

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	<u>\$4,906,999</u>	<u>\$4,846,959</u>
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	<u>\$4,906,999</u>	<u>\$4,846,959</u>

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.

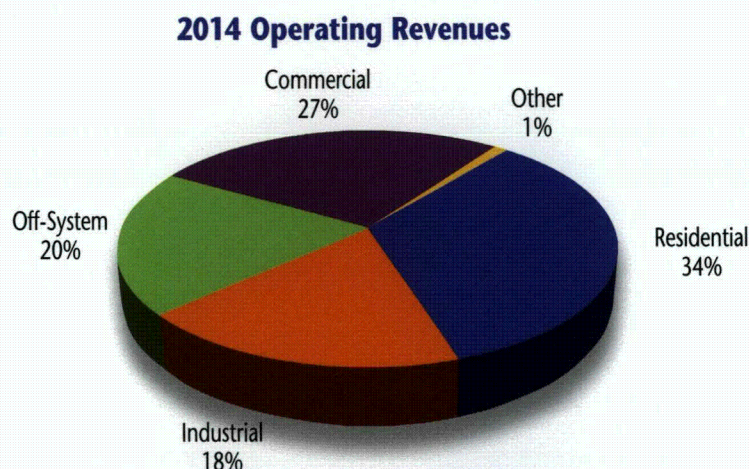
RESULTS OF OPERATIONS

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	<u>\$ 51,925</u>	<u>\$ 55,276</u>

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.



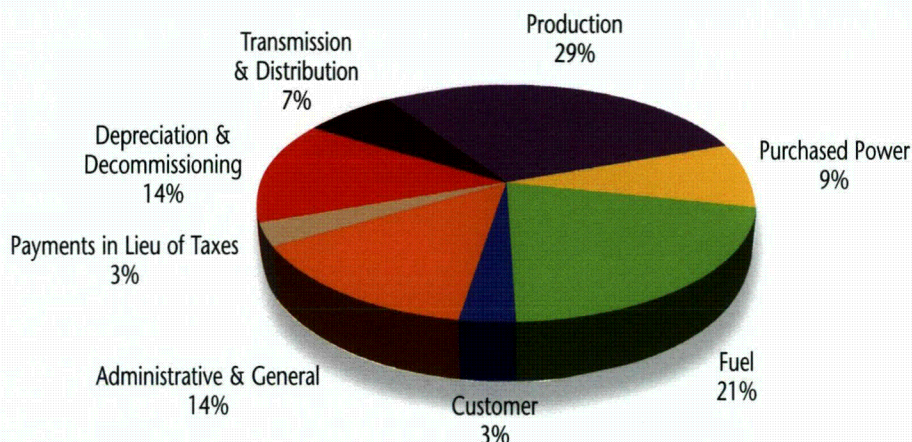
2014 Compared to 2013 – Total operating revenues were \$1,126,458,000 for 2014, an increase of \$36,245,000 or 3.3% over 2013 operating revenues of \$1,090,213,000.

- 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	<u>\$3,346,861</u>	<u>\$3,359,141</u>

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.

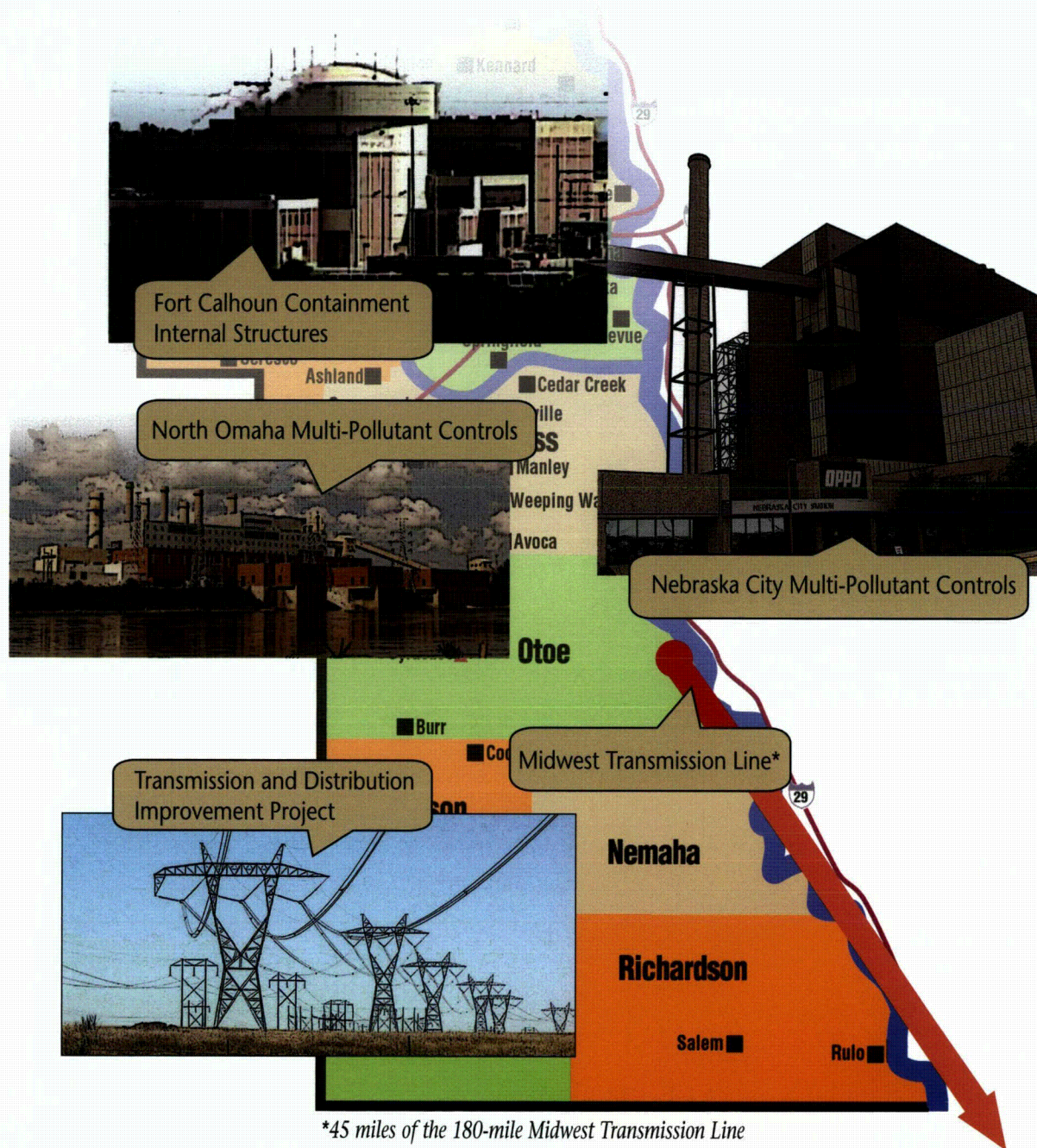
The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2015 (in thousands).

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

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



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	<u>\$ (78,943)</u>	<u>\$ 32,366</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 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.

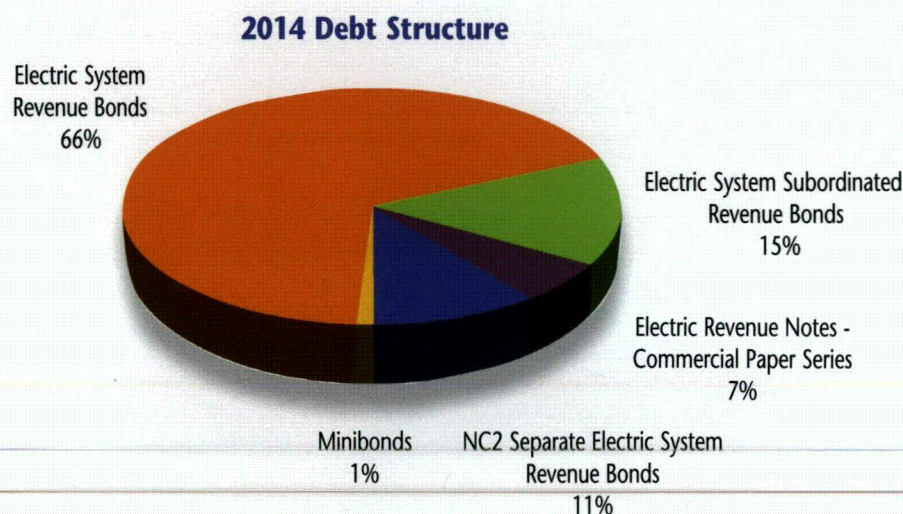
The financing plan optimizes the debt structure to ensure capital needs are financed, liquidity needs are achieved and the Company's strong financial position is maintained. OPPD issued over \$447 million in Electric System Revenue Bonds during the first quarter of 2015, including \$93 million of new 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.

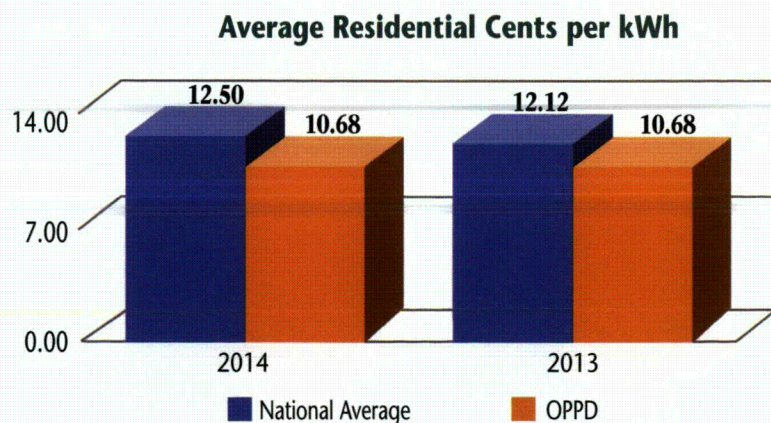
	S&P	Moody's
Electric System Revenue Bonds	AA	Aa2
Electric System Subordinated Revenue Bonds	AA-	Aa3
Electric Revenue Notes - Commercial Paper Series	A-1+	P-1
Minibonds*	AA-	Aa3
NC2 Separate Electric System Revenue Bonds (2005A, 2006A)*	A	A1
NC2 Separate Electric System Revenue Bonds (2008A)	A	A1

**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

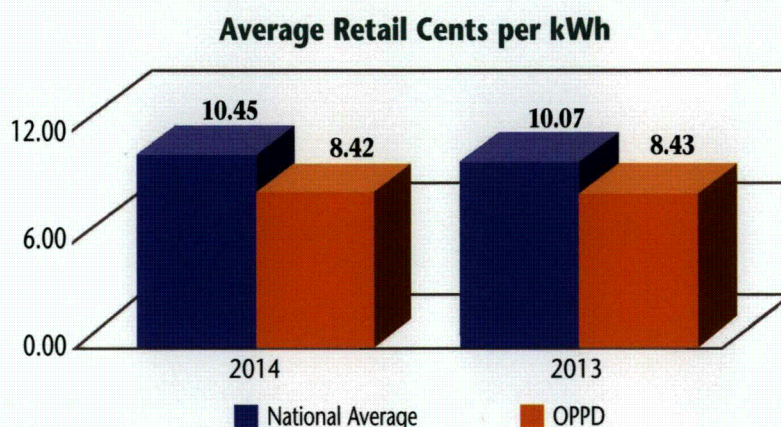
The Company strives to manage costs to align with the mission of providing affordable, reliable and environmentally sensitive energy services to our customers. Residential customers paid an average of 10.68 cents per kilowatt-hour (kWh) in both 2014 and 2013. The national average residential cents per 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.



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 (SO₂) 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 SO₂ 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 (CO₂) emission reduction goals for existing fossil-fueled generating units. Under this proposed rule, the EPA would require states to meet CO₂ 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 CO₂ 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.

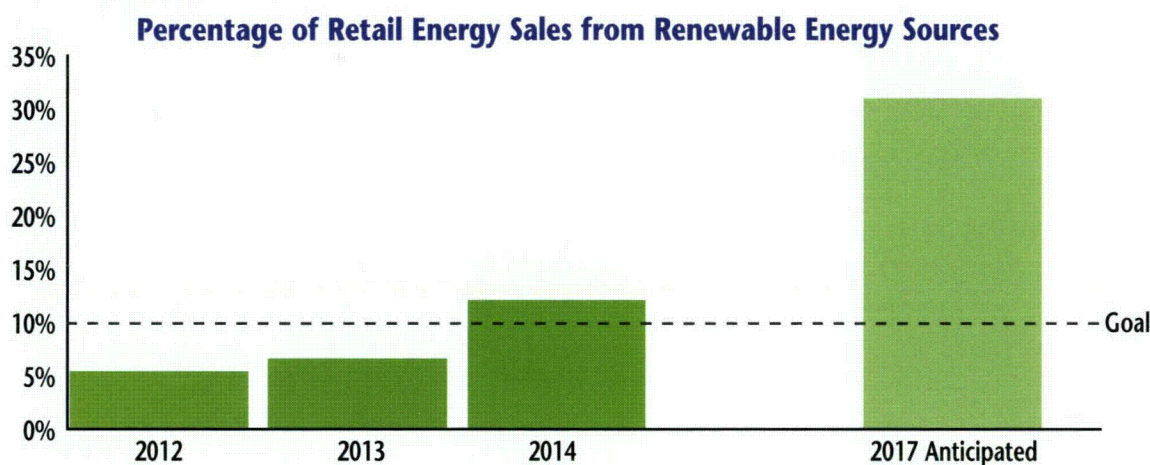
OPPD received a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking projects at NC1 in 1997, 1999, 2002, and 2007. The Company believes it has complied with all regulations relative to the projects in question. The EPA would have to establish 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	<u>7.0</u>
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	<u>411.6</u>
Total Renewable Generation as of December 31, 2014	<u>418.6</u>
2017 Purchased Wind Generation	
Grande Prairie	<u>400.0</u>
Total Expected Renewable Generation as of December 31, 2017	<u>818.6</u>

*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

Environmental Matters and Pollution Remediation Obligations

Nuclear Plant Decommissioning

Regulatory Mechanisms and Cost Recovery

Retirement Plan and Other Post Employment Benefits

Self-Insurance Reserves for Claims for Employee-related Health Care Benefits, Workers' Compensation and Public Liability

Uncollectible Accounts Reserve

Unbilled Revenue

Depreciation and Amortization Rates of Assets

Judgments/Uncertainties Affecting Application

- Approved methods for cleanup
- Governmental regulations and standards
- Cost estimates for future remediation options
- Cost estimates for future decommissioning
- Availability of facilities for waste disposal
- Approved methods for waste disposal
- Useful life of Fort Calhoun Station
- External regulatory requirements
- Anticipated future regulatory decisions and their impact
- Assumptions used in computing the actuarial liability, including expected rate of return on Plan assets
- Plan design
- Cost estimates for claims
- Assumptions used in computing the liabilities
- Economic conditions affecting customers
- Assumptions used in computing the liabilities
- Estimates for customer energy use and prices
- 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.

Report of Management

The management of Omaha Public Power District (OPPD) is responsible for the preparation of the following financial statements and for their integrity and objectivity. These financial statements conform to generally accepted accounting principles and, where required, include amounts which represent management's best judgments and estimates. OPPD's management also prepared the other information in this Annual Report and is responsible for its accuracy and consistency with the financial statements.

To fulfill its responsibility, management maintains strong internal controls, supported by formal policies and procedures that are communicated throughout the Company. Management also maintains a staff of internal auditors who evaluate the adequacy of and investigate the adherence to these controls, policies and procedures. OPPD is committed to conducting business with integrity, in accordance with the highest ethical standards, and in compliance with all applicable laws, rules and regulations. A Code of Ethics has been adopted for the Senior Executive and Financial Officers and the Controller, stating their responsibilities and standards for professional and ethical conduct.

Our independent auditors have audited the financial statements and have rendered an unmodified opinion as to the statements' fairness of presentation, in all material respects, in conformity with accounting principles generally accepted in the United States of America. During the audit, they considered OPPD's internal controls over financial reporting as required by generally accepted auditing standards.

The Board of Directors pursues its oversight with respect to OPPD's financial statements through the Audit Committee, which is comprised solely of non-management directors. The committee meets periodically with the independent auditors, internal auditors and management to ensure that all are properly discharging their responsibilities. The committee reviews the annual audit plan and any recommendations the independent auditors have related to the internal control structure. The Board of Directors, on the recommendation of the Audit Committee, engages the independent auditors, who have unrestricted access to the Audit Committee.



W. Gary Gates
President and Chief Executive Officer



Edward E. Easterlin
Vice President and Chief Financial Officer

Independent Auditors' Report

To the Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying financial statements of Omaha Public Power District (OPPD), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise OPPD's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to OPPD's preparation and fair presentation of the financial statements 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 OPPD's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPPD as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 13 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska

March 19, 2015

Statements of Net Position

as of December 31, 2014 and 2013

ASSETS	2014	2013
	(thousands)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,909	\$ 92,852
Electric system revenue fund	150,994	29,962
Electric system revenue bond fund	70,038	73,961
Electric system subordinated revenue bond fund	3,613	6,440
Electric system construction fund	155,887	154,981
NC2 separate electric system revenue fund	13,918	13,852
NC2 separate electric system revenue bond fund	8,632	8,592
NC2 separate electric system capital costs fund	2,402	309
Accounts receivable - net	118,760	132,972
Fossil fuels - at average cost	36,918	28,910
Materials and supplies - at average cost	137,584	126,211
Other (Note 2)	58,344	31,840
Total current assets	<u>770,999</u>	<u>700,882</u>
SPECIAL PURPOSE FUNDS - at fair value		
Electric system revenue bond fund - net of current	68,265	55,681
Segregated fund - rate stabilization (Note 3)	37,000	32,000
Segregated fund - other (Note 3)	33,938	33,586
Decommissioning funds (Note 3)	364,096	346,118
Total special purpose funds	<u>503,299</u>	<u>467,385</u>
UTILITY PLANT - at cost		
Electric plant	5,306,309	5,186,399
Less accumulated depreciation and amortization	<u>2,048,628</u>	<u>1,929,027</u>
Electric plant - net	3,257,681	3,257,372
Nuclear fuel - at amortized cost	89,180	101,769
Total utility plant - net	<u>3,346,861</u>	<u>3,359,141</u>
OTHER LONG-TERM ASSETS (Note 2)	<u>249,322</u>	<u>290,241</u>
TOTAL ASSETS	<u>4,870,481</u>	<u>4,817,649</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	36,518	29,191
Accumulated change in fair value of hedging derivatives (Note 7)	-	119
Total deferred outflows of resources	<u>36,518</u>	<u>29,310</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$4,906,999</u>	<u>\$4,846,959</u>

See notes to financial statements

LIABILITIES**2014****2013***(thousands)***CURRENT LIABILITIES**

Electric system revenue bonds (Note 4)	\$ 40,465	\$ 30,545
Electric revenue notes - commercial paper series (Note 4)	150,000	-
NC2 separate electric system revenue bonds (Note 4)	3,080	2,970
Subordinated obligation (Note 4)	-	442
Accounts payable	86,680	69,720
Accrued payments in lieu of taxes	30,594	30,769
Accrued interest	39,291	42,931
Accrued payroll	36,041	32,753
NC2 participant deposits	9,350	7,428
Other (Note 2)	7,005	4,847
Total current liabilities	<u>402,506</u>	<u>222,405</u>

LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Note 2)	<u>30,200</u>	<u>30,387</u>
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LONG-TERM DEBT (Note 4)

Electric system revenue bonds - net of current	1,431,365	1,471,830
Electric system subordinated revenue bonds	337,375	346,270
Electric revenue notes - commercial paper series	-	150,000
Minibonds	28,913	28,495
NC2 separate electric system revenue bonds - net of current	233,645	236,725
Total long-term debt	<u>2,031,298</u>	<u>2,233,320</u>
Unamortized discounts and premiums	104,092	95,223
Total long-term debt - net	<u>2,135,390</u>	<u>2,328,543</u>

OTHER LIABILITIES

Decommissioning costs	364,096	346,118
Other (Note 2)	12,294	12,918
Total other liabilities	<u>376,390</u>	<u>359,036</u>

COMMITMENTS AND CONTINGENCIES (Note 12)

TOTAL LIABILITIES	<u>2,944,486</u>	<u>2,940,371</u>
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DEFERRED INFLOWS OF RESOURCES

Rate stabilization reserve (Note 6)	41,000	32,000
Uncollectible accounts reserve - off-system	-	5,000
Total deferred inflows of resources	<u>41,000</u>	<u>37,000</u>

NET POSITION

Net investment in capital assets	1,285,648	1,254,740
Restricted	48,239	39,589
Unrestricted	587,626	575,259
Total net position	<u>1,921,513</u>	<u>1,869,588</u>

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$4,906,999</u>	<u>\$4,846,959</u>
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See notes to financial statements

Statements of Revenues, Expenses and Changes in Net Position

for the Years Ended December 31, 2014 and 2013

	2014	2013
	(thousands)	
OPERATING REVENUES		
Retail sales.....	\$ 873,605	\$ 942,291
Off-system sales.....	223,055	118,268
Other electric revenues.....	29,798	29,654
Total operating revenues.....	<u>1,126,458</u>	<u>1,090,213</u>
OPERATING EXPENSES		
Operations and maintenance		
Fuel.....	208,533	215,533
Purchased power.....	93,977	84,139
Production.....	286,465	265,124
Transmission.....	29,195	24,010
Distribution.....	45,628	44,180
Customer accounts.....	16,160	15,165
Customer service and information.....	15,408	15,126
Administrative and general.....	137,153	132,827
Total operations and maintenance.....	<u>832,519</u>	<u>796,104</u>
Depreciation and amortization.....	140,485	130,407
Decommissioning.....	3,403	-
Payments in lieu of taxes.....	31,651	31,827
Total operating expenses.....	<u>1,008,058</u>	<u>958,338</u>
OPERATING INCOME	<u>118,400</u>	<u>131,875</u>
OTHER INCOME (EXPENSES)		
Contributions in aid of construction.....	6,512	18,570
Reduction of plant costs recovered through contributions in aid of construction.....	(6,512)	(18,570)
Decommissioning funds - investment income.....	14,575	3,606
Decommissioning funds - reinvestment.....	(14,575)	(3,606)
Investment income (loss).....	2,519	(339)
Allowances for funds used during construction.....	13,998	13,334
Products and services - net.....	3,247	3,228
Other - net (Note 9).....	9,105	4,733
Total other income - net.....	<u>28,869</u>	<u>20,956</u>
INTEREST EXPENSE	<u>95,344</u>	<u>97,555</u>
NET INCOME	<u>51,925</u>	<u>55,276</u>
NET POSITION, BEGINNING OF YEAR	<u>1,869,588</u>	<u>1,814,312</u>
NET POSITION, END OF YEAR	<u>\$1,921,513</u>	<u>\$1,869,588</u>

See notes to financial statements

Statements of Cash Flows

for the Years Ended December 31, 2014 and 2013

	2014	2013
	(thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retail customers	\$950,104	\$ 939,617
Cash received from off-system counterparties	206,333	108,453
Cash received from insurance companies	-	24,000
Cash paid to operations and maintenance suppliers	(556,564)	(620,474)
Cash paid to off-system counterparties	(79,583)	(82,808)
Cash paid to employees	(162,126)	(169,988)
Cash paid for in lieu of taxes and other taxes	(31,826)	(30,092)
Net cash provided from operating activities	<u>326,338</u>	<u>168,708</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term borrowings	352,207	-
Principal reduction of debt	(380,370)	(29,539)
Interest paid on debt	(108,374)	(97,285)
Acquisition and construction of capital assets	(145,552)	(166,052)
Proceeds from NC2 participants	4,272	3,560
Contributions in aid of construction and other reimbursements	17,941	19,953
Acquisition of nuclear fuel	(9,253)	(4,800)
Net cash used for capital and related financing activities	<u>(269,129)</u>	<u>(274,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(792,067)	(531,951)
Maturities and sales of investments	657,856	666,793
Purchases of investments for decommissioning funds	(169,562)	(204,516)
Maturities and sales of investments in decommissioning funds	166,159	204,516
Investment income	1,462	2,979
Net cash provided from (used for) investing activities	<u>(136,152)</u>	<u>137,821</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(78,943)	32,366
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	92,852	60,486
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,909</u>	<u>\$ 92,852</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
Operating income	\$118,400	\$ 131,875
Adjustments to reconcile operating income to net cash provided from operating activities		
Depreciation, amortization and decommissioning	143,888	130,407
Amortization of nuclear fuel	23,600	564
Changes in assets and liabilities		
Accounts receivable	508	3,191
Fossil fuels	(8,008)	17,575
Materials and supplies	(11,375)	(16,312)
Regulatory asset for FPPA	20,147	(15,169)
Accounts payable	18,070	(5,436)
Accrued payments in lieu of taxes	(176)	1,735
Accrued payroll	3,288	923
Debt retirement reserve	-	(17,000)
SPP deposit	(4,000)	-
Rate stabilization reserve	9,000	-
Regulatory asset for FCS recovery costs	8,480	(67,735)
Other	4,516	4,090
Net cash provided from operating activities	<u>\$326,338</u>	<u>\$ 168,708</u>
NONCASH CAPITAL ACTIVITIES		
Utility plant additions from outstanding liabilities	<u>\$ 12,601</u>	<u>\$ 13,983</u>

See notes to financial statements

Notes to Financial Statements

as of and for the Years Ended December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – The Omaha Public Power District (OPPD or Company), a political subdivision of the state of Nebraska, is a public utility engaged in the generation, transmission and distribution of electric power and energy and other related activities. The Board of Directors is authorized to establish rates. OPPD is generally not liable for federal and state income or ad valorem taxes on property; however, payments in lieu of taxes are made to various local governments.

Basis of Accounting – The financial statements are presented in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

OPPD applies the accounting policies established in the GASB Codification Section Re10, *Regulated Operations*. This guidance permits an entity with cost-based rates to include costs in a period other than the period in which the costs would be charged to expense by an unregulated entity if it is probable that these costs will be recovered through rates charged to customers. This guidance also permits an entity to defer revenues by recognizing liabilities to cover future expenditures. The guidance applies to OPPD because the rates of the Company's regulated operations are established and approved by the governing board.

If, as a result of changes in regulation or competition, the ability to recover these assets and to satisfy these liabilities would not be assured, OPPD would be required to write off or write down such regulatory assets and liabilities, unless some form of transition cost recovery continues through established rates. In addition, any impairment to the carrying costs of deregulated plant and inventory assets would be determined. There were no write-downs of regulatory assets for the years ended December 31, 2014 and 2013.

Classification of Revenues and Expenses – Revenues and expenses related to providing energy services in connection with the Company's principal ongoing operations are classified as operating. All other revenues and expenses are classified as non-operating and reported as other income (expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

Revenue Recognition – Electric operating revenues are recognized as earned. Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period.

Cash and Cash Equivalents – The operating fund account is called the Electric System Revenue Fund (Note 3). Highly liquid investments for the Electric System Revenue Fund with an original maturity of three months or less are considered to be cash equivalents. Restricted cash and cash equivalents, if any, are included in the Special Purpose Fund balances. The cash amounts included in the Electric System Revenue Bond Fund were \$5,459,000 and \$0 as of December 31, 2014 and 2013, respectively. The cash amounts included in the Electric System Construction Fund were \$1,044,000 and \$0 as of December 31, 2014 and 2013, respectively.

Accounts Receivable – Accounts Receivable includes outstanding amounts from customers and an estimate for unbilled revenues. An estimate is made for the Reserve for Uncollectible Accounts for retail customers based on an analysis of Accounts Receivable and historical write-offs net of recoveries. Additional amounts may be included based on the credit risks of significant parties. Accounts Receivable includes \$44,105,000 and \$45,905,000 in unbilled revenues as of December 31, 2014 and 2013, respectively. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts of \$1,200,000 and \$1,000,000 as of December 31, 2014 and 2013, respectively.

Utility Plant – Utility plant is stated at cost, which includes property additions, replacements of property units and betterments. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric plant retirements are eliminated from electric plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account. Electric plant includes both tangible and intangible assets. Intangible assets include costs related to regulatory licenses, software licenses and other rights to use property. Electric plant includes construction work in progress of \$386,927,000 and \$404,042,000 as of December 31, 2014 and 2013, respectively.

The following table summarizes electric plant balances as of December 31, 2013, activity for 2014 and balances as of December 31, 2014, (in thousands).

	2013	Additions	Retirements	2014
Electric plant	\$5,186,399	\$151,720	\$(31,810)	\$5,306,309
Less accumulated depreciation and amortization	1,929,027	150,315	(30,714)	2,048,628
Electric plant - net	<u>\$3,257,372</u>	<u>\$ 1,405</u>	<u>\$ (1,096)</u>	<u>\$3,257,681</u>

Allowances for funds used during construction (AFUDC), approximates OPPD's current weighted average cost of debt. AFUDC was capitalized as a component of the cost of utility plant. These allowances for both construction work in progress and nuclear fuel were computed at 3.8% for both the years ended December 31, 2014 and 2013.

The carrying amounts of long-lived assets are periodically reviewed for indication of impairment. An asset is considered impaired when the magnitude of the decline in service utility is significant and not part of the normal life cycle of the capital asset. There were no write-downs for impairments for the years ended December 31, 2014 and 2013.

Contributions in Aid of Construction (CIAC) – Payments are received from customers for construction costs primarily relating to the expansion of the electric system. FERC guidelines are followed in recording CIAC. These guidelines direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant. CIAC is recorded as other income of \$6,512,000 and offset by an expense in the same amount representing the recovery of plant costs. CIAC primarily includes payments for transmission, distribution and generating station assets. This allows for compliance with GASB Codification Section N50, *Nonexchange Transactions*, while continuing to follow FERC guidelines. CIAC from participants for the capital costs of Nebraska City Station Unit 2 (NC2) was \$1,501,000 and \$5,091,000 for the years ended December 31, 2014 and 2013, respectively.

Depreciation and Amortization – Depreciation for assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. Depreciation expense for depreciable property averaged approximately 3.0% and 2.8% for the years ended December 31, 2014 and 2013, respectively.

Amortization of nuclear fuel is based on the cost thereof, and is recorded as nuclear fuel expense of \$23,600,000 and \$564,000 for the years ended December 31, 2014 and 2013, respectively. Amortization is prorated by fuel assembly in accordance with the thermal energy that each assembly produces.

Intangible assets are amortized over their expected useful life. Amortization of intangible assets, included with depreciation and amortization expense in these financial statements, was \$4,142,000 and \$3,508,000 for the years ended December 31, 2014 and 2013, respectively.

NC2 was placed in commercial operation in 2009. Half of the unit's output is sold under 40-year Participation Power Agreements (PPA's). Certain participants funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. These participants are billed for the debt service related to these bonds. The amounts recovered for debt service for the electric plant construction and other costs are included in off-system sales revenues. The revenues related to principal repayment will equal related depreciation and other deferred NC2 expenses over the 40-year term of the PPA's. A regulatory asset was established to equate expenses and the amount included in off-system sales revenues for principal repayment in order to maintain revenue neutrality in the interim years. This regulatory asset will increase annually until 2030 when principal repayments begin exceeding depreciation and other deferred expenses. After 2030, the regulatory asset will be reduced annually by recognizing deferred depreciation and other deferred expenses until its elimination in 2049, which is the end of the initial term of the PPA's.

In 2004, the Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043. This estimate is ten years beyond the term of Fort Calhoun Station's (FCS) current operating license. A regulatory asset was established for the difference in depreciation expense resulting from the use of the estimated economic life of the asset versus the license term. The reduction in depreciation expense will be recorded each year as a regulatory asset in deferred charges until 2033. The regulatory asset will be reduced through the recognition of depreciation expense over the assets' remaining economic life in the years 2034 through 2043.

Nuclear Fuel Disposal Costs – Permanent disposal of spent nuclear fuel is the responsibility of the federal government under an agreement entered into with the Department of Energy (DOE). Under the agreement, there is a fee of one mill per kilowatt-hour on net electricity generated and sold from FCS. The spent nuclear fuel disposal costs are included in nuclear fuel amortization and are collected from customers as part of fuel costs. The collection of this fee was suspended in May 2014 pending an evaluation of the fee adequacy by the DOE to ensure compliance with the Nuclear Waste Policy Act or until Congress enacts an alternative used fuel management plan. There were nuclear fuel disposal costs of \$1,447,000 and \$91,000 for the years ended December 31, 2014 and 2013, respectively.

The agreement required the federal government to begin accepting high-level nuclear waste by January 1998; however, the DOE does not have a storage facility. In May 1998, the United States Court of Appeals confirmed the DOE's statutory obligation to accept spent fuel by 1998, but rejected the request that a move-fuel order be issued. In March 2001, OPPD, along with a number of other utilities, filed suit against the DOE in the United States Court of Federal Claims, alleging breach of contract.

In 2006, the DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste incurred due to the DOE's delay in accepting waste. Applications are submitted periodically to the DOE for reimbursement of costs incurred for the storage of high-level nuclear waste and any reimbursements are included in CIAC.

Nuclear Decommissioning – The Board of Directors has approved the collection of nuclear decommissioning costs based on an independent engineering study of the costs to decommission FCS. Based on cost estimates, inflation rates and fund earnings projections, no funding was necessary from 2001 through 2013. However, an analysis by the Company and an outside consultant determined that additional funding was needed in 2014 to meet the estimated cost to fully decommission FCS. The annual funding amount was

Notes to Financial Statements

as of and for the Years Ended December 31, 2014 and 2013

\$3,403,000 for 2014. Decommissioning funds are reported at fair value. The decommissioning cost liability is adjusted for investment income and changes in fair value, resulting in no impact on net income. Investment income was \$8,475,000 and \$6,477,000 for the years ended December 31, 2014 and 2013, respectively. The fair value of the decommissioning funds increased \$6,100,000 and decreased \$10,083,000 during 2014 and 2013, respectively. The present value of the total decommissioning cost estimate for FCS was \$869,223,000 and \$851,912,000 as of June 30, 2014 and 2013, respectively.

Regulatory Assets and Liabilities – Rates for regulated operations are established and approved by the Board of Directors. The provisions of GASB Codification Section Re10, *Regulated Operations*, are applied. This guidance provides that regulatory assets are rights to additional revenues or deferred expenses, which are expected to be recovered through customer rates over some future period. Regulatory liabilities are reductions in earnings (or costs recovered) to cover future expenditures.

A Planned Nuclear Refueling Outage (Outage), as defined by OPPD, is a regularly scheduled refueling outage at FCS. These Outages are periodically completed to maintain and enhance the performance and efficiency of station operations, which benefits the station over the next operating cycle of production. The Board of Directors authorized regulatory accounting treatment for qualifying Outage costs to allow the use of the defer-and-amortize method. Eligible outage costs will be deferred as a regulatory asset and amortized to expense over the subsequent operating cycle. The first outage that will qualify for this regulatory accounting treatment is the planned April 2015 FCS refueling outage.

A Fuel and Purchased Power Adjustment (FPPA) was implemented in the retail rate structure in 2010. The Board of Directors authorized the use of regulatory accounting to maintain revenue neutrality by matching retail revenues attributed to fuel and purchased power costs with the actual costs incurred. Additional fuel and purchased power expenses were incurred as a result of the extended outage at FCS, in 2013. There were FPPA under-recoveries of \$2,873,000 and \$35,124,000 for the years ended December 31, 2014 and 2013, respectively. The FPPA regulatory assets were reduced for customer collections of \$23,020,000 and \$19,955,000 in 2014 and 2013, respectively.

The regulatory asset for FPPA, included in Other Current Assets, was \$27,399,000 and \$23,020,000 as of December 31, 2014 and 2013, respectively (Note 2). The Regulatory Asset for FPPA, included in Other Long-Term Assets, was \$0 and \$24,526,000 as of December 31, 2014 and 2013, respectively (Note 2). This regulatory asset represented the rights to additional revenues based on incurred expenses due to under-recoveries of fuel and purchased power costs.

Additional regulatory assets included in Other Long-Term Assets consist of deferred financing costs and other deferred expenses for FCS and NC2. In 2004, the Board of Directors approved a change in the depreciation estimate for FCS production assets to 2043. This estimate is ten years beyond the term of the current operating license. NC2 was placed in commercial operation in 2009. As previously noted, certain NC2 expenses were deferred to maintain revenue neutrality from transactions with participants who funded their share of construction costs with NC2 Separate Electric System Revenue Bonds.

The Board of Directors authorized the use of regulatory accounting for debt issuance costs in 2012 because of new accounting standards which would have required these costs to be expensed in the period incurred. These costs are amortized over the life of the associated bond issues consistent with the rate methodology. The Board of Directors also authorized the use of regulatory accounting in 2012 for significant, unplanned operations and maintenance costs at FCS incurred to address concerns from the Nuclear Regulatory Commission (NRC) and enhance operations. These costs are being amortized over a ten-year period, which commenced in December 2013 with FCS's return to service.

The following table summarizes the balances of regulatory assets as of December 31, 2013, activity for 2014 and balances as of December 31, 2014, (in thousands).

	2013	Additions	Reductions	2014
Regulatory asset for FCS - recovery costs	\$138,362	\$ 5,730	\$(14,210)	\$129,882
Regulatory asset for FCS - depreciation	61,190	6,651	-	67,841
Regulatory asset for NC2	41,257	2,638	-	43,895
Regulatory asset for FPPA	47,546	2,873	(23,020)	27,399
Regulatory asset for financing costs	16,287	2,938	(6,278)	12,947
	<u>\$304,642</u>	<u>\$ 20,830</u>	<u>\$(43,508)</u>	<u>\$281,964</u>

Regulatory liabilities are deferred inflows of resources and consist of reserves for rate stabilization and uncollectible accounts from off-system sales. The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure (Note 6).

The Uncollectible Accounts Reserve - Off-System was established to recognize a loss contingency for uncollectible accounts from off-system sales customers based on the greater of \$5,000,000 or an estimate (as defined) considering the previous year's accounts receivable balances for off-system sales customers. Credit risk for off-system energy transactions was reduced with the transition to Southwest Power Pool's (SPP) Integrated Marketplace (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 and an increase of \$5,000,000 to the Rate Stabilization Reserve with the transition to the IM in March 2014. Strong financial results enabled the Company to add an additional \$4,000,000 to the Rate Stabilization Reserve in December 2014.

The following table summarizes the balances of the Regulatory Liabilities as of December 31, 2013, activity for 2014 and balances as of December 31, 2014, (in thousands).

	2013	Additions	Reductions	2014
Rate Stabilization Reserve	\$32,000	\$ 9,000	\$ -	\$41,000
Uncollectible Accounts Reserve - Off-System	5,000	-	(5,000)	-
	<u>\$37,000</u>	<u>\$ 9,000</u>	<u>\$ (5,000)</u>	<u>\$41,000</u>

Natural Gas Inventories and Contracts – Natural gas inventories are maintained for the Cass County Station. The weighted average cost of natural gas consumed is used to expense natural gas from inventories. OPPD is exposed to market price fluctuations on its purchases of natural gas. The Company may enter into futures contracts and purchase options to manage the risk of volatility in the market price of gas on anticipated purchase transactions (Note 7).

Net Position – Net Position is reported in three separate components on the Statement of Net Position. Net Investment in Capital Assets is the net position share attributable to net utility plant assets reduced by outstanding related debt. Restricted is the share of net position that has usage restraints imposed by law or by debt covenants, such as certain revenue bond funds and segregated funds, net of related liabilities. Unrestricted is the share of net position that is neither restricted nor invested in capital assets.

Use of Estimates – 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements – The Company has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements were simultaneously implemented in 2015. The implementation of these statements resulted in the recognition of a net pension liability of \$338,000,000 on the statement of net position as of January 1, 2015. The implementation of these statements also resulted in the recognition of a deferred outflow of resources of \$53,000,000 as of January 1, 2015, for pension contributions made subsequent to the measurement date of January 1, 2014. 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. A regulatory asset of \$285,000,000 was recorded as of January 1, 2015.

GASB issued Statement No. 72, *Fair Value Measurement and Application* in March 2015. The objective of this statement is to define fair value and describe how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is effective for reporting periods beginning after June 15, 2015. The impact of this statement on financial position, results of operations and note disclosures is being evaluated.

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2. ASSETS AND LIABILITIES DETAIL BALANCES

Other Current Assets

The composition as of December 31 was as follows (in thousands):

	2014	2013
Regulatory asset for FPPA	\$ 27,399	\$ 23,020
Regulatory asset for FCS – recovery costs	14,566	-
Prepayments	8,139	5,475
Deposit with SPP	6,000	-
Sulfur dioxide allowance inventory	1,287	2,841
Commodity derivative instruments (Note 7)	629	53
Interest receivable	321	375
Other	3	76
Total	<u>\$ 58,344</u>	<u>\$ 31,840</u>

Other Long-Term Assets

The composition as of December 31 was as follows (in thousands):

	2014	2013
Regulatory asset for FCS – recovery costs (net of current)	\$ 115,316	\$ 138,362
Regulatory asset for FCS – depreciation	67,841	61,190
Regulatory asset for NC2	43,895	41,257
Regulatory asset for FPPA (net of current)	-	24,526
Regulatory asset for financing costs	12,947	16,287
Deposit with SPP	-	2,000
Other	9,323	6,619
Total	<u>\$ 249,322</u>	<u>\$ 290,241</u>

Other Current Liabilities

The composition as of December 31 was as follows (in thousands):

	2014	2013
Unearned revenues	\$ 2,385	\$ 3,310
Auction revenue rights (Note 7)	1,836	-
Deposits	1,043	1,022
Payroll taxes and other employee liabilities	466	475
Other	1,275	40
Total	<u>\$ 7,005</u>	<u>\$ 4,847</u>

Liabilities Payable from Segregated Funds

The composition as of December 31 was as follows (in thousands):

	2014	2013
Customer deposits	\$ 21,346	\$ 22,673
Customer advances for construction	3,343	3,342
Incurred but not presented reserve	3,012	2,374
Other	2,499	1,998
Total	<u>\$ 30,200</u>	<u>\$ 30,387</u>

Other Liabilities

The composition as of December 31 was as follows (in thousands):

	2014	2013
Unearned revenues (net of current)	\$ 8,399	\$ 8,757
Capital purchase agreement	1,716	1,951
Workers' compensation reserve	1,484	1,558
Public liability reserve	73	190
Other	622	462
Total	<u>\$ 12,294</u>	<u>\$ 12,918</u>

3. FUNDS AND INVESTMENTS

Funds of OPPD were as follows:

Electric System Revenue Fund and NC2 Separate Electric System Revenue Fund – These funds are to be used for operating activities for their respective electric system. Cash and cash equivalents in the Electric System Revenue Fund are shown separately from investments on the Statement of Net Position.

Electric System Revenue Bond Fund, Electric System Subordinated Revenue Bond Fund and NC2 Separate Electric System Revenue Bond Fund – These funds are to be used for the retirement of their respective revenue bonds and the payment of the related interest and reserves as required. Investments with maturity dates within the next year are designated as current. The fund included restricted cash from bond proceeds pending investment purchases of \$5,459,000 and \$0 as of December 31, 2014 and 2013, respectively.

Electric System Construction Fund and NC2 Separate Electric System Capital Costs Fund – These funds are to be used for capital improvements, additions and betterments to and extensions of their respective electric system. The fund included restricted cash from bond proceeds of \$1,044,000 and \$0 as of December 31, 2014 and 2013, respectively.

Segregated Fund – Rate Stabilization – This fund is to be used to help stabilize rates through the transfer of funds to operations as necessary. Since there is no funding requirement for the Rate Stabilization Reserve, this fund also may be used to provide additional liquidity for operations as necessary (Note 1).

Segregated Fund - Other – This fund represents assets held for payment of customer deposits, refundable advances, certain other liabilities and funds set aside for terminal removal costs for NC2 and OPPD's self-insured health insurance plans (Note 5).

The following table summarizes the balances of the Segregated Fund - Other as of December 31 (in thousands).

	2014	2013
Customer deposits and advances	\$24,864	\$25,996
Self-insurance	5,791	5,135
Other	3,283	2,455
Total	<u>\$33,938</u>	<u>\$33,586</u>

Decommissioning Funds – These funds are for the costs to decommission FCS when its operating license expires. The Decommissioning Funds are held by an outside trustee in compliance with the decommissioning funding plans approved by the Board of Directors. The 1990 Plan was established in accordance with NRC regulations for the purpose of discharging the obligation to decommission FCS. The 1992 Plan was established to retain funds in excess of NRC minimum funding requirements based on an independent engineering study which indicated that decommissioning costs would exceed the NRC minimum requirements.

The following table summarizes the balances of the Decommissioning Funds as of December 31 (in thousands).

	2014	2013
Decommissioning Trust - 1990 Plan	\$275,729	\$264,758
Decommissioning Trust - 1992 Plan	88,367	81,360
Total	<u>\$364,096</u>	<u>\$346,118</u>

Fair Value of Investments – These values were determined based on quotes received from trustees' market valuation services.

The following table summarizes OPPD's investments as of December 31 (in thousands). The weighted average maturity was based on the face value for investments.

Investment Type	2014		2013	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Commercial paper	\$ -	-	\$ 52,425	0.5
Money market	21,807	-	1,160	-
Mutual funds	196,558	-	183,960	-
U.S. agencies	541,240	1.3	352,127	1.5
U.S. treasuries	61,735	3.3	65,414	3.3
Corporate bonds	23,456	1.5	23,645	2.5
World bank security notes	56,927	0.2	76,314	0.1
Total	<u>\$901,723</u>		<u>\$755,045</u>	
Portfolio weighted average maturity		1.0		1.2

The above table does not include restricted cash of \$6,503,000 and \$0 for December 31, 2014 and 2013, respectively, and interest receivables of \$557,000 and \$437,000 for December 31, 2014 and 2013, respectively.

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Interest Rate Risk – The investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 1.0 and 1.2 years as of December 31, 2014 and 2013, respectively. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

Credit Risk – The investment policy is to comply with bond covenants and state statutes for governmental entities, which limit investments to investment-grade fixed income obligations. The Company was in full compliance with bond covenants and state statutes as of December 31, 2014 and 2013.

Custodial Credit Risk – Bank deposits were entirely insured or collateralized with securities held by OPPD or by its agent in OPPD's name at December 31, 2014 and 2013. All investment securities are delivered under contractual trust agreements.

4. DEBT

The proceeds of debt issued are utilized primarily to finance the construction program. Favorable market conditions in 2014 resulted in multiple refinancing activities. The Company is in compliance with all debt covenants.

The following table summarizes the debt balances as of December 31, 2013, activity for 2014 and balances as of December 31, 2014, (in thousands).

	2013	Additions	Retirements	2014
Electric system revenue bonds	\$1,502,375	\$ -	\$ (30,545)	\$1,471,830
Electric system subordinated revenue bonds	346,270	337,375	(346,270)	337,375
Electric revenue notes – commercial paper series	150,000	-	-	150,000
Minibonds	28,495	563	(145)	28,913
NC2 separate electric system revenue bonds	239,695	-	(2,970)	236,725
Subordinated obligation	442	-	(442)	-
Total	<u>\$2,267,277</u>	<u>\$337,938</u>	<u>\$(380,372)</u>	<u>\$2,224,843</u>

Lien Structure – In the event of a default, subject to the terms and conditions of debt covenants, OPPD is required to satisfy all Electric System Revenue Bond obligations before paying second-tier bonds and notes which are Electric System Subordinated Revenue Bonds, Electric Revenue Notes – Commercial Paper Series and Minibonds.

Electric System Revenue Bonds – These bonds are payable from and secured by a pledge of and lien upon the revenues of the Electric System, subject to the prior payment therefrom of the operations and maintenance expenses of the Electric System. The Electric System Revenue Bonds are Senior Bonds.

Moody's Investors Service and Standard & Poor's Rating Services rated the Electric System Revenue Bonds as Aa2 and AA in 2014 and 2013, respectively.

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2014, (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2005 Series B	2017 - 2022	Serial	5.0%	\$ 17,740
2007 Series A	2018 - 2027	Serial	4.0% - 5.0%	108,705
2007 Series A	2029 - 2043	Term	4.75% - 5.0%	136,295
2008 Series A	2018 - 2028	Serial	4.6% - 5.5%	34,710
2008 Series A	2029 - 2039	Term	5.5%	70,290
2009 Series A	2023 - 2029	Serial	4.0% - 4.75%	25,700
2009 Series A	2030 - 2039	Term	5.0%	59,300
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2015 - 2024	Serial	3.125% - 5.0%	129,020
2011 Series B	2023 - 2029	Serial	3.25% - 5.0%	34,570
2011 Series B	2030 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2015 - 2030	Serial	2.5% - 5.0%	132,770
2012 Series A	2023 - 2034	Serial	4.0% - 5.0%	139,480
2012 Series A	2035 - 2042	Term	5.0%	133,175
2012 Series B	2017 - 2034	Serial	3.0% - 5.0%	141,295
2012 Series B	2038 - 2046	Term	3.75% - 5.0%	85,420
Total				<u>\$1,471,830</u>

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2013, (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
1993 Series C	2014	Term	5.5%	\$ 9,385
2005 Series B	2017 - 2022	Serial	5.0%	17,740
2007 Series A	2018 - 2027	Serial	4.0% - 5.0%	108,705
2007 Series A	2029 - 2043	Term	4.75% - 5.0%	136,295
2008 Series A	2018 - 2028	Serial	4.6% - 5.5%	34,710
2008 Series A	2029 - 2039	Term	5.5%	70,290
2009 Series A	2023 - 2029	Serial	4.0% - 4.75%	25,700
2009 Series A	2030 - 2039	Term	5.0%	59,300
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2014 - 2024	Serial	3.0% - 5.0%	143,375
2011 Series B	2023 - 2029	Serial	3.25% - 5.0%	34,570
2011 Series B	2030 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2014 - 2030	Serial	2.5% - 5.0%	139,575
2012 Series A	2023 - 2034	Serial	4.0% - 5.0%	139,480
2012 Series A	2035 - 2042	Term	5.0%	133,175
2012 Series B	2017 - 2034	Serial	3.0% - 5.0%	141,295
2012 Series B	2038 - 2046	Term	3.75% - 5.0%	85,420
Total				<u>\$1,502,375</u>

On February 1, 2014, a principal payment of \$30,545,000 was made for the Electric System Revenue Bonds.

On February 1, 2013, a principal payment of \$16,740,000 was made for the Electric System Revenue Bonds. On August 1, 2013, a principal payment of \$9,385,000 was made for the call of the 1993 Series C term bonds due February 1, 2014. Term bonds are subject to call every six months.

Electric System Revenue Bonds, from the following series, with outstanding principal amounts of \$102,170,000 as of December 31, 2014, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B and 2005 Series B. Electric System Revenue Bonds from the following series with outstanding principal amounts of \$325,780,000 as of December 31, 2013, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B, 2005 Series B and 2006 Series A. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in the Statements of Net Position.

OPPD's bond indenture, amended effective March 4, 2009, provides for certain restrictions, the most significant of which are:

- Additional bonds may not be issued unless estimated net receipts (as defined) for each future year equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued or to be issued in the case of a power plant (as defined) being financed in increments.
- The Electric System is required to be maintained by the Company in good condition.

The following table summarizes Electric System Revenue Bond payments (in thousands).

	Principal	Interest
2015	\$ 40,465	\$ 69,448
2016	43,065	67,573
2017	45,900	65,636
2018	47,815	63,656
2019	49,860	61,563
2020-2024	217,520	275,873
2025-2029	233,795	222,390
2030-2034	281,720	159,998
2035-2039	314,460	94,201
2040-2044	157,430	24,182
2045-2046	39,800	1,611
Total	<u>\$1,471,830</u>	<u>\$1,106,131</u>

The average interest rate for the Electric System Revenue Bonds was 4.8% for the years ended December 31, 2014 and 2013.

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Electric System Subordinated Revenue Bonds – These bonds are payable from and secured by a pledge of revenues of the Electric System, subject to the prior payment of the operations and maintenance expenses of the Electric System and the prior payment of the Electric System Revenue Bonds.

On August 26, 2014, OPPD issued 2014 Series AA and Series BB Electric System Subordinated Revenue Bonds. The 2014 Series AA Electric System Subordinated Revenue Bonds were used for the refunding of a portion of the 2007 Series AA Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$18,913,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$13,085,000. The 2014 Series BB Electric System Subordinated Revenue Bonds were used for the refunding of all of the 2005 Series B and 2006 Series C periodically issued Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$5,225,000 and resulted in an economic gain of \$3,401,000.

On November 6, 2014, OPPD issued 2014 Series CC and Series DD Electric System Subordinated Revenue Bonds. The 2014 Series CC Electric System Subordinated Revenue Bonds were used for the refunding of the remainder of the 2007 Series AA Electric System Subordinated Revenue Bonds and the refunding of all of the 2005 Series A, 2006 Series B and 2007 Series A periodically issued Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$15,633,000 and resulted in an economic gain of \$10,161,000. The 2014 Series DD Electric System Subordinated Revenue Bonds were used for the refunding of all of the 2006 Series A periodically issued Electric System Subordinated Revenue Bonds. The refunding reduced total debt service payments over the life of the bonds by \$3,412,000 and resulted in an economic gain of \$2,337,000.

Electric System Subordinated Revenue Bonds, from the following series, with outstanding principal amounts of \$250,000,000 as of December 31, 2014, were legally defeased: 2005 Series A, 2006 Series B and 2007 Series AA. There were no Electric System Subordinated Revenue Bonds defeased in 2013. Defeased bonds are funded by government securities in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in the Statement of Net Position.

The following table summarizes Electric System Subordinated Revenue Bonds payments (in thousands).

	Principal	Interest
2015	\$ -	\$ 11,445
2016	95	13,387
2017	95	13,385
2018	1,095	13,368
2019	1,090	13,330
2020-2024	8,490	68,526
2025-2029	47,215	62,735
2030-2034	73,675	49,913
2035-2039	132,185	23,435
2040-2042	73,435	4,377
Total	\$337,375	\$273,901

The average interest rate for the Electric System Subordinated Revenue Bonds was 4.0% and 4.5% for the years ended December 31, 2014 and 2013, respectively.

Electric Revenue Notes - Commercial Paper Series – The outstanding balance of Commercial Paper was \$150,000,000 as of December 31, 2014 and 2013. The average borrowing rate was 0.1% for the years ended December 31, 2014 and 2013. A Credit Agreement with Bank of America, N.A., includes a covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes.

Minibonds – Minibonds consist of current interest-bearing and capital appreciation Minibonds. The Minibonds may be redeemed prior to their maturity dates at the request of a holder, subject to certain conditions as outlined in the Minibond Official Statement. There were no Minibond maturities in 2014 other than redemptions for the annual put option. The average interest rate was 5.05% for the years ended December 31, 2014 and 2013. The principal and interest on these bonds is insured by a municipal bond insurance policy.

The following table summarizes outstanding Minibond balances at December 31 (in thousands).

	2014	2013
2001 Minibonds, due 2021 (5.05%)	\$23,317	\$23,460
Accreted interest on capital appreciation Minibonds	5,596	5,035
Total	<u>\$28,913</u>	<u>\$28,495</u>

Subordinated Obligation – The final payment on the subordinated obligation of \$482,000, including interest, was paid on April 1, 2014.

Credit Agreement – OPPD has a Credit Agreement with the Bank of America, N.A., for \$250,000,000 which will expire on October 1, 2015. The Credit Agreement includes a covenant to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper Notes. There were no amounts outstanding under this Credit Agreement as of December 31, 2014 and 2013.

NC2 Separate Electric System Revenue Bonds – Participation Power Agreements were executed with seven public power and municipal utilities for half of the output of NC2. The Participants' rights to receive, and obligations to pay costs related to, half of the output is the "Separate System."

The following table summarizes NC2 Separate Electric System Revenue Bond payments (in thousands).

	Principal	Interest
2015	\$ 3,080	\$ 11,381
2016	3,200	11,258
2017	3,330	11,128
2018	3,460	10,989
2019	3,605	10,842
2020-2024	20,490	51,667
2025-2029	25,600	46,405
2030-2034	32,345	39,494
2035-2039	41,035	30,552
2040-2044	45,355	19,696
2045-2049	55,225	6,931
Total	<u>\$ 236,725</u>	<u>\$ 250,343</u>

The payment of principal and interest on the 2005 Series A and 2006 Series A Bonds is insured by municipal bond insurance policies. The average interest rate for NC2 Separate Electric System Revenue Bonds was 4.8% for the years ended December 31, 2014 and 2013.

Fair Value Disclosure – The following table summarizes the aggregate carrying amount and fair value of long-term debt, including the current portion and excluding unamortized loss on refunded debt at December 31 (in thousands).

2014		2013	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>\$2,328,935</u>	<u>\$2,693,725</u>	<u>\$2,362,500</u>	<u>\$2,436,199</u>

The estimated fair value amounts were determined using rates that are currently available for issuance of debt with similar credit ratings and maturities. As market interest rates decline in relation to the issuer's outstanding debt, the fair value of outstanding debt financial instruments with fixed interest rates and maturities will tend to rise. Conversely, as market interest rates increase, the fair value of outstanding debt financial instruments will tend to decline. Fair value will normally approximate carrying amount as the debt financial instrument nears its maturity date. The use of different market assumptions may have an effect on the estimated fair value amount. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that bondholders could realize in a current market exchange.

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5. BENEFIT PLANS FOR EMPLOYEES AND RETIREES

RETIREMENT PLAN

Plan Description – All full-time employees are covered by the Omaha Public Power District Retirement Plan (Retirement Plan) as they are not covered by Social Security. It is a single-employer, defined benefit plan that provides retirement and death benefits to Retirement Plan members and beneficiaries. The Retirement Plan was established and may be amended at the direction of the Board of Directors and is administered by OPPD. Actuarial valuations are completed as of January 1 of each year. As of January 1, 2014, 1,874 of the 4,622 total participants were receiving benefits. Generally, employees at the normal retirement age of 65 are entitled to annual pension benefits equal to 2.25% of their average compensation (as defined) times years of credited service (as defined) under the Traditional provision (as defined). Under the Cash Balance provision (as defined), members can receive the total vested value of their Cash Balance Account at separation from employment. Employees were allowed to make a one-time irrevocable election to have benefits determined based on the Cash Balance provision instead of the Traditional provision. Effective January 1, 2013, all new employees are only eligible for the Cash Balance provision. There were 320 members with the Cash Balance provision as of December 31, 2014.

Funded Status and Funding Progress – Employees contributed 6.2% of their covered payroll to the Retirement Plan for the years ended December 31, 2014 and 2013. The Company is obligated to contribute the balance of the funds needed on an actuarially determined basis.

The Actuarial Accrued Liability (AAL) is the present value of retirement benefits adjusted for assumptions for future increases in compensation and service attributable to past accounting periods. The funded ratio for the AAL assumes future compensation and service increases. The annual contributions to the Retirement Plan consist of the cost for the current period plus a portion of the Unfunded Accrued Liability.

The following table summarizes the AAL and other pension information based on the actuarial valuation as of January 1 (in thousands).

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL Percentage of Covered Payroll ((b-a)/c)
2014	\$905,700	\$1,224,899	\$319,199	73.9%	\$194,100	164.5%
2013	\$852,552	\$1,184,997	\$332,445	71.9%	\$188,675	176.2%
2012	\$805,763	\$1,155,410	\$349,647	69.7%	\$192,169	181.9%

The Present Value of Accrued Plan Benefits (PVAPB) is the present value of benefits based on compensation and service to the date of the actuarial valuation. This is the amount the Retirement Plan would owe participants if the Retirement Plan were frozen on the valuation date. The PVAPB was \$1,063,458,000, and the Underfunded PVAPB was \$157,758,000 as of January 1, 2014. The funded ratio was 85.2% as of January 1, 2014.

Annual Pension Cost and Actuarial Assumptions - The annual pension cost and annual required contribution (ARC) was \$53,008,000, \$52,387,000 and \$53,463,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Accounting standards require recognition of a pension liability on the Statement of Net Position for the amount of any unfunded ARC. Since the entire ARC was funded, there was no net pension obligation as of December 31, 2014, 2013 and 2012. Retirement Plan contributions by employees for their covered annual payroll were \$11,713,000, \$11,568,000 and \$11,517,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

The Entry Age Normal (Level Percent of Pay) cost method was used to determine contributions to the Retirement Plan. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of Retirement Plan assets was determined using a method which smoothes the effect of short-term volatility in the market value of investments over approximately five years. Ad-hoc cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors and are amortized in the year for which the increase is authorized. Except for the liability associated with cost-of-living adjustments, the unfunded actuarial accrued liability was amortized on a level basis (closed group) over 15 years. The healthy mortality table used was the Static Mortality Table for Annuitants and Non-Annuitants for 2014, 2013 and 2012. The disabled mortality table used was the Static Mortality Table for Annuitants and Non-Annuitants for 2014, 2013 and 2012.

The other actuarial assumptions for the valuations as of January 1, 2014, 2013 and 2012, were as follows:

- The investment return (discount rate) was 7.75%.
- The average rate of compensation increase was 5.2%.
- There were no ad-hoc cost-of-living adjustments.
- The average rate of inflation was 2.3%, 2.2% and 2.3%, respectively.

Other employee benefit obligations are provided to allow certain current and former employees to retain the benefits to which they would have been entitled under the Retirement Plan, except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation were not material for the years ended December 31, 2014 and 2013.

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN – 401(k)/457

OPPD sponsors a Defined Contribution Retirement Savings Plan – 401(k) (401k Plan) and a Defined Contribution Retirement Savings Plan – 457 (457 Plan). Both the 401k Plan and 457 Plan cover all full-time employees and allow contributions by employees that are partially matched by the Company. The 401k Plan's and 457 Plan's assets and income are held in an external trust account in each employee's name. The matching share of contributions was \$6,209,000 and \$6,932,000 for the years ended December 31, 2014 and 2013, respectively. The employer maximum annual match on employee contributions was \$3,500 and \$4,000 per employee for the years ended December 31, 2014 and 2013, respectively.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

There are two separate plans for Other Post Employment Benefits (OPEB). OPEB Plan A provides post-employment health care and life insurance benefits to qualifying members. OPEB Plan B provides post-employment health care premium coverage for the Company's share to qualifying members who were hired after December 31, 2007. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

OPEB Plan A

Plan Description – OPEB Plan A (Plan A) provides post-employment health care benefits to retirees, surviving spouses, and employees on long-term disability and their dependents and life insurance benefits to retirees and employees on long-term disability. Health care benefits are based on the coverage elected by Plan A members. When members are retired and eligible for Medicare benefits, coverage moves from OPPD's Medical Plans to OPPD's Group Medicare Supplement and Part D Plans. As of January 1, 2014, 1,695 of the 3,964 total members were receiving benefits.

Funded Status and Funding Progress – Plan A members are required to pay a monthly premium based on the elected coverage and the respective premium cost share. The Company contributes the balance of the funds needed on an actuarially determined basis.

The AAL is the present value of benefits attributable to past accounting periods.

The following table summarizes AAL and other OPEB Plan A information based on the actuarial valuation as of January 1 (in thousands).

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2014	\$ 100,580	\$ 350,049	\$ 249,469	28.7%	\$ 194,100	128.5%
2013	\$ 88,527	\$ 322,995	\$ 234,468	27.4%	\$ 188,675	124.3%
2012	\$ 68,130	\$ 380,426	\$ 312,296	17.9%	\$ 192,169	162.5%

Annual OPEB Cost and Actuarial Assumptions – The annual OPEB cost and ARC for OPEB Plan A was \$22,088,000, \$21,361,000 and \$30,698,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The increase from the prior year was due to higher trending health care costs. Accounting standards require recognition of an OPEB liability on the Statement of Net Position for the amount of any unfunded ARC. Since the entire ARC was funded, there was no net OPEB obligation as of December 31, 2014, 2013 and 2012. Contributions by Plan A members were \$3,187,000, \$3,098,000 and \$2,819,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2014, 2013 and 2012, were as follows:

- The pre-Medicare health care trend rates ranged from 7.5% immediate to 5.0% ultimate in 2014 and from 8.0% immediate to 5.0% ultimate in 2013 and 2012.
- The post-Medicare health care trend rates ranged from 6.5% immediate to 5.0% ultimate in 2014 and from 7.5% immediate to 5.0% ultimate in 2013 and 2012.
- The investment return (discount rate) used was 7.5%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The average rate of compensation increase used was 5.2%.

Notes to Financial Statements

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- The actuarial cost method used was the Projected Unit Credit.
- Amortization for the initial unfunded AAL and OPEB Plan changes was determined using a period of 30 years and the increasing method at a rate of 3.0% per year.
- Amortization for all changes (including gains/losses, assumption and plan provisions) after the initial year were determined using a closed period of 15 years and the level dollar method.
- The mortality table used for healthy participants was the Static Mortality Table for Annuitants and Non-Annuitants for 2014, 2013 and 2012.

OPEB Plan B

Plan Description – OPEB Plan B (Plan B) provides post-employment health care premium coverage for the Company's share for retirees and surviving spouses and their dependents to qualifying members who were hired after December 31, 2007. Benefits are based on the coverage elected by the Plan B members and the balance in the member's hypothetical account, which is a bookkeeping account. The hypothetical accounts are credited with \$10,000 upon commencement of full-time employment, \$1,000 annually on the member's anniversary date and interest income at 5.0% annually. Plan B benefits are for the payment of OPPD's share of the members' health care premiums. Plan benefits will continue until the member and eligible spouse cease to be covered under the Company's Medical Plan, the member's hypothetical account is depleted or Plan B terminates, whichever occurs first. Benefits are forfeited for any member who fails to retire or who retires but does not immediately commence payments. As of January 1, 2014, only 1 of the 669 Plan B members was receiving benefits.

Funded Status and Funding Progress – Funds are contributed, as needed, on an actuarially determined basis. Members do not contribute to Plan B.

The following table summarizes AAL and other OPEB Plan B information based on the actuarial valuations as of January 1 (in thousands).

	Actuarial Value of Assets	Actuarial Accrued Liability	Overfunded Accrued Liability (OAL)	Funded Ratio	Covered Payroll	OAL Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
2014	\$3,509	\$1,526	\$1,983	230.0%	\$50,727	3.9%
2013	\$3,633	\$1,033	\$2,600	351.7%	\$41,942	6.2%
2012	\$3,507	\$ 756	\$2,751	463.9%	\$33,193	8.3%

Annual OPEB Cost and Actuarial Assumptions – The OPEB Plan B ARC was \$145,000, \$47,000 and \$0 for the years ended December 31, 2014, 2013 and 2012, respectively. The annual OPEB cost was \$250,000, \$148,000 and \$96,000 for the years ended December 31, 2014, 2013 and 2012, respectively. There was an OPEB net asset of \$1,269,000, \$1,519,000 and \$1,667,000 as of December 31, 2014, 2013 and 2012, respectively. Company contributions were \$0 for the years ended December 31, 2014, 2013 and 2012.

The actuarial assumptions and methods used for the valuations on January 1, 2014, 2013 and 2012 were as follows:

- The investment return (discount rate) used was 5.5%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The actuarial cost method used was Projected Unit Credit.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.
- The mortality table for healthy participants was the Static Mortality Table for Annuitants and Non-Annuitants for 2014, 2013 and 2012.

SELF-INSURANCE HEALTH PROGRAM

Employee health care and life insurance benefits are provided to substantially all full-time employees. There were 2,083 and 2,097 full-time employees with medical coverage as of December 31, 2014 and 2013, respectively. An Administrative Services Only (ASO) Health Insurance Program is used to account for the health insurance claims. With respect to the ASO program, reserves sufficient to satisfy both statutory and OPPD-directed requirements have been established to provide risk protection (Note 3). Additionally, private insurance has been purchased to cover claims in excess of 125% of expected aggregate levels and \$450,000 per member.

Health care expenses for full-time employees (reduced by premium payments from participants) were \$27,195,000 and \$22,894,000 for the years ended December 31, 2014 and 2013, respectively.

The total cost of life and long-term disability insurance for full-time employees was \$1,119,000 and \$791,000 for the years ended December 31, 2014 and 2013, respectively.

The balance of the Incurred But Not Presented Reserve was \$3,012,000 and \$2,374,000 as of December 31, 2014 and 2013, respectively (Note 2).

Audited financial statements for the Retirement Plan, Defined Contribution Retirement Savings Plans and OPEB Plans may be reviewed by contacting the Pension Administrator at Corporate Headquarters.

6. ADDITIONS TO AND UTILIZATIONS OF RESERVES

The Rate Stabilization Reserve was increased by \$9,000,000 for the year ended December 31, 2014. There was a transfer of \$5,000,000 from the Uncollectible Accounts Reserve – Off-System (Note 1). An additional Rate Stabilization Reserve adjustment of \$4,000,000 decreased net revenue for the year ended December 31, 2014. There were no net revenue adjustments to the reserve for the year ended December 31, 2013. The balance of the reserve was \$41,000,000 and \$32,000,000 for the years ended December 31, 2014 and 2013, respectively.

The Debt Retirement Reserve was used to provide additional revenues and funding for capital expenditures in the amount of \$17,000,000 for the year ended December 31, 2013. The balance of the reserve was \$0 for the years ended December 31, 2014 and 2013.

7. DERIVATIVES AND FINANCIAL INSTRUMENTS

Natural Gas Hedging – OPPD entered into natural gas futures contracts with the New York Mercantile Exchange (NYMEX) to hedge expected cash flows associated with purchases of natural gas for operations. As required by GAAP, the Company's natural gas futures contracts were evaluated to determine hedge effectiveness. The deferred cash flow hedges for any unrealized losses and the fair value of the commodity derivative instruments are reported on the Statements of Net Position. The fair value and deferred cash flows for these contracts are determined using published pricing benchmarks obtained through independent sources based on the pricing point at Henry Hub on their respective expiration date.

The net amount for commodity derivative instruments for natural gas hedging reported in other current assets was \$0 and \$53,000 as of December 31, 2014 and 2013, respectively (Note 2). There were \$114,000 and \$336,000 of realized losses for the years ended December 31, 2014 and 2013, respectively. Realized gains or losses from effective hedges are included in fuel expense. There were no open contracts as of December 31, 2014.

- **Basis Risk** – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Location basis risk is created by purchasing natural gas at the Northern Natural Gas "Demarcation" pricing point and entering into the futures contract at the Henry Hub pricing point. Critical terms risk exists because the hedging instrument is a monthly transaction and the purchase of physical natural gas is typically a daily transaction. These two differences create the greatest amount of variation between the hedging instruments and the price paid for physical purchases.
- **Rollover Risk** – Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. Rollover risk exists because the purchase of natural gas for the generation of electricity is an ongoing process whereas the hedges are for only the summer load months.

Auction Revenue Rights (ARRs) – ARRs are financial instruments that entitle the owner to a share of the revenues generated in the applicable Transmission Congestion Rights (TCR) auctions. ARRs are allocated during annual and/or incremental monthly auctions and have the option of being converted into a TCR. OPPD is entitled to these financial payments as a substitute for firm (physical) transmission service. ARRs are accounted for at cost as they are not readily convertible to cash and therefore do not meet the definition of a derivative. The balance of ARRs, reported in current liabilities, was \$1,836,000 and \$0 as of December 31, 2014 and 2013, respectively (Note 2).

Transmission Congestion Rights – TCRs are financial instruments that entitle the holder to an offset to congestion charges on the transmission grid that take place in the day-ahead market. The Company utilizes TCRs to hedge against congestion differentials between OPPD generators and OPPD load in the SPP Integrated Marketplace (IM).

TCRs qualify for the normal purchases and sales exception under GASB guidance and are reported on a cost basis on the Statements of Net Position. The total notional amount of TCRs outstanding as of December 31, 2014, was 3,708,518 megawatt hours. The balance of TCRs reported in other current assets was \$629,000 and \$0 as of December 31, 2014 and 2013, respectively (Note 2).

Notes to Financial Statements

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The following table summarizes the commodity derivative instruments balances as of December 31 (in thousands).

	2014	2013
Natural gas hedging	\$ -	\$ 53
Transmission congestion rights	629	-
Total	<u>\$ 629</u>	<u>\$ 53</u>

8. REGIONAL TRANSMISSION ORGANIZATION

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 Service 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.

9. OTHER - NET

The following table summarizes the composition of Other - Net for the years ended December 31 (in thousands).

	2014	2013
Grants from FEMA	\$ 7,329	\$ 1,588
Interest subsidies from the federal government	2,117	2,113
Health care subsidies from the federal government	75	811
Other	(416)	221
Total	<u>\$ 9,105</u>	<u>\$ 4,733</u>

10. LOSSES AND RECOVERIES

OPPD is eligible for disaster assistance from the Federal Emergency Management Agency (FEMA) when a disaster is declared for damage in our service area. The Missouri River flood (Flood Event) of 2011 was declared a disaster, and the Company was eligible for disaster assistance. The balance of the receivable from the Flood Event was \$7,121,000 and \$11,579,000 as of December 31, 2014 and 2013, respectively. FEMA also declared disasters for storms during 2014. The receivable for those disasters was \$1,839,000 as of December 31, 2014.

11. NUCLEAR REGULATORY COMMISSION OVERSIGHT

The NRC placed FCS into a special category of their inspection manual, Chapter 0350, in December 2011. This Chapter is for nuclear plants that are in extended shutdowns with performance issues. In August 2012, the Board of Directors authorized management to enter into a long-term operating service agreement with Exelon Generation Company, LLC, (Exelon) to provide operating and managerial support at FCS for 20 years. The Company remains the owner and licensed operator of the station, while Exelon has day-to-day operational authority at FCS, subject to oversight by and decision-making authority of OPPD for licensed activities. The Exelon Nuclear Management Model is being used to improve and sustain performance at FCS. Operations resumed in December 2013. The station remains in Chapter 0350 status.

12. COMMITMENTS AND CONTINGENCIES

Commitments for the uncompleted portion of construction contracts were approximately \$78,309,000 as of December 31, 2014. Power sales commitments which extend through 2027 were \$79,921,000 as of December 31, 2014. Power purchase commitments which extend through 2020 were \$71,253,000 as of December 31, 2014. These amounts do not include the Participation Power Agreements (PPA's) for OPPD's commitments for wind energy purchases or NC2.

The following table summarizes OPPD's PPA's for wind purchase agreements as of December 31, 2014.

	Total Capacity (in MW)	OPPD Share (in MW)	Commitment Through	Amount (in thousands)
Ainsworth*	59.4	10.0	2025	\$21,153
Elkhorn Ridge*	80.0	25.0	2029	12,810
Flat Water**	60.0	60.0	2030	115
Petersburg**	40.5	40.5	2031	317
Prairie Breeze**	200.6	200.6	2039	364
Total	<u>440.5</u>	<u>336.1</u>		<u>\$34,759</u>

* These PPA's are on a "take-or-pay" basis and the Company is obligated to make payments for purchased power even if the power is not available, delivered or taken by OPPD. In addition, the Company is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from a default at the Ainsworth facility.

**These PPA's are on a "take-and-pay" basis and require payments only when the power is made available to OPPD. There are no commitments for Crofton Bluffs or Broken Bow I and II.

There are 40-year PPA's with seven public power and municipal utilities (the Participants) for the sale of half of the 691.2-mega-watt net capacity of NC2. The Participants have agreed to purchase their respective shares of the output on a "take-or-pay" basis even if the power is not available, delivered to or taken by the Participants. The Participants are subject to a step-up provision, whereby in the event of a Participant default, the remaining Participants are obligated to pay a share of any deficit in funds resulting from the default. There is an NC2 Transmission Facilities Cost Agreement with the Participants that addresses the cost allocation, payment and cost recovery for delivery of their respective power.

OPPD has coal supply contracts which extend through 2018 with minimum future payments of \$223,915,000 as of December 31, 2014. The Company also has coal-transportation contracts which extend through 2020 with minimum future payments of \$505,858,000 as of December 31, 2014. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect through 2020 with estimated future payments of \$54,731,000 as of December 31, 2014. Contracts for the enrichment of nuclear fuel are in effect through 2026 with estimated future payments of \$131,470,000 as of December 31, 2014. Additionally, OPPD has contracts through 2022 for the fabrication of nuclear fuel assemblies with estimated future payments of \$39,035,000 as of December 31, 2014.

There is a 20-year operating agreement with Exelon for operational and managerial support services at FCS. The Company remains the owner and licensed operator. The Company may terminate the agreement at any time without cause during the term of the agreement upon 180 days' prior notice subject to a termination fee of \$20,000,000 and payment of certain additional termination costs. Termination for cause and certain other termination events are not subject to payment of a termination fee.

In 2007, OPPD and the Metropolitan Community College (MCC) executed an Educational Services Agreement for \$1,000,000 of educational services (as defined in the Agreement) over a ten-year period. If OPPD has not purchased the educational services by the end of the term, MCC shall have the right to extend the Agreement for an additional five years. As of December 31, 2014, OPPD's remaining commitment was \$325,000.

Under the provisions of the Price-Anderson Act as of December 31, 2014, OPPD and all other licensed nuclear power plant operators could each be assessed for claims and legal costs in the event of a nuclear incident in amounts not to exceed a total of \$127,318,000 per reactor per incident with a maximum of \$18,963,000 per incident in any one calendar year. These amounts are subject to adjustment every five years in accordance with the Consumer Price Index.

OPPD recieved a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking projects at Nebraska City Station Unit 1 (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.

OPPD is engaged in routine litigation incidental to the conduct of its business and, in the opinion of Management, based upon the advice of General Counsel, the aggregate amounts recoverable or payable, taking into account amounts provided in the financial statements, are not significant.

13. NORTH OMAHA STATION

The Board of Directors approved a resolution in June 2014 for the Future Power-Generation Plan (Plan). The Plan includes changes to the generation portfolio, including the retirement of North Omaha Station Units 1, 2 and 3 in 2016, to comply with existing and future environmental regulations. Other approved changes include the retrofitting of North Omaha Station Units 4 and 5 and NC1 with basic emission controls as well as load reductions through Demand-Side Management programs. The estimated useful lives of North Omaha Station Units 1, 2 and 3 were reduced as a result of the planned future retirement. This change in estimate resulted in additional depreciation expense of \$5,400,000 for the year ended December 31, 2014.

14. SUBSEQUENT EVENTS

OPPD issued \$93,005,000 of Electric System Revenue Bonds, 2015 Series A and \$260,050,000 of Electric System Revenue Bonds, 2015 Series B on January 7, 2015. The 2015 Series B Bonds were used for the refunding of all the 2005 Series B Bonds and a portion of the 2007 Series A and 2008 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$35,777,000 and resulted in an economic gain of \$25,377,000.

OPPD issued \$94,145,000 of Electric System Revenue Bonds, 2015 Series C on February 26, 2015. These bonds were used for the refunding of all of the remaining 2007 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$12,275,000 and resulted in an economic gain of \$7,321,000.

OPPD issued \$114,245,000 of NC2 Separate Electric System Revenue Bonds, 2015 Series A on March 11, 2015. These bonds were used for the refunding of all of the 2005 Series A Bonds, and a portion of the 2008 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$15,510,000 and resulted in an economic gain of \$13,691,000.

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444 South 16th Street Mall
Omaha, Nebraska 68102

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