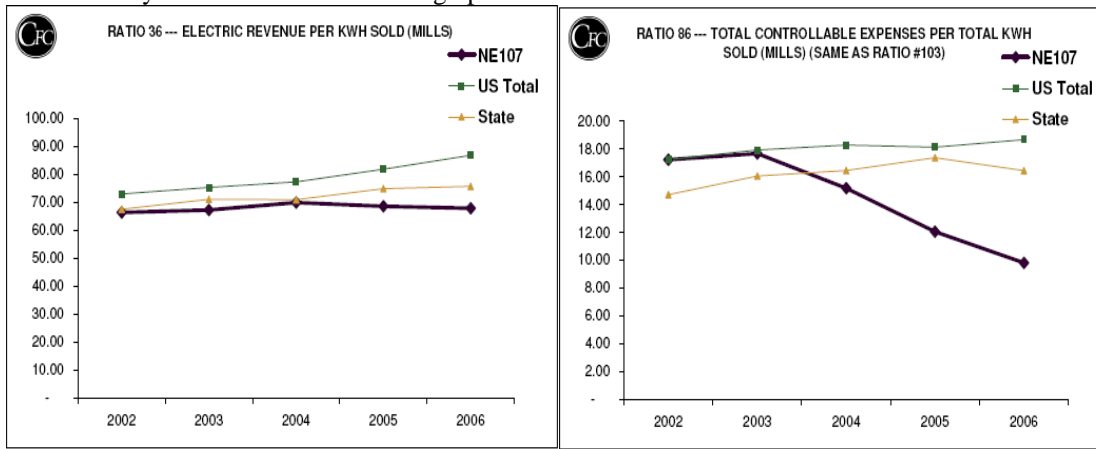


News from the Northeast Nebraska Public Power District

December 2007

Northeast Nebraska PPD remains a low cost provider of Electricity

One of our lenders, the Cooperative Finance Corporation (CFC), monitors dozens of financial performance indicators for over 800 rural electric companies across the nation. In their report to us this summer, NeNPPD consistently had good financial performance and passed the benefits of that performance directly on to customers by charging lower than average electric rates. The chart below left shows that NeNPPD averages 6.8 cents per kWh retail while the average charge among the 30 rural electric systems in Nebraska is 7.6 cents per kWh. The national average among 818 rural electric companies was 8.7 cents. NeNPPD also pays more taxes to Local Governments than any other rural electric system in the State. Our tax payments average 2.8 mills per kWh (4%) compared with the state average of ½ % and a national average of 1%. The symbol for NeNPPD on the graphs below is NE107.



One reason that rates can be lower at NeNPPD is that the Board and Management work hard to control expenses. The chart above right shows that controllable expenses for labor, materials, fuel, postage and all of the things required to operate has gone down as a portion of the cost of a kWh. Not everything is really controllable and certainly the prices of the things we need are continually increasing, but management works hard to operate as efficiently as possible and to only use what is needed to get work done. The pay off is in lower rates to our customers.

NPPD announces an 8.5% increase in the cost of wholesale power for 2008

Our wholesale power supplier, the Nebraska Public Power District (NPPD) has announced an average base rate increase of 11-12% for 2008. With the expiration of the current wholesale Production Cost Adder (PCA) of 2-3% on April 1, 2008, the effect to NeNPPD is a net increase of approximately 8.5% for wholesale power purchases for 2008. Because the cost of wholesale power represents over 60% of each dollar we collect, our operations can't absorb the extra \$800,000 annually NPPD will charge us. We will begin passing this additional cost of wholesale power onto customers in April of 2008.

Leader says a 'Perfect Storm' is brewing nationally for electric utilities and customers

A recent news article quoting the President of the National Rural Electric Assoc., Mr. Glenn English, pointed out that national events are coming together in a way that could dramatically increase the cost of electricity, especially in rural areas where a higher proportion of low and fixed income people live. Nationally electric utilities are in need of building more generating plants to meet an ever growing demand for electricity, but uncertain future regulations, increasing costs, and vocal public opposition to traditional coal fired plants have utilities at a stand still. English warned that if political leaders fail to understand the true costs of a rapid shift away from coal that the impacts on electric rates could be devastating. Fortunately, the NPPD has some extra plant capacity and our ratepayers are sheltered in the short term from some of these effects.

There is an inherent risk of electric service

All forms of energy can cause harm. Typically electric or natural gas service is provided on condition that the customer assumes responsibility for damage to customer owned property caused by utility problems. An extreme example is when electricity or natural gas fuels a fire. It is generally understood that the

damage is not the responsibility of the utility and that homeowner's insurance steps in to protect the customer. It is a little less clear when lightning hits an electric line and runs along the wire into a home and burns up valuable electronics. In this case neither the customer nor utility did anything wrong, but the damage is real. There is no perfect way to prevent this lightning damage, but the customers can financially protect themselves with insurance. Customers can also protect their expensive electronics with surge suppressors. Even harder to understand might be a situation when a wire is knocked down or simply falls and causes other customers problems. Over the years, laws and courts (ruling on laws) have addressed these issues by holding that customers are responsible to financially protect themselves with insurance. There is a very practical reason for this: If a utility were required to reimburse customers for every TV or computer lost to lightning, cars and farm equipment hitting poles, or wind slapping wires together, etc., then electric rates would have to cover the cost of the utility carrying insurance on each customer whether it was ever used or not. This would make rates substantially more costly and still not relieve customers from the need for proper insurance for their own needs. One of the questions we often get is by customers asking 'Who owns the meter base?' The answer is that the customer owns the meter base and NeNPPD owns the meter. The meter base includes the mast and wires inside the mast, so the point at which NeNPPD's ownership ends is at the wire splice just before the mast on overhead services and at the meter base on underground services.

Employee happenings

Gina Reinke, wife of NeNPPD Lineman Tim Reinke gave birth to a baby girl named Claire on Aug.25. Apprentice Lineman Nate Pospisil joined our company in June and moved to Wayne from Winnetoon. Apprentice Lineman Matt Sorenson from Onawa, IA started work December 3 as did Apprentice Lineman Paul Veldkamp from Inwood, IA.

Five Year Construction Work Plan on Schedule

Recently our crews have built new power lines out of the McLean, Emerson, Allen and Homer Substations. Our consulting Engineers develop a 5-year work plan of projects that can improve reliability and the efficiency of the electric system. We are wrapping up the fourth year on target. We will budget for the final phase of our work plan in 2008 while also beginning a new 5-year plan to start in 2009. We also are proud to have Husker Ag Ethanol plant begin operations at their new expansion project.

NeNPPD establishes new Director Sub-Districts for elections

Working with the Nebraska Power Review Board, NeNPPD has changed the boundaries for Director representation from 3 Sub-Districts with each Sub-District represented by 3 Directors to 9 Sub-Districts with each Sub-District represented by one Director. The Board felt this arrangement would permit more direct representation of customers. NeNPPD covers a wide area and with the 3 Sub-District plan the geographic size of each Sub-District was so large as not to allow the Directors personal familiarity with the entire Sub-District. Customers may view a map of the new 9 Sub-Districts at www.nnppd.com.

Website has important customer and safety information

Links for kids to new games promoting electrical safety can now be found on the home page www.nnppd.com. Links to 'Electric Universe' and 'Electric Safety World' games are shown at the bottom of our web home page. Links to safety materials for use by classroom teachers are also available through our web page and we will conduct on site training for rural fire departments on how to deal with electricity during an emergency.

Automatic Meter Reading is working

The District is now reading almost all meters in towns remotely. We have installed approximately 2600 meters, which can be read remotely using our electric wires as the pathway for communicating with the meter. This month we expect to begin sending monthly bills to a few hundred rural customers that have been 'self-read/self-bill'. When converted to AMR, 'self-read' customers will first get a letter informing them of the change and that they will no longer have to read their meter and calculate their own bill after the date contained in the letter. If you are a 'self-read' customer you should continue to read your meter until you get such a letter.

The Board of Directors and Manager are:

Don Larsen, President	Paul Bodlak, Vice President	Sy Kneifl, Treasurer	Dan Loberg, Secretary	Lowell Birkley
Dan Gansebom	Tom Gustafson	Dave Lebsock	Larry Silhacek	Mark Shults, Manager

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