

No retail rate increase planned for 2016

—from Tim Arlt, General Manager of Retail

General Manager of Retail **Tim Arlt** expresses his pleasure at being able to announce a third consecutive year with no rate increase for NPPD's retail customers.

For a service-based organization, like NPPD, being responsive to customer needs is an essential part of what we do. As the cost of products and services — from building a home to buying groceries to paying college tuition — continues climbing, I am happy to report NPPD is responding to customer needs by remaining the same.

We recognize the important role electricity plays at your home, farm or business, and for the third year in a row, we are planning NO increase in your electric rates for 2016.

NPPD employees are working hard to control costs and improve efficiencies. Along with these efforts, we have also been blessed with

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favorable weather conditions so far in 2015, which have a great impact on energy costs and sales.

Add these together, and you are left with a pattern unlike what is happening to prices of many other commodities. Even more good news is that based on our current six-year rate outlook plan, we anticipate a future trend of rate stability.

You might be reading this and scratching your heads wondering how this is possible when everything seems to cost more in today's world. NPPD, as a whole, has set aggressive and specific rate targets to help customers afford their energy costs, and our main focus is on maintaining or improving our competitive position among other electric utilities, now, and in upcoming years.

With a strong focus on finding new and more efficient ways to do work, we fully expect to see improvements to our bottom line. Our commitment to you, our customer, never stops.

Niobrara River basin preservation plan

A memorandum of understanding has been signed to preserve the future of the Niobrara River basin.

The MOU specifies terms and conditions for sale of NPPD's Spencer Hydro facility, including dam, structures, land, water appropriations and perpetual easements for the reservoir, to the Niobrara River Basin Alliance (Five Natural Resource Districts) and the Nebraska Game and Parks Commission. The MOU provides that the parties will work for passage of legislation by the State of Nebraska for a permanent transfer of existing

hydro water appropriations to a new multi-purpose use, and it identifies potential sources of funding for the sale.

NPPD will continue to operate the Spencer Hydro facility until transfer of ownership, including water appropriations, is completed. The transfer is expected to take approximately two years to complete. As part of the agreement, NPPD's water rights will be converted to a multi-use water right, part of which will preserve flows for recreation, fish and wildlife needs along the Niobrara, and part of which would provide for integrated water management in the basin.



Niobrara River

"NPPD is pleased the water, which has been benefitting Nebraskans with renewable electricity since 1927 while maintaining flows in the river for a

variety of uses, will be preserved through this agreement," said NPPD's Water Resources Manager **Brian Barel**s.

"NPPD is extremely proud to be a party to this agreement, which will provide water sustainability in this great Niobrara River valley and enable Nebraskans to continue to enjoy the river for fish, wildlife, recreation and other uses into the future," Barel added.

In addition to agreeing to purchase NPPD's Spencer Hydro facility, the Commission and NRDs plan to seek an in-stream flow for the 39-mile stretch of river below Spencer dam to the confluence of the Niobrara and Missouri rivers. This stretch of river is used by several endangered species, including pallid sturgeon, interior least tern, piping plover and whooping crane.

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NPPD

Year-To-Date

Third Quarter 2015

FINANCIAL HIGHLIGHTS

For the period ended
September 30, 2015

NPPD's Quarterly Highlights

Third Quarter 2015

Condensed Financial Highlights -

Highlights Discussion -

Overview of NPPD -

NPPD is a public corporation and a political subdivision of the State of Nebraska, operating an integrated electric utility system which includes facilities for the generation, transmission and distribution of electric power and energy to wholesale and retail customers.

Control of NPPD and its operations are vested in a Board of Directors consisting of 11 members popularly elected from districts comprising subdivisions of NPPD's chartered territory.

The NPPD Board of Directors is authorized to establish rates.

Statistical Highlights -

	Nine Months Ended September 30	
	2015	2014
Debt Service Coverage	1.93	1.72
System Peak Load, Megawatts (Anytime)	2,695	2,807
Firm Wholesale Electric Sales, Megawatt Hours	7,292,674	7,208,652
Retail Electric Sales, Megawatt Hours	2,394,696	2,468,668
Other Electric Sales, Megawatt Hours	6,169,715	6,605,779
Number of Retail Customers, Average	90,834	90,130

Balance Sheets	As of September 30	
	2015	2014
	<i>(In Thousands - Unaudited)</i>	
Current Assets	\$ 884,428	\$ 867,484
Special Purpose Funds	761,873	808,034
Utility Plant - Net	2,500,982	2,501,905
Other Long-Term Assets	829,339	809,455
Deferred Outflows of Resources	42,074	18,956
Total Assets & Deferred Outflows	\$ 5,018,696	\$ 5,005,834
Current Liabilities	\$ 222,395	\$ 250,135
Revenue Bonds	1,716,042	1,815,531
Commercial Paper Notes	92,000	102,300
Revolving Line of Credit	167,312	194,216
Other Long-Term Liabilities	1,200,035	1,148,039
Deferred Inflows of Resources	290,220	240,145
Net Position	1,330,692	1,255,468
Total Liabilities, Deferred Inflows & Net Position	\$ 5,018,696	\$ 5,005,834
Statements of Revenues, Expenses and Changes in Net Position	Nine Months Ended September 30	
	2015	2014 *
	<i>(In Thousands - Unaudited)</i>	
Operating Revenues	\$ 843,678	\$ 866,468
Operating Expenses	(722,999)	(750,601)
Operating Income	120,679	115,867
Investment and Other Income	20,480	16,735
Debt and Other Expenses	(51,591)	(55,896)
Increase in Net Position	\$ 89,568	\$ 76,706
Sources of Operating Revenues		
Firm Sales - Wholesale and Retail	\$ 663,204	\$ 673,417
Participation Sales	57,493	58,409
Other Sales	103,254	157,070
Other Operating Revenues	45,417	43,842
Unearned Revenues	(25,690)	(66,270)
Total Operating Revenues	\$ 843,678	\$ 866,468

* Certain 2014 amounts have been restated to conform to the 2015 presentation.

For the nine months ended September 30, 2015, operating revenues totaled \$843.7 million, which was \$22.8 million less than the same period last year. The change from the prior year was due primarily to a decrease in energy sales and lower market prices in the Southwest Power Pool's (SPP) integrated market.

NPPD adjusts revenues for any surplus or deficiency between net revenues and revenue requirements using a deferral of revenues or costs. Surplus or unearned revenues are included in the determination of net revenues available to meet debt service requirements in the year that such surplus revenues are taken into account in setting rates. The change in unearned revenues from the prior period was \$40.6 million as weather conditions and higher market prices in SPP's integrated market contributed to a large surplus in 2014.

Operating expenses totaled \$723.0 million, which was \$27.6 million less than the same period last year. The change from the prior year was due primarily to decreases in purchased power, fuel, and production expenses. These decreases were partially offset by higher transmission expenses and administrative and general costs.

Investment and other income totaled \$20.5 million, which was \$3.7 million more than the same period last year. The change from the prior year was due primarily to an increase in the fair market value of invested funds.

Debt and other expenses totaled \$51.6 million, which was \$4.3 million less than the same period last year. The decrease from the prior year was due primarily to lower average interest rates and outstanding debt.

The increase in net position totaled \$89.6 million, which was \$12.9 million greater than the same period last year. The change from the prior year was due primarily to an increase in 2015 revenue requirements for construction from revenue and commercial paper principal payments, partially offset by a decrease in requirements for revenue bonds debt service.