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 Financial Statements consist of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; and Notes to the Financial Statements. The Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Questions concerning any of the information provided in this report should be directed to Investor Relations, 402-636-3286.

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

ORGANIZATION

The Omaha Public Power District is a fully integrated, publicly owned electric utility governed by an elected board of eight directors. The Company serves an estimated population of 799,000 in a 13-county, 5,000-square-mile service area in southeast Nebraska.

FINANCIAL POSITION

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

Condensed Statements of Net Position	2014	2013
Current Assets	$ 770,999	$ 700,882
Other Long-Term Assets and Special Purpose Funds	752,621	757,626
Capital Assets	3,346,861	3,359,141
Total Assets	4,870,481	4,817,649
Deferred Outflows of Resources	36,518	29,310
Total Assets and Deferred Outflows	$4,906,999	$4,846,959
Current Liabilities	$ 402,506	$ 222,405
Long-Term Liabilities	2,541,980	2,717,966
Total Liabilities	2,944,486	2,940,371
Deferred Inflows of Resources	41,000	37,000
Net Position	1,921,513	1,869,588
Total Liabilities, Deferred Inflows and Net Position	$4,906,999	$4,846,959

Total Assets and Deferred Outflows

Total Assets in 2014 increased $52,832,000 or 1.1% over 2013 due to an increase in Current Assets. The change in Current Assets resulted from higher receipts from off-system revenues and receivables from grants.

Deferred Outflows of Resources in 2014 increased $7,208,000 or 24.6% over 2013 due to an increase in the unamortized loss on refunded debt resulting from refinancing subordinated debt.

Total Liabilities, Deferred Inflows and Net Position

Total Liabilities in 2014 increased $4,115,000 or 0.1% over 2013 due to an increase in accounts payable. The change in balances between Current Liabilities and Long-Term Liabilities is due to a reclassification of commercial paper from long-term to current.

Deferred Inflows of Resources in 2014 increased $4,000,000 or 10.8% over 2013 due to an increase in the Rate Stabilization Reserve.

Net Position in 2014 increased $51,925,000 or 2.8% over 2013 based on results of operations.

RESULTS OF OPERATIONS

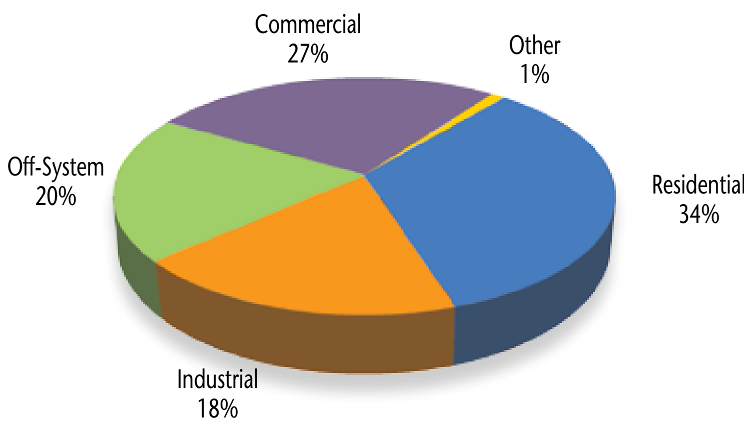
The following table summarizes the operating results for the years ended December 31 (in thousands).

Operating Results	2014	2013
Operating Revenues	$ 1,126,458	$ 1,090,213
Operating Expenses	(1,008,058)	(958,338)
Operating Income	118,400	131,875
Other Income	28,869	20,956
Interest Expense	(95,344)	(97,555)
Net Income	$ 51,925	$ 55,276

Operating Revenues

The following chart illustrates 2014 operating revenues by category and percentage of the total. Other revenues include the Fuel and Purchased Power Adjustment (FPPA), the Rate Stabilization Reserve adjustments and Other Electric Revenues.

2014 Operating Revenues



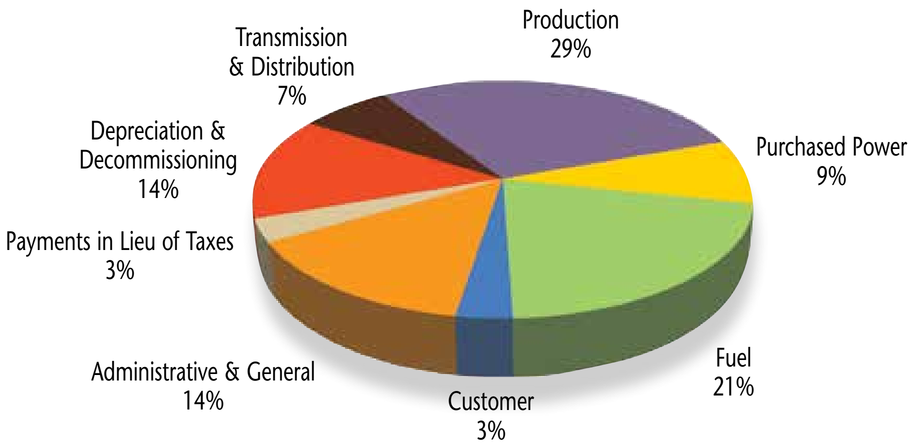
2014 Compared to 2013 – Total operating revenues were $1,126,458,000 for 2014, an increase of $36,245,000 or 3.3% over 2013 operating revenues of $1,090,213,000.

- Revenues from retail sales were $873,605,000 for 2014, a decrease of $68,686,000 or 7.3% from 2013 revenues of $942,291,000. The change in retail revenues was primarily due to decreases in FPPA revenues and reserve transfers.
  - Revenues from retail sales decreased $4,000,000 for transfers to the Rate Stabilization Reserve in 2014 and increased $17,000,000 for transfers from the Debt Retirement Reserve in 2013.
  - Revenues from retail sales decreased $20,147,000 and increased $15,169,000 for FPPA revenues in 2014 and 2013, respectively. The FPPA helped mitigate some of the 2013 financial impact of the extended outage at Fort Calhoun Station (FCS).
- Revenues from off-system sales were $223,055,000 for 2014, an increase of $104,787,000 or 88.6% over 2013 revenues of $118,268,000. The increase was primarily due to the availability of additional generation from FCS, which allowed for the sale of other generation in the off-system marketplace.
- Other Electric Revenues include connection charges, late payment charges, rent from electric property, wheeling fees, insurance recoveries for prior years and miscellaneous revenues. These revenues were $29,798,000 for 2014, an increase of $144,000 or 0.5% over 2013 revenues of $29,654,000.

Operating Expenses

The following chart illustrates 2014 operating expenses by expense classification and percentage of the total.

2014 Operating Expenses



2014 Compared to 2013 – Total operating expenses were $1,008,058,000 for 2014, an increase of $49,720,000 or 5.2% over 2013 operating expenses of $958,338,000.

- Fuel expense decreased $7,000,000 or 3.2% from 2013, primarily due to a lower cost fuel mix resulting from the additional generation from FCS.
- Purchased Power expense increased $9,838,000 or 11.7% over 2013, primarily due to additional renewable energy purchases.
- Production expense increased $21,341,000 or 8.0% over 2013, primarily due to increased maintenance activities at the North Omaha and Nebraska City stations that were moved from 2013 to 2014.
- Transmission expense increased $5,185,000 or 21.6% over 2013, primarily due to higher transmission and regulatory expenses and fees.
- Distribution expense increased $1,448,000 or 3.3% over 2013, primarily due to additional charges for outside services and supporting services.
- Customer Accounts expense increased $995,000 or 6.6% over 2013, primarily due to adjustments for the provision for uncollectible accounts.
- Customer Service and Information expense increased $282,000 or 1.9% over 2013, primarily due to additional charges for outside services.
- Administrative and General expense increased $4,326,000 or 3.3% over 2013, primarily due to higher employee benefit costs.
- Depreciation and Amortization expense increased $10,078,000 or 7.7% over 2013, due to additional depreciation for capital additions and a change in estimates.
- Decommissioning expense increased $3,403,000 over 2013, due to additional funding for the Decommissioning Trust – 1992 Plan. No funding was required in 2013.
- Payments in Lieu of Taxes expense decreased $176,000 or 0.6% from 2013, due to lower retail revenues.

Other Income (Expenses)

Other income (expenses) totaled $28,869,000 in 2014, an increase of $7,913,000 over 2013 other income (expenses) of $20,956,000. Other – net was $4,372,000 higher in 2014, primarily due to grants from the Federal Emergency Management Agency in 2014. Investment income was $2,858,000 higher in 2014 due to an overall increase in the fair market value of fixed income investments.

Allowances for Funds Used During Construction (AFUDC) totaled $13,998,000 in 2014, an increase of $664,000 from 2013 AFUDC of $13,334,000 due to higher construction balances.

A variety of products and services are offered, which provide value both to the customer and the Company. These products include Geothermal Loop Heat Exchangers, ECO 24/7 services, Energy Information Services, Residential and Commercial Surge Protection and an In-Home Electrical Protection Plan. 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 $3,247,000 for 2014, an increase of $19,000 from 2013 income from products and services of $3,228,000. This increase was primarily due to additional income from the In-Home Electrical Protection Plan and Energy Information Services products.

Interest Expense

Interest expense was $95,344,000 for 2014, a decrease of $2,211,000 from 2013 interest expense of $97,555,000. This decrease was due to lower interest payments related to debt refundings in 2014.

Net Income

Net income, after revenue adjustments for changes to the Rate Stabilization and Debt Retirement Reserves, was $51,925,000 and $55,276,000 for 2014 and 2013, respectively. Changes to the Rate Stabilization Reserve resulted in operating revenues and net income decreasing $4,000,000 in 2014. Changes to the Debt Retirement Reserve resulted in operating revenues and net income increasing by $17,000,000 in 2013.

CAPITAL PROGRAM

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

Capital Assets	2014	2013
Electric plant	$5,306,309	$5,186,399
Nuclear fuel – at amortized cost	89,180	101,769
Accumulated depreciation and amortization	(2,048,628)	(1,929,027)
Total utility plant – net	$3,346,861	$3,359,141

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. Capital expenditures were $19,255,000 under budget for 2014.

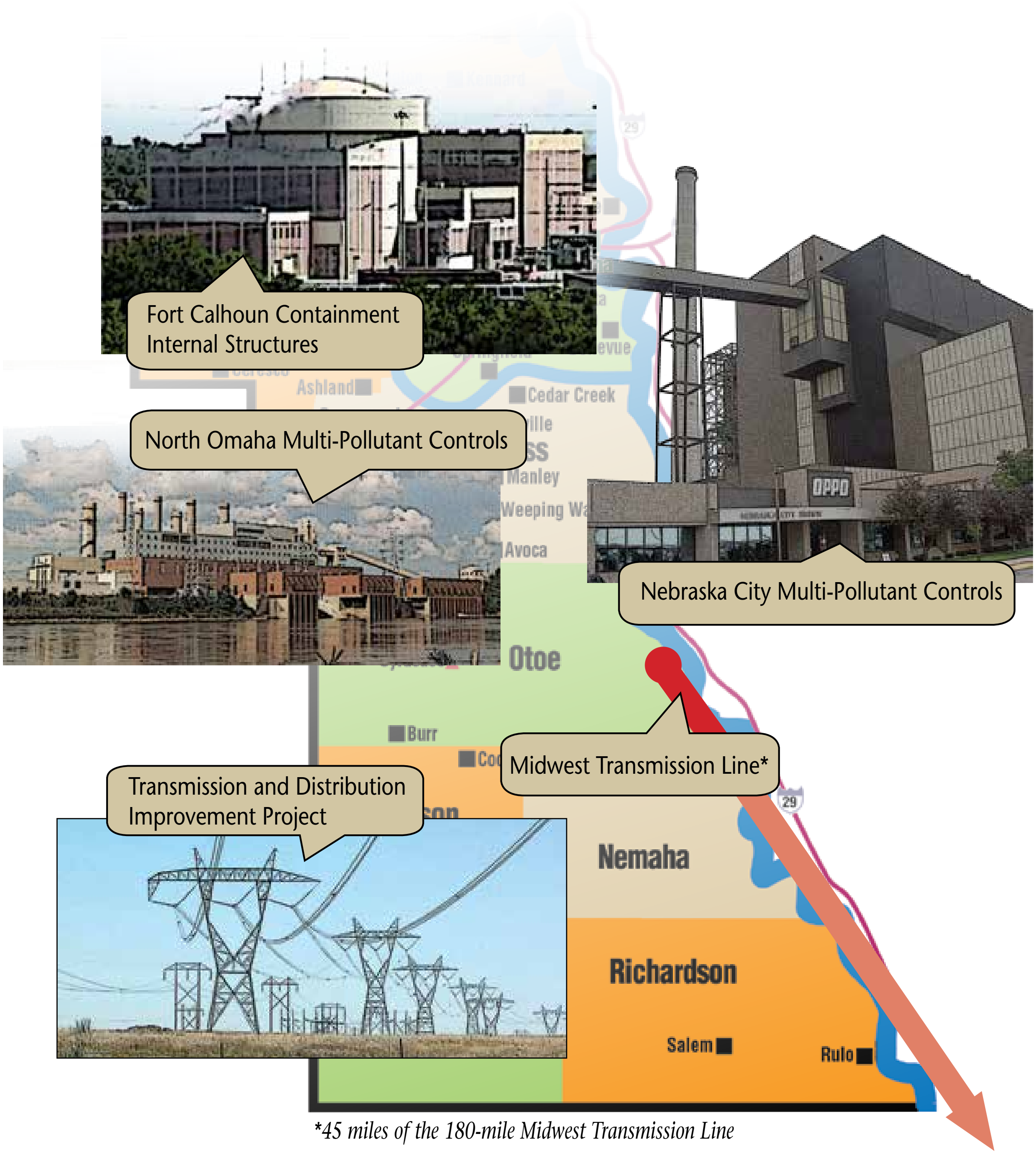
The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2015 (in thousands).

	Budget	Actual	
Capital Program	2015	2014	2013
Production	$152,690	$ 55,268	$ 83,504
Transmission and distribution	90,878	81,390	54,503
General	42,702	17,209	21,069
Total	$286,270	$ 153,867	$ 159,076

Actual and budgeted expenditures for 2013 through 2015 include the following:

- Production expenditures – equipment to comply with increasing environmental regulations. These expenditures also include upgrading fire-protection equipment and reinforcing beams that support equipment inside the reactor containment building at FCS.
- T&D expenditures – a new 345-kilovolt transmission line from Nebraska City Station Substation 3458 to the Nebraska border as part of the Midwest Transmission Project. T&D expenditures also include the installation of substation and distribution facilities to maintain system reliability, enhance efficiency and respond to load growth.
- General plant expenditures – information technology upgrades for cyber security and construction and transportation equipment.

Major Capital Projects 2015 Budget



*45 miles of the 180-mile Midwest Transmission Line

CASH AND LIQUIDITY

Cash Flows

There was a decrease in cash and cash equivalents of $78,943,000 and an increase of $32,366,000 during 2014 and 2013, respectively. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2014	2013
Cash flows from Operating Activities	$326,338	$168,708
Cash flows from Capital and Related Financing Activities	(269,129)	(274,163)
Cash flows from Investing Activities	(136,152)	137,821
Change in Cash and Cash Equivalents	$ (78,943)	$ 32,366

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 2014 increased $157,630,000 over 2013, primarily due to an increase in cash received from off-system sales and reductions in cash paid to operations and maintenance suppliers.

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 for 2014 decreased $5,034,000 from 2013, primarily due to a decrease in cash used for the acquisition and construction of capital assets. Proceeds from long-term borrowings were used to refund long-term debt.

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

- Cash flows for 2014 decreased $273,973,000 over 2013, primarily due to more purchases of investments.

Financing

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

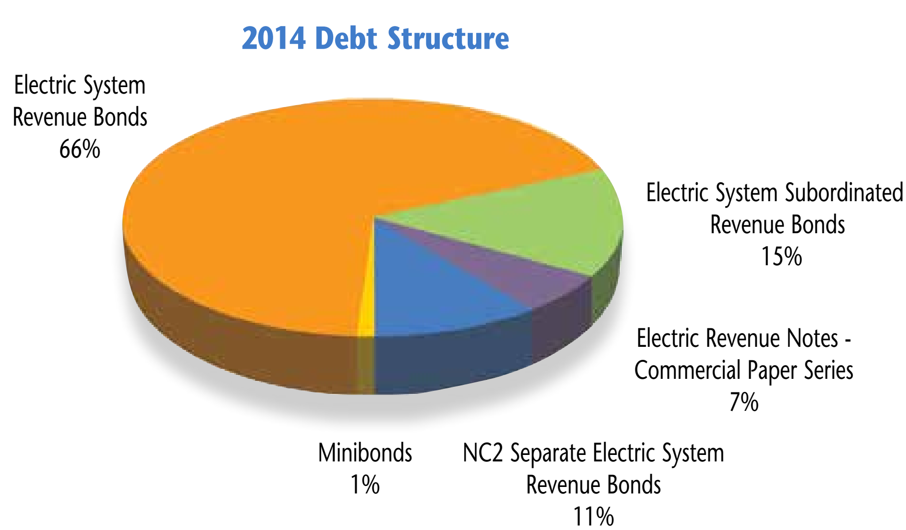
The financing plan optimizes the debt structure to ensure capital needs are financed, liquidity needs are achieved and the Company's strong financial position is maintained. OPPD issued over $447 million in Electric System Revenue Bonds during the first quarter of 2015, including $93 million of new money bonds and $354 million of refunding bonds. The Company will continue to monitor refunding opportunities to achieve any potential interest cost savings for customer-owners.

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

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.

The Company renewed a Credit Agreement for $250,000,000 in 2013, which expires on October 1, 2015. 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, 2014 or 2013. There was $150,000,000 of commercial paper outstanding as of December 31, 2014 and 2013.

The following chart illustrates the debt structure and percentage of the total as of December 31, 2014.



Debt Service Coverage for Electric System Revenue Bonds

Debt service coverage for the Electric System Revenue Bonds was 2.23 and 2.25 in 2014 and 2013, 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 2014 and 2013 for the Nebraska City Station Unit 2 (NC2) Separate Electric System were not included in the calculation because the Electric System Revenue Bonds are not secured by the Separate System. The Company is in compliance with all debt covenants.

Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of debt to total capitalization (debt and net position). This ratio does not include the NC2 Separate Electric System Revenue Bonds since this debt is secured by revenues of the NC2 Participation Power Agreements. The debt ratio was 50.9% and 52.0% as of December 31, 2014 and 2013, 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 and S&P affirmed OPPD's senior lien debt and subordinated ratings, and both have stable outlooks for OPPD's credit ratings.

The following table summarizes credit ratings in effect on December 31, 2014.

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

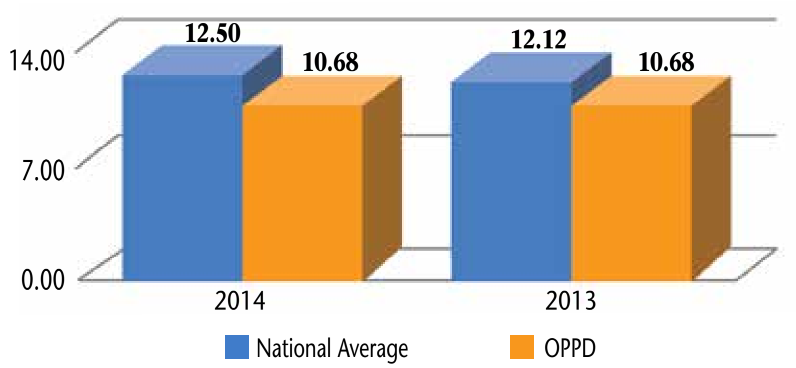
**Payment of the principal and interest on the Minibonds and NC2 Separate Electric System Revenue Bonds 2005 Series A and 2006 Series A, when due, is insured by financial guaranty bond insurance policies.*

RATES

The Company strives to manage costs to align with the mission of providing affordable, reliable and environmentally sensitive energy services to our customers. Residential customers paid an average of 10.68 cents per kilowatt-hour (kWh) in both 2014 and 2013. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 12.50 for 2014 (preliminary year-to-date December 2014) and 12.12 cents per kWh for 2013. Based on the preliminary EIA data for 2014, OPPD residential rates were 14.6% below the national average.

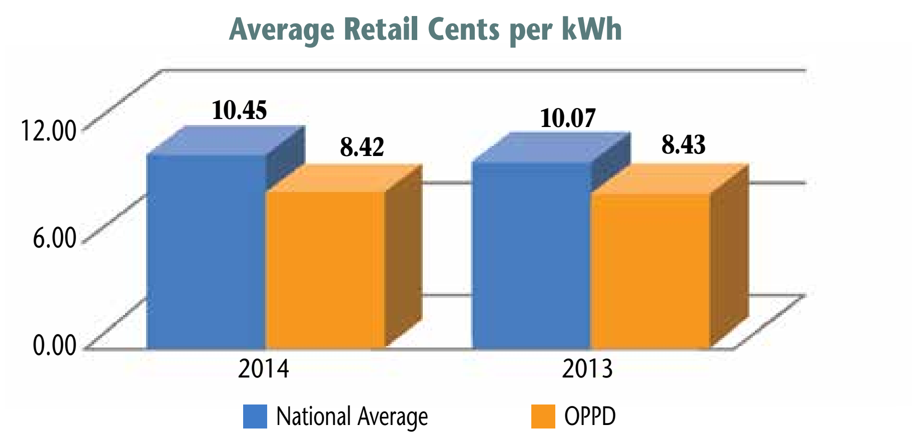
The following chart illustrates the Company's average residential cents per kWh compared to the national average.

Average Residential Cents per kWh



Retail customers paid an average of 8.42 and 8.43 cents per kWh in 2014 and 2013, respectively. The national average retail cents per kWh, according to the EIA, was 10.45 for 2014 (preliminary year-to-date December 2014) and 10.07 cents per kWh for 2013. Based on the preliminary EIA data for 2014, OPPD retail rates were 19.4% below the national average.

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



There was no general rate adjustment in 2014 and an adjustment of 7.3% was implemented in January 2013. The 2013 adjustment was due to increased operating costs. There was no adjustment to the FPPA rate in 2014 and a decrease of 0.4% for 2013. Cost-containment, the use of regulatory accounting and other risk management efforts have limited these rate adjustments. There was no adjustment to the FPPA rate and a 1.6% general rate adjustment implemented in January 2015.

RISK MANAGEMENT

Risk Management Practices

An Enterprise Risk Management (ERM) program ensures strategic objectives are met by specifying risk management standards, management responsibilities, and controls to help ensure risk exposures are properly identified and managed. Specific risk-mitigation plans and procedures are maintained to provide focused and consistent efforts to mitigate various risk exposures. Several cross-functional risk committees and an Executive ERM Committee, which includes the senior management team and legal counsel, are utilized to discuss and analyze the potential risks that could hinder the achievement of strategic objectives. Additionally, the Company has established criteria for risk escalation and oversight. The risks are evaluated periodically and will be escalated to the appropriate oversight levels including the Board of Directors, when applicable. 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. The Company must be able to offer energy at competitive prices and maintain reliability to successfully compete in this market. Energy market prices may fluctuate substantially in a short period of time due to changes in the supply and demand of electricity. Energy trading and risk practices were modified for the implementation of the Integrated Marketplace (IM) in the Southwest Power Pool (SPP) in 2014.

A Rate Stabilization Reserve was established in 1999 to assist in stabilizing retail electric rates. The Board authorized an increase of $5,000,000 to the reserve in March 2014. Strong financial results enabled the Company to add an additional $4,000,000 to the reserve in December 2014. The balance of the reserve was $41,000,000 and $32,000,000 as of December 31, 2014 and 2013, respectively. The balance of the fund was $37,000,000 and $32,000,000 as of December 31, 2014 and 2013, respectively.

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 in 2013. The balances of the reserve and fund were $0 as of December 31, 2014 and 2013.

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

Other Reserves

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

- The Workers' Compensation and Public Liability Reserves are established for the estimated liability for current workers' compensation and public liability claims.
- The Incurred But Not Presented Reserve is an insurance reserve that is required by state law because the Company is self-insured for health care costs. The reserve is based on health insurance claims that have been incurred but not yet presented for payment.
- The Uncollectible Accounts Reserve was established for estimated uncollectible accounts from both retail and off-system sales.
    - Accounts Receivable is reported net of the $1,200,000 reserve for retail sales.
    - An Uncollectible Accounts Reserve for off-system sales was established by the Board of Directors in 1998. Credit risk for off-system energy transactions was reduced with the transition to the SPP IM on March 1, 2014. SPP acts as the central counterparty for all transactions that flow through its transmission organization and monitors corresponding credit requirements for its members. Any defaults are socialized over all members. The Board of Directors authorized the elimination of the Uncollectible Accounts Reserve – Off-System of $5,000,000 with the transition to the IM in March 2014. The Board of Directors authorized the transfer of this reserve to the Rate Stabilization Reserve.

REGULATORY AND ENVIRONMENTAL UPDATES

SPP Integrated Marketplace (IM) 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 services market, balancing authority services and planning authority services.

The SPP Board of Directors approved expansion of the Real-Time Energy Imbalance Market (Day 1 Market) into a Day 2 Market. The SPP Day 2 Market, also known as the IM, includes the Day-Ahead Market, Real-Time Market, Ancillary Services Market and Transmission Congestion Rights Market. OPPD transitioned to the IM on March 1, 2014.

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 180-mile 345-kilovolt power line being built by OPPD and Kansas City Power and Light (Midwest Transmission Project) will run from Substation 3458 near 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 in-service date in the summer of 2017.

Environmental Matters

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

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

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

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

The EPA proposed a new rule pursuant to section 111(d) of the Clean Air Act in June 2014 that would establish state-by-state carbon dioxide (CO_2) emission reduction goals for existing fossil-fueled generating units. Under this proposed rule, the EPA would require states to meet CO_2 emission goals or targets on a state-wide basis starting in 2020. States could allow electric utilities to use a number of measures to meet those goals, including improving generating station efficiency, promoting demand-side energy efficiency programs, or replacing coal generation with natural gas or renewable generation. Fossil-fueled generating units in the state of Nebraska must meet goals that are calculated to be equivalent to CO_2 reductions of 26% from 2005 levels by 2030. Individual state plans will likely be required to be submitted to the EPA by June 30, 2016. Upon receiving a completed plan, the EPA has proposed a twelve-month review period to determine whether a state plan is approved. The cost impact of this proposed rule will be determined once the final rule is issued.

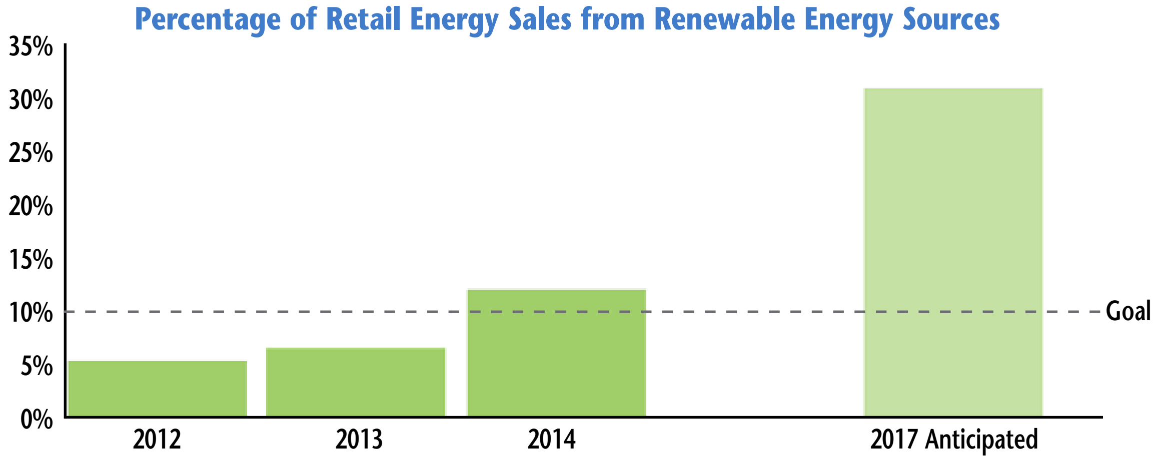
OPPD received a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking projects at NC1 in 1997, 1999, 2002, and 2007. The Company believes it has complied with all regulations relative to the projects in question. The EPA would have to establish the allegations in the NOV in court. If the EPA establishes a Clean Air Act violation in court, the remedy can include civil penalties of up to $37,500 per day for each violation and a requirement to install pollution control equipment. OPPD cannot determine at this time whether it will have any future financial obligation with respect to the NOV.

Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states but not in Nebraska. The Company has established a proactive goal to provide 10.0% of retail energy from renewable sources by 2020. The percentage of renewable energy increased to 12.2% in 2014 from 6.5% in 2013 with the addition of the Broken Bow II and Prairie Breeze wind facilities. These facilities added 244.5 megawatts (MW) of generating capability. The addition of the Grande Prairie wind facility in 2017 will add an additional 400 MW of capability.

A purchased power contract with the Western Area Power Administration provides up to 86 MW per hour of hydro power that is excluded from the goal.

The following chart illustrates the percentage of retail energy sales from renewable energy sources as of December 31.



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

		Capability
OPPD-Owned Generation		
	Elk City Station (landfill-gas)	6.3
	Valley Station (wind)	0.7
	Subtotal OPPD-Owned Generation	7.0
Purchased Wind Generation*		
	Ainsworth	10.0
	Elkhorn Ridge	25.0
	Flat Water	60.0
	Petersburg	40.5
	Crofton Bluffs	13.6
	Broken Bow I	18.0
	Broken Bow II	43.9
	Prairie Breeze	200.6
	Subtotal Purchased Wind Generation	411.6
Total Renewable Generation as of December 31, 2014		418.6
2017 Purchased Wind Generation		
	Grande Prairie	400.0
Total Expected Renewable Generation as of December 31, 2017		818.6

**Wind generation listed in ascending order of initial contract year.*

Federal Energy Legislation

The 114th Congress began its two-year legislative session in January 2015. Both chambers of Congress are operating under the same majority party for the first time since 2010.

There are two areas in which agreements are possible in Congress that could have implications for energy and environmental policy. Tax reform may determine the future for a variety of permanent and temporary incentives including tax-exempt financing and the wind production tax credit. Infrastructure reforms may impact the transmission network and standards.

There may be legislation introduced related to energy efficiency, the long-term storage of high-level nuclear waste and grid security and reliability. These could become part of a comprehensive energy bill or stand-alone legislation. Oversight of EPA's rules to limit greenhouse gas emissions from generating stations will continue. OPPD continues to monitor the status of energy and environmental legislation in Congress and provides input through public power industry groups and the Nebraska Congressional Delegation.

State of Nebraska Energy Legislation

There was no new major legislation that impacted the Company in 2014. 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 Nebraska Legislature enacted Legislative Bill 901 (L.B. 901), during the 2000 session, which implemented recommendations to determine whether retail competition would be beneficial for Nebraska ratepayers. Reports for the governor and legislature on the conditions in the electric industry indicating whether retail competition would be beneficial for Nebraska's citizens are prepared at the request of the Nebraska Power Review Board. All of the conditions for retail competition have not been met, based on the findings from the latest report, dated October 2010.

Fort Calhoun Station Update

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

The Board of Directors authorized management to establish a regulatory asset for certain recovery costs, with amortization over a 10-year period, which commenced after 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 $129,882,000 and $138,362,000 as of December 31, 2014 and 2013, respectively. Amortization of these deferred costs began in December 2013 after resuming station operations.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 estimates could materially impact the financial statements and disclosures based on varying assumptions that could be used. 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 Health Care Benefits, Workers' Compensation and Public Liability	• Cost estimates for claims • Assumptions used in computing the liabilities
Uncollectible Accounts Reserve	• Economic conditions affecting customers • Assumptions used in computing the liabilities
Unbilled Revenue	• Estimates for customer energy use and prices
Depreciation and Amortization Rates of Assets	• Estimates for approximate useful lives

New pension reporting requirements are based on the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements will impact the OPPD financial position and results of operations in 2015. The Board of Directors authorized the use of regulatory accounting in December 2014 to establish a regulatory asset and levelize pension expenses to match the recovery of pension costs through rates.