Statements of Net Position
as of December 31, 2013 and 2012

ASSETS	2013	2012
	(thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 92,852	$ 60,486
Electric system revenue fund	29,962	-
Electric system revenue bond fund	73,961	56,960
Electric system subordinated revenue bond fund	6,440	6,440
Electric system construction fund	154,981	324,191
NC2 separate electric system revenue fund	13,852	13,827
NC2 separate electric system revenue bond fund	8,592	8,555
NC2 separate electric system capital costs fund	309	3,371
Accounts receivable - net	132,972	150,599
Fossil fuels - at average cost	28,910	46,485
Materials and supplies - at average cost	126,211	109,899
Other (Note 2)	31,840	28,883
Total current assets	700,882	809,696
SPECIAL PURPOSE FUNDS - at fair value		
Electric system revenue bond fund - net of current	55,681	60,484
Segregated fund - debt retirement (Note 3)	-	14,000
Segregated fund - rate stabilization (Note 3)	32,000	24,612
Segregated fund - other (Note 3)	33,586	34,819
Decommissioning funds (Note 3)	346,118	349,724
Total special purpose funds	467,385	483,639
UTILITY PLANT - at cost		
Electric plant	5,186,399	5,086,630
Less accumulated depreciation and amortization	1,929,027	1,844,664
Electric plant - net	3,257,372	3,241,966
Nuclear fuel - at amortized cost	101,769	100,765
Total utility plant - net	3,359,141	3,342,731
OTHER LONG-TERM ASSETS (Note 2)	290,241	200,247
TOTAL ASSETS	4,817,649	4,836,313
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	29,191	33,000
Accumulated change in fair value of hedging derivatives (Note 7)	119	502
Total deferred outflows of resources	29,310	33,502
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 4,846,959	$ 4,869,815

See notes to financial statements

LIABILITIES	2013	2012
	(thousands)	
CURRENT LIABILITIES		
Electric system revenue bonds (Note 4)	**$ 30,545**	$ 26,125
Electric revenue notes - commercial paper series (Note 4)	**-**	150,000
NC2 separate electric system revenue bonds (Note 4)	**2,970**	2,865
Subordinated obligation (Note 4)	**442**	406
Accounts payable	**69,720**	91,758
Accrued payments in lieu of taxes	**30,769**	29,034
Accrued interest	**42,931**	39,366
Accrued payroll	**32,753**	31,830
NC2 participant deposits	**7,428**	8,926
Other (Note 2)	**4,847**	5,637
Total current liabilities	**222,405**	385,947
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Note 2)	**30,387**	31,684
LONG-TERM DEBT (Note 4)		
Electric system revenue bonds - net of current	**1,471,830**	1,502,375
Electric system subordinated revenue bonds	**346,270**	346,270
Electric revenue notes - commercial paper series	**150,000**	-
Minibonds	**28,495**	28,127
NC2 separate electric system revenue bonds - net of current	**236,725**	239,695
Subordinated obligation - net of current	**-**	442
Total long-term debt	**2,233,320**	2,116,909
Unamortized discounts and premiums	**95,223**	103,849
Total long-term debt - net	**2,328,543**	2,220,758
OTHER LIABILITIES		
Decommissioning costs	**346,118**	349,724
Other (Note 2)	**12,918**	13,390
Total other liabilities	**359,036**	363,114
COMMITMENTS AND CONTINGENCIES (Note 11)		
TOTAL LIABILITIES	**2,940,371**	3,001,503
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization reserve (Note 6)	**32,000**	32,000
Debt retirement reserve (Note 6)	**-**	17,000
Uncollectible accounts reserve - off-system	**5,000**	5,000
Total deferred inflows of resources	**37,000**	54,000
NET POSITION		
Net investment in capital assets	**1,254,740**	1,380,992
Restricted	**39,589**	25,295
Unrestricted	**575,259**	408,025
Total net position	**1,869,588**	1,814,312
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	**$ 4,846,959**	$ 4,869,815

See notes to financial statements

Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2013 and 2012

	2013	2012
	(thousands)	
OPERATING REVENUES		
Retail sales	**$ 942,291**	$ 869,906
Off-system sales	**118,268**	123,191
Other electric revenues	**29,654**	54,900
Total operating revenues	**1,090,213**	1,047,997
OPERATING EXPENSES		
Operations and maintenance		
Fuel	**215,533**	236,557
Purchased power	**84,139**	73,966
Production	**265,124**	228,559
Transmission	**24,010**	21,996
Distribution	**44,180**	37,073
Customer accounts	**15,165**	13,949
Customer service and information	**15,126**	16,360
Administrative and general	**132,827**	141,613
Total operations and maintenance	**796,104**	770,073
Depreciation and amortization	**130,407**	128,794
Payments in lieu of taxes	**31,827**	30,094
Total operating expenses	**958,338**	928,961
OPERATING INCOME	**131,875**	119,036
OTHER INCOME (EXPENSES)		
Contributions in aid of construction	**18,570**	13,066
Reduction of plant costs recovered through contributions in aid of construction	**(18,570)**	(13,066)
Decommissioning funds - investment income	**3,606**	12,833
Decommissioning funds - reinvestment	**(3,606)**	(12,833)
Investment income (loss).	**(339)**	2,041
Allowances for funds used during construction	**13,334**	14,234
Products and services - net	**3,228**	3,279
Other - net (Note 8)	**4,733**	8,864
Total other income - net	**20,956**	28,418
INTEREST EXPENSE	**97,555**	92,625
NET INCOME	**55,276**	54,829
NET POSITION, BEGINNING OF YEAR	**1,814,312**	1,759,483
NET POSITION, END OF YEAR	**$1,869,588**	$ 1,814,312

See notes to financial statements

Statements of Cash Flows
for the Years Ended December 31, 2013 and 2012

	2013	2012
	(thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retail customers	**$ 939,617**	$ 897,540
Cash received from off-system counterparties	**108,453**	107,733
Cash received from insurance companies	**24,000**	17,656
Cash paid to operations and maintenance suppliers	**(620,474)**	(626,679)
Cash paid to off-system counterparties	**(82,808)**	(59,940)
Cash paid to employees	**(169,988)**	(156,361)
Cash paid for in lieu of taxes and other taxes	**(30,092)**	(28,216)
Net cash provided from operating activities	**168,708**	151,733
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term borrowings	**-**	560,881
Principal reduction of debt	**(29,539)**	(289,085)
Interest paid on debt	**(97,285)**	(106,411)
Acquisition and construction of capital assets	**(166,052)**	(178,785)
Proceeds from NC2 participants	**3,560**	2,848
Contributions in aid of construction and other reimbursements	**19,953**	13,293
Acquisition of nuclear fuel	**(4,800)**	(10,813)
Net cash used for capital and related financing activities	**(274,163)**	(8,072)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(531,951)**	(860,586)
Maturities and sales of investments	**666,793**	743,528
Purchases of investments for decommissioning funds	**(204,516)**	(291,237)
Maturities and sales of investments in decommissioning funds	**204,516**	291,237
Investment income	**2,979**	3,222
Net cash provided from (used for) investing activities	**137,821**	(113,836)
CHANGE IN CASH AND CASH EQUIVALENTS	**32,366**	29,825
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**60,486**	30,661
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 92,852**	$ 60,486
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
Operating income	**$ 131,875**	$ 119,036
Adjustments to reconcile operating income to net cash provided from operating activities		
Depreciation and amortization	**130,407**	128,794
Amortization of nuclear fuel	**564**	-
Changes in assets and liabilities		
Accounts receivable	**3,191**	(25,849)
Fossil fuels	**17,575**	5,198
Materials and supplies	**(16,312)**	(8,289)
Regulatory asset for FPPA	**(15,169)**	3,237
Accounts payable	**(5,436)**	3,432
Accrued payments in lieu of taxes	**1,735**	1,878
Accrued payroll	**923**	2,493
Debt retirement reserve	**(17,000)**	(17,000)
Regulatory asset for FCS recovery costs	**(67,735)**	(70,627)
Other	**4,090**	9,430
Net cash provided from operating activities	**$ 168,708**	$ 151,733
NONCASH CAPITAL ACTIVITIES		
Utility plant additions from outstanding liabilities	**$ 13,983**	$ 30,590

See notes to financial statements

Notes to Financial Statements
as of and for the Years Ended December 31, 2013 and 2012

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, 2013 and 2012.

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 Revenue, 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. Cash and cash equivalents in the Special Purpose Funds are reported as investments.

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 $45,905,000 and $41,415,000 in unbilled revenues as of December 31, 2013 and 2012, respectively. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts of $1,000,000 and $1,020,000 as of December 31, 2013 and 2012, respectively.

Utility Plant – Utility plant is stated at cost, which includes property additions, replacements of units of property 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 $404,042,000 and $394,415,000 as of December 31, 2013 and 2012, respectively.

The following table summarizes electric plant balances as of December 31, 2012, activity for 2013 and balances as of December 31, 2013 (in thousands).

	2012	Additions	Retirements	2013
Electric plant	$ 5,086,630	$ 163,887	$ (64,118)	$ 5,186,399
Less accumulated depreciation & amortization	1,844,664	146,910	(62,547)	1,929,027
Electric plant - net	$ 3,241,966	$ 16,977	$ (1,571)	$ 3,257,372

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 3.8% and 4.3% for the years ended December 31, 2013 and 2012, respectively.

The carrying amounts of long-lived assets for impairment are periodically reviewed. An asset is considered impaired when the magnitude of the decline in service utility is significant and not part of the normal life cycle of the capital asset. There were no write-downs for impairments for the years ended December 31, 2013 and 2012.

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 and offset by an expense in the same amount representing the recovery of plant costs. This allows for compliance with GASB Codification Section N50, *Nonexchange Transactions*, while continuing to follow FERC guidelines. CIAC from participants for the capital costs of Nebraska City Station Unit 2 (NC2) was $5,091,000 and $4,725,000 for the years ended December 31, 2013 and 2012, respectively.

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 2.8% and 2.9% for the years ended December 31, 2013 and 2012, respectively.

Amortization of nuclear fuel is based on the cost thereof, and 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, included with depreciation and amortization expense in these financial statements, was $3,508,000 and $4,669,000 for the years ended December 31, 2013 and 2012, respectively.

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

In 2004, the Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043. This estimate is ten years beyond the term of Fort Calhoun Station's (FCS) 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.

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 is a fee of one mill per kilowatt-hour on net electricity generated and sold from FCS. The spent nuclear fuel disposal costs are included in nuclear fuel amortization and are collected from customers as part of fuel costs. There were nuclear fuel disposal costs of $91,000 and $0 for the years ended December 31, 2013 and 2012, 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 – The Board of Directors has approved the collection of nuclear decommissioning costs based on an independent engineering study of the costs to decommission FCS. Based on cost estimates, inflation rates and fund earnings projections, no funding has been necessary since 2001. 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 $6,477,000 and $7,534,000 for the years ended December 31, 2013 and 2012, respectively. The fair value of the decommissioning funds decreased $10,083,000 and increased $5,299,000 during 2013 and 2012, respectively. The present value of the total decommissioning cost estimate for FCS was $851,912,000 and $733,314,000 as of June 30, 2013 and 2012, respectively.

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 Major Planned Production Outage (Outage), as defined by OPPD, is an outage with incremental operations and maintenance expenses of $5,000,000 or more. 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. In October 2013, 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. The first outage that will qualify for this regulatory accounting treatment is at FCS. Pre-outage costs are expected to be deferred commencing in 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. Additional fuel and purchased power expenses were incurred as a result of the extended outage at FCS. This resulted in FPPA under-recoveries of $35,124,000 and $45,375,000 for the years ended December 31, 2013 and 2012, respectively. The FPPA regulatory assets were reduced for customer collections of $19,955,000 and $11,969,000 in 2013 and 2012, respectively. FCS outage insurance recoveries of $36,643,000 further reduced this regulatory asset in 2012.

The Regulatory Asset for FPPA, included in Other Current Assets, was $23,020,000 and $19,955,000 as of December 31, 2013 and 2012, respectively (Note 2). The Regulatory Asset for FPPA, included in Other Long-Term Assets, was $24,526,000 and $12,422,000 as of December 31, 2013 and 2012, respectively (Note 2). This regulatory asset represented 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 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 Nuclear Regulatory Commission (NRC) and enhance operations. These costs will be amortized over a ten-year period which commenced in December 2013 with FCS's return to service.

The following table summarizes the balances of the Regulatory Assets as of December 31, 2012, activity for 2013 and balances as of December 31, 2013 (in thousands).

	2012	Additions	Reductions	2013
Regulatory asset for FCS - Recovery Costs	$ 70,627	$ 68,811	$ (1,076)	$ 138,362
Regulatory asset for FCS - depreciation	54,705	6,485	-	61,190
Regulatory asset for NC2	37,067	4,190	-	41,257
Regulatory asset for FPPA	32,377	35,124	(19,955)	47,546
Regulatory asset for financing costs	17,266	-	(979)	16,287
	$ 212,042	$ 114,610	$ (22,010)	$ 304,642

Regulatory liabilities, which are deferred inflows of resources, consist of reserves for debt retirement, rate stabilization and uncollectible accounts from off-system sales. The Debt Retirement Reserve was established for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels (Note 6). The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure (Note 6). The Uncollectible Accounts Reserve - Off-System was established to recognize a loss contingency for uncollectible accounts from off-system sales customers based on the greater of $5,000,000 or an estimate (as defined) considering the previous year's accounts receivable balances for off-system sales customers.

The following table summarizes the balances of the Regulatory Liabilities as of December 31, 2012, activity for 2013 and balances as of December 31, 2013 (in thousands).

	2012	Additions	Reductions	2013
Rate stabilization reserve	$ 32,000	$ -	$ -	$ 32,000
Debt retirement reserve	17,000	-	(17,000)	-
Uncollectible accounts reserve - off-system	5,000	-	-	5,000
	$ 54,000	$ -	$ (17,000)	$ 37,000

Natural Gas Inventories and Contracts – Natural gas inventories are maintained for the Cass County Station. The weighted average cost of natural gas consumed is used to expense natural gas from inventories. OPPD is exposed to market price fluctuations on its purchases of natural gas. The Company may enter into futures contracts and purchase options to manage the risk of volatility in the market price of gas on anticipated purchase transactions (Note 7).

Net Position – Net Position is reported in three separate components on the Statement 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 accounting principles generally accepted in the United States of America 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.

Recent Accounting Pronouncements – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting for pensions. This statement requires governments to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. This statement is effective for reporting periods beginning after June 15, 2014. This statement will be implemented in 2015. The implementation of this statement will result in the recognition of a net pension liability for the statement of net position, a change in the pension expense calculation for the statement of revenues, expenses and changes in net position and additional note disclosures and required supplementary information.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this statement is to clarify accounting and financial reporting for pensions. This statement requires governments to recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning net pension liability calculated under GASB Statement No. 68. This statement is effective for reporting periods beginning after June 15, 2014 and will be applied simultaneously with GASB Statement No. 68 in 2015.

2. ASSETS AND LIABILITIES DETAIL BALANCES

Other Current Assets

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

	2013	2012
Regulatory asset for FPPA	$ 23,020	$ 19,955
Prepayments	5,475	4,948
Sulfur dioxide allowance inventory	2,841	2,799
Interest receivable	375	642
Commodity derivative instruments (Note 7)	53	416
Other	76	123
Total	$ 31,840	$ 28,883

Other Long-Term Assets

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

	2013	2012
Regulatory asset for FCS - Recovery Costs	$ 138,362	$ 70,627
Regulatory asset for FCS - depreciation	61,190	54,705
Regulatory asset for NC2	41,257	37,067
Regulatory asset for FPPA	24,526	12,422
Regulatory asset for financing costs	16,287	17,266
Deposit with SPP	2,000	-
Sulfur dioxide allowance inventory	-	1,625
Other	6,619	6,535
Total	$ 290,241	$ 200,247

Other Current Liabilities

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

	2013	2012
Unearned revenues	$ 3,310	$ 2,441
Deposits	1,022	804
Payroll taxes and other employee liabilities	475	1,963
Other	40	429
Total	$ 4,847	$ 5,637

Liabilities Payable from Segregated Funds

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

	2013	2012
Customer deposits	$ 22,673	$ 24,293
Customer advances for construction	3,342	3,413
Incurred but not presented reserve	2,374	2,310
Other	1,998	1,668
Total	$ 30,387	$ 31,684

Other Liabilities

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

	2013	2012
Unearned revenues	$ 8,757	$ 9,219
Capital purchase agreement	1,951	2,175
Workers' compensation reserve	1,558	1,344
Public liability reserve	190	199
Other	462	453
Total	$ 12,918	$ 13,390

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 Statement of Net Position.

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

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

Segregated Fund – Debt Retirement – This fund is to be used for the retirement of outstanding debt and to assist in maintaining debt service coverage ratios at appropriate levels. Since there is no funding requirement for the Debt Retirement Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Debt Retirement Fund was $0 and $14,000,000 as of December 31, 2013 and 2012, 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. This fund was used to help finance the higher fuel costs and unexpected energy purchases in 2011. Proceeds from the FCS outage insurance and customer collections for prior year FPPA under-recoveries were used to replenish this fund in 2013 and 2012. The balance of the Rate Stabilization Fund was $32,000,000 and $24,612,000 as of December 31, 2013 and 2012, respectively.

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 funds as of December 31 (in thousands).

	2013	2012
Segregated Fund - self-insurance	$ 5,135	$ 5,106
Segregated Fund - other	28,451	29,713
Total	$ 33,586	$ 34,819

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).

	2013	2012
Decommissioning Trust - 1990 Plan	$ 264,758	$ 267,278
Decommissioning Trust - 1992 Plan	81,360	82,446
Total	$ 346,118	$ 349,724

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.

	2013		2012	
		Weighted Average		Weighted Average
Investment Type	**Fair Value**	**Maturity (Years)**	**Fair Value**	**Maturity (Years)**
Commercial paper	$ 52,425	0.5	$ -	-
Money market	1,160	-	25,825	-
Mutual funds	183,960	-	186,842	-
U.S. agencies	352,127	1.5	538,450	1.4
U.S. treasuries	65,414	3.3	126,902	2.2
Corporate bonds	23,645	2.5	18,548	3.3
World bank security notes	76,314	0.1	-	-
Total	$755,045		$ 896,567	
Portfolio weighted average maturity		1.2		1.2

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 years as of December 31, 2013 and 2012. 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. OPPD was in full compliance with bond covenants and state statutes as of December 31, 2013 and 2012.

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, 2013 and 2012. All investment securities are delivered under contractual trust agreements.

4. DEBT

The proceeds of debt issued are utilized primarily to finance the construction program.

The following table summarizes the debt balances as of December 31, 2012, activity for 2013 and balances as of December 31, 2013 (in thousands).

	2012	Additions	Retirements	2013
Electric system revenue bonds	$ 1,528,500	$ -	$ (26,125)	$ 1,502,375
Electric system subordinated revenue bonds	346,270	-	-	346,270
Electric revenue notes - commercial paper series	150,000	-	-	150,000
Minibonds	28,127	537	(169)	28,495
NC2 separate electric system revenue bonds	242,560	-	(2,865)	239,695
Subordinated obligation	848	-	(406)	442
Total	$ 2,296,305	$ 537	$ (29,565)	$ 2,267,277

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. OPPD will pay the Subordinated Obligation after second-tier debt.

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 in 2013 and Aa1 and AA in 2012.

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2013, (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
1993 Series C	2014	Term	5.5%	$ 9,385
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
2009 Series A	2030 - 2039	Term	5.0%	59,300
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2014 - 2024	Serial	3.0% - 5.0%	143,375
2011 Series B	2023 - 2029	Serial	3.25% - 5.0%	34,570
2011 Series B	2031 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2014 - 2030	Serial	2.5% - 5.0%	139,575
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				$ 1,502,375

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2012 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
1993 Series C	2013 - 2014	Term	5.5%	$ 27,620
2003 Series A	2013	Serial	3.8%	7,000
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
2009 Series A	2030 - 2039	Term	5.0%	59,300
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2014 - 2024	Serial	3.0% - 5.0%	143,375
2011 Series B	2023 - 2029	Serial	3.25% - 5.0%	34,570
2011 Series B	2031 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2013 - 2030	Serial	2.0% - 5.0%	140,465
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				$ 1,528,500

On February 1, 2013, a principal payment of $16,740,000 was made for the Electric System Revenue Bonds. On August 1, 2013, a principal payment of $9,385,000 was made for the call of the 1993 Series C term bonds due February 1, 2014. Term bonds are subject to call every six months.

On February 1, 2012, a principal payment of $29,620,000 was made for the Electric System Revenue Bonds. On August 1, 2012, a principal payment of $8,850,000 was made for the call of the 1993 Series C term bonds due February 1, 2013. Term bonds are subject to call every six months. On November 1, 2012, a principal payment of $13,990,000 was made for the call of the 2002 Series B Electric System Revenue Bonds due on February 1, 2013. On October 10, 2012, OPPD issued 2012 Series A Electric System Revenue Bonds and Series B Electric System Revenue Bonds. The 2012 Series B Electric System Revenue Bonds were used for the refunding of portions of the 2005 Series B and 2006 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by $39,963,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $25,357,000.

Electric System Revenue Bonds, from the following series, with outstanding principal amounts of $325,780,000 as of December 31, 2013, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B, 2005 Series B and 2006 Series A. Electric System Revenue Bonds, from the following series, with outstanding principal amounts of $426,125,000 as of December 31, 2012, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B, 2003 Series A, 2005 Series B and 2006 Series

A. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in the Statement of Net Position.

OPPD's bond indenture, amended effective March 4, 2009, provides for certain restrictions, the most significant of which are:

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

- The Electric System is required to be maintained by the Company in good condition.

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

	Principal	**Interest**
2014	$ 30,545	$ 70,994
2015	40,465	69,448
2016	43,065	67,573
2017	45,900	65,636
2018	47,815	63,656
2019 - 2023	221,415	286,224
2024 - 2028	228,470	233,860
2029 - 2033	274,910	172,945
2034 - 2038	273,620	109,117
2039 - 2043	239,870	34,139
2044 - 2046	56,300	3,533
Total	$ 1,502,375	$ 1,177,125

The average interest rate for Electric System Revenue Bonds was 4.8% for the years ended December 31, 2013 and 2012.

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. The payment of the principal and interest on these bonds is insured by a municipal bond insurance policy.

The Electric System Subordinated Revenue Bonds include Periodically Issued Bonds (PIBs). Certain issues of the PIBs may be redeemed prior to maturity upon the death of the holder subject to certain conditions as outlined in the offering document.

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

	Principal	Interest
2014	$ -	$ 6,540
2015	-	6,540
2016	-	6,540
2017	-	6,540
2018	-	6,541
2019-2023	-	32,701
2024-2028	-	32,701
2029-2033	-	32,702
2034-2038	74,230	24,451
2039-2042	72,040	8,207
Total	$ 146,270	$ 163,463

The following table summarizes Electric System Subordinated Revenue Bond payments for the 2007 Series AA (in thousands).

	Principal	Interest
2014	$ -	$ 8,901
2015	-	8,902
2016	-	8,902
2017	-	8,902
2018	1,000	8,882
2019-2023	8,000	43,763
2024-2028	42,000	38,994
2029-2033	67,000	27,171
2034-2038	82,000	8,955
Total	$ 200,000	$ 163,372

The average interest rate for the Electric System Subordinated Revenue Bonds (PIBs and the 2007 Series AA) was 4.5% for the years ended December 31, 2013 and 2012.

Electric Revenue Notes - Commercial Paper Series – The outstanding balance of Commercial Paper was $150,000,000 as of December 31, 2013 and 2012. The average borrowing rates were 0.1% and 0.2% for the years ended December 31, 2013 and 2012, respectively. A Credit Agreement with Bank of America, N.A., includes a covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes.

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 2013 other than redemptions for the annual put option. The average interest rates were 5.05% for the years ended December 31, 2013 and 2012. 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).

Principal	2013	2012
2001 Minibonds, due 2021 (5.05%)	$ 23,460	$ 23,604
Accreted interest on capital appreciation minibonds	5,035	4,523
Total	$ 28,495	$ 28,127

Subordinated Obligation – The subordinated obligation is payable in annual installments of $482,000, which includes interest at 9.0%, through 2014.

Credit Agreements – OPPD has a Credit Agreement with the Bank of America, N.A., for $250,000,000 which will expire on October 1, 2015. The Credit Agreement includes a covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes. The Company is in compliance with the Credit Agreement covenants. There were no amounts outstanding under this Credit Agreement as of December 31, 2013 and 2012.

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."

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

	Principal	Interest
2014	$ 2,970	$ 11,498
2015	3,080	11,381
2016	3,200	11,258
2017	3,330	11,128
2018	3,460	10,989
2019-2023	19,635	52,549
2024-2028	24,455	47,584
2029-2033	30,860	41,013
2034-2038	39,090	32,554
2039-2043	44,415	21,945
2044-2048	54,950	9,685
2049	10,250	256
Total	$ 239,695	$ 261,840

The payment of principal and interest on the 2005 Series A and 2006 Series A Bonds is insured by municipal bond insurance policies. The average interest rate for NC2 Separate Electric System Revenue Bonds was 4.8% for the years ended December 31, 2013 and 2012.

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

2013		2012	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
$ 2,362,500	$ 2,436,199	$ 2,400,154	$ 2,875,955

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

Plan Description - All full-time employees are covered by the Omaha Public Power District Retirement Plan (Retirement Plan) as they are not covered by Social Security. It is a single-employer, defined benefit plan that provides retirement and death benefits to Retirement Plan members and beneficiaries. The Retirement Plan was established and may be amended at the direction of the Board of Directors and is administered by OPPD. Actuarial valuations are completed as of January 1 of each year. As of January 1, 2013, 1,821 of the 4,527 total participants were receiving benefits. 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). Under the Cash Balance provision (as defined), members can receive the total vested value of their Cash Balance Account at separation from employment. Employees were allowed to make a one-time irrevocable election to have benefits determined based on the Cash Balance provision instead of the Traditional provision. There were 213 members with the Cash Balance provision as of December 31, 2013. Effective January 1, 2013, all new employees are only eligible for the Cash Balance provision.

Funded Status and Funding Progress - Employees contributed 6.2% of their covered payroll to the Retirement Plan for the years ended December 31, 2013 and 2012. OPPD is obligated to contribute the balance of the funds needed on an actuarially determined basis.

The Actuarial Accrued Liability (AAL) is the present value of retirement benefits adjusted for assumptions for future increases in compensation and service attributable to past accounting periods. The funded ratio for the AAL assumes future compensation and service increases. The annual contributions to the Retirement Plan consist of the cost for the current period plus a portion of the Unfunded Accrued Liability.

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

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL Percentage of Covered Payroll ((b-a)/c)
2013	$ 852,552	$ 1,184,997	$ 332,445	71.9%	$ 188,675	176.2%
2012	$ 805,763	$ 1,155,410	$ 349,647	69.7%	$ 192,169	181.9%
2011	$ 771,588	$ 1,094,909	$ 323,321	70.5%	$ 187,285	172.6%

The Present Value of Accrued Plan Benefits (PVAPB) is the present value of benefits based on compensation and service to the date of the actuarial valuation. This is the amount the Retirement Plan would owe participants if the Retirement Plan were frozen on the valuation date. The PVAPB was $1,027,635,000, and the Underfunded PVAPB was $175,083,000 as of January 1, 2013. The funded ratio was 83.0% as of January 1, 2013.

Annual Pension Cost and Actuarial Assumptions - The annual pension cost and annual required contribution (ARC) was $52,387,000 and $53,463,000 for the years ended December 31, 2013 and 2012, respectively. Accounting standards require recognition of a pension liability on the Statement of Net Position for the amount of any unfunded ARC. Since the entire ARC was funded, there was no net pension obligation as of December 31, 2013 and 2012. Retirement Plan contributions by employees for their covered annual payroll were $11,568,000 and $11,517,000 for the years ended December 31, 2013 and 2012, respectively.

The Entry Age Normal (Level Percent of Pay) cost method was used to determine contributions to the Retirement Plan. 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 smoothes 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, the unfunded actuarial accrued liability was amortized on a level basis (closed group) over 15 years. The healthy mortality table used was the Static Mortality Table for Annuitants and Non-Annuitants for 2013 and 2012 and the RP-2000 Combined Healthy Mortality Table projected to the valuation date for 2011. The disabled mortality table used was the Static Mortality Table for Annuitants and Non-Annuitants for 2013 and 2012 and the RP-2000 Disabled Retiree Mortality Table for 2011.

The other actuarial assumptions for the valuations as of January 1, 2013, 2012 and 2011, were as follows:

- The investment return (discount rate) was 7.75%.
- The average rate of compensation increase was 5.2%.
- There were no ad-hoc cost-of-living adjustments.

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, 2013 and 2012.

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 OPPD. The 401k Plan's and 457 Plan's assets and income are held in an external trust account in the employee's name. The matching share of contributions was $6,932,000 and $7,128,000 for the years ended December 31, 2013 and 2012, respectively. The employer maximum annual match on employee contributions was $4,000 per employee for the years ended December 31, 2013 and 2012.

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.

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. OPPD's Medical Plan becomes a secondary plan when the members are retired and eligible for Medicare benefits. As of January 1, 2013, 1,666 of the 3,934 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. OPPD 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 (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL Percentage of Covered Payroll ((b-a)/c)
2013	$ 88,527	$ 322,995	$ 234,468	27.4%	$ 188,675	124.3%
2012	$ 68,130	$ 380,426	$ 312,296	17.9%	$ 192,169	162.5%
2011	$ 51,274	$ 360,200	$ 308,926	14.2%	$ 187,285	164.9%

Annual OPEB Cost and Actuarial Assumptions – The annual OPEB cost and ARC for OPEB Plan A was $21,361,000 and $30,698,000 for the years ended December 31, 2013 and 2012, respectively. The decrease from the prior year was due to plan design changes. Accounting standards require recognition of an OPEB liability on the Statement 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, 2013 and 2012. Contributions by Plan A members were $3,098,000 and $2,819,000 for the years ended December 31, 2013 and 2012, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2013, 2012 and 2011, were as follows:

- The pre-Medicare health care trend rates ranged from 8.0% initial to 5.0% ultimate.
- The post-Medicare health care trend rates ranged from 7.5% initial to 5.0% ultimate.
- 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 used was 5.2%.
- The actuarial cost method used 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 Static Mortality Table for Annuitants and Non-Annuitants for 2013 and 2012 and the RP-2000 Combined Healthy Mortality Table projected to the valuation date for 2011.

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 OPPD'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, 2013, only 1 of the 565 Plan B members was receiving benefits.

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 (a)	Actuarial Accrued Liability (b)	Overfunded Accrued Liability (OAL) (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	OAL Percentage of Covered Payroll ((a-b)/c)
2013	$ 3,633	$ 1,033	$ 2,600	351.7%	$ 41,942	6.2%
2012	$ 3,507	$ 756	$ 2,751	463.9%	$ 33,193	8.3%
2011	$ 3,281	$ 486	$ 2,795	675.1%	$ 23,888	11.7%

Annual OPEB Cost and Actuarial Assumptions – There was no ARC for OPEB Plan B for the years ended December 31, 2013 and 2012. The annual OPEB cost was $148,000 and $96,000 for the years ended December 31, 2013 and 2012, respectively. There was an OPEB net asset of $1,519,000 and $1,667,000 as of December 31, 2013 and 2012, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2013, 2012 and 2011 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 Static Mortality Table for Annuitants and Non-Annuitants for 2013 and 2012 and the RP-2000 Combined Healthy Mortality Table projected to the valuation date for 2011.

SELF-INSURANCE HEALTH PROGRAM

Employee health care and life insurance benefits are provided to substantially all full-time employees. There were 2,097 and 2,110 full-time employees with medical coverage as of December 31, 2013 and 2012, 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 $22,894,000 and $23,107,000 for the years ended December 31, 2013 and 2012, respectively.

The total cost of life and long-term disability insurance for full-time employees was $791,000 and $1,015,000 for the years ended December 31, 2013 and 2012, respectively.

The balance of the Incurred But Not Presented Reserve was $2,374,000 and $2,310,000 as of December 31, 2013 and 2012, respectively.

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

The Debt Retirement Reserve was used to provide additional revenues and funding for capital expenditures and debt retirement in the amount of $17,000,000 for the years ended December 31, 2013 and 2012.

There were no net revenue adjustments from changes to the Rate Stabilization Reserve for the years ended December 31, 2013 and 2012.

7. DERIVATIVES

OPPD entered into natural gas futures contracts with the New York Mercantile Exchange (NYMEX) to hedge expected cash flows associated with purchases of natural gas for operations. As required by generally accepted accounting principles, the natural gas futures contracts were evaluated and determined to be effective hedges. Accordingly, the deferred cash flow hedges for the unrealized losses and the fair value of the commodity derivative instruments were reported on the Statement of Net Position.

The futures contracts were with NYMEX based on the notional amount of 80,000 and 280,000 Million Metric British Thermal Units (mmBtu) of natural gas with negative fair values and deferred cash outflows of $119,000 and $502,000 as of December 31, 2013 and 2012, respectively. The fair value and deferred cash outflows for these contracts were determined using published pricing benchmarks obtained through independent sources. All of these contracts will be settled based on the pricing point at Henry Hub on their respective expiration date. The accumulated decrease in fair value of hedging derivatives was reported in deferred outflows of resources.

The balance in the margin account of $172,000 was reported with the fair value of the derivative instruments. The net amount for commodity derivative instruments reported in other current assets was $53,000 and $416,000 as of December 31, 2013 and 2012, respectively (Note 2). There were realized losses of $336,000 and $1,176,000 for the years ended December 31, 2013 and 2012, respectively. Realized gains or losses from effective hedges are included in fuel expense.

The following table summarizes information regarding the NYMEX natural gas contracts outstanding, along with the deferred cash outflows of the aggregate contracts by maturity dates, as of December 31, 2013 (dollars in thousands).

Effective Date	Maturity Date	Reference Rate	Notional Amount (mmBtu)	Fair Value/ Change
Various	June 2014	Pay Average $5.578/mmBtu	10,000	$ (15)
Various	July 2014	Pay Average $5.626/mmBtu	40,000	(59)
Various	August 2014	Pay Average $5.670/mmBtu	30,000	(45)
		Total	80,000	$ (119)

Basis Risk – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Location basis risk is created by purchasing natural gas at the Northern Natural Gas "Demarcation" pricing point and entering into the futures contract at the Henry Hub pricing point. Critical terms risk exists because the hedging instrument is a monthly transaction and the purchase of physical natural gas is typically a daily transaction. These two differences create the greatest amount of variation between the hedging instruments and the price paid for physical purchases.

Rollover Risk – Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. Rollover risk exists because the purchase of natural gas for the generation of electricity is an ongoing process whereas the hedges are only for the summer load months.

8. OTHER – NET

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

	2013	2012
Interest subsidies from the federal government	$ 2,113	$ 2,281
Grants from FEMA	1,588	5,082
Health care subsidies from the federal government	811	617
Other	221	884
Total	$ 4,733	$ 8,864

9. LOSSES AND RECOVERIES

Due to record snowfall in the Rocky Mountains and high water levels in the Missouri River Reservoirs, the United States Army Corps of Engineers released record amounts of water from dams along the Missouri River in 2011. This release of water caused flooding in areas near the Missouri River and impacted the operation of FCS. The reactor was in cold shut-down starting in April 2011 due to the start of a planned refueling outage. In June 2011, outage activities were suspended to protect FCS facilities from rising river levels. In September 2011, water levels had receded enough to allow outage activities to resume and inspections for any flood damage to begin.

The Missouri River flood (Flood Event) impacted all of the coal and nuclear generating units and some transmission and distribution structures. Estimated expenditures for the Flood Event were $840,000 and $11,493,000 for the years ended December 31, 2013 and 2012, respectively. These expenditures were partially offset by insurance recoveries and grants from the Federal Emergency Management Agency (FEMA). The balance of the FEMA receivable for the Flood Event was $11,579,000 and $19,941,000 as of December 31, 2013 and 2012, respectively.

Increased fuel costs and unexpected energy purchases were incurred due to the FCS extended outage, which resulted in FPPA under-recoveries for 2013 and 2012. Insurance recoveries of $36,643,000 were recognized in 2012 from an insurance policy for outages caused by accidental property damage at FCS. The insurance policy was acquired to mitigate the financial impact of qualifying outages, including additional fuel and purchased power expenses. The Board of Directors authorized the use of these insurance proceeds to reduce the FPPA regulatory asset, consistent with the objective of this policy. Insurance proceeds of $24,000,000 and $12,643,000 were received in January 2013 and October 2012, respectively.

Insurance recoveries for property damage to the North Omaha Station Unit 5 generator of $1,171,000 were recognized for the year ended December 31, 2013. Insurance recoveries for property damage from the breaker fire at FCS of $1,750,000 were recognized for the year ended December 31, 2012. The balance of receivables from insurance companies was $590,000 and $25,432,000 as of December 31, 2013 and 2012, respectively.

OPPD followed the provisions of GASB Codification Section 1400.196, *Insurance Recoveries*, which provides that insurance recoveries should be recognized only when realized or realizable (i.e., when the insurer has admitted or acknowledged coverage). Impairment losses should be reported net of the associated insurance recovery when the recovery and the loss occur in the same year; and, insurance recoveries reported in subsequent years should be reported as program revenue, nonoperating revenue, or extraordinary item, as appropriate.

The following table summarizes the adjustments for insurance recoveries and the impact on income and expenses for the years ended December 31 (in thousands).

	2013	**2012**
Increase in Other Electric Revenues	$ 9	$ 23,080
(Increase) Decrease in Operating Expenses	(494)	15,115
(Decrease) Increase in CIAC	(358)	2,108
Total	$ (843)	$ 40,303

10. NUCLEAR REGULATORY COMMISSION OVERSIGHT

The NRC placed FCS into a special category of their 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. OPPD remains the owner and licensed operator of the station, while Exelon will have 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.

11. COMMITMENTS AND CONTINGENCIES

Commitments for the uncompleted portion of construction contracts were approximately $45,412,000 at December 31, 2013.

Power sales commitments which extend through 2027 were $100,743,000 as of December 31, 2013. Power purchase commitments which extend through 2020 were $94,994,000 as of December 31, 2013. These amounts do not include the Participation Power Agreements (PPAs) for OPPD's commitments for wind energy purchases or NC2.

The following table summarizes OPPD's PPAs for wind purchase agreements as of December 31, 2013.

	Total Capacity (in MW)	OPPD Share (in MW)	Commitment Through	Amount (In thousands)
Ainsworth *	59.4	10.0	2025	$ 26,619
Elkhorn Ridge *	80.0	25.0	2028	11,475
Flat Water **	60.0	60.0	2030	122
Petersburg **	40.5	40.5	2031	336
Prairie Breeze **	200.6	200.6	2038	360
	440.5	336.1		$ 38,912

The Ainsworth facility located near Ainsworth, Nebraska and the Elkhorn Ridge facility located near Bloomfield, Nebraska are owned by the Nebraska Public Power District. The Flat Water facility is located near Humboldt, Nebraska. The Petersburg facility is located near Petersburg, Nebraska. The Prairie Breeze facility is located near Elgin, Nebraska.

* *These PPAs are 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. For the Ainsworth agreement, OPPD is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from the default.*

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

There are 40-year PPAs with seven public power and municipal utilities (the Participants) for the sale of half of the 684.6-megawatt (MW) 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 2017 with minimum future payments of $231,292,000 at December 31, 2013. The Company also has coal-transportation contracts which extend through 2020 with minimum future payments of $597,121,000 as of December 31, 2013. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect through 2016 with estimated future payments of $38,904,000 as of December 31, 2013. Contracts for the enrichment of nuclear fuel are in effect through 2026 with estimated future payments of $182,331,000 as of December 31, 2013. Additionally, OPPD has contracts through 2022 for the fabrication of nuclear fuel assemblies with estimated future payments of $47,227,000 as of December 31, 2013.

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. As of December 31, 2013, OPPD's remaining commitment was $434,000.

Under the provisions of the Price-Anderson Act as of December 31, 2013, OPPD and all other licensed nuclear power plant operators could each be assessed for claims and legal costs in the event of a nuclear incident in amounts not to exceed a total of $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 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.

12. SUBSEQUENT EVENTS

A PPA with Geronimo Energy was signed on January 28, 2014. This agreement was to purchase 400 MW of wind energy from the Grande Prairie wind farm. The wind farm is scheduled to begin commercial operations in 2016. Energy purchases by OPPD are expected to commence in 2017, when transmission services are available.

Statistics (Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Utility Plant (at year end) (in thousands of dollars)	**5,288,168**	5,187,395	5,027,093	4,865,417	4,678,449	4,561,815	4,259,501	4,166,997	3,656,433	3,363,909
Total Indebtedness (at year end) (in thousands of dollars)	**2,267,277**	2,296,305	2,085,540	2,011,969	1,937,704	1,902,403	1,866,472	1,565,807	1,133,171	894,020
Operating Revenues (in thousands of dollars)										
Residential	**385,171**	362,105	337,053	335,294	292,887	271,935	267,042	249,174	237,798	211,913
Commercial	**306,719**	292,296	274,102	284,400	265,668	238,496	228,060	213,314	204,314	194,684
Industrial	**213,742**	197,225	186,417	164,621	139,865	109,827	100,239	94,109	90,344	90,987
Off-System Sales	**118,268**	123,191	159,732	184,374	158,354	127,676	110,399	96,500	120,030	109,523
FPPA Revenue	**15,169**	(3,237)	35,345	269	—	—	—	—	—	—
Unbilled Revenues	**4,490**	4,517	(4,239)	1,232	7,449	3,391	1,742	2,527	630	(1,134)
Provision for Debt Retirement	**17,000**	17,000	24,000	(13,000)	13,000	20,000	27,000	(15,000)	—	(55,000)
Other Electric Revenues	**29,654**	54,900	29,352	29,160	22,743	16,648	15,771	36,204	13,436	15,342
Total	**1,090,213**	1,047,997	1,041,762	986,350	899,966	787,973	750,253	676,828	666,552	566,315
Operations & Maintenance Expenses (in thousands of dollars)	**796,104**	770,073	789,516	720,957	653,993	561,396	508,524	461,101	447,270	401,778
Payments in Lieu of Taxes (in thousands of dollars)	**31,827**	30,094	28,217	27,851	24,810	22,426	21,398	20,241	19,693	18,591
Net Operating Revenues before Depreciation and Amortization (in thousands of dollars)	**262,282**	247,830	224,029	237,542	221,163	204,151	220,331	195,486	199,589	145,946
Net Income (in thousands of dollars)	**55,276**	54,829	54,440	40,047	46,557	79,186	89,489	84,290	82,171	24,844
Energy Sales (in megawatt-hours)										
Residential	**3,607,439**	3,595,316	3,602,973	3,644,400	3,361,672	3,486,858	3,546,116	3,374,053	3,356,196	3,054,576
Commercial	**3,561,707**	3,492,745	3,481,459	3,777,092	3,672,982	3,758,853	3,750,634	3,577,436	3,535,036	3,369,713
Industrial	**3,606,611**	3,670,346	3,698,719	3,427,710	3,039,396	2,877,282	2,759,087	2,664,743	2,644,634	2,630,038
Off-System Sales	**3,925,574**	3,671,978	4,631,175	5,552,645	5,534,803	3,003,888	2,858,004	2,486,483	2,502,433	3,646,043
Unbilled Sales	**26,221**	28,558	(85,917)	(24,109)	74,416	50,374	13,858	9,628	21,285	6,890
Total	**14,727,552**	14,458,943	15,328,409	16,377,738	15,683,269	13,177,255	12,927,699	12,112,343	12,059,584	12,707,260
Number of Customers (average per year)										
Residential	**311,921**	308,516	308,412	303,374	299,813	296,648	293,642	289,713	282,310	275,854
Commercial	**44,221**	43,589	43,564	43,225	43,134	42,867	42,214	41,488	40,665	39,834
Industrial	**193**	210	206	154	151	142	134	132	133	135
Off-System	**33**	35	41	38	34	32	35	37	39	45
Total	**356,368**	352,350	352,223	346,791	343,132	339,689	336,025	331,370	323,147	315,868
Cents Per kWh (average)										
Residential	**10.68**	10.12	9.37	9.22	8.77	7.82	7.51	7.40	7.07	6.95
Commercial	**8.61**	8.40	7.89	7.54	7.29	6.36	6.07	5.99	5.77	5.76
Industrial	**5.96**	5.38	5.05	4.83	4.62	3.82	3.64	3.55	3.46	3.40
Retail	**8.43**	7.94	7.42	7.26	6.96	6.13	5.93	5.81	5.58	5.48
Generating Capability (at year end) (in megawatts)	**3,237.0**	3,208.8	3,222.7	3,224.7	3,223.9	2,548.8	2,548.8	2,544.1	2,542.5	2,540.5
System Peak Load (in megawatts)	**2,339.4**	2,451.6	2,468.3	2,402.8	2,316.4	2,181.1	2,197.4	2,271.9	2,223.3	2,143.8
Net System Requirements (in megawatt-hours)										
Generated	**13,209,542**	12,855,389	13,807,712	15,870,513	15,263,983	12,477,032	12,274,660	11,341,827	11,180,808	12,235,044
Purchased and Net Interchanged	**(1,819,871)**	(1,529,643)	(2,576,167)	(4,428,059)	(4,627,627)	(1,864,214)	(1,738,833)	(1,268,780)	(1,148,903)	(2,716,242)
Net	**11,389,671**	11,325,746	11,231,545	11,442,454	10,636,356	10,612,818	10,535,827	10,073,047	10,031,905	9,518,802