

BUSINESS REPORT





EXECUTIVE MESSAGE

Phil Burke

Even though I have worked in the energy industry for over 40 years, like most people,

I still don't think much about the electricity I use. I expect the lights to turn on when I flip the switch and the coffeemaker to work each morning. Since many of us have been spending more time at home over the past few months, we have likely become even more reliant on electricity. And yet, we still expect an endless supply of power with uninterrupted service 24/7. The only time we really think about electricity is when the power goes out or perhaps when the monthly bill arrives.

As your power supplier, our top priority has always been to provide reliable, affordable electricity to you, the customer-owners that we serve. As a public power district, our mission is to enrich the lives of our customers and to serve the long-term interests of our local communities. This mission has never been more critical than in recent months. To me, this principle is the essential DNA of Polk County Rural Public Power District.

Who would have fathomed the COVID-19 virus would amount to a test of our lives, our

communities, and our nation? The changing circumstances due to the pandemic have created both challenges and opportunities. Over the past several months, we've all been challenged to operate differently, and Polk County RPPD has stepped up to help our communities and strengthen the safety net for our more vulnerable customers.

As an essential service, and to ensure the reliability of your power supply, we modified our operations to safeguard business continuity. Our line crews and office employees were separated into working groups to prevent possible transmission of the virus so that we could preserve continuous service to our customers. Some staff worked remotely and although we did not want to, we closed the office and limited in-person meetings to maintain the safety of our customers and employees. For the health and safety of everyone, we think these measures were the prudent course of action for the times. I tell you about these efforts not to boast about Polk County RPPD, many businesses made the same hard choices that we did, but to explain how much we care about serving our customers.

Through it all Polk County RPPD has been able to provide the reliable service you expect and deserve. In fact, our customers have experienced an average service availability index of over 99.95% over the past five years. Considering that electricity is something that we all use around the clock, I'm very proud of our track record. At the same time, we have been able to maintain our cost of service and have not raised rates for nine years. Even with those achievements, our most important milestone has been the combined efforts of our employees to reach over 500,000 hours worked without a lost-time injury. That is over 12 years without an injury causing someone to miss work. But we are not done, we are continually working to improve our operations to keep costs low and to ensure even more reliable service while exploring more renewable energy and smart grid options where possible.

In 1935 Polk County RPPD was built by customers to serve customer's energy needs, and that's what we'll continue to do. While the challenges caused by COVID-19 have been daunting, I'm heartened to see how Polk County RPPD has emerged and an even stronger company.

MISSION STATEMENT

"Committed to enhancing the lives of our customers by providing safe, reliable, and economical energy through excellence in customer service and innovation"



BOARD OF DIRECTORS

District 1

Gary Allison
Jeff Scow

District 2

Mardell Johnson
Bob Lindburg

District 3

Vernon Kuhnel
Judy Reiken
Mark Wyman

District Attorney

James Papik



SERVICE AREA

Polk County Rural Public Power District serves customers in Polk and parts of Merrick, York, and Nance Counties.



TYPE AND NUMBER OF CONSUMERS

Classification of Service	Number of Services
Residential	2241
Seasonal	642
Irrigation	1302
Commercial 1,000 KVA or less	554
Commercial Over 1,000 KVA	4
Public Street & Hwy Lighting	13
Resale-Polk & Stromsburg	2
TOTALS	4,758

AT A GLANCE

10 Year Comparison	Number of Meters	kWh Sold	Revenue Received from Energy Sales	Miles of Line	Meters Per Mile of Line	Full Time Employees
2010	4,569	97,043,513	\$10,353,129.00	1,136.97	4.02	21
2020	4,758	111,118,437	\$13,071,310.00	1,154.72	4.12	21

PROFILE

- Polk County Rural Public Power District is a not-for-profit electric distribution utility that delivers electricity to customers in Polk and parts of Merrick, Nance, and York Counties.
- Polk County RPPD has 21 full-time employees.
- The District was organized on May 6, 1935, at Swede Home Church parlor. The original loan, in the amount of \$367,500, was approved to construct and build distribution lines. On June 2, 1938, there was a big celebration at the first 217 miles of lines energized with an estimated 205 farm homes. This changed the appearance of the rural landscape forever.
- The district purchases power from Nebraska Public Power District and distributes to it 4,758 electric services over 1,046.9 miles of distribution line. Polk County RPPD maintained 107.82 miles of sub-transmission lines.
- Services per mile of line: 4.12
- Seven publicly elected Board of Directors make policy decisions and set rates.
- Headquarters:
115 W 3rd St.,
Stromsburg NE 68666-0465

Polk County Rural Public Power District

BALANCED SCORECARD

2019-2020

CUSTOMER SATISFACTION



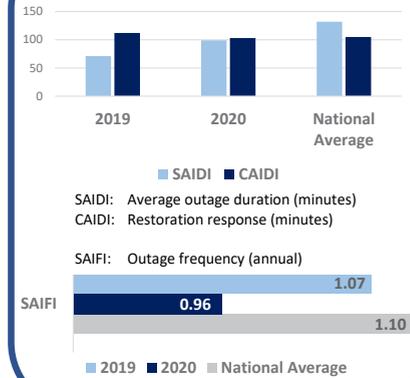
ACSI Score
American Customer Satisfaction Index

SAFETY

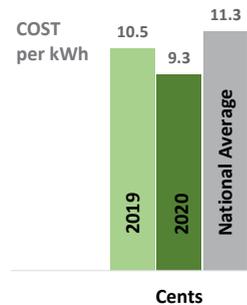
All injury incident rate
OSHA recordable injuries
2019 and 2020

2

RELIABILITY



COST per kWh



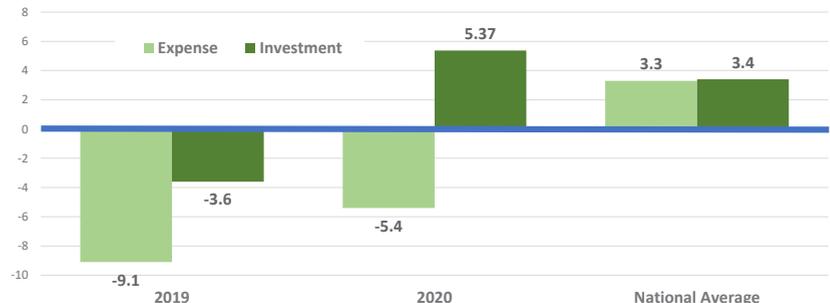
COST \$ EXPENSE \$ INVESTMENT

COST * PER kwh sold (cents)

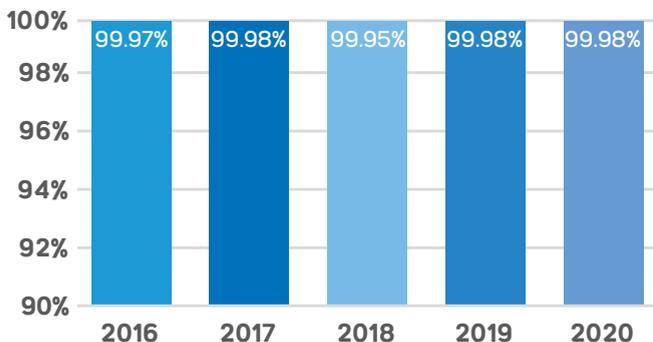
EXPENSE * Annual % change in controllable costs

INVESTMENT * Annual % change in plant investment

Annual Percent Change



PROVIDING RELIABILITY



System Reliability, based on average service availability per year

No one dislikes power outages more than us. That is why we diligently plan, design, and update our distribution and transmission systems to meet our customers' energy needs, always. Yet, sometimes power outages are beyond our control. Lightning, ice, and weather were the three leading outage causes in 2019 and 2020. Comprehensive outage analysis, tree trimming, and system-wide asset inspection aid in helping us prevent power outages. We are committed to keeping our customers informed during outages and continuously strive to reduce outage durations. For current, up to date outage information, we invite you to visit our website www.pcrppd.com.



RESILIENT OPERATION & INFRASTRUCTURE

PCRPPD's electric system is a well-designed network of transmission and distribution systems. Transmission lines deliver power from our wholesale provider to substations that step the power down to feeders that deliver power to your transformer. There, the power is stepped down again to your home.

System load, reliability, and redundancy determine system upgrade and growth. PCRPPD follows a budgeted work plan developed in coordination with our engineers. Ensuring system capacity and resiliency in a cost-effective manner is a top priority.

Through 2019 and 2020 many system improvements were made. A major project taking place over these two years was the addition of a new substation in the rural area north of Clarks. The substation was completed and brought online in July, which is now serving the rural area surrounding along with the Village of Clarks. The new substation will better handle the load in the area and eliminates the need for the aging transmission line previously feeding Clarks. Additionally, in 2019 & 2020, 101 new services were built-in, 68 services were upgraded and 68 unused services were retired. While retiring an unused service may not seem significant it eliminates electrical losses on the system along with reducing exposure from outages.

ENERGYWISESM

Use less. Spend less. Do more.

ENERGY EFFICIENCY

Polk County RPPD encourages customers to take advantage of energy efficiencies. The district wants customers to understand their electric bill is affected by how and when energy is used.

EnergyWise offers 24 programs where an incentive is offered based on improving operating efficiency. These programs not only offer savings to the customer, but some also encourage new uses of electricity along with adding beneficial electric load.

The EnergyWise Incentive Programs have benefited customers over the past 12 years. Nearly 2,000 applications have been processed.

IRRIGATION AND LOAD MANAGEMENT

Polk County RPPD participates in a savings program offered by our Wholesale power provider. By participating in their irrigation load management program, we are able to save on purchased power costs by reducing our summer peaks. The more we can reduce those peaks, the more everyone benefits. We pass these savings on to the irrigation customers, who allow us to shut off their wells during certain peak hours in the summer, through discounted horsepower and energy charges.

Over 80% of our irrigation customers participate in load management, allowing us to help them save on their irrigation costs. While 2019 was an exceptionally wet year, 2020 turned out to be quite average with annual sales of 6,786,411 kWh and 22,621,288 kWh respectively.

ENERGYWISE ENERGY PROGRAM

Year	Customer Incentives Paid	Demand (kW) Reduced	Energy (kWh) Reduced
2009	\$20,906	45	1,758,278
2010	\$22,246	837	2,086,243
2011	\$66,031	115	5,590,980
2012	\$22,632	52	2,058,099
2013	\$23,364	51	2,271,188
2014	\$36,407	53	4,340,965
2015	\$57,118	124	80,405,899
2016	\$54,484	115	70,047,778
2017	\$46,512	68	5,243,749
2018	\$32,128	70	3,829,928
2019	\$67,242	97	3,771,690
2020	\$51,802	95	5,306,427

The kW and kWh reductions are calculated over the life of the equipment installed

CUSTOMER SATISFACTION

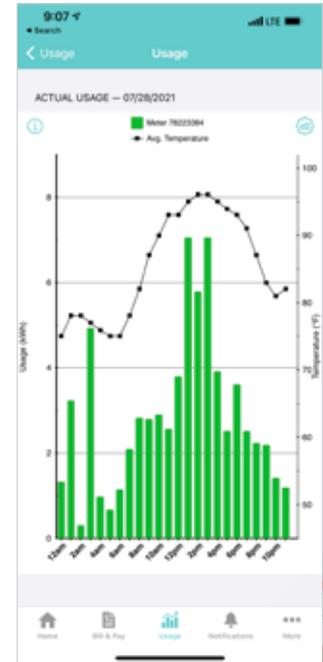
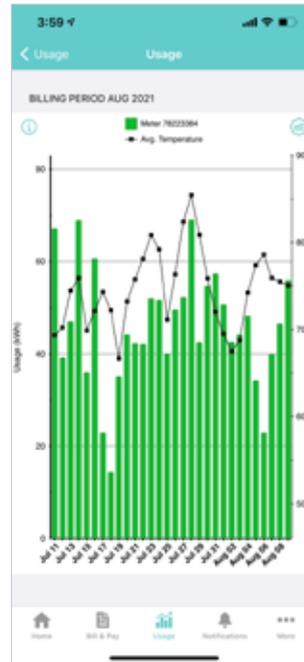
Serving our customers in an efficient manner with accurate information is important to our employees. Whether it's inside or outside personnel we do our best to strive for customer satisfaction at all times. Each employee is a customer service representative who listens and responds accordingly.



INNOVATIVE TECHNOLOGY

The ongoing advancement in technology continues to improve how we serve our customers. PCRPPD is focused on innovative projects and programs that support reliability, improve resiliency, operational efficiencies, asset management, customer access to data, integration of distributed energy resources, and outage management, restoration and communication.

In the past two years, advancements were made to allow some employees to work remotely during the pandemic. Also, new smart meters have been deployed in some areas which have more reliable communication, additional data collecting that customers can access, and report outages in real-time. Additionally, improvements have been made with SmartHub allowing our customers better access to their accounts, payment options, and viewing their daily and hourly usage.



INTRODUCING SMARTHUB

SMART MANAGEMENT. SMART LIFE. SMARTHUB.

On the go and in control.

SmartHub is a web and mobile app that allows you to do business with us like never before:

- Manage your account
- Report service issues
- View and pay your bill
- Receive important notices
- Monitor usage 24/7

...All in the palm of your hand and online.



www.smarthubapp.com



LOW COST ELECTRICITY

Classification of Service	Number of Services	Kwh Sales	Revenue
Residential	2241	40,095,651	\$4,191,001
Seasonal	642	3,812,674	\$567,871
Irrigation	1302	22,621,288	\$4,361,058
Commercial 1,000 KVA or less	554	21,120,984	\$2,169,512
Commercial Over 1,000 KVA	4	7,633,312	\$679,219
Public Street & Hwy Lighting	13	475,964	\$82,655
Resale-Polk & Stromsburg	2	15,358,564	\$1,019,994
TOTALS	4,758	111,118,437	\$13,071,310

CUSTOMER-DRIVEN / COMMUNITY-FOCUSED

Our customers depend on us to deliver the energy they need, and we work with great intention to fulfill that mission. As a publicly owned utility, PCRPPD understands its critical role and responsibility in building and supporting the communities we serve and is committed to being good neighbors in all we do. PCRPPD employees volunteer countless hours each year to positively impact our communities by serving on fire and EMS departments, coaching and mentoring youth, delivering food backpacks, and working with Regional V Services to provide opportunities for individuals development.

LEASE PAYMENTS MADE

PCRPPD presents these payments to each community. The lease payments represent 12% of the retail revenue generated by each sale of

electric power in each of the communities we serve. Each of these towns owns its electric distribution system, and PCRPPD compensates them for using their systems. Payment made for the year 2020:

Silver Creek	\$67,482.42
Clarks	\$75,487.41
Osceola	\$156,864.41
Shelby	\$113,232.91

GROSS REVENUE TAXES PAID

PCRPPD also pays gross revenue tax and makes payments to the Treasurer in the counties we serve. Payments made for the year 2020:

Merrick County	\$50,021.21
Polk County	\$111,168.42

ANNUAL NET METERING REPORT: 2020 - \$70-2005

- Total number of qualified facilities - 5
- Total estimated rated generating capacity - 59 kW AC
- Total estimated net kilowatt-hours received from customer generation - 35,517 kWh
- Total estimated amount of energy produced by customer-generators - 80,374 kWh



STATEMENTS OF NET POSITION FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
CAPITAL ASSETS	40,566,997	38,964,336
Construction in Progress	676,023	59,579
Less Accumulated Depreciation	(13,452,537)	(12,640,079)
NET Capital Assets	27,790,483	26,383,836
SPECIAL PURPOSE FUNDS		
Debt Reserve Funds	96,844	98,360
Debt Service Funds	87,488	66,257
TOTAL Special Purpose Funds	184,332	164,617
NONCURRENT ASSETS		
Investments in Associated Organizations	478,264	966,490
TOTAL Noncurrent Assets	478,264	966,490
CURRENT ASSETS		
Cash & Cash Equivalents	4,209,309	3,739,064
Accounts Receivable - less allowance for uncollectible accounts of \$44,522 in 2020 and \$42,871 in 2019	782,010	801,472
Interest Receivable	4,152	9,895
Materials & Supplies Inventory	1,042,891	796,245
Prepaid Expenses	122,987	123,281
Other Current & Accrued Assets	569,079	561,352
TOTAL Current Assets	6,730,428	6,031,309
DEFERRED OUTFLOWS		
Deferred Charges	351,755	505,878
TOTAL Assets & Deferred Outflows	35,535,262	34,052,130

STATEMENTS OF NET POSITION FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

NET POSITION, DEFERRED INFLOWS OF RESOURCES, & LIABILITIES

	2020	2019
NET POSITION		
Invested in Capital Assets,		
Net of Related Debt	25,375,483	23,553,836
Restricted	184,332	164,617
Unrestricted	5,320,770	5,092,079
TOTAL Net Position	30,880,585	28,810,532
NONCURRENT LIABILITIES		
Bonds Payable, Less Current Maturities	1,940,000	2,385,000
RUS Loan Payable	170,114	1,139,598
less Cushion of Credit balance	(16,597)	(975,339)
Post-Retirement Benefit Obligation	289,676	304,892
TOTAL Noncurrent Liabilities	2,383,193	2,854,151
CURRENT LIABILITIES		
Accounts Payable	1,208,274	1,338,957
Accrued Expenses	518,021	496,364
Consumer Deposits	61,221	53,205
Current Maturities on Long-Term Debt	483,968	498,921
Total Current Liabilities	2,271,484	2,387,447
TOTAL Net Position & Liabilities	35,535,262	34,052,130

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Electric energy sales	13,071,310	11,786,293
Other revenues	49,316	49,675
TOTAL Operating Revenues	13,120,626	11,835,968
OPERATING EXPENSES		
Cost of Power	7,060,352	6,919,409
Transmission	54,494	32,443
Distribution	844,093	903,389
Maintenance	576,467	623,885
Consumer Accounts	501,053	504,726
Administrative & General	912,046	915,549
Depreciation	1,131,364	1,075,852
TOTAL Operating Expenses	11,079,869	10,975,253
OPERATING INCOME	2,040,757	860,715
INVESTMENT AND OTHER INCOME		
Interest revenue	81,499	139,248
Other Income	70,347	170,160
TOTAL Investment & Other Income	151,846	309,408
DEBT & OTHER EXPENSES		
Interest Expense	93,895	141,373
Other Expense	28,655	31,174
TOTAL Other Expenses	122,550	172,547
INCREASES IN NET POSITION	2,070,053	997,576
NET POSITION, BEGINNING OF YEAR	28,810,532	27,812,956
NET POSITION, END OF YEAR	30,880,585	28,810,532

HOW \$ WAS SPENT

PCRPPD has four major expense categories that contribute to the overall cost of the average kwh: cost of power, operations & maintenance, administration & customer service, and depreciation, tax, & interest expense. The cost of power is a majority of the expense, contributing 64% of the total expense in 2020.

- Cost of Power – 64%
- Operations/Maintenance – 13%
- Admin/Customer Service – 13%
- Depreciation/Tax/Interest – 10%

UTILITY PLANT WORTH

PCRPPD continues to invest in our plant to keep our system strong and new. Approximately \$1.2 million was invested in 2019 and an additional \$2.2 million invested in 2020, resulting in a realized utility plant increase of 6.8% from 2018 to 2020 after depreciation.





A YEAR OF CHALLENGES AND OPPORTUNITY

PCRPPD has always considered financial health a core business objective in order to provide customers with reasonable rates. The year 2020 proved to be challenging during the COVID-19 pandemic, with the District making decisions to split crews and office personnel to keep everyone safe and healthy as well as stock up on inventory when material availability became a concerning issue with many of our vendors. Thankfully, other than adjusting a few practices to ensure business continuity, the pandemic did not have a major impact on our business or financials.

While the pandemic created many challenges, it also provided an opportunity for cost savings

by capitalizing on historically low interest rates. The Board of Directors approved refinancing two of PCRPPD's outstanding bonds, saving the District nearly \$100,000 in future interest payments. PCRPPD was also able to take advantage of the USDA Farm Bill by applying our Cushion of Credit funds to three of our five outstanding RUS loans, which resulted in an additional savings of approximately \$430,000 in future interest payments. The District will continue to conduct thorough financial analysis to capitalize on cost savings opportunities to hold our strong financial position.



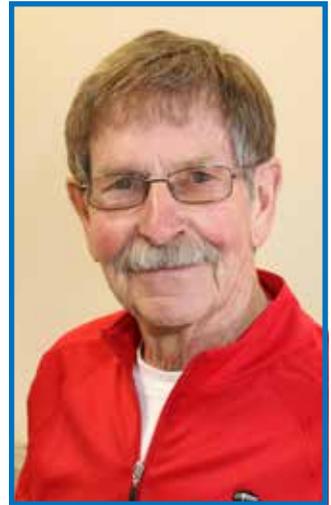
Gary Allison
District 1



Jeff Scow
District 1



Mardell Johnson
District 2



Bob Lindburg
District 2

BOARD OF DIRECTORS



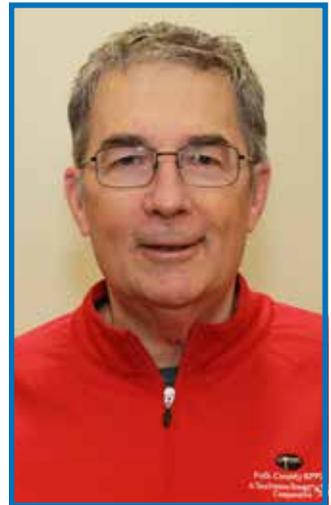
Vernon Kuhnel
District 3



Judy Reiken
District 3



Mark Wyman
District 3



James Papik
District Attorney

LINEMEN



Andy Roberts
Journeyman Lineman [Line Foreman]



Jeff Waller
Substation, Metering, and
Control Specialist



Mickey Berggren
Journeyman Lineman [Lead/Crew Chief]



Yancy Krol
Journeyman Lineman [Lead/Crew Chief]



Ryan Carlson
Journeyman Lineman



Dennis (DJ) Crowell
Purchasing/Warehouse Coordinator



Roger (Charlie) Clark
Journeyman Lineman



Todd King
Apprentice IV



Jackson Bailey
Apprentice II



Riley Carlstrom
Apprentice I



Cole Sundberg
Apprentice I



Phil Burke
General Manager/CEO



Barb Fowler
*Technical Systems Manager /
Assistant General Manager*



Megan Klein
Finance Manager



Wade Rahn
*Customer Service/Public
Relations/IT Manager*



Randy Reese
Operations Manager



Justin Sunday
*Engineering & Safety/
Compliance Manager*



Jodie Alvis
Accounting Assistant



Cindi Perdue
Accounting Assistant



Dawn Dudgeon
Billing Specialist



Michel Peterson
Customer Service Representative/Billing

STAFF



SAFELY POWERING YOU, EVERY DAY.

Safety is our top priority and is something we, our families, and you rely on every day. That is why we continually plan, practice, and train on performing our job safely. Safety is a mindset that we cannot take for granted or do without.

- PCRPPD's Safety Improvement Plan provides strategic direction and goal setting.
- Regular Safety Committee meetings, policies, and regulations, guide and measure the success of our safety program.
- Monthly Employee Safety Training includes first-aid, CPR, pole top and bucket rescue, worksite safety, and more.
- National Rural Electric Cooperative Association's Safety Accreditation Certification provides intensive review and evaluation (by outside safety professionals) of all District facilities and equipment.
- Programs like Work Safe-Home Safe, Speak Up Listen Up, Quarterly Crew visits, and thorough investigations build awareness and strengthen communication skills to continue a strong safety culture.
- The District's employees have not had a lost-time accident in over ten years. As of the end of 2020, we have logged over 500,000 hours since the last reportable incident. This is something we are proud of and do not consider it luck. Safety is at the forefront all the time.

PUBLIC SAFETY AND EDUCATION

Educating the public about the benefits and dangers of electricity is an important part of providing service. PCRPPD works daily to keep our community safe by educating them about electrical hazards at events such as our Customer and Irrigators meetings, area school, and 4H events.

POLK COUNTY RURAL PUBLIC POWER DISTRICT

115 West 3rd Street
PO Box 465
Stromsburg, NE 68666-0465

Phone: (402) 764-4381
Toll Free: (888) 242-5265
PCRPPD.com

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