

2018 Corporate Operating Plan



your energy partner®
OPPD
Omaha Public Power District

2018 CORPORATE OPERATING PLAN

**2018
CORPORATE OPERATING PLAN
TABLE OF CONTENTS**

	Page
Management Letter	1
Corporate Strategic Planning	2
Executive Summary	7
Assumptions	9
2018 Corporate Operating Plan	
Financial Statements	
Income Statement.....	13
Coverage Ratios	15
Debt and Financing Data.....	17
Cash Flow Analysis	19
Energy Sales and Revenues	
Electric Energy Sales and Electric Customers.....	21
Operating Revenues.....	23
Average Cents/kWh	25
Generation	
Net System Requirements	27
Operation and Maintenance Expense and Decommissioning Expenditures	
Operation and Maintenance Expense and Decommissioning Expenditures	29

2018 Capital and Deferred Expenditure Plan

Capital and Deferred Expenditures 31

NewGen Strategies and Solutions, LLC - Review

MANAGEMENT LETTER

2018 CORPORATE OPERATING PLAN MANAGEMENT LETTER

As we continue to chart OPPD's course in the rapidly changing utility industry, we are guided by our vision of leading the way we power the future. OPPD is pursuing innovative ways of serving our customers. We are developing a more agile approach, as we stay in touch with our stakeholders. We remain focused on our mission of providing affordable, reliable and environmentally sensitive energy services. The OPPD Board of Directors developed 15 strategic directives, which are used to guide operations in the changing environment.

Our generating plants ran well in 2017. This spring at Nebraska City Station Unit No. 2 (NC2), workers safely and successfully completed an ambitious maintenance outage that included installing a new turbine rotor. Fort Calhoun Station ceased operations in the fall of 2016 and since that time personnel have made great progress on decommissioning the nuclear plant.

Our 2018 Corporate Operating Plan (COP) reflects OPPD's commitment to expanding the transmission system to support load growth and economic development. After seeking stakeholder input, OPPD announced the final route for the Sarpy Transmission Project this September. The Elkhorn River Valley Transmission Project will be completed by the end of 2018. This involves a 161-kilovolt transmission line between Dodge and Washington counties.

The COP also shows OPPD's ongoing commitment to renewable energy. The year 2018 will be the first full year of our 20-year agreement to purchase 400 megawatts of wind energy from the Grande Prairie Wind Facility in Holt County. This represents OPPD's largest single investment in wind energy to date. This summer, we announced the future addition of 160 megawatts of wind energy from the Sholes wind facility in Wayne County. We have a 20-year agreement with NextEra Energy Resources to buy 100 percent of the output from that facility. OPPD estimates that 40 percent of our generation available for retail sales will come from renewables when Sholes comes online by the end of 2019.

The COP maintains OPPD's commitment to no increase in General Rates in 2018. Due in part to our agreements for increased wind energy purchases, the COP projects a minor increase in the Fuel and Purchased Power Adjustment in 2018.

The 2018 Corporate Operating Plan supports the District's mission to provide affordable, reliable and environmentally sensitive energy services, reinforcing our strong commitment to our customers.



Timothy J. Burke
President and Chief Executive Officer

CORPORATE STRATEGIC PLANNING

**2018 CORPORATE OPERATING PLAN
CORPORATE STRATEGIC PLANNING**

Today is a time of monumental change in the electric utility industry. To provide clear and transparent direction on behalf of OPPD customer owners, OPPD’s publicly elected Board of Directors established fifteen strategic direction (SD) policies to which OPPD is accountable. The policies guide OPPD’s 2018 strategic and operational planning efforts to address current and future trends, mitigate risks, pursue strategic opportunities, and prioritize resources to efficiently and effectively provide energy services to the District. They align the organization to clear performance expectations to serve OPPD’s customer-owners.

Our Strategic Foundation (SD-1)	<p>Mission: To provide affordable, reliable and environmentally sensitive energy services to our customers.</p> <p>Vision: “Leading the Way We Power the Future”</p> <p>In implementing this vision, OPPD shall adhere to these principles:</p> <ul style="list-style-type: none">• Strengthen the public power advantage of affordable and reliable electricity;• Exemplify fiscal, social and environmental responsibility to optimize value to our customer-owners;• Proactively engage and communicate with our stakeholders;• Act transparently and with accountability for the best interest of our customer-owners;• Collaborate, when appropriate, with partners; and• Leverage OPPD’s leadership to achieve these goals.
Our Values	<ul style="list-style-type: none">• We have a PASSION to serve• We HONOR our community• We CARE about each other

**2018 CORPORATE OPERATING PLAN
CORPORATE STRATEGIC PLANNING**

The strategic direction policies leverage industry benchmarks to drive performance as a top utility, and provide the basis for a scorecard to which the organization manages its performance.

Board Strategic Direction Policies & 2018 Performance Targets				
Policy	Measure	Definition	2018 Target	Strategic Goal
Rates (SD-2)	% Below Regional Retail Average	Retail rate target of West North Central Regional average published rates on a system average basis	14.1%*	20%*
Access to Credit Markets (SD-3)	Debt Coverage Ratio	Revenues less expenses divided by total annual senior and subordinate lien debt interest and principal payments.	2.0	2.0
Reliability (SD-4)	SAIDI	System Average Interruption Duration Index	<90	<90
	Equivalent Availability	% of actual generation potential to a unit's maximum rated output over a period of time	90%	90%
Customer Satisfaction (SD-5)	Absolute Satisfaction Score	JD Power's annual Electric Utility Residential Customer Satisfaction Study	Top Quartile	Top Quartile
Safety (SD-6)	DART	Days Away, Restricted or Transferred	<0.50	<0.50
Environmental Stewardship (SD-7)	% Renewables	% of retail energy sales shall be supplied from renewable energy sources	>30%	>30%
Employee Relations (SD-8)	Employee Engagement	Composite score of employee engagement	80	85
Resource Planning (SD-9), Ethics (SD-10), Economic Development (SD-11), Information Management & Security (SD-12), Stakeholder Outreach & Communication (SD-13), Retirement Plan Funding (SD-14), Enterprise Risk Management (SD-15)				

**In addition to the rate target, SD-2: Rates specifies there will be "no general rate increase for a 5-year period starting January 1, 2017 and ending December 31, 2021."*

**2018 CORPORATE OPERATING PLAN
CORPORATE STRATEGIC PLANNING**

Industry Trends Assessment & Strategic Focus

Industry trends are driving transformational change, creating significant pressures on the industry’s traditional strategies and business models. Changing customer expectations, increasing adoption of renewable and distributed energy, potential new competitors, and evolving regulations require OPPD to embrace innovative approaches to navigate new regulatory, operational, environmental, cyber and technological challenges while at the same time achieve operational excellence in traditional energy services in order to achieve its strategic direction policies.

Throughout OPPD’s 2018 strategic planning, OPPD leadership met with leading industry experts to assess industry trends and identify strategic implications for action. With a focus on OPPD’s strategic direction policies, industry trends and potential risks, OPPD identified five long-term guiding principles for strategic and operational planning.

TRUSTED ENERGY PARTNER	Our customers and communities can count on us to bring them value, caring and excellence as their trusted energy partner.
OPERATIONAL EXCELLENCE	We drive operational excellence by focusing on safety, reliability, cost, environmental stewardship and innovation.
TECHNOLOGY SOLUTIONS	Through partnerships, we provide innovative and value added technology in a secure and reliable manner to achieve strategic initiatives and operational goals.
POWERED THROUGH PEOPLE	We know employees drive our success. We provide a safe, healthy environment where our diverse and highly skilled workforce can do their best work.
FINANCIAL STEWARDSHIP	We are stewards of financial resources creating strength & flexibility benefitting our customer owners & communities.

**2018 CORPORATE OPERATING PLAN
CORPORATE STRATEGIC PLANNING**

Enterprise Risk Management

Fundamental to effective planning is an understanding of enterprise level risks and development and implementation of initiatives and mitigation plans. The District’s Enterprise Risk Management (“ERM”) program helps to 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 reviewed periodically to provide focused and consistent efforts to mitigate various risk exposures. In support of its 2018 corporate planning efforts, OPPD leveraged risk assessments and mitigation plans to prioritize resources.

Theme	OPPD’s Risk Management Focus
Retail revenues & off-system sales	Persistently pursue customer and economic development to achieve economies of scale and strengthen top quartile energy competitive rates. Maximize off-system sales to further benefit our customer owners.
Generation reliability	Maintain highly available generation units and a diverse fuel supply to provide power whenever our customer-owners need it
Environmental regulation	Ensure the District is well-positioned to respond to the ever-changing landscape of environmental regulation to meet our goal to provide environmentally sensitive energy services.
Decommission Fort Calhoun Station	Realize the economic savings potential from ceasing operations at Fort Calhoun Station. Ensure decommissioning funds are wholly adequate to return the facility to green field status.
Cyber & physical security	Vigorously defend customer information and District assets from potential security threats to our infrastructure.
Infrastructure investment	Continue sufficient investment into transmission and distribution assets to ensure reliable and resilient energy services.
Workplace safety	Promote safety as a top priority to ensure every employee going home as healthy as they came into work.
Community partnership	Honor and support the communities in which we operate and fulfill the promise of public power.

2018 CORPORATE OPERATING PLAN CORPORATE STRATEGIC PLANNING

2018 Strategic Planning

The 2018 Strategic Planning identified seven corporate initiatives critical to help achieve OPPD's strategic direction policies, address changing industry dynamics and support the mitigation of enterprise risks.

- **Customer Experience:** Develop a customer experience strategy roadmap to ensure our customers and communities can count on us as their trusted energy partner that understands, cares for, enables and honors the diverse energy needs of our customers and communities.
- **Integrated Energy Marketplace:** Use a holistic approach to identify, monitor, analyze, and make recommendations for an adaptable future state, including traditional and non-traditional solutions, which will drive the customer value proposition and shape OPPD's business model. This future state will leverage the public power advantage to improve customer choice, ensure high reliability, affordability, and environmentally sensitive solutions to optimize portfolio value within the evolving energy ecosystem.
- **Cost & Process:** Utilize Lean principles across the enterprise to assess, identify and implement process improvements and cost savings, cultivate a culture to sustain continuous improvement, and deliver value to our customers in the most cost effective manner.
- **Innovation:** Create the structure and process for identifying, analyzing and deploying disruptive and continuous innovation.
- **Best Places to Work for You:** Transform the employee experience, create a workplace where employees have clarity, feel connected, cared for, and enabled to bring their best every day for our customers, our communities and each other.
- **Accountable Management System:** Align OPPD's leadership culture, structure, role relationships, policies, Human Capital processes, and managerial practices in a manner that frees employees to work at their full potential, increasing efficiency, effectiveness and employee satisfaction.
- **Financial Sustainability:** Create a comprehensive financial management framework that enables management to make timely, informed business plans and decisions to ensure effective allocation of resources to enable business transformation. The framework will include enhanced processes, controls, procedures, systems and training to provide more accessible, consistent financial information.

In addition to corporate strategic initiatives, 2018 corporate planning resulted in business plans and the 2018 O&M and Capital Budgets.

EXECUTIVE SUMMARY

2018 CORPORATE OPERATING PLAN EXECUTIVE SUMMARY

Introduction

The Corporate Operating Plan (COP) is an integral part of a comprehensive strategic business planning process for the Omaha Public Power District (OPPD). OPPD's Strategic Plan is reviewed annually and serves as a guide for the COP.

The COP is comprised of financial information and analysis covering the 2018 budget. It documents how OPPD will financially move towards achieving its corporate objectives. The budget summary is supported by an income statement, statement of cash flow, statement of capital and deferred expenditures and supporting schedules.

Key Issues for 2018

A key input into the budget process is the analysis of trends and future economic conditions that OPPD may face during 2018. During this process, the following key issues were identified.

- Fort Calhoun Station – SAFSTOR
- Low load growth as a result of changes in customer usage trends and improving energy efficiencies
- Construction of transmission facilities
- Maintaining safe and reliable service
- Changing regulations
 - Environmental
 - Transmission
- Managing operating expenditures
 - Strategic Cost and Process Initiative
 - Generation outage planning
 - Continued funding for Fort Calhoun Station Decommissioning
 - Continued amortization of Fort Calhoun Station Restart and Recovery expenses

2018 Proposed Rate Action

OPPD's 2018 budget requires no General rate increase.

Implemented rate mitigation strategies:

- a. Excess energy sold into the wholesale market
- b. Cost reduction initiatives driven by the strategic planning process
- c. Implementing corporate Accountable Management System philosophies

Total 2018 Budget

The total 2018 Budget is \$1.1 billion.

ASSUMPTIONS

2018 CORPORATE OPERATING PLAN ASSUMPTIONS

General

2017 Projected

Operations and maintenance, capital and deferred expenditures reflect the 2017 budget adjusted for revisions submitted through September 30, 2017. Other values reflect actual charges through September plus forecast revisions for the remainder of the year.

Financing / Investing

Financing

The outstanding Revenue Bond balance will not be impacted by the 2018 Financing Plan, which provides flexibility to capitalize on market conditions.

Investment Yield on the Revenue and Construction Funds

Average investment earnings rates used for 2018 are 1.2%.

Energy Sales / Revenues

Load Forecast

The plan assumes 0.1% increase in general business energy sales and a 0.8% increase in the number of customers in 2018, as compared to the 2017 projections.

Revenue Adjustments

OPPD's 2018 budget requires no increase in the General Rates.

2018 CORPORATE OPERATING PLAN ASSUMPTIONS

Generation, Purchased Power, and Fuel Budget

A twenty-three day fall outage for North Omaha Unit No. 5 (September 22 to October 14) has been scheduled. A twelve day spring outage has been scheduled for both Cass County Station Unit Nos. 1 and 2. A twelve day fall outage has been scheduled for both Sarpy County Station Unit Nos. 4 and 5. Additionally there are several shorter outages for the peaking units. The purchased power budget includes generation supplied from 812 megawatts of wind capability.

Department Operation and Maintenance Budget

Department and division level budgets were proposed in August 2017. These plans were reviewed with Senior Management for compliance with the strategic objectives before submitting them for final approval.

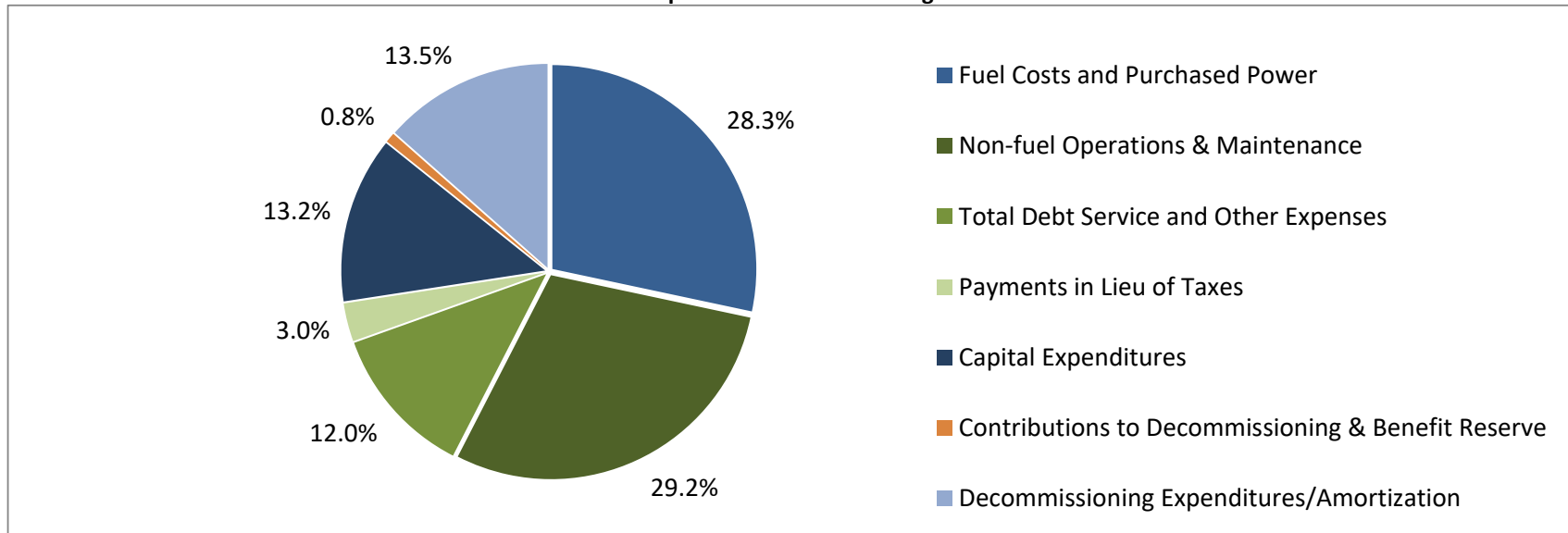
Capital Budget and Deferred Expenditures

The capital portfolio prioritization and allocation process implemented in 2016 continues to enhance the effectiveness of capital planning. The process enables better alignment with the strategic directives and provides more transparency of capital spending through improved project review and approval processes.

CORPORATE OPERATING PLAN
2018 BUDGET SUMMARY
2017 BUDGET COMPARED TO 2018 BUDGET
(DOLLARS IN THOUSANDS)

	BUDGET 2017	BUDGET 2018	INCREASE / (DECREASE)	% CHANGE
Fuel Costs and Purchased Power	\$291,451	\$319,149	\$27,698	9.5%
Non-fuel Operations & Maintenance	329,403	327,425	(1,978)	-0.6%
Total Debt Service and Other Expenses	139,533	134,362	(5,171)	-3.7%
Payments in Lieu of Taxes	33,894	34,036	142	0.4%
Capitalized Interest	4,728	3,649	(1,079)	-22.8%
Capital Projects	130,272	144,000	13,728	10.5%
Contributions to Rate Stabilization & Decommissioning & Benefit Reserve	15,500	8,770	(6,730)	...
Regulatory Amortization	14,835	14,837	2	...
Decommissioning Expenditures	174,351	136,187	(38,164)	...
TOTAL BUDGET	\$1,133,967	\$1,122,415	(\$11,552)	-1.0%

Components of the 2018 Budget



2017 Fuel and Purchased Power Budget Compared to 2018 Budget

	BUDGET 2017	BUDGET 2018	INCREASE / (DECREASE)	% CHANGE
Fuel Costs				
Fossil	\$167,921	\$178,943	\$11,022	6.6%
Peaking Units	3,446	7,148	3,702	107.4%
Total Fuel Cost	\$171,367	\$186,091	\$14,724	8.6%
Purchased Power	\$120,084	\$133,058	\$12,974	10.8%
TOTAL BUDGET	\$291,451	\$319,149	\$27,698	9.5%

2017 non-fuel O&M Budget Compared to 2018 Budget

	BUDGET 2017	BUDGET 2018	INCREASE / (DECREASE)	% CHANGE
Production	\$92,021	\$84,627	(\$7,394)	-8.0%
Transmission and Distribution	83,248	89,563	6,315	7.6%
Customer Accounting and Services	32,591	35,329	2,738	8.4%
Administrative and General	121,543	117,906	(3,637)	-3.0%
TOTAL BUDGET	\$329,403	\$327,425	(\$1,978)	-0.6%

2017 Debt Service/Other Expenses Compared to 2018 Budget

	BUDGET 2017	BUDGET 2018	INCREASE / (DECREASE)	% CHANGE
Bonds	\$146,281	\$139,821	(\$6,461)	-4.4%
Commercial Paper	900	1,575	675	75.0%
Other	(7,648)	(7,034)	615	-8.0%
TOTAL BUDGET	\$139,533	\$134,362	(\$5,171)	-3.7%

2018 CORPORATE OPERATING PLAN

FINANCIAL STATEMENTS

2018 CORPORATE OPERATING PLAN INCOME STATEMENT

Projected net income for 2017 is \$75.9 million, which is \$9.4 million over budget, and includes funding of \$8.0 million for the Rate Stabilization Reserve Fund and \$24.4 million for the Decommissioning and Benefits Reserve Fund. Operating revenues are projected to be \$14.3 million over budget.

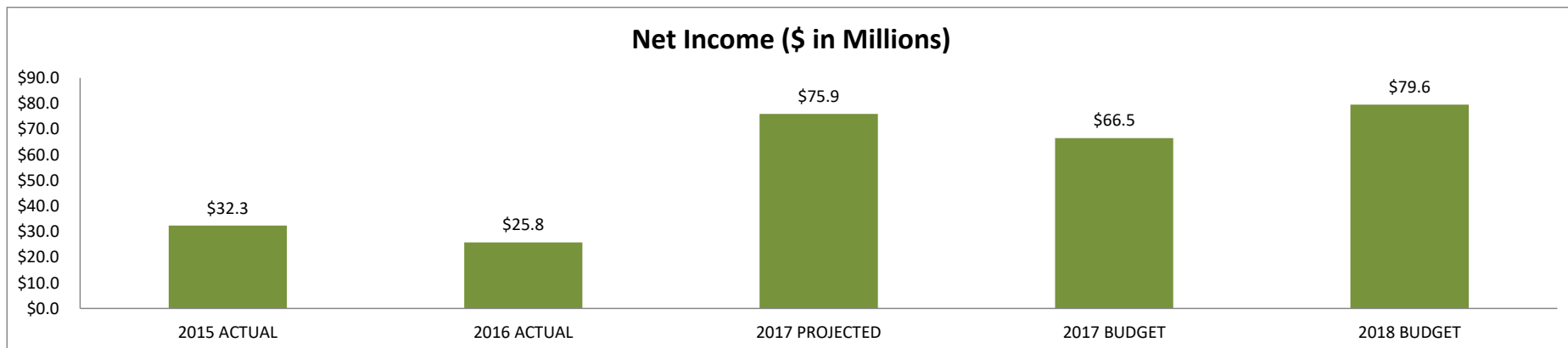
Net income for 2018 is projected to be \$79.6 million, which is \$3.7 million or 4.8% higher than the 2017 projected net income. When compared to the 2017 budget, net income for 2018 is \$13.1 million or 19.7% higher.

Major factors contributing to the change in 2018 net income are:

- 1) Operating revenue is budgeted to be \$14.7 million higher than 2017 projections and \$29.0 million higher than the 2017 budget. The budget increase is primarily due to a smaller funding of the Decommissioning and Benefits Reserve Fund. Wholesale revenues are projected to decrease \$18.0 million from 2017 projections and increase \$17.1 million when compared to the 2017 budget.
- 2) Operation and maintenance expense is budgeted to be \$8.0 million higher than the 2017 projected amount and \$25.7 million higher than the 2017 budget amount.
- 3) Other income is projected to be \$2.2 million higher than the 2017 projected amount. Other income budgeted for 2018 is \$15.8 million higher than 2017 budget amount.
- 4) Interest expense on bonds is projected to be \$2.3 million lower than the 2017 projected amount and \$2.3 million lower than the 2017 budget amount.
- 5) Decommissioning expense represents funding of the Decommissioning Fund and is budgeted to be \$156.0 million in 2018.

2018 CORPORATE OPERATING PLAN
INCOME STATEMENT
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016	2017	2017	2017	2018	\$ CHANGE	% CHANGE
OPERATING REVENUES	\$1,131,234	\$1,126,476	\$1,089,721	\$1,075,454	\$14,267	\$1,104,413	\$14,692	1.3
OPERATING EXPENSES								
O&M EXPENSE *	\$841,938	\$823,858	\$638,524	\$620,853	\$17,671	\$646,575	\$8,051	1.3
PAYMENTS IN LIEU OF TAXES	32,241	34,138	33,748	33,894	(146)	34,036	288	0.9
DECOMMISSIONING EXPENSE	5,161	17,576	147,469	147,469	(0)	156,000	8,531	5.8
REGULATORY AMORTIZATION	0	1,854	14,833	14,836	(3)	14,836	3	0.0
DEPRECIATION EXPENSE	151,033	147,691	127,328	127,000	328	125,274	(2,054)	(1.6)
TOTAL OPERATING EXPENSE	\$1,030,373	\$1,025,118	\$961,902	\$944,051	\$17,851	\$976,720	\$14,818	1.5
OPERATING INCOME	\$100,861	\$101,359	\$127,819	\$131,403	(\$3,584)	\$127,693	(\$126)	(0.1)
INTEREST INCOME	\$5,349	\$23,199	\$12,965	\$9,828	\$3,137	\$19,312	\$6,347	49.0
DECOMMISSIONING INTEREST TRANSFER	(3,523)	(24,241)	0	0	0	0	0	...
ALLOWANCE FOR FUNDS USED	8,474	7,380	3,564	4,728	(1,164)	3,649	85	2.4
PRODUCTS AND SERVICES - NET	4,287	3,739	3,515	1,788	1,727	3,450	(65)	(1.9)
MISC. NON OPERATING INCOME**	8,342	2,229	12,250	2,376	9,874	8,100	(4,150)	(33.9)
TOTAL OTHER INCOME	\$22,929	\$12,305	\$32,294	\$18,720	\$13,574	\$34,511	\$2,217	6.9
TOTAL INCOME LESS OPERATING EXPENSE	\$123,790	\$113,664	\$160,113	\$150,123	\$9,990	\$162,203	\$2,090	1.3
INCOME DEDUCT. & INT. CHARGES								
INTEREST EXPENSE ON BONDS	\$95,669	\$93,039	\$90,390	\$90,392	(\$2)	\$88,083	(\$2,307)	(2.6)
INTEREST EXPENSE ON NOTES	1,462	1,484	1,515	1,513	2	1,544	29	...
INTEREST EXPENSE ON COMM. PAPER	228	773	1,255	900	355	1,575	320	25.5
AMORTIZATION	(6,535)	(8,209)	(9,687)	(9,736)	49	(9,179)	508	(5.2)
OTHER INCOME DEDUCTIONS	645	827	735	576	159	600	(135)	(18.4)
TOTAL INCOME & DEDUCTIONS	\$91,468	\$87,914	\$84,208	\$83,646	\$562	\$82,624	(\$1,585)	(1.9)
NET INCOME	\$32,322	\$25,750	\$75,905	\$66,477	\$9,428	\$79,579	\$3,674	4.8



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

*Excluding Fort Calhoun Station restart and recovery expense of \$2.3 million in 2015.

**Excluding the Special Item that resulted from the Fort Calhoun Station Decommissioning Decision in 2016.

**2018 CORPORATE OPERATING PLAN
COVERAGE RATIOS**

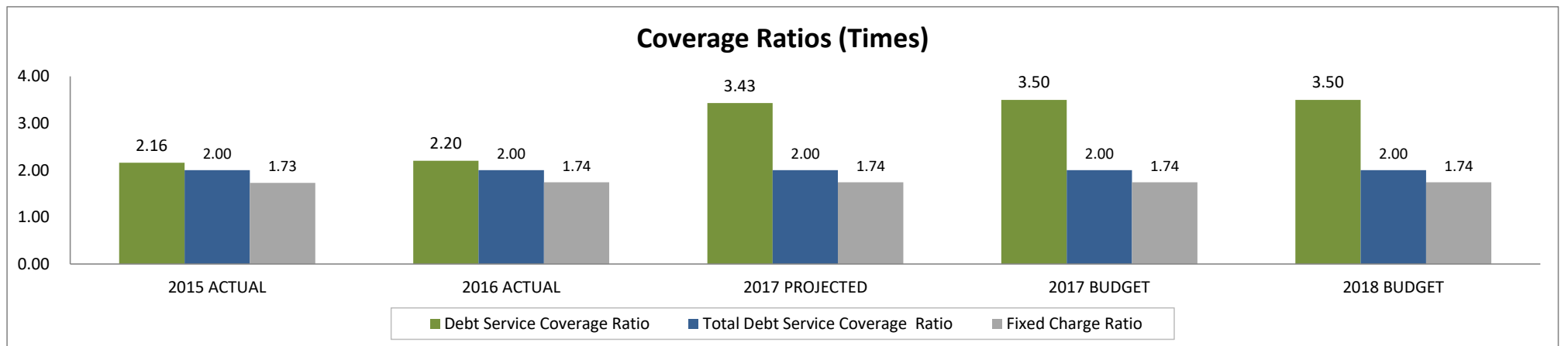
The debt service (Senior Lien) coverage ratio is projected to be 3.43 times in 2017 and 3.50 times in 2018. Net receipts for 2018 are expected to increase by \$8.4 million or 2.2% from 2017 projected levels. Debt service requirements for 2018 are expected to increase \$0.01 million over 2017 projections.

The total debt service coverage ratio is projected to be 2.00 times in 2018.

The fixed charge ratio is projected to be 1.74 times in 2018.

**2018 CORPORATE OPERATING PLAN
COVERAGE RATIOS
(DOLLARS IN THOUSANDS)**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
OPERATING REVENUES (EXCL. NC2)	\$1,066,948	\$1,054,650	\$1,019,332	\$1,007,680	\$11,652	\$1,036,750	\$17,418	1.7
INTEREST INCOME - BONDS RESERVE ACCOUNT	1,250	1,317	1,109	3,740	(2,631)	843	(266)	(24.0)
O&M EXPENSE (EXCL. NC2 PARTICIPANT SHARE)	(789,080)	(770,066)	(596,245)	(578,629)	(17,616)	(604,695)	(8,450)	1.4
PAYMENTS IN LIEU OF TAXES	(32,241)	(34,138)	(33,748)	(33,894)	146	(34,038)	(290)	0.9
NET RECEIPTS	\$246,877	\$251,764	\$390,448	\$398,897	(\$8,449)	\$398,860	\$8,412	2.2
DEBT SERVICE REQUIREMENTS (SENIOR LIEN)	\$114,139	\$114,363	\$113,780	\$113,783	(\$3)	\$113,823	\$43	0.0
DEBT SERVICE (SENIOR LIEN) COVERAGE RATIO	2.16	2.20	3.43	3.50		3.50		
<u>MEMO: OTHER COVERAGE RATIOS:</u>								
TOTAL DEBT SERVICE COVERAGE RATIO	2.00	2.00	2.00	2.00		2.00		
FIXED CHARGE RATIO	1.73	1.74	1.74	1.74		1.74		



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

**2018 CORPORATE OPERATING PLAN
DEBT AND FINANCING DATA**

Total revenue bonds outstanding at year-end 2018 are projected to equal \$1,365.3 million. The 2018 budget does not anticipate the issuance of new revenue bonds but does have revenue bond maturities of \$47.5 million. The outstanding Revenue Bond balance will not be impacted by the 2018 Financing Plan, which provides flexibility to capitalize on market conditions.

Total subordinated bonds outstanding at year-end 2018 are projected to equal \$336.0 million. The 2018 budget does not anticipate the issuance of new subordinated bonds but does have subordinated bond maturities of \$1.1 million.

Total minibonds and other notes outstanding at year-end 2018 are budgeted to be \$31.0 million.

Total NC2 revenue bonds outstanding at year-end 2018 are projected to equal \$212.0 million. The 2018 budget does not anticipate the issuance of new NC2 revenue bonds but does have NC2 revenue bond maturities of \$3.2 million.

The total interest rate on existing debt will average 4.33% at the end of 2017 and 4.35% at the end of 2018. The debt to capitalization ratio is projected to be 62% for 2018.

2018 CORPORATE OPERATING PLAN

DEBT & FINANCING DATA

(DOLLARS IN THOUSANDS)

	ACTUAL 2015	ACTUAL 2016	PROJECTED 2017	BUDGET 2017	VARIANCE 2017	BUDGET 2018	18 BUDGET VS. 17 PROJ.	
							\$ CHANGE	% CHANGE
REVENUE BONDS-1788								
BALANCE - BEGINNING OF YEAR	\$1,471,830	\$1,513,725	\$1,458,365	\$1,458,365	\$0	\$1,412,770	(\$45,595)	(3.1)
MATURITIES / RETIREMENTS	(40,465)	(43,065)	(45,595)	(47,495)	1,900	(47,495)	(1,900)	4.2
NEW ISSUES	82,360	(12,295)		0	0	0	0	-
BALANCE - END OF YEAR	\$1,513,725	\$1,458,365	\$1,412,770	\$1,410,870	\$1,900	\$1,365,275	(\$47,495)	(3.4)
AVERAGE INTEREST RATE (END OF YEAR)	4.69%	4.68%	4.70%	4.71%		4.71%		
SUBORDINATED								
BALANCE - BEGINNING OF YEAR	\$337,375	\$337,375	\$337,280	\$337,280	\$0	\$337,120	(\$160)	(0.0)
MATURITIES / RETIREMENTS	0	(95)	(160)	(1,095)	935	(1,095)	(935)	584.4
NEW ISSUES	0	0	0	0	0	0	0	-
BALANCE - END OF YEAR	\$337,375	\$337,280	\$337,120	\$336,185	\$935	\$336,025	(\$1,095)	(0.3)
AVERAGE INTEREST RATE (END OF YEAR)	3.97%	3.97%	3.97%	3.98%		3.97%		
MINIBONDS								
BALANCE - BEGINNING OF YEAR	\$28,915	\$29,338	\$29,816	\$29,816	\$0	\$30,295	\$479	1.6
MATURITIES / RETIREMENTS	(135)	(127)	(125)	0	(125)	0	125	(100.0)
ACCREDITED INTEREST	558	605	604	649	(45)	678	74	12.3
BALANCE - END OF YEAR	\$29,338	\$29,816	\$30,295	\$30,465	(\$170)	\$30,973	\$678	2.2
AVERAGE INTEREST RATE (END OF YEAR)	5.44%	5.01%	4.99%	4.97%		4.99%		
COMMERCIAL PAPER								
BALANCE - BEGINNING OF YEAR	\$150,000	\$150,000	\$150,000	\$150,000	\$0	\$150,000	\$0	0.0
MATURITIES / RETIREMENTS	0	0	0	0	0	0	0	-
NEW ISSUES	0	0	0	0	0	0	0	-
BALANCE - END OF YEAR	\$150,000	\$150,000	\$150,000	\$150,000	\$0	\$150,000	\$0	0.0
AVERAGE INTEREST RATE (END OF YEAR)	0.23%	0.73%	0.60%	0.60%		1.05%		
REVENUE BONDS-NC2 (SEPARATE ELEC. SYS.)								
BALANCE - BEGINNING OF YEAR	\$236,725	\$225,910	\$218,460	\$218,460	\$0	\$215,215	(\$3,245)	(1.5)
MATURITIES / RETIREMENTS	(3,080)	(3,190)	(3,245)	(3,220)	(25)	(3,220)	25	(0.8)
NEW ISSUES	(7,735)	(4,260)	0	0	0	0	0	-
BALANCE - END OF YEAR	\$225,910	\$218,460	\$215,215	\$215,240	(\$25)	\$211,995	(\$3,220)	(1.5)
AVERAGE INTEREST RATE (END OF YEAR)	4.81%	4.88%	4.91%	4.91%		4.93%		
TOTAL AVERAGE INTEREST RATE (END OF YEAR)	4.31%	4.43%	4.33%	4.33%		4.35%		
TOTAL INTEREST EXPENSE (ON DEBT)	\$91,468	\$87,914	\$84,208	\$83,646	\$562	\$82,624	(\$1,584)	(1.9)
DEBT TO CAPITALIZATION RATIO	51%	66%	64%	64%		62%		

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

**2018 CORPORATE OPERATING PLAN
CASH FLOW ANALYSIS**

Projected cash receipts for 2017 are \$1,148.6 million, which is \$117.1 million over budget. Cash disbursements are projected to be \$1,148.3 million in 2017 or \$62.7 million over the budget amount primarily due to higher O&M expense of \$20.4 million and contributions to Reserve Funds.

In 2018, cash receipts are expected to decrease by \$10.7 million to \$1,137.8 million. This decrease is primarily related to wholesale revenues.

Cash disbursements in 2018 are anticipated to decrease by \$26.4 million to \$1,121.9 million. The decreases in cash disbursements for 2018 include O&M expense of \$19.8 million or 4.2% and lower contributions to Reserve Funds.

The budget values of cash receipts and disbursements result in a projected year-end cash balance of \$385.7 million in 2018. Net operating cash flow for 2018 is projected to be \$15.9 million.

2018 CORPORATE OPERATING PLAN
CASH FLOW ANALYSIS
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
CASH BEGINNING OF PERIOD	\$336,300	\$364,418	\$369,493	\$337,817	\$31,676	\$369,775	\$282	0.1
RECEIPTS								
GENERAL BUSINESS REVENUES	\$903,816	\$946,413	\$939,314	\$940,303	(\$989)	\$946,077	\$6,763	0.7
WHOLESALE REVENUES (INCL. NC2)	195,505	174,995	155,525	52,629	102,896	140,860	(14,665)	(9.4)
OTHER ELECTRIC REVENUES	30,929	29,917	30,310	29,017	1,293	31,599	1,289	4.3
INTEREST INCOME	10,166	6,511	19,900	7,737	12,163	15,862	(4,038)	(20.3)
PRODUCTS & SERVICES	4,288	3,739	3,515	1,788	1,727	3,450	(65)	(1.8)
USE OF RESERVE ACCOUNTS	21,000	0	0	0	0	0	0	-
TOTAL RECEIPTS	\$1,165,704	\$1,161,575	\$1,148,564	\$1,031,474	\$117,090	\$1,137,848	(\$10,716)	(0.9)
DISBURSEMENTS								
O&M EXPENSE (W/O FUEL)	\$650,436	\$619,520	\$469,444	\$449,046	\$20,398	\$449,661	(\$19,783)	(4.2)
DECOMMISSIONING EXPENSE	5,160	17,576	147,469	143,000	4,469	156,000	8,531	5.8
PAYMENTS IN LIEU OF TAXES	32,240	32,301	33,749	33,894	(145)	34,017	268	0.8
DEBT SERVICE	144,996	144,044	143,300	144,367	(1,067)	145,018	1,718	1.2
CAPITAL EXPENDITURES	199,979	142,650	123,000	130,000	(7,000)	144,000	21,000	17.1
FOSSIL FUEL	174,299	164,852	169,075	169,799	(724)	195,988	26,913	15.9
NUCLEAR FUEL	19,255	21,768	0	0	0	0	0	-
CHANGES IN OTHER NET ASSETS	6,221	(12,211)	29,892	0	29,892	(11,550)	(41,442)	(138.6)
CONTRIBUTIONS TO RESERVE ACCOUNTS	0	26,000	32,353	15,500	16,853	8,770	(23,583)	(72.9)
TOTAL DISBURSEMENTS	\$1,232,586	\$1,156,500	\$1,148,282	\$1,085,606	\$62,676	\$1,121,904	(\$26,378)	(2.3)
NET OPERATING CASH FLOW	(\$66,882)	\$5,075	\$282	(\$54,132)	\$54,414	\$15,944	\$15,662	5,553.9
FINANCING	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	-
FINANCING COST / RESERVE AMOUNT	(5,000)	0	0	0	0	0	0	-
COMMERCIAL PAPER - NET	0	0	0	0	0	0	0	-
OTHER	0	0	0	0	0	0	0	-
NC2 PARTICIPANT CONTRIBUTION	0	0	0	0	0	0	0	-
TOTAL FINANCING	\$95,000	\$0	\$0	\$0	\$0	\$0	\$0	-
TOTAL CHANGE IN CASH	\$28,118	\$5,075	\$282	(\$54,132)	\$54,414	\$15,944	\$15,662	5,553.9
CASH END OF PERIOD	\$364,418	\$369,493	\$369,775	\$283,685	\$86,090	\$385,719	\$15,943	4.3
DECOMMISSIONING FUND	\$373,334	\$382,000	\$420,000	\$386,208	\$33,792	\$449,000	\$29,000	6.9

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

ENERGY SALES AND REVENUES

2018 CORPORATE OPERATING PLAN
ELECTRIC ENERGY SALES AND ELECTRIC CUSTOMERS

Electric energy sales for 2018 are projected to be 15,850,316 MWh or 1.8% lower than the 2017 projected energy sales. General business sales are expected to increase 12,777 MWh in 2018. Wholesale sales (including NC2 participation sales) are budgeted to decrease 295,572 MWh or 5.3% from 2017 projected levels.

In 2018, the average number of general business customers is expected to increase by 3,030 or 0.8% above 2017 projections.

Average kWh usage per customer is expected to decrease by 0.7% in 2018.

**2018 CORPORATE OPERATING PLAN
ELECTRIC ENERGY SALES AND CUSTOMERS**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
<u>ELECTRIC ENERGY SALES (MWh)</u>								
RESIDENTIAL	3,470,523	3,588,933	3,555,770	3,564,975	(9,205)	3,560,129	4,359	0.1
COMMERCIAL	3,630,557	3,683,821	3,635,932	3,641,346	(5,414)	3,683,863	47,931	1.3
INDUSTRIAL	3,301,175	3,328,290	3,390,440	3,432,257	(41,817)	3,351,143	(39,297)	(1.2)
SUBTOTAL	10,402,255	10,601,044	10,582,142	10,638,578	(56,436)	10,595,135	12,993	0.1
UNBILLED SALES	(26,640)	63,638	(7,272)	1,706	(8,978)	(7,488)	(216)	3.0
GENERAL BUSINESS SALES	10,375,615	10,664,682	10,574,870	10,640,284	(65,414)	10,587,647	12,777	0.1
NC2 PARTICIPANT	1,956,626	2,535,796	2,185,164	2,178,800	6,364	2,523,173	338,009	15.5
OTHER	5,884,058	4,702,471	3,373,078	1,739,712	1,633,366	2,739,496	(633,582)	(18.8)
WHOLESALE SALES	7,840,683	7,238,266	5,558,242	3,918,512	1,639,730	5,262,670	(295,572)	(5.3)
TOTAL MWh SALES	18,216,298	17,902,948	16,133,112	14,558,796	1,574,316	15,850,316	(282,796)	(1.8)
<u>ELECTRIC CUSTOMERS (12 MONTH AVG.)</u>								
RESIDENTIAL	319,501	323,784	326,857	322,607	4,250	329,631	2,774	0.8
COMMERCIAL	45,105	45,537	46,036	45,953	83	46,295	259	0.6
INDUSTRIAL	174	164	162	175	(13)	159	(3)	(1.9)
TOTAL GEN. BUS. CUSTOMERS	364,779	369,485	373,055	368,735	4,320	376,085	3,030	0.8
<u>kWh / CUSTOMER</u>								
RESIDENTIAL	10,862	11,084	10,879	11,051	(172)	10,800	(78)	(0.7)
COMMERCIAL	80,492	80,898	78,980	79,240	(260)	79,574	593	0.8
INDUSTRIAL	18,990,461	20,243,021	20,928,642	19,612,897	1,315,745	21,076,371	147,729	0.7
AVERAGE kWh / CUSTOMER	28,517	28,691	28,366	28,852	(485)	28,172	(194)	(0.7)

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

**2018 CORPORATE OPERATING PLAN
OPERATING REVENUES**

Total electric operating revenues for 2017 are projected to be \$1,089.7 million, which is \$14.3 million or 1.3% over budget. Increases are primarily due to wholesale revenues that are projected to be \$35.1 million over budget. The retail revenues reflect funding an additional \$8.0 million into the Rate Stabilization Fund and \$24.4 million into the Decommissioning and Benefits Reserve Fund (DABR).

Total electric operating revenues for 2018 are expected to be \$1,104.4 million, which is \$14.7 million or 1.3% over the 2017 projected operating revenues. The increase is primarily due to the 2018 reduced funding to the Reserve Funds.

2018 CORPORATE OPERATING PLAN
OPERATING REVENUES
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
ELECTRIC OPERATING REVENUES								
RESIDENTIAL	\$383,050	\$410,958	\$402,274	\$405,217	(\$2,943)	\$406,571	\$4,297	1.1
COMMERCIAL	315,079	324,545	322,091	319,276	2,815	324,810	2,719	0.8
INDUSTRIAL	201,805	210,912	214,949	217,004	(2,055)	214,071	(878)	(0.4)
SUBTOTAL	\$899,935	\$946,415	\$939,314	\$941,498	(\$2,184)	\$945,452	\$6,138	0.7
FPPA TRUE-UP	(\$19,166)	(6,115)	(\$1,620)	\$0	(\$1,620)	(\$625)	\$995	(61.4)
PROVISION FOR DABR	0	0	(24,353)	0	(24,353)	(8,770)	15,583	(64.0)
PROVISION FOR RATE STABILIZATION	25,000	(26,000)	(8,000)	(15,500)	7,500	0	8,000	(100.0)
UNBILLED REVENUES/ADJUSTMENTS	(976)	6,753	(1,455)	35	(1,490)	(765)	690	(47.4)
SUBTOTAL	\$4,858	(\$25,363)	(\$35,428)	(\$15,465)	(\$19,963)	(\$10,160)	\$25,268	(71.3)
NC2 PARTICIPANTS	\$64,287	\$71,826	\$70,389	\$67,775	\$2,614	\$67,665	(\$2,724)	(3.9)
OTHER	131,226	103,680	85,136	52,630	32,506	69,857	(15,279)	(17.9)
TOTAL WHOLESALE REVENUES	195,512	\$175,506	\$155,525	\$120,405	\$35,120	\$137,522	(\$18,003)	(11.6)
TOTAL SALES OF ELECTRIC ENERGY	\$1,100,305	\$1,096,558	\$1,059,411	\$1,046,437	\$12,974	\$1,072,814	13,403	1.3
OTHER ELECTRIC REVENUES								
CUSTOMER FORFEITED DISCOUNTS	\$4,555	\$4,638	\$4,596	\$4,646	(\$50)	\$4,739	\$143	3.1
RENT FROM ELECTRIC PROPERTY	3,832	3,818	3,509	3,151	358	2,816	(693)	(19.7)
MISC. SERVICE REVENUE	5,784	5,747	6,595	4,643	1,952	4,566	(2,029)	(30.8)
TRANSMISSION WHEELING FEES	9,448	9,393	9,324	9,235	89	8,447	(877)	(9.4)
DISTRIBUTION WHEELING FEES	1,421	1,766	1,915	1,848	67	2,139	224	11.7
TRANSMISSION - SPP	5,889	4,557	4,371	5,494	(1,123)	8,891	4,520	103.4
TOTAL OTHER ELECTRIC REVENUES	\$30,930	\$29,918	\$30,310	\$29,017	\$1,293	\$31,599	\$1,289	4.3
TOTAL ELECTRIC OPERATING REVENUES	\$1,131,234	\$1,126,476	\$1,089,721	\$1,075,454	\$14,267	\$1,104,413	\$14,692	1.3

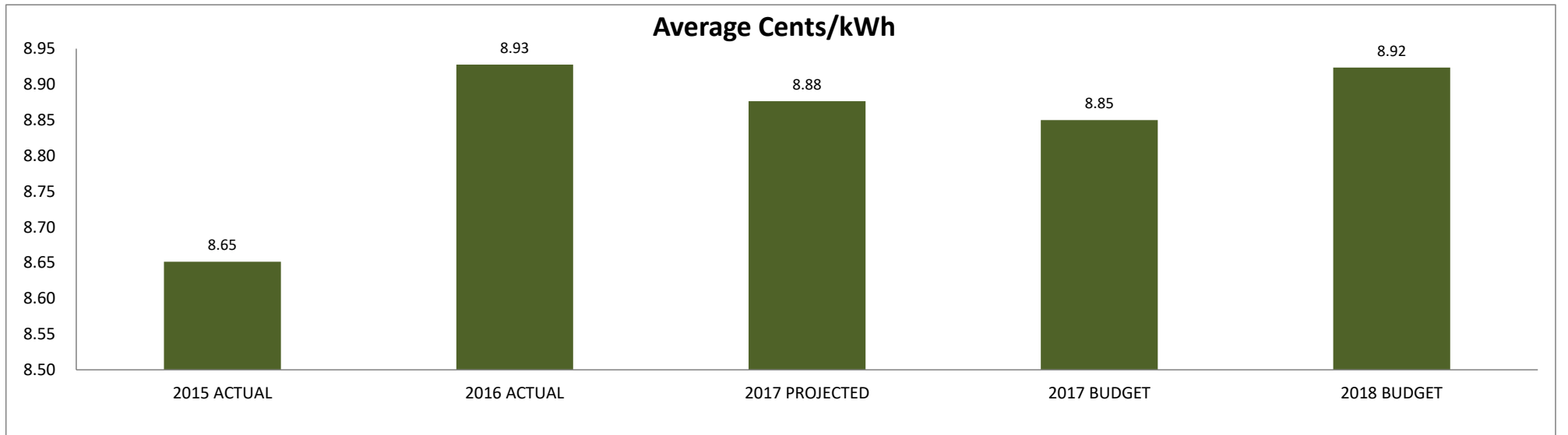
NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

2018 CORPORATE OPERATING PLAN
AVERAGE CENTS/kWh

The average price per kWh for total general business customers is projected to be 8.92 cents for 2018. This is 0.05 cents or a 0.5% increase from the 8.88 cents that is projected for 2017.

**2018 CORPORATE OPERATING PLAN
AVERAGE CENTS/kWh**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016		2017	2017		2017	2018
RESIDENTIAL	11.04	11.45	11.31	11.37	(0.05)	11.42	0.11	0.9
COMMERCIAL	8.68	8.81	8.86	8.77	0.09	8.82	(0.04)	(0.5)
INDUSTRIAL	6.11	6.34	6.34	6.32	0.02	6.39	0.05	0.8
TOTAL	8.65	8.93	8.88	8.85	0.03	8.92	0.05	0.5
	*	*	*	*		*	*	



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

* Average rates are from the revenue recognized on the Income Statement. These rates differ from customer billed rates due to timing differences.

GENERATION

**2018 CORPORATE OPERATING PLAN
NET SYSTEM REQUIREMENTS**

Net system requirements for 2018 are anticipated to be 11,100,272 MWh, an increase of 0.8% from the 2017 projected amount. The major components of net system requirements are detailed below by demand and supply components.

Total demand from the customers is expected to decrease 282,796 MWh or 1.8%. Retail general business sales are budgeted to increase 12,777 MWh. Wholesale sales, excluding NC2 participation sales, are expected to decrease by 633,582 MWh or 18.8%.

Net generation is budgeted to increase 9.4% in 2018 to 12,315,329 MWh and firm/participation purchases are budgeted to increase 3.6%. Wholesale purchases are budgeted to decrease 1,397,943 MWh in 2018.

**Net System Requirements
Demand and Supply Components (MWh)**

	PROJECTED 2017	BUDGET 2018	INCREASE / (DECREASE)	% CHANGE
Demand Components				
Retail General Business Sales	10,574,870	10,587,647	12,777	0.1%
NC2 Participation Sales	2,185,164	2,523,173	338,009	15.5%
Wholesale Sales	3,373,078	2,739,496	(633,582)	-18.8%
Total	<u>16,133,112</u>	<u>15,850,316</u>	<u>(282,796)</u>	<u>-1.8%</u>
Supply Components				
Net Generation	11,256,909	12,315,329	1,058,420	9.4%
Firm/Participation Purchases	3,560,231	3,689,964	129,733	3.6%
Wholesale Purchases	1,755,592	357,649	(1,397,943)	-79.6%
Lost or Unaccounted For	(439,620)	(512,625)	(73,005)	16.6%
Total	<u>16,133,112</u>	<u>15,850,316</u>	<u>(282,796)</u>	<u>-1.8%</u>

**2018 CORPORATE OPERATING PLAN
NET SYSTEM REQUIREMENTS**

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
NET GENERATION (MWh)								
TOTAL NET GENERATION	15,440,026	14,726,292	11,256,909	11,430,200	(173,291)	12,315,329	1,058,420	9.4
FIRM/PARTICIPATION PURCHASES	2,044,268	2,401,362	3,560,231	2,809,542	750,689	3,689,964	129,733	3.6
WHOLESALE PURCHASES	1,152,604	1,245,993	1,755,592	740,400	1,015,192	357,649	(1,397,943)	(79.6)
TOTAL PURCHASES	3,196,872	3,647,355	5,315,823	3,549,942	1,765,881	4,047,613	(1,268,210)	(23.9)
TOTAL INPUT	18,636,898	18,373,648	16,572,732	14,980,142	1,592,590	16,362,942	(209,790)	(1.3)
WHOLESALE SALES								
NC2 PARTICIPANT	1,956,626	2,535,796	2,185,164	2,178,800	6,364	2,523,173	338,009	15.5
OTHER	5,884,058	4,702,471	3,373,078	1,739,712	1,633,366	2,739,496	(633,582)	(18.8)
TOTAL WHOLESALE SALES	7,840,683	7,238,266	5,558,242	3,918,512	1,639,730	5,262,670	(295,572)	(5.3)
NET SYSTEM REQUIREMENTS	10,796,215	11,135,381	11,014,490	11,061,630	(47,140)	11,100,272	85,782	0.8
TOTAL GENERAL BUSINESS SALES	10,375,615	10,664,682	10,574,870	10,640,284	(65,414)	10,587,647	12,777	0.1
ENERGY LOST OR UNACCOUNTED FOR	420,600	470,699	439,620	421,345	18,275	512,625	73,005	16.6
TOTAL GEN. BUS. SALES	10,796,215	11,135,381	11,014,490	11,061,630	(47,140)	11,100,272	85,782	0.8
PEAK LOAD (MW)								
EXCLUDES DSM	2,315	2,354	2,427	2,417	10	2,346	(81)	(3.3)
INCLUDES DSM	2,315	2,354	2,427	2,297	130	2,223	(204)	(8.4)
LOAD FACTOR (%) - REFLECTS DSM	53.2	54.0	51.8	52.2	(0.4)	54.0	2.2	4.3

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

OPERATION AND MAINTENANCE EXPENSE

2018 CORPORATE OPERATING PLAN
OPERATION AND MAINTENANCE EXPENSE AND DECOMMISSIONING EXPENDITURES

The District's 2018 total budgeted operation and maintenance (O&M) expense is \$646.6 million, which is \$8.1 million or 1.3% more than the 2017 projected amount.

Fuel expense is the largest category of O&M expense, representing 28.8% of total O&M expense. Fuel expense is budgeted at \$186.1 million for 2018, an increase of \$17.0 million or 10.1% more than the 2017 projected amount.

Production expense represents 13.1% of the total and is budgeted to be \$84.6 million in 2018, which is \$2.7 million or 3.2% more than the 2017 projected amount.

Purchased power, including wind purchases, represents 20.6% of total O&M expense and is budgeted at \$133.1 million for 2018. This represents a decrease of \$16.0 million or 10.7% below the 2017 projected amount.

Transmission and distribution expense represents 13.9% of total O&M expense and is budgeted at \$89.6 million, which is \$0.9 million or 1.0% less than the 2017 projected amount.

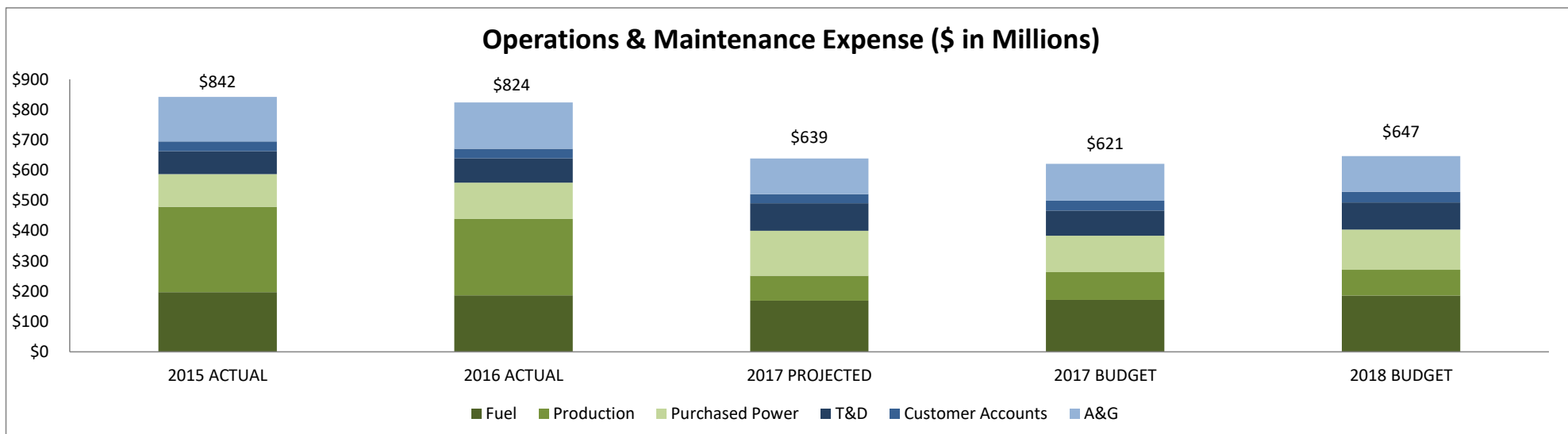
Customer accounting and services expense represents 5.5% of total O&M expense and is budgeted at \$35.3 million for 2018. This represents an increase of \$4.8 million or 15.7% more than the 2017 projected amount.

Administrative and general expense represents 18.1% of total O&M expense and is budgeted at \$117.9 million for 2018. This category reflects an increase of \$0.4 million or 0.4% more than the 2017 projected amount.

Decommissioning expenditures represents anticipated expenditures for decommissioning and is budgeted to be \$136.2 million in 2018.

2018 CORPORATE OPERATING PLAN
OPERATION AND MAINTENANCE EXPENSE AND DECOMMISSIONING EXPENDITURES
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
FUEL	\$197,079	\$186,766	\$169,081	\$171,367	(\$2,286)	\$186,091	\$17,010	10.1
PRODUCTION	282,149	252,312	81,963	92,020	(10,057)	84,626	2,663	3.2
PURCHASED POWER	107,672	119,511	149,056	120,084	28,972	133,058	(15,998)	(10.7)
TRANSMISSION AND DISTRIBUTION	75,909	80,431	90,440	83,248	7,192	89,564	(876)	(1.0)
CUSTOMER ACCOUNTING AND SERVICES	31,785	31,924	30,526	32,591	(2,065)	35,329	4,803	15.7
ADMINISTRATIVE AND GENERAL	147,344	152,914	117,458	121,544	(4,086)	117,906	448	0.4
TOTAL	\$841,938	\$823,858	\$638,524	\$620,855	\$17,669	\$646,575	\$8,051	1.3
DECOMMISSIONING EXPENDITURES	\$0	\$19,701	\$134,879	\$174,352	(\$39,473)	\$136,188	\$1,309	1.0



NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

**2018 CAPITAL AND DEFERRED
EXPENDITURE PLAN**

CAPITAL AND DEFERRED EXPENDITURES

**2018 CORPORATE OPERATING PLAN
CAPITAL AND DEFERRED EXPENDITURES**

Capital expenditures for 2018 are budgeted at \$147.6 million, which is \$24.6 million more than the 2017 projected capital expenditures.

Production Plant expenditures for 2018 are budgeted at \$18.0 million, which is \$12.0 million or 40.0% less than the 2017 projected expenditures.

Transmission and Distribution Plant expenditures for 2018 are budgeted at \$94.0 million, which is \$19.0 million or 25.3% higher than the 2017 projected expenditures.

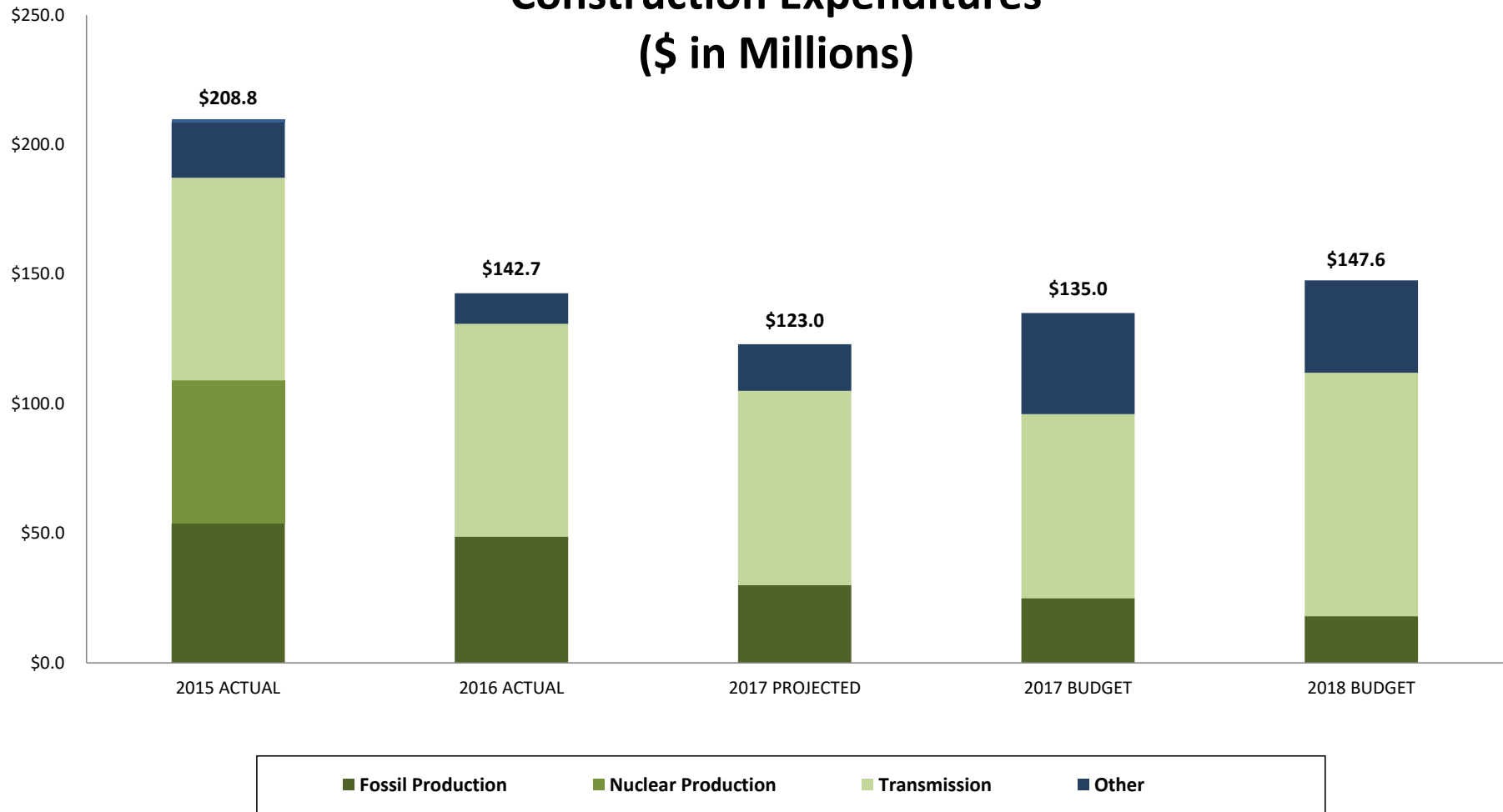
General Plant and other expenditures for 2018 are budgeted at \$35.6 million, which is \$17.6 million or 97.8% higher than the 2017 projected expenditures.

2018 CORPORATE OPERATING PLAN
CAPITAL EXPENDITURES
(DOLLARS IN THOUSANDS)

	ACTUAL	ACTUAL	PROJECTED	BUDGET	VARIANCE	BUDGET	18 BUDGET VS. 17 PROJ.	
	2015	2016					2017	2017
PRODUCTION PLANT								
FOSSIL PRODUCTION	\$47,561	\$48,541	\$29,000	\$20,750	\$8,250	\$17,000	(\$12,000)	(41.4)
NUCLEAR PRODUCTION	55,190	0	0	0	0	0
OTHER PRODUCTION	6,256	182	1,000	4,250	(3,250)	1,000	0	0.0
PRODUCTION PLANT	\$109,007	\$48,723	\$30,000	\$25,000	\$5,000	\$18,000	(\$12,000)	(40.0)
TRANSMISSION AND DISTRIBUTION PLANT	\$78,174	\$82,145	\$75,000	\$71,000	\$4,000	\$94,000	\$19,000	25.3
GENERAL PLANT	\$18,497	\$9,702	\$16,500	\$37,500	(\$21,000)	\$34,149	\$17,649	107.0
REMOVAL AND SALVAGE	\$3,092	\$2,080	\$1,500	\$1,500	\$0	\$1,500	\$0	...
TOTAL	\$208,769	\$142,651	\$123,000	\$135,000	(\$12,000)	\$147,649	\$24,649	20.0
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)	\$7,386	\$6,706	\$3,564	\$4,728	(\$1,164)	\$3,649	\$85	2.4
TOTAL LESS AFDC	\$201,382	\$135,945	\$119,436	\$130,272	(\$10,836)	\$144,000	\$24,564	20.6
DEFERRED EXPENDITURES (FCS RECOVERY)	\$2,349	\$0

NOTES: Some columns may not foot exactly due to the method used for individual line item rounding.

Construction Expenditures (\$ in Millions)



2018 CAPITAL EXPENDITURES
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS
(Dollars in Thousands)

RECOMMENDED PROJECTS:	2012-2017 Expenditures	2018 Budget	2019-2020 Projection	2012-2020 Project Expenditures
<p>Elkhorn River Valley Transmission Project OPPD and SPP regional transmission planning process includes the construction of a 69kV transmission system upgrade in the Elkhorn River Valley area.</p>	\$13,045.9	\$12,212.6	\$0.0	\$25,258.5
<p>Circuit 3480 Rebuild - Storm Damage The project involves replacement of the storm damaged line with a new line constructed using modern design standards and capacity.</p>	\$158.4	\$6,853.9	\$0.0	\$7,012.3
<p>Transmission and Distribution Street and Highway Project Relocation of OPPD transmission and distribution facilities that are located in public road right-of-way.</p>	\$36,591.8	\$5,758.7	\$8,565.6	\$50,916.2
<p>Automatic Transformer Addition Installing a 345KV/161KV autotransformer with associated breakers and bus work on the 345KV and 161KV sides.</p>	\$1,969.6	\$5,304.9	\$0.0	\$7,274.4
<p>Customer Service Commercial/Industrial Project Purchase and installation of underground or overhead infrastructure for commercial and industrial customers.</p>	\$35,797.5	\$4,681.0	\$9,700.0	\$50,178.5
<p>Substation Communication Fiber and Equipment For the replacement of aging network technology. Primary costs involve the acquisition of multi-path fiber connectivity between impacted substations and facilities using buried fiber and leased fiber from 3rd parties, or through replacement of transmission shield wire.</p>	\$1,636.7	\$4,401.1	\$21,666.1	\$27,703.8
<p>13kv Line and Substation Transformers Overhead and surface mount transformers on the distribution system required due to failure or system expansion.</p>	\$29,173.9	\$4,110.5	\$7,433.1	\$40,717.5

2018 CAPITAL EXPENDITURES
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS
(Dollars in Thousands)

RECOMMENDED PROJECTS:	2012-2017 Expenditures	2018 Budget	2019-2020 Projection	2012-2020 Project Expenditures
<p>Customer Service Residential Project Purchase and installation of underground or overhead infrastructure to new residential developments.</p>	\$27,899.0	\$4,000.0	\$8,280.8	\$40,179.8
<p>NC2 Lime Optimization NC2 utilizes a Spray Dryer Absorber (SDA) system to meet EPA regulations which limit SO2 emission. This project will optimize lime usage improving plant process controls and the ash recycling system.</p>	\$46.4	\$3,690.0	\$3,450.0	\$7,186.4
<p>Medium/Heavy Truck Replacement Replace eighteen medium duty trucks planned.</p>	\$16,800.8	\$3,638.3	\$4,754.3	\$25,193.4
<p>Construction Equipment Replace Replacement of construction equipment and trailers.</p>	\$7,342.2	\$3,285.5	\$6,731.9	\$17,359.6
<p>2018 Orion Radio System Master Site Equipment Move To move the master site equipment for the ORION regional radio system from OPPDs Energy Control Center (ECC) to Douglas Countys newly built 911 dispatch center (DC911) at 156th & West Maple Road.</p>	\$0.0	\$3,100.0	\$0.0	\$3,100.0
<p>Enterprise Voice Over Internet Protocol (VOIP) Platform OPPD’s current voice communications environment consists of a mix of over seven different telecommunications systems. OPPD’s strategy is to evolve from the mix of the infrastructure, to a common communications platform. Part of migration requires an upgrade of the cabling and network infrastructure as engineered on a site by site basis.</p>	\$948.0	\$3,000.0	\$800.0	\$4,748.0

2018 CAPITAL EXPENDITURES
SIGNIFICANT PROJECT DESCRIPTIONS AND HIGHLIGHTS
(Dollars in Thousands)

RECOMMENDED PROJECTS:	2012-2017 Expenditures	2018 Budget	2019-2020 Projection	2012-2020 Project Expenditures
<p>Nebraska City Station Unit #2 Functional Work Nebraska City Station Unit 2 repairs from plant equipment as required for reliability and maintenance.</p>	\$9,192.2	\$2,300.0	\$4,809.0	\$16,301.2
<p>Nebraska City Station Unit #1 Functional Work Nebraska City Unit 1 repairs from plant equipment as required for reliability and maintenance.</p>	\$13,102.4	\$2,300.0	\$4,809.0	\$20,211.4
<p>TDIP Planned Cable Replacement This project replaces the worst performing underground distribution cable on a performance driven basis. The project in 2018 will focus on planned rural replacement of 46 miles of distribution wire in the North and South Rural areas.</p>	\$9,311.8	\$2,077.7	\$4,299.8	\$15,689.3
<p>Transmission and Distribution Street Lights Relocation, reinstallation and installation of OPPD streetlight facilities that are located in public road right-of-way.</p>	\$13,030.6	\$1,901.0	\$3,928.6	\$18,860.3
<p>New Line 172 Build a 161kV Transmission Line from Substation 1255 (8905 S114th Street) to Substation 1260 (12280 Hwy 50)</p>	\$611.2	\$1,894.9	\$7,382.4	\$9,888.5
<p>End User Device Refresh To replace 1800 end user devices (office computers) over a two year period with the Windows 10 operating system.</p>	\$1,408.0	\$1,648.3	\$0.0	\$3,056.3
<p>North Omaha Station Functional Work North Omaha Station repairs from plant equipment as required for reliability and maintenance.</p>	\$12,120.0	\$1,500.0	\$4,120.0	\$17,740.0

NewGen Strategies and Solutions, LLC

REVIEW



225 Union Boulevard
Suite 305
Lakewood, CO 80028
Phone: (720) 633-9514
Fax: (720) 633-9535

December 16, 2017

Board of Directors
Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102

Subject: Review of Omaha Public Power District, 2018 Corporate Operating Plan

Dear Members of the Board:

As requested by the Board of Directors and Management of the Omaha Public Power District (the District), **NewGen Strategies and Solutions, LLC (NewGen)** has reviewed the 2018 Corporate Operating Plan prepared by the District, and is providing this letter report to comply with this request. The purpose of this review was to provide an independent, high-level assessment of the District's operating and financial projections for 2018.

In performing our review, we evaluated the 2018 Corporate Operating Plan for consistency with prudent utility practices, and the reasonableness of the budget estimates established. Our review was based on input received from the District's staff, and comparisons to actual data for the period 2006 through 2016 and the nine months actual/three months projected data for the year 2017. We also reviewed the major assumptions used in developing the 2018 Corporate Operating Plan.

The District's planning process includes various components, the results of which were incorporated into the development of the 2018 Corporate Operating Plan. NewGen reviewed each of the following forecasts, plans, and budgets at a summary level, in support of our overall review of the 2018 Corporate Operating Plan:

Load Forecast – The District's load forecast provides a projection of the District's customer loads, system peak demand and energy requirements, which serves as a basis for establishing the estimated revenues the District will receive from the sale of such customer loads and the associated power supply expense the District will incur in supplying such load, system peak demand and energy requirements. The load forecast also serves as a basis for the planning of future power supply resources needed by the District. The forecast of general energy sales and peak demand for 2018 was compared to the actual trend of the last several years.

Revenue Forecast – The revenue forecast provides a projection of the estimated revenues to be received by the District for 2018. The estimated revenues are developed by applying anticipated base retail service rates, to forecasted energy sales by rate classification with no assumed increase in electric rates and including the Fuel and Purchase Power Adjustment. In our review of the estimated general business revenues we compared the estimated revenues for 2018 with the actual/projected revenue for 2017.

Projected average retail revenues, on per kilowatt-hour basis, for residential sales and for total projected general business sales were compared to prior year averages and to national industry projections.

Integrated Resource Plan – The Integrated resource plan is prepared as part of the District's contractual commitment to the Western Area Power Administration and provides the optimum resource expansion plan to meet the District's forecasted demand and energy requirements. The integrated resource plan incorporates least-cost planning methodology that utilizes the operating costs of the existing system in combination with projected cost for new supply-side and demand-side resource options. The resulting balance of loads and resources schedule from the current integrated resource plan was compared with the corresponding schedule from the prior year's integrated resource plan.

Generation Plan – The generation plan provides the basis for projecting fuel and other production expenses. The generation plan is based on a comparison of the forecasted net system energy requirements and the expected capability of the District's electric generating facilities to produce those requirements. This is accomplished by using PROMOD which is an economically dispatched program that determines the estimated generation of each of the District's resources used to meet the system energy requirements. The generation plan was reviewed against the balance of loads and resources projections from the integrated resource plan. The generation plan was also compared to actual/projected generation levels for 2017 and prior years and planned maintenance outages scheduled for the District's generating units for 2018.

Fuel Plan – The fuel plan provides the projections of the costs of acquiring, coal fuel, natural gas, and oil. The amount and the estimated fuel expenses related to all fuels used for generation by type are based on the generation plan, and fuel contracts. The projected fossil fuel inventory levels, per-unit fuel acquisition costs, and per-unit expenses associated with the fuel projected to be consumed for 2018 were compared to actual/projected levels for 2017 and prior years.

Operation and Maintenance Expense Budget – The operation and maintenance expense budget provides estimates of non-fuel operation and maintenance expenses related to the power supply, transmission and distribution, customer service, and administration functions. The operation and maintenance expense budget is compiled based on the District's staffing plan and responsibility area budget. The estimates for operation and maintenance expenses for 2018, by functional areas and in total, were compared on an average cost per kilowatt-hour basis to the actual/projected levels for 2017 and prior years.

2018 Capital Expenditure Plan – The Capital Expenditure Plan provides for estimates of planned expenditures, including related overheads, for replacements, improvements and additions to production plant, additional power supply, transmission and distribution plant, and general plant facilities and equipment, as required to keep providing reliable and economical power supply and delivery to the District's customers. The capital expenditures planned for 2018 were compared by major category, as well as in total, to corresponding capital expenditures for 2017 and prior years. NewGen's review of the 2018 Capital Expenditure Plan was made without a detailed analysis of the design criteria used in preparing the budget cost estimate for each individual project.

Fort Calhoun Decommissioning – The District's Board of Directors approved Management's recommendation that the District cease generation of electricity at the Fort Calhoun Station (FCS) by the end of 2016. On October 24th FCS ceased operations and decommissioning began in November. The District's management concluded that continuing to operate FCS would result in costs in excess of obtaining power from other sources and is expecting to avoid the need for future general rate increases through 2021.

NewGen, in its review, found that the process followed by the District in developing the 2018 Corporate Operating Plan appears to be well organized. The 2018 Corporate Plan represents a compilation of the individual operating and capital expenditures budgets of the various responsibility areas throughout the District. It is our understanding that the 2018 Corporate Operating Plan has been reviewed and approved by the District's senior management.

It is NewGen's opinion that the major assumptions upon which the 2018 Corporate Operating Plan is based are reasonable and provide an indication of the District's requirements for 2018. The expenditures anticipated by the District are reasonable and are the type that would be expected by a utility following prudent utility practices.

It is also NewGen's opinion that:

The methods used to forecast future customer loads and system peak demand and energy requirements reflect acceptable and defensible methods currently being used in the electric utility industry and the resulting load forecast developed by the District's staff appears reasonable. The District's load forecast appears reasonable when compared with national and regional load forecasts, given the anticipated growth in residential and commercial loads.

The revenue forecast prepared by the District fairly represents the revenue that can be expected in 2018 given the load forecast and current rate levels without any assumed electric rate increase and the Fuel and Purchase Power Adjustment. The District's average retail rates are expected to remain below the national averages during 2018.

The methods utilized by the District in developing the Integrated resource plan is based on sound planning practices and strategies, and reflect reasonable assumptions considering the changing electric utility industry.

The generation plan prepared by the District is consistent with other assumptions made in the 2018 Corporate Operating Plan. The effective management and scheduling of maintenance outages by the District provides for efficient utilization of its generating resources, and allows the District to increase its off-system sales when other utilities have their units down for scheduled maintenance.

The fuel plan budgeting process reflects acceptable methods currently being used in the electric utility industry and the resulting expenditures for fossil fuels appear to be reasonable and necessary for the ongoing operation of the District's generating resources. The projected inventories of fossil fuels are reasonable given the requirements of the District and general industry practices. The effective acquisition and use of fossil fuels has allowed the District to maintain relatively low fuel costs and be comparable with other regional utilities.

The operation and maintenance expense budget for 2018 appears reasonable compared to the current and recent expenses by functional areas and in total.

The planned replacements, improvements and additions for 2018 which are reflected in the 2018 Capital Expenditure Plan will be advantageous to the District's electric system and its customers in maintaining reliable electric service.

It is NewGen's opinion that the assumptions upon which the District's management arrived at for the recommendation to decommission FCS are not unreasonable. NewGen's review of the decommissioning of FCS was made without a detailed analysis.

Omaha Public Power District

December 16, 2017

Page 4

The projected financial results reflected in the 2018 Corporate Operating Plan provide for the accomplishment of the District's minimum performance objectives for debt service coverage, fixed charge ratio and debt/equity ratio.

The District is continuing to develop and implement strategies to optimize efficiency of operations, minimize costs and enhance customer value.

Based on our review, NewGen recommends that the District's prepared 2018 Corporate Operating Plan be approved. It is our opinion that the 2018 Corporate Operating Plan is a valuable tool to assist the Board of Directors and management in the efficient operation of the District. By combining the individual operating and capital expenditures budgets of the various responsibility areas throughout the District into a single planning document assures that a consistent approach is being taken in managing all areas of the utility. The 2018 Corporate Operating Plan recognizes the interrelationships between the various responsibility areas throughout the District and displays the need to approach planning on a system-wide basis.

In preparation of this letter report NewGen used the information provided to us by the District and others to make certain assumptions with respect to conditions which may occur in the future. While we believe these assumptions are reasonable for the purpose of this review of the operating results contained in the 2018 Corporate Operating Plan of the District, the assumptions are dependent upon future events, and, therefore, actual conditions may differ from those assumed. While we believe the sources we relied upon in our review to be reliable, we have not independently verified the information and offer no assurances with respect thereto. To the extent that actual conditions differ from those assumed by us from information provided to us by the District or others, the actual results will vary from those projected.

We appreciate the opportunity to serve the District. If you should have any questions concerning this review, we would be glad to discuss them with you at your convenience.

Sincerely,

NewGen Strategies and Solutions, LLC

A handwritten signature in dark ink, appearing to read "Gordon L. Vanek", written in a cursive style.

Gordon L. Vanek

Senior Consultant

