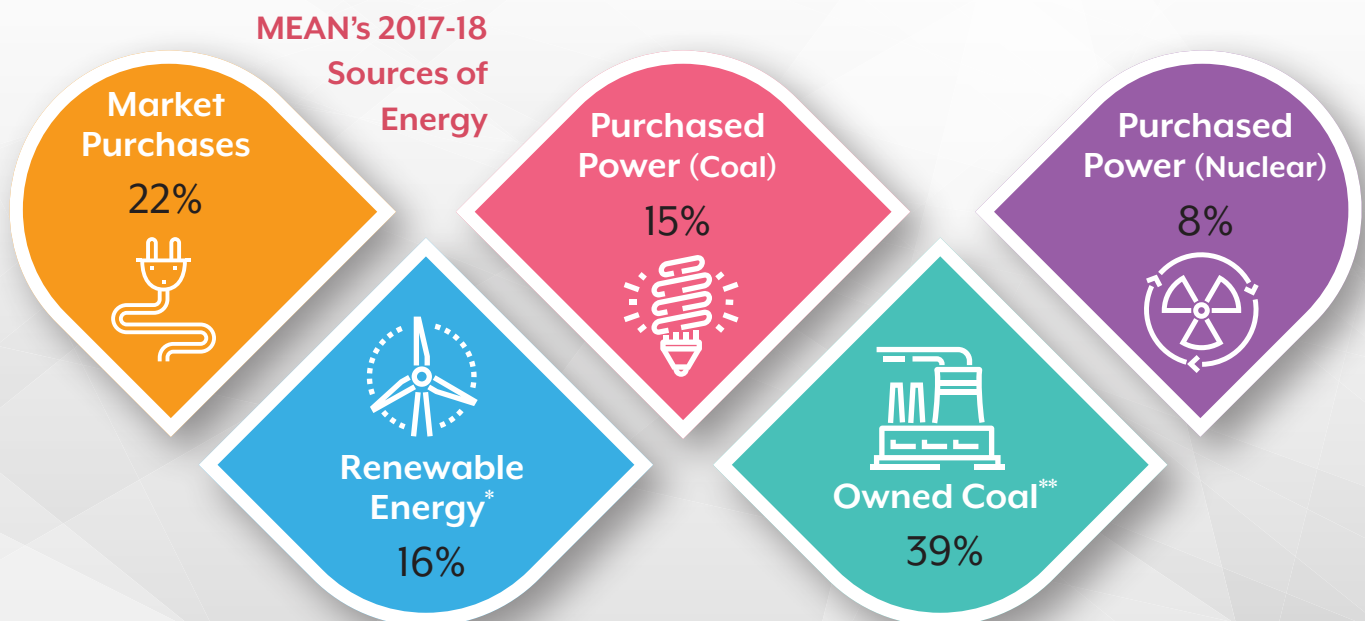
Improved Reliability of Local Generators

There was significant improvement in the annual reliability testing of participant-owned power plant generators. Testing of these units occurs each summer and ensures local generating units remain reliable to serve as part of MEAN's energy capacity portfolio as well as to serve as backup electric generation for each of the respective 20 communities that have committed total capacity and energy output of their own generating units to MEAN.

Integrated Resource Plan Complete

MEAN's Integrated Resource Plan was completed and places a priority on future generation resources that incorporate natural gas, wind, solar as well as projects that can provide local benefit. The plan serves as a road map for determining how to supply MEAN's future electric generation needs.

The plan, which is required by the Western Area Power Administration (WAPA), is used to ensure MEAN has sufficient power supply to fulfill the power supply demand of its Total Requirements Participants excluding their federal hydro allocation from WAPA.



*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.



2017-18 NPGA Board Officers

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

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

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

2017-18 Highlights

New Leadership

Beth Ackland took over leadership of NPGA as director of gas operations. She replaced Randy Devine who announced his retirement after serving NPGA since 1997. Under the new leadership, staff pursued growth initiatives throughout the year and strengthening relationships with pipeline representatives from the interstate pipeline system serving NPGA member utilities. Staff also

Advocating for Member Utilities

Staff closely monitored the Southern Star Modernization proposed surcharge, which would have had a negative impact of more than \$200,000 to two communities served by NPGA. NPGA joined a regional group of Southern Star customers to lobby against the proposed surcharge to try to minimize the possible negative financial impact to NPGA communities served by the



spent time visiting NPGA members, developing relationships with new gas suppliers and attending pipeline shipper meetings.

Optimizing Pipeline Assets

The agency signed its first Asset Management Arrangement (AMA), benefitting the communities of Lyons, Stromsburg and Pender, Neb. Staff is investigating additional AMA opportunities for NPGA to maximize the value out of other member's pipeline assets.

interstate pipeline. At fiscal year-end, negotiations were ongoing.

One issue at the heart of the debate is how Southern Star will address the reduction in corporate tax rates due to the landmark Tax Cuts and Jobs Act of 2017. In March, the Federal Energy Regulatory Commission issued a Notice of Proposed Rulemaking that would allow FERC to determine which pipelines under the Natural Gas Act may be collecting unjust and unreasonable rates in light of the corporate tax reduction and changes to the Commission's income tax allowance policies. The proposal requires interstate pipelines to file a one-time report on the rate effect of the new tax law.



We Are... VALUES DRIVEN

We pursue professional ethics in all our dealings internally and externally. We treat others how we wish to be treated. At every opportunity, we do what is expected of us and then just a little bit more. We are compliant with legal and regulatory matters.

Seeking Opportunities

Staff began investigating and evaluating options for pre-pay opportunities in an effort to create additional value for NPGA members. Favorable pricing that pre-pay transaction could provide could be a significant tool for the growth and retention of NPGA members and other customers.

National Trends

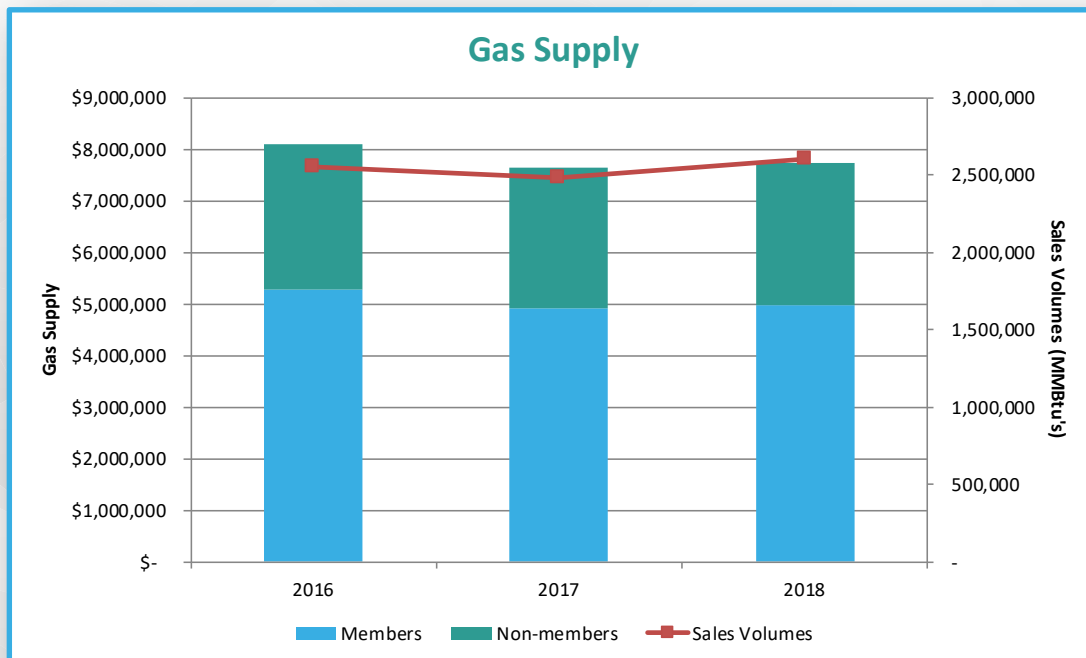
Natural gas customers in the United States continued to enjoy low gas prices over the past year with Henry Hub spot price hovering just under the \$3 mark, averaging \$2.97 per MMBtu.

The past year was a record-setting one. U.S. dry natural gas production averaged 73.6 billion cubic feet per day in 2017, establishing a new record. Since the time the U.S. Energy Information Administration (EIA) began keeping records, the 2017-18 winter also set a record for storage withdrawal this past winter, driven in part by record-setting low temperatures, a protracted winter

season and record demand for natural gas-fueled power generation. Eight gigawatts of new combined-cycle generation was added in 2017 which will increase natural gas demand even further in the future.

Record production in 2017 was not enough to offset new demand for natural gas in the U.S., causing working gas in storage to slip below the five-year average for most of the year. At March-end, natural gas inventories stood at 1.4 Tcf, 19 percent lower than the previous five-year average.

Looking forward, growing U.S. natural gas production is expected to support growing domestic consumption and increasing natural gas exports. EIA forecasts U.S. consumption of natural gas to increase by 5.7 percent in 2018 and 0.9 percent in 2019, with electric power generation the leading contributor to this increase. EIA also expects net natural gas exports to increase from 0.4 Bcf/d in 2017 to an annual average of 2.2 Bcf/d in 2018 and 4.4 Bcf/d in 2019. EIA expects Henry Hub spot prices to average \$2.99/MMBtu in 2018 and \$3.07/MMBtu in 2019.



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.



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 foreman, Burwell, Neb.

2017-18 Highlights

2017-18 Choice Gas Program

ACE's competitive rates during the 2017-18 Choice Gas selection period resulted in gaining 23 percent of overall market share and securing more than 18,000 accounts. ACE continued its grassroots marketing regarding the benefits of a community-owned natural gas supplier and ACE's primary mission: to benefit Nebraska customers by providing competition in the Choice Gas program.

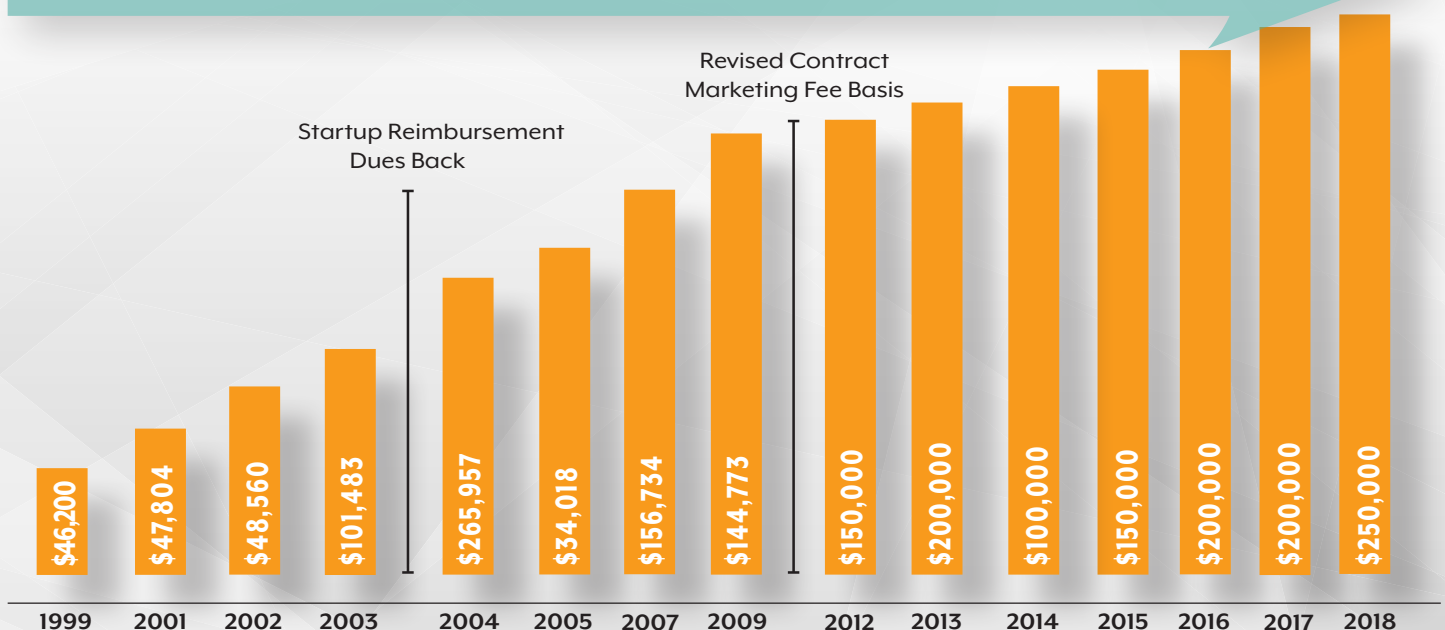
\$250,000 Returned to ACE Communities

The ACE Board approved a \$250,000 distribution to ACE communities through ACE's revenue return program. Overall, ACE has returned more than \$2 million back to its ACE member communities.

These funds have been used for a variety of community projects such as parks, playgrounds, youth programs and infrastructure improvements.

ACE Distribution Returns by Year

Total: \$2.1 million to Nebraska ACE Communities



ACE Advocates to Preserve Choice Gas Program

ACE successfully advocated to preserve the Nebraska Choice Gas program following the acquisition of the previous program administrator. ACE was actively involved in several meetings with Black Hills Energy, the new program administrator, to help improve the program for the benefit of all Choice Gas customers. Black Hills proactively sought supplier input which resulted in some program changes, including a shortened marketing period and more oversight of supplier marketing materials.

Software Upgrade

An upgrade of ACE's software platform used for customer sign-ups and management of accounts was completed during the year providing for long-term stability and added functionality.

Assisting Schools Through CJUMP Program

Through its Choice Joint Utilities Management Program, ACE continued to provide competitive natural gas pricing to 45 schools in the Choice Gas program by strategically purchasing gas during different times throughout the year.



We Are... **STAFF DRIVEN**

We value a work/life balance and foster a healthy “family oriented” environment in the workplace. Our Staff’s well-being is a high priority. We provide education and training to develop our workforce. Staff is asked to take a proactive role in seeking professional training opportunities. We break down any silos existing in our organization. Our goal is to become and remain industry experts in our respective fields.

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