

2 0 1 2 A N N U A L R E P O R T

RECHARGED



your energy partner
OPPD
Omaha Public Power District

SERVICE AREA MAP



ABOUT OPPD

Omaha Public Power District is a publicly owned electric utility that serves a population of 780,455 people, more than any other electric utility in the state.

Founded in 1946 as a public entity, the business-managed utility is governed by an elected board of eight directors. While its headquarters is located in Omaha, Neb., OPPD has several other locations in its 13-county, 5,000-square-mile service area in southeast Nebraska.

The majority of OPPD's power comes from three baseload power plants: North Omaha Station and Nebraska City Station, both coal-fired plants, and Fort Calhoun Station, a nuclear power plant. Additional energy comes from three peaking plants and renewable energy resources, including a landfill-gas plant and wind turbines.

RECHARGED

In many ways, 2012 was a remarkable year for OPPD.

While perhaps not as dramatic as 2011, when the Missouri River flooded, 2012 was nonetheless a time of great uncertainty and significant challenges. OPPD emerged from that year recharged as an organization and recommitted to our customers, employees and communities. Thanks to the safe, diligent and creative work of our employees, we

ended 2012 stronger than when the year began.

We are fortunate to work with so many resourceful people at OPPD. Here are some ways our employees helped our customers and communities in 2012:

- The restart of Fort Calhoun Station continued moving forward.
- Summer temperatures hit a record high, but energy-efficiency and demand-side management programs helped prevent blackouts or brownouts that some utilities experienced.
- Commitment to renewable energy took big steps forward with the dedication of two new wind farms and our commitment to a third.
- We reduced operating costs and future interest expense to help offset pressures pushing electricity prices upward.

- Efforts to recruit the next generation of employees blossomed through partnerships.
- We were recognized for outstanding levels of customer satisfaction and for being an employer of choice in the Greater Omaha area.
- Because we are rooted in southeast Nebraska, employees increased their mentoring and volunteerism.
- One of our employees even rescued a family of four from a burning home.

Despite our best efforts, higher operational costs forced OPPD to raise retail rates by 6.9 percent, effective January 1, 2013. Without the diligent efforts of our employees and the sound business decisions by our managers, the increase could have been higher.

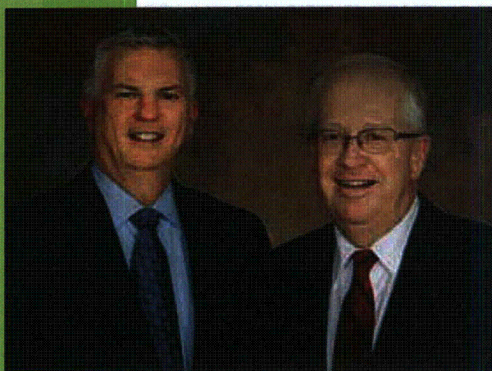
In the pages that follow, we shine a light on some of the resourceful employees and responsible decision-making that is helping recharge OPPD.

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Cable splicer Scott Hadfield works in an underground vault in downtown Omaha. Earlier in 2012, seven other cable splicers (shown on the cover) spent two weeks in New York City to restore hurricane damage.

CHAIRMAN AND CEO MESSAGE



Gary Gates, left, and Fred Ulrich

Employees recharged the utility in 2012. In this report, we share several snapshots of what was done across the utility. Our resourceful employees give us confidence to move forward in an industry that is in the midst of a dramatic evolution.

During 2012, OPPD senior management took a hard look at OPPD's future. Working with strategic planning experts, we created a new Corporate Strategic Plan. In developing the plan, we reviewed every aspect of what OPPD should and could become. We considered the increased concerns of the various stakeholders of our business. We considered different scenarios, ranging from higher nuclear compliance to political and economic drivers for increased environmental regulations. The senior management team then visited almost every OPPD work location to personally share the plan and the utility's new vision and mission.

Employees told us that they were on board with the plan. In fact, they also showed us in their performance throughout the year. Among the challenges employees faced last year was the continuing effort of restart and recovery of Fort Calhoun Station (FCS). Great progress has been made at FCS. One of the major steps was hiring Exelon Generation Company, LLC to manage the day-to-day operations of the plant. They've worked alongside numerous OPPD employees, focusing on improvement efforts to safely return FCS to a high-performing station.

To improve reliability, OPPD has partnered with Kansas City Power & Light on the Midwest Transmission Project, a proposed 150- to 190-mile high-voltage transmission line that will stretch from Nebraska City to Sibley, Mo. The two utilities are developing and constructing the line as part of a plan developed by the Southwest Power Pool (SPP), a regional transmission organization, to relieve congestion on the electric grid, enhance national security and advance renewable energy. Cost of the \$400 million project, scheduled to be in service by June 2017, will be shared by SPP utility members.

We are heading into the future with our eyes wide open, and we continue to value customer input, including our 12th consecutive ranking for highest among midsize utilities in the Midwest in J.D. Power & Associates 2012 Electric Utility Residential Customer Satisfaction StudySM.

As a publicly owned electric utility, we are always mindful of OPPD's responsibility to our customers, employees and communities. We appreciate the diligent efforts of our employees, our board and our customer-owners as we move forward.

Frederick J. Ulrich
Chairman of the Board

W. Gary Gates
President and CEO

BOARD OF DIRECTORS



The OPPD Board of Directors includes, from the left, Tim W. Gay, Anne L. McGuire, Michael A. Mines, Fred J. Ulrich, Michael J. Cavanaugh, Del D. Weber, Thomas S. Barrett and John K. Green.

Fred J. Ulrich
Chairman of the Board
Farmer, Cattle Rancher

Anne L. McGuire
Vice Chairman of the Board
Nurse Educator
(Retired)

Michael J. Cavanaugh
Treasurer
Police Lieutenant, City of Omaha (Retired)
Real Estate Investor – Manager

John K. Green
Secretary
Attorney at Law

Thomas S. Barrett
Board Member
Attorney at Law

Tim W. Gay
Board Member
Governmental Advisor

Michael A. Mines
Board Member
Governmental Advisor

Del D. Weber
Board Member
Chancellor Emeritus,
University of Nebraska
at Omaha

SENIOR MANAGEMENT



The OPPD senior management team includes, from the left, Jon T. Hansen, Louis P. Cortopassi, Mohamad I. Doghman, W. Gary Gates, Sherrye L. Hutcherson, Timothy J. Burke and Edward E. Easterlin.

W. Gary Gates
President
Chief Executive Officer

Edward E. Easterlin
Vice President –
Financial Services
Chief Financial Officer
*Assistant Treasurer,
Assistant Secretary*

Timothy J. Burke
Vice President –
Customer Service and
Public Affairs
Assistant Secretary

Louis P. Cortopassi
Site Vice President
Chief Nuclear Officer

Mohamad I. Doghman
Vice President –
Energy Delivery
Chief Compliance
Officer
Assistant Secretary

Jon T. Hansen
Vice President –
Energy Production and
Marketing
Assistant Secretary

Sherrye L. Hutcherson
Vice President –
Corporate Services
Chief Administrative Officer
Assistant Secretary



RELIABLE



Jake Lang knows all about the record heat wave that broiled southeastern Nebraska last July.

But Jake isn't a weather forecaster.

He's a line technician for OPPD, and he spent most of last July 35 feet up in the air in a bucket truck wearing about 30 pounds of protective gear.

Jake and his colleagues worked to make sure you had power when you wanted it. In our area, temperatures exceeded 90 degrees for 26 days that month. Triple digits were reached on eight days. Unlike customers of other regional utilities, OPPD customers experienced no blackouts or brownouts during last summer's historic heat wave. This is in no small part thanks to Jake and dozens of other OPPD field workers.

In OPPD's generating plants, temperatures were so high that workers wore ice-filled vests to perform tasks near boiler areas. Other line technicians worked in underground vaults, where air was hot, dank and still.

No one complained – that's not what OPPD employees do. And there were no accidents thanks to a focus on safety and frequent water breaks.

Five months later, we asked Jake and his colleagues to restore power following a bone-chilling snowstorm that left 41,000 customers without power in the days



Line technician Jake Lang works from a bucket truck during the summer heat wave. At right, OPPD crews battled bitter cold to quickly restore service after a winter storm knocked out power to thousands. Top right, call center personnel fielded a record number of calls in 2012.



leading up to Christmas. Profuse sweating wasn't so much of a problem then – instead, they faced heavy snow and 40-mile-per-hour winds that lowered visibility and pushed temperatures well below freezing. But like their July efforts, OPPD's field workers strapped on their gear, spent the beginning of each job reviewing safety procedures and then gamely began their work. They worked around the clock until the last customer was restored.



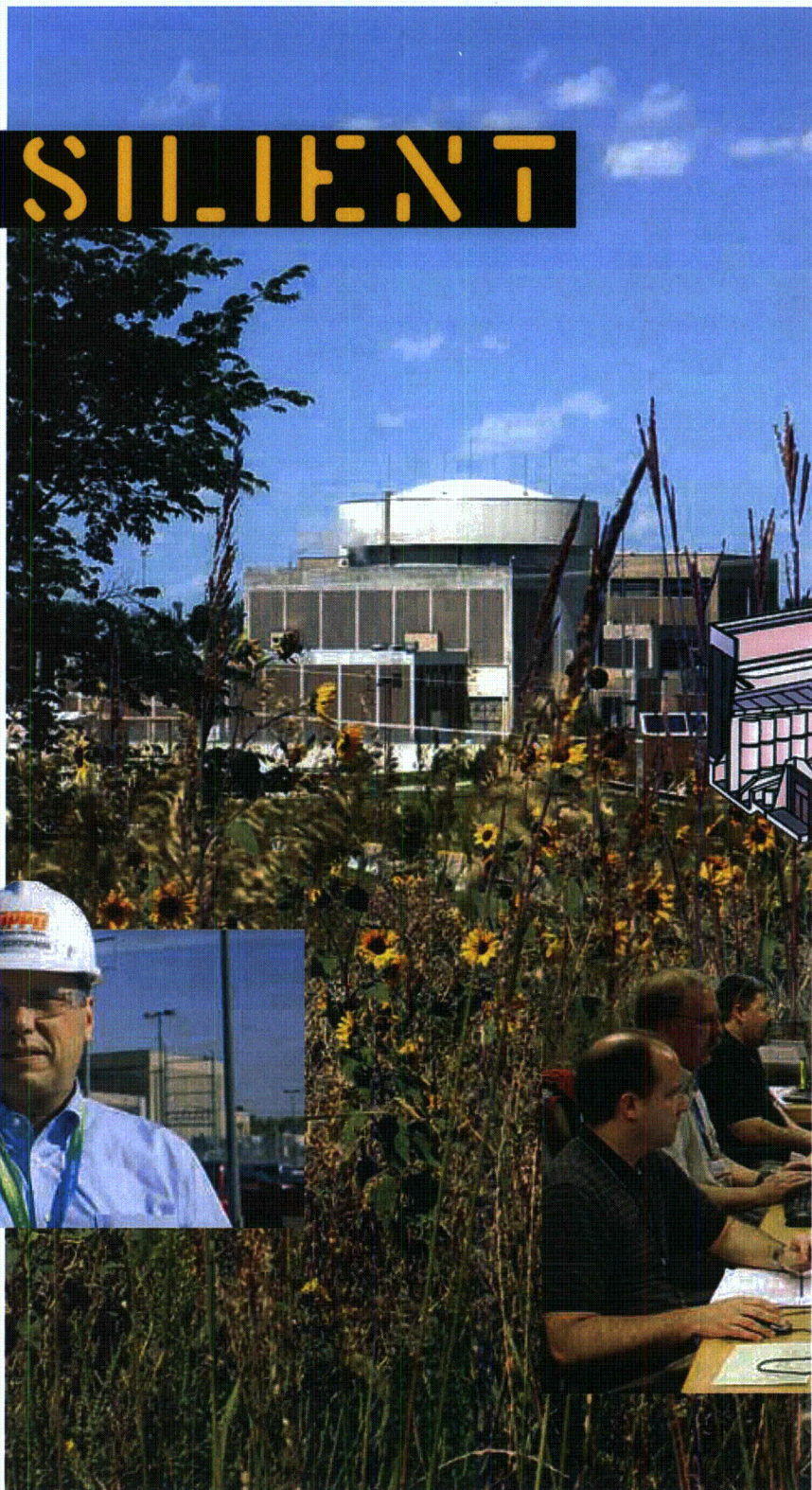
RESILIENT

Safety is job one, two and three for the employees working to restart Fort Calhoun Station (FCS). OPPD partnered with Exelon Generation, an industry expert, to help lead the recovery efforts and to establish and sustain a high level of operating performance.

Under the direction of FCS Site Vice President Lou Cortopassi, these employees have revisited and rechecked several thousand activities while providing near-continual updates to inspection teams from the U.S. Nuclear Regulatory Commission (NRC). Lou emphasizes that employee behavior is the critical foundation for safe, effective management of the restart. Numerous successful meetings were held with NRC officials during 2012, and seven public meetings were held to make sure the community was informed about progress at the plant.

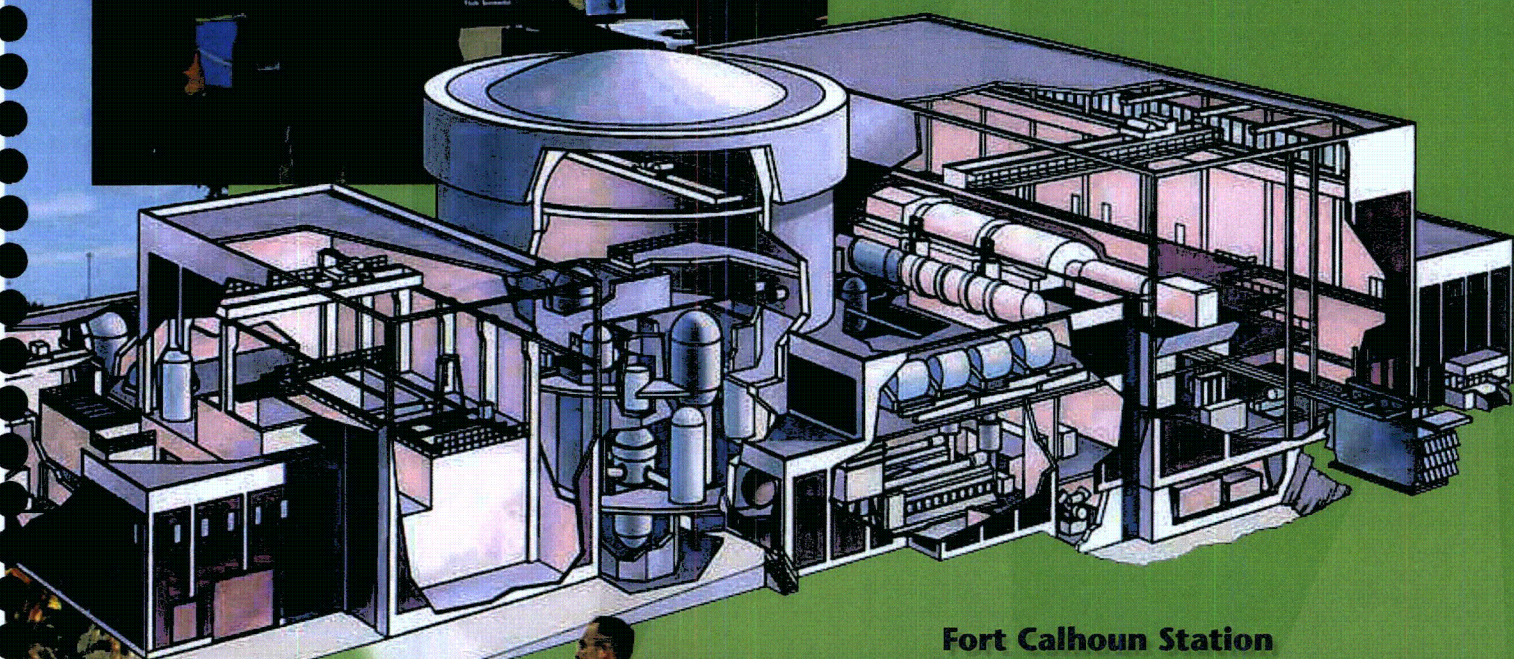
In 2012, the NRC approved our FCS restart plan, and the plant is scheduled to be in service in 2013. The order from the NRC is the culmination of over 18 months of dedicated, safe, hard work by OPPD employees and Exelon personnel.

Safety remains the top priority as the Fort Calhoun Station recovery effort continues. Site Vice President Lou Cortopassi, above, leads the recovery effort for the plant, which is shown in the photo and cut-out diagram. At right, employees work in the Operations Control Center, the hub for restart activities.

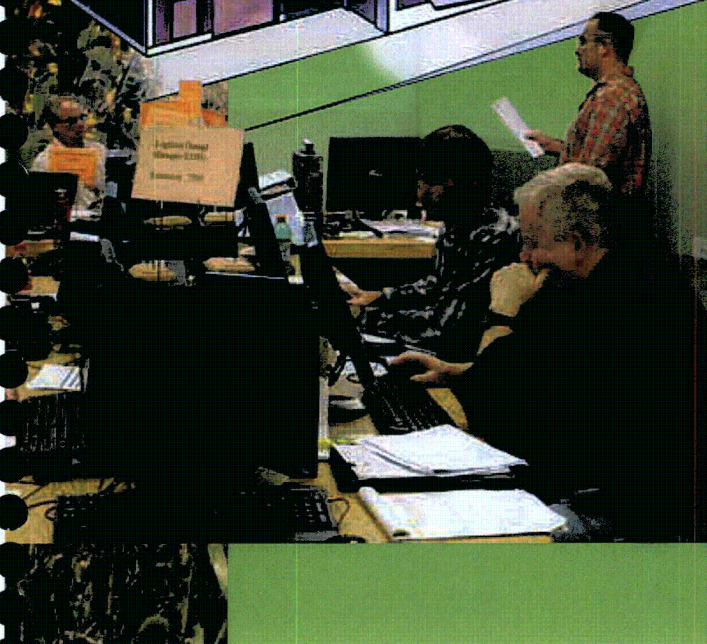
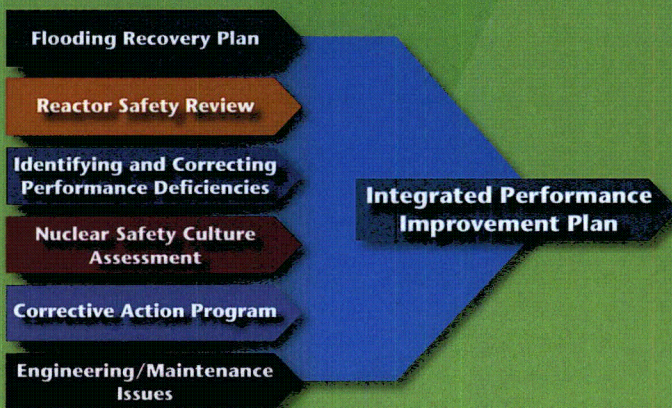




OPPD has kept the public updated on FCS progress via public meetings and the corporate website. At oppd.com, the Integrated Performance Improvement Plan chart, shown below, contains links to plan details.



Fort Calhoun Station Integrated Performance Improvement Plan



RENEWABLE


Few people know what the price of electricity will be in 2039. Dean Mueller and Christene Bywater, who work to build OPPD's sustainable energy portfolio, are two of those people. Christene and Dean helped negotiate a 25-year power-purchase agreement with Prairie Breeze Wind Energy, LLC, to support construction of a 200.6-megawatt (MW) wind farm near Elgin, Neb. OPPD will purchase all of the electricity produced by that facility, which is scheduled to become operational by 2014.

"We negotiated this contract with Prairie Breeze because wind energy prices were at an all-time low, they could build it quickly, and they were willing to lock in the price of power for 25 years," Dean said. "Knowing what the cost of power will be from Prairie Breeze is really important for our customers and OPPD. That kind of certainty is rare."

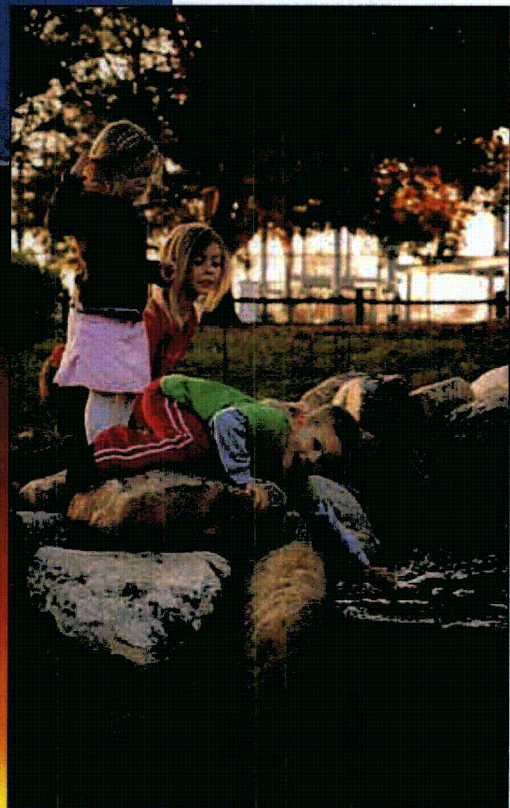
The Prairie Breeze project helps OPPD diversify its fuel mix by adding more wind to a portfolio that also includes coal, nuclear, natural gas and other sources.

Two other Nebraska wind farms dedicated in late 2012, Broken Bow and Crofton Bluffs, are already providing customers with pollution-free kilowatt-hours of electricity. This wind energy helps OPPD "green" its electricity supply. Several years ago, OPPD set a goal of having 10 percent of retail energy from pollution-free, renewable resources by 2020. Now, it looks like we'll attain that goal six years early, in 2014.





Far left, OPPD made huge strides with its renewable portfolio in 2012, thanks largely to work done by Christene Bywater and Dean Mueller.



Children explore nature at OPPD's Arboretum, a 26-acre site that helps educate visitors about proper tree planting and much more.

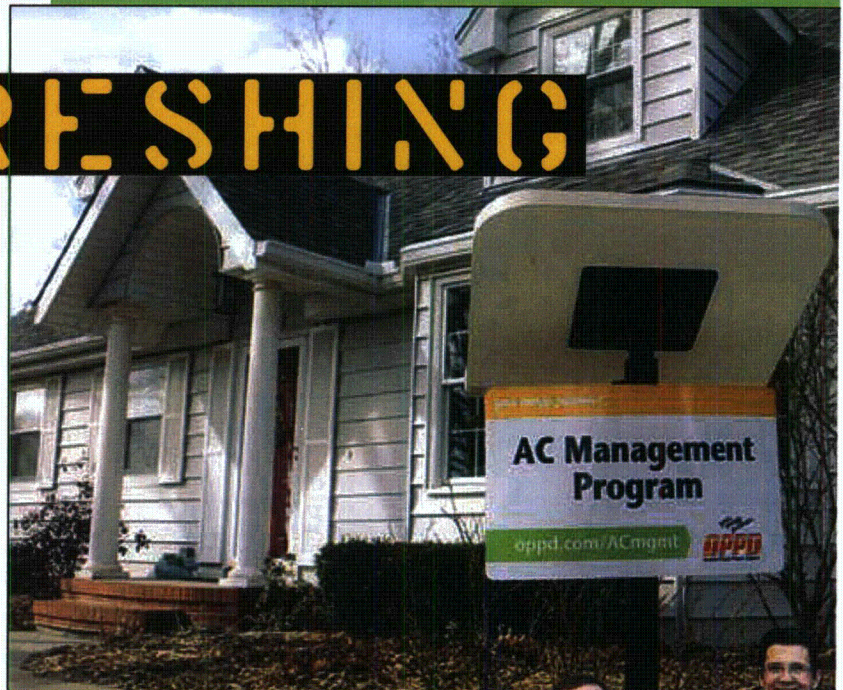
REFRESHING

When demand for something is nearly five times the available supply, that's an important market signal. OPPD experienced that in late 2012 when it sold nearly \$500 million of bonds. Investors placed orders for \$2.4 billion, a sign of their confidence in our business. Because demand for the bonds so far exceeded the supply, OPPD was able to leverage the high demand to obtain favorable interest rates to reduce borrowing costs by \$25.4 million over the lifetime of the new bonds. Reduced debt-service helps keep OPPD prices low.

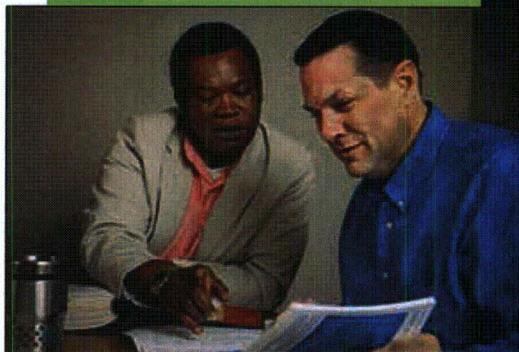
Taking advantage of favorable financing opportunities is only one part of our efforts to manage costs and hold the line on rate adjustments. Our 2013 operating budget includes measures totaling \$103 million that are being used to reduce rates. Measures include drawing on funds in reserves, selling more power to other utilities and spreading the cost of the Fort Calhoun Station restart and recovery efforts over a 10-year period. We are making great progress on both sets of goals.

It also was refreshing to see how well our customers responded to a voluntary new program, the AC Management Program, which reduces electric demand during peak electric demand periods:

- We thought we would get 10,000 participants, but by year-end 12,600 had signed up.
- We projected the program would reduce electric demand by about 15 megawatts (MW), but it was closer to 20.



OPPD introduced the AC Management Program in 2012 to help reduce peak demand, which will result in cost savings for both the utility and its customers.



Employees worked hard to control costs in 2012. Senior Financial Analysts Francois Ngudia, left, and Brian Keenan help manage and oversee utility budgets. At right, employees and outside professionals helped orchestrate OPPD's bond sale.





- We estimated 60 customers would sign up each day, and when the program was unveiled, we realized about 100 per day.

Air conditioners use more electricity than any other home appliance during our hot, humid summer days. Nearly 100 OPPD employees participated in a pilot program a few years ago to help us create and refine the AC Management Program, which alternates when our participants' air conditioner compressors run for a limited number of days during a year.

"By strategically managing our air conditioner usage when

peak demand is high, we can significantly reduce the demand for electricity when it is most expensive," explained Renee Jaksich, a product marketing specialist. Reducing this demand helps OPPD keep rates low.

Customers who signed up received an incentive and a promise: OPPD would only manage their air conditioners a limited number of days during a year, and it was possible OPPD would not have to manage their air conditioners at all. A lot would depend on the weather.

"The AC Management Program is a great example of how small changes by a number of people can add up to big savings," Renee said. OPPD met its goal of reducing overall electric demand by 50 MW in 2012. The AC Management program alone saved about 19 MW of peak electric demand.



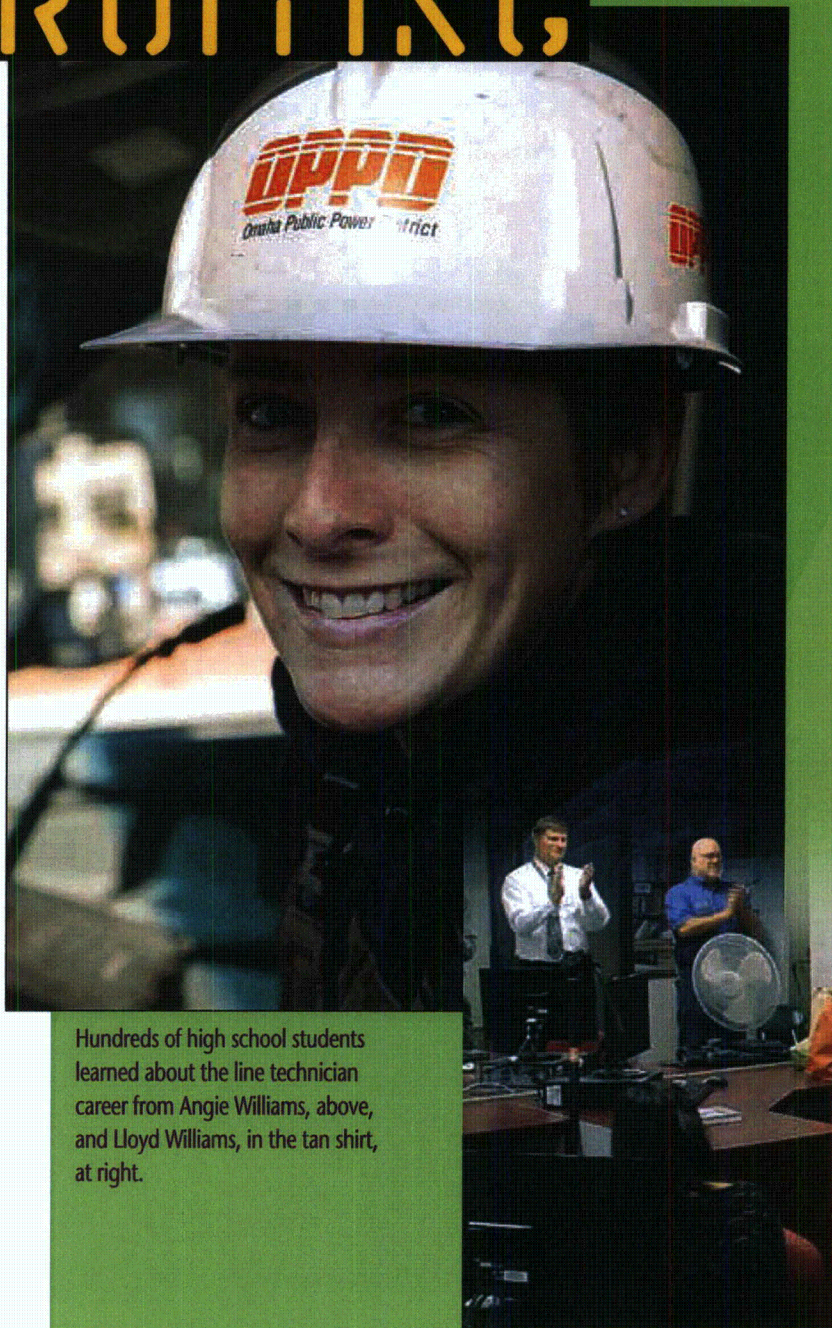
RECRUITING

Lloyd Williams has a different perspective on life. Most work days, Lloyd views it from 35 feet up in the air, standing in a bucket truck or perched atop an OPPD distribution pole, working to maintain and repair equipment as a line technician. And he's trying to bring the next generation of line technicians up there with him.

Lloyd and another OPPD line technician, Angie Williams, let local high school students know about the line technician jobs that are available. OPPD partnered with the Omaha Public Schools and Metropolitan Community College to identify and recruit students with the interest and aptitude to work as a line technician. The outreach program helps OPPD recruit the next generation of field workers while also making its workforce more representative of the community. About 600 students attended presentations by Angie and Lloyd last year. About half were women or minorities.

"You really have to want to do this job," Lloyd told students. "You've got to want to go up that pole." Sometimes it's a long way up. Lloyd might be several hundred feet above ground when he works on high-voltage transmission lines.

Line technicians work in extreme temperatures, ranging from below zero to over 100 degrees. But the pay is good, the work is steady and the sense of accomplishment can't be beat, they told the students. Anyone who wants to work with their hands in a beautiful outdoor "office" should consider a career as a line technician.



Hundreds of high school students learned about the line technician career from Angie Williams, above, and Lloyd Williams, in the tan shirt, at right.

REBOUND

Job-creation remains difficult and slow in southeastern Nebraska as well as across the country.

That's one reason OPPD was so excited that Fidelity Investments decided to build a \$200 million, state-of-the-art data center in Papillion, Neb. Fidelity cited OPPD's low electric rates and high reliability as important factors in its decision. When operating in 2014, the data center will employ 30-35 associates.

"Fidelity Investments is an outstanding company," Nebraska Governor Dave Heineman said in late 2012 announcing the Fidelity decision. "I am especially pleased that the Nebraska Department of Economic

Development, in partnership with Sarpy County, the city of Papillion, Greater Omaha Economic Development Partnership and OPPD, were able to work together to meet Fidelity's needs."

Fidelity said the data center will be environmentally friendly, with construction designs that will outfit the project according to Leadership in Energy and Environmental Design (LEED) standards.

About 50 OPPD employees from 10 departments worked with various state, county and local agencies over the last two years to bring the Fidelity project to the area.

Low electricity rates factored into Fidelity Investments' decision to locate its data center in Sarpy County.



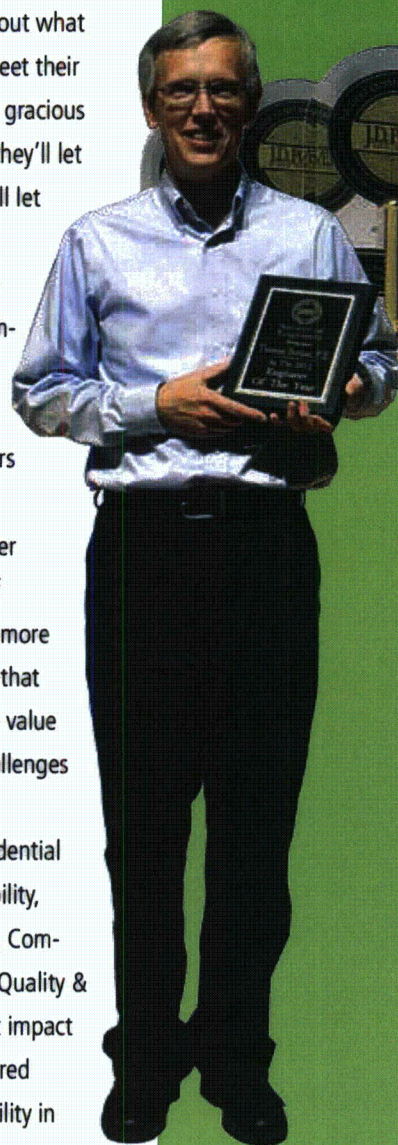
RECOGNITION

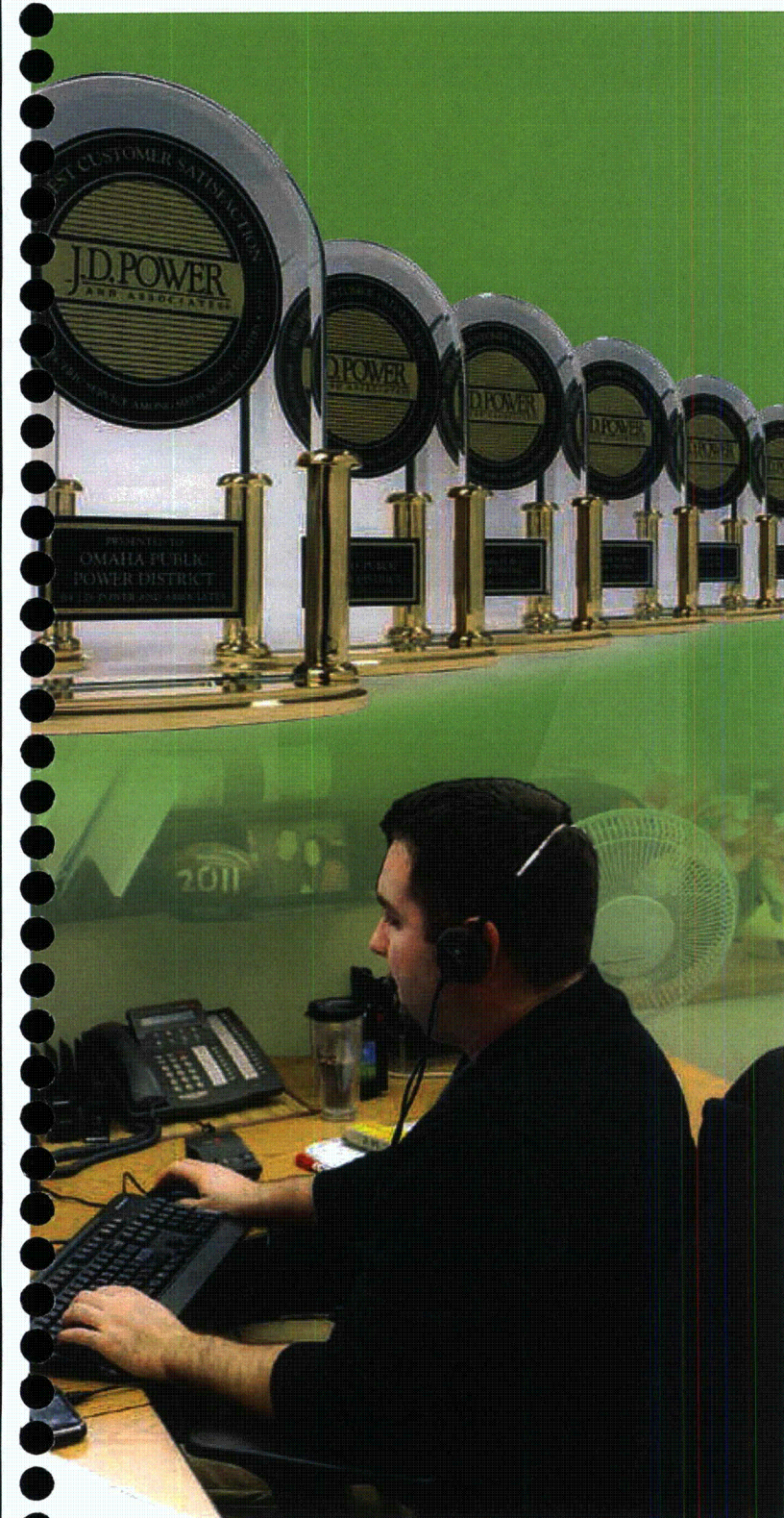
Electricity is the foundation of our society and economy. OPPD's customer-owners are particular about what they want from OPPD, and we work hard to meet their expectations. Nebraskans are among the most gracious people you will find: When you do a job well, they'll let you know. And when you come up short, they'll let you know about that, too.

We'd want it no other way. Last year, for the twelfth consecutive year, our residential customers gave OPPD a particularly strong vote of approval. No other utility has won this award for residential customer satisfaction for 12 years in a row.

Given the events that preceded the J.D. Power survey, including the Missouri River flooding of mid-2011, the customer recognition was even more meaningful. In their responses, customers said that OPPD was on the right track by providing solid value at a fair price, meeting their needs and the challenges that arose, and exceeding their expectations.

The survey identifies six major drivers of residential customer satisfaction – Power Quality & Reliability, Price, Billing & Payment, Corporate Citizenship, Communications and Customer Service. The Power Quality & Reliability component typically carries the most impact on overall customer satisfaction. OPPD has scored highest in its class for power quality and reliability in each of the last five years.





Our customers gave us another important recognition last year. Our business customers gave us the highest customer satisfaction score for a mid-sized electric utility in the Midwest. Some of the innovations we recently introduced, including a business customer call center, played an important role in reaching the top in the Midwestern region. Business customers have different concerns and needs than residential customers.

Serving customers the way they want to be served remains a guiding principle within OPPD. While we are grateful for customer recognition among our peer electric utilities, perhaps the most meaningful recognition we received last year was from the Urban League of Nebraska, which honored OPPD and four other local companies for their efforts to promote diversity and inclusiveness in the community. This award confirmed our view of the importance of building an inclusive community that embraces cultural differences.

OPPD received its twelfth straight J.D. Power and Associates award for customer satisfaction in 2012. Employees like Tom Burton, far left, who was named Engineer of the Year by OPPD Society of Engineers, and Austin Martinez of Customer Care Services strive to deliver high satisfaction in all interactions.



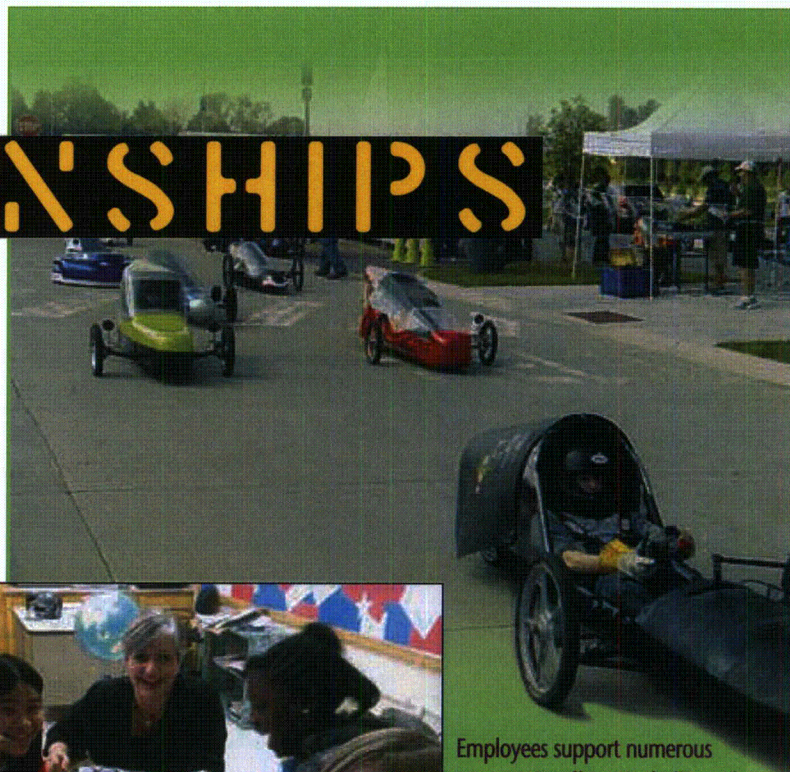
RELATIONSHIPS

OPPD has wide and deep roots in our community. The utility invests in the community in many ways: providing affordable vital services, creating good jobs, paying taxes, improving services and purchasing equipment and services locally whenever possible.

As a locally owned utility, OPPD invests in Main Street, not Wall Street. The recession continues to take a toll on Main Street. In fact, we're still recovering from the soft economy, as well as the devastating flood. Main Street continues to need our help, and we are upping our efforts to meet the community's needs.

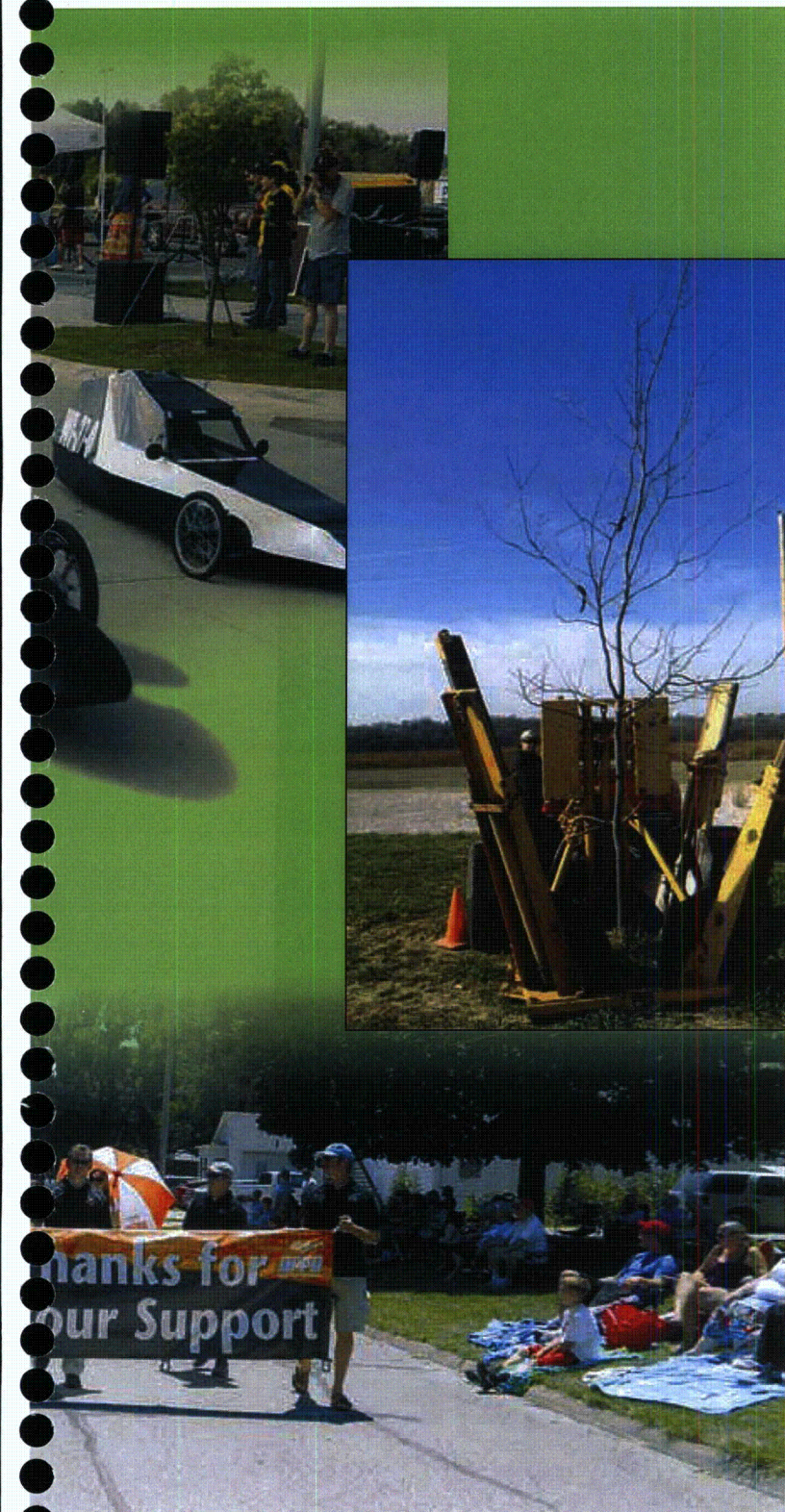
One way we help meet local needs is with employee volunteerism. Spirited involvement with charitable and civic causes improves the quality of life for all of us. Our employees show their love for and loyalty to southeastern Nebraska every day in many ways: serving on boards, mentoring students, coaching youth sports teams, and raising money for good causes. Here are a few snapshots:

- OPPD employees donated over \$350,000 for the annual United Way drive last year.
- Employees volunteered to judge the annual Power Drive competition, where students combine their energy and automotive smarts in a fun and educational way.
- As part of an employee mentoring program, Marty Wetenkamp donated trees and planted them along the banks of the Missouri River near his hometown

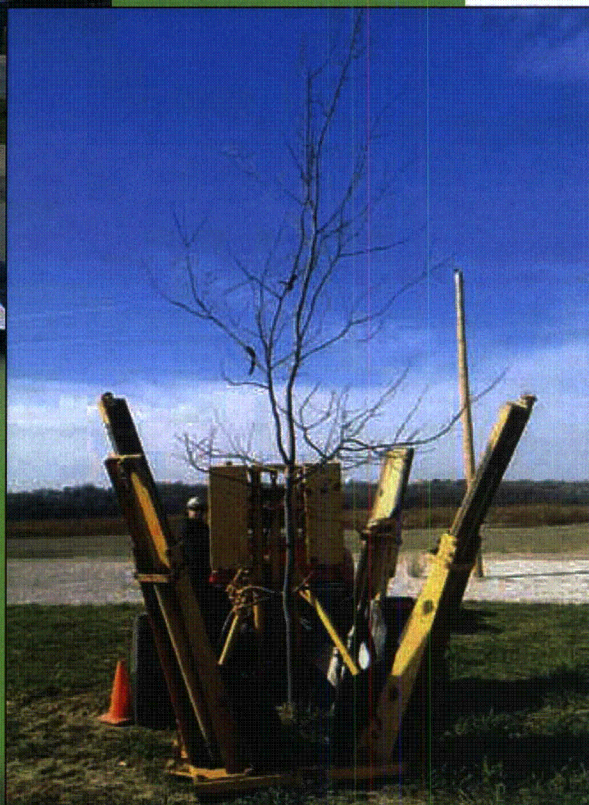


Employees support numerous community efforts, including volunteering at Power Drive Rallies. At left, Rhonda Weyant received recognition for her mentoring efforts.





Left, Marty Wetenkamp helped restore a park destroyed by the 2011 flood. Below center, employees participated in a Washington County parade.



of Plattsmouth, revitalizing an area devastated by the 2011 flooding.

OPPD employees also rallied to support one of their own last year, raising over \$28,000 to help pay for a lung transplant for an employee's spouse.

Beyond volunteerism and charitable giving, OPPD employees improve our quality of life by the passion and creativity they bring to their work:

- The new mobile applications developed by employees allow customers to report power outages and check on estimated restoration times.
- Employees developed energy-efficiency programs that appealed to customers. Enrollments surpassed expectations, and customers reported the programs made saving money easier than ever.
- Employees provided ideas to save money and serve customers better while not cutting corners on safety.

OPPD has a long and deep connection to the people and communities of southeastern Nebraska. Because of our employees, the quality of our service remains high, while the price of our product remains low. The specific needs of an area or a neighborhood can change over time. What doesn't change are the values and behaviors that guide our employees and our organization.

RESPONSIBLE

OPPD employee Tevi Lawson defines "customer service" broadly. And there's a family of four with two dogs in midtown Omaha that is alive today because of Tevi.

Last July, as Tevi was working in the field, he saw the rear deck of a home on fire. People were in the basement, unaware of the fire. Tevi knocked on the door, but no one answered. His knocking became more vigorous and finally someone answered. "Get out! Get out!" Tevi yelled. Finally, the homeowner understood, bringing two other adults, a young girl and two dogs out of the house. Tevi dialed 911 on his cell phone. The group, dazed but with adrenaline pumping through their bodies, moved to the curb and watched as the house was destroyed.

Tevi exemplifies the best our employees have to offer — safety, courage, concern for others and a willingness to act.

For his actions, Tevi received the President's Award from OPPD President Gary Gates. Tevi, a distribution engineer who joined OPPD in 2011, said the act was nothing special. "I was just providing customer service," he said on receiving the award.



Engineer Tevi Lawson earned the OPPD President's Award for his heroic efforts one day while working in the field.



INVESTOR RELATIONS AND CORPORATE INFORMATION

Corporate Headquarters

Energy Plaza
444 South 16th Street Mall
Omaha, Nebraska 68102-2247
402-636-2000
www.oppd.com

General Counsel

Fraser Stryker PC LLO
Omaha, Nebraska

Financial Advisor

Barclays Capital Inc.
New York, New York

Consulting Engineer

SAIC Energy, Environment
& Infrastructure, LLC
McLean, Virginia

Independent Auditors

Deloitte & Touche LLP
Omaha, Nebraska

Bond Counsel

Kutak Rock LLP
Omaha, Nebraska

Commercial Paper Holders

Issuing and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
New York, New York

Senior, Subordinate and Separate System Bondholders

You may contact OPPD with questions about OPPD debt at:

Finance & Investor Relations
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247
Email: finfo@oppd.com
402-636-3286

The Trustee and Paying Agent on OPPD's Senior Lien Debt, Subordinated Revenue Bonds and Separate System Revenue Bonds is The Bank of New York Mellon Trust Company, N.A. You may contact The Bank of New York Mellon Trust Company, N.A. directly at:

The Bank of New York Mellon Trust Company, N.A.
Global Corporate Trust
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602

Email: corporate.bond.research@bankofny.com
Bondholder Relations: 800-254-2826

OPPD Minibond Holders

OPPD is the Paying Agent, Transfer Agent and Registrar on OPPD's Minibonds. OPPD Minibond Administration provides information and assistance to Minibond holders regarding:

- **Interest Payments**
Interest on Current Interest-Bearing Minibonds is paid on April 1 and October 1 each year.
- **Ownership Transfer**
Minibond Transfer Information Forms can be obtained via www.oppd.com or by contacting the Minibond Administrator.
- **Optional Early Redemption**
- **Replacement of Lost Minibond Certificate**

Minibond Administrator

You may contact the Minibond Administrator at:

Minibond Administrator
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247
Email: minibonds@oppd.com
Omaha, Nebraska area: 402-636-3286
Outstate Nebraska: 800-428-5584

Available Financial Information

In compliance with Securities and Exchange Commission Rule 15c2-12, information regarding OPPD is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. Copies of its most recent annual reports, interim reports and official statements also are available upon request at finfo@oppd.com or at the following address:

Finance Division
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247

Financial information in the annual report also is available at www.oppd.com

2012 OPPI FINANCIAL REPORT

2012 Financial Report CD

Management's Discussion
and Analysis (Unaudited)

Report of Management

Independent Auditors'
Report

Statements of Net Position

Statements of Revenues,
Expenses and Changes
in Net Position

Statements of Cash Flows

Notes to Financial
Statements

Statistics (Unaudited)



oppd.com

444 South 16th Street Mall
Omaha, Nebraska 68102-2247

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OMAHA PUBLIC POWER DISTRICT 2012 FINANCIAL REPORT



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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.

Management's Discussion and Analysis (MD&A) – This 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 unaudited 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). Based on new requirements from the Governmental Accounting Standards Board (GASB), reclassifications were made for certain items previously reported as assets and liabilities to deferred outflows and deferred inflows of resources, respectively. These 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 the 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.

OVERVIEW

OPPD is a fully integrated electric utility serving a 5,000-square-mile, 13-county region in southeast Nebraska. Corporate headquarters is located in Omaha, Nebraska, with generating stations, service centers and customer service offices strategically located throughout the service territory. The Company is governed by an eight member Board of Directors representing areas of the service territory. Revenues are generated from a combination of retail sales, off-system sales and other electric products and services.

OPPD has a history of providing safe, reliable electric service to its customers and that tradition continued in 2012 amid operational and financial challenges. The most significant efforts were related to the ongoing outage of the Fort Calhoun Station (FCS). FCS remains under increased oversight by the Nuclear Regulatory Commission (NRC). The station is in an extended outage that began in 2011 due to issues related to Missouri River flooding and other performance deficiencies.

In an effort to resolve the extended outage challenges and performance deficiencies on a long-term basis, OPPD contracted with Exelon Generation Company, LLC (Exelon), the largest operator of nuclear stations in the United States. Exelon will provide oversight of day-to-day operations of FCS. OPPD expects to benefit from Exelon's extensive knowledge and experience in nuclear operations.

Returning FCS to service continues to be a high priority as the carbon-free energy source supports OPPD's diverse energy portfolio. Activities identified by the NRC for restart are nearing completion and are being reviewed by the NRC. FCS is expected to return to service in 2013; however, the extended outage caused OPPD to incur significant unplanned operations and maintenance costs (Recovery Costs).

Recovery Costs have been incurred to address performance deficiency concerns and enhance current and future FCS operations. OPPD's Board of Directors authorized the use of regulatory accounting to defer \$70,627,000 of these costs in 2012. The Recovery Costs will be amortized over a 10-year period after FCS operations resume and the station's regulatory rating is reclassified and

increased to a more favorable NRC regulatory category. Fuel and purchased power costs are not included in Recovery Costs but have increased as a result of the extended FCS outage.

OPPD mitigated a considerable portion of the increased fuel and purchased power expense with an outage insurance policy. The Company recognized \$36,643,000 of insurance recoveries from this policy in 2012. These recoveries were used to reduce the Fuel and Purchased Power Adjustment (FPPA) for customer-owners. Rate Stabilization Funds were used in 2011 to help fund the additional costs of the extended FCS outage. Outage insurance proceeds and 2012 FPPA recoveries for prior years were used to fully restore this fund balance to \$32,000,000 in January 2013.

Internal cost reductions, risk-management practices, and the use of regulatory accounting contributed to improved financial results in 2012. Outage insurance proceeds and the deferral of Recovery Costs lessened the financial impact from the extended FCS outage. Reserves were also utilized to maintain a strong financial position. The 2012 Corporate Operating and Capital Expenditure Plan provided for the use of \$30,000,000 of the Debt Retirement Reserve (Reserve) in 2012. After a review of OPPD's financial results, only \$17,000,000 of this Reserve was used in 2012, leaving additional Reserves for use in future years.

A general rate adjustment of 7.3% and an FPPA decrease of 0.4% were implemented in 2013. These adjustments resulted from increased operating costs, while several cost-reduction and risk-management measures, as well as lower fuel costs, limited the increase to a net adjustment of 6.9%. The revenue increases from these adjustments will help maintain the Company's strong financial position.

OPPD continues to demonstrate strength and stability when facing industry and other challenges, consistent with its reputation and success in managing similar situations in the past. The Company will continue to plan and innovate to meet the needs of customer-owners. A new Corporate Strategic Plan was developed in 2012. The new plan provides direction through strategic initiatives and facilitates organizational alignment to achieve the vision of being a fully engaged organization that achieves competitive rates, while maintaining financial stability and high satisfaction. At OPPD, the commitment to the customer-owners and the value of public power remains clear.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

Condensed Statements of Net Position	2012	2011
Current Assets	\$ 809,696	\$ 627,163
Other Long-Term Assets and Special Purpose Funds	683,886	601,392
Capital Assets	3,342,731	3,285,897
Total Assets	4,836,313	4,514,452
Deferred Outflows of Resources	33,502	22,264
Total Assets and Deferred Outflows	<u>\$4,869,815</u>	<u>\$4,536,716</u>
Current Liabilities	\$ 385,947	\$ 225,272
Long-Term Liabilities	2,615,556	2,480,961
Total Liabilities	3,001,503	2,706,233
Deferred Inflows of Resources	54,000	71,000
Net Position	1,814,312	1,759,483
Total Liabilities, Deferred Inflows and Net Position	<u>\$4,869,815</u>	<u>\$4,536,716</u>

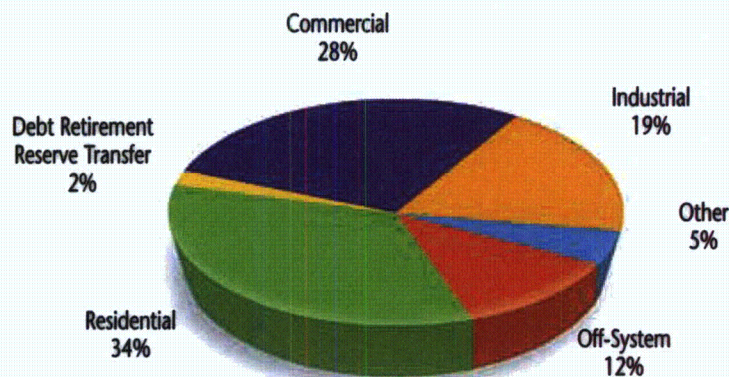
The following summarizes OPPD's operating results for the years ended December 31 (in thousands).

Operating Results	2012	2011	2010
Operating Revenues	\$1,047,997	\$1,041,762	\$ 986,350
Operating Expenses	(928,961)	(943,810)	(872,001)
Operating Income	119,036	97,952	114,349
Other Income	28,418	37,257	21,255
Interest Expense	(92,625)	(89,149)	(87,177)
Net Income Before Special Item	54,829	46,060	48,427
Special Item	-	8,380	(8,380)
Net Income	<u>\$ 54,829</u>	<u>\$ 54,440</u>	<u>\$ 40,047</u>

Operating Revenues

The following chart illustrates 2012 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.

Operating Revenues - 2012



2012 Compared to 2011

Total operating revenues were \$1,047,997,000 for 2012, an increase of \$6,235,000 or 0.6% over 2011 operating revenues of \$1,041,762,000.

- The change in 2012 total operating revenues compared to 2011 was mainly due to increased retail energy sales, higher retail energy prices and insurance recoveries, which were partially offset by lower off-system sales revenues.
- Revenues from retail sales, excluding Debt Retirement Reserve transfers, were \$852,906,000 for 2012, an increase of \$24,228,000 or 2.9% over 2011 revenues of \$828,678,000. The change in retail revenues was due to increased energy sales and higher energy prices.
- Revenues from retail sales includes \$17,000,000 in transfers from the Debt Retirement Reserve for 2012, which was \$7,000,000 less than the transfer from the Debt Retirement Reserve of \$24,000,000 for 2011.
- Revenues from off-system sales were \$123,191,000 for 2012, a decrease of \$36,541,000 or 22.9% from 2011 revenues of \$159,732,000. The decrease was due to the extended outage at FCS, which resulted in less energy available for sale to the off-system market.
- Other electric revenues were \$54,900,000 for 2012, an increase of \$25,548,000 or 87% over 2011 revenues of \$29,352,000. The increase was primarily due to outage insurance recoveries.

2011 Compared to 2010

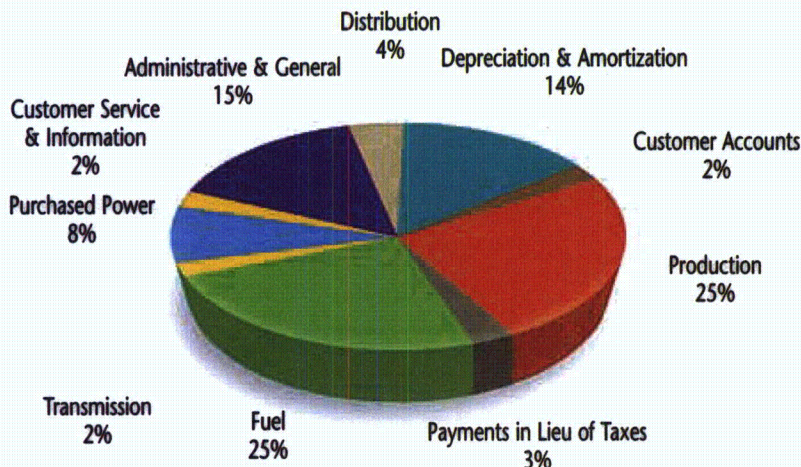
Total operating revenues were \$1,041,762,000 for 2011, an increase of \$55,412,000 or 5.6% over 2010 operating revenues of \$986,350,000.

- The change in 2011 total operating revenues compared to 2010 was mainly due to transfers from the Debt Retirement Reserve and the recognition of additional revenues for the under-recovery of FPPA.
- Revenues from retail sales, excluding Debt Retirement Reserve transfers, were \$828,678,000 for 2011, an increase of \$42,862,000 or 5.5% over 2010 revenues of \$785,816,000. The change in retail revenues was primarily due to the revenue adjustment for the under-recovery of fuel and purchased power expenses of \$35,345,000.
- Revenues from retail sales includes \$24,000,000 in transfers from the Debt Retirement Reserve for 2011. Revenues were decreased \$13,000,000 in 2010 for transfers to the Debt Retirement Reserve in 2010. The net change in revenues for 2011 was \$37,000,000 more than in 2010.
- Revenues from off-system sales were \$159,732,000 for 2011, a decrease of \$24,642,000 or 13.4% from 2010 revenues of \$184,374,000. The decrease was due to the extended outage at FCS, which resulted in less energy available for sale to the off-system market.

Operating Expenses

The following chart illustrates 2012 operating expenses by expense classification and percentage of the total.

Operating Expenses - 2012



2012 Compared to 2011

Total operating expenses were \$928,961,000 for 2012, a decrease of \$14,849,000 or 1.6% from 2011 operating expenses of \$943,810,000.

- Fuel expense decreased \$39,473,000 from 2011, primarily due to reduced generation from the FCS outage and lower fossil-fuel prices.
- Purchased Power expense increased \$9,887,000 over 2011 due to the extended outage at FCS and additional renewable energy purchases.
- Production expense decreased \$6,445,000 from 2011, primarily due to the deferral of FCS Recovery Costs.
- Transmission expense increased \$3,645,000 over 2011, primarily due to higher transmission and regulatory expenses.
- Distribution expense increased \$1,108,000 over 2011, primarily due to the return to normal operating activities after the 2011 Missouri River Flood Event (Flood Event).
- Customer Service and Information expense increased \$2,823,000 over 2011 due to increased expenses for sustainable energy incentive programs.
- Administrative and General expense increased \$9,087,000 over 2011, primarily due to higher employee benefit costs.
- Depreciation and Amortization increased \$2,717,000 over 2011 due to additional depreciation for capital additions.
- Payments in Lieu of Taxes expense increased \$1,877,000 over 2011, primarily due to higher retail revenues.

2011 Compared to 2010

Total operating expenses were \$943,810,000 for 2011, an increase of \$71,809,000 or 8.2% over 2010 operating expenses of \$872,001,000.

- Fuel expense increased \$23,752,000 over 2010, primarily due to a greater utilization of higher priced fossil fuels, resulting from the extended outage at FCS.
- Purchased Power expense increased \$23,797,000 over 2010 due to the extended outage at FCS and additional renewable energy purchases.
- Production expense increased \$11,954,000 over 2010, primarily due to the utilization of additional resources related to the Flood Event.
- Transmission expense increased \$4,126,000 over 2010, primarily due to the utilization of additional resources related to the Flood Event and higher transmission fees for energy purchases.
- Distribution expense decreased \$3,392,000 from 2010, primarily due to the diversion of resources from routine operations and maintenance activities to the Flood Event. Many of the expenditures for the Flood Event were offset by estimated insurance recoveries.
- Customer Service and Information expense decreased \$2,478,000 from 2010 due to fewer expenses for heat pump incentives and other sustainable energy programs.

- Administrative and General expense increased \$10,989,000 over 2010, primarily due to higher employee benefit costs.
- Depreciation and Amortization increased \$2,884,000 over 2010 due to additional depreciation for capital additions.

Other Income (Expenses)

Other income (expenses) totaled \$28,418,000 in 2012, a decrease of \$8,839,000 from 2011 other income of \$37,257,000. Other - net was \$10,191,000 lower, primarily due to the significant grants from the Federal Emergency Management Agency (FEMA) in 2011 for the Flood Event. This decrease was partially offset by the change in allowances for funds used during construction (AFUDC), which was \$2,049,000 higher than 2011 primarily due to capital expenditures at FCS.

In 2012, contributions in aid of construction (CIAC) and the related offsetting expense, reduction of plant costs recovered through CIAC, were \$5,596,000 higher than in 2011 primarily due to reimbursements from Offutt Air Force Base, Nebraska City Station Unit 2 (NC2) participants and insurance companies.

Other income (expenses) totaled \$37,257,000 in 2011, an increase of \$16,002,000 over 2010 other income of \$21,255,000. Other - net was \$12,034,000 higher, primarily due to estimated FEMA grants for certain costs incurred for the Flood Event and federal subsidies for retiree health care and interest on Build America Bonds. AFUDC was \$3,486,000 higher than 2010, primarily for capital expenditures at FCS.

In 2011, CIAC and the related offsetting expense, reduction of plant costs recovered through CIAC, were \$3,603,000 higher than in 2010, primarily due to reimbursements from NC2 participants.

OPPD offers a variety of products and services, 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 Exchangers. 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 \$3,279,000 for 2012, an increase of \$383,000 over 2011 income of \$2,896,000. This increase was primarily due to greater income from sales of the ECO 24/7 and Geothermal Heat Loop Exchange products.
- Income from products and services was \$2,896,000 for 2011, an increase of \$176,000 over 2010 income of \$2,720,000. This increase was primarily due to greater income from sales of the In-Home Electrical Protection Plan and ECO 24/7 products.

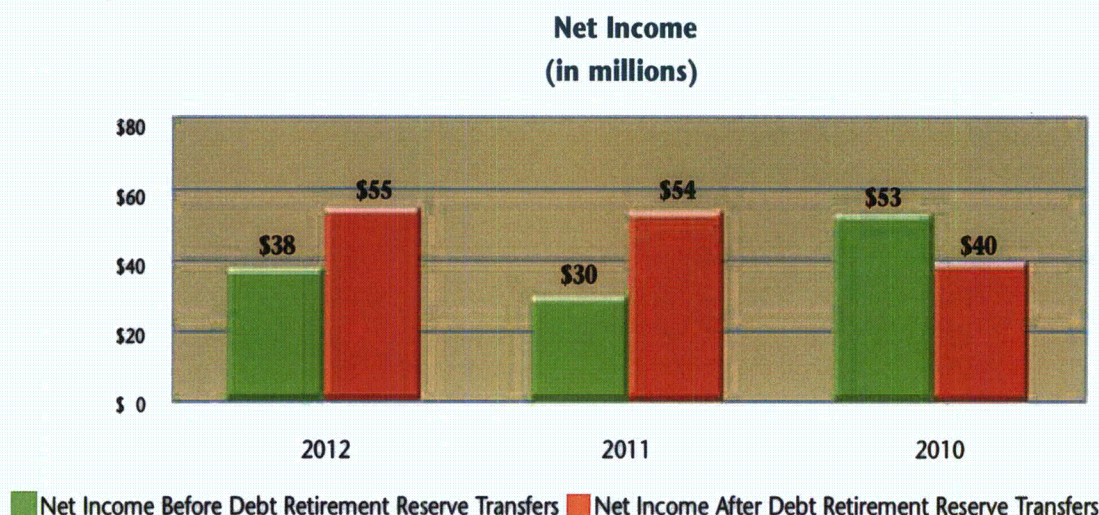
Interest Expense

Interest expense was \$92,625,000 for 2012, an increase of \$3,476,000 over 2011 interest expense of \$89,149,000. Interest expense was \$89,149,000 for 2011, an increase of \$1,972,000 over 2010 interest expense of \$87,177,000. Both of these increases were due to interest associated with new bond issues.

Net Income

Net income, after revenue adjustments for changes to the Debt Retirement Reserve, was \$54,829,000, \$54,440,000 and \$40,047,000 for 2012, 2011 and 2010, respectively. Changes to the Debt Retirement Reserve resulted in operating revenues and net income increasing by \$17,000,000 and \$24,000,000 in 2012 and 2011, respectively, and decreasing by \$13,000,000 in 2010.

The following chart illustrates net income (in millions) for the past three years.



Number of Customers

OPPD has a stable, diverse customer base that continues to increase at a modest rate of growth.

- The average number of customers served was 352,350 in 2012, an increase of 127 over the average number of customers for 2011 of 352,223.
- The average number of customers served was 352,223 in 2011, an increase of 5,432 or 1.6% over the average number of customers for 2010 of 346,791.

The following table shows the average number of customers by customer class.

Number of Customers	2012	2011	2010
Residential	308,516	308,412	303,374
Commercial	43,589	43,564	43,225
Industrial	210	206	154
Off-System	35	41	38
Total	<u>352,350</u>	<u>352,223</u>	<u>346,791</u>

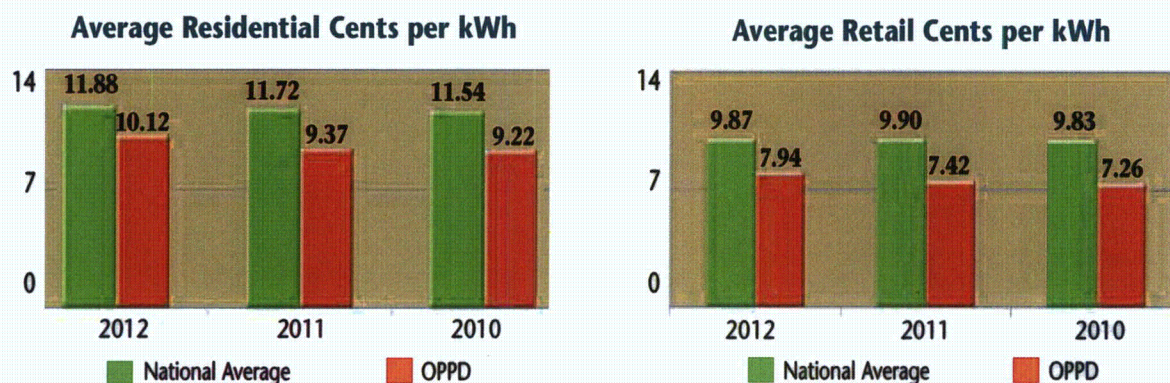
There was a reclassification of customers between Commercial and Industrial due to changes in annual energy usage in 2011.

Cents per kWh

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

- Residential customers paid an average of 10.12, 9.37 and 9.22 cents per kilowatt-hour (kWh) in 2012, 2011 and 2010, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 11.88 for 2012 (preliminary year-to-date December 2012) and 11.72 and 11.54 cents per kWh for 2011 and 2010, respectively. Based on the preliminary EIA data for 2012, OPPD residential rates were 14.8% below the national average.
- Retail customers paid an average of 7.94, 7.42 and 7.26 cents per kWh in 2012, 2011 and 2010, respectively. The national average retail cents per kWh according to EIA was 9.87 for 2012 (preliminary year-to-date December 2012) and 9.90 and 9.83 cents per kWh for 2011 and 2010, respectively. Based on the preliminary EIA data for 2012, OPPD retail rates were 19.6% below the national average.

The following charts illustrate the Company's average residential and retail cents per kWh compared to the national average.



General rate adjustments of 7.3% and 4.5% were implemented in 2013 and 2012, respectively, due to increased operating costs. There was no general rate adjustment in 2011. The adjustments to FPPA were a decrease of 0.4% for 2013 and increases of 1.4% and 2% for 2012 and 2011, respectively. Cost-containment and risk-management efforts were utilized to limit the rate adjustments.

CASH AND LIQUIDITY

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.

Financing

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 Company has been able to achieve significant interest cost savings for customer-owners by refinancing bonds at lower rates. Certain subordinated bond issues are being reviewed for potential refunding opportunities in 2013.

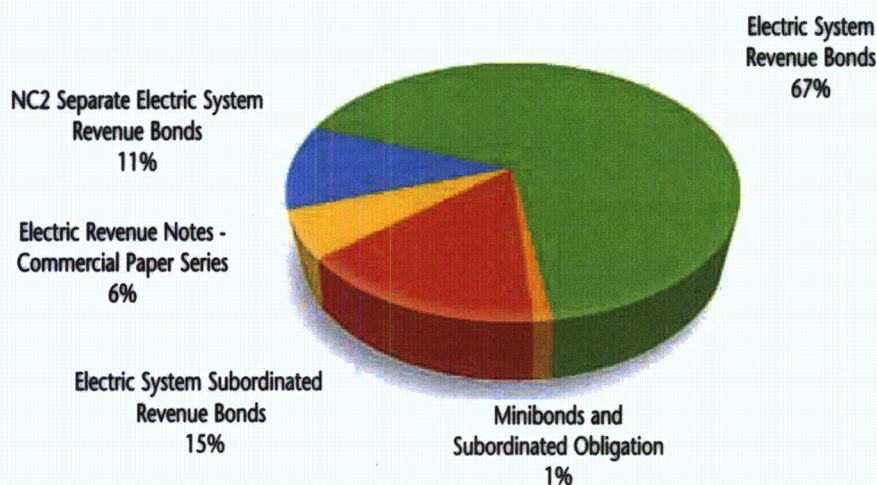
Two Electric System Revenue Bond issues totaling \$499,370,000 were completed during 2012. An issue totaling \$226,715,000 was used to refund outstanding bonds with higher interest rates, and a second issue totaling \$272,655,000 was used to finance capital expenditures. In addition, repayments of \$52,460,000 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.

Three Electric System Revenue Bond issues totaling \$421,770,000 were completed during 2011. Issues totaling \$283,840,000 were used to refund outstanding bonds with higher interest rates, and \$137,930,000 was used to finance capital expenditures. Repayments of \$36,815,000 of Electric System Revenue Bonds, \$920,000 of Electric System Subordinated Revenue Bonds and \$242,000 of Minibonds were made in 2011. Repayments for the Electric System Revenue Bonds included a principal payment of \$8,350,000 for the early call of a portion of the 1993 Series C term bonds due February 1, 2012.

An existing Credit Agreement totaling \$250,000,000 will expire on October 1, 2013. There were no amounts outstanding under this credit agreement as of December 31, 2012 or 2011.

The following chart illustrates the debt structure as of December 31, 2012.

Debt Structure - 2012



Ratings

High credit ratings allow the Company to borrow funds at reduced 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 outlook for OPPD from stable to negative in 2012, primarily due to FCS challenges and environmental compliance costs for the coal-fired stations.

The following credit ratings in effect on December 31, 2012, are indicative of OPPD's financial strength.

	S&P	Moody's
Electric System Revenue Bonds	AA	Aa1
Electric System Subordinated Revenue Bonds (including PIBs) *	AA-	Aa2
Electric Revenue Notes - Commercial Paper Series	A-1+	P-1
Minibonds *	AA-	Aa2
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.

Cash Flows

There was an increase in cash of \$29,825,000 during 2012, a decrease in cash of \$4,844,000 during 2011 and an increase in cash of \$14,522,000 during 2010.

The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2012	2011	2010
Cash Flows from Operating Activities	\$151,733	\$ 153,493	\$ 267,156
Cash Flows from Capital and Related Financing Activities	(8,072)	(192,443)	(222,256)
Cash Flows from Investing Activities	(113,836)	34,106	(30,348)
Change in Cash and Cash Equivalents	<u>\$ 29,825</u>	<u>\$ (4,844)</u>	<u>\$ 14,552</u>

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 2012 decreased \$1,760,000 from 2011, primarily due to a decrease in cash received from off-system counterparties and increases in cash paid to off-system counterparties and employees, which were partially offset by increases in cash received from retail customers and insurance companies. Cash paid for the regulatory asset for FCS Recovery Costs was reported in operating activities.
- Cash flows for 2011 decreased \$113,663,000 from 2010, primarily due to an increase in cash paid to operations and maintenance suppliers and off-system counterparties for flood-related and energy expenses.

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 2012 decreased \$184,371,000 from 2011, primarily due to additional proceeds from long-term borrowings, reduced principal payments on debt and a decrease in capital expenditures.
- Cash flows used for 2011 decreased \$29,813,000 from 2010, primarily due to the issuance of debt and fewer nuclear fuel expenditures, which was partially offset by a principal reduction of debt through defeasances and higher capital expenditures.

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

- Cash flows for 2012 decreased \$147,942,000 from 2011, primarily due to an increase in the amount of cash paid for purchases of investments.
- Cash flows for 2011 increased \$64,454,000 over 2010, primarily due to an increase in the difference in the amount of cash received from maturities and sales of investments over the cash paid for purchases of investments.