Management's Discussion and Analysis (Unaudited)

USING THIS FINANCIAL REPORT

The Financial Report for the Omaha Public Power District (OPPD or Company) includes this Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, Required Supplementary Information and Notes to Required Supplementary Information. The Financial Statements consist of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Questions concerning any of the information provided in this report should be directed to Investor Relations, 402-636-3286.

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

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

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

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

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

Required Supplementary Information and Notes to Required Supplementary Information – This information provides additional detailed pension disclosures.

ORGANIZATION

The Omaha Public Power District is a fully integrated, publicly owned electric utility governed by an elected board of eight directors. The Company serves an estimated population of 810,000 in a 13-county, 5,000-square-mile service area in southeast Nebraska.

FINANCIAL POSITION

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

Condensed Statements of Net Position	2015	2014
Current Assets	$ 839,274	$ 770,999
Other Long-Term Assets and Special Purpose Funds	1,007,537	752,621
Capital Assets	3,391,674	3,346,861
Total Assets	5,238,485	4,870,481
Deferred Outflows of Resources	189,005	36,518
Total Assets and Deferred Outflows	$5,427,490	$4,906,999
Current Liabilities	$ 257,117	$ 402,506
Long-Term Liabilities	3,198,419	2,541,980
Total Liabilities	3,455,536	2,944,486
Deferred Inflows of Resources	16,168	41,000
Net Position	1,955,786	1,921,513
Total Liabilities, Deferred Inflows and Net Position	$5,427,490	$4,906,999

The Governmental Accounting Standards Board (GASB) established GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* These statements were simultaneously implemented by OPPD in 2015. The implementation of these statements and Board-authorized regulatory accounting resulted in several changes to the 2015 Statement of Net Position, as noted below.

Total Assets and Deferred Outflows

Total Assets in 2015 increased $368,004,000 or 7.6% over 2014 primarily due to an increase in Other Long-Term Assets. The change in Other Long-Term Assets resulted from the addition of a Board-approved regulatory asset associated with the new pension accounting standards.

Deferred Outflows of Resources in 2015 increased $152,487,000 over 2014 primarily due to the implementation of the new pension accounting standards.

Total Liabilities, Deferred Inflows and Net Position

Total Liabilities in 2015 increased $511,050,000 or 17.4% over 2014 primarily due to the addition of the Net Pension Liability to Long-Term Liabilities. Current Liabilities decreased due to the reclassification of commercial paper from current to long-term.

Deferred Inflows of Resources in 2015 decreased $24,832,000 from 2014 primarily due to the use of the Rate Stabilization Reserve.

Net Position in 2015 increased $34,273,000 or 1.8% over 2014 based on results of operations.

RESULTS OF OPERATIONS

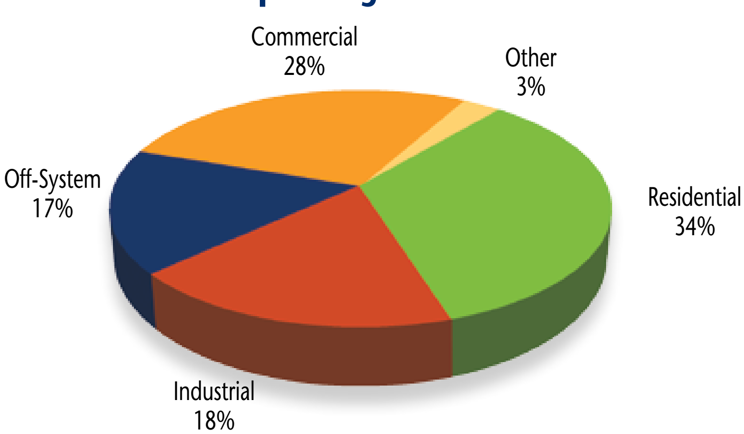
The following table summarizes the operating results for the years ended December 31 (in thousands).

Operating Results	2015	2014
Operating Revenues	$ 1,131,235	$ 1,126,458
Operating Expenses	(1,028,423)	(1,008,058)
Operating Income	102,812	118,400
Other Income	22,929	28,869
Interest Expense	(91,468)	(95,344)
Net Income	$ 34,273	$ 51,925

Operating Revenues

The following chart illustrates 2015 operating revenues by category and percentage of the total. Other revenues include the Fuel and Purchased Power Adjustment (FPPA), Rate Stabilization Reserve adjustments and Other Electric Revenues.

2015 Operating Revenues



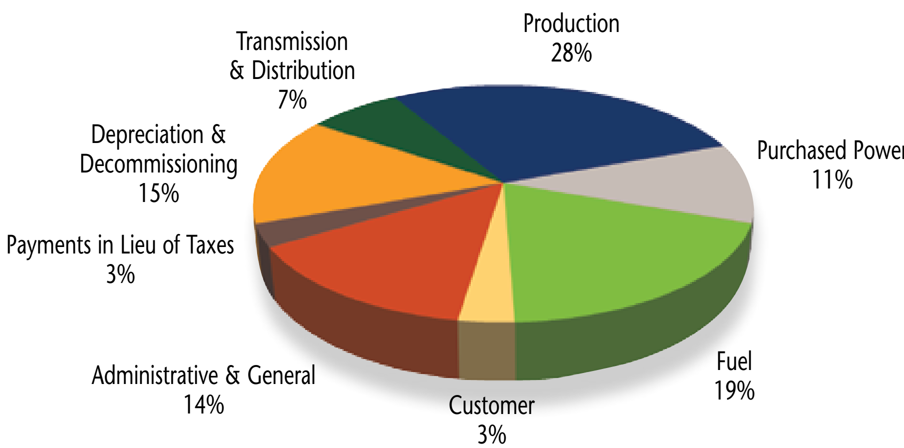
2015 Compared to 2014 – Total operating revenues were $1,131,235,000 for 2015, an increase of $4,777,000 or 0.4% over 2014 operating revenues of $1,126,458,000.

- Revenues from retail sales were $904,793,000 for 2015, an increase of $31,188,000 or 3.6% over 2014 revenues of $873,605,000. The change in retail revenues was primarily due to a transfer from the Rate Stabilization Reserve.
  - Revenues from retail sales increased $25,000,000 for transfers from the Rate Stabilization Reserve in 2015 and decreased $4,000,000 for transfers to the Rate Stabilization Reserve in 2014.
- Revenues from off-system sales were $195,512,000 for 2015, a decrease of $27,543,000 or 12.3% from 2014 revenues of $223,055,000. The decrease was primarily due to lower sales prices in the off-system marketplace.
- Other Electric Revenues include connection charges, late payment charges, rent from electric property, wheeling fees, and miscellaneous revenues. These revenues were $30,930,000 for 2015, an increase of $1,132,000 or 3.8% over 2014 revenues of $29,798,000.

Operating Expenses

The following chart illustrates 2015 operating expenses by expense classification and percentage of the total.

2015 Operating Expenses



2015 Compared to 2014 – Total operating expenses were $1,028,423,000 for 2015, an increase of $20,365,000 or 2.0% over 2014 operating expenses of $1,008,058,000.

- Fuel expense decreased $13,405,000 or 6.4% from 2014, primarily due to reduced generation at Nebraska City Station Unit 2 (NC2) and Fort Calhoun Station (FCS).
- Purchased Power expense increased $13,695,000 or 14.6% over 2014, primarily due to additional renewable energy purchases and outages at NC2 and FCS.
- Production expense decreased $4,316,000 or 1.5% from 2014, due to lower maintenance and operating expenses at the North Omaha and Nebraska City stations. This was partially offset by an increase in operating expenses at FCS.
- Transmission expense increased $3,800,000 or 13.0% over 2014, primarily due to higher transmission fees and regulatory expenses.
- Distribution expense decreased $2,713,000 or 5.9% from 2014, primarily due to reduced outside and supporting service costs.
- Customer Accounts expense decreased $771,000 or 4.8% from 2014, primarily due to adjustments for the provision for uncollectible accounts.
- Customer Service and Information expense increased $988,000 or 6.4% over 2014, primarily due to customer incentives for energy demand reductions.
- Administrative and General expense increased $10,191,000 or 7.4% over 2014, primarily due to increased costs for outside services.
- Depreciation and Amortization expense increased $10,548,000 or 7.5% over 2014, due to additional depreciation for the North Omaha Station.
- Decommissioning expense increased $1,758,000 over 2014, due to additional funding for the Decommissioning Trust – 1992 Plan.
- Payments in Lieu of Taxes expense increased $590,000 or 1.9% over 2014, due to higher retail revenues.

Other Income (Expenses)

Other income (expenses) totaled $22,929,000 in 2015, a decrease of $5,940,000 from 2014 other income (expenses) of $28,869,000.

Allowances for Funds Used During Construction (AFUDC) totaled $8,474,000 in 2015, a decrease of $5,524,000 from 2014 AFUDC of $13,998,000 due to lower construction balances subject to AFUDC.

A variety of products and services are offered to provide value both to the customer and the Company. These products include Geothermal Loop Heat Exchangers, ECO 24/7 services and Residential Surge Protection. Income from products and services was $4,287,000 for 2015, an increase of $1,040,000 from 2014 income of $3,247,000. This increase was primarily due to additional income from ECO 24/7 services.

Interest Expense

Interest expense was $91,468,000 for 2015, a decrease of $3,876,000 from 2014 interest expense of $95,344,000. This decrease was primarily due to lower interest payments related to debt refundings in 2015 and 2014.

Net Income

Net income, after revenue adjustments for changes to the Rate Stabilization Reserve, was $34,273,000 and $51,925,000 for 2015 and 2014, respectively. Changes to the Rate Stabilization Reserve resulted in operating revenues and net income increasing $25,000,000 in 2015 and decreasing $4,000,000 in 2014.

CAPITAL PROGRAM

The Company's utility plant assets include production, transmission and distribution (T&D), and general plant facilities. The following table summarizes the balance of capital assets as of December 31 (in thousands).

Capital Assets	2015	2014
Electric plant	$ 5,487,554	$ 5,306,309
Nuclear fuel – at amortized cost	87,387	89,180
Accumulated depreciation and amortization	(2,183,267)	(2,048,628)
Total utility plant – net	$ 3,391,674	$ 3,346,861

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

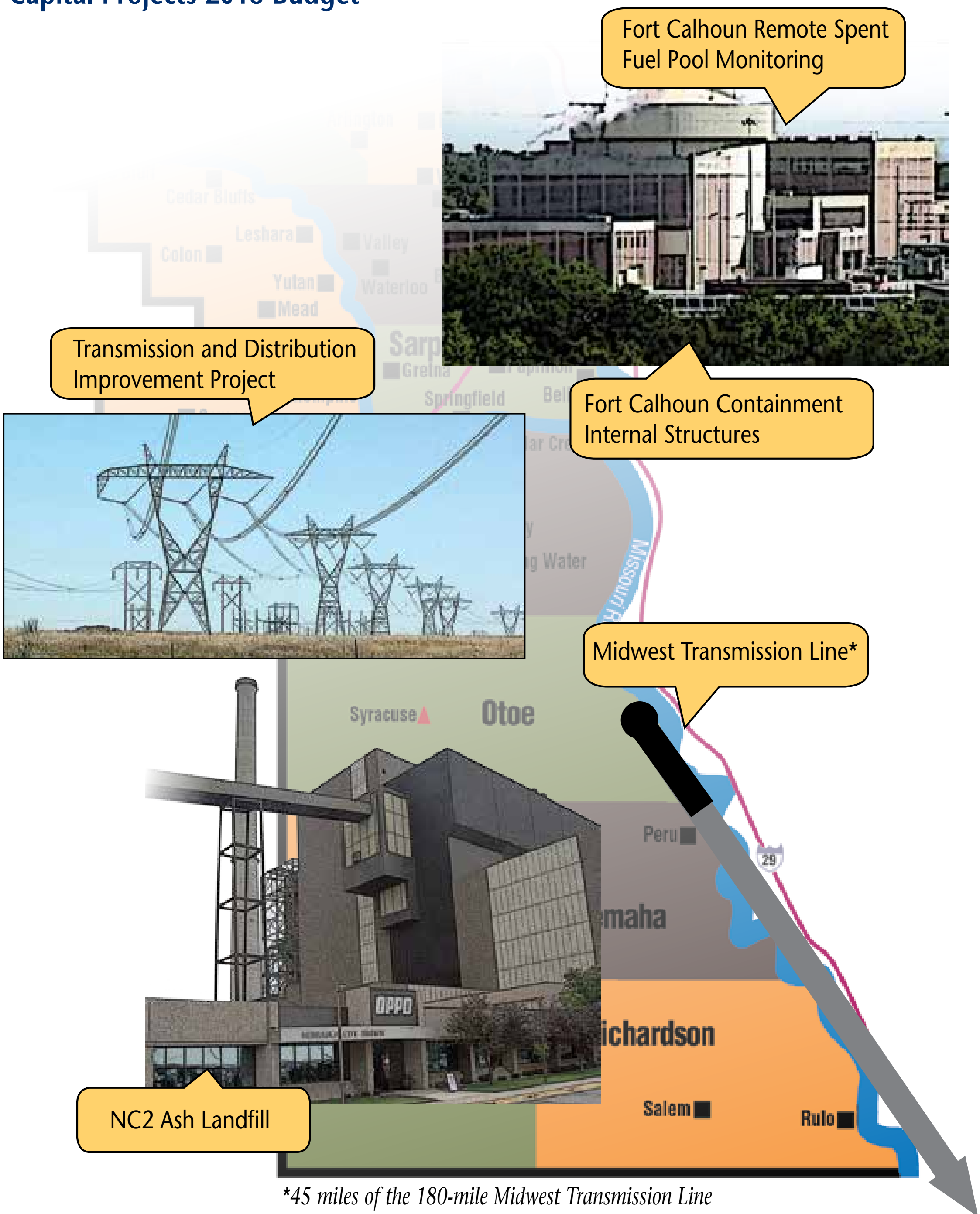
The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2016 (in thousands).

	Budget	Actual	
Capital Program	2016	2015	2014
Production	$ 90,378	$115,398	$ 55,268
Transmission and distribution	90,245	80,862	81,390
General	49,823	12,509	17,209
Total	$230,446	$208,769	$153,867

Actual and budgeted expenditures for 2014 through 2016 include the following:

- Production expenditures – equipment to maintain reliability, enhance efficiency and comply with increasing environmental regulations. Production expenditures at FCS include reinforcing beams that support equipment inside the reactor containment building and equipment for remote monitoring of the spent fuel pool. Expenditures at NC2 include additional ash disposal facilities.
- T&D expenditures – a new 345-kilovolt transmission line from Nebraska City Station Substation 3458 to the Nebraska border as part of the Midwest Transmission Project. T&D expenditures also include the installation of substation and distribution facilities to maintain system reliability, enhance efficiency and respond to load growth.
- General plant expenditures – information technology upgrades for cyber security and the Outage Management System.

Major Capital Projects 2016 Budget



**45 miles of the 180-mile Midwest Transmission Line*

CASH AND LIQUIDITY

Cash Flows

There was a decrease in cash and cash equivalents of $6,062,000 and $78,943,000 during 2015 and 2014, respectively.

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

Cash Flows	2015	2014
Cash flows from Operating Activities	$264,083	$326,338
Cash flows from Capital and Related Financing Activities	(228,860)	(269,129)
Cash flows from Investing Activities	(41,285)	(136,152)
Change in Cash and Cash Equivalents	$ (6,062)	$ (78,943)

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

- Cash flows for 2015 decreased $62,255,000 from 2014, primarily due to a decrease in the cash received from off-system counterparties.

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

- Cash flows used for 2015 decreased $40,269,000 from 2014, primarily due to an increase in proceeds from long-term borrowings which was partially offset by increases in the cash used for the principal reduction of debt and the acquisition and construction of capital assets.

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

- Cash flows used for 2015 decreased $94,867,000 from 2014, primarily due to more maturities and sales of investments which was partially offset by an increase in the cash used for the purchase of investments.

Financing

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

The financing plan optimizes the debt structure to ensure capital projects are financed, liquidity needs are achieved and the Company's strong financial position is maintained. The Company is evaluating the need to issue up to an additional $60 million of new debt in 2016. In addition, the Board of Directors has authorized management to refinance up to $275 million in Electric System Revenue Bonds in 2016. The Company will also continue to monitor additional refunding opportunities to achieve any potential interest cost savings for customer-owners.

Three Electric System Revenue Bond issues totaling $447,200,000 were completed during 2015. The proceeds from these bonds were used for refunding $364,840,000 of previously issued Electric System Revenue Bonds and financing $82,360,000 in new capital expenditures. Repayments of $40,465,000 of Electric System Revenue Bonds and $135,000 of Minibonds were made in 2015.

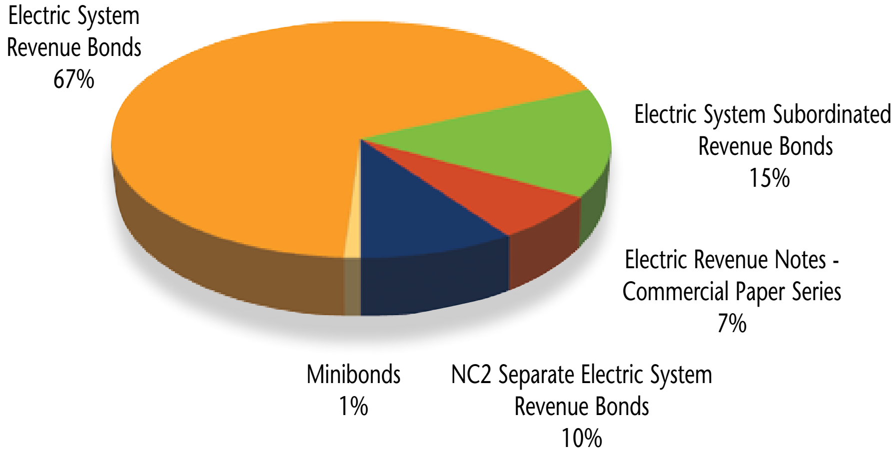
The Company issued $114,245,000 of NC2 Separate Electric System Revenue Bonds in 2015. The bonds were used for the refunding of previously issued NC2 Separate Electric System Revenue Bonds. There was a principal payment of $3,080,000 made on February 2, 2015 for NC2 Separate Electric System Revenue Bonds.

Four Electric System Subordinated Revenue Bond issues totaling $337,375,000 were completed during 2014. All four issues were used to refund outstanding bonds. The lower interest rates on the new debt decreased the debt service payments. Repayments of $30,545,000 of Electric System Revenue Bonds, $445,000 of Electric System Subordinated Revenue Bonds and $145,000 of Minibonds were made in 2014.

The Company renewed a Credit Agreement for $250,000,000 in 2015 which expires on October 1, 2018. This supports the Commercial Paper Program in addition to providing another source of working capital, if needed. There were no amounts outstanding under this Credit Agreement as of December 31, 2015 or 2014. There was $150,000,000 of commercial paper outstanding as of December 31, 2015 and 2014.

The following chart illustrates the debt structure and percentage of the total as of December 31, 2015.

2015 Debt Structure



Debt Service Coverage for Electric System Revenue Bonds

Debt service coverage for the Electric System Revenue Bonds was 2.16 and 2.23 in 2015 and 2014, respectively. OPPD's senior lien bond indenture provides that additional bonds may not be issued unless estimated net receipts for each future year shall equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued. Transactions in 2015 and 2014 for the NC2 Separate Electric System were not included in the calculation because the Electric System Revenue Bonds are not secured by the Separate System. The Company is in compliance with all debt covenants.

Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of debt to total capitalization (debt and net position). This ratio does not include the NC2 Separate Electric System Revenue Bonds since this debt is secured by revenues of the NC2 Participation Power Agreements. The debt ratio was 50.9% at December 31, 2015 and 2014.

Ratings

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

The following table summarizes credit ratings in effect on December 31, 2015.

	S&P	Moody's
Electric System Revenue Bonds	AA	Aa2
Electric System Subordinated Revenue Bonds	AA–	Aa3
Electric Revenue Notes – Commercial Paper Series	A–1+	P–1
Minibonds*	AA–	Aa3
NC2 Separate Electric System Revenue Bonds (2006A)*	A	A1
NC2 Separate Electric System Revenue Bonds (2008A, 2015A)	A	A1

**Payment of the principal and interest on the Minibonds and the NC2 Separate Electric System Revenue Bonds 2006 Series A, when due, is insured by financial guaranty bond insurance policies.*

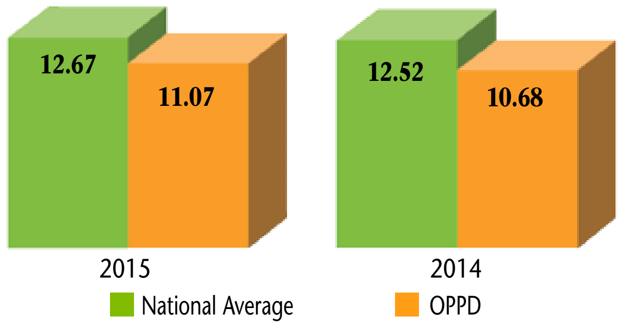
As of January 21, 2016, S&P upgraded their credit rating for the NC2 Separate Electric System Revenue Bonds (2006A, 2008A, 2015A) from A to A+.

RATES

The Company strives to manage costs to align with the mission of providing affordable, reliable and environmentally sensitive energy services to our customers. Residential customers paid an average of 11.07 and 10.68 cents per kilowatt-hour (kWh) in 2015 and 2014, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 12.67 for 2015 (preliminary year-to-date December 2015) and 12.52 cents per kWh for 2014. Based on the preliminary EIA data for 2015, OPPD residential rates were 12.6% below the national average.

The following chart illustrates the Company's average residential cents per kWh compared to the national average.

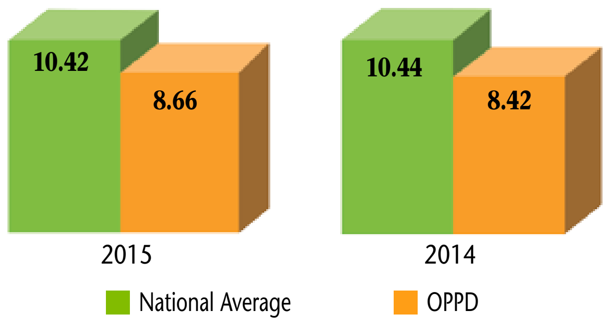
Average Residential Cents per kWh



Retail customers paid an average of 8.66 and 8.42 cents per kWh in 2015 and 2014, respectively. The national average retail cents per kWh, according to the EIA, was 10.42 for 2015 (preliminary year-to-date December 2015) and 10.44 cents per kWh for 2014. Based on the preliminary EIA data for 2015, OPPD retail rates were 16.9% below the national average.

The following chart illustrates the Company's average retail cents per kWh compared to the national average.

Average Retail Cents per kWh



There was a general rate adjustment of 1.6% implemented in January 2015 and no rate adjustment implemented in 2014. The 2015 rate adjustment was due to increased operating and benefit costs. There was no adjustment to the FPPA rate in 2015 and 2014. Cost-containment and the use of regulatory accounting limited these rate adjustments. There was a 0.6% decrease to the FPPA rate and a 4.0% general rate adjustment implemented in January 2016.

RISK MANAGEMENT

Risk Management Practices

An Enterprise Risk Management (ERM) program, based on international risk management standards, is maintained to perform an oversight function of the Company's risk management activities to ensure its strategic objectives are achieved. The program specifies risk management standards, management responsibilities, and controls to ensure risk exposures are properly identified and managed within agreed upon risk tolerance levels. Specific risk-mitigation plans and procedures are maintained and reviewed periodically to provide focused and consistent efforts to mitigate various risk exposures. Several cross-functional risk committees and an Executive ERM Committee, which includes the senior management team and legal counsel, are utilized to discuss and analyze the potential risks that could hinder the achievement of strategic objectives. The Company has established criteria for risk escalation and oversight. Risks are evaluated periodically and will be escalated to the appropriate oversight levels, up to and including the Board of Directors, when applicable. An overview of the ERM program is provided to the Board of Directors on an annual basis.

OPPD participates in the wholesale marketplace with other electric utilities and power marketers. The Company must be able to offer energy at competitive prices and maintain reliability to successfully compete in this market. Energy market prices may fluctuate substantially in a short period of time due to changes in the supply and demand of electricity, fuel and environmental-related commodities. Energy trading and risk practices were modified for the implementation of the Integrated Marketplace (IM) in the Southwest Power Pool (SPP) in 2014.

Fuel procurement activities represent a significant portion of generation costs and affect the ability to generate and market competitively priced energy. Risks associated with power marketing and fuel procurement are managed within a risk management control framework. Risk management personnel and cross-functional risk committees are responsible for monitoring risk policy compliance and identifying, measuring and mitigating various risk exposures related to power marketing and fuel procurement activities.

A Rate Stabilization Reserve was established in 1999 to assist in stabilizing retail electric rates. The Board authorized the use of \$25,000,000 of the Rate Stabilization Reserve to provide additional revenues for operations in December 2015. The balance of the reserve was \$16,000,000 and \$41,000,000 as of December 31, 2015 and 2014, respectively. The balance of the fund was \$16,000,000 and \$37,000,000 as of December 31, 2015 and 2014, respectively.

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

Other Reserves

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

- The Workers' Compensation and Public Liability Reserves are established for the estimated liability for current workers' compensation and public liability claims.
- The Incurred But Not Presented Reserve is an insurance reserve that is required by state law because the Company is self-insured for health care costs. The reserve is based on health insurance claims that have been incurred but not yet presented for payment.
- The Uncollectible Accounts Reserve was established for estimated uncollectible accounts from retail sales.

REGULATORY AND ENVIRONMENTAL UPDATES

SPP Integrated Marketplace and Transmission Access

OPPD became a transmission-owning member of SPP, and all of the Company's transmission facilities were placed under the SPP open access transmission tariff on April 1, 2009. In addition to tariff administration services, SPP also provides reliability coordination services, generation reserve sharing, energy market services, balancing authority services and planning authority services.

The SPP Real-Time Energy Imbalance Market (Day 1 Market) was expanded into a Day 2 Market in 2014. The SPP Day 2 Market, also known as the IM, includes the Day-Ahead Market, Real-Time Market, Ancillary Services Market and Transmission Congestion Rights Market. OPPD actively participates in the IM. It provides a more transparent market by which load is 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. OPPD's generation is in competition with other generation owners to serve load across the SPP footprint.

A 345-kilovolt power line identified by the SPP planning process is being built by the Company and Kansas City Power & Light (Midwest Transmission Project) and 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. Construction on the project has begun and the completion date is scheduled for December 2016. The project will receive funding under the SPP-approved tariff.

The Elkhorn River Valley Transmission Project is a joint effort between OPPD and the Fremont Department of Utilities to connect OPPD Substation 1226 in Blair and Fremont Substation B. The line route was announced in 2015 and will be in service by October 2018. The purpose of this SPP reliability project is to support the growing demand for electricity and improve reliability. A portion of the project will receive funding under the SPP-approved tariff.

Environmental Matters

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

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

The final CSAPR rule established a cap-and-trade system with state-and unit-specific allowance allocations to achieve the desired emission reductions for SO_2 and NO_X. Implementation of Phase I of the final rule began in 2015 and implementation of Phase II begins in 2017. The Company utilized several compliance options, including the purchase of SO_2 allowances, to meet the 2015 targets.

The EPA issued regulations under Section 316(b) Rule of the Clean Water Act (316(b) Rule). The 316(b) Rule is designed to reduce fish mortality associated with the use of once-through cooling by power generating stations. Facilities are required to choose one of seven options to reduce fish impingement. The cost impact of the final rule is being assessed. Facilities will need to study the effects of entrainment and develop compliance strategies. OPPD plans to begin various studies in 2016, however, the cost is not expected to be material at this time.

The EPA issued the Mercury and Air Toxics Standards (MATS) which places strict limitations on emissions of mercury, non-mercury metallic hazardous air pollutants and acid gases. Compliance with the new rule was necessary by April 16, 2015 for NC2 and will be necessary by April 16, 2016 for North Omaha Station Units 4 and 5 (NO4&5) and Nebraska City Station Unit 1 (NC1). No additional emissions control equipment was required to comply with the new requirements for NC2, although a new mercury monitoring system has been installed. To meet the mercury limits of MATS, the Activated Carbon Injection (ACI) rate at NC2 was increased from the originally permitted injection rate. The additional ACI cost at NC2 was not materially significant. OPPD will be retrofitting NO4&5 and NC1 with basic emission controls. Dry Sorbent Injection and ACI will be used for NO4&5 and NC1. The Board of Directors, in June 2014, approved changes to its generation portfolio to comply with existing and future environmental regulations. The Board of Directors approved the 2016 retirement of North Omaha Station Units 1, 2 and 3.

In August 2015, the EPA announced two final rules regulating the emission of carbon dioxide (CO_2) from new, modified or reconstructed, and existing fossil-fuel-fired electric generating units under section 111 of the Clean Air Act. These regulations are known as the Clean Power Plan (CPP). The CPP requires states to meet interim and final emissions targets on a state-wide basis starting in 2022. The goal is to reduce CO_2 emissions from electric generating units by 32% below 2005 levels by the year 2030. In addition, the EPA issued a proposed rule which provides two possible programs to be used by states for compliance, either a mass-based program or a rate-based program. States could allow their fossil-fueled generating units to use a number of measures to meet those goals, such as heat rate improvements, unit retirements, and renewable energy. Final state plans, or initial state plans with a request to seek up to a two-year extension, must be submitted by September 6, 2016. If a state extension is approved, the final state plan must be submitted to the EPA by September 6, 2018. The cost of compliance will not be known until the state plan is finalized. The United States Supreme Court granted an emergency stay application for the CPP on February 9, 2016. This ruling blocks the implementation of the CPP pending the disposition of the applicants' petitions for review in the United States Court of Appeals for the District of Columbia Circuit. The Company will continue to monitor this situation and evaluate compliance options.

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

Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states but not in Nebraska. The Board of Directors established a policy that set a long-term goal of providing at least 30 percent of retail energy sales from renewable energy sources. The addition of the Grande Prairie wind facility in 2017 will add an additional 400 megawatts (MW) of capability.

The following table shows the renewable generation owned or purchased and future capability (in MW).

		Capability
OPPD-Owned Generation		
	Elk City Station (landfill-gas)	6.3
	Valley Station (wind)	0.7
	Subtotal OPPD-Owned Generation	7.0
Purchased Wind Generation*		
	Ainsworth	10.0
	Elkhorn Ridge	25.0
	Flat Water	60.0
	Petersburg	40.5
	Crofton Bluffs	13.6
	Broken Bow I	18.0
	Broken Bow II	43.9
	Prairie Breeze	200.6
	Subtotal Purchased Wind Generation	411.6
Total Renewable Generation as of December 31, 2015		418.6
2017 Purchased Wind Generation		
	Grande Prairie	400.0
Total Expected Renewable Generation as of December 31, 2017		818.6

*****_Wind generation listed in ascending order of contract year signing._

Federal Energy Legislation

The 114th Congress began its second session in January 2016. Enacted legislation in 2015 included a five-year transportation bill which included some tailored energy provisions and a bill which included a five-year extension of the solar investment and wind production tax credits. There is a three-year phase-out on the wind production tax credit. This legislation also included cybersecurity information sharing and a two-year postponement of the tax on high-cost, employer-sponsored health coverage under the Affordable Care Act.

Legislation was also introduced in 2015 related to energy efficiency, the long-term storage of high-level nuclear waste, grid security, and distributed generation. Most of these bills have become part of a comprehensive energy bill in both the House of Representatives and the Senate and could be addressed in 2016. Oversight of the EPA's environmental rules will also continue. Further, tax reform will be discussed in 2016, which may address tax-exempt financing of municipal bonds. OPPD continues to monitor the status of legislation in Congress that can impact operations and provides input through public power industry groups and the Nebraska Congressional Delegation.

State of Nebraska Energy Legislation

The Nebraska Legislature enacted Legislative Bill 469 (L.B. 469), Provide Procedures and Reporting Requirements Relating to a State Plan on Carbon Dioxide Emissions, Require a Strategic State Energy Plan, and Provide Requirements for Meteorological Evaluation Towers, during the 2015 session. L.B. 469 provides that the State Energy Office will prepare a report for the legislature that assesses the effects of a state plan for regulating carbon dioxide emissions from the electric power sector.

The Nebraska Legislature enacted Legislative Bill 901 (L.B. 901), during the 2000 session, which implemented recommendations to determine whether retail competition would be beneficial for Nebraska ratepayers. Reports for the governor and legislature on the conditions in the electric industry indicating whether retail competition would be beneficial for Nebraska's citizens are prepared at the request of the Nebraska Power Review Board. All of the conditions for retail competition have not been met, based on the findings from the latest report, dated October 2010.

Fort Calhoun Station Update

The Nuclear Regulatory Commission (NRC) placed FCS into a special category of its inspection manual, Chapter 0350, in December 2011. This chapter is for nuclear stations that are in extended shutdowns with performance issues. OPPD contracts with Exelon Generation Company, LLC, the largest operator of nuclear stations in the United States, for operational and managerial support services. FCS resumed operations on December 21, 2013, after satisfactorily completing NRC requirements and inspections.
The NRC removed the station from Chapter 0350 status in March 2015.

The Board of Directors authorized management to establish a regulatory asset for certain recovery costs, with amortization over a 10-year period which commenced after operations resumed. The balance of this regulatory asset was $117,449,000 and $129,882,000 as of December 31, 2015 and 2014, respectively.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Accounting Policies	Judgments/Uncertainties Affecting Application
Nuclear Plant Decommissioning	• Cost estimates for future decommissioning • Availability of facilities for waste disposal • Approved methods for waste disposal • Useful life of Fort Calhoun Station
Regulatory Mechanisms and Cost Recovery	• External regulatory requirements • Anticipated future regulatory decisions and their impact
Retirement Plan and Other Post Employment Benefits (OPEB)	• Assumptions used in computing the Net Pension Liability and OPEB actuarial liability, including expected rate of return on Plan assets • Plan design
Self-Insurance Reserves for Claims for Employee-related Health Care Benefits, Workers' Compensation and Public Liability	• Cost estimates for claims • Assumptions used in computing the liabilities
Uncollectible Accounts Reserve	• Economic conditions affecting customers • Assumptions used in computing the liabilities
Unbilled Revenue	• Estimates for customer energy use and prices
Depreciation and Amortization Rates of Assets	• Estimates for approximate useful lives