Many parts of OPPD's service area saw housing and development booms in 2018, including the Prairie Queen Recreation Area in Sarpy County.

# Management's Discussion and Analysis (Unaudited)

## USING THIS FINANCIAL REPORT

The Financial Report for the Omaha Public Power District (OPPD or Company) includes the Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, Required Supplementary Information and Notes to Required Supplementary Information. The Financial Statements consist of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Questions concerning any of the information provided in this report should be directed to Investor Relations at finfo@oppd.com.

**Management's Discussion and Analysis (MD&A)** – This unaudited information provides an objective and easily readable analysis of OPPD's financial activities based on currently known facts, decisions or conditions. In the MD&A, financial managers present both short-term and long-term analyses of the Company's activities. The MD&A should be read in conjunction with the Financial Statements, Required Supplementary Information and related Notes. This document contains forward-looking statements based on current plans.

**Statement of Net Position** – This statement reports resources with service capacity (assets) and obligations to sacrifice resources (liabilities). Deferrals result from outflows and inflows of resources that have already taken place but are not recognized in the financial statements as expenses and revenues because they relate to future periods. Net Position is the residual interest in the Company. On the Statement of Net Position, the sum of assets and deferred outflows equals the sum of liabilities, deferred inflows and net position. This statement facilitates the assessment and evaluation of liquidity, financial flexibility and capital structure.

**Statement of Revenues, Expenses and Changes in Net Position** – All revenues and expenses are accounted for in this statement. This statement measures the activities for the year and can be used to determine whether the revenues, rates, fees and other charges are adequate to recover expenses.

**Statement of Cash Flows** – This statement reports all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing, and investing activities.

**Notes to Financial Statements (Notes)** – These Notes provide additional detailed information to support the Financial Statements.

**Required Supplementary Information and Notes to Required Supplementary Information** – This information provides additional detailed disclosures as required by the Governmental Accounting Standards Board.

## ORGANIZATION

OPPD is a fully integrated, publicly owned electric utility governed by an elected board of eight directors. The Company serves an estimated population of 846,000 in a 13-county, 5,000-square-mile service area in southeast Nebraska.

## FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

| Condensed Statements of Net Position | 2018 | 2017 | 2016 |
|---|---|---|---|
| Current Assets | $ 826,594 | $ 995,921 | $ 921,231 |
| Other Long-Term Assets and Special Purpose Funds | 2,045,828 | 1,674,979 | 1,692,455 |
| Capital Assets | 2,525,344 | 2,531,348 | 2,561,394 |
| Total Assets | 5,397,766 | 5,202,248 | 5,175,080 |
| Deferred Outflows of Resources | 224,275 | 294,319 | 265,988 |
| Total Assets and Deferred Outflows | $ 5,622,041 | $ 5,496,567 | $ 5,441,068 |
| Current Liabilities | $ 510,772 | $ 489,434 | $ 371,957 |
| Long-Term Liabilities | 3,768,391 | 3,829,185 | 4,013,641 |
| Total Liabilities | 4,279,163 | 4,318,619 | 4,385,598 |
| Deferred Inflows of Resources | 183,405 | 87,423 | 42,141 |
| Net Position | 1,159,473 | 1,090,525 | 1,013,329 |
| Total Liabilities, Deferred Inflows and Net Position | $ 5,622,041 | $ 5,496,567 | $ 5,441,068 |

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) (GASB 75). This statement was implemented by OPPD in 2018. The implementation of this statement and Board-authorized regulatory accounting resulted in several changes to the 2018 Statements of Net Position, as noted below. Prior year amounts contained herein have not been restated for the adoption of GASB 75, as the information was not readily available.

### Total Assets and Deferred Outflows

Total Assets in 2018 increased $195,518,000 or 3.8% over 2017, primarily due to an increase in Other Long-Term Assets and Special Purpose Funds from increased investment purchases.

Deferred Outflows of Resources in 2018 decreased $70,044,000 or 23.8% from 2017, primarily due to a reduction in the unrealized pension losses and unamortized loss on refunded debt, which was partially offset by the implementation of the new OPEB accounting standard.

### Total Liabilities, Deferred Inflows and Net Position

Total Liabilities in 2018 decreased $39,456,000 or 0.9% from 2017, primarily due to a reduction of the Decommissioning Liability and the defeasance of Electric System Revenue bonds, which was partially offset by the addition of the Net OPEB Liability to Long-Term Liabilities as a result of the implementation of the new OPEB accounting standard.

Deferred Inflows of Resources in 2018 increased $95,982,000 or 109.8% over 2017, primarily due to an increase in the Decommissioning and Benefits Reserve and increases in unrealized pension and OPEB gains.

Net Position in 2018 increased $68,948,000 or 6.3% over 2017 based on results of operations and a restatement of beginning Net Position of $214,000 due to the implementation of the new OPEB accounting standard.

## RESULTS OF OPERATIONS

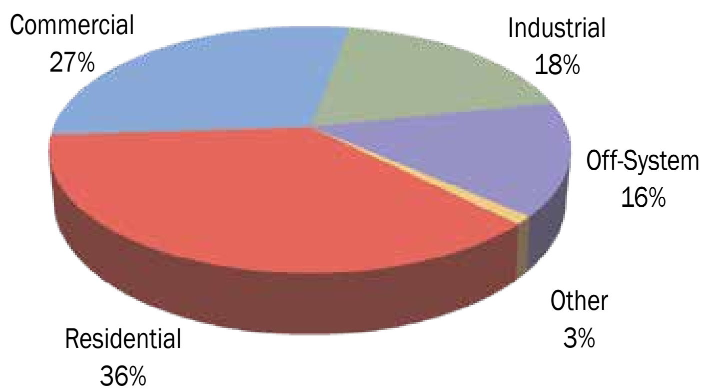
The following table summarizes the operating results for the years ended December 31 (in thousands).

| Operating Results | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating Revenues | $1,156,933 | $1,104,301 | $ 1,126,476 |
| Operating Expenses | (1,033,833) | (975,386) | (1,025,117) |
| Operating Income | 123,100 | 128,915 | 101,359 |
| Other Income | 28,569 | 34,506 | 12,305 |
| Interest Expense | (82,935) | (84,253) | (87,914) |
| Net Income Before Special Item | 68,734 | 79,168 | 25,750 |
| Special Item | - | (1,972) | (959,575) |
| Net Income | $ 68,734 | $ 77,196 | $ (933,825) |

### Operating Revenues

The following chart illustrates 2018 operating revenues by category and percentage of the total.

**2018 Operating Revenues**




**2018 Compared to 2017** – Total operating revenues were $1,156,933,000 for 2018, an increase of $52,632,000 or 4.8% over 2017 operating revenues of $1,104,301,000.

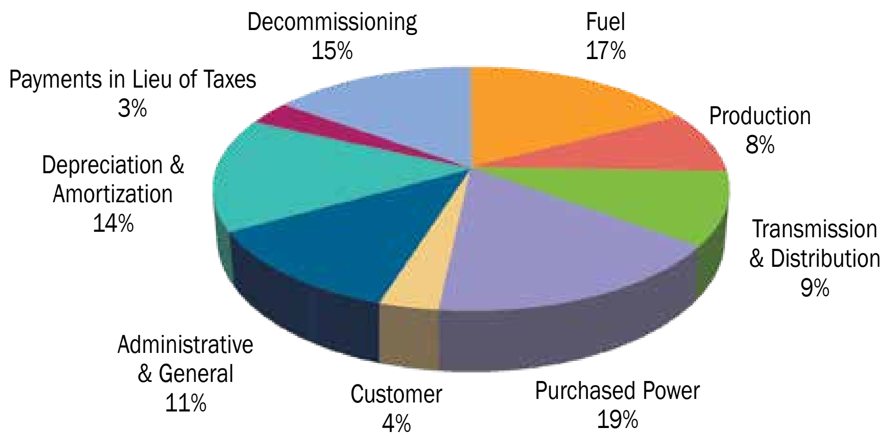
- Revenues from retail sales were $940,125,000 for 2018, an increase of $28,392,000 or 3.1% over 2017 revenues of $911,733,000. The increase in retail revenues was primarily due to an increase in residential and commercial revenues from higher energy sales.

- Revenues from off-system sales were $183,714,000 for 2018, an increase of $19,952,000 or 12.2% over 2017 revenues of $163,762,000. The increase was primarily due to increased prices in the off-system marketplace.
- Other Electric Revenues include connection charges, late payment charges, rent from electric property, wheeling fees and miscellaneous revenues. These revenues were $33,094,000 for 2018, an increase of $4,288,000 or 14.9% over 2017 revenues of $28,806,000, primarily due to higher transmission revenue.

## Operating Expenses

The following chart illustrates 2018 operating expenses by expense classification and percentage of the total.

**2018 Operating Expenses**




**2018 Compared to 2017** – Total operating expenses were $1,033,833,000 for 2018, an increase of $58,447,000 or 6.0% over 2017 operating expenses of $975,386,000.

- Fuel expense increased $6,737,000 or 4.0% over 2017, primarily due to better reliability resulting in higher levels of annual generation at Nebraska City Station Unit 2 (NC2), partially offset by decreased generation at Nebraska City Station Unit 1 (NC1) for environmental controls.
- Purchased Power expense increased $30,107,000 or 18.1% over 2017, primarily due to higher prices in the off-system marketplace.
- Production expense increased $6,270,000 or 7.9% over 2017, primarily due to increased maintenance expenses at North Omaha Station (NOS).
- Transmission expense increased $3,056,000 or 7.6% over 2017, primarily due to increased transmission fees.
- Distribution expense decreased $1,250,000 or 2.5% from 2017, primarily due to decreased expenses associated with storm events, partially offset by increased tree-trimming expenses.
- Customer expense increased $4,818,000 or 15.1% over 2017, primarily due to increased outside and supporting service costs and increased customer rebates.
- Administrative and General expense decreased $3,087,000 or 2.7% from 2017, primarily due to decreased outside service costs.
- Depreciation and Amortization expense increased $2,339,000 or 1.7% over 2017, primarily due to an increase in capital assets.
- Decommissioning expense increased $8,531,000 or 5.8% over 2017, due to increased funding of the Decommissioning Trust.
- Payments in Lieu of Taxes expense increased $926,000 or 2.7% over 2017, due to higher retail revenues.

## Other Income (Expenses)

Other income (expenses) totaled $28,569,000 in 2018, a decrease of $5,937,000 from 2017 income (expenses) of $34,506,000.

Other – Net totaled $7,351,000 in 2018, a decrease of $3,462,000 from 2017, primarily due to a decrease in grants from the Federal Emergency Management Agency to be received in future years.

Allowances for Funds Used During Construction (AFUDC) totaled $2,888,000 in 2018, a decrease of $100,000 from 2017, due to lower construction balances subject to AFUDC.

A variety of products and services are offered to provide value both to the customer and the Company. These products and services totaled $3,529,000 in 2018, a decrease of $374,000 from 2017. These products include energy information systems, Geothermal Loop Heat Exchanger thermal conductivity testing, ECO 24/7 services and Residential Surge Protection.

### Interest Expense

Interest expense was $82,935,000 for 2018, a decrease of $1,318,000 from 2017, primarily due to lower interest payments related to the debt defeasance and new debt issuance activity in 2018.

### Special Item

The 2016 Board decision to cease operations at Fort Calhoun Station (FCS) resulted in an impairment and the recognition of a Special Item. This included the fair value adjustments to the Nuclear Fuel Held for Sale in the amount of $1,972,000 for 2017. There were no amounts recorded as a Special Item in 2018.

### Net Income

Net income after the Special Item was $68,734,000 for 2018 compared to $77,196,000 in 2017. Changes to the Decommissioning and Benefits Reserve resulted in operating revenues and net income decreasing $42,500,000 and $34,500,000 in 2018 and 2017, respectively. A change to the Rate Stabilization Reserve resulted in operating revenues and net income decreasing $8,000,000 in 2017.

## CAPITAL PROGRAM

The Company's electric utility plant assets include production, transmission and distribution, and general plant facilities. The following table summarizes the balance of capital assets as of December 31 (in thousands).

| Capital Assets | 2018 | 2017 |
|---|---|---|
| Electric utility plant | $4,429,791 | $4,350,603 |
| Accumulated depreciation and amortization | (1,904,447) | (1,819,255) |
| Total electric utility plant – net | $2,525,344 | $2,531,348 |

Electric system requirements, including the identification of future capital investments, are reviewed annually to ensure current and future load requirements are serviced by a reliable and diverse power supply. Capital investments are financed with revenues from operations, bond proceeds, investment income and cash on hand.

The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2019 (in thousands).

| | Budget | Actual | |
|---|---|---|---|
| Capital Program | 2019 | 2018 | 2017 |
| Transmission and distribution | $134,000 | $ 85,804 | $ 62,280 |
| Production | 43,000 | 13,747 | 22,324 |
| General | 23,000 | 28,328 | 15,014 |
| Total | $200,000 | $127,879 | $ 99,618 |

Actual and budgeted expenditures for 2017 through 2019 include the following:

- Transmission and distribution expenditures include various substation and transmission projects to facilitate load growth and reliability, such as the Midwest Transmission Project, the Elkhorn River Valley Transmission Project, and the Fiber Network Expansion Project to upgrade the fiber optic networks for substation communications. In addition to these projects, the budgeted expenditures include a conversion of streetlights to a new light-emitting diode (LED) standard.
- Production expenditures include equipment to maintain reliability, enhance efficiency and comply with increasing environmental regulations. Budgeted expenditures include a super-heater replacement for NC1, a lime-optimization system for NC2, and rebuilding an engine for Sarpy County Station Unit 4.
- General plant expenditures include fleet vehicles, construction equipment, information technology equipment and software upgrades. Additional budgeted expenditures include telecommunications equipment and information technology upgrades.

Details of the Company's capital asset balances and activity are included in Note 1 in the Notes to Financial Statements.

## CASH AND LIQUIDITY

### Cash Flows

There was a decrease in cash and cash equivalents of $4,656,000 during 2018 and a decrease of $3,595,000 during 2017.

The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

| Cash Flows | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash flows from Operating Activities | $347,322 | $ 367,874 | $302,271 |
| Cash flows from Noncapital Financing Activities | 650 | - | 4,828 |
| Cash flows from Capital and Related Financing Activities | (260,612) | (247,306) | (274,704) |
| Cash flows from Investing Activities | (92,016) | (124,163) | (26,593) |
| Change in Cash and Cash Equivalents | $ (4,656) | $ (3,595) | $ 5,802 |

Cash flows from operating activities consist of transactions involving changes in current assets, current liabilities and other transactions that affect operating income.

- Cash flows provided from operating activities for 2018 decreased $20,552,000 from 2017, primarily due to an increase in cash paid to off-system counterparties, partially offset by an increase in cash received from off-system counterparties.

Cash flows from noncapital financing activities consist of transactions involving proceeds from federal and state agencies, such as grants.

- Cash flows provided from noncapital financing activities for 2018 increased $650,000 over 2017, due to an increase in cash received from federal and state agencies.

Cash flows from capital and related financing activities consist of transactions involving long-term debt and the acquisition and construction of capital assets.

- Cash flows used for capital and related financing activities for 2018 increased $13,306,000 over 2017, primarily due to an increase in cash paid for the principal reduction of debt, partially offset by proceeds from long-term borrowings.

Cash flows from investing activities consist of transactions involving purchases and maturities of investment securities and investment income.

- Cash flows used for investing activities for 2018 decreased $32,147,000 from 2017, primarily due to increased maturities and sales of investments, partially offset by an increase in purchases of investments.

### Financing

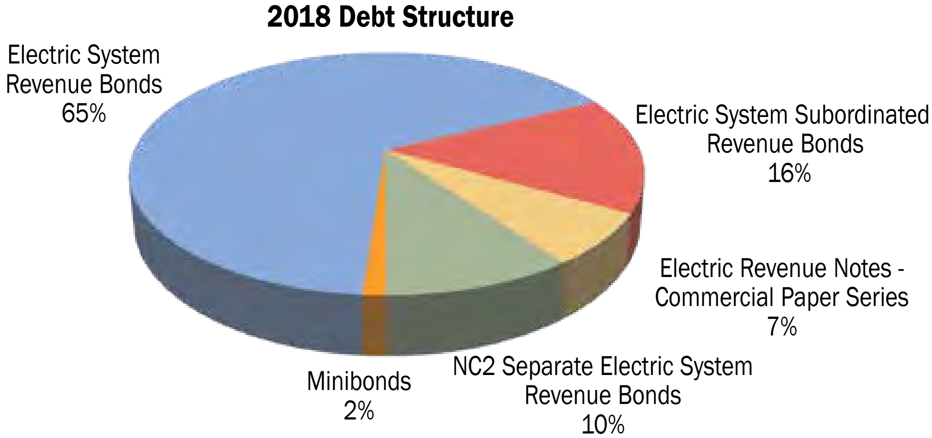
Sufficient liquidity is maintained to ensure working capital is available for normal operational needs and unexpected, but predictable, risk events. OPPD's liquidity includes cash, marketable securities and a line of credit. Bond offerings also provide a significant source of liquidity for capital investments not funded by revenues from operations.

The financing plan optimizes the debt structure to ensure capital needs are financed, liquidity needs are achieved and the Company's strong financial position is maintained. The 2019 financing plan does not anticipate any new bond issues.

OPPD utilized $188,161,000 of existing resources to legally defease debt with a principal amount totaling $177,150,000 in 2018, which partially refunded the 2011 Series A, 2011 Series C, and 2012 Series B Electric System Revenue Bonds. One Electric System Revenue Bond issue totaling $145,330,000 was also completed in 2018. The proceeds were used to reimburse capital expenditures. Repayments of $47,495,000 of Electric System Revenue Bonds, $1,180,000 of Electric System Subordinated Revenue Bonds, $3,220,000 of NC2 Separate Electric System Revenue Bonds and $158,000 of Minibonds were made in 2018.

The Company has in place a Credit Agreement for $250,000,000 that expires on October 1, 2019. The Credit Agreement supports the Commercial Paper Program, in addition to providing another source of working capital, if needed. There were no amounts outstanding under this Credit Agreement as of December 31, 2018 or 2017. There was $150,000,000 of commercial paper outstanding as of December 31, 2018 and 2017.

The following chart illustrates the debt structure and percentage of the total as of December 31, 2018.




Details of the Company's debt balances and activity are included in Note 5 in the Notes to Financial Statements.

## Debt Service Coverage for Electric System Revenue Bonds

Debt service coverage for the Electric System Revenue Bonds was 3.58 and 3.42 in 2018 and 2017, respectively. OPPD's senior lien bond indenture provides that additional bonds may not be issued unless estimated net receipts for each future year shall equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued. Transactions in 2018 and 2017 for the NC2 Separate Electric System were not included in the calculation because the Electric System Revenue Bonds are not secured by the revenues from the NC2 Separate Electric System. The Company is in compliance with all debt covenants.

## Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of debt to total capitalization (debt and net position). This ratio does not include the NC2 Separate Electric System Revenue Bonds since this debt is secured by revenues of the NC2 Separate Electric System. The debt ratio was 61.3% and 63.7% at December 31, 2018 and 2017, respectively.

## Credit Ratings

High credit ratings allow the Company to borrow funds at more favorable interest rates. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the credit rating agencies in establishing a company's credit rating. The credit ratings received from Standard & Poor's Ratings Services (S&P) and Moody's Investors Service (Moody's), independent bond rating agencies for the latest bond issues, were among the highest ratings granted to electric utilities and confirm the agencies' assessment of the Company's strong ability to meet its debt service requirements. S&P and Moody's affirmed OPPD's senior lien debt and subordinated ratings, and both have stable outlooks for OPPD's credit ratings.

The following table summarizes credit ratings in effect on December 31, 2018.

| | **S&P** | **Moody's** |
|---|---|---|
| Electric System Revenue Bonds | AA | Aa2 |
| Electric System Subordinated Revenue Bonds | AA– | Aa3 |
| Electric System Revenue Notes – Commercial Paper Series | A–1+ | P–1 |
| Minibonds* | AA– | Aa3 |
| NC2 Separate Electric System Revenue Bonds (2015A, 2016A) | A+ | A1 |

** Payment of the principal and interest on the Minibonds, when due, is insured by a financial guaranty bond insurance policy.*

## ELECTRIC RATES

The Company strives to manage costs to align with the mission of providing affordable, reliable and environmentally sensitive energy services to our customers. Residential customers paid an average of 11.21 and 11.49 cents per kilowatt-hour (kWh) in 2018 and 2017, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 12.89 for 2018 (preliminary year-to-date December 2018) and 12.89 cents per kWh for 2017. Based on the preliminary EIA data for 2018, OPPD residential rates were 13.0% and 10.9% below the national average for 2018 and 2017, respectively.

Retail customers paid an average of 8.90 and 8.92 cents per kWh in 2018 and 2017, respectively. The national average retail cents per kWh according to the EIA, was 10.58 for 2018 (preliminary year-to-date December 2018) and 10.48 cents per kWh for 2017. Based on the preliminary EIA data for 2018, OPPD retail rates were 15.9% and 14.9% below the national average for 2018 and 2017, respectively.

There were no general rate adjustments in 2018 and 2017. There was an FPPA rate adjustment of 17.0% in January 2018 that increased the average customer bill by 0.3%. There was no FPPA rate adjustment in 2017. In addition, there were no general rate or FPPA adjustments implemented in January 2019. The Company has committed to no general rate adjustments through 2021.

## RISK MANAGEMENT

### Risk-Management Practices

The Company maintains an Enterprise Risk Management (ERM) program to help ensure strategic objectives are achieved. The program specifies risk-management standards, management responsibilities and controls to help ensure risk exposures are properly identified and managed within agreed upon risk-tolerance levels. Specific risk-mitigation plans and procedures are maintained and periodically reviewed to provide focused and consistent efforts to mitigate various risk exposures.

Several cross-functional risk committees and an Executive ERM Committee, which includes the senior management team and legal counsel, are utilized to discuss and analyze the potential risks that could hinder the achievement of the Company's objectives. Additionally, the Company has established criteria for risk escalation and oversight. The risks are evaluated periodically and will be escalated to the appropriate oversight levels, up to and including the Board of Directors, when applicable. An overview of the ERM program is provided to the Board of Directors annually.

OPPD participates in the wholesale marketplace with other electric utilities and power marketers. The Company must be able to offer energy at competitive prices and maintain reliability to successfully compete in this market. Energy market prices may fluctuate substantially in a short period of time due to changes in the supply and demand of electricity, fuel and environmental-related commodities. Policies provide guidelines for transacting in the marketplace with the intent to mitigate market risk. A cross-functional risk committee is responsible for identifying, measuring and mitigating various risk exposures related to power marketing and fuel purchase activities.

Fuel expense represents a significant cost and affects the ability to generate and market competitively priced power. To maintain a diverse portfolio of power supply, OPPD uses various fuel types for generation. Fuel policies were established to mitigate volumetric and price risk associated with the forecasted use of fuel for OPPD's generation.

A Rate Stabilization Reserve was established in 1999 to assist in stabilizing retail electric rates. The Company added $8,000,000 to the reserve in December 2017. The balance of the reserve was $50,000,000 as of December 31, 2018 and 2017. The balance of the fund was $50,000,000 as of December 31, 2018 and 2017.

A Decommissioning and Benefits Reserve was established in 2016 to assist in funding future decommissioning expenses beyond what was established in the current funding plan in any given year and future pension liabilities above the annual required contribution. The Company added $42,500,000 and $34,500,000 to the reserve in December 2018 and 2017, respectively. The balance of the reserve was $77,000,000 and $34,500,000 as of December 31, 2018 and 2017, respectively. The balance of the fund was $34,500,000 and $0 as of December 31, 2018 and 2017, respectively. The Company added $42,500,000 to the fund in 2019.

The Company promotes ethical business practices and the highest standards in the reporting and disclosure of financial information. The Sarbanes-Oxley Act (Act) is intended to strengthen corporate governance of publicly traded companies. As a public utility, the Company is not required to comply with the Act, but the application of these requirements, where appropriate, ensures continued public trust in OPPD, protects the interest of its stakeholders and is a sound business practice. One of the most significant requirements of the Act pertains to management's documentation and assessment of internal controls. The Company's management assesses internal controls for significant business processes that impact financial reporting. This assessment includes documenting procedures, risks and controls for these processes, and assessing the effectiveness and operation of the internal controls. In addition, the Company contracts with an independent third-party to administer the receipt, communication and retention of employee concerns regarding business and financial practices.

### Other Reserves

Other reserves are maintained to recognize potential events that arise in the normal course of business. Additional information about other reserves follows.

- The Electric System Revenue Bond Fund contains a reserve in accordance with OPPD's bond indenture to maintain an amount in reserve equal to the maximum amount required to be paid in interest in any calendar year.
- The Workers' Compensation and Public Liability Reserves are established for the estimated liability for current workers' compensation and public liability claims.
- The Incurred But Not Presented Reserve is an insurance reserve that is required by state law because the Company is self-insured for healthcare costs. The reserve is based on health insurance claims that have been incurred but not yet presented for payment.
- The Uncollectible Accounts Reserve was established for estimated uncollectible accounts from retail sales and property damage claims.

## REGULATORY AND ENVIRONMENTAL UPDATES

### Southwest Power Pool (SPP) Integrated Marketplace and Transmission Planning

OPPD is a transmission-owning member of SPP, and all of the Company's transmission facilities are under the SPP Open Access Transmission Tariff (OATT). In addition to tariff administration services, SPP also provides reliability coordination services, generation reserve sharing, energy market services, balancing authority services and planning authority services.

The SPP Real-Time Energy Imbalance Market, or Day 1 Market, was expanded into a Day 2 Market in 2014. The SPP Day 2 Market, also known as the Integrated Marketplace (IM), includes the Day-Ahead Market, Real-Time Market, Ancillary Services Market and Transmission Congestion Rights Market. OPPD actively participates in the IM. The market mechanism rewards low-cost, flexible and reliable providers of electricity. OPPD's generation is in competition with other generation owners to serve load across the SPP footprint.

As the regional transmission expansion planning authority, SPP works with its members and stakeholders to develop transmission projects needed in the footprint to meet the reliability, economic, and public policy needs. One of SPP's regional transmission projects is the Elkhorn River Valley Transmission Project, which is a joint effort between OPPD and the City of Fremont to connect an OPPD substation in Blair, NE with a substation in Fremont, NE. The 23-mile line, consisting of a 161-kV segment and a 69-kV segment, is planned to be energized by the second quarter of 2019. Once complete, the line will be owned by the Company. This project is intended to support the growing demand for electricity and improve reliability. OPPD and the City of Fremont will share the costs of the project, with the Company paying 40 percent of the total costs. Additionally, a portion of the project will receive regional funding under the SPP OATT.

In addition, OPPD is expanding its system in Sarpy County, Nebraska as well. As part of a development plan to support tremendous amounts of growth in the Sarpy County area, OPPD is expanding existing and constructing new high voltage substation and transmission facilities. This expansion is led by a new 6.5 mile new transmission line known as the Sarpy Transmission Project (STP), consisting of both 345-kV and 161-kV facilities co-located on common tower structures. The STP line is planned to be energized by the end of 2019.

### Environmental Matters

Environmental matters can have a significant impact on operations and financial results. OPPD complies with all applicable local, state and federal environmental rules and regulations. The items mentioned below include proposed, enacted or enforceable laws, rules and regulations.

The Environmental Protection Agency (EPA) published the Cross-State Air Pollution Rule (CSAPR) requiring designated states, including Nebraska, to significantly improve air quality by reducing generating station emissions contributing to ozone and fine-particle pollution in other states. Specifically, the rule requires significant reductions in sulfur dioxide ($SO_2$) and nitrous oxide ($NO_x$) emissions crossing state lines.

The final CSAPR rule established a cap-and-trade system with state- and unit-specific allowance allocations to achieve the desired emission reductions for $SO_2$ and $NO_x$. Implementation of Phase I of the final rule began in 2015, and implementation of Phase II began in 2017. As a result of North Omaha Station Units 1, 2 and 3 (NO1, NO2, and NO3) ceasing coal-fired generation, the Company will likely not need to purchase additional allowances in the future to comply with CSAPR.

The EPA issued regulations under Section 316(b) Rule of the Clean Water Act (316(b) Rule). The 316(b) Rule is designed to reduce fish mortality associated with the use of once-through cooling by power generating stations. Facilities are required to choose one of seven options to reduce fish impingement. The Company commenced Entrainment Characterization Studies at FCS, NOS and Nebraska City Station (NCS) in April 2016. OPPD completed the Comprehensive Technical Feasibility and Cost Evaluation Studies and Non-Water Quality Environmental Impacts Studies in September 2018. These studies will be forwarded, as required by regulation, to a third-party for peer review in early 2019. Once completed, OPPD will recommend the Best Technology Available for fish protection and will coordinate with the Nebraska Department of Environmental Quality to incorporate any requirements into the stations National Pollutant Discharge Elimination System permits. The cost for compliance is not expected to be material at this time.

On April 17, 2015, the EPA promulgated technical requirements for the Coal Combustion Residuals (CCR) rule that impacted landfills and surface impoundments for the safe disposal of coal combustion residuals under Subtitle D of the Resource Conservation and Recovery Act. The regulations provide design criteria, operating criteria, groundwater monitoring requirements, closure requirements, and recordkeeping and notification requirements associated with CCR landfills and surface impoundments. The regulation became effective on October 19, 2015, and the Company is in compliance with the requirements. The Company continues to assess and implement compliance strategies associated with this regulation by required dates. On September 14, 2017, the EPA granted two petitions for the reconsideration of the CCR rule stating that it will review the existing rule and consider improvements that may help states tailor their CCR permitting programs. On March 15, 2018, the EPA proposed to amend the regulations for the disposal of CCR from electric utilities. The proposed rule establishes risk-based alternatives for implementing the CCR requirements, flexibility in meeting key prescriptive CCR requirements, and relief on uppermost aquifer location restrictions. Comments were collected by the EPA through April 30, 2018, and the final rule was effective August 29, 2018. The cost of compliance with this regulation is not expected to be material.

The EPA issued the Mercury and Air Toxics Standard (MATS), which places strict limitations on emissions of mercury, non-mercury metallic hazardous air pollutants and acid gases. Compliance with the new rule was necessary by April 16, 2015, for NC2 and April 16, 2016, for North Omaha Station Units 4 and 5 (NO4 and NO5) and NC1. NO1, NO2 and NO3 were refueled from coal to natural gas prior to April 16, 2016, which results in this standard no longer applying to these units. No new emissions-control equipment was required to comply with the new requirements for NC2, although a new mercury-monitoring system was installed. OPPD retrofitted NO4, NO5 and NC1 with basic emission controls. Dry Sorbent Injection and Activated Carbon Injection are being used, as necessary, on all of these units to comply with the MATS rule.

On October 23, 2015, the EPA published a final rule regulating the emission of carbon dioxide ($CO_2$) from existing fossil-fuel-fired electric generating units under section 111 of the Clean Air Act. On the same date, the EPA also published a final rule for new, modified or reconstructed fossil-fuel-fired electric utility generating units under section 111 of the Clean Air Act. These regulations in the aggregate are known as the Clean Power Plan (CPP). The CPP required states to meet interim and final emissions targets on a statewide basis starting in 2022. The goal was to reduce $CO_2$ emissions from electric generating units by 32% below 2005 levels by the year 2030.

Numerous legal challenges to the CPP have been filed and consolidated in the United States Court of Appeals for the District of Columbia Circuit. On February 9, 2016, the U.S. Supreme Court entered an order staying the implementation of the CPP pending further proceedings. Oral arguments were heard before the District of Columbia Circuit Court on September 27, 2016. On April 3, 2017, the EPA published in the Federal Register a notice that stated it is withdrawing the proposed rules it issued in 2015 in conjunction with the CPP. On October 10, 2017, the EPA issued a Notice of Proposed Rulemaking proposing to repeal the CPP. The public was invited to submit comments through April 26, 2018. On August 21, 2018, the EPA proposed a replacement rule, the Affordable Clean Energy (ACE) Rule. The ACE rule has several components: a determination of the best system of emission reduction for greenhouse gas emissions from coal-fired power plants, a list of "candidate technologies" states can use when developing their plans, a new preliminary applicability test for determining whether a physical or operational change made to a power plant may be a "major modification" triggering a New Source Review, and new implementing regulations for emission guidelines under Clean Air Act section 111(d). The Company will continue to monitor the regulation and evaluate compliance options as new information is available.

OPPD has received and responded to requests for information from the EPA relating to compliance with the Clean Air Act at the North Omaha and NC1 stations. OPPD received a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking certain projects at NC1. The Company believes it has complied with all regulations relative to the projects in question and has discussed the matters with the EPA. The EPA would have to establish the allegations in the NOV in court. If the EPA establishes a Clean Air Act violation in court, and subject to possible appellate court review, remedies can include a requirement to install pollution-control equipment. OPPD cannot determine at this time whether it will have any future financial obligation with respect to the NOV.

## Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states but not in Nebraska. The Company established a goal of providing at least 50 percent of retail energy sales from renewable energy sources. The addition of the Sholes Wind Energy Center in 2019 will add an additional 160.0 megawatts (MW) of renewable capability. The addition of the Fort Calhoun Community Solar Facility in 2019 will add an additional 5.0 MW of renewable capability. The Company also has a purchased power agreement with the Western Area Power Administration for up to 81.3 MW of hydro power.

The following table shows the renewable generation owned by OPPD and the purchased and future wind, hydro and solar capability (in MW).

| | Capability |
|---|---|
| **OPPD-Owned Generation** | |
| Elk City Station (landfill gas) | 6.3 |
| **Purchased Wind Generation*** | |
| Ainsworth | 10.0 |
| Elkhorn Ridge | 25.0 |
| Flat Water | 60.0 |
| Petersburg | 40.5 |
| Crofton Bluffs | 13.6 |
| Broken Bow I | 18.0 |
| Broken Bow II | 43.9 |
| Prairie Breeze | 200.6 |
| Grande Prairie | 400.0 |
| Subtotal Purchased Wind Generation | 811.6 |
| **Purchased Hydro Generation** | |
| Western Area Power Administration | 81.3 |
| **Total Renewable Generation as of December 31, 2018** | 899.2 |
| **2019 Purchased Wind and Solar Generation** | |
| Sholes Wind Energy Center | 160.0 |
| Fort Calhoun Community Solar Facility | 5.0 |
| Subtotal Purchased Wind and Solar Generation | 165.0 |
| **Total Expected Renewable Generation as of December 31, 2019** | 1,064.2 |

** Wind generation listed in ascending order of contract year signing.*

## Federal Energy Legislation

The 115th Congress started the second year of the legislative session in January 2018. With 2018 being an election year, the passage of legislation impacting OPPD was minimal. Appropriations bills were enacted that included funding for the Low Income Home Energy Assistance Program, which is important to OPPD and Nebraska as it supports our customers.

Comprehensive energy legislation was not enacted in 2018. The energy legislation in the U.S. Senate addressed energy efficiency, energy workforce, hydropower and various other areas.

Lastly, the House of Representatives continued their efforts to modernize energy laws. Several hearings were convened in 2017 and 2018 to gather information in Congressional Committees with jurisdiction over energy laws. OPPD continues to monitor the status of energy and environmental legislation in Congress and provides input through public power industry groups and the Nebraska Congressional Delegation.

### State of Nebraska Energy Legislation

Opponents of wind development in Nebraska attempted to modify private wind development laws during the 2018 Nebraska Legislation session, but these efforts were defeated. Due to a Nebraska Supreme Court decision, Legislative Bill 1008 was introduced to restrict certain competitive or proprietary information from being disclosed in public records requests. This bill was passed with strong support. OPPD continues to monitor the status of energy and environmental legislation in the Legislature and provides input, as needed.

### Fort Calhoun Station Update

In June 2016, the OPPD Board of Directors approved a recommendation by management to cease operations at FCS by December 31, 2016, and begin the decommissioning process using the safe storage (SAFSTOR) methodology. The decision was made after a review of the Company's generation resource portfolio, and the station ceased operations on October 24, 2016. Upon completion of a third-party, site-specific cost study, OPPD recorded an increase to the decommissioning liability. The Board of Directors also approved a regulatory asset to match the decommissioning expense with the decommissioning funding amounts collected through retail rates.

OPPD entered into an agreement with EnergySolutions LLC (ES) in February 2017 for decommissioning support services. OPPD retains the license and management responsibility for the facility, while benefitting from the advisory services provided by ES. The agreement includes both on-site and off-site support by personnel across multiple disciplines as needs are identified, including advice on the safe characterization, packaging, transportation and disposal of nuclear material.

In October 2018, the Board of Directors approved a recommendation by management to transition the decommissioning process from SAFSTOR to the immediate dismantling (DECON) methodology. DECON provides for the immediate decontamination and dismantling of the nuclear systems and structures. In November 2018, the Board of Directors approved a recommendation by management to complete the DECON process using an OPPD-led, with contractor support, approach to the project. The Board also authorized and directed management to complete negotiations and enter into a contract with a qualified contractor to assist OPPD with completing the DECON process. Negotiations to obtain the needed contractor support are currently in progress.

## SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions could affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

These estimates could materially impact the financial statements and disclosures based on varying assumptions that could be used. The financial and operating environment may have a significant effect on the operation of the business and on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting estimates and assumptions has not changed.

The following is a list of accounting estimates and assumptions that are significant to OPPD's financial condition and results of operation and require management's most significant, subjective or complex judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions.

| Significant Accounting Estimates and Assumptions | Judgments/Uncertainties Affecting Application |
|---|---|
| Nuclear Decommissioning | • Cost estimates for future decommissioning<br>• Availability of facilities for waste disposal<br>• Approved methods for waste disposal |
| Environmental Matters | • Approved methods for cleanup<br>• Governmental regulations and standards<br>• Cost estimates for future remediation options |
| Regulatory Mechanisms and Cost Recovery | • External regulatory requirements<br>• Anticipated future regulatory decisions and their impact |
| Retirement Plan and Other Postemployment Benefits (OPEB) | • Assumptions used in computing the Net Pension Liability and Net OPEB Liability, including discount rate, healthcare trend rates and expected rate of return on Plan assets<br>• Plan design |
| Self-Insurance Reserves for Claims for Employee-related Healthcare Benefits, Workers’ Compensation and Public Liability | • Cost estimates for claims<br>• Assumptions used in computing the liabilities |
| Uncollectible Accounts Reserve | • Economic conditions affecting customers<br>• Assumptions used in computing the reserve |
| Unbilled Revenue | • Estimates for customer energy use and prices |
| Depreciation and Amortization Rates of Assets | • Estimates for approximate useful lives |

# Report of Management

The management of Omaha Public Power District (OPPD) is responsible for the preparation of the following financial statements and for their integrity and objectivity. These financial statements conform to generally accepted accounting principles and, where required, include amounts which represent management's best judgments and estimates. OPPD's management also prepared the other information in this Annual Report and is responsible for its accuracy and consistency with the financial statements.

To fulfill its responsibility, management maintains strong internal controls, supported by formal policies and procedures that are communicated throughout the company. Management also maintains a staff of internal auditors who evaluate the adequacy of and investigate the adherence to these controls, policies and procedures. OPPD is committed to conducting business with integrity, in accordance with the highest ethical standards, and in compliance with all applicable laws, rules and regulations. A Code of Ethics has been adopted for the Senior Executive and Financial Officers and the Controller, stating their responsibilities and standards for professional and ethical conduct.

Our independent auditors have audited the financial statements and have rendered an unmodified opinion as to the financial statements' fairness of presentation, in all material respects, in conformity with accounting principles generally accepted in the United States of America. During the audit, they considered internal controls over financial reporting as required by generally accepted auditing standards.

The Board of Directors pursues its oversight with respect to OPPD's financial statements through the Finance Committee, which is comprised solely of non-management directors. The committee meets periodically with the independent auditors, internal auditors and management to ensure that all are properly discharging their responsibilities. The committee reviews the annual audit plan and any recommendations the independent auditors have related to the internal control structure. The Board of Directors, on the recommendation of the Finance Committee, engages the independent auditors who have unrestricted access to the Finance Committee.

Timothy J. Burke
President and Chief Executive Officer

L. Javier Fernandez
Vice President and Chief Financial Officer

# Independent Auditor's Report

Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying financial statements of Omaha Public Power District (OPPD) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise OPPD's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPPD as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**
As discussed in Note 1 to the financial statements, in 2018 OPPD adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Prior Year Audited by Other Auditors**
The 2017 financial statements were audited by other auditors, and their report thereon, dated March 29, 2018, expressed an unmodified opinion.

**Other Matters**

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OPPD's basic financial statements. The statistics as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Omaha, Nebraska
March 14, 2019

# Omaha Public Power District
# Statements of Net Position

as of December 31, 2018 and 2017

| ASSETS | 2018 | 2017 |
|---|---|---|
| | (thousands) | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | **$ 5,398** | $ 10,054 |
| Electric system revenue fund | **101,942** | 196,146 |
| Electric system revenue bond fund | **72,100** | 85,490 |
| Electric system subordinated revenue bond fund | **6,564** | 6,584 |
| Electric system construction fund | **168,801** | 222,858 |
| NC2 separate electric system revenue fund | **14,925** | 14,380 |
| NC2 separate electric system revenue bond fund | **17,803** | 17,896 |
| NC2 separate electric system capital costs fund | **6,563** | 6,738 |
| Accounts receivable – net | **132,631** | 130,511 |
| Fossil fuels – at average cost | **27,876** | 35,039 |
| Materials and supplies – at average cost | **80,910** | 79,008 |
| Regulatory asset – FCS decommissioning | **143,000** | 156,000 |
| Hedging derivative instruments (Note 8) | **575** | - |
| Other (Note 2) | **47,506** | 35,217 |
| Total current assets | **826,594** | 995,921 |
| **SPECIAL PURPOSE FUNDS** – at fair value | | |
| Electric system revenue bond fund – net of current | **56,381** | 47,519 |
| Segregated fund – rate stabilization (Note 3) | **50,000** | 50,000 |
| Segregated fund – decommissioning and benefits (Note 3) | **34,500** | - |
| Segregated fund – other (Note 3) | **59,989** | 42,009 |
| Electric system construction fund – net of current | **181,657** | 20,260 |
| Decommissioning funds (Note 3) | **465,956** | 421,257 |
| Total special purpose funds | **848,483** | 581,045 |
| **ELECTRIC UTILITY PLANT** – at cost | | |
| Electric utility plant | **4,429,791** | 4,350,603 |
| Less accumulated depreciation and amortization | **1,904,447** | 1,819,255 |
| Total electric utility plant – net | **2,525,344** | 2,531,348 |
| **OTHER LONG-TERM ASSETS** | | |
| Regulatory asset – FCS decommissioning – net of current | **325,720** | 534,068 |
| Regulatory assets (Note 2) | **762,578** | 483,716 |
| Other (Note 2) | **109,047** | 76,150 |
| Total other long-term assets | **1,197,345** | 1,093,934 |
| **TOTAL ASSETS** | **5,397,766** | 5,202,248 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Unrealized pension contributions and losses (Note 6) | **114,498** | 192,273 |
| Unrealized OPEB contributions and losses (Note 6) | **20,028** | - |
| Unamortized loss on refunded debt | **79,690** | 90,258 |
| Ash landfill | **9,873** | 11,788 |
| Accumulated decrease in fair value of hedging derivatives (Note 8) | **186** | - |
| Total deferred outflows of resources | **224,275** | 294,319 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS** | **$ 5,622,041** | $5,496,567 |

*See notes to financial statements*

# Omaha Public Power District
## Statements of Net Position
as of December 31, 2018 and 2017

| LIABILITIES | 2018 | 2017 |
| --- | --- | --- |
| | (thousands) | |
| **CURRENT LIABILITIES** | | |
| Electric system revenue bonds (Note 5) | **$ 44,635** | $ 47,495 |
| Electric system subordinated revenue bonds (Note 5) | **1,120** | 1,180 |
| Electric revenue notes – commercial paper series (Note 5) | **150,000** | 150,000 |
| NC2 separate electric system revenue bonds (Note 5) | **3,350** | 3,220 |
| Accounts payable | **79,477** | 84,934 |
| Accrued payments in lieu of taxes | **33,832** | 32,933 |
| Accrued interest | **35,747** | 34,708 |
| Accrued payroll | **25,946** | 25,062 |
| Decommissioning (Note 11) | **114,080** | 89,665 |
| Hedging derivative instruments (Note 8) | **186** | - |
| Other (Note 2) | **22,399** | 20,237 |
| Total current liabilities | **510,772** | 489,434 |
| **LIABILITIES PAYABLE FROM SEGREGATED FUNDS** (Note 2) | **53,294** | 30,334 |
| **LONG-TERM DEBT** (Note 5) | | |
| Electric system revenue bonds – net of current | **1,275,695** | 1,352,150 |
| Electric system subordinated revenue bonds – net of current | **334,820** | 335,940 |
| Minibonds | **30,755** | 30,273 |
| NC2 separate electric system revenue bonds – net of current | **208,645** | 211,995 |
| Total long-term debt | **1,849,915** | 1,930,358 |
| Unamortized discounts and premiums | **189,748** | 195,838 |
| Total long-term debt – net | **2,039,663** | 2,126,196 |
| **OTHER LIABILITIES** | | |
| Decommissioning – net of current (Note 11) | **911,649** | 1,085,668 |
| Pension liability (Note 6) | **476,395** | 547,945 |
| Net OPEB liability (Note 6) | **249,560** | - |
| Other (Note 2) | **37,830** | 39,042 |
| Total other liabilities | **1,675,434** | 1,672,655 |
| **TOTAL LIABILITIES** | **4,279,163** | 4,318,619 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Rate stabilization reserve (Note 7) | **50,000** | 50,000 |
| Decommissioning and benefits reserve (Note 7) | **77,000** | 34,500 |
| Unrealized pension gains (Note 6) | **23,278** | 2,810 |
| Unrealized OPEB gains (Note 6) | **32,467** | - |
| Accumulated increase in fair value of hedging derivatives (Note 8) | **575** | - |
| Unamortized gain on refunded debt | **85** | 113 |
| Total deferred inflows of resources | **183,405** | 87,423 |
| **NET POSITION** | | |
| Net investment in capital assets | **784,287** | 619,895 |
| Restricted | **58,181** | 66,014 |
| Unrestricted | **317,005** | 404,616 |
| Total net position | **1,159,473** | 1,090,525 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION** | **$5,622,041** | $5,496,567 |

*See notes to financial statements*

## Omaha Public Power District
## Statements of Revenues, Expenses and Changes in Net Position
for the Years Ended December 31, 2018 and 2017

| | **2018** | 2017 |
|---|---|---|
| | *(thousands)* | |
| **OPERATING REVENUES** | | |
| Retail sales | **$ 940,125** | $ 911,733 |
| Off-system sales | **183,714** | 163,762 |
| Other electric revenues | **33,094** | 28,806 |
| Total operating revenues | **1,156,933** | 1,104,301 |
| **OPERATING EXPENSES** | | |
| Operations and maintenance | | |
| Fuel | **177,109** | 170,372 |
| Purchased power | **196,276** | 166,169 |
| Production | **85,373** | 79,103 |
| Transmission | **43,141** | 40,085 |
| Distribution | **48,697** | 49,947 |
| Customer | **36,826** | 32,008 |
| Administrative and general | **112,522** | 115,609 |
| Total operations and maintenance | **699,944** | 653,293 |
| Depreciation and amortization | **142,974** | 140,635 |
| Decommissioning | **156,000** | 147,469 |
| Payments in lieu of taxes | **34,915** | 33,989 |
| Total operating expenses | **1,033,833** | 975,386 |
| **OPERATING INCOME** | **123,100** | 128,915 |
| **OTHER INCOME (EXPENSES)** | | |
| Contributions in aid of construction | **20,565** | 31,064 |
| Reduction of plant costs recovered through contributions in aid of construction | **(20,565)** | (31,064) |
| Decommissioning funds – investment income | **2,952** | 11,382 |
| Investment income | **11,849** | 5,420 |
| Allowances for funds used during construction | **2,888** | 2,988 |
| Products and services – net | **3,529** | 3,903 |
| Other – net (Note 9) | **7,351** | 10,813 |
| Total other income – net | **28,569** | 34,506 |
| **INTEREST EXPENSE** | **82,935** | 84,253 |
| **NET INCOME BEFORE SPECIAL ITEM** | **68,734** | 79,168 |
| **SPECIAL ITEM** (Note 11) | **-** | (1,972) |
| **NET INCOME** | **68,734** | 77,196 |
| **NET POSITION, BEGINNING OF YEAR, BEFORE ADJUSTMENT** | **1,090,525** | 1,013,329 |
| **ADJUSTMENT FOR IMPLEMENTATION OF GASB 75** | **214** | - |
| **NET POSITION, BEGINNING OF YEAR, AFTER ADJUSTMENT** | **1,090,739** | 1,013,329 |
| **NET POSITION, END OF YEAR** | **$1,159,473** | $1,090,525 |

*See notes to financial statements*

# Omaha Public Power District
## Statements of Cash Flows
for the Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| | (thousands) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from retail customers | **$ 1,001,014** | $ 976,173 |
| Cash received from off-system counterparties | **197,498** | 177,446 |
| Cash received from insurance companies | **-** | 2,008 |
| Cash received from sale of nuclear fuel | **-** | 15,200 |
| Cash received from other sources | **6,485** | 5,425 |
| Cash paid to operations and maintenance suppliers | **(409,811)** | (393,721) |
| Cash paid to off-system counterparties | **(200,803)** | (157,184) |
| Cash paid to employees | **(135,776)** | (142,088) |
| Cash paid to pension and OPEB obligations | **(77,268)** | (81,307) |
| Cash paid for in lieu of taxes and other taxes | **(34,017)** | (34,078) |
| Net cash provided from operating activities | **347,322** | 367,874 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Proceeds from federal and state agencies | **650** | - |
| Net cash provided from noncapital financing activities | **650** | - |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from long-term borrowings | **168,118** | 428 |
| Principal reduction of debt | **(229,203)** | (49,125) |
| Interest paid on debt | **(99,011)** | (87,198) |
| Acquisition and construction of capital assets | **(138,178)** | (144,135) |
| Contributions in aid of construction and other reimbursements | **37,662** | 32,724 |
| Net cash used for capital and related financing activities | **(260,612)** | (247,306) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of investments | **(2,016,618)** | (1,436,950) |
| Maturities and sales of investments | **1,960,104** | 1,335,139 |
| Purchases of investments for decommissioning funds | **(251,966)** | (373,190) |
| Maturities and sales of investments in decommissioning funds | **199,090** | 336,087 |
| Investment income | **17,374** | 14,751 |
| Net cash used for investing activities | **(92,016)** | (124,163) |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **(4,656)** | (3,595) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **10,054** | 13,649 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$ 5,398** | $ 10,054 |

*See notes to financial statements*

## Omaha Public Power District
## Statements of Cash Flows

for the Years Ended December 31, 2018 and 2017

The following table provides a reconciliation of the statements of cash flows from operating activities to operating income as of December 31.

| | 2018 | 2017 |
|---|---|---|
| | (thousands) | |
| Operating income | $ 123,100 | $ 128,915 |
| Adjustments to reconcile operating income to net cash provided from operating activities: | | |
| Depreciation and amortization | 128,138 | 125,799 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,512 | 3,923 |
| Fossil fuels | 7,163 | (6,711) |
| Materials and supplies | (1,902) | 9,369 |
| Accounts payable | (4,562) | (10,273) |
| Accrued payments in lieu of taxes and other taxes | 899 | (89) |
| Accrued payroll | 884 | (409) |
| SPP and other special deposits | (4,821) | (28) |
| Rate stabilization reserve | - | 8,000 |
| Decommissioning and benefits reserve | 42,500 | 34,500 |
| Regulatory assets | 51,443 | 51,281 |
| Other | 2,968 | 23,597 |
| **Net cash provided from operating activities** | $ 347,322 | $ 367,874 |

The following table summarizes the supplemental disclosure of noncash capital, financing and investing activities as of December 31.

| | 2018 | 2017 |
|---|---|---|
| | (thousands) | |
| **NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES** | | |
| Bond proceeds transferred directly to irrevocable trust to defease outstanding bonds | $ - | $ 256,759 |
| Electric utility plant additions from outstanding liabilities | 13,365 | 14,582 |
| Net amortization of debt-related expenses, premiums and discounts | 7,353 | 9,818 |
| Allowances for funds used during construction | 2,888 | 2,988 |
| Unrealized gains on investments | 4,706 | 1,016 |

*See notes to financial statements*

# Notes to Financial Statements

as of and for the Years Ended December 31, 2018 and 2017

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Business** – The Omaha Public Power District (OPPD or Company), a political subdivision of the state of Nebraska, is a public utility engaged in the generation, transmission and distribution of electric power and energy and other related activities. The Board of Directors is authorized to establish rates. OPPD is generally not liable for federal and state income or ad valorem taxes on property; however, payments in lieu of taxes are made to various local governments.

**Basis of Accounting** – The financial statements are presented in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

OPPD applies the accounting policies established in the GASB Codification Section Re10, *Regulated Operations*. This guidance permits an entity with cost-based rates to include costs in a period other than the period in which the costs would be charged to expense by an unregulated entity if it is probable that these costs will be recovered through rates charged to customers. This guidance also permits an entity to defer revenues by recognizing liabilities to cover future expenditures. The guidance applies to OPPD because the rates of the Company's regulated operations are established and approved by the governing board.

If, as a result of changes in regulation or competition, the ability to recover these assets and to satisfy these liabilities would not be assured, OPPD would be required to write off or write down such regulatory assets and liabilities unless some form of transition cost recovery continues through established rates. In addition, any impairment to the carrying costs of deregulated plant and inventory assets would be determined. A portion of the Fuel and Purchased Power Adjustment regulatory asset was written off as of December 31, 2018, as a result of a Board decision in December 2018. See Regulatory Assets and Liabilities section of Note 1. There were no other write-downs of regulatory assets for the years ended December 31, 2018 and 2017.

**Classification of Revenues and Expenses** – Revenues and expenses related to providing energy services in connection with the Company's principal ongoing operations are classified as operating. All other revenues and expenses are classified as non-operating and reported as other income (expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

**Revenue Recognition** – Electric operating revenues are recognized as earned. Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period.

**Cash and Cash Equivalents** – The operating fund account is called the Electric System Revenue Fund (Note 3). Highly liquid investments for the Electric System Revenue Fund with an original maturity of three months or less are considered cash equivalents. Restricted cash and cash equivalents, if any, are included in the Special Purpose Fund balances.

**Investments** – Investments are reported at fair value. Realized and unrealized gains and losses for all investments except hedging derivative instruments are included in Investment Income on the Statements of Revenues, Expenses and Changes in Net Position.

**Hedging Derivative Instruments** – OPPD is exposed to market price fluctuations on its sales and purchases of energy. The Company may enter into energy financial futures contracts to buy or sell energy in order to manage the risk of volatility in the market price of anticipated energy transactions. The Company does not enter into derivative instruments for speculative purposes. Fair value is estimated by comparing contract prices to forward market prices quoted by independent third-party pricing services. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, outstanding derivatives are evaluated and classified as either hedging derivative instruments (effective) or investment derivative instruments (ineffective), with the accumulated change in fair market value recognized as deferred inflows/outflows of resources on the Statements of Net Position or investment income/expense on the Statements of Revenues, Expenses and Changes in Net Position, respectively (Note 8).

**Accounts Receivable** – Accounts Receivable includes outstanding amounts from customers and an estimate for unbilled revenues. An estimate is made for the Reserve for Uncollectible Accounts for retail customers based on an analysis of Accounts Receivable, economic conditions affecting customers and historical write-offs net of recoveries. Additional amounts may be included based on the credit risks of significant parties. Accounts Receivable includes $46,300,000 and $48,832,000 in unbilled revenues as of December 31, 2018 and 2017, respectively. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts of $1,500,000 and $1,505,000 as of December 31, 2018 and 2017, respectively.

**Materials and Supplies** – The Company maintains inventories that are valued at average cost. Fort Calhoun Station (FCS) materials and supplies are valued at the lower of cost or fair value (Note 11).

**Electric Utility Plant** – Electric utility plant is stated at cost, which includes property additions, replacements of property units and betterments. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric utility plant retirements are eliminated from electric utility plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account. Electric utility plant includes both tangible and intangible assets. Intangible assets include costs related to regulatory licenses, software licenses and other rights to use property. Electric utility plant includes construction work in progress of $47,410,000 and $39,738,000 as of December 31, 2018 and 2017, respectively.

The following table summarizes electric utility plant balances as of December 31, 2017, activity for 2018 and balances as of December 31, 2018, (in thousands).

| | 2017 | Increases | Decreases | 2018 |
|---|---|---|---|---|
| **Nondepreciable electric utility plant:** | | | | |
| Land and improvements | $ 37,674 | $ 420 | $ (68) | $ 38,026 |
| Construction work in progress | 39,738 | 125,771 | (118,099) | 47,410 |
| Electric utility plant held for future use | 2,413 | - | - | 2,413 |
| Total nondepreciable electric utility plant | 79,825 | 126,191 | (118,167) | 87,849 |
| **Depreciable electric utility plant:** | | | | |
| Generation | 1,951,749 | 13,929 | (22,257) | 1,943,421 |
| Transmission | 501,498 | 51,509 | (1,525) | 551,482 |
| Distribution | 1,544,445 | 54,432 | (25,312) | 1,573,565 |
| General plant | 220,328 | 11,353 | (11,135) | 220,546 |
| Intangible plant | 52,758 | 1,123 | (953) | 52,928 |
| Total depreciable electric utility plant | 4,270,778 | 132,346 | (61,182) | 4,341,942 |
| Less accumulated depreciation and amortization | (1,819,255) | (131,734) | 46,542 | (1,904,447) |
| Depreciable electric utility plant, net | 2,451,523 | 612 | (14,640) | 2,437,495 |
| **Net electric utility plant** | $ 2,531,348 | $ 126,803 | $ (132,807) | $ 2,525,344 |

Long-lived assets, such as property, plant and equipment, are periodically reviewed for impairment or whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the magnitude of the decline in service utility is significant and not part of the asset's normal life cycle, the asset is considered impaired.

Allowances for funds used during construction (AFUDC) approximates OPPD's current weighted average cost of debt. AFUDC was capitalized as a component of the cost of electric utility plant. The allowance for construction work in progress was computed at 3.2% and 3.3% for years ended December 31, 2018 and 2017, respectively.

**Contributions in Aid of Construction (CIAC)** – Payments are received from customers for construction costs, primarily relating to the expansion of the electric system. FERC guidelines are followed in recording CIAC. These guidelines direct the reduction of electric utility plant assets by the amount of contributions received toward the construction of electric utility plant. CIAC is recorded as other income and offset by an expense in the same amount representing the recovery of plant costs. CIAC primarily includes payments for transmission, distribution and generating station assets. This allows for compliance with GASB Codification Section N50, *Nonexchange Transactions*, while continuing to follow FERC guidelines.

The following table summarizes the sources of CIAC as of December 31 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| Transmission and distribution | $ 18,628 | $21,021 |
| Nebraska City Station Unit 2 (NC2) participants | 1,937 | 6,678 |
| NC2 turbine replacement | - | 3,365 |
| Total | $ 20,565 | $31,064 |

**Depreciation and Amortization** – Depreciation for assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. Depreciation expense for depreciable property averaged approximately 3.4% and 3.0% for the years ended December 31, 2018 and 2017, respectively. Depreciation is calculated using the following estimated lives:

- Generation 40 to 70 years
- Transmission and Distribution 15 to 75 years
- General 6 to 25 years

The FCS recovery costs incurred in 2012 and 2013 were deferred as a regulatory asset based on Board approval. These recovery costs were not included in the 2016 FCS impairment, but will continue to be amortized (and collected through retail rates) through 2023 as these costs benefit current and future ratepayers. The amortization was $14,836,000 for both of the years ended December 31, 2018 and 2017.

Intangible assets are amortized over their expected useful life. Amortization of intangible assets is included with depreciation and amortization expense in these financial statements. The amortization was $4,153,000 and $4,509,000 for the years ended December 31, 2018 and 2017, respectively.

NC2 was placed in commercial operation in 2009. Half of the unit's output is sold under 40-year Participation Power Agreements (PPAs). Certain participants funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. These participants are billed for the debt service related to these bonds. The amounts recovered for debt service for the electric utility plant construction and other costs are included in off-system sales revenues. The revenues related to principal repayment will equal related depreciation and other deferred NC2 expenses over the 40-year term of the PPAs. A regulatory asset was established to equate expenses and the amount included in off-system sales revenues for principal repayment in order to maintain revenue neutrality in the interim years. This regulatory asset will increase annually until 2026 when principal repayments begin exceeding depreciation and other deferred expenses. After 2026, the regulatory asset will be reduced annually by recognizing deferred depreciation and other deferred expenses until its elimination in 2049, which is the end of the initial term of the PPAs.

The Board of Directors approved a resolution in June 2014 for the Future Power Generation Plan (Plan). The Plan included changes to the generation portfolio, including the retirement in 2016 of North Omaha Station Units 1, 2 and 3 (NO1, NO2 and NO3), to comply with existing and future environmental regulations. The estimated useful lives of NO1, NO2 and NO3 were reduced as a result of the planned future retirement. NO1 and NO2 were fully depreciated as of April 2016. As a result of the June 2016 Board resolution to cease operations at FCS, a decision was made to retain NO1, NO2 and NO3 using natural gas for capacity purposes through at least 2018. The useful life of NO3 was extended through 2018 beginning in July 2016. Subsequent to the FCS resolution, OPPD completed its 2016 Integrated Resource Plan. This plan was filed with the Western Area Power Administration in late February 2017 and reflected the retention of NO1, NO2 and NO3 on natural gas through December 31, 2021. The useful life of NO3 was extended through 2021 beginning in March 2017. During 2018, the Company determined that NO1, NO2 and NO3 will continue to operate using natural gas for capacity purposes through 2023. As a result, the useful life of NO3 was extended through December 31, 2023, beginning in November 2018. Depreciation expense for NO3 was $507,000 and $646,000 for the years ended December 31, 2018 and 2017, respectively.

**Nuclear Fuel Disposal Costs** – Permanent disposal of spent nuclear fuel is the responsibility of the federal government under an agreement entered into with the Department of Energy (DOE). The agreement required the federal government to begin accepting high-level nuclear waste by January 1998; however, the DOE does not have a storage facility. In May 1998, the United States Court of Appeals confirmed the DOE's statutory obligation to accept spent fuel by 1998 but rejected the request that a move-fuel order be issued. In March 2001, OPPD, along with a number of other utilities, filed suit against the DOE in the United States Court of Federal Claims, alleging breach of contract.

In 2006, the DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste incurred due to the DOE's delay in accepting waste. Applications are submitted periodically to the DOE for reimbursement of costs incurred for the storage of high-level nuclear waste. The balance for the DOE costs incurred by OPPD for the dry-cask storage facility was $30,274,000 and $2,344,000 as of December 31, 2018 and 2017, respectively, and is recorded as an Other Long-Term Asset on the Statements of Net Position.

**Nuclear Decommissioning** – Based on the decommissioning plan established in 1983, the Board of Directors approved the collection of nuclear decommissioning costs using an independent engineering study of the costs to decommission FCS. The Company established a Decommissioning Funding Plan for FCS in 1990 in compliance with Nuclear Regulatory Commission (NRC) regulations. Its purpose is to accumulate funds to decommission the radiated portions of FCS as defined by the NRC. The NRC's funding requirement is based on a defined-cost formula and adjusted annually. The Company established a Supplemental Decommissioning Funding Plan for FCS in 1992 to accumulate funds to fully decommission FCS. This includes funds for additional costs beyond the NRC minimum that are needed to decommission the radiated plant, the fuel facility and the non-radiated plant.

Based on cost estimates, inflation rates and fund earnings projections, no funding was necessary from 2001 through 2013 for either plan. However, an analysis by the Company and an outside consultant determined that additional funding was needed for the Supplemental Decommissioning Trust Fund beginning in 2014 to meet the estimated cost to fully decommission FCS. OPPD temporarily suspended funding for the Supplemental Decommissioning Trust Fund in September 2015 to reduce expenditures and the related impact on rates. In December 2015, the Board of Directors authorized the use of regulatory accounting to match the decommissioning expense to the amount funded. Funding resumed in January 2017. The annual funding amount was $156,000,000 and $147,469,000 for the years ended December 31, 2018 and 2017, respectively (Note 11). The Supplemental Decommissioning Trust Fund was reduced by $114,253,000 and $119,727,000 for the years ended December 31, 2018 and 2017, for expenditures incurred during the decommissioning process at FCS.

The estimated current cost to decommission the plant for the NRC-required obligations is $1,025,729,000 and $1,175,333,000 as of December 31, 2018 and 2017, respectively. These estimated costs are based upon a third-party, site-specific cost study (Note 11). The decommissioning cost liability, which includes a current and long-term portion on the Statements of Net Position, is adjusted annually for inflation and any significant changes in the cost estimate.

Decommissioning Trust Funds are reported at fair value. The balance of the decommissioning trust assets was $465,956,000 and $421,257,000 as of December 31, 2018 and 2017, respectively, and includes interest receivables of $1,102,000 and $874,000 as of December 31, 2018 and 2017, respectively. Investment income was $11,356,000 and $9,699,000 for the years ended December 31, 2018 and 2017, respectively. The fair value of the Decommissioning Trust Funds decreased $8,404,000 and increased $1,683,000 for the years ended December 31, 2018 and 2017, respectively.

**Pension** – Information about the fiduciary net position of the OPPD Retirement Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported for purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. Benefit payments are recognized when distributed in accordance with the benefit terms. Investments are reported at fair value (Note 6).

**Other Postemployment Benefits (OPEB)** – Information about the fiduciary net position of the OPPD OPEB Plans and additions to/deductions from the fiduciary net positions have been determined on the same basis as they are reported for purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense. Benefit payments are recognized when distributed in accordance with the benefit terms. Investments are reported at fair value (Note 6).

**Regulatory Assets and Liabilities** – Rates for regulated operations are established and approved by the Board of Directors. The provisions of GASB Codification Section Re10, *Regulated Operations*, are applied. This guidance provides that regulatory assets are rights to additional revenues or deferred expenses, which are expected to be recovered through customer rates over some future period. Regulatory liabilities are reductions in earnings (or costs recovered) to cover future expenditures.

The Board of Directors authorized the use of regulatory accounting in 2015 to match decommissioning expense to the amounts funded. The unfunded portion of the decommissioning liability based on NRC-required obligations was recorded as a regulatory asset (Note 11).

The Company adopted the GASB accounting standards for the financial accounting and reporting of pension plans in 2015. These standards required the Company to recognize a liability for the net pension obligation on the Statements of Net Position. In 2014, the Board of Directors authorized the use of regulatory accounting for pension costs to establish a regulatory asset to match the pension expense to the amounts funded and the cost recovery through rates (Note 6).

The Company adopted the GASB accounting standards for the financial accounting and reporting of other postemployment benefit plans in 2018. These standards required the Company to recognize a liability for the net other postemployment benefit obligation on the Statements of Net Position. In 2017, the Board of Directors authorized the use of regulatory accounting for other postemployment costs to establish a regulatory asset to match the other postemployment benefit expense to the amounts funded and the cost recovery through rates (Note 6).

The Board of Directors authorized the use of regulatory accounting in 2012 for significant, unplanned operations and maintenance costs at FCS incurred to address concerns from the NRC and enhance operations. These recovery costs are being amortized over a 10-year period that commenced in 2013, as they continue to benefit future ratepayers (Note 11).

As previously noted, an NC2 regulatory asset was established to maintain revenue neutrality for transactions with participants who funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. NC2 depreciation and other deferred expenses will equal the amount included in off-system sales revenue for principal repayments.

A Fuel and Purchased Power Adjustment (FPPA) was implemented in the retail rate structure in 2010. The Board of Directors authorized the use of regulatory accounting to maintain revenue neutrality by matching retail revenues attributed to fuel and purchased power costs with the actual costs incurred. This regulatory asset represents the rights to additional revenues based on incurred expenses due to under-recoveries of fuel and purchased power costs. In December 2018, the Board of Directors approved the write-off of an FPPA under-recovery of $21,406,000 incurred through May 2018, which offsets other current year under-recoveries.

The Board of Directors authorized the use of regulatory accounting for debt issuance costs in 2012 because of new accounting standards that would have required these costs to be expensed in the period incurred. These costs are amortized over the life of the associated bond issues consistent with the rate methodology.

The Company adopted the GASB accounting standards for the financial accounting and reporting of supplemental pension plans in 2017. These standards required the Company to recognize a liability for the total supplemental pension obligation on the Statements of Net Position. In 2017, the Board of Directors authorized the use of regulatory accounting for supplemental pension costs to establish a regulatory asset to match the supplemental pension expense to the amounts funded and the cost recovery through rates (Note 6).

The following table summarizes the balances of regulatory assets as of December 31, 2018 and 2017, (in thousands).

| | 2018 | 2017 |
|---|---|---|
| FCS decommissioning | $ 468,720 | $ 690,068 |
| Pension | 382,919 | 355,383 |
| Other postemployment benefits | 261,925 | - |
| FCS recovery costs | 72,942 | 87,778 |
| NC2 | 50,207 | 46,140 |
| FPPA | 17,405 | 8,826 |
| Financing costs | 8,216 | 8,484 |
| Supplemental pension | 1,800 | 1,348 |
| Total | $ 1,264,134 | $ 1,198,027 |

Regulatory liabilities are deferred inflows of resources and include the Rate Stabilization Reserve and the Decommissioning and Benefits Reserve. The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure (Note 7). There was a transfer of $0 and $8,000,000 to the reserve in 2018 and 2017, respectively. The balance of the Rate Stabilization Reserve was $50,000,000 as of December 31, 2018 and 2017.

The Decommissioning and Benefits Reserve was established in 2016 to assist in funding future decommissioning expenses beyond what was established in the current funding plan in any given year and future pension liabilities above the annual required contribution (Note 7). The Company added $42,500,000 and $34,500,000 to the reserve in 2018 and 2017, respectively. The balance of the Decommissioning and Benefits Reserve was $77,000,000 and $34,500,000 as of December 31, 2018 and 2017, respectively.

The following table summarizes the balances of the regulatory liabilities as of December 31, 2018 and 2017, (in thousands).

| | 2018 | 2017 |
|---|---|---|
| Rate stabilization reserve | $ 50,000 | $ 50,000 |
| Decommissioning and benefits reserve | 77,000 | 34,500 |
| Total | $127,000 | $ 84,500 |

**Environmental Matters** – OPPD operates ash landfills at the North Omaha Station (NOS) and the Nebraska City Station (NCS) locations and an industrial waste landfill at FCS. State and federal laws and regulations require OPPD to place a final cover on its landfills at the NOS, NCS and FCS locations when they no longer receive ash/waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Closure and postclosure care financial assurance information is provided to the Nebraska Department of Environmental Quality on an annual basis as required by law. OPPD is not required to restrict any funds for closure and postclosure care costs.

The following table summarizes the current estimated landfill closure date and the percentage of capacity used for each landfill as of December 31. Actual closure dates may be earlier or later than estimated.

| Location | Estimated landfill closure date | Estimated percentage of capacity as of December 31, 2018 | Estimated percentage of capacity as of December 31, 2017 |
|---|---|---|---|
| FCS | closed | 100% | 100% |
| NOS | 2024 | 46 | 45 |
| NCS unit 1 | 2020 | 95 | 86 |
| NCS unit 2 cell 1 | closed | 100 | 100 |
| NCS cells 2 & 3 | 2027 | 6 | 4 |

There is no current or proposed GASB statement providing accounting treatment for closure and postclosure care costs of these landfills. The Company applies GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (GASB 18), as analogous authoritative literature since the accounting treatment for this situation is not specified in authoritative GAAP.

Although closure and postclosure care costs will be paid only near or after the date the landfills stop accepting ash/waste, OPPD reports a portion of these closure and postclosure care costs as an operating expense in each reporting period based on landfill capacity used as of each period end. The landfill closure and postclosure care liability represents the estimated liability to perform the required closure and postclosure care at the related landfills. The remaining amount to be amortized over the remaining capacity of the NOS and NCS locations is reported as a Deferred Outflow. These amounts on the Statements of Net Position are presented in current year dollars. Actual closure and postclosure care costs may be higher or lower than the estimated amounts due to inflation, changes in technology, or changes in regulations (Note 2).

There were no pollution remediation obligations identified as of December 31, 2018 and 2017.

**Special Item** – As a result of the June 2016 Board decision to cease operations at FCS, the related assets were considered impaired and recorded as a Special Item. A Special Item is defined as a significant transaction or other event within the control of management that is either unusual in nature or infrequent in occurrence. This event qualified as a Special Item as the transaction was deemed infrequent in occurrence. Fair value adjustments of $1,972,000 related to the Nuclear Fuel Held for Sale were recorded as a Special Item in 2017 (Note 11). There were no amounts recorded as a Special Item in 2018.

**Net Position** – Net position is reported in three separate components on the Statements of Net Position. Net Investment in Capital Assets is the net position share attributable to net electric utility plant assets reduced by outstanding related debt.

Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in this component of net position. Restricted is the share of net position that has usage restraints imposed by law or by debt covenants, such as certain revenue bond funds and segregated funds, net of related liabilities. Unrestricted is the share of net position that is neither restricted nor invested in capital assets.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements, adopted** – GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), in June 2015, effective for reporting periods beginning after June 15, 2017. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The Company adopted GASB 75 in 2018 for both of the Company's OPEB plans. OPEB Plan A provides postemployment healthcare and life insurance benefits to qualifying members. OPEB Plan B provides postemployment healthcare premium coverage for the Company's share to qualifying members who were hired after December 31, 2007.

The implementation of this statement resulted in the recognition of a net OPEB Plan A liability of $288,448,000 on the Statements of Net Position as of January 1, 2018. The implementation of this statement also resulted in the recognition of a deferred outflow of resources of $22,568,000 as of January 1, 2018, for OPEB contributions made subsequent to the measurement date of January 1, 2017. The Board of Directors authorized the use of regulatory accounting in October 2017 to establish a regulatory asset to match the OPEB expense to the amounts funded and the cost recovery through rates. A regulatory asset of $265,880,000 was recorded as of January 1, 2018. For OPEB Plan B, the implementation of this statement resulted in a $214,000 increase to the net OPEB Plan B asset and net position as of January 1, 2018. The prior period was not restated for either OPEB plan as the information was not readily available (Note 6).

GASB issued Statement No. 85, *Omnibus 2017* (GASB 85), in March 2017, effective for reporting periods beginning after June 15, 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. Specifically, this statement clarifies the payroll-related measures required in supplementary information for purposes of reporting by employers that provide OPEB, which is the only portion of the Statement that impacts the Company. This statement had no impact on OPPD's financial position, results of operations or cash flows. The Company adopted GASB 85 in 2018.

GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86), in May 2017, effective for reporting periods beginning after June 15, 2017. The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Company adopted GASB 86 in 2018 and applied it to the cash defeasance of debt that occurred in August 2018 (Note 5).

**Recent Accounting Pronouncements, not yet adopted** – GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83), in November 2016, effective for reporting periods beginning after June 15, 2018. The objective of this statement is to provide guidance on the recognition and measurement of certain Asset Retirement Obligations (AROs), including obligations that may not have been previously reported. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. GASB 83 excludes landfills from this guidance. This statement requires that recognition occur when the liability is both incurred and can be reasonably estimated. The impact to OPPD's financial statements is being evaluated.

GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017, effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The impact to OPPD's financial statements is being evaluated.

GASB issued Statement No. 87, *Leases*, in June 2017, effective for reporting periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments by creating a single model for leases. This statement increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The impact to OPPD's financial statements is being evaluated.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in March 2018, effective for reporting periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The impact to OPPD's note disclosures is being evaluated.

GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in June 2018, effective for reporting periods beginning after December 15, 2019. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The statement will also simplify accounting for interest costs incurred before the end of a construction period. The impact to OPPD's financial statements is being evaluated.

### 2. OTHER ASSETS AND OTHER LIABILITIES DETAIL BALANCES

**Current Assets – Other**

The composition as of December 31 was as follows (in thousands):

| | 2018 | 2017 |
|---|---|---|
| Regulatory asset – FPPA | $ 17,405 | $ 8,826 |
| Regulatory asset – FCS recovery costs | 14,836 | 14,836 |
| Prepayments | 6,065 | 6,101 |
| SPP and other special deposits | 3,465 | 3,028 |
| Interest receivable | 3,172 | 1,267 |
| Transmission congestion rights (Note 8) | 1,968 | 529 |
| Regulatory asset – financing costs | 595 | 581 |
| Sulfur dioxide allowance inventory | - | 49 |
| Total | $ 47,506 | $ 35,217 |

**Other Long-Term Assets – Regulatory Assets**

The composition as of December 31 was as follows (in thousands):

| | 2018 | 2017 |
|---|---|---|
| Pension and supplemental pension | $ 384,719 | $ 356,731 |
| Other postemployment benefits | 261,925 | - |
| FCS recovery costs (net of current) | 58,106 | 72,942 |
| NC2 | 50,207 | 46,140 |
| Financing costs (net of current) | 7,621 | 7,903 |
| Total | $ 762,578 | $ 483,716 |

**Other Long-Term Assets – Other**

The composition as of December 31 was as follows (in thousands):

| | 2018 | 2017 |
|---|---|---|
| Job and production orders | $ 104,167 | $ 75,570 |
| SPP deposits (net of current) | 4,385 | - |
| Other | 495 | 580 |
| Total | $ 109,047 | $ 76,150 |

**Current Liabilities – Other**

The composition as of December 31 was as follows (in thousands):

| | 2018 | 2017 |
|---|---|---|
| Unearned revenues | $ 8,204 | $ 8,488 |
| NC2 participant deposits | 7,445 | 6,777 |
| Auction revenue rights (Note 8) | 5,419 | 2,779 |
| Payroll taxes and other employee liabilities | 360 | 356 |
| Deposits – other | 84 | 486 |
| Other | 887 | 1,351 |
| Total | $ 22,399 | $ 20,237 |

**Liabilities Payable from Segregated Funds**

The composition as of December 31 was as follows (in thousands):

| | 2018 | 2017 |
|---|---|---|
| Customer advances for construction | $ 26,895 | $ 4,323 |
| Customer deposits | 23,023 | 21,499 |
| Incurred but not presented (IBNP) reserve | 3,055 | 3,057 |
| Transmission project | - | 1,133 |
| Other | 321 | 322 |
| Total | $ 53,294 | $ 30,334 |

**Other Liabilities – Other**

The composition as of December 31 was as follows (in thousands):

| | 2018 | 2017 |
|---|---|---|
| Ash landfill | $ 23,072 | $ 24,198 |
| Unearned revenues (net of current) | 7,028 | 7,334 |
| Workers' compensation reserve | 5,280 | 5,384 |
| Public liability reserve | 1,243 | 420 |
| Capital purchase agreement | 648 | 935 |
| Other | 559 | 771 |
| Total | $ 37,830 | $ 39,042 |

## 3. FUNDS AND INVESTMENTS

Funds of OPPD were as follows:

**Electric System Revenue Fund and NC2 Separate Electric System Revenue Fund** – These funds are to be used for operating activities for their respective electric system. Cash and cash equivalents in the Electric System Revenue Fund are shown separately from investments on the Statements of Net Position.

**Electric System Revenue Bond Fund, Electric System Subordinated Revenue Bond Fund and NC2 Separate Electric System Revenue Bond Fund** – These funds are to be used for the retirement of their respective revenue bonds and the payment of the related interest and reserves as required. Investments with maturity dates within the next year are designated as current.

**Electric System Construction Fund and NC2 Separate Electric System Capital Costs Fund** – These funds are to be used for capital improvements, additions and betterments to and extensions of their respective electric system.

**Segregated Fund – Rate Stabilization** – This fund is to be used to help stabilize rates through the transfer of funds to operations as necessary. Since there is no funding requirement for the Rate Stabilization Reserve, this fund also may be used to provide additional liquidity for operations as necessary (Note 7).

**Segregated Fund – Decommissioning and Benefits Reserve** – This fund is to be used to help fund future decommissioning expenses beyond what was established in the current funding plan in any given year and future pension liabilities above the annual required contribution (Note 7).

**Segregated Fund – Other** – This fund represents assets held for payment of customer deposits, refundable advances, OPPD's self-insured health insurance plans (Note 6), and certain other liabilities.

The following table summarizes the balances of the Segregated Fund - Other as of December 31 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| Customer deposits and advances | $50,395 | $ 31,595 |
| Self-insurance | 6,239 | 6,321 |
| Other | 3,355 | 4,093 |
| Total | $59,989 | $ 42,009 |

**Decommissioning Trust Funds** – These funds are to be used for the costs to decommission FCS. The Decommissioning Trust Funds are held by an outside trustee in compliance with the decommissioning funding plans approved by the Board of Directors. The 1990 Plan was established in accordance with NRC regulations for the purpose of discharging the obligation to decommission FCS. The 1992 Plan was established to retain funds in excess of NRC minimum funding requirements based on an independent engineering study, which indicated that decommissioning costs would exceed the NRC-minimum requirements.

The following table summarizes the balances of the Decommissioning Trust Funds as of December 31 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| Decommissioning Trust – 1990 Plan | $295,783 | $294,459 |
| Decommissioning Trust – 1992 Plan | 170,173 | 126,798 |
| Total | $465,956 | $421,257 |

The above table includes interest receivables for the Decommissioning Trust Funds of $1,102,000 and $874,000 for December 31, 2018 and 2017, respectively.

**Fair Value of Investments** – Fair values in most cases are externally provided by the trustees that manage the funds. The trustees frequently utilize third-party pricing services to assist in their valuations (Note 4). The fair value of investments was as follows as of December 31 (in thousands).

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Weighted Average Maturity (Years)** | **Fair Value** | **Weighted Average Maturity (Years)** |
| Money market funds | $ 95,829 | - | $ 68,501 | - |
| U.S. government securities | 551,387 | 2.0 | 456,875 | 1.4 |
| Mutual funds | 214,033 | - | 215,856 | - |
| Commercial paper | 31,765 | 0.2 | 65,236 | 0.2 |
| Corporate bonds and other debentures | 343,065 | 2.0 | 323,795 | 1.8 |
| Total | $1,236,079 | | $1,130,263 | |
| Portfolio weighted average maturity | | 1.4 | | 1.1 |

The above table excludes interest receivables related to the Decommissioning Trusts of $1,102,000 and $874,000 for December 31, 2018 and 2017, respectively.

**Interest Rate Risk** – The investments in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 1.4 and 1.1 years as of December 31, 2018 and 2017, respectively. In addition, OPPD is generally a buy-and-hold investor, which further reduces interest rate risk.

**Credit Risk** – OPPD's investment policy complies with bond covenants and state statutes for governmental entities, which limit investments to investment-grade fixed income obligations. The Company was in full compliance with bond covenants and state statutes as of December 31, 2018 and 2017.

The Company's investments in money market funds were rated Aaa-mf by Moody's Investors Service (Moody's), and AAAm by Standard & Poor's Rating Services (S&P). The U.S. government securities were rated Aaa and AA+ by Moody's and S&P, respectively. The mutual fund investments are not rated. The commercial paper investments were all rated P-1 by Moody's. S&P rated $26,457,000 of the commercial paper as A-1+ and the remaining $5,308,000 as A-1.

The following tables summarize the ratings on the Company's investments in corporate bonds and other debentures as of December 31, 2018.

| Moody's | | S&P | |
|---|---|---|---|
| **Amount** | **Rating** | **Amount** | **Rating** |
| $ 183,382 | Aaa | $ 183,382 | AAA |
| 2,264 | Aa1 | 11,480 | AA+ |
| 69,871 | Aa2 | 7,208 | AA |
| 60,907 | Aa3 | 70,691 | AA- |
| 13,989 | A1 | 57,652 | A+ |
| 508 | A3 | 12,652 | BBB+ |
| 12,144 | Baa1 | $ 343,065 | |
| $ 343,065 | | | |

**Custodial Credit Risk** – Bank deposits were entirely insured or collateralized with securities held by OPPD or by its agent in OPPD's name at December 31, 2018 and 2017. All investment securities are delivered under contractual trust agreements.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Company's investment with a single issuer. The concentration of credit risk greater than five percent from a single issuer was the investment in International Bank of Reconstruction and Development corporate bonds at 14 percent and 17 percent as of December 31, 2018 and 2017, respectively.

## 4. FAIR VALUE MEASUREMENTS

OPPD accounts for fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), which defines fair value, establishes methods for measuring fair value by applying one of three observable valuation approaches (market approach, income approach and cost approach) and establishes required disclosures about fair measurements.

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement. The three levels of fair value hierarchy defined in GASB 72 are as follows:

**Level 1:** Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2**: Inputs are other than quoted market prices in the active markets included in Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3**: Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs.

The fair value of investments in most cases is externally provided by the trustees that manage the funds. The trustees frequently utilize third-party pricing services to assist in their valuations.

The following tables summarize, in accordance with the fair value hierarchy, the Company's assets and liabilities that are accounted for and reported at fair value on a recurring basis by level as of December 31, 2018 and 2017 (in thousands):

| | | 2018 | | |
|---|---|---|---|---|
| **Investment Type** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Mutual funds | $ 112,394 | $ 112,394 | $ - | $ - |
| U.S. government securities | 551,387 | - | 551,387 | - |
| Corporate bonds and other debentures | 343,065 | - | 343,065 | - |
| Commercial paper | 31,765 | - | 31,765 | - |
| **Total fair value measurement by level** | **1,038,611** | **$ 112,394** | **$ 926,217** | **$ -** |
| **Investments measured at net asset value (NAV)** | | | | |
| Money market funds | 95,829 | | | |
| Mutual funds | 101,639 | | | |
| **Total investments measured at fair value** | **$ 1,236,079** | | | |
| **Derivative instruments** | | | | |
| Hedging derivatives – futures contracts – asset | $ 575,000 | $ - | $ 575,000 | $ - |
| Hedging derivatives – futures contracts – liability | 186,000 | - | 186,000 | - |
| **Total derivative instruments measured at fair value** | **$ 761,000** | **$ -** | **$ 761,000** | **$ -** |

| | | 2017 | | |
|---|---|---|---|---|
| **Investment Type** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Mutual funds | $ 113,155 | $ 113,155 | $ - | $ - |
| U.S. government securities | 456,875 | - | 456,875 | - |
| Corporate bonds and other debentures | 323,795 | - | 323,795 | - |
| Commercial paper | 65,236 | - | 65,236 | - |
| **Total fair value measurement by level** | **959,061** | **$ 113,155** | **$ 845,906** | **$ -** |
| **Investments measured at NAV** | | | | |
| Money market funds | 68,501 | | | |
| Mutual funds | 102,701 | | | |
| **Total investments measured at fair value** | **$ 1,130,263** | | | |

There were no derivative instruments as of December 31, 2017.

## VALUATION METHODOLOGIES

**Mutual Funds Measured at Fair Value:** Mutual funds are priced using active market exchanges, and sources include Interactive Data Pricing and Reference Data LLC. The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and; therefore, have been categorized as Level 1 assets.

**U.S. Government Securities:** The fair value of U.S. government securities is derived from quoted prices on similar assets in active or non-active markets, from other observable inputs such as interest rates, yield curves, or credit spreads, and inputs that are derived from or corroborated by observable market data. U.S. treasury and other federal agency securities are included as Level 2 assets.

**Corporate Bonds and Other Debentures:** For fixed-income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validation in addition to checks for unusual daily movements. The fair values of fixed-income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences. Corporate bonds are included as Level 2 assets.

**Commercial Paper:** The fair value of commercial paper is priced according to recent transactions, as the carrying value of the commercial paper approximated its fair value due to the short maturity. Commercial Paper is included as a Level 2 asset.

**Hedging Derivative Instruments:** Energy financial futures contracts uses the market approach based on monthly quoted prices from an independent external pricing service using market quotes. The market is not active to the point where identical contracts are available on a regular basis. These derivative instruments are included as a Level 2 asset.

**Investments Measured at NAV** – The following tables summarize the fair value measurement of investments calculated at NAV per share (or its equivalent) as of December 31 (in thousands).

| | 2018 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Unfunded Commitments** | **Redemption Frequency** | **Redemption Notice Period** |
| Money market funds | $ 95,829 | none | daily | N/A |
| Mutual funds | 100,484 | none | daily | N/A |
| Mutual funds | 1,155 | none | daily | 1 day |
| **Total investments measured at NAV** | **$ 197,468** | | | |

| | 2017 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Unfunded Commitments** | **Redemption Frequency** | **Redemption Notice Period** |
| Mutual market funds | $ 68,501 | none | daily | N/A |
| Mutual funds | 100,204 | none | daily | N/A |
| Mutual funds | 2,497 | none | daily | 1 day |
| **Total investments measured at NAV** | **$ 171,202** | | | |

**Money Market Funds:** The fair value of shares in money market funds is valued with a NAV of $1, which approximates fair value. They are priced on inputs obtained from Bloomberg, a pricing service whose prices are obtained from direct feeds from exchanges that are either directly or indirectly observable.

**Mutual Funds:** These mutual funds invest in fixed income securities, including treasuries, agencies, corporate debt, mortgage-backed securities and some non-U.S. debt. The fair value of these investments has been determined using the NAV per share (or its equivalent) of the investment.

### 5. DEBT

The proceeds of debt issued are utilized primarily to finance the construction program. Favorable market conditions in 2018 and 2017 resulted in several debt financing and refunding activities. The Company is in compliance with all debt covenants.

The following table summarizes the debt balances as of December 31, 2017, activity for 2018, balances as of December 31, 2018, and the amounts due within one year (in thousands).

| | 2017 | Additions | Retirements | 2018 | Amounts due within one year |
|---|---|---|---|---|---|
| Electric system revenue bonds | $ 1,399,645 | $ 145,330 | $ (224,645) | $ 1,320,330 | $ 44,635 |
| Electric system subordinated revenue bonds | 337,120 | - | (1,180) | 335,940 | 1,120 |
| Electric revenue notes – commercial paper series | 150,000 | 150,000 | (150,000) | 150,000 | 150,000 |
| Minibonds | 30,273 | 640 | (158) | 30,755 | - |
| NC2 separate electric system revenue bonds | 215,215 | - | (3,220) | 211,995 | 3,350 |
| **Total** | **$ 2,132,253** | **$ 295,970** | **$ (379,203)** | **$ 2,049,020** | **$ 199,105** |

**Lien Structure** – In the event of a default, subject to the terms and conditions of debt covenants, OPPD is required to satisfy all Electric System Revenue Bond obligations before paying second-tier bonds and notes, which are Electric System Subordinated Revenue Bonds, Electric Revenue Notes – Commercial Paper Series and Minibonds.

**Electric System Revenue Bonds** –These bonds are payable from and secured by a pledge of and lien upon the revenues of the Electric System, subject to the prior payment therefrom of the operations and maintenance expenses of the Electric System. The Electric System Revenue Bonds are Senior Bonds.

Moody's and S&P rated the Electric System Revenue Bonds as Aa2 and AA, respectively, in both 2018 and 2017.

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2018, (in thousands).

| Issue | Maturity Dates | Interest Rates | Amount |
|---|---|---|---|
| 2010 Series A | 2022 - 2041 | 5.431% | $ 120,000 |
| 2011 Series A | 2019 - 2024 | 3.125% - 5.0% | 16,925 |
| 2011 Series B | 2029 - 2036 | 3.625% - 4.0% | 3,565 |
| 2011 Series C | 2019 - 2022 | 2.5% - 5.0% | 36,215 |
| 2012 Series A | 2030 - 2034 | 4.0% | 63,065 |
| 2012 Series B | 2020 - 2046 | 3.0% - 5.0% | 114,265 |
| 2015 Series A | 2022 - 2045 | 2.85% - 5.0% | 93,005 |
| 2015 Series B | 2019 - 2039 | 2.0% - 5.0% | 230,280 |
| 2015 Series C | 2032 - 2043 | 3.5% - 5.0% | 94,145 |
| 2016 Series A | 2023 - 2039 | 3.0% - 5.0% | 183,340 |
| 2017 Series A | 2030 - 2042 | 4.0% - 5.0% | 220,195 |
| 2018 Series A | 2023 - 2039 | 3.25% - 5.0% | 145,330 |
| Total | | | $ 1,320,330 |

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2017, (in thousands).

| Issue | Maturity Dates | Interest Rates | Amount |
|---|---|---|---|
| 2008 Series A | 2018 | 4.6% | $ 2,900 |
| 2010 Series A | 2022 - 2041 | 5.431% | 120,000 |
| 2011 Series A | 2018 - 2024 | 3.125% - 5.0% | 38,220 |
| 2011 Series B | 2029 - 2036 | 3.625% - 4.0% | 3,565 |
| 2011 Series C | 2018 - 2030 | 2.5% - 5.0% | 112,675 |
| 2012 Series A | 2030 - 2034 | 4.0% | 63,065 |
| 2012 Series B | 2018 - 2046 | 3.0% - 5.0% | 214,715 |
| 2015 Series A | 2022 - 2045 | 2.85% - 5.0% | 93,005 |
| 2015 Series B | 2018 - 2039 | 2.0% - 5.0% | 253,820 |
| 2015 Series C | 2032 - 2043 | 3.5% - 5.0% | 94,145 |
| 2016 Series A | 2023 - 2039 | 3.0% - 5.0% | 183,340 |
| 2017 Series A | 2030 - 2042 | 4.0% - 5.0% | 220,195 |
| Total | | | $ 1,399,645 |

OPPD utilized $188,161,000 of existing resources to legally defease debt with a principal amount totaling $177,150,000 on August 24, 2018, which partially refunded the 2011 Series A, 2011 Series C, and 2012 Series B Electric System Revenue Bonds. This resulted in a net loss on reacquired debt of $3,187,000 that is included in interest expense on the Statements of Revenues, Expenses and Changes in Net Position.

OPPD issued $145,330,000 of Electric System Revenue Bonds, 2018 Series A on September 26, 2018. The 2018 Series A Bonds were used to reimburse capital expenditures. A principal payment of $47,495,000 was made on February 1, 2018, for the Electric System Revenue Bonds.

OPPD issued $220,195,000 of Electric System Revenue Bonds, 2017 Series A on December 20, 2017. The 2017 Series A Bonds were used to refund a portion of the 2011 Series B Bonds and a portion of the 2012 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by $34,099,000 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of $20,174,000. A principal payment of $45,595,000 was made on February 1, 2017, for the Electric System Revenue Bonds.

Electric System Revenue Bonds from the following series, with outstanding principal in the amount of $606,105,000 as of December 31, 2018, were legally defeased: 2009 Series A, 2011 Series A, 2011 Series B, 2011 Series C, 2012 Series A, and 2012 Series B. Electric System Revenue Bonds from the following series, with outstanding principal in the amount of $531,055,000 as of December 31, 2017, were legally defeased: 2008 Series A, 2009 Series A, 2011 Series B and 2012 Series A. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included on the Statements of Net Position.

OPPD's bond indenture, amended effective February 6, 2015, provides for certain restrictions, the most significant of which are:

- Additional bonds may not be issued unless estimated net receipts (as defined) for each future year equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued or to be issued in the case of a power plant (as defined) being financed in increments.
- The Electric System is required to be maintained by the Company in good condition.

The following table summarizes Electric System Revenue Bond payments (in thousands).

| | Principal | Interest |
|---|---|---|
| 2019 | $ 44,635 | $ 59,681 |
| 2020 | 47,390 | 58,619 |
| 2021 | 50,360 | 56,235 |
| 2022 | 16,360 | 54,632 |
| 2023 | 46,935 | 53,106 |
| 2024 - 2028 | 234,110 | 231,179 |
| 2029 - 2033 | 281,475 | 170,110 |
| 2034 - 2038 | 276,550 | 108,770 |
| 2039 - 2043 | 254,240 | 37,234 |
| 2044 - 2046 | 68,275 | 4,052 |
| Total | $ 1,320,330 | $ 833,618 |

**Electric System Subordinated Revenue Bonds** – These bonds are payable from and secured by a pledge of revenues of the Electric System, subject to the prior payment of the operations and maintenance expenses of the Electric System and the prior payment of the Electric System Revenue Bonds.

Moody's and S&P rated the Electric System Subordinated Revenue Bonds as Aa3 and AA-, respectively, in both 2018 and 2017.

The following table summarizes outstanding Electric System Subordinated Revenue Bonds as of December 31, 2018, (in thousands).

| Issue | Maturity Dates | Interest Rates | Amount |
|---|---|---|---|
| 2014 Series AA | 2019 - 2036 | 2.25% - 5.25% | $ 154,260 |
| 2014 Series BB | 2041 - 2042 | 4.0% | 49,180 |
| 2014 Series CC | 2031 - 2038 | 4.0% | 108,395 |
| 2014 Series DD | 2040 | 3.625% | 24,105 |
| Total | | | $ 335,940 |

The following table summarizes outstanding Electric System Subordinated Revenue Bonds as of December 31, 2017, (in thousands).

| Issue | Maturity Dates | Interest Rates | Amount |
|---|---|---|---|
| 2014 Series AA | 2018 - 2036 | 2.25% - 5.25% | $ 155,355 |
| 2014 Series BB | 2041 - 2042 | 4.0% | 49,180 |
| 2014 Series CC | 2031 - 2038 | 4.0% | 108,395 |
| 2014 Series DD | 2040 | 3.625% | 24,190 |
| Total | | | $ 337,120 |

On February 1, 2018, a principal payment of $1,180,000 was made for the Electric System Subordinated Revenue Bonds, which included a $85,000 put option payment on the 2014 Series DD Bonds. On February 1, 2017, a principal payment of $120,000 was made for the Electric System Subordinated Revenue Bonds, which included a $25,000 put option payment on the 2014 Series DD Bonds. On August 1, 2017, a principal payment of $40,000 was made, including a put option payment of $25,000 for the 2014 Series BB Bonds and a put option payment of $15,000 for the 2014 Series DD Bonds.

At December 31, 2018 and 2017, OPPD had no outstanding defeased Electric System Subordinated Revenue Bonds.

The following table summarizes Electric System Subordinated Revenue Bonds payments (in thousands).

| | Principal | Interest |
|---|---|---|
| 2019 | $ 1,120 | $ 13,324 |
| 2020 | 825 | 13,827 |
| 2021 | - | 13,810 |
| 2022 | 2,550 | 13,746 |
| 2023 | 2,555 | 13,619 |
| 2024 - 2028 | 39,455 | 64,520 |
| 2029 - 2033 | 64,610 | 53,037 |
| 2034 - 2038 | 151,570 | 29,077 |
| 2039 - 2042 | 73,255 | 7,212 |
| Total | $ 335,940 | $ 222,172 |

**Electric Revenue Notes - Commercial Paper Series** – The outstanding balance of Commercial Paper was $150,000,000 as of December 31, 2018 and 2017. The Commercial Paper Notes mature at various dates, but not more than 270 days after the date of issuance. The average borrowing rate was 1.5% and 0.9% for the years ended December 31, 2018 and 2017, respectively. A Credit Agreement with Bank of America, N.A., includes a covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes. The Credit Agreement will expire on October 1, 2019.

**Minibonds** – Minibonds consist of current interest-bearing and capital appreciation Minibonds. The Minibonds may be redeemed prior to their maturity dates at the request of a holder, subject to certain conditions as outlined in the Minibond Official Statement. There were no Minibond maturities in 2018 other than redemptions for the annual put option. The principal and interest on these bonds is insured by a municipal bond insurance policy.

The following table summarizes outstanding Minibond balances at December 31 (in thousands).

| Issue | 2018 | 2017 |
|---|---|---|
| 2001 Minibonds, due 2021 | $ 22,772 | $ 22,930 |
| Accreted interest on capital appreciation Minibonds | 7,983 | 7,343 |
| Total | $ 30,755 | $ 30,273 |

**Credit Agreement** – OPPD has a Credit Agreement with the Bank of America, N.A., for $250,000,000 that will expire on October 1, 2019. The Credit Agreement includes a financial covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes. There were no amounts outstanding under this Credit Agreement as of December 31, 2018 and 2017.

**NC2 Separate Electric System Revenue Bonds** – Participation Power Agreements were executed with seven public power and municipal utilities for half of the output of NC2. The participants' rights to receive, and obligations to pay costs related to, half of the output is the "Separate System."

Moody's and S&P rated the NC2 Separate Electric System Revenue Bonds as A1 and A+, respectively, in both 2018 and 2017.

The following table summarizes outstanding NC2 Separate Electric System Revenue Bonds as of December 31, 2018, (in thousands).

| Issue | Maturity Dates | Interest Rates | Amount |
|---|---|---|---|
| 2015 Series A | 2019 - 2046 | 3.0% - 5.25% | $ 109,370 |
| 2016 Series A | 2019 - 2049 | 3.25% - 5.0% | 102,625 |
| Total | | | $ 211,995 |

The following table summarizes outstanding NC2 Separate Electric System Revenue Bonds as of December 31, 2017, (in thousands).

| Issue | Maturity Dates | Interest Rates | Amount |
|---|---|---|---|
| 2008 Series A | 2018 | 4.45% | $ 515 |
| 2015 Series A | 2018 - 2046 | 3.0% - 5.25% | 111,015 |
| 2016 Series A | 2018 - 2049 | 3.0% - 5.0% | 103,685 |
| Total | | | $ 215,215 |

On February 1, 2018, a principal payment of $3,220,000 was made for the NC2 Separate Electric System Revenue Bonds. On February 1, 2017, a principal payment of $3,245,000 was made for the NC2 Separate Electric System Revenue Bonds.

There were no outstanding defeased NC2 Separate Electric System Revenue Bonds as of December 31, 2018. The NC2 Separate Electric System Revenue Bonds Series 2008 A with outstanding principal in the amount of $17,245,000 were legally defeased as of December 31, 2017. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included on the Statements of Net Position.

The following table summarizes NC2 Separate Electric System Revenue Bond payments (in thousands).

| | Principal | Interest |
|---|---|---|
| 2019 | $ 3,350 | $ 10,354 |
| 2020 | 3,495 | 10,199 |
| 2021 | 3,655 | 10,044 |
| 2022 | 3,815 | 9,869 |
| 2023 | 4,000 | 9,674 |
| 2024 - 2028 | 23,215 | 45,080 |
| 2029 - 2033 | 29,555 | 38,624 |
| 2034 - 2038 | 36,920 | 31,104 |
| 2039 - 2043 | 41,460 | 21,220 |
| 2044 - 2048 | 52,510 | 9,451 |
| 2049 | 10,020 | 251 |
| Total | $211,995 | $195,870 |

## 6. BENEFIT PLANS FOR EMPLOYEES AND RETIREES

### RETIREMENT PLAN AND SUPPLEMENTAL RETIREMENT PLAN

**Plan Descriptions and Benefits Provided** – The Omaha Public Power District Retirement Plan (Retirement Plan) is a single-employer, defined benefit plan, which provides retirement and death benefits to Plan members and their beneficiaries. The Retirement Plan covers all full-time employees as they are not covered by Social Security. The Retirement Plan was established and may be amended at the direction of OPPD's Board of Directors and is administered by the Company. Ad-hoc cost-of-living adjustments may be provided to retirees and beneficiaries at the discretion of the Board of Directors.

Generally, employees at the normal retirement age of 65 are entitled to annual pension benefits equal to 2.25% of their average compensation (as defined by the Plan document) times years of credited service (as defined by the Plan document) under the Traditional provision (as defined by the Plan document). Employees have the option to retire before the age of 65 if they meet eligibility requirements based on age and years of service. The Retirement Plan was amended as of January 1, 2008, to add a Cash Balance provision (as defined by the Plan document) to allow members the choice between the Traditional and Cash Balance provision for calculating benefits. Under the Cash Balance provision, members can receive the total vested value of their Cash Balance Account at separation from employment with OPPD. Employees were initially allowed to make a one-time irrevocable election to have benefits determined based on the Cash Balance provision instead of the Traditional provision. Effective January 1, 2013, all new employees are only eligible for the Cash Balance provision.

The Non-Qualified Plan is a single-employer, non-qualified defined benefit pension plan. The purpose of this plan is to allow certain current and former employees to retain the benefits to which they would have been entitled under the Retirement Plan, except for federally mandated limits. The benefits are derived from the Retirement Plan formula noted herein, less amounts paid from the qualified Retirement Plan. The assets of this plan are held in an irrevocable trust but are not legally protected from creditors. Accordingly, the trust does not meet the criteria for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). Annuities are purchased in the participant's name at the time of retirement. The Non-Qualified Plan was established and may be amended at the direction of OPPD's Board of Directors and is administered by the Company. The Non-Qualified Plan was amended as of January 1, 2018, to address the compensation limits in Internal Revenue Code 401(a)(17), which will increase membership in the plan going forward.

The following table summarizes the employees covered by the benefit terms of the Retirement Plan as of January 1.

| | 2018 | 2017 |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 2,154 | 2,086 |
| Terminated Retirement Plan members entitled to, but not receiving, benefits | 494 | 432 |
| Active Retirement Plan members* | 1,828 | 1,968 |
| Total | 4,476 | 4,486 |

**There were 374 and 358 members with the Cash Balance provision at January 1, 2018 and 2017, respectively.*

The following table summarizes the employees covered by the benefit terms of  the Non-Qualified Plan as of January 1.

| | 2018 | 2017 |
|---|---|---|
| Terminated Non-Qualified Plan members entitled to, but not receiving, benefits | 1 | 1 |
| Active Non-Qualified Plan members | 3 | 3 |
| Total | 4 | 4 |

**Contributions** – Employees contributed 6.7% and 6.2% of their covered payroll to the Retirement Plan for the years ended December 31, 2018 and 2017, respectively. The contribution rate for employees increased to 7.2% on January 1, 2019, and will gradually increase to 9.0% on January 1, 2022. Employee contributions are immediately 100% vested. An employee's deferred retirement allowance is 100% vested after five years of continuous service (as defined by the Plan document). The Company is obligated to contribute the balance of the funds needed on an actuarially determined basis and has met this funding requirement. The actuarially determined contribution (ADC) was fully funded in the amount of $53,563,000 and $53,073,000 for the years ended December 31, 2018 and 2017, respectively.

Employees do not contribute to the Non-Qualified Plan. The Company contributes the funds needed on an actuarially determined basis and has met this funding requirement. The ADC was fully funded in the amount of $840,000 and $1,809,000 for the years ended December 31, 2018 and 2017, respectively. According to GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), assets accumulated for non-qualified pension plan benefit payments are reported in OPPD's financial statements.

**Actuarial Assumptions** – Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The total pension liabilities in the January 1, 2018, actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement.

The total pension liabilities must be determined using the Entry Age Normal (Level Percent of Pay) cost method per GASB 68 and 73. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of the Retirement Plan assets was determined using a method that smooths the effect of short-term volatility in the market value of investments over approximately five years.

Ad-hoc cost-of-living adjustments are provided to retirees and beneficiaries of both plans at the discretion of the Board of Directors and are amortized in the year for which the increase is authorized. Except for the liability associated with cost-of-living adjustments, if any, the unfunded actuarial accrued liability was amortized on a level basis (closed group) over 20 years for 2018. The mortality table used for healthy participants was the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2017 with generational projection.

The other actuarial assumptions for the valuations of both plans as of January 1, 2018 and 2017, were as follows:

- The average rate of compensation increase varies by age.
- There were no ad-hoc cost-of-living adjustments.
- The average rate of inflation was 2.5%.
- The investment rate of return of the Retirement Plan was 7.0%, net of pension plan investment expenses, including inflation.

The actuarial assumptions are based on a study of the experience of the covered group. The last actuarial experience study was performed during 2016.

**Discount Rate** – In accordance with the provisions of GASB 68, the discount rate used to measure the total pension liability for the Retirement Plan was 7.0% for both 2018 and 2017. The discount rate is determined using the expected long-term rate of return of each asset class, including inflation and additional yields due to active investment management. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that OPPD contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with the provisions of GASB 73, OPPD elected to use the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the discount rate used to measure the total pension liability of the Non-Qualified Plan. The discount rate was 3.44% and 3.78% for 2018 and 2017, respectively.

The following table summarizes the Target Allocation and Long-term Expected Real Rate of Return, presented in geometric means, for each major Asset Class in the Retirement Plan.

| **Asset class** | **Target Allocation** | **Long-term Expected Real Rate of Return*** |
|---|---|---|
| Domestic equity | 28.0% | 5.1% |
| International developed equity | 14.0 | 5.6 |
| Emerging markets equity | 10.0 | 7.3 |
| Domestic fixed income | 23.0 | 1.6 |
| Global fixed income | 7.5 | 1.4 |
| High yield | 3.0 | 3.7 |
| Treasury inflation protected securities | 2.0 | 1.7 |
| Emerging markets debt | 5.0 | 4.1 |
| Private real estate | 7.5 | 4.5 |
| Total | 100% | |

**Based on 2018 forward-looking capital market assumptions.*

**Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability** – The total pension liabilities, plan fiduciary net position and net pension liability are determined in accordance with GASB 68 and 73, accordingly. The amounts are based on the results of an actuarial valuation measurement date of January 1, 2018.

The following table shows the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the Retirement Plan for the Measurement Period from January 1, 2017, to January 1, 2018, and the changes for the year ended December 31, 2018, (in thousands).

| | | Increase (Decrease) | |
|---|---|---|---|
| | **Total Pension Liability** | **Plan Fiduciary Net Position** | **Net Pension Liability** |
| | (a) | (b) | (a-b) |
| **Balance at 12/31/2017** | **$1,445,219** | **$ 904,820** | **$540,399** |
| (Based on 1/1/2017 measurement date) | | | |
| Changes recognized for the fiscal year: | | | |
| Service cost | 21,135 | | 21,135 |
| Interest on total pension liability | 99,501 | | 99,501 |
| Changes in benefit terms | 909 | | 909 |
| Difference between expected and actual experience | 16,421 | | 16,421 |
| Changes of assumptions | (1,306) | | (1,306) |
| Contributions from employer | | 53,073 | (53,073) |
| Contributions from employee | | 10,890 | (10,890) |
| Net investment income | | 143,070 | (143,070) |
| Benefit payments, including refunds of employee contributions | (91,372) | (91,372) | - |
| Administrative expense | | (95) | 95 |
| Net changes | 45,288 | 115,566 | (70,278) |
| **Balance at 12/31/2018** | **$1,490,507** | **$ 1,020,386** | **$470,121** |
| (Based on 1/1/2018 measurement date) | | | |

The following table shows the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the Retirement Plan for the Measurement Period from January 1, 2016, to January 1, 2017, and the changes for the year ended December 31, 2017, (in thousands).

| | | Increase (Decrease) | |
|---|---|---|---|
| | **Total Pension Liability** | **Plan Fiduciary Net Position** | **Net Pension Liability** |
| | (a) | (b) | (a-b) |
| **Balance at 12/31/2016** | **$1,356,666** | **$869,489** | **$487,177** |
| (Based on 1/1/2016 measurement date) | | | |
| Changes recognized for the fiscal year: | | | |
| Service cost | 23,406 | | 23,406 |
| Interest on total pension liability | 103,695 | | 103,695 |
| Changes in benefit terms | - | | - |
| Difference between expected and actual experience | 4,667 | | 4,667 |
| Changes of assumptions | 42,537 | | 42,537 |
| Contributions from employer | | 50,711 | (50,711) |
| Contributions from employee | | 11,957 | (11,957) |
| Net investment income | | 58,549 | (58,549) |
| Benefit payments, including refunds of employee contributions | (85,752) | (85,752) | - |
| Administrative expense | | (134) | 134 |
| Net changes | 88,553 | 35,331 | 53,222 |
| **Balance at 12/31/2017** | **$1,445,219** | **$904,820** | **$540,399** |
| (Based on 1/1/2017 measurement date) | | | |

| | 2018 | 2017 |
|---|---|---|
| Plan fiduciary net position as a percentage of the total pension liability | 68.46% | 62.61% |
| Actuarially determined contributions | $53,563 | $53,073 |

The following table shows the Total Pension Liability for the Non-Qualified Plan for the Measurement Period from January 1, 2017, to January 1, 2018, and the changes for the year ended December 31, 2018, (in thousands).

| | Increase (Decrease) Total Pension Liability |
|---|---|
| **Balance at 12/31/2017** | **$ 7,546** |
| (Based on 1/1/2017 measurement date) | |
| Changes recognized for the fiscal year: | |
| Service cost | 275 |
| Interest on total pension liability | 223 |
| Changes in benefit terms | 144 |
| Difference between expected and actual experience | 1,966 |
| Changes of assumptions | (28) |
| Benefit payments | (3,852) |
| Administrative expense | - |
| Net changes | (1,272) |
| **Balance at 12/31/2018** | **$ 6,274** |
| (Based on 1/1/2018 measurement date) | |

The following table shows the Total Pension Liability for the Non-Qualified Plan for the Measurement Period from January 1, 2016, to January 1, 2017, and the changes for the year ended December 31, 2017, (in thousands).

| | Increase (Decrease) Total Pension Liability |
|---|---|
| **Balance at 12/31/2016** | **$ 5,857** |
| (Based on 1/1/2016 measurement date) | |
| Changes recognized for the fiscal year: | |
| Service cost | 252 |
| Interest on total pension liability | 211 |
| Changes in benefit terms | - |
| Difference between expected and actual experience | 765 |
| Changes in assumptions | 461 |
| Administrative expense | - |
| Net Changes | 1,689 |
| **Balance at 12/31/2017** | **$ 7,546** |
| (Based on 1/1/2017 measurement date) | |

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Plan financial report and can be reviewed by contacting the Pension Administrator at Corporate Headquarters.

**Pension Liability** – The following table shows the Pension Liability as reported on the Statements of Net Position as of December 31 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| **Retirement Plan** | | |
| Total pension liability | $ 1,490,507 | $ 1,445,219 |
| Plan fiduciary net position | 1,020,386 | 904,820 |
| Net pension liability | 470,121 | 540,399 |
| **Non-Qualified Plan** | | |
| Total pension liability | 6,274 | 7,546 |
| **Pension Liability** | **$ 476,395** | **$ 547,945** |

**Sensitivity** – The following table illustrates the impact of interest rate sensitivity on the Total Pension Liability and Net Pension Liability as of December 31, 2018, (in thousands). The information provided below is calculated based on the applicable governmental accounting standards, which require the presentation of the discount rate at the rate in effect as of the measurement date (1/1/2018).

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| **Retirement Plan** | **6.0%** | **7.0%** | **8.0%** |
| Total pension liability | $1,660,078 | $1,490,507 | $1,347,918 |
| Plan fiduciary net position | 1,020,386 | 1,020,386 | 1,020,386 |
| Net pension liability | $ 639,692 | $ 470,121 | $ 327,532 |
| **Non-Qualified Plan** | **2.44%** | **3.44%** | **4.44%** |
| Total pension liability | $ 6,882 | $ 6,274 | $ 5,767 |

The following table illustrates the impact of interest rate sensitivity on the Total Pension Liability and Net Pension Liability as of December 31, 2017, (in thousands). The information provided below is calculated based on the applicable governmental accounting standards, which require the presentation of the discount rate at the rate in effect as of the measurement date (1/1/2017).

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| **Retirement Plan** | **6.0%** | **7.0%** | **8.0%** |
| Total pension liability | $1,610,326 | $1,445,219 | $1,306,588 |
| Plan fiduciary net position | 904,820 | 904,820 | 904,820 |
| Net pension liability | $ 705,506 | $ 540,399 | $ 401,768 |
| **Non-Qualified Plan** | **2.78%** | **3.78%** | **4.78%** |
| Total pension liability | $ 8,702 | $ 7,546 | $ 6,600 |

**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended December 31, 2018, OPPD recognized pension expense of $53,563,000 and non-qualified pension expense of $1,134,000. Pension expense for the non-qualified plan was $294,000 over the ADC as contributions were initially made based on the original projection of the ADC, which was later decreased.

The following table summarizes the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources as of December 31, 2018 (in thousands).

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| **Retirement Plan** | | |
| Difference between expected and actual experience | $ 15,484 | $ 1,972 |
| Changes of assumptions | 41,410 | 988 |
| Net difference between expected and actual earnings on pension plan investments | - | 20,294 |
| Contribution made in fiscal year ending December 31, 2018 | 53,563 | - |
| Total | $ 110,457 | $ 23,254 |
| **Non-Qualified Plan** | | |
| Difference between expected and actual experience | $ 1,642 | $ - |
| Changes of assumptions | - | 24 |
| Benefits paid in fiscal year ending December 31, 2018 | 2,399 | - |
| Total | $ 4,041 | $ 24 |
| **Total deferred outflows/inflows of resources** | **$ 114,498** | **$ 23,278** |

The following table summarizes the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources as of December 31, 2017 (in thousands).

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| **Retirement Plan** | | |
| Difference between expected and actual experience | $ 4,850 | $ 2,810 |
| Changes of assumptions | 60,714 | - |
| Net difference between expected and actual earnings on pension plan investment | 69,190 | - |
| Contribution made in fiscal year ending December 31, 2017 | 53,073 | - |
| Total | $ 187,827 | $ 2,810 |
| **Non-Qualified Plan** | | |
| Difference between actual and expected experience | $ 371 | $ - |
| Changes of assumptions | 223 | - |
| Benefits paid in fiscal year ending December 31, 2017 | 3,852 | - |
| Total | $ 4,446 | $ - |
| **Total deferred outflows/inflows of resources** | **$ 192,273** | **$ 2,810** |

As of December 31, 2018, the Company reported $53,563,000 as deferred outflows of resources related to pensions resulting from the contributions made to the Retirement Plan subsequent to the measurement date. The Company also reported $2,399,000 as deferred outflows of resources related to pensions for benefits paid from the Non-Qualified Plan subsequent to the measurement date. These amounts will be recognized as a reduction in Net Pension Liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

| Year | Qualified Plan | Non-Qualified Plan |
|---|---|---|
| 2019 | $ 32,739 | $ 319 |
| 2020 | 24,776 | 319 |
| 2021 | (8,144) | 319 |
| 2022 | (15,731) | 319 |
| 2023 | - | 319 |
| Thereafter | - | 23 |

**DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN – 401(k)/457**

OPPD sponsors a Defined Contribution Retirement Savings Plan – 401(k) (401k Plan) and a Defined Contribution Retirement Savings Plan – 457 (457 Plan). Both the 401k Plan and 457 Plan cover all full-time employees and allow contributions by employees that are partially matched by the Company. The Defined Contribution plans were established and may be amended at the direction of OPPD's Board of Directors and are administered by the Company. The 401k Plan's and 457 Plan's assets and income are held in an external trust account in each employee's name. The matching share of contributions was $5,847,000 and $5,400,000 for the years ended December 31, 2018 and 2017, respectively. The employer maximum annual match on employee contributions was $4,000 and $3,500 per employee for the years ended December 31, 2018 and 2017, respectively.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

There are two separate plans for OPEB. OPEB Plan A provides postemployment healthcare and life insurance benefits to qualifying members. OPEB Plan B provides postemployment healthcare premium coverage for the Company's share to qualifying members who were hired after December 31, 2007. The OPEB Plans were established and may be amended at the direction of OPPD's Board of Directors and is administered by the Company.

The Company has adopted and implemented the provisions of GASB 75 in 2018, related to the OPPD OPEB plans. The prior period was not restated as the information was not readily available.

Prior to adopting GASB 75 in 2018, OPPD's annual OPEB cost was calculated based on the annual required contribution of the Company's actuarially required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Since the entire ARC was funded for OPEB Plan A, there was no net OPEB obligation as of December 31, 2017. No employer contribution was required for OPEB Plan B as the Plan was overfunded as of December 31, 2017, which resulted in a net OPEB asset.

**OPEB Plan A**

**Plan Description and Benefits Provided** – OPEB Plan A (Plan A) is a single-employer defined benefit OPEB plan administered by the Company. Plan A provides postemployment healthcare benefits to retirees, surviving spouses, and employees on long-term disability and their dependents and life insurance benefits to retirees and employees on long-term disability. The requirements for retirement eligibility under OPPD's retirement plan determines when Plan A members are eligible for medical benefits. OPPD is self-insured for healthcare benefits. Healthcare benefits are based on the coverage elected by Plan A members. Plan members are required to pay a premium based on the elected coverage and their respective premium cost share. When members are retired and eligible for Medicare benefits, coverage moves from OPPD's Medical Plans to OPPD's Group Medicare Supplement and Part D Plans.

Life insurance coverage is purchased from a third-party and benefits are based on one and one-half times the participant's salary at the time of retirement until age 65. At age 65, the benefits are reduced to $20,000 if retired on or after June 1, 1996 or $15,000 if retired prior to June 1, 1996.

## Notes to Financial Statements

as of and for the Years Ended December 31, 2018 and 2017

The following table summarizes the employees covered by the benefit terms of Plan A as of January 1.

| | 2018 | 2017 |
|---|---|---|
| Inactive plan members currently receiving benefits | 1,933 | 1,956 |
| Active Plan A members | 1,828 | 1,968 |
| Total | 3,761 | 3,924 |

**Contributions** – Plan A members are required to pay a monthly premium based on the elected coverage and the respective premium cost share. The Company contributes the balance of the funds needed on an actuarially determined basis. The ADC was fully funded in the amount of $19,973,000 and $22,568,000 for the years ended December 31, 2018 and 2017, respectively.

**Actuarial Assumptions** – Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The total Plan A liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

The total Plan A liability must be determined using the Entry Age Normal (Level Percent of Pay) cost method per GASB 75. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of the Plan A assets was determined using a method that smooths the effect of short-term volatility in the market value of investments over approximately five years. The mortality table used for healthy participants was the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2017 with generational projection.

The other actuarial assumptions for the valuations as of January 1, 2018 and 2017, were as follows:

- The average rate of compensation increase varies by age.
- The average rate of inflation was 2.5%.
- The investment rate of return was 7.0%, net of OPEB plan investment expenses, including inflation.
- The pre-Medicare healthcare trend rates ranged from 7.1% immediate to 4.5% ultimate in 2018, and from 7.4% immediate to 4.5% ultimate in 2017.
- The post-Medicare healthcare trend rates ranged from 8.0% immediate to 4.5% ultimate in 2018, and 8.6% immediate to 4.5% ultimate in 2017.
- Amortization for the initial unfunded actuarial accrued liability and OPEB Plan changes was determined using a period of 30 years and the increasing method at a rate of 3.0% per year.
- Amortization for all changes (including gains/losses, assumption and plan provisions) after the initial year were determined using a closed period of 15 years and the level-dollar method.

The actuarial assumptions are based on a study of the experience of the covered group. The last actuarial experience study was performed during 2016.

**Discount Rate** - In accordance with the provisions of GASB 75, the discount rate used to measure the total Plan A liability was 7.0% for both 2018 and 2017. The discount rate is determined using the expected long-term rate of return of each asset class, including inflation and additional yields due to active investment management. The projection of cash flows used to determine the discount rate assumed that OPPD contributions will be equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan A investments was applied to all periods of projected benefit payments to determine the total OPEB Plan A liability.

The following table summarizes the Target Allocation and Long-term Expected Real Rate of Return, presented in geometric means, for each major Asset Class in the OPEB Plan A.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Global equity | 50.0% | 5.4% |
| Domestic fixed income | 25.0 | 1.6 |
| Real return | 25.0 | 4.3 |
| Total | 100% | |

*Based on 2018 forward-looking capital market assumptions.*

**Total OPEB Plan A Liability, Plan Fiduciary Net Position and Net OPEB Plan A Liability** - The total OPEB Plan A liability, plan fiduciary net position and net OPEB Plan A liability are determined in accordance with GASB 75. The amounts are based on the results of an actuarial valuation measurement date of January 1, 2018.

The following table shows the Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for Plan A for the Measurement Period from January 1, 2017, to January 1, 2018, and the changes for the year ended December 31, 2018, (in thousands).

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB A Liability** (a) | **Plan Fiduciary Net Position** (b) | **Net OPEB A Liability** (a-b) |
| **Balance at 1/1/2018** | **$ 419,881** | **$ 131,433** | **$ 288,448** |
| (Based on 1/1/2017 measurement date) | | | |
| Changes recognized for the fiscal year: | | | |
| Service cost | 4,459 | | 4,459 |
| Interest on total OPEB liability | 29,015 | | 29,015 |
| Changes in benefit terms | - | | - |
| Difference between expected and actual experience | (31,210) | | (31,210) |
| Changes of assumptions | - | | - |
| Contributions from employer | | 22,568 | (22,568) |
| Net investment income | | 18,705 | (18,705) |
| Benefit payments | (20,017) | (20,017) | - |
| Administrative expense | | (121) | 121 |
| Net changes | (17,753) | 21,135 | (38,888) |
| **Balance at 12/31/2018** | **$ 402,128** | **$ 152,568** | **$ 249,560** |
| (Based on 1/1/2018 measurement date) | | | |

| | **2018** | **2017** |
|---|---|---|
| Plan fiduciary net position as a percentage of the total OPEB Plan A liability | 37.94% | 31.30% |
| Actuarially determined contributions | $19,973 | $22,568 |

**OPEB Plan A Fiduciary Net Position** – Detailed information about OPEB Plan A's fiduciary net position is available in the separately issued Plan A financial report and can be reviewed by contacting the Pension Administrator at Corporate Headquarters.

**Sensitivity** – The following table illustrates the impact of interest rate sensitivity on the Total OPEB Liability and Net OPEB Liability as of December 31, 2018, (in thousands). The information provided below is calculated based on the applicable governmental accounting standards, which require the presentation of the discount rate at the rate in effect as of the measurement date (1/1/2018).

| OPEB Plan A | 1% Decrease 6.0% | Discount Rate 7.0% | 1% Increase 8.0% |
|---|---|---|---|
| Total OPEB liability | $ 452,834 | $ 402,128 | $ 360,193 |
| Plan fiduciary net position | 152,568 | 152,568 | 152,568 |
| Net OPEB liability | $ 300,266 | $ 249,560 | $ 207,625 |

The following table illustrates the impact of healthcare cost trend rate sensitivity on the Total OPEB Plan A Liability as of December 31, 2018, (in thousands) if it were calculated using a 1% change in the healthcare cost trend rates as of the measurement date (1/1/2018).

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Pre-Medicare | 6.1%-3.5% | 7.1%-4.5% | 8.1%-5.5% |
| Post-Medicare | 7.0%-3.5% | 8.0%-4.5% | 9.0%-5.5% |
| Total OPEB liability | $ 360,496 | $ 402,128 | $ 452,651 |

**OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Plan A** - For the year ended December 31, 2018, OPPD recognized OPEB expense of $19,973,000.

The following table summarizes the reported deferred outflows of resources and deferred inflows of resources related to Plan A from the following sources as of December 31, 2018 (in thousands).

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| **OPEB Plan A** | | |
| Difference between expected and actual experience | $ - | $ 24,801 |
| Changes of assumptions | - | - |
| Net difference between expected and actual earnings on OPEB plan investments | - | 7,537 |
| Contribution made in fiscal year ending December 31, 2018 | 19,973 | - |
| **Total deferred outflows/inflows of resources** | $ 19,973 | $ 32,338 |

As of December 31, 2018, the Company reported $19,973,000 as deferred outflows of resources related to Plan A resulting from the contributions made to the OPEB Plan subsequent to the measurement date. This amount will be recognized as a reduction in the Net OPEB Liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB Plan A will be recognized in OPEB expense as follows (in thousands):

| Year | Amount |
|---|---|
| 2019 | $ (8,293) |
| 2020 | (8,293) |
| 2021 | (8,293) |
| 2022 | (7,459) |
| 2023 | - |
| Thereafter | - |

**OPEB Plan B**

**Plan Description and Benefits Provided** – OPEB Plan B (Plan B) is a single-employer defined benefit OPEB plan administered by the Company. Plan B provides postemployment healthcare premium coverage for the Company's share for retirees and surviving spouses and their dependents to qualifying members who were hired after December 31, 2007. Benefits are based on the coverage elected by the Plan B members and the balance in the member's hypothetical account, which is a bookkeeping account. The hypothetical accounts are credited with $10,000 upon commencement of full-time employment, $1,000 annually on the member's anniversary date and interest income at 5.0% annually. Plan B benefits are for the payment of OPPD's share of the members' healthcare premiums. Plan benefits will continue until the member and eligible spouse cease to be covered under the Company's medical plan, the member's hypothetical account is depleted or Plan B terminates, whichever occurs first. Benefits are forfeited for any member who fails to retire or who retires but does not immediately commence payments.

The following table summarizes the employees covered by the benefit terms of Plan B as of January 1.

| | 2018 | 2017 |
|---|---|---|
| Inactive plan members currently receiving benefits | 5 | 1 |
| Active Plan B members | 704 | 724 |
| Total | 709 | 725 |

**Contributions** – Funds are contributed, as needed, on an actuarially determined basis. Members do not contribute to Plan B. No employer contribution was required for the years ending December 31, 2018 or 2017, as the Plan was overfunded.

**Actuarial Assumptions** – Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The total Plan B liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

The total Plan B liability must be determined using the Entry Age Normal (Level Percent of Pay) cost method per GASB 75. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of the Plan B assets was determined using market value. The mortality table used for healthy participants was the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2017 with generational projection.

The other actuarial assumptions for the valuations as of January 1, 2018 and 2017, were as follows:

- The average rate of inflation was 2.5%.
- The investment rate of return was 5.25%, net of OPEB plan investment expenses, including inflation.
- Amortization for all changes (including gains/losses, assumption and plan provisions) after the initial year were determined using a closed period of 15 years and the level-dollar method.

The actuarial assumptions are based on a study of the experience of the covered group. The last actuarial experience study was performed during 2016.

**Discount Rate** – In accordance with the provisions of GASB 75, the discount rate used to measure the total Plan B liability was 5.25% for both 2018 and 2017. The discount rate is determined using the expected long-term rate of return of each asset class, including inflation. The projection of cash flows used to determine the discount rate assumed that OPPD contributions will be made equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan B investments was applied to all periods of projected benefit payments to determine the total OPEB Plan B liability.

The following table summarizes the Target Allocation and Long-term Expected Real Rate of Return, presented in geometric means, for each major Asset Class in Plan B.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Domestic fixed income | 70.0% | 1.6% |
| Global equity | 30.0 | 5.4 |
| Total | 100% | |

**Based on 2018 forward-looking capital market assumptions.*

**Total OPEB Plan B Liability, Plan Fiduciary Net Position and Net OPEB Plan B Liability** – The total OPEB Plan B liability, plan fiduciary net position and net OPEB Plan B liability are determined in accordance with GASB 75. The amounts are based on the results of an actuarial valuation measurement date of January 1, 2018.

The following table shows the Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for Plan B for the Measurement Period from January 1, 2017, to January 1, 2018, and the changes for the year ended December 31, 2018 (in thousands).

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB B Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB B Liability/(Asset) (a-b) |
| **Balance at 1/1/2018** (Based on 1/1/2017 measurement date) | **$ 3,006** | **$ 3,735** | **$ (729)** |
| Changes recognized for the fiscal year: | | | |
| Service cost | 459 | | 459 |
| Interest on total OPEB liability | 182 | | 182 |
| Changes in benefit terms | - | | - |
| Difference between expected and actual experience | 57 | | 57 |
| Changes of assumptions | - | | - |
| Net investment income | | 356 | (356) |
| Benefit payments | (13) | (13) | - |
| Administrative expense | | (36) | 36 |
| Net changes | 685 | 307 | 378 |
| **Balance at 12/31/2018** (Based on 1/1/2018 measurement date) | **$ 3,691** | **$ 4,042** | **$ (351)** |

| | 2018 | 2017 |
|---|---|---|
| Plan fiduciary net position as a percentage of the total OPEB Plan B liability | 109.52% | 124.25% |
| Actuarially determined contributions | $323 | $123 |

**OPEB Plan B Fiduciary Net Position** – Detailed information about OPEB Plan B's fiduciary net position is available in the separately issued Plan B financial report and can be reviewed by contacting the Pension Administrator at Corporate Headquarters.

**Sensitivity** – The following table illustrates the impact of interest rate sensitivity on the Total OPEB Liability and Net OPEB Liability as of December 31, 2018 (in thousands). The information provided below is calculated based on the applicable governmental accounting standards, which require the presentation of the discount rate at the rate in effect as of the measurement date (1/1/2018).

| OPEB Plan B | 1% Decrease 4.25% | Discount Rate 5.25% | 1% Increase 6.25% |
|---|---|---|---|
| Total OPEB liability | $ 4,108 | $ 3,691 | $ 3,314 |
| Plan fiduciary net position | 4,042 | 4,042 | 4,042 |
| Net OPEB liability/(asset) | $ 66 | $ (351) | $ (728) |

The Net OPEB Asset is not affected by the healthcare cost trend rates as the Plan only covers the monthly cost of OPPD's share of the premium. Increases or decreases in the healthcare trend rates do not impact the member's hypothetical account.

**OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan B** – For the year ended December 31, 2018, OPPD recognized OPEB expense of $452,000.

The following table summarizes the reported deferred outflows of resources and deferred inflows of resources related to Plan B from the following sources as of December 31, 2018 (in thousands).

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| **OPEB Plan B** | | |
| Difference between expected and actual experience | $ 55 | $ - |
| Changes of assumptions | - | - |
| Net difference between expected and actual earnings on OPEB plan investments | - | 129 |
| **Total deferred outflows/inflows of resources** | $ 55 | $129 |

Plan B is currently overfunded, so there were no deferred outflows of resources related to contributions since there were no contributions made to the OPEB Plan subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB Plan B will be recognized in OPEB expense as follows (in thousands):

| Year | Amount |
|---|---|
| 2019 | $ (30) |
| 2020 | (30) |
| 2021 | (30) |
| 2022 | (30) |
| 2023 | 3 |
| Thereafter | 43 |

**SELF-INSURANCE HEALTH PROGRAM**

Employee healthcare and life insurance benefits are provided to substantially all employees. There were 1,595 and 1,691 employees with medical coverage as of December 31, 2018 and 2017, respectively. An Administrative Services Only (ASO) Health Insurance Program is used to account for the health insurance claims. With respect to the ASO program, reserves sufficient to satisfy both statutory and OPPD-directed requirements have been established to provide risk protection in the Segregated Fund – Other (Note 3). Additionally, private insurance has been purchased to cover claims in excess of 125% of expected aggregate levels and $450,000 per member.

Healthcare expenses for employees were $28,063,000 and $28,980,000 for the years ended December 31, 2018 and 2017, respectively.

The total cost of life and long-term disability insurance for full-time employees was $1,192,000 and $1,416,000 for the years ended December 31, 2018 and 2017, respectively.

The balance of the Incurred but Not Presented Reserve was $3,055,000 and $3,057,000 as of December 31, 2018 and 2017, respectively (Note 2).

### 7. ADDITIONS TO AND UTILIZATIONS OF RESERVES

The Rate Stabilization Reserve was increased by $0 and $8,000,000 for the years ended December 31, 2018 and 2017, respectively. The balance of the reserve was $50,000,000 as of December 31, 2018 and 2017.

The Decommissioning and Benefits Reserve was increased by $42,500,000 and $34,500,000 for the years ended December 31, 2018 and 2017, respectively. The balance of the reserve was $77,000,000 and $34,500,000 as of December 31, 2018 and 2017, respectively.

### 8. DERIVATIVES AND FINANCIAL INSTRUMENTS

**Energy Futures Contracts** – OPPD enters into financial futures contracts to hedge the volatility of the market price risk of electricity for anticipated off-system sales revenue or purchase power expense transactions. These transactions must comply with the risk-management policy in place to control the volume of energy that can be hedged and the length of the contracts. The Company does not enter into derivative instruments for speculative purposes.

OPPD entered into energy financial futures contracts with the Intercontinental Exchange (ICE) to hedge the expected cash flows associated with purchases and sales of energy due to market price volatility. By entering into these arrangements, OPPD will receive and make payments based on market prices without actually entering into the related commodity transactions. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, outstanding derivatives are evaluated and classified as either hedging derivative instruments, or cash flow hedges (effective), or investment derivative instruments (ineffective), with the accumulated change in fair market value recognized as deferred inflows/outflows of resources on the Statements of Net Position or investment income/expense on the Statements of Revenues, Expenses and Changes in Net Position, respectively. The fair value and deferred cash flows, if any, for these contracts are determined by comparing the contract price to the forward market prices quoted by an independent external pricing service.

Realized gains or losses from hedging derivative instruments are recognized as either off-system sales revenue or purchased power expense on the Statements of Revenue, Expenses and Changes in Net Position in the month the contract expires. Gains or losses from investment derivative instruments are recognized immediately as investment income/expense. All derivative contracts are cash settled in the month subsequent to the period in which the contract expires.

The following table summarizes the outstanding contracts and related megawatt-hours (MWh) as of December 31, 2018.

| | Effective Date | Maturity Date | Notional Amount | Volume |
|---|---|---|---|---|
| Energy Futures Contract | Nov. 2018 | Jan. 2019 | 12,720 | MWh |
| Energy Futures Contract | Nov. 2018 | Feb. 2019 | 3,520 | MWh |
| Energy Futures Contract | Dec. 2018 | Jan. 2019 | 19,600 | MWh |
| Energy Futures Contract | Dec. 2018 | Feb. 2019 | 17,600 | MWh |
| Energy Futures Contract | Dec. 2018 | Mar. 2019 | 16,800 | MWh |
| Energy Futures Contract | Dec. 2018 | Apr. 2019 | 17,600 | MWh |
| Total MWh hedged | | | 87,840 | |

There were no energy futures contracts outstanding as of December 31, 2017.

The following table summarizes the fair value, changes in fair value and notional amounts of energy financial futures contracts, classified by type, outstanding as of December 31, 2018.

| | Changes in Fair Value | | Fair Value at December 31, 2018 | | |
|---|---|---|---|---|---|
| | **Classification** | **Amount** | **Classification** | **Amount** | **Notional** |
| **Cash flow hedges:** | | | | | |
| Commodity futures | Deferred inflow | $ 575,000 | Derivative instruments - assets | $ 575,000 | 53,440 MWh |
| Commodity futures | Deferred outflow | $ 186,000 | Derivative instruments - liability | $ 186,000 | 34,400 MWh |

As a result of engaging in hedging activities, OPPD is subject to the following key risks:

- **Basis Risk** – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. OPPD is exposed to this risk due to a difference in commodity value between different generating sites and delivery points or between cash market prices and the pricing points used in the SPP financial market.
- **Credit Risk** – Credit risk is the risk that results when counterparties or the clearing agent are unable or unwilling to fulfill their obligations. OPPD addresses this risk with the counterparties by executing these contracts using an independent clearing agent, which requires collateral and will spread any unfilled obligations across all participants utilizing their services. The risk of default by the clearing agent is mitigated by their membership in the commodities clearing house, which requires collateral and guaranty funds by each clearing agent to be used to offset any socialized unfilled obligations between member clearing agents.

**Auction Revenue Rights (ARRs)** – ARRs are financial instruments that entitle the owner to a share of the revenues generated in the applicable Transmission Congestion Rights (TCR) auctions. ARRs are allocated during annual and/or incremental monthly auctions and have the option of being converted into a TCR. OPPD is entitled to these financial payments as a substitute for firm (physical) transmission service. ARRs are accounted for at cost as they are not readily convertible to cash and therefore do not meet the definition of a derivative. The balance of ARRs, reported in current liabilities - other, was $5,419,000 and $2,779,000 as of December 31, 2018, and 2017, respectively (Note 2).

**Transmission Congestion Rights** – TCRs are financial instruments that entitle the holder to an offset to congestion charges on the transmission grid that take place in the day-ahead market. The Company utilizes TCRs to hedge against congestion differentials between OPPD generators and OPPD load in the SPP Integrated Marketplace.

TCRs qualify for the normal purchases and sales exception under GASB guidance and are reported on a cost basis on the Statements of Net Position. The total notional amount of TCRs outstanding as of December 31, 2018 and 2017, was 4,846,348 MWh and 4,962,614 MWh, respectively. The balance of TCRs reported in other current assets was $1,968,000 and $529,000 as of December 31, 2018 and 2017, respectively (Note 2).

## 9. OTHER – NET

The following table summarizes the composition of Other – Net for the years ended December 31 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| Grants from FEMA | $ 4,646 | $ 6,461 |
| Interest subsidies from the federal government | 2,138 | 2,169 |
| Insurance recoveries | 160 | 1,062 |
| Other | 407 | 1,121 |
| Total | $ 7,351 | $ 10,813 |

## 10. RISK MITIGATION AND RECOVERIES

OPPD is exposed to various risks of loss related to general liability and property damage. The Company procures property and liability insurance, subject to certain limits and deductibles, to reduce the adverse effect on its financial position or operational capabilities from claims caused by such matters. There have been no significant changes to the Company's insurance portfolio. Claims have not exceeded the limits of property or liability insurance in any of the three preceding years.

The following table summarizes the total claims liability, comprising claims received and medical claims incurred but not presented, at December 31, 2018 and 2017 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| IBNP reserve | $ 3,055 | $ 3,057 |
| Workers' compensation reserve | 5,280 | 5,384 |
| Public liability reserve | 1,243 | 420 |
| Total | $ 9,578 | $ 8,861 |

The following table summarizes the changes in the total claims liability during 2018 and 2017 (in thousands).

| | 2018 | 2017 |
|---|---|---|
| Claims liability, beginning of year | $ 8,861 | $ 5,190 |
| Payments on claims | (30,258) | (31,386) |
| Claims and adjustments | 30,975 | 35,057 |
| Claims liability, end of year | $ 9,578 | $ 8,861 |

OPPD is eligible for disaster assistance from the Federal Emergency Management Agency (FEMA) when a disaster is declared for damage in the Company's service area. FEMA declared disasters for storms during 2017, 2015 and 2014. The receivable for those disasters was $11,199,000 and $8,526,000 at December 31, 2018 and 2017, respectively.

### 11. FORT CALHOUN STATION

In June 2016, the OPPD Board of Directors approved a recommendation by management to cease operations at FCS by December 31, 2016, and begin the decommissioning process using the safe storage (SAFSTOR) methodology. The decision was made after a review of the Company's generation resource portfolio, and the station ceased operations on October 24, 2016. As a result of the Board decision to cease operations, the FCS assets were impaired in 2016. The write-off was recorded to the Special Item on the Statements of Revenues, Expenses and Changes in Net Position.

A portion of the nuclear fuel inventory was not included in the 2016 impairment amount as it was anticipated to be sold in 2017. The nuclear fuel inventory was sold in October 2017 for $15,200,000 and resulted in additional write-off to the Special Item for $1,972,000.

A portion of the materials and supplies inventory was not included in the impairment as this inventory is being used or sold, or is expected to be used or sold.  As a result, it was reported at fair value in Current Assets on the Statements of Net Position. The balance was $3,748,000 as of December 31, 2018 and 2017.

The FCS recovery costs incurred in 2012 and 2013 were deferred as a regulatory asset based on Board approval. The deferral of the costs related to recovery was not included in the impairment, but will continue to be amortized (and collected through retail rates) through 2023, as these costs benefit current and future ratepayers.

OPPD entered into an agreement with EnergySolutions LLC (ES) in February 2017 for decommissioning support services. OPPD retains the license and management responsibility for the facility, while benefitting from the advisory services provided by ES. The agreement includes both on-site and off-site support by personnel across multiple disciplines as needs are identified, including advice on the safe characterization, packaging, transportation and disposal of nuclear material.

In October 2018, the Board of Directors approved a recommendation by management to transition the decommissioning process from SAFSTOR to the immediate dismantling (DECON) methodology. DECON provides for the immediate decontamination and dismantling of the nuclear systems and structures. In November 2018, the Board of Directors approved a recommendation by management to complete the DECON process using an OPPD-led, with contractor support, approach to the project. The Board also authorized and directed management to complete negotiations and enter into a contract with a qualified contractor to assist OPPD with completing the DECON process. Negotiations to obtain the needed contractor support are currently in progress.

The total estimated cost in current-year dollars to decommission FCS using the DECON methodology was $1,080,995,000 as of December 31, 2018, and $1,241,032,000 using the SAFSTOR methodology as of December 31, 2017. The estimated cost to decommission the station in current-year dollars for the NRC-required obligations using the DECON methodology was $1,025,729,000 as of December 31, 2018, and $1,175,333,000 using the SAFSTOR methodology as of December 31, 2017. This included $114,080,000 in Current Liabilities and $911,649,000 in Other Liabilities as of December 31, 2018, and $89,665,000 in Current Liabilities and $1,085,668,000 in Other Liabilities as of December 31, 2017, on the Statements of Net Position. The estimated costs were based on a third-party, site-specific cost study.

The major assumptions used in the cost estimate as the basis for the decommissioning liability for December 31, 2018, were as follows:

- Costs are provided in current-year dollars.
- Costs based on Prompt DECON Decommissioning model.
- Personnel costs based on a single-average salary for security and non-security staff, adjusted for headcount reductions.
- Overhead costs are for site and corporate support.
- Site facilities and systems data are based on current existing site drawings and data provided by OPPD, combined with experience from ES, to establish station systems and buildings inventories. These were used to generate labor hours, cost, and waste volumes and classifications.

The major assumptions used in the cost estimate as the basis for the decommissioning liability for December 31, 2017, were as follows:

- Costs are provided in current-year dollars.
- Costs based on SAFSTOR Decommissioning model.
- Personnel costs based on a single-average salary for security and non-security staff, adjusted for headcount reductions.
- Site facilities are based on a 2013 analysis and updated to include a new security building.
- Overhead costs are for site and corporate support.
- Recurring non-labor costs derived from the 2018 site budget and adjusted for near-term or one-time costs.
- Design conditions related to the vessel, internal components, control element assemblies, containment building structure and other miscellaneous equipment and material.

A regulatory asset was approved to match the recovery of decommissioning expenses with the decommissioning funding amounts collected through retail rates. The balance of the regulatory asset was $468,720,000 and $690,068,000 as of December 31, 2018 and 2017, respectively. This included $143,000,000 in Current Assets and $325,720,000 in Other Long-Term Assets as of December 31, 2018, and $156,000,000 in Current Assets and $534,068,000 in Other Long-Term Assets as of December 31, 2017, on the Statements of Net Position. A long-term asset of $65,236,000 and $65,546,000 as of December 31, 2018 and 2017, respectively was recorded for the estimated recovery from the DOE for costs related to spent fuel management activities. The DOE recovery amount was based on the low-end range of the potential reimbursement in accordance with accounting standards. The balance of the decommissioning trust assets was $465,956,000 and $421,257,000 as of December 31, 2018 and 2017, respectively, and includes interest receivables of $1,102,000 and $874,000 as of December 31, 2018 and 2017, respectively.

Employees located at FCS or other locations, and terminated as a result of the decision to cease operations, are eligible for an employee severance package. The package includes a lump-sum payment to eligible employees with a base of 12 weeks of pay based on current salary, plus an additional week of pay for each year of service up to a maximum of 52 weeks. Employees enrolled in the Company's medical benefit plans are also eligible for a lump-sum payment of medical, dental and vision insurance coverage costs based on the number of weeks used in the severance calculation (as noted above). Retiring employees are only eligible for payment related to dental coverage. Employees received severance payments totaling $1,682,000 and $2,508,000 in 2018 and 2017, respectively. The number of employees that received these payments was 15 and 32 in 2018 and 2017, respectively.

Severance costs are accrued as the benefits are earned and recognized ratably over the future service period. Future severance costs beyond December 31, 2018, are estimated to be paid to approximately 257 employees in various waves of reductions through 2027. Severance costs of $1,650,000 and $4,232,000 were recorded as of December 31, 2018 and 2017, respectively.

In 2016, OPPD established a Key Employee Performance Plan (KEPP) to help ensure that key positions remained staffed for continued safe operations. As part of the KEPP, certain key positions at FCS are eligible for a performance incentive. Performance incentives are paid to employees based on attainment of certain milestone dates that extend to 2019. In 2018, 83 employees received performance incentive payments totaling $2,912,000. In 2017, 133 employees received performance incentive payments totaling $6,696,000. Future performance incentive costs beyond December 31, 2018, are estimated to be paid to approximately 11 employees. Performance incentive costs of $1,495,000 and $7,024,000 were recorded as of December 31, 2018 and 2017, respectively.

## 12. COMMITMENTS AND CONTINGENCIES

Commitments for the uncompleted portion of construction contracts were approximately $51,284,000 at December 31, 2018.

Power sales commitments that extend through 2027 were $21,829,000 as of December 31, 2018. Power purchase commitments, including capacity contracts were $286,498,000 as of December 31, 2018. These committments extend through 2050 and do not include the Participation Power Agreements (PPAs) for OPPD's commitments for wind energy purchases or NC2, which are separately disclosed below.

The following table summarizes OPPD's commitments for wind purchase agreements as of December 31, 2018.

| | Total Capacity (in MW) | OPPD Share (in MW) | Commitment Through | Amount (in thousands) |
|---|---|---|---|---|
| Ainsworth* | 59.4 | 10.0 | 2025 | $ 14,000 |
| Elkhorn Ridge** | 80.0 | 25.0 | 2029 | 11,979 |
| Total | 139.4 | 35.0 | | $ 25,979 |

** This PPA is on a "take-or-pay" basis and the Company is obligated to make payments for purchased power even if the power is not available, delivered or taken by OPPD. In addition, the Company is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from a default at the Ainsworth facility. Included in this amount is OPPD's expected share of decommissioning costs.*

***This PPA is on a "take-and-pay" basis and requires payments when the power is made available to OPPD. The commitment amount includes monthly fixed demand charges.*

There are no commitments for Crofton Bluffs, Broken Bow I and II, Flat Water, Petersburg, Prairie Breeze and Grande Prairie.

There are 40-year PPAs with seven public power and municipal utilities (the Participants) for the sale of half of the net capacity of NC2. The Participants have agreed to purchase their respective shares of the output on a "take-or-pay" basis even if the power is not available, delivered to or taken by the Participants. The Participants are subject to a step-up provision, whereby in the event of a Participant default, the remaining Participants are obligated to pay a share of any deficit in funds resulting from the default. There is an NC2 Transmission Facilities Cost Agreement with the Participants that addresses the cost allocation, payment and cost recovery for delivery of their respective power.

OPPD has coal supply contracts that extend through 2021 with minimum future payments of $115,056,000 at December 31, 2018. The Company also has coal-transportation contracts that extend through 2020 with minimum future payments of $155,399,000 as of December 31, 2018. These contracts are subject to price adjustments.

Under the provisions of the Price-Anderson Act as of November 1, 2018, OPPD and all other licensed nuclear power plant operators could each be assessed for claims and legal costs in the event of a nuclear incident in amounts not to exceed a total of $137,608,800 per reactor, per incident, with a maximum of $20,496,000 per incident in any one calendar year. These amounts are subject to adjustment every five years in accordance with the Consumer Price Index. The Nuclear Regulatory Commission (NRC) approved OPPD's request for an exemption from the provisions of the Price-Anderson Act and thus effectively removing OPPD from the secondary financial protection pool assessments. The exemption was effective April 7, 2018.

OPPD has received and responded to requests for information from the Environmental Protection Agency (EPA) relating to compliance with the Clean Air Act at the North Omaha and Nebraska City Station Unit 1 (NC1) stations. OPPD received a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking certain projects at NC1. The Company believes it has complied with all regulations relative to the projects in question and has discussed the matters with the EPA. The EPA would have to establish the allegations in the NOV in court. If the EPA establishes a Clean Air Act violation in court, which could be subject to possible appellate court review, remedies can include a requirement to install pollution-control equipment. OPPD cannot determine at this time whether it will have any future financial obligation with respect to the NOV.

The Company is engaged in routine litigation incidental to the conduct of its business and, in the opinion of Management, based upon the advice of General Counsel, the aggregate amounts recoverable or payable, taking into account amounts provided in the financial statements, are not significant.

## Required Supplementary Information (Unaudited)

### Schedule of Changes in Total Pension Liability, Net Pension Liability and Related Ratios

The following schedules show the history of changes in Total Pension Liability and Net Pension Liability as of December 31, using a January 1 measurement date (in thousands).

| **Retirement Plan** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|
| **Total Pension Liability** | | | | |
| Service cost | $ 21,135 | $ 23,406 | $ 23,224 | $ 22,492 |
| Interest on total pension liability | 99,501 | 103,695 | 100,285 | 93,643 |
| Changes of benefit terms | 909 | - | 1,268 | - |
| Difference between expected and actual experience | 16,421 | 4,667 | 2,593 | (5,328) |
| Changes of assumptions | (1,306) | 42,537 | - | 54,712 |
| Benefit payments, including refunds of employee contributions | (91,372) | (85,752) | (81,441) | (79,681) |
| **Net change in total pension liability** | **45,288** | **88,553** | **45,929** | **85,838** |
| **Total pension liability (beginning)** | **1,445,219** | **1,356,666** | **1,310,737** | **1,224,899** |
| **Total pension liability (ending) (a)** | **$1,490,507** | **$1,445,219** | **$1,356,666** | **$1,310,737** |
| **Plan Fiduciary Net Position** | | | | |
| Contributions from employer | $ 53,073 | $ 50,711 | $ 46,568 | $ 53,008 |
| Contributions from employee | 10,890 | 11,957 | 12,375 | 11,720 |
| Net investment income | 143,070 | 58,549 | (11,465) | 32,020 |
| Benefit payments, including refunds of employee contributions | (91,372) | (85,752) | (81,441) | (79,681) |
| Administrative expense | (95) | (134) | (111) | (193) |
| **Net change in plan fiduciary net position** | **115,566** | **35,331** | **(34,074)** | **16,874** |
| **Plan fiduciary net position (beginning)** | **904,820** | **869,489** | **903,563** | **886,689** |
| **Plan fiduciary net position (ending) (b)** | **$1,020,386** | **$ 904,820** | **$ 869,489** | **$ 903,563** |
| **Net pension liability (ending) (a)-(b)** | **$ 470,121** | **$ 540,399** | **$ 487,177** | **$ 407,174** |
| Plan fiduciary net position as a percentage of total pension liability | 68.46% | 62.61% | 64.09% | 68.94% |
| Covered payroll | $ 179,607 | $ 187,605 | $ 200,905 | $ 196,344 |
| Net pension liability as a percentage of covered payroll | 261.75% | 288.05% | 242.49% | 207.38% |

**Non-Qualified Plan**

| **Total Pension Liability** | **2018** | **2017** |
|---|---|---|
| Service cost | $ 275 | $ 252 |
| Interest on total pension liability | 223 | 211 |
| Changes of benefit terms | 144 | - |
| Difference between expected and actual experience | 1,966 | 765 |
| Changes of assumptions | (28) | 461 |
| Benefits payments | (3,852) | - |
| **Net change in total pension liability** | **(1,272)** | **1,689** |
| **Total pension liability (beginning)** | **7,546** | **5,857** |
| **Total pension liability (ending)** | **$ 6,274** | **$ 7,546** |
| Covered payroll | $ 2,561 | $ 1,305 |
| Total pension liability as a percentage of covered payroll | 244.99% | 578.24% |

*Schedule is intended to show information for 10 years. Additional years will be displayed when available.*

*See notes to required supplementary information*

### Schedule of Retirement Plan Contributions

The following table shows the history of Contributions for the Retirement Plan as of December 31, using a January 1 measurement date (in thousands).

| | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **2018** | $ 53,563 | $ 53,563 | $ - | $ 179,607 | 29.82% |
| **2017** | 53,073 | 53,073 | - | 187,605 | 28.29% |
| **2016** | 50,711 | 50,711 | - | 200,905 | 25.24% |
| **2015** | 46,568 | 46,568 | - | 196,344 | 23.72% |
| **2014** | 53,008 | 53,008 | - | 194,100 | 27.31% |

*Schedule is intended to show information for 10 years. Additional years will be displayed when available.*

*See notes to required supplementary information*

## Required Supplementary Information (Unaudited)

### Schedule of Changes in Total OPEB Liability, Net OPEB Liability and Related Ratios

The following schedules show the history of changes in Total OPEB Liability and Net OPEB Liability as of December 31 using a January 1 measurement date (in thousands).

| **Plan A** | **2018** |
|---|---|
| **Total OPEB Liability** | |
| Service cost | $ 4,459 |
| Interest on total OPEB liability | 29,015 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | (31,210) |
| Changes of assumptions | - |
| Benefit payments | (20,017) |
| **Net change in total OPEB liability** | **(17,753)** |
| **Total OPEB liability (beginning)** | **419,881** |
| **Total OPEB liability (ending) (a)** | **$ 402,128** |
| **Plan Fiduciary Net Position** | |
| Contributions from employer | $ 22,568 |
| Net investment income | 18,705 |
| Benefit payments | (20,017) |
| Administrative expense | (121) |
| **Net change in plan fiduciary net position** | **21,135** |
| **Plan fiduciary net position (beginning)** | **131,433** |
| **Plan fiduciary net position (ending) (b)** | **$ 152,568** |
| **Net OPEB liability (ending) (a)-(b)** | **$ 249,560** |
| Plan fiduciary net position as a percentage of total OPEB liability | 37.94% |
| Covered payroll | $ 179,607 |
| Net OPEB liability as a percentage of covered payroll | 138.95% |

*Schedule is intended to show information for 10 years. Additional years will be displayed when available.*

*See notes to required supplementary information.*

| Plan B | 2018 |
|---|---|
| **Total OPEB Liability** | |
| Service cost | $ 459 |
| Interest on total OPEB liability | 182 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | 57 |
| Changes of assumptions | - |
| Benefit payments | (13) |
| **Net change in total OPEB liability** | **685** |
| **Total OPEB liability (beginning)** | **3,006** |
| **Total OPEB liability (ending) (a)** | **$ 3,691** |
| **Plan Fiduciary Net Position** | |
| Contributions from employer | $ - |
| Net investment income | 356 |
| Benefit payments | (13) |
| Administrative expense | (36) |
| **Net change in plan fiduciary net position** | **307** |
| **Plan fiduciary net position (beginning)** | **3,735** |
| **Plan fiduciary net position (ending) (b)** | **$ 4,042** |
| **Net OPEB liability/(asset) (ending) (a)-(b)** | **$ (351)** |
| Plan fiduciary net position as a percentage of total OPEB liability | 109.52% |
| Covered-employee payroll | $ 55,747 |
| Net OPEB liability/(asset) as a percentage of covered-employee payroll | (0.63%) |

*Schedule is intended to show information for 10 years. Additional years will be displayed when available.*

*See notes to required supplementary information.*

## Required Supplementary Information (Unaudited)

### Schedule of OPEB Contributions

The following table shows the history of Contributions for the OPEB Plans as of December 31 using a January 1 measurement date (in thousands).

| Plan A | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **2018** | $ 19,973 | $ 19,973 | $ - | $ 179,607 | 11.12% |

| Plan B | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **2018** | $ 323 | $ - | $ - | $ 55,747 | 0.0% |

Currently Plan B is overfunded, so no employer contribution is required, despite the actuarially determined contribution.

*Schedules are intended to show information for 10 years. Additional years will be displayed when available.*

*See notes to required supplementary information.*

## Notes to Required Supplementary Information (Unaudited)

### Retirement Plan

*Valuation Date:* Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determined Contribution Rates

*Actuarial Cost Method*: Entry Age Normal with 20-year closed amortization period for unfunded liability

*Asset Valuation Method*: 5-year smoothing

*Salary Increases*: Varies by age

*Investment Rate of Return*: 7.00% for 2018, 2017 and 2016, 7.75% for 2015 and earlier

*Retirement Rates*: Varies by age and service

*Mortality Rates*: RP-2014 Aggregate mortality table with generational projection using Scale MP-2014, and is updated annually as new actuarial tables are published.

### Non-Qualified Plan

OPPD contributes to a fund for the Non-Qualified Plan on an actuarially determined basis. The fund will be used to pay related benefits; however, it does not meet the criteria for GASB 68 as the assets are not legally protected from creditors. As such, assets were reported in the Company's financial statements and were not netted against the total pension liability. The Company adopted and implemented the provisions of GASB 73 in 2017.

*Valuation Date*: Actuarially determined calculations are as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determined Contribution Rates

*Actuarial Cost Method*: Entry Age Normal

*Salary Increases*: Varies by age

*Retirement Rates*: Varies by age and service

*Mortality Rates*: RP-2014 Aggregate mortality table with generational projection using Scale MP-2014, and is updated annually as new actuarial tables are published.

## Notes to Required Supplementary Information (Unaudited)

### OPEB Plan A

*Valuation Date*: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determined Contribution Rates

*Actuarial Cost Method*: Entry Age Normal with 15-year closed amortization period for unfunded liability

*Asset Valuation Method*: 5-year smoothing

*Salary Increases*: Varies by age

*Investment Rate of Return*: 7.00% for 2018 and 2017

*Retirement Rates*: Varies by age and service

*Mortality Rates*: RP-2014 Aggregate mortality table with generational projection using Scale MP-2014, and is updated annually as new actuarial tables are published.

*Healthcare Cost Trend Rates*: The pre-Medicare healthcare trend rates ranged from 7.1% immediate to 4.5% ultimate in 2018, and from 7.4% immediate to 4.5% ultimate in 2017. The post-Medicare healthcare trend rates ranged from 8.0% immediate to 4.5% ultimate in 2018, and 8.6% immediate to 4.5% ultimate in 2017.

### OPEB Plan B

*Valuation Date*: Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determined Contribution Rates

*Actuarial Cost Method*: Entry Age Normal with 15-year closed amortization period for unfunded liability

*Asset Valuation Method*: Market Value

*Investment Rate of Return*: 5.25% for 2018 and 2017

# Statistics (Unaudited)

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Electric Utility Plant** | | | | | | | | | | |
| (at year end) | | | | | | | | | | |
| (in thousands of dollars) | **4,429,791** | 4,350,603 | 4,305,055 | 5,574,941 | 5,395,489 | 5,288,168 | 5,187,395 | 5,027,093 | 4,865,417 | 4,678,449 |
| **Total Indebtedness** | | | | | | | | | | |
| (at year end) | | | | | | | | | | |
| (in thousands of dollars) | **2,049,020** | 2,132,253 | 2,193,921 | 2,256,348 | 2,224,843 | 2,267,277 | 2,296,305 | 2,085,540 | 2,011,969 | 1,937,704 |
| **Operating Revenues** | | | | | | | | | | |
| (in thousands of dollars) | | | | | | | | | | |
| Residential | **431,199** | 409,272 | 410,957 | 383,051 | 379,986 | 385,171 | 362,105 | 337,053 | 335,294 | 292,887 |
| Commercial | **331,773** | 324,723 | 324,545 | 315,079 | 311,917 | 306,719 | 292,296 | 274,102 | 284,400 | 265,668 |
| Industrial | **213,606** | 214,580 | 210,912 | 201,805 | 207,649 | 213,742 | 197,225 | 186,417 | 164,621 | 139,865 |
| Off-System Sales | **183,714** | 163,761 | 175,506 | 195,512 | 223,055 | 118,268 | 123,191 | 159,732 | 184,374 | 158,354 |
| FPPA Revenue | **8,579** | 6,708 | (6,115) | (19,166) | (20,147) | 15,169 | (3,237) | 35,345 | 269 | – |
| Unbilled Revenues | **(2,532)** | (1,049) | 6,753 | (976) | (1,800) | 4,490 | 4,517 | (4,239) | 1,232 | 7,449 |
| Provision for Rate Stabilization | **–** | (8,000) | (26,000) | 25,000 | (4,000) | – | – | – | – | – |
| Provision for Debt Retirement | **–** | – | – | – | – | 17,000 | 17,000 | 24,000 | (13,000) | 13,000 |
| Provision for Decommissioning & Benefits Reserve | **(42,500)** | (34,500) | – | – | – | – | – | – | – | – |
| Other Electric Revenues | **33,094** | 28,806 | 29,918 | 30,930 | 29,798 | 29,654 | 54,900 | 29,352 | 29,160 | 22,743 |
| Total | **1,156,933** | 1,104,301 | 1,126,476 | 1,131,235 | 1,126,458 | 1,090,213 | 1,047,997 | 1,041,762 | 986,350 | 899,966 |
| **Operations & Maintenance Expenses** | | | | | | | | | | |
| (in thousands of dollars) | **699,944** | 653,293 | 823,857 | 841,939 | 832,519 | 796,104 | 770,073 | 789,516 | 720,957 | 653,993 |
| **Payments in Lieu of Taxes** | | | | | | | | | | |
| (in thousands of dollars) | **34,915** | 33,989 | 34,138 | 32,241 | 31,651 | 31,827 | 30,094 | 28,217 | 27,851 | 24,810 |
| **Net Operating Revenues before Depreciation, Amortization and Decommissioning** | | | | | | | | | | |
| (in thousands of dollars) | **422,074** | 417,019 | 268,481 | 257,055 | 262,288 | 262,282 | 247,830 | 224,029 | 237,542 | 221,163 |
| **Net Income Before Special Item** | | | | | | | | | | |
| (in thousands of dollars) | **68,734** | 79,168 | 25,750 | 32,322 | 51,925 | 55,276 | 54,829 | 54,440 | 40,047 | 46,557 |
| **Special Item** | | | | | | | | | | |
| (in thousands of dollars) | **–** | 1,972 | (959,575) | – | – | – | – | – | – | – |
| **Net Income (Loss)** | | | | | | | | | | |
| (in thousands of dollars) | **68,734** | 77,196 | (933,825) | 32,322 | 51,925 | 55,276 | 54,829 | 54,440 | 40,047 | 46,557 |
| **Energy Sales** | | | | | | | | | | |
| (in megawatt-hours) | | | | | | | | | | |
| Residential | **3,841,043** | 3,568,164 | 3,588,933 | 3,470,523 | 3,559,978 | 3,607,439 | 3,595,316 | 3,602,973 | 3,644,400 | 3,361,672 |
| Commercial | **3,765,727** | 3,675,829 | 3,683,821 | 3,630,557 | 3,638,193 | 3,561,707 | 3,492,745 | 3,481,459 | 3,777,092 | 3,672,982 |
| Industrial | **3,371,856** | 3,394,003 | 3,328,290 | 3,301,175 | 3,500,977 | 3,606,611 | 3,670,346 | 3,698,719 | 3,427,710 | 3,039,396 |
| Off-System Sales | **5,658,707** | 5,701,008 | 7,238,266 | 7,840,683 | 7,694,203 | 3,925,574 | 3,671,978 | 4,631,175 | 5,552,645 | 5,534,803 |
| Unbilled Sales | **(28,596)** | (19,868) | 63,638 | (26,640) | (39,493) | 26,221 | 28,558 | (85,917) | (24,109) | 74,416 |
| Total | **16,608,737** | 16,319,136 | 17,902,948 | 18,216,298 | 18,353,858 | 14,727,552 | 14,458,943 | 15,328,409 | 16,377,738 | 15,683,269 |
| **Number of Customers** | | | | | | | | | | |
| (average per year) | | | | | | | | | | |
| Residential | **333,567** | 328,576 | 323,784 | 319,501 | 315,705 | 311,921 | 308,516 | 308,412 | 303,374 | 299,813 |
| Commercial | **46,589** | 46,084 | 45,537 | 45,104 | 44,785 | 44,221 | 43,589 | 43,564 | 43,225 | 43,134 |
| Industrial | **151** | 157 | 164 | 174 | 177 | 193 | 210 | 206 | 154 | 151 |
| Off-System | **15** | 14 | 15 | 11 | 15 | 33 | 35 | 41 | 38 | 34 |
| Total | **380,322** | 374,831 | 369,500 | 364,790 | 360,682 | 356,368 | 352,350 | 352,223 | 346,791 | 343,132 |
| **Cents Per kWh (average)** | | | | | | | | | | |
| Residential | **11.21** | 11.49 | 11.47 | 11.07 | 10.68 | 10.68 | 10.12 | 9.37 | 9.22 | 8.77 |
| Commercial | **8.81** | 8.83 | 8.81 | 8.69 | 8.57 | 8.61 | 8.40 | 7.89 | 7.54 | 7.29 |
| Industrial | **6.33** | 6.32 | 6.35 | 6.12 | 5.94 | 5.96 | 5.38 | 5.05 | 4.83 | 4.62 |
| Retail | **8.90** | 8.92 | 8.94 | 8.66 | 8.42 | 8.43 | 7.94 | 7.42 | 7.26 | 6.96 |
| **Generating Capability** | | | | | | | | | | |
| (at year end) | | | | | | | | | | |
| (in megawatts) | **2,691.4** | 2,645.7 | 2,490.1 | 3,080.3 | 3,232.1 | 3,237.0 | 3,208.8 | 3,222.7 | 3,224.7 | 3,223.9 |
| **System Peak Load** | | | | | | | | | | |
| (in megawatts) | **2,363.7** | 2,426.9 | 2,354.4 | 2,315.1 | 2,291.1 | 2,339.4 | 2,451.6 | 2,468.3 | 2,402.8 | 2,316.4 |
| **Net System Requirements** | | | | | | | | | | |
| (in megawatt-hours) | | | | | | | | | | |
| Generated | **11,116,129** | 10,760,108 | 14,689,524 | 15,399,002 | 16,212,801 | 13,209,542 | 12,855,389 | 13,807,712 | 15,870,513 | 15,263,983 |
| Purchased and Net Interchanged | **367,609** | 395,288 | (3,502,796) | (4,488,016) | (5,026,318) | (1,819,871) | (1,529,643) | (2,576,167) | (4,428,059) | (4,627,627) |
| Net | **11,483,738** | 11,155,396 | 11,186,728 | 10,910,986 | 11,186,483 | 11,389,671 | 11,325,746 | 11,231,545 | 11,442,454 | 10,636,356 |

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# Investor Relations and Corporate Information

### Corporate Headquarters
*Energy Plaza*
*444 South 16th Street Mall*
*Omaha, Nebraska 68102-2247*
oppd.com

### General Counsel
*Fraser Stryker PC LLO*
*Omaha, Nebraska*

### Financial Advisor
*Barclays Capital Inc.*
*New York, New York*

### Consulting Engineer
*NewGen Strategies &*
*Solutions, LLC*
*Lakewood, Colorado*

### Independent Auditors
*BKD LLP*
*Omaha, Nebraska*

### Bond Counsel
*Kutak Rock LLP*
*Omaha, Nebraska*

### Commercial Paper Holders
Issuing and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
New York, New York

### Senior, Subordinate and Separate System Bondholders
You may contact OPPD with questions about OPPD debt at:

Treasury & Financial Operations
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247
Email: finfo@oppd.com
800-428-5584

The Trustee and Paying Agent on OPPD's Senior Lien Debt, Subordinated Revenue Bonds and Separate System Revenue Bonds is The Bank of New York Mellon Trust Company, N.A. You may contact The Bank of New York Mellon Trust Company, N.A. directly at:

*The Bank of New York Mellon*
*Trust Company, N.A.*
*Global Corporate Trust*
*2 North LaSalle Street, Suite 1020*
*Chicago, Illinois 60602*

*Email:*
*corporate.bond.research@bnymellon.com*
*Bondholder Communications:*
*800-254-2826*

### OPPD Minibond Holders
OPPD is the Paying Agent, Transfer Agent and Registrar on OPPD's Minibonds. OPPD Minibond Administration provides information and assistance to Minibond holders regarding:

- *Interest Payments*
  Interest on Current Interest-Bearing Minibonds is paid on April 1 and October 1 each year.
- *Ownership Transfer*
  Minibond Transfer Information Forms can be obtained via oppd.com or by contacting the Minibond Administrator. (See below.)
- *Annual Optional Early Redemption*

**Minibond Administrator**
You may contact the Minibond Administrator at:

Minibond Administrator
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247
Email: minibonds@oppd.com
800-428-5584

### Available Financial Information
In compliance with Securities and Exchange Commission Rule 15c2-12, information regarding OPPD is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. Copies of its most recent annual reports, interim reports and official statements also are available upon request at finfo@oppd.com or at the following address:

Treasury & Financial Operations Division
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247

Financial information in the annual report also is available at oppd.com your energy partner®

OPPD

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