Many parts of OPPD's service area saw housing and development booms in 2018, including the Prairie Queen Recreation Area in Sarpy County.

Management's Discussion and Analysis (Unaudited)

USING THIS FINANCIAL REPORT

The Financial Report for the Omaha Public Power District (OPPD or Company) includes the Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, Required Supplementary Information and Notes to Required Supplementary Information. The Financial Statements consist of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Questions concerning any of the information provided in this report should be directed to Investor Relations at finfo@oppd.com.

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

Statement of Net Position – This statement reports resources with service capacity (assets) and obligations to sacrifice resources (liabilities). Deferrals result from outflows and inflows of resources that have already taken place but are not recognized in the financial statements as expenses and revenues because they relate to future periods. Net Position is the residual interest in the Company. On the Statement of Net Position, the sum of assets and deferred outflows equals the sum of liabilities, deferred inflows and net position. This statement facilitates the assessment and evaluation of liquidity, financial flexibility and capital structure.

Statement of Revenues, Expenses and Changes in Net Position – All revenues and expenses are accounted for in this statement. This statement measures the activities for the year and can be used to determine whether the revenues, rates, fees and other charges are adequate to recover expenses.

Statement of Cash Flows – This statement reports all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing, and investing activities.

Notes to Financial Statements (Notes) – These Notes provide additional detailed information to support the Financial Statements.

Required Supplementary Information and Notes to Required Supplementary Information – This information provides additional detailed disclosures as required by the Governmental Accounting Standards Board.

ORGANIZATION

OPPD is a fully integrated, publicly owned electric utility governed by an elected board of eight directors. The Company serves an estimated population of 846,000 in a 13-county, 5,000-square-mile service area in southeast Nebraska.

FINANCIAL POSITION

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

Condensed Statements of Net Position	2018	2017	2016
Current Assets	$ 826,594	$ 995,921	$ 921,231
Other Long-Term Assets and Special Purpose Funds	2,045,828	1,674,979	1,692,455
Capital Assets	2,525,344	2,531,348	2,561,394
Total Assets	5,397,766	5,202,248	5,175,080
Deferred Outflows of Resources	224,275	294,319	265,988
Total Assets and Deferred Outflows	$ 5,622,041	$ 5,496,567	$ 5,441,068
Current Liabilities	$ 510,772	$ 489,434	$ 371,957
Long-Term Liabilities	3,768,391	3,829,185	4,013,641
Total Liabilities	4,279,163	4,318,619	4,385,598
Deferred Inflows of Resources	183,405	87,423	42,141
Net Position	1,159,473	1,090,525	1,013,329
Total Liabilities, Deferred Inflows and Net Position	$ 5,622,041	$ 5,496,567	$ 5,441,068

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) (GASB 75). This statement was implemented by OPPD in 2018. The implementation of this statement and Board-authorized regulatory accounting resulted in several changes to the 2018 Statements of Net Position, as noted below. Prior year amounts contained herein have not been restated for the adoption of GASB 75, as the information was not readily available.

Total Assets and Deferred Outflows

Total Assets in 2018 increased $195,518,000 or 3.8% over 2017, primarily due to an increase in Other Long-Term Assets and Special Purpose Funds from increased investment purchases.

Deferred Outflows of Resources in 2018 decreased $70,044,000 or 23.8% from 2017, primarily due to a reduction in the unrealized pension losses and unamortized loss on refunded debt, which was partially offset by the implementation of the new OPEB accounting standard.

Total Liabilities, Deferred Inflows and Net Position

Total Liabilities in 2018 decreased $39,456,000 or 0.9% from 2017, primarily due to a reduction of the Decommissioning Liability and the defeasance of Electric System Revenue bonds, which was partially offset by the addition of the Net OPEB Liability to Long-Term Liabilities as a result of the implementation of the new OPEB accounting standard.

Deferred Inflows of Resources in 2018 increased $95,982,000 or 109.8% over 2017, primarily due to an increase in the Decommissioning and Benefits Reserve and increases in unrealized pension and OPEB gains.

Net Position in 2018 increased $68,948,000 or 6.3% over 2017 based on results of operations and a restatement of beginning Net Position of $214,000 due to the implementation of the new OPEB accounting standard.

RESULTS OF OPERATIONS

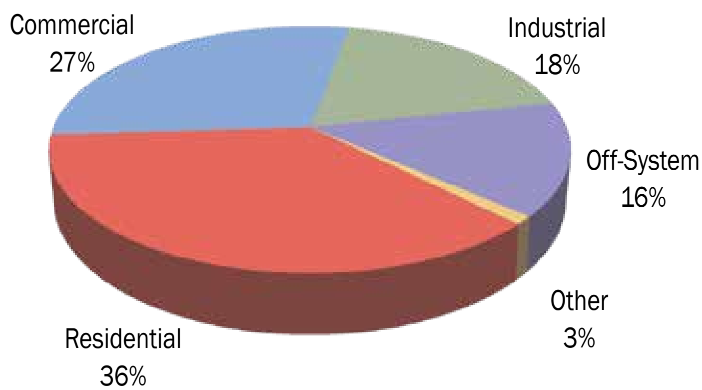
The following table summarizes the operating results for the years ended December 31 (in thousands).

Operating Results	2018	2017	2016
Operating Revenues	$ 1,156,933	$ 1,104,301	$ 1,126,476
Operating Expenses	(1,033,833)	(975,386)	(1,025,117)
Operating Income	123,100	128,915	101,359
Other Income	28,569	34,506	12,305
Interest Expense	(82,935)	(84,253)	(87,914)
Net Income Before Special Item	68,734	79,168	25,750
Special Item	-	(1,972)	(959,575)
Net Income	$ 68,734	$ 77,196	$ (933,825)

Operating Revenues

The following chart illustrates 2018 operating revenues by category and percentage of the total.

2018 Operating Revenues



2018 Compared to 2017 – Total operating revenues were $1,156,933,000 for 2018, an increase of $52,632,000 or 4.8% over 2017 operating revenues of $1,104,301,000.

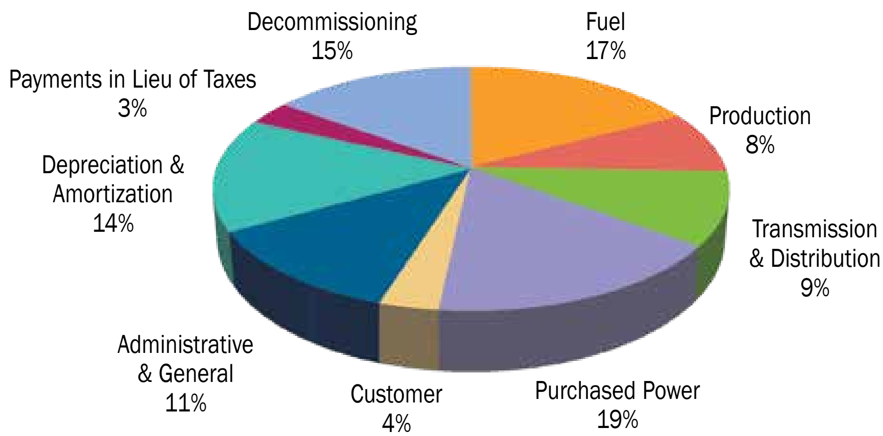
- Revenues from retail sales were $940,125,000 for 2018, an increase of $28,392,000 or 3.1% over 2017 revenues of $911,733,000. The increase in retail revenues was primarily due to an increase in residential and commercial revenues from higher energy sales.

- Revenues from off-system sales were $183,714,000 for 2018, an increase of $19,952,000 or 12.2% over 2017 revenues of $163,762,000. The increase was primarily due to increased prices in the off-system marketplace.
- Other Electric Revenues include connection charges, late payment charges, rent from electric property, wheeling fees and miscellaneous revenues. These revenues were $33,094,000 for 2018, an increase of $4,288,000 or 14.9% over 2017 revenues of $28,806,000, primarily due to higher transmission revenue.

Operating Expenses

The following chart illustrates 2018 operating expenses by expense classification and percentage of the total.

2018 Operating Expenses



2018 Compared to 2017 – Total operating expenses were $1,033,833,000 for 2018, an increase of $58,447,000 or 6.0% over 2017 operating expenses of $975,386,000.

- Fuel expense increased $6,737,000 or 4.0% over 2017, primarily due to better reliability resulting in higher levels of annual generation at Nebraska City Station Unit 2 (NC2), partially offset by decreased generation at Nebraska City Station Unit 1 (NC1) for environmental controls.
- Purchased Power expense increased $30,107,000 or 18.1% over 2017, primarily due to higher prices in the off-system marketplace.
- Production expense increased $6,270,000 or 7.9% over 2017, primarily due to increased maintenance expenses at North Omaha Station (NOS).
- Transmission expense increased $3,056,000 or 7.6% over 2017, primarily due to increased transmission fees.
- Distribution expense decreased $1,250,000 or 2.5% from 2017, primarily due to decreased expenses associated with storm events, partially offset by increased tree-trimming expenses.
- Customer expense increased $4,818,000 or 15.1% over 2017, primarily due to increased outside and supporting service costs and increased customer rebates.
- Administrative and General expense decreased $3,087,000 or 2.7% from 2017, primarily due to decreased outside service costs.
- Depreciation and Amortization expense increased $2,339,000 or 1.7% over 2017, primarily due to an increase in capital assets.
- Decommissioning expense increased $8,531,000 or 5.8% over 2017, due to increased funding of the Decommissioning Trust.
- Payments in Lieu of Taxes expense increased $926,000 or 2.7% over 2017, due to higher retail revenues.

Other Income (Expenses)

Other income (expenses) totaled $28,569,000 in 2018, a decrease of $5,937,000 from 2017 income (expenses) of $34,506,000.

Other – Net totaled $7,351,000 in 2018, a decrease of $3,462,000 from 2017, primarily due to a decrease in grants from the Federal Emergency Management Agency to be received in future years.

Allowances for Funds Used During Construction (AFUDC) totaled $2,888,000 in 2018, a decrease of $100,000 from 2017, due to lower construction balances subject to AFUDC.

A variety of products and services are offered to provide value both to the customer and the Company. These products and services totaled $3,529,000 in 2018, a decrease of $374,000 from 2017. These products include energy information systems, Geothermal Loop Heat Exchanger thermal conductivity testing, ECO 24/7 services and Residential Surge Protection.

Interest Expense

Interest expense was $82,935,000 for 2018, a decrease of $1,318,000 from 2017, primarily due to lower interest payments related to the debt defeasance and new debt issuance activity in 2018.

Special Item

The 2016 Board decision to cease operations at Fort Calhoun Station (FCS) resulted in an impairment and the recognition of a Special Item. This included the fair value adjustments to the Nuclear Fuel Held for Sale in the amount of $1,972,000 for 2017. There were no amounts recorded as a Special Item in 2018.

Net Income

Net income after the Special Item was $68,734,000 for 2018 compared to $77,196,000 in 2017. Changes to the Decommissioning and Benefits Reserve resulted in operating revenues and net income decreasing $42,500,000 and $34,500,000 in 2018 and 2017, respectively. A change to the Rate Stabilization Reserve resulted in operating revenues and net income decreasing $8,000,000 in 2017.

CAPITAL PROGRAM

The Company's electric utility plant assets include production, transmission and distribution, and general plant facilities. The following table summarizes the balance of capital assets as of December 31 (in thousands).

Capital Assets	2018	2017
Electric utility plant	$4,429,791	$4,350,603
Accumulated depreciation and amortization	(1,904,447)	(1,819,255)
Total electric utility plant – net	$2,525,344	$2,531,348

Electric system requirements, including the identification of future capital investments, are reviewed annually to ensure current and future load requirements are serviced by a reliable and diverse power supply. Capital investments are financed with revenues from operations, bond proceeds, investment income and cash on hand.

The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last two years and budgeted expenditures for 2019 (in thousands).

	Budget	Actual	
Capital Program	2019	2018	2017
Transmission and distribution	$134,000	$ 85,804	$ 62,280
Production	43,000	13,747	22,324
General	23,000	28,328	15,014
Total	$200,000	$127,879	$ 99,618

Actual and budgeted expenditures for 2017 through 2019 include the following:

- Transmission and distribution expenditures include various substation and transmission projects to facilitate load growth and reliability, such as the Midwest Transmission Project, the Elkhorn River Valley Transmission Project, and the Fiber Network Expansion Project to upgrade the fiber optic networks for substation communications. In addition to these projects, the budgeted expenditures include a conversion of streetlights to a new light-emitting diode (LED) standard.
- Production expenditures include equipment to maintain reliability, enhance efficiency and comply with increasing environmental regulations. Budgeted expenditures include a super-heater replacement for NC1, a lime-optimization system for NC2, and rebuilding an engine for Sarpy County Station Unit 4.
- General plant expenditures include fleet vehicles, construction equipment, information technology equipment and software upgrades. Additional budgeted expenditures include telecommunications equipment and information technology upgrades.

Details of the Company's capital asset balances and activity are included in Note 1 in the Notes to Financial Statements.

CASH AND LIQUIDITY

Cash Flows

There was a decrease in cash and cash equivalents of $4,656,000 during 2018 and a decrease of $3,595,000 during 2017.

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

Cash Flows	2018	2017	2016
Cash flows from Operating Activities	$347,322	$ 367,874	$302,271
Cash flows from Noncapital Financing Activities	650	-	4,828
Cash flows from Capital and Related Financing Activities	(260,612)	(247,306)	(274,704)
Cash flows from Investing Activities	(92,016)	(124,163)	(26,593)
Change in Cash and Cash Equivalents	$ (4,656)	$ (3,595)	$ 5,802

Cash flows from operating activities consist of transactions involving changes in current assets, current liabilities and other transactions that affect operating income.

- Cash flows provided from operating activities for 2018 decreased $20,552,000 from 2017, primarily due to an increase in cash paid to off-system counterparties, partially offset by an increase in cash received from off-system counterparties.

Cash flows from noncapital financing activities consist of transactions involving proceeds from federal and state agencies, such as grants.

- Cash flows provided from noncapital financing activities for 2018 increased $650,000 over 2017, due to an increase in cash received from federal and state agencies.

Cash flows from capital and related financing activities consist of transactions involving long-term debt and the acquisition and construction of capital assets.

- Cash flows used for capital and related financing activities for 2018 increased $13,306,000 over 2017, primarily due to an increase in cash paid for the principal reduction of debt, partially offset by proceeds from long-term borrowings.

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

- Cash flows used for investing activities for 2018 decreased $32,147,000 from 2017, primarily due to increased maturities and sales of investments, partially offset by an increase in purchases of investments.

Financing

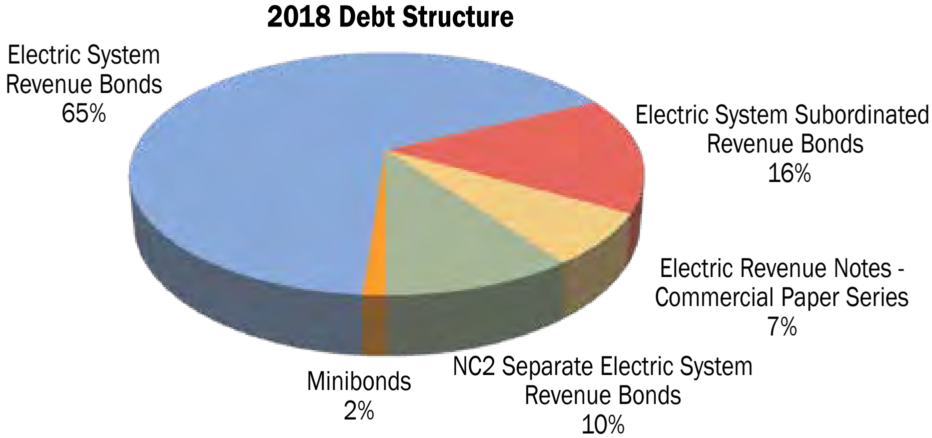
Sufficient liquidity is maintained to ensure working capital is available for normal operational needs and unexpected, but predictable, risk events. OPPD's liquidity includes cash, marketable securities and a line of credit. Bond offerings also provide a significant source of liquidity for capital investments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

The financing plan optimizes the debt structure to ensure capital needs are financed, liquidity needs are achieved and the Company's strong financial position is maintained. The 2019 financing plan does not anticipate any new bond issues.

OPPD utilized $188,161,000 of existing resources to legally defease debt with a principal amount totaling $177,150,000 in 2018, which partially refunded the 2011 Series A, 2011 Series C, and 2012 Series B Electric System Revenue Bonds. One Electric System Revenue Bond issue totaling $145,330,000 was also completed in 2018. The proceeds were used to reimburse capital expenditures. Repayments of $47,495,000 of Electric System Revenue Bonds, $1,180,000 of Electric System Subordinated Revenue Bonds, $3,220,000 of NC2 Separate Electric System Revenue Bonds and $158,000 of Minibonds were made in 2018.

The Company has in place a Credit Agreement for $250,000,000 that expires on October 1, 2019. The Credit Agreement supports the Commercial Paper Program, in addition to providing another source of working capital, if needed. There were no amounts outstanding under this Credit Agreement as of December 31, 2018 or 2017. There was $150,000,000 of commercial paper outstanding as of December 31, 2018 and 2017.

The following chart illustrates the debt structure and percentage of the total as of December 31, 2018.



Details of the Company's debt balances and activity are included in Note 5 in the Notes to Financial Statements.

Debt Service Coverage for Electric System Revenue Bonds

Debt service coverage for the Electric System Revenue Bonds was 3.58 and 3.42 in 2018 and 2017, respectively. OPPD's senior lien bond indenture provides that additional bonds may not be issued unless estimated net receipts for each future year shall equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued. Transactions in 2018 and 2017 for the NC2 Separate Electric System were not included in the calculation because the Electric System Revenue Bonds are not secured by the revenues from the NC2 Separate Electric System. The Company is in compliance with all debt covenants.

Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of debt to total capitalization (debt and net position). This ratio does not include the NC2 Separate Electric System Revenue Bonds since this debt is secured by revenues of the NC2 Separate Electric System. The debt ratio was 61.3% and 63.7% at December 31, 2018 and 2017, respectively.

Credit Ratings

High credit ratings allow the Company to borrow funds at more favorable interest rates. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the credit rating agencies in establishing a company's credit rating. The credit ratings received from Standard & Poor's Ratings Services (S&P) and Moody's Investors Service (Moody's), independent bond rating agencies for the latest bond issues, were among the highest ratings granted to electric utilities and confirm the agencies' assessment of the Company's strong ability to meet its debt service requirements. S&P and Moody's affirmed OPPD's senior lien debt and subordinated ratings, and both have stable outlooks for OPPD's credit ratings.

The following table summarizes credit ratings in effect on December 31, 2018.

	S&P	Moody's
Electric System Revenue Bonds	AA	Aa2
Electric System Subordinated Revenue Bonds	AA–	Aa3
Electric System Revenue Notes – Commercial Paper Series	A–1+	P–1
Minibonds*	AA–	Aa3
NC2 Separate Electric System Revenue Bonds (2015A, 2016A)	A+	A1

** Payment of the principal and interest on the Minibonds, when due, is insured by a financial guaranty bond insurance policy.*

ELECTRIC RATES

The Company strives to manage costs to align with the mission of providing affordable, reliable and environmentally sensitive energy services to our customers. Residential customers paid an average of 11.21 and 11.49 cents per kilowatt-hour (kWh) in 2018 and 2017, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 12.89 for 2018 (preliminary year-to-date December 2018) and 12.89 cents per kWh for 2017. Based on the preliminary EIA data for 2018, OPPD residential rates were 13.0% and 10.9% below the national average for 2018 and 2017, respectively.

Retail customers paid an average of 8.90 and 8.92 cents per kWh in 2018 and 2017, respectively. The national average retail cents per kWh according to the EIA, was 10.58 for 2018 (preliminary year-to-date December 2018) and 10.48 cents per kWh for 2017. Based on the preliminary EIA data for 2018, OPPD retail rates were 15.9% and 14.9% below the national average for 2018 and 2017, respectively.

There were no general rate adjustments in 2018 and 2017. There was an FPPA rate adjustment of 17.0% in January 2018 that increased the average customer bill by 0.3%. There was no FPPA rate adjustment in 2017. In addition, there were no general rate or FPPA adjustments implemented in January 2019. The Company has committed to no general rate adjustments through 2021.

RISK MANAGEMENT

Risk-Management Practices

The Company maintains an Enterprise Risk Management (ERM) program to help ensure strategic objectives are achieved. The program specifies risk-management standards, management responsibilities and controls to help ensure risk exposures are properly identified and managed within agreed upon risk-tolerance levels. Specific risk-mitigation plans and procedures are maintained and periodically reviewed to provide focused and consistent efforts to mitigate various risk exposures.

Several cross-functional risk committees and an Executive ERM Committee, which includes the senior management team and legal counsel, are utilized to discuss and analyze the potential risks that could hinder the achievement of the Company's objectives. Additionally, the Company has established criteria for risk escalation and oversight. The risks are evaluated periodically and will be escalated to the appropriate oversight levels, up to and including the Board of Directors, when applicable. An overview of the ERM program is provided to the Board of Directors annually.

OPPD participates in the wholesale marketplace with other electric utilities and power marketers. The Company must be able to offer energy at competitive prices and maintain reliability to successfully compete in this market. Energy market prices may fluctuate substantially in a short period of time due to changes in the supply and demand of electricity, fuel and environmental-related commodities. Policies provide guidelines for transacting in the marketplace with the intent to mitigate market risk. A cross-functional risk committee is responsible for identifying, measuring and mitigating various risk exposures related to power marketing and fuel purchase activities.

Fuel expense represents a significant cost and affects the ability to generate and market competitively priced power. To maintain a diverse portfolio of power supply, OPPD uses various fuel types for generation. Fuel policies were established to mitigate volumetric and price risk associated with the forecasted use of fuel for OPPD's generation.

A Rate Stabilization Reserve was established in 1999 to assist in stabilizing retail electric rates. The Company added $8,000,000 to the reserve in December 2017. The balance of the reserve was $50,000,000 as of December 31, 2018 and 2017. The balance of the fund was $50,000,000 as of December 31, 2018 and 2017.

A Decommissioning and Benefits Reserve was established in 2016 to assist in funding future decommissioning expenses beyond what was established in the current funding plan in any given year and future pension liabilities above the annual required contribution. The Company added $42,500,000 and $34,500,000 to the reserve in December 2018 and 2017, respectively. The balance of the reserve was $77,000,000 and $34,500,000 as of December 31, 2018 and 2017, respectively. The balance of the fund was $34,500,000 and $0 as of December 31, 2018 and 2017, respectively. The Company added $42,500,000 to the fund in 2019.

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

Other Reserves

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

- The Electric System Revenue Bond Fund contains a reserve in accordance with OPPD's bond indenture to maintain an amount in reserve equal to the maximum amount required to be paid in interest in any calendar year.
- The Workers' Compensation and Public Liability Reserves are established for the estimated liability for current workers' compensation and public liability claims.
- The Incurred But Not Presented Reserve is an insurance reserve that is required by state law because the Company is self-insured for healthcare costs. The reserve is based on health insurance claims that have been incurred but not yet presented for payment.
- The Uncollectible Accounts Reserve was established for estimated uncollectible accounts from retail sales and property damage claims.

REGULATORY AND ENVIRONMENTAL UPDATES

Southwest Power Pool (SPP) Integrated Marketplace and Transmission Planning

OPPD is a transmission-owning member of SPP, and all of the Company's transmission facilities are under the SPP Open Access Transmission Tariff (OATT). 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, or Day 1 Market, was expanded into a Day 2 Market in 2014. The SPP Day 2 Market, also known as the Integrated Marketplace (IM), includes the Day-Ahead Market, Real-Time Market, Ancillary Services Market and Transmission Congestion Rights Market. OPPD actively participates in the IM. 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.

As the regional transmission expansion planning authority, SPP works with its members and stakeholders to develop transmission projects needed in the footprint to meet the reliability, economic, and public policy needs. One of SPP's regional transmission projects is the Elkhorn River Valley Transmission Project, which is a joint effort between OPPD and the City of Fremont to connect an OPPD substation in Blair, NE with a substation in Fremont, NE. The 23-mile line, consisting of a 161-kV segment and a 69-kV segment, is planned to be energized by the second quarter of 2019. Once complete, the line will be owned by the Company. This project is intended to support the growing demand for electricity and improve reliability. OPPD and the City of Fremont will share the costs of the project, with the Company paying 40 percent of the total costs. Additionally, a portion of the project will receive regional funding under the SPP OATT.

In addition, OPPD is expanding its system in Sarpy County, Nebraska as well. As part of a development plan to support tremendous amounts of growth in the Sarpy County area, OPPD is expanding existing and constructing new high voltage substation and transmission facilities. This expansion is led by a new 6.5 mile new transmission line known as the Sarpy Transmission Project (STP), consisting of both 345-kV and 161-kV facilities co-located on common tower structures. The STP line is planned to be energized by the end of 2019.

Environmental Matters

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

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

The final CSAPR rule established a cap-and-trade system with state- and unit-specific allowance allocations to achieve the desired emission reductions for SO_2 and NO_x. Implementation of Phase I of the final rule began in 2015, and implementation of Phase II began in 2017. As a result of North Omaha Station Units 1, 2 and 3 (NO1, NO2, and NO3) ceasing coal-fired generation, the Company will likely not need to purchase additional allowances in the future to comply with CSAPR.

The EPA issued regulations under Section 316(b) Rule of the Clean Water Act (316(b) Rule). The 316(b) Rule is designed to reduce fish mortality associated with the use of once-through cooling by power generating stations. Facilities are required to choose one of seven options to reduce fish impingement. The Company commenced Entrainment Characterization Studies at FCS, NOS and Nebraska City Station (NCS) in April 2016. OPPD completed the Comprehensive Technical Feasibility and Cost Evaluation Studies and Non-Water Quality Environmental Impacts Studies in September 2018. These studies will be forwarded, as required by regulation, to a third-party for peer review in early 2019. Once completed, OPPD will recommend the Best Technology Available for fish protection and will coordinate with the Nebraska Department of Environmental Quality to incorporate any requirements into the stations National Pollutant Discharge Elimination System permits. The cost for compliance is not expected to be material at this time.

On April 17, 2015, the EPA promulgated technical requirements for the Coal Combustion Residuals (CCR) rule that impacted landfills and surface impoundments for the safe disposal of coal combustion residuals under Subtitle D of the Resource Conservation and Recovery Act. The regulations provide design criteria, operating criteria, groundwater monitoring requirements, closure requirements, and recordkeeping and notification requirements associated with CCR landfills and surface impoundments. The regulation became effective on October 19, 2015, and the Company is in compliance with the requirements. The Company continues to assess and implement compliance strategies associated with this regulation by required dates. On September 14, 2017, the EPA granted two petitions for the reconsideration of the CCR rule stating that it will review the existing rule and consider improvements that may help states tailor their CCR permitting programs. On March 15, 2018, the EPA proposed to amend the regulations for the disposal of CCR from electric utilities. The proposed rule establishes risk-based alternatives for implementing the CCR requirements, flexibility in meeting key prescriptive CCR requirements, and relief on uppermost aquifer location restrictions. Comments were collected by the EPA through April 30, 2018, and the final rule was effective August 29, 2018. The cost of compliance with this regulation is not expected to be material.

The EPA issued the Mercury and Air Toxics Standard (MATS), which places strict limitations on emissions of mercury, non-mercury metallic hazardous air pollutants and acid gases. Compliance with the new rule was necessary by April 16, 2015, for NC2 and April 16, 2016, for North Omaha Station Units 4 and 5 (NO4 and NO5) and NC1. NO1, NO2 and NO3 were refueled from coal to natural gas prior to April 16, 2016, which results in this standard no longer applying to these units. No new emissions-control equipment was required to comply with the new requirements for NC2, although a new mercury-monitoring system was installed. OPPD retrofitted NO4, NO5 and NC1 with basic emission controls. Dry Sorbent Injection and Activated Carbon Injection are being used, as necessary, on all of these units to comply with the MATS rule.

On October 23, 2015, the EPA published a final rule regulating the emission of carbon dioxide (CO_2) from existing fossil-fuel-fired electric generating units under section 111 of the Clean Air Act. On the same date, the EPA also published a final rule for new, modified or reconstructed fossil-fuel-fired electric utility generating units under section 111 of the Clean Air Act. These regulations in the aggregate are known as the Clean Power Plan (CPP). The CPP required states to meet interim and final emissions targets on a statewide basis starting in 2022. The goal was to reduce CO_2 emissions from electric generating units by 32% below 2005 levels by the year 2030.

Numerous legal challenges to the CPP have been filed and consolidated in the United States Court of Appeals for the District of Columbia Circuit. On February 9, 2016, the U.S. Supreme Court entered an order staying the implementation of the CPP pending further proceedings. Oral arguments were heard before the District of Columbia Circuit Court on September 27, 2016. On April 3, 2017, the EPA published in the Federal Register a notice that stated it is withdrawing the proposed rules it issued in 2015 in conjunction with the CPP. On October 10, 2017, the EPA issued a Notice of Proposed Rulemaking proposing to repeal the CPP. The public was invited to submit comments through April 26, 2018. On August 21, 2018, the EPA proposed a replacement rule, the Affordable Clean Energy (ACE) Rule. The ACE rule has several components: a determination of the best system of emission reduction for greenhouse gas emissions from coal-fired power plants, a list of “candidate technologies” states can use when developing their plans, a new preliminary applicability test for determining whether a physical or operational change made to a power plant may be a “major modification” triggering a New Source Review, and new implementing regulations for emission guidelines under Clean Air Act section 111(d). The Company will continue to monitor the regulation and evaluate compliance options as new information is available.

OPPD has received and responded to requests for information from the 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 the 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, and subject to possible appellate court review, remedies can include a requirement to install pollution-control equipment. OPPD cannot determine at this time whether it will have any future financial obligation with respect to the NOV.

Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states but not in Nebraska. The Company established a goal of providing at least 50 percent of retail energy sales from renewable energy sources. The addition of the Sholes Wind Energy Center in 2019 will add an additional 160.0 megawatts (MW) of renewable capability. The addition of the Fort Calhoun Community Solar Facility in 2019 will add an additional 5.0 MW of renewable capability. The Company also has a purchased power agreement with the Western Area Power Administration for up to 81.3 MW of hydro power.

The following table shows the renewable generation owned by OPPD and the purchased and future wind, hydro and solar capability (in MW).

	Capability
OPPD-Owned Generation	
Elk City Station (landfill gas)	6.3
Purchased Wind Generation*	
Ainsworth	10.0
Elkhorn Ridge	25.0
Flat Water	60.0
Petersburg	40.5
Crofton Bluffs	13.6
Broken Bow I	18.0
Broken Bow II	43.9
Prairie Breeze	200.6
Grande Prairie	400.0
Subtotal Purchased Wind Generation	811.6
Purchased Hydro Generation	
Western Area Power Administration	81.3
Total Renewable Generation as of December 31, 2018	899.2
2019 Purchased Wind and Solar Generation	
Sholes Wind Energy Center	160.0
Fort Calhoun Community Solar Facility	5.0
Subtotal Purchased Wind and Solar Generation	165.0
Total Expected Renewable Generation as of December 31, 2019	1,064.2

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

Federal Energy Legislation

The 115th Congress started the second year of the legislative session in January 2018. With 2018 being an election year, the passage of legislation impacting OPPD was minimal. Appropriations bills were enacted that included funding for the Low Income Home Energy Assistance Program, which is important to OPPD and Nebraska as it supports our customers.

Comprehensive energy legislation was not enacted in 2018. The energy legislation in the U.S. Senate addressed energy efficiency, energy workforce, hydropower and various other areas.

Lastly, the House of Representatives continued their efforts to modernize energy laws. Several hearings were convened in 2017 and 2018 to gather information in Congressional Committees with jurisdiction over energy laws. OPPD continues to monitor the status of energy and environmental legislation in Congress and provides input through public power industry groups and the Nebraska Congressional Delegation.

State of Nebraska Energy Legislation

Opponents of wind development in Nebraska attempted to modify private wind development laws during the 2018 Nebraska Legislation session, but these efforts were defeated. Due to a Nebraska Supreme Court decision, Legislative Bill 1008 was introduced to restrict certain competitive or proprietary information from being disclosed in public records requests. This bill was passed with strong support. OPPD continues to monitor the status of energy and environmental legislation in the Legislature and provides input, as needed.

Fort Calhoun Station Update

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. Upon completion of a third-party, site-specific cost study, OPPD recorded an increase to the decommissioning liability. The Board of Directors also approved a regulatory asset to match the decommissioning expense with the decommissioning funding amounts collected through retail rates.

OPPD entered into an agreement with EnergySolutions LLC (ES) in February 2017 for decommissioning support services. OPPD retains the license and management responsibility for the facility, while benefitting from the advisory services provided by ES. The agreement includes both on-site and off-site support by personnel across multiple disciplines as needs are identified, including advice on the safe characterization, packaging, transportation and disposal of nuclear material.

In October 2018, the Board of Directors approved a recommendation by management to transition the decommissioning process from SAFSTOR to the immediate dismantling (DECON) methodology. DECON provides for the immediate decontamination and dismantling of the nuclear systems and structures. In November 2018, the Board of Directors approved a recommendation by management to complete the DECON process using an OPPD-led, with contractor support, approach to the project. The Board also authorized and directed management to complete negotiations and enter into a contract with a qualified contractor to assist OPPD with completing the DECON process. Negotiations to obtain the needed contractor support are currently in progress.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions could affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

These estimates could materially impact the financial statements and disclosures based on varying assumptions that could be used. The financial and operating environment may have a significant effect on the operation of the business and on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting estimates and assumptions has not changed.

The following is a list of accounting estimates and assumptions that are significant to OPPD's financial condition and results of operation and require management's most significant, subjective or complex judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions.

Significant Accounting Estimates and Assumptions	Judgments/Uncertainties Affecting Application
Nuclear Decommissioning	• Cost estimates for future decommissioning • Availability of facilities for waste disposal • Approved methods for waste disposal
Environmental Matters	• Approved methods for cleanup • Governmental regulations and standards • Cost estimates for future remediation options
Regulatory Mechanisms and Cost Recovery	• External regulatory requirements • Anticipated future regulatory decisions and their impact
Retirement Plan and Other Postemployment Benefits (OPEB)	• Assumptions used in computing the Net Pension Liability and Net OPEB Liability, including discount rate, healthcare trend rates and expected rate of return on Plan assets • Plan design
Self-Insurance Reserves for Claims for Employee-related Healthcare Benefits, Workers' Compensation and Public Liability	• Cost estimates for claims • Assumptions used in computing the liabilities
Uncollectible Accounts Reserve	• Economic conditions affecting customers • Assumptions used in computing the reserve
Unbilled Revenue	• Estimates for customer energy use and prices
Depreciation and Amortization Rates of Assets	• Estimates for approximate useful lives

Report of Management

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

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

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

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

Timothy J. Burke
President and Chief Executive Officer

L. Javier Fernandez
Vice President and Chief Financial Officer

Independent Auditor's Report

Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying financial statements of Omaha Public Power District (OPPD) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise OPPD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPPD as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018 OPPD adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated March 29, 2018, expressed an unmodified opinion.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OPPD's basic financial statements. The statistics as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Omaha, Nebraska
March 14, 2019