



David Hansen
Secretary/Treasurer
District 5

2016 Financial Report

The 2016 financial reports are presented on a consolidated basis for Plumas-Sierra Rural Electric Cooperative and its subsidiary, Plumas-Sierra Telecommunications.

The Consolidated Statement of Operations provides an overview of the income and expenses for 2016 and 2015.

One question we received is why rates don't go down during a wet year. Our primary goal is to keep rates as flat as possible over time. We worked very hard during the drought that just ended to protect our member-owners from higher costs associated with the drought. But this meant we were cutting our margins as low as possible. This meant we borrowed more than if we had raised rates, and our lenders wanted us to build up our financial strength.

Now that the rain and snow returned for a year, we are building up our financial strength and borrowing less. That's good for us in the long run.

What happens if we have another good run of hydropower? Our primary goal is still to reduce long-term rates, and we will do that by borrowing less from the Rural Utilities Service and cooperative banks.

One of our key long-term projects is the overhaul of our rate structure. With the advent of distributed generation such as small-scale wind and solar, the entire electric utility industry will be offering rates more in line with the true cost of service. This means lower kilowatt-hour (kWh) costs, but higher fixed costs.

We will perform a new cost-of-service study to help guide us on this. We plan to implement any changes slowly to minimize the impact on any specific member of the cooperative. The first rate class affected will most likely be the irrigators.

For anyone planning to move to distributed generation such as wind or solar, we support your efforts. But we also believe this cannot be subsidized by other

members. Please talk to PSREC staff for the latest information. For long-range planning purposes, customers should generally plan on seeing a distributed generation benefit that looks more like our wholesale costs today. This is significantly less than today's kWh fee.

PST posted a loss in 2016, but it was a significant improvement from the previous year. We are happy to report that PST has been adding revenue and reducing costs, and is on track to break even or possibly make money by year's end. I am very pleased with how well the company is doing, and all the new broadband customers we are adding each month.

We are pleased to report our external auditors, Aldrich CPAs & Advisors LLP, have concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the cooperative and its subsidiary.

Finally, I would like to thank management and staff for their hard work in making PSREC and PST integral parts of our communities and for their efforts to ensure the companies run smoothly and perform well.

Sincerely,

David Hansen
Secretary/Treasurer

Consolidated Balance Sheet

December 31, 2016 and 2015

	2016	2015
ASSETS		
Electric plant:		
Plant in service	\$105,020,766	\$104,228,021
Construction work in progress	5,386,100	4,372,915
	110,406,866	108,600,936
Provision for accumulated depreciation	(41,778,492)	(39,571,776)
Electric plant, net	68,628,374	69,029,160
Other assets and investments:		
Non-utility property	23,521,747	22,464,638
Non-utility construction in progress	1,810,176	1,623,821
Provision for accumulated depreciation	(4,765,007)	(3,865,582)
Investments in associated organizations	6,900,265	6,972,598
NCPA reserve fund	1,239,384	1,053,906
Deferred income taxes	2,314,200	2,314,200
Total other assets and investments	31,020,765	30,563,581
Current assets:		
Cash and cash equivalents	605,608	446,215
Restricted cash & temporary investments	2,246,005	1,947,393
Accounts receivable, less provision for doubtful accounts of \$129,896 (\$113,682 in 2014)	2,986,437	3,257,479
Grant receivable	-	-
Materials and supplies	1,603,527	1,640,511
Prepayments	190,166	145,982
Taxes receivable	-	-
Total current assets	7,631,743	7,437,580
Deferred charges	2,314,152	2,611,594
Total Assets	\$109,595,034	\$109,641,915
EQUITIES AND LIABILITIES		
Equities and margins:		
Memberships	\$33,715	\$33,445
Patronage capital	33,411,898	31,269,586
Donated capital	27,197	27,191
Accumulated comprehensive loss	(802,800)	(1,285,800)
Total equities and margins	32,670,010	30,044,422
Long-term debt		
	45,664,467	49,767,117
Current liabilities:		
Lines of credit	5,266,000	3,316,000
Current maturities of long-term debt	3,439,672	3,062,192
Accounts payable, trade	479,703	1,009,132
Taxes payable	13,369	10,609
Consumer deposits	190,915	185,253
Unearned revenue	301,292	287,919
Other liabilities	3,624,204	3,379,203
Total current liabilities	13,315,155	11,250,308
Other liabilities:		
Consumer advances for construction	1,113,630	834,708
Deferred credits	4,049,725	4,306,173
Revenue deferral plan	313,773	38,773
Deferred grant revenue	12,468,274	13,400,414
Total other liabilities	17,945,402	18,580,068
Total Equities and Liabilities	\$109,595,034	\$109,641,915

Consolidated Statement of Operations

Years ended December 31, 2016 and 2015

	2016	2015
Operating revenues	\$26,177,019	\$27,711,138
Operating expenses		
Cost of power	11,597,342	13,932,095
Transmission	577,778	504,937
Distribution-operation & maintenance	3,342,960	3,185,029
Consumer accounts	923,054	1,048,954
Customer service and information	306,553	293,637
Administrative and general	1,985,634	2,017,314
Total operating expenses	18,733,321	20,981,966
Depreciation and amortization	2,534,380	2,503,933
Property taxes	564,628	551,338
Interest expense	1,873,990	1,937,234
Other deductions	72,198	74,427
Total Cost of Electric Service	23,778,517	26,048,898
Operating Margins		
	2,398,502	1,662,240
Non-operating margins—Interest	427,863	333,966
Non-operating margins—Other	(47,784)	(43,171)
Income (Loss) from Telecommunications operations	(397,335)	(1,265,477)
Other Capital Credits and Patronage Dividends	92,300	97,555
Net Margin	\$2,473,546	\$785,113

Eastern Plumas Health Care Health Fair

September 9, 10 a.m. to 2 p.m.

At the PSREC Annual Meeting

- **Free screenings:** diabetes, cholesterol (\$5 donation), BMI (weight ratio) and blood pressure.
- **Information and specials:** telemedicine, dental, mammography, diabetes, skilled nursing facilities, and information about upcoming free/low-cost prevention screenings (mammo, dexam, AAA, more).

