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

Statistics – This unaudited section provides additional comparison information.

OVERVIEW

The financial position and results of operations were similar for 2013 and 2012. Fort Calhoun Station (FCS) was in an outage during both of these years and resumed operations on December 21, 2013. This extended outage had an adverse impact on off-system sales revenues and operating expenses. OPPD lessened the impact on customer-owners through insurance recoveries, the use of regulatory accounting and cost reductions. The most significant cost reductions in 2013 were from lower prices for coal transportation and reductions in employee benefit expenses. The following sections include more detailed information on financial activities.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following table summarizes OPPD's financial position as of December 31 (in thousands).

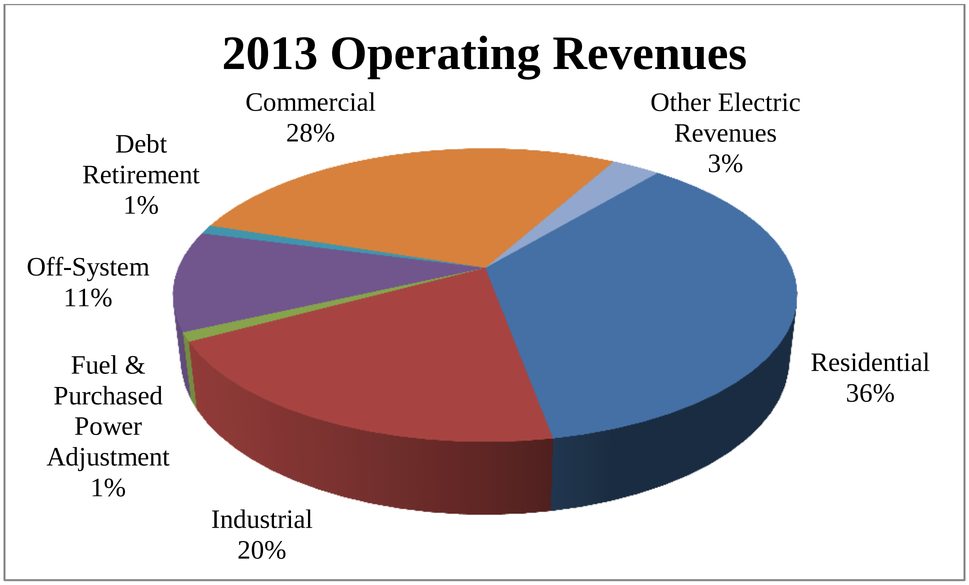
Condensed Statements of Net Position	**2013**	**2012**
Current Assets	$ 700,882	$ 809,696
Other Long-Term Assets and Special Purpose Funds	757,626	683,886
Capital Assets	3,359,141	3,342,731
Total Assets	4,817,649	4,836,313
Deferred Outflows of Resources	29,310	33,502
Total Assets and Deferred Outflows	$ 4,846,959	$ 4,869,815
Current Liabilities	$ 222,405	$ 385,947
Long-Term Liabilities	2,717,966	2,615,556
Total Liabilities	2,940,371	3,001,503
Deferred Inflows of Resources	37,000	54,000
Net Position	1,869,588	1,814,312
Total Liabilities, Deferred Inflows and Net Position	$ 4,846,959	$ 4,869,815

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

Operating Results	**2013**	**2012**
Operating Revenues	$ 1,090,213	$ 1,047,997
Operating Expenses	(958,338)	(928,961)
Operating Income	131,875	119,036
Other Income	20,956	28,418
Interest Expense	(97,555)	(92,625)
Net Income	$ 55,276	$ 54,829

Operating Revenues

The following chart illustrates 2013 operating revenues by category and percentage of the total. Other electric revenues include connection charges, late payment charges, rent from electric property, wheeling fees, insurance recoveries for prior years and miscellaneous revenues.



2013 Compared to 2012 – Total operating revenues were $1,090,213,000 for 2013, an increase of $42,216,000 or 4.0% over 2012 operating revenues of $1,047,997,000.

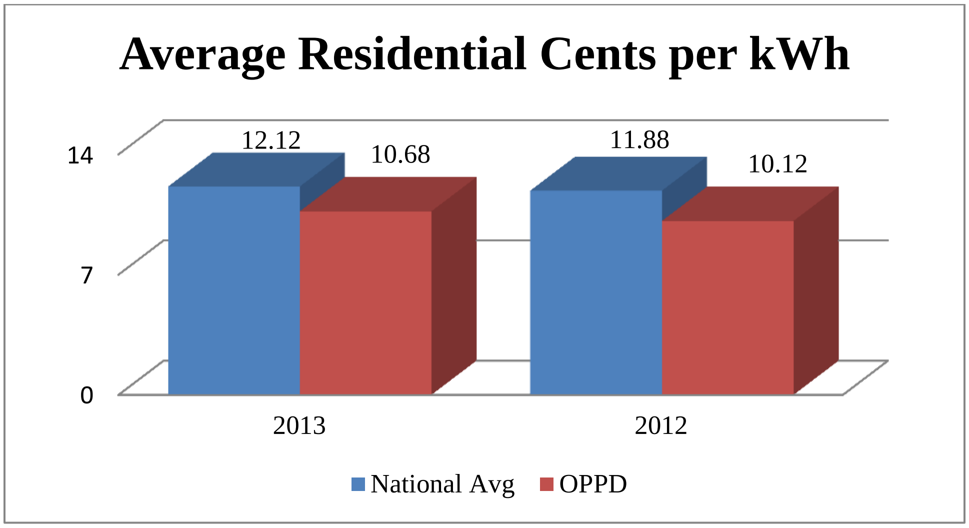
- Revenues from retail sales were $942,291,000 for 2013, an increase of $72,385,000 or 8.3% over 2012 revenues of $869,906,000. The change in retail revenues was primarily due to higher energy prices and an increase in the adjustment for the under-recovery of fuel and purchased power expenses.
- Revenues from retail sales included $17,000,000 in transfers from the Debt Retirement Reserve in both 2013 and 2012.
- Revenues from off-system sales were $118,268,000 for 2013, a decrease of $4,923,000 or 4.0% from 2012 revenues of $123,191,000. The decrease was primarily due to the expiration of a large participation sales contract.
- Other Electric Revenues were $29,654,000 for 2013, a decrease of $25,246,000 or 46.0% from 2012 revenues of $54,900,000. The decrease was primarily due to insurance recoveries received in 2012.

Cents per kWh

The Company strives to manage costs and maximize the public power advantage of low-cost and reliable service.

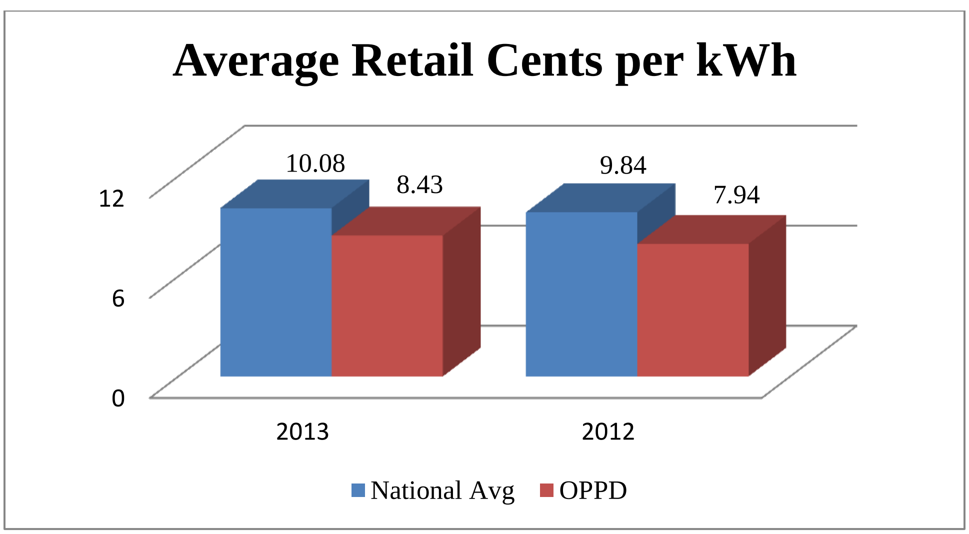
Residential customers paid an average of 10.68 and 10.12 cents per kilowatt-hour (kWh) in 2013 and 2012, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 12.12 for 2013 (preliminary year-to-date December 2013) and 11.88 cents per kWh for 2012. Based on the preliminary EIA data for 2013, OPPD residential rates were 11.9% below the national average.

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



Retail customers paid an average of 8.43 and 7.94 cents per kWh in 2013 and 2012, respectively. The national average retail cents per kWh according to the EIA, was 10.08 for 2013 (preliminary year-to-date December 2013) and 9.84 cents per kWh for 2012. Based on the preliminary EIA data for 2013, OPPD retail rates were 16.4% below the national average.

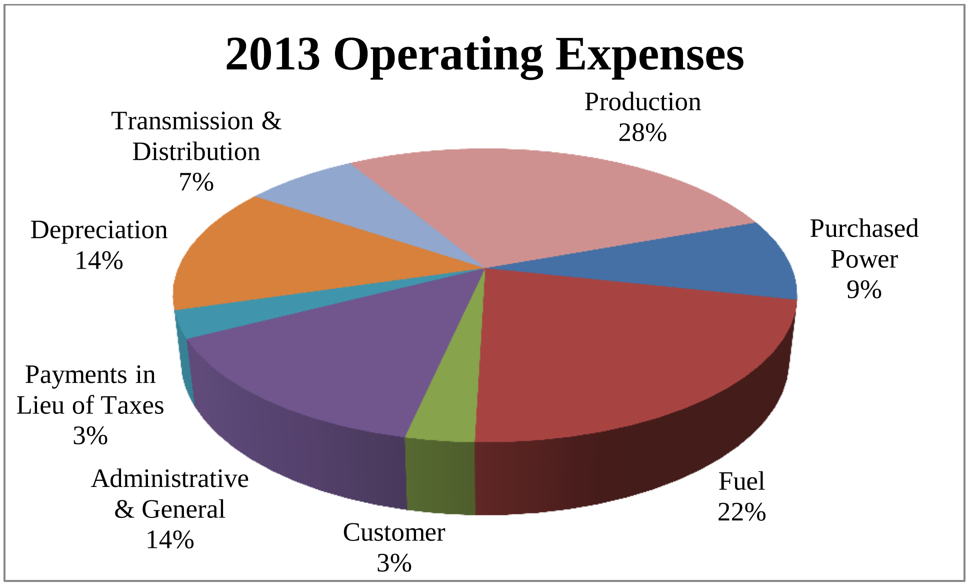
The following chart illustrates the Company's average retail cents per kWh compared to the national average.



General rate adjustments of 7.3% and 4.5% were implemented in January 2013 and 2012, respectively, due to increased operating costs. The adjustments to the Fuel and Purchased Power Adjustment (FPPA) were a decrease of 0.4% for 2013 and an increase of 1.4% for 2012. Cost-containment, the use of regulatory accounting and other risk management efforts have limited these rate adjustments. There were no rate adjustments implemented in January 2014.

Operating Expenses

The following chart illustrates 2013 operating expenses by expense classification and percentage of the total.



2013 Compared to 2012 - Total operating expenses were $958,338,000 for 2013, an increase of $29,377,000 or 3.2% over 2012 operating expenses of $928,961,000.

- Fuel expense decreased $21,024,000 or 8.9% from 2012, primarily due to lower coal transportation costs resulting from the renegotiation of the contract.
- Purchased Power expense increased $10,173,000 or 13.8% over 2012, primarily due to additional renewable energy purchases.
- Production expense increased $36,565,000 or 16.0% over 2012, primarily due to higher operations and maintenance expenses incurred at FCS.
- Transmission expense increased $2,014,000 or 9.2% over 2012, primarily due to higher transmission and regulatory expenses and fees.
- Distribution expense increased $7,107,000 or 19.2% over 2012, primarily due to additional charges for supporting services.
- Customer Accounts expense increased $1,216,000 or 8.7% over 2012, primarily due to additional credit card processing fees and postage expenses.
- Customer Service and Information expense decreased $1,234,000 or 7.5% from 2012, primarily due to decreased incentive payments for sustainability projects.

- Administration and General expense decreased $8,786,000 or 6.2% from 2012, primarily due to lower employee benefit costs.
- Depreciation and Amortization increased $1,613,000 or 1.3% over 2012, due to additional depreciation for capital additions.
- Payments in Lieu of Taxes expense increased $1,733,000 or 5.8% over 2012, due to higher retail revenues.

Other Income (Expenses)

Other income (expenses) totaled $20,956,000 in 2013, a decrease of $7,462,000 from 2012 other income (expenses) of $28,418,000. Other - net was $4,131,000 lower in 2013, primarily due to grants from the Federal Emergency Management Agency in 2012. Investment income was $2,380,000 lower than 2012 investment income of $2,041,000 due to an overall decrease in the fair market value of fixed income investments. Long-term interest rates have been rising resulting in lower bond prices and yields.

Allowances for Funds Used During Construction (AFUDC) totaled $13,334,000 in 2013, a decrease of $900,000 from 2012 AFUDC of $14,234,000 due to a lower interest rate.

A variety of products and services are offered, which provide value both to the customer and the Company. These products include Residential and Commercial Surge Protection, In-Home Electrical Protection Plan, ECO 24/7, Energy Information Services and Geothermal Loop Heat Exchanges. Offering these products and services provides opportunities to build strong relationships with customers by helping them efficiently and economically meet their energy needs.

Income from products and services was $3,228,000 for 2013, a decrease of $51,000 from 2012 income from products and services of $3,279,000. This decrease was primarily due to less income from the sale of Geothermal Loop Heat Exchange products.

Interest Expense

Interest expense was $97,555,000 for 2013, an increase of $4,930,000 over 2012 interest expense of $92,625,000. This increase was due to incurring a full year of interest expense for the 2012 Series A Electric System Revenue Bonds in 2013.

Net Income

Net income, after revenue adjustments for changes to the Debt Retirement Reserve, was $55,276,000 and $54,829,000 for 2013 and 2012, respectively. Changes to the Debt Retirement Reserve resulted in operating revenues and net income increasing by $17,000,000 in 2013 and 2012.

CAPITAL PROGRAM

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

	2013	2012
Electric plant	$4,782,357	$4,692,215
Construction work in progress	404,042	394,415
Nuclear fuel - at amortized cost	101,769	100,765
Accumulated depreciation and amortization	(1,929,027)	(1,844,664)
Total utility plant - net	$3,359,141	$3,342,731

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. Certain capital expenditures were deferred, where possible, due to the FCS outage which concluded in 2013. Capital expenditures were $6,905,000 under budget for 2013.

The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2014 (in thousands).

	Budget	Actual	
Capital Program	**2014**	**2013**	**2012**
Production	$ 72,746	$ 83,504	$ 89,537
Transmission and distribution	85,138	54,503	74,011
General	15,238	21,069	16,640
Total	$173,122	$159,076	$180,188

Production expenditures include equipment to comply with increasing environmental regulations. A natural gas pipeline and other equipment will be placed in service in 2014 at the Nebraska City Station to allow the use of natural gas as an alternative to fuel oil for a start-up and stabilization fuel source.

Transmission and distribution expenditures include the installation of new technologies and substation and distribution facilities to maintain system reliability, enhance efficiency and respond to load growth.

General plant expenditures include the purchase of construction and transportation equipment and information technology upgrades.

Significant capital projects planned for 2014, ordered by highest planned expenditures, include the following.

- Customer substation work – This is a project to support work being completed at Offutt Air Force Base.
- Fort Calhoun Station Remote Spent Fuel Pool Monitoring – This project will ensure continuous power at the station during extreme natural events.
- Fort Calhoun Station Security Force on Force structure improvements – This project will reinforce the physical protection of the plant.
- Fort Calhoun Station Internal Containment Structure beam reinforcements – This is the design of additional reinforcements prescribed by the Nuclear Regulatory Commission (NRC) to ensure the facility is protected against a catastrophic natural disaster.
- Distribution work – This is to support the business needs of a customer.
- Construction Equipment and Heavy Truck Replacement – This is normal replacement of general construction equipment.
- Sarpy County Station Unit No. 3 Overhaul – This is the overhaul of a gas unit at the station.

CASH AND LIQUIDITY

Cash Flows

There were increases in cash of $32,366,000 and $29,825,000 during 2013 and 2012, respectively. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	**2013**	**2012**
Cash Flows from Operating Activities	$ 168,708	$ 151,733
Cash Flows from Capital and Related Financing Activities	(274,163)	(8,072)
Cash Flows from Investing Activities	137,821	(113,836)
Change in Cash and Cash Equivalents	$ 32,366	$ 29,825

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 2013 increased $16,975,000 over 2012, primarily due to an increase in cash received from retail customers and insurance companies. This was partially offset by an increase in cash paid to off-system counterparties for additional wind energy.

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 2013 increased $266,091,000 over 2012, primarily due to proceeds from long-term borrowings in 2012 which reduced the cash flows used in 2012.

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

- Cash flows for 2013 increased $251,657,000 over 2012, primarily due to more maturities and sales of investments than purchases in 2013.

Financing

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

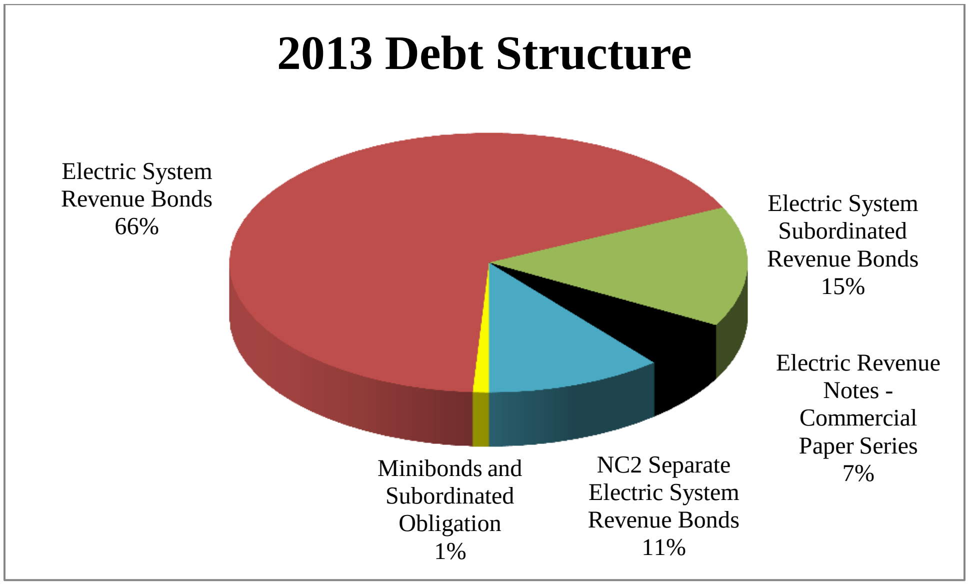
The financing plan optimizes the debt structure to ensure capital needs are financed, liquidity needs are achieved and the Company's strong financial position is maintained. The 2014 financing plan does not include any bond issues; however, the Company will continue to monitor refunding opportunities to achieve any potential interest cost savings for customer-owners.

There were no bond issuances in 2013. The Company made repayments of $26,125,000 of Electric System Revenue Bonds and $169,000 of Minibonds during 2013. Repayments for the Electric System Revenue Bonds included a principal payment of $9,385,000 for the early call of a portion of the 1993 Series C term bonds due February 1, 2014.

Two Electric System Revenue Bond issues totaling $499,370,000 were completed during 2012. An issue totaling $226,715,000 was used to refund outstanding bonds with higher interest rates, and a second issue totaling $272,655,000 was used to finance capital expenditures. In addition, repayments of $52,460,000 of Electric System Revenue Bonds, $460,000 of Electric System Subordinated Revenue Bonds and $143,000 of Minibonds were made in 2012. Repayments for the Electric System Revenue Bonds included principal payments of $8,850,000 for the early call of a portion of the 1993 Series C term bonds due February 1, 2013 and $13,990,000 for the early redemption of the 2002 Series B serial bonds due February 1, 2013.

The Company renewed a Credit Agreement for $250,000,000 in 2013. 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, 2013 or 2012. There was $150,000,000 of commercial paper outstanding as of December 31, 2013 and 2012.

The following chart illustrates the debt structure and percentage of the total as of December 31, 2013.



Debt Service Coverage for Electric System Revenue Bonds

Debt service coverage for the Electric System Revenue Bonds was 2.25 and 2.21 in 2013 and 2012, 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 2013 and 2012 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 52.0% and 53.1% as of December 31, 2013 and 2012, respectively.

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 changed its ratings for OPPD's senior lien debt from Aa1 to Aa2 and for subordinated debt from Aa2 to Aa3, primarily due to FCS challenges and potential environmental compliance costs for the fossil stations. Both Moody's and S&P have stable outlooks for OPPD's credit ratings.

The following table summarizes credit ratings in effect on December 31, 2013.

	S&P	Moody's
Electric System Revenue Bonds	AA	Aa2
Electric System Subordinated Revenue Bonds (including PIBs) *	AA-	Aa3
Electric Revenue Notes - Commercial Paper Series	A-1+	P-1
Minibonds *	AA-	Aa3
NC2 Separate Electric System Revenue Bonds (2005A, 2006A) *	A	A1
NC2 Separate Electric System Revenue Bonds (2008A)	A	A1

* *Payment of the principal and interest on the Electric System Subordinated Revenue Bonds, Minibonds and NC2 Separate Electric System Revenue Bonds 2005 Series A and 2006 Series A, when due, is insured by financial guaranty bond insurance policies. PIBs are Periodically Issued Bonds, which are another type of Electric System Subordinated Revenue Bond.*

RISK MANAGEMENT

Risk Management Practices

An Enterprise Risk Management (ERM) program is used to identify, quantify, prioritize and manage the risks of the Company. Specific risk-mitigation plans and procedures are maintained to provide focused and consistent efforts to mitigate various risk exposures. Several cross-functional risk committees are utilized to discuss and analyze potential risks that could hinder the achievement of OPPD's strategic objectives. Additionally, an Executive ERM Committee has been established to specifically discuss risk-related issues at the senior management level of the Company. An overview of the ERM program is provided to the Board of Directors annually.

Power marketing and fuel purchase activities are conducted within the normal course of business. Risks associated with power marketing and fuel contracting are managed within a risk management control framework. Fuel expense represents a significant portion of generation costs and affects the ability to generate and market competitively priced power. A risk-management working group is responsible for identifying, measuring and mitigating various risk exposures related to power marketing and fuel purchase activities.

OPPD participates in the wholesale marketplace with other electric utilities and power marketers for off-system energy sales. The Company must be able to offer energy at competitive prices and obtain transmission services 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. Counterparty credit risks are monitored closely on an ongoing basis. The Company's energy trading and marketing practices and processes have been modified for the implementation of the Integrated Marketplace in the Southwest Power Pool (SPP) in 2014. The risks associated with these changes have been identified and plans have been established for their mitigation.

A Rate Stabilization Reserve was established in 1999 to assist in stabilizing retail electric rates. Funds from this reserve were used to help finance higher fuel costs and unexpected energy purchases in 2011 due to the extended outage at FCS to lessen the impact on customer-owners. The fund was replenished with FPPA recoveries and insurance proceeds in 2013 and 2012. The balance of the fund was $32,000,000 and $24,612,000 as of December 31, 2013 and 2012, respectively. The balance of the reserve was maintained at $32,000,000 as of December 31, 2013 and 2012.

A Debt Retirement Reserve was established in 2003 to assist in managing the long-term risks associated with significant capital expenditures and related debt issuances. This reserve is used to meet challenges in retiring debt and maintaining adequate debt service coverage ratios. The reserve was used to provide additional revenues and funds of $17,000,000 each in 2013 and 2012. The balance of the fund was $0 and $14,000,000 as of December 31, 2013 and 2012, respectively. The balance of the reserve was $0 and $17,000,000 as of December 31, 2013 and 2012, 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 Uncollectible Accounts Reserve is established for estimated uncollectible accounts from both retail and off-system sales. Accounts Receivable is reported net of the $1,000,000 reserve for retail sales. A $5,000,000 reserve for off-system sales was established by the Board of Directors. This reserve is separately reported as a deferred inflow on the Statement of Net Position.
- 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.

REGULATORY AND ENVIRONMENTAL UPDATES

Fort Calhoun Station Update

FCS was taken out of service for a normal refueling outage in April 2011. Outage activities were suspended in June 2011 to protect facilities from rising river levels caused by the release of record amounts of water from dams along the Missouri River by the U.S. Army Corps of Engineers. 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. 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 Board of Directors authorized management to establish a regulatory asset for certain recovery costs, with amortization over a 10-year period commencing after the resumption of operations. Qualifying recovery costs will continue to be deferred until FCS's regulatory rating is increased to a more favorable NRC regulatory category. The balance of this regulatory asset was $138,362,000 and $70,627,000 as of December 31, 2013 and 2012, respectively.

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 imbalance market services and transmission planning services to OPPD and SPP's other transmission-owning members.

The SPP Board of Directors approved expansion of the current real-time Energy Imbalance Market (Day 1) into a Day 2 Market. The SPP Day 2 Market, also known as the Integrated Marketplace (IM), includes Day-Ahead Markets and Real-Time Markets. It also includes Ancillary Services and Transmission Congestion Rights Markets. The IM went live on March 1, 2014. SPP is now the Consolidated Balancing Authority, relieving OPPD of these responsibilities.

The IM 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 cross-functional project team was launched in December 2011 to prepare for the IM. Individual task teams addressed related functional areas to ensure that systems, policies and personnel were ready for the transition and able to operate effectively in the new market.

A 180-mile 345-kilovolt power line being built by OPPD and Kansas City Power and Light (Midwest Transmission Project) will run from a substation at the Nebraska City Station to Sibley, Missouri. This project is one of several priority projects as determined by SPP and is expected to relieve congestion on the region's transmission system; improve reliability on the nation's energy grid; and improve opportunities for wind energy distribution. The final route was selected in July of 2013 after a year-long process involving 20 public meetings. Construction is expected to begin in 2015 with a planned summer 2017 in-service date.

Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states but not in Nebraska. The Board of Directors has established a proactive goal to provide 10% of retail energy from renewable sources by 2020. The percentage of renewable energy increased to 6.5% in 2013 from 5.3% in 2012 and is expected to increase to 15.1% in 2014. A purchased power contract with the Western Area Power Administration provides 86 MW of hydro power that is excluded from the goal.

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

		Capability
OPPD Owned Generation		
	Elk City Station (landfill-gas)	6.2
	Valley Station (wind)	0.7
	Subtotal OPPD Owned Generation	6.9
Purchased Wind Generation		
	Ainsworth	10.0
	Elkhorn Ridge	25.0
	Flat Water	60.0
	Petersburg	40.5
	Broken Bow I	18.0
	Crofton Bluffs	13.6
	Subtotal Purchased Wind Generation	167.1
Total Renewable Generation as of December 31, 2013		174.0
2014 Purchased Wind Generation		
	Broken Bow II	45.0
	Prairie Breeze	200.6
	Subtotal 2014 Purchased Wind Generation	245.6
2017 Purchased Wind Generation		
	Grande Prairie	400.0
Total Expected Renewable Generation as of December 31, 2017		819.6

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) finalized the Mercury and Air Toxics Standard (MATS) on December 16, 2011. Compliance with this rule will be necessary by April 16, 2015. An additional year was granted by local permitting agencies to allow for pilot testing, modeling, evaluation and to facilitate installation of pollution control equipment, if necessary. Various generation options have been modeled due to the impact of MATS and other environmental regulations. Pilot testing of Dry Sorbent Injection and Activated Carbon Injection has been conducted, and the results are being analyzed to determine the optimal generating options. The Washington D.C. Circuit Court heard challenges to the MATS rule on December 10, 2013.

The EPA published the Cross-State Air Pollution Rule (CSAPR) on August 8, 2011, to improve air quality by reducing power plant emissions contributing to ozone and fine-particle pollution in other states. Specifically, this proposal would have required significant reductions in sulfur dioxide (SO_2) and nitrogen oxides (NOx). CSAPR established a cap-and-trade system with state and unit specific allowance allocations to achieve desired emission reductions for SO_2 and NOx. Implementation of Phase I of the final rule was scheduled to begin in 2012, but the United States Court of Appeals for the District of Columbia issued an order on December 30, 2011, staying CSAPR pending judicial review. On August 21, 2012, the federal court vacated CSAPR stating the rule exceeds the statutory authority of the EPA. The U.S. Supreme Court heard oral arguments on December 10, 2013, in review of the federal court's invalidation of CSAPR. In the interim, the EPA will continue administering the Clean Air Interstate Rule (CAIR), the predecessor to CSAPR pending the promulgation of a valid replacement rule. The State of Nebraska is not covered by CAIR; therefore, OPPD remains unaffected at this time.

The EPA announced its plan to reduce carbon pollution from electric generating stations on September 20, 2013. The proposed standards are the first uniform national limits on the amount of carbon emissions that future stations will be allowed. The EPA will be engaging with states and others, including the power sector, environmental groups and the public, to identify approaches shown to reduce carbon emissions. A proposed rule for controlling carbon emissions from existing generating stations is expected in 2014 with a final rule expected in 2015. OPPD continually monitors local, state and federal agencies for rules that may change or require further reductions of emissions.

Federal Energy Legislation

The 113th Congress began its two-year legislative session in January 2013. During the previous Congress, the House of Representatives passed legislation that would block efforts by the EPA to regulate greenhouse gas emissions under the Clean Air Act. In 2012, the House of Representatives also passed legislation to block or delay other EPA regulatory proposals that are aimed primarily at fossil-fired electric generation facilities. The Senate did not pass similar legislation. Given the same leadership, the Senate will likely continue to block similar legislation passed by the House through the end of this Congressional Legislative Session, which ends in December 2014.

Efforts on energy legislation are likely to be very limited and would focus on market-based approaches that would help create jobs and grow the economy as well as possibly addressing the issue of long-term storage of high-level nuclear waste. Energy and environmental initiatives such as carbon cap-and-trade and climate change legislation could result in substantial rate increases if enacted into law. OPPD continues to monitor the status of energy and climate-change legislation in Congress and provides input through public power industry groups and the Nebraska Congressional Delegation.

State of Nebraska Energy Legislation

The Nebraska Legislature enacted Legislative Bill 646 (L.B. 646), Change Election Provisions for Public Power Districts during the 2013 session. L.B. 646 provides that public power districts create subdivisions substantially equal in population for its board elections. OPPD was the only district affected by this change. The Board of Directors changed from three to eight distinct district subdivisions in support of this legislation. The Nebraska Power Review Board approved the amendment to OPPD's charter, and the new subdivisions were effective January 1, 2014.

The Legislature also enacted Legislative Bill 388 (L.B. 388), Change Provisions Relating to Public Power and Provide for Construction of Certain Transmission Lines in 2012. L.B. 388 provides electric transmission owners, who belong to a Regional Transmission Organization (RTO), the right of first refusal to complete transmission projects in Nebraska that have been approved by the RTO. The purpose is to clarify that public power entities in Nebraska have the first right to construct, own and maintain approved transmission lines.

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.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that 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.

Those judgments could materially impact the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, 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**
Environmental Matters and Pollution Remediation Obligations	• Approved methods for cleanup • Governmental regulations and standards • Cost estimates for future remediation options
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	• Assumptions used in computing the actuarial liability, including expected rate of return on Plan assets • Plan design
Self-Insurance Reserves for Claims for Employee-related Healthcare 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