

Omaha Public Power District

Statements of Net Position

as of December 31, 2016 and 2015

ASSETS	2016	2015
	<i>(thousands)</i>	
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,649	\$ 7,847
Electric system revenue fund	114,116	99,636
Electric system revenue bond fund	97,814	92,667
Electric system subordinated revenue bond fund	5,666	5,683
Electric system construction fund	221,247	257,077
NC2 separate electric system revenue fund	14,080	12,563
NC2 separate electric system revenue bond fund	18,013	13,076
NC2 separate electric system capital costs fund	9,486	1,925
Accounts receivable – net	131,425	116,376
Fossil fuels – at average cost	28,328	31,661
Nuclear fuel held for sale	12,453	-
Materials and supplies – at average cost	77,896	143,319
Regulatory asset – FCS decommissioning	147,000	-
Other (Note 2)	30,058	57,444
Total current assets	<u>921,231</u>	<u>839,274</u>
SPECIAL PURPOSE FUNDS – at fair value		
Electric system revenue bond fund – net of current	41,083	48,783
Segregated fund – rate stabilization (Note 4)	33,000	16,000
Segregated fund – other (Note 4)	36,317	34,945
Electric system construction fund – net of current	20,481	-
Decommissioning funds (Note 4)	382,134	373,334
Total special purpose funds	<u>513,015</u>	<u>473,062</u>
UTILITY PLANT – at cost		
Electric plant	4,305,055	5,487,554
Less accumulated depreciation and amortization	1,743,661	2,185,262
Electric plant – net	2,561,394	3,302,292
Nuclear fuel – at amortized cost	-	87,387
Total utility plant – net	<u>2,561,394</u>	<u>3,389,679</u>
OTHER LONG-TERM ASSETS		
Regulatory assets (Note 2)	1,173,653	525,729
Other assets (Note 2)	5,787	8,746
Total other long-term assets	<u>1,179,440</u>	<u>534,475</u>
TOTAL ASSETS	5,175,080	5,236,490
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	90,333	71,931
Unrealized pension contributions and (gain)/loss (Note 7)	172,695	117,074
Ash landfill (Note 3)	2,960	3,672
Total deferred outflows of resources	<u>265,988</u>	<u>192,677</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$5,441,068</u>	<u>\$5,429,167</u>

See notes to financial statements

Omaha Public Power District Statements of Net Position

as of December 31, 2016 and 2015

LIABILITIES	2016	2015
	(thousands)	
CURRENT LIABILITIES		
Electric system revenue bonds (Note 6)	\$ 45,595	\$ 43,065
Electric system subordinated revenue bonds (Note 6)	95	95
NC2 separate electric system revenue bonds (Note 6)	3,245	3,190
Accounts payable	82,624	95,218
Accrued payments in lieu of taxes	33,022	31,185
Accrued interest	39,376	41,214
Accrued payroll	25,471	26,597
NC2 participant deposits	9,343	9,342
Decommissioning	124,685	-
Other (Note 2)	8,501	7,560
Total current liabilities	<u>371,957</u>	<u>257,466</u>
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Note 2)	<u>35,626</u>	<u>30,495</u>
LONG-TERM DEBT (Note 6)		
Electric system revenue bonds – net of current	1,412,770	1,470,660
Electric system subordinated revenue bonds – net of current	337,185	337,280
Electric revenue notes – commercial paper series	150,000	150,000
Minibonds	29,816	29,338
NC2 separate electric system revenue bonds – net of current	215,215	222,720
Total long-term debt	<u>2,144,986</u>	<u>2,209,998</u>
Unamortized discounts and premiums	193,225	163,421
Total long-term debt – net	<u>2,338,211</u>	<u>2,373,419</u>
OTHER LIABILITIES		
Decommissioning – net of current	1,124,912	375,915
Net pension liability (Note 7)	487,177	407,174
Other (Note 2)	27,715	21,376
Total other liabilities	<u>1,639,804</u>	<u>804,465</u>
COMMITMENTS AND CONTINGENCIES (Note 15)		
TOTAL LIABILITIES	<u>4,385,598</u>	<u>3,465,845</u>
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization reserve (Note 8)	42,000	16,000
Unamortized gain on refunded debt	141	168
Total deferred inflows of resources	<u>42,141</u>	<u>16,168</u>
NET POSITION		
Net investment in capital assets	595,498	1,378,685
Restricted	50,183	50,069
Unrestricted	367,648	518,400
Total net position	<u>1,013,329</u>	<u>1,947,154</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$5,441,068</u>	<u>\$5,429,167</u>

See notes to financial statements

Omaha Public Power District

Statements of Revenues, Expenses and Changes in Net Position

for the Years Ended December 31, 2016 and 2015

	2016	2015
	<i>(thousands)</i>	
OPERATING REVENUES		
Retail sales	\$ 921,052	\$ 904,793
Off-system sales	175,506	195,512
Other electric revenues	29,918	30,930
Total operating revenues	<u>1,126,476</u>	<u>1,131,235</u>
OPERATING EXPENSES		
Operations and maintenance		
Fuel	186,766	197,079
Purchased power	119,511	107,672
Production	252,312	282,149
Transmission	35,681	32,995
Distribution	44,750	42,915
Customer accounts	16,718	15,389
Customer service and information	15,205	16,396
Administrative and general	152,914	147,344
Total operations and maintenance	<u>823,857</u>	<u>841,939</u>
Depreciation and amortization	149,546	151,033
Decommissioning	17,576	5,161
Payments in lieu of taxes	34,138	32,241
Total operating expenses	<u>1,025,117</u>	<u>1,030,374</u>
OPERATING INCOME	<u>101,359</u>	<u>100,861</u>
OTHER INCOME (EXPENSES)		
Contributions in aid of construction	17,918	15,063
Reduction of plant costs recovered through contributions in aid of construction	(17,918)	(15,063)
Decommissioning funds – investment income	9,374	4,078
Decommissioning funds – reinvestment	(13,929)	(4,078)
Investment income	3,512	1,826
Allowances for funds used during construction	7,380	8,474
Products and services – net	3,739	4,287
Other – net (Note 11)	2,229	8,342
Total other income – net	<u>12,305</u>	<u>22,929</u>
INTEREST EXPENSE	<u>87,914</u>	<u>91,468</u>
NET INCOME BEFORE SPECIAL ITEM	<u>25,750</u>	<u>32,322</u>
SPECIAL ITEM (Note 13)	<u>(959,575)</u>	<u>-</u>
NET INCOME (LOSS)	<u>(933,825)</u>	<u>32,322</u>
NET POSITION, BEGINNING OF YEAR	<u>1,947,154</u>	<u>1,914,832</u>
NET POSITION, END OF YEAR	<u>\$1,013,329</u>	<u>\$1,947,154</u>

See notes to financial statements

Omaha Public Power District

Statements of Cash Flows

for the Years Ended December 31, 2016 and 2015

	2016 <i>(thousands)</i>	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retail customers	\$ 984,598	\$ 948,559
Cash received from off-system counterparties	149,706	167,704
Cash received from insurance companies	-	2,500
Cash received from sale of nuclear fuel	787	-
Cash paid to operations and maintenance suppliers	(542,825)	(556,105)
Cash paid to off-system counterparties	(102,470)	(90,994)
Cash paid to employees	(155,644)	(177,926)
Cash paid for in lieu of taxes and other taxes	(32,301)	(31,650)
Net cash provided from operating activities	<u>301,851</u>	<u>262,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term borrowings	343,220	634,169
Principal reduction of debt	(350,057)	(530,500)
Interest paid on debt	(132,127)	(135,497)
Acquisition and construction of capital assets	(145,451)	(202,760)
Proceeds from NC2 participants	10,400	4,384
Contributions in aid of construction and other reimbursements	19,973	12,782
Acquisition of nuclear fuel	(17,178)	(9,443)
Net cash used for capital and related financing activities	<u>(271,220)</u>	<u>(226,865)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,245,734)	(1,255,019)
Maturities and sales of investments	1,217,839	1,216,779
Purchases of investments for decommissioning funds	(308,730)	(236,039)
Maturities and sales of investments in decommissioning funds	299,949	230,879
Investment income	11,847	2,115
Net cash used for investing activities	<u>(24,829)</u>	<u>(41,285)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	5,802	(6,062)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,847	13,909
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,649	\$ 7,847
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
Operating income	\$ 101,359	\$ 100,861
Adjustments to reconcile operating income to net cash provided from operating activities		
Depreciation, amortization and decommissioning	147,691	156,194
Amortization of nuclear fuel	21,693	21,048
Changes in assets and liabilities		
Accounts receivable	(33,233)	2,225
Fossil fuels	3,333	5,257
Materials and supplies	594	(5,734)
Accounts payable	(17,237)	(8,960)
Accrued payments in lieu of taxes	1,837	592
Accrued payroll	(1,125)	(9,445)
SPP deposit	1,000	2,000
Rate stabilization reserve	26,000	(25,000)
Regulatory asset – FPPA	6,115	19,166
Regulatory asset – FCS decommissioning	(4,985)	(2,580)
Regulatory asset – FCS recovery costs	12,363	12,433
Regulatory asset – FCS outage costs	12,087	(21,110)
Other	24,359	15,141
Net cash provided from operating activities	<u>\$ 301,851</u>	<u>\$ 262,088</u>
NONCASH CAPITAL ACTIVITIES		
Utility plant additions from outstanding liabilities	<u>\$ 11,216</u>	<u>\$ 21,373</u>

Notes to Financial Statements

as of and for the Years Ended December 31, 2016 and 2015

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. As a result of the Board decision in June 2016 to cease operations at Fort Calhoun Station (FCS), the related assets were determined to be impaired and the regulatory assets for outage and depreciation costs were written off. There were no other write-downs of remaining regulatory assets for the year ended December 31, 2016. There were no write-downs of regulatory assets for the year ended December 31, 2015. See Utility Plant and Regulatory Assets and Liabilities sections of Note 1 and Note 13.

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) in 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 4). 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.

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, economic conditions affecting customers and historical write-offs net of recoveries. Additional amounts may be included based on the credit risks of significant parties. Accounts Receivable includes \$49,881,000 and \$43,129,000 in unbilled revenues as of December 31, 2016 and 2015, respectively. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts of \$1,500,000 and \$900,000 as of December 31, 2016 and 2015, respectively.

Nuclear Fuel Held for Sale – The Company maintains nuclear fuel held for sale which is valued at fair value (Note 13).

Materials and Supplies – The Company maintains inventories that are valued at average cost. FCS materials and supplies are valued at the lower of cost or fair value (Note 13).

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 \$25,617,000 and \$400,270,000 as of December 31, 2016 and 2015, respectively.

The following table summarizes electric plant balances as of December 31, 2015, activity for 2016 and balances as of December 31, 2016 (in thousands).

	2015	Additions	Retirements	Impairments	2016
Electric plant	\$5,487,554	\$139,821	\$(29,644)	\$ (1,292,676)	\$ 4,305,055
Less accumulated depreciation and amortization	<u>2,185,262</u>	<u>153,974</u>	<u>(31,573)</u>	<u>(564,002)</u>	<u>1,743,661</u>
Electric plant – net	<u>\$3,302,292</u>	<u>\$ (14,153)</u>	<u>\$ 1,929</u>	<u>\$ (728,674)</u>	<u>\$ 2,561,394</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 3.4% for both years ended December 31, 2016 and 2015.

Long-lived assets, such as property, plant and equipment are periodically reviewed for impairment or whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the magnitude of the decline in service utility is significant and not part of the asset's normal life cycle, the asset is considered impaired.

As a result of the Board decision in June 2016 to cease operations at FCS, the Electric Plant in Service in the amount of \$852,237,000 and the Accumulated Depreciation Reserve in the amount of \$564,002,000 were written off as of December 31, 2016, in accordance with GAAP, and recorded to the Special Item in the Statements of Revenues, Expenses and Changes in Net Position. There were no other write-downs for impairments for both years ended December 31, 2016 and 2015 (Note 13).

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 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.

The following table summarizes the sources of CIAC as of December 31 (in thousands).

	2016	2015
Transmission and distribution	\$ 14,678	\$ 9,082
Nebraska City Station Unit 2 (NC2) turbine replacement	1,769	-
NC2 participants	1,495	5,981
FCS dry cask storage	<u>(24)</u>	<u>-</u>
Total	<u>\$ 17,918</u>	<u>\$15,063</u>

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 3.3% and 3.1% for the years ended December 31, 2016 and 2015, respectively. Depreciation is calculated using the following estimated lives:

- Generation 40 to 70 years
- Transmission and Distribution 15 to 75 years
- General 6 to 25 years

Amortization of nuclear fuel is based on the cost thereof, and is recorded as nuclear fuel expense of \$21,771,000 and \$21,048,000 for the years ended December 31, 2016 and 2015, respectively. Amortization was prorated by fuel assembly in accordance with the thermal energy that each assembly produced through October 2016 when FCS ceased operations (Note 13).

The FCS regulatory asset for recovery costs incurred in 2012 and 2013 were deferred as a regulatory asset based on Board approval. These recovery costs were not included in the impairment, but will continue to be amortized (and collected through rates) through 2023 as these costs benefit current and future ratepayers. The amortization was \$1,854,000 and \$0 for the years ended December 31, 2016 and 2015, respectively. Prior to the transition to decommission FCS in November 2016, this expense was amortized as an operating expense (Note 13).

Intangible assets are amortized over their expected useful life. Amortization of intangible assets is included with depreciation and amortization expense in these financial statements. The amortization was \$5,855,000 and \$5,971,000 for the years ended December 31, 2016 and 2015, respectively.

NC2 was placed in commercial operation in 2009. Half of the unit's output is sold under 40-year Participation Power Agreements (PPAs). Certain participants funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. These participants are billed for the debt

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as of and for the Years Ended December 31, 2016 and 2015

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 PPAs. 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 PPAs.

In 2004, the Board of Directors approved a change in the depreciation estimate for FCS production plant assets to 2043. This estimate was 10 years beyond the term of FCS's 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 was recorded each year as a regulatory asset in deferred charges until June 30, 2016. The Regulatory Asset for FCS Deferred Depreciation in the amount of \$79,793,000 was written off as of December 31, 2016, as a result of the Board decision to cease operations at FCS and recorded to the Special Item in the Statements of Revenues, Expenses and Changes in Net Position (Note 13).

Also as a result of the Board decision in June 2016 to cease operations at FCS, there was a write-off of the accumulated depreciation reserve related to FCS assets. The write-off was \$564,002,000 as of December 31, 2016, and recorded to the Special Item in the Statements of Revenues, Expenses and Changes in Net Position (Note 13).

The Board of Directors approved a resolution in June 2014 for the Future Power Generation Plan (Plan). The Plan included changes to the generation portfolio, including the retirement in 2016 of North Omaha Station Units 1, 2 and 3 (NO1, NO2, NO3), to comply with existing and future environmental regulations. The estimated useful lives of NO1, NO2 and NO3 were reduced as a result of the planned future retirement. This change in estimate resulted in additional depreciation expense of \$2,629,000 and \$9,923,000 for the years ended December 31, 2016 and 2015, respectively (Note 14).

NO1, NO2 and NO3 will be utilized for capacity purposes on natural gas through 2018 as a result of the Board decision in June 2016 to cease operations at FCS. NO1 and NO2 have been fully depreciated as of April 2016. The useful life of NO3 was extended through 2018 beginning in July 2016 (Note 14).

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 was a fee of one mill per kilowatt-hour on net electricity generated and sold from FCS. The collection of this fee was suspended in May 2014 until the DOE completes a fee adequacy study that complies with the Nuclear Waste Policy Act or until Congress enacts an alternative fuel-management plan. As a result of the suspension, there were no nuclear fuel disposal fees paid in 2016 or 2015.

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.

Nuclear Decommissioning – Based on the decommissioning plan established in 1983, the Board of Directors approved the collection of nuclear decommissioning costs using an independent engineering study of the costs to decommission FCS. The Company established a Decommissioning Funding Plan for FCS in 1990 in compliance with Nuclear Regulatory Commission (NRC) regulations. Its purpose is to accumulate funds to decommission the radiated portions of FCS as defined by the NRC. The NRC's funding requirement is based on a defined cost formula and adjusted annually. The Company established a Supplemental Decommissioning Funding Plan for FCS in 1992 to accumulate funds to fully decommission FCS. This includes funds for additional costs beyond the NRC minimum that are needed to decommission the radiated plant, the fuel facility and the non-radiated plant.

Based on cost estimates, inflation rates and fund earnings projections, no funding was necessary from 2001 through 2013 for either plan. However, an analysis by the Company and an outside consultant determined that additional funding was needed for the Supplemental Decommissioning Fund beginning in 2014 to meet the estimated cost to fully decommission FCS. OPPD temporarily suspended funding for the Supplemental Decommissioning Fund in September 2015 to reduce expenditures and the related impact on rates. In December

2015, the Board of Directors authorized the use of regulatory accounting to match the decommissioning expense to the amount funded. The annual funding amount was \$0 and \$5,161,000 for the years ended December 31, 2016 and 2015, respectively (Note 13). Funding resumed in January 2017. The Supplemental Decommissioning Fund was reduced by \$575,000 for the 2016 expenditures incurred after ceasing operations and beginning the decommissioning process at FCS.

The estimated current cost to decommission the plant for the NRC-required obligations is \$1,249,597,000 as of December 31, 2016. This estimated cost is based upon a third-party, site-specific cost study completed in February 2017 (Note 13). The decommissioning cost liability, which includes a current and long-term portion in the Statements of Net Position, will be adjusted annually for inflation and any significant changes in the cost estimate.

Decommissioning funds are reported at fair value. Investment income was \$9,374,000 and \$4,078,000 for the years ended December 31, 2016 and 2015, respectively. The fair value of the decommissioning funds increased \$99,000 and decreased \$4,594,000 for the years ended December 31, 2016 and 2015, respectively.

Pension – Information about the fiduciary net position of the OPPD Retirement Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported for purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. Benefit payments are recognized when distributed in accordance with the benefit terms. Investments are reported at fair value (Note 7).

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.

The Company adopted the GASB accounting standards for the financial accounting and reporting of pension plans in 2015. These standards required the Company to recognize a liability for the net pension obligation on the Statement of Net Position. In December 2014, the Board of Directors authorized the use of regulatory accounting for pension costs to establish a regulatory asset to match the pension expense to the amounts funded and the cost recovery through rates.

The Board of Directors authorized the use of regulatory accounting in 2012 for significant, unplanned operations and maintenance costs at FCS incurred to address concerns from the NRC and enhance operations. These recovery costs are being amortized over a ten-year period which commenced in 2013 with FCS's return to service as they continue to benefit future ratepayers (Note 13).

In 2004, the Board of Directors approved a change in the depreciation estimate for FCS production assets to 2043. This estimate was ten years beyond the term of the operating license. The regulatory asset for FCS depreciation was written off as a result of the Board decision to cease operations at FCS and recorded to the Special Item in the Statements of Revenues, Expenses and Changes in Net Position (Note 13).

As previously noted, an NC2 regulatory asset was established to maintain revenue neutrality for transactions with participants who funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. NC2 depreciation and other deferred expenses will equal the amount included in off-system sales revenue for principal repayments.

A Planned Nuclear Refueling Outage (Outage), as defined by OPPD, is a regularly scheduled refueling outage at FCS. These Outages were periodically completed to maintain and enhance the performance and efficiency of station operations, which benefited 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 were deferred as a regulatory asset and amortized to expense over the subsequent operating cycle. There was an outage at FCS in April 2015 and the remaining balance of this FCS outage deferral was fully amortized to expense in 2016.

The Board of Directors also 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.

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. This regulatory asset represents the rights to additional revenues based on incurred expenses due to under-recoveries of fuel and purchased power costs. This regulatory asset or FPPA, included in Other Current Assets, was \$2,118,000 and \$8,233,000 as of December 31, 2016 and 2015, respectively (Note 2). The FPPA regulatory assets were reduced for customer collections of \$8,233,000 and \$27,399,000 for the years ended December 31, 2016 and 2015, respectively.

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The Board of Directors authorized the use of regulatory accounting for the unfunded supplemental decommissioning costs in December 2015. The use of regulatory accounting allows the matching of decommissioning expense to the amounts funded. The unfunded portion of the liability based on NRC-required obligations was recorded as a Deferred Decommissioning Regulatory Asset. Upon completion of a third-party, site-specific cost study, the decommissioning liability increased, which resulted in an increase to the regulatory asset (Note 13).

The following table summarizes the balances of regulatory assets as of December 31, 2015, activity for 2016 and balances as of December 31, 2016 (in thousands) (Note 13).

	2015	Additions	Reductions	2016
Regulatory asset – pension	\$290,100	\$ 39,383	\$ (15,001)	\$ 314,482
Regulatory asset – FCS recovery costs	117,449	-	(14,835)	102,614
Regulatory asset – FCS depreciation	74,628	5,165	(79,793)	-
Regulatory asset – NC2	45,650	4,449	(4,169)	45,930
Regulatory asset – FCS outage costs	21,110	1,986	(23,096)	-
Regulatory asset – financing costs	10,812	1,542	(3,382)	8,972
Regulatory asset – FPPA	8,233	2,118	(8,233)	2,118
Regulatory asset – FCS decommissioning	2,580	896,989	(35,476)	864,093
Total	<u>\$570,562</u>	<u>\$951,632</u>	<u>\$ (183,985)</u>	<u>\$1,338,209</u>

Regulatory liabilities are deferred inflows of resources and include the Rate Stabilization Reserve. This reserve was established to help maintain stability in OPPD's long-term rate structure (Note 8). In December 2016, there was a transfer of \$26,000,000 to the reserve and a transfer of \$25,000,000 from the reserve in 2015. The balance of the Rate Stabilization Reserve was \$42,000,000 and \$16,000,000 as of December 31, 2016 and 2015, respectively.

Special Item – As a result of the June 2016 Board decision to cease operations at FCS, the related assets were considered impaired and recorded as a Special Item. A Special Item is defined as a significant transaction or other event within the control of management that is either unusual in nature or infrequent in occurrence. This event qualifies as a Special Item as the transaction was deemed to be infrequent in occurrence.

Net Position – Net position is reported in three separate components on the Statements 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.

Environmental Matters – OPPD operates ash landfills at the North Omaha Power Station and the Nebraska City Power Station locations. Closure and postclosure care financial assurance information is provided to the Nebraska Department of Environmental Quality on an annual basis as required by law. There is no current or proposed GASB statement providing accounting treatment for closure and postclosure care costs of these ash landfills. In connection with the adoption of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76), the Company reassessed its accounting treatment related to ash landfills and the closure and postclosure care costs to be incurred in the future. The Company concluded the application of analogous authoritative literature within GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (GASB 18), was appropriate to this situation as the accounting treatment for this situation is not specified in authoritative GAAP. As a result, effective January 1, 2016, the Company changed its method of accounting for this situation to apply the provisions of GASB 18, which requires retrospective application upon adoption to the earliest year presented in the financial statements.

The adoption of the statement resulted in OPPD recognizing a liability for closure and postclosure care costs while amortizing those costs to match the expense and benefit from the use of the landfill. This will allow OPPD to align better with industry practices (Note 3).

There were no pollution remediation obligations identified as of December 31, 2016 and 2015.

Recent Accounting Pronouncements, adopted – GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73* (GASB 82), in March 2016. This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Company early adopted this statement effective January 1, 2015. The adoption affected the presentation of the Required Supplementary Information, but did not affect OPPD’s financial position, results of operations or cash flows.

In 2016, the Company adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), issued in February 2015 effective for reporting periods beginning after June 15, 2015. The implementation of this statement enhanced the financial statement note disclosures. This statement had no impact on OPPD’s financial position, results of operations or cash flows (Notes 4, 5).

GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015. The provisions of this statement increase the consistency in how GAAP is applied. It has three main purposes: (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this pronouncement resulted in the Company applying the clarified GAAP hierarchy as it considered relevant accounting literature to apply to various events during the year ended December 31, 2016. The Company adopted GASB 76 effective January 1, 2016 (Note 3).

Recent Accounting Pronouncements, not yet adopted – GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement is effective for reporting periods beginning after June 15, 2017. The impact to OPPD’s financial statements is being evaluated.

GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83), in November 2016, effective for reporting periods beginning after June 15, 2018. The objective of this statement is to provide guidance on the recognition and measurement of certain Asset Retirement Obligations (AROs), including obligations that may not have been previously reported. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. GASB 83 excludes ash landfills from this guidance. This statement requires that recognition occur when the liability is both incurred and can be reasonably estimated. The impact to OPPD’s financial statements is being evaluated.

2. OTHER ASSETS AND OTHER LIABILITIES DETAIL BALANCES

Current Assets – Other

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

	2016	2015
Regulatory asset – FCS recovery costs	\$ 14,836	\$ 14,836
Prepayments	8,779	7,530
Deposit with SPP	3,000	4,000
Regulatory asset – FPPA	2,118	8,233
Regulatory asset – financing costs	602	654
Interest receivable	570	602
Sulfur dioxide allowance inventory	134	378
Transmission congestion rights (Note 9)	19	97
Regulatory asset – FCS outage costs	-	21,110
Other	-	4
Total	<u>\$ 30,058</u>	<u>\$ 57,444</u>

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as of and for the Years Ended December 31, 2016 and 2015

Other Long-Term Assets – Regulatory Assets

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

	2016	2015
Regulatory asset – FCS decommissioning (net of current)	\$ 717,093	\$ 2,580
Regulatory asset – pension	314,482	290,100
Regulatory asset – FCS recovery costs (net of current)	87,778	102,613
Regulatory asset – NC2	45,930	45,650
Regulatory asset – financing costs (net of current)	8,370	10,158
Regulatory asset – FCS depreciation	-	74,628
Total	<u>\$1,173,653</u>	<u>\$525,729</u>

Other Long-Term Assets – Other

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

	2016	2015
Job orders	\$ 3,439	\$ 4,766
Other	2,348	3,980
Total	<u>\$ 5,787</u>	<u>\$ 8,746</u>

Current Liabilities – Other

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

	2016	2015
Unearned revenues	\$ 2,278	\$ 2,307
Ash landfill (Note 3)	2,211	349
Auction revenue rights (Note 9)	1,236	766
Deposits	572	501
Payroll taxes and other employee liabilities	338	361
Other	1,866	3,276
Total	<u>\$ 8,501</u>	<u>\$ 7,560</u>

Liabilities Payable from Segregated Funds

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

	2016	2015
Customer deposits	\$21,608	\$21,982
Transmission project	3,620	-
Incurred but not presented (IBNP) reserve	3,483	3,574
Customer advances for construction	2,668	2,439
Other	4,247	2,500
Total	<u>\$35,626</u>	<u>\$30,495</u>

Other Liabilities – Other

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

	2016	2015
Unearned revenues (net of current)	\$ 15,062	\$ 6,463
Ash landfill (net of current) (Note 3)	7,884	9,960
Workers' compensation reserve	1,399	1,545
Capital purchase agreement	1,209	1,469
Public liability reserve	308	121
Other	1,853	1,818
Total	<u>\$ 27,715</u>	<u>\$21,376</u>

3. ACCOUNTING PRINCIPLE CHANGE

OPPD operates ash landfills at the North Omaha Power Station and the Nebraska City Station locations. Closure and postclosure care financial assurance information is provided to the Nebraska Department of Environmental Quality on an annual basis as required by law. In connection with the adoption of GASB 76, as discussed in Note 1, the Company reassessed its accounting treatment related to ash landfills maintained by the Company and the closure and postclosure care costs to be incurred in the future. The Company concluded the application of analogous authoritative literature within GASB 18 was appropriate for this situation as the accounting treatment for this situation is not specified in authoritative GAAP. As a result, effective January 1, 2016, the Company changed its method of accounting for this situation to apply the provisions of GASB 18, which requires retrospective application upon adoption to the earliest year presented in the financial statements.

Assumptions used in determining the liability for the ash landfill are as follows:

- Landfill profiles based on periodic state provided surveys completed every 5 years
- Escalation factors used in interim reporting periods
- Top area and side slope area closure costs per acre

The adoption of the statement resulted in OPPD recognizing a liability for closure and postclosure care costs while amortizing those costs to match the expense and benefit from the use of the landfill. This will allow OPPD to align better with industry practices.

Charges for ash landfill depletion for years prior to 2015 are reflected in the 2015 beginning net position balance. The adjustment to the January 1, 2015 Net Position for prior years' depletion was \$6,681,000. The result of adopting GASB 18 is presented below for OPPD's 2015 financial statements.

Statements of Net Position	<i>(As reported)</i> 2015	<i>(As originally reported)</i> 2015
	<i>(thousands)</i>	
Utility Plant		
Accumulated depreciation and amortization	\$(2,185,262)	\$ (2,183,267)
Total utility plant – net	3,389,679	3,391,674
Deferred Outflow of Resources		
Ash landfill	3,672	-
Total deferred outflows of resources	192,677	189,005
Current Liabilities		
Ash landfill	349	-
Total current liabilities	257,466	257,117
Other Liabilities		
Ash landfill	9,960	-
Total other liabilities	804,465	794,505
Net Position		
Net investment in capital assets	1,378,685	1,380,680
Unrestricted	518,400	525,037
Total net position	\$1,947,154	\$1,955,786

Statements of Revenues, Expenses and Changes in Net Position	<i>(As reported)</i> 2015	<i>(As originally reported)</i> 2015
	<i>(thousands)</i>	
Operating Expenses		
Fuel	\$ 197,079	\$ 195,128
Total operations and maintenance	841,939	839,988
Change in Net Position		
Net income	32,322	34,273
Net position, beginning of year	\$1,914,832	\$ 1,921,513
Net position, end of year	\$1,947,154	\$ 1,955,786

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Statements of Cash Flows

	(As reported) 2015	(As originally reported) 2015
	(thousands)	
Cash Flows From Operating Activities		
Cash paid to operations and maintenance suppliers	\$ (556,105)	\$ (554,110)
Net cash provided from operating activities	262,088	264,083
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(202,760)	(204,755)
Net cash used for capital and related financing activities	(226,865)	(228,860)
Reconciliation of Operating Income to Net Cash Provided From Operating Activities		
Operating income	100,861	102,812
Other	15,141	15,185
Net cash provided from operating activities	\$ 262,088	\$ 264,083

4. 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 Statements 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.

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.

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 8).

Segregated Fund – Other – This fund represents assets held for payment of customer deposits, refundable advances, OPPD's self-insured health insurance plans (Note 7), and certain other liabilities.

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

	2016	2015
Customer deposits and advances	\$ 24,384	\$ 24,699
Self-insurance	6,711	6,577
Other	5,222	3,669
Total	<u>\$ 36,317</u>	<u>\$ 34,945</u>

Decommissioning Funds – These funds are for the costs to decommission FCS. 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).

	2016	2015
Decommissioning Trust – 1990 Plan	\$285,838	\$278,674
Decommissioning Trust – 1992 Plan	96,296	94,660
Total	<u>\$382,134</u>	<u>\$373,334</u>

The above table includes interest receivables of \$536,000 and \$666,000 for December 31, 2016 and 2015, respectively.

Fair Value of Investments – Fair values in most cases are externally provided by the trustees that manage the funds. The trustees frequently utilize third-party pricing services to assist in their valuations (Note 5). The fair value of investments was as follows as of December 31 (in thousands).

Investment Type	2016		2015	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money market funds	\$ 66,472	-	\$ 39,686	-
U.S. government securities	579,195	0.9	661,255	1.6
Mutual funds	207,444	-	198,764	-
Commercial paper	69,272	0.1	506	0.5
Corporate bonds and other debentures	<u>70,518</u>	1.7	<u>54,812</u>	0.4
Total	<u>\$992,901</u>		<u>\$955,023</u>	
Portfolio weighted average maturity		0.7		1.2

The above table excludes interest receivables related to the Decommissioning Trusts of \$536,000 and \$666,000 for December 31, 2016 and 2015, respectively.

Interest Rate Risk – The investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 0.7 and 1.2 years as of December 31, 2016 and 2015, respectively. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

Credit Risk – OPPD’s investment policy complies 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, 2016 and 2015.

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, 2016 and 2015. All investment securities are delivered under contractual trust agreements.

5. FAIR VALUE MEASUREMENTS

OPPD accounts for fair value in accordance with GASB 72, which defines fair value, establishes methods for measuring fair value by applying one of three observable valuation approaches (market approach, income approach and cost approach) and establishes required disclosures about fair measurements.

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement. The three levels of fair value hierarchy defined in GASB 72 are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

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Level 2: Inputs are other than quoted market prices in the active markets included in Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs.

The fair value of investments in most cases is externally provided by the trustees that manage the funds. The trustees frequently utilize third-party pricing services to assist in their valuations.

The following tables summarize in accordance with the fair value hierarchy the Company's assets that are accounted for and reported at fair value on a recurring basis by level as of December 31, 2016 and 2015 (in thousands):

		2016		
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 66,473	\$ -	\$ 66,473	\$ -
Mutual funds	107,532	107,532	-	-
U.S. government securities	579,195	-	579,195	-
Corporate bonds and other debentures	70,518	-	70,518	-
Commercial paper	69,272	-	69,272	-
Total fair value measurement by level	\$ 892,990	\$107,532	\$785,458	\$ -
Investments measured at net asset value (NAV)				
Mutual funds	99,911			
Total Investments measured at fair value	\$ 992,901			

		2015		
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 39,686	\$ -	\$ 39,686	\$ -
Mutual funds	103,272	103,272	-	-
U.S. government securities	661,255	-	661,255	-
Corporate bonds	54,812	-	54,812	-
Commercial paper	506	-	506	-
Total fair value measurement by level	\$ 859,531	\$103,272	\$ 756,259	\$ -
Investment measured at NAV				
Mutual funds	95,492			
Total Investments measured at fair value	\$ 955,023			

VALUATION METHODOLOGIES

Money Market Funds: The fair value of shares in money market funds are valued with an NAV of \$1, which approximates fair value. They are priced based on inputs obtained from Bloomberg, a pricing service whose prices are obtained from direct feeds from exchanges that are either directly or indirectly observable. The Fund's investment in money market are included as Level 2 assets.

Mutual Funds Measured at Fair Value: Mutual funds are priced using active market exchanges, and sources include Interactive Data Pricing and Reference Data LLC. The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and; therefore, have been categorized as Level 1 assets.

U.S. Government Securities: The fair value of U.S. government securities is derived from quoted prices on similar assets in active or non-active markets, from other observable inputs such as interest rates, yield curves, or credit spreads, and inputs that are derived from or corroborated by observable market data. U.S. treasury and other federal agency securities held in the Fund are included as Level 2 assets.

Corporate Bonds and Other Debentures: For fixed-income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validation in addition to checks for unusual daily movements. The fair values of fixed-income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences. Corporate bonds held in the Fund are included as Level 2 assets.

Commercial Paper: The fair value of commercial paper is priced according to recent transactions, as the carrying value of the commercial paper approximated its fair value due to the short maturity. Commercial Paper is included as a Level 2 asset.

Investments Measured at NAV - The following tables summarize the fair value measurement of investments calculated at NAV per share (or its equivalent) as of December 31 (in thousands).

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds	\$ 99,911	none	Daily	N/A
Total investments measured at NAV	<u>\$ 99,911</u>			

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds	\$ 95,492	none	Daily	N/A
Total investments measured at NAV	<u>\$ 95,492</u>			

Mutual Funds: This investment includes one mutual fund that invests in fixed income securities, including treasuries, agencies, corporate debt, mortgage-backed securities and some non-U.S. debt. The fair value of these investments has been determined using NAV per share (or its equivalent) of the investment.

6. DEBT

The proceeds of debt issued are utilized primarily to finance the construction program. Favorable market conditions in 2016 and 2015 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, 2015, activity for 2016 and balances as of December 31, 2016 (in thousands).

	2015	Additions	Retirements	2016
Electric system revenue bonds	\$1,513,725	\$183,340	\$(238,700)	\$1,458,365
Electric system subordinated revenue bonds	337,375	-	(95)	337,280
Electric revenue notes – commercial paper series	150,000	-	-	150,000
Minibonds	29,338	605	(127)	29,816
NC2 separate electric system revenue bonds	225,910	103,685	(111,135)	218,460
Total	<u>\$2,256,348</u>	<u>\$287,630</u>	<u>\$(350,057)</u>	<u>\$2,193,921</u>

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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, respectively in both 2016 and 2015.

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2016 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2008 Series A	2018	Serial	4.6%	\$ 2,900
2010 Series A	2022 - 2041	Term	5.431%	120,000
2011 Series A	2017 - 2024	Serial	3.125% - 5.0%	59,095
2011 Series B	2029	Serial	3.625%	350
2011 Series B	2030 - 2042	Term	4.0% - 5.0%	103,360
2011 Series C	2017 - 2030	Serial	2.5% - 5.0%	119,165
2012 Series A	2030 - 2034	Serial	4.0%	63,065
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
2015 Series A	2022 - 2034	Serial	2.85% - 5.0%	38,630
2015 Series A	2035 - 2045	Term	4.0% - 5.0%	54,375
2015 Series B	2017 - 2034	Serial	2.0% - 5.0%	223,495
2015 Series B	2035 - 2039	Term	4.0%	36,555
2015 Series C	2032 - 2043	Serial	3.5% - 5.0%	94,145
2016 Series A	2023 - 2039	Serial	3.0% - 5.0%	183,340
Total				<u>\$ 1,458,365</u>

The following table summarizes outstanding Electric System Revenue Bonds as of December 31, 2015 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2008 Series A	2018	Serial	4.6%	\$ 2,900
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	2016 - 2024	Serial	3.125% - 5.0%	95,360
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	2016 - 2030	Serial	2.5% - 5.0%	125,965
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
2015 Series A	2022 - 2034	Serial	2.85% - 5.0%	38,630
2015 Series A	2035 - 2045	Term	4.0% - 5.0%	54,375
2015 Series B	2017 - 2034	Serial	2.0% - 5.0%	223,495
2015 Series B	2035 - 2039	Term	4.0%	36,555
2015 Series C	2032 - 2043	Serial	3.5% - 5.0%	94,145
Total				<u>\$ 1,513,725</u>

OPPD issued \$183,340,000 of Electric System Revenue Bonds, 2016 Series A, on August 24, 2016. The 2016 Series A Bonds were used to refund all of the 2009 Series A Bonds, a portion of the 2011 Series B Bonds and a portion of the 2012 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$30,353,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$22,094,000. A principal payment of \$43,065,000 was made on February 1, 2016, for the Electric System Revenue Bonds.

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 A and B Bonds were used to finance new capital expenditures and refund the remaining 2005 Series B Bonds, a portion of the 2007 Series A and a portion of the 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 (difference between the present values of the old and new debt service payments) of \$25,377,000. The Company issued \$94,145,000 of Electric System Revenue Bonds, 2015 Series C, on February 26, 2015. The 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. A principal payment of \$40,465,000 was made on February 2, 2015, for the Electric System Revenue Bonds.

Electric System Revenue Bonds from the following series, with outstanding principal in the amount of \$568,785,000 as of December 31, 2016, were legally defeased: 1992 Series B, 1993 Series B, 2005 Series B, 2007 Series A, 2008 Series A, 2009 Series A, 2011 Series B and 2012 Series A. Electric System Revenue Bonds from the following series, with outstanding principal amounts of \$392,410,000 as of December 31, 2015, were legally defeased: 1992 Series B, 1993 Series B, 2005 Series B, 2007 Series A and 2008 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 February 6, 2015, 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
2017	\$ 45,595	\$ 71,514
2018	47,495	69,545
2019	49,720	67,328
2020	51,980	64,947
2021	55,445	62,371
2022 - 2026	208,895	365,978
2027 - 2031	274,350	262,212
2032 - 2036	263,165	166,252
2037 - 2041	321,330	81,265
2042 - 2046	140,390	12,887
Total	<u>\$1,458,365</u>	<u>\$1,224,299</u>

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.

Moody's Investors Service and Standard & Poor's Rating Services rated the Electric System Subordinated Revenue Bonds as Aa3 and AA-, respectively in both 2016 and 2015.

The following table summarizes outstanding Electric System Subordinated Revenue Bonds as of December 31, 2016 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2014 Series AA	2017 - 2032	Serial	2.0% - 5.0%	\$ 57,175
2014 Series AA	2028 - 2036	Term	2.25% - 5.25%	98,275
2014 Series BB	2041 - 2042	Term	4.0%	49,205
2014 Series CC	2031 - 2035	Serial	4.0%	29,280
2014 Series CC	2036 - 2038	Term	4.0%	79,115
2014 Series DD	2040	Serial	3.625%	24,230
Total				<u>\$337,280</u>

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The following table summarizes outstanding Electric System Subordinated Revenue Bonds as of December 31, 2015 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2014 Series AA	2016 - 2032	Serial	2.0% - 5.0%	\$ 57,270
2014 Series AA	2028 - 2036	Term	2.25% - 5.25%	98,275
2014 Series BB	2041 - 2042	Term	4.0%	49,205
2014 Series CC	2031 - 2035	Serial	4.0%	29,280
2014 Series CC	2036 - 2038	Term	4.0%	79,115
2014 Series DD	2040	Serial	3.625%	24,230
Total				<u>\$337,375</u>

On February 1, 2016, a principal payment of \$95,000 was made for the Electric System Subordinated Revenue Bonds. There were no principal payments due for the Electric System Subordinated Revenue Bonds in 2015.

At December 31, 2016, OPPD had no outstanding defeased Electric System Subordinated Revenue Bonds. Electric System Subordinated Revenue Bonds, 2006 Series B, with an outstanding principal amount of \$25,000,000 as of December 31, 2015, were legally defeased. 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.

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

	Principal	Interest
2017	\$ 95	\$ 13,385
2018	1,095	13,368
2019	1,090	13,330
2020	825	13,833
2021	-	13,817
2022 - 2026	23,840	66,961
2027 - 2031	46,040	58,558
2032 - 2036	136,335	41,163
2037 - 2041	103,315	14,161
2042	24,645	493
Total	<u>\$337,280</u>	<u>\$249,069</u>

Electric Revenue Notes – Commercial Paper Series – The outstanding balance of Commercial Paper was \$150,000,000 as of December 31, 2016 and 2015. The average borrowing rate was 0.5% and 0.1% for the years ended December 31, 2016 and 2015, respectively. 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. The Credit Agreement will expire on October 1, 2018. Commercial Paper is classified as Long-Term Debt due to the existence of this Credit Agreement and OPPD's intent and ability to refinance Commercial Paper on a long-term basis.

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 2016 other than redemptions for the annual put option. 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).

Principal	2016	2015
2001 Minibonds, due 2021	\$23,055	\$23,182
Accreted interest on capital appreciation Minibonds	6,761	6,156
Total	<u>\$29,816</u>	<u>\$29,338</u>

Credit Agreement – OPPD has a Credit Agreement with the Bank of America, N.A., for \$250,000,000, which will expire on October 1, 2018. The Credit Agreement includes a financial 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, 2016 and 2015.

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."

Moody's Investors Service rated the NC2 Separate Electric System Revenue Bonds as A1 in 2016 and 2015. Standard & Poor's Rating Services rated the NC2 Separate Electric System Revenue Bonds as A+ and A in 2016 and 2015, respectively.

The following table summarizes outstanding NC2 Separate Electric System Revenue Bonds as of December 31, 2016 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2006 Series A	2017	Serial	3.85%	\$ 1,130
2008 Series A	2017 - 2018	Serial	4.25% - 4.45%	1,020
2015 Series A	2017 - 2035	Serial	2.0% - 5.0%	58,450
2015 Series A	2036 - 2046	Term	3.5% - 5.25%	54,175
2016 Series A	2018 - 2036	Serial	3.0% - 5.0%	33,530
2016 Series A	2037 - 2049	Term	5.0%	70,155
Total				<u>\$ 218,460</u>

The following table summarizes outstanding NC2 Separate Electric System Revenue Bonds as of December 31, 2015 (in thousands).

Issue	Maturity Dates	Type	Interest Rates	Amount
2006 Series A	2016 - 2026	Serial	3.8% - 4.2%	\$ 15,050
2006 Series A	2027 - 2049	Term	4.25% - 5.0%	95,110
2008 Series A	2016 - 2018	Serial	4.05% - 4.45%	1,505
2015 Series A	2016 - 2035	Serial	2.0% - 5.0%	60,070
2015 Series A	2036 - 2046	Term	3.5% - 5.25%	54,175
Total				<u>\$ 225,910</u>

OPPD issued \$103,685,000 of NC2 Separate Electric System Revenue Bonds, 2016 Series A, on April 13, 2016. These bonds were used for refunding a portion of the 2006 Series A Bonds. The refunding reduced total debt service payments over the life of the bonds by \$8,076,000 and resulted in an economic gain of \$9,474,000. A principal payment of \$3,190,000 was made on February 1, 2016, for the NC2 Separate Electric System Revenue Bonds.

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. A principal payment of \$3,080,000 was made on February 2, 2015, for the NC2 Separate Electric System Revenue Bonds.

The NC2 Separate Electric System Revenue Bonds, 2006 Series A and 2008 Series A, with outstanding principal amounts of \$125,190,000 as of December 31, 2016, were legally defeased. The NC2 Separate Electric System Revenue Bonds, 2008 Series A, with an outstanding principal amount of \$17,245,000 as of December 31, 2015, were legally defeased. 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.

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

	Principal	Interest
2017	\$ 3,245	\$ 10,602
2018	3,220	10,493
2019	3,350	10,354
2020	3,495	10,199
2021	3,655	10,044
2022 - 2026	21,060	47,292
2027 - 2031	26,880	41,343
2032 - 2036	33,810	34,323
2037 - 2041	39,910	25,381
2042 - 2046	46,745	14,515
2047 - 2049	33,090	2,418
Total	<u>\$218,460</u>	<u>\$216,964</u>

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 gain or loss on refunded debt at December 31 (in thousands).

2016		2015	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
\$2,387,146	\$2,533,075	\$2,419,769	\$2,710,514

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.

7. BENEFIT PLANS FOR EMPLOYEES AND RETIREES

RETIREMENT PLAN

The Company adopted and implemented the provisions of GASB 68 and GASB 82 in 2015.

Plan Description and Benefits Provided – The Omaha Public Power District Retirement Plan (Retirement Plan) is a single-employer, defined benefit plan, which provides retirement and death benefits to Plan members and their beneficiaries. The Retirement Plan covers all full-time employees, as they are not covered by Social Security. The Retirement Plan was established and may be amended at the direction of OPPD's Board of Directors and is administered by the Company. Ad-hoc cost-of-living adjustments may be provided to retirees and beneficiaries at the discretion of the Board of Directors.

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). Employees have the option to retire before the age of 65 if they meet eligibility requirements based on age and years of service. The Retirement Plan was amended as of January 1, 2008, to add a Cash Balance provision (as defined) to allow members the choice between the Traditional and Cash Balance provision for calculating benefits. Under the Cash Balance provision, members can receive the total vested value of their Cash Balance Account at separation from employment with OPPD. Employees were initially 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.

The following table summarizes the membership in the Retirement Plan as of January 1.

	2016	2015
Retirees and beneficiaries receiving benefits	1,992	1,915
Terminated Retirement Plan members entitled to, but not receiving, benefits	382	406
Active Retirement Plan members*	2,200	2,237
Total	<u>4,574</u>	<u>4,558</u>

*There were 341 and 320 members with the Cash Balance provision at January 1, 2016 and 2015, respectively.

Contributions – Employees contributed 6.2% of their covered payroll to the Retirement Plan for the years ended December 31, 2016 and 2015. The contribution rate for employees is scheduled to remain at 6.2% unless the funded ratio (as defined) is 110% or more, in which case the contribution rate will be decreased in accordance with the Retirement Plan schedule. Employee contributions are immediately 100% vested. An employee's deferred retirement allowance is 100% vested after five years of continuous service (as defined). The Company is obligated to contribute the balance of the funds needed on an actuarially determined basis and has met this funding requirement. The annual required contribution (ARC) was fully funded in the amount of \$50,711,000 and \$46,568,000 for the years ended December 31, 2016 and 2015, respectively.

Actuarial Assumptions – The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

The total pension liability must be determined using the Entry Age Normal (Level Percent of Pay) cost method per GASB 68. 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 smooths 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, if any, the unfunded actuarial accrued liability was amortized on a level basis (closed group) over 20 years for 2016. The amortization period of the unfunded actuarial accrued liability was changed from 15 years to a 20-year fresh start in 2015. The mortality table used for healthy participants was the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2015 with generational projection for 2016, and the RP-2014 Aggregate table with generational projection using Scale MP-2014 for 2015.

The other actuarial assumptions for the valuations as of January 1, 2016 and 2015, were as follows:

- The method used for the asset valuation for the actuarially determined contribution was to blend the expected actuarial value of assets with the market value of assets using an 80:20 ratio.
- The average rate of compensation increase varies by age.
- There were no ad-hoc cost-of-living adjustments.
- The average rate of inflation was 3.0%.

The actuarial assumptions are based on a study of the experience of the covered group. The last actuarial experience study was performed during 2016 and resulted in a reduction of the discount rate from 7.75% to 7.0%. For purposes of GASB 68 disclosure in this report, the discount rate change will be incorporated into the January 1, 2017 measurement date and will be reported as of December 31, 2017.

Discount Rate – The discount rate used to determine the required funding contributions was 7.0% and 7.75% for 2016 and 2015, respectively. In accordance with the provisions of GASB 68, the discount rate used to measure the total pension liability was 7.75% for 2016 and 2015. The discount rate is determined using the expected long-term rate of return of each asset class, including inflation and additional yields due to active investment management. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that OPPD contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following table summarizes the Target Allocation and Long-Term Expected Real Rate of Return, presented in geometric means, for each major Asset Class.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	28.0%	5.2%
International developed equity	14.0	5.5
Emerging markets equity	10.0	7.4
Domestic core fixed income	23.0	1.6
Global fixed income	7.5	0.9
High yield	3.0	4.2
Treasury inflation protected securities	2.0	1.3
Emerging markets debt	5.0	4.6
Private real estate	7.5	3.9
Total	<u>100%</u>	

*Based on 2016 forward looking capital market assumptions.

Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability – The total pension liability, plan fiduciary net position and net pension liability are determined in accordance with GASB 68. The amounts are based on the results of an actuarial valuation measurement date of January 1, 2016.

The following table shows the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the Measurement Period from January 1, 2015, to January 1, 2016, and the changes for the year ended December 31, 2016 (in thousands).

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Balance recognized at 12/31/2015	\$1,310,737	\$903,563	\$407,174
(Based on 1/1/2015 measurement date)			
Changes recognized for the fiscal year:			
Service cost	23,224		23,224
Interest on total pension liability	100,285		100,285
Changes in benefit terms	1,268		1,268
Difference between expected and actual experience	2,593		2,593
Contributions from employer		46,568	(46,568)
Contributions from employee		12,375	(12,375)
Net investment income		(11,465)	11,465
Benefit payments, including refunds of employee contributions	(81,441)	(81,441)	
Administrative expense		(111)	111
Net Changes	45,929	(34,074)	80,003
Balance recognized at 12/31/2016	<u>\$1,356,666</u>	<u>\$869,489</u>	<u>\$487,177</u>
(Based on 1/1/2016 measurement date)			

	2016	2015
Plan fiduciary net position as a percentage of the total pension liability	64.09%	68.94%
Actuarially determined contributions	\$50,711	\$46,568

Sensitivity – The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for the year ending December 31, 2016, (in thousands). The information provided below is calculated based on the applicable governmental accounting standards, which require the presentation of the discount rate at the rate in effect as of the measurement date (1/1/2016).

	1% Decrease	Discount Rate	1% Increase
	6.75%	7.75%	8.75%
Total pension liability	\$ 1,512,714	\$ 1,356,666	\$ 1,224,990
Plan fiduciary net position	869,489	869,489	869,489
Net pension liability	<u>\$ 643,225</u>	<u>\$ 487,177</u>	<u>\$ 355,501</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Retirement Plan financial report and can be reviewed by contacting the Pension Administrator at Corporate Headquarters.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2016, OPPD recognized pension expense of \$50,711,000.

The following table summarizes the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources for the year ended December 31, 2016 (in thousands).

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience		
• Measurement date 1/1/2015	\$ 33,831	\$ -
• Measurement date 1/1/2016	1,974	-
Net difference between expected and actual earnings on pension plan investments		
• Measurement date 1/1/2015	21,674	-
• Measurement date 1/1/2016	64,505	-
Contribution made in fiscal year ending December 31, 2016	50,711	-
Total	<u>\$ 172,695</u>	<u>\$ -</u>

The Company reported \$50,711,000 as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the measurement date. This amount will be recognized as pension expense in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense or as a reduction of the Net Pension Liability as follows (in thousands):

Year	Amount
2017	\$ 31,747
2018	\$ 31,747
2019	\$ 31,746
2020	\$ 24,021
2021	\$ 2,722
Thereafter	\$ -

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, 2016 and 2015.

Additional information is available in the Required Supplementary Information section following the notes.

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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 Defined Contribution plans were established and may be amended at the direction of OPPD's Board of Directors and is administered 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 \$5,989,000 and \$6,210,000 for the years ended December 31, 2016 and 2015, respectively. The employer maximum annual match on employee contributions was \$3,500 per employee for the years ended December 31, 2016 and 2015.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

There are two separate plans for Other Postemployment Benefits (OPEB). OPEB Plan A provides postemployment health care and life insurance benefits to qualifying members. OPEB Plan B provides postemployment health care premium coverage for the Company's share to qualifying members who were hired after December 31, 2007. The OPEB Plans were established and may be amended at the direction of OPPD's Board of Directors and is administered by the Company.

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. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

OPEB Plan A

Plan Description – OPEB Plan A (Plan A) provides postemployment 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, 2016, 1,810 of the 4,010 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 Actuarial Accrued Liability (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)
2016	\$125,241	\$389,489	\$264,248	32.2%	\$200,905	131.5%
2015	\$114,122	\$372,894	\$258,772	30.6%	\$196,344	131.8%
2014	\$100,580	\$350,049	\$249,469	28.7%	\$194,100	128.5%

Annual OPEB Cost and Actuarial Assumptions – The annual OPEB cost and ARC for OPEB Plan A was \$21,842,000, \$23,228,000 and \$22,088,000 for the years ended December 31, 2016, 2015 and 2014, respectively. The decrease in 2016 was due to changes in assumptions. The increase in 2015 was due to higher trending health care costs. Accounting standards require recognition of an OPEB liability on the Statements 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, 2016, 2015 and 2014. Contributions by Plan A members were \$3,709,000, \$3,439,000 and \$3,187,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2016, 2015 and 2014, were as follows:

- The pre-Medicare health care trend rates ranged from 7.5% immediate to 4.5% ultimate in 2016, from 7.25% immediate to 5.0% ultimate in 2015, and from 7.5% immediate to 5.0% ultimate in 2014.

- The post-Medicare health care trend rates ranged from 8.4% immediate to 4.5% ultimate in 2016, and from 6.5% immediate to 5.0% ultimate in 2015 and 2014.
- The investment return (discount rate) used was 7.0% in 2016 and 7.5% in 2015 and 2014, 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 varies by age.
- 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 RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2015 with generational projection for 2016, RP-2014 Aggregate table with generational projection using Scale MP-2014 for 2015 and the Static Mortality Table for Annuitants and Non-Annuitants for 2014.

OPEB Plan B

Plan Description – OPEB Plan B (Plan B) provides postemployment 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, 2016, only one of the 813 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 (AAL)	Overfunded Accrued Liability (OAL)	Funded Ratio	Covered Payroll	OAL Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
2016	\$3,614	\$1,544	\$2,070	234.1%	\$61,761	3.4%
2015	\$3,670	\$2,244	\$1,426	163.5%	\$63,914	2.2%
2014	\$3,509	\$1,526	\$1,983	230.0%	\$50,727	3.9%

Annual OPEB Cost and Actuarial Assumptions – The OPEB Plan B ARC was \$29,000, \$297,000 and \$145,000 for the years ended December 31, 2016, 2015 and 2014, respectively. The annual OPEB cost was \$127,000, \$402,000 and \$250,000 for the years ended December 31, 2016, 2015 and 2014, respectively. There was an OPEB net asset of \$740,000, \$867,000 and \$1,269,000 as of December 31, 2016, 2015 and 2014, respectively. Company contributions were \$0 for the years ended December 31, 2016, 2015 and 2014.

The actuarial assumptions and methods used for the valuations on January 1, 2016, 2015 and 2014 were as follows:

- The investment return (discount rate) used was 5.25% in 2016, and 5.5% in 2015 and 2014, 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 RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2015 with generational projection for 2016, RP-2014 Aggregate table with generational projection using Scale MP-2014 for 2015 and the Static Mortality Table for Annuitants and Non-Annuitants for 2014.

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SELF-INSURANCE HEALTH PROGRAM

Employee health care and life insurance benefits are provided to substantially all full-time employees. There were 1,824 and 2,039 full-time employees with medical coverage as of December 31, 2016 and 2015, 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 4).

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 \$27,315,000 and \$27,892,000 for the years ended December 31, 2016 and 2015, respectively.

The total cost of life and long-term disability insurance for full-time employees was \$1,550,000 and \$1,140,000 for the years ended December 31, 2016 and 2015, respectively.

The balance of the Incurred but Not Presented Reserve was \$3,483,000 and \$3,574,000 as of December 31, 2016 and 2015, respectively (Note 2).

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

8. ADDITIONS TO AND UTILIZATIONS OF RESERVES

The Rate Stabilization Reserve was increased by \$26,000,000 for the year ended December 31, 2016. In 2015, the Board authorized the use of the Rate Stabilization Reserve to provide additional revenues for operations. There was a transfer of \$25,000,000 from the reserve in December 2015. The balance of the reserve was \$42,000,000 and \$16,000,000 as of December 31, 2016 and 2015, respectively.

9. DERIVATIVES AND FINANCIAL INSTRUMENTS

Auction Revenue Rights (ARRs) – ARRAs are financial instruments that entitle the owner to a share of the revenues generated in the applicable Transmission Congestion Rights (TCR) auctions. ARRAs 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. ARRAs 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 ARRAs, reported in other current liabilities, was \$1,236,000 and \$766,000 as of December 31, 2016 and 2015, 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 normal 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, 2016, was 4,135,250 megawatt-hours. The balance of TCRs reported in other current assets was \$19,000 and \$97,000 as of December 31, 2016 and 2015, respectively (Note 2).

10. 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 (OATT) on April 1, 2009. In addition to tariff administration services, SPP also provides reliability coordination services, generation reserve sharing, energy market services, balancing authority services and planning authority services.

The SPP Real-Time Energy Imbalance Market (Day 1 Market) was expanded into a Day 2 Market in 2014. 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 actively participates in the IM. It 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 345-kilovolt power line identified by the SPP planning process was built by OPPD and Kansas City Power & Light (Midwest Transmission Project) running from a substation near the Nebraska City Station to Sibley, Missouri. This project was one of several priority projects as determined by SPP and is expected to relieve congestion on the region's transmission system and improve reliability on the nation's energy grid. Construction on the project was completed in December 2016. The project received funding under the SPP OATT.

The Elkhorn River Valley Transmission Project is a joint effort between OPPD and the Fremont Department of Utilities to connect an OPPD substation in Blair with a substation in Fremont. The line route was announced in 2015 and will be in service by October 2018. The purpose of this SPP reliability project is to support the growing demand for electricity and improve reliability. A portion of the project will receive funding under the SPP OATT.

11. OTHER – NET

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

	2016	2015
Interest subsidies from the federal government	\$ 2,040	\$ 2,113
Grants from FEMA	245	6,000
Other	(56)	229
Total	<u>\$ 2,229</u>	<u>\$ 8,342</u>

12. RISK MITIGATION AND RECOVERIES

OPPD is exposed to various risks of loss related to general liability and property. The Company procures commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. In 2016, the nuclear property insurance limits were reduced from \$1,500,000,000 to \$1,060,000,000, the minimum allowed by the NRC, and the nuclear accidental outage insurance was eliminated. There have been no other significant reductions in insurance coverage. Claims have not exceeded the limits of property or liability insurance in any of the three preceding years.

The following table summarizes the total claims liability, comprising claims received and medical claims incurred but not presented, at December 31, 2016, 2015 and 2014 (in thousands).

	2016	2015	2014
IBNP reserve	\$ 3,483	\$ 3,574	\$ 3,012
Workers' compensation reserve	1,399	1,545	1,484
Public liability reserve	308	121	73
Total	<u>\$ 5,190</u>	<u>\$ 5,240</u>	<u>\$ 4,569</u>

The following table summarizes the changes in the total claims liability during 2016, 2015 and 2014 (in thousands).

	2016	2015	2014
Claims liability, beginning of year	\$ 5,240	\$ 4,569	\$ 4,122
Payments on claims	(2,046)	(2,001)	(1,891)
Provision for claims	1,996	2,672	2,338
Claims liability, end of year	<u>\$ 5,190</u>	<u>\$ 5,240</u>	<u>\$ 4,569</u>

OPPD is eligible for disaster assistance from the Federal Emergency Management Agency (FEMA) when a disaster is declared for damage in the Company's 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 \$0 and \$9,181,000 as of December 31, 2016 and 2015, respectively. FEMA also declared disasters for storms during 2015 and 2014. The receivable for those disasters was \$2,579,000 and \$2,334,000 at December 31, 2016 and 2015, respectively.

The Company is entitled to insurance recoveries in connection with a turbine outage at NC2. The outage began in November 2014 and continued until March 2015. The Company is seeking damages from its insurance carrier. The Company has an outstanding receivable of \$3,281,000 and \$1,780,000 as of December 31, 2016 and 2015, respectively.

Notes to Financial Statements

as of and for the Years Ended December 31, 2016 and 2015

13. FORT CALHOUN STATION

The NRC placed FCS into a special category of its 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 agreement with Exelon Generation Company, LLC, (Exelon) to provide operating and managerial support at FCS for 20 years. The Company remained the owner and licensed operator of the station, while Exelon had day-to-day operational authority at FCS, subject to oversight by and decision-making authority of OPPD for licensed activities. Station operations resumed in December 2013, and the station was removed from Chapter 0350 status in March 2015. In June 2016, the OPPD Board of Directors approved a recommendation by management to cease operations at FCS by December 31, 2016, and begin the decommissioning process using the safe storage (“SAFSTOR”) methodology. The decision was made after a review of the Company’s generation resource portfolio, and the station ceased operations on October 24, 2016. Notice was provided to Exelon in December 2016 to terminate the Operating Services Agreement.

As a result of the Board decision to cease operations, the FCS assets were impaired as of June 30, 2016. The write-offs of FCS-related assets and the related contract termination fees for the year ended December 31, 2016, were \$959,575,000, which was recorded to the Special Item in the Statements of Revenues, Expenses and Changes in Net Position.

The following table summarizes the write-offs associated with the Special Item as of December 31, 2016 (in thousands).

Net electric plant	\$ 728,674
Regulatory assets	79,793
Net nuclear fuel	70,419
Materials and supplies	64,597
Contract termination fees	15,216
Other	876
Total	<u>\$ 959,575</u>

A portion of the nuclear fuel inventory was not included in the impairment as it is anticipated to be sold in 2017. As a result, it was reclassified as Nuclear Fuel Held For Sale and reported at fair value in Current Assets in the Statements of Net Position. The balance was \$12,453,000 as of December 31, 2016.

A portion of the materials and supplies inventory was not included in the impairment as it is anticipated to be sold. As a result, it was reported at fair value in Current Assets in the Statements of Net Position. The balance was \$3,748,000 as of December 31, 2016.

The FCS regulatory asset for recovery costs incurred in 2012 and 2013 were deferred as a regulatory asset based on Board approval. The deferral of the costs related to recovery was not included in the impairment, but will continue to be amortized (and collected through retail rates) through 2023 as these costs benefit current and future ratepayers.

FCS will utilize the SAFSTOR method of decommissioning, as described by the NRC, which allows a period of up to 60 years to fully decommission the facility. The total estimated cost in 2016 dollars to decommission FCS using the SAFSTOR methodology was \$1,348,897,000 as of December 31, 2016. The estimated cost to decommission the station in 2016 dollars for the NRC-required obligations was \$1,249,597,000 as of December 31, 2016, which included \$124,685,000 in Current Liabilities and \$1,124,912,000 in Other Liabilities in the Statements of Net Position. The estimated cost was based on a third-party, site-specific cost study completed in February 2017.

The major assumptions used in the cost estimate as the basis for the decommissioning liability for December 31, 2016, were as follows:

- Costs are provided in 2016 dollars
- Site facilities are based on a 2013 analysis and updated to include a new security building
- Personnel costs based on a single average salary, adjusted for headcount reductions
- Overhead costs for site and corporate support
- Recurring non-labor costs derived from the 2017 site budget, and adjusted for near-term or one-time costs

- Design conditions related to the vessel, internal components, control element assemblies, containment building structure and other miscellaneous equipment and material
- Transition activities including system draining and abandonment, water processing, warehouse cleanup, site modifications, scrap and salvage

A regulatory asset was approved to match the recovery of decommissioning expenses with the decommissioning funding amounts collected through retail rates. The balance of the regulatory asset was \$864,093,000 as of December 31, 2016, which included \$147,000,000 in Current Assets and \$717,093,000 in Other Long-Term Assets in the Statements of Net Position. The balance of the decommissioning trust assets as of December 31, 2016, was \$382,134,000.

As a result of the Board decision to cease operations at FCS, the Company incurred costs to terminate contracts with vendors and recorded these costs as part of the Special Item in 2016. Nuclear fuel contract termination fees of \$9,450,000 were incurred in 2016. The cancellation of the Operating Services Agreement with Exelon required OPPD to make a payment of \$5,000,000 to terminate the agreement. The \$5,000,000 was written off to the Special Item in 2016 as part of the decision to cease operations and was paid in February 2017. Other vendor contracts were also terminated as a result of this decision and these termination costs were included in the write-off noted above.

Employees located at FCS, and terminated as a result of the decision to cease operations, are eligible for an employee severance package. The package includes a lump-sum payment to eligible employees with a base of 12 weeks of pay based on current salary, plus an additional week of pay for each year of service up to a maximum of 52 weeks. Employees enrolled in the Company's medical benefit plans are also eligible for a lump-sum payment of medical, dental and vision insurance coverage costs based on the number of weeks used in the severance calculation (as noted above). Retiring employees are only eligible for payment related to dental coverage. In 2016, 57 employees received severance payments totaling \$3,220,000.

Severance costs are accrued as the benefits are earned and recognized ratably over the future service period. Severance costs are estimated to be paid to a total of approximately 496 employees in various waves of reductions through 2022. Severance costs of \$7,708,000 were recorded as of December 31, 2016.

In 2016, OPPD established a Key Employee Performance Plan (KEPP) to help ensure that key positions remained staffed for continued safe operations. As part of the KEPP, certain key positions at FCS are eligible for a performance incentive. Performance incentives are paid to employees based on attainment of certain milestone dates that extend to 2019. In 2016, 82 employees received performance incentive payments totaling \$1,775,000. Performance incentive costs are estimated to be paid to a total of approximately 134 employees. Performance incentive costs of \$3,196,000 were recorded as of December 31, 2016.

14. NORTH OMAHA STATION

The Board of Directors approved a resolution in June 2014 for the Future Power Generation Plan (Plan). The Plan included changes to the generation portfolio, including the retirement in 2016 of NO1, NO2 and NO3, to comply with existing and future environmental regulations. Other approved changes included the retrofitting of North Omaha Station Units 4 and 5 and Nebraska City Unit 1 (NC1) with basic emissions controls, as well as load reductions through demand-side management programs. The estimated useful lives of NO1, NO2 and NO3 were reduced as a result of the planned future retirement. This change in estimate resulted in additional depreciation expense of \$2,629,000 and \$9,923,000 for the years ended December 31, 2016 and 2015, respectively.

As a result of the June 2016 Board resolution to cease operations at FCS, a decision was made to retain NO1, NO2 and NO3, using natural gas, for capacity purposes through at least 2018. Subsequent to the resolution, OPPD completed its 2016 Integrated Resource Plan. This plan, filed with the Western Area Power Administration in late February 2017, reflects the retention of NO1, NO2 and NO3 on natural gas through December 31, 2021.

Notes to Financial Statements

as of and for the Years Ended December 31, 2016 and 2015

15. COMMITMENTS AND CONTINGENCIES

Commitments for the uncompleted portion of construction contracts were approximately \$36,836,000 at December 31, 2016.

Power sales commitments that extend through 2027 were \$48,265,000 as of December 31, 2016. Power purchase commitments that extend through 2020 were \$53,146,000 as of December 31, 2016. These amounts do not include the Participation Power Agreements (PPAs) for OPPD's commitments for wind energy purchases or NC2, which are separately disclosed below.

The following table summarizes OPPD's commitments for wind purchase agreements as of December 31, 2016.

	Total Capacity (in MW)	OPPD Share (in MW)	Commitment Through	Amount (in thousands)
Ainsworth*	59.4	10.0	2025	\$ 17,388
Elkhorn Ridge**	80.0	25.0	2029	12,337
Total	<u>139.4</u>	<u>35.0</u>		<u>\$ 29,725</u>

* This PPA is 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. Included in this amount is OPPD's expected share of decommissioning costs.

** This PPA is on a "take-and-pay" basis and requires payments when the power is made available to OPPD. The commitment amount includes monthly fixed demand charges.

There are no commitments for Crofton Bluffs, Broken Bow I and II, Flat Water, Petersburg and Prairie Breeze.

There are 40-year PPAs with seven public power and municipal utilities (the Participants) for the sale of half of the 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 that extend through 2019 with minimum future payments of \$153,921,000 at December 31, 2016. The Company also has coal-transportation contracts that extend through 2020 with minimum future payments of \$335,007,000 as of December 31, 2016. These contracts are subject to price adjustments.

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 10-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, 2016, OPPD's remaining commitment was \$136,000.

Under the provisions of the Price-Anderson Act as of December 31, 2016, 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 has received and responded to requests for information from the Environmental Protection Agency (EPA) relating to compliance with the Clean Air Act at the North Omaha and NC1 stations. OPPD received a Notice of Violation (NOV) from the EPA in August 2014 alleging a violation of the Clean Air Act by undertaking certain projects at NC1. The Company believes it has complied with all regulations relative to the projects in question and has discussed the matters with EPA. The EPA would have to establish the allegations in the NOV in court. If the EPA establishes a Clean Air Act violation in court, which could be subject to possible appellate court review, remedies can include civil penalties 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.

The Company 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.

16. SUBSEQUENT EVENTS

The Company was notified in February 2017 by one of the wind providers that OPPD will receive a one-time rebate payment of \$7,771,000 as part of the Nebraska Advantage Act. The PPA states that the Company is entitled to an equal share of any benefit of legislation adopted by the state of Nebraska that provides credits or incentives that can be applied to offset the cost of delivered energy. The rebate is due to OPPD in 2017.

OPPD accepted an insurance claim settlement for the NC2 turbine outage and received payment in January 2017 for \$6,760,000. The turbine replacement project is scheduled to be completed during the spring 2017. Any differences between the actual costs and the settlement will be adjusted accordingly with the insurance carrier.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

The following schedule shows the history of changes in Net Pension Liability as of December 31 using a January 1 measurement date (in thousands).

	2016	2015
TOTAL PENSION LIABILITY		
Service cost	\$ 23,224	\$ 22,492
Interest on total pension liability	100,285	93,643
Changes of benefit terms	1,268	-
Difference between expected and actual experience	2,593	(5,328)
Changes of assumptions	-	54,712
Benefit payments, including refunds of employee contributions	(81,441)	(79,681)
Net change in total pension liability	<u>45,929</u>	<u>85,838</u>
Total pension liability (beginning)	<u>1,310,737</u>	<u>1,224,899</u>
Total pension liability (ending) (a)	<u><u>\$ 1,356,666</u></u>	<u><u>\$ 1,310,737</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions from employer	\$ 46,568	\$ 53,008
Contributions from employee	12,375	11,720
Net investment income	(11,465)	32,020
Benefit payments, including refunds of employee contributions	(81,441)	(79,681)
Administrative expense	(111)	(193)
Net change in plan fiduciary net position	<u>(34,074)</u>	<u>16,874</u>
Plan fiduciary net position (beginning)	<u>903,563</u>	<u>886,689</u>
Plan fiduciary net position (ending) (b)	<u><u>\$ 869,489</u></u>	<u><u>\$ 903,563</u></u>
Net pension liability (ending) (a)-(b)	<u><u>\$ 487,177</u></u>	<u><u>\$ 407,174</u></u>
Plan fiduciary net position as a percentage of total pension liability	64.09%	68.94%
Covered-employee payroll	\$ 200,905	\$ 196,344
Net pension liability as a percentage of covered-employee payroll	242.49%	207.38%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

SCHEDULE OF CONTRIBUTIONS

The following table shows the history of Contributions as of December 31, using a January 1 measurement date (in thousands).

	2016	2015	2014
Actuarially determined contribution	\$ 50,711	\$ 46,568	\$ 53,008
Contribution made in relation to the actuarially determined contribution	<u>50,711</u>	<u>46,568</u>	<u>53,008</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$200,905	\$196,344	\$194,100
Contributions as a percentage of payroll	25.24%	23.72%	27.31%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

Notes to Required Supplementary Information

Valuation Date: Actuarially determined contribution rates are calculated as of January 1; one-year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal with 20-year closed amortization period for unfunded liability

Asset Valuation Method: five-year smoothing

Salary Increases: Varies by age

Investment Rate of Return: 7.00% for 2016, 7.75% for 2015 and earlier

Retirement Rates: Varies by age and service

Mortality Rates: RP-2014 Aggregate mortality table with generational projection using Scale MP-2014

Statistics (Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Utility Plant (at year end) (in thousands of dollars).....	4,305,055	5,574,941	5,395,489	5,288,168	5,187,395	5,027,093	4,865,417	4,678,449	4,561,815	4,259,501
Total Indebtedness (at year end) (in thousands of dollars).....	2,193,921	2,256,348	2,224,843	2,267,277	2,296,305	2,085,540	2,011,969	1,937,704	1,902,403	1,866,472
Operating Revenues (in thousands of dollars)										
Residential.....	410,957	383,051	379,986	385,171	362,105	337,053	335,294	292,887	271,935	267,042
Commercial.....	324,545	315,079	311,917	306,719	292,296	274,102	284,400	265,668	238,496	228,060
Industrial.....	210,912	201,805	207,649	213,742	197,225	186,417	164,621	139,865	109,827	100,239
Off-System Sales.....	175,506	195,512	223,055	118,268	123,191	159,732	184,374	158,354	127,676	110,399
FPPA Revenue.....	(6,115)	(19,166)	(20,147)	15,169	(3,237)	35,345	269	—	—	—
Unbilled Revenues.....	6,753	(976)	(1,800)	4,490	4,517	(4,239)	1,232	7,449	3,391	1,742
Provision for Rate Stabilization	(26,000)	25,000	(4,000)	—	—	—	—	—	—	—
Provision for Debt Retirement	—	—	—	17,000	17,000	24,000	(13,000)	13,000	20,000	27,000
Other Electric Revenues.....	29,918	30,930	29,798	29,654	54,900	29,352	29,160	22,743	16,648	15,771
Total.....	1,126,476	1,131,235	1,126,458	1,090,213	1,047,997	1,041,762	986,350	899,966	787,973	750,253
Operations & Maintenance Expenses (in thousands of dollars).....	823,857	841,939	832,519	796,104	770,073	789,516	720,957	653,993	561,396	508,524
Payments in Lieu of Taxes (in thousands of dollars).....	34,138	32,241	31,651	31,827	30,094	28,217	27,851	24,810	22,426	21,398
Net Operating Revenues before Depreciation, Amortization and Decommissioning (in thousands of dollars).....	268,481	257,055	262,288	262,282	247,830	224,029	237,542	221,163	204,151	220,331
Net Income Before Special Item (in thousands of dollars).....	25,750	32,322	51,925	55,276	54,829	54,440	40,047	46,557	79,186	89,489
Special Item (in thousands of dollars).....	(959,575)	—	—	—	—	—	—	—	—	—
Net Income (Loss) (in thousands of dollars).....	(933,825)	32,322	51,925	55,276	54,829	54,440	40,047	46,557	79,186	89,489
Energy Sales (in megawatt-hours)										
Residential.....	3,588,933	3,470,523	3,559,978	3,607,439	3,595,316	3,602,973	3,644,400	3,361,672	3,486,858	3,546,116
Commercial.....	3,683,821	3,630,557	3,638,193	3,561,707	3,492,745	3,481,459	3,777,092	3,672,982	3,758,853	3,750,634
Industrial.....	3,328,290	3,301,175	3,500,977	3,606,611	3,670,346	3,698,719	3,427,710	3,039,396	2,877,282	2,759,087
Off-System Sales.....	7,238,266	7,840,683	7,694,203	3,925,574	3,671,978	4,631,175	5,552,645	5,534,803	3,003,888	2,858,004
Unbilled Sales.....	63,638	(26,640)	(39,493)	26,221	28,558	(85,917)	(24,109)	74,416	50,374	13,858
Total.....	17,902,948	18,216,298	18,353,858	14,727,552	14,458,943	15,328,409	16,377,738	15,683,269	13,177,255	12,927,699
Number of Customers (average per year)										
Residential.....	323,784	319,501	315,705	311,921	308,516	308,412	303,374	299,813	296,648	293,642
Commercial.....	45,537	45,104	44,785	44,221	43,589	43,564	43,225	43,134	42,867	42,214
Industrial.....	164	174	177	193	210	206	154	151	142	134
Off-System.....	15	11	15	33	35	41	38	34	32	35
Total.....	369,500	364,790	360,682	356,368	352,350	352,223	346,791	343,132	339,689	336,025
Cents Per kWh (average)										
Residential.....	11.47	11.07	10.68	10.68	10.12	9.37	9.22	8.77	7.82	7.51
Commercial.....	8.81	8.69	8.57	8.61	8.40	7.89	7.54	7.29	6.36	6.07
Industrial.....	6.35	6.12	5.94	5.96	5.38	5.05	4.83	4.62	3.82	3.64
Retail.....	8.94	8.66	8.42	8.43	7.94	7.42	7.26	6.96	6.13	5.93
Generating Capability (at year end) (in megawatts).....	2,490.1	3,080.3	3,232.1	3,237.0	3,208.8	3,222.7	3,224.7	3,223.9	2,548.8	2,548.8
System Peak Load (in megawatts).....	2,354.4	2,315.1	2,291.1	2,339.4	2,451.6	2,468.3	2,402.8	2,316.4	2,181.1	2,197.4
Net System Requirements (in megawatt-hours)										
Generated.....	14,689,524	15,399,002	16,212,801	13,209,542	12,855,389	13,807,712	15,870,513	15,263,983	12,477,032	12,274,660
Purchased and Net Interchanged.....	(3,502,796)	(4,488,016)	(5,026,318)	(1,819,871)	(1,529,643)	(2,576,167)	(4,428,059)	(4,627,627)	(1,864,214)	(1,738,833)
Net.....	11,186,728	10,910,986	11,186,483	11,389,671	11,325,746	11,231,545	11,442,454	10,636,356	10,612,818	10,535,827

Investor Relations and Corporate Information

Corporate Headquarters

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

General Counsel

Fraser Stryker PC LLO
Omaha, Nebraska

Financial Advisor

Barclays Capital Inc.
New York, New York

Consulting Engineer

NewGen Strategies & Solutions
Lakewood, Colorado

Independent Auditors

Deloitte & Touche LLP
Omaha, Nebraska

Bond Counsel

Kutak Rock LLP
Omaha, Nebraska

Commercial Paper Holders

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

Senior, Subordinate and Separate System Bondholders

You may contact OPPD with questions about OPPD debt at:

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

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

The Bank of New York Mellon
Trust Company, N.A.
Global Corporate Trust
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602
Email: corporate.bond.research@bnymellon.com
Bondholder Communications: 800-254-2826

OPPD Minibond Holders

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

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

Minibond Administrator

You may contact the Minibond Administrator at:

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

Available Financial Information

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

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

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

Energy Plaza
444 South 16th Street Mall
Omaha, Nebraska 68102

