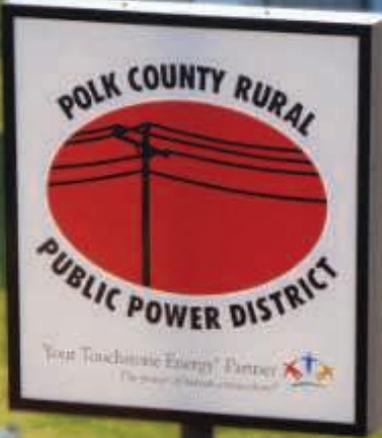


2018 | 2019 BUSINESS REPORT



EXECUTIVE MESSAGE

If you owned a company and hired someone to run it for you, what would you want that person to tell you about its operation? You would likely want to know how it was doing financially, how the business was accomplishing its mission and what does the future look like. This is exactly what we want to accomplish with this report. From the very beginning 84 years ago, Polk County RPPD has considered itself owned by those we serve. The Board of Directors and the management team understand that we work for you and that you want us to invest your money wisely to provide you with reliable and affordable electric power.

So how are we doing? You do not have to look very far to find a news report on the changes happening in the power industry. This is certainly true in Nebraska as well. With the development of renewable generation, automated metering infrastructure, web-based billing, carbon emission targets, battery storage, and electric vehicles, the power industry looks vastly different than just 10 years ago. Truly the power industry is seeing changes unprecedented since Westinghouse and Tesla. But with all the change, Polk County RPPD's mission to serve our customers with reliable and affordable electricity has remained the same. Do the changes offer challenges? Sure, but we also see opportunities to serve our customers in new and innovative ways.

Over the past few years, we have listened to our customers and entered into a power purchase agreement with Bluestem Energy to buy 6% of our energy from a wind turbine built near Osceola. This decision was prompted by a survey where 64% of our customers wanted us to purchase renewable energy, if we could do it without an impact on their energy cost. We have also deployed an automated meter reading system that eliminated the need for meter reads from rural customers or contracted labor. We have also leveraged this investment to allow us to create a demand rate for residential customers that allows individuals to control their bill by lowering their demand. This year we will also release a prepaid billing plan that allows customers to pay when they want to and eliminate the need for deposits.

So here is what we think you, our owners, would like to know about your power company. If you would like to learn more or want to make a comment on where we have been or where you want us to go, please let us know. We are truly here to serve you.



*(L) Board President Mardell Johnson
and (R) General Manager Phil Burke*

Board of Directors

District I

- Gary Allison
- Jeff Scow

District II

- Mardell Johnson
- Bob Lindburg

District III

- James D Carlson
- Vernon Kuhnel
- Gene Urkoski

District Attorney

- James Papik

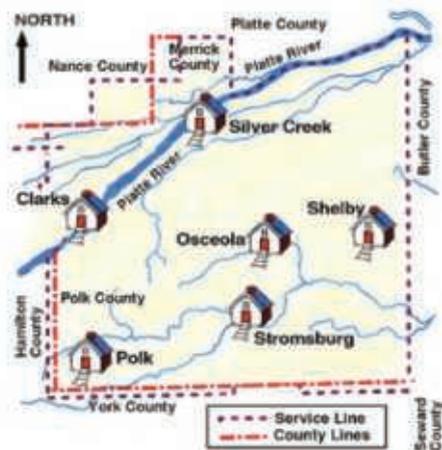
MISSION STATEMENT

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

SERVICE AREA

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

Type and Number of Consumers	
Residential	2,251
Seasonal	616
Irrigation	1,303
Commercial & Industrial (Small)	542
Commercial & Industrial (Large)	4
Public Street Lighting	13
Sales for Resale—City of Stromsburg & Village of Polk	2
Total Number of Consumers	4,731



At A Glance

10 Year Comparison	Number of Meters	Kilowatt-Hours Sold	Revenue Received from Sales of Electric Energy	Meters Per Mile of Line	Full-Time Employees
2008	4507	96,832,581	\$8,601,110.00	3.97	20
2018	4731	99,501,252	\$12,691,247.00	4.36	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 Butler, Merrick, Nance and York Counties.
- Polk County RPPD has 21 full-time employees.
- The District was organized on May 6, 1935 at the 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 as the first 217 miles of lines lit up an estimated 205 farm homes changing the appearance of the rural landscape forever.
- The District purchases power from Nebraska Public Power District and distributes it to 4,731 electric services over 978 miles of distribution line. Polk County RPPD maintains 108 miles of sub-transmission lines.
- Services per mile of line: 4.36
- Seven publicly elected board of directors make policy decisions and set rates.
- Headquarters: 115 W 3rd St., Stromsburg NE 68666-0465

BALANCED SCORECARD



POLK COUNTY RURAL PUBLIC POWER DISTRICT

2017



Customer Satisfaction

ACSI Score
American Customer Satisfaction Index



Safety

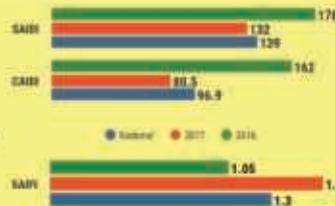
All Injury Incident Rate
OSHA recordable injuries



Reliability

System Average Indexes:

SAIDI - Average outage duration (mins)
CAIDI - Restoration response (mins)
SAIFI - Outage frequency (annual)



Cost

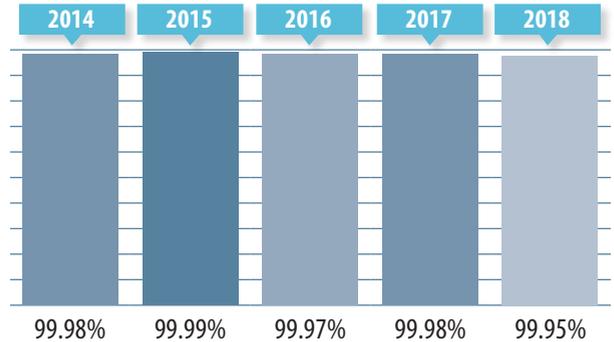
System Average Indexes:

Cost per kWh sold (cents)
Annual % change in controllable costs
Annual % change in plant investment per mile



PROVIDING RELIABILITY

System Reliability, based on average service availability per year



Some power outages are beyond our control (thank you, Mother Nature) but PCRPPD has worked hard to provide reliability at 99.97% over the last five years. Tree trimming plays a large role in ensuring reliability and PCRPPD adheres to a regular, system wide trimming schedule.

Ensuring system capacity and resiliency requires diligent transmission and distribution planning. Through a five year work plan, coordinated with our engineers, PCRPPD plans and budgets for system wide improvements required to meet the needs of our customers, ensure future growth and provide alternate power source availability. Alternate feeds are important to keeping the lights on for as many customers as possible while enabling linemen to work and make repairs.



RESILIENT OPERATION AND INFRASTRUCTURE

In 2018, PCRPPD completed many system plant improvement projects including installing a 7500 KVA transformer in Substation #1 and relocating a 5000 KVA transformer to Substation #7. Other projects included: installing new sub-transmission switches, substation reclosers, distribution regulators, and upgrading primary conductor. We built 27 new services, performed 36 service upgrades, and constructed a new warehouse to safeguard our equipment from the outside elements and provide easier access. Substation transformers and equipment undergo annual maintenance and testing to ensure safe, reliable operation.

RENEWABLE ENERGY



In December, Prairie Wind turbine began generating power for PCRPPD customers. The 2.5MW wind turbine is located west of Osceola and is owned and operated by Polk County Renewables, LLC. PCRPPD will purchase 100% of the turbine output. Take a moment to check out our short project video on YouTube: <https://youtu.be/OBM1g9Zavhs>



ENERGYWISE

Use less. Spend less. Do more.

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 eighteen programs where an incentive is offered based on improving operating efficiencies. These programs not only offer savings to the customer, they also help the environment by reducing the amount of natural resources required to produce electricity.

Irrigation and Load Management

Polk County RPPD's irrigation load management began in 1980 with the need to reduce summer peaks, save on purchased power and eliminate the need to construct new generation plants. The cost for wholesale electricity is based on the highest peak. When we can reduce that peak, everyone saves. For nearly 40 years load management has greatly benefited all customers and the District's purchased power costs are significantly reduced.

At the end of 2018, Polk County RPPD provided service to 1,344 irrigation meters totaling 67,762 horsepower. Nearly 80 percent of the connected irrigation horsepower was enrolled in load management.

Over the past five years: Irrigation revenue averaged \$3,948,574 or nearly 30 percent of total revenue, kilowatt-hours averaged \$0.3481, the average well size is 52 HP and wells ran around 300 hours per season.



The EnergyWise™ Incentive Program

has benefited customers over the past ten years. Nearly 1,000 applications have been processed.

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

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

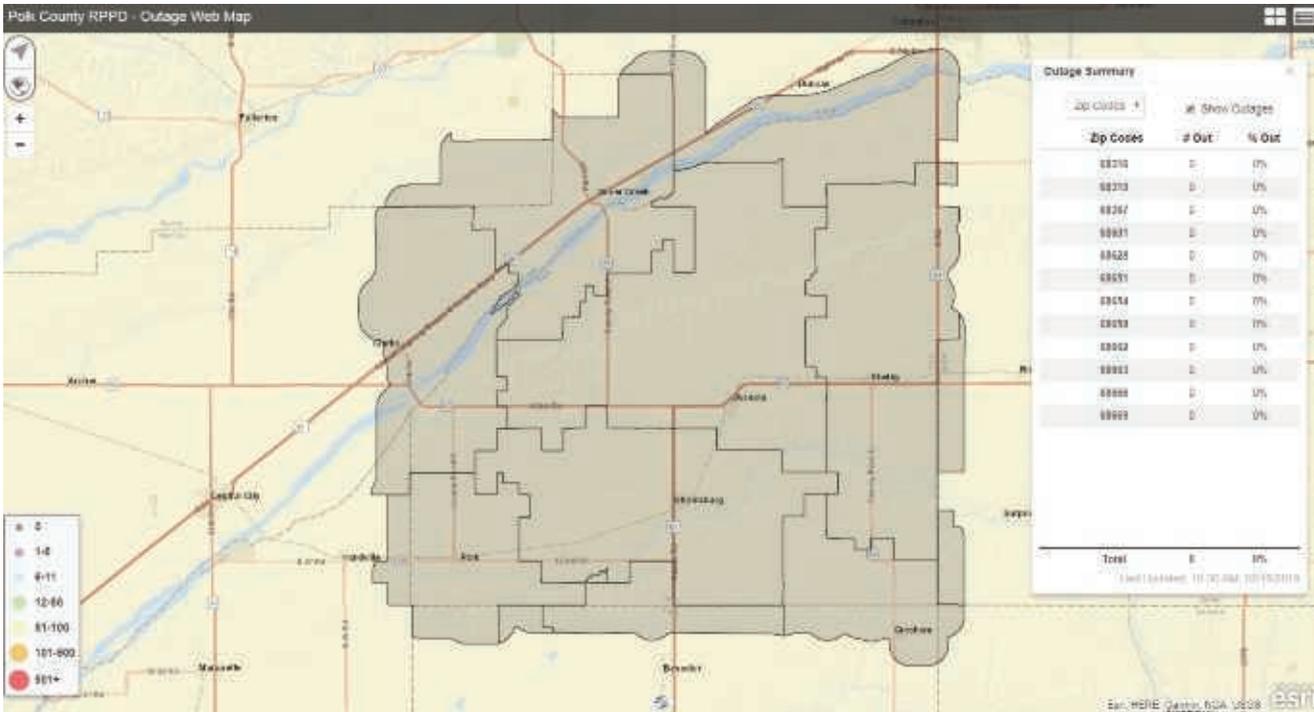
CUSTOMER SATISFACTION

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

Changes in technology have brought new opportunities to engage and inform 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 and communication. PCRPPD customers received a new way to stay informed in 2018 with the introduction of our Outage WebMap, which allows customers to view current outages and restorations live. Bookmark the URL: <https://pcrppd.ebill.coop/maps/Public/OutageWebMap/>



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 public owned utility, PCRPPD understands the key role and responsibility it has in building and supporting the communities we serve and we are committed to being good neighbors in all we do. PCRPPD employees volunteer countless hours each year to make a positive impact in our communities by serving on fire and EMT departments and in numerous local organizations and churches, coaching and mentoring youth, delivering food backpacks, and working with Region V Services to provide opportunities for individuals with developmental disabilities.

PCRPPD presented lease payments to area communities. The payments represent 12% of the retail revenue generated by the sale of electric power in each of the communities we serve. Each of these towns owns their electric distribution system and PCRPPD compensates them for the use of their systems. Payments made for the year 2018:

Osceola	\$161,982.00
Shelby	\$115,488.69
Clarks	\$ 74,686.78
Silver Creek	\$ 69,486.98

PCRPPD also pays gross revenue tax and makes payments to the Treasurer in the counties we serve. Payments made for the year 2018:

Polk County	\$115,575.48
Merrick County	\$ 55,720.83



Low Cost Electricity

Comparison of Revenue to Sales in 2018

Classification of Service	Number of Services	kWh Sales	Revenue
Residential	2,252	41,887,523	\$4,612,428
Irrigation	1,303	9,775,138	\$3,402,830
Commercial 1,000 kVa or Less	543	20,970,360	\$2,373,935
Commercial Over 1,000 kVa	4	7,575,819	\$654,806
Seasonal	614	3,405,072	\$514,210
Resale-Polk & Stromsburg	2	15,407,336	\$1,046,220
Other	13	480,004	\$86,818
Total	4,731	99,501,252	\$12,691,247

Annual Net Metering Report - \$70-2005

- Total number of qualified facilities – 3
- Total estimated rated generating capacity – 27.8 kW AC
- Total estimated net kilowatt-hours received from customer generation – 5,142 kWhs
- Total estimated amount of energy produced by customer-generators – 22,615 kWh*

*Metered at system, not generator



Statements Of Net Position For Years Ended December 31, 2017 and 2018

Net Position, Deferred Inflows of Resources, & Liabilities		
NET POSITION	2017	2018
Invested in Capital Assets,		
Net of Related Debt	21,650,826	22,198,551
Restricted	162,395	163,996
Unrestricted	5,229,236	5,450,410
TOTAL Net Position	27,042,457	27,812,957
NONCURRENT LIABILITIES		
Bonds Payable, Less Current Maturities	3,275,000	2,830,000
RUS Loan Payable	1,244,706	1,193,519
less Cushion of Credit balance	(883,071)	(928,059)
Post-Retirement Benefit Obligation	879,171	1,448,445
TOTAL Noncurrent Liabilities	4,515,806	4,543,905
CURRENT LIABILITIES		
Accounts Payable	782,253	1,259,296
Accrued Expenses	488,995	506,681
Consumer Deposits	48,975	54,050
Current Maturities on Long-Term Debt	478,951	496,188
Total Current Liabilities	1,799,174	2,316,215
TOTAL Net Position & Liabilities	33,357,437	34,673,077

FINANCIALLY STRONG



Financial health is a core business objective for PCRPPD, allowing us to keep rates reasonable for customers, supporting innovative and enhancing programs, while providing an opportunity to support local communities.

Because planning provides good management, PCRPPD, following USDA Rural Utilities Service (RUS) guidelines, establishes short and long term financial forecasts to guide system improvements and growth. Each department contributes to an annual budget that is approved by the Board of Directors to ensure strong financial position while continuing to improve system reliability and capacity. PCRPPD undergoes an annual audit to ensure a fair representation of the District's financial position.

Statements Of Net Position For Years Ended December 31, 2017 and 2018

Assets and Deferred Outflows of Resources		
	2017	2018
CAPITAL ASSETS		
Construction in Progress	36,212,348	37,685,646
Less Accumulated Depreciation	190,163	119,483
NET Capital Assets	(11,046,683)	(11,784,622)
SPECIAL PURPOSE FUNDS		
Debt Reserve Funds	25,355,828	26,020,507
Debt Service Funds	95,705	97,158
TOTAL Special Purpose Funds	66,690	66,838
NONCURRENT ASSETS		
FEMA Receivable	937,751	956,235
Investments in Associated Organizations	27,815	-
TOTAL Noncurrent Assets	965,566	956,235
CURRENT ASSETS		
Cash & Cash Equivalents	1,455,897	1,942,637
Temporary Investments	2,656,710	2,530,364
Accounts Receivable – less allowance for uncollectible accounts of \$49,123 in 2017 and \$44,646 in 2018	745,898	934,139
Interest Receivable	9,361	13,044
Materials & Supplies Inventory	799,863	756,329
Prepaid Expenses	138,469	125,659
Other Current & Accrued Assets	627,658	616,793
TOTAL Current Assets	6,433,856	6,918,965
DEFERRED OUTFLOWS		
Deferred Charges	439,792	613,374
TOTAL Assets & Deferred Outflows	33,357,437	34,673,077

Statements Of Revenues, Expenses, And Changes In Net Position

For Years Ended December 31, 2017 and 2018

	2017	2018
OPERATING REVENUES		
Electric energy sales	13,128,419	12,691,248
Other revenues	45,832	55,840
TOTAL Operating Revenues	13,174,251	12,747,088
OPERATING EXPENSES		
Cost of Power	7,443,546	6,977,258
Transmission	31,166	48,185
Distribution	1,227,606	1,272,887
Maintenance	563,675	518,538
Consumer Accounts	438,934	453,885
Administrative & General	982,860	955,395
Depreciation	1,003,850	1,043,486
Tax Expense	161,263	169,027
TOTAL Operating Expenses	11,852,900	11,438,661
OPERATING INCOME	1,321,351	1,308,427
INVESTMENT AND OTHER INCOME		
Interest revenue	93,587	129,469
Other Income	81,658	59,977
TOTAL Investment & Other Income	175,245	189,446
DEBT & OTHER EXPENSES		
Interest Expense	156,456	149,343
Other Expense	56,377	31,076
TOTAL Other Expenses	212,833	180,419
INCREASES IN NET POSITION	1,283,763	1,317,454
NET POSITION, BEGINNING OF YEAR	25,758,694	26,495,503
NET POSITION, END OF YEAR	27,042,457	27,812,957

*Variance in 2017's end of year position to 2018's beginning of year position caused by a required adjustment to previous year's margins to comply with GASB 75 accounting regulations



How it 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 60% of the total expense in 2018.

- Cost of Power – 61%
- Operations/Maintenance – 16%
- Admin/Customer Service – 12%
- Depreciation/Tax/Interest – 11%

Utility Plant Worth

PCRPPD continues to invest in our plant to keep our system strong and new. Approximately \$2 million was invested in 2017 which resulted in a 5.85% increase in utility plant worth from 2016 to 2017, and an additional \$1.475 million invested in 2018 for a realized utility plant increase of 4.07% from 2017 to 2018.

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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SAFETY ranks as the most important element in our jobs.

“Safety is an attitude a person decides to build on. A culture of safety touches all areas of our organization and safety has become an integral part in how we operate.” – General Manager, Phil Burke.

Working in the electric industry requires training in a lot of areas. “The day to day job duties of a lineman may involve climbing poles, operating heavy equipment, working on high or low voltage lines. There is a lot to remember and we rely so much on personal protective equipment and training.” – Tim Teegerstrom, Safety Director

- Polk County RPPD employees understand the importance of safety in their daily duties, whether at work or at home.
- Safety committee meetings, policies and regulation guide and measure the success of our safety program.
- Programs like Work Safe-Home Safe, Speak Up Listen Up and good communication skills build a strong safety culture.
- The District’s employees have not had a lost-time accident in over ten years. We have logged nearly 425,000 hours since the last reportable incident. This is something we are proud of and do not consider it luck. Safety is in the forefront all the time.

Public Safety

Educating the public to be safe around electricity is one of the most important aspects of providing service. Polk County Rural Public Power District has always prioritized public safety. Respecting the power of electricity is taught from a young age through adulthood. From offering coloring pages to young children, presenting school programs for various ages and working with 4-H youth, safety is important.

Progressive Agriculture Safety Day Camp

Through the years, hundreds of middle age school youth have witnessed the ‘power’ of electricity with the live line demo. The annual event is held at the Polk County Fairgrounds attracting youth from Polk County. Participants are given items relevant to electrical safety.

Ag Producers and Contractors

District employees are trained to identify hazards and every opportunity is taken to remind ag producers, contractors, trenchers, etc. of the dangers of working near overhead and underground lines.

