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In the ever-evolving energy industry, we rarely afford ourselves time to look back and reflect on past accomplishments. The Annual Report is one such time to do that.

It’s hard to believe a little more than a year has passed since joining the NMPP Energy team as executive director. I’ve been highly impressed with the dedication and commitment of board and committee members, city representatives and staff throughout the year working together to tackle many wide-ranging and complicated issues.

During the year, all four organizations under the NMPP Energy name were met with challenges, opportunities and successes. I’d like to highlight just a few:

- The Nebraska Municipal Power Pool ramped up its services offerings by adding eight new Cost of Service, Financial Planning and Rate Design Studies contracts and continues to look for new services to provide members;
- The Municipal Energy Agency of Nebraska (MEAN) Board approved an overall decrease in its targeted revenue requirement for fiscal year 2016-2017 and is experiencing less revenue volatility due in large part to approving a new rate structure a couple years ago;
- MEAN worked toward adopting a policy to accommodate the growing trend of more local distributed generation in MEAN participant communities;
- The National Public Gas Agency renewed its total requirements natural gas supply agreement with the City of Aledo, Ill., and continues to operate in an environment of historical low natural gas prices;
- ACE (Public Alliance for Community Energy) transitioned to a new natural gas supplier for the 2016-2017 SourceGas (now Black Hills) Choice Program year in order to seek more competitive pricing; and
- Continuing its advocacy role for customers, ACE served as an intervenor in dockets related to the Black Hills acquisition of SourceGas.

Indeed, there were many accomplishments during the fiscal year. There also are many challenges going forward as the energy industry continues to evolve. These challenges could have major impacts on the industry and particularly to small municipalities that largely makeup the membership of the NMPP Energy organizations. Among the challenges include:

- The changing federal regulatory environment (Clean Power Plan);
- Increased investment in electric transmission system buildout;
- Increased distributed generation and demand-side efficiency; and
- Continued low natural gas prices due to an abundance of supply – good for consumers but challenging for wholesale electric utilities in the Midwest that share ownership in coal-fired power plants.

These issues could all ultimately increase costs for end-use customers.

Looking forward, NMPP Energy will be focused on creating additional value to deliver to our member communities. I believe we can find ways to accomplish this without significantly increasing the risk profile of our organizations.

In the meantime, I encourage you to review the 2015-2016 NMPP Energy Annual report and to better familiarize yourself with the organizations of NMPP Energy.

Robert Poehling,
Executive Director,
NMPP Energy
The Nebraska Municipal Power Pool continued to provide value through its menu of utility-related services in 2015-2016. In its 41st year, NMPP has a membership of 186 communities across six states. Service areas included electric distribution, rate studies, utility software, regulatory assistance and utility safety training.

2016-2017 NMPP BOARD OFFICERS

PRESIDENT: Darrel Wenzel, CEO, Waverly (Iowa) Utilities;
VICE PRESIDENT: Leroy Frana, utilities general manager, Neb. City, Neb.;
SEC./TREASURER: Mike Palmer, electric superintendent, Sidney, Neb.

Utility Safety and Training

NMPP coordinated safety and training topics for its five regional utility safety and training groups. The five groups include 45 utilities, many of them small, rural municipal utilities that benefit from working together and learning from each other. Among the training topics were:

- Pole testing
- Substation maintenance
- Transformer theory and connections
- ARC flash studies
- Personal protective equipment and clothing
- Troubleshooting of overhead/underground circuits
- Proper tree trimming
- Revenue metering

Cost of Service, Financial Planning and Rate Design Study agreements are in place for electric, water, sewer, natural gas and refuse, which includes eight new contracts going forward.

Reports were completed for 22 participants as part of the EIA reporting service (U.S. Energy Information Administration).

Utilities participate in NMPP’s Electric Distribution Services program.

NMPP’s Membership Footprint

The Nebraska Municipal Power Pool was formed in 1975 by 19 charter member communities. NMPP’s current membership of 186 communities stretches across six states.
Revenues by Service
2015-2016

Member Dues $258,218
Distribution Services $453,152
Computer Services $687,381
Interest & Other $3,495

$1,402,246 TOTAL

2015-2016 Typical Bill Survey
NMPP conducted its annual Typical Bill Survey for the 32nd year. The 2015-2016 survey included 152 participating utilities, including 120 NMPP members. The survey included comparison rates for utilities across the region for electric, water and wastewater services.

Net Metering Assistance
NMPP continued assisting member communities in the area of distributed generation through its net metering service. NMPP has served 22 utilities through its net metering service, including three new participants during the year. NMPP also partnered with the Municipal Energy Agency of Nebraska (MEAN) to provide the NMPP Services booklet “Recommended Policy and Guidelines for Interconnection of Customer Owned Generation Including Net Metering” to utilities being served wholesale electricity under long-term contracts by MEAN.

PowerManager® Software
NMPP and Salt Creek Software’s PowerManager® Software was used in more than 170 communities.
- There were 155 participants in the PowerManager® Value Support Plan, which provides software updates, customer service and training for users.
- More than 100 software users attended the annual PowerManager® Refresher Courses held in North Platte and Lincoln, Neb.

Infrastructure and Cyber Security Symposium
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 served wholesale power and other related services to 67 Participants in four states as of March 31, 2016. Out of 67 Participants, 54 are long-term, total-requirements Schedule M Participants, five are shorter-term Schedule K or J (10 or five-year contracts) Participants and eight are service power Participants.

### Decrease in Targeted Revenue Requirement

The MEAN Board of Directors and Management Committee in January approved a one percent decrease in targeted revenue required from its long-term Participants (Schedule M and K) for fiscal year 2016-2017 compared to its previous year targeted revenue requirement.

The targeted revenue requirement is part of a multi-year phase-in of a rate restructure process the MEAN Board and Management Committee approved and implemented in 2015. 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.

### Federal Regulation Planning

Staff assigned to MEAN engaged in regional meetings and discussions regarding the evolving regulatory environment, including the Environmental Protection Agency’s finalized Clean Power Plan, which was announced in August.

The final plan increased CO2 emissions reduction targets for Nebraska to 40 percent by 2030 from 2005 levels. Staff attended meetings with Nebraska Department of
Environmental Quality representatives and regional utility stakeholders in efforts to form a plan in moving forward to comply with the plan. MEAN’s resource portfolio includes power generation from coal-fired power plants through ownership and purchase power contracts.

In February, the Supreme Court stayed the rule, essentially halting the plan’s implementation until legal challenges are settled.

**PPGA Bond Refunding results in Savings for MEAN**

Moody’s Investor Services and Fitch Ratings issued ratings for the Public Power Generation Agency’s (PPGA) Whelan Energy Center Unit 2 revenue bonds refunding. MEAN is one of five public electric utilities that formed PPGA to finance, construct, own and operate WEC 2, a coal-fired generation unit that began commercial operation in 2011.

Moody’s assigned an A2 rating and Fitch assigned an A- rating with a stable outlook to Revenue Refunding Bonds 2016 Series A. Both Moody’s and Fitch also affirmed their respective ratings on outstanding Whelan Energy Center Unit 2 bonds.

In total over the past year the 2016 Series A, 2015 Series A and 2015 Series B transactions completed by PPGA saved $50.7 million in net present value savings. Based on MEAN’s share of PPGA, MEAN saves $18.4 million in net present value savings.

**Full Membership in SPP, MISO**

The Southwest Power Pool (SPP) and Midcontinent Independent System Operator (MISO) approved MEAN’s full membership in their respective regional transmission organizations. SPP and MISO control and manage the flow of electricity in their respective regions and set the market price of power.

MEAN operated as a market participant in both organizations for several years. Becoming a full member provides added benefits such as voting rights and having more input and participation in various working groups and the opportunity to establish relationships within the organizations and with other members.

**Distributed Generation Policy**

With the growing interest of local “behind the meter” distributed generation such as solar photovoltaic panels, the MEAN Ad Hoc Committee met regularly to study the issue. The committee, consisting of MEAN Participant representatives, considered how best to integrate smaller renewable projects such as community solar while still fulfilling obligations under MEAN’s total requirements power supply contracts. An interim policy was adopted in 2016-2017.

**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).
Board Approved Power Contracts with Two Communities

The MEAN board in January approved five-year wholesale power contracts with the Village of Snyder, Neb., and the City of Lake View, Iowa. The contracts are in effect from June 2016 through May 2021.

Assistance for RICE/NESHAP Rules Compliance

As a result of the complex Reciprocal Internal Combustion Engine/National Emissions Standards for Hazardous Air Pollutants (RICE/NESHAP) rules, MEAN partnered with Nebraska Air Quality Specialties (NAQS) to provide member-generators with conformance support.

Because the RICE rules encompass both emergency and non-emergency engines, members are held to strict notifications and reporting deadlines, logging run times, increased inspections/audits, continuous parameter monitoring, and emission and operating limits.

To help ensure member compliance, MEAN hosted a RICE/NESHAP training session in October 2015.

Strategic Plan Update

MEAN’s strategic plan was updated by staff and several MEAN Board members. The plan identified five primary goals to focus on the next three years: Member-focused communication, maintaining MEAN’s financial strength, exploring new value-added services, resource management and human capital/performance improvement.

LED Commercial Lighting Program

The MEAN Board approved the ENERGYsmart Commercial LED Lighting Program for fiscal year 2016-2017 for its long-term wholesale power customers. The program is being administered through a partnership with NMPP. The program began April 2016.

The ENERGYsmart energy efficiency initiative was developed several years ago. The LED Commercial Lighting Program is the latest program that includes monetary incentives for lighting efficiency upgrades for businesses in communities served wholesale electricity by MEAN.

Compliance Efforts

MEAN prepared for the anticipated 2016 North American Electric Reliability Corporation (NERC) Inherent Risk Assessment to be performed by the Midwest Reliability Organization (MRO). MEAN is also 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.

MEAN’s 2015-2016 Sources of Energy

- Purchased Power (Nuclear): 8%
- Renewable Resources*: 15%
- Market Purchases: 20%
- Purchased Power (Coal): 15%
- Owned Coal Generation**: 42%

*Including wind, Western Area Power Administration (WAPA) and other renewable generation
**Includes participation in Whelan Energy Center Unit 2
Formed in 1991, NPGA provides wholesale natural gas supply to 11 members and 10 non-members in seven states.

2016-2017 NPGA BOARD OFFICERS

CHAIR: Chris Anderson, city administrator, Central City, Neb.;
VICE CHAIR: Bob Lockmon, utility superintendent, Stuart, Neb.;
SEC./TREASURER: Randy Woldt, utilities superintendent, Wisner, Neb.

Aledo renews gas contract

The City of Aledo, Ill., renewed its total requirements natural gas supply agreement with NPGA. The four-year contract began in August 2015 and ends August 2019. NPGA has served Aledo for many years under a non-member status. Aledo (pop. 3,640) is located in Northwest Illinois and is delivered natural gas by ANR pipeline.

NPGA Intervenes in Pipeline Rate Case

NPGA filed as an intervenor with the Federal Energy Regulatory Commission in the Tallgrass Interstate Gas Transmission (TIGT) pipeline rate increase request. TIGT, which is used to ship natural gas to four NPGA member communities, filed for a rate increase on interstate shipping charges for the first time in 17 years. The increase directly impacts several NPGA members. After the filing, NPGA joined the Tallgrass Interstate Gas Transmission Shippers Group to stay engaged in the process and advocate for members. NPGA, with the help of the shippers group, successfully negotiated a settlement and the case is expected to be completed in Fall 2016.

Rate Structure and Long-Term Hedging Strategies

The NPGA Board began discussions of strategies regarding refining its rate structure focusing primarily on capturing administrative and general costs and long-term hedging strategies to more closely align gas purchasing opportunities with the current market environment. Discussions are expected to continue in 2016-2017.

National Trends

Natural gas prices remained low compared to historical pricing due to a sluggish economy and a large surplus of natural gas. Spot prices from the previous year were lower for April 2015 through March 2016 compared to the same period a year ago.

A warm winter led to all-time high natural gas levels in storage. The high storage levels, warmer winter, increased technology in shale extraction, and strong production resulted in falling prices during the last year as prices ranged from $2-2.50 per mmbtu. Low oil prices also contributed to weaker natural gas pricing over the last year since natural gas prices tend to follow oil prices.

Prices are expected to rise slightly during 2016-2017, mainly due to electric generation switching from coal to natural gas. As always, the weather will also play a factor in pricing.

Gas Supply

Detailed information regarding NPGA’s sales volumes and revenues is available on page 5 of NPGA’s audited financial statements (www.nmppenergy.org/annual_report).
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 2015-2016 included 72 Nebraska communities and one public power district.

### Transition to New Supplier for 2016-2017

The year was a transition year for ACE as staff worked to integrate its operations to a new gas supplier for the 2016-2017 program year. The change in suppliers was made to provide more competitively priced gas for the benefit of all customers in the choice program.

### ACE Intervenes in Acquisition

In February, the Nebraska Public Service Commission approved the acquisition of SourceGas, the coordinator of the Choice Gas Program, by Black Hills Energy. ACE was an intervenor in three dockets related to the acquisition, allowing for direct discussions with Black Hills in which ACE negotiated on behalf of its members regarding the future of the Choice Gas program. An agreement was reached for at least a three-year continuance of the program. ACE continues to advocate on behalf of its members for longer-term certainty of the program’s future.

### CJUMP Program for Schools

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 in an effort to secure the lowest price possible for program participants.

### ACE Distribution Return

In January, the ACE Board approved a $200,000 distribution to its member communities. Since ACE’s formation, it has returned more than $1.6 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.

### 2015-2016 Choice Gas Program

The 2015-2016 selection period was highly competitive with four suppliers providing pricing:

- Nearly 18,000 customers selected ACE out of 79,780 total program customers for more than 22 percent of market share.
- Marketing efforts included radio and newspaper ads and direct mail as well as various grassroots strategies.

### ACE Distribution Returns

<table>
<thead>
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<th>Year</th>
<th>Distribution</th>
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<td>2013</td>
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<td>$150,000</td>
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<tr>
<td>2016</td>
<td>$200,000</td>
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$1.6 Million Total Since 1998
Our product is energy
Our mission is service
Our power is people
VISIT www.nmppenergy.org/annual_report to access this report and the complete audited financial statements of each entity.