



## **MINUTES**

### **BOARD OF DIRECTORS' MEETING**

***December 19, 2013***

The regular meeting of the Board of Directors of the Omaha Public Power District was held in the Board Room on the Atrium Level of Energy Plaza East on December 19, 2013, at 10:00 a.m.

Present were Directors T. S. Barrett, M. J. Cavanaugh, T. W. Gay, J. K. Green, A. L. McGuire, M. A. Mines, and D. D. Weber. Also present were W. G. Gates, President, and Steve Bruckner and Troy Meyerson of General Counsel for the District. Mr. Ulrich, Board Chairman, presided and Ms. Cobleigh, Corporate Secretary, recorded the minutes. Other members of Management present were: T. J. Burke, L. Cortopassi, M. I. Doghman, E. E. Easterlin, J. T. Hansen, S. L. Hutcherson, L. A. Olson, R. J. Rogers, T. R. Monroe, D. L. Morgan, D. K. Petrus, R. J. Baker, D. J. Jacobberger, P. E. Lukowski, K. Gates, and L. Weber well as several customer owners and OPPD employees.

The Corporate Secretary read the following:

*“Notice of the time and place of this meeting was publicized by notifying the area news media; by publicizing the same in the Omaha World-Herald and Outlets; by displaying such notice on the Arcade Level of Energy Plaza since December 13, 2013; and by mailing such notice to each of the District’s Directors on that same date.*

*“A copy of the proposed agenda for this meeting has been maintained, on a current basis, and is readily available for public inspection in the office of the District’s Corporate Secretary.*

*“Additionally, a copy of the Open Meetings Law is available for inspection in the public meeting book located in this meeting room.”*

It was moved and seconded that the Board approve the October 2013 Comprehensive Financial and Operating Report and the minutes for the last meeting. The vote was recorded as follows: Barrett – Yes; Cavanaugh – Yes; Gay – Yes; Green – Yes; McGuire – Yes; Mines – Yes; Ulrich – Yes; Weber – Yes. The motion carried.

Thereafter, the Corporate Secretary read the following:

*“Persons wishing to address the Board on a particular item are asked to approach the microphone as that agenda item is discussed. Comments will be heard following Board discussion of the item and prior to a vote by the Board. Persons wishing to address the Board on all other matters will have an opportunity before the close of the meeting.”*

The following resolutions were then read, and upon motion duly seconded, were then placed on roll call. The vote on each resolution is indicated following the description of that resolution.

**RESOLUTION NO. 5979** Declaration of anticipated 2014 capital expenditures reimbursement. Committee Chair Cavanaugh reported this is in accordance with federal tax regulations concerning financing proceeds, the adoption of this resolution maintains the option for the District to issue tax-exempt debt obligations to reimburse 2014 capital expenditures and maximize the investment of the proceeds. Since 1979, the District has utilized a financing plan that includes the reimbursement of Corporate Operating Plan expenditures from the proceeds of tax-exempt debt obligations. Such reimbursement financing has been determined to be the most cost-effective and efficient means of avoiding arbitrage rebate restrictions on the investment of the proceeds. The 2014 Corporate Operating Plan includes District expenditures of approximately \$337 million for capital improvements, nuclear fuel and fossil fuel expenditures. The District may issue tax-exempt debt obligations in the future to reimburse a portion of these expenditures. Mr. Cavanaugh requests authorization by the Board of Directors of the proposed resolution to express the District’s intent concerning Corporate Operating Plan expenditures reimbursement from tax-exempt financing.

Following the discussion, the vote was recorded as follows: Barrett – Yes; Cavanaugh – Yes; Gay – Yes; Green – Yes; McGuire – Yes; Mines – Yes; Ulrich – Yes; Weber – Yes. The motion carried.

At this time, Chairman Ulrich asked Vice President and Chief Financial Officer Edward Easterlin to brief the audience on the 2014 Corporate Operating Plan and the proposed FPPA and other miscellaneous rate schedule changes before the Board votes on the items.

Mr. Easterlin began the presentation by reviewing our 2014 Challenges and Opportunities:

Improve Fort Calhoun Station regulatory category

As we resume operations, we will work to complete the remaining 0350 checklist items in an effort to get the plant back into an improved operating category.

Participation in Southwest Power Pool Day 2 Market

We are busy preparing for the transition to the SPP integrated Marketplace or Day 2 Market.

This has been a large corporate project involving personnel from across four business units: Energy Production & Marketing, Energy Delivery, Financial Services, and Corporate Services.

Maintain safe and reliable service

Consistent and reliable delivery of electricity to our customer-owners is always a top objective.

We will continue to respond quickly and efficiently when outages occur.

Hand-in-hand with these goals is renewed, ongoing emphasis on employee safety.

Evolving regulations- Environmental -Nuclear -Transmission

Tighter, more complex, and more costly regulations related to fossil fuels and nuclear power production have introduced uncertainty. We must be proactive and anticipate those changes to make sure OPPD is positioned to achieve its mission.

Implementation of Stakeholder Process

OPPD has conducted a series of open houses across the service territory to provide customer-owners an opportunity to give input on our new Stakeholder Process.

As a result, customers have a new platform to share their views on what's important in an electric utility, what the company is doing well and what it could do better. We will be launching this in 2014.

Organizational and operating efficiencies

As for organizational and operating efficiencies, we continue to make great improvements with our Lean Manufacturing Principles, which seek to eliminate process waste, save time, and improve overall quality and productivity.

At this time, Mr. Easterlin reviewed the 2014 Budget Summary:

Mr. Easterlin reported the 2014 Budget is made up of the following categories and amounts:

	\$ Millions
Fuel and Purchased Power	\$ 270
Non-fuel O&M	\$ 529
Debt Service and Other Expenses	\$ 138
Payments in Lieu of Taxes	\$ 32
Capital Expenditures	\$ 174
Deferred Expenditures (FCS Recovery)	\$ 6
TOTAL	\$1,149

Mr. Easterlin reviewed the Tariff Updates

FPPA Tariff Changes

Change FPPA formula to include consumables (chemicals or materials that are used in the direct production of electricity)

Amortize the prior year true-up over a three-year period

Miscellaneous Consumer Service Charge Changes

Consumer Service Charge Changes

Service drop duct and per lot charges

Reconnect charges

Other Schedules

Simplify customer deposit policy

Curtailment rates revised to indicate that capacity curtailments may occur when

OPPD does not have adequate operating capability

Miscellaneous housekeeping changes

Public Notice

November 12, 2013  
Presentation to the Board of Directors  
Local media notified through traditional practice  
November 14, 2013  
Presentation at Board of Directors' meeting  
December 19, 2013  
Request Board of Directors' approval

Mr. Easterlin reviewed the 2014 retail rate comparison and said that OPPD's retail rate is 6.7% lower than the regional average and 19.4% below the national average.

	Cents/KWh
OPPD	8.37
West North Central Region	8.97
National Average	10.39

Mr. Easterlin talked about two independent reviews:

NewGen Strategies & Solutions Review

"The expenditures anticipated by the District are reasonable and are the type that would be expected by a utility following prudent utility practices."

CH2M HILL

"We find the four proposed changes to the FPPA are fair, reasonable, and non-discriminatory."

In summary, Mr. Easterlin reviewed:

OPPD's Mission

Provide affordable, reliable and environmentally sensitive energy services to our customers

The 2014 COP is aligned with the corporate mission

Rates remain below regional and national averages  
Expenditures sufficient to maintain system reliability  
Renewable sources account for 16.2% of energy  
Fort Calhoun Station resumes operations

At this time, Chairman Ulrich asked that the Board resume review of Board items.

**RESOLUTION NO. 5980** approval of the 2014 Corporate Operating Plan. Committee Chair Cavanagh commented the presentation was thorough. He also indicated the 2014 Corporate Operating Plan is lean and the adjustments in the service charges that management is proposing are fair and non-discriminatory. The following information is included in the Plan:

Total energy sales are projected to be 16,918 GWh which represents a 12.9% increase from the projected 2013 sales amount. Retail sales are projected to be 10,820 GWh. This amount is 0.3% higher than the amount projected for 2013. Wholesale sales, excluding Nebraska City Station Unit 2 (NC2) participation sales, are projected to be 4,151 GWh which represents a 121.8% increase from the projected 2013 amount. NC2 participation sales for 2014 are projected to be 1,947 GWh.

In addition, total operating revenues in 2014, including the Fuel and Purchased Power Adjustment (FPPA), are projected to be \$1,100.8 million. Total projected operating revenues are 0.2% higher than 2013 projections. Retail revenues, including FPPA, are projected to be \$883.9 million, which is a decrease of \$63.6 million below the 2013 projection. The 2013 projection included \$29.8 million of Fort Calhoun station recovery related FPPA revenue and \$17.0 million of debt retirement usage. Wholesale revenues, excluding NC2 participation revenues, are projected to be \$126.4 million which is 161.8% higher than 2013 projected revenues. The 2013 projection includes a \$48.4 million reduction of revenues due to the continuing Fort Calhoun Station outage. NC2 participation revenues for 2014 are projected to be \$65.2 million.

Total operations and maintenance expenditures are anticipated to be \$799.3 million. Total operations and maintenance expenditures are \$7.7 million or 0.9% lower than the 2013 projected amount. Operations and maintenance expenditures (excluding fuel and purchased power) are estimated to be \$529.3 million, which is \$13.0 million or 2.5% higher than the amount projected for 2013. Fuel expenses are estimated to be \$195.0 million which is \$10.9 million or 5.3% lower than the amount projected for 2013. Purchased power expenses are estimated to be \$75.0 million which is \$9.8 million or 11.6% lower than the amount projected for 2013. Purchased power expenses include 412.5 megawatts of wind energy to support the District's renewable energy goal.

The 2014 capital expenditures total \$173.1 million compared to \$168.7 million projected for 2013.

The 2014 capital expenditure plan provides for expansion and improvements to the existing production, transmission and distribution systems and is comprised of the following classifications:

Fossil Production	\$ 27.0 million
Nuclear Production	\$ 40.1 million
Transmission and Distribution	\$ 82.0 million
General Plant	\$ 21.0 million
All Other	\$ 3.0 million
TOTAL	\$173.1 million

Net income for 2014 is estimated to be \$59.1 million compared to \$52.5 million projected for 2013.

The 2014 Corporate Operating Plan total is \$1,148.8 million.

Total debt service coverage is anticipated to be 2.02 times compared to 1.99 times that is projected for 2013.

NewGen Strategies & Solutions has reviewed the 2014 Corporate Operating Plan and has recommended the Plan for approval by the Board of Directors.

Director Barrett asked how the District uses tariffs. Vice President Easterlin said that all of the District's rates are included in tariff sheets, which are the District's rate schedules. The rate schedules are always posted on our website for all customers to view. Today, management is proposing changes within those tariffs (rate schedules).

Director Gay commended Vice Presidents Burke and Doghman on their work with the building community on the service duct charges.

Mr. John Atkieson, energy policy director of the Nebraska Wildlife Federation, advised the Board on the concern for improved transparency in the budget process, a larger demand side management initiative, and to review the direction for North Omaha and Nebraska City Unit No. 1.

Following the discussion, the vote was recorded as follows: Barrett – Yes; Cavanaugh – Yes; Gay – Yes; Green – Yes; McGuire – Yes; Mines – Yes; Ulrich – Yes; Weber – Yes. The motion carried.

**RESOLUTION NO. 5981** approval of the proposed Fuel and Purchased Power Adjustment and other miscellaneous rate schedule changes. Committee Chair Barrett reported this item is to implement changes to the Fuel and Purchased Power Adjustment (FPPA) Rate Schedule 461 and to various miscellaneous rate schedules. Fuel and purchased power cost incurred by the District to provide energy to its retail customers is collected through a combination of the general and the FPPA rates. The FPPA rate is designed to recover the difference between the budgeted fuel and purchased power costs in the upcoming year and the fuel and purchased power costs included in general rates. The FPPA formula also includes a true-up amount for the difference between the budgeted and the actual fuel and purchased power costs from the prior year. The District is proposing to revise the FPPA formula to include consumable material costs associated with generating electricity. This change in the FPPA more accurately reflects the variable cost of producing energy, better aligns retail customer prices with Southwest Power Pool prices, and provides a better match between revenue and expenses. The FPPA true-up amount for the under-recovered costs from prior years is \$49 million. The majority of this amount is the additional cost of fuel and replacement power resulting from the extended Fort Calhoun Station outage. In an effort to mitigate the rate impact on customers, the District is proposing to amortize this under-recovered balance over a three year period, with \$23 million included in the 2014 FPPA and the remaining amount collected in 2015 and 2016. The net effect of incorporating the 2014 budgeted fuel and purchased power costs, adding the consumable material costs, and the amortization of the true-up amount is the FPPA rate will remain unchanged at 0.215 cents per kWh for 2014. Customers will see no change in their bills as a result of this proposal. Miscellaneous wording and rate changes to various Electric Rate Schedules and the Service Regulations are also proposed. These proposed changes are detailed on Exhibit A. The Board of Directors' rate consultant, CH2M HILL, has reviewed the proposed FPPA rate and concurs with the proposal. A copy of CH2M HILL's opinion letter is attached for review. The letter states that the proposed adjustments are fair, reasonable, and non-discriminatory.

Following the discussion, the vote was recorded as follows: Barrett – Yes; Cavanaugh – Yes; Gay – Yes; Green – Yes; McGuire – Yes; Mines – Yes; Ulrich – Yes; Weber – Yes. The motion carried.

**RESOLUTION NO. 5982** authorization to award a contract to supply labor for the removal and replacement of low temperature superheater tubing on the North Omaha Station Unit No. 4 boiler. Committee Chair Weber reported this item is to provide the labor for the removal and replacement of sections of tubing in the Low Temperature Superheater (LTSH) on the North Omaha Unit 4 boiler. Sections of the LTSH tubing of the Unit 4 boiler have been evaluated and are recommended for replacement in order to maintain reliable operation of the unit. Installation of OPPD supplied materials will occur during a scheduled maintenance outage that will begin on January 25, 2014. Five bids were received and one bid was withdrawn after bid opening. Four bids were technically and legally responsive. The Engineer's Estimate is \$1,000,000.

Following the discussion, the vote was recorded as follows: Barrett – Yes; Cavanaugh – Yes; Gay – Yes; Green – Yes; McGuire – Yes; Mines – Yes; Ulrich – Yes; Weber – Yes. The motion carried.

Copies of the foregoing resolution are filed in the District's Corporate Records file.

The next item of business was the State of the Utility Report.

At this time, Chairman Ulrich, on behalf of the OPPD Board of Directors, thanked all the active and retired employees and their families for sacrifices that they have incurred by working over 8 million person hours to protect and restart Fort Calhoun Nuclear Station.

The overtime, evenings, weekends, holidays and sacrifices that they have made to get OPPD and FCNS to this point is admirable and it gives me great pride to thank them for their commitment to our customer-owners and for our movement to excellence at Fort Calhoun Nuclear Station.

President and Chief Executive Officer Gary Gates gave the following report:

## **GENERATION**

### **Production Operations**

- Central Maintenance supported projects at all locations during the month, specifically supporting the Fort Calhoun outage, the CC1 overhaul with all crafts.
- High priority on-line projects are in progress at North Omaha, Nebraska City and the peaking stations.
- Planning activities for next spring's outages are well underway. Pre-outage work has started.
- North Omaha Station had no outages during the month and all units remained available for full load. Station net generation in November was 312,787 MW-hrs.
- Both NC1 and NC2 remained in service for November. Generation remained high with net capacity factors of 87.7% and 93.5% being achieved on NC1 and NC2, respectively.

### **Energy Marketing & Trading**

- Renewable energy contributed 8.4% of OPPD's retail energy sales in November. The renewable portfolio capacity factor was 56.7% in November.
- OPPD participated in two independent deployments tests in November where SPP was dispatching the District's units in an integrated Marketplace environment. Both tests went smoothly.
- OPPD completed in the first three rounds of the auction revenue rights (ARR) process for March-May 2014.

## **Fort Calhoun Station**

OPPD has obtained permission from the Nuclear Regulatory Commission to restart the Fort Calhoun Station

Progress to date:

- Reactor was started at 6:48 pm on Wednesday evening, December 18.
- All physics checks are complete and results are good
- Raising the reactor power to 2% to allow us to warm the generator

Three essential levels of operational security that the District must perform well:

- Operational Safety – NRC watched operators during the first heat up and concluded it was safe to operate the plant
- Emergency Response - the FCS Emergency Response Organization (ERO) conducted an all-call NRC graded exercise on December 3.
  - The NRC exited with favorable results with regards to the ability of the station to effectively drill its ERO and protect the health and safety of the public.
  - No violations or findings were reported at this time, but the inspection team stressed the need for more focus on Operations Support Center (OSC) operations specifically field teams and field team controls.
- Extraordinary security – also tested by the NRC with no issues

At this time, Mr. Gates offered his personal thanks for everyone's commitment and effort at OPPD, as well as the Board of Directors' commitment, to ensuring the restart of the Fort Calhoun Station.

## **TRANSMISSION & DISTRIBUTION (T&D)**

-On November 13 and 14, OPPD participated with more than 150 utilities and other organizations from the United States, Canada and Mexico in a drill called GridEx II, to test how utilities react to terrorism and cyber-attacks on the power grid.

- A similar exercise was held in 2011.
- North American Electric Reliability Council (NERC) was in charge of the exercise and has been working with utilities to address the growing concern that the Grid is vulnerable to terrorist threats, particularly cyber-attacks.
- The utility industry has been working intently to tighten and improve security over the last few years. OPPD departments including Reliability Compliance, System Operations, EMS Operations, Security and Information Protection listened to attack scenarios provided by NERC, discussed each attack and reviewed policies and procedures to ensure appropriate actions would have been taken.
- Recently, OPPD has received a number of phone calls from customers concerned that because of the test, some parts of the grid, including areas in our service territory, could go dark. There was no potential of that happening.
- The drill was a tabletop exercise and no action was taken to impact the live operation of the electric system. In addition to OPPD, NPPD and LES participated in the security exercise.

- A new headquarters for the U.S. Strategic Command (STRATCOM) is under construction on Offutt AFB at the intersection of Fort Crook and Capehart Roads in Bellevue.
  - A new substation immediately north of the site will serve the HQ building as well as other existing load.
  - The sub is approximately 20% complete and will be finished in October 2014.
  - Modifications to associated transmission and distribution facilities and removal of three obsolete substations will be completed by the end of 2016.
  - This will enhance the reliability and maintainability of OPPD's infrastructure on and around the base.
- Substation/System Protection set a new record of 223 days since the last human performance mis-operation. The old record was 218 days.

## **FINANCE**

- Board approval of the 2014 Corporate Operating Plan and 2014 Proposed Fuel and Purchased Power Adjustment (FPPA) and Other Misc. Rate Schedule changes
  - Mr. Gates acknowledged the incredible amount of work in the finance, rate and budget groups on the budget.

## **CUSTOMERS**

- The Corps of Engineers continue to adjust releases from Gavins Point Dam in response to extremely cold weather conditions.
  - Releases were increased to 18,000 cfs on December 7.
  - We expect the Corps to again reduce the release rate to 12,000 cfs once the cold weather diminishes.
  - To date, OPPD power plants have not experienced any operational limitations due to Missouri River flow or depth.
- As was reported on in the OWH, OPPD assisted All Metals Market invested \$2.4M in a machine that can gobble up a pickup, crush it into scrap metal in a matter of minutes. OPPD was recognized for assisting the Company with their unique electric needs.
- Tim Burke will chair the economic Development Council for the Omaha Partnership in 2014 and Tim O'Brien, OPPD's Economic Development Manager, will chair the Site Targeted Advisory Group in 2014 as well.
- On Friday, December 6, the Nebraska Power Review Board approved the amendment to OPPD's Charter to establish eight election subdivisions of equal proportion.
  - The NPRB complimented OPPD on the process and the result of the election subdivisions changes

## **PEOPLE/TEAM**

- Maurice Kimsey, an engineer in Transmission and Distribution Planning, is OPPD's 2013 Career Dream Team representative.
- Sherrye Hutcherson, Vice President of Corporate Services and Chief Administrative officer, is the Co-Chair of the NAACP Freedom Fund Banquet held on December 8. The theme was We Shall Not Be Moved.
- OPPD's Jeff Hanson was recognized by PRSA as the Professional of the Year. OPPD also received an award for our Annual Report.
- Representatives from Metropolitan Community College, University of Nebraska at Omaha and Bellevue University met with OPPD employees who are active or retired military November 6 and 8 at Energy Plaza, Elkhorn and North Omaha Station.
  - They shared information about services and support they can provide to them and their dependents. Presentations will be done at Fort Calhoun and Nebraska City Stations in 2014.

The next item of business was the opportunity for those in attendance to address the Board on any items of District concern.

Mr. John Pollack, 1412 N. 35 St., Omaha, NE updated the Board on winter weather as well as commented on global warming.

Mr. David Corbin, 1002 N. 49 St., Omaha, NE, advised the Board not to underestimate the additional use of solar, wind, and energy efficiencies.

Ms. Patricia Fuller, Council Bluffs, IA thanked the Board for the 400 MW wind purchase and asked about the Board's commitment to environmental sensitive energy.

Ms. Cynthia Tiedeman, 7562 Drexel St., added her voice for additional transparency with customers and urged for more public involvement in the North Omaha Station discussions.

Mr. Graham Jordison, with the Omaha Beyond Coal Campaign, voiced his displeasure with the lack of low income efficiency programs as well as the Fort Calhoun and North Omaha Stations continued operation. Mr. Jordison presented the Board with 800 photos of ratepayers who want to see the North Omaha Station retired.

Ms. Krystal Craig, 7110 S. 76 St., LaVista, NE presented the Board with a stocking and candy advised the Board on her support of finding a solution for the North Omaha Station.

Mr. Ben Nelson, 1434 Hamilton St., Omaha, NE voiced his appreciation for OPPD's work to restart the Fort Calhoun Station as well as for the continued operations of the North Omaha and Nebraska City Stations.

Ms. Kathleen Hughes, 3624 Westgate Rd., Omaha, NE voiced her displeasure with the Chairman's comment about having time to write speeches. She told the Board it is important for the public to write comments and share them with the Board. Chairman Ulrich did apologize for the earlier comment.

Mr. Laverne Thraen, 4728 Cass St., #12, Omaha, NE, asked about a FCS report that President Gates was to have completed. President Gates indicated the report was written and was briefed at several NRC meetings. Mr. Thraen also presented a CD to the Board that contains information from the Rocky Mountain Institute (which is available in the office of the Corporate Secretary).

There being no further business, the meeting adjourned at 11:06 a.m.

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E. E. Easterlin  
Assistant Secretary

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D. S. Cobleigh  
Corporate Secretary