

Omaha Public Power District Commercial Paper Memorandum

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TERMS OF THE DISTRICT'S COMMERCIAL PAPER:

This Memorandum is issued by Omaha Public Power District (the "District") in connection with the issuance from time to time of its Commercial Paper. The District has a Commercial Paper Program (the "CP Program"), which is comprised of subordinate notes of the District (the "Notes") with maturities ranging from 1 to 270 days. Liquidity support for the CP Program is provided primarily by the District's internal resources, although the District has entered into a Credit Agreement (the "Credit Agreement") with Bank of America, N.A. (the "Bank") which, although not a dedicated line of credit for the exclusive support of the CP Program, is intended, in part, to provide additional liquidity resources to the District. The Notes, together with Periodically Issued Bonds, Subordinated Bonds, Minibonds, and the Credit Agreement, will be payable from and secured *pari passu* by a pledge of and lien upon the revenues, income, receipts and profits of the Electric System ("Revenues"), subject to the prior lien thereon and pledge thereof for payment of the District's Electric System Revenue Bonds ("Senior Bonds") issued pursuant to the District's Resolution No. 1788 (as amended and supplemented from time to time, "Resolution No. 1788") and subject also to the prior payment from the Revenues of the operations and maintenance expenses of the Electric System. As of August 31, 2013, the Senior Bonds were outstanding in the principal amount of \$1,502,375,000. The District may, under certain circumstances, issue additional debt which is superior to, on a parity with or subordinate to the Notes. The District's Board of Directors may, from time to time, authorize increases or decreases in the size of the CP Program. The commitment under the Credit Agreement is \$250 million as of the date hereof. The current authorized amount of the Notes is \$150 million, all of which is outstanding as of the date hereof. The Notes are issued for valid corporate purposes, in denominations of not less than \$100,000 and maturing no more than 270 days from the date of issuance, but in no event later than the day prior to any date of termination of the Credit Agreement. Interest is calculated on the basis of a 365 day year. The Notes are issued in book-entry form through the facilities of The Depository Trust Company ("DTC"), in the form of a single Note registered in the name of Cede & Co. as nominee of DTC. Payment of the principal of and interest on the Notes shall be made in accordance with the provisions of the resolution authorizing the CP Program (the "Note Resolution") to the account of Cede & Co. on the maturity date of such obligation.

On September 21, 2010, the District and the Bank entered into a Credit Agreement through October 1, 2013 (see Appendix A for disclosure information relating to the Bank). In 2013, the Credit Agreement was extended through October 1, 2015. As indicated above, the Credit Agreement is not, by its terms, dedicated for use in support of the CP Program. The

Credit Agreement provides that funds may be drawn thereunder for valid corporate purposes of the District including, but not limited to, repaying maturing commercial paper of the District. The maximum amount drawable under the Credit Agreement is \$250 million. The District has covenanted in the Note Resolution to maintain the available commitment under the Credit Agreement in an amount equal to or greater than the aggregate outstanding principal amount of the Notes from time to time. Under the terms of the Credit Agreement, the Bank may terminate its commitment to make loans to the District following an “Event of Default” under the Credit Agreement. Events of Default under the Credit Agreement include: (a) non-payment; (b) failure to perform Credit Agreement covenants after applicable notice and cure periods, if any; (c) events of default under related documents after applicable notice and cure periods, if any; (d) making materially misleading or incorrect representation or warranties; (e) certain cross-defaults; (f) insolvency proceedings; (g) inability to pay debts; (h) judgments exceeding \$10 million; (i) invalidity of certain related documents; (j) limitation of statutory power which materially and adversely affects the ability of the District to meet its obligations; (k) downgrades of the District’s unenhanced credit ratings below “Baa3” by Moody’s Investors Service or “BBB-” by Standard & Poor’s Ratings Services or suspension or withdrawal of the District’s ratings by any rating agency for credit-related reasons; (l) imposition of a debt moratorium; and (m) recurrence of an “Event of Default” under the District’s senior bond resolution. The Credit Agreement expires, unless extended, on October 1, 2015.

The Note Resolution contains a covenant that, “so long as any of the Notes are Outstanding the District shall maintain, and revise from time to time when necessary, and collect such rates, rentals, fees and charges for the use and services of the Electric System as shall be sufficient . . . to pay interest on . . . the Notes when due . . . and . . . together with such moneys . . . which may be and are lawfully applied thereto, to pay the principal of the Notes as the same mature . . .” Reference is made to the Note Resolution for complete details of the covenants. Copies of the Note Resolution may be obtained from the District by sending a written request to: Omaha Public Power District, Finance Division, 444 South 16th Street Mall, Omaha, Nebraska 68102-2247 or finfo@oppd.com.

THE DISTRICT:

Nature of the District:

The District was created in August 1945 under the authority of Chapter 70, Article 6, Reissue Revised Statutes of the State of Nebraska (the “State”), as amended (the “Enabling Act”) as a public corporation and political subdivision of the State. The laws of the State provide that the District, either alone or jointly with other entities lawfully empowered to do so, may acquire, by purchase, lease or otherwise, and may operate, improve and extend electric properties and facilities and otherwise carry on the business of generating, transmitting and distributing electric power and energy within or beyond the boundaries of the District, and may also do such other things as are necessary for carrying on a fully integrated electric power business.

The District provides electric service in the City of Omaha, Nebraska, and adjacent territory comprising all of Douglas, Sarpy and Washington counties. It also serves a portion of Cass, Saunders, Dodge, Otoe, Nemaha, Johnson, Pawnee, Richardson, Burt and Colfax counties. The area also includes the community of Carter Lake, Iowa, which is served directly from the

District's Omaha distribution system. The service area is approximately 5,000 square miles with an estimated population of 784,000 as of December 31, 2012. Omaha, with an estimated population of 425,100⁽¹⁾ as of December 31, 2012, is the largest city in the State. The District serves 47 cities and villages at retail and five municipalities at wholesale.

For the twelve months ended December 31, 2012, the average number of customers served by the District included 308,516 residential, 43,589 commercial, 210 industrial and 35 customers located outside of the District's service area (i.e., off-system customers). For the twelve months ended December 31, 2012, the District's retail revenue (i.e., excluding wholesale and off-system customers) was derived 43% from sales to residential customers, 34% from sales to commercial customers and 23% from sales to industrial customers. The District's top ten customers represented 11% of 2012 retail revenues.

For the twelve months ended December 31, 2011, the average number of customers served by the District included 308,412 residential, 43,564 commercial, 206 industrial and 41 customers located outside of the District's service area (i.e., off-system customers). For the twelve months ended December 31, 2011, the District's retail revenue (i.e., excluding wholesale and off-system customers) was derived 43% from sales to residential customers, 34% from sales to commercial customers and 23% from sales to industrial customers. The District's top ten customers represented 13% of 2011 retail revenues.

Powers of the District:

The District is specifically authorized by the Enabling Act to borrow money and incur indebtedness for any corporate use or purpose, provided the moneys so borrowed shall be payable solely from the revenues, income, receipts and profits derived by the District from its ownership, operation and management of electric generating stations and systems, or from proceeds of sales of property. The District is specifically authorized to pledge all or any part of the revenues which the District may derive from the sale of electric energy as security for the payment of the principal and interest of its obligations.

Pursuant to the aforesaid authority, the resolution of the District authorizing any obligation may specify the particular revenues that are pledged, the terms and conditions to be performed by the District and the rights of the holders of such obligations. Refunding of outstanding obligations is also specifically authorized, as is the provision that all or part of the revenues may be paid into a special fund to be collected, held or disposed of, as provided in the resolution, and the resolution may provide for special depositaries for such funds. The District is prohibited by the Enabling Act from mortgaging its physical properties, except to secure loans from certain specified federal agencies. There is no mortgage on any of the physical properties of the District.

The District has no power of taxation, and no governmental authority has the power to levy or collect taxes to pay, in whole or in part, any indebtedness or obligation of or incurred by the District or upon which the District may be liable.

⁽¹⁾ Source: Omaha Chamber of Commerce

Government of the District:

All corporate powers of the District are vested in a Board of Directors consisting of eight members. The District has four electoral subdivisions comprised of substantially equal population per Director. Five Directors are nominated and elected by vote of the people from the Metropolitan electoral subdivision, and one each from the three other electoral subdivisions. Each Director is elected for a six year term. The terms of the Directors are so arranged that not more than three are elected at any one time, except when the unexpired term of a Director must be filled.

Nebraska Legislative Bill LB646, as approved on May 8, 2013, requires the District to create eight electoral subdivisions composed of substantially equal population and compact and contiguous territory, one for each director, by January 1, 2014. Consequently the District approved a Charter amendment with a new election subdivision map that will be effective in 2014, subject to the approval of the Nebraska Power Review Board (“NPRB”).

The present membership and officers of the Board of Directors are:

	Number of Years Completed on Board	Term Expires in January	Occupation or Profession
Frederick J. Ulrich, Chair	27	2017	Farmer, Cattle Feeder
Anne L. McGuire, Vice Chair	16	2015	Nurse Educator (Retired)
John K. Green, Secretary	26	2017	Attorney at Law
Michael J. Cavanaugh, Treasurer	18	2019	Police Lieutenant, City of Omaha (Retired), Real Estate Investor - Manager
Thomas S. Barrett*	0	2019	Attorney at Law
Tim W. Gay**	0	2015	Governmental Advisor
Michael A. Mines*	0	2019	Governmental Advisor
Del D. Weber	16	2015	Chancellor Emeritus, University of Nebraska at Omaha

* Terms began in 2013

** Appointed effective January 29, 2013

Management Team:

The management of the District is under the direction of its President and Chief Executive Officer. The District is organized under separate operating divisions which are assigned to each Vice President. The District's executive management team is as follows:

W. GARY GATES, *President & Chief Executive Officer*. Mr. Gates began his career at OPPD in September 1972. He joined the staff at Fort Calhoun Station two years later and held several positions in the nuclear organization, including reactor engineer, supervisor – Operations at Fort Calhoun Station and manager – Fort Calhoun Station. In May 1989, Mr. Gates was named executive assistant to the president, and he was appointed division manager – Nuclear Operations in February 1990. He was promoted to vice president with responsibility for OPPD's nuclear organization in November 1992. He became president and CEO in January 2004. Mr. Gates holds a bachelor's degree in nuclear engineering from Iowa State University, a master's degree in industrial engineering from the University of Nebraska and a master's degree in business administration from Creighton University.

EDWARD E. EASTERLIN, Vice President, Financial Services & Chief Financial Officer. Mr. Easterlin joined OPPD in January 2009 as Vice President and Chief Financial Officer. Before coming to OPPD, Mr. Easterlin worked seven years for Colorado Springs Utilities, where he had served as Chief Planning and Finance Officer since May 2005. He also had served as General Manager of Financial Services and General Manager of Financial and Accounting Management. He served for nearly 20 years at South Carolina Public Service Authority, Santee Cooper. Mr. Easterlin holds a bachelor's and a master's degree in business administration from Charleston Southern University. In addition, he holds an associate's degree in chemical and nuclear engineering technology from Trident Technical College.

TIMOTHY J. BURKE, Vice President, Customer Service & Public Affairs. Mr. Burke joined OPPD in April 1997 as vice president. He currently oversees Customer Service Operations, Customer Sales & Service, Customer Operations Planning & Administration, Economic Development, Safety and Technical Training, Corporate Marketing and Communications, Operations Analysis, Governmental Affairs and Environmental and Regulatory Affairs. Mr. Burke holds a bachelor of arts degree from Buena Vista University and a master's degree in public administration from Drake University.

LOUIS P. CORTOPASSI, Site Vice President & Chief Nuclear Officer. Mr. Cortopassi joined OPPD in September 2012 as Site Vice President and Chief Nuclear Officer. Before coming to OPPD, Mr. Cortopassi was Exelon's vice president of Mid-Atlantic Operations. Prior to joining Exelon, Mr. Cortopassi served as the plant manager of Palo Verde Nuclear Generating Station, owned by Arizona Public Service. In addition, Mr. Cortopassi has held leadership positions in operations at San Onofre Nuclear Generating Station, Millstone Nuclear Power Station, Indian Point Energy Center and Columbia Generating Station and served as a senior evaluator at the Institute of Nuclear Power Operations ("INPO"). Mr. Cortopassi held a senior reactor operator's license at the San Onofre Nuclear Generating Station. Mr. Cortopassi holds a bachelor's degree in business administration and finance from Georgia State University.

MOHAMAD I. DOGHMAN, Vice President, Energy Delivery and Chief Compliance Officer. Mr. Doghman joined OPPD in 1989 as a senior engineer in the Engineering Division. Since then, he has served in many engineering, operation, and management positions including principal engineer, manager of substation operations, manager of system protection, division manager of engineering, and currently serves as vice president overseeing all planning, engineering, construction, operation, and maintenance of the Power Grid and Energy Delivery business unit. Mr. Doghman holds a bachelor of science degree in electrical engineering from the University of Nebraska, a master's degree in electrical engineering from the University of Missouri at Columbia, and an executive master's degree in business administration from the University of Nebraska.

JON T. HANSEN, Vice President, Energy Production & Marketing. Mr. Hansen began his OPPD career in 1983 as an engineer in the Production Operations Division. He was named supervisor of Peaking Plant Operations in April 1995 and supervisor of North Omaha Station Operations in October 1996. He was manager of North Omaha Station from 2002 to 2006, when he was named division manager of Production Operations. Mr. Hansen was promoted to vice president in March 2010 and oversees the Production Operations, Production Engineering & Technical Support, Energy Marketing & Trading, and Fuels divisions. Mr. Hansen holds a bachelor's degree in mechanical engineering and an executive master's degree in business administration from the University of Nebraska.

SHERRY L. HUTCHERSON, Vice President, Corporate Services and Chief Administrative Officer. Ms. Hutcherson began her career with OPPD in 1999 in Economic Development. In 2000 she was promoted to division manager – Market Research & Product Management. She was promoted to division manager – Customer Solutions in 2004 and was subsequently named division manager of Human Resources in 2007. Ms. Hutcherson was promoted to vice president in July 2011 and oversees Corporate Services, which includes Material Management, Facilities Management, Information Technology, Sustainable Energy & Environmental Stewardship and Human Resources. Ms. Hutcherson holds a bachelor's degree from the University of Arkansas at Pine Bluff and a master's degree in business administration from Creighton University.

Employees and Human Resources:

The District had 2,265 employees in its 13 county service area as of December 31, 2012. The District's clerical, professional, craft and administrative employees are represented by two local unions of the International Brotherhood of Electrical Workers ("IBEW") and one local union from the International Association of Machinists and Aerospace Workers ("IAM & AW"). Under Nebraska law, unions and their members are not permitted to strike or otherwise hinder, delay, limit or suspend the continuity or efficiency of any public utility service. The District has a long-standing cooperative working relationship with the three labor unions representing their respective bargaining units. The District has reached a three-year agreement with IBEW Local 1483, IBEW Local 763 and IAM & AW Local 31 expiring May 31, 2015. Among other changes to the terms and conditions of the new agreements, employees hired on or after January 1, 2013 (on or after June 1, 2013, for Local 763 members), are only eligible to participate in the cash balance defined benefit retirement plan. The monthly defined benefit retirement plan is no longer available to employees hired on or after January 1, 2013, for Local 1483 and Local 31

members and on or after June 1, 2013, for Local 763 members. In addition, the early retirement eligibility has been altered to meet an age and years of service minimum from a combined total of 70 to a combined total of 75. The estimated savings is more than \$3 million in 2013 and is expected to be higher in future years.

Defined Benefit Retirement Plan:

The District provides a defined benefit retirement plan for its employees financed by the District and employee contributions. Employees hired prior to January 1, 2013 (prior to June 1, 2013, for Local 763 members), are eligible for either a monthly payment or cash balance defined benefit retirement plan. Those hired on or after January 1, 2013 (on or after June 1, 2013, for Local 763 members), are eligible for the cash balance plan only. To ensure funds will be available to pay future benefits, an actuarial report is completed each year to project retirement plan assets and the liability for future benefits. According to the preliminary January 1, 2013 valuation, the plan's funded status was 82.9% based on the ratio of the actuarial value of assets of the plan to the present value of accrued plan benefits. The annual required contribution ("ARC") by the District is projected to be \$52.3 million for the year ending December 31, 2013. The market value of the plan investments was \$801,464,500 and \$712,382,800 as of December 31, 2012 and December 31, 2011, respectively.

Other Postemployment Benefits:

Prior to 2007, the District recognized the cost of other postemployment benefits ("OPEB") on a pay-as-you-go basis. The District adopted the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective January 1, 2007. This accounting standard requires that the District recognize OPEB costs using an actuarial valuation. The District has two separate plans for OPEB. For postemployment health care benefits, OPEB Plan A is for employees hired prior to January 1, 2008 and OPEB Plan B is for employees hired after December 31, 2007. OPEB Plan A also provides postemployment life insurance benefits to qualifying employees.

The most recent annual actuarial valuation for OPEB Plan A was completed by an independent actuary and indicated the District's preliminary actuarial accrued liability ("AAL") as of January 1, 2013 was \$323 million. The ARC for OPEB Plan A is projected to be \$21.6 million for the year ending December 31, 2013 which includes pay-as-you-go and future benefit costs. Contributions for pay-as-you-go and future benefit costs are deposited in an irrevocable grantor trust which was established in 2006. The market value of the investments in such trust was \$89,524,300 and \$65,682,400 as of December 31, 2012 and December 31, 2011, respectively.

There were several design changes approved in 2007 to reduce the costs of health care benefits including the establishment of a separate plan, OPEB Plan B, for employees hired after December 31, 2007, who retire directly from active service from the District. The AAL for this plan was \$1 million as of January 1, 2013 and the ARC is projected to be \$0 for the year ending December 31, 2013. The market value of the investments in such trust was \$3,639,100 and \$3,509,800 as of December 31, 2012 and December 31, 2011, respectively.

Defined Contribution Plans:

The District has two defined contribution plans for all eligible employees. Contributions to the plans are made by the employees and partially matched by the District. The District's matching share of contributions in 2012 was \$7,128,000. Federal law requires all defined contribution plan assets and income to be held in an external trust.

Funds of the District:

All of the District's funds are under the control of the Board of Directors, subject to the requirements of the authorizing debt resolutions of the District and State statutes. Each Director is a public officer, with an oath filed with the Secretary of State. The Treasurer has control of the District's funds and is required to maintain a surety bond, in an amount as required by statute, which is filed with the Secretary of State. The District is required by law to have its accounts audited annually by independent certified public accountants, in accordance with generally accepted government auditing standards, and to file a copy of such audit with the Auditor of Public Accounts of the State and the NPRB. The District follows, on a voluntary basis, insofar as possible for a governmental subdivision, the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC").

Taxes Applicable to the District:

In the opinion of Fraser Stryker PC LLO, General Counsel to the District ("General Counsel"), the District is not liable for federal or State income or ad valorem taxes. However, as required by State law, the District makes payments in lieu of taxes annually to the County Treasurer of each county in which it sells electricity at retail equal to 5.0% of its gross revenues derived from sales within the incorporated cities and villages in such county.

The District is subject to State Sales and Use Tax on certain labor charges and nearly all material purchases. Under current State law, purchases of coal, oil, gas, nuclear fuel and water, when used for generating purposes, are exempt from State Sales and Use Tax. The State Sales and Use Tax rate is 5.5%. Various municipalities within the District's service area have also imposed a local sales and use tax.

Nebraska Power Review Board:

In 1963, the Nebraska Legislature passed Chapter 70, Article 10, Reissue Revised Statutes of 1943 of Nebraska, as amended, establishing the NPRB. The NPRB consists of five members appointed by the Governor subject to approval by the Legislature. The statute declares that it is the policy of the State to avoid and eliminate conflict and competition between retail suppliers of electricity and to facilitate the settlement of rate disputes between suppliers of electricity at wholesale. Subject to approval of the NPRB, retail suppliers of electricity in adjoining areas are authorized to enter into written agreements with each other specifying either the service area or customers which each shall serve. Where agreements cannot be reached, the NPRB will determine the matter after a hearing. With NPRB approval, the District has entered into service area agreements with all other suppliers whose territories adjoin that of the District. The construction of any transmission lines or related facilities outside the District's service territory generally carrying more than 700 volts or the construction of most electric generation

facilities is subject to the approval of the NPRB. Since the establishment of the NPRB, the District has received NPRB approval for the construction of all facilities requiring such approval.

Certain Rights of Municipalities Served by the District:

Nebraska law contains provisions pertaining to the acquisition by a city or village (“Municipality”) through negotiation or condemnation of a public power district’s electric distribution system, or any part or parts thereof, situated within or partly within such Municipality. To date, no Municipality has exercised such rights with respect to the District.

THE AREA SERVED:

The District provides electric service to retail and wholesale electric consumers in the City of Omaha and within a 5,000 square mile area (including all or parts of 13 counties) paralleling the eastern border of the State along the Missouri River. The area includes the community of Carter Lake, Iowa (population: 3,785), which is served directly from the District’s Omaha distribution system. The District operates a fully integrated generation, transmission and distribution system having strong interconnections with all of its neighboring utilities.

The District and Omaha are located in the central part of the continental United States. As such, the Omaha metropolitan area is a principal rail center, a key terminal on the Missouri River, a major Midwest air center and is served by two interstate highway systems, I-80 and I-29. Omaha is a major health care, food processing, transportation, marketing, insurance and industrial center in the Midwest. The District’s retail revenues from energy sales within the City of Omaha have averaged 81.1% of total retail revenues from all incorporated cities served over the past five years. The following table summarizes several key economic statistics.

Year	Estimated Population District Service Area ⁽¹⁾	Net Taxable Sales City of Omaha (millions) ⁽²⁾	Building Permits ⁽³⁾ City of Omaha	Metropolitan Area ⁽⁴⁾	Omaha-Council Bluffs Median Household Income ⁽⁵⁾
2012	784,000	\$9,813.3	10,159	11,348	\$54,158
2011	783,000	9,639.4	10,648	11,505	56,137
2010	771,000	9,242.7	10,483	10,971	56,975
2009	765,000	8,974.2	9,719	10,974	56,360
2008	754,000	9,349.5	11,157	12,656	58,258

Sources:

⁽¹⁾ Estimated using District retail customer count and Global Insight Persons Per Household rate

⁽²⁾ Omaha Chamber of Commerce, Nebraska Department of Revenue

⁽³⁾ Omaha Chamber of Commerce, City of Omaha - Permits and Inspections

⁽⁴⁾ Information includes City of Omaha and surrounding areas

The greater Omaha area is home to the headquarters of five Fortune 500 companies: Berkshire Hathaway Inc., Union Pacific Railroad, ConAgra Foods, Kiewit, and Mutual of Omaha. In addition, a number of companies from all industry sectors are also headquartered in the Omaha area, including Werner Enterprises, TD Ameritrade, HDR, Inc., Infogroup, Omaha Steaks and Valmont.

Omaha’s unemployment rate is consistently lower than the national unemployment rate as show in the table below.

Year	City of Omaha Employment	City of Omaha Unemployment Rate	Nebraska Unemployment Rate	United States Unemployment Rate
2012	210,554	5.4%	3.9%	8.1%
2011	204,670	5.1	4.4	8.9
2010	200,470	5.3	4.7	9.6
2009	228,413	4.9	4.7	9.3
2008	229,404	3.5	3.3	5.8

Source: United States Department of Labor, Bureau of Labor Statistics

CAPITAL AND NUCLEAR FUEL EXPENDITURES:

The District continually analyzes Electric System requirements and makes long-range recommendations and estimates of capital expenditures necessary to serve the growing loads with a reliable and economic power supply. The following table lists the District’s actual capital expenditures and nuclear fuel expenditures, including Allowance for Funds used During Construction, for the fiscal years 2012 and 2011. The District financed its Capital and Nuclear Fuel Programs with revenues from operations, investment income, financing proceeds and cash on hand. For additional information regarding future generating facilities, see “THE ELECTRIC SYSTEM—Future Generating Facilities.”

	<u>2012</u>	<u>2011</u>
	<u>(millions)</u>	
CAPITAL PROGRAM:		
Total Transmission and Distribution Plant	\$74.0	\$65.0
Total General Plant	16.6	27.5
Total Production Plant.....	89.6	103.3
 Total Capital Program	 <u>\$180.2</u>	 <u>\$195.8</u>
 NUCLEAR FUEL PROGRAM:		
Total Nuclear Fuel Program.....	<u>\$15.7</u>	<u>\$17.2</u>

ELECTRIC RATES AND RATE REGULATION:

Under the Enabling Act, the District's Board of Directors has the power to and is:

“ . . . required to fix, establish and collect adequate rates, tolls, rents and other charges, for electrical energy . . . and for any and all other commodities, including ethanol, services, or facilities sold, furnished, or supplied by the district, which rates, tolls, rents and charges shall be fair, reasonable, nondiscriminatory and so adjusted as in a fair and equitable manner to confer upon and distribute among the users and consumers of commodities and services furnished or sold by the district the benefits of a successful and profitable operation and conduct of the business of the district.”

The District's Board of Directors has the sole authority to establish and adjust electric service rates. It is the opinion of General Counsel to the District that District rates for electric service are not subject to regulation by any federal or State regulatory body under existing laws, except, (i) in the event of a dispute between retail electric suppliers concerning rates for service between such suppliers, the NPRB is given jurisdiction to hold hearings and make recommendations which shall be advisory only (see “THE DISTRICT—Nebraska Power Review Board”) and (ii) FERC has jurisdiction to resolve disputes regarding rates for wholesale transmission services.

Residential customers of the District paid an average of 10.12 and 9.37 cents per kilowatt hour (“kWh”) during the twelve months ended December 31, 2012 and 2011, respectively. This compares with the national residential average of 11.88⁽¹⁾ and 11.72 cents per kWh, respectively, as reported by the Energy Information Administration (“EIA”). The District's average annual use per residential customer was 11,633 kWh and 11,639 kWh for the twelve months ended December 31, 2012 and 2011, respectively.

⁽¹⁾Source: EIA preliminary year-to-date December 2012

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The District serves customers within three major rate classes: Residential, Commercial and Industrial. The information presented in the following table represents varying usage levels, monthly electric service bills and the average charge per kWh for each of these classes under approved 2013 basic rate schedules, exclusive of sales tax:

	Billing Demand (kW)	Monthly Consumption (kWh)	Winter Rates		Summer Rates	
			Monthly Electric Service Bill	Average Charge Per kWh (Cents)	Monthly Electric Service Bill	Average Charge Per kWh (Cents)
Residential	—	250	\$ 34.34	13.74	\$ 36.66 ⁽¹⁾	14.66
	—	500	57.43	11.49	67.62	13.52
	—	750	80.52	10.74	96.51	12.87
	—	1,000	103.61	10.36	125.40	12.54
	—	2,500	201.48	8.06	298.72	11.95
Commercial	12	1,500	156.32	10.42	173.57	11.57
	30	6,000	491.20	8.19	629.20	10.49
	50	12,500	1,039.49	8.32	1,193.24	9.55
	100	30,000	2,365.12	7.88	2,734.12	9.11
	500	200,000	13,658.62	6.83	16,103.62	8.05
Industrial	1,000	400,000	25,805.31	6.45	31,255.31	7.81
	2,000	950,000	56,917.31	5.99	69,872.31	7.35
	5,000	2,500,000	158,197.00	6.33	158,197.00	6.33

⁽¹⁾ Includes \$2.07 credit per bill for more than 100 kWh and less than 401 kWh usage.

General Rate Adjustment. The District implemented a 7.3% general rate adjustment effective January 1, 2013. Prior to this, the last general rate adjustment was a 4.5% increase effective January 1, 2012.

Fuel and Purchased Power Adjustment. The District has a Fuel and Purchased Power Adjustment (“FPPA”) charge that is automatically adjusted annually effective January 1 of each year. This charge reflects forecasted changes in the cost of fuel and purchased power from those included in the general base rates. To the extent that actual fuel and purchased power amounts generated through the base rate and the FPPA rate are more or less than the actual costs incurred, the FPPA will be adjusted for over- or under-collected amounts. The 2013 FPPA rate was calculated based on an estimated under-recovered balance at the end of 2012 that totaled \$73.5 million. The majority of this is associated with fuel and purchased power costs incurred for replacement power due to the Missouri River flood in 2011 and the extended Fort Calhoun Station outage in 2012. As the Board directed on October 11, 2012, in Resolution No. 5925, the District used insurance proceeds received from Nuclear Electric Insurance Limited (“NEIL”) to off-set a portion of these costs. In addition, in order to mitigate the cost impact on customers, the District plans to amortize the remaining under-recovered balance over a two-year period beginning in 2013. The net effect of these mitigation strategies along with the 2013 projected fuel and purchased power costs resulted in a 2013 FPPA rate decrease of \$3.8 million or 0.4%.

THE ELECTRIC SYSTEM:

Summary of Generating Facilities:

The District's power requirements are provided from its generating facilities, leased generation and purchases of power. The District's all-time peak load is 2,468,300 kW, set on August 1, 2011. The following table reflects the District's generation facilities displayed by energy source.

	Initial Date in Service	Capability ⁽¹⁾ (kW)	% of Total	Net Production ⁽²⁾		Availability Factor ⁽²⁾
				Amount (MWh)	% of Total	
Coal:						
Nebraska City Station Unit 1	1979	652,300	19.6	4,563,884.0	35.5%	93.5%
Nebraska City Station Unit 2 ⁽³⁾	2009	687,000	20.7	5,011,384.9	39.0%	93.9%
North Omaha Station ⁽⁴⁾	multiple	534,200	16.1	3,038,762.0	23.6%	85.9%
Subtotal Coal		1,873,500	56.4	12,614,030.9	98.2%	
Nuclear:						
Fort Calhoun Station	1973	478,600	14.4	(15,697.1)	(0.1%)	0.0% ⁽⁵⁾
Oil/Natural Gas:						
Cass County Station	2003	323,200	9.7	111,821.0	0.9%	94.0%
Jones Street Station	1973	122,700	3.7	(278.0)	0.0%	89.5%
North Omaha Station ⁽⁴⁾	multiple	114,100	3.4	-	-	85.9%
Sarpy County Station ⁽⁶⁾	multiple	318,700	9.6	98,170.0	0.8%	97.5%
Subtotal Oil/Natural Gas		878,700	26.4	209,713.0	1.6%	
Other:						
Elk City Station (Methane Gas)		6,210	0.2	43,083.5	0.3%	
Total Owned Accredited Generation		<u>3,237,010</u>	<u>97.4</u>	<u>12,851,130.3</u>	<u>100.0%</u>	
Purchased/Leased Generation:						
City of Tecumseh, Nebraska (Oil)		6,500	0.2			
Western Area Power Administration (Hydro)		82,000	2.4			
Subtotal Purchased/Leased Generation		88,500	2.6			
Total Accredited Generation		<u>3,325,510</u>	<u>100.0</u>			
Wind: ⁽⁷⁾						
Valley (District-owned)		660				
Ainsworth		10,000				
Broken Bow I		18,000				
Crofton Bluffs		13,600				
Elkhorn Ridge		25,000				
Flat Water		60,000				
Petersburg		40,500				
Total Non-accredited Generation		<u>167,760</u>				

⁽¹⁾ Maximum 2012 summer net capability.

⁽²⁾ Actual net production and availability factor as of December 31, 2012.

⁽³⁾ 50% of the output is sold to seven participating utilities through long-term Participation Power Agreements.

⁽⁴⁾ Station consists of five units placed in service in 1954, 1957, 1959, 1963 and 1968.

⁽⁵⁾ Fort Calhoun Station has been out of service since April 9, 2011. Fort Calhoun Station availability factors were 86.3%, 98.4% and 27.0% for 2009, 2010 and 2011, respectively.

⁽⁶⁾ Station consists of five units placed in service in 1972, 1996 and 2000.

⁽⁷⁾ Nameplate capacity. Accredited generation is generation that is available or running during peak load hours. Wind and solar generation have intermittent fuel sources and receive little accredited capacity.

Generating Facilities - Nebraska City Station:

The Nebraska City Station located approximately five miles southeast of Nebraska City, Nebraska, consists of two steam generator units, Nebraska City Station Unit No. 1 (“NC1”), and Nebraska City Station Unit No. 2 (“NC2”), equipped for coal firing.

In April 2013, the Nebraska City Station accomplished the first continuous run between planned maintenance outages for a fossil unit in District history by operating NC2 from April 25, 2012 to April 5, 2013. During the 344 days of continuous operation the unit generated 4,976,829 net megawatt-hours and operated at 87.7 % capacity while overcoming several operational challenges.

In April 2013, a maintenance and inspection outage was completed at NC2 to replace two original catalyst layers of the selective catalytic reducer and to upgrade turbine controls and igniters.

In May 2013, a degraded main steam pipe-line was discovered during operation at NC2 that required a four week outage for repair. The piping had deformed due to heat treatment issues specific to grade 91 materials. Expert resources were consulted for the repair and thorough inspections were conducted indicating the repaired piping section and other similar material piping are suitable for safe operation. The associated repair and inspection cost was \$2 million.

The District is currently investing \$15 million for construction of a natural gas pipeline supply with associated equipment to allow startup and stabilization of the Nebraska City Station generating facilities using natural gas in lieu of fuel oil. The main pipeline to the station is complete with internal connections and equipment remaining to be installed. The natural gas supply is projected to be in service in 2014 providing annual fuel savings of \$3 to \$4 million.

The District owns NC2 and controls operation and maintenance for the facility. Fifty percent of the station’s output is used by the District to meet customer load requirements. The District has executed long-term Participation Power Agreements (“PPA”) with seven public power and municipal utilities located in Nebraska, Missouri and Minnesota (“Participants”) for the remaining 50% of the unit’s output. The Participants’ rights to receive, and obligations to pay costs related to, this remaining 50% of the output of NC2 is herein referred to as the Separate System. The District has issued Separate System Bonds to finance the costs of NC2 allocable to the Separate System. Such Separate System Bonds are payable solely from the revenues or other income derived from the ownership or operation of such Separate System, which revenue and other income do not and will not secure any other debt of the District, including the Bonds. Under the terms of each PPA, a Participant agrees to purchase its share of the output on a “take or pay” basis even if the power is not available, delivered to or taken by the Participant. Each Participant is subject to a step-up provision which requires, in the event of a default by another Participant, that the Participant shall pay a share of any deficit in funds resulting from the default. The District is obligated to take the first 50,000 kW of any power not taken by a defaulting Participant prior to any other Participant having to step-up and purchase additional power.

The Participants and their percentage share of NC2's output are as follows:

Participants	Shares
Central Minnesota Municipal Power Agency	2.17%
City of Grand Island, Nebraska, Utilities Department	5.00
City of Independence, Missouri, Power & Light Department	8.33
Falls City, Nebraska, Utilities	0.83
Missouri Joint Municipal Electric Utility Commission	8.33
Nebraska City, Nebraska, Utilities	1.67
Nebraska Public Power District	<u>23.67</u>
Participants' Total	50.00%
Omaha Public Power District	<u>50.00</u>
NC2 Total	<u>100.00%</u>

Generating Facilities - North Omaha Station:

The North Omaha Station, located in the north section of the City of Omaha, consists of five steam generator units equipped for coal and natural gas firing. Several maintenance and inspection outages were completed at the North Omaha Station during 2011, 2012 and 2013 including a September 2011 Unit No. 2 outage for inspection and refurbishment of the turbine and generator, replacement of boiler low temperature superheater, and boiler chemical cleaning; an October 2011 Unit No. 3 outage for boiler chemical cleaning; a March 2012 Unit No. 1 outage for boiler chemical cleaning; as well as various outages and/or modifications to improve station safety and reliability. During a routine maintenance and inspection outage in November 2012 for Unit No. 5, a generator ground fault was discovered that expanded the work scope to include generator stator winding replacement and turbine refurbishment with the unit returning to service in March 2013. This emergent work accelerated a planned generator stator winding replacement that was originally scheduled for January 2016.

North Omaha Station received one of the industry's top recognitions in being named the 2013 Powder River Basin ("PRB") Coal Plant of the Year in the small plant category. This award is presented by the PRB Coal User's Group in promotion of safe, efficient, and economic use of PRB coal. The North Omaha Station was recognized for its recent strides and efforts in combustible dust mitigation, emergency response procedures, fire detection and suppression, housekeeping, and area wash-down systems.

Generating Facilities - Fort Calhoun Station:

The Fort Calhoun Station is a nuclear electric generating station with a pressurized water reactor situated along the Missouri River approximately 20 miles north of the City of Omaha in the vicinity of Fort Calhoun, Nebraska. The U. S. Nuclear Regulatory Commission (the "NRC") issued a renewed operating license for the Fort Calhoun Station in November 2003 that enables the station to continue operating until 2033. Due to normal wear of the main station components since normal operations commenced in 1973, a number of capital projects were identified as

necessary to enable the station to continue operations through 2033. Those major capital equipment replacements have been completed.

Fort Calhoun Station was shut down for a scheduled refueling on April 9, 2011, which was originally scheduled for 49 days. Due to flooding of the Missouri River and a fire that occurred in 2011 as well as a number of regulatory issues, the station remains shut down. For additional information regarding Missouri River flood, see “THE ELECTRIC SYSTEM —2011 Missouri River Flood.” Fort Calhoun Station will resume normal operations when all items on the NRC restart checklist are resolved.

The following is a summary of the events that have occurred at Fort Calhoun Station since 2010 which are affecting its current status. Prior to October 7, 2010, Fort Calhoun Station was in Column 1 of the NRC Reactor Oversight Process (“ROP”) Action Matrix (see “Generating Facilities—Fort Calhoun Station—*Regulatory*.”) On October 7, 2010, the NRC issued a yellow finding (substantial safety significance) due to a failure to maintain written procedures for combating a significant external flood. This moved Fort Calhoun Station from Column 1 to Column 3 of the ROP Action Matrix. On June 6, 2011, a Notification of Unusual Event (“NOUE”) was declared by the District when Missouri River flooding began at Fort Calhoun Station. On June 7, 2011, a fire occurred in an electrical switchgear room at the Fort Calhoun Station. In July 2011, the NRC issued a white finding (low to moderate safety significance) in the Mitigating Systems cornerstone due to failure in 2010 of a safety related component in a station protection system (see “Generating Facilities—Fort Calhoun Station—*Regulatory*.”) On August 29, 2011, declining river levels enabled Fort Calhoun Station to exit the NOUE. On September 1, 2011, a mid-cycle report was issued by the NRC which moved Fort Calhoun Station from Column 3 to Column 4 due to multiple, repetitive degraded cornerstones. On December 13, 2011, the NRC notified the District of a change to regulatory oversight of Fort Calhoun Station (NRC IMC 0350) due to the number of significant findings over the prior two years. In April 2012, the NRC issued a red finding (high safety significance) in the Initiating Events cornerstone based upon the fire that occurred in June 2011.

Regulatory. The NRC completes quarterly ROP assessments on all nuclear generating stations. The NRC uses the ROP to assess and measure station performance within the three broad areas of reactor safety, radiation safety and security. Within these areas, the NRC examines seven cornerstones: Initiating Events, Mitigating Systems, Barrier Integrity, Emergency Preparedness, Occupational Radiation Safety, Public Radiation Safety and Physical Protection. Each cornerstone contains inspection procedures and performance indicators to ensure that their objectives are being met.

The NRC evaluates station performance by analyzing two distinct inputs: inspection findings resulting from the NRC’s inspection program and performance indicators reported by the licensee. The NRC determines its regulatory response in accordance with an Action Matrix that provides for a range of actions commensurate with the significance of the performance indicators and inspection results. The Action Matrix has five columns ranging from Column 1 (Licensee Response-highest rating) to Column 5 (Unacceptable Performance-lowest rating). The actions of the matrix are graded such that the NRC becomes more engaged as licensee performance declines.

As described above, prior to October 2010 Fort Calhoun Station was in Column 1 of the ROP Action Matrix. When the NRC issued the yellow finding in October 2010, Fort Calhoun Station moved from Column 1 to Column 3 (Degraded Cornerstone) resulting in increased levels of inspection by the NRC. In July 2011, the NRC issued a white finding due to failure of a component in a station protection system. When the NRC's mid-year report was issued in September 2011, Fort Calhoun Station was moved from Column 3 to Column 4 (Multiple/Repetitive Degraded Cornerstone) due to the multiple findings. On December 13, 2011, the NRC notified the District of a change to regulatory oversight of Fort Calhoun Station, in accordance with NRC IMC 0350 (Oversight of Nuclear Reactor Facilities in a Shutdown Condition due to Significant Performance and/or Operational Concerns). The basis for the change was the number of significant findings over the past two years including the aforementioned yellow and white findings in addition to the June 2011 fire in the electrical switchgear room which subsequently became a red finding in April 2012. The ROP is not applicable to Fort Calhoun Station while the station is under the NRC IMC 0350 inspection and review process.

Operations. The District has developed an Integrated Performance Improvement Plan to address the NRC's performance concerns. A Confirmatory Action Letter with a restart checklist was issued by the NRC in June 2012 and the most recent update was issued in June 2013. Fort Calhoun Station will resume normal operations when all items on the NRC restart checklist are resolved. The NRC will conduct additional inspections as part of its response to the change in Fort Calhoun Station's performance rating.

Both the NRC's inspection and review process and the District's internal review process have proceeded more slowly than originally expected and have identified additional action items that will require more time than previously estimated. As a result, the expected restart of normal Fort Calhoun Station operations has been delayed until the fourth quarter of 2013. Tornado missile hazard protection and High Energy Line Break ("HELB") analyses were the emergent issues that delayed the schedule. The tornado missile hazard protection was completed in October 2013. The HELB analysis is ongoing. Commercially reasonable efforts to restart Fort Calhoun Station are being made as quickly as is prudently practicable, subject to NRC regulations and oversight. A precise restart date cannot be determined because of ongoing inspections and unfinished items on the restart checklist.

The operations and maintenance and capital costs associated with the restart of Fort Calhoun Station were \$91.8 million in 2012. To offset a portion of the increase in costs, the District reduced the operations and maintenance budget in other areas by approximately \$24 million. The District received authorization from its Board of Directors in September 2012 to reclassify recovery costs (operations and maintenance expenses incurred for the planning, execution and monitoring of restart and recovery activities) from operating expenses to a regulatory asset to amortize the costs over a ten-year period. In 2012, the District reclassified \$70.6 million from operations and maintenance expenses to a regulatory asset. The estimated operations and maintenance and capital costs for the recovery and restart of Fort Calhoun Station are approximately \$133 million for 2013. The operations and maintenance recovery costs in 2013 will also be recovered through reclassification to a regulatory asset. Any delay beyond the fourth quarter of 2013 will result in additional costs.

In addition to the costs described above, delay in the restart of Fort Calhoun Station resulted in additional fuel and purchased power expenses in 2012. Additional fuel and purchased power costs related to the outage at Fort Calhoun Station were \$58.2 million in 2012. The District projects \$42 million in additional fuel and purchased power expenses in 2013 due to the Fort Calhoun Station outage. The District is currently recovering additional fuel and purchased power costs related to the outage at Fort Calhoun Station through the FPPA and additional incremental fuel and purchased power costs will continue to be recovered through the FPPA. Additionally, the District submitted insurance claims to recover a portion of Fort Calhoun Station's extended outage costs. In January 2013, the District reached final claim settlement with NEIL for the breaker fire-related outage costs in the amount of \$36.6 million. The District is still pursuing additional insurance recoveries for flood property damage and related outage costs. Any flood-related outage cost claim recovery will be used to reduce the impact of future FPPA collections.

The District cannot determine at this time the impact, if any, on the District's financial position of any delays in the restart date of Fort Calhoun Station beyond the fourth quarter of 2013. Returning Fort Calhoun Station to service continues to be a high priority as activities are being completed to resolve NRC concerns and restart normal operations.

Exelon Agreements. The District entered into an Operating Services Agreement and a Licensing Agreement (the "Exelon Operating Agreement," the "Exelon Licensing Agreement," respectively, and, collectively, the "Exelon Agreements") with Exelon Generation Company, LLC ("Exelon") in August, 2012, for operational and managerial support services and in order to license Exelon's proprietary, confidential Exelon Nuclear Management Model and related management systems for the benefit of Fort Calhoun Station. Exelon is a subsidiary of Exelon Corporation and is the largest operator of nuclear stations in the United States. The term of each of the Exelon Agreements is 20 years. The District remains the owner and Nuclear Regulatory Commission-licensed operator and licensee of the Fort Calhoun Station and the District retains ultimate decision-making authority. Prior approval must be obtained from the District's Chief Executive Officer before certain actions may be taken (as set out in the Exelon Operating Agreement). The District may terminate the Exelon Operating Agreement at any time without cause during the term of such agreement upon 180 days' prior notice subject to a termination fee of \$20 million and payment of certain additional termination costs. Termination for cause and certain other termination events are not subject to payment of a termination fee. The Exelon Licensing Agreement may be terminated at any time upon 6 months' prior notice without payment of a termination fee.

Pursuant to the Exelon Operating Agreement, Exelon has agreed to provide day-to-day management of Fort Calhoun Station and to support the District in adapting the Exelon licensed Management Model for use at Fort Calhoun Station. The Exelon Operating Agreement provides that Exelon will provide a team of Exelon employees (collectively, the "Exelon Team") consisting initially of 10 members to provide management services to Fort Calhoun Station. Members of the Exelon Team will be assigned full-time to and become integrated into Fort Calhoun Station's operations, and will have day-to-day operational authority at Fort Calhoun Station, subject to oversight by and decision-making authority of the District for licensed activities, as specified in the Exelon Operating Agreement. In addition, the Exelon Team will

have the ability to recommend and, with appropriate approval, implement changes in Fort Calhoun Station's nuclear management, organizational structure and staffing, Nuclear Safety Review Board membership, budget, procedures and processes related to safety margins and performance at Fort Calhoun Station. Members of the Exelon Team will serve at the discretion of the District's Chief Executive Officer as provided in the Exelon Operating Agreement, and the District will retain ultimate decision making authority for Fort Calhoun Station. The remaining employees at Fort Calhoun Station will continue to be employees of the District. Under the Exelon Operating Agreement, Exelon will also provide corporate management services, as it does for its owned nuclear power generation units. The Exelon Operating Agreement provides that Exelon is an independent contractor of the District, and that ultimate responsibility and authority for and control of Fort Calhoun Station remains with the District.

The Exelon Operating Agreement provides for payment by the District to Exelon for services provided under the Exelon Operating Agreement in three categories: "reimbursable costs," a "management fee" and an "incentive fee." The Exelon Licensing Agreement provides for the payment by the District of an annual licensing fee. The maximum aggregate amounts payable to Exelon under the Exelon Agreements during the first full calendar year the Exelon Agreements will be in effect (2013) total \$26.5 million (which amount includes certain initial transition costs) plus certain reimbursable costs associated with the employment by Exelon of the Exelon Team. That amount may be reduced in the event that, in the first year or any subsequent year of the Exelon Operating Agreement, Exelon does not qualify for the full amount of the incentive fee payable under the Exelon Operating Agreement. The minimum fee payable to Exelon under the Exelon Agreements during the term of the Exelon Agreements is approximately \$20 million per year, assuming no incentive fees are earned and exclusive of reimbursable costs. Exelon's entitlement to the incentive fee will be determined annually based on achievement of performance metrics established jointly each year by Exelon and the District. The components of the fees payable under the Exelon Operating Agreement and the Exelon Licensing Agreement will escalate annually based on the factors set forth in the Exelon Agreements.

Power Uprate Project. The District began the process of uprating Fort Calhoun Station by 17% in 2008, to achieve a new thermal output which would equate to an additional 75 megawatts ("MW") in base electrical output. This project was originally planned to be completed in 2013 but has been delayed because the additional capacity is not currently needed and resources are now being redirected to address regulatory issues at Fort Calhoun Station. The uprating project focuses primarily on engineering and regulatory licensing issues along with upgrading selected equipment in the non-nuclear related portion of the facility. Currently, the majority of the uprating work is scheduled to be completed after 2015. If the uprating project is restarted in 2015, it is anticipated to cost a total of approximately \$300 million and will be completed during the 2017 and 2019 refueling outages. Of the \$300 million projected cost, approximately \$136 million has been spent to date.

During the analysis for the Power Uprate Project, issues were discovered concerning internal structures and electrical penetrations in Fort Calhoun Station's containment building. The District plans to resolve containment building internal structure concerns in future outages. The current estimated cost of resolving the internal structure deficiency is approximately \$45 million, of which approximately \$10 million has been spent to date. After thorough analysis, it

was determined that the replacement of selected electrical penetrations between the containment building and the general station was the best long-term option for Fort Calhoun Station. Installation and testing of the new penetrations was completed in October 2013. The cost of the electrical penetration replacement was approximately \$10 million.

Security. Regulatory attention in the area of nuclear security remains high. During 2011, Fort Calhoun Station Security underwent one NRC inspection on Fitness for Duty. There were no significant issues noted during the inspection. Other inspections and assessments scheduled during 2011 were delayed due to the flooding conditions that Fort Calhoun Station experienced. Inspections involving security/safeguards of information and security force-on-force exercises were successfully completed in 2013.

Emergency Preparedness. The District conducts full-scale Radiological Emergency Preparedness Exercises required by the NRC and Federal Emergency Management Agency (“FEMA”) regulations every other year. In addition, the District conducts self-evaluated exercises in the years that NRC/FEMA evaluated exercises are not conducted. The exercises demonstrate that the District, State, State of Iowa and local organizations have adequate radiological emergency preparedness plans. These plans include criteria for the evacuation of people in the vicinity of the Fort Calhoun Station. The NRC evaluated the March 2012 exercise and also conducted an annual inspection of the Fort Calhoun Station Emergency Preparedness program. The results verified that the Fort Calhoun Station emergency plan continues to provide the necessary protection of the health and safety of the public.

Accreditation. INPO was formed in 1979 by nuclear operators in the United States to establish standards against which nuclear stations are measured. Fort Calhoun Station training programs are reviewed periodically by INPO and the most recent evaluation was completed during the first quarter of 2012. The National Nuclear Accrediting Board at INPO renewed accreditation for the District’s nuclear operations training programs in April 2012. The maintenance and technical training programs, including maintenance, chemistry, radiation protection and engineering support programs, were last accredited by the National Nuclear Accrediting Board in March 2010. Accreditation renewal occurs every four years for each nuclear training program. The next Accreditation Team visit for maintenance, chemistry, radiation protection and engineering support programs will be in November 2013, with the Accreditation Board scheduled for March 2014.

Decommissioning. As required by the NRC, the District maintains an external trust fund to accumulate moneys for the future decommissioning of Fort Calhoun Station. The NRC’s required funding is based on an NRC defined cost formula to decommission the radiated portions of the Station. The District began its decommissioning accrual and funding in July 1983.

In 1992, the District commissioned and received a site specific study to estimate the cost to fully decommission the Fort Calhoun Station. The study is updated annually by the District and periodically by an outside consultant. In 1992, the District began accumulating funds in a separate decommissioning fund based on the difference between the site specific study’s estimated cost to fully decommission the Station and the NRC’s estimated cost to decommission the radiated portions of the Station.

Utilizing the NRC defined cost formula, the District's minimum decommissioning amount is \$437.0 million. The estimated cost to fully decommission the Station is \$851.9 million. The market value of the two decommissioning funds was \$349.7 million and \$336.9 million as of December 31, 2012 and December 31 2011, respectively.

The District's 2013 funding analysis determined that no funding was needed to meet the NRC defined cost estimate. However, the analysis determined that additional funding is needed to meet the estimated cost to fully decommission the Station. Funding of approximately \$3.4 million annually will begin in 2014.

For additional information regarding the nuclear industry, see "FACTORS AFFECTING THE DISTRICT AND THE ELECTRIC UTILITY INDUSTRY GENERALLY."

Generating Facilities - Peaking Stations:

The District owns three oil/natural gas peaking stations which provided less than 2% of net generation in 2012.

Cass County Station. The Cass County Station, located near Murray, Nebraska, consists of two combustion turbine units equipped for natural gas firing, primarily used for peaking purposes. The combustion turbine units are tied into two natural gas transportation pipeline systems enhancing competition between fuel suppliers.

Jones Street Station. The Jones Street Station, located near downtown Omaha, consists of two combustion turbine units equipped for oil firing, primarily used for peaking purposes. In October 2012, turbine blade issues were discovered on Unit No. 2 that resulted in an extended outage. Repairs were completed and the unit was returned to service in August 2013.

Sarpy County Station. The Sarpy County Station, located in Bellevue, Nebraska, consists of five combustion turbine units equipped for oil or natural gas firing, primarily used for peaking purposes. In July 2012, Unit No. 5 began an inspection and repair outage that resulted in off-site repair of the "B" engine/power turbine at an approximate cost of \$1.7 million. It was returned to service in the second quarter of 2013. The Unit No. 5 "A" engine remained available for service.

For additional information regarding the above mentioned generating facilities, see "FACTORS AFFECTING THE DISTRICT AND THE ELECTRIC UTILITY INDUSTRY GENERALLY."

Impact of Environmental Issues:

The District is performing an extensive assessment of its generation resources due to the elevated impact and high degree of uncertainty surrounding current environmental issues and related regulations. The District is working with industry leaders specializing in generation resource assessments to review existing, pending, and anticipated regulatory requirements and the effect on the District generation resources, develop alternatives to meet requirements, review the impact of alternatives on the District, and provide recommendations. This assessment is in the evaluation phase with recommendations forthcoming. For additional information regarding

environmental issues, see “FACTORS AFFECTING THE DISTRICT AND THE ELECTRIC UTILITY INDUSTRY GENERALLY—Environmental Issues.”

Alternative Power Supply:

Targets for Renewable Energy Portfolio and Energy Efficiency. In January 2009, the District announced a voluntary plan to increase the utilization of renewable generation resources and to reduce overall energy demand. By the year 2020, the District’s goal is to produce 10% of the energy provided to District customers with renewable generation resources. As of December 2012, the District had 174,000 kW of renewable generation representing approximately 5% of its generation resources. In addition to the existing renewable generation resources, the District is currently participating in three more board approved wind generation projects (see “THE ELECTRIC SYSTEM—Future Generating Facilities.”) These projects will increase the District’s renewable generation to 30% of retail sales, surpassing the District’s goal.

Wind Generation. The District’s alternative power supply also includes 167,760 kW of wind generation. The majority of this generation is provided through the District’s participation in twenty-year purchase power agreements to purchase output from the following wind farms.

Wind Farm	Location	Contract Year	Size (kW)	District's % share	Contract Type	Remaining Commitment as of September 30, 2013
Ainsworth ^{1, 2}	Ainsworth, NE	2004	59,400	16.8	Take-or-pay ³	\$22.3 million through 2025
Elkhorn Ridge ¹	Bloomfield, NE	2008	80,000	31.25	Take-and-pay ⁴	\$10.2 million through 2028 ⁵
Flat Water	Humboldt, NE	2009	60,000	100	Take-and-pay ⁴	\$155,000 through 2030
TPW Petersburg	Petersburg, NE	2011	40,500	100	Take-and-pay ⁴	\$340,000 through 2031
Crofton Bluffs ¹	Crofton, NE	2012	42,000	32.5	Take-and-pay ⁴	\$0
Broken Bow I ¹	Broken Bow, NE	2012	80,000	22.5	Take-and-pay ⁴	\$0

¹ The District is participating with NPPD in the development of these wind farms.

² In the event another power purchaser defaults, the District is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from the default. In the event NPPD receives any financial incentive payments from the United States Department of Energy (“DOE”) pursuant to the Renewable Energy Production Incentive (“REPI”) program, the District will be entitled to its share of such payments.

³The District is obligated under the agreement to make payments for purchased power even if the power is not available, delivered to, or taken by the District.

⁴The District is obligated under the agreement to make payments for purchased power only when the power is made available to the District.

⁵Includes fixed demand charges

In addition to the purchase power agreements, the District’s wind generation total includes the Valley Station, located near Valley, Nebraska. The Valley Station is a District-owned wind generating unit with a total design capacity of 660 kW. The wind turbine is mounted on a prototype tower developed by Valmont Industries. The wind turbine went into commercial operation in December 2001.

Methane Gas Generation. The Elk City Station, located near Elk City, Nebraska, is a renewable energy station that uses methane gas from the Douglas County Landfill to produce electricity. The capacity of the Elk City Station methane gas facility is 6,400 kW and the facility has an accredited net capability of 6,210 kW.

Future Generating Facilities:

Future Wind Generating Facilities. The District entered into a twenty-five year purchase power agreement with the Nebraska Public Power District (“NPPD”) on December 9, 2011 to purchase 45,000 kW of the output from the Broken Bow II wind farm also in Custer County near Broken Bow, Nebraska. This Broken Bow II wind farm is scheduled to be operational in 2014 and will have a total capacity of approximately 75,000 kW. The District is obligated under the agreement to make payments for purchased power only when the power is made available to the District.

The District entered into a twenty-five year purchase power agreement with Prairie Breeze Wind Energy LLC for the development of the Prairie Breeze wind farm near Elgin, Nebraska on February 7, 2013. The Prairie Breeze wind project is scheduled to be operational in 2014 and will have a capacity of 200,600 kW. The District will purchase the entire output of Prairie Breeze. The District is obligated under the agreement to make payments for purchased power only when the power is made available to the District.

The District Board of Directors voted on October 17, 2013, to approve a twenty-year purchase power agreement to buy up to 400,000 kW of wind-generated electricity from the Grande Prairie Wind Farm northeast of O’Neill, Nebraska pending final contract approval. The new wind farm is expected to be operational in the second half of 2015.

With the completion of the Board approved projects, the District will meet its 2020 goal of 10% renewable energy six years early. If the Grande Prairie Wind Farm receives final approval, the proposal will increase the District’s renewable energy generation capacity to 817,000 kW and will increase renewable generation to 30% of retail sales. That percentage surpasses all of the District’s previous announced corporate goals. It will also help position the District as one of the top utilities in the region for percentage of retail sales from renewable resources. The District also reduced system peak demand 70,000 kW by October 2013 through a variety of energy-efficiency programs. The District will be exploring additional options to establish future demand response and renewable goals.

2011 Missouri River Flood:

Due to the record snowfall in the Rocky Mountains and high water levels in Missouri River reservoirs, the Corps of Engineers released record amounts of water from the dams along the Missouri River in 2011. The release of such water caused flooding in areas near the Missouri River and impacted all of the District’s coal and nuclear generating units and some of the District’s transmission and distribution assets. Additionally, the flood event extended the outage at Fort Calhoun Station. The reactor at Fort Calhoun Station has been in cold shutdown since April 2011, which was the start of a planned refueling outage. In May 2011, outage activities were suspended to protect Fort Calhoun Station facilities from rising river levels. In September 2011, water levels had receded enough to allow outage activities to resume and inspections for any flood damage to begin.

Flood Response Cost. The District incurred flood prevention/mitigation costs and property damage expenses at District facilities. The total amount of such costs was \$59 million

as of December 31, 2012. A portion of the flooding costs are recoverable through insurance reimbursements in addition to FEMA reimbursements. The District’s insurance recovery of the non-nuclear property and mitigation cost was \$12 million. The District has submitted a claim to NEIL for recovery of Fort Calhoun Station property damage as a result of the flood. Negotiations with NEIL are ongoing. In addition, the District has recorded recoveries of \$21.8 million from FEMA associated with the flood event and has received \$10.5 million from FEMA through October 2, 2013.

The District also experienced higher fuel costs and unexpected energy purchases due to the flood and extended outage at Fort Calhoun Station during 2011. The amount of such costs was \$35.3 million in 2011. The District has submitted an additional claim to NEIL for the flood-related portion of the outage at Fort Calhoun Station. Any claim recovery will be used to reduce the FPPA. For additional information regarding the FPPA, see “ELECTRIC RATES AND RATE REGULATION.”

Fuel Supply:

Fossil - Coal. The District currently has term contracts with Peabody Coal Sales, 2009-2015 and Arch Coal Sales, 2014-2017. The District has entered into five additional 2013 spot coal contracts with (1) Peabody Coal Sales, (2) Arch Coal, (3) Cloud Peak Energy and (4) Enserco (two contracts) and two additional 2014 spot coal contracts with (1) Cloud Peak Energy and (2) Arch Coal Sales. The District has a rail transportation contract with Union Pacific Railroad Company for the delivery of all coal through 2020. In 1998, the District purchased 57 miles of rail line extending from the Nebraska City Station to Lincoln, Nebraska (“Rail Spur”). The Rail Spur was purchased from the Burlington Northern Santa Fe Railway Company to provide competitive access to the Nebraska City Station. In order to maintain the Rail Spur, the District has a rail maintenance contract with Kelly-Hill Company through 2020. The new transportation and coal contracts established in 2013 are expected to result in significant savings over the next 7 years.

The District maintains an approximate two-month coal supply for its Nebraska City Station. The average price per ton for coal delivered and the total amount delivered to the District’s Nebraska City Station for 2012 and 2011 were as follows:

Year Ended	Average Price	Tons
2012	\$29.95	5,465,929
2011	\$32.81	4,919,785

The District also maintains an approximate two-month coal supply for its North Omaha Station. The average price per ton for coal delivered and the total amount delivered to the District’s North Omaha Station for 2012 and 2011 were as follows:

Year Ended	Average Price	Tons
2012	\$28.84	2,004,411
2011	\$34.11	1,951,747

The coal for both the Nebraska City Station and the North Omaha Station is delivered to the sites by seven unit-trains totaling 1,032 coal cars owned by the District.

Fossil – Fuel Oil. As of May 31, 2013, the District had approximately 642,000 gallons of No. 2 fuel oil in storage at the Jones Street Station and approximately 282,000 gallons of No. 2 fuel oil in storage at the Sarpy County Station. The oil in storage provides sufficient fuel to operate the District’s oil-burning peaking units at their full load of 436,400 kW (summer net capability) for approximately 10 hours at Sarpy County and 60 hours at Jones Street. The District has access to pipeline terminals in the area for immediate replenishment, if needed. The estimated annual consumption of No. 2 fuel is less than one million gallons. Fuel oil consumption will be substantially less than one million gallons per year with the addition of the Nebraska City Station natural gas pipeline discussed below in Fossil - Natural Gas. It is anticipated that less than 1% of the energy generated by the District for each of the next ten years will be produced with fuel oil.

Fossil – Natural Gas. Natural gas from the Metropolitan Utilities District (“MUD”) is available on an interruptible basis for power station fuel at the North Omaha and Sarpy County Stations. Firm natural gas transportation has been negotiated to be utilized during the station start-up process. The Cass County Station is located outside of MUD’s service territory and therefore does not receive natural gas services from MUD. As a result, natural gas inventories are maintained for the Cass County Station. The District is connected into two natural gas transportation pipeline systems, Northern Natural Gas Company and Natural Gas Pipeline Company of America, adjacent to the Cass County Station site. These interconnections enhance competitive pricing between the two pipeline systems. The District has negotiated both firm and non-firm natural gas transportation for the Cass County Station.

The District has constructed a natural gas pipeline to Nebraska City Station which will provide fuel for start-up in lieu of fuel oil. Internal connections and equipment must be installed before the pipeline is available for service starting in 2014. The District is exposed to market price fluctuations for purchases of natural gas. To manage the risk of volatility in the market price of natural gas, New York Mercantile Exchange natural gas futures contracts and contract options are utilized to hedge a portion of the District’s natural gas requirements. All hedging is for price risk management. Speculative hedging is prohibited by the District’s Risk Management Policy. Due to the low use of natural gas, the District decided in August 2011 to retain existing natural gas hedging instruments and suspend using natural gas hedging contracts in the future.

Nuclear. The nuclear fuel procurement process has four primary steps which can be contracted for separately or as combined items. The first is the procurement of uranium concentrates. The uranium concentrates are then converted in form to uranium hexafluoride. The concentration of the fuel component in uranium hexafluoride is then increased in the enrichment process. Finally, the enriched uranium hexafluoride is formed into ceramic pellets and fabricated into the fuel assemblies that are delivered to Fort Calhoun Station.

The District has 282,388 kilograms of converted uranium stored at the United States Enrichment Corporation’s enrichment facility in Paducah, Kentucky and 1,695 kilograms of converted uranium stored at the Areva NP fuel fabrication facility in Richland, Washington. A 1999 contract with United States Enrichment Corporation was amended in 2007 to provide 100%

of the enrichment requirements through 2015. A contract was signed in May 2010 with Louisiana Energy Services for the supply of 100% of enrichment requirements from 2016 through 2026. A contract was extended in 2012 with Areva NP to provide fabricated fuel assemblies for the Fort Calhoun Station reactor through 2021. A contract was signed with Cameco Inc. in September 2006 to supply a portion of the converted uranium requirements from 2007 through 2016. A second contract was signed with Cameco Inc. in 2011 to provide additional requirements for 2012 through 2016. These two contracts will supply approximately 100% of the requirements for 2012 through 2016. Future remaining non-contracted requirements for uranium will be met through either spot market purchases or as term contracts. Approximately 140,000 kilograms of converted uranium will be used in the next refueling outage at Fort Calhoun Station in 2015. In 2009, the District began building a strategic nuclear fuel inventory that has reached the target level equivalent to one full refueling cycle (which is currently 18 months in length).

In June 1983, the District and the DOE entered into a contract for the disposal of the District's spent nuclear fuel. Under the adjusted terms of the contract, the District is subject to a fee of one mill per kWh on net electricity generated and sold from Fort Calhoun Station. This one mill (\$0.001) fee is paid on a quarterly basis to the DOE. The nuclear fuel disposal costs were \$1,124,000 and \$4,073,000 for the years ended December 31, 2011 and 2010, respectively. No fees were paid in 2012 or 2013 year-to-date due to the extended outage at Fort Calhoun Station. Through December 2012, the District has paid a total of \$112,452,000 in such fees to the DOE. On November 19, 2013, the United States Court of Appeals for the District of Columbia Circuit entered an order requiring the Secretary of Energy to submit to Congress a proposal to reduce the nuclear waste fund fee levy to zero until such a time as either (1) the Secretary completes a fee adequacy study that complies with the Nuclear Waste Policy Act or (2) Congress enacts an alternative waste management plan. It is unclear at this time whether the court's order will ultimately result in the suspension of OPPD's obligation to pay the nuclear waste fund fee in the future.

Spent fuel disposal costs are included in the District's nuclear fuel amortization rate and are collected from customers as part of fuel costs. It is unclear, at this time, when a DOE spent fuel disposal facility will be operational. The District is responsible for the storage of spent fuel until the government takes delivery. The District completed construction of an on-site dry cask storage facility to meet interim storage needs for the spent fuel bundles. The facility includes modules to meet the District's needs for approximately ten years. This facility can be expanded and, along with the existing spent fuel pool storage racks, will provide the necessary on-site storage through the end of the operating life of Fort Calhoun Station. For additional information regarding spent nuclear fuel, see "FACTORS AFFECTING THE DISTRICT AND THE ELECTRIC UTILITY INDUSTRY GENERALLY—High-Level Nuclear Waste Repository."

Transmission and Distribution System:

The District maintains a network of transmission lines that interconnect its generating stations and adjacent utilities to the various transmission and distribution substations serving the load of the District. In general, this network provides at least two alternate sources of supply to each load point on the system. A summary of the various transmission lines making up this network follows.

Voltage	Number of Circuit Miles
345 kV	373
161 kV	419
69 kV	<u>489</u>
Total	<u>1,281</u>

The distribution system includes approximately 6,887 miles of overhead distribution lines, 857 miles of street light overhead circuits, 4,528 miles of underground cable, 1,716 miles of street light underground circuits and 274 miles of underground conduit system which delivers power to the District’s retail customers. The distribution system includes overhead and underground lines, low-voltage transformers, meters and service facilities for operating and maintaining the system.

The distribution system support facilities include service centers located in Papillion, Elkhorn, Syracuse and Omaha. These service centers are supported by area offices throughout the District’s service territory and include office, garage, storeroom and service facilities.

The District is subject to oversight by the North American Electric Reliability Corporation (“NERC”) which ensures the reliability and protection of the District’s Transmission and Distribution system. Regarding compliance to the NERC Reliability Standards, the District has received a preliminary notice of violation on eleven Critical Infrastructure Protection reliability standard requirements from its Regional Entity, the Midwest Reliability Organization (“MRO”). The District is in the process of getting the possible violations dismissed or is working on providing mitigation plans to NERC regarding said possible violations. Compliance with the NERC standards is mandatory, and the NERC has the authority to levy substantial penalties (a maximum of \$1 million per violation, per day). Whether and to what extent penalties may be assessed against the District for the violations referenced above is unclear.

General Plant:

Among the general property of the District are general office and local office buildings, transportation and special mechanized equipment, furniture, office, computer, laboratory, shop equipment and tools, a communication system and other items necessary for conduct of the District’s business and operation and maintenance of its system.

Other Power Supply and Interconnections:

Purchased Power. The District's 2011 Integrated Resource Plan along with the 2013 Load and Capability update indicates no need for additional firm purchased power through 2021. The District will purchase power from the wholesale market when required or economic.

Western Area Power Administration ("WAPA"). The District has a power supply contract with the WAPA through December 31, 2020. The District has entered into a contract to reserve capacity and energy on a monthly allocation that will extend this contract agreement for 30 additional years. The contract provides for 17,294 kW of firm power for the highest month during the winter season of November through April and 47,826 kW of firm power for the highest month during the summer season of May through October. The contract also provides for delivery of 24,906 kW of firm power for the highest month to Offutt Air Force Base during the winter season of November through April and 33,545 kW of firm power for the highest month during the summer season of May through October. The District has the option to purchase other types of energy from WAPA, when available. WAPA may also, at its discretion, reduce summer amounts of power by up to 5% by giving a minimum of five years written notice in advance of such action.

Interconnection Agreements. The District is part of a network of transmission lines known as the Eastern Interconnection. The District is physically interconnected to four adjacent control areas which are interconnected with other control areas to create the Eastern Interconnection. These interconnections are capable of supplying capacity under emergency conditions in excess of the capacity of the Fort Calhoun Station, North Omaha Station or the Nebraska City Station. In addition to emergency energy service, the District can utilize these interconnections to provide for firm and participation power purchases and sales, economy and inadvertent interchange service, short-term power and interchange of energy for scheduled outages, and transmission and ancillary services. These services can be purchased under an Open Access Transmission Tariff or under an enabling agreement. The tariff or enabling agreement specifies the terms and conditions of purchases or sales and allows transactions to take place at market-based prices.

The District is a party to three enabling agreements: the Western Systems Power Pool ("WSPP") enabling agreement which has more than 300 participants; the North American Energy Markets Association ("NAEMA") enabling agreement with more than 100 participants; and the Omaha Public Power District Power Purchase and Sale Agreement ("PPSA") for entities that are not WSPP or NAEMA members. More than twenty entities have executed the District's PPSA.

On April 1, 2009, the District became a transmission owning member of the Southwest Power Pool ("SPP"), and all of the District's transmission facilities were placed under the SPP Open Access Transmission Tariff. The District no longer grants new transmission service requests under its own transmission tariff. Transmission services granted prior to becoming a member of SPP remain on the District's tariff as 'Grandfathered Agreements' for the original term of service. Any extension of service will be under the SPP Tariff. New generation interconnection requests to connect to the District's transmission facilities must be submitted to SPP for approval. In addition to the Tariff Administration Services, SPP also provides the

District with Reliability Coordination Services, Generation Reserves Sharing, Energy Imbalance Service Market and Planning Authority Services.

The SPP Board has approved expansion of the current real-time Energy Imbalance Market (Day 1) into a Day 2 market. The SPP Day 2 market, also known as the Integrated Marketplace (“IM”), will include Day-Ahead, Ancillary Services, Financial, and Transmission Congestion Rights Markets and is expected to go live on March 1, 2014. In the new IM, SPP will become a Consolidated Balancing Authority relieving the District of these responsibilities.

The IM will provide a more transparent market by which load will be served by the most efficient and economical generation, while maintaining the reliability of the grid. The market mechanism rewards low cost, flexible and reliable providers of electricity. The District’s generation will be in competition with other generation owners to serve load across the SPP footprint. To prepare for the IM, the District launched a project team in December 2011, with personnel from the following business units: Energy Production & Marketing, Energy Delivery, Financial Services, and Corporate Services. Individual task teams are addressing 21 different subject matter areas to ensure that District systems, policies, and personnel are ready for the transition, and are able to operate in the new market when it takes effect. The District is actively involved in SPP-sponsored trials, testing and training as required to be in the IM.

A 345-kilovolt power line being built by the District and Kansas City Power and Light (Midwest Transmission Project) will run from a substation at the Nebraska City Station to Sibley, Missouri. This project is one of several priority projects as determined by SPP and is expected to relieve congestion on the region’s transmission system and improve reliability on the nation’s energy grid. The project’s final route has been selected and construction is scheduled to begin in the summer of 2015 with a completion date of summer 2017. The project will receive funding under the SPP approved tariff.

The District is a member of the MRO and NERC. Both the MRO and NERC are reliability organizations responsible for the development of and compliance with reliability standards for applicable interconnected utilities.

Insurance:

The District maintains an insurance program designed to furnish protection against losses having an adverse effect on its financial position or operational capabilities. The District continually reviews its risks of loss and modifies the insurance program as warranted.

A \$500 million property insurance policy is maintained by the District insuring physical damage on real and personal property (with the exception of the Fort Calhoun Station which is covered under a separate policy) subject to varying deductibles with a minimum deductible of \$250,000 and a maximum deductible of \$2 million plus 10% co-insurance. The District self-insures transmission and distribution lines and District-owned vehicles.

The District has primary commercial nuclear public liability insurance satisfying the NRC’s financial protection requirements under the Price-Anderson Act for any third-party personal injury or property damage claims resulting from a nuclear incident. Under the current

law, each reactor licensee may be assessed up to \$117.5 million per reactor for claims and legal costs (but not more than \$17.5 million per year) for a nuclear incident at any commercial power reactor facility in the United States when the primary commercial insurance has been exhausted. The limit under the primary insurance policy is \$375 million.

The District currently maintains \$2.1 billion nuclear property damage and decontamination insurance covering the Fort Calhoun Station, subject to a deductible of \$2.5 million per occurrence, with NEIL. However, the deductible increases to \$10 million if damages are a result of a water, wind or earth movement event. Of the \$2.1 billion limit, \$850 million is through a shared blanket policy with NPPD. As a condition of license, the NRC requires each power reactor licensee to carry minimum nuclear property and decontamination insurance coverage of at least \$1.06 billion. The District purchases outage insurance for the Fort Calhoun Station. This insurance policy is intended to offset some of the additional expenses the District may incur should it experience an extended outage at the Fort Calhoun Station resulting from accidental property damage.

The District self-insures most non-nuclear public liability risks. Under the Nebraska Political Subdivisions Tort Claims Act, the total amount recoverable for claims is \$1 million for any one person and \$5 million for all claims arising out of a single occurrence. The District maintains a \$10 million excess liability policy providing coverage beyond the District's self-insured retained limits for occurrences arising outside the parameters of the Nebraska Political Subdivisions Tort Claims Act or for situations subject to federal jurisdiction.

The District maintains a \$25 million fiduciary and employee benefit policy which protects District employees having fiduciary responsibilities in connection with the defined benefit retirement plan or the defined contribution plans. The policy is subject to a \$250,000 deductible.

Other types of insurance in force include excess workers' compensation coverage, pollution legal liability, a faithful performance bond for all employees, a bond on the District's Treasurer and crime insurance which provides financial protection for crimes committed against the District.

Enterprise Risk Management:

The District implemented an Enterprise Risk Management ("ERM") program during 2004 and has periodically made enhancements to the program since its inception. In late 2011, Senior Management approved a revised governance structure for the District's ERM program which includes the formation of an Executive ERM Committee. The ERM program was restructured to provide independent oversight, more employee involvement and consistent ongoing monitoring of risk identification and risk management. The transition to the new structure began January 2012 and will continue through 2014.

The goal of the District's ERM program is to help ensure strategic objectives are met by specifying risk management standards, management responsibilities and controls to help ensure risk exposures are properly identified and managed. The District's ERM Policy provides a framework to govern the processes and parameters by which the District's management, staff

and contractors will identify, assess, manage, and report risk exposures across the District. The District's Board of Directors and Senior Management are informed of the District's most prominent identified risk exposures.

Rate Stabilization Fund:

This fund is to be used to assist in stabilizing rates through the transfer of funds to operations as necessary. Since there is no funding requirement, this fund also may be used to provide additional liquidity for operations as necessary. This fund was used to help finance higher fuel costs and unexpected energy purchases in 2011 due to the extended outage at Fort Calhoun Station. Proceeds from the outage insurance policy and customer collections for prior year FPPA under-recoveries were used to partially replenish this fund in 2012. The balance of the Rate Stabilization Fund was approximately \$24.6 million and \$0 as of December 31, 2012 and 2011, respectively. The fund balance was returned to \$32 million in January 2013 after the receipt of additional proceeds from the outage insurance settlement for the breaker fire related outage costs. For additional information regarding the insurance settlement, see "THE ELECTRIC SYSTEM – Generating Facilities – Fort Calhoun Station – *Operations*."

Debt Retirement Fund:

This fund is to be used for the retirement of outstanding debt and to assist in maintaining debt service coverage ratios at appropriate levels. Since there is no funding requirement, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Debt Retirement Fund was \$0 as of October 31, 2013.

Liquidity:

The District employs a probabilistic model that assists in determining a minimum level of liquidity to be maintained. The model employs a two-step process. The first step calculates the base level of liquidity needed to meet operational needs. The second step calculates the risk-impacted level of liquidity needed based on material risks affecting the District. The sum of the base and risk-impacted liquidity levels determines the minimum total liquidity level. The District's current minimum liquidity target is approximately \$220 million, or 100 days cash on hand.

FACTORS AFFECTING THE DISTRICT AND THE ELECTRIC UTILITY INDUSTRY GENERALLY

General:

The electric utility industry in general has been affected by regulatory changes, market developments and other factors which have impacted, and will continue to impact, the financial condition and competitiveness of electric utilities, such as the District. Such factors discussed in more detail in the following sections, include: (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory, and legislative requirements; (b) changes resulting from energy efficiency and demand-side management programs on the timing and use of electric energy; (c) increased regulation of nuclear generating stations in the United States resulting from the earthquake and tsunami damage to certain nuclear generating stations in Japan; and (d) nuclear waste disposal.

Additional factors affecting the utility industry include (a) other federal and state legislative and regulatory changes, (b) increased competition from independent power producers, (c) “self-generation” by certain industrial and commercial customers, (d) issues relating to the ability to issue tax-exempt obligations, (e) severe restrictions on the ability to sell electricity from generation projects financed with outstanding tax-exempt obligations to nongovernmental entities, (f) changes in projected future load requirements, (g) increases in costs, (h) shifts in the availability and relative costs of different fuels, (i) climate change and the potential contributions made to climate change by coal-fired and other fossil-fueled generating units, and (j) issues relating to internet and data security. Any of these general factors and the factors discussed below could have an effect on the financial condition of the District.

Environmental Issues - Air Quality Issues and the Clean Air Act Amendments of 1990:

Sulfur Dioxide (“SO₂”) and Nitrogen Oxides (“NO_x”) Emissions Allowances. The District has no fossil-fueled generating units requiring SO₂ emission reductions to comply with Phase I of the Clean Air Act (“Act”).

Phase II of the Act was effective January 1, 2000. Phase II governs SO₂ emissions and NO_x limits. Based on current projections, the District has sufficient allowances for SO₂ emissions (“Allowances”) to cover the electric power needs of its customers. Currently, all of the District’s coal-fired generating stations meet Phase II NO_x compliance plan requirements. This includes the two units, NC1 and the North Omaha Station Unit No. 4, which both became subject to stricter Phase II limits beginning January 1, 2008. SO₂ and NO_x emissions are monitored continuously and reported quarterly to the regulatory agencies to assure air quality standards are being met.

In recent years, Congressional legislation has been introduced in both the House and Senate that, if enacted into law, would have required the addition of pollution control equipment to reduce emissions of SO₂, NO_x, mercury and carbon dioxide (“CO₂”) from coal-fired electric generating stations. Congress has not enacted any of this legislation into law and passage of such legislation is not anticipated in the near future. If such legislation were enacted into law it

could require the District to make significant capital expenditures. Mandatory CO₂ reductions would substantially increase the District's operations and maintenance expenses and possibly require switching fuel from coal to natural gas. The District continually monitors emissions reduction legislation in Congress.

The following includes Environmental Protection Agency ("EPA") rules that recently have been finalized or proposed and their projected impact on the District:

Cross-State Air Pollution Rule ("CSAPR"). The EPA promulgated the Clean Air Interstate Rule ("CAIR") in 2005 under the authority of Title I of the Federal Clean Air Act. CAIR required the reduction of NO_x and SO₂ in 27 targeted states. Nebraska was not one of the CAIR targeted states. On July 6, 2010, the EPA proposed the Clean Air Transport Rule ("CATR") as a replacement for CAIR. This rule required 31 states, including Nebraska, and the District of Columbia to significantly improve air quality by reducing generating station emissions contributing to ozone and fine particle pollution in other states. Specifically, this proposal would have required significant reductions in SO₂ and NO_x emissions crossing state lines. Under the proposed rule, Nebraska would be required to reduce emissions of SO₂ and NO_x to meet micron fine particulate matter standards.

The final CATR was published in the Federal Register on August 8, 2011, with the name changed to CSAPR. The final rule established a cap-and-trade system with state and unit specific allowance allocations to achieve the desired emission reductions. The NO_x and SO₂ allowances under CSAPR were significantly lower than the proposed CATR allowances. Implementation of Phase I of the final rule was scheduled to begin in 2012 and implementation of Phase II in 2014. Due to the short implementation timeframe for Phase I, the rule was challenged in court. On December 30, 2011, the D.C. Circuit Court issued an order staying the CSAPR pending the Court's resolution of the petitions for review of the rule. The federal court ordered the EPA to continue administering the previously promulgated CAIR until a final decision could be made on the merits of CSAPR. On August 21, 2012, the federal court vacated CSAPR stating that the rule exceeds the EPA's statutory authority. On January 24, 2013, the United States Court of Appeals for the D.C. Circuit denied EPA's petition for rehearing of the Court's August 2012 decision to vacate the CSPAR. On March 29, 2013, the U.S. Solicitor General petitioned the Supreme Court to review the D.C. Circuit Court's decision on CSAPR. On June 24, 2013, the U.S. Supreme Court granted the United States' petition asking the Court to review the D.C. Circuit Court's decision on CSAPR. And on September 4, 2013, the United States filed its opening merits brief with the Supreme Court challenging the D.C. Circuit decision on CSAPR. The EPA will continue administering CAIR pending the promulgation of a valid replacement rule. The State is not covered by CAIR, therefore the District remains unaffected at this time.

Mercury and Air Toxics Standard ("MATS"). In March 2005, the EPA issued its final Clean Air Mercury Rule ("CAMR") for controlling mercury emissions from electric utility steam generating units. CAMR proposed a mercury cap-and-trade program for existing coal-fired generating stations, placed limits on new sources, and established two nationwide mercury caps – 38 tons in 2010 (Phase I) and 15 tons in 2018 (Phase II). On February 8, 2008, the U.S. Court of Appeals for the Second Circuit vacated CAMR. In the Court's opinion, EPA could not remove mercury as a hazardous air pollutant and substitute a cap-and-trade program without

strict adherence to requirements of the Act. Thus, electric utility steam generating units were once again likely to be subject to Maximum Achievable Control Technology (“MACT”) standards. This required EPA to evaluate appropriate MACT limits for source categories and propose a new regulatory program for mercury control. On December 24, 2009, EPA approved an Information Collection Request requiring all U.S. generating stations with coal- or oil-fired electric generating units to submit emissions information for use in developing air toxics emissions standards. On May 3, 2011, following the review of data collected, EPA promulgated a proposed rule for Utility Boiler MACT which places strict limitations on emissions of mercury, non-mercury metallic hazardous air pollutants and acid gases (hydrogen chloride or SO₂ as a surrogate). The MACT Rule was finalized on December 16, 2011 and the name was changed to MATS. Compliance with the new rule will be necessary by April 2016. An additional year was granted by local permitting agencies to facilitate installation of pollution control equipment. The District has modeled various generation options due to the impact of MATS and other environmental regulations. Additionally, in September 2012, testing of Dry Sorbent Injection and Activated Carbon Injection was performed at NC1. Further sorbent injection testing was performed at North Omaha Station from May 28, 2013 until August 15th, 2013. The results of the modeling information and testing data are being analyzed to determine optimal generating options. Estimates range from \$125 million to \$725 million depending on the technology implemented to meet the regulations.

Best Available Retrofit Technology (“BART”)/Regional Haze Rule. In July 2005, the EPA finalized the Regional Haze Rule which includes provisions addressing BART. BART requires retrofit application of emission controls for industrial facilities emitting air pollutants that reduce visibility at federally protected parks and wilderness areas. North Omaha Station Unit No. 4 and Unit No. 5, and NC1 are considered to be BART applicable and thus required a detailed visibility impact analysis. This BART analysis was submitted to the NDEQ in November 2006. In August 2007, the NDEQ ruled that North Omaha Station Units No. 4 and No. 5’s impact on visibility were below significant thresholds and neither unit would be required to install retrofit emission reduction technologies. In March 2008, the NDEQ agreed with the District’s BART analysis and proposed Compliance Plan for NC1. The Plan required the installation of new low NO_x burners with overfire air technology. The low NO_x burners were installed during the planned outage completed in November 2010. On January 21, 2011, the NDEQ submitted the State Implementation Plan (“SIP”) for BART to the EPA. On March 2, 2012, the EPA approved a portion of the plan. The approved portion of the plan included the provisions to install low NO_x burners with overfire air technology on NC1, which were installed in 2010.

National Ambient Air Quality Standards (“NAAQS”) Ozone. On January 6, 2010, the EPA proposed to strengthen the NAAQS for ground-level ozone, the main component of smog. The primary ozone standard is designed to protect public health. The EPA is also proposing to establish a seasonal secondary standard, designated to protect sensitive vegetation and ecosystems. The EPA was expected to issue final standards by the end of 2011 and it was expected the standards would be reduced to a level that could put the Omaha Metropolitan Statistical Area at risk to be classified as “non-attainment” (0.060-0.070 ppm). It is expected that the EPA will issue proposed revisions to the ozone standard in late 2013 or early 2014. Depending on the final standards, the Omaha metropolitan area could be designated

nonattainment, which could require NO_x reductions at North Omaha Station. As a result of such uncertainties, neither cost nor time frame can be estimated at this time.

National Ambient Air Quality Standards One-hour SO₂. On June 2, 2010, the EPA strengthened the NAAQS for SO₂. The EPA is revising the primary SO₂ standard by establishing a new one-hour standard emissions level. The EPA 2007-2009 Air Quality Data indicated that Douglas County in Nebraska would be in violation of the proposed new standard. The EPA did not designate areas based on this data but will use the currently available data at the time designation decisions are made, most likely 2010-2012 data. States were also required to determine attainment status through ambient air quality modeling. A State Implementation Plan submittal due in June 2013 was to address attainment issues identified through modeling. On April 20, 2012, the District was notified by NDEQ that the EPA would no longer require states to include attainment modeling demonstrations with the June 2013 SIP submittals. In the event that the Omaha metropolitan area is designated nonattainment or, if required by further rulemaking, is identified as having modeled SO₂ levels greater than the standard, North Omaha Station could be required to reduce SO₂ emissions. As a result of such uncertainties, neither cost nor time frame can be estimated at this time.

EPA Request. In 2010, the District received a request from the EPA for information regarding capital projects undertaken at NC1 and North Omaha Station since 1987. The District believes it has complied with all regulations relative to the capital projects in question. The District has and will continue to provide pertinent information to the EPA as supplemental requests are received.

Greenhouse Gas Regulations and Legislation. Addressing the issue of global warming/climate change had been a major legislative priority for the current Administration. Following the 2012 presidential election, during his inaugural speech, the President highlighted climate change as one of his top priorities for his second term. It is uncertain that the 113th Congress will develop and enact climate change legislation into law. The District's expectation is that current and near-term future action on addressing climate change will likely be confined to the EPA's efforts to regulate greenhouse gases as described below.

On October 30, 2009, the EPA's Mandatory Reporting of Greenhouse Gases Rule became final. This development is significant in that it represents the first federal requirement to report and monitor greenhouse gas emissions from approximately 10,000 industrial facilities representing 85% of greenhouse gas emissions in the United States. The reporting threshold is 25,000 metric tons of CO₂ equivalent per year (actual emissions) or capacity-based thresholds depending on the sector type. The final rule requires annual reporting beginning with 2010 emissions. The District has submitted the required greenhouse gas reports for Nebraska City Station, North Omaha Station, Cass County Station, Sarpy County Station, and transmission and distribution sources as required.

On September 20, 2013, the EPA announced its plan to reduce carbon pollution from electric generating stations. The proposed standards are the first uniform national limits on the amount of carbon emissions that future stations will be allowed. Standards for currently operating stations are set through a federal-state partnership that includes federal guidelines and state plans to set and implement performance standards. The standards for currently operating

sources are expected to be different from and less stringent than the standards for future sources. The EPA will be engaging with states and others including the power sector, environmental groups and the public, to identify approaches shown to reduce carbon emissions. A proposed rule for controlling carbon emissions from existing stations is expected by June 2014 with a final rule expected by June 2015. The potential cost impact of future climate legislation to electric utilities with substantial coal generating assets could be significant and will be closely monitored.

Environmental Issues - Hazardous and Toxic Materials Regulations:

Chemical Reporting. The electric utility industry is subject to the Emergency Planning and Community Right-to-Know Act (“EPCRA”), the Toxic Substances Control Act regulations (“TSCA”) and the Resource Conservation & Recovery Act (“RCRA”), including applicable programs delegated to the NDEQ by the EPA. The District conducts environmental audits to monitor compliance with these regulations in conjunction with the proper management and disposal of applicable hazardous, toxic and low-level radioactive wastes.

The four major provisions of the EPCRA are emergency planning, emergency release notification, hazardous chemical storage reporting requirements and toxic chemical release inventory. The emergency planning section of the law is designed to help communities prepare for and respond to emergencies involving hazardous substances. Specifically, the District annually reports the presence, location and amount of hazardous substances at its facilities to local emergency responders and to local and state emergency planning committees. The District also annually reports the amounts of EPCRA chemicals that it releases to the environment at its coal-fired electric generating facilities to the State Emergency Response Commission and the EPA via the Toxics Release Inventory (“TRI”). The TRI is a publicly available EPA database that contains information on toxic chemical releases and other waste management activities reported annually by certain covered industry groups as well as federal facilities. Accidental or emergency releases of EPCRA chemicals above threshold amounts are reported to local agencies as well as the National Response Center.

The District manages TSCA waste (mainly asbestos and polychlorinated biphenyls from electrical transmission and distribution equipment) through a process involving reporting, sampling and analysis, and appropriate waste management to ensure compliance. RCRA waste is managed by characterizing, packaging and shipping radioactive and solid wastes to the District’s approved waste vendors to ensure compliance and minimize liability associated with waste disposal. In order to ensure compliance, the District remains active in reviewing applicable regulatory changes and modifying facility environmental management plans accordingly. Pollution prevention efforts have been effective in reducing environmental liabilities and reducing operating costs.

Environmental Issues - Clean Water Act:

316(b) Fish Protection Regulations. In July 2004, the EPA finalized 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. District stations affected by the 316(b) Rule include Fort Calhoun Station, North

Omaha Station and NC1 (NC2 uses a cooling tower rather than once-through cooling and, as such, is not impacted by this regulation). On March 28, 2011, the EPA proposed a rule to address both fish impingement and entrainment. To address fish impingement, facilities must either conduct monitoring to show the specified performance standards for impingement mortality of fish and shellfish have been met, or they may demonstrate to the permitting authority that the intake velocity meets the specified design criteria of less than 0.5 feet per second. North Omaha Station, NC1 and Fort Calhoun Station all have greater than 0.5 feet per second intake velocity. To address fish entrainment, facilities must perform comprehensive fish studies, follow a public process, with opportunity for public input, by which the appropriate technology to reduce entrainment mortality would be implemented at each facility after considering site-specific factors. The final version of the 316(b) Rule has not been issued. On June 27, 2013, the EPA was granted an extension to allow for completion of a formal consultation under the Endangered Species Act. The EPA is working to complete these actions by January 2014. When the final rule is effective, technologies to meet the impingement requirements of the rule would have to be implemented as soon as possible but within eight years at the latest. In accordance with the previously approved compliance plan, the District is continuing to work with the EPA and the NDEQ on compliance strategies. These strategies include testing a new technology at the North Omaha Station during 2007 and 2008 which showed test results for fish mortality better than original 316(b) Rule limits and the installation and continued testing of Geiger screens at the Fort Calhoun Station.

Energy Efficiency:

The District continues to evaluate, develop and operate commercial and residential demand-side management programs focused on changing energy use patterns by providing incentives, working with the Nebraska energy office on code modifications, and providing educational resources. Over the past five years, these programs have resulted in a demand reduction of 70 MW.

For commercial and industrial customers, the District offers various programs including turn-key projects which include commissioning, energy efficiency equipment upgrades, ground loop heat pump systems, technical support and customer service. The Integrated Energy Efficiency Program uses the DOE's Energy Efficiency and Conservation Strategy to help customers improve comfort and minimize energy use. The District offers other incentives for higher efficiency equipment such as heating and air conditioning equipment and lighting. In addition, the District has several load curtailment and customer-owned generation programs. These load curtailment programs offer customers energy credit refunds to curtail their capacity and energy use.

Residential customers have a number of programs designed to help them identify areas of potential energy savings. The District implemented the residential Air Conditioning Management Program which reduces peak demands by managing air conditioning units during peak load periods. Currently there are approximately 18,000 customers actively participating in the program representing 26.5 MW. The District is a partner in the EPA and DOE Energy Star Program ("Energy Star") and actively promotes its efforts to residential and commercial customers. The Energy Star for New Homes Program assists customers and builders with the identification of energy efficiency measures to include during new home construction. For

commercial customers, the District offers training for the EPA's Portfolio Manager Tool used to evaluate and benchmark the energy performance of office buildings. Commercial customers, architects, engineers and government officials are invited to participate in quarterly meetings to share innovative energy efficiency strategies with guest speakers and to focus on the Energy Star Program.

The District was recognized by the EPA as an Energy Star Leader for improving energy efficiency by ten percent in the qualifying Leader group. The Leader group includes approximately 583,000 square feet of office space for the District's facilities.

Nuclear Regulation:

The District is subject to continuing regulation by the NRC in connection with the operation of the Fort Calhoun Station. NRC regulations require extensive review of both the radiological and environmental aspects of this facility. The NRC from time to time requires that the design of the nuclear generating station or certain components of the station be reanalyzed using newly developed data and techniques and, if changes are necessary or desirable, requires modifications to the station or its components as a condition of its continued operation. The District has incurred and expects to continue to incur expenditures as a result of these requirements. For additional information regarding the nuclear industry, see "THE ELECTRIC SYSTEM—Generating Facilities—*Fort Calhoun Station.*"

Potential Impacts to the U.S. Nuclear Industry from Tsunami at Fukushima Daiichi Stations in Japan:

Following the March 11, 2011 earthquake and resulting tsunami that affected the Fukushima Daiichi Stations in Japan, the District and the nuclear industry have been working to comprehend the events that damaged the reactors and associated fuel storage pools and then determine whether any changes might be necessary at United States nuclear stations. The performance of the General Electric boiling water reactor with Mark 1 containment systems in Japan as well as associated on-site spent fuel storage facilities are of particular interest.

The Fort Calhoun Station is a pressurized water reactor, which is a different design than that of the Fukushima Stations. Based on the risk for this area, Fort Calhoun Station is designed to withstand up to a 6.1 (Richter scale) earthquake at its location and safely shut down the reactor, as required by the NRC. Fort Calhoun Station has not experienced any appreciable seismic activity during the station's history. In addition, the station is designed to withstand flooding on the Missouri River up to 1,014 Mean Sea Level and high winds up to 500 miles per hour. Fort Calhoun Station operators and staff received training on Severe Accident Management Guideline procedures for handling beyond design basis events.

The NRC has determined that the U.S. fleet of all reactor types is considered safe for continued operations; however, they have formed a task force to perform a systematic and methodical review to see if there are any near-term or long-term modifications that should be made to programs or regulations to further ensure protection of public health and safety. There may be additional requirements promulgated for the current fleet of United States nuclear reactors after the full investigation of the events at the Japanese stations is completed.

In July 2011, the NRC's Fukushima Task Force issued a 90-Day Report of its nuclear generating station review to congressional oversight committees. The Report confirmed the safety of U.S nuclear facilities and recommends actions to enhance U.S. nuclear station readiness to safely manage severe events. On September 12, 2011, the NRC proposed near-term actions in response to the events at Fukushima. On October 18, 2011, the NRC approved the proposed actions including implementation of the lessons learned within five years and gave specific guidance to conduct a high-priority rulemaking to enhance station blackout capabilities within 24 to 30 months. On March 12, 2012, the NRC issued a letter to the industry requiring all operating reactors: (1) to re-evaluate seismic and flooding hazards, (2) to perform seismic and flooding walkdowns to identify and address stations specific vulnerabilities and (3) to develop emergency preparedness staffing strategies for responding to an extended station blackout. In addition, the NRC issued three orders: (i) to develop strategies to mitigate the effects of challenges to the safety functions of core cooling, containment, and spent fuel pool cooling capabilities, (ii) to provide spent fuel pool level monitoring instrumentation, and (iii) to install hardened containment vents for Mark I or II Boiling Water containments (Note: The containment vent issue is not applicable to the Fort Calhoun Station.) The District is participating on the industry task force to develop a consistent response to the NRC letters and orders. Potential regulatory changes and costs are estimated to be \$26 million.

Low-Level Nuclear Waste:

The Fort Calhoun Station generates three Classes of low-level radioactive waste. Waste classified as Class A is the least radioactive and Classes B and C have successively higher levels of radioactivity. The District utilizes Energy Solutions near Clive, Utah for the disposal of Class A waste. The District's previous Low-Level Radioactive Waste storage facility discontinued accepting Class B and Class C waste in July 2008. The District is currently storing, and has the ability to continue through the current license period to store, Class B and Class C waste on-site at Fort Calhoun Station. The District will continue to evaluate potential off-site storage and disposal options as they become available.

High-Level Nuclear Waste Repository:

Under the federal Nuclear Waste Disposal Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. Under the terms of a contract with the District, whereby the District was to pay a fee of one mill per net kWh on net electricity generated and sold, the DOE was to begin accepting spent nuclear fuel by January 1998. At this time it is unclear when a DOE facility will be operational.

The District remains responsible for the safe storage of spent nuclear fuel until the federal government takes delivery. The District completed construction of a dry cask storage facility on-site to meet long-term storage needs for the spent fuel bundles. The total cost of the construction and the initial loading of ten storage casks was approximately \$23 million. This facility can be expanded and along with the existing spent fuel pool storage racks will provide the necessary on-site storage through the end of operating life of Fort Calhoun Station should DOE fail to begin accepting spent nuclear fuel. For additional information regarding nuclear fuel, see "THE ELECTRIC SYSTEM—Fuel Supply—*Nuclear*."

In June 2006, the District entered into a settlement agreement with the DOE under which the DOE will reimburse the District for allowable costs associated with the storage of spent fuel at the District's nuclear power station pending the DOE fulfilling its contractual obligation to accept such fuel for permanent storage. The settlement agreement provides for a defined procedure for determining future reimbursable costs. To date, the District has received \$28 million in reimbursements which covered allowed costs incurred from 1998 through 2010 for cask loading and transfer as well as necessary facility upgrades. Additional claims by the District, thereafter, are expected to be submitted under the settlement agreement when costs are incurred. For additional information about risks affecting the District specifically, see "THE ELECTRIC SYSTEM."

LEGAL PROCEEDINGS:

There is not now pending or threatened litigation of any nature seeking to restrain or enjoin, or in any manner questioning, the issuance and delivery of the Notes, the proceedings and authority under which the Notes are issued or affecting the validity of the Notes thereunder, the power and authority of the District to fix and establish and collect adequate rates, tolls, rents or other charges for electric energy and all other commodities, services and facilities sold, furnished or supplied by the District, the proceedings and authority under which the District's present rates, tolls and other charges are made and the right and authority of the District to conduct its electrical business or operate any of its properties now constructed or contemplated to be constructed; and neither the corporate existence nor the boundaries of the District nor the title of its present officers to their respective offices is being contested.

The District is engaged in routine litigation incidental to the conduct of its business. In the opinion of its General Counsel, the aggregate amounts recoverable from the District are not material.

RATINGS:

Moody's Investors Service and Standard & Poor's Ratings Services have given the ratings of "P-1" and "A-1+" respectively, to the Notes. Such ratings reflect only the views of such organizations, and explanations of the significance of such ratings may be obtained only from the credit rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such credit rating agencies if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK:

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but the District takes no responsibility for the accuracy of such information.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the

Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District in accordance with their respective holdings shown on DTC's records. Payments by Participants on the payable date to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

LEGAL OPINION:

The form of Legal Opinion of Kutak Rock LLP, Omaha, Nebraska, which is printed on the Master Note, is included in Appendix B.

COMMERCIAL PAPER MEMORANDUM:

The information contained in this Commercial Paper Memorandum has been obtained from records of the District and from other sources believed to be reliable, but the accuracy and completeness of the information are not guaranteed. All references to and explanations and summaries of statutes, resolutions, contracts and other documents contained herein are qualified in their entirety by reference to said statutes and documents for a full and complete description of their respective provisions. Any statements contained herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution, delivery and distribution of this Commercial Paper Memorandum have been duly authorized by the Board of Directors of the District.

AVAILABLE FINANCIAL INFORMATION:

The District is not required to file reports with the Securities and Exchange Commission; however, in compliance with Rule 15c2-12 additional information regarding the District is available at the Municipal Securities Rulemaking Board information repository, <http://emma.msrb.org>. The most recently prepared financial statements of the District are contained in the 2012 Annual Report which is incorporated herein by reference. Copies of its most recent Annual Reports, Semi-Annual Reports and Official Statements are available on the District's website at www.oppd.com or upon request in writing to: Omaha Public Power District, Finance Division, 444 South 16th Street Mall, Omaha, Nebraska 68102-2247 or e-mail to: finfo@oppd.com.

Link to financial statements:

http://www.oppd.com/InvestorsFinance/FinancialInformation/22_001331

If there are any questions concerning this memorandum please contact:

Edward E. Easterlin
Chief Financial Officer
(402) 636-3223
eeeasterlin@oppd.com

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November 22, 2013

APPENDIX A

CERTAIN INFORMATION CONCERNING THE BANK

Bank of America, N.A. (the “*Bank*”) is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the “*Corporation*”) and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of June 30, 2013, the Bank had consolidated assets of \$1.43 trillion, consolidated deposits of \$1.09 trillion and stockholder’s equity of \$177.69 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2012 together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the “*SEC*”).

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Credit Agreement has been entered into by the Bank. Moody’s Investors Service, Inc. (“*Moody’s*”), as of June 30, 2013, rates the Bank’s long-term debt as “A3” and short-term debt as “P-2.” The outlook is stable. Standard & Poor’s (“*S&P*”), as of June 30, 2013, rates the Bank’s long-term debt as “A” and its short-term debt as “A-1.” The outlook is negative. Fitch Ratings, Inc. (“*Fitch*”), as of June 30, 2013, rates long-term debt of the Bank as “A” and short-term debt as “F1.” The outlook is stable. Further information with respect to such ratings may be obtained from Moody’s, S&P, and Fitch, respectively. No assurances can be given that the ratings of the Bank’s instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person.

Written requests should be directed to:

Bank of America Corporate Communications
Attention: Corporate Communication
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255

PAYMENTS OF PRINCIPAL AND INTEREST ON THE NOTES MAY BE MADE FROM DRAWINGS UNDER THE CREDIT AGREEMENT. ALTHOUGH THE CREDIT AGREEMENT IS A BINDING OBLIGATION OF THE BANK, THE NOTES ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein or that the information contained or referred to in this Appendix B is correct as of any time subsequent to the referenced date.

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KUTAK ROCK LLP

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SCOTTSDALE
WASHINGTON
WICHITA

October 24, 2006

Omaha Public Power District
444 South 16th Street Mall
Omaha, NE 68102

Omaha Public Power District
Electric Revenue Notes, CP Series A

Ladies and Gentlemen:

We have examined proceedings relating to the issuance by the Omaha Public Power District (the "District") of its Electric Revenue Notes, CP Series A (the "CP Notes"). The CP Notes are issued under the provisions of the hereinafter-described Resolutions. The CP Notes are dated as provided in the Resolutions in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof.

The CP Notes have interest payable and principal maturing at such times as may be stated therein but in no event later than 270 days after the date of issuance thereof or later than the day prior to any date of termination of the commitment of the banks identified in the applicable revolving credit agreement, as amended from time to time. The aggregate principal amount of the CP Notes is limited as provided in the Resolutions.

The CP Notes recite that they are issued for valid corporate purposes of the District under the authority of and in full compliance with the Constitution and laws of the State of Nebraska, including Chapter 70, Article 6 of the Nebraska Reissue Revised Statutes of 1943, as amended, and the Resolutions.

We have examined the Constitution and statutes of the State of Nebraska, a certified transcript of the proceedings of the Board of Directors of the District authorizing or relating to the issuance of the CP Notes, including the Resolutions adopted by the Board of Directors of the District authorizing the issuance of the CP Notes (the "Resolutions"), and such other documents, opinions and certificates which we have deemed necessary in rendering this opinion.

October 24, 2006

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Based on such examination, we are of the opinion that:

1. Pursuant to the Constitution and statutes of the State of Nebraska, the District is empowered to issue the CP Notes from time to time. Subject to the provisions of the Resolution, upon due execution and delivery of and payment for the CP Notes and upon compliance by the District with certain conditions and covenants set forth in the Resolutions, the CP Notes (a) will constitute valid and legally binding obligations of the District in accordance with their terms; (b) on a parity with any notes or other obligations of the District which, pursuant to the Resolution, may be hereafter issued on a parity with the CP Notes, will be payable solely from and secured by a pledge of and lien upon the revenues, income, receipts, moneys and profits of the District derived from its ownership, operation and management of the Electric System, as defined in the Resolutions, including, without limiting the generality of the above, all revenues, income, receipts, moneys and profits (i) derived by the District from the sale, furnishing or supplying of electric energy and all other commodities, services and facilities sold, furnished or supplied by the District through said ownership, operation and management, (ii) received by the District in reduction of the acquisition costs of the Electric System and (iii) received by the District directly or indirectly from the sale, lease or other disposition of any properties or facilities constituting the Electric System or any part thereof; subject, however, to the prior payment therefrom and the superior liens, pledges and charges thereon of the Outstanding Bonds as defined in the Resolutions and the terms and provisions of Resolution No. 1788 adopted by the Board of Directors of the District on January 20, 1972 and resolutions and proceedings of the District supplemental thereto, pursuant to which the Outstanding Bonds were or will be issued; and (c) will be entitled to the benefits and security provided by the agreements and covenants contained in the Resolutions, which are valid, legally binding and enforceable upon the District according to their terms.

2. Under existing laws, rules, regulations and judicial decisions, upon due execution and delivery of and payment for the CP Notes, and upon compliance by the District with certain conditions and covenants of the Resolutions, the interest on the CP Notes (a) is excluded from gross income for federal income tax purposes and is exempt from Nebraska state income taxes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Notwithstanding our opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The opinion set forth in clause (a) above is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the CP Notes in order that interest thereon be (or continue to be)

KUTAK ROCK LLP

October 24, 2006

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excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the CP Notes to be included in gross income from the date of issuance of the CP Notes. The District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the CP Notes. Purchasers of the CP Notes should seek the advice of their tax advisers concerning certain additional federal tax consequences to holders of the CP Notes.

The obligations of the District contained in the CP Notes and the Resolutions, and the enforceability thereof, are subject to general principles of equity which may permit the exercise of judicial discretion, the reasonable exercise in the future by the State of Nebraska and its governmental bodies of the police power inherent in the sovereignty of the State of Nebraska, applicable bankruptcy, insolvency, moratorium or similar laws relating to or affecting creditors' rights generally and the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

Very truly yours,

A handwritten signature in black ink that reads "KUTAK ROCK LLP". The signature is written in a cursive, stylized font.