NMPP Energy is the trade name for a coalition of nonprofit, member-owned organizations providing electricity, natural gas and utility related services to nearly 200 member communities across six Midwestern and Mountain states. The organizations of NMPP Energy promote the benefits of joint action and local utility control among its member communities.

Inside This Report

Letter from the Executive Director 2
NMPP 3
MEAN 4-5
NPGA® 6
ACE 7
It is said first impressions can be the most lasting and important when meeting someone for the first time or, in my case, beginning a new job.

Serving as the executive director of NMPP Energy for just a few months, my first impressions of the four organizations of NMPP Energy can best be summed up in one word: Pride.

It is glaringly apparent during my initial visits to several member communities, discussions with board members and working day-to-day with staff the amount of pride and passion that exists for the organizations of NMPP Energy.

Indeed, there is much to be proud of.

During a year in which the oldest organization of NMPP Energy – the Nebraska Municipal Power Pool – celebrated its 40th anniversary, it was natural to stop and reflect on the founding principles of the organization.

The formation of each organization revolved primarily around local control – and providing opportunities for small, local municipalities to work together in controlling their own path with regards to energy solutions. That fact remains true to this day. The 2014-2015 fiscal year was a great reminder of exercising local control, even through challenging times.

During the year:
- The Municipal Energy Agency of Nebraska Board of Directors took steps to address the exposure to increased revenue volatility it has experienced in evolving wholesale electric markets.
- The National Public Gas Agency adopted a new gas purchasing strategy in responding to lower natural gas market prices and successfully completed renewing Gas Supply Agreements with existing members.
- The Public Alliance for Community Energy negotiated a change in natural gas suppliers in an effort to provide competitive rates for the benefit of all customers in the Choice Gas program.
- The Nebraska Municipal Power Pool continued to offer a variety of utility and municipal services to its membership and continued to seek opportunities to assist its member municipalities.

Thank you for your interest in the organizations of NMPP Energy. I invite you to spend a few minutes to read about each organization's activities during 2014-2015. The year's activities included addressing and engaging significant challenges through the fortitude of our dedicated membership, which continues to serve as the driving force behind all four organizations.

As I become more familiar with the NMPP Energy organizations and the dedicated people, membership and staff that make it work – I am optimistic and excited at what the future holds.

Sincerely,

Robert L. Poehling
NMPP Energy
Executive Director
Marking its 40th year in 2015, the Nebraska Municipal Power Pool continued its mission of offering a variety of services to its member municipalities. Forming in 1975 with 19 charter municipal electric utilities, NMPP today has a membership of 193 communities across six states.

Typical Bill Survey
NMPP staff conducted its annual Typical Bill Survey for 139 regional utilities for electric, water and sewer rates. This survey is beneficial to participating utilities as it provides helpful information among peer utilities.

Education and Community Member Development
Financial Planning Workshop
NMPP partnered with the American Public Power Association to hold a workshop on financial planning for municipal utilities in October. Fifty-two participants attended the event at NMPP Energy.

Windshield Assessment Tours
Windshield assessment tours were made in several member communities, focusing on areas needing improvement. Often, local community leaders and citizens have a harder time identifying these areas than someone outside the community.

Community Workshops
Several community workshops and planning sessions were held on the topics of customer service, soft skills, management practices and strategic planning.

Utility Safety and Training Groups
NMPP assisted in the formation of the Southeast Nebraska Training Group, the fifth utility safety and training group that NMPP coordinates regularly scheduled sessions focusing on hands-on safety and training demonstrations. The five groups are designated by region.

PowerManager® Software
NMPP and Salt Creek Software’s PowerManager® Software is now used in 165 communities across three countries.
- There were 160 participants in the PowerManager® Value Support Plan, which provides software updates, customer service and training for users.
- Nearly 100 software users attended the annual PowerManager® Refresher Courses held in North Platte and Lincoln, Neb., in October.

EIA and DEQ Reporting Assistance
Staff provided assistance to utilities in completing regulatory reports to meet requirements from the U.S. Energy Information Administration (EIA) and Nebraska Department of Environmental Quality (DEQ).
- Staff completed 43 EIA reports (forms 860, 861 and 923) for 22 members. At the state level, staff completed monthly NO2 emission reports for 14 communities and Air Emissions Inventory and Certification of Compliance annual reports for 22 communities.
Municipal Energy Agency of Nebraska provides wholesale electric supply and related services to participating communities, including resource and transmission management and advocacy.

MEAN serves wholesale power and other related services to 66 Participants in four states as of March 31, 2015. Out of 66 participants, 54 are long-term Schedule M Participants.

MEAN’s Regional Footprint
MEAN operates in three regional wholesale power markets:
- Southwest Power Pool
- Midcontinent Independent System Operator, and
- Western Electricity Coordinating Council

MEAN also operates in two National Electric Reliability Council (NERC) Regional Entities responsible for reliable operation of the bulk electric power system.

Rate Pressures from Regional Wholesale Electric Markets
For more than two decades MEAN operated with extremely stable wholesale rates to its Participants. However, the transition to regional wholesale power markets during the last few years has placed significant rate pressures on MEAN.

In August, the MEAN board approved a mid-year rate adjustment of 6.5 percent and in November, the board approved a temporary customer charge of $6 million to offset lower than budgeted electricity sales to Participants due to reduced usage from mild weather during the first quarter and summer months.

Rate Restructuring
To address the volatility experienced from operating in the wholesale electric markets, the MEAN Board of Directors worked through the process of redesigning its rate structure. New rates better align to capture the cost of operation and help shield MEAN Participants from revenue volatility while keeping the organization in good financial health.

Under the new rate structure, MEAN’s base and incremental demand and seasonal energy charges are eliminated and replaced with a flat energy rate and a fixed cost recovery charge.

Shavano Falls Hydro Project
The Board approved a power purchase contract for the Shavano Falls Hydro Project, adding more hydroelectric power to serve as a summer power supply resource on the Western side of the East-West Interconnection.

The project, located outside Montrose, Colo., consists of up to three small hydro generators located on separate irrigation canals with total capacity of about eight megawatts. The project is expected to begin commercial operation during 2015 with the units phased in over time.

MEAN Bond Rating Affirmed
Moody’s Investor Services and Fitch Ratings affirmed positive ratings on MEAN’s approximately $176 million Power Supply Revenue Refunding Bonds outstanding. Moody’s affirmed it’s A-2 rating with a stable outlook. Fitch affirmed its A rating with a stable outlook. The agencies cited MEAN’s competitive wholesale power rates, willingness of the MEAN Board to restructure its rates for better cost recovery, sound participant credit quality and a diverse resource mix as ratings drivers.
Compliance Efforts
MEAN made significant strides during the year tracking and enhancing processes that correlate with the North American Electric Reliability Corporation’s (NERC) new Reliability Assurance Initiative. Efforts were focused on reviewing MEAN’s impact to the Bulk Electric System and tailoring its NERC compliance program in response to this initiative.

Risk Management Initiative
MEAN’s Risk Oversight Committee developed a strategic guide with functional objectives, which was approved by the MEAN Board in November. The document identifies high-level competitive strategies for the committee to review to ensure they support the vision, mission and values of MEAN. This document also defines the roles and objectives of the various committees of MEAN and will assist in the development of a formal risk policy for MEAN.

Additional committee efforts included the initial risk assessments for each competitive strategy identified in the strategic guide. The risk assessments are designed to identify known and emerging risks to MEAN’s efforts to execute its competitive strategies and to communicate risk mitigation efforts to staff and stakeholders. During 2015-2016, the committee will work to complete risk assessments and development/ approval of a formal risk policy for MEAN.

MEAN’S 2015 SOURCES OF ENERGY

- Purchased Power/Nuclear: 8%
- Renewable Resources*: 17%
- Purchased Power/Coal: 21%
- Owned Coal Generation**: 42%

*Including wind, Western Area Power Administration (WAPA) and other renewable generation
**Includes participation in Whelan Energy Center Unit 2

ELECTRIC ENERGY SALES

- Participant Sales
- Non-Participant Sales
- Sales Volumes (MWhs)
National Public Gas Agency is the wholesale natural gas supply organization of NMPP Energy. Through NPGA, participants benefit by pooling purchases together to achieve economies of scale and increased operational efficiencies.

Membership

NPGA served natural gas supply to 12 members and 10 non-members across multiple states during 2014-2015.

Gas Supply Agreements

During the past couple years, the organization successfully renewed 11 gas supply agreements for long-term, total requirements gas supply. The City of Trinidad, Colo., was the latest to renew its agreement in December 2014.

Gas Purchasing Strategy

The NPGA board refined the gas purchasing strategy for its Level Purchasing Plan program, which includes 12 members and seven non-members.

The strategy shortened the hedging timeframe in an effort to stay closer to market prices. The plan allows for 50 percent of expected natural gas needs to be hedged through natural gas derivatives at various times during the year specified by the NPGA board. All natural gas is purchased as needed for consumption or for storage at the current market price.

National Trends

Nationally, natural gas prices remained low compared to historical pricing due to a still recovering economy and large supply of domestic natural gas in storage. Spot prices from the previous year were higher for April through December compared to the same period in 2014.

A cool end of winter and spring depleted storage to all-time low levels, leading to volatile pricing. Storage levels eventually caught up over the summer, resulting in falling prices. With favorable weather conditions, an abundance of production and low oil prices, natural gas prices fell after mid-summer to pre-2008 levels ($2.90-$3.50 per mmbtu). The shale gas production is in part responsible for the high levels of production in the U.S.

Prices are expected to hold steady over the summer and rise slightly during the winter months.
ACE is a community-owned, not-for-profit retail natural gas supplier. ACE’s mission is to provide competition in the Nebraska Choice Gas program for the benefit of all consumers in the program and to serve as an advocate for its municipal members and all customers in the program.

Membership
ACE’s membership includes 72 Nebraska communities and one public power district.

2014-2015 Choice Gas Program
- The selection period remained highly competitive as five suppliers participated.
- In 2014-2015 ACE served more than 22,200 customers and had a 28 percent market share—the second highest among the competing suppliers.
- ACE worked to add more pricing options to help meet customer needs, including two-year pricing options and its WeatherShield fixed monthly bill options to go along with its traditional price options of fixed, blend and market rates.
- Among ACE customers, 30 percent chose a two-year price option and 30 percent chose the ACE WeatherShield option.

Natural Gas Supplier Change
ACE successfully negotiated a change in natural gas suppliers, which takes effect for the 2016-2017 Choice Gas year. The change aligns with ACE’s mission of providing competitive rates not only for ACE customers, but for all Choice Gas customers.

Distribution of Funds to Communities
In January, the ACE Board approved a distribution return of $150,000 to ACE member communities. Since its formation, ACE has returned more than $1.4 million back to its member communities since 1998 to be used at the discretion of each individual community.

Communities use ACE funds for park and recreation projects, swimming pool improvements, street and landscape projects, ballpark enhancements, youth program support, downtown improvements and many other projects.

In the last three years, not-for-profit ACE has returned $450,000 to its member communities.

Marketing Activities
ACE continued marketing efforts in partnership with member communities to further educate residents on the importance of actively choosing a natural gas supplier and of the benefits of community-owned ACE.
- ACE offered a free month of natural gas usage for customers signing up for a two-year ACE WeatherShield option.
- ACE continued to streamline its website to make it as simple and quick as possible to get a price quote and lock in a rate.
- Marketing efforts leading up to the campaign included a variety of strategies and messages to targeted audiences.
Visit www.nmppenergy.org/annual_report to access this report and the complete audited financial statements of each entity.