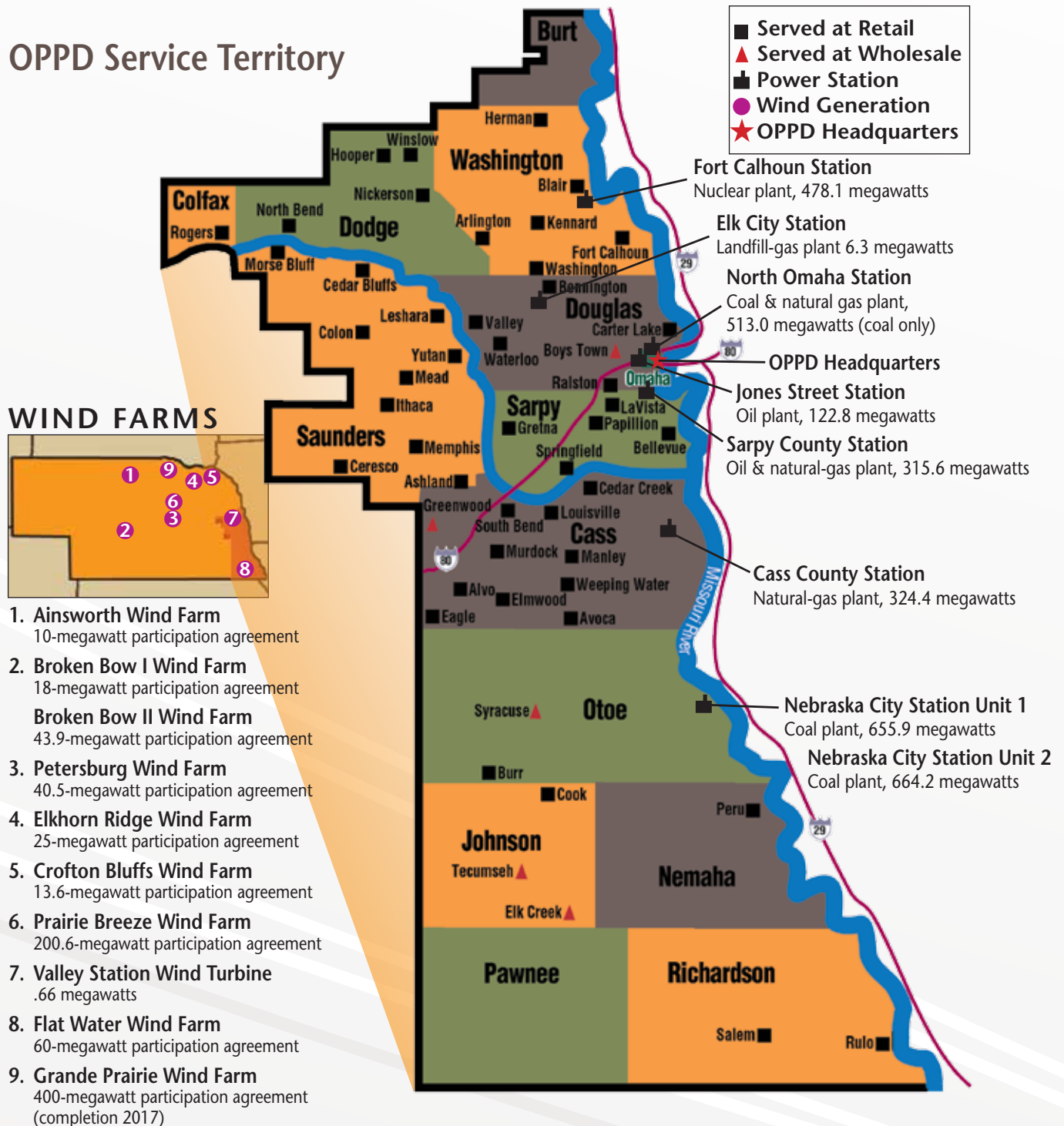


POWERING THE  
**FUTURE**

2015 ANNUAL REPORT



# OPPD Service Territory



## About OPPD

Omaha Public Power District is a publicly owned electric utility that serves an estimated population of 810,000 people, more than any other electric utility in the state of Nebraska.

Operating since 1946, the public utility is governed by an elected board of eight directors. While its headquarters is located in Omaha, Neb., OPPD has several other locations in its 13-county, 5,000-square-mile service area in southeast Nebraska.

The majority of OPPD's power comes from three baseload power facilities: North Omaha Station and Nebraska City Station, both coal-fired, and Fort Calhoun Station, a nuclear power unit. Additional energy comes from three peaking units and renewable energy resources, including wind turbines and landfill-gas units.



Clockwise, Jan Barton, from OPPD's Syracuse Center, Xolani Mahlangeni-Byndon, from Customer Care Services at Energy Plaza, and Dave Mach from Sarpy County Peaking Station.

**On the cover**

Helping power the future is OPPD's newly formed Innovation Team, from left, Matt Hardebeck, Andy Clark, Sujith Chemanghat and Althea McMickell.

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## Board Chair and CEO Message



President and CEO Timothy J. Burke (right)  
with Board Chair Michael A. Mines.

The transition is underway. Tomorrow's OPPD will look far different than today's public utility. We are not alone – the energy industry as a whole is facing sweeping changes due to various factors, including increased regulations, low energy market prices and enhanced energy efficiency. The way we make, deliver and consume electricity is in a state of transition. And so are we.

For decades, OPPD used the same rate structure. With the technologies of tomorrow becoming clearer, that rate structure became outdated. So OPPD undertook a lengthy stakeholder process that included qualitative research, community meetings held across our service area and hundreds of contacts with our customer-owners. That input went into a modified residential rate structure that includes an increased service charge and lower energy usage charge that was approved by our Board of Directors and goes into effect this summer. These changes help ensure all customers contribute more equally in covering the costs of producing and distributing electricity, as well as maintaining our infrastructure. It also better positions OPPD to incorporate emerging technologies like smart grid and smart metering. Initial steps toward offering some of these technologies will begin in 2016, with about 9,000 residential customers involved in early-phase plans.

In 2015, OPPD issued a company-wide challenge that resulted in removing \$65 million from the budget. Doing so helped keep our average general rate increase to 4 percent for 2016. Even with the increase, OPPD's rates remain almost 17 percent below the national average and 7 percent below the regional average. Many of these cost reductions are permanent, and new processes and innovations are being adopted throughout the utility to create a leaner and more efficient organization. Innovation is essential for an industry undergoing the unprecedented changes facing today's utilities. OPPD's response is an innovation initiative that will begin in 2016 and help foster an environment that embraces the transformative thinking needed going forward.

Lastly, in 2015, we said goodbye to one of the nuclear industry's most respected voices and leaders when W. Gary Gates retired after 42 years with OPPD, the last 11 as president and CEO. Gates also served on the executive committee for the Nuclear Energy Institute and the Institute of Nuclear Power Operations' Board of Directors. Gates retired from OPPD as the second-longest-serving CEO in company history. New President and CEO Timothy J. Burke, who has been with the utility for the past 18 years, leads a senior management team which, along with our Board of Directors, are focused on guiding OPPD through this transitional time in our industry.

Our vision is clear: "Leading the way we power the future." Powering the future is just what we will continue doing, focused on affordable, reliable and environmentally sensitive energy services for our customer-owners.

Timothy J. Burke  
President and CEO

Michael A. Mines  
Chair of the Board

## Board of Directors



The OPPD Board of Directors includes, back row, from left, Thomas S. Barrett, Michael J. Cavanaugh, John K. Green and Rich L. Hurley. Front row, Tim W. Gay, Michael A. Mines, Fred J. Ulrich and Anne L. McGuire.

**Michael A. Mines**  
Chair of the Board  
Governmental Advisor

**Tim W. Gay**  
Vice Chair of the Board  
Governmental Advisor

**John K. Green**  
Treasurer  
Attorney at Law

**Rich L. Hurley**  
Secretary  
Real Estate Broker

**Thomas S. Barrett**  
Board Member  
Attorney at Law,  
Real Estate Specialist

**Michael J. Cavanaugh**  
Board Member  
Omaha Police Lieutenant (retired)  
Real Estate Investor – Manager

**Anne L. McGuire**  
Board Member  
Nurse Educator (retired)

**Fred J. Ulrich**  
Board Member  
Farmer, Cattle Rancher

## Senior Management



The OPPD senior management team includes, back row, from left, Lisa A. Olson, Jon T. Hansen, Timothy J. Burke, Mohamad I. Doghman and Kathleen W. Brown. Front row, Martha L. Sedky, Edward E. Easterlin, Shane M. Marik and Juli A. Comstock.

**Timothy J. Burke**  
President  
Chief Executive Officer

**Edward E. Easterlin**  
Vice President – Financial Services  
Chief Financial Officer  
*Assistant Treasurer, Assistant Secretary*

**Kathleen W. Brown**  
Vice President – Information Technology  
*Assistant Secretary*

**Juli A. Comstock**  
Vice President – Customer Service  
*Assistant Secretary*

**Mohamad I. Doghman**  
Vice President – Energy Delivery  
Chief Compliance Officer  
*Assistant Secretary*

**Jon T. Hansen**  
Vice President – Energy Production  
and Marketing  
*Assistant Secretary*

**Shane M. Marik**  
Site Vice President  
Chief Nuclear Officer

**Lisa A. Olson**  
Vice President – Public Affairs  
*Assistant Secretary*

**Martha L. Sedky**  
Division Manager – Human Resources

## OPERATIONS REVIEW

The Omaha Public Power District has proudly served the people of Omaha and the surrounding communities for nearly 70 years. Affordability, reliability and environmental sensitivity have been the hallmarks that our customers have counted on and they can continue to trust in, as we embrace a changing industry. At OPPD, we honor our past while powering the future.

# LEADING THE WAY WE POWER THE FUTURE



Change is never easy and it seldom comes without resistance. When OPPD completed an assessment of where it stood and where it needed to be, it was clear our long-standing rate structure was outdated. To meet the demands of the future, a new rate structure was developed that brings the basic monthly residential service charge up from the current \$10.25 to \$30 by 2019, while decreasing the usage rate by approximately 20 percent over that same period. OPPD is not alone, as other utilities are also looking at rate structure changes. It is a move that makes sense since the majority of OPPD's costs are fixed, including infrastructure and a large portion of related operating expenditures.

Change is also occurring in technology. This spring, OPPD is taking the first steps toward testing and implementing some aspects of smart grid technology in a

## TRASH TO POWER

Turning trash into power. Since 2002, that's just what OPPD's Elk City Station has been doing. The station, located next to Pheasant Point – also known as the Douglas County landfill outside of Omaha – produces enough electricity to power nearly 4,000 homes a year. The station is a partnership with Waste Management of Nebraska Inc., and uses 93 extraction wells located in the landfill to turn gas, mostly methane and carbon dioxide, into electricity.



section of Omaha that can be vulnerable to weather-related outages. The first phases involve 9,000 residential customers in an older section of the city. This smart grid testing is just one way that OPPD is focused on the future.

Another change is the amount of generation coming from renewable resources. We remain on track to achieve our commitment of providing at least 30 percent of retail energy sales from renewable sources by 2018. Construction of the Grande Prairie Wind Farm in Holt County will be finished in late 2016, with commercial operation beginning in 2017. OPPD will purchase all the wind energy produced by the 400-megawatt wind farm.

Along with the commitment to wind energy, OPPD is implementing demand-side management programs to help manage peak-load requirements. OPPD's goal is to have approximately 300 megawatts of demand-side management programs in place by 2023, the equivalent of about 75,000 average residential customers during peak times.



OPPD started taking the first steps into smart grid technology in 2015 by testing equipment that will be put to use in 2016.

The Flat Water Wind Farm, far left, in southeast Nebraska, is part of OPPD's commitment to renewable energy sources. OPPD's future plans call for at least 30 percent of retail energy sales to come from renewable sources by 2018.

 The infographic is titled "FROM TRASH TO GREEN POWER" in large, bold letters. It features several illustrations: houses, a green trash truck, a landfill with a green truck dumping waste, and a power plant. The text explains the process of converting waste into energy through anaerobic digestion.
 

**FROM TRASH TO GREEN POWER**

We're all trying to recycle more and be better stewards of the environment. At OPPD, we're no different. Our efforts include turning trash into power. Through a partnership with Waste Management of Nebraska, Inc., OPPD's Elk City Station converts gases that are a byproduct of the Pheasant Point landfill into a reliable energy source – reducing ozone pollutants in the process.

**1 HOW THE PROCESS WORKS**

Let's start at the beginning – your trash can. Each person generates about one ton of trash per year, a byproduct of which is landfill gas produced when the organic materials in the waste decompose.

**2** A lot of our waste is organic in nature. When anaerobic bacteria digest organic waste in a landfill, methane gas and carbon dioxide are the byproducts.

**WHAT'S IN LANDFILL GAS?**

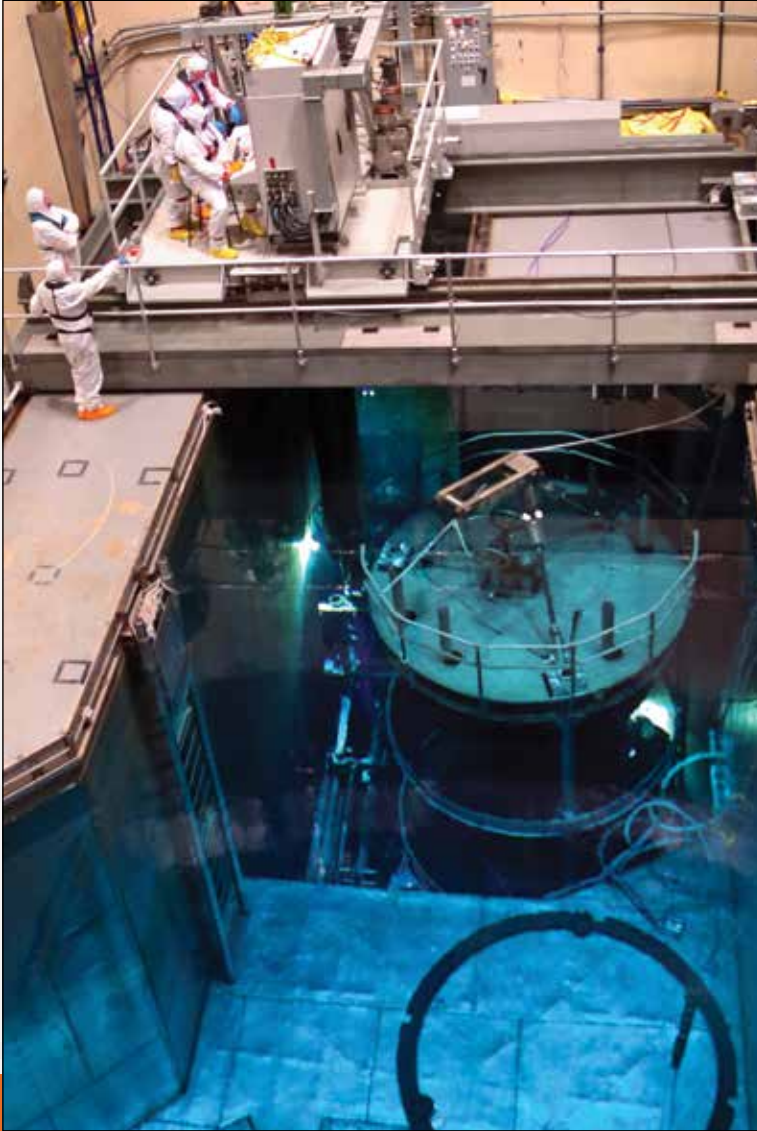
**99%** Percentage of landfill gas made of methane and carbon dioxide.

Other trace gases in landfills include carbon monoxide, hydrogen, nitrogen and oxygen.

At the landfill, gas extraction

OPPD's partnership with Waste Management of Nebraska Inc. helps turn trash into power. This infographic illustrates that process and can be found at [oppdthewire.com](http://oppdthewire.com).

# LEADING THE WAY ENVIRONMENTALLY

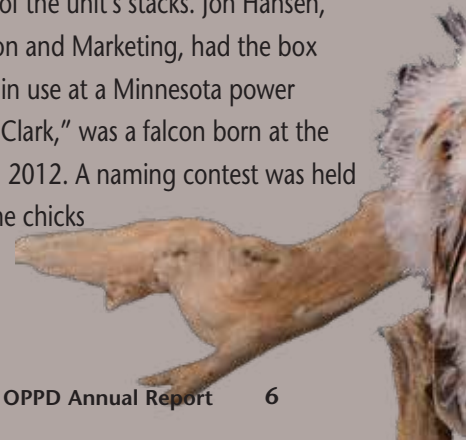


Fort Calhoun Station was returned to normal regulatory oversight by the U.S. Nuclear Regulatory Commission in 2015, just before the station's 27th refueling outage. The outage was the first since Exelon Generation began providing operational and managerial support services for the station. A number of large-scale tasks were completed, including construction of a new steel reactor vessel head stand, a key first step in the station's Containment Internal Structures project.

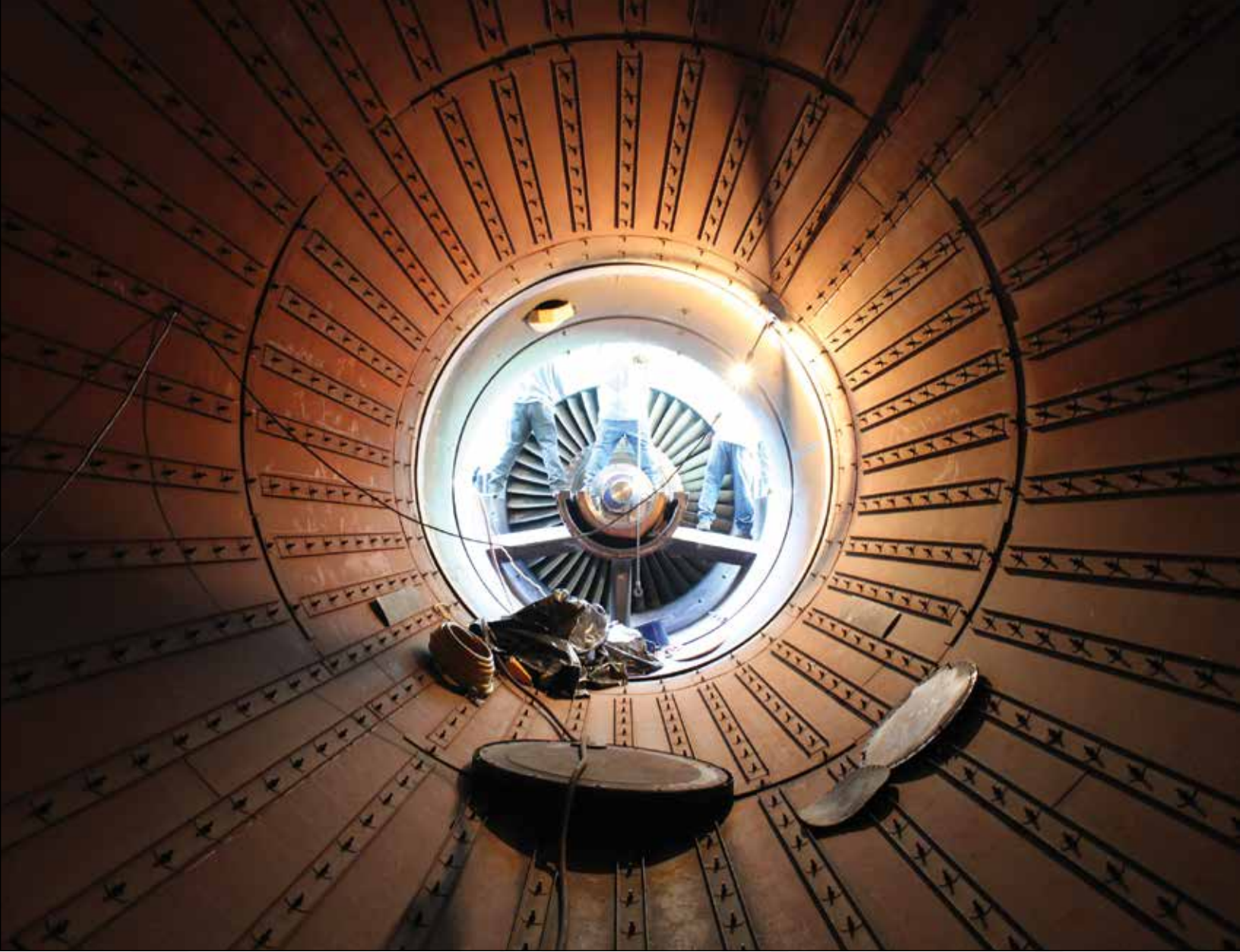
Work began in 2015 on OPPD's bold generation plan that includes retiring three of its oldest coal-fired generating units, retrofitting other units with additional emissions controls and converting two units to natural gas by 2023. Silos that hold dry sorbent and activated carbon for injection into flue gas streams were erected at North Omaha and Nebraska City generating stations. The work ensures OPPD is in compliance with acid gas and mercury emissions limits established by the Mercury and Air Toxics Standards adopted by the Environmental Protection Agency.

## FALCONS IN THE FAMILY

A family of peregrine falcons made North Omaha Station its home in 2015. In late spring, three chicks were visible from the falcon box, which had been placed atop one of the unit's stacks. Jon Hansen, vice president of Energy Production and Marketing, had the box installed in 2004 after seeing one in use at a Minnesota power station. The father of the chicks, "Clark," was a falcon born at the state capitol building in Lincoln in 2012. A naming contest was held on OPPD's Facebook page, and the chicks were dubbed "Tesla," "Edison" and "Einstein."







Fort Calhoun Station, left, underwent its 27th refueling outage in the spring and the station returned to normal regulatory oversight right before the outage. Sarpy County Station Unit 3, above, underwent its first major turbine overhaul. The company's generation portfolio is changing and the various generation options, like the peaking station, help maintain a diverse fuel mix.



In 2015, three peregrine falcon chicks were born at North Omaha Station, where a falcon box had been installed years earlier.





## LEADING THE WAY **RELIABILITY**

Reliability is something we take very seriously at OPPD; in fact, it is part of our mission. OPPD's reliability scores have always been a point of pride, but in 2015, the way we measure ourselves – System Average Interruption Duration Index, which is the total minutes of interruptions for a year divided by the number of customers – was among our best ever. Our 60-minute average puts OPPD in the top 15 percent nationally. OPPD is continually monitoring and making

## **HEEDING** THE CALL





improvements to approximately 240,000 wood distribution poles through the utility's Ground Line Inspection and Treatment (GLIT) program, which helps ensure reliability.

Work also continues on transmission expansion projects being undertaken as part of the Southwest Power Pool regional transmission organization. Construction is underway on the Midwest Transmission Project, a partnership with Kansas City Power & Light, creating a new transmission interconnection between OPPD and Kansas City Power & Light. A second project, the Elkhorn River Valley Transmission Project, will enhance reliability in the northern part of OPPD's service territory. The final route was announced in 2015.

At left, OPPD Line Technicians Cody Woodworth and Jason Cavanaugh replace a wood distribution pole through the GLIT program. At right, Line Maintenance Tech Gary Wohlman photographs a pole as he gathers information to help crews locate poles to be replaced.



Mississippi native Bill Watkins felt compelled to call OPPD on the week marking the 10th anniversary of Hurricane Katrina to thank crews who traveled to the area to help restore power in the days and weeks after the storm. OPPD crews worked 16-hour days alongside other utilities from across the country in the rebuilding efforts. Transmission & Distribution Field Supervisor Paul Oddo said the devastation was unlike anything he'd ever seen, and hopes to never see it again. But the rebuilding effort was awe-inspiring. OPPD continues to participate in mutual aid efforts.

A group of OPPD workers, left, traveled to Mississippi and Louisiana in 2005 to help restore power after Hurricane Katrina struck.

# LEADING THE WAY ENGAGEMENT

OPPD ramped up communication efforts with the community in 2015. As a public utility, transparency is at the forefront of OPPD's communications. Starting in September, the Board of Directors' monthly meetings were made available for viewing through live webcasts. Shortly after his selection as president and CEO, Timothy J. Burke held a series of informal meetings with public officials around the district to listen to their thoughts regarding OPPD.

When faced with big decisions, OPPD reaches out to its customers. Before developing a generation portfolio that includes a larger commitment to renewable energy sources, OPPD conducted a stakeholder process to collect customer-owner input. OPPD did so again in 2015, holding another stakeholder process to help develop a new rate structure, which goes into effect later this year.

The addition of a content marketing website has played a big part in OPPD's communication and transparency efforts. *The Wire* offers a wide range of stories concerning OPPD, its people and projects, and the issues surrounding the energy industry. The site features written stories, videos and infographics for customers, members of the media and others in the utility industry.



## SHARING OUR STORY

The Storm & Outage Center, which is linked on *The Wire*, [opdthewire.com](http://opdthewire.com), has become the go-to source for the public and media for information about outages in the area, reliability and electric safety. With safety tips, weather maps, photo galleries and interactive polls, the Storm & Outage Center is more than just a place to find information about weather-related power outages. The site, [stormandoutage.com](http://stormandoutage.com), available on mobile devices, has reduced the number of outage and weather-related media contacts by 25 percent when compared to the previous three years before the site was launched.





OPPD initiated another stakeholder process and sought input from customer-owners in crafting a new rate structure. A similar process was used in 2014 when OPPD created a new generation portfolio.

### PROPOSED RESTRUCTURING OPTIONS

Considering the following:  
 • The average change for all residential commercial customers  
 • The average change - the amount of the electricity you use  
 • The average change - the amount of the electricity you use



Restructuring could be implemented in a phased manner to allow customers to adjust to the new rate structure.

Service Change Level	Current Rate	Proposed Rate	Change
Low Usage	\$10.00	\$10.00	\$0.00
Medium Usage	\$15.00	\$15.00	\$0.00
High Usage	\$20.00	\$20.00	\$0.00

#### Implementation Timing

Implementation Timing	Current Rate	Proposed Rate	Change
Phase 1	\$10.00	\$10.00	\$0.00
Phase 2	\$15.00	\$15.00	\$0.00
Phase 3	\$20.00	\$20.00	\$0.00

### HOW WILL CHANGES IMPACT ME?

With the proposed change, roughly 35 percent of the average customer bill would account for fixed costs, resulting in an improved balance in our rate structure.



The restructure would impact customers differently based on each person's individual usage characteristics.

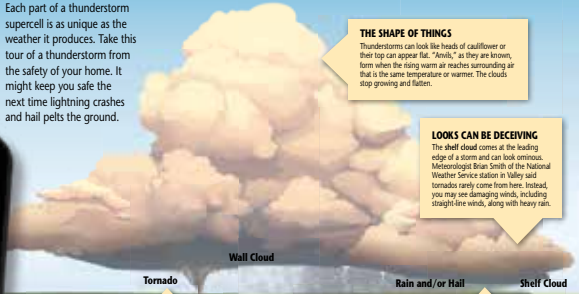


The new restructuring would result in most customers with high or low usage experiencing a \$5 to \$15 difference in their bill.

## INSIDE A THUNDERSTORM

And why the sky seems "green" just before it hails

Each part of a thunderstorm supercell is as unique as the weather it produces. Take this tour of a thunderstorm from the safety of your home. It might keep you safe the next time lightning crashes and hail pelt the ground.



**THE SHAPE OF THINGS**  
 Thunderstorms can look like heads of cauliflower or their top can appear flat. "Anvil," as they are known, form when the rising warm air reaches surrounding air that is the same temperature or warmer. The clouds stop growing and flatten.

**LOOKS CAN BE DECEIVING**  
 The shelf cloud comes at the leading edge of a storm and can look ominous. Meteorologist Brian Smith of the National Weather Service station in Valley said tornadoes rarely come from here. Instead, you may see damaging winds, including straight-line winds, along with heavy rain.

**LOCATION, LOCATION, LOCATION**  
 Tornadoes like to form in the southwest portion of a supercell, or its "hook area." Spotters are often positioned to the south and east of this area to avoid hail and benefit from the sun's backlighting in the west.

**WHY DOES THE SKY LOOK GREEN?**  
 In the Midwest, when a thunderstorm is brewing and there's a possibility of hail, the clouds are said to appear gray-green from the ground. This is because the sunlight is reflecting the color of the ground off the densest part of the cloud, which is often where hail is produced.

**DID YOU KNOW?**  
 The sky in Oklahoma can appear red during thunderstorms due to reflection from the clay soil.

### THUNDERSTORM LIFE CYCLE

- 1 DEVELOPING**  
 This stage involves the cumulus cloud being pushed upward by a rising column of warm air until the cloud looks like a tower. Little to no rain is seen during this stage, but occasional lightning can occur.
- 2 MATURE**  
 This stage begins when precipitation falls while the warm updraft feeds the storm. The precipitation creates a downdraft that, when combined with rain-cooled air, pushes out a gusty front of wind. Hail, heavy rain, lightning and tornadoes can be seen during this stage.
- 3 DISSIPATING**  
 This is when a large amount of precipitation, the updraft is overcome by the downdraft. The gust front moves further out from the storm, cutting off the warm air feeding it. Even rainfall is seen at this stage, but lightning is still prevalent.

Sources: National Weather Service - Valley, NWS; NOAA National Severe Storms Laboratory



# 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	<u>3,391,674</u>	<u>3,346,861</u>
Total Assets	5,238,485	4,870,481
Deferred Outflows of Resources	189,005	36,518
Total Assets and Deferred Outflows	<u>\$5,427,490</u>	<u>\$4,906,999</u>
Current Liabilities	\$ 257,117	\$ 402,506
Long-Term Liabilities	<u>3,198,419</u>	<u>2,541,980</u>
Total Liabilities	3,455,536	2,944,486
Deferred Inflows of Resources	16,168	41,000
Net Position	<u>1,955,786</u>	<u>1,921,513</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$5,427,490</u>	<u>\$4,906,999</u>



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.

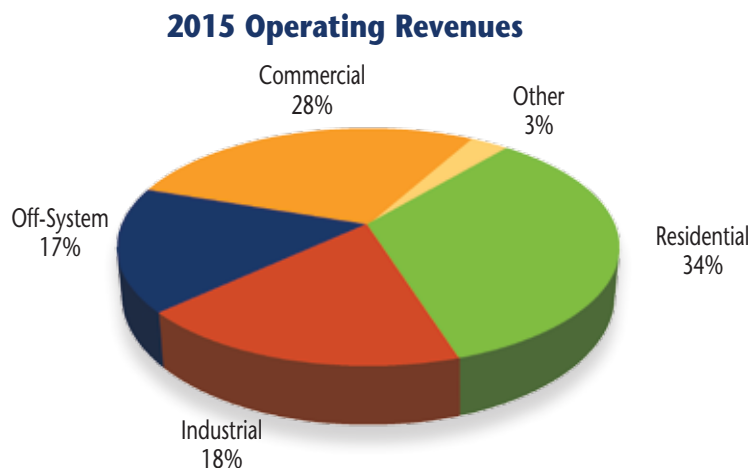
### RESULTS OF OPERATIONS

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.

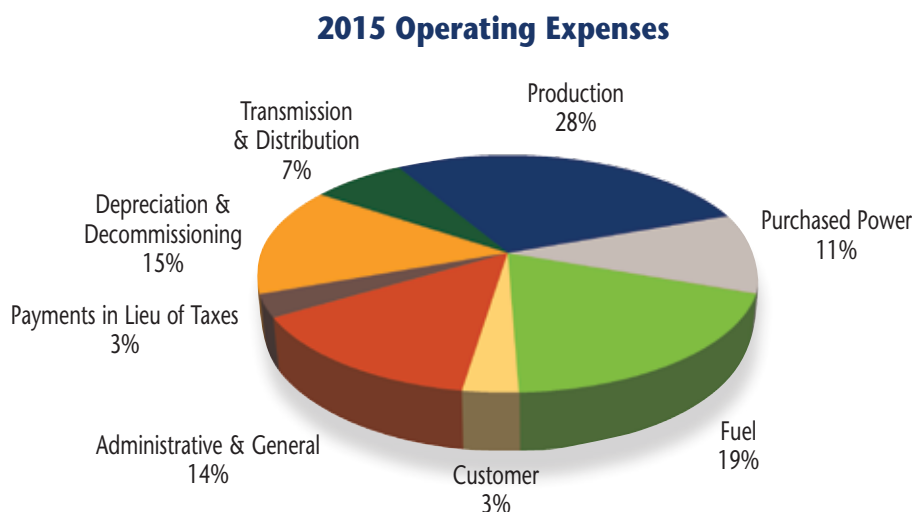


**2015 Compared to 2014** – Total operating revenues were \$1,131,235,000 for 2015, an increase of \$4,777,000 or 0.4% over 2014 operating revenues of \$1,126,458,000.

- 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 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	<u>\$ 3,391,674</u>	<u>\$ 3,346,861</u>

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.

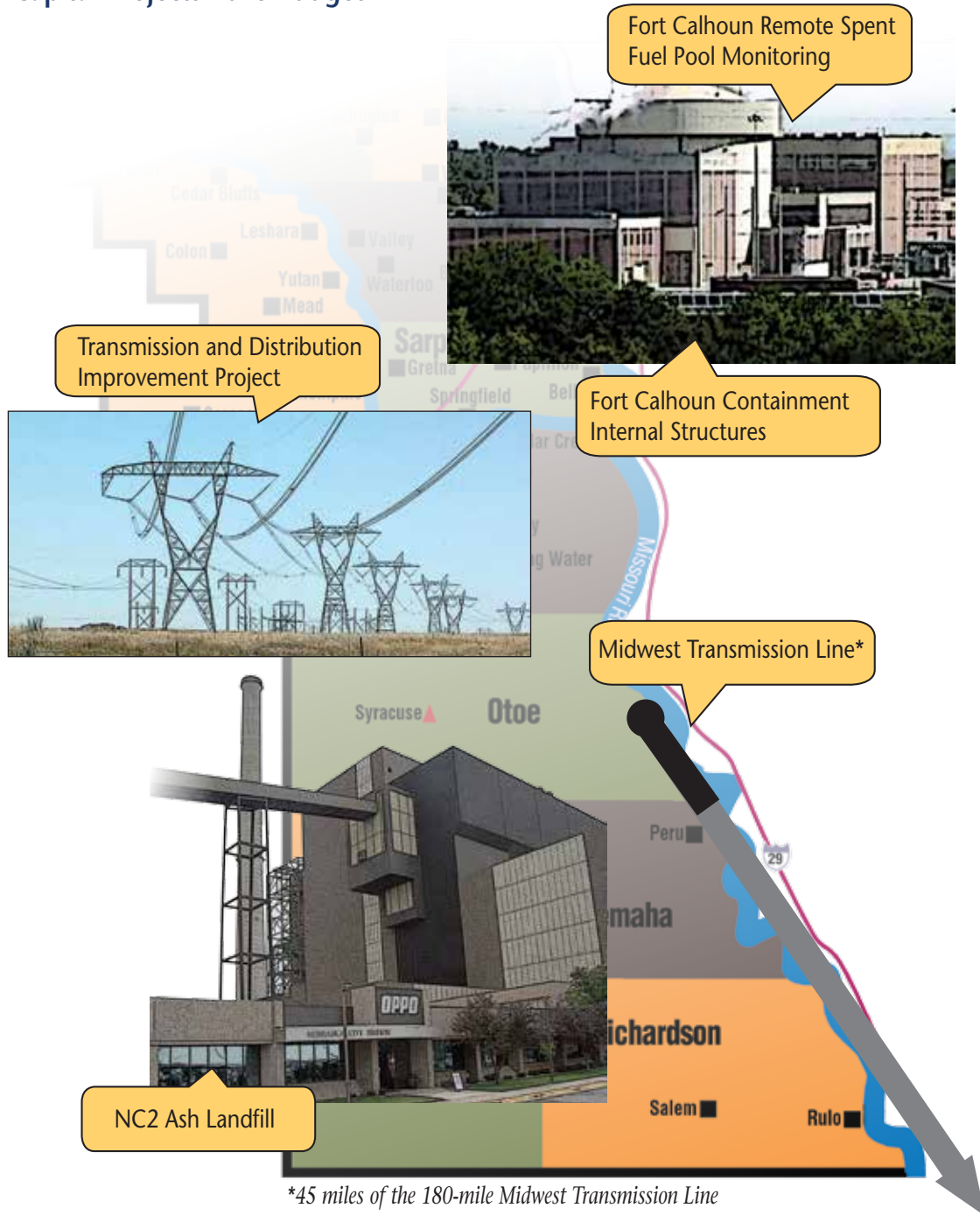
The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2016 (in thousands).

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

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



## 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	<u>\$ (6,062)</u>	<u>\$ (78,943)</u>



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.

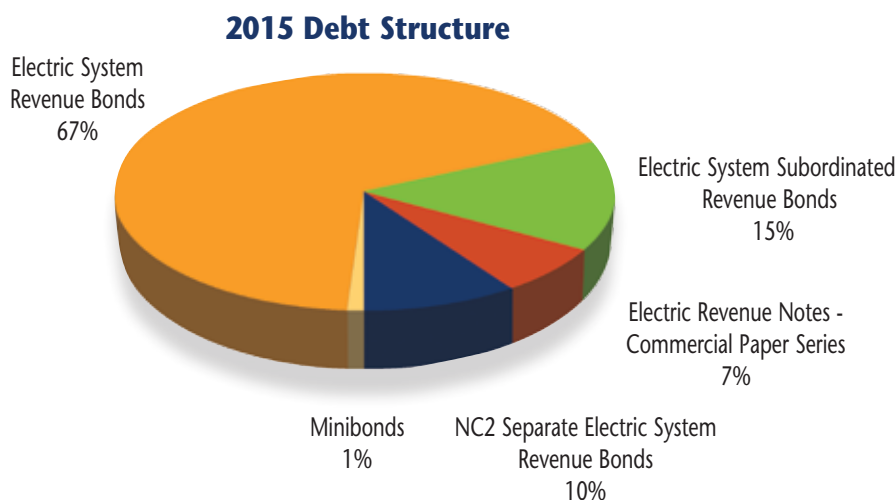
Three Electric System Revenue Bond issues totaling \$447,200,000 were completed during 2015. The proceeds from these bonds were used for refunding \$364,840,000 of previously issued Electric System Revenue Bonds and financing \$82,360,000 in new capital expenditures. Repayments of \$40,465,000 of Electric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



## 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.*

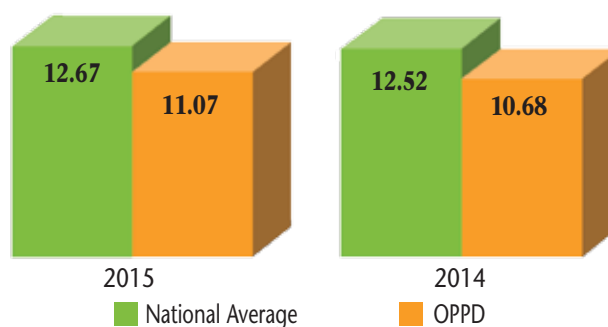
*As of January 21, 2016, S&P upgraded their credit rating for the NC2 Separate Electric System Revenue Bonds (2006A, 2008A, 2015A) from A to A+.*

## 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

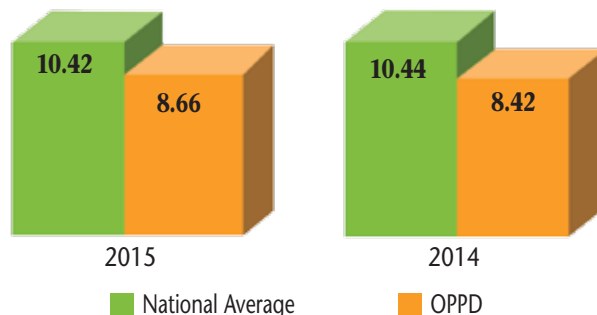




Retail customers paid an average of 8.66 and 8.42 cents per kWh in 2015 and 2014, respectively. The national average retail cents per kWh, according to the EIA, was 10.42 for 2015 (preliminary year-to-date December 2015) and 10.44 cents per kWh for 2014. Based on the preliminary EIA data for 2015, OPPD 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<sub>2</sub>) and nitrous oxide (NO<sub>x</sub>) 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<sub>2</sub> and NO<sub>x</sub>. 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<sub>2</sub> 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<sub>2</sub>) 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<sub>2</sub> 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).

	<b>Capability</b>
<b>OPPD-Owned Generation</b>	
Elk City Station (landfill-gas)	6.3
Valley Station (wind)	0.7
Subtotal OPPD-Owned Generation	<u>7.0</u>
<b>Purchased Wind Generation*</b>	
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	<u>200.6</u>
Subtotal Purchased Wind Generation	<u>411.6</u>
<b>Total Renewable Generation as of December 31, 2015</b>	<u>418.6</u>
<b>2017 Purchased Wind Generation</b>	
Grande Prairie	<u>400.0</u>
<b>Total Expected Renewable Generation as of December 31, 2017</b>	<u>818.6</u>

\*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

## Report of Management

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

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

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

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



Timothy J. Burke  
President and Chief Executive Officer



Edward E. Easterlin  
Vice President and Chief Financial Officer

# Independent Auditors' Report

To the Board of Directors  
Omaha Public Power District  
Omaha, Nebraska

We have audited the accompanying financial statements of Omaha Public Power District (OPPD), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise OPPD's financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPPD as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, OPPD adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015. Our opinion is not modified with respect to this matter.

## Other Matter

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 12 through 23 and the schedule of changes in net pension liability and related ratios, schedule of contributions, and related notes within the Required Supplementary Information section on pages 50 and 51 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Deloitte & Touche LLP*

DELOITTE & TOUCHE LLP  
Omaha, Nebraska  
March 15, 2016



# Statements of Net Position

as of December 31, 2015 and 2014

ASSETS	2015	2014
	<i>(thousands)</i>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents . . . . .	\$ 7,847	\$ 13,909
Electric system revenue fund . . . . .	99,636	150,994
Electric system revenue bond fund . . . . .	92,667	70,038
Electric system subordinated revenue bond fund . . . . .	5,683	3,613
Electric system construction fund . . . . .	257,077	155,887
NC2 separate electric system revenue fund . . . . .	12,563	13,918
NC2 separate electric system revenue bond fund . . . . .	13,076	8,632
NC2 separate electric system capital costs fund . . . . .	1,925	2,402
Accounts receivable – net . . . . .	116,376	118,760
Fossil fuels – at average cost . . . . .	31,661	36,918
Materials and supplies – at average cost . . . . .	143,319	137,584
Other (Note 2) . . . . .	<u>57,444</u>	<u>58,344</u>
Total current assets . . . . .	<u>839,274</u>	<u>770,999</u>
<b>SPECIAL PURPOSE FUNDS – at fair value</b>		
Electric system revenue bond fund – net of current . . . . .	48,783	68,265
Segregated fund – rate stabilization (Note 3) . . . . .	16,000	37,000
Segregated fund – other (Note 3) . . . . .	34,945	33,938
Decommissioning funds (Note 3) . . . . .	<u>373,334</u>	<u>364,096</u>
Total special purpose funds . . . . .	<u>473,062</u>	<u>503,299</u>
<b>UTILITY PLANT – at cost</b>		
Electric plant . . . . .	5,487,554	5,306,309
Less accumulated depreciation and amortization . . . . .	<u>2,183,267</u>	<u>2,048,628</u>
Electric plant – net . . . . .	3,304,287	3,257,681
Nuclear fuel – at amortized cost . . . . .	<u>87,387</u>	<u>89,180</u>
Total utility plant – net . . . . .	<u>3,391,674</u>	<u>3,346,861</u>
<b>OTHER LONG-TERM ASSETS</b>		
Regulatory assets (Note 2) . . . . .	525,729	239,999
Other (Note 2) . . . . .	<u>8,746</u>	<u>9,323</u>
Total other long-term assets . . . . .	<u>534,475</u>	<u>249,322</u>
<b>TOTAL ASSETS</b> . . . . .	<u>5,238,485</u>	<u>4,870,481</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on refunded debt . . . . .	71,931	36,518
Unrealized pension contributions and (gain)/loss (Note 5) . . . . .	<u>117,074</u>	<u>-</u>
Total deferred outflows of resources . . . . .	<u>189,005</u>	<u>36,518</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b> . . . . .	<u>\$5,427,490</u>	<u>\$4,906,999</u>

See notes to financial statements

**LIABILITIES****2015****2014***(thousands)***CURRENT LIABILITIES**

Electric system revenue bonds (Note 4) . . . . .	<b>\$ 43,065</b>	\$ 40,465
Electric system subordinated revenue bonds (Note 4) . . . . .	<b>95</b>	-
Electric revenue notes – commercial paper series (Note 4) . . . . .	-	150,000
NC2 separate electric system revenue bonds (Note 4) . . . . .	<b>3,190</b>	3,080
Accounts payable . . . . .	<b>95,218</b>	86,680
Accrued payments in lieu of taxes . . . . .	<b>31,185</b>	30,594
Accrued interest . . . . .	<b>41,214</b>	39,291
Accrued payroll . . . . .	<b>26,597</b>	36,041
NC2 participant deposits . . . . .	<b>9,342</b>	9,350
Other (Note 2) . . . . .	<b>7,211</b>	7,005
Total current liabilities . . . . .	<u><b>257,117</b></u>	<u>402,506</u>

<b>LIABILITIES PAYABLE FROM SEGREGATED FUNDS</b> (Note 2) . . . . .	<u><b>30,495</b></u>	<u>30,200</u>
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**LONG-TERM DEBT** (Note 4)

Electric system revenue bonds – net of current . . . . .	<b>1,470,660</b>	1,431,365
Electric system subordinated revenue bonds – net of current . . . . .	<b>337,280</b>	337,375
Electric revenue notes – commercial paper series . . . . .	<b>150,000</b>	-
Minibonds . . . . .	<b>29,338</b>	28,913
NC2 separate electric system revenue bonds – net of current . . . . .	<b>222,720</b>	233,645
Total long-term debt . . . . .	<u><b>2,209,998</b></u>	<u>2,031,298</u>
Unamortized discounts and premiums . . . . .	<b>163,421</b>	104,092
Total long-term debt – net . . . . .	<u><b>2,373,419</b></u>	<u>2,135,390</u>

**OTHER LIABILITIES**

Decommissioning costs . . . . .	<b>375,915</b>	364,096
Net pension liability (Note 5) . . . . .	<b>407,174</b>	-
Other (Note 2) . . . . .	<b>11,416</b>	12,294
Total other liabilities . . . . .	<u><b>794,505</b></u>	<u>376,390</u>

**COMMITMENTS AND CONTINGENCIES** (Note 12)

<b>TOTAL LIABILITIES</b> . . . . .	<u><b>3,455,536</b></u>	<u>2,944,486</u>
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**DEFERRED INFLOWS OF RESOURCES**

Rate stabilization reserve (Note 6) . . . . .	<b>16,000</b>	41,000
Unamortized gain on refunded debt . . . . .	<b>168</b>	-
Total deferred inflows of resources . . . . .	<u><b>16,168</b></u>	<u>41,000</u>

**NET POSITION**

Net investment in capital assets . . . . .	<b>1,380,680</b>	1,285,648
Restricted . . . . .	<b>50,069</b>	48,239
Unrestricted . . . . .	<b>525,037</b>	587,626
Total net position . . . . .	<u><b>1,955,786</b></u>	<u>1,921,513</u>

<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b> . . . . .	<u><b>\$5,427,490</b></u>	<u>\$4,906,999</u>
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See notes to financial statements

# Statements of Revenues, Expenses and Changes in Net Position

## for the Years Ended December 31, 2015 and 2014

	2015	2014
	<i>(thousands)</i>	
<b>OPERATING REVENUES</b>		
Retail sales . . . . .	<b>\$ 904,793</b>	\$ 873,605
Off-system sales . . . . .	<b>195,512</b>	223,055
Other electric revenues . . . . .	<b>30,930</b>	29,798
Total operating revenues . . . . .	<u><b>1,131,235</b></u>	<u>1,126,458</u>
<b>OPERATING EXPENSES</b>		
Operations and maintenance		
Fuel . . . . .	<b>195,128</b>	208,533
Purchased power . . . . .	<b>107,672</b>	93,977
Production . . . . .	<b>282,149</b>	286,465
Transmission . . . . .	<b>32,995</b>	29,195
Distribution . . . . .	<b>42,915</b>	45,628
Customer accounts . . . . .	<b>15,389</b>	16,160
Customer service and information . . . . .	<b>16,396</b>	15,408
Administrative and general . . . . .	<b>147,344</b>	137,153
Total operations and maintenance . . . . .	<u><b>839,988</b></u>	<u>832,519</u>
Depreciation and amortization . . . . .	<b>151,033</b>	140,485
Decommissioning . . . . .	<b>5,161</b>	3,403
Payments in lieu of taxes . . . . .	<b>32,241</b>	31,651
Total operating expenses . . . . .	<u><b>1,028,423</b></u>	<u>1,008,058</u>
<b>OPERATING INCOME</b> . . . . .	<u><b>102,812</b></u>	<u>118,400</u>
<b>OTHER INCOME (EXPENSES)</b>		
Contributions in aid of construction . . . . .	<b>15,063</b>	6,512
Reduction of plant costs recovered through contributions in aid of construction . . . . .	<b>(15,063)</b>	(6,512)
Decommissioning funds – investment income . . . . .	<b>4,078</b>	14,575
Decommissioning funds – reinvestment . . . . .	<b>(4,078)</b>	(14,575)
Investment income . . . . .	<b>1,826</b>	2,519
Allowances for funds used during construction . . . . .	<b>8,474</b>	13,998
Products and services – net . . . . .	<b>4,287</b>	3,247
Other – net (Note 9) . . . . .	<b>8,342</b>	9,105
Total other income – net . . . . .	<u><b>22,929</b></u>	<u>28,869</u>
<b>INTEREST EXPENSE</b> . . . . .	<u><b>91,468</b></u>	<u>95,344</u>
<b>NET INCOME</b> . . . . .	<b>34,273</b>	51,925
<b>NET POSITION, BEGINNING OF YEAR</b> . . . . .	<u><b>1,921,513</b></u>	<u>1,869,588</u>
<b>NET POSITION, END OF YEAR</b> . . . . .	<u><b>\$1,955,786</b></u>	<u>\$1,921,513</u>

See notes to financial statements



## Statements of Cash Flows

for the Years Ended December 31, 2015 and 2014

	2015	2014
	<i>(thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from retail customers . . . . .	\$ 948,559	\$ 950,104
Cash received from off-system counterparties . . . . .	167,704	206,333
Cash received from insurance companies . . . . .	2,500	-
Cash paid to operations and maintenance suppliers . . . . .	(554,110)	(556,564)
Cash paid to off-system counterparties . . . . .	(90,994)	(79,583)
Cash paid to employees . . . . .	(177,926)	(162,126)
Cash paid for in lieu of taxes and other taxes . . . . .	(31,650)	(31,826)
Net cash provided from operating activities . . . . .	<u>264,083</u>	<u>326,338</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings . . . . .	634,169	352,207
Principal reduction of debt . . . . .	(530,500)	(380,370)
Interest paid on debt . . . . .	(135,497)	(108,374)
Acquisition and construction of capital assets . . . . .	(204,755)	(145,552)
Proceeds from NC2 participants . . . . .	4,384	4,272
Contributions in aid of construction and other reimbursements . . . . .	12,782	17,941
Acquisition of nuclear fuel . . . . .	(9,443)	(9,253)
Net cash used for capital and related financing activities . . . . .	<u>(228,860)</u>	<u>(269,129)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments . . . . .	(1,255,019)	(792,067)
Maturities and sales of investments . . . . .	1,216,779	657,856
Purchases of investments for decommissioning funds . . . . .	(236,039)	(169,562)
Maturities and sales of investments in decommissioning funds . . . . .	230,879	166,159
Investment income . . . . .	2,115	1,462
Net cash used for investing activities . . . . .	<u>(41,285)</u>	<u>(136,152)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b> . . . . .	<b>(6,062)</b>	<b>(78,943)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> . . . . .	<b>13,909</b>	<b>92,852</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> . . . . .	<b>\$ 7,847</b>	<b>\$ 13,909</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
Operating income . . . . .	\$ 102,812	\$ 118,400
Adjustments to reconcile operating income to net cash provided from operating activities		
Depreciation, amortization and decommissioning . . . . .	156,194	143,888
Amortization of nuclear fuel . . . . .	21,048	23,600
Changes in assets and liabilities		
Accounts receivable . . . . .	2,225	508
Fossil fuels . . . . .	5,257	(8,008)
Materials and supplies . . . . .	(5,734)	(11,375)
Accounts payable . . . . .	(8,960)	18,070
Accrued payments in lieu of taxes . . . . .	592	(176)
Accrued payroll . . . . .	(9,445)	3,288
SPP deposit . . . . .	2,000	(4,000)
Rate stabilization reserve . . . . .	(25,000)	9,000
Regulatory asset for FPPA . . . . .	19,166	20,147
Regulatory asset for FCS – decommissioning costs . . . . .	(2,580)	-
Regulatory asset for FCS – recovery costs . . . . .	12,433	8,480
Regulatory asset for FCS – outage costs . . . . .	(21,110)	-
Other . . . . .	15,185	4,516
Net cash provided from operating activities . . . . .	<u>\$ 264,083</u>	<u>\$ 326,338</u>
<b>NONCASH CAPITAL ACTIVITIES</b>		
Utility plant additions from outstanding liabilities . . . . .	<u>\$ 21,373</u>	<u>\$ 12,601</u>

See notes to financial statements

# Notes to Financial Statements

as of and for the Years Ended December 31, 2015 and 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

If, as a result of changes in regulation or competition, the ability to recover these assets and to satisfy these liabilities would not be assured, OPPD would be required to write off or write down such regulatory assets and liabilities, unless some form of transition cost recovery continues through established rates. In addition, any impairment to the carrying costs of deregulated plant and inventory assets would be determined. There were no write-downs of regulatory assets for the years ended December 31, 2015 and 2014. See Regulatory Assets and Liabilities section of Note 1.

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

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

**Cash and Cash Equivalents** – The operating fund account is called the Electric System Revenue Fund (Note 3). Highly liquid investments for the Electric System Revenue Fund with an original maturity of three months or less are considered to be cash equivalents. Restricted cash and cash equivalents, if any, are included in the Special Purpose Fund balances. The cash amounts included in the Electric System Revenue Bond Fund were \$0 and \$5,459,000 as of December 31, 2015 and 2014, respectively. The cash amounts included in the Electric System Construction Fund were \$0 and \$1,044,000 as of December 31, 2015 and 2014, respectively.

**Accounts Receivable** – Accounts Receivable includes outstanding amounts from customers and an estimate for unbilled revenues. An estimate is made for the Reserve for Uncollectible Accounts for retail customers based on an analysis of Accounts Receivable and historical write-offs net of recoveries. Additional amounts may be included based on the credit risks of significant parties. Accounts Receivable includes \$43,129,000 and \$44,105,000 in unbilled revenues as of December 31, 2015 and 2014, respectively. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts of \$900,000 and \$1,200,000 as of December 31, 2015 and 2014, respectively.

**Utility Plant** – Utility plant is stated at cost, which includes property additions, replacements of property units and betterments. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric plant retirements are eliminated from electric plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account. Electric plant includes both tangible and intangible assets. Intangible assets include costs related to regulatory licenses, software licenses and other rights to use property. Electric plant includes construction work in progress of \$400,270,000 and \$386,927,000 as of December 31, 2015 and 2014, respectively.

The following table summarizes electric plant balances as of December 31, 2014, activity for 2015 and balances as of December 31, 2015, (in thousands).

	2014	Additions	Retirements	2015
Electric plant	\$5,306,309	\$205,677	\$(24,432)	\$5,487,554
Less accumulated depreciation and amortization	<u>2,048,628</u>	<u>159,069</u>	<u>(24,430)</u>	<u>2,183,267</u>
Electric plant – net	<u>\$3,257,681</u>	<u>\$ 46,608</u>	<u>\$ (2)</u>	<u>\$3,304,287</u>

Allowances for funds used during construction (AFUDC), approximates OPPD's current weighted average cost of debt. AFUDC was capitalized as a component of the cost of utility plant. These allowances for both construction work in progress and nuclear fuel were computed at 3.4% and 3.8% for the years ended December 31, 2015 and 2014, respectively.

Long-lived assets, such as property, plant and equipment, are periodically reviewed for impairment or whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the magnitude of the decline in service utility is significant and not part of the asset's normal life cycle, the asset is considered impaired. There were no write-downs for impairments for the years ended December 31, 2015 and 2014.

**Contributions in Aid of Construction (CIAC)** – Payments are received from customers for construction costs primarily relating to the expansion of the electric system. FERC guidelines are followed in recording CIAC. These guidelines direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant. CIAC is recorded as other income of \$15,063,000 and offset by an expense in the same amount representing the recovery of plant costs. CIAC primarily includes payments for transmission, distribution and generating station assets. This allows for compliance with GASB Codification Section N50, *Nonexchange Transactions*, while continuing to follow FERC guidelines.

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

	<b>2015</b>	<b>2014</b>
Transmission and distribution	\$ 9,082	\$ 4,990
Nebraska City Station Unit 2 (NC2) participants	5,981	1,501
Fort Calhoun Station (FCS) dry cask storage	-	<u>21</u>
Total	<u>\$15,063</u>	<u>\$6,512</u>

**Depreciation and Amortization** – Depreciation for assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. Depreciation expense for depreciable property averaged approximately 3.1% and 3.0% for the years ended December 31, 2015 and 2014, respectively.

Amortization of nuclear fuel is based on the cost thereof, and is recorded as nuclear fuel expense of \$21,048,000 and \$23,600,000 for the years ended December 31, 2015 and 2014, respectively. Amortization is prorated by fuel assembly in accordance with the thermal energy that each assembly produces.

Intangible assets are amortized over their expected useful life. Amortization of intangible assets is included with depreciation and amortization expense in these financial statements. The amortization was \$5,971,000 and \$4,142,000 for the years ended December 31, 2015 and 2014, respectively.

NC2 was placed in commercial operation in 2009. Half of the unit's output is sold under 40-year Participation Power Agreements (PPA's). Certain participants funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. These participants are billed for the debt service related to these bonds. The amounts recovered for debt service for the electric plant construction and other costs are included in off-system sales revenues. The revenues related to principal repayment will equal related depreciation and other deferred NC2 expenses over the 40-year term of the PPA's. A regulatory asset was established to equate expenses and the amount included in off-system sales revenues for principal repayment in order to maintain revenue neutrality in the interim years. This regulatory asset will increase annually until 2030 when principal repayments begin exceeding depreciation and other deferred expenses. After 2030, the regulatory asset will be reduced annually by recognizing deferred depreciation and other deferred expenses until its elimination in 2049, which is the end of the initial term of the PPA's.

In 2004, the Board of Directors approved a change in the depreciation estimate for FCS production plant assets to 2043. This estimate is ten years beyond the term of FCS's current operating license. A regulatory asset was established for the difference in depreciation expense resulting from the use of the estimated economic life of the asset versus the license term. The reduction in depreciation expense will be recorded each year as a regulatory asset in deferred charges until 2033. The regulatory asset will be reduced through the recognition of depreciation expense over the assets' remaining economic life in the years 2034 through 2043.

The Board of Directors approved a resolution in June 2014 for the Future Power-Generation Plan (Plan). The Plan includes changes to the generation portfolio, including the retirement in 2016 of North Omaha Station Units 1, 2 and 3, to comply with existing and future environmental regulations. The estimated useful lives of North Omaha Station Units 1, 2 and 3 were reduced as a result of the planned future retirement. This change in estimate resulted in additional depreciation expense of \$9,923,000 and \$5,400,000 for the years ended December 31, 2015 and 2014, respectively.



## Notes to Financial Statements

### as of and for the Years Ended December 31, 2015 and 2014

**Nuclear Fuel Disposal Costs** – Permanent disposal of spent nuclear fuel is the responsibility of the federal government under an agreement entered into with the Department of Energy (DOE). Under the agreement, there was a fee of one mill per kilowatt-hour on net electricity generated and sold from FCS. The collection of this fee was suspended in May 2014 until the DOE completes a fee adequacy study that complies with the Nuclear Waste Policy Act or until Congress enacts an alternative fuel management plan. The spent nuclear fuel disposal costs, if any, are included in nuclear fuel amortization and are collected from customers as part of fuel costs. There were nuclear fuel disposal costs of \$0 and \$1,447,000 for the years ended December 31, 2015 and 2014, respectively.

The agreement required the federal government to begin accepting high-level nuclear waste by January 1998; however, the DOE does not have a storage facility. In May 1998, the United States Court of Appeals confirmed the DOE's statutory obligation to accept spent fuel by 1998, but rejected the request that a move-fuel order be issued. In March 2001, OPPD, along with a number of other utilities, filed suit against the DOE in the United States Court of Federal Claims alleging breach of contract.

In 2006, the DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste incurred due to the DOE's delay in accepting waste. Applications are submitted periodically to the DOE for reimbursement of costs incurred for the storage of high-level nuclear waste and any reimbursements are included in CIAC.

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

Based on cost estimates, inflation rates and fund earnings projections, no funding was necessary from 2001 through 2013 for either plan. However, an analysis by the Company and an outside consultant determined that additional funding was needed for the Supplemental Decommissioning Fund beginning in 2014 to meet the estimated cost to fully decommission FCS. OPPD temporarily suspended funding for the Supplemental Decommissioning Fund in September 2015 to reduce expenditures and the related impact on rates. In December 2015, the Board of Directors authorized the use of regulatory accounting to match the decommissioning expense to the amount funded. It is anticipated the supplemental decommissioning funding will resume in 2017. The annual funding amount was \$5,161,000 and \$3,403,000 for 2015 and 2014, respectively.

Decommissioning funds are reported at fair value. The decommissioning cost liability is adjusted for investment income and changes in fair value, resulting in no impact on net income. Investment income was \$8,672,000 and \$8,475,000 for the years ended December 31, 2015 and 2014, respectively. The fair value of the decommissioning funds decreased \$4,594,000 and increased \$6,100,000 during 2015 and 2014, respectively. The present value of the total decommissioning cost estimate for FCS was \$883,954,000 and \$869,223,000 as of June 30, 2015 and 2014, respectively.

**Pension** – Information about the fiduciary net position of the OPPD Retirement Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported for purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. Benefit payments are recognized when distributed in accordance with the benefit terms. Investments are reported at fair value (Note 5).

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

A Planned Nuclear Refueling Outage (Outage), as defined by OPPD, is a regularly scheduled refueling outage at FCS. These Outages are periodically completed to maintain and enhance the performance and efficiency of station operations, which benefits the station over the next operating cycle of production. The Board of Directors authorized regulatory accounting treatment for qualifying Outage costs to allow the use of the defer-and-amortize method. Eligible Outage costs will be deferred as a regulatory asset and amortized to expense over the subsequent operating cycle. FCS completed a major maintenance and refueling outage in June 2015. The balance of the FCS outage deferral was \$21,110,000 as of December 31, 2015.

A Fuel and Purchased Power Adjustment (FPPA) was implemented in the retail rate structure in 2010. The Board of Directors authorized the use of regulatory accounting to maintain revenue neutrality by matching retail revenues attributed to fuel and purchased power costs with the actual costs incurred. There were FPPA under-recoveries of \$8,233,000 and \$2,873,000 for the years ended December 31, 2015 and 2014, respectively. The FPPA regulatory assets were reduced for customer collections of \$27,399,000 and \$23,020,000 in 2015 and 2014, respectively.

The regulatory asset for FPPA, included in Other Current Assets, was \$8,233,000 and \$27,399,000 as of December 31, 2015 and 2014, respectively (Note 2). This regulatory asset represents the rights to additional revenues based on incurred expenses due to under-recoveries of fuel and purchased power costs.

Additional regulatory assets included in Other Long-Term Assets consist of deferred financing costs, deferred pension costs and other deferred expenses for FCS and NC2. In 2004, the Board of Directors approved a change in the depreciation estimate for FCS production assets to 2043. This estimate is ten years beyond the term of the current operating license. NC2 was placed in commercial operation in 2009. As previously noted, certain NC2 expenses were deferred to maintain revenue neutrality from transactions with participants who funded their share of construction costs with NC2 Separate Electric System Revenue Bonds.

The Board of Directors authorized the use of regulatory accounting for debt issuance costs in 2012 because of new accounting standards which would have required these costs to be expensed in the period incurred. These costs are amortized over the life of the associated bond issues, consistent with the rate methodology. The Board of Directors also authorized the use of regulatory accounting in 2012 for significant, unplanned operations and maintenance costs at FCS incurred to address concerns from the NRC and enhance operations. These costs are being amortized over a ten-year period which commenced in 2013 with FCS's return to service.

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

The Board of Directors authorized the use of regulatory accounting for the unfunded supplemental decommissioning costs in December 2015. The use of regulatory accounting allows the matching of decommissioning expense to the amounts funded. It is anticipated the funding will resume in 2017.

The following table summarizes the balances of regulatory assets as of December 31, 2014, activity for 2015 and balances as of December 31, 2015, (in thousands).

	<b>2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>2015</b>
Regulatory asset for pension	\$ -	\$290,100	\$ -	\$290,100
Regulatory asset for FCS – recovery costs	129,882	2,349	(14,782)	117,449
Regulatory asset for FCS – depreciation	67,841	6,787	-	74,628
Regulatory asset for NC2	43,895	1,755	-	45,650
Regulatory asset for FCS – outage costs	-	38,058	(16,948)	21,110
Regulatory asset for financing costs	12,947	2,434	(4,569)	10,812
Regulatory asset for FPPA	27,399	8,233	(27,399)	8,233
Regulatory asset for FCS – decommissioning costs	-	2,580	-	2,580
Total	<u>\$281,964</u>	<u>\$352,296</u>	<u>\$(63,698)</u>	<u>\$570,562</u>

Regulatory liabilities are deferred inflows of resources and consist of the Rate Stabilization Reserve. This reserve was established to help maintain stability in OPPD's long-term rate structure (Note 6). In October 2015, the Board of Directors authorized a transfer from the Rate Stabilization Reserve to provide additional revenues for operations. There was a transfer of \$25,000,000 from the reserve in December 2015. The balance of the Rate Stabilization Reserve was \$16,000,000 and \$41,000,000 as of December 31, 2015 and 2014, respectively.

**Net Position** – Net Position is reported in three separate components on the Statements of Net Position. Net Investment in Capital Assets is the net position share attributable to net utility plant assets reduced by outstanding related debt. Restricted is the share of net position that has usage restraints imposed by law or by debt covenants, such as certain revenue bond funds and segregated funds, net of related liabilities. Unrestricted is the share of net position that is neither restricted nor invested in capital assets.

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

# Notes to Financial Statements

## as of and for the Years Ended December 31, 2015 and 2014

**Recent Accounting Pronouncements** – The Company has adopted the provisions of 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* (GASB 68). These statements were simultaneously implemented in 2015. The implementation of these statements resulted in the recognition of a net pension liability of \$338,210,000 on the Statements of Net Position as of January 1, 2015. The implementation of these statements also resulted in the recognition of a deferred outflow of resources of \$53,008,000 as of January 1, 2015, for pension contributions made subsequent to the measurement date of January 1, 2014. In December 2014, the Board of Directors authorized the use of regulatory accounting for pension costs to establish a regulatory asset to match the pension expense to the amounts funded and the cost recovery through rates. A regulatory asset of \$285,202,000 was recorded as of January 1, 2015. The prior period was not restated as the information was not readily available.

GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. The objective of this statement is to define fair value and describe how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is effective for reporting periods beginning after June 15, 2015. The Company does not anticipate the implementation will have a material impact on OPPD's financial reporting.

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement is effective for reporting periods beginning after June 15, 2017. The impact to OPPD's financial reporting is being evaluated.

GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015. The objective of this statement is to identify the hierarchy of GAAP. This statement is effective for reporting periods beginning after June 15, 2015. The Company does not anticipate the implementation will have a material impact on OPPD's financial reporting as the company already follows this hierarchy.

## 2. ASSETS AND LIABILITIES DETAIL BALANCES

### Current Assets – Other

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

	2015	2014
Regulatory asset for FCS – outage costs	\$ 21,110	\$ -
Regulatory asset for FCS – recovery costs	14,836	14,566
Regulatory asset for FPPA	8,233	27,399
Prepayments	7,530	8,139
Deposit with SPP	4,000	6,000
Regulatory asset for financing costs	654	-
Interest receivable	602	321
Sulfur dioxide allowance inventory	378	1,287
Commodity derivative instruments (Note 7)	97	629
Other	4	3
Total	<u>\$ 57,444</u>	<u>\$ 58,344</u>

### Other Long-Term Assets – Regulatory Assets

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

	2015	2014
Regulatory asset for pension	\$ 290,100	\$ -
Regulatory asset for FCS – recovery costs (net of current)	102,613	115,316
Regulatory asset for FCS – depreciation	74,628	67,841
Regulatory asset for NC2	45,650	43,895
Regulatory asset for financing costs (net of current)	10,158	12,947
Regulatory asset for FCS – decommissioning costs	2,580	-
Total	<u>\$ 525,729</u>	<u>\$ 239,999</u>



### Other Long-Term Assets – Other

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

	2015	2014
Job orders	\$ 4,766	\$ 4,145
Other	3,980	5,178
Total	<u>\$ 8,746</u>	<u>\$ 9,323</u>

### Current Liabilities – Other

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

	2015	2014
Unearned revenues	\$ 2,307	\$ 2,385
Auction revenue rights (Note 7)	766	1,836
Deposits	501	1,043
Payroll taxes and other employee liabilities	361	466
Other	3,276	1,275
Total	<u>\$ 7,211</u>	<u>\$ 7,005</u>

### Liabilities Payable from Segregated Funds

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

	2015	2014
Customer deposits	\$21,982	\$21,346
Incurred but not presented reserve	3,574	3,012
Customer advances for construction	2,439	3,343
Other	2,500	2,499
Total	<u>\$30,495</u>	<u>\$30,200</u>

### Other Liabilities – Other

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

	2015	2014
Unearned revenues (net of current)	\$ 6,463	\$ 8,399
Workers' compensation reserve	1,545	1,484
Capital purchase agreement	1,469	1,716
Public liability reserve	121	73
Other	1,818	622
Total	<u>\$11,416</u>	<u>\$12,294</u>

## 3. FUNDS AND INVESTMENTS

Funds of OPPD were as follows:

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

**Electric System Revenue Bond Fund, Electric System Subordinated Revenue Bond Fund and NC2 Separate Electric System Revenue Bond Fund** – These funds are to be used for the retirement of their respective revenue bonds and the payment of the related interest and reserves as required. Investments with maturity dates within the next year are designated as current. The fund included restricted cash from bond proceeds pending investment purchases of \$0 and \$5,459,000 as of December 31, 2015 and 2014, respectively.

**Electric System Construction Fund and NC2 Separate Electric System Capital Costs Fund** – These funds are to be used for capital improvements, additions and betterments to and extensions of their respective electric system. The fund included restricted cash from bond proceeds of \$0 and \$1,044,000 as of December 31, 2015 and 2014, respectively.

**Segregated Fund – Rate Stabilization** – This fund is to be used to help stabilize rates through the transfer of funds to operations as necessary. Since there is no funding requirement for the Rate Stabilization Reserve, this fund also may be used to provide additional liquidity for operations as necessary (Notes 1, 6).

## Notes to Financial Statements

### as of and for the Years Ended December 31, 2015 and 2014

**Segregated Fund – Other** – This fund represents assets held for payment of customer deposits, refundable advances, certain other liabilities and funds set aside for terminal removal costs for NC2 and OPPD’s self-insured health insurance plans (Note 5).

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

	<b>2015</b>	<b>2014</b>
Customer deposits and advances	\$24,699	\$24,864
Self-insurance	6,577	5,791
Other	3,669	3,283
Total	<u>\$34,945</u>	<u>\$33,938</u>

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

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

	<b>2015</b>	<b>2014</b>
Decommissioning Trust – 1990 Plan	\$278,674	\$275,729
Decommissioning Trust – 1992 Plan	94,660	88,367
Total	<u>\$373,334</u>	<u>\$364,096</u>

**Fair Value of Investments** – These values were determined based on quotes received from trustees’ market valuation services.

The following table summarizes OPPD’s investments as of December 31 (in thousands). The weighted average maturity was based on the face value for investments.

<b>Investment Type</b>	<b>2015</b>		<b>2014</b>	
	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Commercial paper	\$ 506	0.5	\$ -	-
Money market	39,301	-	21,807	-
Mutual funds	199,149	-	196,558	-
U.S. agencies	551,542	1.6	541,240	1.3
U.S. treasuries	109,713	1.5	61,735	3.3
Corporate bonds	19,186	0.7	23,456	1.5
World bank security notes	35,626	0.2	56,927	0.2
Total	<u>\$955,023</u>		<u>\$901,723</u>	
Portfolio weighted average maturity		1.2		1.0

The above table does not include restricted cash of \$0 and \$6,503,000 for December 31, 2015 and 2014 respectively, and interest receivables of \$666,000 and \$557,000 for December 31, 2015 and 2014, respectively.

**Interest Rate Risk** – The investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 1.2 and 1.0 years as of December 31, 2015 and 2014, respectively. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

**Credit Risk** – The investment policy is to comply with bond covenants and state statutes for governmental entities, which limit investments to investment-grade fixed income obligations. The Company was in full compliance with bond covenants and state statutes as of December 31, 2015 and 2014.

**Custodial Credit Risk** – Bank deposits were entirely insured or collateralized, with securities held by OPPD or by its agent in OPPD’s name, at December 31, 2015 and 2014. All investment securities are delivered under contractual trust agreements.

#### 4. DEBT

The proceeds of debt issued are utilized primarily to finance the construction program. Favorable market conditions in 2015 and 2014 resulted in multiple refinancing activities. The Company is in compliance with all debt covenants.

The following table summarizes the debt balances as of December 31, 2014, activity for 2015 and balances as of December 31, 2015, (in thousands).

	2014	Additions	Retirements	2015
Electric system revenue bonds	\$1,471,830	\$447,200	\$(405,305)	\$1,513,725
Electric system subordinated revenue bonds	337,375	-	-	337,375
Electric revenue notes – commercial paper series	150,000	-	-	150,000
Minibonds	28,913	560	(135)	29,338
NC2 separate electric system revenue bonds	236,725	114,245	(125,060)	225,910
Total	<u>\$2,224,843</u>	<u>\$562,005</u>	<u>\$(530,500)</u>	<u>\$2,256,348</u>

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

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

Moody's Investors Service and Standard & Poor's Rating Services rated the Electric System Revenue Bonds as Aa2 and AA, respectively, in both 2015 and 2014.

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2015, (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2008 Series A	2018	Serial	4.6%	\$ 2,900
2009 Series A	2023 - 2029	Serial	4.0% - 4.75%	25,700
2009 Series A	2030 - 2039	Term	5.0%	59,300
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2016 - 2024	Serial	3.125% - 5.0%	95,360
2011 Series B	2023 - 2029	Serial	3.25% - 5.0%	34,570
2011 Series B	2030 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2016 - 2030	Serial	2.5% - 5.0%	125,965
2012 Series A	2023 - 2034	Serial	4.0% - 5.0%	139,480
2012 Series A	2035 - 2042	Term	5.0%	133,175
2012 Series B	2017 - 2034	Serial	3.0% - 5.0%	141,295
2012 Series B	2038 - 2046	Term	3.75% - 5.0%	85,420
2015 Series A	2022 - 2034	Serial	2.85% - 5.0%	38,630
2015 Series A	2035 - 2045	Term	4.0% - 5.0%	54,375
2015 Series B	2017 - 2034	Serial	2.0% - 5.0%	223,495
2015 Series B	2035 - 2039	Term	4.0%	36,555
2015 Series C	2032 - 2043	Serial	3.5% - 5.0%	94,145
Total				<u>\$ 1,513,725</u>

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2014, (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2005 Series B	2017 - 2022	Serial	5.0%	\$ 17,740
2007 Series A	2018 - 2027	Serial	4.0% - 5.0%	108,705
2007 Series A	2029 - 2043	Term	4.75% - 5.0%	136,295
2008 Series A	2018 - 2028	Serial	4.6% - 5.5%	34,710
2008 Series A	2029 - 2039	Term	5.5%	70,290
2009 Series A	2023 - 2029	Serial	4.0% - 4.75%	25,700

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## Notes to Financial Statements

### as of and for the Years Ended December 31, 2015 and 2014

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2009 Series A	2030 - 2039	Term	5.0%	59,300
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2015 - 2024	Serial	3.125% - 5.0%	129,020
2011 Series B	2023 - 2029	Serial	3.25% - 5.0%	34,570
2011 Series B	2030 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2015 - 2030	Serial	2.5% - 5.0%	132,770
2012 Series A	2023 - 2034	Serial	4.0% - 5.0%	139,480
2012 Series A	2035 - 2042	Term	5.0%	133,175
2012 Series B	2017 - 2034	Serial	3.0% - 5.0%	141,295
2012 Series B	2038 - 2046	Term	3.75% - 5.0%	85,420
Total				<u>\$ 1,471,830</u>

OPPD issued \$93,005,000 of Electric System Revenue Bonds, 2015 Series A and \$260,050,000 of Electric System Revenue Bonds, 2015 Series B on January 7, 2015. The 2015 Series A and B Bonds were used to finance new capital expenditures and refund the remaining 2005 Series B Bonds, a portion of the 2007 Series A and a portion of the 2008 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$35,777,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$25,377,000. A principal payment of \$40,465,000 was made on February 2, 2015, for the Electric System Revenue Bonds. The Company issued \$94,145,000 of Electric System Revenue Bonds, 2015 Series C on February 26, 2015. The bonds were used for the refunding of all of the remaining 2007 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$12,275,000 and resulted in an economic gain of \$7,321,000.

On February 1, 2014, a principal payment of \$30,545,000 was made for the Electric System Revenue Bonds.

Electric System Revenue Bonds from the following series, with outstanding principal amounts of \$392,410,000 as of December 31, 2015, were legally defeased: 1992 Series B, 1993 Series B, 2005 Series B, 2007 Series A and 2008 Series A. Electric System Revenue Bonds from the following series, with outstanding principal amounts of \$102,170,000 as of December 31, 2014, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B and 2005 Series B. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in the Statements of Net Position.

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

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

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

	<b>Principal</b>	<b>Interest</b>
2016	\$ 43,065	\$ 70,098
2017	45,595	68,168
2018	47,495	66,106
2019	49,720	63,890
2020	51,980	61,508
2021 - 2025	218,790	275,633
2026 - 2030	258,645	219,105
2031 - 2035	284,325	154,114
2036 - 2040	326,825	84,782
2041 - 2045	166,900	19,896
2046	20,385	408
Total	<u>\$1,513,725</u>	<u>\$1,083,708</u>

The average interest rate for Electric System Revenue Bonds was 4.7% and 4.8% for the years ended December 31, 2015 and 2014, respectively.



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

Moody's Investors Service and Standard & Poor's Rating Services rated the Electric System Subordinated Revenue Bonds as Aa3 and AA-, respectively, in both 2015 and 2014.

The following table summarizes outstanding Electric System Subordinated Revenue Bonds as of December 31, 2015 and 2014, (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2014 Series AA	2016 - 2032	Serial	2.0% - 5.0%	\$ 57,270
2014 Series AA	2028 - 2036	Term	2.25% - 5.25%	98,275
2014 Series BB	2041 - 2042	Term	4.0%	49,205
2014 Series CC	2031 - 2035	Serial	4.0%	29,280
2014 Series CC	2036 - 2038	Term	4.0%	79,115
2014 Series DD	2040	Serial	3.625%	24,230
Total				<u>\$337,375</u>

OPPD issued 2014 Series AA and Series BB Electric System Subordinated Revenue Bonds on August 26, 2014. The 2014 Series AA Electric System Subordinated Revenue Bonds were used for the refunding of a portion of the 2007 Series AA Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$18,913,000 and resulted in an economic gain of \$13,085,000. The 2014 Series BB Electric System Subordinated Revenue Bonds were used for the refunding of all of the 2005 Series B and 2006 Series C periodically issued Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$5,225,000 and resulted in an economic gain of \$3,401,000.

On November 6, 2014, OPPD issued 2014 Series CC and Series DD Electric System Subordinated Revenue Bonds. The 2014 Series CC Electric System Subordinated Revenue Bonds were used for the refunding of the remainder of the 2007 Series AA Electric System Subordinated Revenue Bonds and the refunding of all of the 2005 Series A, 2006 Series B and 2007 Series A periodically issued Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$15,633,000 and resulted in an economic gain of \$10,161,000. The 2014 Series DD Electric System Subordinated Revenue Bonds were used for the refunding of all of the 2006 Series A periodically issued Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$3,412,000 and resulted in an economic gain of \$2,337,000.

Electric System Subordinated Revenue Bonds, from the following series, with outstanding principal amounts of \$25,000,000 as of December 31, 2015, were legally defeased: 2006 Series B. Electric System Subordinated Revenue Bonds, from the following series, with outstanding principal amounts of \$250,000,000 as of December 31, 2014, were legally defeased: 2005 Series A, 2006 Series B and 2007 Series AA. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in the Statements of Net Position.

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

	Principal	Interest
2016	\$ 95	\$ 13,387
2017	95	13,385
2018	1,095	13,368
2019	1,090	13,330
2020	825	13,835
2021 - 2025	15,230	67,937
2026 - 2030	50,020	60,626
2031 - 2035	102,215	46,132
2036 - 2040	117,505	18,486
2041 - 2042	49,205	1,970
Total	<u>\$337,375</u>	<u>\$262,456</u>

The average interest rate for the Electric System Subordinated Revenue Bonds was 4.0% for both years ended December 31, 2015 and 2014.

## Notes to Financial Statements

### as of and for the Years Ended December 31, 2015 and 2014

**Electric Revenue Notes – Commercial Paper Series** – The outstanding balance of Commercial Paper was \$150,000,000 as of December 31, 2015 and 2014. The average borrowing rate was 0.1% for the years ended December 31, 2015 and 2014. A Credit Agreement with Bank of America, N.A., includes a covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes. The Credit Agreement will expire on October 1, 2018. Commercial Paper is classified as Long-Term Debt due to the existence of this Credit Agreement and OPPD's intent and ability to refinance Commercial Paper on a long-term basis.

**Minibonds** – Minibonds consist of current interest-bearing and capital appreciation Minibonds. The Minibonds may be redeemed prior to their maturity dates at the request of a holder, subject to certain conditions as outlined in the Minibond Official Statement. There were no Minibond maturities in 2015 other than redemptions for the annual put option. The average interest rate was 5.05% for the years ended December 31, 2015 and 2014. The principal and interest on these bonds is insured by a municipal bond insurance policy.

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

<b>Principal</b>	<b>2015</b>	<b>2014</b>
2001 Minibonds, due 2021 (5.05%)	\$23,182	\$23,317
Accreted interest on capital appreciation Minibonds	6,156	5,596
Total	<u>\$29,338</u>	<u>\$28,913</u>

**Credit Agreement** – OPPD has a Credit Agreement with the Bank of America, N.A., for \$250,000,000 which will expire on October 1, 2018. The Credit Agreement includes a financial covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes. There were no amounts outstanding under this Credit Agreement as of December 31, 2015 and 2014.

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

Moody's Investors Service and Standard & Poor's Rating Services rated the NC2 Separate Electric System Revenue Bonds as A1 and A, respectively, in both 2015 and 2014. Standard & Poor's Rating Services upgraded their credit rating for NC2 Separate Electric System Revenue Bonds from A to A+ as of January 21, 2016.

The following table summarizes outstanding NC2 Separate Electric System Revenue Bonds as of December 31, 2015, (in thousands).

<b>Issue</b>	<b>Maturity Dates</b>	<b>Type</b>	<b>Interest Rates</b>	<b>Amount</b>
2006 Series A	2016 - 2026	Serial	3.8% - 4.2%	\$ 15,050
2006 Series A	2027 - 2049	Term	4.25% - 5.0%	95,110
2008 Series A	2016 - 2018	Serial	4.05% - 4.45%	1,505
2015 Series A	2016 - 2035	Serial	2.0% - 5.0%	60,070
2015 Series A	2036 - 2046	Term	3.5% - 5.25%	54,175
Total				<u>\$ 225,910</u>

The following table summarizes outstanding NC2 Separate Electric System Revenue Bonds as of December 31, 2014, (in thousands).

<b>Issue</b>	<b>Maturity Dates</b>	<b>Type</b>	<b>Interest Rates</b>	<b>Amount</b>
2005 Series A	2015 - 2031	Serial	4.0% - 4.75%	\$ 25,835
2005 Series A	2027 - 2046	Term	5.0%	80,465
2006 Series A	2015 - 2026	Serial	3.75% - 4.2%	16,095
2006 Series A	2027 - 2049	Term	4.25% - 5.0%	95,110
2008 Series A	2015 - 2028	Serial	3.8% - 5.4%	8,430
2008 Series A	2029 - 2039	Term	5.6% - 5.8%	10,790
Total				<u>\$ 236,725</u>

OPPD issued \$114,245,000 of NC2 Separate Electric System Revenue Bonds, 2015 Series A on March 11, 2015. These bonds were used for the refunding of all of the 2005 Series A Bonds, and a portion of the 2008 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$15,510,000 and resulted in an economic gain of \$13,691,000. A principal payment of \$3,080,000 was made on February 2, 2015, for the NC2 Separate Electric System Revenue Bonds.

NC2 Separate Electric System Subordinated Revenue Bonds, from the following series, with outstanding principal amounts of \$17,245,000 as of December 31, 2015, were legally defeased: 2008 Series A. There were no Separate Electric System Subordinated Revenue Bonds defeased as of December 31, 2014. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in the Statements of Net Position.

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

	<b>Principal</b>	<b>Interest</b>
2016	\$ 3,190	\$ 10,823
2017	3,245	10,728
2018	3,340	10,612
2019	3,480	10,463
2020	3,635	10,303
2021 - 2025	20,735	48,895
2026 - 2030	26,065	43,416
2031 - 2035	32,740	36,629
2036 - 2040	39,890	27,917
2041 - 2045	45,330	17,182
2046 - 2049	44,260	4,426
Total	<u>\$225,910</u>	<u>\$231,394</u>

The average interest rate for NC2 Separate Electric System Revenue Bonds was 4.8% for both years ended December 31, 2015 and 2014.

**Fair Value Disclosure** – The following table summarizes the aggregate carrying amount and fair value of long-term debt, including the current portion and excluding unamortized gain or loss on refunded debt, at December 31 (in thousands).

<b>2015</b>		<b>2014</b>	
<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
\$2,419,769	\$2,710,514	\$2,328,935	\$2,693,725

The estimated fair value amounts were determined using rates that are currently available for issuance of debt with similar credit ratings and maturities. As market interest rates decline in relation to the issuer's outstanding debt, the fair value of outstanding debt financial instruments with fixed interest rates and maturities will tend to rise. Conversely, as market interest rates increase, the fair value of outstanding debt financial instruments will tend to decline. Fair value will normally approximate carrying amount as the debt financial instrument nears its maturity date. The use of different market assumptions may have an effect on the estimated fair value amount. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that bondholders could realize in a current market exchange.

## **5. BENEFIT PLANS FOR EMPLOYEES AND RETIREES**

### **RETIREMENT PLAN**

The Company has adopted and implemented the provisions of GASB 68 in 2015. The prior period was not restated as the information was not readily available.

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

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

## Notes to Financial Statements

### as of and for the Years Ended December 31, 2015 and 2014

The following table summarizes the membership in the Retirement Plan as of January 1.

	<b>2015</b>	<b>2014</b>
Retirees and beneficiaries receiving benefits	1,915	1,874
Terminated Retirement Plan members entitled to but not receiving benefits	406	479
Active Retirement Plan members*	<u>2,237</u>	<u>2,269</u>
Total	<u>4,558</u>	<u>4,622</u>

\*There were 320 and 213 members with the Cash Balance provision at January 1, 2015 and 2014, respectively.

**Contributions** – Employees contributed 6.2% of their covered payroll to the Retirement Plan for the years ended December 31, 2015 and 2014. The contribution rate for employees is scheduled to remain at 6.2% unless the funded ratio (as defined) is 110% or more, in which case the contribution rate will be decreased in accordance with the Retirement Plan schedule. Employee contributions are immediately 100% vested. An employee's deferred retirement allowance is 100% vested after five years of continuous service (as defined). The Company is obligated to contribute the balance of the funds needed on an actuarially determined basis and has met this funding requirement. The annual required contribution (ARC) was fully funded in the amount of \$46,568,000 and \$53,008,000 for the years ended December 31, 2015 and 2014, respectively.

**Actuarial Assumptions** – The total pension liability in the January 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

The total pension liability must be determined using the Entry Age Normal (Level Percent of Pay) cost method per GASB 68. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of Retirement Plan assets was determined using a method which smooths the effect of short-term volatility in the market value of investments over approximately five years. Ad-hoc cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors and are amortized in the year for which the increase is authorized. Except for the liability associated with cost-of-living adjustments, if any, the unfunded actuarial accrued liability was amortized on a level basis (closed group) over 20 years for 2015. The amortization period of the unfunded actuarial accrued liability was changed from 15 years to a 20-year fresh start in 2015. The mortality table for healthy participants was updated from the Static Mortality Table for Annuitants and Non-Annuitants in 2014 to the RP-2014 Aggregate table with generational projection using Scale MP-2014 for 2015.

The other actuarial assumptions for the valuations as of January 1, 2015 and 2014 were as follows:

- The method used for the asset valuation for the actuarially determined contribution was to blend the expected actuarial value of assets with the market value of assets using an 80:20 ratio.
- The average rate of compensation increase varies by age.
- There were no ad-hoc cost-of-living adjustments.
- The average rate of inflation was 3.0%.

The actuarial assumptions are based on a study of the experience of the covered group. The last actuarial experience study was performed in 2010. The study will be updated in 2016, with any changes reflected in next year's results.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75%. The discount rate is determined using the expected long-term rate of return of each asset class, including inflation and additional yields due to active investment management. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that OPPD contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	28%	5.1%
International Developed Equity	14	5.4
Emerging Markets Equity	10	7.1
Domestic Core Fixed Income	23	1.5
Global Fixed Income	12	0.6
High Yield	3	3.7
Treasury Inflation Protected Securities	5	0.9
Emerging Markets Debt	5	4.4
Total	<u>100%</u>	

**Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability** – The total pension liability, plan fiduciary net position and net pension liability are determined in accordance with GASB 68. The amounts are based on the results of an actuarial valuation measurement date of January 1, 2015.

The following table shows the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the Measurement Period from January 1, 2014 to January 1, 2015, and the changes for the year ended December 31, 2015, (in thousands).

	<b>Increase (Decrease)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
<b>Balance recognized at 1/1/2015</b>	<b>\$1,224,899</b>	<b>\$ 886,689</b>	<b>\$ 338,210</b>
(Based on 1/1/2014 valuation measurement date)			
Changes recognized for the fiscal year:			
Service cost	22,492		22,492
Interest on total pension liability	93,643		93,643
Difference between expected and actual experience	(5,328)		(5,328)
Changes of assumptions	54,712		54,712
Contributions from employer		53,008	(53,008)
Contributions from employee		11,720	(11,720)
Net investment income		32,020	(32,020)
Benefit payments, including refunds of employee contributions	(79,681)	(79,681)	
Administrative expense		(193)	193
Net Changes	<u>85,838</u>	<u>16,874</u>	<u>68,964</u>
<b>Balance recognized at 12/31/2015</b>	<b><u>\$1,310,737</u></b>	<b><u>\$ 903,563</u></b>	<b><u>\$ 407,174</u></b>
(Based on 1/1/2015 valuation measurement date)			

	<b>2015</b>	<b>2014</b>
Plan fiduciary net position as a percentage of the total pension liability	68.94%	72.39%
Actuarially determined contributions	\$46,568	\$53,008

**Sensitivity** – The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for the year ended December 31, 2015, (in thousands).

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.75%</b>	<b>7.75%</b>	<b>8.75%</b>
Total Pension Liability	\$ 1,462,747	\$ 1,310,737	\$ 1,182,537
Plan Fiduciary Net Position	<u>903,563</u>	<u>903,563</u>	<u>903,563</u>
Net Pension Liability	<u>\$ 559,184</u>	<u>\$ 407,174</u>	<u>\$ 278,974</u>

## Notes to Financial Statements

### as of and for the Years Ended December 31, 2015 and 2014

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

**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended December 31, 2015, OPPD recognized pension expense of \$46,568,000.

The following table summarizes the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources for the year ended December 31, 2015, (in thousands).

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 41,608	\$ -
Net difference between expected and actual earnings on pension plan investments	28,898	-
Contribution made during the year ended December 31, 2015	46,568	-
Total	<u>\$ 117,074</u>	<u>\$ -</u>

The Company reported \$46,568,000 as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the measurement date. This amount will be recognized as pension expense in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense or as a reduction of the Net Pension Liability as follows (in thousands):

Year	Amount
2016	\$ 15,002
2017	\$ 15,002
2018	\$ 15,002
2019	\$ 15,001
2020	\$ 7,777
Thereafter	\$ 2,722

Other employee benefit obligations are provided to allow certain current and former employees to retain the benefits to which they would have been entitled under the Retirement Plan, except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation were not material for the years ended December 31, 2015 and 2014.

Additional information is available in the Required Supplementary Information section following the notes.

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

OPPD sponsors a Defined Contribution Retirement Savings Plan – 401(k) (401k Plan) and a Defined Contribution Retirement Savings Plan – 457 (457 Plan). Both the 401k Plan and 457 Plan cover all full-time employees and allow contributions by employees that are partially matched by the Company. The 401k Plan's and 457 Plan's assets and income are held in an external trust account in each employee's name. The matching share of contributions was \$6,210,000 and \$6,209,000 for the years ended December 31, 2015 and 2014, respectively. The employer maximum annual match on employee contributions was \$3,500 per employee for the years ended December 31, 2015 and 2014.

#### **POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

There are two separate plans for Other Post Employment Benefits (OPEB). OPEB Plan A provides post-employment health care and life insurance benefits to qualifying members. OPEB Plan B provides post-employment health care premium coverage for the Company's share to qualifying members who were hired after December 31, 2007. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

## OPEB Plan A

**Plan Description** – OPEB Plan A (Plan A) provides post-employment health care benefits to retirees, surviving spouses, and employees on long-term disability and their dependents, and life insurance benefits to retirees and employees on long-term disability. Health care benefits are based on the coverage elected by Plan A members. When members are retired and eligible for Medicare benefits, coverage moves from OPPD's Medical Plans to OPPD's Group Medicare Supplement and Part D Plans. As of January 1, 2015, 1,745 of the 3,982 total members were receiving benefits.

**Funded Status and Funding Progress** – Plan A members are required to pay a monthly premium based on the elected coverage and the respective premium cost share. The Company contributes the balance of the funds needed on an actuarially determined basis.

The Actuarial Accrued Liability (AAL) is the present value of benefits attributable to past accounting periods.

The following table summarizes AAL and other OPEB Plan A information based on the actuarial valuation as of January 1 (in thousands).

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2015	\$114,122	\$372,894	\$258,772	30.6%	\$196,344	131.8%
2014	\$100,580	\$350,049	\$249,469	28.7%	\$194,100	128.5%
2013	\$88,527	\$322,995	\$234,468	27.4%	\$188,675	124.3%

**Annual OPEB Cost and Actuarial Assumptions** – The annual OPEB cost and ARC for OPEB Plan A was \$23,228,000, \$22,088,000 and \$21,361,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The increases were due to higher trending health care costs. Accounting standards require recognition of an OPEB liability on the Statements of Net Position for the amount of any unfunded ARC. Since the entire ARC was funded, there was no net OPEB obligation as of December 31, 2015, 2014 and 2013. Contributions by Plan A members were \$3,439,000, \$3,187,000 and \$3,098,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2015, 2014 and 2013, were as follows:

- The pre-Medicare health care trend rates ranged from 7.25% immediate to 5.0% ultimate in 2015, from 7.5% immediate to 5.0% ultimate in 2014 and from 8.0% immediate to 5.0% ultimate in 2013.
- The post-Medicare health care trend rates ranged from 6.5% immediate to 5.0% ultimate in 2015 and 2014 and from 7.5% immediate to 5.0% ultimate in 2013.
- The investment return (discount rate) used was 7.5%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The average rate of compensation increase varies by age.
- The actuarial cost method was the Projected Unit Credit.
- Amortization for the initial unfunded AAL and OPEB Plan changes was determined using a period of 30 years and the increasing method at a rate of 3.0% per year.
- Amortization for all changes (including gains/losses, assumption and plan provisions) after the initial year were determined using a closed period of 15 years and the level dollar method.
- The mortality table used for healthy participants was the RP-2014 Aggregate table with generational projection using Scale MP-2014 for 2015 and the Static Mortality Table for Annuitants and Non-Annuitants for 2014 and 2013.

## OPEB Plan B

**Plan Description** – OPEB Plan B (Plan B) provides post-employment health care premium coverage for the Company's share for retirees and surviving spouses and their dependents to qualifying members who were hired after December 31, 2007. Benefits are based on the coverage elected by the Plan B members and the balance in the member's hypothetical account, which is a bookkeeping account. The hypothetical accounts are credited with \$10,000 upon commencement of full-time employment, \$1,000 annually on the member's anniversary date and interest income at 5.0% annually. Plan B benefits are for the payment of OPPD's share of the members' health care premiums. Plan benefits will continue until the member and eligible spouse cease to be covered under the Company's Medical Plan, the member's hypothetical account is depleted or Plan B terminates, whichever occurs first. Benefits are forfeited for any member who fails to retire or who retires but does not immediately commence payments. As of January 1, 2015, only 2 of the 760 Plan B members were receiving benefits.

## Notes to Financial Statements

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**Funded Status and Funding Progress** – Funds are contributed, as needed, on an actuarially determined basis. Members do not contribute to Plan B.

The following table summarizes AAL and other OPEB Plan B information based on the actuarial valuations as of January 1 (in thousands).

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded Accrued Liability (OAL)	Funded Ratio	Covered Payroll	OAL Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
2015	\$3,670	\$2,244	\$1,426	163.5%	\$63,914	2.2%
2014	\$3,509	\$1,526	\$1,983	230.0%	\$50,727	3.9%
2013	\$3,633	\$1,033	\$2,600	351.7%	\$41,942	6.2%

**Annual OPEB Cost and Actuarial Assumptions** – The OPEB Plan B ARC was \$297,000, \$145,000 and \$47,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The annual OPEB cost was \$402,000, \$250,000 and \$148,000 for the years ended December 31, 2015, 2014 and 2013, respectively. There was an OPEB net asset of \$867,000, \$1,269,000 and \$1,519,000 as of December 31, 2015, 2014 and 2013, respectively. Company contributions were \$0 for the years ended December 31, 2015, 2014 and 2013.

The actuarial assumptions and methods used for the valuations on January 1, 2015, 2014 and 2013 were as follows:

- The investment return (discount rate) used was 5.5%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The actuarial cost method used was Projected Unit Credit.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.
- The mortality table for healthy participants was the RP-2014 Aggregate table with generational projection using Scale MP-2014 for 2015 and the Static Mortality Table for Annuitants and Non-Annuitants for 2014 and 2013.

### SELF-INSURANCE HEALTH PROGRAM

Employee health care and life insurance benefits are provided to substantially all full-time employees. There were 2,039 and 2,083 full-time employees with medical coverage as of December 31, 2015 and 2014, respectively. An Administrative Services Only (ASO) Health Insurance Program is used to account for the health insurance claims. With respect to the ASO program, reserves sufficient to satisfy both statutory and OPPD-directed requirements have been established to provide risk protection (Note 3). Additionally, private insurance has been purchased to cover claims in excess of 125% of expected aggregate levels and \$450,000 per member.

Health care expenses for full-time employees (reduced by premium payments from participants) were \$27,892,000 and \$27,195,000 for the years ended December 31, 2015 and 2014, respectively.

The total cost of life and long-term disability insurance for full-time employees was \$1,140,000 and \$1,119,000 for the years ended December 31, 2015 and 2014, respectively.

The balance of the Incurred But Not Presented Reserve was \$3,574,000 and \$3,012,000 as of December 31, 2015 and 2014, respectively (Note 2).

Audited financial statements for the Retirement Plan, Defined Contribution Retirement Savings Plans and OPEB Plans may be reviewed by contacting the Pension Administrator at Corporate Headquarters.

### 6. ADDITIONS TO AND UTILIZATIONS OF RESERVES

In October 2015, the Board authorized the use of the Rate Stabilization Reserve to provide additional revenues for operations. There was a transfer of \$25,000,000 from the reserve in December 2015. The Rate Stabilization Reserve increased by \$9,000,000 for the year ended December 31, 2014. The balance of the reserve was \$16,000,000 and \$41,000,000 for the years ended December 31, 2015 and 2014, respectively.

### 7. DERIVATIVES AND FINANCIAL INSTRUMENTS

**Auction Revenue Rights (ARRs)** – ARR's are financial instruments that entitle the owner to a share of the revenues generated



in the applicable Transmission Congestion Rights (TCR) auctions. ARRs are allocated during annual and/or incremental monthly auctions and have the option of being converted into a TCR. OPPD is entitled to these financial payments as a substitute for firm (physical) transmission service. ARRs are accounted for at cost as they are not readily convertible to cash and therefore do not meet the definition of a derivative. The balance of ARRs, reported in current liabilities, was \$766,000 and \$1,836,000 as of December 31, 2015 and 2014, respectively (Note 2).

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

TCRs qualify for the normal purchases under GASB guidance and are reported on a cost basis on the Statements of Net Position. The total notional amount of TCRs outstanding as of December 31, 2015 was 5,294,146 megawatt-hours. The balance of TCRs reported in other current assets was \$97,000 and \$629,000 as of December 31, 2015 and 2014, respectively (Note 2).

## 8. REGIONAL TRANSMISSION ORGANIZATION

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.

## 9. OTHER – NET

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

	<b>2015</b>	<b>2014</b>
Grants from FEMA	\$ 6,000	\$7,329
Interest subsidies from the federal government	2,113	2,117
Other	<u>229</u>	<u>(341)</u>
Total	<u>\$ 8,342</u>	<u>\$9,105</u>

## 10. LOSSES AND RECOVERIES

OPPD is eligible for disaster assistance from the Federal Emergency Management Agency (FEMA) when a disaster is declared for damage in our service area. The Missouri River flood (Flood Event) of 2011 was declared a disaster and the Company was eligible for disaster assistance. The balance of the receivable from the Flood Event was \$9,181,000 and \$7,121,000 as of December 31, 2015 and 2014, respectively. FEMA also declared disasters for storms during 2015 and 2014. The receivable for those disasters was \$2,334,000 and \$1,839,000 at December 31, 2015 and 2014, respectively.

The Company is entitled to insurance recoveries in connection with a turbine outage at NC2. The outage began in November 2014 and continued until March 2015. The Company is seeking damages from its insurance carrier. Recoveries from insurance are subject to a deductible. The Company has an outstanding receivable associated with the repair costs of \$1,780,000 at December 31, 2015.

# Notes to Financial Statements

as of and for the Years Ended December 31, 2015 and 2014

## 11. NUCLEAR REGULATORY COMMISSION OVERSIGHT

The NRC placed FCS into a special category of its inspection manual, Chapter 0350, in December 2011. This Chapter is for nuclear plants that are in extended shutdowns with performance issues. In August 2012, the Board of Directors authorized management to enter into a long-term operating service agreement with Exelon Generation Company, LLC, (Exelon) to provide operating and managerial support at FCS for 20 years. The Company remains the owner and licensed operator of the station, while Exelon has day-to-day operational authority at FCS, subject to oversight by and decision-making authority of OPPD for licensed activities. The Exelon Nuclear Management Model is being used to improve and sustain performance at FCS. Operations resumed in December 2013. The station was removed from Chapter 0350 status in March 2015.

## 12. COMMITMENTS AND CONTINGENCIES

Commitments for the uncompleted portion of construction contracts were approximately \$84,086,000 at December 31, 2015.

Power sales commitments which extend through 2027 were \$63,159,000 as of December 31, 2015. Power purchase commitments which extend through 2020 were \$59,382,000 as of December 31, 2015. These amounts do not include the Participation Power Agreements (PPA's) for OPPD's commitments for wind energy purchases or NC2.

The following table summarizes OPPD's PPA's for wind purchase agreements as of December 31, 2015.

	<b>Total Capacity (in MW)</b>	<b>OPPD Share (in MW)</b>	<b>Commitment Through</b>	<b>Amount (in thousands)</b>
Ainsworth*	59.4	10.0	2025	\$19,259
Elkhorn Ridge**	80.0	25.0	2029	12,200
Flat Water**	60.0	60.0	2030	108
Petersburg**	40.5	40.5	2031	298
Prairie Breeze**	200.6	200.6	2039	349
Total	<u>440.5</u>	<u>336.1</u>		<u>\$32,214</u>

\* This PPA is on a "take-or-pay" basis and the Company is obligated to make payments for purchased power even if the power is not available, delivered or taken by OPPD. In addition, the Company is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from a default.

\*\* These PPA's are on a "take-and-pay" basis and require payments only when the power is made available to OPPD.

There are no commitments for Crofton Bluffs or Broken Bow I and II.

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

OPPD has coal supply contracts which extend through 2018 with minimum future payments of \$165,640,000 at December 31, 2015. The Company also has coal-transportation contracts which extend through 2020, with minimum future payments of \$407,234,000 as of December 31, 2015. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect through 2020, with estimated future payments of \$49,672,000 as of December 31, 2015. Contracts for the enrichment of nuclear fuel are in effect through 2026, with estimated future payments of \$130,237,000 as of December 31, 2015. There are contracts for the fabrication of nuclear fuel assemblies that are in effect through 2022, with estimated future payments of \$32,545,000 as of December 31, 2015.

There is a 20-year operating agreement with Exelon for operational and managerial support services at FCS. The Company remains the owner and licensed operator. The Company may terminate the agreement at any time without cause during the term of the agreement upon 180 days' prior notice subject to a termination fee of \$20,000,000 and payment of certain additional termination

costs. Termination for cause and certain other termination events are not subject to payment of a termination fee.

In 2007, OPPD and the Metropolitan Community College (MCC) executed an Educational Services Agreement for \$1,000,000 of educational services (as defined in the Agreement) over a ten-year period. If OPPD has not purchased the educational services by the end of the term, MCC shall have the right to extend the Agreement for an additional five years. The remaining commitment was \$220,000 at December 31, 2015.

Under the provisions of the Price-Anderson Act, as of December 31, 2015, the Company and all other licensed nuclear power plant operators could each be assessed for claims and legal costs in the event of a nuclear incident in amounts not to exceed a total of \$127,318,000 per reactor per incident with a maximum of \$18,963,000 per incident in any one calendar year. These amounts are subject to adjustment every five years in accordance with the Consumer Price Index.

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 Nebraska City Station Unit 1 (NC1) stations. OPPD received a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking certain projects at NC1. The Company believes it has complied with all regulations relative to the projects in question and has discussed the matters with the EPA. The EPA would have to establish the allegations in the NOV in court. If the EPA establishes a Clean Air Act violation in court, which could be subject to possible appellate court review, remedies can include 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.

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

### **13. NORTH OMAHA STATION**

The Board of Directors approved a resolution in June 2014 for the Future Power-Generation Plan (Plan). The Plan includes changes to the generation portfolio, including the retirement in 2016 of North Omaha Station Units 1, 2 and 3, to comply with existing and future environmental regulations. Other approved changes include the retrofitting of North Omaha Station Units 4 and 5 and NC1 with basic emissions controls as well as load-reductions through demand-side management programs. The estimated useful lives of North Omaha Station Units 1, 2 and 3 were reduced as a result of the planned future retirement. This change in estimate resulted in additional depreciation expense of \$9,923,000 and \$5,400,000 for the years ended December 31, 2015 and 2014, respectively.

### **14. SUBSEQUENT EVENTS**

The NC2 turbine repair in 2015, stemming from the November 2014 turbine incident, resulted in a reduction of the unit's net energy output (Note 10). An analysis was performed, and a replacement of the turbine in 2017 was determined to be the optimal solution to recover the lost output. An additional insurance claim was filed for this replacement. The Company received notice in January 2016 that the turbine replacement costs to be incurred were approved by the insurance carrier. The turbine replacement cost is in addition to the repair expenses already incurred. The exact cost of the claim is still being determined.

The Company will issue \$103,685,000 of NC2 Separate Electric System Revenue Bonds in April 2016. The bonds will be used for the advance refunding of the callable portions of the 2006 Series A NC2 Separate Electric System Revenue Bonds.

The United States Supreme Court granted an emergency stay application for the EPA's Clean Power Plan (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.

## Required Supplementary Information

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

The following schedule shows the history of changes in Net Pension Liability as of December 31 using a January 1 measurement date (in thousands).

	<b>2015</b>
<b>Total Pension Liability</b>	
Service cost	\$ 22,492
Interest on total pension liability	93,643
Difference between expected and actual experience	(5,328)
Changes of assumptions	54,712
Benefit payments, including refunds of employee contributions	(79,681)
<b>Net change in total pension liability</b>	<u>85,838</u>
<b>Total pension liability (beginning)</b>	<u>1,224,899</u>
<b>Total pension liability (ending)</b>	<u><u>\$1,310,737</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions from employer	\$ 53,008
Contributions from employee	11,720
Net investment income	32,020
Benefit payments, including refunds of employee contributions	(79,681)
Administrative expense	(193)
<b>Net change in plan fiduciary net position</b>	<u>16,874</u>
<b>Plan fiduciary net position (beginning)</b>	<u>886,689</u>
<b>Plan fiduciary net position (ending)</b>	<u>\$ 903,563</u>
<b>Net pension liability (ending)</b>	<u><u>\$ 407,174</u></u>
Plan fiduciary net position as a percentage of total pension liability	68.94%
Covered-employee payroll	\$ 196,344
Net pension liability as a percentage of covered-employee payroll	207.38%

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

### Schedule of Contributions

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

	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 46,568	\$ 53,008
Contribution made in relation to the actuarially determined contribution	\$ 46,568	\$ 53,008
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$196,344	\$194,100
Contributions as a percentage of payroll	23.72%	27.31%

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



## Notes to Required Supplementary Information

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

### Methods and Assumptions used to Determine Contribution Rates

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

*Asset Valuation Method:* 5-year smoothing

*Salary Increases:* Vary by age

*Investment Rate of Return:* 7.75%, net of pension plan investment expense, including inflation

*Retirement Rates:* Vary by age and service

*Mortality Rates:* RP-2014 Aggregate mortality table with generational projection using Scale MP-2014

## Statistics (Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Gross Utility Plant</b> (at year end) (in thousands of dollars).....	<b>5,574,941</b>	5,395,489	5,288,168	5,187,395	5,027,093	4,865,417	4,678,449	4,561,815	4,259,501	4,166,997
<b>Total Indebtedness</b> (at year end) (in thousands of dollars).....	<b>2,256,348</b>	2,224,843	2,267,277	2,296,305	2,085,540	2,011,969	1,937,704	1,902,403	1,866,472	1,565,807
<b>Operating Revenues</b> (in thousands of dollars)										
Residential.....	<b>383,051</b>	379,986	385,171	362,105	337,053	335,294	292,887	271,935	267,042	249,174
Commercial.....	<b>315,079</b>	311,917	306,719	292,296	274,102	284,400	265,668	238,496	228,060	213,314
Industrial.....	<b>201,805</b>	207,649	213,742	197,225	186,417	164,621	139,865	109,827	100,239	94,109
Off-System Sales.....	<b>195,512</b>	223,055	118,268	123,191	159,732	184,374	158,354	127,676	110,399	96,500
FPPA Revenue.....	<b>(19,166)</b>	(20,147)	15,169	(3,237)	35,345	269	—	—	—	—
Unbilled Revenues.....	<b>(976)</b>	(1,800)	4,490	4,517	(4,239)	1,232	7,449	3,391	1,742	2,527
Provision for Rate Stabilization	<b>25,000</b>	(4,000)	—	—	—	—	—	—	—	—
Provision for Debt Retirement.	—	—	17,000	17,000	24,000	(13,000)	13,000	20,000	27,000	(15,000)
Other Electric Revenues.....	<b>30,930</b>	29,798	29,654	54,900	29,352	29,160	22,743	16,648	15,771	36,204
Total.....	<b>1,131,235</b>	1,126,458	1,090,213	1,047,997	1,041,762	986,350	899,966	787,973	750,253	676,828
<b>Operations &amp; Maintenance Expenses</b> (in thousands of dollars).....	<b>839,988</b>	832,519	796,104	770,073	789,516	720,957	653,993	561,396	508,524	461,101
<b>Payments in Lieu of Taxes</b> (in thousands of dollars).....	<b>32,241</b>	31,651	31,827	30,094	28,217	27,851	24,810	22,426	21,398	20,241
<b>Net Operating Revenues before Depreciation, Amortization and Decommissioning</b> (in thousands of dollars).....	<b>259,006</b>	262,288	262,282	247,830	224,029	237,542	221,163	204,151	220,331	195,486
<b>Net Income</b> (in thousands of dollars).....	<b>34,273</b>	51,925	55,276	54,829	54,440	40,047	46,557	79,186	89,489	84,290
<b>Energy Sales</b> (in megawatt-hours)										
Residential.....	<b>3,470,523</b>	3,559,978	3,607,439	3,595,316	3,602,973	3,644,400	3,361,672	3,486,858	3,546,116	3,374,053
Commercial.....	<b>3,630,557</b>	3,638,193	3,561,707	3,492,745	3,481,459	3,777,092	3,672,982	3,758,853	3,750,634	3,577,436
Industrial.....	<b>3,301,175</b>	3,500,977	3,606,611	3,670,346	3,698,719	3,427,710	3,039,396	2,877,282	2,759,087	2,664,743
Off-System Sales.....	<b>7,840,683</b>	7,694,203	3,925,574	3,671,978	4,631,175	5,552,645	5,534,803	3,003,888	2,858,004	2,486,483
Unbilled Sales.....	<b>(26,640)</b>	(39,493)	26,221	28,558	(85,917)	(24,109)	74,416	50,374	13,858	9,628
Total.....	<b>18,216,298</b>	18,353,858	14,727,552	14,458,943	15,328,409	16,377,738	15,683,269	13,177,255	12,927,699	12,112,343
<b>Number of Customers</b> (average per year)										
Residential.....	<b>319,501</b>	315,705	311,921	308,516	308,412	303,374	299,813	296,648	293,642	289,713
Commercial.....	<b>45,104</b>	44,785	44,221	43,589	43,564	43,225	43,134	42,867	42,214	41,488
Industrial.....	<b>174</b>	177	193	210	206	154	151	142	134	132
Off-System.....	<b>11</b>	15	33	35	41	38	34	32	35	37
Total.....	<b>364,790</b>	360,682	356,368	352,350	352,223	346,791	343,132	339,689	336,025	331,370
<b>Cents Per kWh (average)</b>										
Residential.....	<b>11.07</b>	10.68	10.68	10.12	9.37	9.22	8.77	7.82	7.51	7.40
Commercial.....	<b>8.69</b>	8.57	8.61	8.40	7.89	7.54	7.29	6.36	6.07	5.99
Industrial.....	<b>6.12</b>	5.94	5.96	5.38	5.05	4.83	4.62	3.82	3.64	3.55
Retail.....	<b>8.66</b>	8.42	8.43	7.94	7.42	7.26	6.96	6.13	5.93	5.81
<b>Generating Capability</b> (at year end) (in megawatts).....	<b>3,080.3</b>	3,232.1	3,237.0	3,208.8	3,222.7	3,224.7	3,223.9	2,548.8	2,548.8	2,544.1
<b>System Peak Load</b> (in megawatts).....	<b>2,315.1</b>	2,291.1	2,339.4	2,451.6	2,468.3	2,402.8	2,316.4	2,181.1	2,197.4	2,271.9
<b>Net System Requirements</b> (in megawatt-hours)										
Generated.....	<b>15,399,002</b>	16,212,801	13,209,542	12,855,389	13,807,712	15,870,513	15,263,983	12,477,032	12,274,660	11,341,827
Purchased and Net Interchanged.....	<b>(4,488,016)</b>	(5,026,318)	(1,819,871)	(1,529,643)	(2,576,167)	(4,428,059)	(4,627,627)	(1,864,214)	(1,738,833)	(1,268,780)
Net.....	<b>10,910,986</b>	11,186,483	11,389,671	11,325,746	11,231,545	11,442,454	10,636,356	10,612,818	10,535,827	10,073,047

# Investor Relations and Corporate Information

## Corporate Headquarters

Energy Plaza  
444 South 16th Street Mall  
Omaha, Nebraska 68102-2247  
402-636-2000  
oppd.com

## General Counsel

Fraser Stryker PC LLO  
Omaha, Nebraska

## Financial Advisor

Barclays Capital Inc.  
New York, New York

## Consulting Engineer

NewGen Strategies & Solutions  
Lakewood, Colorado

## Independent Auditors

Deloitte & Touche LLP  
Omaha, Nebraska

## Bond Counsel

Kutak Rock LLP  
Omaha, Nebraska

## Commercial Paper Holders

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

## Senior, Subordinate and Separate System Bondholders

You may contact OPPD with questions about OPPD debt at:

Finance & Investor Relations  
Omaha Public Power District  
444 South 16th Street Mall  
Omaha, Nebraska 68102-2247  
Email: [finfo@oppd.com](mailto:finfo@oppd.com)  
402-636-3286

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

The Bank of New York Mellon  
Trust Company, N.A.  
Global Corporate Trust  
2 North LaSalle Street, Suite 1020  
Chicago, Illinois 60602  
Email: [corporate.bond.research@bnymellon.com](mailto:corporate.bond.research@bnymellon.com)  
Bondholder Communications: 800-254-2826

## OPPD Minibond Holders

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

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

## Minibond Administrator

You may contact the Minibond Administrator at:

Minibond Administrator  
Omaha Public Power District  
444 South 16th Street Mall  
Omaha, Nebraska 68102-2247  
Email: [minibonds@oppd.com](mailto:minibonds@oppd.com)  
Omaha, Nebraska, area: 402-636-3286  
Outstate Nebraska: 800-428-5584

## Available Financial Information

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

Finance Division  
Omaha Public Power District  
444 South 16th Street Mall  
Omaha, Nebraska 68102-2247

Financial information in the annual report also is available at [oppd.com](http://oppd.com)

Energy Plaza  
444 South 16th Street Mall  
Omaha, Nebraska 68102

