

2019

FINANCIAL REPORT *of the* NEBRASKA PUBLIC POWER DISTRICT



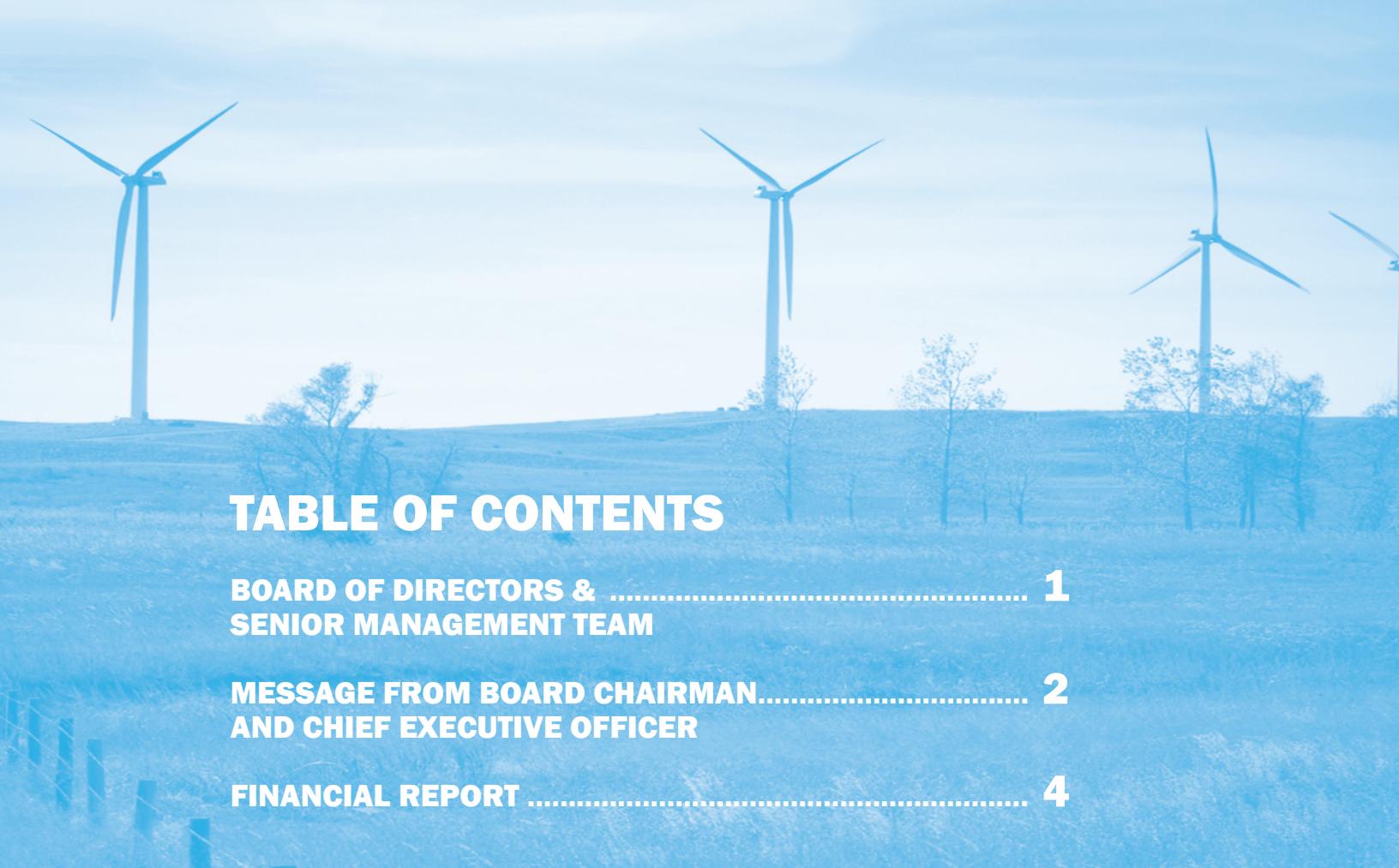


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Vision

*Enhancing the quality of life for Nebraskans,
through public power, now and in the future.*

Mission

*Safely generate and deliver reliable, low-cost,
sustainable energy and related services, while
providing outstanding customer service.*



CORPORATE PROFILE

BY THE NUMBERS

Nebraska Public Power District (NPPD), a public corporation and political subdivision of the State of Nebraska, operates an integrated electric utility system including generation, transmission and distribution facilities.

NPPD owns or has operating control of 29 generating facilities. This diverse power resource mix produces energy from a variety of fuel sources including coal, nuclear, natural gas, oil, hydro, wind and solar. NPPD operates 5,352 miles of transmission and subtransmission lines and 2,485 miles of distribution lines.

Revenues are primarily derived from wholesale power supply agreements with 46 municipalities and 24 public power districts and/or cooperatives. NPPD also serves nearly 92,000 residential, commercial and industrial customers in 79 Nebraska communities at retail.

Formed by a merger on January 1, 1970, NPPD works in partnership with other utilities, businesses and community leaders to help serve more than 600,000 Nebraskans with retail or wholesale electric power and energy-related services.

Control of NPPD and its operations is vested in an 11-member Board of Directors, popularly elected from within NPPD's chartered territory, including all or parts of 86 of Nebraska's 93 counties.

GENERATING FACILITIES

29



TRANSMISSION AND SUBTRANSMISSION LINES

5,352 miles



DISTRIBUTION LINES

2,485 miles



WHOLESALE POWER SUPPLY AGREEMENTS

46 municipalities



24 public power districts



RESIDENTIAL, COMMERCIAL AND INDUSTRIAL CUSTOMERS

92,000



RETAIL COMMUNITIES

79



WORKS IN PARTNERSHIP WITH OTHER UTILITIES TO SERVE MORE THAN

600,000 Nebraskans



NPPD'S CHARTERED TERRITORY

86 of Nebraska's 93 counties

BOARD OF DIRECTORS



Mary A. Harding
Plattsmouth
Subdivision 1



Barry D. DeKay
Niobrara
Subdivision 2



Melissa S. Freeland
Kearney
Subdivision 3



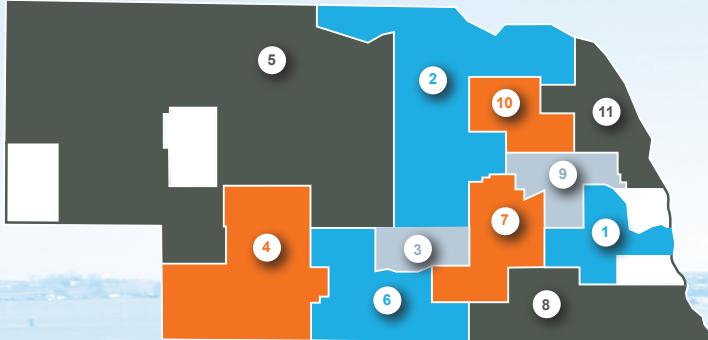
Bill C. Hoyt
McCook
Subdivision 4



Charlie C. Kennedy
Scottsbluff
Subdivision 5



Edward J. Schrock
Holdrege/Elm Creek
Subdivision 6



Ken Kunze
York
Subdivision 7



Gary G. Thompson
Clatonia
Subdivision 8



Jerry L. Chlopek
Columbus
Subdivision 9



William D. Johnson
Pilger
Subdivision 10



Fred L. Christensen
Lyons
Subdivision 11

SENIOR MANAGEMENT TEAM



Patrick L. Pope (1)
President &
Chief Executive Officer



Thomas J. Kent (1) (2)
Executive Vice President
& Chief Operating Officer



Timothy J. Arlt (2)
Vice President &
General Manager
of Retail



Traci L. Bender
Vice President,
Chief Financial Officer
& Treasurer



Kendall B. Curry
Vice President,
Customer &
Corporate Services



John A. Dent, Jr.
Vice President &
Chief Nuclear Officer



John C. McClure
Vice President,
Governmental Affairs
& General Counsel



Robyn A. Tweedy (2)
Vice President &
Chief Information
Officer

Message

FROM OUR 2019 BOARD CHAIRMAN
AND CHIEF EXECUTIVE OFFICER



Meeting the challenge and looking to the future

Despite an unprecedented meteorological challenge at the start of 2019, Nebraska Public Power District powered through and delivered for its customers. Nebraskans are known for their grit and tenacity, and our teammates upheld that tradition through blizzards and the worst flooding our state had ever seen. Not only were outages kept to a minimum, but NPPD ended the year on a very positive note financially, as well.

We were faced with a term we hadn't heard before – "a bomb cyclone" - in mid-March that swept its way across the state with blizzard conditions in the panhandle and flooding in the central and eastern parts of the state, leaving a large swath of destruction in its wake. Portions of the Spencer Hydroelectric Plant earthen dam, situated on the Niobrara River, collapsed under unprecedented volumes of water combined with ice that in some cases measured more than two feet in thickness. Several key substations were flooded, transmission line structures that once sat alongside the Elkhorn River were suddenly part of the river itself, and a number of teammates were personally impacted by this unique weather event.

Along the Missouri River, high water levels forced Cooper Nuclear Station into a notice of unusual event which lasted nearly a week. Afterwards river levels remained high into the fall as operators kept a close eye for potential impacts.

Those challenges were met by the hearty spirit of Nebraskans and the can-do efforts of many of our teammates from sandbagging to unique initiatives to keep the lights on.

Records and milestones

Cooper Nuclear Station continued generating electricity around the clock and produced record generation, higher than any of its 45 years of operation, reflecting the excellent performance of the people and equipment at the plant. Gerald Gentleman Station saluted its employees, past and present, as the facility celebrated 40 years of low cost and reliable operation.

And we continued keeping rates stable for both wholesale and retail customers, with no rate increase in 2019 and into 2020. In late December, NPPD's Board of Directors voted to return \$46.1 million in surplus funds to its wholesale customers, municipalities, rural public power districts, and retail customers through a production cost adjustment. NPPD benchmarks its rates against wholesale power cost with a goal of being among the lowest cost quartile. Efforts continue each and every day by our teammates to reach that level.

While the process certainly has been longer than anticipated, the R-Project, a 225-mile transmission line from Gentleman Station through the Nebraska Sandhills into Holt County, received its "incidental take" permit from the United States Fish and Wildlife Service. Although a legal action was filed by opponents challenging the USFWS permitting process, NPPD was able to start some preliminary work during the fall.

Looking towards the future

An initiative, called Plan B, was started with our customers to identify the best path forward considering greater potential carbon emission constraints in the future. This effort looks at what steps might be taken to mitigate business risk and ensure we continue to fulfill our mission of providing reliable, low-cost and sustainable power to our customers.

While NPPD's percentage of native-load carbon-free generation places us among the leading utilities in our region, we continue to look for ways to lessen our carbon footprint. We are exploring opportunities at our existing generation facilities, planning for expected load growth, and uncovering generation alternatives that do not compromise reliability or affordability. Reliability and affordability, while imperative, aren't the only things customers demand of their local utility anymore. Increasingly, customers are calling for improved sustainability – that is, a balance of positive environmental, economic and societal outcomes of generating electricity.

NPPD is now in the second round of a carbon capture project study for Gerald Gentleman Station and also involved in a study for a possible CO₂ pipeline involving the state's ethanol plants and our own facilities.

In addition, we continue to work with our retail customers in the development of community solar projects, examine the expected increase in electric vehicles, the potential for more charging stations and how they might impact future generation needs. And becoming increasingly important is an initiative on e-connectivity with our customers in rural portions of the state.

Change on the horizon

“Change is inevitable. Change is constant.”- statesman Benjamin Disraeli

And at NPPD that holds true with a change in leadership. Tom Kent, Executive Vice President and Chief Operating officer will take the helm as President and CEO from Pat Pope on May 1, 2020. Pat served admirably in that post for the past nine years, guiding us to the success we celebrate today. He will continue on as a Special Assistant to the CEO for the remainder of 2020.

2019

FINANCIAL REPORT

NEBRASKA PUBLIC POWER DISTRICT

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2019 YEAR AT A GLANCE



KILOWATT - HOUR SALES	20.6 BILLION
OPERATING REVENUES	\$ 1,074.5 MILLION
COST OF POWER PURCHASED AND GENERATED	\$ 560.1 MILLION
OTHER OPERATING EXPENSES	\$ 414.0 MILLION
INVESTMENT AND OTHER INCOME	\$ 47.0 MILLION
DEBT AND RELATED EXPENSES	\$ 58.2 MILLION
INCREASE IN NET POSITION	\$ 89.2 MILLION
DEBT SERVICE COVERAGE	2.18 TIMES

2019 STATISTICAL REVIEW (Unaudited)

THE CUSTOMERS – Classifications

OPERATING REVENUES	Average Cents Per kWh Sold		Average Cents Per kWh Sold	Average Number of Customers	MWh		Revenues (in 000's)	
	Less Government Taxes/Transfers ⁽¹⁾	%			Amount	%	Amount	%
Retail:								
Residential	10.42	¢	12.39	¢	72,364	883,302	4.3	\$ 109,399 10.2
Commercial	8.41	¢	9.86	¢	19,241	1,111,976	5.4	109,678 10.2
Industrial	5.12	¢	5.50	¢	58	1,210,941	5.9	66,657 6.2
Total Retail Sales	7.72	¢	8.91	¢	91,663	3,206,219	15.6	285,734 26.6
Wholesale:								
Municipalities ⁽²⁾	6.10	¢	40		1,344,903	6.5	82,069	7.6
Municipalities (Partial Requirements) ⁽³⁾	5.25	¢	6		237,121	1.1	12,446	1.2
Public Power Districts and Cooperatives ⁽²⁾	5.80	¢	23		7,269,332	35.3	421,596	39.2
Public Power Districts (Part Req) ⁽³⁾	4.81	¢	1		111,396	0.5	5,356	0.5
Total Firm Wholesale Sales	5.82	¢	70		8,962,752	43.4	521,467	48.5
Total Firm Retail and Wholesale Sales	6.63	¢	91,733		12,168,971	59.0	807,201	75.1
Participation Sales	3.45	¢	5		1,730,588	8.4	59,717	5.6
Other Sales ⁽⁴⁾	2.47	¢	2		6,709,472	32.6	165,613	15.4
Total Electric Energy Sales	5.01	¢	91,740		20,609,031	100.0	1,032,531	96.1
Other Operating Revenues ⁽⁵⁾							77,591	7.2
Unearned Revenues ⁽⁶⁾							(35,647)	(3.3)
Total Operating Revenues							\$ 1,074,475	100.0
COST OF POWER PURCHASED AND GENERATED								
			MWh		Costs (in 000's)			
			Amount	%	Amount	%		
Production ⁽⁷⁾			16,981,613	79.3	\$ 405,194	72.3		
Power Purchased			4,445,509	20.7	154,931	27.7		
Total Production and Power Purchased			21,427,122	100.0	\$ 560,125	100.0		
CONTRACTUAL AND TAX PAYMENTS (in 000's) ⁽¹⁾								
			Amount					
Payments to Retail Communities					\$ 27,983			
Payments in Lieu of Taxes					10,247			
Total Contractual and Tax Payments					\$ 38,230			
OTHER								
			Amount					
Miles of Transmission and Subtransmission Lines in Service					5,352			
Number of Full-Time Employees					1,892			

(1) Customer collections for taxes/transfers to other governments are excluded from base rates.

(2) Sales are total requirements, subject to certain exceptions.

(3) Sales are to customers who limited their requirements under the 2002 Contracts. The average rate was lower than total requirements customers due to the exclusion of certain transmission costs from the wholesale rate as cost recovery was through the Southwest Power Pool ("SPP") transmission tariff and included in Other Operating Revenues.

(4) Includes sales in SPP and nonfirm sales to other utilities.

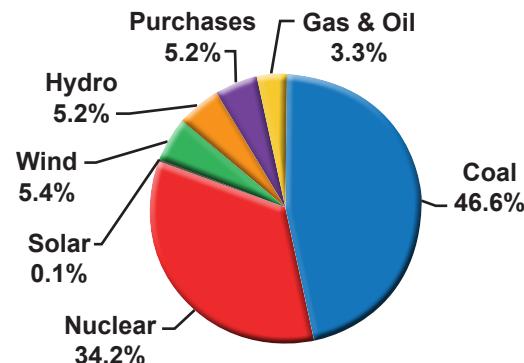
(5) Includes revenues for transmission and other miscellaneous revenues.

(6) Unearned revenues represent the net of revenue adjustments in the rate stabilization and other regulatory accounts, consistent with revenue requirements. Detailed information on unearned revenues is available in the Management's Discussion and Analysis.

(7) Includes fuel, operation, and maintenance costs. Debt service and capital-related costs are excluded.

SOURCES OF THE DISTRICT'S ENERGY SUPPLY (% OF MWH)

This chart shows the sources of energy for sales, excluding participation sales to other utilities. Purchases were included in the appropriate source, except for those purchases for which the source was not known.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The financial report for the Nebraska Public Power District ("District") includes Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, and Supplemental Schedules. The financial statements consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and Supplemental Schedules.

The following Management's Discussion and Analysis ("MD&A") provides unaudited information and analyses of activities and events related to the District's financial position or results of operations. The MD&A should be read in conjunction with the audited Financial Statements and Notes to Financial Statements.

The Statements of Net Position present assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of December 31, 2019 and 2018. The Statements of Revenues, Expenses, and Changes in Net Position present the operating results for the years 2019 and 2018. The Statements of Cash Flows present the sources and uses of cash and cash equivalents for the years 2019 and 2018. The Notes to Financial Statements are an integral part of the basic financial statements and contain information for a more complete understanding of the financial position as of December 31, 2019 and 2018, and the results of operations for the years 2019 and 2018. The Supplemental Schedules include unaudited information required to accompany the Financial Statements.

OVERVIEW OF BUSINESS

The District is a public corporation and political subdivision of the State of Nebraska (the "State"). Control of the District and its operations is vested in a Board of Directors ("Board") consisting of 11 members popularly elected from districts comprising subdivisions of the District's chartered territory.

The District's chartered territory includes all or parts of 86 of the State's 93 counties and more than 400 municipalities in the State. The right to vote for the Board is generally limited to retail and wholesale customers receiving more than 50% of their annual energy from the District.

The District operates an integrated electric utility system including facilities for generation, transmission, and distribution of electric power and energy for sales at retail and wholesale. Management and operation of the District is accomplished with a staff of 1,892 full-time employees as of December 31, 2019. The District has the power, among other things, to acquire, construct, and operate generating plants, transmission lines, substations, and distribution systems and to purchase, generate, distribute, transmit, and sell electric energy for all purposes. There are no investor-owned utilities providing retail electric service in Nebraska.

The District has no power of taxation, and no governmental authority has the power to levy or collect taxes to pay, in whole or in part, any indebtedness or obligation of or incurred by the District or upon which the District may be liable. The District has the right of eminent domain. The property of the District, in the opinion of its General Counsel, is exempt under the State Constitution from taxation by the State and its subdivisions, but the District is required by the State to make payments in lieu of taxes which are distributed to the State and various governmental subdivisions.

The District has the power and is required to fix, establish, and collect adequate rates and other charges for electrical energy and any and all commodities or services sold or furnished by it. Such rates and charges must be fair, reasonable, and nondiscriminatory and adjusted in a fair and equitable manner to confer upon and distribute among the users and consumers of such commodities and services the benefits of a successful and profitable operation and conduct of the business of the District.

THE SYSTEM

To meet the anytime peak load in 2019 of 2,603.1 megawatts ("MW"), the District had available 3,602.1 MW of capacity resources that included 2,994.2 MW of generation capacity from 11 owned and operated generating plants and 18 plants over which the District has operating control, 444.3 MW of firm capacity purchases from the Western Area Power Administration ("Western"), and 163.6 MW of a capacity purchase from Omaha Public Power District's ("OPPD") Nebraska City Station Unit 2 ("NC2") coal-fired plant. Of the total capacity resources, 307.0 MW are being sold via participation sales or other capacity sales agreements, leaving 3,295.1 MW to serve firm retail and wholesale customers and to meet capacity reserve requirements. The highest summer anytime peak load of 3,030.3 MW was established in July 2012 and the highest winter anytime peak load of 2,252.0 MW was established in January 2014 for firm requirements customers.

The following table shows the District's capacity resources from generation and respective summer 2019 accredited capability.

Type	CAPACITY RESOURCES		
	Number of Plants ⁽¹⁾	Summer 2019 Accredited Capability (MW) ⁽²⁾	Percent of Total
Steam - Conventional ⁽³⁾	3	1,683.3	56.2
Steam - Nuclear	1	770.0	25.7
Hydro ⁽⁴⁾	3	61.5	2.1
Diesel ⁽⁵⁾	10	70.0	2.3
Combustion Turbine ⁽⁶⁾	3	126.7	4.2
Combined Cycle	1	220.0	7.4
Wind ⁽⁷⁾	8	62.7	2.1
	29	2,994.2	100.0

(1) Includes one hydro plant and 10 diesel plants under contract to the District.

(2) Accreditation by SPP for the summer season 2019, pursuant to standard performance tests conducted by the District. Pursuant to agreements with other utilities, a portion of the accredited capability of certain generating plants has been sold to such utilities.

(3) Includes Gerald Gentleman Station ("GGS"), Sheldon Station ("Sheldon"), and Canaday Station.

(4) The decrease in the number of hydro plants by three was due to the District's Spencer Hydro and two hydro plants owned by Loup River Public Power District ("Loup"), which were severely damaged in March 2019 as a result of extreme adverse weather conditions. The two Loup hydro plants are expected to return to service in 2020.

(5) The decrease in the number of diesel plants by two was due to two municipalities not continuing on under the District's 2016 Contracts.

(6) Includes the Hallam, Hebron, and McCook peaking turbines.

(7) Includes Ainsworth Wind Energy Facility ("Ainsworth") and seven wind facilities under contract to the District.

The following table shows the percentages of the District's energy supply produced from various sources and purchased, excluding energy produced with respect to Participation Sales and Other Sales, in each of the five years 2015 through 2019.

Year	SOURCES OF THE DISTRICT'S ENERGY SUPPLY (% of MWh)						
	Coal ⁽¹⁾	Nuclear	Hydro ⁽²⁾	Wind ⁽³⁾	Gas and Oil	Purchases ⁽⁴⁾	Solar ⁽⁵⁾
2015	48.4	33.8	5.9	6.2	1.0	4.7	
2016	48.0	32.3	6.8	6.9	1.5	4.5	
2017	45.3	36.5	6.3	6.3	1.5	4.1	
2018	52.6	28.5	5.9	6.0	2.3	4.6	0.1
2019	46.6	34.2	5.2	5.4	3.3	5.2	0.1

(1) Includes NC2.

(2) Includes hydro purchases from Loup, over which the District has operating control, and Western.

(3) Includes Ainsworth, Elkhorn Ridge Wind Facility, which began commercial operation in March 2009, Laredo Ridge Wind Facility, which began commercial operation in February 2011, Springview II Wind Energy Facility, which began commercial operation in August 2011, Crofton Bluffs Wind Facility, which began commercial operation in November 2012, Broken Bow I Wind Facility, which began commercial operation in December 2012, Steele Flats Wind Facility, which began commercial operation in November 2013, and Broken Bow II Wind Facility, which began commercial operation in October 2014.

(4) These are primarily purchases from SPP and JEA.

(5) Includes solar power purchases from solar retail Qualifying Local Generation.

The following table shows the generation facilities owned by the District and their respective fuel types, summer 2019 accredited capability, and in-service dates.

Facility	Fuel Type	DISTRICT-OWNED GENERATION FACILITIES	
		Summer 2019 Accredited Capability (MW) ⁽¹⁾	In-Service Date
Gerald Gentleman Station Units No. 1 and No. 2	Coal	1,365.0	1979, 1982
Cooper Nuclear Station	Nuclear	770.0	1974
Beatrice Power Station	Combined Cycle	220.0	2005
Sheldon Station Units No. 1 and No. 2	Coal	219.0	1961, 1968
Combustion Turbines (3 generating plants)	Oil or Natural Gas	126.7	1973
Canaday Station	Natural Gas	99.3	1958
Hydro (2 generating plants) ⁽²⁾	Water	24.0	1887, 1927, 1939
Ainsworth Wind Energy Facility ⁽³⁾	Wind	7.0	2005
		<u>2,831.0</u>	

(1) 2019 summer accredited net capability based on SPP criteria.

(2) The decrease in the number of hydro plants by one was due to the Spencer Hydro which was severely damaged in March 2019 as a result of extreme adverse weather conditions.

(3) Nominally rated at 60 MW.

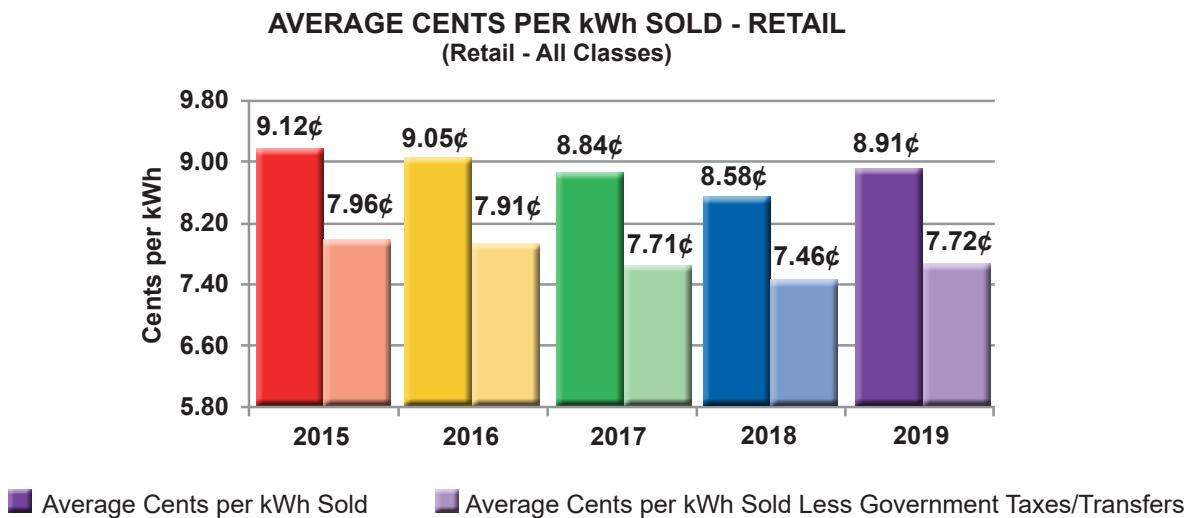
THE CUSTOMERS

Retail and Wholesale Customers

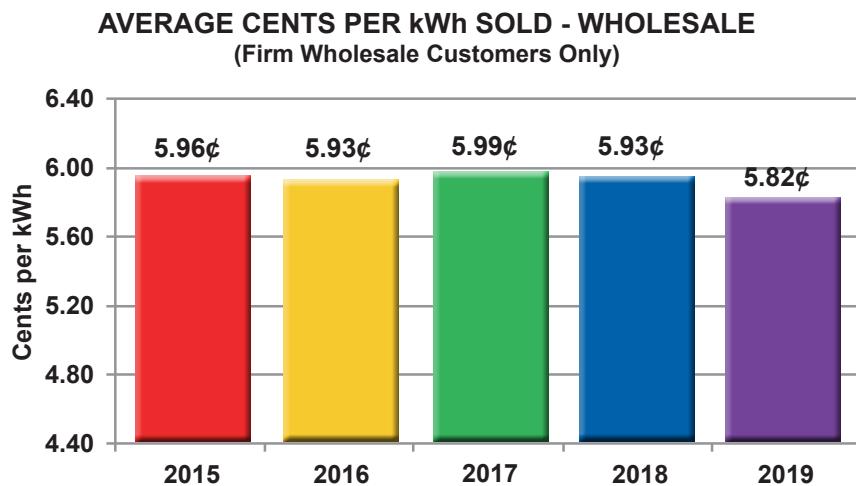
In 2019, the District served an average of 91,663 retail customers. The District's retail service territory includes 79 municipal-owned distribution systems operated by the District for the municipality pursuant to a Professional Retail Operations ("PRO") Agreement. Details of the District's PRO Agreements are included in Note 12 in the Notes to Financial Statements.

The District serves its wholesale customers under total requirements contracts that require them to purchase total power and energy requirements from the District, subject to certain exceptions. In 2016, the District entered into 20-year wholesale power sales contracts with a substantial number of its wholesale customers (the "2016 Contracts"). The 2016 Contracts replaced wholesale contracts that were entered into in 2002 (the "2002 Contracts"). Wholesale customers served under the 2016 Contracts include 22 public power districts, one cooperative and 37 municipalities. Nineteen of the public power districts and the one cooperative are served under one contract with the Nebraska Generation and Transmission Cooperative. Wholesale customers served under the 2002 Contracts include one public power district and nine municipalities. The District's goal, with respect to the cost of wholesale service (production and transmission), is that such costs are among the lowest quartile (25th percentile or less) for cost per kilowatt-hour ("kWh") purchased, as published by the National Rural Utilities Cooperative Finance Corporation Key Ratio Trend Analysis (Ratio 88) (the "CFC Data"). The District's wholesale power costs percentile was 26.9% for 2018, based on the latest available data. Details of the District's Wholesale Power Contracts are included in Note 12 in the Notes to Financial Statements.

The following chart shows the District's average retail cents per kWh for the years ended December 31, 2015 through 2019. The chart also shows average cents per kWh sold less customer collections for taxes and transfers to other governments, which are not included in the District's base rates for retail customers. The increase in the average cents per kWh sold in 2019 from 2018 was due to lower percentages of total energy sales in the commercial and industrial rate classes.



The following chart shows the District's average wholesale cents per kWh for the years ended December 31, 2015 through 2019.



Participation Sales and Other Sales

There are participation sales agreements in place with other utilities for the sale of power and energy at wholesale from specific generating plants. Such sales are to Lincoln Electric System ("LES"), Municipal Energy Agency of Nebraska ("MEAN"), OPPD, Grand Island Utilities ("Grand Island"), and JEA. The District also sells energy on a nonfirm basis in SPP and through transactions executed with other utilities by The Energy Authority ("TEA"). The participation sales agreement with JEA for sales from Ainsworth expired on December 31, 2019.

Transmission Customers

The District owns and operates 5,352 miles of transmission and subtransmission lines, encompassing nearly the entire State. The District became a transmission owning member of SPP, a regional transmission organization, in 2009. The District files a rate with SPP annually that provides for the recovery of all transmission revenue requirements associated with transmission facilities equal to or greater than 115 kV. SPP collects and reimburses the District for the use of the District's transmission facilities by entities other than the District's firm requirements customers and all transmission customers still served directly by the District through grandfathered Transmission Agreements.

Customers, Energy Sales, and Revenues

The following table shows customers, energy sales, and peak loads of the System, including participation sales, in each of the three years, 2017 through 2019.

Calendar Year	Average Number of Retail Customers	Wholesale Customers ⁽¹⁾	Megawatt-Hour Sales				Anytime Peak Load (MW) Busbar Native Load
			Native Load Sales ⁽²⁾	Percentage Growth ⁽⁴⁾	Total Sales ⁽³⁾	Percentage Growth ⁽⁴⁾	
2017	91,614	78	13,061,979	1.2	19,568,548	3.5	2,891.5
2018	91,838	77	12,933,912	(1.0)	20,025,515	2.3	2,726.2
2019	91,663	77	12,168,971	(5.9)	20,609,031	2.9	2,603.1

- (1) For 2018 and 2019, includes sales to firm wholesale customers, participation customers (LES, MEAN, JEA, OPPD, Grand Island), and a yearly average of two nonfirm customers. The decrease in the average number of wholesale customers by one in 2018 from 2017 was due to a merger of Seward County Public Power District with Norris Public Power District.
- (2) Native load sales include wholesale sales to total firm requirements customers and the responsibility of replacement power being procured by the District if the District's generating assets are not operating. Predominantly, native load customers are served under long-term total requirements contracts.
- (3) Total sales from the System include sales to LES from GGS and Sheldon, which sales from Sheldon terminated on December 31, 2017; to MEAN, JEA, OPPD, and Grand Island from Ainsworth, which sales commenced October 1, 2005, and terminates on September 30, 2025 but (JEA terminated its sale effective December 31, 2019); to OPPD, MEAN, LES and Grand Island from Elkhorn Ridge Wind Facility, which sales commenced March 1, 2009, and terminates on February 28, 2029; to MEAN from GGS and Cooper Nuclear Station ("CNS"), which sale commenced January 1, 2011, and terminates on December 31, 2023; to MEAN, LES and Grand Island from Laredo Ridge Wind Facility, which sales commenced February 1, 2011, and terminates on January 31, 2031; to OPPD, LES and Grand Island from Broken Bow I Wind Facility, which sales commenced December 1, 2012, and terminates on November 30, 2032; to OPPD, LES and MEAN from Crofton Bluffs Wind Facility, which sales commenced November 1, 2012, and terminates on October 31, 2032; and to OPPD from Broken Bow II Wind Facility which sale commenced October 1, 2014, and terminates on September 30, 2039.
- (4) The increase in percentage growth for total sales from 2018 to 2019 was due primarily to additional nonfirm energy sales from CNS due to more generation in 2019 as there was a planned refueling and maintenance outage in 2018. The decrease in native load sales from 2018 to 2019 was due primarily to weather, additional reductions by customers under the 2002 Contracts and reductions for qualifying local generation as allowed under the 2016 Contracts. There were fewer heating and cooling degree days in 2019 as compared to 2018. The increase in percentage growth from 2017 to 2018 for total sales was due primarily to nonfirm energy sales.

FINANCIAL INFORMATION

The following tables summarize the District's financial position and operating results.

CONDENSED BALANCE SHEETS (in 000's)

As of December 31,	2019	2018	2017
Current Assets	\$ 990,989	\$ 924,108	\$ 858,872
Special Purpose Funds	770,592	727,607	746,448
Utility Plant, Net	2,532,806	2,562,556	2,569,898
Other Long-Term Assets	312,163	351,046	383,701
Deferred Outflows of Resources	294,168	333,343	295,402
Total Assets and Deferred Outflows	<u>\$ 4,900,718</u>	<u>\$ 4,898,660</u>	<u>\$ 4,854,321</u>
Current Liabilities	\$ 293,862	\$ 380,675	\$ 370,501
Long-Term Debt	1,482,409	1,506,605	1,617,269
Other Long-Term Liabilities	981,074	997,359	1,028,467
Deferred Inflows of Resources	485,048	444,880	351,651
Unearned Revenues	262,500	247,853	206,927
Other Deferred Inflows	222,548	197,027	150,874
Net Position	1,658,325	1,569,141	1,486,433
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 4,900,718</u>	<u>\$ 4,898,660</u>	<u>\$ 4,854,321</u>

CONDENSED RESULTS OF OPERATIONS (in 000's)

For the years ended December 31,	2019	2018	2017
Operating Revenues	\$ 1,074,475	\$ 1,144,858	\$ 1,101,642
Operating Expenses	(974,102)	(1,025,185)	(988,931)
Operating Income	100,373	119,673	112,711
Investment and Other Income	47,050	26,896	23,591
Debt and Related Expenses	(58,239)	(63,861)	(64,986)
Increase in Net Position	<u>\$ 89,184</u>	<u>\$ 82,708</u>	<u>\$ 71,316</u>

SOURCES OF OPERATING REVENUES (in 000's)

For the years ended December 31,	2019	2018	2017
Firm Retail and Wholesale Sales	\$ 807,201	\$ 857,075	\$ 875,312
Participation Sales	59,717	63,906	73,199
Other Sales	165,613	140,048	112,209
Other Operating Revenues	77,591	79,756	76,182
Unearned Revenues	(35,647)	4,073	(35,260)
Total Operating Revenues	<u>\$ 1,074,475</u>	<u>\$ 1,144,858</u>	<u>\$ 1,101,642</u>

CONDENSED STATEMENTS OF CASH FLOWS (in 000's)

For the years ended December 31,	2019	2018	2017
Net Cash Provided by Operating Activities	\$ 358,025	\$ 363,088	\$ 365,097
Net Cash Provided by (Used in) Investing Activities	(58,362)	(45,884)	(107,438)
Net Cash Used in Capital and Financing Activities	<u>(308,920)</u>	<u>(319,506)</u>	<u>(332,584)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,257)	(2,302)	(74,925)
Cash and Cash Equivalents, Beginning of Year	25,502	27,804	102,729
Cash and Cash Equivalents, End of Year	<u>\$ 16,245</u>	<u>\$ 25,502</u>	<u>\$ 27,804</u>

Revenues from Firm Retail and Wholesale Sales

The District allocates costs between retail and wholesale service and establishes its rates to produce revenues sufficient to meet its estimated respective retail and wholesale revenue requirements. Wholesale revenue requirements include unbundled costs accounted for separately between generation and transmission. The rates for retail service include an amount to recover the costs of wholesale power service in addition to distribution costs and government taxes and transfers. The District's wholesale power contracts provide for the establishment of cost-based rates. Such rates can be adjusted at such times as deemed necessary by the District. The wholesale power contracts also provide for the creation of a rate stabilization account. Any surplus or deficiency between revenues and revenue requirements, within certain limits set forth in the wholesale power contracts, may be retained in the rate stabilization account. Any amounts in excess of the limits may be included as an adjustment to revenue requirements in the next rate review. The wholesale power contracts also include a provision for establishing a new/replacement generation fund. This provision would permit the District to collect an additional 0.5 mills per kWh above the normal revenue requirements to be used for future capital expenditures associated with generation.

There was no change to the wholesale and retail base rates for 2020, 2019 and 2018. On February 1, 2020, the District implemented a 12-month Production Cost Adjustment ("PCA") rate to refund \$46.1 million to its wholesale customers for production rate stabilization funds. This equates to a one-year average bill reduction of 6.2%. On February 1, 2019, the District implemented a 12-month PCA rate to refund \$26.8 million to its wholesale customers for production rate stabilization funds in excess of the ten percent accumulated limit. The PCA resulted in an average 3.5% decrease in wholesale rates. The District implemented a 0.6% increase in the District's wholesale rates on January 1, 2017, for all customers. No increase in retail rates was implemented in 2017. Details of the District's Wholesale Power Contracts are included in Note 12 in the Notes to Financial Statements.

Revenues from firm sales decreased \$49.9 million, or 5.8%, from \$857.1 million in 2018 to \$807.2 million in 2019. The decrease in revenues was due to several factors including the weather (as there were fewer heating and cooling degree days in 2019), the implementation of the PCA in 2019 (which was referenced in the preceding paragraph), additional energy requirements reductions from customers under the 2002 Contracts, reductions for qualifying local generation as allowed under the 2016 Contracts and the collection of transmission revenues for partial requirements customers through the SPP transmission tariff instead of the wholesale rate. Revenues from firm sales decreased \$18.2 million, or 2.1%, from \$875.3 million in 2017 to \$857.1 in 2018. The decrease was primarily due to a 1.0% decrease in native load energy sales as a result of two municipalities and one public power district under the 2002 Contracts reducing their purchases from the District and the collection of transmission revenues for partial requirements customers through the SPP transmission tariff instead of the wholesale rate. These transmission revenues are recorded in Other Operating Revenues.

Revenues from Participation Sales

Revenues from participation sales decreased from \$63.9 million in 2018 to \$59.7 million in 2019, a reduction of \$4.2 million. The reduction was due to a decrease in demand costs related to GGS and CNS in 2019. Revenues from participation sales decreased from \$73.2 million in 2017 to \$63.9 million in 2018. The reduction was primarily due to the December 31, 2017 termination of a participation agreement with LES to purchase 30% of the output of Sheldon.

Revenues from Other Sales

Other sales consist of sales in SPP's Integrated Market and nonfirm sales to other utilities. TEA, of which the District is a member, has energy marketing responsibilities for the District's other and nonfirm off-system sales and the related management of credit risks. Other sales increased from \$140.0 million in 2018 to \$165.6 million in 2019, an increase of \$25.6 million. The increase was a result of higher energy sales due to no refueling and maintenance outage at CNS. Other sales increased from \$112.2 million in 2017 to \$140.0 in 2018, an increase of \$27.8 million. The increase was a result of higher nonfirm sales and higher prices in the SPP Integrated Market.

Other Operating Revenues

Other operating revenues consist primarily of revenues for transmission and other miscellaneous revenues. These revenues were \$77.6 million, \$79.8 million, and \$76.2 million in 2019, 2018, and 2017, respectively. The majority of these revenues were from SPP transmission customers. The decrease in revenues from 2018 to 2019 was due primarily to lower SPP transmission revenues from customers for their share of qualifying transmission upgrade projects of the District. The decrease in revenues was partially offset by additional SPP transmission revenues from wholesale customers who have become partial requirements customers under the 2002 Contracts, and must purchase transmission service through SPP. The increase in these revenues from 2017 to 2018 was partially due to additional SPP transmission revenues from wholesale customers who have become partial requirements customers under the 2002 Contracts, and must purchase transmission service through SPP.

Unearned Revenues

Under the provisions of the District's wholesale power contracts, any surplus or deficiency between net revenues and revenue requirements, within certain limits set forth in the wholesale power contracts, may be adjusted in the rate stabilization account. Any amounts in excess of the rate stabilization limits may be included as an adjustment to revenue requirements in the next rate review. A similar process is followed in accounting for any surplus or deficiency in revenues necessary to meet revenue requirements for retail electric service. Under generally accepted accounting principles for regulated electric utilities, the balance of such surpluses or deficiencies are accounted for as "regulatory liabilities or assets", respectively.

The District recognizes net revenues in excess of revenue requirements in any year as a deferral or reduction of revenues. Such surplus revenues are excluded from the net revenues available under the General Revenue Bond Resolution ("General Resolution") to meet debt service requirements for such year. Surplus revenues are included in the determination of net revenues available under the General Resolution to meet debt service requirements in the year that such surplus revenues are considered in setting rates. The District recognizes any deficiency in revenues needed to meet revenue requirements in any year as an accrual or increase in revenues, even though the revenue accrual will not be realized as "cash" until some future rate period. Such revenue deficiency is included, in the year accrued, in the net revenues available under the General Resolution to meet debt service requirements for such year. Revenue deficiencies are excluded in the determination of net revenues available under the General Resolution to meet debt service requirements in the year that such revenue deficit is considered in setting rates.

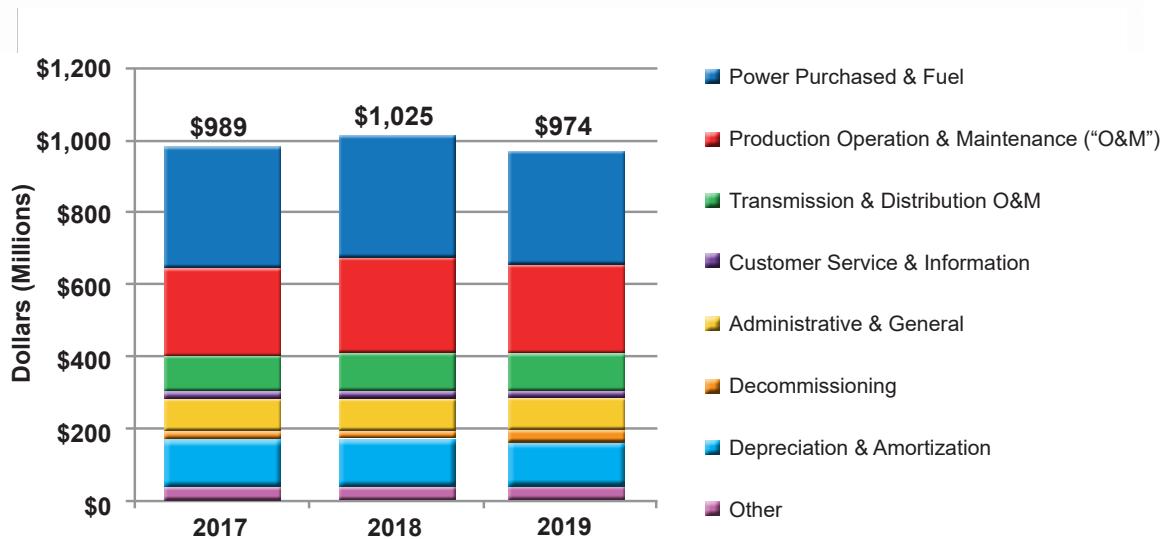
The following table shows the increase (decrease) in revenues from rate stabilization and other regulatory accounts for the years 2019, 2018 and 2017, respectively.

	2019	2018	2017
Surplus revenues deferred to future periods	\$ (71.3)	\$ (70.0)	\$ (44.9)
Refunded revenues from prior periods	56.7	29.1	6.7
CNS outage collections	(21.0)	20.0	(20.0)
OPEB deferred collections	-	23.5	23.0
Revenues from settlement agreements	-	1.5	-
	<u>\$ (35.6)</u>	<u>\$ 4.1</u>	<u>\$ (35.2)</u>

The balance of the regulatory liability for unearned revenues to be applied as credits against revenue requirements in future rate periods was \$262.5 million, \$247.9 million, and \$206.9 million, as of December 31, 2019, 2018, and 2017, respectively.

Operating Expenses

The following chart illustrates operating expenses for the years ended December 31, 2017 through 2019.



Total operating expenses in 2019 were \$974.1 million, a decrease of \$51.1 million from 2018. Total operating expenses in 2018 were \$1,025.2 million, an increase of \$36.3 million over 2017. The changes were due primarily to the following:

Power purchased and fuel expenses were \$321.6 million, \$336.4 million, and \$342.8 million in 2019, 2018, and 2017, respectively. These expenses decreased \$14.8 million in 2019 as compared to 2018 due primarily to lower fuel costs at GGS and Sheldon and fewer purchases from Loup, NC2, capacity towns and wind. These expenses decreased \$6.4 million in 2018 as compared to 2017 due primarily to lower fuel costs at GGS and lower fuel consumption at CNS due to the 2018 planned maintenance and refueling outage.

Production operation and maintenance expenses were \$238.5 million, \$275.0 million, and \$243.3 million in 2019, 2018, and 2017, respectively. These costs decreased \$36.5 million in 2019 as compared to 2018 due to no planned refueling and maintenance outage at CNS in 2019. These costs increased \$31.7 million in 2018 as compared to 2017 due primarily to the costs associated with the planned refueling and maintenance outage at CNS.

Transmission and distribution operation and maintenance expenses were \$104.4 million, \$105.2 million, and \$100.9 million in 2019, 2018, and 2017, respectively. These costs decreased \$0.8 million in 2019 as compared to 2018. These costs increased by \$4.3 million in 2018 as compared to 2017 due primarily to higher fees charged by SPP for the District's share of transmission expenses and qualifying transmission upgrade projects.

Customer service and information expenses were \$15.9 million, \$16.8 million, and \$16.0 million in 2019, 2018, and 2017, respectively.

Administrative and general expenses were \$102.0 million, \$104.9 million, and \$106.2 million in 2019, 2018, and 2017, respectively. These costs decreased \$2.9 million in 2019 as compared to 2018. The decrease was due primarily to a reduction in other postemployment benefit (OPEB) expenses, which was partially offset by increased expenses for salaries and outside services and a lower amount of administrative and general expenses capitalized for construction projects. Administrative and general expenses decreased \$1.3 million in 2018 as compared to 2017.

Decommissioning expenses were \$28.5 million, \$15.7 million, and \$19.9 million in 2019, 2018, and 2017, respectively. Decommissioning expenses are recorded in an amount equivalent to the income on investments for decommissioning plus amounts collected for decommissioning in the rates for electric service in such year. Decommissioning expenses increased \$12.8 million in 2019 as compared to 2018 due primarily to an increase in investment income for decommissioning funds. Decommissioning expenses decreased \$4.2 million in 2018 as compared to 2017 due primarily to a decrease in investment income for decommissioning funds.

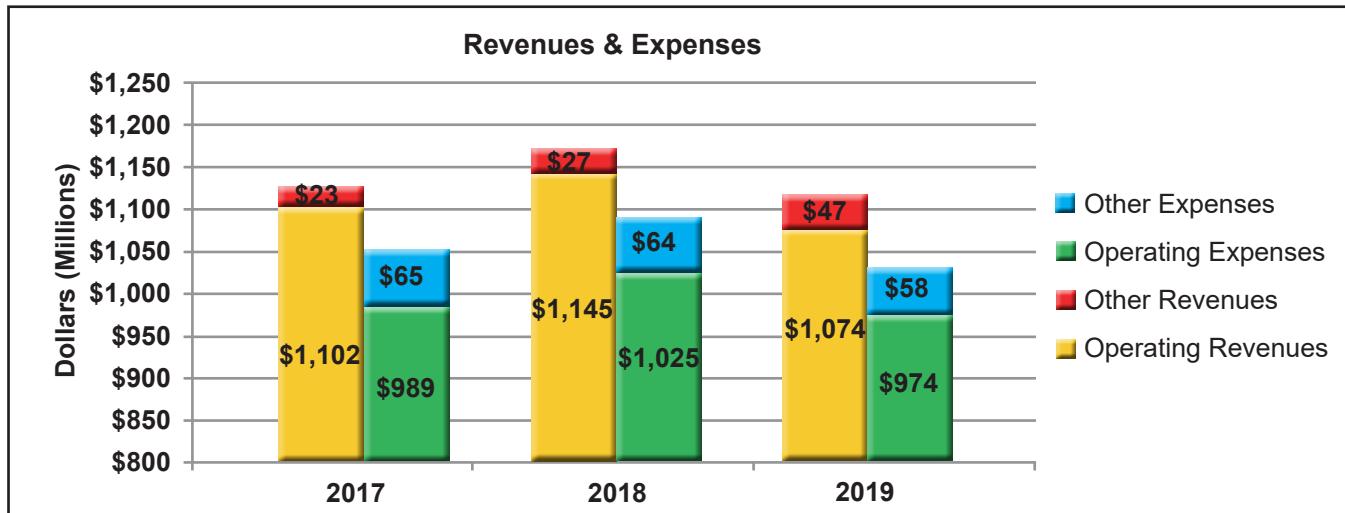
Depreciation and amortization expenses were \$125.0 million, \$133.1 million, and \$122.6 million in 2019, 2018, and 2017, respectively. The decrease from 2018 to 2019 was due to several large assets related to GGS Unit 1 were fully depreciated. GGS Unit 1 was placed in service in 1979.

Increase in Net Position

The increase in net position was \$89.2 million, \$82.7 million, and \$71.3 million in 2019, 2018, and 2017, respectively. The change in net position in 2019 as compared to 2018 increased \$6.5 million and was due primarily to an increase in revenue collections for capital projects, lower depreciation expense and an increase in unrealized market gains on investments, which was partially offset by a decrease in revenue collections for debt service.

The change in net position in 2018 as compared to 2017 increased \$11.4 million and was due primarily to an increase in revenue collections for principal payments for debt service and the change in unrealized market gains on investments, which was partially offset by a decrease in revenue collections for capital projects and higher depreciation expense.

The following chart illustrates the District's operating revenues, other revenues, operating expenses, and other expenses for the years ended December 31, 2017 through 2019.



FINANCIAL MANAGEMENT POLICY

The District has a Financial Management Policy (the "Policy"), which is subject to periodic review and revisions by the Board. This Policy represents general financial strategies and procedures that are implemented to demonstrate financial integrity and fiscal responsibility in the management of the District's business and its assets. Employees must abide by all applicable District bylaws, Board resolutions, bond resolutions, federal and state laws, other relevant legal requirements and the Policy.

DEBT SERVICE COVERAGE

Under the Policy, the District has established a minimum debt service coverage ratio on the General Revenue Bonds of 1.5 times the debt service on the General Revenue Bonds. The District's debt service coverage ratio was 2.18, 2.03, and 2.13 in 2019, 2018, and 2017, respectively. The coverage was provided primarily by the amounts collected in operating revenues for utility plant additions, for principal and interest payments on outstanding revolving credit agreements and notes, and for payments to those municipalities served by the District under long-term PRO Agreements. The increase in the 2019 debt service coverage ratio over 2018 was primarily due to a decrease in the required debt service deposits. The decrease in the 2018 debt service coverage ratio from 2017 was primarily due to an increase in the required debt service deposits.

FINANCING ACTIVITIES

Good credit ratings allow the District to borrow funds at more favorable interest rates. Such ratings reflect only the view of such rating organizations, and an explanation of the significance of such rating may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be revised downward or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market prices of bonds.

The District's credit ratings on its revenue bonds were as follows:

Moody's Investors Service.....	A1	(stable outlook)
Standard & Poor's Ratings Services	A+	(stable outlook)
Fitch Ratings.....	A+	(stable outlook)

The District plans, pursuant to the Policy, to issue separate series of indebtedness, including separate series of General Revenue Bonds, for production projects and for transmission projects. No more than 20.0% of the amount of outstanding indebtedness issued for production projects, calculated at the time of issuance of each series of such indebtedness, or \$200.0 million, whichever is less, will be permitted to mature after January 1, 2036, the end of the 2016 Contracts. Transmission indebtedness issued for transmission projects is expected to mature over the useful life of the asset that is

being financed. New transmission indebtedness may mature after January 1, 2036. The District's transmission indebtedness is payable from the revenues received during the term of the 2016 Contracts and from retail sales and transmission revenues received under various SPP tariffs. After January 1, 2036, transmission indebtedness will be payable from revenues to be derived from wholesale and retail customers who use the District's transmission facilities, as well as revenues from various SPP tariffs.

The District expects to issue additional revenue bonds in 2020 for the R-Project, an SPP Notice to Construct project for 225 miles of 345 kV transmission line budgeted at \$417.3 million. This project may be financed in whole or in part beginning in 2020 and throughout its scheduled completion date, which has been estimated at approximately two years after construction begins. The District has spent approximately \$83.8 million through December 31, 2019, for design, construction mobilization and easement acquisitions.

In October 2019, the District issued \$74.7 million of General Revenue Bonds, 2019 Series B-1 (Taxable) and \$16.3 million of General Revenue Bonds, 2019 Series B-2 (Taxable) for the principal purpose of refunding certain of the District's outstanding General Bonds, 2012 Series A, 2014 Series A, 2014 Series C, and 2015 Series A-2. The refunding was completed with \$91.0 million of the proceeds from the 2019 Series B-1 and B-2 General Revenue Bonds and \$3.5 million of other available funds. As a result, total debt service payments over the life of the bonds were reduced by \$9.9 million, which resulted in total present value savings of \$6.0 million.

In January 2019, the District issued \$36.0 million of General Revenue Bonds, 2019 Series A, at a premium of \$5.2 million, to refund \$50.4 million of General Revenue Bonds, 2009 Series A (Taxable Build America Bonds). The refunding was completed with \$41.2 million of the proceeds from General Revenue Bonds, 2019 Series A, \$3.7 million from the TERCA, and \$5.5 million of other available funds. As a result, total debt service payments over the life of the bonds was reduced by \$20.4 million, which resulted in present value savings of \$6.6 million.

In January 2019, the District defeased certain of the General Revenue Bonds, 2017 Series A, with an outstanding principal amount that aggregated \$7.3 million and called the remaining outstanding General Revenue Bonds, 2009 Series C, with a principal amount that aggregated \$0.4 million.

In July 2018, the Taxable Revolving Credit Agreement ("TRCA") was renewed through July 29, 2021.

In January 2018, the District called the remaining outstanding General Revenue Bonds, 2012 Series C, with a principal amount that aggregated \$4.2 million.

Details of the District's debt balances and activity are included in Note 7 in the Notes to Financial Statements.

CAPITAL REQUIREMENTS

The Board-authorized capital projects totaled approximately \$154.5 million, \$85.5 million, and \$85.0 million in 2019, 2018, and 2017, respectively. The District's capital requirements are funded with monies generated from operations, debt proceeds, and other available reserve funds.

Capital projects for 2019 included:

- \$53.1 million amendment resulting in a new project cost of \$417.3 million for the R-Project, an SPP Notice to Construct project, for a high-voltage transmission line approved in prior years
- \$9.8 million to replace a Superheat Intermediate Bank at GGS
- \$9.4 million to replace Two-Way Automatic Communication System retail customer meters
- \$6.1 million to upgrade System Control Board Map at the Doniphan Control Center
- \$5.0 million for a reactor feeder pump turbine A overhaul at CNS

Capital projects for 2018 included:

- \$24.3 million for retrofit of the low-pressure turbine for GGS Unit 2
- \$5.0 million for a south building addition for training and fleet at the Operations Center in York, Nebraska
- \$4.5 million for refurbishment of the main generator exciter at CNS
- \$4.4 million for a plant management information system at CNS
- \$4.3 million for a reactor feed pump turbine B overhaul at CNS

Capital projects for 2017 included:

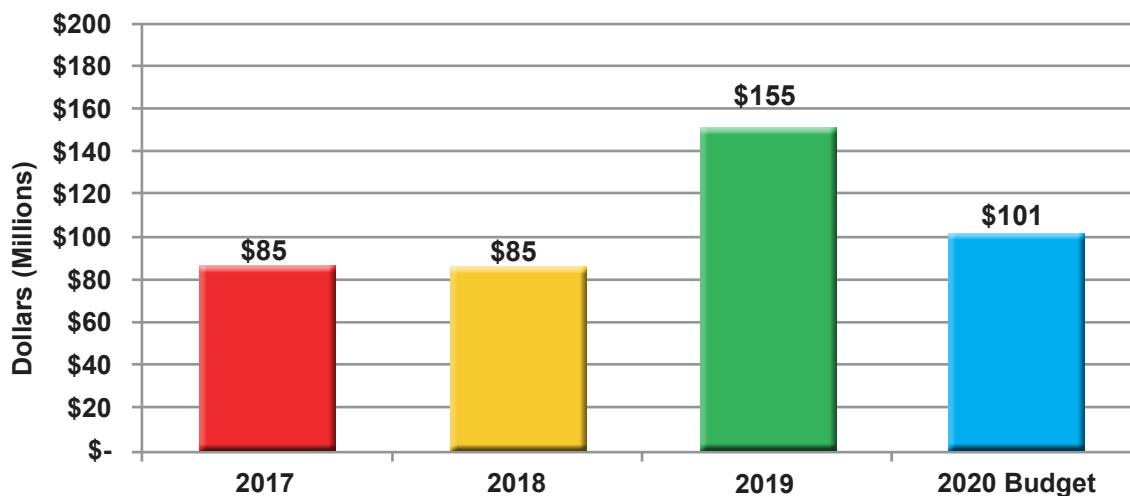
- \$14.7 million for implementation of Advanced/Smart Metering and Interfaces
- \$11.2 million for construction of an evaporation pond at GGS
- \$6.4 million for refurbishment of a 115-kV substation in Beatrice, Nebraska

There were other authorized capital projects for renewals and replacements to existing facilities and other additions and improvements of \$71.1 million, \$43.0 million, and \$52.7 million for 2019, 2018, and 2017, respectively.

The Board-authorized budget for capital projects for 2020 is \$101.0 million. Specific capital projects for 2020 include:

- \$16.7 million for Kearney Tech oNE project
- \$5.0 million for Spencer Hydro retirement
- \$2.2 million for Hydraulic Keystone Gate Recoatings

The following chart illustrates the Board-authorized capital projects for the years ended December 31, 2017 through 2019, including the Board-authorized budget for the year ended December 31, 2020.



TRANSMISSION LINE – THE R-PROJECT

The District received an SPP Notice to Construct for the R-Project, which allows the cost of construction to be included in SPP annual revenue requirements. The R-Project consists of the construction of approximately 225 miles of 345 kV transmission line from GGS, north to a new substation in Holt County interconnected to an existing 345 kV line owned by Western. The R-Project will strengthen the reliability of the District's transmission system, reduce transmission congestion, and allow for the integration of future renewable generation in an area of the state that lacks transmission access.

The District's current approved budget estimate for the cost of construction of the R-Project is \$417.3 million. The District awarded a contract for the construction of the R-Project in January 2019. The District is managing the authorized expenditures and work performed. The District spent approximately \$83.8 million through December 31, 2019, for design, construction mobilization and easement acquisitions. Major construction activities for the R-Project are expected to begin in 2020 with an anticipated in-service date approximately two years after construction begins.

MARCH 2019 WEATHER EVENTS AND SPENCER HYDRO FACILITY

In mid-March 2019, multiple river basins in northern and eastern Nebraska, as well as river basins in the surrounding region, experienced unprecedented weather conditions as a result of exiting snowpack, blizzard conditions, frozen ground, significant rainfall and ice conditions on and around numerous rivers and their tributaries. The District sustained significant damage at the Spencer Hydro Facility, a small hydro plant on the Niobrara River in northern Nebraska accredited at 1.28 MW, which produced 10,509 megawatt hours ("MWh") in 2018. The Spencer Hydro Facility, including the hydro plant and the concrete and earthen dam structures (collectively, the "Spencer Hydro Facility") was damaged. An individual living below the dam has been missing and declared dead. The District also experienced damages to transmission and substation facilities. Certain distribution facilities were also damaged, and a small number of customers lost service for an extended period due to protracted flood conditions in low-lying areas. CNS declared a Notice of Unusual Event for several days due to flooding conditions along the Missouri River, but operated continuously during the period. Restoration costs for all facilities, except the Spencer Hydro Facility, are expected to be approximately \$7.5 million.

The District has been working with the Federal Emergency Management Agency ("FEMA") to make appropriate claims for reimbursement for a portion of the storm-related costs. The District estimates that approximately 60-70% of the costs from the March 2019 weather events may be reimbursed by FEMA. FEMA is requiring a detailed study on the cost of rebuilding and the cost of removing the Spencer Hydro Facility, which the District is pursuing through an engineering firm. The Spencer Hydro Facility is regulated by the Nebraska Department of Natural Resources ("NDNR") which has requested an independent investigation of the events at the Spencer Hydro Facility through the Association of State Dam Safety Officials. The investigation is underway. The District expects to eventually remove the Spencer Hydro Facility which will require approval from the NDNR with potential input from other state and federal agencies. The District maintains property and liability insurance and has notified its carriers of the events at the Spencer Hydro Facility. Information on litigation related to these weather events is included in Note 13 in the Notes to Financial Statements.

RESOURCE PLANNING

The District uses a diverse mix of generation resources such as coal, nuclear, natural gas, hydro and wind to meet its firm requirement customer's needs. In 2019, a non-refueling year for the District's nuclear facility, the non-carbon energy resources as a percentage of native load sales were 68%. In 2018, the non-carbon energy resources as a percentage of native load sales were 56%.

The District's last comprehensive 20-year Integrated Resource Plan ("IRP") was completed and approved by the Board in 2013. There were several changes in assumptions that were included in the limited scope, five-year IRP approved by the Board at their March 2018 meeting. The 2018 IRP showed the District does not require new resources for the next five years. The changes in assumptions in the 2018 IRP included:

- 2016 Wholesale Power Contracts – The negotiation of new contracts with the District's wholesale customers, which extended the term 20 years for all but ten of the current customers. The new contract allows a 10% renewable self-supply option, or 2 MW, whichever is greater.
- Cooper Nuclear Station Power Uprate – The decision by the Board not to proceed with a power uprate at its nuclear facility, a low-cost resource option included in the 2013 IRP, due to a more detailed evaluation of costs and market risk.
- Renewable Energy – The addition of two new wind facilities of which 74 MW will be used to serve the District's firm customers. This brings the total amount of wind in the portfolio of resources serving firm customers to 281 MW.
- Sheldon Station – The recapture of approximately 65 MW of capacity and energy from Sheldon after the Board approved ending the participation sale for 30% of Sheldon's output to LES commencing in 2018.
- Southwest Power Pool Integrated Market – In 2014, SPP commenced a Day-Ahead, Ancillary Services, and Real-Time Balancing Market. The District, in turn, began participating as a member utility in the energy market place. The market coordinates next-day generation across its footprint to maximize cost effectiveness for its members. The District sells and purchases power in the SPP Integrated Market. A significant number of renewables, primarily wind, continue to be added in the SPP Integrated Market.

- Hydrogen Purchase for Generation – Monolith Materials, Inc. (“Monolith”) began construction of a carbon black facility adjacent to the District’s Sheldon coal-fired generating facility in Nebraska. The construction of the carbon black facility is expected to be accomplished in two phases. The electric load to serve any Monolith facility will be served by Norris Public Power District, a firm wholesale customer of the District. At full buildout, Monolith may be the single-largest industrial customer served in the District’s territory. The District entered into a 20-year contract with Monolith to purchase the carbon black plants’ production of hydrogen rich gas, which will be produced by Monolith during production of carbon black. The District will have to convert its existing coal-fired boiler at Sheldon Unit No. 2 to burn the hydrogen rich gas. The boiler conversion is expected to result in a reduction of carbon dioxide (“CO₂”), sulfur dioxide (“SO₂”), mercury, and other air emissions. Groundbreaking for Phase 1 of the carbon black facility occurred in October 2016 and is expected to be fully operational in 2020. Phase 2 construction is planned to begin in the second half of 2022. The commercial operation date (defined jointly as the date on which Phase 2 is capable of sufficient, steady state hydrogen rich gas supply, and the Sheldon Unit No. 2 boiler has been converted and commissioned) is scheduled for 2024. The 20-year contract for hydrogen rich fuel has certain contingencies, including, but not limited to, reaching agreement regarding a fuel specification and regarding fuel conversion costs for Sheldon Unit No. 2. Experience gained during Phase 1 operation is expected to provide important information regarding the above contingencies.

ENERGY RISK MANAGEMENT PRACTICES

The nature of the District’s business exposes it to a variety of risks, including exposure to volatility in electric energy and fuel prices, uncertainty in load and resource availability, the creditworthiness of its counterparties, and the operational risks associated with transacting in the wholesale energy markets.

To help manage energy risks, including the risks related to the District’s participation in the SPP Integrated Market, the District relies upon TEA to both transact on its behalf in the wholesale energy markets and to develop and recommend strategies to manage the District’s exposure to risks in the wholesale energy markets. TEA combines a strong knowledge of the District’s system, an in-depth understanding of the wholesale energy markets, experienced people, and state-of-the-art technology to deliver a broad range of standardized and customized energy products and services to the District.

TEA has assisted the District in developing its Energy Risk Management (“ERM”) program. The program originates with the Board-approved ERM Governing Policy and the ERM-Approved Products and Limits Standard. These documents establish the philosophy, objectives, delegation of authorities, approved products and their limits on the District’s energy and fuel activities necessary to govern its ERM program. The objective of the ERM program is to increase fuel and energy price stability by hedging the risk of significant adverse impacts to cash flow. These adverse impacts could be caused by events such as natural gas or power price volatility or extended unplanned outages. The ERM program has been developed to provide assurance to the Board that the risks inherent in the wholesale energy market are being quantified and appropriately managed.

ECONOMIC FACTORS

Preliminary data indicate Nebraska’s economy continued to experience growth in 2019 for the eighth consecutive year. The state’s inflation adjusted, estimated gross state product increased by 1.6% from the third quarter of 2018 to the third quarter of 2019. The US economy experienced a 2.1% increase in national gross domestic product over the same, 12-month period. Declines in Nebraska’s “Transportation and Warehousing (-3.1%),” “Manufacturing (-0.8%),” and “Construction (-0.8%),” industries were offset by growth in “Agriculture, forestry, fishing, and hunting (+21%),” “Management of companies and enterprises (+13.7%),” “Professional, scientific, and technical services (+4.6%),” “Health Care and Social Assistance (+2.7%),” “Retail trade (+1.9%),” and “Real estate and rental and leasing (+1.5%),” industries. Spring flooding and ongoing trade wars with China were the likely causes of the slowdowns in the “Transportation and Warehousing” and “Manufacturing” industries while federal subsidies to offset trade losses provided a boost to the “Agriculture, forestry, fishing, and hunting” industry.

Nebraska and the Midwest region continue to experience unemployment rates that are below the national average. Nebraska’s average annual unemployment rate decreased from the revised 2017 value of 2.9% to 2.8% in 2018. This was well below the 2018 national average unemployment rate of 3.9%. Nebraska’s preliminary, seasonally adjusted unemployment rate was 3.1% in December 2019, up from the revised 2.8% in December 2018. Both numbers were well below the national December seasonally adjusted unemployment rates of 3.5% in 2019 and 3.9% in 2018. Nebraska’s preliminary December 2019 unemployment rate was the fifteenth lowest in the nation. The District continues to monitor changes in national and global economic conditions, as these could impact the cost of debt and access to capital markets.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND THE NATION

The Electric Utility Industry in General

The electric utility industry has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of electric utilities, such as the District. Such factors include, among others:

- effects of compliance with changing environmental, safety, licensing, regulatory, and legislative requirements,
- changes resulting from energy efficiency and demand-side management programs on the timing and use of electric energy,
- other federal and state legislative and regulatory changes,
- increased wholesale competition from independent power producers, marketers, and brokers,
- “self-generation” by certain industrial and commercial customers,
- issues relating to the ability to issue tax-exempt obligations,
- severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations,
- changes from projected future load requirements,
- increases in costs,
- shifts in the availability and relative costs of different fuels,
- inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy, fuel, and transmission capacity,
- effects of financial instability of various participants in the power market,
- climate change and the potential contributions made to climate change by coal-fired and other fossil-fueled generating units,
- challenges associated with additional renewable generation, and
- issues relating to cyber and physical security.

Any of these general factors (as well as other factors) could have an effect on the financial condition of the District.

Competitive Environment in Nebraska

While wholesale competition is expected to increase in the future, there is a Nebraska statute that prohibits competition for retail customers. Pursuant to state statutes, retail suppliers of electricity have exclusive rights to serve customers at retail in their respective service territories. Any transfer of retail customers or service territories between retail electric suppliers may be done only upon agreement of the respective retail electric suppliers and/or pursuant to an order of the Nebraska Power Review Board. While state statutes do not provide for wholesale suppliers of electricity to have exclusive rights to serve a particular area or customer at wholesale, wholesale power suppliers are permitted to voluntarily enter into agreements with other wholesale power suppliers limiting the areas or customers to whom they may sell energy at wholesale. The District has entered into several such agreements.

National Emergency Declared for COVID-19 Coronavirus Pandemic

President Donald Trump declared the COVID-19 coronavirus pandemic a national emergency on March 13, 2020. Prior to this declaration, the District's Executive Response Team and Infectious Disease Project Team were activated to lead the execution of activities to minimize risks of service disruption, the spreading of the illness, and adverse impacts to customers, employees and District property and operations. The President's declaration will free up financial resources to assist state and local governments in responding to the outbreak. The move will allow states to request a 75%-25% federal-state cost-sharing for spending on emergency health care aid such as vaccinations, supplies, and tests. The declaration also puts FEMA, which is supporting the Health and Human Services Department and Centers for Disease Control and Prevention for coronavirus response, in a position to be the coordinator of the federal response.

On March 19, 2020, the Department of Homeland Security (“DHS”)’ Cyber and Infrastructure Security Agency identified 16 “critical” sectors, including electric power. DHS advised that employees in these “critical” industries should maintain their usual work schedules to aid the nation’s response to coronavirus. DHS was clear to state that this is a recommendation, not a mandate, reiterating that DHS leaves the final decisions to state and local governments.

The Electricity Subsector Coordinating Council (“ESCC”) serves as the principal liaison between the federal government and the electric power industry, with the mission of coordinating efforts to prepare for and respond to, national-level disasters or threats to critical infrastructure. The ESCC includes electric power industry CEOs and trade association leaders representing all segments of the industry. The ESCC developed a Resource Guide to support electric power

industry leaders in making informed localized decisions and to inform the general public about the electric industries response to the pandemic. The ESCC has also formed five “tiger teams” to focus on critical issues and problem solve as issues arise. Those teams are addressing control center continuity, generation facility continuity, supply chain issues, mutual assistance, and ensuring access to critical areas for utility workers.

The dates as of and periods for which information is provided in the financial statements occurred before the worldwide COVID-19 pandemic and before realizing the economic impact of measures instituted to slow it. The pandemic has adversely affected travel, commerce, and financial markets globally and is expected to adversely affect economic output worldwide, including the District’s service territory. These affects may slow the growth of or reduce revenues, as well as the value of District investments of its business-type and fiduciary activities, and increase expenses, to an extent that cannot currently be predicted, but could be material. Certain expenditures of the District related to COVID-19 activities are expected to be eligible for FEMA reimbursement. Congress has passed legislative relief packages, and additional relief packages are expected, to lessen the economic impact to individuals and businesses in specific sectors hurt particularly hard by social distancing measures and business closures.



Report of Independent Auditors

To the Board of Directors of the Nebraska Public Power District

We have audited the accompanying financial statements of the Nebraska Public Power District (the “District”), which comprise the statements of net position – business-type activities and of fiduciary net position – postemployment medical and life benefits plan as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position – business-type activities, of changes in fiduciary net position – postemployment medical and life benefits plan, and of cash flows – business type activities for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Nebraska Public Power District as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required supplemental information

The accompanying management's discussion and analysis on pages 6 through 22 and the supplemental schedules on pages 61 through 64 are required by accounting principles generally accepted in the United States of America 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical review on page 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

Chicago, Illinois

April 9, 2020

Statements of Net Position - Business-Type Activities

Nebraska Public Power District

As of December 31, (in 000's)

	2019	2018
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash and cash equivalents	\$ 16,245	\$ 25,502
Investments	706,346	616,685
Receivables, less allowance for doubtful accounts of \$505 and \$608, respectively	116,404	133,736
Fossil fuels, at average cost	23,758	19,545
Materials and supplies, at average cost	112,236	113,297
Prepayments and other current assets	16,000	15,343
	<u>990,989</u>	<u>924,108</u>
Special Purpose Funds:		
Construction funds	32,417	38,012
Debt service and reserve funds	82,189	86,924
Employee benefit funds	3,249	2,300
Decommissioning funds	652,737	600,371
	<u>770,592</u>	<u>727,607</u>
Utility Plant, at Cost:		
Utility plant in service	5,092,041	5,015,458
Less reserve for depreciation	2,852,286	2,756,094
	<u>2,239,755</u>	<u>2,259,364</u>
Construction work in progress	154,264	125,237
Nuclear fuel, at amortized cost	138,787	177,955
	<u>2,532,806</u>	<u>2,562,556</u>
Other Long-Term Assets:		
Regulatory asset for other postemployment benefits	152,386	185,451
Long-term capacity contracts	138,979	146,004
Unamortized financing costs	7,120	7,651
Investment in The Energy Authority	7,581	7,006
Other	6,097	4,934
	<u>312,163</u>	<u>351,046</u>
Total Assets	<u>4,606,550</u>	<u>4,565,317</u>
Deferred Outflows of Resources:		
Asset retirement obligation	205,461	238,086
Unamortized cost of refunded debt	29,937	34,039
Other postemployment benefits	58,770	61,218
	<u>294,168</u>	<u>333,343</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,900,718</u>	<u>\$ 4,898,660</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities:		
Revenue bonds, current	\$ 81,455	\$ 78,935
Revolving credit agreements and notes, current	80,836	199,964
Accounts payable and accrued liabilities	90,856	58,093
Accrued in lieu of tax payments	10,197	10,312
Accrued payments to retail communities	2,131	5,281
Accrued compensated absences	18,257	18,208
Other	10,130	9,882
	<u>293,862</u>	<u>380,675</u>
Long-Term Debt:		
Revenue bonds, net of current	1,336,092	1,451,605
Revolving credit agreements and notes, net of current	146,317	55,000
	<u>1,482,409</u>	<u>1,506,605</u>
Other Long-Term Liabilities:		
Asset retirement obligation	859,393	839,510
Net other postemployment benefit liability	105,234	141,923
Other	16,447	15,926
	<u>981,074</u>	<u>997,359</u>
Total Liabilities	<u>2,757,345</u>	<u>2,884,639</u>
Deferred Inflows of Resources:		
Unearned revenues	262,500	247,853
Other deferred inflows	222,548	197,027
	<u>485,048</u>	<u>444,880</u>
Net Position:		
Net investment in capital assets	1,194,547	1,075,361
Restricted	30,191	36,026
Unrestricted	433,587	457,754
	<u>1,658,325</u>	<u>1,569,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 4,900,718</u>	<u>\$ 4,898,660</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements Of Revenues, Expenses, and Changes in Net Position - Business-Type Activities

Nebraska Public Power District

For the years ended December 31, (in 000's)

	2019	2018
Operating Revenues	\$ 1,074,475	\$ 1,144,858
 Operating Expenses:		
Power purchased	154,931	161,665
Production:		
Fuel	166,661	174,711
Operation and maintenance	238,533	274,979
Transmission and distribution operation and maintenance	104,359	105,198
Customer service and information	15,877	16,805
Administrative and general	101,995	104,916
Payments to retail communities	27,983	27,745
Decommissioning	28,544	15,755
Depreciation and amortization	124,972	133,057
Payments in lieu of taxes	10,247	10,354
	<u>974,102</u>	<u>1,025,185</u>
Operating Income	<u>100,373</u>	<u>119,673</u>
 Investment and Other Income:		
Investment income	44,692	23,381
Other income	2,358	3,515
	<u>47,050</u>	<u>26,896</u>
Increase in Net Position Before Debt and Other Expenses	<u>147,423</u>	<u>146,569</u>
 Debt and Related Expenses:		
Interest on revenue bonds	65,657	72,198
Allowance for funds used during construction	(2,481)	(2,318)
Bond premium amortization net of debt issuance expense	(11,274)	(12,014)
Interest on revolving credit agreements and notes	6,337	5,995
	<u>58,239</u>	<u>63,861</u>
Increase in Net Position	<u>89,184</u>	<u>82,708</u>
 Net Position:		
Beginning balance	1,569,141	1,486,433
Ending balance	<u>\$ 1,658,325</u>	<u>\$ 1,569,141</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Cash Flows - Business-Type Activities

Nebraska Public Power District

For the years ended December 31, (in 000's)

	2019	2018
Cash Flows from Operating Activities:		
Receipts from customers and others	\$ 1,077,598	\$ 1,135,762
Other receipts	9,338	195
Payments to suppliers and vendors	(481,230)	(521,872)
Payments to employees	(247,681)	(250,997)
Net cash provided by operating activities	<u>358,025</u>	<u>363,088</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	3,110,453	3,189,635
Purchases of investments	(3,202,609)	(3,253,986)
Income received on investments	33,794	18,467
Net cash used in investing activities	<u>(58,362)</u>	<u>(45,884)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of revenue bonds	132,195	-
Proceeds from revolving credit agreements and notes	28,298	70,195
Capital expenditures for utility plant	(130,127)	(172,953)
Contributions in aid of construction and other reimbursements	14,522	7,093
Principal payments on revenue bonds	(221,990)	(98,590)
Interest payments on revenue bonds	(66,272)	(72,198)
Interest paid on defeased revenue bonds	(6,875)	-
Principal payments on revolving credit agreements and notes	(56,109)	(49,443)
Interest payments on revolving credit agreements and notes	(6,474)	(5,600)
Other non-operating revenues	3,912	1,990
Net cash used in capital and related financing activities	<u>(308,920)</u>	<u>(319,506)</u>
Net decrease in cash and cash equivalents	(9,257)	(2,302)
Cash and cash equivalents, beginning of year	25,502	27,804
Cash and cash equivalents, end of year	<u>\$ 16,245</u>	<u>\$ 25,502</u>
Reconciliation of Operating Income to Cash Provided By Operating Activities:		
Operating income	\$ 100,373	\$ 119,673
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	124,972	133,057
Undistributed net revenue - The Energy Authority	26	106
Decommissioning, net of customer contributions	22,606	9,624
Amortization of nuclear fuel	40,115	36,177
Changes in assets and liabilities which (used) provided cash:		
Receivables, net	19,417	823
Fossil fuels	(4,213)	23,719
Materials and supplies	1,061	(1,653)
Prepayments and other current assets	(505)	1,557
Other long-term assets	1,046	986
Deferred outflows	-	(23,500)
Accounts payable and accrued payments to retail communities	12,928	(4,559)
Unearned revenues	14,647	40,926
Other deferred inflows	26,005	24,176
Other liabilities	(453)	1,976
Net cash provided by operating activities	<u>\$ 358,025</u>	<u>\$ 363,088</u>
Supplementary Non-Cash Capital Activities:		
Change in utility plant additions in accounts payable	\$ 16,220	\$ (3,511)

The accompanying notes to financial statements are an integral part of these statements.

Statements of Fiduciary Net Position - Postemployment Medical and Life Benefits Plan

Nebraska Public Power District

As of December 31, (in 000's)

	2019	2018
Assets:		
Cash and cash equivalents	\$ 2,061	\$ 3,194
Receivables:		
Contributions	12,800	-
Investment income	493	544
Investments	<u>267,443</u>	<u>208,995</u>
Total Assets	<u>282,797</u>	<u>212,733</u>
Liabilities:		
Payables:		
Benefits - healthcare	400	157
Benefits - life insurance	16	32
Investment expense	92	106
Professional, administrative and other expenses	29	-
Total liabilities	<u>537</u>	<u>295</u>
Net Position - Restricted for Other Postemployment Benefits	<u>\$ 282,260</u>	<u>\$ 212,438</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Changes in Fiduciary Net Position - Postemployment Medical and Life Benefits Plan

Nebraska Public Power District

For the Years Ended December 31, (in 000's)

2019

2018

Additions:

Contributions

Employer	\$ 41,084	\$ 56,706
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Investment Income:

Net appreciation (depreciation) in fair value of investments	38,025	(9,437)
Interest and dividends	4,380	3,284
Total investment income (loss)	42,405	(6,153)
Less: Investment expenses	(672)	(739)
Net investment income (loss)	41,733	(6,892)

Total additions	82,817	49,814
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Deductions:

Health care benefits	12,606	13,873
Life insurance benefits	201	187
Professional, administrative and other expenses	188	130
Total deductions	12,995	14,190

Increase in Net Position	69,822	35,624
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Net Position - Restricted for Other Postemployment Benefits

Beginning balance	212,438	176,814
Ending balance	\$ 282,260	\$ 212,438

The accompanying notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization –

Nebraska Public Power District (“District”), a public corporation and a political subdivision of the State of Nebraska, operates an integrated electric utility system which includes facilities for the generation, transmission, and distribution of electric power and energy to its Retail and Wholesale customers. The control of the District and its operations is vested in a Board of Directors (“Board”) consisting of 11 members popularly elected from districts comprising subdivisions of the District’s chartered territory. The Board is authorized to establish rates.

B. Basis of Accounting –

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) for accounting guidance provided by the Governmental Accounting Standards Board (“GASB”) for proprietary funds of governmental entities. In the absence of established GASB pronouncements, other accounting literature is considered including guidance provided in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification.

The District applies the accounting policies established in the GASB codification Section Re10, *Regulated Operations*. This guidance permits an entity with cost-based rates and Board authorization to include revenues or costs in a period other than the period in which the revenues or costs would be reported by an unregulated entity.

C. Revenue –

Retail and wholesale revenues are recorded in the period in which services are rendered. Revenues and expenses related to providing energy services in connection with the District’s principal ongoing operations are classified as operating. All other revenues and expenses are classified as non-operating and reported as investment and other income or debt and related expenses on the Statements of Revenues, Expenses and Changes in Net Position.

D. Cash and Cash Equivalents –

The operating fund accounts are called Revenue Funds. There is a separate investment account for the Revenue Funds. The District reports highly liquid investments in the Revenue Funds with an original maturity of three months or less to be cash and cash equivalents on the balance sheet, except for these types of investments in the Revenue Funds investment account. Cash and cash equivalents in the investment accounts for the Revenue Funds and the Special Purpose Funds are reported as investments on the balance sheet.

E. Fossil Fuel and Materials and Supplies –

The District maintains inventories for fossil fuels and materials and supplies which are valued at average cost. Obsolete inventory is expensed and removed from inventory.

F. Utility Plant, Depreciation, Amortization, and Maintenance –

Utility plant is stated at cost, which includes property additions, replacements of units of property and betterments. The District charges maintenance and repairs, including the cost of renewals and replacements of minor items of property, to maintenance expense accounts when incurred. Upon retirement of property subject to depreciation, the cost of property is removed from the utility plant accounts and charged to the reserve for depreciation, net of salvage.

The District records depreciation over the estimated useful life of the property primarily on a straight-line basis. Depreciation on utility plant was approximately 2.3% for the years ended December 31, 2019 and 2018. The District had fully depreciated utility plant, primarily related to Cooper Nuclear Station (“CNS”), which was still in service of \$1,321.4 million and \$992.2 million as of December 31, 2019 and 2018, respectively.

The District has long-term Professional Retail Operations (“PRO”) Agreements with 79 municipalities for certain retail electric distribution systems. These PRO Agreements obligate the District to make payments based on gross revenues from the municipalities and pay for normal property additions during the term of the agreements. The District recorded amortization for these utility plant additions of \$10.8 million and \$14.8 million in 2019 and 2018, respectively, which was included in depreciation and amortization expense. These utility plant additions, which were fully amortized, totaled \$208.9 million and \$205.7 million as of December 31, 2019 and 2018, respectively.

G. Allowance for Funds Used During Construction (“AFUDC”) –

This allowance, which represents the cost of funds used to finance construction, is capitalized as a component of the cost of the utility plant. The capitalization rate depends on the source of financing. The rate for construction financed with revenue bonds is based upon the interest cost of each bond issue less interest income. Construction financed on a short-term basis with tax-exempt commercial paper (“TECP”), tax-exempt revolving credit agreement (“TERCA”), or taxable revolving credit agreement (“TRCA”) is charged a rate based upon the projected average interest cost of the related debt outstanding. The TECP program was terminated in 2017 and replaced with the TERCA. For the periods presented herein, the AFUDC rates for construction funded by revenue bonds varied from 2.2% to 4.5%. For construction financed on a short-term basis, the rate was 3.0% for 2019 and 2.3% for 2018.

H. Nuclear Fuel –

Nuclear fuel inventories are included in utility plant. The nuclear fuel cycle requirements are satisfied through the procurement of raw material in the form of natural uranium, conversion services of such material to uranium hexafluoride, uranium hexafluoride that has already been converted from uranium, enrichment services, and fuel fabrication and related services. The District purchases uranium and uranium hexafluoride on the spot market and carries inventory in advance of the refueling requirements and schedule. Nuclear fuel in the reactor is being amortized on the basis of energy produced as a percentage of total energy expected to be produced. Fees for disposal of fuel in the reactor are being expensed as part of the fuel cost.

I. Unamortized Financing Costs –

These costs include issuance expenses for bonds which are being amortized over the life of the respective bonds using the bonds outstanding method. Deferred unamortized financing costs associated with bonds refunded are amortized using the bonds outstanding method over the shorter of the original or refunded life of the respective bonds. Regulatory accounting, GASB codification section Re10, *Regulated Operations*, is used to amortize these costs over their respective periods.

J. Asset Retirement Obligations –

Asset retirement obligations (“ARO”) represent the best estimate of the current value of cash outlays expected to be incurred for legally enforceable retirement obligations of tangible capital assets. Regulatory accounting, GASB codification section Re10, *Regulated Operations*, is used to recognize these costs consistent with the rate treatment.

K. Other Postemployment Benefits (“OPEB”) –

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s Postemployment Medical and Life Benefits Plan (“Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain investments in a real estate fund, an international equity fund, and a U.S. equity fund, which are reported at net asset value.

L. Auction Revenue Rights and Transmission Congestion Rights –

The District uses Auction Revenue Rights (“ARR”) and Transmission Congestion Rights (“TCR”) in the Southwest Power Pool (“SPP”) Integrated Market to hedge against transmission congestion charges. These financial instruments were primarily designed to allow firm transmission customers the opportunity to offset price differences due to transmission congestion costs between resources and loads. Awarded ARR provide a fixed revenue stream to offset congestion costs. TCR can be acquired through the conversion of ARR or purchases from SPP auctions or secondary market trades. The financial transactions for all ARR/TCR activity in SPP are netted and recorded as other sales, as the District is generally a net seller in SPP. Unearned revenues are recorded for awarded ARR, net of conversion of TCR, until the revenues are realized in the SPP Integrated Market financial transactions. Outstanding TCR positions are recorded on the balance sheet until expired.

M. Deferred Outflows of Resources and Deferred Inflows of Resources –

Deferred outflows of resources are consumptions of assets that are applicable to future reporting. Regulatory accounting is used for ARO. The ARO deferred outflow is the difference between the related liability amount and rate collections and the interest earned on decommissioning funds. The cost of refunded debt is the difference in the reacquisition price and the net carrying amount of the refunded debt in an advance refunding. Deferred outflows related to OPEB include unrealized contributions and losses.

Deferred inflows of resources are acquired assets that are applicable to future reporting periods and consist of regulatory liabilities for unearned revenues and other deferred inflows. Other deferred inflows include Department of Energy (“DOE”) settlements, nuclear fuel disposal collections, CNS outage collections, unrealized OPEB gains,

settlements for termination of certain power and transmission agreements, non-nuclear decommissioning collections and a sales tax refund from the State of Nebraska for the construction of a renewable energy facility.

The District is required under the General Revenue Bond Resolution ("General Resolution") to charge rates for electric power and energy so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the General Revenue Bonds, amounts to be paid into the Debt reserve fund and all other charges or liens payable out of revenues. In the event the District's rates for wholesale service result in a surplus or deficit in revenues during a rate period, such surplus or deficit, within certain limits, may be retained in a rate stabilization account. Any amounts in excess of the limits will be considered in projecting revenue requirements and establishing rates in future rate periods. Such treatment of wholesale revenues is stipulated by the District's long-term wholesale power supply contracts. The District accounts for any surplus or deficit in revenues for retail service in a similar manner.

The following table summarizes the balance of Unearned revenues as of December 31, 2019 and 2018 and activity for the years then ended (in 000's):

	2019	2018
Unearned revenues, beginning of year	\$ 247,853	\$ 206,927
Surpluses	71,292	70,006
Use of prior period rate stabilization funds in rates	(56,645)	(29,080)
Unearned revenues, end of year	<u>\$ 262,500</u>	<u>\$ 247,853</u>

The DOE settlements regulatory liability was established for the reimbursement from the DOE for costs incurred by the District in conjunction with the disposal of spent nuclear fuel from CNS. Details of the District's DOE settlements are included in Note 12 in the Notes to Financial Statements.

The District includes in rates the costs associated with nuclear fuel disposal. Such collections were remitted to the DOE under the Nuclear Waste Policy Act until the DOE adjusted the spent fuel disposal fee to zero, effective May 16, 2014. The Board authorized the use of regulatory accounting for the continued collection of these costs. This approach ensures costs are recognized in the appropriate period with customers receiving the benefits from CNS paying the appropriate costs. The expense for spent nuclear fuel disposal is recorded at the previous DOE rate based on net electricity generated and sold and the regulatory liability will be eliminated when payments are made for spent nuclear fuel disposal. Additional details of the District's DOE spent nuclear fuel collections are included in Note 12 in the Notes to Financial Statements.

In 2019, the District collected revenues for the costs of the 2020 CNS refueling and maintenance outage. This regulatory liability was included in Other deferred inflows on the Balance Sheets and will be amortized through revenue during 2020, the year of the outage.

The District and Heartland Consumers Power District ("Heartland") executed a termination and release agreement in 2018 for certain transmission services. The District and Lincoln Electric System ("LES") executed a termination and release agreement in 2017 for the Sheldon Station ("Sheldon") Participation Agreement. The Board authorized the use of regulatory accounting for these settlement payments. These regulatory liabilities were included in Other deferred inflows on the Balance Sheets and will be eliminated as the revenues from the settlement payments are incorporated in future rates.

The District collects in rates for non-nuclear decommissioning costs. The collections for assets which do not have a legally required retirement obligation are recorded as a regulatory liability, instead of an ARO, and are included, along with the interest on these funds, in Other deferred inflows on the Balance Sheets.

The following table summarizes the balance of Deferred outflows of resources as of December 31, 2019 and 2018 (in 000's):

	2019	2018
Asset retirement obligation	\$ 205,461	\$ 238,086
Unamortized cost of refunded debt	29,937	34,039
Unrealized OPEB contributions and losses	58,770	61,218
	<u>\$ 294,168</u>	<u>\$ 333,343</u>

The following table summarizes the balance of Other deferred inflows of resources as of December 31, 2019 and 2018 (in 000's):

	2019	2018
DOE settlements	\$ 72,046	\$ 75,401
Nuclear fuel disposal collections	33,261	26,800
CNS outage collections	21,000	-
Settlements for termination of agreements	38,864	44,007
Unrealized OPEB gains	36,768	35,592
Non-nuclear decommissioning collections	16,672	11,007
Renewable energy facility sales tax refund	3,937	4,220
	<hr/> <u>\$ 222,548</u>	<hr/> <u>\$ 197,027</u>

N. Net Position –

Net position is made up of three components: Net investment in capital assets, Restricted, and Unrestricted.

Net investment in capital assets consisted of utility plant assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or notes that are attributable to the acquisition, construction, or improvement of these assets. This component also included long-term capacity contracts, net of the outstanding balances of any bonds or notes attributable to these assets.

Restricted net position consisted of the Primary account in the Debt reserve funds that are required deposits under the General Resolution and the Decommissioning funds, net of any related liabilities.

Unrestricted net position consisted of any remaining net position that does not meet the definition of Net investment in capital assets or Restricted and is used to provide for working capital to fund non-nuclear fuel and inventory requirements, as well as other operating needs of the District.

O. Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Recent Accounting Pronouncements –

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred instead of as an addition to the cost of the utility plant asset. In March 2020, the Board authorized the use of regulatory accounting to continue to capitalize interest during construction to ensure the transmission rates the District charges regional transmission organization customers are consistent with the interest capitalization methodology used by investor-owned utilities and to avoid a shifting of costs to other District customers. The requirements of this Statement will be implemented, using regulatory accounting, in 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in April 2018. This Statement requires additional disclosures in the notes related to debt such as terms related to significant events of default with finance-related consequences and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The requirements of this Statement were implemented by the District in 2019.

GASB Statement No. 87, *Leases*, was issued in June 2017. This Statement will bring substantially all leases for lessees on to the balance sheet. For operating leases, lessees will be required to recognize an asset for the right to use the leased item and a corresponding lease liability. Lease liabilities will be considered long-term debt and lease payments will be capital financing outflows in the cash flow statement. In the activity statement, lessees will no longer report rent expense for operating-type leases; but, will instead report interest expense on the liability and amortization expense related to the asset. For lessors, the accounting will mirror lessee accounting. Lessors will recognize a lease receivable and a corresponding deferred inflow of resources (with certain exceptions), while continuing to report the asset underlying the lease. Interest income associated with the receivable will be recognized using the effective interest method. Lease revenue will arise from amortizing the deferred inflow of resources in a systematic and rational manner over the lease term. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. In March 2020, the Board authorized the use of regulatory accounting

to continue the revenue and expense recognition for leases consistent with the rate methodology as used for the District's customers. On March 26, 2020, GASB announced that it is considering postponing all Statement and Implementation Guide provisions with an effective date that begins on or after reporting periods beginning after June 15, 2018, due to the COVID-19 pandemic. The requirements of this Statement will be implemented, using regulatory accounting, when required by GASB, which based on GASB's announcement, may be later than 2020.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. This Statement addresses accounting and financial reporting requirements for certain fiduciary funds in the basic financial statements. Governments with activities meeting the criteria are required to present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The implementation of this Statement requires the District to include fiduciary statements with the statements for its business-type activities. The requirements of this Statement were implemented by the District in 2019.

2. CASH AND INVESTMENTS:

Investments are recorded at fair value with the changes in the fair value of investments reported as Investment income in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. The District had unrealized net gains of \$4.0 million and \$0.2 million in 2019 and 2018, respectively.

The fair value of all cash and investments, regardless of classification on the Balance Sheets, was as follows as of December 31 (in 000's):

	2019		2018	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury and government agency securities ..	\$1,121,219	3.1	\$1,041,504	5.1
Corporate bonds	201,524	13.4	170,763	8.9
Municipal bonds	10,234	12.7	9,262	12.6
Cash and cash equivalents	160,206	0.2	148,265	0.1
Total cash and investments	<u>\$1,493,183</u>		<u>\$1,369,794</u>	
Portfolio weighted average maturity		<u>4.3</u>		<u>5.1</u>

Interest Rate Risk – The investment strategy for all investments, except for the decommissioning funds, is to buy and hold securities until maturity, which minimizes interest rate risk. The investment strategy for decommissioning funds is to actively manage the diversification of multiple asset classes to achieve a rate of return equal to or exceeding the rate used in the decommissioning funding plan model assumptions. Accordingly, securities are bought and sold prior to maturity to increase opportunities for higher investment returns.

Credit Risk – The District follows a Board-approved Investment Policy. This policy complies with state and federal laws, and the General Resolution's provisions governing the investment of all funds. The majority of investments are direct obligations of, or obligations guaranteed by, the United States of America. Other investments are limited to investment-grade fixed income obligations.

Custodial Credit Risk – Cash deposits, primarily interest bearing, are covered by federal depository insurance, pledged collateral consisting of U.S. Government Securities held by various depositories, or an irrevocable, nontransferable, unconditional letter of credit issued by a Federal Home Loan Bank.

The fair values of the District's Revenue and Special Purpose Funds as of December 31 were as follows (in 000's):

The Revenue funds are used for operating activities for the District. Cash and cash equivalents in the Revenue funds are reported as such on the balance sheet, except cash and cash equivalents in the Revenue Fund investment account are reported as investments. The investment account for the Revenue funds included cash equivalents of \$124.8 million and \$106.0 million as of December 31, 2019 and 2018, respectively.

	2019	2018
Revenue funds - Cash and cash equivalents	\$ 141,013	\$ 131,472
Revenue funds - Investments	<u>581,578</u>	<u>510,715</u>
	<u><u>\$ 722,591</u></u>	<u><u>\$ 642,187</u></u>

The Construction funds are used for capital improvements, additions, and betterments to and extensions of the District's system. The sources of monies for deposits to the construction funds are from revenue bond proceeds and the issuance of short-term debt.

	2019	2018
Construction funds - Cash and cash equivalents	\$ 83	\$ -
Construction funds - Investments	<u>32,334</u>	<u>38,012</u>
	<u><u>\$ 32,417</u></u>	<u><u>\$ 38,012</u></u>

The Debt service and reserve funds are established under the General Resolution. The Debt service funds are used for the payment of debt service. The Debt reserve funds consist of a Primary account and a Secondary account. The District is required by the General Resolution to maintain an amount equal to 50% of the maximum amount of interest accrued in the current or any future year in the Primary account. Such amount totaled \$30.2 million and \$36.0 million as of December 31, 2019 and 2018, respectively. The Secondary account can be established at such amounts and can be utilized for any lawful purpose as determined by the District's Board. Such account totaled \$51.6 million and \$50.9 million as of December 31, 2019 and 2018, respectively.

	2019	2018
Debt service and reserve funds - Investments	<u><u>\$ 82,189</u></u>	<u><u>\$ 86,924</u></u>

The Employee Benefit funds consist of a self-funded hospital-medical benefit plan for active employees only as of December 31, 2019 and 2018. The District pays 80% of the hospital-medical premiums with the employees paying the remaining 20% of the cost of such coverage.

	2019	2018
Employee benefit funds - Cash and cash equivalents	\$ 3,249	\$ 2,054
Employee benefit funds - Investments	- <u>246</u>	<u>246</u>
	<u><u>\$ 3,249</u></u>	<u><u>\$ 2,300</u></u>

The Decommissioning funds are utilized to account for the investments held to fund the estimated cost of decommissioning CNS when its operating license expires. The Decommissioning funds are held by outside trustees or custodians in compliance with the decommissioning funding plans approved by the Board which are invested primarily in fixed income governmental securities.

	2019	2018
Decommissioning funds - Cash and cash equivalents	\$ 15,861	\$ 14,739
Decommissioning funds - Investments	<u>636,876</u>	<u>585,632</u>
	<u><u>\$ 652,737</u></u>	<u><u>\$ 600,371</u></u>

3. FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of fair value hierarchy defined in GASB 72 are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. The District's investments in cash and cash equivalents are included as Level 1 assets.

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

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

Level 2 assets primarily include U.S. Treasury and government agency securities held in the Revenue funds and other Special Purpose Funds and U.S. Treasury and government agency securities, corporate bonds, and municipal bonds held in the Decommissioning funds.

Level 3 – Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs. The District currently does not have any Level 3 assets or liabilities.

The District performs an analysis annually to determine the appropriate hierarchy level classification of the assets and liabilities that are included within the scope of GASB 72. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. There were no liabilities within the scope of GASB 72 as of December 31, 2019 and 2018.

The following tables set forth the District's financial assets that are accounted for and reported at fair value on a recurring basis by level within the fair value hierarchy as of December 31, (in 000's):

	2019			
	Level 1	Level 2	Level 3	Total
Revenue and special purpose funds, excluding decommissioning:				
U.S. Treasury and government agency securities	\$ -	\$ 696,101	\$ -	\$ 696,101
Cash and cash equivalents	144,345	-	-	144,345
Decommissioning funds:				
U.S. Treasury and government agency securities	-	425,118	-	425,118
Corporate bonds	-	201,524	-	201,524
Municipal bonds	-	10,234	-	10,234
Cash and cash equivalents	15,861	-	-	15,861
	<u>\$ 160,206</u>	<u>\$1,332,977</u>	<u>\$ -</u>	<u>\$ 1,493,183</u>

	2018			
	Level 1	Level 2	Level 3	Total
Revenue and special purpose funds, excluding decommissioning:				
U.S. Treasury and government agency securities	\$ -	\$ 635,897	\$ -	\$ 635,897
Cash and cash equivalents	133,526	-	-	133,526
Decommissioning funds:				
U.S. Treasury and government agency securities	-	405,607	-	405,607
Corporate bonds	-	170,763	-	170,763
Municipal bonds	-	9,262	-	9,262
Cash and cash equivalents	14,739	-	-	14,739
	<u>\$ 148,265</u>	<u>\$1,221,529</u>	<u>\$ -</u>	<u>\$ 1,369,794</u>

4. UTILITY PLANT:

Utility plant activity for the year ended December 31, 2019, was as follows (in 000's):

	December 31, 2018	Increases	Decreases	December 31, 2019
Nondepreciable utility plant:				
Land and improvements	\$ 75,340	\$ 3,154	\$ -	\$ 78,494
Construction in progress	125,237	128,730	(99,703)	154,264
Total nondepreciable utility plant	<u>200,577</u>	<u>131,884</u>	<u>(99,703)</u>	<u>232,758</u>
Nuclear fuel*	<u>177,955</u>	<u>947</u>	<u>(40,115)</u>	<u>138,787</u>
Depreciable utility plant:				
Generation - Fossil	1,657,365	20,784	(2,217)	1,675,932
Generation - Nuclear	1,338,780	4,605	(1,499)	1,341,886
Transmission	1,347,106	34,171	(3,760)	1,377,517
Distribution	248,116	14,833	(9,940)	253,009
General	348,751	20,165	(3,713)	365,203
Total depreciable utility plant	<u>4,940,118</u>	<u>94,558</u>	<u>(21,129)</u>	<u>5,013,547</u>
Less reserve for depreciation	<u>(2,756,094)</u>	<u>(117,321)</u>	<u>21,129</u>	<u>(2,852,286)</u>
Depreciable utility plant, net	<u>2,184,024</u>	<u>(22,763)</u>	<u>-</u>	<u>2,161,261</u>
Utility plant activity, net	<u>\$ 2,562,556</u>	<u>\$ 110,068</u>	<u>\$ (139,818)</u>	<u>\$ 2,532,806</u>

* Nuclear fuel decreases represented amortization of \$40.1 million.

Utility plant activity for the year ended December 31, 2018, was as follows (in 000's):

	December 31, 2017	Increases	Decreases	December 31, 2018
Nondepreciable utility plant:				
Land and improvements	\$ 75,194	\$ 1,250	\$ (1,104)	\$ 75,340
Construction in progress	<u>133,515</u>	<u>95,938</u>	<u>(104,216)</u>	<u>125,237</u>
Total nondepreciable utility plant	<u>208,709</u>	<u>97,188</u>	<u>(105,320)</u>	<u>200,577</u>
 Nuclear fuel*	 <u>166,219</u>	 <u>47,913</u>	 <u>(36,177)</u>	 <u>177,955</u>
Depreciable utility plant:				
Generation - Fossil	1,650,157	8,348	(1,140)	1,657,365
Generation - Nuclear	1,322,006	25,244	(8,470)	1,338,780
Transmission	1,296,633	54,418	(3,945)	1,347,106
Distribution	234,445	17,362	(3,691)	248,116
General	<u>349,935</u>	<u>9,749</u>	<u>(10,933)</u>	<u>348,751</u>
Total depreciable utility plant	<u>4,853,176</u>	<u>115,121</u>	<u>(28,179)</u>	<u>4,940,118</u>
Less reserve for depreciation	<u>(2,658,206)</u>	<u>(126,067)</u>	<u>28,179</u>	<u>(2,756,094)</u>
Depreciable utility plant, net	<u>2,194,970</u>	<u>(10,946)</u>	<u>-</u>	<u>2,184,024</u>
Utility plant activity, net	<u>\$ 2,569,898</u>	<u>\$ 134,155</u>	<u>\$ (141,497)</u>	<u>\$ 2,562,556</u>

* Nuclear fuel decreases represented amortization of \$36.2 million.

5. LONG-TERM CAPACITY CONTRACTS:

Long-term capacity contracts include the District's share of the construction costs of Omaha Public Power District's ("OPPD") 664-megawatt ("MW") Nebraska City Station Unit 2 ("NC2") coal-fired power plant. The District has a participation power agreement with OPPD for a 23.7% share of the power from this plant. NC2 began commercial operation on May 1, 2009, at which time the District began amortizing the amount of the capacity contract associated with the plant on a straight-line basis over the 40-year estimated useful life of the plant. Accumulated amortization was \$48.8 million and \$44.3 million as of December 31, 2019 and 2018, respectively. The unamortized amount of the plant capacity contract was \$130.0 million and \$134.7 million as of December 31, 2019 and 2018, respectively, of which \$4.4 million was included in Prepayments and other current assets as of December 31, 2019 and 2018. The District's share of NC2 working capital was also included in Prepayments and other current assets and was \$6.9 million and \$6.6 million as of December 31, 2019 and 2018, respectively.

Long-term capacity contracts also include the District's purchase of the capacity of a 50 MW hydroelectric generating facility owned and operated by The Central Nebraska Public Power and Irrigation District ("Central"). The District is amortizing the contract on a straight-line basis over the 40-year estimated useful life of the facility. Accumulated amortization was \$71.2 million and \$68.9 million as of December 31, 2019 and 2018, respectively. The unamortized amount of the Central capacity contract was \$15.5 million and \$17.8 million as of December 31, 2019 and 2018, respectively, of which \$2.3 million was included in Prepayments and other current assets as of December 31, 2019 and 2018.

The District has an agreement whereby Central makes available all the production of the facility and the District pays all costs of operating and maintaining the facility plus a charge based on the amount of energy delivered to the District. Power purchased costs related to Central were \$2.2 million and \$1.4 million in 2019 and 2018, respectively.

6. INVESTMENT IN THE ENERGY AUTHORITY:

The District has an investment in The Energy Authority ("TEA"), a nonprofit corporation headquartered in Jacksonville, Florida, and incorporated in Georgia. TEA provides public power utilities access to dedicated resources and advanced technology systems. The District's interest in TEA is 17.65% as of December 31, 2019 and 2018, respectively. In addition to the District, the following utilities have interests of 17.65% each as of December 31, 2019: American Municipal Power, Inc.; JEA (Florida); Municipal Energy Authority of Georgia; and South Carolina Public Service Authority (a.k.a. Santee Cooper). The following utilities have interests in TEA of

5.875% each as of December 31, 2019: City Utilities of Springfield, Missouri and Gainesville Regional Utilities (Florida). Cowlitz County Public Utility District (Washington) terminated its ownership interest in TEA in 2018.

Such investment was \$7.6 million and \$7.0 million as of December 31, 2019 and 2018, respectively. TEA's revenues and costs are allocated to members pursuant to Settlement Procedures under the Operating Agreement. TEA is the District's market participant in SPP's Integrated Market and provides the District gas contract management and other services. The District accounts for its investment in TEA under the equity method of accounting.

The District was obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to \$78.9 million plus attorney's fees, at December 31, 2019, which any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. Generally, the District's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity, or transmission which was delivered or made available or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract.

The District's exposure relating to TEA is limited to the District's investment in TEA, any accounts receivable from TEA, and trade guarantees provided to TEA by the District. Upon the District making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's interest in TEA and the guarantees they have provided. In March 2018, the District increased its guarantee to TEA from \$28.9 million to \$78.9 million to support additional trading for TEA to pursue specific business growth opportunities. In March 2020, the Board approved a \$25.0 million reduction in the guarantee amount as the specific business growth opportunities, for which the additional guarantee had been authorized, were no longer being pursued by TEA. After this reduction in March 2020, the District guarantee to TEA is \$53.9 million. After such contributions have been made, the District would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the District has the right to reduce and/or terminate its guarantee obligations by providing advanced notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The District did not record any liabilities for these guarantees as of December 31, 2019 and 2018.

Financial statements for TEA may be obtained at The Energy Authority, 301 W. Bay Street, Suite 2600, Jacksonville, Florida, 32202.

7. DEBT:

The following table summarizes debt balances as of December 31, 2019 and 2018, and debt activity for 2019 (in 000's):

	Total Debt at December 31, 2018	Increases	Decreases	Total Debt at December 31, 2019	Long-Term Debt at December 31, 2019	Current Liabilities at December 31, 2019
Revenue bonds	\$ 1,530,540	\$ 132,195	\$ (245,188)	\$ 1,417,547	\$ 1,336,092	\$ 81,455
Revolving credit agreements	254,964	28,298	(56,109)	227,153	146,317	80,836
Total debt activity	<u>\$ 1,785,504</u>	<u>\$ 160,493</u>	<u>\$ (301,297)</u>	<u>\$ 1,644,700</u>	<u>\$ 1,482,409</u>	<u>\$ 162,291</u>

The following table summarizes debt balances as of December 31, 2018 and 2017, and debt activity for 2018 (in 000's):

	Total Debt at December 31, 2017	Increases	Decreases	Total Debt at December 31, 2018	Long-Term Debt at December 31, 2018	Current Liabilities at December 31, 2018
Revenue bonds	\$ 1,646,474	\$ -	\$ (115,934)	\$ 1,530,540	\$ 1,451,605	\$ 78,935
Revolving credit agreements	234,212	70,195	(49,443)	254,964	55,000	199,964
Total debt activity	<u>\$ 1,880,686</u>	<u>\$ 70,195</u>	<u>\$ (165,377)</u>	<u>\$ 1,785,504</u>	<u>\$ 1,506,605</u>	<u>\$ 278,899</u>

Revenue Bonds

In October 2019, the District issued \$74.7 million of General Revenue Bonds, 2019 Series B-1 (Taxable) and \$16.3 million of General Revenue Bonds, 2019 Series B-2 (Taxable) for the principal purpose of refunding certain of the District's outstanding General Bonds, 2012 Series A, 2014 Series A, 2014 Series C, and 2015 Series A-2. The refunding was completed with \$91.0 million of the proceeds from the 2019 Series B-1 and B-2 General Revenue Bonds and \$3.5 million of other available funds. As a result, total debt service payments over the life of the bonds were reduced by \$9.9 million, which resulted in total present value savings of \$6.0 million.

In January 2019, the District issued \$36.0 million of General Revenue Bonds, 2019 Series A, at a premium of \$5.2 million, to refund \$50.4 million of General Revenue Bonds, 2009 Series A (Taxable Build America Bonds). The refunding was completed with \$41.2 million of the proceeds from General Revenue Bonds, 2019 Series A, \$3.7 million from the TERCA, and \$5.5 million of other available funds. As a result, total debt service payments over the life of the bonds was reduced by \$20.4 million, which resulted in present value savings of \$6.6 million.

In January 2019, the District defeased certain of the General Revenue Bonds, 2017 Series A, with an outstanding principal amount that aggregated \$7.3 million and called the remaining outstanding General Revenue Bonds, 2009 Series C, with a principal amount that aggregated \$0.4 million.

The District expects to issue additional revenue bonds for an SPP Notice to Construct project for 225 miles of 345 kV transmission line, budgeted at \$417.3 million, which project may be financed in whole or in part, as early as 2020 and throughout its scheduled completion.

In January 2018, the District called the remaining outstanding General Revenue Bonds, 2012 Series C, with a principal amount that aggregated \$4.2 million.

Congressional action reduced the 35% interest subsidy, pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, on the District's General Revenue Bonds, 2009 Series A (Taxable Build America Bonds) and 2010 Series A (Taxable Build America Bonds). Reductions were 6.2% and 6.6% for fiscal years ended September 30, 2019 and 2018, respectively.

There were outstanding principal amounts aggregating \$94.1 million from legal defeasances of General Revenue Bonds, 2012 Series A, 2014 Series A, 2014 Series C, 2015 Series A-2, and 2017 Series A, as of December 31, 2019. There were no outstanding principal amounts from legal defeasances of General Revenue Bonds as of December 31, 2018.

The General Bonds are special obligations of the District payable solely by the Pledged Property, which is the revenues and all funds and accounts created under the General Resolution. The General Resolution defines Events of Default which may result in the declaration of the principal of all outstanding General Bonds and the accrued interest to be due and payable immediately. Events of Default include failure to make timely debt service payments, extended defaults in the performance of any debt covenants, and court order relating to bankruptcy or insolvency of the District.

Debt service payments and principal payments of the General Revenue Bonds as of December 31, 2019, are as follows (in 000's):

Year	Debt Service Payments	Principal Payments
2020	\$ 141,165	\$ 81,455
2021	139,083	83,205
2022	132,498	80,700
2023	132,163	83,785
2024	132,568	87,545
2025-2029	551,104	379,915
2030-2034	407,330	314,795
2035-2039	173,691	141,230
2040-2044	64,942	57,810
2045	2,809	2,675
Total Payments	<u>\$ 1,877,353</u>	<u>\$ 1,313,115</u>

The fair value of outstanding revenue bonds was determined using currently published rates. The fair value was estimated to be \$1,512.0 million and \$1,610.4 million as of December 31, 2019 and 2018, respectively.

Commercial Paper Notes and Line of Credit Agreement

The District terminated its Commercial Paper Notes ("Notes") program and the Line of Credit Agreement that supported the payment of the principal outstanding on the Notes after execution of the TERCA in 2017.

Tax-Exempt Revolving Credit Agreement

The District entered into a TERCA with two commercial banks to provide for loan commitments to the District up to an aggregate amount not to exceed \$150.0 million on June 29, 2017. The TERCA replaced the Commercial Paper Notes and Line of Credit Agreement. The District had an outstanding balance under the TERCA of \$80.8 million and \$55.0 million as of December 31, 2019 and 2018, respectively. As such, the remaining credit available under TERCA was \$69.2 million and \$95.0 million as of December 31, 2019 and 2018, respectively. The outstanding amount is anticipated to be retired by future collections through electric rates and the issuance of revenue bonds. The carrying value approximates market value because the agreement terminates on June 29, 2020.

The obligation of the District to pay the principal, interest, bank fees, and expenses pursuant to the TERCA during the revolving credit period is payable from the Pledged Property subject and subordinated to the pledge of the Pledged Property to the payment of the General Bonds. However, if the TERCA is converted to a term loan, the payment obligation of the District under the TERCA would be on a parity with the District's obligation to pay the General Bonds.

The TERCA defines Events of Default which may result in the declaration of the principal and the accrued interest to be due and payable at an earlier date or immediately. Events of Default include failure to make timely debt service payments, extended defaults in the performance of any debt covenants, court order relating to bankruptcy or insolvency of the District, extended failure to pay a final unappealable judgment of \$5.0 million or greater, an imposed debt moratorium or comparable restriction on debt service payments, and an extended long-term rating downgrade to below "BBB-" for credit-related reasons.

Taxable Revolving Credit Agreement

The District has entered into a TRCA with two commercial banks to provide for loan commitments to the District up to an aggregate amount not to exceed \$200.0 million. The TRCA allows the District to increase the loan commitments to \$300.0 million. The District had outstanding balances under the TRCA of \$146.3 million and \$200.0 million, as of December 31, 2019 and 2018, respectively. As such, the remaining credit available under TRCA, using the allowance to increase the loan commitments to \$300.0 million, was \$153.7 million and \$100.0 million as of December 31, 2019 and 2018, respectively. The outstanding amount is anticipated to be retired by future collections through electric rates. The carrying value approximates market value because the agreement was renewed on July 30, 2018, with a termination date of July 29, 2021.

The obligation of the District to pay the principal, interest, bank fees, and expenses pursuant to the TRCA during the revolving credit period is payable from the Pledged Property subject and subordinated to the pledge of the Pledged Property to the payment of the General Bonds. However, if the TRCA is converted to a term loan, the payment obligation of the District under the TRCA would be on a parity with the District's obligation to pay the General Bonds.

The TRCA defines Events of Default which may result in the declaration of the principal and the accrued interest to be due and payable immediately and the termination of the Agreement. Events of Default include failure to make timely debt service payments, extended defaults in the performance of any debt covenants, court order relating to bankruptcy or insolvency of the District, extended failure to pay a final unappealable judgment, an imposed debt moratorium or comparable restriction on debt service payments, and an extended long-term rating downgrade to below "BBB-".

Revenue bonds consist of the following (000's except interest rates):

December 31,	Interest Rate	2019	2018
General Revenue Bonds:			
2009 Series A Taxable Build America Bonds:			
Term Bonds: 2019–2025	6.606%	\$ -	\$ 17,465
2026–2034	7.399%	-	32,890
2010 Series A Taxable Build America Bonds:			
Serial Bonds: 2019–2024	3.98% - 4.73%	26,915	31,875
Term Bonds: 2025–2029	5.323%	27,985	27,985
2030–2042	5.423%	54,190	54,190
2010 Series B Taxable Serial Bonds 2019–2020	4.13% - 4.18%	970	1,880
2010 Series C:			
Serial Bonds: 2019–2025	3.00% - 5.00%	27,435	32,190
Term Bonds: 2026–2030	4.00%	6,165	6,165
2026–2030	5.00%	14,180	14,180
2012 Series A Serial Bonds 2019–2034	3.00% - 5.00%	126,985	173,490
2012 Series B:			
Serial Bonds: 2019–2032	2.875% - 5.00%	66,015	74,410
Term Bonds: 2033–2036	3.625%	2,320	2,320
2037–2042	3.625%	4,155	4,155
2013 Series A Serial Bonds 2019–2033	3.00% - 5.00%	62,680	62,680
2014 Series A:			
Serial Bonds: 2019–2038	3.50% - 5.00%	96,325	147,135
Term Bonds: 2039–2043	4.00%	31,650	31,650
2039–2043	4.125%	1,945	1,945
2014 Series C Serial Bonds 2019–2033	4.00% - 5.00%	87,435	115,685
2015 Series A-1 Serial Bonds 2022–2034	3.00% - 5.00%	119,400	119,400
2015 Series A-2:			
Serial Bonds: 2019–2034	3.00% - 5.00%	50,260	55,590
Term Bonds: 2035–2039	5.00%	46,205	46,205
2016 Series A:			
Serial Bonds: 2024–2035	3.125% - 5.00%	53,665	53,665
Term Bonds: 2036–2040	5.00%	5,595	5,595
2016 Series B:			
Serial Bonds: 2028–2036	5.00%	64,570	64,570
Term Bonds: 2037–2039	5.00%	1,165	1,165
2016 Series C Serial Bonds 2019–2035	4.00% - 5.00%	59,320	63,245
2016 Series D:			
Serial Bonds: 2019–2035	3.00% - 5.00%	19,290	20,135
Term Bonds: 2036–2040	5.00%	9,505	9,505
2041–2045	5.00%	12,140	12,140
2016 Series E Taxable Serial Bonds 2022–2033	2.337% - 3.567%	56,050	56,050
2017 Series A Serial Bonds 2019–2027	2.00% - 5.00%	5,820	15,360
2017 Series B Serial Bonds 2019–2027	5.00%	47,015	53,240
2019 Series A Serial Bonds 2020–2034	5.00%	34,770	-
2019 Series B-1 Taxable Serial Bonds 2020–2028	1.986% - 2.593%	74,650	-
2019 Series B-2 Taxable Serial Bonds 2020–2028	1.986% - 2.593%	16,345	-
Total par amount of revenue bonds		1,313,115	1,408,155
Unamortized premium net of discount		104,432	122,385
		1,417,547	1,530,540
Less – current maturities of revenue bonds		(81,455)	(78,935)
Total revenue bonds		\$1,336,092	\$1,451,605

8. PAYMENTS IN LIEU OF TAXES:

The District is required to make payments in lieu of taxes, aggregating 5% of the gross revenue derived from electric retail sales within the city limits of incorporated cities and towns served directly by the District. Such payments totaled \$10.2 million and \$10.4 million for the years ended December 31, 2019 and 2018, respectively.

9. ASSET RETIREMENT OBLIGATIONS:

Measurement of ARO under GASB guidance is based on the best estimate in today's dollars, or the current value, of cash outlays expected to be incurred in the future. The GASB guidance requires the recognition of a corresponding deferred outflow of resources. The District uses regulatory accounting to align asset retirement costs with their related recognition in rates. The difference in the ARO amounts and the related deferred outflows represents the amounts collected in rates and interest income on decommissioning funds.

AROs as of December 31, are as follows (in 000's):

Description	2019	2018
CNS license termination costs	\$ 846,252	\$ 827,307
GGS and Sheldon ash landfills	10,105	9,212
Ainsworth	2,036	1,991
Underground storage tanks	1,000	1,000
	<u>\$ 859,393</u>	<u>\$ 839,510</u>

The District is required by the Nuclear Regulatory Commission ("NRC") to decommission CNS after cessation of plant operations, consistent with regulations in the U.S. Code of Federal Regulations. The CNS license termination costs were based on an external study for costs for three different scenarios: 1) immediate commencement of decommissioning after license termination in 2034; 2) delayed decommissioning for 46 years after license termination; and 3) safe storage for 60 years after license termination. The costs were based on several key assumptions in areas of regulation, component characterization, high-level radioactive waste management, low-level radioactive waste disposal, performance uncertainties (contingency) and site restoration requirements. An expert panel, consisting of District management representatives with considerable nuclear experience, assigned probabilities to these different scenarios. These weighted probabilities were used when calculating the ARO. Rates in the consumer price index for all urban consumers ("CPI-U") were used to adjust these obligations for inflation, as the costs in the study were in 2015 dollars. The inflation rates used were 2.29% and 1.91% for the years 2019 and 2018, respectively. The District has funds set aside for decommissioning of \$652.7 million and \$600.4 million as of December 31, 2019 and 2018, respectively. These funds exceeded the NRC's required funding provisions for nuclear decommissioning.

The District is required by the Environmental Protection Agency ("EPA") and the Nebraska Department of Environment & Energy ("NDEE") to decommission the ash landfills at Gerald Gentleman Station ("GGS") and Sheldon, consistent with their regulations. As GASB guidance is unclear related to the accounting treatment for ash landfill AROs, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was considered analogous authoritative literature and applied in this situation. The ash landfills have an estimated closure date in the years 2086 and 2034 for GGS and Sheldon, respectively. The AROs were based on external studies to estimate costs using one scenario after an assessment of the physical site. The closure and post-closure costs were based on the Closure Plan in the studies and included final cover placements and lined surface water control structures. The costs in the latest studies were in 2019 and 2017 dollars for GGS and Sheldon, respectively. The rate of 2.29% in the CPI-U was used to adjust the Sheldon obligation for inflation in 2019. The inflation rate of 2.26% used for 2018 was provided by the NDEE. The District provides guarantees and financial assurance through correspondence and supporting information to NDEE annually. The District included in rates decommissioning costs for certain assets at GGS and Sheldon. The costs included in rates for the decommissioning of the ash landfills were \$0.4 million for 2019 and 2018. These rate collections reduced the related deferred outflow for the ash landfills.

The District is required by contracts with the landowners of the Ainsworth Wind Energy Facility (“Ainsworth”) site to restore the property, as nearly as possible, to the condition it was in prior to the District’s use of the easement. Ainsworth has an estimated closure date of September 30, 2025. The ARO was based on an external study for costs using one scenario. The assumptions included: 1) no hazardous construction material abatement is required; 2) no environmental costs to address site clean-up; 3) floor drain and septic tanks will be decommissioned per state regulations; 4) wind turbine nacelles, turbine towers, transformers and other electrical equipment are removed from the site by the demolition contractor; 5) the O&M buildings and one onsite meteorological tower were included with the demolition costs; 6) all foundations will be removed to two feet below finished grade; and 7) all concrete and crushed rock surfacing will be removed. The costs in the study were in 2015 dollars. Rates in the CPI-U were used to adjust these obligations for inflation. The inflation rates used were 2.29% and 1.91% for the years 2019 and 2018, respectively. There are no legally required funding and assurance provisions associated with this ARO. The costs included in rates for the decommissioning of Ainsworth were \$0.2 million and \$0.2 million for 2019 and 2018, respectively. These rate collections reduced the related deferred outflow for Ainsworth.

The District is required by the NDEE to decommission the underground storage tanks at various locations in the District’s service area, consistent with its regulations. The remaining lives of the storage tanks cannot be reasonably estimated. The AROs were based on the best estimate of District management representatives with expertise in environmental issues. The District provided guarantees and financial assurance through correspondence and supporting information to NDEE annually. There have not been any decommissioning costs for the underground storage tanks included in rates.

10. RETIREMENT PLAN:

The District’s Employees’ Retirement Plan (the “Plan”) is a defined contribution 401(k) pension plan established and administered by the District to provide benefits at retirement to regular full-time and part-time employees. There were 1,888 active Plan members as of December 31, 2019 and 2018, respectively. Plan provisions and contribution requirements are established and may be amended by the Board.

Plan members are eligible to begin participation in the Plan immediately upon hire. Beginning January 1, 2018, the Board approved an increase in matching for covered salary from \$40,000 to \$75,000. Contributions ranging from 2% to 5% of base pay are eligible for District matching dollars after six months of employment. The District contributes two times the Plan member’s contribution based on covered salary up to \$75,000. On covered salary greater than \$75,000, the District contributes one times the Plan member’s contribution. The Participants’ contributions were \$15.3 million and \$14.6 million for 2019 and 2018, respectively. The District’s matching contributions were \$15.2 million and \$14.8 million for 2019 and 2018, respectively. Total contributions of \$1.6 million and \$1.5 million were accrued in Accounts payable and accrued liabilities as of December 31, 2019 and 2018, respectively.

Plan members are immediately vested in their own contributions and earnings and become vested in the District’s contributions and earnings based on the following vesting schedule:

Years of Vesting Participation	Percent
5 years or more	100%
4 years	75%
3 years	50%
2 years	25%
Less than 2 years	0%

Nonvested District contributions are first used to cover Plan administrative expenses and any remaining forfeitures are allocated back to Plan participants.

Employees may also contribute to an eligible deferred compensation plan which is intended to meet the requirements of Code Section 457(b) (“457(b) Plan”). The 457(b) Plan is a defined contribution plan which permits Pre-tax and Roth elective deferral contributions. The Plan does not provide for a District match but does permit discretionary non-elective contributions by the District. Participants may change their elective deferrals at any

time. Early withdrawals can be made from the 457(b) Plan following separation of service regardless of age with no IRS penalty. Income taxes are owed on any withdrawals of Pre-tax elective deferral contributions and discretionary non-elective contributions. Income taxes are not owed on withdraws of Roth elective deferral contributions if certain requirements are met. The total contributions to the 457(b) Plan were \$2.3 million and \$2.2 million for 2019 and 2018, respectively.

11. OTHER POSTEMPLOYMENT BENEFITS:

A. General information regarding the OPEB Plan –

Plan Description

The District's Postemployment Medical and Life Benefits Plan ("Plan") provides postemployment hospital-medical and life insurance benefits to qualifying retirees, surviving spouses, and employees on long-term disability and their dependents. Benefits and related eligibility, funding and other Plan provisions, for this single-employer, defined benefit Plan, are authorized by the Board. The Plan is administered by the District.

The Plan has been amended over the years and provides different benefits based on hire date and/or the age of the employee. The District pays all or part of the cost (determined by age) of certain hospital-medical premiums for employees hired on or prior to December 31, 1992. Employees hired on or after January 1, 1993, are subject to a contribution cap that limits the District's portion of the cost of such coverage to the full premium the year the employee reached age 65, or the year in which the employee retires if older than age 65. Employees hired on or after January 1, 1999, are not eligible for other postemployment hospital-medical benefits once they reach age 65. Employees hired on or after January 1, 2004, are not eligible for other postemployment hospital-medical benefits once they retire. The District amended the Plan effective July 1, 2007, to provide that any former employee who is rehired will receive credit for prior years of service. The District further amended the Plan effective September 1, 2007, to provide that employees hired or rehired on or after that date must work five consecutive years immediately prior to retirement to be eligible for other postemployment hospital-medical benefits once they retire. In May 2015, the Board approved a change for Medicare-eligible retirees for prescription drugs from the District's self-insured employee prescription plan to a group insured Medicare Part D supplement effective January 1, 2016. The District also provides a postemployment death benefit of \$5,000 for qualifying employees.

On January 9, 2020, the Board approved OPEB benefits for District employees who were ineligible for healthcare benefits at retirement. The benefits consist of an annual financial stipend, based on age, to be applied toward qualifying medical expenses of the retired employee. Plan provisions, including eligibility requirements, need to be finalized and incorporated in the OPEB Plan documents prior to January 1, 2021, the effective date of the new benefits.

Employees Covered by Benefit Terms

The following table shows the employees covered by the hospital-medical benefit terms as of January 1:

	2019	2018
Active employees	934	971
Inactive employees in retirement status	1,370	1,361
Inactive employees in long-term disability status	56	61
Total employees covered by benefit terms	<u>2,360</u>	<u>2,393</u>

The following table shows the employees covered by the life insurance benefit terms as of January 1:

	2019	2018
Active employees	1,902	1,838
Inactive employees in retirement status	1,213	1,185
Inactive employees in long-term disability status	65	70
Total employees covered by benefit terms	<u>3,180</u>	<u>3,093</u>

Contributions

The Board annually approves the funding for the Plan, which has a minimum funding requirement of the actuarially-determined annual required contribution to achieve full funding status on or before December 31, 2033. The District OPEB contributions were \$41.1 million and \$56.7 million in 2019 and 2018, respectively. These contributions included additional contributions for prior employee service of \$12.8 million in 2019 for the transmission and retail levels of service and \$28.5 million in 2018 for the production level of service. Certain wholesale customers under the 2002 Wholesale Power Contracts ("2002 Contracts") objected to the inclusion in rates of additional collections of previously incurred OPEB costs. An arbitration panel ruled in favor of the District in April 2017. This case was appealed and argued before the Nebraska Supreme Court ("Court") in March 2018. The Court upheld the 2017 arbitration decision in June 2018. Information on litigation with wholesale customers under the 2002 Contracts is included in Note 12.C.

Contributions from Plan members are the required premium share for inactive members, which is based on hire date and/or age. Contributions from Plan members were \$0.7 million for 2019 and 2018. As these contributions were from inactive members, they were reported as a reduction of benefit expenses. Members do not contribute to the cost of the life insurance benefits.

B. *Net OPEB Liability* –

The District's net OPEB liability was measured as of January 1, 2019, and January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of these dates.

Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the January 1, 2019, actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2018. Demographic assumptions were updated as a result of an assumption study performed in 2018. The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions and methods, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	14-year closed period
Asset valuation method	5-year smoothed market
Healthcare cost trend rates	Pre-Medicare: 7.4% initial, ultimate 4.5% Post-Medicare: 8.2% initial, ultimate 4.5% Included impact of the excise tax (not repealed until 12/2019)
Inflation	2.3%
Salary increases	4.0%
Investment rate of return	6.25%, net of investment expense, including inflation
Discount rate	6.25%, based on expected long-term return on assets used to finance the payment of plan benefits
Mortality	Pub-2010 "General" table with generational projection using Scale MP-2018
Retirement and withdrawal rates	Varies by age
Spousal benefits	80% of males and 60% of females are assumed to have spouses who will elect coverage. Males are assumed to be two years older than their spouses. Females are assumed to be two years younger.
Participation rate	95.0%

The actuarial assumptions used in the January 1, 2018 actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2017. The total OPEB liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions and methods, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	15-year closed period
Asset valuation method	5-year smoothed market
Healthcare cost trend rates	Pre-Medicare: 7.7% initial, ultimate 4.5% Post-Medicare: 8.7% initial, ultimate 4.5%
Inflation	2.3%
Salary increases	4.0%
Investment rate of return	6.25%, net of investment expense, including inflation
Discount rate	6.25%, based on expected long-term return on assets used to finance the payment of plan benefits
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2017 with generational projection
Retirement and withdrawal rates	Varies by age
Spousal benefits	80% of males and 30% of females are assumed to have spouses who will elect coverage. Males are assumed to be three years older than their spouses. Females are assumed to be three years younger.
Participation rate	100.0%

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for the valuation measurement date of January 1,:

Asset Class	Target Allocation	2019 Long-Term Expected Real Rate of Return
Equity (1)	70%	7.4%
Fixed income	30%	3.6%
	<hr/> <hr/>	6.5%

Asset Class	Target Allocation	2018 Long-Term Expected Real Rate of Return
Equity (1)	70%	6.8%
Fixed income	30%	3.3%
	<hr/> <hr/>	6.0%

(1) The actuary included the 10% real estate allocation with equity.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25% for the actuarial valuations as of January 1, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially-determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability –

The following table shows the Total OPEB Liability, Plan Fiduciary Net Position and Net OPEB Liability as of January 1, 2019, and the changes during this period, based on the valuation measurement date of January 1, 2019 (in 000's):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances at 1/1/2018	\$ 318,737	\$ 176,814	\$ 141,923
Changes for the year:			
Service cost	2,771	-	2,771
Interest	19,661	-	19,661
Differences between expected and actual experience ..	(8,686)	-	(8,686)
Changes of assumptions	(751)	-	(751)
Contributions - employer	-	56,706	(56,706)
Net investment income	-	(6,892)	6,892
Benefit payments	(14,060)	(14,060)	-
Administrative expense		(130)	130
Net changes	(1,065)	35,624	(36,689)
Balances at 1/1/2019	<u>\$ 317,672</u>	<u>\$ 212,438</u>	<u>\$ 105,234</u>

There were changes made in certain assumptions for the valuation measurement date of January 1, 2019. The mortality assumptions were updated to the Pub-2010 "General" table with generational projection using Scale MP-2018. The healthcare trend rates were also updated. Demographic assumptions updated as a result of an assumption study performed in 2018 included: retirement rates, withdrawal rates, retiree healthcare participation rate, spouse coverage election percentage, and spouse age differential.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table shows the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the discount rate (6.25%) at the measurement date of January 1, 2018 (in 000's):

	1% Decrease	Discount Rate	1% Increase
Net OPEB Liability	<u>\$ 144,753</u>	<u>\$ 105,234</u>	<u>\$ 72,256</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table shows the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Pre-Medicare ranging from 6.4% initial to 3.5% ultimate, Post-Medicare ranging from 7.2% initial to 3.5% ultimate) or 1- percentage-point higher (Pre-Medicare ranging from 8.4% initial to 5.5% ultimate, Post-Medicare ranging from 9.2% initial to 5.5% ultimate) than the healthcare cost trend rates (Pre-Medicare ranging from 7.4% initial to 4.5% ultimate, Post-Medicare ranging from 8.2% initial to 4.5% ultimate) at the measurement date of January 1, 2019 (in 000's):

	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
Net OPEB Liability	\$ 73,323	\$ 105,234	\$ 143,313

The following table shows the Total OPEB Liability, Plan Fiduciary Net Position and Net OPEB Liability as of January 1, 2018, and the changes during this period, based on the valuation measurement date of January 1, 2018 (in 000's):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances at 1/1/2017	\$ 325,344	\$ 142,509	\$ 182,835
Changes for the year:			
Service cost	2,760	-	2,760
Interest	20,032	-	20,032
Differences between expected and actual experience	(19,570)	-	(19,570)
Changes of assumptions	5,585	-	5,585
Contributions - employer	-	28,439	(28,439)
Net investment income	-	21,350	(21,350)
Benefit payments	(15,414)	(15,414)	-
Administrative expense		(70)	70
Net changes	(6,607)	34,305	(40,912)
Balances at 1/1/2018	\$ 318,737	\$ 176,814	\$ 141,923
Net position as a % of Total OPEB Liability	55.5%		

There were changes made in certain assumptions for the valuation measurement date of January 1, 2018. The mortality assumption was updated to the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2017 with generational projection. The healthcare trend rates were also updated.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table shows the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the discount rate (6.25%) at the measurement date of January 1, 2018 (in 000's):

	Discount Rate		
	1% Decrease		1% Increase
Net OPEB Liability	\$ 181,577	\$ 141,923	\$ 108,851

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table shows the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Pre-Medicare ranging from 6.7% initial to 3.5% ultimate, Post-Medicare ranging from 7.7% initial to 3.5% ultimate) or 1-percentage-point higher (Pre-Medicare ranging from 8.7% initial to 5.5% ultimate, Post-Medicare ranging from 9.7% initial to 5.5% ultimate) than the healthcare cost trend rates (Pre-Medicare ranging from 7.7% initial to 4.5% ultimate, Post-Medicare ranging from 8.7% initial to 4.5% ultimate) at the measurement date of January 1, 2018 (in 000's):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 109,596	\$ 141,923	\$ 180,578

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan Fiduciary Net Position is available in separately issued audited financial statements for Nebraska Public Power District Postemployment Medical and Life Benefits Plan available on the District's website, NPPD.com.

D. OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB –

The Board annually approves the OPEB expense in rates and has authorized the use of regulatory accounting to equate OPEB expense with the amount in rates. OPEB expense was \$8.0 million for 2019, as calculated under the GASB Statement No. 75 guidance, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. With regulatory accounting, OPEB expense and the amount included in rates was \$28.3 million for 2018. The regulatory accounting OPEB expense is higher because it includes the amortization of costs related to prior periods, including a \$12.8 million catch-up rate collection for the net OPEB liability for transmission and retail levels of services of \$10.0 million and \$2.8 million, respectively.

The following table summarizes the reported deferred outflows and deferred inflows of resources as of December 31, 2019 (in 000's):

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 1,552	\$ 28,897
Changes in assumptions	-	644
Difference between actual and expected earnings	16,134	7,227
Contributions made during the year ended December 31, 2019	41,084	-
	<u>\$ 58,770</u>	<u>\$ 36,768</u>

The deferred outflows of resources related to the contributions made during the year ended December 31, 2019 will be recognized in the actuarial valuation with a measurement date of January 1, 2020. The net of the other deferred outflows and deferred inflows of resources will be recognized as a reduction in OPEB expense as follows (in 000's):

Year	Amount
2020	\$ (2,717)
2021	(3,682)
2022	(4,444)
2023	(2,109)
2024	(4,585)
2025	(1,545)
Total	<u>\$ (19,082)</u>

OPEB expense was \$8.4 million for 2018, as calculated under the GASB Statement No. 75 guidance. With regulatory accounting, OPEB expense and the amount included in rates was \$53.2 million for 2018. The regulatory accounting OPEB expense is higher because it includes the amortization of costs related to prior periods, including a \$25.0 million catch-up rate collection for the net OPEB liability for past production-level services.

The following table summarizes the reported deferred outflows and deferred inflows of resources as of December 31, 2018 (in 000's):

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 2,291	\$ 25,957
Difference between actual and expected earnings	2,221	9,635
Contributions made during the year ended December 31, 2018	56,706	-
	<u>\$ 61,218</u>	<u>\$ 35,592</u>

The deferred outflows of resources related to the contributions made during the year ended December 31, 2018 were recognized in the actuarial valuation with a measurement date of January 1, 2019. The net of the other deferred outflows and deferred inflows of resources will be recognized as a reduction in OPEB expense as follows (in 000's):

Year	Amount
2019	\$ (5,112)
2020	(5,112)
2021	(6,078)
2022	(6,839)
2023	(4,505)
2024	(3,237)
2025	(197)
Total	<u><u>\$ (31,080)</u></u>

Additional information is available in the unaudited Required Supplementary Information section following the Notes to Financial Statements.

12. COMMITMENTS AND CONTINGENCIES:

A. Fuel Commitments –

The District has various coal supply contracts with minimum estimated future payments of \$197.0 million at December 31, 2019. These contracts expire at various times through the end of 2023. The coal transportation contract in place is sufficient to deliver coal to the generation facilities through and beyond the expiration date of the aforementioned contracts and is subject to price escalation adjustments.

The District has a contract for conversion services of uranium to uranium hexafluoride which is in effect through 2021, a contract for enrichment services through 2024, if needed, and a contract for fabrication services through January 18, 2034, if needed, the end of the current operating license of CNS. These commitments for nuclear fuel material and services have combined estimated future payments of \$194.0 million.

B. Power Purchase and Sales Agreements –

The District has entered into a participation power agreement (the "NC2 Agreement") with OPPD to purchase 23.7% of the power of NC2, estimated to be 157 MW of the power from the 664 MW coal-fired power plant constructed by OPPD. The NC2 Agreement contains a step-up provision obligating the District to pay a share of the cost of any deficit in funds for operating expenses, debt service, other costs, and reserves related to NC2 in the event of a defaulting power purchaser. The District's obligation pursuant to such step-up provision is limited to 160% of its original participation share. No such default has occurred to date.

The District has entered into a participation power sales agreement with Municipal Energy Agency of Nebraska ("MEAN") for the sale to MEAN of the power and energy from GGS and CNS of 50 MW which began January 1, 2011 and continues through December 31, 2023.

The District has entered into power sales agreements with LES for the sale to LES of 8% of the net power and energy of GGS. In return, LES agrees to pay 8% of all costs attributable to GGS. This agreement is to terminate upon the later of the last maturity of the debt attributable to GGS or the date on which the District retires such station from commercial operation.

The District has wholesale power purchase commitments with the Western Area Power Administration through 2020 with annual minimum future payments of approximately \$27.5 million. These purchases are subject to rate changes.

The District owns and operates the 60 MW Ainsworth Wind Energy Facility and has 20-year participation power agreements to sell 28 MW to four other utilities. One of which, JEA, has given notice to terminate on December 31, 2019. In addition, the District has power purchase agreements with seven wind facilities having a total capacity of 435 MW. These agreements are for terms ranging from 20 to 25 years and require the District to purchase all the electric power output of these wind facilities. The District has entered into power sales agreements to sell 154 MW of this capacity to four other utilities in Nebraska over similar terms.

The District has entered into a power purchase agreement with Central for the purchase of the net power and energy produced by the Kingsley Project during its operating life. The Kingsley Project is a hydroelectric generating unit at the Kingsley Dam in Keith County, Nebraska with an accredited net capacity of 37 MW.

The District has entered into long-term PRO Agreements with 79 municipalities for the operation of certain retail electric distribution systems. Seventy-seven of these municipalities have renewed or enhanced their PRO Agreements with terms of 20 or 25 years expiring between 2038 and 2044. The remaining two PRO Agreements are being actively worked for renewal and expire in 2029 and 2031. These PRO Agreements obligate the District to make payments based on gross revenues from the municipalities and pay for normal property additions during the term of the agreement.

C. Wholesale Power Contracts –

The District serves its wholesale customers under total requirements contracts that require them to purchase total demand and energy requirements from the District, subject to certain exceptions. In 2016, the District entered into 20-year Wholesale Power Contracts (“2016 Contracts”) with 22 public power districts, one cooperative, and 37 municipalities. One public power district and 9 municipalities are served under the 2002 Contracts, which expire on December 31, 2021. In 2018, one of the District’s wholesale customers consolidated with another District wholesale customer.

The 2016 Contracts allow a wholesale customer to give notice to reduce its purchase of demand and energy requirements from the District based on a comparison of the District’s average annual wholesale power costs in a given year compared to power costs of U.S. utilities for such year listed in the National Rural Utilities Cooperative Finance Corporation Key Ratio Trend Analysis (Ratio 88) (the “CFC Data”). The CFC Data places a utility’s power costs in percentiles so that any given utility can compare its power costs on a percentile basis to the CFC published quartile information. The 2016 Contracts allow a wholesale customer to reduce its demand and energy purchases from the District if the District’s average annual wholesale power costs percentile level for a given year is higher than the 45th percentile level (the “Performance Standard Percentile”) of the power costs of U.S. utilities for such year as listed in the CFC Data. The 2016 Contracts would not allow any reductions in demand and energy purchases by a wholesale customer as long as the District’s average annual wholesale power costs percentile remained below the Performance Standard Percentile.

The following table lists the District's wholesale power costs percentile for the calendar years 2013 to 2018 set forth in the CFC Data:

CFC Data	
Year	Percentile
2013	31.0%
2014	27.6%
2015	31.3%
2016	28.2%
2017	26.0%
2018	26.9%

The District has ten wholesale customers remaining on the 2002 Contracts. The 2002 Contracts allow a wholesale customer to reduce its purchases of demand and energy upon giving appropriate notice. Reductions could amount to as much as 90% of their demand and energy requirements under certain circumstances. All wholesale customers under the 2002 wholesale contracts are required to purchase at least 10% of their demand and energy from the District through December 31, 2021.

The District has received notices from all wholesale customers under the 2002 Contracts as to their intent to level off, reduce, or terminate the requirements for various amounts from 2017 through 2021. These wholesale customers represented 1.8% and 3.6% of operating revenues for 2019 and 2018, respectively. The District expects that no requirements of said wholesale customers will be served by the District in 2022, and such wholesale customers will purchase all of their electric requirements from other suppliers. The District expects to sell the energy not sold to such wholesale customers into the SPP Integrated Market and continues to explore additional firm requirement and/or fixed price agreements.

The 2016 wholesale rates resulted in a 0.6% increase for wholesale customers who signed the 2016 Contracts, and a 3.8% increase for those wholesale customers who remained under the 2002 Contracts. Customers under the 2002 Contracts will pay their share of previously incurred OPEB costs (or the catch-up amount) through rates prior to the expiration of their contracts in 2021. Customers under the 2016 Contracts received a discount for the deferral of OPEB collections, extending those collections into the new contract period and resulting in the lower net wholesale rate increase. The District financed with taxable debt the 2016 Contracts customers' share of the OPEB catch-up amount for 2016, 2017 and 2018. The customers under the 2016 Contracts will commence payment of the related debt service beginning in 2022, the year after the expiration of the 2002 Contracts.

Eight of the ten wholesale customers who remained under the 2002 Contracts filed for binding arbitration in May 2016 claiming the 2016 wholesale rate violated the 2002 Contracts, was contrary to Nebraska's rate statute and reflected bad faith toward those not signing the 2016 Contracts. These customers later added the OPEB component of the 2017 wholesale rate to their dispute. The arbitration panel ruled in favor of the District in April 2017. This case was appealed and argued before the Court in March 2018. The Court upheld the 2017 arbitration decision in June 2018. After the arbitration filing in May 2016, disputed revenue collections for OPEB were set aside in separate accounts until the Court decision. These disputed amounts were contributed to the OPEB Trust in 2018.

D. *SPP Membership and Transmission Agreements –*

The District is a member of SPP, a regional transmission organization based in Little Rock, Arkansas. Membership in SPP provides the District reliability coordination service, generation reserve sharing, regional tariff administration, including generation interconnection service, network, and point-to-point transmission service, and regional transmission expansion planning. On March 1, 2014, SPP commenced a Day-Ahead, Ancillary Services, and Real-Time Balancing Market Integrated Market. The Integrated Market also provides a financial market to hedge unplanned transmission congestion, or financial virtual products to hedge uncertainties, such as unplanned outages.

The District entered into a Transmission Facilities Construction Agreement effective June 15, 2009, with TransCanada Keystone Pipeline, LP ("Keystone"). This agreement addresses the transmission facilities, construction, cost allocation, payment, and applicable cost recovery for the interconnection and delivery facilities required for the interconnection of Keystone to the District's transmission system. Cost of the project was \$8.4 million and repayment by Keystone, over a 10-year period, began in June 2010 with a remaining balance due the District of \$0.5 million and \$1.6 million as of December 31, 2019 and 2018, respectively.

The District and Heartland had previously entered into a Transmission Service Agreement ("Agreement") with an expiration date for the related transmission services of December 31, 2030. The District and Heartland terminated the Agreement with respect to such services effective December 31, 2018. Heartland paid the District \$35.0 million in 2018 as a termination fee in full satisfaction of its obligations under the Agreement.

The District has received an SPP Notice to Construct the R-Project, which allows the cost of construction to be included in SPP annual revenue requirements. The R-Project consists of the construction of approximately 225 miles of 345 kV transmission line from GGS, north to a new substation in Holt County interconnected to an existing 345 kV line owned by Western. The R-Project will strengthen the reliability of the District's transmission system, reduce transmission congestion, and allow for the integration of future renewable generation in an area of the state that lacks transmission access. The District's current approved budget estimate for the cost of construction of the R-Project is \$417.3 million. The District awarded a contract for the construction of the R-Project in January 2019. The District is managing the authorized expenditures and work performed. The District spent approximately \$83.8 million through December 31, 2019, for design, construction mobilization and easement acquisitions. Major construction activities for the R-Project are expected to begin in 2020 with an anticipated in-service date approximately two years after construction begins.

E. Cooper Nuclear Station –

On November 29, 2010, the NRC formally issued a certificate to the District to commemorate the renewal of the operating license for CNS for an additional 20 years until January 18, 2034. CNS entered the 20-year period of extended operation on January 18, 2014.

In October 2003, the District entered into an agreement (the "Entergy Agreement") for support services at CNS with Entergy Nuclear Nebraska, LLC ("Entergy"), a wholly owned indirect subsidiary of Entergy Corporation. In 2010, the Entergy Agreement was amended and extended by the parties until January 18, 2029, subject to either party's right to terminate without cause by providing notice and paying a \$20.0 million termination charge. Subsequently, the parties amended the agreement in 2017 restricting the ability to terminate without cause for a five-year period ending December 2022. In exchange for the limitation to terminate without cause, the management fee schedule was decreased by 18% during the five-year period. The Entergy Agreement requires the District to reimburse Entergy's cost of providing services, and to pay Entergy annual management fees. These annual management fees were \$16.1 million and \$15.2 million for 2019 and 2018, respectively. These fees will increase by an additional \$3.5 million and \$3.0 million in 2023 and 2024, respectively. Under the amended Entergy Agreement, Entergy can also earn additional annual incentive fees of up to \$4.0 million per year, with the exception of the years 2018-2022 where the amount is limited to \$3.5 million per year, if CNS achieves identified safety and regulatory performance targets. Entergy has achieved certain safety and regulatory performance targets during the term of the Entergy Agreement and has been eligible for at least a portion of this annual incentive fee.

Since the earthquake and tsunami of March 11, 2011, that impacted the Fukushima Dai-ichi Plants in Japan, the District, as well as the rest of the nuclear industry, has been working to first understand the events that damaged the reactors and associated fuel storage pools and then look to any changes that might be necessary at the United States nuclear plants.

On March 12, 2012, the NRC issued three orders to the U.S. nuclear industry as a result of the Fukushima Dai-ichi event in Japan. The first order requires all domestic nuclear plants to better protect supplemental safety equipment and obtain additional equipment as necessary to protect the reactor in the event of beyond design basis external events. The second order requires nuclear plant operators of boiling water reactors like CNS to modify reactor licenses with regard to reliable hardened containment wetwell vents. The third order requires nuclear plant operators to add reliable spent fuel pool water level instrumentation. CNS has completed all requirements of the three NRC orders.

The District's cost for plant modifications associated with the NRC's Fukushima Dai-ichi related orders was \$19.5 million, which was funded primarily from the revenues of the District and from the proceeds of General Revenue Bonds.

CNS substantially completed the construction of a dry cask used fuel storage project in December 2009 to support plant operations until 2034, which is the end of the operating license. The first loading campaign was completed in January 2011 and encompassed the loading of 488 used fuel assemblies from the CNS used fuel pool into eight dry used fuel storage casks for on-site storage. A second loading campaign, encompassing the loading of 610 used fuel assemblies into ten dry used fuel storage casks, began in April 2014 and was completed in June 2014. The third loading campaign, encompassing the loading of 732 used fuel assemblies into 12 dry used fuel storage casks, began in June 2017 and was completed in November 2017. The fourth loading campaign is expected in 2025.

As part of various disputed matters between GE and the District, GE has agreed to continue to store at the Morris Facility the spent nuclear fuel assemblies from the first two full core loadings at CNS at no additional cost to the District until the expiration of the current NRC license in May 2022 for the Morris Facility. After that date, storage would continue to be at no cost to the District as long as GE can maintain the NRC license for the Morris Facility on essentially the existing design and operating configuration.

As a result of the failure of the DOE to dispose of spent nuclear fuel from CNS as required by contract, the District commenced legal action against the DOE on March 2, 2001. The initial settlement agreement addressed future claims through 2013. On January 13, 2014, the District and the DOE agreed to extend the settlement agreement through 2016. On March 2, 2017, the District and the DOE agreed to extend the settlement agreement through 2019. Settlements from the DOE for damages totaled \$133.2 million for the years 2009 through 2019. The District also reserves the right to pursue future damages through the contract claims process. A corresponding regulatory liability for these DOE receipts was established in Other deferred inflows of resources. The District plans to use the funds to pay for costs related to CNS. The balance in the regulatory liability was \$72.0 million and \$75.4 million as of December 31, 2019 and 2018, respectively.

Under the terms of the DOE contracts, the District was also subject to a one mill per kilowatt-hour ("kWh") fee on all energy generated and sold by CNS, which was paid on a quarterly basis to DOE. The District includes a component in its wholesale and retail rates for the purpose of funding the costs associated with nuclear fuel disposal. While the District expects that the revenues developed therefrom will be sufficient to cover the District's responsibility for costs currently outlined in the Nuclear Waste Policy Act, the District can give no assurance that such revenues will be sufficient to cover all costs associated with the disposal of used nuclear fuel. On May 9, 2014, the DOE provided notice that they would adjust the spent fuel disposal fee to zero mills per kWh effective May 16, 2014. Correspondingly, no additional payments have been made to the DOE for fuel disposal since that date. The Board authorized the continued collection of this fee at the same rate. This approach ensures costs are recognized in the appropriate period with current customers receiving the benefits from CNS paying the appropriate costs. The expense for spent nuclear fuel disposal is recorded based on net electricity generated and sold and the regulatory liability will be eliminated when payments are made for spent nuclear fuel disposal.

Under the provisions of the Federal Price Anderson Act, the District and all other licensed nuclear power plant operators could each be assessed for claims in amounts up to \$137.6 million per unit owned in the event of any nuclear incident involving any licensed facility in the nation, with a maximum assessment of \$20.5 million per year per incident per unit owned.

The NRC evaluates nuclear plant performance as part of its reactor oversight process ("ROP"). The NRC has five performance categories included in the ROP Action Matrix Summary that is part of this process. As of December 31, 2019, CNS was in the Licensee Response Column, which is the first or best of the five NRC defined performance categories and has been in this column since the first quarter of 2012.

Refueling and maintenance outages are required to be performed at CNS approximately every two years. The most recent refueling and maintenance outage began on September 29, 2018 and was completed on November 17, 2018. During this outage, in addition to replacing 180 fuel assemblies and conducting routine maintenance, the

entire length of the emergency station startup transformer buss duct insulation was replaced, one of the reactor feed pump turbines was overhauled, and the reactor core isolation cooling governor controls were replaced.

Significant operations and maintenance expenses are incurred in an outage year. The Board has authorized the collection of these costs over a multi-year period to levelize revenue requirements for expenses and help ensure the customers receiving the benefits from CNS are paying the costs. The regulatory liability for the pre-collection of outage costs was \$21.0 million as of December 31, 2019 and will be eliminated through revenue recognition during the 2020 outage year.

A Notice of Unusual Event (“NOUE”) was issued at CNS due to rising water levels in the Missouri River on March 15, 2019. The NOUE was exited on March 24, 2019, when the water levels had receded. CNS operations were not impacted. Additional information is included in G.

F. Environmental – Water

The Federal Clean Water Act contains requirements with respect to effluent limitations relating to the discharge of any pollutant and to the environmental impact of cooling water intake structures. The NDEE establishes the requirements for the District's compliance with the Clean Water Act through issuance of National Pollutant Discharge Elimination System permits. NDEE issued the District permits for the following facilities: GGS, Sheldon, CNS, Beatrice Power Station, Canaday Station, Kearney Hydro and the North Platte Office Building. The District anticipates some level of fish protection equipment technology installation, both for impingement and entrainment, may be necessary for CNS and only for impingement at GGS. Until the final compliance options are determined, the District does not know the financial impact of this regulation.

On January 2, 2016, the final Steam Electric Power Plant Effluent Guidelines rule (the “Effluent Rule”) became effective. The Effluent Rule revises the technology-based effluent limitation guidelines and standards that would strengthen the existing controls on discharges from steam electric power plants and sets the first federal limits on the levels of toxic metals in wastewater that can be discharged from power plants, based on technology improvements in the steam electric power industry over the last three decades. Generally, the Effluent Rule establishes new or additional requirements for wastewater streams from the following processes and byproducts associated with steam electric power generation: flue gas desulfurization, fly ash, bottom ash, flue gas mercury control, and gasification of fuels such as coal and petroleum coke. While the District facilities subject to the Effluent Rule are CNS, GGS, Sheldon and Canaday Station, the Effluent Rule only has an impact on Sheldon. Sheldon will be required to be a zero discharge facility for bottom ash transport water by December 31, 2023. The District is currently analyzing the options for compliance, which is estimated to cost \$2.6 million. EPA has listed this rule as one they will consider for regulatory reform and the requirements may be subject to change.

Acid Rain Program

The Clean Air Act Amendments Title IV established a regulatory program, known as the Acid Rain Program, to address the effects of acid rain and impose restrictions on sulfur dioxide (“SO₂”) and nitrogen oxides (“NO_x”) emissions. Acid Rain Permits have been issued for the following facilities: GGS, Sheldon, Canaday Station and Beatrice Power Station. The Acid Rain Permits allow for the discharge of SO₂ at each facility pursuant to an allowance system. Based on current generation projections through 2025, the District expects to have sufficient Acid Rain allowances to cover affected facilities through 2025, but may be required to purchase additional allowances in the future.

Mercury and Air Toxic Standards

On February 16, 2012, the EPA issued a final rule intended to reduce emissions of toxic air pollutants from power plants. Specifically, the Mercury and Air Toxics Standards (“MATS”) Rule will require reductions in emissions from new and existing coal- and oil-fired steam utility electric generating units of toxic air pollutants. The affected District facilities, which are GGS and Sheldon, are in compliance with the MATS Rule.

Cross-State Air Pollution Rule

The EPA issued a rule in 2012 which is referred to as the Cross-State Air Pollution Rule (“CSAPR”) that would require significant reductions in SO₂ and NO_x emissions in a number of states, including Nebraska. CSAPR compliance periods went into effect on January 1, 2015. Based on the current CSAPR allocation methodology and

current generation projections through 2025, the District expects to have sufficient CSAPR allowances to cover affected facilities emission requirements through 2025, but may be required to purchase additional allowances in the future.

Regional Haze

The EPA issued final regulations for a Regional Haze Program in June 1999. The purpose of the regulations is to improve visibility in the form of reducing regional haze in 156 national parks and wilderness areas across the country. Haze is formed, in part, from emissions of SO₂ and NO_x. For phase one of the Regional Haze rule the Best Available Retrofit Technology ("BART") Report was submitted to the NDEE in August 2007 and a revised report was submitted in February 2008. The BART Report proposed that the Best Available Retrofit Technology to meet regional haze requirements at GGS would be low NO_x burners on Units No. 1 and No. 2 and no additional controls for SO₂. Low NO_x burners have now been installed on both units at GGS. The NDEE State Implementation Plan ("SIP") agreed with the BART Report. The NDEE submitted the SIP to the EPA for approval on June 30, 2011.

On May 30, 2012, the EPA issued a rule pertaining to the Regional Haze Program that would approve the trading program in CSAPR as an alternative to determining BART for power plants. As a result, states in the CSAPR region may substitute the trading program in CSAPR for source-specific BART for SO₂ and/or NO_x emissions as specified by CSAPR.

On July 6, 2012, the EPA issued the final rule on the Nebraska Regional Haze SIP. The final rule approved the GGS NO_x portion of the SIP but disapproved the SO₂ portion of the SIP for GGS. The EPA issued a Federal Implementation Plan ("FIP") for GGS which stated that BART for SO₂ control at GGS is compliance with CSAPR. The District is currently in compliance with all requirements of phase one of the Regional Haze rule.

On January 10, 2017, the EPA issued final changes to the Regional Haze regulations for the second planning phase of the Regional Haze Rule. The District is evaluating the changes but will not know the full impact to the District until the State and the EPA begin implementing the second phase of the Regional Haze rule. The State is required to submit their SIP for the second phase of the Regional Haze rule by July 31, 2021.

Clean Air Act Compliance (New Source Review)

As part of EPA's nationwide investigation and enforcement program for coal-fired power plants' compliance with the Clean Air Act including New Source Review requirements, on December 4, 2002, the Region 7 office of the EPA began an investigation to determine the Clean Air Act compliance status of GGS and Sheldon. The District timely responded to EPA's requests for information. By letter dated December 8, 2008, EPA Region 7 sent a Notice of Violation ("NOV") to the District which alleges that the District violated the Clean Air Act by undertaking five projects at GGS from 1991 through 2001 without obtaining the necessary permits. In February and August 2009, District representatives met with federal government representatives to discuss the NOV and no additional meetings have been scheduled. In general, enforcement action by EPA against the District for alleged noncompliance with Clean Air Act requirements, if upheld after court review, can result in the requirement to install expensive air pollution control equipment that is the BART and the imposition of monetary penalties ranging from \$25,000 to \$32,500 per day for each violation. The District cannot determine at this time whether it will have any future financial obligation with respect to the NOV.

On July 22, 2016, EPA Region 7 sent a new 114(a) request for documents and information regarding the compliance status of GGS. On December 27, 2016, EPA Region 7 sent a 114(a) follow-up request for additional information on certain projects that were identified in the July 22, 2016, 114(a) request. The EPA is reviewing whether there have been physical or operational changes since November 8, 2007 which resulted in, or could result in, increased emissions including projects underway or planned for the next two years. The District gathered documents and information and provided it to the EPA. Failure to comply with the Clean Air Act can result in fines as described above and/or requirements to install additional emission control equipment. The District believes GGS has been operated and maintained in compliance with the requirements of the Clean Air Act.

Clean Power Plan

On October 23, 2015, the EPA published the final Clean Power Plan ("CPP") rule addressing carbon dioxide reductions from existing fossil-fueled power plants. The final rule gave states significant responsibility for determining how to achieve the reduction targets through the development of a State Plan. Each state was given a

reduction target to be achieved by 2030, with interim reductions required between 2022 and 2029. The Nebraska reduction target for 2030 was 40% below 2012 emissions. On February 9, 2016, the U.S. Supreme Court issued a stay for the CPP until all legal challenges have been decided. The D.C. Circuit Court of Appeals ("Appeals Court") heard oral arguments on September 27, 2016 and a decision was expected in early 2017. Prior to the Appeals Court issuing a decision, the EPA asked the Appeals Court to hold the legal process in abeyance while the EPA worked to repeal and replace the CPP.

On August 31, 2018, the EPA issued the proposed CPP replacement rule now called the Affordable Clean Energy ("ACE") rule. Under Section 111(d) of the Clean Air Act the EPA must determine the Best System of Emissions Reduction ("BSER") for CO₂ at individual fossil-fuel fired steam generating units. The proposed ACE rule makes the determination that BSER for CO₂ at individual fossil-fuel fired steam generating units to be heat rate improvement ('HRI') projects. The EPA is also proposing to update the New Source Review process. On July 8, 2019, the EPA finalized the ACE rule and officially repealed the CPP. The ACE rule requires the District to evaluate the feasibility of installing six separate HRI projects at its coal fired facilities. The evaluation includes the potential cost to install and the projected efficiency improvement. The State will review the information and make the determination if any of the HRI projects will be required to be installed. The State will also then set a CO₂ emission rate limit for each coal fired unit. The final rule requires the states to submit a State Plan by July 8, 2022. The District is currently reviewing the final rule, evaluating the potential HRI projects and is working with the State and other utilities to develop the State Plan. It is not possible to determine the potential impact of the final rule until NDEE develops the State Plan. On September 17, 2019, the D.C. Circuit Court dismissed all legal challenges to the CPP as moot due to EPA repealing the CPP and replacing it with the ACE rule.

Endangered Species Act –

The District applied to the U.S. Fish and Wildlife Service ("USFWS") under Section 10 of the Endangered Species Act ("ESA") for an Incidental Take Permit ("ITP") for the American burying beetle ("Beetle"), which is an endangered species. Issuance of an ITP is contingent upon USFWS acceptance of a Habitat Conservation Plan ("HCP") developed by the District to avoid, minimize and mitigate impacts on the Beetle. On February 8, 2019, the USFWS issued a Final Environmental Impact Statement ("FEIS") regarding the R-Project HCP to assess impacts on the environment. The FEIS describes the R-Project, certain alternatives, environmental impacts, cumulative impacts, comparison of alternatives and compliance and other environmental laws. On June 12, 2019, the USFWS issued its Record of Decision and the ITP. An escrow agreement was executed with USFWS to serve as financial assurance for the District's restoration obligations with respect to the R-Project.

In a letter dated September 18, 2018, the District received notice from two landowners alleging violations of the ESA. The letter claims certain preparatory actions by the District, including exploring certain land rights and acquiring easements for the R-Project right-of-way prior to receiving the ITP, violate the ESA. The center for Biological Diversity submitted a comment letter to the District on September 19, 2018, in support of the allegations contained in the landowners' notice letter. The District does not believe its actions constitute such a violation. The District is unable to predict whether the parties sending the notice letter will commence legal action.

Impact from Changes to Environmental Regulatory Requirements –

Any changes in the environmental regulatory requirements imposed by federal or state law which are applicable to the District's generating stations could result in increased capital and operating costs being incurred by the District. The District is unable to predict whether any changes will be made to current environmental regulatory requirements, if such changes will be applicable to the District and the costs thereof to the District.

G. Impact on Operations and Damages from Adverse Weather Conditions and Sale of Water Rights

In mid-March 2019, multiple river basins in northern and eastern Nebraska, as well as river basins in the surrounding region, experienced unprecedeted weather conditions as a result of exiting snowpack, blizzard conditions, frozen ground, significant rainfall and ice conditions on and around numerous rivers and their tributaries. The District sustained significant damage at the Spencer Hydro Facility, a small hydro plant on the Niobrara River in northern Nebraska accredited at 1.28 MW, which produced 10,509 MWh in 2018. The Spencer Hydro Facility, including the hydro plant and the concrete and earthen dam structures (collectively, the "Spencer Hydro Facility") was damaged. An individual living below the dam has been missing and declared dead. The District also experienced damages to transmission and substation facilities. Certain distribution facilities were also damaged, and a small number of customers lost service for an extended period due to protracted flood conditions in low-lying areas. CNS declared

a Notice of Unusual Event for several days due to flooding conditions along the Missouri River, but operated continuously during the period. Restoration costs for all facilities, except the Spencer Hydro Facility, is expected to be approximately \$7.5 million.

The District has been working with the Federal Emergency Management Agency ("FEMA") to make appropriate claims for reimbursement for a portion of the storm-related costs. The District estimates that approximately 60-70 percent of the costs from the March 2019 weather events may be reimbursed by FEMA. FEMA is requiring a detailed study on the cost of rebuilding and the cost of removing the Spencer Hydro Facility, which the District is pursuing through an engineering firm. The Spencer Hydro Facility is regulated by the Nebraska Department of Natural Resources ("NDNR") which has requested an independent investigation of the events at the Spencer Hydro Facility through the Association of State Dam Safety Officials. The report associated with the investigation is expected to be released during the second quarter of 2020. The District expects to eventually remove the Spencer Hydro Facility which will require approval from the NDNR with potential input from other state and federal agencies.

A lawsuit was filed against the District relating to the death of the individual who lived below the dam during these adverse weather conditions. The lawsuit also includes claims for damages related to real and personal property that was owned by the deceased. At this time, it is not possible to predict the outcome of such lawsuit or any other claims that may arise. It is possible that the cost of such lawsuit or potential other claims and the cost of removing the Spencer Hydro Facility could be significant. The District maintains property and liability insurance and has notified its carriers of the events at the Spencer Hydro Facility.

Prior to this incident, a contract was signed for the sale of the District's Spencer Hydro Facility, including dam, structures, land, water appropriations, and perpetual easements for the reservoir, to the Niobrara River Basin Alliance (Five Natural Resource Districts) and the Nebraska Game and Parks Commission. Due to the damages sustained to the facility and related structures, the contract for sale has been amended by the parties to provide for only the sale of the water rights associated with the Spencer Hydro Facility.

13. LITIGATION:

On January 1, 2016, Tri-State Generation and Transmission Association, Inc. ("Tri-State") became a transmission member of SPP and its transmission facilities in western Nebraska, and the corresponding annual transmission revenue requirements were placed under the SPP tariff. SPP filed at Federal Energy Regulatory Commission ("FERC") to place the Tri-State transmission facilities in the District's pricing zone rather than establish a new pricing zone for Tri-State. The District protested the filing at FERC, because it results in approximately a \$4.3 million per year, or 8%, cost shift increase to the transmission customers in the District's pricing zone. As a result of the District's protest, FERC set the matter for hearing before an administrative law judge and the District and other parties submitted briefs and testimony on the proper pricing zone and whether SPP's decision is discriminatory and an unjust and unreasonable cost shift to the District. On February 23, 2017, the administrative law judge issued an initial decision upholding the SPP pricing zone placement and made recommended conclusions to FERC. On May 17, 2018, FERC entered an order affirming the administrative law judge's initial decision. On June 18, 2018, the District filed a request for rehearing of that order. FERC's Order of January 17, 2019, denied that request for rehearing. On March 15, 2019, the District filed a petition for review of the January 17, 2019 Order with the United States Eighth Circuit Court of Appeals ("Eighth Circuit Court"). Oral argument before a three-judge panel of the Eighth Circuit Court was held on January 15, 2020.

In 2017, the Nebraska Department of Revenue ("NDOR") conducted a sales and use tax audit on the District's records for the audit period of June 1, 2014 through May 31, 2017. NDOR issued a Notice of Deficiency Determination ("Determination") to the District for approximately \$6.5 million, including interest and penalties of over \$1.0 million, on January 30, 2018. Beyond the minor sales and use tax corrections contained in a normal audit Determination, the NDOR assessed almost \$5.5 million of tax on the payments to municipalities under PRO Agreements. The District disagreed with the NDOR's assessment and filed a Petition for Redetermination to formally challenge the Determination on March 29, 2018. State legislation was passed in 2019 that clearly exempted these payments from sales and use tax, but the Petition for Redetermination has not yet been addressed by NDOR.

On July 5, 2019, two nonprofit organizations and two other petitioners (“Petitioners”) filed a petition for review in Colorado federal district court (“District Court”) against three USFWS and Department of the Interior officials (“Federal Respondents”). The lawsuit seeks review of the USFWS decisions to approve the habitat conservation plan and issue the ITP to the District, alleging claims under the ESA, National Environmental Policy Act, and National Historic Preservation Act. The District moved to intervene to defend the permit issuance and USFWS decisions, which was granted on September 19, 2019. Petitioners asked the District Court to vacate and remand the USFWS decisions and seek to enjoin USFWS from issuing an ITP pending compliance with the statute that Petitioners allege were not followed.

Subsequent to filing the lawsuit, Petitioners stipulated with the Federal Respondents and the District that Petitioners would not seek a preliminary injunction prior to the District Court’s initial decision on the merits or until March 31, 2020 (whichever occurs first). In exchange, the District deferred all R-Project major construction-related activities until March 31, 2020. On March 27, 2020, both parties agreed to extend the date to April 30, 2020. Petitioners and the District agreed to a number of right-of-way acquisition, route staking, clearing, substation work at GGS, Thedford, and Holt County substation sites, and other activities that the District may pursue during the pendency of the District Court litigation. Briefs have been filed and the District is awaiting a determination by the District Court.

Information on litigation related to the adverse weather conditions in March 2019 is included in Note 12.G.

A number of claims and suits are pending against the District for alleged damages to persons and property and for other alleged liabilities arising out of matters usually incidental to the operation of a utility, such as the District. In the opinion of management, based upon the advice of its General Counsel, the aggregate amounts recoverable from the District, considering estimated amounts provided in the financial statements and insurance coverage, are not material.

14. SUBSEQUENT EVENTS:

Impact of COVID-19 Coronavirus Pandemic

President Donald Trump declared the COVID-19 coronavirus pandemic a national emergency on March 13, 2020. Prior to this declaration, the District’s Executive Response Team and Infectious Disease Project Team were activated to lead the execution of activities identified in the Infectious Disease Plan to minimize risks of service disruption, the spreading of the illness, and adverse impacts to customers, employees and District property and operations. This Plan identifies essential functions which must continue during the pandemic. Among the essential functions are actions related to the continuation of generation, transmission and distribution operations and certain financial support activities including customer billing, processing of customer payments, procurement activities and disbursements of funds. The continuation of these financial support activities will ensure compliance with debt agreement representations and covenants including the timely payment of debt service obligations during this pandemic period. This Plan also includes actions to ensure report filings are timely made, including communications with bond counsel to validate required filings and other required communications. A process was also put in place to communicate with wholesale and retail customers to provide support and ensure continuation of service as well as to monitor any adverse impact on energy sales due to the economic disruption caused by this pandemic.

SUPPLEMENTAL SCHEDULES (UNAUDITED)

Calculation of Debt Service Ratios in accordance with the General Revenue Bond Resolution for the years ended December 31, (in 000's)

	2019	2018
Operating revenues	\$ 1,074,475	\$ 1,144,858
Operating expenses	(974,102)	(1,025,185)
Operating income	100,373	119,673
Investment and other income	47,050	26,896
Debt and related expenses	(58,239)	(63,861)
Increase in net position	89,184	82,708
Add:		
Debt and related expenses ⁽¹⁾	58,239	63,861
Depreciation and amortization ⁽²⁾	124,972	133,057
Payments to retail communities ⁽³⁾	27,983	27,745
Amortization of current portion of financed nuclear fuel ⁽⁴⁾	38,959	35,102
Amounts collected from third party financing arrangements ⁽⁵⁾	1,036	986
	<u>251,189</u>	<u>260,751</u>
Deduct:		
Investment income retained in construction funds ⁽⁶⁾	603	632
Unrealized gain (loss) on investment securities	4,048	204
	<u>4,651</u>	<u>836</u>
Net revenues available for debt service under the General System Bond Resolution ...	<u>\$ 335,722</u>	<u>\$ 342,623</u>
Amounts deposited in the General System Debt Service Account:		
Principal	\$ 90,085	\$ 98,590
Interest	63,910	69,841
	<u>\$ 153,995</u>	<u>\$ 168,431</u>
Ratio of net revenues available for debt service to debt service deposits	<u>2.18</u>	<u>2.03</u>

(1) Debt and related expenses, exclusive of interest on customer deposits, is not an operating expense as defined in the General Resolution.

(2) Depreciation and amortization are not operating expenses as defined in the General Resolution.

(3) Under the provisions of the General Resolution, the payments required to be made by the District with respect to the PRO Agreements are to be made on the same basis as subordinated debt.

(4) General Revenue Bond financed nuclear fuel is not an operating expense as defined in the General Resolution. As of July 31, 2015, the effective date of the TRCA, amortization of nuclear fuel expense under the TRCA is excluded from the debt service calculation as the District's obligation to make payments under the TRCA is subordinate to the District's obligation to pay debt service on General Revenue Bonds.

(5) The payments received by the District from third party financing arrangements are included as Revenues under the General Resolution but are not recognized as revenue under GAAP.

(6) Interest income on investments held in construction funds is not Revenue as defined in the General Resolution.

Schedule of Changes in the Net OPEB Liability and Related Ratios using a January 1 Measurement Date (in 000's)

Total OPEB Liability	2019	2018	2017	2016
Service Cost	\$ 2,771	\$ 2,760	\$ 3,322	\$ 3,229
Interest	19,661	20,032	20,658	19,876
Differences between Expected and Actual Experiences	(8,686)	(19,570)	(203)	13,657
Changes of Assumptions	(751)	5,585	(18,807)	(9,149)
Benefit Payments, net of employee contributions	(14,060)	(15,414)	(13,459)	(16,902)
Net Change in Total OPEB Liability	(1,065)	(6,607)	(8,489)	10,711
Total OPEB Liability (beginning)	318,737	325,344	333,833	323,122
Total OPEB Liability (ending) (a)	<u>\$ 317,672</u>	<u>\$ 318,737</u>	<u>\$ 325,344</u>	<u>\$ 333,833</u>
Plan Fiduciary Net Position				
Contributions	\$ 56,706	\$ 28,439	\$ 74,711	\$ 28,242
Net Investment Income	(6,892)	21,350	6,102	(453)
Benefit Payments, net of employee contributions	(14,060)	(15,414)	(13,459)	(16,902)
Administrative Expense	(130)	(70)	(69)	(150)
Net Change in Plan Fiduciary Net Position	35,624	34,305	67,285	10,737
Plan Fiduciary Net Position (Beginning)	176,814	142,509	75,224	64,487
Plan Fiduciary Net Position (Ending) (b)	<u>\$ 212,438</u>	<u>\$ 176,814</u>	<u>\$ 142,509</u>	<u>\$ 75,224</u>
Net OPEB Liability (Ending) (a) - (b)	<u>\$ 105,234</u>	<u>\$ 141,923</u>	<u>\$ 182,835</u>	<u>\$ 258,609</u>
Net Position as a % of Total OPEB Liability	66.9%	55.5%	43.8%	22.5%

GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was implemented by the District in 2016. The provisions of this Statement were not applied to prior periods, as it was not practical to do so as the information was not readily available. The OPEB schedules are intended to show information for ten years. Additional years will be displayed when available.

Schedule of OPEB Contributions for Years Ended December 31, (in 000's)

	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 12,967	\$ 18,572	\$ 21,006	\$ 28,283
Contributions Made in Relation to the Actuarially Determined Contribution ..	41,084	56,706	28,439	74,712
Contribution Deficiency (Excess)	<u><u>\$ (28,117)</u></u>	<u><u>\$ (38,134)</u></u>	<u><u>\$ (7,433)</u></u>	<u><u>\$ (46,429)</u></u>

Notes to Schedule:

Valuation date – Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used for 2019 –

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	14-year closed period
Asset valuation method	5-year smoothed market
Healthcare cost trend rates	Pre-Medicare: 7.4% initial, ultimate 4.5% Post-Medicare: 8.2% initial, ultimate 4.5% Included impact of the excise tax (not repealed until 12/2019)
Inflation	2.3%
Salary increases	4.0%
Investment rate of return	6.25%, net of investment expense, including inflation
Discount rate	6.25%, based on expected long-term return on assets used to finance the payment of plan benefits
Mortality	Pub-2010 "General" table with generational projection using Scale MP-2018
Retirement and withdrawal rates	Varies by age
Spousal benefits	80% of males and 60% of females are assumed to have spouses who will elect coverage. Males are assumed to be two years older than their spouses. Females are assumed to be two years younger.
Participation rate	95.0%

Methods and assumptions used for 2018 –

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	15-year closed period
Asset valuation method	5-year smoothed market
Healthcare cost trend rates	Pre-Medicare: 7.7% initial, ultimate 4.5% Post-Medicare: 8.7% initial, ultimate 4.5%
Inflation	2.3%
Salary increases	4.0%
Investment rate of return	6.25%, net of investment expense, including inflation
Discount rate	6.25%, based on expected long-term return on assets used to finance the payment of plan benefits
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2017 with generational projection
Retirement and withdrawal rates	Varies by age
Spousal benefits	80% of males and 30% of females are assumed to have spouses who will elect coverage. Males are assumed to be three years older than their spouses. Females are assumed to be three years younger.
Participation rate	100.0%

Methods and assumptions used for 2017 –

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	16-year closed period
Asset valuation method	5-year smoothed market
Healthcare cost trend rates	Pre-Medicare: 7.3% initial, ultimate 4.5% Post-Medicare: 9.1% initial, ultimate 4.5%
Inflation	2.1%
Salary increases	4.0%
Investment rate of return	6.25%, net of investment expense, including inflation
Discount rate	6.25%, based on expected long-term return on assets used to finance the payment of plan benefits
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2016 with generational projection
Retirement and withdrawal rates	Varies by age
Spousal benefits	80% of males and 30% of females are assumed to have spouses who will elect coverage. Males are assumed to be three years older than their spouses. Females are assumed to be three years younger.
Participation rate	100.0%

Methods and assumptions used for 2016 –

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	17-year closed period
Asset valuation method	5-year smoothed market
Healthcare cost trend rates	Pre-Medicare: 8% initial, ultimate 5% Post-Medicare: 6.75% initial, ultimate 5%
Inflation	2.1%
Salary increases	4.0%
Investment rate of return	6.25%, net of investment expense, including inflation
Discount rate	6.25%, based on expected long-term return on assets used to finance the payment of plan benefits
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2015 with generational projection
Retirement and withdrawal rates	Varies by age
Spousal benefits	80% of males and 30% of females are assumed to have spouses who will elect coverage. Males are assumed to be three years older than their spouses. Females are assumed to be three years younger.
Participation rate	100.0%

Schedule of Investment Returns for Years Ended December 31,

	2019	2018	2017	2016
Annual Money-Weighted Rate of Return, Net of Investment Expense	18.9%	(3.6)%	14.2%	5.8%

GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was implemented by the District in 2016. The provisions of this Statement were not applied to prior periods, as it was not practical to do so as the information was not readily available. The OPEB schedules are intended to show information for ten years. Additional years will be displayed when available.



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