

Omaha Public Power District Nebraska City Station Unit 2

Special-Purpose Financial Statement for the
Year Ended December 31, 2023, and
Independent Auditor's Report



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Independent Auditor's Report

To the Omaha Public Power District
Omaha, Nebraska

Opinion

We have audited the special-purpose financial statement of the Omaha Public Power District ("OPPD") Nebraska City Station Unit 2 ("NC2") for production facility operations costs (contractual basis) for the year ended December 31, 2023 and the related notes to the special-purpose financial statement.

In our opinion, the accompanying special-purpose financial statement referred to above presents fairly, in all material respects, the production facility operations costs of NC2 for the year ended December 31, 2023 in accordance with the financial reporting provisions of the Participation Power Agreements dated January 15, 2004 (the contract).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statement" section of our report. We are required to be independent of OPPD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statement, which describes the basis of accounting. The special-purpose financial statement is prepared by OPPD on the basis of the financial reporting provisions of the contract, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. As a result, the special-purpose financial statement may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Special-Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the special-purpose financial statement in accordance with the financial reporting provisions of the contract. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special-purpose financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NC2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of OPPD and members of management and Board of Directors, as applicable, of the Participants of the Participation Power Agreement and is not intended to be and should not be used by anyone other than these specified parties.

FORVIS,LLP

Omaha, Nebraska
March 21, 2024

**OMAHA PUBLIC POWER DISTRICT
NEBRASKA CITY STATION UNIT 2**

**SPECIAL-PURPOSE FINANCIAL STATEMENT
FOR PRODUCTION FACILITY OPERATIONS COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In thousands)**

COSTS BY TYPE

VARIABLE ENERGY (Note 3)	<u>\$ 46,748</u>
OPERATING (Note 4)	
Operation	19,137
Maintenance	26,740
Administrative and general	20,164
Other	<u>757</u>
Total operating	<u>66,798</u>
PARTICIPANT (Note 5)	
NC2 capital costs	11,016
Terminal removal costs	610
Inventory carrying charge	152
Professional services and other business expenses	<u>55</u>
Total participant	<u>11,833</u>
INDIVIDUAL (Note 6)	
Debt service costs	13,774
Integrated Marketplace, overscheduled and station use energy charges	1,003
Bond administration costs	<u>7</u>
Total individual	<u>14,784</u>
TOTAL OPERATIONS COSTS	<u><u>\$ 140,163</u></u>

See notes to special purpose financial statement

OMAHA PUBLIC POWER DISTRICT NEBRASKA CITY STATION UNIT 2

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

1. GENERAL

Nebraska City Station Unit 2 (NC2) is a coal-fired electric generating facility adjacent to Nebraska City Station Unit 1 (NC1), located south of Nebraska City, Nebraska. The facility is wholly-owned and operated by Omaha Public Power District (OPPD). On January 15, 2004, Participation Power Agreements (PPA) were executed with seven public power and municipal utilities (Participants) for the purchase of a combined 50% of the output of NC2 over a 40-year period.

On April 29, 2009, NC2 was declared commercially operational and made available for Participant scheduling as of May 1, 2009. Costs of operating and constructing the facility are being recovered from Participants for their share in accordance with the terms of the PPA. This Special-Purpose Financial Statement only includes the production facility operations costs for the NC2 Participants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying Special-Purpose Financial Statement has been prepared in accordance with the accounting basis outlined in the PPA, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and all applicable pronouncements of the Governmental Accounting Standards Board.

Participants' Share — The output and costs are shared by OPPD and the Participants based on the following percentage as provided in the PPA.

Participants	Original Subscription Amount in Megawatts (MW)	NC2 Share (%)
City of Falls City, Nebraska	5	0.83
City of Grand Island, Nebraska	30	5.00
City of Independence, Missouri	50	8.33
Missouri Joint Municipal Electric Utility Commission	50	8.33
City of Nebraska City, Nebraska	10	1.67
Nebraska Public Power District	142	23.67
Central Minnesota Municipal Power Agency	13	2.17
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Total	300	50.00
OPPD	300	50.00
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Total	600	100.00
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The PPA share percentages are based on the original subscription amount of 600 MW. The maximum summer net achievable output was 687 MW for 2023. The output is allocated among the Participants based on their PPA share percentages.

Construction Costs — The Participants were required to fund their share of estimated construction costs. They were given the option to provide their own funds (self-fund) or have Separate System Revenue Bonds issued by OPPD for their share for initial plant construction. Debt service and related administration expenses are individual costs for Participants who chose to fund their share with Separate System Revenue Bonds. The Participants' share of new construction costs since the plant was placed in service are paid from the NC2 Capital Costs Fund, which is funded on a monthly basis by the Participants.

Shared Facilities Costs — The costs of new facilities that provide benefits to both NC1 and NC2 are shared facilities costs. These costs include site rail improvements, storeroom improvements, shop facilities, the administration building addition, and two cells of the ash landfill. These costs are allocated based on the capacity of each unit. Shared facilities costs allocated to NC2 are shared equally between the Participants and OPPD.

3. VARIABLE ENERGY COSTS

Variable energy costs are the fuel-related costs that include the costs of coal, ignition fuel oil, natural gas, fuel transportation, fuel handling and the maintenance of fuel handling facilities and equipment. In addition, ash hauling expense, and the portion of landfill closure and post closure costs attributable to the current period are included in variable energy costs.

OPPD has collected from the Participants their portion of the landfill closure and post closure care costs and is placing those funds into a segregated fund. The balance of the segregated fund as of December 31, 2023, is \$2.0 million.

4. OPERATING COSTS

Operating costs include all operation, maintenance, outage, administrative and general costs, exclusive of the variable energy costs, related to NC2 and the NC2 portion of shared facilities.

5. PARTICIPANT COSTS

Participant costs are the costs, exclusive of variable energy, operating costs and individual costs, solely attributable to the Participants.

NC2 Capital Costs — Participants are charged monthly for their share of NC2 ongoing capital expenditures. The funds collected are kept in the NC2 Capital Costs Fund and withdrawn to reimburse OPPD for the Participants' share of NC2 capital expenditures.

NC2 Capital Cost Fund balances as of December 31, 2022, activity for 2023 and balances as of December 31, 2023, were as follows (in thousands):

	2022	Collections	Expenditures	2023
NC2 Capital Costs Fund	<u>\$ 2,712</u>	<u>\$ 10,665</u>	<u>\$ (12,462)</u>	<u>\$ 915</u>

Capital expenditures for 2023 were primarily for the Landfill Construction, Levee Flood Certification, Spray Dry Atomizer Coating and various smaller projects.

Terminal Removal Costs — The participants are charged for their share of estimated costs related to the removal and decommissioning of NC2 and the NC2 portion of shared facilities. The estimate is based on a study completed by an independent engineering firm. This study will be updated periodically and the amount billed to the Participants will be adjusted accordingly. Collections were \$0.6 million for the year ended December 31, 2023, and the balance of the NC2 Terminal Removal Costs Fund was \$5.8 million at December 31, 2023.

6. INDIVIDUAL COSTS

Individual costs are the costs, exclusive of variable energy, operating and participant costs, which are attributable to individual Participants.

Debt Service and Bond Administration Costs — These costs are for debt service and bond administration costs billed to the Participants who provided their share of estimated construction costs with the proceeds from Separate Electric System Revenue Bonds.

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